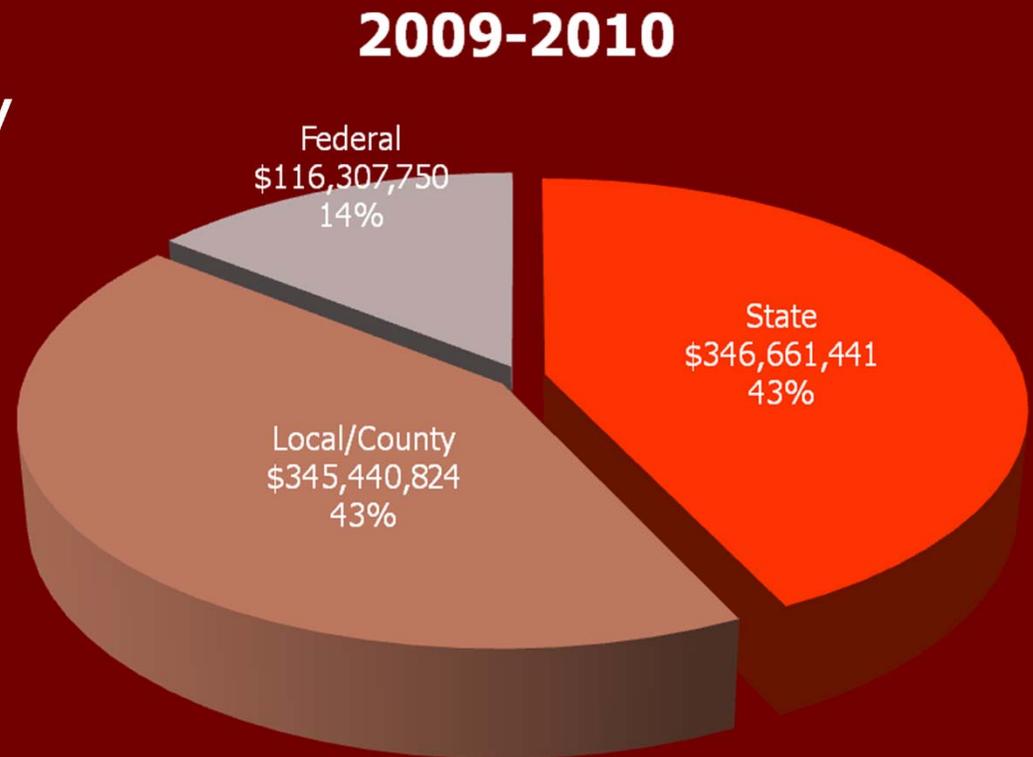


Education Funding 101

Overview

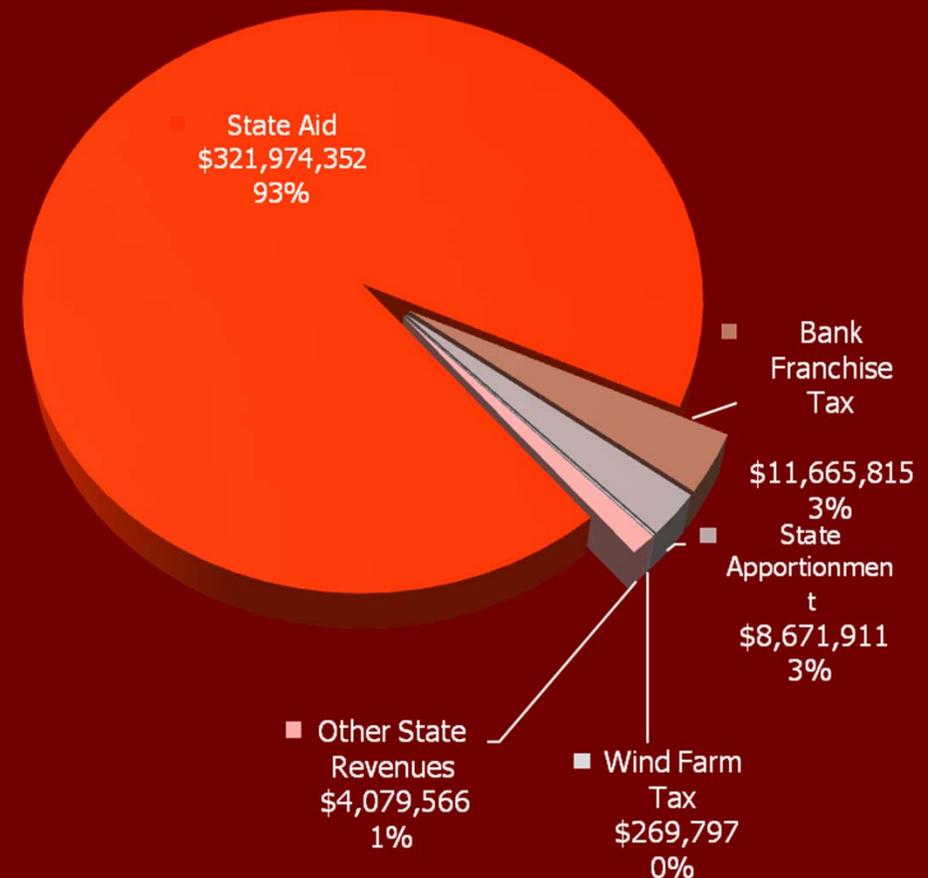
- 3 sources of funding*:
 - State
 - Local and county
 - Federal
 - Restricted uses
 - Also includes State Fiscal Stabilization Funds



State Sources

- General State Aid
- Bank Franchise Tax
 - Significant decrease
- State Apportionment
- Wind Farm Tax
- Other State Revenue

2009-2010



General State Aid

- Current formula took effect Jan. 1, 1997
 - Updated in FY2011 to use the greater of current year fall enrollment or average of prior 2 years for calculation of payment
- Two main sources of funding
 - Money raised locally through property taxes
 - Money raised by state through statewide taxes

Funding Formula

- Starts with same amount of funding per student
- Called Per Student Allocation
- $PSA = \$4,804.60$ in FY11
- Fund students not districts

- Additional funds:
 - Small school adjustment
 - Decreasing enrollment (2 year averaging)
 - Sparse schools*
 - Consolidation incentives*

Per Student Allocation

- PSA adjusted annually by same rate as inflation or 3%, whichever is less
- Inflation measured by Consumer Price Index (CPI-W)
- $\text{PSA} \times \text{fall enrollment} = \text{Base amount that can be raised through local property taxes and state aid}$

