Education and Economic Development in South Carolina

Douglas P. Woodward
Harry Miley, Jr. and
Holley Hewitt Ulbrich

July, 2000

Almost everyone agrees that improving education is the key to economic development in the 21st century. Schools elevate the skills and knowledge of the work force. Strong local educational systems attract and retain businesses and pay large economic returns through higher productivity and incomes. Education may not be the mother of economic development, but it matters as much as anything else, and probably a lot more.

Not surprisingly, the business community is often one of the most vocal supporters of education. Clearly, it needs an improving stock of human capital to compete in the increasingly knowledge-based economy. Business leaders know they must invest in education because the economy will grow and prosper in the future only to the extent that the community cultivates its human capital stock today. Most citizens seem to agree with business, with voters often backing educational funding over other state and local government programs.

Hand Middle School in Columbia, South Carolina, a city school in Richland School District 1, was the winner of the 1999 "Palmetto's Finest" award. Will certain property tax-based economic development incentives offered by the state threaten the fiscal well-being of this and other schools?

Thus, asserting that education is a linchpin of economic development is hardly controversial. Yet oddly when it comes to public finance, it sometimes seems that human capital is an afterthought, secondary to attracting physical capital with targeted property tax breaks. A potential conflict arises between school financing and economic development incentives because public education depends largely on local property taxes. If and when property taxes are cut, the effects on school district budgets are usually felt immediately. Property taxes are the fiscal foundation of schools -- in effect, an endowment for children. But in the rush to find ways to promote economic development, school property tax revenue sometimes has been diverted to fund roads, sewers, and other infrastructure improvements that may build the physical capital base while ignoring critical human capital needs and commitments.

No case better illustrates the potential conflict between education finance and economic development than Myrtle Beach (Horry County), South Carolina. In 1999, a proposal for a large-scale economic development project raised awareness across South Carolina and the nation concerning the implications of incentives on education. The proposal, presented to Horry County Council and the City of Myrtle Beach by a local development company, called for the creation of a multi-county business park (MCBP) covering approximately 8,300 acres. It would use 100 percent of commercial property tax revenues for noneducational purposes.

The Horry County Board of Education, along with local citizens, raised serious concerns about the long-term implications of this proposal: How would it affect the ability of the district to fund educational services in the district? The developer's proposal would remove more than $2 billion in commercial property from the school district's tax base. Locked into a 30-60 year plan, the district was concerned that this could have a detrimental impact on the district's ability to fund education in Horry County. By removing such a large and important component from the tax base, the district faces shifting the tax burden to other property owners in the county in order to maintain educational quality.

The Horry County case brought media attention to an issue that has been simmering since business incentives heated up in the 1980s. Newspaper articles and national TV news stories openly questioned whether South Carolina had gone too far in actively seeking new business -- risking future educational attainment as its escalating incentives pushed it into fiscal fratricide with other states.

This article looks at the largely unintended consequences of expanding economic development incentives in South Carolina. Most citizens, no doubt, expect government to actively recruit new business, not only to attract new capital, but to create employment. Yet in this article, we argue that certain types of development incentives, especially if they proliferate into commercial and other property, could be detrimental to the long-run future of public education. That is something most citizens do not want.

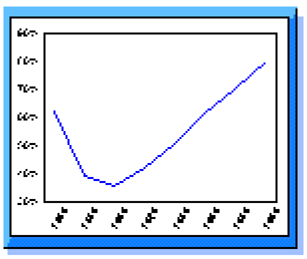
It should be stated unequivocally at the outset that education *is* compatible with economic development initiatives. Indeed, educational and economic development advocates are natural allies: incentives help provide physical capital; education helps provide human capital. Both are needed to achieve economic progress. By reassessing incentives we create the kind of economic future we will require for our children. In the next section, we look at why South Carolina has become so aggressive in offering tax incentives.

South Carolina's Push For Economic Development

Economic development incentives expanded widely in the 1980s, but to understand why they were seen as necessary then (and continue today), it may be worthwhile to take a brief look at economic development in South Carolina.

