Blue Ribbon Task Force Recommendations: Funding Formula

Presentation to the Joint Committee on Appropriations

January 27, 2016

Recommendations for New Funding Formula

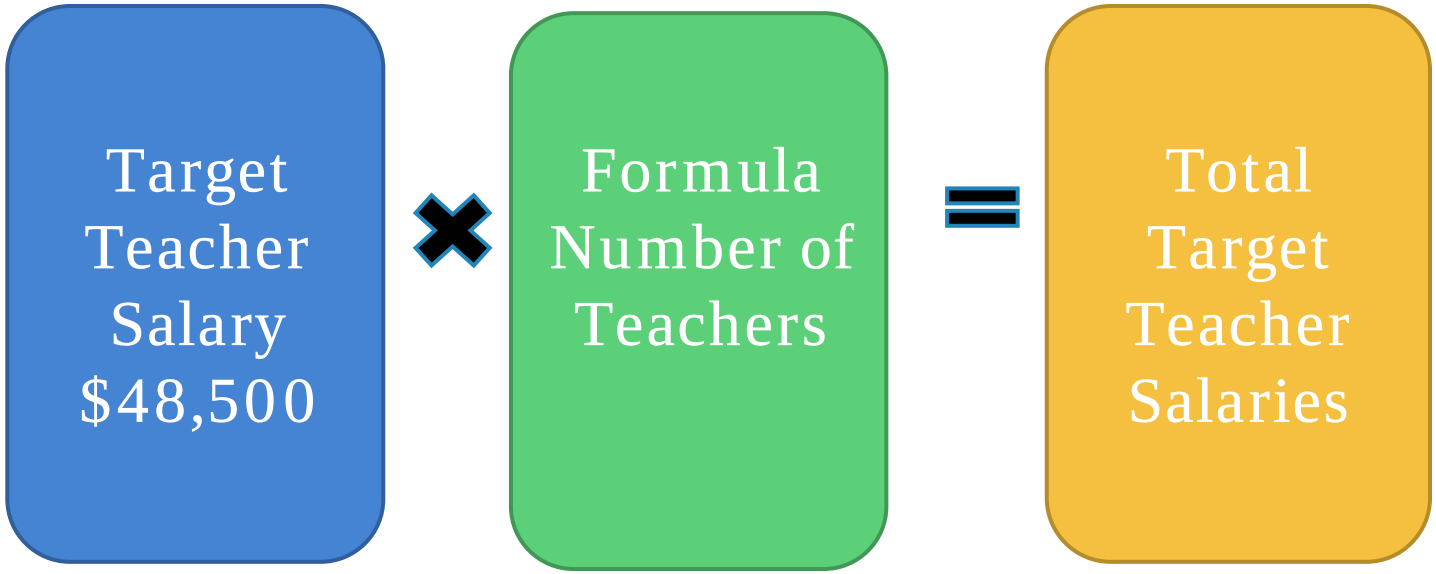
- Adopt a new formula based on a statewide target for statewide average teacher salary of $48,500 and maintain the average statewide student-to-teacher ratio at approximately 14:1.
- Replace current small school adjustment with a sliding scale, depending on school enrollment, for the target student-to-teacher ratio.
- Retain the current statutory minimum inflation factor of 3% or inflation, whichever is less in the new formula.
- Reevaluate teacher salaries every three years to assure they remain competitive with surrounding states.

Funding Formula Continued

- Limited English Proficiency Adjustment would continue to be based on each student counting as an additional 25%
- No change to the sparsity formula

