

**House File 68 - Introduced**

HOUSE FILE 68  
BY COMMITTEE ON EDUCATION  
REFORM

(SUCCESSOR TO HSB 1)

**A BILL FOR**

1 An Act relating to education programs and funding by  
2 establishing an education savings account program, modifying  
3 certain school district categorical funding supplements,  
4 making appropriations, providing penalties, and including  
5 effective date and retroactive applicability provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

DIVISION I  
SHORT TITLE

Section 1. SHORT TITLE. This Act shall be known and may be cited as the "Students First Act".

DIVISION II  
EDUCATION SAVINGS ACCOUNT PROGRAM

Sec. 2. Section 256.9, Code 2023, is amended by adding the following new subsection:

NEW SUBSECTION. 66. Adopt rules relating to the administration of, and applications for, the education savings account program pursuant to section 257.11B, including but not limited to application processing timelines and information required to be submitted by a parent or guardian.

Sec. 3. Section 257.10, subsection 9, paragraph c, subparagraph (1), Code 2023, is amended to read as follows:

(1) The unadjusted teacher salary supplement district cost is the teacher salary supplement district cost per pupil for each school district for a budget year multiplied by the sum of the budget enrollment for that school district plus the number of resident pupils in the school district that received an education savings account payment under section 257.11B for the base year.

Sec. 4. Section 257.10, subsection 10, paragraph c, subparagraph (1), Code 2023, is amended to read as follows:

(1) The unadjusted professional development supplement district cost is the professional development supplement district cost per pupil for each school district for a budget year multiplied by the sum of the budget enrollment for that school district plus the number of resident pupils in the school district that received an education savings account payment under section 257.11B for the base year.

Sec. 5. Section 257.10, subsection 11, paragraph c, subparagraph (1), Code 2023, is amended to read as follows:

(1) The unadjusted early intervention supplement district cost is the early intervention supplement district cost per

1 pupil for each school district for a budget year multiplied  
2 by the sum of the budget enrollment for that school district  
3 plus the number of resident pupils in the school district that  
4 received an education savings account payment under section  
5 257.11B for the base year.

6 Sec. 6. Section 257.10, subsection 12, paragraph c,  
7 subparagraph (1), Code 2023, is amended to read as follows:

8 (1) The unadjusted teacher leadership supplement district  
9 cost is the teacher leadership supplement district cost per  
10 pupil for each school district for a budget year multiplied  
11 by the sum of the budget enrollment for that school district  
12 plus the number of resident pupils in the school district that  
13 received an education savings account payment under section  
14 257.11B for the base year.

15 Sec. 7. NEW SECTION. 257.11B Education savings account  
16 program.

17 1. For purposes of this section:

18 a. "*Nonpublic school*" means the same as defined in section  
19 285.16.

20 b. (1) "*Qualified educational expenses*" includes tuition  
21 and fees at a nonpublic school, textbooks, fees or payments for  
22 educational therapies, including tutoring or cognitive skills  
23 training, curriculum fees, software, and materials for a course  
24 of study for a specific subject matter or grade level, tuition  
25 or fees for nonpublic online education programs, tuition for  
26 vocational and life skills education approved by the department  
27 of education, education materials and services for pupils with  
28 disabilities from an accredited provider, including the cost of  
29 paraprofessionals and assistants who are trained in accordance  
30 with state law, standardized test fees, and advanced placement  
31 examinations or examinations related to postsecondary education  
32 admission or credentialing.

33 (2) "*Qualified educational expenses*" shall be limited to  
34 the items described in subparagraph (1) and rules adopted  
35 by the department to implement this section and does not

1 include transportation costs for the pupil, the cost of food  
2 or refreshments consumed by the pupil, the cost of clothing  
3 for the pupil, or the cost of disposable materials, including  
4 but not limited to paper, notebooks, pencils, pens, and art  
5 supplies.

6 *c.* "Resident" means the same as defined in section 282.1,  
7 subsection 2.

