



2020 South Dakota Legislature

Senate Bill 168

Introduced by: **Senator Schoenfish**

1 **An Act to limit the amount of other revenue that is counted as local effort in the**
 2 **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:

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8 (1) Repealed by SL 2016, ch 83, § 4;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13 (2) Repealed by SL 2016, ch 83, § 4;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

1 When computing state aid to education for a school district pursuant to § 13-13-
2 73, the secretary of the Department of Education shall use the school district's fall
3 enrollment;

4 (2B) Repealed by SL 2010, ch 84, § 1;

5 (2C) "Target teacher ratio factor," is:

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

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

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

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

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

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

17 (2D) "Limited English proficiency (LEP) adjustment," is calculated by multiplying 0.25
18 times the number of kindergarten through twelfth grade students who, in the prior
19 school year, scored below level four on the state-administered language proficiency
20 assessment as required in the state's consolidated state application pursuant to 20
21 USC § 6311(b)(7) as of January 1, 2013;

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

26 (4) "Target teacher salary," for the school fiscal year beginning July 1, 2019 is
27 \$50,360.26. Each school fiscal year thereafter, the target teacher salary is the
28 previous fiscal year's target teacher salary increased by the index factor;

29 (4A) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine
30 percent;

31 (4B) "Target teacher compensation," is the sum of the target teacher salary and the
32 target teacher benefits;

33 (4C) "Overhead rate," is thirty-three and six hundredths percent.

- 1 Beginning in school fiscal year 2018, the overhead rate shall be adjusted to take
 2 into account the sum of the amounts that districts exceed the other revenue base
 3 amount;
- 4 (5) "Local need," is calculated as follows:
- 5 (a) Divide the fall enrollment by the target teacher ratio factor;
- 6 (b) If applicable, divide Limited English proficiency (LEP) adjustment pursuant to
 7 subdivision (2D) by the target teacher ratio factor;
- 8 (c) Add the results of subsections (a) and (b);
- 9 (d) Multiply the result of subsection (c) by the target teacher compensation;
- 10 (e) Multiply the product of subsection (d) by the overhead rate;
- 11 (f) Add the products of subsections (d) and (e);
- 12 (g) When calculating local need at the statewide level, include the amounts set
 13 aside for costs related to technology in schools and statewide student
 14 assessments; and
- 15 (h) When calculating local need at the statewide level, include the amounts set
 16 aside for sparse school district benefits, calculated pursuant to §§ 13-13-78
 17 and 13-13-79;
- 18 (5A) "Alternative per student need," is calculated as follows:
- 19 (a) Add the total need for each school district for school fiscal year 2016,
 20 including the small school adjustment and the limited English proficiency
 21 adjustment, to the lesser of the amount of funds apportioned to each school
 22 district in the year preceding the most recently completed school fiscal year
 23 or school fiscal year 2015 pursuant to §§ 13-13-4, 23A-27-25, 10-33-24, 10-
 24 36-10, 11-7-73, 10-35-21, and 10-43-77;
- 25 (b) Divide the result of (a) by the September 2015 fall enrollment, excluding any
 26 adjustments based on prior year student counts;
- 27 (5B) "Alternative local need," is the alternative per student need multiplied by the fall
 28 enrollment, excluding any adjustments based on prior year student counts;
- 29 (6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by
 30 applying the levies established pursuant to § 10-12-42. Beginning on July 1, 2017,
 31 local effort will include the amount of funds apportioned to each school district in
 32 the year preceding the most recently completed school fiscal year pursuant to
 33 §§ 10-33-24, 10-35-21 as provided by subdivision (6B), 10-36-10, 10-43-77, 11-
 34 7-73, 13-13-4, and 23A-27-25 and that exceeds the other revenue base amount.
 35 ~~For the period July 1, 2016, through December 31, 2016, inclusive, local effort~~

1 ~~includes the amount of ad valorem taxes generated by applying the levies~~
 2 ~~established pursuant to § 13-10-6 during this period;~~

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

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

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

12 (c) Beginning on July 1, 2019 and on each July 1 thereafter, multiply sixty
 13 percent times ~~subsection (a)~~;

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

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

16 ~~(f) Beginning on July 1, 2022, is zero~~ the amounts of the funds apportioned to
 17 each school district pursuant to §§ 10-33-24, 10-35-21 as provided by
 18 subdivision (6B), 10-36-10, 10-43-77, 11-7-73, 13-13-4, and 23A-27-25 for
 19 the previous school year.

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

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

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

34 (6B) "Wind energy tax revenue," any wind energy tax revenue apportioned to school
 35 districts pursuant to § 10-35-21 from a wind farm producing power for the first time

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

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

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

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

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

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

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

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

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

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

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

31 **Section 2.** That § 13-13-72 be AMENDED:

1 **13-13-72. Legislative policy on annual increase in appropriation for state**
2 **aid.**

3 It is the policy of the Legislature that the appropriation for state aid to education
4 increase on an annual basis by the percentage increase in local need on an aggregate
5 statewide basis so that the relative proportion of local need paid by local effort and state
6 aid shall remain constant. For school fiscal ~~years 2017 to 2022, inclusive~~year 2017 and
7 thereafter, the proportion of local need paid by local effort and state aid shall be adjusted
8 annually to maintain the proportion between state aid and local property taxes and to
9 reflect adjustments in local effort due to the implementation of the other revenue base
10 amount as defined in § 13-13-10.1.

11 **Section 3.** That § 13-13-72.1 be AMENDED:

12 **13-13-72.1. Adjustment to certain levies.**

13 Any adjustments in the levies specified in § 10-12-42 made pursuant to §§ 13-13-
14 71 and 13-13-72 shall be based on maintaining the relationship between statewide local
15 effort as a percentage of statewide local need in the fiscal year succeeding the fiscal year
16 in which the adjustment is made. For school fiscal ~~years 2017 to 2022, inclusive~~year 2017
17 and thereafter, the proportion of local need paid by local effort and state aid shall be
18 adjusted annually to reflect adjustments in local effort due to the implementation of the
19 other revenue base amount as defined in § 13-13-10.1. However, if the levies specified in
20 § 10-12-42 are not adjusted to maintain this relationship, the target teacher salary as
21 defined in § 13-13-10.1 shall be reduced to maintain the relationship between statewide
22 local effort as a percentage of statewide local need.