Budget 101

South Dakota Association of School Business Officials
Wednesday, September 25, 2019
Disclaimer:
The presentation will only address the Governmental Funds on a high level. The presentation is designed to give a high level overview of timelines and revenue & expenditures. Much more detail into the budget process at your local district.
What is a budget?

- The budget is a comprehensive plan which sets forth the anticipated expenditures for the operation of a school district fund for a given fiscal year, and the means of financing them. An appropriation gives the school board the authority to expend the financial resources made available to the school district.
Q.) Why do school boards need to create an annual budget?

A.) It is the law.......and it is a really good idea

**13-11-2.** Adoption of annual school budget--Publication--Cash flow--Levy--Changes in budget. The school board shall prepare a proposed budget for the next fiscal year according to the budgeting standards prescribed by the auditor general for consideration not later than the regular meeting in the month of May. The proposed budget shall be published in the designated official newspaper not later than July fifteenth together with a notice of hearing on the budget. The budget hearing shall be held before August first. Before October first every school board shall approve a budget for the anticipated obligations of each fund, except trust and agency funds, for the school fiscal year. The budget may include an amount to provide cash flow funding according to guidelines prescribed by the auditor general. By resolution the school board shall adopt a levy in dollars sufficient to meet the school budget. Any changes in the proposed budget incorporated into the final budget shall be published in the minutes within thirty days after the final adoption of the budget.
Let’s go a little farther...

- Sorry business managers, the budget process doesn’t start with dollars and cents.

- Has your district developed and maintains a Strategic Plan?

- A well developed Strategic Plan will provide direction where financial resources of the district need to be allocated. Financial resources should not dictate the goals and objectives of the district. Goals and objectives of the district should dictate where financial resources are allocated.
Let’s go a little farther...

• What is your Mission Statement?
  Example:
  – Enhancing learning through leadership and service

• Does your budget outline the district’s goals and outcomes?
  Example:
  – Student Outcome #1: All students enter 4\textsuperscript{th} grade proficient in reading.
  – Student Outcome #2: All students enter 9\textsuperscript{th} grade proficient in math.
  – Student Outcome #3: Native American students will have increased academic success
  – Student Outcome #4: Students graduate high school ready for postsecondary or the workforce

Let’s continue go a little farther...

• Does your budget outline the district’s goals and outcomes?

Example:

– Foundational Support #1: Students have access to high quality standards and instruction.
– Foundational Support #2: Students are supported by effective teachers and leaders.
– Foundational Support #3: Students enter schools that provide an environment conducive to learning.
– Foundational Support #4: Students are supported by families that are engaged in their child’s education.

Source: [DOE Budget Book FY2020](http://www.doe.sd.gov)
Let’s continue go a little farther...

- A budget shouldn’t only be revenues & expenditures. A budget is a spending roadmap to drive a school district to its mission, goals, outcomes and objectives.

- The main purpose of a school district budget is to provide education to K-12 students. The budget is the driving force behind delivering a high quality education in South Dakota.

- A budget should be created with STUDENT ACHIEVEMENT being the first and foremost budgetary objective.
Sounds confusing!
Strategic Plan aside...
But really, show me the money

- Each school district will have its own internal budget development timeline.
- The Legislative Session typically wraps up in mid-March each year.
  - Senate Bill 179 (Legislative Session 2019)
    - Revise the property tax levies for the general fund of school districts and to revise the state aid to education formula
    - This bill set the FY2020 Target Teacher Salary, Overhead Rate and General Fund property tax levies for Pay 2020 for State Aid to General Education formula
  - Senate Bill 182 (Legislative Session 2019)
    - Revise the special education property tax levy for school districts and to revise the state aid to special education formula
    - This bill set the funding level per disability category and maximum property tax levies for Pay 2020 for the State Aid to Special Education formula
- These two bills will be the largest piece of funding in a school district’s General & Special Education Funds.
  - Yes, even those districts that do not receive state aid
  - 5 Year History of General Fund Levies & Allocations
But before we get into state aid....

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>AG</td>
<td>$108,585,329</td>
<td>$119,468,542</td>
<td>$130,390,557</td>
<td>$125,055,822</td>
</tr>
<tr>
<td>Owner-Occupied</td>
<td>$447,752,861</td>
<td>$467,990,196</td>
<td>$503,638,592</td>
<td>$531,498,405</td>
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<tr>
<td>Utility/Commercial</td>
<td>$304,394,808</td>
<td>$312,702,593</td>
<td>$327,674,147</td>
<td>$346,429,809</td>
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<tr>
<td>Total Taxable Valuation</td>
<td>$860,732,998</td>
<td>$900,161,331</td>
<td>$961,703,296</td>
<td>$1,002,984,036</td>
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<tr>
<td>Annual % Increase</td>
<td>4.58%</td>
<td>6.84%</td>
<td>4.29%</td>
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</tr>
</tbody>
</table>

Taxable Valuation History

- Taxable Valuation
- $-
But before we get into state aid...

![General Fund Levy History](image)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>AG</td>
<td>$1.568</td>
<td>$1.568</td>
<td>$1.507</td>
<td>$1.512</td>
<td>$1.473</td>
</tr>
<tr>
<td>Owner-Occupied</td>
<td>$4.075</td>
<td>$3.687</td>
<td>$3.372</td>
<td>$3.383</td>
<td>$3.296</td>
</tr>
<tr>
<td>Utility/Commercial</td>
<td>$8.727</td>
<td>$7.630</td>
<td>$6.978</td>
<td>$7.001</td>
<td>$6.821</td>
</tr>
</tbody>
</table>
But before we get into state aid...

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>AG</strong></td>
<td>$6.277</td>
<td>$6.073</td>
<td>$5.861</td>
<td>$6.001</td>
<td>$6.011</td>
</tr>
<tr>
<td><strong>Owner-Occupied</strong></td>
<td>$8.784</td>
<td>$8.192</td>
<td>$7.726</td>
<td>$7.872</td>
<td>$7.834</td>
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</tbody>
</table>

Overall tax burden depicts the sum of all fund levies: General, Special Education, Capital Outlay, Pension (if applicable) and General Obligation Bonds (if applicable).
But before we get into state aid....

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>JOHN DOE District</td>
<td>864</td>
<td>873</td>
<td>881</td>
<td>897</td>
<td>959</td>
<td>985</td>
<td>994</td>
<td>1,004</td>
</tr>
</tbody>
</table>

JOHN DOE School District

State Aid Fall Enrollment
General Fund Revenue Sources

What are some examples of General Fund Revenue sources:

- Ad Valorem Taxes (Property Taxes)
- General State Aid to Education
- Utility Tax Revenue
- Earnings on Investments
- Co-Curricular Receipts
- State Apportionment Revenue
- Wind Farm Tax Revenue
- Bank Franchise Tax Revenue
- Title I Part A Federal Grant
- Title II Part A Federal Grant
- Title IV Part A Federal Grant
- Carl D. Perkins Federal Grant

*Not an all-inclusive list of General Fund Revenue Sources*
## State Aid to General Education Formula Worksheet

**District with greater than 200 students and less than 600 students**

<table>
<thead>
<tr>
<th>Target Student to Teacher Ratio</th>
<th>District Size</th>
<th>Teacher Ratio Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Student Teacher Ratio</td>
<td>200</td>
<td>12</td>
</tr>
<tr>
<td>Maximum Student Teacher Ratio</td>
<td>600</td>
<td>15</td>
</tr>
</tbody>
</table>

### Target Number of Teachers:

- **State Aid Fall Enrollment Count**: 400
- **/ Target Teacher Ratio**: 13.50
- **Base Target Number of Teachers**: 29.63

### Target Teacher Compensation:

- **Target Teacher Salary**: $50,360.26
- **X Target Teacher Benefits %**: 29%
- **Target Teacher Compensation**: $64,965
- **Need based on Target Teacher Compensation**: $1,930,904

### LEP Adjustment:

- **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**: 29.72

### Overhead Costs:

- **X % of Overhead Costs**: 33.06%
- **State Aid Share Overhead Costs**: $638,357

### GENERAL STATE AID LOCAL NEED:

- **GENERAL STATE AID LOCAL NEED**: $2,569,261

[FY 2020 General State Aid Calculator on DOE website](https://www.doe.sd.gov)
## Property Tax Local Effort

### Example District of greater than 200 and less than 600 students

<table>
<thead>
<tr>
<th></th>
<th>Pay 2019</th>
<th>AG</th>
<th>OO</th>
<th>Utility/Other</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Valuation</td>
<td>$474,930,631</td>
<td>$95,020,336</td>
<td>$90,444,521</td>
<td>$660,395,488</td>
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</tr>
<tr>
<td>B Levy</td>
<td>$1.512</td>
<td>$3.383</td>
<td>$7.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C Total Pay 2019 Local Effort</td>
<td>$718,095</td>
<td>$321,454</td>
<td>$633,202</td>
<td>$1,672,751</td>
<td></td>
</tr>
<tr>
<td>D Total FY2020 Local Effort</td>
<td>$359,048</td>
<td>$160,727</td>
<td>$316,601</td>
<td>$836,376</td>
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</tr>
</tbody>
</table>

(A / $1000)*B

<table>
<thead>
<tr>
<th></th>
<th>Pay 2020</th>
<th>AG</th>
<th>OO</th>
<th>Utility/Other</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Valuation*</td>
<td>$474,930,631</td>
<td>$99,771,353</td>
<td>$94,966,747</td>
<td>$669,668,731</td>
<td></td>
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<tr>
<td>B Levy</td>
<td>$1.473</td>
<td>$3.296</td>
<td>$6.821</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C Total Pay 2020 Local Effort*</td>
<td>$699,573</td>
<td>$328,846</td>
<td>$647,768</td>
<td>$1,676,187</td>
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<tr>
<td>D Total FY2020 Local Effort*</td>
<td>$349,787</td>
<td>$164,423</td>
<td>$323,884</td>
<td>$838,094</td>
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</table>

(A / $1000)*B

### Estimated

1/2 Pay 2019 Property Tax Local Effort | $836,376
1/2 Pay 2020 Property Tax Local Effort | $838,094
Grand Total Fiscal Year 2020 Local Effort | $1,674,470

### Pay 2019 % of Overall Valuation

<table>
<thead>
<tr>
<th></th>
<th>AG</th>
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<th>Utility/Other</th>
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<tr>
<td></td>
<td>72%</td>
<td>14%</td>
<td>14%</td>
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</table>

Estimated Pay 2020 Valuation Change

<table>
<thead>
<tr>
<th></th>
<th>AG</th>
<th>OO</th>
<th>Utility/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>
Other Revenue Local Effort

The following six revenues are equalized under the current formula and are 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
Calculation of Other Revenue Local Effort

<table>
<thead>
<tr>
<th></th>
<th>2013 Apportioned Funds</th>
<th>2014 Apportioned Funds</th>
<th>2015 Apportioned Funds</th>
<th>Greatest of 2013, 2014 or 2015</th>
<th>60% of Base Amount FY2020 State Aid</th>
<th>2018 Apportioned Funds</th>
<th>FY2020 Total Local Effort from Other Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$747,117</td>
<td>$447,374</td>
<td>$450,427</td>
<td>$747,117</td>
<td>$448,270</td>
<td>$485,506</td>
<td>$37,236</td>
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</tbody>
</table>

Total Local Effort from Other Revenue: $37,236
### Property Tax, Other Revenue & State Aid

**Example Only:**

District with greater than 200 students and less than 600 students

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total General State Aid Need</td>
<td>$2,569,261</td>
</tr>
<tr>
<td>(−) Less Property Tax Local Effort</td>
<td>$1,674,470</td>
</tr>
<tr>
<td>(−) Less Other Revenue Local Effort</td>
<td>$37,236</td>
</tr>
<tr>
<td><strong>Total General State Aid</strong></td>
<td><strong>$857,555</strong></td>
</tr>
</tbody>
</table>

Property Tax Local Effort (2nd Half Pay 2019) $836,376

Property Tax Local Effort (1st Half Pay 2020) $838,094

Total $1,674,470
Summary of General State Aid Formula & Other Revenue Sources Available for Use

Note: FY2017 was first year of new formula

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Aid Fall Enrollment</td>
<td>439</td>
<td>419</td>
<td>409</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
<td>402</td>
</tr>
<tr>
<td>LEP Adjustment</td>
<td>10</td>
<td>7</td>
<td>17</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Index Factor</td>
<td>2.1%</td>
<td>N/A</td>
<td>0.3%</td>
<td>1.0%</td>
<td>2.5%</td>
<td>2.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Overhead Rate (Estimated FY2021-FY2023)</td>
<td>N/A</td>
<td>31.00%</td>
<td>31.04%</td>
<td>31.67%</td>
<td>33.06%</td>
<td>34.81%</td>
<td>36.57%</td>
<td>38.30%</td>
</tr>
<tr>
<td>Total Formula Need</td>
<td>$2,216,247</td>
<td>$2,532,249</td>
<td>$2,489,511</td>
<td>$2,508,522</td>
<td>$2,591,983</td>
<td>$2,740,657</td>
<td>$2,767,508</td>
<td>$2,803,247</td>
</tr>
<tr>
<td>Total Property Tax Local Effort</td>
<td>$766,501</td>
<td>$853,393</td>
<td>$822,030</td>
<td>$821,340</td>
<td>$840,100</td>
<td>$848,501</td>
<td>$856,986</td>
<td>$865,555</td>
</tr>
<tr>
<td>Total Other Revenue Local Effort</td>
<td>$1,449,746</td>
<td>$1,678,856</td>
<td>$1,667,481</td>
<td>$1,654,722</td>
<td>$1,698,888</td>
<td>$1,751,450</td>
<td>$1,779,420</td>
<td>$1,807,793</td>
</tr>
<tr>
<td>Total State Aid</td>
<td>$2,216,247</td>
<td>$2,532,249</td>
<td>$2,489,511</td>
<td>$2,508,522</td>
<td>$2,591,983</td>
<td>$2,740,657</td>
<td>$2,767,508</td>
<td>$2,803,247</td>
</tr>
</tbody>
</table>

| Utilities                  | $44,355     | $89,158       | $90,064       | $90,965       | $91,874          | $92,793          | $93,721          | $94,658          |
| Revenue in Lieu of Taxes   | $-          | $-            | $-            | $-            | $-               | $-               | $-               | $-               |
| County Apportionment       | $31,871     | $27,523       | $25,429       | $25,683       | $25,940          | $26,199          | $26,461          | $26,726          |
| Revenue in Lieu of Taxes   | $-          | $2,268        | $2,638        | $2,665        | $2,691           | $2,718           | $2,745           | $2,773           |
| Wind Farm Energy Tax       | $-          | $-            | $-            | $-            | $-               | $-               | $-               | $-               |
| Bank Franchise Tax         | $11,128     | $10,956       | $7,948        | $8,027        | $8,107           | $8,188           | $8,270           | $8,353           |
| Total Other Revenues       | $87,353     | $129,904      | $126,078      | $127,339      | $128,613         | $129,899         | $131,198         | $132,510         |

Grand Total Revenue Sources Available to Finance General Fund

| Budget related to the formula | $2,303,600 | $2,662,153 | $2,615,589 | $2,603,401 | $2,667,600 | $2,729,849 | $2,767,603 | $2,805,858 |
| Change in Revenues Sources over Prior Year | $358,553 | $(46,563) | $(12,188) | $64,199 | $62,249 | $37,754 | $38,254 |
| Additional Property Tax Local Effort raised over Formula Need | $N/A | $N/A | $N/A | $N/A | $N/A | $N/A | $N/A | $N/A |
| Change in Need from Other Revenue Equalization | $N/A | $N/A | $(8,492) | $9,863 | $41,786 | $47,243 | $41,882 | $42,180 |
What about General Fund expenditures?

South Dakota State-Wide General Fund Expenditures
FY2018

- Salary & Benefits: 82%
- Other: 18%

Total FY2018 General Fund Expenditures: $1,041,335,205
Total FY 2018 General Fund Staff Salary & Benefits Expenditures: $859,433,902
General State Aid Documents

- School Budget page [https://doe.sd.gov/ofm/schoolbudget.aspx](https://doe.sd.gov/ofm/schoolbudget.aspx)
  1. Estimated FY2020 General State Aid Need Calculator
  2. General State Aid Calculator FY2020
  3. Estimated FY2020 General State Aid
  4. Sparsity Funding Calculator FY2020
  5. 5 Year History of General Fund Levies & Allocations
  6. Impact of Other Revenue Equalization FY2020
  7. Pay 2019 Valuations by School District by County
  8. History of State Aid Fall Enrollment
What about federal grants?

- Office of Grants Management posts most of the federal grant allocations online in the spring. Click on grant allocations page for homepage. For individual grant allocations click application grant.
  
  - [Click Here for Grant Allocations page](#)
  1. Title I Part A
  2. Title II Part A
  3. Title IV Part A
  4. IDEA Part B 611
  5. Cooperative IDEA Part B 611
  6. IDEA Part B 619
  7. Cooperative IDEA Part B 619
  8. Perkins Program Improvement
  9. Rural & Low Income Schools
What about federal grants?

• Grants Management System (GMS)

• GMS functions as:
  1. Collection point for federal grant applications
  2. Point to submit grant expenditure reimbursements
  3. Federal grant budget amendments
  4. Federal grant project completion reports

• Monthly Federal Grant Payments
  – [https://doe.sd.gov/ofm/payment.aspx](https://doe.sd.gov/ofm/payment.aspx)
What about Special Education Fund?

13-37-1. Children in need of special education or special education and related services. As used in this chapter, "children in need of special education or special education and related services" means any person under the age of twenty-one years who is a resident of the State of South Dakota and who, because of his educational needs as defined by the South Dakota Board of Education Standards in rules promulgated pursuant to chapter 1-26 and this chapter, is not adequately provided for through the usual facilities and services of the school and requires special education.
Special Education State Aid Documents

• School Budget page https://doe.sd.gov/ofm/schoolbudget.aspx
  1. Special Education Aid Calculator FY2020
  2. Excess Special Education Fund Balance FY2020
  3. FY2020 1st Half Special Education State Aid
  4. Pay 2019 Valuations by School District by County
  5. 5 Year History of Special Education Levies & Allocations
What should I be looking at throughout the year?

• **State Aid page** [https://doe.sd.gov/ofm/statefunding.aspx](https://doe.sd.gov/ofm/statefunding.aspx)

  1. FY2020 Monthly State Aid Payments
     1. General State Aid & SPED State Aid posted updated monthly
        1. [Click here for August 2019](https://doe.sd.gov/ofm/statefunding.aspx)
  2. Documents tab
     1. [Special Education Issue Brief](https://doe.sd.gov/ofm/statefunding.aspx)
     2. [State Payment Lookup](https://doe.sd.gov/ofm/statefunding.aspx)
     3. [Policy: Joint DSS/DOE Reporting Enrollment Dates for Specified Program](https://doe.sd.gov/ofm/statefunding.aspx)
Special Education State Aid Formula

• Each Disability Category is assigned an “allocation” per student
• Disability Categories were increased by 2.5% for FY2020
• Disability Categories will be “rebased” effective FY2021

<table>
<thead>
<tr>
<th>Disability Category</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1 Mild Disability</td>
<td>$5,665.27</td>
</tr>
<tr>
<td>Level 2 Cognitive Disability or Emotional Disorder</td>
<td>$13,074.98</td>
</tr>
<tr>
<td>Level 3 Hearing impairment, deafness, visual impairment, deaf-blindness, orthopedic impairment, or traumatic brain injury</td>
<td>$16,664.57</td>
</tr>
<tr>
<td>Level 4 Autism</td>
<td>$16,160.97</td>
</tr>
<tr>
<td>Level 5 Multiple Disabilities</td>
<td>$28,865.25</td>
</tr>
<tr>
<td>Level 6 Prolonged Assistance</td>
<td>$8,314.11</td>
</tr>
</tbody>
</table>

Special Education State Aid Calculator [Click Here]
**Please Note:**
December 2018 Child Count is used to determine FY2020 Need.

<table>
<thead>
<tr>
<th>Example School District</th>
<th>Child Count</th>
<th>Disability Level Allocation</th>
<th>Total Special Education State Aid Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1**</td>
<td>250</td>
<td>$5,565.27</td>
<td>$1,391,318</td>
</tr>
<tr>
<td>Level 2</td>
<td>60</td>
<td>$13,074.98</td>
<td>$784,499</td>
</tr>
<tr>
<td>Level 3</td>
<td>10</td>
<td>$16,664.57</td>
<td>$166,646</td>
</tr>
<tr>
<td>Level 4</td>
<td>25</td>
<td>$16,160.97</td>
<td>$404,024</td>
</tr>
<tr>
<td>Level 5</td>
<td>10</td>
<td>$28,865.25</td>
<td>$288,653</td>
</tr>
<tr>
<td>Level 6</td>
<td>1</td>
<td>$8,314.11</td>
<td>$8,314</td>
</tr>
<tr>
<td><strong>Total Need</strong></td>
<td>356</td>
<td></td>
<td><strong>$3,043,453</strong></td>
</tr>
</tbody>
</table>

**Level 1 count is 10% of ADM of the entire district.**

All other Disability Levels are actual count.
## Property Tax-Local Effort

### Special Education State Aid

#### Example District

<table>
<thead>
<tr>
<th></th>
<th>Pay 2019</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> Valuation</td>
<td>$474,930,631</td>
<td>$95,020,336</td>
<td>$90,444,521</td>
<td></td>
</tr>
<tr>
<td><strong>B</strong> Levy**</td>
<td>$1.567</td>
<td>$1.567</td>
<td>$1.567</td>
<td></td>
</tr>
<tr>
<td><strong>C</strong> Total Local Effort</td>
<td>$744,216</td>
<td>$148,897</td>
<td>$141,727</td>
<td></td>
</tr>
<tr>
<td><strong>D</strong> Total FY2020 Local Effort*</td>
<td>$372,108</td>
<td>$74,449</td>
<td>$70,864</td>
<td></td>
</tr>
</tbody>
</table>

