



FUNDING OUR CHILDREN FOR SUCCESS

A Strategy for Sustainable and Equitable K-12 Finance Reform in South Carolina

November 2017

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A Strategy for Sustainable and Equitable K-12 Finance Reform in South Carolina

A FRACTURED FORMULA



Why is our current
K-12 education
funding formula
failing our
children?

EFA 2.0



How can a student-
centric, “back-to-
basics” approach
restore sustainability
and equity to our
schools?

IMPACT



How will it affect the
state, individual
districts, and our
students?

TRANSITION



What do we need
to do to get there?



A FRACTURED FORMULA

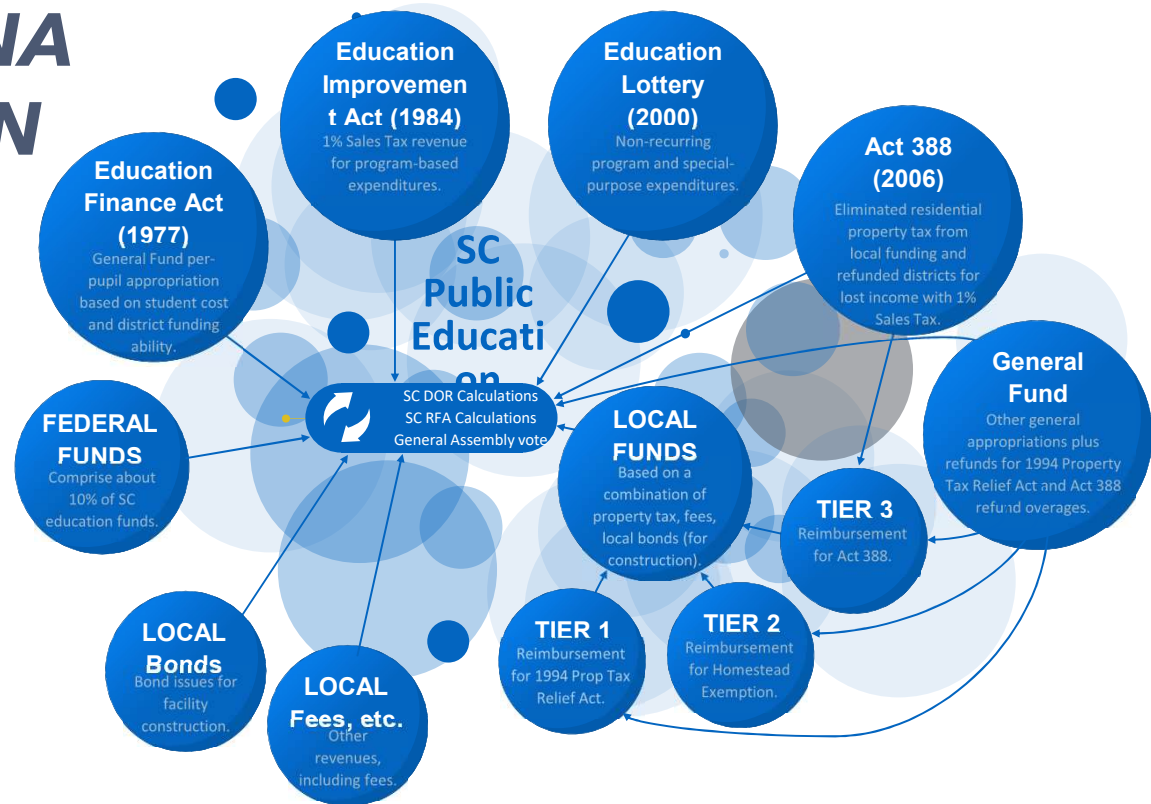


“

South Carolina's educational funding scheme is a fractured formula denying students in the Plaintiff Districts the constitutionally required opportunity.

- South Carolina Supreme Court

SOUTH CAROLINA K-12 EDUCATION FUNDING ECOSYSTEM



Over the forty years since the passage of the Education Finance Act (1977), South Carolina's K-12 education funding formula has *evolved* in a *piecemeal* fashion to become a *complex spider web of funding*.

