



# School Business Alert

**IOWA DEPARTMENT OF EDUCATION**

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**Special Education Balances**

The School Budget Review Committee (SBRC) at its December hearings did not take action on special education balances or FY14 weightings. The decision of the Committee was to table the requests for modified allowable growth for the special education deficits and certifying the positive and negative balances of funds for each school district. *The Committee directed the Department of Education (DE) to conduct desk reviews and on-site reviews of selected districts to analyze increases in costs.* The Committee also tabled action related to the special education weighting plan, pending the outcome of the special education cost study. The DE is currently analyzing data from various databases over several years to identify the districts that will be reviewed in more depth.

**Supplanting and Special Education**

Special education weighting is categorical funding subject to Iowa Administrative Code chapter 98. Like all other categorical funding provided for instruction for identified groups of students, the funding is intended to pay for costs *above and beyond* the general education classroom and is beyond the general purpose costs, such as general program, operation and maintenance, and administrative overhead. Iowa Code defines the purposes of the special education weighting funding as providing funds for the excess costs of instruction of children requiring special education, *above the costs of instruction of pupils in a regular curriculum.* In addition to special instruction, the funding may be used to provide *specialized* transportation equipment to meet the special needs of children requiring special education with the approval of the director of the DE.

*"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 uses categorical funding to provide services that it was required to make available under other categorical funding or law, or uses categorical funding to provide services that it provided in prior years from general purpose revenues, or 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. 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 (281—98.2(2)). 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 (281—98.2(5)).

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The January School Leader Update can be found at:

[www.educateiowa.gov](http://www.educateiowa.gov)

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Because the special education weighting is to provide costs *above the costs of instruction of pupils in a regular curriculum*, that would mean that when a student with an IEP is in a regular classroom or taught by a general education teacher, the costs of that teacher and that classroom would not be special education costs. However, the costs of a special education teacher helping the general education teacher, or specialized professional development on teaching students with IEPs targeted to general education teachers, or costs of creating and providing adaptations or modifications to curriculum conducted by a licensed special education teacher generally would be special education costs. This discussion is limited to the special education weighted funding and the local match, but is not addressing the non-categorical portion of the district cost per pupil (DCPP) of the students, erroneously called the general program "expenditures." That portion of the DCPP is part of the same funding pool generated from the DCPP for all students in the district to be used for general purpose expenditures for all students, and that is called the general program district cost. The General Program Percentage (GPP) topic will be covered in a future School Business Alert.

Examples of where within special education categorical funding that supplanting might occur using the three common definitions of supplanting:

**Required of district by another law:** Special modifications to a school building to make them accessible are required under the Americans with Disabilities Act (ADA), another federal law; so would not be appropriate from special education weighting funding. This is also specifically disallowed as a special education expenditure by Iowa Code in 256B.9(9).

**To provide services previously provided from general purpose or other funding:** This kind of supplanting may happen when a district tries to allocate or re-allocate costs to various categorical funding streams; such as general professional development opportunities for all teachers.

**To provide services to the special education program or students with IEPs for which the district uses general purpose revenues to provide the same or similar services to other groups of children or programs:** This kind of supplanting may happen when a district tries to "cost" or allocate programs and services across categorical funding streams based on teacher certification or student classification. An example would be providing 1-1 computers for students with IEPs and also students without IEPs. This would be a general purpose costs for all students. Another example would be providing transportation to students with IEPs, where there is no reason on the IEP that the student needed to be transported separately from students without IEPs. And another example would be to charge worker compensation or unemployment to special education weighting, when these costs for other staff are accounted for in the Management Fund.

