

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 9 (Second Edition)

SHORT TITLE: School Capital Fund Formula/Lottery Proceeds.

SPONSOR(S): Representatives Goforth, J. Harrell, Rapp, and Church

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:					
Local School Administrative Units					See Assumptions and Methodology
EXPENDITURES:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Local school administrative units, Department of Public Instruction					
EFFECTIVE DATE: July 1, 2007					

BILL SUMMARY: Amends GS 115C-546.2(d) to change the school capital construction distribution formula in the State Lottery Act. Current law allocates 65% of the lottery proceeds deposited in the Public School Building Capital Fund (PSBCF) among all local education agencies (LEAs) based on average daily membership (ADM) as certified annually by the State Board of Education and allocates the remaining 35% to LEAs located in specified counties with an effective tax rate that is greater than 100% of the state average effective tax rate. This bill allocates 65% of lottery proceeds deposited in the PSBCF among all LEAs based on ADM, 17.5% among LEAs located in whole or in part in low-wealth counties, and 17.5% among LEAs that have experienced an increase in ADM over the last five years.

ASSUMPTIONS AND METHODOLOGY: Under GS 18C-164, 40% of the net revenues from the State Education Lottery Fund are allocated to the Public School Building Capital Fund (PSBCF) for school construction. In FY 2007-08, this amount is estimated at \$140 million. **H9 does not change the amount of lottery revenue earmarked for school construction; this bill changes how those funds are distributed among LEAs.**

Current Law

Under current law, 65% of the \$140 million, or \$91 million, of estimated lottery proceeds for school construction would be distributed among all 115 LEAs based on ADM. Allotted ADM for LEAs in FY 2007-08 is currently estimated at 1,430,848; therefore, LEAs would receive \$63.60 per ADM from this block of funds. The remaining 35%, or \$49 million, would be distributed among LEAs located in specified counties with an effective tax rate that is greater than 100% of the state average effective tax rate. In FY 2007-08, 59 LEAs meet this criterion. ADM in eligible LEAs totals 859,729; therefore, each eligible LEA would receive an additional \$56.99 per ADM.

Proposed Law

Under this bill, 65% of the \$140 million, or \$91 million, of estimated lottery proceeds for school construction continues to be distributed among all 115 LEAs based on ADM (\$63.60 per ADM). An additional 17.5%, or \$24.5 million, is distributed among LEAs located in whole or in part in low-wealth counties based on the proportion of Low Wealth Supplemental Funds allotment each LEA receives under the formula described in section 7.6 of S.L. 2005-276. In FY 2007-08, 79 LEAs will receive funding under this formula. The final 17.5% is distributed among LEAs that have experienced ADM growth over the last five years. Seventy-four LEAs will be eligible for funds under this criterion. The total growth in ADM among these LEAs equals 134,175; therefore, each growing LEA will receive \$182.60 for each increase of one ADM.

Table A (see attached) compares the estimated lottery distributions for school construction by LEA under current law and this bill.

SOURCES OF DATA: Department of Public Instruction

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Jennifer Haygood

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division



DATE: July 11, 2007

Signed Copy Located in the NCGA Principal Clerk's Offices

Table A: FY 2007-08 Estimated Lottery Distribution Comparison: Current Law vs. H9 v.2

