
ISSUE REVIEW

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Nonpublic School Funding History

ISSUE

This **Issue Review** examines the history of nonpublic school funding in Iowa and nationwide approaches used to support nonpublic school choice.

AFFECTED AGENCIES

Department of Education

Community colleges

Iowa Department of Revenue

CODE AUTHORITY

Iowa Code sections [285.1](#), [285.2](#), [285.3](#), [301.1](#), [422.11S](#), and [422.33](#)(28)

HISTORY

Public and private schools in the United States share a long history of coexistence. Although public schools make up the majority of the K-12 education system in the U.S. today, nonpublic, or private, schools have always had a presence.

In the first half of the 19th century, Americans began to see education as a source of resolution for political, social, religious, and economic problems the country faced. During Abraham Lincoln's first candidacy for the Illinois House of Representatives, he called education the most important subject with which Americans as a people could be engaged. At that time, people typically attended school through only eighth grade. For those who desired education beyond eighth grade and would be college bound, private academies were the primary option.

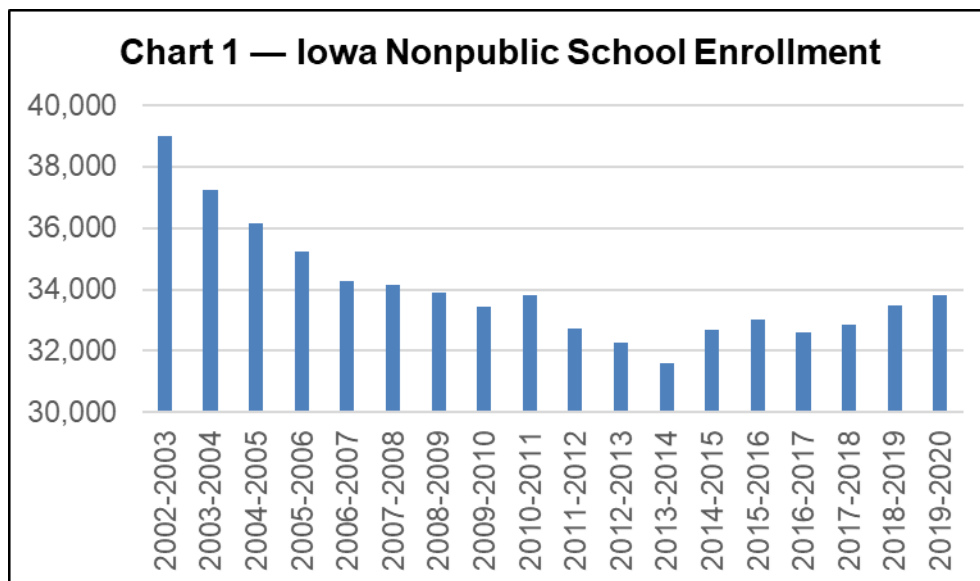
The first U.S. public high school was established in Massachusetts in 1821. By 1850, there were only 100 public high schools. In 1874, the Michigan Supreme Court, in the Kalamazoo [decision](#), stated that high school was a part of the common school system and that a school board has the authority to levy taxes on the general public to support a high school that is free and open to all. When tax levies as a method of funding schools gained popularity nationwide, the availability of "free" high schools caused a decline in the number of private academies that charged tuition.

Iowa's [first school](#) was established in 1830 when Berryman Jennings taught in a log cabin in Lee County in southeast Iowa. Additional one-room schools, usually called grammar schools, were established, with multiple grades sharing one classroom. Parents paid teachers directly to

educate their children. For students who wanted education beyond Iowa's grammar schools, private academies were the next step.

As the population of Iowa grew, the number of schools increased, and the concern for quality education in the State grew. In 1858, the Free School Act was passed by the Iowa Legislature. Through this Act, local property taxes could be used to support local schools. This Act also allowed for the construction of one high school in each of Iowa's 99 counties. With funding in place, school growth quickened, and by 1910, 406 public high schools had been opened in Iowa with total K-12 enrollment of 510,661. As public education continued to expand at the end of the 19th century, there were 180 private schools in Iowa, with 25,440 students attending.

