

LIBRARY

TRIPP-DELMONT SCHOOL

Tripp-Delmont School District 33-5

**PUBLIC INFORMATIONAL MEETING
TAX OPT OUT**

Welcome & House Keeping Matters

- Thank you for coming tonight. We are appreciative of the community's constant support of the Tripp-Delmont School District and our student's education.
- This is an informational meeting tonight. If there are any questions we are unable to answer, our administration will obtain the information you have requested and ensure you are informed.
- If you have a question, please save or write down your question until the end of the presentation and one of the school board members or administration will answer your question in a Q & A style format.
- As a friendly reminder, if you have personnel, staffing, curriculum, or school operation concerns, these conversations are best had in private in with the Superintendent during business hours.

Our Guiding Principles

- First obligation is to provide the best education experiences and best quality education possible for our students
- We want to be open and transparent for communicating the school district's financial needs to our communities and stakeholders
- We understand that we are responsible to our taxpayers and the public to use the resources generated in a wise and prudent manner while still fully providing for the needs of our students

Tripp-Delmont School District Overview

- Current K-12 Enrollment
 - 160
- Current PK-12 Enrollment
 - 178
- SPED Child Count (Dec 1)
 - 21 (12%) *Currently 27 (17%)*
- Free and Reduced Lunch %
 - 44.4%
- High School GPA Average
 - 3.02 GPA
- District Attendance Rate
 - 93%
- Student to Staff Ratio
 - 7 to 1
- Average Teacher Salary
 - \$42,051
- Average Teacher Compensation
 - \$58,386

