

Why Understanding School Finance is Important

SC SCHOOL BOARDS ASSOCIATION

FEBRUARY 20, 2026

125,058	154,568	95,054	124,500
125,487	56,845	97,511	125,000
124,000	110,000	99,011	154,000
150	150,000	99,216	95,000
	35,000	101,090	154,200
		101,684	110,000
		101,962	89,000
			50,000
			700

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
		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

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 be 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



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

Proposed Changes for 2026-27

- Action from Governor's budget and early House deliberation
- Removal of proportionate share of funding to charters
- Separates the Career & Technology funding to a separate line-item appropriation
- Updates hold harmless year to 2025-26
- Other recommendations made by Revenue and Fiscal Affairs that were not accepted at this time.

Teacher Salary Schedule - Current

YRS EXP	CLASS 8	CLASS 7	CLASS 1	CLASS 3	YRS- EXP	CLASS - 8	CLASS - 7	CLASS - 1	CLASS - 3
		MASTERS					MASTERS		
	DR	DEGREE	MASTERS	BACHELORS		DR	DEGREE	MASTERS	BACHELORS
YRS	DEGREE	+30 HRS	DEGREE	DEGREE	YRS	DEGREE	+30 HRS	DEGREE	DEGREE
EXP					EXP				
	A	A	A	A		A	A	A	A
0	56,500	54,000	52,500	48,500	14	69,750	62,500	60,250	55,500
1	57,000	54,250	52,750	48,750	15	71,000	63,500	61,000	56,000
2	57,500	54,500	53,000	49,000	16	72,250	64,500	61,750	56,500
3	58,000	54,750	53,250	49,250	17	73,500	65,500	62,500	57,000
4	58,500	55,000	53,500	49,500	18	74,000	66,000	63,250	57,500
5	59,000	55,500	54,500	50,500	19	74,500	66,500	64,250	58,500
6	59,500	56,000	55,000	51,000	20	75,250	67,000	64,750	59,000
7	60,500	56,500	55,500	51,500	21	76,000	67,500	65,250	59,500
8	62,000	57,000	56,000	52,000	22	76,750	68,000	65,750	60,000
9	63,500	57,500	56,500	52,500	23	77,250	68,500	66,250	60,500
10	64,750	58,500	57,500	53,500	24	77,500	69,000	66,750	61,000
11	66,000	59,500	58,000	54,000	25	77,750	69,500	67,250	61,500
12	67,250	60,500	58,750	54,500	26	78,000	70,000	67,750	62,000
13	68,500	61,500	59,500	55,000	27	78,250	70,250	68,000	62,250
					28+	78,500	70,500	68,250	62,500

General Fund – The principal operating fund of the district

Revenues

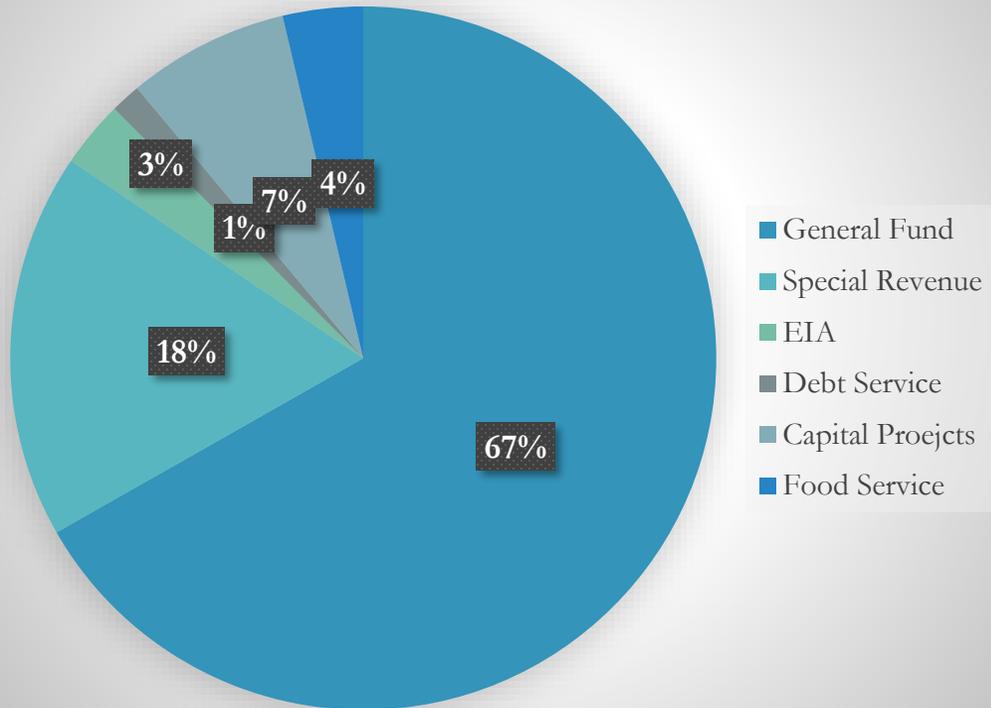
- Local property tax
- State Funding
- State property tax
- Interest Income

