



FUNDING OUR CHILDREN FOR SUCCESS

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

January 2020



FUNDING OUR CHILDREN FOR SUCCESS

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

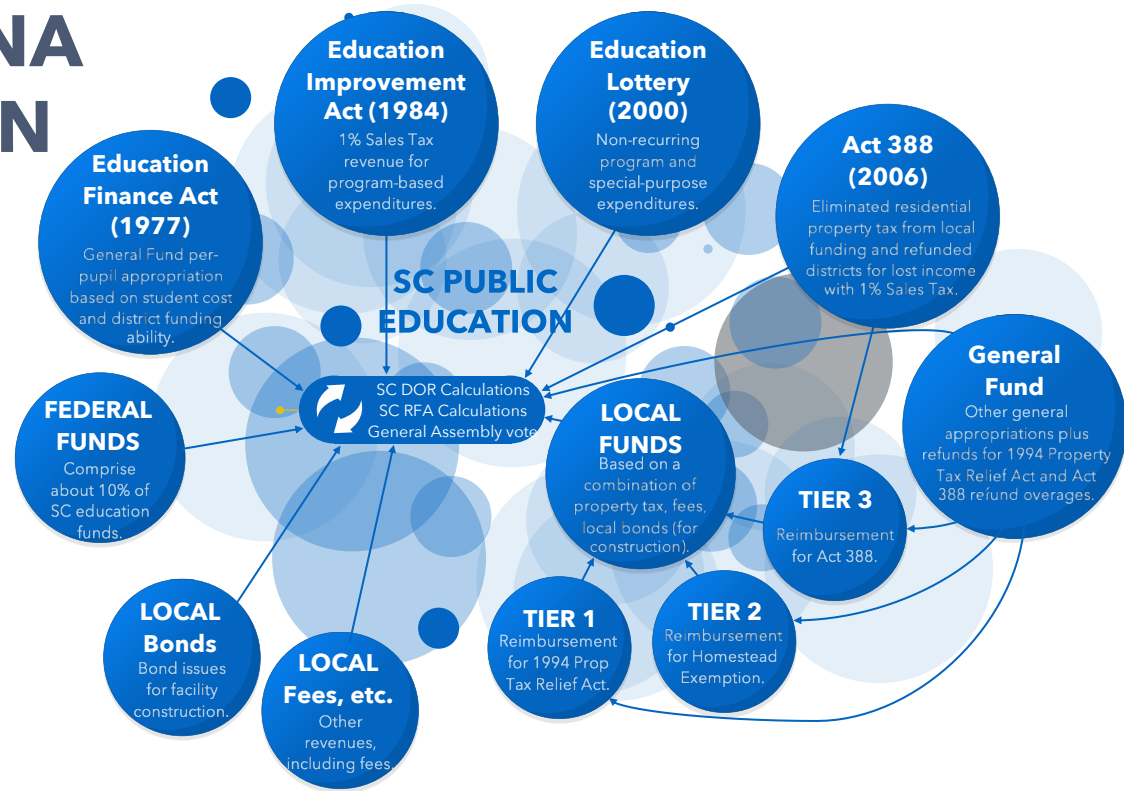


“

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**.

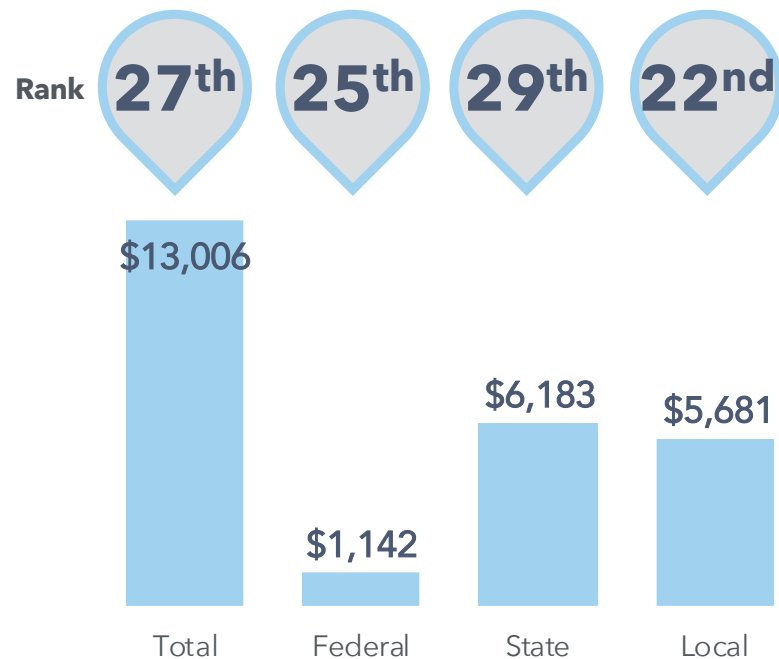
INFLATION-ADJUSTED PER STUDENT REVENUES (2001-2020)



