

**ORANGE COUNTY  
BOARD OF EDUCATION**

**AGENDA ITEM ABSTRACT**

**Meeting Date:** August 1, 2011

**AGENDA ITEM No.** 11-08-14

**ACTION ITEM: (Y/N)** Y

**SUBJECT:** One-Quarter Cent Sales Tax Discussion

**INFO. CONTACT:** G. Patrick Rhodes **PHONE:** 919-732-8126

**ATTACHMENTS:**

1. Orange County Board of Commissioners Abstract dated April 19, 2011.
2. June 24, 2011 Email from Donna Baker, Clerk to the Board of County Commissioners (BOCC).
3. Orange County Board of Commissioners – A Resolution Regarding Uses of Potential Revenues from a One-Quarter Cent County Sales and Use Tax.
4. Proposed Economic Development Uses of Sales Tax Proceeds.
5. Project List for Anticipated Funding Over the Next Ten Years.
6. DRAFT Resolution in Support of the One-Quarter Cent Sales Tax.

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**PURPOSE:** The purpose of this agenda item is to allow the Board of Education an opportunity to discuss the Board of County Commissioners' proposed One-Quarter Cent Sales Tax.

**BACKGROUND:** During the 2007 legislative session, the North Carolina General Assembly granted boards of commissioners the authority to levy, subject to voter approval, an additional one-quarter cent county sales and use tax. In November 2010, a ballot question asking Orange County voters to vote for or against a local sales and use tax of one-quarter cent was voted upon and defeated.

For the upcoming November 2011 referendum, half of the proposed sales tax revenue will go to economic development and half will go to the schools. According to the resolution, "A Special Revenue Fund will be established and account for the sales tax revenue". Additionally, the commissioners have established a ten (10) year commitment to the 50/50 split between schools and economic development projects. Staff has prepared a list of projects and student technology enhancements which could be funded with revenues from the one-quarter cent sales tax.

The Orange County Board of Education discussed the proposed one-quarter cent sales tax during its May 16, 2011 meeting. As a result of this discussion, the Board of Education sent a letter to the Board of County Commissioners requesting written clarification as to how the funds would be distributed and if revenues generated from the tax would supplant existing funding to the schools. On June 21, 2011 the BOCC modified its original resolution to answer questions raised by Orange County Schools. It should be noted that the BOCC resolution regarding the use of the tax specifically states revenues will not supplant existing school funding currently provided by the county commissioners.

Appropriations from the one-quarter cent sales tax could help offset declining lottery proceeds. Orange County Schools uses lottery funds to make capital improvements across the school system. In F.Y. 2009-2010 Orange County Schools received \$879,608 in lottery revenue. For the 2010-2011 fiscal year estimated lottery revenues are \$570,281. This represents a loss of \$309,327 in funding for capital improvements.

If the Board of Education chooses to support the one-quarter cent sales tax, the BOCC has requested the Orange County Board of Education designate a representative for the sales tax education campaign. Additionally, a sample Resolution supporting the tax is attached.

**FINANCIAL IMPACT:** It is projected that \$2.5 million would be generated for county government. Half of this amount would be shared between the school systems on an average daily membership (ADM) basis. Based on current county revenues, projected revenues to Orange County Schools are estimated to be \$500,000.00. This estimate was provided by county finance staff.

**RECOMMENDATION:** The Superintendent recommends the Board:

1. Discuss the one-quarter cent sales tax
2. Render a decision as to its support, or non-support, of the tax.
3. Appoint a designee for the Education Committee, if needed.
4. Review and prioritize list of projects for anticipated funding over the next ten years, if needed.
5. Review and approve draft Resolution, if needed.

