



2024 South Dakota Legislature

House Bill 1048

Introduced by: The Chair of the Committee on Education at the request of the Department of Education

1 **An Act to revise the requirements pertaining to the target teacher salary.**

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

3 **Section 1. That § 1-45-38 be AMENDED:**

4 **1-45-38.** There is hereby created the School Finance Accountability Board within
5 the Department of Education. The board shall consist of five members appointed by the
6 Governor. The members shall serve a term of four years.

7 The board may recommend that the provisions of § 13-13-73.5 be waived for a
8 school district if the district can demonstrate that its lowest monthly general cash fund
9 cash balance percentage is the result of special circumstances.

10 ~~The board may recommend that a penalty against a school district imposed under~~
11 ~~§ 13-13-73.6 be waived, in whole or in part, if the district can demonstrate that its failure~~
12 ~~to comply with § 13-13-73.6 is due to special circumstances.~~

13 The School Finance Accountability Board shall promulgate rules pursuant to chapter
14 1-26 to establish the appeals process provided for in ~~§ 13-13-73.6~~ § 13-13-73.5, and to
15 establish the factors that may be considered in considering a waiver requested by a school
16 district, which shall include the impact of retirements.

17 The Joint Committee on Appropriations or the Interim Committee on Appropriations
18 shall review any waivers of § 13-13-73.5 ~~or 13-13-73.6~~ recommended by the School
19 Finance Accountability Board. For a waiver recommended by the board under this section,
20 the committee may provide any suggested change to the waiver. Not more than thirty
21 days following receipt of a suggested change from the committee, the board may amend
22 the recommended waiver in accordance with the suggested change and shall resubmit the
23 recommended waiver. The Joint Committee on Appropriations or the Interim Committee
24 on Appropriations shall approve, amend, or deny any waiver recommended by the board.
25 The Department of Education shall annually report to the Governor and the Legislature
26 the information collected pursuant to ~~§§ § 13-8-47 and 13-13-73.6.~~

Section 2. That § 13-13-10.1 be AMENDED:

13-13-10.1. The education funding terms and procedures referenced in this chapter are defined as follows:

(1) Nonresident students who are in the care and custody of the Department of Social Services, the Unified Judicial System, the Department of Corrections, or other state agencies and are attending a public school may be included in the fall enrollment of the receiving district when enrolled in the receiving district;

(2) "Fall enrollment," is calculated as follows:

(a) Determine the number of kindergarten through twelfth grade students enrolled in all schools operated by the school district on the last Friday of September of the current school year, and add to that number the product of 0.10 multiplied by the number of children who participated in the prior school year in high school interscholastic activities sanctioned or sponsored by the South Dakota High School Activities Association, as permitted by § 13-36-7, while receiving alternative instruction pursuant to § 13-27-3;

(b) Subtract the number of students for whom the district receives tuition except for:

(i) Nonresident students who are in the care and custody of a state agency and are attending a public school district; and

(ii) Students who are being provided an education pursuant to § 13-28-11;

(c) Add the number of students for whom the district pays tuition.

When computing state aid to education for a school district pursuant to § 13-13-73, the secretary of the Department of Education shall use the school district's fall enrollment;

(3) "Target teacher ratio factor," is:

(a) For school districts with a fall enrollment of two hundred or less, the target teacher ratio factor is 12;

(b) For districts with a fall enrollment of greater than two hundred, but less than six hundred, the target teacher ratio factor is calculated as follows:

(i) Multiplying the fall enrollment by .00750;

(ii) Adding 10.50 to the product of subsection (b)(1);

(c) For districts with a fall enrollment of six hundred or greater, the target teacher ratio factor is 15.

The fall enrollment used for the determination of the target teacher ratio for a school district may not include any students residing in a residential treatment facility when the education program is operated by the school district;

(4) "English learner (EL) adjustment," is calculated by multiplying 0.25 times the number of kindergarten through twelfth grade students who, in the prior school year, scored below level four on the state-administered language proficiency assessment as required in the state's consolidated state application pursuant to § 1111(b)(2)(G) of the Every Student Succeeds Act of 2015. For the 2021-2022 calculation only, the EL adjustment is calculated by multiplying 0.25 times the number of kindergarten through twelfth grade students who scored below level four on the state-administered language proficiency assessment in school year 2019-2020 or 2020-2021, whichever is greater;

(5) "Index factor," is the annual percentage change in the consumer price index for urban wage earners and clerical workers as computed by the Bureau of Labor Statistics of the United States Department of Labor for the year before the year immediately preceding the year of adjustment or three percent, whichever is less;

(6) "Target teacher salary," for the school fiscal year beginning July 1, 2023, is \$59,659.25. Each school fiscal year thereafter, the target teacher salary is the previous fiscal year's target teacher salary increased by the index factor;

(7) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine percent;

(8) "Target teacher compensation," is the sum of the target teacher salary and the target teacher benefits;

(9) "Overhead rate," is thirty-eight and seventy-eight hundredths percent.