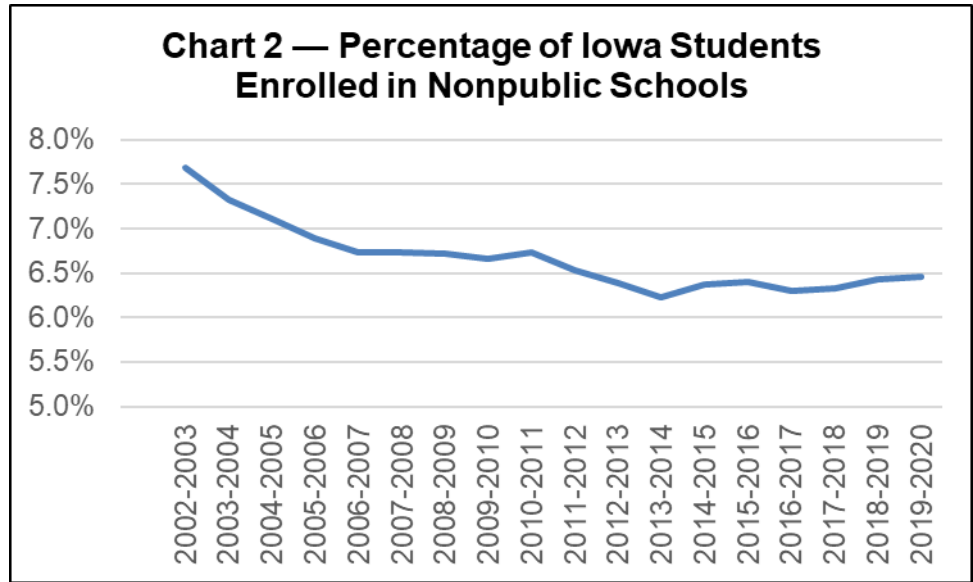
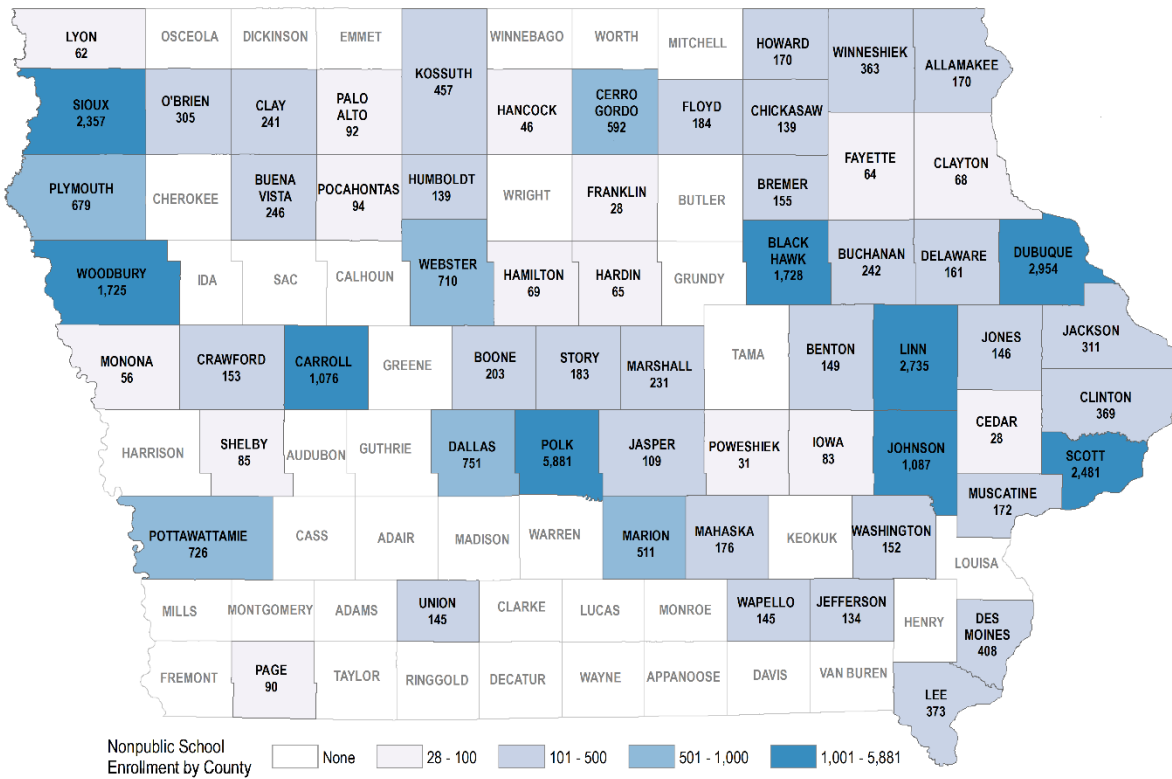
Even with the growth of public education, nonpublic schools continue to have a presence within the education system in the State of Iowa. During the 2018-2019 academic year, there were 1,271 K-12 public schools, with 483,591 students, and 180 K-12 nonpublic schools, with 33,485 students, not including home-schooled students. The attendance figures for the 2018-2019 academic year were taken from the Iowa Department of Education's enrollment reporting and include those students enrolled in a public school district or nonpublic school attendance center. Student counts for supplementary weighting for sharing, including nonpublic shared time and home school assistance, are collected separately and are not part of these enrollment numbers. In addition, students attending State schools, including the Iowa School for the Deaf and the State Training School at Eldora, are not included in the enrollment figures. **Chart 1** shows the recent nonpublic school enrollment history in Iowa and the estimated enrollment for the 2019-2020 school year.



