

**K-12 Education Funding:
The General Education Formula,
Property Taxes, Capital Outlay
Debt and Other Revenues**

Presentation to the Legislative Planning Committee

June 16, 2014

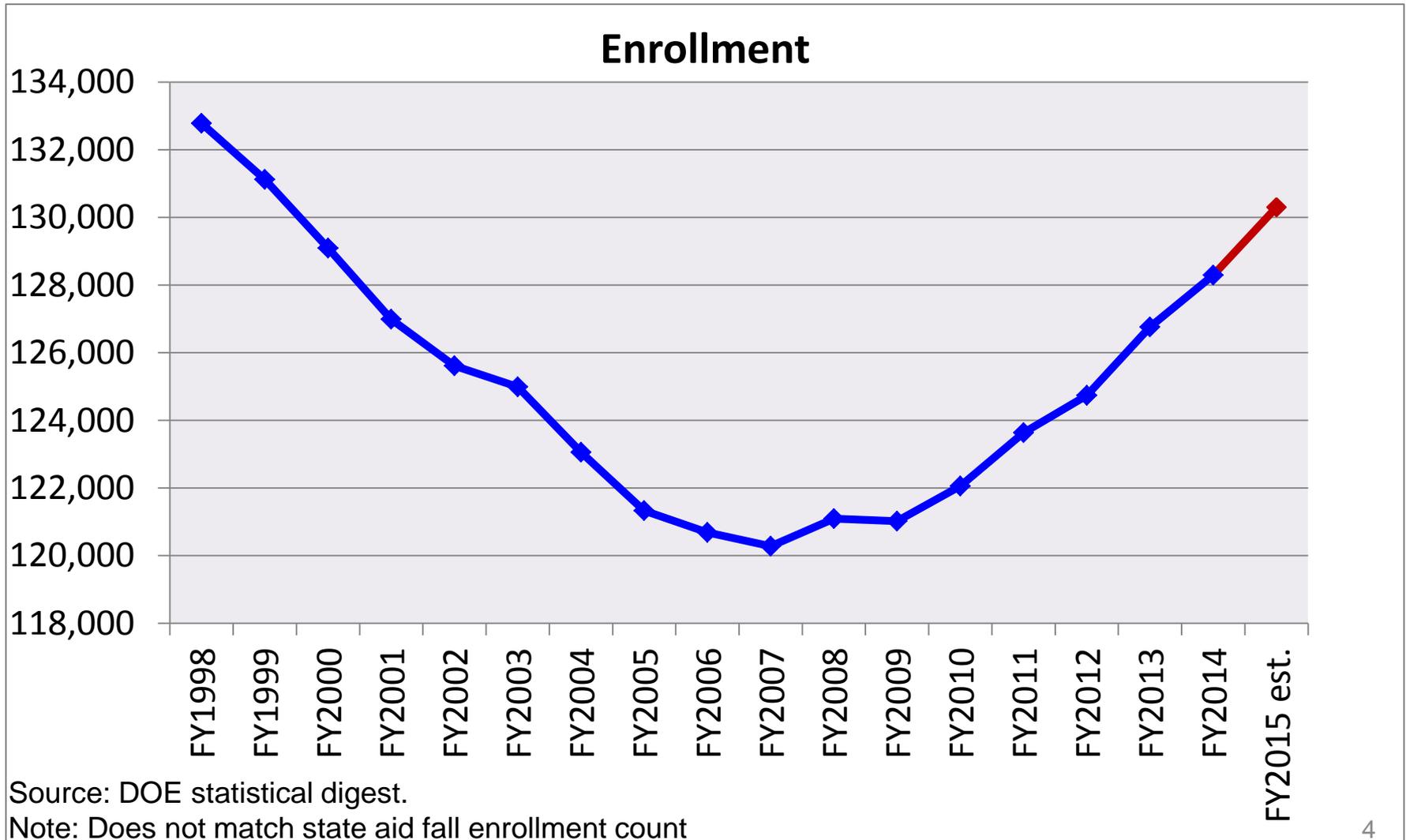
The State Aid to General Education Formula & General Education Levy Adjustment

Jim Terwilliger
SD Bureau of Finance and Management

State Aid to General Education

- There are 151 public school districts in South Dakota for FY2014.
- Current formula for funding general K-12 education took effect Jan. 1, 1997, with several major changes made by the 2007 Legislature and the 2010 Legislature.
- The base formula starts with the same amount of funding per student (per student allocation or PSA).
- The general funding for K-12 schools is paid by a combination of money raised by local property taxes and money raised by the state through statewide taxes.
- Per statute, the targeted proportion of local funding and state funding must remain constant when making the levy adjustment.
- The current ratio is 53.8% state funding and 46.2% local property taxes.

Historical K-12 Enrollments



3 Steps to the Formula

1. Determine Local Need (Total Resources Needed)
 - Per Student Allocation (PSA) X State Aid Fall Enrollment
 - Small School Adjustment
 - LEP Adjustment (New addition for FY2014 per SB235)
2. Determine Local Effort (Valuations x Levies)
 - Property Valuations
 - Setting the Levies (Cutler/Gabriel)
3. Determine State Share
 - Local Need less Local Effort

Local Need

13-13-10.1. Definition of terms. Terms used in this chapter mean...

- (5) "Local need," is the sum of:
- (a) The per student allocation multiplied by the fall enrollment; and
 - (b) The small school adjustment, if applicable, multiplied by the fall enrollment; and
 - (c) The limited English proficiency (LEP) adjustment, calculated pursuant to subdivision (2D) if applicable; (LEP Started in FY2014)

Local Need – The PSA

13-13-10.1. Definition of terms. Terms used in this chapter mean...

(4) "Per student allocation," **for school fiscal year 2012 is ~~\$4,389.95~~ 2015 is \$4,781.14**. Each school fiscal year thereafter, the per student allocation is the previous fiscal year's per student allocation increased by the **index factor**;

- The FY2015 per student allocation was set by SB 188 from the 2014 Legislative Session.

Local Need - The PSA (cont.)

- Index Factor
 - annual inflationary increase to the Per Student Allocation

13-13-10.1. Definition of terms. Terms used in this chapter mean...

(3) "Index factor," is the annual percentage change in the consumer price index for urban wage earners and clerical workers as computed by the Bureau of Labor Statistics of the United States Department of Labor for the year before the year immediately preceding the year of adjustment or three percent, whichever is less;

Calculating the Index Factor

- Per statute, the increase for the year before the year preceding the year of adjustment is typically used.
- In FY2013, a 2.3% ongoing increase to the PSA was appropriated.
- In FY2014, a 3.0% increase was appropriated which is the maximum increase under current law, which calls for the increase in CPI-W or 3%, whichever is less.
- In FY2015, the Legislature appropriated a 3.36% increase, or about 1.8% higher than statutorily required index factor of 1.6%.

CPI-W				
2011:2	2.213	2.1732	2.3%	FY2011
2011:3	2.230			
2011:4	2.237			
2012:1	2.250			
2012:2	2.254	2.2427	3.2%	FY2012
2012:3	2.267			
2012:4	2.279			
2013:1	2.286			
2013:2	2.284	2.2787	1.6%	FY2013

PSA Increase vs. Index Factor

The index factor referenced in statute is the typical increase to the Per Student Allocation (PSA) each year. The actual amount funded can be changed before the final budget is passed each year.

Historical Increases in the Per Student Allocation													
	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
PSA--	\$3,889	\$3,968	\$4,087	\$4,238	\$4,365	\$4,529	\$4,665	\$4,805	\$4,805	\$4,390	\$4,491	\$4,626	\$4,781
\$ Increase--		\$79	\$119	\$151	\$127	\$164	\$136	\$140	\$0	-\$415	\$101	\$135	\$155
% Increase Funded--		2.0%	3.0%	3.7%	3.0%	3.8%	3.0%	3.0%	0.0%	-8.6%	2.3%	3.0%	3.4%
Index Factor--		1.5%	2.2%	2.0%	3.0%	3.0%	2.5%	3.0%	1.2%	1.2%	2.3%	3.0%	1.6%

The above information does not include one-time increases to school funding.

One-time increases were funded in FY2004 (\$58.55/student), FY2005 (\$73.74/student), FY2007 (\$54.00/student), FY2012 (\$167.06/student), and FY2013 (\$76.80/student).

Local Need

(recent changes)

- SB157 of the 2007 legislative session created a newly defined “fall enrollment” to calculate state aid payments. (vs. Average Daily Membership previous to 2007)
- With the passage of HB1248 of the 2010 legislative session, state aid payments beginning in FY2011 were based on the current year’s fall enrollment as opposed to the previous year’s fall enrollment making budgeting more difficult.
- HB 1248 also repealed the Increasing enrollment supplement, but held the declining enrollment supplement harmless. By holding the declining enrollment supplement harmless, enrollment calculations for state aid payments now cover three years of enrollment data.
- SB 235 from the 2013 Legislative session added an adjustment for Limited English Proficient (LEP) students, which provides an additional 25% of a per student allocation for qualifying students.

Local Need – Fall Enrollment (cont.)

In general, to calculate the total fall enrollment to be used in calculating state aid for the school year, the following would be done for each school district:

- Enrollment on the last Friday in Sept. of current year (Fall Enrollment)
- Compare the current year fall enrollment to the average of the fall enrollment for the prior two years
- The larger of the two is be used for calculating state aid for the current fiscal year (referred to as state aid fall enrollment)

Examples:

	FY2013 Fall Enroll.	FY2014 Fall Enroll.	Prior 2 yr. avg.	FY2015 Fall Enroll.	State Aid Pmt.
Example 1	640	630	635	620	635
Example 2	640	630	635	650	650

Payment for 15 additional students



Local Need – Fall Enrollment

(based on the FY2015 Legislative Adopted Budget)

To come up with the local need based on fall enrollment:

State Aid Fall Enrollment x PSA = Need for Fall Enrollment

131,250 (est.) x \$4,781.14 (FY15 PSA) = **\$627,524,625**

Local Need - Small School Adjustment (SSA)

13-13-10.1. Definition of terms. Terms used in this chapter mean...

(2C)"Small school adjustment," calculated as follows:

- (a) For districts with a fall enrollment of two hundred or less, multiply 0.2 times \$4,237.72;
- (b) For districts with a fall enrollment of greater than two hundred, but less than six hundred, multiply the fall enrollment times negative 0.0005; add 0.3 to that result; and multiply the sum obtained times \$4,237.72;

Local Need – SSA (cont.)

Based on the statute, this is how the formula looks:

$$\text{Districts } \leq 200 = .2 \times 4,237.72 = \$847.54$$

$$\text{Districts } > 200 \text{ and } \leq 600 =$$

$$(.3 - .0005 \times \text{FE}) \times 4,237.72 = \text{SSA PSA}$$

$$(.3 - .0005 \times 201) \times 4,237.72 = \$845.43$$

$$(.3 - .0005 \times 300) \times 4,237.72 = \$635.66$$

$$(.3 - .0005 \times 400) \times 4,237.72 = \$423.77$$

$$(.3 - .0005 \times 500) \times 4,237.72 = \$211.89$$

$$(.3 - .0005 \times 599) \times 4,237.72 = \$ 2.12$$

$$(.3 - .0005 \times 600) \times 4,237.72 = \$ 0.00$$

In FY2014, 111 of the 151 public school districts qualified for the small school adjustment

Local Need – Limited English Proficiency adjustment (LEP)

13-13-10.1. Definition of terms. Terms used in this chapter mean...

(2D)"Limited English proficiency (LEP) adjustment," is calculated as follows:

(a) Multiply 0.25 times the per student allocation; and

(b) Multiply the product obtained in subsection (a) times the number of kindergarten through twelfth grade students who, in the prior school year, scored below level four on the state-administered language proficiency assessment as required in the state's consolidated state application pursuant to 20 USC 6311(b)(7) as of January 1, 2013;

Local Need – Putting it all Together

(based on the FY2015 Legislative Adopted budget)

Base Need Total = \$627,624,625

Small School Adjustment Total = \$ 17,583,588

LEP Adjustment Total = \$ 3,725,703

TOTAL LOCAL NEED = \$648,833,916

Local Effort

13-13-10.1. Definition of terms. Terms used in this chapter mean...

(6)"Local effort," the amount of ad valorem taxes generated in a school fiscal year by applying the levies established pursuant to § 10-12-42;

Local Effort = Property Valuations/1,000 X Levies

Property Classes & School District General Fund Levies

There are 3 classes of property that are recognized. Levies for pay 2015 were set by SB 37 from the 2014 session and are as follows:

- **Agricultural (Ag)**
 - \$1.782/\$1,000 of taxable valuation for pay 2015 taxes
- **Owner Occupied (OO)**
 - \$4.252/\$1,000 of taxable valuation for pay 2015 taxes
- **All Other (Commercial, Utilities, etc.)**
 - \$9.106/\$1,000 of taxable valuation for pay 2015 taxes

Calculating Local Effort

- Valuations represent an 85% median level of assessment as determined by the Department of Revenue
- Property taxes are based on a calendar year basis
- State aid is calculated on a fiscal year basis
- When calculating the 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
- i.e. FY2015 Local Effort is based on $\frac{1}{2}$ of taxes payable in 2014 (July – December) and $\frac{1}{2}$ of taxes payable in 2015 (January – June)

Cutler/Gabriel

(setting the levies)

- Per statute, general fund levies of a school district must be adjusted in order for local effort to increase at the same percentage rate as local need. This means that the proportion of local effort and state aid is targeted to remain constant when setting the levies. However, any increase to the per student allocation that exceeds 3% is not a factor in the levy adjustment process.
- To comply with Cutler/Gabriel, we must look out two years when figuring proportional shares of local effort and state aid (FY2016 when budgeting for FY2015)
- This can cause the state/local proportion to be different in the budget year (FY2015), but the target is 53.8% state funding for the year succeeding the budget year (FY2016).

Cutler/Gabriel

(levy adjustment changes)

- Prior to property taxes payable in 2011, the levy adjustment for each property class was done **proportionally**.
 - Example - The state wide estimate of property taxable value growth was 5%, then typically each levy would be reduced 2% to obtain a total increase in local effort of 3%.
 - If one property class had a higher valuation growth rate than another, it would pay a slightly larger portion of local effort.
- The passage of SB 149 from the 2009 session separated the levy adjustment for Agriculture property from Non-Ag property, ensuring Ag property's contribution towards local effort remains constant (currently targeted at 18.45% of local effort).
 - Now, the growth in valuation of each property class has to be estimated individually so the Agriculture mil levy is set to target the same share of local effort (approximately 18.45%).

