the case for education funding reform

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Consulting Services
state funding

• education finance act (EFA)
• education improvement act (EIA)
education finance act (EFA)

• passed in 1977
• cornerstone of state funding
• national model for funding education
• has served us well for four decades
• does need to be updated
EFA criteria

- number of students
- relative wealth of district (property values)
- inflation
base student cost (BSC)

- funding level necessary for providing a (“minimum” foundation program)
- BSC is also predicated on a participation ratio of state 70% / local 30%

<table>
<thead>
<tr>
<th>YEAR</th>
<th>STATE</th>
<th>LOCAL</th>
<th>TOTAL BSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-2015</td>
<td>$1,483</td>
<td>$ 636</td>
<td>$2,119</td>
</tr>
</tbody>
</table>

EXAMPLE
base student cost

- BSC should be at $2,700+
average daily membership (ADM)

- aggregate number of days enrolled divided by the number of days school is in session.

<table>
<thead>
<tr>
<th>Student</th>
<th>Days Enrolled</th>
<th>Days of School</th>
<th>ADM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>135</td>
<td>135</td>
<td>1.0</td>
</tr>
<tr>
<td>2</td>
<td>108</td>
<td>135</td>
<td>0.8</td>
</tr>
<tr>
<td>3</td>
<td>121</td>
<td>135</td>
<td>0.9</td>
</tr>
<tr>
<td>4</td>
<td>27</td>
<td>135</td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>391</td>
<td>540</td>
<td>2.9</td>
</tr>
</tbody>
</table>
### Weighted Pupil Units (WPU)

<table>
<thead>
<tr>
<th>Student</th>
<th>ADM</th>
<th>EFA Code</th>
<th>Weighting</th>
<th>WPU (ADM X Weighting)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.0</td>
<td>EL</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>2</td>
<td>0.8</td>
<td>HS</td>
<td>1.25</td>
<td>1.00</td>
</tr>
<tr>
<td>3</td>
<td>0.9</td>
<td>P</td>
<td>1.24</td>
<td>1.16</td>
</tr>
<tr>
<td>4</td>
<td>0.2</td>
<td>VH</td>
<td>2.57</td>
<td>0.51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.9</td>
<td></td>
<td></td>
<td><strong>3.67</strong></td>
</tr>
</tbody>
</table>
FUNDING SOURCES
State, Local & Federal

State: 54%
Local: 39%
Federal: 7%
act 388

**property tax impact to homeowners**

- 100% of the fair market value exempt from property taxes for school operations
- property taxes collected for school bonded debt NOT exempt

**changes to school district funding**

- districts reimbursed from the homestead exemption fund (HEF) by statewide sales tax collections
- subsequent years, aggregate reimbursements are increased by Consumer Price Index plus population growth in the state
- reassessment cap limited to 15% increase in 5 years
The text describes the "millage cap" under Act 388.

- Caps are in place for all local governing bodies.
- Millage may be increased only by CPI plus the population growth of the entity from the prior year.
- Cap may only be exceeded with a 2/3 vote of the local governing body and only for the following reasons:
  - Deficiency from previous year
  - National disaster/act of terrorism
  - Court order
  - Close of a business that decreases tax revenues by more than 10%
  - Un-funded state or federal mandate
act 388 concerns

• growing school districts
  ✓ revenues per student
  ✓ new school start-up costs
• index of taxpaying ability (ITA)
• funding inequities among similar size districts
• limitation imposed on local funding and the volatility of sales tax revenues
<table>
<thead>
<tr>
<th>Authority Type</th>
<th>Number of Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Authority</td>
<td>27 districts</td>
</tr>
<tr>
<td>Autonomy</td>
<td>26 districts</td>
</tr>
<tr>
<td>No Authority</td>
<td>25 districts</td>
</tr>
<tr>
<td>Statutory Cap</td>
<td>3 districts</td>
</tr>
<tr>
<td></td>
<td>81 districts</td>
</tr>
</tbody>
</table>
more changes

• EOC, governor’s WPU: 1.0 with add-ons
  ✓ poverty ✓ disabilities
  ✓ limited English ✓ adult (17-21)
  ✓ remediation ✓ vocational/career
  ✓ gifted and talented

• decrease selected special revenue funds

• increase funding for technology (one-time)
a plan to restructure education funding
• equalize, simplify state K-12 spending in reasonable, realistic manner
• level and stabilize the tax burden playing field
• strengthen state-local education partnership with greater transparency, accountability
how it works ...
state revenues

1

state uniform millage
(100-mill levy)
additional state dollars needed to make up or balance the difference between school revenues generated from current property taxes versus revenues that the 100-mill levy (SUM) would generate

estimate: $600 million
state revenues

1. state uniform millage (100-mill levy)

2. additional state balancing funds

3. existing state revenues roll-up including reimbursements

reduces about 70 separate state funding sources to 12
state revenues

1. state uniform millage (100-mill levy)
2. additional state balancing funds
3. existing state revenues roll-up including reimbursements

base student funding
$5,400 weighted pupil units (estimate)

local school districts
additional state funding to ensure no district gets less funds than what it currently receives – “hold harmless”

Est. $340 million
all other funds for programs not distributed to districts on per pupil basis such as:

- transportation related
- national board certification
- palmetto priority schools
- retiree insurance
- 4K programs
Local school board authority (fiscal autonomy) to levy millage of up to 8% of the assessed value of taxable properties.
Local school boards can have option to go above 8% but must get voter approval. If approved, funding applies to all property including homestead.
local district examples...
Kershaw County School District

actual FY 2009-10 funding  $ 63,362,433
EOC WPU  13,380
est. funding based on BSF $5,295  $ 70,852,479
additional funds (phase-in over 3 years)  $ 7,490,046
local taxpayer savings (154 to 100 mills)  $ 6,652,938
school board 8% authority  $ 8,847,235

*non-rolled up state revenue will be added to the figures above
Georgetown County School District

actual FY 2009-10 funding $ 71,914,493
EOC WPU 12,792
est. funding based on BSF $5,295 $ 67,737,754
transitional funds (phase-out over 25 years) $ 4,176,739
local taxpayer savings (99 to 94 mills) $ 3,319,032
school board 8% authority $ 32,437,517

*non-rolled up state revenue will be added to the figures above
other major provisions...
• annual inflation factor:
  ✓ state salary schedule, step and benefits increases

• reserves:  state – 5%  district – 15%

• transition
  ✓ new revenue to low revenue districts – phase-in over 3 years
  ✓ transition funds – phase-out over 25 years (4% per year)
what will it take to make scjet a reality?
$300 million + $600 million = $900 million

balancing funds

total additional state funds needed

grant $600 million in tax relief for all business, industries, vehicles and all other property taxpayers

funding is well within the state’s capability
court ruling key points

- *Abbeville vs South Carolina* – decades old school funding lawsuit
- cited funding system as “patchwork”
- who bears responsibility? legislature and school districts
time is right for funding reform?

Honorable Jenny Horne
South Carolina House of Representatives