

the case for education funding reform

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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%

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

EXAMPLE

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

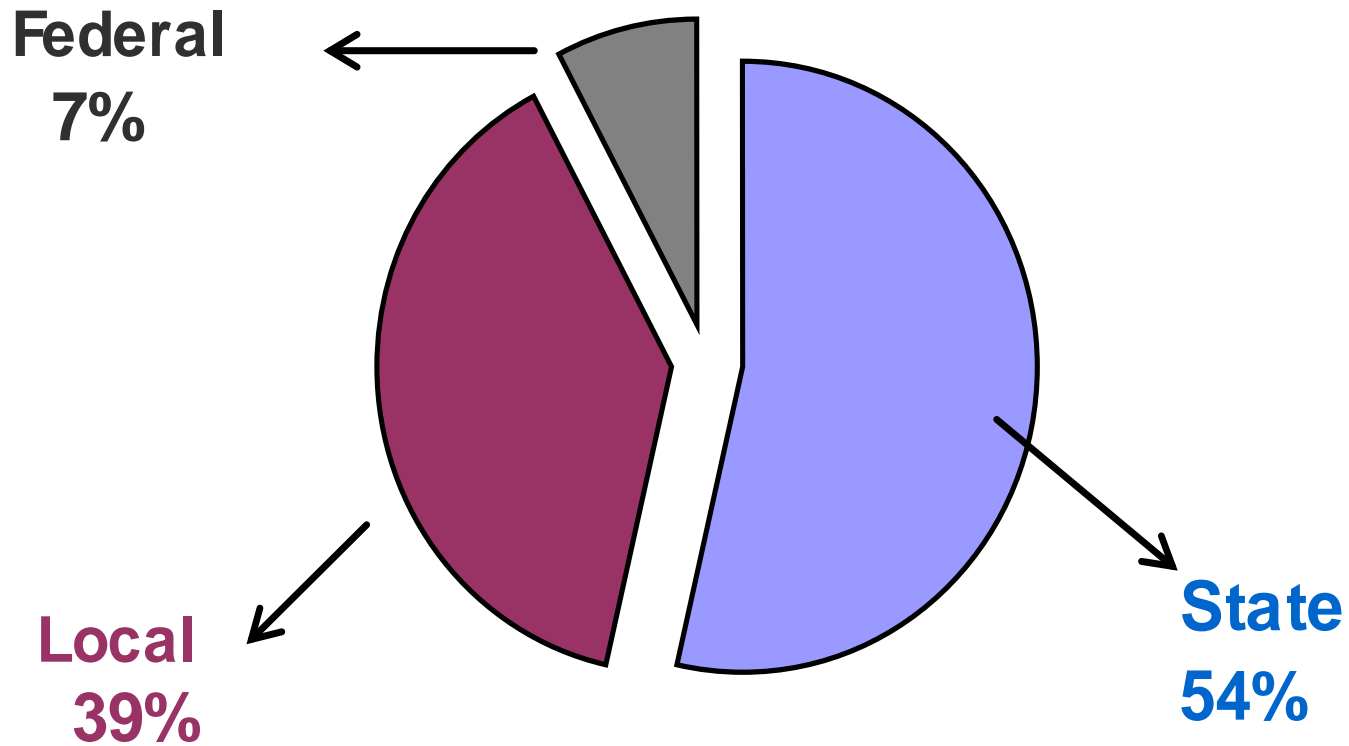
Student	Days Enrolled	Days of School	ADM
1	135	135	1.0
2	108	135	0.8
3	121	135	0.9
4	27	135	0.2
Total	391	540	2.9

weighted pupil units (WPU)

Student	ADM	EFA Code	Weighting	WPU (ADM X Weighting)
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 ...



