

**School Funding:
An Interactive Presentation
for the
ASBSD/SASD Joint Convention**

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SD Department of Education**

How to make a presentation interactive?

- Ask for interaction
- Ask a great question at the beginning to get people talking
- Get people's opinion
- Build in audience discussion and reporting
- Get moving

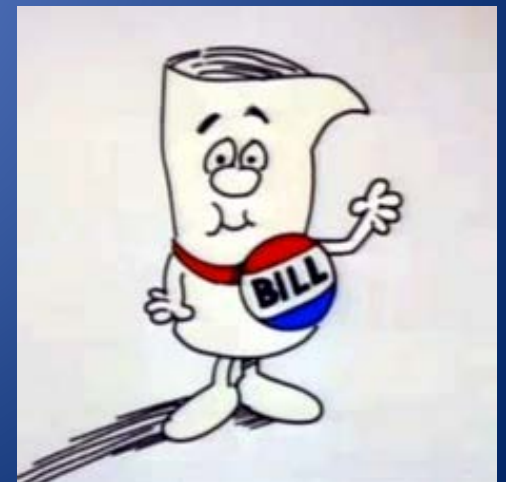
Source: *Five Easy Tricks To Make Your Presentation Interactive.*

<https://www.forbes.com/sites/work-in-progress/2014/01/28/five-easy-tricks-to-make-your-presentation-interactive/#235c868a2586>

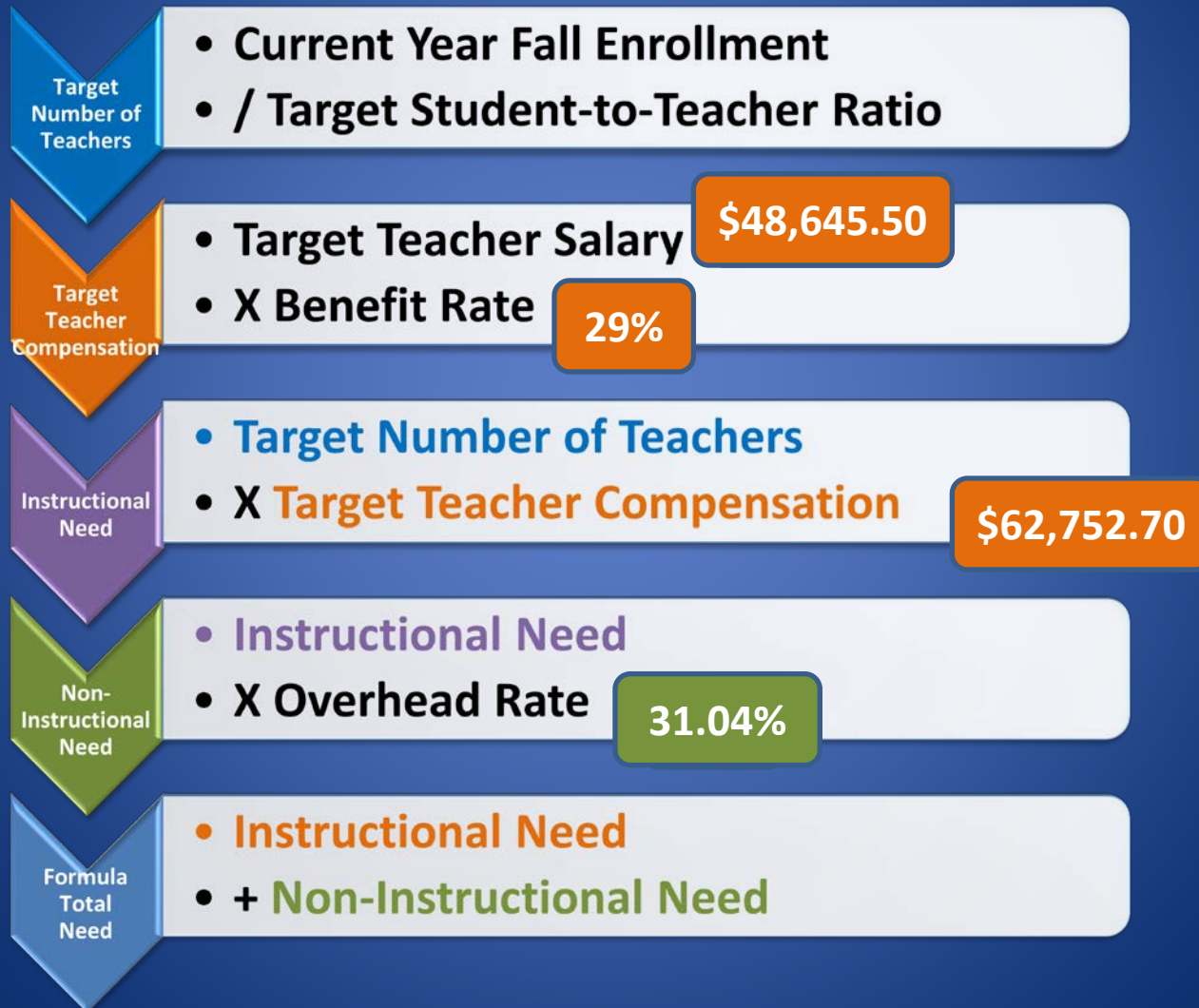
Q: What are the 3 bills that comprise the 2016 K-12 Education Package?

