

Senate File 2206 - Introduced

SENATE FILE 2206

BY CARLIN

A BILL FOR

1 An Act establishing an education savings grant program for
2 certain pupils attending a nonpublic school, establishing
3 an education savings grant fund, providing an income tax
4 exemption, making appropriations, providing penalties, and
5 including applicability provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
SHORT TITLE

Section 1. SHORT TITLE. This Act shall be known and may be cited as the "Iowa Student Opportunity Act".

DIVISION II
EDUCATION SAVINGS GRANTS

Sec. 2. Section 8.6, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 17. To adopt rules relating to the administration of and applications for the education savings grant program pursuant to section 257.11B, including but not limited to application processing timelines and information required to be submitted by a parent or guardian.

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

1. *a.* For the school budget year beginning July 1, 2021, and each succeeding school budget year, the following resident pupils who are attending a nonpublic school, as defined in section 285.16, located in this state and who maintain enrollment for the entirety of the required attendance period of the school year shall be eligible to receive an education savings grant in the manner provided in this section:

(1) A pupil eligible to enroll in grade one through grade twelve if the pupil has attended a public school identified for comprehensive support and improvement under the federal Every Student Succeeds Act, Pub. L. No. 114-95, for the equivalent of the two semesters immediately preceding the school budget year for which the education savings grant is requested and if the pupil is not otherwise ineligible under this section.

(2) A pupil who received an education savings grant for the immediately preceding school budget year, who is eligible to enroll in grade one through grade twelve, and who is not otherwise ineligible under this section.

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

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

3 c. For purposes of this subsection, "resident" means the
4 same as defined in section 282.1.

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

13 (2) In addition to such information deemed appropriate by
14 the department of management, the application shall require
15 certification from the nonpublic school of the pupil's
16 enrollment for the following school year.

17 b. By March 1 preceding the school year for which the
18 education savings grant is requested, the department of
19 management shall notify the parent or guardian of each pupil
20 approved for the following school year to receive an education
21 savings grant and the amount of the education savings grant for
22 the pupil.

23 c. Education savings grants shall only be approved for one
24 school year and applications must be submitted annually for
25 education savings grants in subsequent school years.

26 3. The department of management shall assign each pupil an
27 education savings grant in an amount equal to sixty percent of
28 the regular program state cost per pupil for the same school
29 budget year.

30 4. An education savings grant fund is created in the state
31 treasury under the control of the department of management
32 consisting of moneys appropriated to the department of
33 management for the purpose of providing education savings
34 grants under this section. For the fiscal year commencing July
35 1, 2021, and each succeeding fiscal year, there is appropriated

1 from the general fund of the state to the department of
2 management to be credited to the fund the amount necessary
3 to pay all education savings grants approved for that fiscal
4 year. The director of the department of management has all
5 powers necessary to carry out and effectuate the purposes,
6 objectives, and provisions of this section pertaining to the
7 fund, including the power to do all of the following:

8 *a.* Make and enter into contracts necessary for the
9 administration of the fund.

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

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

17 *d.* Conduct audits or other review necessary to properly
18 administer the program.

19 *e.* Adopt rules for the administration of the fund and
20 accounts within the fund.

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

30 *b.* A nonpublic school that accepts payment from a parent or
31 guardian using funds from a pupil's account in the education
32 savings grant fund shall not refund, rebate, or share any
33 portion of such payment with the parent, guardian, or pupil.

34 *c.* Moneys remaining in an eligible pupil's account upon
35 conclusion of the fiscal year shall remain in the eligible

1 pupil's account in the education savings grant fund for the
2 payment of qualified grant expenses in future fiscal years
3 during which the pupil participates in the program or for the
4 payment of higher education costs that are qualified education
5 expenses as provided under subsection 8.

6 6. a. For purposes of this section, "*qualified grant*
7 *expenses*" includes tuition and fees at a nonpublic school,
8 textbooks, fees or payments for educational therapies,
9 including tutoring or cognitive skills training, curriculum
10 fees and materials for a course of study for a specific subject
11 matter or grade level, tuition or fees for nonpublic online
12 education programs, education materials and services for pupils
13 with disabilities, including the cost of paraprofessionals
14 and assistants who are trained in accordance with state law,
15 standardized test fees, qualified education expenses, as
16 defined in section 12D.1, excluding room and board expenses,
17 and other expenses incurred by the parent or guardian that
18 are directly related to the education of the pupil at a
19 nonpublic school, including a nonpublic school accredited by
20 an independent accrediting agency approved by the department
21 of education.

22 b. "*Qualified grant expenses*" does not include
23 transportation costs for the pupil, the cost of food or
24 refreshments consumed by the pupil, the cost of clothing for
25 the pupil, or the cost of disposable materials, including
26 but not limited to paper, notebooks, pencils, pens, and art
27 supplies.

