

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 583 (First Edition)

SHORT TITLE: Wetlands Reimbursement / Local Tax Base

SPONSOR(S): Rep. Wainwright

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
Local Governments	No Exact Estimate Available – See Assumptions and Methodology				
EXPENDITURES					
General Fund	<u>No General Fund Impact</u>				
Local Governments	No Exact Estimate Available – See Assumptions and Methodology				
DENR - Wetlands					
Trust Fund	\$183,600	\$183,600	\$183,600	\$183,600	\$183,600
NCDOT - Highway					
Trust Fund	\$1,334,000 over the five-year period				
POSITIONS: (cumulative)					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources – Wetlands Restoration Program and Fund; Department of Transportation and Highway Trust Fund; Local governments and other State agencies					
EFFECTIVE DATE: When it becomes law and applies to transfers made on or after that date.					

BILL SUMMARY: The proposed legislation requires state and local government agencies that acquire land for wetlands mitigation to reimburse the county for lost taxes due to the acquisition. The payment applies only to land acquired in counties designated as an enterprise tier one or enterprise tier two area. The acquirer (condemnor or purchaser) is required to pay the county where the land is located a sum equal to the estimated amount of property taxes that would have accrued to the county for the next twenty (20) years had the land not been acquired. A city or special district that acquires land within its limits or within the county where the city or special district is located is exempt from this legislation. Payments are also exempted when the land purchased by a State agency and the wetlands permitted to be lost are located in the same county. The legislation allows for reimbursement to agencies by the county if the property acquired is later used to mitigate

wetlands permitted to be lost in the same county. The county can also agree to waive payment.

ASSUMPTIONS AND METHODOLOGY:

This bill is not expected to impact cost estimates associated with construction projects for community colleges, state universities, or prisons, based on current construction plans. The bill does not impact projects funded by the Clean Water Management Trust Fund, which is statutorily banned from funding compensatory mitigation projects. Fiscal Research believes the primary state impact will be in the areas of highway construction and the Wetlands Restoration Program. **As a result, no direct general fund impact is expected.**

Department of Environment and Natural Resources

The North Carolina Wetlands Restoration Program is estimated to have costs of \$183,600 annually associated with this bill. This estimate assumes that 200 acres are purchased annually at an average cost of \$6,000 acre. Applying the average property tax rate for tier 1 and tier 2 counties from 2002-03 of \$0.765/100 equals a property tax payment of \$45.90 per acre. That amount multiplied by 20 (the payment of 20 years of taxes) creates the total payment of \$918 per acre. The total of 200 acres multiplied by the total payment per acre results in the lump sum of **\$183,600 annually**. (Or 200 acres * \$6,000 per acre * \$0.765/100 tax rate * 20 = \$183,600).

Department of Transportation

The North Carolina Department of Transportation (NCDOT) is estimated to have costs of \$1,334,000 over the next five years associated with this bill. This estimate assumes that NCDOT will purchase 4,360 acres over the next five years for wetlands mitigation in tier 1 and tier 2 counties with a total value of \$8.72 million (\$2,000 per acre). Applying the average property tax rate for tier 1 and tier 2 counties from 2002-03 of \$0.765 equals a property tax payment of \$15.30 per acre. That amount multiplied by 20 years (the payment of 20 years of taxes) creates the total payment of \$306 per acre. The total of 4,360 acres multiplied by the total payment per acre results in the **five-year total of \$1,334,000**. (Or 4,360 acres * \$2,000 per acre * \$0.765/100 tax rate * 20 = \$1,334,000). NCDOT's present mitigation strategy involves using large amounts of wetland preservation to be acquired during the first two years of the five-year period, likely front-loading the costs.

Local Governments

Revenues: All payments from NCDOT and the Wetlands Restoration Program are revenues for local governments. The property taxes that must be paid to the county where the land is located is estimated as the assessed value of the acquired land excluded from the county's tax base multiplied by the tax rate set by the county Board of Commissioners in its most recent adopted budget ordinance multiplied by 20. For example, if property valued at \$100,000 were acquired in a county with a \$.76 per \$100 value property tax rate, the acquirer must pay the county a sum of \$15,200 ($\$100,000 / \$100 * .76 * 20$).

Local governments will see a gain of \$2.25 million ($\$1,334,000 + (\$183,600 * 5 \text{ years})$) over five years. However, some of that gain may be offset by local government payment into the Wetland Restoration Program to cover their mitigation needs.

Local government revenues and tax payments may also be impacted by changes in property tax rates. Due to the instability of property tax rates in the state, in general, and especially in tier 1 and tier 2 counties, there is no accurate way to predict how tax rates may change in future years. Some rates may increase depending on the economy and smaller tax base growth, while others may stabilize or decrease as a result of this legislation.

Expenditures: The reimbursement amount paid by the county to state agencies if the property acquired is later used to mitigate wetlands permitted to be lost in the county is the estimated amount of property taxes paid minus ten percent (10%) times the number of years the agency held the land before the wetlands were lost. For example, if the property above was used 10 years later to mitigate wetlands that were permitted to be lost in the county, the county must reimburse the state a sum of \$6,840 ($\$760 - (\$760 * .10) * 10$).

Because there is no way to determine the amount of land that may be acquired or used for wetlands in the future, there is no way to estimate the exact impact on tier 1 and tier 2 counties across the State.

SOURCES OF DATA: Department of Environment and Natural Resources; Department of Transportation; Local governments

TECHNICAL CONSIDERATIONS: The assumption has been made in preparing this analysis that local governments will not choose to waive the payment requirements. Also, the NCDOT and Wetlands Restoration Program show maximum estimates assuming none of the property purchases will be in the same county as the impact and all taxable value will be lost with the sale. Actual costs may be lower. Future changes in environmental regulations and county property tax rates could also have a significant impact on the estimate.

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