

# the case for education funding reform

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# 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%

EXAMPLE	YEAR	STATE 70%	LOCAL 30%	TOTAL BSC
	2014-2015	\$1,483	\$ 636	\$2,119

# 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.

**EXAMPLE**

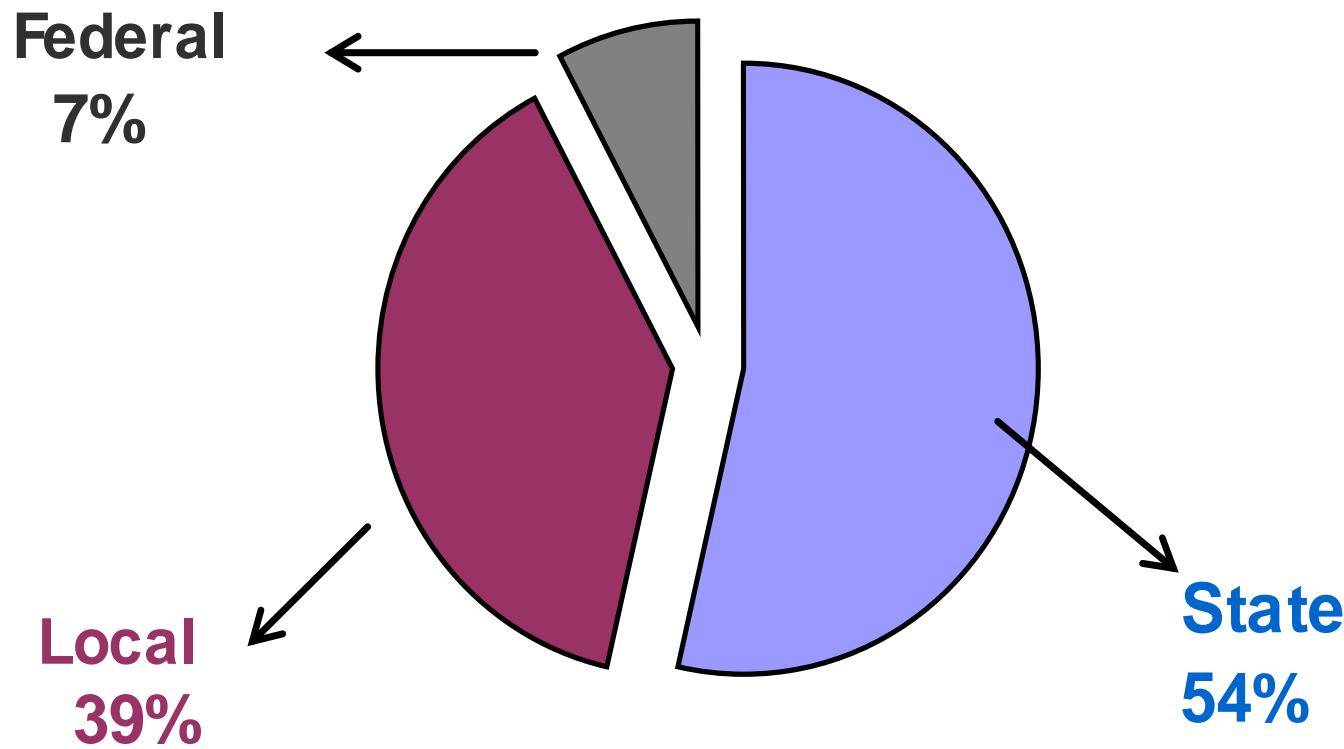
Student	Days Enrolled	Days of School	ADM
1	135	135	1.0
2	108	135	0.8
3	121	135	0.9
4	27	135	0.2
Total	391	540	2.9

# **weighted pupil units (WPU)**

<b>Student</b>	<b>ADM</b>	<b>EFA Code</b>	<b>Weighting</b>	<b>WPU (ADM X Weighting)</b>
1	1.0	EL	1.00	1.00
2	0.8	HS	1.25	1.00
3	0.9	P	1.24	1.16
4	0.2	VH	2.57	.51
Total	2.9			3.67

