

**EDUCATION DEPARTMENT[281]**

**Adopted and Filed**

**Rule making related to financial management of categorical funding**

The State Board of Education hereby amends Chapter 98, “Financial Management of Categorical Funding,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is adopted under the authority provided in Iowa Code section 256.7(5).

*State or Federal Law Implemented*

This rule making implements, in whole or in part, Iowa Code chapters 256C, 257, 279, 284 and 298A.

*Purpose and Summary*

Chapter 98 outlines the financial management of categorical funding. The amendments to Chapter 98 reflect significant legislative changes to categorical funding for Iowa school districts brought about during the 2017 Legislative Session. Those changes include greater flexibility for school districts with some categorical funds; the ability of a school district to establish a flexibility account within the general fund that can be used for certain purposes, including any general fund purpose, upon approved school board resolution; major changes to beginning teacher mentoring and induction programs; the ability to transfer from the general fund to the school district’s student activity account an amount necessary for the purchase of protective and safety equipment; and programmatic changes for students who are persistently at risk in reading. A more detailed explanation of these amendments follows:

Item 1: 2017 Iowa Acts, chapter 154 (House File 565), amended Iowa Code section 298A.2 to allow a school corporation to establish a flexibility account into which it might transfer unexpended and unobligated funds in any school district fund or school district general fund account if the program, purpose, or requirements for the expenditure of such moneys have been repealed or are no longer in effect. The amendment to rule 281—98.2(256,257) implements that policy change.

Item 2: 2017 Iowa Acts, chapter 154, amended Iowa Code section 298A.2 to allow a school corporation to establish a flexibility account into which it might transfer unexpended and unobligated funds from its home school assistance program. The amendment to rule 281—98.12(257,299A) implements that policy change.

Item 3: 2017 Iowa Acts, chapter 153 (House File 564), amended Iowa Code chapter 256C, which relates to the allowable uses of preschool categorical funding. 2017 Iowa Acts, chapter 153, amended Iowa Code chapter 256C to allow the transfer of unexpended and unobligated funds from a school district’s preschool foundation aid funding for deposit in the school district’s flexibility account established under Iowa Code section 298A.2(2). The amendment to rule 281—98.13(256C,257) is consistent with these changes in the Iowa Code.

Item 4: 2017 Iowa Acts, chapter 154, amended Iowa Code chapter 257, which relates to the appropriate uses of categorical funding for at-risk students, alternative programs and alternative schools, and returning dropout and dropout prevention programs. The amendment to rule 281—98.18(257) implements those policy changes and also makes technical corrections.

Item 5: 2017 Iowa Acts, chapter 154, designated gifted and talented programs under Iowa Code section 257.46(1) as one of the uses of the flexibility account created in Iowa Code section 298A.2. The amendment to rule 281—98.20(257) reflects that new funding source for gifted and talented programs.

Item 6: 2017 Iowa Acts, chapter 153 and chapter 154, amended Iowa Code chapter 257, designating the appropriate uses of categorical funding for at-risk programs, alternative programs or alternative schools, and potential or returning dropout prevention programs. The amendment to rule 281—98.21(257) implements those policy changes and also makes technical corrections.

Item 7: This amendment makes a technical correction to rule 281—98.22(257), which relates to the use of unexpended general fund balances.

Item 8: 2017 Iowa Acts, chapter 153, amended Iowa Code section 257.10 to provide school districts with deference with respect to their financing of school programs. New subrule 98.23(3) implements that deference to school district decision making.

Item 9: 2017 Iowa Acts, chapter 153, amended Iowa Code chapter 257, which relates to the teacher salary supplement, to provide school districts deference with respect to the financing of that program. This amendment implements that change and also makes a technical correction to rule 281—98.24(257,284) dealing with the teacher salary supplement.

Item 10: 2017 Iowa Acts, chapter 153, chapter 154, and chapter 172 (House File 642), amended Iowa Code chapters 257 and 284 with respect to educator quality professional development and beginning teacher mentoring and induction. The amendment to rule 281—98.26(257,284) reflects those policy changes and also makes a technical correction.

Item 11: 2017 Iowa Acts, chapter 154, amended Iowa Code section 298A.2 to allow a school corporation to establish a flexibility account into which it may transfer unexpended and unobligated funds from any of the following sources: the statewide voluntary preschool program, the professional development supplement, and the home school assistance program. Iowa Code section 298A.2 as amended by 2017 Iowa Acts, chapter 154, establishes requirements for the transfer of funds to the flexibility account and the appropriate uses of those funds in the flexibility account. Those uses include “any other general fund purpose.” Deference is given to a school district in the use of such funds. The adoption of new rule 281—98.27(257,298A) reflects those changes.

