

**House Study Bill 243 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON EDUCATION BILL BY  
CHAIRPERSON HITE)

**A BILL FOR**

1 An Act establishing a student first scholarship program for  
2 certain pupils attending nonpublic schools, establishing  
3 a student first scholarship fund, providing an income tax  
4 exemption, making appropriations, providing penalties, and  
5 including applicability provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 256.9, Code 2021, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 63. Adopt rules relating to the  
4 administration of and applications for the student first  
5 scholarship program pursuant to section 257.11B, including but  
6 not limited to application processing timelines and information  
7 required to be submitted by a parent or guardian.

8 Sec. 2. NEW SECTION. **257.11B Student first scholarship**  
9 **program.**

10 1. *a.* For the school budget year beginning July 1, 2022,  
11 and each succeeding school budget year, the following resident  
12 pupils who are attending a nonpublic school, as defined in  
13 section 285.16, shall be eligible to receive a student first  
14 scholarship in the manner provided in this section:

15 (1) A pupil eligible to enroll in kindergarten who, if  
16 enrolled in the pupil's district of residence, would attend  
17 a public school identified for comprehensive support and  
18 improvement under the federal Every Student Succeeds Act, Pub.  
19 L. No. 114-95, or an equivalent objective federal standard.

20 (2) A pupil eligible to enroll in grade one through grade  
21 twelve if the pupil has attended a public school identified for  
22 comprehensive support and improvement under the federal Every  
23 Student Succeeds Act, Pub. L. No. 114-95, or an equivalent  
24 objective federal standard, for the equivalent of the two  
25 immediately preceding semesters for which the student first  
26 scholarship is requested and if the pupil is not otherwise  
27 ineligible under this section.

28 (3) A pupil who received a student first scholarship for  
29 the immediately preceding school budget year, who is eligible  
30 to enroll in grade one through grade twelve, and who is not  
31 otherwise ineligible under this section.

32 *b.* Student first scholarships shall be made available to  
33 parents and guardians in the manner authorized under subsection  
34 4, paragraph "c", for the payment of qualified educational  
35 expenses as provided in this section.

1     *c.* For purposes of this subsection, "*resident*" means the  
2 same as defined in section 282.1, subsection 2.

3     2. *a.* (1) By January 1 preceding the school year for  
4 which the student first scholarship is requested, the parent or  
5 guardian of the pupil requesting a student first scholarship  
6 shall submit an application to the department of education, on  
7 application forms developed by the department of education,  
8 indicating that the parent or guardian intends to enroll the  
9 pupil in a nonpublic school for the entirety of the school  
10 year.

11     (2) In addition to such information deemed appropriate by  
12 the department of education, the application shall require  
13 certification from the nonpublic school of the pupil's  
14 enrollment for the following school year.

15     *b.* By February 1 preceding the school year for which the  
16 student first scholarship is requested, the department of  
17 education shall determine the number of pupils in each school  
18 district approved to receive a scholarship for the following  
19 school year and shall notify the parent or guardian of each  
20 pupil approved for the following school year to receive a  
21 scholarship and the amount of the scholarship for the pupil.

22     *c.* Student first scholarships shall only be approved for  
23 one school year and applications must be submitted annually for  
24 student first scholarships in subsequent school years.

25     3. The department of education shall assign each pupil a  
26 student first scholarship in an amount equal to the sum of all  
27 the following for the same school budget year:

28     *a.* The product of the pupil's weighted enrollment that  
29 would otherwise be assigned to the pupil under this chapter if  
30 the pupil was enrolled in the pupil's district of residence  
31 multiplied by the difference between eighty-seven and  
32 five-tenths percent of the regular program state cost per pupil  
33 and the statewide average foundation property tax per pupil.

34     *b.* The total teacher salary supplement district cost per  
35 pupil for the pupil's district of residence.

1     *c.* The total professional development supplement district  
2 cost per pupil for the pupil's district of residence.

