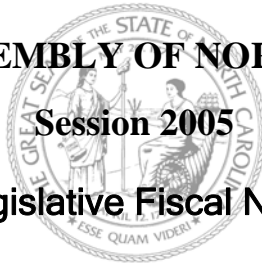


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1621 (Third Edition)

SHORT TITLE: Special Indebtedness Projects.

SPONSOR(S): Senator Hoyle

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
EXPENDITURES:					
<u>WRC</u>					
Debt Service	575,000	2,121,250	2,063,750	2,006,250	1,948,750
Operating & Capital	575,199	407,387	420,712	434,488	448,040
WRC Total	1,150,199	2,528,637	2,484,462	2,440,738	2,396,790
<u>DJJD</u>					
Debt Service	\$201,250	\$742,438	\$722,313	\$702,188	\$682,063
Operating and Maint.			No Impact		
<u>DOA</u>					
Debt Service	\$575,000	\$2,121,250	\$2,063,750	\$2,006,250	\$1,948,750
POSITIONS					
(cumulative):					
WRC	8	8	8	8	8
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Wildlife Resources Commission, Department of Juvenile Justice and Delinquency Prevention, and the Department of Administration					
EFFECTIVE DATE: Effective when the bill becomes law.					

BILL SUMMARY:

May 18, 2006

S 1621. WAGE STANDARD—TEXTILE MANUFACTURERS. Filed 5/18/06. TO REVISE THE WAGE STANDARD UNDER THE BILL LEE ACT FOR CERTAIN TEXTILE MANUFACTURERS WHOSE BUSINESS UTILIZES A CONTINUOUS MANUFACTURING PROCESS IN SEPARATE FACILITIES. Amends GS 105-129.4(b) as title indicates. Provides that for purpose of establishing the appropriate wage standard, the manufacturer may use either the

location of one facility or all facilities in the county in which parts of the process are performed. Effective retroactively for taxable years beginning on or after January 1, 1996.

June 15, 2006

S 1621. WAGE STANDARD - CERTAIN MANUFACTURERS (NEW). Filed 5/18/06. Senate committee substitute makes the following changes to 1st edition. Amends GS 105-129.4(b) to provide that for the purpose of establishing the appropriate wage standard, a fiber, yarn, or thread mill (was, textile) manufacturer that uses a sequential (was, a continuous) manufacturing process may use either the location of one facility or all facilities in the county in which parts of the process are performed.

July 10, 2006

S 1621. SPECIAL INDEBTEDNESS PROJECTS (NEW). Filed 5/18/06. House committee substitute deletes all provisions of 2nd edition and replaces it with AN ACT TO AUTHORIZE ADDITIONAL SPECIAL INDEBTEDNESS FOR THE CONSTRUCTION OF UP TO FIVE YOUTH DEVELOPMENT CENTERS; TO AUTHORIZE SPECIAL INDEBTEDNESS FOR THE PURCHASE OF STATE GAME LANDS; TO AUTHORIZE SPECIAL INDEBTEDNESS FOR A PARKING FACILITY IN DOWNTOWN RALEIGH; AND TO EXEMPT SALES OF TIMBER FROM THE SERVICE CHARGE IMPOSED BY THE DEPARTMENT OF ADMINISTRATION. As title indicates, amends Section 1.2 of SL 2004-179 to increase from \$35 to \$42 million the amount of special indebtedness authorized for the construction of five youth development centers; authorizes \$20 million of special indebtedness for the cost of purchasing land to be used as State game lands and to be administered by the Wildlife Resources Commission; and authorizes \$20 million in special indebtedness to finance the capital facility costs of a new parking deck to be constructed in downtown Raleigh. Amends GS 143-64.05(a) to exempt sales of timber on land owned by the Wildlife Resources Commission from the service charge imposed on the receipt or transfer of State surplus property

Source: Bill Digest S.B. 1621 (05/18/2006).

