

**Report of the  
Task Force on Funding  
*for World Class Learning***

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**Presented to Jim Rex  
State Superintendent of Education**

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South Carolina  
Department of Education

Together, we can.

## *From the* **Task Force on Funding for World Class Learning**

One day, South Carolina can be the state all of us want her to be.

The South Carolina we envision is no longer the “go to” state for cheap labor and low-paying jobs, where some enjoy a desirable quality of life but many more do not. We see our state, instead, as the “go to” place for corporate offices, for growing companies and businesses that provide good jobs and a higher per-capita income, for well-educated employees who earn a good living and have a better quality of life.

We envision a state no longer known for poverty but for breaking the cycle of poverty, for upward mobility—a state known for our commitment to meeting our moral obligations and constitutional responsibilities, regardless of the challenges.

We see a progressive state whose people flourish.

A number of groups and individuals across South Carolina share our vision and are committed to creating what many describe as a “New Carolina.” The South Carolina Competitiveness Council, the Palmetto Institute, Higher Education Research Agenda, State Superintendent of Education Jim Rex, and other visionary leaders are embracing the hard work and the promise of creating this new state.

To establish South Carolina as a leading player in the twenty-first century economy, we must address many needs: infrastructure, health care, and, above all else, education.

It is a daunting challenge. But it is one we will meet if we fix our vision on a positive future, plan and invest in our progress in an intentional and collaborative way, and implement our plan systematically and pragmatically.

In South Carolina, we have set high goals for ourselves educationally, and we have made substantial progress over the past two decades in improving student achievement.

What we have not done, comprehensively and with a long-term focus, is to determine what it will take to move beyond the incremental progress of recent years toward the level of transformational change necessary for a New Carolina.

In August 2007, Superintendent of Education Jim Rex created the Task Force on Funding for World Class Learning and charged us with looking comprehensively at education funding in South Carolina and recommending changes that will create the dramatic improvements our state needs.

Our task force was deliberately designed to bring all points of view together. Our membership is comprised of learning experts, school finance experts, business leaders, and policy leaders from every corner of South Carolina—from large and small communities, urban and rural areas, communities with the wealth to support a quality education and those without it.

We represent a variety of perspectives. But we have been guided in our work by this principle that each one of us deeply believes: all children in South Carolina should have access to a quality educational program that is adequately and equitably funded, no matter where those children live, where they go to school, or what their needs are.

This report is the product of our work. In each section, we have identified our goals, the rationale for the changes we are seeking, and our recommendations. We have also suggested a timeline for phased, pragmatic implementation of each component of the educational system we believe is necessary to create the South Carolina we want to see.

We recognize that creating a world-class educational system will take work, strong will, and time. We also know that it will require a unified vision. Our concern in this report is not to present a single final answer but to establish a framework for statewide discussion—to set the pieces on the table and begin productive dialogue about how best to achieve our shared objectives.

The members of the Task Force on Funding for World Class Learning appreciate the opportunity to help lead our state toward a prosperous future. We have embraced the responsibilities of leadership: to set our sights on the future we want, to help plan for it, to communicate it, and to persuade our state that this is what we need.

We are grateful for South Carolina’s commitment to public education. We are proud to present these recommendations as the first step in a much-needed statewide discussion about adequate and equitable funding for our schools.

**Dr. Karen Woodward**  
**Chair**  
**Task Force on Funding for World Class Learning**

# **Report of the Task Force on Funding for World Class Learning**

## **The Case for Change**

The Task Force on Funding for World Class Learning fully agrees with the description of South Carolina's education funding system given by Dr. Rex's Transition Leadership Team, which summarized school funding as "fragmented, unfair, uneven, and inadequate."

The foundation upon which schools currently operate in South Carolina was established more than forty years ago, with the goal of ensuring a "minimally adequate" education. Resources have been added to education over the years through a patchwork of reforms that have modernized some areas and fueled the incremental progress of the past two decades.

But the world is changing rapidly around us, and incremental improvement in education is not enough. South Carolina will not meet the modern educational expectations we have set for ourselves, nor will our state become a leading player in the modern economy, unless we find the will to provide a modern education.

We believe that creating an educational funding system with the capacity to fuel the future South Carolinians want requires several things.

First and foremost, it requires a comprehensive re-thinking of what schools and students need to achieve not at the basic, minimal levels we have been content with in the past but at the world-class levels required for a prosperous tomorrow. South Carolina can no longer afford the outdated concept of minimal adequacy; we must set our sights on contemporary standards of excellence.

As a significant part of that effort, we also must finally confront the enormous challenges of poverty in our state, and win. In South Carolina, more than 50 percent of our students lack the family resources even to pay full price for school lunch. Half of our schools have an enrollment with more than 70 percent of students in poverty. And in one of every five schools, 90 percent or more of students live in poverty.

We can break the cycle of poverty in our state if we work aggressively to mitigate its effects on educational achievement. But we must accept that the greater educational challenges of our poorest children require greater resources.

Creating a funding system that can support world class learning also means ensuring that the funding available for schools is used efficiently and effectively, and that schools have the flexibility to direct education resources toward the student and community needs that are specific to their communities. A modern education funding system recognizes that student needs may be very different in one community than another, and that flexibility in funding, with accountability to the state for results, is needed for schools to resolve their own individual challenges.