8 2. *a.* (1) For the school budget year beginning July  
9 1, 2023, the following pupils who attend a nonpublic school  
10 for that school budget year shall be eligible to receive an  
11 education savings account payment:

12 (a) A resident pupil who is eligible to enroll in  
13 kindergarten.

14 (b) A resident pupil who is eligible to enroll in grades one  
15 through twelve and was not enrolled in a nonpublic school for  
16 the school year immediately preceding the school year for which  
17 the education savings account payment is requested.

18 (c) A resident pupil who is eligible to enroll in grades  
19 one through twelve and was enrolled in a nonpublic school year  
20 immediately preceding the school year for which the education  
21 savings account payment is requested if the pupil's household  
22 has an annual income less than or equal to three hundred  
23 percent of the most recently revised poverty income guidelines  
24 published by the United States department of health and human  
25 services.

26 (2) For the school budget year beginning July 1, 2024, the  
27 following pupils who attend a nonpublic school for that school  
28 budget year shall be eligible to receive an education savings  
29 account payment:

30 (a) A resident pupil who is eligible to enroll in  
31 kindergarten.

32 (b) A resident pupil who is eligible to enroll in grades one  
33 through twelve and was not enrolled in a nonpublic school for  
34 the school year immediately preceding the school year for which  
35 the education savings account payment is requested.

1 (c) A resident pupil who is eligible to enroll in grades one  
2 through twelve and was enrolled in a nonpublic school for the  
3 school year immediately preceding the school year for which the  
4 education savings account payment is requested if the pupil's  
5 household has an annual income less than or equal to four  
6 hundred percent of the most recently revised poverty income  
7 guidelines published by the United States department of health  
8 and human services.

9 (d) A resident pupil who received an education savings  
10 account payment in the immediately preceding school budget  
11 year.

12 (3) For school budget years beginning on or after July  
13 1, 2025, resident pupils eligible to enroll in kindergarten  
14 through grade twelve who attend a nonpublic school for the  
15 applicable school budget year shall be eligible to receive an  
16 education savings account payment.

17 *b.* Education savings account payments shall be made  
18 available to parents and guardians in the manner authorized  
19 under subsection 5 for the payment of qualified educational  
20 expenses as provided in this section. Parents and guardians  
21 shall first use education savings account payments for all  
22 qualified educational expenses that are tuition and fees for  
23 which the parent or guardian is responsible for payment at the  
24 pupil's nonpublic school prior to using the education savings  
25 account for other qualified educational expenses.

26 3. *a.* On or after January 1, but on or before June 30,  
27 preceding the school year for which the education savings  
28 account payment is requested, the parent or guardian of an  
29 eligible pupil may request an education savings account payment  
30 by submitting an application to the department of education.

31 *b.* Within thirty days following submission of an  
32 application, the department of education or third-party entity  
33 shall notify the parent or guardian of each pupil approved  
34 for the following school year and specify the amount of the  
35 education savings account payment for the pupil, if known at

1 the time of the notice. As soon as practical following the  
2 processing of all applications, the department of education or  
3 third-party entity shall determine the number of pupils in each  
4 school district approved for the school budget year and provide  
5 such information to the department of management.

6 *c.* Education savings account payments shall only be approved  
7 for one school year and applications must be submitted annually  
8 for payments in subsequent school years.

9 4. Each education savings account payment shall be equal to  
10 the regular program state cost per pupil for the same school  
11 budget year.

12 5. An education savings account fund is created in  
13 the 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 education savings  
16 account payments under this section. For the fiscal year  
17 commencing July 1, 2023, and each succeeding fiscal year,  
18 there is appropriated from the general fund of the state  
19 to the department of education to be credited to the fund  
20 the amount necessary to pay all education savings account  
21 payments approved for that fiscal year. The director of the  
22 department of education has all powers necessary to carry out  
23 and effectuate the purposes, objectives, and provisions of this  
24 section pertaining to the fund, including the power to do all  
25 of the following:

26 *a.* Make and enter into contracts with a third-party entity  
27 necessary for the administration of the program.

