

ORANGE COUNTY
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: May 16, 2011

AGENDA ITEM No. 11-05-(2)-17

ACTION ITEM: (Y/N) N

SUBJECT: One-Quarter Cent Sales Tax Discussion

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

ATTACHMENTS:

1. Orange County Board of Commissioners-A Resolution Regarding Uses of Potential Revenues from a One-Quarter Cent (1/4¢) County Sales and Use Tax.
2. Orange County Board of Commissioners Abstract dated April 19, 2011.
3. Resolution in Support of the One-Quarter Cent Sales Tax in Orange County, NC.

PURPOSE: To allow the Board of Education an opportunity to discuss the Board of County Commissioners' proposed One-Quarter Cent Sales Tax Resolution.

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 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.

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.

RECOMMENDATION: The Superintendent recommends the Board discuss the one-quarter cent sales tax resolution and the attached draft Resolution In Support of the One-Quarter Cent Sales Tax in Orange County, NC.

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 for the dedicated purpose of 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 including but not limited to: funding utility infrastructure needed to recruit and locate new businesses, small business loans to help existing businesses expand, innovation centers to provide space for new start-up businesses, funding support for the County's agricultural businesses, and Business Investment Grants. 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 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 19th day of April, 2011.

Bernadette Pelissier, Chair
Orange County Board of Commissioners

**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

DEPARTMENT: Manager & Financial Services

PUBLIC HEARING: (Y/N)

No

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

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.

DRAFT

RESOLUTION

Orange County Board of Education

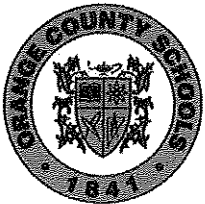
IN SUPPORT OF THE ONE-QUARTER CENT SALES TAX IN ORANGE COUNTY, NORTH CAROLINA

Board Members:

Tony M. McKnight, Chair
Donna Coffey, Vice Chair
Eddie M. Eubanks
Stephen H. Halkiotis
Anne Medenblik
Deborah A. Piscitelli
Brenda Stephens

G. Patrick Rhodes
Superintendent

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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, the Chapel Hill-Carrboro City Schools has experienced similar funding reductions; 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 _____, 2011.

ORANGE COUNTY BOARD OF EDUCATION

By: _____
Tony McKnight, Chairperson