

CHAPTER 10

FINANCIAL MANAGEMENT OF CATEGORICAL FUNDING

DEFINITIONS

“Budgetary allocation” means the portion of the funding that is specifically earmarked for a particular purpose or designated program and which, in the case of the general fund, has been rolled into, or added to, the school district cost per pupil or school district regular program cost. Budgetary allocations may include both state aid and property tax. Budgetary allocations increase budget authority on the first day of the fiscal year for which the allocation has been certified or on the date that the school budget review committee approves modified supplemental amount for a specific purpose or program; the budget authority remains even if the full amount of revenue is not received or if the local board does not levy a cash reserve. There is no assumption that a school district or AEA will receive the same amount of revenue as it has received in budget authority due to delinquent property taxes, cuts in state aid, or legislative decisions to fund other instructional programs off the top of state aid. The school district or AEA must expend the full amount of budget authority for the specific purposes for which it was earmarked. When the school district or state cost per pupil is transferred from one school district to another school district in the form of tuition as required by the Iowa Code, any budgetary allocation that is included in the school district or state cost per pupil shall be considered transferred to the receiving school district and shall be expended for the specific purpose for which it was earmarked **(IAC 281—98.1)**.

“Categorical funding” means financial support from state and federal governments that is targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, is beyond the basic educational program, and most often has restrictions on its use. Where categorical funding requires a local match, that local match also is considered to be categorical funding. Categorical funding includes both grants in aid and budgetary allocations. Although grants in aid and budgetary allocations are both categorical funding, they are defined separately to distinguish unique characteristics of each type of categorical funding **(IAC 281—98.1)**.

“Grants in aid” means financial support, usually from state or federal appropriations, that is either allocated to the school district or AEA or for which a school district or AEA applies. This support is paid separately from state foundation aid. In the general fund, grants in aid become miscellaneous income and increase budget authority when the support is received as revenue **(IAC 281—98.1)**.

“Supplement, not supplant” means that the categorical funding shall be in addition to general purpose revenues; that categorical funding shall not be used to provide services required by federal or state law, administrative rule, or local policy; and that general purpose revenues shall not be diverted for other purposes because of the availability of categorical funding. Supplanting is presumed to have occurred if the school district or AEA

1. uses categorical funding to provide services that it was required to make available under other categorical funding or law, or
2. uses categorical funding to provide services that it provided in prior years from general purpose revenues, or
3. uses categorical funding to provide services to a particular group of children or programs for which it uses general purpose revenues to provide the same or similar services to other groups of children or programs.

These presumptions are rebuttable if the school district or AEA can demonstrate that it would not have provided the services in question with general purpose revenues if the categorical funding had not been available **(IAC 281—98.1)**.

GENERAL PROVISIONS

The categorical funding provided for various purposes to school districts and AEAs includes general financial characteristics that are detailed in the following.

Indirect cost recovery

Categorical funding provided by the state to school districts or AEAs is not eligible for indirect cost recovery unless the Iowa Code section authorizing the funding or allocation expressly states that indirect cost recovery is permitted from that source. If the Iowa Code permits indirect cost recovery, the school district or AEA shall utilize its restricted indirect cost rate developed by the department for federal programs from data submitted by the school district or AEA on its certified annual report [CAR] **(IAC 281--98.2(1))**.

The accounting structure used in governmental financial reporting is based on the expenditure classifications of fund, function, and object. These elements are the foundation for recording and reporting the financial data for school districts. Although this level of reporting can be used to compare district and state information, the data needs of school board members, administrators, school patrons, special-interest groups (including employees and parents), state policymakers, the media, and the public—the “data user groups” of the school district—may extend beyond expenditure classifications to school and program reporting. In order to get to greater detail to meet these local needs requires districts to utilize additional dimensions than just those assigned in the expenditure classifications, or to create reports externally in a database using exports from the accounting system. These special reports may be used for local purposes but shall not be used for audit reports or official financial reports (**UFA, chapter 7**).

Restriction on supplanting

Categorical funding shall supplement, but shall not supplant, expenditures in the appropriate fund into which the categorical funding is deposited and accounted for, unless the Iowa Code section authorizing the funding or allocation expressly states that supplanting is permitted from that source (**IAC 281--98.2(2)**).

Mandatory carryforward

Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year in which it was received by or for which it was allocated to the school district or AEA shall be carried forward as a reserved fund balance and added to the subsequent year’s budget for that purpose. The funding can only be expended for the purposes permitted for that categorical funding. Where a local match is required for categorical funding, the amount unexpended at the end of the fiscal year that is carried forward shall not be used as part of the required local match (**IAC 281--98.2(3)**).

Discontinued funding

In the event that a categorical funding source is discontinued and an unexpended balance remains, the school district or AEA shall carry forward the unexpended balance and expend the remaining balance within the subsequent 24 months for the purposes which were allowed in the final year that the funding was allocated or granted prior to discontinuation unless a rule in this chapter provides for a longer period. This subrule does not apply to market factor incentive pay funding, which may be carried forward until expended, but any expenditures from the market factor incentive pay funding must be appropriate under Iowa Code section 284.11 (2007 and 2007 supplement) (**IAC 281--98.2(4)**).

Expenditures

Expenditures from categorical funding shall be limited to direct costs of providing the program or service for which the funding was intended. Expenditures shall not include costs that are allocated costs or that are considered indirect costs or overhead. Expenditures for the functions of administration, business and central services, operation and maintenance of plant, transportation, enterprise and community service operations, facility acquisition and construction, or debt service generally are not allowed from categorical funding unless expressly allowed by the Iowa Code or if the expenditure represents a direct, allowable cost. In order for costs of administration, business and central services, operation and maintenance of plant, transportation, or enterprise and community service operations to be considered direct costs,

1. the costs must be necessary because of something that is unique to the program that is causing the need for the service, not otherwise needed or not otherwise provided to similar programs;
2. the costs must be in addition to those which are normally incurred; and
3. the costs must be measurable directly without allocating.

Where a local match is required for categorical funding, that local match requirement shall not be met by the use of other categorical funding except where expressly allowed by the Iowa Code. Expenditures shall not include reimbursing the school district or AEA for expenditures it paid in a previous year in excess of the funding available for that year (**IAC 281--98.2(5)**).

Restriction on duplication

The school district or AEA shall not charge the same cost to more than one funding source (**IAC 281--98.2(6)**).

Excess expenditures

The school district or AEA shall not charge to categorical funding more expenditures than the total of the current year’s funding or allocation plus any carryforward balance from the previous year (**IAC 281--98.2(7)**).

Commingling prohibited

Categorical funding shall not be commingled with other funding. All categorical funding shall be accounted for separately from other funding. School districts and area education agencies shall use a project code and program code as defined by Uniform Financial Accounting for Iowa School Districts and AEAs, as appropriate or required (**IAC 281--98.2(8)**). “Appropriate or required” is determined by the Department of Education.

APPROPRIATE USE OF BUDGETARY ALLOCATIONS

Categorical and Noncategorical Student Counts

The certified enrollment data collection includes both student counts related to budgetary allocations for the subsequent budget year that are provided for the purpose of offering a program that is in addition to the basic educational program for a specific category of students and student counts that are general in nature and can be used for any legal general fund purpose. Student counts that are general in nature are used to generate funding through the school aid foundation formula and are not intended to fund a specific program or a specific category of students. General student counts include the basic enrollment of full-time resident students (**IAC 281—98.11**).

Counts for part-time nonpublic students participating in public school classes pursuant to Iowa Code section 257.6(3) and counts for part-time dual enrolled competent private instruction students in grades 9 through 12 are the full-time equivalent enrollment of a regularly enrolled student. Counts for dual enrolled competent private instruction students in grades lower than grade 9 are the legislatively set equivalent of a regularly enrolled full-time student. Counts for part-time nonpublic students and for part-time dual enrolled competent private instruction students in grades 9 through 12 who participate in the postsecondary enrollment option Act (PSEO) classes are the full-time equivalent of a regularly enrolled student based on cost. Because these counts are the full-time equivalent of a regularly enrolled student, and are not in addition to the full-time equivalent, the funding generated within the school aid foundation formula based on these counts is considered general in nature (**IAC 281—98.11**).

Student counts related to categorical budgetary allocations are those that generate funding intended to be used for only that specific category of students being counted or for the specific program for which the additional counts are authorized in the Iowa Code (**IAC 281—98.11**).

“Dual enrollment” means enrollment of a child who receives competent private instruction, including a child over compulsory attendance age, in a school district to enable the child to participate in any academic or extracurricular activity on the same basis as similarly-situated public school children. Dual, as the name implies, is enrollment in two places: public education for classes or extracurricular activities and private education under CPI. So the same student is both a public student and a private student for portions of the school day.

If a parent, guardian, or legal custodian of a school-age child who is receiving competent private instruction under chapter 299A submits a request, the child shall also be registered in a public school for dual enrollment purposes. If the child is enrolled in a public school district for dual enrollment purposes the child

1. shall be permitted to participate in any academic activities in the district and
2. shall also be permitted to participate on the same basis as public school children in any extracurricular activities available to children in the child's grade or group.

Dual enrollment of a child solely for purposes of accessing the annual achievement evaluation shall not constitute a dual enrollment purpose (**299A.8**).

If a child is under dual enrollment and the standardized test option has been selected by the child's parent, guardian, or legal or actual custodian, the district shall administer the standardized test to the child, delegate the test administration to the appropriate AEA, or allow the child's parent, guardian, or legal or actual custodian to procure standardized testing through a correspondence or other school accredited by an accrediting agency approved by the federal Department of Education, or through any testing service authorized by the publisher of any test approved by the state Department of Education for assessment purposes. If the child is under dual enrollment, no fee is charged to the parent, guardian, or legal or actual custodian (**IAC 281—31.5(2)“a”**).

A child under dual enrollment may participate in academic or instructional programs of the district on the same basis as any regularly enrolled student. A child under dual enrollment also is eligible to enroll in courses that offer secondary and postsecondary credit on the same basis as any regularly enrolled student. A child under dual enrollment must receive at least one-quarter [1/4 or 25%] of the child's instruction by way of competent private instruction and no more than three-quarters [3/4 or 75%] by way of the district's academic programs (**IAC 281—31.6(2)**).

A child under dual enrollment is eligible to receive the services and assistance of the appropriate AEA on the same basis as are children otherwise enrolled in the district. The district shall act as liaison between the parent, guardian, or legal or actual custodian of a child who is receiving competent private instruction and the AEA (**IAC 281—31.6(5)**).

Specific Budgetary Allocation Program

Home School Assistance Program

The home school assistance program (HSAP) is a program for a specific category of students and is provided outside the basic educational program that is provided to regularly enrolled students by the school district (**IAC 281—98.12**). The students in a HSAP program are private school students who are being taught by parents, guardians, or legal custodians and those parents, guardians or legal custodians are being supervised by a teacher who is a public school teacher.

"Private instruction" means instruction using a plan and a course of study in a setting other than a public or organized accredited nonpublic school (**299A.1**).

"Competent private instruction" means private instruction provided on a daily basis for at least one hundred forty-eight [148] days during a school year, to be met by attendance for at least thirty-seven [37] days each school quarter, by or under the supervision of a licensed practitioner in the manner provided under section 299A.2 [HSAP or licensed practitioner who is, or is provided by, the parent, guardian, or legal custodian of the child], which results in the student making adequate progress (**299A.1**).

"Independent private instruction" means instruction that meets the following criteria:

- (1) Is not accredited.
- (2) Enrolls not more than four unrelated students.
- (3) Does not charge tuition, fees, or other remuneration for instruction.
- (4) Provides private or religious-based instruction as its primary purpose.
- (5) Provides enrolled students with instruction in mathematics, reading and language arts, science, and social studies.
- (6) Provides, upon written request from the superintendent of the school district in which the independent private instruction is provided, or from the director of the department of education, a report identifying the primary instructor, location, name of the authority responsible for the independent private instruction, and the names of the students enrolled.
- (7) Is not a nonpublic school and does not provide competent private instruction as defined in this subsection.
- (8) Is exempt from all state statutes and administrative rules applicable to a school, a school board, or a school district, except as otherwise provided in chapter 299 and this chapter (**299A.1**).

A HSAP is not dual enrollment, but the parent, guardian, or legal or actual custodian of a child enrolled in a HSAP may request dual enrollment in addition to enrollment in a HSAP (**IAC 281—31.5(5)**).

