

House File 2284 - Introduced

HOUSE FILE 2284

BY HIGHFILL

A BILL FOR

1 An Act establishing an education savings grant pilot program
2 by providing education savings grants for certain pupils
3 attending a nonpublic school, requiring periodic legislative
4 review of the pilot program, establishing an education
5 savings grant fund, making appropriations, providing
6 penalties, and including applicability provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 256.7, Code 2016, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 33. Adopt rules relating to applications
4 for an education savings grant pursuant to section 257.11B,
5 including application processing timelines and information
6 required to be submitted by a parent or guardian.

7 Sec. 2. Section 257.6, subsection 1, paragraph a, Code 2016,
8 is amended by adding the following new subparagraph:

9 NEW SUBPARAGRAPH. (8) Resident pupils attending an
10 accredited nonpublic school while receiving an education
11 savings grant pursuant to section 257.11B. Such pupils
12 shall not be counted for enrollment purposes under any other
13 subparagraph of this subsection 1.

14 Sec. 3. NEW SECTION. **257.11B Education savings grant pilot**
15 **program.**

16 1. *a.* For the school budget year beginning July 1, 2017,
17 and each succeeding budget year, the following pupils shall be
18 eligible to receive an education savings grant in the manner
19 provided in this section:

20 (1) Not more than one hundred twenty pupils who are eligible
21 to enroll in kindergarten through grade twelve in the Waterloo
22 community school district, who are eligible for free and
23 reduced price meals under the federal National School Lunch
24 Act and the federal Child Nutrition Act of 1966, 42 U.S.C.
25 §1751-1785, and who are attending a nonpublic school during the
26 applicable school budget year.

27 (2) Not more than seventy pupils who are eligible to enroll
28 in kindergarten through grade twelve in the Sioux Center
29 community school district, who are eligible for free and
30 reduced price meals under the federal National School Lunch
31 Act and the federal Child Nutrition Act of 1966, 42 U.S.C.
32 §1751-1785, and who are attending a nonpublic school during the
33 applicable school budget year.

34 *b.* Education savings grants shall be made available to
35 parents and guardians in the manner authorized under subsection

1 4, paragraph "c", for the payment of qualified educational
2 expenses as provided in this section.

3 2. a. (1) By January 31 preceding the school year for
4 which the education savings grant is requested, the parent
5 or guardian of the pupil requesting to receive an education
6 savings grant shall submit an application to the department of
7 education, on application forms developed by the department,
8 indicating that the parent or guardian intends to enroll the
9 pupil in a nonpublic school.

10 (2) In addition to such information deemed appropriate by
11 the department of education, the application shall require
12 certification from the nonpublic school of the pupil's
13 enrollment for the following school year.

14 b. By March 1 preceding the school year for which the
15 education savings grant is requested, the department of
16 education shall notify the department of management of the
17 number of pupils in each school district designated for the
18 following school year to receive an education savings grant.
19 The department of education shall also notify the parent
20 or guardian of such pupils who are approved to receive an
21 education savings grant.

22 c. Education savings grants shall only be approved for one
23 school year per application, and applications must be submitted
24 under paragraph "a" for education savings grants in subsequent
25 school years. Applications for education savings grants are
26 approved in the order in which they are filed. However, in
27 order to provide continuity of education for pupils receiving
28 education savings grants, the department shall give priority
29 to applications submitted for pupils who received an education
30 savings grant during the previous school year.

31 3. The department of management shall assign each pupil an
32 education savings grant in an amount equal to five thousand
33 eight hundred fifty-four dollars.

34 4. An education savings grant fund is created in the state
35 treasury under the control of the department of management

1 consisting of moneys appropriated to the department for the
2 purpose of providing education savings grants under this
3 section. For the fiscal year commencing July 1, 2017, and
4 each succeeding fiscal year, there is appropriated from the
5 general fund of the state to the department of management to be
6 credited to the fund the amount necessary to pay all education
7 savings grants approved for that fiscal year. The director of
8 the department of management has all powers necessary to carry
9 out and effectuate the purposes, objectives, and provisions of
10 this section pertaining to the fund, including the power to do
11 all of the following:

12 *a.* Make and enter into contracts necessary for the
13 administration of the fund.

