

# State of South Dakota

SEVENTY-NINTH SESSION  
LEGISLATIVE ASSEMBLY, 2004

400J0235

## SENATE BILL NO. 213

Introduced by: The Committee on State Affairs at the request of the Governor

1 FOR AN ACT ENTITLED, An Act to repeal certain provisions regarding the reduction in state  
2 aid to education based on school district general fund balances.

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  
14 agencies and are attending a public school may be included in the average daily  
15 membership of the receiving district when enrolled in the receiving district. When  
16 counting a student who meets these criteria in its general enrollment average daily



1 membership, the receiving district may begin the enrollment on the first day of  
2 attendance. The district of residence prior to the custodial transfer may not include  
3 students who meet these criteria in its general enrollment average daily membership  
4 after the student ceases to attend school in the resident district;

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

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

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

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

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

17 (4) "Per student allocation," for school fiscal year 2004 is \$3,967.88. Each school fiscal  
18 year thereafter, the per student allocation is the previous fiscal year's per student  
19 allocation increased by the index factor;

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

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

24 ~~(7) "General fund balance," the unreserved fund balance of the general fund, less general~~

1 fund exclusions plus, beginning with transfers made in fiscal year 2001, any transfers  
2 out of the general fund for the previous school fiscal year;

3 ~~—(8)—~~ "General fund balance percentage," is a school district's general fund balance divided  
4 by the school district's total general fund expenditures for the previous school fiscal  
5 year, the quotient expressed as a percent;

6 ~~—(9)—~~ "General fund base percentage," is the general fund balance percentage as of June 30,  
7 2000. However, the general fund base percentage can never increase and can never  
8 be less than twenty percent;

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

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

13 ~~—(12)—~~ "General fund exclusions," revenue a school district has received from the imposition  
14 of the excess tax levy pursuant to § 10-12-43; revenue a school district has received  
15 from gifts, contributions, grants, or donations; revenue a school district has received  
16 under the provisions of §§ 13-6-92 to 13-6-96, inclusive; and any revenue in the  
17 general fund set aside for a noninsurable judgment.

18 Section 2. That § 13-13-73.2 be repealed.

19 ~~—13-13-73.2. A school district's state aid for general education as calculated pursuant to~~  
20 ~~§ 13-13-73 shall be reduced by the following calculation:~~

21 ~~—(1)—~~ Subtract the allowable general fund balance from the general fund balance. If the  
22 result is less than zero, (1) equals zero;

23 ~~—(2)—~~ Determine the lower of the general fund base percentage or the general fund balance  
24 percentage;

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

7 Section 3. That § 13-13-73.3 be repealed.

8 ~~—13-13-73.3. The secretary of education and cultural affairs shall determine the reduction in~~  
9 ~~state aid to education pursuant to § 13-13-73.2. The secretary of education and cultural affairs~~  
10 ~~shall distribute the amount of money so determined to school districts that received state aid~~  
11 ~~pursuant to chapter 13-13 on a pro rata basis according to the district's average daily~~  
12 ~~membership compared to the total average daily membership of all districts eligible for this~~  
13 ~~distribution.~~

14 Section 4. That § 13-13-73.4 be repealed.

15 ~~—13-13-73.4. The secretary of the Department of Education shall promulgate rules, pursuant~~  
16 ~~to chapter 1-26, that calculate exclusions for revenue received from opting out of the property~~  
17 ~~tax limitations such that all expenditures shall be credited to formula revenue and unreserved~~  
18 ~~general fund balance from the preceding fiscal year prior to any credits against opt-out revenue.~~

19 Section 5. That § 13-13-76 be repealed.

20 ~~—13-13-76. There is hereby created the Excess General Fund Oversight Board within the~~  
21 ~~Department of Education. The board shall consist of five members, appointed by the Governor.~~  
22 ~~The Excess General Fund Oversight Board may exempt a school district from the provisions of~~  
23 ~~§ 13-13-73.2 if a school district can demonstrate to the Excess General Fund Oversight Board~~  
24 ~~that its general fund balance percentage is the result of special circumstances.~~