

The Revenue Impact of Corporate Tax Incentives on South Carolina Public Schools 2017-2021

by
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The logo for Good Jobs First, featuring the words "GOOD", "JOBS", and "FIRST" stacked vertically in a bold, sans-serif font, all contained within a white square.

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Executive Summary

Public schools in South Carolina reported \$534 million in abated property tax revenues in FY 2021. This amount (minus any fiscal benefit generated by economic development projects that would not have occurred without incentives) would have been available for students, staff, and services had the counties not granted tax abatements to corporations.¹

The trend in lost revenue for South Carolina schools is sharply up. The state's sum of abated school taxes has been increasing each year since reporting started in 2017 pursuant to a new accounting standard.² The \$534 million in FY 2021 marks a 10% increase from the previous year.³ Each year since FY 2017, South Carolina has ranked first in the country in terms of school districts' self-reported tax revenue losses.⁴ The cumulative five-year total, 2017 through 2021, is \$2.2 billion.

Berkeley County School District has been the top-losing district in the state, and its FY 2021 losses now rank it third in lost dollars in the country, after only Philadelphia City Schools (Pennsylvania) and Hillsboro 1j District (Oregon).

County governments in South Carolina exercise—seemingly without restraint—their state-granted authority to give businesses multi-decade tax exemptions and credits, giving up the revenues that schools need and compounding the state's already-severe K-12 funding crisis. Not only are 90% of the districts underfunded, but the poorest districts also suffer disproportionately from revenue deficiencies.⁵ Despite bearing the brunt of the costs, South Carolina school districts have no power in the award process.

We know from news reports and official announcements that large automakers, aircraft manufacturers, and electronics/tech firms have reaped these benefits, but our tracking is hampered by a lack of deal-specific, company-specific disclosures from the counties. By contrast, at least for aggregate costs, school districts in South Carolina have been very good on the whole in reporting total program costs.