3     *d.* The total early intervention supplement district cost per  
4 pupil for the pupil's district of residence.

5     *e.* The total area education agency teacher salary supplement  
6 district cost per pupil for the pupil's district of residence.

7     *f.* The total area education agency professional development  
8 supplement district cost per pupil for the pupil's district of  
9 residence.

10    *g.* The total teacher leadership supplement district cost per  
11 pupil for the pupil's district of residence.

12    4. A student first scholarship fund is created in the  
13 state treasury under the control of the department of  
14 education consisting of moneys appropriated to the department  
15 of education for the purpose of providing student first  
16 scholarships under this section. For the fiscal year  
17 commencing July 1, 2022, and each succeeding fiscal year, there  
18 is appropriated from the general fund of the state to the  
19 department of education to be credited to the fund the amount  
20 necessary to pay all student first scholarships approved for  
21 that fiscal year. The director of the department of education  
22 has all powers necessary to carry out and effectuate the  
23 purposes, objectives, and provisions of this section pertaining  
24 to the fund, including the power to do all of the following:

25     *a.* Make and enter into contracts necessary for the  
26 administration of the fund.

27     *b.* Procure insurance against any loss in connection with the  
28 assets of the fund or require a surety bond.

29     *c.* Contract with a private financial management firm to  
30 manage the fund, in collaboration with the treasurer of state,  
31 including providing for the disbursement of student first  
32 scholarships in the form of an electronic debit card or checks  
33 that are payable directly from the pupil's account within the  
34 fund.

35     *d.* Conduct audits or other reviews necessary to properly

1 administer the program.

2 e. Adopt rules for the administration of the fund and  
3 accounts within the fund.

4 5. a. For each pupil approved for a student first  
5 scholarship, the department of education shall establish an  
6 account for that pupil in the student first scholarship fund.  
7 The amount of the pupil's student first scholarship shall be  
8 deposited into the pupil's account on July 1, and such amount  
9 shall be immediately available for the payment of qualified  
10 educational expenses incurred by the parent or guardian for  
11 the pupil during that fiscal year using the payment method  
12 authorized under subsection 4, paragraph "c".

13 b. A nonpublic school that accepts payment from a parent  
14 or guardian using funds from a pupil's account in the student  
15 first scholarship fund shall not refund, rebate, or share any  
16 portion of such payment with the parent, guardian, or pupil.

17 c. Moneys remaining in a pupil's account upon conclusion  
18 of the fiscal year shall remain in the pupil's account in the  
19 student first scholarship fund for the payment of qualified  
20 educational expenses in future fiscal years during which the  
21 pupil participates in the program until the pupil becomes  
22 ineligible under the program or until the remaining amounts are  
23 transferred to the state general fund under subsection 8.

24 6. a. For purposes of this section, "*qualified educational*  
25 *expenses*" includes tuition and fees at a nonpublic school,  
26 textbooks, fees or payments for educational therapies,  
27 including tutoring or cognitive skills training, curriculum  
28 fees, software, and materials for a course of study for a  
29 specific subject matter or grade level, tuition or fees for  
30 nonpublic online education programs, tuition for vocational and  
31 life skills education approved by the department of education,  
32 education materials and services for pupils with disabilities,  
33 including the cost of paraprofessionals and assistants who are  
34 trained in accordance with state law, standardized test fees,  
35 advanced placement examinations or examinations related to

1 postsecondary education admission or credentialing, qualified  
2 education expenses, as defined in section 12D.1, excluding  
3 room and board expenses, and other expenses incurred by the  
4 parent or guardian that are directly related to the education  
5 of the pupil at a nonpublic school, including a nonpublic  
6 school accredited by an independent accrediting agency approved  
7 by the department of education. The cost of one computer or  
8 other portable computing device shall be allowed as a qualified  
9 educational expense for a pupil if the computer or portable  
10 computing device is used primarily for the education of the  
11 pupil and if such a purchase has not been made using funds from  
12 that pupil's account in any of the three immediately preceding  
13 fiscal years.

