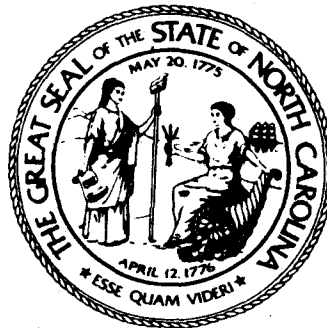


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LEGISLATIVE RESEARCH COMMISSION

LOCAL GOVERNMENT FINANCING



**REPORT TO THE
1985 GENERAL ASSEMBLY
OF NORTH CAROLINA
1986 SESSION**

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May 28, 1986

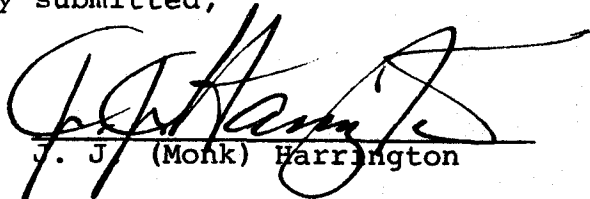
TO THE MEMBERS OF THE 1985 GENERAL ASSEMBLY (1986 SESSION):

The Legislative Research Commission herewith reports to the 1985 General Assembly (1986 Session) on the matter of local government financing. The report is made pursuant to Chapter 790, Session Laws of 1985.

This report was prepared by the Legislative Research Commission's Committee on Local Government Financing, and is transmitted by the Legislative Research Commission for your consideration.

Respectfully submitted,


Liston B. Ramsey


J. J. (Monk) Harrington

Cochairmen
Legislative Research Commission

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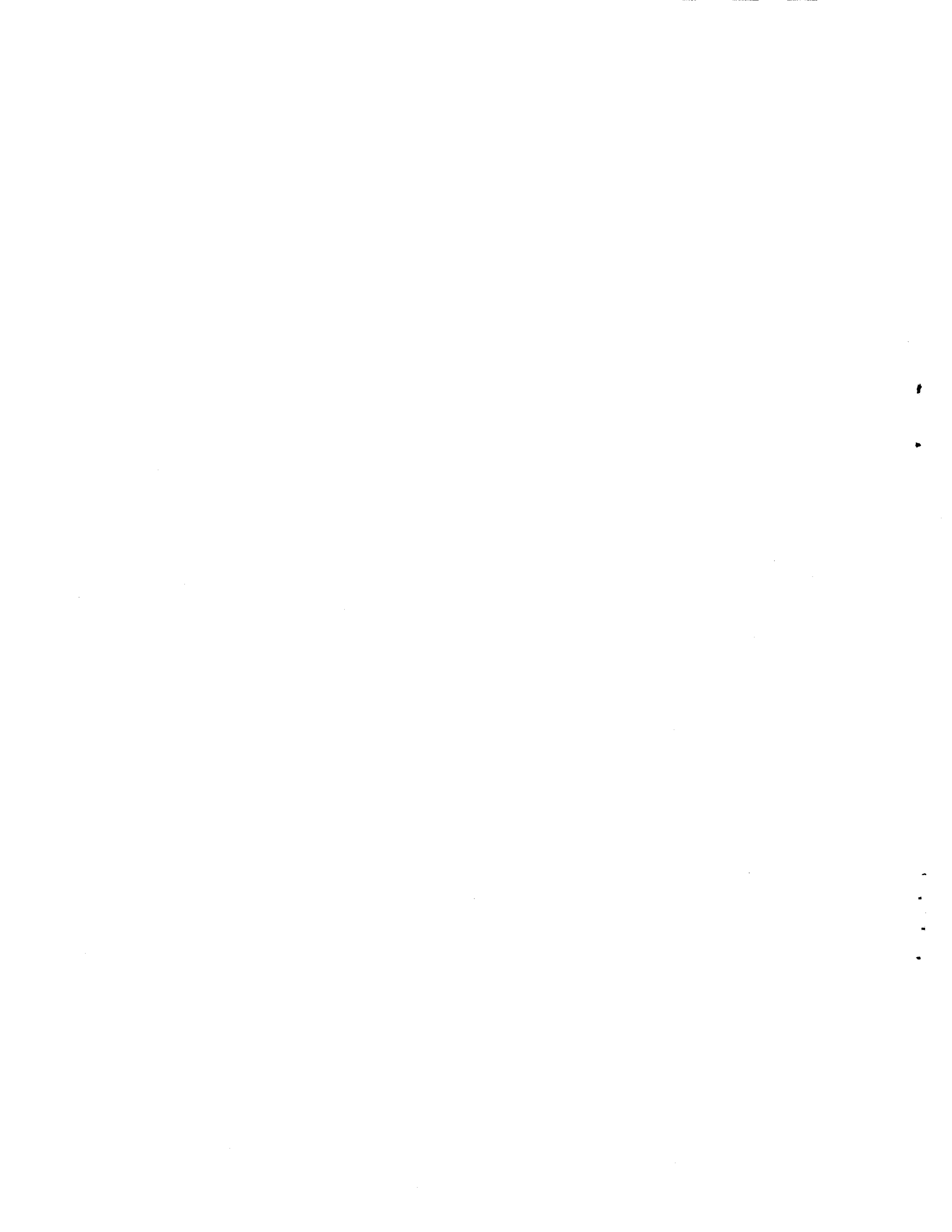


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LEGISLATIVE RESEARCH COMMISSION

Senator J.J. Harrington, Cochairman
Senator Henson P. Barnes
Senator A.D. Guy
Senator Ollie Harris
Senator Lura Tally
Senator Robert D. Warren

Representative Liston B. Ramsey, Cochairman
Representative Christopher S. Barker, Jr.
Representative John T. Church
Representative Bruce Ethridge
Representative Aaron Fussell
Representative Barney Paul Woodard



PREFACE

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has ten additional members, five appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigation into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most effective manner" (G.S. 120-20.17(1)).

At the direction of the 1985 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given the responsibility for one category of study. The cochairmen of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairmen, one from each house of the General Assembly, were designated for each committee.

The study of Local Government Financing was authorized by Section 1(36) of Chapter 790, Session Laws of 1985.

The Legislative Research Commission grouped this study in its Local Government area under the direction of Representative John Church. The cochairmen of the study committee established by the Legislative Research Commission are Senator Marshall Rauch and Representative Walter Jones, Jr. The full membership of the committee is listed in Appendix A of this report. Chapter 790 authorizing this study and Senate Bill 670, which the committee was authorized to consider in determining the scope of the study are attached as Appendices B and C.

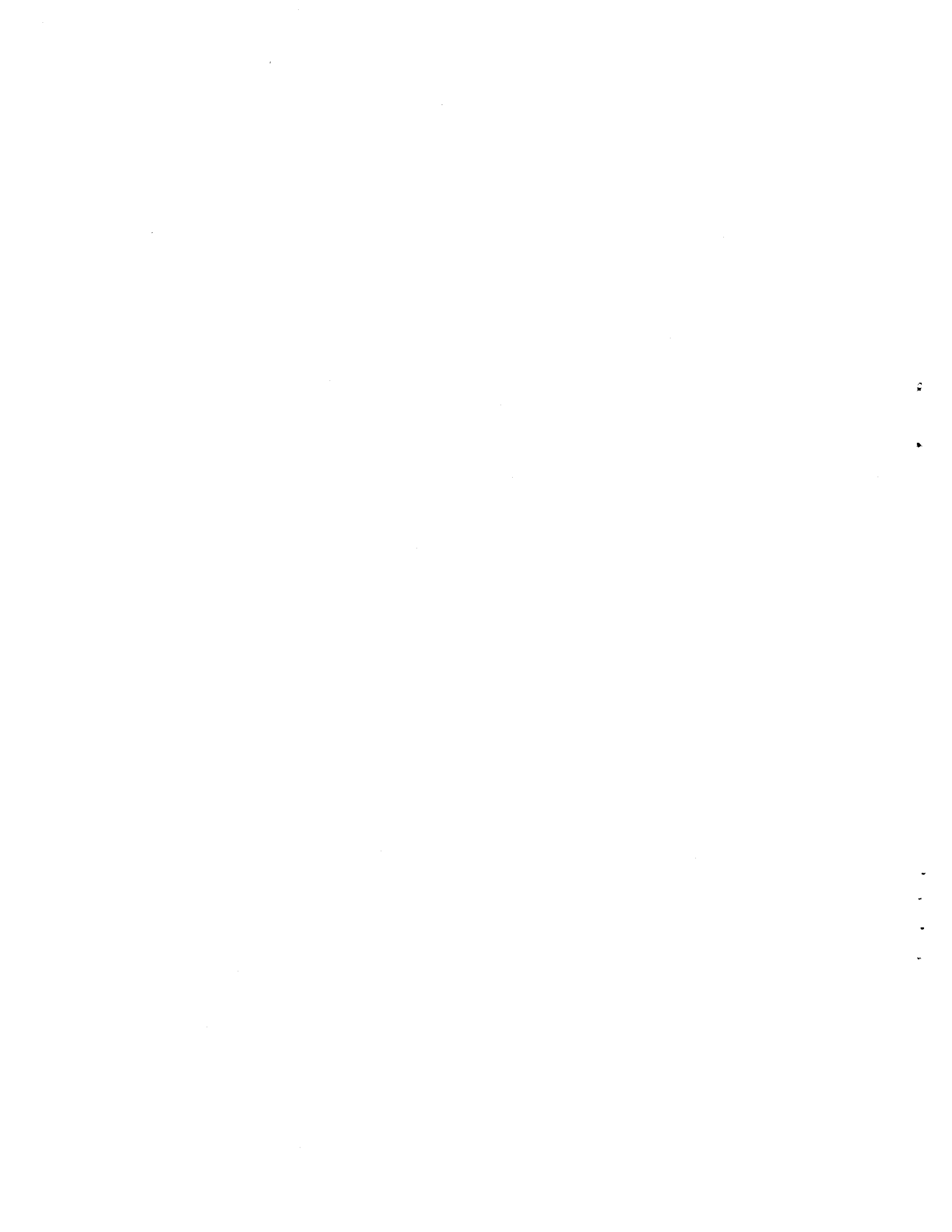
COMMITTEE PROCEEDINGS

The Committee on Local Government Financing met four times. The first meeting was on December 4, 1985. The Committee heard statements from the N.C. League of Municipalities (see Appendix I) and the N.C. Association of County Commissioners (See Appendix J). Committee staff presented information on current sources of local government revenue (see Appendices G and K). Committee members asked staff to report on several specific revenue increases.

The second meeting was held on January 27, 1986. State Treasurer Harlan Boyles made a presentation, a copy of which is included as Appendix L. Committee staff presented information on home rule (see Appendix H, a modified version of the memorandum presented at that meeting) and tax alternatives to the property tax (see Appendix M).

The third meeting was February 26, 1986. The committee heard statements on local government needs. (See Appendices N through R) At that meeting, the committee adopted a proposal to allow counties to levy an additional half cent sales tax (See Appendix D), to be distributed on a per capita basis, and to allow local governments to levy an occupancy tax of up to three percent (see Appendix E). The committee discussed proposals made by committee member Harvey Gantt, Mayor of Charlotte. (See Appendix S)

At the fourth meeting on March 26, 1986, the committee adopted a proposal to allow all cities to levy a tax of twenty dollars per motor vehicle (See Appendix F) and discussed additional proposals of Mayor Gantt (see Appendix T) and adopted this report.



RECOMMENDATIONS

The Committee recommends in this report three pieces of legislation. First, a bill to allow counties to levy an additional half cent sales tax (see Appendix D) to be distributed on a per capita basis, as is the half cent authorized by the 1983 General Assembly. Funds would not be earmarked for any specific purpose.

Second, the committee recommends legislation to allow cities and counties to levy an occupancy tax of one, two, or three percent. (See Appendix E). If a county levied the tax, receipts would be distributed to local governments within that county on the same basis as the current local option sales tax. The bill would not earmark any funds.

If a county did not levy the tax, any municipality within that county could levy a one, two, or three percent tax, receiving the revenues collected. If the county did not levy the full three percent tax, the city could levy the tax as long as the total rate did not exceed three percent. Special provisions are made for cities located in more than one county.

Counties could take action to levy the tax beginning August 1, 1986, except that if a city within that county has a local act tax, the county tax could not take effect until July 1, 1987 unless the city consents to an earlier date. This protects those cities against mid-year budget disruptions. Cities could levy a tax beginning November 1, 1986, if the county had not levied the

full three percent. If a city was levying the tax, and the county levies it later, the next tax could not be effective until the beginning of a fiscal year, unless the city consents to an earlier date.

Any levy would supercede any local act. If a county levies a tax, any local act levy by that county or a city within that county would be eliminated. If a city levies a tax, any local act levy by that city would be eliminated.

All taxes levied under the new law would be collected by the Department of Revenue. There would be a merchants discount of one percent of the total funds remitted by the hotel.

Lastly, the committee recomends legislation to allow cities to levy a motor vehicle tax of \$20.00 per motor vehicle. (see Appendix F.) Current law allows all cities except Durham to levy a tax of \$5.00 per motor vehicle. Durham is limited to \$1.00.

APPENDIX A

MEMBERS

COMMITTEE ON LOCAL GOVERNMENT FINANCING

Rep. Walter B. Jones
co-chairman

Sen. Marshall A. Rauch
co-chairman

Mr. A.P. Carlton, Jr.

Sen. J. Richard Conder

Rep. Bruce Ethridge

Mr. Charles H. Edwards

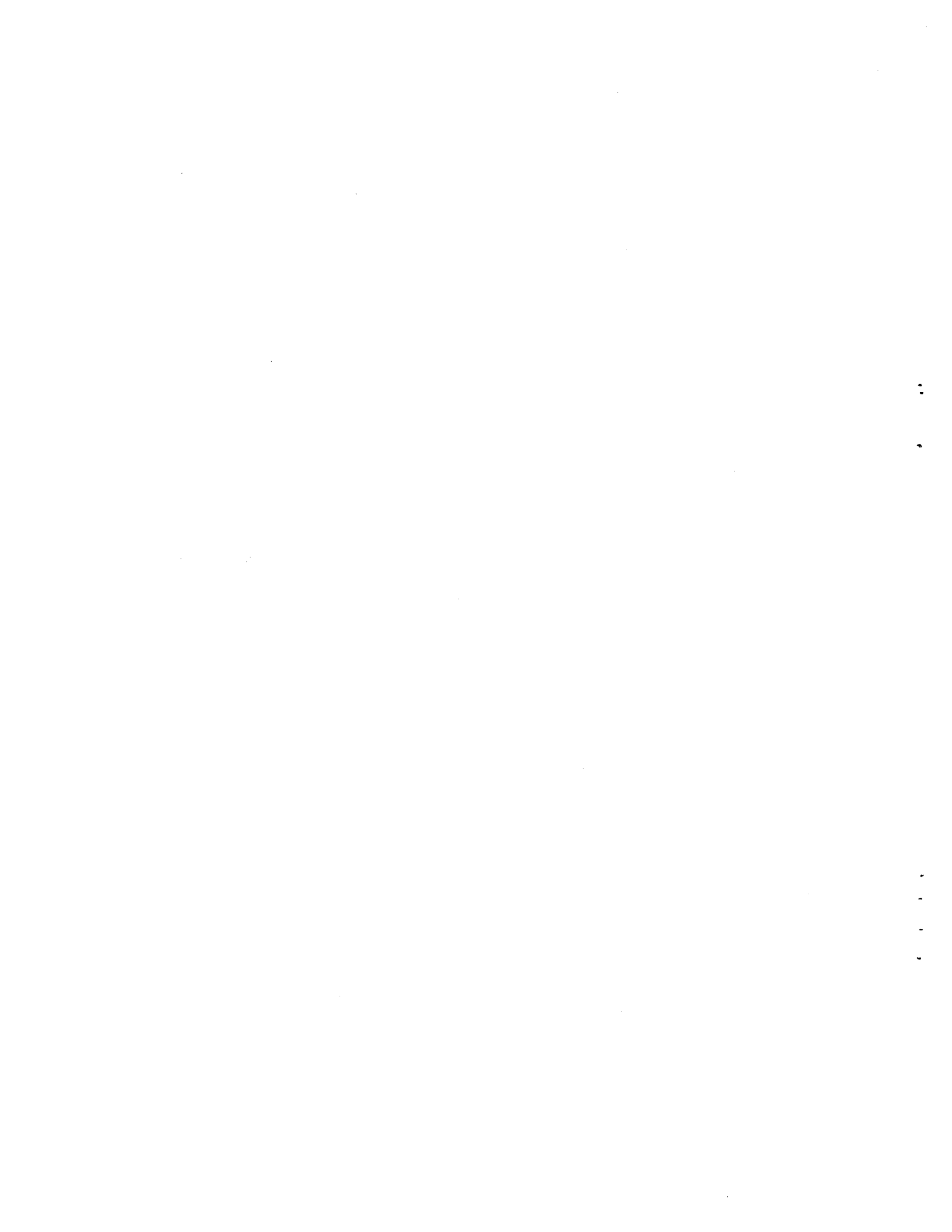
Rep. Vernon G. James

Hon. Harvey Gantt

Rep. Daniel T. Lilley

Sen. R.L. Martin

Rep. John T. Church, LRC Member



**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1985
RATIFIED BILL**

**CHAPTER 790
SENATE BILL 636**

AN ACT AUTHORIZING STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, MAKING TECHNICAL AMENDMENTS THERETO, AND TO MAKE OTHER AMENDMENTS.

The General Assembly of North Carolina enacts:

- Section 1. Studies Authorized. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1985 bill or resolution that originally proposed the issue or study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope and aspects of the study. The topics are:
- (1) Continuation of the Study of Revenue Laws (H.J.R. 17-Lilley),
 - (2) Continuation of the Study of Water Pollution Control (H.J.R. 141-Evans),
 - (3) Adolescent Sexuality Teaching (H.J.R. 275-Jeralds),
 - (4) Continuation of the Study on the Problems of the Aging (H.J.R. 322-Greenwood),
 - (5) Continuation of the Study of Municipal Incorporations (H. J. R. 389-Greenwood),
 - (6) School Discipline (H.J.R. 861-Colton),
 - (7) Bail Bondsmen and Bail Bond Forfeiture (H. B. 967-Watkins),
 - (8) Preventative Medicine (H. B. 1052-Locks),
 - (9) Life Care Arrangements (H. B. 1053-Locks),
 - (10) State Personnel System (H. B. 1064-Wiser),
 - (11) Long-Term Health Care Insurance (H. B. 1103-Locks),
 - (12) Itinerant Merchants (H. B. 1170-Lancaster),
 - (13) Manufactured Housing Zoning (H. B. 1178-Ballance; S. B. 636-Plyler),
 - (14) Interest Rate Regulation (H. J. B. 1227-Evans),
 - (15) Underground Storage Tank Leakage Hazards and other ground water hazards (H. B. 1281-Locks),
 - (16) Mental Patient Commitments (H. J. R. 1313-Miller),
 - (17) High-Level Radioactive Waste Disposal (H. B. 1373-Diamont; S. B. 655-Hipps),
 - (18) Stun Guns (H. J. R. 1390-McDowell),
 - (19) Continuation of the Study of Water Quality in Haw River and B. Everett Jordan Reservoir (H. J. R. 1393-Hackney),
 - (20) Authority of Boards of County Commissioners in Certain Counties over Commissions, Boards and Agencies (H. J. R. 1405-Holroyd),
 - (21) Superintendent of Public Instruction and State Board of Education (H. J. R. 1412-Nye),
 - (22) Rental Referral Agencies (H. B. 1421-Staney),
 - (23) Child Abuse Testimony Study (S. B. 165-Hipps),
 - (24) Home Schooling Programs (S. J. B. 224-Winner),
 - (25) Pretrial Release (S. J. B. 297-Winner),

- (26) Inmate Substance Abuse Therapy Program (S.J.R. 317-Plyler),
- (27) Inmate Work-Release Centers (S.B. 406-Swain),
- (28) Community College System (S.B. 425-Martin),
- (29) Community Service Alternative Punishment and Restitution (S.B. 495-Swain),
- (30) State Employee Salaries and Benefits (S.B. 514-Jordan),
- (31) State Infrastructure Needs (S.B. 541-Royall),
- (32) Commercial Laboratory Water Testing (S.B. 573-Taft),
- (33) Outdoor Advertising (S.B. 611-Thomas, R.P.),
- (34) Premium Tax Rate on Insurance Companies (S.B. 633-Hardison)
- (35) Continuation of the Study of Child Support (S.B. 638-Marvin),
- (36) Local Government Financing (S.B. 670-Rauch),
- (37) Medical Malpractice and Liability (S.B. 703-Taft),
- (38) Marketing of Perishable Food (S.B. 718-Basnight),
- (39) Child Protection (S.B. 802-Hipps),
- (40) Legislative Ethics and Lobbying (S.B. 829-Rauch),
- (41) Satellite Courts (S.B. 850-Barnes),
- (42) Substantive Legislation in Appropriations Bills (S.B. 851-Band),
- (43) School Finance Act (S.B. 848-Taft).

Sec. 2. Transportation Problems at Public Facilities. The Legislative Research Commission may identify and study transportation problems at public transportation facilities in North Carolina.

Sec. 2.1. The Legislative Research Commission may study the feasibility of the prohibition of investment by the State Treasurer of stocks of the retirement systems listed in G.S. 147-69.2(b)(6), or of the assets of the trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1 and G.S. 147-69.2(19) in a financial institution that has outstanding loans to the Republic of South Africa or in stocks, securities, or other obligations of a company doing business in or with the Republic of South Africa.

Sec. 3. Reporting Dates. For each of the topics the Legislative Research Commission decides to study under this act or pursuant to G.S. 120-30.17(1), the Commission may report its findings, together with any recommended legislation, to the 1987 General Assembly, or the Commission may make an interim report to the 1986 Session and a final report to the 1987 General Assembly.

Sec. 4. Bills and Resolution References. The listing of the original bill or resolution in this act is for reference purposes only and shall not be deemed to have incorporated by reference any of the substantive provisions contained in the original bill or resolution.

Sec. 5. The last sentence of G.S. 120-19.4(b) is amended by deleting the citation "G.S. 5-4" and inserting in lieu thereof the following: "G.S. 5A-12 or G.S. 5A-21, whichever is applicable".

Sec. 6. G.S. 120-99 is amended by adding a new paragraph to read:

"The provisions of G.S. 120-19.1 through G.S. 120-19.8 shall apply to the proceedings of the Legislative Ethics Committee as if it were a joint committee of the General Assembly, except that the chairman shall sign all subpoenas on behalf of the Committee.

Sec. 7. G.S. 120-30.17 is amended by adding a new subsection to read:

"(9) For studies authorized to be made by the Legislative Research Commission, to request another State agency, board, commission or committee to conduct the study if the Legislative Research Commission determines that the other body is a more appropriate vehicle with which to conduct the study. If the other body agrees, and no legislation specifically provides otherwise, that body shall conduct the study as if the original authorization had assigned the study to that body and shall report to the General Assembly at the same time other studies to be conducted by the Legislative Research Commission are to be reported. The other agency shall conduct the transferred study within the funds already assigned to it."

Sec. 8. This act is effective upon ratification.

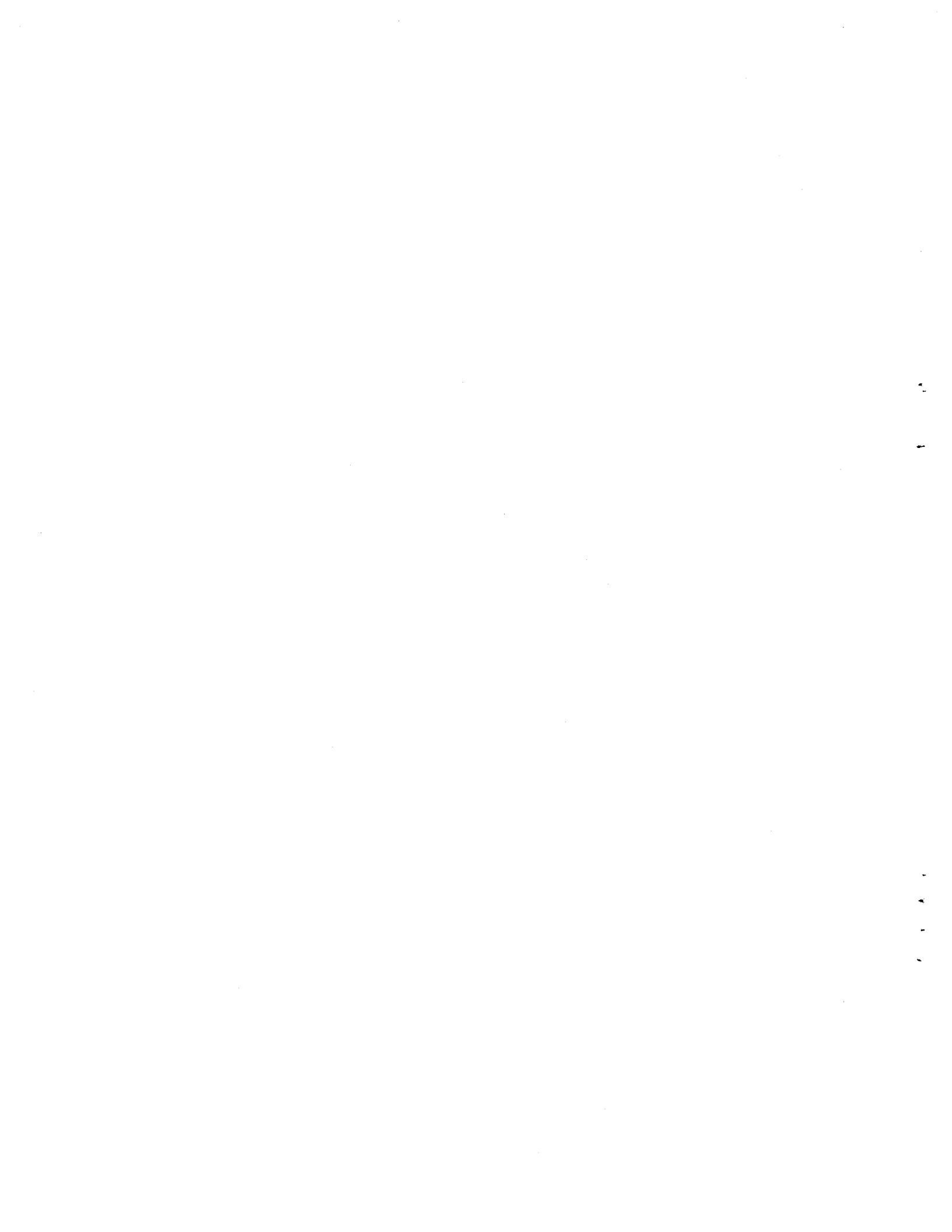
In the General Assembly read three times and ratified, this the 18th day of July, 1985.

ROBERT B. JORDAN III

Robert B. Jordan III
President of the Senate

LISTON B. RAMSEY

Liston B. Ramsey
Speaker of the House of Representatives



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1985

S

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SENATE BILL 670
Second Edition Engrossed 5/29/85

Short Title: LRC Study Local Finance. (Public)

Sponsors: Senators Rauch and Thomas of Henderson; Basnight, Watt,*

Referred to: Rules and Operations of the Senate.

May 16, 1985

1 A BILL TO BE ENTITLED
2 AN ACT TO AUTHORIZE THE LEGISLATIVE RESEARCH COMMISSION TO STUDY
3 THE FINANCING OF LOCAL GOVERNMENT.

4 Whereas, the federal government may eliminate the
5 revenue sharing program; and

6 Whereas, there needs to be an analysis of the current
7 role of local governments in financing services; and

8 Whereas, tax cuts by State government may impact the
9 amount of funds that the State can provide to local governments;
10 and

11 Whereas, some public services may be priced more
12 efficiently by utilizing different financing mechanisms; Now,
13 therefore,

14 The General Assembly of North Carolina enacts:

15 Section 1. The Legislative Research Commission is
16 authorized to study the means of financing local government in
17 North Carolina, and in that study may explore options for
18 improving financing mechanisms.

19 Sec. 2. Any committee appointed under G.S. 120-30.10 to
20 conduct the study authorized by this act shall include at least

1 one person nominated by the North Carolina League of
2 Municipalities and at least one person [~~S-appointed~~][S-nominated]
3 by the North Carolina Association of County Commissioners.

4 Sec. 3. The Legislative Research Commission may report
5 under this act to the 1987 Regular Session of the General
6 Assembly.

7 Sec. 4. This act shall become effective July 1, 1985.

8 _____

9 *Additional Sponsors: Tally.

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APPENDIX D

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE COUNTIES TO LEVY ADDITIONAL ONE-HALF PERCENT LOCAL SALES AND USE TAXES.

The General Assembly of North Carolina enacts:

Section 1. Subchapter VIII of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 42.

"Additional Supplemental Local Government
Sales and Use Taxes.

"§ 105-495. Short title.--This Article shall be known as the Additional Supplemental Local Government Sales and Use Tax Act.

"§ 105-496. Purpose and intent.--It is the purpose of this Article to afford the counties and cities of this State an opportunity to obtain an added source of revenue with which to meet their growing financial needs, and to reduce their reliance on other revenues, such as the property tax and federal revenue sharing, by providing all counties of the State that are subject to this Article with authority to levy one-half percent ($\frac{1}{2}\%$) sales and use taxes.

"§ 105-497. Limitations.--This Article applies only to counties that levy one percent (1%) sales and use taxes under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws and also levy one-half percent ($\frac{1}{2}\%$) local sales and use taxes under Article 40 of this Chapter.

"§ 105-498. Levy and collection of additional taxes.--Any county subject to this Article may levy one-half percent ($\frac{1}{2}\%$) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this Article, the adoption, levy, collection, distribution, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Article, references to 'this Article' mean Article 42 of Chapter 105. All taxes levied pursuant to this Article shall be collected by the Secretary and may not be collected by a taxing county. The exemption for building materials in G.S. 105-468.1 does not apply to taxes levied under this Article.

"§ 105-499. Form of ballot.--(a) The form of the question to be presented on a ballot for a special election concerning the additional taxes authorized by this Article shall be: 'FOR one-half percent ($\frac{1}{2}\%$) local sales and use taxes in addition to the current one and one-half percent ($1\frac{1}{2}\%$) local sales and use taxes' or 'AGAINST one-half percent ($\frac{1}{2}\%$) local sales and use taxes in addition to the current one and one-half percent ($1\frac{1}{2}\%$) local sales and use taxes'.

(b) The form of the question to be presented on a ballot for a special election concerning the repeal of any additional taxes levied pursuant to this Article shall be: 'FOR repeal of the additional one-half percent ($\frac{1}{2}\%$) local sales and use taxes, thus reducing local sales and use taxes to one and one-half percent ($1\frac{1}{2}\%$)' or 'AGAINST repeal of the additional one-half

percent ($\frac{1}{2}\%$) local sales and use taxes, thus reducing local sales and use taxes to one and one-half percent ($1\frac{1}{2}\%$).

"§ 105-500. Retail collection bracket.--The following bracket applies to collections by retailers in a county that levies additional sales and use taxes under this Article:

- (1) No amount on sales of less than 9¢;
- (2) 1¢ on sales of 9¢ to 23¢;
- (3) 2¢ on sales of 24¢ to 48¢;
- (4) 3¢ on sales of 49¢ to 67¢;
- (5) 4¢ on sales of 68¢ to 85¢;
- (6) 5¢ on sales of 86¢ to \$1.09; and
- (7) Sales of over \$1.09 - straight five percent (5%) with major fractions governing.