Children participating in a HSAP are not required to have the annual evaluation required otherwise by Code (**299A.2**). A school district or area education agency shall, if requested, administer the annual achievement evaluation at no cost to the parent, guardian, or legal custodian of the child being evaluated, and, in addition, the parent, guardian, or legal custodian is not required to reimburse the evaluating entity for costs incurred as a result of evaluation under section 299A.9. The administration of the annual achievement evaluation shall not constitute a dual enrollment purpose under section 299A.8. (**299A.4(6)**). In the rare situation where the parent, guardian, or legal custodian did not request the annual evaluation but has given permission to the HSAP supervisor to have the annual evaluation conducted in order for the HSAP supervisor to perform his/her responsibility of determining that annual progress has been made by the child and this determination could not be made without the annual evaluation, the cost of the evaluation would be an appropriate expenditures of HSAP funds (**DE guidance, 2010**).

If a child under competent private instruction, and not under dual enrollment, is to be administered a standardized test for purposes of assessment, the district shall charge and collect from the child's parent, guardian, or legal or actual custodian a fee for the actual cost of the testing if administered by the public school or area education agency. The fee shall include the cost of the test materials, a prorated fee reflective of the personnel costs of administration based upon the number of students taking the test, and the cost of scoring (**IAC 281—31.5(2)"b"**).

Unless the child is under dual enrollment, the parent, guardian, or legal or actual custodian who has selected the standardized testing option shall timely reimburse the school district for the cost of testing the child (**IAC 281—31.8(2)"d"**).

A school district shall not make monetary payments, including cash and cash equivalents, or give publicly funded resources, directly or indirectly to the parent, guardian, or legal or actual custodian or to a child receiving competent private instruction. A school district shall not purchase texts or supplementary materials for or on behalf of a child receiving competent private instruction if such texts or supplementary materials are not appropriate for use by regularly enrolled students of the school district (**IAC 281—31.5(4)"a"**).

A district may provide to children receiving competent private instruction available texts or supplementary materials on

the same basis as they are provided to enrolled students and shall provide available texts or supplemental instructional materials on the same basis as they are provided to enrolled students when a child is under dual enrollment or in a HSAP. If a fee, such as a textbook or towel rental fee, is charged to regularly enrolled students for participation in a class or extracurricular activity, that fee may also be charged to dual-enrolled students on the same basis as it is charged to enrolled students, but only for the specific class or extracurricular activity (**IAC 281—31.5(4)“b”**).

The parent, guardian, or legal or actual custodian who provides competent private instruction to a child of compulsory attendance age may access the services and materials available from the AEA by requesting assistance through the school district of residence. The AEA shall make services and materials available to the child on the same basis as they are available to regularly enrolled students of the district if the child is dual enrolled or enrolled in a HSAP. The district of residence shall act as liaison between the parent, guardian, or legal or actual custodian of a child who is receiving competent private instruction and the AEA (**IAC 281—31.5(4)“c”**).

If the school district determines that the expenditures associated with providing competent private instruction pursuant to chapter 299A are in excess of the revenue attributed to the school district's weighted enrollment for such instruction in accordance with this subparagraph, the school district may submit a request to the SBRC for a modified supplemental amount in accordance with section 257.31, subsection 5, paragraph "n". A HSAP shall not provide moneys received pursuant to this subparagraph, nor resources paid for with moneys received pursuant to this subparagraph, to parents or students utilizing the program. Moneys received by a school district pursuant to this subparagraph shall be used as provided in section 299A.12 (**257.6(1)“a”(5)**).

The board of directors of a school district shall expend moneys received pursuant to section 257.6, subsection 1, paragraph "a", subparagraph (5), for purposes of providing a HSAP (**299A.12(1)**).

Purposes for which a school district may expend funds received pursuant to section 257.6, subsection 1, paragraph "a", subparagraph (5), shall include but not be limited to 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 HSAP students. If the teacher is a part-time HSAP teacher and a part-time regular classroom teacher, funds received pursuant to section 257.6, subsection 1, paragraph "a", subparagraph (5), may be used only for the portion of time in which the teacher is a HSAP teacher.
- d. Salary and benefits for clerical and office staff of the HSAP. If the staff members are shared with other programs or functions within the district, funds received pursuant to section 257.6, subsection 1, paragraph "a", subparagraph (5), shall only be expended for the portion of time spent providing the HSAP services.
- e. Staff development for the HSAP teacher.
- f. Travel for the HSAP 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 HSAP (**299A.12(2)**).

Purposes for which a school district shall not expend funds received pursuant to section 257.6, subsection 1, paragraph "a", subparagraph (5), include but are not limited to the following:

- a. Indirect costs or use charges.
- b. Operational or maintenance costs other than those necessary to operate and maintain the program.
- c. Capital expenditures other than equipment or facility acquisition, including the lease or rental of space to supplement existing schoolhouse facilities.
- d. Student transportation except in cases of HSAP approved field trips or other educational activities.
- e. Administrative costs other than the costs necessary to administer the program.
- f. Concurrent and dual enrollment costs and postsecondary enrollment options program costs.
- g. Any other expenditures not directly related to providing the HSAP. A HSAP shall not provide moneys to parents or students utilizing the program (**299A.12(3)**).

Appropriate uses of funding for a HSAP

Appropriate uses of the HSAP funding include, but are not limited to, the following:

- a. Assisting parents with instruction.
- b. Services to support students enrolled in a HSAP, to support the parents of the students, and to support HSAP staff.

- c. Salary and benefits for the supervising teacher of the HSAP. If the teacher is a part-time HSAP teacher and a part-time regular classroom teacher, then the portion that is related to providing the HSAP can be charged to the program, but the regular classroom portion could not.
- d. Salary and benefits for clerical and office staff of the HSAP. If the staff member's employment supports other programs of the school district, only that portion of the staff member's salary and benefits that is related to providing the HSAP can be charged to the program.
- e. Staff development for the HSAP teacher.
- f. Travel for the HSAP teacher.
- g. Resources, materials, computer software, supplies, and purchased services
 - 1) that are necessary to provide the services of home school assistance and
 - 2) that will remain with the school district for its HSAP.
- h. A copier and computer hardware that support the HSAP (**IAC 281--98.12(1)**).

Inappropriate uses of categorical funding for HSAP

Inappropriate uses of the HSAP funding include, but are not limited to, indirect costs or use charges; operational or maintenance costs in addition to the cost of maintaining school district facilities; capital expenditures; student transportation except in cases of home school assistance program-approved field trips or other educational activities; administrative costs; concurrent enrollment program costs, including postsecondary enrollment options [PSEO] program costs; or any other expenditures not directly related to providing the HSAP. A HSAP shall not provide moneys to parents or students utilizing the program (**IAC 281--98.12(2)**). Note that concurrent enrollment program costs and PSEO program costs are inappropriate uses of HSAP categorical funding because those program costs are dual enrollment categorical funding costs and paid from dual enrollment funding.

Because the appropriate and inappropriate uses of HSAP funding in rules are identical to the uses listed in Iowa Code, these rules are not eligible for waiver or rebuttal under subrules 281—98.1 and 281--98.2(5).

Statewide Voluntary Four-year-old Preschool Program

The statewide voluntary four-year-old preschool program is a program for a specific category of students. Funding for the program is for the purpose of providing a high-quality early learning environment for four-year-old children whose families choose to access such programs (**IAC 281—98.13**). The students in the statewide voluntary four-year-old preschool program are public school students for the portion of time their program is funded by this categorical funding. The purpose of the preschool program is to provide an opportunity for all young children in the state to enter school ready to learn by expanding voluntary access to quality preschool curricula for all children who are four years old (**256C.2(1)**).

General funding provisions include:

- a. State funding provided under the preschool program shall be based upon the enrollment of eligible students in the preschool programming provided by a school district approved to participate in the preschool program.
- b. A school district approved to participate in the preschool program may authorize expenditures for the district's preschool programming from any of the revenue sources available to the district from the sources listed in chapter 298A, provided the expenditures are within the uses permitted for the revenue source. In addition, the use of the revenue source for preschool or prekindergarten programming must have been approved prior to any expenditure from the revenue source for the district's approved local program. [Chapter 298A includes all funds in the district, so this provision is saying that the preschool program may use the funds of a school district in ways that are appropriate to those funds, i.e. renting a facility pursuant to a 28E from PPEL.]
- c. Funding provided under the preschool program is intended to supplement, not supplant, existing public funding for preschool programming. [Existing public funding means other grants and special education weighting.]
- d. Preschool foundation aid funding shall not be commingled with the other state aid payments made under section 257.16 to a school district and shall be accounted for by the local school district separately from the other state aid payments. Preschool foundation aid payments made to school districts are miscellaneous income for purposes of chapter 257. A school district shall maintain a separate listing for preschool foundation aid payments received and expenditures made. A school district shall certify to the department of education that preschool foundation aid funding received by the school district was used to supplement, not supplant, moneys otherwise received and used by the school district for preschool programming.
- e. Preschool foundation aid funding shall not be used for the costs of constructing a facility in connection with an approved local program. [However, paragraph "b" would allow these costs from capital project funds if authorized by the voters/revenue purpose statement such as from VPEL, bond issues or LOSST/SAVE.] Preschool foundation aid funding may be used by approved local programs and community providers for professional development for preschool teachers, for instructional equipment, for material and equipment designed to develop pupils' large and small motor skills, and for other direct costs. Preschool foundation aid funding

- received by an approved local program that remain unexpended or unobligated at the end of a fiscal year shall be used to build the approved local program's preschool program capacity in the next succeeding fiscal year.
- f. The receipt of funding by a school district for the purposes of chapter 256C, the need for additional funding for the purposes of chapter 256C, or the enrollment count of eligible students under chapter 256C shall not be considered to be unusual circumstances, create an unusual need for additional funds, or qualify under any other circumstances that may be used by the SBRC to grant supplemental aid to or establish a modified supplemental amount for a school district under section 257.31.
 - g. For the fiscal year beginning July 1, 2011, and each succeeding fiscal year, of the amount of preschool foundation aid received by a school district for a fiscal year in accordance with section 257.16, not more than five percent [5%] may be used by the school district for administering the district's approved local program.
 - h. For the fiscal year beginning July 1, 2012, and each succeeding fiscal year, of the amount of preschool foundation aid received by a school district for a fiscal year in accordance with section 257.16, not less than ninety-five percent [95%] of the per pupil amount shall be passed through to a community-based provider for each pupil enrolled in the district's approved local program. For the fiscal year beginning July 1, 2011, and each succeeding fiscal year, not more than five percent [5%] of the amount of preschool foundation aid passed through to a community-based provider may be used by the community-based provider for administrative costs. **(256C.4(1))**.

No state funding received under this program shall be commingled with other state aid payments made under Iowa Code section 257.16. All state funding received under this program shall be accounted for by the applicant district separately from other state aid payments **(IAC 281—16.11(3))**.

Children participating in preschool in an approved local program under Iowa Code chapter 256C may be provided transportation services. However, transportation services provided to such children are not eligible for reimbursement **(IAC 281—16.12)**.

Appropriate uses of statewide voluntary four-year-old preschool program categorical funding

Because the program is specifically instructional, expenditures generally are limited to the functions of instruction, student support services and staff support services, but include expenditures required in 281—Chapter 16 **(IAC 281--98.13(1))**.

Inappropriate uses of statewide voluntary four-year-old preschool program categorical funding

Inappropriate uses of the statewide voluntary four-year-old preschool program funding include, but are not limited to, indirect costs or use charges, capital expenditures other than equipment, facility acquisition, debt service, operational or maintenance costs or administrative costs that supplant, or any other expenditures not directly related to providing the statewide voluntary four-year-old preschool program or that supplant existing public funding for preschool programming **(IAC 281--98.13(2))**.

Supplementary Weighting

Supplementary weighting provides funding in addition to the student count that generates general purpose revenues and is for the purpose of incenting sharing of students and staff between school districts and providing postsecondary opportunities for qualified students. It is assumed that supplementary weighting covers only a portion of the costs of sharing or providing postsecondary opportunities and shall be fully expended within the fiscal year. Therefore, school districts are not required to account for the supplementary weighting funding separate from the general purpose revenues **(IAC 281—98.14)**.

Supplementary weighting for district-to-district sharing is covered in Iowa Code subsection 257.11(2), for concurrent enrollment programs (community college) is covered in subsection 257.11(3), and for ICN shared classes in Iowa Code subsection 257.11(7). Information on ineligible students is covered in subsection 257.11(8) and information on required curriculum standards for shared classes is covered in subsection 257.11(9).