Expenditures

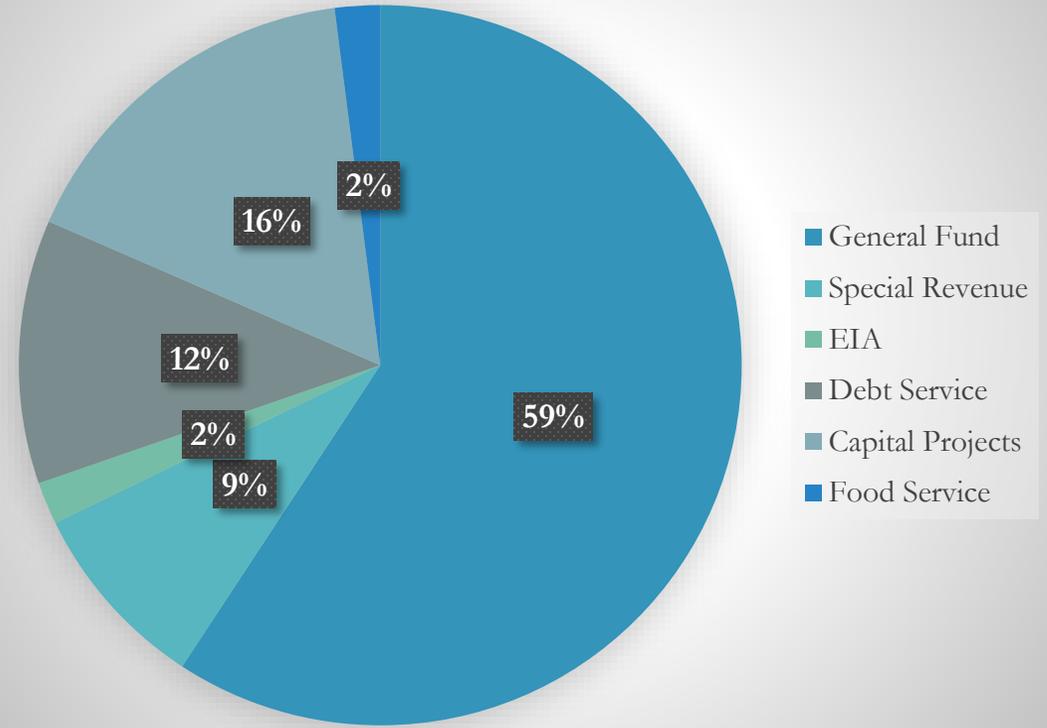
- Salaries and fringe benefits
- Utilities and other maintenance
- School Allocations

District Spending Comparison

Expenditures



Expenditures

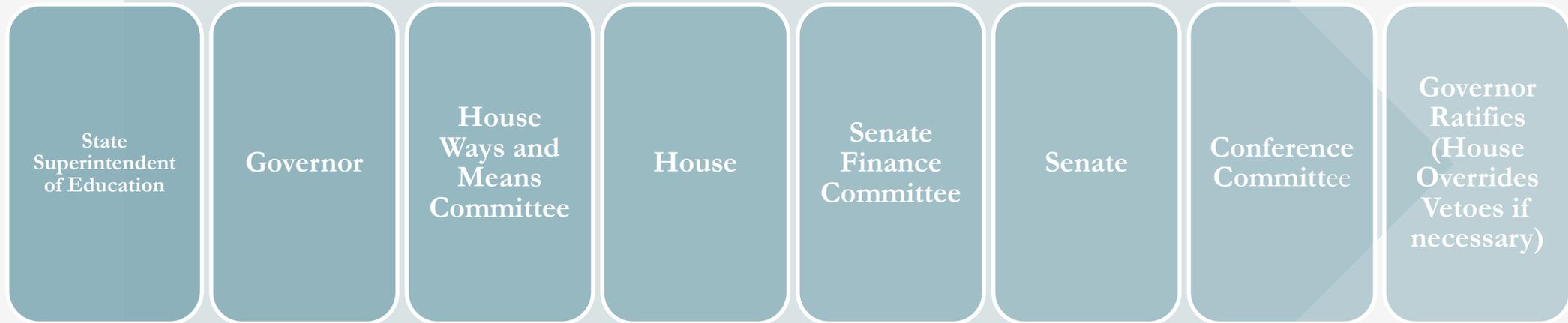


General Fund Continued

- 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.



State Budget Process



What to
do when
there
aren't
enough
funds

Stretch class sizes

Make sure all teachers are teaching maximum number of periods.

How can positions be combined and still get the work done?

Cross train to eliminate/manage sub costs

Manage energy costs

Share services with other districts

Is the district charging indirect costs?

What to
do when
there just
enough
money

Look at custodial staff funding

Ask your stake holders

Maximize Medicaid Revenue

Bus Route optimization

What can you contract or use other
funds

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.

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

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

