

# State Aid to General Education Funding Formula

Presentation to the Ag Land Task Force  
September 12, 2016

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# Agenda

- New State Aid to General Education Formula
- Other Revenues
- Alternative formula
- Accountabilities
- Capital Outlay

## General State Aid Terms To Know

- State Aid Fall Enrollment
- Target Teacher Ratio
- Formula Number of Teachers
- Target Teacher Salary
- Target Teacher Benefits
- Target Teacher Compensation
- Overhead Rate
- Local Effort
- Other Revenue Amount

# Formula Overview

Formula Number of Teachers:	
State Aid Fall Enrollment Count	
/ Target Teacher Ratio	12.00
Formula Number of Teachers	-

LEP Adjustment	
Number of Eligible LEP Students	
X LEP Weight	25%
Weighted LEP Student Count	-
LEP Adjustment Teachers	-

Formula Teacher/Benefit Need:	
Target Teacher Salary	\$ 48,500
X Target Teacher Benefits %	29%
Target Teacher Compensation	\$ 62,565
Need based on Target Teacher Compensation	\$ -

Calculation for LEP Teacher Salary/Benefit Need:	
Target Teacher Salary	\$ 48,500
X Target Teacher Benefits %	29%
Target Teacher Compensation	\$ 62,565
Need based on Target Teacher Compensation	\$ -

Overhead Costs	
X % of Overhead Costs	31.0%
State Aid Share Overhead Costs	\$ -

Overhead Costs	
X % of Overhead Costs	31%
State Aid Share Overhead Costs	\$ -

<b>State Aid Total Need</b>	<b>\$ -</b>
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<b>State Aid Total Need</b>	<b>\$ -</b>
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**LOCAL TAX EFFORT:** valuation x tax rate (payable 2016 = \$1,568/ag, \$4.075/OO and \$8.727/other non-ag; payable 2017 = \$1,568/ag, \$3.687/OO and \$7.630/other non-ag). Valuations represent an 85% median level of assessment as determined by the Dept. of Revenue. Taxes are based on a calendar year and therefore when budgeting 1/2 of each calendar year must be used to determine fiscal year local effort.

SDCL 13-13-10.1(6)....For the period July 1, 2016 through December 31, 2016, inclusive, local effort includes the amount of ad valorem taxes generated by applying the levies pursuant to SDCL 13-19-6 during this period.

