



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 3221 Signed by Governor on May 9, 2017  
**Author:** Allison  
**Subject:** Fiscal Practices and Budgetary Conditions  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Shuford and Kokolis  
**Impact Date:** June 27, 2017

**Estimate of Fiscal Impact**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
<b>State Expenditure</b>		
General Fund	\$347,381	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	2.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill will increase Department of Education General Fund expenditures by \$347,381 in FY 2017-18 for salaries, fringe benefits, and expenses for two FTEs and on time-limited position.

**Explanation of Fiscal Impact**

**Signed by Governor on May 9, 2017**

**State Expenditure**

This bill requires the Department of Education (department) to work with district superintendents and finance officers to develop a statewide program that includes a series of criteria establishing three escalating levels of fiscal and budgetary concern. These levels are fiscal watch, fiscal caution, and fiscal emergency. The three levels have escalating responsibilities for the department that include reviewing school district recovery plans, providing technical assistance in implementing proposals, ordering performance audits of school districts that will be reimbursed by the districts, making written proposals for correcting the school district practices that led to the level of concern, and taking over financial operations of a school district for a year when a fiscal emergency is declared.

**Department of Education.** The department indicates that thirty-six school districts may fall into one of the three levels of concern specified in this bill. While the department reviews financial audits and tracks fiscal issues of each district, three additional staff are necessary to fulfill the requirements of the bill, two full-time positions and one time-limited position. An Auditor IV position will visit and inspect the school districts, review plans, track implementation, and report on progress. A Fiscal Analyst III position will provide specialized

technical assistance to the affected school districts. These two positions each will require additional expenditures of \$56,947 for salary, \$25,465 for employer fringe, and \$4,350 for travel, supplies, and technology expenses in FY 2017-18. The department also indicates that the current financial condition of one school district may require the department to take over their financial operations in FY 2017-18. This responsibility will require a retired school business official or similar professional to perform day-to-day fiscal operations of the school district. This time-limited position will require additional expenditures of \$90,000 for salary and \$33,857 for employer fringe. Finally, audit expenditures are expected to increase by \$50,000 since a school district under concern cannot be released from the scrutiny required pursuant to this bill in the same year in which the declaration is made. In summary, the department indicates that this bill will increase General Fund expenditures by \$347,381 in FY 2017-18.

The bill allows further that a school district board of trustees may appeal a declaration of fiscal watch to the State Board of Education. The State Board of Education must hold a hearing on the appeal within thirty days. If this appeal process requires the State Board of Education to meet outside of the normally scheduled meetings, additional expenses for per diem and travel will be incurred. These additional expenditures will be managed within existing appropriations.

**Office of State Auditor.** The State Auditor must replicate the requirements of the statewide audit program created by the Department of Education for state agencies that are also local education agencies. These seven agencies include the Governor's School for Math and Science, the Governor's School for Arts and Humanities, the School for the Deaf and Blind, the Department of Juvenile Justice, the Wil Lou Gray Opportunity School, the John De La Howe School, and the Palmetto Unified School District under the Department of Corrections. The State Auditor indicates that the responsibilities required pursuant to this legislation can be performed utilizing existing personnel. Therefore, this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds for the Office of State Auditor.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director