

FUNDING FOR PUBLIC EDUCATION

Trends and Observations



Melanie Barton
Executive Director

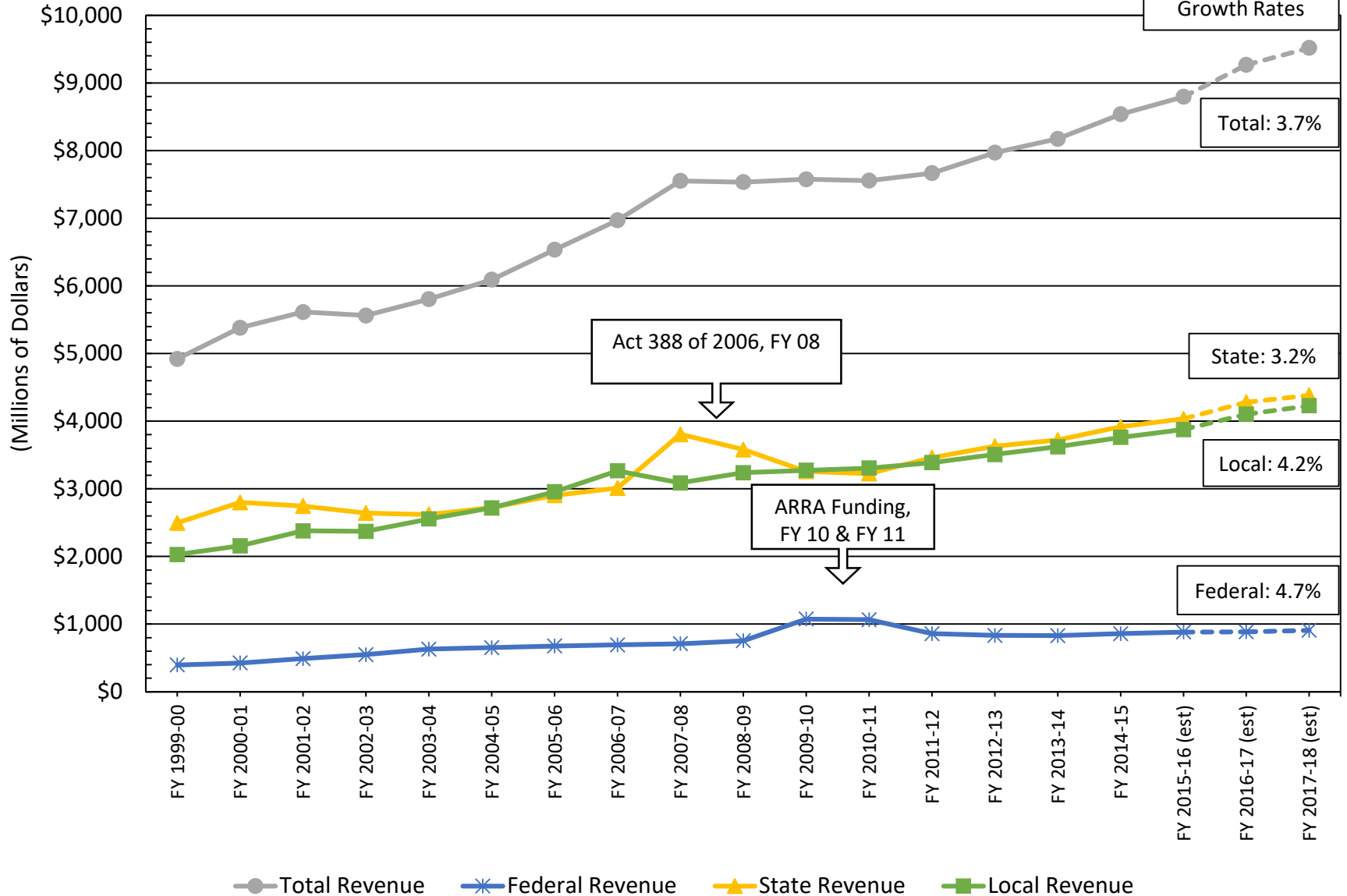
Frank Rainwater
Executive Director



PRESENTED TO
House Ways & Means Education Reform Committee
Wednesday, August 30, 2017

