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.

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
- Warranties on capital assets

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. The capital outlay levy is the same for all land classes.
Capital Outlay Fund Opt Out

Capital Outlay Fund Opt Out (SDCL 10-12-43.1)

If the school district is subject to the $3,400 Per Student Limitation and cannot operate on the revenues generated by that limitation, the school district may choose to “opt out” of the capital outlay limitation by imposing an excess tax levy. Any opt out funds cannot be transferred into the school district’s General Fund.

Opting out requires a two-thirds vote of the governing body on or before July 15th. The decision to opt out must be published within ten days of the decision. The decision may be referred to a vote upon a petition signed by at least five percent of the registered voters in the taxing district and filed with the governing body within twenty days of the first publication. The election must be held on or before October 1st.

The total capital outlay levy, including the main capital outlay fund request, capital outlay debt payments request, and the opt out request, cannot exceed a levy of $3.00 per $1,000 of taxable value.

For more information on the opt out process, please refer to Opt Outs for School Districts Only.
**What Capital Outlay limitation applies to my school district?**

<table>
<thead>
<tr>
<th>Question</th>
<th>YES Condition</th>
<th>NO Condition</th>
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| Did your school receive less than $1,400 per student in capital outlay revenues in 2020? | Is your school choosing to exceed the amount in the Growth+3% Limitation (as provided in SDCL 13-16-7) for taxes payable 2021 by levying up to $1,400 per student or $3.00 per thousand? | Your school district is subject to the $3,400 Per Student Limitation.  
- Each year thereafter, the $1,400 will increase annually by the lesser of 3% or CPI.  
- The school district will never leave this Limitation.  |
| Is the amount calculated from the Growth+3% Limitation less than the $3,400 Per Student Limitation? | Your school district is subject to the Growth+3% Limitation.  
- The Growth + 3% Limitation states that the total amount of taxes collected from the capital outlay levy cannot increase annually more than 3% plus the growth factor. | Your school district can request any necessary capital outlay debt payment funds plus up to $3,400 per student.  
*This may include any debt existing prior to July 1, 2016 that is refinanced without incurring new debt. Interest accrued prior to refinancing is not considered new debt.* |
| Do you have capital outlay debt that was incurred prior to July 1, 2016? | Your school district will be able to request up to $3,400 per student.  
- For taxes payable 2022 and thereafter, the $3,400 will increase annually by the lesser of 3% or CPI (does not include growth). |  |

**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)
- **Property Tax Division Email:** proptaxin@state.sd.us
- **Website:** [https://dor.sd.gov/](https://dor.sd.gov/)
- **Mailing address and office location:** South Dakota Department of Revenue  
  445 East Capitol Ave  
  Pierre, SD 57501