

Introduction to Local Government Revenues



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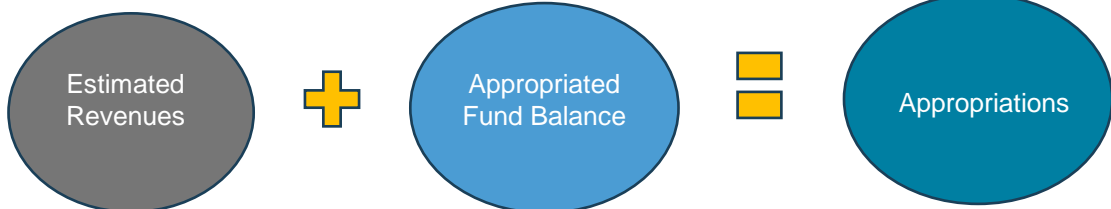


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What is Revenue?

Income generated to fund public services and capital projects.

Balanced Budget Equation



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Must have statutory authority to:

1. Undertake a program or activity,
2. Raise a particular revenue source, AND
3. To spend the revenue source to fund the underlying program or activity.





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Know thy Earmarks and Restrictions

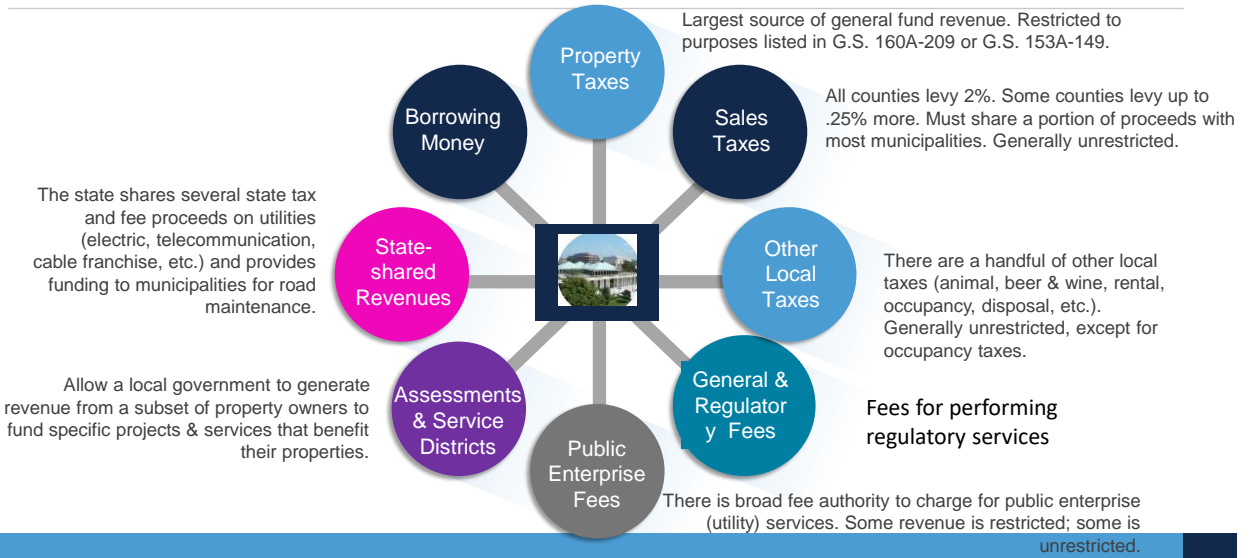
- What are the restrictions on the use of proceeds?
 - The proceeds of *some* taxes, fees, and charges may be use for any public purpose.
 - In other cases, state law restricts how the proceeds of certain revenues sources may be expended.

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 <p>Can We Do It?</p>	 <p>How Can We Pay For It?</p>	<p>Authority to Provide Service</p> <p>A county or city may: (1) Establish, operate, and support public library systems ...</p> <p>G.S. 153A-263</p>	<p>Authority to Fund a Service</p> <p>Each city may levy property taxes for one or more of the following purposes subject to the rate limitation set out in subsection (d):</p> <p>....</p> <p>(20) Libraries. – To establish and maintain public libraries.</p> <p>G.S. 160A-209(c)</p>
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Can We Pay For It? Revenue Sources



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Revenue Resource



A GUIDE TO COUNTY AND MUNICIPAL REVENUES IN NORTH CAROLINA

By Kara A. Millonzi, Associate Professor of Public Law and Government

School of Government
The University of North Carolina at Chapel Hill

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Property Tax (*Ad Valorem*)



The governing board adopts a property tax rate in the annual budget ordinance



In general, the tax rate is \$1.50 per \$100 valuation of property



G.S. 153A-149 (counties) and 160A-209 (cities) sets forth allowable expenditures—most functions are included, making this revenue essentially unrestricted



Only the General Assembly may exempt property from taxation (no local authority to classify or exempt property from taxation)

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Service Districts

An additional property tax levied in a defined area to provide extra services or capital projects in an area. Rate may not exceed \$1.50 per \$100 valuation unless approved by a majority of voters.