Beginning in school fiscal year 2018, the overhead rate shall be adjusted to take into account the sum of the amounts that districts exceed the other revenue base amount;

(10) "Local need," is calculated as follows:

(a) Divide the fall enrollment by the target teacher ratio factor;

(b) If applicable, divide English Learner (EL) adjustment pursuant to subdivision (4) by the target teacher ratio factor;

(c) Add the results of subsections (a) and (b);

(d) Multiply the result of subsection (c) by the target teacher compensation;

(e) Multiply the product of subsection (d) by the overhead rate;

(f) Add the products of subsections (d) and (e);

- (g) When calculating local need at the statewide level, include the amounts set aside for costs related to technology in schools and statewide student assessments; and
- (h) When calculating local need at the statewide level, include the amounts set aside for sparse school district benefits, calculated pursuant to §§ 13-13-78 and 13-13-79;
- (11) "Alternative per student need," is calculated as follows:
- (a) Add the total need for each school district for school fiscal year 2016, including the small school adjustment and the English learner adjustment, to the lesser of the amount of funds apportioned to each school district in the year preceding the most recently completed school fiscal year or school fiscal year 2015 pursuant to §§ 13-13-4, 23A-27-25, 10-33-24, 10-36-10, 11-7-73, 10-35-21, and 10-43-77; and
- (b) Divide the result of (a) by the September 2015 fall enrollment, excluding any adjustments based on prior year student counts;
- (12) "Alternative local need," is the alternative per student need multiplied by the fall enrollment, excluding any adjustments based on prior year student counts;
- (13) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by applying the levies established pursuant to § 10-12-42. Beginning on July 1, 2017, local effort will include the amount of funds apportioned to each school district in the year preceding the most recently completed school fiscal year pursuant to §§ 10-33-24, 10-35-21 as provided by subdivision (15), 10-36-10, 10-43-77, 11-7-73, 13-13-4, and 23A-27-25 and that exceeds the other revenue base amount;
- (14) "Other revenue base amount," for school districts not utilizing the alternative local need calculation is the amount of funds apportioned to each school district pursuant to §§ 10-33-24, 10-35-21 as provided by subdivision (15), 10-36-10, 10-43-77, 11-7-73, 13-13-4, and 23A-27-25, calculated as follows:
- (a) Beginning on July 1, 2017, equals the greatest of the amounts of the funds apportioned to each school district pursuant to §§ 10-33-24, 10-35-21 as provided by subdivision (15), 10-36-10, 10-43-77, 11-7-73, 13-13-4, and 23A-27-25 for school fiscal years 2013, 2014, and 2015;
- (b) Beginning on July 1, 2018, multiply eighty percent times subsection (a);
- (c) Beginning on July 1, 2019, multiply sixty percent times subsection (a);
- (d) Beginning on July 1, 2020, multiply forty percent times subsection (a);

1 (e) Beginning on July 1, 2021, multiply twenty percent times subsection (a);
2 and

3 (f) Beginning on July 1, 2022, is zero;

4 For school districts utilizing the alternative local need calculation, the other revenue base
5 amount is zero until such time the school district chooses to no longer utilize the
6 alternative local need calculation. At that time, the other revenue base amount is
7 calculated as defined above.

8 For a school district created or reorganized after July 1, 2016, the other revenue base
9 amount is the sum of the other revenue base amount for each district before
10 reorganization, and the new school district may not utilize the alternative local
11 need calculation.

12 In the case of the dissolution and annexation of a district, the other revenue base amount
13 of the dissolved school district will be prorated based on the total number of
14 students in the fall enrollment as defined in subdivision (2) who attend each district
15 to which area of the dissolved district were annexed to in the first year of
16 reorganization. The amount apportioned for each district will be added to the
17 annexed districts' other revenue base;

18 (15) "Wind energy tax revenue," any wind energy tax revenue apportioned to school
19 districts pursuant to § 10-35-21 from a wind farm producing power for the first
20 time before July 1, 2016, shall be considered local effort pursuant to subdivision
21 (13) and other revenue base amount pursuant to subdivision (14). However, any
22 wind energy tax revenue apportioned to a school district from a wind farm
23 producing power for the first time after June 30, 2016, one hundred percent shall
24 be retained by the school district to which the tax revenue is apportioned for the
25 first five years of producing power, eighty percent for the sixth year, sixty percent
26 for the seventh year, forty percent for the eighth year, twenty percent for the ninth
27 year, and zero percent thereafter. If a wind farm begins producing power for the
28 first time between October first and December thirty-first in a calendar year, any
29 revenues generated for that time period must be retained by the school district
30 and that time period may not be counted against the first five-year period;