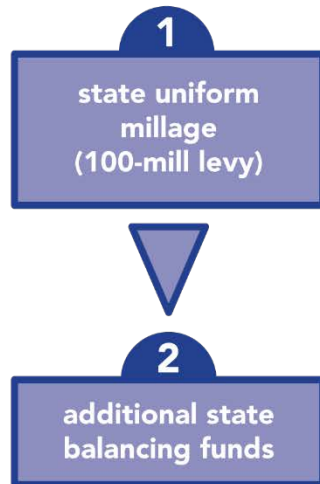
state revenues

1

state uniform
millage
(100-mill levy)

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

state revenues

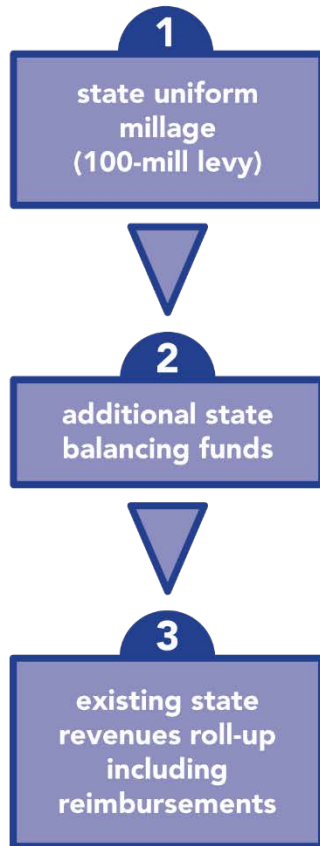


additional state dollars needed to make up or balance the difference between school revenues generated from current property taxes versus revenues that the 100-mill levy (SUM) would generate