For the past 100 years, with expanding educational opportunities and real improvements in the quality of the work force, South Carolina has steadily increased its standard of living. Figure 1 shows how far the state's standard of living has progressed. Note first the sharp decline during the post-Civil War reconstruction era, when the education system slumped to its nadir. Then, between 1900 and 2000, the state's per capita income relative to the U.S. average (expressed as a percentage of the U.S. average) began to climb from less than 40 percent to almost 80 percent. As the state's educational system improved, its productivity improved, and its standard of living grew accordingly.

Figure 1: South Carolina Per Capita Income, Relative to U.S. Average

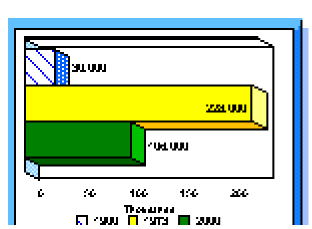


Continuing this kind of progress in the 21st century will take a more knowledge-driven and entrepreneurial business climate Ñ an economic model that every state strategic plan advocates. The quality of public schools will be an increasingly important factor in business firms' decisions to move in, expand, contract, or shut down plants. At the same time, economic growth affects schools. Nationally, there is evidence that rapid growth puts strains on both operating and capital budgets for local governments, including schools, even in the absence of any tax incentives that might drain potential revenue from schools.

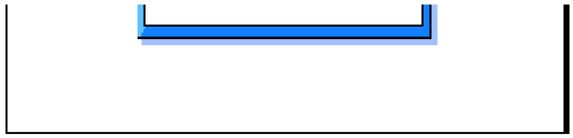
So, why do we have incentives? South Carolina, like many states, faces continual pressure to propel economic development. In some cases, this may mean making it more profitable for firms to locate in South Carolina, where tax rates have traditionally run higher than other states. In particular, new capital investment in manufacturing is deterred by relatively high property taxes.

The push for cutting property taxes for businesses goes back 30 years. As the Northern manufacturing belt experienced deindustrialization in the early 1970s, the state's manufacturing base in textiles and apparel began a dramatic restructuring. After peaking at almost 230,000 jobs in 1973, the textile and apparel employment base has shrunk every year since, falling to 106,000 in 2000 (see Figure 2). Thus, the sector most responsible for South Carolina's transition from an agricultural to an industrial state was no longer viable as a source of secure employment.

Figure 2: South Carolina Textile and Related Employment



South Carolina acted aggressively to rebuild its physical capital base, focusing on a strategy to attract industry from outside its borders rather than generating indigenous capital through entrepreneurial activity. State and local development missions to foreign countries bore fruit, and new firms opened plants where former textile mills stood shuttered.



The success in attracting physical capital to South Carolina can be gleaned from Figure 3. According to the South Carolina Department of Commerce figures depicted in the graph, new capital investment jumped dramatically after economic development incentives expanded in the 1980s. Property tax incentives for businesses were deemed to be crucial in luring new plants and encouraging expansions. Property tax reductions (through a variety of schemes) are believed to be among the most successful incentives because they brought manufacturing assessment down considerably and made South Carolina more competitive in property taxes with neighboring states. One of South Carolina's unique incentive programs Ñ the multi-county business park Ñ started in the 1980s as the multi-county industrial park and expanded significantly in scale and scope in the 1990s. The incentive programs were designed to attract large capital investments in manufacturing, but were extended to include smaller industrial projects and today can be applied to commercial development, as well.

