

Orange Crush Revisited

*County commissioners ask voters
a third time for a tax increase*

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KEY FACTS

- ♦ Orange County commissioners are asking voters for a \$2.5 million sales-tax increase at a time of high unemployment.
- ♦ Twice before Orange County voters rejected tax increases. Just last November, rural county voters rejected a sales-tax increase by 2 to 1.
- ♦ It seems that commissioners are attempting to win approval this time by cynically manipulating the process. Turnout is likely to be low in the rural county precincts because there are no candidates on the ballot, while urban voters, who are more likely to support an increase, are more likely to turn out because they will also be voting for candidates for city offices.
- ♦ This cynical vote manipulation also costs county taxpayers an extra \$85,000 to open rural precincts.
- ♦ Promises to spend the increased tax money for schools and economic development are attempts to gain support of special-interest groups and motivate them to vote for the tax increase.
- ♦ Regardless of the county commissioners' promises, all of the new sales-tax revenues would be available for spending on any legal purpose. Taxpayers have no legal recourse if the commissioners break their promises.
- ♦ Since the special county taxing authority was established by the legislature in 2007, voters have rejected 82 of 101 requests for tax increases, sending the message that county commissioners must be more responsible stewards of taxpayers' hard-earned money.

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NO DOUBT ABOUT IT; IT'S A TAX INCREASE

Orange County commissioners are asking voters to approve a \$2.5 million tax increase in the midst of the longest-running economic downturn since the Great Depression, with little prospect for rapid recovery. County commissioners have only themselves to blame because they increased spending during the economic boom. They seek to continue the pattern of excessive spending during a boom and overtaxing during a recession.

Unemployment in North Carolina has been above nine percent since January 2009 and is currently at 10.4 percent, 33 months later. A tax increase now would mean that money needed in the private sector to support job creation would be transferred to the public sector.

PROMISES, PROMISES

In order to attract supporters, commissioners promise benefits to specific special-interest groups. This time they are promising to use half of the \$2.5 million in new revenue per year for various corporate welfare infrastructure projects to attract new businesses and half for school facility and technology projects in the Orange and Chapel Hill-Carrboro schools.

According to the commissioner's official resolution,

50% of the funding will be allocated to fund infrastructure improvements needed for economic development initiatives that recruit new businesses, expand existing businesses, provides funding for small business loans to grow businesses in Orange County¹ ...

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 within all of Orange County and the procurement of technology. Each school system will establish a list of prioritized needs for older schools within the County. Funding provided by the passage of the referendum will be allocated to those prioritized projects. Prog-

ress will be evaluated annually and adjustments made according to needs agreed upon by the school Boards and Board of County Commissioners.²

These promises are not legally binding, however, and taxpayers would have no legal recourse if the commissioners chose to spend the new sales-tax revenue on other items.

Additionally, county commissioners have stipulated that the sales-tax funds would go into a separate account, but that also would not provide taxpayers any legal protection because the account would still be part of the general fund and could still be spent on any legal purpose.

Furthermore, even if this particular commission were to allocate the money as promised above, future county commissions would not be bound by the promises in this resolution.

THE ECONOMIC DEVELOPMENT 'NEED'

While spending to attract businesses to Orange County may sound attractive to local businesses, unemployed workers, and sympathetic voters, this spending is unlikely to improve the business climate in the county. In fact, it is unlikely that \$1.25 million or any amount of spending on so-called economic development activities would improve Orange County's economy.

Orange County and its cities, Chapel Hill and Carrboro in particular, have a long record of policies that are anti-business. Land-use policies have driven up the cost of developable land. The anti-growth, anti-business, anti-development message has been received loud and clear by the business community, nationally and internationally. For this reason, the new Tanger Outlets Mall was built just over the county line in Alamance County, and the New Hope Commons was built in Durham County. High land prices driven by county and city ordinances and lengthy review processes that force developers to bow to the whim of every special-interest group during the reviews cost developers thousands, making building in Orange County prohibitive.

