



Auditor General Russell Olson



**52nd Annual DLA Government Audit Workshop
Summary of Legislation from the 2026 Legislative Session
Prepared by the Department of Legislative Audit**

Auditor General Russell Olson



Summary of Legislation from the 2026 Legislative Session

Objective

- To receive an update on some of the 2026 legislative session bills enacted that may have some ramifications on upcoming audits.

Agenda

- General Discussion of enacted legislation.

Disclaimer

- *The following is a summary of enacted legislation.*
- *Please review specific changes to South Dakota Codified Laws for actual changes.*

Auditors

HOUSE BILL 1035: (In part, not entire bill)

Modifies the provisions related to the licensure of public accountants.

An Act to modify provisions related to the licensure of public accountants.

...Section 3. That § 36-20B-15 be AMENDED:

~~36-20B-15. The education requirement for a certificate, which shall be met before one hundred days after an applicant sits for the examination proscribed in this chapter, is at least one hundred fifty semester hours of college education, including graduation from an accredited college or university with a baccalaureate or a graduate degree in accounting, or the satisfactory completion of a course of study which the board has determined to be substantially the equivalent of an accounting degree, including related courses in other areas of business administration. Such courses of study may be in a college or university, recognized by the board.~~
In order to sit for the examination described in § 36-20B-18, an individual must provide documentation to the board that the individual has obtained, or is scheduled to obtain within one hundred days after taking the examination, a bachelor's degree or a graduate degree from an accredited institution of higher education. The individual's degree program must include a concentration in accounting or an equivalent, as determined by the board.

Auditors (Continued)

HOUSE BILL 1035: (In part, not entire bill) (Continued)

Modifies the provisions related to the licensure of public accountants.

Section 4. That § 36-20B-21 be AMENDED:

~~36-20B-21. An applicant for initial issuance of a certificate under this chapter shall show that the applicant has acquired one year of experience. This experience shall include providing~~ An applicant for a certificate, who holds a graduate degree that satisfies the requirements to sit for an examination, pursuant to § 36-20B-15, shall provide to the board documentation that the applicant has completed one year of experience in accounting.

An applicant for a certificate, who holds a bachelor's degree that satisfies the requirements to sit for an examination, pursuant to § 36-20B-15, shall provide to the board documentation that the applicant has completed:

(1) One year of experience in accounting and thirty semester credit hours of education, in addition to the number of hours required to obtain the applicant's bachelor's degree, at an accredited institution of higher education; or

(2) Two years of experience in accounting.

For the purposes of this section, experience in accounting includes any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax, or consulting skills, all of which were verified by a licensee, ~~meeting and meet~~ requirements prescribed by the board, by rule promulgated pursuant to chapter 1-26. Acceptable experience may be ~~gained~~ completed through employment in government, industry, academia, or public practice.

Any person ~~holding~~ who holds a valid certificate issued by this state prior to July 1, 2002, is deemed to have met the requirements of this section.

Auditors (Continued)

HOUSE BILL 1035: (In part, not entire bill) (Continued)

Modifies the provisions related to the licensure of public accountants.

...Section 9. That § 36-20B-66 be AMENDED:

36-20B-66. An individual whose principal place of business is not in this state and who holds a valid certificate or license as a certified public accountant from any state which the board has verified to be in substantial equivalence with the CPA licensure requirements of this chapter is presumed to have qualifications substantially equivalent to requirements of this state and shall have, has all the privileges of certificate holders and licensees of a licensee under this chapter, without the need to obtain a certificate or permit under this chapter, provided that the individual has passed the uniform certified public accountant examination, and has obtained:

(1) A bachelor's degree in accounting, or in a course of study that the board has determined to be comparable to an accounting degree, and has completed:

(a) Two years of experience in accountancy, as described in § 36-20B-21; or

(b) One year of experience in accountancy, as described in § 36-20B-21, and thirty semester credit hours at an accredited institution of higher education, in addition to the number of hours required to obtain the applicant's bachelor's degree; or

(2) A graduate degree in accounting, or in a course of study which the board has determined to be comparable to an accounting degree, and completed at least one year of experience in accountancy, as described in § 36-20B-21.

Notwithstanding any other provision of law, an individual who offers or renders professional services under this section, whether in person, or by mail, telephone, or electronic means, ~~shall~~ **must** be granted practice privileges in this state, and no notice, fee, or other submission is required of the individual. ~~However, the~~ **The individual shall be** is subject to the requirements of § 36-20B-68.

Auditors (Continued)

HOUSE BILL 1035: (In part, not entire bill) (Continued)

Modifies the provisions related to the licensure of public accountants.

