



2026 South Dakota Legislature

House Bill 1249

HOUSE APPROPRIATIONS ENGROSSED

Introduced by: Representative Kassin

- 1 **An Act to amend provisions pertaining to the School Finance Accountability Board,**
2 **and the process by which a recommendation of the board is approved.**

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

4 **Section 1. That § 1-45-38 be AMENDED:**

5 **1-45-38.** There is hereby created the School Finance Accountability Board within
6 the Department of Education. The board ~~shall consist~~ consists of five members appointed
7 by the Governor. The members shall serve a term of four years.

8 The board may recommend that the provisions of ~~§ 13-13-73.5~~ be waived for a
9 school district if the district can demonstrate that its lowest monthly general cash fund
10 cash balance percentage is the result of special circumstances.

11 The board may recommend that a penalty against a school district imposed under
12 ~~§ 13-13-73.9~~ be waived, in whole or in part, if the district can demonstrate that its failure
13 to comply with ~~§ 13-13-73.6 or 13-13-73.8~~ is due to special circumstances. The board
14 may recommend the Department of Education review the accreditation of a school district
15 that is found not to be complying with ~~§§ 13-13-73.5, 13-13-73.6, or 13-13-73.8.~~

16 The School Finance Accountability Board shall promulgate rules pursuant to chapter
17 ~~1-26~~ to establish the appeals process provided for in ~~§ 13-13-73.9~~, and to establish the
18 factors that may be considered in considering a waiver requested by a school district,
19 which shall include the impact of retirements.

20 The Joint Committee on Appropriations or the Interim Committee on Appropriations
21 shall review any waivers of ~~§ 13-13-73.5, 13-13-73.6, or 13-13-73.8~~ recommended by
22 the School Finance Accountability Board. For a waiver recommended by the board under
23 this section, the committee may provide any suggested change to the waiver. Not more
24 than thirty days following receipt of a suggested change from the committee, the board
25 may amend the recommended waiver in accordance with the suggested change and shall
26 resubmit the recommended waiver. The Joint Committee on Appropriations or the Interim

~~Committee on Appropriations shall approve, amend, or deny any waiver recommended by the board~~

A school district may request that the School Finance Accountability Board waive any reduction to the district's state aid for general education, imposed under § 13-13-73.5, or the penalty imposed upon a school district, pursuant to § 13-13-73.9.

The board may:

(1) Reduce a school district's state aid for general education, as provided in § 13-13-73.5;

(2) Impose the penalty, as provided in § 13-13-73.9, upon a school district for failing to comply with § 13-13-73.6 or 13-13-73.8;

(3) Require a review of the school district's accreditation if:

(a) The district's lowest general fund monthly cash balance exceeds the district's allowable general fund cash balance; or

(b) The district has failed to comply with § 13-13-73.6 or 13-13-73.8; or

(4) Waive, in whole or in part:

(a) The reduction to a school district's state aid for general education required under § 13-13-73.5, if the district demonstrates that the lowest monthly general cash fund balance exceeded the allowable general fund cash balance as the result of special circumstances; or

(b) A penalty imposed upon a school district by § 13-13-73.9, if the district demonstrates that the district's failure to comply with § 13-13-73.6 or 13-13-73.8 was the result of special circumstances.

The board may condition any waiver granted to a school district pursuant to subsection (4)(a) upon the school district's annual lowest general fund monthly cash balance equaling an amount less than the district's allowable general fund cash balance, for at least three years. If the school district's lowest general fund monthly cash balance exceeds the district's allowable general fund cash balance at any point during the three years, the board may rescind the waiver and impose the penalty required under § 13-13-73.5.

The board may condition any waiver granted to a school district pursuant to subsection (4)(b) upon the school district increasing the district's average teacher compensation in accordance with § 13-13-73.6 and paying each full-time equivalent teacher a salary equal to the state minimum salary, as defined in § 13-13-73.8, for at least three years. If a school district fails to increase the district's average teacher compensation or fails to pay each full-time equivalent teacher a salary equal to the state

minimum salary at any point during the three years, the board may rescind the waiver and impose the penalty required under § 13-13-73.9.

The School Finance Accountability Board shall promulgate rules, pursuant to chapter 1-26, to establish the process by which a school district may request a waiver, pursuant to this section, and the factors that the board may consider in granting a waiver request from a school district. The factors must address the impact of employee retirements on the district.

The Department of Education shall annually report to the Governor and the Legislature the information collected pursuant to §§ 13-8-47 and 13-13-73.6.

Section 2. That § 13-13-73.5 be AMENDED:

~~13-13-73.5. Beginning on July 1, 2018, a~~ If a school district's lowest general fund monthly cash balance exceeds the district's allowable general fund cash balance, the Department of Education shall reduce a school district's state aid for general education, as calculated pursuant to § 13-13-73 shall be reduced, by subtracting an amount equal to the difference of the district's allowable general fund cash balance subtracted from the district's lowest general fund monthly cash balance. If the result difference is less than zero, the reduction equals to the district's state aid for general education is zero.

A school district created or reorganized after July 1, 2016, is exempt from the reduction provided by this section for a period of three years immediately following its creation.

Section 3. That § 13-13-73.9 be AMENDED:

13-13-73.9. The Department of Education must decrease state aid to general education funding to the school district in the following fiscal year by five hundred dollars for each full-time equivalent teacher employed in the school district if:

- (1) The school district does not increase the school district's average teacher compensation in accordance with § 13-13-73.6; or
- (2) The school district does not pay each full-time equivalent teacher a salary at least equal to the state minimum salary as defined in § 13-13-73.8.

~~A school district may request a waiver from any penalty imposed under this section from the School Finance Accountability Board.~~