

## AN ACT

ENTITLED, An Act to appropriate funds to increase funding to education and to assist sparse school districts and to require legislation as part of the final report of the study of school funding.

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

Section 1. There is hereby appropriated from the state general fund the sum of six million five hundred thousand dollars (\$6,500,000), or so much thereof that may be necessary, to the Department of Education. The secretary of the Department of Education shall distribute the funds to school districts pursuant to sections 3 and 4 of this Act based on average daily membership as defined in subdivision 13-13-10.1(1) at the same time that foundation program state aid is distributed to school districts pursuant to §§ 13-13-10.1 to 13-13-41, inclusive.

Section 2. The secretary of the Department of Education shall approve vouchers and the state auditor shall draw warrants to pay expenditures authorized by this Act.

Section 3. School districts that meet adequate yearly progress in reading and math under the terms of the state's accountability system established in § 13-3-62 shall receive funding according to the provisions of section 1 of this Act.

Section 4. Those school districts that fail to meet adequate yearly progress under the terms of the state's accountability system established in § 13-3-62 may apply to the department for a grant to assist the district in meeting future academic targets. In order to qualify for a grant, a school district shall submit to the department a school district improvement plan outlining the steps the district will undertake to reach adequate yearly progress, and the plan shall be approved by the secretary of education. However, no grant may be awarded to a school district in an amount that exceeds what that school district would have received if it had achieved adequate yearly progress.

Section 5. There is hereby appropriated from the state general fund the sum of one million five hundred thousand dollars (\$1,500,000), or so much thereof as may be necessary, to the Department

of Education for distribution to sparse school districts pursuant to this Act.

Section 6. Terms used in this Act mean:

- (1) "Sparse school district," a school district that meets each of the following criteria:
  - (a) Has an average daily membership per square mile of 0.50 or less;
  - (b) Has an average daily membership of five hundred or less;
  - (c) Has an area of four hundred square miles or more;
  - (d) Has at least fifteen miles between its secondary attendance center or centers and that of an adjoining district;
  - (e) Operates a secondary attendance center;
  - (f) Levies ad valorem taxes at the maximum rates allowed pursuant to § 10-12-42 or more; and
  - (g) Has a general fund balance percentage of thirty percent or less excluding revenue received from opting out of property tax limitations pursuant to chapter 10-12;
- (2) "Sparsity average daily membership," calculated as follows:
  - (a) For sparse school districts with an adjusted average daily membership as defined in subdivision 13-13-10.1(2) of less than one hundred or greater than two hundred seventy-five, divide the average daily membership as defined in subdivision 13-13-10.1(1) by the area of the school district in square miles;
  - (b) Multiply the quotient obtained in subsection (a) times negative 0.125;
  - (c) Add 0.0625 to the product obtained in subsection (b); and
  - (d) Multiply the sum obtained in subsection (c) times the average daily membership;
- (3) "Sparsity adjusted average daily membership," calculated as follows: For any sparse school district with an adjusted average daily membership as defined in subdivision 13-13-10.1(2) of no less than one hundred, but no more than two hundred seventy-five, the

sparsity adjusted average daily membership is two hundred seventy-five.

Section 7. At the same time that foundation program state aid is distributed to school districts pursuant to §§ 13-13-10.1 to 13-13-41, inclusive, the secretary of the Department of Education shall distribute funds to sparse school districts by multiplying either the sparsity average daily membership calculation or the sparsity adjusted average daily membership calculation in section 6 of this Act by the per student allocation as defined in § 13-13-10.1. However, no sparse school district may receive a sparsity benefit in any year that exceeds two hundred fifty thousand dollars.

Section 8. Sections 6 and 7 of this Act are repealed on June 30, 2009.

Section 9. 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;
- (4) "Per student allocation," for school fiscal year 2006 is \$4,237.72. Each school fiscal year thereafter, the per student allocation is the previous fiscal year's per student allocation increased by the index factor;
- (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 §§ 13-6-92 to 13-6-96, revenue a school district has received as compensation for being a sparse school district under the terms of this Act, inclusive; and any revenue in the general fund set aside for a noninsurable judgment.

Section 10. That section 4 of chapter 94 of the 2005 Session Laws be amended to read as follows:

Section 4. The Department of Education shall provide an interim report to the Legislature no later than December 1, 2005. The interim report shall include preliminary findings regarding sparse schools, and a final report, addressing the factors enumerated in section 2 and including proposed legislation shall be submitted to the Governor no later than November 15, 2006, and copies of the report shall be provided to the Legislature.

An Act to appropriate funds to increase funding to education and to assist sparse school districts and to require legislation as part of the final report of the study of school funding.

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I certify that the attached Act  
originated in the  
  
SENATE as Bill No. 198

\_\_\_\_\_  
Secretary of the Senate  
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\_\_\_\_\_  
President of the Senate

Attest:

\_\_\_\_\_  
Secretary of the Senate

\_\_\_\_\_  
Speaker of the House

Attest:

\_\_\_\_\_  
Chief Clerk

Senate Bill No. 198  
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