

South Carolina

by Jay F. May

Summary and Highlights

This snapshot analyzes the revenue sources and funding equity of district public schools and charter schools in South Carolina and in particular, Greenville for FY 2006-07 (Figure 1).¹

In the following figures, the statewide values show

how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district per pupil revenue varies between districts. The weighted values estimate how much more or less per pupil funding charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

Figure 1: District and Charter School Revenues and Enrollments

South Carolina (2006-07)	Statewide		Statewide Weighted for Charter Enrollment		Greenville	
Per pupil Revenue*						
District	\$10,165		\$10,104		\$9,332	
Charter	est. \$8,396		est. \$8,396		\$7,465	
Difference	<i>est. (\$1,769)</i> <i>est. (17.4%)</i>		<i>est. (\$1,708)</i> <i>est. (16.9%)</i>		<i>(\$1,867)</i> <i>(20.0%)</i>	
Per pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	\$1,014	N/A	\$998	N/A	\$796	\$919
State	\$4,295	N/A	\$4,279	N/A	\$4,078	\$6,025
Local	\$3,923	N/A	\$3,887	N/A	\$3,431	\$0
Other	\$932	N/A	\$939	N/A	\$1,027	\$520
Indeterminate	\$0	N/A	\$0	N/A	\$0	\$0
Total	\$10,165	<i>est. \$8,396</i>	\$10,104	<i>est. \$8,396</i>	\$9,332	\$7,465
Enrollment						
District	676,773 99.3%		N/A N/A		65,412 98.8%	
Charter	5,004 0.7%		N/A N/A		814 1.2%	
Charter Schools	28		N/A		6	
Total Revenue**						
District	\$6,879,150,257 99.4%		N/A N/A		\$610,405,757 99.0%	
Charter	<i>est. \$42,012,678</i> 0.6%		N/A N/A		\$6,076,259 1.0%	
Total	<i>est. \$6,921,162,935</i>		N/A		\$616,482,016	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	10.0%	N/A	9.9%	N/A	8.5%	12.3%
State	42.3%	N/A	42.3%	N/A	43.7%	80.7%
Local	38.6%	N/A	38.5%	N/A	36.8%	0.0%
Other	9.2%	N/A	9.3%	N/A	11.0%	7.0%
Indeterminate	0.0%	N/A	0.0%	N/A	0.0%	0.0%
Change in district school funding if subjected to charter funding structure						
	<i>(\$1.2 billion)</i>				<i>(\$122.1 million)</i>	

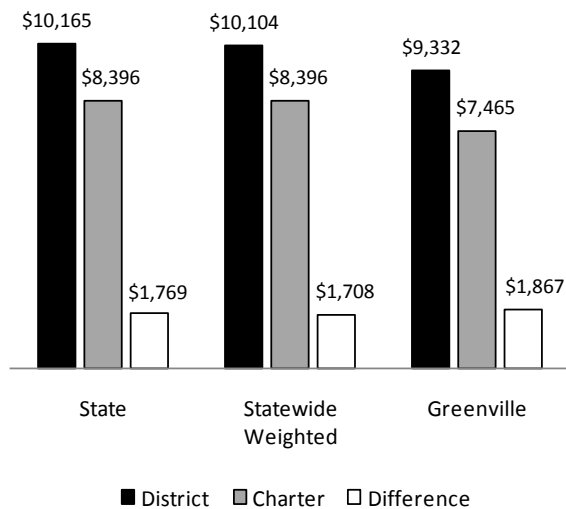
* South Carolina data for most charter schools does not differentiate revenue sources; but Greenville does.

** This italicized amount indicates that a portion of this total amount is based on an estimate, due to lack of available data. Actual revenues constitute 76.2 percent of this total amount; the estimated portion represents 24.8 percent of the total.

Highlights of Our Findings

- South Carolina charter schools received \$8,396 in revenue per pupil compared to \$10,165 in revenue per pupil for district public schools — a difference of \$1,769, or 17.4 percent (Figures 1 and 2).
- South Carolina charter schools received \$8,396 per pupil in revenue, but district schools would have received an estimated \$10,104 to educate the same students – a difference of \$1,708, or 16.9 percent. Weighting the district per pupil revenue for charter enrollment, therefore, decreases the funding disparity by \$61.
- Greenville charter schools received \$7,465 in revenue per pupil compared to \$9,332 in revenue per pupil for district public schools — a difference of \$1,867, or 20.0 percent (Figures 1 and 2).

