



# Capital Outlay

<http://dor.sd.gov/> 1-800-829-9188 (Option 2)

*The purpose of this document is to provide a general overview of the property tax impact on South Dakota school's Capital Outlay Fund. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current as of the date of publication.*

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## School District Funds

School district funds are all moneys received from all sources. Examples of these sources are: federal, state or other local government sources; taxes; income from school property; borrowing sources; and other sources. ([SDCL 13-16-1](#))

The major school district funds are:

- General Fund ([SDCL 13-16-3](#))
- Capital Outlay Fund ([SDCL 13-16-6](#))
- Special Education Fund ([SDCL 13-37-16](#))

This document will focus specifically on the Capital Outlay Fund and how money for this fund is generated.

## Capital Outlay Fund Defined

Generally, the capital outlay fund of the school district is a fund for expenditures related to the purchase or lease of real property or equipment. ([SDCL 13-16-6](#))

The fund may be used for:

- Land;
- Existing facilities;
- Improvement of grounds or equipment;
- Construction or remodeling of facilities;
- Purchase or lease of equipment;
- Installment or lease-purchase payments for the purchase of real property, plant, or equipment;
- Payment of capital outlay certificates;
- Student transportation;
  - ⇒ A school district may use capital outlay funds to pay up to 15% of contracted student transportation costs, and 15% of mileage reimbursement costs defined by [SDCL 13-30-3](#).
- Textbooks and instructional software; and
- Warranties on capital assets.

A school district may transfer from its capital outlay fund to its general fund no more than 45% of the total tax revenues deposited into the capital outlay fund during the current school fiscal year. ([SDCL 13-16-6](#))

If you have any questions about a school district's capital outlay budget, contact the school district administrator or business official.

## Capital Outlay Levy Defined

South Dakota state law ([SDCL 13-16-7](#)) allows a school district to authorize an annual tax levy up to \$3.00 per \$1,000 of taxable valuation for capital outlay fund purposes.

- This tax levy is the same for all land classes.

## Capital Outlay Limitations Defined

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### Growth + CPI Limitation ([SDCL 13-16-7](#))

Currently, all school districts follow the Growth + CPI (Consumer Price Index) Limitation. The Growth + CPI Limitation states that the total amount of taxes collected from the capital outlay levy cannot increase annually more than the index factor plus the growth factor.

- Index factor is defined as 3% or the CPI factor, whichever is less. ([SDCL 10-13-38](#))
- Growth factor is defined as any new construction which has occurred in the last year within the school district boundaries.

### Alternative Per Student Limitation ([SDCL 13-16-7.2](#))

Starting with taxes payable in 2021 (2020 assessment year), a secondary limitation possibility will be implemented. The Alternative Per Student Limitation allows a school district to levy up to \$2,800 for each enrolled student from the previous school year.

All limitation calculations are based upon the maximum taxes allowable, not actual tax dollars requested.

**Regardless of which limitation applies, a school district may never exceed a \$3.00 capital outlay levy.**

School districts created or reorganized are exempt from the annual limitation for two years after creation.

## Determining the Appropriate Capital Outlay Annual Limitation

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Currently, a school district is limited to the maximum taxes allowed by the Growth + CPI Limitation.

Starting with taxes payable in 2021 (2020 assessment year), a school district will be limited to the maximum taxes allowed by either the Growth + CPI Limitation or the Alternative Per Student Limitation, whichever is less.

- If the lesser is the Growth + CPI Limitation, then the dollar amount will continue to increase by both growth and index factors.
- If the lesser is the Alternative Per Student Limitation, then the school district will be able to ask for \$2,800 per student. Each year after taxes payable in 2021, that \$2,800 will increase by the CPI factor only.

If the Alternative Per Student Limitation applies, the school district and the Department of Revenue will analyze the data and calculations:

- **If the school district has acquired capital outlay debt prior to July 1, 2016**, it can ask for the debt payment funds ([SDCL 13-16-6.2](#)) plus the \$2,800 per student. This may include any debt existing prior to July 1, 2016 that is refinanced without acquiring new debt. Interest accrued prior to refinancing is not considered new debt.
- **If the school district does not have capital outlay debt prior to July 1, 2016**, then it will use the Alternative Per Student Limitation.

**Regardless of which limitation applies, a school district may never exceed a \$3.00 capital outlay levy.**

### Contact Us

If you have any questions, please contact the **South Dakota Department of Revenue**.

**Call toll-free:** 1-800-829-9188 (option 2)

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