

A Taxing Legacy in Cherokee

*County voters face vote on higher taxes
proposed by rejected commissioners*

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KEY POINTS

- Outgoing Cherokee County commissioners are asking voters to approve a \$600,000 tax increase, an amount equivalent to a property tax increase of 1.5 cents per hundred dollars of value.
- County voters already rejected all three county commissioners who proposed the tax hike, but those lame-duck commissioners have since committed nearly \$10 million to expand and renovate the courthouse.
- Outgoing commissioners have justified the tax simply as “another way to generate revenue.”
- Whomever voters choose as their new county commissioners November 2 should have the opportunity to demonstrate their fiscal responsibility without an additional \$600,000 in taxes on Cherokee County residents and businesses.
- 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.
- Cherokee County voters should think twice before harming small employers with a tax increase.

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LAME DUCKS’ LAST GASP

Cherokee County commissioners are asking voters to approve a \$600,000 tax increase, an amount equivalent to a property tax increase of 1.5 cents per hundred dollars of value. All three commissioners lost in primary elections this past May.

Now the lame-duck commissioners are spending \$8.5 million on a courthouse addition and renovations and another \$1.35 million buying the Cornerstone Building in downtown Murphy next to the courthouse. The county manager, David Badger, claims that this spending “won’t necessitate a tax increase.”¹ County Commissioner Dana Jones agrees that the courthouse construction does not depend on a tax increase.²

County finance officer Bill Block and Jones both claim that paying off past school facilities bonds will free up money for the courthouse.³ Whether county officials would be allowed to divert funds in that way, however, is not clear. In any case, diverting funds from schools does raise questions about the value of any promise county officials make to earmark funds for the courthouse.

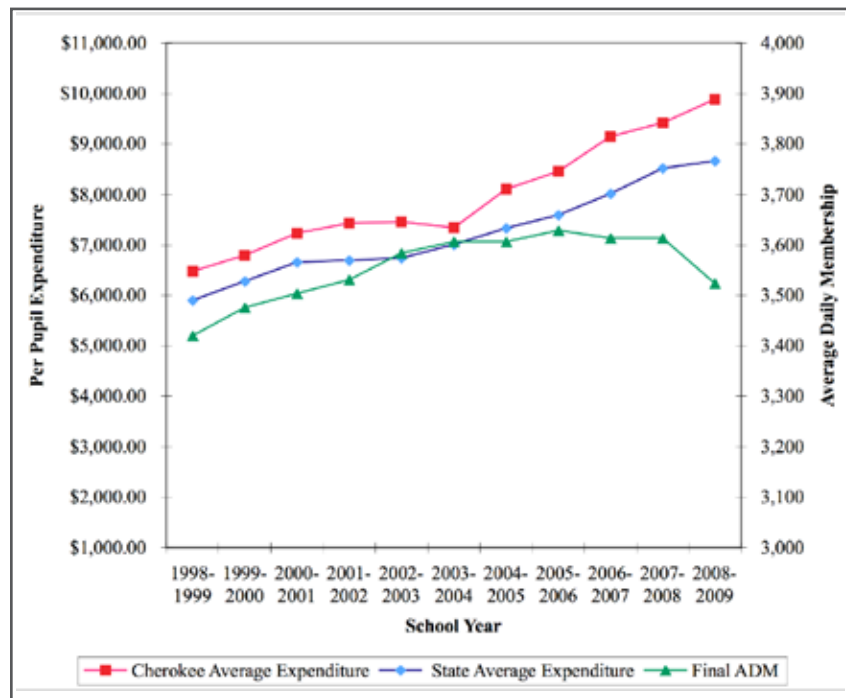
This latest round of robust spending seems to follow other questionable decisions by commissioners failing to show fiscal restraint and responsibility. Salaries for sheriff and jail employees more than doubled between fiscal years 2004 and 2009. The county has expanded staff and spending with a new transit system, more parks and recreations staff, and other non-core functions.

The outgoing commissioners approved the tax-hike proposal as “another way for the county to generate revenue, while also letting persons passing through contribute.”⁴ They offered no plan to justify the higher tax, nor did they claim a pressing need for the tax collections. If existing revenues would cover all of this new spending, then why would commissioners ask for a \$600,000 tax increase? This question is especially relevant considering that the county is increasing school funding even though the number of students attending county schools is declining.

PUBLIC SCHOOLS

Over the last decade, there has been a steady increase in state, federal, and local education funding. During the 2008-09 school year, public school expenditures in Cherokee topped \$9,800 per student and

Figure 1: Per-Pupil Expenditures and Average Daily Membership, 1998-2009



continued to exceed state averages (see Figure 1).⁵

Despite a decade of robust education spending, county commissioners throughout the state argue that localities must raise taxes in order to offset possible state cuts to public schools next year.