A:

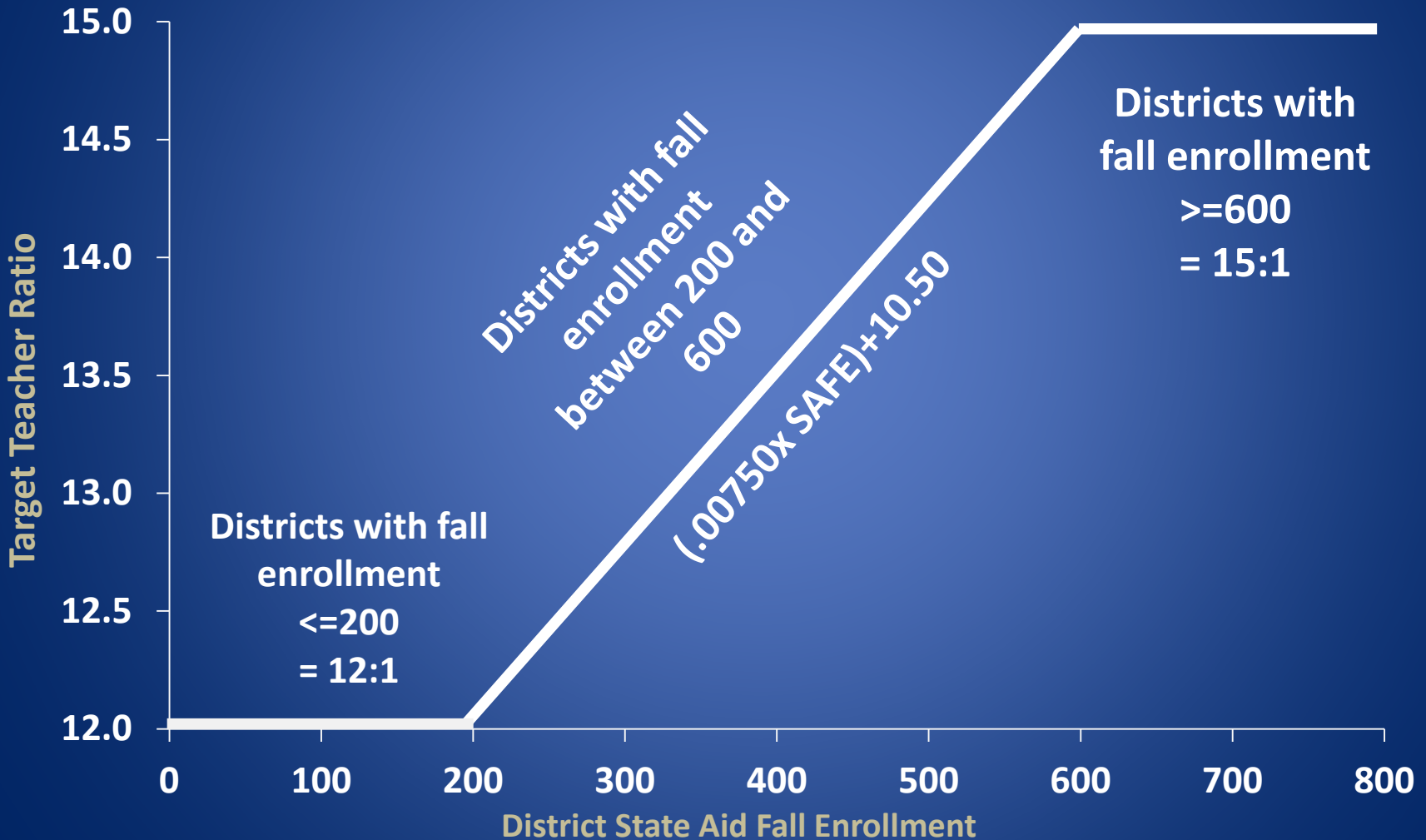
- 1. SB 131 - New funding formula**
- 2. SB 133 – Innovation Programs**
- 3. HB 1182 – ½ penny sales tax increase**



