



Garretson School District 49-4 General Information for Opt Out

Glossary:

GF = General Fund: This is one of two major funds that schools use. The General Fund is how the school district pays most of the “operational” costs incurred as the school district provides education for our students. Eighty percent of this fund is used for paying salaries and benefits to employees. It is funded through a combination of state and local money. The levy for this fund and the [formula is determined annually by the SD Legislature](#). Different property types are taxed at different levels. In the 22-23 school year, those levies were: Ag property at \$1.362/1,000; Owner-Occupied property at \$3.048/1,000 and all other property (commercial and utility) at \$6.308/1,000. Main source of revenue for this fund is determined through a count of the students served in the district on the last Friday in September. Essentially, the formula (when adjusted to Garretson’s school size) provides for \$7,230 per student.

General Fund Reserve: This is the “cash on hand” in the General Fund. Any part of the budget that is unspent stays in “the reserve,” which is carried over from year to year. The reserve is often times reported out as a percentage of the expenditures budgeted for the year. Because local taxes are collected twice per year, schools see two large spikes in revenues when property taxes are paid. We need to have approximately 15% in our reserve in order to pay all of our bills between those two revenue spikes due to the local property tax collection.

As we started the FY23 school year, the difference between revenues and expenditures is \$1.1M. We expect the difference to be between \$600,000 and \$700,00. At the start of the year, our GF reserve was at \$1.2M. We expect that it will decrease by the deficit, bringing it down to \$600,000. If expenses continue to increase (inflation), and student numbers go down, or hold steady, we can expect that deficit to increase. As discussed above, in order to “make cash flow,” we need to have approximately 15% in reserve. This allows us to continue to make payroll obligations in the months before the semi-annual tax payments are disbursed.

CO = Capital Outlay Fund: This is the second major fund that schools use. The CO fund is used for buildings, large pieces of equipment, technology and infrastructure, and textbooks. This fund is designed for the purchase of those things that will last for some time. This is funded through local property taxes. In 2016, the law was changed to decrease the growth in local Capital Outlay funds, and is now limited to growth of 3%, or the rate of inflation (CPI-W), whichever is less. The maximum dollar amount is set by the Board of Education in July each year and then the county auditor determined the levy that will generate those funds, based on total valuation in the district. The levy is applied equally to all property types.

1. What is an “opt out?”

In South Dakota, the taxing authority for local governments (school board, city, county) is spelled out in state law. There are limits defined in state law that sets maximum tax levies for these local governments. There is a provision in the law that allows those local governments, with the consent of the people, to “opt out” of the tax limits. In Fiscal year 2023, 63 school districts (42%) in the State of SD have an opt out in place. Sometimes, people think that this is only a “small school” issue. Several districts in our region have been forced to opt out in order to preserve programs. The list includes: Harrisburg, Sioux Falls, Tri-Valley, Beresford, and West Central. Some are large and some are not, and each community has programming that local taxpayers have committed to keeping in their districts. (Source: [SD Dept of](#)

[Education - Opt Out History](#)). When a school district opts out of those tax limitations for the General Fund, different property types pay a differential rate that follows the ratio set by the legislature in SD law. For taxes payable in 2023, that ratio is for every one dollar in ag levy, the owner occupied rate is 2.2370 times that. For “other” property and utilities, the ratio is for every one dollar of ag levy, the “Other” rate is 4.6314 times that.

