

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 143 2nd Edition

SHORT TITLE: Wetlands Reimburse/Local Tax Base

SPONSOR(S): Rep. Tucker

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
Local Governments	(See Assumptions and Methodology)				
EXPENDITURES					
General Fund	<u>No General Fund Impact</u>				
Highway Trust Fund/ Available Federal Highway Funds	\$437,500 over the five year period*				
Wetlands Mitigation Fund	\$36,006*	\$36,006*	\$36,006*	\$36,006*	\$36,006*
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Transportation, Highway Trust Fund, Wetlands Mitigation Program in the Department of Environment and Natural Resources, other state agencies, local governments.					
EFFECTIVE DATE: When it becomes law and applies to transfers made on or after that date.					

BILL SUMMARY: Under current federal environmental regulations, when wetlands are lost or impaired other land in the same river basin (or sub river basin) must be permanently set aside to “make up” for the lost wetlands. This practice is referred to as compensatory wetland mitigation. The state is also subject to these federal permitting requirements. As such, they often purchase land for wetland mitigation. In addition, the NC Wetlands Restoration Program and Fund (DENR) is instructed by statute to purchase land to restore wetlands lost or impaired through human activities and assist others who are required to meet wetland restoration targets. When the state or another government purchases land, the land is removed from the county’s property tax base and is exempt from taxes. The bill requires state and local governments that purchase or condemn land for wetland mitigation make a lump sum payment equal to ten (10) years of property taxes when the property transfers to the government and is removed from the property tax base. Payment is not required when the mitigation land is

acquired in the same county as the original impact. The county can also agree to waive the payment requirement. The bill authorizes use of Wetlands Restoration Program funds for DENR wetland mitigation. The bill also requires that state agencies make the ten year payment when they acquire wetlands from a private mitigation bank, and can make provision of these funds a part of the property acquisition agreement. If a state agency acquires land for mitigation, makes appropriate payment to the local government, and later uses the land to mitigate wetlands permitted in the same county, the county must reimburse the state for the balance of the estimated taxes for the remaining years. None of the payment requirements apply in enterprise tier 3, 4, or 5 areas.

ASSUMPTIONS AND METHODOLOGY:

This bill is not expected to impact cost estimates associated with construction projects for community colleges, state universities, or prisons, based on current construction plans. Fiscal Research believes the primary state impact will be in the areas of highway construction (DOT) and the DENR wetlands mitigation program. As a result, no direct general fund impact is expected.

The North Carolina Department of Transportation projects that this bill carries a potential cost to their department of \$437,500 over the next five years. This estimate assumes that DOT purchases 5,000 acres for wetlands mitigation with a total value of \$6.25 million (\$1,250 per acre). Applying the average tax rate for tier 1 and tier 2 counties of \$0.70, and multiplying that amount by 10 (the bill requires a lump sum payment equal to 10 years of taxes) results in the \$437,500 estimate.

Officials with the North Carolina Wetland Restoration Program estimate the cost to their program will be \$36,006 annually. This estimate assumes that 85 acres are purchased annually at an average cost of \$6,000 acre. Applying a \$0.706/100 property tax rate and multiplying that by ten years creates the lump sum payment of \$36,006 annually. (85 acres x \$6,000 per acre x \$0.706/100 tax rate x 10 = \$36,006). While this is shown as an annual cost to the fund, staff plan to adjust the fee they charge for mitigation to cover the additional expense.

All losses to the NCDOT and the Wetlands program are revenue gains for local governments. As a result, local governments will see a gain of \$617,530 (\$437,500 + (\$36,006 x 5 years)) over five years. However, some of that gain may be offset by local government payment into the Wetland Restoration program to cover their mitigation needs.

The final potential cost of the bill relates to private mitigation banks. The bill forces state agencies to make a lump sum payment to counties when the agency acquires land from a private mitigation bank. However, because the agency can recoup the cost from the mitigation bank when the property is transfer, no agency impact is expected.

All estimates consider only acquisitions in tier 1 and tier 2 counties.

Note: Both the NCDOT and the Wetlands Restoration Fund indicate these are maximum estimates given environmental regulations at this time. They are maximum estimates because

they assume none of the mitigation property purchases will be in the same county as the impact. They also assume that no county will waive payment, and that agencies follow their current construction plans. Future changes in environmental regulations could have a significant impact on the numbers.

FISCAL RESEARCH DIVISION 733-4910

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