



## 2026 South Dakota Legislature

# House Bill 1205

Introduced by: **Representative Uhre-Balk**

1 **An Act to amend the manner of calculating state aid to general and special education**  
 2 **funding.**

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-  
 23 73, the 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  
10 school district may not include any students residing in a residential treatment  
11 facility 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 greater;
- 22 (6) "Target teacher salary," for the school fiscal year beginning July 1, 2025, is  
23 \$62,821.19. Each school fiscal year thereafter, the target teacher salary is the  
24 previous fiscal year's target teacher salary increased by the index factor;
- 25 (7) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine  
26 percent;
- 27 (8) "Target teacher compensation," is the sum of the target teacher salary and the  
28 target teacher benefits;
- 29 (9) "Overhead rate," is thirty-eight and seventy-eight-hundredths percent. Beginning  
30 in school fiscal year 2018, the overhead rate must be adjusted to take into account  
31 the sum of the amounts that districts exceed the other revenue base amount;
- 32 (10) "Local need," is calculated as follows:  
33 (a) Divide the fall enrollment 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); and
- 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, provided~~  
 3 that any wind energy tax revenue apportioned to a school district from a wind farm  
 4 producing power for the first time after June 30, 2016, ~~one is apportioned to a~~  
 5 school district as follows:

6 (a) One hundred percent ~~must be~~ is retained by the school district to which the  
 7 tax revenue is apportioned for the first five years of producing power,  
 8 eighty;

9 (b) Eighty percent for the sixth year, ~~sixty;~~

10 (c) Sixty percent for the seventh year, ~~forty;~~

11 (d) Forty percent for the eighth year, ~~twenty;~~

12 (e) Twenty percent for the ninth year, ~~and zero;~~ and

13 (f) Zero percent thereafter.

14 If a wind farm begins producing power for the first time between October first and  
 15 December thirty-first in a calendar year, any revenues generated for that time  
 16 period ~~must be~~ are retained by the school district and that time period may not be  
 17 counted against the first five-year period;

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

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

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

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

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

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

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

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

34 When determining the general fund base percentage, the secretary of the  
 35 Department of Education shall use the lesser of the school district's fall enrollment

- 1 as defined in subdivision (2) for the current school year or the school district's fall
- 2 enrollment from the previous two years;
- 3 (19) "Allowable general fund cash balance," the general fund base percentage multiplied
- 4 by the district's general fund expenditures in the previous school year; and
- 5 (20) "Alternative instruction participation adjustment," is calculated by multiplying 0.10
- 6 times the number of children who participated in the prior school year in high
- 7 school interscholastic activities sanctioned or sponsored by the South Dakota High
- 8 School Activities Association, as permitted by § 13-36-7, while receiving
- 9 alternative instruction pursuant to § 13-27-3, multiplied by the per student
- 10 equivalent defined in this section.

11 **Section 2. That § 13-37-35.1 be AMENDED:**

12 **13-37-35.1.** Terms used in chapter 13-37 mean:

- 13 (1) "Level one disability," a mild disability;
- 14 (2) "Level two disability," cognitive disability or emotional disorder;
- 15 (3) "Level three disability," hearing impairment, deafness, visual impairment, deaf-
- 16 blindness, orthopedic impairment, or traumatic brain injury;
- 17 (4) "Level four disability," autism;
- 18 (5) "Level five disability," multiple disabilities;
- 19 (5A) "Level six disability," prolonged assistance;
- 20 (6) "Index factor," is the annual percentage change in the consumer price index for
- 21 urban wage earners and clerical workers as computed by the Bureau of Labor
- 22 Statistics of the United States Department of Labor for the year before the year
- 23 immediately preceding the year of adjustment, or three percent, whichever is ~~less~~
- 24 greater;
- 25 (7) "Local effort," must be calculated for taxes payable in 2026 and thereafter using a
- 26 special education levy of one dollar and twenty-six and two-tenths cents per one
- 27 thousand dollars of valuation;
- 28 (8) "Allocation for a student with a level one disability," for the school fiscal year
- 29 beginning July 1, 2025, is \$7,650.45. For each school year thereafter, the allocation
- 30 for a student with a level one disability must be the previous fiscal year's allocation
- 31 for the child increased by the index factor;
- 32 (9) "Allocation for a student with a level two disability," for the school fiscal year
- 33 beginning July 1, 2025, is \$16,759.91. For each school year thereafter, the

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

- 1 (a) For nonpublic schools located within the boundaries of a public school  
2 district with a fall enrollment of six hundred or more on the last Friday of  
3 September of the previous school year, the number of kindergarten-  
4 through-twelfth-grade students enrolled on the last Friday of September of  
5 the previous regular school year in all nonpublic schools located within the  
6 boundaries of the public school district;
- 7 (b) For nonpublic schools located within the boundaries of a public school  
8 district with a fall enrollment of less than six hundred on the last Friday of  
9 September of the previous school year, the number of resident  
10 kindergarten-through-twelfth-grade students enrolled on the last Friday of  
11 September of the previous school year in all nonpublic schools located  
12 within this state;
- 13 (17) "Special education fall enrollment," fall enrollment plus nonpublic fall enrollment;
- 14 (18) "Local need," an amount to be determined as follows:
- 15 (a) Multiply the special education fall enrollment by 0.1062 and multiply the  
16 result by the allocation for a student with a level one disability;
- 17 (b) Multiply the number of students having a level two disability as reported on  
18 the child count for the previous school fiscal year by the allocation for a  
19 student with a level two disability;
- 20 (c) Multiply the number of students having a level three disability as reported  
21 on the child count for the previous school fiscal year by the allocation for a  
22 student with a level three disability;
- 23 (d) Multiply the number of students having a level four disability as reported on  
24 the child count for the previous school fiscal year by the allocation for a  
25 student with a level four disability;
- 26 (e) Multiply the number of students having a level five disability as reported on  
27 the child count for the previous school fiscal year by the allocation for a  
28 student with a level five disability;
- 29 (f) Multiply the number of students having a level six disability as reported on  
30 the child count for the previous school fiscal year by the allocation for a  
31 student with a level six disability;
- 32 (g) When calculating local need at the statewide level, include the amount set  
33 aside for extraordinary expenses defined in § 13-37-40;
- 34 (h) When calculating local need at the statewide level, include the amount set  
35 aside for the South Dakota School for the Blind and Visually Impaired; and

- 1 (i) Sum the results of subdivisions (18)(a) to (h), inclusive; and
- 2 (19) "Effort factor," the school district's special education tax levy in dollars per thousand
- 3 divided by \$1.262. The maximum effort factor is 1.0.