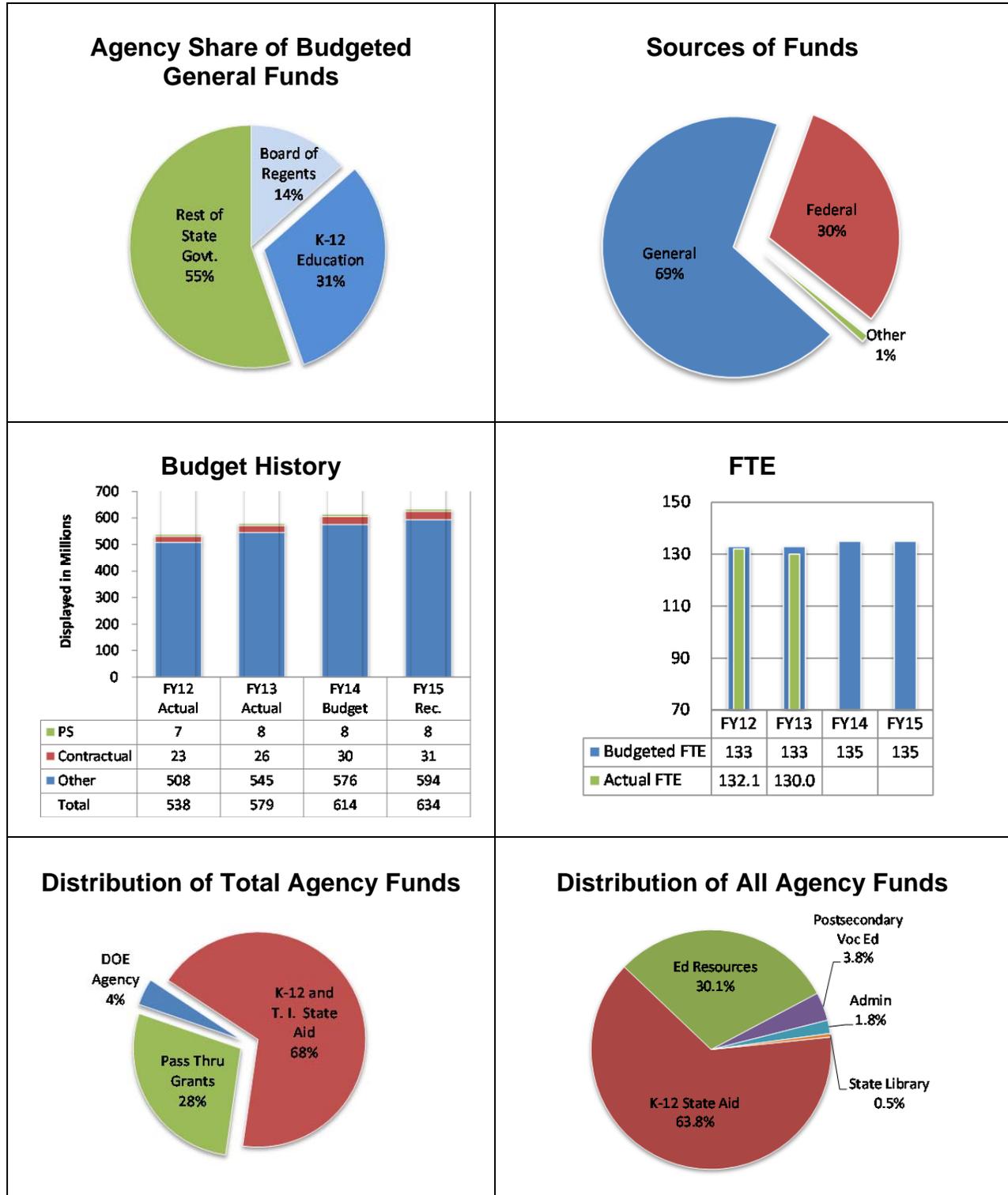


FY15 Budget Briefing

Department of Education

Information contained in this document is based on the Governor's original recommended FY15 budget.
This document may not correspond with the FY15 budget adopted by the Legislature.



Key Personnel

- Dr. Melody Schopp, Department Secretary
- Mary Stadick Smith, Deputy Director
- Bobbi Rank, Legal Counsel
- Tamara Darnall, Director of Finance and Management
- Abby Javurek-Humig, Director of Assessment and Accountability
- Steve Fiechtner, Delivery Unit Head
- Tiffany Sanderson, Director of Career and Technical Education
- Ann Larsen, Director of Educational Services & Support
- Becky Nelson, Director of Learning and Instruction
- Daria Bossman, State Librarian

Department Total

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Personal Services						
Employee Salaries	5,805,202	5,717,882	6,434,058	6,525,516	91,458	1.4%
Employee Benefits	1,596,536	1,798,953	1,866,227	1,887,059	20,832	1.1%
FTE	132.1	130.0	135.0	135.0	0.0	0.0%
Funding Types						
General	3,633,440	3,741,502	3,938,718	4,090,085	151,367	3.8%
Federal	3,652,970	3,668,100	4,133,285	4,068,955	(64,330)	(1.6%)
Other	115,328	107,233	228,282	253,535	25,253	11.1%
Total PS	7,401,738	7,516,835	8,300,285	8,412,575	112,290	1.4%
Operating Expenses						
Travel	458,670	464,833	768,475	797,511	29,036	3.8%
Contractual Services	23,220,340	26,100,192	29,909,164	31,144,717	1,235,553	4.1%
Supplies & Materials	350,292	345,321	436,544	447,144	10,600	2.4%
Grants & Subsidies	505,999,993	543,352,487	574,296,062	592,902,245	18,606,183	3.2%
Capital Outlay	961,920	1,053,777	78,217	83,408	5,191	6.6%
Other	11,315	13,616	0	0	0	0.0%
Funding Types						
General	362,586,820	399,267,880	421,701,062	432,002,638	10,301,576	2.4%
Federal	165,800,301	169,304,324	177,958,986	187,567,220	9,608,234	5.4%
Other	2,615,410	2,758,022	5,828,414	5,805,167	(23,247)	(0.4%)
Total OE	531,002,531	571,330,226	605,488,462	625,375,025	19,886,563	3.3%
Totals						
Funding Types						
General	366,220,260	403,009,382	425,639,780	436,092,723	10,452,943	2.5%
Federal	169,453,271	172,972,424	182,092,271	191,636,175	9,543,904	5.2%
Other	2,730,738	2,865,255	6,056,696	6,058,702	2,006	0.0%
Total	538,404,269	578,847,061	613,788,747	633,787,600	19,998,853	3.3%

Department of Education Budget Changes

DIVISION AND PROGRAM	Inflation and Expansion					Governor's Recommended				
	FTE	General	Federal	Other	Total	FTE	General	Federal	Other	Total
120 GENERAL ADMINISTRATION - Page 10										
ADMINISTRATION	1.0	38,633	3,108	20,761	62,502	9.0	954,765	63,649	70,713	1,089,127
STATE BOARD OF EDUCATION		-	-	-	-		39,913	-	-	39,913
PROFESSIONAL PRACTICES		-	-	(20,000)	(20,000)		-	-	30,298	30,298
INDIAN EDUCATION		-	-	-	-	1.5	189,082	4,723,736	75,000	4,987,818
GENERAL ADMINISTRATION		-	-	-	-	6.0	419,734	79,776	8,034	507,544
DATA MANAGEMENT		-	-	-	-	8.0	169,650	1,427,055	15,000	1,611,705
GRANTS MANAGEMENT		-	-	-	-	7.0	73,554	2,172,127	1,500	2,247,181
CONSOLIDATED ACCOUNTING		2,194	3,290	-	5,484	8.0	394,184	423,139	4,140	821,463
120 Total	1.0	40,827	6,398	761	47,986	39.5	2,240,882	8,889,482	204,685	11,335,049
121 STATE AID TO EDUCATION - Page 12										
LIMITED ENGLISH PROFICIENCY FUNDING				-	-				2,100,000	2,100,000
STATE AID TO GENERAL EDUCATION		8,037,797	-	-	8,037,797		338,333,731	-	-	338,333,731
STATE AID TO SPECIAL EDUCATION		-	-	-	-		53,045,141	-	-	53,045,141
SPARSITY PAYMENTS		18,847	-	-	18,847		1,863,053	-	-	1,863,053
CONSOLIDATION INCENTIVES		(56,400)	-	-	(56,400)		-	-	-	-
NONRECURRING TECHNOLOGY INFRASTRUCTURE		(500,000)	-	-	(500,000)		-	-	-	-
CONNECTING		104,147	-	-	104,147		5,407,374	-	1,804,346	7,211,720
INFORMATION SYSTEMS		219,295	-	-	219,295		1,807,445	-	-	1,807,445
121 Total		7,823,686	-	-	7,823,686		400,456,744	-	3,904,346	404,361,090
122 POSTSECONDARY VOCATIONAL EDUCATION - Page 23										
POSTSECONDARY VOC ED		1,654,872	-	-	1,654,872		23,209,414	-	100,000	23,309,414
NON-RECURRING POSTSECONDARY FUNDING		(500,000)	-	-	(500,000)		-	-	-	-
POSTSECONDARY TUITION BUY-DOWN		915,920	-	-	915,920		915,920	-	-	915,920
122 Total		2,070,792	-	-	2,070,792		24,125,334	-	100,000	24,225,334
123 EDUCATION SERVICES AND RESOURCES - Page 27										
ADMINISTRATION	(1.0)	-	-	-	-	2.5	170,597	40,677	-	211,274
CURRICULUM		300,000	-	-	300,000	4.0	1,041,596	746,191	30,000	1,817,787
CAREER AND TECHNICAL EDUCATION		44,356	(119,553)	-	(75,197)	6.0	412,245	2,362,342	70,906	2,845,493
CAREER DEV AND POST SEC ADMINISTRATION		-	-	-	-	6.0	797,205	3,233,069	1,180,294	5,210,568
CERTIFICATION	1.0	74,132	(1,927,386)	-	(1,853,254)	3.0	141,877	45,303	5,000	192,180
ASSESSMENT AND ACCOUNTABILITY	1.0	91,246	6,444	1,245	98,935	6.0	590,119	9,253,420	315,674	10,159,213
GENERAL ADMINISTRATION		-	-	-	-	5.0	1,752,081	3,605,543	39,729	5,397,353
TITLE PROGRAMS		-	(482,381)	-	(482,381)	3.5	30,962	176,926	-	207,888
SPECIAL EDUCATION PROGRAMS		-	2,689,217	-	2,689,217	9.0	2,162	58,033,437	-	58,035,599
SCHOOL HEALTH		-	-	-	-	8.0	66,399	37,412,525	-	37,478,924
CHILD AND ADULT NUTRITION	(1.0)	-	9,399,913	-	9,399,913	1.0	-	110,001	-	110,001
BIRTH TO THREE CONNECTIONS		-	-	-	-	9.0	974,674	63,871,659	21,985	64,868,318
HEAD START		-	-	-	-	4.0	1,496,998	2,541,314	-	4,038,312
123 Total	-	509,734	9,566,254	1,245	10,077,233	68.0	7,505,527	181,552,066	1,663,588	190,721,181
124 STATE LIBRARY - Page 31										
ADMINISTRATION		-	-	-	-	4.0	433,219	1,032	20,000	454,251
DEVELOPMENT SERVICES		-	-	-	-	11.0	719,240	457,959	158,083	1,335,282
ACCESS SERVICES	(1.0)	7,904	(28,748)	-	(20,844)	12.5	611,777	735,636	8,000	1,355,413
124 Total	(1.0)	7,904	(28,748)	-	(20,844)	27.5	1,764,236	1,194,627	186,083	3,144,946
Grand Total	-	10,452,943	9,543,904	2,006	19,998,853	135.0	436,092,723	191,636,175	6,058,702	633,787,600

