



2026 South Dakota Legislature

House Bill 1051

Introduced by: The Chair of the House Committee on Appropriations at the request of the Bureau of Finance and Management

1 **An Act to revise property tax levies for school districts and to revise the state aid to**
 2 **general formula and the special education formula.**

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

4 **Section 1. That § 10-12-42 be AMENDED:**

5 **10-12-42.** For taxes payable in ~~2026~~ 2027, and each year thereafter, the levy for
 6 the general fund of a school district is as follows:

7 (1) The maximum tax levy is ~~five~~ four dollars and ~~twenty one and one-tenth~~ eighty-
 8 seven and four-tenths cents per thousand dollars of taxable valuation, subject to
 9 the limitations on agricultural property as provided in subdivision (2) of this section
 10 and owner-occupied property as provided in subdivision (3) of this section;

11 (2) The maximum tax levy on agricultural property for the school district is one dollar
 12 and ~~twelve and five-tenths~~ five and two-tenths cents per thousand dollars of
 13 taxable valuation. If the district's levies are less than the maximum levies as stated
 14 in this section, the levies must maintain the same proportion to each other as
 15 represented in the mathematical relationship at the maximum levies; and

16 (3) The maximum tax levy for an owner-occupied single-family dwelling pursuant to
 17 § 10-13-40 for the school district is two dollars and ~~fifty one and eight-tenths~~
 18 thirty-five and five-tenths cents per thousand dollars of taxable valuation. If the
 19 district's levies are less than the maximum levies as stated in this section, the
 20 levies must maintain the same proportion to each other as represented in the
 21 mathematical relationship at the maximum levies.

22 All levies in this section must be imposed on valuations where the median level of
 23 assessment represents eighty-five percent of market value as determined by the
 24 Department of Revenue. These valuations must be used for all school funding purposes.
 25 If the district has imposed an excess levy pursuant to § 10-12-43, the levies must

1 maintain the same proportion to each other as represented in the mathematical
2 relationship at the maximum levies in this section.

3 The school district may elect to tax at less than the maximum amounts set forth
4 in this section.

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

6 **13-13-10.1.** The education funding terms and procedures referenced in this
7 chapter are defined as follows:

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

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

13 (a) Determine the number of kindergarten through twelfth grade students
14 enrolled in all schools operated by the school district on the last Friday of
15 September of the current school year;

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

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

20 (ii) Students who are being provided an education pursuant to § 13-28-
21 11; and

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

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

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

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

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

31 (i) Multiplying the fall enrollment by .00750; and

32 (ii) Adding 10.50 to the resulting product; and

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

- 1 The fall enrollment used for the determination of the target teacher ratio for a school
2 district may not include any students residing in a residential treatment facility
3 when the education program is operated by the school district;
- 4 (4) "English learner (EL) adjustment," is calculated by multiplying 0.25 times the
5 number of kindergarten-through-twelfth-grade students who, in the prior school
6 year, scored below level four on the state-administered language proficiency
7 assessment as required in the state's consolidated state application pursuant to
8 § 1111(b)(2)(G) of the Every Student Succeeds Act of 2015;
- 9 (5) "Index factor," is the annual percentage change in the consumer price index for
10 urban wage earners and clerical workers as computed by the Bureau of Labor
11 Statistics of the United States Department of Labor for the year before the year
12 immediately preceding the year of adjustment or three percent, whichever is less;
- 13 (6) "Target teacher salary," for the school fiscal year beginning July 1, ~~2025~~ 2026, is
14 \$62,821.19. Each school fiscal year thereafter, the target teacher salary is the
15 previous fiscal year's target teacher salary increased by the index factor;
- 16 (7) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine
17 percent;
- 18 (8) "Target teacher compensation," is the sum of the target teacher salary and the
19 target teacher benefits;
- 20 (9) "Overhead rate," is ~~thirty-eight and seventy-eight hundredths~~ eighty-hundredths
21 percent. Beginning in school fiscal year 2018, the overhead rate must be adjusted
22 to take into account the sum of the amounts that districts exceed the other revenue
23 base amount;
- 24 (10) "Local need," is calculated as follows:
- 25 (a) Divide the fall enrollment by the target teacher ratio factor;
- 26 (b) If applicable, divide the English Learner adjustment pursuant to subdivision
27 (4) by the target teacher ratio factor;
- 28 (c) Add the results of subsections (a) and (b);
- 29 (d) Multiply the result of subsection (c) by the target teacher compensation;
- 30 (e) Multiply the product of subsection (d) by the overhead rate;
- 31 (f) Add the products of subsections (d) and (e) and subdivision (20);
- 32 (g) When calculating local need at the statewide level, include the amounts set
33 aside for costs related to technology in schools and statewide student
34 assessments;

