

Do the Math, Tipping Point Is Here

By Maurice Carter in The Covington News – June 30, 2013

If a tree falls in the forest, and no one's there to hear it, does it make a sound? In a similar vein, if the law requires government transparency, but no one is looking, does transparency matter?

Georgia law requires local governments levying property taxes – namely cities, counties, and school boards – to give notice before establishing a budget and millage rate for the coming year. The newspaper notice must include the time, date, and place of the meeting – along with data regarding the proposed tax levy and five years of history for the property digest, millage rate, and taxes levied.

I wonder who takes time to study those notices. The Newton County School System (NCSS) published one in Wednesday's Covington News. It caught my eye. Did it catch yours?

Don't panic, the school board isn't raising your taxes. The NCSS millage rate has been at the state maximum of 20.0 mils for several years now. There's no legal avenue for an increase.

Yet, you should be concerned – if not panicked – by the numbers laid out in that notice. The millage rate didn't change for the budget taking effect in July, but projected tax revenues are over \$2M less than last year. The county tax digest – the inventory of property and assessed values – declined for a fifth straight year, with another 5.3% drop projected for the coming year.

Taken individually, the revenue declines are serious enough at an average of \$3.4M each year. But, 2013-14 collections are forecast \$17M less than 2008 levels. Over a five year period, the cumulative revenue gap is more than \$50M. Those are huge numbers for a school system still catching up with staggering enrollment increases during the population boom of the late 1990s and early 2000s.

The decline in property tax revenues since 2008 is 31%. Thankfully, state and federal allocations – while fluctuating – have stayed nearly flat overall. Still, the decline in total school budget is more than 10%.

That's a lot of numbers. And, you're probably thinking: "What do you want me to do about it?" After all, the millage rate is capped and we'd all do something about property values if we could.

That same continued decline in property values has the Newton County Board of Commissioners locked in a difficult, unpopular debate over how to balance the county

budget and whether to adopt the “rollback” millage rate to offset falling property values and collect the same tax year to year.

Unlike the school system, county commissioners have an option. And, while a millage rate increase is never popular, commissioners Levie Maddox, Nancy Schulz, and Lanier Sims showed courage with a consensus to adopt the rollback rate. After a public hearing on July 16, the board will vote and make its final decision.

Like the school system, Newton County has felt the sting of the housing bust, watching property values plummet 34% since 2008, driving property tax revenues 26% lower. Faced with across the board cuts of another 5% for the coming fiscal year, three commissioners are saying “enough is enough.”

And, they’re right. The county’s core problem is the same one facing the school board. Our tax base tilted much too far towards residential property last decade, leaving them short on revenues and woefully exposed to the effects of a global mortgage crisis.

How much difference does that make? In 2008, at the height of the housing boom, the county tax digest was 64% residential property, compared to 28% in the City of Covington. One problem with residential property is that it costs local governments more to service than it generates in tax revenues. (Google *Jeffrey Dorfman cost of service* to learn why.) But, the other problem is residential property values suffered a free fall during the housing collapse, while commercial and industrial values held solid.

Need proof? The Newton County property tax digest has fallen 34% since 2008. By contrast, Covington’s tax digest, bolstered by solid industrial and commercial property, has shed only 15% in value. The difference is huge.

At this point, cuts in service are the last thing we can afford, making our community even less attractive to businesses and to individuals with employable skills to attract industry and disposable income to lure retail businesses. Schools, public safety, recreation amenities, and quality of life investments are more important than ever.

With smart investments and better county/city collaboration, we can recover. But, right now, our county is at a tipping point. Three commissioners get that. They need your support.

