INITIATION OF REFERENDUM FOR 1% OPTIONAL SALES TAX SOLELY FOR SCHOOL CAPITAL

July 14, 2026 Board of Supervisors Meeting

STATE CODE AUTHORIZATION

§58.1-605. Additional local sales tax in certain localities; use of revenues for public transportation, or construction and renovation of schools.

§ 58.1-606.1. Additional local use tax in certain localities; use of revenues for public transportation, or construction or renovation of schools.

§24.2-684. How referendum elections called and held, and the results ascertained and certified.

§58.1-611.1. Exemption for food purchased for human consumption and essential personal hygiene products.

STATUTORY PROVISIONS

- Following approval by referendum, Counties may levy a general retail sales tax at a rate not to exceed 1% to provide revenue solely for construction and major renovation of schools serving the County.
- The tax levied <u>shall not</u> be levied on food purchased for human consumption or essential personal hygiene products as defined in State Code section 58.1-611.1
- Revenues from this tax shall not be used for repayment of existing indebtedness authorized by the County for public school capital projects that began or were completed prior to the imposition of this tax
- Any such tax approved by referendum and imposed by the County shall expire on the later of (i) if the capital projects for the construction or renovation of schools are to be financed by bonds or loans, on the date by which said bonds or loans shall be repaid or (ii) if the capital projects for the construction or renovation of schools are not to be financed by bonds or loans, on or before July 14, 2046

PROPOSED REFERENDUM LANGUAGE

"Shall Nelson County, Virginia be authorized to levy a general retail sales tax at a rate not to exceed one percent, with the revenues to be used solely for capital projects for new construction or major renovation of schools serving Nelson County, Virginia including related bond and loan financing costs, and with the tax expiring on July 14, 2046?

(___) Yes

(___) No"

ADDITIONAL INFORMATION

- Funds from tax are solely for school construction & renovation and would not be available for General Fund use; collected by the State and held in a designated account until they are remitted to the County monthly
- Funds would not be co-mingled with the existing 1% Sales and Use tax within the General Fund; would go into and be tracked in a designated budget account once remitted to the County by the State
- Funds can only be used for construction or renovation of schools, including associated indebtedness for projects that begin following imposition of the tax
- **Existing schools are aging and evolving needs of students and emerging technologies will necessitate building upgrades and renovation**:
  - Rockfish River Elementary School – built in 1999 **(27 years old)**
  - Tye River Elementary School – built in 1995 **(31 years old)**
  - Nelson Middle School – addition to NCHS complex built in 2003 **(23 years old)**
  - Nelson County High School – various aged wings 1955, 1970, 2003, in 2026 currently undergoing MEP upgrades and minor renovation (would not be able to use new sales tax for this project)

FINANCIAL DATA RELATED TO TAX

FY26 1% Sales Tax Collected June 30, 2026 ($)	[1]Estimated 1% Sales Tax Collected w/ Exclusions of 21.3%	[2]VTC (Conservative) Estimated Share Paid by Visitors (%)	[3]Estimated Equivalent Real Property Tax (CENTS)	[4]Estimated Additional 20-year Borrowing Ability at 5% ($)
$2,438,360	$1,919,006	22%	$0.05	$24M

[1]Estimate provided by Davenport, includes 21.3% reduction for certain food & beverage and hygiene sales (based on 10-year average)

[2] Estimate provided by Virginia Tourism Corporation (VTC) Noted to be conservative for Nelson

[3] Value of 1 Cent of Real Property Tax is $418,342

[4] Estimate provided by Davenport-Does not include "strategic debt structuring" and/or expected annual growth in tax revenue

FISCAL AND COMMUNITY IMPACT CONSIDERATIONS

- **Diversifies Revenue Streams:** Reduces reliance on property taxes by shifting some financial burden to consumer spending.
- **Captures Non-Resident Dollars:** out-of-town visitors, commuters, and tourists contribute to the local tax.
- **Enhances Borrowing Capacity:** Establishes a predictable, dedicated revenue stream to bolster borrowing ability and enhances lending confidence.
- **Retains Local Control:** Keeps 100% of the collected revenue within the County.
- **Guarantees Accountability:** Locks revenue legally into the specific voter-approved purpose of school construction and renovation.
- **Relieves Property Tax Pressure to Fund School Capital Needs:** Enables the County to capture consumer spending dollars rather than relying primarily on property taxes to fund school capital needs.
- **Spurs Economic Development:** Funds visible community improvements to schools that can contribute to attracting new businesses.
- **Low Impact per Purchase:** Represents a relatively minimal impact to consumers - $1additional on a $100 purchase.

TIMETABLE FOR POTENTIAL IMPOSITION OF TAX IF BOARD OF SUPERVISORS INITIATES A VOTER REFERENDUM

- **July 6 up to and including August 13, 2026:** Board of Supervisors adopt a Resolution requesting that a Referendum for the new School Sales Tax be held during the next general election on November 3, 2026.
  - The 20-year sunset date as specified by the legislation for the new School Sales Tax is linked to the date on which this Resolution is adopted.
- **August 14, 2026:** Deadline for Judge to enter Court Order for Referendum on November 3, 2026.
- **November 3, 2026:** Referendum for the new School Sales Tax held.
- **Late November/Early December 2026: <u>If Voter Approved</u>,** Board of Supervisors to adopt Ordinance enacting the new School Sales Tax.
- **On/About May 1, 2027:** The New School Sales Tax becomes effective on the first day of the Month that is at least 120 days after Ordinance Adoption.

Based on the above timetable, the conservative estimate of revenues would be over approximately 19 years beginning in FY 2028.

NEXT STEPS

- Q&A
- Consider **Resolution R2026-58** Resolution Initiating a Referendum for Optional 1% Sales Tax Solely for School Capital
  - **ADOPTION OF RESOLUTION R2026-58 <u>ONLY</u> ENABLES THE VOTERS OF NELSON COUNTY TO DECIDE WHETHER TO HAVE THE OPTIONAL 1% SALES TAX**
  - If adopted, an attested copy of this Resolution shall be forwarded by the County Clerk (County Administrator) to the Clerk of the Circuit Court for consideration and approval by the Court, if deemed to be in order, and for processing and publication in accordance with state code requirements.
  - If adopted, an attested copy of this Resolution shall be forwarded by the County Clerk (County Administrator) to the Registrar and the Electoral Board of the County.