A FRACTURED FORMULA

INFLATION- ADJUSTED PER STUDENT REVENUES (2001-2017)



Funding for K-12 education has historically increased with economic booms and decreased with recessions. This method of budgeting *lacks stability* and *planning*.

A FRACTURED FORMULA

KEY PROBLEMS



Expenditures are not directly tied to *actual student costs*.



Revenue streams are *unstable* and *unpredictable*.



Overly-complex funding formulas prohibit transparency and *disguise inefficiency*.



State/local cost-sharing formula does not effectively *promote equity* across districts.



EFA 2.0



FOUNDATION AMOUNT

"Foundation" amount required to educate a single typical student. (Known as Base Student Cost in the EFA.)



EXCEPTIONAL STUDENT WEIGHTS

Additional funding amount required to educate students with exceptional needs: 1.) Poverty, 2.) Limited English Proficiency (LEP), 3.) Gifted, 4.) Vocational, and 5.) Special Needs (low, medium, and high severity).



STATE AND LOCAL COST SHARING

Formula determining the local contribution amount requires each district to levy a state-defined uniform minimum millage rate such that, on average, local districts contribute 1/3 and the state contributes 2/3 of formula funds. Local districts may set a higher millage rate if desired.

Multiple current state funding streams would be merged (EIA, Education Lottery, Tier 1, 2 and 3 reimbursements, etc.) and distributed based on formula from a single source—the General Fund, guaranteeing transparent appropriations in a predictable manner year after year.



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FORMULA FUNDING



The new K-12 finance model represents a **modern restoration** of the Education Finance Act—an EFA Version 2.0. This **“back-to-basics”** model embodies the essential elements of a **stable, equitable system**.

