



UNDERSTANDING SCHOOL DISTRICT FINANCE

SC SCHOOL BOARDS ASSOCIATION

FEBRUARY 15, 2024

School District Finance – Where Does The Money Come From?

What are the sources of
funding?

How do we get it?

When do we get it?

How can it be spent?

Overview of Funding – Funding Buckets

- General Fund – the principal operating fund of a district
- Special Revenue and EIA funds – accounts for federal and state funds which are allocated for a specific purpose – think restricted
 - Pupil activity is now part of special revenue funds – funds the extra curricular activities of the district
- Debt Service Fund – accounts for the payment of principal and interest on long-term general obligation debt; money from debt service cannot be used to fund the normal operations of the district
- School Building Fund – Accounts for the construction, repair, renovation and acquisition of school facility – can include equipment; most funding is generated through bond proceeds
- Food Service Fund – accounts for the receipts and expenses of the USDAs approved school breakfast and lunch programs; must be self-supporting – in many districts this is now special revenue

Types of Funding

Local Funding	State Funding	Federal Funding
Property Tax	State Aid to Classrooms	Title Programs (I, II, III, IV, V)
Interest Income	Education Improvement Act	IDEA (Special Education)
Rental Income	Act 388	Perkins (Vocational)
Tuition	Grants	USDA Food Service
		ESSER Funds
		Grants

Local Revenue

- Local Property Tax – includes the taxes generated on personal property, non-owner occupied property and businesses. The key factors that impact local property tax revenue are the millage rate, the assessed value of property in the district/county and the collection rate
- FILOT (Fee in lieu of taxes) – fee revenue received on negotiated agreements in place of property tax that would have been collected from the taxpayer
- Tuition – summer school and out of district
- Interest Income

State Tax Revenue

- Local Residential Property Tax Relief -Tier I – Reimbursement for school tax revenue lost from Residential Property Tax Exemption Program that gave relief on \$100,000 of owner-occupied property.
- Homestead Exemption – Tier II – Reimbursement for the loss of school tax revenue as a result of tax exemptions for taxpayers 65 or older, those totally and permanently disabled and those that are blind.
- State Sales Tax Reimbursement for Property Tax Relief – Tier III – Reimbursement for the loss of school tax revenue as a result of Act 388 shift to statewide one cent sales tax

Act 388



- Applicable to the General Fund
- 100% of fair market value of owner-occupied homes exempt from property taxes for school operations
- Property taxes collected for school bond debt are **NOT** exempt
- 2007-2008 districts received \$ for \$ reimbursement from the state
- Subsequent years, aggregate reimbursements are increased by the Consumer Price Index plus population growth.

How Does a District Borrow Money?

- Districts may issue short term debt or tax anticipation notes (TAN) to provide income flow until tax revenues become available to the district
- Districts may borrow through general obligation bonds to finance construction projects.
- Borrowing is limited to:
 - 8% of the districts assessed property values
 - Referendum

State Tax Revenue Continued

- Merchant's Inventory – Reimbursement for the loss of school tax revenue due to the property tax exemption granted for inventories of businesses.
- Manufacturer's Depreciation Reimbursement – Reimbursements for the loss of school tax revenue as a result of tax exemptions for industries.
- Motor Carrier – District portion of tax revenue generated from motor carrier's property taxes paid which is based on the % miles traveled in the County.
- Transfers and Indirect Cost – Transfers from the Education Improvement Act (EIA) portion of the State Aid to Classrooms; also includes funds charged to help defray operations of federal program – the dictionary definition – costs that are not identifiable with a specific product, function, or activity

State Aid to Classroom Funding

- Formula is based on several factors:
 - The number of teachers needed to served based on a prescribed student teacher ratio. Targeted is 11:2/Estimated to by 11:4 in the 24-25 year
 - Total student counts determines the number of teachers needed
- Previously based on a teacher with a Master's degree with 12 years of experience (will talk more about that shortly)



Funding Formula Continued

- Simplifies the way funds are allocated to a district
- Increases accountability and transparency
- Allows for greater flexibility on how funds are spent
- Funds districts on their proportionate share of weighted pupils to the state and the districts index of tax paying ability
- Largest bucket of funding a district receives.
- Lines rolled up from the state General fund and the Education Improvement Act

