NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1430 (HCS) **REVISED**

SHORT TITLE: Budget Revenue Provisions 2 –2001

SPONSOR(S):

FISCAL IMPACT

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

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
REVENUES					
Dept. of Labor	*** See Assumptions and Methodology ***				
General Fund					
Schools	***No General Fund Impact ***				
Fees	*** See Assumptions and Methodology ***				
Local Government					
Schools	*** See Assumptions and Methodology ***				
Prisons	**(475,000)**	**(1,140,000)**	**(665,000)**	**0**	**0**
EXPENDITURES					
General Fund					
Prisons	**(475,000)**	**(1,140,000)**	**(665,000)**	**0**	**0**

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Labor, Local School Systems, Department of Corrections, some local governments, and all state agencies that levy fees.

EFFECTIVE DATE: Section 1 (Labor) subsection (a) becomes effective October 1, 2001. The remainder of that section becomes effective when law. Section 2 (Schools) is effective when it becomes law. Section 3 (Fees) becomes effective when law. Section 4 (Prisons) becomes effective for taxes imposed for taxable years beginning on or after July 1, 2001.

BILL SUMMARY: Section 1 of the bill eliminates the statutory fee limits set for inspection of elevators, escalators, dumbwaiters, special equipment, amusements, aerial tramways, and inclined railroads and grants the Commission the authority to set these fees at a "reasonable" amount. The legislation specifies that the fees will be used exclusively for inspection and certification purposes. Section 2 of the bill authorizes five additional counties to purchase, construct, equip, expand, improve, renovate, and make available property for use by a school administrative unit within the county. This section also authorizes these same five counties to lease or sell property to the county, and enter into contracts for the erection of school buildings on sites owned by the county. These additional counties are Bertie, Chatham, Rutherford, Transylvania, and Yadkin. Section 3 of the bill clarifies that only the General Assembly has the power to authorize an agency to establish or increase a fee. This includes any fee or charge for rending any service or fulfilling any duty to the public. Section 4 exempts a correctional facility that is located on state land, but constructed pursuant to a contract with the State, from local property taxes. This includes construction in progress and any leasehold interest in the land owned by the Sate upon which the correctional facility is located.

ASSUMPTIONS AND METHODOLOGY: The bill will have a fiscal impact on the General Fund, and local governments.

<u>Section 1: Labor Commissioner Fee Authority:</u> This Section of the bill transfers authority for setting fees for inspection and certification of elevators, amusement devices, and other similar equipment and devices from the General Assembly to the Commissioner of Labor. It also repeals the statute that currently delineates fees for such services, and vests authority for setting reasonable fees with the Commissioner. Finally, it specifies that the fees will be used exclusively for inspection and certification purposes. The bill caps these fees at $200 and $250 respectively.

While the bill does not indicate fee amounts, other than the maximum caps, the Department of Labor has provided a list of potential fee amounts. This list was presented to the Joint Appropriations Subcommittee on Natural and Economic Resources.

The Department of Labor estimates that the proposed inspection and certification fees will generate $2,252,002 in annual collections. The difference between the estimated collections from the proposed fees and the current collections results in the net annual difference in fee collections. The annual estimated increase in fee collections from this legislation is **$1,614,656**.

Due to the October 1, 2001 effective date, the Department estimates that the proposed fees will generate $1,362,318 in collections in FY 2001-02. This FY 2001-02 estimate is based on the number of elevators that the Department anticipates to inspect between October 1, 2001 and June 30, 2002. The Department estimates that prior to the effective date of the legislation, they will collect $136,170 (July 1, 2001 to September 30, 2001) using the existing fee schedule. These two prorated estimates are combined to supply the FY 2001-02 collection estimate of $1,498,488. Similarly, the typical annual collections generated under the current fee schedule have been prorated to reflect the October 1, 2001 effective date. These prorated estimates are derived using the Department of Labor's computer program that maintains inspection and certification schedules. For FY 2001-02, the estimated increase in collections from the proposed fee schedule is **$997,312**. The proposed fee collections, current collections, and net difference are outlined in the chart below.

