

April 17, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO SECOND ENGROSSMENT

REENGROSSED HOUSE BILL NO. 1540

Introduced by

Representatives Koppelman, Hauck, J. Johnson, Marschall, Morton, Rohr, Steiner

Senators Clemens, Cory, Gerhardt, Wobbema, Boehm

In place of the amendments (25.1055.04010) adopted by the Senate, Reengrossed House Bill No. 1540 is amended by amendment (25.1055.04014) as follows:

1 A BILL for an Act to create and enact a new chapter to title 15.1 of the North Dakota Century
2 Code, relating to an education savings account program for students who are not enrolled in
3 public school or a homeschool program; to provide an appropriation; and to provide an effective
4 date.

5 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

6 **SECTION 1.** A new chapter to title 15.1 of the North Dakota Century Code is created and
7 enacted as follows:

8 **Definitions.**

9 As used in this chapter:

- 10 1. "Administrator" means ~~an organization registered by the secretary of state to do~~
11 ~~business in North Dakota and designated by the Bank of North Dakota to assist in the~~
12 ~~implementation of this chapter.~~
13 2. "Department" means the department of public instruction.
14 3. "Education service provider" means an individual or organization approved to provide
15 qualified education services. The term does not include a participating school.
16 4. "Eligible postsecondary institution" means a community college, an accredited
17 university, or an accredited private postsecondary institution.
18 5. "Eligible student" means:
19 ~~a. An~~ an elementary or secondary student who is a resident of this state and is
20 eligible to attend a public school; ~~or~~

1 ~~b. A student who has received a scholarship under the education savings account~~
2 ~~program until the student graduates high school or reaches twenty-one years of~~
3 ~~age, regardless of household income.~~

4 6. "Parent" means a resident of this state who is a parent, guardian, custodian, or other
5 person with the authority to act on behalf of the ~~child~~eligible student.

6 7. "Participating school" means any nonpublic school providing education to elementary
7 students, secondary students, or both ~~that, which charges tuition and~~ has notified the
8 administrator of the school's intention to participate in the education savings account
9 program and comply with the education savings account program requirements under
10 this chapter and related administrative rules.

11 8. "Private tutoring" means ~~qualified~~professional tutoring services approved by the
12 ~~program manager~~ to receive payment under this chapter.

13 9. "Program manager" means an organization registered by the secretary of state to do
14 business in North Dakota and designated by the Bank of North Dakota to assist in the
15 implementation of this chapter.

16 ~~Account deposits~~ – Parent agreement - Qualified expenses – Enrollment.

17 1. ~~Beginning with the 2026-27 school year, the Bank of North Dakota annually shall~~
18 ~~deposit into each education savings account fifty percent of the statewide average~~
19 ~~amount distributed per student under subsection 5 of section 15.1-27-04.1 for the~~
20 ~~previous year.~~

21 ~~2. The department shall give priority access to the education savings account program to~~
22 ~~the sibling of a student already enrolled in the education savings account program.~~

23 ~~3. A parent of an eligible student qualifies for a state grant to the child's~~an education
24 savings account ~~child~~for the student if the parent signs an agreement with the
25 department promising:

26 a. To provide an education for the eligible student in at least the subjects of ~~reading,~~
27 ~~grammar~~English language arts, mathematics, social studies, and science;

28 b. Not to enroll the parent's eligible student in a public school or supervise home
29 education under chapter 15.1-23 for the eligible student;

30 c. To use education savings account program funds solely for qualified expenses
31 under this chapter;

d. To comply with the requirements outlined in this chapter and any related rules adopted by the Bank of North Dakota; and

e. If the participating student is a child with a disability, ~~to acknowledge~~ the parent has received information from the department and understands participation in the education savings account program qualifies as a parental placement of the parent's child under the Individuals with Disabilities Education Act [Pub. L. 108-446; 20 U.S.C. 1412(a)(10)(A)]; ~~and~~

~~f. To notify the department if the parent's student terminates participation in the education savings account program and enrolls in a public school.~~

4.2. A parent participating in the education savings account program ~~shall~~may use the funds deposited in the eligible student's account for any of the following qualifying expenses to educate the eligible student:

a. Tuition and fees at a participating school;

b. A textbook required by a participating school;

c. Payment for private tutoring or to another educational service provider;

d. Payment for purchase of curriculum;

e. Tuition or fees for a nonpublic online learning program;

f. Fees for ~~national norm-referenced examinations~~, advanced placement examinations or similar courses, and any examinations related to college or university admission;

g. Computer hardware, software, or other technological device that is used solely for a student's educational needs and approved by the ~~department or a licensed physician administrator~~, provided hardware purchased with education savings account funds may not be resold within ~~one year~~three years of purchase;

h. Reasonable fees for transportation paid to a fee-for-service transportation provider for the student to travel to and from an education service provider;

i. Tuition and fees at an eligible postsecondary institution; and

j. A textbook required for college or university courses.

