



Agenda

Thursday, December 3

9:00 - 10:30 a.m. First general session

Welcome and purpose

Chuck Saylors, SCSBA President, Greenville County Schools

Greetings from the state superintendent of education

The Honorable Molly Spearman

K12 legislative issues in 2021

Join us for a conversational session featuring a panel of legislative leaders who will field political commentary and questions on K12 educational issues that may be considered in 2021. Hear lawmakers' thoughts on education funding reform, accountability, teacher pay and more. This highly anticipated annual session will include an opportunity for questions from school board members.

The Honorable Kevin Johnson, *Member, Senate Finance Committee*The Honorable Shane Martin, *Member, Finance Committee and K12*Subcommittee

The Honorable Ross Turner, Member, Senate Education Committee and Chairman, Senate Education Funding Reform Subcommittee
The Honorable Rita Allison, Chairman, House Education and Public Works Committee

The Honorable Representative J.A. Moore, *Vice Chairman, House Military, Medical and Municipal Affairs Committee and Member, House Interstate Cooperation Committee.*

Moderator: Scott Price, SCSBA Executive Director

10:30 - 10:45 a.m. **Break**

Co-sponsored by Duff Freeman Lyon, L.L.C.

10:45 - 11:30 a.m. **Second general session**

The economy and its impact on the state budget

Get an overview of anticipated revenue and expenditure trends and an economic outlook for 2021 and beyond.

Mike Shealy, Budget Director, S.C. Senate Finance Committee

11:30 - noon

Lunch

Co-sponsored by Halligan Mahoney & Williams, P.A.

12:00 - 12:45 p.m.

Third general session

A look at 2021 federal legislative issues

Get an overview of key federal policies and legislation impacting your school districts and communities. From COVID-19 recovery and voucher opposition to special education, school infrastructure and education technology, this session will review developments in these priority areas and explore advocacy objectives for the next 117th Congress.

Deborah Rigsby, *Program Director, Lobbying and Federal Legislation, National School Boards Association*

12:45 - 1:30 p.m.

SC high court's ruling in Adams v. McMaster. Now what?

In early October, Gov. Henry McMaster's decision to allocate \$32 million in federal pandemic aid to private and religious schools was unanimously declared unconstitutional by the South Carolina Supreme Court, ruling in favor of public schools on all points. Hear from the state's leading authority on publicly-funded private school voucher programs, author of the book, "Schoolhouse Burning: Public Education and the Assault on American Democracy," and an expert witness for the plaintiffs in this case about what the ruling means and its implications for future similar legislation.

Derek Black, Esquire, Professor of Law, University of South Carolina School of Law

1:30 p.m.

Closing remarks

Chuck Saylors, SCSBA President, Greenville County Schools

1:45 - 2:30 p.m.

SCSBA Annual Delegate Assembly orientation

Review, discuss and get your questions answered about the proposed 2021 Legislative Priorities and Statements of Belief that are to be presented during the association's annual business meeting, known as the Delegate Assembly.

Debbie Elmore, SCSBA Director of Governmental Relations and Advocacy Scott T. Price, SCSBA Executive Director

Friday, December 4

11:30 a.m.

Delegate Assembly (via livestream)

As part of the conference, registrants will be provided a link to view SCSBA's annual business meeting virtually.

Moderator: Chuck Saylors, SCSBA President, Greenville County Schools

In order to conduct the Delegate Assembly as safely as possible during the pandemic, one certified delegate from each of the school boards governing the

state's 79 school districts will convene for the Annual Delegate Assembly in Columbia. Delegates, representing their school board, will elect SCSBA officers and set the association's legislative resolutions.

Address by 2021 SCSBA president

Cheryl Burgess, 2021 SCSBA President, Lexington School District Three

SCSBA Thanks all Co-Sponsors:

Boykin & Davis, LLC

Duff Freeman Lyon, L.L.C.

Halligan Mahoney & Williams, P.A.

