

## 2026 South Dakota Legislature

**House Bill 1051****AMENDMENT 1051C  
FOR THE INTRODUCED BILL**

**This bill has been extensively amended (hoghoused) and may no longer be consistent with the original intention of the sponsor.**

1 **An Act to revise property tax levies for school districts and to revise the state aid to**  
2 **general ~~formula~~ and ~~the~~ special education ~~formula~~ formulas.**

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

4 **Section 1. That § 10-12-42 be AMENDED:**

5 **10-12-42.** For taxes payable in ~~2026~~ 2027, and each year thereafter, the  
6 maximum levy for the general fund of a school district is as follows:

7 (1) The maximum tax mill levy is ~~five~~ four dollars and ~~twenty-one and one-tenth~~  
8 eighty-six and seven-tenths cents per thousand dollars of taxable valuation,  
9 subject to the limitations on agricultural property as provided in subdivision (2) ~~of~~  
10 ~~this section~~ and owner-occupied property as provided in subdivision (3) ~~of this~~  
11 ~~section~~;

12 (2) The maximum tax mill levy on agricultural property for the school district is one  
13 dollar and ~~twelve and five-tenths~~ five and one-tenth cents per thousand dollars of  
14 taxable valuation. ~~If the district's levies are less than the maximum levies as stated~~  
15 ~~in this section, the levies must maintain the same proportion to each other as~~  
16 ~~represented in the mathematical relationship at the maximum levies; and~~

17 (3) The maximum tax mill levy for an owner-occupied single-family dwelling pursuant  
18 to § 10-13-40 for the school district is ~~two~~ zero dollars and ~~fifty-one and eight-~~  
19 ~~tenths~~ sixty-six and nine-tenths cents per thousand dollars of taxable valuation.

20 If the district's levies are less than the maximum levies as stated in this section,  
21 the levies must maintain the same proportion to each other as represented in the  
22 mathematical relationship at the maximum levies.

1 All levies in this section must be imposed on valuations where the median level of  
 2 assessment represents eighty-five percent of market value as determined by the  
 3 Department of Revenue. These valuations must be used for all school funding purposes.

4 If the district has imposed an excess levy pursuant to § 10-12-43, the three mill  
 5 levies must maintain the same proportion to each other as ~~represented in the~~  
 6 ~~mathematical relationship at~~ the maximum levies in of this section for taxes payable in  
 7 2026. The school district may elect to tax at less than the maximum amounts set forth in  
 8 this section.

9 **Section 2. That § 13-13-10.1 be AMENDED:**

10 **13-13-10.1.** The education funding terms and procedures referenced in this  
 11 chapter are defined as follows:

12 (1) Nonresident students who are in the care and custody of the Department of Social  
 13 Services, the Unified Judicial System, the Department of Corrections, or other state  
 14 agencies and are attending a public school may be included in the fall enrollment  
 15 of the receiving district when enrolled in the receiving district;

16 (2) "Fall enrollment," is calculated as follows:

17 (a) Determine the number of kindergarten through twelfth grade students  
 18 enrolled in all schools operated by the school district on the last Friday of  
 19 September of the current school year;

20 (b) Subtract the number of students for whom the district receives tuition  
 21 except for:

22 (i) Nonresident students who are in the care and custody of a state  
 23 agency and are attending a public school district; and

24 (ii) Students who are being provided an education pursuant to § 13-28-  
 25 11; and

26 (c) Add the number of students for whom the district pays tuition.

27 When computing state aid to education for a school district pursuant to § 13-13-73, the  
 28 secretary of the Department of Education shall use the school district's fall  
 29 enrollment;

30 (3) "Target teacher ratio factor," is:

31 (a) For school districts with a fall enrollment of two hundred or less, the target  
 32 teacher ratio factor is 12;

33 (b) For districts with a fall enrollment of greater than two hundred, but less  
 34 than six hundred, the target teacher ratio factor is calculated as follows:

- 1 (i) Multiplying the fall enrollment by .00750; and  
 2 (ii) Adding 10.50 to the resulting product; and  
 3 (c) For districts with a fall enrollment of six hundred or greater, the target  
 4 teacher ratio factor is 15.