Local Effort – Calculations

SCHOOL DISTRICT GENERAL FUND LEVIES

	AG	Owner Occ	Other/Utilities
2011 pay 2012	\$2.388	\$3.965	\$8.491
2012 pay 2013	\$2.322	\$4.029	\$8.628
2013 pay 2014	\$2.090	\$4.296	\$9.200
2014 pay 2015 est	\$1.782	\$4.252	\$9.106

STATE AID PROPERTY VALUATIONS TOTAL

	AG	Owner Occ	Other/Utilities	Total
2011 pay 2012	\$21,199,956,763	\$23,897,051,510	\$15,422,245,257	\$60,519,253,530
2012 pay 2013	\$23,008,211,055	\$23,862,359,867	\$15,547,711,043	\$62,418,281,965
2013 pay 2014	\$27,031,806,559	\$24,811,653,067	\$15,951,422,048	\$67,794,881,674
2014 pay 2015 est	\$30,545,941,412	\$25,307,886,128	\$16,110,936,268	\$71,964,763,808
Assumed growth for pay 2015	13%	2%	1%	

AMOUNT RAISED (Valuation/\$1,000 x Levy)

	AG	Owner Occ	Other/Utilities	Total
2011 pay 2012	\$50,625,497	\$94,751,809	\$130,950,284	\$276,327,590
2012 pay 2013	\$53,425,066	\$96,141,448	\$134,145,651	\$283,712,165
2013 pay 2014	\$56,496,476	\$106,590,862	\$146,753,083	\$309,840,420
2014 pay 2015 est	\$54,432,868	\$107,609,132	\$146,706,186	\$308,748,185

FY15 ESTIMATE OF LOCAL EFFORT

	AG	Owner Occ	Other/Utilities	Total
1/2 pay 14 Est.	\$28,248,238	\$53,295,431	\$73,376,541	
1/2 pay 15 Est.	\$27,216,434	\$53,804,566	\$73,353,093	
TOTAL	\$55,464,672	\$107,099,997	\$146,729,634	\$309,294,303

State Share

(based on Legislative Adopted FY2015 budget)

State Share = Local Need – Local Effort
+ Valuation “lost” in formula

State Share = \$648,833,916
- \$309,294,303
+ \$ 2,999,067

FY2015 Budget = \$342,538,680 State Share

For More Information

Jim Terwilliger – Bureau of Finance and Management

- jim.terwilliger@state.sd.us
- Phone (605) 773-3411

Property Taxes in South Dakota: Current Status and Future Issues

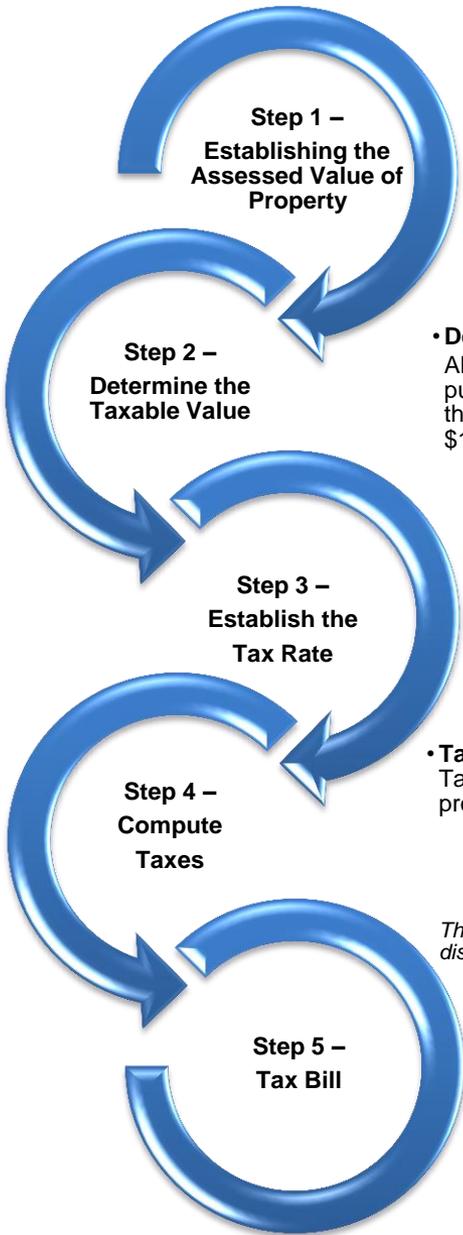
Presented by
Michael Houdyshell, Director
Property and Special Taxes Division
SD Department of Revenue

What is the Property Tax?

- The property tax is an *ad valorem* tax on all property that has been deemed taxable by the South Dakota Legislature. *Ad valorem* refers to a tax imposed on the value of something (as opposed to quantity or some other measure). The property tax is the primary source of revenue for local governments. The State does not collect or spend any property tax revenue.
- SDCL 10-4-1. All real property in this state and the property of corporations existing or hereafter created, and the property of all banks or banking companies existing or hereafter created, except such as is hereinafter expressly excepted, is subject to taxation; and such property, or the value thereof, shall be entered in the list of taxable property for that purpose, in the manner prescribed in chapter 10-6.
- SD Constitution, Art. 11, § 2. To the end that the burden of taxation may be equitable upon all property, and in order that no property which is made subject to taxation shall escape, the Legislature is empowered to divide all property including moneys and credits as well as physical property into classes and to determine what class or classes of property shall be subject to taxation and what property, if any, shall not be subject to taxation. Taxes shall be uniform on all property of the same class, and shall be levied and collected for public purposes only. Taxes may be imposed upon any and all property including privileges, franchises and licenses to do business in the state. Gross earnings and net incomes may be considered in taxing any and all property, and the valuation of property for taxation purposes shall never exceed the actual value thereof. The Legislature is empowered to impose taxes upon incomes and occupations, and taxes upon incomes may be graduated and progressive and reasonable exemptions may be provided.

History of Property Taxes in South Dakota: A Brief Timeline of Events

- Pre-1977: Counties were to assess at market value, but in practice assessed at various levels depending on the type of property.
- 1977: Legislation was passed to require assessment at market value, but counties were given the authority to set taxable percentages (not to exceed 60% of assessed value). It was common for a much lower taxable value to be assigned to agricultural land.
- 1989: Major rewrite of the property tax laws through SB 12 and SB 15. Some of the changes included:
 - Removed the counties ability to set taxable percentages
 - Adjusted statutory levy limits
 - Established minimum assessment standards, such as all property must be assessed at 85% of its market value and coefficient of dispersion (COD) of less than 30.
 - Also, Governor Mickelson brought property tax freeze legislation that froze individual property tax bills for 2 years (pay '90 and pay '91). The legislation also required a 2-year study of the property tax system to find a “fix.”
- 1992: The tax freeze expired without a “fix” for the property tax system. Property values were raised to at least 85% of market and state monies were withheld from counties that did not achieve this statutory requirement or failed to have a COD of less than 30.
- 1994: Initiated Measure 1 on the general election ballot. This measure would have limited assessment increases to a max of 1% annually or 1.25% annually if improved or transferred ownership. Failed by a narrow margin.
- 1995: Governor Janklow’s Property Tax Reduction Act and revised State aid to education formula
 - Created “owner-occupied” classification which, along with agricultural property, received a 30% tax reduction phased in over pay '97, pay '99, and pay '01 taxes.
- 2008: HB 1005 passed, creating the Agricultural Productivity Methodology for assessing agricultural land.



**Step 1 –
Establishing the
Assessed Value of
Property**

- **The full and true (assessed) value of all property in the state is determined as of the legal assessment date which is November 1 prior to the assessment year (November 1, 2011 for the 2012 assessment year, taxes payable in 2013.**
Each Director of Equalization in the 66 counties in the State is to assess all real property within the county at the full and true value. Assessment notices are sent to the property owner on or before March 1 of each year.

**Step 2 –
Determine the
Taxable Value**

- **Determine the taxable value of the property.**
All property is to be assessed at full and true value. Then the property is equalized to 85% for property tax purposes. If the county is at 100% of full and true value, then the equalization factor (the number to get to the 85% taxable value) would be 0.85. (example: full and true value of \$120,000 x 85% = taxable value of \$102,000)

**Step 3 –
Establish the
Tax Rate**

- **Determine the tax levy for all taxing jurisdictions which can tax the property.**
Tax levies for each taxing jurisdiction are determined by dividing the tax levy request by the total taxable value within the taxing jurisdiction and multiplying the result by 1,000. For example, if the taxable value within a city is \$10,000,000 and the city has a tax levy request of \$100,000, the tax levy is computed as follows:

$$\text{Tax levy} - (\text{tax levy requested divided by taxable value}) \times 1,000$$

$$\text{Tax levy} - (\$100,000/\$10,000,000) \times 1,000 = \$10 \text{ per thousand}$$

**Step 4 –
Compute
Taxes**

- **Taxes are computed for individual properties.**
Taxes are computed by multiplying the taxable value times the tax levy. For example, if the person has property with taxable value of \$102,000, the property taxes for city purposes would be computed as follows:

$$\text{Taxes} = \text{taxable value (Tax levy divided by 1,000)}$$

$$\text{Taxes} = \$102,000 \times (\$10/1,000) = \$1,020$$

This same step is done for this property for each taxing district that can tax the property, such as county, city, school, fire district, etc. The sum would be the total property taxes due on the property.

**Step 5 –
Tax Bill**

- **Tax bills are sent to property owner.**
Taxes are due and payable January 1 of the year following assessment (2012 assessment, taxes are due and payable January 1, 2013). They do not become delinquent if one-half of the taxes are paid before May 1 and the remaining half paid before November 1. All property taxes are paid to the county treasurer in the county where the property is located.

Step 1 – Establishing the Assessed Value of Property

- Pursuant to state law, all property is to be assessed at its market (full and true) value. Market value is the amount the property would probably sell for if sold on the open market. SDCL 10-6-33. For Agricultural land, market value is defined as its “agricultural income value” as determined by the productivity methodology. SDCL 10-6-33.34.
- Value is determined using the three approaches to value:
 - Cost Approach: the estimated cost of replacing property (structures), taking into account the age and condition of the structure, then adding the value of the land.
 - $V = (RCN-D) + LV$
 - Marshall and Swift/Vanguard Cost Manuals
 - Market (Sales Comparison) Approach: comparing the property to similar properties that have recently been sold.
 - Income Approach: using the value of the projected income for a property to determine its value.
 - $V = I/R$
- Agricultural land is assessed using the productivity methodology.

Step 2 – Determining the Taxable Value

- For tax purposes, all property is equalized to 85% of its full and true value.
 - Examples:
 - County is at 100% full and true value. The equalization factor would be 0.85 ($0.85/1.00 = 0.85$). A property with an assessed value of \$120,000 would have a **taxable value** of \$102,000 ($120,000 \times 0.85 = 102,000$).
 - County is at 90% full and true value. The equalization factor would be 0.944 ($0.85/0.90 = 0.944$). A property with an assessed value of \$120,000 would have a **taxable value** of \$113,280 ($120,000 \times .944 = 113,280$).
- The Department of Revenue determines an equalization factor for each county and each class of property annually. SDCL §§ 10-3-41, 10-6-33.34, 10-12-42, 10-13-37.1.

Step 3 – Establishing the Tax Rate

- Tax levies for each taxing jurisdiction are determined by dividing the tax levy request by the total taxable value within the taxing jurisdiction and multiplying the result by 1,000.
 - Example: Taxable value within a municipality is \$10,000,000. The municipality has a tax request of \$100,000. The tax levy is computed as follows:
 - $(\$100,000/\$10,000,000) \times 1,000 = \10 per thousand (10 mills)

Step 4 – Computing the Tax

- Property taxes for individual properties are computed by multiplying the taxable value by the tax (mill) levy.
 - Example: Taxable value of property is \$102,000. The municipal tax levy is \$10 per thousand. Property tax on this property for city purposes would be:
 - $\$102,000 \times (\$10/1,000) = \$1,020$
 - This same computation is performed for each taxing jurisdiction that can tax the property, with the sum of all taxes for each taxing jurisdiction being the total property taxes due on the property.

Step 5 – Presenting the Tax Bill

- Property tax bills are sent out to all property owners of record and are paid to the County Treasurer of the county where the property is located. SDCL 10-21-1.1 specifies what information must be included on the tax bill.
- Property tax are due and payable (and become a lien against the property) on January 1 of the year following assessment. For example, for the 2012 assessment, taxes are due and payable January 1, 2013.
- Property taxes do not become delinquent if 50% of the taxes due are paid before May 1 and the remaining 50% are paid before November 1.

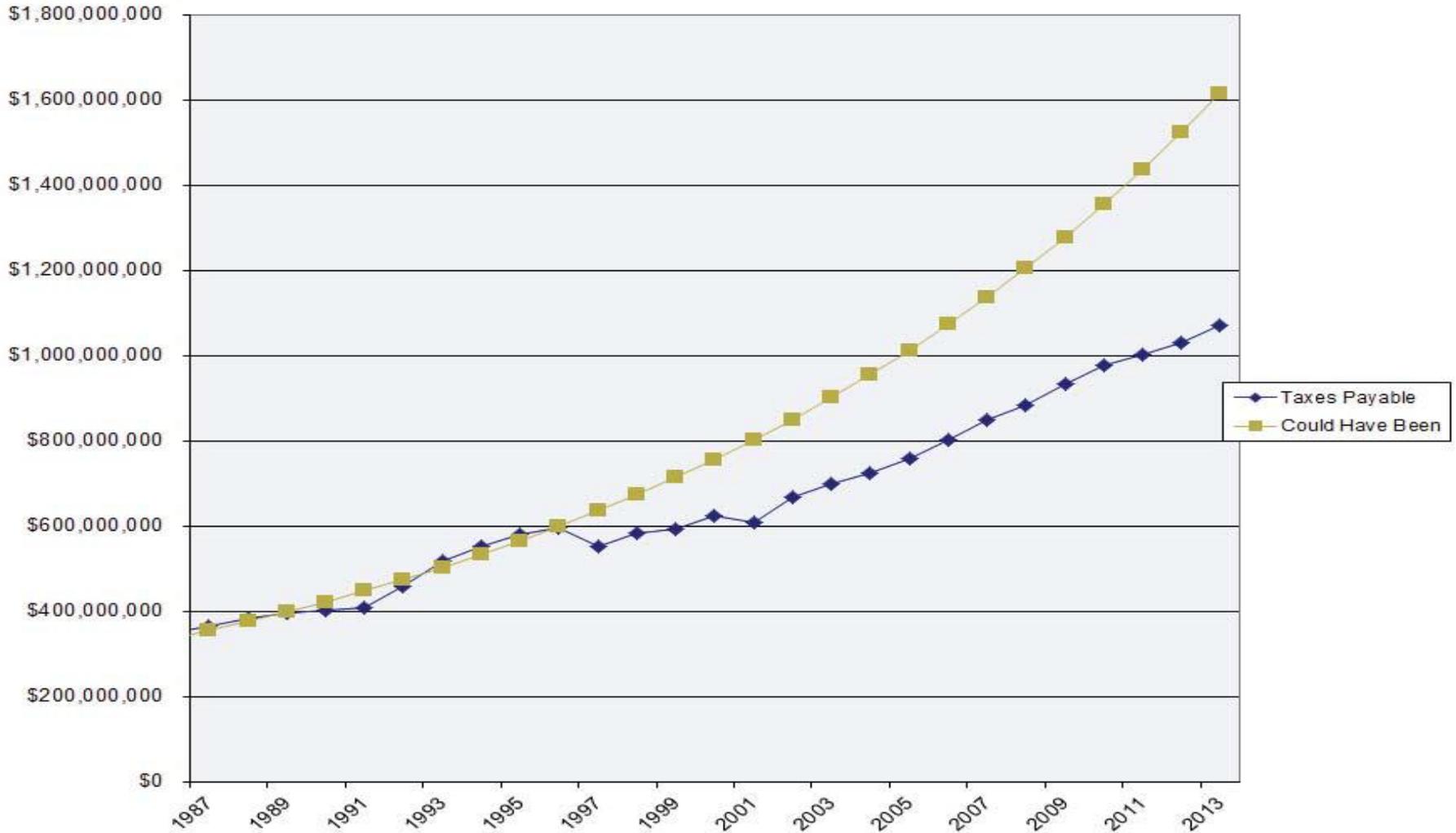
Property Tax Limitation System

- South Dakota has two independent systems that limit the growth of property taxes.
 - **State aid to education payments** replace property taxes for schools that would otherwise be paid by owners of agricultural property and owner-occupied houses.
 - **Property tax caps** limit the amount of property taxes that local governments can collect from property owners.

