Report to the Senate Education Funding Study Committee

Submitted by the South Carolina Association of School Administrators

January 31, 2007

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In our meeting of December 13, 2006, the committee asked the South Carolina Association of School Administrators (SCASA) for more information/clarification about two areas under discussion:

1. Adjustments necessary to meet the funding needs of growing districts
2. Suggestions for a poverty index or formula.

1. Adjustments necessary to meet the funding needs of growing districts

Problem

Act 388 (H4449) limits local districts' growth in revenue to the CPI and growth in population. CPI and population growth only ensure sufficient funds, at best, to meet the same budget as the previous year in inflated dollars. The law does not allow districts to grow their budgets to meet new program needs associated with student growth.

As you remember, we presented information in an earlier meeting regarding enrollment growth and stated that school budgets in fast growing districts may grow at a faster rate than CPI and population because these districts have to open new schools to accommodate new students. Such districts may not have adequate funding to offset the expense of opening new schools in any particular year.

Solution

Some states have developed a formula for growth. We reviewed some of these in developing this proposal. Below are two options for consideration.

Option 1: State Funded Growth Formula

This option provides that the state would allocate additional funding for growth using a **weighting factor** over and above the standard EFA allocation. This additional funding would be a separate line item for growth. To determine the state funding, first, growth is computed by comparing the 45th day of the current year to the 45th day of the preceding year. (For 07-08 projections, growth in 06-07 from 05-06 based on 45th day). Then, that growth is multiplied by a weighting factor of 1.2 times the Base Student Cost for the proposed budget year. (The weighting factor is based on cost relative to growth currently experienced by districts with increasing enrollment minus the dollars provided for growth generated by the CPI plus growth factor at the state and local levels.)

Example: If a district grew 600 students, you would apply the following formula: 600 times 1.2 equals 720. 720 times the Base Student Cost of $2,476 equals approximately $1.8 million ($1,782,720.00) additional revenue to assist with growth.

Option 2: Combined State / Local Growth Formula

Under this option, growth districts would be allowed to increase operating millage a "percent of growth" more than the cap set by Act 388. If a district raises millage in excess of the cap under this provision, then the increase above the cap would be applied to all taxable property including owner occupied property and the additional revenue generated from the owner occupied part of the taxable property would be reimbursed by the state. The remainder of the increase would be generated through local revenue received on all property except owner occupied.

Growth again is computed by comparing the 45th day of the current year to the 45th day of the preceding year. (For 07-08 projections, growth in 06-07 from 05-06 based on 45th day) Percent of growth would be calculated and applied to the current operating millage.

Example: If district enrollment is 20,000 students and grows by 600 students, it experiences a three percent growth. That district would be allowed to increase its operating millage by three percent (600 divided by 20,000 equals 0.03.).

If the district currently levies 200 mills in operating millage, three percent of that operating millage would be about six mills. The district would be allowed to raise its operating millage six mills in addition to the amount that it can raise with the CPI plus growth formula. (200 times 0.03 equals six).

The state would calculate their reimbursement to the school district using the six mills levied applied to the assessed value of owner occupied property for the school district in the year in which the millage increase is imposed. The local district revenue would be calculated by using the six mills levied applied to all other taxable property excluding owner occupied.

2. Suggestions for a poverty index or formula

Problem

Act 388 includes a .20 poverty-weighting factor applied only to the growth dollars. This is a step in the right direction. However, the amount of revenue generated is insufficient and would provide no substantial relief to poverty-stricken districts.

Solution

Establish an **EFA poverty weighting** appropriating new dollars for that purpose to be added to the base student cost. The funds for poverty in Act 388 should be rolled into meeting the EFA weighting.

A recommended poverty weighting should be established, ideally, as part of a new comprehensive funding plan. Once the recommended level is established, the funding to meet that poverty index could be raised until the recommended funding level is reached.

A number of studies have been conducted on this issue. There are a variety of weightings for poverty used in numerous states that range from.09 to .50 depending on an individual state's base student cost, size of district, reduced vs. free numbers and other variables. The EOC has recommended a 0.20 EFA compensatory weighting that would be applied to all EFA funds under their model.

Formula: The state would define students in poverty as students qualifying for the federal free and/or reduced lunch program. As a beginning point, the allocation could be funded at a .05 poverty weighting. This would begin to move the poverty weighting and would cost the state about $41 million in new money with total cost approximately $59 million.

Example: If a district enrollment is 20,000 students and 30 percent of those 20,000 students or 6,000 students qualify for free and/or reduced lunch, that district would receive about $742,800. (.05 poverty weight times 6,000 students equals 300 times $2,476 Base Student Cost equals $742,800.).

This would be approximately $124 additional dollars per poverty student. A weighting of .20 would generate approximately $ 495.00 per poverty student. A weighting of .50 would generate approximately $1200 per poverty student.

We appreciate your attention to these important issues and the opportunity to work with you. Additionally we appreciate the committee's plans to recommend modifications in Act 388 implementation to assist with the cash flow problem. This will help every district.

If SCASA and the Business Officials can be of any assistance please call on us.