



# South Dakota Report

## A Detailed Look at South Dakota's Funding Policies

### South Dakota

#### Funding Basics

##### Formula Type

South Dakota has a primarily resource-based formula. It determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so. The categories of students considered in South Dakota's funding policy are English-language learners, students with disabilities, students in sparsely populated and small districts, and students enrolled in career and technical education (CTE) programs.

South Dakota expects school districts to contribute to the funding of their public schools, with the amount of the local share based on districts' property values and the proceeds from other local taxes. Districts in South Dakota are not permitted to raise and keep additional local revenues for regular district operations.

South Dakota considers English-language learners, students with disabilities, and students in sparsely populated and small districts in the allocation of funding for staff costs. Services for students enrolled in CTE programs are funded through a program-specific allocation.

##### Base Amount

South Dakota uses a resource-based formula and therefore does not use a base per-student amount as the basis for its funding.

However, South Dakota does calculate a per-student equivalent amount, which is used for funding calculations that are determined on a per-student basis, such as the calculation of aid for sparse school districts. The per-student equivalent is the per-student cost of teacher salaries and overhead costs, assuming a student-to-teacher ratio of 15 to 1.

The teacher salary target was \$52,600.29 in FY2022 and increases annually based on inflation or 3%, whichever is less. The calculated cost is then increased to cover the cost of providing benefits for instructional staff and both salaries and benefits for non-instructional staff.

#### Local Revenue

## Expected Local Share

South Dakota expects school districts to contribute revenue to the funding of public schools. The amount each district is expected to raise for its education costs is based on its property values and its revenue from other local sources. School districts are expected to contribute a property tax rate that varies based on the type of property and to contribute revenue from six other local sources.

For general education for FY 2021-22, school districts are expected to contribute \$1.409 for every \$1,000 of assessed agricultural property value, \$3.153 for every \$1,000 of assessed owner-occupied property value, and \$6.525 for every \$1,000 of all other types of assessed local property value. For special education, districts are expected to contribute \$1.47 for every \$1,000 of assessed local property value. Once the state calculates the total amount of funding necessary to educate students within a district, it subtracts the expected local contribution and provides the difference in the form of state education aid.

Between FY2017 and FY2022, revenue from six additional revenue sources, including the utility tax, bank franchise tax, and wind farm tax, are being phased in as part of districts' expected local contribution. This phase-in annually increases the local share of the formula amount and adjusts the districts' state aid allocations. Other revenue that is phased in from these additional revenue sources will not offset state or local funding and will not take any funds away from the state's education system. The state's share of the funding ratio will be adjusted so that the state's dollar amount contribution is not reduced and local property taxes are not impacted.

## Property Tax Floors and Ceilings

South Dakota does not set a floor or a ceiling for local property tax rates, or a level above which voter approval is generally required. However, South Dakota does set a level above which local property tax rates require the approval of two-thirds of school board members and under limited circumstances may require approval in a voter referendum. This level varies depending on the class of property.

Property taxes for operations are limited depending on the class of property. School districts may levy a tax rate of no more than \$1.409 for every \$1,000 on agricultural property, \$3.153 for every \$1,000 on owner-occupied property, and \$6.525 for every \$1,000 on all other types of property for taxes payable in FY2022. School boards may exceed these limits with the approval of two-thirds of board members. If 5% of voters in the district petition in response to such a board decision, the tax increase will be referred to a referendum.

Districts may levy a tax rate of no more than \$1.67 for every \$1,000 of assessed local property value for special education and no more than \$3.00 for every \$1,000 of assessed local property value for capital expenses.

## Other Local Taxes for Education

School districts in South Dakota receive revenue from local property taxes, a tax on utilities, a bank franchise tax, a wind farm tax, and other sources of local revenue.

