

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 688 (Fifth Edition)

SHORT TITLE: Tax Revenue for Turfgrass Research/Mental Health

SPONSOR(S):

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<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					
General Fund					
Sales Tax	3,587,012	6,271,702	5,745,039	5,867,577	5,990,116
Earmarking	(2,900,000)	(4,900,000)	(4,900,000)	(4,900,000)	(4,900,000)
Net General Fund	687,012	1,371,702	845,039	967,577	1,090,116
EXPENDITURES					
NC Dept. of Agricul.	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
NCSU	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
Rural Ec. Dev. Cent.	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Mental Health	\$2,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Total Earmarking	\$2,900,000	\$4,900,000	\$4,900,000	\$4,900,000	\$4,900,000
PRINCIPAL DEPARTMENT(S) &					
PROGRAM(S) AFFECTED: North Carolina Department of Revenue, Sales Tax Division, North Carolina State University, North Carolina A&T State University, Rural Economic Development Center, Department of Health and Human Services.					
EFFECTIVE DATE: December 1, 2001.					

BILL SUMMARY: Currently the sale of seed and fertilizer is exempt from sales tax. This legislation removes that general exemption, but continues to exempt the sale of these items to farmers. The bill also creates an annual appropriation of most of the sales tax revenues. Of the appropriated amount \$600,000 must be forwarded to the University Board of Governors for North Carolina State University (NCSU). NCSU must use the funds for the Center for Turfgrass Environmental Research and Education at North Carolina State University (NCSU), and research proposals from both NCSU and North Carolina A&T State University. The Commissioner of Agriculture is also given \$100,000 to educate the public on the results of the research conducted by the Center. An additional \$200,000 shall be allocated annually to the Rural Economic Development Center, which must use all of the funds for Agricultural Advancement Consortium research initiatives. In FY 2001-02 \$2,000,000 must be allocated to the Mental Health Trust Fund. In FY 2002-03 this amount increases to \$4,000,000.

ASSUMPTIONS AND METHODOLOGY:

Revenue: In 1994 the North Carolina Department of Agriculture and Consumer Service conducted a statewide survey of non-agricultural turfgrass use and maintenance. The results were published in the 1994 North Carolina Turfgrass Survey. In 1999 the Department again conducted this statewide survey, but was unable to analyze and formally publish the results due to budget constraints. The data includes information by major consumer category on expenditures on seed, fertilizer, lime, sod, and sprigs (sprigs are considered a seed by the Department of Revenue and are therefore exempt under current law).

When available, the 1999 data was used to determine potential sales tax revenue. This data was available on sales to single family dwellings and golf courses. In order to develop a reasonable estimate of turfgrass and seed sales to the remaining consumers, Fiscal Research used the 1994 data to determine what proportion of sales were made in each major category, and applied that to the total 1999 sales figures. These new numbers were used as a proxy for 1999 sales. The resulting major category expenditures are as follows:

Category	1999 Sales
Single Family	108,105,000
Roadsides	3,665,172
Parks*** (50% refundable)	660,404
Commercial Properties	5,128,553
Churches (Exempt)	2,115,852
Golf Courses	16,190,038
Schools (Refund)	4,104,313
Airports (Exempt)	131,920
Institutions*** (50% refundable)	396,078
Cemeteries	218,741
TOTALS	140,716,070

As the chart above suggests, many of these sales would continue to be exempt under the legislation because those organizations are generally exempt from sales taxes. Others would receive a refund because of their tax status. Once the 4.5% state sales tax is applied, and adjustments are made for refunds and exemptions, the following year one and year two estimates are possible.

Category	1999 Sales	Tax Calendar Yr. One	Tax Calendar Yr. Two
Single Family	108,105,000	4,864,725	4,864,725
Roadsides (Exempt)	3,665,172	0	0
Parks*** (50% refundable)	660,404	29,718	0
Commercial Properties	5,128,553	230,785	230,785
Churches (Refund)	2,115,852	47,607	0
Golf Courses	16,190,038	728,552	728,552
Schools (Refund)	4,104,313	184,694	0
Airports (Refund)	131,920	5,936	0
Institutions*** (50% refundable)	396,078	13,368	8,912
Cemeteries	218,741	9,843	9,843
TOTALS	140,716,070	6,115,228	5,842,817

These numbers are adjusted for growth and the ½ cent state tax sunset in 2003, creating the following revenue stream.

Fiscal Year	State Revenue
1999-00	6,040,292
2000-01	6,026,625
2001-02	6,149,164
2002-03	6,271,702
2003-04	5,745,039
2004-05	5,867,577
2005-06	5,990,116
2006-07	6,112,655

The estimate in the Fiscal Impact box is adjusted for the December 1, 2001 effective date.

Expenditures: This portion of the bill appropriates a portion of the new revenue to several items. The exact amount appropriated is listed below.

EXPENDITURES	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
NC Dept. of Agricul.	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
NCSU	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
Rural Ec. Dev. Cent.	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Mental Health	\$2,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Total Appropriation	\$2,900,000	\$4,900,000	\$4,900,000	\$4,900,000	\$4,900,000

The appropriation to NCSU must be directed to the Center for Turfgrass Environmental Research and Education. That Center is to use the money to fund research initiatives, including funding research proposals from NCSU and North Carolina A&T State University. The North Carolina Department of Agriculture and Consumer Services must use their \$100,000 annual appropriation to educate the public on the results of research conducted by the Center. The bill also appropriates \$200,000 annually to the Rural Economic Development Center to fund Agricultural Advancement Consortium research initiatives. Finally, the bill allocates \$2,000,000 in FY 2001-02 for The Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs. In FY 2002-03 the appropriation is increased to \$4,000,000.

Note: The fiscal note assumes that the appropriations are recurring. As such, the appropriated amounts are shown as fiscal impacts beyond the biennium.

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Linda Struyk Millsaps

APPROVED BY: James D. Johnson

DATE: October 2, 2001



Signed Copy Located in the NCGA Principal Clerk's Offices