

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 1064 (Fourth Edition)

SHORT TITLE: Finance Parks and Heritage.

SPONSOR(S): Senator Kerr

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					
Less:	56.7	55.1	53.6	52.1	50.5
Earmarking*	<u>-56.7</u>	<u>-55.1</u>	<u>-53.6</u>	<u>-52.1</u>	<u>-50.5</u>
Net Requirements	0	0	0	0	0
 PRINCIPAL DEPARTMENTS AFFECTED: Department of State Treasurer, Department of Natural and Economic Resources. The enactment of the bill should not affect the budget requirements of either department.					
 EFFECTIVE DATE: When the bill becomes law.					
 *Represents potential amount of earmarking of proceeds of the specified funds in order to finance the debt service on the instruments.					

BILL SUMMARY: Authorizes the state to enter into special indebtedness to finance the following: (1) capital projects for the state parks system; (2) repairs and renovations of parks; (3) land acquisition for state parks, wildlife areas, and similar public purposes; and (4) capital projects to acquire riparian buffers, acquire property interests to conserve surface water and drinking water supplies, coordinate with other public programs for lands adjoining water bodies, and to restore the ability of degraded lands to protect water quality.

The amount of debt that may be incurred is limited to the lesser of a dollar amount or the amount that can be supported by the funds set aside from the three Trust Funds for annual debt service payments. The maximum dollar amounts for the funds are as follows:

- \$105 million: Parks and Recreation Trust Fund
- \$ 65 million: Natural Heritage Trust Fund
- \$350 million: Clean Water Management Trust Fund

The Parks and Recreation Trust Fund and Natural Heritage Trust Fund draw most of their proceeds from an earmarking of the state's share of the real estate conveyance tax. Under current budgetary law, the Clean Water Management Trust Fund is supposed to receive \$100 million of General Fund appropriations each year.

The bill would authorize the governing body of the Parks and Recreation Trust Fund and the Natural Heritage Trust Fund to allocate a portion of their respective streams of income for debt service on financing incurred. In the case of the Parks and Recreation Trust Fund, the maximum amount that may be so allocated is 50% of the 65% share of 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. For the Clean Water Management Trust Fund an amount up to the \$100 million annual appropriation can be dedicated, although the \$350 million debt limit will reduce the earmarking needed to an amount that is far less than \$100 million.

After the debt has been issued or incurred, the Trustees of the Parks and Recreation Trust Fund and the Natural Heritage Trust 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 \$520 million of financing, an issuance date of March 1 2005, an average interest rate of 5.90%, and a maximum maturity of 20 years. The total debt service requirements over the 20-year period include \$520 million of principal repayment and \$322.1 million of interest, for a total of \$842.1 million. The 2005-06 debt service would represent the maximum annual amount for the period.

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