



Home	Bill Information	California Law	Publications	Other Resources	My Subscriptions	My Favorites
------	------------------	----------------	--------------	-----------------	------------------	--------------

AB-19 Education expenses: Education Choice and Parental Empowerment Act of 2025. (2025-2026)

SHARE THIS:  

Date Published: 03/28/2025 09:00 PM

AMENDED IN ASSEMBLY MARCH 28, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 19

Introduced by Assembly Member DeMaio

December 02, 2024

An act *to add Article 19.2 (commencing with Section 69995) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, and to add Sections 17132.2 and 17210 to the Revenue and Taxation Code*, relating to education ~~expenses:~~ *expenses, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

AB 19, as amended, DeMaio. Education expenses: ~~education savings accounts.~~ *Education Choice and Parental Empowerment Act of 2025.*

Existing

(1) Existing law establishes a system of elementary and secondary education in this state. This system consists of the public and private schools that provide instruction in kindergarten and in grades 1 to 12, inclusive. Existing law establishes a system of higher education in this state, consisting of 4 segments: the University of California, under the administration of the Regents of the University of California; the California State University, under the administration of the Trustees of the California State University; the California Community Colleges, under the administration of the Board of Governors of the California Community Colleges; and independent institutions of higher education.

~~This bill would state the intent of the Legislature to enact subsequent legislation, to be known as the Education Choice and Parental Empowerment Act of 2025, to empower parents to send their children to better performing schools by providing them with education savings accounts.~~

This bill would enact the Education Choice and Parental Empowerment Act of 2025 and establish the Education Savings Account (ESA) Trust, to be known as the ESA Trust, as a fund within the State Treasury to be administered by the ESA Trust Board. For the 2027–28 to 2030–31, inclusive, school years, the bill would authorize certain children eligible to be enrolled in kindergarten or any of grades 1 to 12, inclusive, to establish an ESA, based on parent or guardian income. The bill, beginning with the 2031–32 school year, would authorize every child eligible to be enrolled in kindergarten or any of grades 1 to 12, inclusive, to establish an ESA. The bill would credit a deposit amount to the account of every eligible student enrolled in an eligible school for tuition,

elementary and secondary eligible education expenses, and undergraduate or graduate eligible education expenses, as defined. The bill would specify the deposit amounts for the 2027–28 school year, and would require the Department of Finance, beginning on July 1, 2028, to determine the ESA deposit amount annually for the upcoming school year, as provided. The bill would require the Controller to transfer an amount of money from the General Fund to the ESA Trust in those amounts.

The bill would specify the membership of the ESA Trust Board and would vest the ESA Trust Board with certain powers and duties. The bill would establish 2 accounts within the ESA Trust, the ESA Trust Program Account and the ESA Trust Administrative Account, and would continuously appropriate the moneys in the program account to the ESA Trust Board for purposes of the bill, thereby making an appropriation.

The bill would require the Superintendent of Public Instruction to establish a procedure for the parents and legal guardians of eligible students to apply to establish an ESA and submit an executed participation agreement. The bill would authorize the ESA Trust Board to disburse funds from ESAs to eligible schools. The bill would define “eligible school” as a campus of the California Community Colleges, the California State University, and the University of California, a full-time private school accredited by, or, except as provided, awaiting accreditation from, a regional accrediting agency recognized by the state or the United States Department of Education, a private college or university, a public college or university, or a vocational educational or training institution, as specified. The bill would specify the procedures for participating eligible schools to receive funds disbursed by the ESA Trust Board. Once an eligible student graduates from high school or obtains a high school equivalency certification, the bill would impose a \$50,000 cap on the balance in any ESA available for an eligible student’s use for tuition, undergraduate or graduate eligible education expenses, or expenses associated with vocational education. The bill would require the Department of Finance to adjust this limit annually for inflation using the California Consumer Price Index.

