

State Aid Funding Formula



Presented by:
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Current Funding Formula

$$\text{State Aid} = \text{Total Need} - \text{Local Effort}$$

❖ Total Need

1. The Per Student Allocation (PSA)
2. State Aid Fall Enrollment
3. The Small School Adjustment
4. The Limited English Proficiency Adjustment

❖ Local Effort

1. Levies
2. Property Valuations

The Per Student Allocation

SDCL 13-13-10.1...

(2A) "Per student allocation," for school fiscal year 2015 is \$4,781.14. Each school fiscal year thereafter, the per student allocation is the previous fiscal year's per student allocation increased by the index factor:



FY 2016
= \$4,876.76

The Index Factor

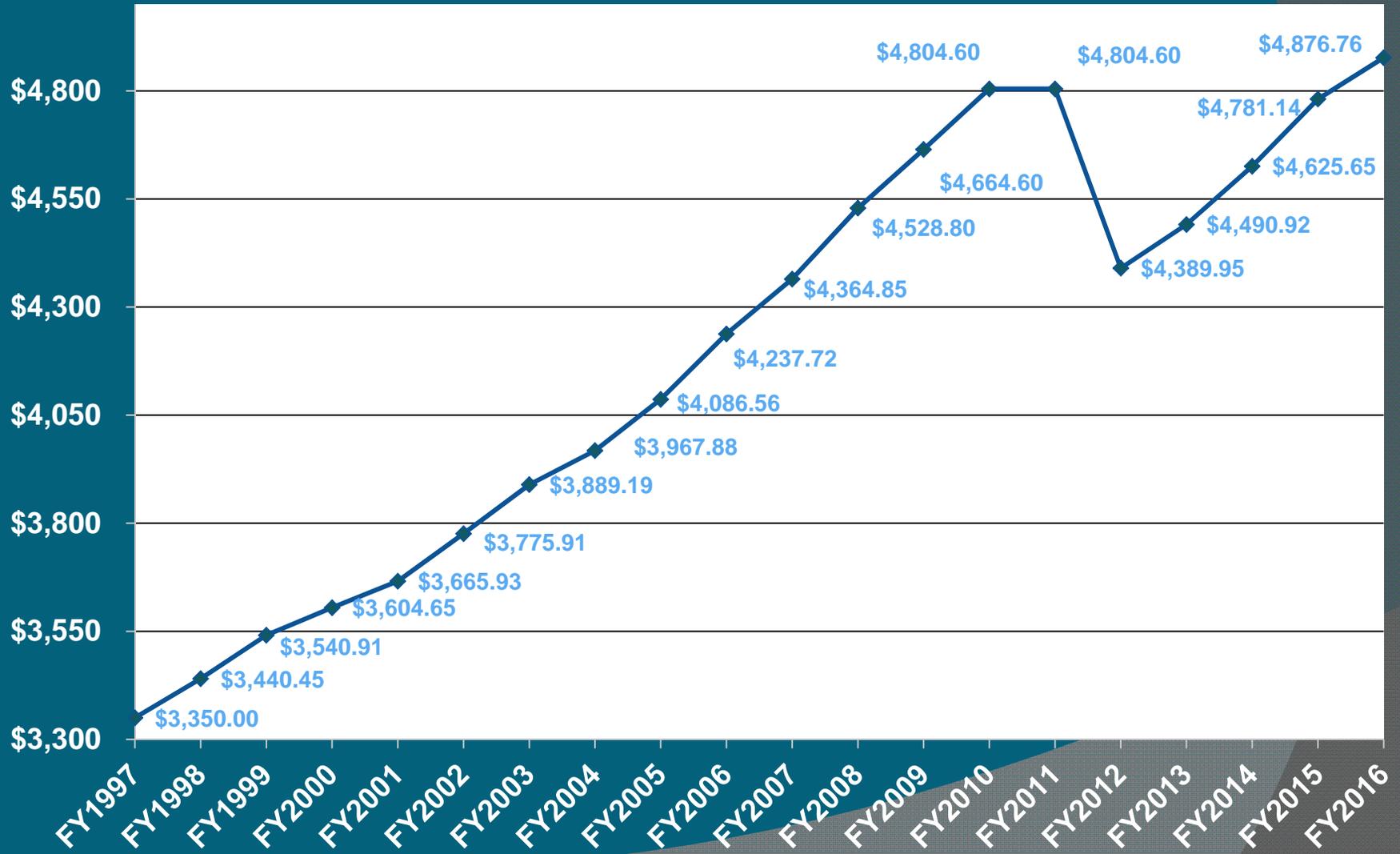
SDCL 13-13-10.1.

