2026 South Dakota Legislature

Senate Bill 157

*Introduced by: **Senator** Duhamel*

1 **An Act to amend the school funding formula to provide for the use of an average fall**
2 **enrollment when determining local need.**

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

4 **Section 1. That § 13-13-10.1 be AMENDED:**

5   **13-13-10.1.** The education funding terms and procedures referenced in this
6 chapter are defined as follows:

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

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

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

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

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

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

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

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

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

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

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

5   (i)   Multiplying the fall enrollment by .00750; and
6   (ii)   Adding 10.50 to the resulting product; and

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

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

12   (4)   "English learner (EL) adjustment," is calculated by multiplying 0.25 times the
13   number of kindergarten-through-twelfth-grade students who, in the prior school
14   year, scored below level four on the state-administered language proficiency
15   assessment as required in the state's consolidated state application pursuant to
16   § 1111(b)(2)(G) of the Every Student Succeeds Act of 2015;

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

21   (6)   "Target teacher salary," for the school fiscal year beginning July 1, 2025, is
22           $62,821.19. Each school fiscal year thereafter, the target teacher salary is the
23   previous fiscal year's target teacher salary increased by the index factor;

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

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

28   (9)   "Overhead rate," is thirty-eight and seventy-eight-hundredths percent. Beginning
29   in school fiscal year 2018, the overhead rate must be adjusted to take into account
30   the sum of the amounts that districts exceed the other revenue base amount;

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

32   (a)   Divide the average fall enrollment or the fall enrollment for the current
33   school year, whichever is greater, by the target teacher ratio factor;

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

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

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

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

4   (f)   Add the products of subsections (d) and (e) and subdivision (20);

5   (g)   When calculating local need at the statewide level, include the amounts set

6   aside for costs related to technology in schools and statewide student

7   assessments;

8   (h)   When calculating local need at the statewide level, include the amounts set

9   aside for sparse school district benefits, calculated pursuant to §§ 13-13-

10   78 and 13-13-79; and

11   (i)   When calculating local need at the statewide level, include the amounts set

12   aside for career and technical education calculated pursuant to §§ 13-13-

13   81 and 13-13-82;

14 (11) "Alternative per student need," is calculated as follows:

15   (a)   Add the total need for each school district for school fiscal year 2016,

16   including the small school adjustment and the English learner adjustment,

17   to the lesser of the amount of funds apportioned to each school district in

18   the year preceding the most recently completed school fiscal year or school

19   fiscal year 2015 pursuant to §§ 10-33-24, 10-35-21, 10-36-10, 10-43-77,

20   11-7-73, 13-13-4, and 23A-27-25; and

21   (b)   Divide the result of (a) by the September 2015 fall enrollment, excluding

22   any adjustments based on prior year student counts;

23 (12) "Alternative local need," may only be used by a school district created or

24   reorganized before July 1, 2016, and is the alternative per student need multiplied

25   by the fall enrollment, excluding any adjustments based on prior year student

26   counts;

27 (13) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by

28   applying the levies established pursuant to § 10-12-42. Beginning on July 1, 2017,

29   local effort includes the amount of funds apportioned to each school district in the

30   year preceding the most recently completed school fiscal year pursuant to §§ 10-

31   33-24, 10-35-21 as provided by subdivision (15), 10-36-10, 10-43-77, 11-7-73,

32   13-13-4, and 23A-27-25 and that exceeds the other revenue base amount;

33 (14) "Other revenue base amount," is zero;

34 (15) "Wind energy tax revenue," any wind energy tax revenue apportioned to school

35   districts pursuant to § 10-35-21 from a wind farm producing power for the first

1   time before July 1, 2016, is considered local effort pursuant to subdivision (13) and

2   other revenue base amount pursuant to subdivision (14). However, for wind energy

3   tax revenue apportioned to a school district from a wind farm producing power for

4   the first time after June 30, 2016, one hundred percent must be retained by the

5   school district to which the tax revenue is apportioned for the first five years of

6   producing power, eighty percent for the sixth year, sixty percent for the seventh

7   year, forty percent for the eighth year, twenty percent for the ninth year, and zero

8   percent thereafter. If a wind farm begins producing power for the first time

9   between October first and December thirty-first in a calendar year, any revenues

10   generated for that time period must be retained by the school district and that time

11   period may not be counted against the first five-year period;

12   (16)   "Per student equivalent," for funding calculations that are determined on a per

13   student basis, the per student equivalent is calculated as follows:

14   (a)   Multiply the target teacher compensation times the sum of one plus the

15   overhead rate; and

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

17   (17)   "Monthly cash balance," the total amount of money for each month in the school

18   district's general fund, calculated by adding all deposits made during the month to

19   the beginning cash balance and deducting all disbursements or payments made

20   during the month;

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

22   (a)   Forty percent for a school district with a fall enrollment as defined in

23   subdivision (2) of two hundred or less;

24   (b)   Thirty percent for a school district with fall enrollment as defined in

25   subdivision (2) of more than two hundred but less than six hundred; and

26   (c)   Twenty-five percent for a school district with fall enrollment as defined in

27   subdivision (2) greater than or equal to six hundred.

28   When determining the general fund base percentage, the secretary of the

29   Department of Education shall use the lesser of the school district's fall enrollment

30   as defined in subdivision (2) for the current school year or the school district's fall

31   enrollment from the previous two years;

32   (19)   "Allowable general fund cash balance," the general fund base percentage multiplied

33   by the district's general fund expenditures in the previous school year; ~~and~~

34   (20)   "Alternative instruction participation adjustment," is calculated by multiplying 0.10

35   times the number of children who participated in the prior school year in high

1   school interscholastic activities sanctioned or sponsored by the South Dakota High

2   School Activities Association, as permitted by § 13-36-7, while receiving

3   alternative instruction pursuant to § 13-27-3, multiplied by the per student

4   equivalent defined in this section; and

5   (21)   "Average fall enrollment," the sum of the fall enrollments for each of the two school

6   years immediately prior to the current school year, divided by two.