- 1 (h) When calculating local need at the statewide level, include the amounts set
2 aside for sparse school district benefits, calculated pursuant to §§ 13-13-
3 78 and 13-13-79; and
- 4 (i) When calculating local need at the statewide level, include the amounts set
5 aside for career and technical education calculated pursuant to §§ 13-13-
6 81 and 13-13-82;
- 7 (11) "Alternative per student need," is calculated as follows:
- 8 (a) Add the total need for each school district for school fiscal year 2016,
9 including the small school adjustment and the English learner adjustment,
10 to the lesser of the amount of funds apportioned to each school district in
11 the year preceding the most recently completed school fiscal year or school
12 fiscal year 2015 pursuant to §§ 10-33-24, 10-35-21, 10-36-10, 10-43-77,
13 11-7-73, 13-13-4, and 23A-27-25; and
- 14 (b) Divide the result of (a) by the September 2015 fall enrollment, excluding
15 any adjustments based on prior year student counts;
- 16 (12) "Alternative local need," may only be used by a school district created or
17 reorganized before July 1, 2016, and is the alternative per student need multiplied
18 by the fall enrollment, excluding any adjustments based on prior year student
19 counts;
- 20 (13) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by
21 applying the levies established pursuant to § 10-12-42. Beginning on July 1, 2017,
22 local effort includes the amount of funds apportioned to each school district in the
23 year preceding the most recently completed school fiscal year pursuant to §§ 10-
24 33-24, 10-35-21 as provided by subdivision (15), 10-36-10, 10-43-77, 11-7-73,
25 13-13-4, and 23A-27-25 and that exceeds the other revenue base amount;
- 26 (14) "Other revenue base amount," is zero;
- 27 (15) "Wind energy tax revenue," any wind energy tax revenue apportioned to school
28 districts pursuant to § 10-35-21 from a wind farm producing power for the first
29 time before July 1, 2016, is considered local effort pursuant to subdivision (13) and
30 other revenue base amount pursuant to subdivision (14). However, for wind energy
31 tax revenue apportioned to a school district from a wind farm producing power for
32 the first time after June 30, 2016, one hundred percent must be retained by the
33 school district to which the tax revenue is apportioned for the first five years of
34 producing power, eighty percent for the sixth year, sixty percent for the seventh
35 year, forty percent for the eighth year, twenty percent for the ninth year, and zero

1 percent thereafter. If a wind farm begins producing power for the first time
 2 between October first and December thirty-first in a calendar year, any revenues
 3 generated for that time period must be retained by the school district and that time
 4 period may not be counted against the first five-year period;

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

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

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

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

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

15 (a) Forty percent for a school district with a fall enrollment as defined in
 16 subdivision (2) of two hundred or less;

17 (b) Thirty percent for a school district with fall enrollment as defined in
 18 subdivision (2) of more than two hundred but less than six hundred; and

19 (c) Twenty-five percent for a school district with fall enrollment as defined in
 20 subdivision (2) greater than or equal to six hundred.

