

**Senate Select Committee on K-12 Funding  
December 15, 2010**

At the request of the chairman of the Senate Select Committee on K-12 Funding, the Education Oversight Committee (EOC) presented on November 16 a methodology for reallocating existing state revenues for public schools that:

1. Recognized the basic operational and fixed costs incurred by each school district by allocating a base amount of \$1.0 million to every school district;
2. Recognized the individual academic needs and characteristics of students in each district by allocating resources using the EOC model weights which include weights for students in poverty, students with limited English proficiency, students identified as artistically and academically gifted and talented, and students not meeting state standards; and
3. Assumed revenue neutrality using actual Fiscal Year 2008-09 revenues to districts.

This methodology did not include the current Education Finance Act (EFA) Index of Taxpaying Ability or any other factor addressing variations in the ability of school districts to generate local revenues for public education. The chairman of the Committee asked the EOC staff to build upon the November allocation formula and include a revised Index of Taxpaying Ability based upon the value of a mill in each district. The new index, hereafter referred to as the Index of Fiscal Capacity, was calculated for each district using the following formula:

$$\text{District Fiscal Capacity Index} = \text{District Value of a Mill} / \text{State Value of a Mill}$$

Data were gathered from the Department of Revenue's website and from Senate Finance Committee staff for Tax Year 2008 which were used in calculating the 2010 Index of Taxpaying Ability. The value of a mill was calculated by adding the total assessed value in each district and then dividing by 1,000. Total assessed value includes the following property categories which comprised the 2010 index of taxpaying ability.

- Owner Occupied
- Agricultural (Private)
- Agricultural (Corporate)
- Motor Vehicles
- Other Personal Property
- Fee-in-Lieu and Joint Industrial Park Assessed
- Manufacturing Property
- Utility Property
- Business Personal Property
- Motor Carrier

An Index of Fiscal Capacity was calculated for each district using two scenarios or options. An index was calculated that included owner-occupied property. Another index was calculated that excluded owner-occupied property. Attached is a spreadsheet showing the value of a mill as well as the Index of Fiscal Capacity for each district under both scenarios.

In prior analyses provided to this Committee, the EOC staff used 2008-09 **actual** state revenues to school districts, which totaled \$2.6 billion, to determine retrospectively the impact of changing the funding formula. The following analysis **estimates** the impact of changing the funding formula based on the current year's, Fiscal Year 2010-11, projected state revenues to school districts from the following seventeen appropriations.<sup>1</sup>

**Table1**  
**FY2010-11 Projected State Funds Redirected to New Funding Model**

	Revenue Code	Program Title	Source of Funds	Total Amount to Districts
1	3118	EEDA Career Specialists	General Fund	\$21,881,536.38
2	3127	Student Health & Fitness	General Fund	\$7,141,688.00
3	3129	Consolidated Funds	General Fund	\$21,724,135.02
4	3180	Fringe Benefits	General Fund	\$489,926,503.42
5	3181	Retiree Insurance	General Fund	\$96,096,274.00
6	3511	Professional Development	EIA	\$4,795,275.18
7	3530	Handicap Student Services	EIA	\$2,692,412.19
8	3538	Students at Risk of School Failure	EIA	\$133,817,592.06
9	3544	High Achieving Students	EIA	\$24,067,171.13
10	3550	Teacher Salary Supplement	EIA	\$75,254,670.00
11	3555	Fringe Benefits Teacher Salary	EIA	\$15,457,309.22
12	3556	Adult Education	EIA	\$11,152,614.00
13	3558	Reading	EIA	\$4,459,257.37
14	3577	Teacher Supply	EIA	\$13,476,375.00
15	3607	6-8 Enhancement	Lottery	\$1,782,421.54
16	3610	K-5 Enhancement	Lottery	\$44,364,312.00
17	ALL	Education Finance Act	General Fund	\$984,860,922.67
		<b>TOTAL:</b>		<b>\$1,952,950,469.18</b>