Figure 2: Per Pupil Total Revenue for South Carolina District vs. Charter Schools, FY 2006-07



- Charter schools in South Carolina serve 0.7 percent of students but receive only 0.6 percent of total public-school revenues (Figures 1 and 2).
- Statewide charter school revenue data by source were unavailable from the South Carolina Department of Education (SCDE) website and

SCDE staff. Independent financial audits of school districts – including charter school operations as component units – do not consistently report source revenues for charter schools. Therefore, Greenville revenue source data may not align precisely with district revenue source data. Statewide charter school revenue data were estimated based on an extrapolation of actual revenues for 76.2 percent of charter students.¹

Primary Reasons for Funding Disparities

- Thirty-three years of legislative tweaking of the 1977 Education Finance Act has created a funding mechanism so fragmented and complex that the reasons for a statewide *district vs. charter school* difference of \$1,769 (17.4 percent) in per pupil revenues cannot be precisely diagnosed from data available from SCDE and from audited Annual Financial Reports; but it is clear that varying student needs alone do not account for this entire difference – there is a funding disparity (Figures 1 and 2).

- Differences in student needs and school grade characteristics are not large enough to explain the total *district vs. charter school* per pupil revenue disparity of \$1,769 statewide. Although Figure 5 shows us that district schools have a higher percentage of Title 1 eligible schools than charter schools – 42.1 percent vs. 26.7 percent, respectively – and a higher percentage of free or reduced price meals – 51.5 percent vs. 30.6 percent, respectively – these differences are not enough to account for \$1,769 of disparity. It appears that the state funding mechanism’s attempt to equalize is not sufficient to equalize *total* revenues from all sources.

- Charter schools in South Carolina do not have access to capital financing or debt service funding.
- District services (e.g., custodial, maintenance, staff development) may be negotiated between the charter school and the district. In addition,

charter schools receive categorical funding for eligible students, such as gifted and talented, and for school improvement programs. The charter school’s share of funding is negotiated between the school district and the charter school. Historically, there has been significant contention between charter schools and host district schools, and charter schools are in a weak negotiating position. These conditions may be contributing to the \$1,769 per pupil revenue disparity between charter schools and host district schools.

How South Carolina Funds Its District Schools

School districts receive state funds from more than 90 revenue categories. These categories are grouped into five primary areas:

1. Education Finance Act of 1977 (EFA): intended to ensure an equal public education opportunity for every child in the state
2. Restricted State Grants: for specific state education programs in local school districts
3. Unrestricted State Grants: for general educational purposes
4. Education Improvement Act: from a 1 percent state sales tax increase implemented in 1984
5. Education Lottery Act

The EFA allocation is the foundation for school funding in South Carolina. It is designed to equalize per pupil funding for students as well as to set a uniform ratio of state to district-level funding. Every year, the General Assembly determines a base student cost (BSC) that serves as the funding level for the foundation (or minimum) education program. State aid for each district is then determined, in part, by multiplying the BSC by the weights for 15 classifications of students enrolled in the district. State funds are then allocated to school districts via an equalization formula based on the state’s assessment of each local district’s taxpaying ability. The result is each district’s EFA allocation,

which comprises, on average, nearly half of its total state funding.

Figure 3: State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X ²	
Charter schools are eligible for local funding	X ³		
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows district to withhold funding from charter schools for providing administrative services	X ⁴		
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization		X	
School is considered LEA if authorized by district		X	
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X ⁵		

South Carolina has three primary programs to provide facility aid to local school districts. The School Building Aid program provides funds to districts based on K-12 Average Daily Membership (ADM). Districts must maintain the existing level of local fiscal effort per pupil for non-capital

programs. Revenue for the program comes from unexpended funds or an operating surplus in the Education Improvement Act Fund.

The Children’s Education Endowment (CEE) splits capital revenue four ways: 35 percent based on ADM; 35 percent based on the state’s EFA formula (ADM times the district property tax base factor); 15 percent based on local effort (per pupil district expenditures for capital projects and debt service divided by property tax base); and 15 percent based on facilities needs (2.5 percent of construction costs for all buildings 11 to 50 years of age, 100 percent of replacement costs for all buildings over 50 years old, and current overcrowding). CEE funding comes from tax revenue generated by a low-level radioactive waste facility.

How South Carolina Funds Its Charter Schools

Charter schools in South Carolina are entitled to receive local, state, and federal funds—from the sponsoring district — based on enrollment and student demographics. For FY 2006-07, a charter school’s revenue is set by multiplying the school district’s weighted per pupil expenditures by the charter’s weighted student count (excluding expenditures from bonded indebtedness or debt payment). Funding for facilities and transportation is not provided.

The South Carolina Public Charter School District (SCPCSD) was created through the South Carolina Charter School Act passed by the South Carolina General Assembly in 2005, signed into law May 3, 2006. For the period of this revenue analysis charter school revenue practices followed the prior law.⁶

District services (e.g., custodial, maintenance, staff development) may be negotiated between the charter school and the district. In addition, charter schools receive categorical funding for eligible students, such as gifted and talented, and for school improvement programs. The charter school’s share of funding is negotiated between the school district and the charter school.

