

February 3, 2023

To: All Potential Respondents

From: Karl Wendt, Procurement Manager

Subject: 005-RFP-0317-2023 - Education Savings Account Administration

Addendum One

Please amend the subject RFP to include answers to the following timely received questions:

1. Regarding 1.5 Objectives, page 3 - Does the state agency intend to act as program administrator for the ESA with the chosen vendor primarily managing the technical platforms and customer service, or is the state agency searching for a vendor that can also manage the full administration duties of the ESA program?
Answer: We are interested in what a full turnkey operation would look like as well as what other options are available.
2. Regarding HF 68, Section 7-3-b; page 4 - HF 68 states that funds should first be used for tuition and fees before other education expenses.
 - Will tuition be funded to the school monthly upon verification of student enrollment, or all at once upon approval?
Answer: We are interested in knowing more details about how each of these options would work within the Respondent's program.
 - Will the state agency have a role in setting quality metrics for tutoring and other service providers?
Answer: Iowa's Department of Education will create rules and provide guidance regarding quality metrics for tutoring and other service providers.
Are certain certification or licensing requirements expected for education service providers?
Answer: Only Iowa accredited nonpublic schools will be eligible to receive tuition payments. Other education service providers, such as tutors, will require approval by Iowa's Department of Education.
 - Will the state agency approve purchases of service or products at a line item level?
Answer: The preference is that the awarded Respondent would provide this service with consultation and guidance from the State agency.
3. Regarding 4.3.3 System Requirements; page 18 - Will any state agency be responsible for providing data for or verifying family income, or other, eligibility?
Answer: We are committed to the security of Iowan's personal information. When possible, if secure, we are open to expediting the process through the sharing of data. Appropriate consent may need to be built into any application process to authorize access to existing state agency data for the purposes of income validation or other eligibility determinations.

4. Regarding 1.5 Objectives; page 3 - Will families be issued debit cards/accounts for the purposes of making service and product purchases, or will approved providers invoice the chosen vendor for payment after services are rendered?
Answer: We will not be using debit cards in our Students First program. Our preference would be an online marketplace but we are also open to payments via reimbursements
5. Regarding 4.2.7 Service Requirements; page 17 - The RFP states that the approved amount must be deposited into the students account within 30 days of the application submission.
– Will state agency program administrators play a role in application approvals as they are submitted?
Answer: State agency program administrators may play a role but we are interested in understanding all options.
– And will the state agency pre-pay the chosen vendor, or will the vendor need to submit invoices for reimbursement upon funding student accounts?
Answer: ESAs will be pre-paid to the 3rd party vendor.
6. Regarding Exhibit 14 Customer Service; page 14 - Is it the state agency's intention to leverage the chosen vendor's customer service structures for both programmatic and technical (platform & digital wallet) support questions, or only technical?
Answer: We are most interested in a full turnkey solution. If a Respondent has options for various levels of service offerings, we are interested to hear about all of them.
7. Regarding Exhibit 17 Optional Services; page 14 - What appetite, on a scale from 1-10, does the state have for additional services to support the ESA's success such as grassroots awareness campaigns and paid marketing services to increase parent engagement and adoption?
Answer: At this time these are not services we are interested in pursuing.
8. Regarding Section 1.4 - Is the third-party contractor required to be a subgrantee? As outlined in the State of Iowa HF68, the Iowa Department of Education shall contract with a third-party contractor to implement and administer an Educational Savings Account (ESA) program. This school choice initiative is intended to provide funds for payment of qualified educational expenses incurred by the parent or guardian of an eligible pupil for expenses relating to attending accredited nonpublic schools.
Answer: The selected Respondent is not considered a subgrantee, but rather an administrator of the program.
9. Regarding 1.5 bullet 3 - Please confirm it is the State's intent that the Responsible Respondent will cooperate fully with the State's law enforcement or other statutory authorities including providing data, suspending recipient account(s) upon notification by the State of improper or unlawful activity, and returning any remaining funds to the State, but the Responsible Respondent shall not act in any law enforcement capacity.
Answer: It is the State's intent that the Respondent will fully cooperate with law enforcement or other statutory authorities including providing data, suspending recipient account(s) for unlawful activity and returning any remaining funds to the State. The Respondent will not act in any law enforcement capacity.
10. Regarding 3.3.1.2 - Can you please clarify what is meant by 'cash' in this requirement?
Answer: 3.3.1.2 is modified to be labeled as "Other Discounts" and text is replaced with "The State may consider any other offered discounts when scoring Cost Proposals."

