

# SCHOOL FINANCE COMMITTEE

## Study Assignment

A study of school finances in South Dakota, including an evaluation of current financial resources, alternatives for providing additional resources and the impact of changes in the valuation of agricultural land on the state aid-to-education formula. The study shall include an examination of all revenue received by each school district, the current method for allocating each source of revenue, and possible options for redistributing revenue. School property tax levies and the purposes for which such levies may be used, allocated, and transferred should be reviewed, including the levies for the general, bond redemption, capital outlay, liabilities, and pension funds.

## Summary of Interim

The committee met five times during the interim. A similar structure was used for each of the first four meetings wherein the committee heard and discussed the current state of affairs with regard to federal legislation known as No Child Left Behind (NCLB), and then proceeded to discuss school finance issues and State Aid to Education. NCLB will have very significant ramifications in South Dakota's public schools over the course of seven years or more. Notably, schools that are failing to perform academically, as measured on a number of scales, will risk the possibility of being put on strict improvement plans or perhaps ultimately having to be run in at least some capacity by the state's Department of Education and Cultural Affairs. They may also, during that time, have to pay the cost of transporting local students to neighboring, better-performing schools.

Afternoons at each of the four "road" meetings began with presentations by the local schools' superintendents and finance officers and then turned to public testimony. The committee strove to gather as much information as possible from each of the schools it visited. These schools were selected for committee visit by a steering committee before the first meeting. The steering committee chose schools they thought represented the best of South Dakota's schools and by the South Dakota High School Activities Association (SDHSAA) size classification.

The committee gathered a lot of data from the various schools where it met. It was learned, for example, that Aberdeen Catholic Schools have educational expenditures per average daily membership (ADM) of \$3,396 and a \$2.3 million dollar budget. They have an average teacher salary of \$24,706 and a student-to-staff ratio of 14 to 1. Brandon Valley Schools had total expenditures of \$12.5 million for 2001/02 of which \$7.5 million was for instruction. They have an average teacher salary of \$32,712 and a student-to-staff ratio of 17 to 1. Custer Schools, which operates on a four-day week, had expenditures of \$5,362,973 of which \$3.36 million was for instruction. They have an average teacher salary of \$32,718 and a student-to-staff ratio of 12 to 1. Estelline, one of the first opt-out schools, had expenditures of \$5,950 per ADM for 2001/02, a student-to-staff ratio of 12.4 to 1, and employs a CEO/high school principal rather than a superintendent.

At each of the five meetings of the summer representatives of the career and technical education programs in the secondary schools pitched their appeal for a return to categorical status in State Aid to Education. These people testified that secondary vocational education has suffered greatly because of the repeal in 1995 of direct, categorical State Aid funding. Many schools have cut programs so the funding could be utilized to shore up other programs in the face of the cap on revenues.

Another common theme expressed during the interim was that the current State Aid to Education formula, while basically fair, has been underfunded from its inception. The fact that well over a

third of school districts have “opted out” of the revenue caps was the major evidence stated as for a need to increase funding. Estimates for the funding shortage ranged from \$150 per student to \$600. The committee discussed running more of the funding that goes to schools, such as the Bank Franchise Tax, through the State Aid formula, but stopped short at any sort of significant increase in funding for education. The opinion was expressed that the voters may, through the initiative process, increase the sales tax rates themselves to provide more dollars for education.

As for the study assignment’s item “the impact of changes in the valuation of agricultural land on the state aid-to-education formula,” nothing could be done. The committee learned that the Department of Revenue has seen no final results from the expanded study to value agricultural land based on productivity. They have “seen a few preliminary numbers, but nothing [on which they] can judge the impact of changing the method of land valuation.”

Finally, even though the concept of Best Practices Reviews was not mentioned in the committee’s assigned study topic, the committee recommends that the Executive Board establish a task force to review Best Financial Management Practices, perhaps as is done in Florida by their Office of Program Policy Analysis and Government Accountability. The task force should work with the Division of Legislative Audit on examining the costs and benefits of instituting a system of formalized reviews such as those in Florida.

### **Listing of Legislation Adopted**

The committee adopted four bills for introduction in the upcoming Session as follows:

1. A JOINT RESOLUTION, Proposing and submitting to the electors at the next general election amendments to Article VIII of the Constitution of the State of South Dakota pertaining to distribution of school and public lands income and proceeds of fines collected from violations of state laws;
2. An Act to deposit bank franchise tax proceeds in the general fund;
3. An Act to appropriate money for state aid to education; and
4. An Act to appropriate money for career and technical education.

### **Summary of Meeting Dates & Places and Listing of Committee Members**

The first meeting was in Aberdeen at Roncalli High School on June 26. Next the committee met in Brandon at Brandon Valley Middle School on July 31. On August 28 the committee met in Custer at the Forest Supervisor’s Office. The committee held its fourth meeting in Estelline on September 25. The committee’s final meeting was in Pierre on October 7.

Committee members were Representatives Orville B. Smidt (Chair), Jim Bradford, B. Michael Broderick, Jr., Art Fryslie, Phyllis Heineman, Jeff Monroe, William M. Napoli, Bill Peterson, Jim Peterson, Larry Rhoden, Dale Slaughter, Duane Sutton, and John E. Teupel, and Senators Ed Olson (Vice Chair) and H. Paul Dennert.

Staff members were Mark Zickrick, Principal Fiscal Analyst, and Rhonda Purkapile, Senior Legislative Secretary.