From the 2002-2003 school year through the estimated 2019-2020 school year, there has been a decrease of 5,184 students (13.3%) enrolled in nonpublic schools compared to an increase of 21,610 students (4.6%) enrolled in public schools.

The national average for nonpublic school enrollment for the past 20 years has been steady between 10.2% and 11.7% of total school enrollment. Iowa's percentage of nonpublic school enrollment, 6.5% for the 2019-2020 school year, is below the national average but has remained consistent, following the national pattern. **Map 1** shows the number of students attending nonpublic school by county for the 2018-2019 school year and **Chart 2** shows the percentage of Iowa students enrolled in nonpublic schools.

Map 1 — Nonpublic School Attendance for 2018-2019 School Year



The percentage of nonpublic school enrollment compared to total school enrollment has ranged from 6.2% to 7.7%, with a projected 6.5% enrollment for the 2019-2020 school year.

FUNDING

Nonpublic schools are generally funded by tuition, fundraising, and endowments. According to [Private School Review](#), a website listing private schools in the U.S., for the 2019-2020 school year, the average Iowa nonpublic school tuition was \$3,712 for elementary schools and \$8,769 for high schools. Nationally, the 2019-2020 average nonpublic school tuition was \$9,638 for elementary schools and \$14,522 for high schools.

Additional sources of funding for nonpublic schools have been provided through the school aid formula and State General Fund appropriations. A student attending a nonpublic school is not funded through the school aid formula the same as a public school student; however, some funding is provided. The school aid formula includes State funding to public schools for nonpublic shared time students, home school assistance programs (HSAPs), and funding to area education agencies (AEAs) for services provided to nonpublic schools.

Nonpublic shared time students are students who attend classes in the public school district part time. Nonpublic shared time students are included in the school aid formula based on the portion of the day the student is attending the public school. For FY 2019, \$1.4 million was included in the school aid formula for nonpublic shared time students.

An HSAP is a program that a public school district may offer to resident or open-enrolled homeschooled students. Home school assistance programs vary in the services they offer, but, in general, all HSAPs provide a supervising teacher, selected and assigned by the public school district, for the HSAP-enrolled student. The public school district then receives State funding for each HSAP-enrolled student. For FY 2019, \$9.9 million was included in the school aid formula for HSAPs.

AEAs work as partners providing multiple services to public and nonpublic schools. AEA services include special education services, academic and behavior consultants, occupational and physical therapy support, educational services support including educator professional development, and media services support including Iowa AEA Online and technology support. The school aid formula includes funding to the AEAs per pupil for public and nonpublic students. For FY 2019, amounts included for AEAs in the school aid formula for nonpublic schools were as follows:

- \$53,000 — AEA special education support
- \$1.9 million — AEA media cost for nonpublic schools.
- \$2.1 million — AEA education services for nonpublic schools