**Calculation**

\[(A / \$1000) \times B\]

<table>
<thead>
<tr>
<th></th>
<th>Pay 2020</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> Valuation</td>
<td>$474,930,631</td>
<td>$99,771,353</td>
<td>$94,966,747</td>
<td></td>
</tr>
<tr>
<td><strong>B</strong> Levy**</td>
<td>$1.616</td>
<td>$1.616</td>
<td>$1.616</td>
<td></td>
</tr>
<tr>
<td><strong>C</strong> Total Local Effort</td>
<td>$767,488</td>
<td>$161,231</td>
<td>$153,466</td>
<td></td>
</tr>
<tr>
<td><strong>D</strong> Total FY2020 Local Effort*</td>
<td>$383,744</td>
<td>$80,616</td>
<td>$76,733</td>
<td></td>
</tr>
</tbody>
</table>

**Calculation**

\[C / 2\]

1/2 Pay 2019 Property Tax Local Effort $517,421
1/2 Pay 2020 Property Tax Local Effort $541,093

Grand Total Fiscal Year 2020 Local Effort $1,058,514

**Example assumes school district is taxing at the maximum levy**

School Districts are eligible for Special Education State Aid by levying at least:

- **Pay 2019**: $1.367
- **Pay 2020**: $1.416

SPED levies are the same across all categories of property tax classifications.
## Property Tax Local Effort & State Aid

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Special Education State Aid Need</td>
<td>$3,043,453</td>
</tr>
<tr>
<td>*Property Tax Local Effort (2nd Half Pay 2019)</td>
<td>$517,421</td>
</tr>
<tr>
<td>*Property Tax Local Effort (1st Half Pay 2020)</td>
<td>$541,093</td>
</tr>
<tr>
<td>Total Special Education State Aid</td>
<td>$1,984,939</td>
</tr>
<tr>
<td>*Total Property Tax Local Effort FY2020</td>
<td>$1,058,514</td>
</tr>
</tbody>
</table>
13-16-6. Definition and use of capital outlay fund--Levy required. The capital outlay fund of the school district is a fund provided by law to meet expenditures which result in the acquisition or lease of or additions to real property, plant, or equipment. Such an expenditure shall be for land, existing facilities, improvement of grounds, construction of facilities, additions to facilities, remodeling of facilities, or for the purchase or lease of equipment. It may also be used for installment or lease-purchase payments for the purchase of real property, plant, or equipment, which have a contracted terminal date not exceeding twenty years from the date of the installment contract or lease-purchase and for the payment of the principal of and interest on capital outlay certificates issued pursuant to § 13-16-6.2.

Any purchase of one thousand dollars or less may be paid out of the general fund. The total accumulated unpaid principal balances of such installment contracts and lease-purchase and the outstanding principal amounts of such capital outlay certificates may not exceed three percent of the taxable valuation. The school district shall provide a sufficient levy each year under the provisions of § 13-16-7 to meet the annual installment contract, lease-purchase, and capital outlay certificate payments, including interest.

A school district which contracts its student transportation may expend from the capital outlay fund an amount not to exceed fifteen percent of the contract amount. In addition, a school district which reimburses for mileage instead of providing transportation pursuant to § 13-30-3, may use the capital outlay fund to pay for fifteen percent of its mileage reimbursement costs.

The capital outlay fund may be used to purchase textbooks and instructional software.

The capital outlay fund may be used to purchase warranties on capital assets if the warranties do not include supplies.

A school district may transfer from its capital outlay fund to its general fund an amount not to exceed forty-five percent of the total tax revenues deposited in that fund during the current school fiscal year.
Capital Outlay Fund

- No funding formula or state dollars attributed to the Capital Outlay Fund
- A vast majority of Capital Outlay revenue is **local property taxes**
- **SDCL 13-16-7** limits the increase to Capital Outlay revenue to:

  The total amount of revenue payable from the levy provided in this section may not increase annually by more than the lesser of three percent or the index factor, as defined in § 10-13-38, over the maximum amount of revenue that could have been generated from the taxes payable in 2016. After applying the index factor, a school district may increase the revenue payable from taxes on real property above the limitations provided by this section by the percentage increase of value resulting from any improvements or change in use of real property, annexation, minor boundary changes, and any adjustments in taxation of real property separately classified and subject to statutory adjustments and reductions under chapters 10-4, 10-6, 10-6A, and 10-6B, except § 10-6-31.4, only if assessed the same as property of equal value.
Capital Outlay Fund

• What this means is a school district is limited to CPI-W on a calendar year for inflation and allows for growth (i.e. construction of new buildings)

• The levy is the same across all taxable property classification.

