

## CHAPTER 1

### EDUCATION PROGRAMS AND FUNDING — EDUCATION SAVINGS ACCOUNT PROGRAM — SCHOOL DISTRICT CATEGORICAL FUNDING SUPPLEMENTS AND SUPPLEMENTAL WEIGHTING

H.F. 68

**AN ACT** relating to education programs and funding by establishing an education savings account program, modifying certain school district categorical funding supplements and supplementary weighting, making appropriations, providing penalties, and including effective date and retroactive applicability provisions.

*Be It Enacted by the General Assembly of the State of Iowa:*

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

(1) The unadjusted teacher leadership supplement district cost is the teacher leadership 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. 7. NEW SECTION. 257.11B Education savings account program.**

1. For purposes of [this section](#):

a. “Nonpublic school” means the same as defined in [section 285.16](#).

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

(2) “Qualified educational expenses” shall be limited to the items described in subparagraph (1) and rules adopted by the department to implement [this section](#) and does not include transportation costs for the pupil, the cost of food or refreshments consumed by the pupil, the cost of clothing for the pupil, or the cost of disposable materials, including but not limited to paper, notebooks, pencils, pens, and art supplies.

c. “Resident” means the same as defined in [section 282.1, subsection 2](#).

2. a. (1) 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:

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

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

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

(2) 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:

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

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

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

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

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

b. Education savings account payments shall be made available to parents and guardians in the manner authorized under [subsection 5](#) for the payment of qualified educational expenses as provided in [this section](#). Parents and guardians shall first use education savings account payments for all qualified educational expenses that are tuition and fees for which the parent

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<sup>1</sup> See chapter 111, §23 herein

or guardian is responsible for payment at the pupil's nonpublic school prior to using the education savings account for other qualified educational expenses.

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

*b.* Within thirty days following submission of an application, the department of education or third-party entity shall notify the parent or guardian of each pupil approved for the following school year and specify the amount of the education savings account payment for the pupil, if known at the time of the notice. As soon as practical following the processing of all applications, the department of education or third-party entity shall determine the number of pupils in each school district approved for the school budget year and provide such information to the department of management.

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

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

5. An education savings account fund is created in the state treasury under the control of the department of education consisting of moneys appropriated to the department of education for the purpose of providing education savings account payments under [this section](#). For the fiscal year commencing July 1, 2023, and each succeeding fiscal year, there is appropriated from the general fund of the state to the department of education to be credited to the fund the amount necessary to pay all education savings account payments approved for that fiscal year. The director of the department of education has all powers necessary to carry out and effectuate the purposes, objectives, and provisions of [this section](#) pertaining to the fund, including the power to do all of the following:

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

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

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

*d.* Require the qualified firm under paragraph "c" to offer the department of education the capability of automated clearinghouse transactions, electronic commerce transactions, reimbursement transactions, and debit card payments in order to meet the diverse needs of participating parents and guardians to pay for qualified educational expenses. The director of the department of education shall determine which transaction capabilities will be available to participating parents and guardians.

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

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

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

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

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

c. Moneys remaining in a pupil's individual account upon conclusion of the fiscal year shall remain in the pupil's individual account for the payment of qualified educational expenses in future fiscal years during which the pupil participates in the program until the pupil becomes ineligible under the program or until the remaining amounts are transferred to the state general fund under [subsection 8](#).

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

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

9. a. A parent may appeal to the state board of education any administrative decision the department of education or third-party entity makes pursuant to [this section](#), including but not limited to determinations of eligibility, allowable expenses, and removal from the program. The department or third-party entity shall notify the parent or guardian in writing of the appeal process at the same time the department notifies the parent or guardian of the administrative decision. The state board of education shall establish the appeals process consistent with [chapter 17A](#) and shall post such appeal process information on the state board of education's internet site.

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

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

b. [This section](#) shall not be construed to expand the authority of the state or any political subdivision of the state to impose regulations upon any nonpublic school that are not necessary to implement [this section](#).

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

d. Rules adopted by the department of education to implement [this section](#) that impose an undue burden on a nonpublic school are invalid.

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

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

b. The department of education shall compile all such reported assessment results in order to analyze student proficiency and academic progress among those pupils participating in the program, including analysis of graduation rates, proficiency, and progress based on grade

level, gender, race, and household income level. The results of the department's analysis shall be included in the annual condition of education report.

Sec. 8. [Section 422.7](#), Code 2023, is amended by adding the following new subsection:

NEW SUBSECTION. 44. Subtract, to the extent included, the amount of an education savings account payment under [section 257.11B](#) received by the taxpayer for payment of qualified educational expenses.

Sec. 9. EMERGENCY RULES. The department of education may adopt emergency rules under [section 17A.4, subsection 3](#), and [section 17A.5, subsection 2](#), paragraph "b", to implement the provisions of the section of this Act enacting [section 256.9, subsection 66](#), and [section 257.11B](#), and the rules shall be effective immediately upon filing unless a later date is specified in the rules. Any rules adopted in accordance with this section shall also be published as a notice of intended action as provided in [section 17A.4](#).

Sec. 10. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 11. RETROACTIVE APPLICABILITY. The following applies retroactively to tax years beginning on or after January 1, 2023:

The section of this division of this Act enacting [section 422.7, subsection 44](#).

### DIVISION III SCHOOL DISTRICT CATEGORICAL FUNDING

Sec. 12. [Section 257.10, subsection 9](#), paragraph d, Code 2023, is amended to read as follows:

d. For the budget year beginning July 1, 2009, the use of the funds calculated under ~~this subsection~~ shall comply with the requirements of ~~chapter 284~~ and shall be distributed to teachers pursuant to ~~section 284.3A~~. For the budget year beginning July 1, 2010, and succeeding budget years, the use of the funds calculated under this subsection or available for use as provided in [subsection 10](#), paragraph "d", [subsection 12](#), paragraph "d", or [section 257.46, subsection 3](#), shall comply with the requirements of ~~chapter 284~~ and shall be distributed to teachers pursuant to [section 284.3A](#) and shall comply with the requirements of [chapter 284](#) related to such distribution under [section 284.3A](#).

Sec. 13. [Section 257.10, subsection 10](#), paragraph d, Code 2023, is amended to read as follows:

d. The use of the funds calculated under [this subsection](#) and any amount designated for professional development purposes from the school district's flexibility account under [section 298A.2, subsection 2](#), shall comply with the requirements of [chapter 284](#). If all professional development requirements of [chapter 284](#) are met and funds received under [this subsection](#) remain unexpended and unobligated at the end of a fiscal year beginning on or after July 1, 2017, the school district may transfer all or a portion of such unexpended and unobligated funds for deposit in the school district's flexibility account established under [section 298A.2, subsection 2](#). At the end of a fiscal year beginning on or after July 1, 2022, the school district may use all or a portion of funds under [this subsection](#) for the purposes authorized under [subsection 9](#), paragraph "d".

Sec. 14. [Section 257.10, subsection 12](#), paragraph d, Code 2023, is amended to read as follows:

d. ~~For~~ Except as otherwise allowed under this paragraph, for the budget year beginning July 1, 2014, and succeeding budget years, the use of the funds calculated under [this subsection](#) shall comply with the requirements of [chapter 284](#) and shall be distributed to teachers pursuant to [section 284.15](#). The funds shall be used only to increase the payment for a teacher assigned to a leadership role pursuant to a framework or comparable system approved pursuant to [section 284.15](#); to increase the percentages of teachers assigned to leadership roles; to increase the minimum teacher starting salary to thirty-three thousand



five hundred dollars; to cover the costs for the time mentor and lead teachers are not providing instruction to students in a classroom; for coverage of a classroom when an initial or career teacher is observing or co-teaching with a teacher assigned to a leadership role; for professional development time to learn best practices associated with the career pathways leadership process; and for other costs associated with a framework or comparable system approved by the department of education under [section 284.15](#) with the goals of improving instruction and elevating the quality of teaching and student learning. If all requirements for the school district for the use of funds calculated under [this subsection](#) are met and funds received under [this subsection](#) remain unexpended and unobligated at the end of a fiscal year beginning on or after July 1, 2020, the school district may transfer all or a portion of such unexpended and unobligated funds for deposit in the school district's flexibility account established under [section 298A.2, subsection 2](#). At the end of a fiscal year beginning on or after July 1, 2022, school districts may use all or a portion of funds under [this subsection](#) for the purposes authorized under [subsection 9, paragraph "d"](#), and, notwithstanding any provision of law to the contrary, school districts shall not be required to participate in or comply with [section 284.15](#) in order to continue to receive funding under [this subsection](#).

Sec. 15. [Section 257.11, subsection 5](#), Code 2023, is amended to read as follows:

5. *Shared operational functions — increased student opportunities — budget years beginning in 2014 through 2024 2034.*

