

ILLINOIS COUNTY SCHOOL FACILITY SALES TAX
PUBLIC ACT 95-0675

FREQUENTLY ASKED QUESTIONS

1. How does the County School Facility "Sales" Tax ("CSFT") get placed on the ballot?

There are two ways for the tax to be placed on the ballot:

1. The county board votes to approve placing the question on the ballot.
2. School boards representing at least 51% of the resident student enrollment in the county adopt resolutions requesting the county to put the question on the ballot, then, the county board **MUST** certify the question to be put on the ballot at the next regularly scheduled election.

The ballot requires approval by a majority of those voting on the question. The county board then **MAY** OR **MAY NOT** adopt an ordinance imposing some, all or none of the tax. Further, the county board has the ability to reduce or eliminate the tax at any time, unless doing so would inhibit a school board's ability to pay its bonds backed by the proceeds of the tax.

2. How are proceeds distributed?

Proceeds are collected by the Illinois Department of Revenue and distributed to the local Regional Office of Education ("ROE"). The ROE then distributes the funds to the school districts based on their percent of resident students in the county attending the district as reported on the most recent Fall Housing report.

A district receives that student's funds regardless of the location of the district. A district outside the county which has passed the act may receive funds if said district's student resides in a taxed county.

3. What is taxed?

Everything in the municipal and county sales tax base is included in the tax **EXCEPT** for:

- ✓ Cars, Trucks and ATV's
- ✓ Boats and RV's
- ✓ Mobile homes
- ✓ Qualifying foods; food eaten on premises is taxed
- ✓ Drugs
- ✓ Farm Equipment and parts
- ✓ Farm inputs

"If it is not currently taxed, it will not be taxed."

4. What can a school use the proceeds of the CSFT for?

The proceeds can **ONLY** be used for school facilities and durable school equipment. Please see table below for sample items:

| Eligible Capital Projects | Ineligible Uses |
|--|-----------------------|
| Demolition | Buses |
| New Facilities & Land Acquisition | Operating Costs |
| Additions & Renovations & Parking Lots | Salaries and Overhead |
| Systems Upgrades | |
| Architectural Planning | |
| Durable Equipment | |
| Fire Prevention and Life Safety | |
| Disabled Access & Security | |
| Section 17-2.11 of the School Code | |
| Financing Costs | |
| <i>Abatement of Property Taxes Levied to Pay Bonds Issued for Capital Purposes</i> | |

5. Can a school district limit itself with respect to use of proceeds?

As part of its referendum campaign, a school district may, and probably should, convey to its voters its intended use of sales tax proceeds. There is no provision in the law, however, which requires the district to provide such a plan. Moreover, there is an established principle in municipal law that a current governing body may not bind a future governing body. Accordingly, a school district may deviate from its referendum campaign plan or promises with respect to the use of sales tax proceeds if such use is otherwise permissible under the law.

6. What are alternate revenue bonds?

Alternate Revenue Bonds are the financing tool that legislators had in mind when they contemplated districts using the sales tax proceeds for bond issues. Alternate bonds are general obligation bonds which allow the district to pledge the sales tax toward the repayment of bond debt service with the parameters below:

- ✓ Does not count against the total debt limit for the school district
- ✓ Minimum debt service coverage ratio of 1.25 times is required when the revenue source is sales tax revenue.
- ✓ Up to 40 year term, however, Stifel recommendation to hold term to less than 40 years
- ✓ No requirement for back door referendum if the only revenue source is the sales tax
- ✓ Payable from sales tax revenues or additional property tax levy if revenues from sales tax are insufficient
- ✓ Feasibility study may be required but sales tax collection history as reported by Illinois Department of Revenue provides base data for "feasibility study"
- ✓ Sales Tax Revenues cannot be reduced or eliminated by county board if doing so would inhibit repayment of the bonds

7. Timing issues: When is the tax imposed? When will proceeds reach school districts?

Please see the table below for an outline of the CSFT cycle as it relates to the next several regularly scheduled election dates.

| Election Date | Nov. 2, 2010 | Feb. 2, 2011* | Apr. 5, 2011 |
|---|--|--|--|
| Pass Resolution (County Board or School Districts) | Aug. 30, 2010 | Nov. 30, 2010 | Jan. 31, 2011 |
| Certify the Resolution (County Board) | No later than Sept. 1, 2010 | No later than Dec. 3, 2010 | No later than Feb. 3, 2011 |
| Election | Nov. 2, 2010 | Feb. 2, 2011 | Apr. 5, 2011 |
| County Adopt Ordinance and File with IL Dept of Rev. to Enact Tax | No later than April 1, 2011 | No later than April 1, 2011 | No later than Oct 1, 2012 |
| Ability to Sell Bonds Backed by Sales Tax | After the County Board has Adopted Ordinance | After the County Board has Adopted Ordinance | After the County Board has Adopted Ordinance |
| Sales Tax Goes into Effect | July 1, 2011 | July 1, 2011 | Jan. 1, 2012 |
| Regional Superintendent Receive Funds from State | Approximately 90 Days after July 1, 2011 | Approximately 90 Days after July 1, 2011 | Approximately 90 Days after Jan. 1, 2012 |
| District Receives New Sales Tax Revenues | October 2011 | October 2011 | April 2012 |

*Feb. 2, 2011 is only available in Counties scheduled to hold a primary election

8. Can school districts share proceeds with other entities?

Sales tax proceeds may only be used for school facility purposes. The law does not provide a new mechanism for the sharing of sales tax proceeds with other entities.

9. What happened in Iowa regarding sales tax for schools?

A similar sales tax was extremely popular when started in 1998 in Iowa. Eventually every county in the state adopted the sales tax. A major difference between the two laws is that the tax in Iowa has a ten year sunset, which means it expires and must be re-approved every 10 years. All Iowa counties where the tax has rolled off have re-approved the tax. The Illinois County School Facility Sales Tax does not have a sunset.

10. What will happen to my property taxes as a resident if the sales tax passes?

There are two ways in which a resident's property taxes could be decreased.

1. A school district can abate or decrease the amount of taxes collected on any building bond issue that is currently outstanding. Essentially, if the district is currently using property taxes to pay off building bond debt, they can decrease the levee from property taxes and use a portion of the sales tax proceeds to pay the debt service on the bonds in place of the property taxes.
2. A district can avoid increasing property taxes in the future by using the sales tax proceeds to pay for facilities projects.

11. How long is the sales tax in place?

The tax is permanent unless it is decreased by a vote of the county board under the guidelines outlined in question #1.

12. What will the tax cost me as a resident of the county?

Sample:

If a resident spends \$1,000 on qualifying merchandise as outlined in question #3, the cost would be 1% of \$1,000 or a total of \$10.