**ORANGE COUNTY  
BOARD OF COMMISSIONERS**

**ACTION AGENDA ITEM ABSTRACT**

**Meeting Date:** April 19, 2011

**Action Agenda  
Item No.** 4-d

**SUBJECT:** Resolution Regarding Planned Uses of Revenues from a Potential One-Quarter Cent (1/4¢) County Sales and Use Tax

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**DEPARTMENT:** Manager & Financial Services    **PUBLIC HEARING: (Y/N)**     No

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**ATTACHMENT(S):**

Attachment 1: Draft Resolution  
Regarding Uses of  
Potential Revenues from  
a One-Quarter Cent  
(1/4¢) County Sales and  
Use Tax

**INFORMATION CONTACT:**

Frank Clifton, County Manager,  
245-2300  
Clarence Grier, Financial Services,  
(919) 245-2453  
Michael Talbert, Financial Services,  
(919) 245-2153

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**PURPOSE:** To approve a resolution outlining the intentions of the Orange County Board of Commissioners regarding the use of the proceeds from a One-Quarter Cent (1/4¢) County Sales and Use Tax, if approved by voters on November 8, 2011.

**BACKGROUND:** Local governments in North Carolina have historically relied heavily upon ad valorem property taxes as their major source of revenue. For a number of years, the Orange County Board of County Commissioners, the North Carolina Association of County Commissioners and many other local governing boards across the state lobbied the North Carolina General Assembly for legislative authority to expand counties' revenue options, thereby lessening counties' reliance on property taxes.

During the 2007 legislative session, the North Carolina General Assembly granted county boards of commissioners the authority to levy, subject to voter approval, an additional one-quarter cent (1/4¢) county sales and use tax referred to as the Article 46 sales and use tax. As authorized by the General Assembly, the Article 46 sales tax cannot apply to consumer food purchases. There is also no legislative requirement, or mechanism, for counties to share the additional one-quarter cent sales tax with municipalities.

Between November 7, 2007 and December 31, 2010, 77 referendums on the quarter-cent sales tax have been held in 53 counties. Of those 77, 18 were approved and 59 failed. This year one referendum has been held to date and the quarter-cent sales tax was approved in Halifax County on February 1, 2011. There are three referendums scheduled for the remainder of 2011 – Cabarrus County is scheduled for May 17, 2011 and both Buncombe County and Orange County are scheduled for November 8, 2011.

A Special Advisory Referendum Concerning the Levy of a One-Quarter Cent (1/4¢) County Sales and Use Tax was held in Orange County on November 2, 2010. The election results were 20,896 votes cast FOR and 21,953 votes AGAINST an additional one-quarter cent (1/4¢) county sales and use tax. The first possible date the Board can consider for a Special Advisory Referendum Concerning the Levy of a One-Quarter Cent (1/4¢) County Sales and Use Tax referendum, is November 8, 2011. North Carolina General Statutes 105-465 states that "The county board of elections shall fix the date of the special election, except that the special election shall not be held on the date or within 60 days of any biennial election of county officers, nor within one year from the date from the date last preceding special election under the section."

Although a public hearing is not required by the North Carolina General Statutes, the Board held a public hearing on March 15, 2011 to solicit comments from the public on a possible November 8, 2011 Special Advisory Referendum Concerning the Levy of a One-Quarter cent (1/4¢) County Sales and Use Tax. The Board discussed the potential referendum and approved a Resolution Calling for a Special Advisory Referendum Concerning the Levy of a One-Quarter cent (1/4¢) County Sales and Use Tax on the April 5, 2011.

The Board held a public hearing on April 5, 2011 and received public comments on the possible uses for the potential proceeds from the additional sales tax if approved by voters. Over the past few months the Board has discussed both Education and Economic Development as having a high priority when considering potential uses for revenues generated from the One-Quarter cent (1/4¢) County Sales and Use Tax. A long-term commitment of ten years has also been discussed.

An extensive Board discussion on the possible uses for the potential proceeds from a One-Quarter cent (1/4¢) County Sales and Use Tax occurred at the April 7, 2011 work session. Economic Development Director Gary Shope presented possible Economic Development initiatives for the Board to consider including: expanding the Small Business Loan Program, funding Innovation Centers for new businesses, funding for Agricultural Economic Development, and Business Development Grants. The Board discussed these Economic Development initiatives without finalizing a funding formula and discussed a 50% allocation of potential proceeds from the additional sales tax to allocate towards Economic Development. The Board also discussed allocating 50% of potential proceeds from the additional sales tax to Education. There was consensus on an equitable allocation between both school systems, with capital improvements of older schools and the procurement of technology having the highest priorities. The Board discussed making a request that each school system furnish a detailed list of prioritized projects that could be completed over the next ten years for Board of Commissioners' consideration.