Finally, funding to support world class learning requires us to recognize that adequate facilities are not a luxury but a necessity for learning. We cannot attract high-quality teachers to schools with a substandard working environment. We cannot help students achieve well in environments that aren't even safe or clean, much less supportive of contemporary learning. We cannot provide a modern education without modern libraries, up-to-date technology, and well-equipped science labs.

## **Goals**

In meeting its charge to develop an education funding model to support world class learning, the task force was guided by four goals addressing student learning objectives, school resources, and changes in educational system requirements to support school improvement.

Our primary objective was to provide adequate support for all students to meet learning goals at critical points in the K–12 progression—to ensure that they are reading well by third grade, well prepared for the rigor of high school by eighth grade, and prepared for postsecondary work by twelfth grade.

- ◆ To provide K–12 public school students with a standards-driven, contemporary educational program that is equitably and adequately funded regardless of where those students live, where they go to school, or what their needs are and that leads to achievement of the following learning criteria: students who are reading by the end of third grade, are prepared for high school work at the end of eighth grade, and are prepared for postsecondary work by the end of twelfth grade.
- ◆ To provide schools with a contemporary educational program that is necessary for graduates' success in the twenty-first century economy including provisions for choice, innovation, and excellence.
- ◆ To provide for efficiency and flexibility in use of state dollars and simplicity in management of and accountability for those dollars.
- ◆ To provide a government structure that represents a genuine partnership between the state and local school districts.

To achieve these goals, the task force proposes recommendations in four broad policy areas:

- A. creating a standards-driven, contemporary educational program capable of promoting world-class learning;
- B. increasing efficiency and simplicity in education funding;

- C. replacing state-level mandates with flexibility, accountability, and intervention; and
- D. establishing a facilities funding model that is fair, equitable, and reliable and that provides the necessary funding for world-class education in all districts and for all children.

In addition, the task force issued several recommendations that we believe should be implemented immediately to mitigate the unintended effects of Act 388 on district ability to provide a quality education.

Modernizing education and accelerating progress as recommended through these strategies will require a significant investment. The task force therefore proposes re-directing more than \$3.4 billion from current education funding to support the initiatives we recommend. We also suggest for each initiative a multi-year phase-in that would enable South Carolina to work toward this new vision in a systematic and pragmatic way.

### **A. A Standards-Driven, Contemporary Educational Program**

The task force identified five reforms crucial in creating a standards-driven, contemporary educational program:

- 1) a modern defined program for elementary, middle, and high schools—described in this report as the “adequacy program”—that provides the resources and staff to meet the needs of every student, with additional funding to meet the greater challenges of students and schools in poverty and other special circumstances (Appendix A);
- 2) effective early intervention via quality four-year-old programs for students in poverty;
- 3) concentrated state support for school innovation and public school choice;
- 4) effective incentives to bring good teachers and principals to low-income and rural schools; and
- 5) more learning time for students.

The task force recommends phasing in these initiatives over time beginning in 2008-09 (Appendix B). Funding priority is given to four-year-old programs and the proposed poverty weighting for the first four years, followed by phase-in of the remaining portion of the adequacy program.

#### **Adequacy Program**

The staff and resources currently available in South Carolina’s schools are determined by the state’s Defined Program, a listing of the resources schools need to provide a minimally adequate education. The defined program that currently provides the foundation for school

funding in South Carolina was developed four decades ago as a basis for the Education Finance Act (EFA).

Legislation has added to the Defined Program some of the elements needed for a contemporary education, including physical education, health, and guidance resources. Until now, however, South Carolina has not conducted a comprehensive review of the defined program to determine the resources needed in contemporary schools. Nor have we accounted in our existing program for the challenges of educating the poorest children in the poorest schools.

The task force believes that a new educational program is needed to provide the human and material resources for student performance to grow at a satisfactory level as specified by state accountability standards. The adequacy program we propose is based on national research regarding the resources schools need to achieve high standards, on the professional judgment of experienced and successful educators, and on current state policy as established in law, regulation, and funding.

The new adequacy program would place substantially more resources in the classroom to support teaching and learning. The program includes significant improvements in the student-teacher ratio; more support for technology and equipment; more teachers, instructional assistants, and instructional supplies; and support for teacher coaches in core subjects, all strategies that have proven successful in raising student achievement.

In addition to defining modern and more adequate resources for schools, the program we are proposing acknowledges that it costs more to educate students who have special learning or curricular needs, who do not speak English, or who live in poverty, and that challenges are escalated in areas of concentrated poverty. A second component of the adequacy program applies to the program cost a revised student weighting system to ensure sufficient resources for individual students and districts in special circumstances.

Our task force recognizes that some will feel that the proposed adequacy program includes too much, and others will feel it includes too little. We believe the program we are proposing is necessary and sufficient to meet the learning goals we have set: ensuring that students are reading on grade level by grade three, that they are prepared for high school work by the end of eighth grade, and that they are well prepared for postsecondary work by the end of high school. We propose this program as a starting point for a statewide discussion of what schools and students need, understanding that these components should be evaluated over time based on effectiveness, new research, and changing circumstances.

We also recognize that schools and districts need flexibility to use education funds in ways that meet the specific needs of their communities. Accordingly, we recommend that districts have reasonable flexibility to use adequacy program funds as they judge best while being accountable to the state for results.

1. The General Assembly should adopt the proposed adequacy program for elementary, middle, and high schools (see Appendix A).

