



STATE OF SOUTH CAROLINA DEPARTMENT OF EDUCATION

Mick Zais
Superintendent

1429 Senate Street
Columbia, South Carolina 29201

January 10, 2012

The Honorable W. Brian White
Chairman, House Ways and Means Committee
525 Blatt Building
Columbia, SC 29201

Dear Chairman White:

The purpose of this letter is to highlight some of budget recommendations for consideration as part of the Fiscal Year 2012-2013 Budget in light of recent revenue forecasts that show some growth in state revenue. My recommendations are made with the belief that dollars should be directed to the classroom and provide districts with funding flexibility. Thank you for your consideration of these proposals.

Economic Times

These recommendations are offered in the context of the current national economy, which appears to be growing slightly. The state's economy is strongly affected by national policy, and therefore, we cannot assume Washington policy makers will take the necessary steps to jumpstart the national economy.

The Bureau of Economic Advisors (BEA) informed the agency on August 25, 2011 that the formula estimating the Base Student Cost (BSC) shows no inflation factor this year. The BEA's estimate for the BSC was \$2,790 in FY 2011-2012 and remains the same for FY 2012-2013. According to the BEA, this is the first time in the history of the Education Finance Act (EFA) the BSC inflation factor has been zero.

Ultimately, the best use of scarce state resources is to direct as much funding to classrooms as possible. These recommendations aim to put the students first when considering funding decisions given the economic times and the information available to the agency as of January 10.

Education Finance Act

The BSC formula estimate provided by the BEA for FY 2012-2013 is \$2,790. However, with the challenges of the economy and the competing demands in state government, it is extremely unlikely state revenue will be available to fully fund it. The recurring appropriation for the FY 2011-2012 BSC is \$1,788. This is an increase over the recurring FY 2010-2011 BSC of \$1,615 and is the result of an additional \$105 million in funding for the Education Finance Act (EFA). The General Assembly also appropriated \$56,174,107 in one-time funds via Proviso 90.18, and when combined with the recurring funding for EFA, results in a total BSC of \$1,880 for FY 2011-2012.

Respectfully, I request the budget use recurring dollars to fund the EFA line. Furthermore, I request you commit to maintaining the Base Student Cost of \$1,880 at a minimum for FY 2012-2013.

In my budget request to Gov. Haley, I proposed cost savings and funding shifts in the amount of \$56,371,236 to replace \$56,174,107 in one-time EFA funds with recurring dollars. The projected district weighted pupil units (WPU) figure is 868,869 for FY 2012-2013. **To replace the one-time EFA funds and maintain a BSC of \$1,880 with increased WPU will require \$70,682,563.**

The net effect of adopting these recommendations would require only an additional \$14,311,327 to reach a BSC of \$1,880. The reason for the additional funding is because of an increase in the projected district WPU figure for FY 2012-2013.

South Carolina Public Charter School District

The current budget appropriates \$25,343,146 in recurring general fund dollars for public charter schools sponsored by the SCPCSD. While I believe a permanent solution to funding these schools is to require all dollars associated with a student follow them to the public school of their choice, I support this budget line item until such a solution can be enacted.

Transportation

South Carolina maintains the only-state run school bus fleet in the nation. To meet the maintenance needs and expected fuel costs for FY 2012-2013, I respectfully ask for a net increase of \$5,000,000, and that the proviso providing flexibility for the agency to use excess Education Improvement Act (EIA) funds for fuel be maintained in the budget.

The school bus fleet is one of the oldest, if not the oldest, maintained by a public school system. Older buses are more expensive to maintain and are not as fuel efficient. The General Assembly appropriated \$12,350,000 in the current budget from unclaimed lottery prize funds to purchase new school buses. I am grateful for this support, but the actual amount of unclaimed lottery prize funds may not reach the full authorization amount. Respectfully, I request a Capital Reserve Fund appropriation of \$36,000,000 for the purchase of new school buses, replacing approximately one-fifteenth of the fleet as recommend by SC Code of Laws 59-67-580. These funds will allow the agency to remove buses purchased in the mid-1980s that are still in use today.