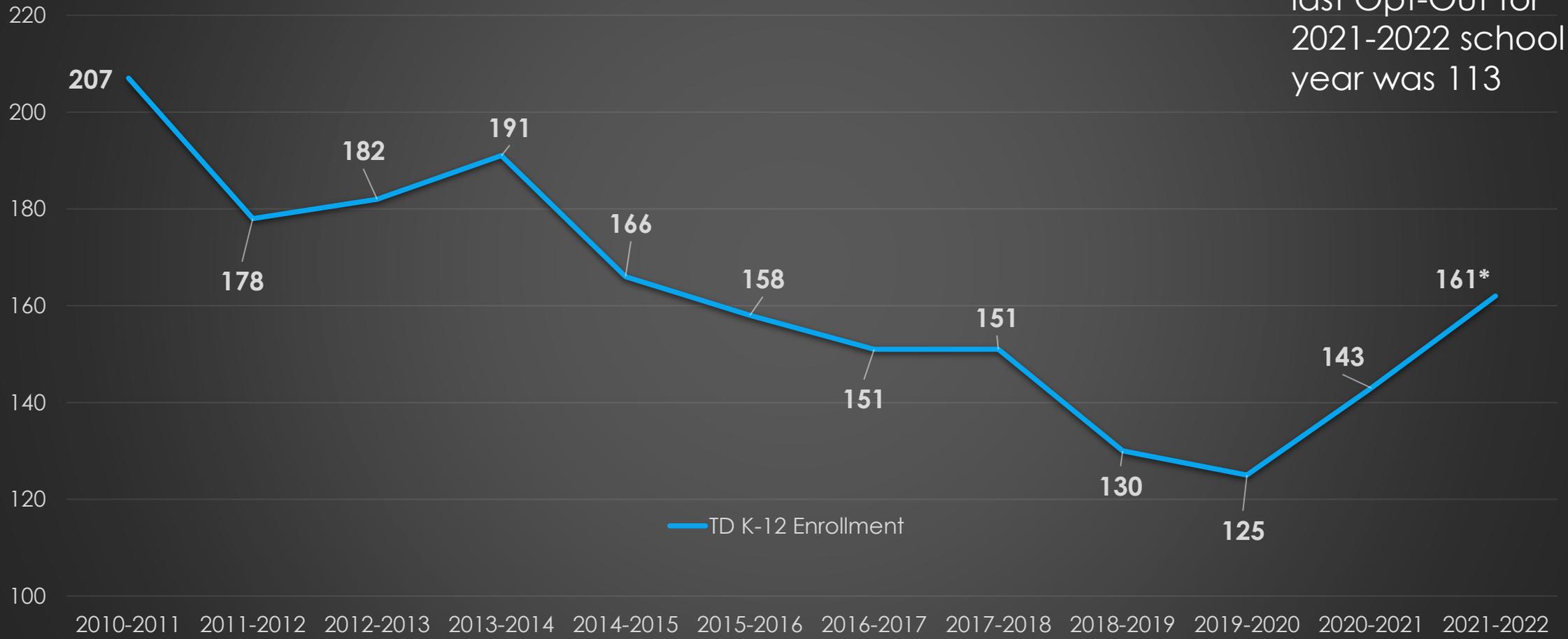
Tripp-Delmont School District Staff

- Administration (4)
 - Superintendent/HS Principal/SPED Director
 - PK-8 Principal
 - Business Manager
 - Admin Assistant
- Certified Staff (22)
 - Pre-School (1)
 - K-6 Elementary (10)
 - 7-12 Secondary (9)
 - SPED (2)
- Counseling (1)
 - K-12 Counselor (1)
- Classified Staff (17)
 - Librarian (1)
 - SPED Paraprofessionals (10)
 - Elementary (6)
 - Secondary (4)
 - Food Service (2)
 - Custodians (2)
 - Bus Drivers (2)

Student Enrollment History

Tripp-Delmont K-12 Enrollment

*Projected Enrollment from last Opt-Out for 2021-2022 school year was 113



Historical K-12 Funding

- The current funding formula for general education is based on a target statewide average teacher salary.
- By statute, the target teacher salary is set to increase annually by the Consumer Price Index for urban wage earnings and clerical workers or by 3%, whichever is less.
- This funding formula was created by a taskforce comprised of various stakeholders, including school representatives and legislators, and was passed during the 2016 session.
- Prior to this, South Dakota determined the state aid for general education for each school district based on an allocation per student, referred to as the Per Student Allocation (PSA).
- Although the current general education funding formula is based on a target teacher salary, it can be converted to a similar per student amount, called the Per Student Equivalent (PSE), which is used for the sparsity formula calculation purposes.

State Aid to General Education Formula

- Determining the State Aid to General Education starts with calculating a district's total need. A portion of total need is paid by local property taxes and the remainder is paid by the state through the state aid to general education budget.

$$\text{Total Need} - \text{Local Effort} = \text{General Ed State Aid}$$

School District Total Need Formula

- Total Need can be calculated using the following formula

$$\begin{array}{ccccccc} \text{Target Number} & & \times & & \text{Target Teacher} & & \times & & \text{Overhead} & & = & & \text{Total Need} \\ \text{of Teachers} & & & & \text{Compensation} & & & & \text{Cost} & & & & \\ & & & & & & & & \text{Percentage} & & & & \end{array}$$

School District Total Need Formula

STEP 1: TARGET NUMBER OF TEACHERS

- The Target Number of Teachers equals the State Aid Fall Enrollment Count divided by the Target Teacher Ratio.
- State Aid Fall Enrollment is the number of students enrolled in K-12 schools operated by the school district, minus the students for which the district receives tuition and adding any students for whom the district pays tuition.
- The count is taken on the last Friday in September, and is used to fund the current fiscal year
- **The Target Teacher Ratio uses a sliding scale based on the enrollment:**
 - • Less than 200: 12 students to 1 teacher
 - • 200 to 600: sliding scale between 12 to 1 and 15 to 1
 - • Greater than 600: 15 students to 1 teacher

School District Total Need Formula

STEP 2: LEP ADJUSTMENTS

- The funding formula takes into account that the students who are considered to have limited proficiency in English and require additional attention from teachers, which adds teachers to the overall target teacher numbers through the Limited English Proficiency (LEP) Adjustment.
- The adjustment is calculated by multiplying 25% by the number of K-12 students who scored at a level 4 or below on the state-administered language proficiency assessment.
- This is then divided by the Target Teacher Ratio to arrive at the number of LEP teachers.

School District Total Need Formula

STEP 3: TARGET TEACHER COMPENSATION

- The Target Teacher Compensation is comprised of teacher salary and teacher benefits.
- The Target Teacher Salary for FY2021 is \$51,367.47.
- Under statute, the salary is adjusted each year by an index factor, which is the lesser of the annual percentage change in the consumer price index or 3%.
- In addition, the target salary is multiplied by the target teacher benefit, which is set to 29% of the teacher salary.
- The total Target Teacher Compensation for FY2021 is \$64,964.74.

School District Total Need Formula

STEP 4: OVERHEAD COSTS

- School districts incur administrative costs and other operating expenses to provide education. Thus, the funding formula includes additional dollars for these overhead costs.
- The overhead rate is set by statute and changes annually as other revenues are equalized.
- The overhead rate for FY2021 is 34.93%.
- The State Aid share of overhead costs is calculated by multiplying the total need for school districts by the overhead cost percentage.

