NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 1063 (First Edition)

SHORT TITLE: Eliminate IRB Wage Standard.

SPONSOR(S):   Senator Hartsell

FISCAL IMPACT

Yes (x)   **No ( )**   **No Estimate Available ( )**

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
REVENUES:		**"See Assumptions and Methodology"**			

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Commerce. The bill should not affect the Department's budget requirements.

EFFECTIVE DATE: When the act becomes law.

BILL SUMMARY: Under the industrial revenue bond program in North Carolina, a local financing authority enters into financing agreements with manufacturers. Under the agreement, the authority issues tax-free revenue bonds with the proceeds being used by the company to finance land, buildings, and equipment. The amounts paid by the company to the authority under the financing agreement must be sufficient to pay the debt service on the bonds. To qualify for the financing, the manufacturer must pay an average weekly manufacturing wage that is either above the average weekly manufacturing wage in the county or is at least 10% above the average weekly manufacturing wage in the State.

SB 1063 removes the wage standard from the industrial revenue bond program.

ASSUMPTIONS AND METHODOLOGY: Discussions with the Finance Center of the Department of Commerce indicate that 8-10 projects are approved each year. The Department's objective is to get the activity level back up to around 25 projects each year.

The Department feels that the impact of the additional financing on state personal income tax collections (from the tax-exempt interest) will be insignificant because practically all of the bonds are purchased by large nationwide mutual funds. Thus, the share of the new projects held in mutual funds by North Carolina residents will be small.

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