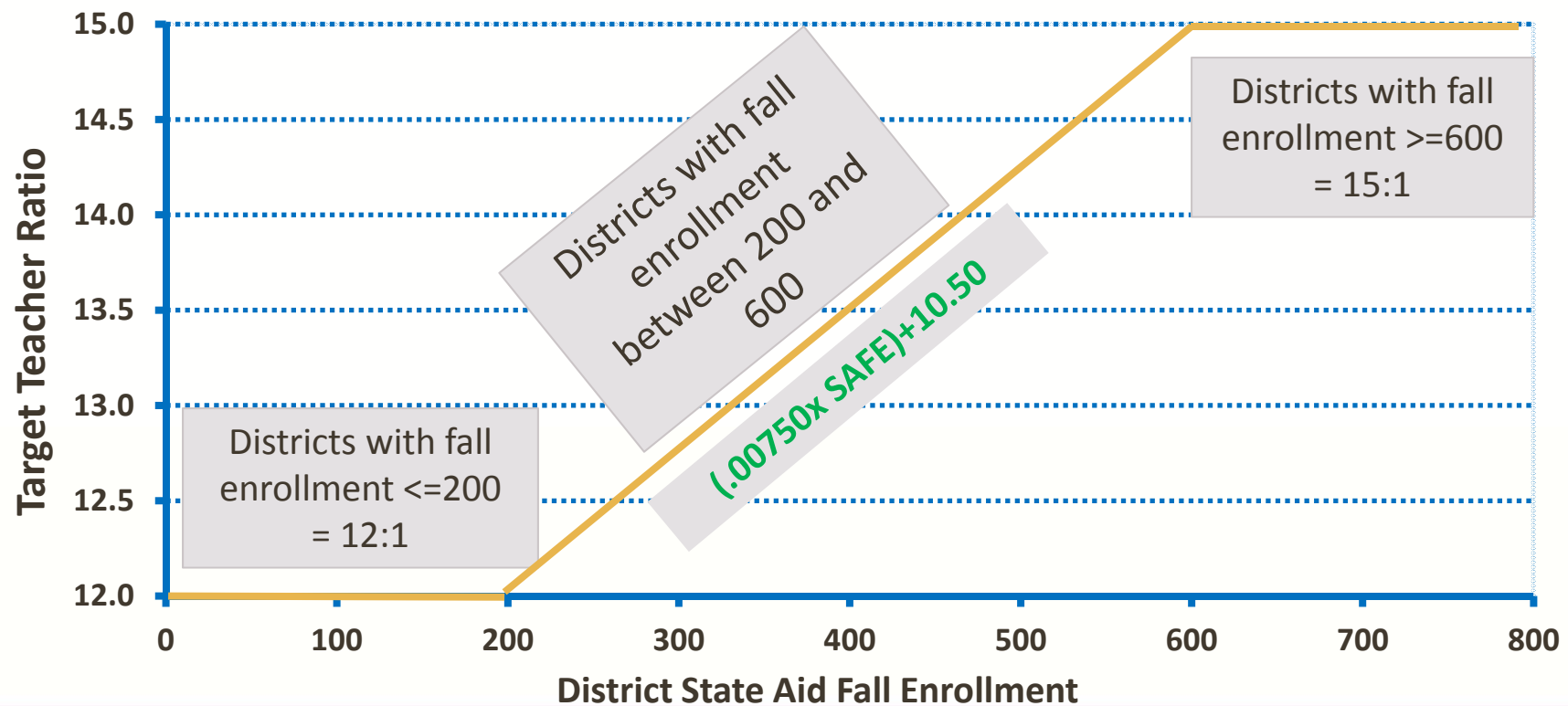


<b>TOTAL GENERAL STATE AID NEED</b>	<b>\$0</b>
<b>MINUS</b>	
<b>FY2017 Est. LOCAL EFFORT</b>	<b>\$0</b>
<b>Second Half Pay 2016 Pension Levy Revenues</b>	<b>\$0</b>
<b>=</b>	
<b>FY2017 Est. General State Aid</b>	<b>\$0</b>

# State Aid Fall Enrollment

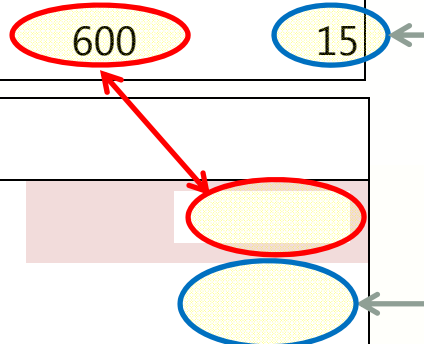
- Number of K-12 students enrolled in all schools operated by the school district
- Still taken on the last Friday in September
- Now look only at the current year count
  - No longer take into consideration the averaging of the two prior years

# Target Teacher Ratio



# Formula Number of Teachers

<b>Target Student to Teacher Ratio</b>	<b>District Size</b>	<b>Teacher Ratio Range</b>
Minimum Student Teacher Ratio	200	12
Maximum Student Teacher Ratio	600	15
<b>Formula Number of Teachers:</b>		
State Aid Fall Enrollment Count		
/ Target Teacher Ratio		
Formula Number of Teachers		166.67



# Target Teacher Salary and Benefits

- The Target Teacher Salary for FY2017 is set at \$48,500
  - Increases each year by the index factor
  - Reviewed after every 3 years by the Teacher Compensation Board
- The Target Teacher Benefits are set at 29% of the Target Teacher Salary



# Target Teacher Compensation

Formula Number of Teachers	166.67
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## **Formula Teacher/Benefit Need:**

Target Teacher Salary	\$	48,500
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X Target Teacher Benefits %		29%
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Target Teacher Compensation	\$	62,565
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Need based on Target Teacher Compensation	\$	10,427,500
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# Overhead Rate