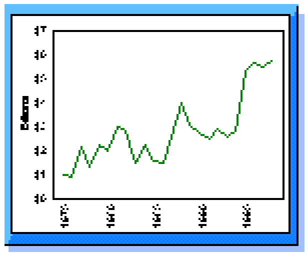
No doubt attracting new industry and promoting economic growth is important. Moreover, incentives need not be detrimental to school finances. To assess the impact of new industry on schools, the authors analyzed the impact of adding a large industrial component to the tax base and/or experiencing industrial growth in a school district on such fiscal variables as the millage rate, local revenue per pupil, total revenue per pupil, and per-pupil spending. These factors were considered overall as well as in relation to district size. In general, having more industry in the tax base appears to have a moderately positive impact in terms of lower millage rates and more local revenue per pupil, but the effects are not strong. In the case of economic growth, the benefits of additional local revenue are modest and more than offset by reduced state aid as a result of a higher index of taxpaying ability. Small, less industrialized districts appear to benefit more from new industry than larger, more industrialized ones.[1]

The problems with incentives emerged when they began to be used not just for industrial development (the original intent), but for other types of business.

Incentives That Affect Schools

Although the list of incentives in South Carolina is long and varied, the focus of this article is the state's incentives that affect property taxes and in particular, the property tax base of a school district. The impact on property taxes is critically important to schools because property taxes are the primary source of local revenue for schools. Other local governments, especially cities and counties, also depend on property taxes and are affected by these incentives, but not to the same extent as schools. These other governments only rely on property taxes for an average of 50 to 60 percent of the local revenue portion of their budgets.

Figure 3: South Carolina Real Capital Investment, Historic Trends



Source: South Carolina Department of Commerce, "Capital Investment and Employment in South Carolina,"

It is true that school districts in South Carolina receive a large portion of their funds from state sources, so property taxes represent only a portion of total school funding. The average school district in South Carolina receives about 60 percent of the funds required for its operations from the state. This percentage varies according to how wealthy a district is, ranging from a low of about 1 percent for the wealthiest district to about 95 percent for the poorest district. But regardless of what proportion of funds are provided by the state, *nearly all of the funds required to be generated locally must come from property taxes*.[2] In addition, almost all of the debt service and capital improvement expenditures for schools must come from local funds.

Therefore, since schools must rely heavily on property taxes to fund the local share of their operating costs and most of their capital improvement costs, any business incentive that affects the flow of property tax revenues is extremely important to school districts.

In South Carolina, the following economic development incentives can affect the property tax base of a school district, Tax Increment Financing Districts (TIFs), Fee-in- Lieu of Taxes (FILOT), Multi-County Industrial Parks, and Special Source Revenue Bonds. The main features of these incentives are given below. 1. Tax Increment Financing (TIFs)

- Originally a potential loss of revenue to school districts
- State law was amended in 1999 to allow school districts to choose to participate in a TIF or not
- School districts protected and have a "vote" in negotiations

2. Fee-in-Lieu-of-Taxes (FILOT) -- Outside a Multi-County Industrial Park

- Applies to manufacturing, not other classifications of property
- Allows county councils to lower assessment ratio from 10.5 percent to 6 percent (and as low as 4 percent in large transactions) without the consent of the affected school district
- Suspends ad valorem taxes and imposes "fees"
- Can freeze millage rates for up to 30 years
- School districts generally protected but do not have a "vote" in negotiations
- Tax revenue is distributed in same manner and proportion as millage rate, which generally protects a school district's revenue from use by the county

3. Multi-County Industrial (or Business) Park (MCIP)

- Multi-county agreement; many have one dominant and one nominal county

- No restriction on land area, time limit, or type of "industry or business"
- Can have FILOT in MCIP
- All real and personal property is exempt from ad valorem taxes, but "amount equivalent" to property tax is owed
- County councils assert the authority to determine how the "equivalent amount" is distributed among taxing districts, including all of FILOTs in the MCIP
- School districts are not protected

4. Special Source Revenue Bonds (SSRB)

- Are available in MCIPs and FILOTs
- Can lower tax revenues to all taxing entities through "credits"
- School districts do not have a "vote" in negotiations
- County councils assert the authority to determine how the reductions affect taxing districts
- School districts are not protected

TIFs are an important economic development tool, but they are generally used for community development in cities and counties rather than direct incentives offered to attract new industry. (The original intent of the law was to redevelop blighted areas in decaying inner cities.) TIFs were amended in 1999 to allow school districts to choose whether to participate in a TIF. Prior to 1999, a municipality could create a TIF and use school tax revenues for up to 15 years without the consent of the affected school district. This opt-out provision gives school districts protection from having any property tax revenues generated by millage assessed by the school district being used for non-school purposes without the school district's consent. This change has not eliminated the use and effectiveness of TIFs. Several TIFs have been created in South Carolina since these changes were implemented. These TIFs have included some where the school districts have participated and some where they have declined. The other incentives are used as direct incentives to attract new and expanding industry, and schools have had no voice or vote in their use.

