FUNDING FOR PUBLIC EDUCATION

Trends and Observations

Presented to
House Ways & Means Education Reform Committee
Wednesday, August 30, 2017
Total Revenue by Source
Excludes Local Bond Proceeds

- Federal Revenue: 4.7%
- State Revenue: 3.2%
- Local Revenue: 4.2%

Source: SC Dept. of Education, Statement of Revenues; Excludes revenues from local bonds.

SC Revenue and Fiscal Affairs Office 188G/08/22/17
**TOTAL REVENUE FROM STATE SOURCES**

FY 2014-15

- **Education Finance Act (EFA),** $1,451 M (37.0% of Total)
- **Other State: (Fringe, Retiree Ins., etc.),** $903 M (23.0% of Total)
- **Education Improvement Act (EIA),** $449 M (11.5% of Total)
- **Property Tax Relief,** $1,066 M (27.2% of Total)
- **Education Lottery,** $49 M (1.3% of Total)

Source: SC Dept. of Education, Statement of Revenues
SC Revenue and Fiscal Affairs Office 188C/08/18/17
TOTAL REVENUE FROM LOCAL SOURCES
Excludes Local Bond Proceeds

FY 2014-15

Current Property Taxes, $3,221 M
Service Revenue & Charges, $266 M
Miscellaneous, $273 M
Total, $3,760 M

Source: SC Dept. of Education, Statement of Revenues; Excludes revenues from local bonds.
SC Revenue and Fiscal Affairs Office 188D/08/18/17
ESTIMATED TOTAL LOCAL SCHOOL DISTRICT PROPERTY TAXES
By Assessment Classification

Total, $3,221 M

- Owner Occupied, $330 M
- Personal Property (Vehicles), $438 M
- Other Personal Property, $54 M
- Commercial/Rental, $1,476 M
- Business Personal, $150 M
- Manufacturing, $186 M
- Utility, $341 M
- Fee-in-Lieu, $208 M
- Other, $38 M

Assessment Ratio

FY 2014-15

Sources: Dept. of Rev. Index of Taxpaying Ability and Homestead Exemption School Oper. Millage Rates; SC Assoc. of Counties Property Tax Rates
SC Revenue and Fiscal Affairs Office  190-MKG/08/22/17
AVERAGE DAILY MEMBERSHIP
81 Regular School Districts

Long-term Growth Rate: 0.6%

Source: SC Dept. of Education, 135-day student counts. Excludes Charter and Special districts.

SC Revenue and Fiscal Affairs Office 189B/8/22/17
REVENUE PER PUPIL
Excludes Local Bond Proceeds

Source: SC Dept. of Education, Statement of Revenues; Excludes revenues from local bonds.

SC Revenue and Fiscal Affairs Office 188A/08/18/17
REVENUE PER PUPIL BY SOURCE
Excludes Local Bond Proceeds

Source: SC Dept. of Education, Statement of Revenues
S.C. Revenue and Fiscal Affairs 188B/08/17/17
EXPENDITURES PER PUPIL BY CATEGORY

FY 1999-00
FY 2000-01
FY 2001-02
FY 2002-03
FY 2003-04
FY 2004-05
FY 2005-06
FY 2006-07
FY 2007-08
FY 2008-09
FY 2009-10
FY 2010-11
FY 2011-12
FY 2012-13
FY 2013-14
FY 2014-15

(Per Pupil)

- Expenditures Per Pupil
- Debt Service
- Instruction
- Administration and Operations
- Land Purchase & Facility Construction
- Other Services

Long-term Growth Rates
Total: 3.2%
Instruction: 3.2%
Admin./Oper.: 3.9%
Debt Svc.: 5.2%
Land: 0.8%
Other: 9.4%

Source: SC Dept. of Education, Statement of Revenues and Expenditures
S.C. Revenue and Fiscal Affairs 188E/08/17/17
Per Pupil Expenditures:

- **Instruction, $5,697**
- **Debt Service, $1,509**
- **Land Purchase & Facility Construction, $1,078**
- **Other Services, $215**
- **Administration and Operations, $4,550**
- **Community Services, District Transfers, etc.**
- **Land, Construction, and Remodeling**
- **Debt Principal and Interest Payments**
- **Admin., Food Service, Guidance, Finance, Library, Operations, etc.**

Source: SC Dept. of Education, Statement of Revenues and Expenditures
S.C. Revenue and Fiscal Affairs 188F/08/23/17
STATE APPROPRIATIONS FOR K-12 EDUCATION


(Millions of Dollars)

EFA
EIA
Buses and Operations
Aid to School Districts - Retiree Insurance
Other

*Includes SDE General Fund and EIA Appropriations only.
Source: RFA, 187, JCS, 8/16/17
K-12 APPROPRIATIONS AS % OF TOTAL GENERAL FUND BUDGET

*Based on General Fund Appropriations to SDE. Does not include mid-year cuts, other than the FY 2008-09 Rescission Bill.

Source: RFA, 187B, JCS, 8/22/17
Before Education Finance Act

• 1951 – SC adopts 3% retail sales tax for public education

• 1969 – SC increases sales tax from 3 to 4% for public education

• 1975 – SC enacts Act 208 to create uniform property classifications and equitable assessment rates

• Nationally - School equity lawsuits in Texas, New Jersey, New York

• 1977 – Education Finance Act (EFA) enacted
What is the EFA?

• Foundation program for **district and school operations**

• Formula distributes state funds based on local property wealth and weighted pupil units

• 70% of the statewide cost of the foundation paid by State

• 30% paid collectively by local school districts.

• Individual school district percentages vary based upon local property wealth (Index of Taxpaying Ability) and weighted pupil units.

• Today, percentage of state support for individual school districts varies between 16% and 92%.
EFA Foundation Program in Law:

**Includes**
- Defined Minimum Program
- Base Student Cost
- Weightings

**Excludes**
- Transportation
- Capital Outlay
- Pilot Programs
- Adult Education (18+ years of age)
- Textbooks
- Food Service
- Employee Benefits
## Weightings as of FY 2013-14

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<thead>
<tr>
<th>Category</th>
<th>Code</th>
<th>Weight</th>
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<tr>
<td><strong>Students:</strong></td>
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<td>Kindergarten</td>
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<td>Grades 9-12</td>
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<td><strong>Students with Special Needs:</strong></td>
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<td>Handicapped</td>
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<td>1.74 to 2.57</td>
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<td>Speech</td>
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<td>1.90</td>
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<td>Homebound</td>
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<td>2.10</td>
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<td>Career &amp; Tech</td>
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<td>1.29</td>
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<td><strong>Add-ons:</strong></td>
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<tr>
<td>Early Childhood Assistance</td>
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<td>0.26</td>
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<tr>
<td>Academic Assistance</td>
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<td>0.114</td>
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<tr>
<td>Adult Education</td>
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<td>0.15</td>
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Original Base Student Cost

At District Level: 6,000 students in a District

- One superintendent
- One fiscal officer
- One director of planning for every 3,000 students
- One assistant superintendent
- One program consultant for every 750 pupils
- Five secretaries
Original Base Student Cost

At School Level (Minimum size of 375 students):

• One teacher for every 26 pupils
• One principal
• One assistant principal (if have more than 500 pupils)
• One secretary
• One attendance clerk
• One librarian
• One library aide (if have more than 500 pupils)
• One guidance counselor (if have more than 500 pupils)
Original Base Student Cost

Other Items:
• $7 per pupil for instructional supplies, materials & library books
• $10 per staff member for in-service education
• Maintenance and Operational Costs
• Office Support Costs
How the EFA Formula Works:
Total EFA Funding Per District

Base Student Cost (BSC) x Weighted Pupil Units (WPU) = Total EFA Funding

Example: Abbeville  $2,425 \times 4,024.23 = $9,758,757.75

Example: Charleston  $2,425 \times 61,076.62 = $148,110,803.60
Local Required Support