Municipal Service Districts

- Downtown revitalization projects
- Urban revitalization projects
- Transit-oriented development projects
- Drainage projects
- Sewage collection and disposal systems
- Off-street parking facilities
- Watershed improvement, drainage, and water resources development projects
- Beach erosion control and flood and hurricane protection works

County Service Districts

- Fire protection
- Ambulance and rescue services
- Recreation
- Sewage collection and disposal
- Solid waste collection and disposal
- Water supply and distribution
- Watershed improvement, drainage, and water resources development
- Cemeteries
- Beach erosion and flood and hurricane protection

Local Sales Taxes Levied by Counties	Article	Rate	Distribution	Restrictions	Shared with cities
	Article 39	1% (1 cent)	Point of Origin		Yes
	Article 40	0.5%	Per Capita	Counties must reserve 30% for public school capital outlay or debt service payments associated with school construction	Yes
	Article 42	0.5%	Point of Origin	60% for schools (counties only)	Yes
	Article 46 -voter approval	.25%	Point of Origin		No
	Article 43 Public Transportation -voter approval	0.25% 0.50% (some units)	Per Capita	Finance public transportation systems	Yes, if they operate a public transportation system

		Other Local Taxes
Rental Car Gross Receipts Tax	<ul style="list-style-type: none"> • 1.5 % • Any public purpose 	
Animal	<ul style="list-style-type: none"> • Privilege of keeping domestic pets. No rate specified • Any public purpose 	
Short-Term Heavy Equipment	<ul style="list-style-type: none"> • If levied, property is exempt from the property tax • Counties 1.2%; Municipalities 0.8% • Any public purpose 	
Vehicle Registration	<ul style="list-style-type: none"> • County registration tax: The county, or municipality therein must operate a public transportation system. \$7.00 max. • Municipalities may charge up to \$30. Some earmarks 	
Malt Beverage and Wine	<ul style="list-style-type: none"> • ABC permit holders required to obtain an annual license; costs vary based on type of beverage and whether consumption is on/off premise 	
Local Act	<ul style="list-style-type: none"> • Occupancy • Prepared food • Real estate transfer 	

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User Fees & Other Charges

- General user fees
- Regulatory fees
- Public enterprise fees
- Statutory fees
- Special assessments



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Regulatory Fees

- Fees charged to cover the cost of performing a regulatory function
 - Building inspections
 - Permit fees
 - Business registration fees
- If there is statutory authority to regulate, the unit may imply the authority to charge a “reasonable fee.”



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Public Enterprise Fees

- Broad authority to establish rates, fees, and penalties
- Public enterprises are often self-supporting
- Revenue generated by a public enterprise must first be used to fund the enterprise’s operating expenses, capital outlay, and debt service obligations
- Stormwater and solid waste services – fees may not exceed the cost of providing the service and, therefore, may not support general fund purposes
- Do not rely on enterprise revenue to support general fund expenditures
 - A unit is prohibited from receive loans or grants for water or wastewater purposes from certain state funding sources, such as the Clean Water State Revolving Fund, if it expends water or sewer enterprise monies to supplement the general fund

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Statutory Fees

- Sheriff's Office
 - Fees for serving process in criminal or civil cases, providing pretrial release services, sale of property to satisfy a judgement
- Court Facility Fees
 - Fees for the use of courtrooms
 - Earmarked to provide and maintain adequate courtroom and judicial facilities
- Register of Deeds
 - Fees for performing the official acts set forth in G.S. 161-10



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Special Assessments

- Levied in some proportion to the relative benefit received by the assessed property (unlike a property tax)
- Levied against property rather than persons (like the property tax)
- No voter approval, but requires an involved procedural process
- “Traditional” Special Assessments
 - Art. 9, Ch. 153A & Art. 10, Ch. 160A
 - Includes: water systems, sewage collection and disposal systems, drainage, beach erosion, streets, street lights, hurricane projection,
 - Must fund entire cost of the project upfront
- “Critical Infrastructure” Special Assessments
 - Art. 9A, Ch. 153A & Art. 10A, Ch. 160A
 - capital costs projects for which development-financing debt instruments may be issued under G.S. 159-103
 - Requires a petition by a majority of owners who represent at least 66 % of the assessed value of all real property to be assessed
 - Authority expires July 1, 2025, for projects that have not been approved under a final assessment resolution

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State Tax Revenue

NCDOR distributes the proceeds of state-shared revenues

Shared Taxes

- Video Programming Services
- Malt Beverage and Wine Excise Tax
- Solid Waste Disposal
- 911 Service Charge
- Electricity Tax
- Piped Natural Gas
- Motor Fuel ("Powell Bill")

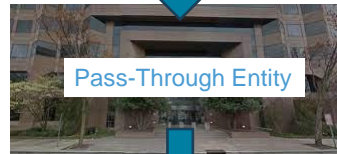
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Federal Agency



Local government = recipient

Federal Agency



State agency = recipient



Local government = subrecipient

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