

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HOUSE BILL 86
SHORT TITLE: SALES TAX REFUNDS FOR SCHOOLS
SPONSOR(S): REP. ROBERT GRADY

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES (\$MILL.)					
STATE		-\$12.90	-\$15.90	-\$18.6	-\$18.50
LOCAL		-\$ 6.45	-\$7.95	-\$ 9.3	-\$ 9.25
EFFECTIVE DATE: Taxes paid on or after July 1, 1997.					

BILL SUMMARY: Adds local school administrative units to the list of eligible local and state agencies eligible for an annual state and local sales tax refund, but only for purchases made from capital outlay funds as defined under G.S. 115C-426.

ASSUMPTIONS AND METHODOLOGY: Historical data on capital outlays by local schools was provided by the Department of Public Instruction. Refunds are normally paid annually in February based on taxes paid the prior fiscal year. Thus, there would be no revenue loss for the 1997-98 fiscal year. The analysis anticipates that the \$450 million of expenditures from the March 1 issuance of state bonds each year are expended over a 30-month period beginning 6 months after the issuance of bonds (to allow for land acquisition and site work). For school building capital outlay it is assumed that 50% of the cost is for taxable materials and supplies. School capital outlay excluding the proceeds from the \$1.8 billion bond issue are projected to grow 6.4% per year. The analysis adjusts for the material and supplies portion (50% assumed) of school capital financed from installment purchase arrangements and certificates of participation. These sources of financing are forecast to increase at an annual rate of 20%. This limits the baseline growth in the cost of the bill. However, the \$1.8 billion of state school bonds will cause the refunds to grow over the next few years.

FISCAL RESEARCH DIVISION (733-4910)

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Official



Fiscal Research Division

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