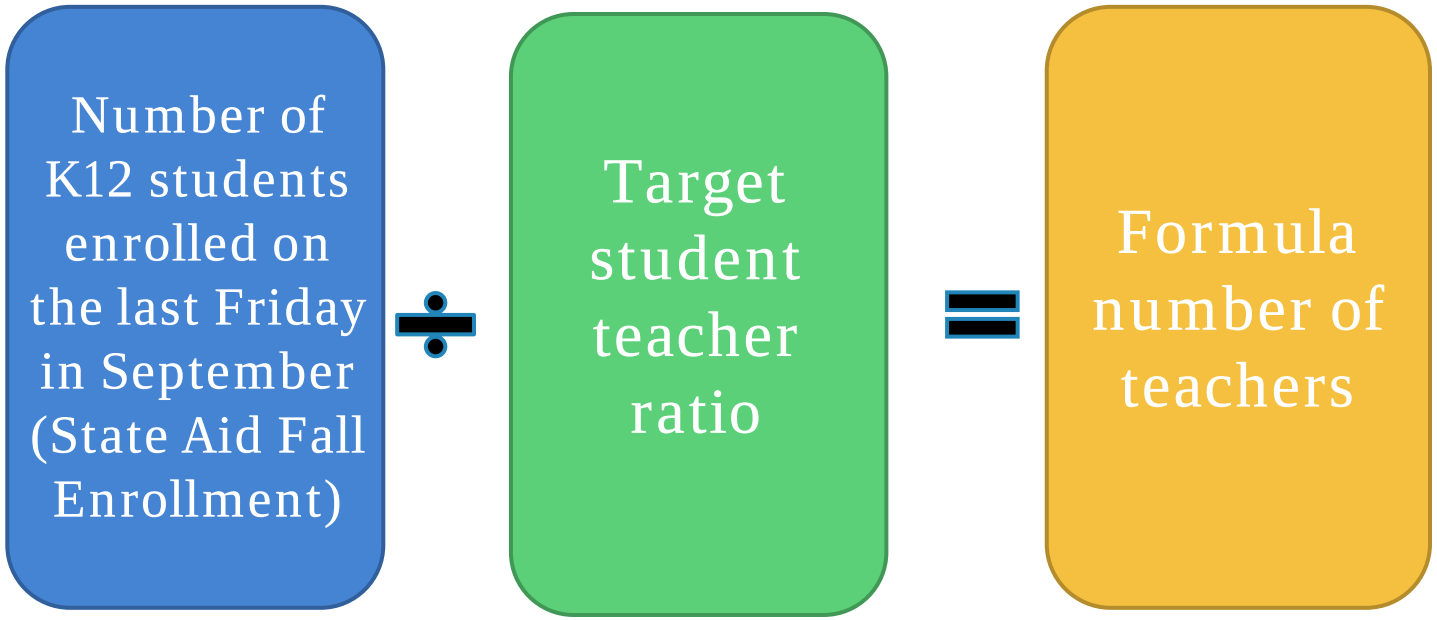
A Shift in Focus

The proposed formula shifts the discussion from funding per pupil to funding of teachers.



