

BOARD AGENDA ITEM
May 25, 2021

SUBJECT:

2021 – 2022 Budget – Second Reading

BACKGROUND INFORMATION:

In its 2021 – 2022 budget calendar, the Board scheduled presentations of the first reading of the budget for April 20, 2021, and the second & final reading for May 25, 2021.

Stakeholders had an opportunity to speak during the budget hearing segment of the May 11, 2021, Board meeting.

ADMINISTRATIVE CONSIDERATION:

The second reading of the Superintendent's proposed budget is presented for Board discussion and consideration. Many estimates are based on the SC Senate version of the 2021 – 2022 general appropriations bill. The impacts of the Covid-related drop in student enrollment can be observed throughout the proposed budget.

As shared previously, the budget development process is very fluid. Changes are often required based upon the State's budget process, and the second reading is reflective of that fluidity. The Senate version of the budget included three changes that significantly impacted the General Fund budget estimates:

1. While the House version of the budget included a step increase for teachers and no cost of living adjustment, the Senate version includes a step for teachers plus a \$1,000 increase per "cell" (i.e., degree and step level based on 190 days) on the teacher scale. Salary and fringe estimates reflect the \$1,000 increase per teacher scale cell. Revenue estimates reflect the State's partial offset of those additional costs. [Note: The second reading maintained the step increase-only for non-teachers.]
2. The Senate version requires a 5% cost of living increase for bus drivers. That increase is reflected in the budget estimates. Salary and fringe estimates reflect the change. The revenue estimate reflects a partial offset of those additional costs.
3. Health insurance premiums are projected to rise 2.6% in the Senate version of the budget. The House version of the budget projected a 0.8% increase in employer health insurance premiums. Fringe estimates reflect the change.

As with the first reading, projected increases in property tax revenue results from growth of the tax base only with no increase in operating millage. [This is a tax reassessment year. Once the County finalizes tax reassessments, the Administration will recommend a

“rollback” of tax millage, as required by State law, for Board consideration. That agenda item will likely be presented in July or early August 2021.]

In addition to those State changes mentioned above, the Senate version included a slight increase in base student cost (BSC), from \$2,500 to \$2,516. This change increased the Education Finance Act (EFA) estimate by approximately \$345,000.

The first reading of the General Fund budget totaled \$209,081,548. The second reading of the budget, pending Board discussion, is \$211,821,891. The increase is largely the result of the differences between the House and Senate versions. The Administration also increased the budget for the purchased sub services by \$300,000 due to the combination of anticipated higher fills and potential higher daily/hourly rates.

Unfortunately, the State has not finalized its budget. The Board of Economic Advisors (BEA) is scheduled to meet on May 20 and expected to consider updates to the State’s revenue projections. Legislators plan to return to session in June (likely June 8-10, 21-23 and 29-30) to finalize its budget utilizing any BEA updates. The State’s final decision on the teacher scale will have a significant bearing on our budget. The House and Senate might agree on a step only, on a step + \$1,000 increase, or something in between or beyond. As result, District Administration believes there is a strong likelihood that the budget approved by the Board on second reading at its May 25, 2021, meeting will require amending.

Budgets for the Special Revenue Fund, EIA Fund, Debt Service Fund, Capital Projects Fund, and School Food Service Fund are also presented for Board review.

RECOMMENDATION:

Approve the second reading of the 2021 – 2022 budget with any changes resulting from Board discussion.

ATTACHMENTS:

1. 2021 – 2022 Budget – Second Reading (summary)
2. 2021 – 2022 General Fund Expenditures Budget – Second Reading by object (summary)
3. 2021 – 2022 General Fund Expenditures Budget – Second Reading by location (summary by object)
4. 2021 – 2022 General Fund revenue – Second Reading
5. Staffing formulas
6. Draft 2021 – 2022 District Salary Schedule [This document could not be finalized until this State finalizes its budget.]

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