

State K-12 Funding Current and Long-Term Problems

School District General Fund Budgets: Last Year and Current Year

2008-09

Original General Fund Budget	\$451.5 million
After all of the state mid-year cuts	428.3 million
Ending budget after using \$10 million in reserve funds	438.3 million

2009-10

Original General Fund Budget (<i>with federal stimulus funds</i>)	\$444.1 million
After a State 4% cut in Sept., and then a 5% cut in Dec.	?

A Problem: Methods of State Funding for K-12 Education

- **Education Finance Act (EFA)** (*see graph on next page*)
 - Based on a 1977 definition of “adequacy” with annual increases for inflation.
 - State has fully funded only 3 of the last 9 years.
- **State categorical appropriations**
 - More than 70 different categories of funding.
- **Education Improvement Act (EIA)** (*see graph on next page*)
 - Revenue from a one-penny sales tax added in 1984
 - No funding replacement for loss in revenue from elimination of sales tax on groceries in 2007.
 - 2009-10 projected revenue is \$116 million lower than it was in 2006-07—a decrease of 18%.
 - Greenville County Schools 2008-09 EIA funding was \$5 million less than the previous year.
- **Property Tax Relief of 2006 (Act 388)** (*see graph on next page*)
 - Replaced stable local property tax revenue with less stable state sales tax income.
 - Property tax burden falls on business property; No natural growth from this source.
 - Sales tax revenue projected deficit for 09-10: \$107.5 million.
 - Deficits are funded out of the state general fund.
 - Higher school district growth results in lower per pupil funding.
 - Inequities in extra funding for children in poverty and high-poverty districts.
- **State reimbursement for previous loss of local property tax revenue**
 - Frozen at the FY03 amount for the \$100,000 Property Tax Relief enacted in 1994.
 - Frozen at the FY07 amount for the \$50,000 Homestead property exemption for age 65+.

Initial Step to Address Funding Problems

- Taxation Realignment Commission (TRAC) established by the state legislature this year.
- Commission to look at sources of state revenue (with the exception of Act 388) and provide recommendations for changes.
- Initial recommendations to the legislature by March 15, 2010 with final ones by the end of 2010.
- Legislature is not required to act on any of the Commission’s recommendations.

