

Financing Education in South Carolina

SCSBA New Board Members
February 20, 2020



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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.

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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

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Where does the \$ come from?

The Basic Building Blocks

- Local Revenue
- State Revenue
- Federal Revenue
- Other Financing Sources

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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

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State Revenue

- Education Finance Act (EFA) *
- Fringe Benefit Employer Contributions *
- Teacher Salary *
- * State Aid to Classrooms (FY 20)

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State Revenue - Cont'd

- Education Improvement Act (EIA)
- Education Accountability Act (EAA)
- Education Lottery Act
- ACT 388 (Reimbursement for Local Property Tax Relief)

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Education Finance Act (EFA)

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

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EFA

In 2014 the Governor's Education plan added additional weighting factors for:


- High Achieving Students
- Limited English Proficiency
- Academic Assistance
- Pupils in Poverty
- Dual Enrollment

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.

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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.

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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.

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Education Lottery Act

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

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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

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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.

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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.

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Federal Revenue

Major Sources

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

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Proceeds from General Obligation Bonds

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

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General Fund

- **Revenue**
 - Local
 - Property Taxes
 - State
 - EFA
 - Fringe
 - ACT 388
 - Bus Driver
 - Other
 - Interest
 - Rentals
 - Tuition

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General Fund

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

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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

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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
- Poverty
- Handicapped student population
- Salary schedules
- Programmatic Initiatives
- Geographic size

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District Comparisons

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

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Questions



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