2. The General Assembly should add a poverty weight of .25 for students eligible for free- and reduced-price lunch and an additional weight, on a graduated scale up to a maximum of .375, for districts with a poverty concentration of 50 percent or more.
3. The General Assembly should add a weight of .60 for students with limited English proficiency for a period of three years per student from the time of enrollment.
4. Special weights for elementary, middle, and high school should be eliminated, all other weights should be maintained, and students who qualify for more than one weight category should receive multiple weights.
5. The poverty weightings should be implemented over a three-year period beginning in 2009-10 (see Appendix B).
6. Implementation of the remaining portion of the adequacy program should begin no later than 2012 and be completed as soon as feasible.
7. Districts should have reasonable flexibility to use adequacy program funds and be held accountable for results. In the event that schools or districts fail to meet the necessary goals of the funding program, the South Carolina Department of Education (SCDE) should have authority to intervene.

#### **Four-Year-Old Programs**

In 2005, Judge Thomas Cooper ruled in South Carolina's equity lawsuit that children in the state's poorest districts are denied the opportunity for a minimally adequate education "because of the lack of effective and adequately funded early childhood intervention programs."

South Carolina has made progress in providing pre-kindergarten programs for four-year-olds at risk of school failure, but funding levels are sufficient to serve only the highest-risk children in half-day programs. Thousands of children remain on waiting lists, and districts are left to their own resources in attempting to reach these children.

8. The General Assembly should enact legislation during the 2008 session to fund full-day four-year-old pre-kindergarten programs for all students eligible for free- and reduced-price lunch in South Carolina.
9. Expansion of four-year-old programs should be phased in over two years, beginning in 2008-09 (see Appendix B).



## **Innovation and Choice**

The task force believes that schools' ability to offer innovative twenty-first century programs, based on individual community needs and preferences, is essential to promote dramatic improvement in student learning. Districts need funding to provide innovations including but not limited to choice programs, initiatives to improve graduation rates, community learning centers, and curriculum innovations (expanding course offerings, developing effective teaching strategies, reforming high schools, or expanding arts programs, among many others).

Priority in funding for innovation and choice should be given to districts or schools with a concrete and comprehensive plan to enhance curriculum, professional development, leadership, and teaching and learning, and to expand curriculum and learning choices for students.

10. Various accounts under the General Fund, the Education Improvement Act (EIA), and other funding sources should be consolidated to create an innovation and choice grant program, with funding provided for three to five years, depending on the depth and breadth of school and district plans.
11. Appropriations should annually increase the innovation and choice fund.

## **Incentives to Attract Teachers and Principals to Rural Schools**

South Carolina's schools cannot make the progress needed to achieve our educational vision without quality teachers and administrators, who are particularly difficult to attract and retain in many of our state's low-income and rural areas. The task force recommends that South Carolina consider a variety of incentives, including salary supplements and housing incentives, to attract and retain qualified teachers and administrators in communities where it is difficult to employ and keep staff.

The task force studied a variety of housing initiatives considered or implemented in other states to attract and retain teachers. Options might include:

- ♦ providing housing developments for teachers in critical-needs areas managed by non-profit organizations, with land leased to buyers rather than sold and districts receiving a percentage of profits whenever houses are sold;
- ♦ providing \$5,000 as a signing bonus to teachers in critical-needs areas to be used for housing expenses such as a down payment or security deposit, or for moving expenses, accompanied by a \$400 monthly stipend for two years;
- ♦ providing housing-assistance promissory notes that convert to interest-free grants when approved applicants serve as certified teachers and agree to

employment for a period of three years or more in districts with a critical teacher shortage;

- ♦ providing state assistance to teachers in critical-needs areas to cover the actual amount needed to close on a home, not to exceed \$6,000, with applicants contributing a minimum down payment of one percent of the sales price and one month's reserve; and
  - ♦ retaining developers to build housing in critical-needs areas on land owned by school districts, with a small development fee and no profit margin.
12. South Carolina should pay a salary supplement to teachers who teach in schools where 60–79 percent of students qualify for free- or reduced-price lunch and a higher supplement to teachers in districts where over 80 percent of students qualify for free- or reduced-price lunch.
  13. The General Assembly should provide housing incentives, with no income limits, to attract and retain teachers in counties designated by the SCDE as critical-needs areas.
  14. South Carolina should devise a bonus program that encourages teachers to stay in high-poverty districts, such as bonuses at intervals to compensate teachers for returning for another interval period or increased salaries for extended contracts with a minimum number of years required.
  15. South Carolina should provide additional salary for teachers who are certified in teaching children in poverty.
  16. South Carolina should improve teaching conditions to include facilities, teaching supplies and materials, and support as included in the proposed adequacy program and facilities program.

### **Extended Year for Students**

The task force believes that South Carolina's ability to become and remain internationally competitive requires expanded learning time for students.

17. South Carolina should begin moving toward additional days for students up to 200 days per school year or the equivalent of additional learning time provided through quality after-school, summer, or weekend learning programs.

## **B. Efficiency and Simplification**

The task force recommends policy changes in three areas to increase efficiency and effectiveness in use of state and local education funding: streamlining and consolidating funds, cyclical review of education funding, and incentives for voluntary school district consolidation.

### **Streamlining and Consolidating Funds**

State and local resources available for education are currently allocated through an array of programs legislated over decades, resulting in an inflexible funding system, cumbersome accountability, and programs that are not routinely reviewed for effectiveness or need. A preliminary review by the task force has identified at least \$3.4 billion that could be re-directed from current programs to support the new adequacy funding model and the innovation and choice initiative.

