

Senate File 547 - Introduced

SENATE FILE 547
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO SF 372)

A BILL FOR

1 An Act relating to education savings grants for certain pupils
2 attending an accredited nonpublic school or specified public
3 schools, establishing an education savings grant fund,
4 providing an income tax exemption, making appropriations,
5 providing penalties, and including applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 256.7, Code 2019, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 34. 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. NEW SECTION. **257.11B Education savings grant**
8 **program.**

9 1. Pupils with an individual education plan developed
10 in accordance with chapter 256B or who are considered to
11 have a disability according to section 504 of the federal
12 Rehabilitation Act and the federal Americans with Disabilities
13 Act and who are eligible to enroll in grades kindergarten
14 through twelve and who are either attending an accredited
15 nonpublic school or, following a denial of a request for open
16 enrollment under section 282.18, are attending and paying
17 tuition at a public school other than the pupils' district of
18 residence shall be eligible to receive an education savings
19 grant in the manner provided in this section for school years
20 beginning on or after July 1, 2020. Education savings grants
21 shall be made available to parents and guardians in the manner
22 authorized under subsection 4, paragraph "c", for the payment of
23 qualified educational expenses as provided in this section.

24 2. a. (1) By January 31 preceding the school year for
25 which the education savings grant is requested, the parent
26 or guardian of the pupil requesting to receive an education
27 savings grant shall submit an application to the department of
28 education, on application forms developed by the department of
29 education.

30 (2) In addition to information deemed appropriate by
31 the department of education, the application shall require
32 certification from the accredited nonpublic or public school of
33 the pupil's enrollment for the following school year.

34 b. By March 1 preceding the school year for which the
35 education savings grant is requested, the department of

1 education shall notify the department of management of the
2 number of pupils in each school district designated for the
3 following school year to receive an education savings grant
4 and the amount of the education savings grant for each pupil.
5 The department of education shall also notify the parent or
6 guardian of each pupil who is approved to receive an education
7 savings grant and the amount of the grant.

8 *c.* Education savings grants shall only be approved for one
9 school year and applications must be submitted annually for
10 education savings grants in subsequent school years.

11 3. *a.* The department of management shall assign each pupil
12 an education savings grant in an amount equal to the product
13 of the pupil's weighted enrollment that would otherwise be
14 assigned to the pupil under this chapter if the pupil was
15 enrolled in the pupil's district of residence multiplied by the
16 difference between eighty-seven and five-tenths percent of the
17 regular program state cost per pupil and the statewide average
18 regular program state foundation property tax per pupil in the
19 same school year.

20 *b.* The department of management shall on July 1 following
21 the determination of the amount of the education savings grant
22 for each approved pupil transfer such amounts to the pupil's
23 account in the education savings grant fund established under
24 subsection 4. Such amount shall be available to the pupil's
25 parent or guardian in the manner authorized under subsection
26 4, paragraph "c", for the payment of qualified educational
27 expenses incurred by such persons for the pupil during that
28 school year.

29 4. An education savings grant fund is created in the state
30 treasury under the control of the department of management
31 consisting of moneys appropriated to the department of
32 management for the purpose of providing education savings
33 grants under this section. For the fiscal year commencing July
34 1, 2020, and each succeeding fiscal year, there is appropriated
35 from the general fund of the state to the department of

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

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

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

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

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

18 *e.* Adopt rules pursuant to chapter 17A for the
19 administration of the fund and accounts within the fund.

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

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

35 *c.* Moneys remaining in a pupil's account upon conclusion

1 of the fiscal year shall remain in the pupil's account in the
2 education savings grant fund for the payment of qualified
3 educational expenses in future fiscal years or for the payment
4 of qualified higher education expenses under subsection 8.