## FUNDING SOURCES

### State, Local & Federal



# 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

# act 388

## millage cap

- 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 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

# school board taxing authority

- limited authority - 27 districts
- autonomy - 26 districts
- no authority - 25 districts
- statutory cap - 3 districts  
81 districts

# more changes

- EOC, governor's WPU: 1.0 with add-ons
  - ✓ poverty
  - ✓ limited English
  - ✓ remediation
  - ✓ gifted and talented
  - ✓ disabilities
  - ✓ vocational/career
- decrease selected special revenue funds
- increase funding for technology (one-time)

**SC jobs,  
education  
and tax act  
of 2015 (scjet)**

**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

**SC jobs,  
education  
and tax act  
of 2015 (scjet)**

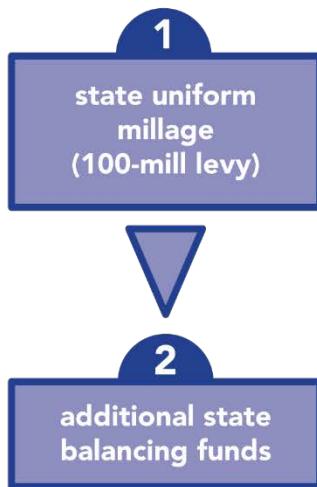
how it works ...

## state revenues

1

state uniform  
millage  
(100-mill levy)