2. Why do we need to do an opt out?

In 2016, the Board of Education passed a resolution to opt out for a maximum of \$500,000 for five years. In that resolution, the board wanted to ensure that our public’s voice was heard through an election. At that time, the public voted in favor by a margin of 472 “yes” votes to 360 “no” votes. At that time, the board committed to the goal of reducing the opt out over time by reducing expenses in a thoughtful manner that would have the least impact on our students. For the first three years of the original opt out, the Board used the entire \$500,000, but in the last two years, reduced that amount to \$350,000. When that opt out expired, we knew that we would still need to ask the community to opt out. In the meantime, covid hit, and the influx of federal money has allowed the district to put off the opt out. At the same time, our trajectory for student count was going up until 2019, when we had a population of 492. After the covid pandemic, our student numbers dropped. This year our student count was 444. This decrease in the number of students has resulted in close to \$350,000 less in funding for the district. Couple that with state funding that has not kept pace with inflation, and there is a need to ask the community to opt out. The Board and administration are committed to only taking as much as necessary to maintain programming in the district, with the goal of reducing the amount needed over time.

3. What if the district doesn’t need the full amount of the opt out?

After an opt out is passed, state law allows the district, through the annual budget process, to request all, some or none of the opt out amount within the time frame specified in the resolution. The administration, and our board would only recommend the amount that is necessary to maintain programming. Our history during the last opt out has shown the the district takes that commitment to our community seriously by not taxing for the maximum amount allowed in fiscal years 2020 and 2021. We remain committed to the principle of only taking additional tax revenue to support our programming until growth allows us to grow our programs with funds provided by the state funding formula.

4. If we support this opt out, will my taxes go up?

When the last opt out expired in 2020, there were no levies for opt out in FY21 and FY22. For a \$500,000 opt out, the levies would increase by 62.4 ¢ / \$1,000 for ag property, \$1.396 / \$1,000 for Owner-Occupied property and by 2.89 / \$1,000 in valuation for all other property. So, to do the math, for each \$100,000 in valuation of your home, the owner would pay an additional \$139.60 in taxes.

5. What has the school done over the last five years to reduce costs?

One of the things that this opt out over the past five years has enabled us to do as a school district is to look very carefully at ways we can reduce our costs without causing harm to our students and our programming. We have taken a number of smaller steps that together, have resulted in recurring reduction in costs from year to year. Over the last five years, our General Fund reserve has grown to a level that will allow the district to spend down in a strategic manner over the next couple of years. One of the ways we have been able to do that is by reducing expenditures in certain areas over time. Some examples are below:

- In 2017, the food service fund was in the negative by a little over \$90,000. The district worked with Lunch Time Solutions with the goal of breaking even in our food service. In 2019, we no longer needed to subsidize the food service fund with general fund money. In 2020, the revenue generated through the food service program was enough to pay for the entire cost of the program. We expect that to continue in 2021 and beyond. Savings: approximately \$90,000 annually.
- In 2016, the district contracted a service provider for custodial rags, microfiber mops and rugs in the building. As we looked at the cost for the service, we decided to make the investment in our own washing machine/dryer and purchase our own custodial mops, rags and permanent rugs. Our custodians now wash these materials, and outside of the initial purchase costs, replacement of worn out mops and rags has been a minimal cost. Savings to the district is 3-4,000 annually.

- In 2018, we compared costs associated with refinishing our gym floors with different vendors. Up until that point, we had spent \$9,000 annually in refinishing those wood floors. After exploring different options, we were able to reduce that cost to around \$2,500. Annual savings to the district of approximately \$6,000.
- In 2019, we went through the Request For Proposal (RFP) process for our copier lease. At that time, we had a five year lease that was costing us approximately \$36,000 per year. After the RFP process, our costs are now closer to \$12,000 per year for copier services. Savings to the district is approximately \$24,000 annually.
- In 2019, we went through the RFP process for waste services as well. Through the process, we were able to reduce the cost of those services significantly. Annual savings to the district is approximately \$6,000.
- In the summer of 2020, we completed a project to replace the old chiller and replace our fluorescent lights with LED lighting. Costs of the improvement were paid through the Capital Outlay fund, but we expect to see savings of between \$15,000 and \$20,000 in the General fund through reduced energy costs.

Maintaining the opt out will allow us to continue reducing costs in a thoughtful, well-planned manner that leads to greater efficiency without negatively impacting our students.