Section 10. That § 36-20B-67 be AMENDED:

~~36-20B-67. Any individual whose principal place of business is not in this state who holds a valid certificate or license as a certified public accountant from any state which the board has not verified to be in substantial equivalence with the CPA licensure requirements of this chapter is presumed to have qualifications substantially equivalent to this state's requirements and shall have all the privileges of certificate holders and licensees of this state without the need to obtain a certificate or permit under this chapter if the CPA qualifications of the individual are substantially equivalent to the CPA licensure requirements of this chapter.~~

~~Notwithstanding any other provision of law, an individual who offers or renders professional services, whether in person, or by mail, telephone, or electronic means, under this section shall be granted practice privileges in this state, and no notice, fee, or other submission is required of the individual. However, the individual shall be subject to the requirements of § 36-20B-68~~

An individual shall continue to hold practice privileges, without needing to obtain a license under this chapter, if the individual:

- (1) Has a principal place of business that is not in this state;
- (2) Holds a valid certificate or license as a certified public accountant from any state; and
- (3) On or before December 31, 2024, exercised practice privileges in this state under § 36-20B-66, as it existed on December 31, 2024.

Government Generally - Taxes

SENATE BILL 245: (In part, not entire bill)

Creates a Homeowner Property Tax Reduction Fund.

An Act to create the homeowner property tax reduction fund, and to transfer moneys to the homeowner property tax reduction fund.

Section 1. That a NEW SECTION be added to chapter 10-13:

There is created in the state treasury the homeowner property tax reduction fund.

The Department of Revenue shall administer the fund. The purpose of the fund is to provide property tax relief for owner-occupied single-family dwellings. Moneys in the fund must be used to reduce the local effort for general education levies on owner-occupied single-family dwellings.

Interest on moneys credited to the fund must remain in the fund. Expenditures from the fund must be budgeted through the general appropriation bill.

Moneys in the fund may not be transferred to the general fund.

Government Generally – Taxes (Continued)

SENATE BILL 245: (In part, not entire bill)

Creates a Homeowner Property Tax Reduction Fund.

An Act to create the homeowner property tax reduction fund, and to transfer moneys to the homeowner property tax reduction fund.

Section 2. That a NEW SECTION be added to chapter 10-13:

The treasurer shall deposit in the homeowner property tax reduction fund established in section 1 of this Act, the applicable percent of taxes collected on or after August 1, 2027, pursuant to:

- (1) Chapter 10-45;
- (2) Chapter 10-46;
- (3) Chapter 10-46E; and
- (4) Chapter 10-58.

For purposes of this section, "applicable percent" means three-tenths percent divided by the tax rate provided for the taxes referenced in subdivisions (1) to (4), inclusive, of this section, as applicable.

Government Generally – Taxes (Continued)

SENATE BILL 245: (In part, not entire bill)

Creates a Homeowner Property Tax Reduction Fund.

An Act to create the homeowner property tax reduction fund, and to transfer moneys to the homeowner property tax reduction fund.

...Section 6. On July 1, 2026, the state treasurer shall transfer \$55,896,576 from the general revenue replacement fund to the homeowner property tax reduction fund.

Section 7. Sections 2 to 5, inclusive, of this Act are effective beginning July 1, 2027.

Government Generally – Taxes (Continued)

SENATE BILL 96: (In part, not entire bill)

Allow Counties to enact up to a one half percent sales tax.

An Act to authorize the imposition of a county option gross receipts tax to reduce owner-occupied property taxes.

...Section 5. That a NEW SECTION be added to a NEW CHAPTER in title 10:

A county may impose a gross receipts tax not to exceed one-half percent on the gross receipts of all sales of tangible personal property, any product transferred electronically, and services, that are taxable pursuant to chapters 10-45 and 10-46 in the county. The tax must conform in all respects to the state sales and use tax, with the exception of the tax rate.

For purposes of this chapter, "gross receipts" have the same meaning as defined and used in chapter 10-45.

Section 6. That a NEW SECTION be added to a NEW CHAPTER in title 10:

All proceeds from the tax imposed by a county pursuant to section 5 of this Act must be deposited into a property tax reduction fund of the county, to be used only as provided in section 7 of this Act.

Government Generally – Taxes (Continued)

SENATE BILL 96: (In part, not entire bill)

Allow Counties to enact up to a one half percent sales tax.

An Act to authorize the imposition of a county option gross receipts tax to reduce owner-occupied property taxes.

...Section 7. That a NEW SECTION be added to a NEW CHAPTER in title 10:

The governing body of a county shall allocate all moneys in the county's property tax reduction fund as a credit against the county property tax levy on all property classified as owner-occupied, as defined in § 10-13-39, in an equal percentage.

All additional moneys in the fund after one hundred percent of the county property tax levy on owner-occupied property is supplanted must be used to provide a credit against the county property tax levy on all property classified as agricultural and nonagricultural in an equal percentage.

