

Are you meeting your Accountabilities?

South Dakota Association of Business Officials
April 2019

Agenda

1. Average Teacher Compensation Accountability
2. Excess General Fund Cash Balance
3. FY2020 School Budget webpage overview

Blue Ribbon Task Force

- On March 11, 2016, Governor Dugaard signed into law HB 1182, SB 131, and SB 133. Those three bills made up the package that raised taxes to fund teacher salary increases, reformed the school funding formula, and created programs to help schools operate more efficiently.
- **HB 1182**
The education funding package hinged on HB 1182, a bill that increases the state sales tax by one-half cent. That increase is expected to raise \$67 million for K-12 education, \$36 million for property tax relief, and \$3 million for improving instructor salaries at the four technical institutes.
First state sales tax increase since 1969
- **SB 131**
This bill contains the mechanics of the new funding formula.
- **SB 133**
This bill focuses on voluntary shared services among school districts, classroom innovation grants, an expansion of course offerings through Northern State University's E-Learning Center, and a mentoring program for first- and second-year teachers



Update Ribbon Task Force

SB 131 contains a requirement that 85 percent of the incremental funding go directly towards incremental teacher salaries. How will this work?

Within Section 10 of SB 131, there are two accountability measures that districts must be moving from FY 2016 to FY 2017. First, a district must spend 85 percent of its total new money on instructional salaries and benefits. Second, a district's instructional salary and benefits must also go up by 85 percent of the percentage increase in total money. Districts must meet both of these measures in order to avoid a penalty of \$18.

Calculating Accountability #1: Determine the amount of new money (see B-1) and 85 percent. This is the MINIMUM amount that teacher salaries and benefits must increase by.

Calculating Accountability #2: Divide the amount of new money (see B-1) by the amount of total need generated under the funding formula in place for FY 2016. Multiply the result by 85 percent to arrive at the MINIMUM amount that teacher salaries and benefits must increase by.

These accountability measures are no longer applicable!!!

What Accountabilities are applicable?

[13-13-73.6](#). Increases in teacher compensation. The Department of Education shall calculate the following for each school district:

- (1) The average teacher salary, based on data collected pursuant to §§ 13-8-47 and 13-3-51;
- (2) The increase in local need pursuant to § 13-13-10.1, excluding any effect due to change in the school district's fall enrollment and less the amount of revenue generated in school fiscal year 2016 pursuant to § 13-10-6 as a percentage increase, from fiscal year 2016 to fiscal year 2017; and
- (3) The increase in average teacher compensation as a percentage increase, as defined in § 13-8-47, from fiscal year 2016 to fiscal year 2017.

For each school district, the district's increase in average teacher compensation from fiscal year 2016 to 2017 shall be equal to at least eighty-five percent of the district's increase in local need, as defined in subdivision (2), from fiscal year 2016 to fiscal year 2017 and, notwithstanding any negotiated agreement, at least eighty-five percent of the increase in state aid to general education funding the school district receives for fiscal year 2017 less the amount of revenue generated in fiscal year 2016 pursuant to § 13-10-6 shall be used to increase instructional salaries and benefits for certified instructional staff.

If a district fails to comply with the requirements of this section, state aid to general education funding to the district in fiscal year 2018 shall be decreased by an amount equal to fifty percent of the amount calculated in subdivision (2). For fiscal years 2019, 2020, and 2021, if a district's average teacher compensation is less than the district's average teacher compensation in fiscal year 2017, state aid to general education funding to the district in the following fiscal year shall be reduced by an amount equal to five hundred dollars for each teacher employed in the school district.

A school district may request a waiver from any penalty imposed under this section from the School Finance Accountability Board.

24:44:01:01. **Definitions.** Terms used in this article mean:

(1) "Benefits," expenditures paid by the school district which are not included in an instructional salary and are not paid directly to an employee, but are calculated into the cost to the school district for compensation, including group health or life insurance, employee retirement contributions, social security, workers compensation, and payments for sabbatical leave;

(2) "Board," the School Finance Accountability Board;

(3) "Department," the South Dakota Department of Education;

(4) "Instructional salary," the annual contracted salary representative of a fiscal year of teaching, exclusive of hiring bonuses, extra duty pay, extended contract pay, or any other bonuses;

(5) "Teacher compensation," the instructional salary and benefits paid to a teacher compensation staff member in a single fiscal year;

(6) "Teacher compensation staff member," a certified teacher assigned to a grade K-12 self-contained class, course, or classroom situation. This term does not include any instructional aide, administrative staff, long term substitute, counselor, librarian, speech therapist, technology coordinator, director, professional development center teacher, or any non-certified teacher;

(7) "Total teacher compensation," the total amount spent by a school district on instructional salaries and benefits for all teacher compensation staff in a single fiscal year.

