Financing Education in South Carolina

SCSBA
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High Level Overview

- **General Fund** – The principal operating fund of the District.
- **Special Revenue & EIA Funds** – account for State and Federal funds which are allocated for specific programs or initiatives.
- **Debt Service** – accounts for the payment of interest and principal on long-term general obligation debt.
- **School Building Fund** – accounts for the construction, repair, renovation, and acquisition of school facilities. Can include capital equipment.
- **Food Service Fund** – accounts for the USDA’s approved school breakfast and lunch programs.
What is a Budget

- “Simple Definition”: a school budget describes a district’s plan for the upcoming year as related to anticipated revenues and expenditures.
- Should convey your values and priorities
- A tool for monitoring actual results
- Provides a foundation for the next year

Where does the $ come from?

The Basic Building Blocks
- Local Revenue
- State Revenue
- Federal Revenue
- Other Financing Sources
Local Revenue

• Outside the issuance of General Obligation Bonds, this is the major source of revenue that the District has the ability to raise.
• Major Source: Property Taxes

State Revenue

• Education Finance Act (EFA)
• Fringe Benefit Employer Contributions
• Education Improvement Act (EIA)
• Education Accountability Act (EAA)
• Education Lottery Act
• ACT 388 (Reimbursement for Local Property Tax Relief)
Education Finance Act (EFA)

- Passed in 1977
- Cornerstone of State Funding
- A National Model for Funding Education
- Has served us well for four decades

EFA

In 2014 the Governor’s Education plan added additional weighting factors for:
- High Achieving Students
- Limited English Proficiency
- Academic Assistance
- Pupils in Poverty

These weighting are directed for individualized instruction based on the needs of the student.

All students are weighted at 1.0 except special needs students.
Education Improvement Act (EIA)

- 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.
Education Lottery Act

- Higher Education receives the largest share
- In 2015-16, these funds were included in the EFA Funding

ACT 388

- Applicable to General Fund
- Residential owner/occupied exemption from taxes on school operations
- Funded from:
  - Tier I: The 1995 $100,000 Exemption
  - Tier II: The $50,000 Homestead Exemption
  - Tier III: The additional penny sales tax
- For 2007-08, Districts to receive $ for $ reimbursement from the State
- For any subsequent year, Districts will receive the “base” established in 2007-08 plus a portion of the total additional funding available that will grow by the statewide inflation rate and population growth
**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.
Federal Revenue

**Major Sources**
- School Food Service Programs
- Title I
- Individuals with Disabilities Education Act (IDEA)

Proceeds from General Obligation Bonds

- Applicable to School Building Fund
- Used to construct, renovate, repair, and equip school facilities
- Types
  - Referendum
  - 8% Debt
General Fund

• Revenue
  – Local
    • Property Taxes
  – State
    • EFA
    • Fringe
    • ACT 388
    • Bus Driver
  – Other
    • Interest
    • Rentals
    • Tuition

General Fund

• Expenditures
  – Salaries and Benefits 85 – 90 %
  – Fixed Cost 3 – 5 %
    • Utilities
    • Contracts
  – Other 5 – 12 %
    • Instructional Supplies
    • Staff Development
    • Other Supplies
Salary FOIA

- A common FOIA request from the newspapers is for a list of employees who make over $50,000. This request applies to all employees including teachers, coaches and administrators.
District Comparisons

As a Board member you will hear that your District spends $X$ per pupil and that District A spends $Y$ per pupil. When making comparisons...

There are many factors to consider:
- Size of schools
- Pupil teacher ratio
- Free and reduced lunch percentage
- Handicapped student population
- Salary schedules
- Programmatic Initiatives
- Geographic size

District Comparisons

Again…. Your District’s budget and per pupil expenditure reflect the choices of your community.
Questions