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The Relationship Between Fiscal Autonomy, Property Taxes and Student Performance Among South Carolina's School Districts

Prepared for
The
Education Oversight Committee

Prepared by:

Randolph C. Martin
Harry W. Miley Jr.
Holley Hewitt Ulbrich

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Post Office Box 11227
Columbia, SC 29211
803-779-8603
FAX 803-779-7837
Hmileyjr@aol.com

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I. INTRODUCTION

This study is the result of the Education Oversight Committee's (EOC) desire to better understand the relationship between various characteristics of South Carolina school districts and the districts' degree of fiscal autonomy. Most importantly, the EOC wanted this research to focus on determining if the degree of fiscal autonomy impacts the level and growth of property taxes. Secondly, the EOC wanted to evaluate the relationship between fiscal autonomy and the performance of students.

The overall concern is with the costs and benefits of allowing school districts the power to have independent taxing authority in raising the funds needed to educate the students for which they are responsible. Impacts on student performance and tax levels are central to this discussion. To address these issues for South Carolina, Miley & Associates, Inc. joined with Holley H. Ulbrich, Alumni Distinguished Professor Emeritus of Economics at Clemson University and Senior Fellow at Strom Thurmond Institute and Randolph C. Martin, Professor of Economics, Moore School of Business, University of South Carolina.

This report presents the results of the research team's analysis. Section II begins with a brief historical overview of various levels of fiscal autonomy existing in South Carolina. This is followed in Section III with a review of previous studies and recommendations from the education community. An overview of the degree of autonomy in other states is found in Section IV. Section V provides the results of statistical analysis that provide insight to the relationship between fiscal autonomy and student performance, per pupil costs and tax rates. And finally, Section VI concludes with a summary and offers recommendations.

II. OVERVIEW OF FISCAL AUTONOMY IN SOUTH CAROLINA's SCHOOL DISTRICTS

The current status of fiscal autonomy in South Carolina school districts is perhaps the most diverse in the country. As seen in Section IV, just about every state in the country except Georgia and South Carolina have uniformity with regards to fiscal autonomy among the districts in their respective states. In some states, all of the districts are fiscally autonomous and in others, none have fiscal autonomy. However, in South Carolina and Georgia there is very little uniformity.

The different degrees of fiscal autonomy in South Carolina are frequently grouped into three classifications. The three classes (or degrees) of fiscal autonomy used are; Total Independence, Limited Authority and No Authority. However, it would perhaps be more accurate to group them into 50 to 60 different classes. There are 85 school districts in South Carolina and just about everyone is different in terms of their fiscal authority.

As seen in Table 1, twenty-three, or a little over one-fourth of the districts has complete fiscal authority. These districts have total independence in establishing their budgets and for setting the millage rates necessary to fund operational and debt service needs.

There are 35 districts that have limited authority. However, these districts are not uniform in their autonomy status. For example, three require County Council approval to implement millage increases above a certain level, but each is implemented differently. One district requires legislative approval to exceed a certain limit. One requires a special ordinance to be passed. The rest have to have county council approval for various levels of millage increases. Of these 35, there are five districts that have a statutory cap and require county council approval to exceed that cap. Some require a local referendum or legislative approval to exceed the cap.

Finally, there are 27 districts that have no authority. However, again there is no uniformity in the implementation of their respective autonomy. For example, three districts require legislative approval for their budget. Five districts require a Town meeting for their budget approval. The rest of these districts must have their county council approve their budget.

The current status of the organizational structure and fiscal autonomy of South Carolina's public school districts is the result of a continuous evolution ever since the colonial period of the 18th Century.[1] Prior to 1868, the only effort in South Carolina to create a modern school system for the masses took place in Charleston. The new constitution of 1868 created the State Department of Education and divided each county into school districts and established a system of free common schools for all children without reference to wealth or race. The 1868 constitution levied a poll tax on all taxable property to support education. Thirty years later, the 1895 constitution empowered school districts to levy property taxes. This document also led to establishing boards of trustees in the counties and districts for the specific purpose of governing schools.

[1.] This brief summary of the evolution of the school system is drawn from Jean C. Allen's "Fifty Years of Leadership for South Carolina School Boards:1950 – 2000, published by the South Carolina School Boards Association, February 2000. For a more thorough history of the evolution of the state's public education system see her work.

Table 1

Fiscal Authority of South Carolina School Boards

Total independence 23 districts

Aiken	Edgefield
Berkeley	Georgetown
Charleston	Lexington 1-5
Cherokee	Marlboro
Chester	Spartanburg 1-7
Darlington	Union

Limited Authority 31 districts

County Council approval to exceed this limit
Dorchester 2 & 4 -- EIA local effort
Fairfield -- 3% above previous year's budget or CPI whichever is lower
Newberry -- 4 mills
Legislative delegation approval to exceed this limit
Chesterfield -- 8%
Special law to exceed this limit
Williamsburg -- 3 mills
County board has authority to increase millage to exceed this limit
Anderson 1-5 -- 10 mills once in three year period
Marion 1-4 -- (appointed) Up to annual EFA inflation factor
Orangeburg 3, 4, 5 -- 3 mills over EFA inflation factor

Referendum to exceed this limit

Allendale	Inflation +4 mills
Bamberg 1-2	3 mills
Barnwell 19, 29, 45	10 mills
Greenville	4 mills/formula
Lancaster	5 mills
Pickens	Formula
York 1-4	6 mills

Table 1 (Cont.)

Fiscal Authority of South Carolina School Boards

Statutory cap 5 districts

Requires county council approval to exceed
Abbeville -- Same millage
Kershaw -- Limit 74 mills
Requires referendum to exceed
Florence 1 -- Same millage
Requires legislative delegation approval to exceed
Laurens 55, 56 -- 7 mills + EFA inflation factor, not to exceed 10 mills

No authority 27 districts

Legislative delegation approves budget
Dillon 1-3 -- (appointed)
Town meetings required to approve budget
Florence 2-5
County council approves budget

Beaufort	Jasper
Calhoun	Lee
Clarendon 1 & 3	McCormick
Clarendon 2 (Appointed)	Oconee
Colleton	Richland 1 & 2
Greenwood 50,51,52	Saluda
Hampton 1 & 2	Sumter 2, 17

Source: South Carolina School Boards Association

In many instances, every school was a school district. For example, in 1951, there were over 1,700 school districts in South Carolina. In July 1951, Governor James F. Byrnes orchestrated a massive consolidation reducing the number of school districts down to 100. Since that time, there has been continuous consolidation that has resulted in the 85 districts that exist today.

The variety of financing arrangements currently existing for the state's school districts has resulted from this consolidation process and the lack of overriding policies dealing with such issues. Local preferences and politics have led to the differences currently observed. The following section reviews the findings of several studies, which examine the issue of fiscal autonomy from a South Carolina perspective.

III OTHER RESEARCH EFFORTS

There have been three relatively recent studies, which to varying degrees examine the issue of allowing fiscal autonomy for local school boards in South Carolina. The first of these is the Recommendations to the South Carolina Education Oversight Committee (EOC) by the Study Team on Local Leadership Quality and Engagement (October 19, 2000). The second report is titled A Five-Year Comparison of South Carolina School Districts with Varying Degrees of Fiscal Authority. This was published in November of 1996 by the South Carolina School Boards Association (SCSBA) and was written by Elizabeth Warren. The third document is The Local Government Funding System, a report from the Technical Work Group to the Local Government Funding System Steering Committee. Released in September of 1999, this document provides a comprehensive set of findings and recommendation for improving the local government funding system in South Carolina. What follows is a critical review and summary of these three documents.

