Anderson County Board of Education
907 North Main Street, Suite 202, Anderson, South Carolina 29621
August 16, 2021

Call to Order: Chairman David Draisen called the meeting to order and Dr. Gary Burgess gave the invocation after which everyone joined in the pledge of allegiance to the American Flag.

Board Members Present: The following board members were present for the August 2021 meeting: Dr. Gary Burgess, Mr. Nakia Davis, Mr. Willie Day, Mr. David Draisen, Ms. Terri Martin, Dr. Vaughn Parfitt, and Joey Nimmer, Ex Officio. Mr. Mike Upton participated virtually.

Board Members Absent: Mr. Jim Haning and Mr. John Martin were unable to attend.

Approval of Agenda: Mr. Nakia Davis made a motion to approve the agenda. Dr. Gary Burgess seconded the motion and it was approved unanimously.

Approval of Minutes – July 19, 2021 meeting: Dr. Vaughn Parfitt made a motion to approve the July minutes and Mr. Wilie Day seconded the motion. The motion was approved unanimously.

Recognition of Media and Patrons / Public Comment Period: No one from the media or public signed up for public comment.

Discussion of County Board Roles and Responsibilities: Dr. Vaughn Parfitt began the discussion by stating he has been bothered by the Anderson County School District's budgets that called for a millage increase. His concern is that they will never go down and questioned if that has ever happened. Mr. Nimmer stated it can when there is a reassessment, which occurs every five or six years, and it is called rollback millage. Dr. Parfitt understands the purpose of the Board is to provide funding for schools, but also feels there is a responsibility to the taxpayer. Mr. Draisen concurred that is the Board's role to make sure the schools are spending money wisely; we do represent the taxpayers.

Mr. Day asked Dr. Parfitt if what he was saying is there is a disconnect between what he is seeing budget wise from the districts? Dr. Parfitt said he feels that raising the millage rate is simply putting your hand deeper in the taxpayer's pocket and asked if raising the millage rate is the only way to balance the budget? Mr. Nimmer said at times yes. In 2006, ACT 388 was passed that basically removed operating millage from any owner-occupied home in the State of South Carolina. This meant that the State Legislature took a very stable form of revenue away from the school districts and replaced it with one of the most volatile, a sales tax. The sales tax was implemented statewide in 2007, and operating millage was removed from everyone's tax bill that lives in an owner-occupied or 4% assessed ratio of property. The funding was supposed to be replaced with the sales tax, which is fine when consumption is strong, and the tax collected is equal to what has been taken in before. However, the year after ACT 388 was enacted, we saw a huge downturn in the economy and people stopped buying things. Despite the good times we saw in the past years and the penny sales tax, it has never caught up. There is always a deficit of what is in that fund to replace the monies taken away from the operating millage locally. To compound the problem, if you are in an area of growth, your base year was 2006 when everyone's assessed value was locked in and the adjustments made were based on that. There are a lot or areas in this county with tremendous growth that would have greatly exceeded the cap put in by ACT 388 in terms of how that money is being funneled through the state back to the local districts. The gap widens each year as more houses are built, and more students are in the classrooms. The ones who are sending the students to the schools are getting a tremendous break by not paying that operating millage on their homes. Dr. Parfitt said to Mr. Nimmer: so what you are saying is that for an area experiencing an expansion of housing with a good portion of these homes having students attending school, which is a cost, you can't tax the property because they are owner-occupied homes? Mr. Nimmer said what it does

is it shifts the burden, because you have to collect the money to pay the teachers, pay the light bill, etc., that must go on to operate the schools, so you shift that burden to other classifications of property by having to increase the local millage. That's how it comes back full circle. Had ACT 388 not been enacted and had owner occupied homes continued to be part of the local tax base, there would not be near the demand for those funds to require the districts to ask for millage. Some of the districts that are not as fast growing don't have the assessed value to offset since they don't have a lot of new residential units and have not asked for millage. It is primarily the fastest growing, and here that is primarily Districts 1 and 5 that also happen to be the largest districts since that's where people are moving. For a long time, it was District 4, but that growth has slowed down and now it is picking up again with new homes all along Clemson Boulevard. There is usually a lag time after the units are complete of one year before tax bills are due, so we will see what happens there.

