



2026 South Dakota Legislature

Senate Bill 200

Introduced by: **Senator Mehlhaff**

1 **An Act to amend the state aid formula for general education and for special**
 2 **education.**

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 ~~(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)(6) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine~~
25 ~~percent;~~

26 ~~(8)(7) "Target teacher compensation," is the sum of the target teacher salary and the~~
27 ~~target teacher benefits;~~

28 ~~(9)(8) "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)(9) "Local need," is calculated as follows:~~

- 32 (a) Divide the fall enrollment by the target teacher ratio factor;
- 33 (b) If applicable, divide the English Learner adjustment pursuant to subdivision
34 (4) by the target teacher ratio factor;
- 35 (c) Add the results of subsections (a) and (b);

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

1 other revenue base amount pursuant to subdivision (14). However, for wind energy
2 tax revenue apportioned to a school district from a wind farm producing power for
3 the first time after June 30, 2016, one hundred percent must be retained by the
4 school district to which the tax revenue is apportioned for the first five years of
5 producing power, eighty percent for the sixth year, sixty percent for the seventh
6 year, forty percent for the eighth year, twenty percent for the ninth year, and zero
7 percent thereafter. If a wind farm begins producing power for the first time
8 between October first and December thirty-first in a calendar year, any revenues
9 generated for that time period must be retained by the school district and that time
10 period may not be counted against the first five-year period;

11 ~~(16)~~(15) "Per student equivalent," for funding calculations that are determined on a per
12 student basis, the per student equivalent is calculated as follows:

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

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

16 ~~(17)~~(16) "Monthly cash balance," the total amount of money for each month in the
17 school district's general fund, calculated by adding all deposits made during the
18 month to the beginning cash balance and deducting all disbursements or payments
19 made during the month;

20 ~~(18)~~(17) "General fund base percentage," is determined as follows:

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

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

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

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

31 ~~(19)~~(18) "Allowable general fund cash balance," the general fund base percentage
32 multiplied by the district's general fund expenditures in the previous school year;
33 and

34 ~~(20)~~(19) "Alternative instruction participation adjustment," is calculated by multiplying
35 0.10 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.

5 **Section 2. That § 13-13-71 be AMENDED:**

6 **13-13-71.** If local effort increases on a statewide aggregate basis by a greater
 7 percentage than local need on a statewide aggregate basis from any one year to the next,
 8 for the following year each of the levies ~~specified in subdivision 13-13-10.1(13) shall,~~
 9 which, when added together, constitute local effort, must be reduced proportionally so
 10 that the percentage increase in local effort on a statewide aggregate basis equals the
 11 percentage increase in need on a statewide aggregate basis.

12 **Section 3. That § 13-13-73 be AMENDED:**

13 **13-13-73.** ~~No later than July 1, 2016, a school district shall notify the secretary~~
 14 ~~of education in writing as to whether the school district's state aid is to be calculated using~~
 15 ~~the alternative local need calculation.~~ A school district may use the alternative local need
 16 calculation only if the school district was created or reorganized before July 1, 2016.

17 ~~If a school district chooses is eligible and elects to use~~ the alternative local need
 18 calculation, the school district ~~shall must~~ notify the secretary in writing ~~no later than,~~
 19 before July first of each ~~subsequent~~ fiscal year, ~~as to whether to continue to use the school~~
 20 district is to use the alternative local need calculation for that fiscal year. If an eligible
 21 school district elects to use the alternative local need calculation, state aid to the district
 22 is calculated by subtracting the local effort from alternative local need. If the district's
 23 local effort is greater than the district's alternative local need, state aid to the district is
 24 zero.

25 If a school district elects not to use the alternative local need calculation or is not
 26 eligible to use the alternative local need calculation, state aid is calculated by subtracting
 27 the local effort from the local need. If the district's local effort is greater than the district's
 28 local need, state aid to the district is zero. If a school district chooses not to use the
 29 alternative local need calculation, the school district may not use that calculation in any
 30 subsequent school year.

31 The secretary of the Department of Education ~~shall compute state aid to education~~
 32 ~~for each school district according to the following calculations:-~~

1 ~~(1) For school districts not utilizing the alternative local need calculation, state aid is~~
 2 ~~local need as defined in § 13-13-10.1 minus local effort, or zero if the calculation~~
 3 ~~is a negative number;~~

4 ~~(2) For school districts utilizing the alternative local need calculation, state aid is the~~
 5 ~~alternative local need as defined in subdivision 13-13-10.1(12) minus local effort,~~
 6 ~~or zero if the calculation is a negative number;~~

7 ~~(3) —~~

8 If the state aid appropriation for the general support of education is in excess of
 9 the entitlement provided for in this section and the entitlement provided for in § 13-13-
 10 85, the excess ~~shall~~ must be used to fund any shortfall of the appropriation as provided
 11 for in § 13-37-36.3.

