

State of South Dakota

EIGHTY-SECOND SESSION
LEGISLATIVE ASSEMBLY, 2007

767N0585

SENATE BILL NO. 157

Introduced by: Senators Knudson, Abdallah, Albers, Bartling, Dempster, Garnos, Gray, Hansen (Tom), Hanson (Gary), Hauge, Heidepriem, Hunhoff, Jerstad, Koetzle, McCracken, Nesselhuf, Olson (Ed), and Peterson (Jim) and Representatives McLaughlin, Ahlers, Cutler, Gassman, Gillespie, Glenski, Halverson, Hargens, Jerke, Kirkeby, Krebs, Miles, Moore, Olson (Russell), Peters, Pitts, Steele, Tidemann, Vehle, and Willadsen

1 FOR AN ACT ENTITLED, An Act to revise the state aid to education formula and to create a
2 teacher compensation assistance program.

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

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

5 13-13-10.1. Terms used in this chapter mean:

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

12 (1A) Nonresident students who are in the care and custody of the Department of Social
13 Services, the Unified Judicial System, the Department of Corrections, or other state



1 agencies and are attending a public school may be included in the average daily
2 membership of the receiving district when enrolled in the receiving district. When
3 counting a student who meets these criteria in its general enrollment average daily
4 membership, the receiving district may begin the enrollment on the first day of
5 attendance. The district of residence prior to the custodial transfer may not include
6 students who meet these criteria in its general enrollment average daily membership
7 after the student ceases to attend school in the resident district;

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

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

11 (b) For districts with an average daily membership of less than six hundred, but
12 greater than two hundred, raise the average daily membership to the 0.8293
13 power and multiply the result times 2.98;

14 (c) For districts with an average daily membership of six hundred or more,
15 multiply 1.0 times their average daily membership;

16 (2A) "State general fund revenue," all revenue deposited into the state's general fund;

17 (3) "Index factor," is the annual percentage change in the consumer price index for urban
18 wage earners and clerical workers as computed by the Bureau of Labor Statistics of
19 the United States Department of Labor for the year before the year immediately
20 preceding the year of adjustment or ~~three percent, whichever is less~~ four and three-
21 tenths percent, whichever is greater. However, the index factor may not exceed the
22 annual percentage change in the state general fund revenue for the year prior to the
23 year immediately preceding the year of adjustment;

24 (4) "Per student allocation," for school fiscal year 2006 is \$4,237.72. Each school fiscal

1 year thereafter, the per student allocation is the previous fiscal year's per student
2 allocation increased by the index factor;

3 (5) "Local need," the per student allocation multiplied by the adjusted average daily
4 membership;

5 (6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by
6 applying the levies established pursuant to § 10-12-42;

7 (7) "General fund balance," the unreserved fund balance of the general fund, less general
8 fund exclusions plus, beginning with transfers made in fiscal year 2001, any transfers
9 out of the general fund for the previous school fiscal year;

10 (8) "General fund balance percentage," is a school district's general fund balance divided
11 by the school district's total general fund expenditures for the previous school fiscal
12 year, the quotient expressed as a percent;

13 (9) "General fund base percentage," is the general fund balance percentage as of June 30,
14 2000. However, the general fund base percentage can never increase and can never
15 be less than twenty percent;

16 (10) "Allowable general fund balance," the fund base percentage multiplied by the
17 district's general fund expenditures in the previous school fiscal year;

18 (11) "Imputed interest rate," the average prime rate for the preceding fiscal year minus 2.5
19 percentage points;

20 (12) "General fund exclusions," revenue a school district has received from the imposition
21 of the excess tax levy pursuant to § 10-12-43; revenue a school district has received
22 from gifts, contributions, grants, or donations; revenue a school district has received
23 under the provisions of §§ 13-6-92 to 13-6-96, revenue a school district has received
24 as compensation for being a sparse school district under the terms of §§ 13-13-78 and

1 13-13-79, inclusive; and any revenue in the general fund set aside for a noninsurable
2 judgment.

3 The following definitions shall apply to increase teachers' salaries pursuant to this Act:

4 (13) "Average teacher salary," the average teacher salary of a school district as collected
5 and calculated by the Department of Education according to criteria established in
6 rules promulgated pursuant to § 13-1-12.1;

7 (14) "Average teacher salary base," a school district's average teacher salary for school
8 fiscal year 2007;

9 (15) "Adjusted average teacher salary," a school district's average teacher salary minus the
10 amount directly attributed to the program established in section 3 of this Act;

11 (16) "State aid base," the per student allocation for school fiscal year 2007;

12 (17) "Minimum salary increase," the index factor minus zero and six-tenths;

13 (18) "Minimum state aid increase," the index factor or three percent, whichever is less;