11. Regarding 4.1.1 - Respondent must have ability to administer funds for all Qualified Educational Expenses. - Can you please confirm that the State, not the Responsible Respondent, will make programmatic determinations/approvals for purchases as Qualified Educational Expenses?
Answer: The State will establish what constitutes a Qualified Educational Expense.
12. Regarding 4.2.2 - As the State and the Responsible Respondent will need to work through and establish rules, procedures and schedules up to and including the approval of and funding of family accounts, is this requirement understood to mean having a fully operational application, less ongoing configuration that will be a part of the implementation planning between 30-60 days prior to the 6/30/23 deadline?
Answer: Yes.
13. Regarding 4.2.6 Upon determination of a false claim - Can you please confirm that the State will make determination of any claims(s) being false or improper and that Responsible Respondent would then, at the State's direction, transfer any existing funds in recipient's digital wallet back to the State and cooperate fully in providing relevant documentation to the State's Attorney General or other statutory enforcement authority.
Answer: While the State would make the final determination of a false or improper claim, we expect that a Respondent will provide system safeguards, that have proven to be effective, not only to prevent such instances from occurring but to identify any false claims that may occur.
14. Regarding Exhibit 14 - Can you please provide the state's parameters for what is considered Personal Identifiable Information?
Answer: PII is: Any representation of information that permits the identity of an individual to whom the information applies to be reasonably inferred by either direct or indirect means. Further, PII is defined as information: (i) that directly identifies an individual (e.g., name, address, social security number or other identifying number or code, telephone number, email address, etc.) or (ii) by which an entity could use to identify specific individuals in conjunction with other data elements, i.e., indirect identification. (These data elements may include a combination of gender, race, birth date, geographic indicator, and other descriptors). Additionally, information permitting the physical or online contacting of a specific individual is the same as personally identifiable information. This information can be maintained in either paper, electronic or other media.
15. Has the dollar amount of funds available for distribution in year one of the program been finalized, and if so, what is the budget amount?
Answer: The dollar amount will be the total of the approved per pupil State Supplemental Aid (SSA) times the number of eligible students who choose to participate in the ESA program.
16. Will the program be funded annually and if so, has that annual amount been determined?
Answer: The annual funding of the ESA program will be the total of the annually approved per pupil State Supplemental Aid (SSA) times the number of eligible students who choose to participate in the ESA program
17. Will the State at any time request that internal State agencies participate in or perform the initial applicant qualification review?
Answer: At this time we are open to receiving proposals for 100% turnkey operations as well as hybrid options that utilize State agency strengths.

18. Will the Department of Education determine which vendors are allowed to receive ESAs? Or will the Respondent be expected to discern who is qualified or not? More specifically:

a. **Tuition and fees.** Private (nonpublic) schools must be accredited for a student enrollee to be eligible for an ESA, and Iowa's list of approved accrediting agencies is quite short in comparison to, for example, the Department of Homeland Security's list of accreditors for the Student and Exchange Visitor Program (SEVP). Will the Responsible Respondent be charged with verifying the accreditation status of nonpublic schools wishing to participate in the program, or will DE provide that information. May other accreditors appeal to be added to the list? If so, to which entity and what criteria will that entity use to decide which accrediting agencies are eligible?

Answer: The only schools allowed to receive ESAs are those who have been accredited through one of the accreditors approved by Iowa's State Board of Education. DE will provide the list of accredited schools to the awarded Respondent.

b. **Textbooks.** Does the state have any lists of approved textbooks for this program, and are there any prohibitions against any specific textbooks or publishers? In general, are there any books that do not constitute a textbook?

Answer: Qualifying materials will be determined by Iowa's Department of Education.

c. **Tutoring or Cognitive Skills Training.** Generally, is there anyone who might self-identify as a tutor or a cognitive skills trainer that would not be eligible to receive a payment through a family's education savings account? Will the state provide a list of eligible tutors and cognitive skills trainers, set criteria for the Respondent to use to determine who is eligible, empower the nonpublic school where the student is enrolled to or will it need the Respondent to develop a workflow so that DE officials have sufficient information to make this determination?