School District Total Need Formula

STEP 5: LOCAL EFFORT

- Money to fund education comes from state and local taxes.
- The local portion is called "local effort" and property tax accounts for a significant portion of the local effort.
- The remainder comes from selected other revenues
- The amount of property tax levied is based on the value of a property and the needs of a government, which, in this case, is the needs of schools in South Dakota.
- The maximum tax levy a school district can impose by property type is set annually in SDCL 10-12-42.
- School District General Fund levies per \$1,000 of taxable valuation are as follows:
 - Agriculture--\$1.409
 - Owner Occupied--\$3.153
 - Other/Utilities--\$6.525

School District Total Need Formula

STEP 5: LOCAL EFFORT (CONT.)

- Property taxes are based on a calendar year (January 1 through December 31), while state and school district budgets are based on the state fiscal year (July 1 through June 30).
- Estimating local property tax effort for FY2021 means that the second half of the calendar year 2020 property taxes and the first half of a calendar year 2021 property taxes are estimated.
- SDCL 10-13-36 provides an opt-out mechanism for school districts to raise additional revenues beyond the amount generated by the existing tax levy and money from state aid.
- An opt-out allows the district to impose a higher tax levy.
- Once an opt-out is approved by the school board, residents within the district can refer it for a public vote

School District Total Need Formula

Fiscal Year	Per Student Allocation	% Increase Over Prior	% Increase Avg Annual
2013	\$4,490.92	2.3%	-0.2%
2014	\$4,625.65	3.0%	0.4%
2015	\$4,781.14	3.4%	0.8%
2016	\$4,876.76	2.0%	0.9%
2017	\$5,320.55	9.1%	1.8%
2018	\$5,336.51	0.3%	1.7%
2019	\$5,389.87	1.0%	1.6%
2020	\$5,524.62	2.5%	1.67%
2021	\$5,635.11	2.0%	1.7%
2022	\$5,770.36	2.4%	1.75%

School District Funding Structure

- **School Districts operate multiple funds. Each fund is controlled by state statute as to how the fund can be spent.**
- **General Fund**
 - General operating expenses include salaries, benefits, supplies, transportation, and co-curricular costs. (84% of GF budget are salaries/benefits)
 - SDCL 13-16-3
- **Capital Outlay**
 - Major equipment purchases, buildings, land, major remodeling and construction, textbooks, and 45% of tax revenues transferred to General Fund.
 - SDCL 13-16-6
- **Special Education**
 - This funding source is used to educate all students who qualify for Special Education services
 - SDCL 13-37-16

School District Funding Structure

- **General Fund**

- General Fund accounts for all financial resources except those accounted for in another fund (District Operating Expenses)
- About 84% of General Fund budget goes to salaries/benefits
 - Salaries and Benefits
 - District Supplies
 - Transportation
 - Athletics/Co-Curricular Cost
- General Fund monies also include Title I and Federal Grants, Bank Franchise Tax, Windfarm Tax, State-Aid, and Utility Taxes (Separate from local tax levies)
- SDCL 13-16-3

School District Funding Structure

• Capital Outlay

- Generally, the capital outlay fund of the school district is a fund for expenditures related to the purchase or lease of real property or equipment. (SDCL 13-16-6).
- Recent changes to Capital Outlay formula caps the Capital Outlay levy at **\$3,441** for each enrolled student from the previous year for taxes payable in 2022.
- **As a general rule, a school district may transfer from its capital outlay fund to its general fund no more than 45% of the total tax revenues deposited into the capital outlay fund during the current school fiscal year. (SDCL 13-16-6)**
- The fund may be used for:
 - Land and Existing Facilities
 - Improvement of grounds or equipment
 - Construction or remodeling of facilities
 - Purchase or lease of equipment
 - Installment or lease-purchase payments for the purchase of real property, plant, or equipment
 - Student transportation
 - A school district may use capital outlay funds to pay up to 15% of contracted student transportation costs, and 15% of mileage reimbursement costs defined by SDCL 13-30-3.
 - Textbooks and instructional software

School District Funding Structure

- **Special Education**

- This funding source is used to educate all students who qualify for Special Education services
- The fund can be used for costs related to students in Special Education for:
 - Salaries and Benefits (SPED Teachers and Paraprofessionals)
 - Supplies
 - Equipment
 - Technology Aided devices
 - Transportation
 - Other related costs
- SDCL 13-37-16

