

Taxers' Choice in Cabarrus

If the sales-tax increase fails, county threatens to hike property taxes

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KEY FACTS

- ♦ Like federal and state officials, Cabarrus County commissioners have saddled county taxpayers with a mountain of debt. Now they want taxpayers to bail them out by approving a quarter-cent sales tax increase on May 17. If the voters do not approve the tax increase, commissioners threaten to hit them with a 2.2-cent property tax increase.
- ♦ About twenty percent of the county operations budget for fiscal year 2011 goes to pay the interest and principal for the accumulated \$333 million debt. County commissioners approved \$220 million of this amount without voter approval.
- ♦ This debt service is 34 percent of K-12 education spending and 31 percent of spending on community colleges.
- ♦ Over the last five school years, Cabarrus County Schools had the fourth-highest average per-pupil capital expenditure in the state (\$1,774). It was \$877 higher than the state average and nearly \$1,000 higher than the Charlotte-Mecklenburg Schools (see appendix).
- ♦ The \$42 million in debt service paid in FY 2011 is more than the county spends on human services, general government or public safety.
- ♦ County commissioners have put taxpayers on the hook to pay half the debt for the North Carolina Research Campus, a dubious project that is largely dependent on diminishing state appropriations to the UNC system and community colleges.
- ♦ With county unemployment above 11 percent, home sales down nearly 80 percent, and gas prices approaching \$4 per gallon, county commissioners will pay this fiscal year a total of \$1.3 million in taxpayer-funded gifts to such private firms as the Great Wolf Lodge, a racecar wind tunnel, and the Motor Racing Network.
- ♦ Cabarrus County voters should think more than twice about rewarding this irresponsible spending and borrowing record with a sales-tax increase.

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INTRODUCTION

Cabarrus County commissioners are asking voters to approve a quarter-cent sales tax increase on May 17. They say that the revenue from this tax increase would be used to pay for the school construction debt, but by state law, once approved, the revenue could be spent for any legal purpose.

Holding a single-issue election on May 17 is unusual. Of the 100 county tax-increase votes since the legislature approved the local county option tax in 2007, only 10 votes have been held outside the normal May primary or November general election dates. Of those, 60 percent have been approved, while only 13 percent of tax increases voted on during primary or general election dates were approved.

One of the reasons for the huge difference in approval rates is that holding single-issue elections outside the usual May and November dates is guaranteed to suppress voter turnout. Average voters are less likely to turn out on, for example, February 1 (Halifax County), August 3 (Robeson County), or March 2 (Randolph County). Turnout of registered voters for those elections was 6.47 percent, 4.22 percent, and 4.86 percent respectively. This ploy is hardly democracy in action; commissioners should be ashamed at resorting to such a trick to win “voter” approval.

It appears that county commissioners have learned that holding single-issue elections outside the regular primary and general election dates is the key to success. The reason this gimmick works is that the county special-interest groups who would benefit are more likely to turn out and vote than those general taxpayers who would be paying the bills.

RED INK AS FAR AS THE EYE CAN SEE

Federal taxpayers face a \$14 trillion debt, not counting the trillions more in unfunded federal liabilities. State taxpayers face a \$7 billion debt, an amount that prevents further state borrowing.¹ Cabarrus County commissioners have borrowed more than \$333 million payments on which require 20 percent of the annual operations budget. In propaganda

for the tax vote, the county commissioners are deliberately conflating education spending and debt payments for new school buildings. The latter makes up 14 percent of total spending and one-third of education-related expenses.

In the past three years, in the midst of a recession, the county borrowed \$146.7 million dollars for school construction, bringing total debt to \$333.4 million as of October 2010, \$220.8 million of which was taken without voter approval.² The county commission approved another \$14.6 million in borrowing through Qualified School Construction Bonds without asking voters in March 2011.³ Debt service is 34% of county spending on K-12 education. Debt service is 31% of spending on community colleges.

In addition to these education-related debts, the county is also responsible for repaying half the debt for the North Carolina Research Campus, a project highly dependent on state appropriations through the University of North Carolina and community colleges, but where consultants say local residents do not have the training or experience to work. This project was originally supposed to be funded through tax-increment financing, but it is now funded through a combination of temporarily subsidized Build America Bonds and so-called limited obligation bonds that rely on new tax revenues.⁴ These new bonds will cover \$13.9 million in incentives and other subsidies for the Research Campus as well as a \$13.5 million facility for the county’s health department and \$2.3 million for other related projects.

Overall, about one dollar of every five budgeted by Cabarrus County for operations in fiscal year 2011 (\$42 million of \$208 million) goes to debt service. That’s more than it spends on human services, general government, or public safety.

Voters had no say in the county’s taking on more than \$200 million of debt, and county officials now say the voters really have no say in taxes, either. The only choice on May 17, according to county commissioners and their supporters, is between higher taxes and higher taxes.

They are wrong. Unemployment in the county has been above 11 percent since 2009. House sales in the county have fallen 79 percent between June 2006 and February 2011, and the home value index has fallen 20 percent in that same period.⁵ Gas prices are approaching \$4 per gallon. In short, taxpayers cannot reach much deeper into their own pockets to pay for government.