18. Funds for current programs should be reviewed for effectiveness and need and streamlined to create a more efficient accountability system, increase flexibility for schools in building twenty-first century programs, and re-direct funding to the revised adequacy program.
19. Consolidation and re-allocation of general funds, EIA funds, and other funding accounts should be implemented in coordination with the phase-in of the adequacy program and other provisions of this report.
20. When consolidating EIA funds to help support the adequacy program and innovation and choice programs, funds should not be allocated according to the EFA formula but should be distributed and accounted for separately, based on weighted pupil unit.
21. Adequate state software and accounting mechanisms should be provided for efficient implementation of the revised program, accounting, and accountability requirements contained in this report.

### **Cyclical Review of Education Funding**

Periodic review of education funding is needed to re-evaluate all elements of the adequacy program, including but not limited to: the investment needed, elements to be included, pupil weights, the formula for the index of taxpaying ability, impact of the innovation program, effectiveness of incentives for attracting and retaining teachers to poverty schools, and impact of Act 388 on school and district ability to provide for student learning needs.

22. The adequacy program should be assessed and changes recommended at the end of three, five, and eight years of funding and every five years thereafter, with review

to be overseen by an Education Adequacy Committee (EAC) including representatives from the Legislature, the office of the State Superintendent of Education, the education community, and the business community. The EAC should contract with a national research organization to conduct its reviews.

### **Incentives for Voluntary District Consolidation**

The task force did not undertake a formal study of consolidation of school districts but does recommend incentives for local school districts and communities to improve the efficient and effective delivery of educational services and opportunities to students. The task force supports the right of districts and communities to collaborate and examine consolidation, deconsolidation, sharing of services, or any organizational framework that improves district ability to meet the educational needs of students and the expectations of the local community.

23. Consolidating districts should receive general state aid at the level of the district receiving the most aid prior to consolidation for four years after consolidating. If general state aid is less for the consolidated districts in the first year than it would have been that same year for separate districts, the General Assembly should make supplementary state aid payments equal to the difference for the first four years.
24. For a four-year period following consolidation, consolidating districts should receive state grants to compensate for any difference in teacher salaries, so that salaries for all teachers are increased to the same level. If there is a difference between the sum of the salaries earned during the previous year by teachers in the new district and the sum of salaries that would have been paid according to the salary schedule of the previously existing districts, using the highest salary, the state should make supplementary payments equal to the difference for the first four years of the reorganized district.
25. If needed, consolidating districts should receive a one-time grant to cover some portion of the negative fund balance that any district brings into the consolidation. A single supplemental aid payment should be made to the reorganized district equal to the difference between the largest and smallest deficit. A district with a positive fund balance should be considered to have a deficit of zero.
26. A consolidated district should receive a “hold harmless” on the district report card rating for a period of three years following consolidation, with individual schools receiving report card ratings as usual.
27. South Carolina should develop mechanisms to assist in consolidating operations and/or facilities among districts without consolidating districts.

## **C. Flexibility, Accountability, and Intervention**

The task force believes strongly that South Carolina must move toward an education funding system that increases flexibility for schools and districts to meet the needs that are specific to individual communities and individual schools. Just as schools and districts need flexibility in use of funding under the new adequacy program, they also need greater freedom to use state aid in general as they judge best, with stringent accountability for results and state intervention for both academic and financial failure.

### **Flexibility and Accountability**

Flexibility enables schools and districts to maximize the effect of education funding, create innovative programs, expand choices for parents and students, and meet local needs

28. Districts should have greater flexibility in using state aid and be held accountable for results.

### **Intervention**

Under current law, the SCDE has the responsibility and the authority to provide support to schools and districts that are under-performing academically and to intervene when necessary. Greater flexibility in use of funding should be accompanied by strict accountability and the authority to intervene in cases of financial mismanagement.

29. The General Assembly should provide the State Superintendent of Education with authority to intervene when districts are in serious financial difficulty or when there is evidence of gross mismanagement. This authority should include reviews of the effectiveness and efficiency of district financial practices, support to districts in financial planning and budgeting, and provisions for the appointment of a fiscal management team to assist when there is evidence of gross mismanagement.

## **D. Fair and Adequate Funding for Facilities**

Research demonstrates that students learn best when taught in safe, clean facilities that are appropriate for contemporary curriculum and instruction needs. It is also clear that teachers are difficult to attract and retain in schools with poor teaching conditions and an unprofessional and substandard work environment.

Currently in South Carolina, funding for public school facilities is unequal and inadequate. Most facilities funding is derived from general obligation bonds issued within a district's eight percent constitutional debt limit or pursuant to a local referendum. Limited state assistance has been provided sporadically through Barnwell funds, EIA funds, and the state school facilities bonds approved in 1999. Lease-purchase and installment-purchase obligations were options in the past, as well, but are no longer allowed.

As a result of inadequate funding, many low-wealth districts are unable to raise sufficient revenue to maintain existing facilities, let alone build modern schools. High-growth districts are faced with the challenge of keeping pace with student growth without sufficient assistance from the state.

