

# **SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL**

## **2026 South Dakota Legislature**

FISCAL NOTE 2026-FN1098A

HB1098, An Act to amend certain provisions pertaining to special education funding.

HB1098 (House Appropriations engrossed) revises the definition of a level two disability in the state aid to special education funding formula from "cognitive disability or emotional disorder" to:

A chronic or acute health problem that:

(a) Causes the student to experience limited strength, vitality, or alertness, including a heightened alertness to environmental stimuli resulting in limited alertness to the educational environment; and

(b) Adversely affects the student's educational performance.

The effect of this revision is to include students categorized as "other health impaired" (OHI) (see ARSD [24:05:24.01:14](#)) in the level two disability funding level. For a given fiscal year, need is calculated in the state aid to special education formula based on the count of students receiving special education and related services taken in December of the prior fiscal year. December 2025 child count statistics have not yet been finalized. This analysis assumes an OHI count for December 2025 of 3,260, which is the average for OHI of the last three December child counts. The inclusion of OHI students in level two would also cause some students to move from levels three or level four to level five (multiple disabilities).

Assuming the relative shares of state and local funding in the special education formula are maintained, the estimated cost of HB1098 would be:

- \$37,330,478 to the state general fund in FY2027
- \$32,859,771 in property tax collected statewide for taxes payable in 2027

These figures are relative to the Governor's recommended budget. The cost of the bill in general fund moneys and property tax local effort would rise if an inflationary increase for the disability funding levels is adopted for FY2027.

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