

CHAPTER 298A

SCHOOL DISTRICT FUND STRUCTURE

Referred to in [§256C.4](#), [274.3](#)

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298A.1 Effective date.

[This chapter](#) establishes the fund structure which shall be used by school districts commencing with the school budget year which begins on July 1, 1995.

[94 Acts, ch 1029, §1](#)

298A.2 General fund — flexibility account.

1. All moneys received by a school corporation from taxes and other sources must be accounted for in the general fund, except moneys required by law to be accounted for in another fund.

2. *a.* A flexibility account shall be established in the general fund of each school corporation if the school corporation has authorized the transfer of all or a portion of the unexpended and unobligated funds from any of the following sources following a determination that the statutory requirements for such funds are met:

(1) An approved local program under the statewide preschool program for four-year-old children under [chapter 256C](#).

(2) Professional development funds received under [section 257.10, subsection 10](#).

(3) The home school assistance program under [section 299A.12](#).

(4) Teacher leadership supplement funds received under [section 257.10, subsection 12](#).

b. In addition to the transfers to the flexibility account authorized by law, a school district may transfer to the flexibility account all or a portion of any unexpended and unobligated moneys in any other school district fund or school district general fund account if the program, purpose, or requirements for the expenditure of such moneys have been repealed or are no longer in effect.

c. Moneys deposited in the flexibility account may be used by the school district during a budget year beginning in or after the calendar year in which the moneys were transferred to the flexibility account for any of the following:

(1) Start-up costs for an approved local program under the statewide preschool program for four-year-old children under [chapter 256C](#).

(2) Professional development requirements under [chapter 284](#).

(3) The home school assistance program under [section 299A.12](#).

(4) At-risk pupils programs, alternative programs and alternative school programs, and returning dropout and dropout prevention programs under [section 257.40](#).

(5) Gifted and talented children programs under [section 257.46](#).

(6) For deposit in the unpaid student meals account to be used for purposes of paying student meal debt accrued by individual students in accordance with [section 283A.11, subsection 6](#).

(7) Any school district general fund purpose.

(8) An approved flexible student and school support program under [section 256.11, subsection 8](#).

d. Expenditures from the flexibility account shall be approved by resolution of the board of directors of the school corporation and shall be included in the budget certified

in accordance with [chapter 24](#). Before the board of directors may adopt the resolution approving expenditures from the flexibility account, the board shall hold a public hearing on the proposed resolution. The proposed resolution must state the original source and purpose of the funds, the proposed use of such funds, the amount of the proposed expenditure, and the fiscal year from which the transfer of such funds to the flexibility account occurred. The proposed resolution must also include a certification that the statutory requirements for each original source of the money proposed to be used have been met, have been repealed, or are no longer in effect. The board shall publish notice of the time and the place of the public hearing in the same manner as required in [section 24.9](#). The department of education shall prescribe the form for public hearing notices. A copy of the resolution shall be provided by the board to the department of education and shall be made available by the board for any audit performed under [chapter 11](#).

e. (1) When exercising authority to carry out an agency action, as defined in [section 17A.2](#), or to perform an activity or make a decision specified in [section 17A.2, subsection 11](#), paragraphs “a” through “l”, if applicable, related to the provisions of [this subsection](#), the department of education, the director of the department of education, and the state board of education shall carry out, perform, or make such agency action, activity, or decision in a manner that gives deference to decisions of school districts’ boards of directors, promotes flexibility for school districts, and minimizes intrusions into school district operations and decision making by boards of directors.

(2) (a) In addition to subparagraph (1), the department of education, the director of the department of education, and the state board of education shall not issue guidance related to the provisions of [this subsection](#), that is inconsistent with any statute, rule, or other legal authority or that imposes any legally binding obligations or duties upon any person unless such legally binding obligations or duties are required or reasonably implied by any statute, rule, or other legal authority. Guidance issued in violation of this subparagraph (2) shall not be deemed to be legally binding.

(b) For the purposes of this subparagraph (2), “*guidance*” means a document or statement issued by the department of education, the director of the department of education, or the state board of education that purports to interpret a law, a rule, or other legal authority and is designed to provide advice or direction to a person regarding the implementation of or compliance with the law, the rule, or the other legal authority being interpreted. “*Guidance*” does not include any action, activity, or decision governed by subparagraph (1), a document or statement required by federal law or a court, or a document or statement issued in the course of a contested case proceeding, an administrative proceeding, or a judicial proceeding to which the department, the state board, or the director is a party.

[94 Acts, ch 1029, §2; 2017 Acts, ch 154, §6; 2018 Acts, ch 1127, §3; 2021 Acts, ch 139, §4, 5](#)
Referred to in [§256.11, 256C.4, 257.10, 257.41, 257.46, 283A.11, 284.6, 299A.12](#)

298A.3 District management levy fund.

