SPECIAL CALLED MEETING
MINUTES
State Board of Education Meeting

DATE
Thursday, October 15, 2020

TIME
3:30 p.m.

LOCATION
via WebEx

Michael Brenan, Chair
Dr. Kristi Woodall, Chair-Elect
Molly M. Spearman, State Superintendent of Education,
Secretary and Administrative Officer to the Board

If you require Section 504 or ADA accommodations to attend or participate in this public meeting, please contact Noelle Redd.

Notice: Due to allergies of staff and visitors, we ask that visitors refrain from wearing scented products when attending the State Board of Education meetings in SCDE facilities.

SBE Mission: The State Board of Education's mission is to provide a leadership role in helping South Carolina set policy and direction to transform teaching and learning so that students are prepared with the necessary knowledge and skills, including innovation, to compete globally and live a productive life.

I. WELCOME AND DETERMINATION OF A QUORUM

The Special Called Meeting of the State Board of Education (SBE), via WebEx, convened at 3:30 p.m. Chair Brenan, Governor's Appointee, called the meeting to order and stated that a quorum was present. Chair Brenan welcomed everyone who attended the virtual meeting.

In addition to Chair Brenan, the following SBE members were also in virtual attendance: Jon Butzon, First Judicial Circuit; Crystal Stapleton, Second Judicial Circuit; Dr. Shawn Johnson, Third Judicial Circuit; Dr. J.R. Green, Sixth Judicial Circuit; Dr. Cynthia Downs, Eighth Judicial Circuit; Larry Kobrovsky, Ninth Judicial Circuit; Debby Howard, Tenth Judicial Circuit; Steven English, Eleventh Judicial Circuit; Jean W. Pearson, Twelfth Judicial Circuit; David Whittemore, Thirteenth Judicial Circuit; Valaree C. Smith, Fourteenth Judicial Circuit; and Alan Walters, Fifteenth Judicial Circuit.

Members not in attendance: Chair-Elect Dr. Kristi Woodall, Sixteenth Judicial Circuit; Cathy D. Chapman, Fourth Judicial Circuit; Dr. Tracy West, Fifth Judicial Circuit; and Carl Hinze, Seventh Judicial Circuit.

The following South Carolina Department of Education (SCDE) staff in virtual attendance: Molly M. Spearman, State Superintendent of Education; Cathy Hazelwood, Deputy Superintendent and Parliamentarian, Division for Legal Affairs; Betsy Carpentier; Deputy Superintendent, Division of Data, Technology and Agency Operations; Katie Nilges, Director, Office of Governmental Affairs, Division of Legal Affairs; Laurie Traywick; Superintendent's Office; Ryan Brown, Communications Officer; Tracy Moore; Administrative Assistant; Office of General Counsel, Division for Legal Affairs; Jeff Henry, Project Manager, Chief Information Office; Division of Data, Technology and Agency Operations; Travis Huggins, Information Technology Manager I, Service and Support Center, Division of Data, Technology and Agency Operations; and Noelle Redd, Minutes Taker, Division for Legal Affairs.

II. APPROVAL OF STATE BOARD OF EDUCATION SPECIAL CALLED AGENDA FOR OCTOBER 15, 2020

Chair Brenan asked if there were any objections to approving the agenda as presented for the October 15, 2020, SBE Special Called Meeting. Hearing no objections, the agenda was approved by unanimous consent.

III. RECOGNITION OF VISITORS, INCLUDING NEWS MEDIA

Chair Brenan thanked those visitors and news media who might be in virtual attendance at today's meeting.

IV. STATE SUPERINTENDENT OF EDUCATION REPORT

Chair Brenan welcomed Superintendent Spearman. Superintendent Spearman thanked Chair Brenan, the other SBE members, and members of the pubic for attending the meeting on such short notice.

