the case for education funding reform

Robert E. Davis, LLC
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 70%</th>
<th>LOCAL 30%</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>
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>.51</td>
</tr>
<tr>
<td>Total</td>
<td>2.9</td>
<td></td>
<td></td>
<td>3.67</td>
</tr>
</tbody>
</table>
FUNDING SOURCES
State, Local & Federal

Federal
7%

State
54%

Local
39%
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)
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)
State revenues

1. State uniform millage (100-mill levy)

2. Additional state balancing funds

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
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
1. State revenue: State uniform millage (100-mill levy)

2. Additional state balancing funds

3. Existing state revenues roll-up including reimbursements

4. Transition funding

5. Revised EIA fund

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
Local school boards have the 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?
$340 million + $600 million = $940 million 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