



2024 South Dakota Legislature

House Bill 1134

Introduced by: **Representative Nelson**

1 **An Act to amend the school funding formula to provide for the use of an averaged**
 2 **fall enrollment when determining local need.**

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

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

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

12 (a) Determine the number of kindergarten through twelfth grade students
 13 enrolled in all schools operated by the school district on the last Friday of
 14 September of the current school year, and add to that number the product
 15 of 0.10 multiplied by the number of children who participated in the prior
 16 school year in high school interscholastic activities sanctioned or sponsored
 17 by the South Dakota High School Activities Association, as permitted by
 18 § 13-36-7, while receiving alternative instruction pursuant to § 13-27-3;

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

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

23 (ii) Students who are being provided an education pursuant to § 13-28-
 24 11;

25 (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 § 13-13-73, the
2 secretary of the Department of Education shall use the school district's fall
3 enrollment;

4 (3) "Target teacher ratio factor," is:

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

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

9 (i) Multiplying the fall enrollment by .00750;

10 (ii) Adding 10.50 to the product of subsection (b)(1);

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

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

16 (4) "English learner (EL) adjustment," is calculated by multiplying 0.25 times the
17 number of kindergarten through twelfth grade students who, in the prior school
18 year, scored below level four on the state-administered language proficiency
19 assessment as required in the state's consolidated state application pursuant to
20 § 1111(b)(2)(G) of the Every Student Succeeds Act of 2015. For the 2021-2022
21 calculation only, the EL adjustment is calculated by multiplying 0.25 times the
22 number of kindergarten through twelfth grade students who scored below level
23 four on the state-administered language proficiency assessment in school year
24 2019-2020 or 2020-2021, whichever is greater;

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

29 (6) "Target teacher salary," for the school fiscal year beginning July 1, 2023, is
30 \$59,659.25. Each school fiscal year thereafter, the target teacher salary is the
31 previous fiscal year's target teacher salary increased by the index factor;

32 (7) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine
33 percent;

34 (8) "Target teacher compensation," is the sum of the target teacher salary and the
35 target teacher benefits;

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

1 §§ 10-33-24, 10-35-21 as provided by subdivision (15), 10-36-10, 10-43-77, 11-
 2 7-73, 13-13-4, and 23A-27-25 and that exceeds the other revenue base amount;
 3 (14) "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 (15), 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 (15), 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, multiply sixty percent times subsection (a);

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

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

16 (f) Beginning on July 1, 2022, is zero;

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

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

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

31 (15) "Wind energy tax revenue," any wind energy tax revenue apportioned to school
 32 districts pursuant to § 10-35-21 from a wind farm producing power for the first
 33 time before July 1, 2016, shall be considered local effort pursuant to subdivision
 34 (13) and other revenue base amount pursuant to subdivision (14). However, any
 35 wind energy tax revenue apportioned to a school district from a wind farm

1 producing power for the first time after June 30, 2016, one hundred percent shall
2 be retained by the school district to which the tax revenue is apportioned for the
3 first five years of producing power, eighty percent for the sixth year, sixty percent
4 for the seventh year, forty percent for the eighth year, twenty percent for the ninth
5 year, and zero percent thereafter. If a wind farm begins producing power for the
6 first time between October first and December thirty-first in a calendar year, any
7 revenues generated for that time period must be retained by the school district
8 and that time period may not be counted against the first five-year period;

9 (16) "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; and

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

14 (17) "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 (18) "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 (2) of two hundred or less;

21 (b) Thirty percent for a school district with fall enrollment as defined in
22 subdivision (2) 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 (2) 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 (2) for the current school year or the school district's fall
28 enrollment from the previous two years; ~~and~~

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

31 (20) "Average fall enrollment," the sum the fall enrollments for each of the three school
32 years immediately prior to the current school year, divided by three.

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