The first two of these reports were prepared by or for groups who are vocal supporters of fiscal authority for all South Carolina school districts (EOC and SCSBA). It is not surprising then that these documents provide arguments and data in support of such autonomy. The last report, however, is not associated with any pro-autonomy group yet provides a well-reasoned case for change in the way in which the fiscal decisions of our school districts are determined. This later document also provides input from those who oppose such fiscal autonomy.

1. The Education Oversight Committee Report

The EOC report is the product of the efforts of a study team chaired by Don Herriot, CEO of Roche Carolina and made up of business leaders, school board member and educators from around the state. The focus of the report is on the overall governance of South Carolina public schools. Utilizing a "best practices" approach, the study team concludes that "our state's educational governance structure can be described, at best, as a patchwork quilt and, at worst, as a fragmented system which some excel despite the environment, most struggle through it, and few are aided by it."[2] It is within this context that the report calls for a uniform policy of fiscal autonomy for funding the local share of public school financing in South Carolina.

At the time this work was done, twenty-two of the state's eighty-six school districts had total independence in all fiscal matters; thirty-one had limited authority (e.g. district may raise millage rates with the approval of a county council); six districts were required to operate within a statutory cap on millage; and twenty-seven districts had no fiscal authority. The fragmentation of funding procedures is thus obvious.

Problems confronting those districts without authority to draw upon the local revenue base are discussed. These are:

* "Districts without fiscal autonomy are unable to plan beyond the current operational year; without long-term control of resources, boards of trustees and administrators cannot implement the changes necessary to alter performance."

* "Districts with millage caps experience erosion of base funding over time when the value of the mill does not keep pace either will inflation or with state requirements for matched cost."

* "Districts with millage caps tend to budget to the cap each year; districts that must appeal to another body frequently ask for higher millage because the anticipate not receiving their full request."[3]

* “Districts without autonomy can become at risk for failing to maintain the EIA-required local effort and thus face mandated penalties (e.g., loss of state support). However, the State Board of Education has consistently waived such penalties for districts that have failed to maintain local effort”.

[2] Recommendations to the South Carolina Educational Oversight Committee, Study Team, October 19, 2000, page 2

[3] These quotes are found on page 13 of the EOC document.

The EOC study team also reported that they examined fourteen years of actions on millage rates. While none of the data is presented, the claim is that "millage rates in fiscally autonomous school districts have risen less and at a slower pace than millage rates in school districts with limited, capped or no autonomy."[4] The implication is that autonomy does not necessarily lead to excessive increases in a districts millage rates for school funding. Since the revenues generated by a mill can vary significantly from district to district, this observation may be the result of autonomous districts also being districts with larger tax bases.[5]

Finally, the report recommends various requirements for local school boards and their members to assure that such bodies are competent and sensitive to the desires of local citizens. These include:

* The election of all school boards in the state;
* Members must have a high school diploma or a GED;
* New member orientation is required with a statutory penalty for non-compliance;
* Continuing education for members is required and funded by the state;
* Board members and superintendents of districts rated as "unsatisfactory" should engage in a training program to focus on roles and actions in support of increasing student performance.

The thrust of these recommendations is that along with the authority to tax the local property base must come the skills and competencies to make such decisions in a manner, which is in the best interests of the district's students and citizens.

2. South Carolina School Boards Association Study

The second study to be reviewed comes from the South Carolina School Boards Association. It focuses directly on the issues of fiscal autonomy of local school districts and provides numerical information in support of granting such authority to all districts. Specifically, the study compares data over a five-year period for three groupings of school districts: those with complete fiscal autonomy; those with limited autonomy; and those with no authority at all. The period covered is 1990-91 to 1994-95 and variables compared include Average Daily Membership (enrollment), Taxes for current operations from local sources; Operating mills; Debt service and capital expenditure mills; and operating expenditures per pupil in average daily expenditures (money from all sources).

[4] Also from page 13.
[5] This possibility will be examined in another section of this report.

By making various comparisons of this data for the three groups of South Carolina school districts, the report concludes that all districts should be granted complete autonomy. Specifically, it is stated "districts with total fiscal autonomy experience student growth but remained fiscally conservative in operating millage and debt service millage. Elected school board members are the representatives closest to the communities. They should have the authority over the district budget and should be able to raise millage if necessary to meet legal requirements, student growth requirements and the wishes of their local communities. The data support the conclusion that fiscally autonomous school boards take their responsibility seriously."[6]

While indeed the data appear to support the contention that autonomous school districts do not operate with complete disregard for fiscal issues, the conclusion is a limited one. The study itself points out that no tests have been made to determine whether or not the noted differences are statistically significant and that the revenues generated by a mill of taxes can and do differ greatly between property-rich and property- poor districts. Also, it says nothing about the differing student performance between these groups of districts and the much more difficult question of whether any positive difference can be traced to the presence of autonomy. A definitive answer to this last question may be beyond the scope of this study given the data limitations and the complexity of the many factors influencing student performance.

3. Local Government Funding System Study

The final report to be considered provides a rather extensive set of recommendations covering the entire scope of local government financing. This material reflects the findings of a series of working papers and subsequent deliberations of a Technical Work Group established by the state legislature. The goal of this effort was to improve the funding system for local governments in South Carolina. Recommendations are based on a set of six guiding "criteria" set out by the Steering Committee as to their view of a "desirable" local funding system. These six criteria are (1) Stability (policy and revenue stability); (2) Balance and diversity; (3) Equity (horizontal, vertical, and interjurisdictional equity); (4) Accountability; (5) Adequacy (or sufficiency); and (6) Ease (efficiency) of administration and compliance. Recommended changes in the local funding system are then based on these six criteria. Further, the changes are supposed to be revenue neutral in their impact.[7]

Recommendation #7 in this report is that school districts in South Carolina be given fiscal autonomy. The report recognizes that most school board members are elected by and accountable to citizens just as members of city and county councils are. They are also under considerable pressure to improve the quality of

[6] A Five-Year Comparison of South Carolina School Districts With Varying Degrees of Fiscal Authority, South Carolina School Boards Association, November 1, 1996, page 6.
[7] See pages 2-5 of the report.

education being delivered with various mandates from both state and federal governments. At the same time, they do not receive sufficient funding from these governments to deliver on the mandates. Thus, while decisions may be made at different levels of governments requiring additional local revenue, the ability of local districts to respond varies greatly according to their degree of fiscal autonomy. Thus follows the recommendation that "all elected school boards be granted the power to determine their own budgets and establish their own mill rates for school purposes".[8]

The autonomy recommendation is based on the criterion of "accountability" which is number (4) above. While having several components, this concept simply states the "government" that spends the money should have some degree of responsibility for collecting it, so that taxpayers can see the connection between taxes paid and services received. In this case one reads school district for government in the prior sentence. The study also recommends expansion of local revenue sources for schools (#26) plus a number of other recommendations, which would have impacts on school financing in South Carolina.

