

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

BILL NUMBER: House Bill 1117 (Sixth Edition)

SHORT TITLE: Public Finance Changes.

SPONSOR(S): Representative Ross

	FISCAL IMPACT				
	Yes ()	No (x)	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:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of State Treasurer. The enactment of the bill is not expected to affect the budget requirements of the Department.					
EFFECTIVE DATE: August 1, 2005					

BILL SUMMARY: Development Financing Districts. Amends the statutes dealing with development financing districts created by counties and cities to provide that land in a district created by a county that subsequently becomes part of a municipality does not count against the 5% land area limit for the district unless the municipality and the county have entered into an increment agreement (city taxes on all or part of the incremental valuation of the property in the district must be paid into the revenue increment fund for the district). **Finance Officer Bond.** Changes the performance bond requirement for local finance officers from a minimum of \$10,000 and a \$250,000 maximum to a minimum of \$10,000 and no cap. **General Obligation Bond Notification Requirements.** Currently, the public notification and hearings requirements for refunding bonds are the same as for the original issuance. The bill would exempt refunding bonds from the publication process under certain conditions. **Revenue Bond Property Encumbrance.** The State and units of local government are authorized to issue revenue bonds but may not encumber the related real property. The bill allows the unit to pledge, mortgage, or grant a security interest in real and personal property comprising the utility or public enterprise project affected by the bond issuance. Any property so encumbered could be sold in accordance with the

encumbering document and would not fall under any disposition of governmental property statutes. In addition, the bill modifies property that may be pledged to include leased property. **Project Development Financing Debt.** Units of local government may issue project development financing debt instruments, and may agree to repay the debt with any available revenues of the unit, provided the agreement does not constitute a pledge of the unit's taxing power. The bill allows a unit to pledge the revenues to be raised from any special assessment, provided it did not constitute a pledge of the unit's taxing power, and encumber any real or personal property being financed or improved by the project. **Split Coupon Bonds.** Permits coupon bonds of the same maturity to offer different rates unless the Local Government Commission required one rate per maturity in connection with the sale of the bonds. **General Obligation Bond Bids.** Eliminates the 2% deposit on the bids for general obligation bonds in lieu of giving the Local Government Commission the authority to set an appropriate bid deposit, including none. **Net Interest Cost Calculation.** Replaces the current statutory language use to determine the net interest cost for bond bid purposes with Local Government Commission authority to determine the appropriate method. **Destruction Of Cancelled Bonds.** Replaces the outdated system for destroying cancelled bonds with local finance officer discretion as to the appropriate method. **Special Purpose Project Bonds.** Adds museums, orphanages and similar housing facilities for children or disadvantaged or disabled persons to the list of special purpose projects for which bonds can be issued by the North Carolina Capital Facilities Finance Agency and local industrial development authority. **Clean Water Bond Property Encumbrance.** Permit an applicant for clean water revolving grants and loans to encumber the real and personal property benefited by the borrowing to the favor of the State.

ASSUMPTIONS AND METHODOLOGY:

SOURCES OF DATA:

TECHNICAL CONSIDERATIONS: None

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DATE: August 30, 2005

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