Item 12: 2017 Iowa Acts, chapter 172, amended Iowa Code sections 284.1, 284.4, and 284.5 to make the beginning teacher mentoring and induction program under those sections voluntary for school districts and to allow school districts to utilize the provisions of the teacher career paths and leadership roles specified in Iowa Code section 284.15 as a means of providing beginning teacher mentoring and induction. 2017 Iowa Acts, chapter 172, also eliminated categorical funding for beginning teacher mentoring and induction programs. The amendment to rule 281—98.42(257,284) reflects those statutory changes.

Item 13: 2017 Iowa Acts, chapter 172, amended Iowa Code section 279.68(1)“a” to require a school district to provide intensive supplemental reading instruction to any student who has been identified as persistently at risk in reading, beyond grade three if necessary, until the student is reading at grade level. The amendment to rule 281—98.45(279) reflects that statutory change and also makes a technical correction.

Item 14: 2017 Iowa Acts, chapter 153, amended Iowa Code section 298A.8 to allow school districts, by board resolution, to transfer moneys from the general fund to the student activity fund to purchase protective and safety equipment. This policy change was made retroactively effective to July 1, 2016. The amendment to subrule 98.61(2) reflects those changes.

Item 15: 2017 Iowa Acts, chapter 153, amended Iowa Code section 298A.8 to allow the student activity fund to receive funds transferred from a school district’s general fund. The amendment to subrule 98.70(1) reflects that statutory change.

*Public Comment and Changes to Rule Making*

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on August 30, 2017, as **ARC 3270C**. A public hearing was held on September 19, 2017. No one attended the public hearing. Two comments were received. A clarifying change was made to paragraph 98.13(1)“j” based upon the comments received from the representatives of the Urban Education Network and the Rural School Advocates of Iowa. Also, references to 2017 Iowa Acts, House File 564 and House File 565, have been removed because the legislation has been codified in the Iowa Code.

*Adoption of Rule Making*

This rule making was adopted by the State Board of Education on January 25, 2018.

*Fiscal Impact*

There is no fiscal impact to the State of Iowa. School districts will have more flexibility in utilization of certain categorical funds.

*Jobs Impact*

After analysis and review of this rule making, no impact on jobs has been found.

*Waivers*

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the State Board of Education for a waiver of the discretionary provisions, if any, pursuant to 281—Chapter 4.

*Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its regular monthly meeting or at a special meeting. The Committee’s meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

*Effective Date*

This rule making will become effective on March 21, 2018.

The following rule-making actions are adopted:

ITEM 1. Amend rule 281—98.2(256,257) as follows:

**281—98.2(256,257) General finance.** The categorical funding provided for various purposes to school districts and area education agencies includes general financial characteristics that are detailed in the following subrules.

**98.2(1)** and **98.2(2)** No change.

**98.2(3) Mandatory carryforward.** ~~Any~~ Notwithstanding the flexibility account as described in rule 281—98.27(257,298A), 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 area education agency 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.

**98.2(4) Discontinued funding.** In the event that a categorical funding source is discontinued and an unexpended balance remains, the school district or area education agency ~~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).~~ may do one of, or a combination of, the following:

a. 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 option 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 Iowa Code and 2007 Iowa Code Supplement).

b. Transfer the unexpended balance to the flexibility account as described in rule 281—98.27(257,298A).

**98.2(5)** and **98.2(6)** No change.

**98.2(7)** *Excess expenditures.* The school district or area education agency 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, plus any moneys designated from the flexibility account as described in rule 281—98.27(257,298A).

**98.2(8)** No change.

ITEM 2. Amend rule 281—98.12(257,299A) as follows:

**281—98.12(257,299A) 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 provided to regularly enrolled students by the school district. If a district offers a home school assistance program, the state foundation aid that the district receives pursuant to Iowa Code section 257.6(1)“a”(5), and any amount designated for this purpose from the flexibility account as described in rule 281—98.27(257,298A), shall be expended for purposes of providing the home school assistance program.

