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## Numbers game

*Two Wake County election issues: How much? And who pays?*

Here in Wake County, it's time for some fun with numbers. Let's say that, come November, we approve a bond issue--we borrow, in other words--\$1 billion to build more schools. (And to renovate the old ones.) Let's also say, for argument's sake, that we pay 5 percent interest, and we finance them for 20 years. That's \$50 million a year in interest--but wait, we have to pay back the principal, too, right? Add that in, and annual payments shoot up to about \$79 million.

You know, like your mortgage.

Now, we're told by county officials that a 1-cent increase in Wake's property tax rate will generate about \$7 million a year. Uh, oh. We'll need about 11 cents, then, which is \$220 more a year for your \$200,000-assessed value homeowner, which he/she is not going to want to pay if given a choice, which of course a bond referendum is. A choice, I mean.

You get to vote no.

OK, let's try this--we levy a \$3,000 impact fee on new homes in Wake, and we rake in \$36 million a year. (At 12,000 new homes each year, as reported by *The News & Observer*, is it any wonder we have so many more school kids?)

Impact fees just get rolled into the sales price, after all, and into the mortgage. They do push the prices up, no doubt. But come to think of it, they also push values up for the existing housing stock, which is generally seen as a plus.

But a flat impact fee isn't really fair, is it? Shouldn't we "graduate" it, so it's higher on the McMansions, lower on the starter-outers and fixer-uppers? But then it's not an impact fee, because the littler houses can generate just as much "impact" (kids for the schools, drivers for the roads) as the big 'uns do.

So let's reduce it to a \$2,000 impact fee, and tack on a real-estate transfer tax of \$5 per \$1,000 of assessed value. That'll be on top of the \$2 we charge now (the state gets \$1 of it) whenever anybody sells a house. New or old.

Thus, on the sale of the \$800,000 bomber, we'll collect an extra \$4,000 by way of the transfer tax, whereas the added charge on the \$200,000 house will be just one-fourth of that, or \$1,000.

A \$5 transfer tax will put an extra \$45 million a year in our county coffers. Put it together with the \$24 million from a \$2,000 impact fee, add the extra property taxes that new growth generates anyway, and ... and we're off and running in the 2006 Wake County Board of Commissioners elections.

Here's the election issue in a nutshell. Growth in Wake County is not paying for itself. Not in taxes, anyway. (Better restaurants maybe.)

And why is that? It's simple. We rely disproportionately on property taxes for our revenues; and in Raleigh

especially, where the two biggest industries are government and higher education, a huge portion of our income-producing property is tax-exempt.

So the faster we grow, the farther behind we fall in school construction, road construction, mass transit, mental-health services, you name it, but the issue this year is schools, and how to pay for them.

The Republicans get first crack at it. They hold a 5-2 majority on the county commissioners board right now, but all four of the seats being contested this year are theirs. So it will behoove them to come up with a funding plan that: 1) is big enough to cut into the school-construction gap; and 2) spreads the costs fairly between current and future taxpayers, and between the affluent ones and the rest of us.

Will the Republicans step up to the plate? And what will the four Democrats propose in response? There's your election.

### **Size Matters**

How big a bond issue is big enough? Excellent question. I do know this. We passed a \$450 million bond package three years ago, and the gap got larger. And Wake's growth rate got faster. So the amount's gonna have to be more than that.

Much more, unless we want to come back for another big bond issue in 2007 or 2008.

On the other hand, the Greater Raleigh Chamber of Commerce polled the voters recently on three options presented by the Wake school board, which were, respectively, \$1.975 billion, \$1.797 billion and \$1.375 billion. Not surprisingly, none of these proved wildly popular, though amazingly to me, the last one was favored by a 44-38 percent margin, and the middle one ran about even, with 40 percent saying they'd support it and 41 percent saying no.

Our friend Gary Pearce, the Democratic campaign consultant turned pundit ([www.talkingaboutpolitics.com](http://www.talkingaboutpolitics.com)), read these results and declared any school bond "dead. ... Stick a fork in it." I don't agree. He's focused on the 43-37 percent plurality who say the school system's on the wrong track, not the right one. Me too. It *is* on the wrong track, with 1,000 classroom trailers and 20 percent of the kids in 'em. That's the point of the bond issue, to turn the system around so it's heading in the right direction.

