



## An Overview of the Education Special Purpose Local Option Sales Tax (ESPLOST) Initiative for Four Metro Atlanta School Systems

By Cedric D. Johnson, Policy Analyst

This report provides an overview of the financial performance and expenditure activity related to the Education Special Purpose Local Option Sales Tax (ESPLOST) initiatives for four school systems in the metro Atlanta area: Atlanta Public Schools (APS), City Schools of Decatur (CSD), DeKalb County School System (DCSS), and Fulton County School System (FCSS). On March 18, 1997, residents of the City of Atlanta, Fulton County, DeKalb County, and the City of Decatur voted in favor of a five-year ESPLOST initiative. In 2002, a majority of residents in each local jurisdiction voted to extend the special use tax for five additional years, followed by approval of a subsequent five-year extension in 2007. The current ESPLOST initiative is set to expire in 2012, and, again, will require a majority of voters to approve an extension.

In November 1996, Georgia voters approved a state constitutional amendment that allows local boards of education the option to collect a 1 percent sales tax that must be used for certain educational purposes of the respective school districts. This special use sales tax must be approved *by a majority of qualified voters residing within the limits of the local taxing jurisdiction voting in a referendum thereon.*<sup>1</sup> Furthermore, the special use tax can be levied for a maximum of five years and can only be re-imposed through a subsequent local referendum. The newly authorized special use tax cannot be imposed until the existing ESPLOST initiative expires. With the City of Decatur located within the boundaries of DeKalb County and with the City of Atlanta located in both Fulton and DeKalb counties, the Georgia state constitution states:

“The board of education of each school district in a county in which no independent school district is located by resolution and the board of education of each county school district and the board of education of each independent school district located within such county by concurrent resolutions impose, levy, and collect a sales use tax for educational purposes ...”<sup>2</sup>

Furthermore, Georgia’s state constitution specifies the purposes for which ESPLOST revenue can be utilized. These purposes include capital outlay projects for education purposes, the retirement of previously incurred general obligation debt related to capital outlay projects of the school system, or a combination of the two aforementioned purposes. Since initial approval in 1997, the ESPLOST initiatives undertaken by the four school systems have generated approximately \$4 billion in revenue. Based on financial information reported by the four school systems, the breakdown of ESPLOST revenue by school system is as follows:

- Atlanta Public Schools – \$1.27 billion<sup>3</sup>
- City Schools of Decatur – \$32.6 million
- DeKalb County School System – \$1.16 billion
- Fulton County School System – \$1.52 billion

Each school system reports allocating the majority of ESPLOST revenue towards capital outlay projects. These capital outlay projects include building new facilities as well as renovating and upgrading existing facilities. In addition, ESPLOST revenue was used to retire debt obligations related to capital outlay projects of the school systems.

### Atlanta Public Schools

Since the initial approval of an Education Special Purpose Local Option Sales Tax (ESPLOST) in 1997, Atlanta Public Schools (APS) report receiving approximately \$1.27 billion in revenue.<sup>4</sup> Since 1997, APS reports that capital outlay projects received a total of \$1.1 billion of ESPLOST funding, and \$166 million in existing debt eligible for repayment was retired using SPLOST I funding. Table 1 provides a breakdown of capital outlay expenditures by respective ESPLOST initiative.

**Table 1 APS Capital Outlay Expenditures by ESPLOST Initiative**

Capital Projects Breakdown by Facility Type				
<u>Project Type:</u>	<u>ESPLOST I</u>	<u>ESPLOST II</u>	<u>ESPLOST III</u>	<u>Total Expenditures</u>
Elementary Schools	\$225,734,730	\$66,687,816	\$88,092,755	\$380,515,301
Middle Schools	\$73,234,770	\$103,454,518	\$49,050,299	\$225,739,587
High Schools	\$11,439,433	\$200,989,500	\$120,665,924	\$333,094,857
Academies	\$12,326,376	\$45,974,740	\$78,375,531	\$136,676,647
Primary Schools	\$0	\$0	\$4,991,200	\$4,991,200
Other	\$0	\$0	\$33,302,500	\$33,302,500
<b>Total Projects</b>	<b>\$322,735,309</b>	<b>\$417,106,574</b>	<b>\$374,478,209</b>	<b>\$1,114,320,092</b>