(3) "Index factor," is the annual percentage change in the consumer price index for urban wage earners and clerical workers as computed by the Bureau of Labor Statistics of the United States Department of Labor for the year before the year immediately preceding the year of adjustment or three percent, whichever is less;

Example:

$$\frac{\text{FY 2014 CPI-W}}{\text{FY 2013 CPI-W}} = \text{FY 2016 Index Factor}$$

PSA History



State Aid Fall Enrollment

Number of K12
students
enrolled on the
last Friday in
September

—

Number of
students whom
the district
receives tuition

+

Number of
students whom
the district pays
tuition

=

FALL
ENROLLMENT

Declining Enrollment Adjustment

- Calculate current year fall enrollment
- Compare to average of the fall enrollment for the prior two years
- Which ever is larger is used for calculating state aid

Example:

	FY2014 Fall Enrollment	FY2015 Fall Enrollment	Average of Prior 2 Years	FY2016 Fall Enrollment	State Aid Fall Enrollment
District A	640	630	635	620	635
District B	640	630	635	650	650

Payment for 15 students more than current enrollment



Small School Adjustment (SSA)

- Originally called the Small School Factor (SSF)
- Recognizes that the cost per student is higher for small districts because of fixed costs
- The greater the enrollment, the smaller the adjustment per student
 - 200 or fewer students = \$847.54
 - 600 or more students = \$0.00
 - 201 to 599 students receive funding based on a sliding scale
- Adjustment is based on the FY2006 PSA of \$4,237.72
 - This does not increase with the Index Factor

How Do I Calculate the SSA?

Districts ≤ 200 :

$$.2 \times 4,237.72 = \$847.54$$

Districts > 200 and ≤ 600 :

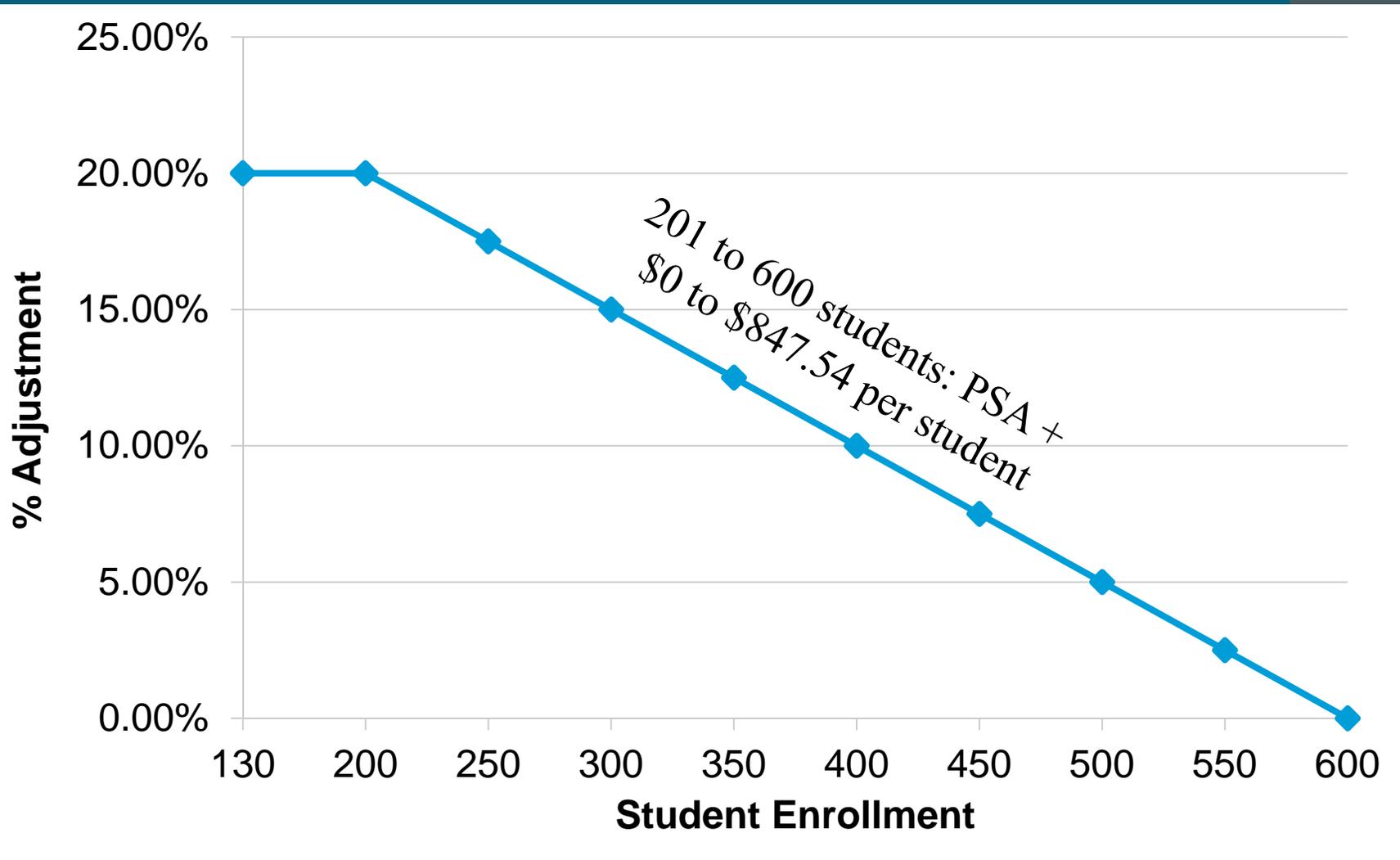
$$((-0.0005 \times \text{Fall Enrollment}) + .3) \times 4,237.72 = \text{SSA}$$

