

Strike Four?

Despite three strikes on tax hikes, Harnett County officials try again

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KEY POINTS

- ♦ Harnett County commissioners are asking county voters to approve a \$1.2 million tax increase at a time of high unemployment. This amount is equal to a property tax increase of 1.8 cents per hundred dollars of value.
- ♦ This is the third time county officials have sought a higher sales tax and the fourth vote on higher taxes since 2007. Voters soundly rejected each of the earlier attempts.
- ♦ County commissioners say the money would help pay for new schools but claim the tax would at best “mitigate” a property tax hike. Residents would still pay a portion of the sales tax.
- ♦ County commissioners did not ask voters to approve bonds for school and jail construction in recent years and instead used more expensive financing methods for those projects.
- ♦ New sales tax revenue would cover only a small portion of the debt to pay for the proposed \$158 million in new school construction.
- ♦ 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.
- ♦ 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.
- ♦ With a slow recovery and unemployment still high, do Harnett County voters want to put another burden on small employers?

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IF AT FIRST YOU DON’T SUCCEED, TRY, TRY AGAIN?

For the fourth time since 2007, Harnett County commissioners are trying to persuade voters to raise taxes. Voters turned down the previous attempts: one attempt to triple the tax paid on real estate sales, and two stabs at a quarter-cent sales tax increase (the third attempt at which is currently on the ballot). Voters rejected each of those tax hikes by large margins. Have county officials improved

their offer to residents?

The sales tax hike would raise \$1.2 million in new revenue its first year, equivalent to a 1.8-cent property tax increase. But county officials say the sales tax would only lessen the size of a property tax increase, not eliminate the drive for a higher tax rate. With a proposed \$158 million school construction plan, sales tax revenues clearly would not be enough on their own to cover debt payments.

County commissioners also state that visitors would pay a portion of the sales tax, but even if nonresidents pay half of the new sales tax, property owners would pay the other 0.9 cents plus still face a likely property tax increase.

Taxpayers have little reason to trust county commissioners to seek cost-effective solutions to school capital needs. Commissioners used more expensive Certificates of Participation to fund school¹ and jail construction projects rather than getting voter approval for General Obligation Bonds.

PUBLIC SCHOOLS

According to the “educational” brochure published by the Harnett County Local Government, county officials would put the additional \$1.2 million in sales tax collections toward the construction of five new schools.²

Since 2005, Harnett schools have received nearly \$9 million in lottery funds earmarked for school construction projects. Moreover, revenues from local option sales taxes (Articles 40 and 42) totaled nearly \$19 million during this same period (see Table 1).³

Harnett County commissioners obtained over \$70.3 million in Certificates of Participation between 2007 and 2010 to construct new school buildings. Nevertheless, there is a more cost-effective way to fund capital projects — General Obligation Bonds. If Harnett County requires additional schools to

Table 1. Harnett County: Revenues for Capital Expenditures (2005-10)

<i>School Year</i>	Revenue for Facilities		
	<i>NC Education Lottery</i>	<i>Articles 40 and 42 Sales Tax</i>	<i>Yearly Totals</i>
2009-10	\$2,371,189	N/A	\$2,371,189
2008-09	\$2,108,247	\$4,560,558	\$6,668,805
2007-08	\$2,221,111	\$5,000,200	\$7,221,311
2006-07	\$2,130,598	\$4,880,914	\$7,011,512
2005-06	N/A	\$4,359,505	\$4,359,505
<i>Total</i>	<i>\$8,831,145</i>	<i>\$18,801,177</i>	<i>\$27,632,322</i>

accommodate growth, county commissioners should place a school bond referendum on the ballot and present a sound school district facilities plan. By doing so, they would give voters with the opportunity to examine the plan and assess the revenue streams proposed to service the debt.

In addition to facilities funding, it is important to note that a number of outside funding streams will compensate for any local reductions in teaching positions.⁴ Like all North Carolina public school districts, Harnett County will be the recipient of federal funds for classroom teachers. Under the Federal Education Jobs Fund (EduJobs) law, Harnett County will receive an additional \$3,767,039, which will fund an estimated 68 teaching positions during the current school year.⁵ In addition, the North Carolina Education Lottery provided \$1,442,890 for class size reduction in grades K-3.⁶ If revenues remain level, lottery proceeds will continue to fund approximately 26 elementary school teaching positions a year. Harnett County can also expect \$2,385,500 from North Carolina’s \$400 million Race to the Top grant.⁷

CONCLUSION

Harnett County voters must decide whether county commissioners used money wisely in recent construction projects, whether diverting a portion of higher property taxes to sales taxes is worthwhile, whether county commissioners would actu-

ally use the new tax revenue for schools, and whether anything has changed since they voted against three previous tax hike referenda.

The revenue from this tax hike could go to any purpose. Since 2007, voters in counties across North Carolina have been given the chance 85 times to vote for higher taxes, and 68 times they have said “no.” With a slow recovery and unemployment still high, do Harnett County voters want to put another burden on small employers?

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END NOTES

1. North Carolina Department of Public Instruction (NC DPI), School Planning Division, “Certificates of

Participation and Qualified Zone Academy Bonds for Schools Since 2006,” March 2010, www.schoolclearinghouse.org.

2. Harnett County Local Government, “Seeking the right answer to our school needs: Harnett County 1/4-Cent Sales Tax Referendum.”

3. NC Department of State Treasurer, County and Municipal Financial Information, Harnett County, www.nctreasurer.com/lgc/units/D_42.htm#GRAPH7; NC DPI, School Planning Division, “Lottery Fund Distribution,” 2006-07, 2007-08, 2008-09, 2009-10, www.schoolclearinghouse.org.

4. Funding for teaching positions is not addressed in the county commission brochure. This information has been included to provide additional context.

5. Lydia Prude, “Estimated Allocation of Federal Education Jobs Fund (EduJobs),” NC DPI, Financial and Business Services, August 2010, www.dpi.state.nc.us/fbs (does not include funds from North Carolina’s \$400 million Race to the Top grant).

6. NC Education Lottery, “Beneficiary Brochure, FY 2009,” November 2009, www.nc-educationlottery.org/about_where-the-money-goes.aspx.

7. NC DPI, Financial and Business Services, “Race to the Top FY 10-11 Allocations,” October 2010, www.dpi.state.nc.us/fbs/arra/rttt.