



Remarks to the Senate Select Committee on K-12 Funding

September 21, 2010

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In August of 2003 the Education Oversight Committee (EOC) requested that its staff propose a revised funding model to define the foundation program for public education. The model was designed in response to five questions:

1. What is the educational program mandated in statute or regulation?
2. What is the cost of the educational program in an average school district or school?
3. Are there ways to spend public dollars to foster higher achievement?
4. What dollars in the public domain are dedicated to schools and districts?
5. What is the state-district balance in educational spending?

Annually, thereafter, the EOC has updated the model to reflect changes in statute, in cost, and in best practices research. The result is the following.

Components of the Model: The model, as amended through 2009, establishes a new base student cost, calculated under the following assumptions:

- All services to children in public schools, as required by state law and regulation, are provided with all costs reflected in the base student cost.
- The pupil teacher ratio in **all** grades is 21:1 with additional teachers needed for smaller class sizes for special needs children. The additional cost for providing smaller class sizes for special education is paid for with existing special education weights.
- The average teacher salary in South Carolina is set at the Southeastern average teacher salary. The salaries for all other professional and administrative staff are based upon the mean of the average salaries of personnel employed in the Southeast region as determined by Educational Research Service.
- The model is based upon the following enrollments for a district and for various types of schools:

	Enrollment
District	7,500
Elementary School	500
Middle School	750
High School	900

Not included in the EOC base student cost are costs associated with the following:

- School building construction;
- Food services;
- Technical assistance to underperforming schools (coaches, specialists, homework centers, etc.);
- Arts and foreign language instruction, with separate line item appropriations recommended instead;
- Extracurricular activities such as sports and clubs; and
- Operation and maintenance of the school bus fleet.

Over time, the base student cost of the EOC funding model has increased accordingly:

Year	Base Student Cost
2003	\$5,239
2004	\$5,347
2005	\$5,657
2006	\$5,311
2007	\$5,606
2008	\$5,800
2009	\$6,008

Approximately one-third or \$1,930 of the 2009 base student cost of \$6,008 was attributed to district costs. The term “district costs” includes the costs of instructional supplies, operation and maintenance of school buildings, district office staff, local school board expenses, technology, and local costs of school bus transportation. Sixty percent or \$1,166 of the total district cost reflects expenses for operating and maintaining school buildings including utilities, upkeep, etc. The district costs associated with operations, instructional supplies, and transportation are based upon In\$ite data as reported by the South Carolina Department of Education.

Weights: Like the Education Finance Act (EFA), the EOC funding model has weights.

General educational weights were assigned for each student which is essentially the base student cost for “average” students in grades K through 12. Looking at the costs of services across elementary, middle and high schools, the staff determined that the weight for all students, including homebound students, should be changed to 1.0. Each student enrolled in public schools would receive one of these general educational weights. Weights for children with disabilities remain the same as currently provided for in the EFA.

Compensatory weights address the contexts or factors that detract from high achievement over time. These weights are in addition to the general educational program weights. There are three categories of compensatory weights in the EOC model that address the specific needs of:

1. Children in Poverty - A compensatory weight of 0.20 is included for children in poverty. Poverty is defined as children eligible for the free or reduced-price federal lunch program and/or eligible for Medicaid. Researchers estimate that

the cost of teaching low-income students using a nationally recognized program such as Success for All or Roots and Wings is an additional \$1,200 per pupil. According to the 2009 annual school and district report cards, statewide the poverty index was 66.15 percent, which means 66.15 percent of all students in the public schools were eligible for the free or reduced-price federal lunch program and/or Medicaid.

2. Children with Limited English Proficiency - A weight of 0.20 is also included for students with limited English proficiency who require intensive English language instruction programs and whose families require specialized parental involvement intervention. A national report documenting how states allocate funds for services to students with limited English proficiency has been provided to this committee and was used in calculating a weighting.

Program weights, which are also in addition to the general educational weights, fund programs designed to address individual student academic or artistic challenges and include programs for students needing:

1. Remediation - A weight of 0.15 is included for students who do not meet state standards on mathematics, English language arts or both to guarantee that the students receive additional tutoring, additional hours of instruction in summer school, extended school year, etc. In 2009, 43,817 students who were not in poverty failed to meet state standards in reading or mathematics on the Palmetto Assessment of State Standards (PASS), and another 23,000 students who were not in poverty and did not pass either the English/language arts or mathematics section of the High School Assessment Program (HSAP).
2. Gifted and Talented – A weight of 0.15 is recommended to provide services to students who are classified as academically or artistically gifted and talented or who are enrolled in Advanced Placement (AP) and International Baccalaureate (IB) courses in high school.
3. Young Adult Education - Adults aged 17 to 21 who are pursuing a diploma or GED through adult education or other means but are no longer part of the regular school setting would be funded at a weight of 0.20. The model assumed that adult education for individuals over age 21 would be provided through a separate appropriation to the South Carolina Department of Education, the technical college system, or a workforce agency.

The following chart compares the current EFA weights with the weights of the EOC model. In 2009 the EOC staff calculated that the revised and new weights would yield a total of 919,651 weighted pupil units. Under the current EFA weights, the Office of Research and Statistics has projected that weighted pupil units in Fiscal Year 2011-12 will be 873,427.