For more help on sorting costs into those that are appropriate from the special education categorical funding and those that are not appropriate, there is a 2010 document on the Department of Education website that has many examples and FAQs that are relevant to the topic; for example, FAQs 10, 12, 13, 33, 44 and 46. Find this document at: [http://educateiowa.gov/index.php?option=com\\_content&view=article&id=2103%3Ause-of-special-education-funds&catid=674%3Astate-guidance&Itemid=3083](http://educateiowa.gov/index.php?option=com_content&view=article&id=2103%3Ause-of-special-education-funds&catid=674%3Astate-guidance&Itemid=3083)

## 2013 Legislative Session Begins

The 2013 Legislative session begins Monday, January 14, 2013. Education Reform will be a prominent theme throughout the session. There are various resources available to help you access information related to any action taken or progress made by the legislature:

Department of Education's Legislation Tracking Tool: <https://www.edinfo.state.ia.us/web/legisupdate.asp>

Department of Education's Legislative Information page (including legislative reports): [http://educateiowa.gov/index.php?option=com\\_content&view=article&id=1529&Itemid=2348](http://educateiowa.gov/index.php?option=com_content&view=article&id=1529&Itemid=2348)

Iowa Legislature web site: <https://www.legis.iowa.gov/index.aspx>

Iowa Code: <http://search.legis.state.ia.us/nxt/gateway.dll/ic?f=templates&fn=default.htm>

Iowa Administrative Code (also called Rules): <https://www.legis.iowa.gov/IowaLaw/AdminCode/agencyDocs.aspx>

School Leader Updates: [http://educateiowa.gov/index.php?option=com\\_content&view=article&id=854&catid=243&Itemid=2683](http://educateiowa.gov/index.php?option=com_content&view=article&id=854&catid=243&Itemid=2683)

Condition of Education Report: [http://educateiowa.gov/index.php?option=com\\_docman&task=cat\\_view&gid=646&Itemid=1563](http://educateiowa.gov/index.php?option=com_docman&task=cat_view&gid=646&Itemid=1563)

Mike Cormack and Phil Wise are the policy liaisons representing education issues for the Department at the Capitol. For further information on legislative issues, contact Mike Cormack at [mike.cormack@iowa.gov](mailto:mike.cormack@iowa.gov) or 515.281.3399.

## Technology Related Hardware Purchases

When purchasing technology related hardware and software for the district, please note that items used in the classroom should be coded to Function 1xxx whereas items purchased for lab purposes should be coded to Function 223x. Computer centers (labs) that are primarily dedicated to instruction, e.g., teachers leading the classroom in computer-aided lessons, should be coded to instruction. Please be aware of this for budgeting and coding purchases, particularly 1:1 initiative purchases which are instructional in nature. The description of Function 223x is below.

**2230 Instruction-Related Technology.** This function category encompasses all technology activities and services for the purpose of supporting instruction. These activities include expenditures for internal technology support as well as support provided by external vendors using operating funds. These activities include costs associated with the administration and supervision of technology personnel, systems planning and analysis, systems application development, systems operations, network support services, hardware maintenance and support services, and other technology-related costs that relate to the support of instructional activities. Specifically, costs associated with the operation and support of computer learning labs, media center computer labs, instructional technology centers, instructional networks, and similar operations should be captured in this code. Technology used by students in the classroom or that have a student instruction focus should be coded to 1000. (Used with all programs 100–900.)

It should be noted that E-Rate is not specifically addressed with the accounting codes for technology as GASB has not issued applicable accounting and financial reporting guidance. Refer to chapter 5 for a broader discussion of E-Rate.

**Student Computer Centers.** Activities concerned with supporting and maintaining computer centers (outside the classroom) that are established to support the instructional environment. These centers may be located in the library or in other locations but are not primarily dedicated to student-teacher learning. Computer centers that are primarily dedicated to instruction should be coded to instruction.

**Technology Service Supervision and Administration.** Activities concerned with directing, managing, and supervising data-processing services.

**Systems Analysis and Planning.** Activities concerned with searching for and evaluating alternatives for achieving defined objectives, based on judgment and, wherever possible, on quantitative methods. Where applicable, these activities pertain to the development of data-processing procedures or application to electronic data processing equipment.

**Systems Application Development.** Activities concerned with the preparation of a logical sequence of operations to be performed, either manually or electronically, in solving problems or processing data. These activities also involve preparing coded instructions and data for such sequences.

**Systems Operations.** Activities concerned with scheduling, maintaining, and producing data. These activities include operating business machines, data preparation devices, and data-processing machines.

**Network Support.** Services that support the networks used for instruction-related activities.

**Hardware Maintenance and Support.**

**Professional Development for Instruction-Focused Technology Personnel.** Costs that are incurred when staff acquire knowledge and skills to support instructional technologies. Technology training for instructional staff should be reported in function 2213 (instructional staff training).

