



IowaCollegeAid.gov
Because College Changes Everything

Memorandum

Authorize Iowa College Aid to Organize a Nonprofit Corporation

Background:

Iowa College Aid's Strategic Fund cannot maintain the agency's functions in perpetuity. In fact, the agency anticipates budget shortfalls beginning in Fiscal Year 2026. If Iowa College Aid formed a 501(c)(3) corporation, that corporation could:

- Seek grant funding from grantors who award only to entities with a 501(c)(3) status, such as the Bradley Foundation, Hearst Foundation, Kresge Foundation, and the Spencer Foundation.
- Provide an explicit mechanism to receive tax-deductible donations from individuals and organizations.

Iowa College Aid will not direct funds raised through the nonprofit corporation to its Strategic Fund. Rather, the nonprofit corporation would provide a facility to receive funds to support Iowa College Aid programs and services toward the fulfillment of the Agency's mission and increase of educational attainment in the state.

Iowa College Aid's intent in pursuing 501(c)(3) status is not to duplicate efforts of other entities working to increase postsecondary access and success in the state. Instead, 501(c)(3) status would enable Iowa College Aid to continue to supplement agency efforts without cost to the individuals we serve or to the state of Iowa. One example is GEAR UP Iowa, an initiative supporting college readiness, access, and success for students in low-income school districts.

The incorporators of the 501(c)(3) corporation would consist of the chair of the Iowa College Aid Board, the Iowa College Aid Executive Director, and a member of the Iowa College Aid Board who is selected by a majority vote of the Iowa College Aid Board. The Board of the nonprofit corporation would consist of the nine Governor-appointed members of the Iowa College Aid Board of Commissioners—specifically, one member representing private colleges and universities in Iowa; one member representing Iowa community colleges; one member who is a student at a Regent university, a community college, or an accredited private institution; one member who is a parent of a student at a Regent university, a community college, or an accredited private institution; one member representing K-12 education professionals; and four members representing the general public. In addition, the Board of the nonprofit corporation would include the Commission Board member representing the Iowa Board of Regents, the Commission Board member representing the Iowa Department of Education, and up to two members with experience or legal expertise relating to nonprofit corporations.

The nonprofit corporation would be subject to the open meetings and open records law required in code Chapters 21 and 22, but would not be considered a unit of the state and would receive no state appropriations. Iowa College Aid would provide staff assistance and administrative support. An interagency agreement under Iowa Code Chapter 28E, Board of Commission bylaws, and nonprofit articles of incorporation would specify the division between Iowa College Aid and the nonprofit corporation. This

includes the organization, powers, and purpose of the nonprofit corporation; its financing and budgeting methods; and how the agreements between the two identities could be terminated

Examples of Funding Opportunities:

Iowa College Aid would gain access to previously restricted funding opportunities. For example, agency staff are members of the Collective Impact Forum, an organization dedicated to assisting in the development of collective impact frameworks for project initiatives. Through our membership, staff have received notification of potential grant opportunities through the Bill and Melinda Gates Foundation. Representatives expressed interest in our community engagement projects but indicated that Iowa College Aid would be ineligible because the agency does not have tax-exempt status. As stated on the foundation website, “The foundation awards the majority of its grants to U.S. 501(c)(3) organizations and other tax-exempt organizations identified by our staff.”

Another example of a recently missed opportunity is the U.S. Department of Education’s Investing in Innovation Fund. Iowa College Aid hoped to apply for a grant under this program, intended “to generate and validate solutions to persistent educational challenges and to support the expansion of effective solutions to serve substantially larger numbers of students.” Iowa College Aid staff were in discussion with the Governor’s office and with a local educational agency that could have served as a partner; however, staff discovered that Iowa College Aid would be ineligible because it is not a nonprofit organization. A copy of the RFP is [here](#).

