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SENATE BILL NO. 1243

Offered January 11, 2017

Prefiled January 10, 2017

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

7 Patrons—Dunnivant, Chase and Sturtevant

8 Referred to Committee on Education and Health

9 Be it enacted by the General Assembly of Virginia:

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

12 Article 2.1.

13 Parental Choice Education Savings Accounts.

14 § 22.1-222.1. Definitions.

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

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

18 "Department" means the Virginia Department of Education.

19 "Parent" means a parent, as defined in § 22.1-1, who has established domicile, as defined in §
 20 58.1-302, in the Commonwealth.

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

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

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

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

35 "Qualified student" means a child (i) who is deemed to reside in a school division pursuant to
 36 subsection A of § 22.1-3, (ii) for whom compulsory attendance is required pursuant to subsection A of
 37 § 22.1-254, (iii) whose family income is less than or equal to 300 percent of the poverty guidelines, (iv)
 38 who receives special education pursuant to an Individualized Education Program (IEP), and (v) who (a)
 39 was enrolled at and attended a public elementary or secondary school or preschool in the
 40 Commonwealth during the two semesters immediately preceding the semester or term for which the
 41 student initially applies for a savings account or (b) is entering kindergarten.

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

44 "Quarterly" means once every quarter.

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

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

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

52 § 22.1-222.2. Virginia Parental Choice Education Savings Accounts established; application;
 53 agreement; disbursement.

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

56 B. The Department shall:

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

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

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

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

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

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

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

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

79 3. Release the resident school division from all obligations to educate the qualified student. The
80 receipt of a savings account has the same effect as a refusal to consent to the receipt of services under
81 20 U.S.C. § 1414 of the Individuals with Disabilities Education Act (IDEA).

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

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

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

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

115 8. Submit to audits of the savings account as provided in subsection B of § 22.1-222.3.

116 D. The resident school division shall give written notice to any parent applying for or requesting
117 renewal of a savings account as to the disposition of the application or renewal request no later than
118 14 days immediately succeeding such application or renewal request. The resident school division may
119 send the parent a written notice requesting any additional information that is necessary to determine the
120 final disposition of the application or renewal request. Such parent shall submit the requested

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121 information to the resident school division no later than 30 calendar days immediately succeeding such
 122 request for additional information. If the requested information is not received within such time, the
 123 resident school division may deny the application or renewal request. In the event that the resident
 124 school division denies any application or renewal request, the parent may appeal such denial no later
 125 than 30 calendar days immediately succeeding receipt of the notice of denial to the school board in the
 126 resident school division, and such school board shall hear and take action on such appeal no later than
 127 30 calendar days immediately succeeding the receipt of the notice of appeal. In the event that the school
 128 board denies any such application or renewal request on appeal, the parent may appeal such denial no
 129 later than 30 calendar days immediately succeeding receipt of the notice of denial to an independent
 130 hearing officer chosen from the list maintained by the Executive Secretary of the Supreme Court. The
 131 costs of an appeal before an independent hearing officer shall be apportioned among the parties by the
 132 hearing officer in a manner consistent with his findings. If the parent prevails in an appeal before the
 133 independent hearing officer, the application or renewal request shall immediately be approved, effective
 134 on the date on which it was first submitted.

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

145 F. The Department shall disburse retained savings for the following purposes and in the following
 146 order: (i) establishing policies, processes, and procedures for managing and administering savings
 147 accounts; (ii) managing and administering savings accounts, including Department expenditures and
 148 third-party expenditures to qualified financial institutions, auditors as specified in subsection B of §
 149 22.1-222.3, and other organizations; and (iii) other public elementary and secondary school purposes
 150 for which the Department is authorized to disburse funds.

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

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

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

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

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

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

179 **§ 22.1-222.3. Policies and procedures; audit.**

180 A. The Department shall establish policies, processes, and procedures for application, quarterly
 181 expense summary administration, renewal, and appeal pursuant to § 22.1-222.2. To the extent

182 practicable, such policies, processes, and procedures shall take advantage of existing Department and
183 resident school division policies, processes, and procedures and third-party automated solutions to
184 minimize cost and improve effectiveness. Each resident school division shall comply with such policies
185 and procedures and may establish additional local policies and procedures for the implementation of the
186 Department's policies and procedures.

187 B. The Auditor of Public Accounts shall include in the specifications published pursuant to
188 § 15.2-2511 for audits of all localities that contain a local school division a requirement that the
189 independent certified public accountant who conducts the audit of the locality include in such audit tests
190 of compliance with subdivisions C 4 and 5 of § 22.1-222.2. Any such adjustment to such specifications is
191 exempt from the Administrative Process Act (§ 2.2-4000 et seq.).

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

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

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

203 **§ 22.1-222.4. Savings account administration.**

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

210 **§ 22.1-222.5. Scope of article.**

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

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

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

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

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

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