



State Aid to K-12 Education in South Dakota

**Prepared for the School Funding Formula Workgroup of the
Comprehensive Property Tax Task Force**

July 17, 2025



Background



- There are two formulas: general state aid ([SDCL 13-13](#)) and special education state aid ([SDCL 13-37](#))
- *(Formula need) – (formula local effort) = state aid* is the basic operation in both formulas
- Two main pieces of legislation related to the formulas each session: the G-Bill (which includes the Department of Education's budget) and a bill revising the property tax levies and certain dollar figures within the formulas ([SB 55](#) in the 2025 session)
- Both bills are heard by the Joint Committee on Appropriations near the end of session

General State Aid – Need



- Terms defined in [§ 13-13-10.1](#). Elements of calculating need:
- Fall enrollment count
- English learner adjustment (0.25 x the number of English learner K-12 students)
- Target teacher ratio
- Target teacher salary. This is increased by an index factor each year. The current TTS is \$62,821.19 (a 1.25% increase from FY2025)
- Target teacher benefits (29% of the TTS)
- Overhead rate (38.78%)
- A district may receive sparsity aid (§§ [13-13-78](#)-[13-13-79](#)) even if it does not receive general state aid based on the above calculation of need

General State Aid – Local Effort



- The amount of property tax revenue a school district can generate through the statutory maximum general fund levies ([§ 10-12-42](#))
- Plus certain other school district revenues that are also counted as “local effort”
- School districts do not *have* to impose the maximum levies, but the calculation of their local effort, and thus their maximum possible state aid, *assumes they do*

Special Education State Aid



- Terms defined in [§ 13-37-35.1](#)
- Need is based on the number of students in each of six disability levels, multiplied by the allocation for that disability level
- Disability level allocations are rebased every two years based on actual district expenditures ([§ 13-37-35.2](#)). In non-rebase years, the allocation for each disability level is simply increased by the index factor
- Local effort is calculated by applying the statutory maximum special education levy ([§ 13-37-16](#)), minus 20 cents, to a district's property tax base. E.g., for Pay 2026, local effort is calculated with a levy of \$1.262, while the statutory maximum for Pay 2026 is \$1.462
- Districts must levy at the statutory maximum to be eligible for moneys from the Extraordinary Cost Fund, per ARSD 24:05:33.01:09

Levy Adjustments



- Legislature makes these adjustments each session for property taxes payable in the next calendar year
- Basis for adjustments to general fund levies: §§ [13-13-71](#), [13-13-72](#), [13-13-72.1](#)
- While the general fund levies vary by classification, they are adjusted to maintain the proportions between them, rather than according to projected growth in each classification. E.g., from Pay 2025 to Pay 2026 they were all adjusted down 6%
- Basis for special education fund levy adjustment: [§ 13-37-16.3](#)
- Adjustments are based on maintaining the state/local share on an aggregate, statewide basis in the fiscal year after the fiscal year in which the adjustment is made. E.g., during the 2025 session (FY2026 budget), the adjustments looked to projected need and local effort (based on projected taxable property valuations) in FY2027

Controls on Use of Funds



- The school district general fund is defined in [§ 13-16-3](#). General fund property taxes and state aid are revenue for this fund
- Transfers from the general fund to the capital outlay fund, bond redemption fund, or capital projects fund are prohibited (except federal funds and wind energy tax revenue) ([§ 13-16-26.2](#))
- [§ 13-37-16](#) provides for the school district special education fund and states for what purposes moneys from the fund may be expended. Restrictions on allowable costs for the special education fund are specified in [ARSD 24:05:33:07.02](#). Special education property taxes and state aid are revenue for this fund

