

The revenue estimates for school districts, as presented by Apex Clean Energy, fail to take into account the reality of public K-12 school funding in South Dakota. The revenue estimates they presented assume that public school districts are allowed to keep 100% of the tax revenues generated from wind farms in addition to the full amount of funding they would be otherwise entitled to receive from the state. While this was once the case, recent changes in K-12 public education funding laws now eliminate this possibility.

Two years ago, our state legislature passed an additional half-cent sales tax primarily to increase revenues for K-12 teacher salaries. However, in addition to this revenue measure, the legislature also passed a series of fiscal accountability measures that radically reduce the financial benefit any public school district would receive from projects such as the wind farm proposed for our area. The first measure is an "other revenues" equalization measure. The purpose of this measure is to redistribute tax revenues generated from sources other than property tax levies (ex. revenues generated from wind farms, oil pipelines, natural gas pipelines, etc.) in order to prevent any one school district from having a financial advantage over another school district.

According to this measure, a school district would be allowed to keep 100% of its share of the tax revenues generated by a new wind farm project for the first five years of the project. During the second five years of the project's life span, these revenues are slowly reduced via a sunset provision: In Year 6, the district receives a reduction in its state aid that is equivalent to 20% of the revenues generated by the wind farm; in Year 7 the reduction is increased to 40%; in Year 8 it is increased to 60%; and so on until finally, in Year 10, every single cent that the school district receives from the wind farm is offset by a matching reduction in its state aid. The end result is a zero-sum impact on the school district's revenues.

The second measure is a cap on the amount of money the school district can retain in its general fund reserves. Depending on the number of students enrolled in school, a district's general fund reserve balance is capped at either 25%, 30%, or 40% of its general fund budget in any given year. If a district exceeds this amount in its general fund reserves, its state aid is reduced, dollar for dollar, by that excess amount. The revenues generated by a wind farm are considered general fund revenues, and would count against this overall reserve cap. During the years in which a school district would actually realize increased revenues from a wind farm, the district must also find a way to spend that money within that same fiscal year in order to avoid the penalty for exceeding the reserve cap. However, because this revenue source will eventually die (as described above), the district must find a way to spend that money without creating an annual expense.

In short, in order for a school district to be able to realize the financial benefit that has been advertised by companies such as Apex Clean Energy, South Dakota would have to drastically revise its public education funding laws and remove provisions such as the two described above.

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