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SOUTH DAKOTA ASBO SPRING 2023

BOBBI LEIFERMAN

OFFICE OF STATE AID AND SCHOOL FINANCE

APRIL 27, 2023



**south dakota**

DEPARTMENT OF EDUCATION

Learning. Leadership. Service.

# FY2024 GENERAL STATE AID

- Target Teacher Salary – \$59,659.25 (7% increase)
- General Fund Property Tax Levies – Pay 2024
  - Agriculture - \$1.320 per \$1,000 valuation
  - Owner Occupied - \$2.954 per \$1,000 valuation
  - Non-Ag (Utilities) - \$6.113 per \$1,000 valuation
- Overhead Rate – 38.78%
- Per Student Equivalent – \$7,120.38 (Sparsity)
- General State Aid Calculator
  - <https://doe.sd.gov/ofm/schoolbudget.aspx>

# FY2024 GENERAL STATE AID – STUDENT COUNT TIMELINES

- State Aid Fall Enrollment
  - ADM count taken as of the last Friday in September annually
  - July – October based on estimates provided by each district
- Alternative Instruction (Home School)
  - Unduplicated count of students participating in high school sanctioned activities
  - Based on 2022-2023 school year
  - Count is equal to 10% of the number of eligible students
- English Learner Adjustment
  - Students scoring less than 4.0 on the state language proficiency test
  - Based on testing completed in the Spring of 2023
  - Count is equal to 25% of the number of eligible students

# TEACHER COMPENSATION ACCOUNTABILITY

- Teacher Compensation reported on the annual report for 2022-2023 school year must be equal to or greater than the reported average from FY2017.
- Penalty for non-compliance = \$500 per total FTE reported on the Teacher Compensation submission.
  - Penalty is imposed on FY2024 General State Aid
- Teacher Compensation Calculator
  - <https://doe.sd.gov/ofm/schoolbudget.aspx>
- Teacher Compensation Accountability currently expires after the teacher compensation data reported for the 2023-2024 school year.

# TEACHER COMPENSATION ACCOUNTABILITY

- Teacher Compensation Reporting
  - Data is pulled from the Personnel Record Form Database
  - K-12 Certified Instructional Staff only
  - Shared Teachers are reported by the district holding the teacher contract (paying the salary/benefit cost)
- Staff excluded from the Teacher Compensation Reporting
  - Non-certified teachers, preschool teachers, guidance counselors, librarians, technology staff, long term substitutes, administrators and classified staff
- Possible changes regarding student teacher permits may impact TC reporting

# MONTHLY CASH BALANCE ACCOUNTABILITY – GENERAL FUND

- Allowable percentage based on lowest state aid fall enrollment count from the previous 2 years or the current year.
  - Student count less than 201 = 40%
  - Student count 201 to 599 = 30%
  - Student count greater than 599 = 25%
- % of cash balance is calculated using the lowest monthly reported cash balance from the FY2023 annual report divided by the total general fund expenditures for FY2023.
- FY2023 annual report cash balances are covered by an approved SFAB/JCA one year conditional waiver.
  - Districts in excess must meet with the SFAB board
- Beginning on July 1, 2023 (FY2024) – cash balance information will be used to determine general state aid penalties in FY2025.

# FY2024 SPECIAL EDUCATION STATE AID

- Disability Funding Allocations
  - Level 1 = \$6,989.24 (10.72% ADM)
  - Level 2 = \$16,489.77
  - Level 3 = \$21,059.74
  - Level 4 = \$17,099.67
  - Level 5 = \$36,693.51 (State Multiple Disability)
  - Level 6 = \$9,700.62
- Special Education Levies – Pay 2024 (calendar year)
  - Local Effort, 100% participation funding formula = \$1.374 per \$1,000 valuation
  - Maximum Levy (required for ECF) = \$1.574 per \$1,000 valuation
- Special Education State Aid Calculator - <https://doe.sd.gov/ofm/schoolbudget.aspx>

# FY2024 SPECIAL EDUCATION EXTRAORDINARY COST FUND

- Funding Available for FY2023 = \$5.5 million (maximum)
- Application based request available from April 1<sup>st</sup> – April 28<sup>th</sup>, 2023
- ECF Board Meeting – May 17<sup>th</sup>
- May 18<sup>th</sup> – May 19<sup>th</sup> – Districts are notified of funding status
- ECF payment is included with the May monthly state aid payment



# CAPITAL OUTLAY FLEXIBILITIES

- Districts are allowed the flexibility to transfer from Fund 21 to Fund 10 an amount not to exceed 45% of actual property tax revenue (revenue account (1110 + 1120) deposited during the current fiscal year. (SDCL 13-16-6)
- Based on actual revenues deposited for the fiscal year.
- 3-year statutory flexibility for districts that are subject to the \$3,400 per student limitation to transfer the same total dollar amount that was transferred in FY2020. (SDCL 13-16-7.4)
  - FY2023 is the final year of this allowance
  - FY2024 – all districts will be limited to 45% of actual property tax revenue deposited as outlined in SDCL 13-16-6
- Districts that contract for student transportation may expend up to 15% of the contracted amount from the capital outlay fund.

