Accountability Exists in the ESA Program

The Iowa Education Savings Account (ESA) program, established under the Students First Act, includes several safeguards and accountability measures to prevent improper expenditures by recipients and schools. These measures ensure that funds are used appropriately for approved educational purposes while maintaining oversight and transparency. Below are the key safeguards and accountability mechanisms in place:

Administration by a Third-Party Entity:
The Iowa Department of Education has contracted with Odyssey, a third-party administrator, to manage the ESA program. Odyssey handles applications, financial transactions, compliance, and fraud prevention. This external oversight helps ensure that funds are securely administered and that payments are processed only for verified, eligible expenses.

Restricted Use of Funds:
ESA funds must first be used to pay tuition and fees at an accredited nonpublic school before any remaining balance can be applied to other qualified educational expenses, such as textbooks, tutoring, or educational therapies. This prioritization ensures that the primary purpose—supporting enrollment in accredited schools—is met before discretionary spending is allowed.

Approval and Verification Process:
Parents or guardians must apply annually for an ESA, and applications are subject to verification processes. For example, residency and income (where applicable) are checked, often through automated systems like Iowa state tax return data. Once approved, families must designate the accredited nonpublic school their child will attend, and the school invoices the ESA account directly. Payments are only released after parental approval, keeping funds under state control until a legitimate expense is confirmed.

Enrollment and Payment Deadlines:
To retain ESA funds, students must be enrolled in an accredited nonpublic school, and tuition and fees must be paid through the ESA portal by specific deadlines (e.g., September 30 for fall funds and February 1 for spring funds in the 2025-26 school year). If these conditions aren't met, the student becomes ineligible, and the account is closed, with any remaining funds returned to the state's general fund. This ensures funds are tied to active participation in an accredited educational setting.

Fraud Detection and Penalties:
The program includes provisions to address fraudulent use of funds. If funds are improperly obtained or spent, the Department of Education or Odyssey can recover those amounts from the parent or guardian, including through legal action if necessary. Parents or guardians found to have committed fraud are barred from future participation in the program, serving as a deterrent against misuse.

Closure of Unused Accounts:
When a student graduates high school or turns 20 (whichever comes first), any remaining funds in their ESA account are transferred back to the state's general fund. This prevents indefinite retention

of unused public money and ensures it is redirected to other state priorities.

Accreditation Requirement for Schools:
Only accredited nonpublic schools can participate in the ESA program. This requirement ensures that schools meet certain educational standards, providing a baseline of accountability for the institutions receiving ESA funds. Home-based education and unaccredited programs are explicitly excluded from eligibility.

Annual Application Requirement:
Families must reapply each year to continue participating, which allows the state to reassess eligibility and monitor ongoing compliance. This recurring process helps prevent long-term misuse by requiring regular updates and verification.

<u>What are the qualified educational expenses?</u>

Tuition and Fees at an Accredited Nonpublic School:
This is the mandatory first use of ESA funds. It includes costs associated with enrolling a student in an accredited private school in Iowa, such as tuition, registration fees, or other mandatory school fees.

Textbooks:
Funds can cover the cost of textbooks required for coursework or related to the student's education, whether purchased new, used, or rented.

Tutoring Services:
Payments for one-on-one or small-group tutoring are allowed, provided the tutor is a licensed educator or a professional qualified to offer academic support.

Educational Software or Online Learning Programs:
Expenses for software, apps, or online courses that supplement the student's education, such as math or language learning platforms, are permitted.

Curriculum Materials:
Costs for curricula or instructional materials directly tied to the student's educational needs, such as workbooks or lesson plans, qualify.

Fees for Standardized Tests:
This includes fees for national or state-recognized assessments (e.g., ACT, SAT, Iowa Assessments) that measure academic progress or are required for college admission.

Educational Therapies:
Services like speech therapy, occupational therapy, or other specialized interventions are covered if provided by a licensed practitioner and deemed necessary for the student's educational progress.

Transportation Services:
Limited to transportation provided by a school or a contracted service to get the student to and from the accredited nonpublic school. This does not include personal vehicle expenses or

reimbursements for parental driving.

Fees for Extracurricular Activities:
Costs for school-sponsored extracurricular programs (e.g., sports, music, or clubs) may qualify if they are offered through the accredited nonpublic school and tied to the student's enrollment.

