

State of South Dakota

NINETY-FOURTH SESSION
LEGISLATIVE ASSEMBLY, 2019

947B0604

HOUSE BILL NO. 1109

Introduced by: Representatives Schoenfish, Finck, Frye-Mueller, Goodwin, Gosch, Greenfield (Lana), Lesmeister, McCleerey, Peterson (Kent), Qualm, Rasmussen, and Weis and Senators Greenfield (Brock), Klumb, Maher, Nelson, and Russell

1 FOR AN ACT ENTITLED, An Act to exclude certain funds from the calculation of local effort
2 in the state aid to education formula.

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

4 Section 1. That § 13-13-10.1 be amended to read:

5 13-13-10.1. The education funding terms and procedures referenced in this chapter are
6 defined as follows:

7 (1) Repealed by SL 2016, ch 83, § 4;

8 (1A) Nonresident students who are in the care and custody of the Department of Social
9 Services, the Unified Judicial System, the Department of Corrections, or other state
10 agencies and are attending a public school may be included in the fall enrollment of
11 the receiving district when enrolled in the receiving district;

12 (2) Repealed by SL 2016, ch 83, § 4;

13 (2A) "Fall enrollment," is calculated as follows:

14 (a) Determine the number of kindergarten through twelfth grade students enrolled



1 in all schools operated by the school district on the last Friday of September
2 of the current school year;

3 (b) Subtract the number of students for whom the district receives tuition except
4 for:

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

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

9 (iii) Students for whom tuition is being paid pursuant to § 13-28-42.1; and

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

11 When computing state aid to education for a school district pursuant to § 13-
12 13-73, the secretary of the Department of Education shall use the school
13 district's fall enrollment;

14 (2B) Repealed by SL 2010, ch 84, § 1;

15 (2C) "Target teacher ratio factor," is:

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

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

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

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

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

24 The fall enrollment used for the determination of the target teacher ratio for

1 a school district may not include any students residing in a residential
2 treatment facility when the education program is operated by the school
3 district;

4 (2D) "Limited English proficiency (LEP) adjustment," is calculated by multiplying 0.25
5 times the number of kindergarten through twelfth grade students who, in the prior
6 school year, scored below level four on the state-administered language proficiency
7 assessment as required in the state's consolidated state application pursuant to 20
8 USC § 6311(b)(7) as of January 1, 2013;

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

13 (4) "Target teacher salary," for the school fiscal year beginning July 1, 2018 is
14 \$49,131.96. Each school fiscal year thereafter, the target teacher salary is the previous
15 fiscal year's target teacher salary increased by the index factor;

16 (4A) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine
17 percent;

18 (4B) "Target teacher compensation," is the sum of the target teacher salary and the target
19 teacher benefits;

20 (4C) "Overhead rate," is thirty-one and sixty-seven hundredths percent.

21 Beginning in school fiscal year 2018, the overhead rate shall be adjusted to
22 take into account the sum of the amounts that districts exceed the other
23 revenue base amount;

24 (5) "Local need," is calculated as follows:

- 1 (a) Divide the fall enrollment by the target teacher ratio factor;
- 2 (b) If applicable, divide Limited English proficiency (LEP) adjustment pursuant
- 3 to subdivision (2D) by the target teacher ratio factor;
- 4 (c) Add the results of subsections (a) and (b);
- 5 (d) Multiply the result of subsection (c) by the target teacher compensation;
- 6 (e) Multiply the product of subsection (d) by the overhead rate;
- 7 (f) Add the products of subsections (d) and (e);
- 8 (g) When calculating local need at the statewide level, include the amounts set
- 9 aside for costs related to technology in schools and statewide student
- 10 assessments; and
- 11 (h) When calculating local need at the statewide level, include the amounts set
- 12 aside for sparse school district benefits, calculated pursuant to §§ 13-13-78
- 13 and 13-13-79;
- 14 (5A) "Alternative per student need," is calculated as follows:
 - 15 (a) ~~Add~~ Determine the total need for each school district for school fiscal year
 - 16 2016, including the small school adjustment and the limited English
 - 17 proficiency adjustment, ~~to the lesser of the amount of funds apportioned to~~
 - 18 ~~each school district in the year preceding the most recently completed school~~
 - 19 ~~fiscal year or school fiscal year 2015 pursuant to §§ 13-13-4, 23A-27-25, 10-~~
 - 20 ~~33-24, 10-36-10, 11-7-73, 10-35-21, and 10-43-77;~~
 - 21 (b) Divide ~~the result of~~ (a) by the September 2015 fall enrollment, excluding any
 - 22 adjustments based on prior year student counts;
- 23 (5B) "Alternative local need," is the alternative per student need multiplied by the fall
- 24 enrollment, excluding any adjustments based on prior year student counts;

