

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 688 HCS

SHORT TITLE: Turfgrass Fertilizer Assessment

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	3,208,311	5,622,500	5,745,039	5,867,577	5,990,116
<u>Earmarking</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>
Net General Fund	2,508,311	4,922,500	5,045,039	5,167,577	5,290,116
EXPENDITURES					
NC Dept. of Agricul.	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
University System	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Revenue, Sales Tax Division, North Carolina State University.					
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 earmarking of \$700,000 in sales tax revenues. Of this amount, \$600,000 must be forwarded to the University Board of Governors. The Board will then be responsible for dividing the funds between the existing Center for Turfgrass Environmental Research and Education at North Carolina State University (NCSU) and a soon to be created turfgrass program at North Carolina A & T State University. None of the funds may be used by NCSU for overhead or administrative expenses. The Commissioner of Agriculture shall use the remaining \$100,000 to educate the public on the results of the research conducted by the Center.

ASSUMPTIONS AND METHODOLOGY:

Section 1: 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 was 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% 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	4,324,200	4,324,200
Roadsides (Exempt)	3,665,172	0	0
Parks*** (50% refundable)	660,404	26,416	0
Commercial Properties	5,128,553	205,142	205,142
Churches (Refund)	2,115,852	42,317	-
Golf Courses	16,190,038	647,602	647,602
Schools (Refund)	4,104,313	164,173	-
Airports (Refund)	131,920	5,277	-
Institutions*** (50% refundable)	396,078	11,882	7,922
Cemeteries	218,741	8,750	8,750
TOTALS	140,716,070	5,435,758	5,193,615

These numbers are used and adjusted for growth, creating the following revenue stream.

Fiscal Year	State Revenue
1999-00	5,375,956
2000-01	5,377,423
2001-02	5,499,961
2002-03	5,622,500
2003-04	5,745,039
2004-05	5,867,577
2005-06	5,990,116
2006-07	6,112,655

Section 2: This portion of the bill earmarks \$700,000 of sales tax revenue for turfgrass research and education. Deducting this amount from the above sales tax revenue figures creates the following net impact of the bill on the General Fund.

Fiscal Year	To General Fund
2001-02	4,799,961
2002-03	4,922,500
2003-04	5,045,039
2004-05	5,167,577
2005-06	5,290,116
2006-07	5,412,655

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

FISCAL RESEARCH DIVISION 733-4910

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