"§ 105-501. Distribution of additional taxes.--The Secretary shall, on a quarterly basis, distribute the net proceeds of the additional one-half percent ($\frac{1}{2}\%$) sales and use taxes levied under this Article to the taxing counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The amount distributed to a taxing county shall then be divided among the county and the municipalities located in the county in accordance with the method by which the one percent (1%) sales and use taxes levied in that county pursuant to Article 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are distributed.

If any taxes levied under this Article by a county have not been collected in that county for a full quarter because of the

levy or repeal of the taxes, the Secretary shall distribute a pro rata share to that county for that quarter based on the number of months the taxes were collected in that county during the quarter.

Sec. 2. G.S. 105-486 and 105-493 are each amended by deleting the words "and use" from their catchlines.

Sec. 3. This act is effective upon ratification.

APPENDIX E

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE CITIES AND COUNTIES TO LEVY OCCUPANCY TAXES.

The General Assembly of North Carolina enacts:

Section 1. Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 43.

"Local Occupancy Taxes.

"§ 105-505. Short title.--This Article shall be known as the Local Occupancy Tax Act.

"§ 105-506. Purpose and intent.--It is the purpose and intent of this Article to afford the counties and cities of the State an opportunity to obtain an added source of revenue, recognizing that persons occupying transient accommodations place special service burdens on local governments.

'§ 105-507. County occupancy tax. (a) The board of county commissioners of a county may by resolution, after not less than 10 days' public notice and after a public hearing held pursuant thereto, levy a room occupancy tax of one percent (1%), two percent (2%) or three percent (3%) of the gross receipts derived from the rental in that county of any room, lodging, or similar accommodation subject to sales tax under G.S. 105-164.4(3). This tax is in addition to any State or local sales tax, except that, if an occupancy tax is levied under this section, no occupancy tax may be levied by that county under any local act. Any occupancy

tax levied by that county under this section automatically repeals the local act levy.

(b) Levy of a tax under this Article does not affect a liability for a tax levied under a local act that attached before the effective date of the levy under this Article, nor does it affect a right to a refund of a tax that accrued before the effective date of the levy under this Article. If levy of a tax under this section repeals a local act levy, such repeal does not abolish any board, commission, or agency created by the local act, but the county may abolish that board, commission, or agency and provide for the disposition of its assets and liabilities. In addition, the county may appropriate funds raised from a levy under this section to that board, commission, or agency for the purposes authorized by the local act.

(c) Collection of the tax, and liability therefor, shall begin and continue only on and after the first day of a calendar month set by the board of county commissioners in the resolution levying the tax, which shall in no case be earlier than the first day of the second succeeding calendar month after the date of adoption of the resolution.

Notwithstanding the preceding paragraph, if the operation of G.S. 105-509 would cause any city occupancy tax to be reduced in rate or repealed, the effective date of the county tax shall be no earlier than the first day of the fiscal year beginning on or after the earliest effective date allowed under the first paragraph of this section, unless the city councils of all such

cities by resolution consent to the effective date provided by the preceding sentence.

(d) The board of county commissioners, upon adoption of the resolution, shall cause a certified copy of the resolution, and certified copies of any such city resolutions if required by the second paragraph of subsection (c) of this section, to be delivered immediately to the Secretary of Revenue. The Secretary of Revenue shall proceed as authorized in this Article to administer the tax in such county.

(e) Every operator of a business subject to the tax levied under this section shall, on and after the effective date of the levy of the tax, collect the tax. This tax shall be collected as part of the charge for furnishing a taxable accommodation. The tax shall be stated and charged separately from the sales records, and shall be paid by the purchaser to the operator of the business as trustee for and on account of the county wherein the tax is imposed. The tax shall be added to the sales price and shall be passed on to the purchaser instead of being borne by the operator of the business. Collection and administration of the tax shall be as provided for in G.S. 105-469 and G.S. 105-474, except that the Secretary of Revenue shall collect the tax, and notwithstanding G.S. 105-164.16(b), all taxpayers shall file a return on a monthly basis. The Secretary of Revenue shall design, print, and furnish to all appropriate businesses and persons in the county the necessary forms for filing returns and instructions to ensure the full collection of the tax.

An operator of a business who collects the occupancy tax levied under this section may deduct from the amount timely remitted by him to the Secretary of Revenue a discount of one percent (1%) of the amount collected as reimbursement for the expenses incurred in collecting the tax.

(f) The Secretary shall, on a quarterly basis, distribute to each taxing county and to the municipalities therein the net proceeds of the tax collected in that county under this Article, which amount shall be determined by deducting taxes refunded, the cost to the state of collecting and administering the tax in the taxing county and such other deductions as may be properly charged to the taxing county, from the gross amount of the tax remitted to the Secretary of Revenue from the taxing county. The Secretary shall determine the cost of collection and administration, and that amount shall be retained by the State before distribution of the net proceeds of the tax. For the purposes of this article, "municipalities" shall mean "cities" as defined by G.S. 153A-1. The amount distributed to a county that levies a tax under this Article shall be divided among the county and its cities in accordance with the method by which the one percent (1%) sales and use taxes levied in that county pursuant to Article 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are distributed.

(g) A tax levied under this act may be repealed by a resolution adopted by the board of county commissioners of the taxing county. Repeal of a tax levied under this act shall become effective on the first day of a month and may not become

effective until the end of the fiscal year in which the repeal resolution was adopted. Repeal of a tax levied under this section does not affect a liability for a tax that attached before the effective date of the repeal, nor does it affect a right to a refund of a tax that accrued before the effective date of the repeal, nor does it revive any local levy repealed by subsection (a) of this section.

(h) Upon adoption of a resolution of repeal, the board of county commissioners shall cause a certified copy of the resolution to be delivered immediately to the Secretary of Revenue.

(i) For this purpose of this Article, the phrase "local act" or "local sales tax" does not include Chapter 1096, Session Laws of 1967.

"§ 105-508 City occupancy tax. (a) If the county board of commissioners of a county where a city is located has not levied the tax authorized by G.S. 105-507 or has levied the tax at a rate of one percent (1%) or two percent (2%), and if that county has not levied an occupancy tax under a local act, the city council may by ordinance, after a public hearing is held on the issue, levy a room occupancy tax within the part of the city located in that county at a rate of one percent (1%), two percent (2%) or three percent (3%), except that no levy under this section may cause the combined city and county rate to exceed three percent (3%). Notice of the public hearing shall be published at least 10 days and no more than 25 days before the date fixed for the hearing.

This tax shall apply to the same accommodations that are taxable under G.S. 105-507 and shall be collected, administered and distributed in the same manner as the tax authorized by that section, unless this section specifies otherwise. In applying the provisions of G.S. 105-507 to a tax levied by a city under this section, however, all references in G.S. 105-507 to a county or an official of that county shall be construed to mean the city and the city counterpart to the county official.

This tax is in addition to any State or local sales tax, except that, if an occupancy tax is levied under this section, no occupancy tax may be levied by that city under any local act. Any occupancy tax levied by that city under this section automatically repeals the local act levy.

(b) Levy of a tax under this Article does not affect a liability for a tax levied under a local act that attached before the effective date of the levy under this Article, nor does it affect a right to a refund of a tax that accrued before the effective date of the levy under this Article. If levy of a tax under this section causes a local act levy to be repealed, such repeal does not abolish any board, commission, or agency created by the local act, but the city may abolish that board, commission, or agency and provide for the disposition of its assets and liabilities. In addition, the city may appropriate funds raised from a levy under this section to that board, commission, or agency for the purposes authorized by the local act.

(c) If a city is located in more than one county, the rules for determining whether the city may levy a tax or limiting its maximum rate apply separately to the part of the city located in each county, but the city in making its levy may not treat areas differently unless required by subsection (a) of this section. As an example, if City A is located in Counties B, C, and D, and County B levies a three percent tax, County C levies a one one percent tax, and county D levies no tax, the city may levy a three percent (3%) tax, but the tax may not be levied as to property in county B, shall be at the rate of two percent (2%) in county C, and shall be at the rate of three percent (3%) in county D, so that the total city and county tax rate shall be the same for all taxpayers within the city, even though the rate allocated between the city and county may differ based on the action taken by the county.

(d) The net proceeds of a tax levied under this section shall be distributed to the city levying the tax.

'§ 105-509. Effect of county tax on previously levied city tax.--(a) If a city levies an occupancy tax under G.S. 105-508, and the county board of commissioners for any territory where the city is located subsequently adopts a resolution levying an occupancy tax in that county under G.S. 105-507, the occupancy tax levied by the city within that county shall be repealed as of the effective date of the county levy if the county levies an occupancy tax at the rate of three percent (3%), and shall be reduced by the amount that the combined county and city occupancy tax rates exceed three percent (3%).

(b) If a city levies an occupancy tax under G.S. 105-508, and the county board of commissioners for any territory where the city is located subsequently adopts a resolution levying an occupancy tax in that county under any local act, the occupancy tax levied by the city within that county shall be repealed as of the effective date of the county levy.

(c) If a city levies an occupancy tax under the provisions of any local act, and the county board of commissioners for any territory where the city is located subsequently adopts a resolution levying an occupancy tax in that county under G.S. 105-507, the occupancy tax levied by the city within that county shall be repealed as of the effective date of the county levy.

(d) Repeal of a tax, or reduction of its rate, under this section does not affect a liability for a local tax that attached before the effective date of the levy under this Article, nor does it affect a right to a refund of a tax that accrued before the effective date of the levy under this Article.

Sec. 2. This act shall become effective August 1, 1986, except that G.S. 105-508 shall become effective November 1, 1986.

APPENDIX F

ST: Authorize City Vehicle Tax

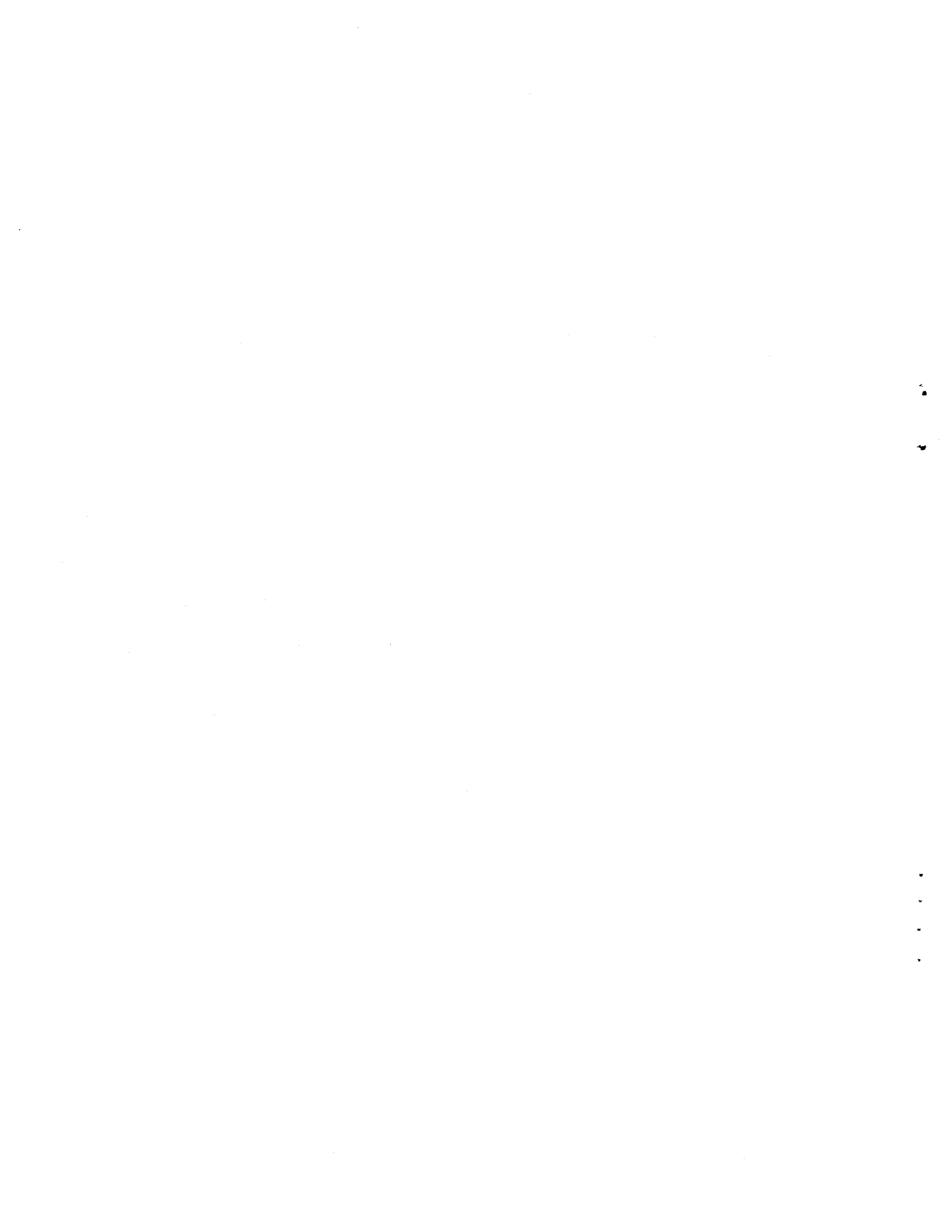
A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE CITIES TO LEVY A MOTOR VEHICLE TAX NOT TO EXCEED TWENTY DOLLARS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 20-97(a) is amended by deleting "cities and towns other than the City of Durham may levy not more than five dollars (\$5.00) per year upon any vehicle resident therein, and except that the City of Durham may levy not more than one dollar (\$1.00) per year upon any vehicle resident therein", and substituting: "cities and towns may levy not more than twenty dollars (\$20.00) per year upon any vehicle resident therein".

Sec. 2. This act is effective upon ratification.



APPENDIX G

DECEMBER 2, 1985

SOURCES OF LOCAL GOVERNMENT REVENUE

North Carolina now has a great number of means of financing local governments. Listed in this paper are some of the major sources of revenues. With the exception of the water and sewer grant program enacted by the 1985 session, I do not discuss here any program funding distributed on a statewide basis to local governments, since this is largely an area where the local governments are carrying out a state function on a local level (e.g. mental health, human resources, schools, etc.).

PROPERTY TAX--

The property tax is a locally levied tax. Any city or county may levy a property tax. There is a statutory ceiling of \$1.50 on the \$100.00 assessed valuation for each unit of local government, but the ceiling may be raised for any particular unit of government by a referendum. Exempted from the ceiling by statute are for counties: courts, debt service, deficits, elections, jails, schools, and state mandated social services programs. Thus, for counties, most of the major expenditure categories are not subject to the rate ceiling. Exempted from the ceiling by statute for cities are: debt service, deficits, and civil

disorders. Thus for cities, almost all spending is covered by the ceiling.

The property tax base itself is set by state statute, listing what is exempt from property taxation. Examples of exemptions from the property tax are: property owned by non-profit water and sewer associations, special nuclear materials, certain pollution control equipment, nature preserves, standing timber, dogs owned for personal use, property of veterans organizations, property of certain Masonic, benevolent, patriotic, historical, charitable, or civic organizations, property owned by Goodwill Industries, nursery stock held by original producers, historic preservation easements, graves, religious property, educational property, and charitable property. Some property is taxed at reduced valuation, agricultural products in storage (60%), peanuts in storage (20%), baled cotton (50%), vinous or fruit product in storage (60%), homestead exemption for the elderly or disabled (first \$11,000 exempted as of 1987), and historic properties (50%). Additionally, certain lands are subject to use value assessment. Adding or subtracting properties from the tax base will change local revenues.

SALES TAX--

Local governments may levy a sales and use tax of 1/2%, 1%, or 1 1/2%. 99 counties have a 1 1/2% local sales tax, one county has a 1% tax. The 1% tax is retained by the county based on point of collection and distributed to local governments within the county. The 1/2% tax is distributed among all taxing counties on

a population basis. Many items are exempt from the state sales and use tax, and are thus exempt from the local sales and use tax. In addition to covering sales and use, the state tax covers additional areas: gross receipts from hotel rentals, laundries and dry cleaners. The local tax does not cover any items subject to state tax at a rate less than 3%. This exempts from the local tax the sale and rental of automobiles, as well as much machinery. Also not subject to the local tax is the 3% state gross receipts tax on certain types of entertainment. A past Revenue Laws study committee chose not to recommend subjecting the entertainment tax to the 1% local sales tax because of problems with determining point of sale. The major revenue sources for the 3% entertainment gross receipts tax are college football and basketball. Tax revenues from the gross receipts tax for FY84-85 were \$2,316,793 for all other than circuses, \$69,672.68 for circuses.

INTANGIBLES TAX--

Subject to an intangibles tax of .25% is intangible personal property such as stocks, bonds, and receivables. The money collected goes back to the county of residence of the taxpayer, and is then distributed between the county and municipalities within that county.

GASOLINE TAX--

1 3/8 cents per gallon of motor fuel is rebated to cities based on a formula combining population (75%), and road mileage (25%). These funds must be used for street or bikeway construction and maintenance.

BEER AND WINE TAX--

Cities and counties where the sale of beer or wine is legal share in the proceeds of the state excise tax on the sale of those beverages. Of the state tax of 53.376 cents per gallon on beer, 23.75% is distributable to cities and counties. Of the state tax of 21 cents per liter on unfortified wine, 62% goes to cities and counties. Of the state tax of 24 cents per liter on fortified wine, 22% goes to cities and counties. The total allocable to local governments is beer \$14,269,300.33, unfortified wine \$3,719,548.99, fortified wine \$464,751.86 for the September 30, 1985 distribution. In addition, \$26,915.71 is retained by the state under a quirk in the law which applies when a county is wet but a city within that county is dry, a county is wet but a portion of the unincorporated area is dry because of a local act, or because a city refuses the funds.

FRANCHISE TAX--

There is a franchise tax on the gross receipts of electric power companies, telephone or gas companies of 3.22%, public sewerage companies at 6%, and water companies of 4%. Of the franchise tax on electric power companies, telephone, or gas,

3.09% is distributed to cities based on sales of the commodity within the city. The state franchise tax on telephone service is based on local service and intrastate calls--the amount distributable to cities is based only on local service.

TRANSFER TAX ON REAL PROPERTY--

There is a tax of .1% on transfers of real property, payable to the county where the property is located. Not subject to the tax is any mortgage assumed. Thus a \$100,000 transfer where only \$20,000 cash changed hands and an \$80,000 mortgage is assumed would generate \$20 in revenue, whereas if there was \$10,000 cash and a new mortgage of \$90,000, \$100 in revenue is generated.

PRIVILEGE LICENSES--

Cities may levy privilege license taxes unless prohibited by state law. Counties may levy privilege license taxes only where authorized by state law.

REGISTER OF DEEDS FEES--

Counties collect fees for various services of the register of deeds offices. The amount of the fees are set by state statute and are retained by the county.

FACILITY FEES AND ARREST FEES--

Cities and counties providing courtrooms receive a facilities fee for each case disposed of in the facility. The fee in district court is \$5 and in superior court is \$23. Those fees must be used for court facility expenses. Each city or county whose officer makes an arrest receives a fee of \$4. The use of these funds is unrestricted.

WATER AND SEWER CONSTRUCTION GRANTS--

By act of the 1985 General Assembly, for the 1985-87 biennium each city and county receives a grant for water and sewer funding on a population basis out of a yearly pool of \$60,000,000.

FIRE PROTECTION FUNDS--

Each local government where state owned property (other than land) is located receives funds out of a statewide pool of \$1,450,000, allocated on proportion of the valuation. Funds are not earmarked by statute, but are for the purpose of reimbursing local governments for expenses of providing fire protection to the state property.

REIMBURSEMENT FOR STATE TAX EXEMPTIONS--

The State reimburses local governments for 50% of the lost revenue from the homestead exemption. The State also reimburses local governments for revenues lost because of the repeal of the sales tax on food purchased with food stamps and WIC coupons, repeal of the intangibles tax on money on hand and on deposit, and for the retailers' and wholesalers' exclusion for inventories.

ABC STORES--

Of the \$15.00 per gallon surcharge on alcoholic beverages sold for mixed drinks by ABC stores, the local board retains \$9.00. For each bottle sold, there is a 5 cent surcharge, which goes to the county to be expended only on alcoholism related programs. In addition, 3 1/2 % of the gross revenues plus 5 cents per bottle must be distributed to the city or county for which the system is established (unless another formula for distribution of those funds is provided by local act). Then, after deducting for working capital and expenses, the remainder is distributed as profits as provided by law.

MOTOR VEHICLES--

Cities other than Durham may levy an annual tax of \$5.00 on motor vehicles resident in that city. Durham may levy \$1.00.

MISCELLANEOUS TAXES PROVIDED BY LOCAL ACT--

Local acts provide a number of cities and counties with authority to levy occupancy taxes, generally on hotel accommodations. Two counties may levy land transfer taxes in addition to the state imposed tax.

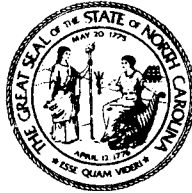


NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE SERVICES OFFICE
2129 STATE LEGISLATIVE BUILDING
RALEIGH 27611

GEORGE R. HALL, JR.
LEGISLATIVE ADMINISTRATIVE OFFICER
TELEPHONE: 733-7044

GERRY F. COHEN, DIRECTOR
LEGISLATIVE DRAFTING DIVISION
TELEPHONE: 733-6660

THOMAS L. COVINGTON, DIRECTOR
FISCAL RESEARCH DIVISION
TELEPHONE: 733-4910



M. GLENN NEWKIRK, DIRECTOR
LEGISLATIVE AUTOMATED SYSTEMS DIVISION
TELEPHONE: 733-6834
TERRENCE D. SULLIVAN, DIRECTOR
RESEARCH DIVISION
TELEPHONE: 733-2578

March 17, 1986

MEMORANDUM

TO: Committee on Local Government Financing

FROM: Gerry F. Cohen
Director of Legislative Drafting

SUBJECT: Home Rule in Other States

At the December meeting, the committee asked me to check on home rule provisions applicable to taxation in contiguous states to North Carolina.

Of our four contiguous states (Georgia, South Carolina, Tennessee and Virginia), three have home rule provisions in their constitution. Virginia has no home rule in its constitution.

The Tennessee provision (Article 11, Sec 9) authorizing local governments to adopt their own charters states "...the power of taxation of such municipalities shall not be enlarged except by an act of the General Assembly." The Georgia provision (Article 9, Sec 2(I)(c)(4) states that it does not authorize "...any form of taxation beyond that authorized by law..." Only the South Carolina Constitution sets no automatic restriction on taxation, but it states that home rule provisions may not conflict with general law. As noted below, South Carolina has almost no local option taxes, thus the general law in South Carolina apparently eliminates most revenue options for local governments.

I examined the Commerce Clearing House State Tax Guide for information on laws in Georgia, South Carolina, Tennessee, and Virginia

INCOME TAX

GEORGIA-- Counties, with voter approval may levy a 1% income tax with voter approval, but only if a local sales tax is not levied. Cities may levy a similar tax if the county in which they are located has not.

OCCUPANCY TAXES

GEORGIA-- Cities and Counties can levy a tax of up to 3% on room occupancy.

TENNESSEE-- Cities and counties can levy room occupancy taxes.

VIRGINIA-- Counties may levy a 2% room occupancy tax. Earlier local legislation still in effect allowed designated cities and counties to levy the tax, at rates as high as 5%.

ADMISSION TAXES

VIRGINIA-- Four designated counties may levy admission taxes to events not to exceed 10%. Other local acts are still in force.

ALCOHOLIC BEVERAGE TAXES

GEORGIA-- Cities and counties may levy an excise tax of not exceeding 22 cents per liter on package liquor sales. Cities and counties can levy an excise tax of 3% on mixed drinks

GASOLINE TAXES

TENNESSEE-- Counties and cities operating a mass transit system may levy a 1 cent per gallon gasoline tax, if approved by the voters.

VIRGINIA-- In cities and counties with a heavy-rail rapid transit system, a 2% tax on gasoline is levied.

SEVERANCE TAXES

TENNESSEE-- Counties can levy a tax on sand, gravel, sandstone, chert, and limestone severed, at a rate not to exceed 15 cents per ton.

VIRGINIA-- Cities and counties can levy an oil severance tax at 1/2 % of gross receipts.

CIGARETTE TAXES

VIRGINIA-- Fairfax and Arlington counties may levy a cigarette tax not to exceed 5 cents per pack. Various municipalities levy cigarette taxes, ranging up to 15 cents per pack.

RECORDING TAXES

VIRGINIA-- Cities and counties may levy a local recording tax of 1/3 of the State tax. The state tax is 50 cents per \$100.00, half of which is retained by the county or city where the property is located.

SALES TAXES

GEORGIA-- Counties with voter approval may levy a 1% sales tax. In addition, counties may levy 1% for road purposes. In addition, counties may levy a 1% sales tax for mass transit.

TENNESSEE-- Local gross receipts tax of 1/15 of 1% as a license tax. Counties may levy local sales tax up to 1/2 of the state rate, thus setting a current ceiling of 2 1/4%. Cities may levy a local sales tax, but only to the extent that the combined city and county rate does not exceed 1/2 of the state rate.

VIRGINIA-- Cities and counties can levy a 1% sales tax. It does not apply to motor vehicles.

UTILITY TAXES

VIRGINIA-- Cities, counties, and towns may levy a tax up to 20% on electric, water, and telephone companies, subject to a ceiling for residential customers of \$15 per month.

PROBATE

VIRGINIA-- In addition to the state probate fee of 1/10% of the value of an estate, cities and counties may levy a tax up to 1/3 of the state tax.



APPENDIX 'T'

SUMMARY STATEMENT

Presented To

LEGISLATIVE RESEARCH COMMISSION'S COMMITTEE ON LOCAL GOVERNMENT FINANCING

By S. Leigh Wilson, Executive Director
North Carolina League of Municipalities

December 4, 1985

I. INTRODUCTION

The League of Municipalities commends the Legislative Research Commission for authorizing this study and offers its full cooperation and assistance as the Committee pursues its work.

II. GENERAL STATEMENT OF NEED

These are changing times in our federal system of government which present numerous challenges to municipalities and their officials.

These challenges appear to be coming from all directions, as outlined below:

A. From The Federal Level

1. Federal Program Elimination and Reduction

- a. General Revenue Sharing, in all probability, will be discontinued in October, 1986, which is a loss to North Carolina municipalities of \$49 million.
- b. The federal matching contribution for wastewater construction grants has been reduced from 75% to 45 and 50%. At the same time, the very successful State Clean Water Bond Program which provided one-half the cost of the non-federal share of wastewater projects has been terminated. This means that the municipal share for a typical wastewater project has increased drastically from 12-1/2% to 45-50%, or more if excess design capacity is included. The burden has fallen especially hard on smaller municipalities which have patiently worked their way up the priority funding lists. The funds provided by the General Assembly for this purpose in the form of the one-half cent local sales tax and 1985 appropriation will help, but together represent only a beginning.
- c. There have been and will continue to be drastic reductions in other federal programs, such as economic development assistance, housing assistance and assistance for mass transportation.

2. Additional Threats From the Federal Level

There is continuing pressure at the federal level from a number of sources to eliminate the tax exempt status of municipal bonds, curtail and limit a number of economic development activities important to this state and to eliminate the deductibility of state and local taxes from the federal income tax.

3. Federal Court Decisions

The U.S. Supreme Court in the recent Garcia decision virtually repealed the Tenth Amendment to the Constitution when it ruled that the provisions of the Fair Labor Standards Act were applicable to municipalities. The Congress has recently provided some relief from the overtime provisions of this Act to states and local governments, which has helped, but this decision has opened the door for indeterminable intrusions by the federal government into the affairs of local government.

B. From The State Level

1. There is a growing inventory of unmet infrastructure needs in North Carolina's 470-odd municipalities as indicated below:

- a. NRCDC has recently estimated that the total wastewater funding needs in North Carolina will reach \$1.7 billion in 1986. Currently, over thirty municipalities are under a moratorium and unable to connect any additional residential or commercial customers to the sanitary sewer system.
- b. The Transportation Task Force which is now at work has just published the fact that at the present level of funding, it will take sixty years to provide the street and thoroughfare projects which are desperately needed in and around the State's population centers.

The League respectfully requests that the Committee give careful consideration to the recommendations of the Transportation Task Force which are expected to be forthcoming after the first of the year.

2. Suddenly this year, North Carolina municipalities are faced with a liability insurance crisis. Liability insurance premiums have suddenly and dramatically increased for some municipalities from 200-300% to as much as 1,000-1,200% in others, if coverage is available at all. The insurance industry anticipates that this situation will be even worse next spring.

The League recommends that the Committee also give careful consideration to the recommendations of the General Assembly's Liability Insurance Market Study Commission which is now at work.

III. GENERAL OBSERVATION

At the same time municipalities are faced with the problems as outlined above, we continue to be faced with inflationary pressures just as is state government and an increasing demand for services from municipal citizens.

It is obvious, particularly with the elimination and reduction of federal program support, that there is a major shift in responsibility to the State and its local governments. North Carolina city officials are accepting this challenge and are anxious to respond, but we need help.

IV. RECOMMENDED CHANGES IN CURRENT REVENUE SOURCES AND POTENTIAL NEW SOURCES OF REVENUE

A. Current Revenue Sources

1. The League respectfully requests that the General Assembly resist additional repeal of the intangibles and inventory tax. If either of these taxes is further repealed in whole or in part, we respectfully request that these funds be replaced dollar-for-dollar under a "hold harmless" formula in order that no municipality receives less revenue as a result.

In addition, the League opposes the bill authorizing a constitutional amendment to permit county commissioners to repeal wholly or in part the property tax on business inventories.

2. We ask the General Assembly to resist additional exemptions and preferential classifications from the property tax. We urge support of a number of administrative changes in the property tax, such as reducing the revaluation cycle.
3. We urge continuation of the funding of \$120 million for water and wastewater systems beyond the two-year period currently authorized. In addition, we strongly urge a change in the method of distribution to meet prioritized needs under a formula similar to that formerly used under the very successful State Clean Water Bond Program.

B. Potential New Revenue Sources

1. Authorize statewide authority for municipalities to impose local option hotel/motel tax.
2. Authorize several different local option taxes, such as an occupation or income tax, property transfer tax or other similar local option tax.

All authorizations for local option taxes should be on a sound fiscal basis, subject to a local referendum, and provided to meet the special needs of different types of cities and towns.

3. Authorize an additional one-half cent local option sales tax on the basis of the present local option tax, but use point of sale for the distribution of the proceeds and preferably without any earmarking. If this tax were authorized, it could produce \$178 million annually for local governments, with approximately \$56 million of that going to municipalities.

V. PROPOSAL TO REPEAL PROPERTY TAX/INCREASE SALES TAX

We urge the General Assembly to exercise caution in considering the proposal which will again be considered to repeal all real and personal property taxes, if the voters approve the proposed constitutional amendment.

We believe caution is warranted, at least until the report now being prepared by the Institute of Government staff, upon the request of State Treasurer Harlan Boyles, Chairman of the Local Government Commission, is available. The General Assembly will then have the opportunity to assess the full and far-reaching impact of the proposal, not only on local government, but on state government as well.