BSC x Statewide WPU x .30 (Statewide Average) x Index of Taxpaying Ability

= Local Required Support

Example: Abbeville
$2,425 \times 993,311.55 \times 0.3 \times 0.002630 = 1,900,527.83$

Example: Charleston
$2,425 \times 993,311.55 \times 0.3 \times 0.140220 = 101,327,760.90$
State Allocation

Total EFA Funding – Local Required Support

= State Allocation

Example: Abbeville
$9,758,757.75 - $1,900,527.83 = $7,858,229.92

Example: Charleston
$148,110,803.5 - $101,327,760.90 = $46,783,042.60
## Summary

**Abbeville:**
- Local Share: $1,900,527.83
- State Share: $7,858,229.92
- Total EFA: $9,758,757.75

State Support/EFA = % State Support
- Abbeville has **80.53%** State Support

**Charleston:**
- Local Share: $101,327,705
- State Share: $46,783,042.60
- Total EFA: $148,110,803.60

State Support/EFA = % State Support
- Charleston has **31.58%** State Support

**State Base Student Cost:**
- Abbeville: $1,952.73
- Charleston: $765.97

**Local Base Student Cost:**
- Abbeville: $472.27
- Charleston: $1,659.03

**Total Base Student Cost:**
- Abbeville: $2,425.00
- Charleston: $2,425.00
### Fiscal Year 1981-82

**Total Appropriations to School Districts**

*(Act 178 of 1981)*

**Distribution to Subdivisions:**

- **Aid to School Districts - Education Finance Act**: $503,143,508

**State Employer Contributions:**

- **State Retirement - Public School Employees**: $50,121,169
- **Group Life Insurance - Public School**: $2,148,050
- **Social Security - Public School Employees**: $48,585,472
- **Health Insurance - Public School Employees**: $22,627,040

**Total State Employer Contributions**: $123,481,731
Today... 

- More than half of districts (42) have fewer than 5,000 students.
- Approximately 20% or one in five schools have fewer than 375 students (145 elementary schools, 82 middle schools, and 47 high schools) had an enrollment of less than 375 students in 2015-16.
- Average student to teacher ratio in core classes is 22:1.
What has changed over time?

• Defined Minimum Program no longer exists
• Employer Contributions no longer 100% state funded
• Weighted Pupil Units changed in FY 2014-15:
  • All students a 1.0
  • New Personalized Learning Weights:
    • Gifted and Talented (0.15)
    • Academic Assistance (0.15)
    • Limited English Proficiency (0.2)
    • Pupils in Poverty (0.2)
    • Dual Credit Enrollment (0.15)
• Index of Taxpaying Ability amended to be imputed value
• Flexibility
• State Minimum Teacher Salary Schedule
• Additional Programs and Initiatives
After 1983.

1984 - EIA enacted, increasing sales tax revenue from 4% to 5% with penny in trust fund. Trust Fund annually allocates funds.

Key Component: Increasing average teacher salary to Southeastern average using combination of EIA, EFA & local funds and statewide minimum teacher salary.


1998, 2001 - Education Accountability Act (EAA) & No Child Left Behind - Move from equity to adequacy in funding.

2005 - Education & Economic Development Act (EEDA) and Students Health & Fitness Act.

2006 - Act 388

2007 - SC Virtual School Program.

2009 - District Flexibility.

2014 - Read to Succeed (summer reading camps, reading coaches, etc.)
### EIA

#### 1983-84

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher Salaries &amp; Fringes</td>
<td>$69,467,502</td>
<td>32%</td>
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<tr>
<td>School Building Aid</td>
<td>$66,738,136</td>
<td>31%</td>
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<tr>
<td>Remediation Services to Students</td>
<td>$60,500,000</td>
<td>28%</td>
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<tr>
<td>Improve Student Learning (Advanced Placement Exams, Modernize Vocational equipment, 5K, etc.)</td>
<td>$19,189,449</td>
<td>9%</td>
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<tr>
<td>Other</td>
<td>$1,370,773</td>
<td>1%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$217,265,860</strong></td>
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#### 2017-18

