



# Clinton County

## County School Facilities Sales Tax

October 2022

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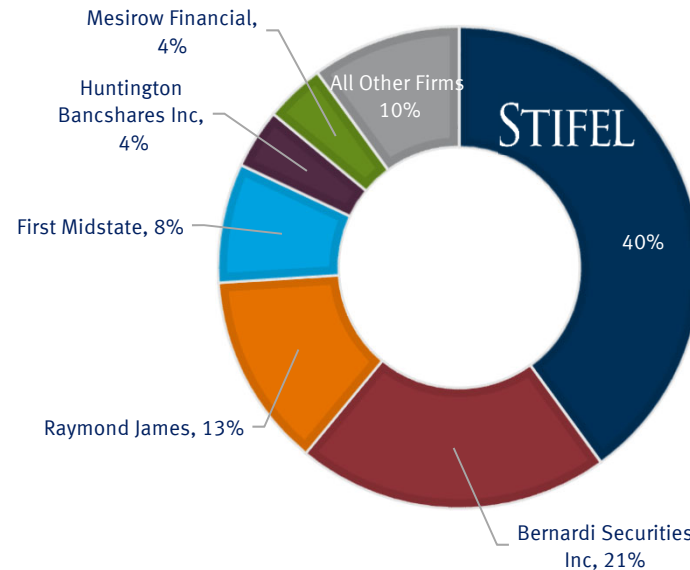
# Stifel's Illinois Public Finance 2022 Experience

- Stifel is proud to have outpaced all competing firms having served as the **Lead Underwriter on over \$250 million in negotiated par for Illinois K-12 issuers thus far in 2022.**
- As a Midwestern-based company with a 130-year history, Stifel is proud of our long-standing commitment to assisting Illinois governments, schools, and non-profit organizations with their financing needs.

## Illinois K-12 Lead Underwriter Rankings 2022

<b>Negotiated Lead Underwriter Experience: 2022 – K-12 State of Illinois</b>	
<b>21 Total Transactions</b>	
<b>Ranked #1</b>	<b>Total Par: \$257.2 Million</b>

Source: SDC (Full to Book Equal if Joint) negotiated Illinois transactions ranked by number of issues. As of August 3, 2022



First to Underwrite **1,000 Negotiated Municipal Bond Sales** in a Single Year

— Source: Thomson Reuters - SDC

# Introduction

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- Sales tax vs. Real Estate tax for school capital
  - Allows county voters to approve a sales tax to fund school facility costs
  - **1% maximum** in  $\frac{1}{4}\%$  increments
- Law went into effect October 2007
- Law was based on similar law that is currently in place in every county in Iowa

# SRO/ Mental Health CSFT Legislation

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- PA 101-455 allows for a new referendum seeking to impose a County School Facilities Tax (CSFT) to add school resource officers and mental health professionals as expenditures that the tax may be used to pay.
- The Act also allows those counties that now have CSFT to pass a referendum to expand the use of their CSFT dollars to be used for school resource officers and mental health professionals.
- While the Act provides for ballot language to allow CSFT dollars to be used for school resource officers and mental health professionals, the School Code does still reflect that the original limited purposes of school facilities. A “clean-up” bill will need to be passed before such expenditures can be made.



# What is Taxed

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- Sales Tax Base:
  - Everything in the municipal and county sales tax base is included in the tax base **except for:**
  - Cars, Trucks, ATVs
  - Boats & RVs
  - Mobile homes
  - Unprepared Food
  - Drugs (including over-the-counter and vitamins)
  - Farm Equipment and Parts
  - Farm Inputs
  - Services are not taxed
  - If it is not currently taxed, it will not be taxed
  - **Online sales are taxed effective January 1<sup>st</sup>, 2021**

