

Request for Waiver - Cash Balance Penalty

SDCL 13-13-73.5

School District:

Lead-Deadwood 40-1

Penalty Fiscal Year:

2026

Lowest Monthly Cash Balance, General Fund (FY2025)

\$2,851,537

Total General Fund Expenditures (FY2025)

\$9,336,217

Cash Balance %

30.54%

State Aid Fall Enrollment, Fall 2023

658.06

State Aid Fall Enrollment, Fall 2024

637.88

State Aid Fall Enrollment, Fall 2025 - PRELIMINARY

591.28

Allowable Cash Balance Percentage

30.00%

Amount Exceeding Allowable Percentage

\$50,672

Estimated FY2026 General State Aid Allocation

\$0

Please explain the reason(s) for this request and attach supporting documentation:

Please see attached letter for appeal information.

The School Finance & Accountability Board may consider a waiver due to special circumstances such as:

- 1) Revenue needed in following year(s) due to a natural disaster; or
- 2) Funding needed to expand educational programs; or
- 3) Impact of reorganization; or
- 4) Any unforeseen or extenuating circumstance explained on this request.

Superintendent Name:

Dr. Erik Person, Superintendent

Date:

10/31/2025

Superintendent Signature:



LEAD-DEADWOOD SCHOOL DISTRICT #40-1

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October 31, 2025

School Finance Accountability Board,

I am writing this letter to request a General Fund Excess Monthly Cash Balance Waiver. Attached with this letter is the Lead-Deadwood waiver form. Given that the Lead-Deadwood School District does not receive state aid, and is therefore new to this requirement, and also given that we missed the mark by only 0.54%, I respectfully ask the Board to review our circumstances, as well as our good faith efforts to comply with the spirit of the law.

Reasons for Making Request

- Lead-Deadwood School District does watch its fund balance carefully, and the district makes a good faith effort to operate within the spirit of the law. In FY 25, the difference in revenue between the maximum allowable levies and actual levy requests in general fund was \$1,158,684, meaning that in the GF alone, the district left over \$1.1 million in the taxpayers' pockets by setting levies lower than the maximum allowed by statute. Levies were set at the following levels for FY 25: Ag= 1.048 vs. 1.197 maximum levy; OO and MOO= 2.346 vs. 2.679 maximum levy; M, Other Non-Ag, and Utilities= 4.854 vs. 5.544 maximum levy. The previous year, FY 24, levies were similarly lower, saving the taxpayers \$449,948, and FY 26 levies were again set below the maximum, resulting in a \$645,882 savings to taxpayers. I mention both years on either side of FY 25 to demonstrate a pattern of fiscal responsibility by the district. Even though expenses continue to go up year after year, the district has committed to setting levies below the maximum to offer some relief to taxpayers and to keep the fund balance from rising too high, realizing that some fund balance is necessary to cash flow the district's annual budget.
- The legislative intent pertaining to state aid accountability is largely based on the premise that schools **should** put all available resources toward increasing teacher compensation and that schools should **not** be banking the taxpayers' dollars. The Lead-Deadwood School District has moved its teacher pay significantly over the past three years, while also levying well below the maximum in not just the GF, but also in capital outlay and special education as well. According to the SASD/SDEA Annual Salary Survey, the Lead-Deadwood School District has been ranked 45th (\$43,500), 30th (\$47,000) and 14th (\$51,000) for teacher base salary in FY 23, 24, and 25 respectively. The district has also substantially moved the needle on average teacher salary, moving from 26th in FY 23 to 24th in FY 24 and up to 19th in FY 25, the year in question. Rankings for FY 26 are not yet available, but the Lead-Deadwood School District gave its certified teachers a 5% raise for FY 26 and moved its base salary to \$53,040. These numbers demonstrate a commitment by the district to raise teacher compensation, a goal that is repeated throughout most of the statutes related to school finance accountability, specifically SDCL 13-13-73.5 through 13-13-73.9. Throughout the history of these school finance accountability efforts by our state legislature, teacher compensation has been linked directly through an inverse relationship with excessive fund balances, and one is rarely discussed in absence of the other. Given the data presented here, it would be difficult to argue that the Lead-Deadwood School District has not been working diligently to comply with these requirements. With that context

provided, the special circumstances outlined in the following bullets should adequately demonstrate to the Board why the district, in spite of its efforts and careful planning, missed the mark by half a percent.

