

**ORANGE COUNTY  
BOARD OF COMMISSIONERS**

**ACTION AGENDA ITEM ABSTRACT**

Meeting Date: February 5, 2008

Action Agenda

Item No. 5-d

**SUBJECT:** Public Hearing on Local Revenue Options Referendum

**DEPARTMENT:** County Manager

**PUBLIC HEARING: (Y/N)**

Yes

**ATTACHMENT(S):**

None

**INFORMATION CONTACT:**

Laura Blackmon or Rod Visser, 919-245-2300

**PURPOSE:** To conduct a public hearing to solicit opinion from voters regarding which of two local revenue options should be placed on a May 2008 referendum for voter consideration.

**BACKGROUND:** As part of a comprehensive and complicated "swap" of county and state revenue sources approved by the North Carolina General Assembly during its 2007 Session, the legislature authorized county Boards of Commissioners to enact one of two new local revenue sources, subject to voter approval in each county considering implementation of the new revenue source. Counties may conduct a referendum on:

- a land transfer tax (up to a rate of four-tenths percent [0.4%], in increments of one-tenth percent [0.1%]);
- a one-quarter cent additional sales tax (this option is available only to counties that levy the first one-cent sales tax [Article 39], the first one-half cent sales tax [Article 40], AND the second one-half cent sales tax [Article 42] – Orange County meets this condition); or
- both taxes.

County Boards of Commissioners can implement only one of the two taxes if voters approve both.

The Orange County Commissioners decided in Fall 2007 that there was inadequate time to properly inform voters about the available local revenue options for there to be a November 2007 referendum on the subject. However, the Board did indicate its intent to hold a May 2008 referendum on one or both revenue options. Although there is no statutory requirement for a governing board to hold a public hearing ahead of such a referendum, the BOCC's timeline since last fall has contemplated that the Board would conduct a public hearing on the matter prior to deciding what question to place on the May 2008 ballot.

The form of the ballot language that would appear for each of the revenue options is specified in the State statute, as follows:

**[ ] FOR [ ] AGAINST**

Local sales and use tax at the rate of one-quarter percent (0.25%) in addition to all other State and local sales and use taxes.

FOR  AGAINST

Real property transfer tax at the rate of up to [x] percent [x%] of value or consideration.

(NOTE: The x in the brackets above would be replaced on the ballot by .1, .2, .3, or .4, depending on the decision of the Board of County Commissioners).

**FINANCIAL IMPACT:** There is no financial impact directly associated with the public hearing.

Preliminary estimates provided by the North Carolina Association of County Commissioners suggest that based on historical patterns, Orange County could expect additional annual sales tax revenue of roughly \$3.0 million, or annual proceeds of approximately \$4.0 million from a land transfer tax of .4 percent, if approved by voters and implemented by the Board of Commissioners.

**RECOMMENDATION(S):** The Manager recommends that the Board conduct the public hearing on the matter of which local revenue option, or both, to place on the ballot for a May 6, 2008 referendum.