



WEDNESDAY'S
News You Can Use

SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST)

Presented by James Bence

**MAULDIN
& JENKINS**
CPAs & ADVISORS



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA



Session Objectives

- ❑ Discuss the SPLOST, ELOST, and T-SPLOST
- ❑ Today's Environment
- ❑ Requirements of State Law
- ❑ Local Referendum
- ❑ Examples

Special Local Option Sales Tax (SPLOST)

- A county tax of 1% on sales
- Law Enacted by Georgia Legislature in 1985
- Purpose is to fund capital projects
- Must be authorized by County Board of Commissioners
- Must be enacted through a voter referendum

Today's Environment

- ❑ Budgets tightening.
- ❑ Pressure on property tax and other general revenue to remain constant or decrease.
- ❑ Expenditures continue to rise.
- ❑ Pressure for SPLOST to help fund costs which might ordinarily have been paid by the General Fund.
- ❑ Additionally, SPLOST programs which may have started from 2006 to 2008 have not brought in the revenue that was anticipated when the referendum was voted on.

Requirements of State Law

County allowed to impose on sales (Ga Code Sec 48-8-110.1).

Rate shall be 1 % (Ga Code Sec 48-8-110.1).

Except rate on motor fuel is 1% on not more than \$3.00 per gallon

Applies to all transactions covered by normal state sales tax although it includes the sale of motor fuel and food and beverages (Ga Code Sec 48-8-110.1).

Requirements of State Law (Continued)

- ❑ Ordinance or resolution is drafted by the County and sent to supervisor of elections for voter referendum (Ga Code Sec 48-8-111).
- ❑ Referendum should include (Ga Code Sec 48-8-111):
 - Specification of eligible expenditures/projects;
 - Maximum period of time for the tax in calendar years or quarters;
 May not exceed 5 years (or 6 years under specific circumstances)
 - Estimated cost of the project(s);
 - Accumulated costs should equal the estimated proceeds raised by the tax;
 - Any GO Debt to be issued along with details.

Polling Question #1

When I think of SPLOST I think?

- a) Here is a great revenue source to help with projects, but I have a hard time getting the Board to spend the money.
- b) My Board does not understand the restricted purpose and they just see available funds.
- c) Referendum lines that leave too much judgement for me to feel comfortable.

Allowable Purposes of SPLOST

- ❑ Capital outlay projects within the county or for certain regional facilities (Ga Code Sec 48-8-111).
- ❑ ““Capital outlay project” means major, permanent, or long-lived improvements or betterments, such as land and structures, such as would be properly chargeable to a capital asset account and as distinguished from current expenditures and ordinary maintenance expenses. Such term shall include, but not be limited to, roads, streets, bridges, police cars, fire trucks, ambulances, garbage trucks, and other major equipment.” (Ga Code Sec 48-8-110).

Allowable Purposes of SPLOST (Continued)

- ❑ May include any of the following purposes (Ga Code Sec 48-8-111 & 121):
 - (A) A capital outlay project consisting of **road, street, and bridge purposes**, which purposes may include **sidewalks and bicycle paths**; these costs can include:
 - Acquisition of rights of way
 - Construction
 - Renovation and improvement (to include resurfacing)
 - Relocation of utilities
 - Improvement of surface-water drainage
 - Patching, leveling, milling, widening, shoulder preparation, culvert repair, and other repairs necessary for the preservation
 - May include storm-water drainage projects

Allowable Purposes of SPLOST (Continued)

- ❑ May include any of the following purposes (continued)
(Ga Code Sec 48-8-111):
 - (B) Projects consisting of a **courthouse; administrative buildings; a civic center; a local or regional jail, correctional institution, or other detention facility; a library; a coliseum; local or regional solid waste handling facilities;**
 - (C) Projects which will be operated by a joint authority or authorities of the county and one or more qualified municipalities within the special district;

Allowable Purposes of SPLOST (Continued)

- ❑ May include any of the following purposes (continued) (Ga Code Sec 48-8-111):
 - (D) Projects, to be owned or operated or both either by the county, one or more qualified municipalities within the special district, one or more local authorities within the special district, or any combination thereof;
 - (E) Projects consisting of a **cultural facility, a recreational facility, or a historic facility**;
 - (F) A **water** capital outlay project, a **sewer** capital outlay project, or a combination of such projects, to be **owned or operated** or both by a county water and sewer district and one or more qualified municipalities in the county;

Allowable Purposes of SPLOST (Continued)

- May include any of the following purposes (continued) (Ga Code Sec 48-8-111):
 - (G) The **retirement of previously incurred general obligation debt** of the county, one or more qualified municipalities;
 - (H) Projects within the special district and consisting of **public safety facilities, airport facilities, or related capital equipment used in the operation of public safety or airport facilities**, or any combination of such purposes;
 - (I) Projects within the special district, consisting of **capital equipment for use in voting in official elections or referendums**;