28 7. a. A person who makes a false claim for the purpose
29 of obtaining an education savings grant provided for in this
30 section or who knowingly receives the grant or makes a payment
31 from an account within the education savings grant fund without
32 being legally entitled to do so is guilty of a fraudulent
33 practice under chapter 714. The false claim for an education
34 savings grant or a payment from an account shall be disallowed.
35 The department of management shall also close the pupil's

1 account in the education savings grant fund and transfer any
2 remaining moneys in the account for deposit in the general
3 fund of the state. If the improperly obtained amounts from
4 the grant have been disbursed from the applicable account in
5 the education savings grant fund, the department of management
6 shall recover such amounts from the parent or guardian, or from
7 the pupil for purposes of subsection 8, including by initiating
8 legal proceedings to recover such amounts, if necessary. A
9 parent or guardian, or a pupil for purposes of subsection
10 8, who commits a fraudulent practice under this section is
11 prohibited from participating in the education savings grant
12 program in the future.

13 *b.* If, prior to the end of the required attendance period
14 of the school year, a pupil who receives an education savings
15 grant withdraws from enrollment in the nonpublic school or is
16 expelled, the nonpublic school shall notify the department of
17 management in writing of the pupil's withdrawal or expulsion,
18 and the pupil's parent or guardian shall notify the department
19 of management of the pupil's withdrawal or expulsion from the
20 nonpublic school. A pupil's expulsion from the nonpublic
21 school prior to the end of the required attendance period for
22 the school year shall invalidate the pupil's eligibility for
23 the education savings grant for the school budget year. A
24 pupil's withdrawal from a nonpublic school prior to the end
25 of the required attendance period of the school year shall
26 invalidate the pupil's eligibility for the education savings
27 grant for the school budget year unless the withdrawal is
28 the result of a change in residence of the pupil and the
29 pupil, following written notice by the parent or guardian and
30 certification by the new nonpublic school to the department of
31 management, enrolls in a different nonpublic school in this
32 state for the remainder of the school year.

33 *c.* (1) Upon receipt of a notice of expulsion under
34 paragraph "b", the department of management shall close
35 the pupil's account in the education savings grant fund and

1 transfer any remaining moneys in the account for deposit in
2 the general fund of the state. In addition, if amounts from
3 the grant for the school budget year during which the pupil
4 is expelled have been disbursed from the expelled pupil's
5 account in the education savings grant fund, the department
6 of management shall recover such amounts from the parent or
7 guardian, including by initiating legal proceedings to recover
8 such amounts, if necessary.

9 (2) Upon receipt of a notice of withdrawal under paragraph
10 "b" and a determination that the pupil's withdrawal was not the
11 result of a change in residence, the department of management
12 shall cease disbursements of remaining moneys in the pupil's
13 account in the education savings grant fund and maintain the
14 pupil's account if and until such time that the pupil uses the
15 funds for qualified education expenses under subsection 8.
16 In addition, if amounts from the grant for the school budget
17 year during which the withdrawal occurs have been disbursed
18 from the pupil's account in the education savings grant fund,
19 the department of management shall recover such amounts from
20 the parent or guardian to the extent the amount disbursed
21 exceeds the amount of the grant proportionate to the remaining
22 portion of the school year following the withdrawal, including
23 by initiating legal proceedings to recover such amounts, if
24 necessary.

25 (3) Upon receipt of a notice of withdrawal under paragraph
26 "b" and a determination that the withdrawal was the result of
27 a change in residence but that the pupil did not enroll in
28 a different nonpublic school in this state for the remainder
29 of the school year, the department of management shall cease
30 disbursements of remaining moneys in the pupil's account in
31 the education savings grant fund and maintain the pupil's
32 account if and until such time that the pupil uses the funds
33 for qualified education expenses under subsection 8.

34 (4) If a pupil's eligibility is invalidated under the
35 provisions of paragraph "b", the pupil shall be ineligible for

1 an education savings grant for the following school budget year
2 under subsection 1, paragraph "a", subparagraph (2).

3 8. For each pupil with a positive balance in the pupil's
4 account in the education savings grant fund upon graduation
5 from high school, the department of management shall maintain
6 the account in the fund until the pupil is twenty-five years of
7 age. Following graduation from high school until the pupil is
8 twenty-five years of age, moneys in the pupil's account may be
9 used for qualified education expenses, as defined in section
10 12D.1, incurred by the pupil while attending an institution
11 of higher education under the control of the state board of
12 regents, a community college located in this state, or a
13 private college or university located in this state. Payments
14 from a pupil's account for qualified education expenses shall
15 be made in the same manner as payments for qualified grant
16 expenses under subsection 5. Moneys in a pupil's account when
17 the pupil turns twenty-five years of age shall be transferred
18 by the department of management for deposit in the general fund
19 of the state.

20 9. This section shall not be construed to authorize the
21 state or any political subdivision of the state to exercise
22 authority over any nonpublic school or construed to require a
23 nonpublic school to modify its academic standards for admission
24 or educational program in order to receive payment from a
25 parent or guardian using funds from a pupil's account in the
26 education savings grant fund. A nonpublic school that accepts
27 payment from a parent or guardian using funds from a pupil's
28 account in the education savings grant fund is not an agent
29 of this state or of a political subdivision of this state.
30 Rules adopted by the department of management to implement this
31 section that impose an undue burden on a nonpublic school are
32 invalid.