Finally, the discussion of fiscal autonomy for school districts in this report ends with a presentation of the objections and reservations that exist concerning this particular recommendation. It is noted that both the business community and the County Association are concerned because schools would share the same base as counties and municipalities. Concern is thus over the impact on total mill rates. A rather strong objection is also noted in a quote from the S.C. Chamber of Commerce, which calls for the need for some "final review of tax increases by a body with broader authority (i.e. county council or legislative delegation) to ensure a check and balance of tax increases."[9]

4. Conclusions from other research

This concludes the review of the three studies noted in the opening paragraph. Each offers support for granting fiscal autonomy to local school districts. The first two deal only with the subject of fiscal autonomy while the last study does so in a broader context of the entire local financing structure in South Carolina. Finally, only the last study mentions the arguments against such a policy change or outlines the concerns of those apposed to statewide autonomy.

[8] See page 20 of the report.
[9] See page 20 of the report.

IV. FISCAL AUTONOMY IN OTHER STATES[10]

A 1997 report by the Education Commission of the States Information Clearinghouse (ECS) describes the status of the nation's school boards in 1991 in terms of elected versus appointed and with or without taxing authority.[11] In 1991, there were 15,437 school boards in the nation, ranging from one in Hawaii to 1,052 in Texas. The vast majority, 14,995 (97%) were elected. The report did not make the finer distinction between full, partial, and no fiscal autonomy, and focused solely on taxing authority rather than including the budget approval processes. Districts with either limited or full taxing authority were classified as "independent," while those with no taxing authority were classified as "dependent."

Nationwide, 11,869 school boards, or 77% of the total, had some degree of fiscal autonomy in 1991. Thirty states give all their school boards some measure of fiscal autonomy (33 including Pennsylvania, which has 500 boards with fiscal autonomy and only one without; New York, 686 and 5; and Arizona, which has 222 independent boards and only 4 classed as fiscally dependent). Twelve states give none of their school boards fiscal autonomy (14 including North Carolina and New Hampshire; only 2 of the 118 districts in North Carolina and one of the 175 in New Hampshire have taxing authority). Hawaii has a single state school board. That leaves only two states, Georgia and South Carolina, with a significant mixture of school boards with and without fiscal autonomy. In 1991, South Carolina was classified as having 28 districts that were fiscally dependent (no taxing authority) and 63 fiscally independent, including those we would categorize as possessing limited fiscal autonomy. In Georgia, the mix was 23 dependent and 159 independent.

Among Southern states there is a greater tendency to make school boards fiscally dependent, without taxing authority. Table 2 summarizes the status of school boards in ten Southern states in 1991.

There is no clear Southern pattern on this governance issue. Among our neighboring states, four—Florida, Arkansas, Louisiana, and Texas—grant all their school boards some degree of fiscal autonomy, while another four (with a minor exception in North Carolina) grant it to none. Georgia and South Carolina are alone both in the South and in the nation as a whole in having a mixed system.

[10] Additional detail on the fiscal autonomy in other states is provided in Appendix A.

[11] "Fiscally Dependent/Independent School Districts," Education Commission of the States Information Clearing House, 1997. An updated report will be available in late 2001, but these are the most recent available compilations on this issue.

Table 2
Fiscal Independence of School Districts in Southern States, 1991

State	# Fiscally Dependent	%	# Fiscally Independent	%
Alabama	127	100%	0	0%
Arkansas	0	0%	315	100%
Florida	0	0%	67	100%
Georgia	23	13%	159	87%
Louisiana	0	0%	66	100%
Mississippi	149	100%	0	0%
North Carolina	118	98%	2	2%
South Carolina	28	31%	63	69%
Tennessee	139	100%	0	0%
Texas	0	0%	1,052	100%
Virginia	137	100%	0	0%

There are two conclusions that might be drawn from this national pattern:

- Nationally, most states are uniform or almost uniform. They either give school boards taxing authority or they do not. The clear advantage of some degree of uniformity is that local school boards will meet changes in state regulations, requirements, and/or funding with similar options for how to respond. In states with mixed systems, the ability of local boards to adjust to a change at the state level varies from one district to another because of differences in the degree of autonomy.

- More than ¾ of all school boards nationwide have some degree of fiscal autonomy—a slightly higher proportion than in South Carolina, a little lower than Georgia. This preference for autonomy is buttressed by a more recent ECS report, described below.

In November 1999, the ECS issued a report titled "Governing America's Schools: Changing the Rules." This report recommended two alternative structures, one in which schools would be publicly funded and publicly operated, the other in which they would be publicly funded and independently operated, which is akin to a voucher system. The latter alternative lies outside the scope of this report. Within the first option, however, the Commission strongly recommends that school districts, in order to be both empowered and accountable, be given the authority to develop and adopt their own budgets, which implies taxing authority as well. Thus, they endorse the majority pattern of existing school boards with at least some degree of fiscal autonomy. They also strongly

encourage granting more power and authority to the individual school than exists at present in most systems, with appropriate accountability measures.

V. STATISTICAL ANALYSIS

In order to determine whether fiscal autonomy affects tax rates, revenues or student performance, we conducted two types of statistical analysis. The first is descriptive statistics for each of the three categories of school districts, looking at means and ranges of values for various socioeconomic, fiscal and performance variables. The second type is regression analysis. Results of both methods are reported in this section.

1. A portrait of school districts: who has autonomy?

If we think of fiscal autonomy along county lines (since in most cases, all districts within a county have the same degree of fiscal autonomy), the state is divided into roughly 30% each with full or no autonomy and 40% with limited authority. Although there are 23 districts with fiscal autonomy, they represent only 13 counties. In general, districts with full autonomy are larger, more urban, whiter, and more prosperous than districts with limited or no autonomy. However, a few of these districts are relatively poor and rural with large minority populations—Edgefield, Marlboro, Union and Chester, all with a single countywide school district.

In contrast, the 26 districts in 14 counties with no autonomy, there is a real mixture. Seven of these districts are in four relatively prosperous, urban or suburban counties (Richland, Greenwood, Oconee, and Beaufort). Four are in Florence County and two in Sumter County, which are relatively urban but have higher than average minority populations. The remaining 11 districts are all in the lowcountry, and are generally poor, rural, and heavily minority.

In between are the other 38 districts in 19 counties (including one of the Florence districts) with varying degrees of limited autonomy. Greenville, the largest district in the state, tends to dominate the statistics in this category. Anderson, York, Pickens and Orangeburg are also relatively large urban/suburban counties, accounting for another 13 districts. This category also includes a number of smaller, more rural, predominantly minority counties—Marion, Barnwell, Bamberg, McCormick, Allendale, Laurens, Fairfield, Abbeville, Newberry, Williamsburg and Chesterfield. Socioeconomic characteristics for each of the three classes are presented in Table 3.

