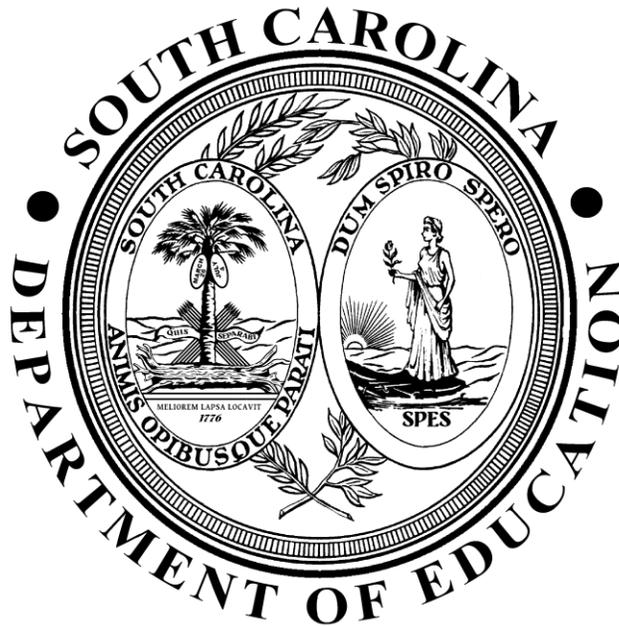


STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION

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STATE SUPERINTENDENT OF EDUCATION



Consolidation & Capital Funds Report

Report to the Governor and Legislature
Pursuant to Proviso 1.88 of FY 2020

August 10, 2020

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Authorizing Legislation

In the budget for fiscal year 2020, the South Carolina legislature appropriated \$50 million in capital improvement funds pursuant to provisos 112.2 and 1.88.

1.88. (SDE: School Districts Capital Improvement) The funds appropriated for school district capital improvements in Proviso 112.1, shall be prioritized by the Department of Education pursuant to subsections (A) and (B).

(A) Twenty-five percent of the funds shall be made available first to a local school district or districts with an average daily membership that is less than one thousand five hundred, based on the most recent student count received by the department, and that is located within a county ranked as Tier IV pursuant to Section 12-6-3360(B) for 2018 which chooses to consolidate with another school district located in the same county. The funds may be used to support costs directly related to the consolidation which shall include, but are not limited to, salary adjustments, facilities, debt mitigation, millage rate adjustments, transportation, technology and other factors for which the district demonstrates are necessary to complete consolidation. Furthermore, the department is eligible to carry forward these funds and use them for the same purpose. On or before August 1, the eligible districts must submit a preliminary plan and timeline for pursuing consolidation, including the use of the consolidation funds requested, to the Department of Education for review and approval. When the department has approved the final plan, the districts shall forward the plan to the local legislative delegation outlining the specific request that local legislation be enacted to effect the consolidation. The legislation may include, but is not limited to, composition of the consolidated board, transition procedures, and disposition and/or assumption of district assets and liabilities. Upon approval of a consolidation plan, the department shall make an initial allocation to the impacted districts and shall allocate remaining funds upon enactment of legislation formally consolidating the districts for the benefit of the consolidated district.

(B) Any funds not used for the purposes of assisting districts eligible in (A) shall be distributed by the department to eligible districts for the purpose of funding shared school facility construction and upgrades in districts with a poverty index of seventy percent or higher or an index of taxpayer ability less than .009. For the purpose of this provision, “school facility” means only facilities necessary for instructional and related supporting purposes including, but not limited to, classrooms, libraries, media centers, laboratories, cafeterias, physical education spaces, related interior and exterior facilities, and the conduit, wiring, and powering of hardware installations for classroom computers or for area network systems. Eligible school facility projects shall include and be prioritized as follows: construction of shared high school and career and technology education facilities with priority given to districts that submit a plan for a facility that serves multiple school districts with average daily membership counts of less than one thousand five hundred and then for the following purposes: (a) health and safety upgrades; (b) technology upgrades inside school facilities; (c) upgrades associated with career and technology education programs; and (d) deferred maintenance needs as described in the district’s capital improvement plan. For purposes of this provision, school facilities shall not

include unimproved real property, centralized district administration facilities, or other facilities, including those normally identified with interscholastic sports activities.

(i) The department shall develop and maintain an application process for school districts to request funding for qualified school projects and establish policies, procedures, and priorities for the making of grants pursuant to this provision. At least twice a year and upon receipt of applications pursuant to the application process adopted by the department, the department shall prioritize the eligible projects with the greatest need and shall submit a list of recommended grant awards to the State Board of Education. Grants shall be awarded upon an affirmative vote of the State Board.

(ii) The financial assistance provided to school districts pursuant to this provision must be used for the eligible school facility project. The department is responsible for establishing policies and procedures to ensure that funds are expended in a manner consistent with this provision.

(C) Following the close of the fiscal year, the department shall submit a report on the expenditure of funds pursuant to subsections (A) and (B) for the preceding year to the Governor, the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, the Chairman of the Senate Education Committee, and the Chairman of the House Education and Public Works Committee

Pursuant to the proviso, the South Carolina Department of Education (SCDE) submits this report on expenditures for the preceding year.

Consolidation: Proviso 1.88(A)

Introduction to Proviso 1.88(A)

The proviso directs that 25 percent of the appropriated funds (\$12.5 million) be used for consolidation purposes among districts that meet the membership (1500 or less) and tier requirements. The proviso authorizes uses “directly related to the consolidation.” The proviso required a preliminary plan and timeline by August 1, 2019. In terms of timing of the distributions, the SCDE is permitted to make an initial allocation upon approval of a final plan, and a complete distribution upon enactment of legislation for the consolidation.

Consolidating Districts Preliminary Plans and Feedback

On July 9, 2019, the SCDE hosted a day long meeting for districts to review the legal and administrative requirements related to consolidation. The presentation materials and recordings of the sessions have been posted for districts. The SCDE provided a voluntary template for the preliminary plan due August 1 and the application for funding under 1.88(A).

The SCDE received four sets of preliminary consolidation plans: Bamberg 1 and 2; Barnwell 19 and 29; Clarendon 1 and 3; and Hampton 1 and 2. The funding requests totaled \$224 million.

The SCDE provided the districts with feedback on the preliminary plans and requirements for an approvable final plan that would permit partial release of funds under the proviso.

The State Superintendent decided to allocate equal shares of the \$12.5 million, \$3.125 million, to each consolidating pair of districts

Based upon review of the preliminary plans and funding requests, the State Superintendent set out some guidelines related to expenditures.

- The plans contained substantial payments to consultants and experts. The State Superintendent proposed hiring state-level consultants that could substantially reduce the expenditures, and limiting use of 1.88(A) funds for that purpose. She proposed that each consolidating pair reserve \$125,000 for this purpose (\$500,000 total).
- Amounts paid to staff related to consolidation or as legal or consulting fees were capped at \$150,000 each (\$600,000). With the state reserve amount, legal or consulting fees and payments to staff were capped at \$1.1 million of the \$12.5 million.
- Funding requests were returned with an indication of whether the expenditure would be allowed, disallowed, or required more information on how it was directly related to consolidation. The SCDE requested that the final plan include a prioritized list of the allowed expenditures indicating how the districts' \$3.125 million would be expended.

On December 5, 2019, the SCDE hosted a meeting of the superintendents and business officials in the consolidating districts, which included presentations from others who have been through consolidation.

Consolidation Status as of June 30, 2020

The four sets of consolidating districts all set July 1, 2021 as the date for consolidation. The districts have made varying amounts of progress towards those goals.

Bamberg 1 and 2

Although Bamberg filed a preliminary plan by August 1, 2019, at the meeting on December 5, the superintendent for Bamberg 1 advised that her district was not moving forward with consolidation. The SCDE indicated an intention to reallocate \$3.125 million to the other three consolidating pairs. After that meeting districts 1 and 2 indicating that discussions were continuing, and that their allocation should not be re-allocated to the other consolidating districts.

The SCDE has received another draft plan from the districts. Meetings related to consolidation continue in the districts. No legislation has been filed. Because a final plan has not been submitted and approved, per the proviso no funding can be distributed.