Superintendent Spearman stated that the purpose of the today's meeting was to provide the SBE with information and to discuss, and approve action regarding Clarendon School District One (CSD1) and their financial status. She stated that the SCDE has been working with CSD1 as they have moved through the different levels of financial watch, financial caution, and emergency. Superintendent Spearman stated that recently, the SCDE had contracted with Mr. David Loadholt, who is currently working with the newly consolidated Clarendon School District Four (CSD4). Mr. Loadholt is an experienced school business official, and he was contracted as the Acting Chief Financial Officer to convert the CSD1 to the same financial services software used by the other districts. Shortly after Mr. Loadholt arrived, and during their local board meeting, last week, the local board members were notified that the district had not paid their employer or employee withholding taxes since May of 2020, and that there was a significant deficit in the

budget. Superintendent Spearman, with the Chair's permission, asked Ms. Carpentier to begin her presentation. She stated that Ms. Carpentier has been working closely with all of our shared services projects and as you know, CSD1 is in the process of consolidating with Clarendon School District Three (CSD3). That consolidation will take place on July 1, 2021. Senator Kevin Johnson and Representative Barbara Ridgeway have already introduced legislation, which has passed to consolidate those two districts, and they have appointed a new local school board for CSD4. CSD4 is operating and getting prepared for the July 1 consolidation. She stated that it is very important that this district is sound in every way, but particularly in a financial way, so that the surrounding district, CSD3, does not have to pick up the responsibilities of the financial problems of the CSD1. Superintendent Spearman stated that, at this time, she is not bringing a recommendation to the SBE. Superintendent Spearman stated that Ms. Carpentier had additional details on this situation to provide the SBE.

Chair Brenan thanked Superintendent Spearman.

V. STATE BOARD ITEM

SBE SOUTH CAROLINA STATE BOARD OF EDUCATION—ITEM

FOR APPROVAL

Recommendation to take over the financial operations of Clarendon School District One for fiscal year 2020–21—Betsy Carpentier, Deputy Superintendent, Division of Data, Technology and Agency Operations

Ms. Carpentier thanked Chair Brenan and the SBE and stated that the SCDE recommends that the SBE allow the SCDE to take over the financial operations of CSD1 due to a fiscal emergency and in order to attempt to correct fiscal actions and conditions that led to this declaration and to attempt to clear up the existing deficit. The immediate reason for this recommendation is that we learned that CSD1 has not paid $1,350,000 in withholding taxes, and retirement obligations. Almost $550,000 in taxes have not been paid since June 2020, and approximately $800,000 in employee retirement contributions that have not been paid since May 2020. The finance officer's estimates are that even with a tax anticipation note (TAN), if all obligations are paid, CSD1 would end the fiscal year with $2,300,000 in the red at the time they are consolidating with CSD3 to become the new CSD4. We are recommending that the SCDE take over the financial operation of CSD1, in order to begin cost-cutting measures in an attempt to make sure we can bring a fiscally solvent CSD1 to the table when the consolidation occurs.

Ms. Carpentier stated that this is the first time that the SCDE has recommended taking over the financial operations of a district under the South Carolina Fiscal Practices Act (S.C. Code, Ann. § 59-20-90(E)(3), (5), and (7) (Supp. 2019) (SCFPA). This is a little bit different from some of the other emergencies that we have had under the statute and she wanted to explain a little bit about the SCFPA. There are three levels of fiscal status

- Fiscal Watch;
- Fiscal Caution; and
- Fiscal Emergency.

The CSD1 has been through all three of these statuses. Fiscal Watch started with issues related to CSD1's audit; it moved to Fiscal Emergency in early 2020 and it was negotiated to a Fiscal Caution in May 2020. CSD1 was supposed to respond with a Financial Recovery Plan by July 18, 2020; they did not, so on August 21, 2020, Superintendent Spearman sent a Notice of Fiscal Emergency to CSD1 and a Notice of Order of Consolidation of Administrative and Professional Services under General Appropriation Act, 2019 S.C. Acts 91, Proviso 1.85. As part of that shared services agreement, CSD3 and CSD4 worked with CSD1 on sharing some services for information technology, transportation, human resources, and finances, but on the finance side it was decided that the finance officer working with CSD4 would work with CSD1 to change their finance software system to the same system used by CSD3 and CSD4 in anticipation of the consolidation, and to provide fiscal services for CSD1. During the course of the transfer to the new software system, Mr. Loadholt, the finance officer, discovered that these obligations had not been paid. Ms. Carpentier went on the say that at this point, the SCDE does not know exactly what the taxes and penalties will be on that obligation. We do not know if there are any other unpaid obligations. As she is speaking with the SBE today, there are also investing the possibility of other unpaid payroll obligations, i.e. voluntary insurance plans, etc. Ms. Carpentier stated that she put a timeline in the synopsis to indicate what date certain actions occurred; however, Ms. Carpentier stated other dates do not appear in the timeline, but do appear in the Critical Facts portion of her synopsis. She stated that she would be happy to give the SBE, if interested, additional information on the types of things that created the school statuses, but suffice it to say that CSD1 has missed several different audit due dates; they have had several material weaknesses; and we recommend the takeover of financial operations be approved.