Mr. Nimmer continued by saying that a big part of the problem too is that the State sets the salary rates for all teachers, tells you what they will pay for their benefits, as well as the employer portion of these benefits. By and large, the increase in cost of health insurance and the offset of liabilities in the retirement system are being paid by the employment units not the employees. Employment units means the school districts, state agencies, local governments, and the PEBA system. Here again, the State says this is what these things will cost you to have these employees and allow them to participate in the health and retirement system. They aren't going to give the schools enough money towards this, but this is what it will cost. The same thing happens when they increase salaries for the schoolteachers, like they did this year, and only a portion of the increase is funded by additional state funds. The balance had to be made up locally. In addition, an increase to the benefit side returned this year, depending on different factors, but the state only covered about 2/3 of the cost. So, there is a profound gap there that needs to be funded locally and the only way to do that is through local operating millage.

Dr. Burgess mentioned a time in the past when he dealt with District 4's finances in a supervisory role and he tried to decrease the budget to avoid a millage increase which was not popular. At the time, he was asked what elements would set up a financial crisis. One example was that If the fund balance was low, it goes under a fiscal watch and can be taken over the State as a financial emergency. Dr. Burgess asked what the recommended fund balance to have, two or three months? Mr. Nimmer said anywhere between 16 and 23 percent is the standard balance they want districts to have. Dr. Parfitt added that the fund balance is like a rainy-day account, and Mr. Draisen said, yes, like a savings account for emergencies. Mr. Nimmer said in times of fiscal strains, like when EFA is not funded at the level it is supposed to be, the districts must rely on the fund balance. After coming out of the 2008-2011 fiscal years, we saw a lot of district fund balances fall to the level of 10 to12 percent.

After running his own business for 35 years, Dr. Parfitt commented that this is mind boggling as to how complicated this is. He continued stating that he would think that rather than reaching into the taxpayer's pockets, that rainy day fund would be depleted. Mr. Nimmer said normally they can run it down to whatever that state allowed level is. In recent years, Districts will pledge a certain percentage of their fund balance to balance their budget so that they don't have to ask for as much millage. This is done routinely if they end up with greater than 23% in their fund balance. We are coming through two years of not being able to adjust, and they didn't have the fund balance this year to do it because we had one budget for the past two years. In years past, they have used fund balances to bring it up to balance everything.

Dr. Burgess mentioned that if school districts don't maintain a certain percent, they can be placed under a financial watch. That's correct, Mr. Nimmer said, and that can be a multi-year process because you see the fund balance begin to come down and in high times that is a red flag; when things are going well and EFA is fully funded. They do adjust those percentages when EFA is low. For example, in 2008 the budget was passed with a $2,400 base student cost. By the time the year was over, it was funded at approximately $1600 or a $800 per student difference than what the budget was built on. The money had to come from somewhere and there were layoffs, furloughs, RIFS, and a lot of fund balance was

consumed. The cyclical nature of our economy means the chance of a downturn is always out there. All these factors come together as the budgets are built, sent, and discussed here.

Mr. Draisen stated that the money coming in doesn't always match the way you expect to spend it. Mr. Nimmer agreed stating that a fund balance isn't cash sitting there, it is a reserve fund that is from the prior year. If you increased it, it was increased by revenues exceeding expenditure for that particular year. You can draw on that or finance against it if you are a district in harm's way financially, like Dr. Burgess mentioned, with tax anticipation notes and bonds. Mr. Draisen said your balance sheet and cash flow are two different things. When you are dealing with cash flow trying to pay your teachers and the money isn't coming in exactly as you need it, the fund balance can be used for that.

Mr. Nimmer said the tax anticipation note is the equivalent of factoring your accounts receivable when you are in business. Dr. Parfitt added - we call that a bank account from where I come from. Mr. Nimmer said you are taking money now that is owed to you later. Mr. Draisen added when you use sales tax it is a regressive tax and hurts the poor more than anybody. One thing that Act 388 did to adjust the aggressive nature of that was to exempt groceries from the sales tax, Mr. Nimmer added, but that is also one of the most stable forms of consumption because everyone must buy groceries. So, when times are volatile and you're not collecting money on the other big items because they aren't being purchased, it can lead to a detriment to the schools.

