

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 134

**SHORT TITLE:** LOCAL FINANCIAL SECURITY

**SPONSOR:** Representative Nesbitt

**FISCAL IMPACT:**      **Expenditures:**      **Increase (X)**      **Decrease (X)**  
                                  **Revenues:**                      **Increase ( )**      **Decrease (X)**

**FUND AFFECTED:**      **General Fund (X)**      **Highway Fund ( )**      **Local Govt. (X)**  
                                  **Other Funds ( )**

**BILL SUMMARY:** Converts funding for \$237 million distribution of local tax-sharing and state-collected local revenues from annual appropriation to pre-1990 system of earmarking certain state taxes. In addition, the tie-in to state tax collections restores automatic future growth in distribution to local units from the frozen appropriations during the 1991-93 biennium. From each year's distribution to local units, a flat \$32.2 million would be withheld. This amount represents the two-year cost of the freeze on growth that was part of the response to the 1991-92 budget crisis. To avoid one-time negative accounting impact on state General Fund revenue, the \$103 million of intangibles tax distribution is shifted from August 30 to June 15. To offset cash-flow impact on local units from shifting intangibles tax, 60% (\$114 million) of inventory tax reimbursement distribution would be moved from April to August. Finally, the proposal converts the beer and wine tax distribution from an annual basis to quarterly.

**EFFECTIVE DATE:** The tax distribution changes become effective beginning with the 1993-94 fiscal year.

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:** The Department of Revenue distributes the local tax aid funds.

<b>FISCAL IMPACT</b>					
\$ Million					
	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
<b>REVENUES:</b>					
State General Fund	-21.7*	-30.4	-46.9	-64.4	-82.9
Local Govt.	+21.7*	+30.4	+46.9	+64.4	
	+82.9				

\*Includes \$7.2 million of one-time impact.

<b>EXPENDITURES:</b>					
State General Fund	.187	.134	.139	.146	.153
Less: Addit. Receipts**	.157	.112	.116	.120	.125
Net General Fund	.030	.022	.023	.026	.028

\*\*Earmarking formula provides for full recovery of collection and distribution of intangibles tax in the form of a deduction from the amount distributed to local units.

**ASSUMPTIONS AND METHODOLOGY:** Fiscal impact estimates developed using same revenue estimate as that used in state budget process.

**SOURCES OF DATA:** N.C. DEPARTMENT OF REVENUE, 1992 SESSION CURRENT OPERATIONS APPROPRIATIONS ACT.

**FISCAL RESEARCH DIVISION: 733-4910**

**PREPARED BY:** Dave Crotts

**APPROVED BY:** Tom Covington

**DATE:** May 17, 1993



**Signed Copy Located in the NCGA Principal Clerk's Offices**