PSA Increases



Small School Adjustment

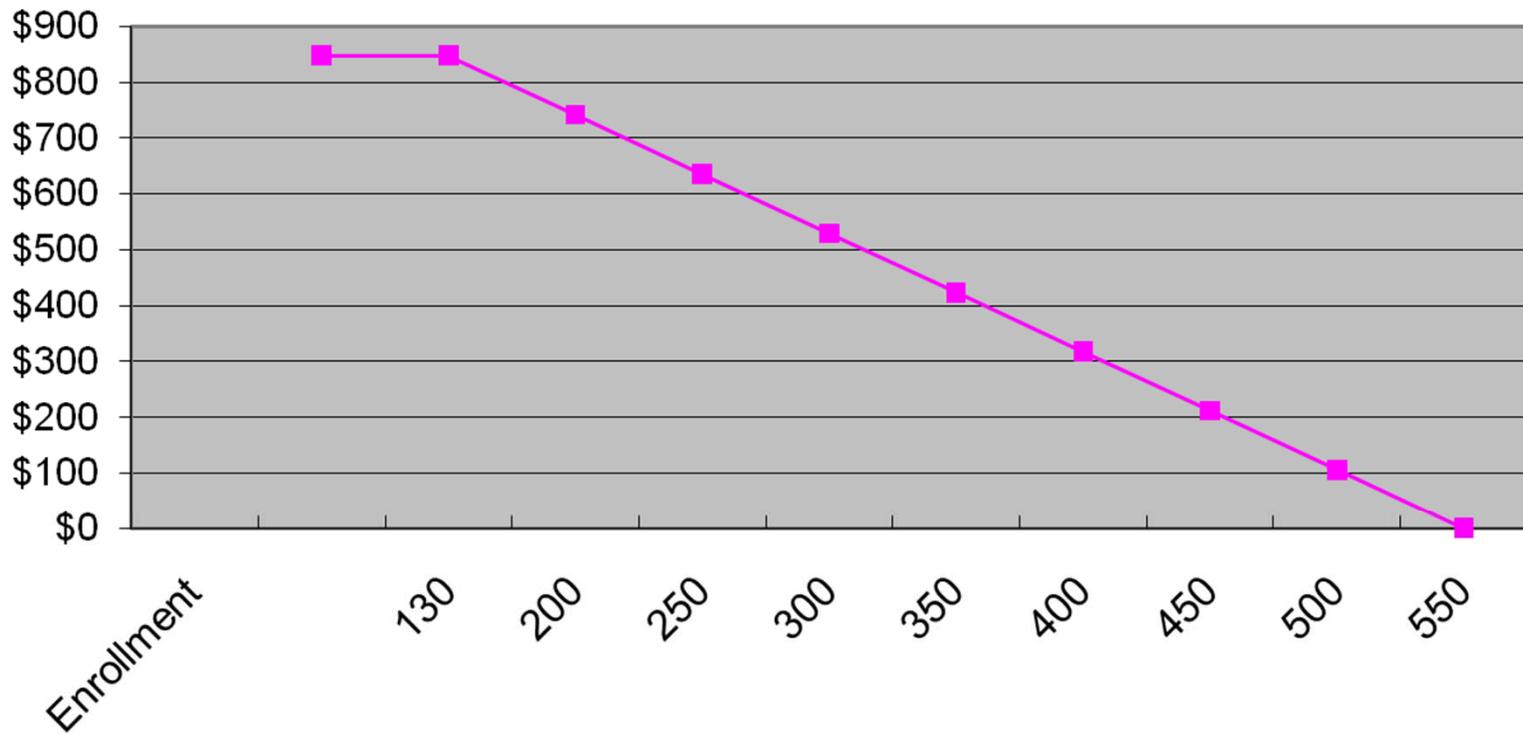
- Formula recognizes that smaller districts incur higher costs (economy of scale)
- SSA is *fixed* dollar amount per student based on sliding scale
- Amount received per student declines as enrollment grows

Small School Adjustment

- 0 to 200 students: PSA + \$847.54 per student
- 201 to 600 students: PSA + \$0 to \$847.54 per student
- 600+ students: PSA only

