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## SENATE BILL NO. 1243

AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the Senate Committee on Education and Health  
on January 26, 2017)

(Patron Prior to Substitute—Senator Dunnavant)

A BILL to amend the Code of Virginia by adding in Chapter 13 of Title 22.1 an article numbered 2.1, consisting of sections numbered 22.1-222.1 through 22.1-222.5, relating to Parental Choice Education Savings Accounts.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 13 of Title 22.1 an article numbered 2.1, consisting of sections numbered 22.1-222.1 through 22.1-222.5, as follows:

Article 2.1.

Parental Choice Education Savings Accounts.

**§ 22.1-222.1. Definitions.**

As used in this article, unless the context requires a different meaning:

"Child" means any individual who has not reached 22 years of age on or before September 30 of the current year.

"Department" means the Virginia Department of Education.

"Parent" means a parent, as defined in § 22.1-1, who has established domicile, as defined in § 58.1-302, in the Commonwealth.

"Parental Choice Education Savings Account" or "savings account" means a bank account at a qualified financial institution in the name of a student and into which only funds from the Commonwealth may be deposited as provided in subsection E of § 22.1-222.2 for expenditures by a parent for the benefit of a qualified student.

"Poverty guidelines" means the poverty guidelines for the 48 contiguous states and the District of Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services under the authority of § 673(2) of the Omnibus Budget Reconciliation Act of 1981.

"Qualified financial institution" means a financial institution or private financial management firm selected pursuant to § 22.1-222.4 that provides a savings account that offers restricted-use payment features that minimize fraud and abuse and provides the parent and the Department with administration and reporting functionality pursuant to their responsibilities under this article.

"Qualified school" means a private, sectarian or nonsectarian elementary or secondary school or preschool that is located in the Commonwealth and does not discriminate on the basis of race, color, or national origin.

"Qualified student" means a child (i) who is deemed to reside in a school division pursuant to subsection A of § 22.1-3, (ii) for whom compulsory attendance is required pursuant to subsection A of § 22.1-254, (iii) whose family income is less than or equal to 300 percent of the poverty guidelines, (iv) who receives special education pursuant to an Individualized Education Program (IEP), and (v) who (a) was enrolled at and attended a public elementary or secondary school or preschool in the Commonwealth during the two semesters immediately preceding the semester or term for which the student initially applies for a savings account or (b) is entering kindergarten.

"Quarter" means one-fourth of the fiscal year. "Quarter" includes July 1 through September 30, October 1 through December 31, January 1 through March 31, and April 1 through June 30.

"Quarterly" means once every quarter.

"Resident school division" means the school division in which a qualified student resides.

"Retained savings" means an amount that is equivalent to 10 percent of all applicable Standards of Quality per pupil state funds appropriated for public school purposes and apportioned to the school division in which a qualified student resides, including the per pupil share of state sales tax funding in basic aid and any state per pupil share of special education funding for which the qualified student is eligible.

"Scholarship foundation" has the same meaning as provided in § 58.1-439.25.

**§ 22.1-222.2. Virginia Parental Choice Education Savings Accounts established; application; agreement; disbursement.**

A. Virginia Parental Choice Education Savings Accounts are established to provide the parent of a qualified student with options for the education of his child, consistent with § 1-240.1.

B. The Department shall:

1. Create a standard application form for the establishment of eligibility for a savings account by a parent that shall be made readily available to interested parents through resident school divisions and various sources, including the Internet.

60 2. Establish savings account application and participation timelines that maximize student and  
61 resident school division participation and are consistent with the deadlines established in this article.

62 3. Provide any interested parent with a written explanation of the allowable uses of a savings  
63 account, the parent's responsibility relating to a savings account, and the duties of the Department and  
64 resident school divisions relating to a savings account.

65 4. Ensure that all family or household members, as defined in § 16.1-228, of a qualified student are  
66 made aware of savings accounts and such student's potential eligibility.

67 5. Adopt policies, processes, and procedures for the administration of savings accounts, as set forth  
68 in subsection A of § 22.1-222.3.

69 C. The parent of a qualified student shall make an initial application or annual renewal application  
70 for a savings account to the resident school division no later than 30 days preceding the beginning of  
71 the school year in the resident school division. The application and renewal process shall include a  
72 requirement for the parent to annually sign a one-year, renewable written agreement to:

73 1. Provide an education for his child in compliance with § 22.1-254.

74 2. Not enroll the qualified student in any local school division in the Commonwealth in the school  
75 year for which the parent receives disbursement of state funds into the savings account pursuant to  
76 subsection E.

77 3. Release the resident school division from all obligations to educate the qualified student. The  
78 receipt of a savings account has the same effect as a refusal to consent to the receipt of services under  
79 20 U.S.C. § 1414 of the Individuals with Disabilities Education Act (IDEA).

