

How State Aid to K-12 Education Funding fits into the overall State Budget

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Overview

- ◎ Overview of FY2016 Adopted General Fund Budget and major spending categories and priorities
- ◎ Overview of FY2016 General Fund Receipts
- ◎ Historical Review of budgeted K-12 State Aid to Education and its relationship to the total budget
- ◎ Other major budget populations/components
- ◎ Review of mid-1990's property tax reduction program and it's relationship to education funding

What your tax dollar pays for



46¢ Education

- K-12
- Higher Ed.
- Tech Schools
- Dept of Ed.

39¢ Taking Care of People

- Medicaid
- Human Srvcs Cntr
- TANF
- DSS/DHS/DOH/SVH

10¢ Protecting the Public

- Corrections
- Courts
- Public Safety
- Attorney General

5¢ Rest of State Govt

- 10 Dept's
- 4 Bureau's
- Legislature
- Governor
- 5 Const. Offices

Excludes Sale/Leaseback, CRP, Bond Payments, & General Bill Pools

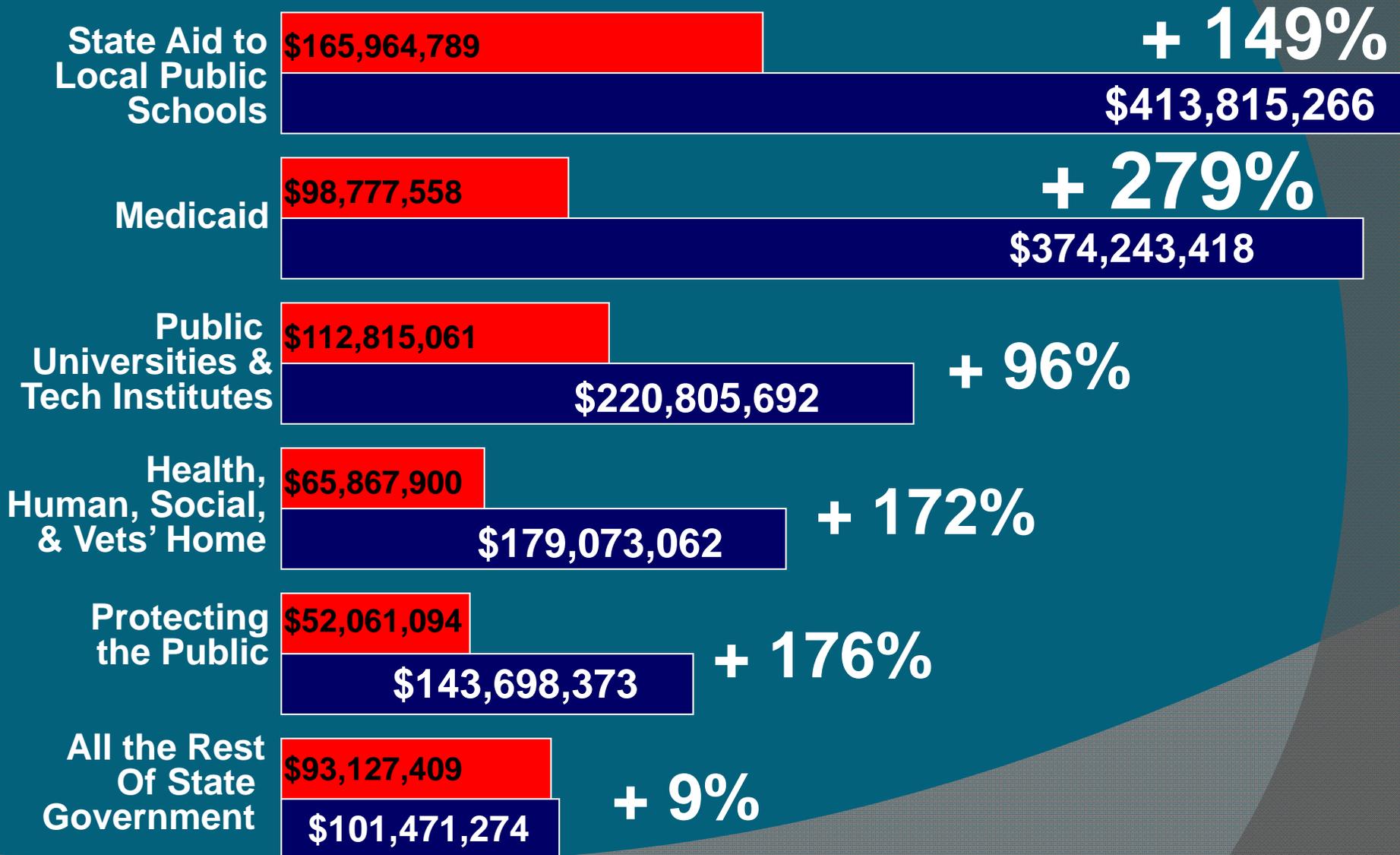
General Funds Spending by Category – FY16 Leg. Adopted

General Funds Available		\$1,413,633,392
State Aid to Local Education	413,815,266	
Board of Regents	196,944,352	
Technical Education	23,190,959	
Rest of Education	11,111,567	\$645,062,144 (46%)
Title XIX/XXI - Medical Welfare	374,243,418	
Rest of Health/Human/Social/VetsHome	142,847,425	
Human Services Center	27,685,637	
TANF	8,540,000	\$553,316,480 (39%)
Corrections	89,473,704	
Unified Judicial System	40,415,834	
Public Safety	6,781,852	
Attorney General	9,944,201	\$146,615,591 (10%)
Total	\$1,344,994,215	\$1,344,994,215 (95%)
Rest: 11 Departments, 4 Bureaus, Governor, 5 Const. Offices, & Legis.		\$68,639,177 (5%)

Excludes Sale/Leaseback, CRP, & General Bill Pools

State Funding Priorities

Your State Tax Dollars: FY96 to Adopted Spending for FY16



Includes Sale/Leaseback, CRP, Bonds, General Bill Pools, & Specials

Where Do We Get the Money?

