

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE DRS35332-LB-309 (3/16)

Short Title: Trust Fund For Essential Services.

(Public)

Sponsors: Senator Blake.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CREATE A TRUST FUND FOR ESSENTIAL SERVICES TO BE FUNDED FROM STATE LOTTERY PROCEEDS, AND TO LIMIT ANY EXPENDITURE FROM THE FUND UNTIL AFTER JANUARY 1, 2057.

The General Assembly of North Carolina enacts:

SECTION 1. Article XIV of the Constitution of North Carolina is amended by adding a new section to read:

"Sec. 6. Trust Fund For Essential Services.

Five percent (5%) or fifteen million dollars (\$15,000,000), whichever is less, of the net revenues of any State Lottery shall be deposited in the Trust Fund For Essential Services. The principal and interest of the Trust Fund For Essential Services shall not be expended before January 1, 2057. On or after January 1, 2057, only one-half of the annual interest earned on the Trust Fund during the previous year may be appropriated by the General Assembly. The corpus of the Trust Fund may be expended only after January 1, 2057, and only upon a vote of two-thirds majority of each house of the General Assembly present and voting."

SECTION 2. The amendment set out in Section 1 of this act shall be submitted to the qualified voters of the State at the statewide general election in November of 2006, which election shall be conducted under the laws then governing elections in the State. Ballots, voting systems, or both may be used in accordance with Chapter 163 of the General Statutes. The question to be used in voting systems and ballots shall be:

"[] FOR [] AGAINST

Constitutional amendment providing for the establishment of a Trust Fund For Essential Services."

SECTION 3. If a majority of the votes cast on the question are in favor of the amendment set out in Section 1 of this act, the State Board of Elections shall certify

1 the amendment to the Secretary of State. The amendment becomes effective January 1,
2 2007. The Secretary of State shall enroll the amendment so certified among the
3 permanent records of that office.

4 **SECTION 4.** Chapter 143 of the General Statutes is amended by adding a
5 new section to read:

6 "**§ 143-15.3E. Trust Fund For Essential Services.**

7 (a) The Trust Fund For Essential Services is established as an interest-bearing,
8 nonreverting special fund in the Office of State Budget and Management. Moneys in the
9 Trust Fund For Essential Services shall be held in trust and used solely to provide
10 essential services to the citizens of North Carolina if funds from all other sources
11 available to the State are inadequate to provide those essential governmental services.

12 The State Treasurer shall hold the Trust Fund For Essential Services separate and
13 apart from all other moneys, funds, and accounts. The State Treasurer shall be the
14 custodian of the Trust Fund For Essential Services and shall invest its assets in
15 accordance with G.S. 147-69.2 and G.S. 147-69.3. Investment earnings credited to the
16 assets of the Trust Fund For Essential Services shall become part of the Trust Fund For
17 Essential Services. Any balance remaining in the Trust Fund For Essential Services at
18 the end of any fiscal year shall be carried forward in the Trust Fund For Essential
19 Services for the next succeeding fiscal year.

20 The North Carolina State Lottery Commission shall annually pay to the Trust Fund
21 For Essential Services five percent (5%) or fifteen million dollars (\$15,000,000),
22 whichever is less, of the net revenues of the State lottery.

23 No funds may be expended from the Trust Fund For Essential Services before
24 January 1, 2057. After January 1, 2057, only one-half of the annual interest earned on
25 the Trust Fund during the previous year may be appropriated by the General Assembly.
26 The corpus of the Trust Fund may be expended only after January 1, 2057, and only
27 upon a vote of two-thirds majority of each house of the General Assembly present and
28 voting.

29 (b) The Director may not use funds in the Trust Fund For Essential Services
30 unless the use has been approved by an act of the General Assembly."

31 **SECTION 5.** G.S. 18C-164 reads as rewritten:

32 "**§ 18C-164. Transfer of net revenues.**

33 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of
34 all revenues to the Lottery Fund and after accrual of all obligations of the Commission
35 for prizes and expenses shall be considered to be the net revenues of the North Carolina
36 State Lottery Fund. The net revenues of the North Carolina State Lottery Fund shall be
37 transferred periodically to the Education Lottery Fund, which shall be created in the
38 State treasury.

39 (a1) From the Education Lottery Fund, the Commission shall transfer a sum equal
40 to five percent (5%) of the net revenue of the prior year, but not to exceed fifteen
41 million dollars (\$15,000,000), to the Trust Fund For Essential Services established by
42 G.S. 143-15.3E.

43 (b) After making the transfer required by subsection (a1) of this section, if five
44 percent (5%) of net revenue exceeds fifteen million dollars (\$15,000,000) in a prior

1 year, ~~from~~ from the Education Lottery Fund, the Commission shall transfer a sum equal
2 to the difference between fifteen million dollars (\$15,000,000) and five percent (5%) of
3 the net revenue of the prior year to the Education Lottery Reserve Fund. A special
4 revenue fund for this purpose shall be established in the State treasury to be known as
5 the Education Lottery Reserve Fund, and that fund shall be capped at fifty million
6 dollars (\$50,000,000). Monies in the Education Lottery Reserve Fund may be
7 appropriated only as provided in subsection (e) of this section.

8 (c) The Commission shall distribute the remaining net revenue of the Education
9 Lottery Fund, as follows, in the following manner:

- 10 (1) A sum equal to fifty percent (50%) to support reduction of class size in
11 early grades to class size allotments not exceeding 1:18 in order to
12 eliminate achievement gaps and to support academic prekindergarten
13 programs for at-risk four-year-olds who would otherwise not be served
14 in a high-quality education program in order to help those
15 four-year-olds be prepared developmentally to succeed in school.
- 16 (2) A sum equal to forty percent (40%) to the Public School Building
17 Capital Fund in accordance with G.S. 115C-546.2.
- 18 (3) A sum equal to ten percent (10%) to the State Educational Assistance
19 Authority to fund college and university scholarships in accordance
20 with Article 35A of Chapter 115C of the General Statutes.

21 (d) Of the sums transferred under subsection (c) of this section, the General
22 Assembly shall appropriate the funds annually based upon estimates of lottery net
23 revenue to the Education Lottery Fund provided by the Office of State Budget and
24 Management and the Fiscal Research Division of the North Carolina General Assembly.

25 (e) If the actual net revenues are less than the appropriation for that given year,
26 then the Governor may transfer from the Education Lottery Reserve Fund an amount
27 sufficient to equal the appropriation by the General Assembly. If the monies available in
28 the Education Lottery Reserve Fund are insufficient to reach a full appropriation, the
29 Governor shall transfer monies in order of priority, to the following:

- 30 (1) To support academic prekindergarten programs for at-risk
31 four-year-olds who would otherwise not be served in a high-quality
32 education program in order to help those four-year-olds be prepared
33 developmentally to succeed in school.
- 34 (2) To reduce class size.
- 35 (3) To provide financial aid for needy students to attend college.
- 36 (4) To the Public School Building Capital Fund to be spent in accordance
37 with this section.

38 (f) If the actual net revenues exceed the amounts appropriated in that fiscal year,
39 the excess net revenues shall remain in the Education Lottery Fund, and then be
40 transferred as follows:

- 41 (1) Fifty percent (50%) to the Public School Building Capital Fund to be
42 spent in accordance with this section.
- 43 (2) Fifty percent (50%) to the State Educational Assistance Authority to
44 be spent in accordance with this section."

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SECTION 6. This act is effective when it becomes law.