



# Local Sales Tax Distribution Agreement

December 2015

# Sales Tax Articles

**Article 39**

1 cent

**Article 40**

½ cent - 30% shared with schools

**Article 42**

½ cent - 60% shared with schools

**Article 46**

¼ cent



# Sales Tax Distribution Methods

County Commissioners are authorized to choose between two methods to establish the distribution of sales tax proceeds between the county and its municipalities.

**Per Capita Distribution**

**Ad Valorem Distribution**

County Commissioners may change the method of distribution annually in month of April.



# Cumberland County Distributions

- Sales taxes in Cumberland County have historically been distributed using the per capita distribution method.
- As Fayetteville and other municipal populations grew through annexation:
  - The County's relative share of sales tax distribution declined.**
  - The County's responsibilities did not decline.**
- Result: a shift in revenue from the County to the municipalities – most significantly to the City of Fayetteville.



# Sales Tax Working Group

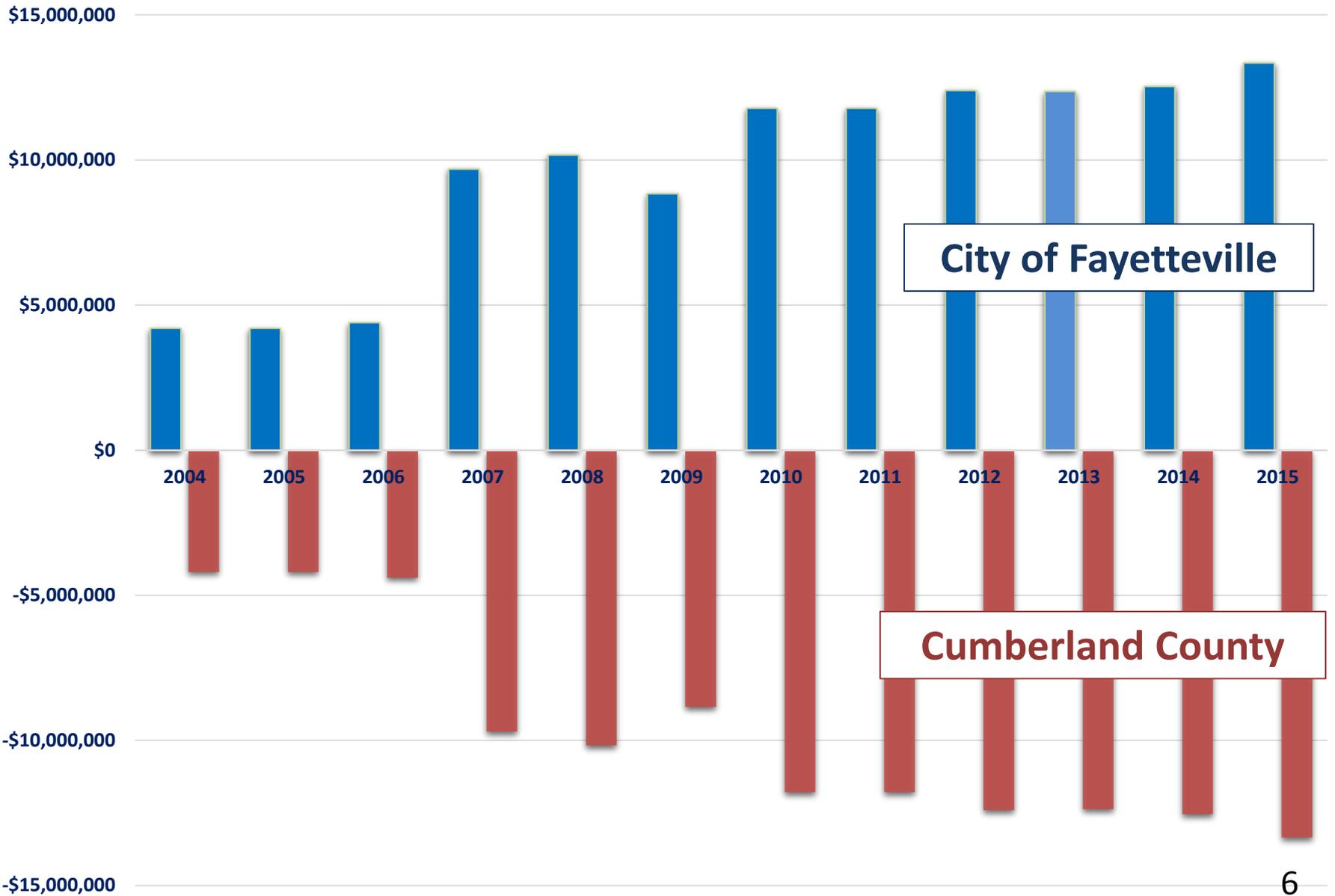
Sales tax/annexation working group formed in 2002

Purpose – balance cost of extending services through annexation with the concurrent loss of sales tax revenue to the County

Working group included representatives from each municipality, the Board of Education and the County



# Annual Impact of Fayetteville Annexations on Cumberland County without Agreement



# Tenants of Successful Agreement

School of Government facilitated work group's creation of successful agreement tenants

Address short and long-term impacts of annexation on sales tax:

- Equitable impact
- Protect and stabilize sufficient revenue to provide basic mandated services
- Acknowledge role and value of each jurisdiction and issues shared by all

Solution agreed on and supported by ALL



# Current Distribution Agreement

Reimbursement per agreement:

- A portion of losses prior to 2003
- Beginning 2003 - 50% of sales tax gains by cities and towns from annexations shared with County

Represents a “win-win” for all jurisdictions:

- Recognizes County’s undiminished obligations to provide basic human services, including education
- Acknowledges financial responsibility of cities & towns due to annexation
  - Cities and towns retain 50% of sales tax gain



# County Sales Tax Loss to City of Fayetteville

	<b>Cumulative</b>
Sales tax loss (FY 1995 through FY 2015)	\$(116,910,759)
Reimbursed through agreements (FY 2004 – 15)	57,848,206
	<hr/>
<b>Net sales tax loss</b>	<b>\$(59,062,553)</b>



# City of Fayetteville Annexation Gains

	FY 2015 Actual
Sales tax gain	\$13,343,469
Sales tax share 50% with County	(6,671,734)
Property tax gain	7,475,622
	<hr/>
<b>Annexation gain</b>	<b>\$14,147,357</b>



# Current Distribution Agreement

- Original agreement expired on June 30, 2013
- Agreement extended by all parties through June 30, 2016
- The County and all municipalities, except Fayetteville, agreed to extend the agreement through June 30, 2023.



# Financial Impact of Current Agreement Expiration

	<b>FY 2015 Per Capita Distribution (no agreement)</b>	<b>FY 2015 Per Capita Distribution (w/agreement)</b>	<b>Net Gain / (Loss)</b>
Cumberland County	\$30,656,635	\$36,605,112	<b>\$(5,948,477)</b>
County Schools	9,458,762	10,542,503	<b>(1,083,741)</b>
Fayetteville	37,214,408	30,377,116	6,837,292



# NC General Statutes Mandated Services

## County

---

Law enforcement  
Jails  
Medical examiner  
Courts  
Building code enforcement  
Public schools  
Social services  
Public health  
Deed registration  
Election administration  
Tax assessment  
Child support  
Community college – capital outlay

## City

---

Building code enforcement



# County Services

County service responsibility is not significantly reduced by annexation.

County services are available to *all* citizens without regard to where they live within the county.

- Schools, social services, child support, health, mental health, jail, public safety, Register of Deeds, Board of Elections

County provides quality of life services: animal control, libraries, FTCC, veterans services, cooperative extension



# Impact of County Services

## Annual Impact

### Animal Control

Calls	41,519
Animals entering shelter	12,115

### Child Support

Open cases	20,791
Total collections	\$40,217,084

### Veterans Services

Veterans seen to date for 2015	8,472
--------------------------------	-------



# Impact of County Services

## Monthly Impact

### Department of Social Services

Food & Nutrition Services cases	34,114
Medicaid cases	77,515
Children in foster care	905 (as of 11/20/15)
Children receiving child care subsidy	3,741



# Impact of County Services

## Annual Impact

### Department of Public Health

Facilities inspected by Environmental Health – (restaurants, daycares, lodging, schools, pools, institutions, etc.)	2,244
Patients served (unduplicated)	17,594

### Public Library

Program attendance	101,243
Cardholders	191,658
Door count	1,345,163

# Options - Current Agreement Expires

## Potential reduction to services

- Libraries
- Education
- Animal Control
- Veterans Services

## Potential tax increase to ALL county residents

- Impact is potential 3-cent County tax increase

## Change sales tax distribution method

- All municipalities lose revenue



# Net Financial Impact of Distribution Change

	Per Capita Distribution	Ad Valorem Distribution	Impact of Distribution Change	Eliminate Agreement Payments	Net Impact of Distribution Change
<b>Cumberland County</b>	\$ 39,752,575	\$ 47,945,083	\$ 8,192,508	<b>\$(5,948,478)</b>	\$ 2,244,030
<b>Schools</b>	9,458,762	11,267,532	1,808,770	<b>(1,083,740)</b>	725,030
<b>Fire districts</b>	-	2,667,057	2,667,057	-	2,667,057
<b>Recreation district</b>	-	1,214,692	1,214,692	-	1,214,692
<b>City of Fayetteville</b>	37,214,408	25,793,775	<b>(11,420,633)</b>	6,673,107	<b>(4,747,526)</b>
<b>All other municipalities</b>	6,005,330	3,542,936	<b>(2,462,394)</b>	359,111	<b>(2,103,283)</b>



# Estimated Impact of Change in Distribution Method

<b>Municipality</b>	<b>Projected Sales Tax Net Loss</b>	<b>Tax Increase Needed for Revenue Loss</b>
Eastover	\$ (422,161)	0.16
Falcon	(52,159)	0.37
Godwin	(11,695)	0.09
Hope Mills	(1,118,044)	0.11
Linden	(17,178)	0.22
Spring Lake	(492,435)	0.11
Stedman	(84,010)	0.10
Wade	(69,790)	0.20



# Community Issue

- This is a community issue.
  - It does not reside with the City of Fayetteville and Cumberland County alone.
  - This agreement directly impacts ALL residents, regardless of where they reside within the county.
- Maintaining the current agreement:
  - Minimizes budget implications for ALL jurisdictions in the county.
  - Maintains the “**win-win**” solution.



# Timeline

- Extension of current agreement signed by ALL jurisdictions no later than **January 31, 2016**
- Failure to have approved agreement by January 31, 2016:
  - **February 4** committee:
    - Discussion regarding budget impact
    - Discussion regarding alternatives
  - **March 7 BOCC** – consideration of sales tax distribution methods for FY 2016-17
    - Adequate budget planning