• Example:

<table>
<thead>
<tr>
<th>Year</th>
<th>Taxable Valuation</th>
<th>Valuation Growth</th>
<th>CPI-W</th>
<th>Max CO Revenue</th>
<th>CO Levy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>$100,000,000</td>
<td>3.00%</td>
<td>2.00%</td>
<td>$300,000</td>
<td>$3,000</td>
<td>Prior to Inflation Cap</td>
</tr>
<tr>
<td>Year 2</td>
<td>$103,000,000</td>
<td>3.00%</td>
<td>2.00%</td>
<td>$306,000</td>
<td>$2,971</td>
<td>After Inflation Cap is effective**</td>
</tr>
<tr>
<td>Year 3</td>
<td>$106,090,000</td>
<td>3.00%</td>
<td>2.00%</td>
<td>$312,120</td>
<td>$2,942</td>
<td></td>
</tr>
<tr>
<td>Year 4</td>
<td>$109,272,700</td>
<td>3.00%</td>
<td>2.00%</td>
<td>$318,362</td>
<td>$2,913</td>
<td></td>
</tr>
<tr>
<td>Year 5</td>
<td>$107,087,246</td>
<td>-2.00%</td>
<td>2.00%</td>
<td>$324,730</td>
<td>$3,000</td>
<td></td>
</tr>
</tbody>
</table>

**CO Levy = Max CO Revenue/(Taxable Valuation/$1,000)
Capital Outlay Fund

• **Is the school district using capital outlay funds to construct a new facility or addition?**
  • Is a 5 year plan in place?
  • **13-16-9.2.** Five-year plan required when fund used to construct new facilities or additions. Any school district using the capital outlay fund for payment of construction of new facilities or construction of additions to facilities must develop and maintain a five-year plan on the annual projected revenues and the annual projected expenditures for the capital outlay fund and such projected expenditures shall itemize the projected costs for new or additional facilities.
Capital Outlay Documents

• School Budget page  https://doe.sd.gov/ofm/schoolbudget.aspx
  1. Maximum Capital Outlay Pay 2020 Tax Request (preliminary)
  2. Capital Outlay Transfer Allowance Worksheet

• SD Department of Revenue
Publication of minutes of board--Contents--Changes after publication--Business manager to sign. Within twenty days after a meeting of the school board, the board shall cause to be published in the designated legal newspaper a full account of the unapproved proceedings of such meeting, giving a detailed statement of all expenditures of money, with the names of persons to whom payment is made, showing the service rendered or goods furnished, a detailed statement of receipts, and balance on hand. Expenditures and receipts of trust and agency funds may be published in total only.

If the published minutes of the previous meeting of the board are modified, amended, or corrected by such board subsequent to such publication and prior to approval by the board, such changes shall be reflected in the minutes of the meeting at which such modifications, amendments, or corrections are made.

Check, warrant or electronic funds transfer required for payment of school funds. School funds shall be paid by the school district business manager only upon check, warrant, or electronic funds transfer approved by the school board.
Interim Financial Reporting

• Monitoring the budget-WHO:
  – Head of Department/Principal or Head of Program should review expenditures frequently
  – Business Manager should provide revenue and expenditure status updates to department heads
  – Governing Board should review and approve revenue and expenditures monthly

• Monitoring the budget-WHY
  – Deterrent of fraud
  – Statutory compliance
  – Pulse of the School – where are we at and where are we going
  – Strengthens Internal Controls
Interim Financial Reporting

Board members require information peculiar to their position. Simply stated, data should be provided which board members need to help make decisions.

Board members usually need summarized information with respect to three kinds of data:
1. Budgeted and actual revenues
2. Budgeted and actual expenditures
3. Projected surpluses or deficits

Most accounting software can generate the appropriate interim financial reports:
1. Balance Sheet
2. Revenue Report by Fund
3. Expenditure Report by Fund
Interim Financial Reporting

It is up to the School Board how much detail they require:

• Does the school board want a complete revenue report?
• An expenditure report by expenditure function or sub-object? By facility?
• A Statement of Revenue, Expenditures and Change in Fund Balance?