ASSUMPTIONS AND METHODOLOGY:

Wildlife Resources Commission

The proposed land acquisition involves a total of 77,090 acres currently owned by the International Paper Corporation and located in four separate tracts. The total estimated cost for purchasing the lands is \$80 million, and the Nature Conservancy has approached the State to fund the purchase in the following manner:

- \$45 million from the Clean Water Management Trust Fund
- \$10 million from the Natural Heritage Trust Fund
- \$5 million from the Parks and Recreation Trust Fund
- \$20 million from the Wildlife Resources Commission (WRC)

SB 1621 authorizes the Governor and the Council of State to issue special indebtedness in the amount of \$20 million for Wildlife Resources Commission (WRC). WRC would purchase roughly 66,000 acres of International Paper lands through a land deal brokered by the Nature Conservancy. The purchase of all 77,090 acres would occur over three years.

The four tracts available for purchase include:

- 22,009 acres along the Roanoke River

- 20,749 acres of the Upper Tar River watershed
- 18,341 acres along Juniper Creek
- 15,464 acres along the Chowan River

The lands proposed for allocation to WRC would be lands that are contiguous or approximate to existing game lands in the WRC system.

Debt Service - The debt service schedule in Chart 1 was developed by the Office of State Treasurer based on the following assumptions:

- Certificates of participation would be issued
- All \$20 million would be issued in Fall 2006
- 5.57% average interest rate
- 20-year term

Wildlife Resources Commission Debt Service			
Fiscal Year	Principal	Interest	Debt Service Payment
2006-07		575,000	575,000
2007-08	1,000,000	1,121,250	2,121,250
2008-09	1,000,000	1,063,750	2,063,750
2009-10	1,000,000	1,006,250	2,006,250
2010-11	1,000,000	948,750	1,948,750
2011-12	1,000,000	891,250	1,891,250
2012-13	1,000,000	833,750	1,833,750
2013-14	1,000,000	776,250	1,776,250
2014-15	1,000,000	718,750	1,718,750
2015-16	1,000,000	661,250	1,661,250
2016-17	1,000,000	603,750	1,603,750
2017-18	1,000,000	546,250	1,546,250
2018-19	1,000,000	488,750	1,488,750
2019-20	1,000,000	431,250	1,431,250
2020-21	1,000,000	373,750	1,373,750
2021-22	1,000,000	316,250	1,316,250
2022-23	1,000,000	258,750	1,258,750
2023-24	1,000,000	201,250	1,201,250
2024-25	1,000,000	143,750	1,143,750
2025-26	1,000,000	86,250	1,086,250
2026-27	1,000,000	28,750	1,028,750
TOTALS	20,000,000	12,075,000	32,075,000

Revenue Estimate – The WRC has proposed to pay for the debt service, operating, and capital costs from the sale of timber on land acquired through SB 1892 and other State lands allocated to WRC. Chart 2 presents the revenue estimate provided by WRC. The following assumptions were used to develop Chart 2:

- **IP Lands Projected Revenue** – Timber receipts estimate developed by WRC for the project's feasibility study

- **WRC Lands Projected Revenue** – Timber receipts estimate developed by WRC for other State game lands to be included in the feasibility study
- **Total Revised Revenue** – The sum of all projected receipts. These feasibility study estimates are revised based on WRC's experience with timber sales from FY 2000-01 to FY 2004-05. **The revenue estimate is revised up 1.5 times.**

Wildlife Resources Commission Revenue Projection			
Fiscal Year	IP Lands Projected Revenue	WRC Lands Projected Revenue	Total Revised Revenue
2006-07	\$263,047	\$1,779,315	\$3,063,543
2007-08	\$263,047	\$1,172,861	\$2,153,862
2008-09	\$263,047	\$1,267,998	\$2,296,568
2009-10	\$263,047	\$1,092,790	\$2,033,756
2010-11	\$263,047	\$929,610	\$1,788,986
2011-12	\$500,000	\$928,915	\$2,143,373
2012-13	\$822,700	\$796,418	\$2,428,677
2013-14	\$822,700	\$706,553	\$2,293,880
2014-15	\$822,700	\$809,188	\$2,447,832
2015-16	\$822,700	\$818,609	\$2,461,964
2016-17	\$822,700	\$690,121	\$2,269,232
2017-18	\$1,225,000	\$832,315	\$3,085,973
2018-19	\$1,225,000	\$784,000	\$3,013,500
2019-20	\$1,280,000	\$993,715	\$3,410,573
2020-21	\$1,280,000	\$700,565	\$2,970,848
2021-22	\$1,300,000	\$641,000	\$2,911,500
2022-23	\$1,300,000	\$787,315	\$3,130,973
2023-24	\$1,300,000	\$598,000	\$2,847,000
2024-25	\$1,534,868	\$944,715	\$3,719,375
2025-26	\$1,534,868	\$711,565	\$3,369,650
2026-27	\$1,534,868	\$851,000	\$3,578,802
Totals	\$19,443,339	\$18,836,568	\$57,419,861