Adopted FY2015 & FY2016 Receipts & Forecasts (*in millions*)

Revenue Source	Revised FY2015	Adopted FY2016	Change
Sales and Use Tax	\$836.4	\$868.9	32.5
Lottery *	6.9	108.0	101.1
Contractor's Excise Tax	95.9	101.0	5.1
Insurance Company Tax	77.5	81.0	3.5
Unclaimed Property	55.0	57.0	2.0
Licenses, Permits, & Fees	54.3	56.1	1.8
Property Tax Red. Fund *	112.3	N/A	-112.3
Other Ongoing Receipts *	135.7	161.1	25.4
Total Ongoing Receipts	\$1,374.0	\$1,433.1	59.1
One-Time Receipts	23.9	0.0	-23.9
Obligated Cash Carried Fwd.	9.9	0.0	-9.9
Total General Fund Revenue	\$1,407.8	\$1,433.1	25.3

*Property Tax Reduction Fund revenue is included in Lottery and Other receipts in FY2016

Initial Steps in the K-12 Funding Formula

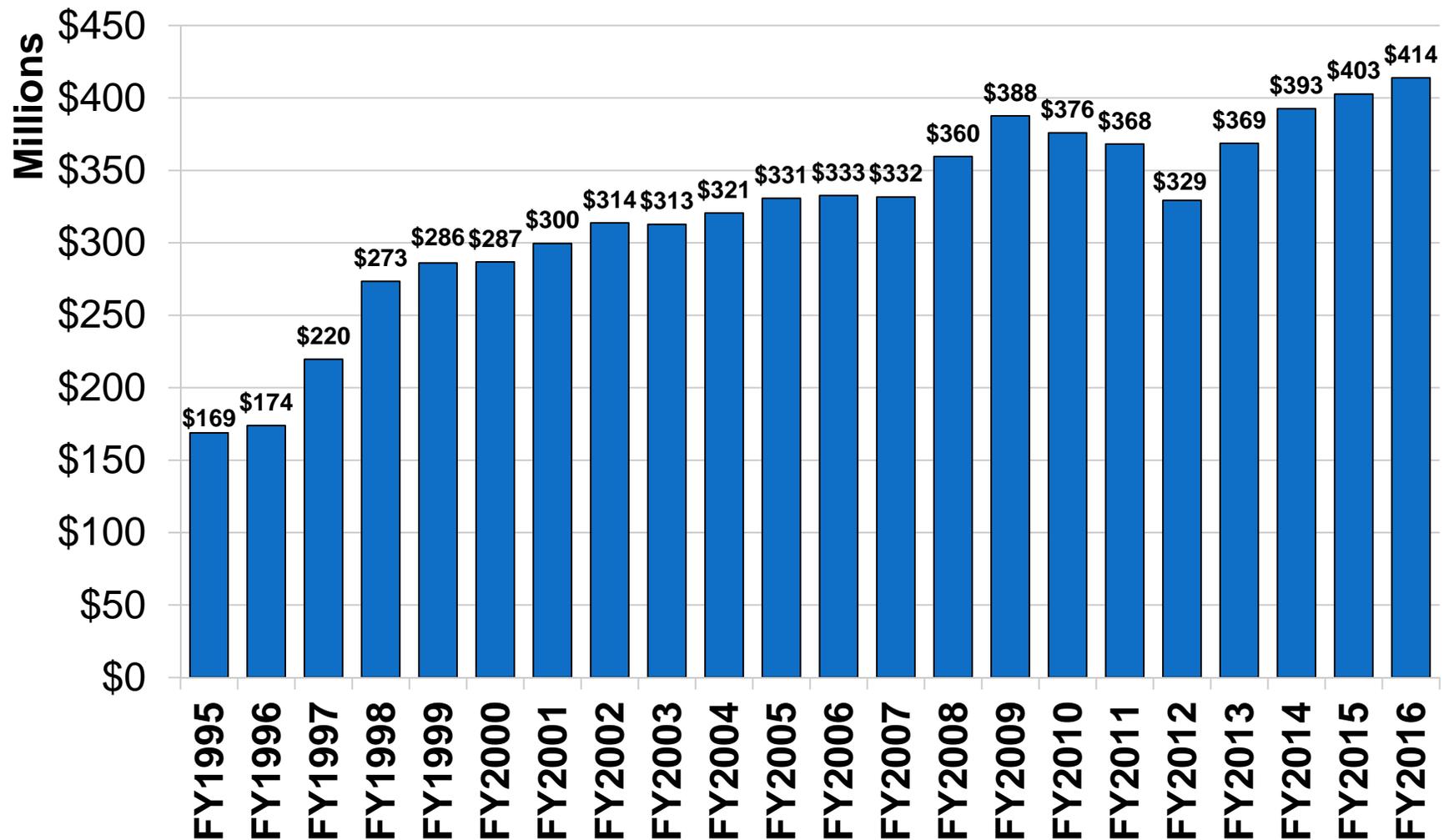
- ◎ Each year in the preliminary stages of putting together the budget, inflation for the previous year is calculated to apply to the Per Student Allocation for the next fiscal year per SDCL 13-13-10.1 (3).
- ◎ This is the starting point for general K-12 funding increases for the next fiscal year.
- ◎ The actual increase that is recommended or appropriated in the budget each year depends upon many other factors, including how much revenue is available and budgetary needs in other areas.



