



Fiscal Note

Fiscal Services Division



[HF 2754](#) – Private Schools and Charter Schools (LSB5427HZ.1)

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Fiscal Note Version – As amended and passed by the House

Description

[House File 2754](#) makes changes regarding charter schools, nonpublic schools, community-based providers for preschool, and education savings accounts (ESAs). The Bill also includes provisions related to school finance, Area Education Agencies (AEAs), School Tuition Organizations (STOs), open enrollment, and private instruction. The Bill 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 Schools

Description

Division I consolidates current charter school Iowa Code chapters and eliminates Iowa Code language related to innovation zone schools. Division I also removes COVID-19 language related to the purpose of a charter school, designates a charter school as a local education agency (LEA) for the purposes of receiving federal funds, and changes charter school contract terms.

Division I allows the University of Northern Iowa (UNI) to grant approval to a charter school application, approve a charter school contract, provide charter school technical assistance, and provide charter school oversight. The Bill also provides for the State Board of Education in consultation with UNI to have administrative rulemaking authority.

The Bill includes applicability provisions related to multiple sections of Division I.

Background

2021 Iowa Acts chapter [112](#) (Charter School Programs Act) modified charter school programs and established the State Board of Education as the only authorizer of charter schools. As [reported](#) in March 2026, there are currently 18 authorized charter schools in the State. The State Board of Education follows a charter school application timeline beginning in August and concluding with a potential State Board of Education contract approval in February. The State Board of Education receives administrative support and technical assistance from DE staff to support applicants through the initial application process, review applications and contracts, organize public forums, complete applicant interviews, complete due diligence, draft contracts, conduct charter school reporting, and conduct charter school oversight.

There is a [General Fund standing unlimited appropriation](#) to the DE to be paid to charter schools for student enrollment. The DE administrative support of charter schools is included in the [Department of Education Administration appropriation](#) along with the use of federal funds. The DE does not currently collect authorization fees from charter school applicants.

The [UNI](#) has multiple academic programs and maintains an emphasis on teacher training. Ball State University in Indiana has an established [Office of Charter Schools](#) and serves as an authorizer of charter schools. According to its website, the Indiana Office of Charter Schools has a [staff](#) of six people providing support, development, and compliance. According to the [Ball State University Office of Charter Schools report](#), Ball State University receives an administrative fee of 3.0% of the total amount the organizer receives during the state fiscal year from basic tuition support. For the 2023-2024 academic year, the amount received by Ball State University was \$2.8 million paid by 19 schools.

Fiscal Impact

Any increase in UNI administration costs and potential need for additional full-time equivalent (FTE) positions to fulfill the oversight requirements in this Bill is unknown at this time, as the number of new charter school applications and charter school support that UNI will be responsible for is unknown.

Division II — Funding and Area Education Agency Services

Description

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

Background

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](#). Out of these 16 charters, 10 are operational in the 2025-2026 school year.

Based on the fall 2025 charter school enrollment, there are 1,382 students attending charter schools, and those students attending are from 107 resident districts. 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 is no additional administrative burden 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 will be prorated based on the amount of seat time of the student at the charter school.
- Provided by the Iowa Coalition for 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.
- The AEAs are on a pay-for-service model, and there will be no fiscal impact on operations.

Fiscal Impact

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

Division II is expected to increase the TSS payment to charter schools for FY 2027 by \$1.3 million. 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. School districts will be reimbursed for additional costs related to offering driver education courses to charter school students.

Division III — Extracurricular Activities

Description

Division III requires school districts to allow certain charter school students to participate in extracurricular athletic contests or any extracurricular activity 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 student is ineligible if the charter school has 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 — Driver Education

Description

Division IV requires a charter school to offer or make available to all students an approved course in driver education. This Division also requires the resident district of a charter school student to offer or make available an approved course in driver education. The charter school is responsible for paying all the school district's costs associated with providing the approved driver education course.

Background

The Iowa Department of Transportation (DOT) provides oversight for driver education, including the different [options](#) available to students.

Assumption

School districts will have additional costs for charter school student participation in driver education courses, which will be covered by the charter school.

Fiscal Impact

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

Division V — Iowa Public Employees' Retirement System

Description

Division V 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 91.56%. 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 2027, 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 V is expected to have no fiscal impact to the State.

Division VI — Charter School Facilities Revolving Loan Program

Description

Division VI 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 VI 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 VI; however, these fees are expected to be minimal. Under Division VI of the Bill, future federal grants related to charter school construction will be deposited in the new Fund under the IFA rather than the DE.

Division VII — Education Savings Accounts

Description

Division VII creates a second period for a parent or guardian to request an ESA between October 15 and November 15 of each year. The amount of the student's ESA payment is required to be deposited into the student's individual account following approval of the application.

Background

The [Education Savings Accounts — 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 Accreditation

Description

Division VIII allows the DE to provide accreditation to a nonpublic school if an approved independent accrediting agency disaccredits a nonpublic school. 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 Trainings and Licensure Renewal Requirements

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.

