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Legislative Audit Council



The State of South Carolina
General Assembly
Legislative Audit Council

A Review of the
Education Finance Act of 1977
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THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

A REVIEW OF THE

EDUCATION FINANCE ACT OF 1977

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GLOSSARY OF TERMS

- Accreditation - The process used to ensure school and district compliance with educational standards set out in the Defined Minimum Program. Every school receives an accreditation rating to indicate the degree of its compliance.
- Add-on Method - A method of counting students which counts students first in the category where they spend most of their time. Students who also receive services within other categories are counted a second time.
- Average Daily Membership (ADM) - A method of counting students in which enrollment is averaged over 135 of the 180 days schools are in session.
- Base Student Cost (BSC) - The amount of money required to provide the Defined Minimum Program for the most economically educated student in the school system. This has been determined to be those students in grades 4 through 8, in a regular classroom setting. The BSC figure is established each year by the Legislature.
- Basic Educational Data System (BEDS) - A computerized reporting system which provides statistical information on each school. The information is provided for use in monitoring compliance with the Defined Minimum Program (DMP).
- Category, Classification - Any specific student definition that is assigned a single weighting, i.e., kindergarten, speech, vocational. These terms are used interchangeably in the Act with "program."
- 85% Clause (Expenditure Requirements) - A provision of the EFA which requires school districts to expend 85% of the dollars generated by the pupil membership in the categories where the students generating the revenues are classified.
- Coefficient of Variation - A statistical measure, expressed as a percentage, indicating the degree to which districts' per-pupil revenues cluster around the State average revenue per pupil. To obtain the coefficient, the standard deviation is divided by the mean of per-pupil revenues of the districts.
- Correlation Coefficient - A statistical measure used to indicate whether a relationship exists between districts' property wealth per pupil and districts' revenues per pupil. The elasticity of this measure indicates the magnitude of the relationship.
- Defined Minimum Program (DMP) - The program established annually by the State Board of Education that is necessary to provide public school students in South Carolina with minimum educational programs to meet their needs. The DMP provides the criteria establishing cost estimates of the foundation program (Base Student Cost). Districts must give first spending priority of funds allocated under EFA to meeting standards established by the DMP.

GLOSSARY OF TERMS (CONTINUED)

- District Annual Report - Refers to the financial reports sent by district superintendents to SDE by August 15.
- Equalization Formula - The funding formula which determines State and local allocations to school districts. The total amount of funding a district receives is the base student cost times the district's weighted pupil units. The percentage of the amount funded by the State is determined by the index of taxpaying ability.
- Exceptional - Educational categories other than regular or vocational/technical, i.e., handicapped or gifted.
- Federal Range - The ratio measuring the restricted range (5th - 95th percentiles) to the revenues per pupil at the 5th percentile.
- "Flat Grant" Funding - The method used for financing education prior to the 1977 EFA. Funds were allocated to school districts based a specified student count.
- Foundation Program - The Defined Minimum Program and any special services provided by the districts to meet student needs.
- Full-Time Equivalency (FTE) - A method of counting students for funding purposes which counts a student in each weight category according to the time spent in each category.
- Holdharmless - No district qualifying for holdharmless receives less than the prior year's State EFA funding plus four-fifths of the inflation factor. Under holdharmless, a district's State fund allotment is not dependent on the number of pupils or its index of taxpaying ability.
- Index of Taxpaying Ability - A formula used to compute the local school district's property taxing capacity in relationship to all other districts in the State. The formula divides district property wealth by total State property wealth and, therefore, provides a percentage of State wealth taxable in each district. The State Tax Commission adjusts the index so that districts' property is represented at fair market value.
- Inflation Factor - A cost factor developed by the Division of Research and Statistics, to indicate the needed percentage increase in the BSC to counter inflation.
- In-Service - Professional training required of school staff each year (in addition to college courses needed to maintain certification).
- McLoone Index - A measure which examines the amount of State and local funding which would be needed to raise the revenues of all lower revenue districts up to the State median for per-pupil revenues.

GLOSSARY OF TERMS (CONTINUED)

Phase-in - EFA has as one of its purposes State Assumption of 70% of the cost of providing the basic education of the State's students. The 70% assumption is scheduled to be reached in steps by 1984.

PL 94-142 - The Education for all Handicapped Children Act of 1975 (implemented in 1977). Federal law requiring the State to provide a free, appropriate education, in the least restrictive environment, to handicapped students (ages 3-21).

Program - The combination of educational activities designed to meet a student's specific needs. For example, one student's program may consist of classes in regular, vocational and handicapped categories. This term is used interchangeably in the Act with "classification."

Range - The dollar difference between the district with the lowest amount of per-pupil revenues and the district with the highest amount of per-pupil revenues.

Relative Mean Deviation - A statistical measure showing the differences between each districts' revenues per pupil and the State average of revenues per pupil.

Restricted Range - The dollar difference between the districts with per-pupil revenues above the 5th percentile and below the 95th percentile. Also measures the dollar difference of per-pupil revenues between districts above the 25th percentile and below the 75th percentile.

Salary Schedule - Minimum salaries to be paid teachers, by education and years experience, based on an index established by EFA.

State Superintendent's Annual Report - Report to the Legislature by the State Superintendent each legislative session.

Teacher Incentive - Additional funds are given to districts for each teacher (in excess of 25% of staff) with a Master's Degree or higher certification.

Weighted Pupil Units (WPU) - A method of counting students using average daily membership and the cost ratios (weights) assigned the various education programs. Used as an indicator of pupil need for services in the statistical sections of this report.

Weighting System (Weights) - Cost ratio assigned to different student classifications based on the relative cost of their education program to that of the base student, which is given a weighting of 1.00 (see "Base Student Cost"). All other categories of students, particularly vocational and handicapped, require additional services, thus their weightings are greater. In South Carolina, a pupil is counted in only one educational category, regardless of other educational services received.

INTRODUCTION

Act 163 of 1977, the Education Finance Act, directs the Legislative Audit Council to assess compliance with the provisions of the Act and to make recommendations to the General Assembly concerning necessary changes. The first comprehensive report, "Study of the Implementation of the Education Finance Act of 1977," published by the Council in December 1980, presented a broad review of the Finance Act after one year of implementation. This second comprehensive report analyzes the Finance Act's impact on the funds available for education after four years of implementation and the progress made in accomplishing the mandates of the Act.

The Background section provides a description of the State's educational system and reviews the provisions of the Finance Act. Chapter I analyzes various provisions of the Act for their effects on the equalization formula and examines the impact of the Act on the funding differences of the school districts and on the tax efforts required to raise revenues. Chapter II presents an overview of school district financial and reporting practices and their impact upon implementation of the Act. Chapter III reviews the ability of the weighting system and student count methods to carry out the Act's intent. Chapter IV examines the role of the State Board of Education and State Department of Education in relation to the Act. A summary of this report is available under separate cover from the Legislative Audit Council.

Numerous interviews were held with district officials, SDE staff, legislative committee staff and education professionals outside SDE. The Council appreciates the cooperation and assistance of education officials and SDE staff during the course of this study.

BACKGROUND

Overview of the State Education System

Education in South Carolina is regulated on two levels, State and local. At the State level, educational responsibilities are vested in the State Board of Education, the State Superintendent of Education and the State Department of Education. The framework of responsibility at the State level dates from 1966 when the State Educational Finance Commission and the State Schoolbook Commission were dissolved and their duties given to the State Board of Education.

The State Board of Education is composed of 17 members, 16 appointed by the legislative delegation from each judicial circuit and one appointed by the Governor. According to the Board's educational philosophy, its primary role is that of a policy making body designed to regulate, evaluate, upgrade and control the state-wide educational system. To carry out its responsibilities, the Board has been delegated ten powers by the Legislature. Generally, the Board adopts policies and procedures to govern public schools; prescribes minimum standards for any phase of education; adopts and enforces rules for the examination and certification of teachers and grants teachers' certificates; and sets the courses of study and textbooks for the schools (Section 59-5-60 of the 1976 South Carolina Code of Laws).

The State Superintendent of Education is a constitutional officer elected by the people. The Superintendent serves as the secretary and administrative officer to the State Board of Education, which considers the Superintendent as the primary education leader in the State. The Superintendent is empowered by law to organize, staff and administer a

State Department of Education; administer, through the Department, all policies and procedures adopted by the Board; manage all State and Federal funds for public schools; and perform other duties as prescribed by law or assigned by the Board (Section 59-3-30).

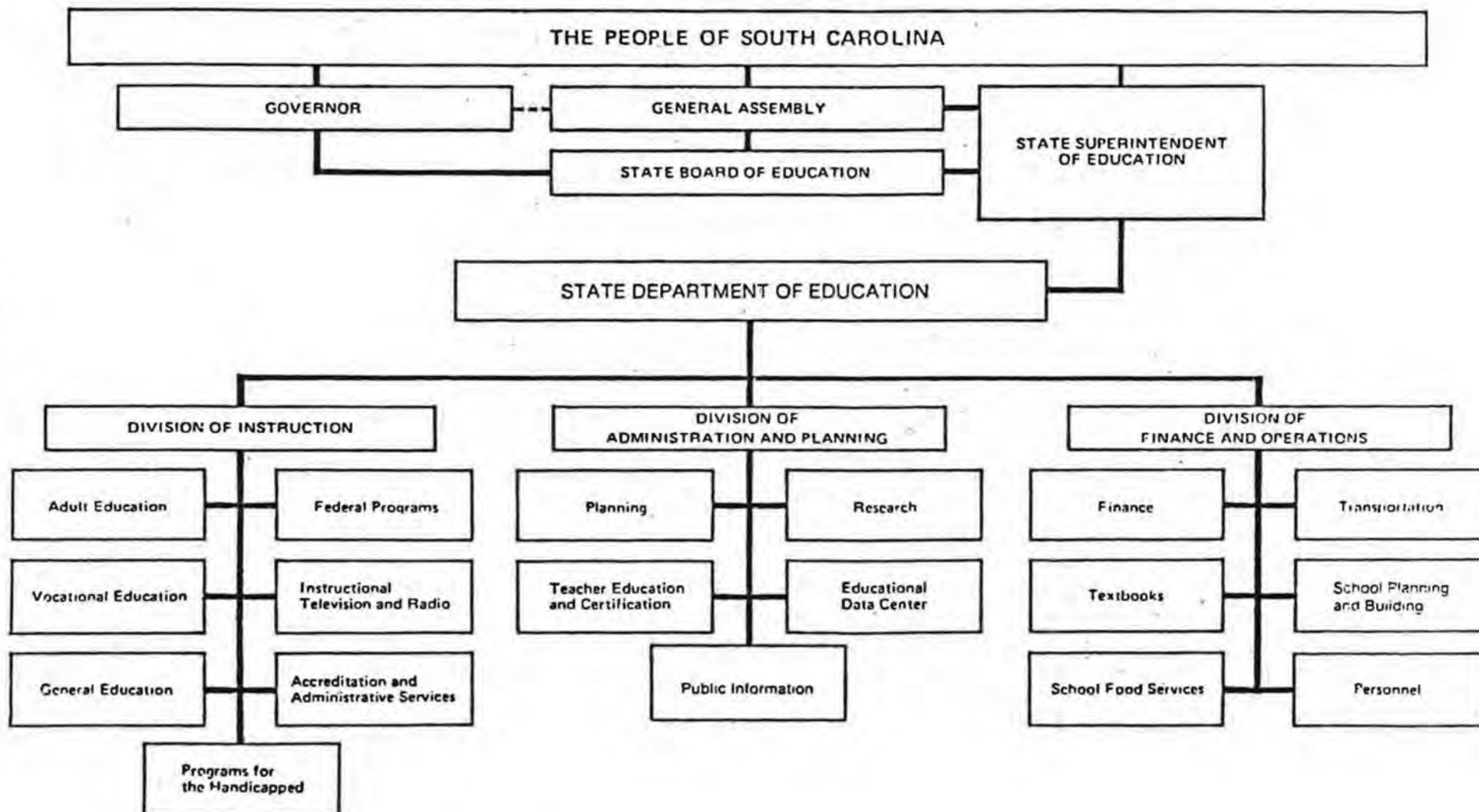
The State Department of Education has no enabling legislation in the traditional sense. The creation and purpose of the Department are found in the duties assigned to the State Superintendent. The Superintendent shall:

organize, staff and administer a State Department of Education which shall include such divisions and departments as are necessary to render the maximum service to public education in the State [Section 59-3-30(3)].

According to a 1965 Opinion of the Attorney General, the State Board of Education has no administrative authority over the Department. That authority is assigned only to the State Superintendent of Education. The organization of education at the State level is depicted in Table 1.

At the local level, the responsibilities for education are carried out in each school district by the board of trustees, the district superintendent and the district office staff. The board of trustees determines policy for the district. By law, the school board has the power to provide suitable school buildings, employ teachers, prescribe standards of achievement and conduct, and manage and control the educational interests of the district (Section 59-19-90). The district superintendent manages the district, while the district office staff provides assistance to the schools and school personnel.

TABLE 1
ORGANIZATION OF THE STATE DEPARTMENT OF EDUCATION



The Education Finance Act

The Constitution of South Carolina requires the General Assembly to provide for the maintenance and support of a system of free public schools open to all children in the State (Article XI, Section 3). In continuing to meet this responsibility, the General Assembly passed Act 163 of 1977, known as the Education Finance Act (EFA). The purpose of the Act is to provide equity of funding for a basic educational program, equity of effort for taxpayers, and the availability of comparable educational programs for all primary and secondary school students.

Prior to the implementation of the Finance Act, the State relied on a "flat-grant" system to provide funding to schools. The "flat-grant" system allocated dollars to school districts based on pupils, staffing, or a percentage of a district's expenditures for an activity. However, this system resulted in inequitable funding for individual pupils among the State's school districts. Because local funds for education are derived from property taxes and the property wealth of districts varies, the funds available to operate school districts have varied.

The Education Finance Act changes the method of distributing State funding to local school districts to reduce the differences in funding created by variances in local wealth and to ensure that funds are provided on the basis of need. The Act provided for a five-year phase-in period, beginning in FY 78-79, with full implementation of the Act occurring in 1983. Due to a revenue shortfall, the General Assembly, in the FY 82-83 Appropriation Act, delayed full implementation until FY 83-84.

The amount of State and local funding required under the Finance Act is calculated on the base student cost and the weighted pupil units.

The base student cost is the amount deemed necessary to fund a minimum educational program for an elementary (4-8) grade student. This amount is adjusted annually by an inflation factor to reflect the inflated cost of providing the State Board of Education's Defined Minimum Program. In FY 81-82, the base student cost was funded at \$941.75.

The Act's weighted pupil system provides for the relative cost differences between educational programs for different students. This system was established to distribute funds equitably on the basis of pupil needs:

<u>Pupil Classification</u>	<u>Weights (Ratios to the base student cost)</u>
Kindergarten	1.30
Primary	1.30
Elementary	1.00
High School	1.25
Vocational Education	1.29
Educable Mentally Handicapped	1.74
Learning Disabled	1.74
Trainable Mentally Handicapped	2.04
Emotionally Handicapped	2.04
Orthopedically Handicapped	2.04
Visually Handicapped	2.57
Hearing Handicapped	2.57
Speech Handicapped	1.90
Homebound	2.10

The amount of funding a school district receives from the State varies with each district's ability to raise local revenues for schools. By using an index of taxpaying ability (explained on p. 2), districts with a smaller amount of property wealth receive a larger percentage of State funding. This is to enable each district to provide a required minimum educational program for each student, with a more equitable tax burden for taxpayers. Inequities in education funding caused by variances in property wealth should be reduced with this method.

The concerns of the Education Finance Act go beyond those of financial equity. The Act also seeks to guarantee to each student a basic education appropriate to his or her needs. By committing State funds toward ensuring that every school will live up to a specified set of educational standards, the Act is designed to provide equal educational opportunities for every student in the State.

The Finance Act further attempts to assure program effectiveness by emphasizing the evaluation of district and school needs and staff development. Districts are required to develop long-range plans and to evaluate how well goals and objectives of the plans are being met. Furthermore, districts are required to participate in a state-wide testing program which assists in planning and evaluation by enabling districts and schools to observe student performance in fundamental skills. The State Department of Education assists the districts in improving the effectiveness of local district programs by providing technical and programmatic aid. The Department is also directed to monitor programs and appraise districts' goals and plans.

The following tables show the sources and uses of education funds for five fiscal years (FY 77-78 to FY 81-82) and the State funds allocated to school districts by program for the same period.

TABLE 2
STATE DEPARTMENT OF EDUCATION
STATEMENT OF SOURCES AND USES OF FUNDS FY 77-78 TO FY 81-82

(In Millions)
000,000

Sources	FY 77-78	FY 78-79	FY 79-80	FY 80-81	FY 81-82
State Funds	\$451.6	\$508.4	\$599.5	\$648.5	\$704.6
Federal Funds	111.5	125.2	149.6	156.9	149.2
Other Funds	20.3	14.3	13.0	2.2	4.6
TOTAL SOURCES	\$583.4	\$647.9	\$762.1	\$807.6	\$858.4
Uses					
State Board	\$.03	\$.04	\$.05	\$.05	\$.05
State Department: Office of Superintendent	.12	.15	.26	.20	.20
Division of Instruction:					
Office of Federal Programs	42.8	54.8	58.9	62.5	53.1
Office of Vocational Education	18.9	18.1	20.6	17.3	15.1
Office of Programs for Handicapped	2.9	6.5	9.9	15.2	21.2
Other Programs ¹	9.3	9.1	9.7	11.8	12.4
Division of Administration & Planning ²	2.0	2.1	2.2	2.6	2.0
Division of Finance & Operation:					
Office of School Planning & Building	18.9	22.8	30.9	18.8	17.4
Textbooks & Films	8.0	9.8	6.7	9.9	9.1
Office of School Food Service	48.8	46.0	63.7	61.0	58.7
Transportation	32.6	30.6	41.7 ⁵	46.6	43.8
Other Expenditures ³	2.3	2.4	14.4 ⁵	3.3	5.4
Employee Benefits ⁴	86.1 ⁶	93.6	105.3	109.0	125.5
Education Finance Act	310.6 ⁶	351.9	397.8	449.4	494.4
TOTAL USES	\$583.4	\$647.9	\$762.1	\$807.6	\$858.4

¹ Other Programs for FY 81-82, include Adult, General, Teacher Education and Certification, Instructional TV, and Accreditation and Administration.

² Division of Administration and Planning includes deputy superintendents, finance and personnel for Staff Administration.

³ Other expenditures include Auditing and Field Services, Technical Assistance, Planning, Research, Public Information, Educational Products Center and Data Processing. Technical Assistance and Educational Products Center were not funded in FY 81-82.

⁴ Employee Benefits include total public school employee benefits, plus benefits for SDE employees.

⁵ Includes \$11,605,684 of Non-Recurring Appropriations.

⁶ EFA did not begin until FY 78-79; expenditures are included here for comparative purposes.

Source: State Budget Documents, FY 77-78 through FY 81-82, and SDE Balance Sheets, FY 81-82.

TABLE 3
STATE FUNDS BY PROGRAM TO SCHOOL DISTRICTS FY 77-78 TO FY 81-82

Program	FY 77-78	% of Total	FY 78-79	% of Total	FY 79-80	% of Total	FY 80-81	% of Total	FY 81-82	% of Total
Program for Gifted	\$ 325,751	0.1%	\$ 330,771	0.1%	\$ 655,649	0.1%	\$ 1,400,606 ⁵	0.2%	\$ 1,582,356 ⁵	0.2%
Basic Skills Assessment	-	-	-	-	-	-	576,806 ⁵	0.1	938,024 ⁵	0.1
Allocations to County										
Superintendents & Attendance Supervisors	854,079	0.1	900,333	0.2	961,827	0.2	1,025,895	0.1	641,652	0.1
School Lunch Program	898,600	0.2	913,085	0.2	939,415	0.1	978,180	0.1	995,452	0.1
Day Care Centers	966,644	0.2	997,230 ²	0.2	1,099,973	0.1	1,099,830	0.1	1,063,928	0.1
Program for Handicapped	1,284,597	0.3	-	-	-	-	-	-	-	-
Adult Education	2,140,598	0.5	2,070,193	0.4	2,394,548	0.4	2,003,364	0.3	1,902,030	0.3
Free Textbook Program	6,042,098	1.0	9,000,027 ^{2,3}	2.0	9,374,767 ³	2.0	8,663,568 ³	1.0	7,921,660 ³	1.0
Vocational Education	16,955,450	4.0	30,057 ^{2,3}	0.0	378,615 ³	0.1	599,834 ³	0.1	558,025 ³	0.1
School Planning & Building	18,760,054	4.0	22,706,639	4.0	19,185,303	3.0	19,185,303	3.0	17,358,262	3.0
Transportation	28,631,510	6.0	35,894,800	7.0	47,917,218	8.0	44,470,060	7.0	42,859,615	6.0
Public School Employee Benefits	86,083,391 ¹	18.0	91,491,136	17.7	102,320,142	18.0	106,259,767	17.0	122,379,950	18.0
Education Finance Act	310,592,216 ¹	65.6	351,881,754	68.2	397,778,535	68.0	449,309,922	71.0	494,354,464	71.0
TOTAL	\$473,534,988		\$516,216,025		\$583,005,992		\$635,573,135		\$692,555,418	

¹EFA did not begin until FY 78-79; expenditures shown are the former State Aid Program.

²Funding for Handicapped Programs and Vocational Education incorporated into EFA after FY 77-78.

³Funds for Vocational Education Equipment, FY 78-79 and FY 79-80, and Vocational Education Nurse Program, FY 80-81 and FY 81-82.

⁴Funds include appropriation for County School Lunch Supervisor.

⁵Funds include Testing Services.

Source: State Budget Documents, FY 79-80 through FY 82-83; Appropriation Acts, FY 79-80 through FY 81-82; and SDE Balance Sheets, FY 81-82.

CHAPTER I

ANALYSIS OF THE EFA FUNDING

Introduction

Under the State's former educational funding program (the State Aid Program), funds for education were distributed on a flat per-pupil basis. Variances in local wealth resulted in inequitable funding for individual pupils among the State's school districts, and the revenue differences were not reduced by the State funding method. Property-poor districts, taxing themselves at a rate three times as great as wealthy districts, could generate only 68% as much State and local revenue.

The Education Finance Act attempts to correct these funding differences in several ways. The Act provides funds for a minimum program which is to be substantially equal for all students and appropriate to student needs. Also, funding is to be available notwithstanding local economic factors and with an equal tax effort. In this chapter, the extent to which these objectives have been achieved is measured through statistical analysis. The effects of holdharmless and teacher incentive provisions on the equalization formula are reviewed and the overall impact of the Finance Act is examined.

Holdharmless Provision

The holdharmless provision interferes with the functioning of the Finance Act and contributes to an increase in revenue disparity among the districts. Moreover, holdharmless districts have received a total of \$256,951 to which they were not entitled because of administrative decisions by SDE and computational errors.

The holdharmless provision was designed to ease the transition to the EFA funding formula by ensuring that State funds to the districts would not fall below their pre-EFA level. Districts under this provision receive, as their EFA allocation, the prior year's State funding plus four-fifths of the inflation factor. Otherwise, under the EFA formula, a district's State fund allotment is to be dependent on the number of pupils and its index of taxpaying ability. If a district's enrollment drops or if its property wealth increases, its share of State funds is to decrease. This does not occur for districts on holdharmless. For FY 82-83, funding for holdharmless is estimated to be \$6.6 million.

Impact on Equity

The holdharmless provision interferes with the functioning of the Finance Act, increasing the revenue disparity among districts. To test the effects of holdharmless funds on districts' revenues in FY 79-80 and FY 80-81, the Council examined six statistical measures of revenue disparity and a seventh measure showing the relationship between district wealth and revenues per pupil. When holdharmless funds were excluded from the total State and local revenues, the statistics indicated a decrease in revenue disparity and a reduction in the relationship between wealth and revenues. For example, the revenue differences between districts, represented by the range and both restricted ranges, were reduced in FY 79-80 and in FY 80-81 (see Table 4). The relationship between wealth and revenues declined in both years, as seen in the correlation coefficient.

Until the holdharmless provision is repealed, the equity of funding intended by the Act will not be fully achieved. If the adjustment of

four-fifths of the inflation factor continues to be used, two districts, Beaufort and Calhoun, are estimated to receive holdharmless for another 47 and 57 years, respectively. If the holdharmless provision is retained, the Legislature should consider making the temporary proviso from the FY 82-83 Appropriation Act a permanent part of the Finance Act. This proviso permits no additional districts to receive holdharmless funds due to decreases in student numbers or upward adjustments in the index of taxpaying ability. Holdharmless could be phased out by eliminating the inflation factor when calculating holdharmless districts' State allocations. These districts would then receive the same amount of State funds they received in the prior year. This would reduce the phase-out of holdharmless for Beaufort and Calhoun to 15 and six years, respectively, and would minimize the impact on holdharmless districts of eliminating the holdharmless provision. The effects of the phase-out are shown in Table 5.