STATE/LOCAL COST SHARE

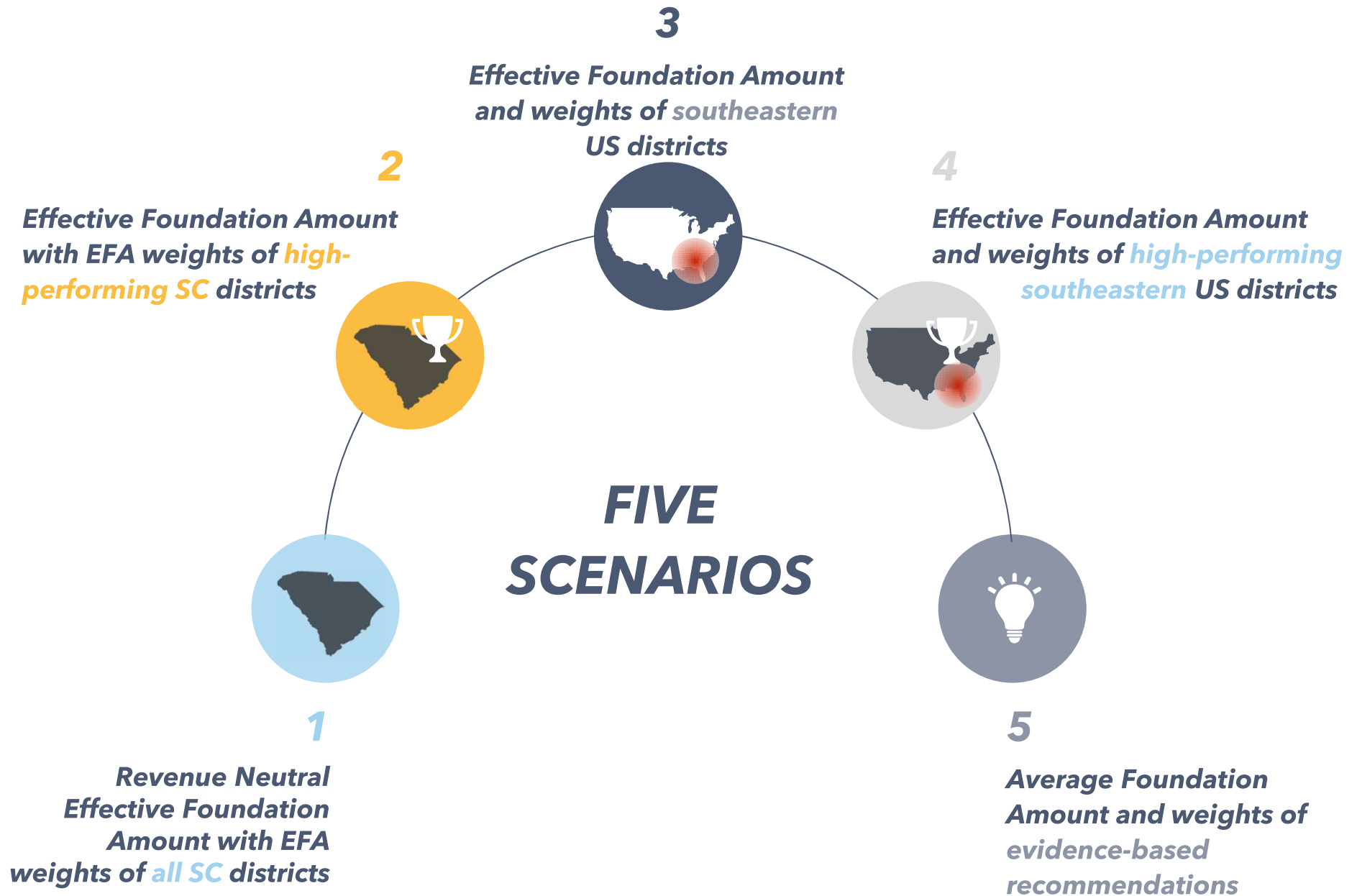


The required local funding share is determined by a **uniform minimum millage rate**, set by the state. Districts with lower levels of assessed property values will receive a larger share of their funding from the state, improving both **taxpayer and funding equity across districts**.



IMPACT

IMPACT



The EFA 2.0 model was tested under five scenarios.

For comparability purposes, the southeastern states include six who require all students to take the ACT: Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee. (Tennessee actually requires all students to take either the SAT or ACT.)

MODEL IMPACTS

	Scenarios					
	Current	1 All SC Districts	2 Top SC Districts	3 All Southeast Districts	4 Top Southeast Districts	5 Evidence Based Studies
Foundation Amount		\$7,413	\$7,186	\$6,799	\$6,981	\$7,812
Exceptional Student Weights						
Poverty		0.2	0.2	0.22	0.22	0.28
Limited English Proficiency		0.2	0.2	0.34	0.34	0.4
Gifted Education		0.15	0.15	0.25	0.25	0.1
Vocational Education		0.29	0.29	0.175	0.175	0.06
Special Ed - Tier 1		0.74	0.74	0.87	0.87	0.77
Special Ed - Tier 2		1.04	1.04	1.12	1.12	0.99
Special Ed - Tier 3		1.57	1.57	1.63	1.63	1.44

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Operations Revenues	\$7,040 M	\$7,040 M	\$6,825 M	\$6,647 M	\$6,825 M	\$7,580 M
Per Pupil	\$9,827	\$9,827	\$9,527	\$9,279	\$9,528	\$10,582

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Local (1/3) and State (2/3) Allocation Amounts						
Local	\$3,023 M	\$2,347 M	\$2,275 M	\$2,215 M	\$2,275 M	\$2,526 M
Per Pupil	\$4,220	\$3,276	\$3,176	\$3,093	\$3,176	\$3,527
State	\$4,016 M	\$4,693 M	\$4,550 M	\$4,431 M	\$4,550 M	\$5,053 M
Per Pupil	\$5,607	\$6,551	\$6,352	\$6,186	\$6,352	\$7,054