Operating and Capital Improvements Costs - According to WRC, the purchase of this land will result in operating cost increases associated with managing the new game lands. WRC anticipates needing eight new positions to manage the new game lands and associated equipment. WRC also anticipates the construction of new depots on the lands to serve as workspace for the new personnel. Please see Chart 3 for a five year estimate of new personnel costs, equipment and capital costs. Operating and capital costs are proposed to be 100% receipt supported from the sale of timber on State game lands.

Wildlife Resources Commission Operating and Capital Expenditures		
Fiscal Year	Personnel Costs	Capital / Equipment / Maintenance
2006-07	\$311,999	\$263,200
2007-08	\$323,543	\$83,844
2008-09	\$335,191	\$85,521
2009-10	\$347,257	\$87,231
2010-11	\$359,064	\$88,976
Total	\$1,677,054	\$608,772

Cash Flow - WRC proposes to service the special indebtedness authorized in SB 1892 through receipts generated by the sale of timber on State game lands. WRC also proposes funding all operating expenditures and capital improvements through the same revenue sources. **When estimated receipts are compared with proposed expenditure impacts, WRC is projected to have insufficient timber receipts for fiscal years 2011-12 through 2016-17.** In each of those years, WRC would produce enough timber receipts to service the debt, but not cover all projected operating and capital expenditures. WRC would need to use other receipts available to the Commission or seek assistance from the General Fund. Please see Chart 4 for details.

Wildlife Resources Commission Cash Flow Analysis				
Fiscal Year	Projected Revenue	Existing & New Operating & Capital Costs	Debt Service	Projected Cumulative Year-end Cash Balance
2005-06		\$631,192		\$3,109,096
2006-07	\$3,063,543	\$1,215,859	\$575,000	\$4,381,780
2007-08	\$2,153,862	\$1,057,657	\$2,121,250	\$3,356,736
2008-09	\$2,296,568	\$1,080,735	\$2,063,750	\$2,508,818
2009-10	\$2,033,756	\$1,104,413	\$2,006,250	\$1,431,910
2010-11	\$1,788,986	\$1,128,013	\$1,948,750	\$144,133
2011-12	\$2,143,373	\$1,342,200	\$1,891,250	(\$945,945)
2012-13	\$2,428,677	\$1,176,991	\$1,833,750	(\$582,064)
2013-14	\$2,293,880	\$1,202,403	\$1,776,250	(\$684,774)
2014-15	\$2,447,832	\$1,228,453	\$1,718,750	(\$499,371)
2015-16	\$2,461,964	\$1,255,160	\$1,661,250	(\$454,447)
2016-17	\$2,269,232	\$1,482,542	\$1,603,750	(\$817,061)
2017-18	\$3,085,973	\$1,310,619	\$1,546,250	\$229,103
2018-19	\$3,013,500	\$1,339,411	\$1,488,750	\$414,443
2019-20	\$3,410,573	\$1,368,937	\$1,431,250	\$1,024,828
2020-21	\$2,970,848	\$1,399,221	\$1,373,750	\$1,222,705
2021-22	\$2,911,500	\$1,640,282	\$1,316,250	\$1,177,673
2022-23	\$3,130,973	\$1,462,144	\$1,258,750	\$1,587,751
2023-24	\$2,847,000	\$1,494,831	\$1,201,250	\$1,738,670
2024-25	\$3,719,375	\$1,528,365	\$1,143,750	\$2,785,930