South Carolina itself does not fund charter school planning grants. The South Carolina Department of Education, instead, uses U.S. Department of Education grants to give charter schools start-up dollars for the following initiatives:

- Three-year planning-implementation grants of up to \$420,000 are designed to provide financial assistance for the planning, program design, and initial implementation of the state’s charter schools.
- Dissemination grants of up to \$100,000 over two years provide financial assistance to charter schools that have been in successful operation for at least three consecutive years. These funds are intended to assist other schools in adapting a successful charter school program or to disseminate information about the charter school.

A charter school may not receive more than one grant of each type.

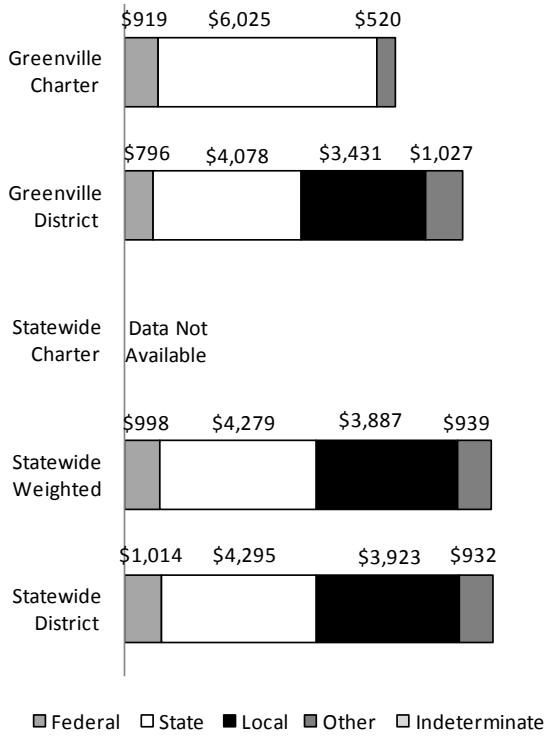
Facility Funding

Charter schools in South Carolina do not have access to capital financing or debt service funding, and districts are not required to sell or lease facilities to charter schools. The Department of Education is required to make available, upon request, a list of vacancies and unused buildings or sections of buildings that are owned by school districts that may be suitable for a charter school. Charter schools may acquire buildings or other property by various means including gift, purchase, and lease and installment purchase agreement.

If a district declares a building surplus and chooses to sell or lease it, a charter school’s board of directors or a charter committee operating or applying within the school district must be given the first right of refusal to purchase or lease the building under the same or better terms and conditions than it would be offered to the public.

It appears that charter schools' lack of access to facility funding contributes to the *district vs. charter school* revenue disparity.

Figure 4: Per Pupil Revenue by Source for South Carolina District vs. Charter Schools, FY 2006-07



Primary Revenue Sources for South Carolina’s Public Schools

Charter schools are funded based on the host district’s expenditures. Therefore, any district-to-district funding disparities become potential disparities for hosted charter schools. District-to-district total per pupil revenue levels range from a low of \$8,436 to a high of \$12,542 (after eliminating the five lowest and five highest district amounts, which may represent unusual outliers). Charter-to-charter school total per pupil revenue levels range from a low of \$7,030 to a high of \$9,010 (after eliminating the lowest and highest amounts, which may represent unusual outliers).

SCDE does not provide or track detail revenue source data separately for charter schools. The revenue source data for Greenville was obtained from Greenville’s independent audit, where

charter schools are reported as “component units.” The reporting of source revenues for charter schools in audit reports does not consistently present the detail of sources of revenues for charter schools. It is possible that the state revenue per pupil amount for Greenville charter schools of \$6,025 in Figure 4 actually represents a combination of state and local portions of revenue -- because local revenue is reported as \$0. However, a comparison of the total of state and local Greenville charter school per pupil revenues in the amount of \$6,025 vs. district school state and local per pupil revenues of \$7,509 illustrates a disparity of \$1,484 in equivalent per pupil revenues.