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Local	\$2,921 M	\$2,318 M	\$2,198 M	\$2,215 M	\$2,275 M	\$2,526 M
Per Pupil	\$4,078	\$3,237	\$3,069	\$3,093	\$3,176	\$3,527
State	\$4,034 M	\$4,637 M	\$4,397 M	\$4,431 M	\$4,550 M	\$5,053 M
Per Pupil	\$5,632	\$6,473	\$6,138	\$6,186	\$6,352	\$7,054
Uniform Minimum Millage Rate Necessary to Achieve Allocation						
Option 1 (Restore All Exempt Property)		0.100	0.095	0.095	0.098	0.109
Option 2 (Restore All But \$100K of Resdtl)		0.118	0.111	0.112	0.115	0.128
Option 3 (Maintain Exemptions)		0.145	0.137	0.139	0.142	0.158

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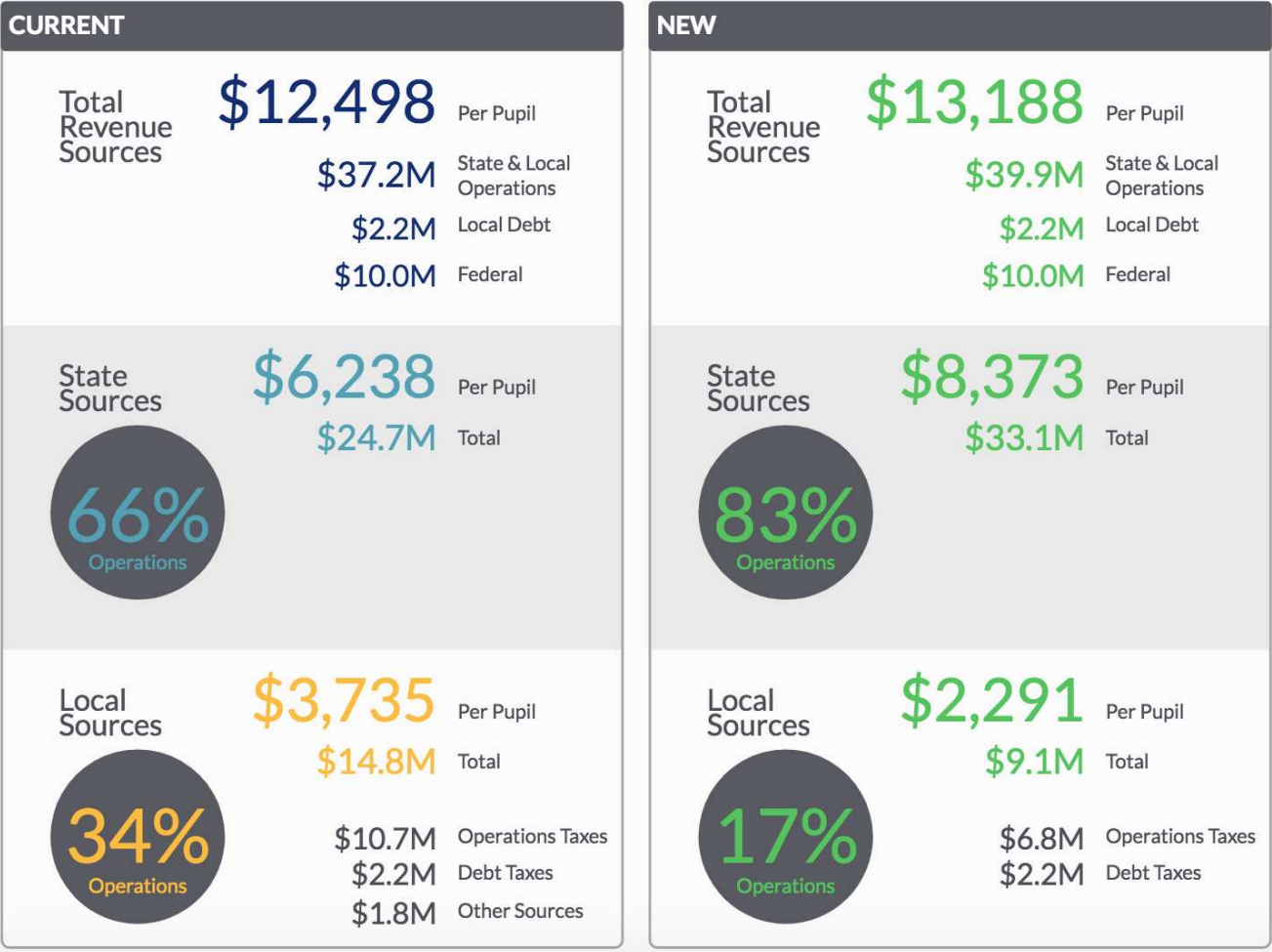
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Local (1/3) and State (2/3) Allocation Amounts						
Local	\$3,022,739,597	\$2,346,556,868	\$2,274,996,848	\$2,215,754,797	\$2,275,067,545	\$2,526,752,677
Per Pupil	\$4,220	\$3,276	\$3,176	\$3,093	\$3,176	\$3,527
State	\$4,016,931,008	\$4,693,113,737	\$4,549,993,695	\$4,431,509,595	\$4,550,135,091	\$5,053,505,353
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Local Sources	\$4,573	Per Pupil
	\$3,275.9M	Total
33% Operations	\$2,320.8M	Operations Taxes
	\$955.0M	Debt Taxes