14 *b.* Procure insurance against any loss in connection with the
15 assets of the fund or require a surety bond.

16 *c.* Contract with a private financial management firm to
17 manage the fund, in collaboration with the treasurer of state,
18 including providing for the disbursement of education savings
19 grants in the form of an electronic debit card or checks that
20 are payable directly from the pupil's account in the fund.

21 *d.* Conduct audits or other review necessary to properly
22 administer the program.

23 *e.* Adopt rules pursuant to chapter 17A for the
24 administration of the fund and accounts in the fund.

25 5. *a.* For each pupil approved for an education savings
26 grant, the department of management shall establish an account
27 for that pupil in the education savings grant fund. The
28 amount of the pupil's education savings grant determined under
29 subsection 3 shall be deposited into the pupil's account on
30 July 1 and such amount shall be immediately available for the
31 payment of qualified educational expenses incurred by the
32 parent or guardian for the pupil during that fiscal year using
33 the payment method authorized under subsection 4, paragraph
34 "c".

35 *b.* A nonpublic school or other entity that accepts payment

1 from a parent or guardian using funds from a pupil's account in
2 the education savings grant fund shall not refund, rebate, or
3 share any portion of such payment with the parent, guardian, or
4 pupil.

5 c. Moneys remaining in a pupil's account upon conclusion
6 of the fiscal year shall remain in the pupil's account in the
7 education savings grant fund for the payment of qualified
8 educational expenses in future fiscal years, unless such
9 amounts are required to be transferred to the general fund of
10 the state under subsection 8.

11 6. a. For purposes of this section, "*qualified educational*
12 *expenses*" includes tuition and fees at a nonpublic school,
13 textbooks, fees or payments for educational therapies including
14 tutoring or cognitive skills training, curriculum fees and
15 materials for a course of study for a specific subject matter
16 or grade level, tuition or fees for nonpublic online education
17 programs, education materials and services for pupils with
18 disabilities including the cost of paraprofessionals and
19 assistants who are trained in accordance with state law,
20 standardized test fees, fees required by the department not
21 to exceed for each grant recipient five percent of the total
22 grant amount in any fiscal year, higher education expenses,
23 as defined in section 12D.1, resulting from the pupil's
24 participation in a program under chapter 261E, excluding room
25 and board expenses, and other expenses incurred by the parent
26 or guardian that are directly related to the education of the
27 pupil at a nonpublic school, including a nonpublic school
28 accredited by an independent accrediting agency approved by the
29 department of education. The cost of one computer or other
30 portable computing device shall be allowed as a qualified
31 educational expense for a pupil if such a purchase has not been
32 made using funds from that pupil's account in either of the
33 two immediately preceding fiscal years. "*Qualified educational*
34 *expenses*" does not include transportation costs for the pupil,
35 the cost of food or refreshments consumed by the pupil, the

1 cost of clothing for the pupil, or the cost of disposable
2 materials, including but not limited to paper, notebooks,
3 pencils, pens, and art supplies.

4 *b.* For purposes of this section, "*nonpublic school*" means
5 the same as defined in section 285.16.

6 7. A person who makes a false claim for the purpose
7 of obtaining an education savings grant provided for in
8 this section or who knowingly receives the grant or makes a
9 payment from an account in the education savings grant fund
10 without being legally entitled to it is guilty of a fraudulent
11 practice. The false claim for an education savings grant or a
12 payment from an account shall be disallowed and if amounts from
13 the grant have been disbursed from the applicable account in
14 the education savings grant fund, the department of management
15 shall initiate legal proceedings to recover such amounts. A
16 parent or guardian, or a pupil for purposes of subsection 8,
17 who violates this subsection is prohibited from participating
18 in the education savings grant program in the future.

