

SUMMARY

Issues of Efficiency and Accountability Relating to School Districts

INTRODUCTION

The General Assembly requested an audit of the State Department of Education and other issues in K-12 education. This report follows the May 2004 publication, *A Review of the State Department of Education and Issues of Efficiency and Accountability in K-12 Education*, and addresses objectives relating to the operations of the school districts.

BACKGROUND

The public school system serves more than 650,000 students and consists of more than 90,000 employees, of whom 46,000 are teachers. There are 1,120 schools in 85 school districts and related entities. Both state and local government have authority over and responsibility for K-12 public education. At the state level, the education of South Carolina's public school students is the responsibility of the State Board of Education, the State Superintendent of Education, and the State Department of Education. At the local level, the school districts have varying governance, with 77 having elected school boards, 7 with appointed boards, and 1 with a combination of elected and appointed members.

South Carolina schools are funded with a mix of state, local, and federal dollars.

SOURCE	AMOUNT	PERCENT
State	\$2,941,097,000	54%
Local	2,071,464,000	38%
Federal	446,838,000	8%
TOTAL	\$5,459,399,000	100%

September 2004



ACCOUNTABILITY FOR SCHOOL DISTRICT MANAGEMENT

South Carolina does not have an adequate statewide process for measuring school district financial management. Such a process could determine whether a district is achieving its objectives and managing resources in an effective and efficient manner. Other states, such as Florida and Arizona, conduct detailed performance-based reviews of their school districts that have resulted in cost savings and improved performance. Some areas currently reviewed in these states include school district administration, transportation, food service, facilities operation, and maintenance costs.

SDE maintains resources that provide information about school districts, and these sources could be used as a starting point in reviewing operational expenditures.

- IN\$ITE** A database of school district expenditures that includes information about per pupil expenditures in various categories.
- RANKINGS** An annual publication that ranks school districts in South Carolina based on characteristics resulting from or connected to the education process. Districts are ranked in per pupil costs for areas such as food services, business services, and transportation.
- PROFILES** A publication that contains statistical, geographical, and expenditure data about the districts. Some sections in this report include information about students, school finance and staffing, and academic achievement.

The savings identified by performance-based reviews could be used to increase the dollars school districts spend in the classroom. The reviews could be conducted by existing entities, including the State Department of Education, or oversight committees, such as the Legislative Audit Council. The costs of the reviews would primarily be for staff benefits and salaries. The cost savings and improved management procedures would likely more than pay for the cost of the program.

SCHOOL DISTRICT EXPENDITURES

Analysis of school spending patterns is a useful first step in reviewing operational efficiencies. South Carolina school district expenditures do not vary significantly from those of other states. Although there is no uniformly accepted definition of which expenditures are "dollars to the classroom," there is a wealth of information available about expenditures for K-12 education. Both the state and federal governments regularly publish information about how school districts spend their money. The table shows South Carolina's expenditures for FY 01-02 in five categories.

CATEGORY	AMOUNT	PER PUPIL	PERCENT OF TOTAL
Instruction	\$2,840,801,391	\$4,354	60%
Instructional Support	604,077,707	926	13%
Operations	900,740,020	1,381	19%
Leadership	404,639,362	620	8%
Other Commitments	372,592	1	0%
TOTAL	\$4,750,631,072	\$7,281	100%

See full report for table notes.

AUDITS BY THE LEGISLATIVE AUDIT COUNCIL CONFORM TO GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS AS SET FORTH BY THE COMPTROLLER GENERAL OF THE UNITED STATES.

FOR MORE INFORMATION

Our full report, including comments from SDE, and this document are published on the Internet at

www.state.sc.us/sclac

Copies can also be obtained by calling

(803) 253-7612

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SCHOOL DISTRICT CONSOLIDATION

There has been a general trend toward school district consolidation in South Carolina and around the country. South Carolina school districts are relatively consolidated compared to those of other states. While there is evidence that per pupil costs tend to be higher in small districts, it is unclear whether and how soon significant savings would be realized from widespread consolidation. We found that the 20 smallest S.C. districts tend to have high costs per pupil; however, some small districts do not have high costs. Also, recent South Carolina school district consolidations do not offer conclusive evidence that consolidation reduces costs. Factors other than costs should also be considered.

Advantages other than savings cited for consolidation include:

- Small school districts may not have the capacity to offer the high quality and varied instructional programs students need.
- Consolidating at the county level would result in benefits from having fewer governmental entities.

Disadvantages cited include:

- The consolidation process itself is disruptive and leads to community turmoil.
- Members of the public have strong social and cultural ties to their local schools which are threatened by consolidation.

Consolidations are more likely to be successful if undertaken on a case-by-case basis, with community support and identified benefits.

CONSOLIDATION OF STATE FUNDING

Many streams of state funding for K-12 education are disbursed to the 85 school districts in separate allocations. The State Department of Education identified more than 100 state funding sources. SDE and school district employees we contacted identified potential advantages and disadvantages of consolidated state funding.

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">■ Simplified accounting process.■ Districts could fund programs and services that would most benefit students.■ Districts would be more accountable for their student scores and school ratings.	<ul style="list-style-type: none">■ Funding for specific programs could be ignored if districts do not find them to be priorities.■ Districts may not be able to track funding for programs.■ Minimal cost savings have been identified from consolidation.

A more consolidated funding mechanism would have the advantage of simplification and perhaps more efficient and effective use of resources. However, any simplification would have to be accompanied by adequate accountability controls to ensure that funds are used effectively in accord with the intent of the General Assembly.