Questions contact Janice Evans at [janice.evans@iowa.gov](mailto:janice.evans@iowa.gov) or 515.281.4740 or Denise Ragias at [denise.ragias@iowa.gov](mailto:denise.ragias@iowa.gov) or 515.281.4741.

## School Bus Inspector Retires

Industry veteran Owen Freese has retired as one of Iowa's school bus inspectors, but he will remain involved in pupil transportation in another role.

Following his retirement from the Iowa Department of Education, which was effective December 31, Freese will begin serving as executive director for the Iowa Pupil Transportation Association. Freese has been with the Iowa Department of Education since 1999. It's estimated that since then, he inspected close to 100,000 school buses.

Freese and fellow Iowa school bus inspector Verlan Vos were [given the Tom Horn Memorial Award](#) at the Iowa School Transportation Conference last summer in Des Moines. The annual honor is considered to be the most prestigious award given to members of the school transportation community in Iowa.

Prior to entering the school bus industry in 1986, Freese worked as a mechanic. He then served as the transportation director at Galva-Holstein Community Schools in Holstein, Iowa, for 12 years prior to joining the state Department of Education in 1999.

## Medicaid

### Re-enrollment Reminder

If you have not completed Provider Re-Enrollment, please contact Jim Donoghue at the Iowa Department of Education or the Iowa Medicaid Enterprise Provider Services Unit at 1-800-338-7909, or locally at 515-256-4609, Option 5 or by email at [ime-providerservices@dhs.state.ia.us](mailto:ime-providerservices@dhs.state.ia.us). By December 31, 2012, all LEA, AEA and Infant Toddler Iowa Medicaid providers were to complete enrollment renewal electronically on the Iowa Medicaid Portal Access (IMPA) system: <https://secureapp.dhs.state.ia.us/imp/>

### Reminder to Double Check Billing of December Dates of Services

With the holiday break, it is important to double check that dates of service being billed were definitely dates when school was in session. A mini-review done in early 2012 found that seven districts had billed dates during the 2011-12 holidays when school was not in session. If you are billing for services provided by another district who is serving your student, be careful to check the school calendar of the other district.

### Parent Consent for Billing Early Access Medicaid Services

Following federal rule changes for IDEA Part C, Iowa's Parent Consent form to bill Medicaid for Early Access services has been revised. The new form is to be completed at the first IFSP meeting held after January 1, 2013. A short video titled "Medicaid Authorization Changes 2013" can be seen at <https://aea111.eduvision.tv/default.aspx>. A key change is in situations where a child is covered by both Medicaid insurance and a commercial insurance plan. In those situations, the parent must sign separate approvals for each plan. If the family with both Medicaid and commercial insurance coverage chooses to not approve billing of the commercial plan, then the Medicaid cannot be billed even if there is consent to bill Medicaid.

### Mental Health Therapy CPT Codes Change January 2013

Effective January 1, 2013, there are revised mental health service codes in place; however, only one of the changes applies to LEA, AEA and Early Access providers. The code 90804 (Individual psychotherapy, 30" unit) is recognized in the three programs for therapy provided by a psychologist, social worker, or master's degree counselor. All 90804 codes have changed to code 90832. 90804 AH Psychologist services to the LEA, AEA and Early Access programs has changed to 90832 AH; if contractor psychologist, the change is from 90804 TM to 90832 TM or from 90804 TL to 90832 TL. 90804 AJ social worker or master's degree counselor services to the LEA, AEA and Early Access programs has changed to 90832 AJ. The other mental health therapy service codes for psychologists and social workers/counselor (T1023, 90853, 96101, H0031, and H0046) are not impacted.