Table 1. Per-Pupil Expenditures, 2004–10

Year	Local Per-Pupil Expenditures				Total State, Local, and Federal Per-Pupil Expenditures			
	Orange Co. Schools	State Average	Difference	Orange Co. Rank	Orange Co. Schools	State Average	Difference	Orange Co. Rank
2010	3,182.08	\$1,930.62	+\$1,251.46	4 of 115	9,348.05	\$8,451.43	+\$896.62	43 of 115
2009	3,534.82	\$2,123.31	+\$1,411.51	5 of 115	9,861.69	\$8,662.88	+\$1,198.81	34 of 115
2008	3,679.18	\$2,075.15	+\$1,604.03	4 of 115	9,796.90	\$8,521.66	+\$1,275.24	28 of 115
2007	3,602.28	\$1,934.05	+\$1,668.23	4 of 115	9,556.35	\$8,017.42	+\$1,538.93	20 of 115
2006	3,264.05	\$1,873.14	+\$1,390.91	4 of 115	8,795.64	\$7,596.15	+\$1,199.49	25 of 115
2005	3,089.85	\$1,811.66	+\$1,278.19	4 of 115	8,347.21	\$7,327.60	+\$1,019.61	30 of 115
2004	2,841.35	\$1,716.94	+\$1,124.41	4 of 115	8,125.28	\$7,006.13	+\$1,119.15	21 of 115

For example, Chapel Hill and Carrboro established a rural buffer that “defines the urban services boundary and the limit of Chapel Hill and Carrboro growth.” This buffer drives up the price of land by making developable land scarce. Chapel Hill uses zoning and ordinances to require solar power, historic districts, tree protection, affordable housing, a carbon reduction program, and renewable energy.

Orange County has followed suit with farmland preservation, historic preservation, a comprehensive land-use plan that includes preservation of natural and cultural resources, a lands legacy program, and protection of natural areas.

While these policies are questionable from a property-rights perspective, they seem to be what many citizens of Orange County want. As such, they cannot escape the inevitable economic consequences of those choices. Businesses (such as the Tanger Outlet Mall and the New Hope Commons) find such policies prohibitive and therefore locate in neighboring counties. When new businesses go to neighboring counties, the property tax burden falls disproportionately on residential property owners, making homeowners pay 85 percent of all property taxes in the county.

Anti-business and anti-development policies result in Orange County residents being more dependent on property taxes for funding the county than are neighboring counties. As of 2010, property taxes account for 76 percent of Orange County’s general fund revenue, up from 74 percent a year ago.

Meanwhile, neighboring Durham County’s is at 58 percent, and Alamance County’s is 49 percent.

In addition, Orange County residents pay the 15th highest property tax burden of the 100 counties as a percentage of income.

ATTRACTING VOTERS BY PROMISING MONEY FOR THE KIDS

In order to attract teachers, administrators, and some parents, the commissioners promise to spend 50 percent of the new sales-tax revenue or \$1.25 million per year on schools.

While the county would use the new tax revenue to fund capital projects, it is important to note that Orange County taxpayers continue to provide ample resources to the public schools in the county.

Orange County Schools has one of the highest local per-student expenditure in North Carolina. Between 2004 and 2010, the district has had the fourth or fifth highest local public-education contribution in the state, averaging nearly \$1,400 per student higher than the state average. While the district’s rank falls once state and federal funding is added, Orange County Schools still spends nearly \$1,200 more per student than the state average.³

Since 2001, Orange County Schools and Chapel Hill–Carrboro City Schools have both spent millions to address various capital needs (see Table 1).⁴ Chapel Hill–Carrboro spent more per-pupil dollars on capital expenditures than nearly every other school district

Table 2. Average Daily Membership (A DM) and Capital Outlay**Chapel Hill–Carrboro**

<i>Year</i>	<i>ADM</i>	<i>ADM Rank</i>	<i>Per-Pupil Capital Outlay⁵</i>	<i>Capital Outlay Rank</i>
2010	11,504	35 of 115	\$1,486.24	9 of 115
2009	11,614	35 of 115	\$1,513.61	6 of 115
2008	11,395	35 of 115	\$1,587.98	4 of 115
2007	11,060	35 of 115	\$1,380.49	6 of 115
2006	10,973	35 of 115	\$1,194.91	11 of 115
2005	10,705	35 of 115	\$1,215.27	10 of 115
2004	10,590	33 of 115	\$1,331.79	12 of 115