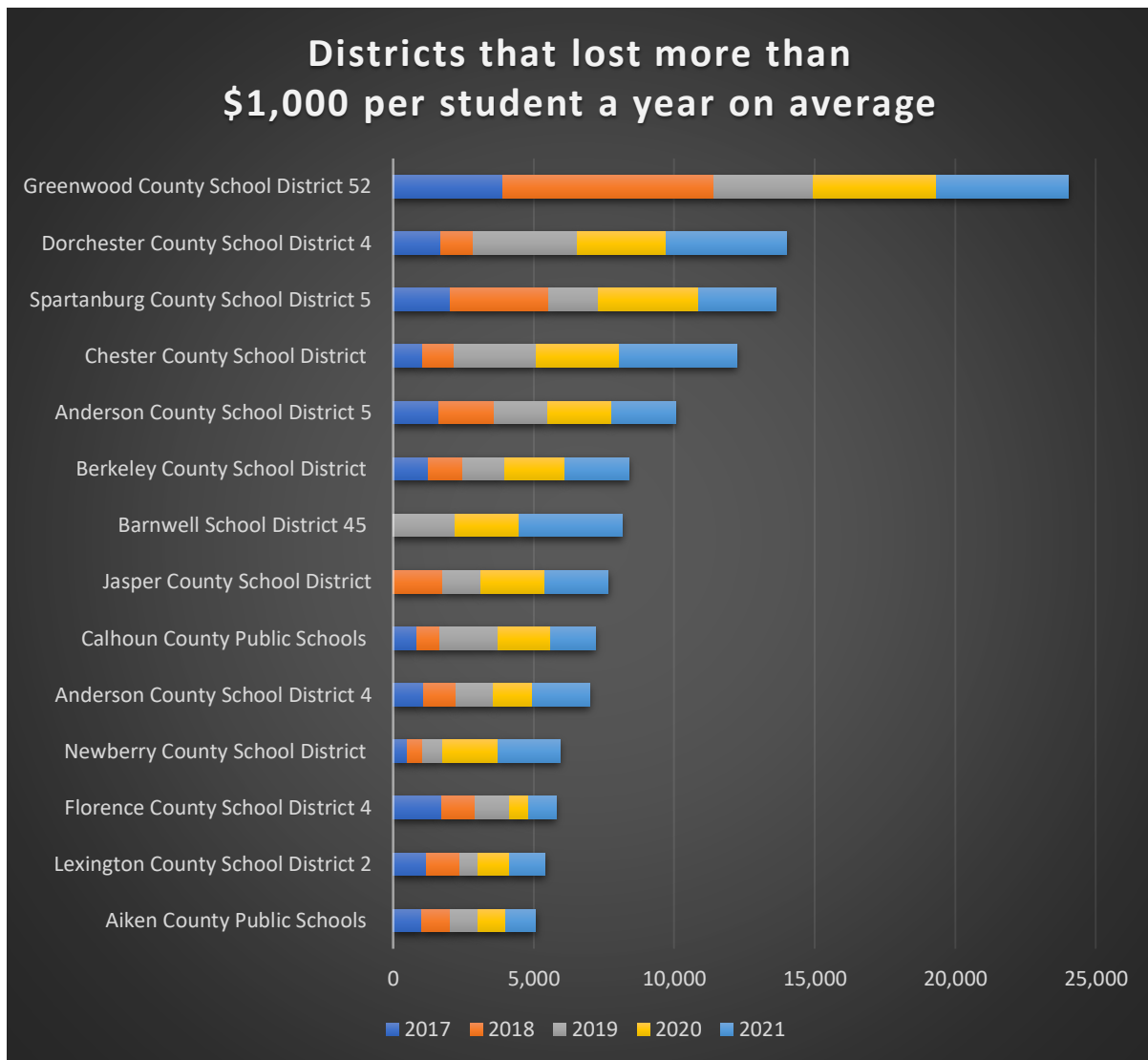
The state's long-accumulated fiscal stress is unlikely to be resolved overnight by any single action or reform but keeping better track of tax breaks and eliminating the wasteful ones would be a step toward a more equitable system. To this end, we recommend that: 1) counties be required to report all proposed subsidy deals at least 60 days before they are voted upon as well as the costs and outcomes of each deal for as long as they are receiving tax abatements (these data should be accessible via a one-stop central database); 2) independent bodies be established to evaluate economic development programs regularly; 3) community benefits agreements be mandated for large projects informed by public meetings and pre-approval impact analyses; 4) schools, as key institutions that equalize opportunity, sustain growth, and promote community well-being and sense of place, be shielded financially from all abatements.

