

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

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; to provide an appropriation; and to
3 provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

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

7 **Definitions.**

8 As used in this chapter:

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

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 administrator to receive payment under this chapter.

13 **Account deposits – Parent agreement - Qualified expenses – Enrollment.**

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

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

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

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

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

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

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

1 e. If the participating student is a child with a disability, to acknowledge the parent
2 has received information from the department and understands participation in
3 the education savings account program qualifies as a parental placement of the
4 parent's child under the Individuals with Disabilities Education Act [Pub. L.
5 108-446; 20 U.S.C. 1412(a)(10)(A)]; and

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

8 4.2. A parent participating in the education savings account program shall may use the
9 funds deposited in the eligible student's account for any of the following qualifying
10 expenses to educate the eligible student:

- 11 a. Tuition and fees at a participating school;
12 b. A textbook required by a participating school;
13 c. Payment for private tutoring or to another educational service provider;
14 d. Payment for purchase of curriculum;
15 e. Tuition or fees for a nonpublic online learning program;
16 f. Fees for national norm-referenced examinations, advanced placement
17 examinations or similar courses, and any examinations related to college or
18 university admission;
19 g. Computer hardware, software, or other technological device that is used solely
20 for a student's educational needs and approved by the department or a licensed
21 ~~physician~~administrator, provided hardware purchased with education savings
22 account funds may not be resold within one yearthree years of purchase;
23 h. Reasonable fees for transportation paid to a fee-for-service transportation
24 provider for the student to travel to and from an education service provider;
25 i. Tuition and fees at an eligible postsecondary institution; and
26 j. A textbook required for college or university courses.

27 5.3. A participating school, private tutor, eligible postsecondary institution, or other
28 education service provider may not refund, rebate, or share a student's grant with a
29 parent or the student in any manner. Any refund must be provided to the administrator
30 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 Bank of North Dakota 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 an administrator to manage and administer education savings accounts.

c. Establish the role and responsibilities of an administrator.

d. Conduct or contract for the auditing of accounts and, at a minimum, conduct random audits of accounts on an annual basis. An administrator may conduct the audits. The Bank of North Dakota 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 Bank of North Dakota 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:

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

1 b. Failed to provide a participating student with the educational services funded by
2 the education savings account.

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

7 4. The state treasurer annually shall transfer the funds required for education savings
8 accounts from the general fund to the Bank of North Dakota for quarterly deposit in
9 each education savings account.

10 ~~8.5.~~ Funds, not to exceed twenty-five percent of the amount under subsection 1, not
11 expended over the course of a school year may be carried forward for use in the
12 following school year for a child who remains in the education savings account
13 program. If a parent removes a child from the education savings account program
14 before the end of the school year, any remaining funds from that school year must be
15 returned to the state and be allocated to fund other accounts. A student may transfer
16 to another nonpublic school or home school and retain the funds in the education
17 savings account.

18 ~~9.6.~~ Funds deposited in an education savings account do not constitute taxable income to
19 the parent or the education savings account student.

20 7. The superintendent of public instruction may apply to a federal agency for additional
21 funds to support this program. These funds must provide an additional benefit to each
22 participating student's education savings account. If necessary to become eligible for
23 the receipt of federal funds, the Bank of North Dakota, with consideration of advice
24 provided by the superintendent of public instruction, shall adopt rules that supersede
25 any conflicting law under this chapter.

26 ~~**Bank of North Dakota – Administrator – Administration:**~~

27 ~~**1. The Bank of North Dakota shall:**~~

28 ~~**a. Qualify private financial management firms to manage and administer**~~
29 ~~**education savings accounts.**~~

30 ~~**b. Conduct or contract for the auditing of accounts and, at a minimum, conduct**~~
31 ~~**random audits of accounts on an annual basis. The Bank of North Dakota may make a**~~

1 ~~parent of an eligible student ineligible for the education savings account program if the~~
2 ~~parent substantially misuses the funds in the account.~~

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

5 ~~d. Make payments to eligible students' education savings accounts on a quarterly~~
6 ~~basis.~~

7 ~~e. Adopt rules and procedures as necessary for the administration of the~~
8 ~~education savings account program.~~

9 ~~f. Upon the student's graduation from high school, the superintendent of public~~
10 ~~instruction shall close the student's account and transfer any remaining money in the~~
11 ~~account to the general fund in the state treasury.~~

12 ~~2. The administrator shall provide to the parent of a participating student a written~~
13 ~~explanation of the allowable uses of education saving accounts, the responsibilities of~~
14 ~~the parent, and the duties of the administrator.~~

15 **Participating schools - Department - Accountability standards.**

16 1. ~~To ensure students are treated fairly and kept safe, each~~ A participating nonpublic
17 school shall:

18 a. ~~Comply with all health and safety laws or codes that apply to nonpublic schools.~~

19 b. ~~Obtain certification of approval under section 15.1-06-06.1.~~

20 c. ~~Hold a valid occupancy permit if required by the school's municipality; and~~

21 d. ~~Certify the school complies with the nondiscrimination policies under [42 U.S.C.~~
22 ~~1981].~~

23 ~~2. To ensure funds are spent appropriately, a participating school shall:~~

24 ~~a.e. Provide a parent with a receipt for all qualifying expenses at the school.~~

25 ~~b. Demonstrate the school's financial viability, if the school is to receive fifty~~
26 ~~thousand dollars or more during the school year, by filing with the administrator~~
27 ~~before the start of the school year;~~

28 ~~(1) A surety bond payable to the state in an amount equal to the aggregate~~
29 ~~amount of the funds from education savings accounts expected to be paid~~
30 ~~during the school year from students admitted at the participating school; or~~

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

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

5 1. The administrator shall:

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

- 8 b.2. Create a standard form a parent of an eligible student may submit to establish
9 a student's eligibility for the education savings account program. The administrator
10 shall ensure the application is readily available to interested families through various
11 sources, including the department's website.

- 12 c.3. Accept applications on a year-round basis and shall approve applications in a
13 reasonable time frame.

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

- 17 e.5. Establish a web and phone-based support system providing parents with
18 education savings account program application support and ongoing account
19 maintenance support.

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

- 23 a. Routinely failed to comply with the accountability standards established under
24 this chapter; or

- 25 b. Failed to provide the eligible student with the educational services funded by the
26 education savings account.

27 3. If the department bars a participating school or education provider from the education
28 savings account program, the department shall notify eligible students and parents of
29 the decision as quickly as possible. A parent may appeal a decision of the department
30 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 administrator.

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.

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

2 **ACCOUNT PROGRAM.** There is appropriated out of any moneys in the general fund in the
3 state treasury, not otherwise appropriated, the sum of \$40,000,000, or so much of the sum as
4 may be necessary, to the Bank of North Dakota for the purpose of funding the education
5 savings account program beginning in the school year 2026-27, for the biennium beginning
6 July 1, 2025, and ending June 30, 2027.

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