Figure 5: School Characteristics

South Carolina (2006-07)	Statewide District	Statewide Charters
Percentage of students eligible for free or reduced price lunch	51.5%	30.6%
Percentage of schools eligible for Title I	42.1%	26.7%
Percentage of students by school type:		
Primary (K-5)	47.8%	41.5%
Middle (6-8)	22.4%	6.0%
High (9-12)	28.0%	50.1%
Other (K-12, K-8, etc.)	1.8%	2.4%

State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as to the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of

Figure 6: State Scorecard

Findings		SC
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y
	Percentage of federal revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (<; white) that of total enrollment for charter schools	N/A ⁷
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Percentage of state revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (<; white) that of total enrollment for charter schools	N/A ⁷
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Percentage of local revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (<; white) that of total enrollment for charter schools	N/A ⁷
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Percentage of facilities revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (<; white) that of total enrollment for charter schools	N/A ⁷
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	N
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	N
	State funds student (black) or the LEA (grey)	L
	State funding formula is fair and equitable (Yes = black, No = white)	N

education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered an LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

Endnotes

¹ District revenue data (inclusive of *inseparable* charter school revenue data) was downloaded from the South Carolina Department of Education (SCDE) FTP site – the download file name: “07-distrev.xls.” This file contains sufficient revenue account coding to identify sources of revenues. Charter school revenue data was not available from SCDE. Charter school revenue data was obtained from audited Annual Financial Reports, which were downloaded from school district web sites (these are also available in paper at SCDE). Charter revenue data were subtracted from the “district” revenue data to arrive at comparable revenue data for district schools and charter schools. A “district” enrollment file was also downloaded – this file included *inseparable* district school and charter school enrollment. SCDE also provided an enrollment file just for charter schools. The charter school enrollments were subtracted from the “district” enrollment file in order to obtain *separate* district and charter school enrollment counts.

Charter school revenue data could not be obtained for some charter schools, representing 24.8 percent of the total population of charter school students. An estimate was made of total statewide charter school revenues by taking the actual per pupil revenue amount from charter schools representing 76.2 percent of charter students, and applying that per pupil amount to the 24.8 percent of students with no associated revenue data, then adding the actual and extrapolated amounts together.

The Meyer Center for Special Children, a Greenville charter school, was eliminated from the Greenville and statewide presentation of this analysis because it would distort the analysis. The Meyer Center, established in 1954, receives 83.4 percent of its funding through private contributions and donations, and has a per pupil revenue amount of \$410,250.

² Charter schools can be authorized by local school boards, and by the South Carolina Public Charter School District (SCPCSD) for new starts only. Revenues pass through the hosting local school district. The general rule is that charter schools report financial data as a component unit of the hosting school district in annual audits – that reporting is incomplete as to sources of revenue, and on occasion not included in district annual audits.

³ Charter schools authorized by SCPCSD (the state) receive only state and federal funds. Charter schools authorized by local school districts also receive local revenues.

⁴ Language in the charter law permits the district to negotiate a variety of services with charters.

⁵ A charter school may give enrollment priority to a sibling of a pupil already enrolled, children of a charter school employee, and children of the charter committee, provided their enrollment does not constitute more than twenty percent of the enrollment of the charter school. A charter school must give priority to in-district children vs. out-of-district children, and the out-

of-district enrollment shall not exceed twenty percent of the total enrollment of the charter school without the approval of the sponsoring local school board and the sending local school board. A converted charter school must give priority in enrollment to students enrolled in the school at the time of conversion.

⁶ The funding mechanism in the South Carolina Charter School Act passed by the S.C. General Assembly in 2005 effective beginning in FY 2007-08 is described below.

“A local school board of trustees sponsor shall distribute state, county, and school district funds to a charter school as determined by the following formula: the previous year's audited total general fund revenues, divided by the previous year's weighted students, then increased by the Education Finance Act inflation factor, pursuant to Section 59-20-40, for the years following the audited expenditures, then multiplied by the weighted students enrolled in the charter school, which will be subject to adjustment for student attendance and state budget allocations based on the same criteria as the local school district. These amounts must be verified by the State Department of Education before the first disbursement of funds. (B) The South Carolina Public Charter School District shall receive and distribute state funds to the charter school as determined by the following formula: the current year's base student cost, as funded by the General Assembly, multiplied by the weighted students enrolled in the charter school, which must be subject to adjustment for student attendance and state budget allocations. These state funds are in addition to other funds to be received and distributed by the South Carolina Public Charter School District pursuant to subsections (C) and (D) of this section and Section 59-40-220(A). However, the South Carolina Public Charter School District may not retain more than two percent of its gross revenue for its internal administrative and operating expense” [S.C. Code Ann. § 59-40-140]

The first SCPCSD charter schools were not

opened until after the reporting period for this revenue study. However, currently this charter school district has over 5,500 students in seven schools. The Act also revised the charter funding formula, effective for FY 2007-08. This revenue study, using FY2006-07 data, was based on the prior charter funding formula, as described in the body of text.

⁷ The state does not track charter school revenue by source. The only source of charter school revenue data is from audited Annual Financial Reports (AFR) of sponsoring local school districts. Generally, sponsoring district AFRs report charter schools as separate *component units*. However, the AFRs do not consistently report sources of revenue data for charter schools. Therefore, on a statewide basis the sources of revenues for charter schools could not be determined.