Determining the Formula Number of Teachers

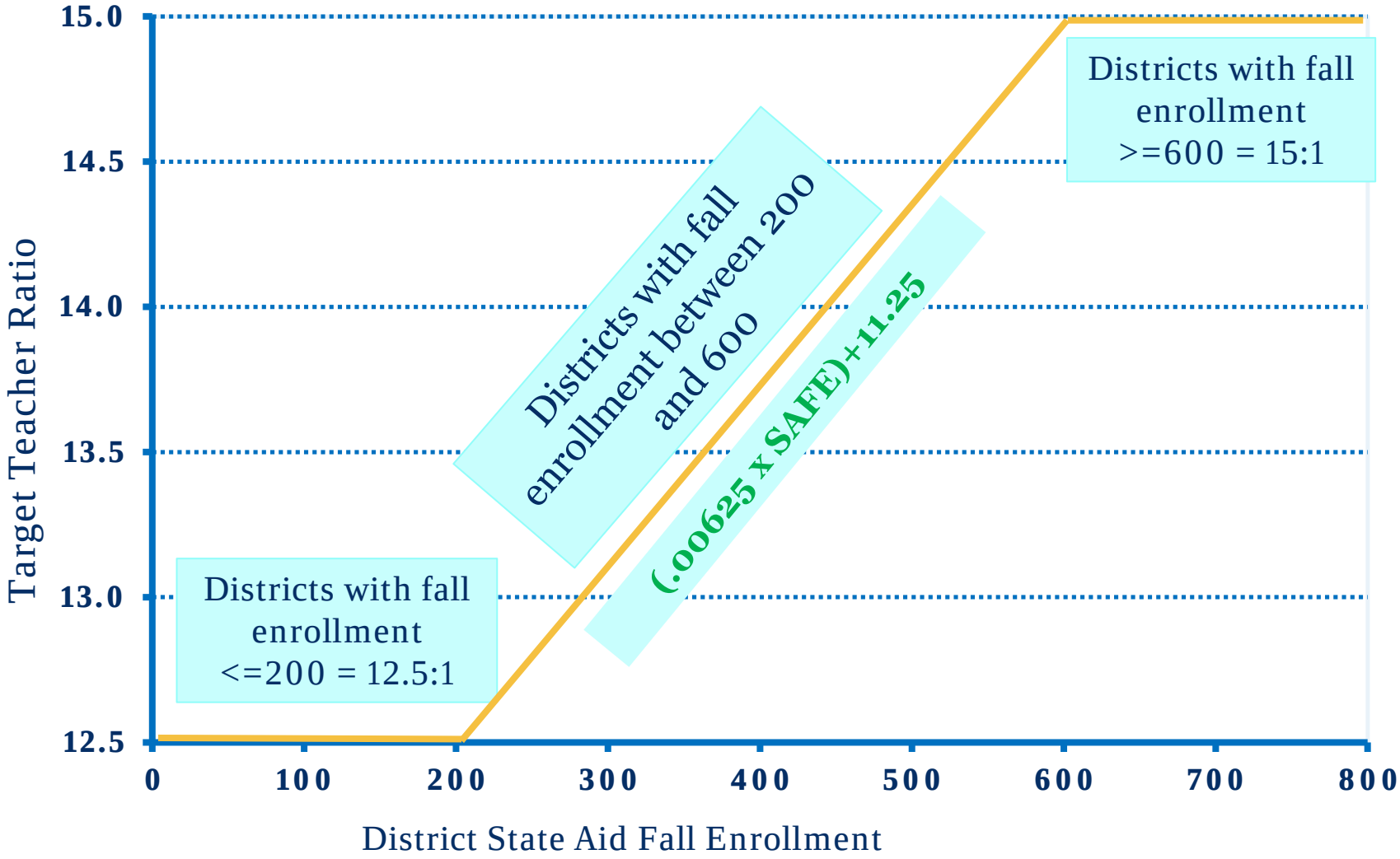
The formula number of teachers can be calculated by dividing the state aid fall enrollment by the target student teacher ratio.



What is the Target Teacher Ratio?

- The current statewide average is 14.0 students per certified instructional staff
- Typically, larger districts have a larger ratio and smaller districts have a smaller ratio
- In recognition of this, the new formula would have a sliding ratio, similar in concept to the small school adjustment, to determine the target student-to-teacher ratio