12 The secretary shall report to the Governor by January seventh of each year, the
 13 amount of state aid necessary to fully fund the general aid formula in the current year. If
 14 a shortfall in the state aid appropriation for general education exists that cannot be
 15 covered by § 13-37-45, the Governor ~~shall~~ must inform the Legislature and provide a
 16 proposal to eliminate the shortfall.

17 **Section 4. That § 13-37-16.2 be AMENDED:**

18 **13-37-16.2.** If local effort increases on a statewide aggregate basis by a greater
 19 percentage than local need on a statewide aggregate basis from any one year to the next,
 20 for the following year, the levy ~~specified in subdivision 13-37-35.1(7) shall~~ constituting
 21 local effort, as defined in § 13-37-35.1 must be reduced proportionally so that the
 22 percentage increase in local effort on a statewide aggregate basis equals the percentage
 23 increase in need on a statewide aggregate basis.

24 **Section 5. That § 13-37-35.1 be AMENDED:**

25 **13-37-35.1.** Terms used in chapter 13-37 mean:

- 26 (1) "Level one disability," a mild disability;
- 27 (2) "Level two disability," cognitive disability or emotional disorder;
- 28 (3) "Level three disability," hearing impairment, deafness, visual impairment, deaf-
 29 blindness, orthopedic impairment, or traumatic brain injury;
- 30 (4) "Level four disability," autism;
- 31 (5) "Level five disability," multiple disabilities;
- 32 ~~(5A)~~(6) "Level six disability," prolonged assistance;

- 1 ~~(6)~~ "Index factor," is the annual percentage change in the consumer price index for
2 urban wage earners and clerical workers as computed by the Bureau of Labor
3 Statistics of the United States Department of Labor for the year before the year
4 immediately preceding the year of adjustment, or three percent, whichever is less;
- 5 (7) "Local effort," must be calculated for taxes payable in 2026 and thereafter using a
6 special education levy of one dollar and twenty-six and two-tenths cents per one
7 thousand dollars of valuation;
- 8 (8) "Allocation for a student with a level one disability," for the school fiscal year
9 beginning July 1, 2025, is \$7,650.45. ~~For each school year thereafter, the allocation~~
10 ~~for a student with a level one disability must be the previous fiscal year's allocation~~
11 ~~for the child increased by the index factor;~~
- 12 (9) "Allocation for a student with a level two disability," for the school fiscal year
13 beginning July 1, 2025, is \$16,759.91. ~~For each school year thereafter, the~~
14 ~~allocation for a student with a level two disability must be the previous fiscal year's~~
15 ~~allocation for the child increased by the index factor;~~
- 16 (10) "Allocation for a student with a level three disability," for the school fiscal year
17 beginning July 1, 2025, is \$23,139.68. ~~For each school year thereafter, the~~
18 ~~allocation for a student with a level three disability must be the previous fiscal~~
19 ~~year's allocation for the child increased by the index factor;~~
- 20 (11) "Allocation for a student with a level four disability," for the school fiscal year
21 beginning July 1, 2025, is \$18,053.89. ~~For each school year thereafter, the~~
22 ~~allocation for a student with a level four disability must be the previous fiscal year's~~
23 ~~allocation for the child increased by the index factor;~~
- 24 (12) "Allocation for a student with a level five disability," for the school fiscal year
25 beginning July 1, 2025, is \$37,039.28. ~~For each school year thereafter, the~~
26 ~~allocation for a student with a level five disability must be the previous fiscal year's~~
27 ~~allocation for the child increased by the index factor;~~
- 28 ~~(12A)~~(13) "Allocation for a student with a level six disability," for the school fiscal year
29 beginning July 1, 2025, is \$11,838.15. ~~For each school year thereafter, the~~
30 ~~allocation for a student with a level six disability must be the previous fiscal year's~~
31 ~~allocation for the child increased by the index factor;~~
- 32 ~~(13)~~(14) "Child count," is the number of students in need of special education or
33 special education and related services according to criteria set forth in rules
34 promulgated pursuant to §§ 13-37-1.1 and 13-37-46 submitted to the Department
35 of Education;