### 1500 Claim Form Changes Expected in 2013

Iowa Medicaid accepts LEA and AEA claims submitted on paper or electronically, through the free PC-ACE Pro32 software or another billing program or a billing agency. It is expected that in the summer or fall of 2013, Medicaid programs will adopt a slightly revised CMS-1500 form, which is the form used for outpatient billing. The School Business Alert will announce further specifics. An informational letter from Iowa Medicaid can be expected with the implementation date. Informational letters are available on the Iowa Medicaid Portal or through the Iowa Medicaid Enterprise website in the Providers section on Rules and Policies at <http://www.ime.state.ia.us/Providers/Bulletins.html>

### Federal Medical Assistance Percentage (FMAP) and Non-Federal Share Invoice Percentages in 2013

The non-federal share (the invoiced amount for LEAs, AEAs, and Infant Toddler providers) is 40.41 percent from October 2012- September 2013, barring some Congressional action. The rate had changed quarter to quarter for a few years while the federal ARRA support to Medicaid changed a state's FMAP rates based on the prior quarter's unemployment rate in that state. But the FMAP is back to the same rate for the full federal year.

The Iowa Medicaid newsletter Endeavor reported in October on the federal rate for October 2013-September 2014 <http://www.dhs.state.ia.us/uploads/IME%20Newsletter%20Oct%202012.pdf>. The newsletter reported "... Iowa's FMAP will drop from 59.59 percent in federal fiscal year (FFY) 2013 to 57.93 percent in FFY 2014." Beginning October 2013, the non federal share will be 42.07 percent.

Contact: [jim.donoghue@iowa.gov](mailto:jim.donoghue@iowa.gov) or 515.281.8505.

## Change to Special Education Look Back Rule

When a child with an IEP has been placed in a foster care or substance abuse treatment facility, and the current resident district cannot be determined, and parental rights have not been severed, then the special education look back rule applies in order to determine what district will be billed by the district providing the education for that student prior to submitting a claim to the state. The law and rules regarding that requirement have never been clear if that means to look back to the count in the fall of the current year or to look back to the count in the fall of the previous year.

For many years, the Department directed districts to look back to the previous fall for determining which district to bill on the theory that is the district receiving funding in the current year for that student. Many districts have requested the Department to re-view that policy. The Department, under the leadership of the school finance team in the Bureau of Finance, Facilities, Operation and Transportation Services, has reviewed the policy and determined that it is not equitable to look back to the previous year nor consistent with tuition paid in similar situations.

The Department reviewed the language in Iowa Code 256B.2(5) and 273.9(2) and in Iowa Administrative Code 281—41.907(5)"c" that is specific to special education, as well as chapter 282 that defines resident district and which district is responsible for payment for children served. Similar placement would be a psychiatric medical institution for children (PMIC) and the Code clearly is referring to the current year count. And 282.31, regarding placed students with IEPs, seems to clearly indicate that it is the resident district that would pay tuition and resident district is defined earlier in the chapter. The Department also reviewed several administrative rules chapters related to students with IEPs for consistency.

### Fiscal example:

District A counts and serves a new student (kindergarten or new resident) during the full year of 2011-2012; the student has an IEP. That district receives no actual funds in the 2011-2012 school year for serving that student. Instead the district will generate funding in the 2012-2013 school year from counting that student in the fall of 2011 on its certified enrollment and special education weighting.

The student moves over the summer to District B. District B counts that student in the fall of 2012 for both certified enrollment and special education weighting. In December 2012, the student is placed in a facility in District C, and District C provides the educational program for that student for the rest of the school year. The parents move out of state, but parental rights are not severed. District B will generate funding for that student for a full year of serving the student, even though the funding is received during the 2013-2014 school year and even though the district is not directly serving that student for the full year.

### Old policy:

District C would bill District A in the 2012-2013 school year. But district A is only receiving one year of funding for having already served the student for one full year during 2011-2012. So district A has to pay to District C its own payment for providing service and does not have another opportunity to recover the funding other than through the special education deficit. District B generates a full year of funding, but serves the student only three months. However, in the subsequent year, if the student is still in an Iowa district, District B would then have to pay the tuition during 2013-2014; before District C can include the student on a state claim in 2014-2015.

### Proposed new policy:

District C would bill District B in the 2012-2013 school year. District A is receiving funding in 2012-2013 for service it has already performed in 2011-2012 and should retain its payment. District B would pay tuition in the current year because it counted in the current year (so is the resident district for the full year when this specific scenario occurs). District B will receive its full year of funding in the 2013-2014 year for serving the student in the 2012-2013 school year by paying tuition to another district to provide the education program for the balance of the school year. In the 2013-2014 school year, there would be no district counting that student in the fall of 2013, so District C can include the student on a state claim in 2013-2014—one year earlier than under the old policy.