“*Career academy*” shall mean a program of study as defined in 281—Chapter 47. A course offered by a career academy shall not qualify as a regional academy course. A career academy course may qualify as a concurrent enrollment course if it meets the requirements of Iowa Code section 261E.8. “*Regional academy*” shall mean an educational program established by a school district to which multiple school districts send students in grades 9 through 12. The curriculum shall include advanced-level courses and, in addition, may include career-technical courses, Internet-based courses, and coursework delivered via the ICN. Regional academy courses shall not qualify as concurrent enrollment courses and do not generate any postsecondary credit. School districts participating in regional academies are eligible for supplementary weighting as provided in Iowa Code section 257.11, subsection 2 **(IAC 281—97.1, IAC 281—97.4(6))**.

If all or a substantial portion of the students in any grade are shared with another one or more school districts for all or a substantial portion of a school day, then no students in that grade level are eligible for supplementary weighting except as authorized by rule 281—97.5(257). No students in the grade levels who meet the criterion in this subrule are eligible for supplementary weighting even in the absence of an agreement executed pursuant to Iowa Code sections 282.10 through 282.12. A district that discontinues grades pursuant to Iowa Code section 282.7 is deemed to be whole-grade sharing the resident students in those discontinued grades for purposes of these rules (**IAC 281—97.2(7)**).

A school district that includes students in a virtual class for supplementary weighting shall reserve 50 percent of the supplementary weighting funding the district will receive as a result of including the resident students in the virtual class for supplementary weighting as additional pay for the virtual class teacher.

- a. The employer of the virtual class teacher will make the payment.
- b. The additional pay includes salary and the employer's share of FICA and IPERS.
- c. The employer shall pay the virtual class teacher during the same school year in which the virtual class is provided.
- d. The employer may pay the virtual class teacher at the conclusion of the virtual class or may pay the teacher periodic payments that represent the portion of the virtual class that has been provided. The employer may not pay the teacher prior to services being rendered.
- e. The additional pay shall be calculated as 0.5 multiplied by the supplementary weighting for the virtual class multiplied by the district cost per pupil in the subsequent budget year.
- f. If the teacher's contract includes additional pay for teaching the virtual class, the teacher shall receive the higher amount of the additional pay in the contract or the amount of the additional pay calculated pursuant to paragraphs "b" and "e" above. For purposes of this comparison, the employer shall compare the salary portions only.
- g. The contract between the agencies shall provide for the additional pay for the teacher of the virtual class. That 50 percent of the supplementary weighting funding would be paid in addition to the tuition sent to the providing district or community college to be paid as additional pay to its teacher employee (**IAC 281—97.6(3)**).

Operational Function Sharing Supplementary Weighting

Operational function sharing supplementary weighting provides funding in addition to the student count that generates general purpose revenues and is for the purpose of incenting sharing of management-level staff. It is assumed that operational function sharing supplementary weighting covers only a portion of the costs of sharing management-level staff and shall be fully expended within the five-year period of sharing. Therefore, school districts and AEA are not required to account for the operational function sharing supplementary weighting funding separate from the general purpose revenues (**IAC 281—98.15**).

Supplementary weighting for operational function sharing is covered in Iowa Code subsection 257.11(6).

"Operational function sharing" means sharing of managerial personnel in the discrete operational function areas of superintendent management, business management, human resources management, student transportation management, or facility operation or maintenance management. *"Operational function sharing"* does not mean sharing of clerical personnel, librarians, counselors, nurses, and curriculum directors. The operational function sharing arrangement does not need to be a newly implemented sharing arrangement in order to be eligible for supplementary weighting (**IAC 281—97.7(2)**).

Except for students listed under subrule 97.2(6), a resident student is eligible for supplementary weighting if the student is eligible to be counted as a resident student for certified enrollment and if all of the following criteria are met:

- a. The district shares a discrete operational function with one or more other political subdivisions pursuant to a written contract.
- b. The district shares the operational function for at least 20 percent of the contract time period during the fiscal year that is customary for a full-time employee in the operational function being shared, and at least one of the sharing partners also shares the operational function for at least 20 percent of the contract time period during the fiscal year. The 20 percent is measured each fiscal year and for each discrete operational function.
- c. Personnel shared as part of the operational function are employees of one of the sharing partners but are not employees of more than one of the sharing partners.
- d. If the district shares an operational function with more than one political subdivision, the sharing arrangement is listed only once for purposes of supplementary weighting.
- e. If the district shares more than one individual in the same operational function, that operational function shall be listed only once for the purposes of supplementary weighting.

- f. No individual personnel shall be included for operational function sharing more than once for supplementary weighting in the same fiscal year.
- g. If more than one sharing arrangement is implemented in any one operational function area and the services shared are substantially similar as determined by the department of education, only the sharing arrangement implemented first will be eligible for supplementary weighting.
- h. The operational function areas shared include one or more of the areas listed in subrule 97.7(2) (**IAC 281—97.7(1)**).

A school district that implements more than one sharing arrangement within any discrete operational function area shall be eligible for supplementary weighting for only one sharing arrangement in that discrete operational function (**IAC 281—97.7(8)**).

Limited English Proficiency (LEP) Weighting

Limited English proficiency weighting provides funding in addition to the student count that generates general purpose revenues and is for the purpose of providing funding for the excess costs of instruction of limited English proficiency students above the costs of instruction of pupils in a regular curriculum. In addition, the SBRC may grant a modified supplemental amount to continue funding of the excess costs beyond the five [5] years of weighting. Funding for the limited English proficiency weighting and the modified supplemental amount for limited English proficiency programs are both categorical funding and may have different restrictions than the federal limited English proficiency funding (**IAC 281—98.16**).

The SBRC may grant a modified supplemental amount for an unusual need to continue providing a program or other special assistance to non-English speaking pupils after the expiration of the five-year [5-yr] period specified in section 280.4 (**257.31(5)”)j”**).

In order to provide funds for the excess costs of instruction of limited English proficient students above the costs of instruction of pupils in a regular curriculum, students identified as limited English proficient shall be assigned an additional weighting of twenty-two hundredths [0.22], and that weighting shall be included in the weighted enrollment of the school district of residence for a period not exceeding five [5] years. However, the SBRC may grant supplemental aid or a modified supplemental amount to a school district to continue funding a program for students after the expiration of the five-year [5-yr] period (**280.4(3)**).

Appropriate expenditures for the limited English proficiency program are those that are direct costs of providing instruction which supplement, but do not supplant, the costs of the regular curriculum. These expenditures are delineated in 281—Chapter 98 (**IAC 281—60.6(3)**).

Inappropriate expenditures are delineated in 281—Chapter 98 (**IAC 281—60.6(4)**).

Limited English proficient funding is categorical funding and follows the general provisions in 281—Chapter 98 (**IAC 281—60.6(5)**).

Districts shall include and identify the detail of financial transactions related to limited English proficient resources, expenditures, and carryforward balances on their certified annual report. School districts shall use the account coding appropriate to the limited English proficient program as defined by Uniform Financing Accounting for Iowa School Districts and AEAs. Each district shall submit its certified annual report following the close of the fiscal year but no later than September 15 (**IAC 281—60.6(6)**).

Appropriate uses of LEP categorical funding

Appropriate uses of funding for the limited English proficiency program are those that are direct costs of providing instruction which supplement, but do not supplant, the costs of the regular curriculum. These expenditures include, but are not limited to, salaries and benefits of teachers and paraeducators; instructional supplies, textbooks, and technology; classroom interpreters; support services to students served in limited English proficiency programs above the services provided to pupils in regular programs; support services to instructional staff such as targeted professional development, curriculum development or academic student assessment; and support services provided to parents of limited English proficiency students and community services specific to limited English proficiency (**IAC 281--98.16(1)**).

Inappropriate uses of LEP categorical funding

Inappropriate uses of funding for the limited English proficiency program include, but are not limited to, indirect costs,

operational or maintenance costs, capital expenditures other than equipment, student transportation, administrative costs, or any other expenditures not directly related to providing the limited English proficiency program beyond the scope of the regular classroom (**IAC 281--98.16(2)**).

Special Education Weighting

Special education weighting provides funding in addition to the student count that generates general purpose revenues for the purpose of providing additional instruction and services to an identified group of students. Further information on the special education program is provided in 281—Chapter 41 and on the website (**IAC 281—98.17**).

The board of directors of each public school district shall make adequate educational provisions for each resident child requiring special education appropriate to the nature and severity of the child's disability pursuant to rules promulgated by the Department of Education under the provisions of chapters 256B and 273 (**280.8**).

The board of each school district shall provide special education programs and services for its resident children which comply with rules of the state board of education implementing Iowa Code chapters 256, 256B, 273, and 280 (**IAC 281—12.5(9)**).

Special education costs are the excess costs of instruction of children requiring special education, above the costs of instruction of pupils in a regular curriculum (**256B.9(1)**).

Costs that are ordinary and necessary costs provided to all students and are not directly linked to a need inherent in the student's disability would not be direct special education costs. Instead those costs are covered by the 1.0 funding and other local revenues all students receive if appropriate to the general fund or covered by the funding generated in other funds that would apply equally to all students (**Department guidance, 6-28-2006**).

“Educational program” includes all school curricular programs and activities both on and off school grounds (**IAC 281—41.405(1)**).

Instructional services are the specially designed instruction and accommodations provided by special education instructional personnel to eligible individuals. These services are ordinarily provided by the LEA but, in limited circumstances, may be provided by another LEA, the AEA or another recognized agency through contractual agreement (**IAC 281—41.408(1)**).

Support services are the specially designed instruction and activities that augment, supplement or support the educational program of eligible individuals. These services include special education consultant services, educational strategist services, audiology, occupational therapy, physical therapy, school psychology, school social work services, special education nursing services, and speech-language services. Support services are usually provided by the AEA but may be provided by contractual agreement, subject to the approval of the board, by another qualified agency (**IAC 281—41.409**).

Related services and supplementary aids and services shall be provided to an eligible individual in accordance with an IEP. Such services that are also support services under rule 281—41.409 are usually provided by the AEA but may be provided by contractual agreement, subject to the approval of the board, by another qualified agency. Other such services are usually provided by the LEA but may be provided by contractual agreement, subject to the approval of the board, by another qualified agency (**IAC 281—41.411**).

“Children requiring special education” means persons under twenty-one [21] years of age, including children under five [5] years of age, who have a disability in obtaining an education because of a head injury, autism, behavioral disorder, or physical, mental, communication, or learning disability, as defined by the rules of the Department of Education. If a child requiring special education reaches the age of twenty-one [21] during an academic year, the child may elect to receive special education services until the end of the academic year (**256B.2(1)”a”**).

“Special education” means classroom, home, hospital, institutional, or other instruction designed to meet the needs of children requiring special education as defined in this subsection; transportation and corrective and supporting services required to assist children requiring special education, as defined in this subsection, in taking advantage of, or responding to, educational programs and opportunities, as defined by rules of the state board of education (**256B.2(1)”b”**).

“Special education” means specially designed instruction, at no cost to the parents, to meet the unique needs of a child with a disability, including:

- a. Instruction conducted in the classroom, in the home, in hospitals and institutions, and in other settings; and
- b. Instruction in physical education.

Any service listed in chapter 281--41, including support services, related services, and supplemental aids and services, that is specially designed instruction under subrule 41.39(1) or state standards or is required to assist an eligible individual in taking advantage of, or responding to, educational programs and opportunities;

- b. Travel training; and
- c. Vocational education (**IAC 281—41.39**).

The terms in this definition are defined as follows:

a. *“At no cost”* means that all specially designed instruction is provided without charge, but does not preclude incidental fees that are normally charged to nondisabled students or their parents as a part of the regular education program. An AEA or LEA may ask, but not require, parents of children with disabilities to use public insurance or benefits or private insurance proceeds to pay for services if they would not incur a financial cost, as described in rule 281—41.154.

b. *“Physical education”* means the development of physical and motor fitness; fundamental motor skills and patterns; and skills in aquatics, dance, and individual and group games and sports, including intramural and lifetime sports; and includes special physical education, adapted physical education, movement education, and motor development.

c. *“Specially designed instruction”* means adapting, as appropriate to the needs of an eligible child under this chapter, the content, methodology, or delivery of instruction:

- (1) To address the unique needs of the child that result from the child’s disability; and
- (2) To ensure access of the child to the general curriculum, so that the child can meet the educational standards within the jurisdiction of the public agency that apply to all children.

d. *“Travel training”* means providing instruction, as appropriate, to children with significant cognitive disabilities, and any other children with disabilities who require this instruction, to enable them to:

- (1) Develop an awareness of the environment in which they live; and
- (2) Learn the skills necessary to move effectively and safely from place to place within that environment (e.g., in school, in the home, at work, and in the community).

e. *“Vocational education”* means organized educational programs that are directly related to the preparation of individuals for paid or unpaid employment, or for additional preparation for a career not requiring a baccalaureate or advanced degree (**IAC 281—41.39(3)**).