- For FY2017 set at 31%
- Will be adjusted as other revenue is equalized

Need based on Target Teacher Compensation	\$ 10,427,500
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<b>Overhead Costs</b>
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X % of Overhead Costs	31.0%
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State Aid Share Overhead Costs	\$ 3,232,525
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# LEP Adjustment

Number of Eligible LEP Students	25.00
X LEP Weight	25%
Weighted LEP Student Count	6.25
/ Target Teacher Ratio	15.00
LEP Adjustment Teachers	0.42

<b>Calculation for LEP Teacher Salary/Benefit Need:</b>	
Target Teacher Salary	\$ 48,500
X Target Teacher Benefits %	29%
Target Teacher Compensation	\$ 62,565
Need based on Target Teacher Compensation	\$ 26,068.75

<b>Overhead Costs</b>	
X % of Overhead Costs	31%
State Aid Share Overhead Costs	\$ 8,081.31

# Total Need

Formula Number of Teachers:	
State Aid Fall Enrollment Count	2,500
/ Target Teacher Ratio	15.00
Formula Number of Teachers	166.67

LEP Adjustment	
Number of Eligible LEP Students	25.00
X LEP Weight	25%
Weighted LEP Student Count	6.25
LEP Adjustment Teachers	0.42

Formula Teacher/Benefit Need:	
Target Teacher Salary	
X Target Teacher Benefits %	
Target Teacher Compensation	
Need based on Target Teacher Compensation	\$ 10,427,500

\$13,694,175

LEP Teacher Salary/Benefit Need:	
Salary	\$ 48,500
X Benefits %	29%
Compensation	\$ 62,565
Need based on Target Teacher Compensation	\$ 26,068.75

Overhead Costs	
X % of Overhead Costs	31.0%
State Aid Share Overhead Costs	\$ 3,232,525

Overhead Costs	
X % of Overhead Costs	31%
State Aid Share Overhead Costs	\$ 8,081.31

**State Aid Total Need**      **\$ 13,660,025**

**LEP Total Need**      **\$ 34,150**

# Local Effort

The following changes were made regarding local effort:

- Repeal of the Pension Levy
- Property Tax Reduction
- Other Revenue Equalization
- Target State Share

# Pension Levy

The new formula merged the pension levy into the general education levy.

For pay 2017, each general ed levy was increased 0.233, which raises the same \$19.2 million that the pension levy raised in FY2015. This allows that revenue to be counted towards local effort. Because each class of property paid the same pension mill levy rate, the shift to the general education levy was even across the classes. Statewide, this is revenue-neutral to taxpayers.

As the new formula includes a benefits rate for schools, these pension-related benefits costs were included in the formula.

# Property Tax Relief

The legislature allocated 34% of the proceeds of the half-cent sales tax to property tax relief. This was projected to generate approximately \$36 million for the first year.