Orange County

<i>Year</i>	<i>ADM</i>	<i>ADM Rank</i>	<i>Per-Pupil Capital Outlay⁶</i>	<i>Capital Outlay Rank</i>
2010	7,030	54 of 115	\$963.00	29 of 115
2009	6,971	56 of 115	\$1,082.48	21 of 115
2008	6,903	56 of 115	\$1,136.59	15 of 115
2007	6,782	57 of 115	\$1,285.27	9 of 115
2006	6,668	58 of 115	\$1,683.31	5 of 115
2005	6,619	58 of 115	\$1,653.89	4 of 115
2004	6,449	57 of 115	\$1,785.40	4 of 115

in the state. Although Orange County's capital outlay ranking has been on the decline, the school district continues to invest a significant amount of funding on facilities and other capital needs.

Most public school districts receive capital dollars from local tax revenue and county debt proceeds. The North Carolina Education Lottery is one of the few sources of capital funding that comes from the state. During the last four school years, the lottery has provided Chapel Hill–Carrboro and Orange County hundreds of thousands of dollars a year to address school debt service and/or construction and renovation projects (see Table 3).⁷

Unlike capital dollars, state sources provide most of the funding for the purchase of computer equipment for public schools. Nevertheless, local dollars also play a significant role. That is particularly true in Chapel Hill–Carrboro, where annual expenditures on instructional technology now exceed \$1 million a year, and in Orange County, where these expenditures reach half a million dollars annually.⁸

Table 3. Lottery Revenues for Capital Projects, 2007–Present

<i>Year</i>	<i>Orange County</i>	<i>Chapel Hill–Carrboro</i>
2012 (<i>estimated</i>)	\$506,350	\$815,925
2011	\$537,708	\$884,766
2010	\$879,608	\$1,473,755
2009	\$791,128	\$1,312,844
2008	\$832,289	\$1,357,825
2007	\$790,194	\$1,295,937
Total, 2007–11	\$3,830,927	\$6,325,127

There is no evidence that schools in Chapel Hill–Carrboro and Orange County require a significant outlay of funds for instructional technology such as computers. According to state statistics, most schools in these districts have an average of one instructional and/or Internet accessible computer for every two students. Moreover, every classroom in both districts has Internet access (see Table 4).⁹

Since 2001, Orange County and Chapel Hill–Carrboro have made significant investments in facilities and technology and have

Table 4. Students Per Instructional and Internet-Accessible Computers and Classrooms

Chapel Hill–Carrboro

<i>School</i>	<i>Students Per Instructional Computer</i>	<i>Students Per Internet-Connected Computer</i>	<i>Percent of Classrooms with Internet Access</i>
Carrboro ES	2.35	2.35	100%
Carrboro HS	1.74	1.74	100%
Chapel Hill HS	2.66	2.66	100%
McDougle MS	2.28	2.28	100%
Elizabeth Seawell ES	3.41	3.41	100%
Ephesus Road ES	2.30	2.30	100%
Estes Hills ES	2.21	2.21	100%
East Chapel Hill HS	2.03	2.03	100%
Frank P Graham ES	1.75	1.75	100%
Glenwood ES	2.40	2.40	100%
Grey Culbreth MS	0.76	0.76	100%
Guy Phillips MS	1.72	1.72	100%
McDougle ES	2.11	2.11	100%
Memorial Hospital	0.67	0.67	100%
Mary Scroggs ES	1.55	1.55	100%
Morris Grove ES	3.54	3.54	100%
Rashkis ES	1.91	1.91	100%
Rd & E Smith MS	1.72	1.72	100%
Phoenix Academy	0.47	0.47	100%
AVERAGES	1.98	1.98	100%

Orange County

<i>School</i>	<i>Students Per Instructional Computer</i>	<i>Students Per Internet-Connected Computer</i>	<i>Percent of Classrooms with Internet Access</i>
A L Stanback MS	1.83	1.83	100%
Cameron Park ES	2.64	2.64	100%
Cedar Ridge HS	2.09	2.09	100%
Central ES	1.23	1.23	100%
Charles Stanford MS	1.78	1.78	100%
Efland Cheeks ES	2.06	2.06	100%
Gravelly Hill MS	1.87	1.87	100%
Grady Brown ES	1.66	1.66	100%
Hillsborough ES	1.93	1.93	100%
New Hope ES	2.23	2.23	100%
Orange HS	2.44	2.44	100%
Pathways ES	1.88	1.88	100%
AVERAGES	1.97	1.97	100%