If a majority of voters approve the sales tax referendum, the Board will be required to give ten (10) days public notice of the Board's intent to levy the tax. The Board would then hold a required public hearing and consider a new resolution to actually levy the tax. The Board must adopt that additional resolution in order for the tax to take effect. Based on election certification timeframes, the Board of Commissioners' regular meeting schedule, and timing and other requirements associated with the North Carolina Department of Revenue and North Carolina General Statute 105-466, the earliest date the additional sales tax could become effective following a November 8, 2011 referendum would be April 1, 2012.

Pending approval of the attached resolution concerning the proposed uses from a One-Quarter Cent (1/4) County Sales and Use Tax, the Board may also want to consider discussing any public education efforts to ensure voters are knowledgeable regarding the ballot question. The North Carolina Association of County Commissioners recommends that counties undertake a public education campaign to educate voters. The County did undertake a public education effort for the previous November 2010 sales tax referendum.

**FINANCIAL IMPACT:** There is no financial impact associated with considering the resolution regarding the potential uses for funds from a One-Quarter Cent (1/4¢) County additional Sales and Use Tax. Approval and implementation of the sales tax, resulting in the receipt and allocation of funds, would have financial impacts.

If a majority of voters approve the sales tax, and the Board of Commissioners implements the sales tax as soon after the November 8, 2011 referendum as possible, it could have an effective date of April 1, 2012. Approximately \$625,000 would be generated during the remainder/last quarter of FY 2011-12. As an additional revenue source in the following years, the sales and use tax would generate approximately \$2,500,000 annually for the County.

**RECOMMENDATION(S):** The Manager recommends that, if it is the Board's desire to move forward with the referendum, the Board approve and authorize the Chair to sign the accompanying resolution, or modified version thereof, to document the Board's intended uses of the revenues from a prospective One-Quarter Cent (1/4) County additional Sales and Use Tax.

## Patricia Coleman

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**From:** Donna Baker [dbaker@co.orange.nc.us]  
**Sent:** Friday, June 24, 2011 3:22 PM  
**To:** jbedford@chccs.k12.nc.us; Tony McKnight; Patrick Rhodes; Neil Pedersen; tforcella@chccs.k12.nc.us  
**Cc:** dwyatt@chccs.k12.nc.us; Patricia Coleman; bpelissier@co.orange.nc.us; Greg Wilder; Michael Talbert  
**Subject:** BOCC - Adopted Resolution Regarding the Uses of Funds Generated by the Article 46 One-Quarter (¼) Cent Optional Sales and Use Tax if Approved by Voters in November 2011  
**Attachments:** Adopted Resolution Regarding the Uses of Funds generated by quarter cents sales tax.pdf

CHCCS Chair Bedford and OCS Chair McKnight and Superintendents Pedersen, Forcella and Rhodes,

Please see attached a copy of a resolution adopted by the Board of Commissioners at the June 21, 2011 regular meeting regarding the uses of funds generated by the Article 46 One-Quarter (¼) Cent Optional Sales and Use Tax if approved by voters in November 2011.

Please distribute this information to your board members.

Thank you,

Donna S. Baker  
Clerk to the Board  
P.O. Box 8181  
Hillsborough, NC 27278  
Phone: (919) 245-2130  
Fax: (919) 644-0246  
Cell: (919) 428-3212  
[dbaker@co.orange.nc.us](mailto:dbaker@co.orange.nc.us)

# ORANGE COUNTY BOARD OF COMMISSIONERS

## A Resolution Regarding Uses of Potential Revenues from a One-Quarter Cent (1/4¢) County Sales and Use Tax

WHEREAS, there are significant pressing infrastructure, economic development, school, and other County capital needs that are precipitated by growth pressures and the new economic reality facing Orange County; and

WHEREAS, it is important to provide Orange County taxpayers with alternatives to the pressure to raise property taxes to address these and other County needs; and

