

## **Commissioner Questions, May 28, 2014 - SPLOST - Part 1)**

On May 5, 2014, Union County had a SPLOST Bond Validation Hearing at the courthouse. These hearings are held after every SPLOST vote, which means they are held every five to six years by the county. There is always confusion on this issue of what is a "bond validation" hearing. So over the next few weeks we are going to not only discuss actual questions and/or actual allegations given to the court, but may include some "explanation" questions as we sometimes do.

### **Q. What is the SPLOST sales tax?**

A. While certainly most people know this, since all these questions are going to be related to SPLOST in some manner over the next few weeks, I want to repeat the answer. SPLOST stands for Special Purpose Local Option Sales Tax. In Georgia, the law allows for counties and schools systems to collect sales tax for different purposes. For every dollar spent on sales taxes (7%), 4% goes to the State of Georgia. 1% goes to the county for a sales tax called LOST (Local Option Sales Tax). This tax is divided between the city and county. The county portion of this sales tax goes directly to reduce your property taxes. So this does not provide any additional revenue to the county, but reduces your property taxes.

The additional 1% is called ESPLOST (Education Special Purpose Local Option Sales Tax) and it allows the school system to build new facilities and capital equipment purchases. The county then has the SPLOST 1% for capital improvement projects and road and bridge construction.

### **Q. Why does Union County have a Bond Validation hearing?**

A. Under Georgia law, 36-82-100, when a SPLOST election is held, as was done back in 2013, part of that election wording is the statement about how much money the voters will approve of being borrowed (bonded) as part of the referendum. In order to legally comply with the law, a public hearing must be held in front of the Superior Court Judge to approve the process.

### **Q. What is a SPLOST Bond?**

A. It is the process whereby money can be borrowed to "forward fund" SPLOST projects so that some of them can be built before all the funds are collected for them.

### **Q. Why would the county want to borrow money to fund a SPLOST project?**

A. It would be similar to you taking a mortgage to build a house. While you could save your money for many years before building a home, your need for a home may be now or you may be afraid cost will increase more in the future than the cost of interest, and then not be able to build a home, or you simply know you can afford the payments and feel it is worthwhile to have the house now to use and not wait many years down the road until you have saved enough money to pay for it.

**Q. Did the public vote on borrowing money when we voted on the SPLOST referendum in 2013?**

A. YES, we did. We discussed it at the public hearing and in the newspaper and it included a provision that the county could borrow up to \$ 10 million which was estimated to be about 50% of the SPLOST collections over 6 years, knowing that this was an amount that could easily be repaid over the six year period of the SPLOST.

**Q. Did the county borrow any money during the past SPLOST?**

A. Yes. We have borrowed money (bonded) on every SPLOST. The first SPLOST (I) was to build the jail. The second SPLOST (II) was the courthouse. The third SPLOST (III) was a large assortment of projects including our Library, Horse Arena, Recreation, Farmers Market and Cannery and Roads and Bridges, along with several others. This most recent SPLOST (IV) includes roads and bridges, recreation, public safety facilities, etc.

**Q. Did the county pay off each of these SPLOST bonds?**

A. Yes, we did. The SPLOST Bond has the payments set aside each month into a separate account. Before any of the funds can be spent each month, first, money is taken out of the monthly sales tax collections and put into a special debt service account to make the bond payments. This way when the SPLOST is paid off, the bond (debt) is also paid off.

SPLOST - Continued next week