Department Object Detail

Item	Actual FY2012	Actual FY 2013	Budgeted FY2014	Governor Rec FY2015	Inc/Dec Over FY2014	% Change Over FY2014
PERSONAL SERVICES						
General	3,633,440	3,741,502	3,938,718	4,090,085	151,367	3.8%
Federal	3,652,969	3,668,100	4,133,285	4,068,955	(64,330)	(1.6%)
Other Funds	115,328	107,233	228,282	253,535	25,253	11.1%
Total Personal Services	7,401,737	7,516,835	8,300,285	8,412,575	112,290	1.4%
FTE	132.1	130.0	135.0	135.0	0.0	0.0%
TRAVEL						
General	152,234	162,982	247,364	274,169	26,805	10.8%
Federal	301,774	295,031	506,641	507,533	892	0.2%
Other Funds	4,662	6,819	14,470	15,809	1,339	9.3%
Total Travel	458,670	464,832	768,475	797,511	29,036	3.8%
CONTRACTUAL SERVICES						
General	11,452,361	11,503,522	13,372,570	14,638,962	1,266,392	9.5%
Federal	9,882,482	12,345,063	14,095,272	14,090,559	(4,713)	(0.0%)
Other Funds	1,885,498	2,251,607	2,441,322	2,415,196	(26,126)	(1.1%)
Total Contractual Services	23,220,341	26,100,192	29,909,164	31,144,717	1,235,553	4.1%
SUPPLIES AND MATERIALS						
General	93,045	82,104	76,561	86,248	9,687	12.7%
Federal	242,193	250,635	275,438	275,804	366	0.1%
Other Funds	15,054	12,581	84,545	85,092	547	0.6%
Total Supplies and Materials	350,292	345,320	436,544	447,144	10,600	2.4%
GRANTS AND SUBSIDIES						
General	350,743,428	386,811,884	407,969,967	416,965,123	8,995,156	2.2%
Federal	155,115,391	156,095,957	163,038,518	172,649,545	9,611,027	5.9%
Other Funds	141,174	444,646	3,287,577	3,287,577	0	0.0%
Total Grants and Subsidies	505,999,993	543,352,487	574,296,062	592,902,245	18,606,183	3.2%
CAPITAL OUTLAY						
General	134,436	693,772	34,600	38,136	3,536	10.2%
Federal	258,463	317,637	43,117	43,779	662	1.5%
Other Funds	569,022	42,368	500	1,493	993	198.6%
Total Capital Outlay	961,921	1,053,777	78,217	83,408	5,191	6.6%
OTHER						
General	11,315	13,616	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	0	0	0	0	0	0.0%
Total Other	11,315	13,616	0	0	0	0.0%
TOTAL						
General	366,220,259	403,009,382	425,639,780	436,092,723	10,452,943	2.5%
Federal	169,453,272	172,972,423	182,092,271	191,636,175	9,543,904	5.2%
Other Funds	2,730,738	2,865,254	6,056,696	6,058,702	2,006	0.0%
Total All Funds	538,404,269	578,847,059	613,788,747	633,787,600	19,998,853	3.3%

Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
State Aid to Education					
A. General State Aid	8,037,797	0	0	8,037,797	
B. State Aid - Sparsity	18,847			18,847	
C. State Aid - Consolidations	(56,400)			(56,400)	
D. Technology in Schools Aid	307,909			307,909	
E. Nonrecurring Infrastructure Upgrades	(500,000)			(500,000)	
Total Change to State Aid (excl. bureau billings)	7,808,153	0	0	7,808,153	0.0
F. Postsecondary 3% Inflationary Inc.	597,122			597,122	
Postsecondary Student Growth	181,870			181,870	
Revenue Bond Lease Payments	875,880			875,880	
Tuition Buy Down	915,920			915,920	
Nonrecurring FY14 Funds	(500,000)			(500,000)	
Total Change to Post Secondary	2,070,792	0	0	2,070,792	0.0
G. Second Staff Attorney	32,115	0	0	32,115	1.0
H. National Career Ready Certificate (NCRC)	48,712			48,712	
I. Dual Credit Courses Expansion	300,000			300,000	
J. Teacher/Princ. Effectiveness FTE	74,132			74,132	1.0
K. Accountability FTE	85,064			85,064	1.0
L. Braille Program Efficiencies		(29,949)		(29,949)	(1.0)
M. Misc. Federal Grant Increases		14,569,684		14,569,684	
N. Misc. Federal Grant Decreases		(5,009,874)		(5,009,874)	(2.0)
O. Interagency Billings	33,975	14,043	2,006	50,024	
Total Change to Department	10,452,943	9,543,904	2,006	19,998,853	0.0

A. State Aid to Education adjustments:

1. The Governor proposes a **3.0% increase**, or \$138.77, in the Per Student Allocation (PSA). The law requires the PSA to increase by the change in CPI or 3%, whichever is less. The change in CPI was only 1.6%, however, the Governor recommends a 3% increase. The PSA in FY14 is \$4,625.65 and would increase to \$4,764.42 in FY15. **\$18,012,346 general funds and local property taxes)**
2. The department estimates there will be 1,450 more students in the public schools in FY2015. The additional cost to the state's portion of the formula due to **student growth** is estimated to be **\$6,908,409 general funds and local property taxes)** (See Page 13)
3. **Total Change to State Aid to General Education = \$8,037,797 general funds**

- B. State Aid – Sparsity** – The Governor is proposing a **3% increase** (\$18,847) to account for the PSA adjustment used when calculating the payments to sparse schools. Twenty eight districts are estimated to receive the payment. (Page 18)
- C. State Aid – Consolidation Incentives** – The Governor recommends a reduction in the amount of (\$56,400). In 2010, the Legislature **ended this program** and the last payment will be made in FY14. This reduction will remove the funding from the base budget. (Page 20)
- D. State Aid – Technology** – The Governor is recommending \$323,442 in general funds for inflationary increases at the **K-12 Data Center**, additional **teacher evaluation software**, and a new **e-grant system** needed to expedite the gathering of data used in the annual **CAFR**. \$15,533 of this total is for Interagency billing which is included in Item O. (Page 21)
- E. Infrastructure Upgrades** – The General Appropriations Act approved last year included a one-time appropriation for infrastructure upgrades. The Governor recommends **removal of the one-time \$500,000** in general funds from the base budget. (Page 33)
- F. Postsecondary Technical Institutes** – The net change to the Postsecondary budget is \$2,070,792 in general funds. The amount is based on an estimated **increase in student FTE** of 55 (6,200 estimated in FY14 and 6,255 estimated in FY15). The Governor proposes a 3% increase on the per student allocation to bring the total to \$3,306.72 per student. The Governor recommends a tuition **buy-down program** for the technical institutes which will cost \$915,920 in general funds. The Governor is also recommending a decrease of \$500,000 which was added last year as non-recurring funding. A final increase recommended by the Governor is \$875,880 in general funds for the state share of the bonding payment. (Page 23)
- G. Second Staff Attorney FTE** – The Governor is recommending 1.0 FTE and \$82,115 for a second staff attorney to assist districts in meeting their obligations under new state and federal laws. The department will reduce their payment for outside legal counsel by \$20,000 federal funds and \$30,000 in other funds. The position will be funded with \$32,115 in general funds, \$20,000 in federal funds, and \$30,000 in other funds. (Page 11ff)
- H. National Career Ready Certificate (NCRC)** – The Governor is recommending additional general funds (\$48,742) to fund a contract with the SD Dept. of Labor to administer the NCRC program for all high school juniors. The **Career Readiness Testing (NCRC)** will be part of the state’s new accountability system and will measure the career readiness for the students. (Page 28)
- I. Dual Credit Courses** – The Governor is recommending \$300,000 in general funds to increase the offering of Dual Credit Courses, which will support the Governor’s workforce initiative program, SD Wins. Students can take college-level courses in high school and receive credit in the K-12 system as well as the postsecondary system. (Page 28)
- J. Teacher and Principal Effectiveness FTE** – The Governor recommends \$74,132 in general funds and 1.0 FTE for a new Teacher/Principal Effectiveness coordinator who would oversee training, provide technical assistance, and ensure that the evaluation systems used by districts meet both state and ESEA Flexibility Waiver requirements. (Page 28)

- K. Administrator for the Office of Assessment and Accountability** – The Governor recommends 1.0 FTE and \$85,064 in general funds for a new position to administer the new accountability system. (Page 28)
- L. Braille Book Efficiencies** – The Governor recommends a decrease of (1.0) FTE and (\$29,949) in federal funds due to efficiencies the State Library has created in the Braille and Talking Books program. (Page 31)
- M. Federal Program Increases** (Page 29)
1. Title I Part A Basic Grant - \$2,079,797
 2. 21st Century Grant - \$349,540
 3. Part B 611 - \$2,689,217
 4. National School Lunch Program - \$8,315,376
 5. National School Breakfast Program - \$552,616
 6. Child Care Food Program - \$583,138
- N. Federal Fund Authority Decreases** (Page 30)
1. ARRA Federal Stimulus Authority – (\$2,911,718)
 2. Perkins Grant – (\$119,553) and (1.0) FTE
 3. Title II Part A Grant - (\$1,927,386)
 4. School Health Program (1.0 FTE) (\$51,217)
- O. Interagency Billings** – The recommended increase for Interagency Billings for the Department of Education is \$50,024 (\$33,975 general funds, \$14,043 federal funds, and \$2,006 other funds) . (Pages 11, 22, and 31).

Additional Funding Sources

- School districts receive **state general funds** and **local property taxes** as prescribed in the State Aid Formula, but they also receive **other funds** for educational use:

Local Revenues tracked by the department include Local Revenue in Lieu of Taxes, Tuition from other districts – in- and out-of-state, preschool tuition, gross receipt taxes, Medicaid administration fee, student activity fee, admissions fees, and many others. A total of 34 funding sources make up this category. (FY13 Total Local Revenue - \$62M)

County Revenues include county apportionment, proceeds from the lease of county owned land, County Revenue in Lieu of Taxes, revenue for Joint Facilities, and other county revenues. (FY13 Total County Revenue - \$11.5M)

State Revenues include state apportionment, wind farm taxes, bank franchise taxes, Training and Support to Teachers and School Leaders funding, Associate Instructors, and six additional categories. (FY13 Total State Revenue - \$19.8M)

Federal Revenues include various federal grants, special education funding, and numerous other federal sources. (FY13 Total Federal Revenue - \$80.9M)

Total Other Revenues – FY13 - \$174.5

View the entire spreadsheet at <http://www.doe.sd.gov/ofm/documents/OtRevFY13.xlsx>

Governor's Proposed Salary Policy

For FY15, the Governor recommends the state employee compensation plan be distributed from a pool in the BFM. *Therefore, individual agency budgets do not reflect the changes for the compensation plan.*

	<u>General</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
Across the Board Increase and Market Adjustments	\$125,205	\$113,873	\$8,012	\$247,090
Health Insurance	\$91,636	\$85,793	\$5,657	\$183,086
Movement Toward Job Worth (PACE)	\$37,867	\$58,659	\$1,503	\$98,028
Pay for Performance (Career Band Families)	\$4,019	\$6,028	\$0	\$10,047
Targeted Compensation Adjustments	\$0	\$0	\$0	\$0
Total of all Components	<u>\$258,727</u>	<u>\$264,353</u>	<u>\$15,172</u>	<u>\$538,251</u>

- Recommended FY15 - 3.0% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board/Market; 18.6% Health Insurance; Targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs.
- FY14 – 3.5% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board; 3.5%-4% Market Adjustment for Career Banding; 14.7% Health Insurance
- FY13 – 2.5% PACE; up to 7.0% Market Adjustment for Career Banding; 3% Across-the-Board; 3.3% Health Insurance.
- FY12 – 0% PACE; 0% Across-the-Board; 0% Health Insurance. One-time payment to permanent, non-probationary state employees equaling 5%, 3.4%, or 1.7% of the individual's annual salary depending on their longevity. (No increase to base in FY12.)
- FY11 – 0% PACE; 0% Across-the-Board; 6.3% Health Insurance

Interagency Billings

Below are the sources of funds the Department of Education used to pay for services provided by central governmental bureaus.

FY13 Actual Expenditures	General Funds	Federal Funds	Other Funds	Total Funds
Bureau of Administration	519,972	353,372	5,423	878,766
Bureau of Finance and Management	34,693	52,040	-	86,733
Bureau of Human Resources	25,820	37,801	-	63,621
Bureau of Information and Telecommunications	752,443	302,920	75,786	1,131,150
<i>Total Bureau Billings</i>	1,332,929	746,133	81,209	2,160,271

Department Goals and Outcome Measurements

Enhancing learning through leadership and service.

The South Dakota Department of Education's overarching aspiration is that all students graduate college, career and life ready.

The department has identified four critical student outcomes, and three foundational supports, that will ensure progress towards this goal.

Student Outcome #1: All students enter 4th grade proficient or advanced in reading.

Student Outcome #2: All students enter 9th grade proficient or advanced in math.

Student Outcome #3: The gap for Native American students is eliminated.

Student Outcome #4: Students graduate high school ready for postsecondary and the workforce.

Foundational Support #1: Students have access to high quality standards and instruction.

Foundational Support #2: Students are supported by effective teachers and leaders.

Foundational Support #3: Students enter schools that provide an environment conducive to learning.

GENERAL ADMINISTRATION

General Administration includes the Secretariat and the Office of Finance and Management. The former is the policy-setting head of the department and includes the South Dakota Board of Education, which also sets policy for public education in South Dakota. The Office of Finance and Management is the financial and statistical center for all public education, kindergarten through postsecondary technical, and has as a major duty administering the State Aid to Education process and formulae. General Administration also includes the Indian Education program.

	<u>Actual FY12</u>	<u>Actual FY13</u>	<u>Budgeted FY14</u>	<u>Gov Rec FY15</u>	<u>Inc/Dec FY15</u>	<u>% Change From FY14</u>
Personal Services						
Employee Salaries	1,755,740	1,809,196	2,061,064	2,115,411	54,347	2.6%
Employee Benefits	462,307	532,567	545,126	559,901	14,775	2.7%
FTE	38.6	37.5	38.5	39.5	1.0	2.6%
Funding Types						
General	1,366,248	1,372,087	1,480,542	1,507,575	27,033	1.8%
Federal	800,337	949,849	1,081,407	1,098,243	16,836	1.6%
Other	51,462	19,826	44,241	69,494	25,253	57.1%
Total PS	2,218,047	2,341,763	2,606,190	2,675,312	69,122	2.7%
Operating Expenses						
Travel	72,580	73,577	88,835	92,499	3,664	4.1%
Contractual Services	2,027,873	1,761,780	3,266,920	3,237,901	(29,019)	(0.9%)
Supplies & Materials	64,297	91,224	79,407	80,907	1,500	1.9%
Grants & Subsidies	2,044,231	3,271,948	5,235,335	5,235,335	0	0.0%
Capital Outlay	121,297	106,207	10,376	13,095	2,719	26.2%
Other	82	20	0	0	0	0.0%
Funding Types						
General	596,884	813,073	719,513	733,307	13,794	1.9%
Federal	3,578,828	4,344,879	7,801,677	7,791,239	(10,438)	(0.1%)
Other	154,647	146,804	159,683	135,191	(24,492)	(15.3%)
Total OE	4,330,359	5,304,756	8,680,873	8,659,737	(21,136)	(0.2%)
Totals						
Funding Types						
General	1,963,132	2,185,160	2,200,055	2,240,882	40,827	1.9%
Federal	4,379,164	5,294,728	8,883,084	8,889,482	6,398	0.1%
Other	206,109	166,630	203,924	204,685	761	0.4%
Total	6,548,405	7,646,518	11,287,063	11,335,049	47,986	0.4%

Budget Notes

G. Second Staff Attorney FTE – The Governor is recommending 1.0 FTE and \$82,115 for a second staff attorney to assist districts in meeting their obligations under the new state and federal laws. The demands in the legal area are increasing due to the Elementary and Secondary Education Act (ESEA) Flexibility Waiver, teacher and principal evaluation and related privacy data, the accountability system, Individuals with Disabilities Education Act (IDEA), Section 504 of the Americans with Disabilities Act, student data protection and privacy, and related matters.

The department will reduce their payment for outside legal counsel by \$20,000 federal funds and \$30,000 in other funds.

The position will be funded with \$32,115 in general funds, \$20,000 in federal funds, and \$30,000 in other funds.

O. Interagency Billings – The recommended increase for Interagency Billings - \$15,871:

1. Office of the Secretariat is \$10,387 (\$6,518 general funds, \$3,108 federal funds, and \$761 other funds)
2. Office of Finance and Management - \$5,484 (\$2,194 general funds and \$3,290 federal funds)

TOTAL STATE AID TO EDUCATION (EXCLUDES POSTSECONDARY)

	Actual <u>FY12</u>	Actual <u>FY13</u>	Budgeted <u>FY14</u>	Gov Rec <u>FY15</u>	Inc/Dec <u>FY15</u>	% Change From <u>FY14</u>
Operating Expenses						
Travel	155	0	0	0	0	0.0%
Contractual Services	6,913,738	7,455,825	8,695,723	9,019,165	323,442	3.7%
Supplies & Materials	1	0	0	0	0	0.0%
Grants & Subsidies	330,151,702	365,618,061	387,841,681	395,341,925	7,500,244	1.9%
Capital Outlay	624,232	597,954	0	0	0	0.0%
Other	11,218	13,591	0	0	0	0.0%
Funding Types						
General	335,465,599	371,944,344	392,633,058	400,456,744	7,823,686	2.0%
Federal	388,367	0	0	0	0	0.0%
Other	1,847,080	1,741,088	3,904,346	3,904,346	0	0.0%
Total OE	337,701,046	373,685,432	396,537,404	404,361,090	7,823,686	2.0%
Totals						
Funding Types						
General	335,465,599	371,944,344	392,633,058	400,456,744	7,823,686	2.0%
Federal	388,367	0	0	0	0	0.0%
Other	1,847,080	1,741,088	3,904,346	3,904,346	0	0.0%
Total	337,701,046	373,685,432	396,537,404	404,361,090	7,823,686	2.0%

State Aid to Education includes:

- State Aid to General Education Formula
- Workforce Education Fund
- State Aid to Special Education Formula
- Sparse School Payments
- Consolidation Incentive Payments (repealed)
- K-12 Technology

STATE AID TO GENERAL EDUCATION

Center 1210 Workforce Education Fund - Info

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Operating Expenses						
Grants & Subsidies	0	0	2,100,000	2,100,000	0	0.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	0	2,100,000	2,100,000	0	0.0%
Total OE	0	0	2,100,000	2,100,000	0	0.0%

Center 1211 State Aid to General Education

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Operating Expenses						
Grants & Subsidies	275,188,796	316,219,516	330,295,934	338,333,731	8,037,797	2.4%
Other	11,218	13,591	0	0	0	0.0%
Funding Types						
General	274,811,647	316,233,107	330,295,934	338,333,731	8,037,797	2.4%
Federal	388,367	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total OE	275,200,014	316,233,107	330,295,934	338,333,731	8,037,797	2.4%

Budget Notes

The Governor's recommended appropriation for State Aid to General Education shown above is based on the following changes:

A. State Aid to Education Adjustments

1. The Governor proposes a 3.0% increase, or \$138.77, in the Per Student Allocation (PSA). This figure is derived from law, which requires the PSA to increase by the change in CPI or 3%, whichever is less. The increase in CPI-W (Consumer Price Index for urban wage earners and clerical from FY2012 to FY2013 was 1.6%. The PSA in FY14 is \$4,625.65 and would increase to \$4,764.42 in FY15. **(129,800 students x \$138.77 = \$18,012,346 general funds and local property taxes)**
2. The Department of Education estimates an increase in the number of students (fall enrollment) from 129,800 in FY14 to an estimated 131,250 in FY15 for a total increase of **1,450 students**. The state aid formula uses the enrollment on the last Friday of September of the budget year (10/26/2014 for FY2015) as the basis for the fall enrollment count. (1,450 students x \$4,764.42 = **\$6,908,409 general funds and local property taxes**)
3. **Small School Factor** is an amount that is added to the state aid formula to address the "economy of scale" felt in many small schools in this state. The Governor's proposed budget makes no adjustment to the SSA. (**\$17,583,588 general funds and local property taxes**)

4. **English Language Learners (ELLs)** are students who first learn a language other than English in their home and community (U.S.-born or immigrant) and then learn English as a new language. The 2013 Legislature created a new funding stream to assist the schools in this unique challenge. A portion of the Workforce Education Fund will fund ELLs as well as provide grants to secondary career and technical education programs. The ELL adjustment amount is \$3,712,674. Of that amount, \$1,997,419 will be the state's portion funded from the Workforce Education Fund.

State Aid to General Education Calculation

State Aid Calculation: The department calculates each school district's fall enrollment according to SDCL 13-13-10.1(2A) and multiplies that by the PSA of \$4,764.42 (FY15 rec.) to determine the Statewide Local Need. The district's property tax revenues are its Local Effort. Statewide Local Need minus Local Effort equals State Aid to that district.

Calculating LOCAL EFFORT General State Aid

Property Type	Gen. Fund Levy		Property Valuations		Amount Raised	
	2014	2015 est.	2014	2015 est.	½ 2014	½ 2015 est.
Agriculture Owner Occupied Commercial, Utility, etc.	2.090	1.782	\$ 27,031,806,559	\$ 30,545,941,412	\$ 28,248,238	\$ 27,216,434
	4.296	4.252	\$ 24,811,653,067	\$ 25,307,886,128	\$ 53,295,431	\$ 53,804,566
	9.200	9.106	\$ 15,951,422,048	\$ 16,110,936,268	\$ 73,376,541	\$ 73,353,093

Local Effort: \$ 309,294,303

Calculating LOCAL NEED General State Aid

	FY15 Rec	Incr Students	Incr 3%	FY14 Base
State Aid Fall Enrollment	131,250.00	1,450.00	129,800.00	129,800.00
Per Student Allocation (PSA)	\$4,764.42	\$4,764.42	\$138.77	\$4,625.65
Base Local Need	\$625,330,125	\$6,908,409	\$18,012,346	\$600,409,370
Small School Adjustment	\$17,583,588			\$17,583,588
ELL Adjustment	\$3,712,674			
Total Local Need	\$646,626,387			\$617,992,958
Less Total Local Effort	-\$309,294,303			-\$290,458,264
Adjustment to account for school districts that do not receive state aid but are in totals	\$2,999,066			\$2,761,240
Less ELL State Share (53.8% will come from WEF)	(\$1,997,419)			
Total State Share	\$338,333,731			\$330,295,934
Less FY14 Base Budget	\$330,295,934			
FY2015 Increase Needed	\$8,037,797			

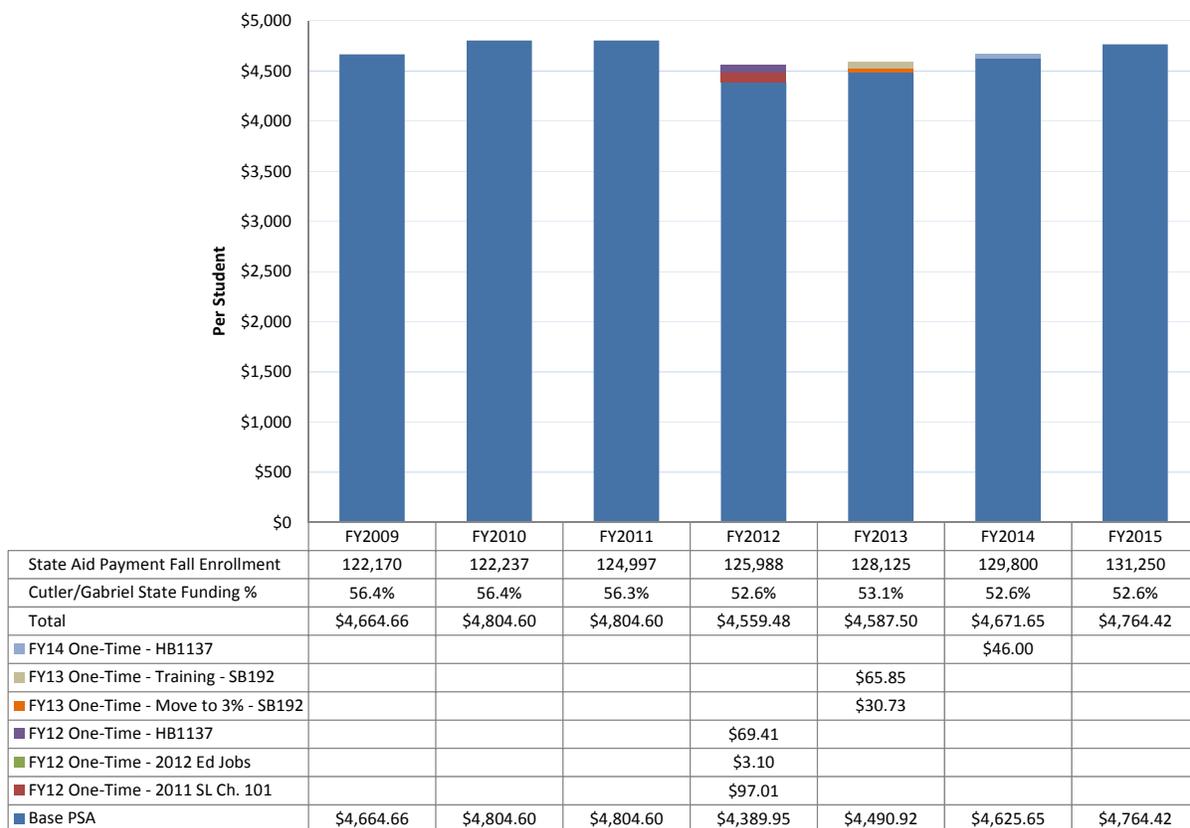
- The Legislature adjusts the property tax levies to maintain a proportional state/local balance from year to year reflecting increases in state appropriations and changes in local property values. The proposed percentage for FY15 is 52.63% state funds. The goal for the Cutler/Gabriel Percentage for FY16 is 53.8%. (Two years are required to smooth the effects of the calendar vs. fiscal year tax collections.)