Table 3
Socioeconomic Characteristics by Autonomy Class

	Full autonomy			Limited autonomy			No autonomy		
Variable		Mean	Range		Mean	Range		Mean	Range
1997 county Population	166,037		19,750-200,370	85,055	9,530-348,520		76,992	13,770-303,580	
Percent minority		26%	11-47%	39%	9-68%		43%	9-63%	
1996 Per Capita Income (county)		$19,406	$13,891-$22,812		$18,312	$13,269-$24,058		$17,662	$12,331-$22,891
% county population w/BA degree	14.1%	7.2-21.0%	13.5%		7.1-21.0%	16.8%		4.8-28.0%	
Number of pupils		11,074	2,331-43,565	6,934	481-56,664		5,392	964-27,058	

2. Fiscal characteristics

Does fiscal autonomy affect mill rates, mill rate growth, local and total revenue per pupil? Do districts with fiscal autonomy have greater wealth per pupil than districts without? Do they get more or less state aid? To answer those questions, we turn to the fiscal statistics. Table 4 summarizes the fiscal characteristics of the three groups of districts. In general, the average mill rate is highest in districts with full autonomy, but not by much—an average of 163 mills compared to 157 in districts with partial autonomy and 143 mills in districts with no autonomy. For just operating millage, the difference is even smaller—139 mills compared to 130 and 125, respectively. Growth in millage from 1987 to 1997 has been about the same for districts with full and limited autonomy, 49 mills versus 48 mills, but less in those districts with no autonomy (34 mills).

Districts with full autonomy raised more local revenue per pupil on average ($2,179) in 1997 than those with partial autonomy ($1,982) or no autonomy ($1,720), partly because of higher average millage but also because of higher assessed valuation per pupil ($14,080 compared to $12,142 and $11,832) and lower state aid per pupil ($2,976, compared to $3,206 and $3,962 in the other two groups). Although there was a wide range in each class as a result of the offsetting effects of millage, property tax base, and state aid, the difference in total revenue per pupil(a rough measure of education spending) is almost nonexistent. The full autonomy group spent $5,372 per pupil in 1997, compared to a larger sum in the limited autonomy ($5,489) and no autonomy ($5,380) districts.

3. Are the outcomes different?

The final question is whether the outcomes are different among the three classes of districts. Given the limited variation in per pupil spending, there is no reason to expect different outcomes by autonomy class, except to the extent that the mix of districts in terms of social and economic characteristics varies from class to class. There is a smaller percentage of students scoring low on both parts of the BSAP in full autonomy districts than the other two, higher SAT scores in 1999, and a higher percentage passing the exit exam than in the other two groups of districts. Readiness scores were highest in the limited autonomy districts. Performance measures are summarized in Table 5.

While the low autonomy districts have the poorest performance, given the limited range of variation in spending per pupil, it is more likely to reflect the socioeconomic characteristics than the fiscal behavior of the school districts in that group. In order to analyze these relationships more thoroughly, we turn to the regression results.

Table 4
Fiscal Characteristics by Autonomy Class, 1997

	Full autonomy		Limited autonomy		No autonomy	
Variable	Mean	Range	Mean	Range	Mean	Range
Total millage	163.3	105.2-217.3	157.1	105-239	142.6	82.1-261
Operating millage	139.1	84.8-215	130.3	89.7-208	125.1	73.4-243
Assessed valuation Per pupil	$14,080	$5,732-27,096	$12,142	$6,141-29,148	$11,832	$4,938-32,308
Local revenue per Pupil	$2,179	$1,257-3,368	$1,982	$1,242-$5,390	$1,720	$944-3,352
State revenue per Pupil	$2,976	$2,520-3,465	$2,975	$1,178-3,465	$3,062	$2,135-3,542
Total revenue per Pupil	$5,372	$4,579-6,227	$5,476	$4,617-7,547	$5,380	$4,625-6,536

Table 5
Performance Characteristics by Autonomy Class

	Full autonomy		Limited autonomy		No autonomy	
Variable	Mean	Range	Mean	Range	Mean	Range
Average SAT 99	945	885-1043	928	731-1031	890	750-1018
Score below average Both parts of BSAP 1997	16.9%	5.4-33.9%	22.7%	6.4-45.3%	24.3%	9-47.3%
Percent passing Exit exam, 1999	62.4%	49.9-80.1%	59.7%	34.1-79.9%	56.3%	42.9-82.1%
Readiness for school 1997	80.2%	73-92%	83.9%	73-94.9%	76.2%	59.6-90.4%

4. Regression results

Three sets of regressions were run. The first set of regressions used a dummy variable for fiscal autonomy of 1,2, or 3 as full, partial, or no autonomy, as defined by the state Department of Education. The second set of regressions grouped the districts according to full or partial autonomy compared to no autonomy. The third set of regressions grouped the districts as full autonomy compared to limited autonomy. Each set of regressions then attempted to determine the effect of fiscal autonomy on various fiscal variables and various measures of student performance, taking into account such socio-demographic variables as income, minority population, average level of education, average school size, and assessed value per pupil.

The fiscal variables were total school millage (TMILLS), change in millage from 1987 to 1997 (DMILLS), local revenue per pupil (LREV), and total revenue per pupil (TREV), which is a rough approximation to per pupil spending. In the case of DMILLS, some of the explanatory variables were also measured as changes between 1987 and 1997—change in income, change in number of pupils, and changes in assessed value per pupil.

The performance variables were percentage scoring below average in both parts of the BSAP, percent failing the exit exam (EXIT99), and 1999 SAT scores (SAT99).

Results for fiscal variables with three classes of autonomy.

There was a highly significant relationship between fiscal autonomy and both the mill rate and the change in the mill rate. Average millage declined about 15 mills with declining measures of fiscal autonomy, and millage growth over the ten-year period was about 13 mills less for each degree of autonomy. Total millage was negatively related to assessed value per pupil (AVP), but the coefficient was quite small. Growth in millage was also related to average size of school (SIZE), declining with larger school plants, which is probably a rural effect, but the coefficient was very small. There was also a positive but weak and small relationship between millage growth and percent minority population (MINOR).

When it came to local revenue per pupil, however, the effect of fiscal autonomy was of very limited significance. 1996 per capita income and assessed value per pupil were all highly significant but the actual dollar effects were small in both cases. There was also some borderline effect of average school size, with slightly higher local revenue per pupil in districts with smaller schools.

Total revenue per pupil was strongly related to AVP, suggesting that state equalization efforts do not adequately overcome the effects of the wealth of the

district. Minority population and school size were also highly significant in explaining differences in total revenue per pupil, although the actual dollar differences resulting from these two effects was small. Interestingly, fiscal autonomy was of borderline significance in these equations.

Performance results with three classes of autonomy.

Three measures of student performance were used: SAT99, EXIT99 (percent failing the exit exam), and BSAP (percent with low BSAP scores on both parts). Explanatory variables were total revenue per pupil as a measure of spending, fiscal autonomy, percent minority, 1996 per capita income, assessed valuation per pupil, level of education in the adult population, average school size, and scores on readiness tests in 1997, a measure of the ability of entering students.

For both SAT99 and EXIT99, the only significant variable was the minority percentage of the population, with a small but decidedly negative effect in both cases. Total revenue per pupil as a proxy for spending does not appear to affect these outcomes, nor does fiscal autonomy. For BSAP, both the minority percentage and the readiness of entering students were quite significant, as well as per capita income and average level of education in the population. Clearly, socioeconomic factors play a significant role in all of these results.

The performance variables were percentage scoring below average in both parts of the BSAP, percent failing the exit exam (EXIT99), and 1999 SAT scores (SAT99).

Results for fiscal variables with two classes of autonomy, some or none.

