



# Fiscal Note

## Fiscal Services Division



[HF 2754](#) – Private Schools and Charter Schools (LSB5427HZ)

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Fiscal Note Version – New

### Description

[House File 2754](#) makes changes regarding charter schools, nonpublic schools, community-based providers for preschool, and education savings accounts (ESAs). The Bill also requires the Department of Education (DE) to lead a task force to review required training programs and requirements for license renewal for teachers.

### Division I — Charter School Funding

#### Description

Division I requires the teacher salary supplement (TSS) State cost per pupil to be paid to the charter school where the pupil is enrolled.

Division I applies to school budget years beginning on or after July 1, 2026.

#### Background

2024 Iowa Acts, chapter [1002](#) (Area Education Agencies Act), established increased teacher salary minimums effective July 1, 2024, and provided for the determination of the TSS district cost per pupil.

As reported in the December 2025 DE [Iowa Charter School Legislative Report](#), 16 charter schools are currently authorized to operate in Iowa under Iowa Code chapters [256E](#) and [256F](#). Of these 16 charter schools, 10 are operational in the 2025-2026 school year.

Based on the fall 2025 charter school enrollment, there are 1,382 students from 107 resident districts attending charter schools. School districts with the highest number of resident students attending a charter school rather than their resident district are detailed below:

- Des Moines — 564 students
- Cedar Rapids — 394 students
- Davenport — 77 students
- Saydel — 20 students
- Ankeny — 18 students

#### Assumptions

- There are no additional administrative costs to the Department of Management (DOM) for changes made in the Bill.
- The FY 2026 State cost per pupil for the TSS is \$684.47. This amount is for a full-time student. If a student were to attend less than full-time, this amount would be prorated based on the seat time of the student at the charter school.
- Provided by the Iowa Coalition for Public Charter Schools, the projected enrollment for FY 2026 for charter schools using the Founding Group Model is 1,382 pupils and for

FY 2027 is 1,945 pupils. A pupil attending a charter school using the school district model will continue to be counted as a pupil of the public school district, and school aid funding will not be affected.

- For FY 2027, the TSS will be paid to the charter schools for FY 2027 enrollment and to the public school districts for FY 2026 enrollment due to the current mechanics of payment of school aid.

### **Fiscal Impact**

Division I is expected to have no fiscal impact to the DOM for administrative purposes.

Division I appropriates an estimated \$1.3 million for the TSS payment to charter schools for FY 2027. This payment could vary based on the actual enrollment of charter school students and whether students attend the charter school on a full-time basis. As is current practice, for FY 2027, the TSS payment to school districts will be appropriated through the school aid formula. School districts will be reimbursed for additional costs related to offering driver education courses to charter school students.

## **Division II — Iowa Public Employees' Retirement System**

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### **Description**

Division II allows charter school employees to participate in the Iowa Public Employees' Retirement System (IPERS) if certain requirements are met by the charter school.

### **Background**

IPERS covers charter schools under current law if federal Internal Revenue Service requirements to participate are met. Based on the June 30, 2025, actuarial valuation, the IPERS regular membership group covers approximately 176,460 active members and 132,131 retired members. The current funded ratio is 91.6%. The current actuarial accrued liability is \$45.527 billion, the actuarial value of assets is \$41.683 billion, and the unfunded actuarial accrued liability (UAAL) is \$3.843 billion.

For FY 2026, the IPERS regular membership group's estimated contribution rate is 15.73%, split 60.0% for the employer and 40.0% for the members.

### **Fiscal Impact**

Division II is expected to have no fiscal impact to the State.

## **Division III — Extracurricular Interscholastic Athletic Contests or Competitions Provided by Public Schools**

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### **Description**

Division III requires school districts to allow certain charter school students to participate in extracurricular athletic contests with the following criteria:

- The student must be a resident of the district or a contiguous district.
- The athletic contest is not offered by the charter school in either of the two most recent years.
- The charter school has not entered into a sharing interscholastic activities agreement with another school.
- If the school district has established a fee for the cost of a student's participation, that same fee would apply to the charter school student.
- The student must meet the school district's code of conduct.

### **Assumption**

Additional costs to school districts for charter school student participation will be covered by student activity fees.

### **Fiscal Impact**

Division III is expected to have no fiscal impact to the State or to school districts.

## **Division IV — Local Education Agency Status**

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### **Description**

Division IV designates a charter school as a local education agency (LEA) for the purpose of receiving federal funds.

### **Background**

The [“Federal Education Funding in Iowa” Fiscal Research Brief](#) reviews examples of federal education funding sources.

### **Fiscal Impact**

Division IV is expected to have no fiscal impact to the DOM or the DE.