# INDIRECT COSTS FOR FEDERAL GRANTS

- Classifying Costs as direct vs. indirect
- Negotiation/application of indirect costs
- Upcoming changes

# DIRECT COSTS

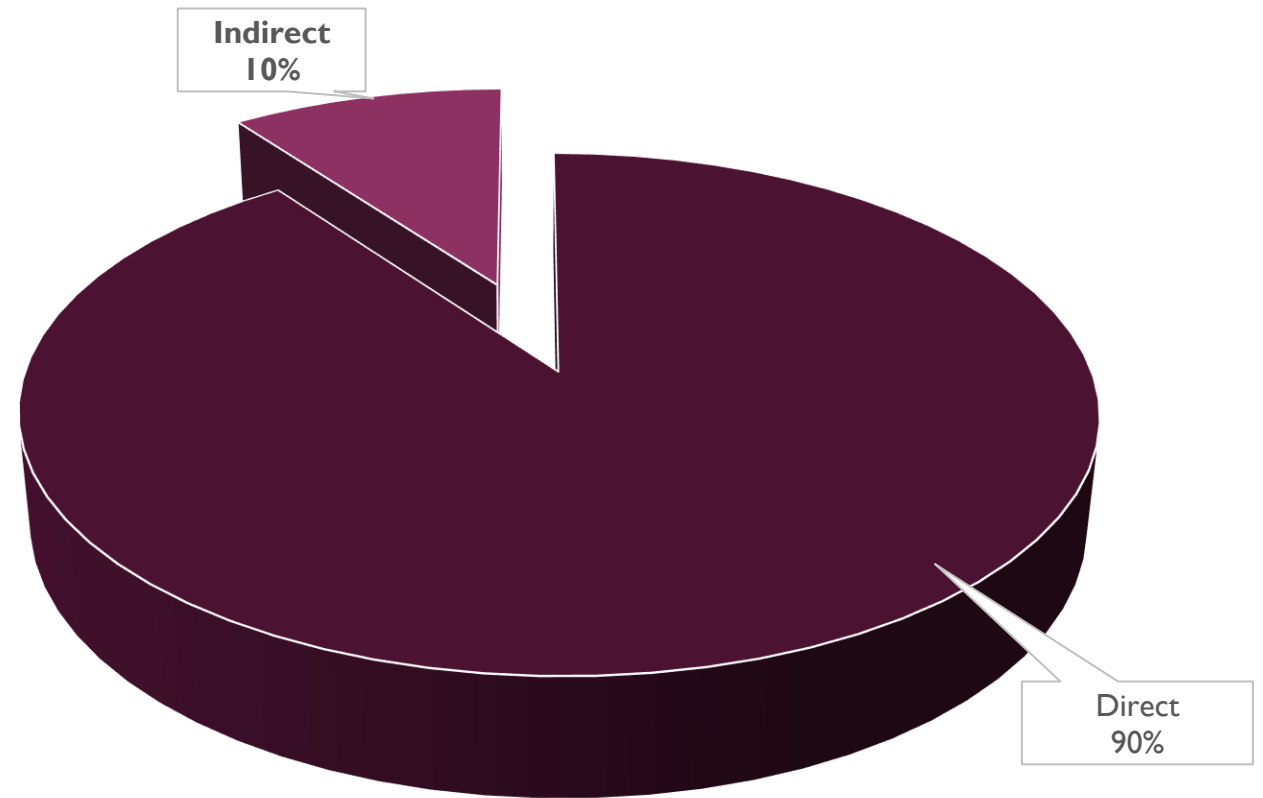
- Direct Cost (2 CFR § 200.413):
  - Direct costs are those costs that can be identified specifically with a particular **final cost objective**, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
  - For costs that can NOT be directly charged, grantees have an indirect cost rate.
- Examples of Direct Costs:
  - Compensation of employees for the time devoted and identified specifically to the performance of those programs
  - Cost of materials acquired, consumed or expended specifically for the purpose of the program
  - Travel expenses incurred specifically to carry out the program

# INDIRECT COSTS (2 CFR § 200.414) ON FEDERAL PROGRAMS

- Indirect costs are defined as costs that are incurred for the benefit of more than one cost objective, but are not readily assignable to any program
  - Typically covers costs which serve a common or joint purpose, such as fiscal services
- Reimbursement applies to federal grant programs
- Examples of Indirect costs:
  - Procurement
  - Payroll
  - Personnel functions
  - Maintenance and operations of space
  - Data processing
  - Accounting
  - Auditing
  - Budgeting

## PURPOSE OF INDIRECT COST RATE

- Allows agency to recover some costs incurred to run federal programs that are otherwise too integrated to identify
- Take portion of grant as “recovery;” treat as non-Federal funding.