Barnwell 19 and 29

Barnwell 19 and 29 have had joint meetings and have met with their local delegation. The feedback to the preliminary plan expressed concerns about statements that the consolidation was contingent upon additional funding, which funding had not been appropriated. The State Superintendent advised the districts that the plan would not be approved with those conditions.

After consultation with their local delegation, Barnwell 19 and 29 put their consolidation plans on hold pending legislative action, not anticipating that state government would be shut down due to covid-19. The SCDE treats this final plan and local legislation as still pending. Per the

proviso's restrictions, no funding has been distributed because a final plan has not been approved and no legislation has been adopted.

Clarendon 1 and 3

Clarendon 1 and 3 submitted a final consolidation plan in late January 2020, after local legislation S.975 was passed, but before the bill was signed by the Governor on February 3, 2020.

The local legislation creates Clarendon County School District 4 (Clarendon 4) effective thirty days after the Governor's signature. It directs that funds under Proviso 1.88(A) be transferred to or made available to Clarendon 4. The school board has been appointed, and is holding regular meetings. Clarendon 4 has hired an interim superintendent, who started July 1, 2020.

After the close of the fiscal year, the interim superintendent submitted a new draft budget proposal, on which SCDE provided feedback. As of July 28, the SCDE awaits submission of the final budget, at which point \$3.125 million will be released to Clarendon 4 under Proviso 1.88(A).

Hampton 1 and 2

The boards of Hampton 1 and 2 have worked well collaboratively. The districts' final plan for consolidation was approved on February 8, 2020, and notice was sent to the local delegation. The district returned a signed notice of award for \$1,625,000 on February 28, 2020. The SCDE then distributed the funds to the district.

Expenditure Report

Hampton 2 reports expenditures of \$708,212.50 from the partial distribution for 1,325 laptops to make the 1:1 programs between the districts more equitable.

Proviso 1.88(B)

Introduction to Proviso 1.88(B)

The second part of proviso 1.88 references school facilities projects for eligible school districts. Forty-seven school districts met the eligibility criteria based on poverty or index of taxpaying ability.

Application Processes

Intent to Apply

Proviso 1.88(B) lists several allowed uses and priorities for expenditure of funds. Forty-seven districts were eligible to apply for portions of the \$37.5 million available. To gauge what interest and needs were, the SCDE requested that districts respond by August 1, 2019, to an "intent to apply" form listing projects, categories and priority. Those forty-seven districts indicated need for \$474 million in related to capital projects.

Proviso Category	Amount
Shared high school or career center including a district with fewer than 1500 students	\$ 152,562,500
Health and safety upgrades	120,221,587
Technology upgrades inside school facilities	27,737,653
Upgrades associated with career and technology education programs	47,950,000
Deferred maintenance needs described in the district’s capital improvement plan	84,848,071
Construction of a single district high school	37,200,000
Other	1,219,000
Total	\$471,738,811

Priority Assigned to Categories Other Than Shared Facilities	Amount
First Priority	79,259,003
Second Priority	56,093,911
Third Priority	79,782,338
Fourth Priority	65,622,059
Miscoded	38,419,000
Total	\$319,176,311

Applications for Shared High School or Career Center Facilities

The SCDE next requested districts to apply by September 30, 2019 under the following proviso language:

Eligible school facility projects shall include and be prioritized as follows: construction of shared high school and career and technology education facilities with priority given to districts that submit a plan for a facility that serves multiple school districts with average daily membership counts of less than one thousand five hundred and then for the following purposes. . . .

The SCDE received applications for 9 projects totaling \$116,835,822.

The proviso also directs the SCDE to “prioritize the eligible projects with the greatest need.” The SCDE therefore followed up with those districts on what other debt capacity and financial resources existed to fund the proposed projects, requesting the information by November 15, 2019.

Based on that information the SCDE made recommendations to the State Board of Education (SBE) in December for a partial allocation of the funds.

An additional application process is pending.

Recommendations to the State Board of Education

Based upon the September applications and November additional information, the SCDE presented preliminary recommendations to the SBE at its December 10, 2019 meeting. The

recommendations included only multi-district projects that included districts with fewer than 1500 students. The SCDE excluded two proposals (Laurens 55 and Saluda) from the recommendations for not meeting that criteria. Another (Bamberg 2) was excluded because Bamberg 1 indicated it did not support the application and at the time the consolidation appeared not to be moving forward.

