



## 2026 South Dakota Legislature

# House Bill 1290

Introduced by: **Representative** Gosch

1 **An Act to amend provisions pertaining to calculating local effort and state aid for**  
 2 **general 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 § 13-13-73, 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 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) "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) "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) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by
- 27 applying the levies established pursuant to § 10-12-42. ~~Beginning on July 1, 2017,~~
- 28 ~~local effort includes the amount of funds apportioned to each school district in the~~
- 29 ~~year preceding the most recently completed school fiscal year pursuant to §§ 10-~~
- 30 ~~33-24, 10-35-21 as provided by subdivision (15), 10-36-10, 10-43-77, 11-7-73,~~
- 31 ~~13-13-4, and 23A-27-25 and that exceeds the other revenue base amount;~~
- 32 (14) "Other revenue base amount," is zero;
- 33 (15) "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) "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) "Monthly cash balance," the total amount of money for each month in the school  
17 district's general fund, calculated by adding all deposits made during the month to  
18 the beginning cash balance and deducting all disbursements or payments made  
19 during the month;
- 20 (18) "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) "Allowable general fund cash balance," the general fund base percentage multiplied  
32 by the district's general fund expenditures in the previous school year; and
- 33 (20) "Alternative instruction participation adjustment," is calculated by multiplying 0.10  
34 times the number of children who participated in the prior school year in high  
35 school interscholastic activities sanctioned or sponsored by the South Dakota High

1 School Activities Association, as permitted by § 13-36-7, while receiving  
 2 alternative instruction pursuant to § 13-27-3, multiplied by the per student  
 3 equivalent defined in this section.

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

5 Local effort includes the moneys that:

6 (1) Are apportioned to each school district in the year preceding the most recently  
 7 completed school fiscal year pursuant to:

8 (a) § 10-33-24;

9 (b) § 10-35-21, as provided by subdivision 13-13-10.1(15);

10 (c) § 10-36-10;

11 (d) § 10-43-77;

12 (e) § 11-7-73;

13 (f) § 13-13-4; and

14 (g) § 23A-27-25; and

15 (2) Exceed the other revenue base amount.

16 In determining a district's overhead rate, the amount by which the district  
 17 exceeded the other revenue base amount must be subtracted.

18 The board of a school district may, by resolution, elect not to include the amounts  
 19 that exceed the other revenue base amount when calculating the district's overhead rate  
 20 and the district's local effort. The board shall forward the resolution to the Department of  
 21 Education on or before July first of each year.

22 If the board elects not to include the amounts that exceed the other revenue base  
 23 amount when calculating the district's overhead rate and the district's local effort, the  
 24 board may not transfer any moneys from the district's capital outlay fund to the district's  
 25 general fund, pursuant to § 13-16-6.

26 **Section 3. That § 13-16-6 be AMENDED:**

27 **13-16-6.** The capital outlay fund of the school district is a fund provided by law to  
 28 meet expenditures which result in the acquisition or lease of or additions to real property,  
 29 plant, or equipment. Such an expenditure shall be for land, existing facilities, improvement  
 30 of grounds, construction of facilities, additions to facilities, remodeling of facilities, or for  
 31 the purchase or lease of equipment. It may also be used for installment or lease-purchase  
 32 payments for the purchase of real property, plant, or equipment, which have a contracted  
 33 terminal date not exceeding twenty years from the date of the installment contract or

1 lease-purchase and for the payment of the principal of and interest on capital outlay  
2 certificates issued pursuant to § 13-16-6.2.

3 Any purchase of one thousand dollars or less may be paid out of the general fund.  
4 The total accumulated unpaid principal balances of such installment contracts and lease-  
5 purchase and the outstanding principal amounts of such capital outlay certificates may  
6 not exceed three percent of the taxable valuation. The school district shall provide a  
7 sufficient levy each year under the provisions of § 13-16-7 to meet the annual installment  
8 contract, lease-purchase, and capital outlay certificate payments, including interest.

9 A school district which contracts its student transportation may expend from the  
10 capital outlay fund an amount not to exceed fifteen percent of the contract amount. In  
11 addition, a school district which reimburses for mileage instead of providing transportation  
12 pursuant to § 13-30-3, may use the capital outlay fund to pay for fifteen percent of its  
13 mileage reimbursement costs.

14 The capital outlay fund may be used to purchase textbooks and to purchase or  
15 renew instructional software.

16 The capital outlay fund may be used to purchase warranties on capital assets if the  
17 warranties do not include supplies.

18 ~~A-Except as provided in section 2 of this Act,~~ a school district may transfer from its  
19 capital outlay fund to its general fund an amount not to exceed forty-five percent of the  
20 total tax revenues deposited in that fund during the current school fiscal year.