

School Funding Realities

Data and information that supports increasing funding in South Dakota in order to keep pace with the increasing demands placed on public education.



Overview

At a time when the global economy pushes stakes higher than they've ever been and new accountability measures have placed unprecedented demands on public education, an outdated approach to school finance compounds pressures placed on South Dakota's public school districts.

In 2006, an independent public policy research firm conducted an analysis of South Dakota's school finance system and confirmed that public schools are inadequately funded by more than \$100 million per year. The research acts as a useful guide, but, a conversation with a school board member, administrator or teacher will lead down the same path – schools do not have the resources needed to meet increasing demands.

School Funding Realities is intended to raise the debate on South Dakota school finance, providing data and information to challenge some of the more persistent myths about school funding. *School Funding Realities* provides data on state spending, school district budgets, regional school finance trends and assessment data – all intended to focus urgency around addressing school funding in South Dakota.

Before getting into the thrust of the myths, it's important to note the forces of change that drive public education.

Historically, South Dakota has funded education on a what-is-available basis – which mirrors a pre-No Child Left Behind mentality to public education where school districts used funds to provide educational *opportunities* to South Dakota's children. No Child Left Behind, though, changed the role of public education from an *opportunities-based* operation to an *outcomes-based* system. In public education today, states set high standards for yearly progress, and schools are expected to deliver results.

South Dakota's school finance system, however, has failed to recognize this dramatic shift in philosophy. In order to achieve the ever-rising expectations, the debate on education funding must shift focus to allocating resources needed to meet the needs of every student. Doing so sets public schools up for success and delivers a brighter future for South Dakota's students.

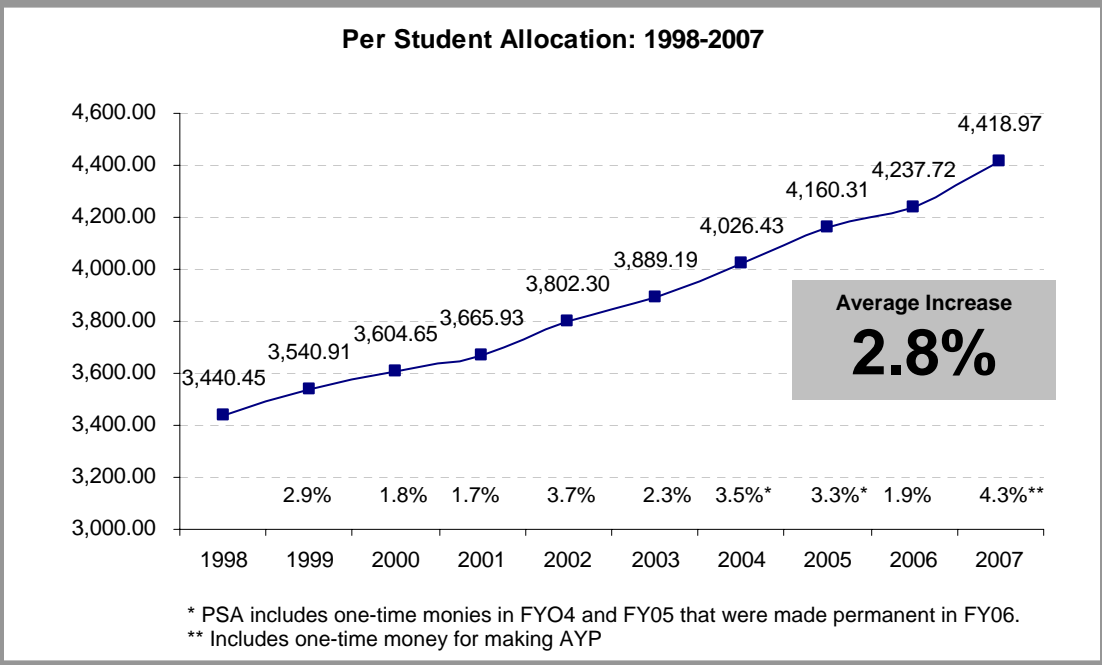
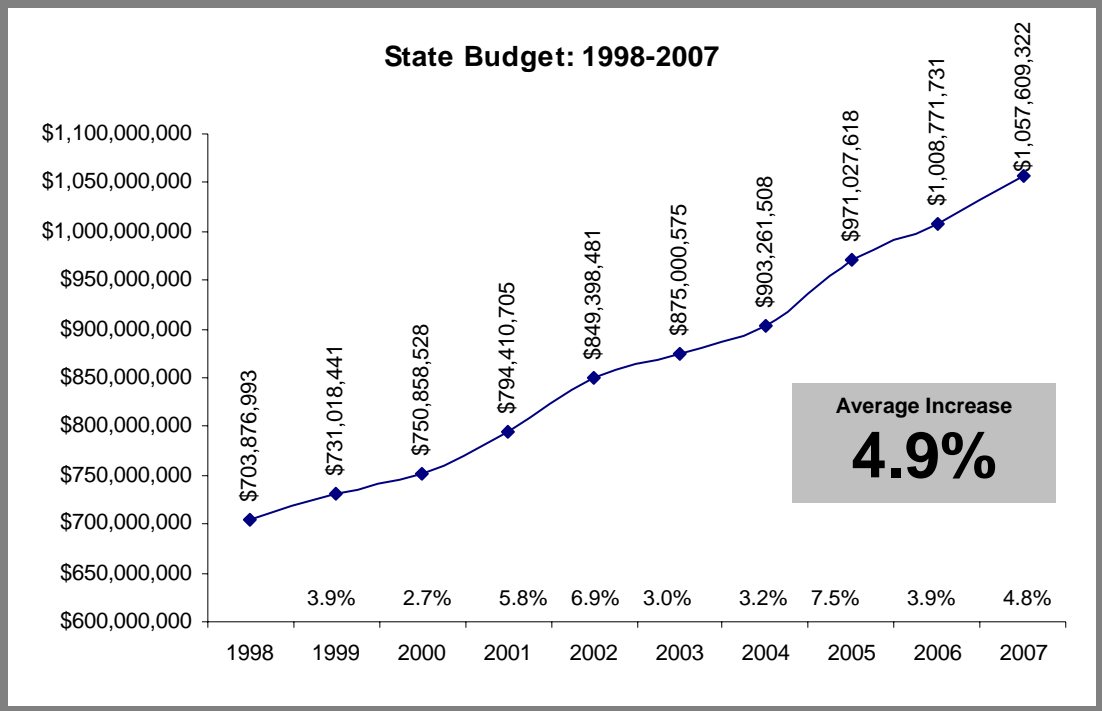
State Gov. vs. State Aid Growth

MYTH: South Dakota does not have additional financial resources to devote to public education.

REALITY: There are financial resources available, but state policymakers have prioritized the funds elsewhere in the state budget.

BACKGROUND INFORMATION

Since 1998, the state budget as a whole has grown at an average of 4.9% per year. Over the same period, the per student allocation has only grown an average of 2.8% per year.



The chart below compares state spending by department or agency in 2004 and 2007. Looking at the line-by-line comparison provides a better picture of exactly where the state's money is going. Outside of education, Medicaid – a federal mandate – is the state's largest expenditure. The funds outside of Medicaid and K-12 state aid are essential the state's "discretionary" expenses.

