With the passage of each piece of Gov. Dennis Daugaard and the Blue Ribbon Task Force's education funding proposal, the state's funding formula and other funds have seen extensive changes. Below is a breakdown of the key pieces of the formula and changes made.

The Funding:

- A half cent increase to the state sales tax, which has not been raised since 1969, would provide the new, ongoing revenue source schools need to support an increase to teacher salaries.
- More than $80 million would be dedicated to the general fund of school districts to support teacher salaries for the 2016-17 school year.
- Approximately $63 million in new money would be provided to schools through the half cent increase.
- Approximately $34 million in property tax relief will be provided for all property tax payers.
- $19.2 million would be transitioned from the school district pension fund to the general fund through a $0.263 mill levy increase to all school districts' general funds.
    - Districts with money still in their pension fund will have five years to spend that fund down before it is merged into the general fund.

Teacher Pay:

- The **goal** is to increase the state average teacher salary from $40,000 to $48,500.
- School districts **are expected** to put the increased funding they receive towards teacher salaries.
- Mandates 85 percent of the new revenue percentage increase schools receive be spent on certified instructional staff, with a penalty of a 50 percent of the increased state aid be returned to state if the target is not met.
- A second mandate requires 85 percent of the total state aid dollars be allocated for teacher pay and benefits.
- A waiver process for districts to apply to a review committee – also established in the bill – was set should districts have an issue arise hampering them from reaching the 85 percent target.
- Statement of legislative intent was added that funds appropriated for teacher pay should be used to directly improve teacher recruiting and retention and that the school districts advance this goal by increasing starting teacher salaries and providing for the rapid acceleration of teacher salaries for those below the midpoint in that teacher's applicable pay scale.

The New Funding Formula:

- The new formula will be based on a target student-to-teacher ratio with the target state average teacher salary of $48,500 for the 2016-17 school year.
- The target ratio will be based on a sliding scale for enrollments:
    - Less than 200 – 12 to 1
    - 200 to 600 – 12 through 15 to 1
    - More than 600 – 15 to 1
    - *It is important to note that class sizes will not be mandated based on these ratios.*
- To cover additional salary and benefits costs, the formula will include a benefits factor of 29 percent and an overhead factor of 31 percent, which factors in administrators and other district employees.
- Fall enrollment will be used to determine a district's student count.

Capital Outlay:

- The total amount a school district could raise based on at $3/$1,000 mill levy will set their capital outlay total going forward. This total is based on the $3/$1,000 mill levy, **NOT** on what your district's current levy is set at.
    - For example: if your district was able to raise $1 million based on a $3/$1,000 mill levy, $1 million would become your capital outlay total going forward.
- Your district's capital outlay total would grow each year by 3 percent or inflation, whichever is less; plus any new construction.
    - For example: If your district's capital outlay total was $1 million, it would grow to $1,030,000 the following year based on the inflationary calculation
- District's will be required to request a total amount needed for Capital Outlay and the levy would be set based on the total amount requested.
- Capital Outlay flexibility will become permanent and districts will be allowed to transfer up to **45 percent** of their capital outlay dollars to the general fund, to be used for **ANY**
- An alternative maximum capital outlay cap will be imposed on a per-student basis at $2,800 per-student, which is double the approximate state average of $1,400 per-student. The alternative cap will increase at 3 percent or inflation, whichever is less, but will not take effect until the 2020-21 school year.

Reserve Fund Caps:

- Beginning during the 2018-19 school year, fund Balance caps will be based on enrollment tiers and calculated by using the district's lowest monthly fund balance of the 12 month period.
- Enrollment tiers for the fund balance caps include:
  - Less than 200 students – 40 percent
  - 200 to 600 students – 30 percent
  - More than 600 students – 25 percent
  - *The tiers will be determined by using the district's lowest enrollment of the previous three years.*
- A five-member oversight board will be appointed to consider waivers to caps applied for by districts.

Other Revenue Equalization:

- Other Revenue from the following six sources will be equalized among all public school districts:
  - gross receipts tax on utilities
  - local revenue in lieu of taxes
  - county apportionment of revenue from traffic fines
  - county revenue in lieu of taxes
  - wind farm tax
  - bank franchise tax
- The equalization of other revenue will be distributed based on a per-student average
- The equalization process will take place over a five-year step down period with other revenue collected by the district being decreased by 20 percent each year.
- The other revenue collected by a district in excess of the per-student average during the step down period will be counted towards the district's local effort.
- An amendment passed on the Senate floor implements a 10-year phase in of other revenue equalization for only NEW wind energy projects.
- Districts may opt in to an alternative local need option in which they would need to notify the S.D. Department of Education by July 1, 2016 they wish to retain all of their other revenue, which would count towards the district's local effort. Districts opting in to the alternative local need option would forego any state aid that would count towards their total need until such time when their other revenue dollars no longer cover their total need OR they choose to utilize the state aid formula