Understanding School District Finance
SCSBA 2019 Annual Convention

Harry W. Miley, Jr. Ph.D., Chief Financial Officer, Richland School District Two
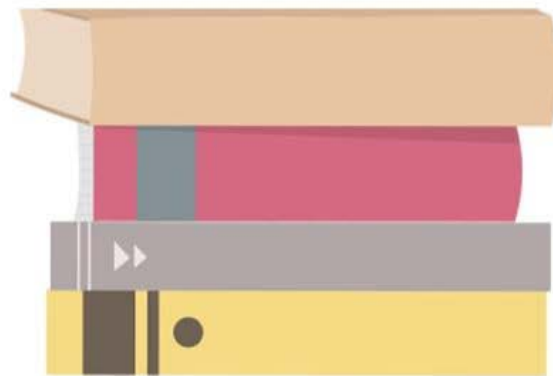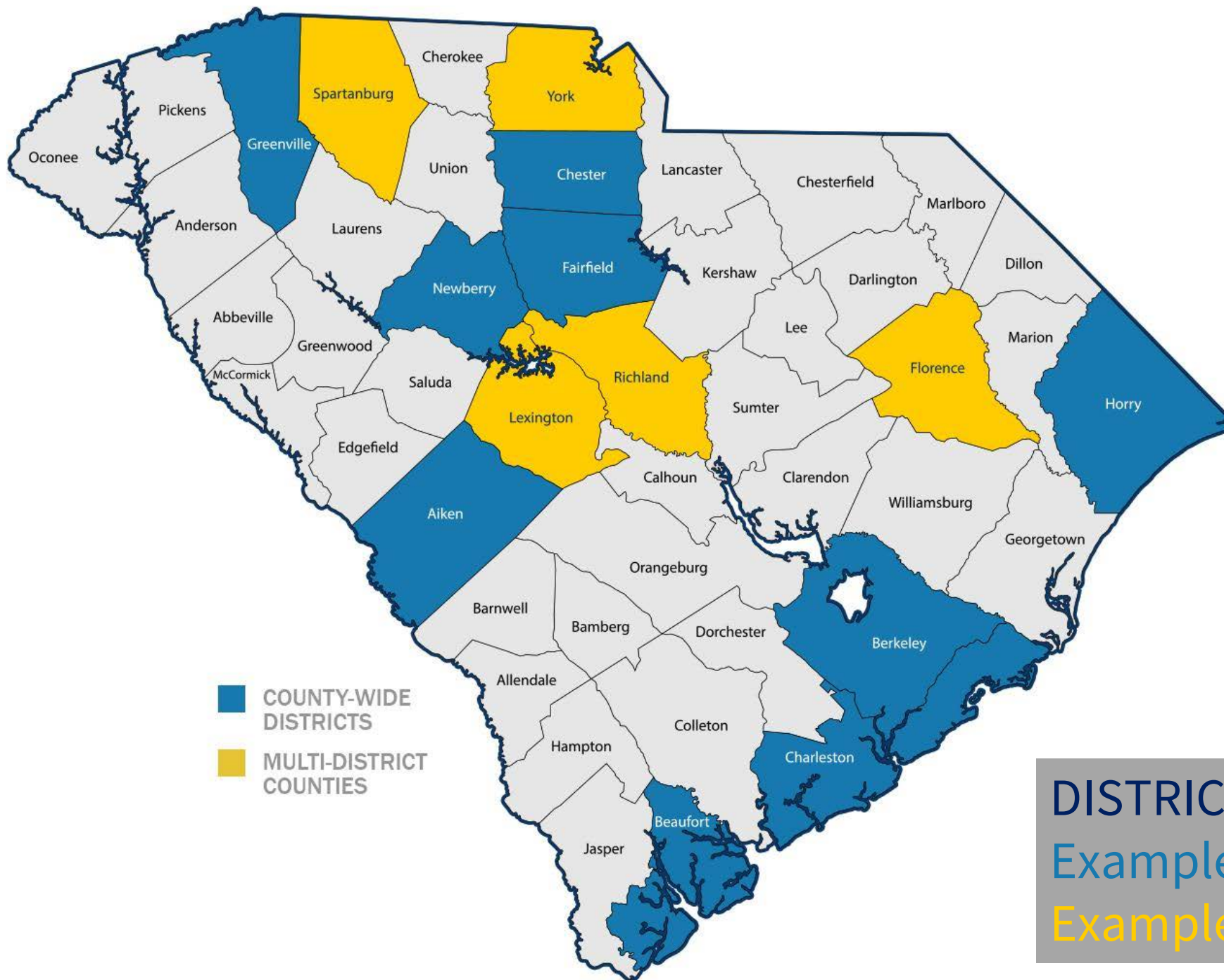
RICHLAND SCHOOL DISTRICT TWO
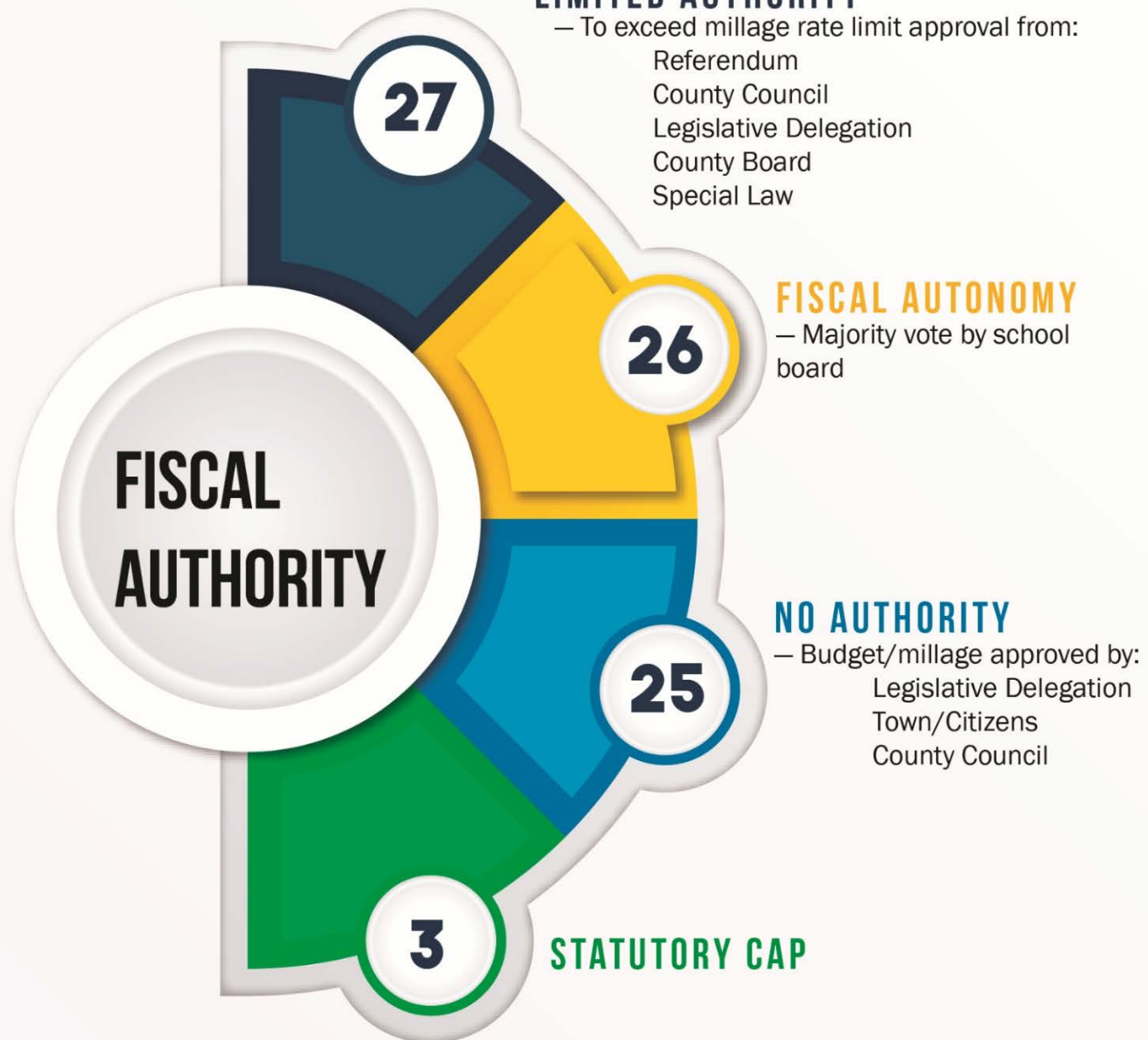
One Size Does Not Fit All

