I. GENERAL BACKGROUND

State

Driven by an emphasis on statewide economic growth and the linkage of education reform to workforce preparation, South Carolina is currently entering a new era of public education accountability.

There are 86 school districts in South Carolina, ranging in Average Daily Membership (ADM) from 57,000 to 460. Nearly 650,000 students are in membership at 624 elementary and 409 secondary schools. South Carolina has two special purpose districts: the Youth Services School District allows delinquent youth to continue receiving education, while receiving rehabilitation services, and the Corrections Department provides an education program to inmates. Slightly less than half of the student population qualifies for free or reduced lunch. One in four South Carolina children live in poverty, with one in six living in extreme poverty. A third of all children come from single parent homes.

The cornerstone of school finance in South Carolina is the Education Finance Act of 1977 (EFA). It is a foundation program which includes a weighting system designed to equitably distribute funds among districts based on local property wealth. EFA operates in conjunction with Act 208 (1975), which established uniform property classifications and equitable assessment rates. The equalizing formula for EFA provides that 70% of the statewide cost of the foundation program be paid by the state, with the remaining 30% paid collectively by the local school districts. Thus, individual school district percentages varying based upon local property wealth. The percentage of state support for individual school districts varies between 5% and 91%. The foundation funding level for 1998–1999 is $1,879 per student. Annual changes in the foundation funding level since
EFA's inception more than 20 years ago have accommodated enrollment growth and inflation only.

School funding received a significant boost in 1984 with passage of the Education Improvement Act (EIA). Though not exclusively a school finance reform, EIA has had a significant impact on school funding in the state through an increase in the state sales tax from 4 to 5%. EIA provides funding beyond the basic minimum foundation program for specific education strategies as described in this report. School districts are not allowed to use EIA funds to supplant their basic educational programs. EIA also requires each district to increase its local tax revenue effort on a per-pupil basis by not less than the annual inflation rate. Each district also has to maintain the local salary supplement above the required state minimum paid to certified employees for specific positions.

Since EFA's passage in 1977, no legislative efforts have modified the fundamental structure of the state's school funding system, although several reform efforts since the mid–1980's have created new programs targeting student achievement, accountability concerns, early childhood readiness issues, and financial reporting. In 1989 the General Assembly passed Target 2000, largely a programmatic reform with little new school funding. In 1993 the Early Childhood Development and Academic Assistance Act (Act 135) was passed. Act 135 emphasized the development of five-year school and district education reform plans, several early childhood initiatives for students pre-school through grade three, and the provision of academic assistance for students in all grades.

In 1995 the State Department of Education began a phased-in implementation of Coopers & Lybrand's Finance Analysis Model (FAM). Since its initial phase-in, FAM (now known as In$ite) has been producing and reporting school-level financial data for all schools in South Carolina since 1997.

Major school reform again emerged from the General Assembly in 1998 with passage of the Education Accountability Act (EAA). EAA represented the most sweeping education reform in the state since the passage of EIA in 1984. EAA established statewide academic standards and assessments, applied accountability measures for schools and districts, and initiated assistance to schools and districts to improve performance. Various dimensions of EAA, including class size reduction for grades 1-3, are currently being phased-in.

The momentum of EAA's passage carried over to the 1999 legislative session, where politicians again produced a landmark year in education reform initiatives and complementary funding support. Teacher salaries across the state were
increased to $325 above the Southeastern average, providing a raise of about 4.7 for most teachers. By a one-vote margin, the House approved a $1.1 billion statewide bond for school construction and renovation during the next four years; $750 million is earmarked for K–12 schools. Estimated current facilities needs for K–12 schools exceeds $3 billion.

The legislature also approved First Steps, the centerpiece of newly elected Governor Jim Hodges’ education reform efforts, modeled after a similar program in North Carolina. First Steps provides $20 million, distributed to grass roots organizations in each of South Carolina's 46 counties, to assist pre-school instruction, health screenings, and parenting classes. Further, as an expansion of EAA's first-year alternative school seed funding, $6.9 million was approved with a guarantee for each district of $30,000. Under the program, districts pooling their efforts for the development of alternative schools could get as much as $350,000.

In 1999 additional funding was also provided for further class size reduction ($17.2 million), expanded summer school ($10 million), school safety officers ($7 million), a Governor's Institute of Reading ($3 million), a Principal's Executive Institute ($1 million), laptop computers for SAT training ($1 million), and extra training for teachers to assist in the implementation of EAA ($1 million).

**Critical Issues**

Since the early 1980’s, schools in South Carolina have faced gradual erosion of state support for public education. Although general fund appropriations for K–12 education increased 58.66% from 1984-85 to 1996–97 (measured in 1984 dollars), nearly all of this increase can be attributed to enrollment and Weighted Pupil Unit (WPU) growth, and adjustments for inflation. Consequently, K–12 education’s share of general fund appropriations has decreased from 38.20% (FY 1984-85) to 30.90% (FY 1997–98). In effect, as the size of South Carolina's general fund "pie" has grown - due to economic and population growth - public education's proportional share has continued to shrink as spending on corrections, social services, and tax relief have grown. In school year 1997–1998, statewide public education expenditures from all sources averaged $5,998 per pupil.