HISTORICAL STATE AID K-12 BUDGET DATA AND OTHER KEY BUDGETARY POPULATIONS

State General Funds Budgeted for State Aid to Education

(includes General & Special Education, Technology in Schools & Sparsity)



State Aid to Education as % of Total State Budget & PSA History

(includes General & Special Education, Technology in Schools & Sparsity)

% of GF Budget

PSA

45%

\$5,500

40%

\$5,000

35%

\$4,500

30%

\$4,000

25%

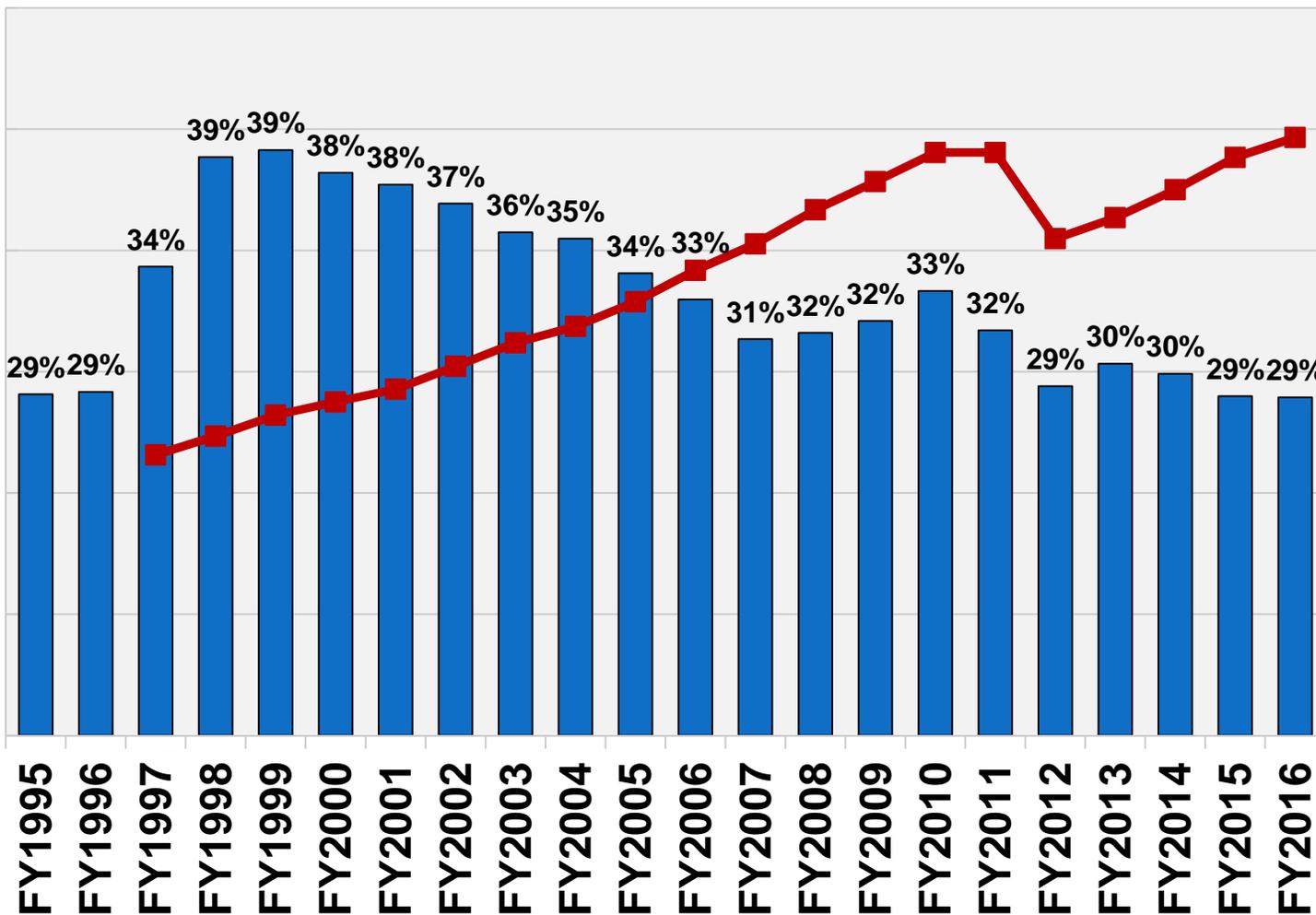
\$3,000

20%

\$2,500

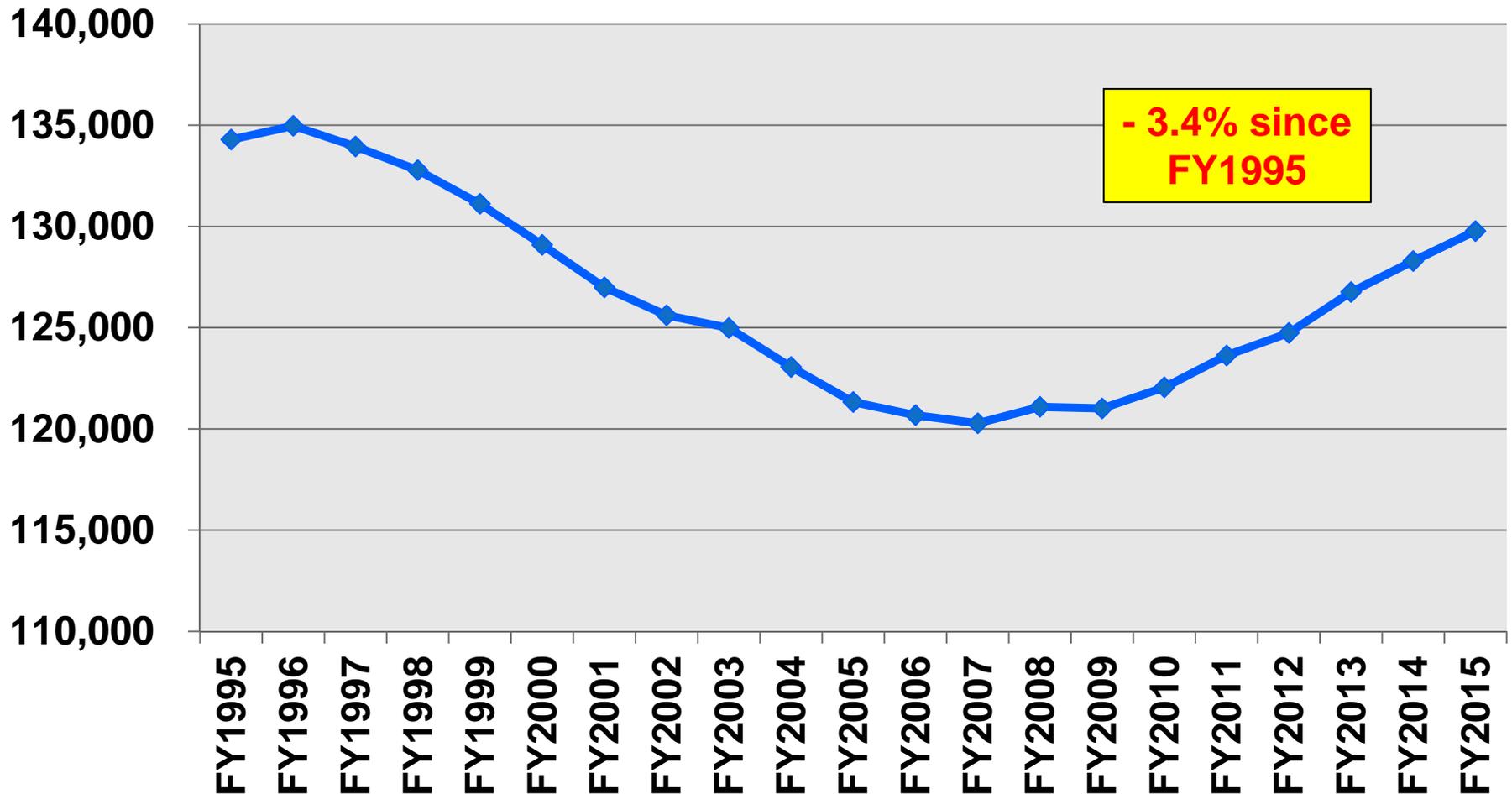
15%

\$2,000



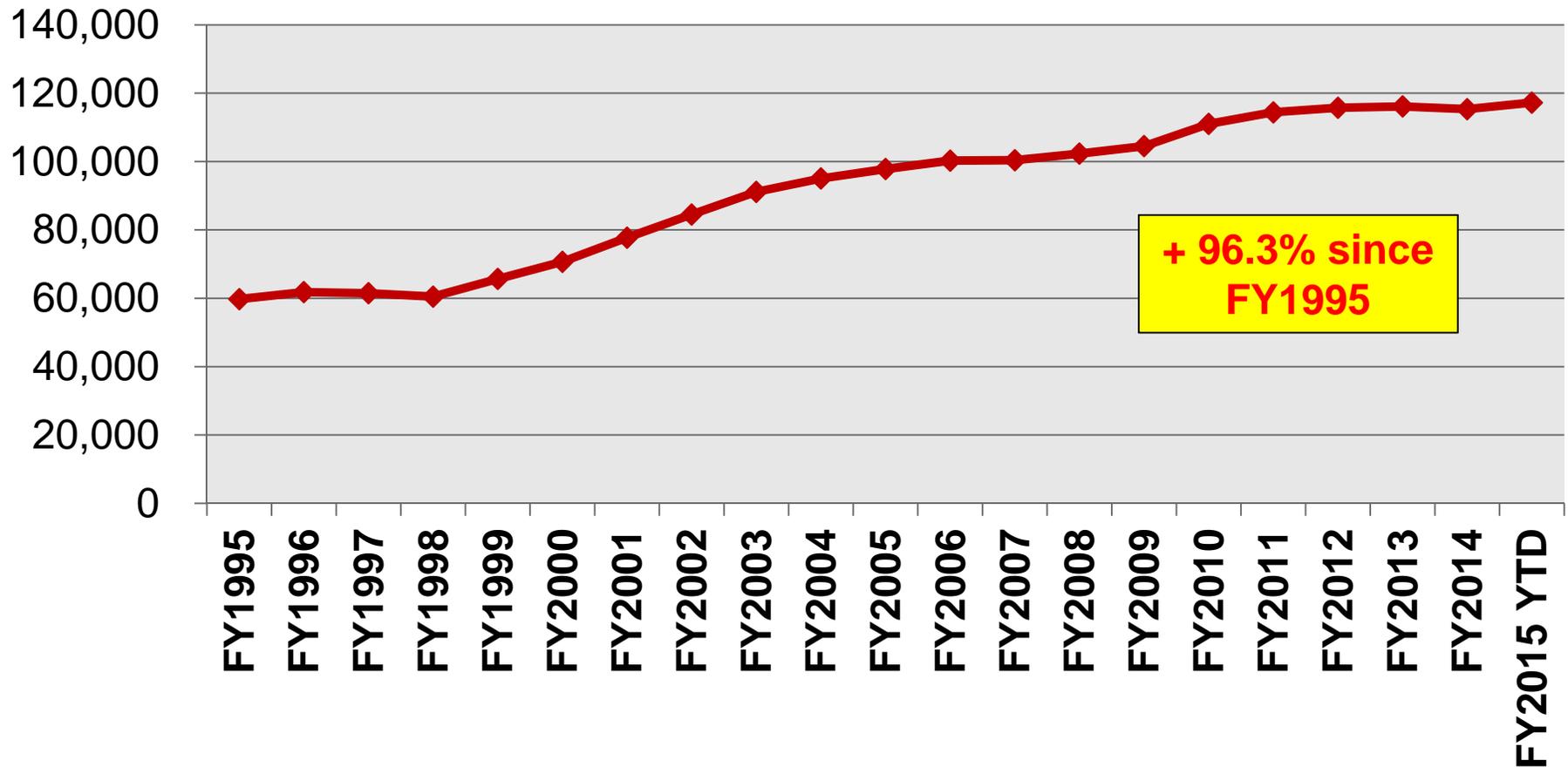
Enrollments of Key Budgetary Areas: Public K-12 Education Enrollment