Comparison of Current EFA Weights with Weights of the EOC Funding Model

Classifications	Current EFA Weights	EOC Model Weights
General Education Weights:		
K-5	Kindergarten, 1.30 Primary (1-3), 1.24	1.0
Grades 6-8	Elementary (4-8) 1.00	1.0
Grades 9-12	1.25	1.0
Disabilities:		
Educable Mentally Handicapped	1.74	1.74
Trainable Mentally Handicapped	2.04	2.04
Emotionally Handicapped	2.04	2.04
Visually Handicapped	2.57	2.57
Hearing Handicapped	2.57	2.57
Orthopedically Handicapped	2.04	2.04
Speech	1.90	1.90
Autism	2.57	2.57
Homebound	2.10	1.0
Vocational		1.2
V1	1.29	
V2	1.29	
V3	1.29	
Compensatory Weights:		
Poverty *		.20
Limited English Proficient		.20
Program Weights:		
Gifted and Talented (Grades 3-12) *		.15
Remediation *		.15
Adult Education 17 to 21 year-olds *		.20

* Currently three line items in the EIA budget for Fiscal Year 2010-11 provide partial funding for these initiatives and total \$176.4 million. These specific line items are for: High Achieving Students; Students at Risk of School Failure; and Adult Education. EIA appropriations for Students at Risk of School Failure are allocated to districts based on two factors: (1) the poverty index of the district; and (2) the number of students not in poverty or not eligible for Medicaid but who fail to meet state standards in either reading or mathematics.

Estimated Costs: Based upon the revised base student cost and weighted pupil units, the total cost to fund the EOC model in 2009 was determined to be \$5.5 billion. It should be reiterated that this level of funding does not represent full funding of the Education Finance Act (EFA) but instead full funding of the model. The total cost is determined by multiplying the base student cost of \$6,008 by the total number of weighted pupil units, 919,651.

Cost of Weights at Base Student Cost of \$6,008

General Education Weights	790,907	\$4,751,769,256
Compensatory Weights	93,777	\$563,412,216
Program Weights	34,967	\$210,081,736
TOTAL	919,651	\$5,525,263,208

The cost of the EOC model can be compared to total revenues received by and total expenditures made by school districts. The model recognizes that only state and local revenues may be used to cover the cost of the model. Congress expressly determines how federal funds may be allocated and expended with specific prohibitions against supplanting state and local funds including State Fiscal Stabilization Funds authorized by the American Recovery and Reinvestment Act of 2008 for the base student cost.

Based upon the annual financial audits of school districts, which are required by statute and regulations, the South Carolina Department of Education annually publishes reports, *Statement of Revenues* and *Statement of Expenditures*, which summarize the financial information from the audits.¹ According to the *Statement of Revenues* for Fiscal Year 2008-09, school districts reported receiving \$6.8 billion in local and state revenues in Fiscal Year 2008-09.² While excluded from revenues are all intergovernmental revenues (2000s) and other sources (5000s), debt service is included. As previously reported to this committee, across districts between 16 and 20 percent of local revenues are attributed to debt service. If 20 percent of all local revenues are excluded for debt service, then school districts in Fiscal Year 2008-09 received \$6.2 billion in state and local revenues for general school operations.

Revenues to All School Districts, Fiscal Year 2008-09

Source	Fiscal Year 2008-09	% of Total
Local	\$3,218,060,641	42.6%
State	\$3,577,138,937	47.4%
Federal	\$757,180,259	10.0%
TOTAL	\$7,552,379,837	

The annual financial audits also allow the Department of Education to report expenditures; however, these expenditures can not be disaggregated by funding source. In Fiscal Year 2008-09 school districts reported \$6.8 billion in expenditures, which does not include capital outlays, debt service, and transfers. Assuming that 10 percent of these expenditures can be attributed to federal funds since 10 percent of all revenues come from the federal government, then 10 percent of \$6,780,327,852 or \$6.1 billion in expenditures may be attributed to local and state revenues.

Expenditures by All School Districts, Fiscal Year 2008-09

Total Expenditures	\$9,530,270,115
Total Expenditures Less Capital Outlay, Debt Service and Transfers	\$6,780,327,852

In summary, the estimated cost of the EOC funding model is \$5.5 billion. Excluding 20 percent of all local revenues for debt service, school districts in Fiscal Year 2008-09 received \$6.2 billion in local and state revenues for school operations. Compared to expenditures, it is projected that in Fiscal Year 2008-09 school districts expended approximately \$6.1 billion in local and state revenues on school operations.

¹ According to Section 59-17-100, “each school district of the State shall provide the State Department of Education each year with two copies of its audit report by December first following the close of the fiscal year.” Regulation 43.172 stipulates the qualifications of the accountant performing the audit and the requirements of the audit report.

² “Historical Financial Information.” South Carolina Department of Education. Accessed on September 8, 2010. . <<http://ed.sc.gov/agency/Finance-and-Operations/Finance/old/finance/HistoricalData.html>>.

What issues are not addressed in the EOC Funding Model?

There are other issues related to school funding that are not addressed in the EOC funding model but will need to be addressed if the General Assembly amends the Education Finance Act (EFA). These issues are best summarized by the following questions:

1. What should be the balance between the state and local share of the base student cost? Should the state share continue to be 70%?
2. What state revenues and/or current line-item appropriations should be consolidated into a new funding system?
3. How should equity be maintained in the EOC funding model? How should the index of taxpaying ability be amended?
4. If the EFA is amended or an alternative model implemented, will the General Assembly phase-in the new funding model over time and provide hold-harmless funds as was the case with the original EFA?