Transition services for children with disabilities may be special education, if provided as specially designed instruction, or a related service if required to assist a child with a disability to benefit from special education (**IAC 281—41.43(2)**).

In providing or arranging for the provision of nonacademic and extracurricular services and activities, including meals, recess periods, and the services and activities set forth in rule 281—41.107, each public agency must ensure that each child with a disability participates with nondisabled children in the extracurricular services and activities to the maximum extent appropriate to the needs of that child. The public agency must ensure that each child with a disability has the supplementary aids and services determined by the child’s IEP team to be appropriate and necessary for the child to participate in nonacademic settings (**IAC 281—41.117**).

It is the policy of this state to require school districts and state-operated educational programs to provide or make provision, as an integral part of public education, for a free and appropriate public education sufficient to meet the needs of all children requiring special education. This chapter is not to be construed as encouraging separate facilities or segregated programs designed to meet the needs of children requiring special education when the children can benefit from all or part of the education program as offered by the local school district. To the maximum extent possible, children requiring special education shall attend regular classes and shall be educated with children who do not require special education. Whenever possible, hindrances to learning and to the normal functioning of children requiring special education within the regular school environment shall be overcome by the provision of special aids and services rather than by separate programs for those in need of special education. Special classes, separate schooling, or other removal of children requiring special education from the regular educational environment, shall occur only when, and to the extent that the nature or severity of the educational disability is such, that education in regular classes, even with the use of supplementary aids and services, cannot be accomplished satisfactorily. For those children who cannot adapt to the regular educational or home living conditions, and who are attending facilities under chapters 263, 269, and 270, upon the request of the board of directors of an AEA, the department of human services [DHS] shall provide residential or detention facilities and the AEA shall provide special education programs and services. The AEAs shall cooperate with the board of regents to provide the services required by this chapter (**256B.2(2)**).

Special aids and services shall be provided to children requiring special education who are less than five [5] years of age if the aids and services will reasonably permit the child to enter the educational process or school environment when the child attains school age **(256B.2(3))**.

Every child requiring special education shall, if reasonably possible, receive a level of education commensurate with the level provided each child who does not require special education. The cost of providing such an education shall be paid as provided in section 273.9, this chapter, and chapter 257. It shall be the primary responsibility of each school district to provide special education to children who reside in that district if the children requiring special education are properly identified, the educational program or service has been approved, the teacher or instructor has been licensed, the number of children requiring special education needing that educational program or service is sufficient to make offering the program or service feasible, and the program or service cannot more economically and equably be obtained from the AEA, another school district, another group of school districts, a qualified private agency, or in cooperation with one or more other districts **(256B.2(4))**.

General education and special education personnel share responsibility in providing appropriate educational programs for eligible individuals and in providing intervention and prevention services to individuals who are experiencing learning or adjustment problems **(IAC 281—41.400(2))**.

It is the responsibility of each eligible individual's resident LEA to provide or make provision for appropriate special education and related services to meet the requirements of state and federal statutes and rules. This responsibility may be met by one or more of the following: by each LEA acting for itself, by action of two or more LEAs through the establishment and maintenance of joint programs, by the AEA, by contract for services from approved public or private agencies offering the appropriate special education and related services, or by any combination of these options. The AEA shall support and assist LEAs in meeting their responsibilities for providing appropriate special education and related services. The requirements of Part B of the Act and of this chapter are binding on each public agency that has direct or delegated authority to provide special education and related services regardless of whether that agency is receiving funds under Part B of the Act **(IAC 281—41.400(1))**.

A school district shall determine its additional enrollment because of special education, as defined in 257.6, by November 1 of each year and shall certify its additional enrollment because of special education to the department of education by November 15 of each year, and the department shall promptly forward the information to the department of management. "*Additional enrollment because of special education*" is determined by multiplying the weighting of each category of child under section 256B.9 times the number of children in each category totaled for all categories minus the total number of children in all categories **(257.6(3))**.

Moneys received by the school district of the child's residence for the child's education, derived from moneys received through chapter 257, this chapter, and section 273.9 shall be paid by the school district of the child's residence to the appropriate education agency, private agency, or other school district providing special education for the child pursuant to contractual arrangements as provided in section 273.3, subsections 5 and 6 **(256B.2(5))**.

In order to provide funds for the excess costs of instruction of children requiring special education, above the costs of instruction of pupils in a regular curriculum, a special education weighting plan for determining enrollment in each school district is adopted **(256B.9(1))**.

The weighting for each category of child multiplied by the number of children in each category in the enrollment of a school district, as identified and certified by the director of special education for the area, determines the weighted enrollment to be used in that district for purposes of computations required under the state school foundation plan in chapter 257 **(256B.9(2))**.

The weight that a child is assigned under this section shall be dependent upon the required educational modifications necessary to meet the special education needs of the child. Enrollment for the purpose of this section, and all payments to be made pursuant thereto, includes all children for whom a special education program or course is to be provided pursuant to section 256.12, subsection 2, sections 273.1 to 273.9, and this chapter, whether or not the children are actually enrolled upon the records of a school district **(256B.9(3))**.

On December 1, 1987, and no later than December 1 every two years thereafter, for the school year commencing the following July 1, the director of the department of education shall report to the SBRC the average costs of providing instruction for children requiring special education in the categories of the weighting plan established under this section, and for providing services to nonpublic school students pursuant to section 256.12, subsection 2, and the director of the department of education shall make recommendations to the SBRC for needed alterations to make the weighting plan suitable for subsequent school years. The SBRC shall establish the weighting plan for each school year and shall report the plan to the director of the department of education. The SBRC may establish weights to the nearest

hundredth. The SBRC shall not alter the weighting assigned to pupils in a regular curriculum, but it may increase or decrease the weighting assigned to each category of children requiring special education by not more than two-tenths of the weighting assigned to pupils in a regular curriculum. The state board of education shall adopt rules under chapter 17A to implement the weighting plan for each year and to assist in identification and proper indexing of each child in the state who requires special education **(256B.9(4))**.

The division of special education shall audit the reports required in section 273.5 to determine that all children in the area who have been identified as requiring special education have received the appropriate special education instructional and support services, and to verify the proper identification of pupils in the area who will require special education instructional services during the school year in which the report is filed. The division shall certify to the director of the department of management the correct total enrollment of each school district in the state, determined by applying the appropriate pupil weighting index to each child requiring special education, as certified by the directors of special education in each area **(256B.9(5))**.

The special education division may conduct an evaluation of the special education instructional program or special education support services being provided by an AEA, school district, or private agency to determine if the program or services is adequate and proper to meet the needs of the child; if the child is benefiting from the program or service; if the costs are in proportion to the educational benefits being received; and if there are any improvements that can be made in the program or service **(256B.9(6))**.

The costs of special education instructional programs include the costs of purchase of transportation equipment to meet the special needs of children requiring special education with the approval of the director of the Department of Education **(256B.9(7))**. Transportation of eligible individuals shall generally be provided as for other individuals, when appropriate [and would not be a special education cost.] Specialized transportation of an eligible individual to and from a special education instructional service is a function of that service and, therefore, an appropriate expenditure of special education instructional funds generated through the weighting plan. Transportation includes travel to and from school and between schools; travel in and around school buildings; and specialized equipment, such as special or adapted buses, lifts, and ramps, if required to provide special transportation for a child with a disability, if the transportation service is specified on the IEP **(IAC 281—41.412)**.

Commencing with the school year beginning July 1, 1976, a school district may expend an amount not to exceed two-sevenths of an amount equal to the district cost of a school district for the costs of regular classroom instruction of a child certified under the special education weighting plan in subsection 1, paragraph “b”, as a pupil with disabilities who is enrolled in a special class, but who receives part of the pupil’s instruction in a regular classroom. Unencumbered funds generated for special education instructional programs for the school year beginning July 1, 1975, and for the school year beginning July 1, 1976, shall not be expended for such purpose **(256B.9(8))**. This is the general purpose percentage (GPP).

Funds generated for special education instructional programs under chapter 256B and chapter 257 shall not be expended for modifications of school buildings to make them accessible to children requiring special education **(256B.9(9))**. Instead, these costs shall be expended from a capital projects fund such as PPEL, a bond issue, or SAVE, as appropriate.

School districts shall pay the costs of special education instructional programs with the moneys available to the districts for each child requiring special education, by application of the special education weighting plan in section 256B.9 **(273.9(2))**.

The costs of special education support services provided through the AEA shall be funded as provided in chapter 257 **(273.9(3))**.

The state board of education in conjunction with the department of education shall develop a program to utilize federally funded health care programs, except the federal medically needy program for individuals who have a spend-down, to share in the costs of services which are provided to children requiring special education **(256B.15)**.

When special education and related services appropriate to an eligible individual’s needs are not available within the state, or when appropriate special education and related services in an adjoining state are nearer than the appropriate special education and related services in Iowa, the director may certify an eligible individual for appropriate special education and related services outside the state in accordance with Iowa Code section 273.3 when it has been determined by the department that the special education and related services meet standards set forth in these rules **(IAC 281—41.166(5))**.

The US Secretary provides grants under Section 619 of IDEA to assist states to provide special education and related services in accordance with Part B of the Act to children with disabilities aged three through five years; and, at a state's discretion, to two-year-old children with disabilities who will turn three during the school year **(281—41.800)**.

Each public agency shall comply with the state's policies concerning the transition of infants and toddlers from programs under Part C of IDEA to programs under Part B of IDEA **(IAC 281—41.124)**.

Funds under 20 U.S.C. Chapter 33, Part C, of IDEA, may be used to provide FAPE to early childhood special education students, in accordance with these rules, to eligible individuals from their third birthday to the beginning of the following school year **(IAC 281—41.907(8)"c")**.

Special schools for eligible individuals who require special education outside the general education environment may be maintained by individual LEAs, jointly by two or more LEAs, by the AEA, jointly by two or more AEAs, by the state directly, or by approved private providers. Department recognition of agencies providing special education and related services shall be of two types:

a. Recognition of nonpublic agencies and state-operated programs providing special education and related services in compliance with these rules.

b. Approval for nonpublic agencies to provide special education and related services and to receive special education funds for the special education and related services contracted for by an LEA or an AEA **(IAC 281—41.176)**.

Any special education instructional program not provided directly by an LEA or any special education support service not provided by an AEA can only be provided through a contractual agreement. The board shall approve contractual agreements for AEA-operated special education instructional programs and contractual agreements permitting special education support services to be provided by agencies other than the AEA **(IAC 281—41.903(1))**.

Each agency contracting with other agencies to provide special education and related services for individuals or groups of individuals shall maintain responsibility for individuals receiving such special education and related services by:

a. Ensuring that all the requirements related to the development of each eligible individual's IEP are met.

b. Requiring and reviewing periodic progress reports to ensure the adequacy and appropriateness of the special education and related services provided.

c. Conditioning payments on delivery of special education and related services in accordance with the eligible individual's IEP and in compliance with these rules **(IAC 281—41.903(2))**.

The program costs charged by an LEA or an AEA for an instructional program for a nonresident eligible individual shall be the actual costs incurred in providing that program **(IAC 281—41.907(1))**.

An AEA or LEA may make provisions for resident eligible individuals through contracts with public or private agencies that provide appropriate and approved special education. The program costs charged by or paid to a public or private agency for special education instructional programs shall be the actual costs incurred in providing that [instructional] program **(IAC 281—41.907(2))**.

The resident LEA shall be liable only for instructional costs incurred by an agency for those individuals certified as eligible in accordance with these rules unless required by 34 CFR Section 300.104 **(IAC 281—41.907(3))**.

Support service funds may not be utilized to supplement any special education programs authorized to use special education instructional funds generated through the weighting plan **(IAC 281—41.907(4))**.

When a school district presents evidence of unusual circumstances that would justify charging administrative costs to the special education program, the SBRC may authorize such expenditures. The committee shall use the following criteria in evaluating the evidence presented by the district:

a. The school district has a separate facility for special education which has a sufficient student population to warrant a certified special education administrator. In this case, the district, after it has received approval from the SBRC, may bill the prorated cost to other resident districts as well as include the prorated portion related to its own resident students in the special education program expenditures.

b. The school district has one or more private facilities located within the district with a sufficient special education student population that is served by the district. In this case, the district, after it has received approval from the SBRC, may include the lower of the prorated actual administrative costs or the prorated approved administrative costs in the billing to other resident districts in proportion to each district's resident students in the program, but shall not include the prorated portion related to its own resident students in the special education program expenditures **(IAC 289—6.9)**.