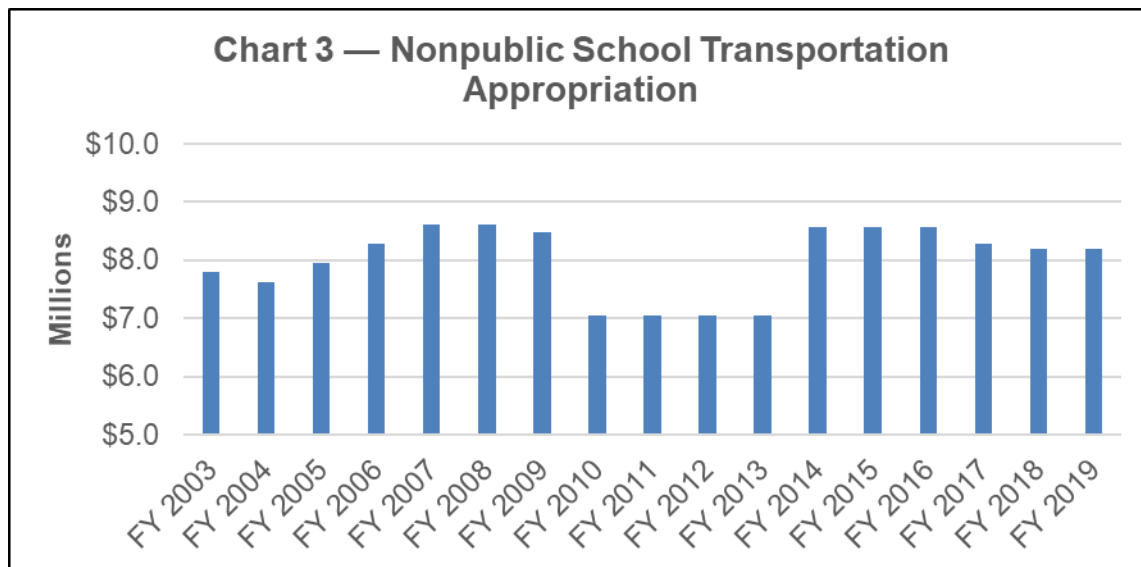
This **Issue Review** will provide additional detail on State General Fund appropriations specific to nonpublic school support.

Nonpublic School Transportation. As mandated by Iowa Code section [285.2](#), resident students attending a nonpublic school are entitled to transportation on the same basis as provided for resident public school students. This requirement can be met in four ways:

- The public school district of the student's residence can provide bus transportation.
- The public school district of the student's residence can contract with a private provider. Payment to the private provider cannot exceed the average per pupil transportation costs of the school district for that year.

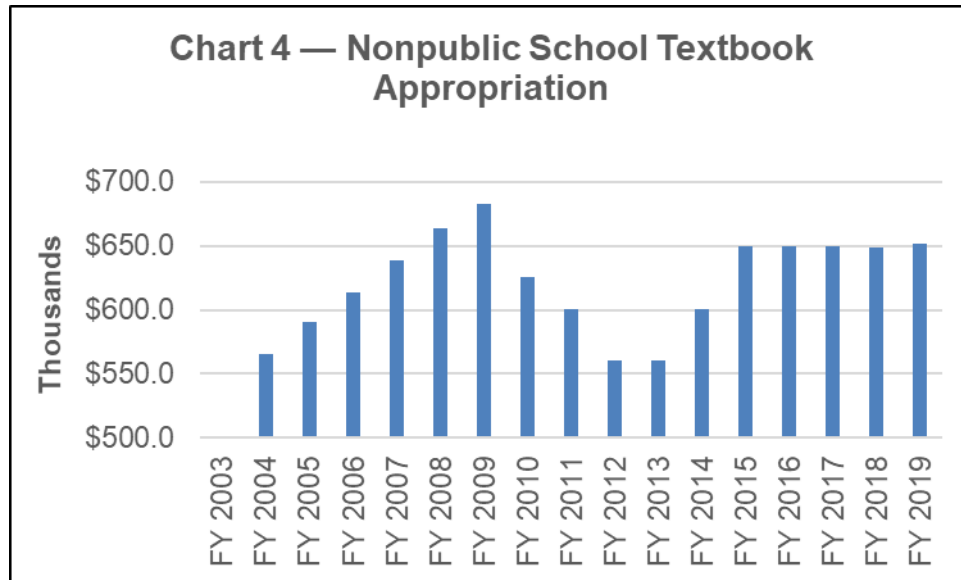
- The public school district of the student's residence can provide transportation reimbursement to the parent or guardian.
- The public school district of the student's residence can contract with a contiguous public school district to transport to a nonpublic school located within that contiguous public school district.

School districts are reimbursed for the costs of providing nonpublic school transportation services based on the standing unlimited General Fund appropriation made to the Department of Education. Since FY 2003, the General Assembly has appropriated less than the amount specified in Iowa Code section [285.2\(1\)\(b\)](#), resulting in claims being prorated. **Chart 3** shows the history of the nonpublic school transportation appropriation. Since FY 2003, the annual General Fund appropriation has ranged between \$7.1 million and \$8.6 million, which has provided a payment reimbursement factor between 68.5% and 92.5%.