estimate: \$600 million



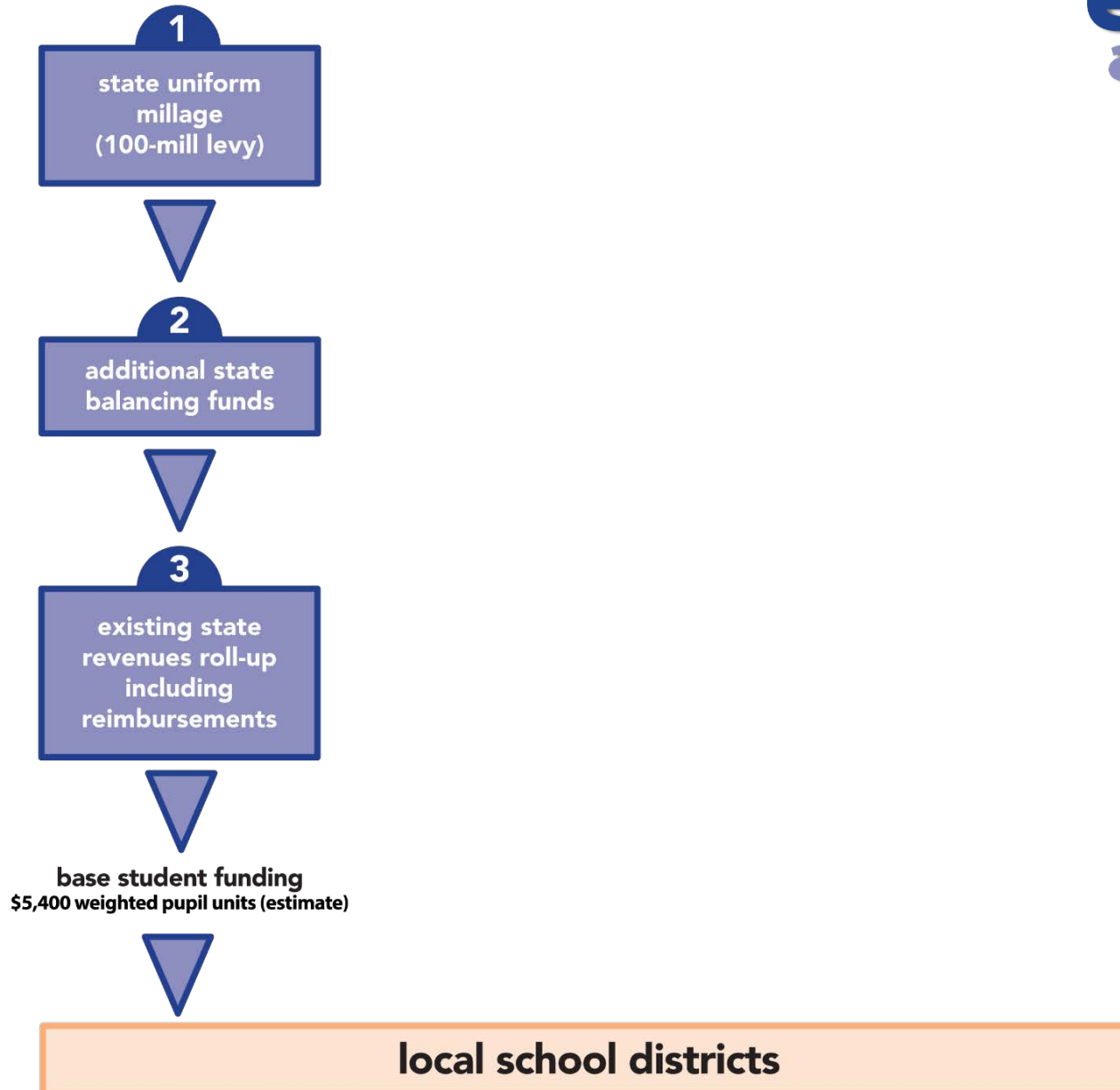
state revenues