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

30 *c.* Contract with a qualified firm, including but not limited  
31 to the third-party entity under paragraph "a", to allocate  
32 funds from each pupil's account for the payment of qualified  
33 educational expenses by the pupil's parent or guardian.

34 *d.* Require the qualified firm under paragraph "c" to  
35 offer the department of education the capability of automated

1 clearinghouse transactions, electronic commerce transactions,  
2 reimbursement transactions, and debit card payments in order to  
3 meet the diverse needs of participating parents and guardians  
4 to pay for qualified educational expenses. The director of  
5 the department of education shall determine which transaction  
6 capabilities will be available to participating parents and  
7 guardians.

8 *e.* Reduce the possibility of waste, fraud, and abuse,  
9 and ensure that any technology platform used for the program  
10 meets the state's highest security requirements, including  
11 compliance.

12 *f.* Conduct audits or other reviews necessary to properly  
13 administer the program.

14 *g.* Adopt rules for the administration of the fund and  
15 accounts within the fund.

16 6. *a.* For each pupil approved for an education savings  
17 account payment, the department of education or third-party  
18 entity shall establish an individual account for that pupil  
19 in the education savings account fund. The amount of the  
20 pupil's education savings account payment shall be deposited  
21 into the pupil's individual account on July 15 or thirty days  
22 following submission of the application, whichever is later,  
23 and such amount shall be immediately available for the payment  
24 of qualified educational expenses incurred by the parent or  
25 guardian for the pupil during that fiscal year using a payment  
26 method authorized under subsection 5.

27 *b.* A nonpublic school or other provider of qualified  
28 educational expenses that accepts payment from a parent or  
29 guardian using funds from a pupil's individual account in the  
30 fund shall not refund, rebate, or share any portion of such  
31 payment with the parent, guardian, or pupil.

32 *c.* Moneys remaining in a pupil's individual account  
33 upon conclusion of the fiscal year shall remain in the  
34 pupil's individual account for the payment of qualified  
35 educational expenses in future fiscal years during which the

1 pupil participates in the program until the pupil becomes  
2 ineligible under the program or until the remaining amounts are  
3 transferred to the state general fund under subsection 8.

4 7. A person who makes a false claim for the purpose of  
5 obtaining an education savings account payment or who knowingly  
6 receives the payment or makes a payment from an individual  
7 account within the fund without being legally entitled to do  
8 so is guilty of a fraudulent practice under chapter 714. The  
9 false claim for an education savings account or a payment from  
10 an individual account shall be disallowed. The department of  
11 education or third-party entity shall also close the pupil's  
12 individual account in the fund and transfer any remaining  
13 moneys in the account for deposit in the general fund of the  
14 state. If the improperly obtained amounts have been disbursed  
15 from the applicable individual account, the department of  
16 education or third-party entity shall recover such amounts  
17 from the parent or guardian, including by initiating legal  
18 proceedings to recover such amounts, if necessary. A parent or  
19 guardian who commits a fraudulent practice under this section  
20 is prohibited from participating in the education savings  
21 account program in the future.

22 8. Moneys remaining in a pupil's individual account when the  
23 pupil graduates from high school or turns twenty years of age,  
24 whichever occurs first, shall be transferred by the department  
25 of education for deposit in the general fund of the state.

26 9. a. A parent may appeal to the state board of education  
27 any administrative decision the department of education or  
28 third-party entity makes pursuant to this section, including  
29 but not limited to determinations of eligibility, allowable  
30 expenses, and removal from the program. The department or  
31 third-party entity shall notify the parent or guardian in  
32 writing of the appeal process at the same time the department  
33 notifies the parent or guardian of the administrative decision.  
34 The state board of education shall establish the appeals  
35 process consistent with chapter 17A and shall post such appeal

1 process information on the state board of education's internet  
2 site.

3     *b.* The state board of education shall refer cases of  
4 substantial misuse of education savings account program funds  
5 to the attorney general for the purpose of collection or for  
6 the purpose of a criminal investigation if the state board of  
7 education obtains evidence of fraudulent use of an account.

