



Education Funding and Proposals for Reform

Pre-K-12 Education Financing in South Carolina

Snapshot: Beaufort County and South Carolina Education Funding 2018-19

	Education Funding 2018	
	Beaufort County	State Average
Pupils	21,433	747,259
Per pupil		Per pupil
Federal	1,279	1,769
State	5,705	8,618
Local	9,578	8,501
Total	16,544	18,888

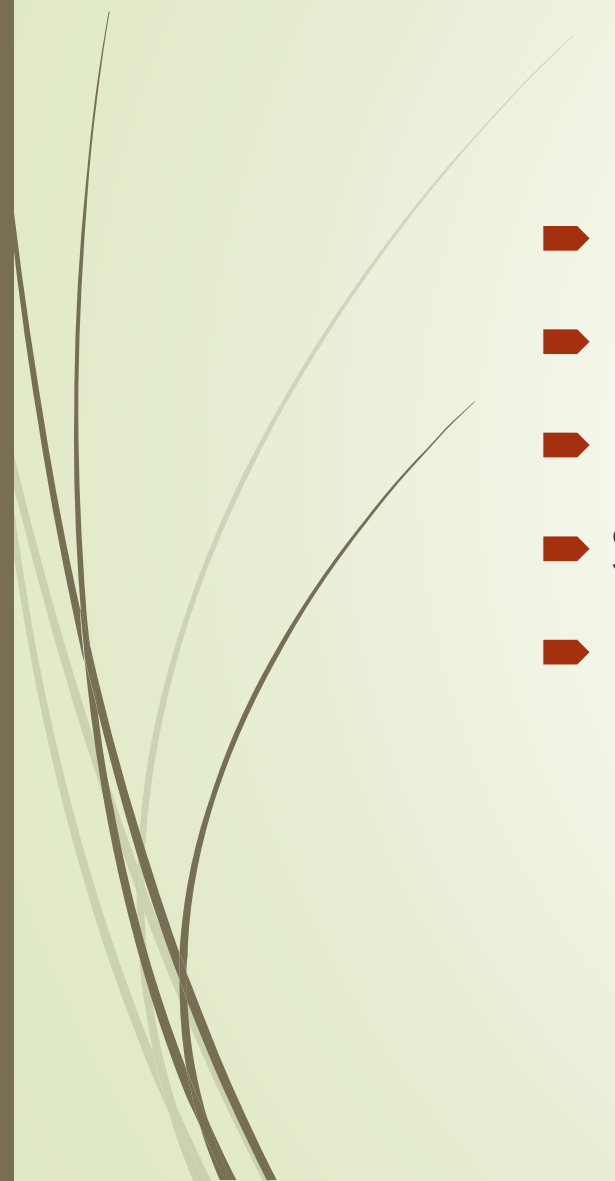


How Did Beaufort Fare?

State Aid Per Pupil		
Year	State	Beaufort
2001	4319	2804
2008	5497	3852
2012	4848	3523
2017	6003	4699
% change	39.0%	67.6%
Ave growth	1.96%	3.84%