Table 5. Instructional Equipment Expenditures, 2004–10**Chapel Hill–Carrboro**

Year	State Funds	Federal Funds	Local Funds	Total
2010	\$620,166	\$137,344	\$302,505	\$1,060,015
2009	\$511,511	\$282,687	\$409,742	\$1,203,940
2008	\$497,916	\$203,697	\$248,112	\$949,725
2007	\$471,784	\$9,919	\$99,021	\$580,724
2006	\$313,066	\$2,710	\$80,539	\$396,315
2005	\$194,389	\$19,795	\$68,623	\$282,807
2004	\$317,099	\$6,809	\$54,802	\$378,710
TOTAL	\$2,925,931	\$662,961	\$1,263,344	\$4,852,236

Orange County

Year	State Funds	Federal Funds	Local Funds	Total
2010	\$336,129	\$48,768	\$71,153	\$456,050
2009	\$435,174	\$24,092	\$105,040	\$564,306
2008	\$43,722	\$18,755	\$106,563	\$169,040
2007	\$33,284	N/A	\$5,795	\$39,079
2006	\$37,883	\$16,706	\$297,665	\$352,254
2005	\$121,008	\$8,193	\$10,017	\$139,218
2004	\$189,265	\$7,490	\$4,516	\$201,271
TOTAL	\$1,196,465	\$124,004	\$600,749	\$1,921,218

maintained steady funding streams for these purposes (see Table 5). So there is no immediate need to increase the sales tax to fund capital expenditures in either district.

Facility improvements may be required at “older” schools in the county, but the best way to pay for capital needs is to offer a bond referendum, such as those held in Orange County in 1997 (\$47 million) and 2001 (\$47 million).¹⁰ Voters should have an opportunity to assess the projects before they vote to fund them.

A VOTE OF NO CONFIDENCE?

Citizens at all levels — federal, state and local — are frustrated with excessive and wasteful government spending. They believe that they are not getting value for their tax dollar. County spending is no different. This requested tax increase offers the opportunity for votes to decide if they have confidence in the commissioners’ stewardship of county taxpayer dollars.

This report outlines many reasons to question the commissioners’ abilities to manage scarce taxpayer dollars efficiently. Taxpayers should not be surprised that Orange County cannot attract business. Businesses have gotten the message sent by decades of anti-growth, anti-business policies and are choosing to locate in more business-friendly counties such as Alamance and Durham counties. The “need” for more spending on schools is countered by the fact that Orange County has one of the highest local per-student expenditure in the state, with per-student spending at \$1,400 higher than the state average.

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END NOTES

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,” p. 2, server3.co.orange.nc.us:8088/webink7/DocView.aspx?id=22427.
2. *Ibid.*
3. North Carolina Department of Public Instruction (DPI), “Table 24 – Per Pupil Expenditure Ranking, Child Nutrition Included,” Statistical Profile Online, apps.schools.nc.gov/pls/apex/f?p=1:34:2470585167125505::NO::.
4. NC DPI, “Table 29 – Ranking of Final Average Daily Membership, Total Per Pupil Expenditures, and Capital Outlay,” Statistical Profile Online, apps.schools.nc.gov/pls/apex/f?p=1:39:4195463518638548::NO::.
5. Per-pupil capital outlay is a five-year average.
6. Per-pupil capital outlay is a five-year average.
7. NC DPI, School Planning Division, “Lottery Fund Distribution,” 2006–07, 2007–08, 2008–09, 2009–10, 2010–11, and Estimated Lottery Distribution for FY 2011–12, www.schoolclearinghouse.org. Lottery funds cannot be used to purchase technology.
8. NC DPI, “Table A7 - Current Expense Expenditures by Source of Funds,” Statistical Profile Online, apps.schools.nc.gov/pls/apex/f?p=1:113:4195463518638548::NO::.
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10. NC Department of Public Instruction (NC DPI), School Planning Division, “Local Bond Issues for Schools since 1995,” March 19, 2010, www.schoolclearinghouse.org.