**98.12(1)** and **98.12(2)** No change.

**98.12(3)** *Flexibility account.* All or a portion of the amount remaining unexpended and unobligated at the end of a budget year beginning on or after July 1, 2017, may be transferred for deposit into the flexibility account established under Iowa Code section 298A.2, provided all statutory requirements of the home school assistance program have been met, including funding all requests for services and materials from parents or guardians of students eligible to access the program.

ITEM 3. Amend rule 281—98.13(256C,257) as follows:

**281—98.13(256C,257) 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.

**98.13(1)** *Appropriate uses of 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 up to 5 percent of the allocation can be used for actual documented costs of program administration, outreach activities, and rent for facilities not owned by the school district. Foundation aid funding provided for the program may be used by approved local programs and community providers for any purpose designated by the board of directors of the school district to meet standards for high-quality preschool instruction and for purposes that directly or indirectly benefit students enrolled in the approved local program. These purposes include, but are not limited to, the following:~~

a. Functions of instruction, including instructional equipment and supplies and material and equipment designed to develop students' large and small motor skills.

- b. Functions of student support services, including translation services.
- c. Functions of staff support services, including professional development for preschool teachers.
- d. Up to 5 percent of the allocation can be used for actual documented costs of program administration, outreach activities, and rent for facilities not owned by the school district.
- e. Food and beverages used by enrolled students.
- f. Safety equipment.
- g. Playground equipment and repair costs.
- h. Costs of transportation involving children participating in the approved program. The costs of transporting other children associated with the preschool program or transporting as provided in Iowa Code section 256C.3(3) "h" may be prorated by the school district.
- i. Other direct costs that enhance the approved local program, including contracting with community providers for such services.
- j. Costs of attendance for a child who is younger or older than four years old and is enrolled in the program may be paid from these funds, or from another school district account or fund from which preschool program expenditures are authorized by law, if space and funding are available; however, the child shall not be counted for statewide voluntary preschool program funding purposes.

**98.13(2) *Pass-through funding to community-based providers.*** The school district shall pass through to a community-based provider for each eligible pupil enrolled in the district's approved local program not less than 95 percent of the per-pupil amount.

*a.* The community-based provider may use up to 10 percent of the 95 percent portion for documented allowable administrative and operational costs of providing the district's approved local program. The costs of outreach activities, rent for facilities not owned by the school district, and transportation for children participating in the preschool program are also permissive costs allowed as part of the 10 percent under this paragraph.

*b.* Any portion of the 95 percent not documented as expended for direct instruction or administrative and operational costs as allowed by this rule shall be refunded to the district annually on or before July 1.

*c.* Any portion refunded to the district shall be added to the total amount available for the district's approved local program for the subsequent school year, excluding the portion of such unexpended and unobligated funding that the school district authorizes to be transferred to the district's flexibility account described in rule 281—98.27(257,298A).

**98.13(3)** No change.

**98.13(4) *Flexibility account.*** All or a portion of the amount remaining unexpended and unobligated at the end of a budget year beginning on or after July 1, 2017, may be transferred for deposit into the flexibility account established under Iowa Code section 298A.2 and described in rule 281—98.27(257,298A), provided the board of directors of the school district has determined all statutory requirements for the use of such funding have been met.

In order to transfer funds to the flexibility account, the district must have provided preschool programming during the fiscal year for which funding remained unexpended and unobligated to all eligible students for whom a timely application for enrollment was submitted.

ITEM 4. Amend rule 281—98.18(257) as follows:

**281—98.18(257) *At-risk program, alternative program or alternative school, and potential or returning dropout prevention program formula supplementary weighting.*** 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 students identified as at-risk, potential or returning dropouts, and secondary students attending an alternative program or alternative school pursuant to Iowa Code section 257.11(4) "*a.*" ~~as amended by 2015 Iowa Acts, House File 658, section 37.~~

**98.18(1) *Appropriate uses of categorical funding.*** Appropriate uses of at-risk formula supplementary weighting funding include costs to develop or maintain programs for at-risk pupils,

alternative programs and alternative schools for secondary students, and returning dropout and dropout prevention programs. Appropriate uses include, but are not limited to:

*a.* Salary and benefits for the teacher(s) and guidance counselor(s) of identified students participating in the approved programs when the teacher ~~(or counselor)~~ or guidance counselor is dedicated to providing services directly and exclusively to the identified students beyond the services provided by the school district to students who are not identified as at risk or as potential or returning dropouts. If the teacher ~~(or counselor)~~ or guidance counselor is part-time serving the program and part-time regular classroom teacher ~~(or counselor)~~ or guidance counselor, then the portion of time that is related to these programs may be charged to the program funding, but the portion of time that is related to the regular classroom or regular guidance counseling program shall not.