White & Story, LLC

VIRTUAL LEGISLATIVE ADVOCACY CONFERENCE



The Honorable Molly Spearman SC State Superintendent of Education



Senator Kevin L. Johnson Member, Senate Finance Committee



Senator Ross Turner
Member, Senate Education
Committee and Chairman, Senate
Education Funding Reform
Subcommittee



Senator Shane R. Martin Member, Finance Committee and K12 Subcommittee



Representative Merita A.
"Rita" Allison
Chairman, House Education and
Public Works Committee



Representative JA Moore
Vice Chairman, House Military,
Medical and Municipal Affairs
Committee and Member, House
Interstate Cooperation Committee.



Mike Shealy Budget Director, S.C. Senate Finance Committee



Deborah RigsbyProgram Director, Lobbying and
Federal Legislation, National
School Boards Association



Derek BlackEsquire, Professor of Law,
University of South Carolina
School of Law

PRESIDENT'S

C L U B



Gold Level

Boykin & Davis, LLC
Halligan Mahoney
& Williams, P.A.

Silver Level

Burr Forman McNair
Hood Construction Company
White & Story, LLC

Bronze Level

Duff Freeman Lyon, L.L.C. Haynsworth Sinkler Boyd, P.A.

Wells Fargo Bank and Wells Fargo Asset Management



South Carolina School Boards Association

2020 Virtual Legislative Advocacy Conference & Delegate Assembly

Budget Update: Fiscal Year 2020-2021 & Fiscal Year 2021-22

Thursday, December 3, 2020

Mike Shealy, SC Senate Finance Committee

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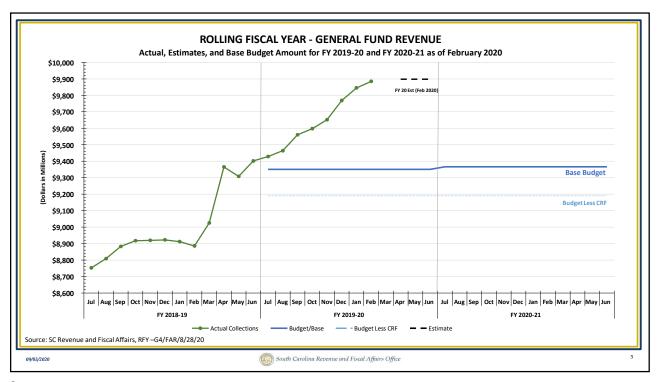
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A beautiful horizon

Budget Status as of February 2020



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FY 2020-21 Genera	al Fund
Outlook (February (PRELIMINARY- Dollars in Millions)	•
BEA Revenue Estimate (11/8/2019)	\$10,229
- Tax Relief Trust Fund	(\$629)
- FY 19-20 Appropriation Act	<u>(\$8,737)</u>
Estimated "New" General Fund Revenue	\$863
Reserve Fund Contributions	
- Incremental General Reserve Fund (5%)	(\$34)
- Incremental Capital Reserve Fund (2%)	(\$14)
Estimated "New" General Fund Revenue Available for Appropriation (less Reserve Fund Contributions)	\$815

FY 2020-21 Budget Outlook

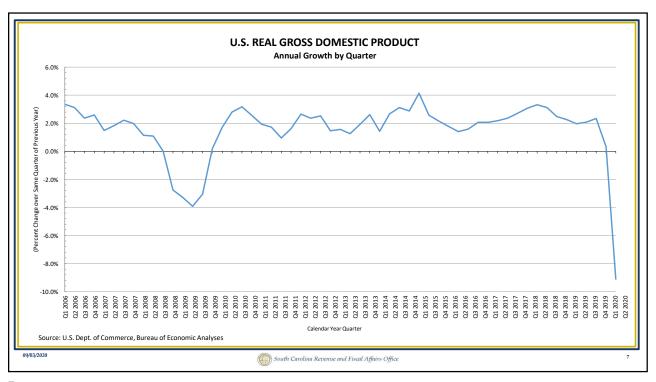
(February 2020)
(PRELIMINARY- Dollars in Millions)

