



Resolution Authorizing a Referendum on a 1% Local Sales and Use Tax for School Capital Projects



Council Action

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The Staunton City Council to consider a resolution authorizing a referendum to allow qualified city voters to determine whether to impose up to a 1% local sales and use tax dedicated to school capital projects, as authorized by state law.

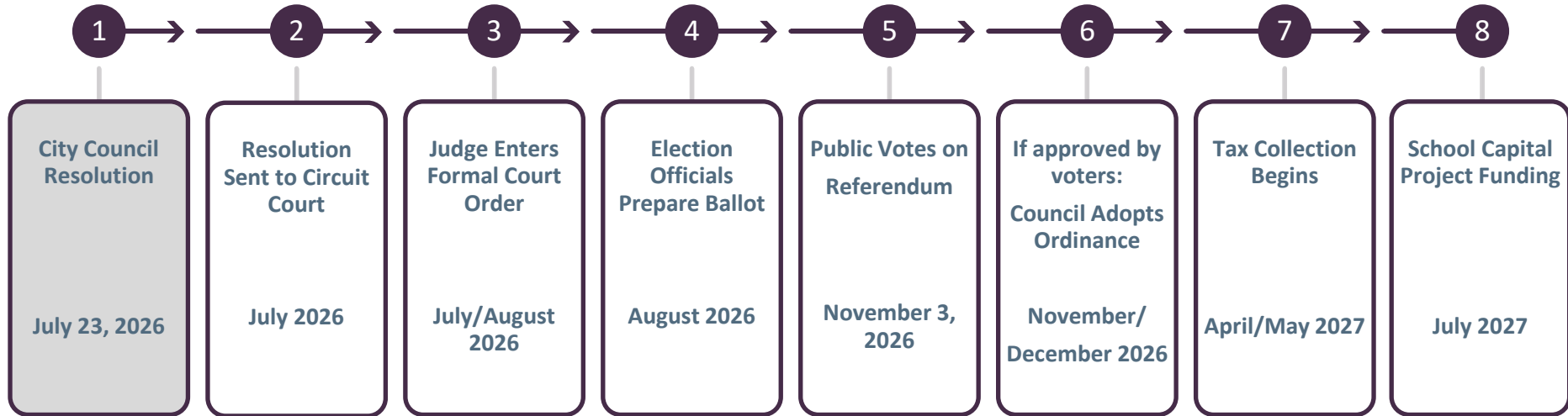


Legislative Authority



- The **2026 Virginia Biennial Budget Act (SB 30)** expanded the authority statewide to allow any county or city to hold a referendum for up to 1% school construction sales tax.
- The budget act changed the statute, and the amended language is now codified in **Code of Virginia 58.1-605.1**.
- **Rate:** Up to 1% local sales tax. Excludes food purchased for human consumption (groceries) or essential personal hygiene products.
- **Approval Required:** Must be approved by local voters in a referendum.
- **Term:** Renewable up to 20 years
- **Restricted Use:**
 - Revenue may only be used for school capital projects, including new construction and major renovation.
 - Funds are required to be placed in a separate city fund.
 - Funds may be used for bond and loan financing costs related to school construction and renovation.
 - Funds cannot be used for existing debt service.

Referendum Process



Sales Tax Rate

- **5.3% Current Staunton Sales Tax Rate**

- 3.3% State Base Rate
- 1.0% State Education Rate
- 1.0% Local Rate



- **6.3% Potential New Tax Rate**

- 3.3% State Base Rate
- 1.0% State Education Rate
- 1.0% Local Rate
- 1.0% Local Rate for School Construction/Renovation only

- **1.0% Current Staunton Sales Tax Rate for Groceries and Essential Hygiene Items**

- 1.0% Local Rate



- **Remains at 1.0% Sales Tax Rate for Groceries and Essential Hygiene Items**

- Rate for groceries and essential hygiene items will not change under the proposed school construction/renovation tax.

Financial Overview

- **Current City of Staunton 1% Sales Tax Revenue**

- FY2023 - \$5,962,604
- FY2024 - \$6,023,555
- FY2025 - \$6,128,465
- FY2026 est – \$6,400,000
- FY2027 state est - \$6,450,000



The 1% additional sales tax for school capital **will not** produce the same revenues the city receives for their 1%.



The 1% for school capital is **not imposed** on food purchased for human consumption (groceries) and essential personal hygiene products.

Estimate Revenues

- **Data is not available** to know how much of the current sales tax collected is for groceries or essential hygiene items.
- **Estimates** need to be used.
- Finance and the Commissioner of the Revenue estimate that between **15% and 20% of sales tax collected** is for groceries or essential hygiene items.
 - 15% Estimate \$960,000
 - 20% Estimate \$1,280,000
- **Estimated Revenue** from Additional 1%
 - 15% Estimate $\$6,400,000 - \$960,000 = \$5,440,000$
 - 20% Estimate $\$6,400,000 - \$1,280,000 = \$5,120,000$

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Discussion and Questions