

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

**BILL NUMBER:** HB 994  
**SHORT TITLE:** Appropriations Fee Provisions  
**SPONSOR(S):** Committee on Appropriations  
**FISCAL IMPACT:**   **Expenditures:**    **Increase (X)**        **Decrease ( )**  
                  **Revenues:**           **Increase ( )**        **Decrease (X)**  
                  **No Impact ( )**  
                  **No Estimate Available ( )**

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

**BILL SUMMARY:** The bill would make four changes to current revenue and expenditure procedures:

- 1) Collection of the gross premiums tax on insurers would be shifted from the Department of Insurance to the Department of Revenue.
- 2) Insurers would no longer be charged directly for audits and exams conducted by the Department of Insurance. The costs of these activities would be funded by the regulatory surcharge.
- 3) The Department of Insurance Fund would be renamed the Insurance Regulatory Fund and would be placed under the control of the Office of State Budget and Management.
- 4) The tax refund offset provisions that are used to collect debts owed to the state and child support payments would be changed to increase the amount offset funds available for child support payments. Under current law, before transferring funds offset from refunds to the appropriate agency, the Department of Revenue deducts its costs of offsetting refunds. The amount deducted is a fixed percentage of the offset amount, which is based on the previous years total cost of the offset program as a percentage of the amounts offset. Under the bill, the percentage deducted from child support payments would be zero, and the percentage deducted from debts owed to the State would increase to cover the administrative costs no longer charged to child support offsets.

**EFFECTIVE DATE:** The shift in responsibility for collection of the gross premiums tax and the change in the offset program are effective January 1, 1996. All other provisions become effective July 1, 1995.

**FISCAL IMPACT**

	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>
<b>REVENUES:</b> (\$ millions)					
<b>DEPARTMENT OF</b>					
<b>INSURANCE FUND</b>					

<b>Audit &amp; Exam Fees</b>	-\$4.5	-\$4.5	-\$4.5	-\$4.5	-\$4.5
<b>Regulatory Surcharge</b>	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
<b>GENERAL FUND</b>					
<b>Agency Collections</b>					
<b>From Refund Offsets</b>	-\$0.2	-\$0.3	-\$0.3	-\$0.3	-\$0.3
	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>

**EXPENDITURES:** (\$ millions)

**GENERAL FUND**

<b>Department of Revenue</b>	\$0.3	\$0.1	\$0.1	\$0.1	\$0.1
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**ASSUMPTIONS AND METHODOLOGY:** The amount of audit and exam fee revenue that must be replaced by regulatory charge revenue is based on the current expected level of collections.

The amount revenue loss associated with refund offsets represents the amounts of debt repayment that will be lost by State agencies because no administrative charge will be deducted from refund offsets for child support payments. The current 7 percent administrative cost charge would need to be raised to approximately 14 percent to account for the administrative costs that would no longer be deducted from offsets for child support payments.

The costs to be incurred by the Department of Revenue to collect the gross premiums tax are shown below:

Personnel	\$98,750 R
Supplies and Postage	\$ 6,491 R
Insurance Department Data Interface	\$25,000 NR
ITAS Program Modifications	\$86,600 NR
Banctec & Accounting System Changes	\$35,118 NR
Equipment/Software	\$31,313 NR

**FISCAL RESEARCH DIVISION**

**733-4910**

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**APPROVED BY:** Tom Covington **TomC**

**DATE:** May 9, 1995

**[FRD#001]**



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