As the chart illustrates, agencies and departments outside of Medicaid and K-12 education have grown nearly 20 percent since 2004, while education has grown just 3.5 percent. Excluding Medicaid, the state budget has grown nearly \$71 million – \$60 million of that, or nearly 85 percent, has gone to departments or agencies outside of K-12.

State General Fund Expenditures FY04 & 07				
Line	Agency	FY04 (HB1283)	FY07 (SB 209)	% Increase
2	Executive Management	\$28,527,403	\$23,632,502	-17.2%
2.1	EM (W/O Sale Leaseback)*	\$16,054,095	\$13,137,374	-18.2%
3	Revenue & Regulation	\$836,239	\$1,021,480	22.2%
4	Agriculture	\$4,638,115	\$5,738,112	23.7%
5	Tourism & State Development	\$5,357,695	\$10,952,926	104.4%
6	GF&P	\$4,550,080	\$5,770,213	26.8%
7	Social Services (Medicaid Agency)	\$174,285,776	\$238,955,154	37.1%
8	Health	\$7,775,447	\$8,251,167	6.1%
9	Labor	\$1,006,288	\$825,293	-18.0%
10	PUC	\$0	\$586,374	
11	Transportation	\$468,931	\$501,366	6.9%
12	Education	\$345,540,888	\$359,034,749	3.9%
12.1	K-12 State Aid	\$320,571,521	\$331,677,160	3.5%
12.2	Tech Inst State Aid	\$15,752,326	\$18,876,536	19.8%
12.3	Education (W/O Aid)	\$9,217,041	\$8,481,053	-8.0%
12.4	K-12 Per Pupil Allocation	\$3,968	\$4,365	10.0%
13	Public Safety	\$3,240,866	\$3,736,994	15.3%
14	Regents	\$141,879,439	\$162,881,972	14.8%
15	Military & Veterans	\$4,548,866	\$5,661,999	24.5%
16	Corrections	\$57,855,361	\$74,399,195	28.6%
17	Human Services (Medicaid Agency)	\$76,356,157	\$95,468,465	25.0%
18	Environment & Natural Resources	\$5,507,328	\$6,083,124	10.5%
19	UJS	\$26,381,216	\$30,224,004	14.6%
20	Legislative	\$6,810,211	\$7,434,903	9.2%
21	Attorney General	\$4,999,784	\$13,378,532	167.6%
22	School & Public Lands	\$472,587	\$524,350	11.0%
23	Secretary of State	\$864,844	\$934,291	8.0%
24	State Treasurer	\$454,729	\$486,866	7.1%
25	State Auditor	\$903,258	\$1,125,291	24.6%

Total	\$903,261,508	\$1,057,609,322	17.1%
Total (Minus K-14 State Aid)	\$566,937,661	\$707,055,626	24.7%
Total (Minus SA, Medicaid, SLB)	\$300,241,633	\$359,494,633	19.7%

*In FY07, the state employee salary increase was budgeted at the agency level instead of in Exec. Mngmt; If it had been budgeted the same way in FY04, the Exec Mang. Increase would have been 15%.

SOURCES

State budget figures are taken from each year's general appropriation bill, dating back to 1998. Per student allocation figures are taken from the South Dakota Department of Education.

Education's Share of State Dollar

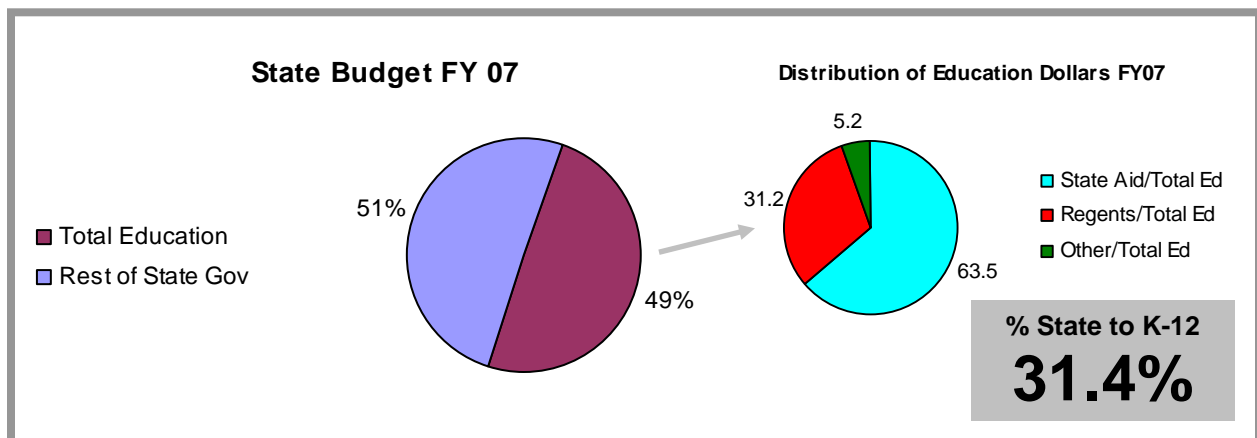
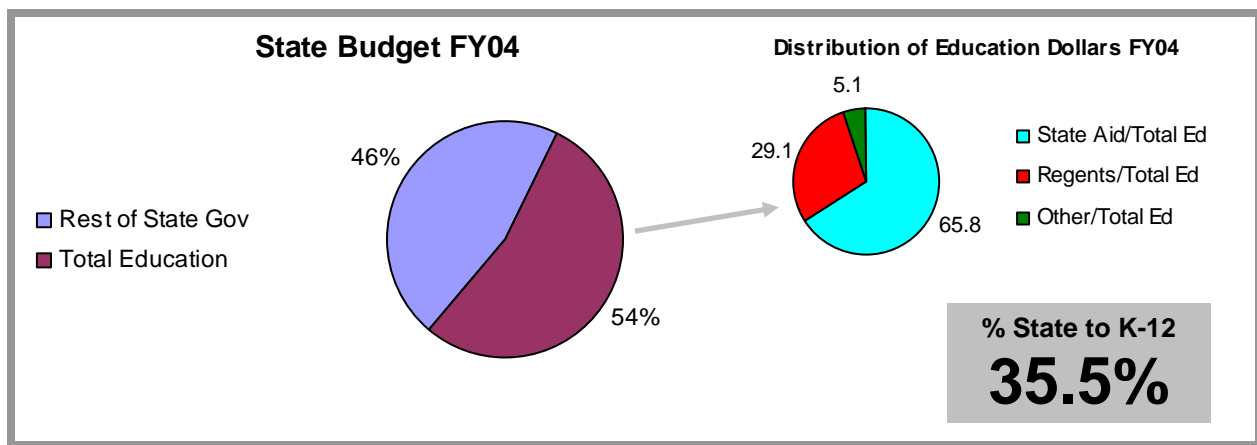
MYTH: The amount of funding devoted to education is at an all time high.

REALITY: While it absolutely has to be true that the state is “devoting more dollars to education than it ever has,” education’s share of the state dollar is on the decline and K-12 education is shouldering the burden of the decline.