(2) The Classroom Instructional Improvement and Accountability Act, an initiative approved by the voters as Proposition 98 at the November 8, 1988, statewide general election, amended the California Constitution to, among other things, set forth a formula for computing the minimum amount of revenues that the state is required to appropriate for the support of school districts and community college districts based on one of 3 tests in any given fiscal year, one of which is based on the percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in the 1986–87 fiscal year, and 2 of which are based on, among other things, changes in enrollment.

This bill would require the Legislature to recalculate that minimum education funding guarantee by including eligible students not enrolled in a public elementary or secondary school before the operative date of the act in those minimum funding guarantee calculations based on average daily attendance, as provided. The bill would also require the costs of providing ESA deposit amounts for eligible students to be apportioned between the General Fund and the public school district in which those eligible students reside in the same ratio of General Fund and local property tax revenue that would have been used to educate those eligible students in their public school district.

(3) The Personal Income Tax Law, in modified conformity with federal law, generally defines “gross income” as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income, and deductions from income, for purposes of computing tax liability.

This bill, for taxable years beginning on or after January 1, 2026, would exclude from gross income any amounts received as distribution from an Education Savings Account, as defined, as part of a participation agreement, as defined.

This bill, for taxable years beginning on or after January 1, 2026, would also allow a deduction in an amount equal to the amount contributed by a taxpayer to an Education Savings Account.

Existing law requires a bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would state the intent of the Legislature to include additional information required for any bill authorizing a new tax expenditure.

(4) These provisions would become operative on January 1, 2027, only if Assembly Constitutional Amendment ____ of the 2025–26 Regular Session is approved by the voters at the statewide general election on November 3, 2026.

Vote: ~~majority~~2/3 Appropriation: ~~no~~yes Fiscal Committee: ~~no~~yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Article 19.2 (commencing with Section 69995) is added to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, to read:

Article 19.2. Education Choice and Parental Empowerment Act of 2025

69995. This article shall be known, and may be cited, as the Education Choice and Parental Empowerment Act of 2025.

69995.01. For purposes of this article, the following definitions apply:

(a) "Account beneficiary" means the eligible student for whom an ESA was established by the ESA Trust Board.

(b) "Administrative account" means the account established within the ESA Trust pursuant to subdivision (f) of Section 69995.02 from which the costs of administering the ESA Trust are paid.

(c) "Costs of administration" means the actual costs of the ESA Trust Board to administer ESAs, subject to the limit established in subdivision (d) of Section 69995.03.

(d) "Elementary and secondary eligible education expenses" means the expenses typically associated with the education of a pupil enrolled in a public elementary or secondary school or an eligible student enrolled in an eligible school, other than tuition, including, but not limited to, books, school supplies and equipment, academic tutoring, academic testing fees, special needs services of a special needs account beneficiary, transportation to and from school, and school functions. Expenses incurred by an eligible student to attend a community college before high school graduation, including tuition, are elementary and secondary eligible education expenses.

(e) "Eligible school" means any of the following:

(1) A campus of the California Community Colleges, the California State University, or the University of California.

(2) A private full-time day school, as described in Section 48222, operating in the state and accredited by a regional accrediting agency recognized by the state or the United States Department of Education, or a school that has applied for that accreditation, but the application is pending, and the school has not been denied accreditation in the prior two years by the same accrediting agency, that has filed an application with the Superintendent pursuant to Section 69995.09.

(3) A private college or university accredited by a regional accrediting agency recognized by the state or the United States Department of Education.

(4) A public college or university accredited by a regional accrediting agency recognized by the state that operates it or the United States Department of Education.

(5) A vocational education or training institution accredited by a regional accrediting agency recognized by the state or the United States Department of Education and operating in California.

(f) "Eligible student" means a child eligible to enroll in a public elementary or secondary school and enrolled in an eligible school, except as follows:

(1) For the 2027–28 and 2028–29 school years, a child is an eligible student only if the child's parent or guardian's taxable income is less than sixty-five thousand dollars (\$65,000) per year for a single filer or one hundred twenty thousand dollars (\$120,000) per year for dual filers.