Public K-12 Fall Enrollment Census Count



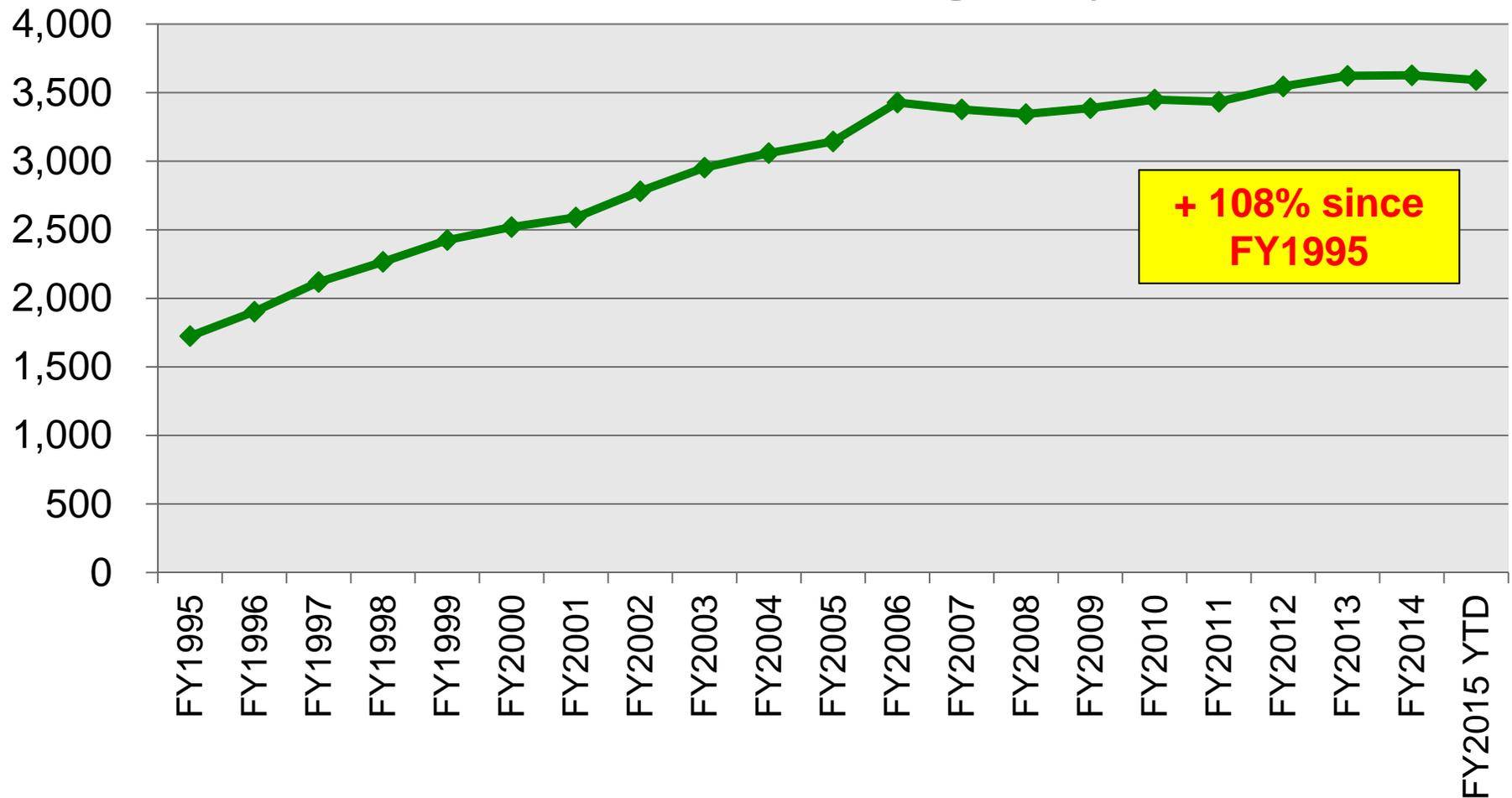
Enrollments of Key Budgetary Areas: Department of Social Services