Notwithstanding the provisions of this section, the governing body may allocate moneys in the county's property tax reduction fund in an amount necessary to implement the requirements of this chapter, not to exceed two percent of all moneys deposited in the fund during the first year in which the county imposes a gross receipts tax and not to exceed twenty thousand dollars in each year thereafter.

Government Generally – Taxes (Continued)

SENATE BILL 96: (In part, not entire bill)

Allow Counties to enact up to a one half percent sales tax.

An Act to authorize the imposition of a county option gross receipts tax to reduce owner-occupied property taxes.

...Section 8. That a NEW SECTION be added to a NEW CHAPTER in title 10:

To impose a gross receipts tax pursuant to section 5 of this Act, the governing body of a county shall adopt an ordinance pursuant to chapter 7-18A. The ordinance must specify the governing body will provide property tax relief on the county property tax levy to all property classified as owner-occupied, as defined in § 10-13-39, in the county and must direct the creation of the property tax reduction fund to be administered in accordance with this chapter.

Section 9. That a NEW SECTION be added to a NEW CHAPTER in title 10:

An ordinance adopted by a governing body of a county pursuant to section 8 of this Act may be referred to a vote of the people for approval or disapproval in the same manner as provided in chapter 7-18A.

An ordinance adopted pursuant to this chapter does not constitute an action necessary for the immediate preservation of the public peace, health, or safety, or for the support of the county government and its existing public institutions.

Government Generally – Taxes (Continued)

HOUSE BILL 1245: (In part, not entire bill)

Allow Municipalities to enact up to a one percent sales tax for capital improvement projects.

An Act to authorize municipalities to establish a local funding mechanism for capital improvement projects.

Section 1. That a NEW SECTION be added to chapter 9-12:

A municipality shall appoint a capital improvement board for purposes of approving or rejecting ordinances pursuant to section 4 of this Act.

A capital improvement board consists of the following five members, appointed by the mayor of the municipality and approved by the governing body:

- (1) One member of the governing body of the municipality; and
- (2) Four residents of the municipality, excluding any member of the governing body of the municipality.

...Section 3. That a NEW SECTION be added to chapter 10-52:

In addition to any other tax imposed by a municipality under this chapter, a municipality may impose a gross receipts tax, subject to the provisions of sections 4, 5, 8, and 9 of this Act.

The rate of tax authorized by this section may not exceed one percent and must conform in all respects to the state tax under chapters 10-45 and 10-46, with the exception of the tax rate.

Government Generally – Taxes (Continued)

HOUSE BILL 1245: (In part, not entire bill)

Allow Municipalities to enact up to a one percent sales tax for capital improvement projects.

An Act to authorize municipalities to establish a local funding mechanism for capital improvement projects.

Section 4. That a NEW SECTION be added to chapter 10-52:

To impose a tax pursuant to section 3 of this Act, the governing body of a municipality shall specify in the ordinance the purpose of, and the minimum amount to be generated from, the tax. The governing body shall submit the ordinance to the capital improvement board of the municipality, established pursuant to section 1 of this Act.

If the capital improvement board, by a majority vote, approves the ordinance, the governing body must submit the question of the imposition of the tax to the voters of the municipality at the next regular or special election of the municipality.

...Section 6. That a NEW SECTION be added to chapter 10-52:

All moneys collected from the tax imposed pursuant to section 3 of this Act and distributed to a municipality must be deposited into a special capital outlay fund of the municipality to be used only for purposes set forth in section 7 of this Act.

Government Generally – Taxes (Continued)

HOUSE BILL 1245: (In part, not entire bill)

Allow Municipalities to enact up to a one percent sales tax for capital improvement projects.

An Act to authorize municipalities to establish a local funding mechanism for capital improvement projects.

Section 7. That a NEW SECTION be added to chapter 10-52:

The governing body of a municipality may expend moneys in the special capital outlay fund only for the following purposes:

- (1) Acquisition or lease, by the municipality, of real property, a plant asset, or equipment; or
- (2) Construction, repair, or renovation of real property owned solely by the municipality or jointly by the municipality with one or more political subdivisions of this state.

After the completion of a project using moneys in the special capital outlay fund, the municipality may transfer ownership of the real property, plant, or equipment to a county in which the municipality is at least partially situated or to a school district in which the municipality is at least partially situated.

Section 8. That a NEW SECTION be added to chapter 10-52:

Subject to the notification requirements provided in § 10-52-9, an ordinance enacted pursuant to sections 3 to 5, inclusive, of this Act, and any tax rate affected thereby, remain effective until the last day of a calendar quarter that is at least ninety days after notification by the municipality to the secretary of revenue, and occurring on the earlier of:

- (1) Sixty months after the enactment of the ordinance; or
- (2) June thirtieth or December thirty-first of the year in which the municipality collects the minimum amount of money specified in the ordinance, pursuant to section 4 of this Act.