Despite recommendations from a 1994 legislative panel to restructure the state’s system of taxation, tax policy continues to evolve in an incremental fashion. In 1995 South Carolina passed legislation targeting property tax relief, removing school operations taxes from the first $100,000 fair market value of a homeowner’s primary residence. With the statewide average market value single-
family homes well under $100,000, many state residents pay little in school-targeted property taxes. Fortunately, the costs to the state of property tax relief have been covered by annual revenue growth from the state’s health economy, which boasted $5.5 billion in new investments and about 29,000 new jobs in 1997. However, the real price tag for supplanting lost school district revenues continues to rise, by some estimates, at about 4.7% annually. Legislative actions this decade, such as reduced property taxes for industrial expansion, financial assistance for worker training, and several job-creation tax credits, have made rural areas more economically attractive to medium-to-large size corporations. There is concern by some, however, that the cost of these tax incentives to county and state governments could escalate to $420 million within a decade.

In April 1999, six years after its initial filing and subsequent appeal from a lower court ruling, the South Carolina Supreme Court ruled on the school finance equity lawsuit of Abbeville County School District v. South Carolina, 515 S.E.2d 535 (S.C. 1999). The Court upheld the system of financing schools, and remanded the case to the lower court to address the issue of defining an "adequate" education. South Carolina's education clause guarantees only a "free" education.

Finally, the legislature approved a November 2000 referendum on a statewide lottery to assist in public school funding. South Carolina's constitution currently prohibits a lottery. Newly elected Governor Hodges built his education reform platform around the notion of a lottery as a much-needed financial resource for schools. On the same November 2000 ballot, voters will consider lowering the state's car tax from 10.5 to 6%.

Local

South Carolina's school districts receive local revenue primarily from property taxes. Twenty-one of South Carolina's public school districts have either direct or indirect total fiscal authority to set tax rates for school purposes. Another 33 school districts have limited fiscal authority, while the remaining 27 school districts have no fiscal authority or are limited to a maximum level of taxation; five districts have a statutory cap.
Funding Summary 1998–99

Total State School Aid (All Programs) $ 1,968.8 million
  Grants in aid 1,626.1 million
  Teacher Retirement Contributions 323.6 million
  FICA 19.1 million

Total Local School Revenue $ 1,701.4 million
  Property Tax 967.6 million
  Other local source tax revenue 123.6 million
  Local source non-tax revenue 610.2 million

Total Combined State and Local School Revenue $ 3,670.2 million

State Financed Property Tax Credits Attributable to School Taxes 0

II. LOCAL SCHOOL REVENUE

Property Tax

Property tax is the primary source of local revenue available to school districts. School districts levy millage for current operating expenses (and capital outlay) against the assessed valuation of property in the district. The assessed valuation of property ranges from 4% to 10.5% of real value based on several property classifications. Property tax rates are expressed as mills. Since the assessment ratios are so low, school district millage values are often high (sometimes as high as 243 mills). One mill can generate revenue as little as $3,137 up to $1,043,000.

<table>
<thead>
<tr>
<th>Category of Property</th>
<th>Assessment %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Residence</td>
<td>4.0%</td>
</tr>
<tr>
<td>Agricultural (private)</td>
<td>4.0%</td>
</tr>
<tr>
<td>Agricultural (corporate)</td>
<td>6.0%</td>
</tr>
<tr>
<td>All Other Property</td>
<td>6.0%</td>
</tr>
<tr>
<td>Manufacturing Real/Personal</td>
<td>10.5%</td>
</tr>
<tr>
<td>Utility Real/Personal</td>
<td>10.5%</td>
</tr>
<tr>
<td>Personal Property</td>
<td>10.5%</td>
</tr>
<tr>
<td>Railroads, Airlines, &amp; Pipelines</td>
<td>9.5%</td>
</tr>
</tbody>
</table>
**Income Tax**

There are no local income taxes that fund public education.

**Sales Tax**

Twenty-five of the state's 46 counties collect a local option sales tax that is used to fund public schools. The cap on local sales taxes is 1.5% (thus, total state and local sales taxes are capped at 6.5%). Implementation of the local option is subject to approval of the General Assembly.

**Tax Credits and Exemptions**

In 1995 South Carolina passed legislation targeting property tax relief, removing school operations taxes from the first $100,000 fair market value of a homeowner’s primary residence (SC Code Ann. §12-37-251). The exemption is conditional on full funding of the Education Finance Act and on an appropriation by the General Assembly each year reimbursing school districts an amount equal to the Department of Revenue’s estimate of total school tax revenue loss resulting from the exemption in the next fiscal year. Local districts received $237 million in property tax relief fund in 1998–1999. These funds are directly paid to county treasurers by the State Comptroller General.

The state's Homestead Exception of $20,000 (for persons 65 years of age and older, for persons permanently and totally disabled and for blind persons) generates additional (replacement) revenue for school districts of $26 million.

**III. TAX AND SPENDING LIMITS**

**Tax Limits**

Fiscal authority of South Carolina's school districts to levy millage varies greatly. The following chart delineates specific spending limits for school districts.
<table>
<thead>
<tr>
<th>Number of Districts</th>
<th>Fiscal Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>Total Independence</td>
</tr>
<tr>
<td>15</td>
<td>Limited by School District</td>
</tr>
<tr>
<td>18</td>
<td>Limited by County Council, referendum, or special law</td>
</tr>
<tr>
<td>5</td>
<td>Statutory Cap (maintenance)</td>
</tr>
<tr>
<td>27</td>
<td>No authority</td>
</tr>
</tbody>
</table>

School districts with total independence can increase millage without any other approval. School districts with limited authority to increase millage are limited to a maximum increase in the number of mills, a predetermined percentage above the previous year, EIA maintenance of effort, or the EFA inflation factor. Those school districts with a statutory cap may not exceed the same total number of mills levied or a predetermined total number of mills. School districts with limited fiscal authority, a statutory cap, or no fiscal authority may seek an additional increase in millage from various bodies of governance. Some of these governing bodies include the county legislative delegation, county council, a town meeting, or through referendum.