Fiscal Year	Projected Revenue	Existing & New Operating & Capital Costs	Debt Service	Projected Cumulative Year-end Cash Balance
2025-26	\$3,369,650	\$1,562,772	\$1,086,250	\$3,506,557
2026-07	\$3,578,802	\$1,598,078	\$1,028,750	\$4,458,532
Total	\$57,419,861	\$28,610,278	\$32,075,000	

Department of Juvenile Justice and Delinquency Prevention

The additional \$7 million in debt authority will increase the debt service requirements for the General Fund. The special indebtedness model created by the Office of State Treasurer was used by the Fiscal Research Division to generate the following debt service schedule. These are the assumptions used in the model:

- \$7 million in principal
- 20-year term to pay back the principal
- Issued in Fall 2006
- 5.75% average interest rate

Debt Service for Increased Special Indebtedness for the Youth Development Centers			
Fiscal Year	Principal	Interest	Debt Service Payment
2006-07		201,250	201,250
2007-08	350,000	392,438	742,438
2008-09	350,000	372,313	722,313
2009-10	350,000	352,188	702,188
2010-11	350,000	332,063	682,063
2011-12	350,000	311,938	661,938
2012-13	350,000	291,813	641,813
2013-14	350,000	271,688	621,688
2014-15	350,000	251,563	601,563
2015-16	350,000	231,438	581,438
2016-17	350,000	211,313	561,313
2017-18	350,000	191,188	541,188
2018-19	350,000	171,063	521,063
2019-20	350,000	150,938	500,938
2020-21	350,000	130,813	480,813
2021-22	350,000	110,688	460,688
2022-23	350,000	90,563	440,563
2023-24	350,000	70,438	420,438
2024-25	350,000	50,313	400,313
2025-26	350,000	30,188	380,188
2026-27	350,000	10,063	360,063
TOTALS	\$7,000,000	\$4,226,250	\$11,226,250

This increased special indebtedness authority would not increase the scope of the capital projects. As a result, no increase in operating and maintenance costs is expected from this increase in debt authorization. **The only impact to the General Fund from this proposed bill is the increase debt service requirements.**

Department of Administration

Debt Service Requirements – The special indebtedness model created by the Office of State Treasurer was used by the Fiscal Research Division to generate the following debt service schedule. These are the assumptions used in the model:

- \$20 million in principal
- 20-year term to pay back the principal
- Issued in Fall 2006
- 5.75% average interest rate

Department of Administration Debt Services			
Fiscal Year	Principal	Interest	Debt Service Payment
2006-07		\$575,000	\$575,000
2007-08	\$1,000,000	\$1,121,250	\$2,121,250
2008-09	\$1,000,000	\$1,063,750	\$2,063,750
2009-10	\$1,000,000	\$1,006,250	\$2,006,250
2010-11	\$1,000,000	\$948,750	\$1,948,750
2011-12	\$1,000,000	\$891,250	\$1,891,250
2012-13	\$1,000,000	\$833,750	\$1,833,750
2013-14	\$1,000,000	\$776,250	\$1,776,250
2014-15	\$1,000,000	\$718,750	\$1,718,750
2015-16	\$1,000,000	\$661,250	\$1,661,250
2016-17	\$1,000,000	\$603,750	\$1,603,750
2017-18	\$1,000,000	\$546,250	\$1,546,250
2018-19	\$1,000,000	\$488,750	\$1,488,750
2019-20	\$1,000,000	\$431,250	\$1,431,250
2020-21	\$1,000,000	\$373,750	\$1,373,750
2021-22	\$1,000,000	\$316,250	\$1,316,250
2022-23	\$1,000,000	\$258,750	\$1,258,750
2023-24	\$1,000,000	\$201,250	\$1,201,250
2024-25	\$1,000,000	\$143,750	\$1,143,750
2025-26	\$1,000,000	\$86,250	\$1,086,250
2026-27	\$1,000,000	\$28,750	\$1,028,750
TOTALS	\$20,000,000	\$12,075,000	\$32,075,000

Cash Flow Analysis – Parking services are considered an enterprise and are fully funded by parking fees. The debt service requirements for this new parking deck are proposed to be fully funded by receipts generated by public parking operations. The following revenue assumptions were used to generate the cash flow analysis. The assumptions were provided by the Office of State Budget and Management and the Department of Administration.