Target Teacher Ratio



Try It! Target Teacher Ratio

Target Teacher Ratio =(.00625 X State Aid Fall Enrollment) +11.25

Scenario 1: State Aid Fall Enrollment = 253

TTR = (.00625 X 253) +11.25

TTR = 1.58125 + 11.25

TTR = 12.83

Scenario 2: State Aid Fall Enrollment = 678

Since SAFE > 600, the Target Teacher Ratio would be 15

Try It! Formula Number of Teachers

State Aid Fall Enrollment (SAFE) = 253

Target Teacher Ratio (TTR) = 12.83

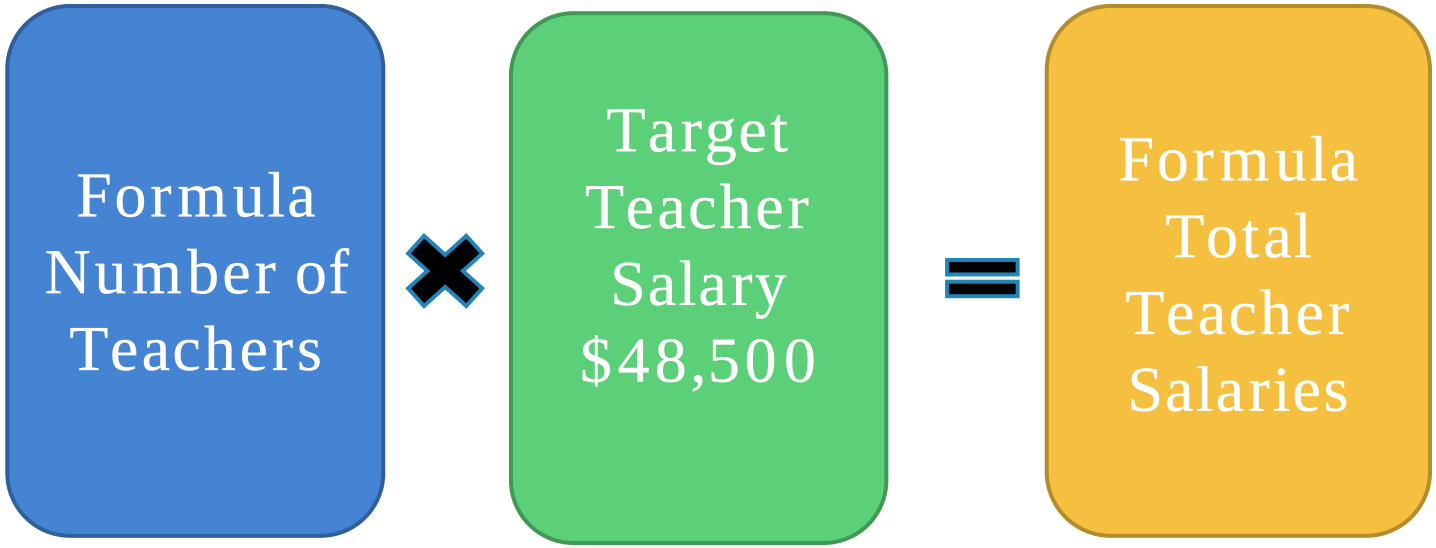
Formula Number of Teachers (FNT) = SAFE/TTR

FNT = 253/12.83

FNT = 19.72

Formula Total Teacher Salaries

Now that we know the target number of teachers and the target teacher salary, we can calculate the total formula need for teacher salaries.



Try It! Formula Total Teacher Salaries

Target Teacher Salary = $48,500

Formula Number of Teachers = 19.72

Formula Total Teacher Salaries =

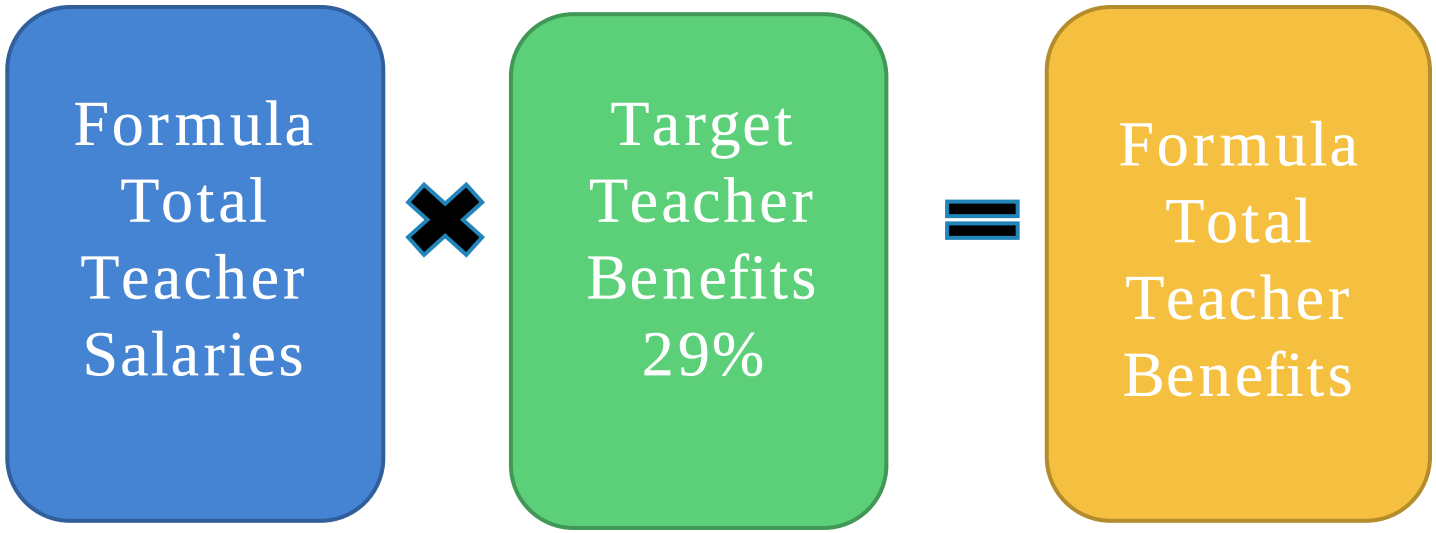
Target Teacher Salaries X Formula Number of Teachers

