



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0203 Amended by the Senate on April 10, 2019
Author: Young
Subject: School Districts
Requestor: Senate Education
RFA Analyst(s): Wren
Impact Date: April 29, 2019

Fiscal Impact Summary

The amended bill will have no expenditure impact on the State Department of Education (SDE) since the expenses associated with reviewing and approving consolidation plans and the expenses associated with the required reporting can be absorbed within the agency's current appropriations.

The amended bill could create cost savings and reduce expenditures for local school districts once districts consolidate. However, the cost savings to local school districts is undetermined and will depend upon how school districts choose to implement consolidation plans. Any cost savings for districts that are required to consolidate will be realized after FY 2022-23. Additionally, districts may receive additional state revenue if funds are appropriated for consolidation.

Local property taxes and other revenues may be affected depending on how the transition is implemented because consolidation may impact millage rates, the millage increase limitations, and credit ratings for bond issuances.

Explanation of Fiscal Impact

Amended by the Senate on April 10, 2019

State Expenditure

The following sections will affect state expenditures as follows:

Section 1. This section of the amended bill requires certain school districts located in a multi-district county to consolidate on or before August 1, 2022. The provisions apply to districts with a forty-five day average daily membership of less than 1,500 and located within a Tier IV county pursuant to Section 12-6-3360(B).

Based upon research by SDE, the districts currently with an average daily membership of less than 1,500 located within a Tier IV county are: Allendale, Bamberg 1, Bamberg 2, Barnwell 19, Barnwell 29, Clarendon 1, Clarendon 3, and Hampton 2. However, since Allendale is a single, county-wide district, we do not expect the provisions to apply.

Under Subsection A, districts that submit a preliminary plan for consolidation by August 1, 2020, will be eligible to receive funds appropriated by the General Assembly for the purpose of consolidating with other districts within the county. The funds may be used for costs directly

related to the consolidation including but not limited to salary adjustments, facilities, debt mitigation, millage rate adjustments, transportation, technology and other factors the district demonstrates are necessary to complete consolidation.

After August 1, 2022, districts that have not implemented a consolidation under Subsection A will be merged with one or more districts in the same county and will not be eligible for funds appropriated under Subsection A. SDE will direct the merger and report to the General Assembly any legislative actions necessary to accomplish the merger. Further, if a district received funds for consolidation but did not implement the consolidation, SDE is to direct that the district remit payment back to SDE in the amount equal to the funds received.

After August 1, 2020, districts eligible for consolidation under the provisions may not incur new bonded indebtedness, spend reserve funds, dispose of assets, or increase salaries without prior approval of SDE.

If no funds are appropriated, SDE must submit a report to the General Assembly by January 10, 2020, outlining the districts affected and information on shared services, district efficiency reviews, and any other relevant information.

SDE indicates that any expenses associated with reviewing and approving district consolidation plans and the required reporting requirements can be managed within the agency's current appropriations.

Section 2. This section of the amended bill allows any local school district to be eligible to receive appropriated funds for the purpose of consolidating with other districts within its county if the district maintains an average daily membership that is less than 1,500 based on annual student counts received by SDE. These districts must follow the aforementioned guidelines related to the submission of a consolidation plan, timeline, and use of funds.

Based upon the FY 2018-19 forty-five day average daily membership, the additional districts that have an average daily membership of less than 1,500 and are not designated as a Tier IV county are: Florence 2, Florence 4, Florence 5, Greenwood 51, and McCormick 1. However, since McCormick 1 is a single, county-wide district, we do not expect the provisions to apply.

SDE indicates that any expenses associated with reviewing and approving district consolidation plans and the required reporting requirements can be managed within the agency's current appropriations.

State Revenue

N/A

Local Expenditure

The following sections will affect local expenditures as follows:

Section 1. This section of the amended bill requires school districts that meet certain criteria and are located in a single county to consolidate beginning with the 2020-21 school year. Districts

may receive additional state revenue if funds are appropriated for consolidation, and the districts implement a consolidation plan prior to August 1, 2022.

This section could reduce expenditures once school districts consolidate. Any cost savings will be realized beginning in FY 2022-23 and are undetermined. The amount of cost savings will depend upon how school districts choose to implement consolidation plans. We would expect that over time districts may be able to save on administrative expenses such as human resources, accounting, procurement, transportation, school bus services, and maintenance.

Section 2. This section of the amended bill allows any local school district to be eligible to receive appropriated funds for the purpose of consolidating with other districts within its county if the district maintains an average daily membership that is less than 1,500 based on annual student counts received by SDE. These districts must follow the aforementioned guidelines related to the submission of a consolidation plan, timeline, and use of funds.

This section could reduce expenditures once school districts consolidate. The amount of cost savings will depend upon how school districts choose to implement consolidation plans. We would expect that over time districts may be able to save on administrative expenses such as human resources, accounting, procurement, transportation, school bus services, and maintenance.

Local Revenue

The following sections will affect local revenues as follows:

Section 1. This section of the amended bill requires school districts that meet certain criteria and are located in a single county to consolidate beginning with the 2020-21 school year. Districts may receive additional state revenue if funds are appropriated for consolidation, and the districts implement a consolidation plan prior to August 1, 2022.