- **Anticipates \$500,000 in available annual cash balance from current parking operations.** Parking operations have reverted \$200,000-\$300,000 to the General Fund in each of the past five fiscal years. The Department of Administration is anticipating further efficiencies, including the elimination of maintenance costs for the Blount Street parking lots. The Administration is also close to retiring some existing parking debt.
- All \$500,000 in anticipated cash balances would be applied to debt service for the new deck before being applied to other needs, such as increase operating costs.
- \$500,000 in cash balances would be available beginning in FY 2006-07.
- Visitor rates will be increased in FY 2006-07 from \$0.50 to \$1.00 an hour and from a \$4.00 to an \$8.00 maximum for the day. **The rate increase is expected to generate an additional \$400,000 per year.**
- Employee parking rates will be increased by \$10.00 per month. Parking rates are currently \$10.00 for uncovered spaces and \$15.00 for covered spaces. The new rates would be \$20.00 and \$25.00 respectively. **The new rates are projected to generate \$720,000 annually.**
- The new parking deck will not result in a net gain in parking spots, but the rate increase for parking charged to State employees will result in an increase in revenues for parking operations. **A \$10.00 increase in employee parking rates for 1200 new spaces is anticipated to generate \$216,000.**
- Rate increases would become effective in FY 2006-07.
- All rate increases are assumed to be static over the term of the indebtedness.
- The new parking deck would be operational by July 1, 2008.

Department of Administration Cash Flow Analysis							
Fiscal Year	Anticipated Parking Receipts Cash Balance	Visitor Rate Increase	Employee Parking Increase	New Parking Deck Receipts	Total Availability	Debt Service	Balance
2006-07	\$500,000	\$400,000	\$720,000	\$0	\$1,620,000	\$575,000	\$1,045,000
2007-08	\$500,000	\$400,000	\$720,000	\$0	\$1,620,000	\$2,121,250	\$543,750
2008-09	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$2,063,750	\$316,000
2009-10	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$2,006,250	\$145,750
2010-11	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,948,750	\$33,000
2011-12	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,891,250	(\$22,250)
2012-13	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,833,750	\$2,250
2013-14	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,776,250	\$62,000
2014-15	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,718,750	\$179,250

Fiscal Year	Anticipated Parking Receipts Cash Balance	Visitor Rate Increase	Employee Parking Increase	New Parking Deck Receipts	Total Availability	Debt Service	Balance
2015-16	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,661,250	\$354,000
2016-17	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,603,750	\$586,250
2017-18	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,546,250	\$876,000
2018-19	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,488,750	\$1,223,250
2019-20	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,431,250	\$1,628,000
2020-21	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,373,750	\$2,090,250
2021-22	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,316,250	\$2,610,000
2022-23	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,258,750	\$3,187,250
2023-24	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,201,250	\$3,822,000
2024-25	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,143,750	\$4,514,250
2025-26	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,086,250	\$5,264,000
2026-27	\$500,000	\$400,000	\$720,000	\$216,000	\$1,836,000	\$1,028,750	\$6,071,250
TOTALS	\$10,500,000	\$8,400,000	\$15,120,000	\$4,104,000	\$38,124,000	\$32,075,000	

The revenue assumptions provided by the Office of State Budget and Management and the Department of Administration result in sufficient revenues to fund the debt service requirements of the new parking deck in each of the years of the analysis, except FY 2011-12. In that fiscal year, the cash flow analysis anticipates a \$22,250 shortfall.

SOURCES OF DATA: Office of State Treasurer, Wildlife Resources Commission, the Nature Conservancy, Office of the Governor, Office of State Budget and Management, and the Department of Administration.

TECHNICAL CONSIDERATIONS: None

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DATE: July 11, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices