



**AVERAGE DAILY MEMBERSHIP IN THE
STATE AID TO EDUCATION FORMULA**

Introduction

One of the first initiatives of Governor Janklow on his return to the Governor's Office in 1995 was to propose a new state aid to education formula. The 1995 proposal changed both general aid to education formula and state aid for special education formula. The proposed formula was adopted by the Legislature and has been only slightly modified since then. One major difference between the 1995 state aid to education formula and its predecessor is that the number of students enrolled in a school district directly affects the amount of state aid to education (both general and special education) received by the school district. This change brought about the need to address two issues that became important because of the new formula. First, it became important to carefully define the students in each school district for state aid to education purposes. Second, it became important to accurately count the number of students.

Defining the Student

The student count that is used to calculate state aid to education is referred to as "general enrollment average daily membership" (ADM). ADM is defined in SDCL 13-13-10.1 as follows.

§ 13-13-10.1. Terms defined.

Terms used in this chapter mean:

(1) "General enrollment average daily membership," the average number of resident and nonresident kindergarten through twelfth grade pupils enrolled in all schools operated by the school district during the previous regular school year, minus average number of pupils for whom the district receives tuition, except pupils described in subdivision (1A) and pupils for whom tuition is being paid pursuant to § 13-28-42 and plus the average number of pupils for whom the district pays tuition, except pupils for whom the district pays tuition pursuant to § 13-28-42;

(1A) Nonresident students who are in the care and custody of the Department of Social Services, the Unified Judicial System, the Department of Corrections, or other state agencies and are attending a public school may be included in

the average daily membership of the receiving district when enrolled in the receiving district. When counting a student who meets these criteria in its general enrollment average daily membership, the receiving district may begin the enrollment on the first day of attendance. The district of residence prior to the custodial transfer may not include students who meet these criteria in its general enrollment average daily membership after the student ceases to attend school in the resident district.

Student numbers are also used to calculate state aid for special education. The definition varies from the definition of ADM. Special education average daily membership (SEADM) is defined in SDCL 13-37-35.1 as follows.

§ 13-37-35.1. Definitions.

Terms used in chapter 13-37 mean:

(14) "Resident average daily membership," the average number of resident kindergarten through twelfth grade pupils enrolled in all schools operated by the school district during the previous regular school year plus the average number of pupils for whom the district pays tuition and plus the average number of resident pupils enrolled in another school district under the provisions of § 13-28-40;

(15) "Nonpublic school," a sectarian organization or entity which is accredited by the secretary of education and cultural affairs for the purpose of instructing children of compulsory school age. This definition excludes any school that receives a majority of its revenues from public funds;

(16) "Nonpublic average daily membership," the average number of kindergarten through twelfth grade pupils enrolled during the previous regular school year in all nonpublic schools located within the boundaries of the public school district plus the average number of children under age sixteen who are approved for alternative instruction pursuant to § 13-27-2 during the previous school year;

(17) "Special education average daily membership," resident average daily membership plus nonpublic average daily membership.

In the most general terms one ADM represents a student enrolled in a school district for a school term. This most often means one student per school term. But as with counting FTE in state government, one ADM may also mean two students enrolled in a school district, each for one-half year—or any other combination. Likewise, one student enrolled for half a school term equates to one-half ADM.

Identifying Students: Some Special Situations

Not all children within a school district attend a public school. One consideration is whether a particular attendance center within a school district is operated by a school

district and as such the students count towards the school district's ADM. Department of Education and Cultural Affairs (DECA) guidelines for whether an attendance center is operated by a school district specify that the building or buildings must be owned or leased by the school district, the teachers are bona fide employees of the school district, school district policies apply to the attendance center, and the local school board administers the attendance center. There are other special situations that arise relative to counting ADM that are reflected in the following table.

Table I: Where ADM Are Counted					
Type of Student	Do Not Count in Any District's General ADM	Count in Receiving District's General ADM	Count in Home District's General ADM	Count in Receiving District's Special Education ADM	Count in Home District's Special Education ADM (Level 1 Disability)
Open Enrollment		x			x
Religious Colony Schools	x				x
BIA Schools	x				x
Parochial Schools	x				x
Home Schools	x				x
State Institutions	x				x

The above table shows that only students attending public schools count as ADM in the state aid to education formula, but all students, regardless of where they attend school are counted as ADM for their home school district for state aid to special education, level one disability.

Some Big Numbers

State aid to education for FY2000 is based on FY1999 estimated ADM. An estimate of 132,142 ADM for FY1999 was used in the FY2000 state aid to education formula. After the small school adjustment this amount was adjusted upward to 136,252 ADM. The FY2000 state aid to education per student allocation was \$3,605. This amounted to a total allocation of \$491,188,460 to come from the combination of state aid and local effort. The state aid amount was \$246,103,175. If the adjusted ADM had been one percent more (136,615), the state aid to education amount would have been approximately \$4,912,000 more. With numbers of this magnitude, it is clear that significant amounts of money are involved when estimates of ADM differ only slightly from the final ADM figures.

All Forecasts are Inaccurate, Especially Those About the Future

The definitions in § 13-13-10.1 provide that the state aid to education distribution in any year depends upon the ADM for the previous school year. Given this situation it

becomes necessary to estimate ADM in order to appropriate money for state aid to education. The technique used by the Department of Education and Cultural Affairs to estimate ADM for the upcoming year is to use a linear trend, based on the most recent three or four years of actual ADM. The purpose of this paragraph is not to criticize the technique used by the Department of Education and Cultural Affairs, but rather to acknowledge that any statistical technique used to estimate ADM (or any other parameter) cannot take all factors into consideration that affect that parameter. Consequently, there is an inherent error to any estimate of the future value of a parameter. With that in mind, Appendix A shows the difference between ADM estimated for state aid to education and the final value of the ADM for recent years. Appendix A shows that ADM has consistently been less than the estimate for state aid to education purposes. This pattern has become recognized to the point where plans are made for the use of the money that is appropriated for state aid to education, but is not all needed because of overestimation of ADM.

Summary

Whenever budgets are built using estimates that are demographic in nature, it is a certainty that the estimates will differ from the actual data that drive the budget. This has been true in estimating Social Services caseloads for years. Given this, there are two certainties: (1) the Legislature will appropriate more money than that which was finally required, in which case the question becomes one of what to do with the leftover money; or (2) the Legislature will appropriate less money than that which was finally required, in which case the question becomes one of how to make up the shortfall. Either way, a money issue that begs resolution confronts the Legislature.

This issue memorandum was written by Dale Bertsch, Chief Analyst for Fiscal Research and Budget Analysis for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.