*b.* Professional development for all teachers, guidance counselors, and staff working with identified students under an approved program or in an alternative school setting.

*c.* Research-based resources, materials, software, supplies, equipment, 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 in the school district's approved at-risk or returning dropout and dropout prevention program plan, and
- (4) Will remain with the K through 12 at-risk program, alternative program or alternative school, or returning dropout and dropout prevention program.

*d.* Instructional costs necessary to address the behavior of a child during instructional time when those services are not otherwise provided to students who do not require special education and when the costs exceed the costs of instruction of pupils in a regular curriculum, the costs exceed the maximum tuition rate prescribed in Iowa Code section 282.24, the child has not been placed in a facility operated by the state, and all of the following apply:

- (1) The child does not require special education.
- (2) The child is not placed by the department of human services or a court in a residential or day treatment program where the treatment necessary to address the student's behavior was included in the contract with the placement agency.
- (3) The child is not placed in a hospital unit, health care facility, psychiatric medical institution for children or other treatment facility where the cost of treatment necessary to address the student's behavior is covered by insurance or Medicaid.
- (4) The board of directors of the district of residence has determined that the child is likely to inflict self-harm or likely to harm another student.

*e.* Costs incurred for a program intended to address high rates of absenteeism, truancy, or frequent tardiness.

~~*e. f.* Up to 5 percent of the total amount~~ Amounts that a school district receives as formula supplementary weighting pursuant to Iowa Code section 257.11(4) "*a*" ~~as amended by 2015 Iowa Acts, House File 658,~~ or as a modified supplemental amount received under Iowa Code section 257.41 ~~as amended by 2015 Iowa Acts, House File 658,~~ may be used in the budget year for purposes of providing districtwide, ~~or buildingwide,~~ or grade-specific at-risk and dropout prevention programming targeted to nonidentified students.

**98.18(2)** No change.

ITEM 5. Amend rule 281—98.20(257), introductory paragraph, as follows:

**281—98.20(257) 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 supplemental state aid percentage. This amount must account for not more than 75 percent 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 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 portion, the local match, amounts designated from the flexibility account as described in rule 281—98.27(257,298A), and all donations and grants shall be accounted for as categorical funding.

ITEM 6. Amend rule 281—98.21(257) as follows:

**281—98.21(257) At-risk program, alternative program or alternative school, and potential or returning dropout prevention program—modified supplemental amount.** A modified supplemental amount is available through a school district-initiated request to the school budget review committee pursuant to Iowa Code ~~section 257.38 as amended by 2015 Iowa Acts, House File 658; section 257.39; and sections 257.40 and 257.41 as amended by 2015 Iowa Acts, House File 658~~ sections 257.38, 257.39, 257.40, and 257.41. This amount must account for no more than 75 percent of the school district's total at-risk program, alternative program or alternative school, and potential or returning dropout 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 of the total program 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 portion, local match, previous year carryforward, amounts designated from the flexibility account as described in rule 281—98.27(257,298A), and all donations and grants shall be accounted for as categorical funding.

**98.21(1) Purpose of categorical funding.** The purpose of the modified supplemental amount is to provide funding to meet the needs of identified students for costs in excess of the amount received under rule 281—98.18(257) pursuant to Iowa Code section 257.11(4) ~~as amended by 2015 Iowa Acts, House File 658~~. The funding shall be used only for expenditures that are directly related to the district's approved program plan established pursuant to Iowa Code sections 257.38 through 257.41.

*a.* Returning dropouts are resident pupils who have been enrolled in a school district 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 school district 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.

**98.21(2) Appropriate uses of categorical funding.** Appropriate uses of the funding for an approved program include, but are not limited to:

*a.* Salary and benefits for instructional staff, instructional support staff, guidance counselors, and school-based youth services staff dedicated to providing services directly and exclusively to the identified students participating in the approved program beyond the services provided by the school district to students who are not identified as at risk or as potential or returning dropouts. However, if the staff person or guidance counselor works part-time with students who are participating in the approved program and has another unrelated staff assignment, only the portion of the staff person's or guidance counselor's time that is related to the program may be charged to the program funding. The school district shall have the authority to designate and submit in the program plan the portion of the staff member's or guidance counselor's time and related salary and benefits dedicated to this purpose.

