

LOCAL OPTION SALES TAX FOR EDUCATION ACT

Q&A

Information will be updated often to address questions and comments.

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Summary

Based on the current funding mechanism for facilities, it is estimated that it will take many years to generate the funding needed to pay for necessary updates and renovations to schools throughout Anderson County. Anderson School District One's per pupil funding remains among the lowest in the state of South Carolina. However, traditionally, student performance ranks in the top five among all districts in the state.

In November, voters will have the opportunity to vote for or against a sales tax referendum. The goal is to reduce property tax and debt service and provide school improvement funds. The 2014 SC Education Capital Improvements Sales and Use Tax Act requires any district to use 10% of the 1 cent proceeds to reduce property taxes by offsetting the existing debt service millage levy on general obligation bonds; the Anderson One Board of Trustees has chosen to use even more of the proceeds – 20%! The proposed referendum allows for taxing an additional penny on most purchases (excluding unprepared foods) and would provide additional funding for the priority projects listed below:

- **HIGH PRIORITY: Safety and Security Enhancements**, to include access doors, additional cameras, entryways, fire alarms, and communication equipment
- **Technology Hardware and Instructional Software** to be updated district wide to sustain the *Digital Innovation* initiative
- Update **Digital and Print Media** in all school libraries
- Renovate **Science/STEM labs** in all schools
- **Roof Improvements** to Palmetto and Wren Middle Schools
- **Equipment/Program Upgrades** Anderson 1 & 2 Career & Technology Center
- Building a **Six Room Addition** at Concrete Primary School
- New **Band and Fine Arts** equipment and production technologies
- **High School Stadium and Athletic Field Improvements**: renovating restrooms, concessions stands, field houses, walking tracks and parking areas
- Construction of **Multipurpose Athletic Facility** at Palmetto High School
- **Tennis Courts** at Powdersville and Wren High Schools
- **HVAC Improvements**
- New **Activity Buses** for extracurricular events

The Local Option Sales Tax would allow the responsibility of updating Anderson One schools to be shared among property owners, renters and tourists. Non-residents are expected to generate about one-fourth of the total revenue generated from the proposed tax. Estimates show an increase in available spending of \$75 million+ over a 15 year period. The priority projects mentioned above would be completed more rapidly, thus providing access to 21st century facilities and technologies.

How does the district fund capital projects now?

The State Constitution allows governmental entities to issue bonds to fund capital projects (construction of new schools and improvements to existing schools, limited to 8% of assessed property values within the district.)

- Anderson One can issue bonds on an annual basis within that 8% limit.
 - However, Anderson One infrequently uses this option for capital projects.
- This is presently the only source of funding for Anderson District One’s facility and school improvement needs.

What is the Local Option Sales Tax for Education?

A recent amendment (Bill S. 940) to Section 4-10-470 to the Codes of Laws of S.C., 1976 as amended, expanded the application of the Educational Capital Improvement Sales Tax to several additional school districts. The change allows Anderson School Districts One, Two, Three, Four, and Five (and certain others) to impose the tax if approved by the voters.

How would the Local Option Sales Tax for Education work?

If approved by voters, an additional 1% (a “penny”) in sales tax would be collected and utilized to address facility needs.

- 1% of \$1 = 1 penny
 - If approved, taxpayers would pay an additional penny on every dollar of an item’s purchase price.

How long would the Local Option Sales Tax for Education last? Would it ever end?

The sales tax is limited to a 15-year duration and could only be extended beyond the initial 15 years with voter approval.

What is the Local Option Sales Tax for Education question that would appear on the ballot in November?

FORM OF BALLOT

EDUCATION CAPITAL IMPROVEMENTS SALES AND
USE TAX ACT REFERENDUM FOR ANDERSON COUNTY

Must a special one percent sales and use tax be imposed in Anderson County for not more than fifteen (15) calendar years with the revenue of the tax used to provide property tax relief, and to pay, directly or indirectly, the cost of education capital improvement projects in Anderson County, as follows:

- (1) At least twenty percent (20%) of the proceeds of such tax must be used to reduce property taxes by offsetting the existing debt service millage levy on general obligation bonds of any school district in Anderson County;
- (2) Installation, maintenance and improvement of security and public safety measures in each school district in Anderson County;
- (3) Acquisition or updating of technology hardware, software and necessary infrastructure in each school district in Anderson County;
- (4) Constructing, improving and equipping a facility for career and technical education to serve Anderson County School District Nos. 3, 4 and 5, but solely from proceeds of such tax allocated to those school districts; and
- (5) Repairing or replacing roofs and HVAC systems for any school buildings in each school district in Anderson County;
- (6) Constructing, improving, renovating and equipping any instructional, fine arts or athletic spaces or facilities in each school district in Anderson County;
- (7) Acquiring land whereon to construct school facilities in each school district in Anderson County; and
- (8) Acquiring student transportation vehicles in each school district in Anderson County?

