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# LEGAL UPDATE

Legal Services Division



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## IOWA SUPREME COURT DECISION — MODIFICATION OF CHARITABLE SCHOLARSHIP RESTRICTIONS

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### In re Ezra L. Totton Scholarship

Filed June 5, 2026

No. 25-0462

[www.iowacourts.gov/courtcases/24754/embed/SupremeCourtOpinion](http://www.iowacourts.gov/courtcases/24754/embed/SupremeCourtOpinion)

**Factual and Procedural Background.** In 1997 the University of Iowa (University) received a \$35,000 scholarship bequest from the estate of Dr. Ezra L. Totton, a chemist and University alumnus. The bequest established the "Ezra L. Totton Scholarship" for "Black students majoring in the physical sciences, preferably chemistry." The University accepted the bequest and administered the scholarship in accordance with those terms for nearly three decades.

Following the United States Supreme Court's decision in *Students for Fair Admissions, Inc. v. President & Fellows of Harvard College*, 600 U.S. 181 (2023), which held that race-based admissions programs at colleges and universities violated the Equal Protection Clause of the Fourteenth Amendment and Title VI of the Civil Rights Act of 1964, the University filed an application under Iowa Code section 540A.106(3), the Uniform Prudent Management of Institutional Funds Act (UPMIFA), seeking judicial approval to modify the scholarship. The University asserted that it was no longer lawful or practicable to administer a race-based scholarship and proposed replacing the term "Black students" with "first generation students."

The district court declined to approve the modification and dismissed the action without prejudice. The court concluded that no authority had been presented establishing that *Students for Fair Admissions* applied to scholarship restrictions contained in private gift instruments. The University appealed.

**Issues.** Whether the race-based restriction contained in the scholarship gift had become unlawful, impracticable, or impossible to fulfill under Iowa Code section 540A.106(3), and whether the University's proposed modification of the scholarship restriction was consistent with the charitable purposes expressed in the gift instrument.

**Holding.** The Court reversed the district court's dismissal and remanded the case for further proceedings. The Court held that the race-based restriction had become at least impracticable to administer in light of recent legal developments and therefore qualified for consideration of modification under Iowa Code section 540A.106(3). However, the Court declined to approve the University's proposed modification replacing the racial restriction with a preference for first generation students because the record did not support a finding that such a modification was consistent with the donor's charitable purposes.

**Analysis.** The Court examined Iowa Code section 540A.106(3), which authorizes a court to modify a charitable gift restriction when the restriction becomes unlawful, impracticable, or impossible to fulfill, provided that any modification is consistent with the charitable purposes expressed in the gift instrument. The Court noted that UPMIFA incorporates principles similar to the equitable doctrine of cy pres, which allows courts to modify charitable gifts when the original purposes can no longer be carried out. The doctrine of cy pres for charitable trusts is codified and Iowa Code section 540A.106(7) expressly provides that UPMIFA does not limit the application of the judicial power of cy pres.

The Court concluded that the district court applied an unduly restrictive standard by requiring proof that administration of the scholarship under its existing terms was conclusively unlawful. The statute permits modification not only when a restriction becomes unlawful but also when it becomes impracticable. The Court found that, in light of *Students for Fair Admissions* and subsequent legal developments involving race-based educational benefits, the sufficient legal uncertainty and litigation risk faced by the University rendered the continued administration of the scholarship under the original terms impracticable.

The Court nevertheless rejected the University's proposed modification. The Court found no evidence in the record demonstrating that Dr. Totton would have preferred the scholarship to benefit first generation students if it could no longer be restricted to Black students. The record shows that Dr. Totton wanted the money to be returned if the terms of the bequest could not be met. The Court emphasized that a modification under Iowa Code section 540A.106(3) must remain consistent with the donor's charitable purposes and that the University's proposal added a new restriction rather than merely removing an existing one.

The Court provided further guidance for proceedings on remand. The Court stated that an advocate for the donor's intent should be permitted to participate in the proceeding, noting that the Attorney General ordinarily fulfills that role in charitable gift modification and cy pres cases. The Court observed that, under the principles of cy pres, a party with a special interest in the enforcement of a charitable trust has standing, and that UPMIFA authorizes the participation of a donor or a donor's representative in a modification proceeding. UPMIFA was enacted after Dr. Totton died and he did not designate a representative of the trust. The Court also concluded that the district court may consider the entirety of the donor's will and relevant extrinsic evidence when determining the donor's charitable purposes. Finally, the Court observed that permissible modifications could include releasing the challenged restriction entirely or directing that the funds be transferred to another institution, depending on what best reflects the donor's intent and complies with Iowa Code section 540A.106(3).

**Concurrence in Part and Concurring in the Judgment.** Two justices agreed that the district court erred in concluding that the scholarship restriction was not unlawful or impracticable and agreed that the case should be remanded. However, they would not have addressed issues concerning participation by additional parties, the consideration of extrinsic evidence, or other matters that may arise on remand because those issues were not directly before the Court in the appeal.

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