LEA#	LEA NAME	Estimated Distribution								Difference
		Current Law			HB9 PCS				Total	
		65%	35%	100%	65%	17.5%	17.5%	100%		
to all LEAs	to Eligible LEAs	Total	to all LEAs	to Low-Wealth LEAs	to Growing LEAs*	Total	Total			
010	Alamance County	1,446,170	-	1,446,170	1,446,170	257,460	191,362	1,894,992	448,822	
020	Alexander County	362,131	-	362,131	362,131	153,756	9,312	525,199	163,068	
030	Alleghany County	101,185	-	101,185	101,185	-	28,850	130,035	28,850	
040	Anson County	266,033	238,409	504,442	266,033	271,228	-	537,261	32,819	
050	Ashe County	210,893	-	210,893	210,893	-	22,642	233,535	22,642	
060	Avery County	147,676	-	147,676	147,676	-	-	147,676	-	
070	Beaufort County	452,123	-	452,123	452,123	183,681	-	635,804	183,681	
080	Bertie County	199,127	178,450	377,577	199,127	205,024	-	404,151	26,574	
090	Bladen County	351,319	-	351,319	351,319	266,645	-	617,964	266,645	
100	Brunswick County	757,078	-	757,078	757,078	-	214,187	971,265	214,187	
110	Buncombe County	1,644,852	-	1,644,852	1,644,852	-	209,622	1,854,474	209,622	
111	Asheville City	241,675	-	241,675	241,675	-	-	241,675	-	
120	Burke County	904,564	-	904,564	904,564	435,958	-	1,340,522	435,958	
130	Cabarrus County	1,726,831	1,547,520	3,274,351	1,726,831	-	1,135,756	2,862,587	(411,764)	
132	Kannapolis City	318,248	285,202	603,450	318,248	24,402	97,142	439,792	(163,658)	
140	Caldwell County	836,704	-	836,704	836,704	408,486	59,527	1,304,717	468,013	
150	Camden County	125,607	-	125,607	125,607	80,696	113,576	319,879	194,272	
160	Carteret County	526,215	-	526,215	526,215	-	19,903	546,118	19,903	
170	Caswell County	209,939	188,140	398,079	209,939	176,997	-	386,936	(11,143)	
180	Catawba County	1,132,819	-	1,132,819	1,132,819	-	225,325	1,358,144	225,325	
181	Hickory City	287,275	-	287,275	287,275	-	8,034	295,309	8,034	

		Estimated Distribution							
		Current Law			H9 v.2				Difference
		65%	35%	100%	65%	17.5%	17.5%	100%	
LEA#	LEA NAME	to all LEAs	to Eligible LEAs	Total	to all LEAs	to Low-Wealth LEAs	to Growing LEAs*	Total	Total
182	Newton-Conover Cty	189,270	-	189,270	189,270	-	35,241	224,511	35,241
190	Chatham County	491,236	440,227	931,463	491,236	-	99,881	591,117	(340,346)
200	Cherokee County	234,933	-	234,933	234,933	24,239	18,808	277,980	43,047
210	Chowan County	162,876	-	162,876	162,876	64,239	17,712	244,827	81,951
220	Clay County	90,183	-	90,183	90,183	-	33,415	123,598	33,415
230	Cleveland County	1,078,442	966,459	2,044,901	1,078,442	661,032	-	1,739,474	(305,427)
240	Columbus County	447,162	400,730	847,892	447,162	420,351	-	867,513	19,621
241	Whiteville City	162,049	145,222	307,271	162,049	152,333	-	314,382	7,111
250	Craven County	939,988	-	939,988	939,988	211,979	37,615	1,189,582	249,594
260	Cumberland County	3,374,671	3,024,253	6,398,924	3,374,671	846,661	265,679	4,487,011	(1,911,913)
270	Currituck County	261,899	-	261,899	261,899	-	142,243	404,142	142,243
280	Dare County	310,743	-	310,743	310,743	-	26,842	337,585	26,842
290	Davidson County	1,329,657	-	1,329,657	1,329,657	370,988	315,711	2,016,356	686,699
291	Lexington City	198,491	-	198,491	198,491	55,381	-	253,872	55,381
292	Thomasville City	166,438	-	166,438	166,438	46,438	24,285	237,161	70,723
300	Davie County	428,273	383,802	812,075	428,273	27,180	120,149	575,602	(236,473)
310	Duplin County	572,579	513,123	1,085,702	572,579	540,631	56,788	1,169,998	84,296
320	Durham Public	2,021,610	1,811,691	3,833,301	2,021,610	-	211,813	2,233,423	(1,599,878)
330	Edgecombe County	475,972	426,548	902,520	475,972	379,403	-	855,375	(47,145)
340	Forsyth County	3,272,659	2,932,833	6,205,492	3,272,659	-	997,347	4,270,006	(1,935,486)
350	Franklin County	538,553	482,631	1,021,184	538,553	337,463	87,099	963,115	(58,069)
360	Gaston County	2,069,882	1,854,950	3,924,832	2,069,882	-	317,902	2,387,784	(1,537,048)
370	Gates County	132,222	118,492	250,714	132,222	135,039	27,024	294,285	43,571