31 (16) "Per student equivalent," for funding calculations that are determined on a per
32 student basis, the per student equivalent is calculated as follows:

33 (a) Multiply the target teacher compensation times the sum of one plus the
34 overhead rate; and

35 (b) Divide subsection (a) by 15;

(17) "Monthly cash balance," the total amount of money for each month in the school district's general fund, calculated by adding all deposits made during the month to the beginning cash balance and deducting all disbursements or payments made during the month;

(18) "General fund base percentage," is determined as follows:

- (a) Forty percent for a school district with a fall enrollment as defined in subdivision (2) of two hundred or less;
- (b) Thirty percent for a school district with fall enrollment as defined in subdivision (2) of more than two hundred but less than six hundred; and
- (c) Twenty-five percent for a school district with fall enrollment as defined in subdivision (2) greater than or equal to six hundred.

When determining the general fund base percentage, the secretary of the Department of Education shall use the lesser of the school district's fall enrollment as defined in subdivision (2) for the current school year or the school district's fall enrollment from the previous two years; ~~and~~

(19) "Allowable general fund cash balance," the general fund base percentage multiplied by the district's general fund expenditures in the previous school year; and

(20) "Benchmark teacher salary," is calculated as follows:

- (a) For fiscal year 2025, multiply the district's average teacher salary by the percentage adjusted in the target teacher salary as adopted annually by the legislature, for each fiscal year 2018 to 2024, inclusive; or
- (b) For fiscal year 2026 and every year thereafter, multiply the district's average teacher salary for the previous fiscal year by the percentage adjusted in the target teacher salary as adopted annually by the legislature.

Section 3. That § 13-13-73.6 be AMENDED:

13-13-73.6. The Department of Education shall calculate the following for each school district:

- (1) The average teacher salary, based on data collected pursuant to §§ 13-3-51 and 13-8-47;
- ~~(2) The increase in local need pursuant to § 13-13-10.1, excluding any effect due to change in the school district's fall enrollment and less the amount of revenue generated in school fiscal year 2016 as a percentage increase, from fiscal year 2016 to fiscal year 2017; and~~

(3) ~~The increase in average teacher compensation as a percentage increase, as defined in § 13-8-47, from fiscal year 2016 to fiscal year 2017.~~

~~For each fiscal year from 2019 to 2024, inclusive, if a district's average teacher compensation is less than the district's average teacher compensation in fiscal year 2017, state aid to general education funding to the district in the following fiscal year must be reduced by an amount equal to five hundred dollars for each teacher employed in the school district.~~

~~A school district may request a waiver from any penalty imposed under this section from the School Finance Accountability Board.~~ The benchmark teacher salary, as defined in § 13-13-10.1.

Beginning with fiscal year 2025 and every year thereafter, a school district's average teacher salary shall be equal to or greater than the following, for the applicable fiscal year:

(1) For fiscal year 2025, ninety-two percent of the benchmark teacher salary;

(2) For fiscal year 2026, ninety-five percent of the benchmark teacher salary;

(3) For fiscal year 2027, ninety-eight percent of the benchmark teacher salary; and

(4) For fiscal year 2028 and every year thereafter, one hundred percent of the benchmark teacher salary;

The department shall review a school district's compliance with this section annually and noncompliance will result in an accreditation review.

Section 4. That § 13-16-26.2 be AMENDED:

13-16-26.2. Notwithstanding § 13-16-26, no school district may transfer any funds, exclusive of federal funds and wind energy tax revenue that is defined in § 13-13-10.1 and apportioned pursuant to § 10-35-21, from the general fund to the capital outlay fund, bond redemption fund, or the capital projects fund.

The authority provided by this section for the transfer of wind energy tax revenue is conditioned annually upon the district obtaining, from the Department of Education, verification that ~~the average compensation of teachers in the district, as based on the most recently approved financial report, exceeds the average compensation rate for the 2017 fiscal year~~ school district is in compliance with § 13-13-73.6.

The transfer of wind energy tax revenue must be made within the ten-year timeframe identified in ~~subdivision 13-13-10.1(6B)~~ § 13-13-10.1 for each new wind farm. The maximum amount a school district may transfer on an annual basis is the amount of

1 wind energy tax revenue that is able to be retained by the district and not counted as local
2 effort.

3 Notwithstanding § 13-16-6, wind energy tax revenue transferred to the capital
4 outlay fund under the authority of this section must remain separately identified and may
5 not thereafter be returned to the general fund.