



Expanded Uses for Certain Categorical Funds (HF 564)

2017 Iowa Acts chapter 153, House File 564 increased district flexibility in the use of certain categorical funds. For most changes in use, there are no special actions or permissions required by the district. There are some situations, however, where an increased role of, and/or formal action by, the district's board of directors may be necessary. Additional detail is provided in the following narrative.

Professional Development Supplement

In addition to the previous allowed uses, districts may now use funds received from the professional development supplement for the following:

- Textbooks and curriculum materials if such textbooks and materials include professional development.
- Administering assessments pursuant to Iowa Code 256.7(21)(b)(1) and (2) (i.e., the districtwide assessments required for accountability) if such assessments include professional development.
- Activities and pay to support a beginning teacher mentoring and induction program that meets the requirements of Iowa Code 284.5 as amended by Iowa Acts chapter 172, House File 642.

Changes to the professional development supplement also included removal of the required allocation from these funds for implementation of the core curriculum. Previously, the professional development supplement funds were distributed under two accounts: source/project 3373 (core curriculum) and source/project 3376 (professional development). All new funds provided will now be accounted for only under source/project 3376.

Any balance remaining under project 3373 as of the end of fiscal year 2017 will retain its original identity until expended. Moving forward, districts will use source/project 3376 until expended, regardless of whether the use determined by the district teacher quality committee is for professional development related to implementing the core curriculum or for other appropriate use.

Role of the Teacher Quality Committee

The teacher quality committee's role regarding use of professional development funds has not changed (this is true for both districts and area education agencies). Iowa Code 284.4(1)(c)(3) states the following as one of the roles of the committee:

"Determine, following the adoption of the Iowa professional development model by the state board of education, the use and distribution of the professional development funds calculated and paid to the school district or agency as provided in section 257.9, subsection 10, or section 257.10, subsection 10, based upon school district or agency, attendance center, and individual teacher and professional development plans."

This role applies to all professional development supplement funds received by the district. Additionally, the committee has responsibility to monitor the professional development in each attendance center to ensure that the professional development meets school district or agency, attendance center, and individual professional development plans (Iowa Code 284.4(1)(c)(4)).

At Risk and Dropout Prevention (Supplementary Weighting and Modified Supplemental Amount)

The legislation clarifies the following are allowable uses of at risk and dropout prevention funds:

- Salary and benefits for guidance counselors for the portion of time the counselor is dedicated to providing services for students participating in at-risk program or dropout prevention programs, alternative programs, or alternative schools.
 - Note: It is not allowed for a district to pay for 100 percent of its counseling staff from these categorical funds; doing so would result in a supplanting situation. All districts are required by Iowa Code 256.11(9A) to have a qualified guidance counselor.
- Costs of professional development for counselors working with at-risk students under a program or alternative setting.
- Costs incurred for programs addressing high rates of absenteeism, truancy, or frequent tardiness.

Additionally, a significant change was made pertaining to use of these categorical funds for approved at risk services targeting students not specifically identified as at risk. Previously this use was limited to five percent of funds received – this limit has been removed in its entirety, thus, all funds generated could be used for this purpose (at risk services directed toward non-identified students).

Impact on 2017-2018 Approved Services

Planned at risk and dropout prevention services identified by the district for the 2017-2018 school year were approved by the Department in the district's December 2016 application, and corresponding requests for modified supplemental amount (if any), were approved by the School Budget Review Committee in March 2017. Changes in allowable uses authorized by House File 564 apply to these approved services; there is no provision for amending the previously approved application to add different services.

Districts do have the ability to shift their available resources among these approved services. For example:

- A district has an approved at risk service within its application that was targeted to student not identified as being at risk. Within the application, this was limited to five percent of the approved funds. The district could opt to provide more resources to this service and reduce those originally planned for targeted services.
- When the district's application was approved it had planned to hire an additional support person for one of its services, thus the granted modified supplemental amount reflected this anticipated cost. The district was unable to fill the position. The "extra" resources could be used for allowable uses to support a different service that had been approved in the application.

Impact on the 2018-2019 At-Risk/Dropout Application

The At-Risk/Dropout prevention application is designed to allow most information from the previous year's application to pre-populate into the new year's version for editing - this has not changed. A few technical changes to the application were necessary to reflect the new legislation; however, these have minimal impact on the application process:

- Modification of allowed function and object codes
- Change in the calculation within the District Budget section pertaining to services targeted to non-identified students
- Addition of a line in the modified supplemental amount calculation area to account for possible use of moneys from the new Flexibility Account (established by 2017 Iowa Acts, House File 565)
- Update of the application directions and additional linked support documents in the "Help" menu

Preschool Foundation Aid

Allowable uses of preschool foundation aid (a.k.a., statewide voluntary preschool program [SWVPP] funds) were notably broadened. The following costs have been added to those that are specified as allowed:

- The cost of attendance for a younger or older (than four years) child in the preschool program if space and funding is available
- Instructional supplies
- Translation services

- Playground equipment and repair costs
- Food and beverages used by children in the approved local program
- Safety equipment
- Facility rental fees
- Other direct costs that enhance the approved local program, including by contracting with community providers for such services

This is not, however, an all-inclusive list (note the phrase “including, but not limited to”). The amendment’s language stipulates the funds can be used for “any purpose determined by the board of directors of the school district to meet standards for high-quality preschool instruction and for purposes that directly or indirectly benefit students enrolled in the approved local program...” This indicates increased responsibility of the local district’s school board in determining whether certain uses pertaining to its approved SWVPP will be allowed (at all program locations, including at community partners’ sites). More detailed guidance is provided in the [SWVPP Frequently Asked Finance Questions](#) document.

