

## UEN 2026 Priority Issue Brief: School Choice and the Priority of Public Schools

**Background:** Iowa provides many options to parents and students regarding the 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 homeschool. 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 authorized state-funded Education Savings Accounts (ESAs) equal to the state cost per pupil set annually by the Legislature. Although phased-in to lower-income families and incoming kindergarten students, beginning in FY 2026 and going forward, 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 [16 charter schools now approved](#) (only 3 of which were chartered by their locally elected school boards).

**Financial Impact:** UEN opposes any expansion of programs/plans that redirect public funds for private schools, 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 pressure is expected to include homeschool and nonaccredited private school ESA eligibility down the road), and 4) allowing private schools to choose which students to enroll. Additionally, students beginning a semester in a private school may withdraw and return to public school. When they return after Oct. 1, 2025 (enrollment count day), they are not counted for public school funding purposes until Oct. 1, 2026 and not funded until the school year starting July 1, 2027.

**Education Savings Accounts Implementation:** ESAs are now Iowa law. Now fully phased in and three years since enactment, UEN supports several legislative fixes and policy corrections that would improve workability, minimize harmful impacts on public schools, and improve fairness:

- When enacted, HF 68 set an ongoing policy that students receiving an ESA and attending a nonpublic school be counted by the district of residence on October 1 to generate per pupil supplements (PD, TSS, TLC and EICS) for the resident district, on average, \$1,205 per pupil beginning in FY 2025. The Legislature should provide public school boards with the flexibility to spend those funds on any necessary district purpose, including improving staff compensation, closing achievement gaps, providing fine arts, computer science, or any other purpose local leaders determine is critical for students. The new teacher salary minimums and the calculation of TSS needed to pay them, per HF

2614 in the 2024 Session, inadvertently scooped the TSS funds that HF 68 intended for local districts to use as an offset to the negative financial impact of ESAs.

- 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, improve outcomes, or provide resources for recruitment and retention programs such as loan forgiveness.
- 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.

**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. UEN opposes expansion of programs that redirect or designate additional taxpayer funds for private school, homeschool or other private services. Iowa law should set and maintain a rigorous accreditation process to provide and fund only high-quality private schools for Iowa students.

Private school programs receiving ESA for tuition should be subject to public oversight. UEN also supports the following correcting legislation:

- Categorical restrictions on funds generated for public schools by a district's count of resident students eligible for an ESA should be lifted. School Districts should be able to use this funding for any expenditure in the district to improve the quality of education and programs for students.
- If a student withdraws from the private school after the October 1 enrollment count date and enrolls in the public school, the student should be counted for funding or spending authority in the next semester and/or the coming fiscal year. The reallocation of the balance of that student's ESA would provide for the public program.
- The deadline for ESA application should be March 1, the same as open enrollment. Exceptions should be allowed for an ESA approved after the deadline for extreme circumstances, based, the same as open enrollment. 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, be added to the ESA or be offered as a tax credit for private school parents. Public schools should be relieved from the paperwork demands of this accounting function.