

**EDUCATION DEPARTMENT[281]**

**Adopted and Filed**

**Rule making related to financial management of categorical funding**

The State Board of Education hereby amends Chapter 98, “Financial Management of Categorical Funding,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is adopted under the authority provided in Iowa Code section 256.7(5).

*State or Federal Law Implemented*

This rule making implements, in whole or in part, Iowa Code chapters 283A, 298A, 423E and 423F and 2019 Iowa Acts, chapter 166 [House File 546].

*Purpose and Summary*

Chapter 98 outlines the financial management of categorical funding.

Item 1 is a nonsubstantive reference cleanup.

Item 2 reflects legislative changes brought about during the 2019 Legislative Session, which include additional stipulations for use of tax revenues generated through the statewide sales and services tax for school infrastructure (secure an advanced vision for education fund). These amendments also remove references to the former local option sales and services tax.

Item 3 clarifies that operating transfers from the school nutrition fund are allowed to claim indirect costs.

*Public Comment and Changes to Rule Making*

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on October 9, 2019, as **ARC 4687C**. A public hearing was held on October 29, 2019, at 3 p.m. in the State Board Room, Second Floor, Grimes State Office Building, Des Moines, Iowa. No one attended the public hearing. No public comments were received. References to 2019 Iowa Acts, chapter 166, have been removed since the amendments in that chapter have been codified in the 2020 Iowa Code. No other changes from the Notice have been made.

*Adoption of Rule Making*

This rule making was adopted by the State Board on November 20, 2019.

*Fiscal Impact*

This rule making has no fiscal impact to the State of Iowa.

*Jobs Impact*

After analysis and review of this rule making, no impact on jobs has been found.

*Waivers*

An agencywide waiver provision is provided in 281—Chapter 4.

*Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or

group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

*Effective Date*

This rule making will become effective on January 22, 2020.

The following rule-making actions are adopted:

ITEM 1. Amend rule 281—98.21(257), introductory paragraph, as follows:

**281—98.21(257) At-risk program, alternative program or alternative school, and potential or returning dropout prevention program—modified supplemental amount.** A modified supplemental amount is available through a school district-initiated request to the school budget review committee pursuant to Iowa Code sections 257.38, ~~257.39, 257.40, and~~ through 257.41. This amount must account for no more than 75 percent of the school district's total at-risk program, alternative program or alternative school, and potential or returning dropout budget. The school district must also provide a local match from the school district's regular program district cost, and the local match portion must be a minimum of 25 percent of the total program budget. In addition, school districts may receive donations and grants, and the school district may contribute more local school district resources toward the program. The 75 percent portion, local match, previous year carryforward, amounts designated from the flexibility account as described in rule 281—98.27(257,298A), and all donations and grants shall be accounted for as categorical funding.

ITEM 2. Amend rule 281—98.69(76,273,298,298A,423E,423F) as follows:

**281—98.69(76,273,298,298A,423E,423F) Capital projects fund.** Capital projects funds are used to account for financial resources to acquire or construct major capital facilities and to account for revenues from the ~~previous local option sales and services tax for school infrastructure and the current~~ state sales and services tax for school infrastructure. Boards of directors of school districts are authorized to establish more than one capital projects fund as necessary.

**98.69(1)** No change.

**98.69(2)** *Appropriate uses of the capital projects fund.*

*a.* Appropriate expenditures in a capital projects fund, excluding state/local option sales and services tax for school infrastructure fund, include the following:

(1) Purchasing, constructing, furnishing, equipping, reconstructing, repairing, improving, or remodeling a schoolhouse or schoolhouses and additions thereto, gymnasium, stadium, field house, school bus garage, or teachers' or superintendents' home(s). Prior to approving the use of revenues for an athletic facility infrastructure project within the scope of the school district's approved revenue purpose statement, the board of directors shall adopt a resolution setting forth the proposal for the athletic facility infrastructure project and hold an additional public hearing on the issue of construction of the athletic facility as stipulated in Iowa Code section 423F.3(7).

(2) to (4) No change.

(5) School safety and security infrastructure listed in Iowa Code section 423F.3(6).

*b.* Appropriate expenditures in the state/local option sales and services tax for the school infrastructure capital projects fund shall be expended in accordance with a valid revenue purpose statement if a valid revenue purpose statement exists; otherwise, appropriate expenditures include the following in order:

(1) to (7) No change.

(8) School safety and security infrastructure listed in Iowa Code section 423F.3(6).

**98.69(3)** *Inappropriate uses of the capital projects fund.* Inappropriate expenditures in a capital projects fund include any expenditure not expressly authorized in the Iowa Code. Additionally, expenditures from the ~~state/local options~~ state sales and services tax ~~supplemental school infrastructure~~

~~amount~~ for new construction or for payments for bonds issued for new construction in any district that has a certified enrollment of fewer than 250 pupils in the district or a certified enrollment of fewer than 100 pupils in the high school without a certificate of need issued by the department of education. This restriction does not apply to payment of outstanding general obligation bonded indebtedness issued pursuant to Iowa Code section 296.1 before April 1, 2003. This restriction also does not apply to costs to repair school buildings; purchase of equipment, technology or transportation equipment authorized under Iowa Code section 298.3; or for construction necessary to comply with the federal Americans With Disabilities Act. ~~Expenditures from the state/local options sales and services tax revenues have the same restriction as expenditures from the supplemental school infrastructure amount, excluding the restriction on payments for bonds issued for new construction.~~

ITEM 3. Amend paragraph **98.74(3)“b”** as follows:

*b.* Operating transfers to any other fund other than to claim indirect costs.

[Filed 11/20/19, effective 1/22/20]

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EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 12/18/19.