A number of outside funding streams will compensate for any local reductions in teaching positions. Like all North Carolina public school districts, Cherokee County will be the recipient of federal funds for classroom teachers. Under the Federal Education Jobs Fund (EduJobs) law, Cherokee County will receive an additional \$760,978, which will fund an estimated fourteen teaching positions during the current school year.⁶ In addition, the North Carolina Education Lottery provided \$257,659 for class size reduction in grades K-3.⁷ Lottery proceeds will continue to fund approximately five elementary school teaching positions every year. Cherokee County can also expect \$454,550 from North Carolina’s \$400 million Race to the Top grant.⁸

In some cases, declining tax revenue may necessitate systematic cuts to the public

school system. County commissions, school boards, and district staff must recognize that not all personnel, organizational, instructional, and program reductions are created equal. There is little evidence that reductions in administrative and support positions would hamper student achievement, although the same cannot be said for teaching positions.⁹ As a rule, the district should retain as many highly qualified teachers as possible.

Furthermore, organizational changes (such as school or departmental consolidation) and modifications to curriculum and instruction (such as the elimination of non-essential electives or extraneous academic programs) are unlikely to result in significant declines in student performance. Finally, school districts may simply offset reductions in athletics and extracurricular activities by increasing user or participant fees.

CONCLUSION

Cherokee County voters, having rejected all of the former county commissioners, will choose new commissioners November 2. When they do, they will also choose whether to give the new board new taxing authority or demand the new commissioners first to demonstrate they can be more fiscally responsible than their predecessors.

Since 2007, voters across the state have rejected 68 of 85 tax hike requests. With a slow recovery and unemployment still high, do Cherokee County voters want to put another burden on small employers?

They will decide if a tax increase to fund a non-binding commitment to “quality of life” activities during this time of economic hardship for many Person County families is a good idea.

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END NOTES

1. Dwight Otwell, “Residents frustrated over new courthouse,” *Cherokee Scout*, September 7, 2010.
 2. Dwight Otwell, “Work begins on building courthouse,” *Cherokee Scout*, August 31, 2010
 3. *Ibid.*
 4. Minutes of May 18, 2010 County Commissioners meeting.
 5. North Carolina Department of Public Instruction (DPI), “Statistical Profile 2009,” January 2010, p. 95, www.dpi.state.nc.us/fbs/resources/data; NC DPI, “2008-09 Selected Financial Data,” February 2010, p. 17-18, www.dpi.state.nc.us/fbs/resources/data; see also Terry Stoops, “No Bureaucrat Left Behind: N.C. public schools add staff at a much faster rate than enrollment,” John Locke Foundation *Spotlight* No. 373, May 28, 2009, johnlocke.org/research/show/spotlights/224.
 6. 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).
 7. NC Education Lottery, “Beneficiary Brochure, FY 2009,” November 2009, www.nc-educationlottery.org/about_where-the-money-goes.aspx.
 8. NC DPI, Financial and Business Services, “Race to the Top FY 10-11 Allocations,” October 2010, www.dpi.state.nc.us/fbs/arra/rttt.
 9. In 2006, Governor Mike Easley commissioned the “North Carolina High School Resource Allocation Study” to determine if high schools in North Carolina used existing levels of funding efficiently and effectively. In February 2008, after two years of exhaustive study, a team of researchers from the University of North Carolina at Chapel Hill and East Carolina University released the study’s final report. Researchers concluded that, in general, high schools are not using their funding to maximize achievement for all students. After controlling for student characteristics and teacher quality, researchers found that the effect of total per-pupil expenditures on student performance is very small. For example, they pointed out that a \$500 increase in total per-pupil expenditures in a school would lead to only 6/100ths of a point increase in average test scores in the school. On the other hand, researchers concluded that the amount that high schools spend on regular classroom instruction would have a sizable impact on student learning outcomes. In this case, a \$500 increase in per-pupil expenditures for regular classroom instruction would increase the average student test score by half a point.
- Unfortunately, school districts across North Carolina have invested heavily in support services and staff, rather than classroom instruction. In the study, money

spent outside of the classroom, including after-school instruction and student services, actually had a negative effect on student test scores. Researchers explained that employing guidance counselors, psychologists, speech pathologists, and health personnel did not somehow lower test scores. Instead, schools that spent more in these areas likely provided less money for classroom instruction. So diverting resources from the classroom to supplementary services and staff may have contributed to lower test scores among sampled high schools.

Results of the “North Carolina High School Resource Allocation Study” suggest that teacher-centered schools

and school districts may have higher student achievement gains than schools and districts that employ numerous providers of supplementary services and support staff.

This study examined staffing trends to assess North Carolina’s progress toward reducing bureaucracy and thereby focusing expenditures on classroom instruction. Regrettably, North Carolina’s public schools continue to add administrative, non-instructional, and instructional support positions at rates that far exceed enrollment growth. See Gary T. Henry, Charles L. Thompson et al., “North Carolina High School Resource Allocation Study, Final Report,” February 2008.