Property Tax Limitation System

- Property tax caps (continued)
 - Local governments are limited to the amount of property taxes they collected the prior year, PLUS an increase for inflation based upon the consumer price index or 3%, whichever is less, and growth (new construction within the taxing jurisdiction).
 - Example:
 - Municipality has a total property valuation of \$100 million and collected \$300,000 in property taxes by imposing a 3 mill tax levy last year. Current year CPI is 2% and residential development added \$1 million of new value (growth). Values of existing properties increased to \$109 million.
 - Municipality can increase its prior year tax request by 3% (2% for CPI + 1% for growth), or \$9,000, for a total current year request of \$309,000.
 - To prevent going over the cap, the tax rate applied to the \$110 million of property in the municipality (\$109 million of existing value + \$1 million of new growth) would be automatically lowered from 3 mills to 2.81 mills ($\$309,000 / 110,000,000 \times 1,000 = 2.81$ per thousand)

Projected Historical Growth v. Actual Growth of Property Taxes since the Implementation of the SD Property Tax Limitation System

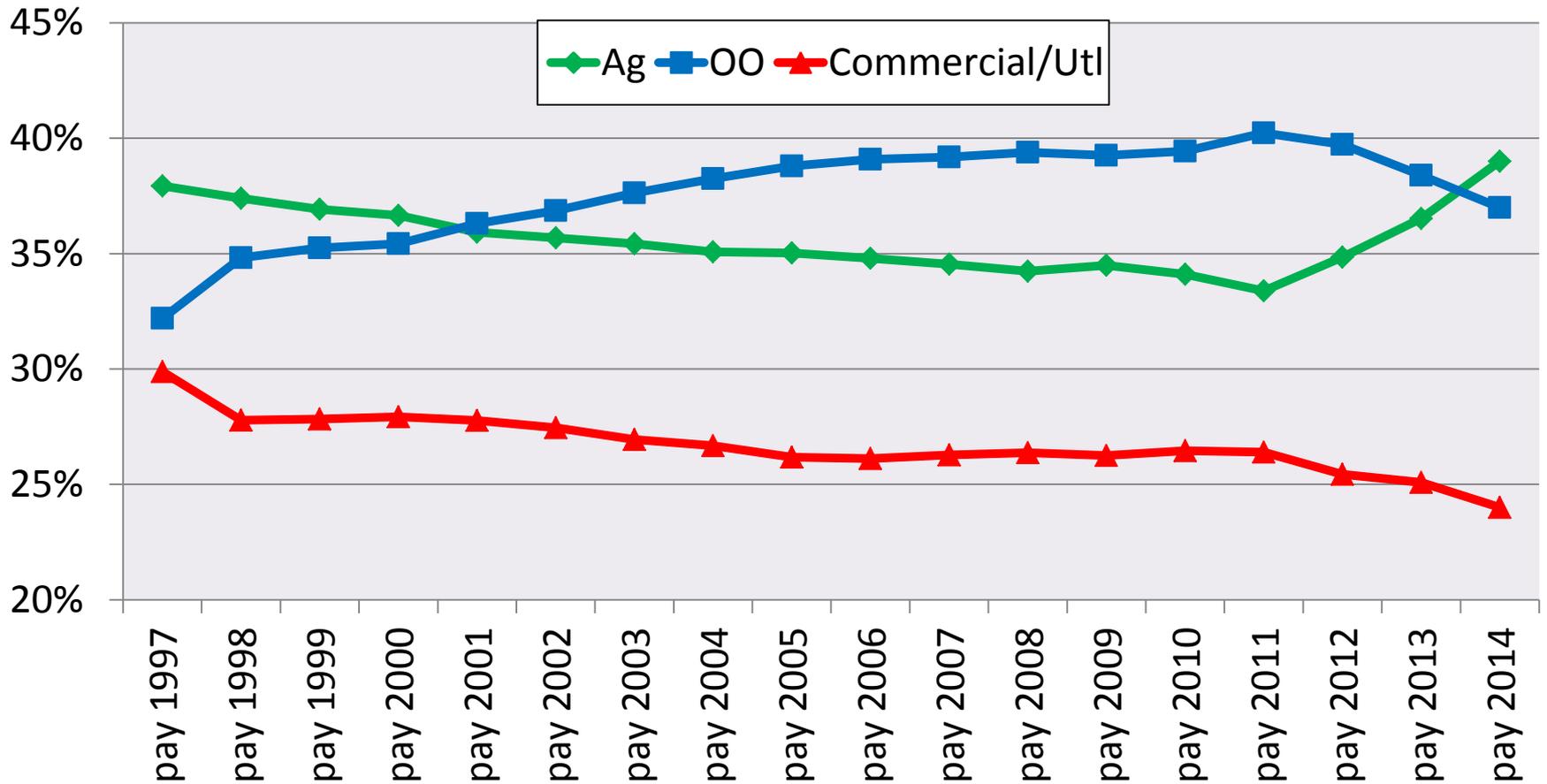


Valuation by Class

(all figures equalized to 85%)

For Taxes Payable in	Agricultural	% of Total	Owner-Occupied	% of Total	Commercial	% of Total	Utilities	% of Total	TOTAL
1997	9,259,272,144	37.93	7,858,629,904	32.19	6,303,119,711	25.82	993,262,603	4.07	24,414,284,362
1998	9,700,112,744	37.40	9,031,445,601	34.82	6,222,551,169	23.99	982,426,625	3.79	25,936,536,139
1999	10,114,313,818	36.92	9,654,685,197	35.24	6,580,244,560	24.02	1,045,087,867	3.81	27,394,331,442
2000	10,759,050,990	36.65	10,400,962,518	35.43	7,072,312,159	24.09	1,125,213,808	3.83	29,357,539,475
2001	11,062,162,236	35.93	11,177,769,905	36.30	7,445,797,194	24.18	1,106,170,590	3.59	30,791,899,925
2002	11,549,861,305	35.68	11,934,525,973	36.87	7,753,707,599	23.95	1,134,307,137	3.50	32,372,402,014
2003	12,277,695,126	35.43	13,038,052,643	37.62	8,212,742,597	23.70	1,126,545,169	3.25	34,655,035,535
2004	13,085,504,017	35.07	14,269,607,712	38.25	8,811,374,289	23.62	1,141,657,751	3.06	37,308,143,769
2005	14,015,749,247	35.03	15,523,846,537	38.79	9,362,992,929	23.40	1,113,225,824	2.78	40,015,814,537
2006	15,097,290,060	34.80	16,954,988,100	39.08	10,238,689,250	23.60	1,093,714,459	2.52	43,384,681,869
2007	16,427,689,981	34.54	18,633,455,339	39.18	11,336,818,639	23.84	1,158,792,774	2.44	47,556,756,733
2008	17,688,985,934	34.23	20,353,223,881	39.39	12,504,672,828	24.20	1,124,579,669	2.18	51,671,462,309
2009	19,058,117,169	34.49	21,687,103,039	39.25	13,334,072,762	24.13	1,169,829,792	2.12	55,249,122,762
2010	19,690,137,457	34.11	22,768,420,477	39.44	14,051,480,469	24.34	1,222,801,442	2.12	57,732,839,845
2011	19,691,529,066	33.38	23,726,031,354	40.22	14,345,035,001	24.32	1,222,426,811	2.07	58,985,022,232
2012	21,198,601,461	34.84	24,168,972,982	39.72	14,186,603,573	23.32	1,289,522,163	2.12	60,843,700,179
2013	23,009,157,595	36.52	24,187,671,139	38.39	14,543,781,399	23.09	1,258,762,412	2.00	62,999,372,545
2014	27,030,037,696	39.25	25,257,137,668	36.68	15,056,727,633	21.87	1,517,745,140	2.20	68,861,648,137

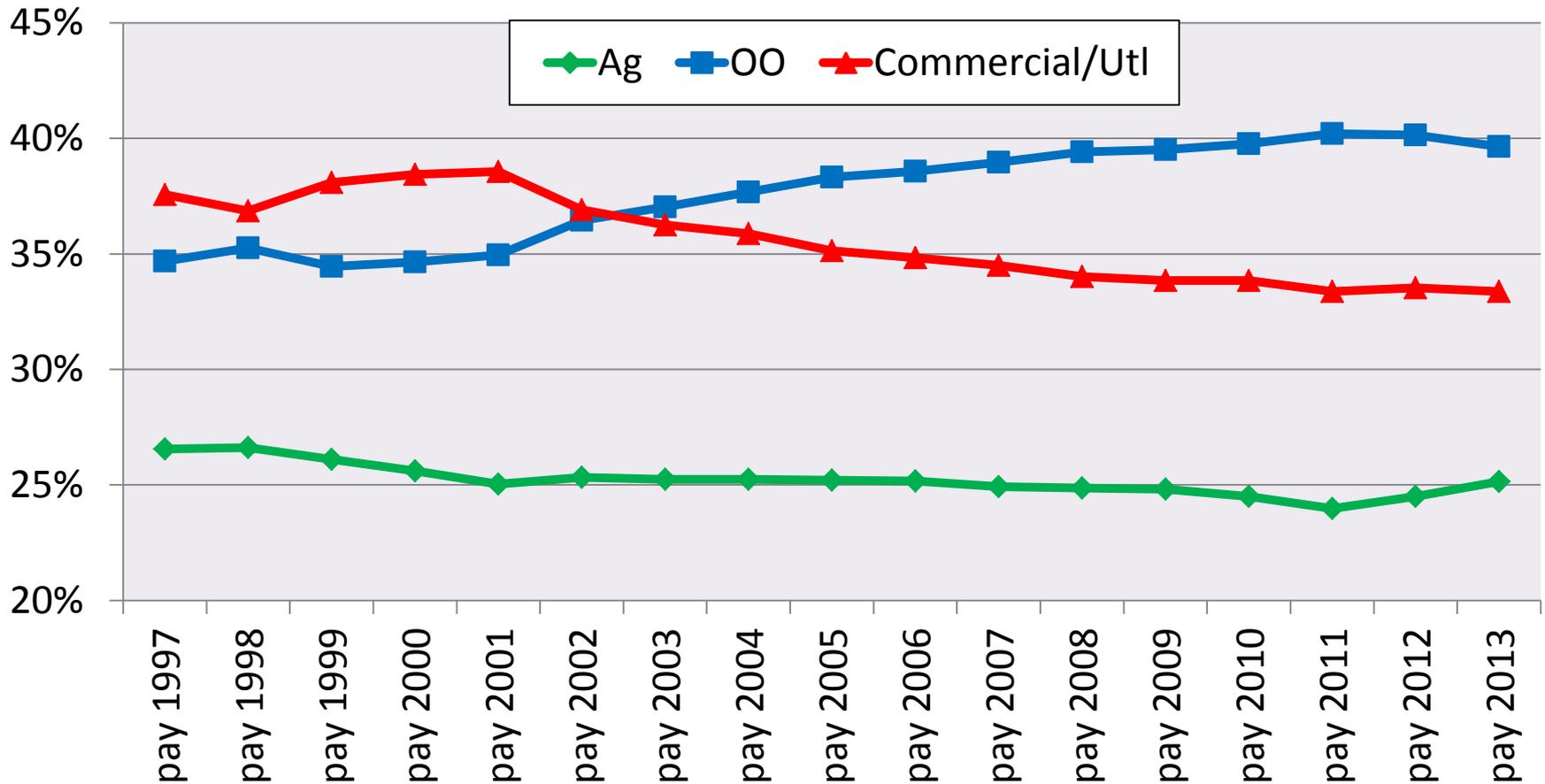
Valuation by Class as % of Total



Property Taxes: Who Pays?

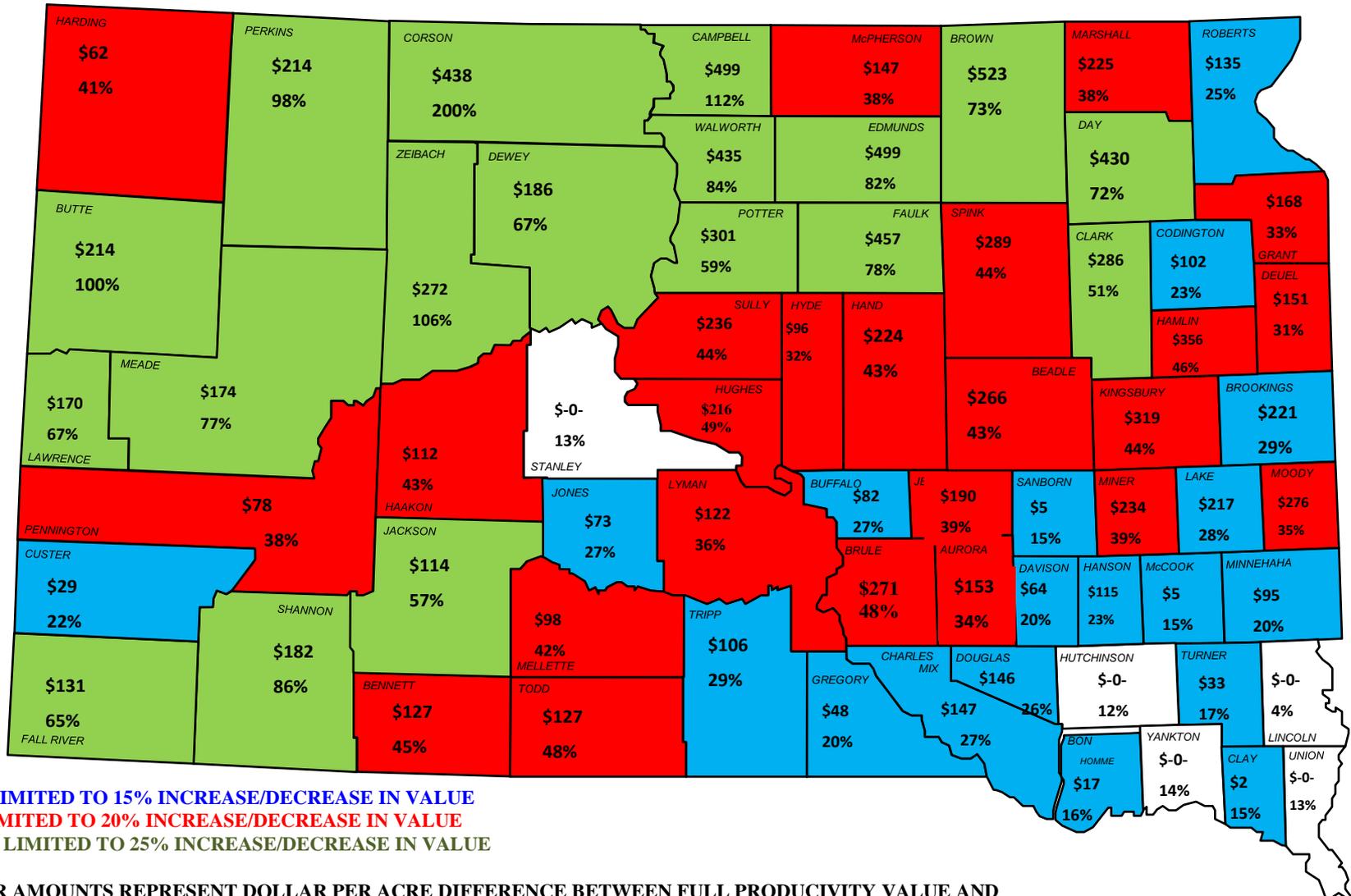
Year Taxes are Payable	Agricultural	% Of Total	Owner-occupied	% Of Total	Commercial	% Of Total	Utilities	% Of Total	Special Assessments	% Of Total	TOTAL
* 1997 *	146,728,901	26.55	191,658,393	34.68	176,930,052	32.02	30,657,682	5.55	6,597,665	1.19	552,572,695
1998	154,812,969	26.61	205,112,642	35.26	186,243,621	32.01	28,209,233	4.85	7,378,706	1.27	581,757,172
1999	154,433,143	26.10	203,873,029	34.46	195,619,643	33.06	29,712,277	5.02	8,011,655	1.35	591,649,747
2000	159,507,395	25.61	215,800,767	34.65	207,037,885	33.24	32,359,737	5.20	8,165,303.93	1.31	622,871,087
2001	151,921,309	25.04	212,091,514	34.96	204,708,863	33.74	29,235,927	4.82	8,783,549.72	1.45	606,741,163
2002	168,958,956	25.33	243,144,972	36.45	215,460,653	32.30	30,814,549	4.62	8,774,865.67	1.32	667,153,996
2003	176,354,349	25.24	258,757,664	37.03	222,277,922	31.81	31,052,406	4.44	10,279,052.77	1.47	698,721,394
2004	183,027,601	25.24	273,180,527	37.67	229,836,765	31.69	30,282,567	4.18	8,835,377.91	1.22	725,162,838
2005	190,743,858	25.21	289,985,539	38.32	236,891,146	31.31	28,975,635	3.83	10,120,766.02	1.34	756,716,943
2006	202,173,330	25.17	309,831,254	38.58	252,523,983	31.44	27,191,751	3.39	11,422,093	1.42	803,142,410
2007	211,381,559	24.93	330,332,434	38.96	267,236,569	31.52	25,266,119	2.98	13,675,583	1.61	847,892,758
2008	219,709,028	24.87	348,147,127	39.41	277,552,244	31.42	22,957,006	2.60	15,057,152	1.70	883,422,556
2009	231,587,046	24.81	368,765,290	39.51	292,805,927	31.37	23,025,217	2.47	17,091,242	1.83	933,274,722
2010	239,627,362	24.50	388,867,662	39.76	307,499,562	31.44	23,463,130	2.40	18,467,990	1.89	977,925,706
2011	240,496,832	23.97	403,337,138	40.21	312,194,141	31.12	22,646,984	2.26	24,485,447	2.44	1,003,160,542
2012	252,715,223	24.50	414,066,249	40.14	321,656,276	31.18	24,275,738	2.35	18,819,754	1.83	1,031,533,239
2013	269,377,688	25.14	424,725,465	39.64	331,147,206	30.91	26,337,906	2.46	19,768,706	1.83	1,071,356,971