Funding opportunities are not limited to community engagement programs and services. Iowa College Aid has also tried to supplement services through research grants and opportunities. Again, the agency has been ineligible for many opportunities because it does not have 501(c)(3) status. For example, the Spencer Foundation provides research grants that focus on the improvement of education. However, their request for proposals includes the following language:

“The PI must be affiliated with a non-profit organization that is willing to serve as the administering organization if the grant is awarded. The Spencer Foundation does not award grants directly to individuals. Examples include non-profit colleges, universities, school districts, and research facilities, as well as other non-profit organizations with a 501(c)(3) determination from the IRS.”

Solution:

Iowa College Aid's role in the state is essential, non-duplicative, and responsive to the needs of Iowa students. This bill would ensure the agency’s successful continuation while also placing appropriate restraints to keep it from overstepping its status and function as an entity of the state. Iowa College Aid’s ability to secure grants and receive donations would help the agency to continue its essential functions without placing a financial burden on the state.

Explanation:

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<p>261.8 (New Section)</p>	<p>261.8 Corporation for educational financial assistance, services, and research.</p> <p>1. <i>Nonprofit corporation for receiving and disbursing funds.</i> The college student aid commission may organize a corporation under the provisions of chapter 504 that qualifies under section 501(c)(3) of the Internal Revenue Code as an organization exempt from taxation for the purpose of receiving and disbursing <u>philanthropic</u> funds from public or private sources to be used to provide lowans with educational financial assistance, services to increase access to and success in postsecondary education, and research. Unless otherwise provided in this section, the corporation is subject to the provisions of chapter 504.</p> <p>2. <i>Incorporators.</i> The incorporators of the corporation organized pursuant to this section shall be the chairperson of the commission, the executive director of the commission, and a member of the commission selected by a majority vote of the commission.</p> <p>3. <i>Board of directors.</i> The board of directors of the corporation organized pursuant to this section shall be the members of the commission appointed under section 261.1, subsection 2, paragraph “a”, paragraph “b”, and paragraph “d”, or their successors in office, and shall include up to two additional members selected by the commission who have experience in nonprofit corporation operations or legal expertise.</p> <p>4. <i>Accepting grants in aid.</i> The corporation organized pursuant to this section may accept grants of money or property from the federal government or private sources and may upon its own order use its money, property, or other resources for purposes stipulated in subsection 1.</p> <p>5. <i>Open meetings and open records.</i> The corporation is subject to chapters 21 and 22 as if it were a governmental body.</p> <p>6. <i>Status.</i> The corporation shall collaborate with the commission for the purposes specified in this section, but the corporation shall not be considered, in whole or in part, an agency, department, or administrative unit of the state. The corporation shall not receive appropriations from the general assembly. Except as provided in subsection 5, the corporation shall not be required to comply with any requirements that apply to a state agency, department, or administrative unit and shall not exercise any sovereign power of the state. The commission shall enter into an agreement under chapter 28E with the nonprofit corporation to stipulate the powers and responsibilities of both entities. The corporation may enter into agreements with other entities as required to fulfill the provisions of this section.</p> <p>7. <i>No state liability.</i> The corporation does not have authority to pledge the credit of the state, and the state shall not be liable for the debts or obligations of the corporation. All debts and obligations of the corporation shall be payable solely from the corporation’s funds.</p> <p>8. <i>Tax deductible.</i> The corporation shall be established so that donations and bequests to it qualify as tax deductible under state income tax laws and under section 501(c)(3) of the Internal Revenue Code.</p> <p>9. <i>Staffing and administrative support.</i> The commission shall provide staff assistance and administrative support to the corporation.</p> <p>10. <i>Report.</i> The corporation shall submit by January 15 annually a written report of its activities and operations to the governor, the general assembly, and the commission.</p>

Goal:

This is one strategy to help Iowa College Aid prolong our ability to provide services to Iowans without cost to the individuals we serve or to the state of Iowa.

Fiscal and Jobs Impact:

No impact.

Has proposal been pre-cleared before?

No.