# Uses of Sales Tax

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<b>New Facilities</b>	<b>Roof Repairs/Energy Efficiency</b>
<b>Additions &amp; Renovations</b>	<b>Parking Lots</b>
<b>Technology Infrastructure</b>	<b>Demolition</b>
<b>Architectural Planning</b>	<b>SRO's/Mental Health Professionals*</b>
<b>Durable Equipment (non-moveable items)</b>	<b>Refund Bonds or Abate Property Taxes Levied to Pay Bonds Issued for Capital Purposes</b>
<b>Fire Prevention &amp; Life Safety</b>	
<b>Land Acquisition</b>	

# Ineligible Uses

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**Direct Instructional Costs**

**Text Books**

**Buses**

**Detached Furniture & Fixtures**

**Computers**

**Moveable Equipment**

**Operational Costs**

**Salaries & Overhead**

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\*Only if proper ballot language is used



# How to Use Sales Revenues

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- **Pay as you go** capital projects
  - Sales tax can be saved up over time
- **Issue new bonds** for current capital needs
  - Support bonds with sales tax
- **Retire existing debt** issued for capital purposes
  - Abate taxes – annual decision
  - Refund qualifying debt – locks in abatement
- ...Or any combination of the above
- Every district decides for themselves how to spend the funds

# CSFT, Tax Caps and EBF

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## *Two Ways to Decrease Property Taxes*

- 1. Reduce:** A district can abate or decrease existing property taxes by using sales tax funds to pay off outstanding building bonds.
  - Property taxes reduced on residential, commercial and industrial properties
- 2. Avoid:** A district can avoid levying property taxes by using sales tax funds to pay for facility projects that would have been paid for with property taxes

# CSFT & PTELL/ Tax Caps

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- CSFT revenues are outside of aggregate extension base or EBF calculations
- Alternate Revenue Bonds and Debt Certificates backed by CSFT revenues do not count against or require a debt service extension base “DSEB”

# Historical Sales Tax – Clinton Co. CST

Jan-Dec	CST at 1/4%	Adjusted Net CST at 1%	% Change
2002	\$701,337	\$2,190,431	N/A
2003	\$721,119	\$2,252,214	2.82%
2004	\$726,319	\$2,268,457	0.72%
2005	\$752,738	\$2,350,967	3.64%
2006	\$802,567	\$2,506,594	6.62%
2007	\$811,769	\$2,535,336	1.15%
2008	\$807,323	\$2,521,450	-0.55%
2009	\$755,914	\$2,360,887	-6.37%
2010	\$852,543	\$2,662,682	12.78%
2011	\$864,642	\$2,700,468	1.42%
2012	\$905,362	\$2,827,647	4.71%
2013	\$938,710	\$2,931,801	3.68%
2014	\$954,637	\$2,981,542	1.70%
2015	\$950,185	\$2,967,638	-0.47%
2016	\$979,405	\$3,058,899	3.08%
2017	\$1,019,017	\$3,182,618	4.04%
2018	\$1,089,875	\$3,403,921	6.95%
2019	\$1,098,252	\$3,430,085	0.77%
2020	\$1,122,194	\$3,504,862	2.18%
2021*	\$1,418,278	\$4,429,596	26.38%