This is a revolutionary proposal which would fundamentally alter the revenue structure in North Carolina, and which is generating considerable controversy. The League is opposing this legislation until such time as the results of the comprehensive study can be examined in depth, preferably in a regular session of the General Assembly.

VI. CONCLUSION

Obviously this is a broad and general outline of potential subjects for the Committee to consider. The League will be pleased to provide further comments on any subject you select for detailed study, and we appreciate your attention to the needs of local governments.

APPENDIX "J"

OUTLINE: PRESENTATION BY C. RONALD AYCOCK, EXECUTIVE DIRECTOR
N.C. ASSOCIATION OF COUNTY COMMISSIONERS
LOCAL GOVERNMENT FINANCE STUDY COMMITTEE

WEDNESDAY, DECEMBER 4, 1985

COUNTY GOVERNMENTS WILL FACE A SERIOUS IMBALANCE BETWEEN FINANCIAL RESOURCES AND PUBLIC DEMAND FOR SERVICES IN THE NEAR FUTURE UNLESS THE STATE PROVIDES ADDITIONAL REVENUE RAISING AUTHORITY TO COUNTY COMMISSIONERS.

I. CONTINUING DEMANDS OF PROGRAM OPERATIONS

A. COUNTY GOVERNMENTS ARE PARTNERS WITH THE STATE IN PROVIDING BASIC HUMAN RESOURCE SERVICES WHICH INCLUDE:

1. PUBLIC ELEMENTARY AND SECONDARY EDUCATION
2. SOCIAL SERVICES
3. PUBLIC HEALTH
4. MENTAL HEALTH

B. THE MAJORITY OF REVENUES RAISED BY COMMISSIONERS THROUGH LOCAL TAXATION ARE USED TO FINANCE THESE BASIC MANDATED SERVICES.

IN 1984-85, AN ESTIMATED ____% OF COUNTY TAX REVENUES WAS USED TO SUPPORT THE HUMAN RESOURCE SERVICES MENTIONED ABOVE.

C. COUNTIES STILL DEPEND ON THE PROPERTY TAX AS THE PRIMARY SOURCE OF LOCAL REVENUE. THIS SOURCE IS NOT RESPONSIVE TO ECONOMIC CONDITIONS AND IS DIFFICULT TO ADMINISTER.

II. MAJOR PUBLIC FACILITY AND INFRASTRUCTURE NEEDS

A. COUNTIES SHARE WITH CITIES A SIZEABLE BACKLOG OF PUBLIC BUILDING AND INFRASTRUCTURE NEEDS

B. CURRENT ESTIMATES OF THESE CAPITAL NEEDS

\$2.2 BILLION FOR SCHOOL (COUNTIES)

\$1.5 BILLION FOR SEWAGE SYSTEMS (CITIES AND COUNTIES)

\$600 MILLION FOR WATER SUPPLY (CITIES AND COUNTIES)

\$500 MILLION SANITARY LANDFILLS (COUNTIES)

\$200+ MILLION LOCAL JAILS (COUNTIES)

C. COUNTIES AND CITIES ANTICIPATE THAT THE U.S. CONGRESS WILL DISCONTINUE THE GENERAL REVENUE SHARING PROGRAM AS OF OCTOBER 1986.

1. THIS PROGRAM CURRENTLY PROVIDES NORTH CAROLINA LOCAL GOVERNMENTS WITH \$110 MILLION ANNUALLY. (\$76 MILLION FOR COUNTIES; \$34 MILLION FOR CITIES).
2. FOR COUNTIES, GENERAL REVENUE SHARING FUNDS ARE EQUAL TO 8% OF COUNTY PROPERTY TAX RECEIPTS.
3. OVER HALF OF THE FUNDS RECEIVED BY COUNTIES FROM THE PROGRAM HAVE BEEN USED FOR FINANCING CAPITAL PROJECTS.

III. POTENTIAL SOLUTIONS AND ASSISTANCE

THE ASSOCIATION OF COUNTY COMMISSIONERS REQUESTS THAT THE LOCAL GOVERNMENT FINANCE STUDY COMMITTEE CONSIDER THE FOLLOWING FORMS OF ASSISTANCE FOR COUNTIES IN ITS EXAMINATION.

- A. AUTHORIZE COUNTIES TO ENACT AN ADDITIONAL $\frac{1}{2}$ ¢ SALES TAX ON A LOCAL OPTION BASIS.
- B. ESTABLISHMENT OF A STATE-LEVEL REVOLVING FUND OR "BOND BANK" TO PROVIDE LOW-INTEREST LOANS AND GRANTS TO LOCAL GOVERNMENTS FOR CAPITAL NEEDS.
- C. OTHER FORMS OF LOCAL OPTION TAXES; SUCH AS PERSONAL INCOME OR PAYROLL TAXES.

Brief History of Taxation in North Carolina

| <u>Events</u> | <u>Time Period</u> | <u>Major Taxes</u> |
|--|--------------------|--|
| <ul style="list-style-type: none"> o Colonial system of government characterized by centralized authority o Counties served as agents of the central government o Local taxes first imposed in 1722 | early-mid 1700s | poll tax |
| <ul style="list-style-type: none"> o 1777 Constitution created a property tax on most forms of property | late 1700s | poll tax, property tax |
| <ul style="list-style-type: none"> o Revenue Act of 1784 changed property tax to a flat per acre tax, exempted personal property except slaves, tied the property tax to the poll tax | early 1800s | poll tax, property tax on real property, license taxes |
| <ul style="list-style-type: none"> o 1839-statewide, state-financed public school system established | mid-1800s | property tax on both real and personal property, poll tax, and inheritance tax, a limited income tax, license taxes, a luxury property tax, and a tax on capital of merchants and corporations |
| <ul style="list-style-type: none"> o Constitution of 1868 restricted revenues and said at least 75% of the poll tax revenue had to be used for education and the remaining percentage for care of the poor o Provided a general and uniform system of schools for 4 months | late 1800s | income tax, property tax, poll tax, license tax |
| *** Most radical revisions of tax structure *** | | |
| <ul style="list-style-type: none"> o Revenue Act of 1921 segregated state taxes from local taxes o The state assumed 5,500 miles of road | early 1900s | local level: property tax state level: personal and corporate income tax on all incomes, a gasoline tax, privilege license taxes, inheritance taxes, franchise taxes |
| <ul style="list-style-type: none"> o In 1931, the state assumed responsibility for financing schools, roads, and prisons o Sales tax enacted in 1933 | mid-1900s | local level: property tax state level: sales tax, personal and corporate income tax, alcoholic beverage tax, franchise tax, gift tax |

APPENDIX K

1

Fiscal Research Division

Overview of Sources of
General Fund Revenue for North Carolina Counties and Cities
1981-82

| | | |
|-----------|---------------------------|--------|
| Counties: | Federal Government | 4.6% |
| | State Government | → 53.3 |
| | Retail Sales Tax | 4.0 |
| | Property Tax | 22.1 |
| | Other Taxes | 2.3 |
| | Charges and Misc. revenue | 13.3 |
| | <u>99.6%</u> | |
| Cities: | Federal Government | 16.6% |
| | State Government | 14.7 |
| | Retail Sales Tax | 6.0 |
| | Property Tax | 30.8 |
| | Other Taxes | 1.7 |
| | Charges and Misc. revenue | 28.8 |
| | Other | .4 |
| | <u>99.0%</u> | |

Source: Information taken from Shared Responsibility:
State-Local Government Relations on North Carolina,
C.D. Liner, editor

ESTIMATED 1986-87 FEDERAL REVENUE SHARING: TOTAL AMOUNT TO
COUNTIES, INCLUDING CITIES' SHARE

(\$000)

| COUNTY | FEDERAL REVENUE- SHARING | COUNTY | FEDERAL REVENUE- SHARING |
|------------|--------------------------------|--------------|--------------------------------|
| ALAMANCE | \$1,913.26 | LEE | \$ 746.89 |
| ALEXANDER | 279.27 | LENOIR | 1,350.90 |
| ALLEGHANY | 156.30 | LINCOLN | 573.83 |
| ANSON | 673.16 | MACON | 324.74 |
| ASHE | 449.28 | MADISON | 294.94 |
| AVERY | 397.71 | MARTIN | 730.85 |
| BEAUFORT | 876.02 | MCDOWELL | 636.86 |
| BERTIE | 459.60 | MECKLENBURG | 10,375.11 |
| BLADEN | 808.78 | MITCHELL | 309.84 |
| BRUNSWICK | 1,059.40 | MONTGOMERY | 376.69 |
| BUNCOMBE | 3,716.12 | MOORE | 819.10 |
| BURKE | 990.63 | NASH | 1,635.14 |
| CABARRUS | 1,061.31 | NEW HANOVER | 2,471.05 |
| CALDWELL | 1,134.66 | NORTHAMPTON | 550.14 |
| CAMDEN | 83.29 | ONSLOW | 1,873.91 |
| CARTERET | 846.88 | ORANGE | 1,425.40 |
| CASWELL | 295.32 | PAMLICO | 239.16 |
| CATAWBA | 1,885.38 | PASQUOTANK | 641.07 |
| CHATHAM | 490.54 | PENDER | 397.32 |
| CHEROKEE | 576.12 | PERQUIMANS | 203.25 |
| CHOWAN | 312.89 | PERSON | 753.77 |
| CLAY | 106.21 | PITT | 2,123.39 |
| CLEVELAND | 979.55 | POLK | 145.94 |
| COLUMBUS | 1,150.33 | RANDOLPH | 1,203.05 |
| Craven | 1,190.44 | RICHMOND | 823.68 |
| CUMBERLAND | 4,953.93 | ROBESON | 2,069.14 |
| CURRITUCK | 218.15 | ROCKINGHAM | 1,915.56 |
| DARE | 395.03 | ROWAN | 1,351.28 |
| DAVIDSON | 1,572.48 | RUTHERFORD | 983.38 |
| DAVIE | 314.42 | SAMPSON | 1,149.18 |
| DUPLIN | 1,014.70 | SCOTLAND | 535.24 |
| DURHAM | 3,422.33 | STANLY | 810.69 |
| EDGECOMBE | 841.64 | STOKES | 472.97 |
| FORSYTH | 4,987.55 | SURRY | 1,051.76 |
| FRANKLIN | 598.28 | SWAIN | 215.47 |
| GASTON | 2,979.93 | TRANSYLVANIA | 398.47 |
| GATES | 110.03 | TYRRELL | 115.76 |
| GRAHAM | 142.50 | UNION | 1,186.62 |
| GRANVILLE | 671.25 | VANCE | 897.80 |
| GREENE | 320.15 | WAKE | 5,816.97 |
| GUILFORD | 6,315.53 | WARREN | 372.87 |
| HALIFAX | 1,535.04 | WASHINGTON | 317.48 |
| HARNETT | 1,402.86 | WATAUGA | 874.88 |
| HAYWOOD | 751.48 | WAYNE | 1,987.76 |
| HENDERSON | 777.84 | WILKES | 802.67 |
| HERTFORD | 636.86 | WILSON | 1,574.01 |
| HOKE | 522.63 | YADKIN | 387.39 |
| HYDE | 166.95 | YANCEY | 264.37 |
| IREDELL | 1,334.09 | | ***** |
| JACKSON | 626.55 | | |
| JOHNSTON | 1,306.96 | | |
| JONES | 211.27 | | |

LOCAL GOVERNMENT REVENUE
(excluding federal aid)
1984-85

| <u>County</u> | <u>Amount</u> <u>(\$ Millions)</u> | <u>% of</u> <u>Total</u> |
|------------------------|---------------------------------------|-----------------------------|
| Property Tax | \$ 983.3 | 70.9% |
| License Taxes | 2.2 | .2 |
| Deed Stamp Tax | 9.1 | .7 |
| Sales Tax | 308.6 | 22.3 |
| Intangibles Tax | 45.9 | 3.3 |
| Beer & Wine Tax | 7.7 | .6 |
| Profits-ABC Stores | 19.9 | 1.4 |
| Court Facilities Fees | 6.0 | .4 |
| Officer Fee | 3.0 | .2 |
| Register of Deeds Fees | | .2 |
| Total | \$1,385.7 | 100.0 |
| | | |
| <u>City</u> | | |
| Property Tax | \$ 422.7 | 56.8 |
| License Taxes | 14.3 | 1.9 |
| Sales Tax | 127.0 | 17.1 |
| Intangibles Tax | 20.4 | 2.7 |
| Beverage Taxes | 9.6 | 1.3 |
| Utility Taxes | 90.3 | 12.1 |
| Powell Bill (gasoline) | 45.4 | 6.1 |
| Profits-ABC Stores | 13.0 | 1.7 |
| Court Facilities Fees | .3 | .0 |
| Officer Fee | 1.5 | .2 |
| Total | \$ 744.5 | 100.0% |

Fiscal Research Division

Definitions:

Property Tax - unless specifically exempted, all real and personal property is subject to the property tax. Property is taxed at 100% of appraised value. All real property is valuated every 8 years; other property including inventories, business equipment and machinery, public utilities, and railroads, are appraised every year. The property tax on inventories is usually referred to as the "inventory tax."

Intangibles Tax - This is a property tax on intangible personal property such as stocks and bonds. The tax is due April 15 of each year, is collected by the state, and returned to local governments based on the point of collection. Money on deposit and money deposited with insurance companies are no longer taxed under the intangibles tax. The state reimburses the cities and counties for the loss based on the amount they would have received under the tax. The counties distribute the revenue to the cities according to proportion of ad valorem taxes.

Sales Tax - The state has a sales tax rate of 3% for most items; 2% and 1% for other items.

Local governments have a 1½% local option sales tax which is limited to items subject to the 3% tax. All but one county have adopted the additional ½¢ authorized by the 1983 General Assembly. The 1¢ local option sales tax is returned to the counties on a point of collection basis. The ½¢ sales tax is returned according to population. For the 1¢ tax, the county may distribute the revenue to the cities one of two ways: on a per capita basis or according to proportion of ad valorem taxes. The ½¢ is distributed by the counties according to the method of distribution for the 1¢ tax.

Beer & Wine Excise Taxes - The State shares its revenues from the excise tax on beer, fortified wine, and unfortified wine with local governments. Listed below are the state rates and the percentage which is distributed to cities and counties.

| | <u>Locals</u> |
|--------------------------------------|---------------|
| Beer - 48.3871¢/gallon - barrel rate | 23.75% |
| 53.3764¢/gallon - less than barrell | |
| Unfortified wine - 21¢/liter | 62% |
| Fortified wine - 24¢/liter | 22% |

The revenue is distributed to "wet" cities and counties on a per capita basis.

ABC Profits: A local ABC Board makes profits on the sale of alcoholic beverages, investments, and other sources and earns interest on deposits. The statutes outline required initial distributions from these profits that the ABC Board must make. After the initial distributions are made, the Board deposits remaining receipts with the general fund of the city or county for which the Board was established.

License Tax: This is a license tax for the privilege of carrying on a specified business.

Deed Stamp Tax: This tax is on real estate transactions. The rate is .50 for each \$500 or fraction of \$500 of the value of the property.

Gasoline Tax: (Powell Bill). 1 3/8¢ of the 11¢ state gasoline tax is distributed to cities and towns for construction and maintenance of their roads. 75% of Powell Bill revenue is distributed on the basis of population; 25% on the basis of miles of local public streets.

Franchise Tax: The state levies a 3.22% gross receipts tax on receipts of utility companies. Cities receive the tax generated by receipts from within their city limits from gas and power companies and from local businesses' telephone use.

Court Facilities Fees: Included in court costs is a fee for the use of the courtroom and related facilities. In district court, the fee is \$5; in superior court, \$23. The fee is remitted to the county where judgement is rendered. These funds are used to provide, maintain, and construct adequate courtroom facilities.

Officer Fees: A \$4 fee is charged for each arrest and is remitted to the county or city.

Fiscal Research Division

EXAMPLES OF COUNTIES

| <u>County</u> | | <u>1984-85 Revenue</u> <u>(\$ Thousands)</u> | <u>% of</u> <u>Total</u> |
|--------------------|---------------|---|-----------------------------|
| Mecklenburg County | Property Tax | \$ 117,993.0 | 74.2% |
| | License Taxes | 198.6 | .1 |
| | Deed Stamp | 1,275.9 | .8 |
| | Sales Tax | 26,602.9 | 16.7 |
| | Intangibles | 4,979.9 | 3.1 |
| | Beer & Wine | 256.9 | .2 |
| | Other* | 7,642.3 | 4.8 |
| | Total | \$ 158,949.5 | 99.9% |
| Forsyth County | Property Tax | 52,352.0 | 73.1% |
| | License Taxes | 149.4 | .2 |
| | Deed Stamp | 425.6 | .6 |
| | Sales Tax | 14,592.4 | 20.4 |
| | Intangibles | 2,924.7 | 4.1 |
| | Beer & Wine | 370.9 | .5 |
| | Other | 766.6 | 1.1 |
| | Total | \$ 71,581.6 | 100.0% |
| Caldwell County | Property Tax | 8,258.2 | 69.3% |
| | License Taxes | 18.4 | .2 |
| | Deed Stamp | 50.6 | .4 |
| | Sales Tax | 3,011.3 | 25.3 |
| | Intangibles | 504.1 | 4.2 |
| | Beer & Wine | - | - |
| | Other | 77.8 | .7 |
| | Total | \$ 11,920.4 | 100.0% |
| Johnston County | Property Tax | 10,788.6 | 71.4% |
| | License Taxes | 12.3 | .1 |
| | Deed Stamp | 58.6 | .4 |
| | Sales Tax | 3,714.3 | 24.6 |
| | Intangibles | 390.5 | 2.3 |
| | Beer & Wine | 38.2 | .3 |
| | Other | 107.1 | .7 |
| | Total | \$ 15,109.6 | 99.8% |
| Alleghany County | Property Tax | \$ 1,142.4 | 65.7% |
| | License Taxes | 6.6 | .4 |
| | Deed Stamp | 12.8 | .7 |
| | Sales Tax | 465.2 | 26.8 |
| | Intangibles | 68.6 | 3.9 |
| | Beer & Wine | 30.7 | 1.8 |
| | Other | 11.6 | .7 |
| | Total | \$ 1,737.9 | 100.0% |
| Clay County | Property Tax | 876.4 | 71.6% |
| | License Taxes | - | - |
| | Deed Stamp | 10.5 | .9 |
| | Sales Tax | 297.1 | 24.3 |
| | Intangibles | 32.8 | 2.7 |
| | Beer & Wine | - | - |
| | Other | 6.4 | .5 |
| | Total | \$ 1,223.2 | 100.0% |

*Other includes court facility fees, officer fee, ABC profits, and occupancy taxes where applicable.

K7

| <u>City</u> | | <u>1984-85 Revenue</u> <u>(\$ Thousands)</u> | <u>% of</u> <u>Total</u> |
|----------------------------|---------------|---|-----------------------------|
| Charlotte (Mecklenburg) | Property Tax | \$ 78,988.1 | 64.6% |
| | License Taxes | 3,904.0 | 3.2 |
| | Sales Tax | 18,161.1 | 14.9 |
| | Intangibles | 3,392.9 | 2.8 |
| | Beverage | 1,310.0 | 1.1 |
| | Utility | 10,901.1 | 8.9 |
| | Powell Bill | 5,427.4 | 4.4 |
| | Other | 148.6 | .1 |
| | Total | \$122,233.2 | 100.0% |
| Durham (Durham) | Property Tax | 17,005.8 | 61.6% |
| | License Taxes | 422.8 | 1.5 |
| | Sales Tax | 4,156.1 | 15.1 |
| | Intangibles | 793.1 | 2.9 |
| | Beverage | 410.5 | 1.5 |
| | Utility | 3,072.9 | 11.1 |
| | Powell Bill | 1,651.8 | 6.0 |
| | Other | 81.9 | .3 |
| | Total | \$27,594.9 | 100.0% |
| Henderson (Vance) | Property Tax | 1,632.8 | 48.3% |
| | License Taxes | 25.2 | .7 |
| | Sales Tax | 706.6 | 20.9 |
| | Intangibles | 129.3 | 3.8 |
| | Beverage | 62.6 | 1.9 |
| | Utility | 551.6 | 16.3 |
| | Powell Bill | 269.8 | 8.0 |
| | Other | 4.4 | .1 |
| | Total | \$3,382.3 | 100.0% |
| Statesville (Iredell) | Property Tax | 4,060.0 | 60.6% |
| | License Taxes | 37.4 | .6 |
| | Sales Tax | 991.3 | 14.8 |
| | Intangibles | 176.9 | 2.6 |
| | Beverage | 74.6 | 1.1 |
| | Utility | 737.4 | 11.0 |
| | Powell Bill | 335.3 | 5.0 |
| | Other | 282.7 | 4.2 |
| | Total | \$6,695.6 | 99.9% |
| Waynesville (Haywood) | Property Tax | 616.3 | 43.4% |
| | License Taxes | 16.7 | 1.2 |
| | Sales Tax | 355.6 | 25.0 |
| | Intangibles | 23.3 | 1.6 |
| | Beverage | 27.1 | 1.9 |
| | Utility | 143.5 | 10.1 |
| | Powell Bill | 134.3 | 9.4 |
| | Other | 104.4 | 7.3 |
| | Total | \$1,421.2 | 99.9% |
| Rockingham (Richmond) | Property Tax | 1,061.2 | 49.7% |
| | License Taxes | 37.6 | 1.8 |
| | Sales Tax | 388.4 | 18.2 |
| | Intangibles | 45.6 | 2.1 |
| | Beverage | 32.4 | 1.5 |
| | Utility | 305.0 | 14.4 |
| | Powell Bill | 143.4 | 6.7 |
| | Other | 121.7 | 5.7 |
| | Total | \$2,135.3 | 100.0% |

K8

LOCAL TAX COLLECTIONS - UNITED STATES
 Historical Perspective

| | <u>Tax</u> | <u>Revenue</u> <u>(\$ Millions)</u> | <u>% of</u> <u>Total</u> |
|-------|---------------------|--|-----------------------------|
| 1922: | Property Tax | \$ 2,973 | 96.9% |
| | General Sales Tax | - | - |
| | Selective Sales Tax | 20 | .7 |
| | Income Tax | - | - |
| | Other Taxes | 76 | 2.5 |
| | Total | <u>\$ 3.069</u> | <u>100.0%</u> |
| 1960: | Property Tax | \$ 15,798 | 87.4% |
| | General Sales Tax | 875 | 4.8 |
| | Selective Sales Tax | 464 | 2.6 |
| | Income Tax | 254 | 1.4 |
| | Other Taxes | 692 | 3.8 |
| | Total | <u>\$ 18,081</u> | <u>100.0%</u> |
| 1983: | Property Tax | \$ 85,973 | 76.0% |
| | General Sales Tax | 11,250 | 9.9 |
| | Selective Sales Tax | 5,102 | 4.5 |
| | Income Tax | 6,445 | 5.7 |
| | Other Taxes | 4,375 | 3.9 |
| | Total | <u>\$113,145</u> | <u>100.0%</u> |

Source: Compiled from information in the 1984 Edition,
 Significant Features of Fiscal Federalism, ACIR

UNITED STATES

LOCAL GOVERNMENT TAX REVENUES, BY TYPE OF TAX,
1981-82

| <u>TAX</u> | <u>NUMBER OF STATES</u> | <u>PERCENT OF TOTAL TAX REVENUE</u> |
|------------------------------------|-------------------------|---|
| General sales | 29 | 9.9 |
| Alcoholic beverage | 14 | 0.2 |
| Motor fuel | 13 | 0.1 |
| Public utilities | 39 | 2.7 |
| Tobacco products | 8 | 0.2 |
| All other selective sales taxes | 39 | 1.2 |
| Motor vehicle licenses | 32 | 0.4 |
| Income | 15 | 5.9 |
| Property | 50 | 76.0 |
| Other | 50 | 3.4 |

Source: Patterns of Financing Local Government Services, NCSL

Note: The percent of total tax revenue includes the District of Columbia, which is not included in the number of states.

Previously Discussed Methods of
Generating Additional Revenue

authorize additional 1/2¢ sales tax

apply local 1/2¢ sales tax to items taxed at 1% and 2%

extend sales tax to services

authorize a local personal income tax

authorize a local payroll tax

authorize additional privilege license taxes

increase corporate franchise tax and distribute to local governments

increase miscellaneous taxes and fees

- o court fees
- o officer fees
- o deed stamp tax

authorize a lottery

('29 Sale Tax

84-85

| COUNTY | 6/30/84 NET DIST PROCEEDS | 9/30/84 NET DIST PROCEEDS | 12/31/84 NET DIST PROCEEDS | 3/31/85 NET DIST PROCEEDS | TOTAL | COUNTY SHARE (RATIO) | COUNTY SHARE | 40% |
|------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|--------------|----------------------------|-----------------|--------------|
| ALAMANCE | | | | | | | | |
| ALEXANDER | \$142,203.49 | \$155,355.17 | \$165,372.64 | \$159,575.29 | \$622,506.59 | 0.959 | 596,983.82 | 238,793.53 |
| ALLEGHANY | 54,118.70 | 58,603.33 | 62,382.13 | 60,195.25 | 235,299.41 | 0.850 | 200,004.50 | 80,001.80 |
| ANSON | 140,717.42 | 155,766.66 | 165,810.64 | 159,997.96 | 622,292.68 | 0.768 | 477,920.78 | 191,168.31 |
| ASHE | 125,730.45 | 137,381.19 | 146,239.66 | 141,113.05 | 550,464.35 | 0.912 | 502,023.49 | 200,809.39 |
| AVERY | 81,641.44 | 88,230.01 | 93,919.17 | 90,626.71 | 354,417.33 | 0.847 | 300,191.48 | 120,076.59 |
| BEAUFORT | 229,416.39 | 250,681.74 | 266,845.96 | 257,491.34 | 1,004,435.43 | 0.751 | 754,331.01 | 301,732.40 |
| BERTIE | 117,532.30 | 127,207.45 | 135,409.92 | 130,662.95 | 510,812.62 | 0.797 | 407,117.66 | 162,847.06 |
| BLADEN | 168,925.60 | 182,369.83 | 194,129.22 | 187,323.79 | 732,748.44 | 0.809 | 592,793.49 | 237,117.40 |
| BRUNSWICK | 213,601.38 | 245,398.08 | 261,221.60 | 252,064.16 | 972,285.22 | 0.875 | 850,749.57 | 340,299.83 |
| BUNCOMBE | | 654,383.75 | 1,044,238.90 | 1,007,631.81 | 2,706,254.46 | 0.724 | 1,959,328.23 | 783,731.29 |
| BURKE | | | | | | | | |
| CABARRUS | 489,124.79 | 538,820.23 | 573,563.92 | 553,456.92 | 2,154,965.86 | 0.847 | 1,825,256.08 | 730,102.43 |
| CALDWELL | 371,943.45 | 404,492.37 | 430,574.46 | 415,480.13 | 1,622,490.41 | 0.733 | 1,189,285.47 | 475,714.19 |
| CAMDEN | 31,174.87 | 34,952.08 | 37,205.83 | 35,901.53 | 139,234.31 | 1.000 | 139,234.31 | 55,693.72 |
| CARTERET | 241,195.41 | 271,661.34 | 289,178.34 | 279,040.83 | 1,081,075.92 | 0.675 | 729,726.25 | 291,890.50 |
| CASWELL | 116,956.52 | 129,521.30 | 137,872.96 | 133,039.64 | 517,390.42 | 0.998 | 516,355.64 | 206,542.26 |
| CATAWBA | 592,646.23 | 651,798.76 | 693,827.43 | 669,504.43 | 2,607,776.85 | 0.711 | 1,854,129.34 | 741,651.74 |
| CHATHAM | 189,686.94 | 205,722.90 | 218,988.14 | 211,311.22 | 825,709.20 | 0.840 | 693,595.73 | 277,438.29 |
| CHEROKEE | 106,071.35 | 117,314.00 | 124,878.53 | 120,500.75 | 468,764.63 | 0.836 | 391,887.23 | 156,754.89 |
| CHOWAN | 69,061.81 | 75,969.05 | 80,867.61 | 78,032.70 | 303,931.17 | 0.775 | 235,546.66 | 94,218.66 |
| CLAY | 38,407.88 | 41,303.21 | 43,966.48 | 42,425.18 | 166,102.75 | 0.961 | 159,624.74 | 63,849.90 |
| CLEVELAND | 458,454.42 | 499,073.50 | 531,254.28 | 512,630.49 | 2,001,412.69 | 0.730 | 1,461,031.26 | 584,412.51 |
| COLUMBUS | 284,231.54 | 307,185.93 | 326,993.58 | 315,530.41 | 1,233,941.46 | 0.792 | 977,281.64 | 390,912.65 |
| CRAVEN | 404,407.00 | 445,145.55 | 473,849.00 | 457,237.65 | 1,780,639.20 | 0.817 | 1,454,782.23 | 581,912.89 |
| CUMBERLAND | 1,379,092.19 | 1,494,167.15 | 1,590,512.62 | 1,534,755.22 | 5,998,527.18 | 0.772 | 4,630,862.98 | 1,852,345.19 |
| CURRITUCK | 63,731.65 | 75,068.56 | 79,909.06 | 77,107.74 | 295,817.01 | 1.000 | 295,817.01 | 118,326.80 |
| DARE | | 60,971.80 | 97,296.32 | 93,885.47 | 252,153.59 | 0.739 | 186,341.50 | 74,536.60 |
| DAVIDSON | 625,274.29 | 690,758.31 | 735,299.12 | 709,522.30 | 2,760,854.02 | 0.781 | 2,156,226.99 | 862,490.80 |
| DAVIE | 149,277.49 | 158,491.98 | 168,711.72 | 162,797.29 | 639,278.48 | 0.891 | 569,597.13 | 227,838.85 |
| DUPLIN | 226,756.81 | 245,284.78 | 261,100.99 | 251,947.77 | 985,090.35 | 0.771 | 759,504.66 | 303,801.86 |
| DURHAM | | | | | | | | |
| EDGECOMBE | 309,478.53 | 341,833.85 | 363,875.67 | 351,119.54 | 1,366,307.59 | 0.635 | 867,605.32 | 347,042.13 |
| FORSYTH | 1,366,386.44 | 1,504,835.86 | 1,601,869.25 | 1,545,713.74 | 6,018,805.29 | 0.627 | 3,773,790.92 | 1,509,516.37 |
| FRANKLIN | 168,651.42 | 186,311.71 | 198,325.28 | 191,372.74 | 744,661.15 | 0.915 | 681,364.95 | 272,545.98 |
| GASTON | 908,677.80 | 996,984.09 | 1,061,270.68 | 1,024,066.51 | 3,990,999.08 | 0.672 | 2,681,951.38 | 1,072,780.55 |

