



2020 South Dakota Legislature

House Bill 1043

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

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

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. General fund of a school district--Annual levy.**

6 For taxes payable in ~~2020~~ 2021 and each year thereafter, the levy for the general
 7 fund of a school district shall be as follows:

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

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

17 (3) The maximum tax levy for an owner-occupied single-family dwelling as defined in
 18 § 10-13-40 for the school district shall be three dollars and ~~twenty-nine and six~~
 19 sixteen and eight tenths cents per thousand dollars of taxable valuation. If the
 20 district's levies are less than the maximum levies as stated in this section, the levies
 21 shall maintain the same proportion to each other as represented in the
 22 mathematical relationship at the maximum levies.

23 All levies in this section shall be imposed on valuations where the median level of
 24 assessment represents eighty-five percent of market value as determined by the
 25 Department of Revenue. These valuations shall be used for all school funding purposes. If
 26 the district has imposed an excess levy pursuant to § 10-12-43, the levies shall maintain

1 the same proportion to each other as represented in the mathematical relationship at the
2 maximum levies in this section. The school district may elect to tax at less than the
3 maximum amounts set forth in this section.

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

5 **13-13-10.1. Definitions.**

6 The education funding terms and procedures referenced in this chapter are defined
7 as follows:

8 (1) Repealed by SL 2016, ch 83, § 4;

9 (1A) Nonresident students who are in the care and custody of the Department of Social
10 Services, the Unified Judicial System, the Department of Corrections, or other state
11 agencies and are attending a public school may be included in the fall enrollment of
12 the receiving district when enrolled in the receiving district;

13 (2) Repealed by SL 2016, ch 83, § 4;

14 (2A) "Fall enrollment," is calculated as follows:

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

18 (b) Subtract the number of students for whom the district receives tuition except
19 for:

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

22 (ii) Students who are being provided an education pursuant to § 13-28-
23 11;

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

25 When computing state aid to education for a school district pursuant to § 13-13-
26 73, the secretary of the Department of Education shall use the school district's fall
27 enrollment;

28 (2B) Repealed by SL 2010, ch 84, § 1;

29 (2C) "Target teacher ratio factor," is:

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

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

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

- 1 (2) Adding 10.50 to the product of subsection (b)(1);
- 2 (c) For districts with a fall enrollment of six hundred or greater, the target teacher
- 3 ratio factor is 15.
- 4 The fall enrollment used for the determination of the target teacher ratio for a school
- 5 district may not include any students residing in a residential treatment facility
- 6 when the education program is operated by the school district;
- 7 (2D) "Limited English proficiency (LEP) adjustment," is calculated by multiplying 0.25
- 8 times the number of kindergarten through twelfth grade students who, in the prior
- 9 school year, scored below level four on the state-administered language proficiency
- 10 assessment as required in the state's consolidated state application pursuant to 20
- 11 USC § 6311(b)(7) as of January 1, 2013;
- 12 (3) "Index factor," is the annual percentage change in the consumer price index for
- 13 urban wage earners and clerical workers as computed by the Bureau of Labor
- 14 Statistics of the United States Department of Labor for the year before the year
- 15 immediately preceding the year of adjustment or three percent, whichever is less;
- 16 (4) "Target teacher salary," for the school fiscal year beginning July 1, ~~2019~~ 2020 is
- 17 \$50,360.26. Each school fiscal year thereafter, the target teacher salary is the
- 18 previous fiscal year's target teacher salary increased by the index factor;
- 19 (4A) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine
- 20 percent;
- 21 (4B) "Target teacher compensation," is the sum of the target teacher salary and the
- 22 target teacher benefits;
- 23 (4C) "Overhead rate," is ~~thirty-three and six~~ thirty-four and ninety-seven hundredths
- 24 percent.
- 25 Beginning in school fiscal year 2018, the overhead rate shall be adjusted to take
- 26 into account the sum of the amounts that districts exceed the other revenue base
- 27 amount;
- 28 (5) "Local need," is calculated as follows:
- 29 (a) Divide the fall enrollment by the target teacher ratio factor;
- 30 (b) If applicable, divide Limited English proficiency (LEP) adjustment pursuant to
- 31 subdivision (2D) by the target teacher ratio factor;
- 32 (c) Add the results of subsections (a) and (b);
- 33 (d) Multiply the result of subsection (c) by the target teacher compensation;
- 34 (e) Multiply the product of subsection (d) by the overhead rate;
- 35 (f) Add the products of subsections (d) and (e);