Key Findings: The Revenue Impact

Figures and Stats

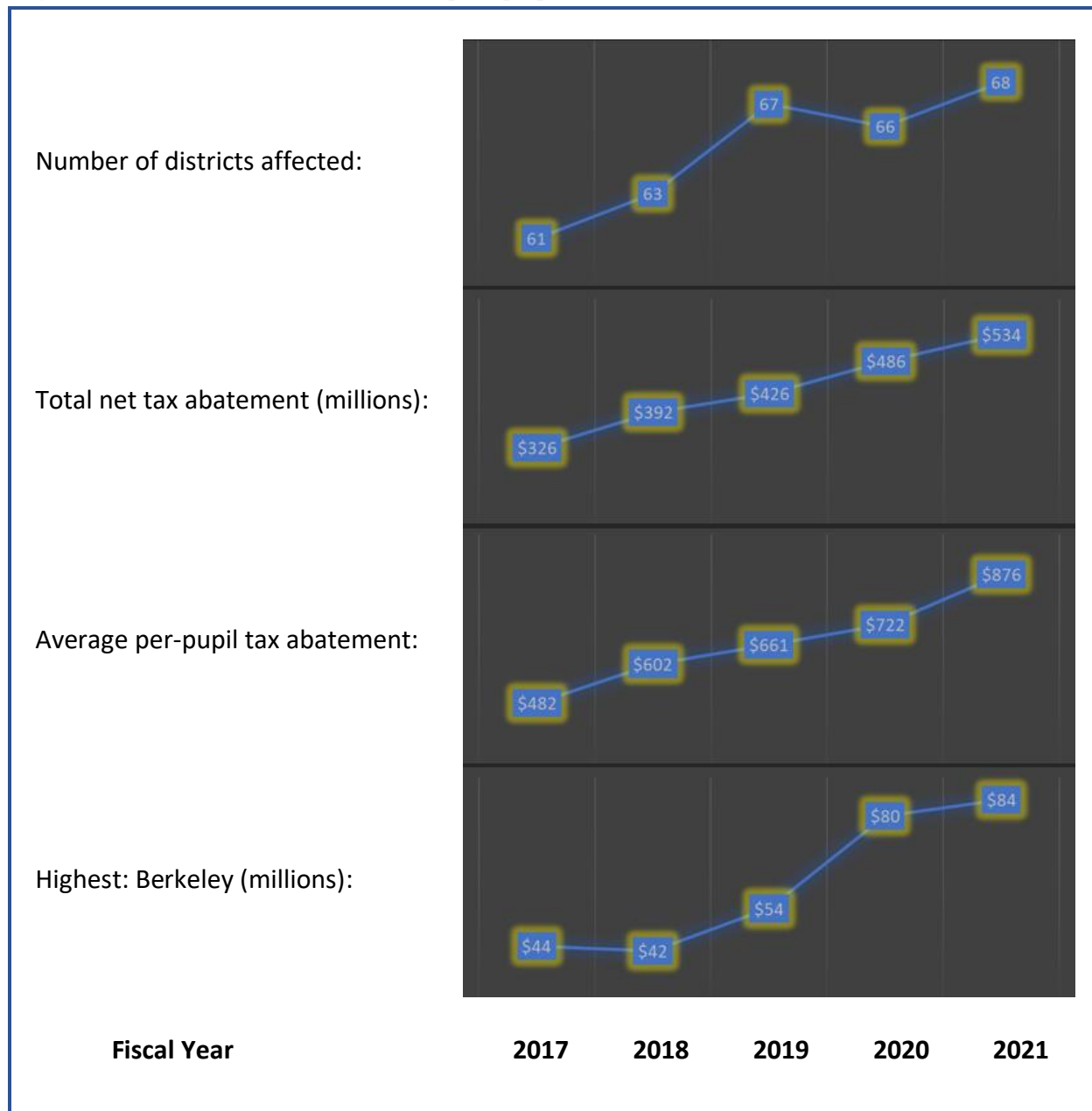
South Carolina’s public schools consistently report the highest total tax abatement revenue losses of any state in the country. On the upside, this reflects good reporting—on the downside, heavy use of incentives at the expense of public education. From \$326 million in 2017 to \$534 million in 2021, the state’s total cost of tax abatements to schools has risen steadily at about \$50 million every year and run up to a cumulative tab of \$2.2 billion through the beginning of 2022.

Figure 1 – top-losing districts by per-pupil tax abatements



Districts on average lose about \$850 per student per year.⁶ Only eight out of the 77 districts remain unaffected through this time, while double that number lost over \$10 million in the most recent year. Figure 1 shows the districts that lost \$1,000 or more per student every year on average. Many of these districts can be considered under-resourced (see next section): altogether, they provide education to more than 100,000 kids—over half of whom are Black, Hispanic, or Native.

Figure 2 – N, sum, max, and mean per-pupil tax abatement, 2017-2021



Programs and Deals

Three South Carolina programs affect school revenues: Fee in Lieu of Taxes (FILOT), Special Source Revenue Credits (SSRC), and Multi-County Industrial Parks (MCIP). Our 2020 report detailed the structure of each program that abates school revenues.⁷ To recap: these are state-enabled, county-awarded programs that can exempt or offset corporate taxes for decades with no requirements for public reporting or community participation.

1. Two versions of the FILOT program (nicknamed “big fee” and “little fee”) are variations of the generic Industrial Revenue Bonds used by more than a dozen states to work around the constitutional ban on gifts; they exempt taxes through a temporary transfer of the corporate property’s title to a tax-exempt entity. As rent, companies pay the debt service on the bonds issued to acquire the property. The third version (“simplified fee”) skips over all this to lower property tax assessment rates and a payment structure that benefits corporations at the expense of public services. Finally there is a special “super fee” for mega or extra-large projects.
2. SSRC allows the use of these FILOT revenues to subsidize businesses with tax credits against new properties and grants for infrastructural improvements. SSRC benefits can be awarded alone or as an add-on to FILOT agreements.
3. Companies can qualify for tax savings if they are located in MCIPs created by contiguous counties with the consent of encompassing municipalities, regardless of whether they are already receiving FILOT and SSRC benefits.