TABLE 4
MEASURING THE IMPACT OF HOLDHARMLESS
FUNDING ON LOCAL AND STATE REVENUES

Statistical Measures ³	Per Pupil			
	FY 79-80 ¹		FY 80-81 ²	
	Total Local and State Revenues	Total Revenues Without Holdharmless	Total Local and State Revenues	Total Revenues Without Holdharmless
1. <u>Range</u>	\$ 785	\$ 775	\$ 808	\$ 808
Lowest	917	917	1,090	1,090
Highest	1,702	1,692	1,898	1,898
2. <u>Restricted Range</u>	\$ 465	\$ 449	\$ 525	\$ 503
Lowest (5%)	979	979	1,142	1,142
Highest (95%)	1,444	1,428	1,667	1,645
3. <u>Restricted Range</u>	\$ 239	\$ 235	\$ 213	\$ 212
Lowest (25%)	1,047	1,048	1,231	1,231
Highest (75%)	1,286	1,283	1,444	1,443
4. <u>Federal Range</u>	.48	.46	.46	.44
5. <u>Relative Mean Deviation</u>	.099	.098	.092	.091
6. <u>Coefficient of Variation</u>	12.93	12.66	12.6	12.2
7a. <u>Correlation Coefficient</u> between wealth & revenue	.48	.42	.51	.45
7b. <u>Elasticity</u> between wealth & revenue	.14	.12	.15	.13

Statistical Measure ³	Per Weighted Pupil Unit			
	FY 79-80 ¹		FY 80-81 ²	
	Total Local and State Revenues	Total Revenues Without Holdharmless	Total Local and State Revenues	Total Revenues Without Holdharmless
1. <u>Range</u>	\$ 635	\$ 627	\$ 666	\$ 666
Lowest	757	757	885	885
Highest	1,392	1,384	1,551	1,551
2. <u>Restricted Range</u>	\$ 406	\$ 403	\$ 457	\$ 416
Lowest (5%)	794	794	946	946
Highest (95%)	1,200	1,197	1,403	1,362
3. <u>Restricted Range</u>	\$ 182	\$ 172	\$ 183	\$ 183
Lowest (25%)	875	875	1,011	1,011
Highest (75%)	1,057	1,047	1,194	1,194
4. <u>Federal Range</u>	.51	.51	.48	.44
5. <u>Relative Mean Deviation</u>	.096	.095	.090	.088
6. <u>Coefficient of Variation</u>	12.8	12.5	12.43	12.10
7a. <u>Correlation Coefficient</u> between wealth & revenue	.47	.41	.50	.44
7b. <u>Elasticity</u> between wealth & revenue	.14	.12	.15	.13

¹In FY 79-80, nine of the 92 school districts received holdharmless aid, totaling \$958,352.

²In FY 80-81, eight school districts received holdharmless aid, totaling \$1,365,702.

³Refer to "Glossary of Terms" and "Impact of the Finance Act" for discussion of the statistical measures used.

TABLE 5
EFFECTS OF THE PHASE-OUT ON HOLDHARMLESS DISTRICTS¹

FY 83-84 Holdharmless Districts	State Funds Under EFA Formula	Holdharmless Funds	
		4/5 Inflation Factor	No Inflation Factor
Anderson #4			
FY 83-84	\$ 1,297,909	\$ 143,241	N/A
FY 84-85	1,373,188	134,255	\$ 67,963
FY 85-86	1,452,833	123,953	-
Years to Fund Out		11	2
Beaufort			
FY 83-84	\$ 2,607,787	\$3,393,417	N/A
FY 84-85	2,759,039	3,518,221	\$3,242,165
FY 85-86	2,919,063	3,646,951	3,082,141
Years to Fund Out		47	15
Calhoun			
FY 83-84	\$ 1,084,140	\$ 379,172	N/A
FY 84-85	1,147,020	383,605	\$ 316,292
FY 85-86	1,213,547	387,486	249,765
Years to Fund Out		57	6
Charleston			
FY 83-84	\$33,973,388	\$ 555,297	N/A
FY 84-85	35,943,844	173,160	-
FY 85-86	38,028,587	-	-
Years to Fund Out		2	1

¹FY 83-84 EFA formula allocations projected at a 97.1% rate of full implementation and the prior year's funding amounts were used, with inflation projected at 5.8% each year.

Note: Districts are shown receiving no holdharmless funds when the EFA formula allocation equals or exceeds the amount received under the holdharmless provision.

Holdharmless Computed on Wrong Figures

In FY 82-83, eight holdharmless districts received \$247,618 to which they were not entitled because holdharmless funds were not

calculated, as required by Section 59-20-50(1), on the prior year's actual State funding. The funds, instead, were computed on the originally budgeted amount. For FY 81-82, districts' originally budgeted funds for education were reduced by 2.19% at the direction of the Budget and Control Board and many districts had to take all or part of the cut in the EFA allocation.

The FY 82-83 holdharmless allocations were calculated on the budgeted amount because of an administrative decision by SDE. Since the budgeted amount was larger than the amount actually received, six districts received more in holdharmless funds than the Finance Act allows and two districts, which should have received no holdharmless funds, qualified for holdharmless aid. Table 6 shows the effects on each district's holdharmless revenues of calculating the holdharmless funds on the budgeted amount.

As a result of the holdharmless calculations, the eight districts were allocated the funds cut from their FY 81-82 allotment in the next fiscal year, increased by four-fifths of the inflation factor. This reduced the funds available for distribution to other districts through the EFA formula by \$247,618.

TABLE 6
EFFECTS OF COMPUTING FY 82-83 HOLDHARMLESS FUNDS ON BUDGETED
RATHER THAN ACTUAL PRIOR YEAR'S STATE FUNDING

<u>FY 82-83</u> <u>Holdharmless</u> <u>Districts</u>	Holdharmless Computed on: <u>Actual</u> <u>Prior Year's</u> <u>State Funding</u>	<u>Original</u> <u>Budgeted</u> <u>Amount</u>	<u>Difference</u>
<u>Allendale</u>	No Holdharmless	\$ 25,294	\$ 25,294
<u>Anderson #4</u>	\$ 78,004	79,548	1,544
<u>Beaufort</u>	1,610,289	1,615,053	4,764
<u>Calhoun</u>	492,252	528,528	36,276
<u>Charleston</u>	2,410,094	2,474,441	64,347
<u>Dorchester #3</u>	16,196	38,543	22,347
<u>Fairfield</u>	No Holdharmless	52,495	52,495
<u>Richland #1</u>	1,804,789	1,845,330	40,541
<u>Totals</u>	<u>\$6,411,624</u>	<u>\$6,659,232</u>	<u>\$247,618</u>

Source: FY 81-82 and FY 82-83 Final Financial Requirements, State Department of Education.

Computational Errors by SDE

SDE has made two computational errors in calculating holdharmless funds for FY 81-82 and FY 82-83. As a result, one district received \$5,321 in holdharmless funds when it was not entitled to receive them and four other holdharmless districts received \$4,012 in additional funds.

Three months after the beginning of FY 82-83, the Council found that Orangeburg #6 was paid holdharmless funds of \$5,321 in FY 81-82 when the district was not entitled to receive these funds. A computer

error was confirmed by SDE staff, but could not be explained. SDE staff stated that the district's FY 82-83 EFA allocation would be adjusted to recover the holdharmless funds it received as a result of the error. Therefore, the district, in effect, will pay a penalty for SDE's error.

An error was also made by SDE in calculating holdharmless for FY 82-83. Because the school districts qualified for more than the amount appropriated to the Finance Act in FY 81-82, all districts were required to take an additional .15% cut in order to comply with the "cap" on EFA funds mandated by the FY 81-82 Appropriation Act. The cut was applied to each district equally in FY 81-82; however, in calculating holdharmless funds for FY 82-83, a portion of the cut was not removed from the amount on which holdharmless was calculated. SDE staff could not explain the reason that the full .15% cut was not made in FY 81-82 holdharmless districts' allocations. Districts receiving holdharmless funds obtained an additional \$4,012 in FY 82-83, as a result. Districts not covered by the holdharmless provision had the full .15% taken from their funding. As a result of SDE's administrative decisions and these computational errors, holdharmless districts received a total of \$256,951 to which they were not entitled.

District Option in Reducing Funds for Budget Cuts

When the 2.19% budget cut was required in FY 81-82, districts were given an option in determining which program funds would be reduced. This option allowed the districts to avoid taking all or any portion of the 2.19% cut in EFA funds by having funds reduced in other State-funded areas. For districts on holdharmless, the option of taking cuts in program funds, other than EFA, has statewide impact

and lessens the funds that otherwise might be distributed through the EFA formula to all districts.

Holdharmless funds are based on the prior year's EFA allocation plus four-fifths of the inflation factor. Holdharmless districts that are able to avoid a cut in EFA funds will maintain a higher prior year's base for calculating holdharmless and will, therefore, receive larger holdharmless payments in the next year(s). The Council estimates that as much as \$1.7 million in additional holdharmless payments would have gone to the eight holdharmless districts in FY 82-83, if all these districts had been able to avoid taking the 2.19% cut in EFA funds (see Example 1). Furthermore, allowing holdharmless districts an option to avoid cuts in EFA funds ensures that future holdharmless payments to these districts remain large. In FY 81-82, four holdharmless districts did avoid cuts in their EFA funds.

EXAMPLE 1
EFFECTS OF DISTRICT OPTION ON HOLDHARMLESS FOR SAMPLE DISTRICT¹
IN FY 82-83

	<u>District Taking 2.19% Cut in EFA Funds</u>	<u>District Avoiding 2.19% Cut in EFA Funds</u>
Prior Year's Base	$\$6,097,514 \times 1.0568^2 = \$6,443,853$	$\$6,234,039 \times 1.0568^2 = \$6,588,133$
FY 82-83 State Allocation	<u>- 4,751,109</u>	<u>- 4,751,109</u>
FY 82-83 Holdharmless Funds	\$1,692,744	\$1,837,024
		Difference <u>\$144,280</u>

¹Figures used for FY 81-82 prior year's base represent actual figures for one holdharmless district in FY 81-82.

²Increased by 4/5's of the 7.1% inflation factor.

SDE acted legally and correctly in allowing the option; however, the holdharmless system interferes with the fairness of allowing an option in determining where funds are cut. Having flexibility in determining where to take budget cuts is beneficial; however, the state-wide consequences and effects of permitting such an option for holdharmless districts should be fully considered.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER REPEALING SECTION 59-20-50(1) AND REDISTRIBUTING THESE "HOLDHARMLESS" FUNDS TO THE DISTRICTS THROUGH THE EQUALIZATION FORMULA OF THE EFA.

IF THE HOLDHARMLESS PROVISION IS RETAINED, THEN THE GENERAL ASSEMBLY SHOULD CONSIDER THE FOLLOWING:

- A) THE TEMPORARY PROVISIO FROM THE FY 82-83 APPROPRIATION ACT, STATING THAT NO ADDITIONAL DISTRICTS SHALL RECEIVE HOLDHARMLESS FUNDS DUE TO DECREASES IN STUDENT NUMBERS OR UPWARD ADJUSTMENTS IN THE INDEX OF TAXPAYING ABILITY, SHOULD BE MADE A PERMANENT PROVISION OF THE EFA.
- B) HOLDHARMLESS SHOULD BEGIN TO BE PHASED OUT BY ELIMINATING THE FOUR-FIFTHS

INFLATION FACTOR IN SECTION 59-20-50(1)
SO THAT NO DISTRICT WILL RECEIVE LESS
STATE FUNDS THAN IN THE PRIOR FISCAL
YEAR.

IF THE HOLDHARMLESS PROVISION IS RETAINED,
SDE SHOULD CALCULATE HOLDHARMLESS FUNDS
ON THE AMOUNT ACTUALLY RECEIVED FROM THE
STATE FOR THE FOUNDATION PROGRAM IN THE
PRIOR FISCAL YEAR, AS REQUIRED BY SECTION
59-20-50(1).

Teacher Incentive Provision

Introduction

The Education Finance Act provides districts with additional funding for "strengthening" their instructional staffs (teachers, guidance counselors, and librarians) when over 25% of their personnel have a Master's Degree or higher. In FY 81-82, this resulted in the allocation of \$7.1 million in teacher incentive funds to 79 districts, in amounts ranging from \$361 to \$831,545. The Council examined the effects of the teacher incentive provision on the number of instructional staff with higher degrees and on the equity of the revenues districts receive.

Section 59-20-40(2) of the Act specifies that for each instructional member with a graduate degree, above 25% of the total staff, a district will receive incentive funds. The amount per staff is calculated by multiplying \$2,000 by the State portion of the State/local percentage for the foundation program (i.e., based on the index of taxpaying ability).

Teacher Incentive and Number of Degrees

The teacher incentive provision has demonstrated mixed success during the years of the Finance Act. The Council found that the rate of increase in the number of instructional staff with Master's Degrees or better has slowed since the implementation of the Act. The percentage increase in professional staff, the large majority of which are instructional staff, with Master's Degrees or better averaged 13.2% a year in the three years prior to the Act. The average yearly percentage increase dropped to 6.1% in the three years after implementation. Records were not kept on the number of instructional staff with higher degrees prior to the EFA. However, the 6.1% increase in professional staff with higher degrees is similar to the 7.3% average yearly percentage increase in instructional staff with Master's Degrees or higher from FY 78-79 to FY 81-82.

The average percentage of district staff with higher degrees has increased from 31.3% to 38.5% since the implementation of the Act (FY 78-79 to FY 81-82). The number of districts receiving teacher incentive funds has also increased from 66 in FY 78-79 to 79 districts in FY 81-82. However, the method by which teacher incentive funds are allocated has an effect on the equity of the distribution of State funds to school districts.

Allocation of Teacher Incentive Funds

The teacher incentive provision interferes with the functioning of the Finance Act. The Council concluded this from examining several aspects of the equity of teacher incentive funding. First, the state-wide impact of teacher incentive funding on local and State revenues was

determined. Second, the equity of teacher incentive funding was examined by the wealth of the districts; and third, the amounts available per higher degree were analyzed.

Six statistical measures were used to determine the state-wide impact of teacher incentive funds on local and State revenues per pupil and per weighted pupil. When teacher incentive funds were excluded from total local and State revenues, all statistics, except one, showed that revenue disparity was decreased in both years examined, FY 79-80 and FY 80-81 (see Table 7).

The Council examined the property wealth of individual districts receiving teacher incentive funds and found that the districts best able to locally support education were receiving the most teacher incentive funds. For example, the ten districts receiving the highest total allocations were among the wealthiest 22 districts, according to the index of taxpaying ability. These ten districts received 50% of total teacher incentive funds (approximately \$3.5 million) in FY 80-81 and FY 81-82. Of the 13 districts receiving no teacher incentive funds, nine were in the lower third of the index of taxpaying ability.

Districts with over 35% of their instructional staff with higher degrees averaged \$554 for each higher degree, over two times the amount available (\$207) for districts having 25%-35% with higher degrees. As a result, districts with larger percentages of instructional staff with higher degrees can more easily afford to hire even more.

Alternative Method for Allocating Teacher Incentive

Since the allocation of teacher incentive funds has an effect on the equity of the distribution of State funds to school districts, the teacher

TABLE 7
MEASURING THE IMPACT OF TEACHER INCENTIVE
FUNDING ON LOCAL AND STATE REVENUES

<u>Statistical Measures</u> ²	<u>Per Pupil</u>			
	<u>FY 79-80 Total Local and State Revenues</u> ¹		<u>FY 80-81 Total Local and State Revenues</u> ¹	
	<u>With</u> <u>Teacher Incentive</u>	<u>Without</u> <u>Teacher Incentive</u>	<u>With</u> <u>Teacher Incentive</u>	<u>Without</u> <u>Teacher Incentive</u>
1. <u>Range</u>	\$ 775	\$ 763	\$ 808	\$ 794
Lowest	917	917	1,091	1,090
Highest	1,692	1,680	1,898	1,884
2. <u>Restricted Range</u>	\$ 449	\$ 436	\$ 503	\$ 490
Lowest (5%)	979	976	1,142	1,138
Highest (95%)	1,428	1,412	1,645	1,628
3. <u>Restricted Range</u>	\$ 235	\$ 228	\$ 212	\$ 213
Lowest (25%)	1,048	1,045	1,231	1,219
Highest (75%)	1,283	1,273	1,443	1,432
4. <u>Federal Range</u>	.46	.45	.44	.43
5. <u>Relative Mean Deviation</u>	.098	.095	.091	.088
6. <u>Coefficient of Variation</u>	12.66	12.43	12.18	11.97

<u>Statistical Measures</u> ²	<u>Per Weighted Pupil Unit</u>			
	<u>FY 79-80 Total Local and State Revenues</u> ¹		<u>FY 80-81 Total Local and State Revenues</u> ¹	
	<u>With</u> <u>Teacher Incentive</u>	<u>Without</u> <u>Teacher Incentive</u>	<u>With</u> <u>Teacher Incentive</u>	<u>Without</u> <u>Teacher Incentive</u>
1. <u>Range</u>	\$ 627	\$ 617	\$ 666	\$ 655
Lowest	757	757	885	884
Highest	1,384	1,374	1,551	1,539
2. <u>Restricted Range</u>	\$ 403	\$ 391	\$ 416	\$ 409
Lowest (5%)	794	793	946	941
Highest (95%)	1,197	1,184	1,362	1,350
3. <u>Restricted Range</u>	\$ 172	\$ 170	\$ 183	\$ 174
Lowest (25%)	875	871	1,011	1,007
Highest (75%)	1,047	1,041	1,194	1,181
4. <u>Federal Range</u>	.51	.49	.44	.43
5. <u>Relative Mean Deviation</u>	.095	.092	.088	.086
6. <u>Coefficient of Variation</u>	12.53	12.29	12.10	11.88

¹The statistical measures were applied to total local and State revenues, excluding funds for holdharmless, debt service, adult education, summer school, building and construction, community services, and fringe benefits.

²Refer to "Glossary of Terms" and "Impact of the Finance Act" for discussion of the statistical measures used.

incentive provision should be eliminated from the Act. Teacher incentive funds could then be distributed to all districts to aid in full funding of the foundation program. However, if the teacher incentive provision is retained, an alternative method for allocating teacher incentive funds should be used to provide a more equitable distribution of these funds. The Council derived an alternative method which would require no additional funds. By the proposed method, each district would be provided State funds for each instructional staff member with a Master's Degree or higher certification. The amount a district would receive for each such instructional staff member would be weighted by the State portion of the State/local percentage for the foundation program for the district, multiplied by \$825.

The Council compared the effects of the current and proposed methods on district revenues. The range and restricted ranges, which show the variance among the districts, were calculated for FY 80-81 using total local and State revenues, including teacher incentive funds. The range and both restricted ranges, which eliminate the extremes, decreased with the proposed method and indicate a more equitable distribution of funds (see Table 8).

TABLE 8
COMPARISON OF THE EFFECTS ON DISTRICT REVENUES
OF THE CURRENT AND PROPOSED METHODS
FOR ALLOCATION OF TEACHER INCENTIVE FUNDS
FY 80-81¹

<u>Statistical Measures</u>	<u>Total Local and State Revenues Per Pupil Including Teacher Incentive Funds</u>	
	<u>Current Method</u>	<u>Proposed Method</u>
1. Range	\$ 808	\$ 798
Lowest	1,091	1,098
Highest	1,898	1,896
2. Restricted Range	\$ 503	\$ 453
Lowest (5%)	1,142	1,147
Highest (95%)	1,645	1,600
3. Restricted Range	\$ 212	\$ 209
Lowest (25%)	1,231	1,231
Highest (75%)	1,443	1,440

¹Ranges were examined for the most recent year for which necessary data was available.

All districts would receive teacher incentive funds under the proposed method. Overall, 57 districts would receive more teacher incentive funds by the proposed method than under the current formula, using FY 81-82 data. These districts would gain an average of \$18,848 in teacher incentive funds, an increase of 53.6%. Thirty-five districts would receive less teacher incentive funds under the proposed method. These districts would lose an average of \$33,554 in teacher incentive funds, a decrease of 23.5%. (For a breakdown of the effect of the proposed method on each district, refer to Appendix B).

A major purpose of the Education Finance Act is equity of funding for the basic educational program. Since teacher incentive funds are allocated to districts by the EFA formula only after districts have hired 25% with Master Degrees using local funds, the teacher incentive funding interferes with the Act. Because full implementation of the foundation program has had to be delayed due to revenue shortfalls, teacher incentive funds might be appropriated as part of the basic amount for the foundation program to speed full implementation of the Act and to assure equity in funding. If the teacher incentive provision is retained, the method of allocation should be revised to allocate these funds in a more equitable manner.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER ONE OF THE FOLLOWING ALTERNATIVES IN AMENDING SECTION 59-20-40(2):

- (1) THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING SECTION 59-20-40(2) TO ELIMINATE THE TEACHER INCENTIVE PROVISION FROM THE ACT AND USE THOSE FUNDS TO AID IN FULL FUNDING OF THE FOUNDATION PROGRAM.

-OR-

- (2) THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING SECTION 59-20-40(2) TO REQUIRE THE ALLOCATION OF TEACHER INCENTIVE FUNDS TO THE DISTRICTS BASED ON A DOLLAR AMOUNT FOR EACH INSTRUCTIONAL

STAFF MEMBER WITH A MASTER'S DEGREE
OR HIGHER (CLASS I CERTIFICATE OR HIGHER
CERTIFICATE), WEIGHTED BY THE STATE
SHARE OF THE STATE/LOCAL PERCENTAGE
FOR THE FOUNDATION PROGRAM.

Impact of the Finance Act

Overall, public education is more equitably funded under the Education Finance Act than under the State's former educational funding program, although the holdharmless and teacher incentive provisions interfere with the functioning of the Act. The Audit Council examined the state-wide impact of the Act on all 92 school districts' total local and State revenues from FY 77-78 to FY 81-82. Eight statistical measures were applied to local and State revenues per pupil, excluding funds for debt services, adult education, summer school, building and construction, community services and fringe benefits. The following summarizes the statistical analyses discussed in detail on pages 31 through 45.

The statistics indicate that lower-revenue districts are better able now than before the EFA to provide an educational program that is substantially equal to other districts. Generally, districts' revenues have not shown as much deviation from the State per-pupil average as they did prior to the Finance Act. The percentage difference in per-pupil funds has continued to decline during the four-year period, although the actual dollar differences per pupil have not shown much improvement. Per-pupil revenues of low-revenue districts have risen toward the State median revenue per pupil since the implementation of the Act. Looking

at district revenues available per weighted pupil, the statistics indicate that the Finance Act has also had a positive effect on the funds available for providing programs appropriate to student needs.

The statistics demonstrate that the Finance Act has reduced the effects of local economic factors on the funds available for education. The relationship between districts' education revenues and property wealth has declined each year of the Act. The unequal tax effort required of property-poor districts has also been reduced. In FY 79-80, property-poor districts taxing themselves at a rate 1.4 times as great as wealthy districts, generated 76% as much local and State revenues. This is an improvement over the pre-EFA situation of three times the tax rate to obtain 68% of the revenues. When Finance Act revenues alone are considered, the tax effort required of all the State's districts is the same. Further, the relationship of personal income and property wealth has remained moderately strong. Since these two factors are generally viewed as affecting the taxes which can be levied within a district, the parallel relationship indicates that property wealth is an adequate measure of a district's taxpaying ability or ability to support education. Therefore, the Act's funding formula adequately reflects both factors that can affect the amount of revenue available for education. The following sections discuss, in detail, the statistical analyses used to examine the impact of the Act on funding differences of districts and on tax efforts required to raise revenues.

Revenue Disparity Among the Districts

Statistically, the range, the difference between two points, is one of the simplest methods which can be used to examine funds available

for educational programs. The Council examined three ranges which compared differences in revenues per pupil among the school districts. The Council's analysis revealed that, in general, absolute dollar differences have not shown consistent improvement, but the relative differences have decreased steadily.

The difference between the lowest and highest per-pupil revenue districts (based on the average daily membership) declined from \$1,072 in FY 77-78 to \$957 in FY 81-82, indicating an overall 11% decrease in disparity from pre-EFA years. For the five-year period, the lowest school district increased revenues 118% while the highest district increased its revenues by 33%. During the first two years of the EFA, the range decreased even more, to a low of \$785, but this trend did not continue in FY 80-81 and FY 81-82. As a result, revenue differences between the districts were not reduced as much as during the first years of the Act (see Table 9).

The Council also examined district revenues per weighted pupil unit. Since the Act seeks to fund educational services based on student needs, weighted pupil units were used as an indicator of pupil need in the school districts. The weighted pupil range showed a reduction in revenue disparities for each year, except in FY 81-82. Overall, the range decreased 16% from \$898 to \$755 since the implementation of the Act.

