

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1430 PCS

SHORT TITLE: Budget Revenue Provisions 2 –2001

SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available (X)		
	<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					
Dept. of Labor	* See Assumptions and Methodology *				
General Fund					
Schools	*No General Fund Impact *				
DHHS Fees	1,372,690	1,372,690	1,372,690	1,372,690	1,372,690
Highway Fund					
Motor Vehicle Fees	23,334,000	31,853,000	32,498,000	33,246,000	32,978,000
Local Government					
Schools	* See Assumptions and Methodology *				
Prisons	(475,000)	(1,140,000)	(665,000)	0	0
Data Collection	* See Assumptions and Methodology *				
EXPENDITURES					
General Fund					
Prisons	(475,000)	(1,140,000)	(665,000)	0	0
Highway Fund					
Data Collection	up to \$50,000	0	0	0	0
PRINCIPAL DEPARTMENT(S) &					
PROGRAM(S) AFFECTED: NC Department of Labor, Local School Systems, Division of Facility Services in the Department of Health and Human Services, Department of Corrections, Local Governments, Division of Motor Vehicles in the Department of Transportation, and the Department of Transportation.					
EFFECTIVE DATE: Section 1 (Labor) subsection (a) becomes effective October 1, 2001. The remainder of that section becomes effective when law. Section 2 (Schools) is effective when it becomes law. Section 3 (DHHS Fees) becomes effective October 1, 2001. Section 4 (Prisons) becomes effective for taxes imposed for taxable years beginning on or after July 1, 2001. Section 5					

(Data Collection) is effective when it becomes law. Section 6 (Motor Vehicle Fees) becomes effective October 1, 2001.

BILL SUMMARY: Section 1 of the bill eliminates the statutory fee limits set for inspection of elevators, escalators, dumbwaiters, special equipment, amusements, aerial tramways, and inclined railroads and grants the Commission the authority to set these fees at a “reasonable” amount. The legislation specifies that the fees will be used exclusively for inspection and certification purposes. Section 2 of the bill authorizes five additional counties to purchase, construct, equip, expand, improve, renovate, and make available property for use by a school administrative unit within the county. This section also authorizes these same five counties to lease or sell property to the county, and enter into contracts for the erection of school buildings on sites owned by the county. These additional counties are Bertie, Chatham, Rutherford, Transylvania, and Yadkin. Section 3 of the bill directs the Division of Facility Services in DHHS to charge fees to cover a portion of the cost of regulating health and social care facilities including hospitals, nursing homes, adult care homes, and mental health facilities. Section 4 exempts a correctional facility that is located on state land, but constructed pursuant to a contract with the State, from local property taxes. This includes construction in progress and any leasehold interest in the land owned by the State upon which the correctional facility is located. Section 5 of the bill allows the Division of Motor Vehicles to release social security numbers to local taxing units. Section 6 makes several changes in motor vehicle fees. First, it increases the fee for a Class C drivers license from \$2.50 per year of the period renewed (\$12.50 for five years) to \$3.00 per year of the period renewed (\$15.00). Second it increases the registration fee for private passenger vehicles for 15 or fewer passengers from \$20.00 to \$25.00. Finally, it increases the minimum fee for non-farm, self-propelled property hauling vehicles from \$21.50 to \$25.00.

ASSUMPTIONS AND METHODOLOGY: The bill will have a fiscal impact on the General Fund, the Highway Fund, and local governments.

Section 1: Labor Commissioner Fee Authority: This Section of the bill transfers authority for setting fees for inspection and certification of elevators, amusement devices, and other similar equipment and devices from the General Assembly to the Commissioner of Labor. It also repeals the statute that currently delineates fees for such services, and vests authority for setting reasonable fees with the Commissioner. Finally, it specifies that the fees will be used exclusively for inspection and certification purposes.

While the bill does not indicate fee amounts, the Department of Labor has provided a list of potential fee amounts. This list was presented to the Joint Appropriations Subcommittee on Natural and Economic Resources.