Together, these programs have resulted in heavy costs and dubious benefits since there are not any meaningful analyses required on whether the tax breaks actually “leveraged” the investments. School districts are statutorily excluded from the award process even though they lose five or six times as much as counties do. These programs disproportionately benefit large companies since they require a minimum level of investment to qualify and offer larger abatements for bigger projects. Some of the recipients of FILOT arrangements (some with SSRC and MCIP add-ons) include a BMW plant in Spartanburg, the Carolina Panthers headquarters and practice facility in York County, and a Google data center in Berkeley County.

Patterns and Trends

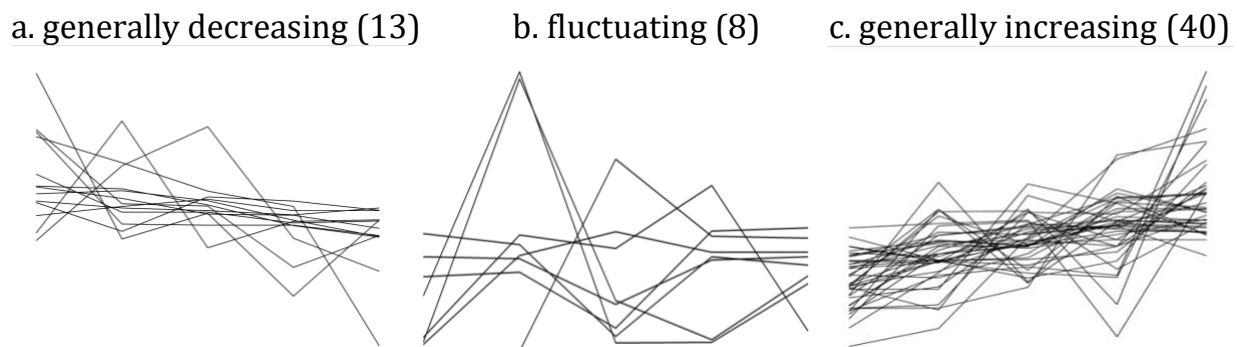
Among South Carolina’s top-losing districts in Figure 1, the average share of students qualified for free or reduced-price lunches is 81% and over half are students belonging to under-represented groups (Black, Hispanic, and Native)—

both higher than the state averages. Furthermore, the per-pupil spending for this subset of districts is—on average—72% of required spending to achieve the national average standardized test scores, compared to 75% statewide. These local disparities are on top of regressively inadequate funding at the state level.

While the single-year snapshot of FY 2021 tax abatement data is not significantly correlated with demographics, the five-year data tells a different story: Poorer districts (as measured by the census for children aged 5-17) experienced higher growth rates in yearly tax abatements.

Figure 3 shows the grouping of school districts by their five-year trendlines by generally decreasing, generally increasing (over half of the districts find themselves in this problematic bucket), or fluctuating (i.e., neither increasing nor decreasing).⁸ Breaking these into subgroups reveal more shapes, some of which show clear dips in 2019 and/or 2020 and moderate to sharp increases in 2021. Table 1 shows the list of districts that have been experiencing growing foregone revenues and all other districts (including those not shown in Figure 3). Figure 4 shows where the latest per-pupil tax abatement by county and school districts where tax abatements are generally growing (bottom right corner: red).