Additionally, for school districts, it is important to remember that some costs might also be appropriate to other available funding sources, such as the Physical Plant and Equipment Levy (facility rental fees and certain equipment, for example). This is something to consider as the district evaluates potential purchases for its program.

Clarification Regarding Serving Children Younger or Older than Four Years

Preschool foundation aid funds are specifically for the preschool program established under Iowa Code chapter 256C, which is the statewide preschool program for four-year-old children. Statute allows a district to enroll a child younger or older than four years in this program; however, such participation should not be at the exclusion of an eligible 4-year-old.

The funds cannot be used to support or establish preschool programming outside of this context, such as a separate preschool program for three-year-old children. Districts can certainly provide programming specific to other age levels, but these programs would be established through an Enterprise Fund (regular education preschool fund) as allowed under 281 IAC 98.76(298A) and be subject to any requirements specific to the particular age level.

As is the case for enrollment of 4-year-old children, participation is voluntary and the enrollment of younger or older children in a district’s approved SWVPP program is not limited to district residents (refer to Iowa Code 256C.3(5)(d)).

Suggestions/Considerations

- Ensure the district’s school board is aware of the requirements under which its SWVPP is approved, including program standards.
- Establish board policy/procedures regarding enrollment of younger or older students in the district’s approved SWVPP, including whether costs will be covered through SWVPP funds if available.
- Discuss how requests for enrollment that exceed available space will be managed (e.g., three requests for one available seat). Consider establishing board policy/procedures to ensure transparency.
- Carryforward is one-time funding – consider sustainability of board actions.
- SWVPP sessions held at a community partner location are part of the district’s program; they are not independent of the district’s board decisions.

Reimbursement to the Student Activity Fund for Protective and Safety Equipment (HF 564)

A district’s board of directors now has authority to transfer an amount necessary from district’s General Fund to its Student Activity Fund to purchase protective and safety equipment required for any extracurricular interscholastic athletic contest or competition sponsored or administered by the Iowa High School Athletic Association or Iowa Girls High School Athletic Union (organizations defined in Iowa Code section 280.13).

A transfer from the General Fund for this purpose is an option, not a requirement. If the district wishes to exercise this option, it must have a board resolution to do so, and we encourage this occur close to the time the expenditure is made from the Student Activity Fund. There is no need to restrict part of the General Fund; you would just do the transfer once the expenditure in the Student Activity Fund has occurred.

Please note the ability to transfer from the General Fund to the Student Activity Fund does not result in additional district General Fund spending authority; it would apply to existing authority. Therefore, the impact is the same as any other General Fund expenditure.

Coding the Transaction

General Fund: Debit Function 6221, program 920, object 910. The district may also use the project for the student activity athletic group that has the actual expenditure. Credit Cash.

Student Activity Fund: Debit Cash. Credit source 5210, interfund transfers from the General Fund, program 920 and the student activity project number if used.

Resolution Language

Since the legislation didn't identify specific items that must be included, any transfer-related resolution language would provide a good framework. Incorporating the following information is suggested:

- a. Purpose of the resolution ("The board adopts this resolution to move from General Fund to Student Activity Fund...")
- b. The dollar amount of the transfer
- c. A statement of authority ("...as allowed per HF 564")
- d. The reason for the transfer ("for expenditures made for [type of specific protective and safety gear] required for athletic competition")
- e. Date of adoption (reflected in board minutes)

Flexibility Account (HF 565)

2017 Iowa Acts chapter 154, House File 565 increased district flexibility in how unexpended, unobligated amounts from certain categorical funds can be used by creation and utilization of a Flexibility Account within the General Fund. Using this flexibility does require increased role of, and/or formal action by, the district's board of directors. Additional detail is provided in the following narrative.

Moving funds to the Flexibility Account

Effective with the budget year beginning July 1, 2017 (fiscal year 2018), a school district may authorize transfer of all or any portion of unexpended, unobligated amounts remaining at the end the fiscal year ("end of a fiscal year beginning on or after July 1, 2017") from the following categorical funds to the Flexibility Account:

- I. Preschool Foundation Aid
- II. Professional Development Supplement
- III. Home School Assistance Program

Additionally, a school district may transfer 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.