14 (19) "Minimum average teacher salary," the average teacher salary base increased by the
15 minimum salary increase for each subsequent year;

16 (20) "Minimum state aid allocation," the state aid base increased by the minimum state
17 aid increase for each subsequent year;

18 (21) "Adjusted per student allocation," is, for each school fiscal year prior to school fiscal
19 year 2010, equal to the per student allocation. For school fiscal year 2010 and each
20 school fiscal year thereafter, it is a school district's adjusted average teacher salary
21 for the prior year divided by the minimum average teacher salary for the prior year,
22 that quotient multiplied by the per student allocation. However, the adjusted per
23 student allocation may not be greater than the per student allocation or less than the
24 minimum state aid allocation.

1 Section 2. That § 13-13-73 be amended to read as follows:

2 13-13-73. The secretary of the Department of Education shall compute state aid to education
3 for each school district under the foundation program according to the following calculations:

- 4 (1) Determine each school district's average daily membership;
- 5 (2) Multiply the adjusted per student allocation by the adjusted average daily
6 membership to arrive at the local need per district;
- 7 (3) State aid is (a) local need minus local effort, or (b) zero if the calculation in (a) is a
8 negative number;
- 9 (4) If the state aid appropriation for the general support of education is in excess of the
10 entitlement provided for in this section, the excess shall be used to fund any shortfall
11 of the appropriation as provided for in §§ 13-37-36.3 and 13-37-43. The secretary
12 shall report to the Governor by January seventh of each year, the amount of state aid
13 necessary to fully fund the general aid formula in the current year. If a shortfall in the
14 state aid appropriation for general education exists that cannot be covered by § 13-
15 37-45, the Governor shall inform the Legislature and provide a proposal to eliminate
16 the shortfall.

17 Section 3. There is hereby created the teacher compensation assistance program within the
18 Department of Education to provide funds to school districts for the purpose of assisting them
19 with teacher compensation. The amount of funding available to each school district for this
20 voluntary program shall be calculated as follows:

- 21 (1) Determine the amount received for this program per average daily membership as
22 defined in subdivision 13-13-10.1(1) in the prior year;
- 23 (2) Increase the amount in (1) by the index factor as defined in subdivision 13-13-
24 10.1(3);

- 1 (3) Multiply the result of (2) by the average daily membership;
- 2 (4) Multiply the average daily membership by the adjusted per student allocation as
3 defined in this Act;
- 4 (5) Subtract the index factor from the annual percentage change in the state general fund
5 revenue for the year prior to the year immediately preceding the year of adjustment,
6 the result of which may not exceed 0.5 percent;
- 7 (6) Multiply the product in (4) by the result of (5);
- 8 (7) Add the product in (3) to the product in (6).

9 Section 4. Any school district, with the consent of the school board, may apply to
10 participate in the teacher compensation assistance program. The application shall consist of a
11 plan developed by the school district to provide additional compensation to teachers based on
12 district instructional goals, market compensation, and performance pay. If a school district's
13 plan is approved by the Board of Education, the school district may participate in the program
14 for a period of five years. In order to ensure that participating school districts are adhering to
15 their plans as presented to the board, the Board of Education may review the teacher
16 compensation plan of any participating school district at any time during the five-year period.

17 Section 5. There is hereby created the Teacher Compensation Assistance Program Oversight
18 Board. The secretary of education shall appoint the board members. The board shall review
19 applications for the teacher compensation assistance program from school districts and make
20 recommendations to the South Dakota Board of Education in a timely manner as to which
21 applications should be approved.

22 Section 6. Once a school district's initial five-year plan is complete, the school district may
23 reapply for the program. If a school district reapplies and the district's application is denied by
24 the Board of Education due to changes in the program's requirements, that school district is still

1 entitled to receive funding for this program, if the school district continues to follow its original
2 teacher compensation plan that it followed during the initial five years. The funding that school
3 district is entitled to receive during the first year following the denial and in each year thereafter,
4 as long as the school district continues to follow the original teacher compensation plan, shall
5 be calculated as follows:

- 6 (1) Determine the amount received for this program per average daily membership as
7 defined in subdivision 13-13-10.1(1) in the prior year;
- 8 (2) Increase the amount in (1) by the index factor as defined in subdivision 13-13-
9 10.1(3); and
- 10 (3) Multiply the result in (2) by the average daily membership.

11 Section 7. The South Dakota Board of Education shall promulgate rules pursuant to chapter
12 1-26 establishing the application process; application timelines; the guidelines for district
13 applications based on school district instructional goals, market compensation, and performance
14 pay; and a system to monitor the progress of participating school districts with their
15 compensation assistance plans and to ensure that each participating school district is complying
16 with the plan as submitted to the board.