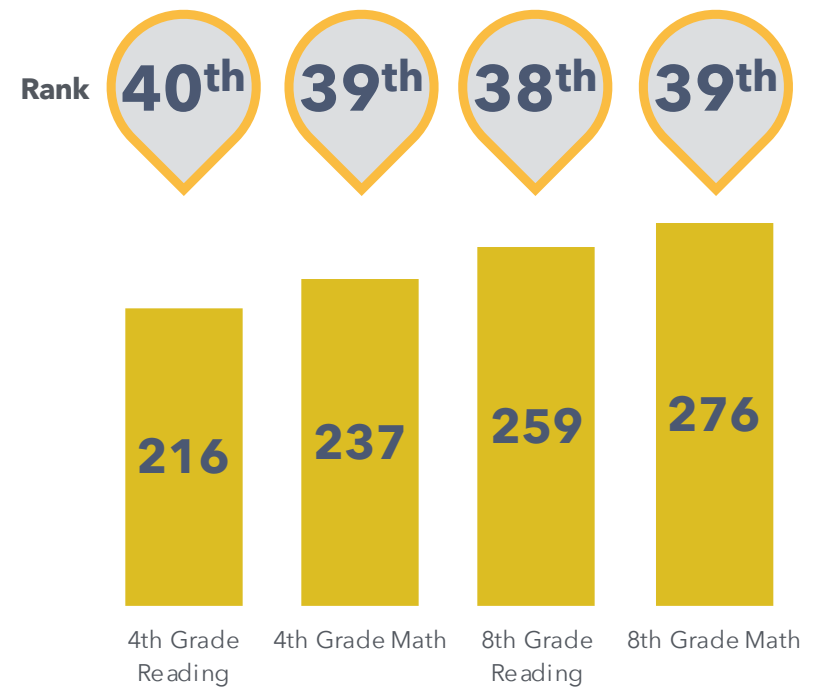
Funding for K-12 education has historically increased with economic booms and decreased with recessions. This method of budgeting **lacks stability** and **planning**.

NATIONAL COMPARISON

K-12 REVENUES, FY 2017



NAEP SCORES, FY 2019



Relative to other US States, South Carolina's **per-pupil revenue level is just below the median**, ranking 27th overall. However, in **achievement the state ranks further behind**, placing 39th on average in NAEP scores.

A FRACTURED FORMULA

KEY PROBLEMS



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



Revenue
streams are
unstable and
*unpredict-
able*.



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



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



EFA 2.0

KEY PRINCIPLES OF AN EFFECTIVE FUNDING FORMULA

**Single,
Comprehensive
Student-Centric Funding**

**Equitable
Local and State
Cost-Sharing**

**Simplified
Funding
Formula**

**Data Analysis
For Accountability,
Evaluation, Auditing
and Feedback**

**Phase-in
Period and
Hold Harmless
Provisions**



“

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**.

EFA 2.0



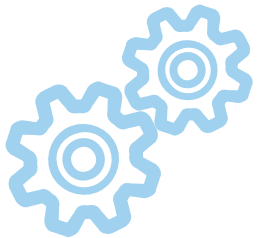
FOUNDATION AMOUNT

"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 FUNDING EFFICIENCY

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.



