



SF 547 – Education Savings Accounts (LSB2481SV)

Analyst: Michael Guanci (515.725.1286) michael.guanci@legis.iowa.gov

Fiscal Note Version – New

Description

[Senate File 547](#) relates to education savings grants by establishing an education savings account (ESA) program for K-12 students who have an Individualized Education Program (IEP) or have a disability identified by a 504 plan and who are attending an accredited nonpublic school. The Bill also permits an ESA for students with IEPs or 504 plans who are paying tuition in a school district and have been denied open enrollment. The Bill provides a list of allowable expenses and uses of unspent funds. The Department of Education (DE) shall develop the application for the education savings grant for parents and guardians to submit, and the DE shall also notify the Department of Management (DOM) of the number of students in each school district who are eligible. The DOM is responsible for the creation, management, and distribution of the ESAs. The Bill creates the Education Savings Grant Fund under the control of the DOM and establishes a General Fund standing unlimited appropriation to the Grant Fund.

The Bill is effective for school budget years beginning on July 1, 2020.

Background

The ESA grants allow parents or guardians of eligible students to receive funds to cover allowable educational expenses. There are currently five other states (Arizona, Florida, Mississippi, North Carolina, and Tennessee) that have active ESA programs. Program qualifications differ between states in eligibility requirements, allowable expenses, and allowable uses of unspent funds.

Federal law requires that all students with disabilities, attending both public and nonpublic schools, receive a free and appropriate public education (FAPE) that meets their unique needs. In Iowa, IEPs are developed for these students in accordance with Iowa Code chapter [256B](#) and [281 IAC 41](#). An IEP is a legal document that describes a student's special educational program including services, activities, and supports. School districts and Area Education Agencies (AEAs) are responsible for the costs associated with IEPs and any provided special education services for both public and nonpublic school students. Depending on the level of special education need for a student, school districts may receive supplemental weighting under the school aid and levy formula to pay for the costs associated with educating such students. School districts that spend more in special education costs than they receive in the school aid formula can request a modified supplemental amount (MSA) from the School Board Review Committee (SBRC) to pay for the additional costs. School districts that receive an MSA may levy taxes for the additional funds or use their cash reserves.

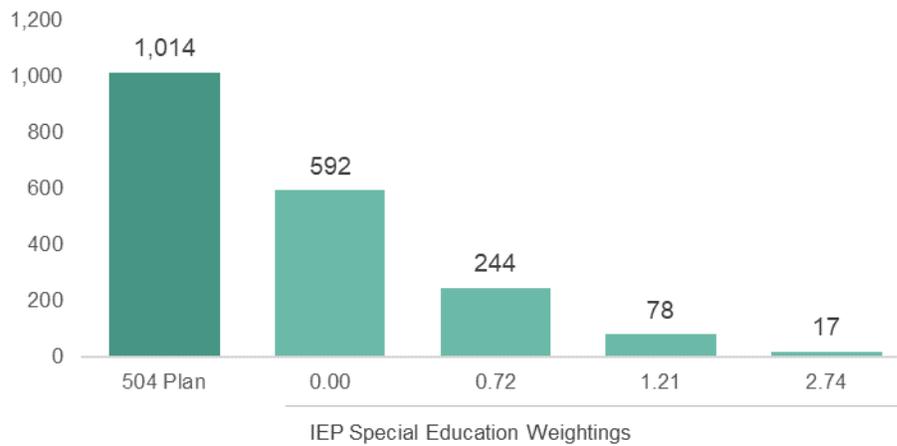
Under Section 504 of the federal [Rehabilitation Act of 1973](#), 504 plans are developed for students to provide support or accommodations for students with a disability. The 504 plans do not provide instructional support for special education like IEPs. The central purpose of a 504 plan is to give students with disabilities access to the same education as their classmates.

School districts and applicable nonpublic schools¹ do not receive additional funds for implementing a 504 plan.

Based on the DE's Student Reporting in Iowa (SRI), there are at least an estimated 67,990 public and nonpublic students with IEPs and 11,451 public and nonpublic students with 504 plans. Nonpublic schools are not required to submit data to SRI.

Of the nonpublic school data submitted to SRI, the following visualization shows the distribution of 504 plans and IEPs with special education weightings.

