COMMITTEE REPORT

March 14, 2019

**S. 203**

Introduced by Senator Young

S. Printed 3/14/19--S.

Read the first time January 8, 2019.

**THE COMMITTEE ON EDUCATION**

To whom was referred a Bill (S. 203) to amend Chapter 17, Title 59 of the 1976 Code, relating to school districts, by adding Section 59‑17‑45, to provide criteria for school district consolidation, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking all after the title and inserting:

/ Whereas, the General Assembly established the Profile of the South Carolina Graduate as the standard by which all high school students should be measured to ensure college and career readiness; and

Whereas, all high school students should receive an equal opportunity to achieve the goals of the Profile of the South Carolina Graduate; and

Whereas, the General Assembly finds that there are disparities between communities within the State that create barriers that make it difficult for economically distressed rural areas to provide high quality opportunities to students and to recruit and retain highly qualified educators; and

Whereas, 2017 efficiency studies reveal that rural districts would benefit from receiving a series of one-time investments, combined with collaboration with other districts to maximize resources and identify potential savings for taxpayers; and

Whereas, the General Assembly finds that consolidating smaller school districts in economically distressed rural areas will provide certain benefits, including shared leadership, expanded educational opportunities, and potential taxpayer savings; and

Whereas, the General Assembly finds that a combination of targeted collaboration and consolidation will modernize school facilities, technology, career and technology equipment, academic planning, and professional development that will support higher rates of student achievement. Now, therefore,

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Chapter 17, Title 59 of the 1976 Code is amended by adding:

“Section 59‑17‑45. (A)(1) On or before August 1, 2022, any local school district meeting the following characteristics shall be eligible to receive appropriated funds for the purpose of consolidating with other districts within its county:

(a) based on the most recent student count received by the Department of Education, maintains an average daily membership that is less than one thousand five hundred; and

(b) is located within a county ranked as Tier IV pursuant to Section 12‑6‑3360(B).

(2) The funds must be used to support costs directly related to the consolidation, including, but not limited to, salary adjustments, facilities, debt mitigation, millage rate adjustments, transportation, technology, and other factors that the district demonstrates are necessary to complete consolidation. The Department of Education is eligible to carry forward these funds from one fiscal year to the next and use them for the same purpose.

(3) On or before August 1, 2020, eligible districts must submit a preliminary consolidation plan and timeline to the Department of Education for review and approval and must include the proposed use of funds. Upon approval by the Department of Education, the districts shall forward the consolidation plan to their local legislative delegation for action. Upon approval of a consolidation plan by the Department of Education, the Department of Education shall make an initial allocation to the impacted districts. The Department of Education shall allocate the remaining funds following any legislative action formally consolidating the districts.

(B)(1) After August 1, 2022, any local school district satisfying the characteristics of subsection (A)(1) that has not implemented consolidation pursuant to subsection (A) shall be merged with one or more districts in the same county and is not eligible for appropriated funds. The Department of Education will direct the merger and shall report to the General Assembly any legislative actions necessary to accomplish the merger.

(2) If a district began consolidation and received funding pursuant to subsection (A) but did not fully implement the consolidation, then the district shall be consolidated pursuant to this subsection. The Department of Education shall direct the district to remit payment in an amount equal to the funds allocated pursuant to subsection (A). The Department of Education shall work with the districts involved to identify services that will be consolidated and to enhance educational services and the programs available to students.

(C) After August 1, 2020, a local school district eligible for consolidation pursuant to subsection (A) may not incur new bonded indebtedness, spend existing district reserves, dispose of district assets, or increase the salary of any district employee without prior approval by the Department of Education unless otherwise directed by the General Assembly.

(D) If sufficient funds are not appropriated to support subsection (A), then the Department of Education is directed to submit a report to the General Assembly by January 10, 2020 outlining the districts that meet the criteria of subsection (A)(1). School districts included in the report required by this subsection are subject to the consolidation process in subsection (B). The report shall include information on shared services, district efficiency reviews, and other relevant information related to school district consolidation.”

SECTION 2. This act takes effect upon approval by the Governor./

Renumber sections to conform.

Amend title to conform.

GREG HEMBREE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**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.

**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**

**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.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND CHAPTER 17, TITLE 59 OF THE 1976 CODE, RELATING TO SCHOOL DISTRICTS, BY ADDING SECTION 59‑17‑45, TO PROVIDE CRITERIA FOR SCHOOL DISTRICT CONSOLIDATION, AND TO PROVIDE FOR AN EXCEPTION.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Chapter 17, Title 59 of the 1976 Code is amended by adding:

“Section 59‑17‑45. (A) Beginning with the 2020-2021 school year, school districts in this State that meet at least two of the following criteria and are in a single county shall be consolidated within the county boundaries in which the districts are located. Districts shall be consolidated if:

(1) the average daily membership of the district is less than one thousand five hundred members;

(2) the school district contains a school with an accreditation status of probation or denied;

(3) the school district is currently under state designation of Fiscal Caution or Warning pursuant to Section 59‑20‑90; or

(4) the district has a risk assessment of medium or high or has a school or schools that have been in improvement status for three years.

(B) This section does not apply to a school district that is the only school district in a county.”

SECTION 2. This act takes effect upon approval by the Governor.

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