

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 239

SHORT TITLE: Community College Property Transfer

SPONSOR(S): Rep. Haire

FISCAL IMPACT

Yes () No () No Estimate Available (X)

FY 1999-00 **FY 2000-01** **FY 2001-02** **FY 2002-03** **FY 2003-04**

REVENUES

*** See Assumptions and Methodology ***

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Community Colleges, County Governments, and the Department of Revenue, Sales Tax Division.

EFFECTIVE DATE: Section 3 of this act becomes effective January 1, 2000, and shall not be construed to alter any agreements entered into before that date. The remainder of this act is effective when it becomes law and applies to agreements entered into on or after that date.

BILL SUMMARY: Allows any county to acquire an interest in real or personal property for use by a community college and to construct, equip, expand, improve, renovate, repair or otherwise make available property for use by a community college. Once these activities are completed, the county must transfer the property back to the college. This authority is currently allowed in 8 counties under local legislation. The bill is effective when it becomes law.

ASSUMPTIONS AND METHODOLOGY: The practical effect is to allow the county to use installment purchase arrangements or certificates of participation to finance community college capital outlay. A secondary negative impact on State and local sales tax revenue will occur **if a county not having this authority under current law uses the financing**. The impact results from a refund of taxes paid on materials and supplies. Under current law a county is eligible for a refund but a community college is not eligible for a refund.

According to the Community College System, North Carolina Community Colleges and the Center for Applied Textile Technology paid \$6.0 million in sales and use taxes in FY 1997-98. Assuming a 5% annual growth rate the projected community college sales tax liability for the

1999-00 fiscal year is \$6.6 million (State portion would be \$4.4 million and the local amount is \$2.2 million).

These numbers represent a maximum potential, with the actual impact being much lower due to the fact that: (1) 8 counties already have such authority; (2) some counties may be receiving refunds through an interlocal agreement with a community college; (3) 1998 legislation gave all counties this authority for equipment purchases; and (4) the numbers above include materials and supplies (which would not be financed).

FISCAL RESEARCH DIVISION 733-4910

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DATE: Monday, May 10, 1999



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