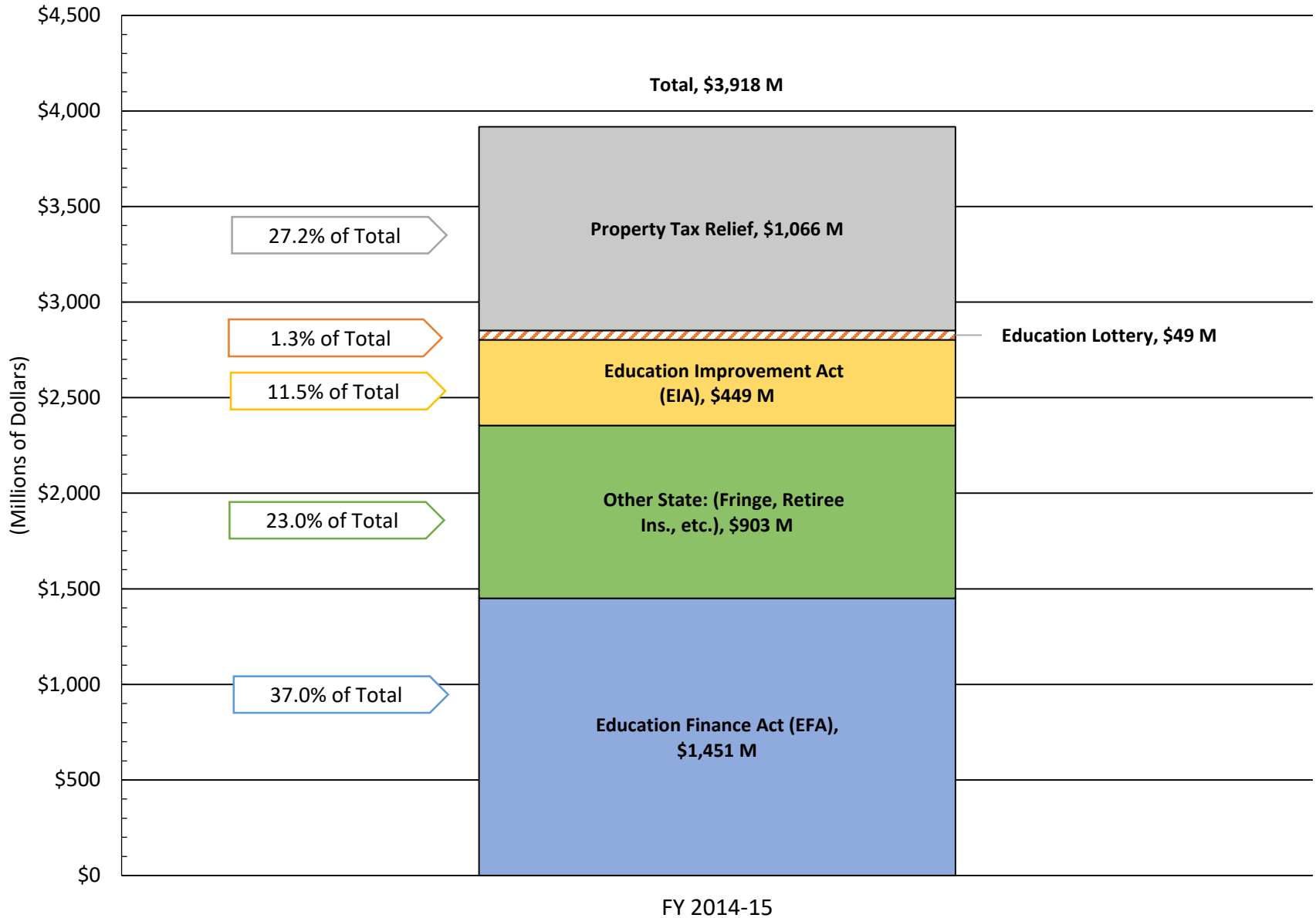
TOTAL REVENUE BY SOURCE

Excludes Local Bond Proceeds



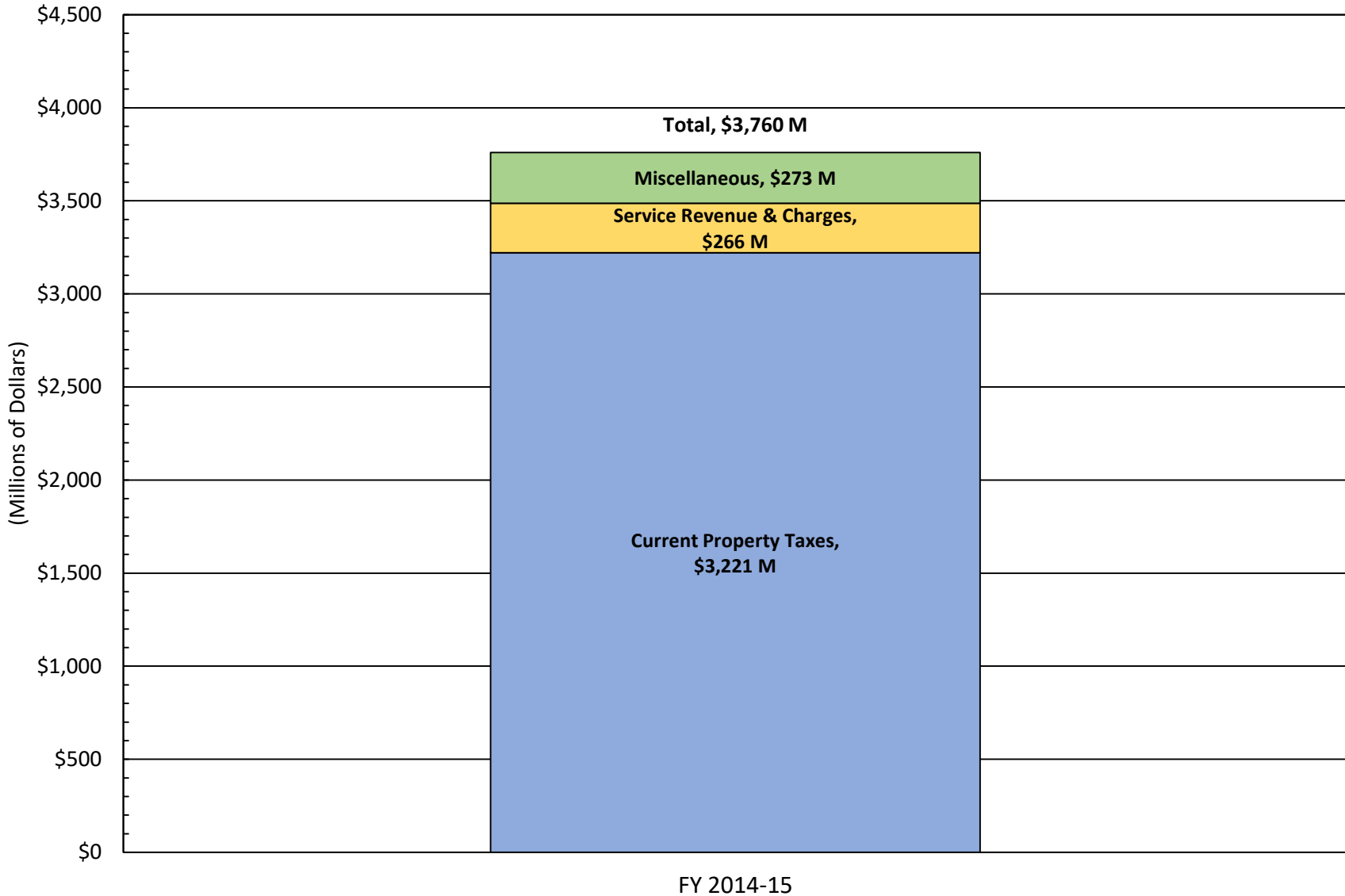
Source: SC Dept. of Education, Statement of Revenues; Excludes revenues from local bonds.
 SC Revenue and Fiscal Affairs Office 188G/08/22/17

TOTAL REVENUE FROM STATE SOURCES



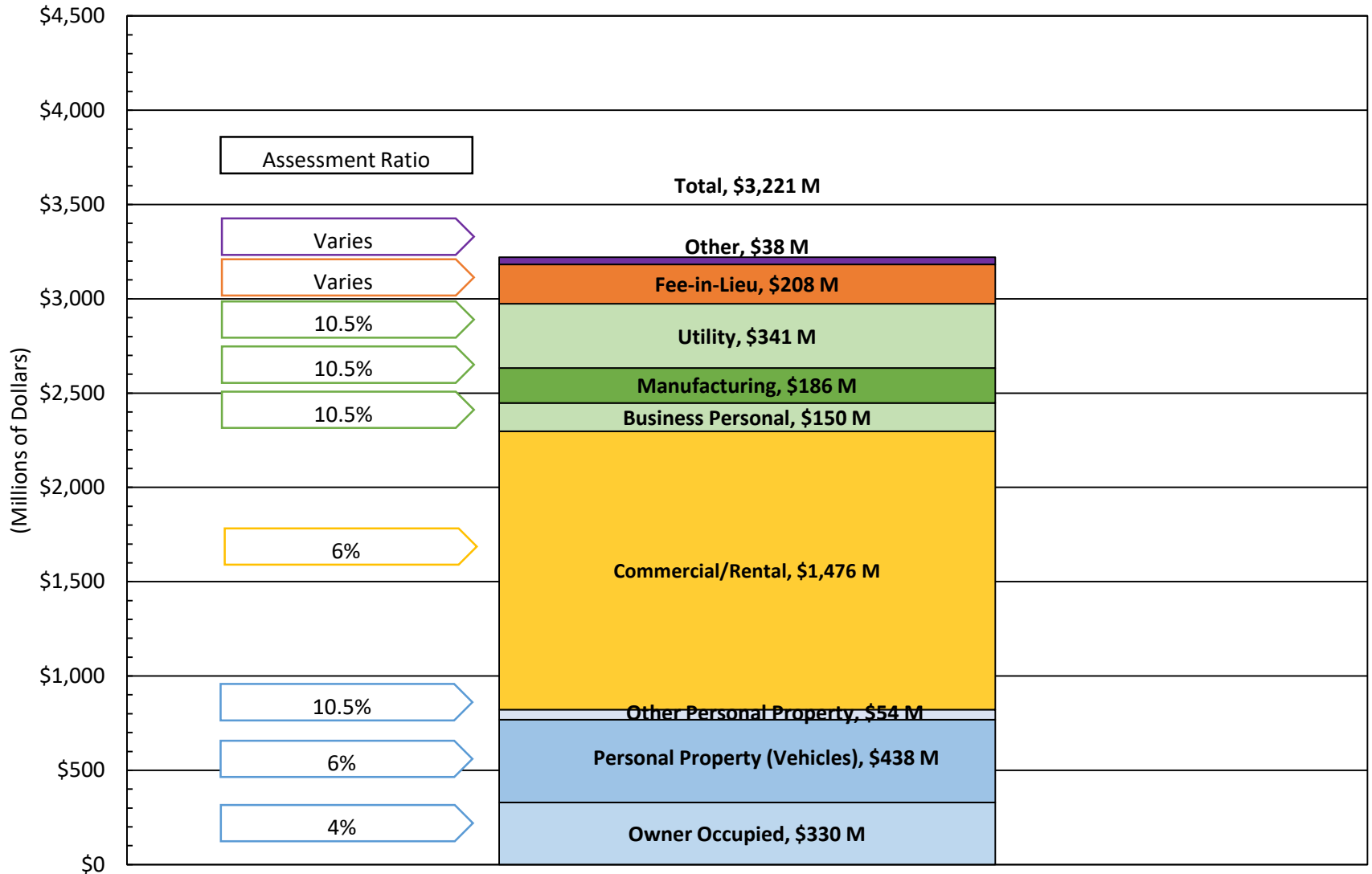
TOTAL REVENUE FROM LOCAL SOURCES

Excludes Local Bond Proceeds



Source: SC Dept. of Education, Statement of Revenues; Excludes revenues from local bonds.
 SC Revenue and Fiscal Affairs Office 188D/08/18/17