\*Online sales were taxed beginning 1/1/21

# Example 1% CSFT Impact Per District

1	2	3	4	5	6	7	8	9	10	11	12	13
County	District	2021 District Total EAV (1)	% of EAV in the County (1)	2021-22 Housed Enrollment	2021-22 Housed Enrollment adjusted for in-County EAV (2)	Percent of Total	Adjusted Annual CSFT per District (3) <sup>a</sup>	Estimated Debt Issuance with 0% Annual Growth in Sales Tax, 1.25x Coverage @ 4.5% Rate for 20 Years (4)	Final Maturity of Existing Debt	Fiscal Year 2023 Debt Service per District from 2021 County Tax Rate Sheet	Potential Abatement Available Based on LESSER of CSFT Funds or FY2020 Debt Service	Effective Abatement \$ Amount per \$100,000 House Value Based on column 12 (5)
Clinton	Carlyle CUSD 1	\$212,085,944	98%	967	943	18.6%	\$824,573	\$8,580,798	12/1/2038	\$623,738	\$0.29	\$80.39
Clinton	Wesclin CUSD 3	\$195,109,257	100%	1,222	1,221	24.1%	\$1,068,231	\$11,116,384	12/1/2031	\$842,425	\$0.43	\$118.02
Clinton	Breese SD 12	\$195,759,692	99%	576	570	11.3%	\$498,750	\$5,190,170	12/1/2025	\$532,309	\$0.25	\$69.64
Clinton	St. Rose SD 14-15	\$42,345,330	99%	154	153	3.0%	\$133,643	\$1,390,738		\$0	\$0.00	\$0.00
Clinton	Aviston SD 21	\$82,881,940	99%	368	364	7.2%	\$318,451	\$3,313,909	*	\$241,706	\$0.29	\$79.71
Clinton	Willow Grove SD 46	\$23,985,496	99%	137	135	2.7%	\$118,325	\$1,231,332	12/1/2023	\$134,375	\$0.49	\$134.84
Clinton	Bartelso SD 57	\$33,524,000	100%	174	174	3.4%	\$152,169	\$1,583,520	12/1/2028	\$161,801	\$0.45	\$124.07
Clinton	Germantown SD 60	\$55,522,870	100%	209	209	4.1%	\$182,777	\$1,902,044	12/1/2023	\$144,903	\$0.26	\$71.33
Clinton	Damiansville SD 62	\$23,587,930	100%	88	88	1.7%	\$76,959	\$800,861	12/1/2030	\$89,498	\$0.33	\$89.18
Clinton	Albers ESD 63	\$33,487,360	100%	160	160	3.2%	\$139,925	\$111,940	*	\$63,069	\$0.19	\$51.48
Clinton	Central CHSD 71	\$467,073,692	99%	618	614	12.1%	\$536,880	\$5,586,956	11/1/2035	\$394,313	\$0.08	\$23.08
Marion	Patoka CUSD 100	\$51,024,063	3%	207	6	0.1%	\$5,026	\$52,307	12/1/2036	\$303,833	\$0.01	\$2.69
Marion	Centralia SD 135	\$133,945,016	13%	1,076	135	2.7%	\$117,848	\$1,226,362	5/19/2035	\$83,236	\$0.06	\$16.99
Marion	Wamac SD 186	\$9,281,187	34%	113	39	0.8%	\$33,702	\$350,715	12/1/2025	\$36,670	\$0.36	\$99.25
Marion	Centralia CHSD 200	\$228,860,553	19%	864	165	3.3%	\$144,041	\$1,498,937	3/1/2025	\$1,073,338	\$0.06	\$17.20
Marion	Sandoval CUSD 501	\$23,628,057	24%	378	90	1.8%	\$78,297	\$814,783	12/1/2027	\$91,490	\$0.33	\$90.57
<b>Total</b>		\$1,559,613,777			5,065	100%	\$4,429,596	\$44,751,756				
<b>Value of a Student</b>		\$875										

Prepared by Stifel Nicolaus & Company, Inc. - for additional information please contact Tom Crabtree at 800-230-5151 ext. 8457

October 13, 2022

- (1) As reported by ISBE Annual Financial Reports and County
  - (2) Enrollment of County resident students as reported by ISBE Fall Housing Report then adjusted by factor of % of EAV in the County
  - (3) Based on 1% sales tax, derived from the Illinois Department of Revenue CST data, also excludes registered vehicles, less 2% State fee
  - (4) Stifel makes no guarantee to underwrite at these levels, for illustrative purposes only
  - (5) Assumes \$6,000 Homestead exemption
- \*Information not publicly available, privately held debt

The Money Follows the Student

## How to Place Before Voters

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- School Boards representing more than 50% of enrollment must approve resolutions with consistent ballot language
- When School Boards representing more than 50% of the resident student enrollment in the county adopt resolutions, the Regional Superintendent **must** certify the question to the County clerk
- County Clerk will place on the ballot at the next regularly scheduled election