- Average Teacher Compensation (TC)
 - Compare reported TC average from FY2017 to FY2019
 - The district's FY2019 average **MUST BE equal to or greater than** the reported average from FY2017.
 - Penalty for non-compliance - \$500 per total FTE reported for TC
 - See Teacher Compensation Calculator - <https://doe.sd.gov/ofm/schoolbudget.aspx>

Penalty for Teacher Compensation (TC) Non-Compliance

- My district's 2019 average TC is not equal or greater than the TC average reported for 2017 – what happens next?
 - District may complete a waiver form and submit before first Friday in November (October 31st).
 - Present waiver to School Finance & Accountability Board
 - [SDCL 1-45-38](#)
 - If approved the waiver must then be also approved by Joint Committee on Appropriations (JCA)
 - If approved by JCA, no penalty.
 - If not approved by either SFAB or JCA, penalty is \$500 x total FTE of teachers reported for TC. Penalty is a reduction of general state aid in FY2020.

Timeline for Teacher Compensation

- **Currently available**, Teacher Compensation calculator available to all school district administrators to determine if meeting the accountability regarding average TC.
- **July 1, 2019**, school districts may start to enter TC data (Annual Financial Report)
- **August 1, 2019**, TC data is due. (SDCL 13-8-47)
- **August 30, 2019**, TC data is considered late and subject to penalties (SDCL 13-8-47 & 13-13-38)
- **September 25, 2019**, SASF staff complete their review and notify school district administrators to finalize their submission by signing final certification.
- **October 4, 2019**, all districts will be notified by email of their TC accountability status based on submitted data and penalties pursuant to SDCL 13-13-73.6. (ARSD 24:44:01:04)
- **October 9, 2019**, TC waiver form will be posted and accessible for districts to use.
- **October 31, 2019**, waiver form and all supporting documentation for TC must be submitted to DOE (ARSD 24:44:01:08).
- **November 13, 2019**, SFAB board will meet to review submitted waivers. All districts submitting a waiver must be in attendance.
- **November 20, 2019**, SFAB will meet to approve a written report of their determinations, this report must be submitted within 5 business days to the Joint Committee on Appropriations for approval. (ARSD 24:44:01:08)

General Fund Excess Cash Balance Accountability

General Fund Excess Cash Balance

[13-13-10.1](#)

....."Monthly cash balance," the total amount of money for each month in the school district's general fund, calculated by adding all deposits made during the month to the beginning cash balance and deducting all disbursements or payments made during the month;

(9) "General fund base percentage," is determined as follows:

(a) Forty percent for a school district with a fall enrollment as defined in subdivision (2A) of two hundred or less;

(b) Thirty percent for a school district with fall enrollment as defined in subdivision (2A) of more than two hundred but less than six hundred; and

(c) Twenty-five percent for a school district with fall enrollment as defined in subdivision (2A) greater than or equal to six hundred.

When determining the general fund base percentage, the secretary of the Department of Education shall use the lesser of the school district's fall enrollment as defined in subdivision (2A) for the current school year or the school district's fall enrollment from the previous two years;

(10) "Allowable general fund cash balance," the general fund base percentage multiplied by the district's general fund expenditures in the previous school year.

General Fund Excess Cash Balance

[13-13-73.5](#). Reduction of state aid by subtracting allowable general fund cash balance from lowest general fund monthly cash balance. Beginning on July 1, 2018, a school district's state aid for general education as calculated pursuant to § 13-13-73 shall be reduced by subtracting the allowable general fund cash balance from the lowest general fund monthly cash balance. If the result is less than zero, the reduction equals zero.

A school district created or reorganized after July 1, 2016, is exempt from the reduction provided by this section for a period of three years immediately following its creation.

