

Tax First, Duck Questions Later *Highly secretive Clay County wants voters to approve a tax increase*

DR. MICHAEL SANERA, DR. TERRY STOOPS, JOSEPH COLETTI
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KEY POINTS

- Clay County commissioners are asking county voters to approve a \$200,000 tax increase at a time of high unemployment. That amount would be equal to a property tax increase of 1.4 cents per hundred dollars of value.
- County commissioners have said the tax would help pay for a \$10 million elementary school in Hayesville. The sales tax would only cover less than half of the annual debt payments for that borrowing.
- Regardless of the county commissioners' promises, all new revenues would go into the general fund and could be spent by commissioners for any legal purpose.
- Taxpayers have little access to information on county government. The county does not have budgets, meeting minutes, or information about the proposed sales tax available online.
- Since the special county taxing authority was established by the legislature in 2007, voters have turned down 68 of 85 requests for tax increases, sending the message that county commissioners must be more responsible stewards of taxpayers' hard-earned money before voters will entrust them with tax increases.
- Clay County voters should think twice before harming small employers with a tax increase proposed by a secretive county commission.

200 W. Morgan, #200
Raleigh, NC 27601
phone: 919-828-3876
fax: 919-821-5117
www.johnlocke.org

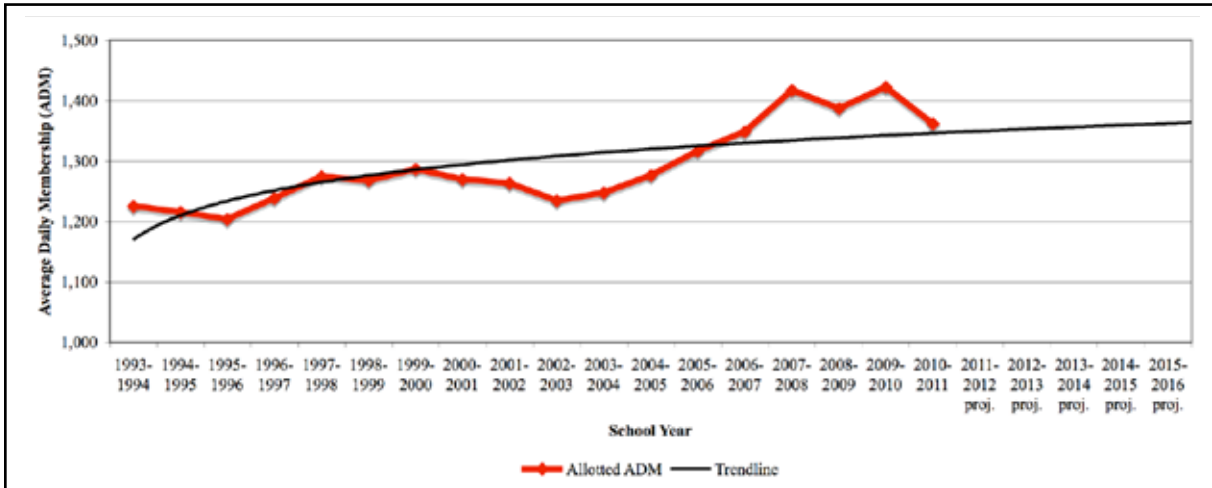
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A SCHOOL PLANNED WITH NO COMPELLING REASONS TO BUILD IT

Clay County commissioners would like voters to approve a new \$200,000 sales tax increase, equivalent to a 1.4-cent property tax hike.

Commissioners have pledged to use the additional sales tax revenue to pay for a new 25-classroom elementary school in Hayesville. The county received a \$10 million, interest free loan from the federal government under the Qualified School Construction Bond (QSCB) program.¹

Taxpayers will be required to repay nearly \$715,000 a year over the fourteen-year life of the loan – more than double what the sales tax would generate if revenues grow five percent annually.² As of

Figure 1. Clay County Schools Allotted Average Daily Membership (ADM) History

mid-October, however, the county commission has not established a definitive repayment plan for the bond debt. This has not stopped Clay County officials from hiring a construction management company and opening the bidding process to architects and design firms.³

Student enrollment in Clay County has fluctuated significantly since 2000 (see Figure 1).⁴ There were two recent enrollment spikes (in 2007 and 2009), but neither appeared to initiate a permanent growth trend. According to Average Daily Membership (ADM) trends since 1993, ADM will not exceed 1,400 students at any point in the next five years in Clay County. The county's enrollment will rise to approximately 1,375 students by the 2015-16 school year. As such, student enrollment changes do not provide school officials and county commissioners with a compelling reason to build a new primary school.

Beyond the questions of whether a school is needed and whether a higher sales tax would generate enough money to pay for it, voters must also weigh how much they trust county officials to use the new tax revenue as promised. State law allows sales tax revenue to be used for any legal purpose. Nothing in the referendum before voters would limit the use of funds, either. Nor can county commissioners bind future boards of commissioners

on their use of funds. Also, even though the bond will be repaid in 14 years, the proposed sales tax hike would have no expiration date.

Clay County is one of the least transparent counties in the state, earning a "D" on NCTransparency.com, the John Locke Foundation web site that grades online government openness.⁵ The county does not post financial information, minutes of meetings, or resolutions online for citizens. Nowhere on the county's web site does it mention the sales tax vote.⁶

Since the special county taxing authority was established by the legislature in 2007, voters have turned down 68 of 85 requests for tax increases, sending the message that county commissioners must be more responsible stewards of taxpayers' hard-earned money before voters will entrust them with tax increases. Clay County voters can demonstrate whether county commissioners have earned their trust with this referendum.

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Dr. Michael Sanera is Director of Research and Local Government Studies at the John Locke Foundation. Dr. Terry Stoops is Director of Education Studies at JLF. Joseph Coletti is Director of Health and Fiscal Policy Studies at JLF.

END NOTES

1. Lois Tomas, "School OK's for \$10 million loan," *Clay County Progress*, August 25, 2010, www.claycountyprogress.com.
2. The John Locke Foundation projects that the proposed quarter-cent sales tax would produce an additional \$200,000 a year in revenue.
3. Lois Tomas, "Construction management company OK'd for new school," *Clay County Progress*, September 16, 2010, www.claycountyprogress.com; Tomas, "Architects vie to design school," *Clay County Progress*, Thursday, October 7, 2010, www.claycountyprogress.com.
4. North Carolina Department of Public Instruction (DPI), Financial and Business Services, "Allotted ADM History," February 18, 2010, <http://www.dpi.state.nc.us/fbs/allotments/general>.
5. See www.nctransparency.com/details/82/clay-county.
6. Per www.clayconc.com, accessed October 14, 2010.