Section 9. That a NEW SECTION be added to chapter 10-52:

A municipality may not impose a tax pursuant to section 3 of this Act if the municipality has, in the most recent twenty-four months, collected moneys from a tax imposed pursuant to section 3 of this Act.

Government Generally – Taxes (Continued)

HOUSE BILL 1260: (Entire bill)

Allow Municipalities to enact a municipal property tax rebate program.

An Act to authorize the establishment of municipal property tax rebate programs.

Section 1. That a NEW SECTION be added to chapter 10-13:

The governing body of a municipality may, by ordinance, establish a program to provide a property tax rebate to an owner of an owner-occupied single-family dwelling situated within the municipality. Only taxes levied by the municipality may be rebated under the program.

If a municipality establishes a program to provide a property tax rebate pursuant to this section, the municipality must issue a rebate to any applicant who meets the criteria provided in the ordinance.

Government Generally-Open Government

SENATE BILL 46: (Entire bill)

Revise Proposed Agenda Requirements.

An Act to modify the requirements for open meeting agendas and provide a penalty therefor.

Section 1. That a NEW SECTION be added to chapter 1-25:

A proposed agenda, as required by § 1-25-1.1 or 1-25-1.3, must list all items to be considered by a public body during any official meeting.

The proposed agenda items must be described in sufficient detail to reasonably inform the public of any official business or public policy intended to be considered at the meeting.

A violation of this section is a Class 2 misdemeanor.

Government Generally-Open Government

(Continued)

SENATE BILL 47: (In part, not entire bill)

Revise Executive Meeting and Closed Meeting Requirements.

An Act to revise the requirements for executive sessions and closed meetings.

Section 1. That § 1-25-2 be AMENDED:

1-25-2. ~~Executive or closed meetings.~~ An executive session or closed meeting may be held only for the sole purposes of:

(1) ~~Discussing the qualifications, character, competence, fitness, performance, character or fitness or qualifications of any current or prospective public officer or employee or prospective public officer or employee. The term, employee, does not include any,~~ discussing the qualifications, character, competence, fitness, performance, character or fitness or qualifications of any current or prospective public officer or employee or prospective public officer or employee. The term, employee, does not include any, not including an independent contractor;

...

~~However, any official action concerning the matters pursuant to this section shall be made at an open official meeting. An executive or closed meeting must be held only upon a majority vote of the members of the public body present and voting, and discussion during the closed meeting is restricted to the purpose specified in the closure motion.~~

An executive session or closed meeting may be held only upon a majority vote of the members of the public body present and voting at an otherwise open official meeting.

In the absence of a unanimous vote, any vote to enter executive session must be taken by roll call. A motion to enter executive session must state the applicable subdivision in this section, or any other applicable law, pursuant to which the executive session is to be held. The motion and vote to enter executive session must be reported in the minutes of the proceedings. Discussion during executive session is restricted to the purpose specified in the motion to enter executive session.

Any official action concerning the matters considered pursuant to this section must be taken at an open official meeting.

Nothing in § 1-25-1 or this section prevents an executive session or closed meeting if the federal or state Constitution or the any federal or state statutes require or permit it statute permits or requires the session or meeting.

A violation of this section is a Class 2 misdemeanor.

Government Generally-Open Government **(Continued)**

HOUSE BILL 1092: (See Bill for Changes, Summary Below)

Update Provisions Pertaining to Open Records.

HB 1092 - **An Act to update provisions pertaining to open records.** – Made changes to various wordings and federal code references.

Government Generally

SENATE BILL 26: (In part, not entire bill)

Highway Construction Contracts

An Act to revise procurement for highway construction contracts.

Section 1. That § 5-18A-22 be AMENDED:

5-18A-22. The provisions of this chapter and chapters 5-18B, 5-18C, and 5-18D do not apply to:

(1) Any highway construction contract entered into by the Department of Transportation;

(2) Any political subdivision's utility contract to be bid in combination with a highway construction contract of the Department of Transportation;...

Government Generally (Continued)

SENATE BILL 3: (Entire bill)

Limit the types of residential improvements which require a permit

An Act to limit the types of residential improvements for which counties, municipalities, and townships may require a permit.

Section 1. That a NEW SECTION be added to chapter [11-10](#):

Notwithstanding any authority granted to a county, municipality, or township to prescribe building codes or standards or to issue building permits, a county, municipality, or township may not require a building permit for the repair or substantially similar replacement of any of the following existing exterior parts of a detached single-family owner-occupied residential structure:

- (1) Door, if the dimensions remain the same;
- (2) Downspout;
- (3) Fascia,
- (4) Fencing panel or post;
- (5) Gutter;
- (6) Siding, if nonstructural;
- (7) Soffit; and
- (8) Window, if the dimensions remain the same.