Examples:

$((-.0005 \times 201) + .3) \times 4,237.72$	$=$	$\$845.43$
$((-.0005 \times 300) + .3) \times 4,237.72$	$=$	$\$635.66$
$((-.0005 \times 400) + .3) \times 4,237.72$	$=$	$\$423.77$
$((-.0005 \times 500) + .3) \times 4,237.72$	$=$	$\$211.89$
$((-.0005 \times 599) + .3) \times 4,237.72$	$=$	$\$ 2.12$
$((-.0005 \times 600) + .3) \times 4,237.72$	$=$	$\$ 0.00$

In FY2015, 109 of the 151 public school districts qualified for the small school adjustment

What Does the SSA Look Like?

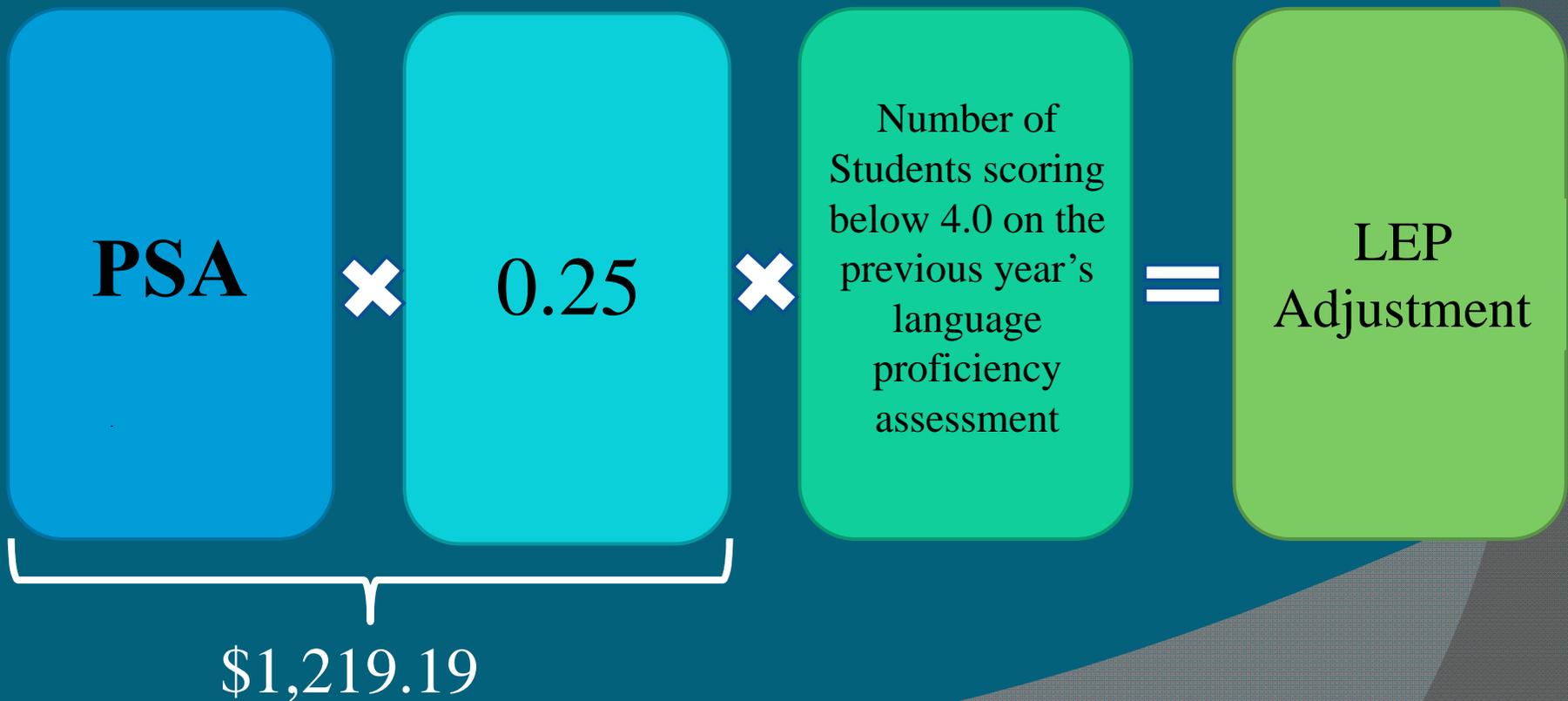


Limited English Proficiency (LEP) Adjustment

- Recognized additional costs associated with educating children who are not proficient in English language
- Based on the 25% of the current PSA multiplied by the number of children who score below a 4.0 on the state-administered language proficiency assessment in the prior school year
- Passed as part of SB235 of the 2013 Legislative session

Calculation of LEP Adjustment

Example: District A has 37 students scoring below 4.0 on the assessment offered in Spring 2015.



Funding of LEP Adjustment

- Partnership between dollars at the state level and local property tax dollars
- FY 2014-2016 - State share is funded through the Workforce Education Fund
- FY2017-beyond - State share will be picked up by the state general fund

Local (Total) Need

13-13-10.1 (5)

(5) "Local need," is the sum of:

- (a) The per student allocation multiplied by the fall enrollment;
- (b) The small school adjustment, if applicable, multiplied by the fall enrollment; and
- (c) The limited English proficiency (LEP) adjustment, calculated pursuant to subdivision (2D) if applicable;
- (d) When calculating local need at the statewide level, include the amounts set aside for costs related to technology in schools and statewide student assessments; and
- (e) When calculating local need at the statewide level, include the amounts set aside for sparse school district benefits, calculated pursuant to §§ 13-13-78 and 13-13-79;

Example – District Level

District A

State aid fall enrollment = 346

Students that scored below a 4.0 on the language proficiency test last spring = 37

$$\begin{aligned} &\text{Basic Need} \\ &\$4,876.76 \times \\ &346 = \\ &\mathbf{\$1,687,359} \end{aligned}$$

+

$$\begin{aligned} &\text{SSA} \\ &((-0.0005 \times \\ &346) + 0.3) \times \\ &\$4,237.72 = \\ &\$538.19 \\ &\times 346 \\ &= \mathbf{\$186,214} \end{aligned}$$

+

$$\begin{aligned} &\text{LEP Adjustment} \\ &\$4,876.76 \times 0.25 \\ &= \$1,219.19 \\ &\times 37 \\ &= \mathbf{\$45,110} \end{aligned}$$