80 4. Not accept, concurrently with receipt of a savings account, a scholarship from a scholarship  
81 foundation that received a donation from a person who is eligible to earn a credit for such donation  
82 pursuant to Article 13.3 (§ 58.1-439.25 et seq.) of Chapter 3 of Title 58.1.

83 5. Use the moneys deposited in the savings account only for one or more of the following  
84 education-related expenses of the qualified student: (i) tuition, deposits, fees, or required textbooks at a  
85 qualified school; (ii) educational therapies or services for the qualified student from a practitioner or  
86 provider, including paraprofessionals or educational aides; (iii) tutoring services; (iv) curriculum; (v)  
87 tuition or fees for a private online learning program; (vi) fees for a nationally standardized  
88 norm-referenced achievement test, an Advanced Placement examination, or any examination taken to  
89 gain admission to an institution of higher education; (vii) services that are offered on a fee-for-service  
90 basis by a public elementary or secondary school or preschool to the public, including classes and  
91 extracurricular activities; (viii) such insurance, surety bond payments, or fees as may be required for  
92 the savings account; (ix) transportation; (x) computer hardware and software, not to exceed 10 percent  
93 of the annual savings account disbursement; and (xi) consumable educational supplies or any other  
94 education-related goods or services, such as Internet access, that are necessary for the provision of the  
95 qualified student's education pursuant to § 22.1-254.

96 6. Submit a quarterly expense summary, in the form prescribed by the Department and containing  
97 such provisions as prescribed by the Department, for education-related expenses pursuant to subdivision  
98 5 that were incurred prior to or during such quarter, including all applicable invoices and receipts, to  
99 the resident school division prior to receiving a savings account disbursement for the subsequent  
100 quarter. Each resident school division shall determine, on the basis of policies and procedures  
101 established by the Department pursuant to subsection A of § 22.1-222.3, the appropriateness of such  
102 expenses on the basis of such receipts and invoices prior to making a savings account disbursement for  
103 the subsequent quarter or renewing the written agreement.

104 7. Notify the resident school division in writing within 30 days of the date on which his child ceases  
105 to reside in the resident school division, in which case the parent shall immediately cease to make  
106 additional expenditures for education-related expenses of his child and shall reimburse to the resident  
107 school division an amount equal to (i) the difference between the year-to-date disbursements to the  
108 savings account and the total annual amount that the qualified parent would have received in the  
109 savings account, multiplied by (ii) the number of days during which his child resided in the resident  
110 school division while the savings account contained disbursed funds divided by the total school days in  
111 the resident school division's current school year. The parent may spread such reimbursement payments  
112 over no more than four equal quarterly payments.

113 8. Submit to audits of the savings account.

114 D. The resident school division shall give written notice to any parent applying for or requesting  
115 renewal of a savings account as to the disposition of the application or renewal request no later than  
116 14 days immediately succeeding such application or renewal request. The resident school division may  
117 send the parent a written notice requesting any additional information that is necessary to determine the  
118 final disposition of the application or renewal request. Such parent shall submit the requested  
119 information to the resident school division no later than 30 calendar days immediately succeeding such  
120 request for additional information. If the requested information is not received within such time, the  
121 resident school division may deny the application or renewal request. In the event that the resident

school division denies any application or renewal request, the parent may appeal such denial no later than 30 calendar days immediately succeeding receipt of the notice of denial to the school board in the resident school division, and such school board shall hear and take action on such appeal no later than 30 calendar days immediately succeeding the receipt of the notice of appeal. In the event that the school board denies any such application or renewal request on appeal, the parent may appeal such denial no later than 30 calendar days immediately succeeding receipt of the notice of denial to an independent hearing officer chosen from the list maintained by the Executive Secretary of the Supreme Court. The costs of an appeal before an independent hearing officer shall be apportioned among the parties by the hearing officer in a manner consistent with his findings. If the parent prevails in an appeal before the independent hearing officer, the application or renewal request shall immediately be approved, effective on the date on which it was first submitted.

E. No later than 14 calendar days immediately succeeding the approval of an application or renewal request or submission of a quarterly expense summary, the resident school division shall make warrant for and disburse on a quarterly basis (i) to the appropriate savings account state funds in an amount that is equivalent to one quarter of 90 percent of all applicable annual Standards of Quality per pupil state funds appropriated for public school purposes and apportioned to the resident school division in which the qualified student resides, including the per pupil share of state sales tax funding in basic aid and any state per pupil share of special education funding to which the qualified student is eligible and (ii) to the Department retained savings. No resident school division shall transfer federal funds, the local share of Standards of Quality per pupil funds, or any portion of such local share to a savings account.

F. The Department shall disburse retained savings for the following purposes and in the following order: (i) establishing policies, processes, and procedures for managing and administering savings accounts; (ii) managing and administering savings accounts, including Department expenditures and third-party expenditures to qualified financial institutions and other organizations; and (iii) other public elementary and secondary school purposes for which the Department is authorized to disburse funds.