The Task Force on Funding for World Class Learning established a separate study committee to develop recommendations for a modern facilities funding model. The Facilities Study Committee was guided by four goals:

- ◆ To provide an adequate, stable, and reliable source of funding for school facilities that is available when needed and that addresses current and future capital needs.
  - To address severe safety code-deficient facility needs statewide.
  - To provide priority assistance to low-wealth districts and rapid-growth districts while providing assistance to all districts.
  - To provide classroom space and technology infrastructure.
- ◆ To provide facility funding that is equitably allocated to meet the particular needs of each school district.
- ◆ To provide facility standards and accountability systems for schools to ensure that all students, teachers, administrators, and other staff have appropriate learning and working environments to provide a high quality education.

The task force was also guided by five principles:

- ◆ Any system of capital support should ensure fairness for both pupils and taxpayers throughout the state.
- ◆ Local school districts, as owners of school buildings, should provide a portion of funds for building facilities and should have primary responsibility for maintaining them.
- ◆ State aid should be provided for school construction focused on eliminating critical emergency needs; assisting low-wealth districts; addressing needs of growth districts; and supporting all districts with documented facilities and equipment needs necessary for students to meet the state's accountability goals and to provide for world-class learning.
- ◆ Efficiency and accountability should be included as part of state aid allocations.
- ◆ Capital revenue and expenditures should continue to be kept separate from operating revenue and expenditures.

The task force issued recommendations in three areas: providing for quality facilities; effective and efficient use of facility funding; and standards, accountability, and state intervention.

### **Providing for Quality Facilities**

30. South Carolina should approve the South Carolina School Facilities Infrastructure Act (SFIA) to provide support in all districts for facilities improvement necessary to meet educational standards, provide appropriate technology infrastructure, and address equity concerns. Provisions of the Act include the following:

#### **School Facilities Review Commission**

- (a) The legislation establishes a School Facilities Review Commission to oversee a comprehensive program of state-assisted school infrastructure funding. The commission consists of five members as follows: the Governor, ex officio, or his designee; the State Superintendent of Education, ex officio, or his designee; one member appointed by the State Treasurer, which member shall serve as chairman; one member appointed by the Speaker of the House; and one member appointed by the President Pro Tempore of the Senate.
- (b) The commission is charged with reviewing with each applicant the need for proposed facilities, established by growth patterns or in reference to other factors, such as age and condition of facilities, suitability of facilities for curriculum needs, current use of portable classrooms, current and projected enrollments, and other relevant factors. The commission considers project costs, adequacy of reserves for inflation and cost overruns, the impact of a proposed financing structure on the taxpayers of a school district, and the available debt limit of a school district. The commission is further charged with promoting the use of site-adapted prototype school components and energy-efficient building technologies for use by program participants. The commission must report its findings in writing to the Budget and Control Board, sitting pursuant to the Act as the South Carolina School Facilities Infrastructure Authority, which may issue general obligation or revenue bonds as appropriate.
- (c) The commission may adopt regulations to implement its powers.
- (d) The legislation establishes a School Facilities Infrastructure Fund to provide additional financial assistance such as interest rate subsidies, credit and support, and the like. The Infrastructure Fund is capitalized with origination fees, annual appropriations, and other funds made available by the General Assembly.

## **Statewide Assessment and Management System**

- (e) The Act establishes an Assessment and Maintenance system (AMS) applicable to all school districts, addressing maintenance management, training, and custodial programs; an energy management plan; a facilities renewal and replacement program; and a long-term capital program. The AMS is developed and managed by the SCDE.

## **Funding Sources**

- (f) State general obligation bonds are distributed based on relative assessed values per pupil (“wealth per pupil”) of school districts. Distribution to any particular school district is by application and subject to review and adjustment by the commission to ensure appropriate use of funds. Until all school districts have had an opportunity to receive funding, funds are granted, rather than loaned, to school districts. Until the initial report from the AMS is completed, funds are allocated among districts according to wealth per pupil; funding per pupil will vary according to funding levels established by the Act. Following receipt of the initial AMS report, 20 percent of subsequent funding is allocated in the discretion of the commission without regard to wealth per pupil to address the physical condition and adequacy of school facilities within a particular attendance area of a school district (10 percent) and to remedy facility needs resulting from growth in enrollment (10 percent), with additional needs to be identified and funded subsequently.

A proposed formula for distribution of funds under the SFIA is given in Appendix C. Appendix D provides a sample distribution projection by school district.

- (g) State revenue bonds are issued periodically to fund other school construction projects on an annual appropriation basis. Revenue bond proceeds are loaned to schools to fund construction and school districts are responsible for periodic payments back to the state, with amounts applied to debt service on revenue bonds. School district obligations are subject to annual appropriations and repaid from general obligation bonds issued by school districts. School district obligations are not subject to constitutional debt limitations. Participation in the revenue bond program is by application and subject to review and approval by the commission to ensure appropriate use of funds and taxpayer impact.
- (h) The Act authorizes the commission to undertake the issuance of short-term obligations to provide tax anticipation note and general obligation bond funding to districts. Program fees derived from short-term obligations provides additional revenue for the Infrastructure Fund.



## Timeline

- (i) The School Facilities Infrastructure Act is implemented over a two-year period as follows:

Spring 2008:	Adoption of SFIA.
Spring 2008:	Adoption of first general obligation bond bill.
Summer 2008:	Appointment of School Facilities Review Commission.
Fall 2008:	Review Commission receives and reviews proposals for revenue bond funding.
Winter 2009:	Review Commission receives and reviews proposals for grant funding.
Spring 2009:	General obligation and revenue bonds issued.
Winter 2010:	First assessment report received and reviewed by General Assembly.
Spring 2010:	Second general obligation bond bill adopted, based on needs identified in assessment report.
Fall 2010:	Second round of general obligation bonds issued.