**Spending Limits**

The Education Improvement Act requires that each district annually increase its local tax revenue effort on a per-pupil basis by not less than the annual inflation factor. This requirement is known as the "local maintenance of effort" requirement. School districts may apply to the State Board of Education for a waiver on an annual basis. There were 26 waivers in 1998–99.

**IV. STATE EARMARKED TAX REVENUE**

One cent of the sales tax is earmarked for the Education Improvement Act Fund, which funds most of the categorical and restricted programs described in subsequent sections below.

**V. BASIC SUPPORT PROGRAM**

*Education Finance Act of 1977 (Act 163)*

**Funding in 1998–99:** $1,078.3 million.

**Percentage of Total State Aid:** 54.8%.
Nature of Program: Foundation (Minimum Education Program).

Allocation Units: Pupils in weighted average daily membership.

Local Fiscal Capacity: Equalized assessed property valuation is used to allocate funding under the basic formula. Each district has an index of taxpaying ability, which is its relative fiscal capacity compared to that of all other districts of the state, based on the full market value of all taxable property in the district.

How the Formula Works: The aim of the Education Finance Act is to provide every public school student an equal educational opportunity in terms of financial support, while setting a uniform balance of fiscal responsibility between the state (70%) and the districts (30%). The General Assembly annually sets the base student cost (BSC) as the funding level for the foundation/minimum education program. The 1998–99 BSC is $1,879. Each district must maintain records of the 135-day average daily membership (ADM) for each of the 15 classifications of students given cost factors, or weightings, to impact on a district's costs and state aid. The formula follows:

\[
\text{State Aid} = (\text{DWPU} \times \text{BSC}) - (\text{SWPU} \times \text{BSC} \times \text{Index} \times 0.3)
\]

- DWPU = District Weighted Pupil Units
- SWPU = Statewide Weighted Pupil Units
- BSC = Base Student Cost
- Index = School District Index of Taxpaying Ability

State Share: The amount of aid the state provides is the difference between the total cost for the district to provide the foundation/minimum education program minus the district's required local support.

Local Share: The amount of local support the district is required to provide is determined by computing the total statewide collective local share (approximately 30%) of the cost of the foundation program multiplied by the district's index of taxpaying ability. To qualify for its state appropriations, each district must spend 85% of the state aid in direct and indirect aid to the specific program or classification for which it qualified for aid. Further, each district is required to pay each certified teacher or administrator an annual salary in accordance with the statewide minimum salary schedule.
Weighting Procedures:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kindergarten</td>
<td>1.30</td>
</tr>
<tr>
<td>Primary</td>
<td>1.24</td>
</tr>
<tr>
<td>Elementary</td>
<td>1.00</td>
</tr>
<tr>
<td>High School</td>
<td>1.25</td>
</tr>
<tr>
<td>Educable Mentally Handicapped</td>
<td>1.74</td>
</tr>
<tr>
<td>Learning Disabilities</td>
<td>1.74</td>
</tr>
<tr>
<td>Trainable Mentally Handicapped</td>
<td>2.04</td>
</tr>
<tr>
<td>Emotionally Handicapped</td>
<td>2.04</td>
</tr>
<tr>
<td>Autism</td>
<td>2.57</td>
</tr>
<tr>
<td>Orthopedically Handicapped</td>
<td>2.04</td>
</tr>
<tr>
<td>Visually Handicapped</td>
<td>2.57</td>
</tr>
<tr>
<td>Hearing Handicapped</td>
<td>2.57</td>
</tr>
<tr>
<td>Speech Handicapped</td>
<td>1.90</td>
</tr>
<tr>
<td>Homebound</td>
<td>2.10</td>
</tr>
<tr>
<td>Vocational (3 levels)</td>
<td>1.29</td>
</tr>
</tbody>
</table>

Adjustments for Special Factors: South Carolina's basic support system does not include any other adjustments for special factors, like school size, changing enrollment, price level, or municipal overburden. There is no recapture provision included in the basic formula.

Aid Distribution Schedules: The Department of Education distributes EFA revenues to school districts on the 22nd of each month based on 1/12th of the EFA formula.

Districts Off Formula: None.

VI. TRANSPORTATION

Funding in 1998–99: $0.7 million.

Percentage of Total State Aid: 3.6%.

Description: Public school transportation in South Carolina is a shared responsibility of the State Department of Education (SDE) and the state's 86 school districts. SDE is responsible for the overall supervision of the school.
transportation program, including acquisition of school busses, maintenance of the school bus fleet, training of bus drivers, approval of routing, safety inspections, and all operational costs, with the exception of field trips, district supplements to bus driver salaries, bonuses for drivers, salaries for district transportation employees, and cost of local facilities.

School districts are solely responsible for the daily operations of the transportation program, including: selection of school bus drivers/assistants, employment and dismissal of drivers/assistants, supervision of drivers/assistants and the pupils being transported, proposed routing of buses, accurate transportation records as to mileage and number transported, driver's time reports, school bus safety, and enforcing all other transportation regulations.

State Share: Transportation costs were not included in EFA because at the time of its passage (1977) the state paid 100% of the cost. In 1987, the U.S. Department of Labor required the state to begin using all adult school bus drivers, instead of student drivers. This mandate caused school bus driver costs to escalate and the state, unable to absorb the increased costs, continues to pass the increased fiscal burden on to local school districts.

