

Introduction to Education Funding

Where Can I Find This Data?

The screenshot shows the South Dakota Department of Education website. A yellow circle highlights the "2013 Legislative Session" banner, which includes the text "Find the information that's most frequently requested by legislators, all on one page." and a "LEARN MORE" link. Another yellow circle highlights the "QUICK LINKS" sidebar, specifically the "Report Card" and "Statistical Digest" items. A third yellow circle highlights the "Finance, Grants and Data Management" menu, which is expanded to show options like "E-Rate and District Technology Plans", "Data Request Process", "Grants Management", "School Finance", "School/Student Data", "School Districts", "State Finance", and "State Aid". The "School/Student Data" option is further expanded to show "Fall Enrollment", "FERPA", "Personnel Record Forms", "Race and Ethnicity Reporting", "Safe/Drug Free School Reporting System", "Statewide Longitudinal Data System", "Statistical Digest", "Student Information Management System", and "Verification of Educational Structure".



State Aid Funding

- State Aid to General Education
- State Aid for Special Education
- Sparsity
- Consolidation Incentives
- Postsecondary Technical Institutes

General State Aid

- Current formula took effect Jan. 1, 1997
 - Updated in FY2008 to change from prior year ADM to greater of current year or previous year fall enrollment and to add component for growing enrollment. Also fixed the small school adjustment at a maximum of 20% of the FY2007 PSA.
 - Updated in FY2011 to use the greater of current year fall enrollment or average of prior 2 years for calculation of payment. Growing enrollment component was eliminated
- 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)
- $PSA = \$4,490.92$ in FY13
 - Small school adjustment
 - Decreasing enrollment (2 year averaging)
- The formula funds students not districts

