

# State of South Dakota

NINETY-SECOND SESSION  
LEGISLATIVE ASSEMBLY, 2017

400Y0188

## HOUSE ENGROSSED NO. **SB 35** - 3/7/2017

Introduced by: The Committee on Appropriations at the request of the Bureau of Finance and Management

1 FOR AN ACT ENTITLED, An Act to revise the state aid to general education formula.

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

3 Section 1. That § 10-12-42 be amended to read:

4 10-12-42. For taxes payable in ~~2017~~ 2018 and each year thereafter, the levy for the general  
5 fund of a school district shall be as follows:

6 (1) The maximum tax levy shall be ~~seven~~ six dollars and ~~sixty-three~~ ninety-five and  
7 eight-tenths cents per thousand dollars of taxable valuation subject to the limitations  
8 on agricultural property as provided in subdivision (2) of this section; and owner-  
9 occupied property as provided in subdivision (3) of this section;

10 (2) The maximum tax levy on agricultural property for such school district shall be one  
11 dollar and fifty-six and eight tenths cents per thousand dollars of taxable valuation.

12 If the district's levies are less than the maximum levies as stated in this section, the  
13 levies shall maintain the same proportion to each other as represented in the  
14 mathematical relationship at the maximum levies; and

15 (3) The maximum tax levy for an owner-occupied single-family dwelling as defined in



1 § 10-13-40 for such school district shall be three dollars and ~~sixty-eight and seven-~~  
2 ~~tenths~~ thirty-six and three tenths cents per thousand dollars of taxable valuation. If  
3 the district's levies are less than the maximum levies as stated in this section, the  
4 levies shall maintain the same proportion to each other as represented in the  
5 mathematical relationship at the maximum levies.

6 All levies in this section shall be imposed on valuations where the median level of  
7 assessment represents eighty-five percent of market value as determined by the Department of  
8 Revenue. These valuations shall be used for all school funding purposes. If the district has  
9 imposed an excess levy pursuant to § 10-12-43, the levies shall maintain the same proportion  
10 to each other as represented in the mathematical relationship at the maximum levies in this  
11 section. The school district may elect to tax at less than the maximum amounts set forth in this  
12 section.

13 Section 2. That § 13-13-10.1 be amended to read:

14 13-13-10.1. The education funding terms and procedures referenced in this chapter are  
15 defined as follows:

- 16 (1) Repealed by SL 2016, ch 83, § 4;
- 17 (1A) Nonresident students who are in the care and custody of the Department of Social  
18 Services, the Unified Judicial System, the Department of Corrections, or other state  
19 agencies and are attending a public school may be included in the fall enrollment of  
20 the receiving district when enrolled in the receiving district;
- 21 (2) Repealed by SL 2016, ch 83, § 4;
- 22 (2A) "Fall enrollment," the number of kindergarten through twelfth grade students enrolled  
23 in all schools operated by the school district on the last Friday of September of the  
24 current school year minus the number of students for whom the district receives

1 tuition, except nonresident students who are in the care and custody of a state agency  
2 and are attending a public school and students for whom tuition is being paid  
3 pursuant to § 13-28-42.1, plus the number of students for whom the district pays  
4 tuition. When computing state aid to education for a school district pursuant to § 13-  
5 13-73, the secretary of the Department of Education shall use the school district's fall  
6 enrollment;

7 (2B) Repealed by SL 2010, ch 84, § 1;

8 (2C) "Target teacher ratio factor," is:

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

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

13 (1) Multiplying the fall enrollment by .00750;

14 (2) Adding 10.50 to the product of subsection (b)(1);

15 (c) For districts with a fall enrollment of six hundred or greater, the target teacher  
16 ratio factor is 15.