Amount of State Aid in 2017: Beaufort County

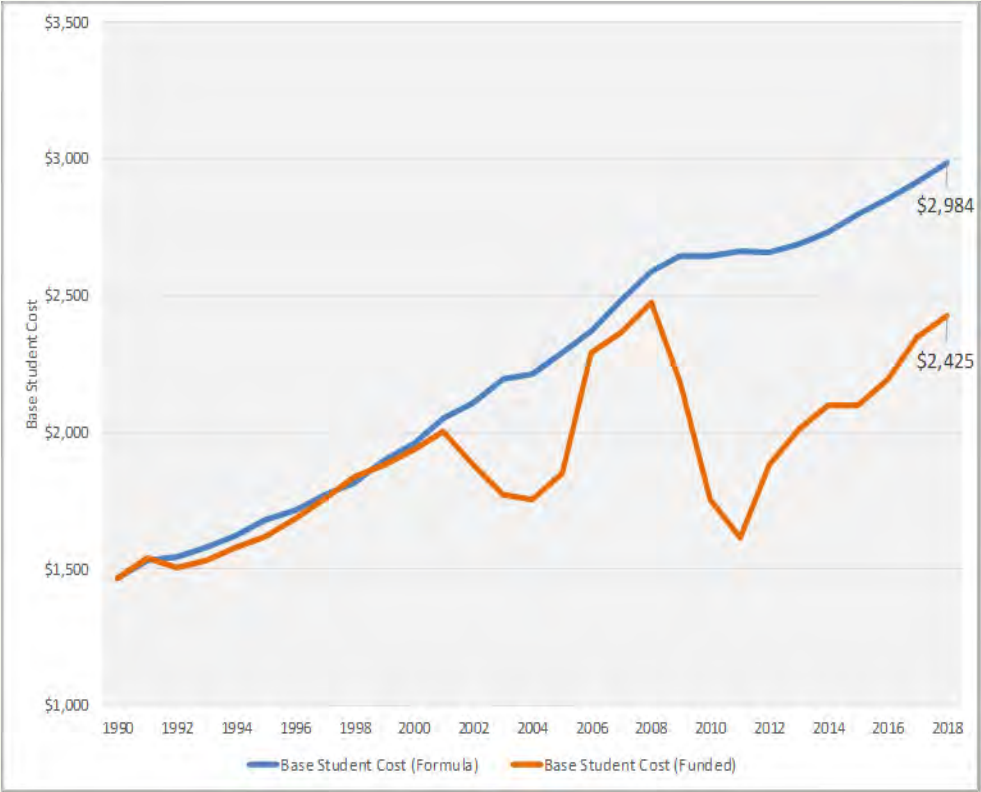


▶ EFA	\$ 13.7 m.
▶ EIA	13.4 m.
▶ Property Tax Relief	54.5 m.
▶ State Grants	16.0 m.
▶ Lottery	...

A Primer on EFA

- ▶ EFA is a formula funding program similar to those in other states that determines the cost of educating one average student, adjusts the student count for non-average (special education, disabled, gifted, etc.) and multiplies the cost times the number of public students to determine how much a district needs.
- ▶ $BSC \times \text{adjusted head count} = \text{total EFA funding}$
- ▶ Funding of the total amount is 70% state, 30% local, more or less depending on local ability to raise funds from property taxes.
- ▶ EFA is the main tool for sending more state aid to poorer districts than richer districts
- ▶ Hitch #1 Base student cost has not been updated except for inflation and is not fully funded in most years. Even if the GA adjusts for inflation, it does not fully cover the cost increases.
- ▶ Hitch #2 We use an outdated measure of local ability to pay, complicated by Act 388 relief. More and more states are going to using the value of a mill in some form as the measure.
- ▶ Hitch #3 There are a whole lot of education costs that are not included in the BSC definition, including transportation, school construction, and fringe benefits for school employees.

Base Student Cost



How Much Has the Real Cost Increased?

	Funded BSC 2015-16	Updated BSC for 2015-16	Difference
Base Student Cost	\$2,197	\$6,561	\$4,364
Statewide WPU	968,244	968,244	0
Total EFA (WPU*BSC)	\$2,127,232,925	\$6,352,651,443	\$4,225,418,518
% State (Total EFA*0.7)	\$1,489,063,047	\$4,446,856,010	\$2,957,792,963
% Local (Total EFA*0.3)	\$638,169,877	\$1,905,795,433	\$1,267,625,555

Source: SCDE, Office of Finance, *EFA Financial Requirements Report, FY 2015-16 135 Day Report* and author's calculations.



The Lawsuit, 1993-2016

- Abbeville case was filed by 34 districts, eventually 7 (including some consolidations)
- Claimed inequity and inadequacy in distribution of state aid to school districts—case focused on adequacy
- Went to Supreme Court SC multiple times, got some relief for pre-K
- 2014 decision ordered districts and legislature to work it out and bring back a solution
- New judges vacated Court's authority and it ended with no outcome and no avenue for relief