BACKGROUND INFORMATION

The graphs below compare state education expenditures in 2004 and 2007. Since state government officials often lump K-12 education and higher education together when talking about the amount spent on education, the charts combine both the “education” and “Board of Regents” line items in the state budget. Upon closer study, it’s evident that:

- Since 2004, the percent of the state budget devoted to education – including K-12, and higher education – has fallen from 54 percent to 49 percent.
- As a percentage of all dollars **devoted to education**, K-12’s share fell from 65.8 percent to 63.5 percent since 2004 – the percent devoted to the board of regents and other areas have both increased.
- Since 2004, the percentage of all state general fund dollars spent on K-12 education has fallen from 35.5 percent to 31.4 percent.



SOURCES

State budget figures are taken from each year’s general appropriation bill.

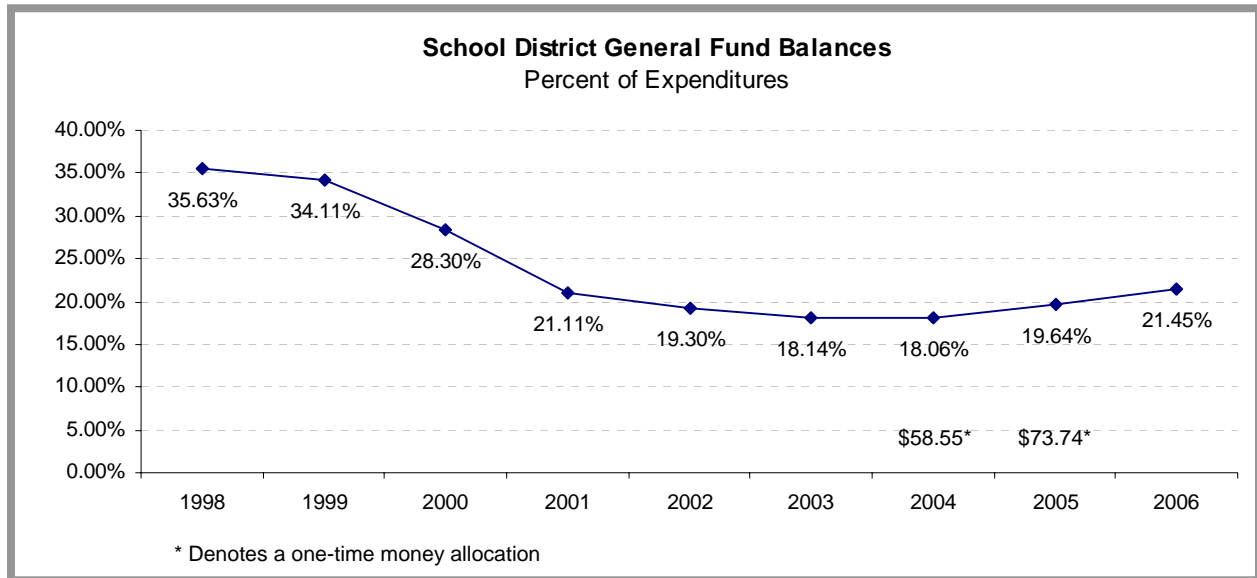
Reserve Funds

MYTH: Schools don't need additional funding because district fund balances are up.

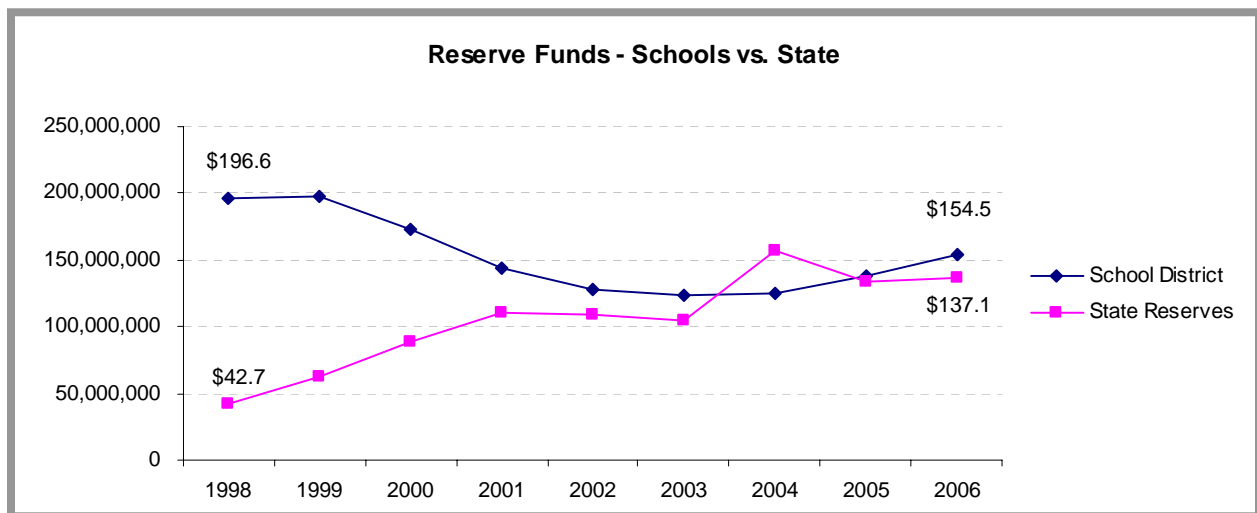
REALITY: School district general fund balances have been on a sharp decline since 1998, hitting an all time low in 2004. Fund balances have increased slightly over the past two years - after two years of one-time money appropriations and after the unemployment fund was transferred and rolled into the general fund.

BACKGROUND INFORMATION

The following chart shows the history of school district general fund balances since 1998, as a percent of expenditures. The average fund balances is 21.45 percent of expenditures.



This next chart shows the statewide total of school district fund balances compared to the two state reserve funds (budget reserve and the property tax reduction fund) since 1998. All things considered, school district general fund balances are down 21.4 % since 1998, while state reserves have gone up 220.6%.



SOURCES

School Data from Department of Education Statistical Digest. State reserve data from Bureau of Finance and Management.