The county will pay \$1.3 million in incentive by the June 30 end of the fiscal year, including \$536,000 to Great Wolf Lodge,⁶ \$244,000 to a racecar wind tunnel company, and \$13,000 to the Motor Racing Network. It subsidizes the Arena & Events Center by roughly \$800,000 a year and spends \$600,000 a year on the County Fair. The county should also be able to save about \$2.0 million that has been going to capital outlays in the county-run construction and demolition landfill. All told, that's \$4.7 million in savings, about the same amount as the planned tax hike. Privatizing the fair, events center, and landfill could also provide one-time income for the county.

FACING POLITICAL REALITIES

As easy as politicians find it to spend money, they prefer not to raise taxes themselves. Borrowing is one of their preferred solutions. Current recipients of tax dollars reward them with votes, while future taxpayers face paying the bills, often when the spending politicians are out of office and cannot be held responsible.

But there is a new mood in the country. Increasingly aware that spending and debt are at crisis levels, taxpayers want politicians to respond accordingly. Voters in Cabarrus County need to decide on May 17 if they want

to bail out with a sales-tax increase the politicians who have put the county deep in debt. If the sales-tax increase fails and the commissioners follow through with their threat and raise property taxes to bail themselves out, voters will then have to decide whether they need new leadership at the county helm.

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END NOTES

1. Debt Affordability Study, Department of the State Treasurer Debt Affordability Advisory Committee, February 1, 2011.
2. "Cabarrus County Upholds High Grade Investment Bond Rating," Cabarrus County press release, October 20, 2010, www.cabarruscounty.us/News/2010/October/Oct20_BondRating.html.
3. "Cabarrus County Sells Bonds for School Construction," Cabarrus County press release, March 31, 2011, www.cabarruscounty.us/News/2011/April/Apr1_BondSale.html.
4. Karen Cimino Wilson, "Kannapolis approves research campus bonds," *Independent Tribune*, December 14, 2010, www2.independenttribune.com/news/2010/dec/14/kannapolis-approves-research-campus-bonds-ar-616955.
5. Zillow.com, accessed May 6, 2011, www.zillow.com/local-info/NC-Cabarrus-County-home-value/r_2159/#metric=mt%3D34%26dt%3D1%26tp%3D5%26tr%3D6%26r%3D2159%26el%3D0.
6. Jeff A. Taylor, "No Subsidy for Great Wolf," *The Meck Deck*, May 23, 2007, charlotte.johnlocke.org/blog/?p=1502.

APPENDIX

Per-Pupil Capital Outlays, 2009-10 School Year

Over the last five years, Cabarrus County Schools had the fourth-highest average per-pupil capital expenditure in the state (\$1,773.80). It was over \$877 higher than the state per-pupil average and nearly \$1,000 higher than the Charlotte-Mecklenburg Schools per-pupil average.

School District	Per-Pupil Capital Outlay (five-year average)	Rank
Dare County Schools	\$3,295.96	1
Union County Schools	\$2,592.52	2
Wake County Schools	\$1,868.37	3
Cabarrus County Schools	\$1,773.80	4
Mooresville City Schools	\$1,712.89	5
Sampson County Schools	\$1,678.91	6
Johnston County Schools	\$1,603.51	7
Pender County Schools	\$1,496.69	8
Chapel Hill/Carrboro City Schools	\$1,486.24	9
Chatham County Schools	\$1,470.37	10
Carteret County Schools	\$1,390.56	11
Franklin County Schools	\$1,382.33	12
Elkin City Schools	\$1,330.23	13
Yadkin County Schools	\$1,316.41	14
Lincoln County Schools	\$1,315.71	15
Guilford County Schools	\$1,302.05	16
New Hanover County Schools	\$1,288.72	17
Beaufort County Schools	\$1,269.05	18
Lexington City Schools	\$1,177.20	19
Onslow County Schools	\$1,151.09	20
Asheville City Schools	\$1,078.39	21
Thomasville City Schools	\$1,076.83	22
Hyde County Schools	\$1,065.42	23
Mount Airy City Schools	\$1,055.96	24
Forsyth County Schools	\$1,038.24	25
Davie County Schools	\$980.19	26
Surry County Schools	\$968.40	27
Catawba County Schools	\$963.25	28
Orange County Schools	\$963.00	29
Randolph County Schools	\$943.61	30
Ashe County Schools	\$920.29	31
Northampton County Schools	\$898.41	32
STATE AVERAGE	\$896.09	-
Bertie County Schools	\$893.75	33
Harnett County Schools	\$831.03	34
Haywood County Schools	\$800.70	35
Currituck County Schools	\$786.98	36
Graham County Schools	\$782.94	37
Hickory City Schools	\$775.94	38
Charlotte-Mecklenburg Schools	\$774.03	39
Mitchell County Schools	\$759.71	40

Source: N.C. Department of Public Instruction, "Table 29—Ranking of Final Average Daily Membership, Total Per Pupil Expenditures, and Capital Outlay," *North Carolina Public Schools Statistical Profile* (online), apps.schools.nc.gov/pls/apex/f?p=1:1:6959090718055221.