K12

| COUNTY | 6/30/84 NET DIST PROCEEDS | 9/30/84 NET DIST PROCEEDS | 12/31/84 NET DIST PROCEEDS | 3/31/85 NET DIST PROCEEDS | TOTAL | COUNTY SHARE (RATIO) | COUNTY SHARE | 40% |
|-------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|--------------|----------------------------|-----------------|--------------|
| GATES | 50,636.56 | 53,969.69 | 57,449.71 | 55,435.73 | 217,491.69 | 0.960 | 208,792.02 | 83,516.81 |
| GRAHAM | 38,934.32 | 42,364.73 | 45,096.44 | 43,515.53 | 169,911.02 | 0.834 | 141,705.79 | 56,682.32 |
| GRANVILLE | 193,207.46 | 214,089.70 | 227,894.42 | 219,905.30 | 855,096.88 | 0.772 | 660,134.79 | 264,053.92 |
| GREENE | 88,561.88 | 98,236.75 | 104,571.16 | 100,905.29 | 392,275.08 | 0.925 | 362,854.45 | 145,141.78 |
| GUILFORD | 1,751,891.09 | 1,926,646.23 | 2,050,878.40 | 1,978,982.29 | 7,708,398.01 | 0.585 | 4,509,412.84 | 1,803,765.13 |
| HALIFAX | 305,179.31 | 332,137.19 | 353,553.76 | 341,159.49 | 1,332,029.75 | 0.678 | 903,116.17 | 361,246.47 |
| HARNETT | 337,467.37 | 367,333.78 | 391,019.85 | 377,312.17 | 1,473,133.17 | 0.772 | 1,137,258.81 | 454,903.52 |
| HAYWOOD | 258,227.80 | 280,016.20 | 298,071.93 | 287,622.65 | 1,123,938.58 | 0.766 | 860,936.95 | 344,374.78 |
| HENDERSOPH | 339,123.45 | 377,352.47 | 401,684.54 | 387,603.00 | 1,505,763.46 | 0.888 | 1,337,117.95 | 534,847.18 |
| HERTFORD | 130,155.80 | 141,567.55 | 150,695.98 | 145,413.15 | 567,832.48 | 0.719 | 408,271.55 | 163,308.62 |
| Hoke | 121,030.91 | 130,582.78 | 139,002.91 | 134,129.97 | 524,746.57 | 0.852 | 447,084.08 | 178,833.63 |
| HYDE | 32,639.01 | 35,429.16 | 37,713.68 | 36,391.58 | 142,173.43 | 1.000 | 142,173.43 | 56,869.37 |
| IREDELL | 463,329.44 | 506,736.58 | 539,411.50 | 520,501.76 | 2,029,979.28 | 0.747 | 1,516,394.52 | 606,557.81 |
| JACKSON | 147,023.69 | 160,263.13 | 170,597.06 | 164,616.58 | 642,500.46 | 0.917 | 589,172.92 | 235,669.17 |
| JOHNSTON | 397,316.57 | 436,081.03 | 464,199.99 | 447,926.87 | 1,745,524.46 | 0.827 | 1,443,548.73 | 577,419.49 |
| JONES | 53,570.33 | 58,275.33 | 62,032.99 | 59,858.35 | 233,737.00 | 0.926 | 216,440.46 | 86,576.18 |
| LEE | | 153,135.16 | 244,208.88 | 235,647.82 | 632,892.86 | 0.698 | 441,759.22 | 176,703.69 |
| LENOIR | 327,931.21 | 360,970.73 | 384,246.50 | 370,776.27 | 1,443,924.71 | 0.730 | 1,054,065.04 | 421,626.02 |
| LINCOLN | 236,380.71 | 260,163.72 | 276,939.33 | 267,230.89 | 1,040,714.65 | 0.886 | 922,073.18 | 368,829.27 |
| MACON | 118,480.99 | 133,057.64 | 141,637.34 | 136,672.07 | 529,848.04 | 0.860 | 455,669.31 | 182,267.73 |
| MADISON | 95,005.23 | 101,105.21 | 107,624.57 | 103,851.65 | 407,586.66 | 0.829 | 337,889.34 | 135,155.74 |
| MARTIN | 144,144.74 | 156,649.25 | 166,750.16 | 160,904.52 | 628,448.67 | 0.820 | 515,327.91 | 206,131.16 |
| MCDOWELL | 198,279.91 | 215,246.62 | 229,125.94 | 221,093.64 | 863,746.11 | 0.891 | 769,597.78 | 307,839.11 |
| MECKLENBURG | 1,593,548.43 | 2,533,527.90 | 2,696,892.43 | 2,602,349.49 | 9,426,318.25 | 0.589 | 5,552,101.45 | 2,220,840.58 |
| MITCHELL | 78,713.14 | 85,164.76 | 90,656.27 | 87,478.21 | 342,012.38 | 0.839 | 286,948.39 | 114,779.35 |
| MONTGOMERY | 125,258.85 | 138,603.69 | 147,541.02 | 142,368.77 | 553,772.33 | 0.762 | 421,974.52 | 168,789.81 |
| MOORE | 283,557.04 | 315,564.63 | 335,912.57 | 324,136.73 | 1,259,170.97 | 0.735 | 925,490.66 | 370,196.27 |
| NASH | 379,044.84 | 413,324.31 | 439,975.89 | 424,551.99 | 1,656,897.03 | 0.671 | 1,111,777.91 | 444,711.16 |
| NEW HANOVER | 587,974.12 | 648,942.24 | 690,786.71 | 666,570.33 | 2,594,273.40 | 0.729 | 1,891,225.31 | 756,490.12 |
| NORTHAMPTON | 123,767.28 | 134,685.68 | 143,370.35 | 138,344.33 | 540,167.64 | 0.774 | 418,089.75 | 167,235.90 |
| ONslow | 622,976.61 | 705,917.53 | 751,435.84 | 725,093.32 | 2,805,423.30 | 0.819 | 2,297,641.68 | 919,056.67 |
| ORANGE | | 475,058.48 | 505,690.75 | 487,963.12 | 1,468,712.35 | 0.640 | 939,975.90 | 375,990.36 |
| PAMLICO | 58,406.97 | 63,284.68 | 67,365.35 | 65,003.76 | 254,060.76 | 0.924 | 234,752.14 | 93,900.86 |
| PASQUOTANK | 156,175.99 | 170,806.61 | 181,820.40 | 175,446.45 | 684,249.45 | 0.733 | 501,554.85 | 200,621.94 |
| PENDER | 124,885.97 | 139,170.23 | 148,144.07 | 142,950.69 | 555,150.96 | 0.876 | 486,312.24 | 194,524.90 |
| PERQUIMANS | 52,440.70 | 57,869.81 | 61,601.32 | 59,441.81 | 231,353.64 | 0.786 | 181,843.96 | 72,737.58 |
| PERSON | | | | | | | | |
| PITT | 513,044.73 | 562,376.05 | 598,638.66 | 577,652.64 | 2,251,712.08 | 0.636 | 1,432,088.88 | 572,835.55 |
| POLK | 74,660.68 | 84,431.25 | 89,875.47 | 86,724.77 | 335,692.17 | 0.807 | 270,903.58 | 108,361.43 |
| RANDLOPH | | 564,976.14 | 601,406.41 | 580,323.35 | 1,746,705.90 | 0.775 | 1,353,697.07 | 541,478.83 |

K13

| COUNTY | 6/30/84 NET DIST PROCEEDS | 9/30/84 NET DIST PROCEEDS | 12/31/84 NET DIST PROCEEDS | 3/31/85 NET DIST PROCEEDS | TOTAL | COUNTY SHARE (RATIO) | COUNTY SHARE | 40% |
|--------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|------------------|----------------------------|-----------------|-----------------|
| RICHMOND | 249,859.66 | 268,971.79 | 286,315.39 | 276,278.23 | 1,081,425.07 | 0.717 | 775,381.78 | 310,152.71 |
| ROBESON | 568,764.69 | 623,746.45 | 663,966.27 | 640,690.10 | 2,497,167.51 | 0.746 | 1,862,886.96 | 745,154.78 |
| ROCKINGHAM | 323,606.92 | 506,247.59 | 538,890.96 | 519,999.47 | 1,888,744.94 | 0.712 | 1,344,786.40 | 537,914.56 |
| ROWAN | 555,055.42 | 604,347.18 | 643,316.12 | 620,763.87 | 2,423,482.59 | 0.741 | 1,795,800.60 | 718,320.24 |
| RUTHERFORD | 300,984.27 | 332,220.69 | 353,642.62 | 341,245.25 | 1,328,092.83 | 0.834 | 1,107,629.42 | 443,051.77 |
| SAMPSON | 272,968.01 | 298,497.09 | 317,744.49 | 306,605.57 | 1,195,815.16 | 0.811 | 969,806.09 | 387,922.44 |
| SCOTLAND | 182,223.60 | 198,799.28 | 211,618.06 | 204,199.53 | 796,840.47 | 0.713 | 568,147.26 | 227,258.90 |
| STANLY | 266,074.98 | 292,223.49 | 311,066.37 | 300,161.54 | 1,169,526.38 | 0.703 | 822,177.05 | 328,870.82 |
| STOKES | 190,131.12 | 205,299.49 | 218,537.43 | 210,876.32 | 824,844.36 | 0.976 | 805,048.10 | 322,019.24 |
| SURRY | 332,115.27 | 356,498.11 | 379,485.47 | 366,182.13 | 1,434,280.98 | 0.830 | 1,190,453.21 | 476,181.29 |
| SWAIN | 57,644.74 | 63,642.49 | 67,746.23 | 65,371.30 | 254,404.76 | 0.868 | 220,823.33 | 88,329.33 |
| TRANSYLVANIA | 133,665.36 | 146,129.64 | 155,552.23 | 150,099.14 | 585,446.37 | 0.890 | 521,047.27 | 208,418.91 |
| TYRRELL | 23,459.30 | 24,384.75 | 25,957.12 | 25,047.15 | 98,848.32 | 0.930 | 91,928.94 | 36,771.58 |
| UNION | 400,601.31 | 447,328.20 | 476,172.38 | 459,479.57 | 1,783,581.46 | 0.835 | 1,489,290.52 | 595,716.21 |
| VANCE | 203,593.63 | 223,947.36 | 238,387.73 | 230,030.74 | 895,959.46 | 0.726 | 650,466.57 | 260,186.63 |
| WAKE | | 1,292,708.04 | 2,062,850.78 | 1,990,534.99 | 5,346,093.81 | 0.587 | 3,138,157.07 | 1,255,262.83 |
| WARREN | 90,366.02 | 95,048.15 | 102,241.43 | 98,657.25 | 387,312.85 | 0.888 | 343,933.81 | 137,573.52 |
| WASHINGTON | 79,086.03 | 86,858.40 | 92,459.12 | 89,217.85 | 347,621.40 | 0.707 | 245,768.33 | 98,307.33 |
| WATAUGA | 182,234.57 | 200,731.45 | 213,674.83 | 206,184.19 | 802,825.04 | 0.653 | 524,244.75 | 209,697.90 |
| WAYNE | 535,396.32 | 534,190.54 | 621,859.75 | 600,059.69 | 2,341,506.30 | 0.673 | 1,575,833.74 | 630,333.50 |
| WILKES | 327,624.12 | 357,201.80 | 380,234.54 | 366,904.94 | 1,431,965.40 | 0.903 | 1,293,064.76 | 517,225.90 |
| WILSON | 348,385.44 | 383,393.49 | 408,115.10 | 393,808.13 | 1,533,702.16 | 0.712 | 1,091,995.94 | 436,798.38 |
| YADKIN | 160,645.22 | 173,991.11 | 185,210.23 | 178,717.46 | 698,564.02 | 0.864 | 603,559.31 | 241,423.73 |
| YANCY | 83,374.29 | 90,859.91 | 96,718.64 | 93,328.06 | 364,280.90 | 0.913 | 332,588.46 | 133,035.38 |
| TOTAL | \$26,335,409.42 | \$33,026,327.63 | \$36,304,044.95 | \$35,031,361.31 | \$130,697,143.31 | | \$95,924,238.63 | \$38,369,695.45 |

K14

APPENDIX "A"

LOCAL GOVERNMENT FINANCE STUDY COMMISSION

Commendations

- study of local government finance is timely
- probably one of the most important studies involving local government was done in 1969 when the entire body of laws was reviewed and updated by consolidation and re-writing
- today there is a critical need for a similar review

Other legislative studies currently underway

- this one, of course, on finance in general
- another on school finance
- another on infrastructure
- all of which illustrates the importance of this Commission's assignment - but the studies do need coordination

What are some of the major issues?

- first and most immediate is an issue currently under consideration in Congress - the Gramm-Rudman proposal and the tax reform bill
- these proposals suggest major changes for the state and for counties and cities
- reduced federal aid and probably the elimination of general revenue sharing for local governments
- a shift from Washington to Raleigh for grants-in-aid and for block grants
- shifting to pay-as-you-go because of the constraints on tax-exempt borrowing
- the mandating of wage and hour laws have yet to be felt by the states

- the proposal to repeal the property tax needs careful consideration
- the current crises in liability insurance has far reaching implications
- school facilities and S.B. 49
- facilities for community colleges
- clean water funds and their equitable distribution
- how highways are to be financed at the State level
- the interrelationship between the State and the counties and cities --
who is responsible for the programs to be provided and who finances
these programs

Recommendations

- preserve the home-rule image for counties and cities -- keep them
independent and autonomous
- take serious look at up-dating laws on lease-purchase arrangements
- also, take a look at the pending proposal to liberalize the issuance
of general obligation bonds without a voter referendum

L-2

Working Outline

Study of House Bill 1314
for The State Treasurer

- I. Introduction.
 - A. Description and analysis of HB 1314.
 - B. Background: the current system for financing local governments.
 - C. Issues raised by HB 1314.
- II. Effects of HB 1314 on credit-worthiness of local governments and their ability to use debt financing.
- III. Effects of HB 1314 on state and local government revenue.
 - A. Statewide changes in taxation.
 1. Net changes in taxation to support local governments.
 2. Effects on state government revenue.
 3. Effects on taxes paid by sector: residential, commercial, agricultural.
 - B. Effects on revenue of individual county and municipal governments.
 - C. Relationship of revenue to needs under HB 1314.
 - D. Revenue growth and stability under HB 1314.
 - E. Effects of the use of new and alternative revenue sources: local income taxes, a land transfer tax, user charges, gross receipts taxes.
- IV. Effects of HB 1314 on individual taxpayers: shifts in tax burdens and incidence of the proposed system.
- V. Implications for North Carolina's state-local system of government.
 - A. Local autonomy.
 - B. County versus municipal functions and responsibilities.
 - C. Implications for annexation and incorporation.
 - D. Finance of special districts.

Facilities on Moratorium

September 30, 1985

Raleigh Region

- Pinetops WWTP*
- Franklinton WWTP*
- Enfield WWTP
- Halifax WWTP*
- Scotland Neck WWTP*
- Weldon WWTP
- Clayton WWTP*
- Princeton WWTP*
- Bailey WWTP
- Middlesex WWTP
- Nashville WWTP
- Jackson WWTP*
- Rich Square WWTP
- Elm City WWTP*
- Stantonsburg WWTP*
- Siler City WWTP*
- Kenly WWTP*
- Rocky Mount-Tar River WWTP*
- Creedmoor WWTP*
- Oxford-North WWTP*
- Oxford-South WWTP*
- Oxford-South #2 WWTP*
- Durham-Northside WWTP*
- Umstead Hospital WWTP*
- Littleton WWTP
- Cary-Coles Branch WWTP

Washington Region

- Colerain WWTP
- Lewiston-Woodville Util.
- Walstonburg WWTP
- Pink Hill WWTP
- Robersonville WWTP
- Elizabeth City WWTP*
- Goldsboro-Walnut Crk. WWTP
- Edenton WWTP*
- Ahoskie WWTP*
- Winton WWTP*
- Hertford WWTP*
- Bethel WWTP*
- Mt. Olive WWTP*
- Goldsboro WWTP*
- Hamilton WWTP
- Jamesville WWTP
- Havelock WWTP
- Columbia
- Eureka
- Aurora

Fayetteville Region

- White Lake WWTP*
- Parkton WWTP
- Star WWTP*
- Fairmont WWTP*
- Robbins WWTP
- Rowland WWTP*
- St. Pauls WWTP*
- Roseboro WWTP
- Candor WWTP
- Dunn WWTP*
- Garland WWTP

Winston-Salem Region

- Reidsville WWTP
- West Jefferson WWTP
- Sparta WWTP
- Lexington-Abbotts Crk. WWTP*
- Yanceyville WWTP*
- Denton WWTP*
- Rural Hall WWTP*
- Liberty WWTP*
- Randleman WWTP*
- Eden-Dan River WWTP*
- Mayodan WWTP*
- Pilot Mtn. WWTP
- Burlington-East WWTP*
- Burlington-South WWTP*
- High Point-West WWTP*
- High Point-East WWTP*
- Thomasville WWTP*
- Cooleemee WWTP*
- Ramseur WWTP*
- Asheboro WWTP*
- Sedgefield Sanitary Dist.
- Jefferson WWTP
- Yadkinville WWTP
- Lexington-Swearing Crk.

Mooresville Region

- China Grove WWTP*
- Spencer WWTP
- Lenoir-Lower Crk. WWTP*
- CMUD-Irwin Crk. WWTP
- Landis WWTP*
- Granite Falls WWTP*
- Taylorsville WWTP
- Granite Quarry WWTP*
- Salisbury-Grants Crk.*

Mooresville Region
Continued

- Stanley WWTP
- Rockwell WWTP
- Lincoln Co.-Hoyle Crk. CMUD-Sugar

Wilmington Region

- Southport WWTP*
- Lake Waccamaw WWTP
- Holly Ridge WWTP
- Morehead City WWTP*
- Mewport WWTP*
- Chadbourn WWTP*
- Wallace WWTP*
- Burgaw WWTP
- Richlands WWTP
- Kenansville WWTP

Asheville Region

- Andrews WWTP*
- Robbinsville WWTP*
- Bakersville WWTP*
- Jackson County WWTP
- MSD-Buncombe Co. WWTP
- Hendersonville WWTP*
- Forest City WWTP*
- Spruce Pine WWTP*
- Columbus WWTP*
- Blowing Rock WWTP*
- Burnsville WWTP*
- Hayesville WWTP*
- Kings Mtn.-Pilot Crk.
- Brevard
- Old Fort

* Facilities with SOC

- Adequate Facility/Improper Operation

Appendix "M"

Fiscal Research Division
January 27, 1986

Local Government Financing

M-1

TABLE 40--PROPERTY TAX AS A PERCENTAGE OF TOTAL STATE-LOCAL TAXES,
BY STATE AND REGION, SELECTED YEARS, 1942-1983

| State and Region | 1983 | 1982 | 1981 | 1977 | 1972 | 1967 | 1962 | 1957 | 1942 |
|-----------------------|--------|--------|--------|-------|-------|-------|-------|----------|----------|
| United States 1/ | 31.4%* | 30.8%* | 30.7%* | 35.6% | 39.1% | 42.7% | 45.9% | 44.6% 2/ | 53.2% 2/ |
| New England | 40.4* | 40.7* | 44.0* | 45.9 | 48.1 | 50.2 | 53.9 | 52.7 | 60.2 |
| Connecticut | 43.1 | 42.7 | 43.8 | 46.6 | 49.4 | 52.0 | 53.6 | 50.0 | 57.5 |
| Maine | 37.8 | 37.5 | 37.7 | 36.1 | 45.0 | 48.5 | 52.8 | 50.0 | 62.7 |
| Massachusetts | 36.7 | 37.7 | 43.6 | 49.1 | 51.2 | 51.8 | 60.6 | 58.0 | 67.2 |
| New Hampshire | 63.5 | 61.8 | 63.4 | 61.8 | 60.4 | 63.4 | 63.6 | 62.8 | 60.5 |
| Rhode Island | 41.5 | 42.0 | 41.5 | 41.2 | 39.5 | 45.6 | 47.8 | 50.4 | 62.6 |
| Vermont | 39.7 | 41.0 | 41.5 | 40.8 | 42.9 | 40.1 | 45.2 | 45.0 | 50.4 |
| Mideast 1/ | 32.2* | 32.0* | 32.1* | 30.1 | 33.6 | 37.5 | 40.5 | 41.4 | 54.6 |
| Delaware | 14.7 | 15.2 | 15.3 | 16.2 | 17.3 | 19.9 | 20.5 | 23.9 | 28.6 |
| Dist. of Col. | 27.6 | 27.6 | 24.8 | 22.4 | 30.9 | 33.8 | 37.0 | 36.8 | 56.2 |
| Maryland | 26.2 | 26.7 | 26.3 | 29.8 | 32.3 | 41.2 | 41.7 | 42.5 | 57.7 |
| New Jersey | 43.6 | 43.7 | 44.2 | 50.3 | 57.1 | 56.9 | 64.7 | 64.0 | 75.3 |
| New York | 32.2 | 32.1 | 32.4 | 35.8 | 36.6 | 39.4 | 44.4 | 47.7 | 58.4 |
| Pennsylvania | 26.9 | 26.1 | 25.7 | 26.1 | 27.3 | 33.6 | 34.7 | 33.4 | 51.1 |
| Great Lakes | 37.2* | 36.8* | 36.0* | 37.0 | 44.2 | 46.9 | 53.2 | 50.5 | 53.4 |
| Illinois | 38.0 | 35.6 | 34.4 | 37.0 | 41.6 | 48.9 | 53.4 | 51.7 | 55.5 |
| Indiana | 34.6 | 35.4 | 37.3 | 37.2 | 51.2 | 48.4 | 56.2 | 54.9 | 55.1 |
| Michigan | 41.6 | 42.5 | 40.7 | 37.8 | 40.0 | 43.8 | 49.3 | 46.1 | 52.8 |
| Ohio | 32.3 | 33.7 | 33.7 | 38.9 | 43.7 | 51.7 | 51.7 | 48.0 | 47.8 |
| Wisconsin | 37.7 | 34.9 | 34.0 | 34.3 | 44.7 | 41.7 | 55.6 | 51.8 | 55.9 |
| Plains | 32.9* | 32.8* | 33.3* | 38.5 | 45.2 | 52.9 | 56.0 | 54.8 | 60.0 |
| Iowa | 40.1 | 38.6 | 38.6 | 38.8 | 46.2 | 50.4 | 56.5 | 48.8 | 55.3 |
| Kansas | 39.5 | 40.0 | 38.6 | 41.1 | 49.0 | 50.3 | 56.1 | 58.0 | 60.9 |
| Minnesota | 28.0 | 26.5 | 28.0 | 29.9 | 40.0 | 49.6 | 54.9 | 51.8 | 56.4 |
| Missouri | 26.2 | 27.2 | 28.1 | 31.7 | 37.1 | 40.9 | 42.6 | 44.4 | 49.7 |
| Nebraska | 41.5 | 42.8 | 42.6 | 46.1 | 51.1 | 72.3 | 70.5 | 69.9 | 69.1 |
| North Dakota | 28.9 | 27.0 | 29.3 | 32.8 | 40.1 | 51.0 | 52.8 | 52.8 | 67.0 |
| South Dakota | 42.6 | 42.1 | 43.2 | 48.8 | 52.9 | 56.1 | 58.4 | 58.2 | 61.5 |
| Southeast | 24.8* | 24.1* | 23.4* | 22.9 | 24.3 | 27.0 | 29.4 | 27.7 | 38.0 |
| Alabama | 12.3 | 11.7 | 11.7 | 11.8 | 14.8 | 17.7 | 20.3 | 20.2 | 32.5 |
| Arkansas | 21.0 | 21.4 | 21.1 | 22.8 | 24.1 | 26.1 | 28.3 | 26.5 | 30.7 |
| Florida | 34.3 | 34.2 | 30.6 | 33.6 | 33.0 | 40.3 | 41.2 | 35.4 | 44.7 |
| Georgia | 27.4 | 26.9 | 25.9 | 31.1 | 30.5 | 31.4 | 31.8 | 29.0 | 41.2 |
| Kentucky | 18.0 | 17.6 | 18.0 | 18.7 | 21.0 | 27.0 | 30.3 | 36.3 | 47.0 |
| Louisiana | 14.0 | 12.2 | 12.5 | 15.6 | 20.1 | 20.5 | 22.6 | 21.8 | 33.7 |
| Mississippi | 21.5 | 21.6 | 21.0 | 22.0 | 22.6 | 27.7 | 29.9 | 27.5 | 41.0 |
| North Carolina | 23.4 | 23.3 | 23.6 | 23.6 | 25.2 | 26.4 | 27.9 | 26.8 | 31.3 |
| South Carolina | 24.5 | 23.8 | 22.9 | 23.4 | 23.9 | 21.2 | 24.3 | 23.0 | 37.0 |
| Tennessee | 25.6 | 25.2 | 28.5 | 25.1 | 26.9 | 29.3 | 33.3 | 28.9 | 44.1 |
| Virginia | 29.6 | 29.2 | 28.1 | 28.8 | 28.5 | 30.0 | 35.9 | 31.1 | 39.6 |
| West Virginia | 18.6 | 16.7 | 17.7 | 18.0 | 20.6 | 26.7 | 27.2 | 25.4 | 32.7 |
| Southwest | 31.5* | 29.2* | 29.4* | 28.9 | 31.6 | 36.6 | 37.4 | 36.6 | 43.4 |
| Arizona | 29.7 | 31.2 | 31.2 | 38.4 | 39.3 | 45.5 | 47.7 | 46.4 | 48.3 |
| New Mexico | 13.8 | 13.4 | 13.5 | 18.2 | 20.6 | 22.5 | 25.2 | 23.4 | 34.2 |
| Oklahoma | 16.8 | 14.3 | 16.1 | 22.5 | 27.2 | 32.9 | 31.2 | 30.4 | 35.7 |
| Texas | 36.9 | 33.9 | 33.7 | 36.5 | 39.1 | 45.4 | 45.3 | 46.2 | 55.5 |
| Rocky Mountain | 35.5* | 34.3* | 35.2* | 37.5 | 41.5 | 46.9 | 50.1 | 50.9 | 73.7 |
| Colorado | 35.0 | 35.0 | 35.3 | 38.1 | 40.8 | 45.8 | 47.7 | 50.8 | 56.6 |
| Idaho | 27.2 | 27.5 | 28.6 | 32.0 | 35.3 | 36.8 | 48.6 | 50.2 | 62.0 |
| Montana | 47.5 | 47.4 | 47.8 | 47.3 | 50.6 | 56.0 | 56.8 | 58.3 | 68.4 |
| Utah | 29.2 | 27.4 | 28.0 | 29.2 | 34.1 | 41.4 | 44.1 | 43.8 | 53.5 |
| Wyoming | 41.2 | 34.9 | 39.1 | 40.7 | 46.7 | 54.7 | 53.4 | 51.4 | 54.6 |
| Far West 2/ | 27.3* | 27.2* | 26.1* | 37.4 | 42.0 | 42.4 | 40.3 | 38.8 | 49.2 |
| California | 25.9 | 25.6 | 24.2 | 42.0 | 47.7 | 51.4 | 50.2 | 47.2 | 49.9 |
| Nevada | 19.3 | 18.2 | 29.2 | 32.0 | 34.1 | 40.0 | 32.7 | 36.1 | 61.4 |
| Oregon | 41.3 | 43.0 | 40.6 | 44.5 | 49.7 | 47.5 | 47.4 | 42.4 | 51.7 |
| Washington | 29.0 | 29.6 | 29.0 | 31.1 | 36.5 | 30.8 | 30.9 | 29.6 | 33.7 |
| Alaska | 17.1 | 12.8 | 13.4 | 57.4 | 24.5 | 24.6 | 22.9 | 22.0 | n.a. |
| Hawaii | 18.4 | 18.4 | 14.7 | 17.1 | 19.1 | 20.3 | 16.0 | 15.8 | n.a. |

Note: *Regional averages for 1942-1980 are unweighted averages. 1981-83 regional figures are weighted averages.

n.a.--Not available.

1/ Excluding Washington, D.C. in 1981-83.

2/ Excluding Alaska and Hawaii.

Source: ACIR staff computations based on FY 1983 data tape supplied by U.S. Bureau of the Census. For prior years see U.S. Bureau of the Census, *Governmental Finances in [year]*, (Table 5); See also, ACIR, *Significant Features of Fiscal Federalism*, prior years.