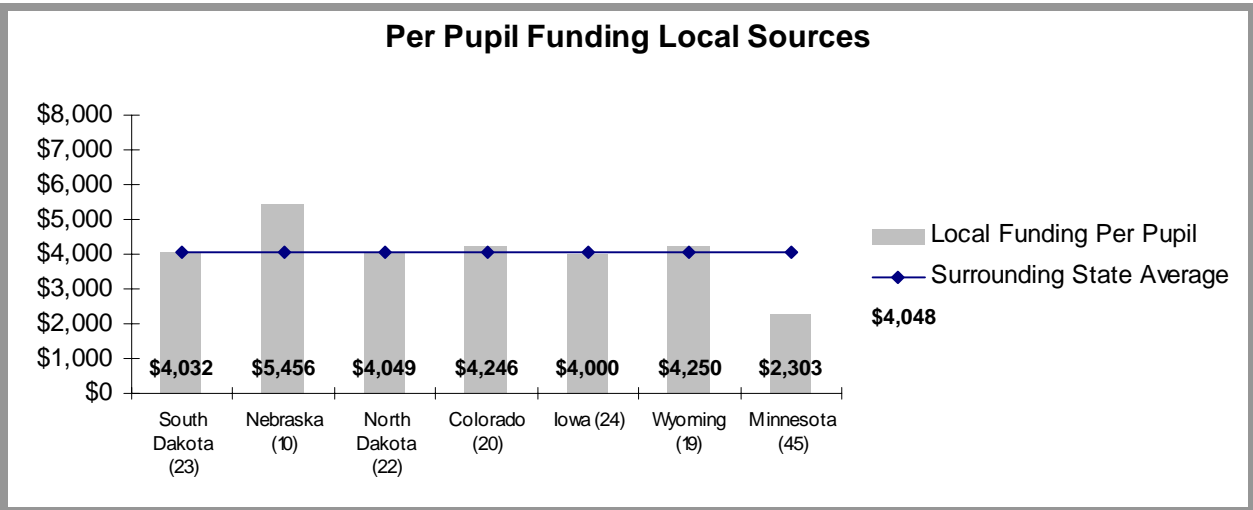
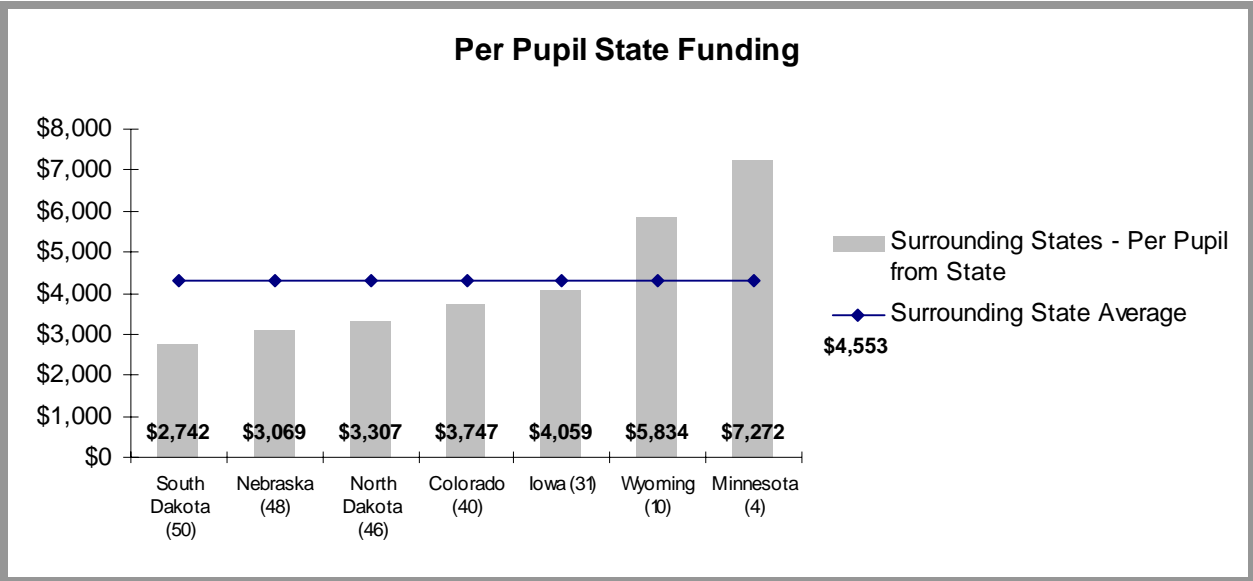
State vs. Local Education Funding

MYTH: The State of South Dakota funds education comparatively well with surrounding states.

REALITY: No state in the nation contributes less state money to education than South Dakota does. South Dakota state government contributes \$327 less per pupil than Nebraska, \$565 less per pupil than North Dakota and \$1,317 less than Iowa. However, local property tax payers in South Dakota pay their fair share, right at the surrounding state average.

BACKGROUND INFORMATION

The following two charts show a comparison between state and local funding for K-12 education in South Dakota and the surrounding states.



SOURCES

From “Public Education Finances 2004”, released March 2006 by the U.S. Census Bureau, Table 11 – “States Ranked According to Per Pupil Elementary-Secondary Public School System Finance Amounts: 2003-04.”

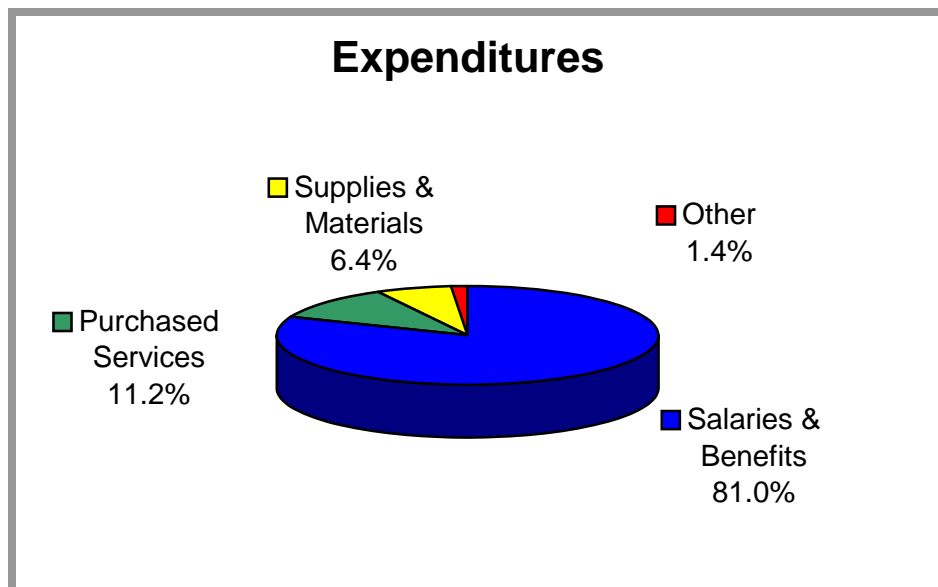
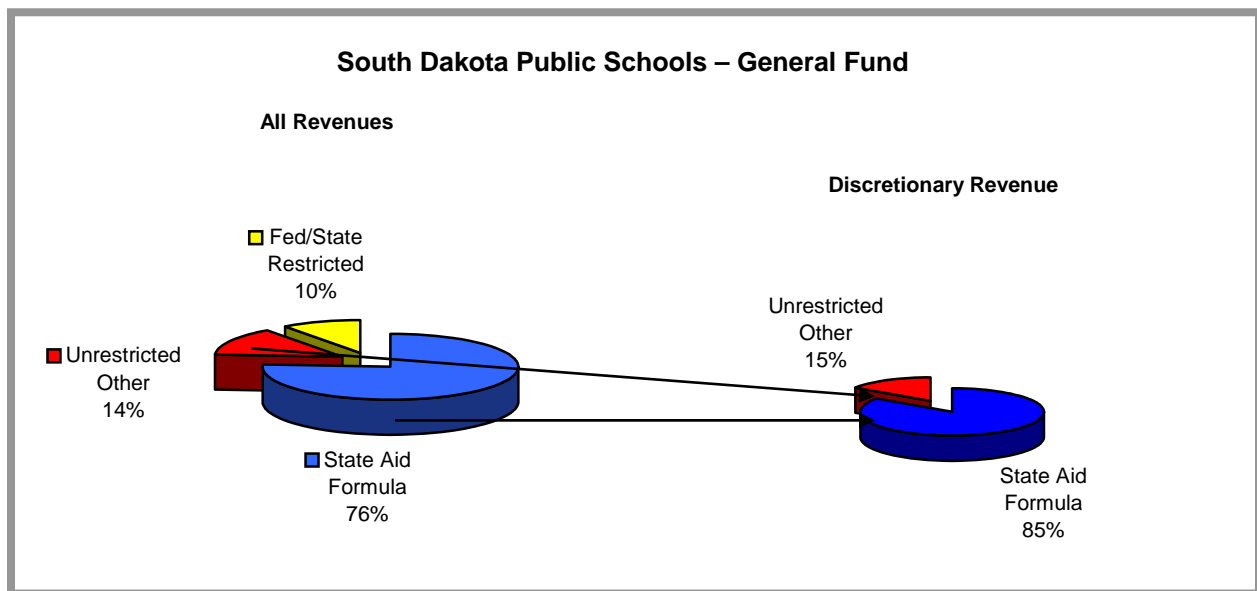
State Aid = Discretionary Revenue

MYTH: Local school boards establish compensation and benefits for district employees – the state doesn't influence how districts pay teachers.