The Council eliminated the extreme low and high per-pupil revenue districts and looked at the 5th lowest and 5th highest revenue districts (5th and 95th percentile range). The disparity in per-pupil revenues in this restricted range increased from \$479 to \$483 for these districts from FY 77-78 to FY 81-82. Further restriction of the range to the

25th and 75th percentile districts showed a similar increase in revenue disparity. The Council's analysis of both restricted ranges, using revenues per weighted pupil unit, also showed greater revenue differences between these low and high school districts since the implementation of the EFA. The revenue disparities of the restricted ranges, however, have remained fairly stable because both low and high districts have increased revenues approximately the same amount each year (see Figures 1 and 2).

The Council also looked at a measure used by the Federal Government, the Federal Range, which uses a ratio to indicate the relative disparity between districts of the 5th and 95th percentile. The ratios show that in FY 77-78 the district at the 95th percentile had 70% more revenues per pupil than the district at the 5th percentile. By FY 81-82, however, the difference had been reduced to 38%. This improvement is also evident in Table 9, based on weighted pupil units.

TABLE 9
REVENUE DISPARITIES AMONG SCHOOL DISTRICTS

Based on Local and State Revenues Per Pupil

<u>Statistical Measures</u>	<u>Pre-EFA</u>			<u>EFA</u>			
	<u>72-73¹</u>	<u>75-76¹</u>	<u>77-78</u>	<u>78-79</u>	<u>79-80</u>	<u>80-81</u>	<u>81-82</u>
1. <u>Range</u>			\$1,072	\$ 938	\$ 785	\$ 808	\$ 957
Lowest			555	747	917	1,090	1,208
Highest			1,627	1,685	1,702	1,898	2,165
2. <u>Restricted Range</u>	\$296	\$604	\$ 479	\$ 459	\$ 465	\$ 525	\$ 483
Lowest (5%)			683	821	979	1,142	1,286
Highest (95%)			1,162	1,280	1,444	1,667	1,769
3. <u>Restricted Range</u>			\$ 215	\$ 189	\$ 239	\$ 213	\$ 228
Lowest (25%)			789	918	1,047	1,231	1,366
Highest (75%)			1,004	1,107	1,286	1,444	1,594
4. <u>Federal Range</u>	.81	1.05	.70	.56	.48	.46	.38

Based on Local and State Revenues Per Weighted Pupil Unit

<u>Statistical Measures</u>	<u>77-78</u>	<u>78-79</u>	<u>79-80</u>	<u>80-81</u>	<u>81-82</u>
1. <u>Range</u>	\$ 898	\$ 761	\$ 635	\$ 666	\$ 755
Lowest	459	632	757	885	1,011
Highest	1,357	1,393	1,392	1,551	1,766
2. <u>Restricted Range</u>	\$ 386	\$ 393	\$ 406	\$ 457	\$ 425
Lowest (5%)	550	672	794	946	1,057
Highest (95%)	936	1,065	1,200	1,403	1,482
3. <u>Restricted Range</u>	\$ 178	\$ 157	\$ 182	\$ 183	\$ 190
Lowest (25%)	639	759	875	1,011	1,126
Highest (75%)	817	916	1,057	1,194	1,316
4. <u>Federal Range</u>	.70	.58	.51	.48	.40

¹Source: Education Commission of the States, Denver, Colorado.

FIGURE 1

GROWTH IN DISTRICTS' LOCAL AND STATE REVENUES PER PUPIL
SINCE THE IMPLEMENTATION OF EFA

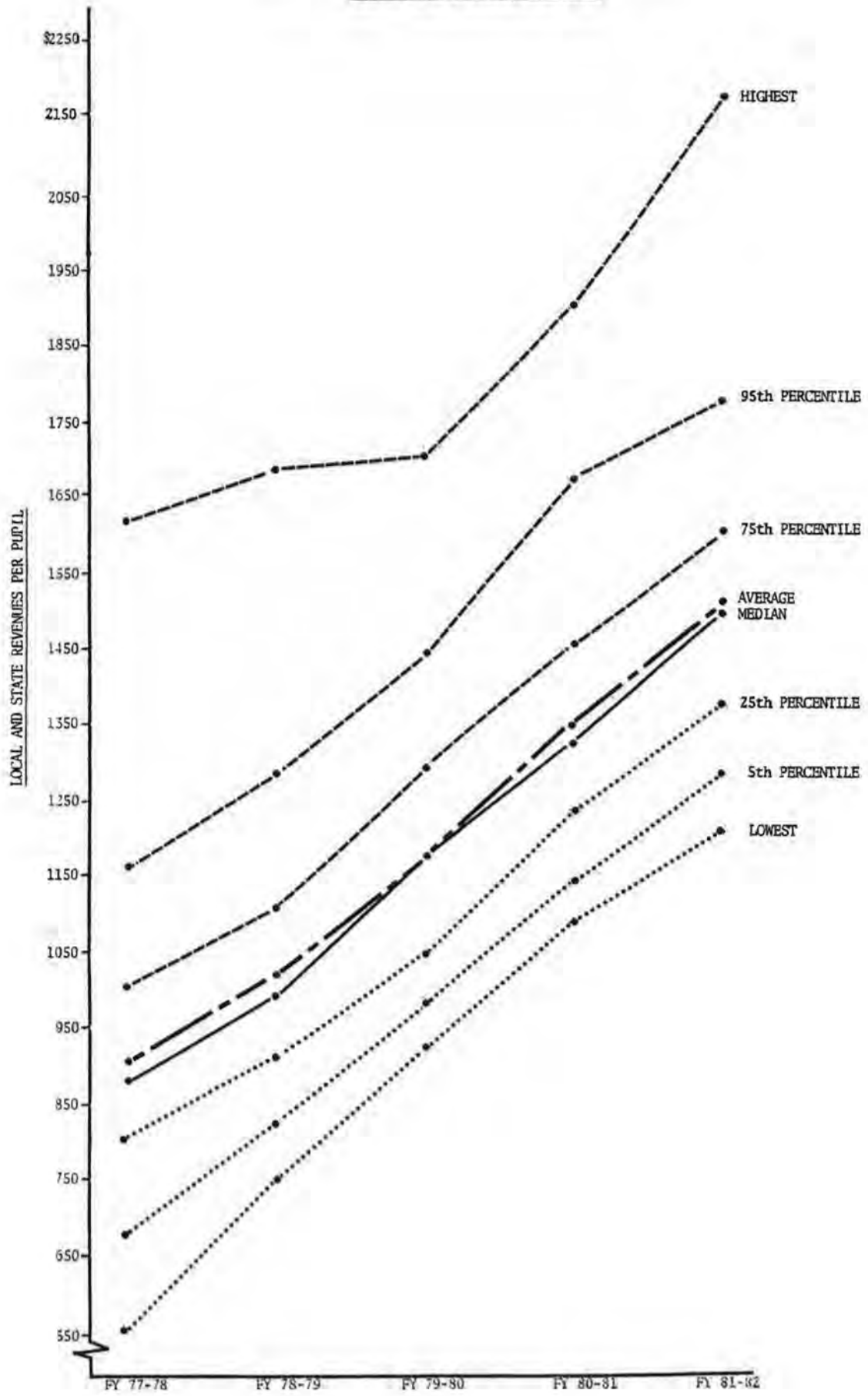
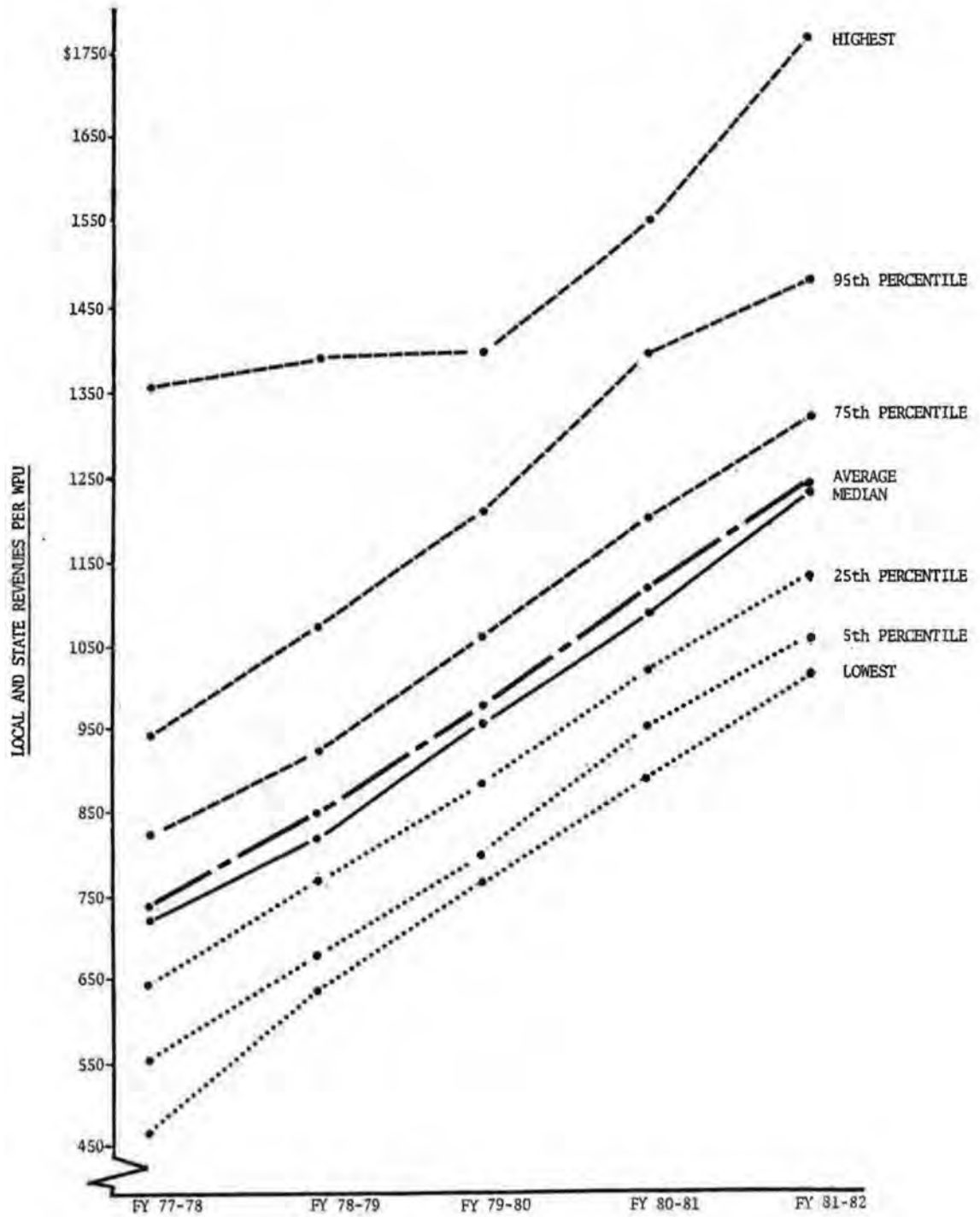


FIGURE 2

GROWTH IN DISTRICTS' LOCAL AND STATE REVENUES PER WEIGHTED PUPIL UNIT
SINCE THE IMPLEMENTATION OF EFA



Revenue Variation from the State Average

One way to examine whether all districts have adequate funds to provide a substantially equal program is to look at how closely districts cluster around the State average of revenues per pupil. The Council found that districts with less than the State average of revenues per pupil have moved closer to the average since the implementation of the EFA. The Council's analysis included three statistics (shown in Table 10) which measure districts' revenues in relation to the State average and the State median.

The relative mean deviation shows the differences between each district's revenues and the State average of revenues per pupil. A decrease in this measure from 1.0 to 0.0 indicates that districts' revenues have moved closer to the State average. The relative mean deviation in FY 77-78 was .130 and declined to .082 in FY 81-82. The Council's analysis, based on weighted pupil units, indicated a similar decline in revenue disparity.

The coefficient of variation also shows a move toward the State average. In FY 77-78, the coefficient of variation was 18.1, indicating that two-thirds of all districts' revenues per pupil were within 18% of the State average. By FY 81-82, two-thirds of the districts had moved within 11.2% of the State average.

The McLoone Index measures how closely districts below the State median of revenues per pupil cluster at the median. The raising of low per-pupil revenues to the State's median is shown as the Index moves from 0.0 to 1.0. The McLoone Index has not shown consistent improvement during the years of the Act; however, a move toward the median has occurred. The amount of actual funding needed to bring districts

below the median up to the State median increased \$13 million, from \$22.7 million in FY 77-78 to \$35.7 million in FY 81-82. Adjusted to constant dollars to control for the Act's inflation factor, there was a \$5 million increase. The McLoone Index, based on revenues per weighted pupil unit, also showed improvement with the implementation of the Act, although slight declines have occurred each year since FY 79-80.

TABLE 10
DISTRICT REVENUE DISPARITIES FROM THE STATE'S AVERAGE

Statistical Measures	Based on Local and State Revenues Per Pupil						
	Pre-EFA			EFA			
	72-73 ¹	75-76 ¹	77-78	78-79	79-80	80-81	81-82
1. Relative Mean Deviation			.130	.106	.099	.092	.082
2. Coefficient of Variation	15.3	20.9	18.1	14.7	12.9	12.6	11.2
3. McLoone Index	.905	.868	.879	.912	.899	.917	.907
Dollars needed to bring below-median districts up to the median (based on the McLoone Index):							
	Actual		\$22,697,375	\$20,566,868	\$30,486,229	\$28,892,684	\$35,723,135
	: Constant ²		\$22,697,375	\$19,421,027	\$26,912,278	\$23,641,833	\$27,067,082

Statistical Measures	Based on Local and State Revenues Per Weighted Pupil Unit				
	77-78	78-79	79-80	80-81	81-82
1. Relative Mean Deviation	.130	.104	.096	.090	.081
2. Coefficient of Variation	18.4	14.5	12.8	12.4	11.2
3. McLoone Index	.890	.926	.922	.920	.917
Dollars needed to bring below-median districts up to the median (based on the McLoone Index):					
Actual ²	\$19,288,810	\$17,172,634	\$22,387,217	\$25,425,391	\$31,033,836
: Constant ²	\$19,288,810	\$16,215,896	\$19,766,216	\$20,804,673	\$23,513,866

¹Source: Education Commission of the States, Denver, Colorado.

²Adjusted to constant dollars to control for the Act's inflation factor with FY 77-78 = 1.00.

Relationships Between Revenues and District Property Wealth

A purpose of the EFA is to provide minimum educational programs to all public school students in the State, notwithstanding varying local economic factors and with equal tax efforts. Statistics analyzed by the Council indicate that per-pupil revenues are now less dependent on local property wealth than in pre-EFA years. The Council's examination of two additional wealth-related factors found lower-wealth districts are able to obtain more revenue with less tax effort than before the Act. Also, property wealth parallels personal income and so provides a sufficient measure of ability to support education.

The Council first examined the correlation coefficient which measures the dependence of district revenues on property wealth and second, the elasticity which indicates the magnitude of the relationship as a percentage. An analysis of the correlation coefficient, the relationship shown in Table 11, indicates that the dependence of revenues per pupil on local property wealth has declined from the pre-EFA years. The magnitude of the relationship, indicated by the elasticity, has also decreased. Although a slight increase in the relationship was noted in FY 80-81, local and State revenues per pupil are now less dependent upon local property wealth and the magnitude of the relationship is small. According to these measures, property wealth per pupil had to increase approximately 9% in FY 81-82, compared to 4% in FY 77-78, for revenues per pupil to increase by 1%. The Council's analysis of the relationship between revenues per weighted pupil unit and local property wealth indicates the dependence of revenues on property wealth has been reduced since the implementation of the EFA.

TABLE 11
MEASURING THE RELATIONSHIP BETWEEN REVENUES
AND LOCAL PROPERTY WEALTH AMONG THE
STATE'S SCHOOL DISTRICTS

<u>Based on Local and State Revenues and Adjusted</u> <u>Assessed Property Valuations Per Pupil</u>							
<u>Statistical Measures</u>	<u>Pre-EFA</u>			<u>EFA</u>			
	<u>72-73¹</u>	<u>75-76¹</u>	<u>77-78</u>	<u>78-79</u>	<u>79-80</u>	<u>80-81</u>	<u>81-82</u>
1. <u>Correlation</u> <u>Coefficient</u>	.76	.55	.61	.56	.48	.51	.40
2. <u>Elasticity</u>	.38	.36	.25	.18	.14	.15	.11

<u>Based on Local and State Revenues and Adjusted Assessed</u> <u>Property Valuations Per Weighted Pupil Unit</u>						
<u>Statistical Measures</u>	<u>77-78</u>	<u>78-79</u>	<u>79-80</u>	<u>80-81</u>	<u>81-82</u>	
1. <u>Correlation</u> <u>Coefficient</u>	.62	.56	.47	.50	.40	
2. <u>Elasticity</u>	.25	.18	.14	.15	.11	

¹Source: Education Commission of the States, Denver, Colorado.

The Council also examined the tax efforts of districts in relation to property wealth and revenues. The State's 92 school districts were ranked according to property wealth per pupil and divided into eight groups with each group containing one-eighth of the State's total property wealth per pupil. A summary of each group's tax efforts and average local and State revenues per pupil in relation to their property wealth for FY 79-80 and FY 80-81 is presented in Table 12. In FY 79-80, the lowest property wealth group of districts, taxing themselves at a rate

1.4 times as great as the wealthiest districts, could generate 76% as much local and State revenue. The average total revenues per pupil for property-poor districts was \$1,109 with a tax effort of 9.8 cents for each dollar of adjusted property assessment. The highest-wealth districts had \$1,459 total revenues per pupil with a lower tax effort of 7.0 cents per dollar. In FY 80-81, the lowest property wealth group, taxing themselves at approximately the same rate as the wealthiest districts, generated 76% of the revenues of the wealthy districts. This is an improvement over the pre-EFA situation in which property-poor districts taxed themselves at three times the rate to generate 68% of wealthy districts' revenues. But Figure 3 shows the differences that still exist in the tax efforts the State's school districts assume for education.

A look at Table 12 also shows the effects of State funding on the revenue differences caused by the variances in local wealth. The results are different from the findings of a 1972 study, "Financing Public Education in South Carolina" by Syracuse University Research Corporation, which noted that the five wealthiest districts averaged \$278 per pupil in State funds while the five poorest propertied districts averaged \$270. Appendix C ranks the districts by property wealth per pupil, indicates each district's tax effort, local revenues, State revenues, and provides an index of special educational need and a median personal income per pupil (see p. 119).

TABLE 12
RELATIONSHIP OF LOCAL AND STATE REVENUES TO TAX EFFORTS
OF SCHOOL DISTRICTS GROUPED BY PROPERTY WEALTH¹

FY 79-80

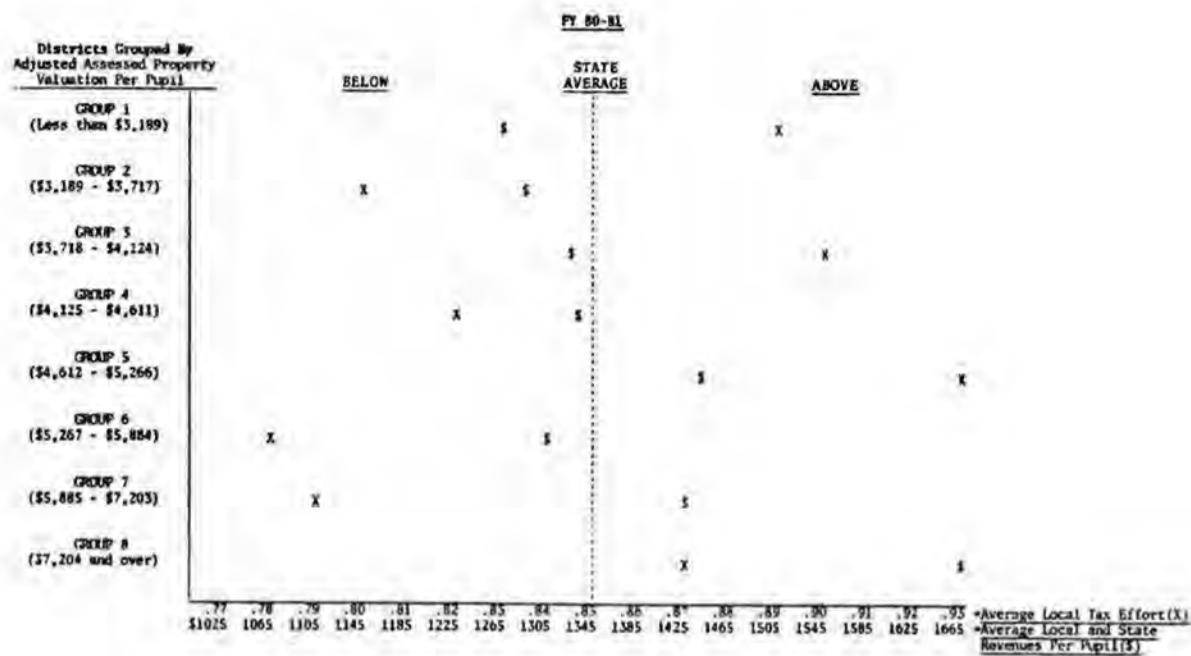
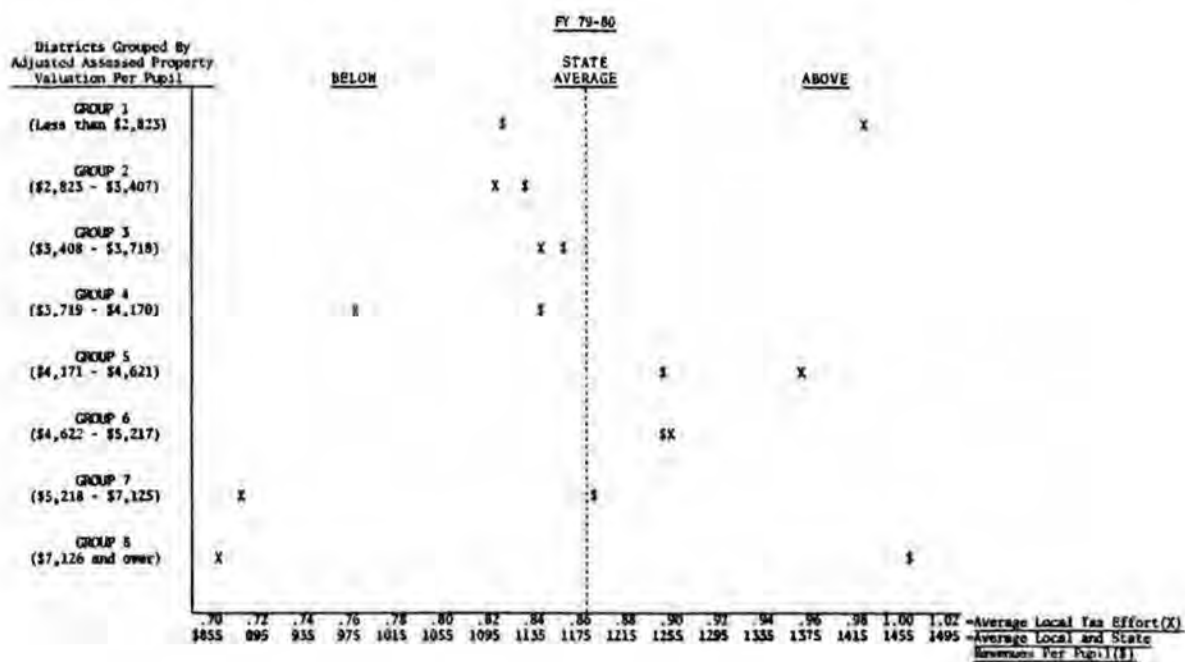
Adjusted Assessed Property Valuation Per Pupil	Tax Effort Index	Revenues Per Pupil		
		Local	State	Total
Group 1 - Lowest (Less than \$2,823)	.98	\$367	\$742	\$1,109
Group 2 (\$2,823-\$3,407)	.82	416	704	1,120
Group 3 (\$3,408-\$3,718)	.84	443	700	1,143
Group 4 (\$3,719-\$4,170)	.76	449	686	1,135
Group 5 (\$4,171-\$4,621)	.95	590	661	1,251
Group 6 (\$4,622-\$5,217)	.90	599	655	1,254
Group 7 (\$5,218-\$7,125)	.71	559	636	1,195
Group 8 - Highest (\$7,126 and Over)	.70	851	608	1,459
State Average	.86	\$489	\$689	\$1,178

FY 80-81

Adjusted Assessed Property Valuation Per Pupil	Tax Effort Index	Revenues Per Pupil		
		Local	State	Total
Group 1 - Lowest (Less than \$3,189)	.89	\$ 392	\$885	\$1,277
Group 2 (\$3,189-\$3,717)	.80	460	828	1,288
Group 3 (\$3,718-\$4,124)	.90	507	824	1,331
Group 4 (\$4,125-\$4,611)	.82	547	790	1,337
Group 5 (\$4,612-\$5,266)	.93	671	757	1,428
Group 6 (\$5,267-\$5,884)	.78	577	739	1,316
Group 7 (\$5,885-\$7,203)	.79	699	726	1,425
Group 8 - Highest (\$7,204 and Over)	.87	1,010	663	1,673
State Average	.85	\$ 551	\$799	\$1,350

¹These figures are averaged for each group. See Appendix C for information on individual districts and an explanation of the data included.

