



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

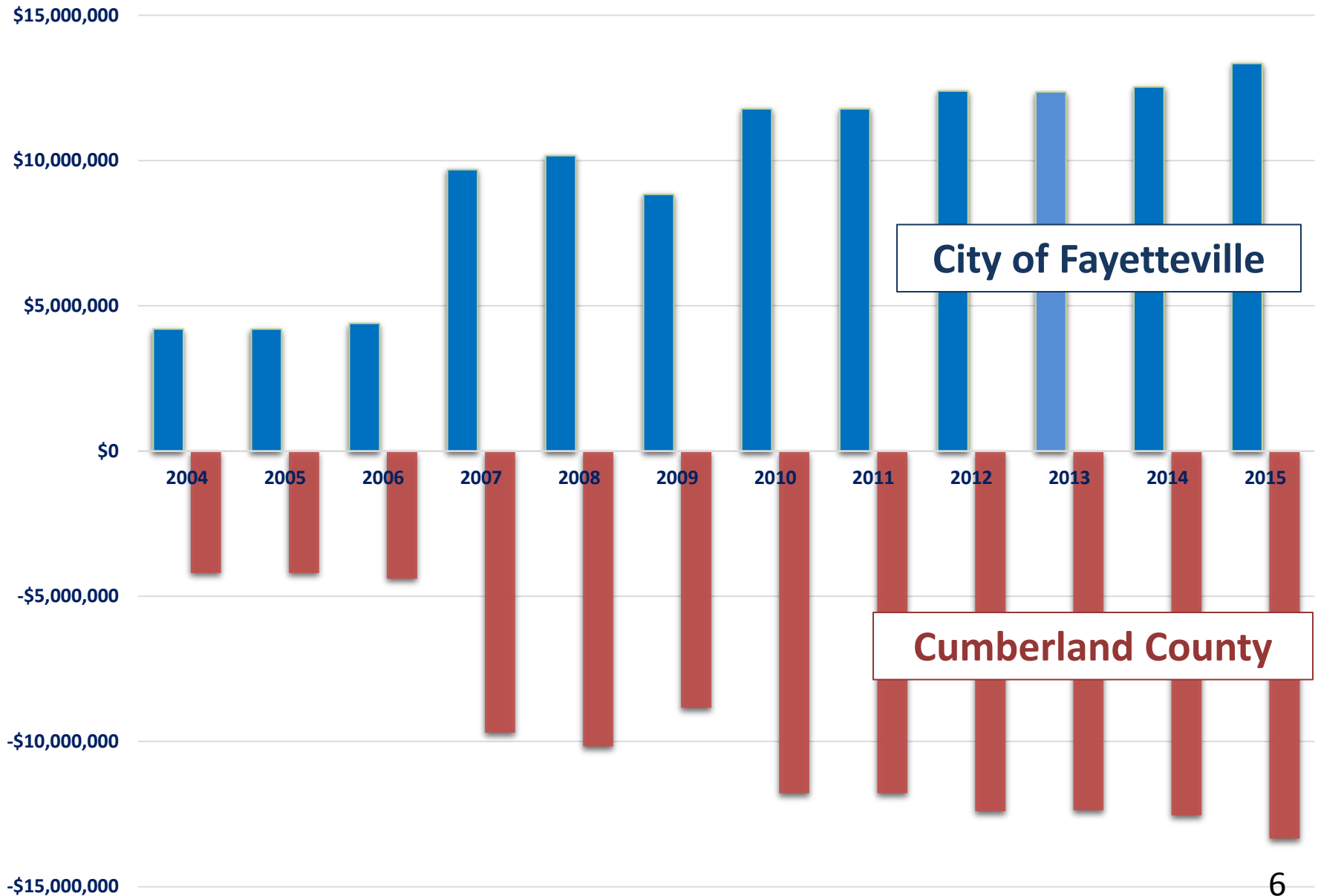
Sales tax/annexation working group formed in 2002

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

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



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
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Annexation gain	\$14,147,357



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

	FY 2015 Per Capita Distribution (no agreement)	FY 2015 Per Capita Distribution (w/agreement)	Net Gain / (Loss)
Cumberland County	\$30,656,635	\$36,605,112	\$(5,948,477)
County Schools	9,458,762	10,542,503	(1,083,741)
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
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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
Cumberland County	\$ 39,752,575	\$ 47,945,083	\$ 8,192,508	\$(5,948,478)	\$ 2,244,030
Schools	9,458,762	11,267,532	1,808,770	(1,083,740)	725,030
Fire districts	-	2,667,057	2,667,057	-	2,667,057
Recreation district	-	1,214,692	1,214,692	-	1,214,692
City of Fayetteville	37,214,408	25,793,775	(11,420,633)	6,673,107	(4,747,526)
All other municipalities	6,005,330	3,542,936	(2,462,394)	359,111	(2,103,283)



Estimated Impact of Change in Distribution Method

Municipality	Projected Sales Tax Net Loss	Tax Increase Needed for Revenue Loss
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