<sup>1</sup> South Carolina Department of Education. Office of Finance. "Report of Payments, 2010-11," as updated through November 18, 2010. <<http://ed.sc.gov/agency/Finance-and-Operations/Finance/old/finance/monthlypayments/NOV11.txt>>and <<http://ed.sc.gov/agency/Finance-and-Operations/Finance/old/finance/monthlypayments/EFANOV11.txt>>



The \$1.95 billion in state revenues from Table 1 were reallocated to school districts using the following guidelines:

- A \$1.0 million base to each school district; and
- All remaining funds allocated to school districts based on the EOC weights, a state base student cost of, and the Index of Fiscal Capacity.

To maintain revenue neutrality, the state base student cost was calculated to be \$2,100. The actual formula used to reallocate \$1.95 billion in state funds was:

$$\text{District Allocation} = (1 - \text{index of fiscal capacity}) \times \text{State Base Student Cost} \times \text{District WPUs}$$

In addition to the \$1.0 million base, each district would receive a percentage of the state base student cost with districts having a greater Index of Fiscal Capacity receiving less per weighted pupil unit and districts with a lower Index of Fiscal Capacity more per weighted pupil unit. To guarantee that no district receives less revenue than the district is projected to receive in the current fiscal year and to allocate all revenues generated by the formula would cost approximately \$140 million. (Table 2) The following table also shows that including or excluding owner-occupied property from the index does not significantly impact the hold harmless amounts.

**Table 2**  
**Options using Index of Fiscal Capacity and FY09 State Revenues**

Option	Base Amount per District	State Base Student Cost	Index of Fiscal Capacity	Hold Harmless
1	\$1.0 million	\$2,100	Includes Owner-Occupied Property	\$141,821,283
2	\$1.0 million	\$2,100	Excludes Owner- Occupied Property	\$139,316,292

Like the original Education Finance Act (EFA), to minimize the initial cost to the state, the allocation formula could be phased-in over time. All school districts that would “lose” under the allocation would receive the current year’s funding level, a hold harmless amount. All districts that would “gain” under the allocation formula would receive additional state funds incrementally in a “phase-in” process. At a phase-in of 30%, the incremental annual cost would be approximately \$41.0 million. At a phase-in level of 25% in FY2011-12, the initial annual cost would be approximately \$34.0 million. Table 3 shows the costs and corresponding dollars per weighted pupil unit. These amounts exceed the state base student cost due to the inclusion of the \$1.0 million base.

**Table 3**  
**FY2011-12 Phase-In, Estimated Costs & \$ Per WPU**  
**(Includes Hold Harmless)**

Option	Index of Fiscal Capacity	Initial Phase-In %	Annual Incremental Cost	Mean \$ per WPU	Minimum \$ Per WPU	Maximum \$ Per WPU
1	Includes Owner-Occupied	30%	\$41,652,900	\$2,316	\$969	\$2,780
	Includes Owner-Occupied	25%	\$34,710,750	\$2,308	\$898	\$2,780
2	Excludes Owner-Occupied	30%	\$41,051,356	\$2,315	\$966	\$2,780
	Excludes owner-Occupied	25%	\$34,209,464	\$2,308	\$896	\$2,780

There are other options to reduce the annual incremental cost:

1. The hold harmless amount for districts that "lose" could be phased out over time just as the amount that districts "gain" is phased in over time; and
2. The state base student cost of \$2,100 could be selectively reduced for the districts that "gain." It should be noted that such manipulations have the potential of creating inequities in the application of the formula.