5 The fall enrollment used for the determination of the target teacher ratio for a school  
 6 district may not include any students residing in a residential treatment facility  
 7 when the education program is operated by the school district;

8 (4) "English learner (EL) adjustment," is calculated by multiplying 0.25 times the  
 9 number of kindergarten-through-twelfth-grade students who, in the prior school  
 10 year, scored below level four on the state-administered language proficiency  
 11 assessment as required in the state's consolidated state application pursuant to  
 12 § 1111(b)(2)(G) of the Every Student Succeeds Act of 2015;

13 (5) "Index factor," is the annual percentage change in the consumer price index for  
 14 urban wage earners and clerical workers as computed by the Bureau of Labor  
 15 Statistics of the United States Department of Labor for the year before the year  
 16 immediately preceding the year of adjustment or three percent, whichever is less;

17 (6) "Target teacher salary," for the school fiscal year beginning July 1, ~~2025~~ 2026, is  
 18 ~~\$62,821.19~~ \$63,700.69. Each school fiscal year thereafter, the target teacher  
 19 salary is the previous fiscal year's target teacher salary increased by the index  
 20 factor;

21 (7) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine  
 22 percent;

23 (8) "Target teacher compensation," is the sum of the target teacher salary and the  
 24 target teacher benefits;

25 (9) "Overhead rate," is ~~thirty-eight and seventy-eight hundredths~~ eighty-hundredths  
 26 percent. Beginning in school fiscal year 2018, the overhead rate must be adjusted  
 27 to take into account the sum of the amounts that districts exceed the other revenue  
 28 base amount;

29 (10) "Local need," is calculated as follows:

- 30 (a) Divide the fall enrollment by the target teacher ratio factor;  
 31 (b) If applicable, divide the English Learner adjustment pursuant to subdivision  
 32 (4) by the target teacher ratio factor;  
 33 (c) Add the results of subsections (a) and (b);  
 34 (d) Multiply the result of subsection (c) by the target teacher compensation;  
 35 (e) Multiply the product of subsection (d) by the overhead rate;

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

- 1 the first time after June 30, 2016, one hundred percent must be retained by the
- 2 school district to which the tax revenue is apportioned for the first five years of
- 3 producing power, eighty percent for the sixth year, sixty percent for the seventh
- 4 year, forty percent for the eighth year, twenty percent for the ninth year, and zero
- 5 percent thereafter. If a wind farm begins producing power for the first time
- 6 between October first and December thirty-first in a calendar year, any revenues
- 7 generated for that time period must be retained by the school district and that time
- 8 period may not be counted against the first five-year period;
- 9 (16) "Per student equivalent," for funding calculations that are determined on a per
- 10 student basis, the per student equivalent is calculated as follows:
- 11 (a) Multiply the target teacher compensation times the sum of one plus the
- 12 overhead rate; and
- 13 (b) Divide subsection (a) by 15;
- 14 (17) "Monthly cash balance," the total amount of money for each month in the school
- 15 district's general fund, calculated by adding all deposits made during the month to
- 16 the beginning cash balance and deducting all disbursements or payments made
- 17 during the month;
- 18 (18) "General fund base percentage," is determined as follows:
- 19 (a) Forty percent for a school district with a fall enrollment as defined in
- 20 subdivision (2) of two hundred or less;
- 21 (b) Thirty percent for a school district with fall enrollment as defined in
- 22 subdivision (2) of more than two hundred but less than six hundred; and
- 23 (c) Twenty-five percent for a school district with fall enrollment as defined in
- 24 subdivision (2) greater than or equal to six hundred.
- 25 When determining the general fund base percentage, the secretary of the
- 26 Department of Education shall use the lesser of the school district's fall enrollment
- 27 as defined in subdivision (2) for the current school year or the school district's fall
- 28 enrollment from the previous two years;
- 29 (19) "Allowable general fund cash balance," the general fund base percentage multiplied
- 30 by the district's general fund expenditures in the previous school year; and
- 31 (20) "Alternative instruction participation adjustment," is calculated by multiplying 0.10
- 32 times the number of children who participated in the prior school year in high
- 33 school interscholastic activities sanctioned or sponsored by the South Dakota High
- 34 School Activities Association, as permitted by § 13-36-7, while receiving

1 alternative instruction pursuant to § 13-27-3, multiplied by the per student  
2 equivalent defined in this section.