FIGURE 3
RELATIONSHIP OF PROPERTY WEALTH AND DISTRICT
TAX EFFORTS TO LOCAL AND STATE REVENUES PER PUPIL



The Council also examined the personal income of the State's school districts in relation to each district's property wealth. The correlation coefficient measured the relationship between property wealth and personal income of the districts' taxpayers. For FY 79-80 and FY 80-81, personal income of the districts was moderately related to property wealth (see Appendix C). Since these two factors are generally viewed as affecting the taxes which can be levied within a district, the parallel relationship indicates property wealth is an adequate measure of a district's taxpaying ability or ability to support education. Therefore, the Act's funding formula adequately reflects both factors that can affect the amount of revenue available for education.

Conclusion

The Council's analyses show that the EFA is providing funding more equitably for minimum educational programs to property-poor and high-need school districts. An overall rise in the level of revenues for education has occurred for both property-poor and wealthy districts since the implementation of the EFA. However, the combined local and State revenues per pupil of the State's wealthier school districts have continued to be much greater than lower property wealth districts. This is due primarily to the local funds that these wealthier districts continue to be able to raise. However, as discussed previously, two factors within the Finance Act itself, the holdharmless and teacher incentive provisions, keep the Act from further reducing the revenue disparities among the districts.

CHAPTER II
DISTRICT-LEVEL FINANCIAL INFORMATION

Introduction

This chapter presents an overview of school district financial practices and their impact on the successful implementation of the EFA and on legislative decision making. Since education funds comprise 38% of the State's budget, the ability to ensure their proper expenditure is important to the State as a whole, as well as, to the effectiveness of the Act itself.

The Council reviewed district audits conducted by SDE and district financial reports submitted to the Department to assess the progress districts have made toward improving financial accounting practices. Reports submitted by SDE to the Legislature were examined to determine the quality of education information received by the General Assembly. The districts' ability to increase their share of educational funding was examined to see if districts have made the fiscal commitment to education, as required by the Act.

The Council concludes that districts continue to have problems in maintaining accurate financial records. Districts have incorrectly charged program costs and made inaccurate reports of both State and Federal funds. As a result, the financial reports available to the Legislature are unreliable and the usefulness of these reports must be questioned. Furthermore, reports to the Legislature do not provide an assessment of compliance with the provisions of the Finance Act, as required. Aside from these problems, districts exceeded local effort requirements with local revenues in FY 80-81 and will have met the required local effort at

full implementation of the foundation program. These areas are discussed in the following pages.

Financial Reports to the Legislature

Financial information available to the Legislature on school district finances is unreliable. Furthermore, an assessment of compliance with the fiscal aspects of the Finance Act has not been included in SDE reports to the Legislature, as required by the Act.

Financial Reports Not Reliable

Problems with the validity of the information contained in the districts' annual reports are acknowledged by both State Department of Education personnel and district superintendents. These reports are the primary source of financial information used by SDE to prepare reports submitted to the Legislature. As a result, the reports to the Legislature are unreliable and their usefulness must be questioned.

Since the format of the district annual report is standardized, it provides the only source of comparable financial information available annually to SDE and, consequently, the Legislature. Therefore, the accuracy of the revenue and expenditure information contained in the district reports is of great importance. Two current SDE publications, the "Annual Report of the State Superintendent of Education" prepared for the General Assembly and the "Rankings of the Counties and School Districts of South Carolina," rely primarily on the district annual reports for financial information. A report on compliance with the fiscal and programmatic mandates of the EFA, sent to the Joint Education Finance Review Committee, also relied upon the district annual reports.

Several factors contribute to the unreliability of the financial information received from the districts. First, problems are experienced in financial management at the local level (see p. 52). Second, according to district superintendents, the required August 15th due date for the district annual reports is too close to the end of the fiscal year for complete information. Third, the information submitted in the annual reports is unaudited. This fact is not noted in most reports sent to the Legislature.

The only audited information on all districts' finances is the annual Certified Public Accountant (CPA) report required by the Defined Minimum Program (DMP). The December 1st due date, however, is too late for SDE to use the reports in preparing the State Superintendent's annual report to the Legislature. Furthermore, the State Board has no required format for the CPA reports and the detail of information they provide varies so that state-wide comparisons cannot be made. SDE audits, performed by the Office of Finance, report information concerning expenditures and compliance with the EFA mandates in a standard format. These audits, however, cannot provide a basis for annual information since they are only performed on a two-to-three-year cycle.

Reliable information is needed by both the Legislature and SDE to make sound decisions and policies regarding funding of the EFA and to annually monitor compliance with the EFA. In order for the Legislature to have access to valid financial reports on school districts, several changes must be made. The due date for the annual CPA audit reports should be moved up to November 1st so that the information in the districts' annual reports can be certified by the CPA. The format for the CPA reports should be specified and should consider all potential

users of the reports. The Legislature should also consider delaying the date by which the State Superintendent's annual report is required. The Appropriation Act has required all State agencies' annual reports to be available to the General Assembly on or before the first of January. A delay of the State Superintendent's report would allow for the use of verified district data and provide more reliable information to the General Assembly.

Legislative Reports Do Not Assess Financial Compliance

The State Board and SDE have not assessed compliance with the fiscal aspects of the Finance Act in reports to the Legislature as required by the Act. The State Board is directed in Section 59-20-60(2) to report the results of fiscal and programmatic audits of compliance to the Act in the Annual Report of the State Superintendent. Section 59-20-60(5)(e) mandates an annual report by SDE to the Governor and the General Assembly to assess compliance with the provisions of the Act and to make recommendations concerning necessary changes.

Officials at SDE have stated that the State Superintendent's annual report to the Legislature meets the reporting requirements. This report, however, does not discuss or evaluate financial compliance with the Finance Act. The only financial information given on the Act is the districts' unaudited statements of revenues and expenditures, which include EFA funds.

SDE submitted its first separate report on the EFA, covering FY 81-82, in January 1983 at the request of the Joint Education Finance Review Committee. The financial information presented in the report originated from the district annual reports, which contain unaudited

information. Therefore, only information on potential compliance or noncompliance was provided.

SDE performs compliance audits of districts which review such areas as the accuracy of the weighted pupil units, compliance to required local effort and the 85% requirement (see p. 52). The information obtained from these reviews was not included in the State Superintendent's annual report or in the report submitted to the Review Committee.

To comply with the reporting requirements of the Finance Act and provide information on the functioning of the Act, the State Board needs to include the results of the individual district fiscal and programmatic audits performed by SDE in the State Superintendent's annual report. This would allow for the use of audited information to verify compliance. Also, an analysis of the effects of the EFA on state-wide education funding, examining per-pupil revenue disparities among the districts, needs to be furnished by SDE. This analysis should be made on total local and State revenues for operations, excluding only revenues for debt service, adult education, summer school, building and construction, community services, and fringe benefits. Without this information, SDE will be hindered in making recommendations for changes in the Act and the Legislature and State Board will not have adequate information on which to base sound decisions and policies regarding the EFA.

RECOMMENDATIONS

THE STATE BOARD OF EDUCATION SHOULD SPECIFY
A FORMAT FOR CPA REPORTS, CONSIDERING ALL
POTENTIAL USERS OF THE REPORTS, AND REQUIRE
THE CPA AUDIT REPORTS BY NOVEMBER 1ST
EACH YEAR.

THE STATE BOARD OF EDUCATION SHOULD REQUIRE CERTIFICATION OF DISTRICT ANNUAL REPORTS BY THE CPA.

THE GENERAL ASSEMBLY SHOULD CONSIDER CHANGING THE SUBMISSION DATE FOR THE STATE SUPERINTENDENT OF EDUCATION'S ANNUAL REPORT, REQUIRED BY THE APPROPRIATION ACT, TO ALLOW FOR THE USE OF VERIFIED INFORMATION.

THE STATE DEPARTMENT OF EDUCATION SHOULD RELEASE THE ANNUAL FISCAL AND PROGRAMMATIC REPORT, REQUIRED BY SECTION 59-20-60(5)(e) OF THE EDUCATION FINANCE ACT, AT SUCH A DATE AS TO ALLOW FOR THE USE OF VERIFIED INFORMATION.

THE STATE BOARD OF EDUCATION SHOULD INCLUDE SUMMARIES OF THE AUDITS OF INDIVIDUAL DISTRICT'S COMPLIANCE TO THE FINANCIAL REQUIREMENTS OF THE FINANCE ACT IN THE ANNUAL REPORT OF THE STATE SUPERINTENDENT TO COMPLY WITH SECTION 59-20-60(2).

THE STATE DEPARTMENT OF EDUCATION SHOULD INCLUDE AN ASSESSMENT OF COMPLIANCE WITH

THE PROVISIONS OF THE FINANCE ACT IN ITS REPORT TO THE GOVERNOR AND THE GENERAL ASSEMBLY, AS REQUIRED BY SECTION 59-20-60(5)(e).

THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING SECTION 59-20-60(5)(e) TO REQUIRE SDE TO INCLUDE, IN ITS ANNUAL FISCAL AND PROGRAMMATIC REPORT TO THE GOVERNOR AND THE GENERAL ASSEMBLY, AN ANALYSIS OF THE EFFECTS OF THE EFA ON STATE-WIDE EDUCATION FUNDING BY EXAMINING TOTAL LOCAL AND STATE REVENUES PER PUPIL FOR ALL DISTRICTS. THE ANALYSIS SHOULD EXCLUDE THOSE AREAS NOT COVERED BY THE ACT.

District Fiscal Accounting Practices

In its first study of the Finance Act, the Council reported that FY 78-79 district financial information contained inaccuracies. A review of audits conducted on districts' EFA information for FY 79-80 and FY 80-81, indicates that problems in maintaining accurate records persist. Furthermore, districts continue to have problems in recording accurate average daily membership of pupils.

District-level audits are conducted by the Auditing and Field Services Section of SDE to test for compliance with the financial requirements of the EFA at the district and school levels. All available SDE

district audits for FY 79-80 and FY 80-81, a total of 63, were reviewed by the Council.

Sixty-one (97%) of the districts incorrectly recorded instructional expenditures. Teachers' salaries were charged to one EFA program when two or more programs should have reflected the cost. Districts also improperly reported the number of teachers funded under the Finance Act and often included Federally-funded teachers in the number reported. The audits revealed that 23 (37%) of the districts commingled State and Federal funds, combining Vocational Education Aid, CETA, and ROTC monies with State General Funds.

As a result, program costs in the EFA continue to be incorrectly charged and inaccurate reports of both State and Federal funds have been made. Furthermore, these difficulties can result in noncompliance with the Finance Act and in repayment of funds to the State. Section 59-20-50(3) directs districts to expend 85% of the dollars generated by their EFA pupil memberships in the categories in which the revenues were generated. Noncompliance with this provision requires that the districts repay the State for funds which were improperly spent. The district audits revealed that 16 (25%) of the districts were not in compliance with the 85% clause and had to repay a total of \$30,967.

Districts also had to repay the State when inaccurate pupil accounting resulted in excessive funding. Section 59-20-40(1)(a) requires that districts maintain current and accurate average daily membership records of pupils. Over the two-year period examined, the Council found that the districts continued to have many problems maintaining accurate records. The inaccuracies fell into two problem areas - procedural problems and misclassification of pupils into the EFA categories. All 63

districts had procedural problems in recording daily membership information. In addition, 49 of the districts had classified pupils in the wrong EFA categories. A total of \$71,300 had to be repaid to the State when 42 districts' weighted pupil units were revised as a result of the SDE audits.

District financial management problems appear to be the major reason for the inaccuracies in district records. SDE has audited 14 districts twice. Six had overclaims in pupil accounting and/or noncompliance with the 85% audit standard in the first audit and again in the second. Three of the districts, cited for commingling funds in FY 78-79, had not corrected the problem in FY 79-80. In one district, SDE was unable to render an opinion on compliance to the Finance Act since "the condition of the district's financial records made it impractical to determine the proper separation of funds..." and General Fund expenditures by EFA classifications could not be ascertained.

The State Department of Education offers several forms of aid to the districts in an effort to increase the accuracy of their accounting practices. The "Financial Accounting Handbook for South Carolina Public School Districts" contains detailed instructions on maintaining records of fund and program costs. The SDE financial audits explicitly describe the problems districts are encountering and recommend necessary corrections to be made in the districts' record-keeping practices. Instructional publications, such as the "South Carolina Pupil Accounting Instructional Manual," are available to all districts to aid in the proper reporting and maintenance of accurate pupil records.

The Defined Minimum Program requires districts to maintain an "accurate accounting record of all transactions" for reporting information

to the Department of Education, the Federal Government, and the General Assembly. Until district financial records improve, districts will continue to be required to repay money to the State and information available to the Legislature on districts' educational costs will suffer. In addition, the district financial reports will not be useful to district boards and administrators as a valuable planning tool.

RECOMMENDATIONS

DISTRICT BOARDS AND ADMINISTRATORS SHOULD HAVE AS A PRIORITY ACCURATE FINANCIAL RECORDS.

SDE SHOULD CONTINUE TO EXPAND TECHNICAL ASSISTANCE TO THE SCHOOLS AND DISTRICTS. THE DEPARTMENT SHOULD EMPHASIZE ASSISTANCE IN THOSE AREAS WHERE THE LOCAL DISTRICTS HAVE DEMONSTRATED PROBLEMS WITH THEIR FINANCIAL ACCOUNTING PRACTICES.

District Compliance with Local Effort

Introduction

The Council analyzed two aspects of the local share of funding, or local effort, required of school districts by the Education Finance Act. First, the compliance of districts with the phase-in of local effort was examined for two years, FY 79-80 and FY 80-81. Second, the progress of the districts was reviewed for indications of compliance with the foundation program as if it had been fully implemented in FY 82-83.

The Council's analysis showed that the districts have satisfied local effort requirements for FY 79-80 and FY 80-81 and will also meet required local effort in FY 82-83. Therefore, the one-year extension of the phase-in period for the Finance Act should present no problems for the districts in meeting requirements for full implementation of the foundation program in FY 83-84.

The EFA provides districts with three methods to annually phase-in the required local support. A district may meet its required local support by: (1) increasing its prior year millage rate by 2.5 mills; (2) increasing its prior year local revenue by 5% in real dollars; or (3) using its combined State and local revenue if the total exceeds the amount needed to fund the minimum foundation program at full implementation. Noncompliance with any of the methods allowed in the Act will result in the reduction of State aid by the same percentage that a district fails to comply [Sections 59-20-40(3)(b) and (6)].

The method for computing the amount of required local revenue in support of the foundation program is specified in the Act:

The amount that each school district shall provide toward the cost of the South Carolina foundation program shall be computed by determining the total statewide collective share (approximately thirty percent) of the total cost of the foundation program, and multiplying this by the index of taxpaying ability of each district... [Section 59-20-40(1)(e)]

Current Local Effort Conditions

For FY 79-80 and FY 80-81, 93% and 100% respectively, of the State's districts exceeded their required local support with local revenues. The six districts which did not exceed required local support with local revenues in FY 79-80 used other methods to comply with the Finance

Act. Five districts complied by increasing the millage rate by 2.5 mills and one satisfied the requirement by relying on its combined State and local revenues which exceeded the amount required at full implementation.

Meeting Full Implementation of the Act

While the Education Finance Act states full implementation of the foundation program would be achieved in substantially equal annual intervals over a period of five years [Section 59-20-40(3)(b)], the FY 82-83 Appropriation Act extends the Act's phase-in period by one year, therefore delaying full implementation of the foundation program until FY 83-84. However, the Council analyzed local efforts as if full implementation had occurred in FY 82-83. Although district records for FY 81-82 were not available for review, the Council projects all districts in the State will have met the required local effort for full implementation in FY 82-83, if past funding trends continue.

Seventy districts (76%) met their projected local effort requirements for FY 82-83 with FY 80-81 local revenues. The remaining 22 districts (24%) were phasing in required local effort and it appears that they could have complied with requirements if full implementation of the foundation program had occurred.

To determine if the State's school districts would meet the required local effort specified by the Act, each district's FY 82-83 local support required for full implementation was projected. The Council concluded that given past funding patterns, all 92 school districts could have met required local support in FY 82-83. This indicates an improvement over the Council's finding in 1980 that 12 districts might not comply within the five-year phase-in period of the Act. It appears that districts are

now making every effort to meet required local support within the original phase-in period. The extension of the phase-in period for full implementation of the foundation program has reduced required local support for FY 82-83. However, the districts should have no problems in meeting full funding of the foundation program by FY 83-84.

CHAPTER III
REVIEW OF THE WEIGHTING SYSTEM

Introduction

The Education Finance Act establishes a weighted pupil system to distribute funds on the basis of student needs and on the basis of the relative costs of the programs needed by different students [Section 59-20-40(1)c]. To accomplish this, the Act uses 14 program classifications and a base student cost. Each of the State's students is counted in one of the 14 program classifications, which are weighted to provide for the costs of the various programs. The weights are keyed to the base student cost, the amount deemed necessary to fund a minimum education program for a student in the elementary (4-8) grades. A study of the cost of the required minimum program shows the amount necessary for providing that program is included in the base student cost. The structure of the weighted pupil system, however, needs to be changed so that EFA funding can be closely aligned with the costs of needed student programs in the districts.

The primary factors that determine the costs of student programs are the type of service(s) that must be provided and the amount of time the service(s) is required. The weighted pupil system has three characteristics which prevent it from reflecting these factors: the student count method does not accurately indicate the different services actually received by pupils; handicapped program weights make no distinction for the varying amounts of service required by mildly and severely handicapped students; the one vocational education weight provides no adjustment for the range of costs for the different vocational programs.

Based on several studies, by SDE, the Policy Research Center, and the Audit Council, a different weighted pupil system is recommended by the Council (see Table 13). The recommended system would increase State funding to handicapped and vocational education programs by \$2.2 million. Should holdharmless be eliminated as the Audit Council recommends, an estimated \$4.5 million would be available for meeting the increase. The weighted pupil system and recommendations for improvements are discussed in detail in the following sections.

TABLE 13
RECOMMENDED PUPIL WEIGHTING SYSTEM

<u>Programs</u>	<u>Proposed Weights¹</u>	
	<u>Add-On</u>	<u>Full Weight</u>
<u>REGULAR</u>		
Kindergarten		.65
Primary		1.30
Elementary		1.00
High School		1.25
<u>SPECIAL EDUCATION</u>		
Speech Therapy	.3	
Resource Room I	.8	
Resource Room II	1.1	
High Service I		2.0
High Service II		4.0
Itinerant (for Blind only)	1.8	
<u>VOCATIONAL EDUCATION</u>		
<u>Group A:</u> Level I		1.30
Levels II and III		1.60
Health Occupations		
Occupational Home Economics		
Trade and Industry:		
Air Conditioning, Refrigeration and Heating		
Drafting		
Electricity		
Electronics		
Industrial Sewing		
Masonry		
Painting and Decorating		
Tailoring		
Tilsetting		
<u>Group B:</u> Level I		1.32
Levels II and III		1.63
Trade and Industry:		
Appliance Repair		
Auto Body		
Auto Mechanics		
Auto Services		
Barbering		
Building Construction		
Business Machine Maintenance		
Cabinet Making		
Cosmotology		
Small Engine Repair		
Radio and TV Repair		
Textiles		
<u>Group C:</u> Level I		1.34
Levels II and III		1.65
Trade and Industry:		
Commercial Art		
Graphic Communications		
Machine Shop		
Plumbing		
Sheet Metal		
Welding		
<u>Group D</u>		1.30
Agriculture, all Levels		
Business and Office, Level II		
Distributive Education, all Levels		

¹Students served by add-on programs would be counted in a basic grade-level program or in the appropriate vocational education program. Speech therapy is an "add-on" regardless of other service(s) in which a student is counted.

Base Student Cost

The amount of State and local funding required under the Finance Act is calculated on the base student cost. This cost is the amount deemed necessary to fund a minimum education program for a student in the elementary (4-8) grades. The base student cost is to include enough funding to support the Defined Minimum Program and to meet, as funds are available, locally identified needs (Section 59-20-20).

The "Defined Minimum Program for South Carolina School Districts," known as the DMP, outlines the minimum standards for schools and districts required by the State Board of Education for accreditation. Before a school is eligible for funding under the Finance Act, these standards must be met. In 1980 the standards were revised with additional requirements to be phased in by FY 82-83. The completion date of the phase-in was delayed a year to FY 83-84, due to the postponement of full implementation of the Finance Act.

A study of the cost of the Defined Minimum Program shows that the funds necessary for providing the DMP are included in the base student cost for districts with salaries at the State-mandated minimum salary schedule. The examination of the revised DMP included those elements required, or implied as required, by the standards and as indicated by district practice. Expenditure information from FY 80-81, the latest year such information was available from the districts, was used. The base student cost was set by the Legislature in FY 80-81 at \$913. For the 26 districts paying according to the State's required minimum salary schedule, the cost of providing the DMP was \$905. For districts paying the State's average salaries, the cost was \$958.

Methodology and Cost Elements Used

The elements included in the study are shown in Table 14, as applied to a hypothetical 6,600 student district, the average size district for the State. Eighteen districts, varying in size from 1,052 to 14,710 students, served as the basis for determining the staff necessary for meeting the DMP. Actual district expenditures were used in determining the costs for all elements, except personnel. Personnel costs for teachers were calculated on two levels, on the minimum salary schedule required by the Finance Act (Section 59-20-20) and on the average of salaries paid by the districts. For FY 80-81, the minimum average salary for a classroom teacher was \$13,403 and the average salary was \$14,318. For other personnel costs, the average salary and a derived average minimum salary for each position were used. To obtain average minimum salaries, the average salaries were adjusted by the percentage difference between the minimum average and average teachers' salaries.

The DMP was not designed as a costing document, but it is fairly precise in defining staffing requirements at the school and classroom level. For example, a full-time principal is required for a school (grades 1-6) with more than 375 pupils and the requirements for librarians and guidance counselors are specified in a similar manner. The number of pupils in a class is regulated by maximum class sizes and an average pupil teacher ratio, which cannot be exceeded by a school.

The DMP is not as precise in defining the minimum staff requirements for the district office. The standards only state that enrollment and scope of the educational program will determine the size of the central staff. Five positions were determined to be required, or implied as required, by the DMP: superintendent, secretary, business manager,

TABLE 14
STUDY OF THE
COST OF THE DEFINED MINIMUM PROGRAM FOR FY 80-81

Cost Elements	Per-Pupil Cost	
	Minimum Salaries	State-wide Average Salaries
<u>School Level Costs</u>		
Teachers	\$515.50	\$550.69
Principals		
Assistant Principals		
Secretaries		
Librarians		
Guidance Counselors		
Library Aides		
Music, Art & P.E. Teachers		
Reading Teachers	147.02	160.36
Substitute Teachers	12.91	13.57
Instructional Supplies ¹	13.01	13.01
Library Volumes and Audio-visual Materials ¹	11.52	11.52
Support Cost	2.49	2.49
Remedial Aid ²	2.42	2.42
Subtotal School Level Costs	<u>\$704.87</u>	<u>\$754.06</u>
<u>District Level Costs</u>		
1 Superintendent		
1 Secretary to Superintendent		
1 Business Manager		
1 Administrator		
1 Secretary	\$ 12.62	\$ 13.81
1 Assistant Superintendent		
1 Psychologist		
11 Administrators/Supervisors		
2 Secretaries	42.21	45.37
Support Cost	4.00	4.00
In-Service Training ³	2.31	2.31
Statistics & Data Processing	1.72	1.72
Maintenance & Operations	133.16	133.16
Board of Trustees	3.86	3.86
Subtotal District Level Costs	<u>\$199.88</u>	<u>\$204.23</u>
TOTAL	<u>\$904.75</u>	<u>\$958.29</u>
Base Student Cost		<u>\$913</u>

¹The DMP minimum is \$12 per pupil for instructional supplies and library and audio-visual materials together.

²The minimum for remedial aid is \$1.10 per pupil.

³The minimum for in-service training is \$10 per professional staff, 17¢ per pupil.

administrator, and a second secretary. A review of district level staffs found that on the average there was an administrative/clerical staff position for every 331 students, so for a 6,600 student district, a total of 20 positions would be indicated by district practice. Table 14 gives the cost of the five required positions, as well as, that of the additional 15 staff.

The study also includes the cost of substitute teachers, although this element is not mentioned in the DMP. Sick leave is mandated for teachers in Section 59-1-400, and districts usually hire a substitute teacher when a classroom teacher is ill. Since substitutes have no required minimum pay, the districts' median and average costs per pupil were included. A more detailed description of the costs and methodology used in the study is included in Appendix D.

Comparison with SDE Cost Study

A study prepared for SDE by the College of Business Administration, University of South Carolina, also looked at the cost of providing the DMP. "The Defined Minimum Program Cost Study" used FY 80-81 data, but adjusted the information by 8% to approximate FY 81-82 costs. The State minimum average salaries for FY 81-82 were also adjusted to include fringe benefits. The cost of the DMP with fringe benefits was found to be \$1,187. For FY 81-82, the base student cost plus the per-pupil amount appropriated for fringe benefits was \$1,154.