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

20 (2D) "Limited English proficiency (LEP) adjustment," is calculated by multiplying 0.25  
21 times the number of kindergarten through twelfth grade students who, in the prior  
22 school year, scored below level four on the state-administered language proficiency  
23 assessment as required in the state's consolidated state application pursuant to 20  
24 USC § 6311(b)(7) as of January 1, 2013;

- 1 (3) "Index factor," is the annual percentage change in the consumer price index for urban  
2 wage earners and clerical workers as computed by the Bureau of Labor Statistics of  
3 the United States Department of Labor for the year before the year immediately  
4 preceding the year of adjustment or three percent, whichever is less;
- 5 (4) "Target teacher salary," for school fiscal year ~~2017~~ 2018 is \$48,500. Each school  
6 fiscal year thereafter, the target teacher salary is the previous fiscal year's target  
7 teacher salary increased by the index factor;
- 8 (4A) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine  
9 percent;
- 10 (4B) "Target teacher compensation," is the sum of the target teacher salary and the target  
11 teacher benefits;
- 12 (4C) "Overhead rate," is thirty-one and four hundredths percent.  
13 Beginning in school fiscal year 2018, the overhead rate shall be adjusted to take into  
14 account the sum of the amounts that districts exceed the other revenue base amount;
- 15 (5) "Local need," is calculated as follows:
- 16 (a) Divide the fall enrollment by the target teacher ratio factor;
- 17 (b) If applicable, divide Limited English proficiency (LEP) adjustment pursuant  
18 to subdivision (2D) by the target teacher ratio factor;
- 19 (c) Add the results of subsections (a) and (b);
- 20 (d) Multiply the result of subsection (c) by the target teacher compensation;
- 21 (e) Multiply the product of subsection (d) by the overhead rate;
- 22 (f) Add the products of subsections (d) and (e);
- 23 (g) When calculating local need at the statewide level, include the amounts set  
24 aside for costs related to technology in schools and statewide student

1 assessments; and

2 (h) When calculating local need at the statewide level, include the amounts set  
3 aside for sparse school district benefits, calculated pursuant to §§ 13-13-78  
4 and 13-13-79;

5 (5A) "Alternative per student need," is calculated as follows:

6 (a) Add the total need for each school district for school fiscal year 2016,  
7 including the small school adjustment and the limited English proficiency  
8 adjustment, to the lesser of the amount of funds apportioned to each school  
9 district in the year preceding the most recently completed school fiscal year or  
10 school fiscal year 2015 pursuant to §§ 13-13-4, 23A-27-25, 10-33-24, 10-36-  
11 10, 11-7-73, 10-35-21, and 10-43-77;

12 (b) Divide the result of (a) by the September 2015 fall enrollment, excluding any  
13 adjustments based on prior year student counts;

14 (5B) "Alternative local need," is the alternative per student need multiplied by the fall  
15 enrollment, excluding any adjustments based on prior year student counts;

16 (6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by  
17 applying the levies established pursuant to § 10-12-42. Beginning on July 1, 2017,  
18 local effort will include the amount of funds apportioned to each school district in the  
19 year preceding the most recently completed school fiscal year pursuant to §§ 10-33-  
20 24, 10-35-21 as provided by subdivision (6B), 10-36-10, 10-43-77, 11-7-73, 13-13-4,  
21 and 23A-27-25 and that exceeds the other revenue base amount. For the period July  
22 1, 2016, through December 31, 2016, inclusive, local effort includes the amount of  
23 ad valorem taxes generated by applying the levies established pursuant to § 13-10-6  
24 during this period;

1 (6A) "Other revenue base amount," for school districts not utilizing the alternative local  
2 need calculation is the amount of funds apportioned to each school district pursuant  
3 to §§ 10-33-24, 10-35-21 as provided by subdivision (6B), 10-36-10, 10-43-77, 11-7-  
4 73, 13-13-4, and 23A-27-25 calculated as follows:

5 (a) Beginning on July 1, 2017, equals the greatest of the amounts of the funds  
6 apportioned to each school district pursuant to §§ 10-33-24, 10-35-21 as  
7 provided by subdivision (6B), 10-36-10, 10-43-77, 11-7-73, 13-13-4, and  
8 23A-27-25 for school fiscal years 2013, 2014, and 2015;

9 (b) Beginning on July 1, 2018, multiply eighty percent times subsection (a);

10 (c) Beginning on July 1, 2019, multiply sixty percent times subsection (a);

11 (d) Beginning on July 1, 2020, multiply forty percent times subsection (a);

12 (e) Beginning on July 1, 2021, multiply twenty percent times subsection (a);

13 (f) Beginning on July 1, 2022, is zero.