8     10. *a.* This section shall not be construed to authorize  
9 the state or any political subdivision of the state to exercise  
10 authority over any nonpublic school or construed to require a  
11 nonpublic school to modify its academic standards for admission  
12 or educational program in order to receive payment from a  
13 parent or guardian using funds from a pupil's account in the  
14 education savings account fund.

15     *b.* This section shall not be construed to expand the  
16 authority of the state or any political subdivision of the  
17 state to impose regulations upon any nonpublic school that are  
18 not necessary to implement this section.

19     *c.* A nonpublic school that accepts payment from a parent or  
20 guardian using funds from a pupil's account in the education  
21 savings account fund is not an agent of this state or of a  
22 political subdivision of this state.

23     *d.* Rules adopted by the department of education to implement  
24 this section that impose an undue burden on a nonpublic school  
25 are invalid.

26     *e.* A nonpublic school that accepts payment from a parent or  
27 guardian using funds from a pupil's account in the education  
28 savings account fund shall be given the maximum freedom  
29 possible to provide for the educational needs of the school's  
30 students, consistent with state and federal law.

31     11. *a.* Each pupil participating in the education savings  
32 account program is required to take all applicable state and  
33 federally required student assessments and the results of  
34 those assessments shall be provided to the pupil's parents or  
35 guardians and reported to the department of education.



~~1 of the funds calculated under this subsection shall comply~~  
~~2 with the requirements of chapter 284 and shall be distributed~~  
~~3 to teachers pursuant to section 284.3A.~~ For the budget year  
4 beginning July 1, 2010, and succeeding budget years, the use  
5 of the funds calculated under this subsection or available for  
6 use as provided in subsection 10, paragraph "d", subsection 12,  
7 paragraph "d", or section 257.46, subsection 3, shall comply  
8 with the requirements of chapter 284 and shall be distributed  
9 to teachers pursuant to section 284.3A.

10 Sec. 13. Section 257.10, subsection 10, paragraph d, Code  
11 2023, is amended to read as follows:

12 *d.* The use of the funds calculated under this subsection  
13 and any amount designated for professional development purposes  
14 from the school district's flexibility account under section  
15 298A.2, subsection 2, shall comply with the requirements of  
16 chapter 284. If all professional development requirements of  
17 chapter 284 are met and funds received under this subsection  
18 remain unexpended and unobligated at the end of a fiscal year  
19 beginning on or after July 1, 2017, the school district may  
20 transfer all or a portion of such unexpended and unobligated  
21 funds for deposit in the school district's flexibility account  
22 established under section 298A.2, subsection 2. At the end  
23 of a fiscal year beginning on or after July 1, 2022, the  
24 school district may use all or a portion of funds under this  
25 subsection for the purposes authorized under subsection 9,  
26 paragraph "d".

27 Sec. 14. Section 257.10, subsection 12, paragraph d, Code  
28 2023, is amended to read as follows:

29 *d.* For the budget year beginning July 1, 2014, and  
30 succeeding budget years, the use of the funds calculated under  
31 this subsection shall comply with the requirements of chapter  
32 284 and shall be distributed to teachers pursuant to section  
33 284.15. The funds shall be used only to increase the payment  
34 for a teacher assigned to a leadership role pursuant to a  
35 framework or comparable system approved pursuant to section

1 284.15; to increase the percentages of teachers assigned to  
 2 leadership roles; to increase the minimum teacher starting  
 3 salary to thirty-three thousand five hundred dollars; to  
 4 cover the costs for the time mentor and lead teachers are not  
 5 providing instruction to students in a classroom; for coverage  
 6 of a classroom when an initial or career teacher is observing  
 7 or co-teaching with a teacher assigned to a leadership role;  
 8 for professional development time to learn best practices  
 9 associated with the career pathways leadership process; and for  
 10 other costs associated with a framework or comparable system  
 11 approved by the department of education under [section 284.15](#)  
 12 with the goals of improving instruction and elevating the  
 13 quality of teaching and student learning. If all requirements  
 14 for the school district for the use of funds calculated  
 15 under [this subsection](#) are met and funds received under this  
 16 subsection remain unexpended and unobligated at the end of a  
 17 fiscal year beginning on or after July 1, 2020, the school  
 18 district may transfer all or a portion of such unexpended  
 19 and unobligated funds for deposit in the school district's  
 20 flexibility account established under section 298A.2,  
 21 subsection 2. At the end of a fiscal year beginning on or after  
 22 July 1, 2022, the school district may use all or a portion of  
 23 funds under this subsection for the purposes authorized under  
 24 subsection 9, paragraph "d".

