



IOWA DEPARTMENT OF EDUCATION

# **Frequently Asked Questions (FAQs) Regarding the Physical Plant and Equipment Levy (PPEL) Fund**

July 2016

## **Contents**

Whole Grade Sharing (WGS) .....	1
Transportation Equipment and Contracted Services.....	1
Equipment and Student Activities.....	2
Energy Conservation .....	3
Rentals and Leases .....	3
Disposition of Property .....	3
Equipment and Technology.....	4
Definitions.....	4
Accounting.....	6
Uses of Funds .....	7
Contracted Services .....	10
HVAC System .....	12
Fees and Deposits .....	12

## Whole Grade Sharing (WGS)

1. **Question:** May a district pay a portion of its whole grade sharing tuition from the Physical Plant and Equipment Levy (PPEL) and designate that amount for school infrastructure?

**Answer:** No. Tuition is not an allowable use from PPEL. All tuition is a General Fund expenditure to the sending district and a General Fund revenue to the receiving district and may not be used or designated for school infrastructure purposes or any other use not appropriate to the General Fund.

2. **Question:** May a district share its PPEL revenues with its whole grade sharing partner or any other entity?

**Answer:** No. PPEL Fund is a fund which is more restricted than any other fund in that it can only be used for those expenditures that are expressly stated in Iowa Code 298.3 (clearly implied is not a measure for allowability in the PPEL Fund). Sharing PPEL is not a listed allowable use of PPEL revenues.

## Transportation Equipment and Contracted Services

1. **Question:** May a district charge a portion of a transportation purchased services contract from PPEL, as if it were a cost for leasing buses instead of paying the full contract from the General Fund?

**Answer:** Although a bus *lease agreement*, where the district obtains buses that it will use itself, can be paid from PPEL, it would not be appropriate to deem a portion of a *purchased services contract* to be the equivalent of a lease agreement. It would be inappropriate if the district were deeming a portion of a purchased service contract to be a lease agreement to obtain buses, when that same service provider is actually the one using the buses to transport the district's students. PPEL Fund is a fund which is more restricted than other funds in that PPEL Fund can only be used for those expenditures that are expressly stated in Iowa Code 298.3 (clearly implied is not a measure for allowability in the PPEL Fund). Districts are disallowed from splitting a public improvement contract for purposes of avoiding bid law. The concept of splitting a public improvement contract would be similar to splitting a purchased services busing contract for the purpose of expending a portion of the contract from a fund where it would not otherwise have been allowable.

In addition, Iowa Code 285.5 and 285.1(17)(b) allow contracting for school bus service with private parties to transport non-public students. However, the Code states that these contracts shall not provide payment in excess of the average per pupil transportation costs [General Fund] of the school district for that year. Splitting a contract could result in the district submitting an incorrect amount for the payment.

2. **Question:** Can a district pay for bus tires or rebuilding a bus engine from PPEL?

**Answer:** A district cannot purchase bus tires, which are supplies, from PPEL. However, a district may pay for the cost of rebuilding or repairing a bus engine with PPEL funding if the cost of that repair is greater than \$2,500.

3. **Question:** Is a replacement engine for a school bus allowed from PPEL?

**Answer:** Yes. Replacing the engine is a repair of transportation equipment, and can be paid from PPEL if the cost of that new engine is greater than \$2,500.

**4. Question:** Can districts group multiple buses in order to meet the \$2,500 threshold?

**Answer:** No. The cost is based on a single repair to a single bus.

**5. Question:** Does “single repair” refer to each item that is being replaced or repaired?

**Answer:** No. “Single repair” references a repair related to a single event. This may include multiple items being replaced or repaired as a result of that one event. For example, if a bus was in a collision, it may need many items repaired that were damaged by that collision. All of those repairs would be considered a single repair for purposes of the \$2,500 threshold. But, if a bus was being serviced and needed several unrelated repairs (e.g., fuel tank leak, inoperable wheelchair lift, and fogged thermopane window), each of those repairs would be considered separately for purposes of the \$2,500 threshold.

**6. Question:** Can a district enter into a long-term debt arrangement (loan, lease) to purchase a bus (or any equipment) and repay the principal portion from PPEL and the interest portion from the General Fund (or vice versa)?