14 For school districts utilizing the alternative local need calculation, the other revenue  
15 base amount is zero until such time the school district chooses to no longer utilize the  
16 alternative local need calculation. At that time, the other revenue base amount is  
17 calculated as defined above.

18 For a school district created or reorganized after July 1, 2016, the other revenue base  
19 amount is the sum of the other revenue base amount for each district before  
20 reorganization, and the new school district may not utilize the alternative local need  
21 calculation.

22 In the case of the dissolution and annexation of a district, the other revenue base  
23 amount of the dissolved school district will be prorated based on the total number of  
24 students in the fall enrollment as defined in subdivision (2A) who attend each district

1 to which area of the dissolved district were annexed to in the first year of  
2 reorganization. The amount apportioned for each district will be added to the  
3 annexed districts' other revenue base;

4 (6B) Wind energy tax revenue," any wind energy tax revenue apportioned to school  
5 districts pursuant to § 10-35-21 from a wind farm producing power for the first time  
6 before July 1, 2016, shall be considered local effort pursuant to subdivision (6) and  
7 other revenue base amount pursuant to subdivision (6A). However, any wind energy  
8 tax revenue apportioned to a school district from a wind farm producing power for  
9 the first time after June 30, 2016, one hundred percent shall be retained by the school  
10 district to which the tax revenue is apportioned for the first five years of producing  
11 power, eighty percent for the sixth year, sixty percent for the seventh year, forty  
12 percent for the eighth year, twenty percent for the ninth year, and zero percent  
13 thereafter;

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

16 (a) Multiply the target teacher compensation times the sum of one plus the  
17 overhead rate;

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

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

23 (9) "General fund base percentage," is determined as follows:

24 (a) Forty percent for a school district with a fall enrollment as defined in

1 subdivision (2A) of two hundred or less;

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

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

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

10 (10) "Allowable general fund cash balance," the general fund base percentage multiplied  
11 by the district's general fund expenditures in the previous school year.

12 Section 3. That § 13-1-65 be repealed.

13 ~~13-1-65. From the proceeds of SL 2016, ch 65, each year sixty-three percent shall be~~  
14 ~~dedicated to increasing teacher salaries by school districts, thirty-four percent shall be dedicated~~  
15 ~~to reducing the property tax levies for general education for all classes of property, and three~~  
16 ~~percent shall be dedicated to increasing instructor salaries to competitive levels at postsecondary~~  
17 ~~technical institutes.~~

18 Section 4. That § 13-13-72.1 be amended to read:

19 13-13-72.1. Any adjustments in the levies specified in § 10-12-42 made pursuant to §§ 13-  
20 13-71 and 13-13-72 shall be based on maintaining the relationship between statewide local  
21 effort as a percentage of statewide local need in the fiscal year succeeding the fiscal year in  
22 which the adjustment is made. For school fiscal years 2017 to 2022, inclusive, the proportion  
23 of local need paid by local effort and state aid shall be adjusted annually to reflect adjustments  
24 in local effort due to the implementation of the other revenue base amount as defined in § 13-



1 13-10.1. However, if the levies specified in § 10-12-42 are not adjusted to maintain this  
2 relationship, the target teacher salary as defined in § 13-13-10.1 shall be reduced to maintain the  
3 relationship between statewide local effort as a percentage of statewide local need. The school  
4 general fund levy for agriculture property for taxes payable in 2018 shall be set equal to the  
5 school general fund levy for agriculture property for taxes payable in 2017. The amount of  
6 savings through the state aid formula shall be directed to the agriculture future development  
7 fund through a transfer from the general fund in fiscal year 2018 and each year thereafter.  
8 Beginning in fiscal year 2020, and each year thereafter, the amount transferred from the general  
9 fund to the agriculture future development fund shall be adjusted annually by the index factor  
10 as defined by subdivision 13-13-10.1(3).