25 Sec. 15. Section 257.46, subsection 3, Code 2023, is amended  
 26 to read as follows:

27 3. If any portion of the gifted and talented program budget  
 28 remains unexpended at the end of the budget year, the remainder  
 29 shall be carried over to the subsequent budget year and added  
 30 to the gifted and talented program budget for that year. At  
 31 the end of a fiscal year beginning on or after July 1, 2022,  
 32 the school district may use all or a portion of funds for the  
 33 purposes authorized under subsection 9, paragraph "d".

34 Sec. 16. EFFECTIVE DATE. This division of this Act, being  
 35 deemed of immediate importance, takes effect upon enactment.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

EXPLANATION

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

This bill relates to education programs and funding by establishing an education savings account program and modifying certain school district categorical funding supplements.

DIVISION I — SHORT TITLE. Division I provides that the bill shall be known and may be cited as the "Students First Act".

DIVISION II — EDUCATION SAVINGS ACCOUNT PROGRAM. Division II of the bill establishes an education savings account program for school budget years beginning on or after July 1, 2023, for the payment of qualified educational expenses incurred by the parent or guardian of an eligible pupil.

For the school budget year beginning July 1, 2023, the following pupils who attend a nonpublic school for that school budget year shall be eligible to receive an education savings account payment: (1) a resident pupil who is eligible to enroll in kindergarten; (2) a resident pupil who is eligible to enroll in grades 1 through 12 and was not enrolled in a nonpublic school for the immediately preceding school year; (3) a resident pupil who is eligible to enroll in grades 1 through 12 and was enrolled in a nonpublic school for the immediately preceding school year if the pupil's household has an annual income less than or equal to 300 percent of the most recently revised poverty income guidelines. For the school budget year beginning July 1, 2024, the following pupils who attend a nonpublic school for that school budget year shall be eligible to receive an education savings account payment: (1) a resident pupil who is eligible to enroll in kindergarten; (2) a resident pupil who is eligible to enroll in grades 1 through 12 and was not enrolled in a nonpublic school for the immediately preceding school year; (3) a resident pupil who is eligible to enroll in grades 1 through 12 and was enrolled in a nonpublic school for the immediately preceding school year if the pupil's household has an annual income less than

1 or equal to 400 percent of the most recently revised poverty  
2 income guidelines; and (4) a resident pupil who received an  
3 education savings account payment in the immediately preceding  
4 school budget year. For school budget years beginning on or  
5 after July 1, 2025, resident pupils eligible to enroll in  
6 kindergarten through grade 12 who attend a nonpublic school for  
7 the applicable school budget year shall be eligible to receive  
8 an education savings account payment.

9 On or after January 1, but on or before June 30 preceding  
10 the school year for which the education savings account payment  
11 is requested, the parent or guardian of an eligible pupil  
12 may request a payment by submitting an application to the  
13 department of education.

14 Within 30 days following submission of an application, the  
15 department of education must notify the parent or guardian of  
16 each pupil approved for the following school year and specify  
17 the amount of the education savings account payment for the  
18 pupil, if known at the time of the notice. Education savings  
19 account payments shall only be approved for one school year and  
20 applications must be submitted each year.