**Index of Fiscal Capacity**

District	Total Assessed Value (Includes Owner-Occupied)	Value of A Mill	Value of A Mill/State Average	Total Assessed Value (Excludes Owner-Occupied)	Value of A Mill	Value of A Mill
Abbeville	\$58,776,400	\$58,776	0.00280	\$38,849,240	\$38,849	0.00268
Aiken	\$554,201,798	\$554,202	0.02636	\$358,652,489	\$358,652	0.02474
Allendale	\$21,182,894	\$21,183	0.00101	\$17,606,104	\$17,606	0.00121
Anderson 1	\$172,697,979	\$172,698	0.00821	\$105,332,249	\$105,332	0.00727
Anderson 2	\$53,843,413	\$53,843	0.00256	\$33,486,813	\$33,487	0.00231
Anderson 3	\$39,556,922	\$39,557	0.00188	\$28,264,682	\$28,265	0.00195
Anderson 4	\$103,562,992	\$103,563	0.00493	\$71,223,252	\$71,223	0.00491
Anderson 5	\$283,158,756	\$283,159	0.01347	\$185,294,926	\$185,295	0.01278
Bamberg 1	\$17,194,620	\$17,195	0.00082	\$11,904,420	\$11,904	0.00082
Bamberg 2	\$12,026,680	\$12,027	0.00057	\$8,698,360	\$8,698	0.00060
Barnwell 19	\$10,992,566	\$10,993	0.00052	\$8,367,306	\$8,367	0.00058
Barnwell 29	\$14,315,006	\$14,315	0.00068	\$10,987,476	\$10,987	0.00076
Barnwell 45	\$30,489,351	\$30,489	0.00145	\$21,822,041	\$21,822	0.00151
Beaufort	\$1,790,155,982	\$1,790,156	0.08514	\$1,299,409,801	\$1,299,410	0.08963
Berkeley	\$700,054,161	\$700,054	0.03329	\$476,887,991	\$476,888	0.03289
Calhoun	\$84,183,417	\$84,183	0.00400	\$69,493,887	\$69,494	0.00479
Charleston	\$2,833,459,549	\$2,833,460	0.13476	\$1,955,120,589	\$1,955,121	0.13486
Cherokee	\$172,973,032	\$172,973	0.00823	\$127,645,342	\$127,645	0.00880
Chester	\$106,868,257	\$106,868	0.00508	\$78,447,927	\$78,448	0.00541
Chesterfield	\$115,073,883	\$115,074	0.00547	\$86,514,073	\$86,514	0.00597
Clarendon 1	\$32,078,856	\$32,079	0.00153	\$23,577,112	\$23,577	0.00163
Clarendon 2	\$51,748,463	\$51,748	0.00246	\$35,361,451	\$35,361	0.00244
Clarendon 3	\$8,893,217	\$8,893	0.00042	\$5,583,047	\$5,583	0.00039
Colleton	\$176,468,353	\$176,468	0.00839	\$142,085,713	\$142,086	0.00980
Darlington	\$215,561,448	\$215,561	0.01025	\$161,181,720	\$161,182	0.01112
Dillon 1	\$8,957,002	\$8,957	0.00043	\$5,733,332	\$5,733	0.00040
Dillon 2	\$45,715,264	\$45,715	0.00217	\$34,725,614	\$34,726	0.00240
Dillon 3	\$16,378,358	\$16,378	0.00078	\$12,021,358	\$12,021	0.00083
Dorchester 2	\$437,323,808	\$437,324	0.02080	\$242,964,088	\$242,964	0.01676
Dorchester 4	\$58,518,177	\$58,518	0.00278	\$43,756,447	\$43,756	0.00302
Edgefield	\$73,262,943	\$73,263	0.00348	\$46,807,743	\$46,808	0.00323
Fairfield	\$122,592,567	\$122,593	0.00583	\$100,215,895	\$100,216	0.00691



