

Half-Cent Sales Tax Referendum – Final Report



"Promises Made / Promises Kept"

2004 Half-Cent Sales Tax Referendum ISSOC Final Report “Promises Made / Promises Kept”

Fellow County Tax Payers,

In 2004, the voters of Palm Beach County agreed to a sales surtax to support the School District of Palm Beach County’s school construction program. A ½ cent sales tax was put in place for a period of five years, or until \$560,000,000 was raised. Palm Beach County taxpayers had the foresight to see the importance of a school construction program that would provide every child in Palm Beach County a modernized school with the best equipment and opportunities to learn and progress.

To track the tax dollars utilized for school construction, an Independent Sales Surtax Oversight Committee (ISSOC) consisting of 15 Palm Beach County volunteer citizens was established to ensure the highest level of financial accountability and project management.

The ISSOC committee meet for seven years on a regular basis to review each construction project, as well as the cost of each project. This was an arduous task but it was very successful in ensuring taxpayer money was properly utilized.

At the conclusion of the construction program, the ISSOC committee is pleased to report the total amount of money raised was \$651,651,380 and 98% of all projects have been successfully completed. The amount raised is more than the projected \$560,000,000 because a sales tax must run until the end of a calendar year. The four projects not completed are due to changing demographics resulting in insufficient students to warrant a new school.

ISSOC unanimously agreed on nearly all issues and fully agrees the right decisions were made along the way. It is, therefore, with great confidence that the ISSOC committee can tell the taxpayers of Palm Beach County that your wishes have been met, the promises made by the School District of Palm Beach County have been kept, and your money has been well spent. Utilizing a competitive bidding process, the District obtained the best quality schools at the most competitive prices.

Sincerely,

George Elmore, Chair

Independent Sales Surtax Oversight Committee

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Sales Tax Background

On November 4, 2004, the voters of Palm Beach County approved a county-wide half-penny sales tax referendum to fund a portion of the School District’s [FY 2005-2009 Five-Year Capital Plan](#). The sales tax was an additional revenue source needed to fund new capacity to meet student enrollment growth, modernization of aging school facilities, and technology improvements. Given that the State did not adequately fund classrooms for the Class Size Reduction (CSR) mandate, our extensive construction program also enabled us to add many student stations needed for CSR compliance.

The sales tax was projected to generate \$560 million before it expired in December 2010. Its passage by a margin of 58% to 42% was a clear example of Palm Beach County voter support for the goal of providing K-12 public school students with the schools and equipment needed to optimize the learning environment.

To view the School Board’s original resolution and list, click [here](#).

Independent Oversight

As required by the referendum ballot language, an Independent Sales Surtax Oversight Committee (ISSOC) was responsible for administering the plan and approving all project modifications that developed over the life of the sales tax. ISSOC was designed to ensure the highest degree of financial accountability and project management and was comprised of the following 13 stakeholders representing key sectors of the Palm Beach County community:

- Black Community Representative
- Condominium Residents Representative
- Construction Oversight Review Committee (CORC)
- Education Commission
- Finance Committee
- Glades Community Representative
- Hispanic Community Representative
- League of Cities
- Two NAACP Representative
- Senior Community Representative
- Technical Advisory Group (TAG)
- Two Business Forum Representatives
- CTA and Principal Representatives

For a complete list of committee members and their affiliations, please [click here](#).

Projects Completed as Promised

The half-penny sales tax, combined with other local revenues, enabled the School Board to keep its commitment to construct the projects listed on the [Referendum Project List](#). In total, 161 projects were completed. To view project details, including photos of completed projects, please refer to the [Referendum Project Detail webpage](#).

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The following is a summary of Referendum projects that were completed:

- 24 New and Replacement Schools
- 23 Classroom Additions
- 7 Pre-K Centers
- 4 Auditoriums
- 3 High School Stadiums
- 47 Schools received Covered Walkways
- 45 Schools received Computer Connectivity
- 5 Career Academy Additions
- 1 Swimming Pool

Project Adjustments in Response to Changing Conditions

During its 7 years of active oversight of the sales tax expenditures, ISSOC made several financial and project adjustments based on changing economic, demographic, and physical conditions. The original referendum project list contained 73 proposed projects, which was adjusted and expanded during implementation, as shown in [Appendix A](#).