The proposed conclusion of the policy review is that the look back rule applies to the weighted enrollment taken in the fall of the current year. This change in policy is intended to be implemented for the FY13 school year on the final tuition in billing (TIB). This change in policy was presented to groups in late October 2012 and is now presented to all districts through this SBA. If your district would like to make comments regarding the change in policy, please send comments to [Su.McCurdy@iowa.gov](mailto:Su.McCurdy@iowa.gov) by February 15, 2013.

### Exhibit Format for Excess Costs of LEP/ELL Instruction Programs

The exhibit for these requests that will be on the March 2013 School Budget Review Committee (SBRC) hearing schedule has been updated based on feedback from districts last year. The updated exhibits have been posted on the SBRC website by the end of this week at [http://educateiowa.gov/index.php?option=com\\_content&view=article&id=1624&Itemid=2988](http://educateiowa.gov/index.php?option=com_content&view=article&id=1624&Itemid=2988) Exhibits and the electronic request for a hearing are both due to Su McCurdy, SBRC liaison, by February 18, 2013.

### State Payment Tracking and Payments Not on DE Tracking

Districts will find on the secure EdInfo website ([www.edinfo.state.ia.us](http://www.edinfo.state.ia.us)) or on the auto-generated emails, a list of payments that originated from the Department of Education.

Payments may come from other departments as well. If the payment in question is not on the Department’s page, it likely came from a different government agency.

One regular “other” source is the Department of Revenue. On the Department of Revenue’s website, district payment information is located at <http://www.iowa.gov/tax/>. Under "Local Government," click on Warrant History. Contact Joel Gabrielson with questions at [joel.gabrielson@iowa.gov](mailto:joel.gabrielson@iowa.gov) or 515.281.6106.

For all state payments, you may visit the DAS link -- <https://i3public.iowa.gov/payments/index.faces>. This link can also be found at the bottom of the State Payment Schedule webpage of the DE website.

For additional information, contact Jeff Berger at [jeff.berger@iowa.gov](mailto:jeff.berger@iowa.gov), 515.281.3968.

### Accessing FY 12 Financial Information

Be reminded that your local auditors can access all FY12 financial payment information from the Department, simply by going to the EdInfo site ([www.edinfo.state.ia.us](http://www.edinfo.state.ia.us)), typing in FY12 in the login, then on the next page, type in the name of the school district in the box “Enter Headquarter Number or Name” and click “go”. If a payment does not appear on that list, it was a distribution of funds that was not managed by the Department of Education.

Reminder—audit adjustments from your auditors are now addressed to Margaret Hanson. She has assumed the duty formerly handled by Su McCurdy.

If you are not receiving the automated email notifying you of a deposit of funds or if you want others in your district to receive those notices, please contact Jeff Berger at [jeff.berger@iowa.gov](mailto:jeff.berger@iowa.gov), 515.281.3968.

### Finance Roundtable Meeting

The Department will convene the Finance Roundtable on the morning of January 23, 2013. The Finance Roundtable is a group focused on addressing issues related to school finance and funding. The primary focus of this group is to ensure good flow of information while creating a forum for addressing any issues that exist. Representation on this group is by invitation, but major stakeholder groups, as well as various school district representatives, participate in these meetings.

For additional information, contact Jeff Berger at Jeff Berger at [jeff.berger@iowa.gov](mailto:jeff.berger@iowa.gov), 515.281.3968.

Upcoming Deadlines	
Juvenile Home Educational Program Budget	1-1-13
Last Date to Request Authority to Charge Administrative Cost to the Special Education Program for the Subsequent Fiscal Year	2-1-13
AEA Proposed Budgets Due	2-10-13
Number of Students Participating in Whole Grade Sharing	2-15-13
Requests & Exhibits Due for March School Budget Review Committee Hearing	2-18-13
Corrective Action Plans for Negative Unspent Balances Due for March School Budget Review Committee Meeting	2-18-13