Chair Brenan thanked Ms. Carpentier for her presentation and stated that he appreciated the timeline that she provided.

Chair Brenan asked Ms. Hazelwood if she had any information to add to Ms. Carpentier's remarks. Ms. Hazelwood stated that in addition to both Superintendent Spearman's and Ms. Carpentier' s comments, she wanted to reiterate that this will be the first time that the SCDE has made a request to the SBE to take over the financial management of a school district. She stated that the SCDE is quite comfortable, at this time, to take over an entire district. What the financial management of a district will look like is not spelled out in statute; it simply says that you take over the financial management of the district. As Ms. Carpentier stated, the CSD1 will have an appeal process. CSD1's school board will have ten days, upon receipt of your decision, which Ms. Hazelwood will begin drafting as soon as todays meeting ends, to appeal the decision to the SBE. The SCDE has done their due diligence, Superintendent Spearman spoke yesterday with the CSD1 superintendent and local board chair, both of them are aware of the situation, they are aware of this meeting, and that these are the plans we intend to take. The difficulty for all involved is that in order to bring them to a zero amount on their books, if that is at all possible, hard decisions are going to have to be made. Ms. Hazelwood will opine at this stage, that the way the statute is drafted, that Superintendent Spearman has the ability and the authority to make those hard decisions, i.e., reduction in force (RIFs) and furloughs because if CSD1 pays their

bills, they cannot pay their staff, if they pay their staff, they cannot pay their back taxes and penalties or the Public Employee Benefit Authority (PEBA), or the TAN, the list goes on. There are some very hard decisions to be made, but all the parties want this consolidation to work, and it has to work with a solvent district at the end of the current fiscal year. If we do nothing, they will not be solvent. We have the benefit of having Mr. Loadholt in CSD4 assisting with the consolidation of the financial records, and absent his help, we would have never known about this situation. Every document that CSD1 sent to us indicated that they had everything under control.

Chair Brenan thanked Ms. Hazelwood for her information.

Chair Brenan asked for a motion, a second, and then a discussion.

Chair Brenan asked for a motion on the SCDE's recommendation to take over the financial operations of the CSD1 to correct practices and prevent further decline of the district's finances.

Dr. Johnson made the motion. Mr. Walters seconded the motion. The motion passed unanimously.

Chair Brenan opened the floor for discussions, recognizing Mr. Butzon who stated he had a number of questions. Mr. Butzon wanted to know what happened to the employer and employee withholding taxes and retirement contributions. Superintendent Spearman stated that at this time, she does not know, other than it was possibly used to pay other bills, but we will be doing a thorough investigation to track where those funds went. She went on to state that there is a lot of information that they are not aware of and this came to her attention last week. Her office was receiving additional information during the SBE meeting on October 13. Mr. Loadholt has agreed to be our designee at CSD1. Currently, he has been working in the CSD1 offices 2–3 days a week, and has said that he will devote the time needed to do a thorough investigation. He is well respected in his field; he has retired from several SC school districts, and he has done this type of trouble-shooting many times for other school districts. Superintendent Spearman is confident of and comfortable with his ability to help us.

Ms. Hazelwood stated that CSD1 has been robbing Peter to pay Paul.