5 6. For purposes of this section, "*qualified educational*
6 *expenses*" includes tuition and fees at an accredited nonpublic
7 or public school, textbooks, fees or payments for educational
8 therapies, including tutoring or cognitive skills training,
9 curriculum fees and materials for a course of study for a
10 specific subject matter or grade level, tuition or fees for
11 nonpublic online education programs, education materials and
12 services for pupils with disabilities, including the cost of
13 paraprofessionals and assistants who are trained in accordance
14 with state law, standardized test fees, fees required by the
15 department of education not to exceed for each grant recipient
16 five percent of the total grant amount in any fiscal year,
17 qualified higher education expenses, as defined in section
18 12D.1, subsection 2, paragraph "k", excluding room and board
19 expenses, and other expenses incurred by the parent or guardian
20 that are directly related to the education of the pupil at
21 an accredited nonpublic school, including a nonpublic school
22 accredited by an independent accrediting agency approved by
23 the department of education. "*Qualified educational expenses*"
24 do not include transportation costs for the pupil, the cost
25 of food or refreshments consumed by the pupil, the cost of
26 clothing for the pupil, or the cost of disposable materials,
27 including but not limited to paper, notebooks, pencils, pens,
28 and art supplies.

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

1 disallowed. If amounts from the grant have been disbursed from
2 the applicable account in the education savings grant fund, the
3 department of management shall initiate legal proceedings to
4 recover such amounts. A parent or guardian, or a pupil for
5 purposes of subsection 8, who commits a fraudulent practice
6 under this subsection is prohibited from participating in the
7 education savings grant program in the future.

8 8. *a.* For each pupil with a positive balance in the pupil's
9 account in the education savings grant fund upon graduation
10 from high school, the department of management shall maintain
11 such account in the fund until the pupil is twenty-three years
12 of age. Following graduation from high school until the pupil
13 is twenty-three years of age, moneys in the pupil's account may
14 be used for qualified higher education expenses, as defined in
15 section 12D.1, subsection 2, paragraph "k", incurred by the
16 pupil while attending an institution of higher education under
17 the control of the state board of regents, a community college
18 located in this state, or a private college or university
19 located in this state. Payments from a pupil's account for
20 qualified higher education expenses shall be made in the same
21 manner as payments for qualified educational expenses under
22 subsection 5. Moneys in a pupil's account when the pupil
23 turns twenty-three years of age shall be transferred by the
24 department of management for deposit in the general fund of the
25 state.

26 *b.* Notwithstanding the age limitation in paragraph "a",
27 if the pupil with a positive balance in the pupil's account
28 in the education savings grant fund upon graduation from high
29 school serves on federal active duty, other than training, and
30 is discharged under honorable conditions, the limitation date
31 otherwise applicable under paragraph "a" shall be extended
32 by one year for each year of federal active duty service by
33 the pupil, but not to a date after the pupil's twenty-seventh
34 birthday.

35 9. This section shall not be construed to authorize the

1 state or any political subdivision of the state to exercise
2 authority over any accredited nonpublic school or construed to
3 require an accredited nonpublic school to modify its standards
4 for admission or educational program in order to receive
5 payment from a parent or guardian using funds from a pupil's
6 account in the education savings grant fund. An accredited
7 nonpublic school that accepts payment from a parent or guardian
8 using funds from a pupil's account in the education savings
9 grant fund is not an agent of this state or of a political
10 subdivision of this state. Rules adopted by the department of
11 management or the department of education to implement this
12 section that impose an undue burden on an accredited nonpublic
13 school are invalid.

14 Sec. 3. Section 422.7, Code 2019, is amended by adding the
15 following new subsection:

16 NEW SUBSECTION. 48. Subtract, to the extent included, the
17 amount of an education savings grant under section 257.11B
18 received by the taxpayer for payment of qualified educational
19 expenses.

20 Sec. 4. APPLICABILITY. This Act applies to school budget
21 years and fiscal years beginning on or after July 1, 2020.

22 Sec. 5. APPLICABILITY. The section of this Act enacting
23 section 422.7, subsection 48, applies to tax years beginning on
24 or after January 1, 2020.

25 EXPLANATION

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

28 This bill provides education savings grants for certain
29 pupils attending accredited nonpublic schools or specified
30 public schools if certain conditions are met and establishes an
31 education savings grant fund.