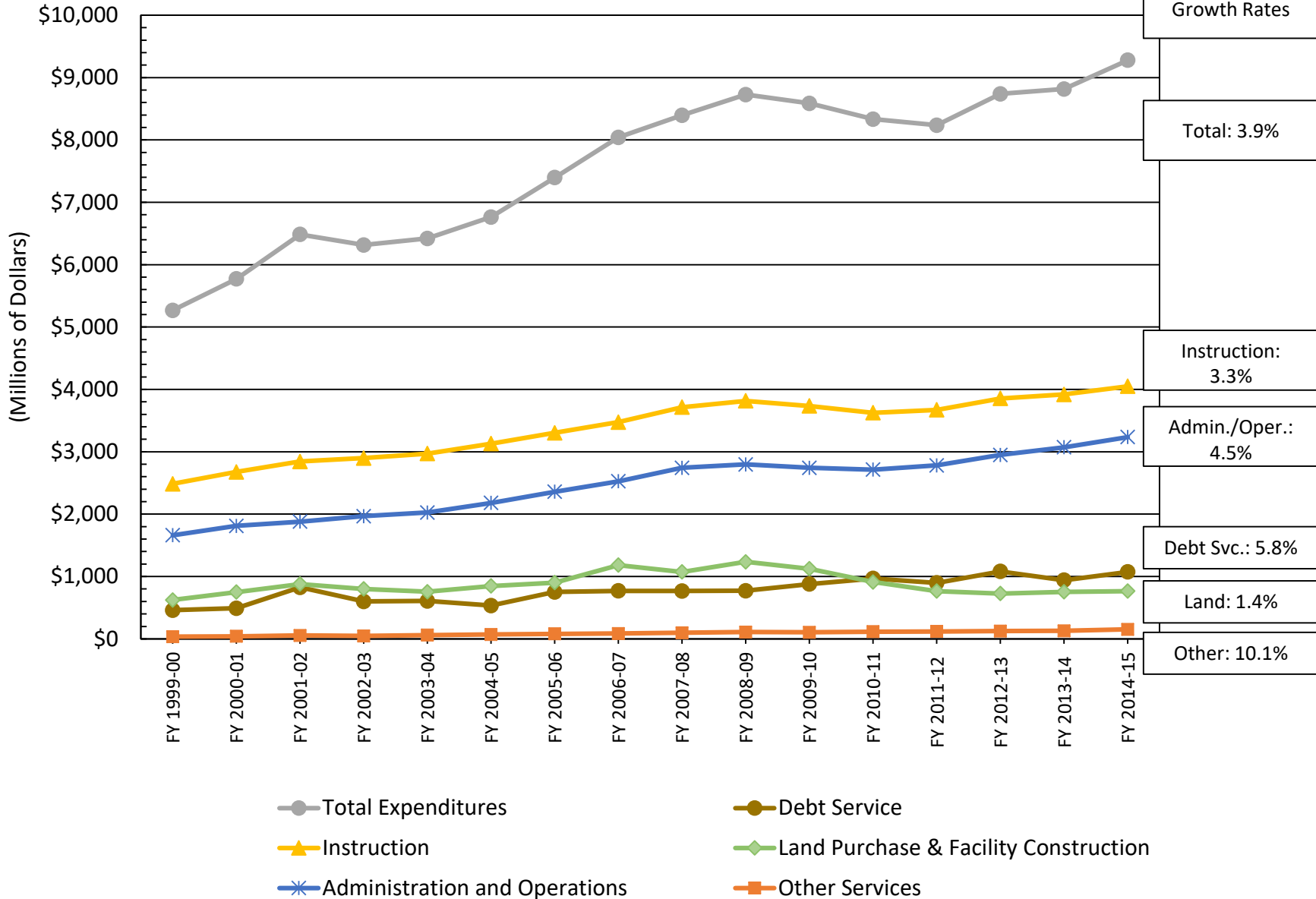
ESTIMATED TOTAL LOCAL SCHOOL DISTRICT PROPERTY TAXES By Assessment Classification



Other includes agricultural and motor carrier property.