**Answer:** No. Districts must repay both the principal and the interest on debt other than bond issues from the same fund, and that fund must be the fund into which the loan or lease proceeds were originally deposited/accounted for. So if the loan or lease proceeds were accounted for in the PPEL Fund, all principal and interest payments to retire that debt would also come from the PPEL Fund.

**7. Question:** Our district needs to purchase a new radio for a bus, but the cost is less than \$500. We are considering instead upgrading our entire radio communication system with digital for better service and the total costs will be approximately \$20,000. Are these costs permitted from PPEL?

**Answer:** The radio and the radio communication system both meet the definition of technology. To be expended from PPEL, they must also meet the requirement of not being disallowed from PPEL (and they aren't), and meet the \$500 minimum cost threshold in a single contract/transaction with a single vendor. Based on the description in the question, the single radio unit does not meet the cost threshold if not included in the radio communication system transaction. The radio communication system meets all of the requirements to be expended from PPEL.

## **Equipment and Student Activities**

**1. Question:** What fund would pay for the district's cost to rent the gym area at a local recreation center for basketball practices and volleyball tournaments? Would this be paid from the Student Activity Fund, General Fund, or PPEL Fund?

**Answer:** Rental of facilities for district programs would be a PPEL Fund expenditure.

**2. Question:** Is football protective equipment (e.g., pads, helmets, and mouth guards) the kind of equipment that can be purchased from the PPEL Fund?

**Answer:** No. Even though it is commonly called “equipment,” football protective gear is a supply.

**3. Question:** Band uniforms last a long time. Can those be considered equipment and paid for from the PPEL Fund?

**Answer:** No. Band uniforms are supplies rather than equipment because they do not meet the definition of equipment under Uniform Financial Accounting (UFA). Equipment would be a capital asset and would include machinery, vehicles, furniture and fixtures, but not clothing or uniforms.

## Energy Conservation

1. **Question:** Is retrofitting all lighting fixtures with energy efficient bulbs considered energy conservation under the PPEL Fund?

**Answer:** Light bulbs, even if energy efficient, would be supplies and a General Fund expenditure.

## Rentals and Leases

1. **Question:** The paragraph in Iowa Code section 298.3 which authorizes rental contracts in the PPEL Fund references a chapter 28E agreement. Does that mean PPEL funding for rentals is limited to facilities owned by other governmental agencies?

**Answer:** No. All leases and rentals of facilities would be accounted for in the PPEL Fund (or Secure an Advanced Vision for Education [SAVE] Fund if the revenue purpose statement allows PPEL uses) without regard to whether the owner is another governmental agency or if the agreement is entered into under chapter 28E. No other fund has rental leases as an allowable use, and other sections of Code identify PPEL as the appropriate fund for rentals and rental leases. The Iowa Department of Education (Department) believes Iowa Code section 298.3 is not intended to limit the district to only 28E agreements for rentals and leases, but to include 28E agreements in addition to any other normal rental or lease arrangement.

Use of the General Fund is only allowed for renting a room and hiring a teacher when there are a certain number of students for which the district has no other classrooms available (297.12). That authority is not a continuing arrangement—it is allowed for an emergency situation within the school year where the district has to find one classroom (not a facility of rooms). Rental or long-term leases are forms of facility acquisition, and would be consistent with the uses of the PPEL Fund as opposed to any other fund.

Iowa Code section 278.1(2) addresses leases and rentals. It specifies PPEL as the fund from which to pay the cost and does not limit from whom the district may rent or lease. This is addressed as well in OAG #65-7-14, which clarifies that a rental is from the Schoolhouse (now PPEL) Fund and not General Fund. Iowa Code section 279.26 talks about voter-approved PPEL (VPPEL) being used for rental and lease arrangements and does not limit the rental or lease to a 28E or to another government, nor does it reference 298.3, where the mention of 28E is found. Reference to rental or lease is again in Iowa Code section 298.2(4)(a) without the 28E or governmental agency limitation. An area education agency (AEA) may lease under Iowa Code section 273.3(7), and there is no mention in that section of a limitation to chapter 28E agreements or to governmental units. It would not be logical for districts to be limited if AEAs were not for the same activity.

## Disposition of Property

1. **Question:** What procedures must the district follow to sell/dispose of laptops purchased from PPEL? Where are the proceeds deposited from the sale?

**Answer:** The district will follow the procedures required by Iowa Code section 297.22 for disposition of equipment. This section requires proceeds from the sale of personal property be receipted into the same fund where the original cost was accounted for.