General Fund Excess Cash Balance

- % of cash balance = lowest monthly amount divided by the TOTAL general fund expenditures for FY2019 (may not include any “other financing uses”)
- Allowable percentages: (student count is the lesser of the 2 previous years or the current year)
 - Student count less than 201 40%
 - Student count 201 to 599 30%
 - Student count greater than 599 25%
- See Excess Cash Balance Calculator
 - <https://doe.sd.gov/ofm/documents/GF-Cash-Bal-Calc.xlsx>

Timeline for Excess Cash

- **July 1, 2019**, AFR program open and data files, teacher compensation, monthly cash balance data may be submitted.
- **August 1, 2019**, Annual report data DUE (SDCL 13-8-47)
- **August 30, 2019**, Annual report past due and subject to penalties (SDCL 13-8-47 & 13-13-38)
- **September 25, 2019**, SASF staff complete their review and notify school district administrators to finalize their submission by signing final certification.
- **October 4, 2019**, all districts will be notified by email of their excess monthly cash status based on submitted data and penalty.
- **October 9, 2019**, Excess cash balance waiver form will be posted and accessible for districts to use.
- **October 31, 2019**, waiver form and all supporting documentation for TC must be submitted to DOE.
- **November 13, 2019**, SFAB board will meet to review submitted waivers. All districts submitting a waiver must be in attendance.
- **November 20, 2019**, SFAB will meet to approve a written report of their determinations, this report must be submitted within 5 business days to the Joint Committee on Appropriations for approval. (ARSD 24:44:01:08)

Not to be confused with Special Education State Formula excess fund balance

[13-37-44](#). Reduction of district's aid for special education for excess balance in fund. A school district's state aid for special education as calculated pursuant to § 13-37-36.1 shall be reduced by the amount which its ending special education fund balance exceeds twenty-five percent of its special education expenditures for the prior fiscal year or one hundred thousand dollars, whichever is greater, if the school district did not receive money set aside in § 13-37-40 during the prior fiscal year; or the amount which its ending special education fund balance exceeds ten percent of its special education expenditures for the prior fiscal year if the school district received money set aside in §§ 13-37-38 to 13-37-40, inclusive, during the prior fiscal year.

General State Aid Formula Overview

State Aid to General Education Formula Worksheet

District with greater than 200 students and less than 600 students

Example

	District Size	Teacher Ratio Range
Target Student to Teacher Ratio		
Minimum Student Teacher Ratio	200	12
Maximum Student Teacher Ratio	600	15

<i>Target Number of Teachers:</i>	
State Aid Fall Enrollment Count	400
/ Target Teacher Ratio	14.25
Base Target Number of Teachers	28.07

<i>LEP Adjustment</i>	
Number of Eligible LEP Students	5
X LEP Weight	25%
Weighted LEP Student Count	1.25
LEP Target Number of Teachers	0.09
Target Number of Teachers	28.16

<i>Teacher Compensation</i>	
Target Teacher Salary	\$ 50,360.26
X Target Teacher Benefits %	29%
Target Teacher Compensation	\$ 64,965
Need based on Target Teacher Compensation	\$ 1,829,278

<i>Overhead Costs</i>	
X % of Overhead Costs	33.06%
State Aid Share Overhead Costs	\$ 604,759

GENERAL STATE AID LOCAL NEED	\$ 2,434,037
-------------------------------------	---------------------

[FY 2020 General State Aid Calculator on DOE website](#)

Local Property Tax Effort

- Property taxes are based on a calendar year (January 1-December 31) while state and school budgets are based on fiscal year (July 1-June 30)
- For Fiscal Year 2019, the 2nd half of Calendar Year 2018 property tax effort and the first half of Calendar Year 2019 property tax effort equal the total local property tax effort for the purposes of general state aid.

Property Tax Local Effort

General State Aid

Example District of greater than 200 and less than 600 students

	Pay 2019	AG	OO	Utility/Other	Calculation
A	Valuation	\$474,930,631	\$95,020,336	\$90,444,521	
B	Levy	\$1.512	\$3.383	\$7.001	
C	Total Local Effort	\$718,095	\$321,454	\$633,202	(A / \$1000) * B
D	Total FY2020 Local Effort	\$359,048	\$160,727	\$316,601	C / 2

	Pay 2020	AG	OO	Utility/Other	Calculation
A	Valuation	\$532,603,256	\$99,789,081	\$104,528,423	
B	Levy	\$1.473	\$3.296	\$6.821	
C	Total Local Effort	\$784,525	\$328,905	\$712,988	(A / \$1000) * B
D	Total FY2020 Local Effort	\$392,263	\$164,453	\$356,494	C / 2