**Index of Fiscal Capacity**

District	Total Assessed Value (Includes Owner-Occupied)	Value of A Mill	Value of A Mill/State Average	Total Assessed Value (Excludes Owner-Occupied)	Value of A Mill	Value of A Mill/State Average	Value of A Mill	Value of A Mill/State Average
Florence 1	\$372,689,635	\$372,690	0.01772	\$259,573,086	\$259,573	0.01790	\$259,573	0.01790
Florence 2	\$14,055,205	\$14,055	0.00067	\$9,764,834	\$9,765	0.00067	\$9,765	0.00067
Florence 3	\$50,564,080	\$50,564	0.00240	\$38,860,123	\$38,860	0.00268	\$38,860	0.00268
Florence 4	\$21,135,263	\$21,135	0.00101	\$17,182,315	\$17,182	0.00119	\$17,182	0.00119
Florence 5	\$13,685,544	\$13,686	0.00065	\$9,976,435	\$9,976	0.00069	\$9,976	0.00069
Georgetown	\$580,778,519	\$580,779	0.02762	\$431,476,522	\$431,477	0.02976	\$431,477	0.02976
Greenville	\$1,962,303,745	\$1,962,304	0.09333	\$1,254,458,107	\$1,254,458	0.08653	\$1,254,458	0.08653
Greenwood 50	\$187,184,671	\$187,185	0.00890	\$130,955,891	\$130,956	0.00903	\$130,956	0.00903
Greenwood 51	\$14,269,088	\$14,269	0.00068	\$9,574,370	\$9,574	0.00066	\$9,574	0.00066
Greenwood 52	\$59,872,901	\$59,873	0.00285	\$55,539,353	\$55,539	0.00383	\$55,539	0.00383
Hampton 1	\$31,942,432	\$31,942	0.00152	\$22,695,642	\$22,696	0.00157	\$22,696	0.00157
Hampton 2	\$14,184,172	\$14,184	0.00067	\$10,941,852	\$10,942	0.00075	\$10,942	0.00075
Horry	\$1,983,446,727	\$1,983,447	0.09433	\$1,589,028,571	\$1,589,029	0.10961	\$1,589,029	0.10961
Jasper	\$128,931,536	\$128,932	0.00613	\$104,312,446	\$104,312	0.00720	\$104,312	0.00720
Kershaw	\$208,284,441	\$208,284	0.00991	\$129,424,701	\$129,425	0.00893	\$129,425	0.00893
Lancaster	\$277,158,016	\$277,158	0.01318	\$175,319,448	\$175,319	0.01209	\$175,319	0.01209
Laurens 55	\$95,397,237	\$95,397	0.00454	\$65,290,077	\$65,290	0.00450	\$65,290	0.00450
Laurens 56	\$50,456,820	\$50,457	0.00240	\$35,806,530	\$35,807	0.00247	\$35,807	0.00247
Lee	\$35,757,720	\$35,758	0.00170	\$25,191,980	\$25,192	0.00174	\$25,192	0.00174
Lexington 1	\$411,224,914	\$411,225	0.01956	\$225,510,234	\$225,510	0.01556	\$225,510	0.01556
Lexington 2	\$231,324,504	\$231,325	0.01100	\$167,772,954	\$167,773	0.01157	\$167,773	0.01157
Lexington 3	\$41,936,621	\$41,937	0.00199	\$27,731,761	\$27,732	0.00191	\$27,732	0.00191
Lexington 4	\$30,485,649	\$30,486	0.00145	\$20,114,849	\$20,115	0.00139	\$20,115	0.00139
Lexington 5	\$425,524,712	\$425,525	0.02024	\$226,476,962	\$226,477	0.01562	\$226,477	0.01562
Marion 1	\$38,600,328	\$38,600	0.00184	\$26,246,051	\$26,246	0.00181	\$26,246	0.00181
Marion 2	\$25,415,631	\$25,416	0.00121	\$16,308,361	\$16,308	0.00112	\$16,308	0.00112
Marion 7	\$11,022,139	\$11,022	0.00052	\$7,466,096	\$7,466	0.00051	\$7,466	0.00051
Marlboro	\$67,375,824	\$67,376	0.00320	\$53,773,844	\$53,774	0.00371	\$53,774	0.00371
McCormick	\$42,192,103	\$42,192	0.00201	\$27,780,553	\$27,781	0.00192	\$27,781	0.00192
Newberry	\$121,603,019	\$121,603	0.00578	\$81,898,209	\$81,898	0.00565	\$81,898	0.00565
Oconee	\$517,993,536	\$517,994	0.02464	\$381,556,666	\$381,557	0.02632	\$381,557	0.02632
Orangeburg 3	\$58,311,405	\$58,311	0.00277	\$41,038,345	\$41,038	0.00283	\$41,038	0.00283
Orangeburg 4	\$60,543,175	\$60,543	0.00288	\$47,126,791	\$47,127	0.00325	\$47,127	0.00325