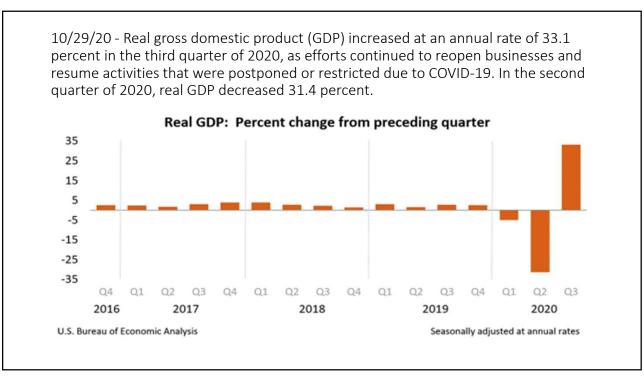
	Recurring	Non- Recurring
FY 2019-20 Capital Reserve Fund		\$162
FY 2018-19 Contingency Reserve Fund		\$350
Projected FY 2019-20 Surplus (11/8/2019)		<u>\$507</u>
Total		\$1,019
FY 2019-20 HEX Fund Surplus/(Shortfall)		\$8
FY 2020-21 HEX Fund Surplus/(Shortfall)	\$17	
FY 2019-20 EIA Surplus/(Shortfall)		\$31
FY 2020-21 "New" EIA Revenue	\$69	
FY 2019-20 Lottery Surplus		\$7
FY 2020-21 "New" Lottery Revenue	\$7	
1 FY 2019-20 surplus lettery revenues are first appropriated to cover any shortfalls in LIFE, HOPE, and Palmetto Fellows Scholarships, so this surplus may not be available for appropriation. Lottery revenue is appropriated by provise on a non-recurring basis. It is listed as recurring to show the net year to year increase in the estimate, excluding surpluses.		

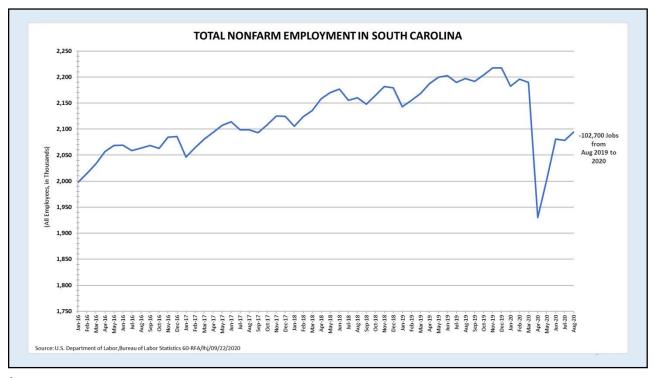
The bottom fell out.

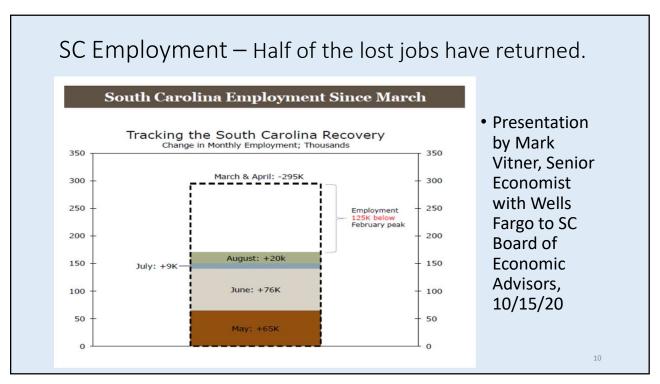
Budget Status as of March 2020







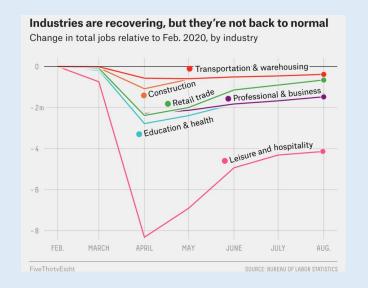




The Coronavirus Economy

The job losses vary greatly by industry sector, with the leisure and hospitality sector being the hardest hit.

This recession is unique because the underlying cause is not economic in nature.



