

Cobb Taxpayers Association

Frequently Asked Questions Concerning the 2016 SPLOST

Q. What is a SPLOST?

A. SPLOST stands for a Special Purpose Local Option Sales Tax. It was passed into law by the Georgia state legislature in 1985 to allow voter approved levies of a one percent sales tax by the counties to finance local government capital projects. It was not intended to pay for routine maintenance items, such as repaving existing roads, but rather for an expansion of existing facilities, such as road widening or putting in new sewer lines to accommodate population and economic growth, or to replace existing facilities such as jails or courthouses. Unfortunately, the Cobb County 2016 SPLOST on the November 4, 2016 ballot contains numerous items which go beyond the original intent of the law, such as the aforementioned repaving of existing roads.

Q. How much will the Cobb County 2016 SPLOST cost?

A. The County predicts that it will raise \$750 million over six years, running from January 1, 2016 until December 31, 2021, which would average \$125 million a year. However, revenues raised from the SPLOST currently in place are averaging about \$30 million per year over projections due to improving economic conditions, which means the 2016 SPLOST will, conservatively, raise \$930 million. Allowing for normal growth in the county, a windfall in sales tax revenues that will accrue from the new Braves Stadium, and continued improvement in the economy during the 2016 SPLOST's six year lifespan, it is not unrealistic to assume that **it will raise over \$1 billion**. This would amount, on average, to an additional tax burden of over \$1440 for a family of four in Cobb County.

Q. How will the SPLOST money be spent?

A. The County has on its website a list of the proposed projects that are divided between Tier 1 and Tier 2 projects, and within those tiers they are further divided into Parks, Recreation and Cultural Affairs, Transportation, Facilities, Public Safety and Municipal Improvements. The Tier 1 projects are

ones deemed to be of highest priority, with Tier 2 projects to be funded if additional revenues become available.

Q. Aren't many of these projects needed and necessary, and won't our quality of life in Cobb be adversely affected if the SPLOST does not pass?

A. What constitutes a true need vs. want is a subject in which reasonable people can honestly disagree. A soccer Dad may consider resurfacing a lacrosse playing field with AstroTurf to be a real need if his daughter plays lacrosse. A senior citizen may argue that such expenditure has no direct bearing on his quality of life other than to increase his tax burden. CTA would argue that a need is something which affects the overall safety and well being of *all* the people, such as an unsafe road condition. Replacing a bridge which might otherwise collapse, or expansion of the sewer system to accommodate growth and prevent groundwater contamination are clear examples of needs vs. wants. Unfortunately, there are many, many projects in this SPLOST which do not meet even the most rudimentary definition of needs, and in fact are actually counter-productive, where the citizens would be better off if the project does not happen in the first place. They include a new splash pad and dog run upgrades in Kennesaw, a \$2 million equestrian center at Stout Park, building underutilized sidewalks and bicycle paths, \$26.5 million to make C.H. James Parkway into six lanes from four up to the Paulding County line, thereby creating a huge bottleneck at the County line, taking valuable real estate away from businesses along the proposed project, and **addressing a traffic need which does not exist!** Ditto for a \$63 million project to make Roswell Road a six lane highway from its current four lane divided highway leading up to the Fulton County line. Or \$7 million in Marietta to go towards 14 feet planted areas, six feet sidewalk upgrades, decorative lighting and landscaping. And \$23.4 million for technology, which according to the exact wording in the project list, “allows government to focus more attention on aspects of customer service that are more challenging.”

Taxpayers should be especially concerned about the open-ended nature of many of the proposed expenditures, such as the last example cited above. In fact, the project list is rife with vague and ill-defined project expenditures that lack specificity, and do not answer the basic questions which should be required of any governmental entity which is asking you to pony up around \$1 billion of your money, those questions being:

Who asked for it?

Is there a problem to be solved?
What is the purpose of the project?
What goals are to be achieved?
How many people will be served by this project?
What benefits are expected for the public?
What will be the future cost to operate and maintain this project?

To quote local citizen activist, Larry Savage: "No one in the business world would even consider committing \$750 million based on a list of projects without...evidence that there will be beneficial results."

Here are just a few examples of the lack of specificity in the project list:

\$400,000 for a railroad quiet zone installation at a crossing **to be determined**
(Page 17 of the project list.)

\$1 million to the City of Smyrna for public safety equipment (Page 66). *What safety equipment? For what purpose? Where is the need?*

\$2.5 million for Mitchell Hill Drive in Acworth. *To do what?*

In fact, of the \$750 million proposed for Tier 1 projects, \$221.1 million do not specify how and why the money will be spent, use "To be determined" for justification, or are identified as "miscellaneous spending."

With Tier 2 spending, the problem is worse. Of the \$338 million listed there, \$287.3 million fail to meet the basic accountability standards that taxpayers have a right to demand of its local government.