3 **Section 3. That § 13-37-16 be AMENDED:**

4 **13-37-16.** For taxes payable in ~~2026~~ 2027, and each year thereafter, the school  
5 board shall levy no more than one dollar and ~~forty-six and two-tenths~~ forty-four and nine-  
6 tenths cents per thousand dollars of taxable valuation, as a special levy in addition to all  
7 other levies authorized by law for the amount so determined to be necessary, and the levy  
8 must be spread against all of the taxable property of the district. The proceeds derived  
9 from the levy constitute a school district special education fund of the district for the  
10 payment of costs for the special education of all children in need of special education or  
11 special education and related services who reside within the district pursuant to the  
12 provisions of §§ 13-37-8.4 to 13-37-8.10, inclusive.

13 The levy in this section is based on valuations where the median level of  
14 assessment represents eighty-five percent of market value as determined by the  
15 Department of Revenue. The total amount of taxes that would be generated at the levy  
16 pursuant to this section is considered local effort. Money in the special education fund may  
17 be expended for the purchase or lease of any assistive technology that is directly related  
18 to special education and specified in a student's individualized education plan. This section  
19 does not apply to real property improvements.

20 **Section 4. That § 13-13-72.1 be AMENDED:**

21 **13-13-72.1.** ~~Any~~ In 2028 and each year thereafter, any adjustments in the levies  
22 specified in § 10-12-42 made pursuant to §§ 13-13-71 and 13-13-72 shall be based on  
23 maintaining the relationship between statewide local effort as a percentage of statewide  
24 local need in the fiscal year succeeding the fiscal year in which the adjustment is made.  
25 For school fiscal years 2017 to 2022, inclusive, the proportion of local need paid by local  
26 effort and state aid shall be adjusted annually to reflect adjustments in local effort due to  
27 the implementation of the other revenue base amount as defined in § 13-13-10.1.  
28 However, if the levies specified in § 10-12-42 are not adjusted to maintain this  
29 relationship, the target teacher salary, as defined in § 13-13-10.1 shall be reduced to  
30 maintain the relationship between statewide local effort as a percentage of statewide local  
31 need.

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

- 1           **13-37-35.1.** Terms used in chapter 13-37 mean:
- 2           (1) "Level one disability," a mild disability;
- 3           (2) "Level two disability," cognitive disability or emotional disorder;
- 4           (3) "Level three disability," hearing impairment, deafness, visual impairment, deaf-
- 5                 blindness, orthopedic impairment, or traumatic brain injury;
- 6           (4) "Level four disability," autism;
- 7           (5) "Level five disability," multiple disabilities;
- 8           (5A) "Level six disability," prolonged assistance;
- 9           (6) "Index factor," is the annual percentage change in the consumer price index for
- 10                 urban wage earners and clerical workers as computed by the Bureau of Labor
- 11                 Statistics of the United States Department of Labor for the year before the year
- 12                 immediately preceding the year of adjustment, or three percent, whichever is less;
- 13           (7) "Local effort," ~~must be an amount~~ calculated for taxes payable in ~~2026~~ 2027 and
- 14                 thereafter using a special education levy of one dollar and ~~twenty six and two-~~
- 15                 ~~tenths~~ twenty-four and nine-tenths cents per one thousand dollars of valuation;
- 16           (8) "Allocation for a student with a level one disability," for the school fiscal year
- 17                 beginning July 1, ~~2025, is \$7,650.45~~ 2026, is \$7,984.00. For each school year
- 18                 thereafter, the allocation for a student with a level one disability must be the
- 19                 previous fiscal year's allocation for the child increased by the index factor;
- 20           (9) "Allocation for a student with a level two disability," for the school fiscal year
- 21                 beginning July 1, ~~2025, is \$16,759.91~~ 2026, is \$16,180.00. For each school year
- 22                 thereafter, the allocation for a student with a level two disability must be the
- 23                 previous fiscal year's allocation for the child increased by the index factor;
- 24           (10) "Allocation for a student with a level three disability," for the school fiscal year
- 25                 beginning July 1, ~~2025, is \$23,139.68~~ 2026, is \$21,340.00. For each school year
- 26                 thereafter, the allocation for a student with a level three disability must be the
- 27                 previous fiscal year's allocation for the child increased by the index factor;
- 28           (11) "Allocation for a student with a level four disability," for the school fiscal year
- 29                 beginning July 1, ~~2025, is \$18,053.89~~ 2026, is \$18,281.00. For each school year
- 30                 thereafter, the allocation for a student with a level four disability must be the
- 31                 previous fiscal year's allocation for the child increased by the index factor;
- 32           (12) "Allocation for a student with a level five disability," for the school fiscal year
- 33                 beginning July 1, ~~2025, is \$37,039.28~~ 2026, is \$38,590.00. For each school year
- 34                 thereafter, the allocation for a student with a level five disability must be the
- 35                 previous fiscal year's allocation for the child increased by the index factor;