Local Share: Total transportation costs are estimated to be approximately $78.1 million in 1998–99. Local school district revenue defrayed about $39.3 million of these costs.

Extent of Participation: 100%.

VII. SPECIAL EDUCATION

Funding in 1998–99: $5.1 million.

Percentage of Total State Aid: less than 1%.

Description: Special Education is funded through the EFA basic support system. The number of pupils in each classification (ADM) is multiplied by pupil weightings for each handicapping condition to yield Weighted Pupil Units (WPU). WPU's in each classification are multiplied by the Base Student Cost (BSC) to determine each school district's allocation. In addition, there are two other special education programs funded by the state:
Early Intervention for Preschool-Age Handicapped Children

Funding in 1998–99: $1.3 million.

Percentage of Total State Aid: less than 1%.

Description: Preschool disabled children ages 3–5 receive services from four different delivery models: speech, itinerant, self-contained, and home-based instruction. The average allocation per child is $125 for speech and $900 for the other models. The funds are allocated based on each district's index of taxpaying ability (same as the EFA state support percentage).

Extent of Participation: 100% of school districts.

Handicapped Student Services (Trainable & Profoundly)

Funding in 1998–99: $3.8 million.

Percentage of Total State Aid: less than 1%.

Description: These funds are available for direct services to trainable and profoundly mentally disabled pupils. The district allocation is for its proportion of the state trainable and profoundly mentally disabled students, as a percent of funds available.

Extent of Participation: 100% of school districts.

VIII. COMPENSATORY EDUCATION

Funding in 1998–99: $111.4 million.

Percentage of Total State Aid: 5.71%.

Academic Assistance K-3 and 4–12

Description: Beginning in 1994–95, basic skills-compensatory and remedial instruction components were replaced by the Early Childhood Development component of Act 135 for four year olds and grades K-3 and the Academic Assistance component for grades 4–12. Funding for K-3 is based upon the number of students eligible for the federal free and reduced lunch program at a weight of .26 of the base student cost, subject to available funds. Funding for
grades 4–12 is based equally on (1) the district's percentage of K-3 free and reduced multiplied by the 4–12 average daily membership and (2) the district's four-year average for the number of students "not meeting" standard on the state's testing program for the years 1990–1993, subject to available funds. Under Act 135, there are no identifiable remedial or compensatory students; all allowable costs consist of general expenditures in grades K-3 or 4–12.

**Extent of Participation:** 100% of school districts.

**IX. GIFTED AND TALENTED EDUCATION**

**Funding in 1998–99:** $29.4 million.

**Percentage of Total School Aid:** 1.5%.

**Description:** South Carolina provides three gifted and talented programs.

**Gifted and Talented Academic**

Funds are provided to districts for programs to provide academic programs for gifted and talented students in grades 3–12. Where funds are insufficient to serve all students, the district may determine which students shall be served. ($24.8 million).

**Gifted and Talented Artistic**

Funds are provided to districts students in grades 3–12. Where funds are insufficient to serve all students, the district may determine which students shall be served. ($2.4 million).

**Advanced Placement**

Each school district is required to provide advanced placement courses in all secondary schools that enroll an adequate number of academically talented students; schools whose student population cannot support such a program must provide at least one AP course through a cooperative agreement with other schools in the district, with another school district, or through independent study. Students successfully completing the Advanced Placement requirements receive credit in post-secondary public colleges in South Carolina. ($2.4 million).

**Extent of Participation:** 100% of school districts.
X. BILINGUAL EDUCATION

South Carolina does not provide state categorical aid for bilingual education.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–99: $27.0 million.

Percentage of Total State Aid: 1.4%.

Description: South Carolina has three early childhood education programs.

Early Childhood Program

Each school district is required to develop and implement at least one half day early childhood program for four-year-olds who have indicated significant readiness deficiencies. School districts may contract with appropriate groups or agencies to provide part or all of the programs. These programs must be developed in consultation with the Interagency Coordinating Council on Early Childhood Development and Education. The district allocation is based on the number of students served as reported on the Student Accountability System 135-Day School Report multiplied by the rate per student. ($22.4 million).

Family Literacy

Each school district or consortium of school districts serving more than 2,000 pupils K–12 will be funded on a base amount of no less than $40,000 to establish a parenting/family literacy program, with any additional funds distributed based upon percentage of free and reduced eligible students in grades 1–3 in the state. Districts or consortia are required to provide or coordinate services in the following areas: Parenting education for parents or guardians of children aged 0–5; Support of parents of children aged 0–5 in their role as their preschool child's first and most important teachers; Intensive efforts to recruit, and priority in serving, parents or guardians whose children, aged 0–5, are considered at risk for school failure; Developmental screening for children, aged 0–5, in the program; Opportunities for parents of children ages 0–5 in the program to improve their education if they do not possess a high school diploma or equivalent certificate. ($4.7 million).
Parent Education

Each former Target 2000 Parent Education program designated as a Parenting/Family Literacy Technical Assistance Site received funding at the 1992–93 funding level. Parent Education programs recognize that significant and rapid learning occurs before a child enters school at age five or six. Since parents and guardians are the most important educational force for the young child during the preschool years, parenting/family literacy programs provide training and support services, which enable parents to enhance their child's development in these critical years. Funding is included in the formula for Family Literacy.

Extent of Participation: 100% of school districts.

XII. OTHER CATEGORICAL PROGRAMS

Funding in 1998–99: $188.2 million.

Percentage of Total State Aid: 9.6%.

Description: South Carolina provides multiple categorical programs, each of which is described below.