# INDIRECT COST RATE TYPES

## 1) Unrestricted rates:

- Apply to grants not subject to the supplement not supplant legislative restriction.
- Used for Medicaid reimbursements and other grants.

## 2) Restricted rates:

- Applied to grants that are made under federal programs with supplement-not-supplant requirements. This means that the funds are for support in addition to state and local funding.
- Primarily used for Education Grants

## ALLOWABILITY OF COSTS (CFR 2 § 200.403)

- Under the allowability of costs guidelines it is indicated that indirect costs must be
  - Consistently treated as either direct or indirect costs.
- You can't charge something directly in one grant and then charge it indirectly in another grant.

# INDIRECT COSTS ON FEDERAL PROGRAMS

- Rates are calculated based on the annual financial report information
  - Restricted Rate – applies to grants with a supplement not supplant requirement
  - Unrestricted Rate – grants where supplement/supplant does not apply
- The rates that South Dakota issues to school districts/cooperatives are considered a rolling average predetermined discounted rate
  - Annual rate is calculated based on the annual financial report data submission
    - Rates are calculated based on specific expenditure functions being identified as indirect, direct or excluded
    - $\text{Indirect costs} \div \text{Direct Costs} = \text{Rate}$
  - Most recent 5-year period of rates is averaged
  - 5-year average is then discounted to 95%
  - Rates are issued on an annual basis using the most recent 5-year period



# INDIRECT COST RATE AUTHORITY

- South Dakota is required to obtain approval from USDOE to issue indirect cost rates to school districts and cooperatives on the methodology for setting rates
  - Recently received approval to issue rates for fiscal years 2023-2025

# INDIRECT COST RATE CALCULATIONS

- The sources of information utilized to determine indirect cost rates are the LEA's Annual Financial Report (AFR) and the detail accounts
- It is **ESSENTIAL** that LEAs classify expenditures uniformly and consistently utilizing the SD Department of Legislative Audit School District Accounting Manual.
  - <https://legislativeaudit.sd.gov/resources/schools/accountingmanual/accountingmanual.aspx>
- All expenditures detailed in the AFR must have been incurred and records supporting the costs must be maintained by the LEA.

# INDIRECT COST RATE CALCULATIONS

- Indirect costs are recovered only to the extent of direct costs incurred.
- Once a rate is approved, it is applied to the net direct costs expended
  - i.e., total direct costs less equipment purchases, capital outlay, debt service expenditures, transfers, distorting costs, the portion of individual sub-awards exceeding \$25,000 and pass-through funds.

# INDIRECT COSTS ON FEDERAL PROGRAMS

- Future Rate calculation changes
  - Restricted Rate
    - Reclassification of certain expenditure functions
      - Head of Component Units (based on school district size) – impacts the 2520 fiscal services function
      - Support Services Central (function 2600) – reclassification of specific functions to the restricted category
      - Exclusion of sub-awards/sub-contracts in excess of \$25,000 from the base in the rate calculation
    - Unrestricted Rate Calculation
      - Same adjustments listed above
      - Space allocation study to allocate the Operation and Maintenance of Plant expenditures between the indirect and direct cost pool
- Full implementation in each of these areas must be in place before our next US DOE proposal is submitted for FY2026 rates

# INDIRECT COST RATE CHANGES

- Moving to application process in FY25.
  - Look for application to be received Oct/Nov.
    - Request adjustments for Head of Components and contracts over \$25,000
    - Tentative plan is to have returned to DOE by December 31<sup>st</sup>.
    - Analysis of data by DOE staff will take place
    - Rates will be issued around March/April for following fiscal year.
    - If no application is received by SD DOE, you won't receive a rate which could affect other federal funding use of indirect cost rates. (DSS-Medicaid administrative claiming)

## UPCOMING WEBINARS

- Indirect Cost – The details
  - Hosted by GM and SASF staff
  - June 21<sup>st</sup> via Zoom from 2-3pm CST
  - Be on the lookout for zoom details and the option to submit your questions

## CONTACT INFORMATION

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