

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 1490 (1st Edition)

SHORT TITLE: Secure Local Revenues

SPONSOR(S): Representative Gibson

FISCAL IMPACT					
	Yes ()	No ()	No Estimate Available (X)		
	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>
REVENUES					
General Fund					
Local Governments					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Office of State Budget and Management, Office of the Governor, Local Governments.					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: The bill attempts to limit the Governor’s ability to withhold the local portion of revenues shared with cities and counties by declaring these funds local revenue. Specifically Section 1 addresses beer and wine taxes, while Section 2 discusses the franchise tax on electricity. Section 3 considers the tax on piped natural gas. Section 4 addresses the tax on telecommunications. Section 5 considers the Highway Fund and Highway Trust Funds allocated as Powell Bill funds. Section 6 recognizes the need for local governments to be able to rely on the funds mentioned in Sections 1–5, and adds intent language to clarify that the funds committed or appropriated by the legislature for local governments shall not be reduced unless the governor has exhausted all other sources of revenue for the state. It also explicitly recognizes that the state is prohibited from taking local revenues.

BACKGROUND: In the spring of 2001, as a result of substantial budget shortfall, the governor escrowed \$95.0 million of reimbursement payments to local governments. This payment is made as a reimbursement for revenues lost by the state’s repeal of the property tax on various inventories. The funds were placed in an escrow account in case they were needed to balance the state budget on June 30, 2001. These funds were later released to the local units. In 2002, again facing a difficult fiscal situation, Governor Easley escrowed the spring inventory tax reimbursement to local governments. This \$95.0 million was again placed in a special account to hold in case it was needed to balance the state

budget in 2002. At the same time the governor announced he was holding an additional \$114.0 million in reimbursements and shared revenues to secure his ability to balance the state budget. The \$114 million included the following estimated amounts:

<u><i>Fund Type</i></u>	<u><i>Amount Withheld</i></u>
Franchise Utility Tax	
March Distribution	35.6
June Distribution	25.0
Piped Natural Gas	
March Distribution	6.9
June Distribution	11.8
Beer and Wine Tax	26.8
<u>Homestead Exemption</u>	<u>7.9</u>
TOTAL	114.0

These amounts remain in escrowed funds for potential use for balancing the 2001-02 state budget.

ASSUMPTIONS AND METHODOLOGY: This legislation has no direct impact on the budgets passed by the General Assembly, as these shared revenues have not been used in the legislative process for state expenditures. However, the legislation could limit the options available to the Governor. Because of the lack of clarity about what actions will be required of the Governor in future years, and the impact this particular legislation will have on the individual's decisions, no fiscal estimate is possible on the impact of the legislation.

SOURCES OF DATA: Office of State Budget and Management.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Linda Struyk Millsaps

APPROVED BY: James D. Johnson

DATE: June 7, 2002



Signed Copy Located in the NCGA Principal Clerk's Offices