Ms. Carpentier stated that if there is concern that someone is stealing the money, at this point we do not have any indication of that happening. Ms. Carpentier reiterated that at this time a full investigation has not been done.

Mr. Butzon thanked Ms. Carpentier and stated that her comment answered one of his questions. His next question concerned Mr. Loadholt's comment about "without additional costs cutting measures, the district will have a negative $2.3M balance at the end of June," but after Ms. Carpentier just said, it sounds like there will have to be some serious and drastic cost cutting, we are going to wind up there anyway because of the $2.5M loan that will have to be paid off in April. Mr. Butzon asked what cost-cutting measures would be done to take care of this.

Ms. Carpentier stated that most districts budgets are 80–90 percent personnel expenses and the

only way to take up a loss like this is to reduce personnel expenditures. First, we will review the contracts that CSD1 has to see if any of those can be terminated. We will look at furloughs and other ways to avoid having to actually terminate staff. However, most all of a districts expenditure are for personnel. We will be making some hard choices.

Mr. Butzon stated that it sounded to him that regardless of what is done, the impact is going to effect the students. There will be larger classes, fewer supports, and students are going to pay the price. If that statement is unfair or inaccurate, just say so.

Superintendent Spearman stated to Mr. Butzon, that the SCDE will do everything possible to protect the quality of the instruction that is going on in CSD1. Our first step is to look at contracts, then at administrative positions in the district that do not have an impact on instruction. CSD1 is a small district and we expect that in a small district you have to have a very lean administration. We are hoping that this will not affect teachers. She assured Mr. Butzon that this would be the order they will use if RIFs or any other types of cuts are made. She went on to say that, the SCDE would do whatever they can to protect the quality of education for the students. Superintendent stated that she could not promise that the SCDE will not go there, but the SCDE will do their best to ensure it does not happen.

Mr. Butzon asked what the chances were that this is worse than it currently looks today, slim, moderate, or absolutely worse?

Ms. Carpentier stated moderate. We are aware of at least one vendor that contacted Mr. Loadholt stating he has an unpaid bill since June 2020 (FY19–20). We currently have no idea how many other invoices have not been paid. As far as the unpaid withholding and retirement payments, we currently do not know how far back they may go.

Mr. Butzon stated he might have other questions later.

Chair Brenan thanked Mr. Butzon and asked if anyone else had questions. Chair Brenan recognized Mr. Walters who stated to Ms. Carpentier that it sounded like her answer to Mr. Butzon indicates that we are now at the point where we need to consider asking South Carolina Law Enforcement Division (SLED) to do a forensic investigation of the CSD1 finances to determine if it was mismanagement or criminal.

Ms. Hazelwood replied that SLED has done an investigation, concerning contracts. A review was done two years ago, in 2018, on contractual relationships between the CSD1 and their board members. SLED never actually concludes any investigation, because if you contact them, they do not have a “final” report. However, they did not go in and do a sweeping financial audit. SLED also examined a relationship between CSD1 and Lee County School District (LCSD). At this time, Ms. Hazelwood stated that she would not suggest a forensic audit until after Mr. Loadholt has had an opportunity to take a deep dive into the finances, and Mr. Loadholt needs more access to information that he has previously asked for. Once Mr. Loadholt has completed his deep dive, nothing is off the table, who knows what he might find. However, at this moment, these are the facts that we know:

- nonpayment of withholding taxes;

- nonpayment of retirement to PEBA;
- nonpayment of vendor invoices; and
- their inability to pay back the TAN.

This is why we are meeting today.

Mr. Walters thanked Ms. Hazelwood and stated he understands that and from his days with law enforcement, that most of the challenges are going to be from lack of records to review and reconstruct exactly what happened to the funding. He has found that in the past, SLED has been very helpful in resolving those cases. Mr. Walters stated that he agreed with Ms. Hazelwood that Mr. Loadholt needed to complete his investigation before involving SLED. Mr. Walters next inquired if there were any other employees who were either retiring or about to retire that would be stopped from retiring because CSD1 had not sent the retirement payments to PEBA.