FTTC = $48,500 X 19.72

= $956,420

Formula Total Teacher Benefits

In addition to salaries, districts also incur expenses for payroll taxes and benefits such as health insurance and retirement. The formula recognizes this through a target benefit rate that is applied to the formula teacher salaries. The proposed benefit rate is 29%.



Try It! Formula Total Teacher Benefits

Formula Total Teacher Salaries = $956,420

Benefit Rate = 29%

Formula Total Teacher Benefits =

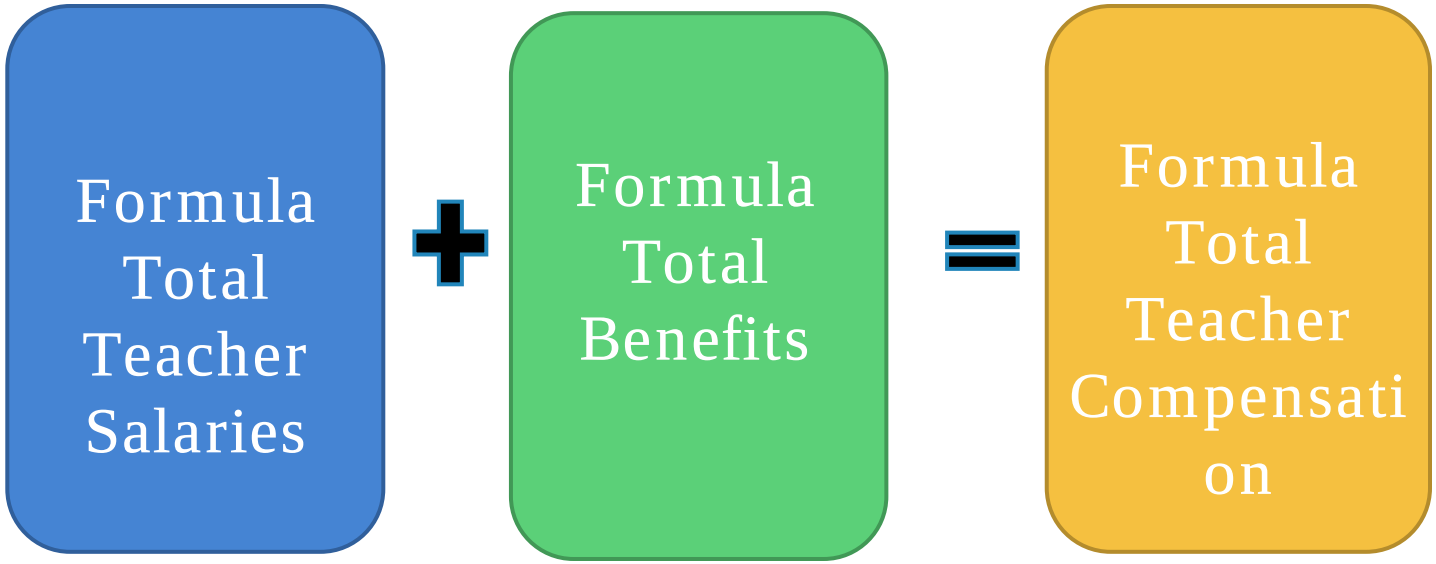
Formula Total Teacher Salary X Benefit Rate