The second set of regressions combined districts with full autonomy and districts with limited autonomy to compare the results for districts with no autonomy. This is the classification system used by the Education Commission of the States, which calls the first two groups fiscally independent and the latter group fiscally dependent.

Once again, there was a highly significant relationship between fiscal autonomy and both the mill rate and the change in the mill rate. Average millage was about 10 mills lower in districts with no fiscal autonomy, holding other factors constant, and millage growth over the ten-year period was about 10 mills less. Total millage showed a weak negative relationship to assessed value per pupil (AVP), but the coefficient was quite small. Growth in millage was also related to average size of school (SIZE), declining with larger school plants, which is probably a rural effect, but the coefficient was very small.

When it came to local revenue per pupil, however, the effect of fiscal autonomy was of only marginal significance. 1996 per capita income and assessed value per pupil were both quite significant but the actual dollar effects were small in both cases. There was also some borderline effect of average school size, with slightly higher local revenue per pupil in districts with smaller schools.

As in the previous case, total revenue per pupil was strongly related to AVP, suggesting that state equalization efforts do not adequately overcome the effects of the wealth of the district. Minority population and school size were also highly significant in explaining differences in total revenue per pupil, although the actual dollar differences resulting from these two effects was small. Fiscal autonomy showed no significance in these equations.

Performance results with two classes of autonomy, some or none

Three measures of student performance were used: SAT99, EXIT99 (percent failing the exit exam), and BSAP (percent with low BSAP scores on both parts). Explanatory variables were total revenue per pupil as a measure of spending, fiscal autonomy, percent minority, 1996 per capita income, assessed valuation per pupil, level of education in the adult population, average school size, and scores on readiness tests in 1997, a measure of the ability of entering students.

As in the previous case, for both SAT99 and EXIT99, the only significant variable was the minority percentage of the population, with a small but decidedly negative effect in both cases. Total revenue per pupil as a proxy for spending does not appear to affect these outcomes. For BSAP, both the minority percentage and the readiness of entering students were quite significant, as well as per capita income and average level of education in the population. Fiscal autonomy was not significant for any of these performance results.

Results for fiscal variables with two classes of autonomy (full or less than full).

The third set of regressions compared districts with full autonomy to districts with limited autonomy and districts with no autonomy. The third set of regressions were run in order to isolate the effects of full autonomy compared to districts which are subject to at least some degree of constraint.

Once again, there was a highly significant relationship between fiscal autonomy and the mill rate. Average millage was about 10 mills lower in districts with less or no fiscal autonomy, holding other factors constant. However, unlike the previous cases, full autonomy did not result in higher millage growth compared to districts with less autonomy. Total millage showed a negative

relationship to assessed value per pupil (AVP), but the coefficient was quite small. None of the explanatory variables had any impact on the growth in the mill rate.

Full fiscal autonomy also had no explanatory power for either local or total revenue per pupil. 1996 per capita income and assessed value per pupil were both quite significant but the actual dollar effects were small in both cases. There was also some effect of average school size, with slightly higher local revenue and slightly lower total revenue per pupil in districts with smaller schools. Minority population was not significant for local revenue per pupil, but was significantly and positively related to total revenue per pupil, suggesting that these districts get more state aid.

Performance results with two classes of autonomy (full or less than full).

The same three measures of student performance were used: SAT99, EXIT99 (percent failing the exit exam), and BSAP (percent with low BSAP scores on both parts). Explanatory variables were total revenue per pupil as a measure of spending, fiscal autonomy, percent minority, 1996 per capita income, assessed valuation per pupil, level of education in the adult population, average school size, and scores on readiness tests in 1997, a measure of the ability of entering students.

As in the previous case, for both SAT99 and EXIT99, the only significant variable was the minority percentage of the population, with a small but decidedly negative effect in both cases. Total revenue per pupil as a proxy for spending does not appear to affect these outcomes, nor does fiscal autonomy. For BSAP, both the minority percentage and the readiness of entering students were quite significant, as well as per capita income and average level of education in the population.

Performance results with two classes of autonomy (some or none)

Three measures of student performance were used: SAT99, EXIT99 (percent failing the exit exam), and BSAP (percent with low BSAP scores on both parts). Explanatory variables were total revenue per pupil as a measure of spending, fiscal autonomy, percent minority, 1996 per capita income, assessed valuation per pupil, level of education in the adult population, average school size, and scores on readiness tests in 1997, a measure of the ability of entering students.

As in the previous case, for both SAT99 and EXIT99, the only significant variable was the minority percentage of the population, with a small but decidedly negative effect in both cases. Total revenue per pupil as a proxy for spending does not appear to affect these outcomes, nor does fiscal autonomy. For BSAP,

both the minority percentage and the readiness of entering students were quite significant, as well as per capita income and average level of education in the population. Again, socio-demographic factors seem to be very significantly related to outcomes or student performance at the end of the educational process.

Conclusions from the regressions

There does seem to be some relationship between fiscal autonomy and tax rates, but it is neither strong in terms of statistical significance nor large in terms of total millage. Interestingly, when districts are grouped so that districts with full autonomy are compared with all other districts, the millage difference remains but the effect on the increase in millage disappears. Districts with full autonomy have not been exercising that autonomy to increase mill rates faster than other districts in the last decade.

Once we move away from millage to other measures of school revenue and spending, such as local revenue per pupil or total revenue per pupil, fiscal autonomy becomes a relatively insignificant factor in explaining differences between districts. Moving still farther from spending to performance, we could not detect any difference between student performance in districts with full, limited, or no fiscal autonomy; socio-demographic factors were of overwhelming significance in all cases.

VI. SUMMARY AND RECOMMENDATIONS

The current status of fiscal autonomy in South Carolina school districts is perhaps the most diverse and complicated in the country. There are three levels (or degrees) of fiscal autonomy typically used to classify these districts; Total Independence, Limited Authority and No Authority. However, it would be more accurate to group them into 50 to 60 different classes. There are 85 school districts in South Carolina and just about every one is different in terms of their degree of fiscal autonomy.

Twenty-three, or a little over one-fourth of the districts has complete fiscal authority. There are 35 districts that have limited authority (five districts have a statutory cap and require county council approval to exceed that cap). The remaining 27 districts have no authority.

There have been three relatively recent studies, which to varying degrees examine the issue of allowing fiscal autonomy for local school boards in South Carolina. The first of these is the Recommendations to the South Carolina Education Oversight Committee (EOC) by the Study Team on Local Leadership Quality and Engagement (October 19, 2000). The second report is titled A Five-Year Comparison of South Carolina School Districts with Varying Degrees of Fiscal Authority. This was published in November of 1996 by the South Carolina School Boards Association (SCSBA) and was written by Elizabeth Warren. The

third document is The Local Government Funding System, a report from the Technical Work Group to the Local Government Funding System Steering Committee.

Each of these studies offers support for granting fiscal autonomy to local school districts. The first two deal only with the subject of fiscal autonomy while the last study does so in a broader context of the entire local financing structure in South Carolina. Finally, only the last study mentions the arguments against such a policy change or outlines the concerns that may exist concerning this issue.

