

**Written Testimony for House Bill 2119
2021 Legislative Session**

To: House K-12 Education Budget Committee

From: Jocelyn Gunter, Director, Office of Accounts and Reports, Dept. of Administration

Date: February 5, 2021

Re: Neutral Testimony on House Bill 2119

Madam Chair and members of the committee,

Thank you for the opportunity to provide written testimony regarding HB 2119. The Department of Administration has a neutral position on HB 2119, but would like to express concerns regarding language within New Section 7 that appears to be contradictory.

The language in question relates to the establishment of the individual student accounts and where those accounts would reside. The state's central accounting system (SMART) is not designed for, nor has the functionality that allows for individuals from the public to access funds or initiate transactions. This is not feasible, yet New Section 7 appears to contain such language.

Staff within the Department of Administration and the State Treasurer's Office (STO) have discussed specific provisions of New Section 7 and are in agreement that the individual student accounts would need to be established and managed by the State Treasurer's Office. Under the STO's oversight, students would access their individual accounts through a 3rd party application designed for this purpose. This would serve as a "subsidiary ledger" system for the "primary" student empowerment fund which would be accounted for, and reside in, SMART. Transactions and reconciliations involving the individual students accounts and the "primary" student empowerment fund would be controlled by the STO.

New Section 7(a)(2), states that,

"The director of accounts and reports shall create a procedure for the student empowerment fund to have individual student accounts therein. Each student's accumulated moneys in the student's account shall earn interest based on: (A) The average daily balance of moneys in each student's account for the preceding month; and (B) the net earnings rate of the pooled money investment portfolio for the preceding month. The amount of interest earned shall be added monthly to each student's account in the student empowerment fund."

This appears to contradict New Section 7(h) which states,

"The treasurer shall develop a system for payment of services by participating parents by electronic funds transfer. Such system shall not require parents to be reimbursed for allowable expenses. All electronic funds

transfers shall only be for expenditures approved by the treasurer. The treasurer may contract with a third party for the purposes of implementing this subsection.”

If HB 2119 is passed, the Department of Administration, in agreement with the STO, would anticipate implementing its provisions under the presumption that the establishment of the individual student accounts, their oversight, and the development of procedures would fall under the STO. Additionally, the “primary” student empowerment fund would be the recipient fund for transfers, including allocations of the average daily balance interest. Under this presumption, establishment of the “primary” student empowerment fund within SMART would be done within existing Department of Administration resources.

Lastly, even though there is no impact for the Department of Administration, this point is raised as a matter of legislative intent. HB 2119 New Section 7(g)(2) states that,

“If the treasurer determines an account is inactive, the treasurer shall close the account and certify the amount of moneys remaining in the account to the director of accounts and reports. Such certified amount shall remain in the student empowerment fund.”

It is not clear as stated, if the funds would sit indefinitely in this fund or if there is an intent for those account balances to be reallocated.

Thank you for the opportunity to provide testimony for House Bill 2119. We appreciate your time and consideration and are happy answer any questions at the appropriate time.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Jocelyn Gunter', is positioned above the typed name.

Jocelyn Gunter, Director
Office of Accounts and Reports