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<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Teacher Salaries &amp; Fringes</td>
<td>$224,345,370</td>
<td>28%</td>
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<tr>
<td>SC Public Charter School District</td>
<td>$100,556,551</td>
<td>13%</td>
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<tr>
<td>Remediation Services to Students</td>
<td>$79,551,723</td>
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<td>4K Public Schools</td>
<td>$49,838,283</td>
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<td>EAA</td>
<td>$41,855,943</td>
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<td>Transportation</td>
<td>$41,198,813</td>
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<td>Office of First Steps</td>
<td>$29,336,227</td>
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<td>Instructional Materials</td>
<td>$20,922,839</td>
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<tr>
<td>Other</td>
<td>$209,896,251</td>
<td>26%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$797,502,000</strong></td>
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## District Size, 2015-16

<table>
<thead>
<tr>
<th>Student Enrollment</th>
<th>Number of Districts</th>
<th>Number of County-wide Districts</th>
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<tbody>
<tr>
<td>Less than 1,000</td>
<td>8</td>
<td>1</td>
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<tr>
<td>1,001 to 2,000</td>
<td>8</td>
<td>2</td>
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<tr>
<td>2,001 to 3,000</td>
<td>14</td>
<td>4</td>
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<td>3,001 to 4,000</td>
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<td>4,001 to 5,000</td>
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<td>10,001 to 15,000</td>
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<td>4</td>
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<td>15,001 to 20,000</td>
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<td>20,001 to 25,000</td>
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<td>2</td>
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<td>25,001 to 30,000</td>
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<td>30,000 to 35,000</td>
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<td>1</td>
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<tr>
<td>More than 35,000</td>
<td>3</td>
<td>3</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>82</strong></td>
<td><strong>31</strong></td>
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Did EFA incentivize district consolidation?

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Districts</th>
<th>Average Pupils Per District</th>
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<tbody>
<tr>
<td>1960</td>
<td>108</td>
<td>4,920</td>
</tr>
<tr>
<td>1970</td>
<td>95</td>
<td>6,319</td>
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<tr>
<td>1980</td>
<td>92</td>
<td>6,596</td>
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<tr>
<td>1990</td>
<td>91</td>
<td>6,757</td>
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<tr>
<td>2000</td>
<td>86</td>
<td>7,539</td>
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<tr>
<td>2010</td>
<td>85</td>
<td>8,357</td>
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<tr>
<td>2016</td>
<td>82</td>
<td>9,270</td>
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Sources: For data in 2000 and prior, State Superintendent’s Annual Reports. For years 2010 and 2016, State Report Cards.
Problems with “Average”

EFA:
District A = 995 Students
District B = 1000 Students
District C = 1005 Students

• Fixed vs Variable Costs
• Average vs Marginal Costs
• Economies of Scale

Southeast Average Teacher Salary:
• State pay scale vs local supplements
• Differences in years of experience
• Competition – Southeast schools or local employers
AVERAGE DAILY MEMBERSHIP AND WEIGHTED PUPIL UNITS
81 Regular School Districts

Source: SC Dept. of Education, 135-day student counts. Excludes Charter and Special districts.
SC Revenue and Fiscal Affairs Office 189C/8/22/17
Conclusion

• EFA still operates as the methodology for allocating $1.8 billion in state appropriations.

• EFA is one piece of entire K-12 education budget.

• Premise of EFA (Defined Minimum Program, State/Local Share, and Index of Taxpaying Ability) are either repealed or vastly different forty years after passage of law.
Technical Issues

• Accountability - Are the funds generated by the personalized weightings providing services to children that generate the funds?
• State Funds and State Minimum Teacher Salary Schedule
Decision Points

• Identify which, if any, line items should be included in a “foundation” program
• Determine state and local share of K-12 budget
• Determine what accountability measures should be implemented
• Discuss, if and how, the state might address single-county districts that are declining in enrollment
• Discuss, if and how, state might incentivize consolidation of districts or consolidation of services