Nationally, most states are uniform or almost uniform. They either give school boards taxing authority or they do not. Only two states in the country, Georgia and South Carolina, have a significant mixture of school boards with and without fiscal autonomy. The clear advantage of some degree of uniformity is that local school boards will meet changes in state regulations, requirements, and/or funding with similar options for how to respond. In states with mixed systems, the ability of local boards to adjust to state mandated changes differ from one district to another because of differences in the degree of autonomy. More than ¾ of all school boards nationwide have some degree of fiscal autonomy—a slightly higher proportion than in South Carolina, a little lower than Georgia.

In its November 1999, report titled "Governing America's Schools: Changing the Rules." The Commission of the States Information Clearinghouse (ECS) strongly recommends that school districts, in order to be both empowered and accountable, be given the authority to develop and adopt their own budgets, which implies taxing authority as well.

There are a number of options that could be explored with respect to fiscal autonomy. One issue that emerges from the report of the Education Commission of the states is elected versus appointed school boards. Clearly the national pattern, in terms of both authority and accountability, is one of elected school boards. There are a few remaining appointed school boards in South Carolina, an issue that should perhaps be revisited in those districts.

The statistical analysis reveals that autonomous districts have slightly higher millage rates, but that the difference is relatively small. The difference in operating millage is even smaller between autonomous and other districts. There does seem to be some relationship between fiscal autonomy and tax rates, but it is neither strong in terms of statistical significance nor large in terms of total millage. Interestingly, when districts are grouped so that districts with full autonomy are compared with all other districts, the millage difference remains but the effect of autonomy on the increase in millage disappears. *Districts with full autonomy have not been exercising that autonomy to increase mill rates faster than other districts in the last decade.*

Once we move away from millage to other measures of school revenue and spending, such as local revenue per pupil or total revenue per pupil, fiscal autonomy becomes a relatively insignificant factor in explaining differences between districts. Moving still farther from spending to performance, we could not detect any difference between student performance in districts with full, limited, or no fiscal autonomy; socio-demographic factors were of overwhelming significance in all cases.

Recommendations:

Utilizing South Carolina specific data, this report finds little evidence that fiscal autonomy for school districts has resulted in unusual increases in local tax rates nor can it be tied to student performance. It thus follows that the decision on this whether to extend fiscal autonomy to all districts must be based on considerations other than these two.

Given these findings, the arguments for autonomy appear to be strong and rest on accountability and uniformity. We recommend extending fiscal autonomy to all districts for the following reasons:

1. The importance of uniformity in ability to respond to changing state requirements, funding or mandates.
2. Such autonomy will match fund raising ability with the growing accountability facing all school boards.
3. This would be consistent with "home rule". School boards, like city and county councils, are elected and therefore accountable. Full autonomy would give them the same degree of home rule now enjoyed by county and city councils.
4. The fact that districts with full autonomy have not exercised that autonomy in the last ten years to raise mill rates faster than districts with limited or no autonomy.
5. Other elected boards and councils that may have authority over a school's budget are not always familiar with the school's budget. In districts where county council approval is required for budgets and/or millage increases, a body that has little day-to-day involvement in education has to second-guess or oversee those who have the responsibility, knowledge and training to manage school affairs. A once a year look at school budgets does not develop that expertise in county council members, who are elected to deal with such very different matters as roads, jails, parks, property tax administration, and land use management.

Arguments against autonomy include a concern over the coordination of decisions between multiple taxing bodies drawing on the same tax base. This has at its core fears of tax increases or "the impact on total mill rate' resulting from fiscal autonomy[12] Further, to quote the State Chamber of Commerce: "federal and state funds available to schools are dramatically different than those available to local governments; therefore revenues and taxes available to all local entities need to be reviewed and monitored in detail."[13] This statement would appear to call for a complete review and revamping of local government financing before changing school funding policies. A final Chamber concern is their objection to expanding school revenue sources without being explicit about the taxes and their incidence. As noted above, the decision on granting school districts fiscal autonomy should exclude concerns over tax impact and student performance. Thus, the first argument against autonomy reported in the preceding paragraph has been dealt with in this report. Second, calling for a complete study and revamp of local tax structures and intergovernmental fiscal relations, while perhaps in order, seems a bit extreme for the topic at hand. Finally, it is hard to understand the concern over the tax source (property taxes) and incidence (a much researched issue).

Thus, given the results of this study and the weakness of the arguments against granting full autonomy for all elected school boards, the conclusion of this research is to favor such autonomy. It is also recommended that every effort be made to assure that these school boards have the requisite skills and education to fulfill the responsibilities associated with this responsibility. It would appear, however, that the results of this study cast doubt over the viability of this concern.

[12] See page 20 of *The Local Government Funding System: A Report From the Technical Work Group to the Local Government Funding System Steering Committee.*
[13] Ibid.

Appendix A

Selected States and Fiscal Autonomy

North Carolina

There are 117 school districts in NC. 100 of the districts are county units, and there are 17 specially chartered city units. County boards of education consist of five members who are elected every four years. Two city systems, Mooresville and Roanoke Rapids, have charters which allow the local board of education to set a school tax rate. The other 115 districts are fiscally dependent- they must rely on county commissioners for local funds.

The county commissioners have final approval of local budgets. The state, through the Local Government Commission (LGC) also reviews county and local school budgets. Furthermore, the state has established a maximum tax rate of $1.50 per hundred-dollar valuation. State law requires a balanced budget. Voter approval of the budget is not required.

Capital outlay is also the responsibility of local county commissioners. General obligation bonds are the most common source for these funds. Also, in 1983 and 1986, local option sales taxes were established to support capital outlay needs. The North Carolina School Boards Association continues to advocate for the transfer of fiscal authority to local boards of education

Georgia[1]

Of the 180 school systems in Georgia (159 county systems and 21 city systems), only 11 must secure approval from another governmental entity for approval of their budgets and/or property tax millage rates. Ten city systems are dependent on city councils, while the boards of education in the other 11 cities have their own independent taxing authority. The recent trend has been toward more city school boards having their own taxing authority. There is only one county school system that must secure approval of the county commission for its tax rate. The charter that created the school system in that county was “grandfathered” because it pre-dates the state constitution of 1877

There are two types of school systems in Georgia. Every county is, by default, a countywide school system unless a municipal school system that operated prior to

1. The description of Georgia school finance comes in large part from correspondence with Dr. Jeffrey Williams of the The Consortium of Education Research.

1945 has opted to continue to function as a separate system. No new city systems have been permitted since 1945, and many city systems have ceased to operate since then.

The Georgia Constitution permits local boards of education (or other taxing authorities in the 11 fiscally dependent systems) to levy 20 mills without having to secure voter approval. Only three county systems have obtained voter approval for millage rate caps higher than 20 mills; once a higher limit is approved, the new ceiling is permanent. The average millage rate for school operation is currently just over 14.5 mills.

There are a few exceptions for the 20-mill limit provision in the state constitution. Four county systems originally had no limit on the number of mills that their boards could levy without needing voter approval in referenda. The Constitution permitted that status to be grandfathered in those systems, but local legislation has subsequently imposed a 20-mill cap in two of them, and only one is above 20 mills at present. Additionally, the charters of two city systems (Atlanta and Decatur) provide for millage caps that exceed 20 mills and both of these cities are currently levying more than 20 mills.

Local school districts fund capital outlay projects in one of two ways: (1) issue bonds or (2) levy a Special Purpose Local Option Sales Tax (SPLOST). Local districts can not issue bonds in excess of 10% of the property value within the district. A bond referendum must be approved by a simple majority of voters. The SPLOST is a one- percent sales tax for five years, which also requires voter approval.

