SENATE, No. 2170



STATE OF NEW JERSEY

217th LEGISLATURE



INTRODUCED MAY 9, 2016

Sponsored by:

Senator ANTHONY R. BUCCO

District 25 (Morris and Somerset)

SYNOPSIS

Provides for establishment of publicly-funded education savings accounts for use at educational institutions other than public elementary and secondary schools.

CURRENT VERSION OF TEXT

As introduced.



An Act concerning the establishment of education savings accounts and supplementing Title 18A of the New Jersey Statutes.

Be It Enacted by the Senate and General Assembly of the State of New Jersey:

1. As used in this act:

“Education savings account” means an account established on behalf of a child pursuant to section 3 of this act.

“Eligible entity” means:

a. an elementary or secondary school within the State, other than a public school, offering education for grades kindergarten through 12, or any combination thereof, where a child may legally fulfill compulsory school attendance requirements and which complies with the requirements of Title VI of the “Civil Rights Act of 1964,” Pub.L.88-352;

b. an institution of higher education located within the State;

c. a school, other than a public school, in which all or a portion of the instruction is provided through means of the Internet, and the students enrolled in and instructional staff employed by the school are geographically remote from each other;

d. a tutor or tutoring agency; or

e. a parent.

“Parent” means the parent, custodial parent, legal guardian, or other person who has control or charge of a child and the legal right to direct the education of the child.

“Participating entity” means an eligible entity that has been approved by the State Treasurer pursuant to section 6 of this act to provide educational services that are paid for with money on deposit in an education savings account established pursuant to this act.

2. a. The parent of a child who is eligible to attend a public school pursuant to N.J.S.18A:38-1 may enter into an agreement with the State Treasurer for the establishment of an education savings account if the child has been enrolled in a public school located in the State for at least 100 consecutive school days prior to the parent entering into the agreement. The State Treasurer shall determine the process by which a parent may enter into an agreement. The agreement shall provide that:

(1) the child shall receive instruction from a participating entity in the State for the school year for which the agreement is applicable;

(2) the parent shall receive a grant on behalf of the child in the form of funds deposited into the education savings account in an amount determined pursuant to section 3 of this act;

(3) the money deposited into the education savings account shall only be used as authorized pursuant to section 5 of this act;

(4) the State Treasurer shall not allow the withdrawal of money from the education savings account during any break in the school year or between school years; and

(5) the education savings account established pursuant to this act shall be maintained by a financial management firm qualified by the State Treasurer.

b. An agreement between a parent and the State Treasurer entered into pursuant to subsection a. of this section shall be valid for one school year. The agreement may be renewed for any subsequent school year in which the child is eligible to attend a public school pursuant to N.J.S.18A:38-1.

c. An agreement between a parent and the State Treasurer entered into pursuant to subsection a. of this section may be terminated prior to the conclusion of the school year. The State Treasurer shall terminate an agreement if the child no longer resides in the State. Any funds remaining in an education savings account at the time of a termination prior to the end of the school year shall revert to the State treasury.

d. A parent’s failure to enter into or renew an agreement with the State Treasurer in a school year in which the child is eligible to attend public school pursuant to N.J.S.18A:38-1 shall not prohibit the parent from entering into an agreement in a subsequent school year.

e. Upon entering into or renewing an agreement with a parent, the State Treasurer shall provide a written explanation to the parent of the authorized uses of any money in the education savings account, and the responsibilities of the parent and the State Treasurer under the agreement.

3. a. Upon entering into an agreement with a parent pursuant to section 2 of this act, the State Treasurer shall establish an education savings account on behalf of that parent’s child. Except as otherwise provided pursuant to subsections b. and c. of this section, for each school year in which an agreement is in effect, the State Treasurer shall deposit, in equal quarterly installments, the following amount into a child’s education savings account:

(1) in the case of a child who resides in a household with income no greater than 185 percent of the most recently published federal poverty guidelines, or a child who received special education programs and services pursuant to chapter 46 of Title 18A of the New Jersey Statutes in the school year prior to the establishment of the education savings account, the total Statewide equalization aid for the budget year calculated pursuant to the provisions of section 11 of P.L.2007, c.260 (C.18A:7F-53) divided by the Statewide total projected resident enrollment for the budget year; and

(2) in the case of all other pupils, 90 percent of the total Statewide equalization aid for the budget year calculated pursuant to the provisions of section 11 of P.L.2007, c.260 (C.18A:7F-53) divided by the Statewide total projected resident enrollment for the budget year.

b. If a child will receive a portion of his instruction from a participating entity and a portion from a public school, the State Treasurer shall prorate the amount to be deposited into the education savings account based on the percentage of total instruction that is provided by the participating entity.

c. The State Treasurer may retain an amount not to exceed three percent of each grant to pay the costs of administering the program.

4. a. The State Treasurer shall qualify at least one private financial management firm to manage the education savings accounts, and shall establish reasonable fees based on current market rates for the management of the accounts.

b. The State Treasurer shall provide for the auditing of a random sample of education savings accounts annually, and may require an audit of any specific education savings account for which misuse of money deposited into the account is suspected. In the event that an audit identifies substantial misuse of money in an education savings account, the State Treasurer shall immediately freeze the account and forward the audit findings to the Office of the Attorney General.

