



## 2021 South Dakota Legislature

# House Bill 1066

HOUSE EDUCATION ENGROSSED

Introduced by: **Representative** Deutsch

1 **An Act to authorize the transfer of wind energy tax revenue from a school district**  
 2 **general fund.**

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

4 **Section 1.** That § 13-13-10.1 be AMENDED.

5 **13-13-10.1. Definitions.**

6 The education funding terms and procedures referenced in this chapter are defined  
 7 as follows:

8 (1) Repealed by SL 2016, ch 83, § 4;

9 (1A) Nonresident students who are in the care and custody of the Department of Social  
 10 Services, the Unified Judicial System, the Department of Corrections, or other state  
 11 agencies and are attending a public school may be included in the fall enrollment of  
 12 the receiving district when enrolled in the receiving district;

13 (2) Repealed by SL 2016, ch 83, § 4;

14 (2A) "Fall enrollment," is calculated as follows:

15 (a) Determine the number of kindergarten through twelfth grade students  
 16 enrolled in all schools operated by the school district on the last Friday of  
 17 September of the current school year;

18 (b) Subtract the number of students for whom the district receives tuition except  
 19 for:

20 (i) Nonresident students who are in the care and custody of a state agency  
 21 and are attending a public school district; and

22 (ii) Students who are being provided an education pursuant to § 13-28-  
 23 11;

24 (c) Add the number of students for whom the district pays tuition.

1           When computing state aid to education for a school district pursuant to § 13-13-  
2           73, the secretary of the Department of Education shall use the school district's fall  
3           enrollment;

4       (2B) Repealed by SL 2010, ch 84, § 1;

5       (2C) "Target teacher ratio factor," is:

6           (a) For school districts with a fall enrollment of two hundred or less, the target  
7           teacher ratio factor is 12;

8           (b) For districts with a fall enrollment of greater than two hundred, but less than  
9           six hundred, the target teacher ratio factor is calculated as follows:

10           (1) Multiplying the fall enrollment by .00750;

11           (2) Adding 10.50 to the product of subsection (b)(1);

12           (c) For districts with a fall enrollment of six hundred or greater, the target teacher  
13           ratio factor is 15.

14           The fall enrollment used for the determination of the target teacher ratio for a school  
15           district may not include any students residing in a residential treatment facility  
16           when the education program is operated by the school district;

17       (2D) "Limited English proficiency (LEP) adjustment," is calculated by multiplying 0.25  
18           times the number of kindergarten through twelfth grade students who, in the prior  
19           school year, scored below level four on the state-administered language proficiency  
20           assessment as required in the state's consolidated state application pursuant to 20  
21           USC § 6311(b)(7) as of January 1, 2013;

22       (3) "Index factor," is the annual percentage change in the consumer price index for  
23           urban wage earners and clerical workers as computed by the Bureau of Labor  
24           Statistics of the United States Department of Labor for the year before the year  
25           immediately preceding the year of adjustment or three percent, whichever is less;

26       (4) "Target teacher salary," for the school fiscal year beginning July 1, 2020 is  
27           \$51,367.47. Each school fiscal year thereafter, the target teacher salary is the  
28           previous fiscal year's target teacher salary increased by the index factor;

29       (4A) "Target teacher benefits," is the target teacher salary multiplied by twenty-nine  
30           percent;

31       (4B) "Target teacher compensation," is the sum of the target teacher salary and the  
32           target teacher benefits;

33       (4C) "Overhead rate," is thirty-four and ninety-three hundredths percent.

- 1 Beginning in school fiscal year 2018, the overhead rate shall be adjusted to take  
2 into account the sum of the amounts that districts exceed the other revenue base  
3 amount;
- 4 (5) "Local need," is calculated as follows:
- 5 (a) Divide the fall enrollment by the target teacher ratio factor;
- 6 (b) If applicable, divide Limited English proficiency (LEP) adjustment pursuant to  
7 subdivision (2D) by the target teacher ratio factor;
- 8 (c) Add the results of subsections (a) and (b);
- 9 (d) Multiply the result of subsection (c) by the target teacher compensation;
- 10 (e) Multiply the product of subsection (d) by the overhead rate;
- 11 (f) Add the products of subsections (d) and (e);
- 12 (g) When calculating local need at the statewide level, include the amounts set  
13 aside for costs related to technology in schools and statewide student  
14 assessments; and
- 15 (h) When calculating local need at the statewide level, include the amounts set  
16 aside for sparse school district benefits, calculated pursuant to §§ 13-13-78  
17 and 13-13-79;
- 18 (5A) "Alternative per student need," is calculated as follows:
- 19 (a) Add the total need for each school district for school fiscal year 2016,  
20 including the small school adjustment and the limited English proficiency  
21 adjustment, to the lesser of the amount of funds apportioned to each school  
22 district in the year preceding the most recently completed school fiscal year  
23 or school fiscal year 2015 pursuant to §§ 13-13-4, 23A-27-25, 10-33-24, 10-  
24 36-10, 11-7-73, 10-35-21, and 10-43-77;
- 25 (b) Divide the result of (a) by the September 2015 fall enrollment, excluding any  
26 adjustments based on prior year student counts;
- 27 (5B) "Alternative local need," is the alternative per student need multiplied by the fall  
28 enrollment, excluding any adjustments based on prior year student counts;
- 29 (6) "Local effort," the amount of ad valorem taxes generated in a school fiscal year by  
30 applying the levies established pursuant to § 10-12-42. Beginning on July 1, 2017,  
31 local effort will include the amount of funds apportioned to each school district in  
32 the year preceding the most recently completed school fiscal year pursuant to  
33 §§ 10-33-24, 10-35-21 as provided by subdivision (6B), 10-36-10, 10-43-77, 11-  
34 7-73, 13-13-4, and 23A-27-25 and that exceeds the other revenue base amount.  
35 For the period July 1, 2016, through December 31, 2016, inclusive, local effort