EXAMPLE:
MARLBORO
SCHOOL
DISTRICT

FUNDING COMPARISON



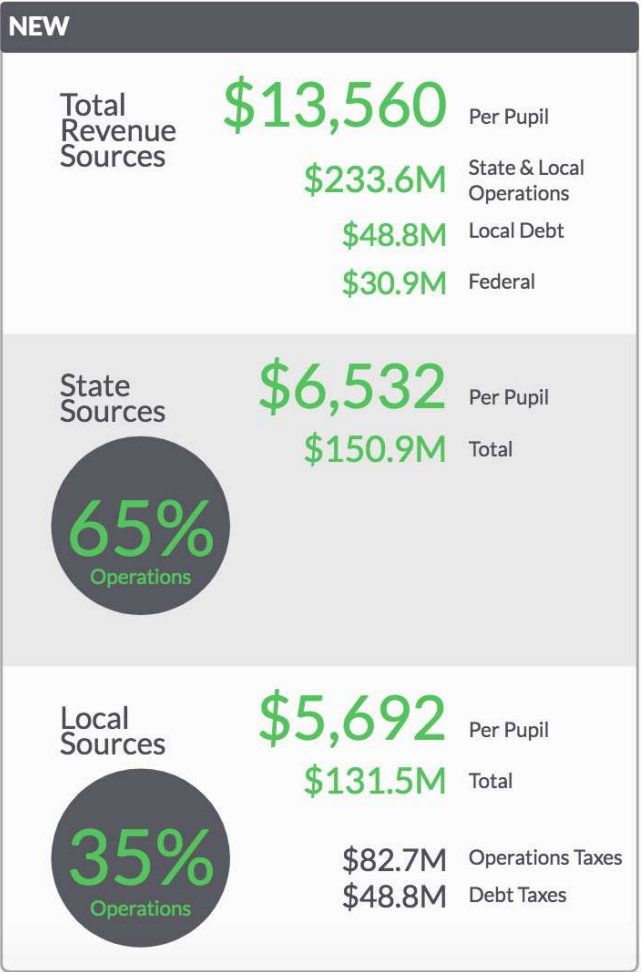
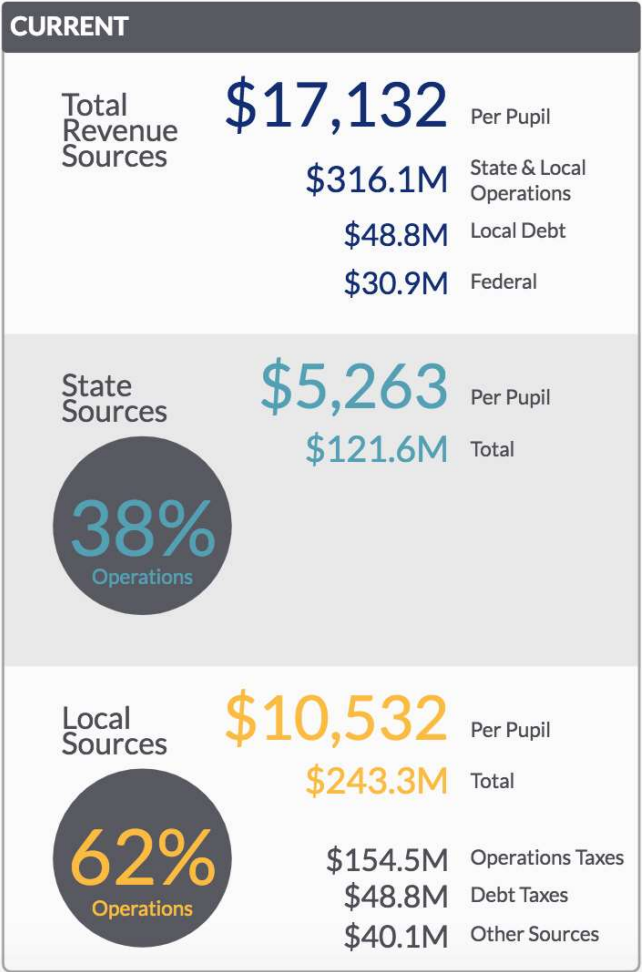
EXAMPLE:
HORRY
SCHOOL
DISTRICT