**2. Question:** Can the legal and recording fees to dispose of real property be paid from the PPEL Fund since the sales proceeds go into that fund?

**Answer:** Yes.

**3. Question:** If our district purchased a bus from PPEL, and now plans to sell that bus instead of trading it in on a new bus, do the sale proceeds go into the PPEL Fund or the General Fund?

**Answer:** If the district originally purchased the bus from the PPEL Fund, the sales proceeds would be deposited into the PPEL Fund.

## **Equipment and Technology**

**1. Question:** A declaratory order was issued on technology in the PPEL Fund in April 2011. Is this declaratory order still applicable?

**Answer:** The declaratory order should no longer be considered the defining document. The Code section on which the declaratory order was based was amended with different language, effective July 1, 2011. Subsequently, Iowa Administrative Code (IAC) was also amended. Parts of the declaratory order were adopted in Iowa Code and IAC, but other parts were not. Districts should follow Iowa Code and IAC as the authoritative sources on technology expenditures in the PPEL Fund.

### **Definitions**

**1. Question:** Does the subject of this FAQ apply to electronic tablets as well as laptops?

**Answer:** Smartphones, electronic tablets, and other personal computing devices are not significantly different than laptops for the purposes of PPEL-funded technology. Smartphones and electronic tablets are designed to sync with, and be backed up on, other electronic devices. Transferring files and printing is accomplished by some type of networking system or virtual storage that all devices can access; additional applications may be necessary to perform functions needed by the district and its students. Therefore, bundling and other discussions would apply.

**2. Question:** How is equipment defined?

**Answer:** [Uniform Financial Accounting](#) defines equipment as machinery, furniture, fixtures, and vehicles. Furniture and fixtures are defined as equipment used for sitting, as a support for writing and work activities, or as storage space for material items. Furniture is moveable; a fixture is "fixed" or not moveable. Equipment would be an item which meets all of the following tests: (1) lasts more than one year, (2) would be repaired rather than replaced, (3) is an independent unit rather than being incorporated into another unit item, (4) the cost of tagging and inventory is a small percent of the item cost, and (5) the cost exceeds a minimum dollar value set by the Department (\$500).

**3. Question:** Are furnishings and facility-related equipment allowed to be bulk purchased and paid from PPEL even through the individual cost is less than \$500 before bulking?

**Answer:** Yes. Furnishings have been recognized as a capital expenditure for bonded indebtedness, and under UFA, furniture is considered an item of equipment. Although the UFA criteria for distinguishing supply and equipment items do include cost per individual item as the last criteria, the explanation states that the National Center for Education Statistics (NCES) set of criteria are listed in priority order. That leaves cost last, as the lowest priority criterion. The criterion for costs says, “exceeds the minimum dollar value mandated by state or other governmental unit (*with due regard for group control of some items*).” NCES further states, “an equipment item is any instrument, machine, apparatus, or set of articles.” Because NCES specifically lists furniture under equipment, states that deciding must give due regard for group control of some items, and defines equipment as a “set of articles,” then it appears to support the determination that it is the set of articles that must be \$500, not each article.

**4. Question:** How is technology defined?

**Answer:** Technology includes such things as hardware, non-instructional software and software required to provide functionality to the hardware, wireless presenters, networking and connectivity systems, computing storage, website development services, hardware carrying equipment, licensing, and technical assistance for installation of hardware, software, or software updates. To be expended from a capital projects fund such as PPEL or SAVE, technology may be bundled in a single transaction from a single vendor to meet the cost threshold of more than \$500 per transaction. Technology does not include such items as instructional software or textbook substitutes as defined in Iowa Code chapter 301, professional development, staff providing support to teachers or students, general supplies or office supplies, district personnel or individuals/companies hired or contracted in lieu of district personnel, maintenance contracts, travel, printing costs or media services not listed in this definition, insurance, most purchased services, or similar district functions. Maintenance contracts do not meet the definition of technology unless they are actually a license renewal fee; Internet subscriptions, licenses, or fees; or cable or satellite services; or very similar services. Technology would include assistive technology; however, if it is expended from PPEL or SAVE, it would not be a special education cost.