Who Pays: Property Taxes Paid by Class as % of Total



2014 Cropland Productivity Valuations

(all figures equalized to 85%)



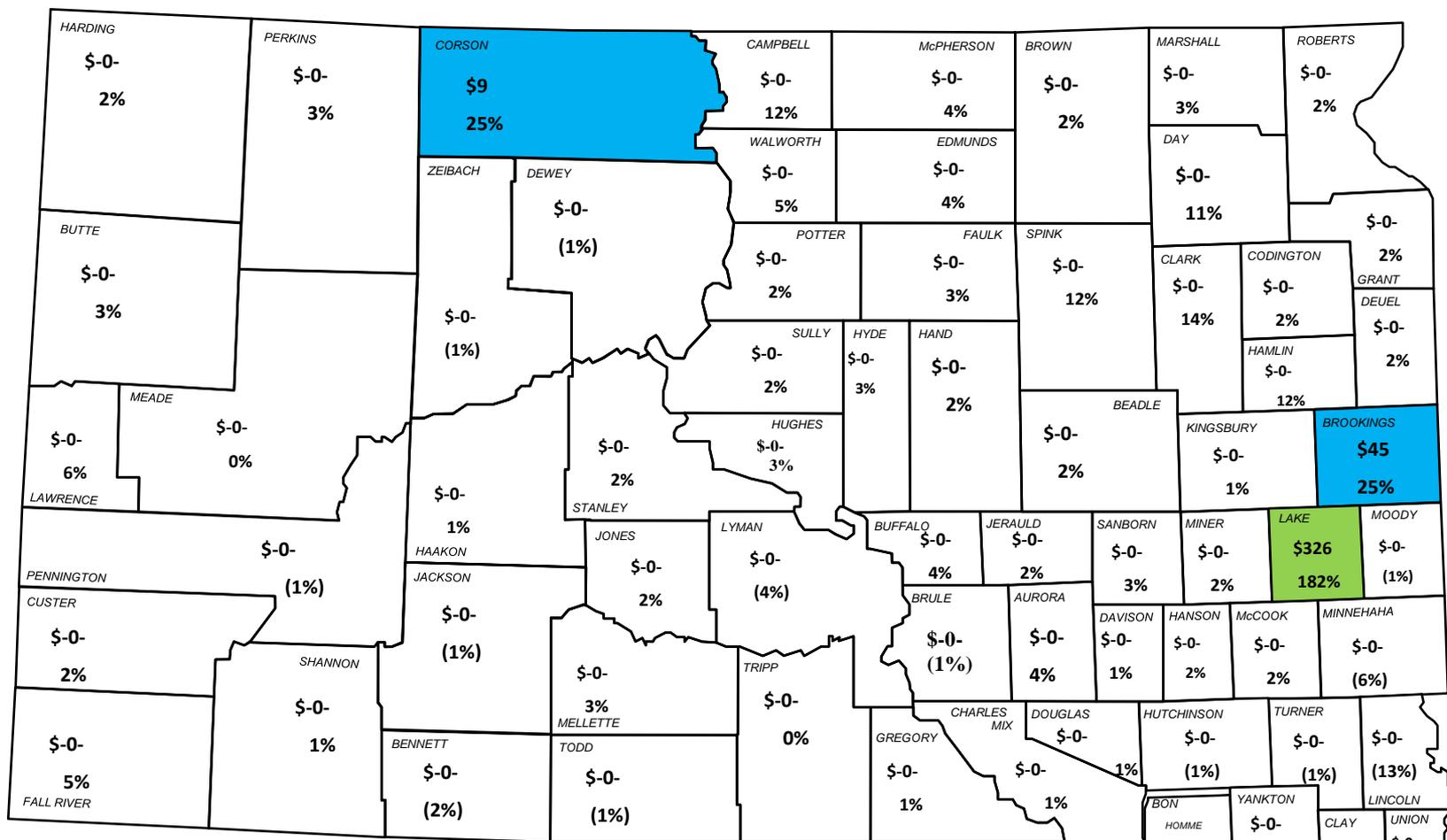
BLUE – LIMITED TO 15% INCREASE/DECREASE IN VALUE
RED – LIMITED TO 20% INCREASE/DECREASE IN VALUE
GREEN – LIMITED TO 25% INCREASE/DECREASE IN VALUE

***DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2014 LIMITED PRODUCTIVITY VALUE.**

****PERCENTAGES REPRESENT PERCENT CHANGE FROM 2013 LIMITED PRODUCTIVITY VALUE TO 2014 FULL PRODUCTIVITY VALUE.**

2014 Noncropland Productivity Valuations

(all figures equalized to 85%)



BLUE – LIMITED TO 15% INCREASE/DECREASE IN VALUE

RED – LIMITED TO 20% INCREASE/DECREASE IN VALUE

GREEN – LIMITED TO 25% INCREASE/DECREASE IN VALUE

***DOLLAR AMOUNTS REPRESENT DOLLAR PER ACRE DIFFERENCE BETWEEN FULL PRODUCTIVITY VALUE AND 2014 LIMITED PRODUCTIVITY VALUE.**

****PERCENTAGES REPRESENT PERCENT CHANGE FROM 2013 LIMITED PRODUCTIVITY VALUE TO 2014 FULL PRODUCTIVITY VALUE.**

Capital Outlay Taxes

Capital Outlay Fund Uses

- SDCL 13-16-6: 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
 - the purchase or lease (1996) of equipment
 - may also be used for installment or lease-purchase (1989) payments for the purchase of real property, plant, or equipment
 - Transportation costs (1997), including mileage reimbursement (2006) (not to exceed 15% of the cost)
 - The capital outlay fund may be used to purchase textbooks and instructional software (2001).
 - The capital outlay fund may be used to purchase warranties on capital assets if the warranties do not include supplies (2002).
- **Temporary Additional Uses (SB 91 2009 Session; original sunset was 2012, but extended to June 30, 2018):**
 - **purchase of property insurance and casualty insurance**
 - **payments for energy costs and the cost of utilities**
 - **motor fuel or for any portion of a contract providing transportation to students or for any mileage reimbursements.**
 - **total amount of these expenses may not exceed forty-five percent (45%) of the total tax revenues**

Capital Outlay Fund Flexibility Expenditures by Year

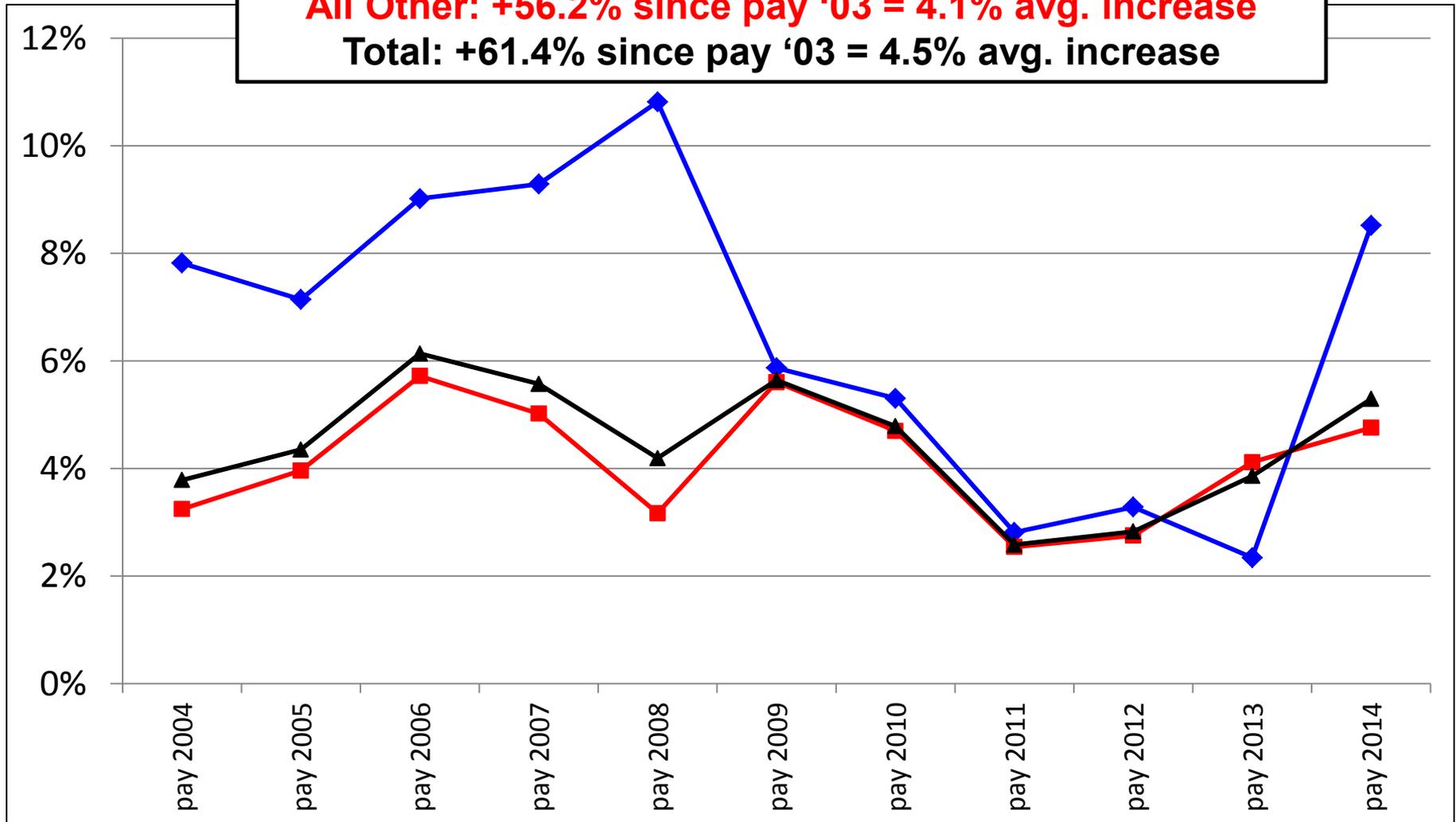
School Year	Utilities	Contracted Bus Services	Mileage Paid in lieu of Busing	Motor Fuel	Property and Casualty Insurance	TOTAL
FY2013	\$8,328,113	\$3,614,765	\$200,763	\$1,740,249	\$1,226,091	\$15,109,981
FY2012	\$8,418,954	\$2,883,791	\$202,159	\$1,956,237	\$1,543,609	\$15,004,749
FY2011	\$4,252,007	\$2,834,471	\$125,064	\$810,339	\$587,428	\$8,609,308
FY2010	\$1,576,172	\$2,189,970	\$123,902	\$411,579	\$640,743	\$4,942,365
FY2009	\$0	\$985,171	\$14,306	\$34,919	\$0	\$1,034,396

Capital Outlay Fund Levies

- For Pay 2014
 - 6 Districts levied at 0.000
 - 8 levied between 0.230 and 0.848
 - 32 levied between 1.000 and 1.980
 - 65 levied between 2.000 and 2.993
 - 40 school districts levied at the maximum of \$3.000/\$1,000
 - 0 districts levied above 3.000

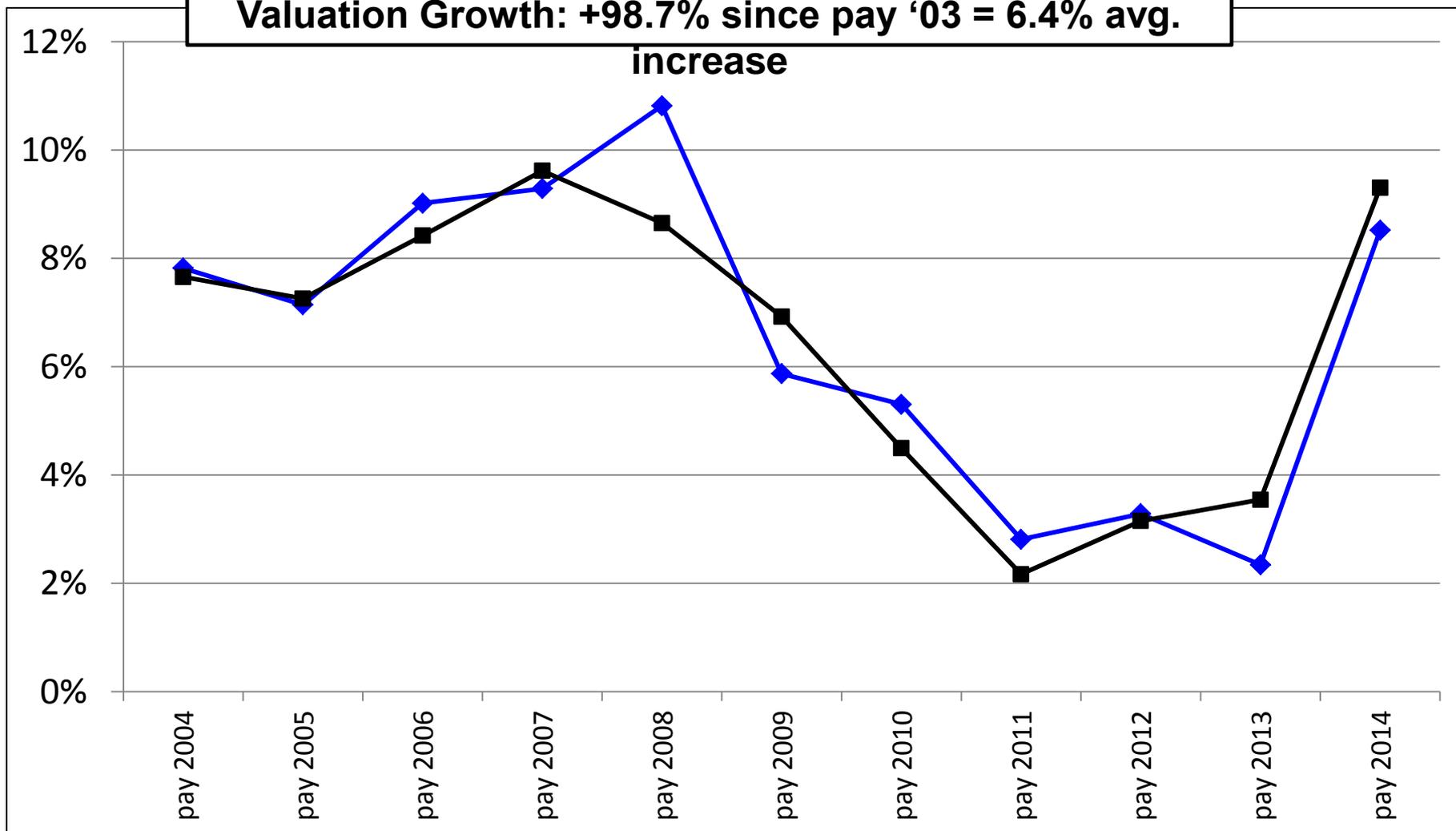
Growth of Taxes Payable: **Capital Outlay** vs. **All Other (excludes CO)** vs. **Total**

CO: +100.5% since pay '03 = 6.5% avg. increase
All Other: +56.2% since pay '03 = 4.1% avg. increase
Total: +61.4% since pay '03 = 4.5% avg. increase



Growth Comparison: Capital Outlay Taxes Payable vs. Total Valuation Growth

CO: +100.5% since pay '03 = 6.5% avg. increase
Valuation Growth: +98.7% since pay '03 = 6.4% avg.