District	Requested	# LEAs	<1500	To SBE 12/10	Possible Future*
BAMBERG 2	763,322	2	2		5,000,000
BARNWELL 29	30,000,000	3	2	10,000,000	
CLARENDON 3	2,160,000	3	2	2,160,000	7,840,000
FLORENCE 2	15,000,000	3	2		
FLORENCE 3	850,000	> 5	3	850,000	
FLORENCE 3	650,000	> 5	3	650,000	
FLORENCE 4	14,000,000	2	1		
HAMPTON 2	37,000,000	3	2	10,000,000	
LAURENS 55	15,000,000	2	0		
SALUDA	1,412,500	2	0		
Totals	116,835,822			23,660,000	12,840,000
				Appropriation	36,500,000
				Proposed	37,500,000
				Amount over	1,000,000

*If consolidation purposes allowed.

The State Superintendent determined that some of the greatest needs related to the consolidating districts, for which the available \$12.5 million under 1.88(A) was insufficient. The SCDE therefore recommended that awards under 1.88(B) to consolidating districts be contingent upon consolidation. The SCDE also indicated possible future award amounts to consolidating districts should 1.88(B) funds be available for consolidation purposes.

Interpretation of 1.88(B)

The requests for funds related to consolidation far exceed the available \$12.5 million. The State Superintendent sought legislative guidance on whether to seek a joint resolution so the funds in 1.88(B) could be utilized for consolidation purposes outlined in 1.88(A). She was advised that a joint resolution was not necessary, and that the funds could be used for any purpose outlined in proviso 1.88. The amounts in the table above listed as “Possible Future” are consolidation awards the State Superintendent anticipates could be made to districts facing consolidation. In terms of process, the SCDE plans to re-open applications for the funds because the earlier application restricted the types of projects for which districts could apply. That application has

been prepared; however, the agency is considering requesting a change to the proviso when the legislature reconvenes in September to avoid any question about uses of the funds.

Expenditure Reports

To date the SCDE has issued two allocation notices under 1.88(B). The other allocation amounts relate to consolidating school districts. As to the consolidating districts, the State Superintendent anticipated that awards would be made with final consolidation plans and local legislation on consolidation. Due to covid-19, only one consolidation has final legislation (Clarendon 4). The Clarendon 4 budget is still pending, and the Clarendon 4 board would like to redirect the award under 1.88(B) to consolidation purposes.

Florence 3 Report	Budgeted	Expended	Balance	Current Estimates
<u>Continuum</u>				
IMT & HVAC Equipment	448,618.10	448,618.10		0
Construction Services	391,069.56	391,069.56		0
Computer and Network	8,448.40	8,448.40		0
Security Camera System	1,863.94	1,863.94		0
Total	850,000.00	850,000.00		0
<u>LCHS Panther Academy</u>				
<u>Capital Improvement Graham Road</u>				
Capital-Roofing and Waterproofing	300,000.00	0	300,000.00	182,000.00
Capital-Door-Hardware Upgrade	125,000.00	0	125,000.00	298,000.00
Capital-Painting	70,000.00	0	70,000.00	91,000.00
Capital-Energy Upgrade	55,000.00	0	55,000.00	50,000.00
Security camera upgrade	100,000.00	0	100,000.00	75,268.77
	650,000.00	0	650,000.00	696,268.77

Florence 3: \$850,000 for all Florence School Districts and Surrounding Counties

Florence 3 as fiscal agent received \$850,000 for a shared career and technology facilities (The Continuum) used by all Florence County School Districts (some of which have fewer than 1500 students) and by several surrounding counties. All of the funds were expended prior to June 30, 2020.

Florence 3: \$650,000 for Facility Shared by Florence 2, 3, and 5

Florence 3 as fiscal agent received \$650,000 on behalf of itself and Florence 2 and 5, all of which are districts serving fewer than 1500 students. The funds are for renovations of a shared high school facility.

To date, the funds have been budgeted but not expended. Estimates for the work have come in higher than expected. The funds were carried forward into the current fiscal year.