Other Approved Expenses:
The Iowa Department of Education may specify additional allowable expenses through administrative rules, but these must align with the program's educational focus. For example, certain supplies or equipment directly tied to coursework (like lab materials) might be included.

Key Restrictions:
Funds cannot be used for general living expenses, entertainment, or non-educational items (e.g., toys, electronics not tied to coursework).

Expenses must be verified and approved through the ESA portal managed by Odyssey, the third-party administrator, ensuring that only legitimate educational costs are reimbursed or paid.

Home-schooling expenses or costs associated with unaccredited programs are explicitly excluded, as the program is tied to enrollment in accredited nonpublic schools.

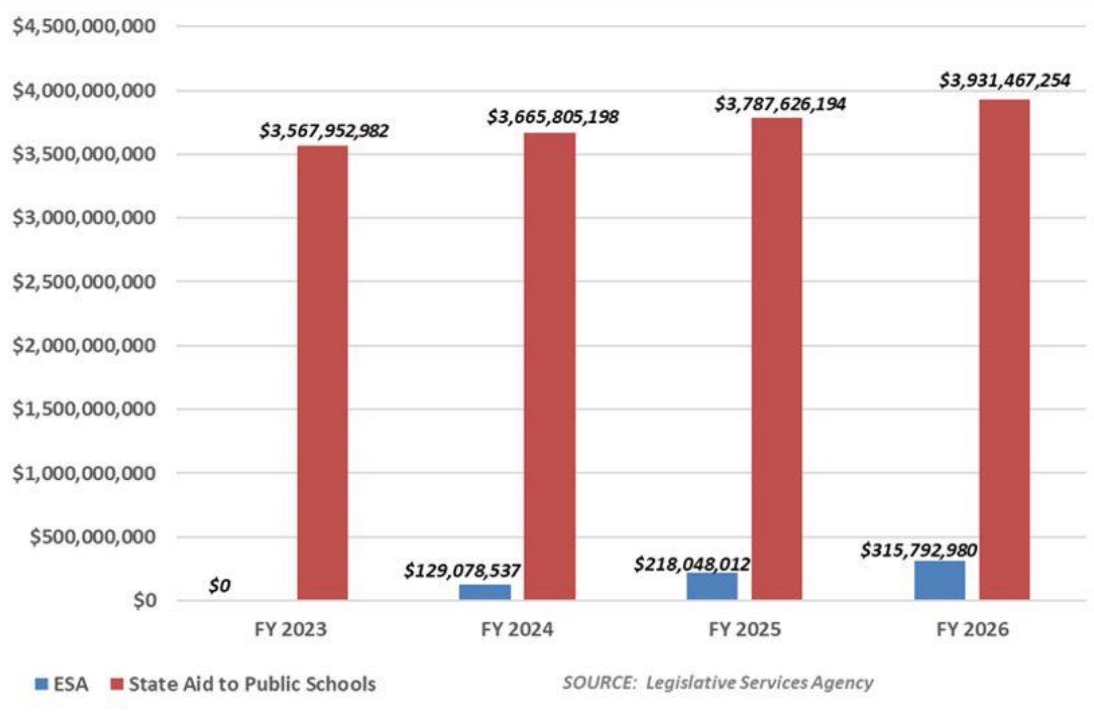
Parents access these funds via a digital wallet in the Odyssey platform, where they submit and approve expenses, adding a layer of oversight to prevent misuse.

Is the ESA program audited?
The Iowa Department of Education, which oversees the ESA program, is responsible for ensuring compliance with the Students First Act. As a state agency managing public funds, it is subject to audits by the Iowa State Auditor's Office. The State Auditor has the authority to examine state programs, including the ESA, to verify that funds are being spent appropriately and in accordance with Iowa law.

Odyssey handles day-to-day operations, including processing payments, verifying expenses, and monitoring for fraud. As part of its contract, Odyssey is required to maintain auditable records of all transactions and compliance activities. The Department of Education has the authority to audit Odyssey's performance to ensure it adheres to state guidelines, such as approving only qualified educational expenses and safeguarding against improper expenditures.

These measures balance flexibility for families with oversight to protect public funds. The use of a third-party administrator, strict eligibility and expenditure rules, and mechanisms for recovery and penalties create a framework intended to minimize improper use by both recipients and schools.

Does the state spend more on ESA's than on public K-12 schools?



This article was published in an Iowa House Republicans newsletter.