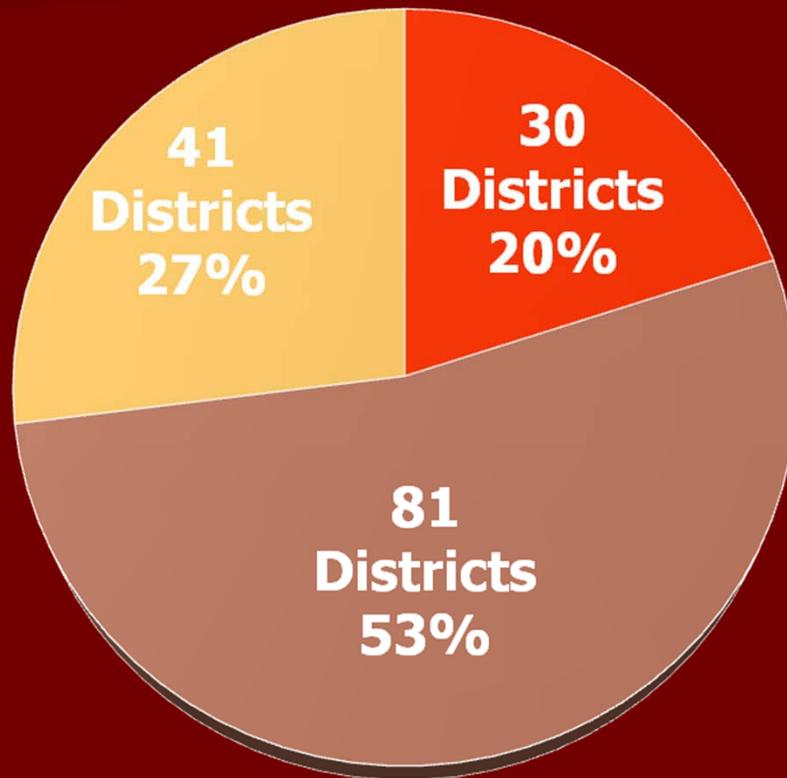
Small School Adjustment

Small School Adjustment



Small School Adjustment

2010-11 School Year



- 111 districts received a small school adjustment
- 30 districts received the maximum \$847.54

■ 0-200 ■ 201-600 ■ 600+

Decreasing Enrollment

- Decreasing enrollment
 - Allows districts to use either two-year average or current year count of students, whichever is greater
 - Softens blow for districts with declining enrollment

3 Steps to Funding Formula

- 1) Determine Local Need
 - $\text{PSA} \times \text{Fall enrollment}$
- 2) Determine Local Effort
 - Property valuations and levies
- 3) Determine State Share
 - $\text{Local Need} - \text{Local Effort}$

Determine Local Need

- Begin with previous year's PSA
