



**SCHOOL FACILITIES POLICY SPOTLIGHT:**

# **GEORGIA'S EDUCATION SPECIAL PURPOSE LOCAL OPTION SALES TAX**

Center for Green Schools at the U.S. Green Building Council

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# Where we learn matters

The places where our children attend school have a significant impact on their health and education. Students thrive in well-lit, well-ventilated, responsibly managed, healthy schools. While there are many examples of outstanding school buildings, millions of students across the country are learning in dilapidated, obsolete, and unhealthy facilities that pose substantial obstacles to learning and overall wellbeing.

Although some states have made significant improvements and investments in their public infrastructure, many state and local authorities struggle to provide healthy, safe, educationally appropriate, and environmentally sustainable facilities. As a nation, we must not only close the funding gap, but also ensure that we continue to deliver on our responsibility to provide all students, regardless of wealth or location, access to an excellent education.

Over the last two decades, Georgia has been funding infrastructure improvements in school buildings through an education-focused special purpose local option sales tax (“E-SPLOST”). This unique mechanism has allowed local communities an additional method of financing and paying for needed repairs to and expansions of their school facilities. In this policy spotlight, we examine the benefits and drawbacks to the policy.

## State of U.S. Public School Facilities

The 2016 *State of Our Schools: America’s K-12 Facilities* report shows that the nation faces a projected annual shortfall of \$46 billion in school infrastructure funding, despite significant effort on the part of local communities. This report compares historic spending levels over the past 20 years to the investment that will be needed moving forward to maintain today’s school building inventory,

finding that only three states’ average spending levels meet or exceed the standards for investment (Florida, Georgia, and Texas). Overall, investment in Georgia’s school facilities by its school districts and the state government seems to be keeping pace with the amount of square footage that needs to be built, renewed, and maintained for its students. However, this does not necessarily ensure high quality facilities, and there are communities within all of these states where funding is still insufficient.

As a nation, we must not only close the funding gap, but also ensure that we continue to deliver on our responsibility to provide all students, regardless of wealth or location, access to an excellent education.

The federal government provides almost no capital construction funding for school facilities, and state support for school facilities varies widely. In general, local school districts bear the heaviest burden in funding school facilities construction and renovation. While some state governments (Connecticut, Hawaii, Kentucky, Massachusetts, Ohio, and Wyoming) attempt to provide equity across local districts’ varying levels of wealth by paying for all or nearly all of the capital construction costs for schools in their state, the levels of support in most states are much lower. In fact, 12 states provide no direct funding or reimbursements to school districts for capital spending. Georgia falls on the lower end of the spectrum, with the overall state share of capital outlay at 12 percent.

## Schools Financing in Georgia, including the Special Purpose Local Option Sales Tax

State policy plays an integral role in determining both the mechanisms and funding levels allocated to the construction, renovation, and repair of school facilities. As such, lawmakers have great influence over the quality and equity of facilities within their states.

In Georgia, local investment in school facilities construction is generally funded through three means:

- ▶ School district general fund
- ▶ General obligation bonds
- ▶ Education special purpose local option sales tax (E-SPLOST)

### *History of SPLOST in Georgia*

Historically, the primary source of funding for school renovation and new construction was a local property tax, as it is in most states across the nation. The Georgia legislator gave counties the option to implement a SPLOST starting in 1985 – a 1% sales tax for the purpose of funding specified capital improvement projects including transportation, parks and recreation, public safety, library, and court facilities. In 1997, voters in Georgia approved an amendment that allowed local boards of education to use a similar 1% sales tax for school construction, called E-SPLOST.

### *Authorized Expenditures*

The constitutional amendment that enables E-SPLOST is intended for capital projects, but the

definition of allowable expenditures has gradually expanded, particularly during the recession, to include technology and other related items. E-SPLOST revenues may be used for the following:

- ▶ To fund specific capital improvement projects for educational purposes
- ▶ To retire general obligation bond debt previously incurred for education capital outlay projects
- ▶ To make payments on a new general obligation bond for specific education capital outlay projects

### *Policy Details*

The rate of the sales tax is one percent, and the tax is not subject to any sales tax exemption. The length can be any period of time shorter than five years.

No such sales tax can be implemented in any community without the specific consent of voters. Revenue from the tax must be spent on the stated ‘special purpose,’ which could include paying down debt financing for the project or directly funding the capital improvements.

### *State Assistance for School Infrastructure*

Compared to many states, Georgia has a relatively robust commitment to capital funding for schools, including between \$250-300 million per year into state entitlement. Locally, 30-35% of the schools financing comes from state coffers. In the poorest parts of the state, state funding for K-12 public facilities can be upwards of 75%.

The full text of the policy can be found in Georgia Constitution Article VIII, Section VI, Paragraph IV; O.C.G.A. § 48-8-110 through § 48-8-121; and O.C.G.A. §48-8-140 through § 48-8-142 (Articles 3 and 4 of Chapter 8 of Title 48 of Official Code of Georgia annotated, as amended in 1997).