Arts in Education

Competitive planning and implementation grants are available to support efforts to develop arts curricula at the school or district-level. The intent of the program is to promote the development of curricula in all four of the art areas (visual arts, music, dance, and drama). Funds are restricted to (1) plan, develop, and implement discipline-based arts education curricula; (2) provide teacher in-service training programs for arts specialists; and (3) hire certified arts specialists or contract with professional artists approved by the South Carolina Arts Commission. ($1.2 million).

Attendance Supervisor's Salary

Funds are provided for the payment of the salary of one school attendance supervisor for each county at a fixed rate per year. In multi-district counties, the salary is proportionately distributed among the school districts of the county on the basis of the prior year's 135-Day ADM. ($0.5 million).
Competitive Teacher Grants

School teachers apply for competitive grants for the purpose of improving teaching practices and procedures. Funds are allocated on a competitive basis subject to a maximum of $2,000 per grant. ($1.4 million).

Continuous Improvement Innovation

Funds are allocated to school districts on a 50% average daily membership and 50% Education Finance Act formula basis. Seventy percent of the funds must be allocated by the district on a school basis in accordance with the district School Improvement Plan. Up to 30% of the funds may be spent for district wide projects with services to schools. ($3.3 million).

School Innovation

These funds may be expended for any EIA strategy or program as outlined in the school’s long-range school improvement plan or annual update. ($22.0 million).

ADEPT

In 1996–97 the General Assembly passed a law requiring a new statewide evaluation system for teachers. The Assisting, Developing, and Evaluating Professional Teaching (ADEPT) System is based on an integrated system of state standards, guidelines and strategies designed to promote excellence in the teaching profession.

Funds are allocated based on $250 for each teacher who participates in an induction program. ($1.5 million).

National Board Certification

Teachers who hold a National Board Certification receive $2,000 reimbursement for certification-related costs and a one-time $2,000 salary bonus. These teachers must be under contract to teach in South Carolina for the next school year. ($0.1 million).

Critical Teaching Needs

Funds are allocated to districts to improve mathematics, science, reading, and computer instruction at the elementary, middle, and secondary levels. Districts
may conduct courses for certificate renewal or may contract with colleges to offer the prescribed courses. The maximum allowable charges are: 1) tuition or salaries and fringe benefits cannot exceed $3,600 per course; and 2) books and materials cannot exceed $150 per participant. ($0.4 million).

**Increase High School Diploma Requirements**

This program increased requirements for a high school diploma from 18 units to 24 units (one additional unit each for science and math). Students are also now required to pass four academic courses for interscholastic activities eligibility. The Board of Education also decreased allowable student absences and increased the instructional day to at least six hours excluding lunch for secondary students and at least six hours including lunch for elementary students. The State reimburses some of the costs of the salaries and corresponding employee benefits for teachers who must be hired to fulfill the new objectives. District allocations are determined by dividing the district's second preceding year 135-day ADM by the State's second preceding year 135-day ADM multiplied by the funds available. ($14.2 million).

**Nursing Program**

Funds are allocated to school districts based on a pre-approved grant through the Office of Occupational Education to fund a portion of a 12-month or Phase 11 licensed practical nurse program. The funds must be used for salaries and fringe benefits. ($0.6 million).

**Principal's Salary & Fringe Increase**

Funds are allocated to school districts to supplement their salary expenditures for school principals and assistant principals, including related employee benefits. Funds are distributed to districts according to each district's share of the statewide second preceding year ADM. ($3.0 million).

**School Incentive Reward Program**

This program provides incentives to schools, area vocational centers, and districts that demonstrate exceptional performance and meet achievement gain criteria. Funds are distributed on a per-pupil basis and may be used to implement improvement in the instructional program and in areas of need identified in the School Improvement Plan. Funds appropriated in the current fiscal year may be carried over and expended in the next fiscal year. ($5.1 million).
School Lunch Program Aid

Travel expenses of the lunch supervisor are paid from this appropriation. Funds are allocated based on the number of cafeteria units operating in each school district in the prior school year. ($0.4 million).

School Lunch Supervisor's Salary

Funds are provided for the payment of the salary of one school lunch supervisor for each county at a fixed rate per year. In multi-district counties, the salary is proportionately distributed among the school districts of the county on the basis of the prior year's 135-Day ADM. ($0.5 million).

Teacher Salary Increase

Final school district allocations are based on the current year Professional Certified Staff Listing as of the 135th day of school. Eligibility for staff members is determined by each member's BEDS position code, instructional FTE, and term of employment for the first 135 days of school. Entitlement for each full-time eligible certified staff member is calculated by multiplying the prior year EFA base salary of the state minimum salary schedule determined by the member's education and class salary times .08876. ($110.9 million).

Vocational Education Equipment

School district allocations for vocational education equipment are determined on a formula basis by the Office of Occupational Education. Applications for equipment are submitted by local school districts. The highest priority in funding is for job preparatory and occupational proficiency programs. ($8.5 million).

Reading Recovery

Funds are allocated to implement and support Reading Recovery (RR) Programs throughout the State. The formula is based on district’s RR personnel over statewide RR personnel times available dollars. ($0.8 million).
Statewide Systemic Initiative in Mathematics and Science

These funds are provided to school districts for the improvement of science and mathematics achievement statewide. These funds are matching funds for the National Science Foundation. ($3.2 million).

Schools with Greatest Needs

Grants are provided to the impaired districts (7) for assistance in addressing education deficiencies. ($0.8 million).

Junior Scholars Program

Funds are allocated based on reimbursement of identified eighth grade students taking the Preliminary Scholastic Aptitude Test. ($0.05 million).

