

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: House Bill 1341
SHORT TITLE: Low-Income Fuel Exemption
SPONSOR(S): Representatives Alexander; D. Brown, Church, Culpepper, Hill, James, Jenkins, Ramsey, and Rogers

FISCAL IMPACT: **Expenditures:** **Increase ()** **Decrease ()**
 Revenues: **Increase ()** **Decrease (X)**
 No Impact ()
 No Estimate Available ()

FUND AFFECTED: **General Fund (X)** **Highway Fund ()** **Local Govt. (X)**
 Other Funds ()

BILL SUMMARY: The bill creates a new sales tax exemption for sales of fuel to individuals who are eligible for LIHEAP funds (the Low Income Home Energy Assistance Program). The new exemption defines "fuel" to include electricity, liquid propane gas, natural gas, kerosene, fuel oil, and wood. The Department of Human Resources is required to provide each recipient of program benefits with a certificate verifying that the individual is eligible for assistance from the LIHEAP program.

LIHEAP is a block grant program administered by the Department of Health and Human Services of the Federal government. At the State level, the program is administered by the Department of Human Resources. In 1991, North Carolina received \$28,996,128 in LIHEAP funds. Those funds were allocated as follows:

Heating Assistance	\$18,287,789
Crisis Intervention	4,441,897
Transfer to Other Block Grants	2,561,144
Weatherization	1,737,187
Administration	1,968,111

EFFECTIVE DATE: January 1, 1994, applying to sales made on or after that date

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: Department of Revenue, Sales Tax Division; Department of Human Resources

FISCAL IMPACT

	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
REVENUES (in millions):					
GENERAL FUND	(\$2.58)	(\$5.4)	(\$5.68)	(\$5.97)	(\$6.27)
HIGHWAY FUND					
HIGHWAY TRUST FUND					
LOCAL	(\$0.5)	(\$1.0)	(\$1.1)	(\$1.16)	(\$1.2)

EXPENDITURES The Department of Human Resources will incur some expenditures relating to the identification and certification of LIHEAP recipients.

POSITIONS: None

ASSUMPTIONS AND METHODOLOGY: Of the approximately \$30 million in LIHEAP funds received by North Carolina each year, \$22.6 million is allocated to low-income households as energy assistance payments. This information was provided by the Department of Human Resources.

The General Assembly authorized an Energy Assurance Study Commission. This commission hired the National Consumer Law Center in Boston, Massachusetts, to prepare a report entitled Energy Policy and the Poor. The following information on type and frequency of fuel use by LIHEAP recipients comes from that May, 1991 report.

Of the \$22.6 million allocated as energy assistance payments, 49% is allocated for assistance payments for electricity and natural gas, on which are levied a 3% state sales tax rate (no local tax), and 51% is allocated for payments for LP gas, kerosene, fuel oil or wood, on which a 4% state and a 2% local sales tax is levied.

It is assumed that Federal funding for the LIHEAP program will remain relatively constant, the only increase occurring through inflationary adjustments estimated to be 4% over each of the next five years.

Total annual fuel purchases of LIHEAP recipients was estimated by the National Consumer Law Center's report at \$132 million.

SOURCES OF DATA: Fiscal Research Division, Energy Assurance Study Committee of the General Assembly, Department of Human Resources

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Ruth Sappie

APPROVED BY: TomC (6/24/93)

DATE: June 9, 1993



Signed Copy Located in the NCGA Principal Clerk's Offices