Nothing in this section relieves a homeowner from compliance with any other applicable building code or ordinance.

A county, municipality, or township may require building permits for repairs pursuant to this section or substantially similar replacements for exterior parts of any designated historical property as authorized under chapter [1-19B](#).

Government Generally (Continued)

SENATE BILL 75: (In part, not entire bill)

Opens participation in Cybersecurity Services Initiative

An Act to amend the type of entities eligible to participate in the cybersecurity services initiative.

Section 1. That 2024 Session Laws, chapter 229, § 1 be AMENDED:

Section 1. There is hereby appropriated from the general fund the sum of \$7,000,000 to the Office of the Attorney General, for ~~purposes~~ the purpose of creating a cybersecurity services initiative for ~~counties and municipalities throughout the State of South Dakota~~ in this state.

Section 2. That 2024 Session Laws, chapter 229, § 2 be AMENDED:

Section 2. The funds moneys appropriated in section 1 of this Act must be used exclusively to expand and improve cybersecurity for counties, nonprofit entities providing drinking water and sanitary sewer utilities, utilities operated by a political subdivision, and municipalities in the State of South Dakota, via any infrastructure and technology that can protect the information technology assets of ~~counties and municipalities in South Dakota~~ this state, and for administrative costs necessary for expending these dollars efficiently and effectively. ...

Government Generally - TIFs

SENATE BILL 228: (See Bill for Changes, Summary Below)

Revise/modify Tax Increment Financing District requirements.

An Act to modify provisions for a tax increment financing district.

Numerous changes were made (some considered rolling back to previous requirements) related to Tax Increment Financing Districts (TIFs). Many new requirements take effect for any TIF established after July 1, 2026.

Two of the added sections of law will be discussed in the following two slides.

Government Generally - TIFs

SENATE BILL 228: (See Bill for Changes, Summary Below)

Revise/modify Tax Increment Financing District requirements.

An Act to modify provisions for a tax increment financing district.

Section 15. That a NEW SECTION be added to chapter 11-9:

For any district established after July 1, 2026, a governing body may not approve a project plan unless an independent fiscal feasibility review has been completed and submitted to all political subdivisions.

The review must be conducted by a third-party who is a municipal advisor registered with the Municipal Securities Rulemaking Board and the United States Securities and Exchange Commission pursuant to section 15B of the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a to 78qq, inclusive (January 1, 2026), a licensed certified public accountant, or another independent third-party reviewer, including a nonprofit or research organization, or attorney, with demonstrated experience in municipal finance and tax increment financing, approved by the governing body.

The person conducting the review may be compensated for conducting the review but must be independent of any developer, obligated person, and private entity receiving financial assistance or reimbursement under the project plan. If the review is conducted:

(1) By a municipal advisor, the advisor must:

(a) Act in the capacity of municipal advisor to the governing body and may not act on behalf of any developer, underwriter, or other private party; and

(b) Acknowledge in writing that the advisor owes a fiduciary duty to the governing body with respect to any advice provided in the review;

(2) By a certified public accountant, the accountant:

(a) Must perform the review in accordance with applicable professional standards;

(b) May not prepare, or have prepared, any development feasibility analysis, financial projection, or valuation study for the developer or any affiliated entity relating to the district; and

(c) Must acknowledge in writing that the review is conducted for the benefit of the governing body; or

(3) By an independent third-party reviewer, including a nonprofit or research organization, or attorney, approved by the governing body, the third-party reviewer may not receive funding or compensation, other than compensation for conducting the review, from the governing body or any developer, underwriter, or other private entity involved in the project.

Government Generally - TIFs

SENATE BILL 228: (See Bill for Changes, Summary Below)

Revise/modify Tax Increment Financing District requirements.

An Act to modify provisions for a tax increment financing district.

Section 16. That a NEW SECTION be added to chapter 11-9:

A fiscal feasibility review required pursuant to section 15 of this Act:

(1) Must contain:

(a) A description of the project plan, proposed district boundaries, and estimated project costs;

(b) An analysis of the tax increment base and the projected tax increment valuation for the anticipated duration of the district;

(c) An evaluation of whether the projected tax increment revenue is sufficient to pay the project costs and any other obligation proposed to be paid from the revenue;

(d) An analysis of the timing of projected revenue relative to anticipated expenditures or debt service requirements;

(e) A discussion of material financial risks to the feasibility of the project plan;

(f) A statement identifying material assumptions, limitations, and reliance on information from other third persons; and

(g) A conclusion stating whether, based on the assumptions and analyses described in the report, the project plan is reasonably feasible from a financing standpoint;

(2) Is advisory in nature and does not constitute a guarantee of project completion, revenue, or valuation;

(3) Does not relieve the governing body of the responsibility to evaluate the project plan; and

(4) Must be completed and made available to the governing body and the public at least fourteen days prior to the governing body's consideration of the resolution establishing the district.