## **Division V — Charter School Facilities Revolving Loan Program**

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### **Description**

Division V establishes a Charter School Facilities Revolving Loan Program Fund (RLF) within the Iowa Finance Authority (IFA) to assist charter schools in acquiring suitable school facilities. Division V requires the IFA to allocate Fund resources to assist charter schools with financing the purchase, acquisition, development, reconstruction, remodeling, or replacement of school buildings. Any interest payments, recaptures of awards, and other repayments to charter school facilities will be deposited into the Charter School Facilities Revolving Loan Program Fund. Interest earned on moneys in the Fund is credited to the Fund. Any moneys that remain unencumbered or unobligated at the end of FY 2027 can carry forward and remain available in FY 2028.

### **Background**

The General Assembly created the IFA in 1975 as a public instrumentality and agency to undertake programs that help working-class Iowans attain and maintain safe, decent, and affordable housing. The General Assembly charged the IFA with encouraging the investment of private capital and stimulating the construction and rehabilitation of adequate housing using public financing.

The DE was recently awarded a [\\$43.0 million multiyear federal grant](#) to support charter schools across the State. In 2024, the DE awarded [\\$4.0 million in charter school start-up and expansion grants](#).

### **Assumptions**

- The proposed RLF would receive funding, and the IFA would charge fees or be reimbursed for costs to administer the new RLF.
- There is no General Fund appropriation in the Bill, and funds for the RLF will be provided by federal grants.

## **Fiscal Impact**

The IFA may collect additional fees to cover administrative expenses due to Division V; however, these fees are expected to be minimal. Under the Bill, future federal grants related to charter school construction will be deposited in the new fund under IFA rather than the DE.

## **Division VI — Statewide Voluntary Preschool Program for Four-Year-Old Children**

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### **Description**

Division VI allows a community-based provider to enter into a [28E](#) agreement with a school district to be a local provider of a preschool program. The school district cannot limit the number of eligible students who may receive instruction from a community-based provider as part of the approved local program. Division VI also establishes limits of DE authority over community-based providers.

### **Background**

The Statewide Voluntary Preschool Program (SWVPP), established in Iowa Code chapter [256C](#), provides funding to school districts for eligible preschool-age children and programs. Under current law, only school districts that meet certain requirements established by the State Board of Education may participate in the SWVPP. School districts are currently allowed to contract with community-based providers for SWVPP services. State funding provided for the SWVPP is provided to school districts based on the number of eligible students enrolled in the preschool program. If the school district contracts with a community-based provider, any State funding passes from the school district to the community-based provider.

Over the last three years, the following number of school district and community-based partnerships have been in place:

- 2023-2024 academic year — 323 school district programs with 238 community partner locations.
- 2024-2025 academic year — 324 school district programs with 231 community partner locations.
- 2025-2026 academic year — 325 school district programs with 228 community partner locations.

The DE currently dedicates 3.0 full-time equivalent (FTE) positions to provide State oversight and technical assistance, including professional development, coaching services, and program monitoring. Professional development is also provided through the Area Education Agencies (AEAs) as a fee-for-service option.

### **Assumptions**

- Community-based providers will adhere to the same programmatic requirements and administrative tasks as those currently assumed by school districts, including annual program assurances, State data reporting, assessment requirements, and meeting preschool program standards as established by the State Board of Education.
- Licensing requirements for SWVPP personnel will be maintained.
- With a potential increase in community-based providers, the DE may require additional FTE positions to support State oversight and technical assistance services.
- The current State school aid for SWVPP is \$4,074 per pupil.
- Each new community-based provider will be supporting classrooms with a maximum of 20 pupils at a State school aid cost of \$81,000.

- The cost to the DE for salary and benefits per FTE position for an Education Program Consultant is \$160,000 and for a Data Analyst is \$149,000.

### **Fiscal Impact**

The fiscal impact for Division VI cannot be determined because it is unknown whether there will be an increase in SWVPP participation due to additional pupils participating in preschool programs provided by community-based providers. For each additional pupil participating in the SWVPP, there will be an additional cost to the General Fund of \$4,074 based on the current State cost per pupil. In addition, the DE may incur additional administrative costs due to the increase of oversight and providing technical assistance to community-based providers.

## **Division VII — Education Savings Accounts**

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### **Description**

Division VII creates a second period for a parent or guardian to request an ESA between December 1 and December 20 of each year. The Division requires the ESA payment to be 50.0% of the regular program State cost per pupil for the same budget year if an application was submitted between December 1 and December 20.

### **Background**

The [Education Savings Account — Standing](#) annual General Fund appropriation provided to the DE was established with the enactment of 2023 Iowa Acts, chapter [1](#) (Education Savings Accounts Act).

### **Fiscal Impact**

Division VII is expected to increase costs for ESAs, but the increase cannot be estimated. Administrative costs for the DOM and the DE are unknown.

## **Division VIII — Independent Accrediting Agencies**

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### **Description**

Division VIII limits the DE's authority over nonpublic schools as detailed in the Bill.

### **Fiscal Impact**

Division VIII is expected to have no fiscal impact to the DE.

## **Division IX — Schedule of Teacher Training and License Renewal Requirements**

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### **Description**

Division IX requires the DE to lead a task force to review required training programs and requirements for license renewal for teachers and requires the task force to submit findings to the General Assembly by December 31, 2026.

