

Local Option Sales Tax Revenue Sharing Agreements

April 2014

Unicoi – Unicoi County (2011)

Summary - The agreement, approved in July 2011, replaced an earlier agreement from 1996 that was in dispute regarding its terms. The new agreement provides that the town's portion of the local option sales tax previously paid to the county to retire the debt for the building of the Unicoi County High School shall be distributed directly to the town. Twice each year, concurrent with the county's payments on the refinanced high school debt, the town pays to the county the amount of sales tax received from a one-half cent sales tax (originally pledged for hospital bonds) provided that the payment never exceeds the sum of \$87,500 for each six month payment, or \$175,000 a year. The town's obligation to make such payments ends not later than the first payment in 2020.

The agreement further provides that the county shall be precluded from further refinancing the high school debt without the approval of the town.

Savannah – Hardin County (2010)

Summary - The city entered into an Inter-local Agreement in 2010 to commit \$4.535 million in long term debt and cash to be used for \$7 million in improvements for county schools. Hardin County committed approximately \$2.5 million towards the \$7 million project. The county subsequently issued \$6 million in bonds of which \$4 million is being serviced by the city over a 16-year term using the proceeds from a one percent (1.0%) increase in the local option sales tax that was enacted in the 1990's. In return, the city received two parcels of land from the county in fee simple. A provision was likewise included that in the future could potentially result in new tax receipts for the city that are currently distributed to the county under the Tennessee River Resort act.

This is the second commitment of local sales tax funds made from that 1990's referendum – the city earlier agreed to give its portion of the increase to refurbish the county high school for about \$16 million. That commitment paid off in 2007 and the city retained 100% of its share of the sales tax until the current sales tax sharing agreement was approved in 2010.

Cleveland – Bradley County (1967)

Summary - Cleveland/Bradley County entered into an agreement in 1967 that shares the city's local option sales tax equally with the county. The first one-half of the tax is distributed to local education as statutorily required, with the second one-half distributed so that together, the two-halves provide an equal amount to Cleveland/Cleveland City Schools and to Bradley County/ Bradley County Schools.

Given current enrollment levels, the first half of the local option sales tax is divided approximately $\frac{2}{3}$ to Bradley County Schools and $\frac{1}{3}$ to Cleveland City Schools (based on average daily attendance). The second half of the local option sales tax is reversed; the City of Cleveland General Fund receives $\frac{2}{3}$ and the Bradley County General Fund receives $\frac{1}{3}$. This agreement remains in effect until enrollments in the two school systems are equal.

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