A reduction in the FY 2010 appropriation occurred due to efforts to maintain a balanced State General Fund budget. The Governor issued [Executive Order 19](#), requiring a 10.0% across-the-board reduction to all FY 2010 General Fund appropriations.

Nonpublic School Textbooks. Per Iowa Code section [301.1](#), textbooks adopted and purchased by a school district are to be made available to students attending accredited nonpublic schools upon request of the student or student's parent. Public school districts purchase nonsectarian textbooks that are used in accredited nonpublic schools located within the boundaries of the public school district. A General Fund appropriation reimburses public schools for the cost of textbooks provided to students attending accredited nonpublic schools, including special accredited college preparatory schools. **Chart 4** shows the history of the nonpublic school textbook appropriation.



Funding for nonpublic textbooks has ranged from \$566,000 to \$652,000 per year. Comparing FY 2004, when the nonpublic textbook appropriation began, to FY 2019, there was a 15.2% increase in funding. Funding has been consistent at approximately \$650,000 since FY 2015.

State Assessment. The federal [Every Student Succeeds Act](#) (ESSA) requires that states assess students using an assessment that aligns to the states' math, reading, and science standards. In 2018, as a result of [House File 2235](#) (Statewide Student Assessment Act), the assessment created by the University of Iowa's Iowa Testing Programs (ITP) was designated to be used as the statewide assessment. Previously, the cost of the statewide assessment for each school district was paid out of the district's general fund. In FY 2019, the General Assembly established a \$2.7 million appropriation to be distributed by the Department of Education to ITP on behalf of the public school districts to offset the cost of the statewide assessment. Beginning in FY 2020, an additional appropriation of up to \$300,000 to ITP is to be used to offset the costs of administering the statewide assessment at accredited nonpublic schools.

Concurrent Enrollment. During the 2019 Legislative Session, [SF 603](#) (Concurrent Enrollment Functions and Funding Act) expanded the definition of concurrent enrollment to include courses contracted between community colleges and accredited nonpublic schools. A General Fund appropriation was created and directed to the Department of Education to pay the community colleges for the cost of contracted concurrent enrollment with accredited nonpublic schools. As part of [HF 758](#) (Education Appropriations Act), \$1.0 million was appropriated to fund nonpublic concurrent enrollment in FY 2020.

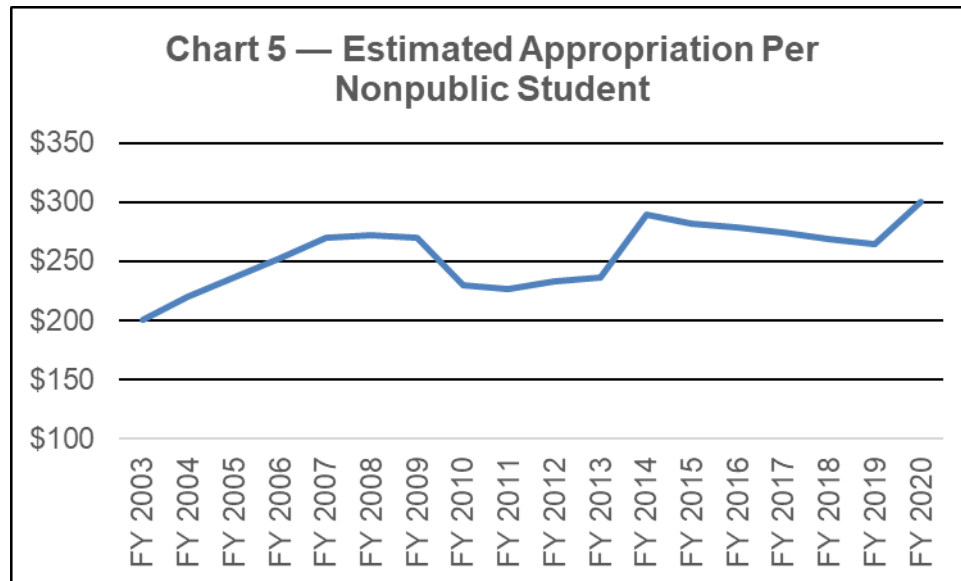
APPROPRIATION HISTORY AND ESTIMATED AMOUNT PER STUDENT

Table 1 totals the total nonpublic school appropriations by year from FY 2003 through FY 2020. The appropriations detailed below do not include State funding through the school aid formula.

