



## **SOUTH DAKOTA**

### **Description of the Formula**

South Dakota has a foundation formula that provides a guaranteed funding level per student. A combination of local and state funds provided \$4,365 per student in 2006-07 (\$4,528 per-student in 2007-08). State-local share is determined by local property valuation, meaning districts with higher property values receive less state funds and rely more on local dollars.

### **District-Based Components**

#### **Density/Sparsity of Small Schools**

The small school adjustment, effective for the 2007-08 school year, is the successor to a “small school factor” that was in place previously. The “small school factor” used a formula to add additional “phantom” students to a district’s average daily membership, with the smallest districts receiving funds for up to 20 percent more students.

Starting in 2007-08, South Dakota uses a “small school adjustment” that provides an additional \$847 per student for districts with enrollments of less than 200. Districts with enrollments between 200 and 600 receive “small school adjustment funds” based on the number of students in the system, calculated using a straight-line formula.

South Dakota also has a “sparsity” factor that provides additional funding to small, isolated school districts. Districts must meet several criteria to qualify, for example, the district must have less than 0.5 students per square mile, and have land area in excess of 400 square miles and the district’s high school must be further than 15 miles away from another public school district attendance center. The formula adds up to \$165,000 per year for the state’s most isolated schools. The sparsity factor existed in its current form beginning in the 2006-2007 school year, but the cap was set at \$250,000.

#### **Grade Level Differences**

Does not apply.

**Declining Enrollment or Growth**

There were no provisions for enrollment declines or growth in 2006-07. However, two provisions were enacted for the 2007-08 school year.

South Dakota now allows districts to use a two-year fall enrollment average for state aid purposes, meaning districts with decreasing enrollments receive a financial cushion. Districts that experience a 25-student increase or 5% enrollment increase are entitled to a one-time payment equal to the total increase in students times half the per-student allocation.

**Capital Outlay and/or Debt Service**

The Capital Outlay funding level is limited to \$3.00/\$1,000 in taxable valuation. Debt service is based on the level approved by voters. Bonding limit is 10% of a district's taxable value less outstanding bonds.

**Transportation**

Included in the state aid formula for regular and special education students.

**Student-Based Components****Special Education**

Special Education aid calculation is similar to the general education aid formula in that the student counts utilized within the funding formula are based on both fall enrollment and December child count. Based upon the counts and primary student disabilities reported, a district's total "need" or total state-local funding is determined. The state-local share of these district need is based on the local property valuation. The local share is calculated using a tax levy of \$1.20/\$1000 of assessed valuation (AV). A district is authorized by SD statute to utilize a maximum levy of \$1.40/\$1000 AV for their special education fund. Funding for special education may be limited when levying less than \$1.20/1000 AV or if the district is determined to have an ending fund balance that exceeds a statutorily defined limit.

South Dakota districts can also apply to an extraordinary cost fund for additional funding for special education students with costly needs. Applications are reviewed by committee, and may not necessarily be approved. In recent years, the fund has distributed approximately \$4.5 million in additional aid to districts based on need.

**Compensatory Education**

Does not apply.

**Bilingual/English Language Learner Education**

Does not apply.

**Gifted and Talented Education**

Does not apply.

## **Revenue and Expenditure Information**

### **State Mandates Restricting Revenue or Expenditure Increases**

State law restricts annual growth in the per-student allocation to the CPI-W or 3 percent, whichever is less. The Legislature can offer growth above the statutory increase if it so chooses.

### **Property Assessment Ratios Used/Legal Standards for Property Assessment**

Assessment ratio levels are set by the state at 85% of full and true value. Full and true values are based on sales except where there are not enough usable sales to determine full and true value - then counties can use an income-based approach. An exception to state law that removes property sold for more than 150% of the assessed value from tax rolls distorts the actual amount of valuation that can be used for taxation purposes.

### **Measure of Local Ability to Support Schools**

General Fund is limited by the growth in the per-student allocation authorized by the Legislature each year. Included in this limit is a guaranteed mill levy which would allow a district to generate local property taxes to realize the total funding level guaranteed by the per-student allocation. Because taxable valuations are going up faster than the percent increase in the per-student allocation, the legislature has been reducing the levies to meet the per-student allocation funding level. Few school districts have the valuation that would allow them to levy less than the guaranteed level and generate the local effort to fund, at least, the per-student allocation.

### **School District Budget and Tax Rate Procedures/Sources of Local Revenue**

School districts are financially independent. Maximum taxation levies are established each year by the Legislature, with a local option to tax up to the maximum amount. A district can tax above the maximum levy through an opt-out procedure. Opt-outs must be authorized for a specific time frame. A school board may impose the opt-out on its own, but the opt-out may be referred to a vote of the citizens by the local board or by petition. Local revenues derive primarily from property taxes. Other revenue sources - including interest earnings from public lands, bank franchise tax, mineral rights taxes, gross receipts tax, and state fines – are distributed to local districts in which the revenue is generated.

### **State Support for Nonpublic Schools**

Does not apply.

*Source: Aust, Brian, Director of Communications, Associated School Boards of South Dakota*