1 (6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by
 2 applying the levies established pursuant to § 10-12-42. ~~Beginning on July 1, 2017,~~
 3 ~~local effort will include the amount of funds apportioned to each school district in the~~
 4 ~~year preceding the most recently completed school fiscal year pursuant to §§ 10-33-~~
 5 ~~24, 10-35-21 as provided by subdivision (6B), 10-36-10, 10-43-77, 11-7-73, 13-13-4,~~
 6 ~~and 23A-27-25 and that exceeds the other revenue base amount. For the period July~~
 7 ~~1, 2016, through December 31, 2016, inclusive, local effort includes the amount of~~
 8 ~~ad valorem taxes generated by applying the levies established pursuant to § 13-10-6~~
 9 ~~during this period;~~

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

14 ~~(a) Beginning on July 1, 2017, equals the greatest of the amounts of the funds~~
 15 ~~apportioned to each school district pursuant to §§ 10-33-24, 10-35-21 as~~
 16 ~~provided by subdivision (6B), 10-36-10, 10-43-77, 11-7-73, 13-13-4, and~~
 17 ~~23A-27-25 for school fiscal years 2013, 2014, and 2015;~~

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

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

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

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

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

23 ~~For school districts utilizing the alternative local need calculation, the other~~
 24 ~~revenue base amount is zero until such time the school district chooses to no~~

1 longer utilize the alternative local need calculation. At that time, the other
2 revenue base amount is calculated as defined above:

3 ~~For a school district created or reorganized after July 1, 2016, the other~~
4 ~~revenue base amount is the sum of the other revenue base amount for each~~
5 ~~district before reorganization, and the new school district may not utilize the~~
6 ~~alternative local need calculation.~~

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

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

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

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

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

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

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

9 (a) Forty percent for a school district with a fall enrollment as defined in
10 subdivision (2A) of two hundred or less;

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

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

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

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

21 Section 2. That § 13-13-72 be amended to read:

22 13-13-72. It is the policy of the Legislature that the appropriation for state aid to education
23 increase on an annual basis by the percentage increase in local need on an aggregate statewide
24 basis so that the relative proportion of local need paid by local effort and state aid shall remain

1 constant. For school fiscal years 2017 to 2022, inclusive, the proportion of local need paid by
2 local effort and state aid shall be adjusted annually to maintain the proportion between state aid
3 and local property taxes and to reflect adjustments in local effort due to the implementation of
4 the other revenue base amount as defined in § 13-13-10.1.

5 Section 3. That § 13-13-72.1 be amended to read:

6 13-13-72.1. Any adjustments in the levies specified in § 10-12-42 made pursuant to §§ 13-
7 13-71 and 13-13-72 shall be based on maintaining the relationship between statewide local
8 effort as a percentage of statewide local need in the fiscal year succeeding the fiscal year in
9 which the adjustment is made. For school fiscal years 2017 to 2022, inclusive, the proportion
10 of local need paid by local effort and state aid shall be adjusted annually to reflect adjustments
11 in local effort due to the implementation of the other revenue base amount as defined in § 13-
12 13-10.1. However, if the levies specified in § 10-12-42 are not adjusted to maintain this
13 relationship, the target teacher salary as defined in § 13-13-10.1 shall be reduced to maintain the
14 relationship between statewide local effort as a percentage of statewide local need.