Medicaid (XIX) & CHIP (XXI): Average Number of Enrollees

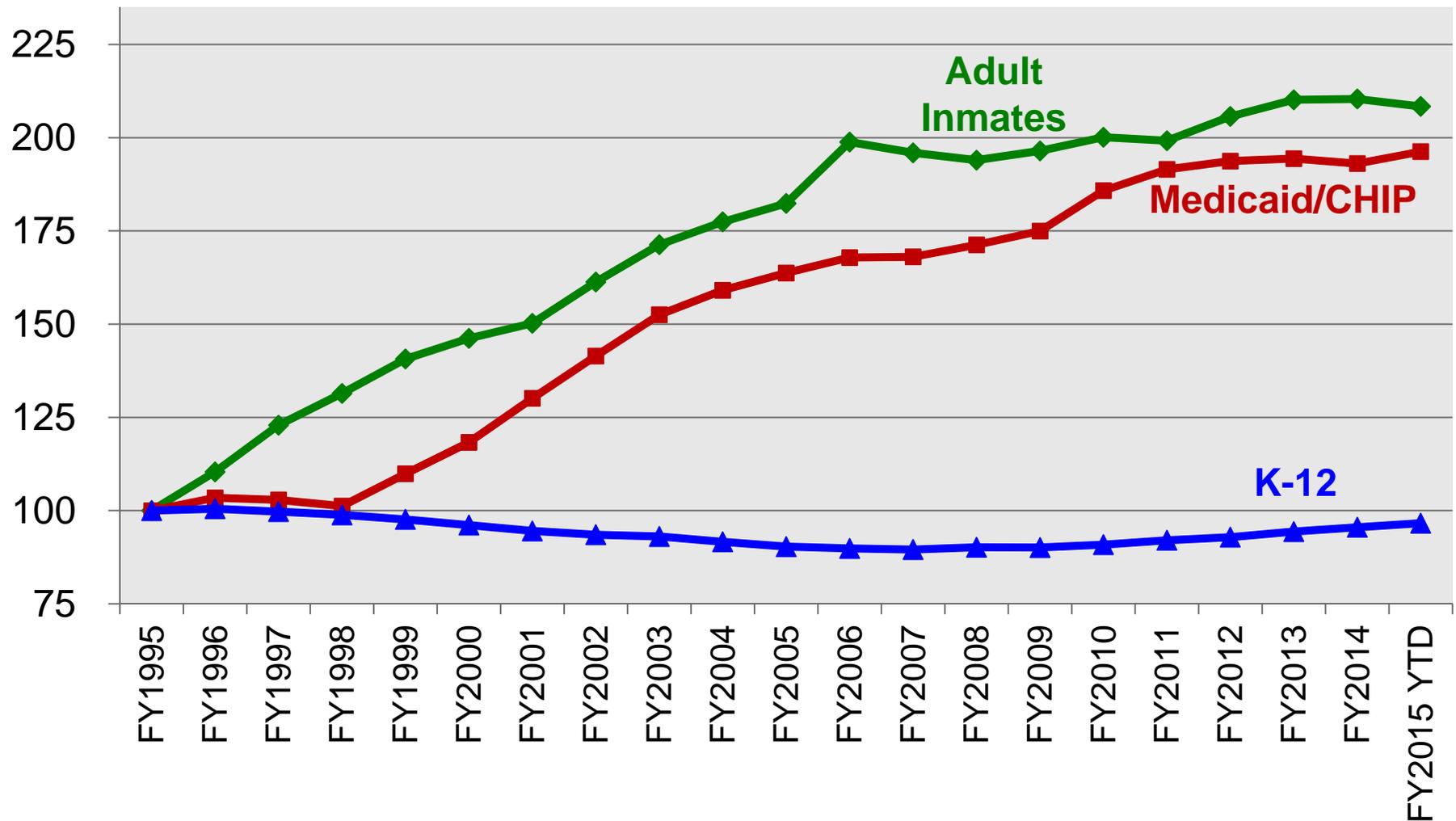


Enrollments of Key Budgetary Areas: Department of Corrections

Adult State Inmates: Average Daily Count

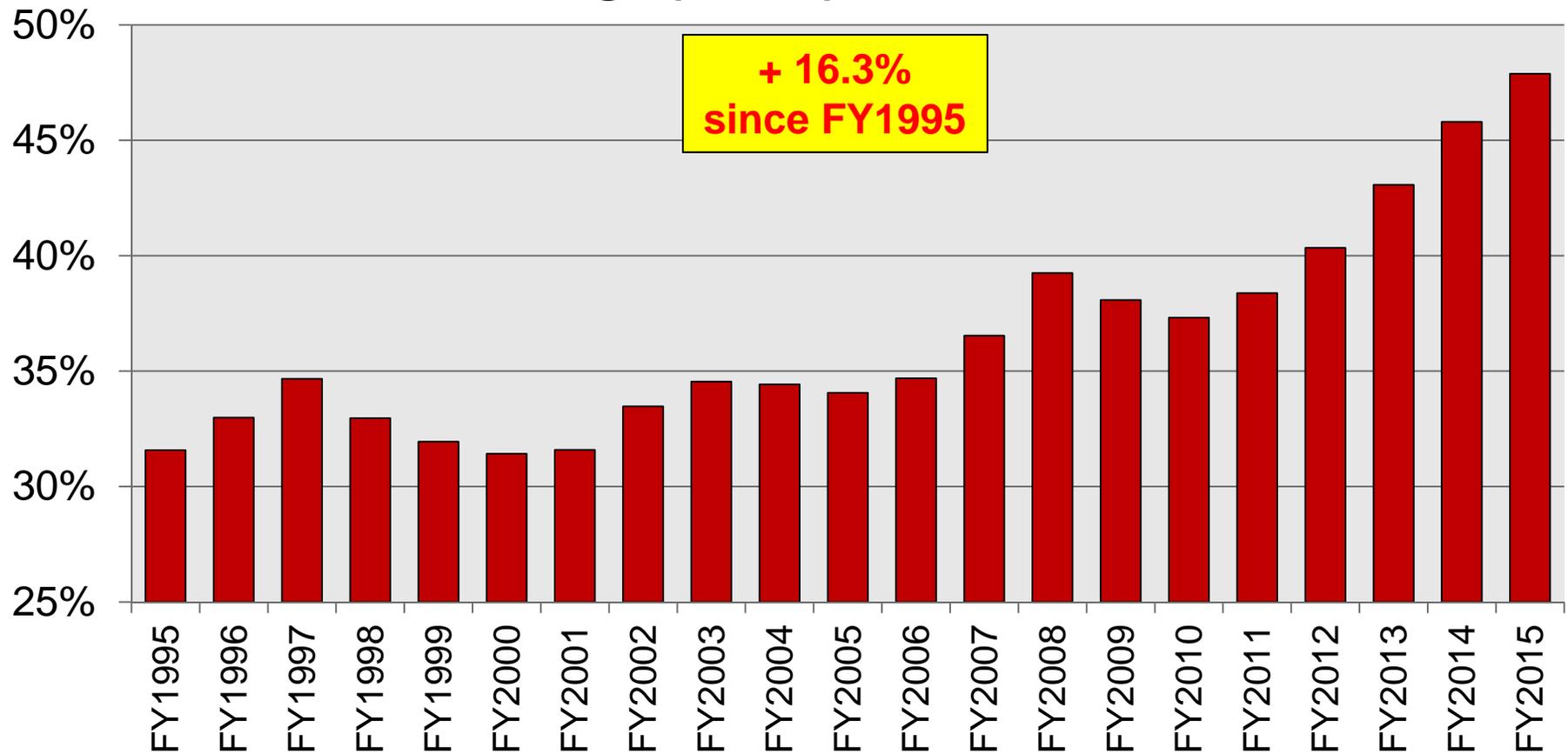


Key Populations Indexed FY1995 = 100



History of State Blended FMAP Rate

**State Share of Federal Medical Assistance
Percentage (FMAP) for Medicaid**



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**PROPERTY TAX
REDUCTION FUND &
PROPERTY TAX RELIEF**

Property Tax Reduction Program

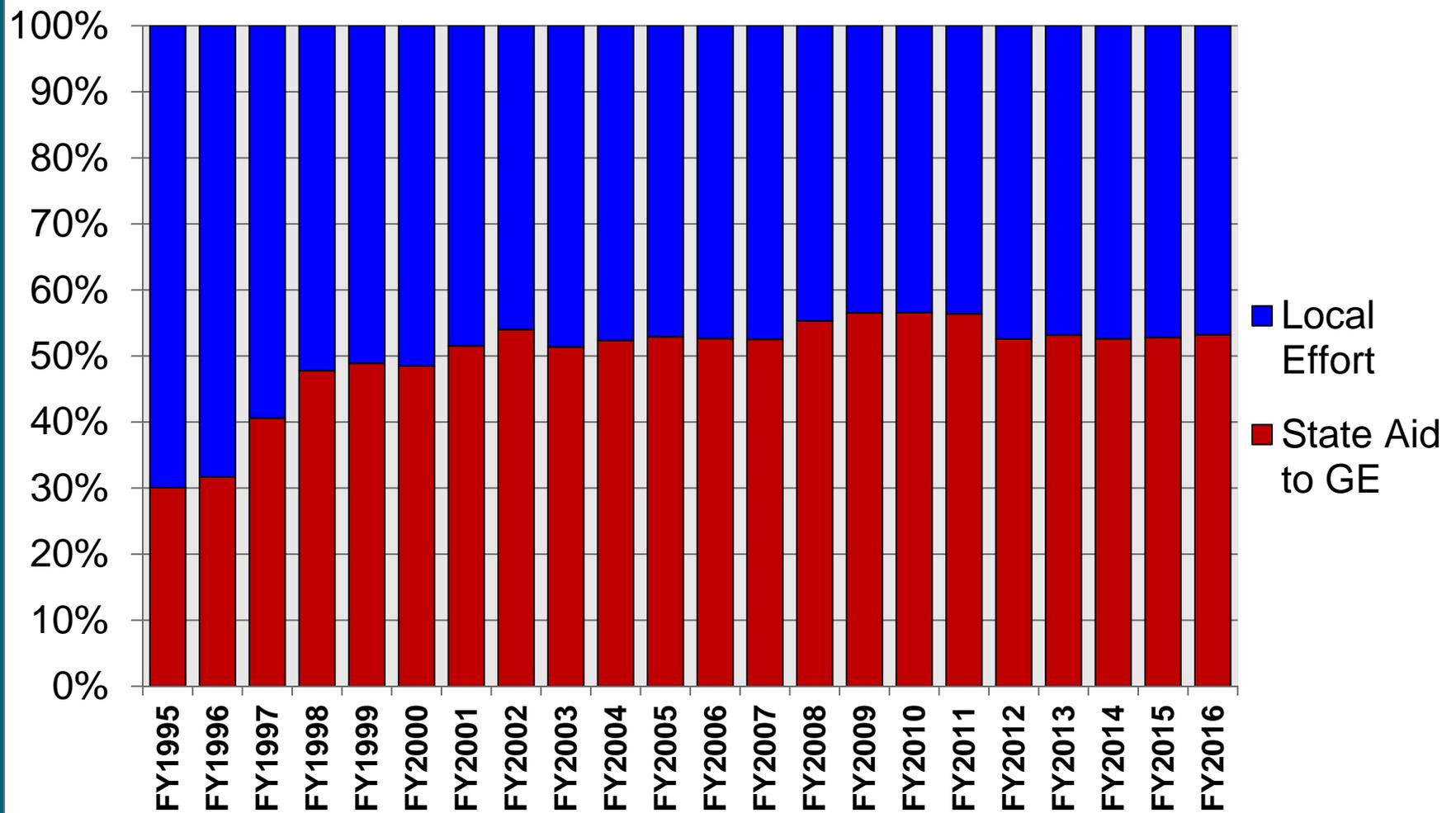
- ◎ Escalating property taxes in the early 1990's caused the placement of an initiated measure on the 1994 election ballot to severely limit the growth of valuation of property and taxation of property; this failed by a narrow margin.
- ◎ In 1995, Governor Janklow introduced and the Legislature passed legislation that created the property tax relief program in conjunction with the re-write of the state aid to education formula.
- ◎ For pay 1996 taxes, tax credit payments were sent to the counties to provide property tax relief for owner occupied and agriculture classes of properties equal to 20% of taxes paid for that year.
- ◎ The tools that were utilized to pay for the initial property tax relief included video lottery revenue (state share increase from 42% to 50%), increase in cigarette taxes, broadening of the sales tax base, and other budget cuts and savings, totaling \$81.6 million.