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Alphabet Soup:

Understanding the Shape of the COVID-19 Recession by David Rodic, Forbes Magazine, April 19, 2020

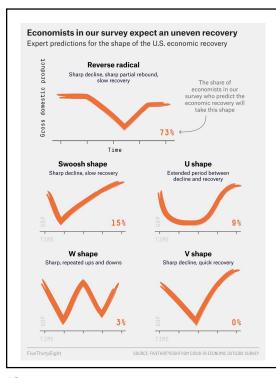
• V-Shaped Recession: Steep Decline, Quick Recovery Example: US 1990-91 Recession

 U-Shaped Recession: Long Period Between Decline and Recovery Example: Great Recession of 2008

• W-Shaped Recession: Quick Recovery, Second Decline Example: US 1980-83 Recessions

• L-Shaped Recession: An Extended Downturn

Example: Japan 1990's the "Lost Decade"



An emerging consensus among economists

•The "Reverse Radical" recovery is a sharp downturn followed by a sharp partial rebound and then a slow recovery.

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"Sadly, One Letter

• This description of the economy fairly captures the two separate paths of the recovery. The line heading upward symbolizes those parts of the economy that have benefited from pandemic: Technology (Apple Inc., Alphabet Inc., Microsoft Corp.), general merchandise retailers (Target, Walmart), entertainment (Netflix Inc., Walt Disney Co., YouTube), Biotech and Pharmaceuticals (Moderna Inc., Johnson & Johnson, Merck & Co., Pfizer Inc., AstraZeneca PLC) work from home firms (Slack Technologies Inc., Zoom Video Communications Inc.) and online retailers (Amazon.com Inc., Shopify Inc.).

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The Fiscal Year 2020-21 Budget Process

A series of Mini-Budgets



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THE CONTINUOUS BUDGET PROCESS DURING THE PANDEMIC

- H4014 \$45M for DHEC immediate needs. Passed March 17th.
- H3411 Continuing Resolution Continued the FY19-20 budget into FY20-21. In addition, \$155M was appropriated from the Contingency Reserve Fund to the COVID-19 Response Reserve Account for specific COVID-19 related expenses. Passed May 19th.
- H5202 Authorization to spend federal CARES Act funds \$1.2B allocated and \$668M left for Phase 2. Passed June 25th.
- H3210 Authorization to spend federal CARES Act funds from Phase 2. Passed September 25th.
- H5201 General Appropriations Bill Approved by the House on March 11^{th} . Approved by the Senate on September 16^{th} . The House referred the bill to the Ways and Means Committee on September 22^{nd} .

H3411 (May) – Continuing Resolution, Section 4

Department of Education and School Districts

• D) The state teacher minimum salary schedule will remain at the Fiscal Year 2019-2020 level. Step increases are suspended until the annual general appropriations act for Fiscal Year 2020-2021 is enacted.

NOTE: The Senate amended this bill on April 8th and included the suspension of the teacher salary increase in anticipation passing a full budget for FY20-21 in the fall.

The House then amended H3411 on May 12 and kept the same suspension language initially added by the Senate. The Senate concurred with the House amendment on the 12th.

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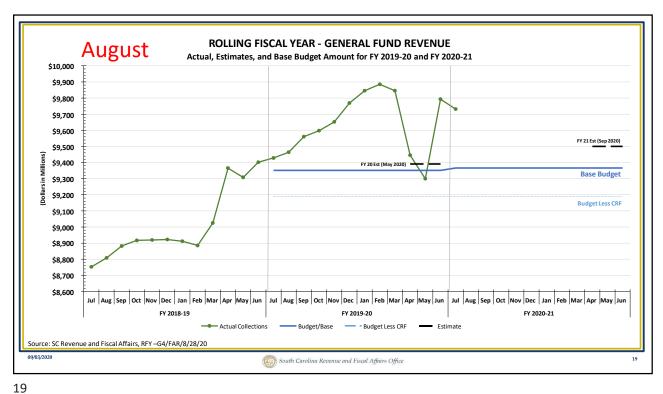
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H3411 (May) – Continuing Resolution, Section 9 Summary

- Section 9 Employer Contribution Rates to Retirement Systems
- This proviso suspends the scheduled 1% Employer Contribution Rate increase for both the South Carolina Retirement Systems and the Police Officers Retirement System for Fiscal Year 2020-21 so that the remaining scheduled rate increases are delayed for 12 months.