33 Sec. 4. Section 422.7, Code 2020, is amended by adding the
34 following new subsection:

35 NEW SUBSECTION. 48. Subtract, to the extent included, the

1 amount of an education savings grant under section 257.11B
2 received by the taxpayer for payment of qualified grant
3 expenses.

4 Sec. 5. APPLICABILITY. The following applies to school
5 budget years and fiscal years beginning on or after July 1,
6 2021:

7 The section of this division of this Act enacting section
8 257.11B.

9 Sec. 6. APPLICABILITY. The following applies to tax years
10 beginning on or after January 1, 2021:

11 The section of this division of this Act enacting section
12 422.7, subsection 48.

13

EXPLANATION

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

16 This bill establishes an education savings grant program for
17 certain pupils attending a nonpublic school.

18 Division I of the bill provides that the Act shall be known
19 and may be cited as the "Iowa Student Opportunity Act".

20 Under Division II of the bill, the following pupils who
21 attend a nonpublic school in this state and who maintain
22 enrollment for the entirety of the required attendance period
23 of the school year are eligible to receive an education savings
24 grant: (1) a pupil eligible to enroll in grade 1 through grade
25 12 if the pupil has attended a public school identified for
26 comprehensive support and improvement under federal law for
27 the equivalent of the two immediately preceding semesters; or
28 (2) a pupil who received an education savings grant for the
29 immediately preceding school budget year and who is eligible
30 to enroll in grade 1 through grade 12. By January 31 preceding
31 the school year for which the education savings grant is
32 requested, the parent or guardian of the pupil requesting to
33 receive an education savings grant must submit an application
34 to the department of management indicating that the parent or
35 guardian intends to enroll the pupil in a nonpublic school for

1 the entirety of the school year.

2 The bill requires that by March 1 preceding the school
3 year for which the education savings grant is requested, the
4 department of management must notify the parent or guardian of
5 each pupil approved for the following school year to receive an
6 education savings grant and the amount of the education savings
7 grant for the pupil, as specified in the bill. Education
8 savings grants must be approved for each school year and
9 applications must be submitted each year.

10 The bill creates an education savings grant fund in
11 the state treasury under the control of the department of
12 management consisting of moneys appropriated to the department
13 of management for the purpose of providing education savings
14 grants. For the fiscal year commencing July 1, 2021, and each
15 succeeding fiscal year, there is appropriated from the general
16 fund of the state to the department of management for deposit
17 in the fund the amount necessary to pay all education savings
18 grants approved for that fiscal year. For each pupil approved
19 for an education savings grant, the department of management
20 must establish an account for that pupil in the education
21 savings grant fund. The amount of the pupil's education
22 savings grant is deposited into the pupil's account on July 1
23 and such amount is available for use by parents and guardians
24 for the payment of qualified grant expenses, as defined in the
25 bill, incurred by the parent or guardian for the pupil during
26 that fiscal year.

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

34 The bill provides that moneys remaining in an eligible
35 pupil's account upon the conclusion of the fiscal year shall

1 remain in the eligible pupil's account in the education savings
2 grant fund for the payment of qualified grant expenses in
3 future fiscal years during which the pupil participates in
4 the program or for higher education costs that are qualified
5 education expenses as authorized in the bill.

6 Under the bill, for each pupil with a positive balance in
7 the pupil's account in the education savings grant fund upon
8 graduation from high school, the department of management is
9 required to maintain the account in the fund until the pupil
10 reaches an age specified in the bill. Until the pupil reaches
11 the age limitation, moneys in the pupil's account may be used
12 by the pupil for qualified education expenses, as defined in
13 Code section 12D.1. Moneys in a pupil's account when the pupil
14 reaches the age limitation are transferred by the department of
15 management for deposit in the general fund of the state.

16 The bill provides that a person who makes a false claim for
17 the purpose of obtaining an education savings grant or who
18 knowingly receives the grant or makes a payment from an account
19 in the education savings grant fund without being legally
20 entitled to do so is guilty of a fraudulent practice and is
21 subject to a criminal penalty. The bill directs the department
22 of management to recover grants and amounts improperly awarded
23 or paid and requires the closure of the pupil's account and
24 transfer of all remaining moneys to the general fund of the
25 state. The bill also establishes requirements and procedures
26 for parents or guardians and for the department of management
27 when a pupil receiving an education savings grant withdraws
28 or is expelled from the nonpublic school prior to the end of
29 the required attendance period of the school year, including
30 requirements for disposition of the pupil's account within the
31 education savings grant fund and recovery of grant funds.

32 The bill provides that an education savings grant received
33 by a taxpayer is not taxable income for purposes of state
34 individual income taxation. This provision of the bill applies
35 to tax years beginning on or after January 1, 2021.

S.F. 2206

1 The section of the bill enacting the education savings
2 grant program applies to school budget years and fiscal years
3 beginning on or after July 1, 2021.