Answer: The state may set criteria as guidance to enable the Respondent to identify eligible tutors, however, the state is also interested in how a Respondent developed workflow to provide sufficient information for state officials to make tutor eligibility determinations could work.

Another option, of course, is that nonpublic schools where students are enrolled would pay tutors, as well as the other additional education-related expenses. If this is the route DE is envisioning, do you want the Responsible Respondents to outline how its platform could be used by schools to make these expenditures on behalf of students?

Answer: We are interested in seeing all options available.

d. **Fees for curriculum, software, and other course of study materials.** Are any curriculum, educational software, and other course of study materials prohibited from receiving payment through an ESA?

Answer: The Department of Education will release guidance around curriculum, educational software, and other course of study materials prohibited from receiving payment.

Does DE want to approve individual expenditures in this area, defer to the nonpublic school where the student is enrolled, or want the Responsible Respondent to make these determinations?

Answer: Respondent is expected to make these determinations based on guidance and criteria defined by state officials.

e. **Tuition and fees for nonpublic online educational programs.** Do these schools need to be accredited? If so, will they need to follow the same accreditation policies as above in 1.a.? Or will

students need to first be enrolled in a brick-and-mortar nonpublic school before they can use an ESA for online programs?

Answer: ESAs can only be used for a nonpublic school that has been accredited through one of the three approved accreditation pathways as defined by the Iowa State Board of Education.

f. Tuition for vocational and life skills programs. Do these programs need to be accredited, and if so, by whom? Or, do students enrolled in these programs also need to be enrolled in another accredited nonpublic school before they can receive an ESA?

Answer: Students enrolled in these programs also need to be enrolled in another accredited nonpublic school before they can receive an ESA

g. Materials and services for Students with Disabilities. Will DE provide a list of the accredited providers of SWD services, including paraprofessional and assistants who are eligible to receive ESA payments?

Answer: State officials will provide guidance and criteria to determine eligible providers.

h. Standardized and AP test fees? Are there any standardized or AP test fees that are not eligible for payments from the ESA?

Answer: State officials will provide guidance and criteria to determine eligible fees.

Exams related to postsecondary admissions. Are there any postsecondary admission exam fees that are not eligible for payments from the ESA?

Answer: State officials will provide guidance and criteria to determine eligible fees.

j. Exams related to postsecondary credentialing. Are there any postsecondary credentialing fees that are not eligible for payments from the ESA? For example, do the credentials need to abide by WIOA?

Answer: State officials will provide guidance and criteria to determine eligible fees.

19. Does DE think it would be beneficial if the Responsible Respondent included most or all of these items in the ESA's integrated ecommerce marketplace, or would that not be considered added value in a proposal?

Answer: We are interested in seeing what options are available for having all materials and services available in an online marketplace but that is not mandatory.

20. Once a nonpublic school or other education-related vendor is approved for ESA expenditures, will DE want to approve specific transactions, or is it expecting the Responsible Respondent to do so? If the latter, does DE plan to provide clear rubrics for deciding whether specific criteria meet the program's requirements.

Answer: The awarded Respondent will be expected to approve specific transactions based upon the qualifications and guidance provided by Iowa's Department of Education.

21. The law seems to require that the nonpublic school where the student is enrolled receives its full tuition and fee payments before the family can expend ESA funds on other types of expenditures. Will the nonpublic school be required to notify the Responsible Respondent when a student is in good standing and eligible to spend on nontuition items, or will DE play this role? Alternatively, is DE expecting the Responsible Respondent to verify if a student is in good standing before pre-approving nontuition expenditures?

Answer: We want to see all options presented. If the Respondent can verify enrollment, and thereby verify eligibility to spend ESA dollars on nontuition items, then we would like to see that in the Respondent's proposal.

22. Is DE expecting payments for tuition and fees to be made upfront for the year, or the semester? Is so, will the DE be charged with recovering funds from the nonpublic school if the student disenrolls from the private school and re-enrolls in either another private school or a public school? Will recovery be on a pro rata basis according to the time a student was enrolled, or some other criteria?

Answer: Specific rules and criteria for administration of the program are being developed, however, Respondents should be prepared to describe their capabilities to identify instances and enable recovery of funds when circumstances dictate.

23. If a school's tuition and fees exceed the ESA amount, will the ESA payment platform need functionality where families are able to "top up" payments from personal bank accounts, debit cards, and credit cards? Will the Responsible Respondent receive extra points for providing this functionality?