Education Funding and Property Tax Relief

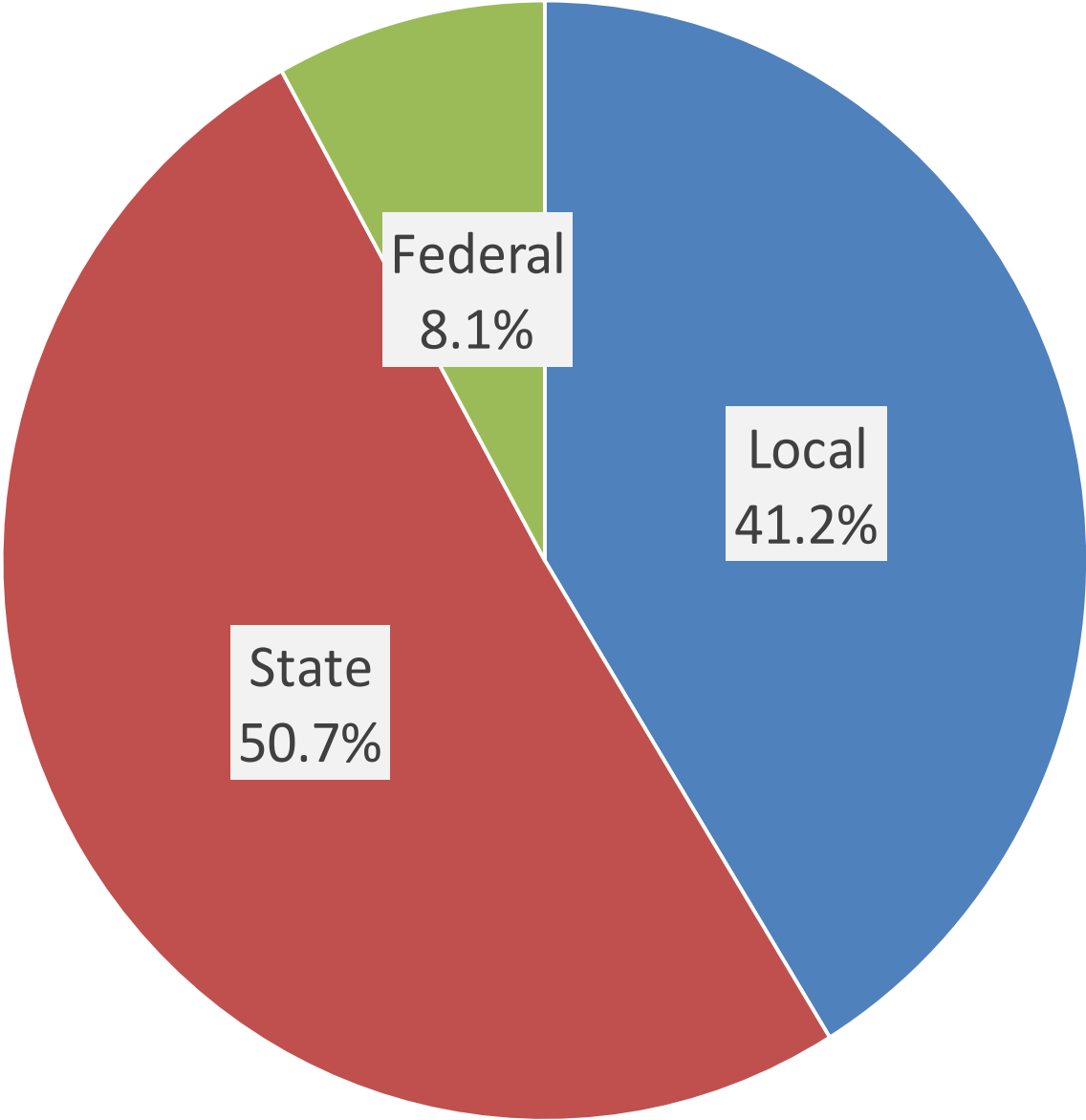
- ▶ 1995 expanded property tax relief for homeowners fully funded by state, a burden on the general fund of about \$100 million + a year
- ▶ 2006 Act 388 raised the sales tax by one cent and dedicated the money to relief from school operating taxes for homeowners only
- ▶ Replaced those taxes with state funds that grow only with school population and inflation, slowing growth of overall school revenue
- ▶ Guaranteed the funding from general revenue if the penny didn't raise enough, which it didn't
- ▶ Reductions in EFA and other state aid meant that total state aid was redistributed among school districts, favoring districts with more high-priced residential property
- ▶ Encouraged conversion of rental property to owner-occupied, further reducing local property tax revenue, especially in Beaufort Co.

