



Testimony to the Select Committee on K-12 Funding
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The Case for Adequate, Equitable and Stable Funding of South Carolina's Public Schools

Senators and Representatives, thank you for the opportunity to testify today. My name is Bernadette Hampton, and I am Vice President of The South Carolina Education Association.

Today, I want to make the case for providing adequate, equitable and stable funding for public schools.

First, I think it's clear that our current funding formula has none of those characteristics: It provides too little funding for the educational services our students need in a 21st Century world. It is notoriously unfair, with the quality of our schools varying from zip code to zip code. Over 40% of our state's children attend a Title 1 school in a poor community. And as the economy has stalled, school funding has dropped dramatically. Since the financial crisis of 2008, our schools have lost more than \$484 million in the State's General Fund and another \$100 million loss in EIA funding.

The sad result of inadequate, inequitable and unstable school funding is that South Carolina now has among the lowest graduation rates in the nation. Fewer than four out of every 10 high school students graduate. And with our SAT, ACT and NAEP scores, the only argument seems to be whether we rank 51th, 48th, or some other disgracefully low number.

On September 28, the Education Law Center will release a new 50-state report that compares state spending on K-12 education in terms of both their adequacy and their equity. I will send you a copy of that report as soon as it is released, but I know from talking with its researchers that it will show that South Carolina gets low marks against its neighbors. Our spending on K-12 schools is lower even than Georgia, Florida and Virginia, all states that rank toward the bottom of the nation.

One of the reasons funding is inadequate is because of Act 388, which all but eliminated residential property taxes as a source of funding local schools. This cap has had tragic consequences. It has left many schools with inadequate resources to provide the educational programs and services our students need.

In addition to depriving schools of much needed support, Act 388 has had detrimental effects in other ways. It is part of a larger trend in South Carolina of shifting funding for public schools from local property taxes to state and federal sources. This trend has accelerated as the federal government has dramatically increased the amount of money it has sent to our schools. While we applaud the federal government for doing that, it's important to point out that the state should allow school districts to similarly increase their investment.

Simply put, the cap on property taxes has reduced residents' "ownership" of their local schools. As the Heartland Institute, a conservative think tank, has pointed out, "Effective local control of schools depends on local funding of schools."

The traditional local governance and funding of public schools insures a high degree of accountability between communities and their schools. Local funding fosters a community's sense of ownership and responsibility for its schools, and motivates schools to deliver the quality of education the community demands. Increased reliance on state and federal funding creates a detrimental economic and political disconnect between public schools and their communities.

There is ample evidence that school systems with greater reliance on local funding tend to perform better. Dollar for dollar, additional local funds yield far larger gains in school system performance than additional state or federal funds. More local funding goes hand in hand with better local accountability for school quality and better community support for public schools.

When the educational impact of federal, state, and local property tax funding is studied, research shows that the dominant driver of academic performance is local funding. This finding supports the idea that communities that fund and control their own schools tend to demand higher performance from them, and are likely to be more supportive of them in turn. Public school systems that are primarily dependent on state funding generally have lower average test scores.

But there are also economic reasons to allow local homeowners to raise their property taxes to support local schools. There is a sizeable body of evidence showing that the quality of public schools is capitalized into local property values. Whether a house currently has school-age children or not is irrelevant to its market value. Local property values reflect the aggregate demand of buyers, including buyers with children needing schooling and buyers who intend to have children. So the demand for good schools is reflected in the market value of every residential property. There is no question that communities with good schools have significantly higher property values than the communities with bad schools. Thus good schools benefit homeowners without children too. So when residents raise taxes to raise the educational quality of local schools, they are raising their housing values even more—and they know it.

While many other states have made similar shifts from local to state funding for public education and reduced local property tax burdens, some states—notably New Jersey, Pennsylvania, Illinois and New Hampshire—have continued to rely on local property taxes as the primary source of funding for public schools. These states with school systems largely driven by local property taxes have higher scores on all standardized tests, including the NEAP, SAT and ACT.

States with higher effective property tax rates (which mostly support schools) generally have higher median housing values. Higher school taxes clearly increase property values as well as educational achievement.

A 2007 research report by the Lincoln Institute of Land Policy concluded that the use of property tax revenue for schools is fundamentally sound. It recommended a greater use of circuit breakers that adjust property tax bills based on ability to pay, to ensure fairness.

So one important step the legislature should take in regard to school funding is to repeal 388.

For state funding of schools, the Lincoln Institute report also recommends a targeted approach—distributing state aid for public education to the neediest school districts, schools, and students.

The legislature should also increase state support of K-12 schools, and that support should be targeted at districts without the ability to pay for good public schools. Allowing *local* residents to fund local schools will improve the *adequacy* of school funding; allowing the *state* to increase funding for needy schools will improve the *equity*.

A study performed by the Moore School of Business at the University of South Carolina, among the most respected business schools in the nation, found that for every dollar South Carolina invests in public education between 2010 and 2030; approximately \$11.20 would be added to the economy (measured by gross state product). Here I have \$11.20. If I asked you to invest a dollar with me, and I promised you a return on investment of \$11.20, I believe each of you would accept that offer. The opportunity you have to invest public money in public schools offers you the same ROI: Over \$11 dollars to one.

The state will get the dollars it invests in schools back in the form of business attraction, retention and development. Businesses locate where they have access to a large supply of well-educated workers. That's because the quality and success of their business depends first and foremost on the quality of their employees. South Carolina has tried attracting business development by offering cheap labor and low taxes. We have not done well with this approach. The unemployment rate in SC is 10.8%. But even that number is deceptively low. Back in January our unemployment rate stood at a shocking 12.5%. Many of those without employment have become so discouraged that have given up looking for work and that has lowered our unemployment rate. But it is still well above the national average of 9.6%.

If our school funding formula provides adequate, equitable and stable funding, we can produce the large supply of well-educated workers businesses need to compete. We can bring our unemployment rate down to at least the national average. Education is an investment in the future of South Carolina and its economic success.

Finally, to insure stability, schools need a broad base of revenues, including property, sales, income and corporate taxes. Just as having a diversified portfolio protects you from changing market forces, the broader the tax base, the more stable school funding will be over time.

How South Carolina funds public education makes a difference. It makes a difference in the quality of schools and to our children's ability to support themselves as adults. It makes a difference to the vitality of our communities. And it makes a big difference to the economic health of our state. Thank you for your work on this critical area of public policy and the opportunity to offer the views of The SCEA.