Ms. Carpentier stated that this is also a concern because there are some people who have an optional retirement plan that is similar to a 401K plan and their contributions have not gone into their accounts.

Chair Brenan thanked Mr. Walters and recognized Dr. Green who asked Superintendent Spearman to describe, more explicitly what assuming the finance operations means, particularly in light of the fact that this is a step based on what was said earlier, that this has not occurred with any other SC school district.

Superintendent Spearman stated that she believes, that if the SBE approves this request, signature authority on the district's financial accounts will be changed and both her name and Mr. Loadholt's names will be added on the accounts to oversee checks and payments. An immediate review of the district's existing budget will begin to determine what was planned; where we are and where we should be. The following two weeks will be critical as we get more in depth reporting from Mr. Loadholt as to his findings. She stated that the SCDE has received information that will be reviewed to see what is owed and what funds are available. We know that the TAN payment is due in April 2021, and the district has around $5M left on their construction bonds. As part of their consolidation, the agreement was that their share of the consolidation money that the SC legislature has appropriated to them would be used to pay off their construction debts so that CSD1 would go into the consolidation debt free just like CSD3. There are some things that the SCDE will have to do now. Superintendent Spearman felt that she would have the authority to make any personnel decisions. However, the first thing would be to look over the contracts, look over the payments to vendors, and keeping the instruction and the quality of the instruction. She does believe in our interpretation that in order to manage this situation, as stated in the law, that we have the authority to make those decisions. It is not far off from a regular takeover, which we have done in other districts, once you talk about personnel decisions. Therefore, our interpretation is that the local board would be relieved of their authority in managing the budget.

Ms. Hazelwood stated that the benefit of this situation is that the local board is not creating a budget for the next fiscal year. The SCDE simply has to conclude this budget for this fiscal year, and CSD4 will have its budget that will begin on July 1, 2021. One of the major duties of a school board is the budget, and they do not have to do that to begin with. We are not suggesting

that they are going to block any participation by the board, or that we will not report to the board, or in some way negate their ability to receive information, but the law does say "financial management," and if under financial management does not mean bringing into solvency, then those words mean nothing. If bringing it into solvency means we need to RIF employees, as awful as that would be, then that is going to happen. Nevertheless, again, that is in a long list of other items. It is not the first item, and she does not want to people to think it is off the table, but it is on the list. Ms. Hazelwood did not want to do a disservice to the people by say "we can never do that," and we cannot make that statement.

Dr. Green stated that he appreciated what has been said. When he was in Chesterfield County, $2M was cut from the budget and he was given the responsibility, and there is no way to cut that kind of money without cutting positions. If anyone is thinking that you can cut contracts and this is a mid-year cut, he was unable to do it without cutting forty-two positions. He remembers it as if it was yesterday. He had very hard decisions to make. He wants the SBE members to realize that if the plan is to get CSD1 to solvency, there is no way to cut $2.5M without cutting people. It is a delusion if any of the SBE members think that this is a possibility, you are wrong.

Dr. Green stated that if assuming financial management of a district has never happened before, what sets this situation apart from any others, why is it that the decision was made to do this particular action with this particular district.

Ms. Carpentier responded that this statute was passed in 2017, and it was substantially amended in 2018 to require the SCDE to take a district through the three different levels of "watch," "caution," and "emergency," before you get to "emergency" and potentially takeover a district. Because of these three different levels, it takes a while to get to the "emergency" level. We have annual audits that are due on December 1 of each year, and with the other, two levels and with the timing of the statute, this is the first year that it could be done. It is a matter of the timing and the seriousness of taking money from employee's paychecks and not taking the trust fund and spending it the way they are supposed to be spent.

Superintendent Spearman added that we have had one or two districts in an "emergency" status, and anytime there is a SLED investigation, such as in Berkeley County, which had serious charges brought against their finance director, which placed the county in "emergency" status. At that point, Berkeley gave us a plan to improve, and we can approve their plan, or not approve their plan and then negotiate to receive and approve a modified plan. Moreover, we have done that with several districts, such as CSD1. CSD1 was in "emergency" status and they were supposed to give an improvement plan, by mid-summer, which did not happen. We gave them until October. There have been several districts, who have been very close, but they have been able to correct their situation and they avoided the extreme situation that CSD1 is currently experiencing. She feels that the severity of these issues is why we are at this point. There have been some severe issues with other districts, such as the embezzlement of $4M, but that board fired the finance director, and put in corrective accounting procedures. Other districts have gotten close to CSD1's situation, but those districts instituted plans to prevent a takeover.