Capital Outlay Flexibility

- What is the current law on capital outlay flexibilities?
 - SDCL 13-16-6 provides: “A school district may transfer from its capital outlay fund to its general fund an amount not to exceed **forty-five percent** of the total tax revenues deposited in that fund during the current school fiscal year.”
 - Currently, the District is budgeted to use the full capital outlay flexibility each year to supplement the General Fund Budget.
 - For the 2021-2022 school year, the school district transferred \$444,000 from Capital Outlay to the General Fund for operating expenses

School District Revenue Summary

- **General Fund (\$1,841,498)**

- Local Tax Collections--\$1,082,793 (59%)
- State Sources--\$382,789 (21%)
- Federal Sources--\$125,067 (6%)
- **Capital Outlay Transfer--\$250,849 (14%)**

- **Capital Outlay Fund (\$557,442) (\$306,593)**

- Previous District Levy=2.687 (\$989,930)
- Current District Levy=1.558 (\$557,442)
 - Reduced Capital Outlay Revenue--**(-\$432,488)**
- SDCL 13-16-7.2=Limits the maximum amount a district can levy to \$3,441/student

- **Special Education Fund (\$593,970)**

- **Federal ESSER II & ESSER III (\$796,026)**

- Most monies will be allocated to the purchase of a new boiler for the old part of the school

Total School District Budget
\$2,742,061

How do property taxes and the school fiscal year coincide?

- The school receives the majority of tax revenue twice a year, November and May.
- The school's fiscal year runs July 1 through June 30. Thus, the revenue to the school for property tax is split between two property tax years.
- Property taxes in South Dakota are paid one year in arrears.
- Example: From July 1, 2021 through June 30, 2022, the school will receive $\frac{1}{2}$ the 2020 pay 2021 taxes (November 2021 payment) and $\frac{1}{2}$ the 2021 pay 2022 taxes (May 2022 payment)
- Because of the split in tax years with the school's fiscal year, a tax opt out of \$600,000 on 2022 taxes would only provide \$300,000 in the first fiscal year.
 - (\$300,000 received in May 2023 as November 2022 would still receive 2021 pay 2022 taxes)

What is a School District Opt-Out?

- An Opt Out means that an additional amount of property tax revenue is being requested for by the school district in order to help provide revenue for General Fund expenses above what the State Aid formula provides.
- If a school district cannot operate on the revenues generated by the maximum tax levy allowed for the General Fund or Capital Outlay funds that are set by the state legislature, then the school district may choose to “opt-out” of the limitations.

WHY DOES THE TRIPP-DELMONT SCHOOL DISTRICT NEED A TAX OPT OUT?

1. To ensure the success of the Tripp-Delmont School District for many years to come.
2. To maintain the quality of education and caliber of teaching staff.
3. To support the growth of the capital outlay fund for future building projects.
 1. If the money is being diverted each year from CO to GF, the CO fund cannot grow as it should for future projects.
4. To help bolster the yearly revenue as the district deals with unpredictable inflation and rising costs predicted to continue in future years.

Factors with Substantial Financial Impact

1. Changes to the Capital Outlay fund and codified law have placed limitations on our ability to levy a similar amount as in the past and there is less money to transfer to the General Fund
2. Increases in state aid are not in line with expenditure increases. Electricity, fuel oil, supplies, etc. are increasing each year.
3. The Tripp-Delmont School District has the 32nd smallest land area for taxation purposes of the 149 school districts.
 - This limits our ability to collect taxes.
4. The Tripp-Delmont District is the 16th smallest district in terms of student enrollment of the 149 districts.
 - This limits state aid.

What cost savings measures have been tried/implemented?

- Reduced shop teacher position from one full time position to one ½ time position shared with Avon.
- Consolidated the Band/Chorus teacher position in the district from two teachers to one teacher. Currently the Band/Chorus position is two half-time teachers shared with two school districts
- Eliminated Middle School Science/Math position and the position was absorbed by two current teachers in Grades 7-12
- Eliminated the second Computer/Tech position and was absorbed by the current K-12 Computer/Tech teacher
- Eliminated a bus route and cut down to two routes
- Reduced a contract with Spanish teacher from Menno School District and now offered through SD Virtual High School

What cost savings measures have been tried/implemented?

- Reduced from 1.5 Pre-School teachers to 1 Pre-School
- Applied for Career & Technical Education (CTE) grants toward elective shop classes
- General note – 84% of GF budget is allocated towards salaries and benefits.
- Attempted 4-day school week and district did not see significant savings or academic benefit. District saw academic regression in student achievement
- Attempted the shared Superintendent position. We were unable to make the shared position meet the unique needs of the district

What improvements have been made to improve the education for our students?