Fringe benefits is a cost element specifically excluded from the Finance Act, but for comparison purposes, the Council's costs were adjusted to approximate FY 81-82 costs in the same manner as in the SDE study. Minimum average salaries for FY 81-82 with fringe benefits were

used. The Council found the DMP/fringe benefits cost to be \$1,116. The SDE study and supporting documents do not provide an indication of the per-pupil costs of the various elements included in their study. Therefore, the reasons for the differences in the total costs found by the two studies could not be determined.

Conclusion

The Council's study indicates that the funding provided under the Education Finance Act allows the State's school districts to provide the program required by the Defined Minimum Program. Yet, the cost of the DMP and the base student funding have become so closely tied that changes in any educational requirements may impact on the districts' ability to provide the DMP. Should the Legislature consider changing requirements in any education program, a study of the fiscal impact will be needed.

RECOMMENDATION

THE GENERAL ASSEMBLY SHOULD CONSIDER A
FISCAL IMPACT STUDY WHEN ANY CHANGES IN
EDUCATION LEGISLATION ARE CONSIDERED.

Student Count Method

The purpose of the weighted pupil system is to distribute funds on the basis of student need, yet the Finance Act allows a student to be counted in only one of the 14 weighted program classifications [Section 59-20-40(1)c]. This "one student, one count" method does not provide

an accurate indication of the services actually received by a district's pupils. Therefore, the average daily membership (ADM) cannot be used in computing an accurate cost of these services.

Many students do spend an entire day receiving one type of program service, but as many as 23% (140,000) of the State's total pupils receive service in areas other than the one in which they are counted. Services and service time can vary for many reasons. Because of a career preference or handicapping condition, some students receive more than one type of service and these students are not identical in their need for a particular service. The amount of time a program is needed depends on the severity of a handicap or on the particular vocational program undertaken. Therefore, counting students only once, and using the 135-day ADM based on that count, does not provide the accuracy needed for funding actual services.

In 1980, the Audit Council reported that the ADM of the various programs did not reflect the services provided by a district to its students and that determining the cost of programs based on ADM could be misleading. For example, one district reported spending \$25,400 on a visually handicapped ADM of 1.81. The ADM cost per student was \$14,000, but the program costs were actually \$1,950 per student. The Council's service survey revealed the district was providing this service to 13 students. An ADM of only "two" students was reported because the other 11 were counted in other handicapped programs in which they were also receiving service.

Four separate studies of districts' expenditures in the program classifications have found that program costs cannot be derived using ADM. In each study, the amount of time students spent in the various

programs had to be determined. The 1981 SDE study illustrates the difference between the ADM and the actual amount of service received in all programs. The full-time equivalent count represents the "number" of pupils in a program based on the total percentage of time spent in the program (see Table 15).

TABLE 15

SDE STUDY INDICATING TIME SPENT IN PROGRAMS IN FY 79-80

<u>Program Area</u>	<u>ADM Pupils</u>	<u>FTE Pupils</u>	<u>% Diff.</u>
Kindergarten	30,932.65	33,398.16	8.0%
Primary	127,708.57	141,945.62	11.1
Elementary	218,348.75	238,685.79	9.3
High School	79,745.66	146,099.20	83.2
Educable Mentally Handicapped	18,383.32	8,573.18	(53.4)
Learning Disabled	14,430.24	4,406.99	(69.5)
Trainable Mentally Handicapped	2,477.25	3,033.94	22.5
Emotionally Handicapped	4,472.63	1,699.60	(62.0)
Orthopedically Handicapped	772.01	277.92	(64.0)
Visually Handicapped	411.35	106.95	(74.0)
Hearing Handicapped	767.71	337.79	(56.0)
Speech Handicapped	22,621.71	1,790.42	(92.1)
Homebound	641.92	641.92	0
Vocational Education	100,612.29	41,328.58	(58.9)
TOTAL	<u>622,326.06</u>	<u>622,326.06</u>	<u>0%</u>

The state-wide effects of using the ADM count can be illustrated by the Speech program. The 1981-82 ADM for Speech was 20,021 students, but the Office of Programs for the Handicapped reported that 8,000 more students with other handicaps also received service in the Speech program. Based on these figures, the Speech ADM under-represented actual service by 29%.

The problem becomes more serious when Speech costs are based on ADM. The 1982 study of weights by the College of Business Administration, University of South Carolina, found Speech costs, per ADM, to be relatively equal to the costs of other handicapped programs. However, only 24% of the reported cost is for the Speech program. The ADM cost is inflated, because the costs of providing other handicapped and regular programs' services are also included. Twenty-three percent of the ADM cost occurs because many students counted in Speech receive service in either the Learning Disabilities or Educable Mentally Handicapped programs as well. However, since Speech generates more funding, these students are counted in Speech. Other handicapped service accounts for 7% of the Speech cost, while the remaining cost (46%) is for time spent in regular or vocational education programs.

Many states with weighted pupil systems use either the full-time equivalency count for funding or an "add-on" method. The "add-on" method adds weights for each service provided, so a student could receive a weight for the regular program plus a weight for service in a handicapped program. Either method would be more appropriate for a weighted pupil system and would provide the Legislature with better information on which to make funding decisions. The Council's study of the two counting methods indicates that the add-on method is less cumbersome to administer and provides easily understood information on service.

Handicapped Program Weights

The Finance Act's weights for programs for the handicapped do not reflect the relative costs of providing service to handicapped students.

Service to handicapped students is funded according to particular handicapping conditions; therefore, the weights do not take into consideration the severity of the handicap(s) and the varying amounts of time service is needed. A student generates the same amount of funding whether a handicap requires service for one period a day or for an entire day.

Reviews of program costs indicate, however, that the amount of time a handicapped student requires service and the method used to deliver the service determine funding needs. This can be illustrated by the following example. Students requiring one hour of service a day can be served by a teacher in a resource room with a daily pupil load of approximately 24. For students who require service all day in a self-contained classroom, the teacher's daily load can be approximately ten students. Using the FY 81-82 minimum average salary, the cost per pupil for the teacher would vary by more than \$800 ($\$14,536 \div 24 = \605.67 while $\$14,536 \div 10 = \$1,453.60$).

South Carolina is one of several states which has adopted weights to fund at least one special service or need. In some states, both the handicapping condition and the length of service are a part of the weighting system. In others, classifications for weights are based on delivery system requirements for mild, moderate, and severely handicapped students.

South Carolina's present weights encourage districts to identify student needs, but to underserve them. A district is only required to serve a student one period a day (or one period a week for Speech) to qualify for EFA funding under a handicapped program weight. Districts receive no additional funds for serving students more than the minimum

time required for Finance Act funding or for providing needed secondary handicapped services. The Council's review of 21 districts' service to the handicapped shows the wide range of service provided handicapped students (see Table 16). Three districts serve more than 85% of their handicapped students one period a day or only in Speech. They receive the same amount of funding for their students' handicapping conditions as the six districts which must serve over 35% of their handicapped students two to six periods a day.

The present weights require districts to make a choice of where to count a student with several handicapping conditions in order to obtain maximum EFA funding. For example, students with a learning disability as a primary handicap, but who also require Speech therapy, are counted in Speech in many cases. They are counted in Speech because the learning disability weight of 1.74 generated \$164 less than the 1.90 Speech weight for FY 82-83.

In 1981, the Joint Education Finance Review Committee requested the Policy Resource Center of Washington, D.C. to review the State's weighting structure and make suggestions on changes needed in the system. The Center, noting the problems outlined above, recommends a weighting system for handicapped service that would shift to funding by delivery patterns rather than by handicapping condition. The Center's proposal is based on the amount of service time and the method of service delivery.

TABLE 16

PERCENTAGE OF HANDICAPPED STUDENTS SERVED IN EACH DELIVERY MODEL^c

District ^a	Resource Room I	Resource Room II	High Service I	High Service II	Not Eligible ^b	Speech Only	Total Speech	Percent Gain (Loss) in Funds
A	42.5	15.0	17.5	-	-	25.0	40.5	.3
B	28.3	32.4	9.1	.5	-	29.7	35.6	10.6
C	22.1	-	29.0	-	-	48.8	69.1	(4.0)
D	11.4	28.4	17.0	1.4	-	41.7	53.6	8.3
E	45.0	21.8	4.2	2.9	-	26.1	36.6	5.8
F	53.0	-	5.5	-	-	41.5	45.2	(1.5)
G	39.4	6.2	29.6	2.2	-	22.6	29.9	6.8
H	8.5	19.0	22.1	1.0	14.6	34.7	42.9	(1.1)
I	46.5	11.9	3.3	-	-	38.3	45.1	(1.0)
J	67.4	.1	11.7	-	-	20.8	26.2	.6
K	29.3	10.1	12.2	-	.7	47.7	63.0	(4.9)
L	29.0	20.6	5.5	-	-	44.9	50.2	(2.5)
M	51.3	11.8	16.5	.7	-	19.7	25.2	3.1
N	55.4	10.7	3.3	2.2	2.6	25.8	38.9	2.4
O	43.0	8.0	4.0	.7	3.2	41.2	49.5	(.6)
P	20.4	9.8	20.8	3.3	7.3	38.5	45.0	(.9)
Q	41.7	21.1	7.7	.7	1.5	27.3	35.4	5.6
R	56.5	9.4	10.8	.7	-	22.6	30.6	2.8
S	30.2	12.0	24.2	.2	.9	32.6	32.6	1.9
T	32.6	20.8	10.8	2.5	1.6	31.7	42.1	4.0
U	7.5	39.9	20.6	1.3	1.0	29.6	37.7	5.4
Sample Average	33.6	18.3	13.4	1.2	1.6	31.9	40.3	2.29

^aDistricts are listed by total ADM, smallest to largest.

^bStudents served on the handicapped programs but not meeting the minimum time requirements to make them eligible for handicapped weights.

^cResource Room I: five to nine hours of service weekly. Resource Room II: ten to 15 hours of service weekly. High Service I: self-contained classroom for students who can only occasionally be mainstreamed. High Service II: self-contained classroom for students who cannot be mainstreamed. For more detail, see Appendix E.

The weights proposed in Table 17 were developed by the Legislative Audit Council using methods similar to those of the Policy Resource Center. Costs used to calculate the proposed weights were based, not on current expenditure data (for the information base is lacking), but on estimates of minimum funds needed to support an average class setting for handicapped students in each delivery system model. The State minimum average teacher salary for FY 81-82 of \$14,536 and an average indirect or support service rate of 20% or \$2,907 were used. Additional supplies and materials costs were estimated based on discussions with program specialists. Teacher class loads and delivery system schedules were assigned based on the results of the Council's service survey in 21 districts and on the Defined Minimum Program requirements. Work sheets displaying the computations for each weight are shown in Appendix E. The proposed weights do not cover the costs of equipment purchase since capital outlay is specifically not funded under the Finance Act.

TABLE 17
PROPOSED HANDICAPPED SERVICE WEIGHTING SYSTEM

<u>Service Delivery Systems</u>	<u>Proposed Weights</u>	
	<u>Add-On</u>	<u>Full Weight</u>
Speech Therapy	.30	
Resource Room I	.80	
Resource Room II	1.10	
High Service Level I		2.00
High Service Level II		4.00
Itinerant (for Blind only)	1.80	

Note: Students served by add-on weighted programs would be counted in one of the basic grade-level programs with the current EFA weights. Since High Service Level I and II students are served primarily in self-contained classrooms, the cost of their basic program is a part of the full weight proposed above. Students in Resource Rooms and High Service would also receive the Speech weight when this service is provided. See Appendix E for descriptions of each model.

The Council applied the proposed weighting system to the 21 district sample. Funding would be distributed to districts according to the actual services provided handicapped students. Districts which would receive less money with the proposed system than under the current EFA system would lose funds because of one or more of the following: pupils are counted for funding but served less than State Regulations require; 45% or more of handicapped students are served only in Speech; and 85% of students are served only for one period a day or in Speech (see Table 16).

To fund service for the handicapped under this system would have increased the need for State funds for handicapped programs in FY 82-83 by \$1.6 million; the total increase would be \$2.2 million (1.9%). If funds were also included for the vocational education programs in which handicapped students also receive service (using the weighting system and weights discussed on p. 76), an additional \$460,000 would be needed. Should the holdharmless provision be eliminated as recommended by the Audit Council, an estimated \$4.5 million would be available to cover the cost of the new handicapped weighting system. If holdharmless should be phased out, approximately \$360,000 would be available for meeting the State's share of the increase.

Vocational Education Weight

The minimum cost of providing various vocational education service areas varies considerably; the Council estimates that for FY 80-81, the minimum costs per service area varied from \$179 to \$961 per pupil. Yet, the Finance Act assigns one weight for funding students receiving vocational training (Section 59-20-40), and no adjustment is provided for the costs of different training areas.

Vocational education is divided into service areas, or programs, by the type of training offered, such as business and office occupations, trades and industries, agriculture, and health. Because of the nature of the training, these areas differ in the length of class time, class size, and the cost of materials. For example, class sizes average from five to 20 students, while material costs can vary as much as \$100 per pupil.

In 1982, the Office of Vocational Education surveyed the State's high schools and area vocational centers to identify state-wide per-pupil expenditures by program. The study found that the expenditures "differ substantially" from program to program within each school or center. With all direct and indirect costs and all sources of funds included, the median expenditure per pupil ranged from \$414 for home economics to \$1,429 for a course within the trade and industry program.

With costs so varied, funding vocational education with one weight encourages districts to steer students into the less expensive service areas and discourages districts from beginning some of the more expensive courses. The purpose of the weighting system is to "provide for relative cost differences between programs for different students" (Section 59-20-40). In order for this purpose to be better achieved, separate weights should be provided for the training areas within vocational education.

Table 18 presents weights developed by the Audit Council based on estimates of minimum funds needed to support each of six service areas and 27 trade and industrial courses. Weights were based on estimates because no information is available on actual costs which does not include Federal funds and costs specifically excluded from the Finance Act. The State minimum average teacher salary for FY 81-82 (\$14,536) and an average support service rate of 20% (\$2,907) were used. Supply costs were derived from expenditures for materials reported for the SDE study by 134 high schools and vocational centers in 63 districts. Teacher class loads were assigned based on average class size for each service area with minimums set as follows: ten students for a single-period beginning class; five for single-period

TABLE 18
PROPOSED VOCATIONAL EDUCATION WEIGHTS

<u>Vocational Programs and Courses</u>	<u>Weights</u>
<u>Group A:</u> Level I	1.30
Levels II and III	1.60
Health Occupations	
Occupational Home Economics	
Trade and Industry:	
Air Conditioning, Refrigeration and Heating	
Drafting	
Electricity	
Electronics	
Industrial Sewing	
Masonry	
Painting and Decorating*	
Tailoring*	
Tilesetting*	
<u>Group B:</u> Level I	1.32
Levels II and III	1.63
Trade and Industry:	
Appliance Repair*	
Auto Body	
Auto Mechanics	
Auto Services*	
Barbering*	
Building Construction	
Business Machine Maintenance*	
Cabinet Making*	
Cosmotology	
Small Engine Repair	
Radio and TV Repair*	
Textiles	
<u>Group C:</u> Level I	1.34
Levels II and III	1.65
Trade and Industry:	
Commercial Art*	
Graphic Communications	
Machine Shop	
Plumbing	
Sheet Metal	
Welding	
<u>Group D</u>	1.30
Agriculture, all Levels	
Business and Office, Level II	
Distributive Education, all Levels	

*The proposed weights for these trade and industrial courses, offered by one to three districts only, are based on the average cost and grouped with similar courses.

classes in the second or third years; 15 students in a multi-period beginning class; ten for multi-period second- or third-year classes. The amount of service time was assigned based on the predominant service provided by the districts responding to the SDE study and on Defined Minimum Program requirements. The computations for each weight are shown in Appendix F.

For simplicity's sake, the proposed weights take into account varying costs of the vocational education courses, while providing the same funding per academic hour as is currently received with the 1.25 high school weight. (The 1.25 high school weight divided into six "weights" for funding academic classes by periods would be: one period = .21; two periods = .42; three periods = .63; four periods = .83; five = 1.04).

The cost of equipment and equipment maintenance are not included in the proposed weights because the Finance Act specifically excludes capital outlay from funding under the foundation program. The additional cost of the 12-month contracts for vocational agriculture teachers is also not included.

It should be noted that the proposed weights do not fund consumer home economics, Level I business or pre-vocational courses above the high school weight of 1.25. The larger classes and lower median cost of materials indicate that the funding for high school covers the cost of these courses.

The proposed weights would increase the need for state-wide funding for vocational education programs by \$386,000. This represents a .3% increase in the FY 82-83 allocation of \$128.6 million. Elimination of the holdharmless provision would provide more than enough funds to implement the proposed weights.

RECOMMENDATION

THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING THE WEIGHTING SYSTEM CONTAINED IN SECTION 59-20-40(c) TO REFLECT MORE ACCURATELY THE COSTS TO DISTRICTS, INCLUDING AN "ADD-ON" METHOD OF COUNTING STUDENTS, HANDICAPPED PROGRAM WEIGHTS BASED ON THE AMOUNT OF SERVICE(S) PROVIDED, AND VOCATIONAL EDUCATION WEIGHTS BASED ON THE COSTS FOR THE DIFFERENT VOCATIONAL PROGRAMS.

Vocational Courses Questioned

The review of vocational education programs indicates that courses in the consumer and homemaking area should not receive the vocational weight. These classes do not provide training for a trade or profession and cost no more than an academic class, yet they qualify students for funding under the vocational education weight.

The State Board of Education was given the responsibility for establishing the criteria qualifying students for the various classifications in the Finance Act's weighting system. All courses listed under "vocational education" in the Defined Minimum Program were approved for qualifying students for the 1.29 weight. Webster's New World Dictionary defines vocational as "...education, training, etc., intended to prepare one for an occupation..." Although the consumer and homemaking courses are considered to be vocational, the majority of the courses do

not develop skills for employment. Such courses as Family Life Education, Consumer Education, Human Sexuality, Education for Parenthood, Foods and Nutrition have as the primary goal "to help individuals and families improve their home environment and family life." Other areas and courses listed under vocational education in the DMP have "employment" or "job opportunities" as their stated purpose.

A review of class sizes and cost of materials indicates that the minimum costs of these courses is no more than those of academic courses. In FY 81-82, 26,600 students were enrolled in consumer and homemaking courses, qualifying them for the higher vocational education weight. The Council estimates that these students could have earned an additional \$1 million for their districts, if they did not take other vocational courses that would qualify them for the vocational weight.

In order for the State to be eligible for Federal funds for consumer and homemaking education under P.L. 94-482, and for administrative ease, these classes should continue to be listed under vocational education in the Defined Minimum Program. These courses should not, however, qualify students for the 1.29 vocational weight contained in the Finance Act.

RECOMMENDATION

THE STATE BOARD OF EDUCATION SHOULD NO LONGER ALLOW CONSUMER AND HOMEMAKING COURSES TO QUALIFY STUDENTS FOR THE 1.29 WEIGHT CONTAINED IN THE FINANCE ACT FOR THE VOCATIONAL PROGRAM.

CHAPTER IV
STATE OVERSIGHT OF EDUCATION

Introduction

This chapter examines the role of the State Board and the State Department of Education in relation to the Education Finance Act. Emphasis is placed on the State's ability to monitor school districts for compliance with the Act and to ensure the availability of an adequate educational program for every student. To this end, state-wide educational standards and monitoring and evaluation systems were reviewed.

As was done in 1980, the Audit Council has reviewed SDE's responsibilities in implementing the portion of the EFA, which requires that programmatic and fiscal planning be conducted by school and district boards of trustees (Section 59-20-60). Action taken by SDE in response to the Council's recommendations to ensure effective State oversight of this system has been examined.

The State system for the oversight of education has its basis in the State Board of Education philosophy which calls for "an annual evaluation of educational quality in each school district in the State." The Board further states, "to discharge its responsibilities for upholding educational quality and ensuring equal educational opportunity, there must be an accreditation of all...schools."

In order to be accredited, each school must meet a set of minimum standards which cover all phases of its operation. These standards are called the Defined Minimum Program (DMP) and cover such areas as: number of students allowed per class; minutes to be spent in reading and math; the financial records of the district; the length of a school

day; and the number of courses offered by a high school. Schools which are classified as "dropped" by the accreditation process are ineligible for funding under the Finance Act (Section 59-20-60).

Responsibility for monitoring school compliance is given to the Office of Accreditation and Administrative Services within the Division of Instruction. Accreditation staff members, called "supervisors," perform on-site visits to each State school and district office. Schools must first submit a listing of basic information about their programs, teachers and enrollment, as part of a data collection system called the "Basic Educational Data System" (BEDS). The BEDS, along with the on-site visit to the school, serve as the basis for determining compliance with State law and for accrediting the school as offering the required minimum program. After this review is made, the Office of Accreditation and Administrative Services recommends to the State Board an accreditation rating for each school.

The Education Finance Act directs schools and districts to perform a self-evaluation centered upon student needs and prepare an annual written report. School and district compliance to this section of the Act also are monitored during the accreditation process.

Overall Issue: Programmatic Review

Each component of the accreditation system is examined in this chapter to determine if the system provides an adequate assessment of educational quality in South Carolina. The Audit Council once more finds that accreditation of schools does not provide this assessment. Accreditation is a crucial component of the Education Finance Act because, through it, the State Board and Department of Education attempt to

fulfill the responsibilities assigned them by the Act. Accreditation then may be viewed as the most important service function of the agency.

Section 59-20-60 of the Act outlines responsibilities for the State Board and State Department as follows:

The State Board shall audit the programmatic and fiscal aspects of this chapter, including the degree to which a school meets all prescribed standards of the defined minimum program...

The State Department of Education shall ... review each district's annual fiscal report, annual and long-range plan, and its evaluation of programmatic effectiveness. On the basis of this review the department shall provide information in a published report to the local school board of trustees, the Superintendent and other administrative personnel of the district for improvement in the program and in correcting the deficiencies discovered. [Emphasis Added]

These audit mandates, all of which are administered by the Department of Education, also reinforce the State Board's philosophy that calls for an "...evaluation of educational quality...."

The Department has attempted to fulfill its EFA responsibilities by incorporating them into the accreditation process carried out by the Office of Accreditation and Administrative Services. Although SDE has adopted some to the Council's recommended changes and the State Board has appointed an Ad Hoc Committee to study accreditation, the accreditation system continues to need certain improvements (outlined in detail on pages 88 through 104) in order for the oversight mechanism to function effectively.

The State Superintendent of Education, in discussing the SDE review of school districts, has stated, by law, the local boards of trustees are responsible for the management of the districts' resources. Decisions regarding assignment, evaluation, instruction, and discipline

of individual students should be left basically to the local educators in South Carolina. The Department of Education, therefore, follows a policy of separating the monitoring for legal compliance required of the agency from the evaluation of the effectiveness of school programs.

Importantly, continuation of the current assessment practices means that little comprehensive evaluation of the educational programs of the State's school districts will be provided for the districts, the Legislature or other interested parties. While final responsibility for giving children an adequate education rests with the local boards of trustees, the State Department needs to assist the districts whenever the need is recognized. The methods used to achieve this goal are also the districts' prerogative, yet, the appropriateness of the methods should be a matter for State oversight.

The Department of Education, in fact, has demonstrated that it has the capability to perform effective program evaluations. Some staff, such as curriculum specialists, perform comprehensive evaluations of school programs but only when requested by the school district, and the Office of General Education no longer annually advises the districts that this service is available. The Offices of General Education and Accreditation have coordinated in-depth evaluations of school district curricula and instructional methods. Even more thorough evaluations have been coordinated by the Survey Section of SDE's Office of Accreditation and Administrative Services. These evaluations, called comprehensive surveys or assessments, have covered every aspect of a district's programs, services and administration. The task involved specialists in curriculum, school services, vocational and handicapped programs, and supervisors in administration and finance. Both the programmatic and

comprehensive evaluations provided comments on the strengths and weaknesses of the various district and school programs. Recommendations were made for strengthening and improving the schools' curricula and services.

Currently, SDE is conducting a pilot program of coordinated compliance reviews. During these reviews, schools and districts are checked only for compliance to the DMP and other State and Federal laws and regulations using the same review processes that were used prior to the pilot program. The Sections from the Division of Instruction involved in the pilot program include: Accreditation; General Education, Basic Skills Assessment; Handicapped Programs; Federal Programs; and Vocational Education. Although SDE calls these reviews "comprehensive," they should not be confused with the comprehensive programmatic reviews conducted in the past. The intent of the Audit Council's recommendation for an "integrated" review has not been adopted by SDE and an in-depth assessment of instructional program quality has not been included in the pilot program.

According to SDE staff, an assessment of instructional program quality is not part of the coordinated compliance reviews because it does not have a statutory base. The Office of General Education's Curriculum Development Section, which has performed programmatic reviews, is not a participant in the pilot program.