<u>Fiscal Year</u>	<u>Nonpublic School Transportation</u>	<u>Nonpublic Textbook Services</u>	<u>Statewide Assessment</u>	<u>Concurrent Enrollment</u>	<u>Total</u>
FY 2003	\$7,799,550				\$7,799,550
FY 2004	\$7,624,060	\$565,855			\$8,189,915
FY 2005	\$7,955,541	\$590,458			\$8,545,999
FY 2006	\$8,273,763	\$614,058			\$8,887,821
FY 2007	\$8,604,714	\$638,620			\$9,243,334
FY 2008	\$8,604,714	\$664,165			\$9,268,879
FY 2009	\$8,475,643	\$682,500			\$9,158,143
FY 2010	\$7,060,931	\$625,634			\$7,686,565
FY 2011	\$7,060,931	\$600,987			\$7,661,918
FY 2012	\$7,060,931	\$560,214			\$7,621,145
FY 2013	\$7,060,931	\$560,214			\$7,621,145
FY 2014	\$8,560,931	\$600,214			\$9,161,145
FY 2015	\$8,560,931	\$650,214			\$9,211,145
FY 2016	\$8,560,931	\$650,214			\$9,211,145
FY 2017	\$8,282,701	\$650,214			\$8,932,915
FY 2018	\$8,197,091	\$648,636			\$8,845,727
FY 2019	\$8,197,091	\$652,000			\$8,849,091
FY 2020	\$8,197,091	\$652,000	\$300,000	\$1,000,000	\$10,149,091

Overall, there has been an increase of \$2.3 million (30.1%) in nonpublic school appropriations from FY 2003 through FY 2020.

Chart 5 shows an estimated amount appropriated per student enrolled in nonpublic schools.



From FY 2003 to FY 2020, the estimated appropriation per nonpublic student has increased from \$200 to \$300, a 50.1% increase per student.

POTENTIAL ADDITIONAL FUNDING AND STATE COMPARISON

Three additional funding streams to support nonpublic school choice include school vouchers, scholarship tax credits, and education savings accounts. All three vary in approach and differ in who receives the benefit. School vouchers provide the benefit directly to the nonpublic schools, while scholarship tax credits and education savings accounts provide the benefit to the individual taxpayer.

School vouchers provide state funding for students to attend nonpublic schools rather than public schools. The states establish minimum standards used by the nonpublic schools to determine the eligibility of voucher recipients. Eligibility requirements may include low-income students, students who would be attending low-performing schools, students with disabilities, or students of military members, or students in foster care. As of 2016, 14 states and the District of Columbia had school voucher programs: Arkansas, Florida, Georgia, Indiana, Louisiana, Maine, Maryland, Mississippi, North Carolina, Ohio, Oklahoma, Utah, Vermont, and Washington.

Iowa is included in the states that offer scholarship tax credits. Within these programs, individuals or corporations reduce their state taxes owed by contributing to private nonprofit scholarship-granting organizations that issue scholarships to K-12 students to allow those students to attend nonpublic schools. The scholarships pay for tuition, fees, and other related expenses. As of 2016, a total of 17 states had scholarship tax credit programs: Alabama, Arizona, Florida, Georgia, Indiana, **Iowa**, Kansas, Louisiana, Montana, Nevada, New Hampshire, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, and Virginia. The Iowa School Tuition Organization (STO) Tax Credit was enacted in 2006 with a tax credit cap of \$2.5 million. The tax credits are issued on a first-come, first-served basis, and once the cap has been reached, no additional tax credits can be issued. Currently, the tax credit cap is \$13.0 million. [House File 779](#) (Tax Code Changes Act) increased the cap to \$15.0 million beginning calendar year 2020.

Education savings accounts are State-funded grants deposited into special savings accounts. Parents can withdraw funds for certain educational expenses including qualifying nonpublic school tuition, private tutoring, private online courses, textbooks, and college savings plans. As of 2016, five states had education savings accounts: Arizona, Florida, Mississippi, Nevada, and Tennessee. The program in Nevada is inactive because of a state Supreme Court decision that ruled the program's source of funding unconstitutional.

RECENT CHANGES

Included in the federal 2017 [Tax Cuts and Jobs Act](#) (TCJA) was a change to allow distributions from 529 plans to be used to pay up to \$10,000 in qualifying expenses at an elementary or secondary public, nonpublic, or religious school. Before this change, distributions were only untaxed if made for eligible college expenses. The use of 529 plan distributions for K-12 tuition is also considered a tax-free distribution in the State of Iowa.

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