Allowable Purposes of SPLOST (Continued)

- ❑ May include any of the following purposes (continued) (Ga Code Sec 48-8-111):
 - (J) Projects within the special district consisting of any **transportation facility designed for the transportation of people or goods, including but not limited to railroads, port and harbor facilities, mass transportation facilities;**
 - (K) Projects within the special district and consisting of a **hospital or hospital facilities** that are **owned** by a county, a qualified municipality, or a hospital authority within the special district and **operated** by such county, municipality, or hospital authority or by an organization which is tax exempt under Section 501(c)(3) of the Internal Revenue Code, which operates the hospital through a contract or lease with such county, municipality, or hospital authority;

Allowable Purposes of SPLOST (Continued)

- ❑ May include any of the following purposes (continued) (Ga Code Sec 48-8-111):
 - (L) The repair of capital projects, including, but not limited to, roads, streets, and bridges, that have been damaged or destroyed by a natural disaster;
 - (M) Capital projects that are owned, operated, or administered by the State and located, in part or in whole, with the special district;
 - (N) Any combination of two or more of the foregoing.

Referendum

- Is the final determinate for allowability at the local level.
- Should be detailed as discussed in the law, but can have projects categorized and not detailed down to specific projects.
- Legal opinions are always a good idea when in doubt.

Referendum (Continued)

❑ Example Referendum:

"Shall a special one percent sales and use tax be imposed in Oconee County for a period of time not to exceed six consecutive years and for the raising of an estimated amount of \$40,400,000 for the purposes of (1) funding for Oconee County (a) the payment of general obligation debt on recreational facilities, on the county jail and on the emergency operations center-911 building (b) water and sewer facilities; roads, streets and bridges; recreational, historic and scenic facilities; fire station facilities and equipment; communication facilities; and farmland protection; (2) funding for the City of Watkinsville public safety facilities and equipment; recreational and park facilities; roads, streets and bridges: and water and sewer facilities; (3) funding for the Town of Bogart for a streetscape facility composed of roads, streets and bridges and sewer facilities; (4) funding for the Town of North High Shoals water facilities; roads, streets and bridges; a town hall; and a community building; and (5) funding for the Town of Bishop a community shelter; roads, streets and bridges; and town hall renovations?"

Inclusion of Municipalities

- Prior to issuance of the referendum, the County may enter into a intergovernmental agreement with any or all municipalities to share in the tax (Ga Code Sec 48-8-111).
- Prior to issuance of the referendum, the County must notify mayor of each municipality (Ga Code Sec 48-8-111).

Allowable Timing

- ❑ SPLOST shall be imposed on the first day of the next succeeding calendar quarter which begins more than 80 days after the date of the election at which the tax was approved by the voters (Ga Code Sec 48-8-112).
- ❑ The tax shall cease to be imposed on the earliest of the following dates (Ga Code Sec 48-8-112):
 - On the final day of the maximum period of time specified for the imposition of the tax; or
 - If the resolution or ordinance calling for the imposition of the tax provided for the issuance of general obligation debt and such debt is the subject of validation proceedings, as of the end of the first calendar quarter ending more than 80 days after the date on which a court of competent jurisdiction enters a final order denying validation of such debt; or
 - As of the end of the calendar quarter during which the commissioner determines that the tax will have raised revenues sufficient to provide to the county and qualified municipalities net proceeds equal to or greater than the amount specified as the estimated amount of net proceeds to be raised by the tax, unless certain exceptions apply.
- ❑ At any time no more than a single 1 percent tax under this part may be imposed within a special district (Ga Code Sec 48-8-112).

Administrative Requirements

- ❑ SPLOST proceeds shall be kept in a separate account from other funds of the county or municipality and shall not be commingled (Ga Code Sec 48-8-121).
- ❑ A record should be maintained of each project for which the SPLOST are used (Ga Code Sec 48-8-121).
- ❑ A schedule shall be included in each annual audit which shows for each project (Ga Code Sec 48-8-121):
 - the original estimated cost,
 - the current estimated cost,
 - amounts expended in prior years, and
 - amounts expended in the current year.
- ❑ The auditor shall verify and test expenditures sufficient to provide assurances that the schedule is fairly presented in relation to the financial statements (Ga Code Sec 48-8-121).
- ❑ In the event that a municipality fails to comply with the requirements of this part, the county shall not be held liable for such noncompliance (Ga Code Sec 48-8-121).

Issuing Debt

- County must demonstrate that it will receive tax proceeds in each year to cover the debt service (Ga Code Sec 48-8-121).
- Constitutes a general obligation debt of the county (Ga Code Sec 48-8-121).
- If excess taxes are received over debt service then proceeds from taxes should be used to reduce other debt of the county or, if none exists, then go towards reducing ad valorem taxes of the county (Ga Code Sec 48-8-121).