Property Tax Reduction Program

(continued)

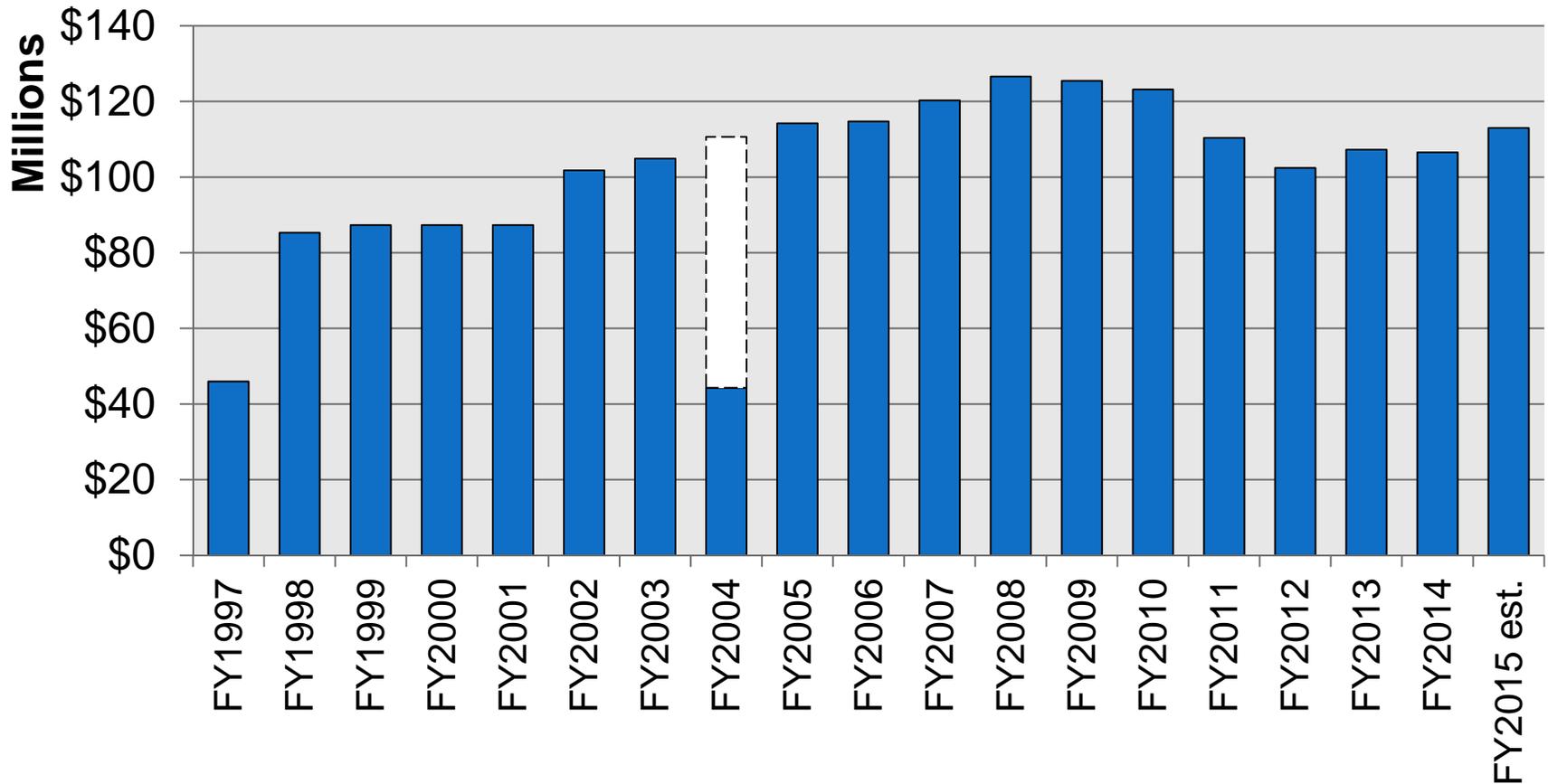
- ◎ Beginning in pay 1997 taxes, property tax relief was provided through the state aid to education formula, meaning the state was paying for a larger share of K-12 education funding through the formula, while the local property tax burden was lowered through reduced K-12 general education property tax levies.
- ◎ Since 1997, the property tax relief has been provided through transfers from the property tax reduction fund to the state general fund. The tax relief was subsequently increased to 30% in the late 1990's at an annual cost of over \$120 million.
- ◎ The majority of the revenue that provides this property tax relief is the state's share of video lottery, with a few other sources that have been added over the years. In FY2016, the property tax reduction fund was repealed, with all funds dedicated to the state general fund. However, the property tax relief continues to be provided as the state's contribution towards the general education formula continues to be 53.8% as required in state law.

State Aid to General Education Funding: Historical Statewide State/Local Split



Property Tax Reduction Fund Transfers to the State General Fund for Property Tax Relief

PTRF transfers to the General Fund



Questions?

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