Prior to FY2016, school districts were able to keep revenue from the six additional revenue sources outside of the general education state aid formula. Between FY2017 and FY2022, revenue from the six additional revenue sources will be phased in as part of districts' expected local contributions and will therefore reduce districts' state aid amounts. These include a tax on utilities, a bank franchise tax, a wind farm tax, local revenue in lieu of taxes, county revenue in lieu of taxes, and revenue from traffic fines (see "Expected Local Share" for a description of this policy).

## Grade Level

South Dakota does not differentiate funding based on students' grade levels.

## English-Language Learner

South Dakota provides increased funding for English-language learners. It does so by applying a multiplier of 1.25 to the number of students who are identified as English-language learners. This adjusted student count is then used to generate increased funding for school districts serving English-language learners.

South Dakota identifies English-language learners through a state-administered language proficiency assessment.

## Poverty

South Dakota does not provide increased funding for students from low-income households or for districts based on the concentrations of low-income students they serve.

## Special Education

South Dakota funds special education using a hybrid system incorporating multiple student weights and census-based assumptions. Students are assigned to six different categories, one of which is funded assuming that a set percentage of students in each district will require such services.

Students are assigned to one of six categories: five based on their specific disabilities, and a sixth for students requiring prolonged assistance. Students in each category are funded with a flat amount of per-pupil funding, which ranged from \$6,229.65 to \$33,124.35 in FY2022. However, the first category, for students with mild disabilities, is funded using census-based assumptions: The supplementary allocation is applied to 10% of the general education student count rather than to an actual count of students who are assessed to have mild disabilities.

The supplemental funding for students in these disability categories is included in an overall formula amount that is funded through a combination of state and local dollars. Districts are expected to levy a local property tax of \$1.470 per \$1,000 of property valuation that is specific to special education, and the total special education allocation that a district is entitled to receive is the sum of all the supplementary funding to which its students are entitled, reduced by the amount that this tax should generate for the district. The state separately appropriates \$4 million per year for extraordinary costs funding, which is available to districts fulfilling certain prerequisites that serve high-cost individual students (those who impose costs exceeding twice their supplemental allocations) or that must maintain high-cost special education programs.

## Gifted

South Dakota does not provide increased funding for gifted and talented students.

## Career and Technical Education

South Dakota provides increased funding for career and technical education (CTE) programs. It does so by subsidizing the tuition of students dually enrolled in high school and postsecondary CTE programs and through a competitive grant.

For students dually enrolled in high school and postsecondary public universities and technical institutes, including those taking postsecondary CTE courses, the state subsidizes tuition such that each credit cost only \$48.33 in FY2021. The state also provides Workforce Education Fund grants, totaling up to \$1.125 million statewide with a maximum individual award amount of \$225,000 in FY2021. These grants are intended for districts seeking to make transformative change in their CTE programs.

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## Concentrated Poverty

South Dakota does not provide increased funding for districts based on the concentrations of students from low-income households that they serve.

## Sparsity and/or Small Size

South Dakota provides increased funding for sparse school districts. It does so by applying a multiplier, which varies depending on density, enrollment, and physical size, to the student count to generate increased funding for sparse school districts.

To receive additional funding for sparsity, school districts must meet certain density, enrollment, and physical size requirements; operate a secondary school that is at least 15 miles from that of a neighboring district; and levy property taxes at the maximum rates. South Dakota provides the additional funding through one of two calculations that considers the district's density, enrollment, and physical size. Sparse school districts may receive up to 1.75 times the per-student equivalent, but no more than \$110,000 per district per year (see "Base Amount" for a description of the per-student equivalent).

South Dakota provides increased funding for school districts by setting student-to-teacher ratios that vary depending on the district's enrollment. The target student-to-teacher ratio is 12 to 1 for districts with fewer than 200 students, compared with 15 to 1 for districts with more than 600 students. For districts with between 200 and 600 students, the target student-to-teacher ratio is set based on a sliding scale between 12 to 1 and 15 to 1.

## Charter Funding

South Dakota does not have a law establishing charter schools.