14 *b. "Qualified educational expenses"* does not include  
15 transportation costs for the pupil, the cost of food or  
16 refreshments consumed by the pupil, the cost of clothing for  
17 the pupil, or the cost of disposable materials, including  
18 but not limited to paper, notebooks, pencils, pens, and art  
19 supplies.

20 7. *a.* A person who makes a false claim for the purpose  
21 of obtaining a student first scholarship provided for in this  
22 section or who knowingly receives the scholarship or makes a  
23 payment from an account within the student first scholarship  
24 fund without being legally entitled to do so is guilty of a  
25 fraudulent practice under chapter 714. The false claim for a  
26 student first scholarship or a payment from an account shall  
27 be disallowed. The department of education shall also close  
28 the pupil's account in the student first scholarship fund and  
29 transfer any remaining moneys in the account for deposit in the  
30 general fund of the state. If the improperly obtained amounts  
31 from the scholarship have been disbursed from the applicable  
32 account in the student first scholarship fund, the department  
33 of education shall recover such amounts from the parent or  
34 guardian, including by initiating legal proceedings to recover  
35 such amounts, if necessary. A parent or guardian who commits

1 a fraudulent practice under this section is prohibited from  
2 participating in the student first scholarship program in the  
3 future.

4 *b.* If, prior to the end of the required attendance  
5 period of the school year, a pupil who receives a student  
6 first scholarship withdraws from enrollment in the nonpublic  
7 school or is expelled, the nonpublic school shall notify the  
8 department of education in writing of the pupil's withdrawal  
9 or expulsion, and the pupil's parent or guardian shall notify  
10 the department of education of the pupil's withdrawal or  
11 expulsion from the nonpublic school. A pupil's expulsion  
12 from the nonpublic school prior to the end of the required  
13 attendance period for the school year shall invalidate the  
14 pupil's eligibility for the student first scholarship for the  
15 school budget year. A pupil's withdrawal from a nonpublic  
16 school prior to the end of the required attendance period of  
17 the school year shall invalidate the pupil's eligibility for  
18 the student first scholarship for the school budget year unless  
19 the withdrawal is the result of a change in residence of the  
20 pupil and the pupil, following written notice by the parent  
21 or guardian and certification by the new nonpublic school to  
22 the department of education, enrolls in a different nonpublic  
23 school in this state for the remainder of the school year.

24 *c.* (1) Upon receipt of a notice of expulsion under  
25 paragraph "b", the department of education shall close the  
26 pupil's account in the student first scholarship fund and  
27 transfer any remaining moneys in the account for deposit in  
28 the general fund of the state. In addition, if amounts from  
29 the scholarship for the school budget year during which the  
30 pupil is expelled have been disbursed from the expelled pupil's  
31 account in the student first scholarship fund, the department  
32 of education shall recover such amounts from the parent or  
33 guardian, including by initiating legal proceedings to recover  
34 such amounts, if necessary.

35 (2) Upon receipt of a notice of withdrawal under paragraph

1 "b" and a determination that the pupil's withdrawal was  
2 not the result of a change in residence, the department of  
3 education shall cease disbursements of remaining moneys in  
4 the pupil's account in the student first scholarship fund,  
5 close the pupil's account, and transfer any moneys remaining  
6 in the pupil's account for deposit in the general fund of  
7 the state. In addition, if amounts from the scholarship for  
8 the school budget year during which the withdrawal occurs  
9 have been disbursed from the pupil's account in the student  
10 first scholarship fund, the department of education shall  
11 recover such amounts from the parent or guardian to the extent  
12 the amount disbursed exceeds the amount of the scholarship  
13 proportionate to the remaining portion of the school year  
14 following the withdrawal, including by initiating legal  
15 proceedings to recover such amounts, if necessary.

