South Carolina Education Funding

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Richland School District Two
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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
- A National Model for Funding Education
- Has served us well for four decades
- Does need to be updated
EFA Funding Factors

- Number of Students
- Relative Wealth of District (Property Value)
- Inflation
- Weighted Pupil Units (WPU)
- Base Student Cost ($)
Base Student Cost (BSC)

- The 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>2016-2017</td>
<td>$1,645</td>
<td>$ 705</td>
<td>$2,350</td>
</tr>
</tbody>
</table>
Base Student Cost (BSC)

- 2016-17 BSC of $2,350 is $130 above last year
- BSC was $2,476 in FY 2007-08
- BSC should be at $2,933 ($583 short)
### Base Student Cost (BSC)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007-08</td>
<td>$2,476</td>
</tr>
<tr>
<td>FY 2008-09</td>
<td>$2,191</td>
</tr>
<tr>
<td>FY 2009-10</td>
<td>$1,757</td>
</tr>
<tr>
<td>FY 2010-11</td>
<td>$1,617</td>
</tr>
<tr>
<td>FY 2011-12</td>
<td>$1,880</td>
</tr>
<tr>
<td>FY 2012-13</td>
<td>$2,012</td>
</tr>
<tr>
<td>FY 2013-14</td>
<td>$2,101</td>
</tr>
<tr>
<td>FY 2014-15</td>
<td>$2,119</td>
</tr>
<tr>
<td>FY 2015-16</td>
<td>$2,220</td>
</tr>
<tr>
<td>FY 2016-17</td>
<td>$2,350</td>
</tr>
</tbody>
</table>
The Great BSC Shell Game
The Great BSC Shell Game

The increases in the BSC in recent years have not really been net increases to districts

Because of lost Sources of Revenue (At-Risk, Lottery, etc.)

For Example: Over last 3 years RSD2 has lost $3.5 mil in these funds

$3.5 mil translates into a loss of BSC of $115
Average Daily Membership (ADM)

The 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>1.00</td>
<td>.80</td>
</tr>
<tr>
<td>3</td>
<td>0.9</td>
<td>P(PIP)</td>
<td>1.20</td>
<td>1.08</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>3.39</td>
</tr>
</tbody>
</table>
FUNDING SOURCES
State, Local & Federal

- State: 54%
- Local: 39%
- Federal: 7%
PERCENT REVENUE BY SOURCE

SELECTED DISTRICTS

State
Local
Federal

Small
3,370 students

Medium
17,937 students

Large
29,931 students

Selected districts are represented as follows:
- Small district with 3,370 students
- Medium district with 17,937 students
- Large district with 29,931 students

Revenue sources are categorized as:
- State
- Local
- Federal

The graph shows the percentage revenue by source for each district type.
The Education Improvement Act of 1984 was South Carolina’s original blueprint for enacting a quality program of public instruction for current and future generations. A one cent state sales tax increase provides additional funds.
EIA

- Raise student performance by increasing academic standards;
- Strengthen the teaching and testing of basic skills;
- Elevate the teaching profession;
- Improve leadership, management and fiscal efficiency;
- Implement quality controls and reward productivity;
- Create more effective partnerships among schools, parents, community and business; and
- Provide school buildings conducive to improved student learning.
Local Funding -- Property Taxes

- ACT 388
- Fiscal Autonomy
ACT 388 – PROPERTY TAX REFORM

PROPERTY TAX IMPACT TO HOMEOWNERS

- 100% of the Fair Market Value of owner-occupied homes is exempt from property taxes for school operations.
- Property taxes collected for school bonded debt is NOT exempt.

CHANGES TO SCHOOL DISTRICT FUNDING

- School districts are reimbursed from the Homestead Exemption Fund (HEF) funded by 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 five years
ACT 388 – PROPERTY TAX REFORM

MILLAGE CAP

- Millage 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.
- The 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
PROPERTY TAX REFORM

CONCERNS

- Growing school districts
  - Revenues per student
  - New school start-up costs
- Index of Taxpaying Ability
- Funding inequities among similar size districts
- The real concerns are the limitation imposed on local funding and the volatility of sales tax revenues.
<table>
<thead>
<tr>
<th>Type of Authority</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Authority</td>
<td>27</td>
</tr>
<tr>
<td>Fiscal Autonomy</td>
<td>26</td>
</tr>
<tr>
<td>No Authority</td>
<td>25</td>
</tr>
<tr>
<td>Statutory Cap</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>
Fiscal authority

Limited Authority - 27 districts

Referendum to exceed this limit (subject to cap under Act 388)
- Allendale: Inflation + 4 mills
- Bamberg 1, 2: 3 mills
- Barnwell 19, 29, 45: 10 mills
- Florence 4: 10 mills
- Lancaster: 5 mills
- Pickens: Formula

County council approval to exceed this limit (subject to cap under Act 388)
- Fairfield: 3% above previous year’s budget or CPI whichever is lower
- Newberry: 4 mills

Legislative delegation approval to exceed this limit (subject to cap under Act 388)
- Chesterfield: 10% of prior year’s tax levy
- Laurens 55, 56: 7 mills + EFA inflation factor not to exceed 10 mills
- York 1: 6 mills
- Clover 2: 6 mills
- Rock Hill 3: 6 mills
- Fort Mill 4: 6 mills

County board approves millage rate (subject to cap under Act 388)
- Anderson 1, 2, 3, 4, 5...: 8 mills
- Orangeburg 3, 4, 5: 3 mills over EFA inflation factor (Fiscal Commission)

Statutory Cap - 3 districts

Requires county council approval to exceed (subject to cap under Act 388)
- Abbeville: Same millage
- Kershaw: Limit 74 mills

Requires referendum to exceed (subject to cap under Act 388)
- Florence 1: Same millage

Fiscal Autonomy - 26 districts

No overseeing body, school board votes by majority
- Aiken: Georgetown
- Berkeley: Greenville
- Charleston: Horry
- Cherokee: Lexington, 1, 2, 3, 4, 5
- Chester: Marlboro
- Darlington: Marion
- Edgefield: Spartanburg 1, 2, 3, 4, 5, 6, 7
- Florence 3: Union

No Authority - 25 districts

Legislative Delegation approves budget & sets millage rate (subject to cap under Act 388)
- Dillon 3, 4

Town/Citizens meeting to approve budget (subject to cap under Act 388)
- Florence 2, 5

County council approves millage rate (subject to cap under Act 388)
- Beaufort: Jasper
- Calhoun: Lee
- Clarendon 1, 2, 3: McCormick
- Colleton: Oconee
- Dorchester 2, 4: Richland 1, 2
- Greenwood 50, 52: Saluda
- Hampton 1, 2: Sumter
Final Thoughts

- The shrinking Tax base at the state and local level... we know about Act 388
  - It took roughly 1/3 of property out of the tax base

- But the tax base at the state level has been shrinking as well
  - 2000: 48% of All Sales were taxable
  - 2013: 35% were taxable
  - November 2015: 34%
Final Final Thoughts

- The outlook for funding in the future depends on:
  - Economic Growth
  - Further tax cuts at the state level (Reform)
  - The threat of funding road improvements with General Fund dollars
  - Political will of the local governments/voters
Questions?