The Department of Labor estimates that the proposed inspection and certification fees will generate \$2,252,002 in annual collections. Due to the October 1, 2001 effective date, the Department estimates that the proposed fees will generate \$1,362,318 in collections in FY 2001-02. This FY 2001-02 estimate is based on the number of elevators that the Department anticipates to inspect between October 1, 2001 and July 1, 2002. The difference between the estimated collections from the proposed fees and the current collections results in the net

annual difference in fee collections. The annual estimated increase in fee collections from this legislation is **\$1,614,656**. For FY 2001-02, the estimated increase in collections from the proposed fee schedule is **\$724,972**. The proposed fee collections, current collections, and net difference are outlined in the chart below.

Type of Equipment	Proposed Fee	Frequency of Inspection	2001-2002		2002-2003	
			Units	Revenue	Units	Revenue
Traction Elevators						
1 - 10 Floors	\$155	Annual	2,092	\$330,150	3,804	\$589,620
10 Floors and over	\$200	Annual	395	\$80,600	719	\$143,800
Hydraulic Elevators, Belt Lifts, Escalators, Specials, Units not identified as traction or hydraulic.	\$118	Annual	5,766	\$692,778	10,484	\$1,237,112
Dumbwaiters, Handicap Lifts	\$35	Annual	810	\$28,840	1,472	\$51,520
Inflatable	\$100	Annual	431	\$43,100	431	\$43,100
Kiddie Rides	\$30	Each set up	3,083	\$92,490	3,083	\$92,490
Major Rides	\$60	Each set up	1,531	\$91,860	1,531	\$91,860
Roller Coaster	\$250	Each set up	10	\$2,500	10	\$2,500
Total Estimated Collections from Proposed Fees				\$1,362,318		\$2,252,002
Minus Current Collections				(\$637,346)		(\$637,346)
				\$724,972		\$1,614,656
Net Estimated Increase in Collections						

Since the Department did not propose new fees for elevator installation or alteration nor for the inspection of rope tows, gondolas, chairlifts and T-bars, it is assumed they will charge the amounts listed in the current statutes.

Because the above fees are only suggestions and have not been reviewed by the rule making process, the impact of this section cannot be guaranteed. Therefore, no estimate is included in the fiscal impact statement.

Section 2: Certain Counties may Acquire Property for Public Schools: This provision expands the list of counties granted the authorities of G.S. 153A-158.1(e) to include Bertie, Chatham, Rutherford, Transylvania, and Yadkin. These are generally referred to as a certificate of participation or COPs. The provision merely increases the options available to counties and schools to construct and improve schools. This authority has already been granted to eighty-one (81) other counties. Because the use of this authority is permissive, no local fiscal estimate is possible. There is no General Fund Impact.

Section 3: DHHS Facility Service Fees: The DHHS Facility Services Fees are new fees intended to cover a portion of the cost of regulating health and social care facilities including hospitals, nursing homes, adult care homes, mental health facilities, home care agencies, ambulatory surgical facilities, cardiac rehabilitation facilities, free-standing Hospice agencies, and abortion clinics. This section also authorizes late fees for certain types of facilities currently licensed/certified by the Division of Facility Services (DFS). The late fee is 25% of the license fee if not paid on the due date. If payment is not made after 30 days after the due date the late fee is 50% of the license fee. If the facility does not pay the license and late fees within 60 days DFS must revoke the license.

The license fees in this provision will replace state appropriations for the Division of Facility Services (DFS). The total budget for DFS is \$30 million including \$13 million from federal receipts and \$17 million from state appropriations. The DHHS license fees will generate \$1,372,690 per year. It is possible the fees will increase slightly over a five-year period, but the increase will be caused by the number of facilities increasing because the fees are set in statute. The fees will reduce state appropriations by \$1,372,690. DFS is one of the only regulatory agencies in state government that do not have fees to help pay for the cost of regulation. Since most of these facilities bill Medicaid and Medicare, the cost of paying these fees will be offset by federal reimbursement for indirect costs. No estimate is possible on the amount of late fees that might be collected.

Section 4: Prison Property Tax Exemption: SB 25 (RATIFIED) authorizes the Department of Administration and Department of Correction to award a contract for the construction of up to three new close custody prisons. Governmental Operations recommended two prisons, but did not designate sites. This recommendation was accepted by the Council of State.

