

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 653 (First Edition) Durham County Health Fund Investment

**SHORT TITLE:** Durham County Health Fund Investment

**SPONSOR(S):** Senators Gulley and Lucas

**FISCAL IMPACT**

**Yes (X)      No ( )      No Estimate Available ( )**

**FY 1999-00   FY 2000-01   FY 2001-02   FY 2002-03   FY 2003-04**

**REVENUES**

**Community Health Trust Fund - could increase investment earnings. (See Assumptions and Methodology)**

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Durham County Board of Commissioners

**EFFECTIVE DATE:** The act is effective when it becomes law.

**BILL SUMMARY:** The bill authorizes Durham County to invest the money in its Community Health Trust Fund in any securities or investments authorized by law for the State Treasurer.

**ASSUMPTIONS AND METHODOLOGY:**

The Community Health Trust Fund contains proceeds from the lease of Durham Regional Hospital to Duke University Health System. On July 1, 1998, Duke agreed to lease the hospital from the county for 20 years and prepay the first ten years of rent (adjusted for present value). As of January 5, 1999, the Community Health Trust Fund had \$23,563,650 invested in short term investments.

The firm of Davenport & Company LLC analyzed the earnings potential of the Community Health Trust Fund. The Fund currently earns 6.13% a year in interest from money market instruments. The most the Fund can earn under current statutory restrictions is 6.86% from long term fixed income investments. With the passage of SB 653, the County will be allowed to invest in the equity market. If the Fund is invested in 50% equities and 50% fixed income investments, it is estimated to earn 9.5% a year. If the Fund portfolio is 60% equities and 40% fixed income, the Fund will earn 10.02% a year. Based on this analysis, **SB 653 can increase revenue to the Community Health Trust Fund if funds are invested prudently.**

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** Monday, April 26, 1999



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