The district management levy fund is a special revenue fund. A district management levy fund must be established in any school corporation which levies the tax authorized under [section 298.4](#).

[94 Acts, ch 1029, §3](#)

298A.4 Physical plant and equipment levy fund.

The physical plant and equipment levy fund is a capital project fund. A physical plant and equipment levy fund must be established in any school corporation which levies the tax authorized, whether regular or voter-approved, under [section 298.2](#).

[94 Acts, ch 1029, §4; 2013 Acts, ch 88, §30](#)

298A.5 Schoolhouse tax levy fund. Repealed by 2013 Acts, ch 88, §37.

298A.6 Public education and recreation levy fund.

The public education and recreation levy fund is a special revenue fund. A public education and recreation levy fund must be established in any school corporation which levies the tax

authorized under [section 300.2](#) or which receives revenue from a [chapter 28E](#) agreement authorized under [section 300.1](#).

[94 Acts, ch 1029, §6](#)

298A.7 Library levy fund.

The library levy fund is a special revenue fund. A library levy fund must be established in any school corporation which levies the tax authorized under [section 298.7](#).

[94 Acts, ch 1029, §7](#)

298A.8 Student activity fund.

1. The student activity fund is a special revenue fund. A student activity fund must be established in any school corporation receiving money from student-related activities such as admissions, activity fees, student dues, student fundraising events, or other student-related cocurricular or extracurricular activities. Moneys in this fund shall be used to support only the cocurricular or extracurricular program defined in department of education administrative rules.

2. For school budget years beginning on or after July 1, 2016, the board of directors of a school corporation may, by board resolution, transfer from the school corporation's general fund to the student activity fund an amount necessary to purchase or recondition protective and safety equipment required for any extracurricular interscholastic athletic contest or competition that is sponsored or administered by an organization as defined in [section 280.13](#).

[94 Acts, ch 1029, §8; 2017 Acts, ch 153, §16 – 18; 2018 Acts, ch 1112, §13, 16, 17; 2021 Acts, ch 96, §1 – 3; 2023 Acts, ch 64, §46](#)

Referred to in [§298A.15](#)

For proposed amendment to subsection 3 by 2023 Acts, ch 64, §46, see Code editor's note on simple harmonization at the beginning of this Code volume

Subsection 1 amended

Subsection 3 stricken per its own terms on July 1, 2023

298A.9 Capital project funds.

A capital project fund must be established in any school corporation which issues bonds or other authorized indebtedness for capital projects or which initiates a capital project, or which receives grants or other funds for capital projects. Boards are authorized to establish more than one capital project fund as necessary. Any balance remaining in a capital project fund after the capital project is completed may be retained for future capital projects in accordance with the original purpose of the bond issue or voter-approved levy; or may be transferred, by board resolution, to the debt service fund, to the physical plant and equipment levy fund or another capital project fund, or to the fund from which the surplus originated; or transferred to the general fund in accordance with [section 278.1, subsection 1](#), paragraph "e".

[94 Acts, ch 1029, §9; 2013 Acts, ch 88, §31](#)

298A.10 Debt service fund.

A debt service fund must be established in any school corporation which issues bonds or other authorized indebtedness. The debt service fund shall be used to pay interest as it becomes due and the amount necessary to pay the principal when due on bonds or other authorized indebtedness issued by the district, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by this Code. Moneys available to service this debt and received from other sources shall be transferred to the debt service fund and the payment of the debt shall be made from this fund. Funds remaining in the debt service fund after payment of all outstanding debt in accordance with the original purpose of the indebtedness may be transferred by board resolution to the physical plant and equipment levy fund or transferred to the general fund in accordance with [section 278.1, subsection 1](#), paragraph "e".

[94 Acts, ch 1029, §10](#)

298A.11 School nutrition fund.

A school nutrition fund is an enterprise fund. A school nutrition fund must be established in any school corporation receiving moneys from the school meal program authorized under [chapter 283A](#).

[94 Acts, ch 1029, §11](#); [95 Acts, ch 67, §24](#)

Referred to in [§283A.11](#)

298A.12 Child care fund.

1. A child care fund is an enterprise fund. A child care fund must be established in any school corporation receiving moneys from the child care program authorized under [section 279.49](#).