2

1

Fiscal Research Division
January 27, 1985

Selected Services Taxed in South Dakota

| | |
|---|--|
| Custom Livestock Slaughtering Services | Lawn Mowing & Fertilizing Services |
| Sports & Recreation Clubs | Fishing & Hunting Guide Services |
| Golf, Tennis & other instructional Services | Dance Instructions |
| Bowling Alleys | Country Clubs |
| Bookies Services | Judo/Karate Instructions |
| Parking Lots/Structures | Auto Body Shops |
| Car Washing Services | Garage & Service Station Repairs & Services |
| Tire Recapping Services | Car Undercoating |
| Automotive Towing Services | Janitorial Services |
| Exterminator Services | News Syndicate Services |
| Computer Services | Commercial Art & Graphics Services |
| Typesetting Services | Management, Consulting, Research & Public Relations Services |
| Advertising Agency Services | Typing Services |
| Temporary Personnel Supply Services | Armored Car Services |
| Detective Agency Services | Appraisal of Coin & Valuables |
| Trading Stamp Services | Tickertape Services |
| Window Cleaning Services | Data Processing Services |
| Employment Agency Services | Loan Brokers Services |
| Security Guard Services | Investment Counseling |
| Bail Bonding Services | Laundry Services (noncoin) |
| Interior Decorator Services | Cleaning & Pressing Services |
| Business Consultants | Funeral Directors Services |
| Personnel Training | Shoe Repair |
| Real Estate Agents Services | Escort Services |
| Collection Agency Services | Health Clubs |
| Garment Alteration Services | Engineering Services (instate) |
| Dry Cleaning Services (noncoin) | Accounting Services |
| Barbers Services | Bookkeeping |
| Beauticians Services | Acturial Services |
| Undertakers Services | Cable TV Rental |
| Crematories Services | |
| Reducing Salons | |
| Dating Services | |
| Legal Services | |
| Architectural Services (instate) | |
| Surveying Services (instate) | |
| Auditing Services | |
| Taxidermal Services | |
| Professional Speakers/Lecturers | |

Construction Services - 2% contractor's excise tax on improvements

House Painting - 2% excise tax

Asphalt Paving - 2% excise tax

M3

THESE ARE ROUGH ESTIMATES

SALES TAX ON SERVICES

| COUNTIES | (1.5%) ADDITIONAL REVENUE TAX ON SERVICES |
|------------|---|
| ALAMANCE | 2,194,261 |
| ALEXANDER | 180,171 |
| ALLEGHANY | 74,495 |
| ANSON | 159,069 |
| ASHE | 144,590 |
| AVERY | 319,270 |
| BEAUFORT | 514,843 |
| BERTIE | 66,909 |
| BLADEN | 267,470 |
| BRUNSWICK | 356,046 |
| BUNCOMBE | 4,597,737 |
| BURKE | 860,391 |
| CABARRUS | 1,419,638 |
| CALDWELL | 828,812 |
| CAMDEN | 14,815 |
| CARTERET | 822,002 |
| CASWELL | 51,822 |
| CATAWBA | 2,834,625 |
| CHATHAM | 260,198 |
| CHEROKEE | 160,264 |
| CHOWAN | 171,391 |
| CLAY | 23,134 |
| CLEVELAND | 1,128,238 |
| COLUMBUS | 554,427 |
| CRAVEN | 1,106,298 |
| CUMBERLAND | 4,209,315 |
| CURRITUCK | 76,360 |
| DARE | 718,861 |
| DAVIDSON | 1,056,237 |
| DAVIE | 245,551 |
| DUPLIN | 316,379 |
| DURHAM | 5,098,289 |
| EDGEcombe | 683,615 |
| FORSYTH | 8,424,329 |
| FRANKLIN | 193,478 |
| GASTON | 2,297,297 |
| GATES | 57,752 |
| GRAHAM | 80,509 |
| GRANVILLE | 248,610 |
| GREENE | 47,086 |
| GUILFORD | 11,955,205 |
| HALIFAX | 658,762 |
| HARNETT | 700,128 |
| HAYWOOD | 877,910 |
| IENDERSON | 1,204,179 |
| HERTFORD | 304,916 |
| HOKE | 101,317 |

M4

| | | | |
|--------------|-------------------------|----------------------|--------------------|
| Johnston | 277,597,421 | 2,775,974 | 3,477,166 |
| Jones | 27,473,750 | 274,738 | 464,668 |
| Lee | 190,412,032 | 1,904,120 | 1,829,287 |
| Lenoir | 246,660,900 | 2,466,609 | 2,878,262 |
| Lincoln | 216,915,004 | 2,169,150 | 2,074,460 |
| Macon | 73,578,282 | 735,783 | 1,060,958 |
| Madison | 43,990,853 | 439,909 | 806,180 |
| Martin | 89,113,757 | 891,138 | 1,249,069 |
| McDowell | 146,156,597 | 1,461,566 | 1,716,306 |
| Mecklenburg | 2,923,366,300 | 29,233,663 | 20,201,516 |
| Mitchell | 52,133,533 | 521,335 | 679,076 |
| Montgomery | 87,026,466 | 870,265 | 1,105,180 |
| Moore | 263,975,763 | 2,639,758 | 2,516,208 |
| Nash | 332,523,776 | 3,325,238 | 3,295,712 |
| New Hanover | 572,354,613 | 5,723,546 | 5,174,451 |
| Northampton | 61,150,845 | 611,508 | 1,073,939 |
| Onslow | 241,850,708 | 2,418,507 | 5,628,754 |
| Orange | 419,008,152 | 4,190,082 | 3,787,960 |
| Pamlico | 39,502,567 | 395,026 | 504,611 |
| Pasquotank | 104,588,480 | 1,045,885 | 1,361,956 |
| Pender | 79,594,227 | 795,942 | 1,109,697 |
| Perquimans | 27,542,642 | 275,426 | 461,435 |
| Person | 118,313,913 | 1,183,139 | 1,421,537 |
| Pitt | 403,724,571 | 4,037,246 | 4,484,201 |
| Polk | 67,587,939 | 675,879 | 673,227 |
| Randolph | 438,850,207 | 4,388,502 | 4,504,933 |
| Richmond | 164,882,257 | 1,648,823 | 2,144,692 |
| Robeson | 323,700,502 | 3,237,005 | 4,973,548 |
| Rockingham | 415,639,657 | 4,156,397 | 4,036,651 |
| Rowan | 495,507,476 | 4,955,075 | 4,818,865 |
| Rutherford | 223,465,942 | 2,234,659 | 2,649,018 |
| Sampson | 158,208,461 | 1,582,085 | 2,380,117 |
| Scotland | 127,695,596 | 1,276,956 | 1,585,160 |
| Stanly | 233,189,351 | 2,331,894 | 2,330,094 |
| Stokes | 151,486,082 | 1,514,861 | 1,636,990 |
| Surry | 252,241,589 | 2,522,416 | 2,842,598 |
| Swain | 25,054,324 | 250,543 | 507,464 |
| Transylvania | 122,703,910 | 1,227,039 | 1,165,190 |
| Tyrrell | 9,475,330 | 94,753 | 194,436 |
| Union | 334,708,408 | 3,347,084 | 3,566,847 |
| Vance | 146,175,454 | 1,461,755 | 1,785,682 |
| Wake | 2,225,421,994 | 22,254,220 | 15,452,123 |
| Warren | 41,545,029 | 415,450 | 765,856 |
| Washington | 59,445,499 | 594,455 | 692,580 |
| Watauga | 108,079,030 | 1,080,790 | 1,600,566 |
| Wayne | 340,751,118 | 3,407,511 | 4,658,143 |
| Wilkes | 252,351,888 | 2,523,519 | 2,848,209 |
| Wilson | 289,922,010 | 2,899,220 | 3,057,053 |
| Yadkin | 130,384,141 | 1,303,841 | 1,387,348 |
| Yancey | 46,594,448 | 465,944 | 724,487 |
| TOTAL | \$28,918,934,626 | \$289,189,346 | 289,189,346 |

M8

PERSONAL INCOME TAX - NET TAXABLE INCOME - '1983

| COUNTIES | NET TAX. INCOME | '1% LOCAL-OPTION | STATE 1% DIST POPULATION |
|------------|-----------------|------------------|--------------------------|
| Alamance | \$576,913,998 | \$5,769,140 | \$4,816,250 |
| Alexander | 110,662,841 | 1,106,628 | 1,238,751 |
| Alleghany | 29,167,859 | 291,679 | 467,284 |
| Anson | 83,491,052 | 834,911 | 1,242,032 |
| Ashe | 69,876,237 | 698,762 | 1,095,432 |
| Avery | 47,584,496 | 475,845 | 703,517 |
| Beaufort | 162,583,438 | 1,625,834 | 1,998,853 |
| Bertie | 68,202,103 | 682,021 | 1,014,310 |
| Bladen | 85,677,110 | 856,771 | 1,454,157 |
| Brunswick | 153,114,428 | 1,531,144 | 1,956,723 |
| Buncombe | 801,238,964 | 8,012,390 | 7,822,043 |
| Burke | 334,549,867 | 3,345,499 | 3,522,245 |
| Cabarrus | 474,762,498 | 4,747,625 | 4,296,375 |
| Caldwell | 310,112,927 | 3,101,129 | 3,225,289 |
| Camden | 20,285,383 | 202,854 | 278,696 |
| Carteret | 191,963,893 | 1,919,639 | 2,166,138 |
| Caswell | 66,175,316 | 661,753 | 1,032,760 |
| Catawba | 637,545,329 | 6,375,453 | 5,197,228 |
| Chatham | 152,614,211 | 1,526,142 | 1,640,367 |
| Cherokee | 54,341,704 | 543,417 | 935,423 |
| Chowan | 45,796,548 | 457,965 | 605,752 |
| Clay | 18,203,492 | 182,035 | 329,338 |
| Cleveland | 371,344,975 | 3,713,450 | 3,979,447 |
| Columbus | 168,662,113 | 1,686,621 | 2,449,399 |
| Craven | 273,026,094 | 2,730,261 | 3,549,444 |
| Cumberland | 742,933,782 | 7,429,338 | 11,913,996 |
| Currituck | 39,675,268 | 396,753 | 598,572 |
| Dare | 65,202,539 | 652,025 | 728,814 |
| Davidson | 568,486,167 | 5,684,862 | 5,507,879 |
| Davie | 136,633,785 | 1,366,338 | 1,263,763 |
| Duplin | 123,757,411 | 1,237,574 | 1,955,820 |
| Durham | 901,222,667 | 9,012,227 | 7,487,902 |
| Edgecombe | 222,762,820 | 2,227,628 | 2,725,670 |
| Forsyth | 1,717,081,677 | 17,170,817 | 11,999,065 |
| Franklin | 104,862,966 | 1,048,630 | 1,485,588 |
| Gaston | 870,906,273 | 8,709,063 | 7,949,622 |
| Gates | 28,147,910 | 281,479 | 430,336 |
| Graham | 18,540,415 | 185,404 | 337,802 |
| Granville | 133,644,713 | 1,336,447 | 1,707,081 |
| Greene | 48,480,393 | 484,804 | 783,307 |
| Guilford | 2,106,729,693 | 21,067,297 | 15,362,442 |
| Halifax | 188,867,159 | 1,888,672 | 2,648,352 |
| Harnett | 198,768,890 | 1,987,689 | 2,928,998 |
| Haywood | 205,436,020 | 2,054,360 | 2,232,757 |
| Henderson | 318,067,499 | 3,180,675 | 3,008,884 |
| Hertford | 77,416,863 | 774,169 | 1,128,813 |
| Hoke | 55,793,408 | 557,934 | 1,041,224 |
| Iyde | 14,341,985 | 143,420 | 282,500 |
| Iredell | 419,559,425 | 4,195,594 | 4,040,550 |
| Jackson | 80,095,228 | 800,952 | 1,277,885 |

M7

Fiscal Research Division
January 27, 1986

Various Sales Tax Alternatives

1. Raise sales tax from 2% to 3% on motor vehicles and allow the local government tax to apply. Leave \$300 cap in place.

Additional revenue: \$91 million (state)
\$61 million (local)

2. Raise sales tax from 2% to 3% on 2% items and remove the \$300 cap.

Additional revenue: \$104 million (state)
\$118 million (local)

3. Raise tax on 1% items to 3% and remove the \$80 cap.

Additional revenue: \$100 million (state)
\$64 million (local)

4. Raise the sales tax on motor vehicle rentals to 3% and allow the 1.5% local option tax to apply.

Additional revenue: \$647,000 (state - preliminary
estimate)
\$971,600 (local-preliminary
estimate)

5. Allow the state 3% sales to apply to parking lots.

Additional revenue: \$327,000 (state - preliminary
estimate)
\$164,000 (local - preliminary
estimate)

M6

| | |
|--------------|-------------|
| HYDE | 51,088 |
| IREDELL | 1,290,556 |
| JACKSON | 344,144 |
| JOHNSTON | 821,101 |
| JONES | 104,314 |
| LEE | 668,318 |
| LENOIR | 1,274,148 |
| LINCOLN | 346,973 |
| MACON | 306,467 |
| MADISON | 327,296 |
| MARTIN | 58,674 |
| MCDOWELL | 251,649 |
| MECKLENBURG | 25,222,968 |
| MITCHELL | 117,641 |
| MONTGOMERY | 159,593 |
| MOORE | 1,657,666 |
| NASH | 1,942,654 |
| NEW HANOVER | 3,374,069 |
| NORTHAMPTON | 141,593 |
| ONSLOW | 1,069,480 |
| ORANGE | 1,317,336 |
| PAMLICO | 38,180 |
| PASQUOTANK | 578,798 |
| PENDER | 106,619 |
| PERQUIMANS | 31,223 |
| PERSON | 246,410 |
| PITT | 1,802,507 |
| POLK | 163,135 |
| RANDLOPH | 941,341 |
| RICHMOND | 470,859 |
| ROBESON | 1,148,271 |
| ROCKINGHAM | 914,015 |
| ROWAN | 1,342,817 |
| RUTHERFORD | 568,677 |
| SAMPSON | 516,017 |
| SCOTLAND | 358,980 |
| STANLY | 580,789 |
| STOKES | 187,526 |
| SURRY | 801,550 |
| SWAIN | 251,167 |
| TRANSYLVANIA | 302,611 |
| TYRRELL | 21,793 |
| UNION | 871,875 |
| VANCE | 553,799 |
| WAKE | 13,169,254 |
| WARREN | 77,890 |
| WASHINGTON | 105,215 |
| WATAUGA | 760,729 |
| WAYNE | 1,422,803 |
| WILKES | 690,509 |
| WILSON | 2,447,691 |
| YADKIN | 294,271 |
| YANCY | 68,083 |
| | 131,350,131 |

ESTIMATED STATE REVENUE:\$250 MILLION

M5

CORPORATE INCOME TAX - ADDITIONAL 1%
DISTRIBUTED PER CAPITA

| COUNTIES | 1% CORPORATE INCOME TAX | | 1% CORPORATE INCOME TAX |
|------------|----------------------------|--------------|----------------------------|
| ALAMANCE | \$1,415,617 | JACKSON | 375,603 |
| ALEXANDER | 364,100 | JOHNSTON | 1,022,026 |
| ALLEGHANY | 137,346 | JONES | 136,578 |
| ANSON | 365,064 | LEE | 537,673 |
| ASHE | 321,975 | LENOIR | 845,993 |
| AVERY | 206,781 | LINCOLN | 609,736 |
| BEAUFORT | 587,513 | MACON | 311,842 |
| BERTIE | 298,131 | MADISON | 236,956 |
| BLADEN | 427,413 | MARTIN | 367,133 |
| BRUNSWICK | 575,130 | MCDOWELL | 504,465 |
| BUNCOMBE | 2,299,095 | MECKLENBURG | 5,937,732 |
| BURKE | 1,035,276 | MITCHELL | 199,597 |
| CABARRUS | 1,262,812 | MONTGOMERY | 324,840 |
| CALDWELL | 947,993 | MOORE | 739,577 |
| CAMDEN | 81,916 | NASH | 968,692 |
| CARTERET | 636,682 | NEW HANOVER | 1,520,901 |
| CASWELL | 303,554 | NORTHAMPTON | 315,658 |
| CATAWBA | 1,527,596 | ONSLOW | 1,654,432 |
| CHATHAM | 482,145 | ORANGE | 1,113,376 |
| CHEROKEE | 274,944 | PAMLICO | 148,318 |
| CHOWAN | 178,046 | PASQUOTANK | 400,313 |
| CLAY | 96,801 | PENDER | 326,168 |
| CLEVELAND | 1,169,659 | PERQUIMANS | 135,627 |
| COLUMBUS | 719,940 | PERSON | 417,825 |
| CRAVEN | 1,043,271 | PITT | 1,318,019 |
| CUMBERLAND | 3,501,822 | POLK | 197,878 |
| CURRITUCK | 175,935 | RANDLOPH | 1,324,113 |
| DARE | 214,217 | RICHMOND | 630,379 |
| DAVIDSON | 1,618,904 | ROBESON | 1,461,851 |
| DAVIE | 371,452 | ROCKINGHAM | 1,186,473 |
| DUPLIN | 574,864 | ROWAN | 1,416,385 |
| DURHAM | 2,200,882 | RUTHERFORD | 778,613 |
| EDGECOMBE | 801,143 | SAMPSON | 699,576 |
| FORSYTH | 3,526,826 | SCOTLAND | 465,918 |
| FRANKLIN | 436,652 | STANLY | 684,873 |
| GASTON | 2,336,593 | STOKES | 481,153 |
| GATES | 126,487 | SURRY | 835,511 |
| GRAHAM | 99,289 | SWAIN | 149,156 |
| GRANVILLE | 501,754 | TRANSYLVANIA | 342,478 |
| GREENE | 230,234 | TYRRELL | 57,150 |
| GUILFORD | 4,515,407 | UNION | 1,048,386 |
| HALIFAX | 778,417 | VANCE | 524,857 |
| HARNETT | 860,906 | WAKE | 4,541,766 |
| HAYWOOD | 656,263 | WARREN | 225,104 |
| HENDERSON | 884,386 | WASHINGTON | 203,567 |
| HERTFORD | 331,786 | WATAUGA | 470,447 |
| HOOKE | 306,042 | WAYNE | 1,369,145 |
| HYDE | 83,034 | WILKES | 837,160 |
| IREDELL | 1,187,619 | WILSON | 898,545 |
| | | YADKIN | 407,776 |
| | | YANCY | 212,945 |
| | | | 85,000,000 |

PAYROLL TAX FOR CY1984 - EXCLUDING FEDERAL, STATE, & LOCAL GOVERN.

| COUNTIES | TOTAL PAYROLL CY 1984 | 1% LOCAL OPTION | 1% STATE DIST. POPULATION |
|------------|--------------------------|--------------------|------------------------------|
| ALAMANCE | 548,769,001 | 5,487,690 | 5,304,270 |
| ALEXANDER | 95,540,112 | 955,401 | 1,364,271 |
| ALLEGHANY | 21,943,505 | 219,435 | 514,632 |
| ANSON | 84,540,726 | 845,407 | 1,367,884 |
| ASHE | 60,242,419 | 602,424 | 1,206,430 |
| AVERY | 43,869,927 | 438,699 | 774,803 |
| BEAUFORT | 184,799,160 | 1,847,992 | 2,201,393 |
| BERTIE | 58,005,561 | 580,056 | 1,117,088 |
| BLADEN | 72,315,246 | 723,152 | 1,601,503 |
| BRUNSWICK | 173,457,329 | 1,734,573 | 2,154,994 |
| BUNCOMBE | 881,814,901 | 8,818,149 | 8,614,633 |
| BURKE | 373,395,321 | 3,733,953 | 3,879,146 |
| CABARRUS | 475,043,521 | 4,750,435 | 4,731,717 |
| CALDWELL | 322,898,551 | 3,228,986 | 3,552,100 |
| CAMDEN | 3,676,954 | 36,770 | 306,936 |
| CARTERET | 118,705,231 | 1,187,052 | 2,385,628 |
| CASWELL | 21,123,828 | 211,238 | 1,137,407 |
| CATAWBA | 947,097,212 | 9,470,972 | 5,723,852 |
| CHATHAM | 122,537,735 | 1,225,377 | 1,806,581 |
| CHEROKEE | 54,488,073 | 544,881 | 1,030,207 |
| CHOWAN | 46,443,087 | 464,431 | 667,132 |
| CLAY | 7,593,358 | 75,934 | 362,709 |
| CLEVELAND | 392,433,683 | 3,924,337 | 4,382,676 |
| COLUMBUS | 176,234,878 | 1,762,349 | 2,697,591 |
| CRAVEN | 208,686,754 | 2,086,868 | 3,909,101 |
| CUMBERLAND | 675,138,706 | 6,751,387 | 13,121,215 |
| CURRITUCK | 8,554,816 | 85,548 | 659,224 |
| DARE | 55,356,481 | 553,565 | 802,663 |
| DAVIDSON | 517,452,956 | 5,174,530 | 6,065,980 |
| DAVIE | 73,039,078 | 730,391 | 1,391,817 |
| DUPLIN | 93,316,977 | 933,170 | 2,153,999 |
| DURHAM | 1,532,322,908 | 15,323,229 | 8,246,635 |
| EDGECOMBE | 206,677,703 | 2,066,777 | 3,001,856 |
| FORSYTH | 2,271,748,933 | 22,717,489 | 13,214,903 |
| FRANKLIN | 54,399,049 | 543,990 | 1,636,119 |
| GASTON | 972,055,319 | 9,720,553 | 8,755,140 |
| GATES | 8,176,259 | 81,763 | 473,942 |
| GRAHAM | 17,265,005 | 172,650 | 372,031 |
| GRANVILLE | 107,957,677 | 1,079,577 | 1,880,055 |
| GREENE | 17,124,860 | 171,249 | 862,678 |
| GUILFORD | 2,972,263,598 | 29,722,636 | 16,919,083 |
| HALIFAX | 178,839,790 | 1,788,398 | 2,916,704 |
| HARNETT | 135,485,777 | 1,354,858 | 3,225,787 |
| HAYWOOD | 199,022,329 | 1,990,223 | 2,458,997 |
| HENDERSON | 266,143,102 | 2,661,431 | 3,313,768 |
| HERTFORD | 77,656,943 | 776,569 | 1,243,193 |
| HOKE | 50,209,831 | 502,098 | 1,146,729 |
| HYDE | 8,455,017 | 84,550 | 311,126 |
| IREDELL | 410,992,798 | 4,109,928 | 4,449,970 |

M-10

| | | | |
|--------------|----------------|-------------|-------------|
| JACKSON | 58,783,673 | 587,837 | 1,407,371 |
| JOHNSTON | 208,985,032 | 2,089,850 | 3,829,500 |
| JONES | 8,680,085 | 86,801 | 511,752 |
| LEE | 222,429,949 | 2,224,299 | 2,014,644 |
| LENOIR | 276,046,902 | 2,760,469 | 3,169,909 |
| LINCOLN | 151,906,158 | 1,519,062 | 2,284,660 |
| MACON | 57,556,140 | 575,561 | 1,168,462 |
| MADISON | 26,054,695 | 260,547 | 887,868 |
| MARTIN | 114,921,717 | 1,149,217 | 1,375,635 |
| MCDOWELL | 174,400,118 | 1,744,001 | 1,890,215 |
| MECKLENBURG | 4,616,651,918 | 46,166,519 | 22,248,490 |
| MITCHELL | 53,124,235 | 531,242 | 747,885 |
| MONTGOMERY | 110,625,103 | 1,106,251 | 1,217,166 |
| MOORE | 198,704,790 | 1,987,048 | 2,771,170 |
| NASH | 437,717,189 | 4,377,172 | 3,629,659 |
| NEW HANOVER | 538,978,632 | 5,389,786 | 5,698,767 |
| NORTHAMPTON | 29,006,570 | 290,066 | 1,182,759 |
| ONSLOW | 173,683,192 | 1,736,832 | 6,199,103 |
| ORANGE | 226,478,070 | 2,264,781 | 4,171,785 |
| PAMLICO | 12,369,209 | 123,692 | 555,742 |
| PASQUOTANK | 82,100,545 | 821,005 | 1,499,959 |
| PENDER | 26,220,235 | 262,202 | 1,222,141 |
| PERQUIMANS | 8,253,296 | 82,533 | 508,191 |
| PERSON | 110,872,333 | 1,108,723 | 1,565,578 |
| PITT | 333,752,138 | 3,337,521 | 4,938,575 |
| POLK | 32,322,379 | 323,224 | 741,444 |
| RANDLOPH | 419,695,705 | 4,196,957 | 4,961,408 |
| RICHMOND | 149,946,287 | 1,499,463 | 2,362,009 |
| ROBESON | 323,448,261 | 3,234,483 | 5,477,507 |
| ROCKINGHAM | 419,439,945 | 4,194,399 | 4,445,676 |
| ROWAN | 458,321,470 | 4,583,215 | 5,307,150 |
| RUTHERFORD | 242,162,030 | 2,421,620 | 2,917,437 |
| SAMPSON | 127,044,916 | 1,270,449 | 2,621,289 |
| SCOTLAND | 192,472,225 | 1,924,722 | 1,745,781 |
| STANLY | 231,703,177 | 2,317,032 | 2,566,197 |
| STOKES | 44,836,952 | 448,370 | 1,802,863 |
| SURRY | 311,208,132 | 3,112,081 | 3,130,632 |
| SWAIN | 29,048,859 | 290,489 | 558,884 |
| TRANSYLVANIA | 160,859,219 | 1,608,592 | 1,283,256 |
| TYRRELL | 3,217,787 | 32,178 | 214,138 |
| UNION | 317,539,096 | 3,175,391 | 3,928,268 |
| VANCE | 172,143,624 | 1,721,436 | 1,966,622 |
| WAKE | 2,399,973,105 | 23,999,731 | 17,017,852 |
| WARREN | 24,382,955 | 243,830 | 843,459 |
| WASHINGTON | 19,961,190 | 199,612 | 762,758 |
| WATAUGA | 93,015,734 | 930,157 | 1,762,748 |
| WAYNE | 321,182,488 | 3,211,825 | 5,130,142 |
| WILKES | 267,112,560 | 2,671,126 | 3,136,812 |
| WILSON | 352,568,778 | 3,525,688 | 3,366,818 |
| YADKIN | 49,839,589 | 498,396 | 1,527,925 |
| YANCY | 22,164,868 | 221,649 | 797,898 |
| TOTAL | 31,849,225,240 | 318,492,252 | 318,492,252 |

INFORMATION BASED ON ESC'S QUARTERLY REPORTS FOR CY1984
THIS DATA REPRESENTS '98% OF TOTAL NONAGRICULTURAL EMPLOYMENT.

M-11

WAGE TAX - CY84

| Counties | Total | 1% Local Option | State 1% Dist. Population |
|-----------------------|--------------------------|-----------------------|---------------------------|
| Alamance | 610,208,599 | 6,102,086 | \$6,337,001 |
| Alexander | 106,366,832 | 1,063,668 | 1,629,892 |
| Alleghany | 28,079,241 | 280,792 | 614,830 |
| Anson | 102,661,744 | 1,026,617 | 1,634,209 |
| Ashe | 70,849,012 | 708,490 | 1,441,320 |
| Avery | 52,925,811 | 529,258 | 925,655 |
| Beaufort | 213,954,596 | 2,139,546 | 2,630,000 |
| Bertie | 71,876,082 | 718,761 | 1,334,583 |
| Bladen | 93,556,518 | 935,565 | 1,913,313 |
| Brunswick | 205,649,060 | 2,056,491 | 2,574,567 |
| Buncombe | 1,057,863,863 | 10,578,639 | 10,291,887 |
| Burke | 465,135,385 | 4,651,354 | 4,634,409 |
| Cabarrus | 544,385,580 | 5,443,856 | 5,652,974 |
| Caldwell | 359,150,524 | 3,591,505 | 4,243,688 |
| Camden | 5,580,662 | 55,807 | 366,696 |
| Carteret | 151,419,528 | 1,514,195 | 2,850,105 |
| Caswell | 32,250,728 | 322,507 | 1,358,858 |
| Catawba | 1,023,812,049 | 10,238,120 | 6,838,276 |
| Chatham | 139,177,248 | 1,391,772 | 2,158,319 |
| Cherokee | 69,378,121 | 693,781 | 1,230,787 |
| Chowan | 54,411,844 | 544,118 | 797,021 |
| Clay | 11,094,960 | 110,950 | 433,328 |
| Cleveland | 446,036,980 | 4,460,370 | 5,235,975 |
| Columbus | 208,812,678 | 2,088,127 | 3,222,807 |
| Craven | 393,143,955 | 3,931,440 | 4,670,196 |
| Cumberland | 1,016,265,783 | 10,162,658 | 15,675,892 |
| Currituck | 15,505,248 | 155,052 | 787,574 |
| Dare | 70,135,287 | 701,353 | 958,940 |
| Davidson | 573,935,123 | 5,739,351 | 7,247,015 |
| Davie | 86,975,807 | 869,758 | 1,662,801 |
| Duplin | 120,153,232 | 1,201,532 | 2,573,378 |
| Durham | 1,789,059,980 | 17,890,600 | 9,852,240 |
| Edgecombe | 257,624,747 | 2,576,247 | 3,586,313 |
| Forsyth | 2,489,928,297 | 24,899,283 | 15,787,821 |
| Franklin | 71,427,175 | 714,272 | 1,954,669 |
| Gaston | 1,066,235,765 | 10,662,358 | 10,459,750 |
| Gates | 13,228,902 | 132,289 | 566,217 |
| Graham | 22,416,677 | 224,167 | 444,465 |
| Granville | 186,008,467 | 1,860,085 | 2,246,099 |
| Greene | 29,784,299 | 297,843 | 1,030,640 |
| Guilford | 3,322,531,361 | 33,225,314 | 20,213,199 |
| Halifax | 228,985,793 | 2,289,858 | 3,484,581 |
| Harnett | 169,007,378 | 1,690,074 | 3,853,842 |
| Haywood | 234,334,353 | 2,343,344 | 2,937,759 |
| Henderson | 308,387,756 | 3,083,878 | 3,958,952 |
| Hertford | 98,014,982 | 980,150 | 1,485,241 |
| Hoke | 68,240,713 | 682,407 | 1,369,995 |
| Hyde | 12,564,784 | 125,648 | 371,701 |
| Iredell | 467,210,458 | 4,672,105 | 5,316,372 |
| Jackson | 98,170,023 | 981,700 | 1,681,383 |

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| | | | |
|-------------------|------------------------|----------------------|----------------------|
| Johnston | 256,691,758 | 2,566,918 | 4,575,097 |
| Jones | 13,928,448 | 139,284 | 611,389 |
| Lee | 249,923,600 | 2,499,236 | 2,406,892 |
| Lenoir | 362,030,287 | 3,620,303 | 3,787,085 |
| Lincoln | 174,896,481 | 1,748,965 | 2,729,479 |
| Macon | 71,550,103 | 715,501 | 1,395,960 |
| Madison | 34,715,247 | 347,152 | 1,060,734 |
| Martin | 136,070,260 | 1,360,703 | 1,643,469 |
| McDowell | 193,042,908 | 1,930,429 | 2,258,236 |
| Mecklenburg | 5,089,920,342 | 50,899,203 | 26,580,232 |
| Mitchell | 63,203,707 | 632,037 | 893,497 |
| Montgomery | 126,816,724 | 1,268,167 | 1,454,146 |
| Moore | 235,898,973 | 2,358,990 | 3,310,712 |
| Nash | 486,496,539 | 4,864,965 | 4,336,347 |
| New Hanover | 681,434,671 | 6,814,347 | 6,808,307 |
| Northampton | 45,759,137 | 457,591 | 1,413,040 |
| Onslow | 287,942,212 | 2,879,433 | 7,496,057 |
| Orange | 529,564,650 | 5,295,647 | 4,984,024 |
| Pamlico | 18,407,472 | 184,075 | 663,944 |
| Pasquotank | 124,933,791 | 1,249,338 | 1,791,999 |
| Pender | 40,083,561 | 400,836 | 1,460,089 |
| Perquimans | 13,667,986 | 136,680 | 607,135 |
| Person | 128,389,066 | 1,283,891 | 1,870,393 |
| Pitt | 498,712,052 | 4,987,121 | 5,900,107 |
| Polk | 38,950,755 | 389,508 | 885,801 |
| Randolph | 466,307,714 | 4,663,077 | 5,927,386 |
| Richmond | 181,003,267 | 1,810,033 | 2,821,888 |
| Robeson | 400,610,719 | 4,006,107 | 6,543,968 |
| Rockingham | 468,755,368 | 4,687,554 | 5,311,241 |
| Rowan | 549,035,903 | 5,490,359 | 6,340,443 |
| Rutherford | 274,159,288 | 2,741,593 | 3,485,457 |
| Sampson | 164,406,475 | 1,644,065 | 3,131,650 |
| Scotland | 213,253,913 | 2,132,539 | 2,085,681 |
| Stanly | 263,405,622 | 2,634,056 | 3,065,831 |
| Stokes | 62,983,184 | 629,832 | 2,153,877 |
| Surry | 350,775,569 | 3,507,756 | 3,740,161 |
| Swain | 42,862,403 | 428,624 | 667,698 |
| Transylvania | 174,640,166 | 1,746,402 | 1,533,103 |
| Tyrrell | 5,799,216 | 57,992 | 255,830 |
| Union | 364,199,205 | 3,641,992 | 4,693,095 |
| Vance | 199,298,518 | 1,992,985 | 2,349,519 |
| Wake | 3,155,506,039 | 31,555,060 | 20,331,197 |
| Warren | 35,010,447 | 350,104 | 1,007,679 |
| Washington | 31,962,693 | 319,627 | 911,265 |
| Watauga | 141,975,202 | 1,419,752 | 2,105,952 |
| Wayne | 441,289,634 | 4,412,896 | 6,128,971 |
| Wilkes | 310,776,204 | 3,107,762 | 3,747,544 |
| Wilson | 421,371,212 | 4,213,712 | 4,022,331 |
| Yadkin | 63,763,589 | 637,636 | 1,825,409 |
| Yancey | 30,115,589 | 301,156 | 953,247 |
| Subtotal | 38,050,212,959 | 380,502,130 | 380,502,130 |

WAGE TAX CAN NOT BE APPLIED TO MILITARY PAY OR TO FEDERAL OUT-OF-STATE EMPLOYEES.

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Fiscal Research Division
January 27, 1986

EXAMPLES OF LOCAL INCOME TAXES

Payroll Tax:

California: Los Angeles

\$30/year for first \$4,000 of payroll expenses or fraction of \$4,000, plus \$7.50 for each additional \$1,000 or fraction of \$1,000

San Francisco
(city & county)

1.5% of payroll expenses on businesses in San Francisco or on businesses performing services within San Francisco. (Businesses pay this tax or the gross receipts tax, whichever is greater.)