REALITY: After excluding federal restricted grant revenues (which can't be used to balance budgets or increase salaries for the vast majority of teachers), the state aid formula makes up 85% of a district's revenues. Salaries and benefits comprise 81% of SD districts' expenditures. Therefore, the increase in salaries and benefits cannot exceed the increase in the state aid formula over an extended period of time. If they do, the district's budget will inevitably go in the red. If districts are continually forced to give staff increases of 3% or inflation, whichever is less, they will not be able to attract or retain quality staff.

BACKGROUND INFORMATION

The next two charts show the breakdown of revenue and expenditures for South Dakota's public school districts.



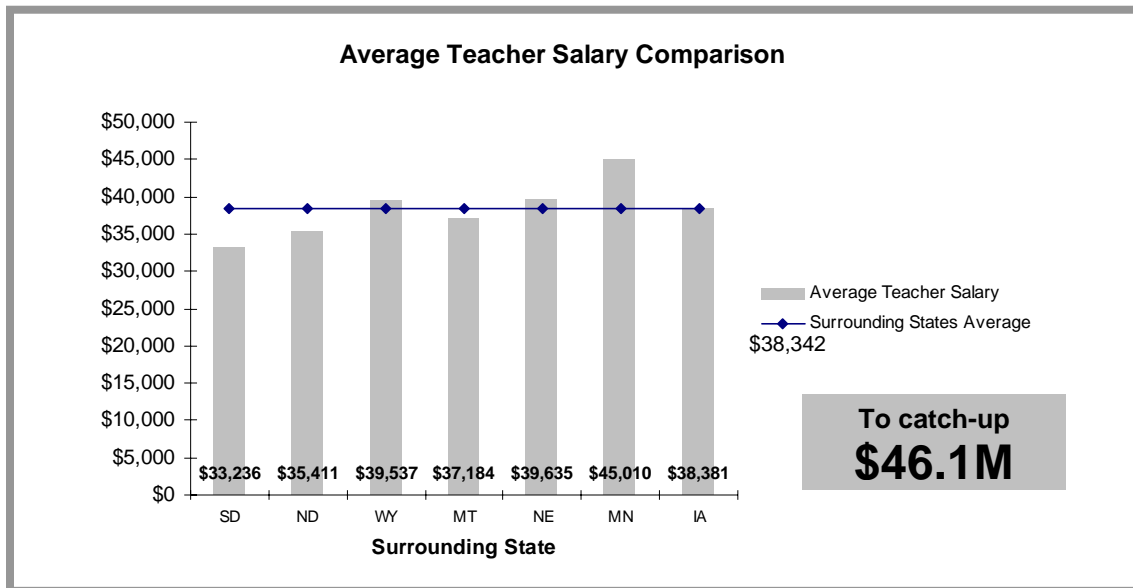
South Dakota Lags in Teacher Pay

MYTH: South Dakota doesn't have big strides to make in raising teacher pay.

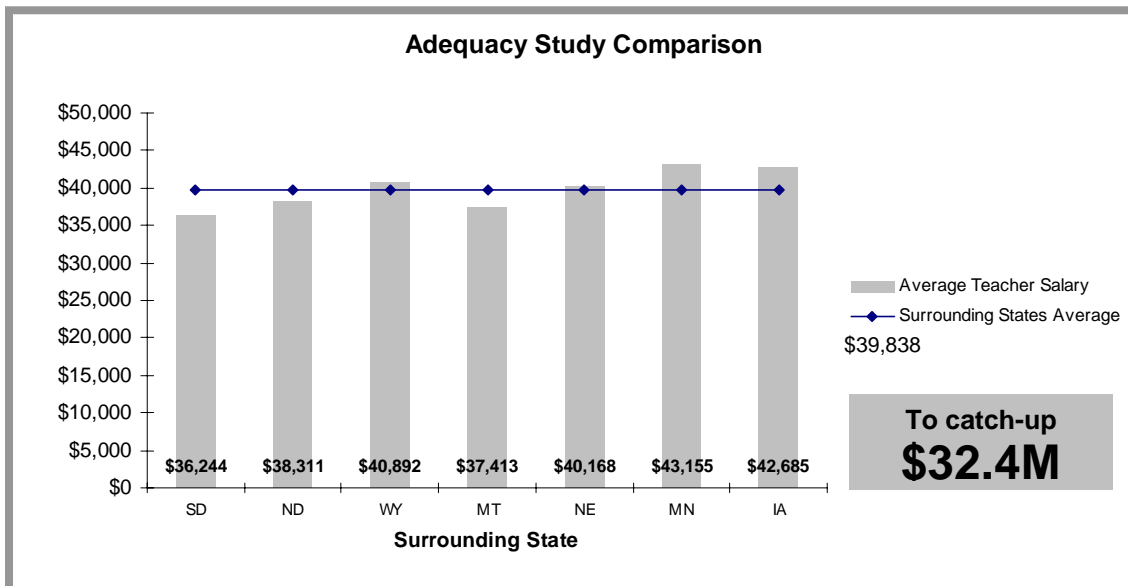
REALITY: South Dakota is so far behind neighboring states that it will take a significant state investment to put districts in a better position to recruit and retain high quality teachers.

BACKGROUND INFORMATION

By looking strictly at averages, South Dakota would have to invest \$46.1 million.



South Dakota's adequacy study, however, took into account several factors, including cost of living. According to adequacy study figures, South Dakota would have to invest \$32.4 million – nearly 10 times the \$3.5 million suggested by the Teacher Compensation Assistance Program.



SOURCES

Straight average teacher salaries taken from NSBA's Education Vital Signs 2006, adequacy study information taken from Estimating the Cost of an Adequate Education in South Dakota.