Instructional Materials

The General Assembly mandated the suspension of new textbook purchases in FY 2010-2011, and in FY 2011-2012 they permitted a suspension of new textbook purchases. In August 2011, the State Board of Education adopted new standards for Social Studies, after adopting the Common Core State Standards for English-Language Arts and Mathematics in July 2010. During this fiscal year, the State Board will consider new Science standards sometime next spring or summer.

The state must purchase new textbooks in FY 2012-2013 because of the adoption of new standards in the four core subject areas and the statutorily required textbook adoption process is very time consuming. It is my intent to review this process to streamline it and encourage the adoption of digital content to the greatest extent possible. Respectfully, I request maintaining the amounts appropriated in FY 2011-2012 for Instructional Materials in general, restricted, and EIA fund sources, though I propose transferring the general fund sources to EIA funds. I also request amended Provisos 1.38 and 1A.31 that remove language suspending the purchase of next textbooks.

IDEA Maintenance of Effort

Special education students deserve the same access to a quality education as every other student. After I assumed office on January 12, 2011, I learned the South Carolina Department of Education had not informed the General Assembly of a compliance issue with the United States Department of Education regarding the Individuals with Disabilities Education Act (IDEA). In fact, the State had not met the federal maintenance of effort requirement (MOE) for the past three fiscal years, prior to the beginning of my public service as State Superintendent of Education.

The United States Department of Education notified me that they would withhold over \$111 million in special education funding on June 17, 2011. This would be a devastating cut to special education programs in South Carolina, which are required by the federal government. Working cooperatively and as expeditiously as possible with Gov. Haley and the General Assembly, the South Carolina Department of Education made \$75 million available to school districts for special education before the close of FY 10-11. This reduced the cut in federal special education funding to \$36,202,909 per year; however, that cut is in perpetuity and I will fight it by appealing this decision by the federal government. This cut is the result of the State not meeting the financial effort required in FY 09-10.

At this time, the U.S. Department of Education has not issued a decision regarding the state's appeal of this draconian \$36 million cut. The federal government has said no cut will occur prior to October 1, 2012; however, the state must be prepared to assume responsibility for this loss of funding or else face future penalties.

Based upon the best available information as of November 30, 2011, the South Carolina Department of Education (SCDE) estimates the additional funding necessary to meet maintenance of effort (MOE) for the Individuals with Disabilities Education Act (IDEA) for FY 2012-2013 to be \$26,125,680, not \$45,481,854, if a joint resolution can be passed to alter Proviso 1A.54.

Proviso 1A.54 states in part, "the department shall direct \$45,481,854 of the funds appropriated in Section XI.A.1 Aid to Districts" for the purposes of meeting the IDEA MOE. This estimate was based upon the funds available during the House Ways and Means Committee process. The ratified Appropriations Act increased funding for the Education Finance Act (EFA) more than the original estimate. This lowered the amount necessary for the IDEA MOE. In addition, the current pupil count is also lower than estimated, which further reduced the amount necessary for IDEA MOE.

If a joint resolution was introduced, adopted by the General Assembly, and signed into law that changed the wording of the proviso to state “the department shall direct **up to \$45,481,854** of the funds appropriated in Section XI.A.1 Aid to Districts”, then the IDEA MOE for FY 2012-2013 will be \$26,125,680, assuming the EFA is maintained at the FY 2011-2012 level. This change would need to be incorporated into the proviso for FY 2012-2013 as well. The funds appropriated for the Aid to Districts line item will still be sent to districts, but a larger proportion of the funding will be more flexible in its use. Enacting a joint resolution will ensure the State meets its obligation to special education, but also not artificially raise the base level of financial support, which would likely increase appropriations in future budget years.

National Board Certification

The current budget appropriates \$68,564,000 in EIA funds for the National Board certification program. Given current information about the number of entrants into the program, the agency estimates no increase in funding will be needed for this program. However, I recommend amending Provisos 1A.13 and 1A.39 to close this program to new entrants. Furthermore, I recommend that teachers only receive this bonus for one ten-year period.