Where The Money Comes From (\$\$billions)

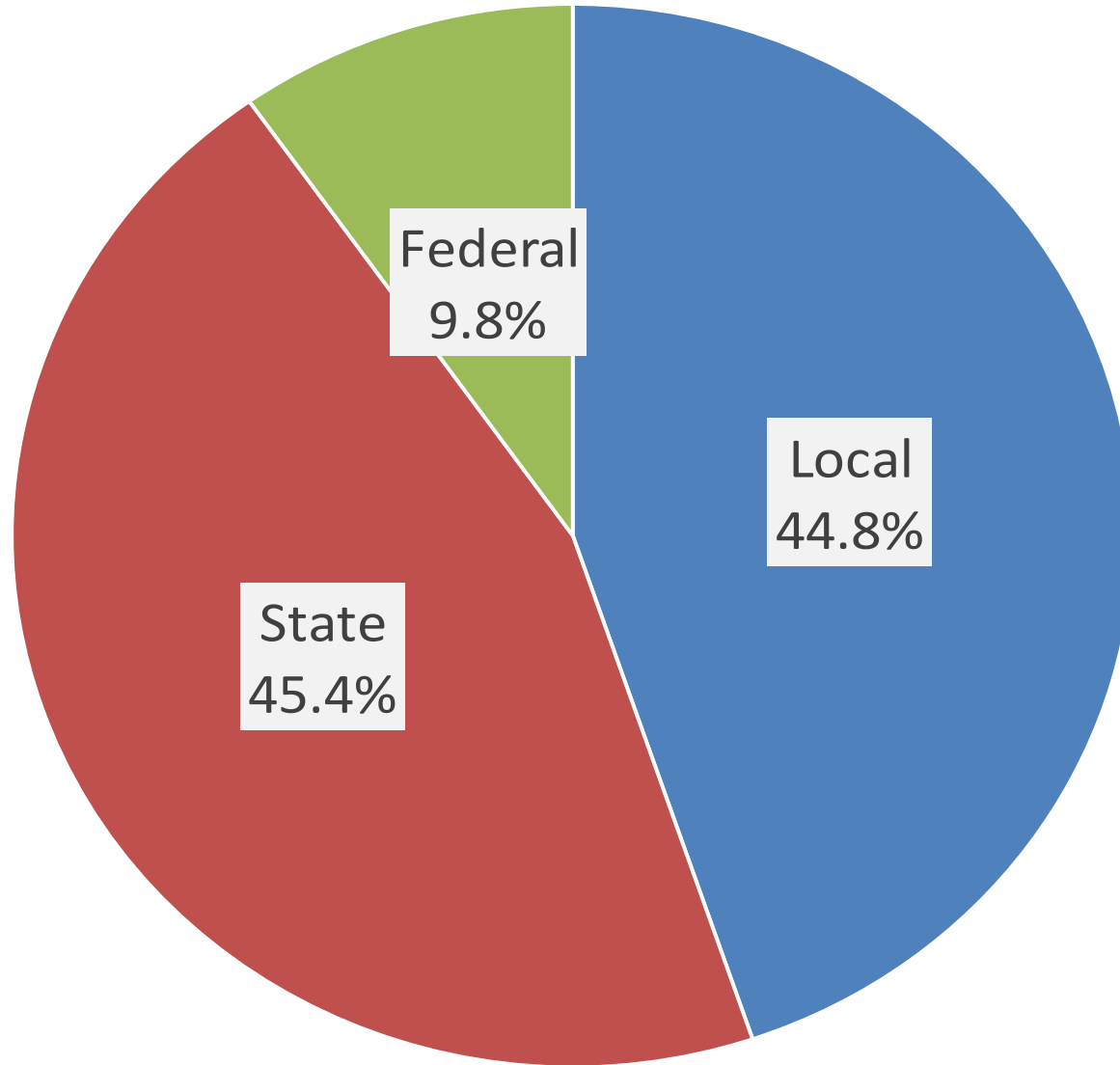
	Local	State	Federal	Total
FY 00	\$2.03	\$2.50	\$0.40	\$4.92
FY 01	\$2.16	\$2.80	\$0.43	\$5.38
FY 02	\$2.37	\$2.75	\$0.49	\$5.61
FY 03	\$2.37	\$2.64	\$0.55	\$5.56
FY 04	\$2.55	\$2.62	\$0.63	\$5.80
FY 05	\$2.72	\$2.72	\$0.65	\$6.09
FY 06	\$2.96	\$2.90	\$0.68	\$6.53
FY 07	\$3.27	\$3.01	\$0.69	\$6.97
FY 08	\$3.09	\$3.81	\$0.71	\$7.60
FY 09	\$3.24	\$3.58	\$0.75	\$7.57
FY 10	\$3.27	\$3.26	\$1.07	\$7.61
FY 11	\$3.30	\$3.22	\$1.07	\$7.59
FY 12	\$3.39	\$3.46	\$0.86	\$7.71
FY 13	\$3.47	\$3.63	\$0.83	\$7.93
FY 14	\$3.56	\$3.72	\$0.83	\$8.12
FY 15	\$3.75	\$3.92	\$0.86	\$8.53
FY 16	\$3.96	\$4.02	\$0.87	\$8.85