Q. Even if there are numerous wants in the SPLOST, shouldn't we pass it anyway to make sure the needs get taken care of?

A. Before a SPLOST of any length or amount is passed, the County must first address the systemic problems that currently exist with the way it spends our tax dollars. Is the County doing everything in its power to reduce costs and operate more efficiently? The record clearly indicates that is not the case. The County has been bleeding millions in red ink on County owned facilities such as the Mableton Amphitheater and the Cobblestone Golf Course. We need to ask: Has it considered zero-based budgeting as an effective tool to reduce operating expenses? Has it privatized wherever possible? Has it raised user fees to more closely match the costs of operating and maintaining County facilities such as its six aquatic centers? On the contrary, these measures have yet to be seriously looked at. Instead, this SPLOST seeks to expand public

facilities, which in turn will increase fixed costs to maintain them. Until the County decides to get really serious about reducing spending, it would be irresponsible and unfair to taxpayers to grant them access to an additional \$1 billion dollars of our hard earned tax dollars. Legitimate needs can be met by a fiscally responsible County government, without the imposition of another SPLOST. Besides, the County already has access to over \$1.4 billion from the 2005 and 2011 SPLOST. That should have been more than enough to address current needs if managed properly.

Q. With growth in the County, don't we need a SPLOST to accommodate it?

A. That may have been true prior to the housing bubble burst starting in 2007, but since that time growth has come to a grinding halt, followed by an anemic recovery. This, therefore, represents the perfect time for hard pressed taxpayers, who are struggling with high unemployment and declining property values to receive a much needed and welcome tax cut, which the defeat of this SPLOST would accomplish.

Q. Is this SPLOST a tax increase or a tax cut?

A. If passed, the SPLOST would be seamless continuation of a sales tax increase of 16.7 percent that was passed in the six-year 2005 SPLOST, followed by the four year 2011 SPLOST. If defeated, it would be a tax cut that would reduce the sales tax to 5 percent for most goods and services, compared to 7 or 8 percent in adjoining counties, making it the lowest tax rate in the state. This would have obvious benefits for businesses in the county and for customers looking to do business with them, and would inject hundreds of millions in private spending into the local economy by local taxpayers, rather than being put into the hands of spending interests – whose profits would largely be siphoned off to contractors whose home offices reside out of the County or out of state. SPLOST proponents claim opponents are characterizing it as a tax increase, which is simply not true. All organizations and individuals who oppose the SPLOST have been emphatically clear that this is either a continuation of a tax increase or a tax cut, depending on the outcome of the measure at the polls.

Q. What goods and services are taxed with the SPLOST?

A. All retail items and most services, such as electric, water, phone and gas are assessed the tax.

Q. Isn't it true that the SPLOST would force people outside the county to pay for services they use here, as opposed to property taxes which only residents pay?

A. It's been estimated by the County that about 15 percent of SPLOST revenues come from outside the county. That still means that a disproportionate amount is paid by residents. Moreover, the benefits of receiving out of county revenue would be more than offset by the benefit to business owners and residents of a lower tax rate. Furthermore, the amount spent by residents from outside the county is likely offset by the amount that Cobb residents also spend outside Cobb County, resulting in a net effect of zero.

Q. What is the status of the Bus Rapid Transit project as it relates to this SPLOST? I heard that it was removed from the project list.

A. As a specific line-item in the SPLOST project list, the Bus Rapid Transit (BRT), a fixed guideway project that would run from Town Center in Kennesaw to the MARTA Arts Station in mid-town Atlanta, was removed from the list, but the funding for it was not. Some of the money would go towards infrastructure to support the new Braves Stadium, thereby increasing the amount of taxpayer subsidies used to entice the Braves to move to Cobb County above and beyond the \$600 million largess already agreed to by the County for the Braves over 30 years. Moreover, in the intervening eight years, future Boards will have enormous discretion to add or discard projects at will. Thus, once the voters open the Pandora's box to pass this year's SPLOST, they open the door to future mischief by urban planners who have not given up on their 20 year quest to build a mass transit system through the heart of Cobb County. In fact, on the County website, BRT is still being touted under its new name, Cobb Connect, where it is described as "providing much-needed travel options for thousands of daily riders."

Q. But isn't it true that at least voters can be assured that the County will not stray from the project list, and they will only deliver what is listed?

A. Unfortunately, no. Since there is so much latitude and lack of specificity in the project list, the County and municipalities within the County can and will use the SPLOST as a slush fund to reward its well placed supporters and benefactors and shift funds around for that purpose. An example of this is in

the City of Austell which spent tens of thousands of dollars building a park on Veterans Memorial Highway with 2011 SPLOST funds even though no funds were earmarked for it.

Q. Since we all can agree that public safety is the County's first priority, won't public safety be compromised if the SPLOST is not passed?

A. The primary issue facing public safety in Cobb County is attracting and retaining qualified personnel. This is an issue which can only be addressed through the general fund. And while infrastructure needs will always be present when it comes to providing for public safety, the County will be spending close to \$13 million in the current SPLOST for public safety, and that does not include what was spent in the previous six year 2005 SPLOST and what was allocated for municipalities. Now the County is asking for an additional whopping \$213 million, (Tier 1 and 2 combined) much of which is highly questionable, such as an indoor firing range, or replacement of a perfectly functional and adequate police headquarters (\$16 million). There comes a point where taxpayers need to question how much in the way of capital improvements is really needed for public safety, and not assume that if it falls under that category, then it is automatically justified.