At-risk Formula Supplementary Weighting

At-risk formula supplementary weighting provides funding in addition to the student count that generates general purpose revenues for the purpose of providing additional instruction and services to an identified group of at-risk and alternative school secondary students pursuant to Iowa Code section 257.11(4) “a” (**IAC 281—98.18**).

Supplementary weighting for the at-risk formula is covered in Iowa Code subsection 257.11(4).

In order to provide additional funding to school districts for programs serving at-risk pupils and alternative school pupils in secondary schools, a supplementary weighting plan for at-risk pupils is adopted (**257.11(4)”a”**).

Funding generated by the supplementary weighting plan for at-risk students shall be used to develop or maintain at-risk programs, which may include alternative school programs (**IAC 281—97.3(1)**).

Appropriate uses of at-risk formula supplementary weighting categorical funding

Appropriate uses of at-risk formula supplementary weighting funding include costs to develop or maintain at-risk pupils' programs, which may include alternative school programs, and include, but are not limited to:

- a. Salary and benefits for the teacher(s) and guidance counselor(s) of students participating in the at-risk or alternative school programs when the teacher or counselor is dedicated to working directly and exclusively with identified students beyond the services provided by the school district to students who are not identified as at risk. If the teacher (or counselor) is part-time at-risk and part-time regular classroom teacher (counselor), then the portion of time that is related to the at-risk program may be charged to the program, but the portion of time that is related to the regular classroom shall not.
- b. Professional development for all teachers and staff working with at-risk students and programs involving intervention strategies.
- c. Research-based resources, materials, software, supplies, and purchased services that meet all of the following criteria:
 - 1) Meet the needs of K through 12 identified students at risk,
 - 2) Are beyond those provided by the regular school program,
 - 3) Are necessary to provide the services listed in the school district’s at-risk program plan, and
 - 4) Will remain with the K through 12 at-risk program (**IAC 281--98.18(1)**).

Inappropriate uses of at-risk formula supplementary weighting categorical funding

Inappropriate uses of the at-risk formula supplementary weighting funding include, but are not limited to, indirect costs or use charges, operational or maintenance costs, capital expenditures other than equipment, student transportation, administrative costs other than those related to a separate school located off site and where the administrator is assigned exclusively to this program, or any other expenditures not directly related to providing the at-risk or alternative school program beyond the scope of the regular classroom program (**IAC 281--98.18(2)**).

Reorganization Incentive Weighting

Reorganization incentive weighting provides funding in addition to the student count that generates general purpose revenues and is for the purpose of inciting reorganization of school districts to increase student learning opportunities. It is assumed that reorganization incentive weighting covers only a portion of the costs of reorganizing and shall be fully expended within the fiscal year. Therefore, school districts are not required to account for the reorganization incentive weighting funding separate from the general purpose revenues (**IAC 281—98.19**).

Supplementary weighting and school reorganization is covered in Iowa Code section 257.11A.

Gifted and Talented Program

Gifted and talented program funding is included in the school district cost per pupil calculated for each school district under the school foundation formula. The per-pupil amount increases each year by the increase in supplemental state aid, as defined in section 257.2, Code 2014, for the school year. This amount must account for not more than 75 percent [75%] of the school district’s total gifted and talented program 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 [25%] of the total gifted and talented program budget. In addition, school districts may receive donations and grants, and the school district may contribute more local school district resources toward the gifted and talented program. The 75 percent [75%] portion, the 25% local match, and all donations and grants shall be accounted for as

categorical funding. The purpose of the gifted and talented funding described in Iowa Code section 257.46 is to provide for identified gifted students' needs beyond those provided by the regular school program pursuant to each gifted student's individualized plan. The funding shall be used only for expenditures that are directly related to providing the gifted and talented program (**IAC 281—98.20**).

"Gifted and talented children" are those identified as possessing outstanding abilities who are capable of high performance. Gifted and talented children are children who require appropriate instruction and educational services commensurate with their abilities and needs beyond those provided by the regular school program (**257.44**).

If any portion of the gifted and talented program budget remains unexpended at the end of the budget year, the remainder shall be carried over to the subsequent budget year and added to the gifted and talented program budget for that year (**257.45(3)**).

The AEAs in which the school districts having approved gifted and talented children programs are located shall cooperate with the school district in the identification and placement of gifted and talented children and may assist school districts in the establishment of such programs (**257.47**).

The purpose of the funding described in Iowa Code section 257.45 is to provide for the needs of identified gifted and talented students beyond those needs that are provided by the regular school program. The funding shall be used only for expenditures directly related to providing the gifted and talented program described in the program plan. Appropriate expenditures are delineated in 281—Chapter 98 (**IAC 281—59.5(11)**).

Inappropriate expenditures are delineated in 281—Chapter 98 (**IAC 281—59.5(12)**).

Gifted and talented funding is categorical funding and follows the general provisions in 281—Chapter 98 (**IAC 281—59.5(13)**).

School districts shall include and identify the detail of financial transactions related to gifted and talented resources, expenditures, and carryforward balances on their certified annual report. School districts shall use the account coding appropriate to the gifted and talented program as defined by Uniform Financing Accounting for Iowa School Districts and AEAs. Each school district shall certify its certified annual report following the close of the fiscal year but no later than September 15 (**IAC 281—59.5(14)**).

The program plans submitted by school districts shall be part of the school improvement plan submitted pursuant to section 256.7, subsection 21, paragraph "a", and shall include all of the following:

1. Program goals, objectives, and activities to meet the needs of gifted and talented children.
2. Student identification criteria and procedures.
3. Staff in-service education design.
4. Staff utilization plans.
5. Evaluation criteria and procedures and performance measures.
6. Program budget.
7. Qualifications required of personnel administering the program.
8. Other factors the department requires (**257.43**).

The department may request that the staff of the auditor of state conduct an independent program audit to verify that the gifted and talented programs conform to a district's program plans (**257.42**).

Appropriate uses of gifted and talented program categorical funding

Appropriate uses of the gifted and talented program funding include, but are not limited to:

- a. Salary and benefits for the teacher of gifted and talented students. If the teacher is a part-time gifted and talented and a part-time regular classroom teacher, then the portion of time that is related to the gifted and talented program may be charged to the program, but the portion of time that is related to the regular classroom shall not.
- b. Staff development for the gifted and talented teacher.
- c. Resources, materials, software, supplies, and purchased services that meet all of the following criteria:
 1. Meet the needs of K through 12 identified students,
 2. Are beyond those provided by the regular school program,
 3. Are necessary to provide the services listed on the gifted students' individualized plans, and
 4. Will remain with the K through 12 gifted and talented program (**IAC 281--98.20(1)**).

Inappropriate uses of gifted and talented program categorical funding

Inappropriate uses of the gifted and talented program funding include, but are not limited to, indirect costs or use

charges, operational or maintenance costs, capital expenditures other than equipment, student transportation, administrative costs, or any other expenditures not directly related to providing the gifted and talented program beyond the scope of the regular classroom (**IAC 281--98.20(2)**).

Returning Dropout and Dropout Prevention Program

Returning dropout and dropout prevention programs are funded through a school district-initiated request to the SBRC for a modified supplemental amount pursuant to Iowa Code sections 257.38 to 257.41. This amount must account for not more than 75 percent [75%] of the school district's total dropout prevention 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 [25%] of the total dropout prevention 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 [75%] portion, the 25% local match, and all donations and grants shall be accounted for as categorical funding (**IAC 281—98.21**).

"Returning dropouts" are resident pupils who have been enrolled in a public or nonpublic school in any of grades 7 through 12 who withdrew from school for a reason other than transfer to another school or school district and who subsequently enrolled in a public school in the district (**257.39(1)**).

"Potential dropouts" are resident pupils who are enrolled in a public or nonpublic school who demonstrate poor school adjustment as indicated by two or more of the following:

- a. High rate of absenteeism, truancy, or frequent tardiness.
- b. Limited or no extracurricular participation or lack of identification with school, including but not limited to, expressed feelings of not belonging.
- c. Poor grades, including but not limited to, failing in one or more school subjects or grade levels.
- d. Low achievement scores in reading or mathematics which reflect achievement at two years or more below grade level.
- e. Children in grades kindergarten through three who meet the definition of at-risk children adopted by the Department of Education (**257.39(2)**).

If a district is requesting to use the modified supplemental amount to finance the program, the school district shall not identify more than five percent [5%] of its budget enrollment for the budget year as returning dropouts and potential dropouts (**257.38(2)**).

Purpose of returning dropout and dropout prevention program categorical funding

The purpose of the dropout prevention funding is to provide funding to meet the needs of identified students at risk of dropping out of school beyond the instructional program and services provided by the regular school program. The funding shall be used only for expenditures that are directly related to the returning dropout and dropout prevention program.

- a. Returning dropouts are resident pupils who have been enrolled in a public or nonpublic school in any of grades 7 through 12 who withdrew from school for a reason other than transfer to another school or school district and who subsequently reenrolled in a public school in the school district.
- b. Potential dropouts are resident pupils who are enrolled in a public or nonpublic school who demonstrate poor school adjustment as indicated by two or more of the following:
 1. High rate of absenteeism, truancy, or frequent tardiness.
 2. Limited or no extracurricular participation or lack of identification with school, including but not limited to expressed feelings of not belonging.
 3. Poor grades, including but not limited to failing in one or more school subjects or grade levels.
 4. Low achievement scores in reading or mathematics which reflect achievement at two years or more below grade level.
 5. Children in grades kindergarten through 3 who meet the definition of at-risk children adopted by the department of education (**IAC 281--98.21(1)**).

Appropriate uses of returning dropout and dropout prevention program categorical funding

Appropriate uses of the returning dropout and dropout prevention program funding include, but are not limited to:

- a. Salary and benefits for the teacher(s) and guidance counselor(s) of students participating in the dropout prevention programs, alternative programs, and alternative schools when the teacher or counselor is dedicated to working directly and exclusively with identified students to provide services beyond those provided by the school district to students who are not identified as at risk of becoming dropouts. If the teacher (or counselor) is a part-time dropout prevention and part-time regular classroom teacher (counselor), then the

- portion of time that is related to the dropout prevention program may be charged to the program, but the portion of time that is related to the regular classroom shall not.
- b. Professional development for all teachers and staff working with at-risk students and programs involving dropout prevention strategies.
 - c. Research-based resources, materials, software, supplies, and purchased services that meet all of the following criteria:
 1. Meet the needs of K through 12 identified students at risk of dropping out or returning dropouts,
 2. Are beyond those provided by the regular school program,
 3. Are necessary to provide the services listed in the school district's dropout prevention plan, and
 4. Will remain with the K through 12 returning dropout and dropout prevention program (**IAC 281--98.21(2)**).

Inappropriate uses of returning dropout and dropout prevention program categorical funding

Inappropriate uses of the returning dropout and dropout prevention program funding include, but are not limited to, indirect costs or use charges, operational or maintenance costs, capital expenditures other than equipment, student transportation, administrative costs other than those related to a separate school located off site and where the administrator is assigned exclusively to this program, or any other expenditures not directly related to providing the returning dropout and dropout prevention program beyond the scope of the regular classroom (**IAC 281--98.21(3)**).

Use of the Unexpended General Fund Balance

The unexpended general fund balance is commonly called the secretary's balance and refers to the fund balance remaining in the general fund at the end of the fiscal year (**IAC 281—98.22**).

Authorization required

The SBRC may authorize a school district to spend a reasonable and specified amount from its unexpended general fund balance for either of the following purposes:

- a. Furnishing, equipping, and contributing to the construction of a new building or structure for which the voters of the school district have approved a bond issue as provided by law or the tax levy provided in Iowa Code section 298.2.
- b. The costs associated with the demolition of an unused school building, or the conversion of an unused school building for community use, in a school district involved in a dissolution or reorganization under Iowa Code chapter 275, if the costs are incurred within three [3] years of the dissolution or reorganization (**IAC 281--98.22(1)**).

The committee may authorize a district to spend a reasonable and specified amount from its unexpended cash balance for the following purposes:

- 1) Furnishing, equipping, and contributing to the construction of a new building or structure for which the voters of the district have approved a [general obligation] bond issue as provided by law or the tax levy provided in section 298.2 [VPPEL].
- 2) The costs associated with the demolition of an unused school building, or the conversion of an unused school building for community use, in a school district involved in a dissolution or reorganization under chapter 275, if the costs are incurred within 3 years of the dissolution or reorganization.
- 3) The costs associated with the demolition or repair of a building or structure in a school district if such costs are necessitated by, and incurred within 2 years of, a disaster as defined in section 29C.2, subsection 1(**257.31(7)"a"**).

Other expenditures, including but not limited to expenditures for salaries or recurring costs, are not authorized under this subsection. Expenditures authorized under this subsection shall not be included in supplemental state aid or district cost, and the portion of the unexpended cash balance which is authorized to be spent shall be regarded as if it were miscellaneous income. Any part of the amount not actually spent for the authorized purpose shall revert to its former status as part of the unexpended cash balance (**257.31(7)"b"**).

Appropriate uses of unexpended general fund balance categorical funding

Appropriate uses of the unexpended general fund balance include a transfer from the general fund to the capital projects fund in the amount approved by the school budget review committee. The moneys in the capital projects fund shall be used exclusively for furnishing, equipping or constructing a new building or for demolishing an unused building (**IAC 281--98.22(2)**).

Inappropriate uses of unexpended general fund balance categorical funding

Inappropriate uses of the unexpended general fund balance include, but are not limited to, expenditures for salaries or

recurring costs (**IAC 281--98.22(3)**).

Mandatory reversion of unused funding from unexpended general fund balance

The portion of the unexpended general fund balance which is authorized to be transferred and expended shall increase budget authority. However, any part of the amount not actually spent for the authorized purpose shall revert to its former status as part of the unexpended general fund balance, and budget authority will be reduced by the amount not actually spent (**IAC 281--98.22(4)**).

Iowa Early Intervention Block Grant

Beginning with the fiscal year 2009-2010, the Iowa early intervention block grant program, also known as the early intervention supplement, is converted from a grants-in-aid categorical funding to a budgetary allocation categorical funding. The program's goals for kindergarten through grade 3 are to provide the resources needed to reduce class sizes in basic skills instruction to the state goal of 17 students for every one teacher; provide direction and resources for early intervention efforts by school districts to achieve a higher level of student success in the basic skills, especially reading skills; and increase communication and accountability regarding student performance (**IAC 281—98.23**).

For the budget year beginning July 1, 2009, and each succeeding budget year, a school district shall expend funds received pursuant to section 257.10, subsection 11, at the kindergarten through grade 3 levels to reduce class sizes to the state goal of 17 students for every one teacher and to achieve a higher level of student success in the basic skills, especially reading. In order to support these efforts, school districts may expend funds received pursuant to section 257.10, subsection 11, at the kindergarten through grade 3 level on programs, instructional support, and materials that include but are not limited to the following: additional licensed instructional staff; additional support for students, such as before and after school programs, tutoring, and intensive summer programs; the acquisition and administration of diagnostic reading assessments; the implementation of research-based instructional intervention programs for students needing additional support; the implementation of all-day, everyday kindergarten programs; and the provision of classroom teachers with intensive training programs to improve reading instruction and professional development in best practices including but not limited to training programs related to instruction to increase students' phonemic awareness, reading abilities, and comprehension skills (**256D.2A**).

A school district shall maintain a separate listing within its budget for payments received and expenditures made pursuant to chapter 256D. A school district shall certify to the Department of Education that moneys received under this chapter were used to supplement, not supplant, moneys otherwise received and used by the school district (**256D.4A**).

Appropriate uses of Iowa early intervention block grant categorical funding

Appropriate uses of the Iowa early intervention block grant funding include providing programs, instructional support, and materials at the kindergarten through grade 3 level that include but are not limited to the following:

- a. Additional licensed instructional staff;
- b. Additional support for students, such as before- and after-school programs, tutoring, and intensive summer programs;
- c. The acquisition and administration of diagnostic reading assessments;
- d. The implementation of research-based instructional intervention programs for students needing additional support;
- e. The implementation of all-day, everyday kindergarten programs; and
- f. The provision of intensive training programs to classroom teachers to improve reading instruction and professional development in best practices (**IAC 281--98.23(1)**).

Inappropriate uses of Iowa early intervention block grant categorical funding

Inappropriate uses of the Iowa early intervention block grant program funding include, but are not limited to, indirect costs or use charges, operational or maintenance costs, capital expenditures other than equipment, student transportation, or administrative costs (**IAC 281--98.23(2)**).

Teacher Salary Supplement

Beginning with the fiscal year 2009-2010, the educational excellence Phase II program and the educator quality basic salary program were combined and converted from grants-in-aid categorical funding to a budgetary allocation categorical funding. Remaining balances in the educational excellence Phase II program and the educator quality basic salary program shall be expended for the same purposes as the teacher salary supplement. A teacher may be employed

in both an administrative and a nonadministrative position by a board of directors of a school district, and shall be considered a part-time teacher for the portion of time that the teacher is employed in a nonadministrative position (**IAC 281—98.24**).

For the school budget year beginning July 1, 2010, and each succeeding school year, school districts and AEAs shall combine payments made to teachers under sections 257.10 and 257.37A with regular wages to create a combined salary. The teacher contract issued under section 279.13 must include the combined salary. If a school district or AEA uses a salary schedule, a combined schedule shall be used for regular wages and for distribution of payments under sections 257.10 and 257.37A, incorporating the salary minimums required in section 284.7, or required under a framework or comparable system approved pursuant to section 284.15. The combined salary schedule must use only the combined salary and cannot differentiate regular salaries and distribution of payments under section 257.10 and 257.37A (**284.3A(2)"a"**). This does not, however, prevent the district from disaggregating the salary in the accounting records to accurately account for the sources and uses of categorical funding.

A school district or AEA shall not be required to maintain a separate account within its budget based on source of funds for payments received and expenditures made pursuant to this section. The school district or AEA shall annually certify to the department of education that funding received pursuant to sections 257.10 and 257.37A was expended on salaries for qualified teachers (**284.3A(3)**). "Budget" is defined in chapter 24 for school districts and in chapter 273 for AEAs. "Budget" does not include the certified annual report which is defined in chapter 291 or the chart of accounts that is required as authorized under chapter 256.

TSS funds were subject to the 10% across-the-board budget reduction to cash payment. However, whether school districts are obligated to pay to their teachers the calculated TSS amount [in the year of the ATB cut], which is 10% higher than the amount the school districts received in TSS monies, is dependent on the locally bargained agreements of each school district or AEA (**25 D.o.E. App. Dec. #206, December 2009**). The declaratory order addressed the specific question asked by ISEA and did not address the requirements for accounting for categorical funding, categorical budget authority, nor in any way conflict with nor override Iowa Administrative Code chapter 281—98 regarding categorical funding, including the TSS, and which has been approved by the legislative committee on administrative rules review. A subsequent district court ruling (**Case Number CV 8020, Iowa District Court for Polk County**) affirmed the Declaratory Order as written. Like the declaratory order, the district court ruling did not address issues related to the requirements for accounting for categorical funding, categorical budget authority, nor in any way conflict with nor override Iowa Administrative Code chapter 281—98 regarding categorical funding, including the TSS. The governor's executive order mandating the across-the-board cut, the subsequent legislative action during the 2010 legislation session, the declaratory order, and the district court ruling all addressed the TSS, but none removed the additional 10% categorical budget authority for TSS nor converted the additional 10% categorical budget authority remaining for TSS to noncategorical general fund uses. Without such action, the budget authority for TSS remains categorical and must be accounted for as such.

In the Public Employment Relations Board ruling, case #8249 is information regarding the need to reconcile seemingly conflicting concepts in law: The primary goal in interpreting a statute is to ascertain the enacting body's intent (**Top of Iowa Coop v. Sime Farms, Inc, 608 N.W.2d 454, 460 (Iowa 2000)**). Legislative intent is determined from what the legislature said, not from what it might or should have said (**Iowa R. App. P. 6.904(3)(m); Iowa Comprehensive Petroleum Underground Storage Tank Fund Board v. Shell Oil Co., 606 N.W.2d 376, 379 (Iowa 2000)**). The rule is to harmonize interrelated statutes, if possible (**State v. West, 446 N.W.2d 777, 778 (Iowa 1989)**). If a tribunal can reasonably harmonize two statutes dealing with the same subject, it must give concurrent effect to both, even though one is specific, or special, and the other general (**State v. Lutgen, 606 N.W.2d 312, 314 (Iowa 2000)**).

Beginning July 1, 2010, the teacher salary supplement district cost as calculated under section 257.10, subsection 9, and the AEA teacher salary supplement district cost as calculated under section 257.37A, subsection 1, are not subject to a uniform reduction in accordance with section 8.31 (**284.3A**).

To promote continuous improvement in Iowa's quality teaching workforce and to give Iowa teachers the opportunity for career recognition that reflects the various roles teachers play as educational leaders, an Iowa teacher career path is established for teachers employed by school districts. A school district shall use funding calculated and paid pursuant to section 257.10, subsection 9, to raise teacher salaries to meet the requirements of this section. The Iowa teacher career path and salary minimums are as follows:

The following career path levels are established and shall be implemented in accordance with chapter 284:

Beginning teacher.

A beginning teacher is a teacher who meets the following requirements:

- a) Has successfully completed an approved practitioner preparation program as defined in section 272.1 or holds an intern teacher license issued by the board of educational examiners under chapter 272.

- b) Holds an initial or intern teacher license issued by the board of educational examiners.
 - c) Participates in the beginning teacher mentoring and induction program as provided in chapter 284.
- Beginning July 1, 2008, the minimum salary for a beginning teacher shall be twenty-eight thousand dollars [\$28,000].

Career teacher.

A career teacher is a teacher who holds a statement of professional recognition [SPR] issued by the board of educational examiners under chapter 272 or who meets the following requirements:

- a) Has successfully completed the beginning teacher mentoring and induction program and has successfully completed a comprehensive evaluation as provided in this chapter.
- b) Is reviewed by the school district as demonstrating the competencies of a career teacher.
- c) Holds a valid license issued by the board of educational examiners.
- d) Participates in teacher professional development as set forth in chapter 284 and demonstrates continuous improvement in teaching.

Beginning July 1, 2008, the minimum salary for a first-year career teacher shall be thirty thousand dollars [\$30,000].

It is the intent of the general assembly to establish and require the implementation of and provide for the implementation of the following additional career path levels:

Career II teacher.

A career II teacher is a teacher who meets the requirements of subsection 1, paragraph "b", has met the requirements established by the school district that employs the teacher, and is evaluated by the school district as demonstrating the competencies of a career II teacher. The teacher shall have successfully completed a performance review in order to be classified as a career II teacher.

It is the intent of the general assembly that the participating district shall establish a minimum salary for a career II teacher that is at least five thousand dollars [\$5,000] greater than the minimum career teacher salary. It is further intended that the district shall adopt a plan that facilitates the transition of a career teacher to a career II level.

Advanced teacher.

An advanced teacher is a teacher who meets the following requirements:

- a) Receives the recommendation of the review panel that the teacher possesses superior teaching skills and that the teacher should be classified as an advanced teacher.
- b) Holds a valid license from the board of educational examiners.
- c) Participates in teacher professional development as outlined in this chapter and demonstrates continuous improvement in teaching.
- d) Possesses the skills and qualifications to assume leadership roles.

It is the intent of the general assembly that the participating district shall establish a minimum salary for an advanced teacher that is at least thirteen thousand five hundred [\$13,500] dollars greater than the minimum career teacher salary. In conjunction with the development of the review panel pursuant to section 284.9, the department shall make recommendations to the general assembly by January 1, 2002, regarding the appropriate district-to-district recognition for advanced teachers and methods that facilitate the transition of a teacher to the advanced level.

A teacher shall be promoted one level at a time and a teacher promoted to the next career level shall remain at that level for at least one year before requesting promotion to the next career level.

A teacher employed in a district shall not receive less compensation in that district than the teacher received in the school year preceding participation, as set forth in section 284.4 due to implementation of chapter 284. A teacher who achieves national board for professional teaching standards certification and meets the requirements of section 256.44 shall continue to receive the award as specified in section 256.44 in addition to the compensation set forth in this section.

A school district that is unable to meet the provisions of subsection 1 with funds calculated and paid to the school district pursuant to section 257.10, subsection 9 [TSS], may request a waiver from the department to use funds calculated and paid under section 257.10, subsection 11 [Early Intervention Supplement], to meet the provisions of subsection 1 if the difference between the funds calculated and paid pursuant to section 257.10, subsection 9 [TSS], and the amount required to comply with subsection 1 is not less than ten thousand dollars [\$10,000]. The department shall consider the average class size of the school district, the school district's actual unspent balance from the preceding year, and the school district's current financial position (284.7(5)).

