

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 63 (Third Edition)

SHORT TITLE: Modify Onslow County Sales Tax Distribution.

SPONSOR(S): Representatives Cleveland, Grady, and Tucker

FISCAL IMPACT					
	Yes ()	No (X)	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES:	No General Fund Impact See Assumptions and Methodology				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Onslow County and its Municipalities				
EFFECTIVE DATE:	Becomes effective when bill becomes law.				

BILL SUMMARY:

House Bill 63 adds a combined method for distribution of local sales tax revenue between Onslow County and its municipalities. It also allows the board of county commissioners to choose between the existing two methods of distribution, the per capita method and the ad valorem method, or use the combination of the two. The bill specifies that if this combined method is used, per capita and ad valorem must be used to distribute at least 40% of the net proceeds of the sales tax and that the same percentage split between ad valorem and per capita must be used throughout the year.

ASSUMPTIONS AND METHODOLOGY:

The fiscal impact of this bill is unknown because it is uncertain which methodology the Onslow County Board of County Commissioners will choose after the passage of this bill. Assuming the Onslow County Board of County Commissioners chooses the combined option, this option will allocate one portion of the net proceeds to be distributed to municipalities on an ad valorem basis and the other portion on a per capita basis. An ad valorem basis distributes money to a locality based on its tax revenues. A per capita basis distributes money to a locality based on its population. In order to estimate the fiscal impact of this change, the first step is to assume what

percentage split between the ad valorem and per capita methods the board will choose to distribute the net proceeds of the local sales tax.

This analysis demonstrates the potential distribution changes from the following combined options: 50% ad valorem, 50% per capita; 40% ad valorem, 60% per capita; 60% ad valorem, 40% per capita. The populations of each municipality as a percentage of the total population in Onslow County indicates how the per capita portion will be distributed each year. These populations are assumed to grow according to the average growth rate reported by the Office of State Budget and Management for the past 7 years.

According to the Department of Revenue, Onslow County collected \$45 million in local sales tax revenue in FY 2006-7. Based on the first month of distribution for 2009, which were around \$4 million, this analysis assumes the total net distributions for 2009 will be \$48 million. This amount is assumed to grow each year by inflation estimates. This analysis also assumes that current shares each locality receives from ad valorem distributions will remain unchanged.

Assuming that Onslow County chooses to distribute its net proceeds based on 50% Ad Valorem and 50% per capita distributions, the first step in calculating the receipts of each municipality is to divide the total net proceeds into two equal shares. This means \$24 million will be distributed using an ad valorem basis, and \$24 million will be distributed using a per capita basis in FY 2009-10. Adding the receipts that each municipality receives under the two bases results in their total receipts for FY 2009-10. The chart below summarizes this result.

Distributions by Municipality, 50% Ad Valorem, 50% Per Capita

Fiscal Year 2009-2010

Municipality	Current Distribution Method	Combined Distribution Method	Gain/ (Loss) from Switch	% Change
Onslow	\$34,176,772	\$33,174,939	\$(1,001,832)	-2.93%
Holly Ridge	\$694,656	\$427,326	\$(267,329)	-38.48%
Jacksonville	\$9,958,814	\$12,391,790	\$2,432,975	24.43%
North Topsail Beach	\$1,472,179	\$819,965	\$(652,213)	-44.30%
Richlands	\$200,846	\$205,791	\$4,945	2.46%
Surf City(Part)	\$862,785	\$460,318	\$(402,467)	-46.65%
Swansboro	\$633,945	\$519,868	\$(114,077)	-17.99%
Total	\$48,000,000	\$48,000,000	\$0.00	0.00%

Changes in Distributions: FY 2010-14

Municipality	FY 2010-11 Changes in Distribution	FY 2011-12 Changes in Distribution	FY 2012-13 Changes in Distribution	FY 2013-14 Changes in Distribution
Onslow	\$(1,137,092)	\$(1,474,293)	\$(1,910,844)	\$(2,357,830)
Holly Ridge	\$(272,137)	\$(283,792)	\$(298,810)	\$(314,169)
Jacksonville	\$2,439,505	\$2,418,459	\$2,384,687	\$2,350,614
North Topsail Beach	\$(661,401)	\$(686,023)	\$(718,185)	\$(751,067)
Richlands	\$4,966	\$3,949	\$2,448	\$929
Surf City(Part)	\$(407,780)	\$(422,359)	\$(441,458)	\$(460,982)
Swansboro	\$(110,059)	\$(110,388)	\$(112,481)	\$(114,222.)
Total	\$0.00	\$0.00	\$0.00	\$0.00

Assuming that Onslow County chooses to distribute its net proceeds based on 40% Ad Valorem and 60% per capita distributions, the first step in calculating the receipts of each municipality is to divide the total net proceeds into one 40% share and one 60% share. This means \$19.2 million will be distributed using an ad valorem basis, and \$28.8 million will be distributed using a per capita basis in FY 2009-10. Adding the receipts that each municipality receives under the two bases results in their total receipts for FY 2009-10. The chart below summarizes this result.

