

**SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION**

S.F. No. 4403

(SENATE AUTHORS: DORNINK)

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Introduction and first reading
Referred to Education Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to education finance; creating an education savings account program;

1.3 authorizing a student at an underperforming school to choose another learning

1.4 option; appropriating money; amending Minnesota Statutes 2020, section 126C.05,

1.5 subdivision 13; proposing coding for new law in Minnesota Statutes, chapter 124D.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. **[124D.0905] EDUCATION SAVINGS ACCOUNTS FOR STUDENTS**

1.8 **ACT.**

1.9 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have

1.10 the meanings given.

1.11 (b) "Eligible nonpublic school" means a nonpublic school where a student can fulfill

1.12 compulsory education requirements and that is recognized by the commissioner or accredited

1.13 by an accrediting agency recognized by the Minnesota Nonpublic Education Council under

1.14 section 123B.445, paragraph (a). An eligible nonpublic school does not include a home

1.15 school under sections 120A.22, subdivision 4, and 120A.24.

1.16 (c) "Eligible student" means any student who resides in Minnesota and attended an

1.17 underperforming public school during the semester preceding participation in the education

1.18 savings account program. An eligible student, once enrolled in an eligible nonpublic school,

1.19 remains eligible in subsequent years, whether or not the student's former public school

1.20 remains an underperforming public school.

1.21 (d) "Individual education savings account" means an education savings account

1.22 established on behalf of an eligible student according to subdivision 4.

2.1 (e) "Participating student" means an eligible student who has enrolled in the education
2.2 savings account program.

2.3 (f) "Postsecondary institution" means an eligible institution under section 124D.09,
2.4 subdivision 3, paragraph (a).

2.5 (g) "Underperforming public school" means a public school operated by a school district
2.6 or charter school where fewer than 60 percent of the students are proficient in either reading
2.7 or math at that school site as measured by the Minnesota Comprehensive Assessments for
2.8 the most recent year for which results are available.

2.9 Subd. 2. **Education savings account program created.** (a) An education savings
2.10 account program is created.

2.11 (b) A student qualifies to participate in the program if:

2.12 (1) the student is an eligible student under subdivision 1, paragraph (c); and

2.13 (2) the student's parent applies to the Department of Education in the form and manner
2.14 established by the commissioner for an education savings account.

2.15 (c) A parent must only use the funds deposited in a participating student's education
2.16 savings account for tuition and fees at an eligible nonpublic school.

2.17 (d) An eligible nonpublic school that enrolls a participating student must provide parents
2.18 with a receipt for all qualifying expenses for tuition and fees paid by the parent.

2.19 (e) Upon a participating student's graduation from high school, any funds remaining in
2.20 a participating student's individual education savings account may be applied to tuition and
2.21 fees charged for courses taken from a postsecondary institution in the school year
2.22 immediately following the year of graduation.

2.23 (f) If, at any time after the creation of a student's individual education savings account,
2.24 the participating student re-enrolls in a Minnesota school district or charter school, the
2.25 student's individual education savings account must be closed and any remaining funds in
2.26 the student's individual education savings account must be returned to the state general fund.

2.27 Subd. 3. **Individual education saving account funding.** (a) The commissioner must
2.28 create an individual education savings account for each participating student upon request
2.29 of the student's parent.

2.30 (b) On July 30 of each year, the amount determined under section 126C.05, subdivision
2.31 13, is appropriated from the general fund to the commissioner for placement into each
2.32 participating student's education savings account. The amount transferred to each account

equals the product of the pupil's grade level weighting for that year and 88 percent of the basic formula allowance for that year.

Subd. 4. **Administration.** (a) The commissioner must create a standard form that parents of students may submit to establish the student's eligibility for an individual education savings account. The commissioner must ensure that the application is readily available to interested families and post the form on the Department of Education's website.

(b) The commissioner must provide parents of participating students with a written explanation of:

(1) the responsibility of a parent for ensuring compulsory instruction for their child;

(2) a list of eligible nonpublic schools;

(3) the allowable uses of the funds in the participating student's individual education savings account;

(4) the obligation of the parent to document the appropriate expenditure of the account funds; and

(5) the duties of the commissioner to oversee the spending of the funds.

(c) The information in paragraph (b) must also be made available on the department's website.

(d) By October 1 of each year, the commissioner shall annually notify all students who are eligible to participate in the education savings account program of the existence of the program.

(e) Within 30 days of making a payment from the student's individual savings account to an eligible nonpublic school, a parent must submit documentation of the payment to the commissioner of education in the form and manner required by the commissioner. If a parent fails to document the spending, or respond to the commissioner's request for a receipt for the payment, the commissioner may freeze the student's individual education savings account.

Subd. 5. **Special revenue fund; education savings account.** (a) An account is established in the special revenue fund known as the "education savings account."

(b) Funds appropriated for the education savings account must be transferred to the education savings account in the special revenue fund.

(c) Money in the account is annually appropriated to the commissioner for transfer into eligible students' individual education savings accounts.

(d) Each school year, five percent of the June 30 balance of the special revenue fund education savings account from the prior year is appropriated from the account to the commissioner for costs associated with administering and monitoring the education savings account program.

EFFECTIVE DATE. This section is effective the day following final enactment and first applies to eligible students enrolling in an eligible school for the 2023-2024 school year.

Sec. 2. Minnesota Statutes 2020, section 126C.05, subdivision 13, is amended to read:

Subd. 13. **PSEO and education savings account pupils.** (a) The average daily membership for a pupil participating in the postsecondary enrollment options program equals the lesser of

(a) 1.00, or

(b) the greater of

(1) .12, or

(2) the ratio of (i) the sum of the number of instructional hours the pupil is enrolled in the secondary school during quarters, trimesters, or semesters during which the pupil participates in PSEO, and hours enrolled in the secondary school during the remainder of the school year, to (ii) the actual number of instructional days in the school year times the length of day in the school.

(b) Notwithstanding any law to the contrary, for purposes of determining a school district's funding, a pupil participating in the education savings account program under section 124D.0905 must continue to be counted in the enrollment of the resident school district. The average daily membership for a pupil participating in the education savings account program is .12.

(c) On July 15 of each year, the commissioner of education must calculate the aid amount and transfer that amount to the special revenue fund education savings account. The aid to be transferred equals the product of the grade-weighted number of students participating in the program, .88, and the formula allowance for that year.

5.1 Sec. 3. **APPROPRIATION; DEPARTMENT OF EDUCATION.**

5.2 \$..... in fiscal year 2023 is appropriated from the general fund to the commissioner of
5.3 education for the development of education savings accounts under Minnesota Statutes,
5.4 section 124D.0905.