- Having an in-house full-time Superintendent/HS Principal and K-8 Principal have been a positive improvement for students and staff
- Repaired and updated areas of the school to improve overall appearance and cosmetics
- More community involvement
- All students K-12 have Chromebooks and working towards developing a take home program for computer access
- Elementary has a new Reading Curriculum and intervention resources to improve literacy
- Added 3 year old Pre-School for ½ days two days a week
- Improved technology for broadcasting school athletics and events
- Providing strong professional development for school staff
- Starbase
- National Honor Society

What improvements have been made to improve the education for our students?

- New Classes that have been added:
 - JH/HS Gardening
 - Middle School Shop
 - Intro to Architecture-Construction
 - Intro to Building Trades
 - Forensics
 - JH Life Skills
 - Computer Apps
 - Senior Experience
 - Creative Writing
 - Novels
- Counselor has offered ACT Prep classes for high school students
- More students are taking Dual-Credit classes
- Continuing to look to add more classes and rotate classes from year to year.
- Gathering student input into classes they would like to take and adding them to schedule

TRIPP-DELMONT SCHOOL DISTRICT 33-5 TAX LEVY OPT OUT PROPOSAL

- We will consider raising additional general fund property tax revenues in the maximum annual sum not exceeding \$600,000 for a period of FIVE (5) years, commencing with the year 2023 property taxes payable in the year 2024.
- The exact amount of the additional tax levied will be determined annually by the School Board, but will not exceed \$600,000 per year.
- The District can use none, some, or all of the \$600,000 opt out amount during each year of that 5-year time period.

School District Spending and Oversight

- **Is there any kind of oversight on how the Tripp-Delmont School District spends the Opt-Out Revenue?**
- Answer: By law, the Tripp-Delmont School District is required to have an independent audit every year. The purpose of the audit is to ensure that the district has spent monies within the limits of State and Federal laws. The district's annual audits are available on the District website.

School District Taxable Valuations

Payable	2017	2018	2019	2020	2021	2022
Ag	\$ 301,372,901	\$ 309,736,849	\$ 319,910,345	\$ 324,473,542	\$ 320,114,548	\$301,992,232
OO	\$ 22,316,480	\$ 22,943,973	\$ 25,505,572	\$ 26,278,748	\$ 25,697,122	\$27,569,602
Non-Ag/ Other	\$ 23,331,581	\$ 23,110,929	\$ 24,836,574	\$ 24,352,969	\$ 25,212,907	26,108,582
Total	\$ 347,020,962	\$ 355,791,751	\$ 370,252,491	\$ 375,105,259	\$ 371,024,577	\$355,670,415
Percent Change from Previous Year		2%	4%	1%	-1%	-4%

School District Tax Levies

- Levy rates for the general fund are set annually through the legislative appropriations process and are derived from calculations between the Department of Education and Bureau of Finance and Management and amended into SDCL 10-12-42 annually.

General Fund Levy	State Levy Payable 2021	State Levy Payable 2022	District Levy (Current Opt-Out)	District Levy (Proposed Opt-Out)	Revenue (Current Opt-Out)	Revenue (Proposed Opt-Out)
Ag Levy	1.443	1.409	2.234	2.647	\$674,650	\$799,373.44
Owner Occupied	3.229	3.153	4.999	5.923	\$137,820	\$163,304.22
Other Non-Ag/Utilities	6.682	6.525	10.346	12.258	\$270,119	\$320,041.82
Special Education	1.684	1.67	1.684	1.67	\$593,970	\$593,970
Capital Outlay	3.00 MAX	1.558*	2.687 (P)*	1.558*	\$989,930	\$557,422

School District Comparisons 2020-2021 Levy/Opt-Out/Valuation

District	Enrollment	Agriculture	Owner Occupied	Other	Opt-Out Amount	Valuation
Bowdle 22-1	118	4.957	9.274	17.621	\$730,000	\$259,851,288
Eureka 44-1	153	4.067	6.752	11.942	\$600,000	\$503,154,167
Tripp-Delmont 33-5	161	5.085	7.875	13.268	\$400,000	\$371,024,577
Lake Preston 38-3	176	5.436	8.222	13.609	\$710,000	\$334,409,554
Armour 21-1	184	7.617	11.247	18.266	\$390,000	\$188,650,460

Example How to Calculate Taxes

\$600,000 Opt-Out Amount

Calculation: Taxable Value of Property X Mill Levy ÷ 1000

Example 1—Owner Occupied:

- \$150,000 house X \$2.770 Opt Out Levy/1000 = **\$415.50**
 - Decrease in Capital Outlay (-1.54 Levy) = (\$415.50-\$231.00) = **\$184.50**
 - Monthly Cost = \$184.50/12 = **\$15.38/Month**