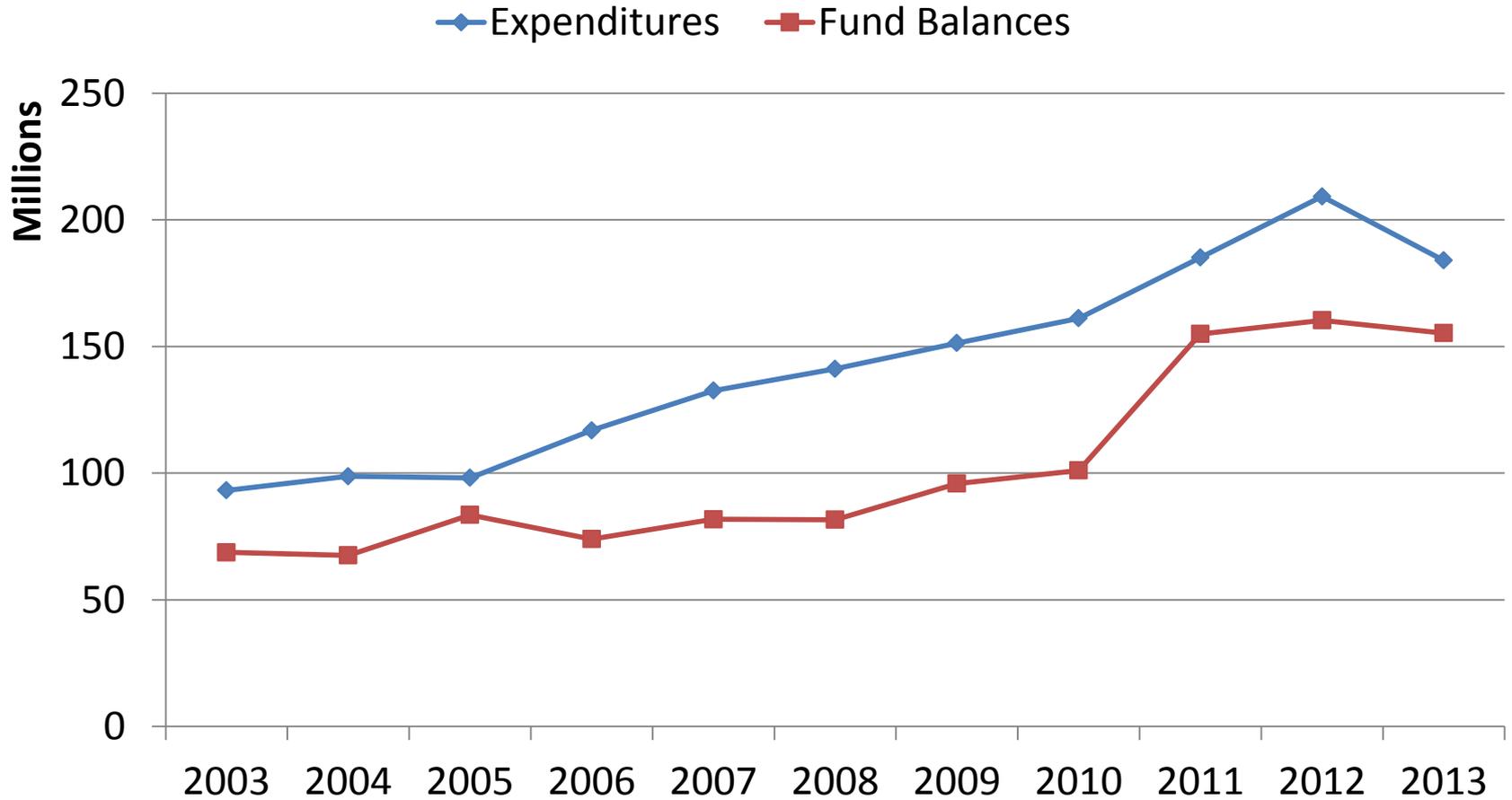


Property Taxes: Where Does the Money Go?

(With Capital Outlay)

For Taxes Payable In	County	% Of Total	Municipalities	% Of Total	Schools	% Of Total	Capital Outlay (Included in Schools)	% Of Total	% Of School	Townships	% Of Total	Special Assessments	% Of Total	TOTAL
Pay 2003	172,099,579	24.63	87,349,216	12.50	417,257,623	59.72	82,322,044	11.78	19.73	11,735,923	1.68	10,279,053	1.47	698,721,394
Pay 2004	182,029,759	25.10	92,005,243	12.69	430,465,020	59.36	88,758,012	12.24	20.62	11,827,439	1.63	8,835,378	1.22	725,162,838
Pay 2005	190,946,759	25.23	96,379,649	12.74	447,203,111	59.10	95,097,727	12.57	21.26	12,066,658	1.59	10,120,766	1.34	756,716,943
Pay 2006	201,763,441	25.12	102,625,076	12.78	475,005,462	59.14	103,674,617	12.91	21.83	12,326,339	1.53	11,422,093	1.42	803,142,410
Pay 2007	215,590,027	25.43	109,964,079	12.97	495,863,786	58.48	113,305,100	13.36	22.85	12,798,789	1.51	13,675,583	1.61	847,892,264
Pay 2008	231,487,473	26.20	116,772,552	13.22	506,618,292	57.35	125,562,102	14.21	24.78	13,487,087	1.53	15,057,152	1.70	883,422,556
Pay 2009	248,284,680	26.60	124,481,492	13.34	529,246,426	56.71	132,932,134	14.24	25.12	14,170,891	1.52	17,091,242	1.83	933,274,722
Pay 2010	267,475,363	27.35	131,066,116	13.40	546,181,894	55.85	139,983,299	14.31	25.63	14,734,342	1.51	18,467,990	1.89	977,925,706
Pay 2011	268,440,562	26.76	133,749,586	13.33	560,022,922	55.83	143,918,371	14.35	25.70	16,462,026	1.64	24,485,447	2.44	1,003,160,542
Pay 2012	281,180,299	27.26	139,272,206	13.50	574,213,937	55.67	148,643,016	14.41	25.89	18,047,044	1.75	18,819,754	1.82	1,031,533,239
Pay 2013	296,987,309	27.72	145,762,092	13.61	589,839,803	55.06	152,124,104	14.20	25.79	18,999,061	1.77	19,768,706	1.85	1,071,356,971
Pay 2014	294,453,644	26.10	151,445,587	13.43	643,364,985	57.03	165,083,730	14.63	25.66	19,330,805	1.71	19,454,499	1.73	1,128,049,521
11 YR Variance	122,354,065	1.47	64,096,371	0.93	222,107,362	(2.69)	82,761,786	2.85	5.93	7,594,882	0.03	9,175,446	0.26	429,328,127

Capital Outlay Expenditures and Fund Balances – All Districts



Are Capital Outlay Levies Limited?

- SDCL 13-16-7*, which reads in part:

For taxes payable in 2012, 2013, 2014, and 2015, **the total amount of revenue payable from the levy provided in this section may not increase 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 for the taxes payable in 2010 plus any unused index factor from the previous years.** 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. A school district may increase the revenue it receives from taxes on real property above the limit provided by this section for taxes levied to pay the principal, interest, and redemption charges on any bonds issued after January 1, 2009, which are subject to referendum, scheduled payment increases on bonds and for a levy directed by the order of a court for the purpose of paying a judgment against such school district. Any school district created or reorganized after January 1, 2009, is exempt from the limitation provided by this section for a period of two years immediately following its creation.

For taxes payable in 2011, 2012, 2013, 2014, and 2015, the levy limitation of three dollars per thousand dollars of taxable valuation does not apply to any school district.

*Enacted by HB 1006 during the 2008 Legislative Session (companion legislation to HB 1005, which enacted the productivity methodology for assessing agricultural land)

Are Capital Outlay Levies Limited?

- **SDCL 13-16-7.1***

For taxes payable in 2014 and 2015, the provisions of §§ 13-10-6 and 13-16-7 that limit the maximum amount of revenue that may be generated by the pension and capital outlay tax levies do not apply to any school district that has less than a ten percent change in the total taxable valuation from the previous year of all real property in the school district, not including the increase of value resulting from any improvements or change in use of real property.

*Enacted by HB 1006 during the 2008 Legislative Session (companion legislation to HB 1005, which enacted the productivity methodology for assessing agricultural land)

What is Wrong with the Current Limitation?

- Limited

- Armour 21-1

- Pay '14 valuation = \$121,033,588
 - Pay '14 Capital Outlay = \$226,333 (1.87/1,000)
 - “Could have” levied = \$288,786 +\$62,453

- Unlimited

- Burke 26-2

- Pay '14 valuation = \$127,821,844
 - Pay '14 Capital Outlay = \$196,846 (1.54/1,000)
 - “Could have” levied = \$383,466 +\$186,620

Other Issues

- Repeal of the 150% rule for Non-Ag properties (effective July 1, 2014)
- Ag land valuations during productivity implementation
- Assessment of conservation easements and other properties with use restrictions

Questions?

Michael Houdyshell

SD Dept. of Revenue

605.773.3311

michael.houdyshell@state.sd.us

Capital Outlay Debt and Other Revenues

Presentation to the
Legislative Planning Committee
June 16, 2014

Tami Darnall
SD Department of Education

CAPITAL OUTLAY DEBT

Capital Outlay Debt

- There are 3 categories of long term debt that can be issued from the Capital Outlay Fund:
 - Capital Outlay Certificates
 - Long term debt issued with the intent to pay it back utilizing funds raised through the capital outlay levy.
 - Installment Purchase Contracts
 - 3,5,& 7 year obligations for busses, laptops, energy contracts, copiers, etc.
 - “Q Debt”
 - QSCB-Qualified School Construction Bonds
 - QZAB-Qualified Zone Academy Bonds
 - BAB-Build America Bonds
- In addition to financing long term debt from the Capital Outlay fund, school districts can also request voters to pass a special bonding levy

Outstanding Long Term Capital Outlay Debt (as of 6/30/2013)

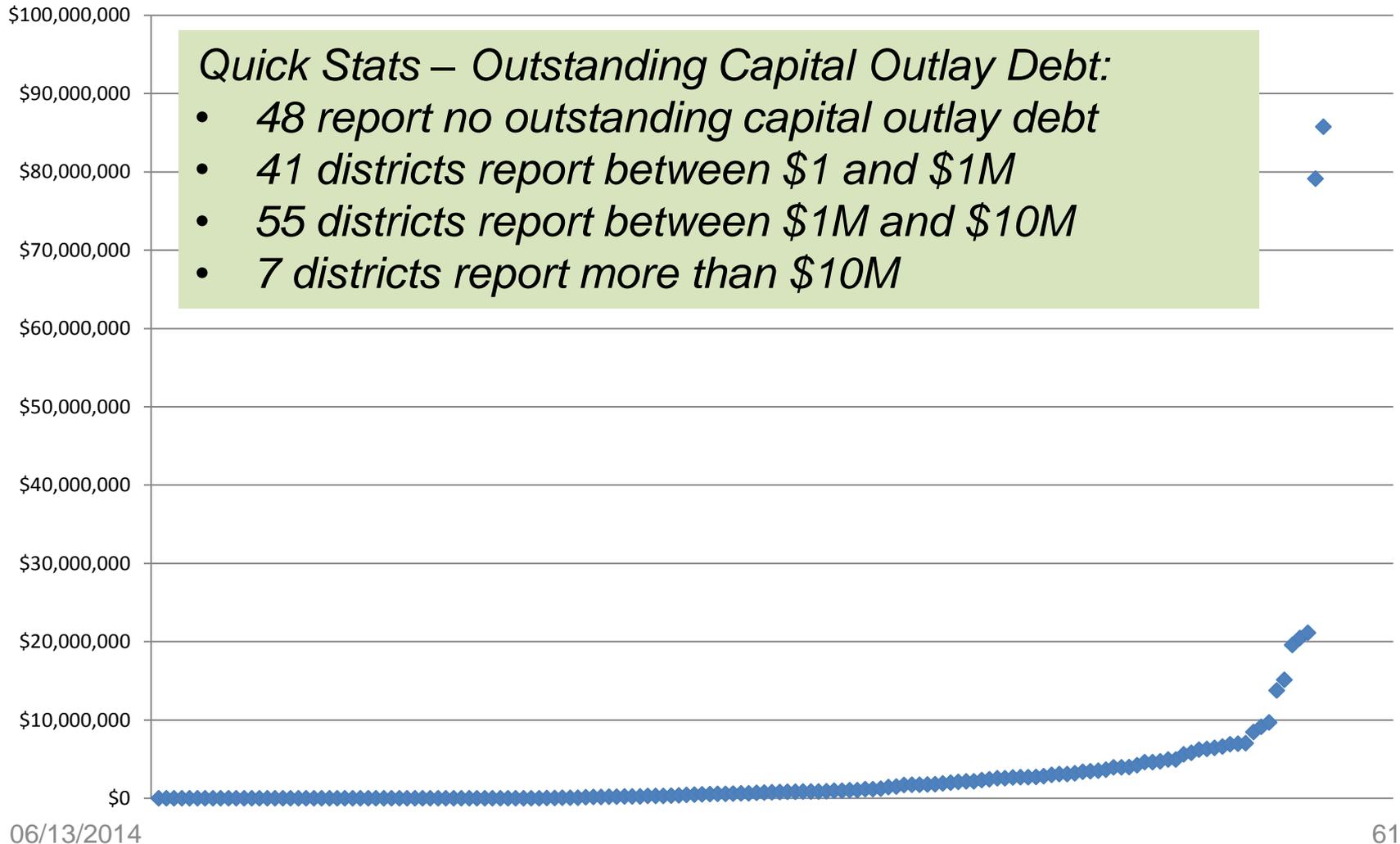
District Name	Capital Outlay Certificates	Installment Purchase Contracts	Total Q Debt (i.e., QSCB, QZAB. BAB)	Total Outstanding Debt Balance
SIOUX FALLS	\$83,900,000	\$0	\$1,835,000	\$85,735,000
RAPID CITY	\$32,805,000	\$0	\$46,310,000	\$79,115,000
HARRISBURG	\$20,550,000	\$581,646	\$0	\$21,131,646
MEADE	\$10,720,000	\$0	\$9,746,096	\$20,466,096
ABERDEEN	\$17,340,000	\$0	\$2,215,000	\$19,555,000

5 highest districts

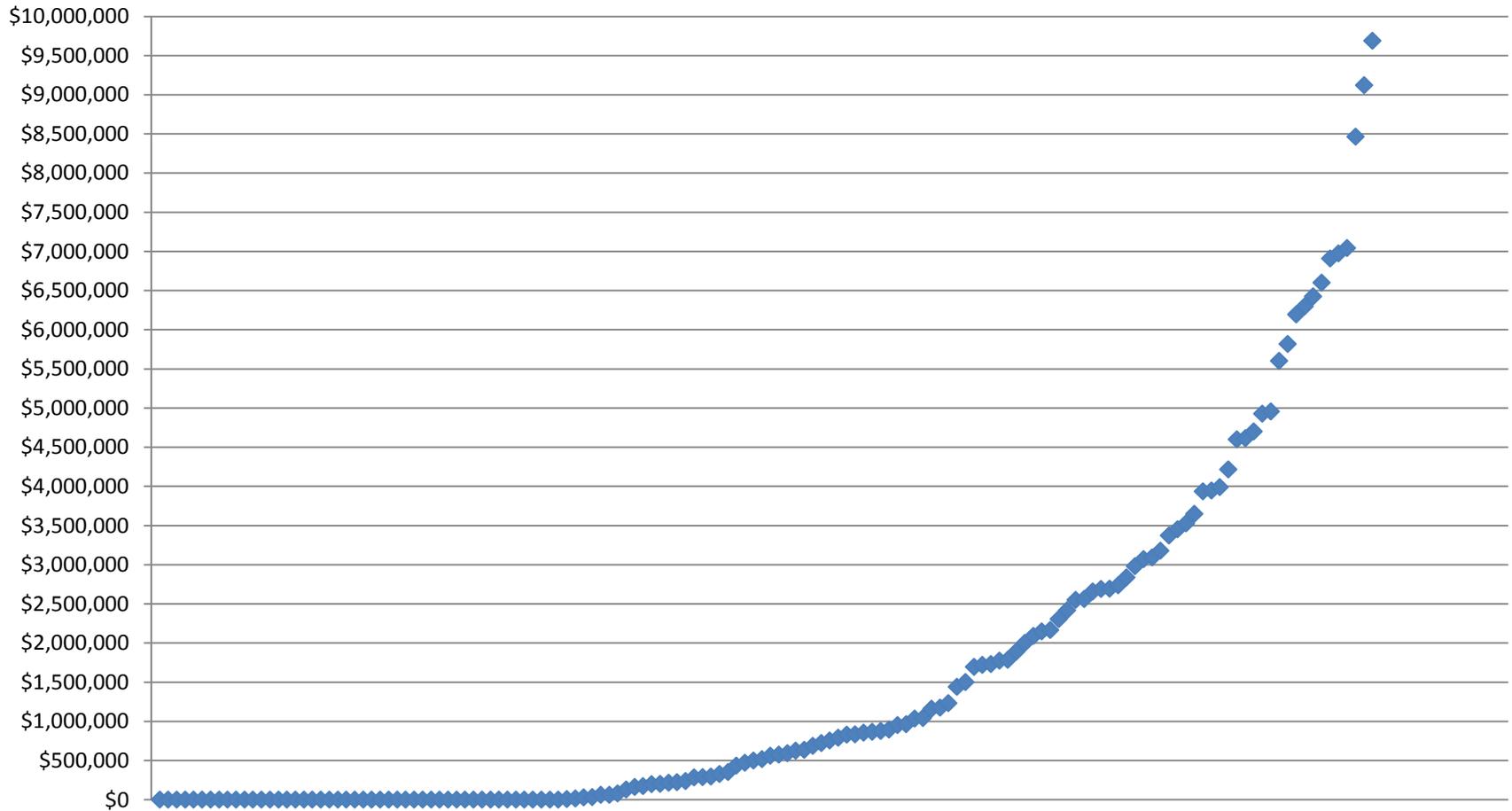
5 lowest districts
(excluding districts with no long term debt)

