

FISCAL NOTE
Requested by Legislative Council
03/27/2019

Revised
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			\$121,926,815	\$5,950,000		
Appropriations			\$1,500,000	\$5,950,000		

- 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		\$129,870,877	
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, literacy intervention, music education grants, and State Automated Reporting System upgrade.

- 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 \$10,134 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 \$10,134 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 does not have 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 \$1,200,000 for updating and redesigning the state automated reporting system

Section 16 appropriates \$1,750,000 for music education grants distributed using the previous year's average daily membership.

Section 17 appropriates \$200,000 to the Department of Commerce for literacy intervention

Section 18 appropriates \$1,300,000 to the department of human services for student behavior health. A district is only eligible up to the non-federal portion of Medicaid reimbursement.

District 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, \$1,200,000 for the State Automated Reporting System, and \$1,750,000 for music education grants.

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Fiscal Note SB 2265

	House Amendments 19.0614.05000
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)
Total Expenditures	<u>2,108,868,352</u>
Increase over 2017-19 Base Level Funding	173,664,189
Rapid Enrollment Grants	3,000,000
Research Based Literacy Intervention	200,000
SD Cross Border Payment	350,000
State Reporting System Rebuild	1,200,000
Music Education Grants	1,750,000
DHS Behavior Health	1,300,000
Title I Credentials	38,000
Total Expenses	2,116,706,352
Fiscal Note	
General Fund	121,926,815
Other Fund	5,950,000