Background

2025 Iowa Acts, chapter [112](#) (Seizure Training Requirements, Schools Act) required the DE to convene and provide administrative support to a health care-related training for the school personnel work group. The work group was required to review and develop a plan to ensure Iowa educators have the health care training necessary to perform their duties and responsibilities. The work group released the [Health Care-Related Training for School Personnel Work Group report](#) in December 2025.

Fiscal Impact

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

Division X — Statewide Preschool Program

Description

Division X 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. The Bill also establishes limits of DE authority over community-based providers. The Bill establishes a payment schedule for the community-based provider to receive State preschool foundation aid. Preschool foundation aid received by a community-based provider that remains unexpended and unobligated at the end of the fiscal year will be used to build the provider's capacity for the next fiscal year. The State Board of Education is permitted to adopt emergency administrative rules to implement the provisions of this Division and the rules will be effective immediately upon filing unless a later date is specified in the rules.

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 FTE positions to provide State oversight and technical assistance, including professional development, coaching services, and program monitoring. Professional development is also provided through the 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 for an Education Program Consultant is \$160,000 per FTE position and for a Data Analyst is \$149,000 per FTE position.

Fiscal Impact

The fiscal impact for Division X 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 XI — School Tuition Organizations — Preschool Startup Costs

Description

Division XI allows a School Tuition Organization (STO) to provide funding to a preschool for its first-year operational costs related to preschool services. The allowance is limited to an operation starting in 2025 and is located in a county with a population greater than 150,000 but less than 180,000 according to the 2020 federal decennial census.

Background

An STO is a charitable organization that raises tuition grant funding for eligible Iowa students who enroll in accredited nonpublic, Iowa-based elementary or secondary schools. Iowa taxpayers who donate to an STO are eligible for a [tax credit](#).

Fiscal Impact

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

Division XII — Miscellaneous Provisions

Description

Division XII allows a charter school student to have access to concurrent enrollment classes provided through the school district where the charter school is located. If the charter school is offering educational instruction primarily over the internet, the student is allowed to have access to concurrent enrollment classes provided through the student's resident district. Division XII requires a school district to document the reason and provide information related to the DE on any open enrollment denial request.

Background

[Senior Year Plus](#) serves as an umbrella for a variety of programs designed to provide high school students with access to courses that generate college credit. These programs are primarily offered through the community college concurrent enrollment program. The [Iowa Community College Annual Joint Enrollment Report for Academic Years 2022-23](#) provided the following enrollments by academic year:

- Academic year 2018-2019 — 50,587 students
- Academic year 2019-2020 — 51,800 students
- Academic year 2020-2021 — 47,262 students
- Academic year 2021-2022 — 50,082 students
- Academic year 2022-2023 — 52,814 students

Supplementary weighting paid through the school aid formula provides additional weighting based on Iowa Code section [257.11](#)(3). Supplementary weighting is calculated based on the

modality of the class—meaning how the class is offered—and the type of class designation, such as a liberal arts and science (A&S) course or a career and technical education (CTE) course.

Fiscal Impact

Division XII may increase enrollment for charter school students in concurrent enrollment courses and therefore increase the supplementary weighting for concurrent enrollment paid through the school aid formula, but the amount cannot be determined.

Division XIII — Private Instruction

Description

Division XIII changes the reporting requirement for a student under competent private instruction (CPI). Division XIII allows for independent private instruction settings to enroll more than four unrelated students and charge tuition, fees, or other remuneration for instruction. It also allows for students in all grade levels to receive instruction and allows for students who are not related to the primary instructor to receive instruction.

Division XIII allows the parent, guardian, legal custodian, or instructor of students under CPI and IPI to issue a diploma, final transcript, or other written documentation reflecting academic achievements and the completion of a program of secondary education and states that issuance must be accepted in the same manner as a high school diploma, final transcript, or other written documentation. The section applies to diplomas, final transcripts, or other written documentation issued before, on, or after the effective date of the Bill. The parent, guardian, or legal custodian may also verify information as detailed in the Bill.

Background

Families may choose to educate students at home instead of enrolling them in a public or nonpublic school. This mode of education is often referred to as [homeschooling](#) and is offered in two formats in the State:

- Competent private instruction provided or supervised by a licensed practitioner or supervised by a parent, guardian, or custodian without a current Iowa teaching license.
- Independent private instruction.

Fiscal Impact

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

Division XIV — Immediate Effective Date

Description

Division XIV specifies that the Bill takes effect upon enactment.

Fiscal Impact Summary

Division I is expected to have an unknown fiscal impact to the UNI due to an increase in administration costs and the potential need for additional FTE positions to fulfill the oversight requirements in this Bill.

Division II is expected to increase the TSS payment to charter schools for FY 2027 by \$1.3 million. 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.

