2024 South Dakota Legislature

Senate Bill 51

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

An Act to revise property tax levies for school districts and to revise the state aid to general and special education formulas.

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

Section 1. That § 10-12-42 be AMENDED:

10-12-42. For taxes payable in ~~2024~~ 2025, and each year thereafter, the levy for the general fund of a school district ~~shall be~~ is as follows:

(1) The maximum tax levy is ~~six~~ five dollars and ~~eleven and three-tenths~~ fifty-three and four-tenths cents per thousand dollars of taxable valuation, subject to the limitations on agricultural property as provided in subdivision (2) of this section and owner-occupied property as provided in subdivision (3) of this section;

(2) The maximum tax levy on agricultural property for the school district is one dollar and ~~thirty-two~~ nineteen and five-tenths cents per thousand dollars of taxable valuation. If the district's levies are less than the maximum levies as stated in this section, the levies ~~shall~~ must maintain the same proportion to each other as represented in the mathematical relationship at the maximum levies; and

(3) The maximum tax levy for an owner-occupied single-family dwelling ~~as defined in~~ pursuant to § 10-13-40 for the school district is two dollars and ~~ninety-five and four-tenths~~ sixty-seven and four-tenths cents per thousand dollars of taxable valuation. If the district's levies are less than the maximum levies as stated in this section, the levies ~~shall~~ must maintain the same proportion to each other as represented in the mathematical relationship at the maximum levies.

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

relationship at the maximum levies in this section. The school district may elect to tax at less than the maximum amounts set forth in this section.

Section 2. 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, and add to that number the product of 0.10 multiplied by 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;

(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;

(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;

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

(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~~ 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. For the 2021-2022 calculation only, the EL adjustment is calculated by multiplying 0.25 times the number of ~~kindergarten through twelfth grade~~ kindergarten-through-twelfth-grade students who scored below level four on the state-administered language proficiency assessment in school year 2019-2020 or 2020-2021, whichever is greater;

(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, ~~2023~~ 2024, is ~~$59,659.25~~ $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~~ seventy-eight-hundredths percent.

Beginning in school fiscal year 2018, the overhead rate ~~shall~~ 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 English Learner (EL) 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);

(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; and

(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;

(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," 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 ~~will include~~ <u>includes</u> 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," for school districts not utilizing the alternative local need calculation is the amount of funds apportioned to each school district 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, calculated as follows:

(a) Beginning on July 1, 2017, equals the greatest of the amounts of the funds apportioned to each school district 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 for school fiscal years 2013, 2014, and 2015;

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

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

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

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

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

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

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

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

(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, ~~shall be~~ is considered local effort pursuant to subdivision (13) and other revenue base amount pursuant to subdivision (14). However, any wind energy tax revenue apportioned to a school district from a wind farm producing power for the first time after June 30, 2016, one hundred percent ~~shall~~ 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; and

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

Section 3. That § 13-37-16 be AMENDED:

13-37-16. For taxes payable in ~~2024~~ 2025, and each year thereafter, the school board shall levy no more than one dollar and ~~fifty-seven and four-tenths~~ forty-eight and eight-tenths cents per thousand dollars of taxable valuation, as a special levy in addition to all other levies authorized by law for the amount so determined to be necessary, and the levy ~~shall~~ must be spread against all of the taxable property of the district. The proceeds derived from the levy ~~shall~~ constitute a school district special education fund of the district for the payment of costs for the special education of all children in need of special education or special education and related services who reside within the district pursuant to the provisions of §§ 13-37-8.4 to 13-37-8.10, inclusive. The levy in this

section ~~shall be~~ is based on valuations ~~such that~~ where the median level of assessment represents eighty-five percent of market value as determined by the Department of Revenue. The total amount of taxes that would be generated at the levy pursuant to this section ~~shall be~~ is considered local effort. Money in the special education fund may be expended for the purchase or lease of any assistive technology that is directly related to special education and specified in a student's individualized education plan. This section does not apply to real property improvements.

Section 4. That § 13-37-35.1 be AMENDED:

13-37-35.1. Terms used in chapter 13-37 mean:

(1) "Level one disability," a mild disability;

(2) "Level two disability," cognitive disability or emotional disorder;

(3) "Level three disability," hearing impairment, deafness, visual impairment, deaf-blindness, orthopedic impairment, or traumatic brain injury;

(4) "Level four disability," autism;

(5) "Level five disability," multiple disabilities;

(5A) "Level six disability," prolonged assistance;

(6) "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;

(7) "Local effort," ~~shall~~ must be calculated for taxes payable in ~~2024~~ 2025 and thereafter using a special education levy of one dollar and ~~thirty-seven and four-tenths~~ twenty-eight and eight-tenths cents per one thousand dollars of valuation;