2. If the sum of the fees collected under [section 279.49](#) for participation in a before and after school program and other moneys deposited in the fund as the result of the before and after school program exceeds the amount necessary to operate the before and after school program, the excess amount may, following a public hearing, be transferred by resolution of the board of directors of the school corporation for deposit in the general fund of the school corporation to be used for school district general fund purposes. The board shall publish notice of the time and the place of the public hearing in the same manner as required in [section 24.9](#). The resolution transferring the excess amount shall state the original source and purpose of the funds, the method used to establish fee amounts for the before and after school program under [section 279.49, subsection 4](#), the proposed use of such funds, and the amount of the transfer. The department of education shall prescribe the form for public hearing notices. The board shall provide a copy of the resolution to the department of education and shall make the resolution available for any audit performed under [chapter 11](#). A transfer under [this subsection](#) does not increase a school district's authorized expenditures as defined in [section 257.7](#).

[94 Acts, ch 1029, §12](#); [99 Acts, ch 192, §33](#); [2018 Acts, ch 1112, §14, 16, 17](#)

298A.13 Trust, permanent, or custodial funds.

Trust, permanent, or custodial funds shall be established by any school corporation to account for gifts it receives to be used for a particular purpose or to account for money and property received and administered by the district as trustee or custodian or in the capacity of an agent. Boards may establish trust, permanent, or custodial funds as necessary.

[94 Acts, ch 1029, §13](#); [2013 Acts, ch 88, §32](#); [2020 Acts, ch 1022, §6](#)

298A.14 Other funds.

A school corporation may establish other funds in accordance with generally accepted accounting principles and may certify other taxes to be levied for the funds as provided by state law. The status of each fund must be included in the annual report. The treasurer shall keep a separate account for each fund, and shall not pay an order that fails to state the fund upon which it is drawn and the specific use to which it is to be applied.

[94 Acts, ch 1029, §14](#)

298A.15 Entrepreneurial education funds.

1. *Funds established — purposes.* For the purposes of enhancing student learning by encouraging students to develop and practice entrepreneurial skills at an early age and of fostering a business-ready workforce in this state, a school corporation may establish an entrepreneurial education fund at the request of a student organization or club and upon approval by the school board. An entrepreneurial education fund is a special revenue fund and shall consist only of moneys earned through entrepreneurial activities or returns on investments made for entrepreneurial purposes by the student organization or club, private donations and private contributions, and any interest earned on such moneys, that are deposited in the fund. Moneys in the fund shall be used only for investments made, or activities undertaken, for entrepreneurial purposes in accordance with [this section](#). The student organization or club may designate an entrepreneurial purpose for the use of moneys in the fund in accordance with [this section](#). A school corporation may expend moneys

in the fund for use by the student organization or club in accordance with [this section](#) upon approval of the designated entrepreneurial purpose by the school board. A school organization or club shall deposit any return on an investment made with moneys from the fund in the school corporation's entrepreneurial education fund. The school corporation shall not transfer or contribute to the fund any other moneys that are not moneys earned through entrepreneurial activities or returns on investments made for entrepreneurial purposes by the student organization or club.

2. *Funds transferred.* At the request of a student organization or club and upon approval by the school board, a school corporation shall transfer moneys in a student activity fund established under [section 298A.8](#), for deposit by the student organization or club in an entrepreneurial education fund. However, a school corporation shall not transfer such moneys unless the moneys are attributable through appropriate documentation to the specific student organization or club and unless the student organization or club shows through appropriate documentation that the student organization or club earned the moneys through entrepreneurial activities as defined in [subsection 5](#), paragraph "a".

3. *Conflicts of interest prohibited.* A student organization or club shall not invest moneys from an entrepreneurial education fund for an entrepreneurial purpose in which a member of the student organization or club, an advisor or supervisor of the student organization or club, or an immediate family member of such persons, has a financial interest. [Sections 279.7A and 301.28](#) apply to [this section](#).

4. *Fund closure.* A school corporation shall close an entrepreneurial education fund at the request of the student organization or club for which the school corporation established the fund. All moneys in the fund on the date of closure and any subsequent return on an investment made with moneys from the fund shall be deposited in the school corporation's student activity fund established under [section 298A.8](#).

5. *Definitions.* For purposes of [this section](#):

a. "*Entrepreneurial activities*" means starting, maintaining, or expanding a business venture, including a seasonal business venture, or rendering other labor or services in return for compensation. "*Entrepreneurial activities*" does not include charitable contributions or other donations or gifts received by the student organization or club for which no labor or services are rendered.

b. "*Entrepreneurial purpose*" means establishing or investing in a start-up company, early-stage company, or existing company developing a new product or new technology if the investment is in keeping with the education program of the school corporation; if the student organization or club or its members will, as a stated condition of the investment, take an active role in the company which active role directly relates to and furthers the educational purposes for which the student organization or club is established; and if a reasonable return upon the investment is expected.

c. "*Immediate family member*" means a spouse; natural or adoptive parent, child, or sibling; or stepparent, stepchild, or stepsibling.

[2013 Acts, ch 71, §3 - 5](#)

Referred to in [§11.6](#), [12B.10](#)