Figure 3 – five-year trendlines*



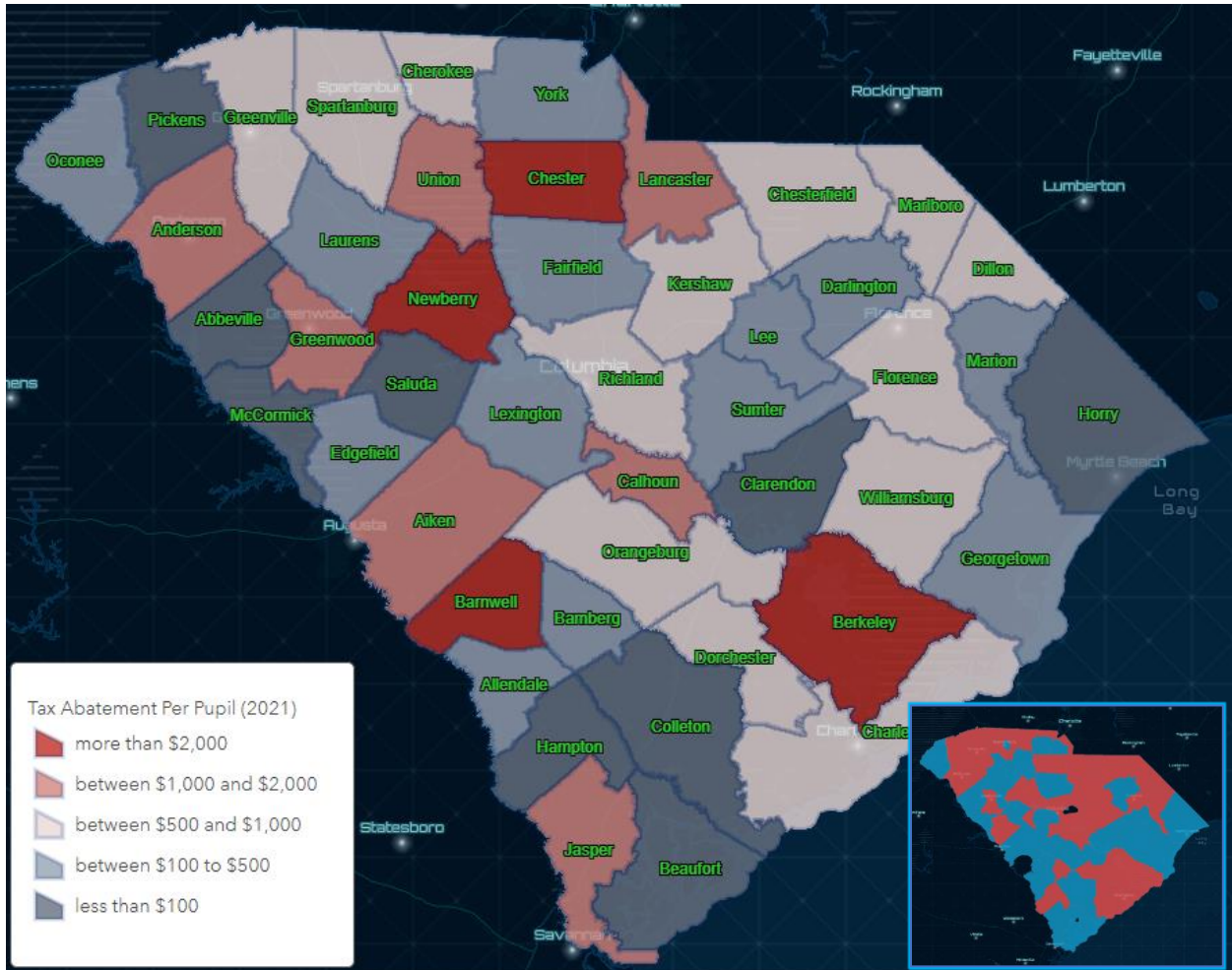
* includes only districts that have five years of non-\$0 data (61 out of districts)

The districts in the troubling group c) are having more of their revenues taken each year by 33% on average. Wide disparities exist within this group. Disturbingly, some of the sharpest rises are reported by relatively poor districts or districts with a high percentage of students of color, like Chester, Dillon, Dorchester 4, Lee, and Richland. In fact, within this group, those that reported steeper increases have—on average—higher concentration of students from low-income families and under-represented groups than those that reported relatively moderate increases.

