

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

2024 South Dakota Legislature

FISCAL NOTE 2024-FN1134A

HB1134, An Act to amend the school funding formula to provide for the use of an averaged fall enrollment when determining local need.

HB1134 could change the fall enrollment value used when calculating state aid to general education for schools. Had this bill been in place last year, this bill would have considered utilizing the 2023 fall enrollment for each school district or the prior three-year average fall enrollment of the school district (actual 2020, 2021, 2022), whichever was greater, when calculating state aid for school districts in fiscal year 2024. The fiscal impact of this bill in fiscal year 2024 would have been \$11,988,901 more in total state aid need, \$6,949,966 in general funds and \$5,038,935 from local property taxes.

Estimating the fiscal impact of this bill for fiscal year 2025, could produce an increase in total state aid need of **\$14,716,724** (\$8,532,757 in general funds and \$6,183,967 from local property taxes) more than the Governor's recommended budget for FY2025.

Calculating state aid relies on changes in property tax valuation, fall enrollment, and growth in the target teacher salary. Changes in any one of these variables will change the fiscal impact of this estimate. The calculation for FY2025 assumes growth in property tax valuation growth of 4.6% for AG, 10% for owner-occupied, and 7% for other. Each school district's 2024 fall enrollment was estimated based on a historical weighted trend, which produced a total fall enrollment estimate of 138,483.86. A 3% target teacher salary increase was used. School fall enrollment and general state aid formula need data were obtained from the Department of Education website.

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DATE: 2/1/2024