16 (3) Upon receipt of a notice of withdrawal under paragraph  
17 "b" and a determination that the withdrawal was the result of  
18 a change in residence but that the pupil did not enroll in  
19 a different nonpublic school in this state for the remainder  
20 of the school year, the department of education shall cease  
21 disbursements of remaining moneys in the pupil's account in  
22 the student first scholarship fund, close the pupil's account,  
23 and transfer any moneys remaining in the pupil's account for  
24 deposit in the general fund of the state.

25 (4) If a pupil's eligibility is invalidated under the  
26 provisions of paragraph "b", the pupil shall be ineligible for a  
27 student first scholarship for the following school budget year  
28 under subsection 1, paragraph "a", subparagraphs (2) and (3).

29 8. Moneys remaining in a pupil's account when the pupil  
30 graduates from high school or turns twenty-one years of age,  
31 whichever occurs first, shall be transferred by the department  
32 of education for deposit in the general fund of the state.

33 9. a. A parent may appeal to the state board of education  
34 any administrative decision the department of education  
35 makes pursuant to this section, including but not limited



1 to determinations of eligibility, allowable expenses, and  
2 removal from the program. The department shall notify the  
3 parent or guardian in writing of the appeal process at the same  
4 time the department notifies the parent or guardian of the  
5 administrative decision. The state board of education shall  
6 establish the appeals process consistent with chapter 17A and  
7 shall post such appeal process information on the state board  
8 of education's internet site.

9     *b.* The state board of education shall refer cases of  
10 substantial misuse of student first scholarship funds to the  
11 attorney general for the purpose of collection or for the  
12 purpose of a criminal investigation if the state board of  
13 education obtains evidence of fraudulent use of an account.

14     10. This section shall not be construed to authorize the  
15 state or any political subdivision of the state to exercise  
16 authority over any nonpublic school or construed to require  
17 a nonpublic school to modify its academic standards for  
18 admission or educational program in order to receive payment  
19 from a parent or guardian using funds from a pupil's account  
20 in the student first scholarship fund. A nonpublic school  
21 that accepts payment from a parent or guardian using funds  
22 from a pupil's account in the student first scholarship fund  
23 is not an agent of this state or of a political subdivision  
24 of this state. Rules adopted by the department of education  
25 to implement this section that impose an undue burden on a  
26 nonpublic school are invalid.

27     Sec. 3. Section 422.7, Code 2021, is amended by adding the  
28 following new subsection:

29     NEW SUBSECTION. 51. Subtract, to the extent included, the  
30 amount of a student first scholarship under section 257.11B  
31 received by the taxpayer for payment of qualified educational  
32 expenses.

33     Sec. 4. **APPLICABILITY.** The following applies to school  
34 budget years and fiscal years beginning on or after July 1,  
35 2022:

1 The section of this Act enacting section 257.11B.

2 Sec. 5. APPLICABILITY. The following applies to tax years  
3 beginning on or after January 1, 2022:

4 The section of this Act enacting section 422.7, subsection  
5 51.

6 EXPLANATION

7 The inclusion of this explanation does not constitute agreement with  
8 the explanation's substance by the members of the general assembly.

9 This bill establishes a student first scholarship program  
10 for certain pupils attending a nonpublic school.

11 Under the bill, the following pupils who attend a nonpublic  
12 school are eligible to receive a student first scholarship:

13 (1) a pupil eligible to enroll in kindergarten who, if enrolled  
14 in the pupil's district of residence, would attend a public  
15 school identified for comprehensive support and improvement  
16 under the federal Every Student Succeeds Act, Pub. L. No.  
17 114-95, or an equivalent federal standard; (2) a pupil eligible  
18 to enroll in grade 1 through grade 12 if the pupil has attended  
19 a public school identified for comprehensive support and  
20 improvement under the federal Every Student Succeeds Act, Pub.  
21 L. No. 114-95, or an equivalent federal standard, for the  
22 equivalent of the two immediately preceding semesters; and  
23 (3) a pupil who received a student first scholarship for the  
24 immediately preceding school budget year and who is eligible  
25 to enroll in grade 1 through grade 12. By January 1 preceding  
26 the school year for which the student first scholarship is  
27 requested, the parent or guardian of the pupil requesting to  
28 receive a student first scholarship must submit an application  
29 to the department of education indicating that the parent or  
30 guardian intends to enroll the pupil in a nonpublic school for  
31 the entirety of the school year.

