At his State of the State Address on Tuesday (Jan. 12), Gov. Dennis Daugaard proposed a historic funding package for K-12 public education that would bring more than $80 million to schools to help stifle the teacher shortage facing our schools. ASBSD is supporting Gov. Daugaard's proposal.

As with any proposal of this magnitude there are many moving pieces and below is brief synopsis of the key parts. It should be noted that all of this is fluid and could change before the end of session. ASBSD will provide regular updates on the proposal.

The Funding:

- A half cent increase to the state sales tax, which has not been raised since 1969, would provide the new, ongoing revenue source schools need to support an increase to teacher salaries.
- More than $80 million would be dedicated to the general fund of school districts to support teacher salaries for the 2016-17 school year.
- Approximately $62.5 million in new money would be provided to schools through the half cent increase.
- $19.2 million would be transitioned from the school district pension fund to the general fund through a $0.263 mill levy increase to all school districts' general funds.

Teacher Pay:

- The **goal** is to increase the state average teacher salary from $40,000 to $48,500.
- School districts **are expected** to put the increased funding they receive towards teacher salaries.

The New Funding Formula:

- The new formula will be based on a target student-to-teacher ratio with the target state average teacher salary of $48,500 for the 2016-17 school year.
- The target ratio will be based on a sliding scale for enrollments:
    - Less than 200 – 12.5 to 1
    - 200 to 600 – 12.5 through 15 to 1
    - More than 600 – 15 to 1
    - *It is important to note that class sizes will not be mandated based on these ratios.*
- To cover additional salary and benefits costs, the formula will include a benefits factor of 29 percent and an overhead factor of 31 percent, which factors in administrators and other district employees.

Capital Outlay:

- The total amount a school district could raise based on at $3/$1,000 mill levy will set their capital outlay total going forward. This total is based on the $3/$1,000 mill levy, **NOT** on what your district's current levy is set at.
    - For example: if your district was able to raise $1 million based on a $3/$1,000 mill levy, $1 million would become your capital outlay total going forward.

- Your district's capital outlay total would grow each year by 3 percent or inflation, whichever is less; plus any new construction.
    - For example: If your district's capital outlay total was $1 million, it would grow to $1,030,000 the following year based on the inflationary calculation
- District's will be required to request a total amount needed for Capital Outlay and the levy would be set based on the total amount requested.
- Capital Outlay flexibility will become permanent and districts will be allowed to transfer up to 20 percent of their capital outlay dollars to the general fund, to be used for **ANY** purpose.
- An alternative maximum capital outlay cap will be imposed on a per-student basis at $2,800 per-student, which is double the approximate state average of $1,400 per-student. The alternative cap will increase at 3 percent or inflation, whichever is less, but will not take effect until the 2020-21 school year.

Reserve Fund Caps:

- Beginning during the 2018-19 school year, fund Balance caps will be based on enrollment tiers and calculated by using the district's lowest monthly fund balance divided by 12 months
- Enrollment tiers for the fund balance caps include:
    - Less than 200 students – 40 percent
    - 200 to 600 students – 30 percent
    - More than 600 students – 25 percent
    - *The tiers will be determined by using the district's lowest enrollment of the previous three years.*
- A five-member oversight board will be appointed to consider waivers to caps applied for by districts.

Other Revenue Equalization:

- Other Revenue from the following six sources will be equalized among all public school districts:
    - gross receipts tax on utilities
    - local revenue in lieu of taxes
    - county apportionment of revenue from traffic fines
    - county revenue in lieu of taxes
    - wind farm tax
    - bank franchise tax
- The equalization of other revenue will be distributed based on a per-student average
- The equalization process will take place over a five-year step down period with other revenue collected by the district being decreased by 20 percent each year.
- The other revenue collected by a district in excess of the per-student average during the step down period will be counted towards the district's local effort.