State Aid Accountability Mechanisms



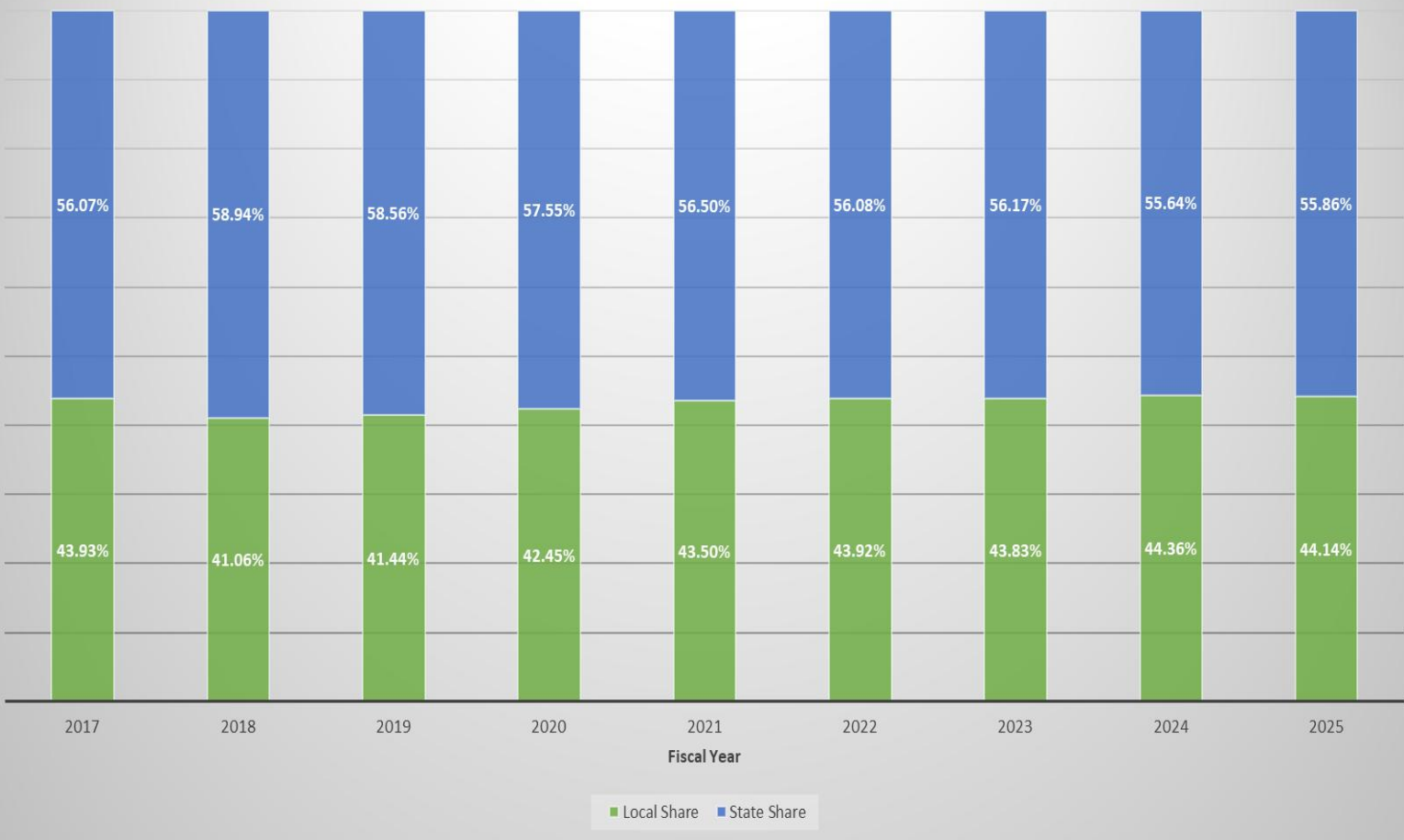
- Excess general fund cash balance penalty provided in [§ 13-13-37.5](#)
- [§ 13-13-73.9](#) provides a penalty if a district does not increase its average teacher compensation in accordance with [§ 13-13-73.6](#) or does not pay each of its teachers the state minimum salary as defined in [§ 13-13-73.8](#)
- Both penalties take the form of reductions in general state aid, and for both the district can request a waiver from the School Finance Accountability Board
- Per [§ 13-37-44](#), a district's special education state aid is reduced if it exceeds its allowable ending special education fund balance

