

Legislation in Progress: An Update on School Funding

Note: This hearing was in part a response to a report issued by the governor's office on proposed changes in education funding. The proposals are aimed at adequacy—and equity in ways that we as a League can support. They also undue some of the harm done by Act 388 by redistributing those funds among school districts through EFA.

You can read the full report at

[https://governor.sc.gov/sites/default/files/Documents/newsroom/Education Funding Report-Final 10-03-19.pdf](https://governor.sc.gov/sites/default/files/Documents/newsroom/Education%20Funding%20Report-Final%2010-03-19.pdf)

Testimony at Senate Education Reform Study Committee

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I am Holley Ulbrich, retired Alumni Distinguished Professor of Economics at Clemson University and co-president of the League of Women Voters of South Carolina. I worked for many years as a Senior Fellow at the Strom Thurmond Institute in my area of specialization, state and local public finance, with a particular focus on state tax systems, property tax, and education finance.

I have many concerns about education funding but will just briefly address three: the challenge of sparsity, the desire for equalization, and the need to replace or modify the index of taxpaying ability.

Sparsity is a term used in many other states to describe rural school districts with low population density. Consolidating them does not solve the problem, because they will still have scattered students, who would have a long bus commute unless there are more, smaller schools with smaller classes. Other states have addressed this problem in many ways. In their funding formulas, they add a sparsity weight at the district level (similar to a poverty weight) to account for the higher cost of serving a low density student population.

Second, I am anxious to see a restoration of Education Finance Act (EFA) FA as an equalization tool.. This funding stream is the only one that is intentionally equalizing among richer and poorer districts, but it has been somewhat displaced with the advent of Act 388 funding. Act 388 redistributed across districts on a

basis other than need and ability to pay. Any changes that that distribute more funds through EFA would be an improvement. Most options offered in the Revenue and Fiscal Affairs report will address that goal.

Finally, the Index of Taxpaying Ability no longer reflects the ability of district to raise their required share of EFA since the passage of Act 388, which excluding homeowner property from the property tax for school operations. I realize the report offers recommendations about how to adapt the index, although I think it could be made simpler simply by requiring each district to levy a designated minimum millage based on the required local share and the statewide tax base that can be subject to taxes for school operations. That approach has been a trend in other states using similar equalization formulas . Some states have shifted to a simpler measure of local taxpaying ability, such as the amount of revenue per pupil that a mill would raise. In any case, school districts should be able to levy additional millage over the required level if they choose to do so and the tax should continue to be collected locally.

Thank you for your efforts to address the deficiencies of our education funding system on behalf of students, teachers, and concerned citizens.