**5. Question:** Iowa Code specifies that “repair” does not include “maintenance.” How is maintenance defined?

**Answer:** The term “maintenance” has many common meanings, causing confusion regarding 298.3. What is commonly called maintenance related to technology is actually a license renewal fee, technical assistance support contract, Internet subscription, licenses and fees for Internet, or cable or satellite services. That is the meaning of maintenance from the laundry list of potential items that fit the definition of “technology.” Note that this kind of maintenance is coded within accounting to the administrative technology or instruction-related technology functions.

However, there is another meaning for maintenance that is not technology and not appropriate from the PPEL Fund. This is commonly called “O and M,” which is defined by reading similar Code sections, accounting requirements, and court cases. This “maintenance” means to cause to remain in a state of good repair, but does not include reconstruction/repair; it includes cleaning, upkeep, preventative maintenance, keeping equipment in effective working condition and ready for daily use, minor repairs, replacing parts, inspecting for needed maintenance, preserving the existing state or condition, and preventing a decline in the existing state or condition. Note that this kind of maintenance is coded within accounting to the operation and maintenance of equipment function.

**6. Question:** What is a bundle?

**Answer:** A bundle means a collection of items from the same vendor related to a specific purchase. A district may purchase components of technology from multiple vendors, but may

only bundle those items purchased from the same vendor. In a technology bundle, each item must meet the definition of technology separately. For example, in a purchase of paper with a printer, the paper will not meet the definition of technology; it would be a supply to be expended from the General Fund rather than the PPEL Fund.

**7. Question:** Is a bundle the same thing as a bulk purchase?

**Answer:** No. A bulk purchase consists of multiple units of the same item (i.e., 50 desks or 50 chairs). A bundle consists of relatively dissimilar items that function together as a unit. "Bundle" is a term used with technology purchasing, but is actually used in similar ways for other costs, such as remodeling, which could include labor, supplies, purchased services, and equipment. Within technology, a bundle may include supplies, equipment, and purchased services; however, each of these must meet the definition of technology separately.

**8. Question:** How can an AEA bundle technology for purchasing when it does not have a PPEL Fund?

**Answer:** Bundling is a purchasing concept and is not limited to the PPEL Fund. Each bundle, and each bundled item, must be appropriate to the single fund from which it will be purchased; AEA's could bundle technology in the General Fund. Districts could bundle technology in the General Fund, PPEL Fund, or possibly the SAVE or Public Education and Recreation Levy (PERL) Funds, as long as technology is an allowable expenditure from that fund and each bundle is separated by the fund that is paying for the purchase.

**9. Question:** Does the new wording "multiple equipment or technology units" mean bundling no longer applies since some of the bundled costs would not be equipment?

**Answer:** No. The 2011 amendment to Iowa Code section 298.3 did not change the ability for technology items to be bundled, and a bundle for this purpose means a collection of technology items from the same vendor related to a specific technology purchase.

### Accounting

**1. Question:** How do school districts or AEA's account for, inventory, insure, or have audited a bundled technology unit?

**Answer:** Bundling is a purchasing concept and does not prevent districts/AEA's from being able to continue to meet all their fiscal obligations while expanding purchasing opportunities and funding opportunities by bundling costs. Bundling is allowed to the extent that all expenditures are within the meaning of technology, are allowed from the fund, and provide sufficient information to account for the expenditures properly...nothing about this opportunity relieves a school district of its obligation to account for all items appropriately, and in more contexts than just the fund from which the expenditure was appropriate. For accounting purposes, the district/AEA will continue to follow the correct UFA coding. For example, functions and objects for accounting and for reporting will continue to tag/identify each unit of equipment for inventory purposes, and the district/AEA will continue to handle insuring equipment and supplies in the same way it has negotiated with its agent for other equipment and supplies.

**2. Question:** When the district records the asset, does it bundle the entire 1:1 purchase as a single asset, or does it divide the total cost by the number of units?

**Answer:** Dividing the total cost by the number of functioning units might not be appropriate. Recall that a bundle consists of relatively dissimilar items that function together as a unit and are purchased from the same vendor. For example, multiple laptops or electronic tablets might jointly use a single server, but the server is much more costly than the individual laptops or tablets. Dividing the cost evenly over the various items that made up the functioning unit would cause the



server to be undervalued and the laptops/tablets to be overvalued. This would not work well for insurance purposes if the server were destroyed by a lightning strike, yet all the laptops/tablets were unharmed.