Fiscal Year	Statewide Target Teacher Salary	Adopted Target Teacher Salary Index Factor	Statewide Average Teacher Salary	% Change in Statewide Average Teacher Salary	CPI-W Inflation (Looks Back Two FYs)
2017	\$48,500.00		\$47,096.00		
2018	\$48,645.50	0.30%	\$47,658.00	1.19%	0.26%
2019	\$49,131.96	1.00%	\$48,230.00	1.20%	1.72%
2020	\$50,360.25	2.50%	\$49,008.00	1.61%	2.33%
2021	\$51,367.46	2.00%	\$49,577.00	1.16%	2.04%
2022	\$52,600.28	2.40%	\$50,618.00	2.10%	1.45%
2023	\$55,756.29	6.00%	\$53,217.00	5.13%	2.55%
2024	\$59,659.24	7.00%	\$56,342.00	5.87%	7.87%
2025	\$62,045.62	4.00%			6.14%
2026	\$62,821.19	1.25%			3.20%

General State Aid Formula Aggregate Statewide Need



Local and State Shares: General State Aid Formula

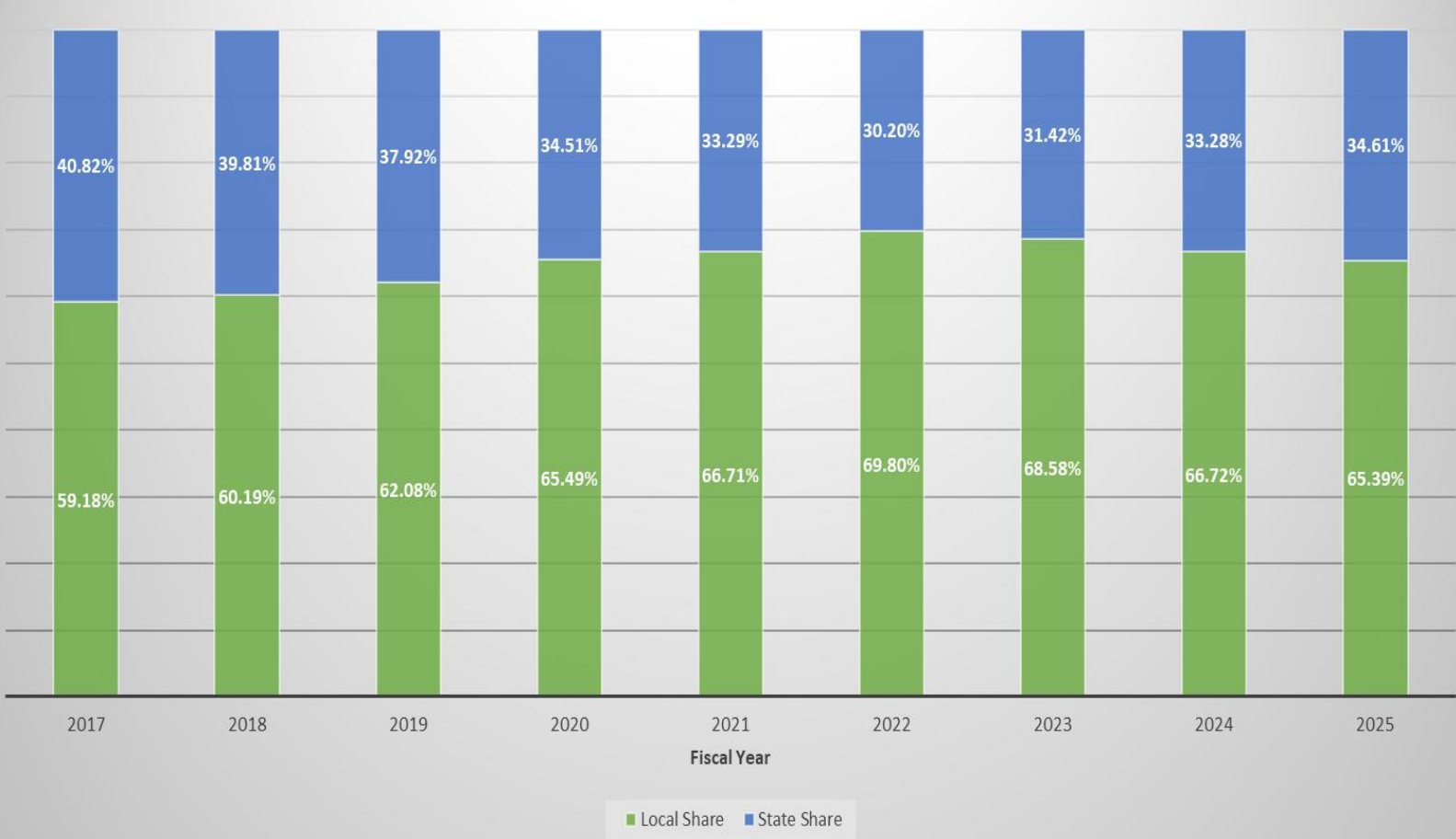


General State Aid Formula					
Fiscal Year	Need	State Aid	Local Effort	Local Share	State Share
2017	\$756,180,984	\$424,002,354	\$332,178,630	43.93%	56.07%
2018	\$767,513,101	\$452,359,184	\$315,153,917	41.06%	58.94%
2019	\$785,263,393	\$459,871,748	\$325,391,645	41.44%	58.56%
2020	\$820,099,219	\$471,961,611	\$348,137,608	42.45%	57.55%