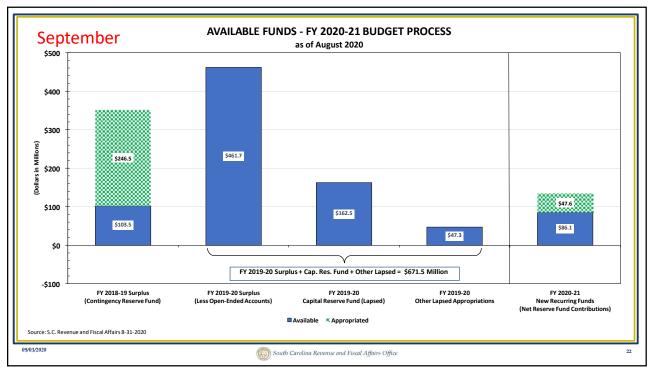
(NOTE: There will be a 1% employer rate increase in FY21-22 & FY22-23 to complete the directives in Act 13 of 2017. Plan accordingly.)

• The suspension of the scheduled 1% increase in Employer Contribution Rates provides temporary relief to all state agencies and local school districts. This suspension is of great significance to public colleges and universities and technical colleges as they manage cash flow during months where transactions fees like tuition will diminish.



August Board of Economic Advisors General Fund Revenue Forecast					
BEA Revenue Forecast 8/31/20					
	Actual				
Tax Category	FY19-20	FY20-21		Difference	% Difference
Sales Tax	\$ 3,286,771,744	\$ 3,367,926,000	\$	81,154,256	2.47%
Individual Income Tax	\$ 5,019,420,030	\$ 4,707,916,000	\$	(311,504,030)	-6.21%
Corporation Income Tax	\$ 423,052,193	\$ 375,560,000	\$	(47,492,193)	-11.23%
All Other Categories	\$ 1,064,033,527	\$ 1,048,701,000	\$	(15,332,527)	-1.44%
Gross General Fund Revenue	\$ 9,793,277,494	\$ 9,500,103,000	\$	(293,174,494)	-2.99%
Gross General Fana Revenue	Ψ 5,1 50,211,454	Ψ 3,000,100,000	Ψ	(200, 174,404)	-2.5570
minus: Tax Relief Trust Fund	\$ 614,053,000	\$ 629,405,000	\$	15,352,000	2.50%
Net General Fund Revenue	\$ 9,179,224,494	\$ 8,870,698,000	\$	(308,526,494)	-3.36%
February 13 th Estimate	\$9,898,175,000	\$10,254,087,000			20

August South Carolina's Reserve Funds: No transfers out due to deficits at the close of FY19-20				
	2019-20		2020-21	
	Ending Balance	Required Addition	Ending Balance	
General Reserve Fund	\$406,213,261	\$ 34,024,350	\$440,237,611	
Capital Reserve Fund	\$162,485,305	\$ 13,609,739	\$176,095,044	
Total Reserve Funds			\$616,332,655	



September

1. Plan for the worst.

2. Cover basic obligations.

3. Recognize we do not know when the pandemic will end.

H5201:

General

Appropriations

Bill (as passed by the Senate)

Recurring General Fund:

Net General Fund Revenues

Above Base for Appropriation \$86,051,463

Recurring Allocations:

EFA - State Aid to Classrooms \$50,000,000

BSC = \$50 increase to \$2,540

State = 100%; locals will not have to fund 30%

Local Government Fund \$11,687,035

Residual Recurring GF \$24,364,428

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Fiscal Year 2020-21 Senate Budget (H5201)

