

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

2025 South Dakota Legislature

FISCAL NOTE 2025-FN1009A

HB1009, An Act to provide for the creation and use of South Dakota educational empowerment accounts, and to provide a penalty therefor.

HB1009, as amended, would make educational empowerment accounts (EEAs) available to the parents of participating South Dakota students to spend on qualifying expenses, which are defined in section 3 of the bill. The accounts would be funded at 100% of the per student equivalent (PSE) amount. If the Governor's recommended state aid index factor is adopted, the FY2026 PSE will be \$7,497.76. The PSE increases each year by the state aid index factor.

Unused moneys in the EEAs would roll over from one year to the next, provided the parent elects to renew their account. Accounts are closed and remaining funds are reverted to the general fund when the student graduates from high school, or if an account holder fails to renew their EEA or is found to be ineligible (e.g., due to fraud).

When applying for an EEA through the Department of Education (the Department), a parent would be required to acknowledge that their student would not "enroll in a school district in this state" or "have on file a current notice of alternative instruction" in the ensuing school year. The bill also directs the Department to publish a form on its website through which parents could withdraw an alternative instruction notice. The opening of an EEA would constitute compliance with statutorily required school attendance notifications.

In FY2026, the cost to the State for this program is \$0 up to \$160 million. The fiscal impact of this bill will vary depending on the amount of the money appropriated by the Legislature. The estimate of \$160 million is based on a scenario in which all current K-12 private school students (9,520 in the fall 2024 count) and alternative instruction students (estimated to be 11,489 in the fall 2024 count) choose to participate, and no public school students switch from public school to an EEA. The cost also includes \$2,400,000 million in additional costs for the Department's administration of the program, which would include processing applications, auditing accounts, and development and publication of an EEA handbook. There would be an additional cost to the State for those students who switch from public school to an EEA.

The fiscal impact of the program each year would depend on the number of private school and alternative instruction students who participate (each of whom, in FY2026, would have \$7,497.76 deposited in their EEA), as well as on the number of public school students who leave the public school system (and thus would no longer be counted for state aid fall enrollment) in favor of an EEA.

An estimated 18,711 students would want to participate in EEAs for FY2026. The State would need \$140,290,587 dollars in FY2026 for EEAs, plus an additional \$2,400,000 for administration of the program for a total cost of \$142,690,587.

Student participation would likely increase over subsequent years as the program matured and students move from public schools to EEAs, increasing the total cost to the State. When

attempting to forecast participation in the EEA program, the utility of comparisons to other states is limited by factors including:

- The substantial and multiple differences between those states' programs and the program HB1009 would create (e.g., in terms of the universality of eligibility, mutual exclusivity with other school choice programs in the state, or the kinds of allowable expenses);
- Differences between the existing K-12 educational infrastructure in South Dakota and such infrastructures in those states (e.g., in terms of the number and geographic distribution of private schools); and
- The relative recency of the emergence of genuinely universal (any student can opt in, homeschool and private school expenses permitted) and robustly funded educational choice programs, of the kind HB1009 would create.

APPROVED BY: /s/ John McCullough
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