- ✎ In March 2024 the district hired a middle school CTE teacher. This was an expense that was budgeted for, and levies were later set based on the district's total GF budget. The teacher who was hired backed out of the contract later that spring, and the district was not successful in filling the position, which contributed to approximately \$88,000 (salary, benefits and taxes) of unspent funds for FY 25. That one position alone does not account for the entire half percent of excess fund balance, but it was a significant contributing factor.
- ✎ The food service fund in the Lead-Deadwood School District is not self-sustaining, requiring a transfer from GF to food service of \$150,000 in FY 25. Had the district timed the transfer differently, it would have made a substantial difference in cash balance during the month of October.
- ✎ The Lead-Deadwood School District does not receive state aid, and was, therefore, not required to stay below a cap until the past couple years. Still, through responsible stewardship of taxpayer resources, the district has been right around 30%. The responsible way to spend down a fund balance is not to make a large, arbitrary expenditure, or to pull some accounting maneuver to make a monthly account balance look good, but rather to set levies sensibly, raise teacher compensation appropriately, and bring fund balances in line over time. Our excess fund balance is in excess by just 0.54%, and the district is taking steps to responsibly reduce the fund balance. Given that the district does not receive state aid, the legislation regarding excess fund balance did not apply to us until now, and given the other circumstances outlined above, we are asking for the accountability board to give us a little grace on the half a percent by which we have missed the mark. Another facet to not receiving state aid is that the district's cash flow needs are substantially different than other districts in South Dakota. Most districts our size received about \$225,000 on average in state aid during the month of October 2025. Published DOE data shows Lead-Deadwood received \$19,130 in state aid for October 2025, but the number is actually \$0 because that \$19,130 is restricted dollars for the Boxelder Job Corps and is not available for district use. As a side note, the Job Corps dollars are a part of the total cash balance that the DOE looks at in determining accountability for excess fund balance. Monthly state aid payments to other districts are relevant because they demonstrate how Lead-Deadwood operates differently than other districts. Similar to how a cattle rancher must carry a cash balance from selling calves in the spring or fall to make it through the year, without a monthly state aid payment coming in, the Lead-Deadwood School District must carry a larger cash balance in order to cash flow month to month. The table of monthly general fund cash balances inserted here shows how most of the district's revenue comes in two lump sums from taxes and how in ten out of twelve months, the district is in a negative cash flow position. The district can adapt over time to being comfortable with a smaller reserve, but the district is asking for grace in the short term as it adjusts to a new way of doing business.

Fiscal Year 2025 School Year 2024-2025							
	Actual	Percent	Actual	Percent		Cash	
	Income	of	Expenses	of		Flow	
Month	Received	Budget		Budget		Shortage	
July	\$93,864.29	0.99%	\$372,050.76	3.95%		(\$278,186.47)	
August	\$113,391.88	1.20%	\$273,382.61	2.90%		(\$159,990.73)	
September	\$151,451.68	1.60%	\$820,738.87	8.70%		(\$669,287.19)	
October	\$331,820.95	3.50%	\$758,164.04	8.04%		(\$426,343.09)	(\$1,533,807.48)
November	\$2,478,633.33	26.17%	\$843,235.20	8.94%		\$1,635,398.13	
December	\$658,512.75	6.95%	\$840,286.65	8.91%		(\$181,773.90)	
January	\$147,561.13	1.56%	\$725,702.11	7.70%		(\$578,140.98)	
February	\$612,489.84	6.47%	\$743,639.81	7.89%		(\$131,149.97)	
March	\$516,210.28	5.45%	\$763,980.38	8.10%		(\$247,770.10)	
April	\$628,327.04	6.63%	\$735,590.63	7.80%		(\$107,263.59)	
May	\$2,614,978.92	27.61%	\$906,249.88	9.61%		\$1,708,729.04	
June	\$1,494,172.87	15.78%	\$1,703,195.96	18.06%		(\$209,023.09)	
Total	\$9,841,414.96		\$9,486,216.90			\$355,198.06	

- ✶ The district does not intend to keep its fund balance right at the 30% cap, but to spend it down responsibly takes time, multiple fiscal years. A school district sets its levies based on its projected expenditures. When those expenditures unexpectedly go down, the levies, unfortunately, are already set, and the revenue still comes in.

Proposed Corrective Action

- ✶ The Lead-Deadwood School District will continue to offer raises to staff in ways that follow the intent of SDCL 13-13-73.7, which is that funds “*be used to directly improve teacher recruiting and retention and that the school districts advance this goal by increasing starting teacher salaries...*” For FY 26, the Lead-Deadwood School District awarded teachers a 5% salary increase and moved its base salary to \$53,040, while most other schools gave 1%-2%.
- ✶ The Lead-Deadwood School District will continue to levy below the maximum levies set by statute, leaving money in our taxpayers' pockets and thus strategically spending down some of the GF fund balance.
- ✶ For FY 26, the district was successful in filling all positions that were budgeted, so we expect to expend 100% of our budget.
- ✶ One of biggest fixes will come with transferring necessary revenue from GF to food service, through a loan between funds, earlier in the fiscal year. In the month of October 2025, the district has moved \$234,576 to the food service fund, reducing the monthly cash balance by that amount.
- ✶ The district has in recent years levied and budgeted for a modest (\$40,000-\$60,000) growth in the GF fund balance, which in many years would result in actual expenditures creating a break-even situation, or even a small decrease to the fund balance. That modest projected growth is the only contingency built into the district's budget, but even that is something that can be adjusted for the future. All of this is new, so making these tweaks is a paradigm shift for the district, as well as a learning experience. Going forward, the district will work in the short term to levy and budget for an annual decrease in the district's GF fund balance each year.

In closing, I hope that the Board will consider the Lead-Deadwood School District's efforts to responsibly manage taxpayer dollars and work with us to move towards compliance with the 30% fund balance, without penalty. If the board would like more information or a continued dialogue on the district's circumstances, please don't hesitate to contact me.

Thank you,



Dr. Erik Person, Superintendent, Lead-Deadwood School District

CC: Lead-Deadwood Board of Education