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 History



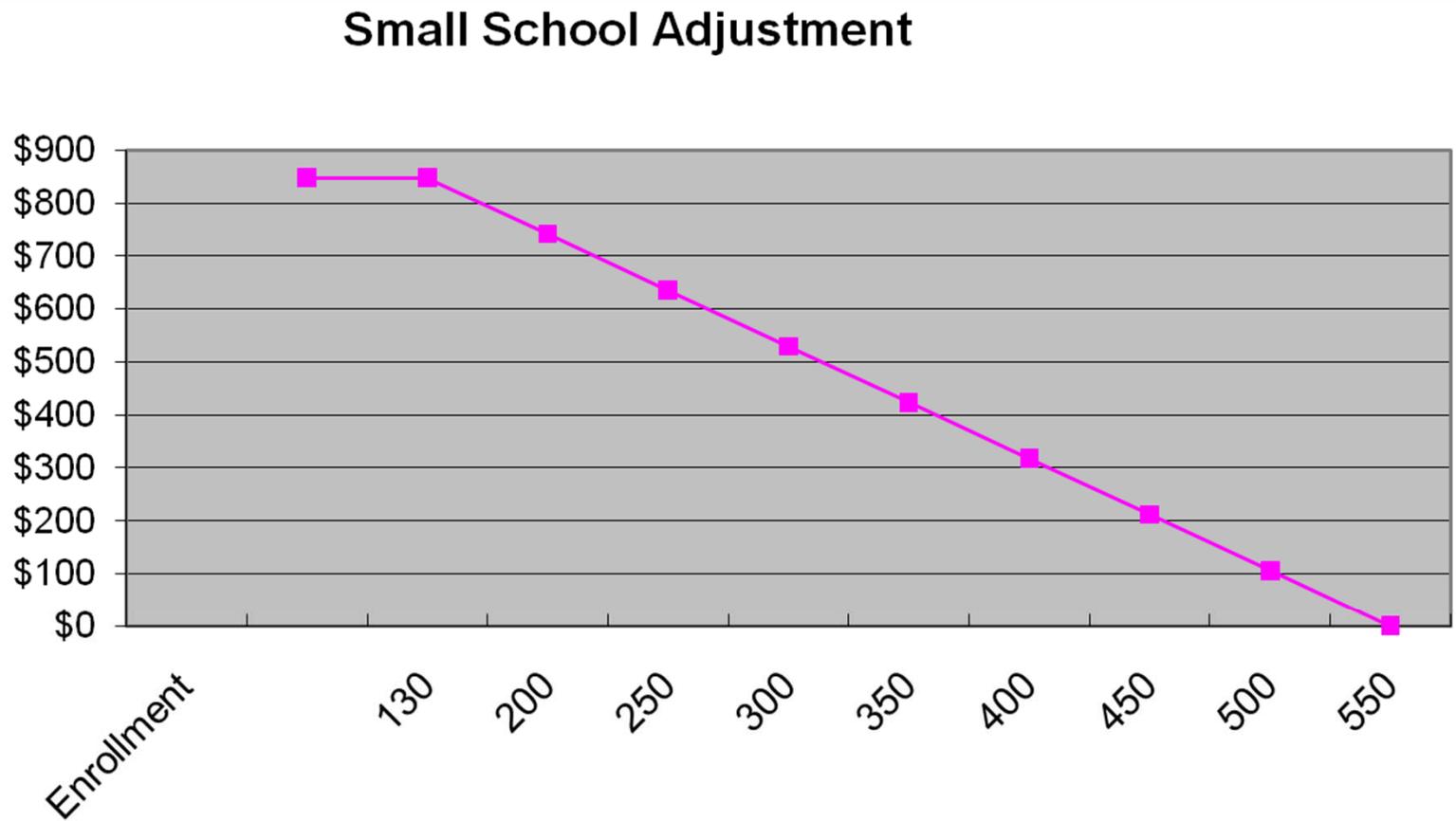
Small School Adjustment

- 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 (cont.)

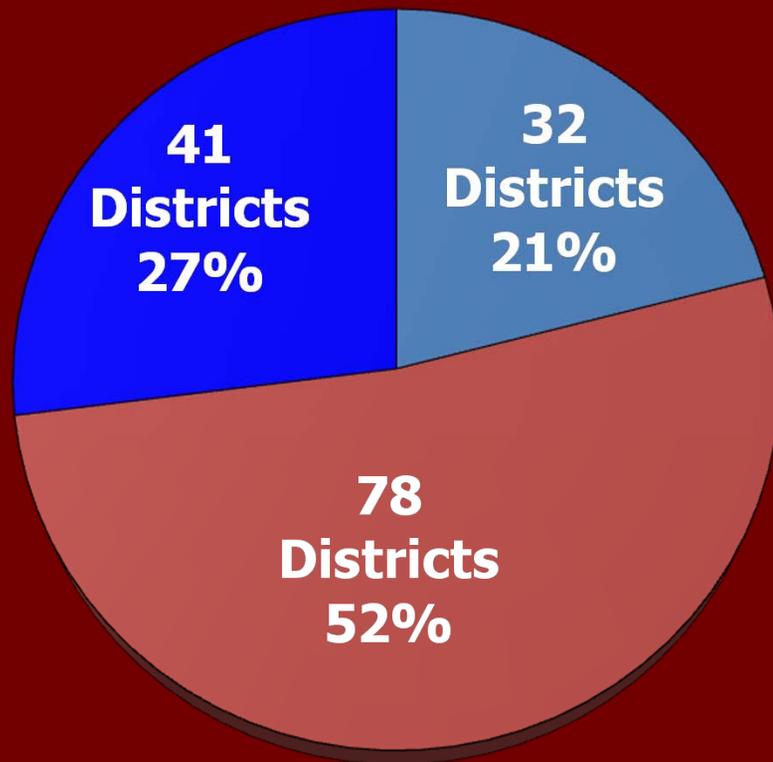
- 0 to 200 students: PSA + \$847.54 per student
- 201 to 600 students: PSA + \$0 to \$847.54 per student
- 600+ students: PSA only

Small School Adjustment (cont.)