All revenue received by the school districts from the sales and use tax will be used to reduce property taxes needed to pay debt service on school district bonds or to directly pay costs of education capital improvements projects identified herein.

Yes []

No []

Those voting in favor of the question shall deposit a ballot with a check or cross mark in the square after the word “Yes”, and those voting against the question shall deposit a ballot with a check or cross mark in the square after the word “No”.

Why will there be two questions in Anderson Districts 3, 4, and 5?

- The first question for Anderson Districts 3, 4, and 5 will pertain to the sales tax itself and will be the exact question listed above.
- The second question would allow Districts 3, 4, and 5 to sell the general obligation bonds (paid by the sales tax) needed to begin construction projects immediately.

What will the second question look like for Anderson Districts 3, 4, and 5?

OFFICIAL BALLOT REFERENDUM
\$60,000,000 GENERAL OBLIGATION BONDS
SCHOOL DISTRICT NO. 5 OF
ANDERSON COUNTY, SOUTH CAROLINA
November 4, 2014

Shall the Board of Trustees of School District No. 5 of Anderson County, South Carolina (“the School District”), be authorized to issue and sell, either as a single issue or as several separate issues, general obligation bonds of the School District in the aggregate principal amount of not exceeding \$60,000,000, the proceeds of which shall be applied to defray the costs (including architectural, engineering, legal and related fees) of the following:

1. Installation, maintenance and improvement of security and public safety measures;
2. Acquisition or updating of technology hardware, software and necessary infrastructure;
3. Constructing, improving and equipping a facility for career and technical education to serve Anderson County School Districts Nos. 3, 4, and 5;
4. Repairing or replacing roofs and HVAC systems for any school building;
5. Constructing, improving, renovating and equipping any instructional, fine arts or athletic spaces or facilities;
6. Acquiring land whereon to construct school facilities; and
7. Acquiring student transportation vehicles?

In favor of the question/yes

Opposed to the question/no

What are some examples of day-to-day purchases that are exempt from the Local Option Sales Tax for Education? What are some examples of non-exempt items?

- Some purchases are *exempt* from the Local Option Sales Tax for Education meaning that no tax would be collected on these items. Unprepared foods (i.e. groceries, generally) are exempt from the tax, meaning the Local Option Sales Tax for Education would not be collected on food intended to be eaten at home, including snacks, beverages, cold items such as salads and sandwiches, and seeds or plants intended to grow food.
- Some items are *not exempt* from the Local Option Sales Tax for Education. The tax would apply and be collected on purchases of non-exempt items such as paper products, soap, pet food, alcoholic beverages, read-to-drink beverages, ready-to-eat hot foods, foods designed to be heated in the store, prepared hot or cold foods to be eaten in or near a store, vitamins, and certain medicines (any medication exempt from State Sales and Use Tax would be exempt from the Local Option Sales Tax for Education.)
- There are other items that are exempt (not taxed). If interested, you may refer to Sections 12-36-2110, 12-36-2120, and 12-36-2130 in the Codes of Laws of South Carolina.

How can the Local Option Sales Tax for Education be used?

The Local Option Sales Tax for Education revenue would be used to address facility and school improvement projects identified by the Board of Trustees, approved by the Board of Education and approved by voters as part of the sales tax referendum.

- At least 20% of the sales tax collected must be used to provide a credit (reduction) in existing property tax millage against existing debt service millage (i.e., for property tax relief).
- Taxes would support security and public safety measures, updating of technology (hardware and software), constructing or renovating any instructional, fine arts, or athletic facilities, repairing or replacing roofs and HVAC systems, acquiring student transportation vehicles, and acquiring land to construct school facilities as necessary.

Can the district use any of the Local Option Sales Tax for Education money for general operating expenses?

No. Revenue from this tax could not be used to fund general operations of the district for items such as salaries, instructional materials, supplies, or other day-to-day costs.

What is a millage?

- Millage refers to the property tax rate.
- The District has operating millage to support a portion of its general operations (teacher salaries, textbooks, student transportation, etc.) However, this operating millage is not applicable to homeowner's primary residence.
- The district has debt service millage used to pay principal and interest on the general obligation debt (available within the constitutional discretionary 8% debt limit) that the district issues to fund facility construction, additions, improvements and cyclic maintenance. The debt service millage is applicable to all properties.