= $956,420 X 29%

= $277,362

Formula Total Teacher Compensation

Now that we know the target formula teachers salaries and the benefits, we can calculate the total formula need for teacher compensation adding these two items together.



Try It! Formula Total Teacher Compensation

Formula Total Teacher Salaries = $956,420

Formula Total Teacher Benefits = $277,362

Formula Total Teacher Compensation =

Formula Total Teacher Salaries + Formula Total Teacher Benefits

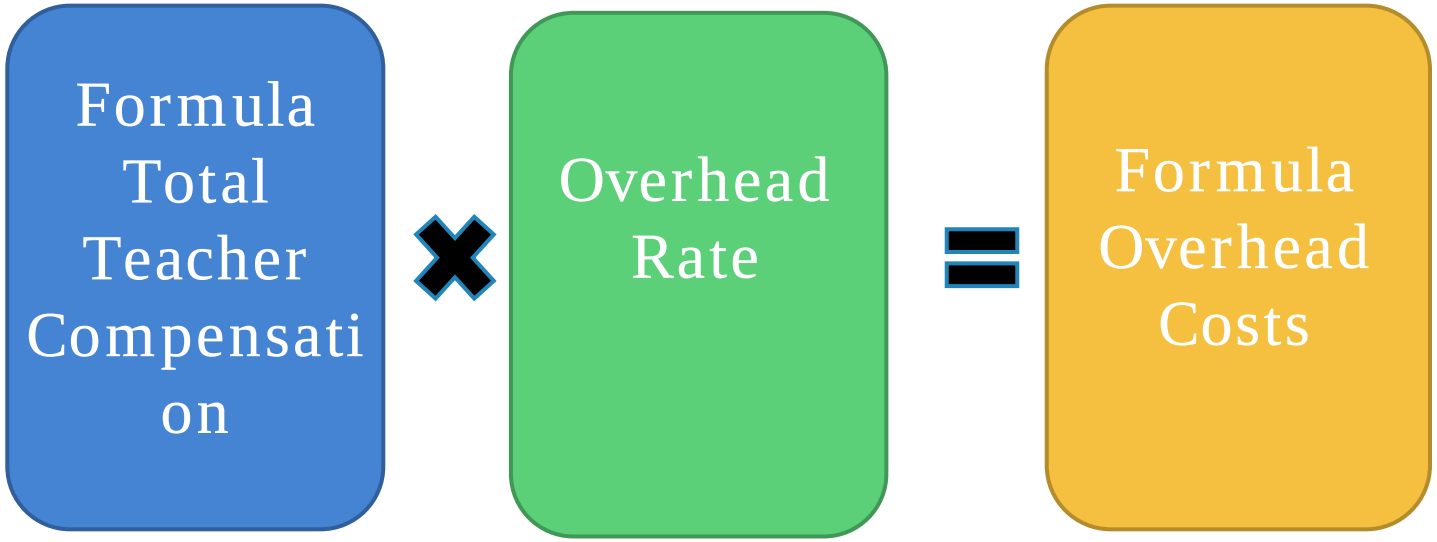
= $956,420 + 277,362

= $1,233,782

Additional Expenses

- The formula recognizes that there are costs in addition to teacher compensation
- The Overhead Rate provides funding through the formula for these additional costs
- The rate is set to maintain the calculated amount of non-teacher costs covered by the current formula based on 2014-15 data collected

Determining the Amount for Overhead



Try It!