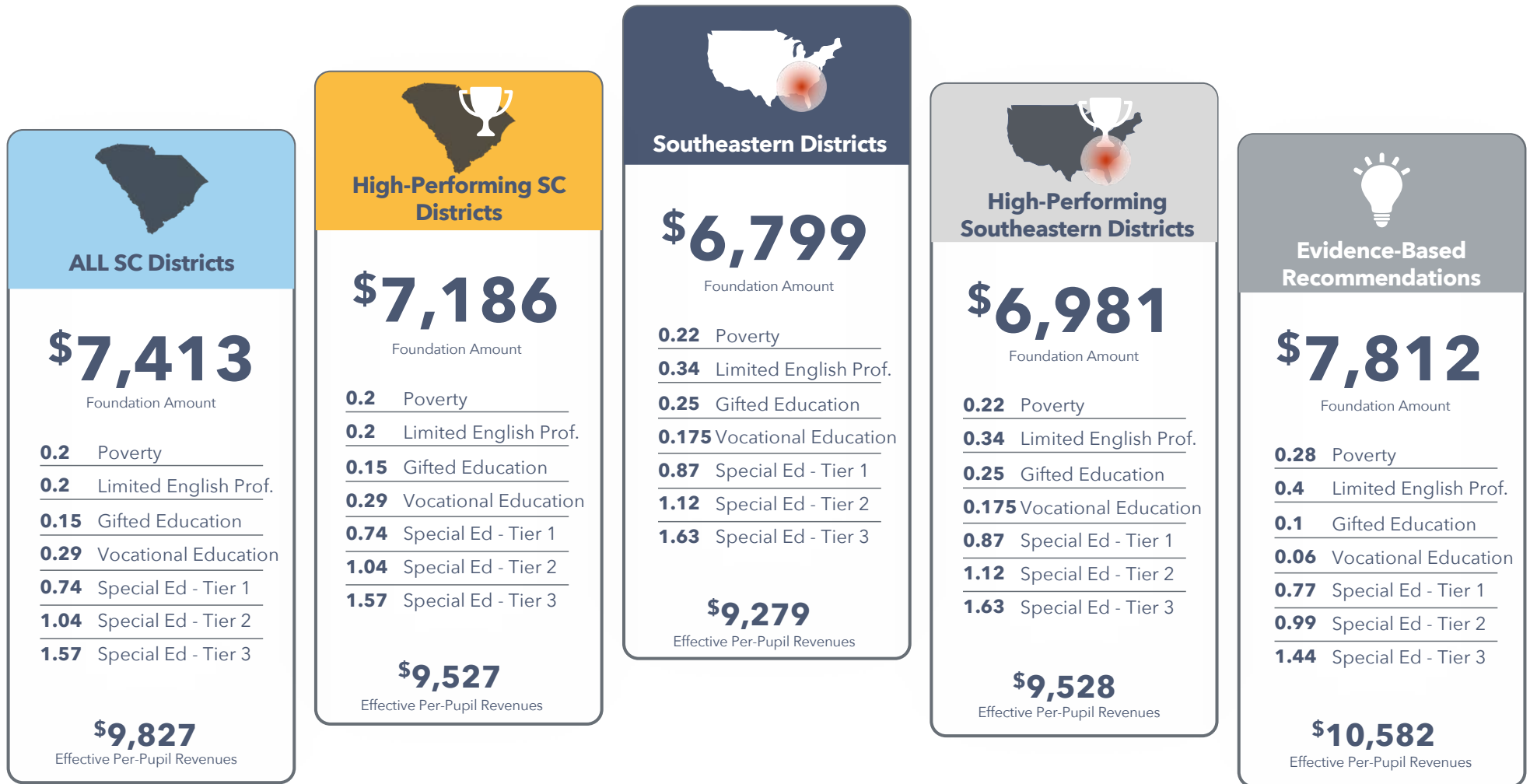
STATE AND LOCAL COST SHARING

Required local funding share is determined by a uniform minimum millage rate, set by the state such that, on average, local districts contribute 1/3 and the state contributes 2/3 of formula funds. Districts with lower values of assessed property will receive a larger share of funding from the state, improving equity across districts. Local districts may provide more funds if desired.