5.3. A participating school, private tutor, eligible postsecondary institution, or other education service provider may not refund, rebate, or share a student's grant with a

parent or ~~the~~ student in any manner. Any refund must be provided to the administrator who shall deposit the funds into the appropriate student's education savings account.

6.4. A parent may make a payment for the cost of educational programs and services not covered by the funds in the child's account.

~~7.~~

Bank of North Dakota - State treasurer - Duties - Transfer.

1. The administrator shall:

a. Beginning with the 2026-27 school year, annually deposit into each education savings account fifty percent of the statewide average amount distributed per student under subsection 5 of section 15.1-27-04.1 for the previous year.

b. Qualify a program manager to manage and administer education savings accounts.

c. Establish the role and responsibilities of a program manager.

d. Conduct or contract for the auditing of accounts and, at a minimum, conduct random audits of accounts on an annual basis. A program manager may conduct the audits. The administrator may determine a parent of an eligible student is ineligible for the education savings account program if the parent substantially misuses the funds in the account.

e. Refer cases of substantial misuse of funds to law enforcement for investigation, if evidence of fraudulent use of an account is obtained.

f. Make deposits into eligible students' education savings accounts on a quarterly basis.

g. Adopt rules and procedures under chapter 28-32 for the administration of the education savings account program, as necessary.

h. Upon a participating student's graduation from high school or termination of participation in the education savings account program, close the participating student's account and transfer any remaining money in the account to the general fund in the state treasury.

2. The administrator may bar a participating school or education service provider from the education savings account program if the administrator determines the participating school or education service provider has:

- 1 a. Routinely failed to comply with the accountability standards established under
2 this chapter; or
- 3 b. Failed to provide a participating student with the educational services funded by
4 the education savings account.
- 5 3. If the administrator bars a participating school or education provider from the
6 education savings account program, the program manager shall notify eligible
7 students and parents of the decision as quickly as possible. A parent may appeal a
8 decision of the administrator under chapter 28-32.
- 9 4. The state treasurer annually shall transfer the funds required for education savings
10 accounts from the general fund to the Bank of North Dakota for quarterly deposit in
11 each education savings account.
- 12 8.5. Funds, not to exceed twenty-five percent of the amount under subsection 1, not
13 expended over the course of a school year may be carried forward for use in the
14 following school year for a child who remains in the education savings account
15 program. If a parent removes a child from the education savings account program
16 before the end of the school year, any remaining funds from that school year must be
17 returned to the state and be allocated to fund other accounts. A student may transfer
18 to another nonpublic school ~~or home school~~ and retain the funds in the education
19 savings account.
- 20 9.6. Funds deposited in an education savings account do not constitute taxable income to
21 the parent or the education savings account student.
- 22 7. The superintendent of public instruction may apply to a federal agency for additional
23 funds to support this program. These funds must provide an additional benefit to each
24 participating student's education savings account. If necessary to become eligible for
25 the receipt of federal funds, the Bank of North Dakota, with consideration of advice
26 provided by the superintendent of public instruction, shall adopt rules that supersede
27 any conflicting law under this chapter.
- 28 ~~Bank of North Dakota -- Administrator -- Administration.~~
- 29 ~~1. The Bank of North Dakota shall:~~
- 30 ~~a. Qualify private financial management firms to manage and administer~~
31 ~~education savings accounts.~~

- ~~b. Conduct or contract for the auditing of accounts and, at a minimum, conduct random audits of accounts on an annual basis. The Bank of North Dakota may make a parent of an eligible student ineligible for the education savings account program if the parent substantially misuses the funds in the account.~~
- ~~c. Refer cases of substantial misuse of funds to law enforcement for investigation if evidence of fraudulent use of an account is obtained.~~
- ~~d. Make payments to eligible students' education savings accounts on a quarterly basis.~~
- ~~e. Adopt rules and procedures as necessary for the administration of the education savings account program.~~
- ~~f. Upon the student's graduation from high school, the superintendent of public instruction shall close the student's account and transfer any remaining money in the account to the general fund in the state treasury.~~
- ~~2. The administrator shall provide to the parent of a participating student a written explanation of the allowable uses of education saving accounts, the responsibilities of the parent, and the duties of the administrator.~~

Participating schools - Department - Accountability standards.