31. Local districts should continue to issue general obligation bonds pursuant to constitutional debt limits and/or local referendum.
32. South Carolina should propose and adopt a constitutional amendment to increase general obligation debt limits of all local governments from eight percent of assessed value to 15 percent of assessed value.
33. South Carolina should authorize local districts to assess impact fees on new residential construction to offset school construction costs.
34. South Carolina should develop options for alternative facilities funding such as enabling local sales tax for facilities, developer incentives (such as tax credits), and real estate transfer taxes.
35. The General Assembly should include in the adequacy program an annual allocation for maintenance.
36. The General Assembly should provide facilities assistance to charter schools. A proposal to provide charter schools assistance is given in Appendix E.

## Providing for Efficient and Effective Use of Facility Funding

Ensuring efficiency and effectiveness in use of capital resources is an essential component of a quality facilities funding model. Passage of the School Facilities Infrastructure Act would ensure comprehensive assessment of facilities and funding based on demonstrated needs. The Act also would promote use of prototype school and school components and

energy-efficient building technologies. Further efficiencies would result from the state's sponsorship and administration of appropriations-based financing.

The task force recommends several additional steps to ensure efficiency and effectiveness in facilities funding:

37. The General Assembly should fund a comprehensive, standardized statewide assessment of school building needs to be overseen by the SCDE.
38. South Carolina should promote joint use of school facilities among districts, colleges and universities, municipalities, and other public agencies.
39. The General Assembly should provide in the General Fund an annual allocation to districts for technology equipment and infrastructure.

### **Providing for Standards, Accountability, and State Intervention**

The task force recommends development of a common standards and accountability system for all school facilities to ensure that appropriate learning and working environments exist in all schools. South Carolina should ensure that districts receiving state-allocated general obligation and/or revenue bonds meet state facility standards through appropriate monitoring, assistance, and intervention.

40. The SCDE should establish clear, concise, and workable standards that are characteristic of facilities that provide a high-quality, high-performance environment for teaching and learning. A cyclical standards review schedule should be established. The SCDE should also provide training on planning and implementation of preventive maintenance and should charge districts with monitoring compliance with state guidelines.
41. Funding should be budgeted for the SCDE to create a statewide school facilities Assessment and Maintenance system (AMS) to assist state and local decision-makers in determining short- and long-term school facilities needs and to document the level of state funding needed. All school districts should participate in the AMS process on an ongoing basis.
42. Each school district should prepare and adopt a five-year facilities plan to meet or exceed state facilities standards. The five-year plan should be designed to allow for flexibility to meet emergent needs and should be updated annually, allowing for modified benchmarks and goals.
43. The General Assembly should adopt legislation authorizing the SCDE to apply for funding under the School Facilities Infrastructure Act to intervene in the absence of action of local districts to meet health, safety, and code violations.

## **Mitigating the Adverse Effects of Act 388 on Schools and Districts**

Act 388, which drastically reduced the most stable source of funding for education and replaced it with an increase in the state sales tax, has created a number of adverse consequences for schools and districts, particularly in high-growth areas. The Task Force on Funding for World Class Learning shares the view of many state leaders who believe that comprehensive reform of South Carolina's tax system is needed to create a system that is equitable, adequate, stable, and sustainable. For the short term, the task force recommends several provisions to mitigate the adverse effects of Act 388 on funding for schools and districts: changing the Index of Taxpaying Ability; instituting "hold harmless" provisions for the 2008-09 school year; adding a special short-term weight for new schools; and re-allocating the \$2.5 million in Act 388 funds currently distributed on a county-wide basis as the new poverty weighting is implemented.

44. The Index of Taxpaying Ability should be changed to keep the taxpaying ability of all school districts consistent with their ability to pay at the date of implementation of Act 388 by including as part of the formula the revenue districts would have received from homeowner-occupied property. Specifically, for purposes of calculating the Index of Taxpaying Ability, the value of owner-occupied property should be imputed based on revenue districts received.

A proposed formula is presented in Appendix F.

45. Under the Act 388 distribution formula, schools that grow in enrollment will experience a decline in the amount reimbursed per pupil, while districts that lose enrollment will experience an increase in the amount reimbursed per pupil. The General Assembly should approve a "hold harmless" provision for the 2008-09 school year to ensure that growing districts are not penalized for growth.
46. The General Assembly should add to the proposed adequacy program a weight of .10 for a two-year period following the opening of a new school with a new BEDS code, computed outside of the individual student weights included in the adequacy program.

A proposed formula is given in Appendix G.

47. The provision of Act 388 for distribution of \$2.5 million on a countywide rather than a district basis is inequitable, since some districts receive funds and others with similar needs do not. These funds, along with the Act 388 poverty allocation, should be re-allocated to help fund the proposed poverty weight.