FUNDING COMPARISON

CURRENT	NEW
<div>Total Revenue Sources</div> <div>\$12,691</div> <div>Per Pupil</div> <div>\$465.5M</div> <div>State & Local Operations</div> <div>\$20.5M</div> <div>Local Debt</div> <div>\$43.9M</div> <div>Federal</div>	<div>Total Revenue Sources</div> <div>\$11,442</div> <div>Per Pupil</div> <div>\$413.3M</div> <div>State & Local Operations</div> <div>\$20.5M</div> <div>Local Debt</div> <div>\$43.9M</div> <div>Federal</div>
<div>State Sources</div> <div>\$4,622</div> <div>Per Pupil</div> <div>\$193.0M</div> <div>Total</div> <div>41%</div> <div>Operations</div>	<div>State Sources</div> <div>\$4,989</div> <div>Per Pupil</div> <div>\$208.3M</div> <div>Total</div> <div>50%</div> <div>Operations</div>
<div>Local Sources</div> <div>\$7,018</div> <div>Per Pupil</div> <div>\$293.0M</div> <div>Total</div> <div>\$196.3M</div> <div>Operations Taxes</div> <div>\$20.5M</div> <div>Debt Taxes</div> <div>\$76.2M</div> <div>Other Sources</div> <div>59%</div> <div>Operations</div>	<div>Local Sources</div> <div>\$5,403</div> <div>Per Pupil</div> <div>\$225.6M</div> <div>Total</div> <div>\$205.1M</div> <div>Operations Taxes</div> <div>\$20.5M</div> <div>Debt Taxes</div> <div>50%</div> <div>Operations</div>