- Because the State Aid Formula is driven by fall enrollment and calculated such that a district's State Aid is the difference between Local Need and Local Effort, not all districts receive the same amount of State Aid per student. Another difference is due to the **small school adjustment (SSA)**, which is given to approximately 111 of the 151 school districts. Differing amounts of State Aid per student to the various districts, therefore, ultimately result in differing PSA.
- FY15 Estimated Small School Adjustment (SSA)

# Of School Districts	Fall Enrollment	Per Student Allocation	SSA Calculation
33	200 or less	\$5,612	PSA + \$847.54
78	201 to 600	\$5,613 - \$4,763	PSA + between \$0-\$847.54
40	601 or more	\$4,764	PSA Only

State Aid to General Education Funding History

State Aid to General Education Funding



STATE AID TO SPECIAL EDUCATION

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Operating Expenses						
Grants & Subsidies	44,093,077	47,432,264	53,045,141	53,045,141	0	0.0%
Funding Types						
General	44,093,077	47,432,264	53,045,141	53,045,141	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total OE	44,093,077	47,432,264	53,045,141	53,045,141	0	0.0%
Totals						
Funding Types						
General	44,093,077	47,432,264	53,045,141	53,045,141	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total	44,093,077	47,432,264	53,045,141	53,045,141	0	0.0%

Budget Notes

State Aid – Special Education – The Governor has also recommended a 3% increase for each disability level for state aid to special education. The estimated cost of the inflationary increase is approximately \$1,504,175; however **no increase in funding**.

SB15 from the 2013 Legislative Session increased local property taxes to fund a greater share of the special education formula. The minimum levy a district can set and still be eligible for special education state aid was \$1.20/thousand for years, and was increased to \$1.352 last year. This increase coupled with the increase in property valuation, increased local effort by approximately \$8.5M.

The State of South Dakota uses a formula (SDCL 13-37) to calculate the amount of state aid to special education distributed to a school district each year. Local need for special education is calculated using a formula based upon a child count and six disability levels. Each disability level has a specific allocation specified in law and inflated annually by 3% or the consumer price index, whichever is lower. A portion of the money going into the formula is funded by the general fund, and a portion is funded by local property taxes.

The special education formula does not reflect an adjustment for small schools, but it does take into account Child Count statistics, which include private school students and those students in home schools.

The tables below indicate there could be surplus State Aid to Special Education funding remaining at the end of FY14 and FY15; however, the Department must maintain the current levels of budget due to Federal Maintenance of Effort (MOE) requirements.

SDCL 13-37-40 allows the Department to carry forward surplus Special Education funds to help fund the next year's Special Education expenses. The Department indicated they will not carry forward remaining funds because it would increase the MOE.

Calculating State Aid to Special Education

FY14 Special Education Estimate

Sources of Funds

FY14 Gbill Appropriation	\$	53,045,141
Statutory 5.75% Rollover from FY12 - SDCL 13-37-40		-
Total Estimated Funding Available FY14		53,045,141
<i>Federal Maintenance of Effort Level</i>		<i>53,045,141</i>

Uses of Funds

Estimated Formula Need		48,254,083
Estimated Extraordinary Cost Fund (Set Amount)		4,000,000
Total Estimated Costs for FY14		52,254,083

Possible Reversion **\$ 791,058**

FY15 Special Education Estimate

Sources of Funds

Base Appropriation (FY14 as Base)	\$	53,045,141
Statutory 5.75% Rollover from FY12 - SDCL 13-37-40		-
Total Estimated Funding Available FY15		53,045,141
<i>Must meet the Required Federal Maintenance of Effort</i>		<i>53,045,141</i>

Uses of Funds

Estimated Formula Cost (Budgeted FY14 increased by 3%)		47,324,304
Estimated Extraordinary Cost Fund (Set Amount)		4,000,000
Total Estimated Costs for FY15		51,324,304

Possible Reversion **\$ 1,720,837**

Calculating LOCAL EFFORT - Special Education

Property Type	Gen. Fund Levy		Property Valuations		Amount Raised	
	2014	2015 est.	2014	2015 est.	½ 2014	½ 2015 est.
Agriculture Owner Occupied Commercial, Utility, etc.	1.352	1.278	\$ 27,031,806,559	\$ 30,545,941,412	\$ 18,273,501	\$ 19,518,857
	1.352	1.278	\$ 24,811,653,067	\$ 25,307,886,128	\$ 16,772,677	\$ 16,171,739
	1.352	1.278	\$ 15,951,422,048	\$ 16,110,936,268	\$ 10,783,161	\$ 10,294,888

Local Effort: \$ 91,814,823

Calculating LOCAL NEED - Special Education

	<u>FY15 Rec</u>	<u>Child Count</u>	<u>Incr 3%</u>	<u>FY14 Base</u>
Total All Special Ed Levels	130,828,604	413	3,714,723	123,824,090
Extraordinary Cost Fund	4,000,000			4,000,000
Base Local Need	134,828,604			127,824,090
Total Local Need	134,828,604			127,824,090
Less Total Local Effort	(91,814,823)			(83,280,304)
Adjustment to account for school districts that do not receive special education state aid but are in totals	8,310,524			7,710,297
Total State Share	51,324,305			52,254,083
Less FY14 Base Budget	(53,045,141)			(53,045,141)
Surplus Budget	(1,720,836)			(791,058)

STATE AID – SPARSITY PAYMENTS

In 2006, the Legislature approved the **Sparsity Payment Program** that addresses the unique challenges faced by extremely rural, isolated schools. These schools receive an additional allotment outside the regular formula calculated as per SDCL 13-13-78 and SDCL 13-13-79.

	<u>Actual FY12</u>	<u>Actual FY13</u>	<u>Budgeted FY14</u>	<u>Gov Rec FY15</u>	<u>Inc/Dec FY15</u>	<u>% Change From FY14</u>
Operating Expenses						
Grants & Subsidies	1,652,696	1,831,881	1,844,206	1,863,053	18,847	1.0%
Funding Types						
General	1,652,696	1,831,881	1,844,206	1,863,053	18,847	1.0%
Federal	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total OE	<u>1,652,696</u>	<u>1,831,881</u>	<u>1,844,206</u>	<u>1,863,053</u>	<u>18,847</u>	<u>1.0%</u>

Budget Notes

- C. Since the sparsity payment is based on 75% of the Per Student Allocation (PSA), the Governor recommends the same 3% increase for this payment - \$18,847 general funds. There are 28 school districts currently receiving sparsity payments (see next page).

Definition of a Sparse School District:

- a) Has a fall enrollment per square mile of 0.50 or less;
- b) Has a fall enrollment of five hundred or less;
- c) Has an area of four hundred square miles or more;
- d) Has at least fifteen miles to its nearest high school;
- e) Operates a secondary attendance center; and
- f) Levies at the maximum rate for the general fund of a school district.

Each payment is based on 75% of the PSA with a maximum payment of \$110,000.

Sparsity Payments

District Name	FY13 Sparsity Allocation	FY14 Sparsity Allocation	FY15 Sparsity Allocation
Agar-Blunt-Onida 58-3	\$31,707	\$32,658	\$33,638
Bennett County 03-1	\$20,777	\$21,525	\$22,042
Bison 52-1	\$110,000	\$110,000	\$110,000
Doland 56-2	\$110,000	\$110,000	\$110,000
Dupree 64-2	\$39,643	\$40,833	\$42,057
Eagle Butte 20-1	\$39,549	\$40,862	\$41,957
Edgemont 23-1	\$110,000	\$110,000	\$110,000
Edmunds Central 22-5	\$110,000	\$110,000	\$110,000
Eureka 44-1	\$110,000	\$110,000	\$110,000
Faith 46-2	\$110,000	\$110,000	\$110,000
Faulkton Area 24-4	\$21,134	\$21,768	\$22,421
Haakon 27-1	\$40,315	\$41,524	\$42,770
Harding County 31-1	\$110,000	\$110,000	\$110,000
Highmore-Harrold 34-2	\$29,784	\$30,678	\$31,598
Hoven 53-2	\$110,000	\$110,000	\$110,000
Jones County 37-3	\$110,000	\$110,000	\$110,000
Kadoka Area 35-2	\$48,960	\$50,429	\$51,942
Lemmon 52-4	\$36,077	\$37,159	\$38,274
Leola 44-2	\$41,665	\$39,445	\$44,202
Lyman 42-1	\$30,646	\$31,566	\$32,513
McIntosh 15-1	\$110,000	\$110,000	\$110,000
Miller 29-4	\$25,156	\$25,911	\$26,688
Newell 09-2	\$34,891	\$35,938	\$37,016
Oelrichs 23-3	\$110,000	\$110,000	\$110,000
Selby 62-5	\$110,000	\$110,000	\$110,000
Timber Lake 20-3	\$32,926	\$33,914	\$34,931
Wall 51-5	\$32,373	\$33,344	\$34,344
White River 47-1	\$6,278	\$6,652	\$6,660
Total State Aid for Sparsity	\$1,831,881	\$1,844,206	\$1,863,053

STATE AID – CONSOLIDATION INCENTIVES

In 2001, the Legislature approved the Consolidated Incentive Payment Program for school districts that voluntarily consolidated.

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Operating Expenses						
Grants & Subsidies	476,800	134,400	56,400	0	(56,400)	(100.0%)
Funding Types						
General	476,800	134,400	56,400	0	(56,400)	(100.0%)
Federal	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total	476,800	134,400	56,400	0	(56,400)	(100.0%)

Budget Notes

- C. The Governor recommends a reduction in the Consolidation Incentives budget in the amount of \$56,400 in general funds.

In 2010, the Legislature, through SL 2010, Chapter 79, ended this program. FY14 was the last year of funding. This will remove the remainder from the base budget.