32 Under the bill, pupils with an individual education plan
33 or who are considered to have a disability according to
34 specified federal laws and who are eligible to enroll in
35 grades kindergarten through 12 and who are either attending an

1 accredited nonpublic school or, following a denial of a request
2 for open enrollment, are attending and paying tuition at a
3 public school other than the pupils' district of residence,
4 are eligible to receive an education savings grant in school
5 years beginning on or after July 1, 2020, for the payment of
6 qualified educational expenses, as defined in the bill. By
7 January 31 preceding the school year for which the education
8 savings grant is requested, the parent or guardian of the pupil
9 requesting to receive an education savings grant must submit an
10 application to the department of education.

11 The bill requires that by March 1 preceding the school
12 year for which the education savings grant is requested,
13 the department of education must notify the department of
14 management of the number of pupils in each school district
15 designated for the following school year to receive an
16 education savings grant and the amount of the education savings
17 grant for each pupil. Education savings grants may only be
18 approved for one school year and annual applications must be
19 submitted for education savings grants in subsequent school
20 years.

21 The amount of each education savings grant is equal to
22 the product of the pupil's weighted enrollment that would
23 otherwise be assigned to the pupil if the pupil was enrolled
24 in the pupil's district of residence multiplied by the
25 difference between 87.5 percent of the regular program state
26 cost per pupil and the statewide average regular program state
27 foundation property tax per pupil in the same school year.

28 The bill creates an education savings grant fund in
29 the state treasury under the control of the department of
30 management consisting of moneys appropriated to the department
31 of management for the purpose of providing education savings
32 grants. For the fiscal year commencing July 1, 2020, and each
33 succeeding fiscal year, the bill appropriates from the general
34 fund of the state to the department of management for deposit
35 in the fund the amount necessary to pay all education savings

1 grants approved for that fiscal year. For each pupil approved
2 for an education savings grant, the department of management
3 must establish an account for that pupil in the education
4 savings grant fund. The amount of the pupil's education
5 savings grant is deposited into the pupil's account on July 1
6 and such amount is available for use by parents and guardians
7 for the payment of qualified educational expenses incurred by
8 the parent or guardian for the pupil during that fiscal year.

9 The bill authorizes the department of management to
10 contract with a private financial management firm to manage
11 the education savings grant fund, in collaboration with the
12 treasurer of state, including providing for the disbursement
13 of education savings grants in the form of an electronic debit
14 card or checks that are payable directly from the pupil's
15 account within the fund.

16 The bill provides that moneys remaining in a pupil's account
17 upon the conclusion of the fiscal year shall remain in the
18 pupil's account in the education savings grant fund for the
19 payment of qualified educational expenses in future fiscal
20 years or for qualified higher education expenses as authorized
21 in the bill.

22 Under the bill, for each pupil with a positive balance in
23 the pupil's account in the education savings grant fund upon
24 graduation from high school, the department of management is
25 required to maintain the account in the fund until the pupil
26 reaches an age specified in the bill. Until the pupil reaches
27 the age limitation, moneys in the pupil's account may be used
28 by the pupil for qualified higher education expenses, as
29 defined in Code section 12D.1. Moneys in a pupil's account
30 when the pupil reaches the age limitation are transferred by
31 the department of management for deposit in the general fund
32 of the state.

33 The bill provides that a person who makes a false claim for
34 the purpose of obtaining an education savings grant or who
35 knowingly receives the grant or makes a payment from an account

1 within the education savings grant fund without being legally
2 entitled to do so is guilty of a fraudulent practice and is
3 subject to a criminal penalty. The bill allows the department
4 of management to initiate legal proceedings to recover grants
5 and amounts improperly awarded or paid from accounts under the
6 bill.

7 The bill provides that an education savings grant received
8 by a taxpayer is not taxable income for purposes of state
9 individual income taxation. This provision of the bill applies
10 to tax years beginning on or after January 1, 2020.

11 The bill applies to school budget years and fiscal years
12 beginning on or after July 1, 2020.