



# *South Carolina Education Funding*

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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%.

**EXAMPLE**

<b>YEAR</b>	<b>STATE</b>	<b>LOCAL</b>	<b>TOTAL</b>
	<b>70%</b>	<b>30%</b>	<b>BSC</b>
2016-2017	\$1,645	\$ 705	\$2,350

# 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)

FY 2007-08	\$2,476
FY 2008-09	\$2,191
FY 2009-10	\$1,757
FY 2010-11	\$1,617
FY 2011-12	\$1,880
FY 2012-13	\$2,012
FY 2013-14	\$2,101
FY 2014-15	\$2,119
FY 2015-16	\$2,220
FY 2016-17	\$2,350

# 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.

**EXAMPLE**

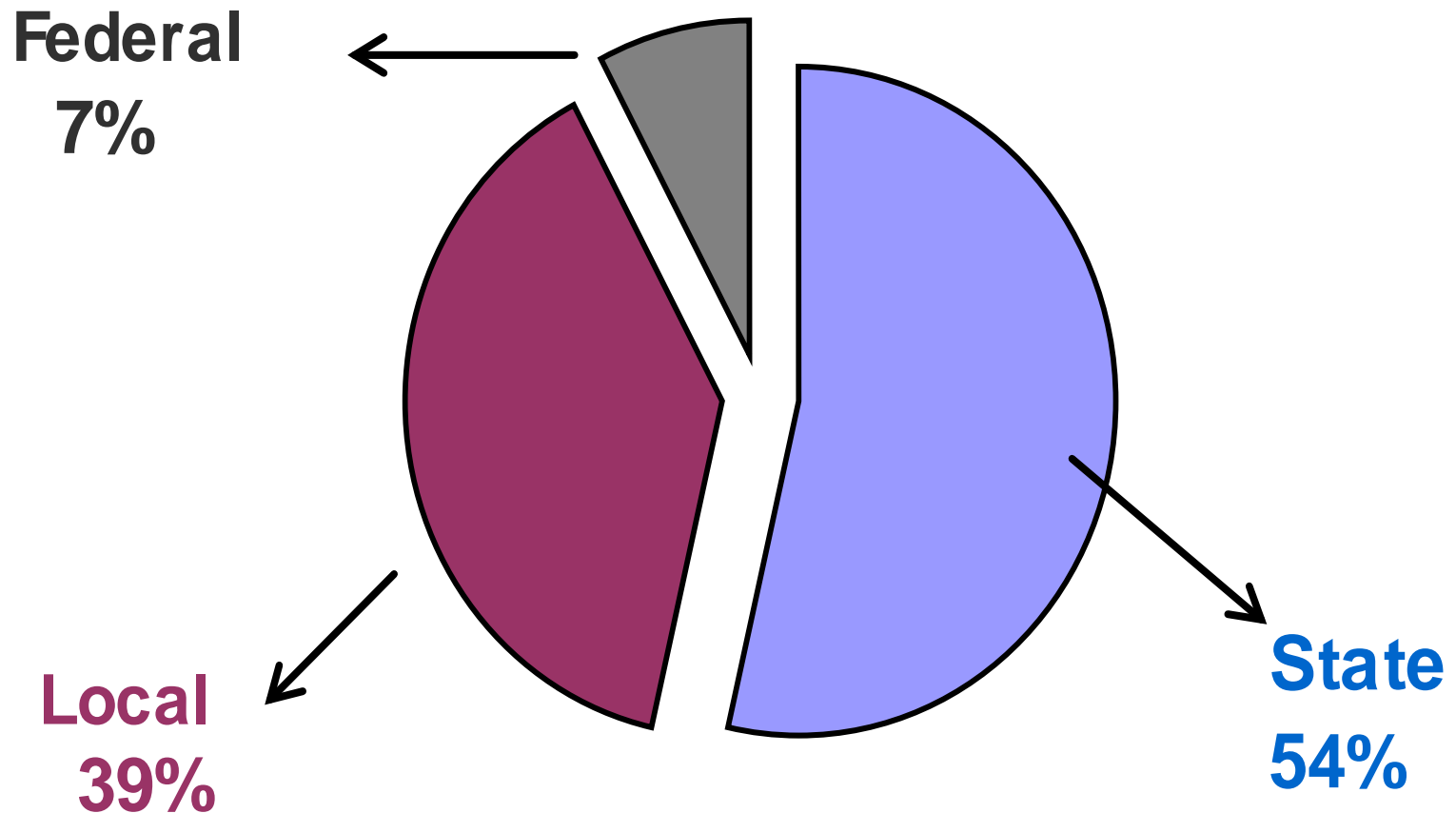
<b>Student</b>	<b>Days Enrolled</b>	<b>Days of School</b>	<b>ADM</b>
1	135	135	1.0
2	108	135	0.8
3	121	135	0.9
4	27	135	0.2
Total	391	540	2.9