Municipalities

HOUSE BILL 1088: (In part, not entire bill)

An Act to remove the requirement that counties remit to municipalities an amount equal to the road levy for calendar years 1984, 1985, and 1986.

Section 1. That § 10-12-9 be AMENDED:

10-12-9. ~~The levy of county County taxes must be levied, pursuant to § 10-12-8 shall include the following purposes, for:~~

...

(4) ~~For county County roads, in addition to the road taxes levied by townships and municipalities, and it shall have together with the entire supervision of the expenditure of such the taxes. In all municipalities an amount equal to the average road levy distributed to the municipalities within the county for calendar years 1984, 1985, and 1986 shall be paid by the county treasurer to the municipal finance officer of the municipality. If a municipality is incorporated after January 1, 1984, the amount paid to the municipality shall be determined pursuant to § 10-12-32.1. Such money shall be expended by the governing body of the municipality only for bridge and street purposes within the municipality;...~~

Section 2. That § 10-12-32.1 be REPEALED.

~~If a municipality was incorporated after January 1, 1984, the municipality shall receive twenty five percent of the money raised for county roads for calendar years 1984, 1985, and 1986, within the area that is now incorporated as a municipality.~~

Municipalities (Continued)

HOUSE BILL 1215: (In part, not entire bill)

An Act to authorize counties and municipalities to issue a license for a cigar bar.

Section 1. That a NEW SECTION be added to chapter 34-46:

A board of county commissioners may approve a license to operate a cigar bar outside of the boundary of a municipality, within its jurisdiction.

A governing body of a municipality may approve a license to operate a cigar bar within its jurisdiction.

Section 2. That a NEW SECTION be added to chapter 34-46:

A person may apply to a county or municipality for a license to operate a cigar bar on the same premises as an establishment licensed under subdivision 35-4-2(4), (6), (12), or (16).

The governing body of the county or municipality shall hold a public hearing and make a final decision on the application for a license to operate a cigar bar in the same manner utilized for an on-sale license application pursuant to § 35-2-1.2.

...

Municipalities (Continued)

SENATE BILL 102: (In part, not entire bill)

An Act to modify the distribution of gaming revenues.

Section 2. That § 42-7B-48.1 be AMENDED:

42-7B-48.1. ~~Disbursements from the Gaming Commission fund shall be as set forth in § 42-7B-48 until such time as the net municipal proceeds paid to the City of Deadwood equals six million eight hundred thousand dollars for each year, and after~~ After payment of commission expenses pursuant to subdivision 42-7B-48(2), and after payment of one hundred thousand dollars to the State Historical Preservation Grant and Loan fund pursuant to subdivision 42-7B-48(3), ~~Thereafter,~~ all remaining funds shall be distributed as follows:

- (1) ~~Seventy-Two~~ Seventy-five percent to the state general fund;
- (2) ~~Ten-Three and three-tenths~~ percent to be distributed to municipalities in Lawrence County, except the City of Deadwood, pro rata according to their population;
- (3) ~~Ten-Seven-tenths~~ percent to be distributed to school districts that do not receive state aid for general education, pro rata based upon the previous year's average daily membership, located in whole or in part, in Lawrence County. For any school district located only partly in Lawrence County, only that portion of the district's average daily attendance which represents students residing in Lawrence County shall be considered in calculating the proration required by this subdivision; and
- (4) ~~Ten-Seven~~ Seventy-one percent to the City of Deadwood for deposit in the historic restoration and preservation fund.

Municipalities (Continued)

SENATE BILL 165: (See Bill for Changes)

An Act to revise certain provisions pertaining to municipal government.

This bill is part of a clean up of Municipal code that was started a few years ago. The legislation is 66 Sections long.

After July 1, 2026, please make sure you review and update any statute references as numerous changes were made.

Some areas amended – filling vacancy of mayor, qualifications for board, duties of finance officer spelled out, duties of city attorney, items related to law enforcement officer, insurance and much more.

School Districts

HOUSE BILL 1051:

An Act to revise property tax levies for school districts and to revise the state aid to general and special education formulas.

Changed various levy limits for school districts – All levies decreased, Target Teacher Salary increased:

	OLD	NEW
Max Levy	\$5.21 ^{1/10}	\$4.86 ^{7/10}
Ag. Property Levy	\$1.12 ^{5/10}	\$1.05 ^{1/10}
Owner Occupied Levy	\$2.51 ^{8/10}	\$0.66 ^{9/10}
Special Education Levy	\$1.46 ^{2/10}	\$1.44 ^{9/10}
Target Teacher Salary	\$62,821.19	\$63,700.69

School Districts (Continued)

HOUSE BILL 1082: (Entire bill)

An Act to establish parameters for the reimbursement of school districts that provide free or reduced-price meals to students.