WHEREAS, the levy of a Article 46 one-quarter cent (1/4¢) County sales and use tax would provide a new County revenue source and would generate approximately \$2,500,000 annually for the County; and

WHEREAS, it is important for Orange County to plan for future economic development that will enable the County to recruit, retain, grow, and generate businesses and jobs that are desirable; and

WHEREAS, it is important that Orange County expand collaboration and cooperation of economic development efforts and decisions between Orange County and the towns of Chapel Hill, Carrboro and Hillsborough and the cities of Mebane and Durham; and

WHEREAS, it is important for Orange County to meet public school needs; and

WHEREAS, the Board of Commissioners establishes a ten-year commitment to allocate Article 46 one-quarter cent (1/4¢) County sales and use tax proceeds as follows:

- a. 50% of the funding will be allocated in an equitable manner between the County's two school systems, based on the Average Daily Membership of each school system, for the dedicated purpose of funding capital projects, including but not limited to facility improvements at 'older' schools and the procurement of technology. The Board requests that each school system furnish the Board of Commissioners with a detailed list of prioritized projects that could be completed with anticipated funding over the next ten years. The Board will evaluate the projects and approve a ten-year plan which will be incorporated into the County's Capital Investment Plan. As part of the Capital Investment Plan annual review, progress will be evaluated annually and adjustments made according to needs agreed upon by the School Boards and Board of County Commissioners;
- b. **50% of the funding will be allocated to Economic Development initiatives generally as shown on the attached chart and the Board of Commissioners will approve a ten-year Economic Development Plan as part of the County's Capital Investment Plan; and**

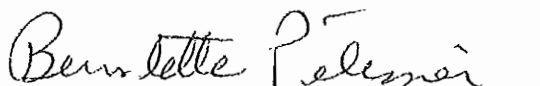
WHEREAS, if additional funding does not come from the one-quarter cent (1/4¢) County sales and use tax, the property tax will be the primary funding source available for schools and economic development initiatives; and

WHEREAS, to distinguish and separate the revenues produced through this ¼ cent sales tax, if approved by Orange County voters, a Special Revenue Fund will be established to receive and account for the sales tax revenue. These funds will not supplant funding for the Board's endorsed funding target of 48.1% for annual spending on both school systems. The funds will remain separate from the County's general fund to allow for more accurate tracking of revenues and expenditures in accordance with initial ten-year allocation plan established as part of this resolution;

NOW, THEREFORE, BE IT RESOLVED THAT the Orange County Board of Commissioners hereby states its intent to use the revenues from the Article 46 one-quarter cent (1/4¢) County sales and use tax, if approved by the voters of Orange County, for currently unfunded or underfunded economic development and public school capital needs for a period of ten years, with a scheduled implementation date of April 1, 2012.

BE IT FURTHER RESOLVED THAT proceeds from the one-quarter cent (1/4¢) County sales and use tax in later years will be used to address priorities as established by the Board of Commissioners in the County's Capital Investment Plan.

This the 21<sup>st</sup> day of June, 2011.