NUMBER OF PUBLIC SCHOOL DISTRICTS SUMMARY

School Years 1919 to 2013

Year	Common District	Independent Districts	Consolidated Districts	Total
1919-20	2846	250	78	3,174
1929-30	3072	260	94	3,426
1939-40	3076	270	83	3,429
1949-50	3045	268	85	3,398
1959-60	2815	255		3,070
1969-70	551	208		759

Year	No. of Districts
1979-80	195
1989-90	191
1994-95	177
1999-00	176
2004-05	168
2009-10	156
2010-11	152
2011-12	152
2012-13	151

Data Source: Department of Education

STATE AID – TECHNOLOGY IN SCHOOLS

This budget includes costs associated with the maintenance and support of the K-12 technology infrastructure serving public school districts across the state. Services provided by the state include: frame relay and ATM technologies that connect the schools, internet service for the schools, network management, email, web hosting and Web CT for schools, DDN Video Services, BIT staff time associated with support of the K-12 network, firewalls, filters and network security. In addition, E-rate technical assistance is provided to the school districts so they can maximize E-rate discounts available to their district.

This budget also provides funding for statewide data systems for the schools such as the student information system, the Child and Adult Nutrition system, and the SDMyLife system.

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Operating Expenses						
Travel	155	0	0	0	0	0.0%
Contractual Services	6,913,738	7,455,825	8,695,723	9,019,165	323,442	3.7%
Supplies & Materials	1	0	0	0	0	0.0%
Grants & Subsidies	50,974	0	0	0	0	0.0%
Capital Outlay	624,232	597,954	0	0	0	0.0%
Funding Types						
General	5,742,020	6,312,692	6,891,377	7,214,819	323,442	4.7%
Federal	0	0	0	0	0	0.0%
Other	1,847,080	1,741,088	1,804,346	1,804,346	0	0.0%
Total OE	7,589,100	8,053,780	8,695,723	9,019,165	323,442	3.7%
Totals						
Funding Types						
General	5,742,020	6,312,692	6,891,377	7,214,819	323,442	4.7%
Federal	0	0	0	0	0	0.0%
Other	1,847,080	1,741,088	1,804,346	1,804,346	0	0.0%
Total	7,589,100	8,053,780	8,695,723	9,019,165	323,442	3.7%

Budget Notes

The Governor's recommended budget for FY15 is based upon the use of a mix of e-Rate revenue and general funds. The e-Rate program was established by Congress and the Federal Communications Commission to provide discounts and reimbursements of costs to ensure schools and libraries in all communities could benefit from affordable telecommunications and internet access.

D. State Aid – Technology – The Governor is recommending \$323,442 in general funds for inflationary and expansion increases for technology.

1. Inflationary increases for the State's use of the **K-12 Data Center** on the campus of Dakota State University. **(\$88,614 general funds)**

2. Increased demand for the TeachScape **teacher evaluation software**. The state's accountability system, as well as the federal NCLB flexibility waiver, requires all schools to evaluate teachers and principals in the 2014-2015 school year. This software system was provided last year as part of a pilot program when \$320,880 was appropriated for the software. The interest in the evaluation system was higher than anticipated. **(\$119,295 general funds)**

The current FY14 budget will be amended through a separate bill to handle the additional requests *this* year (HB1040 includes \$194,360 general funds).

3. The State is embarking on an initiative to expedite the gathering of data used in the Comprehensive Annual Financial Report **(CAFR)**. Currently the Department's grant information system does not have the capability to provide the needed information for the CAFR, nor for the upcoming needs of the Federal Regulations. The Department reports that we are a minimally funded state for federal administration dollars and there is not enough federal support available for a new system. **(\$100,000 general funds)**

Q. Interagency Billings – The recommended increase for Interagency Billings for the Technology in Schools budget is \$15,533 general funds.

POSTSECONDARY VOCATIONAL EDUCATION

The mission of the technical institutes is to provide students with the aptitude, knowledge, and technical and people skills necessary for entry into and advancement in their chosen career field.

The technical institutes are able to accomplish this effectively and efficiently by utilizing industry partnerships and advisory councils. Industry partnerships give students access to the latest developments in new technologies while helping offset the costs of these technologies for the technical institutes. Advisory councils help the institutes to make adjustments when necessary, in order to ensure they are providing students with the most up-to-date and relevant industry information.

Each institute also offers a Corporate Education component, in which instructors work directly with a business or industry to design a specific training to meet their unique needs.

	<u>Actual</u> <u>FY12</u>	<u>Actual</u> <u>FY13</u>	<u>Budgeted</u> <u>FY14</u>	<u>Gov Rec</u> <u>FY15</u>	<u>Inc/Dec</u> <u>FY15</u>	<u>% Change</u> <u>From</u> <u>FY14</u>
Operating Expenses						
Travel	0	0	0	0	0	0.0%
Contractual Services	1,701,608	1,685,765	1,750,000	2,625,880	875,880	50.1%
Supplies & Materials	0	0	0	0	0	0.0%
Grants & Subsidies	18,797,502	19,189,207	20,404,542	21,599,454	1,194,912	5.9%
Capital Outlay	0	0	0	0	0	0.0%
Funding Types						
General	20,447,502	20,839,207	22,054,542	24,125,334	2,070,792	9.4%
Federal	0	0	0	0	0	0.0%
Other	51,608	35,765	100,000	100,000	0	0.0%
Total OE	20,499,110	20,874,972	22,154,542	24,225,334	2,070,792	9.3%
Totals						
Funding Types						
General	20,447,502	20,839,207	22,054,542	24,125,334	2,070,792	9.4%
Federal	0	0	0	0	0	0.0%
Other	51,608	35,765	100,000	100,000	0	0.0%
Total	20,499,110	20,874,972	22,154,542	24,225,334	2,070,792	9.3%

Budget Notes

F. The Governor's recommended increase of \$2,070,792 is a combination of the following:

1. Increased Student Numbers - \$181,870
2. 3% increase - \$597,122
3. Increase in Bond Payments - \$875,880
4. Tuition Buy-Down - \$915,920
5. Reduction in one-time money – (\$500,000)

	<u>Actual FY13</u>	<u>Estimated FY14 Budgeted</u>	<u>Estimated FY15 Rec.</u>	<u>Difference</u>
Budgeted Student FTE	6,175	6,200	6,255	55.0
Average Funding Per FTE	\$3,116.90	\$3,210.41	\$3,306.72	\$96.31
PSI Distribution	\$19,246,858	\$ 19,904,542	\$20,683,534	\$ 778,992

Increase due to Inflation

Inflationary Increase	6,200 Students	\$96.31 Increase in PSA
	597,122	Inflationary Increase

Increase due to Student Growth

Average Funding Per FTE	55.0 Students	\$3,306.72 Per Student Average
	181,870	Increase due to Student Growth

Total Postsecondary Increase 778,992

Postsecondary Bonding Payments

The state provides an annual payment to the tuition subaccount for the purposes of allowing the Technical Institutes to bond for larger programs. The annual bond payments are then made from the tuition subaccount.

The 2013 Legislature approved HB1098 which requires the State to pay an amount that is equal to or greater than 50% of the technical institute fee for debt service. The FY2015 approved per credit hour fee is \$28. Based on an estimated 6,014 students who will be required to pay the facility fees, the Technical Institutes can now bond for \$5,051,760. Of that amount, the 50% for the state would equate to \$2,525,880, which is an **increase of \$875,880** in general funds over FY14.

**South Dakota's Technical Institutes
"State-wide Facility Planning"**

"Subject to change - based on several factors"

	<i>Phase 1</i>	<i>Phase 2</i>	<i>Phase 3</i>
	<i>2010</i>	<i>August 2011 & 2012</i>	<i>August 2014 & 2015</i>
Lake Area Technical Institute			
Main Entry / Student Services + M&R + Auto/Building	\$7,000,000	08/01/2012...	
Agriculture, Health & Classroom Expansion		12,500,000 TBD	
Renovations (needed for Phase 1-Transfer from MTI)	\$750,000		
M & R			M&R Account-TBD
Mitchell Technical Institute		08/01/2011...	
Main Entry / Student Services / programs			
*Phase 1-"Main" to South Campus	\$10,750,000		
Phase 2-"Main" to South Campus (Ag. Tech Labs)		18,500,000 TBD	
M & R			M&R Account-TBD
Southeast Technical Institute			2014 / 2015
Main Entry / Student Services + M&R	\$3,000,000		
New Technical Lab Expansion & Renovations			18,500,000 TBD
M & R		M&R Account-TBD	TBD
Western Dakota Technical Institute			2014 / 2015
Main Entry / Student Services / programs			
Phase 1-"Rushmore" to North Campus	\$8,000,000		
~Addition to Phase 1 - "Rushmore to North Campus"	\$3,500,000		
New Technical Lab Expansion & Renovations		TBD	18,500,000 TBD
M & R		M&R Account-TBD	TBD
Grand Total	\$33,000,000	\$32,000,000	\$37,000,000

State-wide Facility Planning Goals:

1. State-wide Campus planning-In Progress
2. Establish Facility Fees to meet the 103% certificate of compliance:
 - a. Phase I -\$ 16-Established
 - b. Phase II-FY2012-\$19, FY2013-\$22, FY2014-\$25 and FY2015-\$28 (State BOE-March 2011)
 - c. Phase III-FY2016-TBD, FY2017-TBD and FY2018-TBD (State BOE-March 2013)
3. Establish M & R Fees @ \$ 1-Every two years:
 - a. Phase I-\$ 2-Established
 - b. Phase II-FY2012-\$ 3 and FY2014-\$ 4 - (State BOE-March 2011)
 - c. Phase III-FY2016-\$ 5 and FY2018-\$ 6 - (State BOE-March-2013)
4. Establish Debt-Service Capacity / Bonding limit:
 - a. Phase I-\$ 80,000,000 Bonding Limit-Established
 - b. Phase II-\$105,000,000 Bonding Limit-Legislative Session 2011
 - c. Phase III-\$ TBD-Revise Bonding Limit-Legislative Session 2013
5. Establish State - Bonding payment:
 - a. Phase I-\$ 826,000 increase-Bond payment of \$ 1,650,000-Established
 - b. Phase II-maintain \$ 1,650,000.
 - c. Phase III-maintain or add to \$ 1,650,000 (amount TBD) - Legislative Session 2013
6. Establish deed and transfer of certain campus properties-In Progress
7. Establish a priority planning process (1%-2% replacement costs) to access M&R sub-account-TBD
8. Establish fee structure-Corporate Education for Facility Fees and M&R sub-account-TBD
9. Establish a fee structure-leasing campus property/space payments for M&R sub-account-TBD
10. Establish a South Dakota's Technical Institutes/Facilities document-In Progress

UPDATED - March 12, 2012

Document Source: Department of Education

Technical Institute Tuition Buy-Down Program

The Governor is proposing a tuition buy-down for the postsecondary technical institute students. The proposed plan for the technical institutes would be to offset tuition by \$5/credit hour (4.8%), assuming an estimated 183,184 credit hours for a total cost of **\$915,920 in general funds.**

Governor's Recent Funding Announcements

In January 2014, the Governor awarded \$3.8M in Future Fund grants to the technical institutes to fund equipment upgrades important to workforce development.