5. a. Money deposited into an education savings account shall be used exclusively to pay for the following for the child for whom the account has been established:

(1) tuition and fees charged by a participating entity at which the child is enrolled;

(2) required textbooks;

(3) tutoring or other teaching services that are provided by a tutor or tutoring agency that is a participating entity;

(4) fees for any national norm-referenced achievement examination, advanced placement, or similar examination or standardized examination required for admission to an institution of higher education;

(5) in the case of a child who received special education programs and services pursuant to chapter 46 of Title 18A of the New Jersey Statutes in the school year prior to the establishment of the education savings account, fees for any special instruction or services provided to the child;

(6) transportation required for the child to travel to and from a participating entity, not to exceed $750 per school year; and

(7) curriculum and supplemental materials required to administer the curriculum.

Nothing in this act shall preclude a parent from supplementing the money deposited into an education savings account with money from another source.

b. Any money remaining in an education savings account at the end of a school year shall remain in the account for use in the subsequent school year if the parent renews the agreement with the State Treasurer. If the agreement is not renewed, any money remaining in an education savings account at the end of the school year shall revert to the State treasury.

6. a. An eligible entity may apply to the State Treasurer to become a participating entity in a manner determined by, and on a form provided by, the State Treasurer. The State Treasurer shall establish criteria on which an application will be evaluated and shall approve an application submitted by an eligible entity that satisfies the criteria. The State Treasurer shall annually publish a list of all participating entities other than a parent.

b. At any time, the State Treasurer may rescind the approval given to a participating entity if the State Treasurer determines that the entity has consistently failed to comply with the provisions of this act, including providing educational services that legally fulfill the compulsory attendance requirements pursuant to N.J.S.18A:38-25, if that entity has accepted payments from an education savings account for the purpose of providing such services. In the event that the State Treasurer rescinds the approval, the State Treasurer shall promptly notify any parent who has, during the current school year, made a payment from an education savings account to that participating entity.

7. If the State Treasurer anticipates that a participating entity will receive more than $50,000 in payments from education savings accounts in any school year, then the participating entity shall annually, on or before the date prescribed by the State Treasurer:

a. post a surety bond in an amount equal to the amount of payments expected to be made from education savings accounts to the participating entity during the school year; or

b. provide satisfactory evidence to the State Treasurer that the participating entity has unencumbered assets equal to the amount of payments expected to be made from education savings accounts to the participating entity during the school year.

8. a. Each participating entity that provides instruction that legally fulfills compulsory attendance requirements pursuant to N.J.S.18A:38-25 shall ensure that each child for whom the entity receives a payment from an education savings account:

(1) is administered the State assessments in English language arts, mathematics, and science that are required for public school students enrolled in the same grade level; or

(2) in the case of a child enrolled in a grade for which there is no State assessment, is administered a nationally-normed achievement assessment in English language arts and mathematics.

The participating entity shall forward the child’s assessment results to the Commissioner of Education in a timeframe and format to be determined by the commissioner.

b. The commissioner shall use the data obtained pursuant to subsection a. of this section to calculate the student growth percentile for each child and include the results in the report issued pursuant to the provisions of P.L.1995, c.235 (C.18A:7E-1 et seq.).

c. The State Treasurer shall annually conduct a survey of parents who have entered into an agreement with the State Treasurer pursuant to section 2 of this act. The survey shall include, but need not be limited to, the following:

(1) the number of years for which the parent has maintained the agreement with the State Treasurer;

(2) the level of parental satisfaction with the program established pursuant to this act; and

(3) opinions on any other matters that the State Treasurer determines may aid in evaluating and improving the program.

9. A participating entity that receives payments from an education savings account shall not rebate or refund any portion of the payment to the parent making the payment unless the refund is for goods or services that were not provided. The participating entity shall provide a receipt to the parent for all payments made using money in an education savings account.

10. This act shall take effect immediately and shall first be applicable to the first full school year beginning after the date of enactment.

STATEMENT

This bill provides for the establishment of education savings accounts on behalf of children residing in the State for use at entities other than public schools. Under the bill, a parent may enter into an agreement with the State Treasurer to establish such an account for a child who has attended a public school in the State for at least 100 consecutive school days prior to entering into the agreement.

After entering into the agreement, the State Treasurer would award a grant on behalf of the child that will be deposited into the education savings account. In the case of a low-income child or a child who received special education services in the school year prior to the agreement, the grant would equal the Statewide equalization aid per pupil for that budget year; for all other students, the grant would equal 90 percent of that amount. Money in an account may be used to pay for tuition and fees charged by a participating entity, required textbooks, tutoring or other teaching services, fees for standardized assessments, special instruction for children who previously received special education services, transportation costs, and curriculum and supplemental materials required to administer the curriculum.

The bill defines a “participating entity” as a nonpublic school, institution of higher education, a virtual school, a tutor or tutoring agency, or a parent who has been approved by the State Treasurer to provide educational services that are paid for with money in the education savings account.

The agreement between a parent and the State Treasurer would be for one school year, and may be renewed in any subsequent school year in which the child is eligible to enroll in a public school. Any money remaining in an account at the end of a school year would remain in the account for use in the subsequent school year if the agreement is renewed; otherwise, the remaining money would revert to the State treasury.

A participating entity that provides instruction that satisfies the State’s compulsory school attendance requirements must administer the grade-level appropriate State assessment to any child for whom the entity receives a payment from an education savings account. If the child is enrolled in a grade for which there is no State assessment, then the child would be administered standardized assessments in English language arts and mathematics. The participating entity would forward the child’s results to the Commissioner of Education for inclusion in the school report cards required under State law.