Estimated Number of Nonpublic School Students with 504 Plans and IEPs by Nonpublic Students



Assumptions

In FY 2019, there are an estimated 931 nonpublic students with IEPs and an estimated 1,014 nonpublic students with 504 plans. For estimating purposes, it is assumed that:

- All eligible nonpublic school students will apply for and receive an ESA in FY 2021.
- All eligible nonpublic school students will remain in an accredited nonpublic school. The estimated growth of the number of IEPs and 504 plans for these students is 1.9%.
- It is not known how many eligible public school students will switch to an accredited nonpublic school and begin receiving an ESA.
- The ESA grant amounts are based on the current State cost per pupil (SCPP) of \$6,880 for FY 2021-FY 2024, and on agreed-upon statewide property tax valuations established by the Legislative Services Agency (LSA) and the DOM.
- **Table 1** shows the estimated ESA grant amount based on estimated property tax valuations and the SCPP from FY 2021 to FY 2024. The reduction in ESA grant amounts is due in part to projected changes in student demographics, an estimated increase in property tax valuations, and a 0.0% growth in the SCPP.

¹ Section 504 applies to nonpublic schools that directly or indirectly receive federal funds. [34 C.F.R. §104.39](#) does not require a nonpublic school to modify its essential enrollment criteria to include a student with a disability. If the student can meet the program criteria with minor adjustments, the nonpublic school must make such adjustments. A nonpublic school may seek reimbursement through increased tuition if the provision of services to the disabled student results in a “substantial increase in cost” to the nonpublic school under [34 C.F.R. §104.39\(b\)](#).

Table 1 — SF 547

Estimated ESA Grant Amount Per Pupil

FY 2021	FY 2022	FY 2023	FY 2024
\$ 3,989	\$ 3,911	\$ 3,811	\$ 3,725

- Eligible students will generate special education weightings twice: once as an equivalent for the ESA, and a second time for the school district serving the student’s needs.
- The ESA grants received by a taxpayer will not be considered taxable income.
- There will be a fiscal impact to the DOM for costs to develop the ESA program in the first year and for yearly costs to maintain and administer the ESA grants. Under the provisions of the Bill, there is no fee or appropriation to the DOM for developing and monitoring the program.
- The DE will require 1.0 additional full-time equivalent (FTE) position to implement the provisions of this Bill.

Fiscal Impact

[Senate File 547](#) creates a General Fund standing unlimited appropriation estimated at \$9.2 million beginning in FY 2021. **Table 2** shows the estimated General Fund appropriation for ESA grants from FY 2021 to FY 2024 for the current nonpublic school student population.

Table 2 — SF 547

ESA Grants and General Fund Appropriations
(Dollars In Millions)

Fiscal Year	Number of ESAs	General Fund Appropriation
2021	1,982	\$ 9.2
2022	2,020	9.2
2023	2,058	9.1
2024	2,097	9.1

It is not known if eligible public school students will switch to an accredited nonpublic school and begin receiving an ESA grant. Students with IEPs who do switch will still receive IEP instruction from the school district in which the nonpublic school is located. This will subtract a per pupil weighting of 1.0 from the certified enrollment of the student’s former resident district; however, if the student has an IEP and is generating additional weighting for special education, then it is estimated that the school district will still receive the equivalent special education weighting.

The Department of Revenue estimates the Bill will have no impact on the General Fund beyond the moneys the Bill itself appropriates.

Table 3 shows the estimated increased cost to the DOM for the development and monitoring of the ESA program. The costs for prosecuting fraud or recovery of invalid expenses are unknown.

Table 3 — SF 547

Department of Management Estimated Costs

Fiscal Year	Cost for Development	Annual Maintenance	Administrative Costs	Debit Card Vendor Costs	Total
2020	\$ 135,470	\$ 9,600	\$ 105,000	\$ 67,500	\$ 317,570
2021	0	9,888	107,100	45,769	162,757
2022	0	10,185	109,242	49,038	168,465
2023	0	10,490	111,427	52,308	174,225
2024	0	10,805	113,655	55,577	180,037

The DE estimates it will need 1.0 additional FTE position (\$108,000 per fiscal year) to implement the provisions of this Bill.

Sources

Code of Federal Regulations
Department of Education
Department of Management
Department of Revenue
National Conference of State Legislatures (NCSL)
LSA calculations and analysis

/s/ Holly M. Lyons

March 20, 2019

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
