



# THE PARENT-DIRECTED FUNDING ACT

*Model Policy  
December 2023*

## 1) Short Title

This act shall be known and may be cited as the “Parent-Directed Funding Act,” (the “Act”).

## 2) Legislative Declaration

- a. Whereas students are individuals with unique needs; and
- b. Whereas parents, as defined in this act, often know their students well and can identify their unique needs more efficiently than any school; and
- c. Whereas parents can and do identify educational programs or resources that may serve their students well; and
- d. Whereas the future of our state increasingly depends on the success of each and every child;
- e. Therefore, the Legislature declares it is in the interest of individual students and the state to empower parents to direct the educational funding of their children.

## 3) Definitions

- a. “Education service provider” means a person or organization that provides qualified education expenses pursuant to this article and is not a participating school.
- b. A “parent” means any person who is a legal guardian of a child who is entitled to attend public school in the state.
- c. “Program manager” means an organization that is qualified as tax exempt under Section 501(c)(3), Internal Revenue Code; and is recognized by an agreement with the state board to administer the grant, in accordance with this act.
- d. A “qualified education expense” is an amount of funds parents spend to access an educational program, educational resource, or transportation to any qualified education expense.

## 4) Parent-Directed Funding Act

- a. Beginning {the effective date of this act}, a school district or charter school may use a portion of the funds allocated to the school district to provide grants to parents of students who attend the school district or charter school
- b. Parents may only spend grant dollars on qualified education expenses.
- c. The school district or charter shall develop and publish a plan for program administration on its website and shall annually inform parents of the program and how it may be accessed by email, text, and mail.
- d. Grants to parents do not constitute taxable income.



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- e. The school district or charter school shall set aside funding for the grant and deliver that money to the program manager for disbursement.
- f. Money shall be set aside for all students in the school district.
- g. Before parents receive any funding, a parent shall sign an agreement, in a manner chosen by the program manager, on behalf of each student to only use funds on qualified education expenses.
- h. Any money set aside on behalf of a student whose parent does not sign an agreement shall revert back to the public school district or public charter school.

## 5) Qualified Education Expenses

- a) Parents participating in the program shall agree to only use the funds deposited in their participating student's accounts for the following qualified education expenses:
  - i. Private tutoring;
  - ii. Textbooks, curriculum, or other instructional materials,
  - iii. Educational services and therapies from a licensed or accredited practitioner or provider, including but not limited to occupational, behavioral, physical and speech-language therapies;
  - iv. Computer hardware, software, or other technological devices that are used solely for a student's educational needs and approved by the program manager or a licensed physician;
  - v. Fees paid for a high-quality internet connection;
  - vi. Fees for national norm-referenced examinations, Advanced Placement examinations or similar courses, fees associated with state-recognized industry certification exams and any examinations related to college or university admission;
  - vii. Tuition, fees and instructional materials at a career and technical education provider;
  - viii. Tuition, fees and required textbooks at an eligible postsecondary institution;
  - ix. Courses or contracted educational services, including co-curricular and extracurricular activities, provided at a public school or public school district;
  - x. Fees for information and counseling to help families navigate options related to schooling and/or other educational services, including postsecondary and career training;
  - xi. Fees for transportation paid to a fee-for-service transportation provider for the participating student to travel to and from an eligible education service provider as defined in this section



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- xii. Tuition and/or fees for summer education programs and after-school education programs; and
- xiii. Any other valid education expenses approved by the program manager.

## **6) Selection of the Program Manager**

- a. In accordance with {State Procurement Statutes} the state board of education shall issue a request for proposal on or before November 1<sup>st</sup> of XXX year, and enter an agreement with no more than one organization that qualifies as a program manager, for the state board to recognize as the program manager, on or before December 31<sup>st</sup>.
- b. An organization that responds to a request for proposals described in Subsection (1)(a) shall submit the following information in the organization's response:
  - i. A copy of the organization's incorporation documents;
  - ii. A copy of the organization's Internal Revenue Service determination letter qualifying the organization as being tax exempt under Section 501(c)(3), Internal Revenue Code;
  - iii. A description of the methodology the organization will use to verify a student's eligibility under this part; and
  - iv. A description of the organization's proposed scholarship account application process.
- c. The state board shall ensure that the agreement described in Subsection (1)(a):
  - i. Ensures the efficiency and success of the program; and
  - ii. Does not impose any requirements on the program manager that:
  - iii. Are not essential to the basic administration of the program; or
  - iv. Create restrictions, directions, or mandates regarding instructional content or curriculum.
- d. The state board shall adopt rules, including provisions in the state board's agreement with the program manager. This may include rules, policies or procedures:
  - i. Establishing or contracting for the establishment of an online anonymous fraud reporting service;
  - ii. Establishing an anonymous telephone hotline for fraud reporting;
  - iii. Requiring a surety bond for education service providers receiving more than \$100,000 in account funds;
  - iv. Refunding payments from education service providers back to accounts; and/or



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- v. Ensuring that the establishment and maintenance of scholarship accounts and enrollment in the program are not disrupted if the program manager is barred from participating in the program.

## **7) Responsibilities of the Program Manager.**

- a. The program manager shall maintain an updated list of education service providers and shall ensure that the list is publicly available through various sources, including the Internet.
- b. The program manager shall provide parents of participating students with a written explanation of the allowable uses of the accounts, information on selecting education service providers, the responsibilities of parents, the role of any private organizations that the program manager may contract with to administer the program and the duties of the program manager.
- c. The program manager will have the authority to make any parent of a participating student ineligible for the program in the event of substantial misuse of the funds in the account.
  - i. The program manager shall create procedures to ensure that a fair process exists to determine whether an intentional and substantial misuse of account funds has occurred.
    - 1. If a participating student is free from personal misconduct, that student shall be eligible for an account in the future if placed with a new guardian or other person with legal authority to act on behalf of the student.
  - ii. The program manager will have the authority to refer cases of substantial misuse of funds to law enforcement agencies for investigation if evidence of fraudulent use of an account is obtained.
  - iii. A parent may appeal the program manager's decision to make a parent ineligible for the program.
- d. The program manager shall develop a system for parents to direct account funds to education service providers by electronic funds transfer, automated clearing house transfer or another system that the office finds to be commercially viable, cost-effective and easy for parents of participating students to use. The office shall not adopt a system that relies solely on reimbursing parents for out-of-pocket expenses but may determine certain qualified education expenses that must require reimbursement or preapproval for purchase. The program manager is authorized to qualify private financial management firms to manage the payment system. The program manager shall establish and provide reasonable fees for private financial management firms participating in the program based upon market rates.
- e. The program manager may deduct an amount from the grants to accounts to cover the costs of overseeing the accounts and administering the program up to a limit of 10 percent. Any unused funds designated for administration shall return to the program to finance additional accounts. Any remaining funds shall be divided evenly among current accounts.