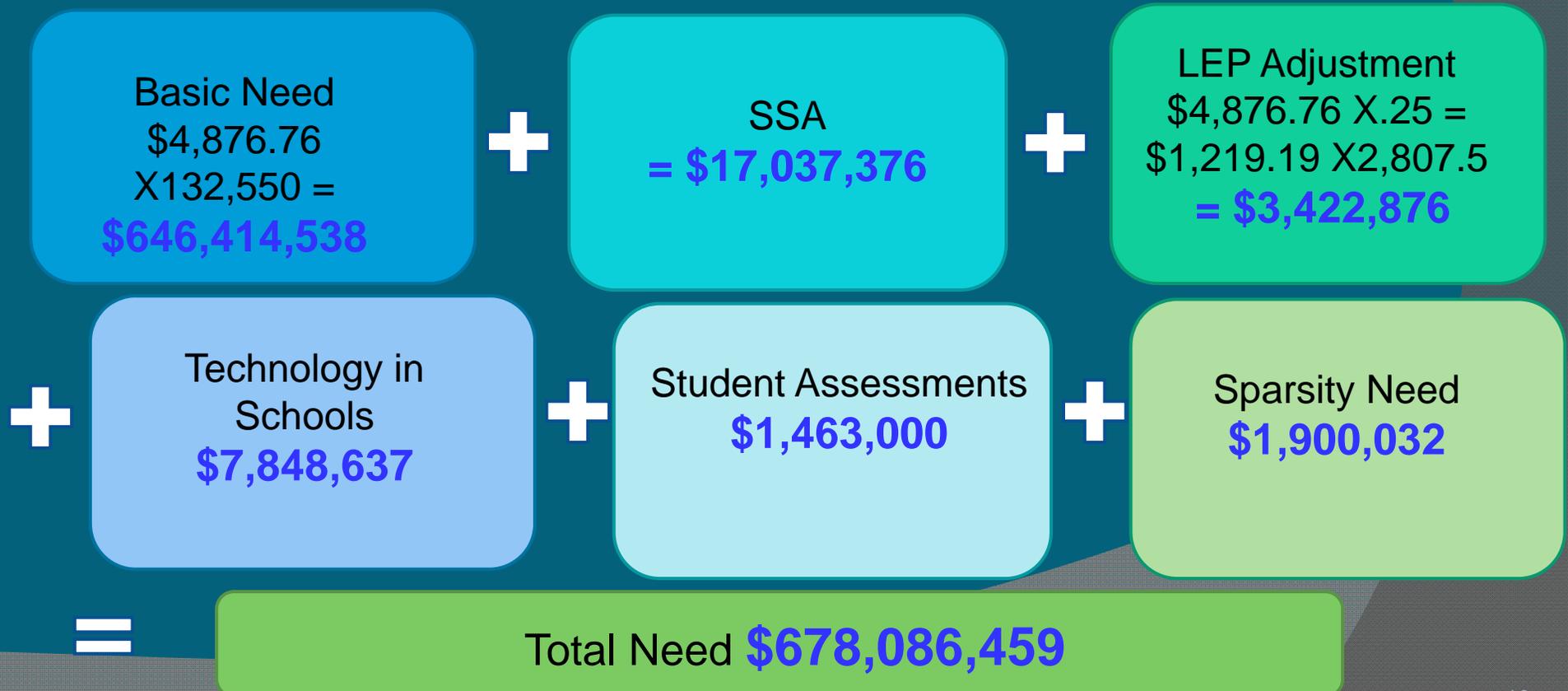
=

$$\begin{aligned} &\text{Total Need} \\ &\mathbf{\$1,918,683} \end{aligned}$$

Example – Statewide Level

Estimated Statewide state aid fall enrollment = 132,550

Estimated students that scored below a 4.0 on the language proficiency test last spring = 2,807.5



Local Effort

13-13-10.1.

(6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by applying the levies established pursuant to § 10-12-42;

Local Effort = Property Valuations/1,000 X Levy

Classes of Property

There are 3 classes of property that are recognized.

Levies for pay 2016 were set by SB 53 from the 2015 session and are as follows:

- ⦿ **Agricultural (Ag)**
 - \$1.568/\$1,000 of taxable valuation for pay 2016 taxes
- ⦿ **Owner Occupied (OO)**
 - \$4.075/\$1,000 of taxable valuation for pay 2016 taxes
- ⦿ **All Other (Commercial, Utilities, etc.)**
 - \$8.727/\$1,000 of taxable valuation for pay 2016 taxes

*State Aid to General Education
is the ONLY area where
levies are set differently for each property class*

Why Separate Classes of Property?

Article VIII, § 15 of the State Constitution:

Taxation to support school system--Classification of property. The Legislature shall make such provision by general taxation and by authorizing the school corporations to levy such additional taxes as with the income from the permanent school fund shall secure a thorough and efficient system of common schools throughout the state. *The Legislature is empowered to classify properties within school districts into separate classes for purposes of school taxation.* Taxes shall be uniform on all property in the same class.

Fiscal vs Calendar Years

Fiscal Year (FY) 2016																	
July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016
½ CY 2015						½ CY 2016						Calendar (FY) 2016					

- ⊙ State aid is calculated on fiscal year basis
 - July –June
- ⊙ Property taxes are paid on calendar year basis
 - January - December
- ⊙ This means that ½ of the current calendar year and ½ of the next calendar year is used when calculating local effort for state aid

How Are Levies Determined?

- ◎ Set forth in 13-13-71 through 13-13-72.1
 - Requires levies to be adjusted so that state and local effort maintain the same ratio for state aid
 - Known As Cutler-Gabriel Amendment
 - State share goal currently at 53.8%
 - Agricultural property's share of local effort is targeted at 18.45%
 - Any increase in PSA over 3% is picked up 100% by the state
- ◎ Adjustments in the levies based on maintaining the relationship between statewide local effort as a percentage of statewide local need *in the fiscal year succeeding the fiscal year in which the adjustment is made.*
 - In other words, to set the levies for Pay 2016, we need to look ahead and estimate the state aid need for FY2017