Formula Total Teacher Compensation = $1,233,782

Overhead Rate = 31%

Formula Overhead Costs =

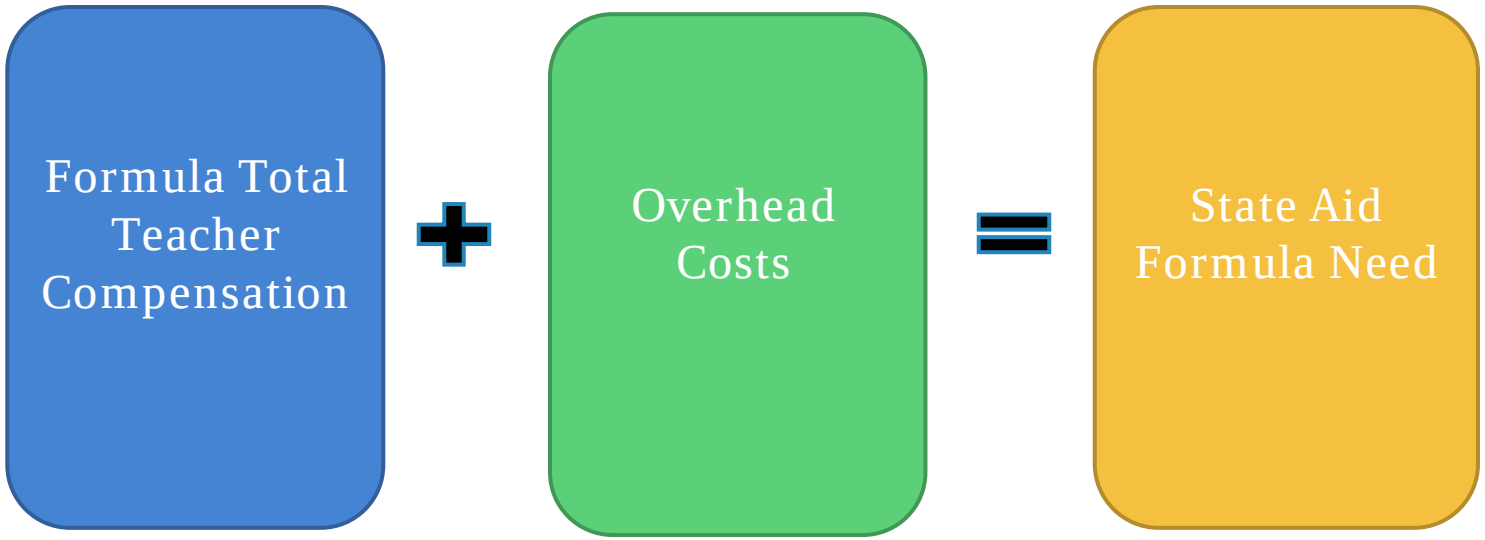
Formula Total Teacher Compensation X Overhead Rate

FOC = $1,233,782 X 31%

FOC = $382,472

Formula Total Need

To find the total need for a school district, we would then add together the Formula Total Teacher Compensation and the Overhead Costs.



Try It!

Formula Total Teacher Compensation = $1,233,782

Formula Overhead Costs = $382,472

State Aid Formula Need =

Formula Total Teacher Compensation + Formula Overhead Costs

SAFN = $1,233,782 + 382,472

SAFN = $1,616,254

State and Local Effort

- The formula would continue to be a partnership between state revenues and local property taxes
- State is picking up new costs so a new state share will be determined

Fund Balance Caps

- Reinstate statutory caps on school district general fund reserves.
- Develop a tiered reserve caps 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.
- Phase in the caps over a three-year period.
- Establish an oversight committee to help districts with phase in strategies for reserve caps, and assist when unique circumstances arise that may make the caps unrealistic.

Pension Levy

- Eliminate the pension levy
- The general education levies should be increased by a commensurate amount so that the change in neutral to taxpayers statewide
- Districts would be allowed to maintain the a separate pension fund for 5 years to allow time to spend down existing fund balances in the funds without counting against reserve fund caps

More Information

For a copy of this presentation and other information specific to the Blue Ribbon Task Force visit

http://doe.sd.gov/secretary/2016legislature.aspx