Example 2—Agriculture Land:

- \$300,000 Land X \$1.238 Opt Out Levy/1000 = **\$371.40**
 - Decrease in Capital Outlay (-1.54 Levy) = (\$371.40-\$462.00) = **-\$90.60**
 - Monthly Cost = \$90.60/12 = **-\$7.55**

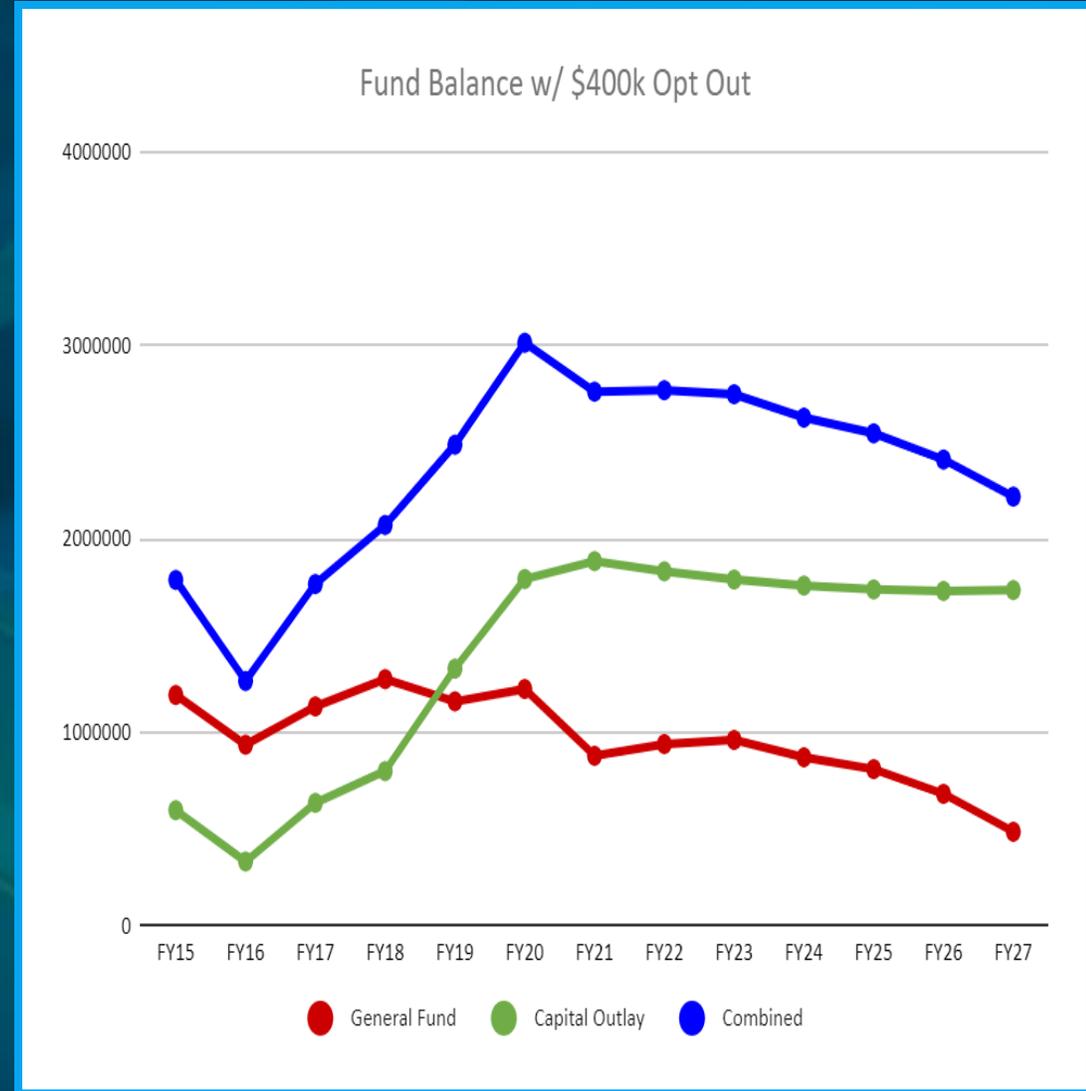
Example 3—Commercial Property:

- \$300,000 Business X \$5.773 Opt Out Levy/1000 = **\$1,719.90**
 - Decrease in Capital Outlay (-1.54 Levy) = (\$1,719.90-\$462.00) = **\$1,257.90**
 - Monthly Cost = \$1,257.90/12 = **\$104.83/Month**