		Estimated Distribution							
		Current Law			H9 v.2				Difference
		65%	35%	100%	65%	17.5%	17.5%	100%	
LEA#	LEA NAME	to all LEAs	to Eligible LEAs	Total	to all LEAs	to Low-Wealth LEAs	to Growing LEAs*	Total	Total
380	Graham County	77,527	-	77,527	77,527	1,121	-	78,648	1,121
390	Granville County	571,625	512,268	1,083,893	571,625	490,575	79,247	1,141,447	57,554
400	Greene County	207,522	185,974	393,496	207,522	216,007	12,599	436,128	42,632
410	Guilford County	4,551,692	4,079,054	8,630,746	4,551,692	-	1,399,426	5,951,118	(2,679,628)
420	Halifax County	305,782	274,031	579,813	305,782	278,928	-	584,710	4,897
421	Roanoke Rapids City	188,570	168,989	357,559	188,570	172,010	-	360,580	3,021
422	Weldon City	64,362	57,679	122,041	64,362	58,710	-	123,072	1,031
430	Harnett County	1,180,264	1,057,708	2,237,972	1,180,264	1,061,552	324,841	2,566,657	328,685
440	Haywood County	505,482	-	505,482	505,482	-	25,198	530,680	25,198
450	Henderson County	846,498	-	846,498	846,498	-	208,161	1,054,659	208,161
460	Hertford County	218,589	195,891	414,480	218,589	203,411	-	422,000	7,520
470	Hoke County	472,920	423,813	896,733	472,920	605,849	203,048	1,281,817	385,084
480	Hyde County	41,339	-	41,339	41,339	-	-	41,339	-
490	Iredell County	1,364,127	-	1,364,127	1,364,127	-	567,330	1,931,457	567,330
491	Mooreville City	358,251	-	358,251	358,251	-	255,088	613,339	255,088
500	Jackson County	234,170	-	234,170	234,170	-	9,130	243,300	9,130
510	Johnston County	1,943,766	1,741,929	3,685,695	1,943,765	1,179,927	1,300,093	4,423,785	738,090
520	Jones County	81,724	73,238	154,962	81,724	44,616	-	126,340	(28,622)
530	Lee County	600,498	538,144	1,138,642	600,498	209,594	83,447	893,539	(245,103)
540	Lenoir County	621,359	556,838	1,178,197	621,359	449,970	-	1,071,329	(106,868)
550	Lincoln County	775,586	-	775,586	775,586	160,007	212,178	1,147,771	372,185
560	Macon County	276,909	-	276,909	276,909	-	39,806	316,715	39,806
570	Madison County	167,964	-	167,964	167,964	35,451	16,251	219,666	51,702

		Estimated Distribution							
		Current Law			H9 v.2				Difference
		65%	35%	100%	65%	17.5%	17.5%	100%	
LEA#	LEA NAME	to all LEAs	to Eligible LEAs	Total	to all LEAs	to Low-Wealth LEAs	to Growing LEAs*	Total	Total
580	Martin County	265,715	238,124	503,839	265,715	211,571	-	477,286	(26,553)
590	McDowell County	413,200	-	413,200	413,200	215,996	4,200	633,396	220,196
600	Mecklenburg County	8,557,453	7,668,865	16,226,318	8,557,453	-	4,331,757	12,889,210	(3,337,108)
610	Mitchell County	140,680	-	140,680	140,680	24,896	-	165,576	24,896
620	Montgomery County	288,611	-	288,611	288,611	170,915	14,425	473,951	185,340
630	Moore County	789,068	-	789,068	789,068	-	182,050	971,118	182,050
640	Nash-Rocky Mount	1,153,997	1,034,169	2,188,166	1,153,997	733,704	35,789	1,923,490	(264,676)
650	New Hanover Cty	1,536,861	-	1,536,861	1,536,861	-	421,617	1,958,478	421,617
660	Northampton County	189,651	169,958	359,609	189,651	139,196	-	328,847	(30,762)
670	Onslow County	1,479,559	-	1,479,559	1,479,559	276,583	358,621	2,114,763	635,204
680	Orange County	442,265	396,341	838,606	442,265	-	140,235	582,500	(256,106)
681	Chapel Hill-Carrboro	721,527	646,605	1,368,132	721,527	-	180,954	902,481	(465,651)
690	Pamlico County	97,942	-	97,942	97,942	-	-	97,942	-
700	Pasquotank County	401,880	-	401,880	401,880	199,980	66,831	668,691	266,811
710	Pender County	502,811	-	502,811	502,811	123,807	162,512	789,130	286,319
720	Perquimans County	111,616	-	111,616	111,616	31,808	6,026	149,450	37,834
730	Person County	360,668	323,217	683,885	360,668	109,846	-	470,514	(213,371)
740	Pitt County	1,458,190	1,306,775	2,764,965	1,458,190	606,684	459,050	2,523,924	(241,041)
750	Polk County	154,545	-	154,545	154,545	-	-	154,545	-
760	Randolph County	1,207,993	-	1,207,993	1,207,993	617,516	167,077	1,992,586	784,593
761	Asheboro City	284,986	-	284,986	284,986	145,682	24,651	455,319	170,333
770	Richmond County	519,601	465,647	985,248	519,601	550,236	-	1,069,837	84,589
780	Robeson County	1,531,773	1,372,717	2,904,490	1,531,773	1,969,602	54,049	3,555,424	650,934