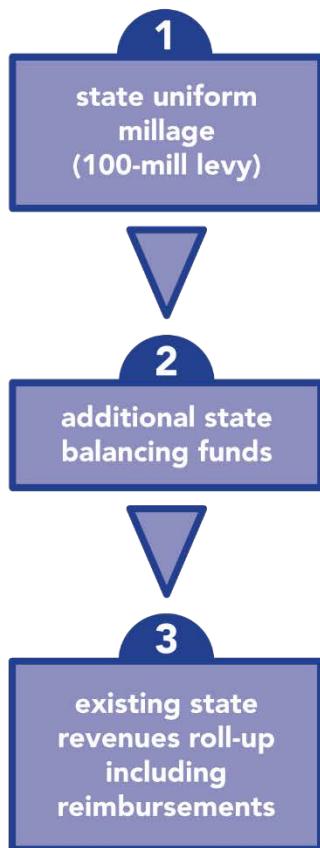
## state revenues



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



## 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

## state revenues



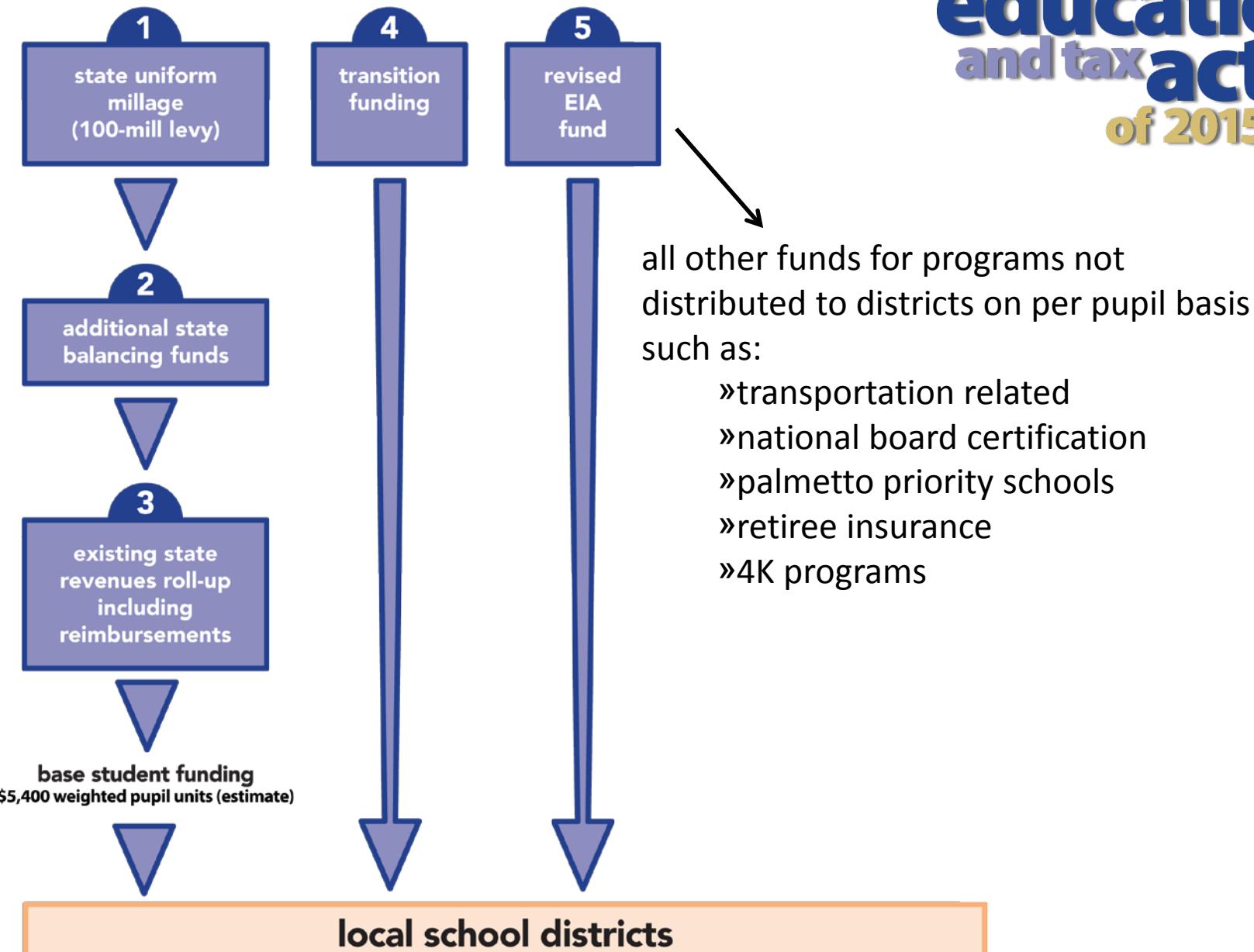
base student funding  
\$5,400 weighted pupil units (estimate)

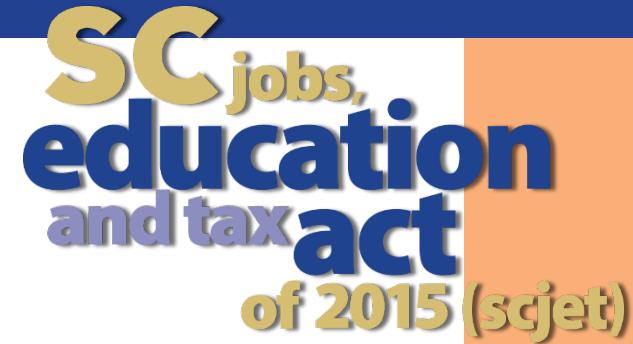
additional state funding to ensure no district gets less funds than what it currently receives – “hold harmless”