Because the district/AEA would have disaggregated the bundle for recording the items in the accounting system by correct UFA coding, the district/AEA would have a more accurate basis for determining the unit cost working from the accounting side rather than the purchasing side. At the disaggregated level, it would be possible for the district to divide the cost of like items by the total cost that was disaggregated to those items. The cost of the server would be different than the cost of the laptops/tablets; however, the cost of each laptop/tablet might be identical to the cost of another laptop/tablet in the same bundle.

Each laptop/tablet will have a distinct serial number, even if they have the same model number. Some districts will tag the laptops/tablets by that serial number with an individual cost in the inventory and/or insurance records, and will also use the unique serial number to determine which laptop/tablet was assigned to a particular student/individual. Other districts will record the laptops/tablets as a group under the model number, showing the number that were purchased on the same date in the same transaction, while keeping the serial numbers and student assignments in a separate subsidiary record. The method used by a district would be determined locally to meet the district's needs.

**3. Question:** Is bundling the same thing as capitalization allowed by Generally Accepted Accounting Principles (GAAP)?

**Answer:** No. Bundling is a purchasing concept that may include items that are not appropriate for capitalization under GAAP. Capitalization under GAAP is allowed for purposes of recording capital assets in a governmental fixed asset inventory, or for the entity-wide statements in the audits, or for recording capital assets in a proprietary fund and certain trust funds that use full accrual accounting. The latter (proprietary and certain trust funds) record depreciation expense annually on equipment, but governmental funds, such as General Fund, PPEL Fund, PERL Fund, and SAVE Fund, record equipment expenditures by function and object rather than depreciation.

**4. Question:** Some individual items that could be included in the purchase of bundled technology, such as the warranties, shoulder straps, and bags, would not meet the cost and criteria for capitalization as described in the previous question regarding GAAP and capitalization. If the district included some of these otherwise non-capitalized items in the bundled price, does that violate GAAP regarding capitalized assets?

**Answer:** No. The fact the district bundled costs for purchasing purposes does not change how the district will record assets. GAAP requires capital/fixed assets be reported at historical cost, including ancillary charges necessary to place the asset into its intended location and condition for use. Therefore, the cost of the capitalized asset could include warranties as well as shoulder straps and bags under GAAP, but would not include costs such as contracted technical services, for example. The 2011 amendment to Iowa Code section 298.3 has not changed this GAAP guidance.

### Uses of Funds

**1. Question:** Can the PPEL Fund be used to bulk purchase *equipment*?

**Answer:** Yes. Iowa Code allows bulk purchasing of equipment units and bulk purchasing of technology units from the PPEL Fund, even though the units individually might not have cost more than \$500 each.

**2. Question:** Can the PPEL Fund be used to bulk purchase *supplies*?

**Answer:** No. Bulk purchasing is only for items which are defined as equipment and items which are defined as technology. The 2011 amendment to Iowa Code section 298.3 did not state, nor imply, that bulk purchasing a supply would recharacterize the cost as “equipment” for purposes of the PPEL Fund. For assistance in distinguishing a supply from equipment, refer to Appendix E in the [Iowa Uniform Financial Accounting Manual](#). Exhibit E-1 has a flowchart to distinguish equipment and supplies.

Districts are cautioned from disregarding or rationalizing any question in the flowchart, such as the district “could” repair an item if the district does not actually follow that “repair versus replacement” policy, for the sole purpose of moving expenditures from the General Fund to the PPEL Fund. There are subtle impacts from that decision. For example, supplies are current expenditures, but equipment is a non-current expenditure. Movement from current to non-current can impact maintenance of effort calculations, not only for the local districts, but also for the state, which could reduce the amount of federal funding the Department receives to allocate to districts and AEAs. Movement from current to non-current expenditures can also impact indirect cost rates and indirect cost recovery bases. Non-current expenditures cannot be included in the rate calculations, which lower the rates. Also, the rates cannot be applied against non-current expenditures, which further lowers the indirect cost recovery amount. A statewide movement from current to non-current can change how Iowa funding is compared to funding provided for education in other states; in turn, this can be negatively interpreted by researchers and policymakers.

**3. Question:** Would technology be a qualifying expenditure from SAVE?

**Answer:** The law states that SAVE may be used for any purposes allowed in Iowa Code section 298.3 (PPEL); therefore, if the expenditure is allowable from PPEL and is allowed by the district's revenue purpose statement, it is allowable from SAVE.