G. Each qualified student whose parent has applied for and received a savings account shall be counted in the March 31 average daily membership or fall membership of the resident school division as a full-time equivalent student and shall be identified as such for the purpose of the calculation of the state share to be transferred to the savings account and, as applicable, to the Department as retained savings. No such qualified student shall be counted in the resident school division's required effort to meet actual need for required matching local funds as prescribed by the Standards of Quality or any other initiative supported by the Commonwealth that requires a local match of funds.

H. The Department shall determine the Standards of Quality per pupil state funds for a qualified student and retained savings based on the current general appropriation act.

I. No later than November 1 of each year, each division superintendent shall certify and report to the Superintendent of Public Instruction the number of students in the school division whose parents have received a savings account and the amount of funds transferred to each such savings account and retained savings. No later than December 15 of each year, the Superintendent of Public Instruction shall report to the Governor and the Chairmen of the House Committee on Appropriations and Senate Committee on Finance the name of each school division in which the parent of a qualified student has received a savings account, the number of qualified students whose parents have received a savings account, and the total Standards of Quality state funding transferred to savings accounts and retained savings.

J. Any entity that receives moneys from a savings account shall refund, rebate, or otherwise remit any such moneys when such refund, rebate, or remission is required pursuant to policies and procedures established by the Department pursuant to subsection A of § 22.1-222.3, but no such entity shall refund, rebate, or otherwise remit any such moneys to a parent or qualified student.

K. Upon a qualified student's graduation from high school, receipt of a high school equivalency certification, acceptance into an institution of higher education for full-time enrollment, or reaching the age of 22, whichever occurs first, his savings account shall be closed and any funds remaining in the savings account shall be returned to the Commonwealth.

L. Moneys in a savings account received by a parent pursuant to this article do not constitute state taxable income to the parent.

#### **§ 22.1-222.3. Policies and procedures; audit.**

A. The Department shall establish policies, processes, and procedures for application, audits for compliance with subdivisions C 4 and 5 of § 22.1-222.2, quarterly expense summary administration, renewal, and appeal pursuant to § 22.1-222.2. To the extent practicable, such policies, processes, and procedures shall take advantage of existing Department and resident school division policies, processes, and procedures and third-party automated solutions to minimize cost and improve effectiveness. Each resident school division shall comply with such policies and procedures and may establish additional

183 *local policies and procedures for the implementation of the Department's policies and procedures.*

184 *B. Upon finding that a parent made a knowing misrepresentation relating to any education-related*  
185 *expense from a savings account for a qualified student set forth in subdivision C 5 of § 22.1-222.2 or*  
186 *otherwise materially breached the written savings account agreement, the resident school division may*  
187 *rescind the written agreement, reclaim the remaining moneys in the savings account, and declare such*  
188 *parent ineligible for renewal of the written savings account agreement. The parent may appeal such*  
189 *decision as provided in subsection D of § 22.1-222.2.*

190 *C. The resident school division may refer to the appropriate state agency for investigation any*  
191 *incident in which it finds evidence of fraudulent use of moneys in a savings account by a parent.*

192 *D. If any education-related expense from a savings account for a qualified student is determined to*  
193 *be invalid, the resident school division shall direct the qualified financial institution to withhold*  
194 *subsequent disbursements until the parent reimburses the expense that was determined to be invalid.*

195 **§ 22.1-222.4. Savings account administration.**

196 *The Department shall contract through scholarship foundations or with one or more qualified*  
197 *financial institutions to establish and require such scholarship foundations or qualified financial*  
198 *institutions to manage savings accounts that comply with the provisions of this article.*  
199 *Department-approved costs associated with the ongoing administration of the savings account and*  
200 *compliance with this article are allowable account fees that may be passed to the savings account*  
201 *holder.*

202 **§ 22.1-222.5. Scope of article.**

203 *A. Nothing in this article shall be construed to permit any agency of the Commonwealth to exercise*  
204 *control or supervision over any private school or program of home instruction.*

205 *B. No qualified school that receives moneys from a savings account pursuant to this article shall be*  
206 *considered an agent of the state or federal government.*

207 *C. No qualified school shall be required to alter its creed, practices, admissions policies, or*  
208 *curriculum in order to receive moneys from a savings account pursuant to this article.*

209 *D. In any legal proceeding challenging the application of this article to a qualified school, the*  
210 *Commonwealth bears the burden of establishing that the law is necessary and does not impose any*  
211 *undue burden on the qualified school.*

212 *E. If any education-related expense from a savings account for a qualified student set forth in*  
213 *subdivision C 5 of § 22.1-222.2 is held to be invalid, such holding shall not affect the validity of any*  
214 *other education-related expense of a qualified student set forth in such subdivision.*

215 *F. Nothing in this article shall be deemed to prohibit a parent or qualified student from making*  
216 *expenditures for the education-related expenses set forth in subdivision C 5 of § 22.1-222.2 from a*  
217 *source other than a savings account.*