A. Varying Economic Conditions

The County and the School District sustained a great deal of property damage as a result of Hurricanes Frances and Jeanne in 2004 and Hurricane Wilma in 2005. In 2009, property values unexpectedly began to drop dramatically and did not begin to recover until 2013, causing significant reductions to property tax and impact fee revenues. This was compounded by escalating construction costs resulting from increased global demand for construction components, rising oil prices and inflation, which occurred at the same time the bulk of the projects were designed and funded. A [2006 study conducted by PBS&J](#) and commissioned by the Miami-Dade School District revealed inflation in Southeast Florida increased an average of 46% between 2003 and 2005. In other words, the economic environment changed drastically between the time the Five-Year Plan projects were planned and the year implementation was to begin using sales tax proceeds.

In response, ISSOC adjusted the budgets for most of the projects to reflect the changed financial conditions. Savings realized from other projects that were determined to no longer be necessary, as well as other local funding sources, helped to offset some of the cost increases. Remaining project cost increases were addressed through delayed start dates and funding realized from additional sales tax revenue received in 2010.

B. Changing Demographics

The hurricanes and economy also impacted local demographics. During this time, the School District transitioned from a prolonged period of substantial growth in student enrollment, approximately 5,000 students per year, to flat and declining enrollment (please see Figure 1, below). As a result, ISSOC determined the following schools were no longer needed to accommodate future enrollment

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growth at the time: Lake Worth Area High (03-000), Riviera Beach Area High (02-MMM), Scripps/Gardens Area Elementary (04-A), and West Palm Beach Area Middle (04-00). These schools will be constructed in the future, if demographics warrant.

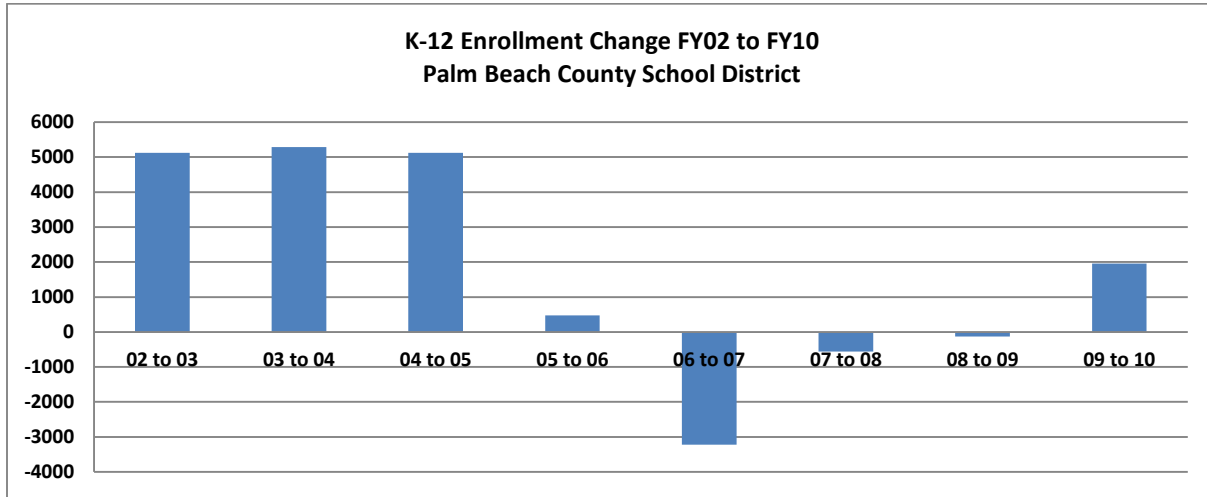


Figure 1

C. Other Project Adjustments

ISSOC made other adjustments to more judiciously spend available funds. For example, several Pre-K sites were relocated to school sites where there was adequate room to create the Pre-K centers more cost effectively and using better designs. For detailed explanations of all project modifications, please refer to the [Referendum Project Detail webpage](#).