- 1 (12A) "Allocation for a student with a level six disability," for the school fiscal year  
2 beginning July 1, ~~2025, is \$11,838.15~~ 2026, is \$12,378.00. For each school year  
3 thereafter, the allocation for a student with a level six disability must be the  
4 previous fiscal year's allocation for the child increased by the index factor;
- 5 (13) "Child count," ~~is~~ the number of students in need of special education or special  
6 education and related services, according to criteria set forth in rules promulgated  
7 pursuant to §§ 13-37-1.1 and 13-37-46, and submitted to the Department of  
8 Education;
- 9 (14) "Fall enrollment," the number of kindergarten-through-twelfth-grade students  
10 enrolled in all schools operated by the school district on the last Friday of  
11 September of the previous school year ~~minus,~~ less the number of students for  
12 whom the district receives tuition, except any nonresident student who is in the  
13 care and custody of a state agency and is attending a public school and any student  
14 for whom tuition is being paid pursuant to § 13-28-42.1, plus the number of  
15 students for whom the district pays tuition;
- 16 (15) "Nonpublic school," a sectarian organization or entity accredited by the secretary of  
17 education for the purpose of instructing children of compulsory school age. This  
18 definition excludes any school that receives a majority of its revenues from public  
19 funds;
- 20 (16) "Nonpublic fall enrollment," the number of children under age eighteen, who are  
21 approved for alternative instruction pursuant to § 13-27-3 on the last Friday of  
22 September of the previous school year plus:
- 23 (a) For nonpublic schools located within the boundaries of a public school  
24 district with a fall enrollment of six hundred or more on the last Friday of  
25 September of the previous school year, the number of kindergarten-  
26 through-twelfth-grade students enrolled on the last Friday of September of  
27 the previous regular school year in all nonpublic schools located within the  
28 boundaries of the public school district;
- 29 (b) For nonpublic schools located within the boundaries of a public school  
30 district with a fall enrollment of less than six hundred on the last Friday of  
31 September of the previous school year, the number of resident  
32 kindergarten-through-twelfth-grade students enrolled on the last Friday of  
33 September of the previous school year in all nonpublic schools located  
34 within this state;
- 35 (17) "Special education fall enrollment," fall enrollment plus nonpublic fall enrollment;

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- (18) "Local need," an amount to be determined as follows:
  - (a) Multiply the special education fall enrollment by ~~0.1062~~ 0.1084 and multiply the result by the allocation for a student with a level one disability;
  - (b) Multiply the number of students having a level two disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level two disability;
  - (c) Multiply the number of students having a level three disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level three disability;
  - (d) Multiply the number of students having a level four disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level four disability;
  - (e) Multiply the number of students having a level five disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level five disability;
  - (f) Multiply the number of students having a level six disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level six disability;
  - (g) When calculating local need at the statewide level, include the amount set aside for extraordinary expenses defined in § 13-37-40;
  - (h) When calculating local need at the statewide level, include the amount set aside for the South Dakota School for the Blind and Visually Impaired; and
  - (i) Sum the results of subdivisions (18)(a) to (h), inclusive; and
- (19) "Effort factor," the school district's special education tax levy in dollars per thousand divided by ~~\$1.262~~ \$1.249. The maximum effort factor is 1.0.