# 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	1.00	.80
3	0.9	P(PIP)	1.20	1.08
4	0.2	VH	2.57	.51
Total	2.9			3.39

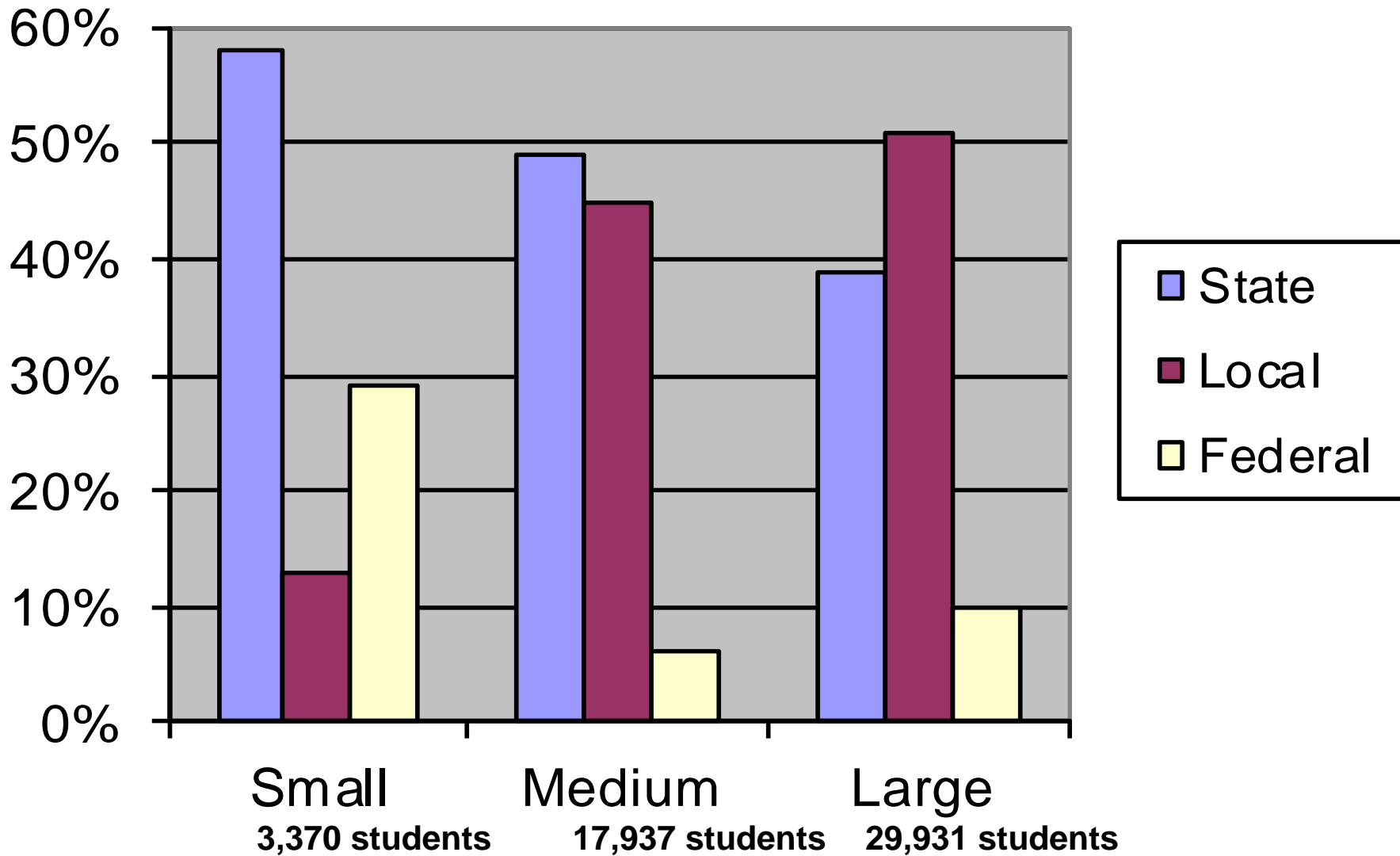
# FUNDING SOURCES

## State, Local & Federal



# PERCENT REVENUE BY SOURCE

## SELECTED DISTRICTS



# 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.

# 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.

# School District Taxing Autonomy in South Carolina

<b>Limited Authority</b>	<b>27</b>
<b>Fiscal Autonomy</b>	<b>26</b>
<b>No Authority</b>	<b>25</b>
<b>Statutory Cap</b>	<b><u>3</u></b>
<b>Total</b>	<b>81</b>



March 2013

## 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)

### Special law to exceed this limit (subject to cap under Act 388)

Williamsburg .....	3 mills
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## Fiscal Autonomy - 26 districts (subject to cap under Act 388)

### 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
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### Town/Citizens meeting to approve budget (subject to cap under Act 388)

Florence 2, 5
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### 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, 51, 52	Saluda
Hampton 1, 2	Sumter

## 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
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# 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?