NORTH CAROLINA DEPARTMENT OF LABOR

PROPOSED ELEVATOR AND AMUSEMENT DEVICE FEE SCHEDULE

Effective - October 1, 2001

Type of Equipment	Proposed Fee	Frequency of Inspection	2001-2002 No. of Units	2001-2002 Total Revenue	2002-2003 No. of Units	2002-2003 Total Revenue
Traction Elevators						
1 - 10 Floors	$155	Annual	2,092	$ 330,150	3,804	$ 589,620
10 Floors and over	$200	Annual	395	$ 80,600	719	$ 143,800
Hydraulic Elevators, Belt Lifts, Escalators, Specials, Units not identified as traction or hydraulic.	$118	Annual	5,766	$ 692,778	10,484	$ 1,237
Dumbwaiters, Handicap Lifts	$35	Annual	810	$ 28,840	1,472	$ 51
Inflatable	$100	Annual	431	$ 43,100	431	$ 43
Kiddie Rides	$30	Each set up	3,083	$ 92,490	3,083	$ 92
Major Rides	$60	Each set up	1,531	$ 91,860	1,531	$ 91
Roller Coaster	$250	Each set up	10	$ 2,500	10	$ 2
Total Estimated Collections from Proposed Fees				$ 1,362,318 (Prorated for Oct 1, 2001 - June 30, 2002)		$ 2,252
Plus Estimated Collections for July 1, 2001 – October 1, 2001using existing fees				$ 136,170		$ (637,
Minus Current Collections				$ (501,176) (Prorated for Oct. 1, 2001- June 30, 2002)		
Net Estimated Increase in Collections				**$ 997,312**		**$ 1,614,656**

Since the Department did not propose new fees for elevator installation or alteration nor for the inspection of rope tows, gondolas, chairlifts and T-bars, it is assumed they will charge the amounts listed in the current statutes.

Because the above fees are only suggestions and have not been reviewed by the rule making process, the impact of this section cannot be guaranteed. Therefore, no estimate is included in the fiscal impact statement.

Section 2: Certain Counties may Acquire Property for Public Schools: This provision expands the list of counties granted the authorities of G.S. 153A-158.1(e) to include Bertie, Chatham, Rutherford, Transylvania, and Yadkin. These are generally referred to as a certificate of participation or COPs. The provision merely increases the options available to counties and schools to construct and improve schools. This authority has already been granted to eighty-one (81) other counties. Because the use of this authority is permissive, no local fiscal estimate is possible. There is no General Fund Impact.

Section 3: Set and Increase Fees: This provision clarifies that only the General Assembly has the power to authorize an agency to establish or increase fees or charges for service. It also clarifies that agencies cannot raise fees through the rulemaking process without expressed authorization by the General Assembly. Although this could impact some state agencies in the future, at this point Fiscal Research is not aware of any way this will impact the General Fund or other major state funds.

Section 4: Prison Property Tax Exemption: SB 25 (RATIFIED) authorizes the Department of Administration and Department of Correction to award a contract for the construction of up to three new close custody prisons. Governmental Operations recommended two prisons, but did not designate sites. This recommendation was accepted by the Council of State.

The vendor will finance the prison construction. SB 25 then authorizes the State to set up a Special Non-Profit Corporation to issue certificates of participation to purchase the prisons upon completion and then lease the prisons to the State. DOC will operate the prisons.

SB 25 also exempts the State from paying property tax during the period the State is leasing the prisons from the SNPC. The proposed property tax exemption in this bill would exempt the State or vendor from paying property tax during the period of construction. The Request for Proposal issued by DOC indicated that the State would be responsible for the property tax, rather than the vendor.

The Department of Corrections indicates that the period of construction for two prisons would begin approximately July 1, 2001 and end December 31st, 2003. The possible sites for the two prisons are Alexander, Scotland and Anson. It is assumed for purposes of the fiscal note that Alexander and Scotland would be selected as sites. Estimated ad valorem tax rate is .95 per $100 assessed value in each county. The estimated value of improvements in each county would be $25 million in year one (.95 per $100 @25 million dollars = $237,500 per county or $475,000), $60 million in year two and $70 million in year 3 (year 3 assumes taxes would only be paid for 6 months since construction would be complete December 31, 2003).

The overall fiscal impact of this section is as follows:

2001-02	2002-03	2003-04	2004-05	2005-06
$475,000	$1,140,000	$665,000	$0	$0

This amount is a loss to the impacted local governments and a savings to the General Fund.

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