Nonrecurring Revenue:		Department of Parks, Recreation and Touris	m
FY18-19 Contingency Reserve Fund	\$103,451,091	Statewide Recovery Marketing	\$ 10,000,000
FY19-20 Budgetary Fund Balance	\$671,514,950	Major Destination Marketing Grants	\$ 30,000,000
TOTAL	\$774,966,041	Dept. of Mental Health Veterans Nursing Home Construction State Match	\$ 17,888,242
Appropriations:			
Agency Mid Year Reduction Reserve Fund	\$500,000,000	TECH readySC Workforce Training Program	\$ 5,000,000
COVID-19 Response Reserve Account	\$ 70,000,000	Elections Comm Poll Worker \$175 Stipend	\$ 4,159,050
Corrections Security and Safety Upgrades	\$ 50,000,000	Employee COVID-19 Hazard Pay Bonus Direct Service Workers Earning <\$50k	\$ 20,000,000
SDE Public Charter Schools	\$ 34,000,000	Total Allocated	\$747,047,292
SDE School Nurses	\$ 6,000,000	Residual	\$ 27,918,749

Fiscal Year 2020-21 Senate Budget (H5201)

PART II

Specific Provisions Related to the Operation of State Government

- SECTION 4. (A) All provisions contained in Part II of Act 135 of 2020 are extended for the remainder of the current fiscal year except as provided herein.
- (B) The provisions contained in Act 135 of 2020, Part II, Section 4(D), relating to the suspension of teacher step increases, are deleted.

NOTE: As a result of H5201 being referred to the House Ways and Means Committee on September 22nd, Section 4(B) that deleted the suspension of the step increases did not become law. Therefore, the step increase remains suspended as directed in H3411.

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September

H3210 CARES Act, Phase 2 (initial allocation \$222.7 Million for Academic Recovery Camps, 5 Days of Academic Instruction and Food Services)

- SECTION 4. The Department of Education is authorized to utilize unexpended authorizations contained in Section 3(B) of Act 142 of 2020 for the costs associated with the following:
- (1) School safety measures taken in response to COVID-19 including, but not limited to, purchasing masks, gloves, wipes, hand sanitizer, face shields, cleaning solution, Plexiglas, and other cleaning equipment and supplies.
- (2) Additional expenses incurred by Virtual SC in response to COVID-19.
- (3) Hire or contract for school nurse services for those schools that do not have a fulltime school nurse.
- (4) Tutoring, supplemental services, and support services to include services for unengaged students, interventionists, and after school learning extensions that prioritize face-to-face instruction focused on students with identified reading or math difficulties and students with IEPs to address deficits resulting from COVID-19.
- (5) Technology purchases of devices and connectivity equipment to support online learning resulting from COVID-19.
- It is the intent of the General Assembly that reimbursements for item (1) school safety measures - be the department's first priority for reimbursement.

H3210 CARES Act, Phase 2

• SECTION 15. Due to the strains caused by COVID-19, for Fiscal Year 2020-21, the earnings limitation imposed pursuant to Section 9-1-1790 and Section 9-11-90 of the 1976 Code does not apply to retired members of the South Carolina Retirement System or the Police Officers Retirement System who return to covered employment to participate in the state's public health preparedness and response to the COVID-19 virus. To the extent allowed by the CARES Act, the Public Employee Benefit Authority may apply to have its implementation costs to be reimbursed.

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The Cornerstone of the Senate Version of H5201 (General Appropriations Bill) was the Agency Mid-Year Reduction Reserve Fund. The Senate developed this fund to protect existing appropriations in the event of a mid-year budget cut.

SECTION 11 11 320. Capital Reserve Fund ((amended in 2010)

• (C)(1) In any fiscal year in which the General Reserve Fund does not maintain the percentage amount required by Section 11 11 310, monies from the Capital Reserve Fund first must be used, to the extent necessary, to fully replenish the requisite percentage amount in the General Reserve Fund. The Capital Reserve Fund's replenishment of the General Reserve Fund is in addition to the replenishment requirement provided in Section 36(A), Article III of the Constitution of this State. After the General Reserve Fund is fully restored to the requisite percentage, the monies in the Capital Reserve Fund may be appropriated pursuant to item (2) of this subsection. The Capital Reserve Fund may not be used to offset a midyear budget reduction.

