SENATE BILL 386

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

Sponsors: Senators Clodfelter; Hoyle and Jenkins.

Referred to: Appropriations/Base Budget.

March 4, 2009

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

Whereas, the Repairs and Renovations Reserve Account, which receives part of the year-end credit balance of the General Fund, will likely receive no funds at the end of the



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2008-2009 fiscal year because the General Fund will not have a credit balance, and vital services may need to be reduced because of the budget deficit; and

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

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

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

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The General Assembly of North Carolina enacts:

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

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be credited to the General Fund.

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