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**SENATE BILL NO. 823**

Offered January 11, 2023

Prefiled December 21, 2022

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.*

Patrons—Chase and Stanley

Referred to Committee on Education and Health

**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.*

*"Federal poverty guidelines" means the guidelines for the 48 contiguous states and the District of Columbia published annually in the Federal Register by the U.S. Department of Health and Human Services under its authority pursuant to § 673(2) of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. § 9902) to be used for determining the threshold income signifying poverty by household size.*

*"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 qualified student into which only funds from the Commonwealth may be deposited as provided in subsection E of § 22.1-222.2 for expenditure by the parent of the qualified student for such student's benefit.*

*"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 (i) debit card payment features that minimize fraud and abuse and (ii) the parent of a qualified student and the Department with administration and reporting functionality pursuant to their responsibilities under this article.*

*"Qualified school" means a sectarian or nonsectarian private pre-kindergarten, elementary, or secondary school that is located in the Commonwealth and complies with the provisions of 42 U.S.C. § 1981.*

*"Qualified student" means a child (i) who is deemed to reside in a school division in the Commonwealth 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 federal poverty guidelines; (iv) who, during the two semesters immediately preceding the semester or term for which the child's parent initially applies for a savings account, is (a) enrolled in a public pre-kindergarten program in the Commonwealth or (b) entering or enrolled at and attending a public elementary or secondary school in the Commonwealth; and (v) who receives special education pursuant to an Individualized Education Program (IEP).*

*"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. Parental Choice Education Savings Accounts established; application; agreement; disbursement.**

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

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59 *B. The Department shall:*

60 *1. Create a standard application form for the establishment of eligibility for a savings account by a*  
61 *parent that shall be made readily available to any interested parent through resident school divisions*  
62 *and other sources, including the Internet;*

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

65 *3. Provide any interested parent with a written explanation of the allowable uses of a savings*  
66 *account, the parent's responsibilities relating to such savings account, and the duties of the Department*  
67 *and resident school division relating to such savings account;*

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

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

72 *C. The parent of a qualified student shall submit an initial application or annual renewal application*  
73 *for a savings account to the resident school division no later than 30 days preceding the beginning of*  
74 *the school year for such resident school division. The initial and renewal application processes shall*  
75 *include a requirement for the parent to annually sign a one-year, renewable written agreement to:*

76 *1. Provide an education for his qualified student in compliance with § 22.1-254;*

77 *2. Not enroll the qualified student in any local school division in the Commonwealth in the school*  
78 *year for which the parent receives disbursement of state funds into the savings account pursuant to*  
79 *subsection E;*

80 *3. Release the resident school division from all obligations to educate the qualified student in*  
81 *acknowledgement that the receipt of a savings account has the same effect as a refusal to consent to the*  
82 *receipt of services under 20 U.S.C. § 1414 of the Individuals with Disabilities Education Act;*

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

86 *5. Use the moneys deposited in the savings account only for one or more of the following*  
87 *education-related expenses of the qualified student: (i) tuition, deposits, fees, or required textbooks at a*  
88 *qualified school; (ii) educational therapies or services for the qualified student from a practitioner or*  
89 *provider, including paraprofessionals or educational aides; (iii) tutoring services; (iv) curriculum; (v)*  
90 *tuition or fees for a private online learning program; (vi) fees for a nationally standardized*  
91 *norm-referenced achievement test, an Advanced Placement examination, or any examination taken to*  
92 *gain admission to an institution of higher education; (vii) services that are offered on a fee-for-service*  
93 *basis by a public pre-kindergarten program or school or public elementary or secondary school to the*  
94 *public, including classes and extracurricular activities; (viii) such insurance, surety bond payments, or*  
95 *fees as may be required for the savings account; (ix) transportation, provided that such expense does*  
96 *not exceed 20 percent of the total amount deposited in the savings account annually; (x) computer*  
97 *hardware and software, not to exceed 10 percent of the annual savings account disbursement; and (xi)*  
98 *consumable education supplies or any other education-related goods or services, such as Internet*  
99 *access, that are necessary for the provision of the qualified student's education pursuant to § 22.1-254;*

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

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

118 *8. Submit to audits of the savings account.*

119 *D. The resident school division shall give written notice to any parent of a qualified student applying*  
120 *for or requesting renewal of a savings account as to the disposition of the application or renewal*

request no later than 14 days immediately succeeding such application or renewal request. The resident school division may send the parent a written notice requesting any additional information that is necessary to determine the final disposition of the application or renewal request. Such parent shall submit the requested information to the resident school division no later than 30 calendar days immediately succeeding such request for additional information. If the requested information is not received within such time, the 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, auditors as specified in subsection B of § 22.1-222.3, and other organizations; and (iii) providing for 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. Each such qualified student shall be counted in the resident school division's required effort to meet actual need for required matching local funds for any other initiative supported by the Commonwealth that requires matching local 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 the number of qualified 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 shall report to the Governor and the Chairmen of the House Committee on Appropriations and Senate Committee on Finance and Appropriations 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 of a qualified student or a 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 of a qualified student pursuant to this article

182 do not constitute state taxable income to the parent.

183 **§ 22.1-222.3. Policies, processes, and procedures; audit.**

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

192 B. Upon finding that a parent of a qualified student made a knowing misrepresentation relating to  
193 any education-related expenditure from a savings account for a qualified student in breach of the  
194 requirements set forth in subdivision C 5 of § 22.1-222.2 or otherwise materially breached the written  
195 savings account agreement, the resident school division may rescind the written agreement, reclaim the  
196 remaining moneys in the savings account, and declare such parent ineligible for renewal of the written  
197 savings account agreement. The parent may appeal such decision as provided in subsection D of §  
198 22.1-222.2.

199 C. The resident school division may refer to the appropriate state agency for investigation of any  
200 incident in which it finds evidence of fraudulent use of moneys in a savings account by a parent of a  
201 qualified student.

202 D. If any education-related expense from a savings account for a qualified student is determined to  
203 be fraudulent, the resident school division shall direct the qualified financial institution to withhold  
204 subsequent disbursements until the parent of the qualified student reimburses the expense that was  
205 determined to be invalid.

206 **§ 22.1-222.4. Savings account administration.**

207 The Department shall contract through scholarship foundations or with one or more qualified  
208 financial institutions to establish and require such scholarship foundations or qualified financial  
209 institutions to manage savings accounts that comply with the provisions of this article.  
210 Department-approved costs associated with the ongoing administration of the savings account and  
211 compliance with this article are allowable account fees that may be passed to the savings account  
212 holder.

213 **§ 22.1-222.5. Scope of article.**

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

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

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

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

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

226 F. Nothing in this article shall be deemed to prohibit a parent of a qualified student or a qualified  
227 student from making expenditures for the education-related expenses set forth in subdivision C 5 of  
228 § 22.1-222.2 from a source other than a savings account.