Revenue Projections--\$400,000 Opt-Out

WITH \$400,000.00 OPT OUT

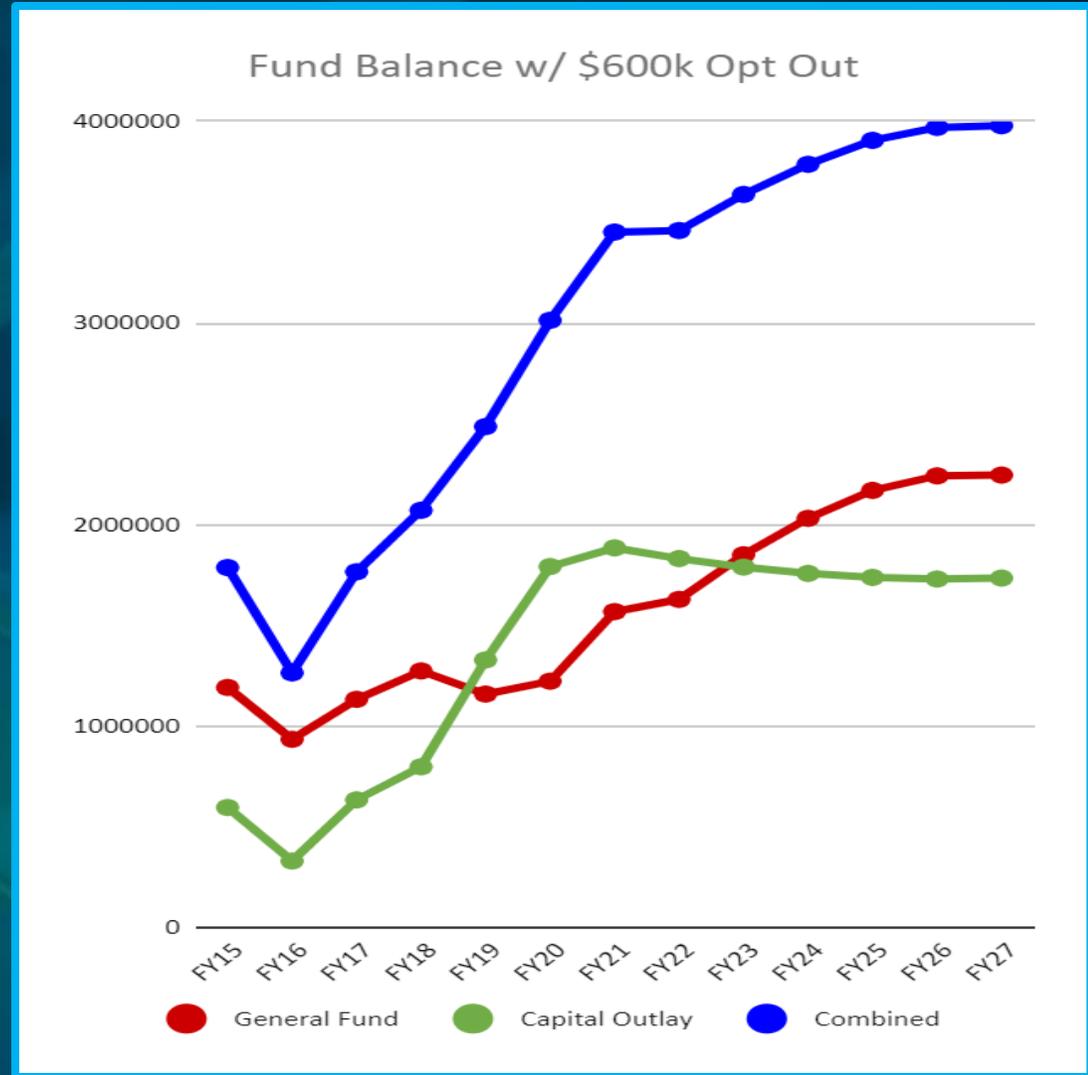
	General Fund	Capital Outlay	Combined	+/-
FY15	\$ 1,190,991.26	\$ 595,103.94	\$ 1,786,095.20	\$ 63,193.38
FY16	\$ 933,670.67	\$ 329,640.10	\$ 1,263,310.77	\$ (522,784.43)
FY17	\$ 1,131,916.13	\$ 633,029.33	\$ 1,764,945.46	\$ 501,634.69
FY18	\$ 1,272,970.39	\$ 797,288.43	\$ 2,070,258.82	\$ 305,313.36
FY19	\$ 1,158,109.79	\$ 1,327,466.03	\$ 2,485,575.82	\$ 415,317.00
FY20	\$ 1,221,965.31	\$ 1,790,926.03	\$ 3,012,891.34	\$ 527,315.52
FY21	\$ 876,538.29	\$ 1,883,507.03	\$ 2,760,045.32	\$ (252,846.02)
FY22	\$ 937,167.08	\$ 1,830,565.97	\$ 2,767,733.05	\$ 7,687.73
FY23	\$ 958,577.23	\$ 1,788,216.07	\$ 2,746,793.29	\$ (20,939.75)
FY24	\$ 868,724.31	\$ 1,756,896.85	\$ 2,625,621.15	\$ (121,172.14)
FY25	\$ 807,471.32	\$ 1,737,062.25	\$ 2,544,533.57	\$ (81,087.58)
FY26	\$ 679,556.52	\$ 1,729,181.04	\$ 2,408,737.56	\$ (135,796.01)
FY27	\$ 483,449.89	\$ 1,733,737.32	\$ 2,217,187.21	\$ (191,550.35)