(2) For the 2029–30 and 2030–31 school years, a child is an eligible student only if the child's parent or guardian's taxable income is less than one hundred thirty thousand dollars (\$130,000) per year for a single filer or two hundred fifty thousand dollars (\$250,000) per year for dual filers.

(g) "ESA" means Education Savings Account.

(h) "ESA deposit amount" means the amount calculated pursuant to subdivision (d) of Section 69995.02.

(i) "ESA Trust" means the Education Savings Account Trust established by subdivision (a) of Section 69995.02.

(j) "ESA Trust Board" means the Education Savings Account Trust Board established by subdivision (a) of Section 69995.03.

(k) "Participation agreement" means the uniform contract created by the ESA Trust Board that must be executed by the ESA Trust Board and the parent or legal guardian of an eligible student that directs the ESA Trust Board to disburse funds to an eligible school on behalf of the account beneficiary.

(l) "Program account" means the account created in the ESA Trust pursuant to subdivision (f) of Section 69995.02 from which moneys transferred from the General Fund, investment earnings, and other grants, gifts, or appropriations are maintained and segregated into ESAs for eligible students.

(m) "Tuition" means the amount charged by an eligible school to enroll a pupil or student at the school for a particular grade level and registration fees associated with application and enrollment.

(n) "Unclaimed funds" means funds remaining in an ESA that are not disbursed to an eligible school after the eligible student becomes either ineligible or attains 30 years of age, whichever comes first.

(o) "Undergraduate or graduate eligible education expenses" means the expenses typically associated with the education of an undergraduate or graduate student in an eligible school, other than tuition, including, but not limited to, books, school supplies and equipment, academic tutoring, special needs services of a special needs student, any additional school fees, and room and board.

69995.02. (a) There is hereby established an instrumentality of the State of California to be known as the Education Savings Account Trust.

(b) Every eligible student whose parent or guardian desires to enroll the child in an eligible school, may establish an ESA pursuant to this article.

(c) Every eligible student enrolled in an eligible school shall be entitled to a credit to the child's ESA for tuition, elementary and secondary eligible education expenses, and undergraduate or graduate eligible education expenses.

(d) The ESA deposit amount for the 2027–28 school year shall be eighteen thousand five hundred dollars (\$18,500). Beginning July 1, 2028, the Department of Finance shall adjust the ESA deposit amount annually by the same percentage required for the support of school districts in the same fiscal year, pursuant to Section 8 of Article XVI of the California Constitution.

(e) Each school year, the Controller shall transfer an amount of moneys from the General Fund to the ESA Trust equal to the ESA deposit amount determined pursuant to subdivision (d) multiplied by the number of ESAs established pursuant to subdivision (b). The ESA deposit amount for an individual student may be adjusted for an ESA established after the beginning of the school year and for a partial school year pursuant to an application submitted pursuant to subdivision (b) of Section 69995.04. The Controller shall make at least three transfers to the ESA Trust during each fiscal year, with the first transfer occurring on August 1 and the last transfer occurring on or before June 15. The Controller shall adjust the amount of moneys transferred from the General Fund to the ESA Trust to ensure that the total amount of moneys transferred during the school year equals the amount required to be transferred pursuant to this article. The Controller shall report the total amount of moneys transferred from the General Fund to the ESA Trust pursuant to this article to the Department of Finance and the Legislature on or before June 15 of each year. This article does not prohibit the Legislature from appropriating additional funds to the ESA Trust.

(f) The ESA Trust is hereby established as a fund in the State Treasury. The ESA Trust Program Account and the ESA Trust Administrative Account are hereby established as accounts within the ESA Trust. Notwithstanding Section 13340 of the Government Code, the program account is hereby continuously appropriated, without regard to fiscal years, to the ESA Trust Board for purposes of this article. Moneys in the administrative account shall be available for expenditure, upon appropriation, for the purposes specified in this article. Moneys in the ESA Trust shall only be used for purposes of this article and shall not be taken, used, borrowed, or collateralized for any other purpose.