Source: SC Revenue & Fiscal Affairs Office and SC Dept. of Education. Bond and special district revenue excluded.

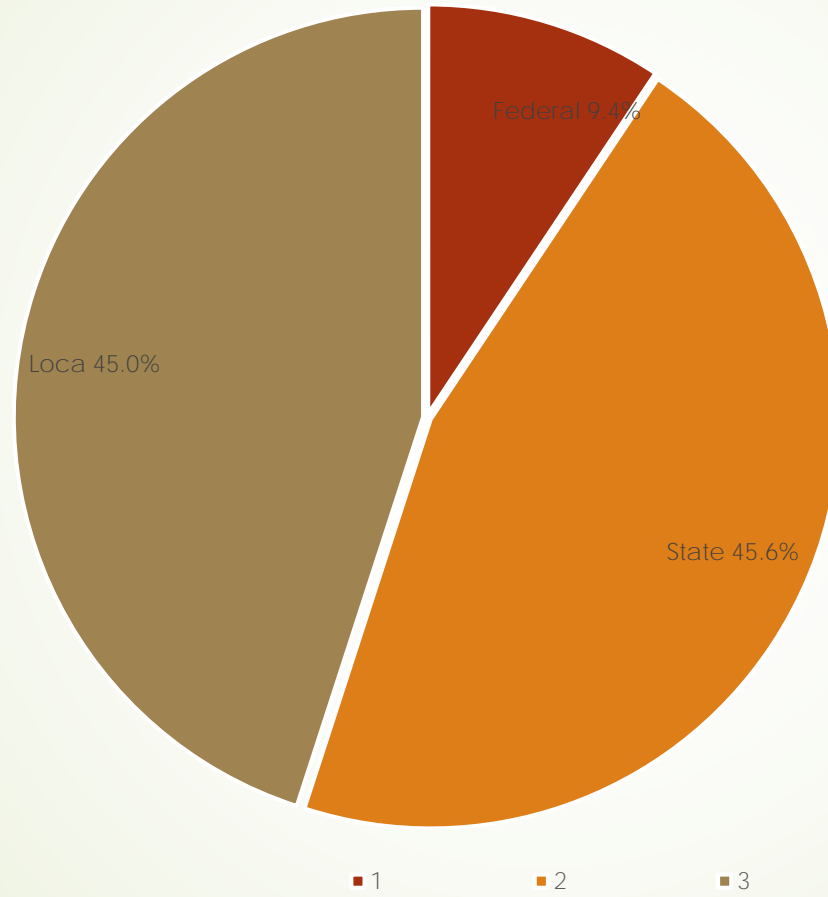
SC Regular School District Revenue Shares, FY 2000