# **Task Force on Funding for World Class Learning Members**

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# Appendix A

## PROPOSED ADEQUACY PROGRAM – (Allocation Per Pupil = \$7,270)

District Wide 7,500 Pupils	500 Pupil Elementary School	Middle School 750 Students	High Schools 900 Students
1 District Superintendent	1 Principal	1 Principal	1 Principal
1 Chief Academic Officer	1 Assistant Principal	1.5 Assistant Principals	2 Assistant Principals
1 Director for Instruction	1 Media Specialist	1 Media Specialist	1.8 Media Specialists
1 Chief Financial Officer	1 Counselor	2.5 Counselors	3 Counselors
1 Business Manager	1 Nurse	1 Nurse	1 Nurse
1 Bookkeeper	Technology Supplies	Technology Supplies	Technology Supplies
1 Chief Information Officer	Instructional Supplies	Instructional Supplies	Instructional Supplies
1 Coordinator for Technology	1 Technology Specialist	1 Technology Specialist	1 Technology Specialist
1 Director of Human resources	1 Academic Coach Reading, Math, Science & ESOL	1 Academic Coach-Math, Science, Reading and ESOL	1 Academic Coach-Math, Science, Reading & ESOL
1 Coordinator of Human Resources	4.5 Instructional Assts	4 Instructional Assts	2 Instructional Assts
1 Certification Coordinator	34.9 Classroom Teachers	43.8 Classroom Teachers 24:1	47.7 Classroom Teachers 24:1
1 Director of Assessment, Research, and Evaluation	5K Teachers 15:1 5K paraprofessional	1 Resource Officer	1 Resource Officer
1 Coordinator Safety and Security	grade one 15:1		
1 Coordinator Guidance and programs for alcohol, drug abuse, mentoring, character ed.	grade two 15:1		
1 Coordinator School/Community Relations	grade three 15:1		
1 Coordinator Career Involvement/Development	grade four 24:1		
11 Secretaries	grade five 24:1		
District Level Technology	World Language Teacher		
District Maintenance & Operational Costs	PE teacher		
District Strategic planning	Art teacher		
New Principal Induction Program	Music teacher		
Professional Development	4 Clerical Staff	6 Clerical Staff	7 Clerical Data
Program Support for Family Literacy	Professional Development 5 additional teacher days	Professional Development 5 additional teacher days	Professional Development 5 additional teacher days
Instructional Supplies and Library Books			
ADEPT for new teachers			
Induction coordination and training			
Character Development Education			
Bullying Legislation			
Parent Involvement			



# Appendix B

## Implementation of Adequacy Program

	<u>Program Cost</u>	<u>Adequacy Cost</u>	<u>Total Cost</u>
Year 1 Fiscal Year 2008-09			
4 Yr Old at Risk Program (1 of 2)	\$ 36,500,000		
Modify Index of Tax Paying Ability			
Act 388 New Schools Weight @ .1	5,503,023		
Act 388 Hold Harmless	<u>15,798,018</u>		<u>\$ 57,793,041</u>
Begin Implementation of Choice and Innovation Program	Redirect Current Funds		
Year 2 Fiscal Year 2009-10			
4 Yr Old at Risk Program (2 of 2)	\$ 36,500,000	\$ (30,000,000)	
1 <sup>st</sup> 1/3 of Poverty Weighting@80/20		<u>152,501,825</u>	<u>159,001,825</u>
Year 3 Fiscal Year 2010-11			
2 <sup>nd</sup> 1/3 of Poverty Weighting@80/20		<u>152,501,825</u>	<u>152,501,825</u>
Year 4 Fiscal Year 2011-12			
Final 1/3 of Poverty Weighting@80/20		\$ <u>152,501,825</u>	<u>152,501,825</u>
Total 1 <sup>st</sup> Four Years			<u><u>\$ 521,798,517</u></u>

Year 5 Fiscal Year 2012-13 Begin Adequacy Program phase in **no later** than 2012-13

**Note:** Adequacy cost projected at \$7,270 (2005-06)  
 Based on 80/20 Relationship  
 \$ 3,436,144,239 Current Dollars Redirected to Fund Adequacy Cost  
 No Inflation

# Appendix C

## **FORMULA FOR ANNUAL DISTRIBUTION OF GENERAL OBLIGATION BONDS**

The proposed School Infrastructure Facilities Act allocates State general obligation bond proceeds on a grant basis to the school districts based upon the relative wealth per pupil of each district. Wealth per pupil is defined as the assessed value of a district divided by its enrollment. Funding per pupil from bond funds is variable, depending on relative wealth per pupil. Each district is required to demonstrate substantial effort in meeting capital needs through a local match requirement.

Step 1: RANKING DISTRICTS – Wealth per pupil based on assessed value and enrollment figures from the second preceding year will be utilized annually to prioritize districts. The district with the lowest wealth per pupil will be given the highest priority. The district with greatest wealth per pupil is given the lowest priority.

Step 2: STATE FUNDING CAPS – The Act creates four tiers among the school districts ranked according to Step 1 above. Each tier is assigned a funding cap, which limits the amount of funding on a per pupil basis a district may receive. Tier One consists of the first 14 districts, beginning with the school having the least wealth per pupil. Tier Two consists of the next 14 districts, Tier Three consists of the next 28 districts, and Tier 4 consists of the final 29 districts.

Tier One districts may be allocated up to \$6,000 per pupil, Tier Two districts may be allocated up to \$4,500 per pupil, Tier Three districts may be allocated up to \$3,000 per pupil, and Tier Four districts may be allocated up to \$1,500 per pupil. The foregoing amounts are caps, and a district may elect to receive a lesser amount.