Principal/Teacher Specialist On Site

Teacher specialists on site must be assigned in any of the four core academic areas to a middle or high school in an impaired district or designated as below average or unsatisfactory. The specialists teach and work with the school faculty on a regular basis throughout the school year for up to three years, or as recommended by the review committee and approved by the state board. The specialists assist the school in gaining knowledge of best practices and well-validated alternatives, demonstrate effective teaching, act as coach for improving classroom practices, give support and training to identify needed changes in classroom instructional strategies based upon analyses of assessment data, and support teachers in acquiring new skills.

Each principal continued in employment in schools in districts designated as impaired or in schools designated as below average or unsatisfactory must participate in a formal mentoring program with a principal. ($0.9 million).

School-to-Work Transition Act

Funds appropriated for the School-To-Work Transition Program are used by the State Department of Education, through the Tech Prep Consortia, to provide for professional development in applied techniques and integration of curriculum, professional development in career guidance for teachers and guidance counselors, and training mentors. ($3.9 million).
Education License Plates

Funds are distributed at the end of each quarter based on the number of license plates sold. For each $54 plate sold, $34 is returned to the district or school chosen by the license plate purchaser. The remaining $20 is distributed to districts using the ratio of the district’s free/reduced lunch count for Grades 1-3 to the statewide free/reduced lunch count for Grades 1-3 of the second preceding year. ($0.075 million).

Library and Media Resources

Of the $577,000 available for School Library Media Resources, $1,000 is distributed to each school district. The remaining funds are divided among all districts using the ratio of the district free/reduced lunch count for grades 1-3 to the statewide free/reduced lunch count for grades 1-3 of the second preceding year. ($0.6 million).

Before/After School Day Care

The State Department of Education administers with subcontractors (LEAs) to establish and operate child care programs that extend the school day for children ages 3-5 in early childhood programs and operate before and/or after school programs for children 6–12 whose parents meet eligibility criteria. Reimbursement is based on care types and number of service units. Clients also have a co-payment determined by the Department of Health and Human Services Child Development Fee Scale. ($3.0 million).

Home Schooling

The State Department of Education provides foundation funding with a 0.25 weighting factor for students who are home-schooled. Allowable expenditures include those activities designed for the overall supervision, coordination, and direction of this special program. ($0.9 million).

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–99: $342.8 million.

Percentage of Total State Aid: 17.4%.
**Description:** State employer contribution funds are allocated to school districts to help cover the employer portion of state retirement, group life insurance, social security, and health insurance for public school employees. State aid is not separated by retirement, group life insurance, social security, and health benefits; rather, it is a lump sum to cover all of these fringe benefits. The state began providing state aid for school district retirees in a separate allocation in 1990–91. State Employer contributions cover the cost of fringe benefits for personnel required by the Defined Minimum Program, food service personnel and other personnel required by law.

Fringe benefits for South Carolina's public schools were not included in EFA (1977) because the state paid 100% of the cost. The South Carolina General Assembly capped the amount of fringe benefits aid the state would provide in 1982, consequently requiring local school districts to pay an estimated 65% of fringe benefit costs in 1999, or approximately $123.9 million. For 1998–99, school district allocations were based on the EFA formula. State aid of $8.5 million was provided to hold the losing school districts harmless.

**Extent of Participation:** 100% of school districts.

**XIV. TECHNOLOGY**

**Funding in 1998–99:** $28.4 million.

**Percentage of Total State Aid:** 1.4%.

These funds support local implementation of the South Carolina Educational Technology Plan and district strategic and school renewal plans. Purchases consider issues projected in long-range plans such as the application of technology for teaching and learning. Funds may not be expended for personnel positions but may be used for contractual services. School technology funds are divided among all districts using the ratio of the district free/reduced lunch count for Grades 1-3 to the statewide free/reduced lunch count for Grades 1-3 of the second preceding year.

Purchases must adhere to the following guidelines:

1. Provide for any lacking hardware, software or training needed to ensure extended connectivity to and usage of the dedicated telecommunications lines of the state network.
2. Focus on resources that facilitate integrated curriculum-based use of technology with correlation to curriculum frameworks and academic standards.

3. Supplement, but not supplant, the existing or projected school technology budgets for 1998–1999.

4. Serve as seed money to stimulate technology innovation for Act 135.

5. Be supplemented or matched at the local level by entering into partnerships and arrangements with such groups as businesses and parent organizations and by using vehicle license plate sales, etc.

6. Reflect equitable distribution of funds throughout the district.

7. Be planned for by a broadly representative committee within the district.

8. Match technologies to the local need, considering the fact that all technologies, video, computers, telecommunications routers, DSUs, hubs, wiring, etc. are appropriate uses for these funds.

**Technology Professional Development Initiative**

Expenditures made with these funds must have an emphasis on curriculum applications that support the South Carolina Educational Technology Plan and must have a technology focus. Funds earmarked for Technology Professional Development are divided among all school districts based on ADM. These funds must be used for graduate course contracts with South Carolina colleges and universities, instructor stipends for re-certification courses offered by districts, mini-course modules and professional development conference and workshop registration fees. This funding source may also be used to purchase instructional materials to support the courses and workshops offered in districts. They must center on weaving technology resources into daily instruction and on using them to support curriculum standards.

