

State of South Dakota

EIGHTY-FIRST SESSION
LEGISLATIVE ASSEMBLY, 2006

686M0161

SENATE BILL NO. 120

Introduced by: Senators Nesselhuf, Bartling, Hanson (Gary), Hundstad, Kloucek, Koetzle, Moore, Peterson (Jim), Sutton (Dan), and Two Bulls and Representatives Hargens, Bradford, Dennert, Elliott, Gassman, Gillespie, Glenski, Glover, Haley, Halverson, Kroger, Lange, Miles, Roberts, Sigdestad, Street, Thompson, Valandra, and Van Norman

1 FOR AN ACT ENTITLED, An Act to increase general funding for school districts, to impose
2 a temporary limit on the growth of state general fund spending, and to suspend the transfer
3 of moneys from the general fund to the budget reserve fund and to the property tax reduction
4 fund.

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

6 Section 1. There are hereby established within the state treasury the one-time education
7 adequacy fund and the ongoing education adequacy fund. The commissioner of the Bureau of
8 Finance and Management shall transfer the proceeds of the property tax reduction fund to the
9 one-time education adequacy fund. In addition, on July first of each fiscal year or at such time
10 that the prior fiscal year general fund ending unobligated cash balance is determined, the
11 commissioner of the Bureau of Finance and Management shall transfer all prior year
12 unobligated cash to the one-time education adequacy fund. Proceeds from the ongoing education
13 adequacy fund shall be used to fund supplemental general school aid established in section 7
14 of this Act. If the proceeds are not sufficient to fully fund the supplemental general school aid,



1 proceeds from the one-time education adequacy fund shall also be used for that purpose.

2 This section is repealed when the commissioner of the Bureau of Finance and Management
3 determines that the ongoing education adequacy fund is sufficient to provide funding to each
4 school district in an amount equal to the supplemental base allotment as defined in section 8 of
5 this Act per adjusted average daily membership as defined in subdivision 13-13-10.1(2), and
6 any money remaining in the one-time education adequacy fund at that time shall revert to the
7 property tax reduction fund.

8 Section 2. On July 1, 2006, or as soon thereafter as moneys are available, the commissioner
9 of the Bureau of Finance and Management shall transfer nineteen million eight hundred eighty-
10 seven thousand six hundred thirty dollars (\$19,887,630) from the railroad trust fund to the one-
11 time education adequacy fund.

12 Section 3. That § 4-7-32 be amended to read as follows:

13 4-7-32. ~~On~~ When the commissioner of the Bureau of Finance and Management determines
14 that the ongoing education adequacy fund established in section 1 of this Act is sufficient to
15 provide funding to each school district in an amount equal to the supplemental base allotment
16 as defined in section 8 of this Act per adjusted average daily membership as defined in
17 subdivision 13-13-10.1(2) and on July first of each fiscal year thereafter or at such time that the
18 prior fiscal year general fund ending unobligated cash balance is determined, the commissioner
19 ~~of the Bureau of Finance and Management~~ shall transfer all prior year unobligated cash up to
20 an amount equal to ten percent of the general fund appropriations from the general appropriation
21 act for the prior fiscal year into the budget reserve fund. In no event shall the cash balance in the
22 budget reserve fund be greater than ten percent of the general fund appropriations from the
23 general appropriation act for the prior fiscal year.

24 Expenditures out of the budget reserve fund shall only be by special appropriation of the

1 Legislature and shall only redress such unforeseen expenditure obligations or such unforeseen
2 revenue shortfalls as may constitute an emergency pursuant to S.D. Const., Art. III, § 1.

3 Section 4. That § 4-7-39 be amended to read as follows:

4 4-7-39. The When the commissioner of the Bureau of Finance and Management determines
5 that the ongoing education adequacy fund established in section 1 of this Act is sufficient to
6 provide funding to school districts in an amount equal to the supplemental base allotment as
7 defined in section 8 of this Act per adjusted average daily membership as defined in subdivision
8 13-13-10.1(2), ~~the commissioner of the Bureau of Finance and Management~~ shall transfer any
9 unobligated cash remaining after the transfer into the budget reserve fund as required by § 4-7-
10 32 into the property tax reduction fund if the amount in the property tax reduction fund does not
11 exceed fifteen percent of the general fund appropriations in the General Appropriations Act for
12 the previous fiscal year.