Step 3: WEALTH FACTOR – Subtract each district's wealth per pupil from the highest district's wealth per pupil. Divide the result by the highest district's wealth per pupil. This produces a wealth factor.

Step 4: LOCAL MATCH – The local match is determined by subtracting the wealth factor from 1.0 and multiplying the result times the amount of funding to be provided by the State. The local match is satisfied, however, if the school district has, or will have, taking into account the project to be funded, general obligation bonds outstanding in an aggregate principal amount equal to at least 75% of its constitutional debt limit.

Step 5: FUNDED DISTRICTS – Once a district has received grant funding pursuant to steps one through four, that district will not be eligible for additional grant funding until all districts have been funded.

The preceding formula will apply only to State g.o. bond proceeds granted to school districts. The order of priority may be set aside as to 20% of bond proceeds made available following issuance of initial AMS report, as further described at page 5 above. The limitation on State funds described in Step 2 above will apply in every case.

# Appendix D

## Charter School Funding

Assistance to charter schools for facilities funding should be provided if the charter school meets the required academic standards of other public schools and

- The governing body of a school district may apply for and receive funding for the charter schools in that district from the School Facilities Infrastructure Authority.
- The State should consider creation of a separate financing authority for the benefit of state charter schools; the success of a financing program for state charter schools will be subject to demonstration by a charter school that it has the means to repay long-term indebtedness.
- A state charter school is eligible for financial assistance consisting of a grant of up to \$500,000, disbursed over two years. The grant funds may be applied to new construction, renovation of existing facilities, to reimburse a district or charter committee for prior expenditures for such purposes, or to retire indebtedness incurred for such purposes. Facilities improved with the proceeds of a grant shall be subject to a mortgage in favor of the State; the State may foreclose upon the mortgage if, within five years of the final distribution of grant proceeds, the facilities shall cease to be used for charter school purposes. The mortgage will expire on the fifth anniversary of the final distribution of grant proceeds.
- Facilities used for educational purposes by a charter school are exempt from ad Val Orem property taxes.
- Owners of real property that lease such real property for use by a charter school are entitled to a credit against State income tax in an amount equal to the fair market value of such lease less any rent payable under the lease.

# Appendix E

## Index of Taxpaying Ability

The index of taxpaying ability should be adjusted to reflect the change in the taxable status of owner-occupied property caused by Act 388 and earlier property tax relief programs by treating school property tax relief as a revenue stream that enables the DOR to impute the equivalent value of owner-occupied residential property for inclusion in calculation of the index. The calculation would take the amount of money each district receives and determine what assessed value would generate that amount of money and then add that figure to each district's non-owner occupied assessments to come up with an overall assessment for each district to use in the calculation of the index of tax paying ability.

Formula:

The amount of funds received by each district from Act 388 Homestead Funds divided by the operating millage of each district would calculate an assessed value for the Act 388 funds. Add that result to each district's non-owner occupied assessment. That sum would be the total assessed value for each school district and then each district's assessed value as a percent of the total of all school districts' assessed values would produce each district's index of tax paying ability.

# Appendix F

## Hold Harmless Formula

Step 1: To ensure districts receive at least the same per pupil amount as previous year

1. Subtract the 135 ADM from the current year for each district from the 135 ADM from the previous year to see if the district is growing or declining in enrollment.
2. Divide the amount received from Act 388 tier 3 reimbursement from the previous year by the 135 ADM from the previous year to get a per pupil amount for the reimbursement, then divide the amount proposed to be received from Act 388 tier 3 reimbursement from the current year and divide that amount by the current year 135 ADM to get a per pupil amount for the current year.
3. Subtract the current year per pupil amount from the previous year per pupil amount to see if a district is receiving less per pupil than they did in the previous year.
4. If a district is scheduled to receive less in the current year per pupil than it did in the previous year, multiply the deficit amount per pupil calculated to be received by the current year's 135 ADM. This produces the amount needed to be funded to ensure that each district receives at least the same amount per pupil as it did in the previous year.

Step 2: To ensure growing districts receive the funds from the state's increase in tier 3 due to growth

1. The increase in tier 3 funds each year comes from the increase in CPI and growth in population. Take the portion that is due to growth and distribute it to growing districts. Take the percent that is due to growth as a percent of the total of the CPI plus growth and multiply that percentage times the total amount the tier 3 funds increased each year. For example, if the growth in the state is 1.51% and the CPI increase is 3.93%, then the total of these is 5.44%. The growth figure is 27.8% of the total increase ( $1.51/5.44$ ).
2. Then multiply the resulting percentage (27.8%) times the total increase in tier 3 funds. If the tier 3 funds grow by \$30,000,000, then multiply the 27.8% times the \$30,000,000 to get \$8,340,000 to be distributed to growing districts. If the growing districts grew by a total of 6,460.64 students, then divide the \$8,340,000 by the 6,460.64 to get a per pupil amount of \$1,290.89. Multiply that amount times the number of students each district grew to get the amount each district should receive.

Step 3: Distribute the CPI portion of the increase in tier 3 funds in the same manner in which all tier 3 growth funds are currently distributed

1. Take the CPI percentage and multiply that by the total increase in tier 3 funds to get the amount to be distributed to all districts by total WPU's of each district.

# Appendix G

## Weight for District Growth

1. Take the number of students in a new school and multiply that number by 727 or (.1 times the adequacy cost amount) for the first two years of the school.