# Required Language on the Ballot

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Ballot Language (cannot change):

*Shall a retailer's occupation tax and a service occupation tax (commonly referred to as a "Sales Tax") be imposed in (name of county) at a rate of \_\_\_% to be used exclusively for school facility purposes?\**

*\*Or the alternative version to include SRO's and Mental Health Professionals can be used.*

# Implementation

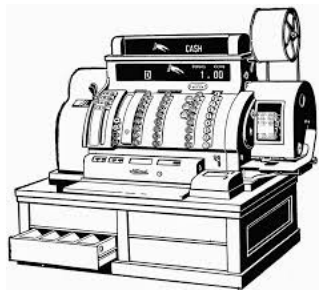
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- Simple majority of votes cast county-wide needed to pass
- After approval by the voters, the tax will be imposed
- The resolutions and the election results must
  - Be certified by the County Clerk
  - Filed with the Illinois Department of Revenue
- Revenue is received monthly beginning approximately four months after the tax goes into effect
- The revenue follows the student



# Distribution of Sales Tax

Revenues do not flow through the Illinois General Assembly budget process.



## R.O.E.

Distributed by R.O.E. on a per resident-pupil basis



2% withheld by IL Dept. of Revenue –  
Common to sales taxes



The money follows the student

# Election Timelines

<b>Election Date</b>	<b>April 4, 2023</b>	<b>March 19, 2024</b>	<b>November 5, 2024</b>
Pass Resolution* (School Districts)	Jan. 16, 2023	Jan. 1, 2024	Aug. 19, 2024
Certify the Resolution* (County Clerk)	No later than Jan. 25, 2023	No later than Jan. 10, 2024	No later than Aug. 28, 2024
Election	April 4, 2023	March 19, 2024	November 5, 2024
File with IL Dept. of Rev. to Enact Tax	No later than May 1, 2023	No later than May 1, 2024	No later than May 1, 2025
Sales Tax Goes into Effect	July 1, 2023	July 1, 2024	July 1, 2025
Regional Superintendent Receive Funds from State	Approximately 90 Days after July 1, 2023	Approximately 90 Days after July 1, 2024	Approximately 90 Days after July 1, 2025
<b>District Receives New Sales Tax Revenues</b>	<b>October 2023</b>	<b>October 2024</b>	<b>October 2025</b>

# Campaigning Guidelines

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- CONSULT WITH YOUR LOCAL ATTORNEY
- Election Interference Prohibition Act
  - Bars the expenditure of public funds to advocate votes for or against a referendum
  - Allow use of public funds to disseminate factual data but must avoid persuasive language
    - District resources may be used for factual and “non-vote-yes” materials such as brochures and web postings
- State Officials and Employees Ethics Act
  - Prohibits State employees from engaging in certain political activities
    - Campaigning – managing or working on a campaign
    - Soliciting votes
    - Preparing or distributing “vote-yes” campaign literature
- Employees are prohibited from “vote-yes” campaign support during “compensated” time
  - Superintendents can be considered “on the clock” much of the time
  - Teachers and other administrators typically can be “off of clock” outside of school hours
  - Board members are not employees and are not restricted other than by Board Policies

# How CSFT is Different from other Ballot Questions

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- Unfamiliar type of funding (what vs. why)
- County-wide effort
- Abatement is often misunderstood and challenging to engage the community
- “Bricks and mortar” is easily understood and often engages the community
- Large enough to attract outside opposition

# Campaign Considerations

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- Explaining CSFT and benefit to districts takes extra time
- Unified support (as much as possible) for CSFT from all districts
- Voters will want communication from all districts regarding what CSFT is and how it would meet the district's needs
- Countywide leadership and coordinated communication
- Putting the question on the ballot is not enough – voters need a lot of information and education

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