The vendor will finance the prison construction. SB 25 then authorizes the State to set up a Special Non-Profit Corporation to issue certificates of participation to purchase the prisons upon completion and then lease the prisons to the State. DOC will operate the prisons.

SB 25 also exempts the State from paying property tax during the period the State is leasing the prisons from the SNPC. The proposed property tax exemption in this bill would exempt the State or vendor from paying property tax during the period of construction. The Request for Proposal issued by DOC indicated that the State would be responsible for the property tax, rather than the vendor.

The Department of Corrections indicates that the period of construction for two prisons would begin approximately July 1, 2001 and end December 31st, 2003. The possible sites for the two prisons are Alexander, Scotland and Anson. It is assumed for purposes of the fiscal note that Alexander and Scotland would be selected as sites. Estimated ad valorem

tax rate is .95 per \$100 assessed value in each county. The estimated value of improvements in each county would be \$25 million in year one (.95 per \$100 @25 million dollars = \$237,500 per county or \$475,000), \$60 million in year two and \$70 million in year 3 (year 3 assumes taxes would only be paid for 6 months since construction would be complete December 31, 2003).

The overall fiscal impact of this section is as follows:

2001-02	2002-03	2003-04	2004-05	2005-06
\$475,000	\$1,140,000	\$665,000	\$0	\$0

This amount is a loss to the impacted local governments and a savings to the General Fund.

Section 5: Local Tax Collection Data: This portion of the bill authorizes the Division of Motor Vehicles to release social security numbers to local tax units such as counties, cities, and special tax districts. At one time county assessors and tax collectors were able to obtain the social security numbers of vehicle owners through the Division of Motor Vehicles. The Division no longer believes they have the authority to release this information directly to local governments. They can release the information to the Department of Revenue in small batches. This legislation would allow the DMV to release this information directly to the taxing units. This change is expected to assist with the collection of property taxes owed on motor vehicles. However, no fiscal estimate is possible on the local impact. The Highway Fund cost will depend on how much programming is involved. If the information can be transferred to a single party or organization, there would be no additional cost. However, if the information is provided on a county-by-county basis this change could result in approximately \$50,000 in programming cost to the Highway Fund. The County Commissioners Association is willing to serve as a clearinghouse for this information.

Section 6: Motor Vehicle Fees: This portion of the bill increases two types of fees.

Section 6(a) increases the drivers license fee (Class C) from \$12.50 for five years to \$15.00 for five years. Below is the net increase in license fees from original licenses and license renewals based on forecasts by DOT Productivity Management.

FY		
01-02	\$2,234,000	(starts October 1, full year would be \$3,098,000)
02-03	\$3,153,000	
03-04	\$3,298,000	
04-05	\$3,446,000	
05-06	\$2,478,000	

While the net change is expected to grow through FY 04-05 revenues are actually projected to decline in 05-06 because of the new five-year license renewal cycles.

Sections 6(b) and (c) increase the passenger vehicle fee from \$20 to \$25 (G.S. 20-87) and the minimum for property-hauling vehicles from \$21.50 to \$25.00 (G.S. 20-88 (b)(1)). This estimate uses current number of vehicles and increases that amount by 2% per year.

01-02	\$21,100,000	(starts October 1, full year would be \$28,100,000)
02-03	\$28,700,000	
03-04	\$29,200,000	
04-05	\$29,800,000	
05-06	\$30,500,000	

The net increase to the Highway fund is as follows:

01-02	\$23,334,000
02-03	\$31,853,000
03-04	\$32,498,000
04-05	\$33,246,000
05-06	\$32,978,000

These numbers are adjusted to account for the October effective date.

TECHNICAL CONSIDERATIONS: Section 1 of the bill requires that the fees charged by the Labor Commissioner be “reasonable”. It is unclear to Fiscal Research what would be considered “reasonable”. Traditionally the General Assembly traditionally sets a maximum amount or cap on agency fees. FR assumes a reasonable fee would not exceed the cost of doing business.

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Linda Struyk Millsaps, Richard Bostic, Eugene Son, Carol Shaw, Jim Mills, Adam Levinson, and Bob Weiss.

APPROVED BY: James D. Johnson

DATE: June 20, 2001



Signed Copy Located in the NCGA Principal Clerk's Offices