Small School Adjustment

2012-13 School Year



- 110 districts received a small school adjustment
- 32 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
 - For the 2012-13 school year, 72 districts are eligible to use the 2 year averaging count
 - Equivalent to 908.62 additional students paid for through the formula

3 Steps to Funding Formula

- 1) Determine Local Need
 - PSA x State Aid Fall Enrollment
 - + SSA X State Aid Fall Enrollment

- 2) Determine Local Effort
 - Property valuations and levies

- 3) Determine State Share
 - Local Need less Local Effort

1) 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
- Add SSA if applicable
- Determine state aid fall enrollment
 - Number of students last Friday of September
 - Minus students for whom district receives tuition
 - Plus students for whom district pays tuition
 - Use the greater of the current year or average of 2 previous years

1) Determine Local Need (cont.)

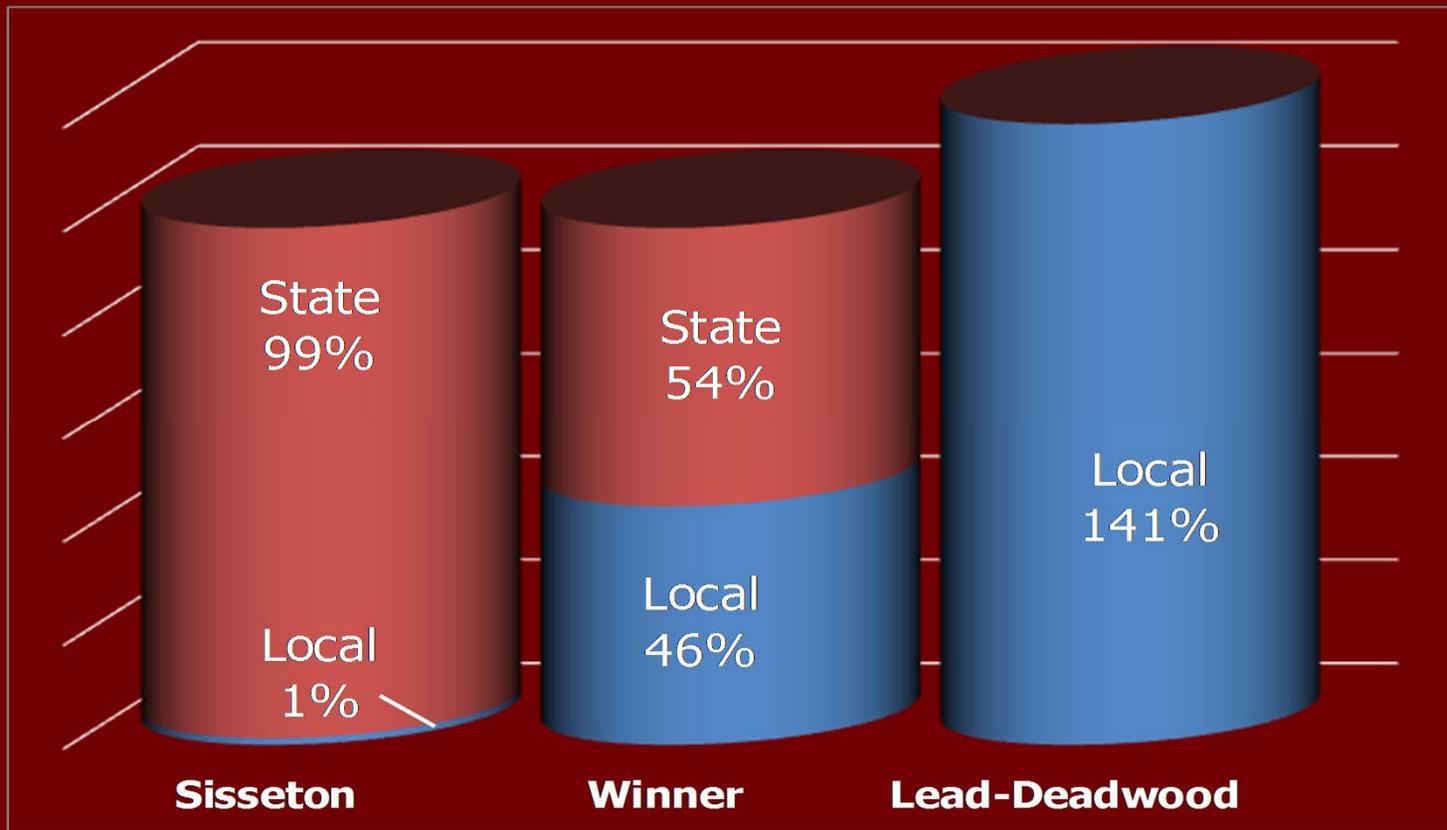
- $(\text{PSA} + \text{SSA}) \times \text{state aid fall enrollment} = \text{Local Need}$
 - Large district example (over 600):
 $\$4,490.92 \text{ (PSA)} \times 600 \text{ students} = \$2,694,552$
 - Mid-size district example (between 200 and 400)
 - $\$4,490.92 \text{ (PSA)} + \$423.77 \text{ (SSA)} \times 400 = \$1,965,876$
 - Small district example (200 or less):
 - $\$4,490.92 \text{ (PSA)} + \$847.54 \text{ (SSA)} \times 200 = \$1,067,692$