>70,000 STUDENTS

<1,000 STUDENTS

SIZE/ENROLLMENT

DISTRICT STRUCTURE
Examples of county-wide
Examples of multi-district

FISCAL AUTHORITY

LIMITED AUTHORITY
— To exceed millage rate limit approval from:
Referendum
County Council
Legislative Delegation
County Board
Special Law

27

FISCAL AUTONOMY
— Majority vote by school board

26

NO AUTHORITY
— Budget/millage approved by:
Legislative Delegation
Town/Citizens
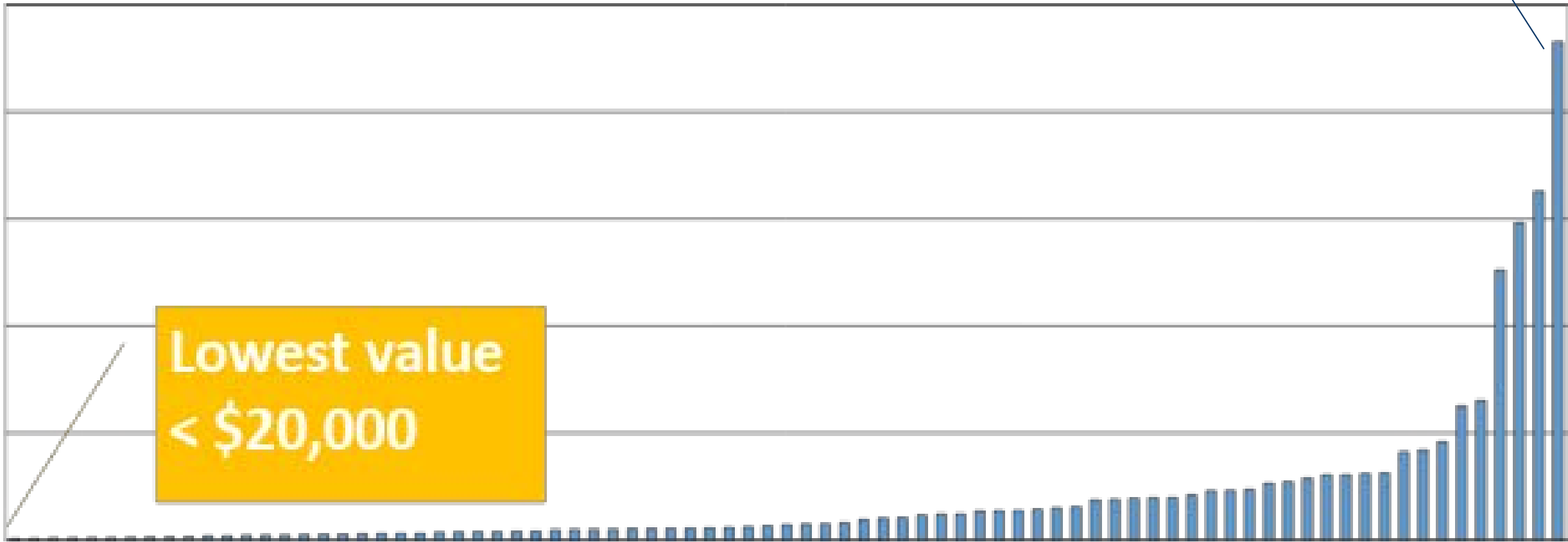County Council

25

STATUTORY CAP

3

Districts' Mill Value

Highest value > $2.3 million

Lowest value < $20,000

S.C. School Districts

Understanding your District's Finances

Annual Operating Budget

Capital Improvement Budget

LOCAL REVENUE -- PROPERTY TAXES

★ **Non-owner occupied property is the driver (Act 388)**

  ○ **100% of Fair Market Value of owner-occupied homes exempt from property taxes for school operations. P**rior to Act 388, 50% of homes were already exempt due to $100,000 exemption.*

★ **Property taxes collected for school bonded debt are NOT exempt**

★ **School districts are reimbursed from the Homestead Exemption Fund (HEF) funded by sales tax collections (*hasn't kept pace in many districts*)**

★ **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**

Millage Rate

Millage Rate Increase Limitation FY 2008-FY 2019
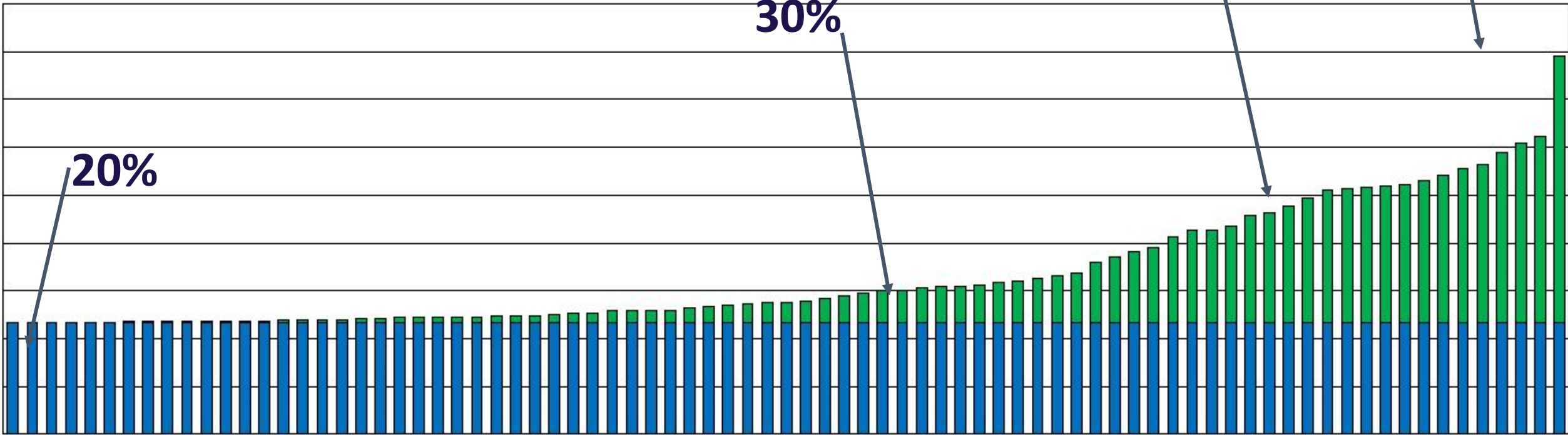Blue = CPI (Inflation) Factor
Green = Population Growth Factor

