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Education Funding Issues: Additional Comments

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I would like to follow up on the January 9th Subcommittee meeting with a few additional observations about the three converging education funding proposals—those developed by Revenue and Fiscal Affairs, Palmetto Promise, and the 2007-08 proposal from a team working with the State Department of Education. All three proposals wrap up most or all state funding sources into a single package distributed according to the EFA formula, and all three call for a designated millage as the required local match. That millage would have to be set at a rate sufficient to provide a target percentage of local support if applied to the entire property tax base, as recommended in all three presentations. by all three of these. This required local millage would be a clear, simple, and understandable alternative to the present index of taxpaying ability.

I think there was some confusion in both the RFA and Palmetto Promise presentations between resource cost and actual expenditures. Both base their calculations on revenue or expenditure data. Currently the actual division of operating expenditures between state and local governments (ignoring federal aid) is not 70-30, but closer to 50-50. It is true that the 62 percent of state aid that does not flow through the EFA formula requires no local match. However, the 38 percent that flows through EFA is based on a grossly inadequate measure of actual cost per student to meet the resource requirements outlined in the law. Since the state mandates those resources but does not adequately fund 70 percent of that amount, the burden of filling the gap falls on local districts. That's why the actual state-local division is 50-50 rather than 70-30 and also why some districts have extremely high mill rates, as I indicated in my previous comments. So, I don't think that the General Assembly can address this challenge without incorporating a realistic measure of what the required resources cost—in other words, an updated measure of base student cost such as the one developed in 2017 for the State Department of Education.

The second challenge that has not been adequately addressed is that putting more funding through the EFA formula means that more or perhaps even all state aid would require a local government match. Right now, there is no local match for the 62 percent of state aid that presently flows outside the EFA formula—EIA, transportation, employee fringe benefits, EIA, property tax relief, and other smaller streams. Just in order to leave local tax burdens at their current levels would require that the match be reduced from an average of 30 percent to an average of about 18 percent. RFA can translate percentage that into a millage because they have access to the necessary tax base data.

I hope this is clear. Please feel free to contact me if I can offer any clarification on these two concerns.

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