(g) Any unit of federal, state, or local government, or any other person, firm, partnership, or corporation, may make a grant, gift, or other appropriation for deposit into the administrative account, the program account, or the ESA of any individual account beneficiary.

69995.03. (a) The purposes, powers, and duties of the ESA Trust are vested in, and shall be exercised by, the Education Savings Account Trust Board, which is hereby established.

(b) The ESA Trust Board shall consist of the following members:

(1) The members of the Scholarshare Investment Board as provided in subparagraph (B) of paragraph (2) of subdivision (a) of Section 69984.

(2) The Superintendent.

(c) The ESA Trust Board shall have all the necessary powers and duties provided to the Scholarshare Investment Board under Article 19 (commencing with Section 69980), including, but not limited to, all of the following:

(1) The power to invest moneys in the ESA Trust for the benefit of the ESA Trust and account beneficiaries.

(2) The duty to publicly report investments and investment performance.

(3) The duty to distribute funds from ESAs and audit the ESAs to ensure that all funds disbursed to eligible schools are used by and for the account beneficiary and in furtherance of the act.

(4) The power to accept any grants, gifts, appropriations, and other moneys from any unit of federal, state, or local government or any other person, firm, partnership, or corporation for deposit into the administrative account, the program account, or the ESA of any individual account beneficiary.

(5) The duty to return unclaimed funds to the state for the benefit of elementary and secondary education, postsecondary education, or vocational education, upon appropriation by the Legislature.

(6) The power to adopt regulations to implement this article.

(d) Moneys transferred by the Controller pursuant to subdivision (e) of Section 69995.02 shall be allocated by the ESA Trust Board to the program account and administrative account. All moneys allocated to the program account shall be promptly invested and accounted for separately for each individual ESA. All costs of administration, including investment management fees, of the ESA Trust shall be paid out of the administrative account, which shall not exceed, on an annual basis, 1 percent of the total amount of moneys in the program account.

69995.04. (a) The Superintendent shall create an online application for a parent or legal guardian to request that an ESA be established for an eligible student and submit an executed participation agreement pursuant to this article. The Superintendent shall also accept applications and executed participation agreements submitted by mail.

(b) The deadline for submitting an application and executed participation agreement for the first school year for which an ESA is to be established for an eligible student shall be April 1 of the previous school year. The Superintendent shall establish at least one additional opportunity and deadline for a parent or legal guardian to submit an application and executed participation agreement during the school year. The ESA deposit amount for an ESA established during a school year shall be less than the full ESA deposit amount established pursuant to subdivision (d) of Section 69995.02.

(c) The parent or legal guardian of an eligible student shall identify the eligible student as the account beneficiary of the ESA and execute the participation agreement.

(d) Once an application and participation agreement have been submitted, the Superintendent shall confirm that the child is enrolled in an eligible school and the participation agreement shall be transmitted to the eligible school.

(e) So long as the account beneficiary remains eligible to receive the ESA deposit amount and to direct the expenditure of funds pursuant to this article, no additional application or participation agreement shall be required. However, an application and participation agreement shall be amended by the parent or legal guardian if the account beneficiary enrolls in a different eligible school.

(f) The Superintendent shall create an online process for a parent or legal guardian, public school district, eligible school, or any other person to report that a child is no longer eligible or is no longer enrolled in an eligible school. Upon receipt of this information, the Superintendent shall confirm the eligibility status of the child by providing adequate notice to the parent or legal guardian of the child and to the school, and an opportunity for each to be heard. If the Superintendent determines that a child is no longer eligible, that determination may be appealed by the parent or legal guardian on behalf of the child pursuant to the administrative adjudication procedures described in Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 of Title 2 of the Government Code.