2021	\$847,272,623	\$478,691,703	\$368,580,920	43.50%	56.50%
2022	\$891,690,172	\$500,066,113	\$391,624,059	43.92%	56.08%
2023	\$960,290,394	\$539,397,742	\$420,892,652	43.83%	56.17%
2024	\$1,026,684,949	\$571,199,602	\$455,485,347	44.36%	55.64%
2025	\$1,064,901,421	\$594,888,372	\$470,013,049	44.14%	55.86%

Special Education Formula Aggregate Statewide Need



Local and State Shares: Special Education Formula



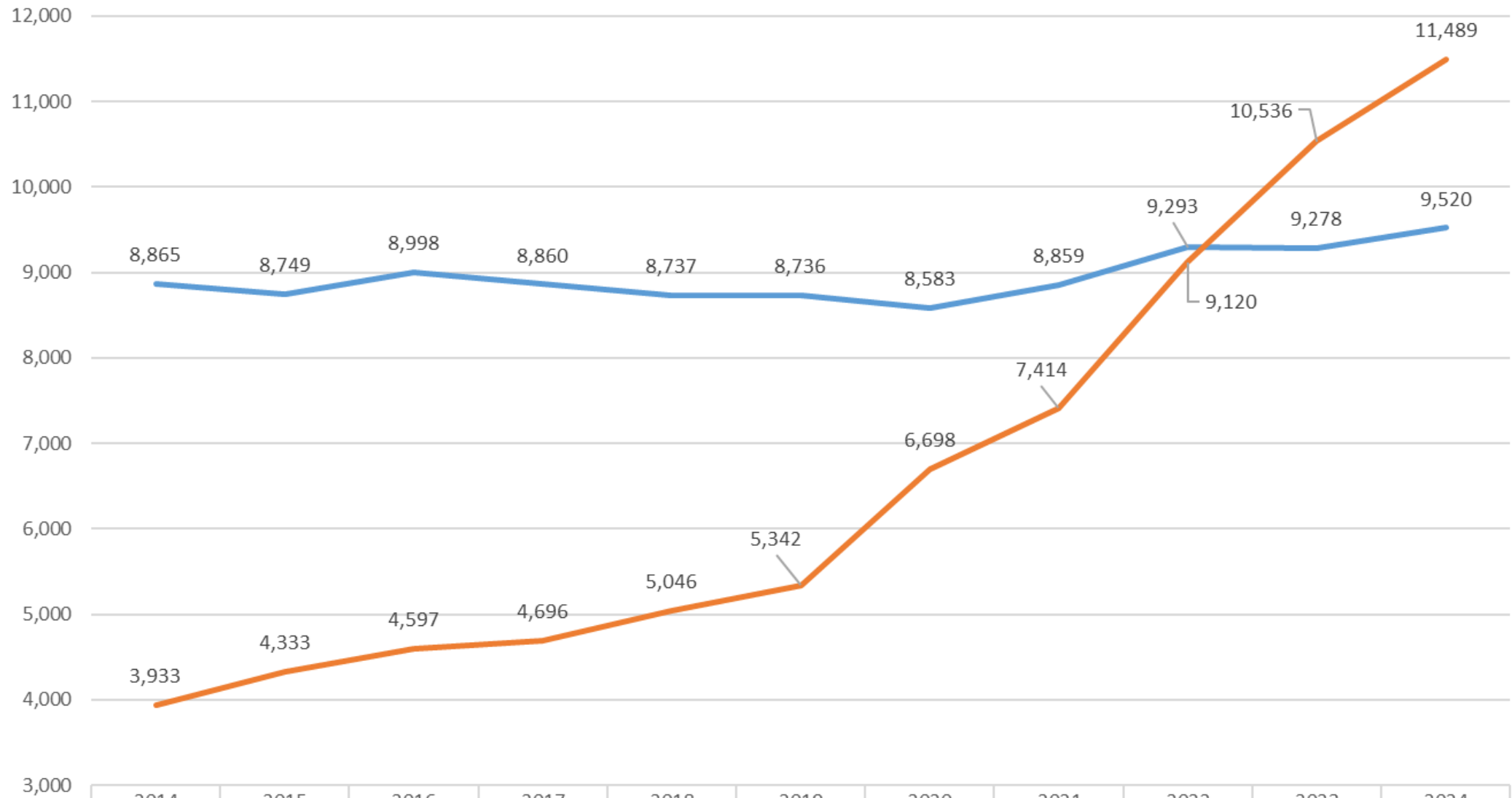
Special Education Formula					
Fiscal Year	Need	State Aid	Local Effort	Local Share	State Share
2017	\$152,766,943	\$62,355,501	\$90,411,442	59.18%	40.82%
2018	\$159,332,889	\$63,428,218	\$95,904,671	60.19%	39.81%
2019	\$166,758,792	\$63,228,313	\$103,530,479	62.08%	37.92%
2020	\$174,293,341	\$60,146,421	\$114,146,920	65.49%	34.51%
2021	\$191,595,795	\$63,776,426	\$127,819,369	66.71%	33.29%
2022	\$195,112,669	\$58,927,749	\$136,184,920	69.80%	30.20%
2023	\$214,119,274	\$67,267,552	\$146,851,722	68.58%	31.42%
2024	\$239,234,532	\$79,611,677	\$159,622,855	66.72%	33.28%
2025	\$258,076,319	\$89,321,993	\$168,754,326	65.39%	34.61%