1/2 Pay 2019 Property Tax Local Effort	\$836,376
1/2 Pay 2020 Property Tax Local Effort	\$913,210
Grand Total Fiscal Year 2020 Local Effort	\$1,749,586

Other Revenue Equalization

The following six revenues are set to be equalized under the current formula and will be counted as local effort upon equalization:

1. Gross Receipts Tax on Utilities
2. Local Revenue In Lieu of Taxes
3. County Apportionment of Revenue From Traffic Fines
4. County Revenue in Lieu of Taxes
5. Wind Farm Tax
6. Bank Franchise Tax

Other Revenue Equalization Example: District Level

Note: Cells shaded the same color are relative.

		Other Revenue Base Amount	Actual Other Revenue Collections	Total Local Effort from Other Revenue Equalization	
FY2018	100%	\$747,117	\$485,506	\$0	<i>Actual Equalized Other Revenue</i>
FY2019	80%	\$597,694	\$485,506	\$0	<i>Actual Equalized Other Revenue</i>
FY2020	60%	\$448,270	\$485,506	\$37,236	<i>Actual Equalized Other Revenue</i>
FY2021	40%	\$298,847	\$485,506	\$186,660	<i>Estimated</i>
FY2022	20%	\$149,423	\$485,506	\$336,083	<i>Estimated</i>
FY2023	0%	\$0	\$485,506	\$485,506	<i>Estimated</i>

Property Tax, Other Revenue & State Aid

Total State Aid Need – Property Tax Local Effort – Other Revenue Equalization = State Aid

District with greater than 200 students and less than 600 students

Total General State Aid Need	\$2,434,037
(-) Less Property Tax Local Effort	\$1,749,586
(-) Less Other Revenue Local Effort	\$37,236
<u>Total General State Aid</u>	<u>\$647,215</u>

Property Tax Local Effort (2nd Half Pay 2019)	\$836,376
Property Tax Local Effort (1st Half Pay 2020)	\$913,210
	<u>\$1,749,586</u>

5 Year History of Other Revenues Received by the District

Any district may review the revenue amounts reported for all 6 other revenues from a report available in Annual Report program.

- Click on **Reports**
- Select Report Group **District**
- Select – **DVR – All Reports**
- Look for **Report: Other Revenue Summary Report**

Revenue Account:	<u>1140</u>	<u>1210</u>	<u>2110</u>	<u>2200</u>	<u>3113</u>	<u>3114</u>
FY2014	\$89,250.63	\$0.00	\$9,023.51	\$1,627.41	\$0.00	\$5,726.80
FY2015	\$64,836.98	\$0.00	\$7,325.44	\$1,214.08	\$0.00	\$7,363.28
FY2016	\$45,135.81	\$0.00	\$7,485.11	\$1,327.78	\$0.00	\$10,497.20
FY2017	\$51,496.35	\$0.00	\$7,164.04	\$2,637.21	\$0.00	\$10,434.22
FY2018	\$50,612.97	\$517.51	\$7,144.79	\$2,450.56	\$0.00	\$10,136.39

4/3/2019

SD DOE Important Links

- 2020 School Budget webpage:
<https://doe.sd.gov/ofm/schoolbudget.aspx>
- Legislature 2019 webpage:
<https://doe.sd.gov/legislature/2019.aspx>
- State Aid webpage:
<https://doe.sd.gov/ofm/statefunding.aspx>
- Grant Allocations webpage:
<https://doe.sd.gov/ofm/grantallocations.aspx>
- Grants Management System:
<https://sddoe.mtwgms.org/SDDOEGMSWeb/logon.aspx>
- Extraordinary Cost Fund webpage:
<https://doe.sd.gov/ofm/exordincost.aspx>
- Personnel Record Form webpage:
<https://doe.sd.gov/prf/>

Other Important Links

- SD Legislative Research Council
 - <http://sdlegislature.gov/>
- SD Department of Legislative Audit
 - <https://legislativeaudit.sd.gov/>
- SD Department of Revenue
 - <https://dor.sd.gov/>

Contact Information

Matt Flett
Director of Finance & Management
Matt.Flett@state.sd.us
605-773-6231