District Name	Capital Outlay Certificates	Installment Purchase Contracts	Total Q Debt (i.e., QSCB, QZAB. BAB)	Total Outstanding Debt Balance
WAUBAY	\$0	\$6,143	\$0	\$6,143
WARNER	\$0	\$14,691	\$0	\$14,691
MARION	\$0	\$27,593	\$0	\$27,593
CASTLEWOOD	\$0	\$29,926	\$0	\$29,926
HITCHCOCK-TULARE	\$0	\$58,705	\$0	\$58,705

Outstanding Long Term Capital Outlay Debt (as of 6/30/2013)



Outstanding Long Term Capital Outlay Debt Districts \$0 to \$10,000,000 (as of 6/30/2013)



Capital Outlay Certificates

- As per SDCL 13-16-6.2 and 13-16-6.3, school districts can issue capital outlay certificates up to 1.5% of the district's taxable valuation **without election or public hearing**.
 - In fact, if you look at the wording of the statute, it states that no election may be held if the amount is under the 1.5%.
 - Anything above that must have public hearing and may be referred to a vote.
 - This limit is **per project**.
- District total indebtedness cannot exceed 10% of the taxable valuation (Article 13-4 of the SD Constitution)
- District total accumulated unpaid principal balances from issuances from the capital outlay fund cannot exceed 3% of taxable valuation (SDCL 13-16-6)

Capital Outlay Certificate Statutes

- 13-16-6.2. Capital outlay certificates authorized--Issuance--Sale--Election--Maturity. The school board of any school district may issue capital outlay certificates to acquire or construct real property, plant, or equipment. All capital outlay certificates shall be authorized, issued, and sold in accordance with the provisions of chapter 6-8B. **However, no election other than as provided in §§ 13-16-6.3 and 13-16-6.4 may be held**, and the certificates may not have a maturity date in excess of twenty years from the date of issuance.
- 13-16-6.3. Hearing on installment purchase, lease-purchase or capital outlay certificates--Approval or reference to voters. Any proposed installment purchase contract, lease-purchase, or issue of capital outlay certificates authorized pursuant to § 13-16-6 or 13-16-6.2 which will obligate the school district for future payments on the principal, **the total of which will exceed one and one-half percent of the taxable valuation of taxable property within the district**, may not be entered into, or certificates issued, unless prior thereto the school board conducts a public hearing thereon after having given notice by publication at least twice in its official newspaper at least ten days before the hearing. Upon the hearing the board may approve the action or may refer the matter to the voters of the district.
- 13-16-6.4. Referendum petition and election on installment purchase or capital outlay certificates. Approval to enter into an agreement or issue capital outlay certificates to which § 13-16-6.3 applies is subject to a referendum if five percent of the registered voters, based upon the total number of registered voters at the last preceding general election, petition, within twenty days thereafter, to have the question of approval or disapproval of the agreement or issue of capital outlay certificates or the lease-purchase agreement placed upon the ballot at the next regular election or at a special election called for that purpose. The business manager shall give notice of the fact that the question will be on the ballot at a regular or special election as provided by law for school elections and prepare official ballots therefor according to the provisions of this title relating to elections and the issue shall be decided by sixty percent of those voting thereon.

1.5% of Total Valuation by District

10 highest by district:

District Name	1.5% of Taxable Valuation (Pay 2014)
SIOUX FALLS	\$134,871,115
RAPID CITY	\$88,293,853
ABERDEEN	\$28,391,417
WATERTOWN	\$25,494,028
MEADE	\$21,950,450
HARRISBURG	\$21,919,602
BROOKINGS	\$20,184,884
BRANDON VALLEY	\$19,779,541
YANKTON	\$17,379,446
MITCHELL	\$16,471,458

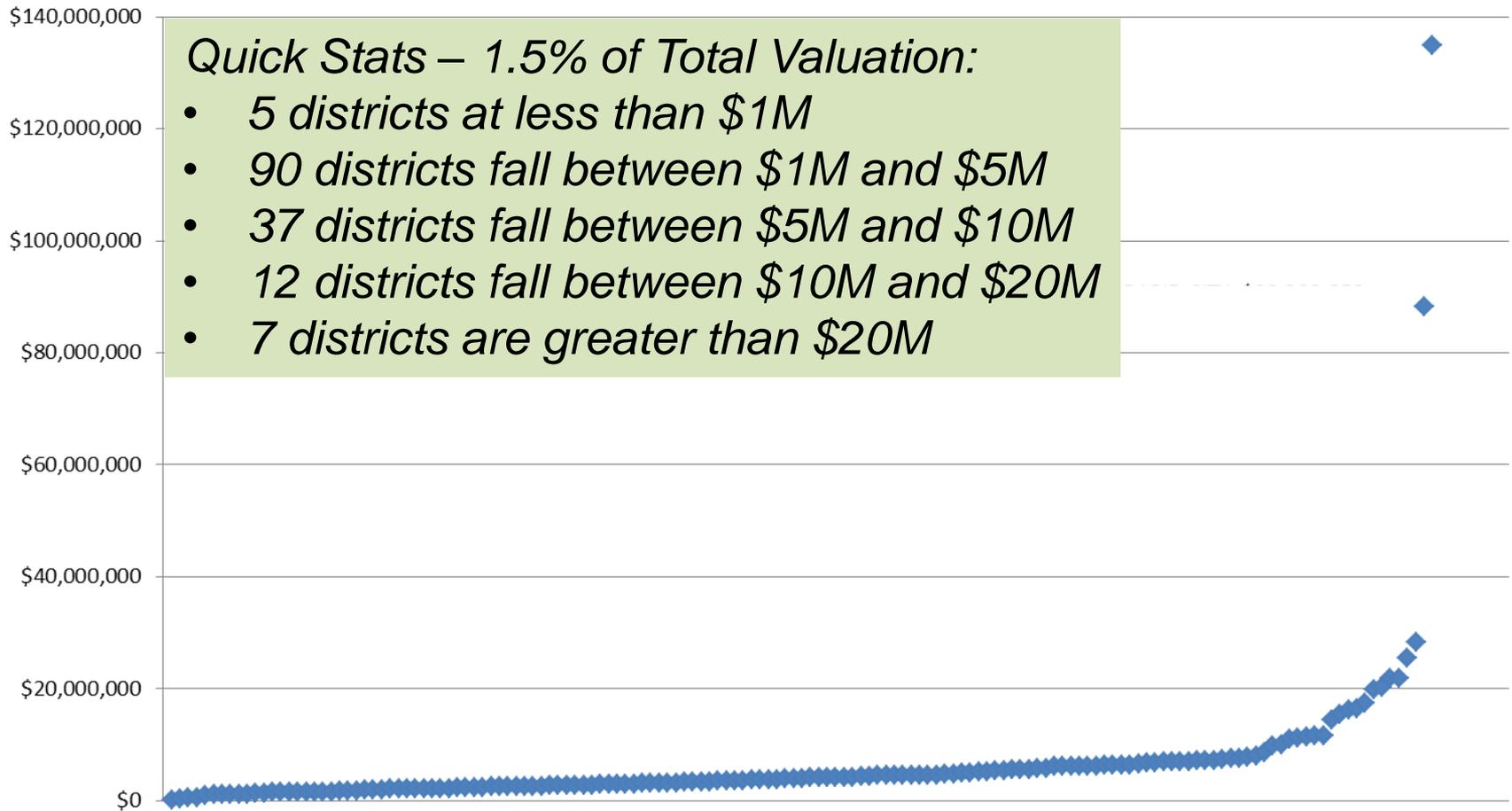
10 Lowest by district:

District Name	1.5% of Taxable Valuation (Pay 2014)
SMEE	\$91,042
SHANNON COUNTY	\$462,739
ELK MOUNTAIN	\$526,842
OELRICHS	\$665,903
BIG STONE CITY	\$921,989
MC INTOSH	\$1,090,220
MC LAUGHLIN	\$1,152,640
SUMMIT	\$1,198,927
FAITH	\$1,260,369
HENRY	\$1,262,813

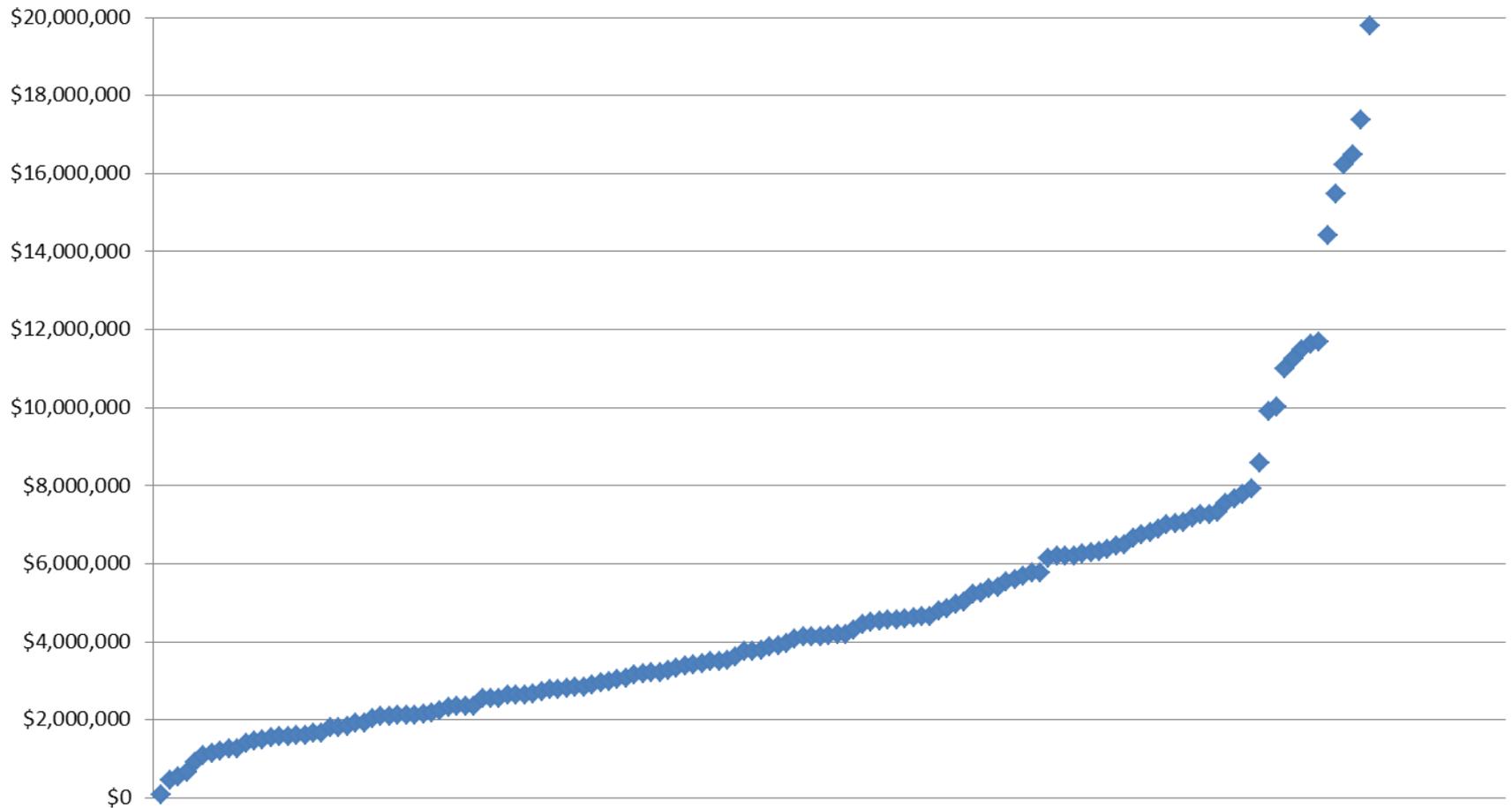
Statewide Analysis:

District Name	1.5% of Taxable Valuation (Pay 2014)
TOTAL	\$1,019,780,359
Maximum:	\$ 134,871,115
Minimum:	\$ 91,042
Average:	\$ 6,753,512
Median:	\$ 4,074,344

1.5% of Total Valuation by District



1.5% of Total Valuation by District – A Closer Look at Districts \$0 - \$20M



How Much of the Capital Outlay Fund Is Spent on Debt Service Expenditures?