Section 1. That § 13-35-2 be AMENDED:

~~13-35-2. Pupils and employed personnel of the school district or other agencies contracting with the Department of Education, who are fed through a school food services program may be charged for meals.~~

The board of a school district may impose a charge for any meal provided through the school district's food services program to:

- (1) Any student other than a student who is eligible for free or reduced-price meals through the National School Lunch Program, 42 U.S.C. § 1751, et seq. (January 1, 2026), or the School Breakfast Program, 42 U.S.C. § 1773 (January 1, 2026);
- (2) An employee of the school district; or
- (3) Any other individual, not otherwise exempted in accordance with section 2 of this Act.

Section 2. That a NEW SECTION be added to chapter 13-35:

If a student is eligible for reduced-price meals through the National School Lunch Program, 42 U.S.C. § 1751, et seq. (January 1, 2026), or the School Breakfast Program, 42 U.S.C. § 1773 (January 1, 2026), the board of a school district may not impose a charge upon the student for any meals served by the district through the National School Lunch Program or the School Breakfast Program.

...

School Districts (Continued)

HOUSE BILL 1082: - Continued (Entire bill)

An Act to establish parameters for the reimbursement of school districts that provide free or reduced-price meals to students.

Section 3. That a NEW SECTION be added to chapter 13-35:

On or before June thirtieth of each year, the department shall, based on information forwarded by each school district, calculate the amount to be reimbursed by the department for the cost of meals served to students who may not be charged, pursuant to section 2 of this Act. The department shall:

(1) Subtract the amount to be reimbursed to the district for each meal served to a student eligible for reduced-price meals through the National School Lunch Program, 42 U.S.C. § 1751, et seq. (January 1, 2026), or the School Breakfast Program, 42 U.S.C. § 1773 (January 1, 2026), from the amount reimbursed to the district for a meal served to a student eligible for free meals through either program; and

(2) Multiply the difference of subdivision (1) by the number of meals served to students who may not be charged, pursuant to section 2 of this Act.

The Department of Education shall, with moneys appropriated in the general appropriation bill, reimburse each school district in accordance with this section.

School Districts (Continued)

HOUSE BILL 1130: (Entire bill)

An Act to amend permissible uses of a school district's capital outlay fund.

Section 1. That § 13-16-6 be AMENDED:

13-16-6. ~~The capital outlay fund of the school district is a fund provided by law to meet expenditures which result in the acquisition or lease of or additions to real property, plant, or equipment. Such an expenditure shall be for land, existing facilities, improvement of grounds, construction of facilities, additions to facilities, remodeling of facilities, or for the purchase or lease of equipment. It may also be used for~~ The board of a school district may expend moneys from the capital outlay fund for:

- (1) Any expenditures that are required as the result of the acquisition or lease of or additions to real property, plant, or equipment;
- (2) Land, existing facilities, improvement of grounds, construction of facilities, or additions to or remodeling of existing facilities;
- (3) Any installment or lease-purchase payments ~~for the~~ made to purchase ~~of any~~ real property, plant, or equipment, ~~which have~~ that has a contracted terminal date not exceeding twenty years from the date of the installment contract or lease-purchase ~~and for the~~;
- (4) The payment of ~~the~~;
 - (a) The principal of and interest on capital outlay certificates issued pursuant to § 13-16-6.2;
 - (b) Any premium for a property insurance policy held by the school district;
 - (c) Up to fifteen percent of the amount of a transportation contract, if a school district contracts for student transportation; or
 - (d) Up to fifteen percent of the amount required to reimburse mileage costs, if a school district reimburses for mileage, pursuant to § 13-30-3, in lieu of providing transportation;
- (5) The purchase of:
 - (a) Warranties on capital assets, provided that the warranties do not include or require supplies; or
 - (b) Textbooks;
- (6) The purchase or renewal of instructional software; or
- (7) The purchase or lease of equipment.

School Districts (Continued)

HOUSE BILL 1130: (Entire bill - Continued)

An Act to amend permissible uses of a school district's capital outlay fund. - Continued

~~Any purchase of that does not exceed one thousand dollars or less may be paid out of the general fund. The total accumulated unpaid principal balances of such an installment contracts contract and lease-purchase, and the outstanding principal amounts of such any capital outlay certificates, may not exceed three percent of the taxable valuation. The school district shall provide a sufficient levy each year under the provisions of § 13-16-7 to meet the annual installment contract, lease-purchase, and capital outlay certificate payments, including interest.~~

~~A school district which contracts its student transportation may expend from the capital outlay fund an amount not to exceed fifteen percent of the contract amount. In addition, a school district which reimburses for mileage instead of providing transportation pursuant to § 13-30-3, may use the capital outlay fund to pay for fifteen percent of its mileage reimbursement costs.~~

~~The capital outlay fund may be used to purchase textbooks and to purchase or renew instructional software.~~

~~The capital outlay fund may be used to purchase warranties on capital assets if the warranties do not include supplies.~~

~~A The board of a school district may transfer from its capital outlay fund to its general fund an amount not to exceed forty-five percent of the total tax revenues deposited in that fund during the current school fiscal year.~~

School Districts (Continued)

HOUSE BILL 1249: (In part, not entire bill)

An Act to amend provisions pertaining to the School Finance Accountability Board, and the process by which a recommendation of the board is approved.

