



School Funding 101

March 7, 2011

5 Major Governmental Funds

- **General**
- **Capital Outlay**
- **Special Education**
- **Pension**
- **Bond Redemption**

General Fund – Where does the money come from?

- **Property taxes**
- **State aid**
- **Other local revenue including:**
 - Gate receipts, tuition, rental income, interest earned
- **Intermediate Revenue**
 - County fines
 - City (SAC shared operations)
- **Other State Revenue**
 - Bank Franchise, School & Public Lands, etc
- **Federal Grants**
 - Title I, II (A), II (D), IV, Carl Perkins, Title I ARRA*

* ARRA funding goes away after FY11

General Fund – How can the money be spent?

- **Salaries & benefits of employees**
- **Instructional materials**
- **Activities**
- **Care & upkeep of school buildings and grounds**
- **Professional services**
 - Audits, elections, legal, consulting, etc.
- **Transportation**
- **Utilities**
- **Fuel**
- **Health services**
- **Insurance**
 - Property, liability, worker's comp, etc.

General Fund – Can the money be transferred?

- General Fund money can be transferred to the Special Education Fund.
- General Fund money can not be transferred to any other fund(s).
- Certain expenditures may be paid from either the General Fund or Capital Outlay Fund.

Capital Outlay – Where does the money come from?

– Property Taxes

School Boards may levy up to \$3.00 per thousand dollars of taxable valuation for qualifying expenditures

Capital Outlay – How can the money be spent?

- Major repairs or construction of school facilities
- Instructional equipment
- Computers
- Network infrastructure
- Software
- Warranties
- Improvements other than buildings
- School Buses
- Vehicles
- Textbooks
- Technology upgrades
- Debt Service

Capital Outlay – Can the money be transferred?

NO

Money generated for this fund, must remain in this fund and cannot be transferred to any other school funds.

SDCL 13-16-26

Different Funds – Different Purposes Different Revenue Sources

■ GENERAL FUND

- Operational Expenses
- Recurring in nature
- Salaries/Benefits
- Instructional Programs
- Professional Development
- Activities
- Transportation
- Care & Upkeep of Buildings and Grounds

■ CAPITAL OUTLAY

- Facilities/Land Acquisition
- Equipment
- Software Licensing
- Buses/Vehicles
- Major Repairs
- Improvements
- Debt Obligations

State laws prohibit transfers between GF and CO!

Special Education – Where does the money come from?

- **Property Taxes – School Boards must levy a minimum of \$1.20 to maximize state aid**
- **State Aid – Based upon dollar amounts per disability category (set by state) and child count**
- **Federal funds – IDEA & Section 619 (early childhood), Medicaid, IDEA ARRA***

*** ARRA funding goes away after FY11**

Special Education – How can the money be spent?

- Salaries and benefits of special education staff
- Instructional materials
- Textbooks
- Tuition for out-of-district placements
- Specialized equipment
- Transportation for special needs children
- Professional services
(i.e. psychological, health, physical and occupational therapy, speech)

Special Education – Can the money be transferred?

NO

Money generated for this fund, must remain in this fund and cannot be transferred to any other school funds.

SDCL 13-16-26

Pension Fund – Where does the money come from?

- **Property taxes – School boards may levy up to \$0.30 per thousand dollars of taxable valuation**
- **YSD initiated a pension levy in 2002**

Pension Fund – How can the money be spent?

- Funding for district contributions to the state retirement system (SDRS)
- Contributions would otherwise come from the district's General Fund
- FY11 \$300,000

Bond Redemption Fund – Where does the money come from?

- Property taxes – YSD patrons passed a general obligation bond issue to build Yankton High School and Summit Activities Center in 1992**
- Tax levies are determined by cash flow requirements necessary to retire outstanding bonds**

Bond Redemption Fund – How can the money be spent?

- **Principal & Interest of bonds**
- **Final payment on YHS bond issue is due
December 15, 2013**

Calculating School Need

Official Fall Enrollment

multiplied by

Per Student Allocation (as set by Legislature)