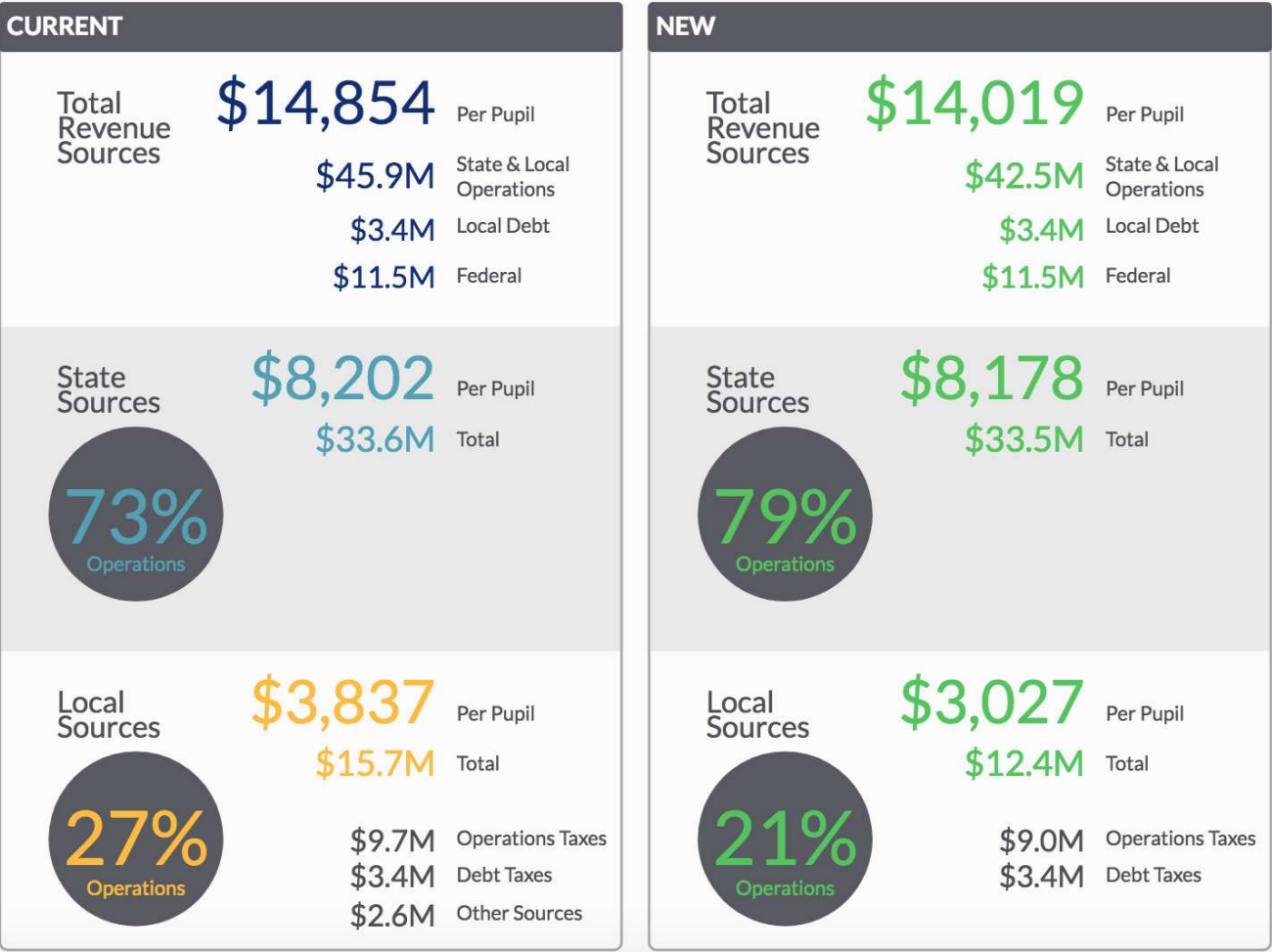
EXAMPLE:
RICHLAND 1
SCHOOL
DISTRICT

FUNDING COMPARISON



EXAMPLE:
WILLIAMS-
BURG
SCHOOL
DISTRICT

FUNDING COMPARISON





TRANSITION

IMPLEMENTATION NEEDS

Phase-in Period

A phase-in period of 5 to 8 years smooth transition with clear, predictable estimates of budget changes.

1

Hold Harmless Provisions

Districts that stand to lose state funding will be held harmless (provided funds to make up for the losses) during phase-in.

2

Data Analysis & Audit

Annual review to:

1. Optimize
2. Prevent becoming obsolete
3. Ensure appropriate use of funds

3

Restoring the K-12 education funding formula requires **changing the current mindset** regarding finance and accounting. Because abrupt changes in finance can cause **inefficient use of funds**, a clear, predictable transition budget over a period of time can enable districts to **properly plan and innovate**.



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Contact Us

palmettopromise.org
acuitasecon.com



Interactive Finance Model

iq.acuitasecon.com



Research Paper

[palmettopromise.org/
FundingForSuccess.pdf](https://palmettopromise.org/FundingForSuccess.pdf)