

**STATEMENT OF WILLIAM F. ("BICK") HALLIGAN  
TO SELECT COMMITTEE ON K-12 EDUCATION FINANCE REFORM  
SEPTEMBER 21, 2010**

I am Bick Halligan, with the firm of Childs & Halligan. Our law firm represents school districts, and we have worked with many districts over the years on many types of financial issues. My purpose is to describe the effort of school districts to develop a reformed system to finance K-12 public education.

1. A group of school district finance officers, representing school districts of varying characteristics (size, poverty, geography, and tax base), Dr. Harry Miley, and our firm are working together, along with SCSBA and SCASA, to compile data from all school districts, evaluate alternatives, and reach a consensus on a concrete proposal, with proposed legislation, summaries of the proposal, and economic analyses and projections of state revenue and distribution to school districts, and of local revenue, to support the proposal. We intend to complete our work in November 2010.
2. Our objective is to develop a reformed educational finance system that generates and distributes sufficient funding which will enable all school districts to be competitive and achieve the state's educational goals, to the greatest extent possible under the current, extraordinary circumstances.
  - We will try to vastly simplify the entire finance system.
  - It will build on past school finance reform efforts, but will take into account the broader problems of the state's tax structure highlighted by other studies and groups.
  - We also will try to remove or fix the many inconsistencies and contradictions between state laws, and between state laws and local laws.

- A systemic reform must address state tax revenues from many sources and the distribution to school districts, and the relationship of state and local tax structures.
  - We will include local discretionary funding.
3. Some of the problems we are trying to solve, avoid or ameliorate are as follows:
- Abolish the Index of Taxpaying Ability
  - Abolish the EIA Minimum Effort
  - Consolidate state revenue into manageable categories, avoid a multiplicity of formulas, and avoid state funding of districts on an ad hoc, proviso basis.
  - Remove inconsistencies between property tax limits and the required local shares.
  - Reduce the differences in school operating millage rates, which now range from approximately 90 to 275.
  - Repair the state teachers' salary schedule.
  - Eliminate the effect of the gap between homestead operating taxes and reimbursement.
  - Recognize that the exemption of homesteads for school operations means that school operations cannot absorb the cost of financing economic development through the use by counties of multi-county parks.

4. The main general parameters of our approach (which we are now evaluating) are as follows:
  - Shared state and local fundamental funding would be determined by multiplying a "real" base student revenue times weighted pupil units to establish the amount.
  - The "real" base student revenue would be established based on the Task Force Reports, the EOC studies, North Carolina and Georgia comparisons, and realistic judgment of available funds.
  - At this point, we are using the weights from the EOC plan, which includes add-on weights for poverty and language.
  - The "local share" would be provided by the statewide uniform property tax millage.
  - The "state share" would be the balance to the total, from state revenue.
  - We will develop a mechanism for annual growth.
  - Local discretionary funding would be the district tax base times the local millage.
  - State categorical funding would be 100% state funded.
  - We are not addressing federal revenue and state funds for the State Department of Education and transportation.
  - We will plug-in the Task Force recommendation for a school-building infrastructure bank for the legal structure to address school facilities.
5. Attached are copies of the presentations to the TRAC on July 21, 2010, by Scott Price, Bob Davis and me, and the group of school district finance officers. We would be pleased to respond to your questions.