

AN ACT

ENTITLED, An Act to revise the distribution of state aid to education.

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

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

13-13-10.1. Terms used in this chapter mean:

- (1) "Average daily membership," the average number of resident and nonresident kindergarten through twelfth grade pupils enrolled in all schools operated by the school district during the previous regular school year, minus average number of pupils for whom the district receives tuition, except pupils described in subdivision (1A) and pupils for whom tuition is being paid pursuant to § 13-28-42 and plus the average number of pupils for whom the district pays tuition;
- (1A) 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 average daily membership of the receiving district when enrolled in the receiving district. When counting a student who meets these criteria in its general enrollment average daily membership, the receiving district may begin the enrollment on the first day of attendance. The district of residence prior to the custodial transfer may not include students who meet these criteria in its general enrollment average daily membership after the student ceases to attend school in the resident district;
- (2) "Adjusted average daily membership," calculated as follows:
 - (a) For districts with an average daily membership of two hundred or less, multiply 1.2 times the average daily membership;
 - (b) For districts with an average daily membership of less than six hundred, but greater

than two hundred, raise the average daily membership to the 0.8293 power and multiply the result times 2.98;

- (c) For districts with an average daily membership of six hundred or more, multiply 1.0 times their average daily membership;
- (3) "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;
- (3A) "Enrollment adjustment," is one-half of the negative of the annual percent change in the statewide general enrollment average daily membership for the year before the year immediately preceding the year of adjustment;
- (4) "Per student allocation," for the period January 1, 1997, to June 30, 1997, inclusive, is \$1,675. For school fiscal year 1998, beginning on July 1, 1997, the per student allocation shall be \$3,350 increased by the index factor. Each school fiscal year thereafter, the per student allocation shall be the previous fiscal year's per student allocation increased by the index factor, plus the enrollment adjustment;
- (5) "Local need," the per student allocation multiplied by the adjusted average daily membership;
- (6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by applying the levies established pursuant to § 10-12-42;
- (7) "General fund balance," the unreserved fund balance of the general fund, less general fund exclusions plus, beginning with transfers made in fiscal year 2001, any transfers out of the general fund for the previous school fiscal year;
- (8) "General fund balance percentage," is a school district's general fund balance divided by

the school district's total general fund expenditures for the previous school fiscal year, the quotient expressed as a percent;

- (9) "General fund base percentage," is the general fund balance percentage as of June 30, 2000. However, the general fund base percentage can never increase and can never be less than twenty percent;
- (10) "Allowable general fund balance," the fund base percentage multiplied by the district's general fund expenditures in the previous school fiscal year;
- (11) "Imputed interest rate," the average prime rate for the preceding fiscal year minus 2.5 percentage points;
- (12) "General fund exclusions," revenue a school district has received from the imposition of the excess tax levy pursuant to § 10-12-43; revenue a school district has received from gifts, contributions, grants, or donations; revenue a school district has received under the provisions of House Bill 1294 as previously enacted by the Seventy-sixth Legislative Assembly; and any revenue in the general fund set aside for a noninsurable judgment.

Section 2. The enrollment adjustment shall apply only to the distribution of state aid to education in fiscal year 2002.

Section 3. That chapter 13-13 be amended by adding thereto a NEW SECTION to read as follows:

A school district's state aid for general education as calculated pursuant to § 13-13-73 shall be reduced by the following calculation:

- (1) Subtract the allowable general fund balance from the general fund balance. If the result is less than zero, (1) equals zero;
- (2) Determine the lower of the general fund base percentage or the general fund balance percentage;

- (3) Subtract twenty percent (0.2) from the result of (2). If the result is less than zero, (3) equals zero;
- (4) Multiply the result of (3) by the district's general fund expenditures in the previous school fiscal year;
- (5) Multiply the result of (4) by the imputed interest rate;
- (6) Add the result of (1) and the result of (5).

Section 4. That chapter 13-13 be amended by adding thereto a NEW SECTION to read as follows:

The secretary of education and cultural affairs shall determine the reduction in state aid to education pursuant to section 3 of this Act. The secretary of education and cultural affairs shall distribute the amount of money so determined to school districts that received state aid pursuant to chapter 13-13 on a pro rata basis according to the district's average daily membership compared to the total average daily membership of all districts eligible for this distribution.

Section 5. That chapter 13-13 be amended by adding thereto a NEW SECTION to read as follows:

If two or more school districts consolidate, the general fund base percentage for the newly reorganized district shall be based upon the highest general fund balance percentage as defined in subdivision 13-13-10.1(8) of the consolidating districts.

Section 6. That § 13-16-26.2 be amended to read as follows:

13-16-26.2. Notwithstanding the provisions of § 13-16-26, no school district may transfer any funds, exclusive of federal funds, from the general fund to the capital outlay fund, bond redemption fund or the capital projects fund.

Section 7. That chapter 13-13 be amended by adding thereto a NEW SECTION to read as follows:

There is hereby created the Excess General Fund Oversight Board within the Department of Education and Cultural Affairs. The board shall consist of five members, appointed by the Governor. The Excess General Fund Oversight Board may exempt a school district from the provisions of section 3 of this Act if a school district can demonstrate to the Excess General Fund Oversight Board that its general fund balance percentage is the result of special circumstances.

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I certify that the attached Act
originated in the

HOUSE as Bill No. 1258

Chief Clerk

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Speaker of the House

Attest:

Chief Clerk

President of the Senate

Attest:

Secretary of the Senate

House Bill No. 1258

File No. _____

Chapter No. _____

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Received at this Executive Office
this _____ day of _____ ,

20____ at _____ M.

By _____
for the Governor

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The attached Act is hereby
approved this _____ day of
_____, A.D., 20____

Governor

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STATE OF SOUTH DAKOTA,
ss.

Office of the Secretary of State

Filed _____, 20____
at _____ o'clock __ M.

Secretary of State

By _____
Asst. Secretary of State