Source: Atlanta Public Schools, Facilities Services Department

APS has engaged in three voter-approved ESPLOST initiatives since 1997. During the 13-year period, APS reports allocating approximately \$1.1 billion in ESPLOST revenue across 96 capital outlay projects (Table 2). Several capital projects entail funding from multiple ESPLOST initiatives, which result in a total of 125 distinct capital outlay projects receiving ESPLOST funding. Furthermore, APS reports that some capital outlay projects within its ESPLOST III initiative (Table 1) are “as yet completed”. Therefore, the

reported expenditures represent planned budgets for those projects and not actual expenditures. The budgets for these “as yet completed” projects total \$76.5 million.

**Table 2 APS Capital Projects by ESPLOST Initiative**

Capital Projects Breakdown by Facility Type				
Project Type:	Total	ESPLOST I	ESPLOST II	ESPLOST III
Elementary Schools	62	53	10	14
Middle Schools	15	8	8	4
High Schools	10	3	8	4
Academy	6	4	4	2
Primary	1	0	0	1
Other	2	0	0	2
<b>Total Projects</b>	<b>96</b>	<b>68</b>	<b>30</b>	<b>27</b>

Source: Atlanta Public Schools, Facilities Services Department

Note: Total reported projects for each school type may not equal the number of projects listed for each ESPLOST initiatives due to some projects receiving funding from multiple ESPLOST initiatives.

### Student Enrollment

Since 1997, the Atlanta Public Schools system experienced a decline in overall student enrollment. The National Center for Education Statistics (NCES) reports enrollment for Pre-K through 12th grade decreased by 18 percent between 1997 and 2009.<sup>5</sup> Moreover, data from NCES indicates that annual student enrollment decreased in each subsequent year from 1999 to 2009, from a peak of more than 60,000 students to a little more than 49,000 students by 2009.

### ESPLOST Funding Per Pupil

In nominal dollars, ESPLOST revenue per pupil for calendar year 2009 was approximately \$1,907, down from a peak level of \$2,124 per pupil in 2007. When adjusted for inflation (base year 1998) ESPLOST revenue per pupil in 2009 (\$1,449) was 2.8 percent above per pupil revenue for 1998 (\$1,410) and down from an inflation-adjusted peak of \$1,670 per pupil in 2007.<sup>6</sup>

### Capital Outlay Activity (FY 2006 - 2010)

The Georgia Department of Education (GADOE) reports that during the most recent five-year period, FY 2006 through FY 2010, APS received a total of approximately \$516 million in local ESPLOST revenue and \$3.3 million in state reimbursement funding for capital projects, for a total of \$519 million.<sup>7</sup> During this time period total expenditures for capital projects total \$486 million, resulting in \$33 million in capital outlay funds, which APS reports are encumbered and/or committed to projects. There were 98 total school facilities in FY 2010, the same total for FY 2006. During this period, student enrollment declined by 4 percent, from a reported 49,965 for FY 2006 down to 47,944 for FY 2010.

## **City Schools of Decatur**

Since the initial approval of an Education Special Purpose Local Option Sales Tax (ESPLOST) in 1997, the City Schools of Decatur (CSD) reports receiving a total of \$32.6 million in revenue. CSD reports that

the majority of ESPLOST funding was allocated towards capital outlay projects, particularly for renovating and upgrading facilities. All capital projects that received ESPLOST funding existed prior to the initiation of the ESPLOST initiative.

In 1997, CSD did not have debt that qualified for retirement using ESPLOST revenue and does not report having existing debt that is eligible for retirement using ESPLOST funding. However, a portion of ESPLOST funding was used to retire a long-term capital lease.<sup>8</sup>

Total ESPLOST revenue represents less than half of total capital outlay expenditures incurred during the 13-year ESPLOST period for CSD. Table 3 shows that ESPLOST funding constitutes 42.9 percent of \$76 million in total capital outlay expenditures for 16 capital projects.