2) Determine 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 Varies

Some districts are better able to raise local effort



Goal is State Share 53.8%, Local Share 46.2%

3) Determine State Share

- State Share = Local Need – Local Effort

Example:

\$2,694,552	Local Need
-\$1,449,669	Local Effort
<hr/>	
= \$1,244,883	State Share

Cutler-Gabriel

- Seeks to ensure that proportion of local effort and state aid remains constant
- Goal for state aid is approximately 53.8%
- 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 \$110,000 per district
- 28 districts will receive sparsity dollars in 2012-13 school year

State Aid for Special Education

- Similar in concept to general education formula:
 - Start with a level of funding per student
 - Increases each year by index factor
 - Multiply by number of students
 - Determine local effort

State Aid for Special Education

- Differences:
 - Instead of one PSA, there are 6 different levels
 - Funding per disability level is rebased after every 3 years
 - 2 levies – one for the formula local effort and a maximum levy for districts that have higher cost programs
 - Levy is the same across all property classes
 - Extraordinary cost fund

Disability Levels

Funding is broken out into 6 levels of disability:

13-37-35.1. Definition of terms. Terms used in chapter 13-37 mean:

- (1) "Level one disability," a mild disability;
- (2) "Level two disability," cognitive disability or emotional disorder;
- (3) "Level three disability," hearing impairment, deafness, visual impairment, deaf-blindness, orthopedic impairment, or traumatic brain injury;
- (4) "Level four disability," autism;
- (5) "Level five disability," multiple disabilities;
- (5A) "Level six disability," prolonged assistance;

Funding per Disability Level (FY14 Governor Recommended)

- Level 1 = \$4,660.75
- Level 2 = \$11,457.72
- Level 3 = \$15,231.64
- Level 4 = \$13,600.12
- Level 5 = \$20,592.79
- Level 6 = \$7,421.15

Extraordinary Cost Fund

- Districts must apply for funds
 - 2 times/year – January and May
- May not include requests for funding for capital acquisitions
- Must levy at the maximum levy for special education
- Requests reviewed by the Extraordinary Cost Oversight Board
 - Makes recommendations to Secretary

SB 15 Proposed Changes

- Changes to the eligibility criteria for districts to apply for funding from the Extraordinary Cost Fund (ECF). The changes seek to maintain the integrity of this being a fund for extraordinary costs instead of becoming an excess cost fund.
- This bill also seeks to clarify the process for the setting of levies and the maintenance of the state and local share of funding for the formula and sets a new maximum levy and local effort levy for special education funding
- In addition, this bill provides some clean up that is needed in SDCL 13-37

ECF Definition - Current

ARSD 24:05:33:01:05 - Extraordinary costs include the cost of providing a free appropriate public education to students with disabilities that is not covered by a district's revenues from the maximum tax levy as defined in SDCL 13-37-16

- This is more of an "excess" cost fund

ECF Definition – Draft Revised

A district serving a high cost extraordinary student is eligible for this additional funding when the cost of serving the student with disabilities is at least double the allocation per the disability as defined in SDCL 13-37-35.1 (9 through 12A).