New Jersey: Newark

.75% payroll tax is imposed on employers, profit & nonprofit organizations having a payroll over \$2,500 per quarter. Does not apply to federal, state, and local government.

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Wage Tax:

Alabama: Birmingham

1% of employee wages, collected by the employer. Also applies to persons doing business in Birmingham but not based there. Salaries will be apportioned to Birmingham.

Delaware: Wilmington

1.25% on residents and nonresidents. Wages, salaries, commissions, and net profits are subject to tax.

Kentucky: Louisville &
Jefferson Co.

1.25% license fee on salaries, wages, and commissions. Additional .75% tax for school board purposes on persons in the county for services performed in the county, Additional .2% tax on wages, salaries, and commissions.

Michigan:

Cities may impose a 1% tax on residents and .5% on nonresidents on income earned and received in the city.

Missouri: Kansas City &
St. Louis

1% tax on salaries, wages, commissions of residents and non-residents; and net profits of unincorporated businesses and associations belonging to residents and nonresidents.

Ohio: Akron, Canton,
Cincinnati, Cleveland
Columbus, Dayton,
Toledo, Youngstown

Percentage tax on compensation for residents; nonresidents; net profits of residents from resident unincorporated businesses; and net profits of a resident partner or owner of a nonresident unincorporated business (or some variation of the above).

School Districts

Tax of .25%, .5%, and .75% for first three calendar years after approval by the voters. On resident's income.

Income Tax:

Georgia:

State net taxable income is the base. City or county may levy a 1% on state net taxable income. Does not apply if a local sales tax is levied and does not apply to individuals with gross incomes below \$7,500. City may levy the tax only if the county does not.

Indiana:

State adjusted gross income is used as the base. Counties may levy .5%, .75%, or 1% on residents and .25% for nonresidents.

Iowa:

State adjusted gross income is the base. County or city may impose a tax up to 4% on residents and nonresidents.

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Combination:

New York: Yonkers

Tax on state net taxable income. 15% on residents, estates, & trusts. Additional .5% on nonresidents on wages earned and net profit of self-employed persons within the city.

New York City

Wage Tax. .25% on wages for nonresidents and .375% of net earnings from self-employment.

Business Tax. 4% of state net taxable income of unincorporated businesses carried on in the city.

Resident Tax. Graduated tax on state net taxable income for residents, estates, and trusts.

Oregon: Multnomah County

Business Tax. .6% of state net taxable income. Business must have gross receipts equal to or over \$10,000.

Tri-County Metropolitan Transit District

Payroll Tax. .6% of wages paid by employers within the district.

Lane County Mass Transit District

Payroll Tax. .5% of wages paid by employers within the district.

Pennsylvania: Philadelphia
Pittsburgh
Scranton

Wage Tax. Percentage of compensation earned by residents & non-residents and net profits of residents and nonresidents engaged in businesses, associations, etc. (Or some variation of the above.)

Philadelphia School District

State net taxable income. 4.96% tax on residents state net taxable income from the ownership, lease, sale, or other disposition of real property and tangible & intangible personal property. Applies to residents of the district.

Pittsburgh School District

Identical to the city tax, but not imposed on nonresidents. Tax rate is 1.875%.

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1984-85 DEED STAMP COLLECTIONS BY COUNTY

| COUNTIES | TAX |
|------------|---------|
| ALAMANCE | 121,652 |
| ALEXANDER | 12,993 |
| ALLEGHANY | 0 |
| ANSON | 0 |
| ASHE | 21,939 |
| AVERY | 57,177 |
| BEAUFORT | 0 |
| BERTIE | 43,663 |
| BLADEN | 16,896 |
| BRUNSWICK | 218,041 |
| BUNCOMBE | 0 |
| BURKE | 47,283 |
| CABARRUS | 125,273 |
| CALDWELL | 69,872 |
| CAMDEN | 0 |
| CARTERET | 212,249 |
| CASWELL | 6,084 |
| CATAWBA | 129,549 |
| CHATHAM | 37,501 |
| CHEROKEE | 0 |
| CHOWAN | 0 |
| CLAY | 0 |
| CLEVELAND | 57,179 |
| COLUMBUS | 14,144 |
| CRAVEN | 0 |
| CUMBERLAND | 247,192 |
| CURRITUCK | 0 |
| DARE | 195,711 |
| DAVIDSON | 0 |
| DAVIE | 26,821 |
| DUPLIN | 18,528 |
| DURHAM | 0 |
| EDGECOMBE | 32,022 |
| FORSYTH | 463,183 |
| FRANKLIN | 32,512 |
| GASTON | 144,824 |
| GATES | 4,555 |
| GRAHAM | 0 |
| GRANVILLE | 23,324 |

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| | |
|-------------|-----------|
| GREENE | 7,126 |
| GUILFORD | 0 |
| HALIFAX | 33,955 |
| HARNETT | 38,613 |
| HAYWOOD | 57,325 |
| HENDERSON | 118,667 |
| HERTFORD | 0 |
| HOKE | |
| HYDE | 7,240 |
| IREDELL | 0 |
| JACKSON | 0 |
| JOHNSTON | 0 |
| JONES | 3,967 |
| LEE | 50,166 |
| LENOIR | 33,613 |
| LINCOLN | 105,179 |
| MACON | 0 |
| MADISON | 0 |
| MARTIN | 13,896 |
| MCDOWELL | 0 |
| MECKLENBURG | 1,361,619 |
| MITCHELL | 12,317 |
| MONTGOMERY | 14,723 |
| MOORE | 107,236 |
| NASH | 83,905 |
| NEW HANOVER | 350,626 |
| NORTHAMPTON | 0 |
| ONSLow | 0 |
| ORANGE | 201,639 |
| PAMLICO | 9,529 |
| PASQUOTANK | 0 |
| PENDER | 0 |
| PERQUIMANS | 9,538 |
| PERSON | 19,209 |
| PITT | 122,946 |
| POLK | 24,063 |
| RANDLOPH | 86,156 |
| RICHMOND | 20,964 |
| ROBESON | 43,512 |
| ROCKINGHAM | 48,897 |
| ROWAN | 80,721 |
| RUTHERFORD | 46,477 |
| SAMPSON | 22,110 |
| SCOTLAND | 20,402 |
| STANLY | 0 |
| STOKES | 0 |
| SURRY | 45,079 |

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| | |
|--------------|-----------|
| SWAIN | 0 |
| TRANSYLVANIA | 54,832 |
| TYRRELL | 3,460 |
| UNION | 90,371 |
| VANCE | 20,138 |
| WAKE | 1,503,874 |
| WARREN | 13,917 |
| WASHINGTON | 0 |
| WATAUGA | 99,165 |
| WAYNE | 0 |
| WILKES | 44,834 |
| WILSON | 69,485 |
| YADKIN | 27,862 |
| YANCY | 12,853 |
| | 7,522,373 |

* 9.1 million

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APPENDIX "N"

DIVISION OF ENVIRONMENTAL MANAGEMENT

February 24, 1986

MEMORANDUM

TO: R. Paul Wilms

FROM: Walter D. Taft, Jr. *WT*

SUBJECT: Water and Sewer Needs of Local Governments

Referencing the subject memorandum to you from Fred Aiken on February 17, 1986, the Construction Grants Section has put together the following information for you for your meeting with the Local Government Finance Committee. We have compiled the information in a question and answer format, using Mr. Aiken's memorandum as a guide.

- a) Question: Identified sewer needs of local governments. Please compare the identified sewer needs of local governments compiled several years ago based on the much higher cost sharing arrangement among the Federal, State, and local governments with the updated needs assessment undertaken by your office.

Answer: OVER THE LAST TEN YEARS, TOTAL WASTEWATER NEEDS, AS ESTIMATED BY BIENNIAL SURVEYS CONDUCTED JOINTLY BY EPA AND THE STATE, HAVE RANGED FROM \$1.3 TO \$1.8 BILLION. FOR INSTANCE THE 1984 NEEDS SURVEY ESTIMATED WASTEWATER TREATMENT NEEDS IN NORTH CAROLINA TO THE YEAR 2000 AT \$1.7 BILLION THEY ARE CATEGORIZED AS FOLLOWS:

| | | |
|----------------------|----------------|---------|
| WASTEWATER TREATMENT | \$.470 | BILLION |
| INFILTRATION/INFLOW | .097 | |
| COLLECTOR SEWERS | .546 | |
| INTERCEPTOR SEWERS | .629 | |
| | <u>\$1.742</u> | BILLION |

SINCE 1973 EPA AND THE STATE HAVE PARTICIPATED IN CONSTRUCTION IN EXCESS OF \$1 BILLION FOR WASTEWATER TREATMENT FACILITIES IN NORTH CAROLINA. EVEN WITH THIS INVESTMENT, THE TOTAL DOLLAR NEEDS IN THE STATE HAVE NOT CHANGED SIGNIFICANTLY. THIS IS BECAUSE NEW NEEDS EMERGE THROUGH THE YEARS AND INFLATION ACTS TO INCREASE COSTS.

- b) Question: Explain the method used to determine local government sewer needs.

Answer: THE 1986 STATE/EPA NEEDS SURVEY IS CURRENTLY IN PROGRESS. THE PRIMARY DIFFERENCE BETWEEN THIS, AND EARLIER SURVEYS IS IN THE DOCUMENTATION. APPROXIMATELY 50% OF THE STATE'S TOTAL NEEDS ARE NOT SUPPORTED BY ENGINEERING DOCUMENTS. THE STAFF OF DEM IS NOW WORKING TO SUBSTANTIATE NEEDS THROUGH APPROPRIATE PLANNING DOCUMENTS AND SANITARY SURVEYS. IT IS ANTICIPATED THAT THE 1986 SURVEY WILL REVEAL CURRENT NEEDS IN THE RANGE OF \$600 TO \$900 MILLION, AND YEAR 2000 NEEDS RANGING FROM \$1 TO \$1.5 BILLION. THE SURVEY WILL BE COMPLETED IN JULY OF THIS YEAR.

- c) Question: Please explain the priority wastewater funding list used by the Construction Grants Section, how it is compiled, and how funded.

Answer: THE DIVISION OF ENVIRONMENTAL MANAGEMENT PREPARES A PRIORITY WASTEWATER FUNDING LIST EACH YEAR, WITH FIVE YEAR PROJECTIONS BASED ON EPA GRANT FUNDING LEVELS. THE LIST IS PREPARED IN ACCORDANCE WITH SUBCHAPTER 2F, SECTION .0100 FEDERAL GRANTS PRIORITY, INCLUDED UNDER THE ADMINISTRATIVE PROCEDURES ACT (APA). PRIORITY FACTORS ARE IN ACCORDANCE WITH EPA GUIDELINES, AND INCLUDE RATINGS FOR BOTH WASTEWATER TREATMENT FACILITIES AND FOR SEWERS. THE PRIORITY RATINGS FOR WASTEWATER TREATMENT FACILITIES INCLUDE:

| | <u>Pts.</u> |
|----------------------------------|-------------|
| DISCHARGE INVENTORY | 50 |
| (which deals with water quality) | |
| STREAM CLASSIFICATION | 10 |
| DESIGN OF EXISTING FACILITIES | 10 |
| COMPLIANCE SCHEDULE | 10 |
| REGIONALIZATION | 10 |
| TOTAL | <u>100</u> |

THE PRIORITY RATINGS FOR SEWERS INCLUDE:

| | <u>Pts.</u> |
|----------------------------------|-------------|
| DISCHARGE INVENTORY | 50 |
| (which deals with water quality) | |
| PUBLIC NEED | 20 |
| CAPACITY NEED | 5 |
| HEALTH NEED | 10 |
| SERVICE AREA NEED | 15 |
| TOTAL | <u>100</u> |

THE DIVISION PREPARES A DRAFT PRIORITY WASTEWATER FUNDING LIST FOR PRESENTATION AT A STATEWIDE PUBLIC HEARING. THE LIST IS SUBSEQUENTLY REVISED ACCORDING TO COMMENTS RECEIVED, AND IS PRESENTED TO THE ENVIRONMENTAL MANAGEMENT COMMISSION FOR APPROVAL. IT IS THEN CERTIFIED TO EPA FOR FINAL APPROVAL. THE NUMBER OF PROJECTS PROJECTED FOR FUNDING VARIES ACCORDING TO PROJECT COSTS AND THE AMOUNT OF THE FEDERAL ALLOTMENT TO NORTH CAROLINA. FOR THE PAST FIVE YEARS THE STATE HAS RECEIVED APPROXIMATELY \$44 MILLION PER YEAR AND FUNDED 20 TO 25 PROJECTS EACH YEAR.

THE PRIORITY SYSTEM FOR STATE GRANTS UNDER THE CLEAN WATER BOND ACT DIFFERED FROM THE FEDERAL PRIORITY SYSTEM. STATE PRIORITY CRITERIA INCLUDED FINANCIAL NEED AND READINESS-TO-PROCEED, WHICH ARE DISALLOWED IN THE FEDERAL SYSTEM.

- d) Question: Please explain the relationship of the moratorium list to the priority wastewater funding list, if they relate. A further explanation on the following points would be helpful.

Answer: THE MORATORIUM LIST IS PREPARED INDEPENDENTLY OF THE PRIORITY WASTEWATER FUNDING LIST. IT IS COMPOSED SOLELY OF MUNICIPALITIES WHICH ARE UNABLE TO MEET THEIR NPDES LIMITS. THE FUNDING LIST CONTAINS PROJECTS WHICH HAVE NOT YET RECEIVED GRANT FUNDING. THE POINT OF CONTACT BETWEEN THE TWO LISTS IS WASTEWATER NEEDS. THESE INCLUDE WATER QUALITY PROBLEMS, PERMIT VIOLATIONS, CAPACITY, AND IN SOME CASES HEALTH NEEDS. FOR EXAMPLE, A MUNICIPALITY UNDER SPECIAL ORDER BY CONSENT WILL BE FACTORED INTO THE FUNDING LIST AT A HIGHER RATE THAN A MUNICIPALITY THAT IS IN COMPLIANCE WITH ITS EFFLUENT LIMITS.

1. Question: Why are communities placed on the moratorium list?

Answer: COMMUNITIES ARE PLACED ON THE MORATORIUM LIST BECAUSE THEY ARE IN NON-COMPLIANCE WITH EFFLUENT LIMITS. THE CAPABILITY OF THEIR TREATMENT FACILITIES IS INSUFFICIENT TO MEET NPDES DISCHARGE LIMITS.

2. Question: How long are they likely to remain on this list?

Answer: THIS VARIES FROM CASE TO CASE. IF THE MUNICIPALITY IS ON MORATORIUM BECAUSE OF AN OPERATING PROBLEM, IT WOULD REMAIN ON THE LIST ONLY SO LONG AS IT TOOK TO REVAMP THE MODE OF OPERATION. IF THERE IS A SPECIAL ORDER BY CONSENT (SOC), IT IS POSSIBLE THAT TWO TO FIVE YEARS COULD BE NEEDED TO UPGRADE AND/OR EXPAND THE TREATMENT FACILITY.

3. Question: What actions will your Department take in conjunction with local governments to expedite their removal from the moratorium list?

Answer: AN SOC IS A FORMAL ACTION WHICH ESTABLISHES INTERIM ACHIEVABLE LIMITS AND SETS DATES FOR CONSTRUCTION COMPLETION. THERE IS ALSO A FORMALIZED PROGRAM WHICH PROVIDES TECHNICAL ASSISTANCE IN THE OPERATION OF PLANTS. IN ADDITION, IF THE MUNICIPALITY IS NOT ON THE FUNDABLE RANGE OF THE FEDERAL CONSTRUCTION GRANTS PRIORITY LIST, WE WILL WORK WITH THE COMMUNITY IN AN ATTEMPT TO LOCATE OTHER SOURCES OF FUNDING.

4. Question: What are the costs to construct or improve required facilities for moratorium communities?

Answer: SEE ATTACHED LISTS OF FACILITIES ON MORATORIUM.

5. Question: If funds were available today, how long would it take the moratorium communities to construct required facilities and be removed from this list?

Answer: THE ESTIMATED TIME FOR MORATORIUM COMMUNITIES TO CONSTRUCT REQUIRED FACILITIES WITH FEDERAL GRANT FUNDS IS BETWEEN 2 1/2 AND 5 YEARS. THIS TIME IS CALCULATED AS FOLLOWS:

- a. 201 FACILITIES PLAN COMPLETION AND APPROVED -
6 TO 12 MO.
- b. DESIGN AND APPROVAL OF DESIGN -
6 TO 12 MO.
- c. CONSTRUCTION TIME - 18 TO 36 MO.

- e) Question: Please discuss the impact of the \$60 million appropriation for water and sewer projects and compare or contrast the ability of moratorium communities to adequately finance needed projects.

Answer: THERE ARE A TOTAL OF THIRTY WASTEWATER TREATMENT FACILITIES ON MORATORIUM THAT HAVE NOT RECEIVED FEDERAL FUNDING AND ARE NOT PROJECTED TO RECEIVE FEDERAL GRANTS DURING THE CURRENT FISCAL YEAR. THE AVAILABILITY OF FUTURE FEDERAL FUNDS FOR THESE FACILITIES IS IN QUESTION. THESE FACILITIES REPRESENT A TOTAL ESTIMATED CONSTRUCTION COST OF \$14,032,600. SENATE BILL 2 WOULD PROVIDE \$1,393,822, OR 10% OF THESE COSTS. IN THREE CASES SENATE BILL 2 PROVIDES 50% OF THE CONSTRUCTION COSTS. IN THE OTHER CASES THE DISTRIBUTION OF SENATE BILL 2 MONIES IS SUCH THAT AN AVERAGE OF 4% OF THE CONSTRUCTION COSTS WOULD BE MET.

FACILITIES ON LABORATORIUM
THAT HAVE RECEIVED EPA FUNDING

| Project Name | Estimated Const. Cost | Estimated Federal Funds | CWB Funding | Senate Bill 2 Wastewater Funding |
|----------------|--------------------------|----------------------------|----------------|-------------------------------------|
| Star | 2,239,484 | 1,765,423 | 189,023 | 5,381 |
| Fairmont | 1,595,138 | 1,196,353 | 93,549 | 17,429 |
| Robbins | 907,000 | 680,250 | 164,237 | 8,383 |
| Rowland | 889,410 | 755,999 | 68,644 | 12,489 |
| St. Pauls | 339,864 | 186,925 | - 0 - | 12,107 |
| Roseboro | 430,523 | 310,467 | 65,625 | 8,999 |
| Candor | 1,356,341 | 1,126,463 | 149,776 | 5,769 |
| Dunn | 6,731,267 | 4,962,591 | 68,250 | 58,046 |
| Garland | 448,850 | 246,867 | 117,810 | 6,250 |
| Reidsville | 3,134,748 | 2,343,561 | - 0 - | 79,391 |
| Lexington | 13,807,701 | 10,355,776 | 1,022,066 | 104,065 |
| Yanceyville | 335,933 | 184,763 | - 0 - | - 0 - |
| Denton | 994,891 | 746,168 | 124,361 | 6,777 |
| Rural Hall | 1,134,375 | 850,781 | 119,375 | 10,787 |
| Liberty | 2,769,000 | 2,353,650 | 207,675 | 12,921 |
| Randleman | 1,485,405 | 1,114,054 | 224,000 | 14,672 |
| Eden | 475,023 | 261,263 | - 0 - | 99,699 |
| Mayodan | 2,620,420 | 1,965,315 | 265,750 | 16,226 |
| Pilot Mt. | 3,043,454 | 2,406,599 | 400,323 | 7,048 |
| Burlington, E. | 9,889,097 | 7,416,823 | 1,150,998 | 242,066 |
| Burlington, S. | 13,138,000 | 10,492,800 | 1,350,850 | * |
| *2 projects | | | | |

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FACILITIES ON LABORATORIUM
THAT HAVE RECEIVED EPA FUNDING

| Project Name | Estimated Const. Cost | Estimated Federal Funds | CWB Funding | Senate Bill 2 Wastewater Funding |
|------------------------|--------------------------|----------------------------|----------------|-------------------------------------|
| High Point, E. | 19,695,067 | 15,120,730 | 2,287,168 | 423,777 |
| High Point, W. | 10,500,000 | 8,235,900 | 1,351,334 | * |
| Thomasville | 2,190,029 | 1,642,522 | 273,754 | 96,081 |
| Asheboro | 7,000,000 | 5,432,292 | 783,854 | 99,358 |
| China Grove | 25,000 | 18,750 | - 0 - | 13,581 |
| Spencer | 330,604 | 181,832 | - 0 - | 18,711 |
| CMUD - Irwin Crk. | 2,280,602 | 1,710,452 | 285,075 | 2,152,303 |
| Landis | 1,619,400 | 1,214,550 | 295,875 | 13,378 |
| Granite Falls | 1,500,000 | 1,125,000 | 187,500 | 16,903 |
| Granite Quarry | 40,000 | 30,000 | - 0 - | 8,515 |
| Salisbury - Grants Crk | 757,820 | 568,365 | 146,125 | - 0 - |
| Rockwell | 593,575 | 326,466 | - 0 - | 9,029 |
| CMUD - Sugar Crk. | 1,394,120 | 357,007 | 232,353 | * |
| Holly Ridge | 769,800 | 577,350 | 91,500 | 2,973 |
| Morehead City | 2,390,472 | 1,792,854 | 245,875 | 41,177 |
| Newport | 1,138,717 | 626,294 | - 0 - | 15,411 |
| Chadbourn | 319,000 | 239,250 | 39,875 | 12,651 |
| Wallace | 1,029,794 | 829,664 | - 0 - | 18,883 |
| Burgaw | 370,000 | 203,500 | - 0 - | 11,552 |
| Robbinsville | 705,000 | 394,000 | 160,000 | 5,156 |
| Hendersonville | 1,219,624 | 914,718 | 89,435 | 48,418 |
| *2 projects | | | | |

N12

FACILITIES ON MORATORIUM
WHICH HAVE NOT RECEIVED FEDERAL FUNDS

| Project Name | Estimated Const. Cost | Senate Bill 2 Wastewater Funding (Two Year Total) | Local and/or Grant Cost |
|---------------------------|-----------------------|---|-------------------------|
| Franklinton (1) | \$1,358,000 | \$ 18,190 | \$ 1,339,810 |
| Scotland Neck (1) | 1,262,000 | 35,460 | 1,226,540 |
| Weldon (1) | 884,400 | 22,552 | 861,848 |
| Middlesex (1) | 665,000 | 10,860 | 654,140 |
| Rich Square (1) | 416,000 | 13,042 | 402,958 |
| Siler City | 1,173,000 | 61,178 | 1,111,822 |
| Rocky Mount-Tar River (1) | 9,000,000 | 589,716 | 8,410,284 |
| Littleton (1) | 1,216,000 | 10,452 | 1,205,548 |
| Cary-Coles Branch | * | 361,966 | -0- |
| rain | 600,000 | 3,470 | 596,530 |
| Walstonburg | 800,000 | 2,302 | 797,698 |
| Pink Hill | 354,000 | 8,138 | 345,862 |
| Robersonville (1) | 705,000 | 10,312 | 694,688 |
| Goldsboro-Walnut Crk. | 15,000 | 4,948 | 10,052 |
| Hertford (1) | 785,000 | 25,326 | 759,674 |
| Mt. Olive | 1,000,000 | 66,618 | 933,382 |
| Hamilton | 335,000 | 8,292 | 326,708 |
| Jamesville | ** | 7,840 | -0- |
| Havelock | 250,000 | 268,632 | 125,000 |
| Columbia | 80,000 | 9,776 | 70,224 |
| Eureka (1) | 349,800 | 3,840 | 345,960 |
| Aurora (1) | 379,000 | 9,730 | 369,270 |
| ton | 371,000 | 7,186 | 363,814 |
| West Jefferson (1) | 321,000 | 12,158 | 308,842 |

* Funded with local funds

** Operational problem

(1) Projected for EPA grant funding by 1989

N-6

- f) Question: What is the annual funding level required to address the sewer needs of local governments? Please include in your response, the impact of future Federal or Congressional actions.

Answer: THE NEEDS SURVEY ESTIMATES CURRENT WASTEWATER TREATMENT NEEDS IN NORTH CAROLINA AT \$600 TO \$900 MILLION, AND YEAR 2000 NEEDS AT \$1 TO \$1.5 BILLION. THIS MEANS THAT THROUGH THE NEXT FOURTEEN YEARS \$71 TO \$107 MILLION WOULD BE REQUIRED ANNUALLY TO ADDRESS THESE NEEDS. THIS FIGURE DOES NOT INCLUDE THE COST OF REMOVING NUTRIENTS AND TOXICS. THE ROLE OF THE FEDERAL GOVERNMENT IN SHARING THESE COSTS HAS NOT YET BEEN DEFINED. THE ADMINISTRATION ADVOCATES PHASING OUT FEDERAL INVOLVEMENT OVER THE NEXT FOUR YEARS, WITH ANNUAL DECREASES OF \$600 MILLION THROUGH 1989. THE CONGRESS RECOMMENDS FUNDING THE CONSTRUCTION GRANTS PROGRAM THROUGH FISCAL YEAR 1994, WITH A TOTAL OF \$9.6 BILLION IN GRANTS AND \$8.4 BILLION IN STATE REVOLVING LOAN MONEY SLATED TO BEGIN IN FISCAL YEAR 1989.

FACILITIES ON MORATORIUM
WHICH ARE NOT PROJECTED TO RECEIVE
FEDERAL FUNDS DURING FY 86

| Project Name | Estimated Const. Cost | Senate Bill 2 Wastewater Funding (Two Year Total) | Local and/or Grant Cost |
|---------------------------|-----------------------|---|-------------------------|
| Weldon | \$ 884,400 | \$ 22,552 | \$ 861,848 |
| Middlesex | 665,000 | 10,860 | 654,140 |
| Siler City | 1,173,000 | 61,178 | 1,111,822 |
| Kings Mtn.-Pilot Crk. | 181,000 | 116,932 | 90,500 |
| Colerain | 600,000 | 3,470 | 596,530 |
| Walstonburg | 800,000 | 2,302 | 797,698 |
| Pink Hill | 354,000 | 8,138 | 345,862 |
| Goldsboro-Walnut Crk. | 15,000 | 4,948 | 10,052 |
| Mt. Olive | 1,000,000 | 66,618 | 933,382 |
| Weldon | 335,000 | 8,292 | 326,708 |
| Jamesville | ** | 7,840 | -0- |
| Havelock | 250,000 | 268,632 | 125,000 |
| Columbia | 80,000 | 9,776 | 70,224 |
| Eureka | 349,800 | 3,840 | 345,960 |
| Parkton | 371,000 | 7,186 | 363,814 |
| Sparta | ** | 22,262 | -0- |
| Cooleemee | 100,000 | -0- | 100,000 |
| Lameur | 665,600 | 15,396 | 650,204 |
| Hedgefield Saniatry Dist. | 44,000 | -0- | 44,000 |
| Madkinville | 1,650,000 | 28,450 | 1,621,550 |
| Stanley | 50,000 | 32,020 | 25,000 |

* Operational problem

FACILITIES ON MORATORIUM
WHICH HAVE NOT RECEIVED FEDERAL FUNDS

| Project Name | Estimated Const. Cost | Senate Bill 2 Wastewater Funding (Two Year Total) | Local and/or Grant Cost |
|---------------------------|-----------------------|---|-------------------------|
| Sparta | \$ ** | \$ 22,262 | \$ -0- |
| Cooleemee | 100,000 | -0- | 100,000 |
| Rameur | 665,600 | 15,396 | 650,204 |
| Sedgefield Sanitary Dist. | 44,000 | -0- | 44,000 |
| Jefferson (1) | 750,000 | 14,640 | 735,360 |
| Yadkinville (1) | 1,650,000 | 28,450 | 1,621,550 |
| Lenoir-Lower Crk. (1) | 1,660,000 | 176,068 | 1,483,932 |
| Taylorsville (1) | 976,000 | 14,046 | 961,954 |
| Stanley | 50,000 | 32,020 | 25,000 |
| Lincoln Co.-Hoyle Crk. | ** | 488,238 | -0- |
| Southport (1) | 1,280,000 | 42,320 | 1,237,680 |
| Lake Waccamaw (1) | 300,000 | 15,306 | 284,694 |
| Richlands | 394,000 | 10,904 | 383,096 |
| Kenansville (1) | 369,000 | 12,226 | 356,774 |
| Andrews | 700,000 | 21,754 | 678,246 |
| Bakersville | 322,000 | 4,696 | 317,304 |
| Jackson Co. (Cashiers) | 589,000 | 7,732 | 581,268 |
| MSD-Buncombe Co. (1) | 21,000,000 | -0- | 21,000,000 |
| Forest City | 1,591,000 | 100,586 | 1,490,414 |
| Spruce Pine | 227,800 | 28,780 | 199,020 |
| Columbus (1) | 75,000 | 11,128 | 63,872 |
| Blowing Rock (1) | 2,500,000 | 18,636 | 2,481,364 |
| nsville | 272,000 | 18,214 | 253,786 |
| Kings Mtn.-Pilot Crk. | 181,000 | 116,932 | 90,500 |
| Total | \$58,015,600 | \$2,772,318 | \$56,300,672 |

** Operational problem

(1) Projected for EPA grant funding by 1989

N-7

1/21/86

FACILITIES ON MORATORIUM
THAT HAVE RECEIVED EPA FUNDING

| Project Name | Estimated Const. Cost | Estimated Federal Funds | CWB Funding | Senate Bill 2 Wastewater Funding |
|--------------------|--------------------------|----------------------------|----------------|-------------------------------------|
| Pinetops | \$ 1,180,557 | \$ 885,418 | \$ - 0 - | \$ 9,674 |
| Enfield | 643,000 | 482,250 | 80,375 | 18,603 |
| Halifax | 247,370 | 136,053 | 44,875 | 1,550 |
| Clayton | 3,486,700 | 1,251,900 | - 0 - | 29,134 |
| Princeton | 1,259,968 | 692,982 | - 0 - | 7,379 |
| Bailey | 626,000 | 532,100 | 44,504 | 4,609 |
| Nashville | 1,395,000 | 767,250 | - 0 - | 20,625 |
| Jackson | 1,362,970 | 1,115,305 | 123,832 | 4,392 |
| Elm City | 1,104,351 | 938,698 | 83,546 | 10,478 |
| Stantonsburg | 2,597,600 | 1,948,200 | 324,700 | 5,739 |
| Kenly | 1,608,545 | 884,700 | - 0 - | 9,094 |
| Creedmoor | 847,000 | 635,250 | 105,875 | 10,964 |
| Oxford | 2,230,704 | 1,226,887 | - 0 - | 51,973 |
| Durham | 11,740,439 | 8,862,734 | 2,180,662 | 675,739 |
| Umstead Hospital | 5,405,000 | 4,053,750 | 675,625 | - 0 - |
| Lewiston-Woodville | 340,984 | 187,541 | - 0 - | 4,434 |
| Elizabeth City | 100,305 | 55,168 | - 0 - | 89,782 |
| Edenton | 6,456,000 | 5,455,100 | 500,450 | 34,581 |
| Ahoskie | 5,378,750 | 4,535,445 | 421,750 | 30,964 |
| Winton | 1,429,887 | 1,179,300 | 180,322 | 5,310 |
| Bethel | 2,327,000 | 1,745,250 | 290,875 | 12,187 |
| Goldsboro | 4,941,609 | 3,706,207 | 793,625 | 226,077 |
| White Lake | 518,083 | 284,946 | - 0 - | 6,513 |

012

FACILITIES ON MORATORIUM
WHICH ARE NOT PROJECTED TO RECEIVE
FEDERAL FUNDS DURING FY 86

| Project Name | Estimated Const. Cost | Senate Bill 2 Wastewater Funding (Two Year Total) | Local and/or Grant Cost |
|------------------------|-----------------------|---|-------------------------|
| Lincoln Co.-Hoyle Crk. | \$ ** | \$ 488,238 | \$ -0- |
| Richlands | 394,000 | 10,904 | 383,096 |
| Kenansville | 369,000 | 12,226 | 356,774 |
| Andrews | 700,000 | 21,754 | 678,246 |
| Bakersville | 322,000 | 4,696 | 317,304 |
| Jackson Co. (Cashiers) | 589,000 | 7,732 | 581,268 |
| Forest City | 1,591,000 | 100,586 | 1,490,414 |
| Spruce Pine | 227,800 | 28,780 | 199,020 |
| Burnsville | 272,000 | 18,214 | 253,786 |
| Total | \$14,032,600 | \$1,393,822 | \$13,334,202 |

** Operational problem

N-9

FACILITIES ON .ATORIUM
 THAT HAVE RECEIVED EPA FUNDING

| Project Name | Estimated Const. Cost | Estimated Federal Funds | CWB Funding | Senate Bill 2 Wastewater Funding |
|--------------|--------------------------|----------------------------|----------------|-------------------------------------|
| Hayesville | 73,778 | 40,578 | - 0 - | 2,471 |
| Brevard | 3,423,000 | 2,567,250 | 427,815 | 35,193 |
| Old Fort | 1,200,000 | 900,000 | 393,000 | 4,964 |
| TOTALS: | \$185,559,148 | \$138,334,649 | \$18,923,866 | \$ 5,048,791 |

N-13

~~CONFIDENTIAL~~

In 1982 we undertook a survey of plans and needs for water system improvements of systems which are publicly owned - County, Municipal and Sanitary District systems. We estimated at that time that the amount of funds needed for water system improvements and expansion over the [REDACTED]

[REDACTED] Our experience since 1971 when the first Clean Water Bond Act was passed has indicated that such an estimate was fairly reliable, but perhaps on the conservative side in a growing economic condition. During the period from 1972 to 1982, substantial State and Federal grant funds provided a strong stimulus for local commitment to water system construction.