The legislation included specific requirements that must be met prior to the Board's authorization for transfer. Following are the requirements by categorical fund.

Preschool Foundation Aid

The school district must have provided preschool programming during the fiscal year for which funding remains unexpended and unobligated to all eligible students for whom a timely application for enrollment was submitted.

Professional Development Supplement

The school district must have met all professional development requirements of Iowa Code chapter 284.

Home School Assistance Program

The school district must have met all statutory requirements for use of home school assistance program funding listed in Iowa Code 299A.12(2). This includes the following:

- a. Instruction for students and assisting parents with instruction.
- b. Support services for students and teaching parents and staff support services.
- c. Salary and benefits for the supervising teacher of the home school assistance program students (if part time, only for the portion of time in which the teacher is a home school assistance program teacher).
- d. Salary and benefits for clerical and office staff of the home school assistance program (if part time, only for the portion of time spent providing the home school assistance program).
- e. Staff development for the home school assistance program teacher.
- f. Travel for the home school assistance program teacher.
- g. Resources, materials, computer software and hardware, supplies, and purchased services that meet the following criteria:
 1. Are necessary to provide the services of home school assistance.
 2. Are retained as the possessions of the school district for its prekindergarten through grade twelve home school assistance program.

Additionally, the school district must have funded all requests for services and materials from parents or guardians of students eligible to access the program.

Using Funds That Are Moved to the Flexibility Account

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 Iowa Code chapter 24.

Before the board of directors may adopt the resolution approving expenditures from the flexibility account, it must hold a public hearing on the proposed resolution. The proposed resolution must state the following:

- the original source and purpose of the funds
- the proposed use of such funds
- the amount of the proposed expenditure
- 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 is required to publish notice of the time and the place of the public hearing in the same manner as required in Iowa Code section 24.9. The form for the public hearing notices, which the Department is required to prescribe, is posted on the [General Fund](#) page of the Department's website under the "Flexibility Account" heading.

A copy of the approved resolution shall be provided by the board to the Department and shall be made available by the board for any audit performed under Iowa Code chapter 11.

Coding for the Flexibility Account

Changes have been made to the [Iowa Chart of Account Coding](#) to assist districts in addressing the requirements of the legislation.

The following project codes have been assigned.

3170 Flexibility Fund Accounts (**General Fund Only**) (**Effective FY19**)

3173 Flexibility Fund Account Originating from Excess HSAP (Project 1113) Funds

3176 Flexibility Fund Account Originating from Excess Professional Development (Projects 3373 or 3376) Funds

3177 Flexibility Fund Account Originating from Excess Statewide Voluntary Preschool (Project 3117) Funds

3180 Flexibility Fund Accounts from Other Discontinued General Fund Grant and/or Categorical Funds (**Effective FY19**)

318X District-Defined Flexibility Fund Accounts from Other General Fund Discontinued Grants / Categorical Funds

The following object code is assigned for the intrafund transfer.

958 Flexibility Fund Account Intrafund Transfers (**General Fund only**) (**Effective FY19**)

The basic entry for transferring funds to the Flexibility Account is as follows. Function 2310 Board of Education Services (2311, Supervision of Board of Education Services if using detail) is used since the intrafund transfer should be approved by the school board prior to the transfer. This intrafund transfer is unlike any other intrafund transfer that is done.

Debit function 231X, program XXX, (current) project XXXX, object 958

Credit function 231X, program XXX, (new) project XXXX, object 958

Expenditures from the Flexibility Account will be coded as usual for the transaction, but include the project number. An example entry demonstrating a transfer of \$5,000 of unexpended, unobligated moneys from Home School Assistance Program to the Flexibility Account, then use of this transferred amount for regular program instructional supplies follows.

1) Code the transfer from Home School Assistance Program to Flexibility Account:

Debit function 231X, program XXX, project 1113, object 958 for \$5,000 (account would ultimately close into account 729, project 1113)

Credit function 231X, program XXX, project 3173, object 958 for \$5,000 (account would ultimately close into account 729, project 3173)

2) Expend the transferred funds from Flexibility Account (code the expenditure as usual, but add the project number):

Debit function 1XXX, program 1XX, project 3173, object 612 for \$5,000 (the expenditure would ultimately close into account 729, project 3173)

Deference to School Districts (HF 564 and HF 565)

Both 2017 Iowa Acts chapter 153, House File 564 and 2017 Iowa Acts chapter 154, House File 565 included language directing the Department to give deference to decisions of school districts' boards of directors, promote flexibility for school districts, and minimize intrusions into school district operations and decision making by boards of directors when carrying out agency actions or making decisions regarding certain programs. The specified programs include the following:

- Teacher Salary Supplement (257.10(9))
- Professional Development Supplement (257.10(10))
- Early Intervention Supplement (257.10(11))
- Flexibility Fund Account (299A.2(2))

In practice, this means districts are given broad latitude for local decision-making regarding these program areas within the parameters/limits set by statute (Iowa Code) and rule (Iowa Administrative Code).