Answer: We are interested in seeing this optional functionality presented in Respondent's proposal.

24. To be eligible in the school years beginning July 1 2023 and 2024, a student must not have been enrolled in a private (nonpublic) school the prior year. Does this rule apply if the student enrolled in a private school for a single day? For a few weeks? Anything less than full attendance? Do you have a database of students who were not enrolled in private schools that the application vendor could use to verify either that students were or were not enrolled in nonpublic schools the prior year?

Answer: State officials will provide guidance and criteria to determine eligibility based on prior year enrollment. However, the Respondent should be prepared to utilize multiple methods to validate prior year enrollment including documentation submitted by the applicant.

25. The law is worded in a manner that allows home schoolers to be eligible for an ESA. (Students are only disqualified if they attended a nonpublic school the prior year – see HF68 Section 7 257.11B 2.a.1.b and 2.a.12.c., "was not enrolled in a nonpublic school," which typically includes both public-school and home-school students). Will it suffice to have home schooling parents sign affidavits verifying their status as neither public-school nor private-school students? If not, will DE, local districts, or other state agencies help Responsible Respondents verify home school status? Could the state, for example, provide a list of every student who was enrolled in public and nonpublic schools the prior year?

Answer: State officials will provide guidance and criteria to determine eligibility based on prior year enrollment, however, the Respondent should be prepared to utilize multiple methods to validate prior year enrollment including documentation submitted by the applicant.

26. Residency and Income Verification. Will the Respondent be able to verify residency status and income through any existing databases? If that process only covers a fraction of eligible families (because, for example, many lowans do not file state taxes), will Respondents be required to develop customized processes to perform such verifications? Can you provide some estimate of how many families will require customized review?

Answer: We are committed to the security of Iowa's personal information. When possible, if secure, we are open to expediting the process through the sharing of data. Appropriate consent may need to be built into any application process to authorize access to existing state agency data for the purposes of income and residency validation or other eligibility determinations. Respondents should be prepared to propose possible customized processes to perform such verifications. There is no estimate available of how many families will require customized review, if any.

27. Can we assume that DE has a record of all students who have graduated high school and are less than 20 years of age, and thus are not eligible to receive an ESA? If not, does DE at least have a record of students who have graduated from traditional public schools who fall into this category. Should the Responsible Respondent include verifying that all or some portion of students age 16 to 19 has not graduated from high school in its response to the proposal? What do you estimate is that portion?

Answer: The Respondent should be prepared to develop methodologies to verify eligibility of applicants and to prevent fraud.

28. Because "each Respondent is responsible for determining all factors that are necessary for a *comprehensive* proposal" (emphasis added), must a payment platform vendor co-apply with an application vendor, or can each apply separately for the services where it has expertise, or should Responsible Respondents do both?

Answer: Respondents have the freedom to co-apply with multiple vendors if they alone cannot provide a complete and comprehensive service for managing the ESA process.

29. With software applications, some respondents will make "promises to build," while others already have the software built and others may need to modify existing code to meet Iowa's requirements. Will these three scenarios be judged as equivalent, or will promises to build or modify be deemed to have lower value?

Answer: Respondents with proposals that can fully implement the ESA program within the required timeline will be scored the highest.

30. You have not addressed how the ESA program will be advertised and marketed to eligible families. Will DE be directly responsible for these components, or will you be issuing a separate RFP for such purposes? If you are expecting the Responsible Respondent to provide these services, please say so.

Answer: At this time, advertising of ESAs by a Respondent is not considered a required service.

31. In Exhibit 15, you specifically ask for Responsible Respondents to address training of DE, nonpublic schools, and families. What about vendors? Should we address how nonpublic schools and other education-related vendors are trained when being incorporated into an integrated ecommerce marketplace?

Answer: Please include all parties who, in Respondent's experience, would benefit from Respondent's training.

32. Respondents must have procedures in place to prevent waste, fraud and abuse. To clarify, a. Do you need an explanation of how we prevent fraud solely by families, or do you expect respondents to also address fraud prevention by nonpublic schools, other education-related vendors, and government officials, which would typically fall within the State's purview?

Answer: We expect answers to address all forms of potential fraud that may be perpetrated on a system that manages ESAs.

