



2025 South Dakota Legislature
House Bill 1003
ENROLLED

AN ACT

ENTITLED An Act to amend definitions pertaining to the school funding formula.

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

Section 1. That § 13-13-10.1 be AMENDED:

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

- (1) Nonresident students who are in the care and custody of the Department of Social Services, the Unified Judicial System, the Department of Corrections, or other state agencies and are attending a public school may be included in the fall enrollment of the receiving district when enrolled in the receiving district;
- (2) "Fall enrollment," is calculated as follows:
 - (a) Determine the number of kindergarten through twelfth grade students enrolled in all schools operated by the school district on the last Friday of September of the current school year;
 - (b) Subtract the number of students for whom the district receives tuition except for:
 - (i) Nonresident students who are in the care and custody of a state agency and are attending a public school district; and
 - (ii) Students who are being provided an education pursuant to § 13-28-11; and
 - (c) Add the number of students for whom the district pays tuition.When computing state aid to education for a school district pursuant to § 13-13-73, the secretary of the Department of Education shall use the school district's fall enrollment;
- (3) "Target teacher ratio factor," is:
 - (a) For school districts with a fall enrollment of two hundred or less, the target teacher ratio factor is 12;

- (b) For districts with a fall enrollment of greater than two hundred, but less than six hundred, the target teacher ratio factor is calculated as follows:
 - (i) Multiplying the fall enrollment by .00750; and
 - (ii) Adding 10.50 to the resulting product; and
- (c) For districts with a fall enrollment of six hundred or greater, the target teacher ratio factor is 15.

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

- (4) "English learner (EL) adjustment," is calculated by multiplying 0.25 times the number of kindergarten-through-twelfth-grade students who, in the prior school year, scored below level four on the state-administered language proficiency assessment as required in the state's consolidated state application pursuant to § 1111(b)(2)(G) of the Every Student Succeeds Act of 2015;
- (5) "Index factor," is the annual percentage change in the consumer price index for urban wage earners and clerical workers as computed by the Bureau of Labor Statistics of the United States Department of Labor for the year before the year immediately preceding the year of adjustment or three percent, whichever is less;
- (6) "Target teacher salary," for the school fiscal year beginning July 1, 2024, is \$62,045.62. Each school fiscal year thereafter, the target teacher salary is the previous fiscal year's target teacher salary increased by the index factor;
- (7) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine percent;
- (8) "Target teacher compensation," is the sum of the target teacher salary and the target teacher benefits;
- (9) "Overhead rate," is thirty-eight and seventy-eight-hundredths percent. Beginning in school fiscal year 2018, the overhead rate must be adjusted to take into account the sum of the amounts that districts exceed the other revenue base amount;
- (10) "Local need," is calculated as follows:
 - (a) Divide the fall enrollment by the target teacher ratio factor;
 - (b) If applicable, divide the English Learner adjustment pursuant to subdivision (4) by the target teacher ratio factor;
 - (c) Add the results of subsections (a) and (b);
 - (d) Multiply the result of subsection (c) by the target teacher compensation;
 - (e) Multiply the product of subsection (d) by the overhead rate;

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

percent must be retained by the school district to which the tax revenue is apportioned for the first five years of producing power, eighty percent for the sixth year, sixty percent for the seventh year, forty percent for the eighth year, twenty percent for the ninth year, and zero percent thereafter. If a wind farm begins producing power for the first time between October first and December thirty-first in a calendar year, any revenues generated for that time period must be retained by the school district and that time period may not be counted against the first five-year period;

- (16) "Per student equivalent," for funding calculations that are determined on a per student basis, the per student equivalent is calculated as follows:
- (a) Multiply the target teacher compensation times the sum of one plus the overhead rate; and
 - (b) Divide subsection (a) by 15;
- (17) "Monthly cash balance," the total amount of money for each month in the school district's general fund, calculated by adding all deposits made during the month to the beginning cash balance and deducting all disbursements or payments made during the month;
- (18) "General fund base percentage," is determined as follows:
- (a) Forty percent for a school district with a fall enrollment as defined in subdivision (2) of two hundred or less;
 - (b) Thirty percent for a school district with fall enrollment as defined in subdivision (2) of more than two hundred but less than six hundred; and
 - (c) Twenty-five percent for a school district with fall enrollment as defined in subdivision (2) greater than or equal to six hundred.

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

- (19) "Allowable general fund cash balance," the general fund base percentage multiplied by the district's general fund expenditures in the previous school year; and
- (20) "Alternative instruction participation adjustment," is calculated by multiplying 0.10 times the number of children who participated in the prior school year in high school interscholastic activities sanctioned or sponsored by the South Dakota High School Activities Association, as permitted by § 13-36-7, while receiving

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

An Act to amend definitions pertaining to the school funding formula.

I certify that the attached Act originated in
the:
House as Bill No. 1003

Received at this Executive Office
this ____ day of _____,
2025 at _____ M.

Chief Clerk

By _____
for the Governor

Speaker of the House

The attached Act is hereby
approved this _____ day of
_____, A.D., 2025

Attest:

Chief Clerk

Governor

STATE OF SOUTH DAKOTA,

ss.

Office of the Secretary of State

President of the Senate

Attest:

Filed _____, 2025
at _____ o'clock __ M.

Secretary of the Senate

Secretary of State

House Bill No. 1003
File No. _____
Chapter No. _____

By _____
Asst. Secretary of State