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

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

27 (20) "Alternative instruction participation adjustment," is calculated by multiplying 0.10
 28 times the number of children who participated in the prior school year in high
 29 school interscholastic activities sanctioned or sponsored by the South Dakota High
 30 School Activities Association, as permitted by § 13-36-7, while receiving
 31 alternative instruction pursuant to § 13-27-3, multiplied by the per student
 32 equivalent defined in this section.

33 **Section 3. That § 13-37-16 be AMENDED:**

1 **13-37-16.** For taxes payable in ~~2026~~ 2027, and each year thereafter, the school
 2 board shall levy no more than one dollar and ~~forty-six and two-tenths~~ forty-two and nine-
 3 tenths cents per thousand dollars of taxable valuation, as a special levy in addition to all
 4 other levies authorized by law for the amount so determined to be necessary, and the levy
 5 must be spread against all of the taxable property of the district.

6 The proceeds derived from the levy constitute a school district special education
 7 fund of the district for the payment of costs for the special education of all children in need
 8 of special education or special education and related services, who reside within the
 9 district, pursuant to the provisions of §§ 13-37-8.4 to 13-37-8.10, inclusive.

10 The levy in this section is based on valuations where the median level of
 11 assessment represents eighty-five percent of market value as determined by the
 12 Department of Revenue. The total amount of taxes that would be generated at the levy
 13 pursuant to this section is considered local effort. Money in the special education fund may
 14 be expended for the purchase or lease of any assistive technology that is directly related
 15 to special education and specified in a student's individualized education plan. This section
 16 does not apply to real property improvements.

17 **Section 4. That § 13-37-35.1 be AMENDED:**

18 **13-37-35.1.** Terms used in chapter 13-37 mean:

- 19 (1) "Level one disability," a mild disability;
 20 (2) "Level two disability," cognitive disability or emotional disorder;
 21 (3) "Level three disability," hearing impairment, deafness, visual impairment, deaf-
 22 blindness, orthopedic impairment, or traumatic brain injury;
 23 (4) "Level four disability," autism;
 24 (5) "Level five disability," multiple disabilities;
 25 (5A) "Level six disability," prolonged assistance;
 26 (6) "Index factor," is the annual percentage change in the consumer price index for
 27 urban wage earners and clerical workers as computed by the Bureau of Labor
 28 Statistics of the United States Department of Labor for the year before the year
 29 immediately preceding the year of adjustment, or three percent, whichever is less;
 30 (7) "Local effort," must be calculated for taxes payable in ~~2026~~ 2027 and thereafter
 31 using a special education levy of one dollar and ~~twenty-six and two-tenths~~ twenty-
 32 two and nine-tenths cents per one thousand dollars of valuation;
 33 (8) "Allocation for a student with a level one disability," for the school fiscal year
 34 beginning July 1, ~~2025, is \$7,650.45~~ 2026, is \$7,874.00. For each school year