SC Regular School District Revenue Shares, FY 2016



Education Funding 2018-9



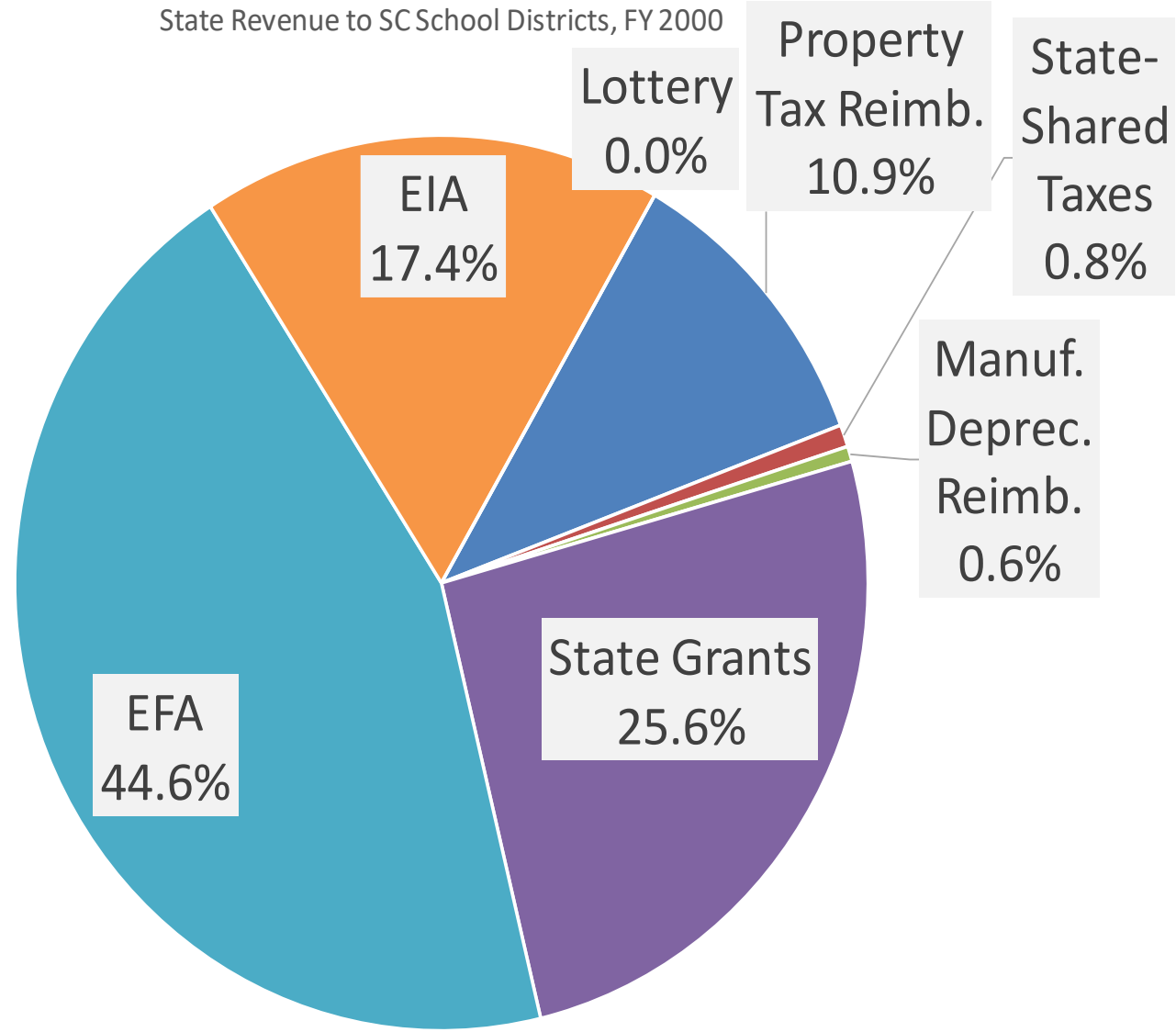


Real Per Pupil Spending Growth for Education in SC 2000-2016

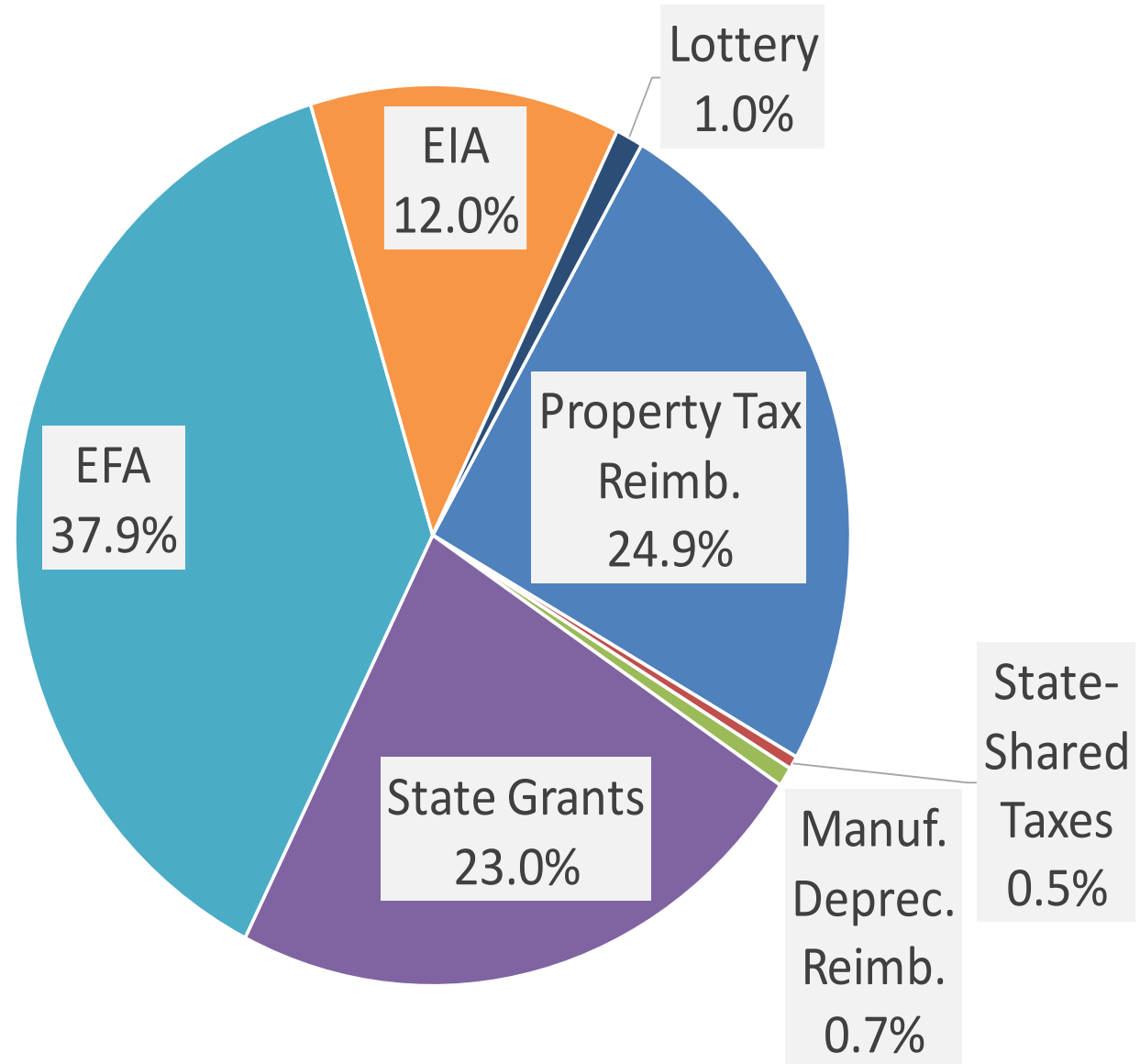
- ▶ 2000-2016 Total dollars up 3.7 percent a year
 - ▶ State and local dollars up 3.6 percent
 - ▶ Combined inflation & student population up 5.9 percent
 - ▶ 2007-2016 Total dollars 2.6 percent a year
 - ▶ State and local dollars 2.7 percent
 - ▶ Combined inflation & student population up 5.5 percent
- 