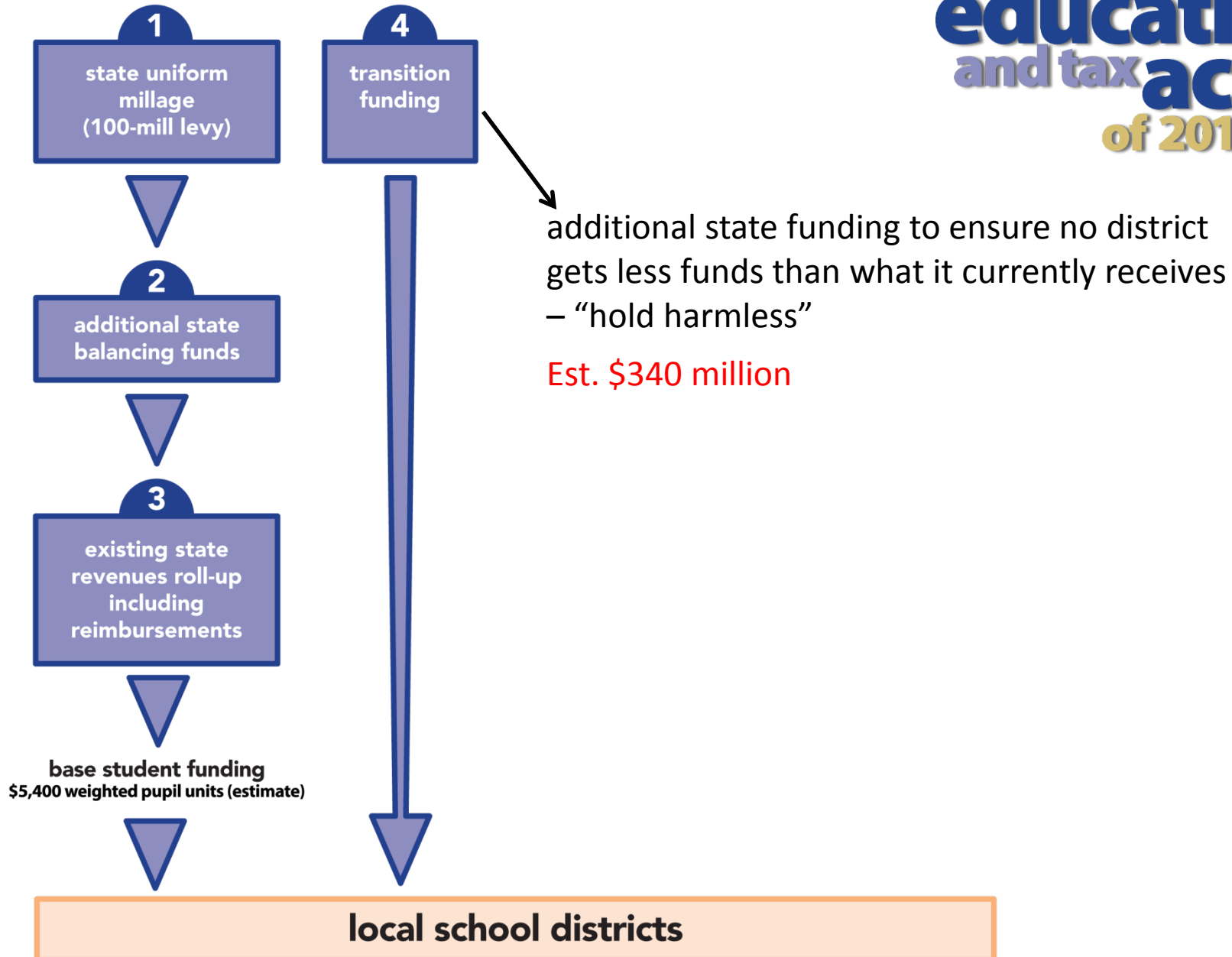
reduces about 70 separate state funding
sources to 12