1 ~~(14)~~(15) "Fall enrollment," the number of kindergarten-through-twelfth-grade
2 students enrolled in all schools operated by the school district on the last Friday of
3 September of the previous school year minus the number of students for whom
4 the district receives tuition, except any nonresident student who is in the care and
5 custody of a state agency and is attending a public school and any student for
6 whom tuition is being paid pursuant to § 13-28-42.1, plus the number of students
7 for whom the district pays tuition;

8 ~~(15)~~(16) "Nonpublic school," a sectarian organization or entity accredited by the
9 secretary of education for the purpose of instructing children of compulsory school
10 age. This definition excludes any school that receives a majority of its revenues
11 from public funds;

12 ~~(16)~~(17) "Nonpublic fall enrollment," the number of children under age eighteen, who
13 are approved for alternative instruction pursuant to § 13-27-3 on the last Friday of
14 September of the previous school year plus:

15 (a) For nonpublic schools located within the boundaries of a public school
16 district with a fall enrollment of six hundred or more on the last Friday of
17 September of the previous school year, the number of kindergarten-
18 through-twelfth-grade students enrolled on the last Friday of September of
19 the previous regular school year in all nonpublic schools located within the
20 boundaries of the public school district;

21 (b) For nonpublic schools located within the boundaries of a public school
22 district with a fall enrollment of less than six hundred on the last Friday of
23 September of the previous school year, the number of resident
24 kindergarten-through-twelfth-grade students enrolled on the last Friday of
25 September of the previous school year in all nonpublic schools located
26 within this state;

27 ~~(17)~~(18) "Special education fall enrollment," fall enrollment plus nonpublic fall
28 enrollment;

29 ~~(18)~~(19) "Local need," an amount to be determined as follows:

30 (a) Multiply the special education fall enrollment by 0.1062 and multiply the
31 result by the allocation for a student with a level one disability;

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

- 1 (c) Multiply the number of students having a level three disability as reported
- 2 on the child count for the previous school fiscal year by the allocation for a
- 3 student with a level three disability;
- 4 (d) Multiply the number of students having a level four disability as reported on
- 5 the child count for the previous school fiscal year by the allocation for a
- 6 student with a level four disability;
- 7 (e) Multiply the number of students having a level five disability as reported on
- 8 the child count for the previous school fiscal year by the allocation for a
- 9 student with a level five disability;
- 10 (f) Multiply the number of students having a level six disability as reported on
- 11 the child count for the previous school fiscal year by the allocation for a
- 12 student with a level six disability;
- 13 (g) When calculating local need at the statewide level, include the amount set
- 14 aside for extraordinary expenses defined in § 13-37-40;
- 15 (h) When calculating local need at the statewide level, include the amount set
- 16 aside for the South Dakota School for the Blind and Visually Impaired; and
- 17 (i) Sum the results of subdivisions (18)(a) to (h), inclusive; and
- 18 ~~(19)~~(20) "Effort factor," the school district's special education tax levy in dollars per
- 19 thousand divided by \$1.262. The maximum effort factor is 1.0.

20 **Section 6. That § 13-37-55 be AMENDED:**

21 **13-37-55.** Up to fifteen percent of the local need as defined in ~~subdivision 13-37-~~

22 ~~35.1(18)~~ § 13-37-35.1 may be used to develop and implement coordinated, early

23 intervening services for students in kindergarten through grade twelve who are not

24 currently identified as needing special education or special education and related services,

25 but who need additional academic and behavioral interventions to succeed in a general

26 education environment to prevent them from being identified as having a special education

27 disability.

28 Coordinated, early intervening services include:

- 29 (1) Professional development for teachers and other school staff to enable them to
- 30 deliver ~~scientifically based~~ scientifically based academic instruction and behavioral
- 31 interventions, including ~~scientifically based~~ scientifically based literacy instruction,
- 32 and, if appropriate, instruction on the use of adaptive and instructional software;
- 33 and

1 (2) ~~Providing~~ The provision of educational and behavioral evaluations, services, and
2 supports, including ~~scientifically based~~ scientifically based literacy instruction.

3 **Section 7. That § 13-39-75 be AMENDED:**

4 **13-39-75.** The presidents of the technical colleges, acting pursuant to rules
5 established by the State Board of Technical Education, shall use the money provided
6 pursuant to SL 2016, chapter 65, to increase instructor salaries to competitive levels at
7 each technical college. The amount of money provided each year ~~shall~~ must be increased
8 ~~by the index factor as defined in~~ proportion to the change in the target teacher salary, as
9 established in § 13-13-10.1.