In addition, during the State of the State address, the Governor announced he would be awarding the technical institutes \$1.5M for scholarships. The program will provide \$500,000 a year for the next three years. The \$5,000 scholarships will be for two year programs and will be awarded to students who agree to stay in South Dakota and work in high-need fields for three years.

Technical Institute Funding Formula

The funding formula for the Technical Institutes is detailed in administrative rule as follows:

24:10:42:28. Formula for funding. The postsecondary technical institutes shall receive state funding, from the amount appropriated by the Legislature less funds reserved in § 24:10:42:27, under a formula that distributes these funds based on full-time equivalent students as follows:

(1) Subtract the total set-asides reserved in § 24:10:42:27 from the total amount appropriated by the Legislature within the general appropriations act;

(2) Determine the number of full-time equivalent students at each institution for the preceding fiscal year using the following calculation:

(a) One "full-time equivalent student" equals 30 credit hours of instruction;

(b) The number of full-time equivalent students for an institution is calculated by dividing tuition collected for the preceding fiscal year by program as per chart of accounts prescribed within the South Dakota School District Accounting Manual by the tuition fee per credit and the quotient is divided by 30 credit hours;

(3) Multiply the number of full-time equivalent students at each institution by the per student allocation to determine the total allocation for the distribution formula. The distribution formula is as follows:

(a) "Per student allocation," for school fiscal year 2010 is \$3,619.87;

(b) Twenty-five percent (25%) of the total allocation will be distributed equally among the four institutions as a baseline for common operations at each technical institute. The funds shall be divided by four (4);

(c) Seventy-five percent (75%) of the total allocation will be distributed within three program categories: high cost - low density programs, high cost programs, and standard cost programs. The funds shall be distributed by determining each program's full-time equivalent students, multiplied by the weighted program factor multiplied by the weighted per student value;

(d) The Director of the Office of Curriculum, Career & Technical Education, will identify the weighted program factor of each program documented on the South Dakota School District Accounting Manual;

(e) The weighted per student value is determined by the allocation divided by adding the total high cost-low density program's full-time equivalent students multiplied by a weighted program factor, plus the total high cost program's full-time equivalent students multiplied by a weighted program factor, plus the total standard cost program's full-time equivalent students by a weighted program factor.

EDUCATION SERVICES AND RESOURCES

The mission of this division to provide general supervision, regulation, execution and control over the affairs of the state's elementary and secondary education system and postsecondary institutions; to assist in the pursuit of educational improvements by providing leadership and technical assistance to all public and nonpublic schools in their pursuit of quality education; to provide leadership and service for quality career and technical education programs/initiatives and improve the design of high schools with related initiatives/services in accordance with state and federal legislation and regulations; to collect and analyze data; to disseminate information; to assist schools and postsecondary institutes in program planning, development and implementation; to ensure adherence to all laws, rules, and regulations pertaining to schools, teachers, and special education; to administer the distribution of state and federal funds; to prepare annual and long-range state plans; to supervise and assist local institutions/agencies in establishing and maintaining quality nutrition programs for children and adults; to implement education policies pertaining to special education and, to ensure all children with disabilities have available to them a free and appropriate public education.

	<u>Actual FY12</u>	<u>Actual FY13</u>	<u>Budgeted FY14</u>	<u>Gov Rec FY15</u>	<u>Inc/Dec FY15</u>	<u>% Change From FY14</u>
Personal Services						
Employee Salaries	2,999,633	2,918,297	3,238,246	3,295,283	57,037	1.8%
Employee Benefits	815,739	909,790	940,536	956,616	16,080	1.7%
FTE	65.3	64.8	68.0	68.0	0.0	0.0%
Funding Types						
General	1,153,845	1,280,675	1,286,638	1,410,972	124,334	9.7%
Federal	2,598,367	2,460,006	2,708,103	2,656,886	(51,217)	(1.9%)
Other	63,160	87,407	184,041	184,041	0	0.0%
Total PS	3,815,372	3,828,088	4,178,782	4,251,899	73,117	1.7%
Operating Expenses						
Travel	342,534	348,477	613,690	639,062	25,372	4.1%
Contractual Services	11,725,048	14,265,591	14,883,469	14,939,614	56,145	0.4%
Supplies & Materials	178,867	200,692	278,745	287,845	9,100	3.3%
Grants & Subsidies	155,000,959	155,272,871	160,655,921	170,566,948	9,911,027	6.2%
Capital Outlay	28,431	79,838	33,341	35,813	2,472	7.4%
Other	15	5	0	0	0	0.0%
Funding Types						
General	5,520,242	5,157,411	5,709,155	6,094,555	385,400	6.8%
Federal	161,231,859	164,178,147	169,277,709	178,895,180	9,617,471	5.7%
Other	523,752	831,916	1,478,302	1,479,547	1,245	0.1%
Total OE	167,275,853	170,167,474	176,465,166	186,469,282	10,004,116	5.7%
Totals						
Funding Types						
General	6,674,087	6,438,086	6,995,793	7,505,527	509,734	7.3%
Federal	163,830,227	166,638,153	171,985,812	181,552,066	9,566,254	5.6%
Other	586,912	919,323	1,662,343	1,663,588	1,245	0.1%
Total	171,091,225	173,995,562	180,643,948	190,721,181	10,077,233	5.6%

Budget Notes

H. National Career Ready Certificate (NCRC) – The Governor is recommending additional general funds (\$48,742) for a contract with the SD Dept. of Labor to administer the NCRC program for all high school juniors. The **Career Readiness Testing (NCRC)** will be part of the state’s new accountability system and will measure the career readiness for the students. The cost is \$24.25 per student with an estimated 9,000 students per year taking the test.

Last year, the Legislature approved \$218,250 in general funds for the testing. The total amount in the FY15 budget for the NCRC program would be \$266,992.

I. Dual Credit Courses – The Governor is recommending \$300,000 in general funds to increase the offering of Dual Credit Courses, which will support the Governor’s workforce initiative program, SD Wins. Courses offered for dual credit stem from agreements between high schools, universities and the technical institutes whereby a high school junior or senior enrolls in a college course and simultaneously earns college credit and high school credit for the course.

Currently students who pass their approved high school course can pay \$40 per credit hour, but a student who takes a course directly from the college only must pay \$300 per credit hour. The Governor’s recommended buy-down would bring all dual credit courses to \$40.

J. Teacher and Principal Effectiveness FTE – The Governor recommends \$74,132 in general funds and 1.0 FTE for a new Teacher/Principal Effectiveness coordinator who in the short term, would oversee statewide systems for teacher and principal effectiveness; and long term would:

1. Provide leadership to consistently improve teachers and school leaders, including working with higher education and the teacher/leader preparation programs;
2. Coordinate training, provide technical assistance, and ensure that the evaluation systems used by districts met both state and ESEA Flexibility Waiver requirements.
3. Coordinate the licensing related to the teacher evaluation software (Teachscape) being provided to districts.

K. Administrator for the Office of Assessment and Accountability FTE – The Governor recommends 1.0 FTE and \$85,064 in general funds for a new position to administer the new accountability system. This position would:

1. Use accountability data to determine where DOE and districts need to focus efforts in order to improve instruction and student achievement;
2. Be responsible for all aspects of the accountability system including: student achievement and growth, performance of subgroups, closing achievement gaps, and effectiveness of interventions;
3. Oversee the annual accountability process and issue the state Report Card;

4. Have oversight of the state accreditation process to ensure accountability and accreditation are aligned.

M. Federal Flow-Through Grant Program Increases - \$14,569,684

1. Title I Part A Basic Grant - \$2,079,797 – This grant provides financial assistance to school districts with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. Federal funds are allocated through four statutory formulas that are based primarily on census poverty estimates and the cost of education in each state.
2. 21st Century Grant - \$349,540 - This program supports the creation of community learning centers that provide academic enrichment opportunities during non-school hours for children, particularly students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that can complement their regular academic programs; and offers literacy and other educational services to the families of participating children.
3. Part B 611 - \$2,689,217 - Under the Individuals with Disabilities Education Act (IDEA), federal special education funds are distributed through three state grant programs and several discretionary grant programs. Part B of the law, the main program, authorizes grants to state and local education agencies to offset part of the costs of the K-12 education needs of children with disabilities. Part B, section 611 authorizes funding to students age 3-21.
4. National School Lunch Program - \$8,315,376 - The National School Lunch Program (NSLP) provides low-cost or free school lunch meals to qualified students through subsidies to schools. The majority of the support provided to schools participating in the program comes in the form of a cash reimbursement for each meal served. Schools are also entitled to receive commodity foods and additional commodities as they are available from surplus agricultural stocks. In South Dakota, the National School Lunch Program served 27.1M lunches in FY13.
5. National School Breakfast Program - \$552,616 - The USDA must formulate their meal patterns and nutrition according to the Dietary Guidelines of Americans as directed by The Healthy, Hunger-Free Kids Act of 2010. Recent changes to the program include more whole grains, appropriate calorie counts according to grade, and lower sodium content. In South Dakota, the National School Breakfast Program served 4.5M meals in FY13.
6. Child Care Food Program - \$583,138 - The Child and Adult Care Food Program (CACFP) is a type of United States Federal assistance provided by the United States Department of Agriculture (USDA) to states in order to provide a daily subsidized food service for children in non-residential, day-care settings. The program often operates in conjunction with other child and adult day-care programs, such as the Head Start.