For purposes of this paragraph, an alternative setting may be necessary to provide for a program which is offered at a location off school grounds and which is intended to serve student needs by improving relationships and connections to school, decreasing truancy and tardiness, providing opportunities for course credit recovery, or helping students identified as at risk to accelerate through multiple grade levels of achievement within a shortened time frame.

b. Professional development for all teachers, guidance counselors, and staff working with identified students under an approved program.

c. to g. No change.

h. Costs incurred for a program intended to address high rates of absenteeism, truancy, or frequent tardiness.

h. i. Up to 5 percent of the total amount Amounts that a school district receives as formula supplementary weighting pursuant to Iowa Code section 257.11(4)“a” ~~as amended by 2015 Iowa Acts, House File 658~~, or as a modified supplemental amount received under Iowa Code section 257.41 may be used in the budget year for purposes of providing districtwide, ~~or buildingwide~~, or grade-specific at-risk and dropout prevention programming targeted to nonidentified students.

**98.21(3)** No change.

ITEM 7. Amend rule 281—98.22(257), introductory paragraph, as follows:

**281—98.22(257) 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.

ITEM 8. Adopt the following **new** subrule 98.23(3):

**98.23(3) Deference.** Deference shall be given to the decisions of school districts’ boards of directors in accordance with Iowa Code section 257.10.

ITEM 9. Amend rule 281—98.24(257,284) as follows:

**281—98.24(257,284) 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. 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.

**98.24(1)** and **98.24(2)** No change.

**98.24(3) Deference.** Deference shall be given to the decisions of school districts’ boards of directors in accordance with Iowa Code section 257.10.

ITEM 10. Amend rule 281—98.26(257,284) as follows:

**281—98.26(257,284) Educator quality professional development, also known as professional development supplement.** The purpose of the funding is to implement the professional development provisions of the teacher career paths and leadership roles specified in Iowa Code section ~~284.7~~ ~~or~~ 284.15.

**98.26(1) Appropriate uses of categorical funding.** Appropriate uses of the educator quality professional development funding, and any amount designated for professional development purposes from the flexibility account as described in rule 281—98.27(257,298A), are limited to providing professional development to teachers, including additional salaries for time beyond the normal negotiated agreement; activities and pay to support a beginning teacher mentoring and induction program that meets the requirements of Iowa Code section 284.5; pay for substitute teachers, professional development materials, speakers, and professional development content; textbooks and curriculum materials used for classroom purposes if such textbooks and curriculum materials include professional development; administering assessments pursuant to Iowa Code sections 256.7(21)“b”(1) and 256.7(21)“b”(2) if such assessments include professional development; 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.

**98.26(2)** No change.

**98.26(3)** *Deference.* Deference shall be given to the decisions of school districts' boards of directors in accordance with Iowa Code section 257.10.

**98.26(4)** *Transfer to flexibility account.* All or a portion of the moneys received as professional development supplement that remain unexpended and unobligated at the end of a fiscal year may be transferred for deposit to the flexibility account as described in rule 281—98.27(257,298A).

In order to transfer funds to the flexibility account, all requirements of Iowa Code chapter 284 must be met.

ITEM 11. Adopt the following **new** rule 281—98.27(257,298A):

**281—98.27(257,298A) Flexibility account.** Beginning with the budget year beginning July 1, 2017, in accordance with Iowa Code section 298A.2, a flexibility account shall be established in the general fund of each school corporation if the school corporation has authorized a transfer of all or a portion of its unexpended and unobligated funds from any of the following sources: the statewide voluntary preschool program, the professional development supplement, and the home school assistance program. Additionally, moneys from any other school district fund or general fund account can be transferred to the flexibility account if the program, purpose, or requirements for expenditure of such moneys have been repealed or are no longer in effect.

**98.27(1)** *Requirements for transfer to the flexibility account.* In order to transfer funds to the flexibility account, the board of directors of the school corporation must determine that the statutory requirements for the source funds have been met.

*a.* To transfer funds from the statewide voluntary preschool program, the school district must have provided preschool programming during the fiscal year for which funding remains unexpended and unobligated to all eligible students for whom a timely application for enrollment was submitted.

*b.* To transfer funds from the home school assistance program, the school district must have funded all requests for services and materials from parents and guardians of students eligible to access the program.