Despite the challenges outlined above, all projects, with the exception of the four projects postponed due to changing demographics, have been completed.

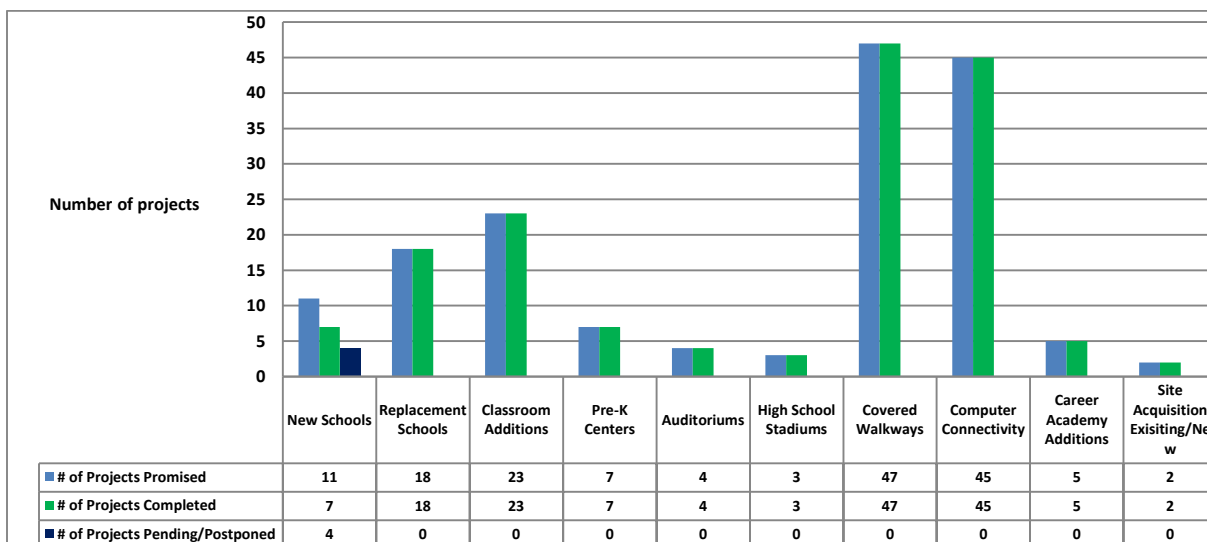


Figure 2 - Status of Referendum Projects as adjusted – 98% Completed (Remaining 2% postponed due to Demographics)

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From 2005 through 2015, the District worked to complete 161 (98%) of all the Referendum projects, as adjusted by ISSOC and shown in [Appendix A](#). For maps of all projects completed please refer to [Appendix B & C](#).

Sales Tax Sunset

The 2004 half-cent sales tax Referendum was a huge success for public education in Palm Beach County. As promised, the sales tax was discontinued after six years, at the end of 2010. The original revenue projection of \$560 million dollars was exceeded by \$91 million dollars, for a total collected amount of \$651 million dollars. (see Figure 3) The half-penny sales tax revenue, combined with other local revenues, enabled the School District to keep its commitments.

