

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**SENATE DRS55128-RB-14 (02/27)**

Short Title:    Make Best Use of Corporate Tax Revenue. (Public)

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Sponsors:     Senator Clodfelter.

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Referred to:

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A BILL TO BE ENTITLED

AN ACT TO MAKE THE BEST USE OF STATE RESOURCES DURING THE CURRENT  
ECONOMIC DOWNTURN BY TEMPORARILY RETAINING ALL STATE  
CORPORATE INCOME TAX REVENUE FOR SUPPORT OF GENERAL FUND  
OBLIGATIONS.

The General Assembly of North Carolina enacts:

Whereas, the Public School Building Capital Fund was established in 1987 to assist  
counties in meeting their public school building capital needs; and

Whereas, since its inception, a portion of the State's corporate income tax revenue  
has been credited to the Fund each year, except for the 2002-2003 fiscal year when the State  
experienced a significant decline in revenues; and

Whereas, in addition to receiving State corporate income tax revenue, in 2005 the  
Public School Building Capital Fund began to receive 40% of the net revenues of the North  
Carolina Lottery each year; and

Whereas, the unallotted balance in the account in the Public School Building Capital  
Fund that receives a portion of the State's corporate income tax revenue was \$125,487,462.12  
as of January 28, 2009; and

Whereas, the unallotted balance in the account in the Public School Building Capital  
Fund that receives lottery revenue was \$142,369,258.72 as of January 28, 2009; and

Whereas, the combined unallotted balances in the Public School Building Capital  
Fund available for disbursement to counties for public school construction totaled  
\$267,856,720.84 as of January 28, 2009; and

Whereas, the pace of school construction has historically slowed down during times  
of recession; and

Whereas, during the first seven months of the 2008-2009 fiscal year, allocations  
from the account in the Public School Building Capital Fund that receives State corporate  
income tax revenue decreased by 31% when compared to allocations for the same period in the  
2007-2008 fiscal year; and

Whereas, during the first seven months of the 2008-2009 fiscal year, allocations  
from the account in the Public School Building Capital Fund that receives State lottery revenue  
decreased by 67% when compared to allocations for the same period in the 2007-2008 fiscal  
year; and

Whereas, the current unallotted balances in the Public School Building Capital Fund  
are sufficient to meet the current slower pace of requests for allotment without any additional  
funding in the upcoming biennium from the corporate income tax; and



1           Whereas, the Repairs and Renovations Reserve Account, which receives part of the  
2 year-end credit balance of the General Fund, will likely receive no funds at the end of the  
3 2008-2009 fiscal year because the General Fund will not have a credit balance, and vital  
4 services may need to be reduced because of the budget deficit; and

5           Whereas, under the 2007 "Medicaid swap," counties are projected to have \$250.9  
6 million more in revenue in the 2009-2010 fiscal year and \$191.8 million more in the 2010-2011  
7 fiscal year than they would have had in the absence of the swap; and

8           Whereas, based on the latest State Treasurer's reports on management of cash and  
9 taxes and fund balances available for counties, the average county fund balance is 21.25%; and

10           Whereas, the wisdom of increasing the unallotted balances in a building fund that  
11 assists counties in meeting their responsibilities to construct schools while providing no  
12 funding for the State's Repairs and Renovations Reserve Account and reducing vital State  
13 services is questionable; Now, therefore,

14 The General Assembly of North Carolina enacts:

15           **SECTION 1.** Notwithstanding G.S. 115C-546.1(b), during the 2009-2010 fiscal  
16 year and the 2010-2011 fiscal year, the Secretary of the Department of Revenue shall not remit  
17 any amounts to the State Treasurer from net collections under G.S. 105-130.3 to be credited to  
18 the Public School Building Capital Fund. The amounts that would have been credited during  
19 the 2009-2011 biennium under that subsection to the Public School Building Capital Fund shall  
20 be credited to the General Fund.

21           **SECTION 2.** This act is effective when it becomes law.