- ~~1. To ensure students are treated fairly and kept safe, each~~A participating nonpublic school shall:
 - ~~a. Comply with all health and safety laws or codes that apply to nonpublic schools.~~
 - ~~b. Obtain certification of approval under section 15.1-06-06.1.~~
 - ~~c. Hold a valid occupancy permit if required by the school's municipality; and.~~
 - ~~d. Certify the school complies with the nondiscrimination policies under [42 U.S.C. 1981].~~
- ~~2. To ensure funds are spent appropriately, a participating school shall:~~
 - ~~a.e. Provide a parent with a receipt for all qualifying expenses at the school.~~
 - ~~b. Demonstrate the school's financial viability, if the school is to receive fifty thousand dollars or more during the school year, by filing with the administrator before the start of the school year.~~

- ~~(1) A surety bond payable to the state in an amount equal to the aggregate amount of the funds from education savings accounts expected to be paid during the school year from students admitted at the participating school; or~~
- ~~(2) Financial information demonstrating the school has the ability to pay an aggregate amount equal to the amount of the funds from education savings accounts expected to be paid during the school year to students admitted to the participating school.~~
- ~~3. To allow parents and taxpayers to measure the achievements of the education savings account program:~~
- ~~a. Parents shall ensure:~~
- ~~(1) The~~
- f. Refund any payment for which a good or service was not provided to the student due to a participating student terminating participation in the education savings account program. A tuition payment must be refunded pro rata determined by the school days remaining in the term for which the tuition was paid. A refund must be paid to the administrator who shall deposit the funds into the appropriate student's education savings account.
- g. Ensure the eligible student ~~annually~~ takes the state ~~achievement tests~~ ~~assessments, or other~~ nationally norm-referenced tests, ~~or equivalent tests that, which~~ measure learning gains in mathematics and English language arts, and provide for value-added assessment. If a parent selects the state ~~achievement test~~ ~~assessment~~, the department shall pay associated costs and materials.
- ~~(2) The~~
- h. Ensure the results of the tests are provided to the department ~~or an organization chosen by the state on an annual basis;~~
- ~~(3) The student information is reported in a way that allows the department to aggregate data by grade level, gender, family income level, and race; and~~
- ~~(4) The department, or an organization chosen by the department, is informed of the eligible student's graduation from high school.~~
- ~~b.2.~~ The department, or an organization chosen by the department, shall:

- 1 ~~(1)a.~~ Ensure compliance with all student privacy laws.
- 2 ~~(2)b.~~ Collect all test results.
- 3 ~~(3)c.~~ Provide the test results, associated learning gains, and graduation rates to
4 the public on the department's website after the third year of test and graduation-
5 related data collection. The findings must be aggregated by the student's grade
6 level, gender, family income level, number of years of participation in the
7 education savings account program, and race. Data aggregation related to
8 assessments may be limited to the state assessment, as determined necessary
9 by the department.
- 10 ~~(4)d.~~ Provide rates for high school graduation, college attendance, and college
11 graduation for participating students to the public on the department's website
12 after the third year of test and test-related data collection; and
- 13 ~~(5)~~ ~~Administer an annual parental satisfaction survey requesting each parent~~
14 ~~of a student receiving an education savings account program grant indicate the~~
15 ~~number of years the child has participated in the education savings account~~
16 ~~program and express the parent's:~~
- 17 ~~(a)~~ ~~Satisfaction with the education savings account program; and~~
- 18 ~~(b)~~ ~~Opinions on other topics, items, or issues that may indicate the effectiveness of~~
19 ~~the education savings account program.~~
- 20 4.3. A participating nonpublic school or other education service provider is autonomous
21 and not an agent of the state or federal government and, except as provided under
22 this chapter and in related rules, the:
- 23 a. ~~The department~~ Department may not regulate the educational program of a
24 participating nonpublic school or education service provider that accepts funds
25 from an education savings account, except as provided under this chapter and
26 chapter 15.1-23;
- 27 b. ~~The creation~~ Creation of the education savings account program does not expand
28 the regulatory authority of the state, its officers, or a school district to impose an
29 additional regulation of nonpublic schools or education service providers beyond
30 the regulations necessary to enforce the requirements of the education savings
31 account program; and

- 1 c. Participating nonpublic schools and education service providers must have the
2 freedom to provide for the educational needs of the school's students without
3 governmental control.

