

UEN 2024 Issue Brief

School Choice and the Priority of Public Schools

Background: Iowa provides many options to parents and students regarding their choice of school. The list is detailed at the end of this Issue Brief, but basically includes the public school of residence, another public school in the district, open enrollment to any other public school including virtual options, both accredited and nonaccredited nonpublic schools, and two kinds of home school.

HF 68 was enacted in the 2023 Session, which phases in state-funded Education Savings Accounts (ESAs) equal to the state cost per pupil set annually by the Legislature. The 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, transfers from public school or from home school). Income eligibility goes up to 400% of the FPL for FY 2025, and then there is no income limit for eligibility in FY 2026 and beyond. The estimated cost to the State, once fully phased in, will likely exceed \$450 million annually.

UEN opposes any expansion of programs/plans that redirect or designate additional taxpayer funds for private school, homeschooling, or other private services. Private school programs must include accountability for expenditures and should be subject to public oversight that accompanies tax dollars. Investments in education savings accounts 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 urban public schools (where private schools tend to be located), 3) creating pressures to expand to include home school and nonaccredited private school ESA eligibility, and 4) allowing private schools to choose which students to enroll (for example, choosing not to enroll students with expensive special education service needs).

Although UEN was opposed to HF 68, ESAs are now Iowa law. As the legislation was enacted within the first two weeks of the 2023 Session, policies did not benefit from the perfecting process of subcommittee and committee meetings, extended conversation, 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 reallocation of funds already dedicated to an ESA that won't be used mitigates the impact on the state budget.
- The appropriation to public schools for parent reimbursement of transportation expenditures for nonpublic students should go directly to private schools. Parents should not be reimbursed for additional transportation if the student leaves private school.
- Nonpublic and open enrollment to another public school impacts both funding and staffing decisions. A reasonable deadline for ESA application and for open enrollment should be in place. 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 both public and nonpublic schools to budget and staff wisely, 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. Then, it uses that enrollment count to generate per pupil supplements (PD, TSS, TLC and EICS) for the resident public school district, on average, \$1,205 per pupil beginning in FY 2025. Those funds retain their categorical nature. The Legislature should provide public school boards with the flexibility to spend those funds on any necessary purpose of the district, from closing achievement gaps to providing fine arts or computer science courses or any other purpose local leaders determine is critical for students.
- Lastly, an evaluation of 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 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 better meet their needs, close learning gaps and improve outcomes.

School Choices Available to Iowa Parents and Students: Iowa has a wide range of school choice options for parents and students, including:

- **Open enrollment to a public school in another district:** 38,965 Iowa students exercised this option in the 2022-23 school year. This total includes both open enrollment to another district or open enrollment to a public online program. Note: Legislation in 2022 removed the requirement to meet a March 1 deadline, so students can open enroll to another public school district at any time and multiple times in a school year.
- **Charter Schools:** HF 813 and HF 847, effective July 1, 2021, created new charter school options for school boards or independent founding groups.
- **Nonpublic schools:** 36,901 students enrolled in accredited nonpublic schools in the 2022-23 school year. State funding supports private school education in many ways: 1) New Education Savings Accounts enacted via HF 68 in the 2023 Session, 2) school tuition organization scholarships, 2) tuition and textbook tax credits, 3) transportation reimbursement to private school parents with income below 200% of the Federal Poverty Level, public school and AEA special education services for private school students, and 4) partnerships for private preschool tuition in the statewide voluntary preschool program.
- **Within District:** transfer to another public school within the school district (transfers regulated by the local school board policy). A new provision of SF 496 enacted in the 2023 Session requires school boards to include in their policy a process to transfer students to another school or program within the district if the student is a victim of founded bullying or harassment.
- **Home School Options:** competent private instruction or independent private instruction. HF 847 in 2021 expanded the tuition and textbook tax credit to parents of home school students.
- **Public funding for private education:** In 2018, over \$66 million of state dollars supported the education of Iowa students in private and home schools, according to the Iowa Fiscal Policy Project [Analysis Nov. 2018](#). The estimated fiscal impact of HF 847 expanding tax credits to home school raised that total to \$91 million. The estimated cost of the first year of ESA implementation brings the FY 2024 total to an estimated \$236 million and eventually, to over half a Billion annually.