21 The bill creates an education savings account fund in  
22 the state treasury under the control of the department of  
23 education consisting of moneys appropriated to the department  
24 of education for the purpose of providing education savings  
25 account payments. For the fiscal year commencing July 1, 2023,  
26 and each succeeding fiscal year, the bill appropriates from the  
27 general fund of the state to the department of education for  
28 deposit in the fund the amount necessary to pay all education  
29 savings account payments approved for that fiscal year. For  
30 each pupil approved, the department of education must establish  
31 an individual account for that pupil in the fund. The amount  
32 of the pupil's payment is deposited into the pupil's account  
33 on July 15 or 30 days after submission of the application,  
34 whichever is later, and such amount is available for use by  
35 parents and guardians for the payment of qualified educational

1 expenses, as defined in the bill, incurred by the parent or  
2 guardian for the pupil during that fiscal year. The amount of  
3 the education savings account payment is equal to the regular  
4 program state cost per pupil for the same school budget year.

5 The bill authorizes the department to contract with a  
6 third-party entity for administration of the program and  
7 includes applicable references to such a third-party entity.  
8 Parents and guardians shall first use education savings  
9 account payments for all qualified educational expenses that  
10 are tuition and fees for which the parent or guardian is  
11 responsible for payment at the pupil's nonpublic school prior  
12 to using the education savings account for other qualified  
13 educational expenses.

14 The bill provides that moneys remaining in a pupil's account  
15 upon the conclusion of the fiscal year shall remain in the  
16 pupil's account in the fund for the payment of qualified  
17 educational expenses in future fiscal years during which the  
18 pupil participates in the program until the pupil becomes  
19 ineligible or until the remaining amounts are required to be  
20 transferred to the general fund of the state under the bill.  
21 For each pupil with a positive balance in the pupil's account  
22 in the fund upon graduation from high school or reaching  
23 20 years of age, whichever occurs first, the department of  
24 education is required to transfer such remaining moneys for  
25 deposit in the general fund of the state.

26 The bill establishes procedures for parent or guardian  
27 appeals to the state board of education and provides that a  
28 person who makes a false claim for the purpose of obtaining an  
29 education savings account payment or who knowingly receives the  
30 payment or makes a payment from an account in the fund without  
31 being legally entitled to do so is guilty of a fraudulent  
32 practice and is subject to a criminal penalty. The bill  
33 directs the department of education to recover program payments  
34 and amounts improperly awarded or paid and requires the closure  
35 of the pupil's account and transfer of all remaining moneys to

1 the general fund of the state.

2 The bill requires the department of education to compile all  
3 state and federally required student assessment results for  
4 participating pupils in order to analyze student proficiency  
5 and academic progress among those pupils participating in the  
6 program, including analysis of graduation rates, proficiency,  
7 and progress based on grade level, gender, race, and household  
8 income level. The results of the department's analysis shall  
9 be included in the annual condition of education report.

10 The bill also modifies the calculation of the teacher  
11 salary supplement district cost, the professional development  
12 supplement district cost, the early intervention supplement  
13 district cost, and the teacher leadership supplement district  
14 cost under Code section 257.10. Under the bill, each such  
15 supplement amount shall be calculated, in part, by multiplying  
16 the applicable supplement district cost per pupil by the sum  
17 of the school district's budget enrollment plus the number  
18 of resident pupils in the school district that received an  
19 education savings account payment under the bill for the base  
20 year.

21 Division II of the bill takes effect upon enactment. The  
22 bill also authorizes the department of education to adopt  
23 emergency rules to implement the program.

24 The bill provides that an education savings account payment  
25 received by a taxpayer is not taxable income for purposes  
26 of state individual income taxation. This provision of the  
27 bill applies retroactively to tax years beginning on or after  
28 January 1, 2023.

29 DIVISION III — SCHOOL DISTRICT CATEGORICAL FUNDING.

30 Division III of the bill authorizes school districts to use all  
31 or a portion of funds at the end of any fiscal year beginning  
32 on or after July 1, 2022, from the professional development  
33 categorical supplement, the teacher leadership categorical  
34 supplement, or the gifted and talented program for teacher  
35 salary categorical supplement purposes under the salary system

1 requirements of Code section 284.3A.

2 Division III of the bill takes effect upon enactment.