Read the law here: [law.justia.com/codes/georgia/2014/title-48/chapter-8/article-3/part-1](http://law.justia.com/codes/georgia/2014/title-48/chapter-8/article-3/part-1); [law.justia.com/codes/georgia/2014/title-48/chapter-8/article-3/part-2](http://law.justia.com/codes/georgia/2014/title-48/chapter-8/article-3/part-2)

## Lessons Learned in Georgia

On March 22, 2017 over 30 state and local leaders convened in Atlanta to discuss school facilities financing in Georgia. Hosted at the 2017 Green Schools Conference and Expo<sup>1</sup>, participants engaged in a facilitated discussion about challenges and successes of current funding models in Georgia, with a particular focus on the effectiveness of Georgia's unique E-SPLOST.

### *Construction Funding Availability*

According to attendees, the advantages of E-SPLOST generally outweigh the disadvantages. The primary advantage is that school districts are able to levy a modest sales tax to raise much-needed funds to invest in school facilities, unlike their counterparts in many other areas of the country. The impact on taxpayers is more gradual than the impact from property taxes because property taxes are paid once per year while the 1% sales tax is added to purchases made within the jurisdiction on a rolling basis. One participant explained that SPLOST is more like property tax relief, since the money to execute the capital improvement would have otherwise been collected from property taxes. Finally, a regular and relatively predictable source of funding for capital improvements, if invested wisely, can drive down maintenance costs over time.

### *Equitable Distribution of Funding*

On the other hand, attendees noted that the revenue generated from a SPLOST can vary widely depending on the taxable sales in a community. For a metro region with high population density and wealth, a 5-year SPLOST can easily yield over \$500 million. For a small, rural community a 5-year SPLOST may only yield \$2 million or less. Equity is thus not well addressed via E-SPLOST because poorer and more rural school districts have a smaller source of funds from which to draw. Even in districts where an E-SPLOST may raise a lot of

capital quickly, attendees note that it is still often not enough to meet elevated needs in jurisdictions where needs and/or costs are higher. An additional drawback for poorer communities is that a sales tax impacts every resident who purchases goods, regardless of their income or wealth, whereas property taxes generally fall to residents who own property and therefore likely have more stable financial standing.

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### *Capital Planning Challenges*

From the perspective of long-term capital project management another potential drawback of SPLOST funding is that, when many districts have funding to do construction in one area of the state, it can drive up construction costs for all projects. Attendees also added a word of caution on communicating the SPLOST clearly to voters. It may take many months or years to raise the funds needed to initiate the project, so clearly setting voter expectations is a best-practice, as is borrowing against future funds that will be generated by the SPLOST to begin the project more quickly.

### *Allowable Uses of Funding*

While some flexibility in the allowable uses of SPLOST funding is helpful, too much flexibility can mean that the funding is pulled away from long-term capital planning for shorter-term priorities. Attendees noted that it would be helpful for state policy to be clearer about the allowable applications of funds levied by the SPLOST. The group also noted that, where funding is generally tight, additional assistance with ongoing maintenance would be a welcome

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<sup>1</sup> greenschoolsconference.org

allowable use for E-SPLOST funds. Currently, the funding is for capital expenditures only, and maintenance tends to be underfunded. Generally, there is a gap between capital financing for new construction and the much-needed funding for school maintenance. E-SPLOST does not address this gap in funding maintenance directly, but in funding capital construction and renovation does reduce the funding needed to maintain old buildings that are near the end of useful life.

## Conclusions and Next Steps

School facilities construction is funded differently across each state, and state-level support varies. The education special purpose local option sales tax is just one of many funding mechanisms for school facilities, with a range of advantages and disadvantages. If approached carefully and used prudently, E-SPLOST can offer an important boost to school facilities funding.

Ultimately, providing healthy, safe, educationally appropriate, and environmentally sustainable facilities is a complex and challenging responsibility. We know that every day, millions of students and teachers in the U.S. attend class in nearly 100,000 public school buildings, many of which are out-of-date and in need of repair. Funding is necessary to close the gap between what has historically been spent on public school facilities, and what is needed. Schools may also benefit from assistance from the public or private sector to help identify cost-saving opportunities and to prioritize investment of their limited school facility funds on capital projects and/or maintenance.

Join the Center for Green Schools in our work to advocate for better schools for all. A successful future for our schools lies in successful collaboration to ensure that school facilities meet the needs of students now and for future generations.

The U.S. Green Building Council's community in Georgia will continue to work with schools and public officials to support healthy, high-performing green schools where all Georgians can learn, teach and work. Learn more at [usgbc.org/usgbc-georgia](https://usgbc.org/usgbc-georgia).

## Resources

**State of our Schools:** To view state profiles, search spending by school district, and download the full report, visit [stateofourschools.org](https://stateofourschools.org).

**Georgia E-SPLOST:** To read more about SPLOST in Georgia visit [www.gadoe.org/Finance-and-Business-Operations/Facilities-Services/Pages/Splost](https://www.gadoe.org/Finance-and-Business-Operations/Facilities-Services/Pages/Splost). Also read more in two articles from the law firm Smith, Gambrell & Russell, LLP, who provided an overview to Georgia meeting attendees: "[How School Systems Borrow](#)" and "[Overview of Special Purpose Local Option Sales Tax for Educational Purposes](#)."

**The Center for Green Schools** offers resources for state lawmakers and local advocates, including a menu of options for state policies, which promote healthy, high performing schools. See all of these resources at [centerforgreenschools.org/resources](https://centerforgreenschools.org/resources).