

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 1629 (Second Edition) - REVISED

**SHORT TITLE:** Butner Water & Sewer Bonds

**SPONSOR(S):** Representatives Crawford, Allen & Fox

**FISCAL IMPACT**

	Yes ( )	No (X)	No Estimate Available ( )		
	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>
<b>REVENUES</b>					
General Fund		No fiscal impact			

<b>EXPENDITURES</b>					
General Fund		No fiscal impact*			

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Department of Health and Human Services (HHS), Department of State Treasurer- Local Government Commission, Department of Correction, Office of Juvenile Justice, Department of Agriculture & Consumer Services, Department of Crime Control & Public Safety

**EFFECTIVE DATE:** Effective when it becomes law.

\* Butner water/sewer rates will increase July 1, 2000 regardless of the passage of this bill. State agencies have not budgeted for this rate increase, but must absorb the expense from available funds in their operating budgets.

**BILL SUMMARY:**

The bill authorizes the issuance of up to \$40 million in state revenue bonds to finance improvements to the water and sewer system for the community of Butner and the Camp Butner reservation. The bonds will be sold by the Local Government Commission and will be exempt from state tax.

**ASSUMPTIONS AND METHODOLOGY:**

Approximately \$37.2 million in improvements are proposed for the Butner water and sewer system. Since these improvements will be phased in over 15 years, the bonds will be sold as needed to fund construction. The proposed bond sale schedule, subject to approval by the Local Government Commission, is as follows:

FY 2000-01	\$9,946,300
FY 2005-06	\$10,000,000
FY 2011-12	\$15,730,000
FY 2014-15	<u>\$1,523,000</u>
	\$37,199,300

To repay the bond debt, water and sewer rates will increase an estimated 24% to 28%. On May 5, 2000, the Town of Butner notified all water/sewer customers that the rates would increase on July 1, 2000. These new rates will be effective whether or not HB 1629 is approved. The increased revenue will either be used to repay the bonds or will be used to replace and repair infrastructure on a pay as you go basis. The current versus proposed rates are as follows:

	<b>Current</b>	<b>Proposed</b>
<b>Water Rates</b>		
0 to 3,000 gallons	\$8	
Greater than 3,000 gallons	\$1.70 per 1,000 gallons	
0 to 2,000 gallons		\$9
Greater than 2,000 gallons		\$2.35 per 1,000 gallons
<b>Sewage Rates</b>		
0 to 3,000 gallons	\$12	
Greater than 3,000 gallons	\$1.70 per 1,000 gallons	
0 to 2,000 gallons		\$12
Greater than 2,000 gallons		\$2.35 per 1,000 gallons

The users of Butner water and sewer service are as follows:

	<u>Water</u>	<u>Sewer</u>
Industrial	37%	33%
Federal prison	21%	19%
Commercial & residential	16%	14%
State institutions	16%	14%
Sanitary districts (2)	10%	12%
Town of Creedmoor	0	8%

From April 1999 to April 2000, state institutions in Butner spent \$442,272 on water and sewer services. The following is a breakdown of expenditures by department.

	<u>Amount</u>	<u>Percent</u>
Dept. of Health & Human Services	\$272,191	61.5%
Dept. of Corrections	\$141,798	32.1%
Office of Juvenile Justice	\$17,766	4.0%
Dept. of Agriculture & Consumer Services	\$9,845	2.2%
Dept. of Crime Control & Public Safety	\$672	.2%

The new water / sewer rates will require increased appropriations for the state agencies located in Butner. Based on information from the Department of Health and Human Services (HHS), the

largest user of water and sewer services among state institutions, future year budgets include only inflationary increases as approved by the Office of State Budget and Management (OSBM). Instead of a 28% increase for the water and sewer line item for Butner next year, HHS has included only 4% as instructed by OSBM. The following table shows the shortfall in funding between the amount needed to pay the 28% rate hike and the inflationary increases built into state agency budgets (4% to 5% a year).

	<u>FY 1999-00*</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>
Dept. of Health & Human Services	\$272,191	\$283,079	\$292,878	\$303,221	\$313,836	\$326,357
Dept. of Corrections	141,798	\$147,470	\$152,575	\$157,963	\$163,493	\$170,016
Office of Juvenile Justice	\$17,766	\$18,477	\$19,116	\$19,791	\$20,484	\$21,301
Dept. of Agriculture & Consumer Services	\$9,845	\$10,239	\$10,593	\$10,967	\$11,351	\$11,804
Dept. of Crime Control & Public Safety	\$672	\$699	\$723	\$749	\$775	\$806
	\$442,272	\$459,963	\$475,885	\$492,691	\$509,940	\$530,284
Revenue needed to repay bonds		\$566,108	\$566,108	\$566,108	\$566,108	\$566,108
Difference		\$106,145	\$90,223	\$73,417	\$56,168	\$35,824

\* Based on April 1999 to April 2000 actual expenditures

The budget shortfall among the state agencies is not a product of HB 1629, but is a direct result of the rate increase imposed by Butner. The Office of Management and Budget will have to build the new rates into the agency budgets as a continuation item in the next budget cycle.

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** June 29, 2000



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