To fulfill the Department's historical role of regulation, technical assistance and leadership, a routine and objective evaluation of each district's program, providing suggestions of ways to improve effectiveness, is needed. The Department's policies and procedures need to be changed in order to judge the "quality of worth" of district educational

programs, as required by the Education Finance Act and the Basic Skills Assessment Act. Without comprehensive and ongoing evaluations, the Legislature will find it more difficult to determine whether the following purpose of the EFA has been met: "To guarantee...at least minimum educational programs and services...substantially equal to those available to other students..." (Section 59-20-30).

Summary of Recommendations

The accreditation system does not adequately fulfill the State Department's responsibilities for monitoring and evaluating school districts and providing technical aid. With some reorganization of staff and a change in focus, the State Department could expand the accreditation system to become an ongoing comprehensive assessment. The "model" for this type of assessment is found in the programmatic and/or comprehensive assessments that SDE performs upon the request of the districts.

The purpose of a comprehensive assessment should be to provide district boards and superintendents with an objective view of district strengths and weaknesses. The assessment should provide an integrated, comprehensive evaluation of district performance and plans, resulting in a guide for needed training and program improvement. Schools and districts also should be checked for compliance to the DMP, other State regulations and Federal regulations. These assessments would serve both to improve school programs and to accredit schools as eligible for State funding.

In order to initiate a comprehensive assessment system, the State Department needs to improve or reorganize its current monitoring capabilities:

- (1) The "Assurances" should be discontinued as a part of the BEDS monitoring system. A review of such requirements should be made during comprehensive on-site visits.
- (2) SDE should expand the reviews of districts to allow for an in-depth assessment of program quality, along with an integrated examination of compliance to standards.
- (3) The State Board of Education should pursue a complete revision of the accreditation rating system, emphasizing the purpose of the accreditation process, and defining the scale so as to clarify the meaning of the levels of accomplishment, programs and compliance.
- (4) The Department of Education should develop written policies on the process to be followed in determining preliminary accreditation ratings and assigning final ratings. Guidelines for SDE staff and school and district personnel should be published which further explain the accreditation process, purpose, and standards.
- (5) The State Board of Education should develop and/or improve the minimum standards and should consider the following criteria in revising the Defined Minimum Program: (1) requirements should focus upon student performance, as well as the use of resources; (2) DMP standards should incorporate the intent and directives of the Basic Skills Assessment Act; (3) standards should be expressed in clear, measurable terms; (4) procedures for demonstrating compliance should be simple and require a minimum of paperwork.
- (6) SDE guidelines for advisory councils should include uniform record-keeping practices and the date by which advisory councils should be constituted.

- (7) The State Board of Education should strongly consider the advantages of having an independent staff capability, in order to more effectively exercise those powers provided by Section 59-5-60. The cost of such staff should be taken from existing education funds within the State Department of Education. A minimum of two staff members with fiscal and programmatic capabilities should be assigned to the board.

Basic Educational Data System

The Basic Educational Data System (BEDS) needs to be improved in order to provide adequate information for use in monitoring compliance with the Defined Minimum Program requirements. The Council found the process to be inappropriate for monitoring some of the non-quantifiable requirements of the DMP. Also, problems prevent the BEDS from accurately reflecting the conditions in the State's districts and schools.

One type of information contained in the BEDS is a checklist which is used to monitor the non-quantifiable aspects of the DMP, the "Assurances." This checklist is a certification by each school principal that certain requirements of the DMP are being met. Such requirements as "principal spends 50% of his time improving instruction," "adequate audio-visual aids are supplied," and "there is a well-organized staff development plan" are among the assurances to be checked "yes or no" and maintained in the computer for review.

The Assurances are an inadequate method of monitoring the "non-quantifiable" aspects of the DMP. District personnel feel that it is extremely difficult to monitor compliance with the DMP by use of the Assurances. As the Assurances are worded, there is a wide range of

interpretation and definition of the requirements. They are considered by district personnel merely a "checkoff of intentions." If an attempt is going to be made to carry out the listed requirements, they are checked off as being in compliance. SDE staff, however, maintain that the Assurances are an effective method of informing district personnel of DMP standards.

The Ad Hoc Committee to Study Accreditation has considered the use of Assurances as a method of monitoring DMP standards. Although the Committee has made no formal recommendations, it has taken the position that the process of using the Assurances as a method of data collection for accreditation should be continued¹.

A second type of information contained in BEDS is a report on quantifiable aspects of the DMP. Requirements, such as teacher class size, courses offered, teacher certification status and salary, are reported by each school. In 1980, the Audit Council raised questions about the reliability of the BEDS data when it was found that information was missing and inconsistent. According to school principals and an SDE supervisor, teacher error results in many reporting problems. Further errors occur when the reported data is computerized. In addition, BEDS data can be manipulated to reflect conditions which do not exist. Both district and SDE personnel stated there are principals who complete the BEDS forms with less than actual information in an effort to receive a satisfactory accreditation rating when they have not met the minimum requirements.

¹The Ad Hoc Committee to Study Accreditation presented its recommendations to the State Board of Education after the Council completed its review. The Committee's report is found in Appendix G.

A responsibility of the Ad Hoc Committee is to review and make recommendations concerning the accuracy and validity of BEDS. The Committee has taken no action in this area¹. However, SDE staff state BEDS data should be more reliable due to a new computer, installed at SDE in November 1981. This year, additional edit cycles will not be sent back to the district several times for corrections. The Office of Accreditation will be able to edit BEDS data using computer terminals in the office. The computer is not fully operational; however, SDE is in the process of developing new computer programs which are expected to improve the efficiency and effectiveness of data handling.

The Basic Educational Data System can provide needed information on compliance with the quantitative requirements of the DMP. Before this is possible, continuing efforts must be made to increase the adequacy of the data.

RECOMMENDATIONS

THE "ASSURANCES" SHOULD BE DISCONTINUED
AS A PART OF THE BEDS MONITORING SYSTEM.
A REVIEW OF SUCH REQUIREMENTS SHOULD BE
MADE DURING COMPREHENSIVE VISITS.

On-site Visits

The Accreditation system used by the State Department of Education includes on-site visits made to local districts and schools. These on-site

¹The Ad Hoc Committee to Study Accreditation presented its recommendations to the State Board of Education after the Council completed its review. The Committee's report is found in Appendix G.

visits are limited in scope and provide the SDE with little opportunity to perform a comprehensive assessment.

The authority for monitoring compliance with the DMP has been delegated primarily to the Office of Accreditation and Administrative Services. The Office's procedure is to visit at least every school with a probation rating and as many others as time allows each year. During the 1981-82 school year, 472 (41%) of the State's 1,155 schools were visited by one of the Accreditation supervisors between the schools' September opening and the April accreditation deadline. These visits, which average approximately half a day per school, are considered by the Accreditation supervisors to be an important part of their monitoring procedure.

Section 59-20-60 of the EFA mandates that the degree to which schools are meeting all prescribed standards of the DMP is to be monitored. As part of this monitoring process, the on-site visit has several purposes. First, the correctness of the data reported for BEDS purposes is to be checked; second, the accuracy of the compliance statements made by principals when filling out the Assurances is to be confirmed; and third, annual school reports and staff development plans are to be reviewed with the principal. In addition, the supervisor attempts to speak with teachers and visit their classrooms. The result is that a review of a school's programs, facilities, and administration is to be conducted in a visit lasting, on the average, about three hours.

The supervisors who conduct the on-site visits have backgrounds primarily in administration. Specialists in the curriculum and various school services, whose area of expertise is programmatic evaluation, are seldom included in the on-site visits. Therefore, the recommendations which result from on-site visits would have to be limited in scope.

SDE is currently conducting coordinated compliance reviews as a pilot program. During these reviews, schools and districts are checked for compliance to the DMP and other State and Federal laws and regulations. The Sections from the Division of Instruction involved in the pilot program include: Offices of Accreditation; General Education, Basic Skills Assessment; Handicapped Programs; Federal Programs; and Vocational Education.

The monitoring efforts of the sections are conducted separately, generally following the same review process that was used prior to the pilot program. Following the review process, each section files a separate report of its findings. All sections, however, perform their reviews of a district within a specified two-week period. Six districts were reviewed during the 1981-82 school year as a part of the pilot program and 12 reviews are scheduled for the 1982-83 school year.

The Accreditation Section is employing different procedures in the pilot program than are used during on-site visits. The list of Assurances is used as a checklist when performing the pilot reviews. Also, upon completion of a review, a standard report, which lists the accreditation deficiencies and makes a general statement of findings and recommendations, is filed by the Office of Accreditation and Administrative Services. Other than the pilot program reports, no formal record of school and district reviews is retained by the Accreditation Section, except for letters sent as a follow-up, discussing findings of deficiencies with DMP requirements. Neither the pilot program nor the on-site visits assess program quality. SDE staff state that such an assessment has no statutory base. The Office of General Education's Curriculum Development Section, whose report was recommended in 1980 as the

"model" for programmatic review, is not a participant in the pilot program.

The Ad Hoc Committee is considering the feasibility of the inclusion of comprehensive monitoring as a component in the accreditation process. No formal recommendations have been made by the Committee¹.

RECOMMENDATION

SDE SHOULD EXPAND THE REVIEWS OF DISTRICTS TO ALLOW FOR AN IN-DEPTH ASSESSMENT OF PROGRAM QUALITY, ALONG WITH AN INTEGRATED EXAMINATION OF COMPLIANCE TO STANDARDS. THIS TYPE OF PROGRAMMATIC ASSESSMENT, CONDUCTED ON A THREE TO FIVE YEAR CYCLE, COULD PROVIDE A COMPREHENSIVE EVALUATION OF DISTRICT PERFORMANCE AND PLANS, RESULTING IN A GUIDE FOR NEEDED TRAINING AND PROGRAM IMPROVEMENT.

Accreditation Classification

The purpose of accreditation classifications is to indicate the extent to which school districts and individual schools comply with the State standards prescribed in the Defined Minimum Program. The five classifications - all clear, advised, warned, probation and

¹The Ad Hoc Committee presented its recommendations to the State Board of Education after the Council completed its review. The Committee's report is found in Appendix G.

dropped - are poor indicators of the degree of compliance with State standards and of the quality of education. In 1980, the Audit Council found that, generally, the severity and number of deficiencies in meeting the standards do not determine the classification a school receives. Rather, the length of time a particular deficiency has existed determines the rating. Further, according to school principals and district superintendents, the ratings do not provide a true reflection of the quality of the local educational programs, or of the status of the district or school in meeting all requirements of the DMP. Accreditation personnel expressed the concern that the public and local school boards would assume "all clear" meant that a quality educational program was in place, when this is not necessarily the case. On the other hand, the system lacks ratings to designate the extent to which districts provide more than the minimum requirements.

Depending on program, point in time, pupils, and financial ability, the State's districts differ in how they utilize their resources. The classification system provides little indication of the progress a school or district is making in improving its programs and achieving its educational goals. The Council's review of accreditation classification systems in other states found three factors which promote the ability of ratings to indicate the status of educational programs. First, the purpose of accreditation is stated in positive terms. Second, there is recognition of the various components of accreditation, such as (1) compliance to laws, (2) progress in meeting district goals and objectives, and (3) student performance. Third, the system uses a scale which indicates the progress a school or district is making in improving educational programs.

The Ad Hoc Committee, appointed by the State Board of Education, has been directed to study other states' accreditation systems, but no formal recommendations have been made¹. Until the classification system is reworked, each school and district will not be evaluated in light of local policies and situations and will not gain a knowledge of the relative status of its programs in comparison to other district programs. Also, the long-range planning and programmatic review and improvement, mandated by the Education Finance Act (Section 59-20-60), will not be reinforced by and integrated with the accreditation process.

RECOMMENDATIONS

THE STATE BOARD OF EDUCATION SHOULD PURSUE A COMPLETE REVISION OF THE ACCREDITATION RATING SYSTEM, EMPHASIZING THE PURPOSE OF THE ACCREDITATION PROCESS, AND DEFINING THE RATINGS SO AS TO CLARIFY THE MEANING OF THE LEVELS OF ACCOMPLISHMENT, PROGRESS AND COMPLIANCE.

THE DEPARTMENT OF EDUCATION SHOULD DEVELOP WRITTEN POLICIES ON THE ACCREDITATION PROCESS TO BE FOLLOWED IN DETERMINING PRELIMINARY RATINGS AND ASSIGNING FINAL RATINGS. GUIDELINES FOR SDE STAFF AND

¹The Ad Hoc Committee presented its recommendations to the State Board after the Council completed its review. The Committee's report is found in Appendix G.

SCHOOL AND DISTRICT PERSONNEL SHOULD BE
PUBLISHED WHICH FURTHER EXPLAIN THE ACCREDI-
TATION PROCESS, PURPOSE, AND STANDARDS.

Defined Minimum Program

As presently designed and implemented, the Defined Minimum Program (DMP) does not encourage schools and districts to inquire into the status of the academic performance of their students, or to objectively evaluate the programs offered. In 1980 the Audit Council reported that, with the DMP, the State Board had attempted to define the resources necessary for the education process, but that the effective use of those resources in meeting individual students' needs was not fully addressed.

The DMP was developed to fulfill the State Board's legal responsibility of insuring "a system of public education which provides adequate opportunities to every student." The DMP sets the minimum educational standards for the public schools of the State, establishes accreditation criteria and serves as the basis for calculating the base student cost. Therefore, the Defined Minimum Program is a crucial component of South Carolina's educational system for both programmatic and fiscal matters.

The DMP standards focus largely upon requiring that certain types and amounts of resources be available. The standards infrequently address the use of those resources in upgrading the educational process and improving learning. Such broad topics as qualifications of personnel, curriculum description, and administrative organization are components of the standards. DMP standards include few measures of the success of educational programs and of individual skills learned.

Educational standards may be divided into two categories: procedural standards and performance standards. Procedural standards, which are input-related, constitute the main criteria by which SDE accredits schools and programs. Though it should be included as a part of the mandatory accreditation criteria, this type of standard should not comprise the majority of the basic principles and standards in the DMP.

This emphasis on resources can result in standards which are so specific on "quantities" that districts are hindered in focusing on students' needs. At the same time, the standards can be so vague on performance criteria that their importance is diminished. The current standards, for example, define rigid instructional time requirements for elementary and middle school students which make it difficult for districts to schedule instructional time based on student needs. Yet, the standards are vague when discussing the establishment of school and district goals and standards, for example:

Each school shall have a continuous evaluation program to determine how well it is meeting the needs of the individual pupil. Evaluation is an integral part of planning and developing experiences. Progress or lack of progress should always be appraised in terms of the goals sought.

Providing resources is the first step in setting minimum standards, but these standards are incomplete without guidelines and criteria for districts to use in evaluating the use of those resources. The current move toward "quality in education" focuses on the progress of the student. Guidelines set forth in the DMP can enable schools and districts to set goals, recognizing the differences among students and districts. Each student's progress can be measured against the proficiency held at the outset of the program. With performance standards, it is understood

that social and economic factors have an impact; however, progress for all types of students is highlighted as the primary responsibility of the educational system.

Both the Education Finance Act and the Basic Skills Assessment Act stress education based on student needs. The Basic Skills Act requires that standards be set for student performance and that instructional programs aid deficient students to improve performance (Section 59-30-30). However, it is the Defined Minimum Program which sets the overall tone of the State's education system. Therefore, the establishment of minimum standards, which stress both the effective use of resources and improvement of student performance, is a sound practice and should lead to an emphasis on quality education.

The Ad Hoc Committee appointed by the State Board of Education has been directed to study the Defined Minimum Program for recommending changes in the standards and procedures. The Committee is to look at other states' accreditation systems to identify accountability components that could be used with the current DMP and to consider the feasibility of including such components. No formal action has been taken by the Committee in this area thus far¹.

RECOMMENDATIONS

THE STATE BOARD OF EDUCATION SHOULD DEVELOP
AND/OR IMPROVE THE MINIMUM STANDARDS TO
PROVIDE THOSE WHICH ARE MORE CONSISTENT

¹The Ad Hoc Committee presented its recommendations to the State Board after the Council completed its review. The Committee's report is found in Appendix G.

WITH LEGISLATIVE, STATE BOARD AND LOCAL EDUCATION GOALS. THE STATE BOARD SHOULD CONSIDER THE FOLLOWING CRITERIA IN REVISING THE DEFINED MINIMUM PROGRAM:

- (1) REQUIREMENTS SHOULD FOCUS UPON STUDENT PERFORMANCE, AS WELL AS DEFINING THE RESOURCES WHICH SHOULD BE AVAILABLE. GUIDELINES FOR SETTING PERFORMANCE STANDARDS SHOULD ADDRESS THE USE OF RESOURCES IN MEETING INDIVIDUAL STUDENT NEEDS.
- (2) STANDARDS SHOULD INCORPORATE THE INTENT AND DIRECTIVES OF THE BASIC SKILLS ASSESSMENT ACT AND REQUIRE THE ESTABLISHMENT OF A STRUCTURE IN EACH SCHOOL SYSTEM FOR CONTINUALLY MONITORING STUDENT PERFORMANCE, REPORTING RESULTS, AND TAKING APPROPRIATE REMEDIAL ACTION.
- (3) STANDARDS SHOULD BE EXPRESSED IN TERMS WHICH ARE CLEAR AND MEASURABLE.
- (4) PROCEDURES FOR DEMONSTRATING COMPLIANCE WITH STANDARDS SHOULD BE SIMPLE AND REQUIRE A MINIMUM OF PAPERWORK.

Advisory Councils and School Reports

Introduction

Section 59-20-60 of the Education Finance Act requires that a school advisory council be established for every school by the school district board of trustees. Elected parents, teachers and students must comprise at least two-thirds of the council's membership. The school principal may appoint up to one-third of the members. Together, school officials and the advisory council are to prepare an annual report which outlines, at the minimum, programmatic needs, objectives, and strategies.

The school's annual report is submitted to the district board of trustees and a summary of the report is made available to all parents. The district board of trustees is to use the annual school reports for input into district-wide planning, budgeting and assessment of community needs and to prepare the district annual report submitted to SDE.

In 1980, the Audit Council recommended several measures to strengthen and improve the effectiveness of the system. Progress has been made toward improving the system and some of the recommended changes have been implemented. These changes and areas which can still be strengthened are outlined below.

Advisory Council Role Can Be Improved

In 1980 the Council found that the performance of the school advisory councils could be improved with training and the development of expanded guidelines for their operation. Since that time, the Legislature has taken steps to expand guidelines and SDE has provided training for advisory councils. However, there are still several measures

that should be taken by SDE to continue to improve the effectiveness of advisory councils.

No guidelines have been developed by SDE on the date by which advisory councils should be constituted or on uniform record-keeping practices. Currently, individual school boards decide when to constitute councils. Establishing a date by which the councils should begin work will facilitate the smooth, orderly conduct of council business and assure that councils have adequate time to provide input on school reports. Furthermore, uniform record-keeping guidelines would facilitate the continuity of report development from year to year as council membership changes. SDE guidelines suggest simply that minutes of meetings be kept. With expanded guidelines and additional training, the performance of school advisory councils should be improved.

The Office of Accreditation and Administrative Services has identified, as an objective, the implementation of programs to promote improved effectiveness of advisory councils. This is to be accomplished by working directly with principals, conducting training programs and providing other services for advisory council members upon the request of school districts or local school officials. SDE has begun working with local officials and will conduct regional meetings with principals and advisory council chairmen to present programs on improving advisory council effectiveness.

In addition, training that advisory council members receive from districts is now to be reviewed by SDE. The FY 82-83 Appropriation Act requires school districts to include in their annual report, a summary of training opportunities provided, or to be provided, to the school advisory council members and professional educators in regard to

council-related tasks. Adequate training for advisory council members should enhance the effectiveness of the councils.

RECOMMENDATION

SDE GUIDELINES FOR ADVISORY COUNCILS SHOULD
INCLUDE UNIFORM RECORD-KEEPING PRACTICES
AND THE DATE BY WHICH ADVISORY COUNCILS
SHOULD BE CONSTITUTED.

State Board of Education Staffing

During its review of the Education Finance Act in 1980, the Audit Council conducted a series of interviews with each member of the State Board of Education. In addition, the role of the Board and the intent of its authority were examined. Results of this review indicated that the Board needed a limited research and staff capability to fully implement the powers entrusted to it by law.

The Board has a wide range of responsibility and must deal with a broad spectrum of issues. For example, a recent State Board of Education meeting covered issues ranging from the cost of providing the Defined Minimum Program to the approval of school building projects and from budget reductions to regulations on the manner in which handicapped children are served.

Board members said that they must deal with a tremendous volume of information pertaining to education. However, while two-thirds of the Board explicitly stated that they did not feel the need for independent staff for the Board, most Board members admitted having difficulty in understanding one of the following: (1) the information provided by the State Department of Education prior to Board meetings, (2) the

budget document annually presented by the Superintendent for Board approval, or (3) the details of the Education Finance Act.

The Council recommended in its 1980 audit that the State Board should strongly consider the advantages of having independent staff capability. However, the State Board of Education has taken no action to employ independent staff to work for the Board. The dependence of the Board on SDE personnel for information can serve to obscure the distinction between the roles of the State Department of Education and the State Board of Education. Two independent research staff with fiscal and programmatic expertise should enhance the Board's capability to effectively exercise the powers, provided by Section 59-5-60, to adopt policies, rules, and minimum standards necessary to provide adequate educational opportunities:

	<u>FY 81-82 Estimated Salary</u>
(1) Programmatic analyst - to review programmatic information provided by the State Department and provide summaries to Board members, and to supply detailed information to individual Board members in the areas of educational evaluation and monitoring.	\$24,888
(2) Fiscal analyst - to review the financial and budgetary areas of State Department activity and provide periodical reports to the Board in these areas, as well as to research requests on the part of individual Board members relating to financial or budgetary matters.	21,991
(3) Clerical or secretarial - to handle the Board's correspondence and provide clerical assistance to the two analysts.	11,740
Subtotal	<u>\$58,619</u>
(4) Estimated Fringe Benefits	<u>9,830</u>
TOTAL STAFF ESTIMATE	<u>\$68,449</u>

RECOMMENDATION

THE COUNCIL RECOMMENDS THAT THE STATE BOARD OF EDUCATION STRONGLY CONSIDER THE ADVANTAGES OF HAVING AN INDEPENDENT STAFF CAPABILITY, IN ORDER TO MORE EFFECTIVELY EXERCISE THOSE POWERS PROVIDED BY SECTION 59-5-60. THE COST OF SUCH STAFF SHOULD BE TAKEN FROM EXISTING EDUCATION FUNDS WITHIN THE STATE DEPARTMENT OF EDUCATION. A MINIMUM OF TWO STAFF MEMBERS WITH FISCAL AND PROGRAMMATIC CAPABILITIES SHOULD BE ASSIGNED TO THE BOARD.

APPENDICES



Charlie G. Williams
State Superintendent of Education

STATE OF SOUTH CAROLINA

DEPARTMENT OF EDUCATION

COLUMBIA 29201

April 27, 1983

TO: Mr. George Schroeder, Director
Legislative Audit Council

FROM: Charlie G. Williams, State Superintendent of Education *C.G.W.*

SUBJECT: State Department of Education's Response to Legislative Audit
Council Report on the Education Finance Act

We commend the staff of the Legislative Audit Council on their ultimate conclusion that the Education Finance Act is working and is providing an equity in education that did not exist prior to the Act.

While it is obvious that the Finance Act is working well and carrying out the original intent of the General Assembly, it is also obvious that we should continue to refine and fine tune its operation. Improvements and refinements have taken place as a result of study during the initial years and other improvements are targeted as a result of studies either recently completed or nearing completion.

In our comments to the Audit Council's report, we have responded to recommendations based on the perception of the Council as to ways that the Education Finance Act could be improved. In some instances we have agreed with these perceptions but in others we have disagreed.

The following is our response to the Audit Council's recommendations and is based on the draft copy of the report made available to us for review in the Council's Conference Room on Monday, March 7, 1983 and minor changes revealed to us on April 5, 1983. Any subsequent changes that may be made in the report as a result of our discussions with staff or that may be made as a result of our reply could not be addressed in this response and thereby should not be construed as concurrence.

CHAPTER I Analysis of the EFA Funding

A. Hold Harmless Provision

The Legislative Audit Council recommends that the Hold Harmless provision in the Education Finance Act be repealed. If the Hold Harmless provision is not repealed, the Council proposes phasing out Hold Harmless by eliminating the inflation factor when calculating Hold Harmless districts' state allocations. Additionally, the Council reported the State Department of Education overpaid Hold Harmless districts in FY 1983.

The State Department of Education believes the finding presented by the Audit Council that the Department overpaid hold harmless districts is incorrect and based upon a misinterpretation of the effect of the 2.19 percent budget reduction. There was no overpayment and this fact is supported by the following:

1. The Council's report states that the Department should not have included the 2.19 percent budget reduction mandated by the Budget and Control Board for FY 1982 in the base for calculating FY 1983 allocations to hold harmless districts. The Council maintains that including the 2.19 percent reduction in the base resulted in overpaying \$247,618 to hold harmless districts in FY 1983.