Polling Question #2

Have you ever issued debt to advance fund the SPLOST projects?

a) Yes

b) No

ELOST

- ❑ Similar to SPLOST except approved by Boards of Education to support school districts (Ga Code Sec 48-8-141).
- ❑ Follows same laws as the SPLOST (Ga Code Sec 48-8-141).

TSPLOST

- ❑ Similar to SPLOST except the proceeds shall be used only for transportation projects (Ga Code Sec 48-8-261).
- ❑ Follows very similar laws as the SPLOST.
 - Are some special qualifications to enact.
- ❑ Tax can be in addition to the SPLOST. Rate of the tax can up to 1%, but if all qualifying municipalities don't agree, then the maximum rate is 0.75%. This also doesn't apply to those defined as "Metropolitan County Special District".

TSPLOST (Continued)

- ❑ Ordinance or Resolutions should include:
 - Specific transportation projects
 - Approximate cost which totals to the maximum proceeds
 - Maximum period of the tax – not to exceed 5 years

TSPLOST Requirements

- ❑ Proceeds to be expended on specific projects listed in resolution (Ga Code Sec 48-8-269.5)
- ❑ Transportation purposes:
 - Roads, bridges, public transit, rails, airports, buses, seaports, including without limitation road, street, and bridge purposes (Ga Code Sec 48-8-260)
- ❑ Proceeds maintained separate account
- ❑ Schedule presented in annual audit
 - Original cost estimate
 - Current cost estimate
 - Expenditures in prior year
 - Expenditures in current year

TSPLOST Requirements (Continued)

- ❑ By December 31st of each year TSPLOST schedule to be published in newspaper of general circulation (Ga Code Sec 48-8-269.6)
 - Should include same information as audit schedule
 - Include a corrective action plan for projects underfunded or behind schedule
 - Include a statement of plan for surplus funds not expended

Schedule Recap and Notes

- ❑ Annual requirements for the audit
 - Auditor will issue “in relation to” opinion
- ❑ Annual requirements for publishing in local “general circulation” newspaper
 - SPLOST – 180 days after end of fiscal year
 - TSPLOST – December 31st
- ❑ Schedule should agree to fund expenditures and any transfers out, less expenditures from other sources

Polling Question # 3

Were you aware and meeting the annual reporting requirement for the local newspaper?

- a) Yes, of course
- b) Honestly, this is news to me
- c) I plead the 5th

Schedule Recap and Notes (Continued)

- Full project cost in SPLOST / TSPLOST / ELOST fund.
- Local matches or grant funds can be reconciled on annual schedule.
- Reporting expenditures funded by debt:
 - Either report the expenditure when costs are funded or when principal is paid, not both
 - Interest on debt funded projects are a cost of the project

Examples SPLOST Expenditures – Allowable?

- Purchase land for future water plant
- Purchase land for parking lot for an American Red Cross center
- Police Car
- Police Car purchased two years ago with General Fund dollars
- Laptops for Police Cars

Examples SPLOST Expenditures – Allowable? (Continued)

- Lawn mowers for use on road easements
- Replace broken window in Courthouse
- Your examples?

Example – SPLOST Program Analysis

❑ Anything wrong with this?

- Collections are complete. Cash balance = \$20,000

**SAMPLE COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Total Current Year Expenditures	Total Cumulative Expenditures
2009 SPLOST					
Administrative Facilities	\$ 4,000,000	\$ 4,000,000	\$ 3,800,000	\$ 400,000	\$ 4,200,000
Roads & Bridges Improvements	4,000,000	4,000,000	4,000,000	-	4,000,000
Public Safety Equipment	800,000	800,000	-	-	-
Recreational Facilities	2,000,000	2,000,000	1,500,000	-	1,500,000
Total 2009 SPLOST Expenditures	<u>\$ 10,800,000</u>	<u>\$ 10,800,000</u>	<u>\$ 9,300,000</u>	<u>\$ 400,000</u>	<u>\$ 9,700,000</u>

Example – SPLOST Program Analysis (Continued)

□ What about this one?

- Collections are complete. Cash balance = \$20,000

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Public Safety Equipment	800,000	800,000	-	-	-
Recreational Facilities	2,000,000	2,000,000	1,500,000	-	1,500,000
Total 2009 SPLOST Expenditures	<u>\$ 10,800,000</u>	<u>\$ 11,200,000</u>	<u>\$ 9,300,000</u>	<u>\$ 400,000</u>	<u>\$ 9,700,000</u>

Example – SPLOST Program Analysis (Continued)

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Public Safety Equipment	800,000	800,000	-	800,000	800,000
Recreational Facilities	<u>2,000,000</u>	<u>2,100,000</u>	<u>1,500,000</u>	<u>600,000</u>	<u>2,100,000</u>
Total 2009 SPLOST Expenditures	<u>\$ 10,800,000</u>	<u>\$ 11,100,000</u>	<u>\$ 9,300,000</u>	<u>\$ 1,800,000</u>	<u>\$ 11,100,000</u>

QUESTIONS?



Thank You!



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