New K-12 Funding Formula



Target Teacher Ratio



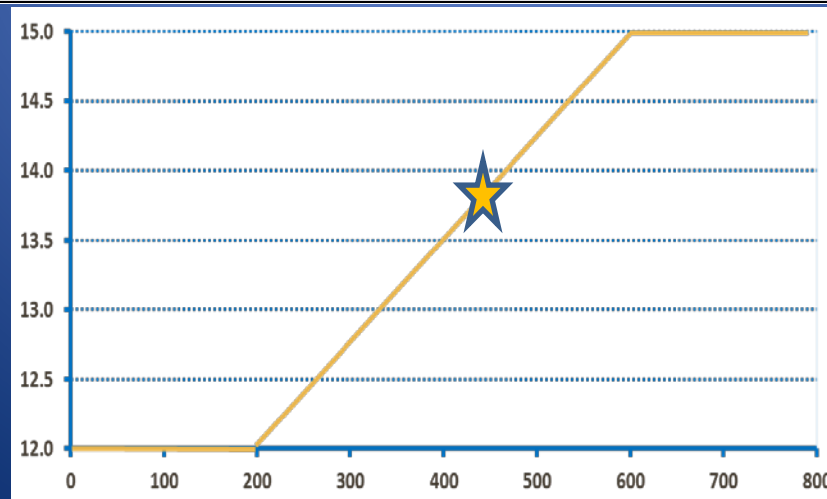
Target Number of Teachers

Target Number of Teachers:

State Aid Fall Enrollment Count

/ Target Teacher Ratio

Base Target Number of Teachers



Target Number of Teachers

<i>Target Number of Teachers:</i>	
State Aid Fall Enrollment Count	449
/ Target Teacher Ratio	13.87
Base Target Number of Teachers	32.38
<i>LEP Adjustment</i>	
Number of Eligible LEP Students	5.00
X LEP Weight	25%
Weighted LEP Student Count	
LEP Target Number of Teachers	

Target Number of Teachers

Target Teacher Compensation

Target Number of Teachers	32.47
<i>Teacher Compensation</i>	
Target Teacher Salary (FY2017)	\$ 48,645.50
X Target Teacher Benefits %	29%
Target Teacher Compensation	\$ 62,753
Need based on Target Teacher Compensation	\$