### Student Enrollment

Since 1997, the City Schools of Decatur experienced a decline in overall student enrollment. The National Center for Education Statistics (NCES) reports Pre-K through 12th grade enrollment declined by nearly 5 percent between 1997 and 2009.<sup>9</sup> Student enrollment reached its highest level of nearly 3,000 students in 1998 before reaching its lowest level of just under 2,400 students in 2007. The NCES reports a total student enrollment of 2,823 students for FY 2009.

### Capital Outlay Activity (FY 2006 - 2010)

The Georgia Department of Education (GADOE) reports that during the previous five-year period, FY 2006 through FY 2010, CSD received a total of approximately \$14.5 million in local ESPLOST revenue and no state reimbursement funding for capital projects.<sup>10</sup> During this time period total expenditures for capital projects total \$41.5 million, representing a \$27.1 million capital outlay funding deficit, which may be encumbered and/or committed to projects.<sup>11</sup> Total student enrollment increased by 13.9 percent during this time period, from a reported 2,360 for FY 2006 up to 2,687 for FY 2010. GADOE reports six total school facilities for FY 2010 and FY 2006.

**Table 3 CSD Capital Projects Expenditure & Revenue**

City Schools of Decatur	
Capital Project	Total Cost
Clairemont Elementary	\$4,962,292
College Heights Early Childhood	\$1,617,617
Decatur High	\$8,316,146
Decatur High Auditorium	\$6,951,305
Decatur High Career Academy	\$9,067
Decatur High Grounds	\$3,117
Decatur High Gymnasium	\$16,365,023
Decatur High Science Labs	\$1,223,619
Decatur High Stadium	\$5,118,302
Fifth Avenue	\$743,161
Glenwood Academy	\$6,300,622
Oakhurst Elementary	\$5,032,250
Renfroe Middle	\$8,262,874
Westchester Elementary	\$2,103,563
Winnona Park Elementary	\$6,105,100
System-wide Capital Program	\$2,852,739
<b>Total</b>	<b>\$75,966,797</b>
Total EPLOST Revenues	\$32,591,742
% ESPLOST Revenue of Total Costs	42.9%

Source: City Schools of Decatur, Finance Department

## DeKalb County School System

Since the initial approval of an Education Special Purpose Local Option Sales Tax (ESPLOST) in 1997, the DeKalb County School System (DCSS) reports receiving approximately \$1.157 billion in ESPLOST revenue. DCSS reports a total of \$1.199 billion in expenditures related to capital projects, debt retirement, student transportation, and maintenance and operations, which includes \$42 million in expenditures funded through reimbursements from the Georgia State Financing & Investment Commission (GSFIC) and interest earned. ESPLOST revenues are reported as having been allocated toward capital outlay projects and debt retirement, respectively, representing the two largest expenditure areas.

DCSS provides, via its official website, a 221-page report on the status of its ESPLOST III initiative. Information within the report states that a total of \$276 million in ESPLOST revenue was expended between September 2007 and December 2010.<sup>12</sup> The report also states that the original ESPLOST capital improvement plan increased from \$466 million to \$513 million in budgeted expenditures. The majority of the budgeted expenditure increase relates to additional construction, which totals \$47 million. These additional expenditures were implemented due to a projected increase in ESPLOST revenues.

DCSS reports that of the \$513 million budgeted expenditures, committed costs total \$381 million. Accordingly, \$132 million of budgeted expenditures represent uncommitted costs.