Steps to Setting Levies

1. Estimate local effort for year after budget year
 - If budgeting for FY2016, estimate for FY2017
2. Estimate property valuation growth for next two calendar years
 - If budgeting for FY2016, estimate property valuations for calendar year 2016 and 2017
 - FY2017 covers ½ of calendar year 2016 (July-Dec) and ½ calendar year 2017 (Jan – Jun)
3. Determine levy needed for each property classification to meet local effort need for year after budget year
 - Agricultural targeted at 18.45%
 - Owner Occupied and Other levies to maintain proportionality
 - Assume levy to be the same for each of the 2 calendar years being projected

Estimating FY2017 Local Effort

Est. FY2017 total need	\$705,569,790
<u>X State Effort Goal</u>	<u>53.8%</u>
Goal FY2017 State Share	\$379,596,547
Est. FY2017 Local Share	\$325,973,243
<u>+ Adjustment for Lost Local Effort</u>	<u>\$ 4,698,920</u>
Goal FY2017 Local Effort	\$330,672,163

Estimating 2016 and 2017 Valuations

Pay 2015 Valuations

Ag	\$31,471,293,736
OO	\$26,197,294,217
Other	\$16,965,993,741
TOTAL	\$74,634,581,694

Pay 2016

Est. Growth

Ag	15%
OO	5%
Other	3%
TOTAL	8.76%

Est. Pay 2016 Valuations

Ag	\$36,191,987,796
OO	\$27,507,158,928
Other	\$17,474,973,553
TOTAL	\$81,174,120,277

Est. Pay 2016 Valuations

Ag	\$36,191,987,796
OO	\$27,507,158,928
Other	\$17,474,973,553
TOTAL	\$81,174,120,277

Pay 2017

Est. Growth

Ag	15%
OO	5%
Other	3%
TOTAL	8.76%

Est. Pay 2017 Valuations

Ag	\$41,620,785,966
OO	\$28,882,516,874
Other	\$17,999,222,760
TOTAL	\$88,502,525,600

Determining the Levies

Local Effort = Property Valuations/1000 X Levy

Est. Pay 2016 for FY2017 State Aid (Valuations/1000 X 1/2)

Ag \$36,191,987,796/1000 X 1/2 = \$18,095,994
 OO \$27,507,158,928/1000 X 1/2 = \$13,753,580
 Other \$17,474,973,553/1000 X 1/2 = \$ 8,737,486

Est. Pay 2017 for FY2017 State Aid (Valuations/1000 X 1/2)

Ag \$41,620,785,966/1000 X 1/2 = \$20,810,393
 OO \$28,882,516,874/1000 X 1/2 = \$14,441,258
 Other \$17,999,222,760/1000 X 1/2 = \$ 8,999,612

	Ag	OO	Other	Total
1/2 Pay 2016	\$18,095,994	\$13,753,580	\$ 8,737,486	\$40,587,060
<u>1/2 Pay 2017</u>	<u>\$20,810,393</u>	<u>\$14,441,258</u>	<u>\$ 8,999,612</u>	<u>\$44,251,263</u>
Total (Base Effort)	\$36,906,387	\$28,194,838	\$17,737,098	\$84,838,323
Pay 2016/17 Levy	1.568	4.075	8.727	
Local Effort (Base Effort X Levy)	\$61,005,215	\$114,893,965	\$154,791,655	\$330,690.835
Criteria	18.45% of Total	Levies to maintain proportionality		Goal is around \$330,672,163

Local Effort Calculation

$$\text{Local Effort} = \text{Property Valuations}/1,000 \times \text{Levy}$$

July through December 2015

$$\begin{array}{l} \text{Pay 2015} \\ \text{valuations} \\ /1000 \end{array} \times \begin{array}{l} \text{Pay 2015} \\ \text{levies} \end{array}$$

= Local Effort from Pay 2015

$$\div 2$$

= Pay 2015 Local Effort
applied to
FY2016 State Aid

January through June 2016

$$\begin{array}{l} \text{Pay 2016} \\ \text{valuations} \\ /1000 \end{array} \times \begin{array}{l} \text{Pay 2016} \\ \text{levies} \end{array}$$

= Local Effort from Pay 2016

$$\div 2$$

= Pay 2016 Local Effort
applied to
FY2016 State Aid

Local Effort – State Level

July through December 2015

Pay 2015 Valuations/1000		Pay 2015 levies
Ag = \$31,471,293,736/1000		Ag = 1.782
OO = \$26,197,294,217/1000	×	OO = 4.252
Other = \$16,965,993,741/1000		Other = 9.106

=	Ag = \$56,081,845
	OO = \$111,390,895
	Other = \$154,492,339
	Total = \$321,965,079

