

UEN 2025 Priority Issue Brief: School Choice and the Priority of Public Schools

Background: Iowa provides many options to parents and students regarding choice of school. Options include the public school of residence, another public school in the district, open enrollment to another public school or virtual academy, public charter school, nonpublic school, and two kinds of home school. State appropriations and tax credits provide various financial supports to parents choosing private options, including School Tuition Organization Tax Credits, Tuition and Textbook Tax Credits, Education Savings Accounts, and public-school support for private schools (provision of special education, college credit courses and transportation assistance).

HF 68 was enacted in the 2023 Session. It phases in state-funded Education Savings Accounts (ESAs) equal to the state cost per pupil set annually by the Legislature. ESAs were first available in FY 2024 to students already attending accredited private schools with family income below 300% of the federal poverty level (FPL) and first-time private school enrollees regardless of income (kindergarteners and transfers from public or home school). Income eligibility increased up to 400% of the FPL for FY 2025. Beginning FY 2026, there is no income limit for eligibility. The estimated cost to the State, once fully phased in, will likely exceed \$450 million annually. Meanwhile, charter school expansion is also evident, with 17 charter schools approved, including six by the State Board of Education on Jan. 9, 2025.

Financial Impact: UEN opposes any expansion of programs/plans that redirect public funds for private school, homeschooling, or other private services. Private school programs must include accountability for expenditures and should be subject to public oversight consistent with the funding of tax dollars. Investments in ESAs or other private systems stress public school resources in several ways: 1) reducing students (Iowa's funding formula is enrollment-based), 2) concentrating minority and poverty in public school districts where private schools are located, 3) creating pressures to expand (new private schools are popping up not only in urban centers, but also in rural districts as experienced in Florida and there is pressure to include home school and nonaccredited private school ESA eligibility down the road), and 4) allowing private schools to choose which students to enroll.

Education Savings Accounts Implementation: ESAs are now Iowa law. As the legislation was quickly enacted at the beginning of the 2023 Session, policies did not benefit from the perfecting process of thorough subcommittee and committee meetings, extended conversation, or media and constituent attention. UEN supports several legislative fixes and policy corrections that would improve workability, minimize harmful impacts on public schools, and improve fairness:

- If a student withdraws from the private school after the Oct. 1 enrollment count date and enrolls in the public school, the student should be counted for funding or spending authority in the coming fiscal year.
- The appropriation to public schools to reimburse parents for transportation of nonpublic students should not flow through public schools, requiring time and attention of their accounting staff. The ESA portal could accomplish transportation reimbursement directly to parents.
- Nonpublic enrollment and open enrollment to another public school impacts both funding and staffing decisions. A reasonable deadline for an ESA application should mirror the March 1 open enrollment application deadline. The open enrollment exceptions for good cause could also apply to an ESA after the deadline for extreme cases. Such a deadline would improve the ability of both public and nonpublic schools to budget and staff, allocating resources for the students they will serve.

- HF 68 requires that students receiving an ESA and attending a nonpublic school be counted by the district of residence with the October enrollment count. That resident ESA enrollment count generates per pupil supplements (PD, TSS, TLC and EICS) for the resident public-school district, on average, \$1,205 per pupil beginning in FY 2025. The Legislature should provide public school boards flexibility to spend those funds on any necessary purpose of the district, from closing achievement gaps to providing fine arts, computer science or any other purpose local leaders determine is critical for students. The new teacher salary minimums and calculation of TSS needed to pay them per HF 2614 in the 2024 Session inadvertently scooped the TSS funds that HF 68 intended local districts to generate as an offset to the negative financial impact of ESAs.
- Lastly, the need for and extent of tuition and textbook tax credits and school tuition organization tax credits should be examined. With ESAs available to all students enrolled in accredited nonpublic schools, these funds or a portion of them could be reallocated to fund district costs of addressing chronic absenteeism, supporting high-needs public schools and/or schools with concentrations of high poverty and non-English speaking populations, and other measures of students at-risk of not succeeding, to close learning gaps and improve outcomes.

Education Savings Accounts (ESAs) and School Choice: The priority of public schools, chosen by well over 90% of families in Iowa, demands adequate funding and support by the state. UEN opposes any expansion of programs/plans that redirect or designate additional taxpayer funds for private school, homeschool or other private services. Iowa should resist loosening accreditation or providing incentives for lower-quality private schools to expand in Iowa. Private school programs are not held accountable for ESA expenditures but should be subject to public oversight that accompanies tax dollars. UEN also supports the following correcting legislation:

- If a student withdraws from the private school after the Oct. 1 enrollment count date and enrolls in the public school, the student should be counted for funding or spending authority in the next semester or the coming fiscal year. The reallocation of the balance of that student's ESA would provide for the public program.
- A reasonable deadline for ESA application should be in place and should mirror the Open Enrollment deadline of March 1. Exceptions should be reinstated to allow open enrollment or an ESA after the deadline for extreme cases. Such a deadline would improve the ability of all schools to budget and staff wisely, allocating resources for the students they will serve.
- The appropriation to public schools for private school parent reimbursement of transportation should go directly to private schools. Public schools should be relieved from the paperwork demands of this accounting function. Private schools are also in a better position to ensure parents are not reimbursed for transportation after the student has left the private school.
- Removal of the teacher salary supplement (TSS) assigned to school districts based on their count of resident students eligible for an ESA from the calculation to meet minimum teacher pay. The retention of this categorical funding as part of HF 68 legislation creating ESAs was discussed as a necessary piece of the puzzle to improve public schools where these students reside. This funding was effectively repurposed by the state to fund new teacher pay minimums imposed in HF 2614 during the 2024 Session. School Districts should be able to apply the categorical funding generated for public schools by ESA recipient resident students to any expenditure in the district to improve the quality of education and programs for students in that school district.