Q. Who benefits the most from the SPLOST and where does its support come from?

A. Supporters will tell you that all of us benefit equally, in that it improves the overall quality of life in the county. That is clearly not the case because residents who are heavy users of heavily subsidized county services and facilities benefit in the form of a wealth transfer payment at the expense of everyone else. The most obvious beneficiaries are the builders, contractors, lawyers and bankers who have an immediate fiduciary interest in keeping the lucrative projects going. As a measure of how important these projects are to them, they traditionally give hundreds of thousands of dollars in contributions to organizations which are set up specifically to promote the SPLOST. As for the "quality of life" issue touted by SPLOST proponents, CTA cannot think of a better way to improve the quality of life than for residents to keep and spend as much of their own money as they see fit.

Q. How can we know that the price tags attached to these projects are reasonable and cost competitive?

A. Sadly we can't, which is all the more reason to oppose this SPLOST because of the way the money has been managed in the past and will likely be managed in the future. For example, in the 2005 SPLOST a Tier 2 project at Trickum Road to add left turn lanes was listed as costing \$465,000. In the 2011 SPLOST the exact same project will now cost \$759,000, a \$294,000 increase in five years. Either it was under-estimated then or it is overpriced now, but it can't be both. Discrepancies like these should give voters real pause about how well the county would manage the costs of these projects if the SPLOST was to pass.

Q. Are there any circumstances under which your organization would support a SPLOST for Cobb County?

A. CTA can envision a scenario when it might not oppose a SPLOST that was of very limited duration and was designated to address really critical needs that could not be reasonably paid for in any other way. For that reason, CTA supports legislation that was proposed in the last two sessions of the state legislature which would allow for an optional fractional SPLOST, where the County would first identify true needs that most everyone could agree on, and then put on the ballot a SPLOST that would address needs vs. wants and would avoid imposing fluff projects which are done to find a way to spend the full one percent SPLOST as required under current law. But that is certainly not the case today. Until the County gets its fiscal house in order, giving money to it in the form of a full one penny SPLOST would be like giving heroin to an addict.

Q. If the SPLOST fails, won't property taxes go up to make up for the revenue shortfall?

A. That is a question best answered by the Board of Commissioners. Normally, property taxes should not go up because the proper purview of a SPLOST should be for capital improvements, whereas property taxes should go to pay for the day-to-day expenses of government, such as salaries, benefits and *routine* maintenance. Unfortunately, the Cobb County SPLOST has morphed into a slush fund where the lines between the two funding sources have become blurred and the County has used the SPLOST to pay for those items which should be paid for out of the general fund. Defeating this SPLOST would be the best way to cure the County of its over reliance on the SPLOST and force a level of fiscal restraint and responsibility that taxpayers have not enjoyed since the current SPLOST was imposed back in 2005. Prior to 2005, the County did not have a county-wide SPLOST, yet the basic needs of the County were met for several years without it, to the benefit of local taxpayers.

Historically, it is interesting to note that proponents of the 2011 SPLOST warned voters that if that SPLOST did not pass, then property taxes would go up, and plastered the county with lawn signs that read: "Vote Yes for Low Taxes. No Debt." Then four months later, the Board of Commissioners went ahead and raised property taxes anyway, from 9.60 to 11.11 mills. Since then it has only declined to 10.71

Q. Isn't there a difference between the impact the SPLOST would have on low verses high-income taxpayers?

A. Yes. Low income taxpayers pay a disproportionately higher share of their income on the SPLOST, making it a regressive tax. This makes sense since there are so many taxable items that the poor and rich purchase at approximately the same level, such as sundries and motor fuels. This is especially hard on low income residents who are struggling to advance their economic status, and retired seniors on fixed incomes.

Q. How would defeat of this SPLOST affect the Cobb County School System?

A. There would be no impact. This SPLOST is for county provided services and facilities, which has a separate budgeting authority from the schools.

Q. What's the big deal? It's only a one penny tax.

Proponents are fond of emphasizing that it is "only" a one penny tax as a way to minimize its true cost. However, it would be more accurate to state that it is a **one percent tax** on most of what you buy in the county. That adds up over time, and can have a major impact on big ticket items. With the average cost of this SPLOST on a family of four close to \$1500, defeat of the SPLOST would give residents access to money that they could spend on their children's college tuition, or any other expenses that they, not the spending interests deem as *their* needs. At a time when spending by government on all levels has reached historically high levels, and is contributing to a national debt which is mortgaging our country's future, the time has come in Cobb County, at long last, to put an end to over spending by the public sector, and force it to live within its means, just like the rest of us are required to do.

Q. With the recovery in real estate values, doesn't that mean the County will automatically receive a windfall in property tax revenues?

A. Absolutely. With increased assessments in property values, tens of millions in increased revenues will flow into County coffers between now and when this SPLOST would expire seven years from now. With all that additional revenue, CTA takes the position that this windfall would go a long way towards meeting the true needs of the County without a SPLOST. Under the circumstances, asking for another SPLOST is unreasonable, excessive and belies a lack of fiscal discipline by the County's elected officials.

###