Teacher Salary Schedule - Current

FY 2024 State Minimum Salary Schedule

	CLASS 8	CLASS 7	CLASS 1	CLASS 2	CLASS 3		CLASS 8	CLASS 7	CLASS 1	CLASS 2	CLASS 3
		MASTERS		BACHELORS				MASTERS		BACHELORS	
	DR	DEGREE	MASTERS	DEGREE	BACHELORS		DR	DEGREE	MASTERS	DEGREE	BACHELORS
YRS	DEGREE	+30 HRS	DEGREE	+18 HRS	DEGREE	YRS	DEGREE	+30 HRS	DEGREE	+18 HRS	DEGREE
EXP						EXP					
	A	A	A	A	A		A	A	A	A	A
0	54,576	51,076	47,576	44,076	42,500	12	65,226	58,267	55,104	50,992	49,411
1	55,093	51,313	47,877	44,338	42,619	13	66,491	59,216	56,053	51,846	50,265
2	55,424	51,388	48,025	44,494	42,813	14	67,756	60,165	57,001	52,732	51,150
3	55,736	51,457	48,164	44,607	42,962	15	69,022	61,114	57,951	53,586	52,004
4	56,078	51,558	48,331	44,780	43,167	16	70,287	62,063	58,900	54,471	52,890
5	56,370	51,625	48,462	44,888	43,306	17	71,552	63,011	59,848	55,325	53,744
6	57,634	52,574	49,411	45,773	44,191	18	72,193	63,567	60,372	55,804	54,206
7	58,900	53,522	50,359	46,627	45,046	19	72,839	64,128	60,901	56,287	54,673
8	60,165	54,471	51,308	47,512	45,931	20	73,493	64,694	61,435	56,775	55,146
9	61,430	55,421	52,257	48,366	46,785	21	74,153	65,265	61,974	57,267	55,621
10	62,696	56,370	53,207	49,253	47,671	22	74,820	65,843	62,519	57,764	56,103
11	63,960	57,318	54,155	50,106	48,524	23	75,493	66,427	63,070	58,267	56,589

Proposed New Salary Schedule

- Proposed in Governor's budget
- Eliminates Bachelor's + 18 and all categories of advanced degrees and puts them in one category
- Adds \$2500 to each cell
- Moves to a banded schedule

Years of Experience	Bachelor's Degree	Graduate Degree
0 to 2	\$45,000	\$50,000
3 to 5	\$47,000	\$52,000
6 to 8	\$49,000	\$54,000
9 to 11	\$51,000	\$56,000
12 to 14	\$53,000	\$58,000
15 to 17	\$55,000	\$60,000
18 to 20	\$57,000	\$62,000
21 to 23	\$59,000	\$64,000
24 to 26	\$61,000	\$66,000
27 to 30	\$63,000	\$68,000

Federal Revenue

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- Title Programs I, II, III, IV, V
 - IDEA
 - Perkins – Vocation
 - ESSER
 - USDA



General Fund – The principal operating fund of the district

Revenues

- Local property tax
- State Funding
- Act 388 Funding
- Interest Income

Expenditures

- Salaries and fringe benefits
- Utilities and other maintenance
- School Allocations

General Fund Continued

- The School Board is responsible for approving the General Fund budget
- The fiscal year is from July 1 – June 30
- Schools Boards must approve a general fund budget by June 30th of each year assuming that the State has passed a budget
 - What happens if the state has not passed a budget by June 30?
- Districts are required to hold a public hearing on the budget each year. This meeting notification must be published not less than 15 days in advance of the meeting.

Fund Balance

- What is a fund balance?
 - Also referred to as reserves?
 - An accumulation of revenues and expenditures
 - Not to be confused with a bank or cash balance
- What is good practice?
 - District policy – what is yours?
 - GFOA – 14-16% or 2 months operating
 - State Fiscal Accountability Act – 8%

Why a Healthy Fund Balance?

- Cash flow through the first half of the year; property taxes usually not received until December/January
- Significant emergency or unanticipated expenditures
- Flexibility for non-recurring discretionary funding needs
- Potential for better interest rates on borrowing
- To cover potential shortfalls in revenue due to unforeseen circumstances such as state budget cuts.

Review

What are the sources of
funding?

How do we get it?

When do we get it?

How can it be spent?

Differences in Districts

- Is my district in a high/low poverty area
 - Do I participate in CEP?
- Is my student population growing or shrinking?
- How old are my buildings?
- What is my tax base?
- Can I generate millage increases for my district?
- Do I have outstanding bond debt? What is my debt?
- What is my special needs population?

Questions?

- Only enough time to get you started thinking!
- Establish a good relationship with your fellow members, your superintendent and your finance staff.
- Trust them to do what is right
- Understand your district and your public