4 ~~Department of public instruction--Administrator~~**Program manager - Duties.**

5 ~~1.~~ The administrator**program manager** shall:

- 6 ~~a.1.~~ Ensure eligible students and parents are informed annually of the schools that will be
7 participating in the education savings account program.

- 8 ~~b.2.~~ Create a standard form a parent of an eligible student may submit to establish a
9 student's eligibility for the education savings account program. The

10 ~~administrator~~**program manager** shall ensure the application is readily available to
11 interested families through various sources, including the department's website.

- 12 ~~c.3.~~ Accept ~~applications on a year-round basis and shall~~ and approve applications in a
13 reasonable time frame, ~~granting preference to applications of students:~~

14 a. Whose family's household income is less than four hundred percent of the
15 poverty guidelines updated periodically in the federal register by the United

16 States department of health and human services under 42 U.S.C. 9902(2); or

17 b. Who received a payment in an education savings account under this chapter in
18 the immediately preceding year.

- 19 ~~d.4.~~ Execute a multimedia marketing program targeting eligible families, especially those
20 below the state's median household income, informing the families about the
21 education savings account program and how to apply.

- 22 ~~e.5.~~ Establish a web and phone-based support system providing parents with education
23 savings account program application support and ongoing account maintenance
24 support.

25 ~~2. The department may bar a participating school or education service provider from the~~
26 ~~education savings account program if the department determines the participating~~
27 ~~school or education provider has:~~

28 ~~a. Routinely failed to comply with the accountability standards established under~~
29 ~~this chapter; or~~

30 ~~b. Failed to provide the eligible student with the educational services funded by the~~
31 ~~education savings account.~~

~~3. If the department bars a participating school or education provider from the education savings account program, the department shall notify eligible students and parents of the decision as quickly as possible. A parent may appeal a decision of the department under chapter 28-32.~~

~~4. The department shall adopt rules and procedures as necessary for the administration of the education savings account program.~~

6. Provide to the parent of a participating student a written explanation of the allowable uses of education savings accounts, the responsibilities of the parent, and the duties of the program manager.

7. Ensure the department is informed of a participating student's graduation from high school or a participating student's termination of participation in the education savings account program.

8. Coordinate with the Bank of North Dakota to develop procedures to implement the program in accordance with this chapter and related rules.

9. Upon request, determine whether an expense is allowable.

10. Establish a procedure for a participating school to provide data to the department as required under this chapter.

11. Administer an annual parental satisfaction survey requesting each parent of a student receiving an education savings account program grant indicate the number of years the child has participated in the education savings account program and express the parent's:

a. Satisfaction with the education savings account program; and

b. Opinions on other topics, items, or issues that may indicate the effectiveness of the education savings account program.

School districts of residence - Duties.

The school district of residence:

1. Shall provide a participating school or education service provider that has admitted an eligible student under this chapter with a complete copy of the student's school records, while complying with the Family Educational Rights and Privacy Act of 1974 [20 U.S.C. Section 1232(g)].

2. May provide transportation for an eligible student to and from the participating school or education ~~service~~ provider under the same conditions as the school district of residence is required to provide transportation for other resident students to nonpublic schools. The school district of residence qualifies for state transportation aid for each student transported.

SECTION 2. APPROPRIATION - BANK OF NORTH DAKOTA - EDUCATION SAVINGS

ACCOUNT PROGRAM. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of ~~\$40,000,000~~\$21,700,000, or so much of the sum as may be necessary, to the Bank of North Dakota for the purpose of implementing the education savings account program and funding ~~the~~ education savings ~~account~~ program accounts beginning in the school year 2026-27, for the biennium beginning July 1, 2025, and ending June 30, 2027. The Bank of North Dakota may use up to \$3,000,000 of the amount appropriated under this section for administration of the program.

SECTION 3. EFFECTIVE DATE. Section 1 of this Act becomes effective on July 1, 2026.