a. (1) In order to provide additional funding to increase student opportunities and redirect more resources to student programming for school districts that share operational functions, a district that shares with a political subdivision one or more operational functions of a curriculum director; master social worker, independent social worker, work-based learning coordinator; special education director; mental health professional who holds a statement of recognition issued by the board of educational examiners, college and career transition counselor or coordinator; school resource officer; or school counselor; or one or more operational functions in the areas of superintendent management, business management, human resources, transportation, or operation and maintenance for at least twenty percent of the school year shall be assigned a supplementary weighting for each shared operational function. A school district that shares an operational function in the area of superintendent management shall be assigned a supplementary weighting of nine pupils for the function. A school district that shares an operational function in the area of business management, human resources, transportation, or operation and maintenance shall be assigned a supplementary weighting of five pupils for the function. A school district that shares the operational functions of a curriculum director; a master social worker or an independent social worker licensed under [chapters 147 and 154C](#); a work-based learning coordinator; a special education director; a mental health professional who holds a statement of recognition issued by the board of educational examiners; a college and career transition counselor or coordinator; a school resource officer; or a school counselor shall be assigned a supplementary weighting of three pupils for the function. The additional weighting shall be assigned for each discrete operational function shared. However, a school district may receive the additional weighting under [this subsection](#) for sharing the services of an individual with a political subdivision or another school district even if the type of operational function performed by the individual for the school district and the type of operational function performed by the individual for the political subdivision or another school district are not the same operational function, so long as either both operational functions are eligible for weighting under [this subsection](#) or the operational function the individual performs for the school district is special education director. In either case, the school district shall be assigned the additional weighting for the type of operational function that the individual performs for the school district, and the school district shall not receive additional weighting for any other function performed by the individual. The operational function sharing arrangement does not need to be a newly implemented sharing arrangement to receive supplementary weighting under [this subsection](#).

(2) For the purposes of this paragraph "a":

(a) "College and career transition counselor or coordinator" means a licensed school counselor or an appropriately trained individual responsible for providing direct services

to students, parents, families, schools, and postsecondary institutions to support college preparation and postsecondary success, such as college preparation, financial aid processing, and transition to postsecondary institution enrollment.

(b) “*Political subdivision*” means a city, township, county, school corporation, merged area, area education agency, institution governed by the state board of regents, or any other governmental subdivision.

(c) “*School resource officer*” means the same as defined in 34 U.S.C. §10389.

(d) “*Work-based learning coordinator*” means an appropriately trained individual responsible for facilitating authentic, engaging work-based learning experiences for learners and educators in partnership with employers and others to enhance learning by connecting the content and skills that are necessary for future careers.

b. (1) Notwithstanding paragraph “a”, subparagraph (1), each operational function assigned a supplementary weighting of five pupils under paragraph “a”, subparagraph (1), shall instead be assigned a supplementary weighting of four pupils for the school budget years beginning on or after July 1, 2022, July 1, 2023, and July 1, 2024 but before July 1, 2035.

(2) Notwithstanding paragraph “a”, subparagraph (1), each operational function assigned a supplementary weighting of three pupils under paragraph “a”, subparagraph (1), shall instead be assigned a supplementary weighting of two pupils for the school budget years beginning on or after July 1, 2022, July 1, 2023, and July 1, 2024 but before July 1, 2035.

c. School districts that share operational functions with other school districts are not required to be contiguous school districts. If two or more districts sharing operational functions are not contiguous to each other, the districts separating those districts are not required to be a party to the operational functions sharing arrangement.

d. Supplementary weighting pursuant to [this subsection](#) shall be available to a school district during the period commencing with the budget year beginning July 1, 2014, through the budget year beginning July 1, ~~2024~~ 2034. The maximum amount of additional weighting for which a school district shall be eligible in a budget year is twenty-one additional pupils. Criteria for determining the qualification of operational functions for supplementary weighting shall be determined by the department by rule, through consideration of increased student opportunities.

e. Supplementary weighting pursuant to [this subsection](#) shall be available to an area education agency during the period commencing with the budget year beginning July 1, 2014, through the budget year beginning July 1, ~~2024~~ 2034. The minimum amount of additional funding for which an area education agency shall be eligible in a budget year is thirty thousand dollars, and the maximum amount of additional funding for which an area education agency shall be eligible is two hundred thousand dollars. The department of management shall annually set a weighting for each area education agency to generate the approved operational sharing expense using the area education agency’s special education cost per pupil amount and foundation level. Criteria for determining the qualification of operational functions for supplementary weighting shall be determined by the department by rule, through consideration of increased student opportunities.

f. [This subsection](#) is repealed effective July 1, ~~2025~~ 2035.

Sec. 16. [Section 257.46, subsection 3](#), Code 2023, is amended to read as follows:

3. If any portion of the gifted and talented program budget remains unexpended at the end of the budget year, the remainder shall be carried over to the subsequent budget year and added to the gifted and talented program budget for that year. At the end of a fiscal year beginning on or after July 1, 2022, the school district may use all or a portion of funds for the purposes authorized under <sup>2</sup> [subsection 9](#), paragraph “d”.

Sec. 17. [Section 284.15, subsection 7](#), Code 2023, is amended to read as follows:

7. The department shall establish criteria and a process for application and approval of the framework established under [subsection 1](#), and for comparable systems that meet the requirements of [section 284.16](#) or [284.17](#), which a school district may implement pursuant

<sup>2</sup> See chapter 111, §24 herein

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to [subsection 6](#) in order to receive teacher leadership supplement foundation aid calculated under [section 257.10, subsection 12](#).

Sec. 18. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Approved January 24, 2023