Table 1 – districts witnessing growing tax abatements versus all others

growing tax abatement	all others
Anderson County School District 1	<i>fluctuating</i>
Anderson County School District 2	Abbeville County School District
Anderson County School District 3	Florence County School District 5
Anderson County School District 4	Lexington County School District 2
Anderson County School District 5	Oconee County School District
Bamberg School District 1	Orangeburg County School District
Berkeley County School District	Rock Hill School District 3
Calhoun County Public Schools	Spartanburg County School District 4
Charleston County School District	Spartanburg County School District 7
Cherokee County School District 1	<i>downward trend</i>
Chester County School District	Aiken County Public Schools
Chesterfield County School District	Colleton County School District
Clover School District 2	Darlington County School District
Dillon County School District	Denmark-Olar School District 2
Dorchester County School District 2	Fairfield County School District
Dorchester County School District 4	Florence County School District 4
Edgefield County School District	Georgetown County School District
Florence County School District 1	Greenwood County School District 52
Fort Mill School District 4	Horry County Public Schools
Greenville County Public Schools	Laurens County School District 55
Greenwood County School District 50	Laurens County School District 56
Hampton County School District	Lexington County School District 1
Kershaw County School District	York School District 1
Lancaster County School District	<i>no abatement or incomplete data</i>
Lee County School District	Allendale County School District
Lexington County School District 3	Barnwell School District 19
Lexington County School District 4	Barnwell School District 45
Lexington County School District 5	Beaufort County School District
Marion County School District	Clarendon County School District 1
Marlboro County School District	Clarendon County School District 2
Newberry County School District	Clarendon County School District 3
Pickens County School District	Florence County School District 2
Richland County School District 1	Florence County School District 3
Richland County School District 2	Greenwood County School District 51
Spartanburg County School District 1	Jasper County School District
Spartanburg County School District 2	McCormick School District 1
Spartanburg County School District 3	Saluda County School District 1
Spartanburg County School District 5	Union County Schools
Spartanburg County School District 6	Williamsburg County School District
Sumter School District	Williston School District 29

Figure 4 – Per-pupil abatement by county and trends by school districts (lower right corner: red = generally growing from 2017 to 2021).



Conclusions and Policy Recommendations

This updated report shows that the exceptionally large tax abatements previously reported by South Carolina's public school districts are persistent and growing. Growth in incentive use by counties remain robust despite both fiscal stress and low unemployment. If this trend continues, the state will soon be giving away more than \$1,000 per student per year to corporations, extending the profound disinvestment that has accumulated thus far.

Before the problem gets any worse, we recommend these straightforward actions:

1. Keep and post online central records of county tax abatement applications (pre-approval) and agreements (post-approval) that include both the targets and progress in terms of jobs, wages, and investments, clawbacks and other enforcement actions for under-performers and deal-breakers, and the gross fiscal cost for all affected jurisdictions—including those that cross jurisdictional lines.⁹
2. Publish independent pre-approval and regular post-approval impact analyses, evaluations, and/or audits for all projects and all programs, and follow through on the implementation of their policy recommendations.¹⁰ These studies should include, at a minimum, 1) employer profitability analysis to determine whether the award amounts are warranted; 2) projection of the annual net fiscal impact for the duration of agreements on each affected jurisdiction; 3) program performance metrics with detailed breakdowns; 4) comparisons with similar projects/programs.
3. Make pre-approval analyses available online in advance of public hearings and require companies above a certain size receiving above a certain amount to negotiate and agree to community benefit agreements based on the contents of these meetings.
4. Hold school districts harmless from tax abatements. By undermining public education, the cornerstone of South Carolina's workforce development infrastructure, abatements undermine the state's business climate in today's skilled labor-driven economy.

Appendix A: Revenue Losses for South Carolina's School Districts 2017-2021 (\$)