= School Need

Calculating General Fund State Aid

School Need

- Local Tax Effort

= State Aid

General Fund History

	Revenues	% Chng	Expenditures	% Chng	Surplus / (Deficit)	Other	Fund Balance	% of Exp
FY02	14,199,479	1.00%	13,710,329	0.37%	489,150	2,417	5,952,983	43.4%
FY03	14,601,502	2.83%	14,726,690	7.41%	(125,188)	28,005	5,843,006	39.7%
FY04	14,760,968	1.09%	14,953,934	1.54%	(192,966)	202,370	5,852,410	39.1%
FY05	14,901,328	0.95%	14,814,874	0.93%	86,454	2,750	5,941,614	40.1%
FY06	15,394,052	3.31%	15,321,282	3.42%	72,770	2,125	6,016,509	39.3%
FY07	15,634,343	1.56%	15,968,402	4.22%	(334,059)	4,489	5,686,939	35.6%
FY08	16,304,356	4.29%	16,636,830	4.19%	(332,474)	0	5,354,465	32.2%
FY09	16,376,700	0.44%	16,510,462	0.76%	(133,762)	59,118	5,279,821	32.0%
FY10	16,199,663	1.08%	16,899,437	2.36%	(699,774)	376,734	4,956,781	29.3%
FY11	15,784,928	2.6%	17,699,089	4.6%	(1,914,161)	400,000	3,442,620	19.5%

Per Student Allocation (PSA)

- FY10 \$4,804.60
- FY11 \$4,804.60 (0%)

Implications of Cuts in PSA (see handout)

\$4,804.60	(0%)	\$ -
\$4,564.37	(-5%)	(\$665,735)
\$4,324.14	(-10%)	(\$1,331,470)

How much is really being cut?

Prior to FY10, state aid was increased by 3% or inflation, whichever was less.

■	2010-11	PSA	0% (FY11 inflation = 1.2%)	\$158,000
■	2011-12	FY12 PSA	inflation = 1.2%	150,000
■	2011-12	Assuming	10% cut	1,331,470
■	2011-12	\$26m Educ Jobs	\$ (equiv. to 5%)	650,000*

			Total Economic Impact to YSD (\$832.53 / student)	\$2,289,470

* Education Jobs funding from federal gov't was distributed to schools; however, FY11 state aid was reduced by the same amount. Money is currently earmarked in state reserve to backfill future state budgets.

FY12 Preliminary Budget (Before cut to PSA)

■ Est. Fund Balance - 6/30/11	\$3.4m (19.5%)
■ Add: Proj. Revenue	+ 15.4m
■ Subtract: Proj. Expenses*	- <u>17.6m</u>
■ Equals: Est. Fund Balance - 6/30/12	\$1.2 m (6.9%)

* Assuming no increase in FY11 expenses including: salaries, benefits, purchased services, supplies/materials, etc.

FY12 Preliminary Budget (Assume 5% cut to PSA)

■ Est. Fund Balance - 6/30/11	\$3.4m (19.5%)
■ Add: Proj. Revenue	+ 14.7m
■ Subtract: Proj. Expenses*	- <u>17.6m</u>
■ Equals: Est. Fund Balance - 6/30/12	\$500k (2.9%)

* Assuming no increase in FY11 expenses including: salaries, benefits, purchased services, supplies/materials, etc.

FY12 Preliminary Budget (Assume 10% cut to PSA)