- The proportion of capital outlay funds used to service long term debt varies greatly by district
 - District total accumulated unpaid principal balances from issuances from the capital outlay fund cannot exceed 3% of taxable valuation (SDCL 13-16-6)

Unpaid Capital Outlay Principal Balances as a % of Taxable Valuation

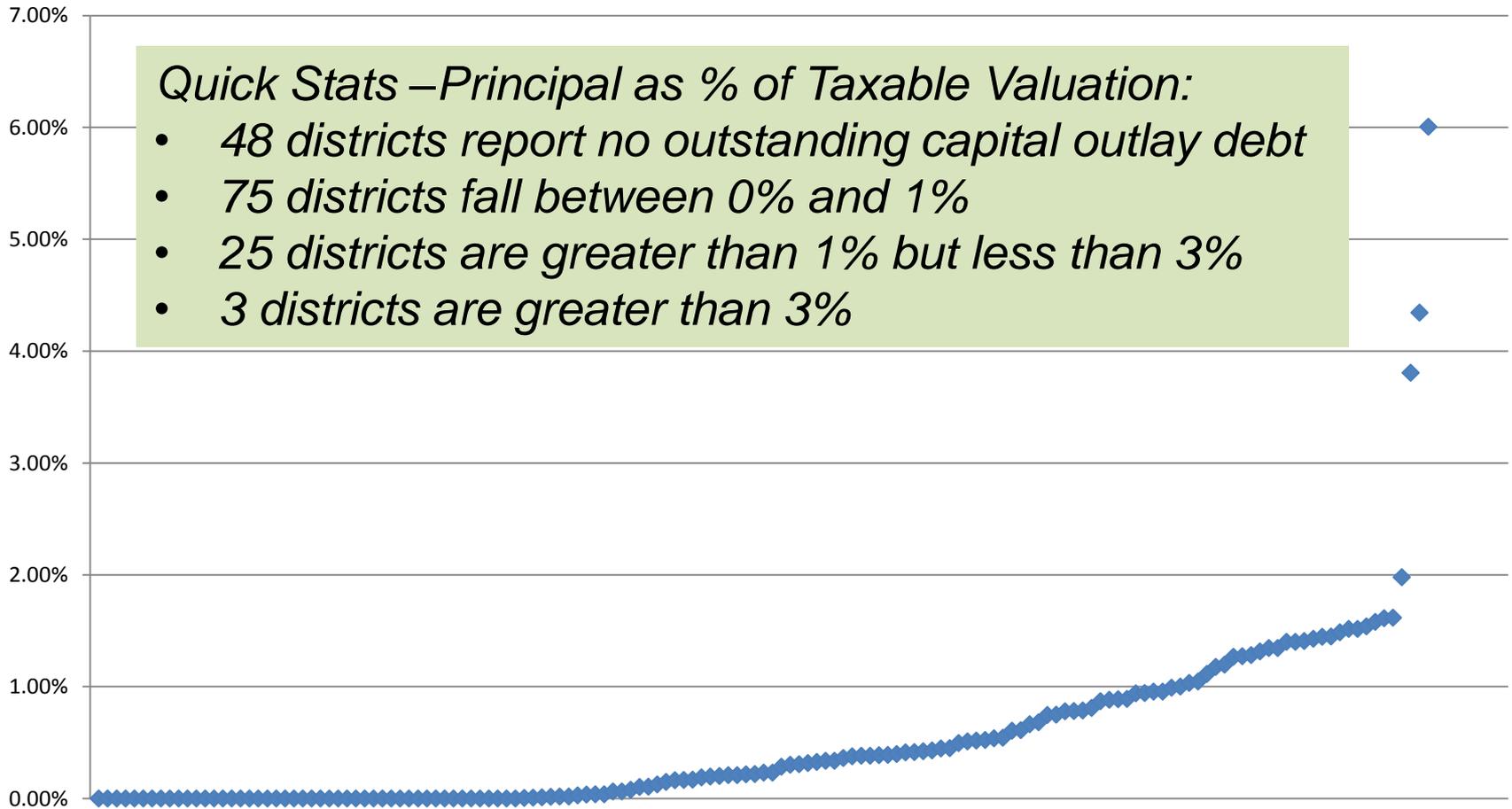
District Name	Pay 2014 Valuation	Outstanding Long Term Debt as of 6/30/2013	3% of Taxable Valuation (Pay 2014)	Unpaid Principal as a % of Taxable valuation
MC LAUGHLIN	76,842,700	\$4,613,221	\$2,305,281	6.00%
FAITH	84,024,636	\$3,648,480	\$2,520,739	4.34%
SHANNON COUNTY	30,849,301	\$1,173,655	\$925,479	3.80%
CUSTER	765,806,595	\$15,138,543	\$22,974,197	1.98%
FREEMAN	304,750,823	\$4,925,696	\$9,142,524	1.62%

5 highest districts

5 lowest districts
(excluding districts with no long term debt)

District Name	Pay 2014 Valuation	Outstanding Long Term Debt as of 6/30/2013	3% of Taxable Valuation (Pay 2014)	Unpaid Principal as a % of Taxable valuation
WAUBAY	99,296,955	\$6,143	\$2,978,908	0.01%
WARNER	174,957,414	\$14,691	\$5,248,722	0.01%
HITCHCOCK - TULARE	385,154,945	\$58,705	\$11,554,648	0.02%
CASTLEWOOD	170,438,216	\$29,926	\$5,113,146	0.02%
MARION	154,968,265	\$27,593	\$4,649,047	0.02%

Unpaid Capital Outlay Principal Balances as a % of Taxable Valuation



Capital Outlay Levy Dedicated to Debt Service Expenditures

- One thing to consider when looking at the Capital Outlay Fund is that some districts need a larger share of the maximum levy than others to service long term debt
- By comparing the FY2013 long term debt payments (Principal + Interest + Fees) from the capital outlay fund to the revenue generated in that fund, we were able to estimate the levy needed by each district to service existing long term debt

Estimated Capital Outlay Levy Used to Service Long Term Debt

District Name	Pay 2013 Valuation	Pay 2014 Valuation	CO Levy 2013	CO levy 2014	Amount Raised in Fiscal Year FY2014 - Actual Levies	FY2013 Capital Outlay Long Term Debt Payments (Prin + Intr + Fees)	% of Capital Outlay Revenue Used to Pay Long Term Debt	Est. Capital Outly Levy for Capital Outlay Long Term Debt
SIOUX VALLEY	282,136,510	305,218,174	3.000	3.000	\$881,032	\$792,979	90%	2.700
LENNOX	407,739,821	449,592,312	2.466	2.487	\$1,061,811	\$1,030,175	97%	2.413
FAITH	75,495,452	84,024,636	3.000	3.000	\$239,280	\$169,053	71%	2.120
CUSTER	727,227,381	765,806,595	3.000	3.000	\$2,239,551	\$1,561,345	70%	2.092
HOT SPRINGS	342,184,918	335,521,970	3.000	3.000	\$1,016,560	\$708,107	70%	2.090

5 highest levy by district

5 lowest levy by district
(excluding districts with no long term debt)

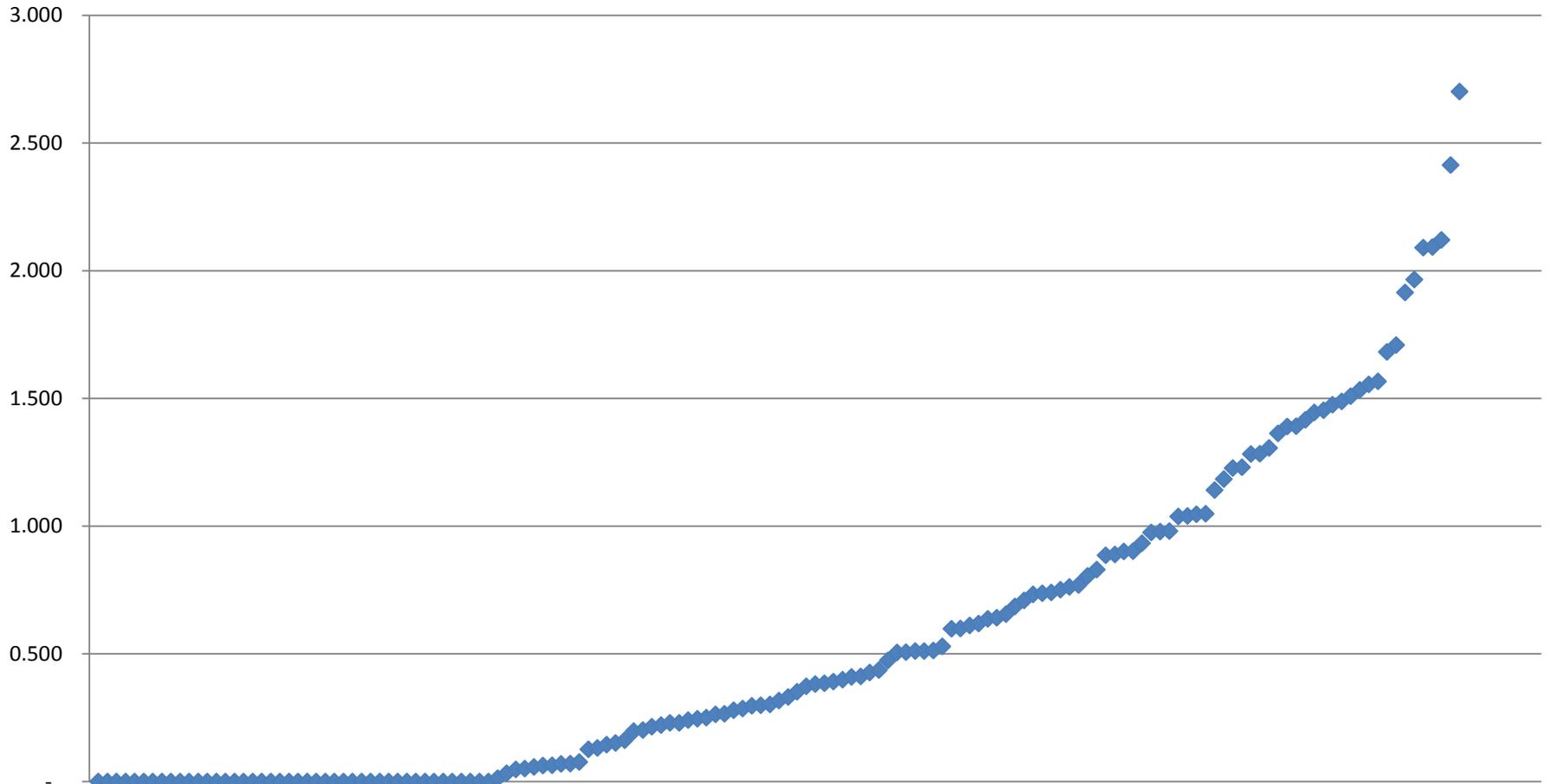
District Name	Pay 2013 Valuation	Pay 2014 Valuation	CO Levy 2013	CO levy 2014	Amount Raised in Fiscal Year FY2014 - Actual Levies	FY2013 Capital Outlay Long Term Debt Payments (Prin + Intr + Fees)	% of Capital Outlay Revenue Used to Pay Long Term Debt	Est. Capital Outly Levy for Capital Outlay Long Term Debt
LEMMON	186,014,287	220,874,568	1.787	1.503	\$332,191	\$2,700	1%	0.012
WARNER	145,299,679	174,957,414	2.000	2.000	\$320,257	\$5,062	2%	0.032
WAUBAY	88,363,921	99,296,955	2.500	2.500	\$234,576	\$4,415	2%	0.047
BOWDLE	116,846,197	140,826,841	0.978	1.068	\$132,339	\$6,263	5%	0.051
KADOKA AREA	201,215,869	228,541,857	1.142	1.007	\$229,965	\$12,868	6%	0.056

District Name	Pay 2013 Valuation	Pay 2014 Valuation	CO Levy 2013	CO levy 2014	Amount Raised in Fiscal Year FY2014 - Actual Levies	FY2013 Capital Outlay Long Term Debt Payments (Prin + Intr + Fees)	% of Capital Outlay Revenue Used to Pay Long Term Debt	Est. Capital Outly Levy for Capital Outlay Long Term Debt
TOTAL	62,541,292,147	67,985,362,337			\$157,601,819	\$60,268,249		
Maximum:	\$ 8,833,377,208	\$ 8,991,407,688	3.297	3.000	\$ 18,613,729	\$ 10,539,980	97%	2.700
Minimum:	\$ 5,117,074	\$ 6,069,532	-	-	\$ -	\$ -	0%	-
Average:	\$ 414,180,743	\$ 450,234,188	2.216	2.196	\$ 1,043,721	\$ 399,127	23%	0.572
Median:	\$ 231,698,186	\$ 271,622,972	2.500	2.487	\$ 512,408	\$ 97,349	19%	0.381

Statewide Analysis

- Shannon County and Hill City were thrown out
- Districts with no long term debt service were excluded

Estimated Capital Outlay Levy Used to Service Long Term Debt



See last column on Capital Outlay Fund Long Term Debt Compared to Valuations/Revenues Handout
06/13/2014

OTHER REVENUES

Other Revenues

- School districts collect many different types of revenues outside of the state aid funding formula
- These are typically referred to as “other revenues”
 - Consists of the follow sources:
 - Local Sources
 - Revenue from LOCAL sources is the amount of money produced within the boundaries of the LEA and available to the LEA for its use. Money collected by another governmental unit as an agent of the LEA is recorded as revenue from local sources.
 - County Sources
 - Revenue from COUNTY sources is the amount of money produced within the boundaries of a county and available to be distributed to LEAs.
 - Federal Sources
 - Revenue from FEDERAL sources is revenue from funds collected by the federal government and distributed to LEAs. It is unimportant whether the funds are distributed directly to the LEA by the federal government or through some intervening agency such as the state.
 - Other State Sources
 - Revenue from STATE sources is revenue from funds collected by the state and distributed to LEAs.

Examples of Other Revenues

Local Sources	County Sources	Federal Sources	Other State Sources
Utility (Gross Receipts) Taxes	County Apportionment (county fines)	Federal Flow Through Grants (ESEA, IDEA, Perkins, ...)	State Apportionment (School and Public Lands Funds)
Other Taxes	Lease of County-Owned Land	Impact Aid	Wind Farm Tax
Revenue in Lieu of Taxes	Revenue in Lieu of Taxes	National Minerals	Bank Franchise Tax
Tuition and Fees	Revenue for Joint Facilities	Taylor Grazing	Training and Support to Teachers and School Leaders
Adult Continuing Ed	Other County Revenue	National Forest Lands	Other State Revenue Sources
Transportation Fees		Johnson O'Malley Funds	
Investment Earnings		Other Federal Revenues	
Admissions			
Curricular Activities			
Rentals			
Other Local Revenues			

ALL Other Revenues – Historical

	All Other Revenues					TOTAL Other Revenues excl Federal
	Local Revenues	County Revenues	State Revenues	Federal Revenues	TOTAL Other Revenues	
FY2013*	\$62,288,906	\$11,473,035	\$19,803,314	\$80,961,894	\$174,527,149	\$93,565,255
FY2012	\$53,315,732	\$11,380,121	\$19,046,647	\$82,917,875	\$166,660,375	\$83,742,500
FY2011	\$49,884,513	\$11,973,244	\$17,592,431	\$137,314,233	\$216,764,421	\$79,450,188
FY2010	\$49,021,714	\$11,370,602	\$24,687,089	\$116,307,750	\$201,387,155	\$85,079,405
FY2009	\$52,227,094	\$11,361,426	\$32,247,341	\$98,539,050	\$194,374,911	\$95,835,861
FY2008	\$48,782,949	\$12,215,337	\$30,656,151	\$77,777,003	\$169,431,440	\$91,654,437
FY2007	\$46,776,870	\$11,823,162	\$31,010,348	\$76,618,388	\$166,228,768	\$89,610,380
FY2006	\$42,113,589	\$11,496,307	\$21,884,821	\$80,247,557	\$155,742,274	\$75,494,717
FY2005	\$38,164,274	\$11,368,685	\$24,217,502	\$78,552,276	\$152,302,737	\$73,750,461
FY2004	\$35,507,635	\$10,611,191	\$26,699,786	\$67,766,132	\$140,584,744	\$72,818,612

Equalization of Other Revenues

- Discussions regarding equalization of “other” revenues usually focus on the following categories:
 - Utility (Gross Receipts) Taxes
 - Wind Farm Taxes
 - Bank Franchise Taxes
 - County Apportionment (Weigh Stations, Fines, etc.)
 - Revenue in Lieu of Taxes (Local and County)
 - Other Taxes
- Other sources are either dedicated revenues, such as tuition, federal revenues, or other specific projects; or are already equalized, such as state apportionment.