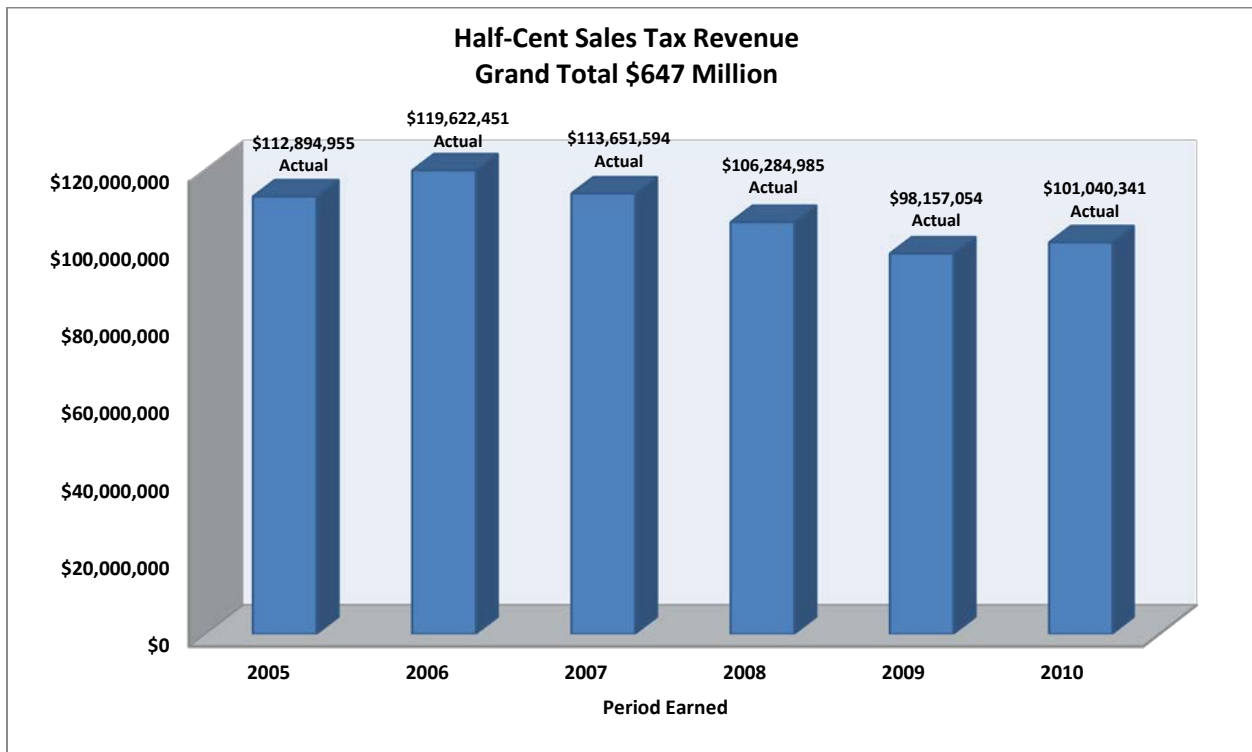


Figure 3

Project Expenditures

The half-penny sales tax revenue of \$651 million and associated interest earnings represented approximately 43% of the total capital construction funding needed for the 161 projects completed. Other local revenue sources accounted for 57% of the \$1.574 billion of total funding needed for all the projects. A breakdown of funding sources is shown in Figure 4.

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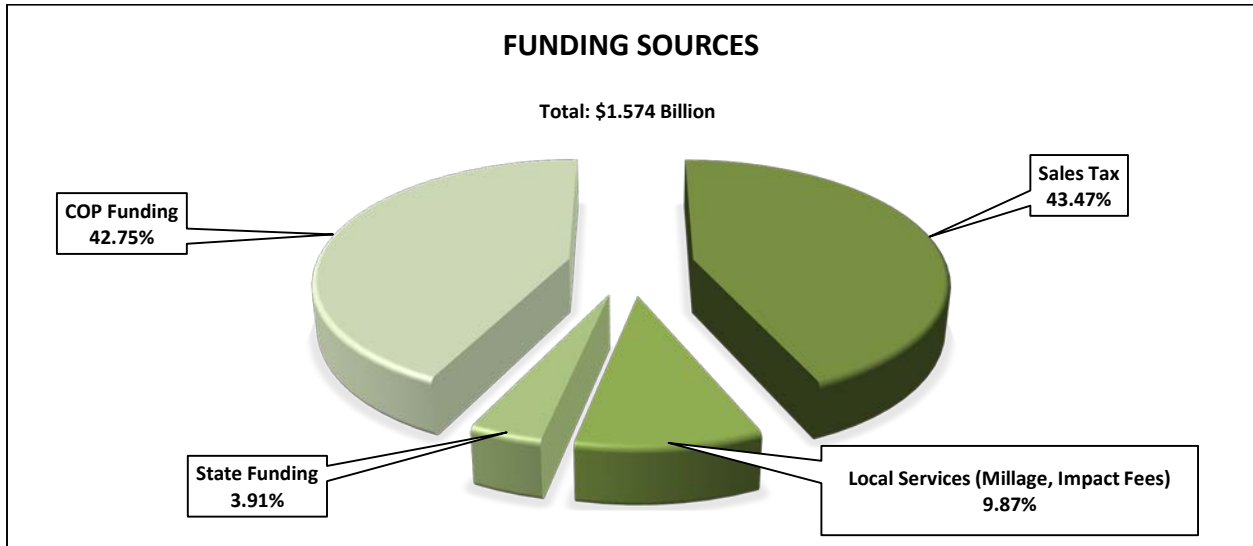