Overhead Rate

Need based on Target Teacher Compensation	\$ 2,037,464
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Overhead Costs

X % of Overhead Costs (FY2017)	31.04%
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State Aid Share Overhead Costs	\$
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Total Need

<i>Target Number of Teachers:</i>		<i>Teacher Compensation</i>	
State Aid Fall Enrollment Count	449	Target Teacher Salary (FY2017)	\$ 48,645.50
/ Target Teacher Ratio	13.87	X Target Teacher Benefits %	29%
Base Target Number of Teachers	32.38	Target Teacher Compensation	\$ 62,753
		Target Teacher Compensation	\$ 2,037,464
<i>LEP Adjustment</i>		<i>Overhead Costs</i>	
Number of Eligible LEP Students	5.00	X % of Overhead Costs (FY2017)	31.04%
X LEP Weight	25%	State Aid Share Overhead Costs	\$ 632,429
Weighted LEP Student Count	1.25		
LEP Target Number of Teachers	0.09		
Target Number of Teachers	32.47	GENERAL STATE AID LOCAL NEED	

\$2,669,893

Q: There are two separate accountabilities FY2017. What are they?

A:

- 1. A district must spend 85% of its increase in local need in FY17 on instructional salaries and benefits for certified instructional staff.**
- 2. A district's average teacher salaries and benefits must increase by 85% of that percentage increase.**

Q: True or False: Districts only need to meet one of the two accountabilities?

A: False.

Districts must meet both accountabilities.

Accountabilities – 2019 thru 2021

- A district's average teacher compensation must be greater than the district's average teacher compensation in FY2017
- If not, state aid to general education funding shall be reduced by \$500 per teacher in the next fiscal year

Q: What are the names of the two new boards created in SB131?

A:

- 1. School Finance Accountability Board**
- 2. Teacher Compensation Board**

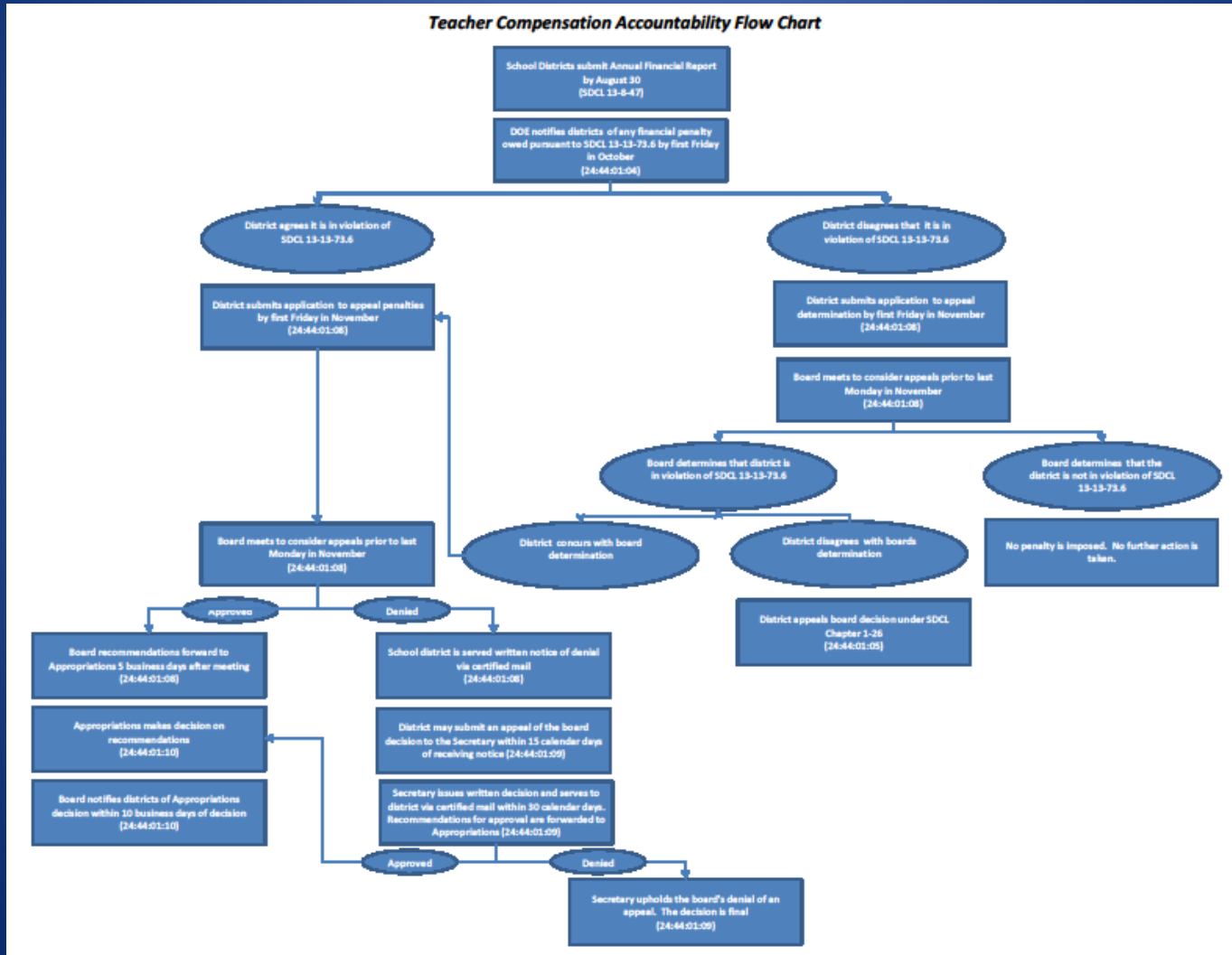
School Finance Accountability Board

- Hears appeals of school district in relation to general fund balances and teacher compensation accountabilities**
- Consists of 5 members appointed by the Governor**
- Any waivers recommended by the board must be approved by the legislative Committee on Appropriations**

Teacher Compensation Board

- **Reviews teacher compensation in surrounding states at the completion of every three school years.**
 - 3 members of the Senate
 - 3 members of the House
 - 3 Governor appointees
- **Findings will be reported to the Governor and Legislature**
- **First report due September 30, 2018**

Accountability Appeal Process



Q: What are the 6 sources of other revenue that have the character of a state tax will be counted as local effort?

A:

- **gross receipts tax on utilities**
- **local revenue in lieu of taxes**
- **county apportionment of revenue from traffic fines**
- **county revenue in lieu of taxes**
- **wind farm tax**
- **bank franchise tax**

Other Revenues Equalization

- Each school district will be given a base amount based on the greatest of its collections from FY13, FY14, and FY15.
- This base will be stepped down over five years, at 20% per year.
- Anything collected over the base will be counted as local effort and the overhead rate will be adjusted

Calculation of Base Amount

Compare FY2013, FY2014, and FY2015 and find the year with the highest revenue:

District A

FY2013 = \$130,851

FY2014 = \$183,586

FY2015 = \$129,755



In this scenario, FY2014 is the highest. So District A's base would be calculated off of \$183,586.

Other Revenue Equalization

Example: District Level

	Base Percentage	Base Amount	Estimate Other Revenue Collections	Amount District Keeps	Amount to be Equalized
FY2017	NA		\$ 128,058.00	NA	NA
FY2018	100%	\$ 183,586.00	\$ 128,058.00	\$ 128,058.00	\$ -
FY2019	80%	\$ 146,868.80	\$ 128,058.00	\$ 128,058.00	\$ -
FY2020	60%	\$ 110,151.60	\$ 128,058.00	\$ 110,151.60	\$ 17,906.40
FY2021	40%	\$ 73,434.40	\$ 128,058.00	\$ 73,434.40	\$ 54,623.60
FY2022	20%	\$ 36,717.20	\$ 128,058.00	\$ 36,717.20	\$ 91,340.80
FY2023	0%	\$ -	\$ 128,058.00	\$ -	\$ 128,058.00