13 Section 5. That chapter 4-7 be amended by adding thereto a NEW SECTION to read as
14 follows:

15 For the period beginning on July 1, 2007 and ending when the commissioner of the Bureau
16 of Finance and Management determines that the ongoing education adequacy fund established
17 in section 1 of this Act is sufficient to provide funding to each school district in an amount equal
18 to the supplemental base allotment as defined in section 8 of this Act per adjusted average daily
19 membership as defined in subdivision 13-13-10.1(2), the total general fund moneys appropriated
20 by the general appropriations act and any special appropriations may not increase from the total
21 general fund moneys appropriated by the general appropriations act and any special
22 appropriations of the most recent fiscal year by more than one-half percent plus the index factor
23 as defined in subdivision 13-13-10.1(3). If, during this period of time, the general fund revenues
24 for a fiscal year exceed the allowable increase, the revenue exceeding the allowable increase

1 shall be transferred by the commissioner of the Bureau of Finance and Management to the
2 ongoing education adequacy fund. However, the proceeds from any tax or tax increase enacted
3 on or after July 1, 2007 shall be excluded from this calculation, and those revenues may be
4 appropriated through the general appropriations act even if they are in excess of the allowable
5 increase.

6 Section 6. That § 10-13-44 be amended to read as follows:

7 10-13-44. The property tax reduction fund is hereby created in the state treasury. ~~The~~ When
8 the commissioner of the Bureau of Finance and Management determines that the ongoing
9 education adequacy fund established in section 1 of this Act is sufficient to provide funding to
10 each school district in an amount equal to the supplemental base allotment as defined in section
11 8 of this Act per adjusted average daily membership as defined in subdivision 13-13-10.1(2),
12 the Department of Revenue and Regulation shall distribute any money appropriated to the fund.
13 ~~Effective January 1, 1996, through December 31, 1996, the State of South Dakota may remit~~
14 ~~tax credit payments on a monthly basis for eligible property taxpayers on or about the last day~~
15 ~~of every month. Tax credit payments shall be sent to counties based upon information received~~
16 ~~from the counties pursuant to § 10-13-43. In fiscal year 1997 and each year thereafter, the~~ The
17 commissioner of finance and management may transfer moneys available from the property tax
18 reduction fund to the general fund necessary to provide property tax relief through state aid to
19 education.

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

22 For the period beginning on July 1, 2006 and ending when the commissioner of the Bureau
23 of Finance and Management determines that the ongoing education adequacy fund established
24 in section 1 of this Act is sufficient to provide funding to each school district in an amount equal

1 to the supplemental base allotment defined in section 8 of this Act per adjusted average daily
2 membership, local school districts, in addition to receiving general school aid distributed
3 pursuant to §§ 13-13-10.1 to 13-13-41, inclusive, shall also receive supplemental general school
4 aid. General funds appropriated for supplemental general school aid pursuant to this section may
5 not be calculated in or subject to the spending limitations set forth in section 5 of this Act.

6 Section 8. That chapter 13-13 be amended by adding thereto a NEW SECTION to read as
7 follows:

8 Supplemental general school aid pursuant to section 7 of this Act shall be distributed to local
9 school districts as follows:

- 10 (1) In fiscal year 2007, each school district shall receive a supplemental payment per
11 average daily membership that is equal to twenty percent of the supplemental base
12 allotment;
- 13 (2) In fiscal year 2008, each school district shall receive a supplemental payment per
14 average daily membership that is equal to forty percent of the supplemental base
15 allotment;
- 16 (3) In fiscal year 2009, each school district shall receive a supplemental payment per
17 average daily membership that is equal to sixty percent of the supplemental base
18 allotment;
- 19 (4) In fiscal year 2010, each school district shall receive a supplemental payment per
20 average daily membership that is equal to eighty percent of the supplemental base
21 allotment; and
- 22 (5) In fiscal year 2011, each school district shall receive a supplemental payment per
23 average daily membership that is equal to the supplemental base allotment.