÷	2
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=	Ag = \$28,040,923
	OO = \$55,695,448
	Other = \$77,246,170
	Total = \$160,982,540

January through June 2016

Pay 2016 Valuations/1000		Pay 2016 levies
Ag = \$36,191,987,736/1000		Ag = 1.568
OO = \$27,507,158,928/1000	×	OO = 4.075
Other = \$17,474,973,553/1000		Other = 8.727

=	Ag = \$56,676,653
	OO = \$111,926,630
	Other = \$152,276,920
	Total = \$320,880,202

÷	2
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=	Ag = \$28,374,518
	OO = \$56,045,836
	Other = \$76,252,047
	Total = \$160,672,402

+

FY2016 Est. Local Effort = \$321,654,942

Local Effort – District Level

July through December 2015

Pay 2015 Valuations/1000		Pay 2015 levies
Ag = \$180,648,073/1000		Ag = 1.782
OO = \$18,810,440/1000	×	OO = 4.252
Other = \$13,605,365/1000		Other = 9.106

=	Ag = \$321,915
	OO = \$73,392
	Other = \$123,890
	Total = \$525,787

÷	2
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=	Ag = \$160,958
	OO = \$39,991
	Other = \$61,945
	Total = \$262,894

+

January through June 2016

Pay 2016 Valuations/1000		Pay 2016 levies
Ag = \$213,241,922/1000		Ag = 1.568
OO = \$18,433,611/1000	×	OO = 4.075
Other = \$14,018,337/1000		Other = 8.727

=	Ag = \$334,363
	OO = \$75,117
	Other = \$122,338
	Total = \$531,818

÷	2
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=	Ag = \$167,182
	OO = \$37,558
	Other = \$61,169
	Total = \$265,909

FY2016 Est. Local Effort = \$528,803

Putting It All Together – District Level

Example – District Level

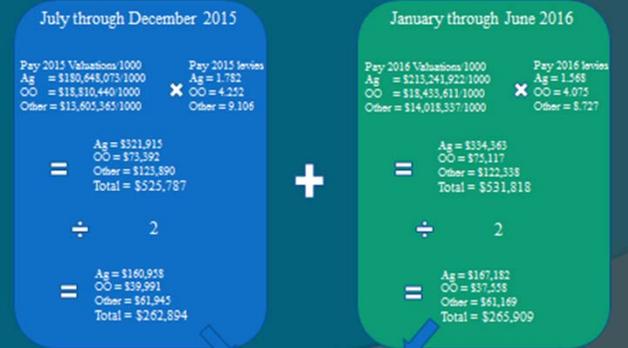
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State aid fall enrollment = 346

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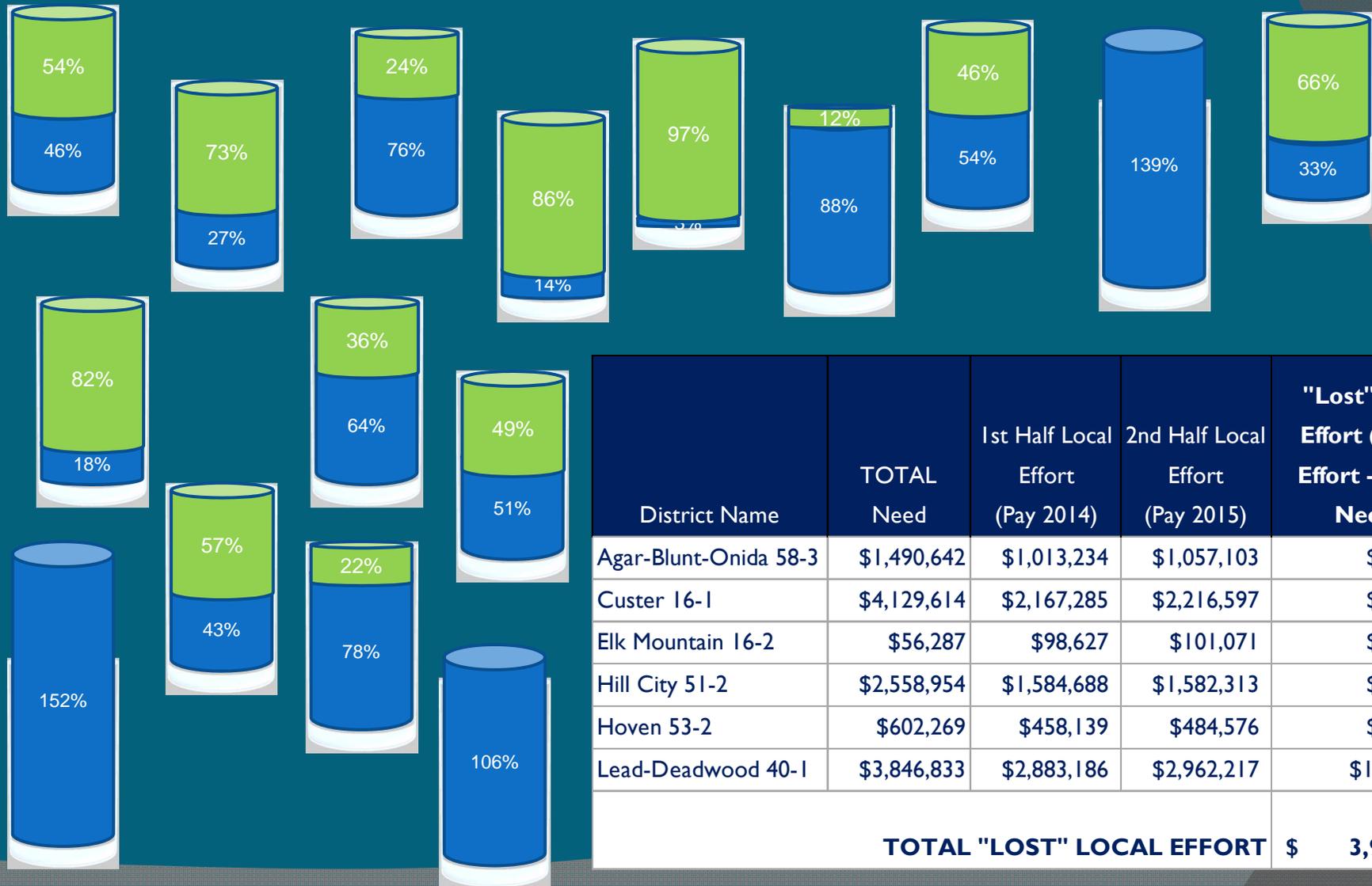