Ms. Hazelwood added that, as some board members may remember, the SCDE declared a fiscal emergency in Sumter, and you upheld that finding of fiscal emergency, we worked closely with

Sumter and had those meetings to determine what it would look like trying to reopen those two schools, and that would have thrown their fiscal plan into disarray. Sumter returned to their fiscal plan, which to begin with, Superintendent Spearman had approved. However, in this situation, CSD1 submitted a plan under the fiscal emergency, and we met to discuss it and CSD1 was going to go back to fiscal caution if they executed their plan. Nevertheless, in the interim, we discovered, it is not in the plan, and I can assure you, it is not in their plan about the failure to pay withholding taxes since May, or the failure to make retirement contributions to PEBA since May. Therein lies the problem, they are supposed to tell us what they are going to do to correct the problems, and CSD1 has not.

Mrs. Pearson, asked what the local superintendent's and local school board's plans were for getting out of this hole?

Ms. Hazelwood stated that the plan that they submitted never revealed the extreme deficit. The plan looks great on paper, the employees are getting a paycheck that shows their gross, the taxes taken out, the retirement taken out, the insurance taken out, miscellaneous deductions taken out, and here is your net. The SCDE had no clue until last week. The CSD1 plan they sent to us said that everything would be fine, CSD1 stated they were tightening up; and they were sharing services with CSD3. CSD1 stated they would not hire additional personnel; etc.; and they were going to get to June 30, 2021, with a $0 on their books; shut down the district and combine operations with the new CSD4. Ms. Hazelwood stated that her biggest concern is that the SCDE was willing to help get them into "caution" status and help them with the consolidation and now, the SCDE has discovered that nothing CSD1 submitted to us, as their plan, was accurate.

Mr. Butzon asked if it would be safe to say that we are not only talking about incompetence, but also dishonesty. Ms. Hazelwood stated that she did not want to use that term, yet. She believes that there is some negligence involved, but for now, she will leave it at that until we receive a lot more information.

Chair Brenan reminded everyone to please direct his or her requests to speak to him prior to speaking. Chair Brenan asked Dr. Green to please complete his discussion.

Dr. Green continued his discussion stating that he feels that we should be very careful about even suggesting that someone has been dishonest, or embezzled, or things of that nature. Dr. Green stated that he is aware of many position turnovers at CSD1, and he understands the importance of a competent finance director. Very often, when you do not have those individuals in place, you can find yourself in a very difficult position with financial situations. Ms. Hazelwood, is this a function, largely of not having competent personnel in place? And, he knows that Mr. Loadholt is currently assisting at CSD1 to evaluate the current finances, but was there a finance director in place at CSD1 prior to Mr. Loadholt's arrival, and, if so, was it determined if this finance director did not have the capacity to perform his duties?

Ms. Carpentier responded that a Mr. Zimmerman, the technology contractor, had been the interim finance director right before Mr. Loadholt came in, and prior to that the person that had been there before Mr. Zimmerman, she is not sure when that person left. This past summer, the district's payroll person also left the district, and Mr. Loadholt indicated that another employee

had left.

Superintendent Spearman concurred with Dr. Green that it has been a challenge for CSD1, just as it has been for other districts, especially those small districts in rural areas. It is a challenge to have all of the expertise in all of the positions that you need. Again, we do not want to label anyone. She stated that she hopes, as Ms. Hazelwood stated, that it is just negligence. Someone either forgot to do something, or did not know to do something that they were supposed to do. We spoke yesterday (October 14, 2020) to the chair of the local board, who told us that they did not have any idea of this financial situation until last week's meeting when Mr. Loadholt reported it to them.