Other Revenues for Equalization – Historical Revenues

	1140	1180	1210	2110	2200	3113	3114	
	Utility (gross receipts) Taxes	Other Taxes	Revenue in Lieu of Taxes (Local)	County Apportionment	Revenue in Lieu of Taxes (County)	Wind Farm Taxes	Bank Franchise Taxes	TOTAL
FY2013*	\$33,269,645	\$81,090	\$736,357	\$9,990,837	\$665,842	\$1,180,348	\$7,012,694	\$52,936,813
FY2012	\$23,029,867	\$86,818	\$747,119	\$9,616,856	\$1,005,520	\$1,132,210	\$7,116,105	\$42,734,495
FY2011	\$18,609,576	\$369,364	\$736,235	\$9,649,577	\$1,481,979	\$464,439	\$5,814,865	\$37,126,035
FY2010	\$17,301,772	\$189,619	\$720,418	\$10,195,336	\$416,366	\$269,797	\$11,665,815	\$40,759,123
FY2009	\$17,276,473	\$399,403	\$685,925	\$10,629,446	\$236,978	\$112,622	\$13,615,909	\$42,956,755
FY2008	\$15,834,562	\$536,202	\$719,963	\$11,175,038	\$482,626	\$0	\$14,441,877	\$43,190,269
FY2007	\$15,099,654	\$623,796	\$773,205	\$10,755,387	\$450,013	\$0	\$13,247,768	\$40,949,823
FY2006	\$13,069,073	\$659,438	\$1,033,854	\$10,170,096	\$342,009	\$0	\$8,042,825	\$33,317,295
FY2005	\$12,944,155	\$699,541	\$755,726	\$9,065,030	\$1,654,844	\$0	\$7,517,989	\$32,637,285
FY2004	\$12,105,429	\$747,027	\$1,421,077	\$9,719,514	\$276,977	\$0	\$7,881,381	\$32,151,404
*increase due to timing and methodology of payment of utility taxes								

Other Revenues Per Student Vary Greatly By District

Top 5 Other Revenue per State Aid Fall Enrollment: Bottom 5 Other Revenue per State Aid Fall Enrollment:

School District	Total FY2013 "Other" Revenue	FY2014 State Aid Fall Enrollment (SAFE)	FY2013 "Other" Revenue Per FY2014 SAFE
Harding County 31-1	\$573,926	179.25	\$3,201.82
White Lake 01-3	\$274,410	118.5	\$2,315.70
Willow Lake 12-3	\$482,991	227	\$2,127.71
Deubrook Area 05-6	\$697,581	349.35	\$1,996.80
Ipswich Public 22-6	\$747,117	376.28	\$1,985.54

School District	Total FY2013 "Other" Revenue	FY2014 State Aid Fall Enrollment (SAFE)	FY2013 "Other" Revenue Per FY2014 SAFE
Tea Area 41-5	\$194,518	1496.38	\$129.99
Wagner Community 11-4	\$141,688	769	\$184.25
Sioux Falls 49-5	\$4,206,075	22691.95	\$185.36
Belle Fourche 09-1	\$267,909	1404.03	\$190.81
Douglas 51-1	\$515,664	2655	\$194.22

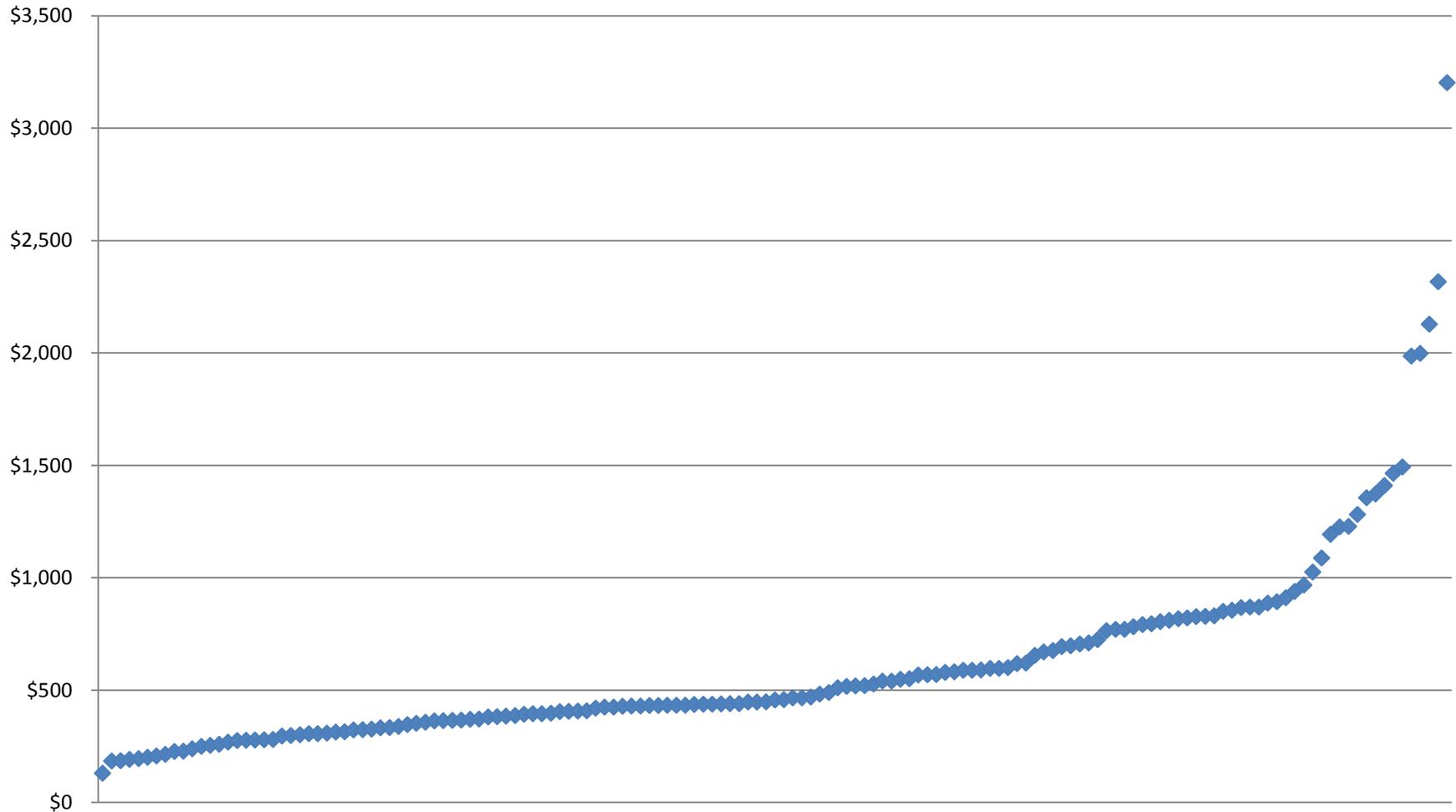
Other Revenues based on:

- Utility (Gross Receipts) Taxes
- Wind Farm Taxes
- Bank Franchise Tax
- County Apportionment
- Revenue in Lieu of Taxes
- Other Taxes

STATEWIDE TOTAL	\$52,936,813	129,509.22	\$ 408.75
Average:	\$350,574.92	857.68	\$609.14
Median:	\$197,359.95	330.00	\$455.39
Maximum:	\$4,206,074.81	22,691.95	\$3,201.82
Minimum:	\$10,425.16	12.00	\$129.99

Other Revenue Per Student

FY2013 Other Revenue Divided by FY2014 State Aid Fall Enrollment



Impact of Equalization Varies Greatly

Top 10 "Winners":

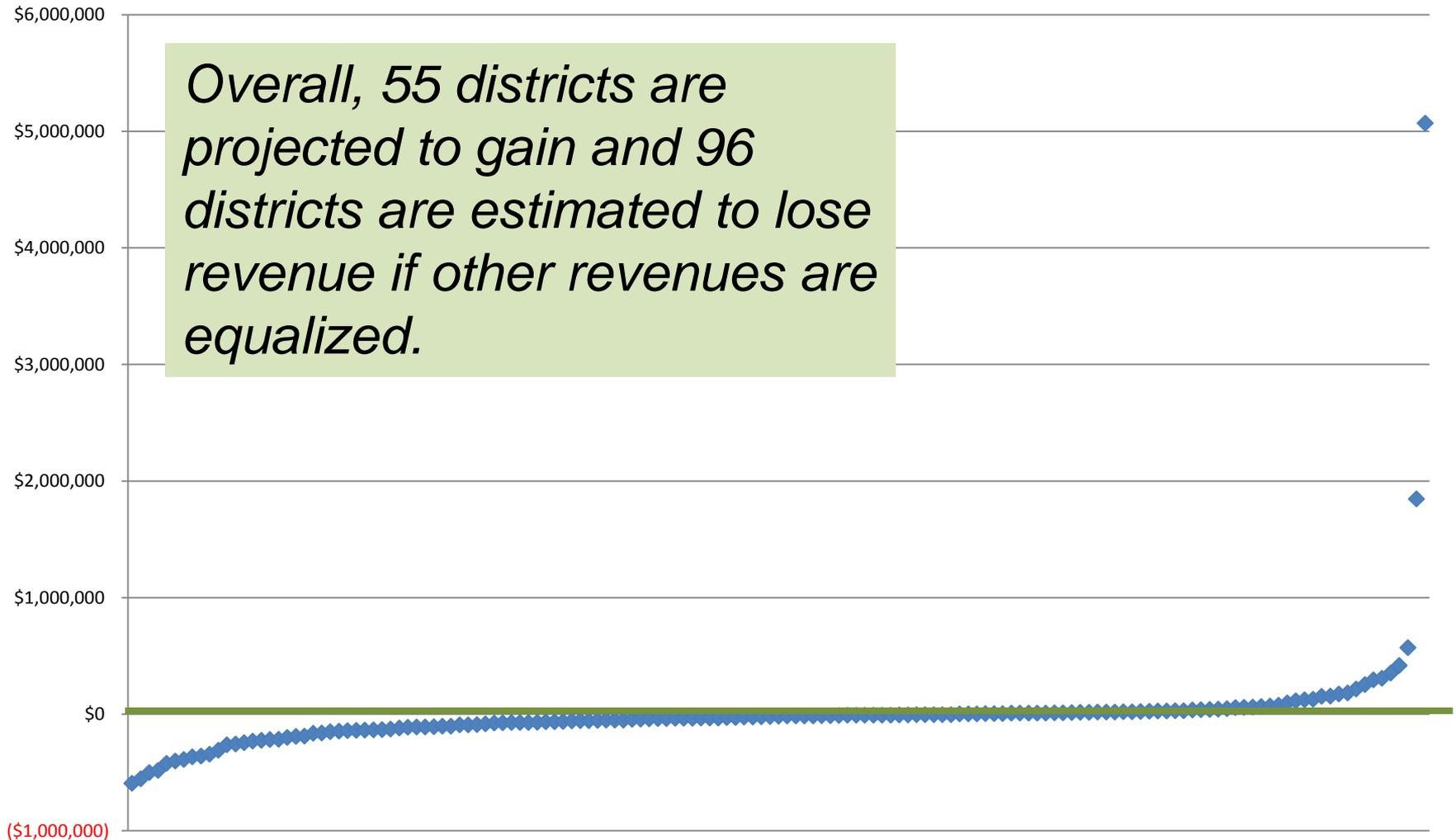
School District	FY2013 "Other" Revenue Per FY2014 SAFE	Gain (Loss) Per SAFE (District Other Rev Per SAFE - Statewide Avg Other Rev Per SAFE)	Gain (Loss) Per SAFE Multiplied by SAFE
Sioux Falls 49-5	\$185.36	\$223.39	\$5,069,246
Rapid City Area 51-4	\$275.14	\$133.61	\$1,845,301
Douglas 51-1	\$194.22	\$214.53	\$569,566
Tea Area 41-5	\$129.99	\$278.76	\$417,127
Mitchell 17-2	\$279.18	\$129.56	\$351,409
Belle Fourche 09-1	\$190.81	\$217.93	\$305,987
Watertown 14-4	\$332.53	\$76.22	\$293,990
Harrisburg 41-2	\$331.28	\$77.47	\$253,101
Spearfish 40-2	\$308.13	\$100.62	\$215,601
Shannon County 65-1	\$278.33	\$130.42	\$181,474
STATEWIDE TOTAL	\$ 408.75	\$0.00	\$0

Top 10 "Losers":

School District	FY2013 "Other" Revenue Per FY2014 SAFE	Gain (Loss) Per SAFE (District Other Rev Per SAFE - Statewide Avg Other Rev Per SAFE)	Gain (Loss) Per SAFE Multiplied by SAFE
Ipswich Public 22-6	\$1,985.54	(\$1,576.79)	(\$593,313)
Deubrook Area 05-6	\$1,996.80	(\$1,588.05)	(\$554,784)
Harding County 31-1	\$3,201.82	(\$2,793.07)	(\$500,658)
Groton Area 06-6	\$1,227.55	(\$818.80)	(\$482,685)
Brandon Valley 49-2	\$526.73	(\$117.98)	(\$422,945)
Howard 48-3	\$1,492.35	(\$1,083.60)	(\$401,887)
Willow Lake 12-3	\$2,127.71	(\$1,718.96)	(\$390,205)
Lennox 41-4	\$764.23	(\$355.48)	(\$366,855)
Sisseton 54-2	\$791.22	(\$382.47)	(\$359,824)
Tri-Valley 49-6	\$826.38	(\$417.64)	(\$344,325)
STATEWIDE TOTAL	\$ 408.75	\$0.00	\$0

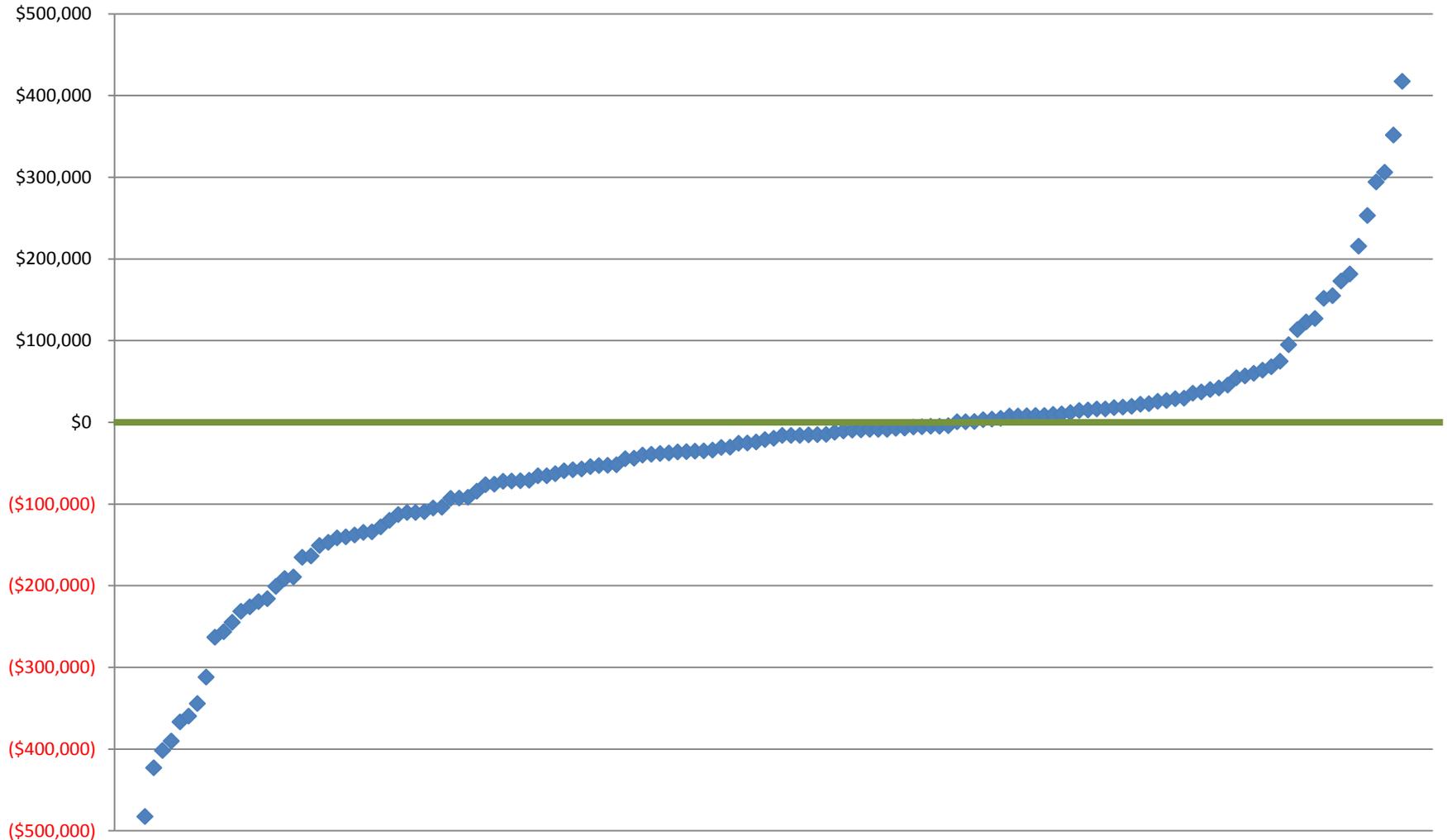
SAFE = State Aid Fall Enrollment

Revenue Gain (Loss) From Equalization



Revenue Gain (Loss) From Equalization

Only Districts Impacted Less Than \$500,000



For More Information

Tami Darnall

- Tamara.darnall@state.sd.us
- Phone (605) 773-3248

Department of Education Website

- <http://doe.sd.gov/>