

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1539 (House Finance Committee Substitute)

SHORT TITLE: Qualified Zone Academy Bond Act of 2000

SPONSOR(S): Representatives Rogers and Yongue

FISCAL IMPACT

Yes () No (X) No Estimate Available ()

FY 2000-01 FY 2001-02 FY 2002-03 FY 2003-04 FY 2004-05

REVENUES

EXPENDITURES

No General Fund Impact

POSITIONS:

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: County Governments

EFFECTIVE DATE: The act is effective when it becomes law.

BILL SUMMARY: This legislation authorizes the State Board of Education to administer selection and monitoring provisions of federal legislation (26 U.C.S. 1379E) that allows counties to issue Qualified Zone Academy Bonds (QZABs) on behalf of eligible public schools.

BACKGROUND INFORMATION: The federal Taxpayer Relief Act of 1997 provides federal funding for certain public schools and programs by allowing local governments to issue Qualified Zone Academy Bonds for the rehabilitation and renovation of schools, development of course materials, and training of teachers and personnel. Bonds may not be issued for new construction. The local governments pay the principal on the bond, but pay no interest to the bondholder. In lieu of interest, the bondholder receives a federal tax credit.

\$9,115,000 was allocated to North Carolina in 1998 and \$8,851,000 in 1999 under the federal QZAB program. North Carolina counties are authorized to issue \$11,281,000 in bond principal for the year 2000. The combined total of QZAB principal that counties are authorized to issue nationally is \$400 million. In order for North Carolina counties to utilize the interest exemption on approximately \$9.1 million authorized for 1998, the county bonds must be issued by

December 31, 2000. After this date, counties are no longer able to issue the 1998 QZAB bond allocation.

ASSUMPTIONS AND METHODOLOGY: There is no fiscal impact from this bill on the state level. The state issues no bonds, and shoulders none of the responsibility of the county QZAB issuance. County governments in effect, pay less over the term of the bond. They are only responsible for the repayment of the principal, while the interest due to bondholders is federally subsidized in the form of a tax credit.

Additionally, upon the passing of this bill, there will be no additional administration or operating costs. The State Board of Education will utilize existing staff and resources in the monitoring and direction of the program.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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