Dr. Green had a final question. He is aware that the goal is to get to solvency by the end of this fiscal year, and he knows that $2.5M is a tremendous task. He asked Superintendent Spearman if it is her and her staff's commitment to do whatever is required to cover the $2.5M or is she going to do whatever she can to get however close she can get to that amount and then absorb it into the cost of the consolidation? How are you going to do that without impacting the students?

Superintendent Spearman stated that ideally, that is her commitment. Realistically, we are going to do the best we can to get them along as far as we possibly can and maintain instruction in the district. She stated that Dr. Green was correct in stating this is going to be tough. She hopes that some of the debt we were anticipating might not be as bad as we were told for the construction debt. If it were true, that would be a great help. There is some funding available that is going to the district, but the promise has been that the construction debt would be paid first, before the consolidation. Ideally, we are going to work to get it to $0. Realistically, we may have to get the amount down as far as we can, but our goal is to keep CSD3 from having to absorb this. The consolidation effort has gone very smoothly and we do not want this incident to stop the consolidation.

Chair Brenan thanked Dr. Green and recognized Mrs. Howard who inquired if the SCDE would have to absorb any fiscal responsibility to pay off this debt.

Ms. Hazelwood responded that the SCDE would not be held responsible for absorbing any of the debt. Even when the SCDE took over the three districts that we report to you on a monthly basis, SCDE has not been held responsible for absorbing any of their debt. With that said, our Chief Finance Officer, Nancy Williams, has found money in the agency in order to assist those three districts, when they need a little help. Ms. Hazelwood anticipates that CSD1 may also need a little assistance from time to time. We are trying to figure out if we can get more consolidation money from the General Assembly when they return in January to help with this. We can ask, but we realize that we will need to get in line behind everyone else that is asking for additional education funds this year, and additional money to restock PPE in the schools.

Superintendent Spearman stated that we would be looking at any CSD1 expenses that may be COVID-19 related because that is money that we can request immediate reimbursement from the CARES Act funding. We will know more once Mr. Loadholt does his investigation.

Chair Brenan thanked Mrs. Howard and recognized Mr. Butzon who inquired as to what other

districts are in some designated form of fiscal distress.

Ms. Hazelwood was searching for her list of districts. Mr. Butzon asked if Ms. Hazelwood would email the list to everyone. Ms. Hazelwood agreed.

Mr. Butzon went on to say that, he asked the question because as he reviews the timeline provided in Ms. Carpentier's synopsis, this should not be a surprise. Two years ago, SLED is in the district doing an investigation on contract issues and we do not know what the results are of that investigation. That fact, in and of itself, seems to be at least to him, a situation that would prompt extra special oversight or investigation of that district. It is troubling to him that essentially, at the last minute; it comes forward as if it has just emerged. Now, what has just emerged is the knowledge of some things that we did not know before. Earlier in the meeting, I made a comment on dishonesty was not pointed, directed, or intended to suggest that anyone was stealing money. Nevertheless, these folks have not been honest in terms of providing the information that they had and knew about the conditions to the SCDE, and that was the nature of my earlier comment on dishonesty.

Mr. Butzon asked if the SCDE staff would keep the SBE members updated on a monthly basis on the status of the CSD1 fiscal management. He would like to see information on

- where do we stand;
- what have learned; and
- what decisions are being considered, etc.?

So that we do not wind up in a situation at the end of this year that something has come up that, we did not know about and have to have another emergency meeting to discuss the issue.

Chair Brenan assured Mr. Butzon that Superintendent Spearman and her team plan on giving us monthly updates.

Ms. Hazelwood concurred stating that the SBE members will receive, for information, updates on CSD1 at the same time they receive the updates on the other three districts.

Mr. Butzon thanked Ms. Hazelwood stating he would look forward to the updates.

Chair Brenan asked if there were any other comments on this issue, hearing none, Chair Brenan asked for a vote. The vote was unanimous to approve the recommendation to allow the SCDE to assume the financial management of the CSD1 school district.

VI. QUESTIONS AND OTHER BUSINESS

None.

VII. ADJOURNMENT

The meeting adjourned at 4:15 p.m.