**Extent of Participation:** 100% of school districts.

**XV. CAPITAL OUTLAY AND DEBT SERVICE**

**Funding in 1998–99:** $46.7 million.

**Percentage of Total State Aid:** 2.4%.

Construction and renovation needs for South Carolina schools are estimated to exceed $2 billion. A 1997 statutory amendment modified the legal structure of the state’s credit enhancement program for schools, appropriating nearly $1
billion in FY 97 to cover aggregate school district debt service. This enabled Standard & Poor to raise the rating of all general obligation bonds issued by school districts from A to AA. This rating falls just under the state’s general obligation rating of AAA. The statute applies to both outstanding and new debt service obligations.

Districts planned to begin construction on 24 new schools across the state in 1997, but the high demand for construction materials and services has continued to drive up prices. School construction costs per square foot in South Carolina average 15-20% less than national averages, up from about 30% less during the early 1990’s.

State School Building Fund

Funds are allocated based on a per-pupil allocation based on the total funding available divided by the K–12 ADM. Funds received by school districts are used for capital improvements and the retiring of debt principal, interest, and related fees. All 86 school districts receive state school building aid. Area Vocational Centers receive $500,000 of these funds. ($15.4 million).

Children’s Education Endowment

The Public School Facilities Assistant Act was established in 1996 to increase the funding for construction and renovation. Funding flows from tax revenues collected from the Barnwell low-level radioactive waste facility. The formula for distribution is based on four factors: Of the total revenue, 35% is based on EFA formula; 35% on weighted pupil, 15% is based on effort, and 15% is based on need.

Barnwell funds were initially seen as a school facility construction solution for the state, but the facility has produced far less revenue than anticipated. Initially, it was projected to generate as much as $140 million annually, with two-thirds of that earmarked for school construction; instead it has consistently generated less than half that amount. Proposals to triple the tax for use of the dump were rejected by the legislature in March 1997. ($31.3 million).

Construction and Debt Service

It is estimated that South Carolina’s 86 school districts will spend $550 million for facilities acquisition and construction and $385 million for debt service in 1998–99. Receiving only $15.4 million in state aid and $31.3 million in Children’s
Education Endowment fund, the school districts collectively will spend over $935 million for capital outlay and debt service. School districts may sell bonds up to 8% of the district's assessed valuation, and more if the district taxpayers approve the proposed capital expenditure in a bond referendum. Debt service millage in 1998–99 ranged from zero to 78 mills.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Funding in 1998–99: $20.8 million.

Percentage of Total State Aid: 1.1%.

The South Carolina Education Accountability Act (EAA) of 1998 (SC CODE ANN § 59–18) represents the most sweeping education reform in the state since the passage of EIA in 1984. EAA established statewide academic standards and assessments, applied accountability measures for schools and districts, and initiated assistance to schools and districts to improve performance. By August 1999, each district board must establish a performance based accountability system or modify its existing local accountability plan to reinforce the state accountability system. Schools will be given two types of ratings: one for absolute performance and one for rate of improvement each year based on designations of excellent, good, average, below average and unsatisfactory. Beginning in 2001, report cards on each school's rating will be mailed to parents and advertised in newspapers.

The law also provides for competitive grants for alternative schools, homework centers in poorly performing schools, and modified school day or year for districts that qualify. Additionally, schools designated as below average and unsatisfactory will qualify for a grant to undertake any needed retraining of school faculty and administration. The law requires a comprehensive review of state and local professional development, including principal leadership development and teacher staff development.

Class Size Reduction

Districts that choose to reduce class sizes in grades 1 through 3 to 15:1 are eligible for funding. Districts designated as impaired or schools receiving an unsatisfactory rating will receive distribution priority. Funding for districts and schools receiving low rankings will be allocated based on ADM in grades 1 through 3. Other school districts receive money based on the number of free and reduced lunch eligible students. Boards have the option to implement the lower
pupil-teacher ratios on a school by school, grade by grade, or class by class basis. If districts choose to implement the reduced class size, they must track the students served for three years to analyze the impact of smaller class sizes on academic performance. ($19.6 million).

**Modified School Year**

EAA provides for the establishment of a grant program to encourage school districts to pilot test or implement a modified school year or school day schedule. The purpose of the grant is to assist with the additional costs incurred during the intersessions for salaries, transportation, and operations, or for additional costs incurred by lengthening the school day. Impaired districts receive funding priority. ($0.25 million).

**Homework Centers**

EAA provides for the establishment of homework centers in schools and districts designated as below average and unsatisfactory. All schools in districts declared to be impaired are eligible to receive funding on a per pupil basis. The homework centers go beyond the regular school hours and provide assistance to students in understanding and completing their school work. Center funds may be used for salaries for certified teachers and for transportation costs. ($0.5 million).

**Retraining Grants**

Under provisions of the Education Accountability Act, districts declared to be "impaired" at the beginning of the 1998–99 school year are eligible to receive Retraining Assistance Grants. Allocations are made on a per teacher basis. The funds are solely for professional development activities and must support the implementation of an approved revised school improvement plan. There is no provision for a district to "carry-over" funds into the next fiscal year. ($0.75 million).

**PSAT/PLAN**

High schools offer state-funded PSAT or PLAN tests to each tenth grade student in order to assess and identify curricular areas that need to be strengthened and re-enforced. Schools and districts use these assessments as diagnostic tools to provide academic assistance to students whose scores reflect the need for such assistance. Funds are provided to pay for PSAT/PLAN tests for tenth grade students. ($0.4 million).
XVII. REWARDS/SANCTIONS

Funding in 1998–99: Program still under development.

Percentage of Total State Aid: N/A.

Description: As an integral part of EAA, schools attaining high levels of absolute performance and significant rates of improvement will receive incentives. Additionally, technical and grant assistance, intervention and in certain instances, consequences, are outlined for schools that perform poorly, do not improve, and/or do not implement a plan for improvement. Specialists on site, both teacher and principal, will be supplied to schools ranking poorly in their performance. The state pays their salaries plus a supplement for a specified period of time.

