

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

BILL NUMBER: Senate Bill 1117 (Second Edition)

SHORT TITLE: 2005 Military Support Act.

SPONSOR(S): Senator Rand

| FISCAL IMPACT | | | | | |
|--|------------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
| | 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> |
| REVENUES | | | | | |
| EXPENDITURES | | | | | |
| Highway Fund | | \$3,009,506 | \$3,009,506 | \$3,009,506 | \$3,009,506 |
| Dept. of Public Instruction | | | | | |
| Salary | \$61,678 | \$61,678 | \$61,678 | \$61,678 | \$61,678 |
| <u>Operating expenses</u> | <u>\$18,000</u> | <u>\$12,000</u> | <u>\$12,000</u> | <u>\$12,000</u> | <u>\$12,000</u> |
| DPI Subtotal | \$79,678 | \$73,678 | \$73,678 | \$73,678 | \$73,678 |
| UNC and Community Colleges | Minimal Fiscal Impact | | | | |
| POSITIONS (cumulative): | | | | | |
| DPI | 1 | 1 | 1 | 1 | 1 |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Highway Fund, certain Occupational Licensing Boards, State Board of Community Colleges, Department of Public Instruction, State Board of Education, University of North Carolina, School of Science and Mathematics. | | | | | |
| EFFECTIVE DATE: Part II is effective July 1, 2006. Otherwise, when the bill becomes law. | | | | | |

BILL SUMMARY: Adopts the following provisions to further support US military bases and installations in NC: (1) Enacts new GS 105-449.128 requiring that the Secretary of Revenue annually distribute to each State military installation exchange an amount equal to the amount of motor fuel the exchange reports that it sold during the previous fiscal year, multiplied by the distribution rate (defined in act as 1/3 of the motor fuels tax in effect for the year). Requires that funds distributed be deposited in the Military Morale, Recreation, and Welfare Fund and used for community services for military members and their families. Requires that military installation exchanges report annually on the amount of motor fuel sold during the previous fiscal year. First reports are due October 15, 2006 and first distribution is made within ninety days. (2) Urges NC occupational licensing boards to develop policies to expedite the licensing process for military spouses, except does not apply to health professions or to teaching. (3) Enacts new GS 115D-5(o) to authorize State Board of Community Colleges to adopt rules that allow the New and Expanding Industry Training Program and the Focused Industrial Training Program to use funds to support training projects for the various branches of the US Armed Forces. (4) Amends GS 42-45(a) to allow members of the Armed Forces to terminate rental agreements early when being deployed. (5) Requires that the Department of Public Instruction (DPI) appoint a liaison to the military bases in NC to facilitate communication between DPI and military families and public schools and military families. (6) Requires that the State Board of Education review transfer credit policies to ensure that students, especially children of Armed Forces members, receive credit for courses taken outside NC, and report review results and policy modifications to the Joint Legislative Education Oversight Committee by December 15, 2005. (7) Amends GS 116-143.3 to provide that active duty members of the US armed services and their dependents will continue to be eligible for the in-state tuition rate upon member's retirement. (8) Provides that the child of an active duty member of the military stationed in NC need not satisfy the residency requirements of the NC School of Science and Mathematics, effective beginning with the 2005-06 academic year.

Source: Bill Digest S.B. 1117.

ASSUMPTIONS AND METHODOLOGY: The following sections of the bill are expected to have a fiscal impact:

PART II. WAIVE 1/3 OF MILITARY BASE GAS TAX

Sections 2.1 through 2.3 require the distribution to each military installation exchange of an amount equal to the number of gallons of motor fuel sold by the exchange in the previous fiscal year multiplied by one-third of the motor fuels tax rate in effect for the year. The distribution is to come from the amount allocated by law to the Highway Fund. The first distribution will be in FY 2006-07.

Motor Fuels Tax Rate

The Office of State Budget and Management forecasts that the motor fuels tax rate (fixed rate of 17.5 cents per gallon plus variable rate) will average 26.3 cents per gallon over the next five fiscal years. One-third of 26.3 is 8.8 cents per gallon (rounded) and that number is used for the estimates in this fiscal note.

Gallons sold

Marine Corps Community Services at Camp Lejeune has compiled and reported the gallons of motor fuels sold at each installation in North Carolina (see table on following page). The total is

34,198,932 gallons for the twelve-month period ending January 31, 2005. While this quantity is higher than it has been in recent years (29.8 million gallons in fiscal year 2002 and 28.4 million in fiscal year 2003) there is not enough information available to determine whether increases or decreases can be expected in the future. Therefore the most recent number is assumed to continue.

Disbursement

The total annual disbursement expected under this bill is 34,198,932 gallons times 8.8 cents per gallon, or \$3,009,506. If current consumption patterns continue the disbursement by installation will be as shown in the table.

Motor Fuels Sold at North Carolina Installations

| Location | Gallons (12 month period ending 1/31/05) | Projected Disbursement @8.8 cents per gallon |
|--------------------------|---|---|
| USCG Elizabeth City | 385,200 | \$33,898 |
| USMC Camp Lejeune | 9,228,588 | \$812,116 |
| US Army Fort Bragg | 18,400,548 | \$1,619,248 |
| USAF Pope AFB | 1,930,380 | \$169,873 |
| USAF Seymour Johnson AFB | 2,784,072 | \$244,998 |
| USMC Cherry Point MCAS | 1,470,144 | \$129,373 |
| TOTAL | 34,198,932 | \$3,009,506 |

PART VI. DIRECTING THE DEPARTMENT OF PUBLIC INSTRUCTION TO APPOINT A LIAISON TO THE MILITARY BASES IN NORTH CAROLINA

Section 6 of the bill directs that DPI appoint an employee to serve as its liaison to the military bases in NC. DPI estimates that this position would need to be full-time in order to perform the specific functions directed in the bill. DPI estimates that such a position would require an employee of State pay grade 75. At midpoint of the pay range, that position would cost approximately \$61,678 plus operating expenses of \$18,000 in the first year and \$12,000 annually thereafter. No funds are appropriated in the bill to support an additional position.

(Section 7 of the bill would not directly require additional expenditures. It would direct the State Board to review certain policies and practices and report the results to the Joint Legislative Education Oversight Committee. DPI could perform the review with existing staff.)

PART VIII. ALLOWING IN-STATE TUITION AT STATE UNIVERSITIES AND COMMUNITY COLLEGES FOR ARMED SERVICES PERSONNEL AND THEIR DEPENDENTS

Based on information provided by East Carolina University it appears that the fiscal impact of Part VIII would be minimal. East Carolina has a large number of military enrollments due to its proximity to bases and reports that for the academic year Fall 2003 through 2nd Summer Session 2004, 231 military waivers were granted for military personnel and their dependents. Retired military personnel petitioning for legal residence were given in-state tuition status according to

G.S. 116-143.1. One case might have fallen in the category affected by this Part. A student was denied in-state status because the military member was to be discharged prior to the first day of class but had taken few steps toward establishing North Carolina as the permanent legal domicile.

SOURCES OF DATA: USMC Community Services; Office of State Budget and Management; Department of Public Instruction; University of North Carolina

TECHNICAL CONSIDERATIONS:

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Signed Copy Located in the NCGA Principal Clerk's Offices