Appropriate use of TSS categorical funding

Appropriate use of the teacher salary supplement funding is limited to additional salary for teachers, including amounts necessary for the district to comply with statutory teacher salary minimums; the amount required to pay the employers' share of the federal social security and Iowa public employees' retirement system, or a pension and annuity retirement system established under Iowa Code chapter 294; and payments to another school district or districts as negotiated in a whole grade sharing agreement pursuant to Iowa Code section 282.10, subsection 4. Teacher salary supplement funding shall be fully expended in the fiscal year for which it is allocated; however, in the event that a small amount is remaining and it would not be cost-effective to reallocate the remainder to teachers in the fiscal year, the school district or area education agency shall carry forward the remainder and add it to the amount to be allocated to teachers in the subsequent fiscal year (**IAC 281—98.24(1)**).

Inappropriate uses of TSS categorical funding

Inappropriate uses of the teacher salary supplement funding include any expenditures other than the appropriate use described in subrule (1) hereof (**IAC 281—98.24(2)**).

Educator Quality Professional Development

Beginning with the fiscal year 2009-2010, the educator quality professional development program, also known as the professional development supplement, including core curriculum professional development, is converted from a grants-in-aid categorical funding to a budgetary allocation categorical funding (**IAC 281—98.26**).

A school district or professional development provider that offers a professional development program in accordance with section 256.9, subsection 46, shall demonstrate that the program contains the following:

- a) Support that meets the professional development needs of individual teachers and is aligned with the Iowa teaching standards.
- b) Research-based instructional strategies aligned with the school district's student achievement needs and the long-range improvement goals established by the district.
- c) Instructional improvement components including student achievement data, analysis, theory, classroom demonstration and practice, technology integration, observation, reflection, and peer coaching.
- d) An evaluation component that documents the improvement in instructional practice and the effect on student learning (**284.6(1)**).

For each year in which a school district receives funds calculated and paid to school districts for professional development pursuant to section 257.10, subsection 10, or section 257.37A, subsection 2, the school district shall create quality professional development opportunities. Not less than thirty-six hours in the school calendar, held outside of the minimum school day, shall be set aside during nonpreparation time or designated professional development time to allow practitioners to collaborate with each other to deliver educational programs and assess student learning, or to engage in peer review pursuant to section 284.8, subsection 1. The funds may be used to implement the professional development provisions of the teacher career paths and leadership roles specified in section 284.7 or 284.15, including but not limited to providing professional development to teachers, including additional salaries for time beyond the normal negotiated agreement; pay for substitute teachers, professional development materials, speakers, and professional development content; and costs associated with implementing the individual professional development plans. The use of the funds shall be balanced between school district, attendance center, and individual professional development plans, making every reasonable effort to provide equal access to all teachers. (**284.6(8)**).

Moneys received pursuant to section 257.10, subsection 10, or section 257.37A, subsection 2, shall be maintained as a separate listing within a school district's or AEA's budget for funds received and expenditures made pursuant to this subsection. A school district shall certify to the Department of Education how the school district allocated the funds and that moneys received under this subsection were used to supplement, not supplant, the professional development opportunities the school district would otherwise make available (**284.6(9)**). The district or AEA shall also maintain a separate listing within its accounting records and CAR.

Moneys received by a school district under chapter 284 are miscellaneous income for purposes of chapter 257 or are considered encumbered. A school district or AEA shall maintain a separate listing within its budget for payments received and expenditures made pursuant to this section (**284.13(2)**).

Appropriate uses of educator quality professional development categorical funding

Appropriate uses of the educator quality professional development funding are limited to providing professional development to teachers, including additional salaries for time beyond the normal negotiated agreement; pay for substitute teachers, professional development materials, speakers, and professional development content; costs associated with implementing the individual professional development plans; and payments to a whole grade sharing partner school district as negotiated as part of the new or existing agreement pursuant to Iowa Code subsection

282.10(4). The use of the funds shall be balanced between school district, attendance center, and individual professional development plans, and every reasonable effort to provide equal access to all teachers shall be made (**IAC 281--98.26(1)**).

Inappropriate uses of educator quality professional development categorical funding

Inappropriate uses of educator quality professional development funding include, but are not limited to, any expenditures that supplant professional development opportunities the school district otherwise makes available (**IAC 281--98.26(2)**).

Teacher Leadership Supplement

For the budget year beginning July 1, 2014, and succeeding budget years, the use of the funds calculated under this subsection shall comply with the requirements of chapter 284 and shall be distributed to teachers pursuant to section 284.15. The funds shall be used only:

- to increase the payment [salary, employer share of FICA & IPERS] for a teacher assigned to a leadership role pursuant to a framework or comparable system approved pursuant to section 284.15;
- to increase the percentages of teachers assigned to leadership roles;
- to increase the minimum teacher starting salary to thirty-three thousand five hundred dollars [\$33,500];
- to cover the costs for the time mentor and lead teachers are not providing instruction to students in a classroom;
- for coverage of a classroom when an initial or career teacher is observing or co-teaching with a teacher assigned to a leadership role;
- for professional development time to learn best practices associated with the career pathways leadership process; and
- for other costs associated with a framework or comparable system approved by the department of education under section 284.15 with the goals of improving instruction and elevating the quality of teaching and student learning (**257.10(12)"d"**).

The board of directors of the district of residence shall pay to the receiving district the state cost per pupil for the previous school year, and the teacher leadership supplement state cost per pupil for the previous fiscal year as provided in section 257.9, plus any moneys received for the pupil as a result of the non-English speaking weighting under section 280.4, subsection 3, for the previous school year multiplied by the state cost per pupil for the previous year. If the pupil participating in open enrollment is also an eligible pupil under section 261E.6, the receiving district shall pay the tuition reimbursement amount to an eligible postsecondary institution as provided in section 261E.7 (**282.18(7)**).

A whole grade sharing agreement shall be signed by the boards of the districts involved in the agreement not later than February 1 of the school year preceding the school year for which the agreement is to take effect. The boards of the districts shall negotiate as part of the new or existing agreement the disposition of funding provided under chapter 284 (**282.10(4)**).

APPROPRIATE USE OF GRANTS IN AID

The state provides a large amount of categorical funding for various purposes to school districts and AEAs in the form of grants in aid. Only those grants in aid allocated to a substantial number of the school districts and AEAs through the Department of Education are included in chapter 98 of the rules. However, there are many more grants in aid to which the general concepts of the rules would apply (**IAC 281—98.40**).

Beginning Teacher Mentoring and Induction Program

The purpose of the beginning teacher mentoring and induction program is to promote excellence in teaching, enhance student achievement, build a supportive environment within school districts and AEAs, increase the retention of promising beginning teachers, and promote the personal and professional well-being of teachers (**284.5(1)**, **IAC 281—98.42**).

"Beginning teacher" means an individual serving under an initial or intern license, issued by the board of educational examiners under chapter 272, who is assuming a position as a teacher. For purposes of the beginning teacher mentoring and induction program created pursuant to section 284.5, *"beginning teacher"* also includes preschool teachers who are licensed by the board of educational examiners under chapter 272 and are employed by a school district or AEA. *"Beginning teacher"* does not include a teacher whose employment with a school district or AEA is

probationary unless the teacher is serving under an initial or teacher intern license issued by the board of educational examiners under chapter 272 (284.2(1)).

Each school district and AEA shall develop an initial beginning teacher mentoring and induction plan. A school district shall include its plan in the school district's comprehensive school improvement plan submitted pursuant to section 256.7, subsection 21. The beginning teacher mentoring and induction plan shall, at a minimum, provide for a two-year sequence of induction program content and activities to support the Iowa teaching standards and beginning teacher professional and personal needs; mentor training that includes, at a minimum, skills of classroom demonstration and coaching, and district expectations for beginning teacher competence on Iowa teaching standards; placement of mentors and beginning teachers; the process for dissolving mentor and beginning teacher partnerships; district organizational support for release time for mentors and beginning teachers to plan, provide demonstration of classroom practices, observe teaching, and provide feedback; structure for mentor selection and assignment of mentors to beginning teachers; a district facilitator; and program evaluation (284.5(3)).

A school district or AEA shall receive one thousand three hundred dollars [\$1300] per beginning teacher participating in the program. If the funds appropriated for the program are insufficient to pay mentors, school districts, and AEAs as provided in this paragraph, the department shall prorate the amount distributed to school districts and AEAs based upon the amount appropriated. Moneys received by a school district or AEA pursuant to this paragraph shall be expended to provide each mentor with an award of five hundred dollars [\$500] per semester, at a minimum, for participation in the school district's or AEA's beginning teacher mentoring and induction program; to implement the plan; and to pay any applicable costs of the employer's share of contributions to federal social security and the Iowa public employees' retirement system or a pension and annuity retirement system established under chapter 294, for such amounts paid by the district or AEA (284.13(1)"b").

Moneys received by a school district under chapter 284 are miscellaneous income for purposes of chapter 257 or are considered encumbered. A school district or AEA shall maintain a separate listing within its budget for payments received and expenditures made pursuant to this section (284.13(2)).

Appropriate uses of beginning teacher mentoring and induction program categorical funding

Appropriate uses of the beginning teacher mentoring and induction program funding include costs to provide each mentor of a beginning teacher with the statutory award for participation in the school district's or AEA's beginning teacher mentoring and induction program; to implement the plan; and to pay any applicable costs of the employer's share of contributions to federal social security and the Iowa public employees' retirement system, or a pension and annuity retirement system established under Iowa Code chapter 294, for such amounts paid by the school district or AEA (IAC 281--98.42(1)).

Inappropriate uses of beginning teacher mentoring and induction program categorical funding

Inappropriate uses of beginning teacher mentoring and induction program funding include any costs not listed in subrule 98.42(1) as appropriate uses (IAC 281--98.42(2)).

Beginning Administrator Mentoring and Induction Program

The purpose of the beginning administrator mentoring and induction program is to promote excellence in school leadership, improve classroom instruction, enhance student achievement, build a supportive environment within school districts, increase the retention of promising school leaders, and promote the personal and professional well-being of administrators (IAC 281—98.43).

"Beginning administrator" means an individual serving under an initial administrator license, issued by the board of educational examiners under chapter 272, who is assuming a position as a school district principal or superintendent for the first time (284A.2(2)). *"Administrator"* means an individual holding a professional administrator license issued under chapter 272, who is employed in a school district administrative position by a school district or AEA pursuant to a contract issued by a board of directors under section 279.23, and is engaged in instructional leadership. An administrator may be employed in both an administrative and a nonadministrative position by a board of directors and shall be considered a part-time administrator for the portion of time that the individual is employed in an administrative position. *"Administrator"* does not include assistant principals or assistant superintendents (284A.2(1)).

Each school board shall establish an administrator mentoring program for all beginning administrators. The school board may adopt the model program developed by the department pursuant to subsection 2. Each school board's beginning administrator mentoring and induction program shall, at a minimum, provide for one year of programming to support the Iowa standards for school administrators adopted pursuant to section 256.7, subsection 27, and beginning administrators' professional and personal needs. Each school board shall develop and implement a beginning

administrator mentoring and induction plan. The plan shall describe the mentor selection process, describe supports for beginning administrators, describe program organizational and collaborative structures, provide a budget, provide for sustainability of the program, and provide for program evaluation. The school board employing an administrator shall determine the conditions and requirements of an administrator participating in a program established pursuant to this section. A school board shall include its plan in the school district's comprehensive school improvement plan submitted pursuant to section 256.7, subsection 21 **(284A.5(3))**.

To the extent moneys are available, a school district shall receive one thousand five hundred dollars [\$1500] per beginning administrator participating in the program. Moneys received by a school district pursuant to this section shall be expended to provide each mentor with an award of five hundred dollars [\$500] per semester, at a minimum, for participation in the school district's beginning administrator mentoring and induction program; to implement the plan; and to pay any applicable costs of the employer's share of contributions to federal social security and the Iowa public employees' retirement system or a pension and annuity retirement system established under chapter 294, for such amounts paid by the district **(284A.8(1))**.

If the funds appropriated for the program are insufficient to pay mentors and school districts as provided in this section, the department shall prorate the amount distributed to school districts based upon the amount appropriated. A school district shall give priority to fully funding the obligation to principal mentors. Remaining moneys, if any, shall first be used to fund superintendent mentors and then to fund other program costs and applicable costs described in subsection 1 **(284A.8(2))**.

Appropriate uses of beginning administrator mentoring and induction program categorical funding

Appropriate uses of the beginning administrator mentoring and induction program funding include costs to provide each mentor with the statutory award for participation in the school district's beginning administrator mentoring and induction program; to implement the plan; and to pay any applicable costs of the employer's share of contributions to federal social security and the Iowa public employees' retirement system, or a pension and annuity retirement system established under Iowa Code chapter 294, for such amounts paid by the school district **(IAC 281--98.43(1))**.