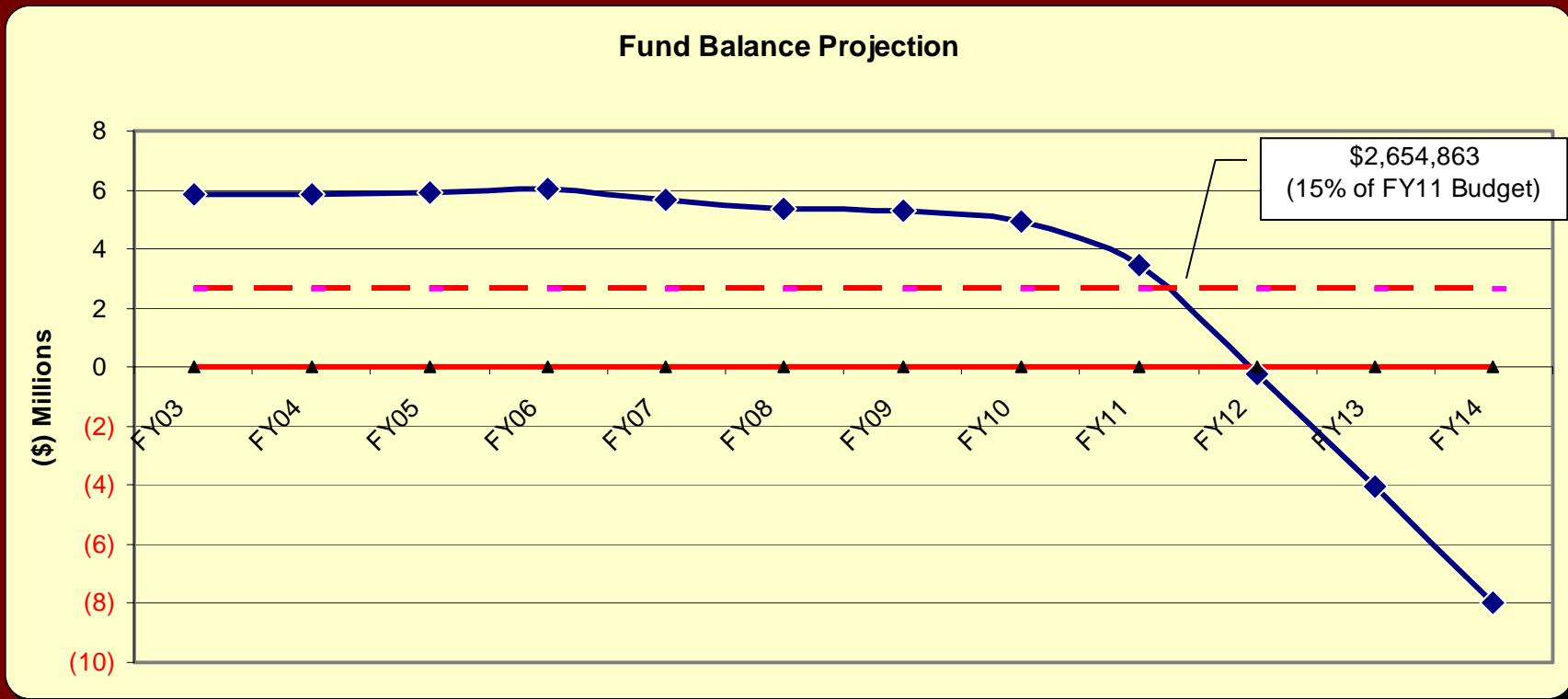
■ Est. Fund Balance - 6/30/11	\$3.4m (19.5%)
■ Add: Proj. Revenue	+ 14.0m
■ Subtract: Proj. Expenses*	<u>- 17.6m</u>
■ Equals: Est. Fund Balance - 6/30/12	\$0

* Assuming no increase in FY11 expenses including: salaries, benefits, purchased services, supplies/materials, etc.

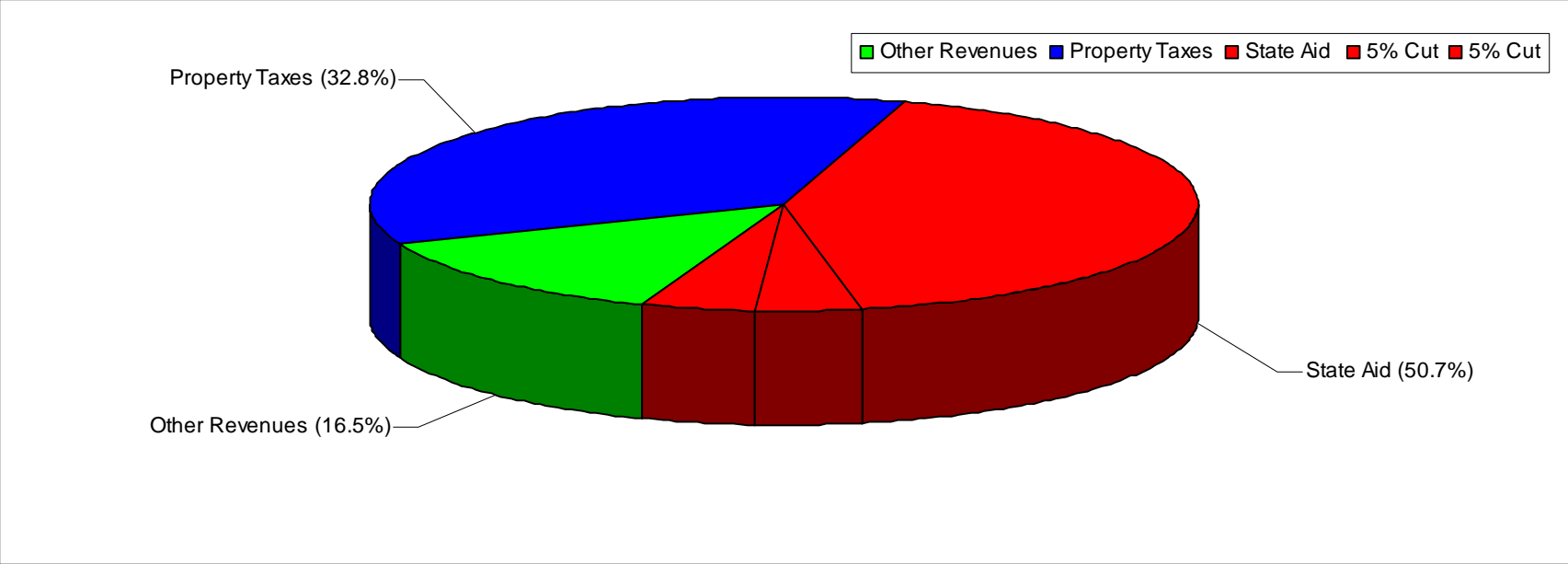
TOO MUCH

TOO FAST

Projected Fund Balance Assuming 10% Cut in PSA



General Fund Revenue by Source



Potential Impact of proposed PSA cuts on YSD

If a 5% cut is enacted, YSD will receive
\$665,735 less state aid in FY12 which is
equivalent to:

Thirteen (13) Full-time employees

Plus

Twenty (20) Part-time employees

Plus

Other potential programming cuts

Potential Impact of proposed PSA cuts on YSD

If a 10% cut is enacted, YSD will receive
\$1,331,470 less state aid in FY12 which is
equivalent to:

Twenty-six (26) Full-time employees

Plus

Twenty (20) Part-time employees

Plus

Other potential programming cuts

Options

- Budget Cuts
- Opt Out
- Combination?

Opting Out

If a school district cannot operate on the revenues generated by the maximum property tax levy for general fund and the money generated from state aid (as determined by the funding formula), the school district may “opt out” of the general fund levy limitations.

How does it work?

- Opting Out imposes an additional levy upon the taxable value of property in the school district
- Additional property tax revenues are generated and receipted to the school district's general fund
- The excess levy maintains the same proportion represented in the mathematical relationships between property classifications (i.e. Ag, Owner-Occupied and Non-Ag Other)

The Process

- Opt Out resolution adopted by school board on or before July 15th of the year prior to requested tax levy assessment
- Requires 2/3 vote of the school board
- Decision must be published within 10 days
- May be referred to a vote
- If not referred, Opt Out levies are assessed in subsequent tax year

Tax Collection Lag

- School Fiscal Year July 1st – June 30th
- Property Taxes are levied on a calendar year
- Approximately ½ of the requested “opt out” amount will actually be collected in the next budget year

Example

- Resolution adopted March 2011
- If referred, a vote would be held in accordance with state law June 2011
- If no referral, file with annual tax request September 2011

How much “opt out” is needed?

- Assuming the following...
 - Continued declining enrollment
 - 10% cut in FY12 PSA
 - No increase in PSA for next 3 years
 - No change in current GF expenditures for next 3 years

Estimated need based upon cuts in PSA and Declining Enrollment

Approximately \$4m* Annually

* Before any consideration of
increases (or decreases) in
current expenditures

How does that impact property taxes?

Estimated net tax increase for school portion 2011 (pay in 2012):

- Ag \$0.63 per thousand
- Owner-Occupied \$1.98 per thousand
- Non-Ag Other \$5.39 per thousand

Ag Tax Levy History

	Taxes Payable				Change	
	1995	2000	2005	2011	\$	%
General	10.83	4.70	3.32	2.554		
Discretionary/TIF	-	0.02	-	0.004		
Capital Outlay	1.53	3.00	3.00	3.00		
Special Education	1.19	1.40	1.40	1.40		
Pension	-	-	0.30	0.30		
Bond Redemption	2.01	1.68	1.35	1.005		
Total Agricultural Levy	15.56	10.80	9.37	8.263	(7.30)	47%

Owner-Occupied Tax Levy History

	Taxes Payable				Change	
	1995	2000	2005	2011	\$	%
General	16.86	7.56	5.34	3.965		
Discretionary/TIF	-	0.03	-	0.006		
Capital Outlay	1.53	3.00	3.00	3.00		
Special Education	1.19	1.40	1.40	1.40		
Pension	-	-	0.30	0.30		
Bond Redemption	2.01	1.68	1.35	1.005		
Total Owner-Occupied Levy	21.59	13.67	11.39	9.676	(11.91)	55%

Non-Ag Other (Commercial) Tax Levy History

	Taxes Payable				Change	
	1995	2000	2005	2011	\$	%
General	16.86	16.15	11.45	8.491		
Discretionary/TIF	-	0.07	-	0.011		
Capital Outlay	1.53	3.00	3.00	3.00		
Special Education	1.19	1.40	1.40	1.40		
Pension	-	-	0.30	0.30		
Bond Redemption	2.01	1.68	1.35	1.005		
Total Commercial/Utilities Levy	21.59	22.30	17.50	14.207	(7.38)	34%

YHS/SAC Bond Issue

- Final Payment due December 15, 2013
- Current levy = \$1.005 per thousand
 - Ag, OO and NA-Other all pay the same
- Final levy year = 2012

Questions?