Section 1. That § 1-45-38 be AMENDED:

...

A school district may request that the School Finance Accountability Board waive any reduction to the district's state aid for general education, imposed under § 13-13-73.5, or the penalty imposed upon a school district, pursuant to § 13-13-73.9.

The board may:

(1) Reduce a school district's state aid for general education, as provided in § 13-13-73.5;

(2) Impose the penalty, as provided in § 13-13-73.9, upon a school district for failing to comply with § 13-13-73.6 or 13-13-73.8;

(3) Require a review of the school district's accreditation if:

(a) The district's lowest general fund monthly cash balance exceeds the district's allowable general fund cash balance; or

(b) The district has failed to comply with § 13-13-73.6 or 13-13-73.8; or

(4) Waive, in whole or in part:

(a) The reduction to a school district's state aid for general education required under § 13-13-73.5, if the district demonstrates that the lowest monthly general cash fund balance exceeded the allowable general fund cash balance as the result of special circumstances; or

(b) A penalty imposed upon a school district by § 13-13-73.9, if the district demonstrates that the district's failure to comply with § 13-13-73.6 or 13-13-73.8 was the result of special circumstances.

School Districts (Continued)

HOUSE BILL 1249: (In part, not entire bill)

An Act to amend provisions pertaining to the School Finance Accountability Board, and the process by which a recommendation of the board is approved.

Section 1. That § 1-45-38 be AMENDED:

...The board may condition any waiver granted to a school district pursuant to subsection (4)(a) upon the school district's annual lowest general fund monthly cash balance equaling an amount less than the district's allowable general fund cash balance, for at least three years. If the school district's lowest general fund monthly cash balance exceeds the district's allowable general fund cash balance at any point during the three years, the board may rescind the waiver and impose the penalty required under § 13-13-73.5.

The board may condition any waiver granted to a school district pursuant to subsection (4)(b) upon the school district increasing the district's average teacher compensation in accordance with § 13-13-73.6 and paying each full-time equivalent teacher a salary equal to the state minimum salary, as defined in § 13-13-73.8, for at least three years. If a school district fails to increase the district's average teacher compensation or fails to pay each full-time equivalent teacher a salary equal to the state minimum salary at any point during the three years, the board may rescind the waiver and impose the penalty required under § 13-13-73.9.

The School Finance Accountability Board shall promulgate rules, pursuant to chapter 1-26, to establish the process by which a school district may request a waiver, pursuant to this section, and the factors that the board may consider in granting a waiver request from a school district. The factors must address the impact of employee retirements on the district.

The Department of Education shall annually report to the Governor and the Legislature the information collected pursuant to §§ 13-8-47 and 13-13-73.6.

School Districts (Continued)

HOUSE BILL 1249: (In part, not entire bill)

An Act to amend provisions pertaining to the School Finance Accountability Board, and the process by which a recommendation of the board is approved.

Section 2. That § 13-13-73.5 be AMENDED:

~~13-13-73.5. Beginning on July 1, 2018, a~~ If a school district's lowest general fund monthly cash balance exceeds the district's allowable general fund cash balance, the Department of Education shall reduce a school district's state aid for general education, as calculated pursuant to § 13-13-73, by subtracting an amount equal to the difference of the district's allowable general fund cash balance subtracted from the district's lowest general fund monthly cash balance. If the result difference is less than zero, the reduction equals to the district's state aid for general education is zero.

A school district created or reorganized after July 1, 2016, is exempt from the reduction provided by this section for a period of three years immediately following its creation.

Section 3. That § 13-13-73.9 be AMENDED:

13-13-73.9. The Department of Education must decrease state aid to general education funding to the school district in the following fiscal year by five hundred dollars for each full-time equivalent teacher employed in the school district if:

- (1) The school district does not increase the school district's average teacher compensation in accordance with § 13-13-73.6; or
- (2) The school district does not pay each full-time equivalent teacher a salary at least equal to the state minimum salary as defined in § 13-13-73.8.

~~A school district may request a waiver from any penalty imposed under this section from the School Finance Accountability Board.~~

Questions - Discussion

Questions??

Discussion Related to Audit Process in South Dakota.