Decreasing availability of State and Federal grant funds since 1982 may have dampened local enthusiasm for construction of less critically needed facilities. Water system construction contracts awarded in 1983, 84, and 85 total \$200,000,000. Contracts negotiated and work accomplished by force accounts outside general contracting procedures probably would amount to slightly more than \$100 million, indicating that the rate of funding for water supply construction might be slightly less than \$600 million per 5 years.

The Farmers Home Administration in 1985 reported that just under \$5 million in grant funds was available. Those funds are directed at rural areas and communities under 10,000 population. Economic Development Administration grants in 1985 were at approximately a \$1.5 million level. EDA funds are directed at economic development projects such as industrial parks, etc. In 1985 our agency granted \$700,000 in recaptured CWB funds.

The Legislature, of course, appropriated in 1985 a sum of \$20,000,000 each year of the biennium for water supply construction. These funds are to be distributed on a per capita basis to all local governments. This program is administered by the Office of State Budget and Management and we do not have their data

N14

but I expect that a significant percentage of those funds are as yet unclaimed because there is no mechanism to direct the funds where the more critical needs exist.

While North Carolina has provided a considerable sum of grant funds since 1971 whereas most states provide none, it is readily apparent that large grants are a thing of the past and even small grants are becoming very scarce. The burden of providing funding for water supply construction is shifting more and more back to local government.

The responsibility of our Department in water supply is primarily a regulatory one. Since passage of the Federal Safe Drinking Water Act and the implementation of its requirements, the time and effort of our staff has tended to shift away from consulting type assistance and more toward enforcement activities. However our engineers and water plant operating consultants are still available to assist local governments with lots of problems. We do not undertake to provide the detailed planning and designing offered by private consulting engineering companies. With the backup of our excellent Laboratory, we can and do investigate all manners of chemical and bacteriological problems, whether from groundwater or surface water sources.

Our Engineering staff review plans and specifications for construction of water system facilities - new systems, renovations and additions. Over the last 10 years, the number of such projects increased 300% to over 1500 projects in 1984-85.

*No emphasis on rural or urban needs or assistance:
50 employees - including chemical -*

N15



APPENDIX "C"

Public Schools

State Funding Requirements, 1986-87 - 1990-91
A Five-Year Outlook

1. Two big ticket programs the State initiated in the 1985 session are a basic education program and a career development pilot program.

Both are long-term programs. The BEP schedule is for an eight-year implementation period (1985-86 through 1992-93). The Career Development Program schedule is for a four year piloting in 16 LEAs (1986-87 through 1989-90) with statewide implementation in 1990-91.)

2. Cost estimates - A Five-Year Outlook. Cost projections are hazardous for five-year periods because of many uncertainties. However, planning does require estimations based on a reasonable set of assumptions. We do this all the time.

Rough estimates of the two programs may be developed to indicate what the State funding requirements may be for these two major program initiatives. The tentativeness of the estimates should be emphasized for these reasons:

- a. 1985-86 is a planning year for the career ladder pilots. The purpose of four-year piloting is to develop a State program for statewide implementation in 1990-91. It is not possible to predict changes or to reliably predict participation rates.
- b. Major factor in determining costs are pupils in public schools. Enrollment projections are less reliable each year into the future. Also, we do not have a full year's experience with the optional pupil counting method authorized by the 1985 session. This option allows budgets for an individual LEA to be based on the prior year or the projected year's ADM.
- c. Inflation rates, salary increases and other cost factors increase the unpredictability of estimates.

With these cautions and based on the current schedule of implementation, the BEP and the Career Ladder Program would appear to require combined new State dollars each year, without factoring in inflation or salary increases, in the following amounts over each of the next five years:

| | <u>87-88</u> | <u>88-89</u> | (Millions) <u>89-90</u> | <u>90-91</u> |
|---------------|--------------|--------------|----------------------------|--------------|
| BEP | \$126.0 | 114.47 | 102.45 | 87.1 |
| Career Ladder | \$ 3.0 | 4.6 | 24.3 | 84.5 |
| Total | \$129.0 | 119.07 | 126.75 | 171.6 |

0-1

My assumptions factor in 100 percent participation in the career program, excluding estimates of the numbers of teachers going on 11 or 12-month employment. (If ten percent of the teachers were placed on 12-month employment, this would cost an additional \$26.0 million a year in current dollars.)

3. School facilities - School facilities have been defined in the law as a local financial responsibility. A discussion of school facility needs here is to take note of a rather serious need which amounts to some \$2.2 billion, according to the latest survey of local school superintendents, conducted by the State Department of Public Instruction in late 1984. Such a sizeable price tag may be expected to have an impact on local revenues and the General Assembly's consideration as to how to meet those needs.

Notwithstanding the assignment of local financial responsibility for school facilities, the State has authorized four bond issues totalling \$475 million since 1949. In 1979 another was recommended and has not been issued.

The June 1986 session may be considering:

- a. recommendations from an interim study committee on school finance (SB 49). This committee is expected to refine the definition of responsibilities without major departure from the traditional roles;
- b. two funding bills calling for a one-half cent statewide tax levy (SB 431 and HB 764). These proposals would yield about \$182.5 million statewide in 1986-87.

FRD - HAH
2-25-86

HH:ap

0-2

APPENDIX "P"

NORTH CAROLINA STATE STREET AID ALLOCATIONS TO MUNICIPALITIES

(Powell Bill Funds)

Prepared by
Planning and Research Branch
Division of Highways
N. C. Department of Transportation
February, 1986

Annually on or before October 1 of each year, State Street Aid allocations are made to incorporated cities and towns which establish their eligibility and qualify as provided by G.S. 136-41.1 through 136-41.3. The Law currently requires that a sum be allocated to the active and qualifying municipalities equal to the amount produced during the fiscal year by a 1 3/8 cent tax on each gallon of motor fuel. The statute also provides that funds be disbursed to the qualified municipalities on or before October 1. The allocations are to be used for the maintenance, construction, and reconstruction of local city streets.

Of the total amount to be allocated, seventy-five percent is proportioned among the municipalities on the basis of relative population and twenty-five percent on the basis of relative non-State System local street mileage. Each municipality furnishes its own certified local street mileage as of July 1 and the populations are the most recent annual estimate of the population as certified by the State Budget Officer.

Each municipality establishes its eligibility annually by submitting a Certified Statement concerning its municipal election, ad valorem tax, and other sources of income. There are some legally incorporated municipalities which do not perform those municipal functions necessary to qualify for an allocation under the Law.

The first State Street Aid allocation was paid in 1951 at a rate of one-half cent per gallon of the motor fuel tax, and was continued annually

at this rate through 1971. The Law was amended and the rate changed in 1972 and in 1982. From 1972 through 1981, the rate was one cent per gallon. In 1982, it was increased to 1 3/8 cent per gallon.

The formula for distribution of the funds in the original Law was 50 percent on the basis of relative population as indicated in the latest certified Federal Decennial Census and 50 percent on the basis of relative non-State System local street mileage. Effective 1972, the formula was changed to the current 75-25 percent ratio and in 1973 from the latest certified Federal Decennial Census for population to the most recent annual estimates by the State Budget Officer.

The amount of each allocation and the number of participating municipalities by years are as follows:

| <u>YEAR</u> | <u>ALLOCATION*</u> | <u>NO. OF MUN.</u> | <u>YEAR</u> | <u>ALLOCATION*</u> | <u>NO. OF MUN.</u> |
|-------------|--------------------|------------------------|-------------|--------------------|------------------------|
| 1951 | \$ 4,543,096.20 | 386 | 1969 | \$ 11,232,098.33 | 427 |
| 1952 | 4,948,842.30 | 388 | 1970 | 11,909,265.52 | 428 |
| 1953 | 5,244,203.40 | 394 | 1971 | 12,523,711.14 | 428 |
| 1954 | 5,391,717.41 | 396 | 1972 | 27,031,936.20 | 429 |
| 1955 | 5,711,978.98 | 399 | 1973 | 29,295,989.31 | 433 |
| 1956 | 6,219,336.82 | 400 | 1974 | 29,574,960.99 | 439 |
| 1957 | 6,477,032.18 | 405 | 1975 | 29,366,485.96 | 440 |
| 1958 | 6,477,457.37 | 407 | 1976 | 30,747,711.77 | 447 |
| 1959 | 6,768,363.70 | 409 | 1977 | 32,017,463.37 | 452 |
| 1960 | 7,018,901.72 | 411 | 1978 | 33,506,577.36 | 453 |
| 1961 | 7,356,135.97 | 415 | 1979 | 34,647,041.93 | 457 |
| 1962 | 7,640,707.92 | 416 | 1980 | 32,572,754.28 | 458 |
| 1963 | 8,078,232.00 | 419 | 1981 | 31,351,231.78 | 461 |
| 1964 | 8,324,555.39 | 420 | 1982 | 43,102,210.90 | 462 |
| 1965 | 8,776,008.98 | 422 | 1983 | 43,244,257.00 | 463 |
| 1966 | 9,325,192.43 | 423 | 1984 | 45,442,769.46 | 465 |
| 1967 | 9,959,054.78 | 424 | 1985 | 47,166,573.16 | 467 |
| 1968 | 10,416,425.02 | 425 | | | |
| | | | TOTAL | \$653,410,281.03 | |

*1951-1971 at rate of 1/2¢ per gallon.
 1972-1981 at rate of one cent per gallon.
 Beginning 1982 at rate of 1 3/8¢ per gallon.

Under the Law, each municipality which receives an allocation is required to keep a separate record of accounts indicating in detail all receipts and expenditures of these funds. Further, at the end of the fiscal year, each municipality is required to submit a financial statement to the Department of Transportation showing expenditures in detail and the balances on hand. Attached is a summary table of the financial statements received from the municipalities for the fiscal year ended June 30, 1985, and previous years.

A municipality may accumulate these funds without penalty until its balance at the end of the fiscal year equals the total of its most recent ten allocations. Any excess is deducted and carried over and added to the amount to be allocated for the following year.

Amendments to Law

Since the original Law was enacted in 1951, there have been several major amendments.

1963 - Prior to 1963, the eligibility requirements were the same for all municipalities; i.e., (1) have held an election for the purpose of electing municipal officials within the four year period preceding the annual allocation of funds and (2) currently imposes an ad valorem tax or provides other funds for the general operating expenses of the municipality. In 1963, the Law was amended for municipalities incorporated since January 1, 1945, requiring that they have (1) conducted the most recent election required by its charter or general law for the purpose of electing municipal officials, (2) levied an ad valorem tax for the current fiscal year of at least five cents on the \$100 valuation upon all taxable property within its corporate limits, (3) at the time of its application for its second and succeeding allocations it shall have

collected at least 50 percent of the total ad valorem tax levied for the preceding fiscal year, and (4) have adopted a budget ordinance showing revenue received from all sources and showing that funds have been appropriated for at least two of the following services: water distribution; sewage collection or disposal; garbage and refuse collection or disposal; fire protection; police protection; street maintenance, construction, or right-of-way acquisition; or street lighting.

1971 - Effective with the 1972 allocation, the amount to be allocated was increased from 1/2 cent per gallon to one cent per gallon. The formula for distribution was changed from 50 percent to be proportioned on the basis of relative population and 50 percent on the basis of relative non-State System local street mileage to 75 percent on the basis of relative population and 25 percent on the basis of relative non-State System local street mileage. Effective 1971, the Department of Transportation was authorized to apply a municipality's allocation to accounts with the Department which the municipality had failed to pay.

1973 - The 1951 Law provided that the latest certified federal decennial census population be used for proportioning the fund; i.e., a municipality's population remained constant for 10 years. A 1973 amendment provided for the most recent annual estimates of population as certified by the Secretary of the North Carolina Department of Administration. A 1980 amendment changed the "Secretary of the North Carolina Department of Administration" to the "State Budget Officer". Effective January 1, 1974, an amendment provided that interest on accumulated Powell Bill funds shall be used only for the purposes for which Powell Bill funds can be used and that a municipality may accumulate Powell Bill

funds without penalty until its balance at the end of the fiscal year equals the total of its most recent 10 allocations. Any excess is deducted and is carried over and added to the amount to be allocated for the following year.

1975 - Amended to require the annual estimation of population to include the increases in population within the municipalities caused by annexations accomplished through July 1 of the calendar year in which these funds are distributed.

1977 - Amended to permit the funds to be used for the planning, construction, and maintenance of bikeways located within the rights of way of public streets and highways.

1981 - Effective with the 1982 allocation, the amount to be allocated was increased from one cent per gallon to 1 3/8 cents per gallon. Effective July 1, 1981, an amendment qualified the unincorporated area known as Butner for an allocation.

MUNICIPAL EXPENDITURES FROM STATE STREET-AID FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 1985
BY POPULATION GROUPS
(465 MUNICIPALITIES)

| Purpose | 50,000 & Over (8 Mun.) | 25,000 - 49,999 (9 Mun.) | 5,000 - 24,999 (53 Mun.) | Under 5,000 (395 Mun.) | TOTAL | PERCENT OF TOTAL EXPENDITURES | |
|---|------------------------------|--------------------------------|--------------------------------|------------------------------|-----------------|-------------------------------|------------------------|
| | | | | | | Fiscal Yr. 1984-85 | Fiscal Yrs. 1951-84 |
| Paving & Resurfacing | \$11,634,488.18 | \$2,121,742.93 | \$2,929,283.01 | \$4,284,724.07 | \$20,970,238.19 | 45.71 | 44.53 |
| Maintenance | 4,615,516.87 | 2,598,883.69 | 5,451,844.36 | 4,354,524.02 | 17,020,768.94 | 37.11 | 36.02 |
| Equipment | 539,197.65 | 17,423.46 | 1,066,854.44 | 397,724.22 | 2,021,199.77 | 4.41 | 3.84 |
| Drainage & Storm Sewer | 862,280.72 | 223,450.23 | 172,831.89 | 377,417.40 | 1,635,980.24 | 3.57 | 4.74 |
| Traffic Control | 746,134.29 | 264,985.47 | 110,917.94 | 38,038.54 | 1,160,076.24 | 2.53 | 1.72 |
| Right of Way | 828,551.80 | - | 127,379.16 | 73,504.40 | 1,029,435.36 | 2.24 | 2.43 |
| Debt Service | 275,112.62 | 453,194.53 | 61,474.00 | 7,162.50 | 796,943.65 | 1.74 | 0.42 |
| Curb & Gutter, Widening | 113,281.14 | - | 286,621.59 | 285,751.60 | 685,654.33 | 1.49 | 4.36 |
| Bridge Construction & Repair | 113,474.18 | - | 123,035.01 | 35,970.08 | 272,479.27 | 0.59 | 0.80 |
| Engineering | 9,539.18 | - | 85,165.88 | 96,482.01 | 191,187.07 | 0.42 | 0.54 |
| Opening New Streets | 15,037.35 | - | 7,008.92 | 65,255.98 | 87,302.25 | 0.19 | 0.60 |
| Bikeways | - | - | - | - | - | - | * |
| Total Expenditures | \$19,752,613.98 | \$5,679,680.31 | \$10,422,416.20 | \$10,016,554.82 | \$45,871,265.31 | 100.00 | 100.00 |
| Unused Balance | 7,368,034.50 | 67,330.07 | 3,611,913.31 | 8,845,304.71 | 19,892,582.59 | | |
| Total Available State Street-Aid Funds | \$27,120,648.48 | \$5,747,010.38 | \$14,034,329.51 | \$18,861,859.53 | \$65,763,847.90 | | |

* Less than 0.01

-96-

(Millions of Dollars)

| <u>Category:</u> | <u>SB 182 FY 1986-87</u> | <u>Amount Needed</u> | <u>Difference</u> |
|---|------------------------------|------------------------------------|-------------------|
| <u>I. Construction</u> | | | |
| (a) Primary | \$ 1.500 | \$ 2.000 | \$ 0.5 |
| (b) Secondary | 48.663 | _* | - |
| (c) Urban | 1.500 | 19.500 | 18.0 |
| (d) State Funds to Match Federal-aid Construct- ion | 27.860 | 69.400 | 41.5 |
| | | | \$ 60.0 |
| <u>II. Maintenance</u> | | | |
| (a) Primary | \$ 67.360 | \$ 73.300 | \$ 6.0 |
| (b) Secondary | 122.604 | 131.500 | 8.9 |
| (c) Urban | 16.989 | 21.000 | 4.0 |
| (d) Contract Resurfacing | 84.050 | 102.000 | 18.0 |
| | | | \$ 36.9 |
| <u>III. Capital Improvements</u> | | | |
| | \$ 2.006 | \$ 10.000 | \$ 8.0 |
| | | | \$ 8.0 |
| | | Additional Needed to "Stand Still" | \$ 104.9 |

* By statute, size of this appropriation is amount of revenue generated by 1 3/8¢ of the State motor fuel tax.

Explanation

- The only increase in the amount shown in SB 182 for FY 1986-87 in Primary, Secondary, and Urban Construction was an additional \$0.5 million in Primary and an additional \$1.0 million in Urban for traffic spot safety improvements. For the past several years \$1.5 million has been annually appropriated for Primary and \$1.5 million for Urban construction to be used for traffic spot safety improvements. This "constant" appropriation has not reflected the increasing traffic congestion and inflation costs. As of February 24, 1986 the unallocated balance of the FY 1985-86 Primary traffic spot safety appropriation was \$21,185 and the balance of the Urban Traffic spot safety appropriation was \$19,502. Thus, the increases of \$0.5 million in Primary and \$1.0 million in Urban represents only the "bare bones" minimum increases needed in these appropriations.
- The amount needed in state funds to match federal-aid construction in an estimate based on the best available information on the availability of federal-aid funds that can be obligated or spent (not the apportionment or authorization levels). The current federal-aid highway program established by the Surface Transportation Assistance Act of 1982 is scheduled to expire on September 30, 1986. Thus, actions yet to be taken by Congress will determine the actual level of federal-aid highway funding to be made available after September 30, 1986. The amount needed is based on a continuation of the federal-aid highway programs at approximately the same level as for FY 1985-86.
- The amount needed for the Primary, Secondary, and Urban maintenance appropriations reflect the level of funding to maintain the current level of service plus an additional \$1.0 million in Primary maintenance for maintenance of pavement lane markings and an additional \$2.4 million in Urban maintenance to begin replacement of worn out traffic signal equipment.
- The amount needed for maintenance contract resurfacing is the estimated cost of resurfacing approximately 3200 miles of highways each year.
- The amount needed for capital improvements addresses only the more critical needs and includes replacement of one ferry vessel.

IMMEDIATE PROBLEMS

o LOSS OF GENERAL REVENUE SHARING

IT NOW APPEARS CERTAIN THAT THE CONGRESS WILL ELIMINATE THE GRS PROGRAM, EFFECTIVE OCTOBER, 1986. THIS REPRESENTS A LOSS OF NEARLY \$120 MILLION FOR COUNTIES AND MUNICIPALITIES. (\$74 MILLION FOR COUNTIES AND \$43 MILLION FOR TOWNS). THE LOSS OF THESE REVENUES WILL HAVE A SERIOUS IMPACT ON LOCAL CAPITAL PROJECT FINANCING.

o TAX REFORM ACT

THIS PROPOSED LEGISLATION HAS CREATED A LOT OF CONFUSION IN THE MUNICIPAL BOND MARKET. THE MAIN PROBLEM IS THE POTENTIAL LOSS OF TAX-EXEMPT STATUS FOR GENERAL OBLIGATION BONDS ISSUED TO FINANCE WATER, SEWER, AIRPORTS, AND OTHER PUBLIC PROJECTS WHICH BENEFIT PRIVATE SECTOR INTERESTS. ADDITIONALLY, COMMERCIAL BANKS WOULD NO LONGER BE ABLE TO DEDUCT INTEREST COSTS ON MONEY BORROWED TO CARRY MUNICIPAL BONDS. FINALLY, THE BILL WOULD REQUIRE TIGHTER BOND SALE/SPENDING DEADLINES THAT POTENTIALLY REDUCE LOCAL FLEXIBILITY IN ISSUING BONDS.

o FEDERAL DEFICIT REDUCTION

IN ADDITION TO THE LOSS OF GENERAL REVENUE SHARING, WE EXPECT THAT THE CONGRESS WILL SIGNIFICANTLY REDUCE APPROPRIATIONS FOR OTHER DOMESTIC ASSISTANCE PROGRAMS (ON AVERAGE, BY 22%). THESE REDUCTIONS ARE PROJECTED TO HAVE A SERIOUS EFFECT ON

(Millions of Dollars)

| <u>Category:</u> | <u>SB 182 FY 1986-87</u> | <u>Amount Needed</u> | <u>Difference</u> |
|---|------------------------------|------------------------------------|-------------------|
| <u>I. Construction</u> | | | |
| (a) Primary | \$ 1.500 | \$ 2.000 | \$ 0.5 |
| (b) Secondary | 48.663 | -* | - |
| (c) Urban | 1.500 | 19.500 | 18.0 |
| (d) State Funds to Match Federal-aid Construct- ion | 27.860 | 69.400 | <u>41.5</u> |
| | | | \$ 60.0 |
| <u>II. Maintenance</u> | | | |
| (a) Primary | \$ 67.360 | \$ 73.300 | \$ 6.0 |
| (b) Secondary | 122.604 | 131.500 | 8.9 |
| (c) Urban | 16.989 | 21.000 | 4.0 |
| (d) Contract Resurfacing | 84.050 | 102.000 | <u>18.0</u> |
| | | | \$ 36.9 |
| <u>III. Capital Improvements</u> | | | |
| | \$ 2.006 | \$ 10.000 | \$ <u>8.0</u> |
| | | | \$ 8.0 |
| | | Additional Needed to "Stand Still" | \$ <u>104.9</u> |

* By statute, size of this appropriation is amount of revenue generated by 1 3/8¢ of the State motor fuel tax.

Explanation

- The only increase in the amount shown in SB 182 for FY 1986-87 in Primary, Secondary, and Urban Construction was an additional \$0.5 million in Primary and an additional \$1.0 million in Urban for traffic spot safety improvements. For the past several years \$1.5 million has been annually appropriated for Primary and \$1.5 million for Urban construction to be used for traffic spot safety improvements. This "constant" appropriation has not reflected the increasing traffic congestion and inflation costs. As of February 24, 1986 the unallocated balance of the FY 1985-86 Primary traffic spot safety appropriation was \$21,185 and the balance of the Urban Traffic spot safety appropriation was \$19,502. Thus, the increases of \$0.5 million in Primary and \$1.0 million in Urban represents only the "bare bones" minimum increases needed in these appropriations.
- The amount needed in state funds to match federal-aid construction in an estimate based on the best available information on the availability of federal-aid funds that can be obligated or spent (not the apportionment or authorization levels). The current federal-aid highway program established by the Surface Transportation Assistance Act of 1982 is scheduled to expire on September 30, 1986. Thus, actions yet to be taken by Congress will determine the actual level of federal-aid highway funding to be made available after September 30, 1986. The amount needed is based on a continuation of the federal-aid highway programs at approximately the same level as for FY 1985-86.
- The amount needed for the Primary, Secondary, and Urban maintenance appropriations reflect the level of funding to maintain the current level of service plus an additional \$1.0 million in Primary maintenance for maintenance of pavement lane markings and an additional \$2.4 million in Urban maintenance to begin replacement of worn out traffic signal equipment.
- The amount needed for maintenance contract resurfacing is the estimated cost of resurfacing approximately 3200 miles of highways each year.
- The amount needed for capital improvements addresses only the more critical needs and includes replacement of one ferry vessel.

TRANSPORTATION TASK FORCE SUMMARYCONSTRUCTION NEEDS, FY 1986-87 to YEAR 2000

| | <u>BACKLOG</u> | <u>ADDITIONAL TO YEAR 2000</u> |
|---|---------------------|------------------------------------|
| Rural Primary Capacity | \$ 2.24 Billion | \$ 2.18 Billion |
| Urban Thoroughfare Capacity | 3.05 Billion | 2.59 Billion |
| Bridges | 1.58 Billion | 1.52 Billion |
| Secondary | 0.99 Billion | 0.67 Billion |
| Widening on Primary System | <u>2.26</u> Billion | <u>-0-</u> |
| | \$10.13 Billion | \$ 6.96 Billion |
| Total | \$ 17.09 Billion | |
| Estimated Programmed | <u>5.0</u> Billion | |
| Construction <u>Shortfall</u> To Year 2000 | \$ 12.1 Billion | |

MAINTENANCE AND OTHER NEEDS,
FY 1986-87 to YEAR 2000

| | <u>TO YEAR 2000</u> |
|---|---------------------|
| Road/Bridge Maintenance | \$ 3.23 Billion |
| Contract Resurfacing | <u>1.44</u> Billion |
| Total | \$ 4.67 Billion |
| Estimated Programmed | <u>4.07</u> Billion |
| Maintenance <u>Shortfall</u> to 2000 | \$.60 Billion |
| Ferries (Capital and Maintenance) | \$119.0 Million |
| Buildings/Grounds (Capital and Maintenance) | 64.6 Million |

NOTE: Figures in constant dollars; no inflation.

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February 1986

APPENDIX 'Q'

PRESENTATION TO THE LOCAL GOVERNMENT FINANCE STUDY COMMITTEE

C. Ronald Aycok, Executive Director

North Carolina Association of County Commissioners

February 26, 1986

INTRODUCTION

COUNTY COMMISSIONERS HAVE FOLLOWED THE VARIOUS STUDIES INITIATED BY THE 1985 GENERAL ASSEMBLY WITH A GREAT DEAL OF INTEREST. WE HAVE BEEN VERY PLEASED BY THE AWARENESS OF LOCAL GOVERNMENT PROBLEMS DISPLAYED BY THESE STUDY COMMITTEES, ESPECIALLY THIS COMMITTEE.

COUNTY COMMISSIONERS SHARE A COMMON INTEREST WITH STATE LEGISLATORS. BOTH GROUPS OF ELECTED OFFICIALS ARE REQUIRED TO MAKE DIFFICULT DECISIONS REGARDING THE WISEST USE OF LIMITED REVENUES TO ADDRESS A SEEMINGLY ENDLESS VARIETY OF NEEDS.

THESE NEEDS DO NOT DISAPPEAR WHEN SOME OF OUR REVENUE RESOURCES ARE LOST. WE FACE JUST THIS SITUATION IN THE NEXT SEVERAL YEARS AS THE U.S. CONGRESS ENDEAVORS TO BALANCE THE FEDERAL BUDGET. WE WILL HAVE A DIFFICULT TIME MAKING ENDS MEET SIMPLY TO CONTINUE CURRENT STATE AND LOCAL OPERATING BUDGETS. WE FACE A REAL DANGER OF "MAKING DO" AT THE EXPENSE OF THE PRESSING NEED TO RENEW VITALLY IMPORTANT PUBLIC INFRASTRUCTURE.

STATEMENT OF PURPOSE

WE APPRECIATE THIS OPPORTUNITY TO EXPRESS OUR VIEWS TO THE COMMITTEE AS YOU BEGIN TO FORMULATE YOUR RECOMMENDATIONS FOR THE GENERAL ASSEMBLY. I WANT TO SHARE WITH YOU SOME OF THE IMMEDIATE PROBLEMS FACING COUNTIES WITH A FOCUS ON CAPITAL PROJECT NEEDS. ALSO, I WOULD LIKE TO OUTLINE OUR PERSPECTIVE ON SOLUTIONS TO THESE PROBLEMS.

IMMEDIATE PROBLEMS

o LOSS OF GENERAL REVENUE SHARING

IT NOW APPEARS CERTAIN THAT THE CONGRESS WILL ELIMINATE THE GRS PROGRAM, EFFECTIVE OCTOBER, 1986. THIS REPRESENTS A LOSS OF NEARLY \$120 MILLION FOR COUNTIES AND MUNICIPALITIES. (\$74 MILLION FOR COUNTIES AND \$43 MILLION FOR TOWNS). THE LOSS OF THESE REVENUES WILL HAVE A SERIOUS IMPACT ON LOCAL CAPITAL PROJECT FINANCING.

o TAX REFORM ACT

THIS PROPOSED LEGISLATION HAS CREATED A LOT OF CONFUSION IN THE MUNICIPAL BOND MARKET. THE MAIN PROBLEM IS THE POTENTIAL LOSS OF TAX-EXEMPT STATUS FOR GENERAL OBLIGATION BONDS ISSUED TO FINANCE WATER, SEWER, AIRPORTS, AND OTHER PUBLIC PROJECTS WHICH BENEFIT PRIVATE SECTOR INTERESTS. ADDITIONALLY, COMMERCIAL BANKS WOULD NO LONGER BE ABLE TO DEDUCT INTEREST COSTS ON MONEY BORROWED TO CARRY MUNICIPAL BONDS. FINALLY, THE BILL WOULD REQUIRE TIGHTER BOND SALE/SPENDING DEADLINES THAT POTENTIALLY REDUCE LOCAL FLEXIBILITY IN ISSUING BONDS.

o FEDERAL DEFICIT REDUCTION

IN ADDITION TO THE LOSS OF GENERAL REVENUE SHARING, WE EXPECT THAT THE CONGRESS WILL SIGNIFICANTLY REDUCE APPROPRIATIONS FOR OTHER DOMESTIC ASSISTANCE PROGRAMS (ON AVERAGE, BY 22%). THESE REDUCTIONS ARE PROJECTED TO HAVE A SERIOUS EFFECT ON JOINTLY FUNDED (STATE/COUNTY) HUMAN RESOURCE PROGRAMS.

o RURAL ECONOMY

CHANGES IN FEDERAL PRICE SUPPORT POLICIES, DECLINING EXPORTS, AND FOREIGN COMPETITION HAVE CREATED MAJOR PROBLEMS FOR NORTH CAROLINA'S AGRICULTURAL AND FORESTRY SECTOR. THE EFFECTS OF THESE PROBLEMS ARE BEING FELT BY COUNTIES WHICH ARE COMING UNDER INCREASED PRESSURE TO REDUCE THE PROPERTY TAX BURDEN ON FARM LAND AND EQUIPMENT.

