

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 311 (Second Edition)

SHORT TITLE: Continue School Construction Funding.

SPONSOR(S): Representatives Yongue, Glazier, Johnson, and Wainwright

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 Fiscal Impact				
	Continues to Earmark County Sales and Use Tax for School Construction				
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	North Carolina Department of Revenue, County Government				
EFFECTIVE DATE:	January 1, 2010				

BILL SUMMARY: HB 311 removes the requirement that 30% of the revenue received under Article 40 in the first 23 years of the Article’s enactment be used only for capital outlay purposes. Removing the 23 year provision, requires an indefinite allocation of 30% of Article 40 revenues toward public school construction. Provisions set forth in GS 105-487(c) allow counties to allocate the earmarked funds elsewhere given approval of the Local Government Commission.

The legislation also amends Article 42, the second additional ½% sales and use tax levy, GS 105-502 (effective October 1, 2009) eliminating the 25 year sunset which earmarks a portion of county revenue for school capital purposes. Sixty percent of the revenue raised under Article 42 is earmarked for public school capital outlay or associated indebtedness. HB 311 removes the 25 year sunset, requiring an indefinite allocation of sales and use tax funds toward public school construction unless otherwise indicated through provisions set forth in GS 105-502 (b).

This bill becomes effective for sales made on or after January 1, 2010.

ASSUMPTIONS AND METHODOLOGY:

HB 311 has no General Fund impact, but extends the requirement that schools allocate a certain proportion of sales and use tax revenue to public school construction. The legislation modifies the language of the first and second ½ cent sales and use tax articles, Articles 40 and 42. At the articles' inception, the legislature also enacted a provisional earmark of the sales and use tax revenue received by counties for school construction.

HB 311 removes the provisional language under Articles 40 and 42 making the counties revenue allocations towards school construction permanent. As shown in Table 1 below, earmarking 30% of the counties revenue received under Article 40 and 60% of the counties' sales tax revenue received under Article 42 designates approximately \$354.9 million in local sales and use tax revenue towards public school capital outlay purposes annually. Table 2 highlights the projected amount of sales and use tax revenue earmarked toward public school capital outlay purposes should HB 311 be enacted.

Article Name	Rate	FY 2007-08 Local Sales and Use Tax Revenue (Actual Received)	Percent Allocated to Public School Funding	FY 2007-08 Local Sales and Use Tax Revenue Earmarked Toward School Construction (Estimated)
Art. 40	1/2%	396.8	30%	119.0
Art. 42	1/2%	393.2	60%	235.9
Total				\$354.9

Article Name	Rate	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Art. 40	1/2%	106.85	109.10	115.10	121.43	128.11
Art. 42	1/2%	211.77	216.22	228.11	240.66	253.89
Total		\$318.63	\$325.32	\$343.21	\$362.09	\$382.00

SOURCES OF DATA: North Carolina Department of Revenue. Table: Certification of Amounts Disbursed During the Twelve-Month Period Ending June 30, 2008. Available at: <http://www.dorn.com/publications/reimbursement.html>. Last accessed: July 2009.

NC General Assembly Fiscal Research Division. State's Revenue Outlook. Published May 2009. Available at: http://www.ncleg.net/fiscalresearch/generalfund_outlook/generalfund_outlook_pdfs/General%20Fund%20Revenue%20Outlook_2009_05_15_May.pdf.

TECHNICAL CONSIDERATIONS: None

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