Revenue Projections--\$600,000 Opt-Out

WITH \$600,000.00 OPT OUT

	General Fund	Capital Outlay	Combined	+/-
FY15	\$ 1,190,991.26	\$ 595,103.94	\$ 1,786,095.20	\$ 63,193.38
FY16	\$ 933,670.67	\$ 329,640.10	\$ 1,263,310.77	\$ (522,784.43)
FY17	\$ 1,131,916.13	\$ 633,029.33	\$ 1,764,945.46	\$ 501,634.69
FY18	\$ 1,272,970.39	\$ 797,288.43	\$ 2,070,258.82	\$ 305,313.36
FY19	\$ 1,158,109.79	\$ 1,327,466.03	\$ 2,485,575.82	\$ 415,317.00
FY20	\$ 1,221,965.31	\$ 1,790,926.03	\$ 3,012,891.34	\$ 527,315.52
FY21	\$ 1,567,392.33	\$ 1,883,507.03	\$ 3,450,899.36	\$ 438,008.02
FY22	\$ 1,628,021.12	\$ 1,830,565.97	\$ 3,458,587.09	\$ 7,687.73
FY23	\$ 1,849,431.27	\$ 1,788,216.07	\$ 3,637,647.33	\$ 179,060.25
FY24	\$ 2,030,228.83	\$ 1,756,896.85	\$ 3,787,125.67	\$ 149,478.34
FY25	\$ 2,168,975.84	\$ 1,737,062.25	\$ 3,906,038.09	\$ 118,912.42
FY26	\$ 2,241,061.04	\$ 1,729,181.04	\$ 3,970,242.08	\$ 64,203.99
FY27	\$ 2,244,954.41	\$ 1,733,737.32	\$ 3,978,691.73	\$ 8,449.65



Property Value Freeze Option

- In February/March of each year, taxpayers who are disabled or are over 65 years of age can apply for a Property Value Freeze through the Treasurer's office.
- Applicants must meet income requirements
 - In 2020, the income requirements were:
 - \$29,500 for Single Household
 - \$37,000 for Combined Household
 - Resident must live in their house for one year
 - House can not be valued over \$200,000
- If the application is approved, the Assessor's office is notified and they freeze the VALUE of their house at the year a person qualifies for
- Applications are due no later than April 1st

Conclusion

- The Tripp-Delmont School District is seeking a \$600,000 Opt-Out for the next five years, which is an increase from \$400,000 from previous Opt-Out
- Changes to the Capital Outlay funding formula have created funding decreases for our school district
 - \$432,488 decrease in Capital Outlay revenue impacts ability to transfer money to General Fund
 - 2021-2022—Transfer of \$444,000
 - 2022-2023—Transfer of \$250,849 (Decrease of \$193,151)
- Tripp-Delmont School District would like to see the state calculate school district need at a higher rate in the funding formula, but has been limited by state funding increases over many years
- The district has seen a 5% decrease in taxable valuations the last two years and this has impacted our ability to raise more local revenue for education purposes

Conclusion

- Increasing enrollment is a positive sign of growth for the district and should lead to more financial stability for the district long-term, although enrollment can fluctuate
- Tax levies have been adjusted lower by the state legislature every year, sometimes leading to decreases in revenue depending on tax valuations.
 - Lower valuations and lower tax levies=less local tax revenue for schools
- The school district has taken several measures to reduce staff and costs while at the same time providing a quality education for the students
- The school district has been creative in creating opportunities for students on a limited budget to prepare students for college, careers, and life

Questions

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Answers

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