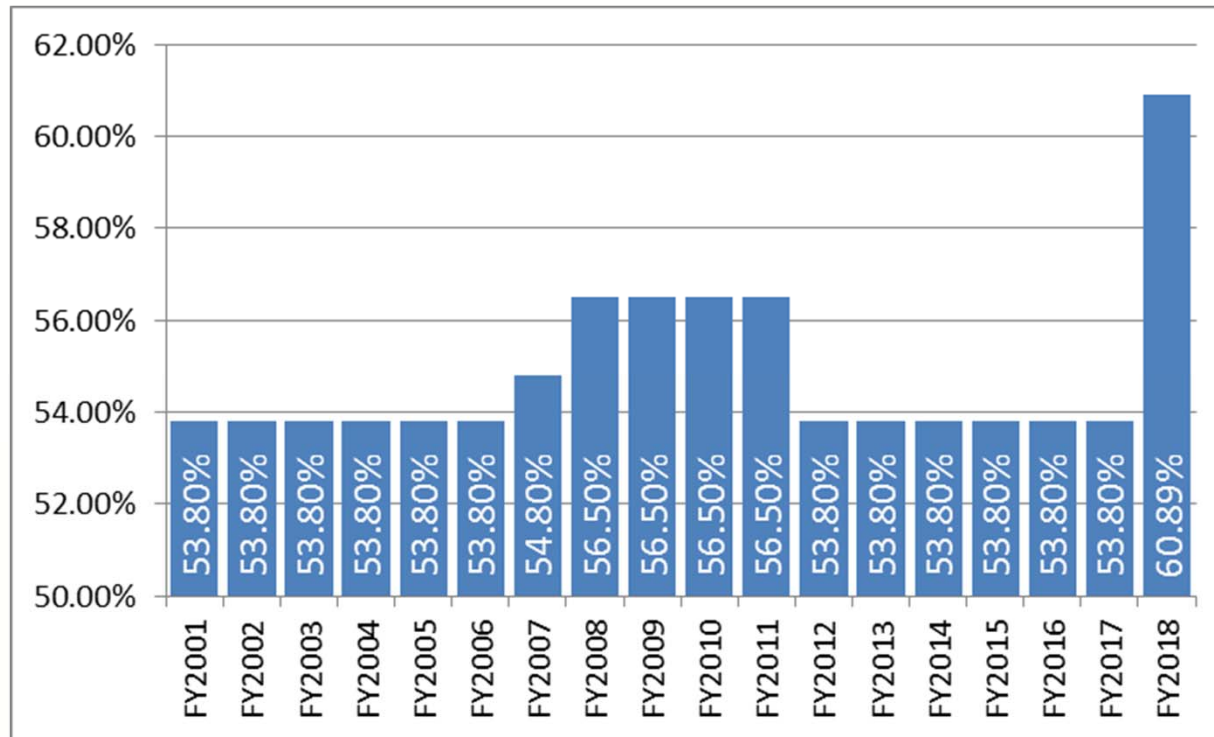
# Effect on Levies

## Levies

	Owner		
	AG	Occ	Other
2010 pay 2011	2.554	3.965	8.491
2011 pay 2012	2.388	3.965	8.491
2012 pay 2013	2.322	4.029	8.628
2013 pay 2014	2.090	4.296	9.200
2014 pay 2015	1.782	4.252	9.106
2015 pay 2016	1.568	4.075	8.727
<b>2016 pay 2017 Gov Rec</b>	<b>1.518</b>	<b>3.874</b>	<b>8.297</b>
<b>Plus Statewide Pension</b>	<b>0.233</b>	<b>0.233</b>	<b>0.233</b>
<b>2016 pay 2017 With Pension</b>	<b>1.751</b>	<b>4.107</b>	<b>8.530</b>
<b>Less Property Tax Relief</b>	<b>(0.183)</b>	<b>(0.420)</b>	<b>(0.900)</b>
<b>2016 pay 2017 Final</b>	<b>1.568</b>	<b>3.687</b>	<b>7.630</b>



# Target State Share



# Other Revenue Equalization

The following revenues are set to be equalized under the current formula and will be counted as local effort upon equalization:

- 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

## Calculation of Base Amount

A base amount would be calculated for each district based on the greatest amount of annual collections over a 3 year period.

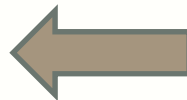
Compare FY2013, FY2014, and FY2015 and find the year with the highest revenue:

### 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
<b>FY2017</b>	<b>NA</b>		<b>\$ 128,058.00</b>	<b>NA</b>	<b>NA</b>
<b>FY2018</b>	<b>100%</b>	<b>\$ 183,586.00</b>	<b>\$ 128,058.00</b>	<b>\$ 128,058.00</b>	<b>\$ -</b>
<b>FY2019</b>	<b>80%</b>	<b>\$ 146,868.80</b>	<b>\$ 128,058.00</b>	<b>\$ 128,058.00</b>	<b>\$ -</b>
<b>FY2020</b>	<b>60%</b>	<b>\$ 110,151.60</b>	<b>\$ 128,058.00</b>	<b>\$ 110,151.60</b>	<b>\$ 17,906.40</b>
<b>FY2021</b>	<b>40%</b>	<b>\$ 73,434.40</b>	<b>\$ 128,058.00</b>	<b>\$ 73,434.40</b>	<b>\$ 54,623.60</b>
<b>FY2022</b>	<b>20%</b>	<b>\$ 36,717.20</b>	<b>\$ 128,058.00</b>	<b>\$ 36,717.20</b>	<b>\$ 91,340.80</b>
<b>FY2023</b>	<b>0%</b>	<b>\$ -</b>	<b>\$ 128,058.00</b>	<b>\$ -</b>	<b>\$ 128,058.00</b>