Illustration of Incentive Impacts: The FILOT

As the following examples demonstrate, the FILOT within an MCIP and the Special Source Revenue Bond incentives pose the greatest threat to a school district's tax base. These two incentives can allow a county to redistribute the "fees" (tax revenues) generated by the taxing entities in any way they want, regardless of the relative share of the millage assessed by the taxing entities. That is, the school district is not guaranteed that it will receive its fair share (prorated share) of taxes from the property (regardless of the assessment ratio).

The following example may help illustrate this concept of "prorated" share. First, assume a manufacturing company invests $10 million, and the property is outside any municipality, is not in an MCIP, and does not negotiate a FILOT agreement. Assume the millage rate in the county is 70 mills and the school district's millage is 140 mills, for a total of 210 mills. The county's share of the total millage assessed on property is 33 percent (70/210 = 33 percent) and the school district's share is 67 percent (140/210 = 67 percent). Without a FILOT agreement, the company's property will be assessed at the constitutionally established 10.5 percent rate. The company's property will have an assessed value of $1,050,000 ($10,000,000 x .105 = $1,050,000). The company will pay a total of $220,500 in county property taxes Ñ $73,500 in county taxes ($10,000,000 x .105 x .070 = $73,500) and $147,000 in local school taxes ($10,000,000 x .105 x .140 = $147,000). The school district will receive 67 percent of the taxes paid by the company Ñ exactly in proportion to its prorated share of the total millage rate in the county.

If it is assumed that the company negotiates a FILOT agreement and the company's property is assessed at 6.0 percent, the company's property will have an assessed value of $600,000 ($10,000,000 x .06 = $600,000). The company will pay a total of $126,000 in county property taxes Ñ $42,000 in county taxes ($10,000,000 x .06 x .070 = $42,000) and $84,000 in local school taxes ($10,000,000 x .06 x .140 = $84,000).

Even though the company's assessment ratio is reduced so that it pays 43 percent less taxes, the school district will still receive 67 percent ($84,000/$126,000 = 67 percent) of the taxes paid by the company Ñ exactly in proportion to its prorated share of the total millage rate in the county (67 percent).

The ability to reduce the overall property tax liability of the manufacturing company is the intent of the law, because South Carolina's property taxes on manufacturing property are the highest among our neighboring states. Even when a company negotiates an assessment ratio of 6 percent, the firm's property taxes will still be higher in South Carolina than in North Carolina or Georgia.

When the law was first passed in the late 1980s, the incentive was only available to companies investing at least $85 million or more. However, the minimum amount of investment for a company to be eligible has been lowered several times over the last 10 years and is now only $5 million. In fact, in six extremely economically distressed counties, a minimum investment of only $1 million is enough to be eligible for incentives. This reduction in the minimum investment level has led to a proliferation of FILOT agreements across the state.

The Multi-County Industrial Park: The Horry County Experience

The proliferation of FILOT agreements would not be as big a concern to the school districts and as great a threat to their tax base if school districts were guaranteed that they would always receive their prorated share of the property tax revenues. The FILOT within an MCIP and the SSRB incentives, however, do not provide school districts this protection. The Ho Horry County case offers a good illustration of how the current laws allow a county government to unilaterally decide how the total property tax revenues are to be distributed and ultimately to divert school funds from school purposes and preclude schools from receiving their prorated share of taxes.