A district with a high cost extraordinary program may be eligible for this additional funding when the cost represents a significant cost to the district and could not have been anticipated or budgeted by the district based on available means of finance.

SB15 and Levies

- Proposing to increase the local effort levy for formula funding from \$1.20 to \$1.333
 - Would increase the maximum levy from \$1.40 to \$1.533
- Goal is to maintain the state share at the level it was in FY08 (39.32%)
 - Under this proposal, state share would be 39.30% in FY15

History of Levies

Local Tax Effort Special Education Aid:

Taxes Payable in 1999 = \$1.40	Taxes Payable in 2005 = \$1.25	Taxes Payable in 2011 = \$1.20
Taxes Payable in 2000 = \$1.35	Taxes Payable in 2006 = \$1.20	Taxes Payable in 2012 = \$1.20
Taxes Payable in 2001 = \$1.30	Taxes Payable in 2007 = \$1.20	Taxes Payable in 2013 = \$1.20
Taxes Payable in 2002 = \$1.30	Taxes Payable in 2008 = \$1.20	
Taxes Payable in 2003 = \$1.30	Taxes Payable in 2009 = \$1.20	
Taxes Payable in 2004 = \$1.30	Taxes Payable in 2010 = \$1.20	

History of State/Local Effort

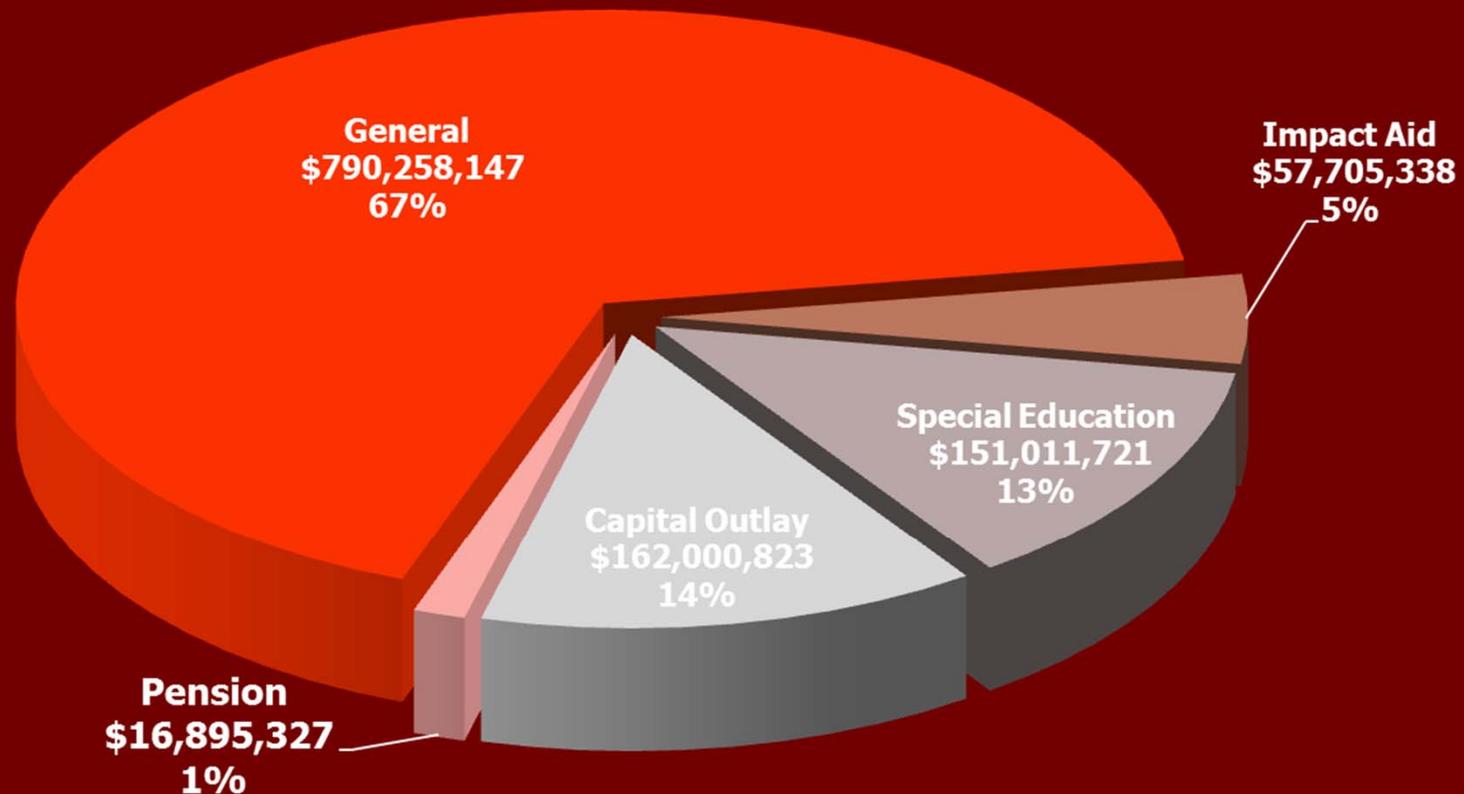
	Total Need	State Formula Share	ECF (Statutory)	State/ Total	State+ECF/ Total+ECF	Levy
FY08	\$ 94,270,060	\$ 37,063,370	\$ 2,478,645	39.32%	40.87%	1.200
FY09	\$ 103,152,181	\$ 42,284,261	\$ 2,594,824	40.99%	42.44%	1.200
FY10	\$ 104,328,003	\$ 40,560,513	\$ 2,690,744	38.88%	40.41%	1.200
FY11	\$ 106,269,264	\$ 42,012,593	\$ 2,457,101	39.53%	40.90%	1.200
FY12	\$ 107,612,259	\$ 40,374,918	\$ 2,622,759	37.52%	39.01%	1.200
FY13*	\$ 118,394,168	\$ 48,706,223	\$ 2,622,759	41.14%	42.41%	1.200
FY14*	\$ 121,945,993	\$ 47,904,640	\$ 4,000,000	39.28%	41.21%	1.333
FY15*	\$ 125,604,329	\$ 46,940,000	\$ 4,000,000	37.37%	39.30%	