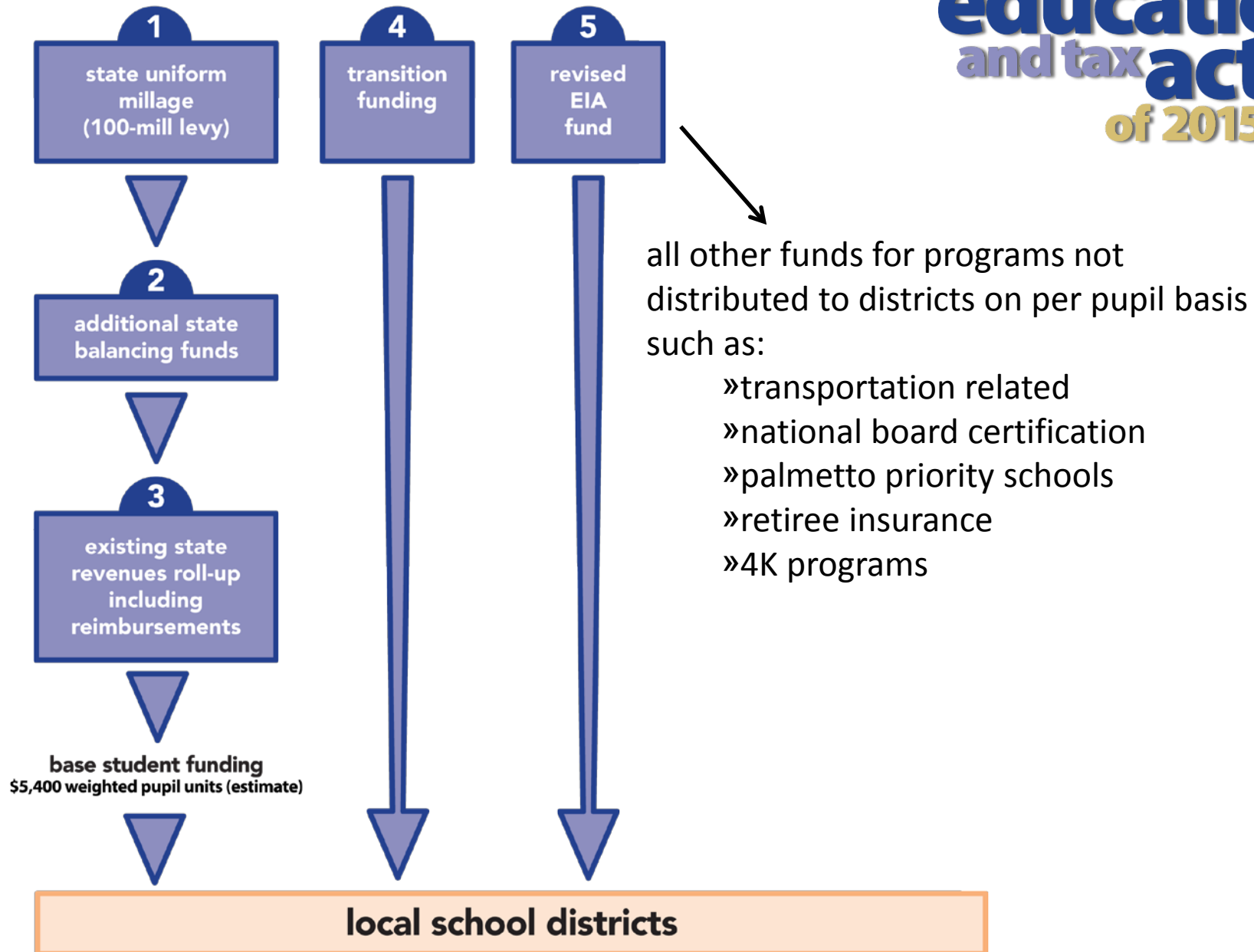
state revenues



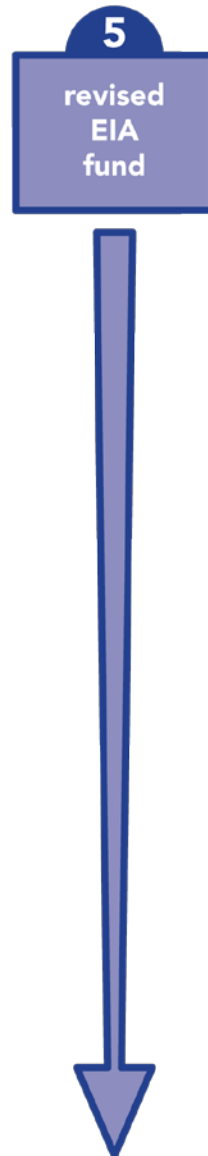
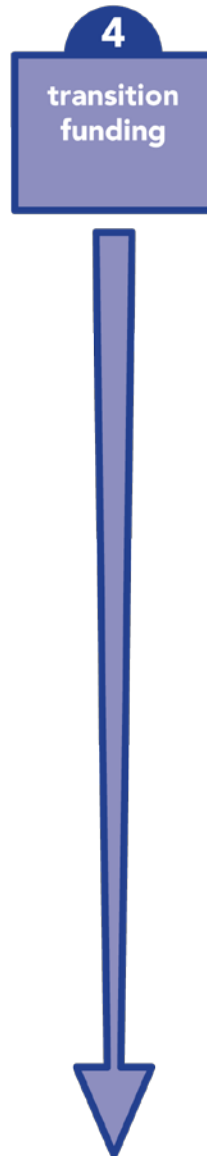
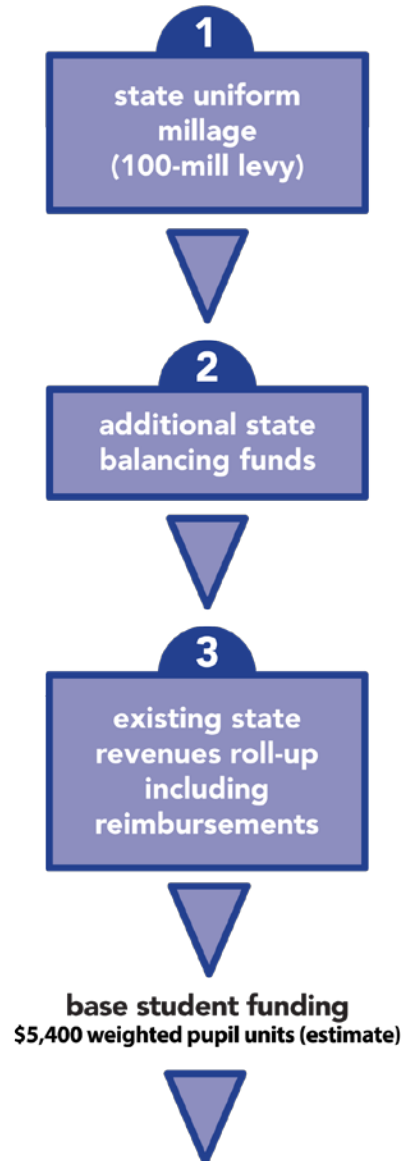
state revenues