**4. Question:** What types of specific technology are permissive under PPEL or SAVE?

**Answer:** The district administrative team, with or without its auditor, can make this determination by considering the following basic questions provided throughout this FAQ:

1. Does the cost meet the definition of technology, as defined in Iowa Administrative Code?
2. Is the cost excluded from PPEL or otherwise required to be expended from another fund?
3. Does the cost meet the \$500 threshold requirement in PPEL, for the stand-alone technology unit or the bundled technology unit, as appropriate?
4. Was the technology purchased in a single transaction with a single vendor?

**5. Question:** Which items included in a technology bundle cannot be purchased from PPEL?

**Answer:** Bundling is optional. The reason a district would consider bundling is to meet the \$500 threshold in the PPEL statute; thus, all items in the bundle must be allowable under PPEL. Excluded items would include the following:

- instructional software or textbook substitutes as defined in Iowa Code chapter 301,
- professional development,
- staff providing support to teachers or students,
- general supplies or office supplies,
- district personnel or individuals/companies hired or contracted in lieu of district personnel,
- maintenance contracts (unless they are actually a license renewal fee, Internet subscription, license, or fee, or cable or satellite services [or similar services]),
- travel,
- printing costs or media services not listed in this definition,
- insurance, and
- purchased services, or similar district functions, that do not meet the definition of technology.

**6. Question:** Software is a supply. Can it be expended from PPEL?

**Answer:** Even though a supply, software meets the definition of technology. Software can be either a stand-alone technology purchase or part of the bundled cost with the acquisition of a technology unit. The costs associated with the software package will be coded under UFA as a supply; however, if the costs meet the capitalization criteria of [Governmental Accounting Standards Board](#) (GASB) 51 (intangible assets) and the district's capitalization threshold, the costs may be capitalized for the entity-wide statement in the audit.

**7. Question:** Is Microsoft Office considered educational software that, by Iowa Code, must be purchased only from the General Fund?

**Answer:** If the district has determined that students need the software to participate in class or to do homework for a class, or the software otherwise meets the definition of textbook substitute under Iowa Code chapter 301, then it is educational software and consequently cannot be paid from the PPEL Fund.

**8. Question:** Are listening stations technology? Listening stations are compact disk (CD) players with multiple headphones so that a group of students can listen to the same CD. Different groups could work on different things in the same classroom with less noise and distractions between the groups.

**Answer:** Listening stations would meet the definition of technology. In order to be purchased from the PPEL Fund, the stations would also have to meet the cost threshold.

**9. Question:** If the district purchases a projector that costs \$489 and the shipping cost is \$20, for a total invoice of \$509, would the \$489 or the \$509 be the cost used to determine if the cost threshold is met to be expended from the PPEL Fund?

**Answer:** The \$509 would be the cost used to measure the cost threshold. The total cost of that one transaction from one vendor exceeds the cost threshold, as the shipping is a necessary part of the transaction cost to obtain the projector.

If instead the projector had free shipping and handling and the \$20 was purchasing a case of replacement parts, such as bulbs, neither the bulbs nor the projector would meet the cost threshold because replacement repair parts and maintenance costs are disallowed from PPEL.

**10. Question:** Our district had \$24,000 in repair costs on laptops. Can this be considered a technology cost under the definition of "bundling" to be paid from PPEL?

**Answer:** No. Repair and maintenance on equipment or technology is a General Fund cost and cannot be paid from PPEL.

**11. Question:** Can repair of technology, such as replacing LCD panels or cracked screens, or replacing batteries be paid from PPEL?

**Answer:** No. Repairs to equipment and maintenance are General Fund expenditures.

**12. Question:** Can student management software and accounting software be purchased from PPEL?

**Answer:** Student data management software and accounting software meet the definition of technology. If the purchase meets the \$500 threshold in a single transaction from a single vendor, these items may be purchased from the PPEL Fund.

**13. Question:** Our district is purchasing student accounting software. These technology programs provide districts with various tools including student management and tracking (e.g., running reports for attendance and the Basic Educational Data Survey [BEDS]), notification to parents, teacher resources, and grading. Some of the service of these programs may be considered instructional (teacher resources, grading) versus management tools. Would the instructional component disqualify the technology as an allowable PPEL expenditure?

**Answer:** No. The instructional component as described in the question does not meet the definition of a textbook or textbook substitute under Iowa Code chapter 301. The student accounting software package meets the definition of “technology,” and is not disallowed as a PPEL expenditure. The cost of the student accounting software package is appropriate from PPEL if it meets the \$500 cost threshold and is purchased in a single transaction from a single vendor.