NAEP: Room for Improvement

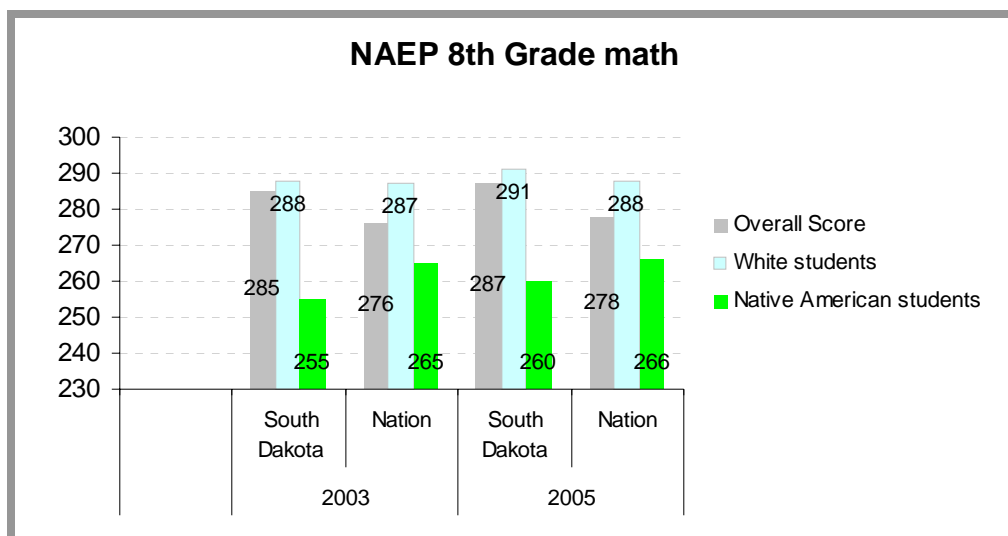
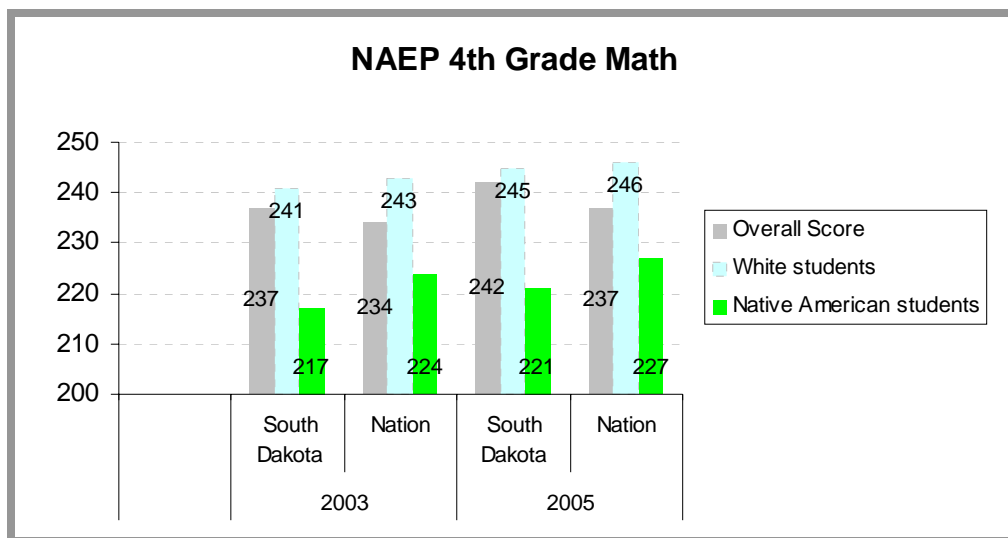
MYTH: High National Assessment (NAEP) scores show South Dakota doesn't need to provide additional funding for public schools.

REALITY: Because South Dakota's student population is approximately 84% White, breaking down South Dakota's NAEP scores by sub-group allows for more accurate national comparisons. Comparing sub-group to sub-group removes any elevating effect the size of the White population may have on the overall scores. Taking a closer look at the NAEP scores show:

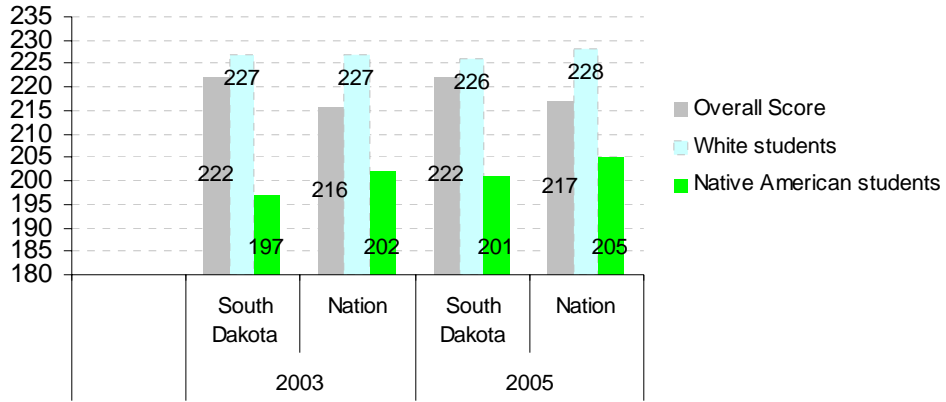
- When the focus is on **overall scores**, South Dakota students score better than the national average.
- When comparing White students in South Dakota to White students around the nation, South Dakota's White student population scores **about the same** as their national counterparts.
- When comparing Native American students in South Dakota to Native American students around the nation, South Dakota's Native American population scores **below the national average**.
- The achievement gap between White students and Native American students **is more pronounced** for South Dakota than it is for the rest of the nation.

BACKGROUND INFORMATION

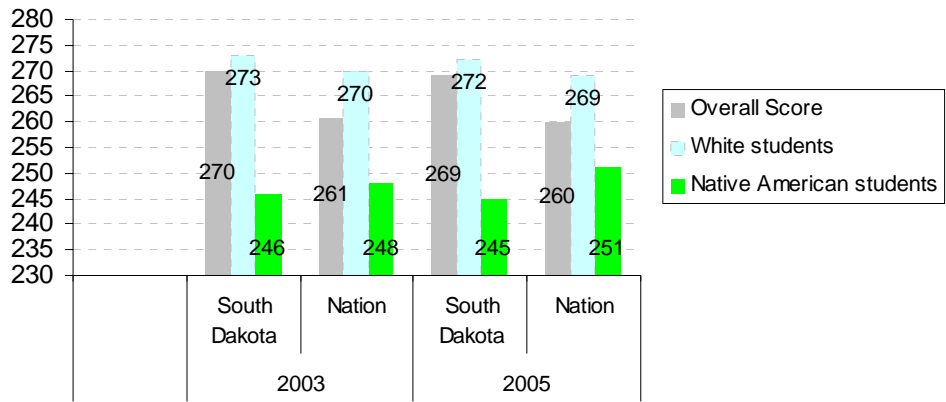
The next series of graphs presents NAEP scores – the overall score, a score for White students and a score for Native American students – from 2003 and 2005.