In the spring of 1999, the Horry County Council received a proposal from Burroughs & Chapin, a large, local development company, to create an MCIP (now called a Multi-County "Business" rather than "Industrial" Park) covering approximately 4,000 acres in the county and the City of Myrtle Beach. Projects included in the proposal changed over time, but the principal one was the construction of "the Mall of South Carolina."

The proposal would lock in the MCIP for up to 30 years with an option to renew for another 30 years, facilitate the annexation of several thousand acres of land into the City of Myrtle Beach, freeze zoning, and limit impact fees in the Park. However, the most important aspect of the proposal to the Horry County School District was that it called for the use of 100 percent of commercial property tax revenues from the $2 billion of investment to be diverted to noneducational purposes. Note also that the development was not an industrial project (it was primarily a shopping mall) and that it was not in an economically distressed area.

Under the original proposal, the school district would not receive its prorated share of revenues from the property (estimated to be 56.1 percent) but was to receive zero revenues (0 percent). Using the MCIP and SSRB laws, the proposal called for the county to redistribute tax revenues generated by the school district's millage (113 mills) away from the school district and use them for nonschool purposes such as road, sewer, water, and other infrastructure improvements. The county estimated that if the school district received its prorated share of the property tax revenues, the school district would receive more than $214 million during the first 20 years of the MCIP. However, under the county's plan, the district would receive nothing, *i.e.*, would lose a potential $214 million. The original proposal has been amended, and the county now proposes to redistribute only a share of the school district's revenue away from the district, not all of it. Under the current proposal, about $25 million of the school district's prorated share would be redistributed by the county to nonschool purposes (during the first 20 years of the 35-year MCIP). However, the school district is not protected from future amendments to the agreement by the county council.

Other Agreements

The Horry County case is a good example of how the school districts are not guaranteed that they will receive their prorated share of revenues from an economic development project as these laws are currently written. But Horry County is not the only current example. Another county in South Carolina was recently successful in attracting a major economic development project to its area. The company reportedly invested more than $600 million. Because the investment was more than $400 million, the company was eligible to negotiate a FILOT assessment ratio of 4 percent, which it did. Assuming $600 million in capital investment, an assessment ratio of 4 percent, and the 1998 average millage rate in the county of 225 mills, the company would pay approximately $5.4 million a year in FILOT fees (property taxes). Of this $5.4 million, the school district would receive approximately $3.0 million.

However, the FILOT agreement negotiated by the county council requires the company to pay a net amount of only $900,000 in fees per year to the county for the next 20 years, and no fees at all for years 21-30. This fee agreement is equivalent to an assessment ratio of about 6/10 of 1 percent. The county issued about $15 million in SSRBs for improvements for the company. In essence, the county allowed the company to use its own tax payments to pay for some of its development costs, and the school district's millage was used to generate about two-thirds of these funds. According to the documents filed with the county, it is unclear whether the school district will receive any revenues from the $600 million investment. By comparison, Union Camp invested about $600 million in a facility in Richland County in 1992. This firm has paid over $41 million in fees in the seven years since it signed a FILOT, an average of almost $6 million a year.

As part of a research project, the 46 counties in South Carolina were requested through a Freedom of Information Request (FOI) to provide documentation on all FILOT, MCIP, and SSRB agreements that have been negotiated in their respective counties. To date, only half of the counties have responded to the request. However, based on the responses, the above examples are not exceptions but are fairly typical of many of the agreements counties are negotiating.

Growth in Use of FILOTs

The total fiscal impact of these incentives on the state's school districts is very difficult to determine. At the present time, there are no statewide requirements for counties to report the creation and use of multi-county industrial parks or the use of special source revenue bonds. The South Carolina Department of Revenue (SCDOR) collects data regarding FILOT agreements, but does not publish detailed data on the agreements.

We do know that the frequency of companies negotiating FILOT agreements has increased dramatically in recent years. According to data from the SCDOR, there have been over 320 FILOT agreements negotiated since the law was passed in 1987. Since that time, the state has received approximately $226 million from companies which entered into FILOT agreements. In 1998, the state received about $61 million in fees. The SCDOR reports that there are about 50 new agreements each year.