Rewards

EAA provides for the establishment of the Palmetto Gold and Silver Awards Program to recognize and reward schools for attaining high levels of absolute performance or high rates of improvement. Improved performance must be measured on longitudinally matched student data and may include such additional criteria as student attendance, teacher attendance, student dropout rates, and any other factors promoting or maintaining high levels of achievement and performance.

Sanctions

When a school receives a rating of below average or unsatisfactory, the faculty of the school with the leadership of the principal must review its improvement plan and revise it with the assistance of the school improvement council. The school must inform parents of the ratings and must outline the steps in the revised plan to improve performance. This information must also be advertised in at least one South Carolina daily newspaper of general circulation in the area.

Unsatisfactory ratings result in the assignment of an external review team. If the recommendations by the review team are not satisfactorily implemented, the principal, district superintendent, and members of the board of trustees must appear before the State Board of Education to outline the reasons why a state of emergency should not be declared in the school. The state superintendent may subsequently take any of the following actions: Provide further technical assistance; Declare a state of emergency in the school and replace the school's
principal; Declare a state of emergency in the school and assume management of the school.

Further, there are grant programs for schools designated as below average and for schools designated as unsatisfactory. Schools qualify for the grant program after the State Board of Education approves its revised plan. A grant or a portion of a grant may be renewed annually over the following three years, if school and district actions to implement the revised plan continue.

EAA also provides for the development of a public school assistance fund for the purpose of providing financial support to assist poorly performing schools. The fund may consist of grants, gifts, and donations from any public or private source.

**XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS**

**Charter Schools**

**Funding in 1998–99**: N/A; Funding flows through sponsoring school districts.

**Percentage of Total State Aid**: N/A.

**Description**: The South Carolina Charter Schools Act of 1996 (SC CODE ANN § 59-40) authorized the establishment of charter schools. Charters may not differ in the racial composition of their students by more than 10% of the sponsoring district.

For the most part, charters have had little impact on education reform in the state, but have become a lightning rod for concerns over equity and the threat of a return to racially segregated schools. Of key concern have been legislative provisions mandating that charters replicate, within 10%, the sponsoring district’s racial composition. Some in the state feel that this provision has stymied the potential growth of charter schools, while others insist that without such a mandated guideline, exclusively “white” academies would flourish.

Charter schools are funded through the sponsoring school district based on the number of students served. Charter schools receive the sponsoring district's previous year's audited total general fund expenditures per pupil, including capital outlay and maintenance, but not including expenditures from bonded indebtedness or debt payment. Charter schools then apply that amount times their own per pupil weights to determine their revenue.
**Extent of Participation:** 6 charter schools.

**Alternative Schools**

**Funding in 1998–99:** $1.0 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** EAA provides for the establishment of a competitive grant program to fund at least 10 alternative schools. Schools established jointly by neighboring districts are given priority in awarding the grants. The schools must be at a site separate from other schools, unless operated at a time when those schools are not in session. The mission of the schools is to provide appropriate services to middle or high school students who, for academic or behavioral reasons, are not benefiting from the regular school program. To be eligible for funding, the school districts must develop a plan for the school which establishes a comprehensive program to address student problems. State requirements for staffing may be waived if the plan meets the criteria and has a reasonable expectation of success. The districts contract with the school for each student attending for an amount that is no less than the amount equal to that generated by the student's EFA weight.

**Extent of Participation:** Program still under development.

**XIX. AID TO PRIVATE SCHOOLS**

N/A.

**XX. RECENT/PENDING LITIGATION**

In 1993, 40 South Carolina school districts challenged the state’s method of funding teacher fringe benefits, transportation, construction, and textbooks because for those programs, the state was paying the same amount regardless of a district’s ability to pay (Abbeville County School District v. South Carolina, 515 S.E.2d 535 (S.C. 1999)). They further charged that the state’s definition of a minimum education program was outdated because it failed to include the above programs that had become part of a “basic education.” Emphasis was placed on the $224 million in teacher benefits and retirement that were not being funded through the state’s foundation program. In 1993 the state paid 70% of school district benefits costs, while school districts paid the remaining 30%.
Three years later, in 1996, the circuit court threw out the suit, noting that the state constitution only guarantees a “free” education, and that it was impossible for the court to define a lasting standard for an adequate education. The case was appealed to the South Carolina Supreme Court, which in April 1999 upheld the state's school funding mechanism as constitutional, but remanded the case back to the circuit court to develop a workable definition of "adequate." Further action on the case by the lower court is currently pending.

XXI. SPECIAL TOPICS

In$ite

South Carolina is currently in its fifth year of gathering and reporting school-level data. In$ite’s implementation in August 1995 (as Coopers & Lybrand's Finance Analysis Model, or FAM) was strongly supported by the state Chamber of Commerce, the state School Board’s Association, and the Chamber’s Business Center for Excellence in Education. In$ite was designed to perform two tasks: to enhance fiscal accountability by providing easy-to-understand school-level spending data, and to improve the management and efficiency of schools by enabling budget analyses that lead to changes in resource allocation patterns. In$ite currently serves largely as a fiscal performance accountability measure that has received little attention from taxpayers, parents, politicians, and practicing educators. Its promise as an effective school and district-level fiscal management tool remains largely unfulfilled across the state.

Lottery

South Carolina’s state constitution prohibits a lottery. Voters will decide on a statewide lottery in a November 2000 referendum.