	FY 00	FY 10	FY 16
Reimbursements for Property Tax Relief	\$273.0	\$968.3	\$1,041.2
State-Shared Taxes (Aid to Subdivisions)	\$20.0	\$19.4	\$19.8
Manufacturer's Depreciation Reimbursement	\$13.7	\$27.7	\$29.2
State Grants	\$640.1	\$721.5	\$965.4
Education Finance Act (EFA)	\$1,114.3	\$1,111.0	\$1,586.0
Education Improvement Act (EIA)	\$435.5	\$423.7	\$502.9
Education Lottery	\$0.0	\$40.3	\$44.0
Total	\$2,496.5	\$3,311.9	\$4,188.4
Our Non-Binary World			
Reimbursements for Property Tax Relief	10.9%	29.2%	24.9%
State-Shared Taxes (Aid to Subdivisions)	0.8%	0.6%	0.5%
Manufacturer's Depreciation Reimbursement	0.6%	0.8%	0.7%
State Grants	25.6%	21.8%	23.0%
Education Finance Act (EFA)	44.6%	33.5%	37.9%
Education Improvement Act (EIA)	17.4%	12.8%	12.0%
Education Lottery	0.0%	1.2%	1.0%
Total	100.0%	100.0%	100.0%

State Revenue to SC School Districts, FY 2000



State Revenue to SC School Districts, FY 2016



Effects of Act 388 on Districts

- Forty school districts experienced declines in combined local and state funding per pupil between 2006-07 and 2009-10, including 16 out of 26 districts classified as poor based on their property tax base. Dillon 1 lost the most, \$1,674 per pupil.
- Forty-five districts gained funding per pupil between 2006-07 and 2009-10. Ten gainers were classified as poor. Nine districts gained over \$1,000 per pupil.
- Changes in total state aid per pupil favored property tax rich districts over poorer districts. Thirty-nine districts had lower state funding per pupil in 2009-10 than in 2006-07, including 19 districts classified as poor.
- District funding from Act 388 property tax reimbursement alone ranged from \$198 per pupil in Orangeburg 4 to \$2,152 per pupil in Beaufort and \$3,034 in McCormick.



Growth of State Aid in Beaufort County 2011-2017

- From 2011 to 2017, property tax relief increased by 8.5%, compared to 6.8% increase in the state average.
- From 2011 to 2017, EFA increased from zero to \$3.9 million, a calculation we cannot make. compared to the 69.9% increase in state average
- From 2011 to 2017, all state aid increased by 34.4x%, compared to the 38% increase in the state average.

Money Follows the Student Is That the Answer?

- ▶ If your family of five people shrinks by one member (child gets married or leaves home), does the cost of your lifestyle shrink by 20%? NO. Many costs are fixed. The mortgage or rent, the utilities, the yard maintenance. Variable costs that may decline: one person on the cell phone, gas, car maintenance, food, some of the utility costs.
- ▶ Losing a child to a private school or another district does not reduce district's costs by \$11,790, the state average per pupil. It drops far less than the state share of that support, \$6,731 last year.
- ▶ What money does/should follow the child? EFA and EIA, based on pupil counts, follow the student to another school district or disappear if the student goes to a private school. Should parents have access to some of these funds for private education while poor districts must support physical and human infrastructure for a shrinking school population?



What Needs Fixing PK-12?

If I were dictator for a day....

- ▶ We need to overhaul EFA—update and fund Base Student Cost, redo the way we measure local ability to pay
- ▶ We have too many streams of funding—EFA, EIA, lottery (a little), state grants, school bus purchases, property tax relief
- ▶ A better “Recipe”: into a revenue “bottle,” each district pours the proceeds (per pupil) of a 100 mill tax levy, state adds in property tax relief and then fills the bottle with other state aid to reach to a statewide per pupil funding target
- ▶ We need to adjust for district level problems—sparsity (the opposite of density) and poverty in particular
- ▶ We need a systematic way to help fund school construction
- ▶ We need to give school boards uniform fiscal autonomy and more of it
- ▶ We need more state-sponsored sharing of resources, programs and services across districts, including better use of on-line resources



Ask Your Candidates, Tell Your Legislators

- ▶ How are growing districts supposed to pay for new schools?
- ▶ How are districts losing population and tax base going to maintain their human and physical infrastructure and raise their local share of education costs?
- ▶ What role does funding play in addressing the pending teacher shortage? How are we going to attract more people into teaching?
- ▶ When are they going to fully fund base student cost?
- ▶ What good does it do to merge poor rural districts when the combined districts still don't have an adequate property tax base and the area is still thinly populated with small schools, small classes and high transport costs BECAUSE THEY ARE RURAL?