That said, I consider the poll--and the three options--to be an obvious political straw man. Talk about \$1.9 billion, or \$1.8 billion, but ask for \$975 million, and--whew! The voters will thank you for saving them money!

Here's my guess. The Republicans will want a united front on whatever bond issue goes to the voters. Two of them, current Chair Tony Gurley and Joe Bryan, are positioned as moderates on the schools ("practical" is Gurley's word). They might go for the \$975M. But the other two aren't. Phil Jeffreys is off on a right-wing tangent about illegal immigrants clogging up the classrooms. And former Raleigh Mayor Paul Coble, who's running for the seat being vacated by Herb Council, is nothing if not conservative.

So let's put them down for an \$800 million bond issue, with (Gurley's pet idea) a lot of schools converted to year-round use, a money-saver.

How will they pay for it? They'll go to the General Assembly and ask for a sales-tax increase, the most regressive possible approach. A 1-cent sales-tax hike would be good for about \$60 million a year. If they get anything from the legislature, though--and it's far from a given that they will--it's more likely to be a half-cent, or \$30 million.

Failing even that, they'll cut the bond issue back to \$700 million, and announce that no tax or fee hikes of any kind will be needed to finance it--the projected growth in revenues from current county sources will be enough.

Which is perhaps true, though only in the very short-run.

Over to the Democrats. Regardless of what happens in the General Assembly, the two incumbent Democratic commissioners, Betty Lou Ward and Harold Webb, will doubtless want to present a united front with their party's four candidates, who are: Don Mial (vs. Bryan in District 1); Lindy Brown (vs. Jeffreys in District 2); Martha Brock (vs. Gurley, assuming he wins his primary, in District 3); and Rodger Koopman (vs. Coble in District 7).

So Ward and Webb will vote no, and the united Democrats will propose--what?

If form holds, the Republicans will again present a bond package that's too small, just as they did in 2003. And just as they did when the Democrats were in the majority in 1999 and proposed a \$600 million bond package, and the Republicans led the charge that resulted in the voters rejecting it.

And the Republicans will reject impact fees, because the homebuilders lobby and the realtors lobby will insist on it.

But what can the Democrats do? Oppose the bond issue because it's too small? The schools desperately need whatever money they can get. Oppose it because the costs are loaded onto the current taxpayers, and the less-affluent ones? Shades of the lottery, which the poor will pay, but the N.C. Education Association wanted it passed nonetheless.

Candidate Koopman, writing in to the WakeUp! listserv (go to [www.WakeUpWakeCounty.com](http://www.WakeUpWakeCounty.com)), has already signaled that impact fees will be part of his platform, one he hopes to coordinate with his fellow Dems. "Growth needs to pay a bigger part of the cost related to the impact it has on our community," Koopman said. "I also want to make sure that property taxes are used in the communities where they're raised, as opposed to subsidizing growth in outlying communities. I think that's inherently fair."

He's right, but that's just part of it. If the Republicans won't step up, the Democrats have to call them on it. They have to say what the bond package should've been--\$1.3 billion? more?--and where the money could've come from.

Somehow, Wake County has to start catching up with our needs. But we can't do that if we don't figure out a way to tax the wealth that's created here. Property taxes are part of the answer, but they're not all of it. The challenge in '06, for every candidate, is how to fill in the blank. x

There's another possible outcome, of course: Republicans Gurley, Bryan, Council and Kenn Gardner break with the conservatives and join one or both of the Democrats, Ward and Webb, to pass a "moderate" bond package. Say, \$1.1 billion. Minimal or no impact fees or real-estate transfer tax hike, however. Cuts the ground right out from under the Democratic campaign, which doesn't mean it won't happen. Citizen puts the odds at 1-in-3: [rjgeary@mac.com](mailto:rjgeary@mac.com) to play (but no wagers, please).

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