- Figure inflationary increase to PSA
 - CPI or 3%, whichever is less
 - Can be adjusted by legislation
- Determine fall enrollment
 - Number of students last Friday of September
 - Minus students for whom district receives tuition
 - Plus students for whom district pays tuition

Calculate Local Need

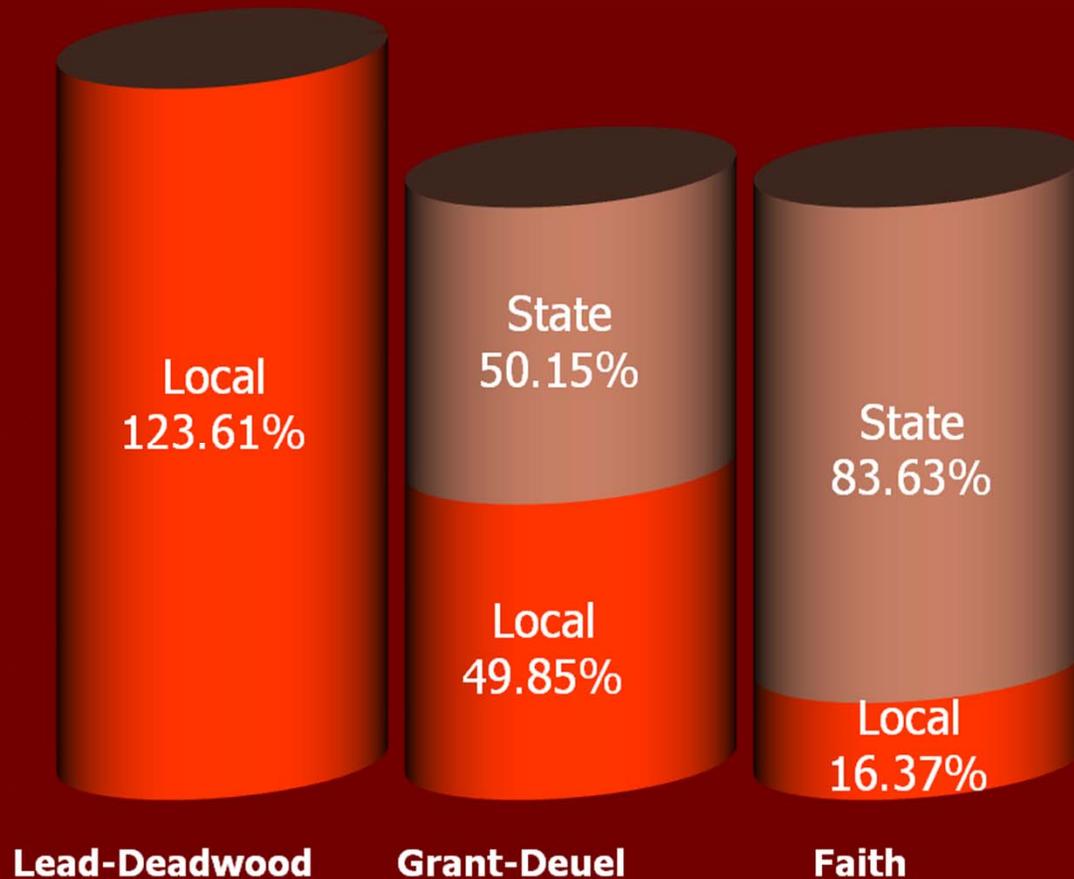
- $\text{PSA} \times \text{state aid fall enrollment} = \text{Local Need}$
 - Large district example (over 600):
 $\$4,804.60 \text{ (PSA)} \times 600 \text{ students} = \$2,882,760$
 - Mid-size district example (between 200 and 400)
 - $\$4,804.60 \text{ (PSA)} + \$423.77 \text{ (SSA)} \times 400 = \$2,091,348$
 - Small district example (200 or less):
 $\$4,804.60 \text{ (PSA)} + \$847.54 \text{ (SSA)} \times 200 = \$1,130,428$

