



2026 South Dakota Legislature

House Bill 1204

Introduced by: **Representative Uhre-Balk**

1 **An Act to create the South Dakota school construction fund, provide for the transfer**
 2 **of moneys to the fund, and make an appropriation therefor.**

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

4 **Section 1. That a NEW SECTION be added to chapter 13-24:**

5 There is created the South Dakota school construction loan fund, to be
 6 administered by the Department of Education, for the purpose of making loans to school
 7 districts to construct or expand a school building, as provided in section 2 of this Act.

8 Any interest earned on moneys in the fund must remain in the fund. Any repayment
 9 of the principal amount of a loan must be deposited into the fund and used for making
 10 new loans. Money in the fund designated for loans is continuously appropriated for the
 11 purposes provided in section 2 of this Act.

12 The secretary of the department shall approve vouchers, and the state auditor shall
 13 draw warrants to pay expenditures authorized from this fund.

14 **Section 2. That a NEW SECTION be added to chapter 13-24:**

15 The Department of Education may make loans from the South Dakota school
 16 construction fund, created in section 1 of this Act, to a school district for the purpose of
 17 constructing or expanding a school building. The amount of the loan may not exceed forty
 18 percent of the total cost of the construction or expansion project. The department may
 19 use up to one percent of the principal amount of a loan to offset the department's expenses
 20 in administering the loan.

21 Any loan made by the department must be provided to the district at an interest
 22 rate of zero percent. The terms of the loan may not require collateral from the district.

23 The terms of the loan must require that the payments be based on a straight and
 24 level amortization of twenty years and be made annually over a term of twenty years,
 25 with the first payment due one year from the date of the funding of the loan.

1 The department shall make available moneys from the South Dakota school
 2 construction fund, created in section 1 of this Act, as follows:

3 (1) Thirty percent for the construction or expansion of a school building in a school
 4 district that has four thousand or more students; and

5 (2) Seventy percent for the construction or expansion of a school building in all other
 6 school districts.

7 For purposes of this section, a "school building" is a structure that houses the
 8 academic instruction, extracurricular activities, and other functions of a kindergarten
 9 through twelfth grade educational program.

10 **Section 3. That a NEW SECTION be added to chapter 13-24:**

11 A school district is not eligible for a loan under section 2 of this Act if:

12 (1) The school district is eligible for a loan under § 11-15-8;

13 (2) The municipality in which the district is headquartered is less than ten miles from
 14 a municipality in which another school district is headquartered; or

15 (3) The school district has a fall enrollment of fewer than two hundred students and is
 16 not designated as a sparse school district, as defined in § 13-13-78.

17 **Section 4. That a NEW SECTION be added to chapter 13-24:**

18 The School Finance Accountability Board within the Department of Education shall
 19 promulgate rules, pursuant to chapter 1-26, specifying:

20 (1) The process by which:

21 (a) A school district applies for a loan;

22 (b) The department reviews, assesses, and approves a school district's
 23 application; and

24 (c) The department disburses a loan to a school district; and

25 (2) The information a school district must provide when applying for a loan pursuant
 26 to section 2 of this Act, including:

27 (a) The amount of money currently in the district's capital outlay fund;

28 (b) The amount of money the district has transferred and the number of
 29 transfers the district has made from the capital outlay fund, pursuant to
 30 § 13-16-6 during the previous ten years;

31 (c) The district's current levy for the capital outlay fund;

32 (d) The district's fall enrollment for the current fiscal year; and

33 (e) The enrollment trends of the district during the previous ten years; and

1 (3) The criteria by which the department assesses a school district's application for a
2 loan in accordance with section 2 of this Act, including:

3 (a) The minimum amount of money, in proportion to the district's fall
4 enrollment, that must currently be in a district's capital outlay fund;

5 (b) The maximum amount of money a district may have transferred from the
6 capital outlay fund, pursuant to § 13-16-6 during the previous ten years;

7 (c) The maximum levy a district may currently have set for the district's capital
8 outlay fund; and

9 (d) The minimum increase necessary in the district's capital outlay levy to be
10 sufficient for the district to repay the loan.

11 **Section 5. That a NEW SECTION be added to chapter 13-24:**

12 On or before August first of each year, the Department of Education shall submit
13 a report to the special committee, created in § 4-8A-2, detailing the number, amounts,
14 and recipients of loans provided by the South Dakota school construction fund created in
15 section 1 of this Act, and other relevant information pertaining to the fund or program, as
16 requested by the committee.

17 **Section 6.** The state treasurer shall transfer \$1 from the general fund to the South Dakota
18 school construction fund created in section 1 of this Act. The amount transferred in this section
19 is appropriated to the Department of Education for the purpose described in section 2 of this
20 Act.

21 **Section 7.** This Act is effective beginning June 30, 2026.