33. Typically, when ESA accounts roll-over funds to the following year, accounts are zeroed out at the end of the fiscal year (June 30th), and then they are replenished the following year when eligibility is re-established (because they, for example, continue to be a resident, enroll in an accredited nonpublic school, and do not exceed 20 years of age). Is this indeed what DE is envisioning? The language makes it seem like the money has to stay in the account, possibly allowing families to make improper payments (and possibly forcing the Responsible Respondent to recover them).

Answer: No, because ESA recipients are allowed to use the funding until they graduate high school or turn 20. We are intending for money to be expended via a closed-circuit marketplace or on a reimbursement basis to prevent improper payments.

34. There seems to be some confusion about whether the State (including the AG) or the Responsible Respondent is charged with recovering improper payments. Please clarify. Are there situations where the Responsible Respondent will be asked to recover ESA funds, and what would those be?

Answer: Respondent will be expected to cooperate fully and provide all requested and available information to enable the Attorney General to recover ESA funds when necessary.

35. In your description of the application requirements, you expect Responsible Respondents to create a category called "Does Not File." (See 4.3.3.7) What does this mean? Are you planning to have your Department of Revenue verify family revenue based on their Iowa tax filings? Are we expected to cover the costs of DoR's process in our proposal? Will respondents only be expected to verify those families who "Do Not File" through alternative methods? Do you have an estimate of how many families will fall into this category?

Answer: "Does Not File" refers to applicant's tax return status. We are interested in learning more about best practices in this area. All applicants who must meet the FPL requirements must be verified. If they do not file taxes an alternative verification process must be used. Respondents should address their ability to provide reliable verification or explain why best practice would verify outside of the third party vendor chosen. Of note: income verification is only relevant to the first two years of the contract and only to those applicants most recently or currently enrolled at an existing accredited non-public school.

36. Will "decline" emails offer an appeal process for rejected families? Will the Responsible Respondent be expected to handle those appeals, or will DE? Is there a timeline for appeals?

Answer: Appeals will be handled by Iowa's Department of Education. The timeline will be established through rules.

37. Your requirements indicate you want "quarterly" transaction reports. When a platform provides real-time reports of transactions at any point, and those can be converted easily into the required MS Excel format, will the Responsible Respondent also be required to provide separate quarterly reports? Will real-time reporting be given extra points in the RFP evaluation?

Answer: Quarterly reports are the minimum. RRs should identify what standardized reports are available as well as what data is available for download. All reporting models within the minimum requirement will be considered, however, the more robust the reporting capabilities of the Respondent to enable State officials to maintain oversight and awareness of program status, the higher the applicant will score under this criteria.

38. In section 4.3.2, bidders are required to offer the capability of debit card payments. Does this require the vendor to offer a pre-approved debit card to participants or require the processing of general debit card payments for qualified education expenses?
Answer: Debit card transactions are not the preferred payment method. However, Respondents should demonstrate the diversity of potential payment methods capabilities in their proposal.
39. How will the contract award amount be determined over the initial three-year term? Is it restricted to a percentage of the total funds of awarded Education Savings Accounts?
Answer: Respondents should propose the terms and conditions they believe will be the most mutually beneficial for all parties. There are no defined restrictions.
40. If a Respondent lacks a SOC 1 evaluation, would that disqualify such a Respondent from this RFP?
Answer: Lacking a SOC 1 evaluation does not disqualify a Respondent but may affect scoring.
41. What controls are you looking for to be in scope for the SOC 1 report?
Answer: The RFP in Section 4.3.1.1 requires Respondents to show that the Respondent has appropriate controls in place to meet state security requirements. One option mentioned to meet this obligation is for a Respondent to show compliance with both SOC 1 and SOC 2, which means that a Respondent has in place controls that have been appropriately tested to address the AICPA trust service principles: privacy, security, confidentiality, processing integrity, and availability.
42. How many applications do you anticipate receiving?
Answer: Year 1 anticipated applicants: 14,068. Year 2 anticipated applicants: 20,063. Year 3 anticipated applicants: 40,052.
43. How many internal user seats would be needed?
Answer: That is yet to be determined. Please show cost per seat in your response.
44. What is the amount of funding that is anticipated to be deployed through this program?
Answer: In year three and beyond, we anticipate approximately \$340 million to be deployed annually through Iowa's Students First ESA program.

Please acknowledge receipt of this addendum by signing in the space provided below, and return this letter with your offer (do not send back separately).

I hereby acknowledge receipt of this addendum.

Signature

Date

Typed or Printed Name