  
Bernadette Pelissier, Chair  
Orange County Board of Commissioners



# PROPOSED ECONOMIC DEVELOPMENT USES OF SALES TAX PROCEEDS

Focus Area	Percentage of Funds <sup>1</sup>	Estimated Annual Expenditures	Example Activities	Frequency
Debt Service on Infrastructure	60%	\$750,000	<ul style="list-style-type: none"> <li>♦ Installation of water and sewer infrastructure in EDDs</li> </ul>	Annually for 10 years
Collaborative Outreach	1.5%	\$15,000 - \$20,000	<ul style="list-style-type: none"> <li>♦ Trade shows targeted to specific industry clusters</li> <li>♦ Industry Appreciation events businesses</li> <li>♦ Local "Economic Health" Summit</li> </ul>	Annually for 10 years; amount of funding will vary
Collateral Materials	1.5%	\$20,000	<ul style="list-style-type: none"> <li>♦ Updated Internet interface</li> <li>♦ Utilization of appropriate social media tools</li> <li>♦ Development of informative brochures</li> </ul>	Funding only required every 2 to 3 years
Innovation Space	5 - 10%	\$75,000 - \$125,000	<ul style="list-style-type: none"> <li>♦ Up fit of a county-owned innovation space</li> <li>♦ Rent subsidies and/or leasehold improvements on privately owned leasable space</li> </ul>	Funding will vary with site improvement requirements
Agricultural Economic Development	2 - 20%	\$25,000 - \$250,000	<ul style="list-style-type: none"> <li>♦ Focused counseling for food-based businesses graduating from PFAP</li> <li>♦ Creation of a 'culinary kitchen' facility to provide facilities for PFAP graduates</li> </ul>	10 years, but funding will vary with program requirements
Business Investment Grants	8%	\$100,000	<ul style="list-style-type: none"> <li>♦ Advanced site preparation</li> <li>♦ Relocation assistance</li> </ul>	10 years, but funding will vary with project
Small Business Loan Program	0% - 16%	Up to \$200,000 for next few years	<ul style="list-style-type: none"> <li>♦ Start-up capital and expansion funds for Orange County small businesses</li> </ul>	After several years, program will be self sufficient
Establishment of 501c (4) entity	12 - 16%	Up to \$200,000 for several years	<ul style="list-style-type: none"> <li>♦ Develop public-private stand alone economic develop entity</li> </ul>	Expenditures in Years 2 - 5 for start up funding.

<sup>1</sup> Reflects the percentage of economic development funds, rather than overall funds

## PROJECT LIST FOR ANTICIPATED FUNDING OVER THE NEXT TEN YEARS

PROJECT	ESTIMATED COST
One-to-One Computer Initiative	\$500,000 annually
Resurface Parking Lot and Roads (OHS)	\$300,000
Window Replacement (CES)	\$200,000
Environmental Controls (HES)	\$150,000
Air Handler Replacements	\$600,000
New Activity Buses (4 EACH)	\$328,000
Emergency Generators for Schools	\$108,000
ADA Compliance Issues	\$500,000
Science Infrastructure Upgrades (District-wide)	\$250,000
Safety & Security Infrastructure Upgrade	\$200,000

**DRAFT**

**Orange County  
Board of  
Education**

**RESOLUTION**

**IN SUPPORT OF  
THE ONE-QUARTER CENT SALES TAX  
IN ORANGE COUNTY, NORTH CAROLINA**

**Board Members:**

**Donna Coffey  
Chair  
Stephen H. Halkiotis  
Vice Chair**

**Eddie M. Eubanks  
Tony M. McKnight  
Anne Medenblik  
Deborah A. Piscitelli  
Brenda Stephens**

**G. Patrick Rhodes  
Superintendent**

**200 East King Street  
Hillsborough, NC 27278  
Telephone: 919-732-8126  
FAX: 919-732-8120**



WHEREAS, the Orange County Board of Education ("School Board") has experienced state and local budget cuts of at least \$6.2 million for day-to-day operations plus \$800,000 reductions in capital funding from the state and Orange County since fiscal year 2008-2009; and

WHEREAS, The School Board anticipates a loss of at least an additional \$2.4 million in federal funds in fiscal year 2011-2012; and

WHEREAS, loss of these funds will create a fiscal environment that would cause the school system to severely limit programs and services offered to its students; and

WHEREAS, state revenues from lottery proceeds and for school construction have declined significantly; and

WHEREAS, the School Board has no authority to levy taxes to generate revenue to operate the school system and is dependent on the federal and state governments and Orange County local government to provide the school system with adequate funding on a yearly basis; and

WHEREAS, the School Board is of the belief that passage of Article 46 one-quarter cent (1/4¢) sales tax would diversify the county's revenue stream and has the potential to minimize cuts in local funding for the school system and the impact on the level of service the school system would be able to provide.

NOW, THEREFORE, BE IT RESOLVED, that the Orange County Board of Education requests the Orange County Board of County Commissioners allocate half of the proceeds from the proposed Article 46 one-quarter cent (1/4¢) sales tax to Orange County and Chapel Hill-Carrboro City Schools.

This the \_\_\_\_\_ day of August, 2011.

ORANGE COUNTY BOARD OF EDUCATION

By: \_\_\_\_\_  
Donna Coffey, Chairperson