School District Funds

- General Fund
- Special Education
- Capital Outlay
 - Districts can levy up to \$3.00/thousand
 - Allowable uses
 - Temporary uses (SB 91 2009 Session)
 - July 1, 2009 – June 30, 2012
 - Extended to June 2014 during 2011 session (SB111)
- Pension
 - Districts can levy up to \$0.30/thousand
- Bond Redemption and Capital Projects

School District Revenues

2011-12 Revenues*



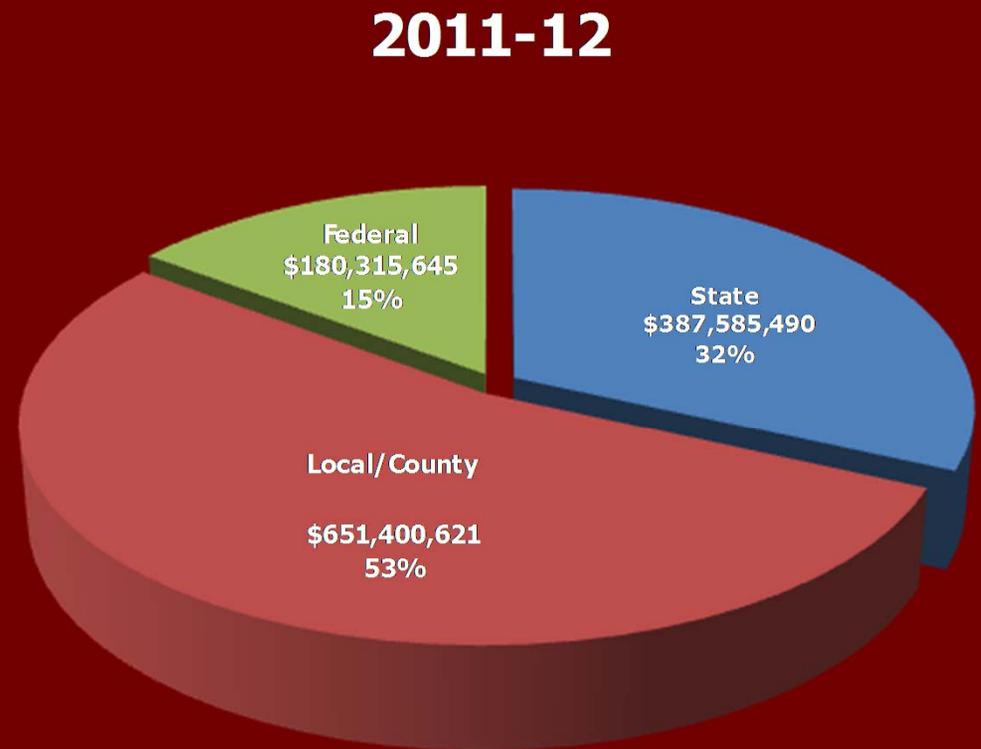
*Does not include Bond Redemption and Capital Projects