**Table 4 DCSS ESPLOST III initiative: Ten largest Increases in project budgets**

SPLOST III Project	Current Budget	Committed Contract (\$)	Uncommitted Contract (\$)
1. Chamblee HS - New Replacement High School	\$11,152,507	\$69,602	\$11,082,905
2. Clarkston HS - Career Tech	\$15,275,194	\$10,081,397	\$5,193,797
3. Cross Keys HS - Renovation	\$19,977,631	\$16,379,431	\$3,598,200
4. Emergency Generators	\$3,800,000	\$78,586	\$3,721,414
5. Martin Luther King, Jr. HS - Addition	\$9,889,279	\$458,374	\$9,430,905
6. Miller Grove HS - Addition	\$5,792,887	\$42,663	\$5,750,224
7. SW DeKalb HS - SPLOST II Deferred, ADA	\$22,310,250	\$2,627,957	\$19,682,293
8. Technology	\$6,000,000	\$24,065	\$5,975,935
9. Tucker HS - Replacement	\$64,965,016	\$59,327,995	\$5,637,021
10. William Bradley Bryant Center	\$3,500,000	\$2,600	\$3,497,400
<b>Total Projects</b>	<b>\$162,662,764</b>	<b>\$89,092,670</b>	<b>\$73,570,094</b>

Sources: DeKalb County School System; Capital Improvement Team January 2011 Progress & Status Report

Table 4 lists 10 projects included amongst 199 total ESPLOST III projects within the ESPLOST III report with the largest dollar amount of uncommitted funding. The scope of the 199 projects ranges from constructing new education facilities to procuring school lockers. In addition, the ESPLOST III report states that \$66 million will be used to retire an existing Certificate of Participation (COP) debt obligation.<sup>13</sup> A COP is a funding mechanism through the Georgia School Boards Association that allowed DCSS to lease purchase three elementary schools in advance of SPLOST receipts.

### Student Enrollment

Since 1997, the DeKalb County School System experienced growth in overall student enrollment. The National Center for Education Statistics reports enrollment for Pre-K through 12th grade increased by 10.5 percent between 1997 and 2009.<sup>14</sup> Annual student enrollment grew from just over 90,000 students in 1997 to 99,775 by 2009. Total student enrollment in 2009 was down from a peak of more than 102,000 students in 2006.

### ESPLOST Funding Per Pupil:

In nominal dollars, ESPLOST revenue per pupil for fiscal year 2009 was approximately \$903, which was down from a peak level of \$1,043 per pupil in 2008. When adjusted for inflation, ESPLOST revenue per pupil for fiscal year 2009 (\$686) was approximately 12 percent below per pupil revenue for fiscal year 1998 (\$780), and down from an inflation-adjusted peak of \$877 per pupil in 2000.<sup>15</sup>

### Capital Outlay Activity (FY 2006 - 2010)

The Georgia Department of Education (GADOE) reports that during the previous five-year period, FY 2006 through FY 2010, DCSS received a total of approximately \$538.5 million in local SPLOST revenue and \$51.2 million in state reimbursement funding for capital projects, for a total of \$589.7 million.<sup>16</sup> This represents a time period which includes a portion of SPLOST I and SPLOST II revenues to date. Total expenditures for capital projects equal \$533 million during this time period. DCSS reports that this expense over revenue is encumbered and/or committed to projects. Total student enrollment decreased by 3 percent during this time period, from a reported 99,544 for FY 2006 to 96,678 for FY 2010. GADOE reports 133 total school facilities for FY 2010 and 131 total school facilities for FY 2006.

## **Fulton County Schools**

Since the initial approval of an Education Special Purpose Local Option Sales Tax (ESPLOST) in 1997, the Fulton County Schools System (FCSS) reports receiving a total of approximately \$1.52 billion in revenue.<sup>17</sup> FCSS reports that the majority of ESPLOST revenue was used for capital outlay projects and retiring existing debt.

Throughout its 13-year history, ESPLOST revenue allocated toward capital outlay projects, debt service retirement, and interest payments total \$1.52 billion. These expenditures represent approximately 79 percent of total reported expenditures for these three areas (Table 4). Since 1997, reported expenditures for capital outlays, debt service retirement, and interest payments total \$1.93 billion. Accordingly, ESPLOST revenue constitutes the largest source of funding for capital improvement projects and debt obligations associated with such capital projects.