Mr. Draisen mentioned when people file their taxes and qualify for tax relief, they get a refund on the money they paid in sales tax over the year. Many poor people don't even make enough to file taxes.

Dr. Burgess mentioned a study done my Holly Ulrich from the Thurmond Center, taxes are a three- legged stool: sales, property, and income, while property tax is the most stable. Ms. Martin agreed stating the most stable tax was pulled out and then drastically reduced the sales tax by taking off the tax on groceries.

Mr. Draisen said the reason ACT 388 came about was because in the low country coastal property values were exploding and taxes were going through the roof, not because of millage changes but because of the value. It was like a political buyoff for the well-to-do coastal people when they changed when property is sold it doesn't go on an assessed value, it goes to market value. That changed a lot as property turns over it is increasing your assessed value because it is actual market value at that point. It also capped reassessment. So, in a fast-growing area with a lot of demand for the property and not as much supply in a fast-growing area it further erodes the property tax base. We don't have that problem here, but there is a lot of that in the lower state.

Ms. Martin feels that, in order to retain classroom teachers, we need to be competitive especially in the districts that border Greenville. Mr. Nimmer agreed stating that most of our Anderson Counties are about 12% above State minimum salary with the local supplement and District One is trying to add half a percent being so close to Greenville. Ms. Martin added there is a disadvantage to using the fund balance to pay for reoccurring expenses because, once your fund balance is gone, you still have those expenses and then you are trying to make up all that money at one time. Usually, if you use your fund balance, it is for capital expenses or one-time things which was extremely helpful for districts before the penny sales tax came in to play. Prior to that, they had to use 8% money or the fund balance both of which must be paid back.

Mr. Draisen closed by saying many of our board members have only seen the good times and, thankfully, haven't been through a bad time. It is a little different when it comes to funding the school districts than a regular business. During the bad times, one of the first things that the legislature cuts is school funding and that shifts the burden to the local districts. Hopefully, we won't see that any time soon.

Administrator's Report: Mr. Nimmer sadly reported that Robbie Binnicker, Superintendent for Anderson School District One, lost a son on July 22nd. He was a junior at Clemson and passed away very unexpectedly. Please keep this family in your thoughts and prayers.

At a recent meeting, Mr. Nimmer talked to Dr. Bob Couch from the Institute of Technology and he said he would love to host another meeting so the new board members would be able to tour their facility. The last meeting there was held back in October 2019. They would like to provide a meal for us and then give us a tour of the facility. If we would like to do that again, perhaps we can schedule it for September or October this year.

Financial

A. Tax Collection YTD vs. Budget: Mr. Nimmer reported that the districts are seeing the money trickle in at this time of year and that is normal. District 3 is a bit ahead because they get money from Santee Cooper which is booked under their fee-in-lieu of taxes.

B. Assessment Totals: Mr. Nimmer said we are virtually in a dead heat from where we were at this time last month. We continue to see new car sales for the year lagging behind prior years due to poor inventory of new cars available. Once new car inventory is restored, he hopes to see an uptick in assessed value of new automobiles

C. Education Sales & Use Tax: Lastly, Mr. Nimmer reported that in the month of July, $2,821,244.31 was collected county wide. As a reminder, 20% of these funds come off the top to be used to roll back debt service millage. So that was another $564,000 added back to the sinking funds of the school districts. The remaining portion can be used for capital projects, security projects, technology, and has been a boon to the districts in terms of enhancing the properties they have. Mr. Davis asked when the penny sales tax will end. Mr. Nimmer said 2029 will be the last year, and if it continues past that, it will require an additional referendum.

Old Business: No old business was discussed.

New Business: No new business was discussed.

A. ADM Accounts Payable
B. SFS Accounts Payable

Dr. Gary Burgess made a motion to pay the bills as presented. The motion was seconded by Mr. Nakia Davis and was followed by a unanimous vote.

The meeting was adjourned by Mr. Draisen.

Respectfully submitted,

Dr. Gary Burgess, Secretary of the Anderson County Board of Education
This is a true and correct copy of notes taken at the meeting.