Distributions by Municipality, 40% Ad Valorem, 60% Per Capita

Fiscal Year 2009-10

Municipality	Current Distribution Method	Combined Distribution Method	Gain/(Loss) from Switch	% Change
Onslow	\$34,176,772	\$32,974,573	\$(1,202,199)	-3.52%
Holly Ridge	\$694,656	\$373,860	\$(320,795)	-46.18%
Jacksonville	\$9,958,814	\$12,878,385	\$2,919,570	29.32%
North Topsail Beach	\$1,472,179	\$689,522	\$(782,656)	-53.16%
Richlands	\$200,846	\$206,780	\$5,934	2.95%
Surf City(Part)	\$862,785	\$379,824	\$(482,960)	-55.98%
Swansboro	\$633,945	\$497,052	\$(136,892)	-21.59%
Total	\$48,000,000	\$48,000,000	\$0.00	0.00%

Changes in Distributions: FY 2010-14

Municipality	FY 2010-11 Changes in Distribution	FY 2011-12 Changes in Distribution	FY 2012-13 Changes in Distribution	FY 2013-14 Changes in Distribution
Onslow	\$(1,241,475)	\$(1,529,217)	\$(1,981,251)	\$(17,132,087)
Holly Ridge	\$(324,064)	\$(335,673)	\$(352,236)	\$(319,807)
Jacksonville	\$2,963,258	\$2,972,066	\$2,952,469	\$3,640,710
North Topsail Beach	\$(788,381)	\$(812,892)	\$(848,393)	\$(780,066)
Richlands	\$6,682	\$6,149	\$4,770	\$17,652
Surf City(Part)	\$(486,231)	\$(500,774)	\$(521,880)	\$(482,140)
Swansboro	\$(129,789)	\$(128,015)	\$(129,195)	\$(84,870)
Total	\$0.00	\$0.00	\$0.00	\$0.00

Assuming that Onslow County chooses to distribute its net proceeds on based on 60% Ad Valorem and 40% per capita distributions, the first step in calculating the receipts of each municipality is to divide the total net proceeds into one 60% share and one 40% share. This means \$28.8 million will be distributed using an ad valorem basis, and \$19.2 million will be distributed using a per capita basis in FY 2009-10. Adding the receipts that each municipality receives under the two bases results in their total receipts for FY 2009-10. The chart below summarizes this result.

Distributions by Municipality 60% Ad Valorem, 40% Per Capita

Fiscal Year 2009-10

Municipality	Current Distribution Method	Combined Distribution Method	Gain/(Loss) from Switch	% Change
Onslow	\$34,176,772	\$33,375,306	\$(801,466)	-2.35%
Holly Ridge	\$694,656	\$480,792	\$(213,863)	-30.79%
Jacksonville	\$9,958,814	\$11,905,194	\$1,946,380	19.54%
North Topsail Beach	\$1,472,179	\$950,408	\$(521,770)	-35.44%
Richlands	\$200,846	\$204,802	\$3,956	1.97%
Surf City(Part)	\$862,785	\$540,811	\$(321,973)	-37.32%
Swansboro	\$633,945	\$542,683	\$(91,261)	-14.40%
Total	\$48,000,000	\$48,000,000	\$0.00	0.00%

Changes in Distribution FY 2010-14

Municipality	FY 2010-11 Changes in Distribution	FY 2011-12 Changes in Distribution	FY 2012-13 Changes in Distribution	FY 2013-14 Changes in Distribution
Onslow	\$(827,650)	\$(1,337,345)	\$(1,337,345)	\$(2,355,262)
Holly Ridge	\$(216,042)	\$(230,243)	\$(230,243)	\$(260,868)
Jacksonville	\$1,975,505	\$1,888,753	\$1,888,753	\$1,743,829
North Topsail Beach	\$(525,587)	\$(555,620)	\$(555,620)	\$(621,055)
Richlands	\$4,455	\$2,231	\$2,231	\$(2,012)
Surf City(Part)	\$(324,154)	\$(341,874)	\$(341,874)	\$(380,625)
Swansboro	\$(86,526)	\$(91,239)	\$(91,239)	\$(100,077)
Total	\$0.00	\$0.00	\$0.00	\$0.00

SOURCES OF DATA: NC Department of Revenue, Office of State Budget and Management, Congressional Budget Office

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Marjorie Rutherford

Marjorie Rutherford

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

Marilyn Chism

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