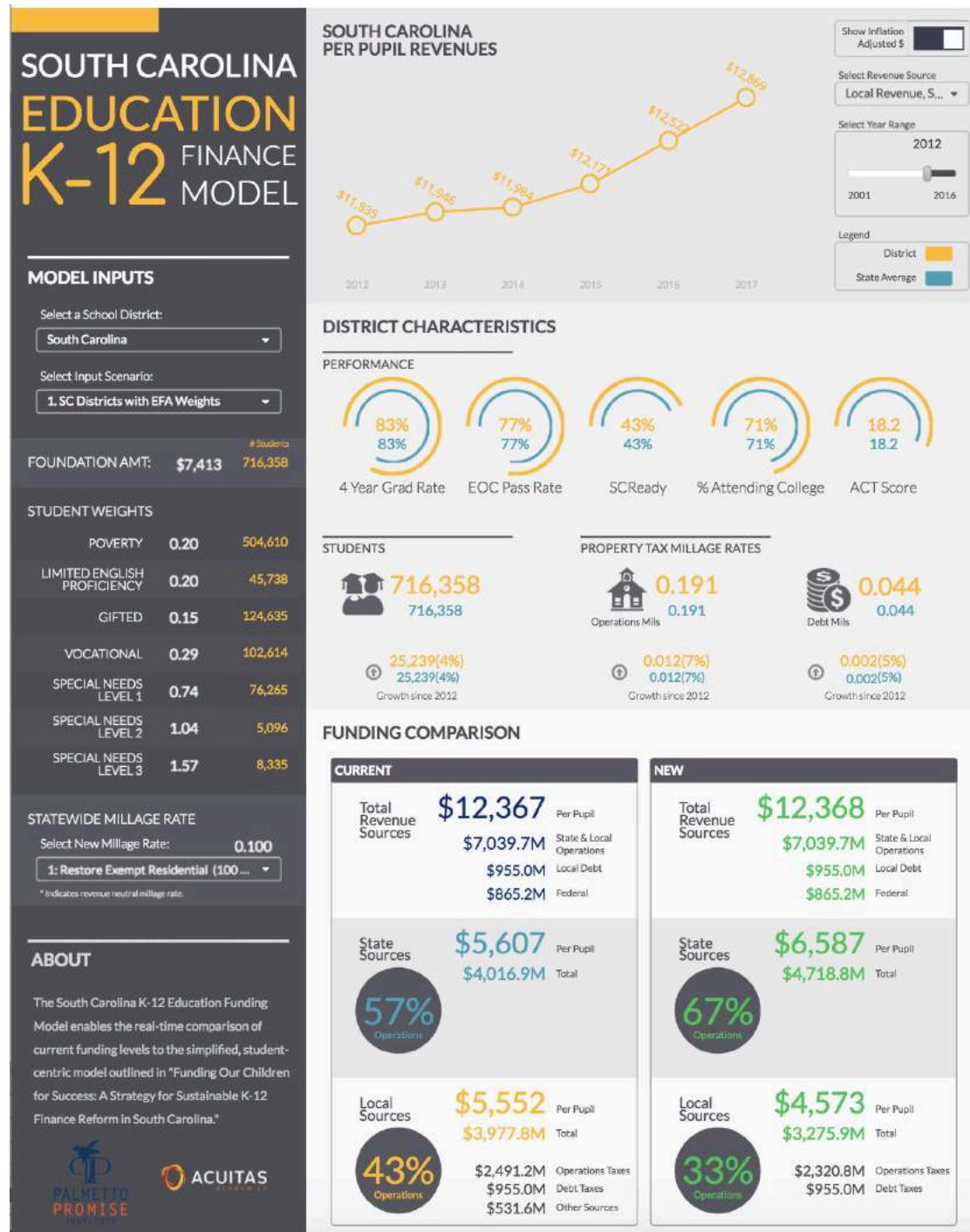
IMPACT

FIVE SCENARIO VALUES



The EFA 2.0 model was tested under five scenarios using 2015-16 data.

INTERACTIVE ONLINE MODEL





TRANSITION

IMPLEMENTATION NEEDS

1 Phase-in Period

Phase-in period of 5 to 8 years to smooth transition with clear, predictable estimates of budget changes for districts receiving new state funds.

1

2 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

3 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**.



FUNDING OUR CHILDREN FOR SUCCESS

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



Contact Us

palmettopromise.org / acuitasecon.com



Research Paper

palmettopromise.org/FundingForSuccess.pdf