N. Federal Fund Authority Decreases (\$5,009,874)

1. ARRA Federal Stimulus Authority – (\$2,911,718) – Authority granted during the stimulus years that is no longer needed. \$5,290,000 in federal stimulus authority currently remains in the Department of Education.
2. Reduction of (\$119,553) in unused federal fund authority in the Office of Curriculum and Career and Tech Ed.
3. Perkins Grant (1.0) FTE – Division of Curriculum and Career and Tech Ed recently reorganized and as a result was able to eliminate the need for an FTE. The FTE was tied to the Perkins Grant, however, no funding can be reduced due to match requirements for the grant.
4. Coordinated School Health Grant (1.0) FTE and (\$51,217) – In 2013 the Center for Disease control and Prevention made the determination that the grants would no longer be awarded to Education departments in the states, but would instead be awarded to state Health Departments.
5. Title II Part A Grant – (\$1,927,386) - The purpose of Title II, Part A is to increase the academic achievement of all students by helping schools and districts improve teacher and principal quality and effectiveness. Through this federal program, State and Local Education Agencies (SEAs and LEAs) and State agencies for higher education (SAHEs) receive funds on a formula basis. Eligible partnerships consisting of high-need LEAs and institutions of higher education receive funds that are competitively awarded by the SAHE.

In exchange, agencies that receive funds are held accountable to the public for improvements in student academic achievement. Title II, Part A provides these agencies with the flexibility to use these funds creatively to address challenges to teacher quality and effectiveness, whether they concern teacher preparation and the qualifications of new teachers, recruitment and hiring, induction, targeted and embedded professional development, teacher retention, or the need for more capable principals and assistant principals to serve as effective school leaders.

This grant has been reduced by the federal government over the past few years. The average decrease has been 17.83% per year with the most recent award being \$10.8M. The Department is anticipating FFY2014 grant to be reduced by (\$1,927,386).

Governor's Recent Funding Announcements

Governor Daugaard announced in his 2014 State of the State address that he will be using at least \$5M in Future Funds this year to support a series of Governor's Grants for Career and Technical Education in the high schools.

STATE LIBRARY

The mission of the State Library is to improve the quality of life for our citizens, providing for their informal and supplementary informational and educational needs by preservation of our history, exposure to the fine arts, and availability of library services.

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Inc/Dec FY15	% Change From FY14
Personal Services						
Employee Salaries	1,049,829	990,389	1,134,748	1,114,822	(19,926)	(1.8%)
Employee Benefits	318,490	356,596	380,565	370,542	(10,023)	(2.6%)
FTE	28.3	27.7	28.5	27.5	(1.0)	(3.5%)
Funding Types						
General	1,113,347	1,088,740	1,171,538	1,171,538	0	0.0%
Federal	254,266	258,245	343,775	313,826	(29,949)	(8.7%)
Other	706	0	0	0	0	0.0%
Total PS	1,368,319	1,346,985	1,515,313	1,485,364	(29,949)	(2.0%)
Operating Expenses						
Travel	43,401	42,780	65,950	65,950	0	0.0%
Contractual Services	852,073	931,230	1,313,052	1,322,157	9,105	0.7%
Supplies & Materials	107,128	53,404	78,392	78,392	0	0.0%
Grants & Subsidies	5,600	400	158,583	158,583	0	0.0%
Capital Outlay	187,960	269,778	34,500	34,500	0	0.0%
Funding Types						
General	556,593	513,845	584,794	592,698	7,904	1.4%
Federal	601,247	781,299	879,600	880,801	1,201	0.1%
Other	38,322	2,448	186,083	186,083	0	0.0%
Total OE	1,196,162	1,297,592	1,650,477	1,659,582	9,105	0.6%
Totals						
Funding Types						
General	1,669,940	1,602,585	1,756,332	1,764,236	7,904	0.5%
Federal	855,513	1,039,543	1,223,375	1,194,627	(28,748)	(2.3%)
Other	39,028	2,448	186,083	186,083	0	0.0%
Total	2,564,481	2,644,577	3,165,790	3,144,946	(20,844)	(0.7%)

Budget Notes

L. Braille Book Efficiencies – The Governor recommends a decrease of 1.0 FTE and \$29,949 in federal funds due to efficiencies the State Library has created in the Braille and Talking Books program.

O. Interagency Billing Increase is \$16,001 in general funds and \$2,048 in federal fund expenditure authority.

Other Fund Balances

Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance on June 30			60-Month Average	Lowest Monthly Cash Balance in Past Five Years	
		FY2011	FY2012	FY2013	Cash Balance	Amount	Month
Company 3019 -Ed Enhancement Tobacco Tax Fund	203	\$ -	\$ -	-	\$ 691,147	# \$ (16,773)	February 2011
Company 3138 -Hagen-Harvey Memorial Scholarship	204	\$ 902,019	\$ 906,901	\$ 898,289	\$ 885,889	\$ 825,091	August 2008
Company 3138 -Postsecondary Tech Credentialing Fund	205	\$ 32,783	\$ 31,898	\$ 29,630	\$ 32,906	\$ 28,115	January 2013
Company 3138 -State Institute Fund	206	\$ 364,721	\$ 358,730	\$ 304,528	\$ 407,228	\$ 217,440	December 2012
Company 3138 -Prof. Teachers Practices and Standards	207	\$ 54,666	\$ 44,428	\$ 67,713	\$ 64,221	\$ 29,047	June 2009
Company 3138 -Dept. of Education Other	208	\$ 2,377,908	\$ 2,736,385	\$ 2,878,664	\$ 2,462,858	\$ 767,725	August 2009
Company 3146 -State Library	209	\$ 70,255	\$ 35,237	\$ 33,126	\$ 60,664	\$ 28,916	July 2008
Company 3189 - Workforce Education Fund	210					# \$ 2,100,000	May 2013
Company 8501 -Vocational Education Facilities Fund	212	\$ 1,500,000	\$ 1,500,000	\$ 2,100,000	\$ 70,000	\$ 1,500,000	July 2008
Company 8000 -Agency Fund -Education	N/A	\$ 47,978		\$ 1,500,000	\$ 1,504,088		N/A

#Average cash balance and lowest cash balance are actually less than five years due to age of fund.

Teacher Training - \$8.4M

The Legislature approved an **\$8.4M special appropriation** in the 2012 legislative session.

As of December 31, 2013 the Department has obligated or expended almost \$5M. The table below was provided by the department showing current and future uses of the special appropriation.

Investing in Teachers Allocation					\$8,437,031.00
EXPENDITURES					
	Common Core	\$3,451,185.56			\$3,451,185.56
	Administrators & Teacher/Principal Effectiveness	\$125,963.50			\$125,963.50
	Science Academies	\$270,902.58			\$270,902.58
	School Counselors	\$134,148.12			\$134,148.12
Subtotal (Expenditures)		\$3,982,199.76	\$0.00	\$0.00	\$3,982,199.76
OBLIGATIONS TO DATE					
	Common Core	\$635,252.14			\$635,252.14
	Administrators & Teacher/Principal Effectiveness	\$146,260.00			\$146,260.00
	Science Academies	\$137,100.00			\$137,100.00
	School Counselors	\$45,003.52			\$45,003.52
Subtotal (Obligations)		\$963,615.66	\$0.00	\$0.00	\$963,615.66
FUTURE EXPENDITURES					
	Common Core: In District Trainings		\$288,263.61	\$288,263.61	\$576,527.22
	Administrators: Teacher/Principal Effectiveness Training		\$2,437,250.00		\$2,437,250.00
	Science Academies: Elementary Science Academies		\$216,290.00		\$216,290.00
	School Counselors: Additional Training		\$261,148.36		\$261,148.36
Subtotal (Future Expenditures)		\$0.00	\$3,202,951.97	\$288,263.61	\$3,491,215.58
BALANCE					\$0.00

Teach for America

2013 Session HB1137 - appropriated \$250,000 in general funds for the Teach for America program

- Funds paid to date by DOE to Teach for America: \$333,604.76
- Total matching funds reported from Sept. 1, 2012 to Jan. 13, 2014: \$333,604.76

Classroom Innovation Grant

2013 Session HB1164 - appropriated \$500,000 in general funds for the Classroom Innovation Grant Program - provides funding for classroom innovation to allow teachers to utilize technology in creative and innovative ways.

- 128 applications received
- 26 grants awarded
- Dollar amounts ranged from \$3,400 to \$25,000
- As of Jan. 13, 2014, 11 of the projects have been completed and invoiced
- Invoiced amount = \$314,931.04

Non Recurring Technology Infrastructure Grants

2013 Session General Appropriations Act - \$500,000 in general funds for Technology Infrastructure Grants – provided funding to thirty six school districts for computer and network system upgrades.