- 1 thereafter, the allocation for a student with a level one disability must be the
 2 previous fiscal year's allocation for the child increased by the index factor;
- 3 (9) "Allocation for a student with a level two disability," for the school fiscal year
 4 beginning July 1, ~~2025, is \$16,759.91~~ 2026, is \$15,957.00. For each school year
 5 thereafter, the allocation for a student with a level two disability must be the
 6 previous fiscal year's allocation for the child increased by the index factor;
- 7 (10) "Allocation for a student with a level three disability," for the school fiscal year
 8 beginning July 1, ~~2025, is \$23,139.68~~ 2026, is \$21,045.00. For each school year
 9 thereafter, the allocation for a student with a level three disability must be the
 10 previous fiscal year's allocation for the child increased by the index factor;
- 11 (11) "Allocation for a student with a level four disability," for the school fiscal year
 12 beginning July 1, ~~2025, is \$18,053.89~~ 2026, is \$18,029.00. For each school year
 13 thereafter, the allocation for a student with a level four disability must be the
 14 previous fiscal year's allocation for the child increased by the index factor;
- 15 (12) "Allocation for a student with a level five disability," for the school fiscal year
 16 beginning July 1, ~~2025, is \$37,039.28~~ 2026, is \$38,058.00. For each school year
 17 thereafter, the allocation for a student with a level five disability must be the
 18 previous fiscal year's allocation for the child increased by the index factor;
- 19 (12A) "Allocation for a student with a level six disability," for the school fiscal year
 20 beginning July 1, ~~2025, is \$11,838.15~~ 2026, is \$12,207.00. For each school year
 21 thereafter, the allocation for a student with a level six disability must be the
 22 previous fiscal year's allocation for the child increased by the index factor;
- 23 (13) "Child count," ~~is~~ the number of students in need of special education or special
 24 education and related services, according to criteria set forth in rules promulgated
 25 pursuant to §§ 13-37-1.1 and 13-37-46, and submitted to the Department of
 26 Education;
- 27 (14) "Fall enrollment," the number of kindergarten-through-twelfth-grade students
 28 enrolled in all schools operated by the school district on the last Friday of
 29 September of the previous school year ~~minus,~~ less the number of students for
 30 whom the district receives tuition, except any nonresident student who is in the
 31 care and custody of a state agency and is attending a public school and any student
 32 for whom tuition is being paid pursuant to § 13-28-42.1, plus the number of
 33 students for whom the district pays tuition;
- 34 (15) "Nonpublic school," a sectarian organization or entity accredited by the secretary of
 35 education for the purpose of instructing children of compulsory school age. This

1 definition excludes any school that receives a majority of its revenues from public
2 funds;

3 (16) "Nonpublic fall enrollment," the number of children under age eighteen, who are
4 approved for alternative instruction pursuant to § 13-27-3 on the last Friday of
5 September of the previous school year plus:

6 (a) For nonpublic schools located within the boundaries of a public school
7 district with a fall enrollment of six hundred or more on the last Friday of
8 September of the previous school year, the number of kindergarten-
9 through-twelfth-grade students enrolled on the last Friday of September of
10 the previous regular school year in all nonpublic schools located within the
11 boundaries of the public school district;

12 (b) For nonpublic schools located within the boundaries of a public school
13 district with a fall enrollment of less than six hundred on the last Friday of
14 September of the previous school year, the number of resident
15 kindergarten-through-twelfth-grade students enrolled on the last Friday of
16 September of the previous school year in all nonpublic schools located
17 within this state;

18 (17) "Special education fall enrollment," fall enrollment plus nonpublic fall enrollment;

19 (18) "Local need," an amount to be determined as follows:

20 (a) Multiply the special education fall enrollment by ~~0.1062~~ 0.1084 and multiply
21 the result by the allocation for a student with a level one disability;

22 (b) Multiply the number of students having a level two disability as reported on
23 the child count for the previous school fiscal year by the allocation for a
24 student with a level two disability;

25 (c) Multiply the number of students having a level three disability as reported
26 on the child count for the previous school fiscal year by the allocation for a
27 student with a level three disability;

28 (d) Multiply the number of students having a level four disability as reported on
29 the child count for the previous school fiscal year by the allocation for a
30 student with a level four disability;

31 (e) Multiply the number of students having a level five disability as reported on
32 the child count for the previous school fiscal year by the allocation for a
33 student with a level five disability;

- 1 (f) Multiply the number of students having a level six disability as reported on
2 the child count for the previous school fiscal year by the allocation for a
3 student with a level six disability;
- 4 (g) When calculating local need at the statewide level, include the amount set
5 aside for extraordinary expenses defined in § 13-37-40;
- 6 (h) When calculating local need at the statewide level, include the amount set
7 aside for the South Dakota School for the Blind and Visually Impaired; and
- 8 (i) Sum the results of subdivisions (18)(a) to (h), inclusive; and
- 9 (19) "Effort factor," the school district's special education tax levy in dollars per thousand
10 divided by ~~\$1.262~~ \$1.229. The maximum effort factor is 1.0.