Est. \$340 million

local school districts

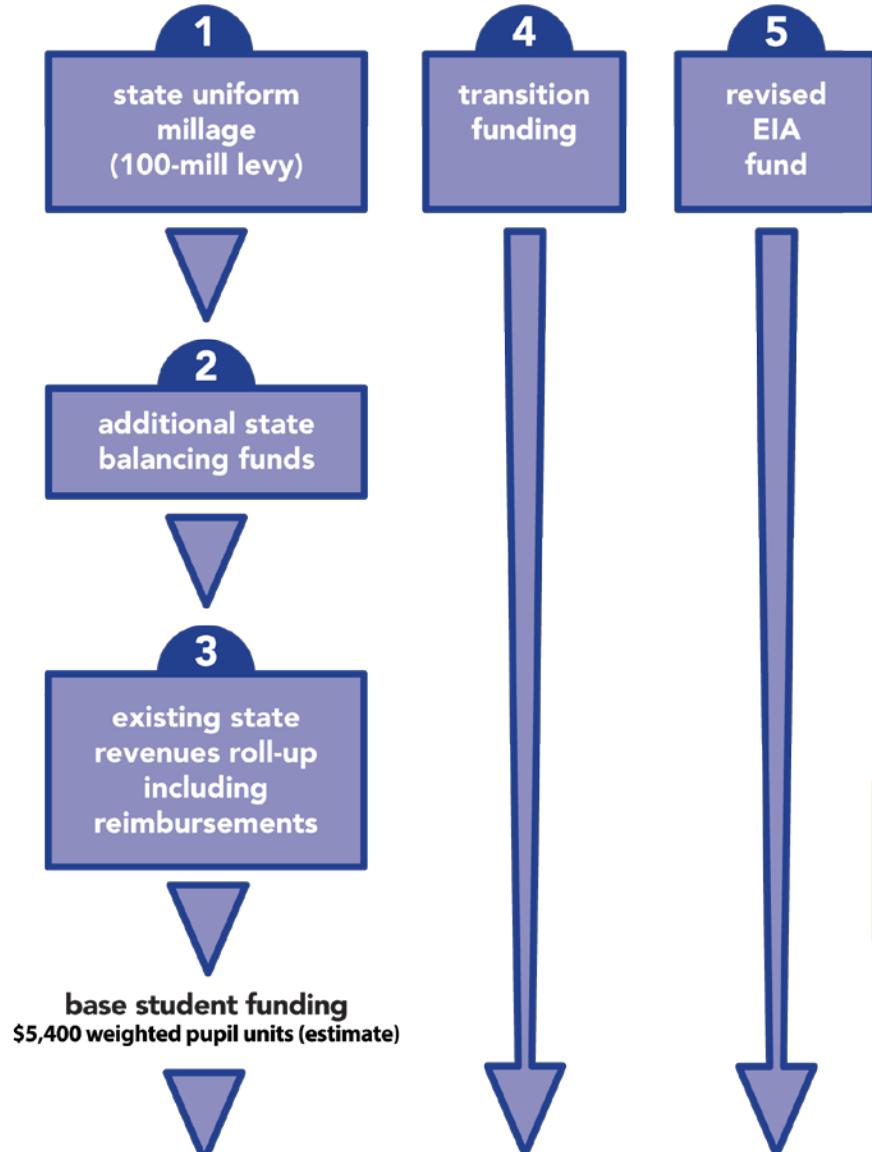
## state revenues





# SC jobs, education and tax act of 2015 (scjet)

## state revenues



## local revenues

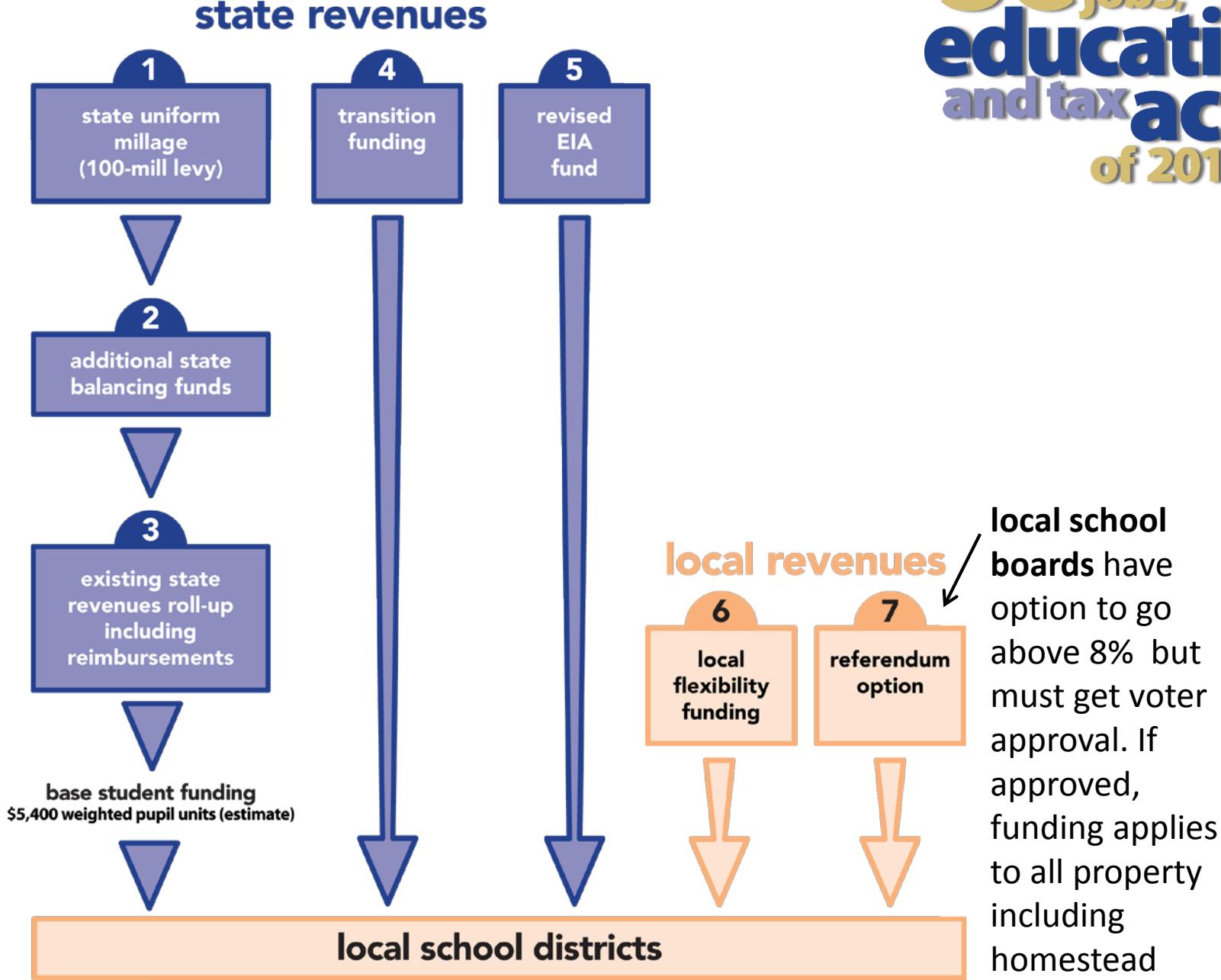
**6**  
**local flexibility funding**

local school board authority (fiscal autonomy) to levy millage of up to 8% of the assessed value of taxable properties

local school districts



# SC jobs, education and tax act of 2015 (scjet)



**SC jobs,  
education  
and tax act  
of 2015 (scjet)**

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	\$ <b>71,914,493</b>
EOC WPU	12,792
est. funding based on BSF \$5,295	\$ <b>67,737,754</b>
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

# **SC jobs, education and tax act of 2015 (scjet)**

other major provisions...