CAPITAL NEEDS ESTIMATES

A NUMBER OF STATE AGENCIES HAVE DEVELOPED BOTH SHORT-TERM AND LONGER RANGE ESTIMATED OF LOCAL GOVERNMENT CAPITAL PROJECTS NEEDS. THE MOST IMPORTANT OF THESE INCLUDE:

\$2.2 BILLION - PUBLIC ELEMENTARY AND SECONDARY SCHOOL FACILITIES

THE 1984 ESTIMATES PREPARED BY THE STATE BOARD OF EDUCATION INDICATE A SERIOUS BACKLOG OF SCHOOL BUILDING NEEDS THAT MUST BE MET WITHIN A 10 YEAR PERIOD. \$1 BILLION OF THIS TOTAL REPRESENTS THE REPLACEMENT OF OBSOLETE FACILITIES. ADDITIONALLY, THE STATE BOARD RECENTLY HAS INDICATED THAT, IN MANY CASES, THE 1984 ESTIMATES DO NOT REFLECT ADDITIONAL CLASSROOMS REQUIRED TO ACCOMMODATE THE BASIC EDUCATION PROGRAM.

\$90 MILLION - COUNTY JAILS AND DETENTION FACILITIES

THERE IS A GENERAL PROBLEM WITH OBSOLETE JAIL FACILITIES. ADDITIONALLY, THE REQUIREMENTS FOR FACILITIES TO HOUSE YOUTHFUL OFFENDERS AND THE DEMANDS CREATED BY THE SAFE ROADS ACT OF 1983 HAVE AGGRAVATED THE PROBLEM. THE FIGURE ABOVE REFLECTS SHORT TERM (5 YEAR) NEEDS IDENTIFIED IN 85 COUNTIES.

\$41 MILLION - ADDITIONAL COMMUNITY COLLEGE FACILITIES

CURRENT ESTIMATES FROM THE DEPARTMENT OF COMMUNITY COLLEGES INDICATE A TOTAL NEED OF \$117 MILLION FOR ADDITIONAL FACILITIES, WITH \$41 MILLION OF THIS TOTAL PROVIDED BY COUNTIES. THE NEW FACILITIES ALSO WOULD REQUIRE AN ANNUAL INCREASE OF \$6.1 MILLION IN COUNTY FUNDING FOR BUILDING OPERATION AND MAINTENANCE.

\$1.8 BILLION - WATER SUPPLY

SEVERAL YEARS AGO, THE DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT ESTIMATED THAT THE EXPENDITURES FOR REPLACING OLD WATER SUPPLY SYSTEMS AND PROVIDING FOR NEW AND EXPANDED SYSTEMS WOULD APPROXIMATE \$1.8 BILLION (1983-2000)

\$1.3 BILLION - WASTE WATER TREATMENT

THIS FIGURE REFLECTS ESTIMATED NEEDS TO BRING EXISTING SEWAGE SYSTEMS UP TO FEDERAL STANDARDS BY 1988. ADDITIONALLY, THERE ARE LONG TERM NEEDS OF \$540 MILLION TO ADD NEW CAPACITY.

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§ _____ - LANDFILL ENVIRONMENTAL PROTECTION

AT THIS POINT, WE DO NOT HAVE ANY GOOD ESTIMATED OF HOW MUCH IT WILL COST TO PROTECT GROUNDWATER FROM LANDFILL LEAKAGE. HOWEVER, WE DO KNOW THAT IT WILL BE COSTLY BOTH IN TERMS OF DEVELOPING NEW LANDFILLS WITH LINERS AND IN CLEANING UP OLD LANDFILLS THAT SHOW EVIDENCE OF POLLUTING GROUNDWATER DRINKING SUPPLIES.

WAYS OF ADDRESSING NEEDS

WE WOULD MAKE TWO OBSERVATIONS ABOUT THE SUBSTANTIAL INVENTORY OF LOCAL CAPITAL NEEDS MENTIONED ABOVE.

1. THE EXTENT OF THESE NEEDS VARY WIDELY FROM ONE COUNTY TO ANOTHER
2. THE FACT THAT CERTAIN PUBLIC FACILITIES ARE CAPABLE OF GENERATING REVENUES SUGGESTS THAT IT MAY BE APPROPRIATE TO ESTABLISH SEPARATE APPROACHES TO CAPITAL FINANCING FOR DIFFERENT KINDS OF PUBLIC FACILITIES.

WITH THESE TWO POINTS IN MIND, WE ASK THAT THE LOCAL GOVERNMENT FINANCE STUDY COMMITTEE CONSIDER THE FOLLOWING RECOMMENDATIONS.

- o ADDITIONAL ½¢ LOCAL OPTION SALES TAX

WE ASK THAT THIS COMMITTEE RECOMMEND TO THE GENERAL ASSEMBLY THAT COUNTIES BE GIVEN STATUTORY AUTHORITY TO LEVY AN ADDITIONAL ½¢ LOCAL OPTION SALES TAX. SINCE CAPITAL NEEDS VARY AMONG COUNTIES

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APPENDIX "R"

Fiscal Research Division
February 26, 1986

ADDITIONAL 1/2 CENT LOCAL-OPTION SALES TAX (1986-87)

| COUNTY NAME | 1/2 CENT LOCAL SALES TAX: POINT OF ORIGIN | 1/2 CENT LOCAL SALES TAX: PER CAPITA | DIFFERENCE | 50% PER CAPITA 50% PT. OF COLL. TOTAL ALLOCATION |
|----------------|--|---|-------------|---|
| Alabance | \$3,056,274 | \$2,873,545 | (\$182,729) | \$2,964,909 |
| Alexander | 333,272 | 778,025 | 444,753 | 555,648 |
| Alleghany | 197,254 | 288,414 | 91,161 | 242,834 |
| Anson | 315,786 | 772,494 | 456,709 | 544,140 |
| Ashe | 442,877 | 666,294 | 223,417 | 554,586 |
| Avery | 443,887 | 431,484 | (12,403) | 437,686 |
| Beaufort | 1,123,913 | 1,222,067 | 98,154 | 1,172,990 |
| Bertie | 198,093 | 624,644 | 426,551 | 411,368 |
| Bladen | 489,147 | 928,987 | 439,839 | 709,067 |
| Brunswick | 1,831,774 | 1,172,121 | (659,653) | 1,501,948 |
| Buncombe | 5,805,540 | 4,760,120 | (1,045,420) | 5,282,830 |
| Burke | 1,474,837 | 2,195,239 | 720,402 | 1,835,038 |
| Cabarrus | 2,254,832 | 2,576,057 | 321,225 | 2,415,444 |
| Caldwell | 1,355,858 | 2,060,033 | 704,175 | 1,707,946 |
| Camden | 45,863 | 173,803 | 127,940 | 109,833 |
| Carteret | 2,065,766 | 1,283,247 | (782,519) | 1,674,506 |
| Caswell | 114,559 | 615,109 | 500,551 | 364,834 |
| Catawba | 3,688,164 | 3,168,440 | (519,724) | 3,428,302 |
| Chatham | 623,582 | 1,000,997 | 377,415 | 812,289 |
| Cherokee | 540,060 | 566,690 | 26,630 | 553,375 |
| Chowan | 302,848 | 384,447 | 81,599 | 343,648 |
| Clay | 88,425 | 203,327 | 114,902 | 145,876 |
| Cleveland | 1,773,236 | 2,514,128 | 740,892 | 2,143,682 |
| Columbus | 1,043,119 | 1,533,410 | 490,291 | 1,288,264 |
| Craven | 1,986,424 | 2,187,030 | 200,606 | 2,086,727 |
| Cumberland | 6,346,857 | 7,894,860 | 1,548,003 | 7,120,858 |
| Currituck | 223,193 | 379,550 | 156,357 | 301,372 |
| Dare | 2,507,788 | 476,101 | (2,031,686) | 1,491,944 |
| Davidson | 2,252,513 | 3,420,993 | 1,168,480 | 2,836,753 |
| Davie | 385,521 | 766,964 | 381,444 | 576,242 |
| Duplin | 720,869 | 1,219,389 | 498,520 | 970,129 |
| Durham | 6,096,388 | 4,592,510 | (1,503,878) | 5,344,449 |
| Edgecombe | 1,128,464 | 1,684,199 | 555,734 | 1,406,332 |
| Forsyth | 9,302,367 | 7,292,770 | (2,009,597) | 8,297,568 |

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APPENDIX "H"

Fiscal Research Division
February 26, 1986

ADDITIONAL 1/2 CENT LOCAL-OPTION SALES TAX (1986-87)

| COUNTY NAME | 1/2 CENT LOCAL SALES TAX: POINT OF ORIGIN | 1/2 CENT LOCAL SALES TAX: PER CAPITA | DIFFERENCE | 50% PER CAPITA 50% PT. OF COLL. TOTAL ALLOCATION |
|-------------|---|--------------------------------------|-------------|--|
| Alamance | \$3,056,274 | \$2,873,545 | (\$182,729) | \$2,964,909 |
| Alexander | 333,272 | 778,025 | 444,753 | 555,648 |
| Alleghany | 197,254 | 288,414 | 91,161 | 242,834 |
| Anson | 315,786 | 772,494 | 456,709 | 544,140 |
| Ashe | 442,877 | 666,294 | 223,417 | 554,586 |
| Avery | 443,887 | 431,484 | (12,403) | 437,686 |
| Beaufort | 1,123,913 | 1,222,067 | 98,154 | 1,172,990 |
| Bertie | 198,093 | 624,644 | 426,551 | 411,368 |
| Bladen | 489,147 | 928,987 | 439,839 | 709,067 |
| Brunswick | 1,831,774 | 1,172,121 | (659,653) | 1,501,948 |
| Buncombe | 5,805,540 | 4,760,120 | (1,045,420) | 5,282,830 |
| Burke | 1,474,837 | 2,195,239 | 720,402 | 1,835,038 |
| Cabarrus | 2,254,832 | 2,576,057 | 321,225 | 2,415,444 |
| Caldwell | 1,355,858 | 2,060,033 | 704,175 | 1,707,946 |
| Camden | 45,863 | 173,803 | 127,940 | 109,833 |
| Carteret | 2,065,766 | 1,283,247 | (782,519) | 1,674,506 |
| Caswell | 114,559 | 615,109 | 500,551 | 364,834 |
| Catawba | 3,688,164 | 3,168,440 | (519,724) | 3,428,302 |
| Chatham | 623,582 | 1,000,997 | 377,415 | 812,289 |
| Cherokee | 540,060 | 566,690 | 26,630 | 553,375 |
| Chowan | 302,848 | 384,447 | 81,599 | 343,648 |
| Clay | 88,425 | 203,327 | 114,902 | 145,876 |
| Cleveland | 1,773,236 | 2,514,128 | 740,892 | 2,143,682 |
| Columbus | 1,043,119 | 1,533,410 | 490,291 | 1,288,264 |
| Craven | 1,986,424 | 2,187,030 | 200,606 | 2,086,727 |
| Cumberland | 6,346,857 | 7,894,860 | 1,548,003 | 7,120,858 |
| Currituck | 223,193 | 379,550 | 156,357 | 301,372 |
| Dare | 2,507,788 | 476,101 | (2,031,686) | 1,491,944 |
| Davidson | 2,252,513 | 3,420,993 | 1,168,480 | 2,836,753 |
| Davie | 385,521 | 766,964 | 381,444 | 576,242 |
| Duplin | 720,869 | 1,219,389 | 498,520 | 970,129 |
| Durham | 6,096,388 | 4,592,510 | (1,503,878) | 5,344,449 |
| Edgecombe | 1,128,464 | 1,684,199 | 555,734 | 1,406,332 |
| Forsyth | 9,302,367 | 7,292,770 | (2,009,597) | 8,297,568 |

R-2

ADDITIONAL 1/2 CENT LOCAL-OPTION SALES TAX (1986-87)

| COUNTY NAME | 1/2 CENT LOCAL SALES TAX:POINT OF ORIGIN | 1/2 CENT LOCAL SALES TAX:PER CAPITA | DIFFERENCE | 50% PER CAPITA 50% PT. OF COLL. TOTAL ALLOCATION |
|----------------|---|--|-------------|---|
| Franklin | \$408,535 | \$899,664 | \$491,130 | \$654,099 |
| Gaston | 3,855,552 | 4,819,572 | 964,020 | 4,337,562 |
| Gates | 67,873 | 261,800 | 193,926 | 164,837 |
| Graham | 136,625 | 215,569 | 78,944 | 176,097 |
| Granville | 587,737 | 997,799 | 410,063 | 792,768 |
| Greene | 134,695 | 483,446 | 348,751 | 309,071 |
| Guilford | 12,122,330 | 9,424,035 | (2,698,295) | 10,773,183 |
| Halifax | 1,343,904 | 1,634,541 | 290,637 | 1,489,222 |
| Harnett | 1,163,852 | 1,836,399 | 672,547 | 1,500,126 |
| Haywood | 1,364,518 | 1,366,779 | 2,260 | 1,365,648 |
| Henderson | 2,027,626 | 1,831,099 | (196,527) | 1,929,362 |
| Hertford | 610,346 | 681,589 | 71,243 | 645,967 |
| Hoke | 228,844 | 646,247 | 417,402 | 437,545 |
| Hyde | 122,611 | 174,667 | 52,056 | 148,639 |
| Iredell | 2,251,303 | 2,472,103 | 220,800 | 2,361,703 |
| Jackson | 634,944 | 781,625 | 146,682 | 708,284 |
| Johnston | 1,606,813 | 2,124,871 | 518,058 | 1,865,842 |
| Jones | 70,277 | 284,756 | 214,479 | 177,517 |
| Lee | 1,271,166 | 1,133,207 | (137,959) | 1,202,187 |
| Lenoir | 1,555,992 | 1,786,655 | 230,663 | 1,671,323 |
| Lincoln | 794,097 | 1,321,672 | 527,575 | 1,057,884 |
| Macon | 929,664 | 614,159 | (315,505) | 771,912 |
| Madison | 189,477 | 492,520 | 303,043 | 340,998 |
| Martin | 547,478 | 771,256 | 223,778 | 659,367 |
| McDowell | 690,466 | 1,051,864 | 361,398 | 871,165 |
| Mecklenburg | 20,623,234 | 12,234,297 | (8,388,936) | 16,428,766 |
| Mitchell | 327,225 | 422,411 | 95,186 | 374,818 |
| Montgomery | 359,598 | 683,202 | 323,604 | 521,400 |
| Moore | 1,358,231 | 1,573,764 | 215,533 | 1,465,998 |
| Nash | 2,172,318 | 2,034,369 | (137,949) | 2,103,344 |
| New Hanover | 5,141,525 | 3,188,891 | (1,952,634) | 4,165,208 |
| Northampton | 185,988 | 658,632 | 472,644 | 422,310 |
| Onslow | 2,585,852 | 3,513,397 | 927,544 | 3,049,625 |
| Orange | 2,674,797 | 2,367,257 | (307,540) | 2,521,027 |

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ADDITIONAL 1/2 CENT LOCAL-OPTION SALES TAX (1986-87)

RD

| COUNTY NAME | 1/2 CENT LOCAL SALES TAX: POINT OF ORIGIN | 1/2 CENT LOCAL SALES TAX: PER CAPITA | DIFFERENCE | 50% PER CAPITA 50% PT. OF COLL. TOTAL ALLOCATION |
|----------------|--|---|-------------|---|
| Pamlico | \$143,426 | \$310,478 | \$167,052 | \$226,952 |
| Pasquotank | 1,052,311 | 840,299 | (212,012) | 946,305 |
| Pender | 386,752 | 688,358 | 301,606 | 537,555 |
| Perquimans | 61,044 | 287,810 | 226,766 | 174,427 |
| Person | 541,462 | 876,707 | 335,245 | 709,085 |
| Pitt | 2,808,259 | 2,755,707 | (52,552) | 2,781,983 |
| Polk | 161,791 | 379,522 | 217,731 | 270,656 |
| Randolph | 1,731,296 | 2,784,195 | 1,052,899 | 2,257,745 |
| Richmond | 1,044,440 | 1,375,103 | 330,663 | 1,209,772 |
| Robeson | 2,007,126 | 3,187,566 | 1,180,440 | 2,597,346 |
| Rockingham | 1,726,432 | 2,511,363 | 784,931 | 2,118,898 |
| Rowan | 2,255,326 | 2,932,910 | 677,583 | 2,594,118 |
| Rutherford | 1,224,800 | 1,611,497 | 386,697 | 1,418,149 |
| Sampson | 875,989 | 1,494,553 | 618,565 | 1,185,271 |
| Scotland | 731,292 | 1,003,762 | 272,470 | 867,527 |
| Stanly | 1,051,708 | 1,445,702 | 393,994 | 1,248,705 |
| Stokes | 407,276 | 1,051,461 | 644,185 | 729,369 |
| Surry | 1,602,923 | 1,782,248 | 179,324 | 1,692,585 |
| Swain | 236,006 | 313,618 | 77,612 | 274,812 |
| Transylvania | 623,763 | 707,801 | 84,038 | 665,782 |
| Tyrrell | 59,397 | 119,076 | 59,678 | 89,237 |
| Union | 1,720,606 | 2,204,601 | 483,995 | 1,962,603 |
| Vance | 993,707 | 1,108,551 | 114,844 | 1,051,129 |
| Wake | 16,455,730 | 9,402,605 | (7,053,125) | 12,929,167 |
| Warren | 201,177 | 486,240 | 285,063 | 343,709 |
| Washington | 256,927 | 444,532 | 187,605 | 350,729 |
| Watauga | 1,328,005 | 978,213 | (349,793) | 1,153,109 |
| Wayne | 2,360,860 | 2,959,841 | 598,981 | 2,660,351 |
| Wilkes | 1,236,287 | 1,774,182 | 537,895 | 1,505,235 |
| Wilson | 1,813,791 | 1,894,093 | 80,302 | 1,853,942 |
| Yadkin | 438,426 | 847,529 | 409,103 | 642,978 |
| Yancey | 256,718 | 449,515 | 192,797 | 353,117 |
| | \$178,499,900 | \$178,501,240 | \$1,340 | \$178,500,570 |



CHARLOTTE

February 21, 1986

Senator Marshall A. Rauch
6048 S. York Road
Gastonia, N. C. 28052

SUBJECT: Need for Expanded Revenue Authority for Local Governments

Dear Senator Rauch:

Since our last meeting in Raleigh, many new developments have occurred in Washington which have accentuated the need for local governments to raise additional revenues. The proposed Gramm-Rudman-Hollings cuts are enormous. North Carolina would lose \$249 million in federal dollars the first year of these cuts. The impact on Charlotte and other cities is staggering. If the worst case scenario is implemented we would lose most of our basic programs which the federal government is currently funding in the areas of community development, transit, employment and training, wastewater facility grants and other smaller programs. Our total loss in revenue due to federal cutbacks for FY87 is estimated to be \$10,000,000. This amount does not include the additional costs of bond issues if all the proposed tax reforms are enacted.

The impact of Gramm-Rudman-Hollings, the proposed Tax Reform Act, and the loss of General Revenue Sharing will have a staggering effect on Charlotte-Mecklenburg and most of the other units of local government in North Carolina, both rural and urban. For example, we estimate the need for an 8-9¢ increase in Charlotte's 64¢ property tax rate to make up the estimated loss in federal funding next year.

All of these proposals for decreased federal funding are coming at a time when demands on local governments to provide new services; additional roads; water and sewer; and other infrastructure improvements are accelerating. In addition to this problem, Mr. Mavretic's proposal for eliminating property taxes could cost Charlotte-Mecklenburg \$89,000,000 per year.

It becomes obvious that new sources and means of financing state and local government must be found quickly. You recommended that we submit in writing any proposal for our study committee to consider at our next meeting. Therefore, I am suggesting the following:

1. The State should continue to provide for minimum services needed statewide in the areas of education, courts, and transportation.

2. In order to minimize the immediate impact of budget cuts on rural and urban areas, I would suggest that an additional 1% statewide sales tax be implemented and redistributed to the cities and counties. This revenue would partially offset the local loss of federal dollars.

3. Finally, I agree with Treasurer Boyles that local governments need the flexibility of "home rule" to deal with unique local fiscal problems. In conjunction with number 2 above, authority should be provided for local governments to choose from a wide range of local alternative revenue sources to supplement state assistance. The ability to choose would be authorized by the legislature and approved locally through a referendum. The state might wish to place some limits on the rate levels within categories of revenues in order to assure no local abuse and to reserve some funding for statewide purposes. Some of the local revenue sources that could be made available are:

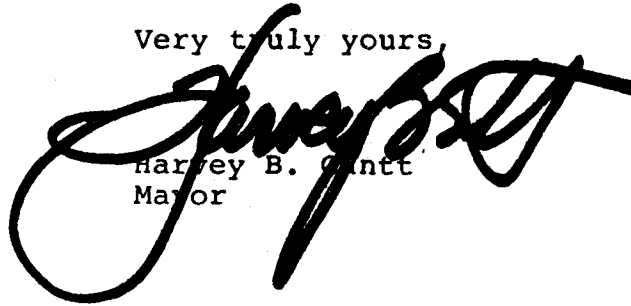
| | Local Shares | |
|---|------------------------|--------------------------|
| | Proposal | Current Authority |
| . Local Option Sales Tax up to | % | 1½% |
| . Occupancy Tax up to | % | 3% |
| . Utility Franchise Tax up to | % | 3% |
| . Vehicle License Tax up to | \$ per vehicle | \$5 per vehicle |
| . Local Option Payroll Tax up to | % | None |
| . Admissions Tax up to | % | None |
| . Local Gasoline Tax up to | % | None |
| . Land Transfer Tax up to | % | None |
| . Sales Tax on Services up to (excluding medical services) | % | None |
| . Local ABC Tax up to | % | None |
| . Supplemental State Income Tax | % | None |
| . Privilege License Tax up to | % or \$ per license | Some limited by State |

In order for all units of local government in North Carolina to deal with the doubtful future of federal funding, the local governments must have a degree of flexibility available only through a variation of the "home rule" form of government.

General "home rule" authorization will allow rural and urban area governments to determine how to best raise revenues at the local level, while at the same time allowing the state government the authority to set limits and types of alternatives available for each unit of local government.

I would appreciate committee members reviewing this proposal so that we might discuss this issue at our next meeting.

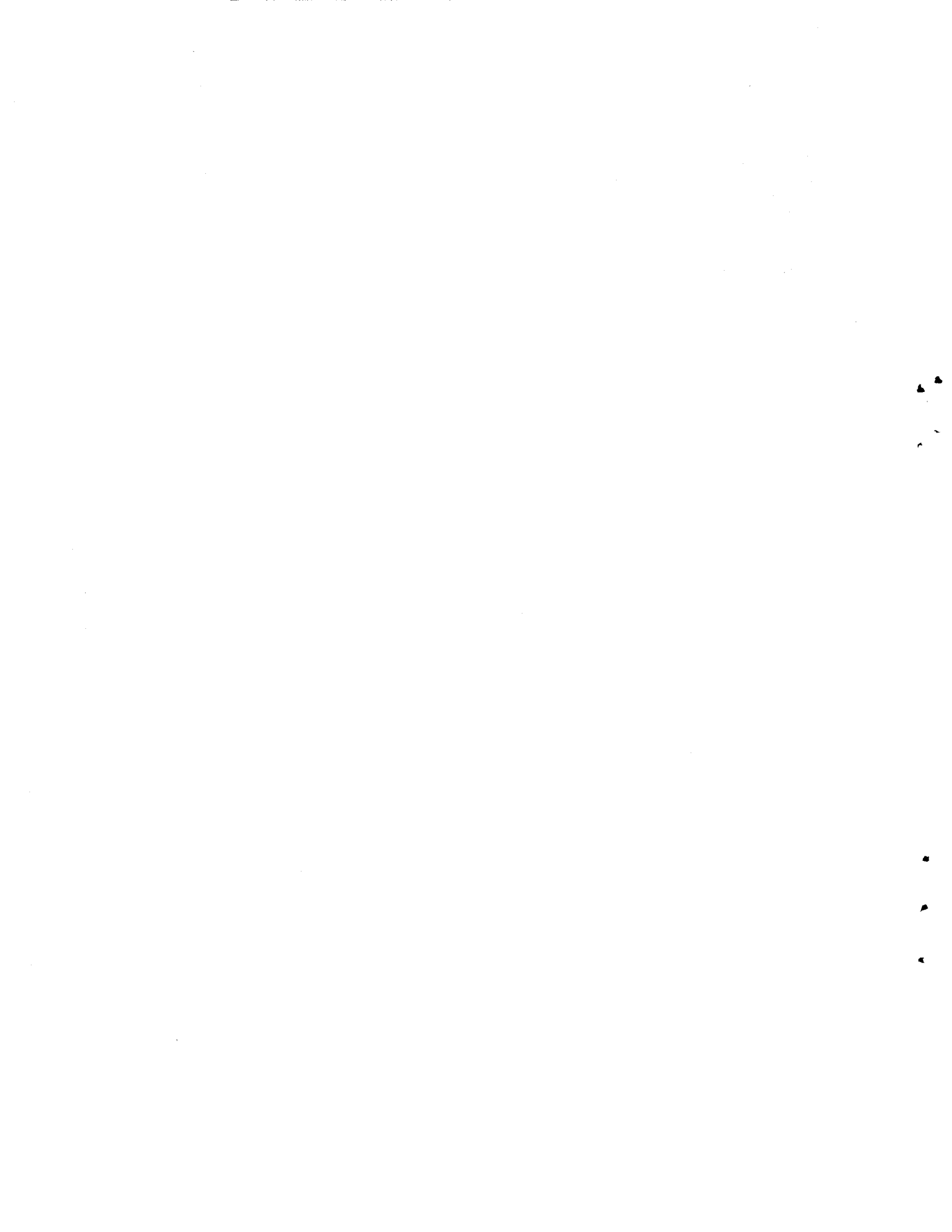
Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read "Harvey B. Gantt". The signature is written over the typed name and title.

Harvey B. Gantt
Mayor

ds

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APPENDIX T



CHARLOTTE

March 21, 1986

Senator Marshall A. Rauch
6048 South York Road
Gastonia, N. C. 28052

Dear Senator Rauch:

This letter is a follow-up to our last committee meeting during which time I made a presentation for alternative revenue flexibility for local government. After our discussion, I realized that an all encompassing list of alternative revenues appears to be too complicated for our committee to consider prior to conclusion to our meetings. As I stated in my February 21 proposal, the need is certainly great for additional revenues. Any effort to give local voters taxation options should yield significant revenues in order to offset the property tax burden. Therefore, I submit the following local revenue alternatives for the committee's consideration and inclusion in a bill authorizing local governments more flexibility in raising revenues:

1. Local Option Payroll Tax
2. Supplemental State Income Tax
3. Gas Tax
4. Land Transfer Tax
5. Sales Tax on Services
6. Vehicle License Tax

I have listed six specific sources of revenue which could yield significant funding for the City of Charlotte (see attached description). The vehicle license tax is included, although the yield is less than the other alternatives simply because this particular tax could be levied by all municipalities across the state regardless of population or rural/urban orientation. I have not prioritized these revenue sources because it will be up to the local voters to decide which revenue sources are best for each individual locale. I also assume our committee has already approved a $\frac{1}{4}\%$ local option

Harvey B. Gantt, Mayor
Office of the Mayor 600 East Trade Street Charlotte, NC 28202 704/336-2244

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sales tax and an occupancy tax and, therefore, did not list these two options.

I invite you and other members of our committee to give me a call prior to our meeting on March 26, if you have any questions regarding these specific proposals.

Very truly yours,



HARVEY B. GANTT

Enclosure

CC: Members, LRC Committee on
Local Government Financing
Gerry Cohen
Leigh Wilson

ds

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1. Local Option Payroll Tax - This new source anticipated a flat-rate tax assessed by the City, on a local option basis, on earned wages, commissions and profits of business professionals. This source of revenue would respond closely to economic trends.

| <u>Tax Rate</u> | <u>Base</u> | <u>Potential Revenue</u> |
|-----------------|---------------|--------------------------|
| 1% (flat) | Earned income | \$49,610,000 |

2. Supplemental State Income Tax - This new source would be added to the State Income Tax Table and would be returned to the local government. State administration of the income tax filing and audit process would be maintained. This source would respond closely to economic trends. State legislative approval would be required.

| <u>Tax Rate</u> | <u>Base</u> | <u>Potential Revenue</u> |
|----------------------------|------------------------------|--------------------------|
| 1% of State Taxable Income | Individual Tax Return Income | \$31,278,000 |

3. Gas Tax - This new source would be added to the State's 12 cent gas tax and administered by the State but returned to local jurisdiction based on point-of-collection. county.

| <u>*Tax Rate</u> | <u>Potential Revenue**</u> |
|------------------|----------------------------|
| 2¢ | 8 million range |

*Gross amount does not include distribution to other jurisdictions in county.

** Little reliable data available to estimate.

4. Land Transfer Tax - This new source anticipates an excise tax on instruments conveying interest in real property of the total consideration or value of the interest conveyed including the value of a lien or encumbrance remaining on the property at the time of sale. The value of a lease would be computed on the basis of the present value of the fixed lease payments and if the lease payments are based in whole or in part on the lessors receipts. This new source would respond closely to economic trends.

| <u>Tax Rate</u> | <u>Base</u> | <u>Potential Revenue</u> |
|-------------------------------------|------------------------------|--------------------------|
| \$1 on each \$100 value transferred | Gross value of land transfer | \$19,000,000* |

* Could vary significantly from year to year based upon economic

conditions.

5. Sales Tax on Services - This new source would be a sales tax on commercial or professional services bought. All types of non-commodity sales not now covered by the sales tax provisions could be encompassed. Services of lawyers, accountants, and other professionals would be included in this category (medical services would be excluded).

| <u>Tax Rate</u> | <u>Base</u> | <u>Potential Revenue</u> |
|-----------------|------------------------------------|--------------------------|
| 1.5% | Commercial & professional services | *\$25,000,000 |

*Estimate based on census figures includes medical services.

6. Vehicle License Tax - The rate levied per vehicle has been increased over the years from \$1 per vehicle to presently \$5 per vehicle. The State's licensing charge is \$20.00.

| <u>Revenue Potential</u> | <u>Annual Revenue</u> |
|--|-----------------------|
| \$20 per vehicle (additional \$15. i. e., State rate) | 3,600,000 |

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