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## **Good Start to School Funding Conversation**

**Plan by school groups not perfect, but should get ball rolling**

“Regardless of the deference typically accorded to the General Assembly, and regardless of good intentions shown over the years, there is no way one can look at the present system and conclude that a rational actor could have thought the whole thing up as a rational, comprehensive system.”

– amicus brief filed in August by the S.C. Association of School Administrators and S.C. School Boards Association in the long-running Abbeville County School District school funding lawsuit

It’s hard to find anybody in South Carolina who fully understands how our public schools are funded. And among those that have put in the time to unravel a hodgepodge of laws and decades of changes, it’s hard to find anybody who thinks that it’s working as it should. A coalition of education proponents and organizations is hoping to change that, with a simplified, equitable reform plan, but they have a tough task ahead of them. It’s not clear that they’ll get the support needed to pass it, or even that it’s the best plan for our state. Nevertheless, it is clear that something needs to be done, and if nothing else, the effort will certainly help prompt the conversation that we should be having.

First, let’s look at the problem we face. Today, the public schools our children

attend are funded by about 72 different state sources. The main legislation governing the state’s education funding system, the Education Finance Act, dates back to 1977, with tweaks, twists and adjustments made to it since then.

Those legislative “fixes,” such as the infamous Act 388 of 2006, steadily took away much of the local school districts’ ability to adjust funding levels as state revenue fluctuates. They also helped decouple previous links between a county’s ability to bear more costs and how much money they actually receive. Further, the rise in local tax incentives to lure businesses removed even more funding for schools, with local governments either forgiving taxes altogether or in some cases redirecting it to other uses through fee in lieu of taxes agreements. Then there’s the state’s numerous and growing sales tax exemptions, all of which eat into the tax that was put in place “for school purposes only.” In other words, the back to school sales tax free weekend every fall comes at the cost of money that would otherwise go to school funding.

All of these issues add up to a system in which funding for school operations varies widely by district despite efforts to ensure that all students receive the same level of education. Local property tax rates, which had long been the mainstay of funding for

school operations, also swing wildly and often bear little relation to state funding levels. Beaufort County, for instance, which receives the sixth most per student in state funds, has the state's lowest millage rate, at 90.3 mills. The Clarendon Three district, on the other hand, sits near the bottom of the funding list, but residents pay a higher millage rate (259.6 mills) than all but two other districts in the state.

It all adds up to a mess of sometimes conflicting laws and rules built one on top of each other in a haphazard and slapdash method over decades of shifting politics and policies. The system is ripe and overdue for an overhaul. Which is where the S.C. School Boards Association and the S.C. Association of School Administrators come in.

For the past two years, the groups have been working together to craft a systemwide reset of the state's school funding system, a wide-ranging overhaul that would not only spread the state's funding out equally among districts, but would also vastly simplify how that funding reaches them.

Like any major overhaul, it's nearly impossible to summarize quickly, but in a nutshell, the groups are proposing the following:

Change the millage rate for every school district in the state to 100 mills. This would instantly lower property taxes in 81 of the state's 84 districts. Rather than try to divvy up money based on the relative wealth of counties, the proposal would give everybody the same base amount – about \$5,300 if the plan had been in place in 2010. The level of funding would go up for about 60 percent of districts while others (including Horry and Georgetown counties)

who currently receive more than that base level of funding would see their current levels maintained initially, but slowly decreased over 25 years. If districts wish to spend more than the state provides, they must eventually raise their own taxes to do so.

In effect, the backers of the reform are hoping to establish a new baseline for education in South Carolina, saying here is where everybody should start. If you'd like to spend more, you're welcome to pay for it yourself, but we're going to start everybody off on the same level playing field.

It sounds like a fine idea, but there's always a catch. And it's a big one. The state can't just reduce property taxes in districts across the state and expect to still magically provide the same level of funding. Money to make up the difference – about a \$612 million difference – will need to come from somewhere. And as much as efficiency promoters and critics of government waste might disagree, the state can't simply cut \$612 million out of the budget elsewhere to fill the gap. As Harry Miley, one of the plan creators and former chairman of the state's Board of Economic Advisers, admitted on Wednesday, "You're going to have to increase the taxes somewhere on somebody."

The school groups pushing this proposal have left the question of where to come up with that \$612 million chunk of change – plus \$335 million in initial funding to facilitate the change – up to the legislature. And that's dangerous territory.

For one thing, our state legislators aren't known for their willingness to raise taxes, even to offset tax cuts elsewhere. A fight over where to find the money could very

well torpedo this idea or get it stuck in months of debate.

Secondly, if the goal is to simplify school funding, introducing another as-yet-unspecified source of money is starting things off on the wrong foot. There's nothing magic about 100 mills that led to it being proposed as the property tax level for all districts. The plan's authors admit that they chose it simply because of politics; it would allow them to say that their plan would reduce property taxes at the vast majority of districts across the state, glossing over the fact that the money still has to come from somewhere. But that number could be raised. To fully fund schools and avoid having to find money elsewhere in the budget, every district would need to charge about 139 mills, Miley said. That would still offer a tax break for most of the state's districts, although about a third would see an increase (including Horry and Georgetown counties).

The school groups plan to have their proposal prefiled in the legislature this winter and ready for lawmakers to take up when they convene in January. Will the state's school funding be sorted out by next spring? No. Is this a perfect plan? No. For one thing, it does not include any mention or proposal of consolidating school districts, an idea that deserves to be considered in a state with nearly twice as many school districts as counties. And it does not take into account the reality that there really might be a difference in the cost of operating a school from district to district.

But it's impossible to debate a plan that doesn't exist. This at least gives legislators a framework from which to begin the long overdue process of reforming the broken method in which state dollars flow down to

our state's students. It's not a magic bullet. But it loads the gun.

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