Calculate Local Effort

- Property Valuations x Levies = Local Effort
 - Levies set by legislature annually
- Property taxes paid on calendar year basis
- State aid calculated on fiscal year basis
- When calculating property valuations, $\frac{1}{2}$ of the current calendar year and $\frac{1}{2}$ of the next calendar year is used to determine total property valuations in the formula

Local Effort

- Some districts better able to raise local effort



Determine State Share

- State Share = Local Need – Local Effort

Example:

\$2,265,600	Local Need
-\$1,081,284	Local Effort
<hr/>	
= \$1,184,316	State Share

Cutler-Gabriel

- Seeks to ensure that proportion of local effort and state aid remains constant
- Goal for state aid is approximately 56.5%
- When setting levies look 2 years out

Sparsity

- Funded outside the formula
- Recognizes unique challenges of rural, isolated districts
- Eligible to receive additional state dollars not to exceed \$123,750 per district
- 22 districts received sparsity dollars in 2010-11

Other Revenue

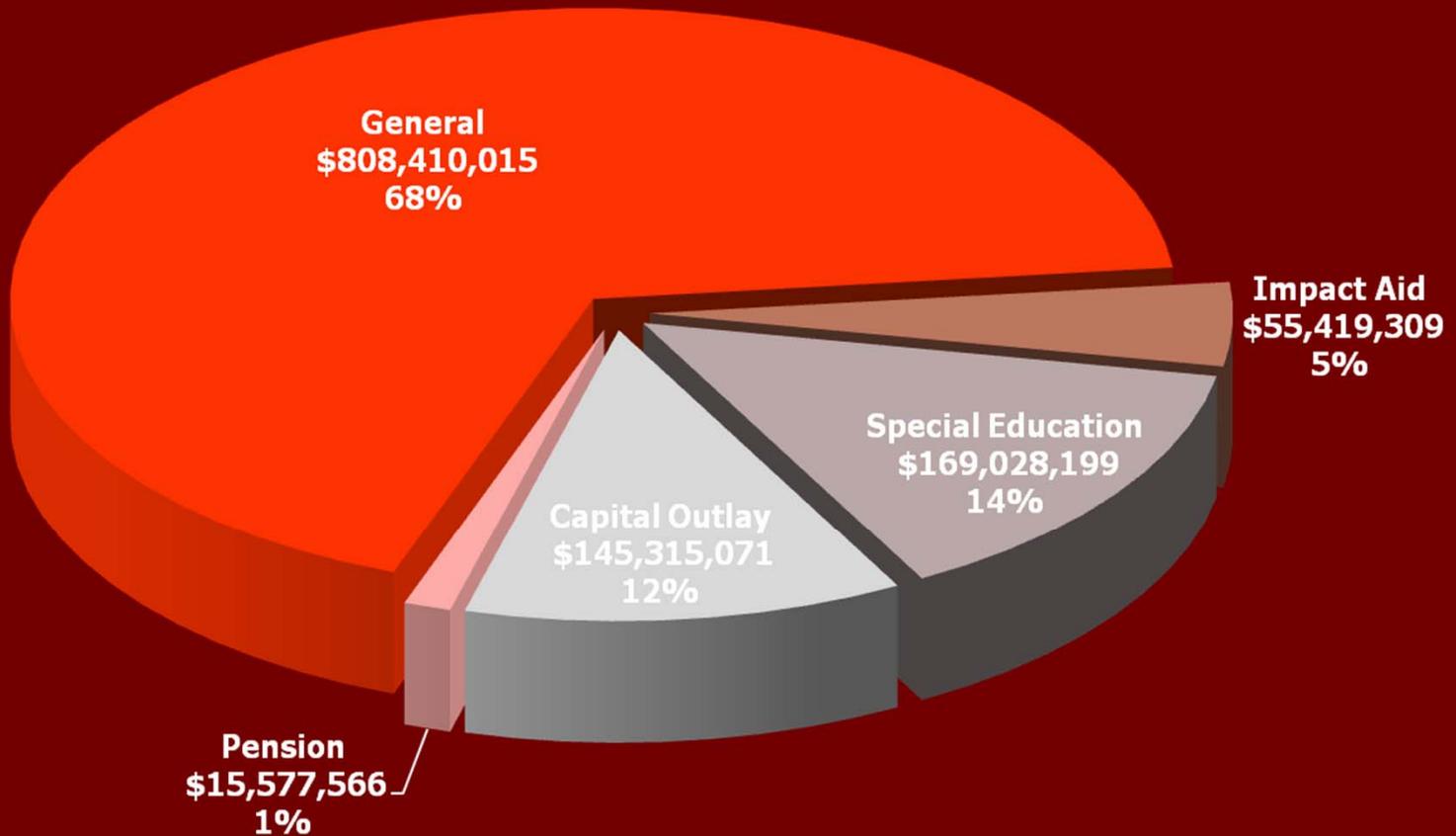
- Outside the formula
- Not every district receives
- Examples:
 - Federal grants
 - Opt Outs
 - Gross receipts
 - Bank franchise taxes
 - Fines
 - Investment income

Dedicated Funds

- Special Education
- Capital Outlay
 - Allowable uses
 - Temporary uses (SB 91 2009 Session)
 - July 1, 2009 – June 30, 2012
- Pension

School District Funds

2009-10 Revenues*



*Does not include Bond Redemption and Capital Projects

Technical Institute Funding

■ State Funding

- Bonding Volume Cap- State Legislature
- Bonding Set-aside- State Board of Education
- Distribution Formula- State Board of Education

■ Tuition and Fees

- Tuition Rate- State Board of Education
- State Fees- State Board of Education
- Program Fees- Local Board

■ Federal Grants

TI – Distribution of Funding

■ Legislative Appropriations

- Total appropriations minus total set-asides = amount of funding for Distribution Formula
- Budget based on estimated number of FTE students plus Bonding (set a-side)

■ Distribution of funds:

- 25% baseline distribution
 - Distributed equally among institutions
- 75% based on program categories
 - High cost-low density programs-weighted factor "5"
 - High cost programs-weighted factor "3"
 - Standard cost programs-weighted factor "1"

For More Information

www.doe.sd.gov