state revenues



state revenues



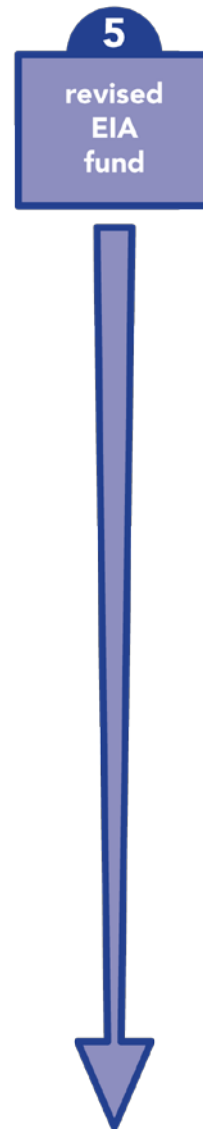
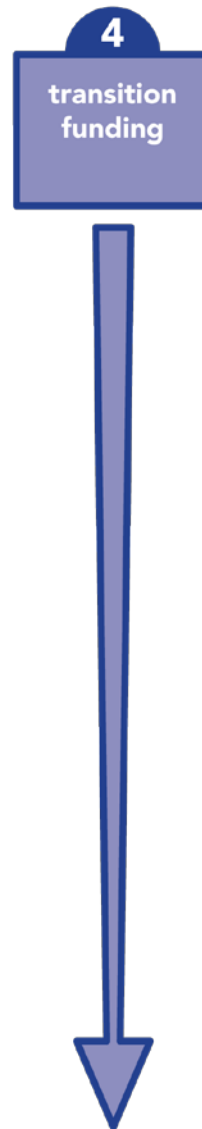
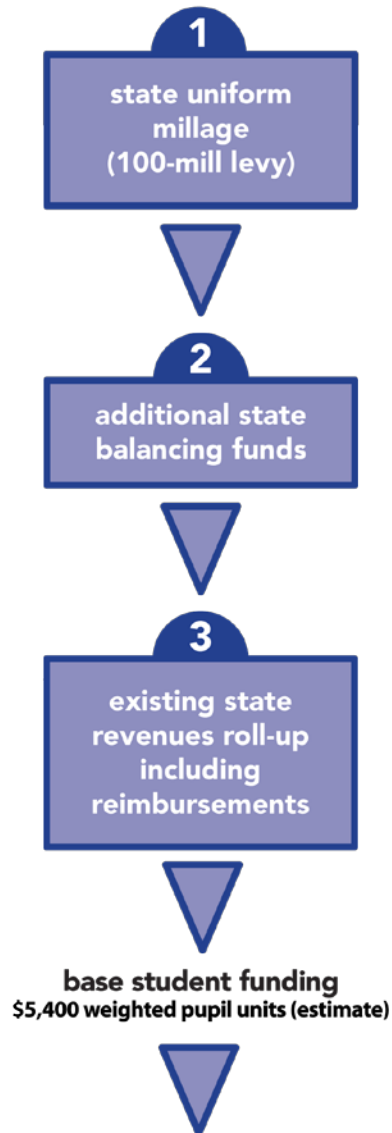
local revenues



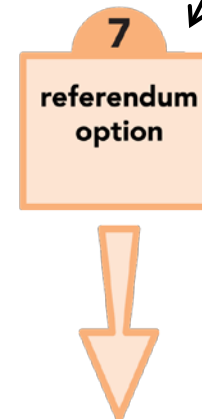
local school board authority (fiscal autonomy) to levy millage of up to 8% of the assessed value of taxable properties

local school districts

state revenues



local revenues



local school boards have option to go above 8% but must get voter approval. If approved, funding applies to all property including homestead

local school districts

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	\$ 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