69995.05. The Superintendent shall do all of the following:

(a) Create an online application for a school to become eligible to receive funds from an ESA established pursuant to this article.

(b) Publish and periodically update on its internet website a list of eligible schools by name and address.

(c) Provide contact information for each eligible school on its internet website.

(d) Post the tuition and other eligible education expenses charged for each grade level at an eligible school on its internet website.

69995.06. The ESA Trust Board shall do all of the following:

(a) Establish an ESA within the program account for each eligible student who has requested an account from the Superintendent.

(b) Enter into participation agreements pursuant to this article.

(c) Credit each ESA with the appropriate ESA deposit amount for each eligible student.

(d) Credit investment earnings of the program account to each ESA, as appropriate.

(e) Provide parents and legal guardians of account beneficiaries with the ability to securely review online ESA activity, including ESA deposits or credits, ESA investment earnings, and ESA disbursements to an eligible school on behalf of the account beneficiary.

(f) Protect the privacy of parents, legal guardians, and account beneficiaries.

(g) (1) Pursuant to the terms of an executed participation agreement, and except as provided in paragraph (2), disburse funds on behalf of an account beneficiary to an eligible school on a monthly basis.

(2) Notwithstanding paragraph (1), the ESA Trust Board may enter into an agreement with an eligible school to provide for a different disbursement schedule.

(h) Randomly audit funds disbursed from ESAs to ensure student eligibility, student enrollment, student attendance, and school eligibility.

(i) Withhold any ineligible disbursement made to an eligible school from any future disbursements.

(j) Create a uniform participation agreement for use by the Superintendent, the ESA Trust Board, and the parents and legal guardians of eligible students. An eligible school identified in a participation agreement shall be a third-party beneficiary of an executed participation agreement.

69995.07. The ESA Trust Board shall adopt regulations to implement this article.

69995.08. (a) The ESA Trust Board shall only disburse funds from an ESA to an eligible school.

(b) The state shall not limit the number of eligible schools or the number of students enrolled in an eligible school. The state shall not impose conditions on the eligibility of a private school, college, or university to receive funds, other than conditions based on any of the following:

(1) Periodic certification that an eligible student is enrolled and attending the eligible school.

(2) Periodic certification that the amount disbursed from an ESA is only used for tuition and eligible education expenses.

(3) Accreditation required to obtain status as an eligible school pursuant to paragraph (2) of subdivision (e) of Section 69995.01.

(4) Public disclosure of the receipt and expenditure of ESA funds as required by the ESA Trust Board.

(5) The general health and safety standards applicable to the facilities of all private schools operating in the state.

(c) Once an eligible student graduates from high school or obtains a high school equivalency certificate pursuant to Section 51425, the maximum balance in an ESA and available for an eligible student's use for tuition, undergraduate or graduate eligible education expenses, or expenses associated with vocational education, shall be fifty thousand dollars (\$50,000). Any amount in an ESA that exceeds this limit shall be treated as unclaimed funds pursuant to paragraph (5) of subdivision (c) of Section 69995.03. The Department of Finance shall adjust this limit annually for inflation using the California Consumer Price Index.

69995.09. (a) The California Community Colleges, the California State University, and the University of California, and each campus, branch, and function thereof, shall accept funds from an ESA to pay for the tuition and eligible educational expenses of an account beneficiary who is admitted to the college or university.

(b) A private full-time day school, including a private college or university, may become an eligible school by filing an application with the Superintendent. A private full-time day school, including a private college or university, that becomes an eligible school may accept funds from an ESA for the tuition and eligible educational expenses of an account beneficiary who is admitted to the eligible school.

(c) A vocational education or training school may become an eligible school by filing an application with the Superintendent. A vocational education or training school may accept funds from an ESA for the tuition and eligible educational expenses of an account beneficiary who is admitted to the eligible school.