NAEP 4th Grade Reading



NAEP 8th Grade Reading



SOURCES

National Assessment of Educational Progress

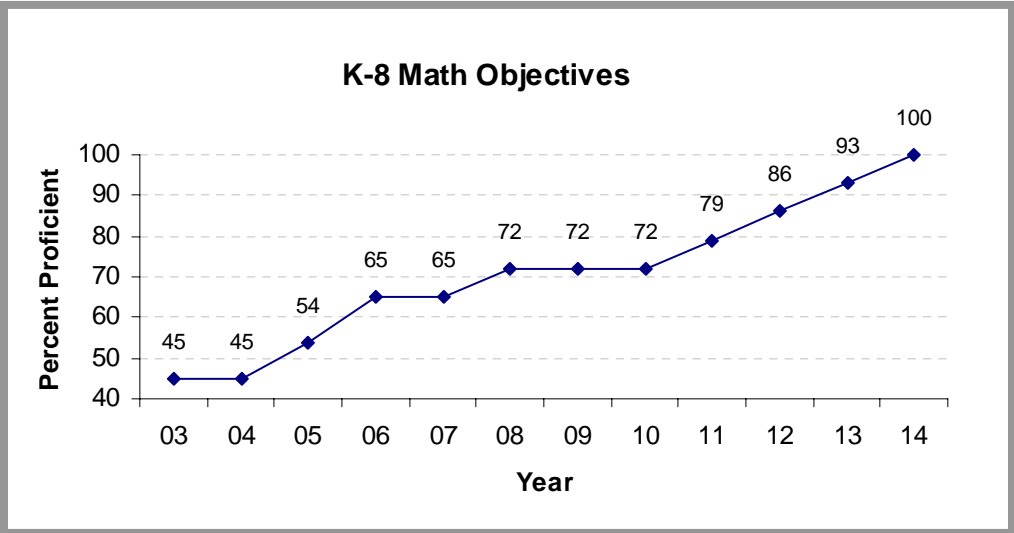
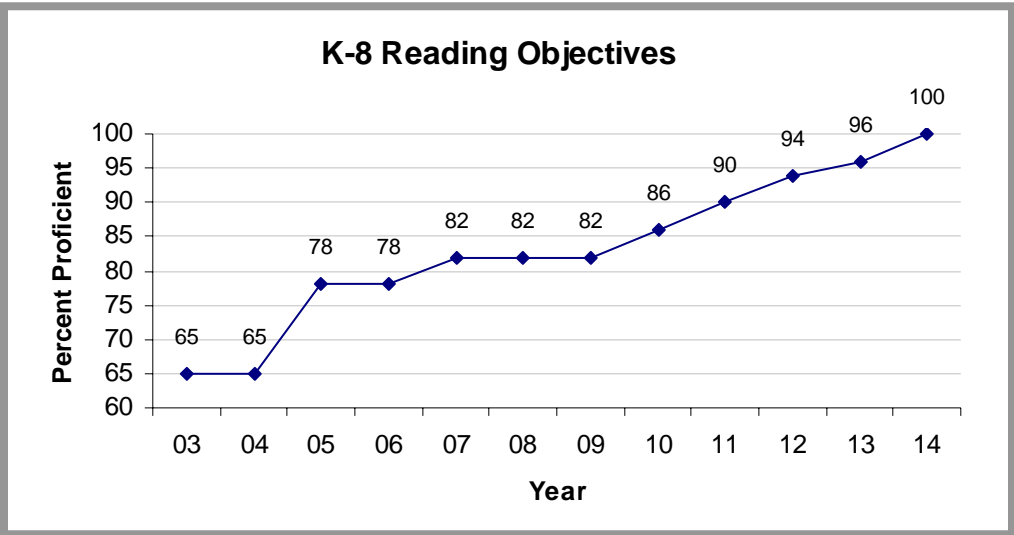
State Standards Continue to Climb

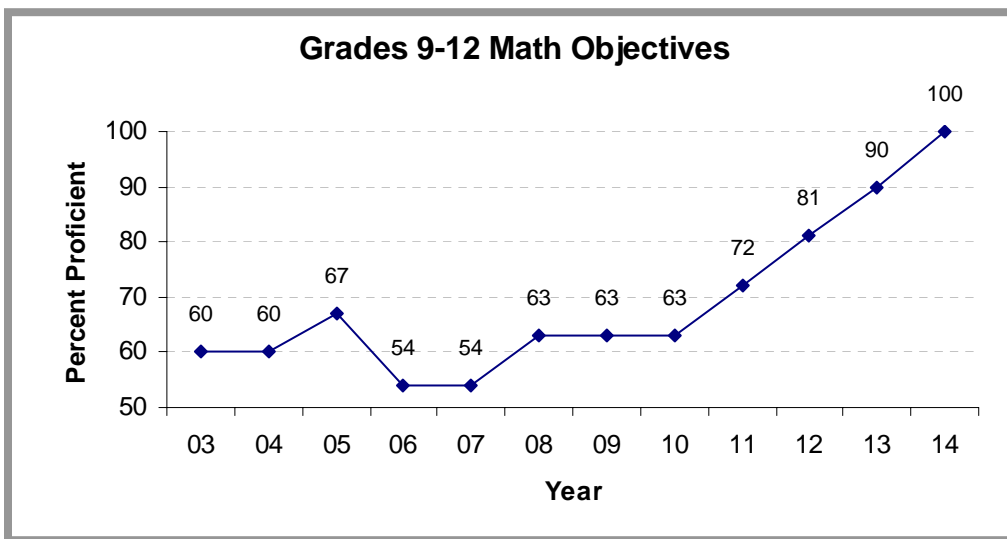
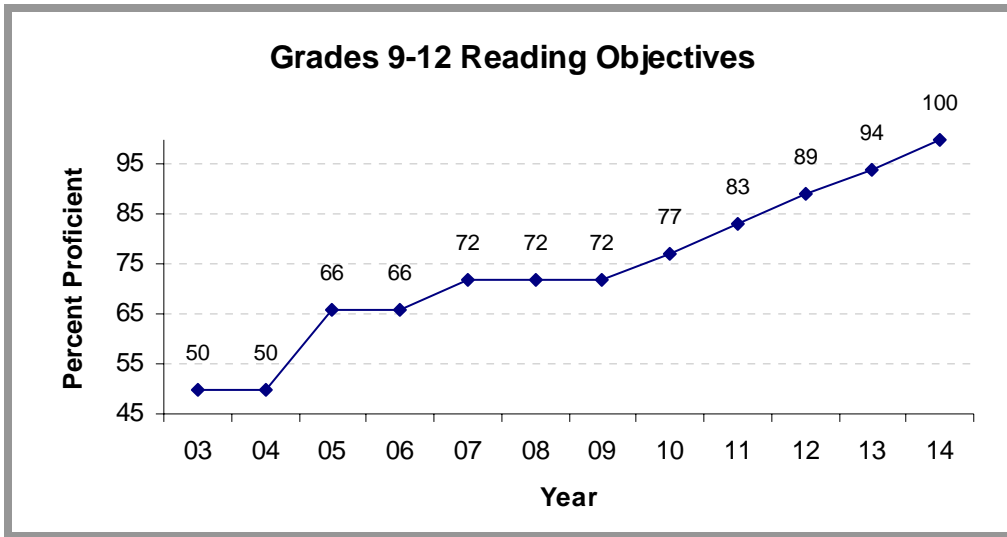
MYTH: If education funding is increased, there is no mechanism to show how school districts would be held accountable for the additional funds.

REALITY: South Dakota, and the legislature, have already set high standards for the end results schools must achieve – they come in the form of No Child Left Behind’s annual performance targets, called annual measurable objectives, or AMO’s. The AMO represents the percent of students that must be at proficient or above in a given subject area at a given grade level. If a school or district does not meet the AMO in every student sub group, the school or district will face sanctions, which could consume additional resources and damage the district’s reputation.

BACKGROUND INFORMATION

The next series of graphs show the dramatic increases that are expected of schools and school districts in the near future. According to South Dakota’s standards, all students at all grade levels must be proficient by the year 2013-14 in both reading at math. After relatively steady and incremental increases, the AMO targets will jump dramatically starting, in most cases, in 2010.





NOTES

The South Dakota Accountability Plan has recently been amended. The state math assessment has been modified, and the AMOs were recalculated, which explains the dip in the ninth grade math accountability measures.