The Georgia School Boards Association (GSBA) supports retention of the current property taxing authority as the fundamental element in education finances.

Tennessee

There are 138 school districts in Tennessee. 124 of the districts (95 county and 29 city) have no fiscal authority. They have to rely on the county governing body to set the tax rate. The remaining 14 are “special” school districts and are "fiscally independent." Essentially, the boards of education of special districts may levy tax rates in addition to the county rate. Their independence is restricted by tax rate limits established in the acts that created the special district. For tax rate increases beyond those limits established in the act that created the district, special school districts may petition to the state legislature.

However, Dr. Harry Green of the Tennessee Advisory Commission on Intergovernmental Relations says that it is difficult to accept that there are any “fiscally independent” school districts in Tennessee because the 14 special districts functioning under the additional tax rate can only recommend that a change in the rate be made by the General Assembly. He states that it is “no

easier for them to get a rate change than any of the 'dependent' school systems. Local legislators who plan to seek re-election do not want to be tagged for a property tax increase. Hence, there is no 'independence'. In fact, these 14 systems probably have a more difficult time getting a rate change than the 'dependent' system." Some of the 14 special districts have bonding authority through private acts. These districts must seek General Assembly approval for any changes.

Current Tennessee law prohibits the creation of any new special school districts, except for mergers or consolidation. The Tennessee School Boards Association encourages the General Assembly to change the law to allow school systems to convert to special school districts so that they too may have limited fiscal authority.

Texas[2]

There are 1041 school districts in Texas. Texas has two types of school districts: municipal school districts (MSD) and independent school districts (ISD). Only two MSDs remain in Texas. MSDs are no longer allowed in Texas (Senate Bill 1, 1995), but MSDs in existence at the time the law changed can continue to operate under the laws applying to them prior to the law change.

Most school districts are ISD's. Some are called "consolidated independent school districts" but the rules are the same. The fiscal authority vested in ISD's is uniform throughout the state. Fiscal authority is limited in various ways in these districts. The main limitation is on tax rates. There are two types of rates in Texas: a rate for maintenance and operations (M&O) and an interest and sinking fund rate (I&S). All districts adopt M&O tax rates. All districts are limited to a $1.50 M&O tax rate (tax is levied per $100 of value, so a $1.50 tax on a $100,000 home is $1,500). Limits were created many decades ago when school districts organized independently.

When they asked the voters to permit them to be independent, they also asked the voters to approve a tax rate limit. Most districts took a $1.50 limit because that was the maximum permitted. (At the time, that was a tax rate no one ever thought could or would be reached.) A few districts approached voters with a lower limit. For example, I think Arlington ISD has a 1.30 tax rate limit. Efforts in the last decade seeking voter approval to raise the limit were unsuccessful.

Texas school districts that have authorized long-term debt adopt an I&S rate. There is also a limit on the I&S rate of $0.50. Districts seeking authority (from the state) to sell bonds must assure the state that they have the revenue capacity to service the bonds at a rate at or below $0.50. Once authorization is given to a school district, it is possible for it to exceed $0.50 in I&S taxes IF that is required to service the bonds. This comes up rarely--but occurs in situations where a major

2. Dr. Catherine Clark, Program Director for Research and Policy for the Charles A. Dana Center at the University of Texas at Austin.

property tax payer leaves or goes out of business--and the district has to hike the tax rate to get the needed revenue. A district in this situation will most likely restructure the debt, but that can take time and in the meantime, the tax rate may have to go up.

There is also a wealth limitation on school districts through a recapture program. All school districts must maintain a wealth level of $295,000 per weighted student. The 90+ districts above this level must shed that wealth through one of five options. Most “buy” attendance credits from the state and thus leaves these districts with less money to spend.

Another very important limitation on school boards in Texas is the rollback. The rollback is a taxpayer relief mechanism that allows local voters to disregard the tax rate set by the school board. A rollback election occurs when a school district attempts to increase the tax rate above a certain percentage. The percentage changes each year, depending on where the legislature sets it -- usually from 3-6%. At the election, voters who vote "yes" say they want the higher rate. If the voters say "no" then the district is held at a tax rate just below the rollback threshold. In other words, rates can creep upward little by little without voter authorization.

Texas also limits administrative costs. Each district must keep administrative costs below a ratio determined by the commissioner of education.
Districts have the power to provide optional homestead exemptions. Texas does not require voter approval of the school budget. Again, tax rate approval by the voters only occurs if the rollback limit is exceeded.

Colorado

Colorado school districts have little fiscal authority. The 176 local school districts in Colorado levy a tax (primarily through a property tax) for their share of funding based on the formula-determined equalized spending level. School districts may supplement this spending level, but only if local voters authorize them to do so. These are called "voter approved override mill levies." Voter approved override mill levies are limited to 20% of formula or $200,000, whichever is greater. Furthermore, school districts have a required minimum budget for capital outlay, insurance, and risk management. Additionally, school districts may fund capital expenditures through bonds or additional millage. Both of these options must be approved by voters. If voters approve the additional mills for capital outlay, the amount is limited to 10 mills for not longer than 3 years. Total bonded indebtedness is limited to 20% of assessed valuation or 6% of actual valuation (except that for rapidly growing districts the 20% limit is increased to 25%).

In sum, the districts are technically "fiscally independent," but the amount of revenue is largely state-determined with a small measure of local leeway through the voter override. The districts are able to set their own budgets.

In Standing Resolution 11, the Colorado Association of School Boards (CASB) "opposes efforts to shift control over public schools away from the local school board, whether by state or federal legislative action, regulation or court decision. CASB believes the principle of local control is derived from the involvement of the people and is the sole and final guarantor of educational quality."

Connecticut

All 166 public school districts in Connecticut are coterminous with one or more units of local governments called "towns." Of the 166 districts, 149 districts are operated by a single town. There are 17 regional, multi-town school districts. The 169 towns in Connecticut have the right to tax real and personal property. Thus, all school districts in Connecticut are fiscally dependent on the towns. That is, they have no taxing authority. The municipality's legislative body (either the common council, town meeting, or the representative town meeting) must approve all local budgets. Only the total budget can be reduced; the budget cannot be revised item by item. Therefore, the school board has full control of its budget within its total appropriation.

There are no statutory limitations on the amount of property tax, which may be levied to fund education. However, the amount of school bonds outstanding is limited to 4.5 times the town's prior year total revenues. There is also a cap on all bonds at 7.0 times total revenues.

New York

There are 682 school districts in New York. Except for the school districts in the state's five largest cities (New York City, Yonkers, Buffalo, Rochester, and Syracuse) all districts have independent taxing and borrowing authority. The districts in the five largest cities have Constitutional limits that apply to the total municipal budget.

The remaining school districts levy a property tax to fund education. These school districts may also use some portion of the local county sales tax to support education. There are no tax limits on these districts. However, districts are limited in that school budgets are subject to referenda. The state's School Tax Relief Program (STAR) was designed to provide uniformity in school budget voting procedures. School districts are limited to one vote and one revote on school budget referenda. The program specifies a single statewide day to vote on school budgets. Furthermore, school districts may not carry an unappropriated fund balance above 2% of their budget.