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

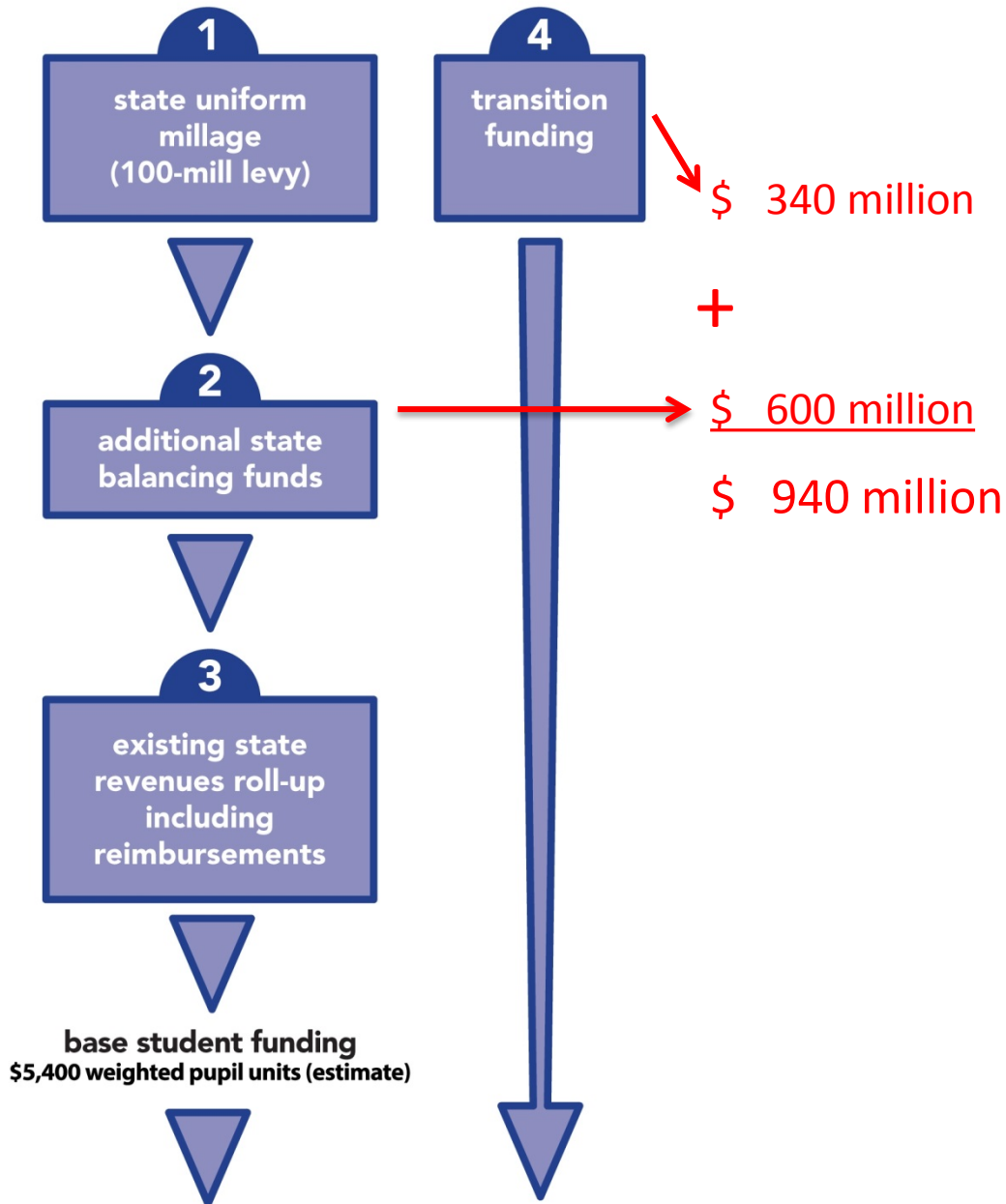
other major provisions...

- 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?

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