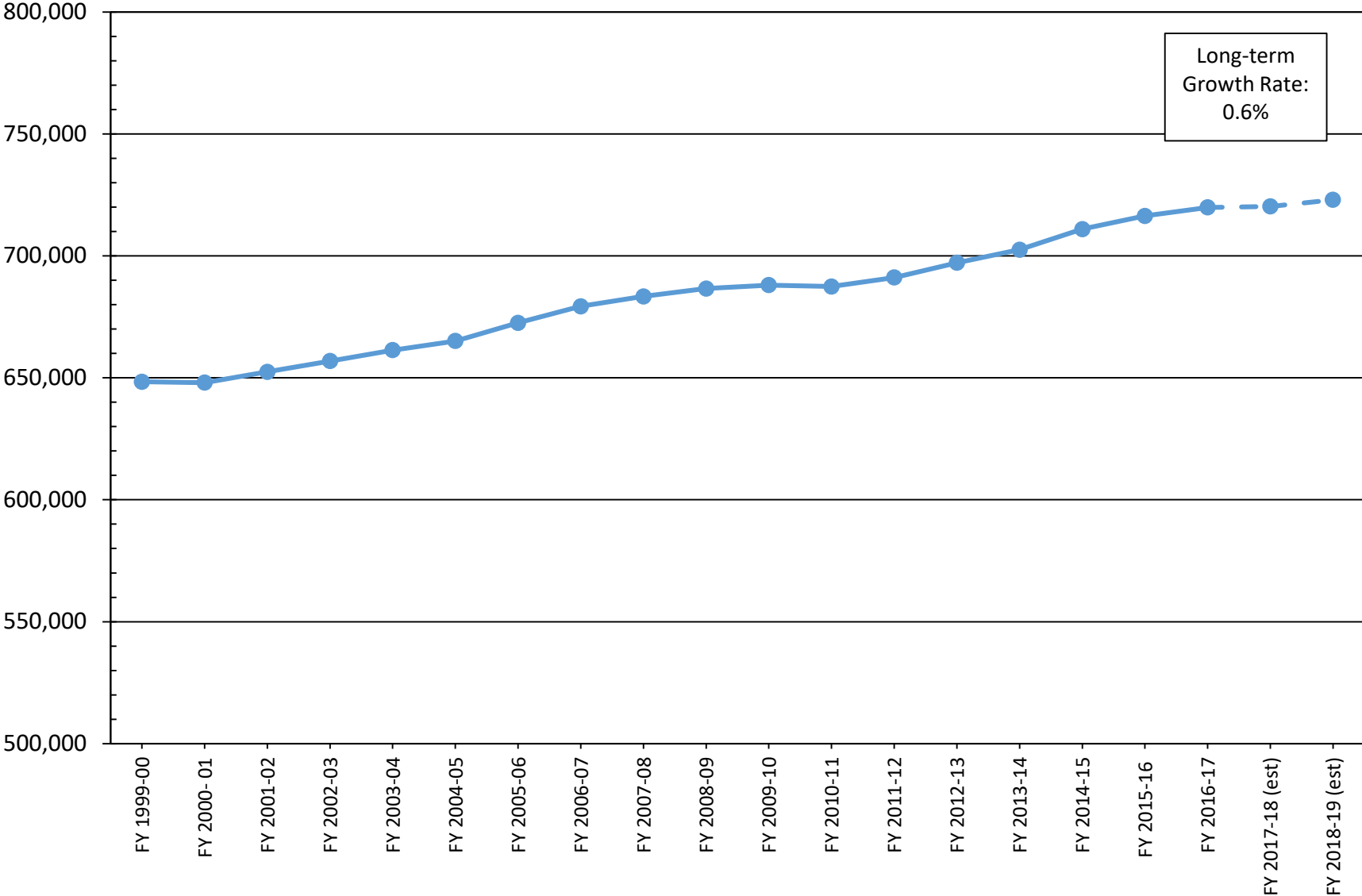
FY 2014-15

TOTAL EXPENDITURES BY CATEGORY



AVERAGE DAILY MEMBERSHIP

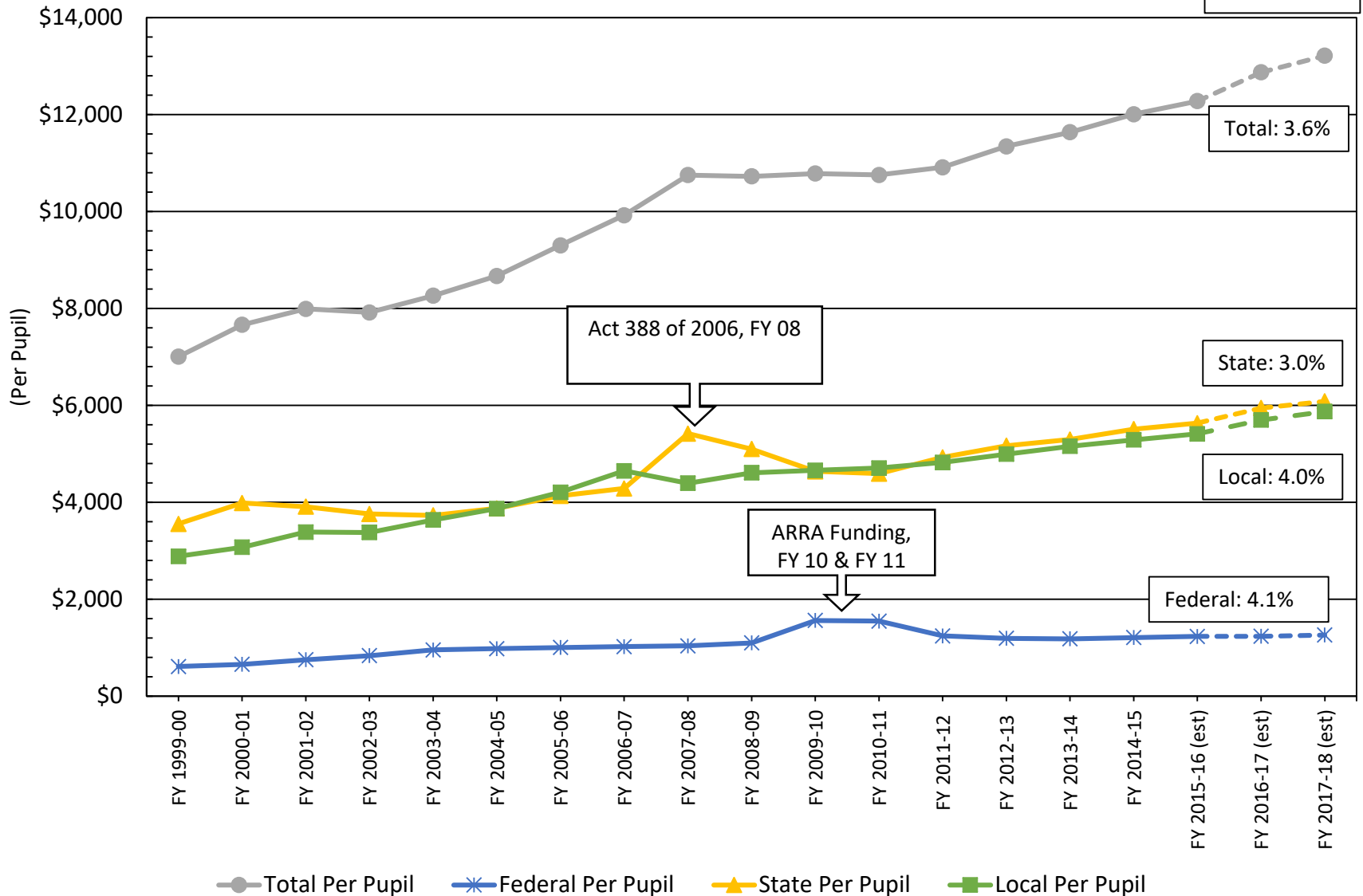
81 Regular School Districts



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