(8) "Allocation for a student with a level one disability," for the school fiscal year beginning July 1, ~~2023~~ 2024, is ~~$6,989.24~~ $7,556.00. For each school year thereafter, the allocation for a student with a level one disability ~~shall~~ must be the previous fiscal year's allocation for ~~such~~ the child increased by the index factor;

(9) "Allocation for a student with a level two disability," for the school fiscal year beginning July 1, ~~2023~~ 2024, is ~~$16,489.77~~ $16,553.00. For each school year thereafter, the allocation for a student with a level two disability ~~shall~~ must be the previous fiscal year's allocation for ~~such~~ the child increased by the index factor;

(10) "Allocation for a student with a level three disability," for the school fiscal year beginning July 1, ~~2023~~ 2024, is ~~$21,059.74~~ $22,854.00. For each school year

thereafter, the allocation for a student with a level three disability ~~shall~~ must be the previous fiscal year's allocation for ~~such~~ the child increased by the index factor;

(11) "Allocation for a student with a level four disability," for the school fiscal year beginning July 1, ~~2023~~ 2024, is ~~$17,099.67~~ $17,831.00. For each school year thereafter, the allocation for a student with a level four disability ~~shall~~ must be the previous fiscal year's allocation for ~~such~~ the child increased by the index factor;

(12) "Allocation for a student with a level five disability," for the school fiscal year beginning July 1, ~~2023~~ 2024, is ~~$36,693.51~~ $36,582.00. For each school year thereafter, the allocation for a student with a level five disability ~~shall~~ must be the previous fiscal year's allocation for ~~such~~ the child increased by the index factor;

(12A) "Allocation for a student with a level six disability," for the school fiscal year beginning July 1, ~~2023~~ 2024, is ~~$9,700.62~~ $11,692.00. For each school year thereafter, the allocation for a student with a level six disability ~~shall~~ must be the previous fiscal year's allocation for ~~such~~ the child increased by the index factor;

(13) "Child count," is the number of students in need of special education or special education and related services according to criteria set forth in rules promulgated pursuant to §§ 13-37-1.1 and 13-37-46 submitted to the Department of Education ~~in accordance with rules promulgated pursuant to § 13-37-1.1~~;

(14) "Fall enrollment," the number of ~~kindergarten through twelfth grade~~ kindergarten-through-twelfth-grade students enrolled in all schools operated by the school district on the last Friday of September of the previous school year minus the number of students for whom the district receives tuition, except any nonresident student who is in the care and custody of a state agency and is attending a public school and any student for whom tuition is being paid pursuant to § 13-28-42.1, plus the number of students for whom the district pays tuition;

(15) "Nonpublic school," a sectarian organization or entity ~~which is~~ accredited by the secretary of education for the purpose of instructing children of compulsory school age. This definition excludes any school that receives a majority of its revenues from public funds;

(16) "Nonpublic fall enrollment," the number of children under age eighteen, who are approved for alternative instruction pursuant to § ~~13-27-2~~ 13-27-3 on the last Friday of September of the previous school year plus:

(a) For nonpublic schools located within the boundaries of a public school district with a fall enrollment of six hundred or more on the last Friday of September of the previous school year, the number of ~~kindergarten through~~

~~twelfth grade~~ kindergarten-through-twelfth-grade students enrolled on the last Friday of September of the previous regular school year in all nonpublic schools located within the boundaries of the public school district;

(b) For nonpublic schools located within the boundaries of a public school district with a fall enrollment of less than six hundred on the last Friday of September of the previous school year, the number of resident ~~kindergarten through twelfth grade~~ kindergarten-through-twelfth-grade students enrolled on the last Friday of September of the previous school year in all nonpublic schools located within ~~the State of South Dakota~~ this state;

(17) "Special education fall enrollment," fall enrollment plus nonpublic fall enrollment;

(18) "Local need," an amount to be determined as follows:

(a) Multiply the special education fall enrollment by ~~0.1072~~ 0.1063 and multiply the result by the allocation for a student with a level one disability;

(b) Multiply the number of students having a level two disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level two disability;

(c) Multiply the number of students having a level three disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level three disability;

(d) Multiply the number of students having a level four disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level four disability;

(e) Multiply the number of students having a level five disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level five disability;

(f) Multiply the number of students having a level six disability as reported on the child count for the previous school fiscal year by the allocation for a student with a level six disability;

(g) When calculating local need at the statewide level, include the amount set aside for extraordinary costs defined in § 13-37-40;

(h) When calculating local need at the statewide level, include the amount set aside for the South Dakota School for the Blind and Visually Impaired;

(i) Sum the results of ~~(a)~~ subdivisions (18)(a) to (h), inclusive;

(19) "Effort factor," the school district's special education tax levy in dollars per thousand divided by ~~$1.374~~ $1.288. The maximum effort factor is 1.0.