Minnesota

Minnesota's 350 school districts have limited fiscal authority. Districts have fiscal independence, but are limited by the state's determination of the maximum levy for that district. The state determines the maximum levy for each school district by funding category. Formulas for computing the maximum levy for each funding category are specified in state law. Districts may increase the amount levied for general education purposes through a referendum election. A simple majority is required to approve an operating referendum. The referendum allowance per pupil is capped to the greater of the district's referendum allowance for 1993-1994 or 25% of the general education formula less $300.

A school district may issue bonds for capital outlay when approved by voter referendum. The districts may levy for the payment of principal and interest due on the bonds. There are no local laws that further limit school district fiscal authority.

Wisconsin[3]

There are 426 school districts in Wisconsin. 369 of these are called "common school districts." Common school districts are K-12. 47 districts are "unified school districts." Unified school districts are K-8. 10 districts are grades 9-12 and are called "union high school districts." The school district serving Milwaukee is called a "first class district."

Common and union high school districts have fiscal independence, but are limited by the requirement of an annual meeting of voters to approve the district's levy. Districts do retain the authority to adjust the tax levy if the amount approved at the annual meeting is insufficient. The annual meeting requirement provides the levy necessary to operate the district. However, the annual meeting requirement has become less significant since Wisconsin's legislature imposed revenue limits beginning on 1993. Under the revenue limits, the annual increase in a school district's per pupil revenue derived from general school aids, computer aid and property taxes is restricted. In general, the allowable increase in revenue per pupil cannot exceed $220.29 in 2000-01, which is adjusted annually for inflation. A school district can exceed the revenue limit by receiving voter approval at a referendum. The school board must approve a resolution supporting inclusion in the school district budget an amount that exceeds the revenue limit. The resolution must specify whether the proposed excess revenue is for a recurring or nonrecurring purpose, or both. The school board can either call a special referendum or hold the referendum at the regular primary or general election. If the resolution is approved by a majority of those voting on the question, the school board can exceed the limit by the approved amount.

3. Dr. Thomas Johnson of the Wisconsin Department of Public Instruction.

Unified and first class districts have no annual meeting requirement, but are subject to the revenue limits.

Wisconsin school districts have significant fiscal authority in regards to school borrowing. All districts have the authority to borrow up to $1.0 million without voter approval. If the district intends to issue a promissory note in excess of $1.0 million, then a referendum is required only if a petition is signed by 7,500 voters or 20% of the voters, whichever is less. If the district intends to issue a municipal bond, then the board may either: (1) call for a referendum; (2) hold a public hearing at which the voters present decide whether a referendum should be held; or (3) expose the bond issuance to a petition for referendum (subject to the same requirements as for a promissory note).

Iowa

The 375 school districts in Iowa have limited fiscal autonomy. Each district has a maximum spending cap set by a formula in the statute. If the revenues available to the district under the state's foundation plan do not equal the formula determined amount, then the district may levy for cash reserve to replace the shortage.

Though property taxes are the primary source of revenue in Iowa school districts, districts also have the option of using an income surtax. The maximum surtax rate is 20%. District may levy the surtax to fund: (1) instructional support programs, (2) physical plant and equipment levies, (3) asbestos removal, and (4) educational improvement. In the 1998-99 school year, 208 of the 375 districts (55%) used the income surtax as a partial source of revenue for instructional support.

Other than the cap on districts' budgets, limits are also placed on districts on a levy by levy basis depending on the purpose of the levy. However, the general funding of districts (which is set by the formula) is not subject to voter approval. Districts may appeal their budget to the state Board of Appeal. Also, any district that overspends its budget must appear before the state School Budget Review Committee with a corrective action plan.

Nevada

The 17 school districts in Nevada have limited fiscal authority. Districts are required to levy $0.75 per $100 of assessed valuation property tax for operations. Local school districts do not have statutory authority to levy additional taxes to supplement the state program. The maximum local aggregate tax rate is limited by the state Constitution as well as by statute. There are no state imposed spending limits other than the requirement of a balanced budget. Voters do not have to approve school districts' budgets. Budgets are approved by a majority vote of the school board after the requirements of a timely public notice and

hearing are met. The issuance of bonds for capital outlay requires a simple majority vote in a referendum of the registered voters.

California

Control of school finance has shifted away from the 988 local districts to the state in recent years. Local property taxes are directly controlled by the state. These taxes are limited by the state Constitution to 1% of the assessed value. Districts may levy taxes for general obligation bonds if approved by a two-thirds supermajority of the registered voters.

The California School Board Association supports equitable local tax levying authority for local school boards and a simple majority requirement for all school tax and bond elections (from 2001-2002 Policy Platform).

School District Finance Survey

The School District Finance Survey (also known as the F33 survey) includes a factor that indicates whether a school district is "independent" or "dependent." The Census Bureau compiles the study. The data collection takes place every five years for years ending in 2 and 7. The criteria used by the Census to determine whether a district is "independent" is described in the Census Bureau publication "Governments Organizations, 1997." For a general definition of school districts and also for descriptions by state, please see Appendix A of that publication.

According to "Governments Organizations, 1997," a school district is "independent" if it possesses substantial autonomy. A school district is substantially autonomous "where subject to statutory limitations and any supervision of local governments by the state, an entity has considerable fiscal and administrative independence." Fiscally "independent" does not mean "autonomous." Fiscal independence generally means the entity has the power to determine its budget without review and significant modification by another local entity or official. Fiscal independence also entails the power to levy taxes and issue debt without review by another local government. In ambiguous circumstances, the Census Bureau also takes account of local attitudes as to whether the entity is independent and the effect of the classification on collection and presentation of statistics of governmental finances.

Table 1 of Appendix A provides the independent and dependent local education agencies by state.[14]

[14] Tables compiled by Mark Gladner of the National Education Data Resource Center.

Appendix A Table 1

STATE	Dependent	Independent	State	Grand Total
Alabama		127		127
Alaska	34		19	53
Arizona	6	222		228
Arkansas		326		326
California	57	993		1,050
Colorado		194		194
Connecticut	149	24		173
Delaware		19		19
District of Columbia	1			1
Florida		67		67
Georgia		180		180
Hawaii			1	1
Idaho		112		112
Illinois		1,003		1,003
Indiana		315		315
Iowa		394		394
Kansas		304		304
Kentucky		176		176
Louisiana		66		66
Maine	194	98		292
Maryland	24			24
Massachusetts	354	82		436
Michigan		623	68	691
Minnesota		407		407
Mississippi	4	149		153
Missouri		525		525
Montana		490		490
Nebraska		674		674
Nevada		17		17
New Hampshire	10	167		177
New Jersey	53	558	3	614
New Mexico		89		89
New York	5	701		706
North Carolina	117			117
North Dakota		263		263
Ohio		731		731
Oklahoma		549		549
Oregon		225		225
Pennsylvania		596		596

STATE	Dependent	Independent	State	Grand Total
Rhode Island	31	4	1	36
South Carolina		91		91
South Dakota		177		177
Tennessee	125	14		139
Texas		1,043		1,043
Utah		40		40
Vermont		326		326
Virginia	134	20		154
Washington		305		305
West Virginia		55		55
Wisconsin	3	426		429
Wyoming		49		49
Grand Total	1,301	14,016	92	15,409