Pass-Through Appropriations

The current budget includes pass-through appropriations in Section 1 of the budget and in various provisos for state agencies such as South Carolina Education Television, the Youth Challenge Program operated by the South Carolina Military Department, and The Children’s Trust. Respectfully, I recommend if activities and initiatives operated by these entities are funded, they should receive a direct appropriation in their budget section and not a pass-through appropriation.

Net Budget Request

I have enclosed an Excel spreadsheet detailing cost savings and funding shifts. Some cost savings I have previously proposed and I am recommending again this year. The net effect of the cost savings and funding shifts is a \$14,311,327 increase in recurring general fund dollars. The EIA fund has been projected to grow by \$42,496,819 in the next fiscal year. The proposed funding shifts would require only \$28,399,339 of the projected EIA revenue surplus. The agency has taken steps this year to better estimate expected federal revenue for Fiscal Year 2012-2013. At this time, the agency projects \$169,663,565 in additional federal authorization will be necessary to accurately reflect the level of federal funding received by the State.

Thank you for considering these funding recommendations.

Sincerely,



Mick Zais, Ph.D.
State Superintendent of Education

Enclosure

Cost Savings and Funding Shifts

FY 2012-2013

January 10, 2012

1	LINE	STATE	EIA	LOTTERY	TOTAL
2	GF EEDA = EIA	(7,315,832)	7,315,832	0	0
3	GF MATH & SCIENCE = DELETE	(305,905)	0	0	(305,905)
4	GF HIGH READ INITIATIVE = DELETE	(729,340)	0	0	(729,340)
5	GF HSTW = DELETE	(1,403,145)	0	0	(1,403,145)
6	GF MODERNIZE VOC EQUIP = EIA	(3,736,110)	3,736,110	0	0
7	GF ETV = DELETE	(4,829,281)	0	0	(4,829,281)
8	GF HOLOCAUST = DELETE	(54,264)	0	0	(54,264)
9	GF ASSESSMENT = EIA	(4,012,495)	4,012,495	0	0
10	GF FORM ASSESSMENT = EIA	(3,096,281)	3,096,281	0	0
11	GF TEXTBOOKS = EIA	(20,888,583)	20,888,583	0	0
12	GF TRANSPORTATION = EIA	(10,000,000)	15,000,000	0	5,000,000
13	GF COST SAVINGS	(56,371,236)	0	0	(56,371,236)
14	GF REPLACE ONE-TIME EFA FUNDS	56,174,107	0	0	56,174,107
15	GF EFA = MAINTAIN \$1880 BSC	14,508,456	0	0	14,508,456
16	EIA AID TO DIST = IF IDEA MOE J.R. PASSED		(19,356,174)	0	(19,356,174)
17	EIA ARTS CURRICULA = DELETE		(1,187,571)	0	(1,187,571)
18	EIA PG&SA = SUSPEND		(2,230,061)	0	(2,230,061)
19	EIA WRITE IMPROV NETWRK = DELETE		(182,761)	0	(182,761)
20	EIA SC GEOGRAPHIC ALLIANCE = DELETE		(155,869)	0	(155,869)
21	EIA SCIENCE PLUS = DELETE		(150,000)	0	(150,000)
22	EIA CENTERS OF EXCEL = DELETE		(887,526)	0	(887,526)
23	EIA SCIENCE SOUTH = DELETE		(500,000)	0	(500,000)
24	EIA SC YOUTH CHALLENGE ACD = DELETE		(1,000,000)	0	(1,000,000)
25	EIA NONRECURRING/CASH BAL = FUEL				
26					
27	TOTALS	14,311,327	28,399,339	0	
28	EIA REVENUE ESTIMATE		42,496,819		
29	EIA SHIFTS MINUS REVENUE ESTIMATE		(14,097,480)		
30	CRF BUSSES = \$36M				
31					