The State Department of Education in consultation with the State Auditor, Mr. Edgar A. Vaughan, Jr., determined that the 2.19 percent reduction would have to be restored for calculating the allocations for FY 1983. There were three premises for the decision: (a) The 2.19 percent reduction by the Budget and Control Board was a temporary cut but would have been a permanent cut for the hold harmless districts if the Audit Council's position had been applied and would have been contrary to Legislative position for treatment of these reductions for state agencies or school districts for FY 1982. (b) The Council's position is based on the language in the Finance Act that states hold harmless funding shall be determined from the actual funds received in the prior year. It is our thesis that the action with respect to the appropriation for FY 1982 was not a permanent cut and therefore supersedes general law. (c) If the funds had not been treated in this manner, the hold harmless districts would not have been able to utilize the flexibility granted to them by the Budget and Control Board in its letter dated January 4, 1982, which stipulated that the school districts would have the option of taking the reduction in any program or programs they selected.

2. The Audit Council reported that the Department made a computation error in projecting the funding for hold harmless districts in fiscal year 1983 amounting to \$4,012. The projected allocations for the hold harmless districts were over estimated by the amount of \$4,012. The allocations for FY 1983 will be adjusted to reflect the correct amount. This adjustment will prevent any overpayments.

3. The Audit Council stated that the Department overpaid Orangeburg #6 by \$5,321 in fiscal year 1982. This overpayment was the result of an error in the computer programs for calculating hold harmless funding. This error has been corrected and the funds are being recouped by the State Department of Education.

Under the current provisions of the Education Finance Act our projections of the future hold harmless payments

reveal that a few districts will continue to receive hold harmless funds for an extended period of time. The State Department of Education concurs that consideration should be given by the Legislature for accelerating the phase-out of the hold harmless clause.

B. Teacher Incentive Provision

The Legislative Audit Council recommends that the Teacher Incentive Proviso be eliminated, and these funds included in the base foundation program. If the Teacher Incentive Proviso is not eliminated, the Council proposes a new method for the distribution of funds.

The State Department of Education believes there is insufficient data to support a recommendation for a change in the Teacher Incentive Proviso. While there are problems with the Proviso, it must be recognized that it was placed in the Finance Act as a compromise to assist districts in the transition from the prior categorical state aid system to the mechanism of the Finance Act. Under the categorical aid system there was a greater incentive to employ higher certified teachers than under the Proviso and many districts hired the higher certified staff members with the realization that their state aid would be increased. Therefore, the Teacher Incentive Proviso was implemented by the General Assembly to help these districts absorb the cost of the higher certified staff. To judge the Proviso simply in terms of its effects on financial equity is not consistent with the purpose of the Proviso.

In terms of the effectiveness of the Teacher Incentive Proviso in districts hiring the higher certified staff there are a couple of outside factors which need consideration. The districts have been in a tight budget situation in the last few years which have caused the districts to keep expenditures to a minimum. Hiring individuals on the lower end of the salary schedule is one means of lowering expenditures. Additionally, the funding level for the Teacher Incentive Proviso has not increased in relationship with the increases in the minimum salary schedule. Both of these factors have been working against the purpose of the Proviso.

The Department agrees a change in the Teacher Incentive Proviso should be considered but only after a more definitive study on the immediate and long range desire of the State of South Carolina to provide better trained and qualified teachers has been conducted.

C. Impact of the Finance Act

The Legislative Audit Council's analysis show that the Education Finance Act is providing funding more equitably for minimum educational programs to property poor and high need school districts.

The conclusion that the Legislative intent of the Finance Act is being accomplished is shared by the

Department in that the Act is guaranteeing to each student in the public schools of South Carolina the availability of at least minimum educational programs and services appropriate to the students needs.

Chapter II

District - Level Financial Information

A. Financial Reports to the Legislature

The Council states that financial information provided the Legislature on school district finances is unreliable. Additionally, the Council contends that the Department is not providing the reports required under the Education Finance Act to the Legislature.

The State Department of Education takes exception to the statement of the Council that the financial information submitted by the school districts is unreliable. Comparisons of the data submitted in the Annual Financial Reports with the audited financial reports have not revealed the major discrepancies indicated by the Legislative Audit Council. The apparent concern of the Audit Council appears to be the use of unaudited financial data versus audited financial data for reports to the General Assembly and Governor. The Department of Education has no bias if the reports are to be generated from the audited reports or the unaudited reports. The only reason unaudited data are included in the reports is to meet the reporting cycle requirements established by Legislation. It seems appropriate that the Legislature should consider the alternatives of timely data versus audited data.

The State Department of Education is currently developing a standard format for audit reports. The format will be completed prior to July 1, 1983. If the time difference between the submission date for the audit reports and the submission date of reports to the General Assembly can be reconciled by the Legislature, the school district's annual CPA audit can serve as the district's annual financial report thus eliminating the need for submitting unaudited data. This change in submission date should alleviate the concern of the Audit Council.

The Department also disagrees with the statements of the Council that the Department has not complied with the reporting provisions of the Finance Act. The Education Finance Act required the Department to institute massive changes in the financial reporting system to concur with the requirements of the Act. These changes have been made and the system provides all of the reports required by the EFA and they are included in the Superintendent's Annual Financial Report. The major difference of opinion is that the Audit Council apparently feels that the Department

should develop a separate report to the Governor and the General Assembly.

B. District Fiscal Accounting Practices

The Council recommends that the Department expand financial technical assistance to the schools and districts.

The State Department of Education is currently providing technical assistance to the LEA's in the area of fiscal management. With current State budget cutbacks it does not appear likely that these services can be expanded.

Chapter III

Review of the Weighting System

A. Base Student Cost

This section of the Council's report contained a recommendation that a cost impact study should be made prior to the enactment of any new education legislation.

The State Department of Education concurs with the Audit Council's recommendation in regards to impact studies being required before any legislation affecting public education is considered.

B. Handicapped and Vocational Education Weights

The Legislative Audit Council recommends an amended weighting system for the Handicapped and Vocational Categories.

The State Department of Education agrees that an updating of the current pupil weighting system is needed. Several reports in the past from different sources have indicated the need for changes. It is the Department's position that no changes be made in the system until the proposed Governor's Committee to Study the Education Finance Act has been appointed and has prepared its report. The study conducted for the Department by the College of Business Administration, University of South Carolina, and the South Carolina Administrators Association is a very definitive study and will provide the proposed Governor's Committee with a firm base for making its report.

C. Vocational Courses Questioned

The Legislative Audit Council recommends that the State Board of Education should no longer allow Consumer and Homemaking courses to qualify students for the 1.29 weight contained in the Finance Act for the Vocational program.

It is the Department of Education's position that no change be made in the Finance Act weightings until the study cited in Section B above has been completed.

Chapter IV

State Oversight of Education

In response to the December 16, 1980, Legislative Audit Council study on implementation of the Education Finance Act of 1977, the State Board of Education appointed an ad hoc committee of five Board members to study the accreditation system of South Carolina public schools. The Board also appointed a 30-member special task force representative of all the geographic areas of the state, as well as organizations that serve the educational interests of our state, to assist the ad hoc committee in the study. The task force was chaired by State Board of Education member Wilbur Smith and composed of representatives of the following groups: six district superintendents, one vocational director, two Senators, two House members, two from the School Boards Association, two from the Palmetto State Teachers Association, three from the Association of Elementary and Middle School Principals, two from the Secondary Principals Association, two from the Association of School Superintendents, one from the PTA, one from the Governor's Office, two from the Legislative Committee to Study Public Education, and one from the Citizens Coalition for South Carolina Public Schools. The State Board ad hoc committee and special task force reported their recommendations to the State Board of Education on March 9, 1983. The State Board of Education voted to approve the recommendations of this committee.

The 1983 Legislative Audit Council report included five recommendations which were made in their report of December 16, 1980. These five recommendations were studied by the State Board of Education ad hoc committee and special task force.

A. Basic Educational Data System.

The Legislative Audit Council recommends that "Assurances" be discontinued as a part of the BEDS monitoring system. A review of such requirements should be made during comprehensive on-site visits.

The State Department of Education disagrees with this recommendation. The State Board of Education's ad hoc committee reported that after consideration of the use of "Assurances" as a method for monitoring standards that are not quantifiable, the use of assurances as a part of the accreditation process should be continued.

B. On-Site Visits.

The Legislative Audit Council recommends that the State Department of Education expand the reviews of districts to allow for an indepth assessment of program quality, along with an integrated examination of compliance to standards. This type of programmatic assessment, conducted on a three- to five-year cycle could provide a comprehensive evaluation of district performance and plans, resulting in a guide for needed training and program improvement.

The State Department of Education disagrees with this recommendation. The present method of conducting a selected number of annual consolidated (comprehensive) audits in conjunction with on-site visits by accreditation supervisors provides a more comprehensive system of monitoring for compliance and quality than would infrequent three- to five-year comprehensive evaluations. Based on the study of the ad hoc committee, which reviewed accreditation data collected during the 1981-1982 school year, the man-hours required and the costs involved in conducting comprehensive audits, the State Board of Education accepted the recommendations of the committee to continue on-site comprehensive audits as part of the accreditation process.

C. Accreditation Classification

The Legislative Audit Council recommends that the State Board of Education should pursue a complete revision of the accreditation rating system, emphasizing the purpose of the accreditation process, and defining the ratings so as to clarify the meaning of the levels of accomplishment, progress, and compliance.

The Council further recommends that the Department of Education should develop written policies of the accreditation process to be followed in determining preliminary ratings and assigning final ratings. Guidelines for State Department of Education staff and school and district personnel should be published which further explain the accreditation process, purpose and standards.

The State Department of Education agrees with this recommendation and recognizes the need for changes in the present rating system during the next revision of the Defined Minimum Program. The DMP advisory committee will consider recommendations for changes in the present rating system. Written policies for State Department of Education staff and school and district personnel will be included in any changes made to the present rating system.

D. Defined Minimum Program

The Legislative Audit Council recommends that the State Board of Education develop and/or improve the minimum standards to provide those which are more consistent with legislative, State Board of Education, and local education goals. The State Board should consider the following criteria in revising the Defined Minimum Program:

- (1) Requirements should focus upon student performance, as well as defining the resources which should be available. Guidelines for setting performance standards should address the use of resources in meeting individual student needs.
- (2) Standards should incorporate the intent and directives of the Basic Skills Assessment Act and require the establishment of a structure in each school system for continually monitoring student performance reporting, results, and taking appropriate remedial action.
- (3) Standards should be expressed in terms which are clear and measurable.
- (4) Procedures for demonstrating compliance with standards should be simple and require a minimum of paperwork.

The State Department of Education is charged with the task of ensuring educational quality for each school district in keeping with the philosophy of the State Board of Education. The Department agrees with the emphasis placed on student performance as expressed in the Legislative Audit Council Report. However, the State Department of Education disagrees that the Defined Minimum Program be revised in a performance-based format. The State Board of Education task force studied the accreditation systems for the other 49 states and found no system more effective than South Carolina's system. The 1980 Legislative Audit Council Report made reference to the states of North Carolina and Texas incorporating accountability and student achievement components into their standards. The ad hoc committee found that North Carolina had discontinued its original plan of a three-tiered accreditation system because of the inordinate amount of paperwork. The Texas system was not found to be based upon performance standards.

The State Board of Education accepted the recommendation of the ad hoc committee that the results of the evaluation of the Effective Schools Pilot Program, being implemented in five South Carolina school districts during the 1982-83 school year, be used to determine whether the current accreditation procedure should be modified to include processes known to be related to effective schools.

The Defined Minimum Program revision committee will study and consider the statutory provisions of the Education Finance Act and the Basic Skills Assessment Program for the inclusion into the Defined Minimum Program. Philosophical and ambiguous statements in the Defined Minimum Program will be deleted.

E. Advisory Councils and School Reports

The Legislative Audit Council recommends that the State Department of Education's guidelines for advisory councils should include uniform record-keeping practices and the date by which advisory councils should be constituted.

The State Department of Education disagrees that guidelines for advisory councils should include uniform record-keeping practices. Such administrative procedures are more suitable to direction by local school districts where record-keeping procedures may be designed to meet local needs and capabilities.

The State Department of Education will recommend to the State Board of Education that an appropriate date for constituting school advisory councils be established.

F. State Board of Education

The Legislative Audit Council recommends that the State Board of Education consider the advantages of having an independent staff capability in order to more effectively exercise those powers provided by Section 59-5-60.

South Carolina has a unique system of an appointed seventeen-member State Board of Education required by State statute to carry out certain responsibilities and duties and an elected State Superintendent of Education who is the chief administrative officer of the public education system and also serves as the secretary and administrative officer for the State Board of Education. The State Superintendent organizes, staffs, and administers a State Department of Education to carry out the policies of the State Board of Education and duties of the agency. This system requires an interdependency and a close working relationship which does not support the concept of independent State Board of Education staff.

Currently the State Department of Education is providing positive and professional staff assistance to the Board. Each Committee of the Board has one or more assigned consultants to assist the Committee in providing data, information and other resources. This system is highly successful in providing advance study and input for board members to use in the decision-making process. With this positive and effective working relationship between State Department staff and State Board members, it would be a mistake to change the system that is working.

It would be appropriate for the General Assembly to consider increasing the State Board's appropriation. This would allow the Board to conduct its business at a level consistent with statewide responsibility.

APPENDIX B
EFFECTS OF THE PROPOSED METHOD OF TEACHER INCENTIVE
ALLOCATION ON DISTRICTS FOR FY 81-82

<u>District</u>	<u>Entitlement Per Higher Degree</u> <u>FY 81-82</u>		<u>Total Dollar Difference</u> <u>Between Current and</u> <u>Proposed Methods</u>	<u>Percentage Change</u> <u>In Incentive Funds</u>
	<u>Current</u>	<u>Proposed</u>		
Abbeville	\$288	\$619	\$ 26,738	53%
Aiken	431	594	62,172	27
Allendale	177	586	15,244	70
Anderson #1	770	611	(24,428)	(26)
Anderson #2	732	602	(12,648)	(22)
Anderson #3	402	552	6,215	27
Anderson #4	369	346	(1,400)	(7)
Anderson #5	526	536	(27,149)	(17)
Bamberg #1	736	685	(2,416)	(7)
Bamberg #2	846	668	(8,815)	(27)
Barnwell #19	26	693	11,793	96
Barnwell #29	408	586	3,869	30
Barnwell #45	483	602	5,476	20
Beaufort	340	363	5,171	6
Berkeley	516	578	27,529	11
Calhoun	349	272	(5,476)	(28)
Charleston	574	536	(38,740)	(7)
Cherokee	828	586	(73,970)	(41)
Chester	632	627	(761)	(1)
Chesterfield	-0-	627	63,781	100
Clarendon #1	-0-	635	11,558	100
Clarendon #2	364	660	14,657	45
Clarendon #3	129	718	10,074	82
Colleton	192	536	34,968	64
Darlington	429	561	35,524	24
Dillon #1	-0-	693	7,730	100
Dillon #2	62	685	36,781	91
Dillon #3	649	710	2,248	9
Dorchester #1	827	643	(8,286)	(29)
Dorchester #2	583	635	10,146	8

APPENDIX B (CONTINUED)

<u>District</u>	<u>Entitlement Per Higher Degree FY 81-82</u>		<u>Total Dollar Difference Between Current and Proposed Methods</u>	<u>Percentage Change In Incentive Funds</u>
	<u>Current</u>	<u>Proposed</u>		
Dorchester #3	\$-0-	\$506	\$ 7,235	100%
Edgefield	53	619	28,683	91
Fairfield	310	520	18,294	40
Florence #1	500	561	17,641	11
Florence #2	536	668	3,640	20
Florence #3	390	685	23,470	43
Florence #4	-0-	685	11,806	100
Florence #5	597	611	379	2
Georgetown	203	545	51,424	63
Greenville	641	520	(177,882)	(23)
Greenwood #50	562	594	6,342	5
Greenwood #51	460	602	3,725	24
Greenwood #52	599	487	(5,500)	(23)
Hampton #1	226	635	16,540	64
Hampton #2	-0-	676	3,944	100
Horry	373	495	46,689	25
Jasper	50	610	22,990	92
Kershaw	590	553	(7,489)	(7)
Lancaster	860	660	(64,356)	(30)
Laurens #55	552	627	8,817	12
Laurens #56	387	627	16,403	38
Lee	-0-	643	30,096	100
Lexington #1	726	644	(17,604)	(13)
Lexington #2	693	586	(30,796)	(18)
Lexington #3	381	627	10,848	39
Lexington #4	466	520	1,960	10
Lexington #5	772	569	(64,372)	(36)
McCormick	130	635	13,716	80
Marion #1	413	660	13,863	37
Marion #2	-0-	676	20,963	100
Marion #3	-0-	718	4,645	100

APPENDIX B (CONTINUED)

<u>District</u>	<u>Entitlement Per Higher Degree FY 81-82</u>		<u>Total Dollar Difference Between Current and Proposed Methods</u>	<u>Percentage Change In Incentive Funds</u>
	<u>Current</u>	<u>Proposed</u>		
Marion #4	\$-0-	\$725	\$ 2,219	100%
Marlboro	-0-	660	59,714	100
Newberry	364	594	24,710	39
Oconee	663	495	(48,746)	(34)
Orangeburg #1	-0-	701	12,276	100
Orangeburg #2	440	685	4,868	36
Orangeburg #3	36	635	27,442	94
Orangeburg #4	757	635	(5,635)	(19)
Orangeburg #5	785	569	(42,678)	(38)
Orangeburg #6	701	685	(433)	(2)
Orangeburg #7	325	693	5,454	53
Orangeburg #8	726	677	(806)	(7)
Pickens	684	569	(41,912)	(20)
Richland #1	635	495	(119,105)	(28)
Richland #2	812	594	(70,861)	(37)
Saluda	12	635	20,704	98
Spartanburg #1	711	619	(9,710)	(15)
Spartanburg #2	586	635	6,951	8
Spartanburg #3	548	470	(8,486)	(17)
Spartanburg #4	578	619	2,354	7
Spartanburg #5	500	561	5,308	11
Spartanburg #6	653	512	(34,248)	(28)
Spartanburg #7	735	553	(72,141)	(33)
Sumter #2	418	685	42,769	39
Sumter #17	706	619	(18,127)	(14)
Union	524	643	15,475	19
Williamsburg	-0-	668	68,285	100
York #1	859	644	(23,361)	(33)
York #2	763	611	(11,710)	(25)
York #3	782	586	(71,707)	(33)
York #4	870	611	(22,632)	(42)

APPENDIX C

A COMPARISON OF DISTRICT PROPERTY WEALTH, TAX EFFORT, LOCAL AND STATE REVENUES, SPECIAL EDUCATIONAL NEEDS AND PERSONAL INCOME FOR FY 79-80 AND FY 80-81

In order to compare district property wealth to educational revenues generated for each district, the Council ranked the State's 92 school districts by adjusted assessed property valuation per pupil and listed each district's local tax effort, local and State revenues per pupil, special educational needs for the handicapped and personal income of taxpayers. The Council used the State Tax Commission's adjusted property assessments for school years 1979-80 and 1980-81 divided by each district's 135 day average daily membership (ADM) to rank the districts.

The Council examined district tax efforts, which are important components in determining the fiscal capacity of the school districts to support education. The Council calculated a tax effort index by dividing the revenues raised locally for education (levies for current operations, delinquent taxes, other taxes and county equalization taxes) by each district's adjusted assessed property value. This index represents the tax burden that local taxpayers have chosen in order to raise local revenues for educational services. Thus, an index less than 1.00 shows that a district's tax effort is below its ability, according to wealth, and conversely, an index above 1.00 indicates a tax effort greater than the district's ability. The Council examined district tax efforts in relation to local and State revenues per pupil and found that local taxpayers have chosen to raise revenues above those required by EFA although with differing tax efforts. This index is for comparison purposes and does not reflect local effort required by the Education Finance Act.

The State Superintendent's annual reports for FY 79-80 and FY 80-81 served as the basis for local and State revenues for the districts. Corrections were made to the figures using CPA reports and were confirmed by letters to the districts. To obtain the local and State revenues per pupil, district revenues (excluding funds for debt services, adult education, summer school, building and construction, community services and fringe benefits) were divided by the districts' 135 day ADM. Where applicable, district revenues included a pro rata share of funds for the district's county board and area vocational centers.

To compare the distribution of State funds, based on pupil needs, to local property wealth, the Council calculated a measure of each district's educational needs for handicapped pupils. The special educational need index shows the ratio of districts' weighted pupil units to the total number of students enrolled. The larger the index, the greater the level of a district's special education needs in relation to the district's 135 day ADM. The Council found that both the lowest

and highest per pupil property wealth districts have high special pupil needs, but differ substantially in local tax effort.

The Council also compared the personal income per pupil of taxpayers in relation to each district's property wealth per pupil. This comparison has not been made since 1972. With district personal income data unavailable, the Council calculated the total personal income of each district by using the South Carolina Tax Commission's adjusted gross income data from 1979 and 1980 State tax returns, reported by zip codes. Because the income data was grouped, the number of tax returns in each group was multiplied by the group's median income. The Council used the "Directory of South Carolina Schools" and the "Zip Code Directory" to group the zip codes by school district. Income information from zip codes in two or more districts was pro rated according to the number of school buildings in the respective school districts. Each district's total personal income was divided by the district's 135 day ADM.

Spearman's Correlation Coefficient measured the relationship between property wealth and personal income. For FY 79-80 and FY 80-81, the correlation was .59 and .57, respectively, indicating that personal income of the districts was moderately related to property wealth. Since these two factors are generally viewed as affecting the taxes which can be levied within a district, the parallel relationship indicates property wealth, as measured by the index of taxpaying ability, is an adequate measure of a district's ability to support education.