SECTION 11 9 1140. Quarterly revenue estimates; reduction of general appropriations; action to avoid year end deficit (amended 2014)

- (B)(1) If at the end of the first, second, or third quarter of any fiscal year the Board of Economic Advisors reduces the revenue forecast for the fiscal year by three percent or less below the amount projected for the fiscal year in the forecast in effect at the time the general appropriations bill for the fiscal year is ratified, within three days of that determination, the Director of the Executive Budget Office must reduce general fund appropriations by the requisite amount in the manner prescribed by law.
- (2) If at the end of the first, second, or third quarter of any fiscal year the Board of Economic Advisors reduces the revenue forecast for the fiscal year by more than three percent below the amount projected for the fiscal year in the forecast in effect at the time the general appropriations bill for the fiscal year is ratified, then the President of the Senate and the Speaker of the House of Representatives may call each respective house into session to take action to avoid a year end deficit. If the General Assembly has not taken action within twenty days of the determination of the Board of Economic Advisors, then the Director of the Executive Budget Office must reduce general fund appropriations by the requisite amount in the manner prescribed by law and in accordance with item (1).

General Fund Mid-Year Budget Reductions Percentage of Total Cut by State Agency

•	Agency	Percentage of Total Cut
•	Department of Education	42.23%
•	Department of Health and Human Services	17.94%
•	Department of Corrections	5.77%
•	Department of Disabilities & Special Needs	3.44%
•	Department of Mental Health	3.22%
•	Department of Social Services	2.58%
•	Technical & Comp. Education	2.11%
•	University of South Carolina - Columbia	1.98%
•	Department of Health and Environmental C	ontrol 1.84%
•	Department of Juvenile Justice	1.48%
•	PEBA	1.36%
•	Department of Public Safety	1.25%
•	Clemson University (E&G)	1.21%
•	DMV	1.16%
	All Other State Agencies	12.43%

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Estimated State Revenue Shortfalls

State	Decline - Fiscal Year 2020	Decline - Fiscal Year 2021	2020 Decline as percent of pre-COVID- 19 revenue projections	
Arkansas	\$113 million	\$206 million	2%	3%
Florida	\$1.9 billion	\$3.4 billion	6%	10%
Georgia	-	\$2.5 billion	-	9%
Kentucky	\$10 million	\$361-659 million	0%	3-6%
Louisiana	\$293 million	\$970 million	3%	10%
Mississippi	\$344 million	\$275 million	6%	5%
North Carolina	\$1.6 billion	\$2.6 billion	7%	10%
Oklahoma	\$447 million	\$1.4 billion	7%	16%
South Carolina	\$105 million	\$754 million	1%	7%
Tennessee	\$654 million	\$1.4 billion	5%	10%
Texas	\$4.4 billion	\$8.8 billion	8%	15%
Virginia	\$234 million	\$1.3 billion	1%	6%
source: cbpp.org				

 The revenue effect of the pandemic on South Carolina seems to be less than some neighboring states.

Laura Dawson Ullrich, PhD - Regional Economist, Research Department, Federal Reserve Bank of Richmond

Federal Reserve Bank of Richmond

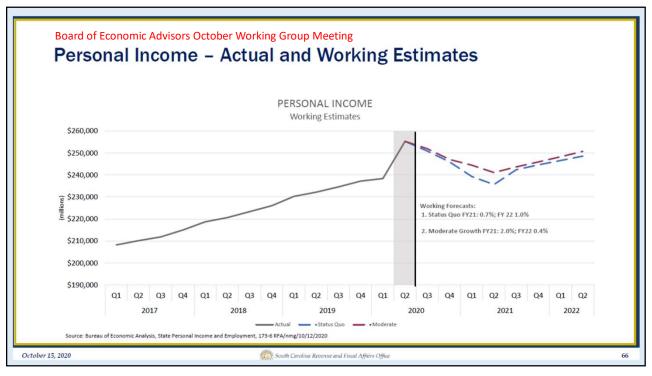
Economic Update to the South Carolina BEA, October 15, 2020

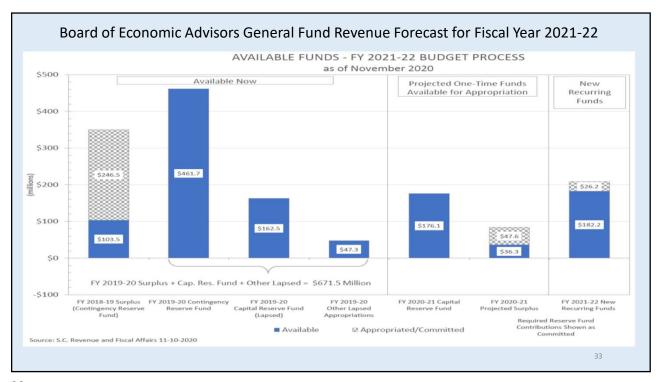
What we are hearing....