19 8. Except as provided in subsection 9, for each pupil with
20 a positive balance in the pupil's account in the education
21 savings grant fund upon graduation from high school or upon
22 termination of the pupil's enrollment in the nonpublic school,
23 moneys in the pupil's account shall be transferred by the
24 department for deposit in the general fund of the state.

25 9. For each pupil with a positive balance in the pupil's
26 account in the education savings grant fund upon graduation
27 from high school, the department of management shall maintain
28 such account in the fund until the pupil is twenty-five years
29 of age if the pupil has filed a request with the department to
30 extend the pupil's account for the payment of higher education
31 costs. A request for such an extension must be filed with
32 the department by June 30 immediately following graduation.
33 Following graduation from high school until the pupil is
34 twenty-five years of age, moneys in the pupil's account may
35 be used for higher education costs, as defined in section

1 12D.1, subsection 2. Disbursements from a pupil's account
2 for higher education costs shall be claimed by and disbursed
3 to the pupil. Claims and disbursements for higher education
4 costs under this subsection shall be made in the same manner
5 as claims and disbursements for qualified educational expenses
6 under subsections 4 and 5. Moneys in a pupil's account when
7 the pupil turns twenty-five years of age shall be transferred
8 by the department for deposit in the general fund of the state.

9 10. A nonpublic school that accepts payment from a parent or
10 guardian using funds from a pupil's account in the education
11 savings grant fund is not an agent of this state or other
12 political subdivision of this state.

13 11. The provisions of this section shall be subject to
14 legislative review at least every five years. The review
15 shall be based upon an education savings grant status report
16 containing the recommendations of a legislative interim
17 committee appointed to conduct a review of the education
18 savings grant pilot program, to be prepared with the assistance
19 of the department of education in association with the
20 department of management. The first such report shall be
21 submitted to the general assembly no later than January 1,
22 2022, with subsequent reports developed and submitted by
23 January 1 at least every fifth year thereafter.

24 Sec. 4. Section 422.7, Code 2016, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 51. Subtract, to the extent included, the
27 amount of any education savings grant under section 257.11B
28 received during the tax year by a taxpayer authorized to spend
29 such grant amounts for qualified educational expenses.

30 Sec. 5. APPLICABILITY. This Act applies to school budget
31 years and fiscal years beginning on or after July 1, 2017.

32 Sec. 6. APPLICABILITY. The provision of this Act amending
33 section 422.7 applies to tax years beginning on or after
34 January 1, 2017.

35

EXPLANATION

1 The inclusion of this explanation does not constitute agreement with
2 the explanation's substance by the members of the general assembly.

3 This bill provides education savings grants for certain
4 pupils attending a nonpublic school and establishes an
5 education savings grant fund.

6 Under the bill, for school budget years beginning on or after
7 July 1, 2017, the following pupils are eligible to receive
8 an education savings grant: (1) not more than 120 pupils
9 who are eligible to enroll in kindergarten through grade 12
10 in the Waterloo community school district, who are eligible
11 for free and reduced price meals under federal law, and who
12 are attending a nonpublic school during the applicable school
13 budget year, and (2) not more than 70 pupils who are eligible
14 to enroll in kindergarten through grade 12 in the Sioux Center
15 community school district, who are eligible for free and
16 reduced price meals under federal law, and who are attending a
17 nonpublic school during the applicable school budget year. By
18 January 31 preceding the school year for which the education
19 savings grant is requested, the parent or guardian of the pupil
20 requesting to receive an education savings grant must submit an
21 application to the department of education indicating that the
22 parent or guardian intends to enroll the pupil in a nonpublic
23 school.

24 The bill requires that by March 1 preceding the school
25 year for which the education savings grant is requested,
26 the department of education must notify the department of
27 management of the number of pupils in each school district
28 designated for the following school year to receive an
29 education savings grant and the amount of the education savings
30 grant for each pupil. Education savings grants may only be
31 approved for one school year per application, and applications
32 must be submitted for education savings grants in subsequent
33 school years. Applications for education savings grants are
34 approved in the order in which they are filed. However, in
35 order to provide continuity of education for pupils receiving

1 education savings grants, the department shall give priority
2 to applications submitted for pupils who received an education
3 savings grant during the previous school year.