School District	2017	2018	2019	2020	2021
Abbeville County School District	45,207	209,299	10,056	10,415	53,465
Aiken County Public Schools	25,562,690	24,467,573	24,068,222	23,384,147	24,443,472
Allendale County School District	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>
Anderson County School District 1	3,420,000	5,701,000	6,251,000	5,701,000	18,837,000
Anderson County School District 2	674,000	734,000	707,000	793,000	791,000
Anderson County School District 3	1,531,396	2,093,166	1,855,149	1,771,945	5,405,289
Anderson County School District 4	3,122,819	3,322,380	3,827,142	3,988,944	5,587,659
Anderson County School District 5	21,086,000	26,197,000	25,085,000	29,723,000	29,072,000
Bamberg School District 1	115,396	233,017	232,280	347,465	300,677
Barnwell School District 19	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>	774,536
Barnwell School District 45	0	0	4,841,038	4,841,038	7,496,619
Beaufort County School District	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>
Berkeley County School District	43,552,509	42,311,092	54,021,717	79,548,667	83,943,706
Calhoun County Public Schools	1,465,000	1,465,000	3,536,000	3,152,000	2,555,000
Charleston County School District	25,347,694	30,297,939	32,250,847	32,474,121	25,569,000
Cherokee County School District 1	4,742,178	8,872,265	7,167,906	8,538,704	7,856,336
Chester County School District	5,556,000	5,909,000	15,147,000	14,993,000	20,322,000
Chesterfield County School District	2,797,122	4,119,467	4,045,824	4,318,844	4,094,520
Clarendon County School District 1	<i>no data</i>	0	<i>no data</i>	<i>no data</i>	<i>no data</i>
Clarendon County School District 2	<i>no data</i>	0	<i>no data</i>	0	0
Clarendon County School District 3	<i>no data</i>	<i>no data</i>	<i>no data</i>	0	<i>no data</i>
Clover School District 2	410,000	436,000	522,000	596,000	691,000
Colleton County School District	268,473	250,453	226,894	225,273	205,401
Darlington County School District	4,911,663	4,834,521	4,394,777	3,810,340	3,498,653
Denmark-Olar School District 2	472,757	418,516	358,789	326,950	36,370
Dillon County School District	1,993,819	2,716,622	2,913,785	3,836,026	3,836,026
Dorchester County School District 2	4,672,000	5,151,000	5,578,000	6,907,000	6,734,000
Dorchester County School District 4	3,858,724	2,717,910	8,483,703	7,183,144	8,987,270
Edgefield County School District	281,797	230,613	190,507	229,031	443,090
Fairfield County School District	1,667,084	712,940	860,452	384,989	821,291
Florence County School District 1	12,433,340	12,839,651	13,143,664	2,500,000	15,700,000
Florence County School District 2	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>
Florence County School District 3	<i>no data</i>	<i>no data</i>	770,972	877,943	930,787
Florence County School District 4	1,193,000	814,000	803,000	489,000	651,000
Florence County School District 5	7,874	142,999	28,757	8,858	41,645
Fort Mill School District 4	5,078,802	9,580,036	10,276,989	10,690,855	10,471,865