Inappropriate uses of beginning administrator mentoring and induction program categorical funding Inappropriate uses of beginning administrator mentoring and induction program funding shall include any costs that are not listed in subrule 98.43(1) as appropriate uses **(IAC 281--98.43(2))**.

Nonpublic Textbook Services

Textbooks adopted and purchased by a school district shall, to the extent funds are appropriated by the general assembly, be made available to pupils attending accredited nonpublic schools upon request of the pupil or the pupil's parent under comparable terms as made available to pupils attending public schools **(301.1(2), IAC 281—98.44)**.

Textbook expenditures made in accordance with this subsection shall be kept on file in the school district. In the event that a participating accredited nonpublic school physically relocates to another school district, textbooks purchased for the nonpublic school with funds appropriated for purposes of this chapter shall be transferred to the school district in which the nonpublic school has relocated and may be made available to the nonpublic school. Funds distributed to a school district for purposes of purchasing textbooks in accordance with this subsection which remain unexpended and available for the purchase of textbooks for the nonpublic school that relocated in the fiscal year in which the funds were distributed shall also be transferred to the school district in which the nonpublic school has relocated **(301.1(2))**.

All the books and other supplies purchased under the provisions of chapter 301 shall be paid for out of the general fund **(301.4)**.

The board shall hold pupils responsible for any damage to, loss of, or failure to return any such books, and shall adopt such rules and regulations as may be reasonable and necessary for the keeping and preservation thereof. Any pupil shall be allowed to purchase any textbook used in the school at cost. No pupil already supplied with textbooks shall be supplied with others without charge until needed **(301.26)**.

A school director, officer, or teacher shall not act as agent for school textbooks or school supplies, including sports apparel or equipment, in any transaction with a director, officer, or other staff member of the school district during such term of office or employment **(301.28(1))**.

An AEA director, officer, or teacher shall not act as an agent for school textbooks or school supplies, including sports apparel or equipment, in any transaction with a director, officer, or other staff member of the AEA or any school district located within the AEA during such time of office or employment **(301.28(2))**.

A school district or AEA director, officer, or teacher who acts as agent or dealer in school textbooks or school supplies during the person's term of office or employment in violation of this section shall be deemed guilty of a serious misdemeanor **(301.28(3))**.

Appropriate uses of nonpublic textbook services categorical funding

The appropriate use of the nonpublic textbook services funding shall be for the public school district to purchase nonsectarian textbooks for the use of pupils attending accredited nonpublic schools located within the boundaries of the public school district. "Textbook" means books and loose-leaf or bound manuals, systems of reusable instructional materials or combinations of books and supplementary instructional materials which convey information to the student or otherwise contribute to the learning process, and electronic textbooks, including but not limited to computer software, applications using computer-assisted instruction, interactive videodisc, other computer courseware and magnetic media, and laptop computers or other portable personal computing devices which are used for nonreligious instructional use only **(301.1(3), IAC 281--98.44(1))**.

In the event that a participating accredited nonpublic school physically relocates to another school district, textbooks purchased for the nonpublic school with funds appropriated for that purpose in accordance with the Iowa Code shall be transferred to the school district in which the accredited nonpublic school has relocated and may be made available to the accredited nonpublic school by the school district in which the nonpublic school has relocated. Funds distributed to a former school district for purposes of purchasing textbooks and that are unexpended shall also be transferred from the former school district to the school district in which the accredited nonpublic school has relocated **(IAC 281--98.44(1))**.

Inappropriate uses of nonpublic textbook services categorical funding

Inappropriate uses of nonpublic textbook services funding include, but are not limited to, reimbursements to accredited nonpublic schools for purchases made by the accredited nonpublic school, sectarian textbooks, computer hardware other than laptop computers or other portable personal computing devices which are used for nonreligious instructional use only, installation of hardware or other purchased services, teacher manuals or any other materials not available to the students attending the accredited nonpublic school, or any other expenditure that does not fit the definition of textbook. Funding provided for one nonpublic school located within the boundaries of the public school district shall not be used for another accredited nonpublic school, even if the accredited nonpublic school is associated with the same parent organization **(IAC 281--98.44(2))**.

Student Progression

If funds are appropriated by the general assembly for purposes of implementing this subsection, a school district shall do all of the following:

a. Provide students who are identified as having a substantial deficiency in reading under subsection 1, paragraph "a", with intensive instructional services and supports, free of charge, to remediate the identified areas of reading deficiency, including a minimum of ninety minutes daily of scientific, research-based reading instruction and other strategies prescribed by the school district which may include but are not limited to the following:

- (1) Small group instruction.
- (2) Reduced teacher-student ratios.
- (3) More frequent progress monitoring.
- (4) Tutoring or mentoring.
- (5) Extended school day, week, or year.
- (6) Summer reading programs.

b. At regular intervals, apprise the parent or guardian of academic and other progress being made by the student and give the parent or guardian other useful information.

c. In addition to required reading enhancement and acceleration strategies, provide parents of students who are identified as having a substantial deficiency in reading under subsection 1, paragraph "a", with a plan outlined in a parental contract, including participation in regular parent-guided home reading.

d. Establish a reading enhancement and acceleration development initiative designed to offer intensive accelerated reading instruction to each kindergarten through grade three student who is assessed as exhibiting a substantial deficiency in reading. The initiative shall comply with all of the following criteria:

- (1) Be provided to all kindergarten through grade three students who exhibit a substantial deficiency in reading under this section. The assessment initiative shall measure phonemic awareness, phonics, fluency, vocabulary, and comprehension.
- (2) Be provided during regular school hours in addition to the regular reading instruction.

- (3) Provide a reading curriculum that meets guidelines adopted pursuant to section 256.7, subsection 31, and at a minimum has the following specifications:
- (a) Assists students assessed as exhibiting a substantial deficiency in reading to develop the skills to read at grade level.
 - (b) Provides skill development in phonemic awareness, phonics, fluency, vocabulary, and comprehension.
 - (c) Includes a scientifically based and reliable assessment.
 - (d) Provides initial and ongoing analysis of each student's reading progress.
 - (e) Is implemented during regular school hours.
 - (f) Provides a curriculum in core academic subjects to assist the student in maintaining or meeting proficiency levels for the appropriate grade in all academic subjects.
- e. Offer each summer, beginning in the summer of 2017, unless the school district receives a waiver from this requirement from the department of education for the summer of 2017, an intensive summer literacy program for students assessed as exhibiting a substantial deficiency in reading. The program shall meet the criteria and follow the guidelines established pursuant to section 256.9, subsection 53, paragraph "c", subparagraph (1), subparagraph division (g).

DISCONTINUED GRANTS IN AID

Discontinued funding

In the event that a categorical funding source is discontinued and an unexpended balance remains, the school district or AEA shall carry forward the unexpended balance and expend the remaining balance within the subsequent 24 months for the purposes which were allowed in the final year that the funding was allocated or granted prior to discontinuation unless a rule in this chapter provides for a longer period. This subrule does not apply to market factor incentive pay funding, which may be carried forward until expended, but any expenditures from the market factor incentive pay funding must be appropriate under Iowa Code section 284.11 (2007 and 2007 supplement) (**IAC 281--98.2(4)**).

Educational Excellence, Phase I

Phase I of the educational excellence program is for the purpose of supporting the regular compensation for teachers. All districts and AEAs should have expended all remaining Phase I.

Appropriate use of Educational Excellence Phase I categorical funding

Appropriate use of the educational excellence Phase I program funding is limited to regular salary for teachers and the amount required to pay the employers' share of the federal social security and the Iowa public employees' retirement system, or a pension and annuity retirement system established under Iowa Code chapter 294, payments on the additional regular salary. Educational excellence Phase I program funding is to be fully expended in the fiscal year for which it is allocated.

Inappropriate uses of Educational Excellence Phase I categorical funding

Inappropriate uses of the educational excellence Phase I program funding include any expenditures other than regular salary for teachers and the amount required to pay the employers' share of the federal social security and the Iowa public employees' retirement system, or a pension and annuity retirement system established under Iowa Code chapter 294, payments on the regular salary.

School Improvement Technology Block Grant

The purpose of the School Improvement Technology Block Grant funding is to focus on the attainment of student achievement goals on academic and other core indicators and to consider the district's interconnectivity with the Iowa communications network (ICN) (**256D.7(1), 2001 Code**). All districts and AEAs should have expended all remaining School Improvement Technology Block Grant funding.

Appropriate uses of School Improvement Technology Block Grant Categorical Funding

The school district shall expend funds received for the acquisition, lease, lease-purchase, installation, and maintenance of instructional technology equipment, including hardware and software, materials and supplies related to instructional technology, and staff development and training related to instructional technology, and shall establish priorities for the use of the funds (**256D.8(1), 2001 Code**).

Inappropriate uses of School Improvement Technology Block grant Categorical Funding

Inappropriate uses of School Improvement Technology Block Grant categorical funding include any expenditures not listed above as an appropriate use.

Monies received shall not be used to add a full-time equivalent position or otherwise increase staffing, unless the district expends not more than ten percent [10%] of the funds received to employ or enter into a contract with information technology specialists to provide technical consultant and integration of technology in curriculum and instruction to advance student achievement (256D.8(1), 2001 Code).

Moneys received shall not be used for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded under chapter 20 (256D.6(5), 2001 Code).

2006-2007 Teacher Quality Market Factor Pay Program

Purpose of the 2006-2007 teacher quality, market factor pay pursuant to Iowa Code section 284.11 (2007)

Teacher quality market factor pay program in fiscal year 2006-2007 was for the purpose of providing salary incentives for recruitment and retention of teachers in subject-area shortages, hard to staff schools, and to improve racial and ethnic diversity.

Appropriate uses of the 2006-2007 market factor categorical funding

Appropriate uses of the 2006-2007 market factor pay are limited to additional classroom teacher salaries and the amount required to pay the employers' share of the federal social security and the Iowa public employees' retirement system, or a pension and annuity retirement system established under chapter 294, payments on the additional salary. The purposes for which the additional salary can be paid are improvement of salaries due to geographic or locally determined wage differences, recruitment and retention in hard-to-staff schools, recruitment and retention in subject-area shortages, or recruitment and retention to improve the racial or ethnic diversity of the local teaching staff. The 2006-2007 market factor pay is an exception to rule that the district is required to expend the remaining balance within the subsequent 24 months. Even though exempt, the district should expend the categorical funding on appropriate expenditures as quickly as possible. The district must carry forward any unexpended portion of its market factor pay until it has an appropriate use on which to expend the funding.

2007-2008 Teacher Quality Market Factor Incentive Program

Purpose of the 2007-2008 teacher quality, market factor incentive pursuant to section 284.11 in the 2007 Iowa Code Supplement

Teacher quality market factor incentive program in fiscal year 2007-2008 was for the purpose of incentives for recruitment and retention of teachers in subject-area shortages, hard-to-staff schools, or to improve racial and ethnic diversity.

Appropriate uses of the 2007-2008 market factor incentive categorical funding

Appropriate uses of the 2007-2008 market factor incentive funding include additional classroom teacher salaries and the amount required to pay the employers' share of the federal social security and the Iowa public employees' retirement system, or a pension and annuity retirement system established under chapter 294, payments on the additional salary, costs of educational opportunities and educational support, moving expenses, housing expenses, and costs of preparing a teacher or educational support personnel in the district to attain a license or endorsement in a shortage area. The purposes for which the additional salary can be paid are recruitment and retention in hard-to-staff schools, recruitment and retention in subject-area shortages, or recruitment and retention to improve the racial or ethnic diversity of the local teaching staff. The 2007-2008 market factor incentive funding is an exception to the rule that the district is required to expend the remaining balance within the subsequent 24 months. Even though exempt, the district should expend the categorical funding on appropriate expenditures as quickly as possible. The district must carry forward any unexpended portion of its market factor incentive funding until it has an appropriate use on which to expend the funding.

APPROPRIATE USE OF SPECIAL TAX LEVIES AND FUNDS

Tax levies or funds that are required by law to be expended only for the specific items listed in statute shall be accounted for in a similar way to categorical funding. Each fund is mutually exclusive and completely independent of any other fund. No fund shall be used as a clearing account for another fund, and no fund may retire the debt of another fund unless specifically authorized in statute, and transfers between funds shall be accomplished only as authorized in statute. For more information on appropriate and inappropriate uses of funds, refer to chapter 9 in this manual (IAC 281—98.60).

