

SCHOOL FINANCE FACTS

School districts in South Carolina operate on a July 1 through June 30 fiscal year.

School districts' operations are funded through a combination of federal, state, and local monies.

- Federal monies include the Title I allocation, the Individual with Disabilities Education Act (IDEA) allocation, and various grants. For the 2009-10 and 2010-11 school years, stimulus monies are provided as well.
- State monies include the Education Finance Act (EFA) allocation, Education Improvement Act (EIA) allocations, which consist of numerous allocations for various purposes, lottery monies, property tax relief including the Act 388 allocation, and other smaller grants and allocations.
- Local monies include property tax proceeds, payments in lieu of tax, interest earnings, bond proceeds, and local donations and local grants.

Monies are grouped and accounted for based on their purposes or intended uses. In other words, monies are not placed into "one big pot" and spent at the District's discretion.

- Monies received with stipulations attached or for specific programs - such as Title I, IDEA, EIA, and other grants – are accounted for in *Special Revenue Funds*. These monies are to be spent with specific purposes in mind.
- Bond proceeds can only be used to finance school construction and renovation. Any transactions associated with these activities are accounted for in the *Capital Projects Fund* (also referred to as the *School Building Fund*).
- The District levies taxes specifically to pay off the school bonds. These tax revenues and the payoff of bond interest and bond principal are accounted for in the *Debt Service Fund*.
- Lunchroom operations are accounted for separately in the *School Food Service Fund*.
- Support from various school-based sources such as ticket sales, club dues, yearbook sales, etc. and associated expenditures are recorded in Student Activity Funds. These transactions occur at the school level, not the district level.
- Remaining revenues are accounted for in the General Fund. These funds have little or no stipulations attached and are used for day-to-day operations.

For the year ended June 30, 2009, Aiken received 53% of funding from the state, 7% of funding from the federal government, and 40% of funding from local sources.

- Percentages are certain to fluctuate for the year ending June 30, 2010, as result of state budget cuts and inflow of stimulus funds.

Over the past two years, school districts have endured a number of state budget cuts.

- Overall, Aiken lost \$9.4 million in state revenues from fiscal year 2008 to fiscal year 2009.
- Since the beginning of the fiscal year and through January 2010, Aiken has lost nearly \$6.0 million in state revenues as result of across-the-board state budget cuts. Those cuts totaled 9.04% for the General Fund and 2% for EIA funds.
- Additional 2009-10 budget cuts are a possibility.

- Next year's state allocations are expected to be less than the current year's allocations.
- Most of the state budget cuts have affected allocations used for day-to-day operations.

Schools districts' largest allocation is its EFA allocation. Each district's allocation is determined by formula. Two components of that formula are base student cost (BSC), which is determined at the state level, and student enrollment for the district.

- BSC was \$2,578 at the beginning of the 2008-09 school year compared to \$2,034 at the beginning on the 2009-10 school year.
- The current BSC stands at \$1,765 after 2009-10 budget cuts totaling 9.04%.
- Further mid-year state cuts would reduce the BSC more.
- The current BSC is nearly the same as the BSC for the 1996-97 school year. Teacher salaries, health insurance premiums and most other operating costs are significantly higher than 13 years ago however.

Aiken has three options, or a combination thereof, to absorb budget cuts – increase revenues, reduce expenditures, or use fund balance.

- The District's ability to increase revenues is largely limited to a tax increase. State law places limits on the tax increase.
- The District has eliminated or reduced non-essential instruction programs, furloughed employees, reduced travel budgets, implemented an energy conservation program, increased pupil-teacher ratios, and frozen salaries (except for those required by law to receive increases, i.e. teachers) among other reductions, in order to reduce expenditures.
- Using fund balance is seen as a last resort. A significant portion of the District's fund balance was used to absorb cuts during the 2008-09 school year. The District's fund balance, as a percentage of the total operating budget, is already significantly lower than ideal fund balance percentages recommended by bond rating agencies.

The District has limited options for reducing General Fund expenditures without affecting personnel.

- Approximately 90% of Aiken's \$147.6 million General Fund budget for 2009-10 is tied to payroll and payroll-related expenditures.
- The remaining 10% of the budget is used for utilities, property/liability insurance, supplies, travel, small equipment repairs, charter school allocations and other day-to-day operating costs.

Bond proceeds are restricted for construction projects. Property taxes from debt service millage can only be used to pay bond principal, bond interest, and bond-related fees.

- The District has issued bonds annually to pay for cyclic building maintenance and construction projects.
- Bond proceeds and debt service property taxes, levied to pay off the bonds, cannot be used for day-to-day operations.
- Bond proceeds cannot be used to absorb state budget cuts thus explaining why school renovations continue even though the District is having to furloughing employees.