4 The amount of each education savings grant is equal to
5 \$5,854.

6 The bill creates an education savings grant fund in the state
7 treasury under the control of the department of management
8 consisting of moneys appropriated to the department for the
9 purpose of providing education savings grants. For the fiscal
10 year commencing July 1, 2017, and each succeeding fiscal year,
11 there is appropriated from the general fund of the state to the
12 department of management for deposit in the fund the amount
13 necessary to pay all education savings grants approved for
14 that fiscal year. For each pupil approved for an education
15 savings grant, the department of management must establish an
16 account for that pupil in the education savings grant fund.
17 The amount of the pupil's education savings grant is deposited
18 into the pupil's account on July 1 and such amount is available
19 for use by parents and guardians for the payment of qualified
20 educational expenses, as defined in the bill, incurred by the
21 parent or guardian for the pupil during that fiscal year.

22 The bill defines "nonpublic school" to mean those nonpublic
23 schools accredited by the department of education and nonpublic
24 institutions which comply with state board of education
25 standards for providing special education programs.

26 The bill authorizes the department of education to
27 contract with a private financial management firm to manage
28 the education savings grant fund, in collaboration with the
29 treasurer of state, including providing for the disbursement
30 of education savings grants in the form of an electronic debit
31 card or checks that are payable directly from the pupil's
32 account within the fund.

33 The bill provides that moneys remaining in a pupil's account
34 upon the conclusion of the fiscal year shall remain in the
35 pupil's account within the education savings grant fund for

1 the payment of qualified educational expenses in future fiscal
2 years.

3 Under the bill, unless a pupil graduates from high school
4 and a request for an extension of a pupil's account for the
5 payment of higher education expenses is filed, for each pupil
6 with a positive balance in the pupil's account in the education
7 savings grant fund upon graduation from high school or upon
8 termination of the pupil's enrollment in the nonpublic school,
9 moneys in the pupil's account are transferred by the department
10 of management for deposit in the general fund of the state.

11 Under the bill, for each pupil with a positive balance in
12 the pupil's account in the education savings grant fund upon
13 graduation from high school, the department of management is
14 required to maintain the account in the fund until the pupil
15 is 25 years old if the pupil has filed a request with the
16 department by June 30 following graduation from high school
17 for an extension of the account for the payment of higher
18 education expenses. Following graduation from high school
19 until the pupil is 25 years old, moneys in the pupil's account
20 may be used by the pupil for higher education costs, as defined
21 in Code section 12D.1. Moneys in a pupil's account when the
22 pupil turns 25 years old are transferred by the department of
23 management for deposit in the general fund of the state.

24 The bill provides that a person who makes a false claim for
25 the purpose of obtaining an education savings grant or who
26 knowingly receives the grant or makes a payment from an account
27 within the education savings grant fund without being legally
28 entitled to it is guilty of a fraudulent practice and is
29 subject to a criminal penalty. The bill allows the department
30 of management to initiate legal proceedings to recover grants
31 and amounts improperly awarded or paid from accounts under the
32 bill.

33 The education savings grant program is subject to
34 legislative review at least every five years. The review
35 shall be based upon an education savings grant status report

1 containing the recommendations of a legislative interim
2 committee. The first such report shall be submitted to the
3 general assembly no later than January 1, 2022, with subsequent
4 reports developed and submitted by January 1 at least every
5 fifth year thereafter.

6 The bill provides that moneys from an education savings
7 grant under the bill are not taxable income under Code chapter
8 422.

9 Under the bill, resident pupils attending an accredited
10 nonpublic school while receiving an education savings grant
11 under the bill are required to be counted as full-time pupils
12 for enrollment purposes in the public school district of
13 residence.

14 The bill applies to school budget years and fiscal years
15 beginning on or after July 1, 2017.

16 The provision of the bill amending Code section 422.7
17 applies to tax years beginning on or after January 1, 2017.