1 includes the amount of ad valorem taxes generated by applying the levies  
2 established pursuant to § 13-10-6 during this period;

3 (6A) "Other revenue base amount," for school districts not utilizing the alternative local  
4 need calculation is the amount of funds apportioned to each school district pursuant  
5 to §§ 10-33-24, 10-35-21 as provided by subdivision (6B), 10-36-10, 10-43-77,  
6 11-7-73, 13-13-4, and 23A-27-25 calculated as follows:

7 (a) Beginning on July 1, 2017, equals the greatest of the amounts of the funds  
8 apportioned to each school district pursuant to §§ 10-33-24, 10-35-21 as  
9 provided by subdivision (6B), 10-36-10, 10-43-77, 11-7-73, 13-13-4, and  
10 23A-27-25 for school fiscal years 2013, 2014, and 2015;

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

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

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

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

15 (f) Beginning on July 1, 2022, is zero.

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

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

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

30 (6B) "Wind energy tax revenue," any wind energy tax revenue apportioned to school  
31 districts, pursuant to § 10-35-21, from a wind farm producing power for the first  
32 time before July 1, 2016, shall be considered local effort pursuant to subdivision (6)  
33 and other revenue base amount pursuant to subdivision (6A). However, any wind  
34 energy tax revenue apportioned to a school district from a wind farm producing  
35 power for the first time after June 30, 2016, one hundred percent shall be retained

1 by the school district to which the tax revenue is apportioned for the first five years  
 2 of producing power, eighty percent for the sixth year, sixty percent for the seventh  
 3 year, forty percent for the eighth year, twenty percent for the ninth year, and zero  
 4 percent thereafter. If a wind farm begins producing power for the first time between  
 5 October first and December thirty-first in a calendar year, any revenues generated  
 6 for that time period must be retained by the school district and that time period  
 7 may not be counted against the first five-year period;

8 (7) "Per student equivalent," for funding calculations that are determined on a per  
 9 student basis, the per student equivalent is calculated as follows:

10 (a) Multiply the target teacher compensation times the sum of one plus the  
 11 overhead rate;

12 (b) Divide subsection (a) by 15;

13 (8) "Monthly cash balance," the total amount of money for each month in the school  
 14 district's general fund, calculated by adding all deposits made during the month to  
 15 the beginning cash balance and deducting all disbursements or payments made  
 16 during the month;

17 (9) "General fund base percentage," is determined as follows:

18 (a) Forty percent for a school district with a fall enrollment as defined in  
 19 subdivision (2A) of two hundred or less;

20 (b) Thirty percent for a school district with fall enrollment as defined in  
 21 subdivision (2A) of more than two hundred but less than six hundred; and

22 (c) Twenty-five percent for a school district with fall enrollment as defined in  
 23 subdivision (2A) greater than or equal to six hundred.

24 When determining the general fund base percentage, the secretary of the  
 25 Department of Education shall use the lesser of the school district's fall enrollment  
 26 as defined in subdivision (2A) for the current school year or the school district's fall  
 27 enrollment from the previous two years;

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

30 **Section 2.** That § 13-16-26.2 be AMENDED.

31 **13-16-26.2. Transfers from general fund--Prohibited--Exceptions.**

32 Notwithstanding ~~the provisions of~~ § 13-16-26, no school district may transfer any  
 33 funds, exclusive of federal funds and wind energy tax revenue that is defined in § 13-13-

1       10.1 and apportioned pursuant to § 10-35-21, from the general fund to the capital outlay  
2 fund, bond redemption fund or the capital projects fund.

3               The authority provided by this section for the transfer of wind energy tax revenue  
4 is conditioned annually upon the district obtaining, from the Department of Education,  
5 verification that the average compensation of teachers in the district, as based on the  
6 most recently approved financial report, exceeds the average compensation rate for the  
7 2017 fiscal year.

8               The transfer of wind energy tax revenue must be made within the ten--year  
9 timeframe identified in subdivision 13-13-10.1(6B) for each new wind farm. The maximum  
10 amount a school district may transfer on an annual basis is the amount of wind energy  
11 tax revenue that is able to be retained by the district and not counted as local effort.

12               Notwithstanding § 13-16-6, wind energy tax revenue transferred to the capital  
13 outlay fund under the authority of this section must remain separately identified and may  
14 not thereafter be returned to the general fund.