State Aid Fall Enrollment



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Series1	131,221.81	132,876.04	134,186.34	135,316.78	136,519.17	136,280.90	137,692.40	138,448.65	138,280.86	137,802.14

Private School and Alternative Instruction Enrollments



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Private	8,865	8,749	8,998	8,860	8,737	8,736	8,583	8,859	9,293	9,278	9,520
Alt. Instr.	3,933	4,333	4,597	4,696	5,046	5,342	6,698	7,414	9,120	10,536	11,489

Private Alt. Instr.

Statewide School District Property Tax Revenues



Fiscal Year	General Fund*	Change	Special Ed. Fund	Change	Capital Outlay Fund	Change	Bond Redemption	Change	Total	Change	Property Tax Revenues	
2017	\$364,615,398		\$109,649,400		\$214,405,750		\$28,214,626		\$716,885,174		Fund	% increase, FY17 to FY24
2018	\$350,005,947	-4.01%	\$118,478,232	8.05%	\$225,094,562	4.99%	\$31,438,731	11.43%	\$725,017,472	1.13%	General	23.97%
2019	\$356,542,005	1.87%	\$126,069,182	6.41%	\$234,061,763	3.98%	\$33,196,610	5.59%	\$749,869,560	3.43%	Special Ed.	60.90%
2020	\$372,624,977	4.51%	\$137,138,522	8.78%	\$241,113,388	3.01%	\$38,249,248	15.22%	\$789,126,135	5.24%	Capital Outlay	30.39%
2021	\$390,475,400	4.79%	\$150,698,547	9.89%	\$250,564,944	3.92%	\$43,493,726	13.71%	\$835,232,617	5.84%	Bond Redemption	132.78%
2022	\$396,076,388	1.43%	\$156,958,047	4.15%	\$254,412,732	1.54%	\$46,044,236	5.86%	\$853,491,403	2.19%	Total, all funds	35.82%
2023	\$412,828,675	4.23%	\$163,198,705	3.98%	\$263,028,286	3.39%	\$54,400,480	18.15%	\$893,456,146	4.68%	CPI-W inflation	31.31%
2024	\$452,002,163	9.49%	\$176,426,190	8.11%	\$279,554,837	6.28%	\$65,679,329	20.73%	\$973,662,519	8.98%	CPI-U inflation	30.60%

*for fiscal years 2017 to 2020, pension fund revenues are included in the general fund column