		Estimated Distribution								
		Current Law			H9 v.2				Difference	
		65%	35%	100%	65%	17.5%	17.5%	100%		
LEA#	LEA NAME	to all LEAs	to Eligible LEAs	Total	to all LEAs	to Low-Wealth LEAs	to Growing LEAs*	Total	Total	
790	Rockingham County	914,421	819,470	1,733,891	914,421	565,105	-	1,479,526	(254,365)	
800	Rowan-Salisbury	1,331,311	1,193,070	2,524,381	1,331,311	446,514	16,982	1,794,807	(729,574)	
810	Rutherford County	638,403	-	638,403	638,403	351,576	-	989,979	351,576	
820	Sampson County	515,531	461,999	977,530	515,531	503,891	2,191	1,021,613	44,083	
821	Clinton City	212,483	190,419	402,902	212,483	207,685	109,376	529,544	126,642	
830	Scotland County	435,524	390,300	825,824	435,524	452,556	-	888,080	62,256	
840	Stanly County	614,490	550,683	1,165,173	614,490	389,416	-	1,003,906	(161,267)	
850	Stokes County	465,288	416,973	882,261	465,288	283,272	-	748,560	(133,701)	
860	Surry County	554,453	496,880	1,051,333	554,453	319,638	54,962	929,053	(122,280)	
861	Elkin City	77,590	69,534	147,124	77,590	44,730	14,425	136,745	(10,379)	
862	Mount Airy City	111,870	100,254	212,124	111,870	64,492	-	176,362	(35,762)	
870	Swain County	117,276	-	117,276	117,276	13,184	10,773	141,233	23,957	
880	Transylvania County	242,311	-	242,311	242,311	-	-	242,311	-	
890	Tyrrell County	38,922	34,881	73,803	38,922	18,237	-	57,159	(16,644)	
900	Union County	2,351,306	2,107,151	4,458,457	2,351,306	428,146	2,152,092	4,931,544	473,087	
910	Vance County	500,649	448,662	949,311	500,649	448,659	-	949,308	(3)	
920	Wake County	8,580,602	-	8,580,602	8,580,602	-	5,453,270	14,033,872	5,453,270	
930	Warren County	178,649	-	178,649	178,649	93,192	-	271,841	93,192	
940	Washington County	131,204	117,580	248,784	131,204	112,560	-	243,764	(5,020)	
950	Watauga County	288,992	-	288,992	288,992	-	-	288,992	-	
960	Wayne County	1,235,149	1,106,894	2,342,043	1,235,149	876,502	47,475	2,159,126	(182,917)	
970	Wilkes County	641,965	-	641,965	641,965	201,717	-	843,682	201,717	
980	Wilson County	798,163	715,284	1,513,447	798,163	352,664	60,257	1,211,084	(302,363)	

		Estimated Distribution							
		Current Law			H9 v.2				Difference
		65%	35%	100%	65%	17.5%	17.5%	100%	
LEA#	LEA NAME	to all LEAs	to Eligible LEAs	Total	to all LEAs	to Low-Wealth LEAs	to Growing LEAs*	Total	Total
990	Yadkin County	394,248	353,310	747,558	394,248	270,304	47,841	712,393	(35,165)
995	Yancey County	163,830	-	163,830	163,830	22,521	13,877	200,228	36,398

Total	91,000,000	49,000,000	140,000,000	90,999,999	24,500,001	24,500,000	140,000,000	-
LEAs receiving allocation	115	58	115	115	79	74	115	
Per ADM allocation	\$63.60	\$56.99		\$63.60	N/A	\$182.60		

*Note that for this block of funds, the per ADM amount is applied to an LEA's increase in ADM, not its total ADM.