SOURCES

South Dakota No Child Left Behind Accountability Plan

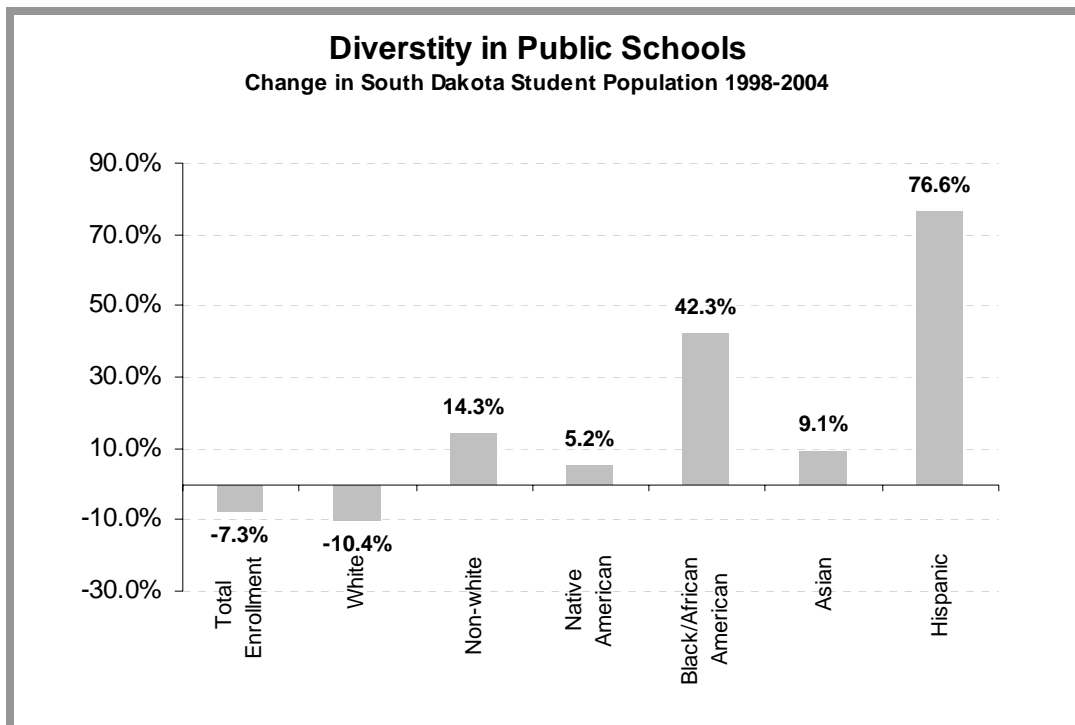
The Student Body is More Diverse

MYTH: Schools don't need additional funding – enrollments are declining and there are fewer students to teach.

REALITY: While overall enrollment is on the decline, diversity is on the upswing. The changing population means school districts will have to adapt to meet the needs of a changing student population, which includes growing at risk and English language learning populations. To adapt, school districts need additional resources.

BACKGROUND INFORMATION

The following chart shows change in South Dakota student diversity from 1998 to 2004. While overall enrollment and White population is on the decline, there is a 14.3 percent positive influx of non-white students, including dramatic increases in the African American and Hispanic populations.



SOURCES

National Center for Education Statistics

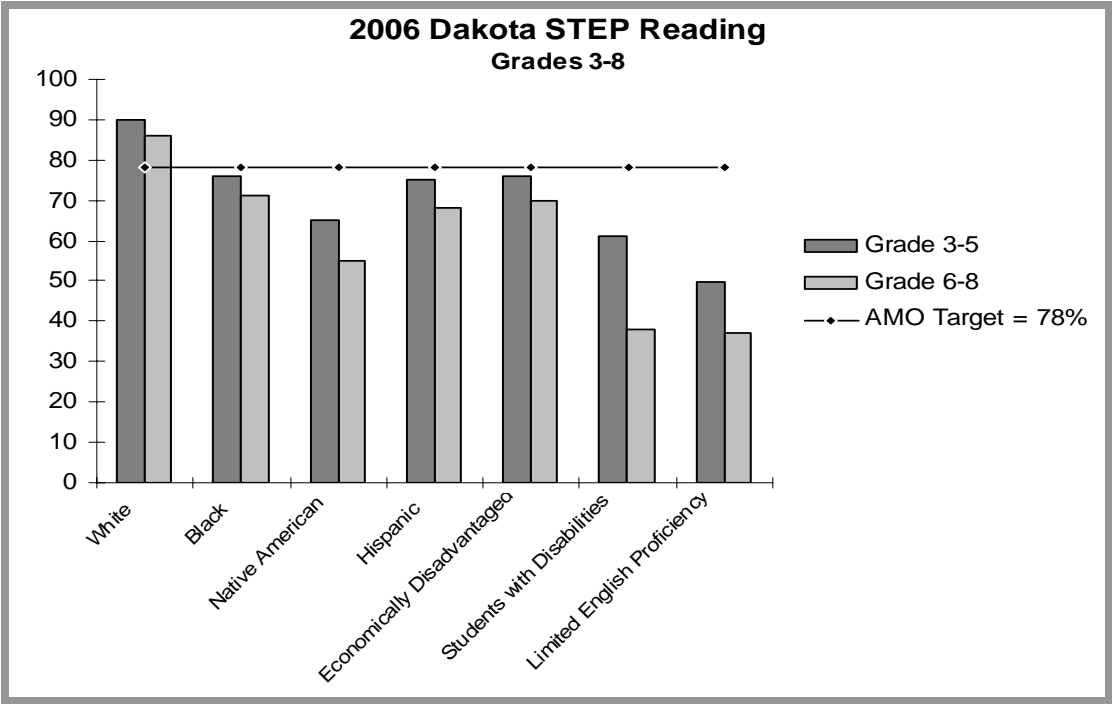
Diversity Brings Challenges, Costs

MYTH: High scores on state tests show additional resources aren't needed.

REALITY: While South Dakota's education system is strong, the 2006 No Child Left Behind Report Card shows that the state as a whole failed to meet Adequate Yearly Progress (AYP) in both reading and math. Assessment scores show consistent gaps in all sub-groups.

BACKGROUND INFORMATION

As an example of the existing achievement gaps, consider scores from the 2006 Dakota STEP reading test for grades 3-8. No sub group, at either grade level, reached the AMO target for 2006.



South Dakota's adequacy study showed that educating children with special needs takes additional resources. The chart below summarizes additional weighted cost factors for special needs populations.

Additional Costs for Students with Special Needs					
District Size	Special Education			At-Risk	ELL
	Mild	Moderate	Severe		
100	0.66	1.25	4.33	0.24	0.39
200	0.66	1.25	4.33	0.24	0.39
300	0.66	1.58	4.32	0.27	0.47
400	0.73	1.64	4.30	0.31	0.54
500	0.78	1.70	4.29	0.35	0.60
1,000	0.94	1.86	4.21	0.46	0.77
2,500	1.14	2.08	3.99	0.60	0.99
5,000	1.30	2.24	3.62	0.71	1.17
10,000	1.31	2.26	3.57	0.72	1.18

SOURCES

2006 South Dakota NCLB Report Card; Estimating the Cost of an Adequate Education in South Dakota