

FISCAL NOTE
Requested by Legislative Council
04/08/2019

Amendment to: SB 2265

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2017-2019 Biennium | | 2019-2021 Biennium | | 2021-2023 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | \$109,810,892 | \$3,600,000 | | |
| Appropriations | | | \$0 | \$3,600,000 | | |

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| | 2017-2019 Biennium | 2019-2021 Biennium | 2021-2023 Biennium |
|-------------------------|--------------------|--------------------|--------------------|
| Counties | | | |
| Cities | | | |
| School Districts | | \$113,410,892 | |
| Townships | | | |

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2265 establishes the policy for implementing the K-12 funding formula, establishes an appropriation for rapid enrollment grants and music education grants.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 instructs the superintendent of public instruction to create a process to reinstate and recertify title I credentials.

Section 2 changes 175 instructional days to hours and adds a 3rd day of professional development. Section 2 also clarifies that school districts intending to operate a four-day week must apply for a waiver with the superintendent of public instruction.

Section 3 adds current or new evidence-based behavior prevention to the list of approved professional development.

Section 4 creates a weighted student unit of .5 for districts that are growing in student population. Section 4 becomes effective on July 1, 2020.

Section 5 increases the weighted student units to .6 for on time funding and to increase the weighting factor annually .1 not to exceed a weighting factor of 1. Section 5 also implements an adjustment for districts that are paid for on time funding to adjust their payment the following year to the school districts average daily membership. The weighting factor will match the weighting factor that the school district was paid on for on time funding the previous year. Section 5 becomes effective July 1, 2021.

Section 6 resets the baseline funding in the integrated formula payment using the 2018-19 formula payments and students used to determine those payments. Section 6 increases the per pupil payment from \$9,646 to \$9,839 for 2019-20 and \$10,036 for 2020-21. School districts that are paid on the transition minimum receive a 1% increase each year of the biennium and districts that are paid on a transition maximum receive a 5% increase each year of the biennium. Any new students for districts that are paid on a transition minimum will be paid on the per pupil payment rate of \$9,839 and \$10,036 respectively. For the 2021-22 school year, the baseline funding adjustment will

be reduced by 15%.

Section 6 also states if a school district receives tuition for a student that is not a resident of this state and this state has not entered into an agreement with the resident state, that revenue will not be deducted as in lieu of property taxes. If a school district meets all the criteria listed on page 18 line 18-27, tuition received from a bordering district will not be deducted as in lieu of property taxes. The revenue received as in lieu of property taxes will be reduced by the percentage of their sinking and interest mills compared to their total levy. After this calculation all in lieu of property taxes will be deducted at 75 percent.

Section 7 changes the deduction to 60 mills of the taxable valuation effective July 1, 2025.

Section 8 creates an adjustment to the local property tax contribution to phase school districts on to a uniform 60 mill deduct by 2025.

Section 9 eliminates 182 from the ADM calculation and divide the days present plus days absent divided by the calendar days.

Section 10 states that the superintendent shall pay the cross-border attendance bill to South Dakota from funds appropriated for the state aid to schools.

Section 11 allows school districts that meet the criteria listed on page 18 lines 18-27 to charge 200% of tuition or \$4,000 whichever is greater.

Section 12 allows the school district to increase their property tax levy if their deduct from the the foundation aid formula is increased in section 8.

Section 13 changes a school districts levying authority effective for the year 2025.
(Continued in B)

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Section 14 appropriates \$3,000,000 for rapid enrollment grants to be distributed for the 2019-20 school year.

Section 15 appropriates \$600,000 for music education grants distributed using the previous year's average daily membership.

Section 16 is a study for the funding formula.

Districts may have to renegotiate with teachers regarding the 3rd professional development day. The cost of funding instructional staff for 1 day in the state is approximately 8.8 million dollars.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Funding for the K-12 formula is in the integrated formula payments line item in the NDDPI appropriation bill (SB 2013). Amounts to be funded from general and special funds have yet to be determined. The amount identified in other funds is the \$3,000,000 for rapid enrollment and \$600,000 for music education grants.

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Fiscal Note SB 2265

House
Amendments
05008

| | |
|--|----------------------|
| 2017-19 Base Level - Integrated Formula Payments | 1,935,204,163 |
| Cost to Continue* | 53,625,374 |
| Reset Baseline | 15,106,628 |
| New Students at Per Pupil Rate | (7,683,575) |
| Rate Adjustments ** | 78,533,685 |
| On Time Funding Yr 2 (.5 weighting factor) | 17,709,901 |
| 75% In Lieu | 5,757,243 |
| Sinking and Interest Deducted From In Lieu | 12,335,458 |
| Tuition Adjustments | 311,537 |
| Increase Contribution from Property Tax Phase In | (2,032,062) |
| Decrease Rate Adjustment to 2% and 2% | (10,615,923) |
| SD Cross Border Agreement Tuition | 350,000 |
| Total Expenditures | <u>2,098,602,429</u> |
| Increase over 2015-17 Base Level Funding | 163,398,266 |
| Rapid Enrollment Grants | 3,000,000 |
| Research Based Literacy Intervention | - |
| State Reporting System Rebuild | - |
| Music Education Grants | 600,000 |
| DHS Behavior Health | - |
| Title I Credentials | 38,000 |
| Total Expenses | 2,102,240,429 |
| Fiscal Note | |
| General Fund | 109,810,892 |
| Special Fund | 3,600,000 |

** Transition Minimum 1% & 1%

** On Formula 2% and 3%

** Transition Maximum 5% & 5%