

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1629 (House Finance Committee Substitute)

SHORT TITLE: Butner Water & Sewer Bonds

SPONSOR(S): Representatives Crawford, Allen & Fox

FISCAL IMPACT					
	Yes (X)	No ()	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>
REVENUES					
General Fund		No fiscal impact			
EXPENDITURES					
General Fund	\$106,145	\$90,223	\$73,417	\$56,168	\$35,824
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.				

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%. The current versus proposed rates are as follows:

	Current	Proposed
Water Rates		
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
Sewage Rates		
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%

If water and sewer fees are increased 28% to pay for needed improvements, then an additional \$123,836 must be appropriated from the General Fund each year to the five agencies listed

above. Based on the most recent twelve months of expenditures, the increased appropriation would be apportioned as follows:

Dept. of Health & Human Services	\$76,214
Dept. of Corrections	\$39,703
Office of Juvenile Justice	\$4,974
Dept. of Agriculture & Consumer Services	\$2,757
Dept. of Crime Control & Public Safety	<u>\$188</u>
	\$123,836

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 repay water and sewer bonds (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

If this bill passes, the Office of Management and Budget would have the opportunity to build the new rates into the agency budgets as a continuation item.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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DATE: June 9, 2000



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