69995.10. (a) Notwithstanding Section 69995.02, and except as provided in subdivision (b), the child of a parent or legal guardian who chooses to educate the child at home pursuant to an affidavit filed pursuant to Section 33190 and in lieu of enrolling in an

eligible school shall not be entitled to establish an ESA pursuant to this article. This article does not prohibit the state from offering financial aid for education-related expenses to the parents or legal guardians of homeschooled children ineligible for an ESA.

(b) Notwithstanding subdivision (a), the parent or legal guardian of a child enrolled in an eligible school to facilitate homeschooling may establish an ESA for the child pursuant to this article.

69995.11. (a) An eligible school shall not share, refund, or rebate any funds received from an ESA with or to the parent, legal guardian, or eligible student in any manner.

(b) The ESA Trust Board may terminate and suspend an ESA and participation agreement if the parent, legal guardian, or eligible student fails to comply with the terms of the participation agreement with the intent to defraud or misuse the funds distributed on behalf of an account beneficiary upon notice to the parent or legal guardian and an opportunity to be heard. If the ESA Trust Board terminates or suspends an ESA, that determination may be appealed by the parent, legal guardian, or eligible student pursuant to the administrative adjudication procedures described in Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 of Title 2 of the Government Code.

69995.12. The Legislature shall provide for the allocation of costs associated with this article as follows:

(a) For the cost of providing an ESA deposit amount for an eligible student not enrolled in a public elementary or secondary school before the operative date of this article, the Legislature shall rebase, as necessary, the minimum funding guarantee for school districts, as provided in Section 8 of Article XVI of the California Constitution, to include such eligible students in the definition of "average daily attendance" as defined in Section 8.1 of Article XVI of the California Constitution.

(b) For the costs of providing an ESA deposit amount for an eligible student, the cost for that ESA deposit amount shall be apportioned between the General Fund and the public school district in which the eligible student resides, in the same ratio of General Fund and local property tax revenue that would have been used to educate that eligible student in the student's public school district. The Legislature shall provide for the transfer of funds from a school district to the state as necessary to carry out this provision.

69995.13. This article shall become operative on January 1, 2027, only if Assembly Constitutional Amendment ____ of the 2025–26 Regular Session is approved by the voters at the statewide general election on November 3, 2026.

SEC. 2. Section 17132.2 is added to the Revenue and Taxation Code, to read:

17132.2. (a) For taxable years beginning on or after January 1, 2026, gross income shall not include distributions from an Education Savings Account pursuant to a participation agreement.

(b) For purposes of this section, the following definitions shall apply:

(1) "Education Savings Account" means an education savings account established under the Education Choice and Parental Empowerment Act of 2025 (Article 19.2 (commencing with Section 69995) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code).

(2) "Participation agreement" has the same meaning as that term is defined in subdivision (k) of Section 69995.01 of the Education Code.

(c) It is the intent of the Legislature to comply with the requirements of Section 41.

(d) This section shall become operative on January 1, 2027, only if Assembly Constitutional Amendment ____ of the 2025–26 Regular Session is approved by the voters at the statewide general election on November 3, 2026.

SEC. 3. Section 17210 is added to the Revenue and Taxation Code, to read:

17210. (a) For taxable years beginning on or after January 1, 2026, there shall be allowed as a deduction an amount equal to the amount contributed by a taxpayer to an Education Savings Account.

(b) For purposes of this section, "Education Savings Account" means an education savings account established under the Education Choice and Parental Empowerment Act of 2025 (Article 19.2 (commencing with Section 69995) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code).

(c) It is the intent of the Legislature to comply with the requirements of Section 41.

(d) This section shall become operative on January 1, 2027, only if Assembly Constitutional Amendment ____ of the 2025–26 Regular Session is approved by the voters at the statewide general election on November 3, 2026.

~~SECTION 1. It is the intent of the Legislature to enact subsequent legislation, to be known as the Education Choice and Parental Empowerment Act of 2025, to empower parents to send their children to better performing schools by providing them with education savings accounts.~~