Other Revenue Equalization

Example: State Level

Base %	Fiscal Year	Statewide Need - Teacher Compensation	Overhead Rate	Statewide Need - Overhead Costs	Other Revenue to be equalized	Statewide Need - Overhead Costs + Equalized Other Rev	Adjusted Overhead Rate
NA	FY2017	\$ 578,337,379	31.00%	\$ 179,284,587	NA	\$ 179,284,587	31.00%
100%	FY2018	\$ 581,232,541	31.00%	\$ 180,182,087	\$ 257,799	\$ 180,439,886	31.04%
80%	FY2019	\$ 598,669,517	31.04%	\$ 185,853,083	\$ 4,742,201	\$ 190,595,284	31.84%
60%	FY2020	\$ 616,629,603	31.84%	\$ 196,313,143	\$ 9,200,000	\$ 205,513,143	33.33%
40%	FY2021	\$ 635,128,491	33.33%	\$ 211,678,537	\$ 11,200,000	\$ 222,878,537	35.09%
20%	FY2022	\$ 654,182,346	35.09%	\$ 229,564,893	\$ 11,600,000	\$ 241,164,893	36.87%
0%	FY2023	\$ 673,807,816	36.87%	\$ 248,399,840	\$ 12,000,000	\$ 260,399,840	38.65%

\$ 49,000,000

Wind Farms

- Wind farms that produce energy prior to July 1 are part of the initial equalization
- For new wind farm projects, the wind farm taxes will be outside of the formula for five years and then will be phased into local effort over the next five years

Q: True or False? Reserve fund caps will be based on the end of year general fund balance?

A: False.

The “percentage fund balance” will be calculated by dividing the lowest monthly cash fund balance of the previous 12 months by general fund expenditures for that year.

Monthly Cash Balance Example

	Monthly Cash Balances	Annual Expenditures	Monthly Cash Balance Percent
July	\$8,143,306	\$24,200,757	34%
August	\$7,995,944	\$24,200,757	33%
September	\$6,941,511	\$24,200,757	29%
October	\$5,653,431	\$24,200,757	23%
November	\$8,433,411	\$24,200,757	35%
December	\$8,342,863	\$24,200,757	34%
January	\$7,475,993	\$24,200,757	31%
February	\$6,785,938	\$24,200,757	28%
March	\$6,467,937	\$24,200,757	27%
April	\$5,582,186	\$24,200,757	23%
May	\$7,631,139	\$24,200,757	32%
June	\$8,682,339	\$24,200,757	36%

Reserve Fund Caps

- **3 enrollment tiers:**
 - Less than 200 40%
 - Between 200 and 600 30%
 - Greater than 600 25%
- **Effective 2018-19 school year (based on 2017-18 data)**
- **Once in effect, a district that is in excess of the cap would have its state aid reduced dollar-for-dollar.**
- **Can apply to SFAB for waiver**

Q: On what types of expenditure can capital outlay flexibilities be used?

A: Any general fund purpose.

- **45% of capital outlay property tax revenue can be used**
- **Must be transferred to the general fund instead of expended out of the capital outlay fund.**

Capital Outlay Levy

- **Make annual CO requests in the form of a dollar amount, not a mill levy rate.**
- **Future growth limited to increasing annually by 3% or inflation, whichever is less, plus new construction.**

Capital Outlay Alternative Cap

- Takes effect in FY21
- Alternative maximum of \$2800 per student.
- Will inflate at the same rate as the formula – CPI or 3%, whichever is less.
- Special provision for districts with capital outlay certificate obligations.

More Information



<http://doe.sd.gov/2016EducationPackage.aspx>

- **Accountability Calculator**
 - **FAQs**
- **Funding Formula Memo**
- **Select Other Revenues**