APPENDIX C (CONTINUED)

FY 79-80

In Rank Order, Low to High, by Property Wealth Per Pupil

Districts	Property Valuation Per Pupil	Tax Effort Index	Local Revenues Per Pupil	State Revenues Per Pupil	Special Educational Need Index	Personal Income Per Pupil
Marion 4	\$ 2,064	1.31	\$ 440	\$ 775	1.43	\$13,417
Dillon 3	2,113	1.14	391	727	1.17	11,077
Clarendon 3	2,246	.81	232	734	1.29	12,238
Marion 3	2,280	1.25	340	756	1.17	3,438
Sumter 2	2,300	.71	273	716	1.14	15,457
Bamberg 1	2,327	.87	305	753	1.18	13,758
Orangeburg 7	2,356	.91	319	751	1.26	22,128
Florence 4	2,438	.67	231	754	1.24	22,252
Dillon 1	2,456	1.02	437	753	1.20	11,040
Orangeburg 1	2,500	1.03	419	789	1.29	17,707
Orangeburg 6	2,508	.92	290	751	1.11	15,252
Hampton 2	2,530	.89	295	728	1.21	12,494
Orangeburg 2	2,599	1.25	515	769	1.28	11,176
Florence 3	2,615	.64	276	740	1.19	16,513
Lancaster	2,661	1.18	444	740	1.24	23,427
Bamberg 2	2,727	.78	327	753	1.34	15,214
Dillon 2	2,774	.85	386	664	1.15	13,115
Barnwell 19	2,812	1.07	482	713	1.19	12,565
Orangeburg 8	2,822	1.27	570	724	1.15	15,577
Lee	2,994	.53	248	753	1.34	14,406
Dorchester 2	3,007	.68	384	621	1.12	19,703
Williamsburg	3,046	.51	245	694	1.19	12,188
Clarendon 2	3,059	.54	284	703	1.16	16,908
Orangeburg 3	3,091	.78	341	706	1.14	10,253
Florence 2	3,159	.74	402	773	1.27	13,742
Spartanburg 2	3,203	1.41	645	652	1.16	20,706
Dorchester 1	3,237	.75	340	692	1.19	17,496
Allendale	3,254	.84	398	704	1.19	13,733
Marion 2	3,256	.96	456	719	1.10	18,292
Orangeburg 4	3,282	.87	477	784	1.18	10,455
York 2	3,343	1.31	579	722	1.22	26,058
Hampton 1	3,356	.74	385	654	1.12	19,903
Lexington 4	3,370	.97	623	671	1.21	25,064
Union	3,407	.71	438	711	1.20	22,359
York 1	3,469	1.30	572	778	1.20	21,810
Marlboro	3,485	.59	305	682	1.12	13,233
York 4	3,491	1.07	547	681	1.16	19,330
Spartanburg 1	3,500	1.27	560	733	1.23	26,110
Chesterfield	3,510	.84	434	666	1.12	17,559
Clarendon 1	3,525	.54	228	688	1.16	7,236
Abbeville	3,641	.90	552	700	1.23	20,437
Laurens 55	3,643	.71	397	717	1.17	23,239
McCormick	3,648	.52	270	695	1.17	14,480
Lexington 1	3,650	.93	641	639	1.21	21,919
Sumter 17	3,651	.77	409	719	1.23	19,470
Fairfield	3,689	.89	433	718	1.27	15,969

APPENDIX C (CONTINUED)

FY 79-80

Districts	Property Valuation Per Pupil	Tax Effort Index	Local Revenues Per Pupil	State Revenues Per Pupil	Special Educational Need Index	Personal Income Per Pupil
Edgefield	\$ 3,718	.63	\$ 408	\$ 685	1.27	\$23,605
Spartanburg 4	3,757	1.09	622	643	1.16	25,043
Chester	3,761	.86	392	718	1.22	22,286
Jasper	3,773	.71	351	661	1.16	13,102
Marion 1	3,870	.89	494	769	1.23	19,182
Laurens 56	3,883	.74	394	657	1.16	23,832
Anderson 1	3,889	.50	490	737	1.26	25,687
Lexington 3	3,917	.79	422	674	1.20	30,004
Saluda	3,970	.59	342	676	1.24	14,345
Anderson 2	4,022	.68	468	707	1.17	26,785
Florence 5	4,035	.70	381	706	1.20	16,308
Greenwood 50	4,072	.96	667	665	1.16	27,506
Berkeley	4,170	.66	369	619	1.12	15,083
Barnwell 45	4,194	.94	578	680	1.25	18,712
Barnwell 29	4,212	1.07	648	684	1.27	22,338
Greenwood 51	4,244	1.10	626	687	1.22	20,149
Newberry	4,244	.55	392	652	1.20	24,258
York 3	4,247	1.02	526	658	1.11	25,421
Richland 2	4,290	1.15	705	683	1.18	24,225
Lexington 5	4,326	1.35	827	602	1.12	21,692
Lexington 2	4,450	1.13	706	662	1.15	28,765
Aiken	4,484	.61	430	661	1.19	25,295
Cherokee	4,576	.90	548	665	1.20	20,945
Florence 1	4,621	.65	499	639	1.16	23,952
Spartanburg 5	4,637	.96	687	639	1.14	20,387
Orangeburg 5	4,655	.98	572	680	1.16	26,089
Charleston	4,842	.75	505	673	1.18	27,406
Colleton	5,047	.75	406	651	1.19	16,913
Spartanburg 6	5,048	1.03	809	617	1.15	24,513
Anderson 5	5,084	.84	558	657	1.17	30,581
Pickens	5,096	.60	378	655	1.18	28,261
Spartanburg 7	5,116	1.42	910	684	1.27	27,916
Darlington	5,217	.73	560	638	1.19	19,485
Georgetown	5,372	.67	419	606	1.17	19,936
Anderson 3	5,431	.55	426	614	1.21	16,670
Kershaw	5,522	.75	602	685	1.24	24,857
Greenville	5,676	.79	572	659	1.25	32,312
Oconee	6,327	.76	638	658	1.20	22,615
Dorchester 3	6,399	.60	479	609	1.25	26,311
Richland 1	6,456	1.05	801	660	1.17	33,932
Horry	7,125	.53	531	596	1.21	19,637
Spartanburg 3	7,846	1.08	1,118	583	1.23	32,396
Greenwood 52	7,929	.76	797	650	1.21	18,534
Anderson 4	8,504	.64	848	548	1.17	18,502
Beaufort	9,100	.59	694	618	1.18	25,091
Calhoun	15,155	.45	801	642	1.33	16,791
State Average	\$ 4,113	.86	\$ 489	\$ 689	1.19	\$19,865

APPENDIX C (CONTINUED)

FY 80-81

In Rank Order, Low to High, by Property Wealth Per Pupil

<u>Districts</u>	<u>Property Valuation Per Pupil</u>	<u>Tax Effort Index</u>	<u>Local Revenues Per Pupil</u>	<u>State Revenues Per Pupil</u>	<u>Special Educational Need Index</u>	<u>Personal Income Per Pupil</u>
Clarendon 3	\$ 2,087	.86	\$ 317	\$ 896	1.27	\$18,334
Marion 4	2,180	1.27	427	882	1.24	14,486
Marion 3	2,258	1.11	373	967	1.16	4,825
Dillon 3	2,425	.92	355	884	1.15	14,604
Sumter 2	2,642	.66	307	838	1.13	16,972
Florence 4	2,653	.69	272	884	1.25	23,751
Orangeburg 1	2,665	.92	439	908	1.49	18,482
Dillon 1	2,674	.77	377	881	1.16	14,109
Bamberg 1	2,685	.84	329	878	1.19	14,655
Orangeburg 7	2,756	.82	318	974	1.32	26,019
Florence 3	2,867	.72	350	863	1.21	18,205
Barnwell 19	2,870	1.14	518	855	1.21	13,357
Orangeburg 6	2,880	.94	322	1,006	1.53	17,160
Hampton 2	2,961	.84	371	877	1.19	13,080
Dillon 2	2,997	.70	328	836	1.15	14,604
Marion 2	3,015	.96	518	798	1.09	19,963
Marlboro	3,064	.69	320	830	1.04	14,812
Orangeburg 2	3,174	1.05	467	922	1.28	12,607
Orangeburg 8	3,188	1.61	744	843	1.18	17,048
Lancaster	3,201	.95	377	860	1.22	26,371
Florence 2	3,256	.81	567	878	1.23	14,846
Lexington 1	3,295	1.03	625	764	1.21	24,582
Williamsburg	3,341	.59	307	845	1.18	13,212
Bamberg 2	3,366	.76	364	898	1.39	16,467
Clarendon 2	3,421	.60	395	823	1.20	18,334
Allendale	3,501	.81	404	836	1.18	14,446
Orangeburg 4	3,512	.83	481	863	1.17	11,789
Dorchester 2	3,567	.67	390	771	1.12	22,234
Hampton 1	3,593	.77	443	753	1.06	20,813
Spartanburg 2	3,616	1.15	768	778	1.13	23,083
Marion 1	3,622	1.04	599	814	1.22	20,338
Lee	3,700	.52	296	886	1.31	16,199
Union	3,703	.70	458	830	1.19	24,001
Dorchester 1	3,717	.81	419	824	1.21	20,144
Orangeburg 3	3,823	.69	375	827	1.16	11,364
York 1	3,844	1.27	608	894	1.33	23,862
Lexington 3	3,855	.86	456	795	1.22	32,834
Laurens 55	3,876	.78	456	774	1.16	25,309
McCormick	3,886	.58	318	818	1.16	16,494
Chesterfield	3,906	.83	463	782	1.13	19,283
York 4	3,939	1.15	621	810	1.15	23,075
Chester	3,960	.89	429	810	1.20	23,010
York 2	3,995	1.17	787	987	1.20	29,937
Spartanburg 1	4,006	1.10	783	829	1.18	30,455
Abbeville	4,035	.89	598	813	1.23	22,135
Sumter 17	4,116	.75	420	813	1.22	21,417
Laurens 56	4,124	.77	475	760	1.28	26,152

APPENDIX C (CONTINUED)

FY 80-81

Districts	Property Valuation Per Pupil	Tax Effort Index	Local Revenues Per Pupil	State Revenues Per Pupil	Special Educational Need Index	Personal Income Per Pupil
Anderson 1	\$ 4,141	.61	\$ 589	\$ 873	1.23	\$27,733
Spartanburg 4	4,214	1.06	681	763	1.15	28,311
Edgefield	4,284	.63	484	790	1.30	25,873
Clarendon 1	4,302	.45	281	826	1.26	8,147
Saluda	4,307	.58	344	747	1.26	15,592
Jasper	4,406	.86	494	779	1.16	14,924
York 3	4,409	1.06	562	755	1.12	28,502
Richland 2	4,475	1.22	756	788	1.17	27,144
Anderson 2	4,527	.77	585	804	1.19	29,614
Barnwell 45	4,532	1.02	634	780	1.24	20,318
Florence 5	4,534	.76	452	818	1.15	17,469
Greenwood 50	4,611	.86	697	759	1.16	31,284
Greenwood 51	4,666	1.02	686	786	1.22	22,953
Barnwell 29	4,739	1.10	707	808	1.27	24,606
Newberry	4,742	.56	460	766	1.17	27,367
Lexington 2	4,774	1.08	783	762	1.16	32,423
Lexington 5	4,800	1.27	912	697	1.12	24,198
Aiken	4,949	.68	483	760	1.19	28,710
Orangeburg 5	5,054	.94	669	771	1.15	29,420
Cherokee	5,078	.85	610	761	1.20	22,415
Spartanburg 5	5,197	.94	739	727	1.15	22,723
Lexington 4	5,262	1.16	829	764	1.20	27,901
Florence 1	5,266	.64	505	729	1.17	26,532
Pickens	5,444	.64	386	819	1.17	31,764
Berkeley	5,457	.58	435	686	1.14	17,173
Darlington	5,492	.76	612	726	1.19	21,087
Anderson 3	5,577	.66	519	689	1.12	17,975
Kershaw	5,700	.80	674	767	1.23	27,257
Spartanburg 7	5,701	1.45	1,052	780	1.26	31,719
Charleston	5,841	.72	596	759	1.18	32,097
Georgetown	5,879	.71	481	690	1.17	22,494
Colleton	5,884	.67	433	736	1.20	18,511
Anderson 5	5,996	.76	591	743	1.17	33,857
Spartanburg 6	6,314	.96	888	678	1.13	28,241
Greenville	6,358	.71	632	733	1.24	36,500
Fairfield	6,938	.60	533	798	1.23	17,509
Oconee	6,974	.84	811	715	1.21	25,642
Richland 1	6,978	1.06	873	737	1.17	38,970
Dorchester 3	7,086	.71	602	750	1.24	29,879
Horry	7,203	.68	658	653	1.19	22,416
Spartanburg 3	7,894	1.24	1,252	646	1.23	35,180
Greenwood 52	8,187	.79	870	709	1.24	20,712
Beaufort	9,934	1.10	805	650	1.19	28,291
Anderson 4	10,251	.63	975	595	1.18	21,439
Calhoun	15,258	.60	1,150	715	1.31	19,273
State Average	\$ 4,559	.85	\$ 551	\$ 799	1.20	\$22,189

APPENDIX D
STUDY OF THE COST OF THE DEFINED MINIMUM PROGRAM
FOR FY 80-81 - METHODOLOGY

School Level Costs

Teachers	Twenty-six elementary students (including handicapped served in resource rooms) to one teacher
Other School Personnel	As required by the DMP, prorated to include only elementary students
Substitute Teachers	Districts' actual expenditures, prorated same as above
Instructional Supplies	Districts' actual expenditures, prorated same as above
Library Volumes and Audio-visual Materials	Districts' actual expenditures prorated same as above
Support Cost for Elementary Program	Districts' actual expenditures prorated same as above
Rentals	
Travel	
Printing & Binding	
Remedial Aid	Districts' actual expenditures prorated same as above

District Level Costs

District Personnel	DMP minimum requirement and districts staff to pupil ratios, as indicated by district practice
Support Cost for Central Office	Districts' actual expenditures divided by weighted pupil units ¹
Management Services	
Rentals	
Travel	
Advertising	
Printing & Binding	
Supplies	
Equipment	
Dues and Fees	
Insurance and Judgements	
In-service Training	Districts' actual expenditures divided by weighted pupil units ¹

APPENDIX D (CONTINUED)

Statistics and Data Processing	Districts' actual expenditures divided by weighted pupil units ¹
Maintenance and Operations	Districts' actual expenditures divided by weighted pupil units ¹
Regular Salaries	
Temporary Salaries	
Overtime Salaries	
Group Health & Life Ins.	
Employee Retirement	
Social Security	
Unemployment Compensation Tax	
Other Employee Benefits	
Public Utilities	
Cleaning	
Repairs and Maintenance	
Property Insurance	
Rentals	
Other Property Services	
Travel	
Communication	
Printing & Binding	
Supplies	
Equipment	
Vehicles	
Dues and Fees	
Insurance Judgments	
Board of Trustees	Districts' actual expenditures divided by weighted pupil units ¹
Legal and Audit Fees	
School Visitation	
Annual Reports	
Policy Manuals	
Insurance on Vehicles	
School Board Meetings	
Liability Insurance for Board Members	
Advertising for Bond Sales, Personnel Recruitment, etc.	
Board of Elections	

¹ District level costs are divided by weighted pupil units so these costs are not included again when pupils are weighted for services other than the elementary program (base student).

APPENDIX E

WEIGHT RECOMMENDATION FOR HANDICAPPED PROGRAM WEIGHTS

ADD-ON WEIGHT FOR RESOURCE ROOM I

- Expected teacher-student contact time would be from five to nine hours weekly per student with one hour per day being the minimum service provided.
- Teacher case load averages 24 students.
- Delivery model - a teacher could hold skill building classes five days a week in one or more schools. Students, who normally attend the class one period a day, would be grouped in classes of five or more.

-	Cost estimates -	direct salary	\$14,536
		indirect support	2,907
		supplies	<u>600</u>
			\$18,043

Then: $\$18,043 \div 24 = \751.79

Then: $\$751.79 \div \$941.75^* = .798$

.8 Weight

Homebound students and visually impaired students served by itinerant model would be funded under this delivery model.

*1981-82 Base Student Cost.

APPENDIX E (CONTINUED)

WEIGHT RECOMMENDATION FOR HANDICAPPED PROGRAM WEIGHTS

ADD-ON WEIGHT FOR RESOURCE ROOM II

- Expected teacher-student contact time would be from 10 to 15 hours weekly per student, with 2 to 2½ hours per day being the predominant service schedule.
- Teacher case load averages 18 students.
- Delivery model - a teacher meets one class of eight or nine students in the morning and a similar size class each afternoon (a larger size class and an aide could also be used). Note that while the milder handicapped students in Resource Room I programs meet in groups of five students for one hour, these more seriously handicapped students, while in groups of eight or nine, would be available for longer time blocks where an entire integrated language arts block could be organized.
- Cost estimates -

direct salary	\$14,536
indirect support	2,907
supplies	<u>1,170</u>
	\$18,613

Then: $\$18,613 \div 18 = \$1,034.05$

Then: $\$1,034.05 \div \$941.75^* = 1.098$

1.1 Weight

*1981-82 Base Student Cost

APPENDIX E (CONTINUED)

WEIGHT RECOMMENDATION FOR HANDICAPPED PROGRAM WEIGHTS

FULL WEIGHT HIGH SERVICE LEVEL I

- Expected teacher-student contact time would be from 20 to 30 hours weekly per student. These programs are for students who could only occasionally be mainstreamed, for example one hour per day for vocational education.
- Teacher case load averages ten students.
- Delivery model - this is basically a self contained classroom. Additional students to cover the cost of an aide is a possibility.
- Cost estimates -

direct salary	\$14,536
indirect support	2,907
supplies	<u>1,400</u>
	\$18,843

Then: $\$18,843 \div 10 = \$1,884.30$

Then: $\$1,884.30 \div \$941.75^* = 2.0$

2.0 Weight

*1981-82 Base Student Cost.

APPENDIX E (CONTINUED)

WEIGHT RECOMMENDATION FOR HANDICAPPED PROGRAM WEIGHTS

FULL WEIGHT HIGH SERVICE LEVEL II

- Expected teacher-student contact time is full time or 30 hours per week, except when related services are required.
- Teacher case load averages eight students.
- Delivery model - totally a self-contained classroom or where numbers permit, in the case of deaf or blind, a sharing of specialists is possible. An aide is generally needed. Much of the instruction or care is on a periodic one-to-one basis.
- Cost estimates -

direct teacher's salary	\$14,536
indirect support	2,907
direct aide's salary	8,635
supplies & equipment	<u>4,000</u>
	\$30,078

Then: $\$30,078 \div 8 = \$3,759.75$

Then: $\$3,759.75 \div \$941.75^* = 3.99$

4.0 Weight

*1981-82 Base Student Cost.

APPENDIX E (CONTINUED)

WEIGHT RECOMMENDATION FOR HANDICAPPED PROGRAM WEIGHTS

ADD-ON WEIGHT FOR SPEECH

- Expected teacher-student contact time should be from one-half to four hours weekly with a one hour average per student.
- Teacher case load averages 64 students per week.
- Delivery model - a teacher could serve students in approximately 20 class meetings weekly of two to four students each.
- Cost estimates -

direct salary	\$14,536
indirect support	2,907
supplies	<u>640</u>
	\$18,083

Then: $\$18,083 \div 64 = \282.55

Then: $\$282.55 \div \$941.75^* = .30$

.30 Weight

*1981-82 Base Student Cost.

APPENDIX E (CONTINUED)

WEIGHT RECOMMENDATION FOR HANDICAPPED PROGRAM WEIGHTS

ADD-ON WEIGHT FOR ITINERANT (BLIND)

- Expected teacher-student contact time would be five hours weekly per student for students who meet the criteria provided in Section 43-25-20^a. (Visually impaired students served by itinerant model are funded as Resource Room I students.)
- Teacher caseload averages ten students.
- Delivery model - Specialized instructional materials and/or equipment are delivered within the framework of a regular education setting.
- Cost estimates -

direct salary	\$14,536
indirect suport	<u>2,907</u>
	\$17,443

Then: $\$17,443 \div 10 = \$1,744$

Then: $\$1,744 \div \$941.75^* = 1.8$

1.8 Weight

^aIn 1981-82, 250 students met this criteria.

*1981-82 Base Student Cost.

APPENDIX F (CONTINUED)

Group B

- Service and teacher load the same as for Group A.
- Materials cost for the programs is \$69 per pupil.

	<u>Level I</u>	<u>Levels II and III</u>
Teacher and support	\$17,443	\$17,443
Supplies and materials	<u>2,070</u>	<u>1,380</u>
	\$19,513	\$18,823
	$\$19,513 \div 30 = \650.43	$\$18,823 \div 20 = \941.15
	$\$650.43 \div \$941.75^a = .69$	$\$941.15 \div \$941.75^a = .999$
Vocational program	.69	1.00
High School program	<u>.63</u>	<u>.63</u>
	<u>1.32</u>	<u>1.63</u>
	Weights	

Group C

- Service and teacher load the same as for Group A.
- Materials cost for the programs is \$89 per pupil.

	<u>Level I</u>	<u>Levels II and III</u>
Teacher and support	\$17,443	\$17,443
Supplies and materials	<u>2,670</u>	<u>1,780</u>
	\$20,113	\$19,223
	$\$20,113 \div 30 = \670.43	$\$19,223 \div 20 = \961.15
	$\$670.43 \div \$941.75^a = .71$	$\$961.15 \div \$941.75^a = 1.02$
Vocation program	.71	1.02
High School program	<u>.63</u>	<u>.63</u>
	<u>1.34</u>	<u>1.65</u>
	Weights	

^a1981-82 Base Student Cost.

APPENDIX F (CONTINUED)

Group D

- Most service is a one-period class, but some two- and three-period classes are offered.
- Teacher load will vary from 30 to 75 pupils; the average class size is 15 for all class levels.
- Materials cost for the programs is \$26 per pupil.

	<u>One-Period Class</u>	<u>Two-Period Class</u>
Teacher and support	\$17,443	\$17,443
Supplies and materials	<u>1,950</u>	<u>1,170</u>
	\$19,393	\$18,613
	$\$19,393 \div 75 = \258.57	$\$18,613 \div 45 = \413.62
	$\$258.57 \div \$941.75^a = .27$	$\$413.62 \div \$941.75^a = .44$
Vocational program	.27	.44
High School program	<u>1.04</u>	<u>.83</u>
	<u>1.31</u>	<u>1.27</u>
	<u>Three-Period Class</u>	
Teacher and Support	\$17,443	
Supplies and Materials	<u>780</u>	
	\$18,223	
	$\$18,223 \div 30 = \607.43	
	$\$607.43 \div \$941.75^a = .65$	
Vocational program	.65	
High School program	<u>.63</u>	
	<u>1.28</u>	
	<u>Weight Assigned 1.30</u>	

^a1981-82 Base Student Cost.

APPENDIX G

March 9, 1983

TO: State Board of Education

FROM: Wilbur G. Smith, Jr., Chairman
Ad Hoc Committee

SUBJECT: Report and Recommendation of the Ad Hoc Committee
Appointed to Study the Accreditation System of South
Carolina Public Schools

In 1981, Mr. Robert E. Livingston, Chairman, State Board of Education, appointed an ad hoc committee of five State Board of Education members to study the accreditation system of South Carolina public schools.

Mr. Livingston also appointed a thirty-member special task force representative of all geographic areas of the state, as well as organizations that serve the educational interest of our state, to assist the ad hoc committee in the study.

The ad hoc committee and special task force met first on November 18, 1981, and the special task force was divided into three subcommittees to study various areas of the accreditation system.

Subcommittee I

This subcommittee studied existing accreditation standards and accreditation procedures for the purpose of recommending appropriate changes. Additionally, the subcommittee studied the use of "assurances" as part of the accreditation process.

Findings and Recommendations

Subcommittee I recommends that (1) philosophical and ambiguous statements in the current Defined Minimum Program for South Carolina School Districts be deleted (attachment I)¹, (2) statutory provisions of the South Carolina Education Finance Act of 1977 and Basic Skills Assessment Program be included in the next revision of the Defined Minimum Program for South Carolina School Districts, but are not included in this report, (3) after consideration of the use of assurances as a method for monitoring standards that are not quantifiable, the subcommittee concluded that use of assurances as a part of the

¹The Appendix does not include Attachments I and II referred to in this report.

accreditation process should be continued, (4) Recommendations for additions and revisions to the Defined Minimum Program are shown (attachment II)¹.

On February 8, 1983, the State Board of Education ad hoc committee met and studied revisions recommended by the ad hoc committee appointed to study the accreditation system of South Carolina public schools. Attachments I and II describe the recommended deletions, additions, and revisions to the Defined Minimum Program for South Carolina School Districts and recommend that the State Board of Education adopt these revisions as shown in Attachments I and II¹. In order to initiate this action and comply with the permanent promulgation provisions of Act 176 of 1977, as amended, the following motion is presented to the State Board of Education for consideration.

Motion of Intent to Promulgate Regulations (Amend)

The State Board of Education, by authority of Section 59-5-60(3) of the 1976 South Carolina Code of Laws, hereby announces its intent to promulgate on April 13, 1983, amendments to existing regulations relative to the Defined Minimum Program for South Carolina School Districts in accordance with the 1977 Acts and Joint Resolutions of the South Carolina General Assembly, as amended.

Recommendations from Subcommittees II and III do not require State Board of Education action, but the findings appear to be worthy of further study and consideration by State Department of Education staff.

Subcommittee II

Subcommittee II studied other accreditation systems for the specific purpose of identifying additional accountability components that may be used with the current standards and procedures for accreditation purposes. The feasibility of the inclusion of performance standards and annual school and district reports as components of the accreditation system were examined.

Findings and Recommendations

Subcommittee II reviewed the accreditation systems in operation throughout the United States and each member received a document that summarized the various accreditation systems. The performance standards being used in Texas, North Carolina, New Jersey, and Georgia were reviewed. Dr. Harold Patterson contacted state department personnel and superintendents in North Carolina and Tennessee regarding their systems

¹The Appendix does not include Attachments I and II referred to in this report.

of accreditation. The subcommittee discussed the accreditation systems in operation in North Carolina, Connecticut, Tennessee, and Texas. Dr. Patterson reported that North Carolina has discontinued its original plan of a three-tiered accreditation system because of the inordinate amount of paperwork. The Tennessee accreditation system appears to be virtually nonexistent. The Texas accreditation system is not based upon performance standards.

A report was presented on research in the area of school effectiveness. The literature on factors that contribute to effective schools and the report of the Legislative Audit Council relative to the accreditation system in South Carolina were reviewed.

A subcommittee within Subcommittee II was appointed by Chairman Patterson to study and make recommendations as to possible alternatives to the current accreditation system. After receiving the report and recommendations relative to possible alternatives to the accreditation system, Subcommittee II voted to go on record that it has not been able to find an accreditation system in operation in other states that was more effective than the present system in South Carolina. However, the subcommittee recommends that the results of the evaluation of the effective schools pilot programs in which the State Department of Education is providing technical assistance to five school districts during 1982-83 and 1983-84 be used to determine whether or not current accreditation procedure should be modified to include processes known to be related to effective schools.

Subcommittee III

Subcommittee III studied (1) guidelines used by local school districts in carrying out advisory council recommendations; (2) the accuracy and validity of the Basic Educational Data System (BEDS) as it relates to the accreditation process; and (3) the feasibility of the inclusion of comprehensive on-site monitoring as a component in the accreditation system.

Findings and Recommendations

This subcommittee reviewed accreditation information collected through the Basic Educational Data System for the 1981-82 school year. In addition, information was collected and a study was conducted on the number of hours required for implementing a system of comprehensive on-site monitoring as a component of the accreditation process.

Subcommittee III recommends that a consolidated on-site monitoring system be considered for implementation by the offices of the State Department of Education that have monitoring responsibilities. The monitoring should be coordinated to allow these offices to perform the monitoring visits during specified periods of time mutually determined by the State Department of Education and the local school district officials. These audits will allow for the verification of information collected through the Basic Educational Data System and a method for monitoring compliance with the Advisory Council provisions of the South Carolina Education Finance Act of 1977.