Funding Sources

- 3 sources of funding* :

- State
- Local and county
- Federal

- Restricted uses
- Also includes State Fiscal Stabilization Funds

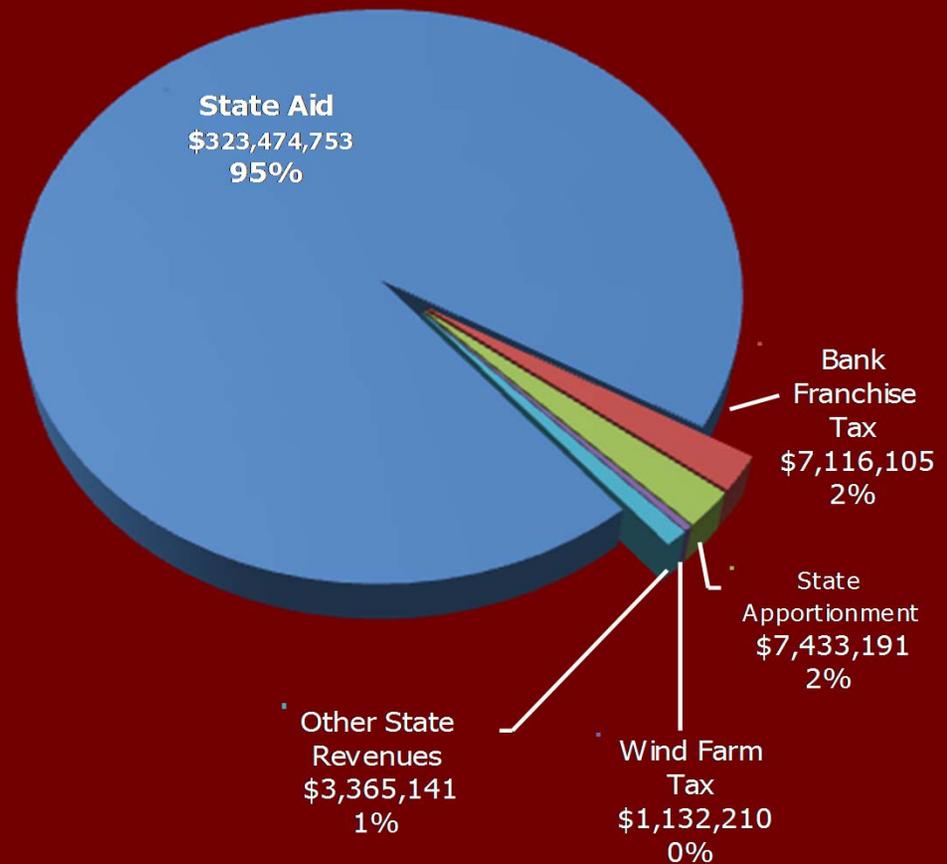


*General fund only

State Sources

- State Aid
- Bank Franchise Tax
- State Apportionment
- Wind Farm Tax
- Other State Revenue

2011-12



Other Revenue

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

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