**Index of Fiscal Capacity**

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Orangeburg 5	\$161,208,220	\$161,208	0.00767	\$119,937,658	\$119,938	0.00827
Pickens	\$429,217,416	\$429,217	0.02041	\$275,847,436	\$275,847	0.01903
Richland 1	\$767,945,462	\$767,945	0.03652	\$554,108,652	\$554,109	0.03822
Richland 2	\$485,066,568	\$485,067	0.02307	\$277,243,568	\$277,244	0.01912
Saluda	\$41,265,350	\$41,265	0.00196	\$28,381,290	\$28,381	0.00196
Spartanburg 1	\$88,640,329	\$88,640	0.00422	\$45,338,068	\$45,338	0.00313
Spartanburg 2	\$169,667,896	\$169,668	0.00807	\$90,255,287	\$90,255	0.00623
Spartanburg 3	\$61,646,991	\$61,647	0.00293	\$46,150,271	\$46,150	0.00318
Spartanburg 4	\$45,814,516	\$45,815	0.00218	\$27,956,760	\$27,957	0.00193
Spartanburg 5	\$214,450,573	\$214,451	0.01020	\$155,988,778	\$155,989	0.01076
Spartanburg 6	\$261,283,407	\$261,283	0.01243	\$178,694,239	\$178,694	0.01233
Spartanburg 7	\$201,320,820	\$201,321	0.00957	\$137,975,667	\$137,976	0.00952
Sumter 2	\$147,133,290	\$147,133	0.00700	\$102,152,710	\$102,153	0.00705
Sumter 17	\$156,135,210	\$156,135	0.00743	\$101,781,290	\$101,781	0.00702
Union	\$65,627,154	\$65,627	0.00312	\$46,409,434	\$46,409	0.00320
Williamsburg	\$89,803,479	\$89,803	0.00427	\$72,158,031	\$72,158	0.00498
York 1	\$88,013,316	\$88,013	0.00419	\$54,472,847	\$54,473	0.00376
York 2	\$275,160,702	\$275,161	0.01309	\$203,699,352	\$203,699	0.01405
York 3	\$404,536,473	\$404,536	0.01924	\$257,683,670	\$257,684	0.01777
York 4	\$264,630,027	\$264,630	0.01259	\$147,087,316	\$147,087	0.01015
<b>STATE</b>	<b>\$21,026,484,625</b>	<b>\$21,026,485</b>	<b>1.00000</b>	<b>\$14,497,518,771</b>	<b>\$14,497,519</b>	<b>1.00000</b>

Total assessed value includes agricultural property, personal property, real and personal property, fee-in-lieu and joint industrial park assessed value for Tax Year 2008 as reported by the South Carolina Department of Revenue on January 28, 2010, which is used for the 2010 Index of Taxpaying Ability. <<http://www.sctax.org/NR/rdonlyres/F2CF955E-9E5B-4630-B49C-FFEB3EC8F2F3/0/2010FinalDistrictSheet.pdf>>.

Total assessed value for owner-occupied property was provided by Senate staff from data provided by South Carolina Department of Revenue on May 14, 2010, with some exceptions for sales data from other tax years.