

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

2026 South Dakota Legislature

FISCAL NOTE 2026-FN1056A

HB1056, An Act to require that the Department of Social Services submit a federal waiver request to exclude soft drinks from the supplemental nutrition assistance program.

HB 1056 would require the Department of Social Services (DSS) to obtain a food restriction waiver for the Supplemental Nutrition Assistance Program (SNAP) to prohibit "soft drinks," as defined in the bill, from being purchased by SNAP participants using their Electronic Benefit Transfer card. Soft drinks do not include milk, milk products, milk substitutes, or juices that are eligible under the Women, Infants, and Children Supplemental Nutrition program.

The bill requires DSS to submit a waiver request to the United States Department of Agriculture (USDA) before September 1, 2026. This request would require a plan including definitions of beverages excluded from purchase, expected outcomes of the waiver, and ways to measure those outcomes. Once the waiver is obtained, DSS would need to decide what beverage products to exclude according to the bill and report this to the USDA and retailers in the state. DSS would field questions from retailers as to exceptions and ensure state exclusions are enforced. DSS would likely be expected to report on purchasing patterns, medical services needed, and other economic and health outcomes for SNAP recipients, including those receiving Medicaid and other aid programs. This report may show savings in state medical services and economic assistance programs.

DSS currently has 6 FTEs dedicated to administering SNAP, excluding benefit specialists. DSS would likely need 1 additional FTE to administer the SNAP food restriction waiver, performing the duties described above. The cost of this additional FTE could be around \$80,600 per year, including benefits. Other states, like Nebraska and Iowa, have used contracted vendors to meet reporting obligations. A contract to meet reporting obligations could cost \$250,000 per year based on similar existing contracts made by other states. Other administrative expenses associated with the waiver could likely be absorbed in the existing budget.

It may take up to 6 months before the waiver becomes active, which would be around March 1, 2027, if the state applies on September 1, 2026. Based on this start date, the total cost for fiscal year 2027 is projected to be \$82,650. For fiscal year 2028, the total cost is projected to be \$330,600.

By federal law, the cost of the waiver would be split between the state and the federal government, with 75% paid by the state and 25% paid by the federal government. The split for fiscal year 2027 would be \$61,988 in general funds and \$20,662 in federal fund expenditure authority. A full year cost in fiscal year 2028 would be \$247,950 in general funds and \$82,650 in federal fund expenditure authority.

	FY 2027	FY 2028
General Funds	\$ 61,988	\$ 247,950
Federal Funds	\$ 20,662	\$ 82,650
Total Cost	\$ 82,650	\$ 330,600

APPROVED BY: /s/ John McCullough
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