**Table 4 FCSS ESPLOST Revenue and Expenditure**

Fulton County School System ESPLOST Revenue and Expenditures	
<b>Expenditures:</b>	
Capital Outlays	\$1,765,491,795
Interest Payment	\$8,850,587
Debt Service Retirement	\$157,209,983
<b>Total Expenditures</b>	<b>\$1,931,552,365</b>
<b>Total ESPLOST Revenue</b>	<b>\$1,517,145,561</b>
ESPLOST Revenue (% total expenditures)	78.5%

Source: Fulton County School System

**Table 5 FCSS Capital Projects by School Type**

Fulton County School System Breakdown by Facility Type		
Project Type	Total	New
Elementary School	34	20
Middle School	16	8
High School	13	6
Charter	2	1
<b>Total Projects</b>	<b>65</b>	<b>35</b>

Source: Fulton County School System

A review of completed capital outlay projects undertaken by FCSS indicates that at least 65 capital projects receiving ESPLOST funding since 1997 include new facilities, renovations to existing facilities, and a combination of renovations and additions to existing facilities (Table 5). Furthermore, an additional 74 capital projects have been undertaken that consist of expenditures for technology (e.g., security systems), roofing upgrades, and equipment purchases (e.g., cafeteria freezer replacement). In total, at least 142 capital outlay projects have benefited from ESPLOST revenues since 1997.

Capital outlay projects include 35 new schools and renovations and/or additions to 30 existing schools. FCSS reports that 19 new facilities, renovations, and/or facility upgrades were completed between 1997 and 2002. Subsequently, 25 similar projects were completed between 2003 and 2007, and 19 were completed between 2008 and 2010.

#### Student Enrollment

Since 1997, the Fulton County School System experienced significant growth in its total student enrollment. The National Center for Education Statistics reports enrollment for Pre-K through 12th grade increased by 47 percent between 1997 and 2009.<sup>18</sup> Furthermore, annual student enrollment increased each year during this period, growing from nearly 60,000 students in 1997 to more than 89,000 students by 2009.

#### ESPLOST Funding Per Pupil

In nominal dollars, ESPLOST revenue per pupil for calendar year 2009 was approximately \$1,363, which was down from a peak level of \$1,685 per pupil in 2007. When adjusted for inflation, ESPLOST revenue per pupil in 2009 (\$1,035) was approximately 22 percent below per pupil revenue for 1998 (\$1,317) and down from an inflation-adjusted peak of \$1,587 per pupil in 2000.<sup>19</sup>

#### Capital Outlay Activity (FY 2006 - 2010)

The Georgia Department of Education (GADOE) reports that during the previous five-year period, FY 2006 through FY 2010, FCSS received a total of approximately \$664.9 million in local ESPLOST revenue

and \$83.5 million in state reimbursement funding for capital projects, for a total of \$748.5 million.<sup>20</sup> During this time period total expenditures for capital projects total \$785.5 million, representing a \$37 million capital outlay funding deficit, which required the school district to identify other funding and financing mechanisms to address the gap between traditional revenue sources and expenditures.<sup>21</sup> Total student enrollment increased by 12 percent during this time period, from a reported 79,192 for FY 2006 up to 88,446 for FY 2010. GADOE reports 99 total DCSS school facilities for FY 2010 and 89 total school facilities for FY 2006.

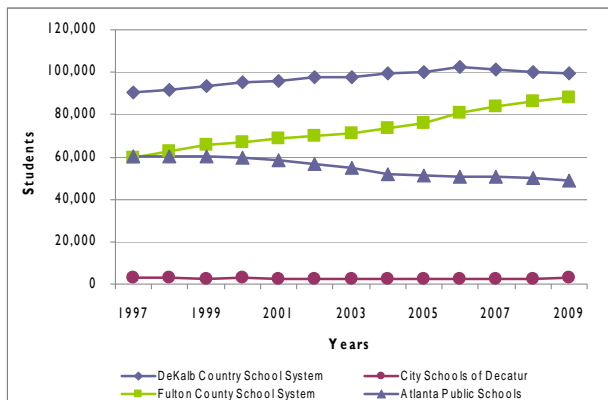
## Conclusion

Since the inception of an Education Special Purpose Local Option Sales Tax (ESPLOST) initiative in 1997, Atlanta Public Schools (APS), the City Schools of Decatur (CSD), the DeKalb County School System (DCSS), and the Fulton County School System (FCSS) report receiving a total of \$3.97 billion in ESPLOST revenue.