The minimum amount of investment required to be eligible to enter into a FILOT has been reduced from the original $85 million -- first to $45 million in the early 1990s, then to $5 million in 1995. This change has led to wider use of the incentive and has, for most practical purposes, eliminated the 10.5 percent assessment on new industrial property. At $5 million, nearly any new capital investment by a manufacturer will be eligible for a FILOT. With the tremendous competition for new investment, most county councils will be compelled to offer the lower 6 percent assessment ratio.

Based on data from the SCDOR, during the five-year period from 1989 to 1994, there were about five FILOT agreements negotiated per year. The average amount of capital investment for these projects was about $157 million, and the average fee paid by these companies in 1998 was about $1 million. This contrasts sharply with the four-year period from 1995 to 1998 during which there were about 75 FILOT agreements negotiated per year. The average amount of capital investment for these 300 or so FILOTs was about $15 million, and the average fee paid by these companies in 1998 was about $130,000.

Estimated Revenue Losses from FILOT Agreements

Unfortunately, the lack of sufficient data prohibits a comprehensive analysis of the tax revenues that school districts have not received. At this time, the only data available are the approximate number of agreements and the total fees collected. To accurately determine the lost revenues, it is necessary to know the exact assessment ratios negotiated, the exact length of terms of the agreements, the exact millage rates incorporated in the agreements, etc.

A preliminary estimate of the total school revenues that would have been collected in the state can be made using available data. The methodology incorporated in this analysis assumes average millage rates for school districts, counties, and cities. These averages are those published in the South Carolina Budget and Control Board's June 1999 edition of "1998 Local Government Finance Report, Fiscal Years 1991 to 1997." This analysis assumes that all fee agreements were negotiated from 10.5 percent to 6 percent. It also assumes that all of the property included in the FILOT was in unincorporated areas of the counties (industrial property is generally outside city limits).

Statewide, the average county millage rate in FY 1997 was 54.5 mills. The average school millage rate in FY 1997 was 136.3 mills. The school millage represents 71.4 percent of the total millage burden on real property. Of the $226 million in fees collected to date, an estimated 71.4 percent was generated by the millage rates assessed by the schools. Assuming the school districts received their prorated share of the fees generated from the total millage applied to the FILOT (71.4 percent), the schools would have received approximately $161.4 million of the $226 million in fees. The county governments would have received 28.6 percent, or approximately $64.6 million over the last 10 years or so.

However, if there were no FILOT agreements in place, the real and personal property would have been assessed at the 10.5 percent ratio rather than the FILOT-lowered ratio of 6 percent. If this had been the case, the property that has generated the $226 million in fees since 1987 would have generated $395.5 million, instead. Of the $395 million, school districts would have collected 71.4 percent, or $282.4 million Ð about $121 million more than they received under the FILOT agreements. In 1998 alone, school districts would have received an additional $52.5 million more than they actually did.

It must be noted, however, that the economic development community argues that the schools did not forgo *any* revenue. They argue that if the incentives had not been offered to the companies, then the companies would have located in another state, and the school districts would have received none of the roughly $161 million that they did receive. There is substantial evidence that this is the case in many of the larger economic development projects. South Carolina's property taxes on manufacturing investments are substantially higher than our neighboring states. Without some method of offsetting the higher property tax burden on manufacturing, South Carolina would be at a distinct disadvantage relative to its neighbors.

It appears that as long as the school districts receive their prorated share of the fees a company pays, regardless of whether the assessment ratio is 10.5 percent, 6 percent, or even 4 percent, the burden on the school districts from any reduction in assessment ratios will be on an relatively equitable basis with the other local taxing entities. However, even this statement needs to be qualified since as was stated earlier, other local governments such as counties and cities are less dependent on property taxes than schools.

Conclusion

Property tax incentives no doubt were put in place with the best of intentions. But so was kudzu. That notorious vine covering the Southeastern United States was planted to halt soil erosion; incentives were put in place to halt industrial erosion. Like kudzu, however, development incentives have spread to areas where they were not originally intended. Fortunately, it is still possible to prune them back to where they are truly effective in helping to improve South Carolina's standard of living.