Local property taxes and other revenues may be affected depending on how the transition is implemented. The consolidation may affect millage rates, the millage increase limitations, and credit ratings for bond issuances depending upon how the transition to a single district for leadership, fiscal authority, and organization occurs.

Section 2. This section of the amended bill allows any school district to be eligible to receive appropriated funds for the purpose of consolidating with other districts within its county if the district maintains an average daily membership that is less than 1,500 based on annual student counts received by SDE. These districts must follow the aforementioned guidelines related to the submission of a consolidation plan, timeline, and use of funds.

Local property taxes and other revenues may be affected depending on how the transition is implemented. The consolidation may affect millage rates, the millage increase limitations, and credit ratings for bond issuances depending upon how the transition to a single district for leadership, fiscal authority, and organization occurs.

Amended by Senate Education Subcommittee on February 20, 2019

State Expenditure

This bill as amended requires certain school districts located in a multi-district county to consolidate on or before August 1, 2022. The provisions apply to districts with an average daily membership of less than 1,500 located within a Tier IV county pursuant to Section 12-6-3360(B).

Based upon research by SDE, the districts currently with an average daily membership of less than 1,500 located within a Tier IV county are: Allendale, Bamberg 1, Bamberg 2, Barnwell 19, Barnwell 29, Clarendon 1, Clarendon 3, and Hampton 2. However, since Allendale is a single, county-wide district, we do not expect the provisions to apply.

Under Subsection A, districts that submit a preliminary plan for consolidation by August 1, 2020, will be eligible to receive funds appropriated by the General Assembly for the purpose of consolidating with other districts within the county. The funds may be used for costs directly related to the consolidation including but not limited to salary adjustments, facilities, debt mitigation, millage rate adjustments, transportation, technology and other factors the district demonstrates are necessary to complete consolidation.

After August 1, 2022, districts that have not implemented a consolidation under Subsection A will be merged with one or more districts in the same county and will not be eligible for funds appropriated under Subsection A. SDE will direct the merger and report to the General Assembly any legislative actions necessary to accomplish the merger. Further, if a district received funds for consolidation but did not implement the consolidation, SDE is to direct that the district remit payment back to SDE in the amount equal to the funds received.

After August 1, 2020, districts eligible for consolidation under the provisions may not incur new bonded indebtedness, spend reserve funds, dispose of assets, or increase salaries without prior approval of SDE.

If no funds are appropriated, SDE must submit a report to the General Assembly by January 10, 2020, outlining the districts affected and information on shared services, district efficiency reviews, and any other relevant information.

State Department of Education. SDE indicates that any expenses associated with reviewing and approving district consolidation plans and the required reporting requirements can be managed within the agency's current appropriations.

State Revenue

N/A

Local Expenditure

This bill could reduce expenditures once school districts consolidate. Any cost savings will be realized beginning in FY 2022-23 and are undetermined. The amount of cost savings will depend upon how school districts choose to implement consolidation plans. We would expect that over time districts may be able to save on administrative expenses such as human resources, accounting, procurement, transportation, school bus services, and maintenance.

Local Revenue

This bill requires school districts that meet certain criteria and are located in a single county to consolidate beginning with the 2020-21 school year. Districts may receive additional state revenue if funds are appropriated for consolidation, and the districts implement a consolidation plan prior to August 1, 2022.

Local property taxes and other revenues may be affected depending on how the transition is implemented. The consolidation may affect millage rates, the millage increase limitations, and credit ratings for bond issuances depending upon how the transition to a single district for leadership, fiscal authority, and organization occurs.

Introduced on January 8, 2019**State Expenditure**

N/A

State Revenue

N/A

Local Expenditure

This bill requires school districts that meet certain criteria and are located in a single county to consolidate beginning with the 2020-21 school year. School districts that meet two of four criteria must consolidate. The criteria consist of the following:

- Average daily membership less than 1,500
- An accreditation status of probation or denied
- A state designation of Fiscal Caution or Warning pursuant to Section 59-20-90
- A risk assessment of medium or high or the district has a school that has been in improvement status for three years

This bill could reduce expenditures once school districts consolidate. Any cost savings will be realized after FY 2020-21 and are undetermined. The amount of cost savings will be at the discretion of the local districts on how the transition occurs and what programs or expenses can be consolidated. We would expect that over time districts may be able to save on administrative expenses such as human resources, accounting, procurement, transportation, school bus services, and maintenance. The school districts in Bamberg County, Barnwell County, Clarendon County, Florence County, Greenwood County, and Hampton County would be impacted based solely on the average daily membership count. However, a comprehensive list of impacted school districts meeting any of the other criteria is pending, contingent upon additional data from SDE.

Local Revenue

This bill requires school districts that meet certain criteria and are located in a single county to consolidate beginning with the 2020-21 school year.

Local property taxes and other revenues may be affected depending on how the transition is implemented. The consolidation may affect millage rates, the millage increase limitations, and

credit ratings for bond issuances depending upon how the transition to a single district for leadership, fiscal authority, and organization occurs.

A handwritten signature in blue ink that reads "Frank A. Rainwater". The signature is written in a cursive style with a large initial "F" and a stylized "R".

Frank A. Rainwater, Executive Director