

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1227 (Second Edition)

SHORT TITLE: Finance Parks and Heritage.

SPONSOR(S): Representative G. Allen

FISCAL IMPACT (\$MILLION)					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
EXPENDITURES:					
Debt Service	18.5	18.0	17.5	17.0	16.5
Less: Earmarking*	<u>-18.5</u>	<u>-18.0</u>	<u>-17.5</u>	<u>-17.0</u>	<u>-16.5</u>
Net Requirements**	0	0	0	0	0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of State Treasurer, Department of Natural and Economic Resources.					
EFFECTIVE DATE: When the bill becomes law.					
*Represents potential amount of earmarking of proceeds of two funds.					
**Earmarking under formula in bill produces slightly more than the debt service requirements. In this case, the actual earmarking will be set at an amount equal to the debt service.					

BILL SUMMARY: Authorizes the state to enter into special indebtedness to finance capital projects for the state parks system, repairs and renovations of parks, and land acquisition for state parks, wildlife areas, and similar public purposes. The amount of debt that may be incurred is limited to an amount that can be supported by funds set aside from the Parks and Recreation Trust Fund and the Natural Heritage Trust Fund. These two special funds draw most of their proceeds from an earmarking of the state's share of the real estate conveyance tax and a portion of vehicle licensing fees.

The bill would authorize the governing body of each trust fund to allocate a portion of its stream of income for debt service on debt incurred to acquire property. In the case of the Parks and Recreation Trust Fund, the maximum amount that may be so allocated is 50% of 65% of the earmarked receipts designated for repairs and renovations of park facilities and capital projects and land acquisition for the State Parks System. In the case of the Natural Heritage Trust Fund, up to 50% of the annual receipts may be so allocated.

After the debt has been issued or incurred, the Trustees of each fund must direct the State Treasurer to credit to the General Fund each year the lesser of the annual amount they identified in their application for debt issuance or the debt service for that year on the financing.

ASSUMPTIONS AND METHODOLOGY: The annual debt service requirements are based on a July 2002 simulation of the Office of State Treasurer for \$90 million of financing, a May 1, 2003 issuance, and a 5.75% average interest rate. The revised debt service simulation, using the Treasurer's model methodology, is based on \$170 million of financing, an issuance date of March 1 2005, an average interest rate of 5.90%, and a maximum maturity would be 20 years. The total debt service requirements over the 20-year period include \$170 million of principal repayment and \$105.3 million of interest, for a total of \$275.3 million. The 2005-06 debt service would represent the maximum annual amount for the period.

The earmarking for debt service amounts to 36% of the combined receipts for the two special funds.

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