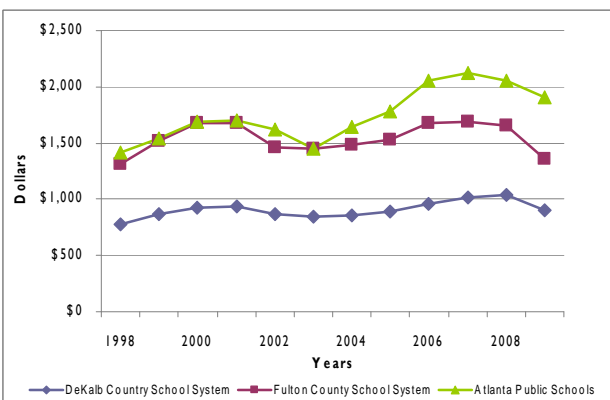
In regards to expenditure activity during the history to the ESPLOST initiatives, the four school systems report allocating the majority of ESPLOST funding towards capital projects. These capital projects have included constructing new facilities, as well as rehabilitating, upgrading, and/or making additions to existing facilities. In addition, APS, DCSS, and FCSS each report using a portion of ESPLOST funding to retire existing debt while CSD reports using a portion of ESPLOST funding to retire a long-term capital lease.

This report also highlights enrollment trends for the four school system over the history of their ESPLOST initiatives. From FY 1997 to FY 2009, DCSS (10.5 percent) and FCSS (47.3 percent) experienced growth in total student enrollment while APS (-18.4 percent) and CSD (-4.5 percent) experienced a decline in total student enrollment. Data from the Georgia Department of education indicates that student enrollment increased for CSD and FCSS while declining for APS and DCSS over the most recent five-year period (FY 2006 to FY 2010).

**Chart 1 Total Student Enrollment (FY 1997 - FY 2009)**



**Chart 2 ESPLOST Revenue per Student (FY 1998 - FY 2009)**



*Note: City Schools of Decatur did not provide annual ESPLOST revenues; therefore, Chart 2 does not include an ESPLOST revenue per student trend line for CSD.*



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Contact: Cedric D. Johnson, [cjohnson@GBPI.org](mailto:cjohnson@GBPI.org); 404.420.1324

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<sup>1</sup> Constitution of the State of Georgia; Article VIII, Section VI, Paragraph IV.

<sup>2</sup> Ibid

<sup>3</sup> Revenue figure does not account for \$34 million in SPLOST overpayments due to Fulton County.

<sup>4</sup> SPLOST revenue information provided by Atlanta Public Schools.

<sup>5</sup> 2009 is the most recent year for which Pre-K through 12th grade enrollment data is available from the National Center for Education Statistics.

<sup>6</sup> Inflation-adjusted SPLOST revenue per pupil is calculated using U.S. Bureau of Labor inflation calculator and assumes 1998 as the initial calendar year of full SPLOST revenue.

<sup>7</sup> Local ESPLOST revenue for capital projects represents additional funding not allocated in the general fund budget.

<sup>8</sup> Information provided by the City Schools of Decatur.

<sup>9</sup> See endnote 5.

<sup>10</sup> See endnote 7.

<sup>11</sup> City Schools of Decatur did not report how this funding deficit was addressed.

<sup>12</sup> DeKalb County School System January 2011 Monthly Report.

<sup>13</sup> A Certificate of Participation instrument allows an investor to purchase a share of the lease revenues of a project rather than the underlying bond secured by those revenues.

<sup>14</sup> See endnote 5.

<sup>15</sup> See endnote 6.

<sup>16</sup> See endnote 7.

<sup>17</sup> SPLOST revenue information provided by Fulton County Schools finance department. Total SPLOST revenue includes interest earned and miscellaneous small deposits.

<sup>18</sup> See endnote 5.

<sup>19</sup> See endnote 6.

<sup>20</sup> See endnote 7.

<sup>21</sup> Statement provided by the DeKalb County School System.