32 The bill requires that by February 1 preceding the school  
33 year for which the student first scholarship is requested, the  
34 department of education must notify the parent or guardian of  
35 each pupil approved for the following school year to receive a

1 student first scholarship and the amount of the student first  
2 scholarship for the pupil, as specified in the bill. Student  
3 first scholarships must be approved for each school year and  
4 applications must be submitted each year.

5 The bill creates a student first scholarship fund in  
6 the state treasury under the control of the department of  
7 education consisting of moneys appropriated to the department  
8 of education for the purpose of providing student first  
9 scholarships. For the fiscal year commencing July 1, 2022, and  
10 each succeeding fiscal year, the bill appropriates from the  
11 general fund of the state to the department of education for  
12 deposit in the fund the amount necessary to pay all student  
13 first scholarships approved for that fiscal year. For each  
14 pupil approved for a student first scholarship, the department  
15 of education must establish an account for that pupil in the  
16 student first scholarship fund. The amount of the pupil's  
17 student first scholarship is deposited into the pupil's account  
18 on July 1 and such amount is available for use by parents and  
19 guardians for the payment of qualified educational expenses, as  
20 defined in the bill, incurred by the parent or guardian for the  
21 pupil during that fiscal year.

22 The bill authorizes the department of education to contract  
23 with a private financial management firm to manage the student  
24 first scholarship fund, in collaboration with the treasurer  
25 of state, including providing for the disbursement of student  
26 first scholarships in the form of an electronic debit card  
27 or checks that are payable directly from the pupil's account  
28 within the fund.

29 The bill provides that moneys remaining in a pupil's account  
30 upon the conclusion of the fiscal year shall remain in the  
31 pupil's account in the student first scholarship fund for the  
32 payment of qualified educational expenses in future fiscal  
33 years during which the pupil participates in the program until  
34 the pupil becomes ineligible or until the remaining amounts are  
35 required to be transferred to the general fund of the state

1 under the bill.

2 Under the bill, for each pupil with a positive balance  
3 in the pupil's account in the student first scholarship fund  
4 upon graduation from high school or reaching 21 years of age,  
5 whichever occurs first, the department of education is required  
6 to transfer such remaining moneys for deposit in the general  
7 fund of the state.

8 The bill establishes procedures for parent or guardian  
9 appeals to the state board of education and provides that a  
10 person who makes a false claim for the purpose of obtaining  
11 a student first scholarship or who knowingly receives the  
12 scholarship or makes a payment from an account in the student  
13 first scholarship fund without being legally entitled to do so  
14 is guilty of a fraudulent practice and is subject to a criminal  
15 penalty. The bill directs the department of education to  
16 recover scholarships and amounts improperly awarded or paid  
17 and requires the closure of the pupil's account and transfer  
18 of all remaining moneys to the general fund of the state. The  
19 bill also establishes requirements and procedures for parents  
20 or guardians and for the department of education when a pupil  
21 receiving a student first scholarship withdraws or is expelled  
22 from the nonpublic school prior to the end of the required  
23 attendance period of the school year, including requirements  
24 for disposition of the pupil's account within the student first  
25 scholarship fund and recovery of scholarship funds.

26 The bill provides that a student first scholarship received  
27 by a taxpayer is not taxable income for purposes of state  
28 individual income taxation. This provision of the bill applies  
29 to tax years beginning on or after January 1, 2022.

30 The section of the bill enacting the student first  
31 scholarship program applies to school budget years and fiscal  
32 years beginning on or after July 1, 2022.