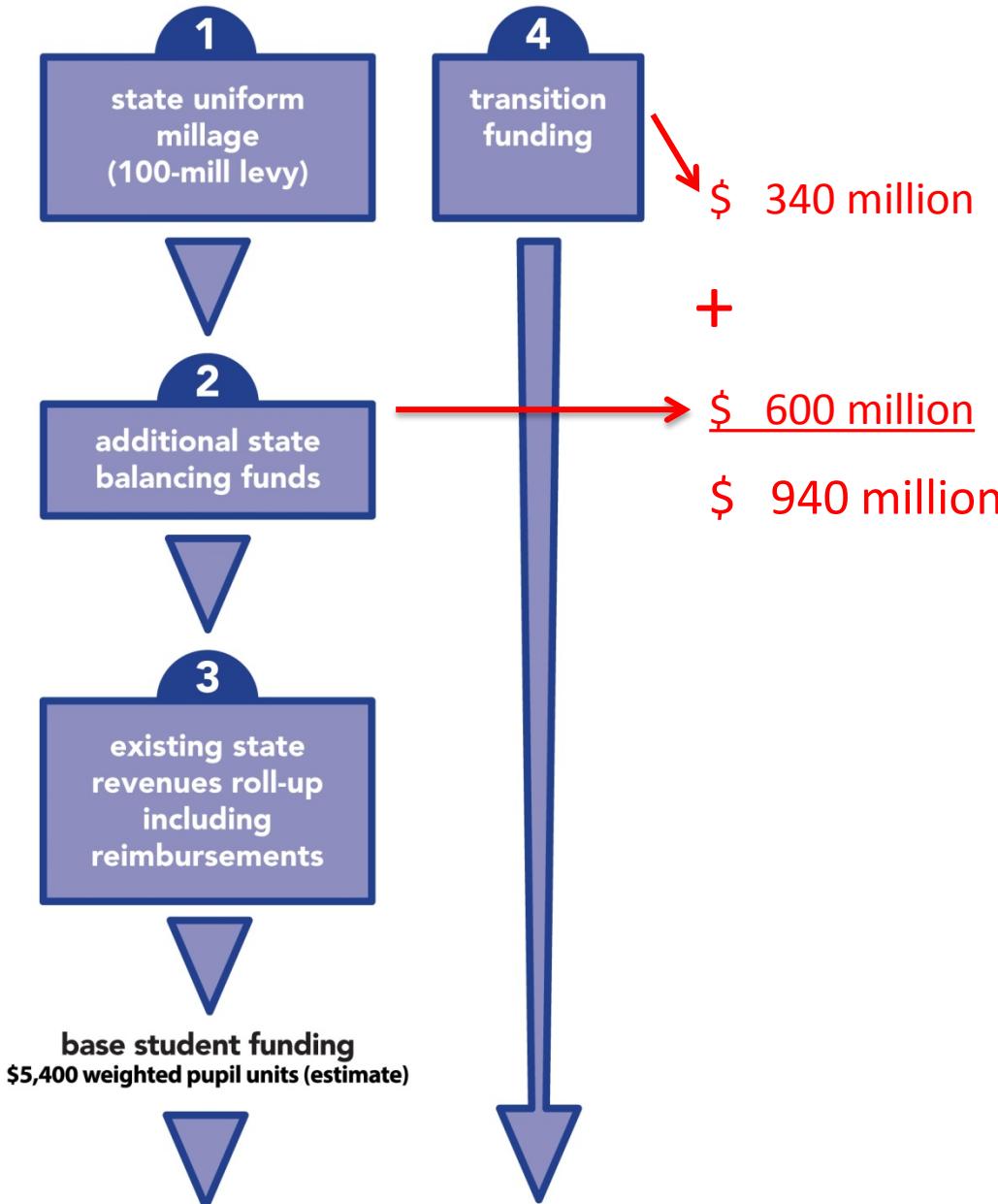
- annual inflation factor:
  - ✓ state salary schedule, step and benefits increases
- reserves: state – 5% district – 15%
- transition
  - ✓ new revenue to low revenue districts – phase-in over 3 years
  - ✓ transition funds –phase-out over 25 years (4% per year)

# **SC jobs, education and tax act of 2015 (scjet)**

**what will it take to make scjet a reality?**

# SC jobs, education and tax act of 2015 (scjet)

## state revenues



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