What assurances do taxpayers have that the Local Option Sales Tax for Education revenue will be used as intended?

- Revenue generated from the sales tax and the related expenditures (cost of new construction and improvements to existing schools) will be accounted for in a fund separate from other district money.
- External auditors perform annual audits on the district's financial statements and to determine compliance with legal requirements.
- A copy of the Anderson County School District One Financial Statements is posted on the district website upon completion of each annual audit.

How do I know that the district is a good steward of public funds?

- Anderson School District One spends a very large percentage of its funds on instruction. It is always among the top districts in the state for percentage spent on instruction.

- Anderson School District One spends fewer dollars per pupil on non-instructional expenses/costs of district operations (operating costs, legal costs, district office staff salaries and benefits) than any other school district in South Carolina.
- Anderson One has among the lowest administrative costs of all school districts in the state.
- The budget process is transparent. Budget information is posted on the website and updated throughout the year. All board meetings are open to the public. There are several public work sessions at regular board meetings, and a special called board meeting specific to public input on the budget.
- The district has an excellent credit rating.
 - Moody's Rating – Aa3
 - S&P – A+

How will the tax affect me as a homeowner? A business owner?

- Homeowners do not pay school operating millage on their primary residence.
- Homeowners do pay debt service millage on their primary residence.
- With at least 20% of the tax collection being used as a tax credit on debt service millage, homeowners would pay taxes at a lower rate.
- Homeowners would also benefit from the tax credit on any other taxed properties that they own.
- Business owners would benefit from the 20% tax credit on debt service millage and would pay taxes at a lower amount.

Are there examples of estimated tax savings?

The 20% property tax credit would result in an estimated 4.6 mill reduction in debt service millage. Examples of estimated tax savings are listed below:

PRIMARY RESIDENCE	\$18.40 in tax credit per \$100,000 value
BUSINESS PROPERTY	\$27.60 in tax credit per \$100,000 value

RENTAL PROPERTY	\$27.60 in tax credit per \$100,000 value
PERSONAL VEHICLES	\$2.76 in tax credit per \$10,000 value

What capital improvements have been made to Anderson School District One recently?

In 2008, the patrons of the district approved an \$86 million bond referendum that included the building of Powdersville High School and new additions for Cedar Grove Elementary, Palmetto Elementary, Palmetto High, Palmetto Middle, Spearman Elementary, Wren Elementary, Wren Middle, Concrete Primary, and Powdersville Elementary. Additionally, renovation work occurred at Wren High School. The district enhanced safety and security measures by installing cameras, access doors, and by reconstructing some front offices. Across the district, entrance and exit areas were improved to allow for smoother traffic flows. Furthermore, athletic facilities were improved at Palmetto High with the construction of a weight room, field house and track facility. Athletic facilities at Wren High were upgraded with the inclusion of a new multipurpose building, a track facility and an additional practice field.

If the economy declined, and the public tightened their budgets and spent less, how would it affect funding for these school projects?

- If the public spent less, there would be less revenue generated from taxes on purchases. As required by legislation, calculations used by the district are based on the South Carolina Board of Economic Advisors (BEA) sales tax estimate. The BEA estimates are conservative.
- Also, the legislation provides for 20% of the revenue generated from the Local Option Sales Tax for Education to be used as a buffer to support the projects and/or retirement of bond indebtedness in the event that the economy performs poorly.
- Historically, even in difficult economic periods as there were in 2001, 2002 and 2008, the district has never been forced to levy additional taxes to pay bonds.

What are the laws regarding district employees and communicating with the public about the proposed referendum?

By Section 8-13-1346, our employees are not allowed to use public funds, property, or time to influence an election. In other words, when public employees are “on the clock,” they are prohibited from telling people how to vote – yes or no – or from soliciting support or opposition. However, public employees are able to provide information about the referendum and the importance of voting. District employees, on their own time when they are “off the clock,” have the same rights to speech and advocacy as other citizens.

How do modern, updated schools affect the overall growth of the community and its economy?

It is well known that realtors in this area advertise their homes based on the quality of education in Anderson School District One. Additionally, businesses and industries want to locate in areas where the public school system has a strong and effective program. A strong public education system does positively impact the assessed value of homes, businesses and rental property.

Where can I send my questions?

Please submit your questions related to the Local Option Sales Tax for Education to Lisa Cassidy, Director of Planning and Development for Anderson School District One.

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