Georgetown County School District	3,104,743	1,863,885	1,849,010	1,850,604	1,709,874
Greenville County Public Schools	30,422,000	37,542,000	41,342,000	44,010,000	43,168,000
Greenwood County School District 50	3,113,039	9,091,869	5,517,566	9,505,896	9,196,371
Greenwood County School District 51	<i>no data</i>	<i>no data</i>	274,656	414,557	397,074
Greenwood County School District 52	6,324,686	11,765,690	5,594,117	6,879,439	6,960,910
Hampton County School District	138,241	138,241	141,817	203,829	207,044
Horry County Public Schools	493,414	502,846	472,921	415,947	368,131
Jasper County School District	<i>no data</i>	4,744,000	3,407,000	6,045,000	6,045,000
Kershaw County School District	4,224,000	4,162,000	5,433,000	5,932,000	5,744,000
Lancaster County School District	5,420,596	6,317,030	11,452,008	13,646,487	13,982,787
Laurens County School District 55	2,114,428	2,246,854	2,351,999	2,186,640	2,189,106
Laurens County School District 56	826,393	1,329,977	1,594,405	840,224	620,041
Lee County School District	34,370	69,141	248,077	401,254	460,415
Lexington County School District 1	15,988,475	13,102,249	16,549,616	16,132,670	15,221,985
Lexington County School District 2	10,792,609	10,554,145	5,666,000	10,405,000	10,791,000
Lexington County School District 3	118,386	232,820	233,844	144,986	216,445
Lexington County School District 4	364,147	352,178	443,351	443,351	431,305
Lexington County School District 5	815,724	965,845	1,313,630	1,780,317	1,589,061
Marion County School District	266,000	350,000	335,000	399,000	750,000
Marlboro County School District	687,000	1,514,000	1,708,000	2,275,000	2,327,751
McCormick School District 1	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>	<i>no data</i>
Newberry County School District	3,152,000	3,168,000	4,366,000	11,873,000	12,643,000
Oconee County School District	2,749,000	2,896,000	975,000	4,312,000	4,429,224
Orangeburg County School District	420,000	449,000	15,831,551	9,635,711	9,524,554
Pickens County School District	879,000	996,000	1,013,000	964,000	1,216,000
Richland County School District 1	13,087,617	11,529,903	11,600,607	12,451,098	20,184,114
Richland County School District 2	9,002,747	9,965,699	9,533,129	10,695,404	11,934,072
Rock Hill School District 3	443,221	3,640,839	4,496,011	3,741,258	3,741,258
Saluda County School District 1	0	0	0	0	0
Spartanburg County School District 1	69,075	174,626	296,397	113,965	531,972
Spartanburg County School District 2	758,709	2,314,220	2,387,342	1,972,840	2,951,572
Spartanburg County School District 3	1,285,000	2,480,000	3,051,000	2,959,000	3,724,000
Spartanburg County School District 4	56,082	347,137	307,937	487,105	74,384
Spartanburg County School District 5	16,803,501	29,744,024	15,586,572	32,256,312	24,814,885
Spartanburg County School District 6	2,594,361	6,818,186	3,071,900	5,345,316	5,404,658
Spartanburg County School District 7	4,335,728	3,933,331	716,313	3,521,004	3,213,307
Sumter School District	6,900,000	6,000,000	8,900,000	7,300,000	7,300,000
Union County Schools	1,607,792	1,715,547	3,613,213	<i>no data</i>	6,866,106
Williamsburg County School District	<i>no data</i>	1,366,370	2,327,144	2,119,331	2,114,064
Williston School District 29	0	0	0	0	0
York School District 1	680,833	543,937	543,937	505,337	511,278

Endnotes

¹ Calculating such a benefit would require knowing which industrial activities would not have occurred in the absence of tax incentives. Such specifics are not knowable in South Carolina because the state does not require such proof. However, academic research consistently finds that a very small share—perhaps as small as 6%—of deals are induced by abatements.

² The standard in question is known as Statement No. 77 of the Generally Accepted Accounting Principles set by the Governmental Accounting Standards Board. Click here for more details: <https://www.goodjobsfirst.org/sites/default/files/docs/pdfs/GASB77%2BGJF.pdf>.

³ The percentage change between 2017 and 2018 is 20%. However, several districts had yet to adopt the new accounting principle in 2017, which means that the 2017 total is under-stated to a greater extent.

⁴ New York's school total excludes the districts associated with the five largest cities, however, because those cities' school districts are component units rather than independent bodies.

⁵ Baker, B.D., Di Carlo, M., Reist, K., & Weber, M. 2021. *The Adequacy and Fairness of State School Finance Systems*. Rutgers University Albert Shanker Institute. <https://www.schoolfinancedata.org/the-adequacy-and-fairness-of-state-school-finance-systems-2022/>.

⁶ This is calculated by taking the district average per-pupil tax abatement for districts that have data. This number is exceedingly high compared to elsewhere or the nationwide average (~ \$250).

⁷ Wen, C., Tarczynska, K., & LeRoy, G. (2020). *The Revenue Impact of Corporate Tax Incentives on South Carolina Public Schools*. Good Jobs First. <https://www.goodjobsfirst.org/hide/revenue-impact-corporate-tax-incentives-south-carolina-public-schools>.

⁸ This was done through K-means cluster analysis with 10 groups, which were then manually divided into 3 groups for simplicity. The ten groups show more variations: some seemingly unaffected by the pandemic.

⁹ For an example, see the annual reports by the Nevada comptroller for state programs that affect local subdivisions. [https://controller.nv.gov/FinRpts/GASB/Tax Abatement Reports/](https://controller.nv.gov/FinRpts/GASB/Tax%20Abatement%20Reports/).

¹⁰ For an example, see the Chapter 313 program website of the Texas comptroller. <https://comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.