- 1 (g) When calculating local need at the statewide level, include the amounts set
2 aside for costs related to technology in schools and statewide student
3 assessments; and
- 4 (h) When calculating local need at the statewide level, include the amounts set
5 aside for sparse school district benefits, calculated pursuant to §§ 13-13-78
6 and 13-13-79;
- 7 (5A) "Alternative per student need," is calculated as follows:
- 8 (a) Add the total need for each school district for school fiscal year 2016,
9 including the small school adjustment and the limited English proficiency
10 adjustment, to the lesser of the amount of funds apportioned to each school
11 district in the year preceding the most recently completed school fiscal year
12 or school fiscal year 2015 pursuant to §§ 13-13-4, 23A-27-25, 10-33-24, 10-
13 36-10, 11-7-73, 10-35-21, and 10-43-77;
- 14 (b) Divide the result of (a) by the September 2015 fall enrollment, excluding any
15 adjustments based on prior year student counts;
- 16 (5B) "Alternative local need," is the alternative per student need multiplied by the fall
17 enrollment, excluding any adjustments based on prior year student counts;
- 18 (6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by
19 applying the levies established pursuant to § 10-12-42. Beginning on July 1, 2017,
20 local effort will include the amount of funds apportioned to each school district in
21 the year preceding the most recently completed school fiscal year pursuant to
22 §§ 10-33-24, 10-35-21 as provided by subdivision (6B), 10-36-10, 10-43-77, 11-
23 7-73, 13-13-4, and 23A-27-25 and that exceeds the other revenue base amount.
24 For the period July 1, 2016, through December 31, 2016, inclusive, local effort
25 includes the amount of ad valorem taxes generated by applying the levies
26 established pursuant to § 13-10-6 during this period;
- 27 (6A) "Other revenue base amount," for school districts not utilizing the alternative local
28 need calculation is the amount of funds apportioned to each school district pursuant
29 to §§ 10-33-24, 10-35-21 as provided by subdivision (6B), 10-36-10, 10-43-77,
30 11-7-73, 13-13-4, and 23A-27-25 calculated as follows:
- 31 (a) Beginning on July 1, 2017, equals the greatest of the amounts of the funds
32 apportioned to each school district pursuant to §§ 10-33-24, 10-35-21 as
33 provided by subdivision (6B), 10-36-10, 10-43-77, 11-7-73, 13-13-4, and
34 23A-27-25 for school fiscal years 2013, 2014, and 2015;
- 35 (b) Beginning on July 1, 2018, multiply eighty percent times subsection (a);

- 1 (c) Beginning on July 1, 2019, multiply sixty percent times subsection (a);
2 (d) Beginning on July 1, 2020, multiply forty percent times subsection (a);
3 (e) Beginning on July 1, 2021, multiply twenty percent times subsection (a);
4 (f) Beginning on July 1, 2022, is zero.

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

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

13 In the case of the dissolution and annexation of a district, the other revenue base
14 amount of the dissolved school district will be prorated based on the total number
15 of students in the fall enrollment as defined in subdivision (2A) who attend each
16 district to which area of the dissolved district were annexed to in the first year of
17 reorganization. The amount apportioned for each district will be added to the
18 annexed districts' other revenue base;

19 (6B) "Wind energy tax revenue," any wind energy tax revenue apportioned to school
20 districts pursuant to § 10-35-21 from a wind farm producing power for the first time
21 before July 1, 2016, shall be considered local effort pursuant to subdivision (6) and
22 other revenue base amount pursuant to subdivision (6A). However, any wind
23 energy tax revenue apportioned to a school district from a wind farm producing
24 power for the first time after June 30, 2016, one hundred percent shall be retained
25 by the school district to which the tax revenue is apportioned for the first five years
26 of producing power, eighty percent for the sixth year, sixty percent for the seventh
27 year, forty percent for the eighth year, twenty percent for the ninth year, and zero
28 percent thereafter;

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

- 31 (a) Multiply the target teacher compensation times the sum of one plus the
32 overhead rate;
33 (b) Divide subsection (a) by 15;

34 (8) "Monthly cash balance," the total amount of money for each month in the school
35 district's general fund, calculated by adding all deposits made during the month to

1 the beginning cash balance and deducting all disbursements or payments made
2 during the month;

- 3 (9) "General fund base percentage," is determined as follows:
- 4 (a) Forty percent for a school district with a fall enrollment as defined in
5 subdivision (2A) of two hundred or less;
 - 6 (b) Thirty percent for a school district with fall enrollment as defined in
7 subdivision (2A) of more than two hundred but less than six hundred; and
 - 8 (c) Twenty-five percent for a school district with fall enrollment as defined in
9 subdivision (2A) greater than or equal to six hundred.

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

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