

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

FISCAL NOTE, 2019 LEGISLATIVE SESSION

FISCAL NOTE 2019-HB1127A

HB 1127 revise the calculation of fall enrollment for the purposes of education funding.

HB1127 proposes to change the student count used for the State Aid to General Education formula. Currently, the count is based on the school district's fall enrollment in the current year. HB1127 would change the count to be the greater of the current year enrollment or the average of the fall enrollment in the two prior fiscal years.

In looking at the state aid fall enrollment counts for the fall of 2016, 2017, and 2018, the statewide fall enrollment count for FY2019 would increase by 780.86. Assuming this number will be the same for FY2020 and at an estimated statewide target teacher ratio of 14.5, this would equate to an additional 53.85 teachers.

	Governor Recommended	HB1127	HB1127 vs Gov
Projected State Aid Fall Enrollment	136,512.00	137,292.87	780.86
/Statewide Target Teacher Ratio	14.5	14.50	-
Base Target Number of Teachers	9,414.62	9,468.47	53.85
+ ELL Adjustment Number of Teachers	67.85	67.85	-
Total Target Number of Teachers	9,482.47	9,536.32	53.85

Based on the Governor's recommended FY2020 Target Teacher Salary of \$50,360.26, this would equate to an additional \$4,606,515 in the statewide formula need.

	Governor Recommended	HB1127	HB1127 vs Gov
Total Target Number of Teachers	9,482.47	9,536.32	53.85
FY2020 Target Teacher Salary	\$ 50,360.26	\$ 50,360.26	-
X Benefit Rate	29%	29%	0%
FY2020 Target Teacher Comp	\$ 64,964.74	\$ 64,964.74	-
Statewide Total Teacher Compensation	\$ 616,026,243	\$ 619,524,773	\$ 3,498,530
FY2020 Overhead Rate Pre-Equalization	31.67%	31.67%	0.00%
FY2020 Overhead Pre-Equalization	\$ 195,095,511	\$ 196,203,496	\$ 1,107,985
FY2020 Statewide Formula Need Pre-Equalization	\$ 811,121,754	\$ 815,728,269	\$ 4,606,515

In addition, this would decrease the FY2020 revised Overhead Rate after new other revenue equalization by 0.01% due to the larger statewide Total Teacher Compensation amount. This does not affect the

statewide total need for the state aid to general education funding formula, but would result in an estimated \$46 decrease in the Sparsity Formula need due to the lower overhead rate, and the resulting decrease in the Per Student Equivalent from \$5,762.81 to \$5,762.37.

The increased need would be shared by state funding and local effort. The impact of an additional \$4,606,515 in the formula on state funding and local effort from property taxes, as well as the change needed to school district general fund levies, is shown in the table below.

	Local Effort		Levies		
	Property Taxes	State Share	Ag	OO	Other
Gov Rec 2.5%	\$ 335,395,649	\$ 491,909,259	1.473	3.296	6.821
HB1127	\$ 336,312,006	\$ 495,599,372	1.481	3.314	6.858
Change from Gov Rec	\$ 916,356	\$ 3,690,113	0.008	0.018	0.037

The overall estimated impact of HB 1127 is an increase of \$3,690,113 in general funds and an increase of \$916,356 in local effort from property taxes, for a total of \$4,606,469.

APPROVED BY: /s/ Jason Hancock DATE: 2/12/2019
 Director, Legislative Research Council