6. How can the district be replacing the turf and track and asking the community for more money?

The athletic complex was completed in 2005, with an expected life span of the turf and track for 10-12 years. We are on year 17 currently. Both the track and the synthetic turf are showing a great deal of wear and need to be replaced. The money for this project comes out of the Capital Outlay fund, a fund designed for infrastructure, facilities and long-lasting improvements. The Opt Out is to maintain our general fund, the fund that pays for programming. In our district, 82% of the General Fund is spent on personnel.

7. Why doesn't the district use capital outlay flexibility in stead of opt out?

State law does allow flexibility within the capital outlay fund, and with our current plan, we intend to transfer money from the CO fund to the General fund annually. However, to cover the entire amount, we would need to basically stop all capital outlay purchases, including sports uniforms, textbooks, curriculum, iPads, school vehicles and building improvements. If the CO fund is used for the General fund, we run the risk of allowing our buildings to deteriorate, which in the end would be much more expensive for the community, when it came time to replace the buildings due to neglect.

8. Is this sustainable? Why do we need to continue this opt out?

Since 2016, many have worked hard to ensure that our community grows, with infrastructure work, additional housing and businesses coming to town. These efforts have not gone unnoticed by the district and have been appreciated. We have had a number of families that have moved in to town, but many of the homes have been purchased by residents who do not have school age children. We are happy to see the work on growth continue in the district.

Had the trajectory in growth in students from 2016 to 2019 continued, we would be talking about a significantly lower amount, or possibly not talking about an opt out at all. However, when we consider a reduction in student count by 48 students, inflationary pressures, and the fact that post-pandemic, we are seeing higher needs in families and children than we ever have before, that tells most of the story - a reduction in close to \$350,000 in funding, increase in demand for services as well as increased costs for almost everything that the school needs to run. The opt out for five years may give us time for the community to continue its growth and hopefully increase the number of housing units that are available in town.

9. What will the money be used for?

The money will be used to sustain our current programming. As explained earlier, 82% of the general fund is used for salaries and benefits for employees. The opt out will go toward keeping the same number of staff as the district currently has.

10. What happens if the community votes no?

Right now, graduating class sizes in Garretson are relatively small. K-42, Grade 1 - 42, Grade 2 - 33, Grade 3 - 34, Grade 4 - 34, Grade 5 - 37, Grade 6 - 27, Grade 7 - 29, Grade 8 - 33, Grade 9 - 30, Grade 10 - 41, Grade 11 - 25 and

Grade 12 - 32. We split those groups into two sections, resulting in class sizes typically between 13 and 21 students. Small class sizes are one of the things that our parents appreciate about our small school. If the community chooses not to support the district with an opt out, we can expect to see larger class sizes, with upwards of 30 students in each class in High School, Middle School and in the Elementary School. If this were the case, it would be likely that many parents would choose to open enroll their children into another district that either offers more programs and services or offers small class sizes. Those open enrollments would result in a smaller student population overall, which leads to less funding, which leads to more budget cuts, which may lead to more students leaving the district.

11. Why are we voting?

School boards are a great example of representative democracy. This means that the public votes for someone to represent them in the decision making body. The decision making power of local boards (and city councils and other forms of local government) is spelled out in the laws of the state of South Dakota. When opting out, the school board may pass the resolution with, or without, an election. There are some school districts in the state that have moved forward without an election, hoping that the public won't refer the opt out resolution to a public vote. Back in 2016, during the first opt out effort, our board made the commitment that this decision needs to be made by the entire community, with everyone's voice being heard through their vote. The administration and board remain committed to that principle.

We do believe that the school's future and the community's future are tied to one another. As our community grows, so will our school. We believe that over time, growth in the community and growth in our student population will converge to allow us to let the opt out expire. Until that time, we are hopeful that the community will continue to support the school by extending the opt out. Our board and administration ask for your trust that we will remain true to our word.

We have many things to be proud of in both our school and our community, and ask for your continued support.