



Local Sales Tax Distribution Agreement

Mayor's Coalition
December 2018

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

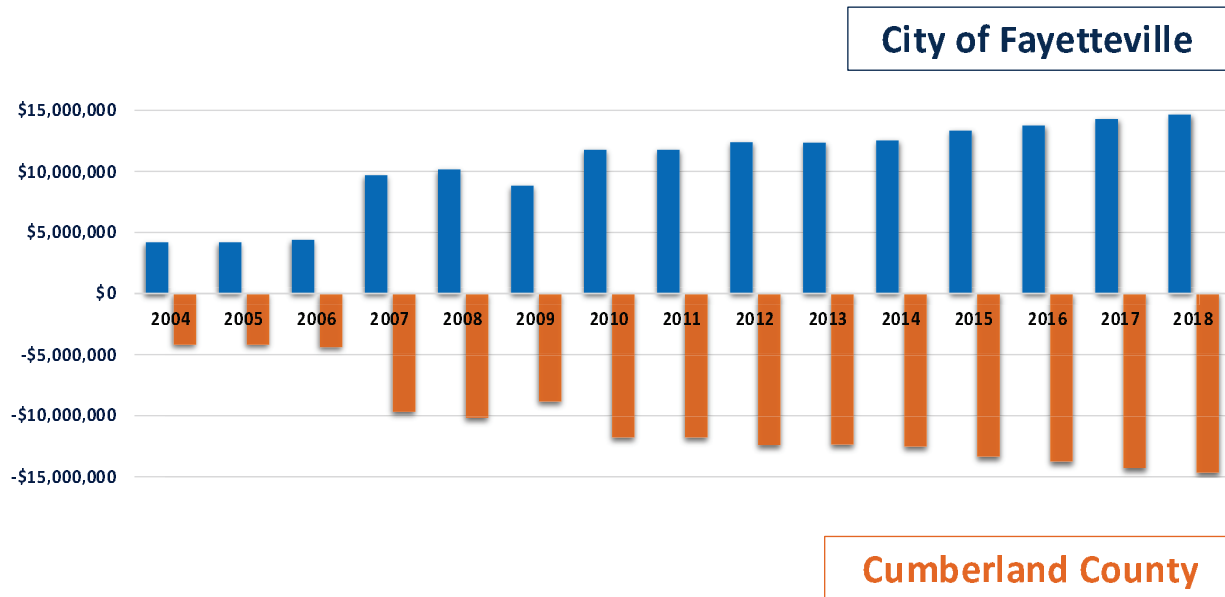
Cumberland County Distributions

- 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.



Cumberland County

Annual Impact of Fayetteville Annexations on Cumberland County without Agreement



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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



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



Cumberland County

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



Cumberland County

City of Fayetteville Annexation Gains - *estimated*

Annual Snapshot:

	FY 2018 Estimated
Sales tax gain	\$14.7M
Sales tax share 50% with County	(7.3M)
Property tax gain	_____7.5M
Annexation gain	\$14.9M



Cumberland County

Current Distribution Agreement

- Original agreement expired on June 30, 2013
- Agreement extended by all parties through June 30, 2016
- Another extension agreed to by all parties through June 30, 2019



Cumberland County

Current Distribution Agreement

	FY 2018 Per Capita Distribution (no agreement)	FY 2018 Per Capita Distribution (w/agreement)	Net Gain / (Loss)
Cumberland County	\$41.8M	\$48.3M	\$(6.5M)
County Schools	10.9M	12.1M	(1.2M)
Fayetteville	41.2M	33.9M	7.3M



Cumberland County

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



Cumberland County

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



Cumberland County

Impact of Distribution Change to Ad Valorem

	Ad Valorem Distribution	Actual FY 18 w/Agreement	Est. Net Impact
Cumberland	\$51,283,630	\$48,285,934	\$2,997,696
CCSS – Schools	12,696,819	12,142,508	554,311
Fire Districts	2,931,866	0	2,931,866
Parks & Rec District	1,355,063	0	1,355,063
Fayetteville	28,445,241	33,858,063	(5,412,822)
Eastover	268,056	725,337	(457,281)
Falcon	10,382	63,045	(52,663)
Godwin	8,522	24,737	(16,215)
Hope Mills	2,149,797	3,259,639	(1,109,842)
Linden	12,283	24,886	(12,603)
Spring Lake	1,316,507	1,943,059	(626,552)
Stedman	127,044	213,588	(86,544)
Wade	43,948	108,362	(64,414)



Cumberland County

Distribution Method of Top Largest NC Counties

Per Capita Method	Ad Valorem Method
Wake	Mecklenburg
Cumberland	Guilford
Durham w/ agreement	Forsyth
	Buncombe
	Union
	New Hanover
	Gaston



Cumberland County

City of Fayetteville Proposed Agreement

- 10 Year agreement
 - County
 - Year 1 - 10 Frozen at FY18 levels, no growth
 - Towns
 - Year 2 75% of FY18
 - Year 3 50% of FY18
 - Year 4 25% of FY 18
 - Year 5 12.5% of FY18
 - Year 6 – 10 No distribution



Cumberland County

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.
- An agreement:
 - Minimizes budget implications for ALL jurisdictions in the county.
 - Maintains the “**win-win**” solution.



Cumberland County

County Proposal

- 4 Year agreement
 - FY20 – FY23
- Year 1
 - Same as current agreement
 - Becomes the base for distributions in FY21 – FY23
 - Distribution for towns and county freeze at Year 1
- Years 2 – 4
 - Growth split between county & all municipalities 40/60



Cumberland County

Timeline

- The County proposed agreement signed by ALL jurisdictions no later than **January 31, 2019**
- Failure to have approved agreement by January 31, 2019:
 - Board of Commissioners:
 - Discussion regarding budget impact
 - Discussion regarding alternatives



Cumberland County

County Alternatives Without Agreement

- Alternatives without an agreement:
 - Ad valorem distribution
 - Increase property tax rate 3 cents
 - Reduce services –
 - Education funding
 - Eliminate 116 jobs
 - Animal Control
 - Libraries



Cumberland County