Local Effort – District Level



FY2016 Est. Local Effort = \$528,803

Local Effort Varies by District



District Name	TOTAL Need	1st Half Local Effort (Pay 2014)	2nd Half Local Effort (Pay 2015)	"Lost" Local Effort (Local Effort - Total Need)
Agar-Blunt-Onida 58-3	\$1,490,642	\$1,013,234	\$1,057,103	\$579,695
Custer 16-1	\$4,129,614	\$2,167,285	\$2,216,597	\$254,268
Elk Mountain 16-2	\$56,287	\$98,627	\$101,071	\$143,411
Hill City 51-2	\$2,558,954	\$1,584,688	\$1,582,313	\$608,047
Hoven 53-2	\$602,269	\$458,139	\$484,576	\$340,446
Lead-Deadwood 40-1	\$3,846,833	\$2,883,186	\$2,962,217	\$1,998,570
TOTAL "LOST" LOCAL EFFORT				\$ 3,924,437

Putting It All Together – State Level

Example – Statewide Level

Estimated Statewide state aid fall enrollment = 132,550
 Estimated students that scored below a 4.0 on the language proficiency test last spring = 2,807.5

Basic Need \$4,876.76 X132,550 = \$646,414,538	+	SSA = \$17,037,376	+	LEP Adjustment \$4,876.76 X.25 = \$1,219.19 X37 = \$3,422,876	
+	Technology in Schools \$7,848,637	+	Student Assessments \$1,463,000	+	Sparsity Need \$1,900,032
= Total Need \$678,086,459					

Local Effort – State Level

July through December 2015

Pay 2015 Valuations 1000 Ag = \$31,471,523,736 1000 OO = \$26,197,294,219 1000 Other = \$16,965,993,741 1000	×	Pay 2015 levies Ag = 1.782 OO = 4.252 Other = 9.106
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 OO = \$111,926,630
 Other = \$152,276,920
 Total = \$320,880,202

÷ 2

Ag = \$28,374,318
 OO = \$56,045,836
 Other = \$76,232,047
 Total = \$160,672,402

FY2016 Est. Local Effort = \$321,654,942

Total Need	\$678,086,459
- Local Effort	\$321,654,942
+ Lost Local Effort	\$ 4,320,367
= State Share	\$360,751,884

Opt-Outs

- ⦿ School districts may choose to “opt-out” of the general fund levy limitations
- ⦿ Requires a 2/3 vote of the school board
- ⦿ May be referred by voters
- ⦿ For Pay 2015 there are 68 districts with an existing opt-out
 - Opt-out amounts total \$25,403,602

Opt-Out Amounts by Year



Questions?

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<http://doe.sd.gov>