80%

50%

30%

20%

S.C. School Districts

STATE REVENUE

★ **EFA – Education Finance Act - 1977**

★ **EIA – Education Improvement Act – 1984**
1 cent sales tax

★ **Grants – Formula Grants and**
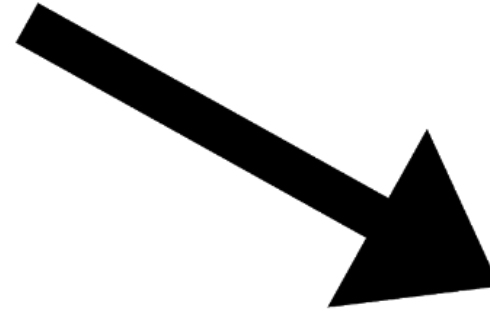**Competitive Grants**

EFA

★ **Primary funding formula**
★ **Based on:**
  ○ **Number of students in each district**
  ○ **Students related weighting**
  ○ **Base Student Cost (BSC) per student**
  ○ **State total pupils**
  ○ **Wealth factor known as the Index of Taxpaying Ability**

Base Student Cost

An increase of $4 in 11 years!

FY 2007–2008
BSC = $2,476

FY 2018–2019
BSC = $2,480

STATE REVENUE

BSC is only one of about
50 line item funding sources:

- Reading coaches
- Teacher supplies
- Professional development
- Fringe benefits
- Bus driver salaries
- National board certified teachers
- Property tax reimbursements
- Student transportation
- Adult education
- At-Risk student learning
- Etc., etc., etc.

❖ *Many line items are distributed using different funding formulas:*
  - ➢ *Per student*
  - ➢ *Test scores*
  - ➢ *Poverty level*
  - ➢ *Other measures*

❖ *Many come with mandates for spending*
  - ➢ *Teacher salaries*
  - ➢ *Fringe benefits*

FEDERAL REVENUE

★ Formula Grants

★ Competitive Grants

★ Almost all Federal dollars come with stipulations

Funds are much like separate bank accounts with separate rules and regulations.

General Fund

Special Revenue Fund

Capital Projects Fund

Student Activity Funds

Food Service/ Enterprise Funds

Debt Services Fund

Working with your CFO...
when one size does fit all

Was your annual audit submitted to the State Department on time?

★ **What reportable findings, if any, arose from the annual audit?**

★ **Was a Management Letter issued as part of the annual audit?**

○ **What were its findings?**

Maintaining your facilities

★ **Does your district conduct regular facilities studies/analyses?**

★ **How much is your District's 8% borrowing capacity?**

★ **How do you fund maintenance?**

  ○ **Operating Budget?**

  ○ **8% Borrowing?**

Operating Budget
Paycheck

8%
Credit Card

Referendum
Mortgage

General Fund Budget Fund Balance

- **What percentage of your General Fund Budget is your fund balance?**

- **Is there a Board Policy addressing the size of the fund balance?**

- **How many days of operations will the fund balance cover?**

❖ *Why important?*
- ➢ *Sound financial practices*
- ➢ *Credit rating for borrowing*
- ➢ *Avoid Tax Anticipation Notes*
- ➢ *State Department actions*

Current legislative proposals

Start with:

★ **Act 388 is here to stay.**

★ **Uniform millage rate is dead.**

H. 3759

★ **84-page bill**

★ **Funding plan to follow policy plan**
   ○ Being developed by Frank Rainwater, Chief Economist

★ **Combining funding sources into 5 or 6 categories**

★ **Based on actual expenditures across the state**

Funding proposals

- ★ 5% salary increase for teachers
- ★ Base Student Cost proposals
  - ○ $10 increase
  - ○ $162 increase
  - ○ No increase
- ★ Rural Economic Development fund of $100 million

Good funding plan:

★ **Transparency**

★ **Simplicity**

★ **Equitable**

★ **Adequate** *(additional funding or it's just reordering the winners and losers)*

Questions?