

White Paper: The Global Economy: Buying a Seat at the Table  
The Imperative of Funding World Class Education in South Carolina

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Call to action.

Rip van Winkle has surely missed the quantum changes that have occurred in the world's economy and what it now takes to compete: compete for business, compete for jobs, compete for leadership. When he wakes up, he will not recognize the world or its new global economy or what it takes to compete in that economy. The same will be true when we wake up.

Report after report, article after article describe the changes the U.S. faces relative to the global economy. This country no longer has the benefit of the economic, technological, or educational high ground. In the words of New York Times journalist and author Thomas Friedman, today's world is "flat."

U.S. students fare less well on international tests than students in many other countries. For the first time, U.S. students are less likely to graduate from high school than their parents, the only industrialized nation in the world where that is true. U.S. colleges and universities are graduating about the same number of mathematicians, scientists, and engineers as twenty years ago. Unfortunately, when more and more of those graduates go home, it is to another country.

Here in South Carolina, we have a hard time even getting to the "education for a global economy" conversation. It is not a matter of improving instruction in calculus, physics, and economics. According to some researchers, half of our students don't finish high school. In manufacturing, the number of products you make that can't perform to specification is called the "scrap rate." We could take a giant leap forward if we could just cut our scrap rate in half.

At the same time, the elements of a globally competitive high school education keep getting tougher. The folks who produce the ACT, a college entrance exam, also provide Work Keys, a work skills readiness assessment. They tell us that the high school education in math and English needed to do entry level college work is the same education needed for entry level jobs that pay enough to support a family of four. In other words, there is no market for a second tier high school education. There is no market for "minimally adequate."

Pay what it costs.

You can't spend much time in a room full of people talking about funding public education before somebody will declare that we can't "fix" public education by throwing lots of money at it. Maybe we should try it to see what happens. The "economy minded," that is economy in the sense of "economy car", assert that we spend much more on public education than we used to and that we haven't seen improvement commensurate with the increased expenditures. They have a point until you consider a couple of things.

First, we used to be able to get by on fewer education dollars when our economy was based on cotton and tobacco and textiles and the related jobs were low- or no-skill and you didn't need a diploma much less a degree to get or keep one. That was when our notion of a global economy was the Germans, the British, the Canadians, and West Virginians coming to Myrtle Beach every year. The body of knowledge and skill needed to compete in the Global Economy far surpasses what it took to compete in the "old" South Carolina. Second, South Carolina may be making progress but we have lots of catching up to do in order to bring our schools onto a par with the rest of the country.

The work done over a year ago by a statewide school funding task force strongly suggests that even though we are spending more, we're still not spending enough. We know that money alone won't make public education in South Carolina what it needs to be. But we also know that everything we need for our public schools to deliver a high quality education costs money and more of it.

#### What has happened to public education funding in South Carolina?

So far this budget year, public schools in South Carolina have lost \$334 million in state funding. It is almost certain that even greater cuts will be imposed as state revenues decrease. In Charleston this comes on the heels of years of declining state funding coupled with mandated increases in teacher salaries and fringe benefits.

There is general agreement that the methodology used to determine how South Carolina allocates operating money to each school district is outdated, inequitable and woefully inadequate to meet the challenge of 21<sup>st</sup> century education. In addition, money is doled out to school districts through various State and federal categorical programs, which has resulted in a hodge-podge of competing priorities, conflicting rules, and special deals. Trying to strategically fund a program of improvement to support world-class education has become unnecessarily complex and onerous.

Added to this confusion is the fact that all school operating budgets depend on an incoherent and dysfunctional system of taxation. In 2006, despite warnings from economists and educators, the state traded a stable and progressive funding mechanism (real property) for a volatile and regressive one (sales tax) to fund public education. Local school districts no longer can raise taxes to pay for operating expenses; they must depend on the State to meet a minimum budget.

Even in boom times, forecasters projected that sales tax revenues would lag behind public school expenses and it quickly was apparent that the sales-tax-for-property-tax swap would cause problems for public school budgets. The current economic downturn only hastened the inevitable. The precipitous decline in sales tax revenue has nullified the State's promises of income stability and the children of South Carolina are paying the price. Districts are furloughing employees, closing schools, slashing programs, and cutting positions. The innovative programs responsible for the promising gains in statewide achievement test scores are being suspended. One can only wonder how far our schools are from a forced shift away from a mission of education to a mission of custodial care.

#### What must be done?

First we must stop the hemorrhaging. The Legislature has to stop taking money away from public schools. A Joint Resolution (H.3352) is making its way through the Legislature to address the massive cuts in funding for our public schools by allowing some temporary flexibility and easing of some rules. It promises no money. Flexibility and easing of rules are helpful, but they are not enough. When the philosophy is built on the standard of "minimally adequate," it does not take big cuts to reach muscle and bone.

In the fall of 2007, South Carolina Superintendent of Education Dr. Jim Rex commissioned two task forces, one to look at the revenue side of education funding, the other to look at the expenditure side. As a result of the work of these task forces Dr. Rex has recommended specific reforms to the Legislature as well as an overhaul of the education funding mechanism based on determination of the true cost of a "21st Century Foundation Program." For years, Legislative committees have gathered testimony from experts and have made recommendations about the essential elements of such a program. These should become the basis for Legislative action.

School funding reform is so dependent on state taxes that it only will be "fixed" when the tax base is rationalized. It is not enough to eliminate the egregious flaws from the 2006 tax swap law. The Legislature needs to find a more efficient, dependable way to raise money for public education.

Dr. Rex proposes an independent taxation realignment commission to “make recommendations on an adequate, equitable and efficient state revenue structure with the goal of maintaining South Carolina as an optimum competitor in attracting businesses and individuals to locate, live, work and invest in his State.”

It has been said that a crisis is a terrible thing to waste. Hard economic times have brought the public schools to the brink of crisis, while at the same time increasing the need for our children to have a topnotch education in order to survive in an ever-more competitive world. Our leaders have an opportunity to think and act boldly. The South Carolina Legislature should start NOW to make comprehensive changes that will assure that the schools have adequate resources to educate all of our children. The time to act is NOW - when the faults in the system are magnified and the problems with current practices become clear; when there are no surplus funds for stopgap solutions to systemic problems; when school district personnel are riveted upon ways to deliver education while cutting costs; and when the public is mindful of the need to set priorities and use our resources wisely.

Demands for high quality schools have not lessened as funds have diminished. South Carolina needs to embrace public education as an investment in our future. We cannot afford to wait. Our schools cannot afford to wait. And our children certainly cannot afford to wait - that is, if they are going to take a seat at the table.

#### REFERENCES:

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