24 For purposes of this section, the supplemental base allotment equals \$820.30 in fiscal year

1 2007 and is the previous year's supplemental base allotment increased by the index factor in
2 subsequent years. The index factor is defined in subdivision 13-13-10.1(3).

3 Section 9. That § 13-13-10.1 be amended to read as follows:

4 13-13-10.1. Terms used in this chapter mean:

5 (1) "Average daily membership," the average number of resident and nonresident
6 kindergarten through twelfth grade pupils enrolled in all schools operated by the
7 school district during the previous regular school year, minus average number of
8 pupils for whom the district receives tuition, except pupils described in subdivision
9 (1A) and pupils for whom tuition is being paid pursuant to § 13-28-42 and plus the
10 average number of pupils for whom the district pays tuition;

11 (1A) Nonresident students who are in the care and custody of the Department of Social
12 Services, the Unified Judicial System, the Department of Corrections, or other state
13 agencies and are attending a public school may be included in the average daily
14 membership of the receiving district when enrolled in the receiving district. When
15 counting a student who meets these criteria in its general enrollment average daily
16 membership, the receiving district may begin the enrollment on the first day of
17 attendance. The district of residence prior to the custodial transfer may not include
18 students who meet these criteria in its general enrollment average daily membership
19 after the student ceases to attend school in the resident district;

20 (2) "Adjusted average daily membership," calculated as follows:

21 (a) For districts with an average daily membership of two hundred or less,
22 multiply 1.2 times the average daily membership;

23 (b) For districts with an average daily membership of less than six hundred, but
24 greater than two hundred, raise the average daily membership to the 0.8293

- 1 power and multiply the result times 2.98;
- 2 (c) For districts with an average daily membership of six hundred or more,
- 3 multiply 1.0 times their average daily membership;
- 4 (3) "Index factor," is the annual percentage change in the ~~consumer price index for urban~~
5 ~~wage earners and clerical workers as computed by the Bureau of Labor Statistics of~~
6 ~~the United States Department of Labor for the year before the year immediately~~
7 ~~preceding the year of adjustment or three percent, whichever is less~~ total general fund
8 revenues received by the state for the year before the year immediately preceding the
9 year of adjustment;
- 10 (4) "Per student allocation," for the first school fiscal year 2006 is \$4,237.72 following
11 the effective date of this section, it is the previous fiscal year's per student allocation
12 increased by the index factor plus the supplemental base allotment as defined in
13 section 8 of this Act. Each school fiscal year thereafter, the per student allocation is
14 the previous fiscal year's per student allocation increased by the index factor;
- 15 (5) "Local need," the per student allocation multiplied by the adjusted average daily
16 membership;
- 17 (6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by
18 applying the levies established pursuant to § 10-12-42;
- 19 (7) "General fund balance," the unreserved fund balance of the general fund, less general
20 fund exclusions plus, beginning with transfers made in fiscal year 2001, any transfers
21 out of the general fund for the previous school fiscal year;
- 22 (8) "General fund balance percentage," is a school district's general fund balance divided
23 by the school district's total general fund expenditures for the previous school fiscal
24 year, the quotient expressed as a percent;

- 1 (9) "General fund base percentage," is the general fund balance percentage as of June 30,
2 2000. However, the general fund base percentage can never increase and can never
3 be less than twenty percent;
- 4 (10) "Allowable general fund balance," the fund base percentage multiplied by the
5 district's general fund expenditures in the previous school fiscal year;
- 6 (11) "Imputed interest rate," the average prime rate for the preceding fiscal year minus 2.5
7 percentage points;
- 8 (12) "General fund exclusions," revenue a school district has received from the imposition
9 of the excess tax levy pursuant to § 10-12-43; revenue a school district has received
10 from gifts, contributions, grants, or donations; revenue a school district has received
11 under the provisions of §§ 13-6-92 to 13-6-96, inclusive; and any revenue in the
12 general fund set aside for a noninsurable judgment.

13 Section 10. Section 9 of this Act is effective when the commissioner of the Bureau of
14 Finance and Management determines that the ongoing education adequacy fund established in
15 section 1 of this Act is sufficient to provide funding to each school district in an amount equal
16 to the supplemental base allotment as defined in section 8 of this Act per adjusted average daily
17 membership.