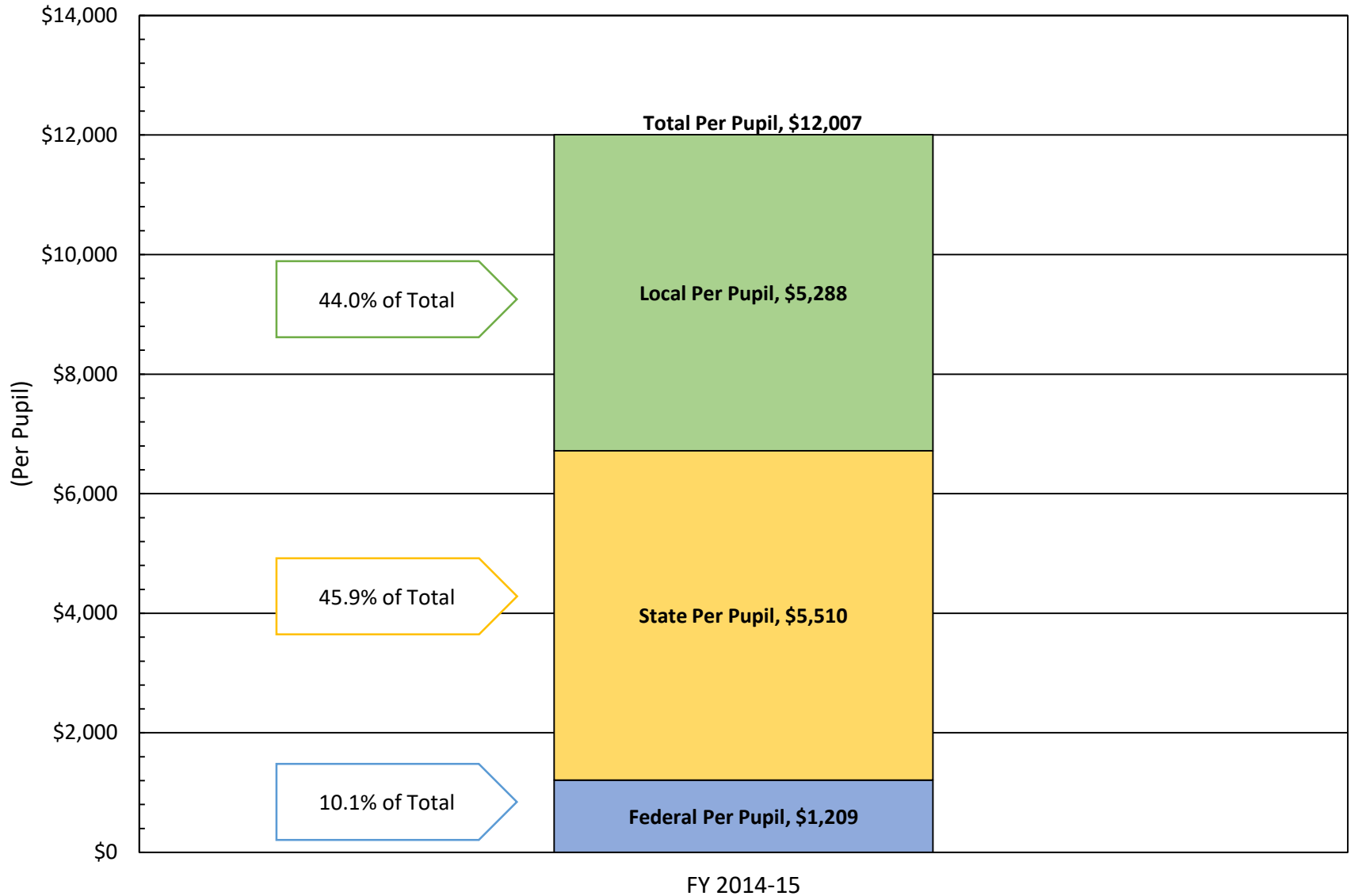
Excludes Local Bond Proceeds



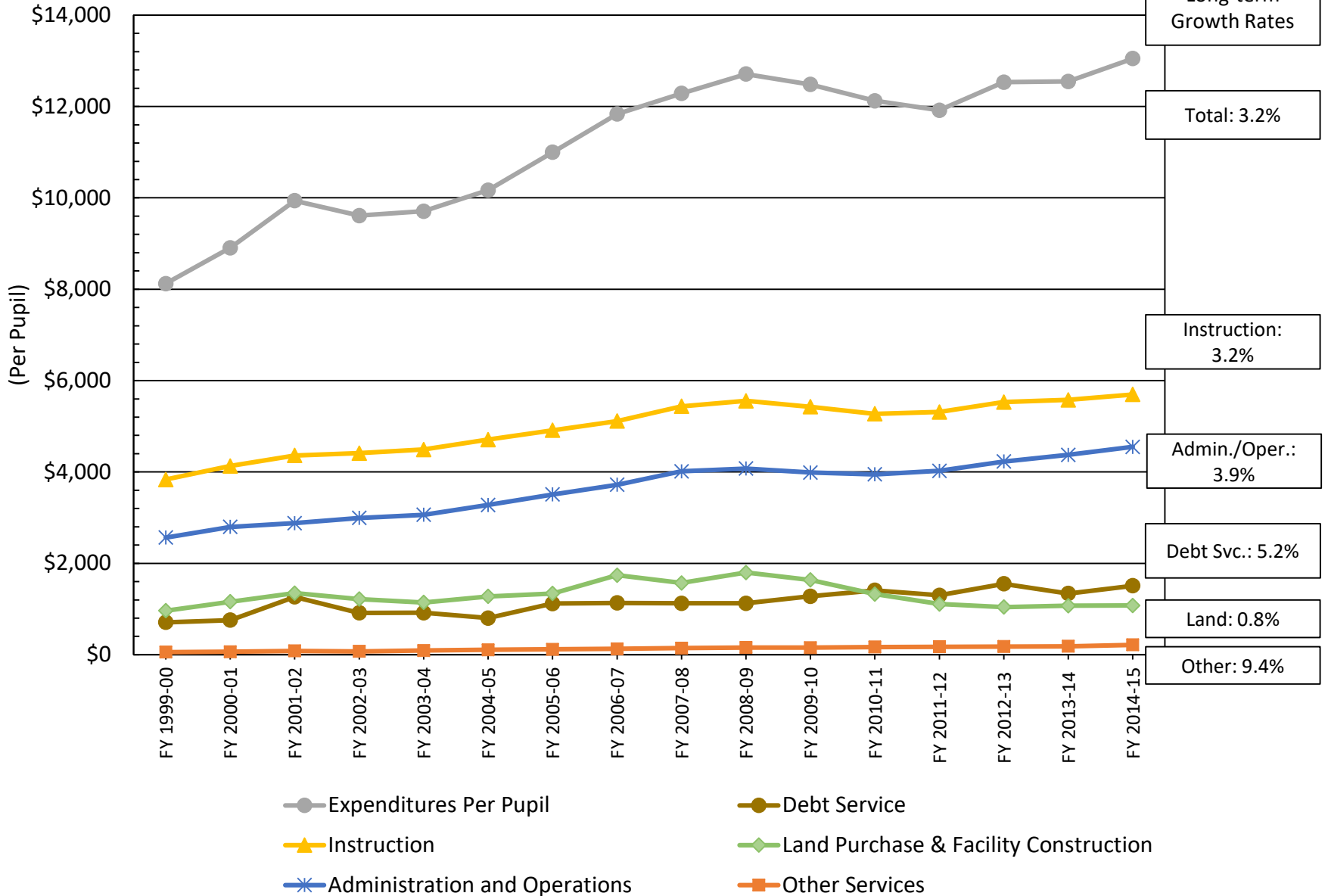
Source: SC Dept. of Education, Statement of Revenues; Excludes revenues from local bonds.
 SC Revenue and Fiscal Affairs Office 188A/08/18/17

