

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1068 (Second Edition)

SHORT TITLE: E-NC Internet Connectivity/PEG Channel.

SPONSOR(S): Senator Dalton

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:	[\$ millions]				
General Fund	(5.8)	(6.1)	(6.4)	(6.8)	(7.1)
Local Governments	5.8	6.1	6.4	6.8	7.1
to PEG channels under Sec. 6 - 7	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
to PEG channels under Sec. 8 - 9	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Net to Local Gov'ts	(7.2)	(6.9)	(6.6)	(6.2)	(5.9)
EXPENDITURES:					
e-NC Authority					
Public Access Fund	0.0	8.0	8.0	8.0	8.0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue; e-NC Authority					
EFFECTIVE DATE: Sections 9 and 10 effective January 1, 2008; all other sections effective July 1, 2007.					

BILL SUMMARY: The second edition of Senate Bill 1068 removes the sunset on the e-NC Authority, renames the PEG Channel Fund the Public Access Account, and earmarks a portion of the State's share of the sales tax revenues on telecommunications and video programming services to the Account. The amount earmarked for a quarter is the amount of revenue retained by the State for that quarter that exceeds the amount the State retained for the same quarter in calendar year 2007. The quarterly amount transferred cannot exceed \$10.0 million for a fiscal year.

The bill also increases the percentage of the net proceeds of the State sales tax imposed on telecommunications and video programming services that is distributable to counties and cities. The transfer limit on these funds, which must be allocated for PEG channel support, is increased by \$5.0 million (from \$2.0 to \$7.0 million) effective July 1, 2007.

ASSUMPTIONS AND METHODOLOGY: S.L. 2006-151 required that cities and counties be given a share of State sales tax to replace local revenues lost as a result of the elimination of local cable franchise fees. Senate Bill 1068 increases the amount of State sales tax given to local governments for the purpose of supporting public, educational, and government (PEG) channels. Under current law, qualified PEG channels may apply to the Department of Revenue for this funding. The total amount available for this purpose is capped at \$2.0 million annually. The additional \$5.0 million that would be made available for this purpose would come out of General Fund sales tax revenues.

The \$10.0 million earmarked for the Public Access Fund administered by the e-NC Authority would come out of the State's remaining share of sales taxes, with a maximum of the latter of \$2.5 million per quarter, or \$10 million annually. The earmarked share of this source is the amount by which the State's share of the two taxes for each quarter exceeds the amount received by the State for the same quarter in calendar 2007. This funding source becomes effective January 1, 2008, so that the Department of Revenue will have a basis for the underlying calculation. Sales tax collections for the combined telecommunications and video services base since the January 1, 2007, tax law changes have been strong. Based on the last several months of collections data, Fiscal Research believes that the growth in the State portion of this shared sales tax base will be robust enough to meet the \$2.5 million quarterly transfer limits, resulting in \$10.0 million earmarked for the Public Access Fund in 2008-09. This constitutes an \$8.0 million increase over the annual transfer limit of \$2.0 million in current law.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Brenna Erford Burch and Joy Hicks

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

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