Every incentive that lowers a company's tax payments needs to be evaluated on a cost-benefit basis to assess the incremental burden placed on the schools and the local government by the new company and their employees. That way we can ensure the state's human capital needs will not be shortchanged as the state builds its physical capital.

Of most concern to school financing in South Carolina is the use of FILOT agreements within Multi-County Industrial Parks and Special Source Revenue Bonds incentives. Here, school districts are not guaranteed that they will always receive their prorated share of the property tax revenues since the county council negotiates the agreement and does not have to notify or have consent from the school district. Instead, it is possible to divert all or a portion of revenues that would have gone to the schools to support SSRB or other county expenditures. With SSRBs, funds from the bonds are then used to support the infrastructure investment associated with the development project (roads, sewer lines, etc.). The much-publicized case in Horry County involves just this type of development proposal.

It is very difficult to estimate the impact of these incentives on the state's school districts. Preliminary projections estimate that school district revenues would have been more than $121 million greater than they were had all manufacturing property been assessed at the normal 10.5 percent rather than the lower 6 percent allowed by FILOTs. But at the present time, there are no statewide requirements for counties to report the creation and use of MCIPs or the use of SSRBs. Data are thus unavailable to even begin such an effort. Further, there is no definitive answer to the development community's argument that without the incentive, the schools would have received no funds since the companies would have located in other states. It is clear, however, that the use of FILOTs within MCIPs and using SSRBs put the schools in double jeopardy in that not only is the pie smaller, but they are likely to receive an even smaller share of that pie Ð all without the school board's knowledge or consent. Other Southeastern states have expanded their use of incentives (for example, North Carolina, Georgia, and Tennessee), but none has used a Multi-County Industrial Park in combination with Special Source Revenue Bonds as South Carolina has.

In the 2001 South Carolina legislative session, it is likely that proposals will be considered protecting school taxes within Multi-County Industrial (Business) Parks. The South Carolina School Boards Association and the state's Association of Counties have been drafting a bill concerning these expanding incentives. The School Boards Association has argued for a guarantee of 75 percent of its tax revenue, with the rest available for incentive deals. It also insists that incentive awards adhere to the original aim of the legislation: to attract manufacturing (rather than commercial development). The School Boards Association has become increasingly aware of the potential impacts on local school finance and now finds it necessary to advocate the interests of children as the incentives spread to cover more and more of the economy.

As South Carolina and other states re-examine incentive programs, it is important to recognize that many positive arguments remain in favor of industrial recruitment and an active economic development agenda at the state and local level. Incentives may have a positive differentiating effect on business location decisions, especially when the characteristics of alternative locations (say, Greenwood, South Carolina and Mayberry, North Carolina) are otherwise similar. In addition, incentives bring fiscal benefits that outweigh the costs, while spurring employment growth at the same time. No one would want to deny a locality the prospect of good jobs if they are created at no cost to state and local tax entities (at some level of positive fiscal benefits). After all, the future well-being of children is ensured not by education alone, but by an expanding and prospering economy, as well.

Dr. Douglas P. Woodward is Director of the Division of Research and Associate Professor of Economics in The Darla Moore School of Business at the University of South Carolina. **Dr. Harry W. Miley, Jr**., owner of Miley and Associates, Inc. in Columbia, South Carolina, is an economist and consultant. **Dr. Holley Hewitt Ulbrich** is Alumni Distinguished Professor Emerita of Economics at Clemson University.

Endnotes

[1]Hefner, Frank L., Randolph C. Martin, Harry W. Miley, Jr., Holley Hewitt Ulbrich, and Douglas P. Woodward, ***An Analysis of the Impacts of Property Tax-Based Economic Development Incentives on School Districts in South Carolina,*** prepared for the South Carolina Schools Boards Association, March 2000.

[2]School districts receive a small amount of local funds from interest on funds on deposit, rental of facilities, fees, etc.