*Interim financials should paint a picture of budget vs. year-to-date actual and give a sense of where the budget is projected to end up at June 30.*
Interim Financial Reporting

- The return of general fund cash balance caps has made DOE noticed a number of districts are no longer making federal grant drawdowns monthly or even quarterly.

Next are a few examples why grant drawdowns should be kept current.
Interim Financial Reporting

• 2 CFR 200.305:
  – (b) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.
Interim Financial Reporting

• 2 CFR 200.430:
  – (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.
Interim Financial Reporting

• Argument could be made for poor internal controls because, although staff are getting paid monthly, reconciliation to the approved grant budget is not happening in a timely manner

• Waiting until the end of the grant period to reconcile could put a potentially needed budget amendment into jeopardy for being approved because of expired timelines
Interim Financial Reporting

• When DOE does a risk assessment on your school district the timeliness of grant drawdowns is taken into account.

• This increases your school district’s chance of a federal programs review because of the increase risk for error if drawdowns are late
Interim Financial Reporting

• Untimely grant drawdowns do not provide for fairly presented interim financial reports to the school board:
  
  – Example for year-to-date financials as of February 20XX:
    
    • Title I Revenue: $0
    • Title I Expenditures: $25,000

  – Grant expenditures should match revenue in any given month and year-to-date
  – Even booking grant revenue receivable and not making an actual claim provides for greater internal controls and transparency compared to the absence of an actual claim
Interim Financial Reporting

• What if your district uses Capital Outlay flexibility for the General Fund? Can a business manager just move the funds?

• DOE recommends no. DOE encourages school boards to require a resolution to move Capital Outlay Fund flexibility dollars to the General Fund. Although the transfer may be “budgeted” the school board should be aware administration is transferring money between funds. Especially with General Fund cash balance caps being applicable again.

• Expenditures are “budgeted” but still require monthly board approval. We believe inter-fund transfers should have the same level of scrutiny.
Interim Financial Reporting

• Keep in mind General Fund Cash Balance Caps when transferring dollars from Capital Outlay (if applicable)
  – Lowest cash balance months are typically October & April
  – Highest cash balance months are typically November & May (property taxes)
  – FY2019 Excess General Fund Cash Balance Calculator
    • FY2020 will be posted once all the necessary data is compiled

• Average Teacher Compensation projection
  – Are school boards being provided a projection on meeting average teacher compensation at some point during the fiscal year?
  – It should not be a surprise to the school board whether or not average teacher compensation is met.
  – FY2019 Average Teacher Compensation Calculator
    • FY2020 will be posted once all the necessary data is compiled
Other Important Websites

• DOE Division of Finance & Management
  – https://doe.sd.gov/ofm/
    • Coding Tip of the Month
    • E-rate and District Technology Plans
    • Extraordinary Cost Funds Oversight Board
    • Federal Grant Allocations
    • Grants Management System
    • Indirect Cost Contracts and Agreements
    • Maintenance of Effort
    • Monthly Federal Grant Payments
    • School Budget
    • School District Audit Status
    • School District Reorganization
    • School Finance
    • South Dakota School District Maps
    • Special Education December Child Count
    • State Aid
    • Statistical Digest
    • Student Membership Reports
    • Vendor Information
Other Important Websites

• School Financial Data
    • Annual Report Documents & Login
    • Teacher Compensation Documents
    • ESSA Fiscal Expenditure Report
    • Fund Balances
    • Monthly Cash Balances
    • Other Revenue Reports
Other Important Websites

• SD Department of Legislative Audit
  – [https://legislativeaudit.sd.gov/resources/resources.aspx](https://legislativeaudit.sd.gov/resources/resources.aspx)
    • School Accounting Manual
    • Annual Report Exhibits, Schedules and Worksheets
    • Capital Asset Information
    • Plus More!

• SD Department of Revenue
  – [https://dor.sd.gov/Taxes/Property_Taxes/](https://dor.sd.gov/Taxes/Property_Taxes/)
    • Property Tax Information
    • Capital Outlay Information
    • Opt-Out Information
School District Budget Awards

• ASBOI
  – Meritorious Budget Award

• Government Finance Officers of American (GFOA)
  – https://www.gfoa.org/school-budgeting
  – Best Practices in School Budgeting
    • https://www.gfoa.org/best-practices-school-district-budgeting
  – Alliance for Excellence in School Budgeting
    • https://www.gfoa.org/alliance-excellence-school-budgeting
Questions?

Matt Flett
Director of Finance & Management
South Dakota Department of Education

matt.flett@state.sd.us
605-773-6231