Figure 4 Funding Sources

A breakdown of expenditures by project type is shown in Figure 5, below.

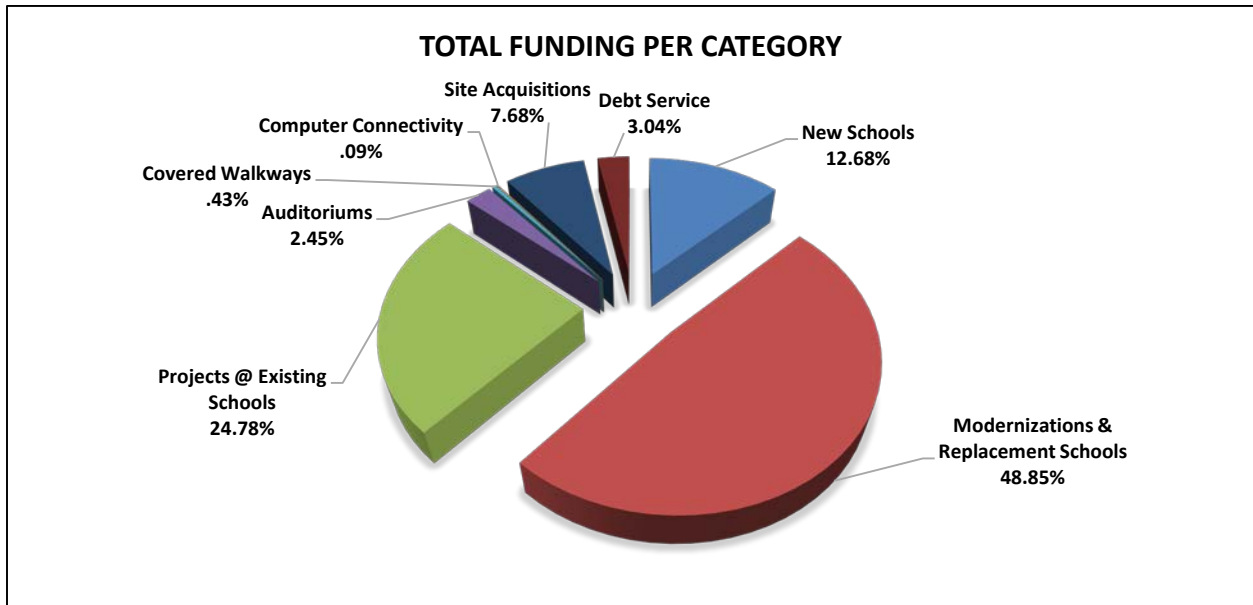


Figure 5

Future Needs

Although the half-penny sales tax ended on December 31, 2010, as promised, the need to maintain our schools built in the early 1980's is great. Challenging economic conditions throughout the United States along with state budget reductions will result in schools that need to last a longer period of time before they can be replaced. Consequently, facility maintenance budgets will need to be enhanced in order to keep schools academically adequate and operationally efficient. These lingering needs may require consideration of an additional local funding source in the future.

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Thank you to the voters of Palm Beach County for having the foresight to recognize the opportunity to build better schools and improve our community during times of economic prosperity. As a community, we should all feel proud of our construction accomplishments and the benefits they will have for the students of Palm Beach County for many years to come.

Respectfully,

Independent Sales Surtax Oversight Committee