**98.27(2)** *Requirements for use of funds deposited to the flexibility account.* Expenditures from the flexibility account shall be approved by a resolution of the board of directors of the school corporation which meets all requirements stipulated in Iowa Code section 298A.2.

**98.27(3)** *Appropriate uses of categorical funding.* Appropriate uses of funds transferred to the flexibility account are limited to the following:

*a.* Start-up costs for an approved local program under the statewide voluntary preschool program.  
*b.* Support of the approved statewide voluntary preschool program.  
*c.* Professional development requirements under the professional development supplement.  
*d.* Support of the home school assistance program.  
*e.* Support of the at-risk program, alternative program or alternative school, and potential or returning dropout prevention program.

*f.* Support of the approved gifted and talented program.

*g.* Any other general fund purpose.

**98.27(4)** *Inappropriate uses of categorical funding.* Inappropriate uses of funds within the flexibility account include any expenditures for purposes not specified in Iowa Code section 298A.2.

**98.27(5)** *Deference.* Deference shall be given to the decisions of school districts' boards of directors in accordance with Iowa Code section 257.10.

ITEM 12. Amend rule 281—98.42(257,284) as follows:

**281—98.42(257,284) 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 area education

agencies, increase the retention of promising beginning teachers, and promote the personal and professional well-being of teachers. Effective July 1, 2017, as established by 2017 Iowa Acts, chapter 172, this program is addressed within educator quality professional development as described in rule 281—98.26(257,284).

~~98.42(1) *Appropriate uses of 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 area education agency'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 area education agency.~~

~~98.42(2) *Inappropriate uses of 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.~~

ITEM 13. Amend rule 281—98.45(279) as follows:

**281—98.45(279) Early literacy.** School districts shall provide intensive supplemental reading instruction to any student who has been identified as exhibiting a substantial deficiency persistently at risk in reading, based upon an assessment or through teacher observations. The student's reading proficiency shall be reassessed by locally determined or statewide assessments. The student shall continue to be provided with intensive reading instruction, at grade levels beyond grade three if necessary, until the reading deficiency is remedied student is reading at grade level. ~~The district shall promote effective evidence-based programming, instruction and assessment practices across schools to support all students in becoming proficient readers by the end of the third grade. Programs and services may extend beyond third grade.~~

**98.45(1) *Appropriate uses of categorical funding.*** Appropriate uses of early literacy program funding include, but are not limited to:

- a. Intensive supplemental instructional programs, instructional support, and assessment for identified students;
- b. Professional development for staff regarding early literacy program requirements, instructional materials, and assessments;
- c. Purchase of supplemental or specialized curriculum or instructional materials and assessments that are scientific, research-based and meet the standards of Iowa Code section 279.68 for identified students;
- d. If not already being provided with other sources of funding or general program funding, tutoring, mentoring, and extended school day, week, or year programs for identified students;
- e. Intensive summer literacy programs at the ~~K-3~~ level for identified students;
- f. Transportation services for identified students participating in intensive summer literacy programs;
- g. The fee charged by the department for implementation of the early warning assessment for literacy provided in accordance with Iowa Code sections 256.7(31) and 279.68, effective with the budget year beginning July 1, 2017, pursuant to 2017 Iowa Acts, chapter 172.

**98.45(2)** No change.

ITEM 14. Amend subrule 98.61(2) as follows:

**98.61(2) *Appropriate uses of the general fund.*** Appropriate expenditures in the general fund include, but are not limited to, the following:

- a. to r. No change.
- s. Beginning with the budget year beginning July 1, 2016, transferring, by board resolution, to the student activity fund an amount necessary to purchase protective and safety equipment required for any extracurricular interscholastic athletic contest or competition that is sponsored or administered by

an organization as defined in Iowa Code section 280.13, as allowed under Iowa Code section 298A.2 pursuant to Iowa Code section 298A.8(2).

~~s. t.~~ Paying any other costs not required to be accounted for in another fund.

ITEM 15. Amend subrule 98.70(1) as follows:

**98.70(1)** *Sources of revenue in the student activity fund.* Sources of revenue in the student activity fund include income derived from student activities such as gate receipts, ticket sales, admissions, student club dues, donations, fund-raising events, ~~and~~ any other receipts derived from student body cocurricular or extracurricular activities, contests, and exhibitions as well as interest on the investment of those moneys, and amounts transferred from the general fund under Iowa Code section 298A.2 as described in paragraph 98.61(2) "s."

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