REVENUE PER PUPIL BY SOURCE

Excludes Local Bond Proceeds

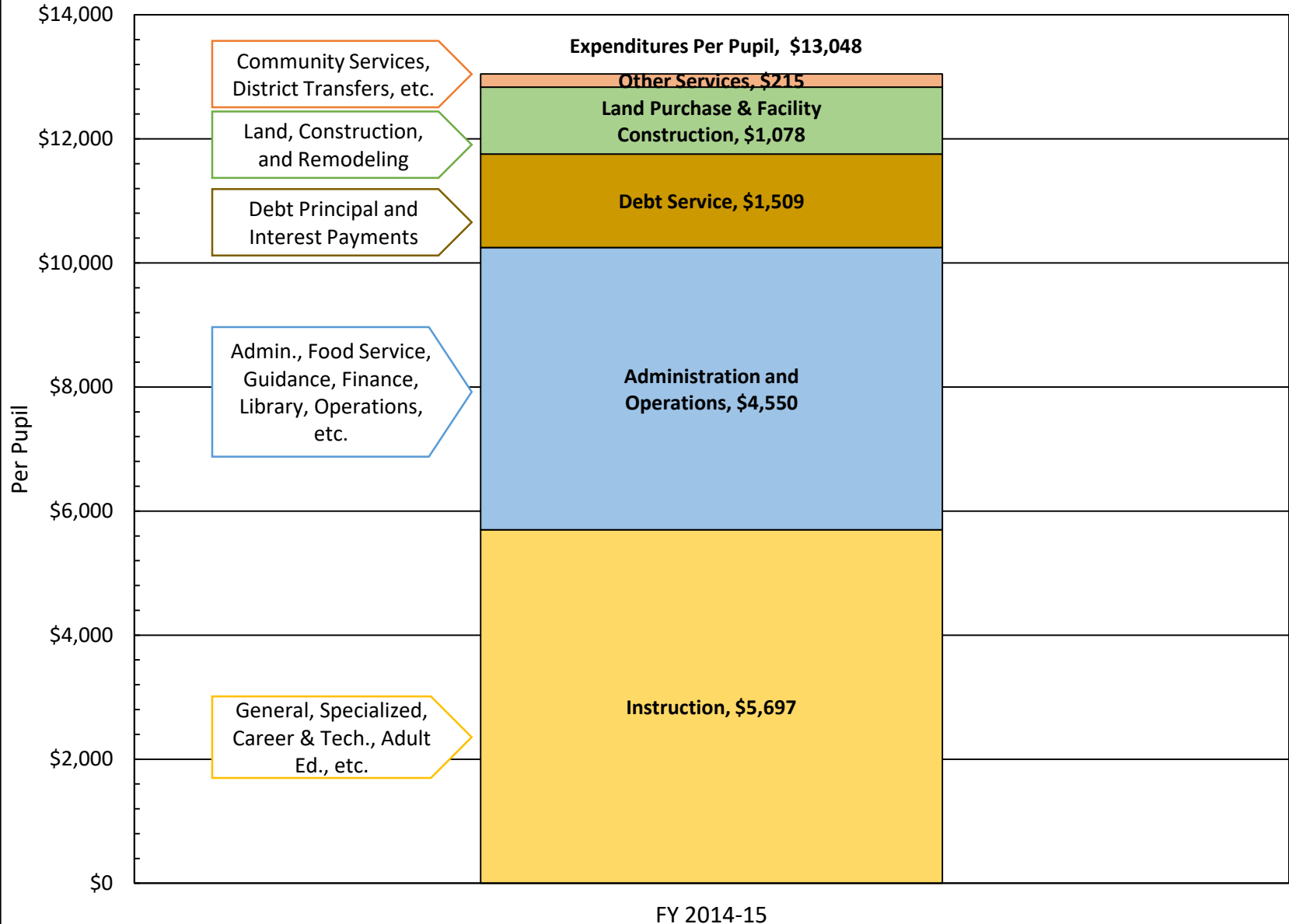


EXPENDITURES PER PUPIL BY CATEGORY

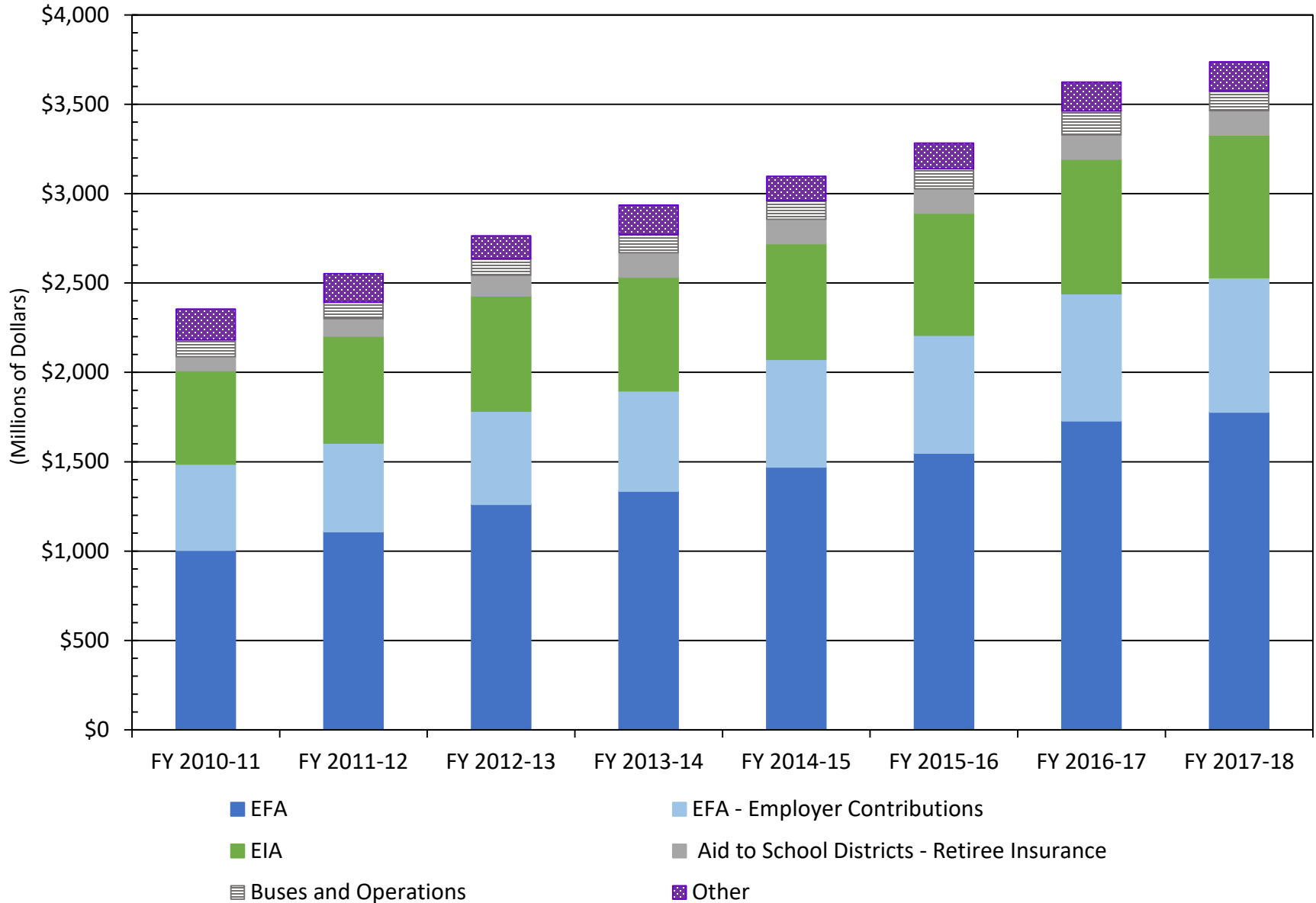


Source: SC Dept. of Education, Statement of Revenues and Expenditures
 S.C. Revenue and Fiscal Affairs 188E/08/17/17

EXPENDITURES PER PUPIL

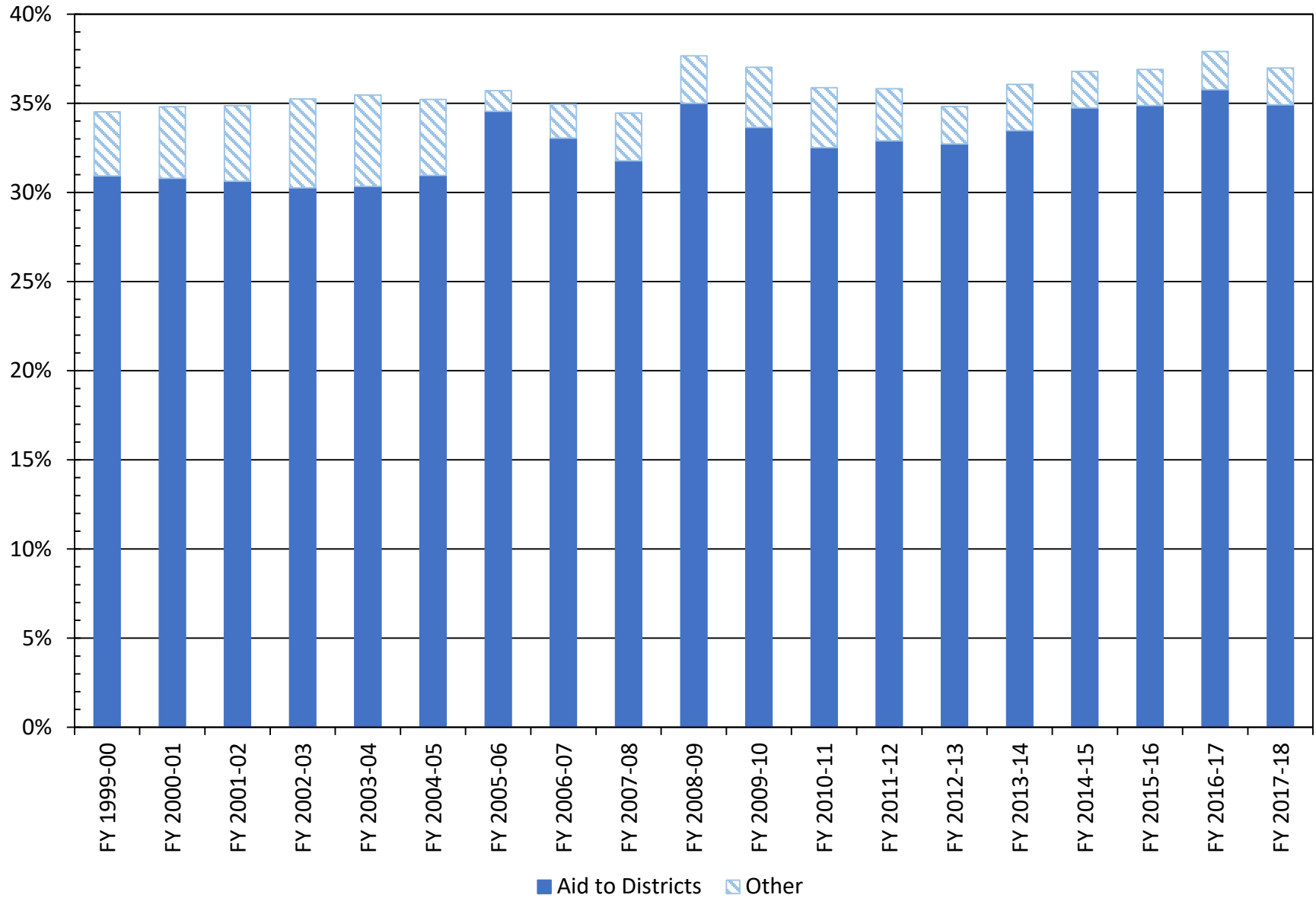


STATE APPROPRIATIONS FOR K-12 EDUCATION



*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

Students:

Kindergarten	1.30
Grade 1-3	1.24
Grades 4-8	1.00
Grades 9-12	1.25

Students with Special Needs:

Handicapped	1.74 to 2.57
Speech	1.90
Homebound	2.10
Career & Tech	1.29

Add-ons:

Early Childhood Assistance	0.26
Academic Assistance	0.114
Adult Education	0.15

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

$$\text{Base Student Cost (BSC)} \times \text{Weighted Pupil Units (WPU)} \\ = \\ \text{Total EFA Funding}$$

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

$$\text{BSC} \times \text{Statewide WPU} \times .30 \text{ (Statewide Average)} \times \text{Index of Taxpaying Ability} \\ = \\ \text{Local Required Support}$$

Example: Abbeville

$$\$2,425 \times 993,311.55 \times .3 \times .002630 = \$1,900,527.83$$

Example: Charleston

$$\$2,425 \times 993,311.55 \times .3 \times .140220 = \$101,327,760.90$$

State Allocation

$$\text{Total EFA Funding} - \text{Local Required Support} = \text{State Allocation}$$

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

State Base Student Cost: \$1,952.73

Local Base Student Cost: \$ 472.27

Total Base Student Cost: \$2,425.00

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: \$ 765.97

Local Base Student Cost: \$1,659.03

Total Base Student Cost: \$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

1996, 2002, 2006, 2012 - Charter school laws

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

		%
Teacher Salaries & Fringes	\$69,467,502	32%
School Building Aid	\$66,738,136	31%
Remediation Services to Students	\$60,500,000	28%
Improve Student Learning (Advanced Placement Exams, Modernize Vocational equipment, 5K, etc.)	\$19,189,449	9%
Other	<u>\$1,370,773</u>	1%
Total:	\$217,265,860	

2017-18

		%
Teacher Salaries & Fringes	\$224,345,370	28%
SC Public Charter School District	\$100,556,551	13%
Remediation Services to Students	\$79,551,723	10%
4K Public Schools	\$49,838,283	6%
EAA	\$41,855,943	5%
Transportation	\$41,198,813	5%
Office of First Steps	\$29,336,227	4%
Instructional Materials	\$20,922,839	3%
Other	<u>\$209,896,251</u>	26%
Total:	\$797,502,000	

District Size, 2015-16

Student Enrollment	Number of Districts	Number of County-wide Districts
Less than 1,000	8	1
1,001 to 2,000	8	2
2,001 to 3,000	14	4
3,001 to 4,000	7	2
4,001 to 5,000	5	4
5,001 to 10,000	16	6
10,001 to 15,000	8	4
15,001 to 20,000	6	2
20,001 to 25,000	3	2
25,001 to 30,000	3	0
30,000 to 35,000	1	1
More than 35,000	3	3
TOTAL	82	31

Did EFA incentivize district consolidation?

Year	Number of Districts	Average Pupils Per District
1960	108	4,920
1970	95	6,319
1980	92	6,596
1990	91	6,757
2000	86	7,539
2010	85	8,357
2016	82	9,270

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

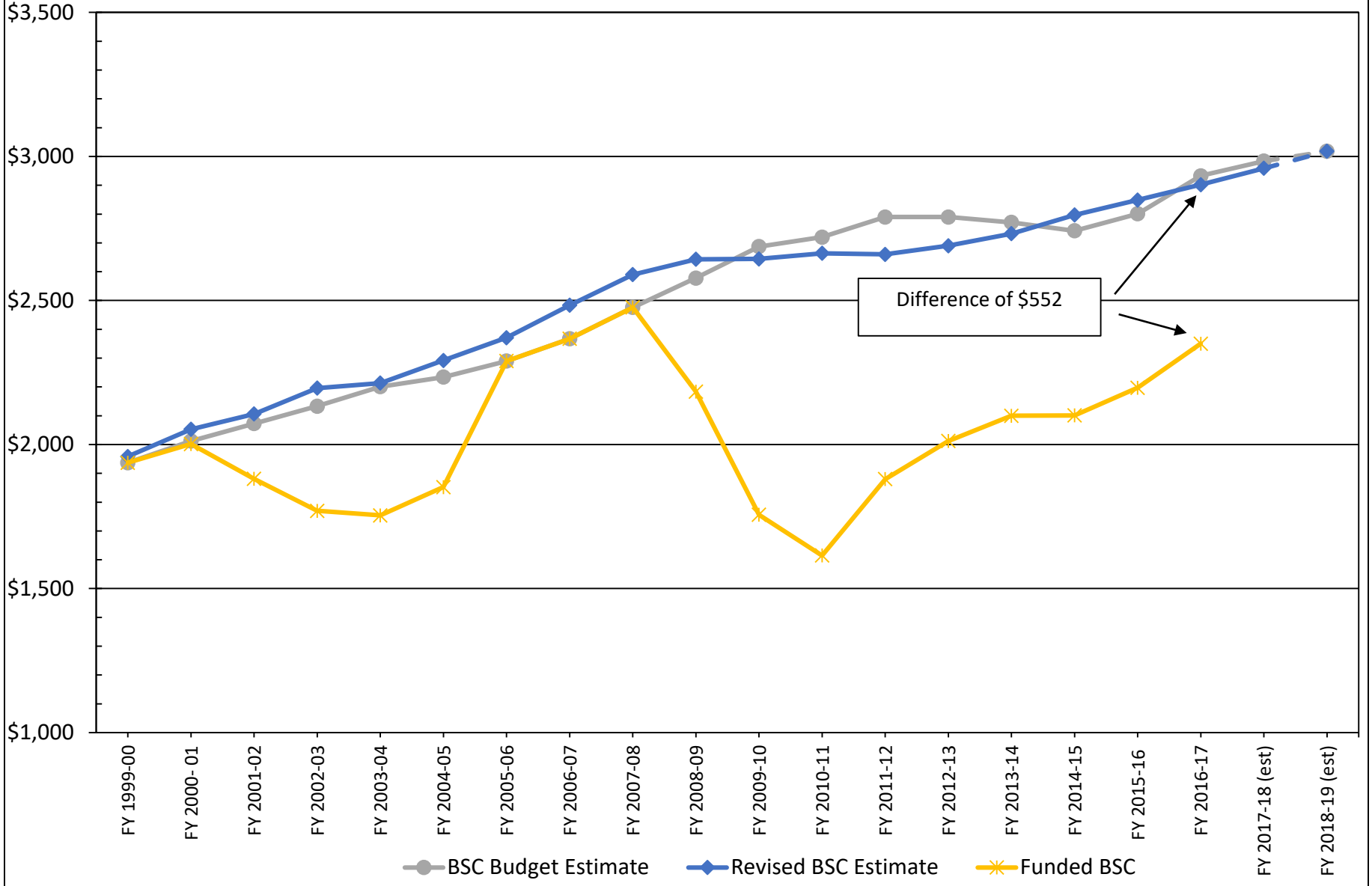
District C = 1005 Students

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

Southeast Average Teacher Salary:

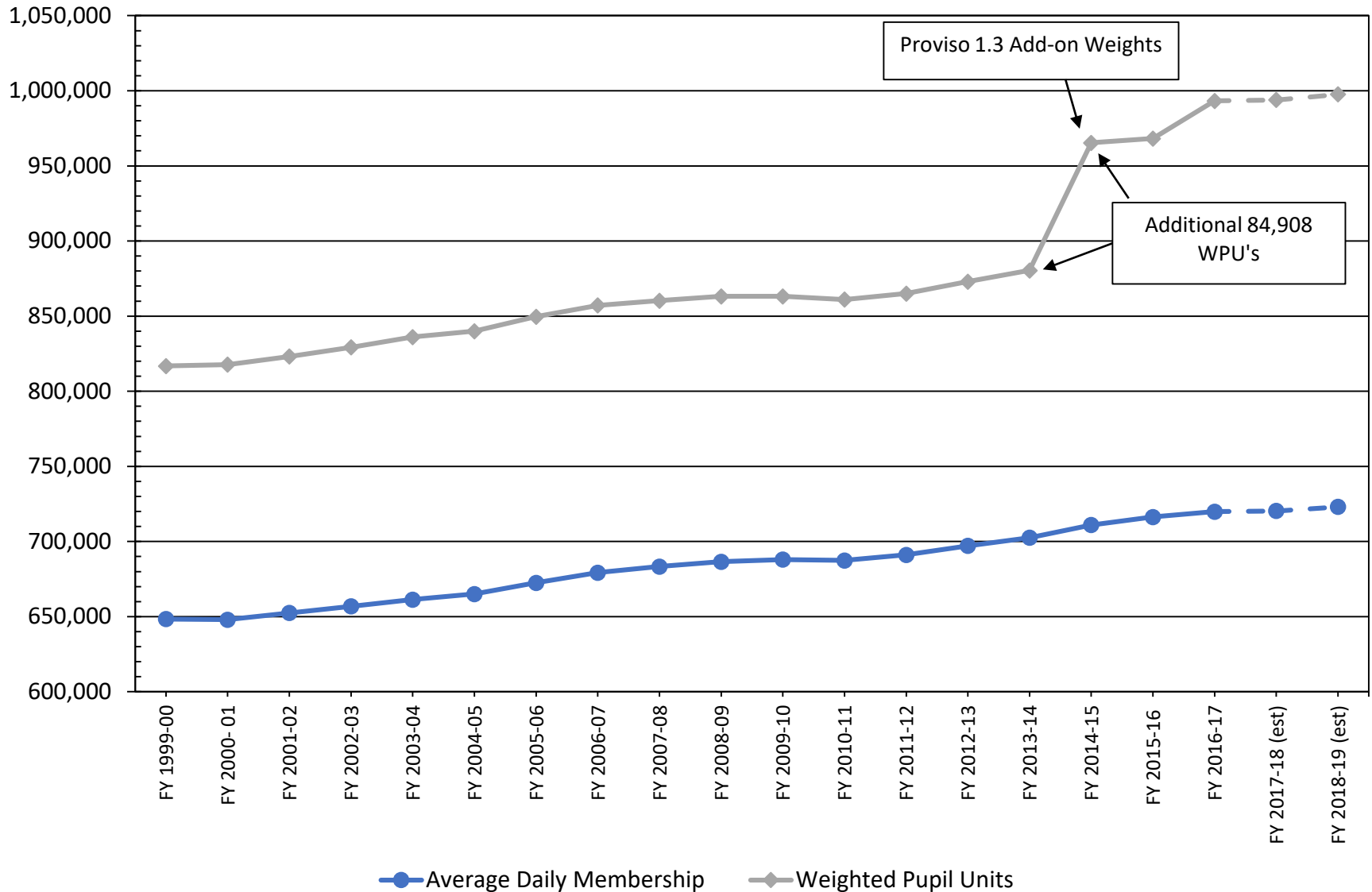
- State pay scale vs local supplements
- Differences in years of experience
- Competition – Southeast schools or local employers

EFA BASE STUDENT COST



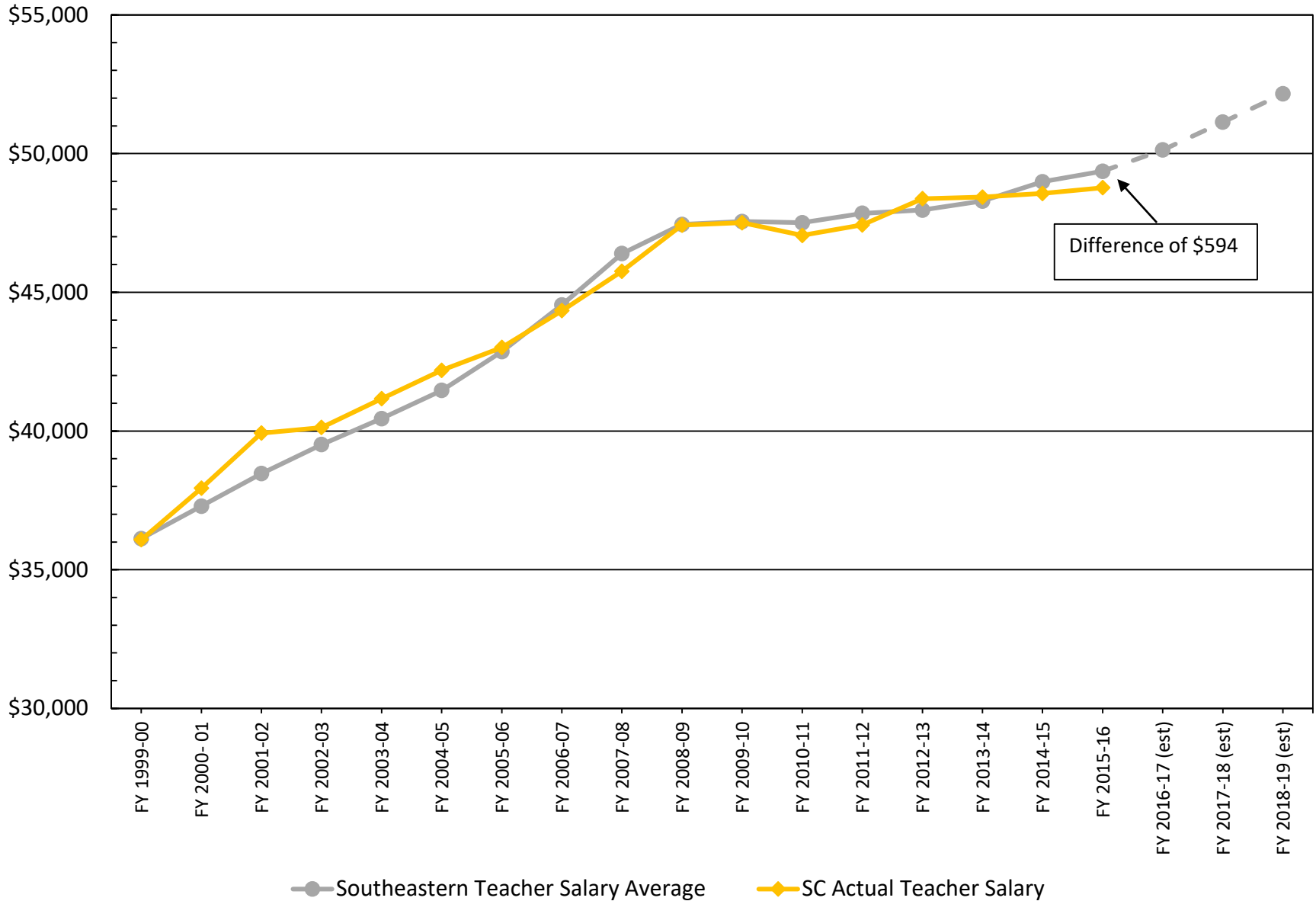
AVERAGE DAILY MEMBERSHIP AND WEIGHTED PUPIL UNITS

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

SOUTHEASTERN AVERAGE TEACHER SALARY



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