- Most employees in large metro areas that work for large businesses are still working remotely; many believe they will have the opportunity to work remotely going forward.
- Those who have tried to bring people back have only been moderately successful.
- Businesses in large office towers are having an especially hard time.
 Two reasons: elevators and public transportation.
- Realtors/developers in SC have reported selling houses 'sight unseen' to people from large metro areas.
- Some companies in California are paying employees to leave the state (and then adjusting their pay to the cost of living in the area where they relocate).

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FY21-22 Budget Outlook

Positive, but modest, growth in recurring General Funds.

Significant accumulation of cash due to Continuing Resolution.

QUESTIONS:

Is more cash needed for COVID-19 related costs?

Should a cushion be created to guard against mid-year budget cuts?

Net New Recurring General Fund Revenue (less tax relief trust fund)	\$182.2 million
Non-recurring Revenue	
FY 2018-19 Contingency Reserve Fund	\$103.5 million
FY 2019-20 Contingency Reserve Fund	\$671.5 million
FY 2020-21 Capital Reserve Fund	\$176.1 million
Projected FY 2020-21 General Fund Surplus	\$36.3 million
Total Non-recurring Revenue	\$987.4 million

FY 2021-22 Budget Outlook

Total Estimated New General Fund Revenue for Appropriation \$1,169.6 million

Non-recurring Revenue estimates do not include anticipated funds from the Department of Energy settlement and other pending litigation.

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The Great Reset is here, like it or not

By Paul Boutin (technology writer) July 29, 2020

The Pandemic has accelerated changes that were already taking place in society:

Learn from Home

Winners: Broadband Suppliers

Work from Home

Winners: Big Box Home Stores

Shop from Home

Winners: Cardboard Manufacturers

Entertainment from Home

Winners: Disney

Location of Homes

Winners: Smaller Cities

Losers: Traditional Colleges

Losers: Commercial Real Estate

Losers: Malls

Losers: Live Entertainers

Losers: Megalopolis Cities

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The Takeaway

- There are two risks to General Fund revenue collections which could trigger budget cuts.
- 1.) A double dip "W" shaped recession caused by a dramatic spike in COVID-19 infections over the winter.
- 2.) Unexpected increases in individual income tax refunds in the spring of '21 attributable to tax year 2020.

Because of these risks, revenue forecasts will be conservative with modest projected growth.

 The pandemic has accelerated the pace of change particularly as it relates to the use of information technology.

This acceleration will have a dramatic impact on the way we live, work and play – AND LEARN.

"How A 15,000-Year-Old Human Bone Could Help You Through The Coronacrisis"

by Remy Blumenfeld. Forbes, March 21, 2020

"Years ago, the anthropologist Margaret Mead was asked by a student what she considered to be the first sign of civilization in a culture.

Mead said that the first evidence of civilization was a 15,000 years old fractured femur found in an archaeological site. A femur is the longest bone in the body, linking hip to knee. In societies without the benefits of modern medicine, it takes about six weeks of rest for a fractured femur to heal. This particular bone had been broken and had healed.

Mead explained that in the animal kingdom, if you break your leg, you die. You cannot run from danger, you cannot drink or hunt for food. Wounded in this way, you are meat for your predators. No creature survives a broken leg long enough for the bone to heal. You are eaten first.

A broken femur that has healed is evidence that another person has taken time to stay with the fallen, has bound up the wound, has carried the person to safety and has tended them through recovery. A healed femur indicates that someone has helped a fellow human, rather than abandoning them to save their own life."

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Margaret Mead (1901-1978) American Cultural Anthropologist

"Helping someone else through difficulty is where civilization starts."

Thank you

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Session Name		
	NOTES	
	Key Takeaways	