# 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	\$ 595,687,500	31.00%	\$ 184,663,124	\$ 250,000	\$ 184,913,124	31.04%
80%	FY2019	\$ 613,558,125	31.04%	\$ 190,460,518	\$ 4,750,000	\$ 195,210,518	31.82%
60%	FY2020	\$ 631,964,869	31.82%	\$ 201,066,834	\$ 9,200,000	\$ 210,266,834	33.27%
40%	FY2021	\$ 650,923,815	33.27%	\$ 216,574,839	\$ 11,200,000	\$ 227,774,839	34.99%
20%	FY2022	\$ 670,451,529	34.99%	\$ 234,608,084	\$ 11,600,000	\$ 246,208,084	36.72%
0%	FY2023	\$ 690,565,075	36.72%	\$ 253,594,327	\$ 12,000,000	\$ 265,594,327	38.46%
					\$ 49,000,000		

# Wind Farms

Wind farms that produce energy prior to July 1, 2016 will be 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

# Alternative Formula

- Districts with high other revenues per student were given the option to opt out of the new formula
- Funding will remain frozen at the amount per student that the district generated in FY2016 through the formula and the other revenues to be equalized
- 3 districts opted out:
  - Harding County School District
  - Hoven School District
  - White Lake

## Accountabilities – FY2017

- § A district must spend **85% of its \$ increase in local need** on instructional salaries and benefits for certified instructional staff.
  
- % A district's average teacher salaries and benefits must increase by **85% of its % increase in local need.**
  - *The increase in local need, or “new money” is calculated by comparing the increase in local need from FY2016 to FY2017 less the amount of revenue generated by the pension levy in FY2016*
    - *Excludes any effect due to change in fall enrollment*
  
  - *Failure to meet the accountabilities will result in a decrease in FY2018 state aid equal to 50% of the “new money”*



## Accountabilities – FY2018 +

### Teacher Compensation:

- A district's average teacher compensation must be greater than the district's average teacher compensation in fiscal year 2017
  - If not, state aid to general education funding shall be reduced by \$500 per teacher in the next fiscal year

# Fund Balance Caps

- Statutory caps on school district general fund reserves were reinstated
- Tiered reserve cap system based on lowest of previous 3 year's enrollments.
  - Less than 200                      40%
  - Between 200 and 600            30%
  - Greater than 600                25%
- Based on lowest monthly cash balance
- Districts that exceeds the reserve fund cap will have state aid payment reduced on a dollar-by-dollar basis.
- Begins in FY2019 based on FY2018 expenditures/cash balances

# 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%

# Capital Outlay Changes

1. Repealed the sunset of the temporary capital outlay flexibilities and made them permanent
  - Can be used for ANY general fund purpose
  - Allowable amount: 45% of capital outlay tax revenues
2. Requires annual requests for capital outlay be made in the form a dollar amount instead of a levy
3. Limits future capital outlay growth to increase by 3% or inflation, whichever is less, plus new construction
4. Imposes an alternative maximum on capital outlay collections at \$2800 per student
  - This amount will increase annually by 3% or inflation, whichever is less
  - Takes effect in FY2021

## More Information



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

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

## State Aid to General Education Formula Worksheet

<b>Target Student to Teacher Ratio</b>	<b>District Size</b>	<b>Teacher Ratio Range</b>
Minimum Student Teacher Ratio	200	12
Maximum Student Teacher Ratio	600	15

Enter State Aid Fall Enrollmnt

Count of LEP students scoring (composite) less than 4.0 on Language Acquisition Assessment

<b>Formula Number of Teachers:</b>	
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<b>LEP Total Need</b>	<b>\$ 34,150</b>
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<b>TOTAL GENERAL STATE AID NEED</b>	<b>\$13,694,175</b>
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