**14. Question:** Is online software for employee leave and substitutes an allowable cost from PPEL?

**Answer:** The software meets the definition of technology and is not disallowed in PPEL. The cost can be paid from PPEL if it meets the \$500 cost threshold per transaction from a single vendor.

**15. Question:** Our district, in one transaction with a single vendor, has both non-instructional software cost and ongoing professional development costs. Is the entire cost of that transaction permitted from PPEL?

**Answer:** No. Only the portions that meet the definition of technology could be expended from PPEL. Bundling costs into one transaction for the cost threshold will not override proper coding of what each item truly is, nor will it allow costs to be included in PPEL that are not otherwise allowed from PPEL. Professional development is excluded as a technology cost.

The software would be coded to software, but it does fit the definition of technology and does not fit the definition of a textbook substitute. Even though it meets the definition of technology, software is still a supply, not equipment, and is coded accordingly.

### Contracted Services

**1. Question:** Can a district pay for contracted technology services from PPEL?

**Answer:** Yes, as long as the cost, whether stand-alone or part of a bundle, meets the definition of technology, meets the \$500 per unit (stand-alone unit or bundled technology unit, as applicable) cost threshold in PPEL, and is in reality a license renewal fee; an Internet subscription, license, or fee; a cable or satellite service; or a technical assistance support contract that does not include maintenance.

**2. Question:** Can a district pay for subsequent or discrete contracted technology services from PPEL?

**Answer:** Even if the contracted technology service is not part of the initial bundled technology purchase, it may still qualify as a technology cost, if it meets the definition of technology, meets the \$500 per unit (stand-alone unit or bundled technology unit, as applicable) cost threshold in PPEL, and is in reality a license renewal fee; a technical assistance support contract that does not include maintenance; an Internet subscription, license, or fee; or a cable or satellite service.

**3. Question:** If we contract with an outside vendor for a website design, can we pay for that from PPEL?

**Answer:** Website design appears to be technology technical assistance which is not maintenance, which meets the definition of technology. If the purchase meets the \$500 threshold in a single transaction with a single vendor, this item may be purchased from PPEL.

**4. Question:** Is a fee charged to the district by a service provider for hosting cloud-based software our district uses for our instruction considered technology that can be paid from PPEL?

**Answer:** The fee would meet the definition of technology. It could be expended from PPEL if the cost is not excluded from PPEL or otherwise required to be expended from another fund, meets the \$500 threshold requirement in PPEL for the stand-alone technology unit or the bundled technology unit, and was purchased in a single transaction from a single vendor.

**5. Question:** If our district contracts with a company to back up our entire computer system and store the backup offsite, is that allowed to be expended from PPEL?

**Answer:** Backup and offsite storage appears to be technology technical assistance which is not maintenance, similar to cloud storage services, which meets the definition of technology. If the purchase meets the \$500 threshold in a single transaction with a single vendor, this item may be purchased from PPEL.

**6. Question:** A technology coordinator is a district employee who is currently paid through the General Fund. Could this be a PPEL expenditure instead?

**Answer:** Salaries of district employees cannot be paid from the PPEL Fund, even if the employee is a technology coordinator.

**7. Question:** May a district pay for contracted technology services from PPEL, or from SAVE if the Revenue Purpose Statement (RPS) allows PPEL uses?

**Answer:** Contracted technology services can be paid from PPEL/SAVE if it meets all three of the following requirements and has not been disallowed by Code or rules:

- The cost meets the definition of technology.
- The cost meets the \$500 cost threshold per transaction from a single vendor.
- The cost is in reality a license renewal fee; a technical assistance support contract that is not maintenance; an Internet subscription, license, or fee; or a cable or satellite service.

If the contract is a maintenance contract, it does not qualify to be expended from PPEL or from SAVE. The term "maintenance" is used loosely to describe various activities. However, the law and court cases have a narrower definition of what is meant by that term. "Maintenance" means to cause to remain in a state of good repair; it includes cleaning, upkeep, preventative maintenance, keeping equipment in effective working condition and ready for daily use, minor repairs, replacing parts, inspecting for needed maintenance, preserving the existing state or condition, or preventing a decline in the existing state or condition. All maintenance and maintenance contracts would be paid from the General Fund.

**8. Question:** Can a district terminate its employee and then contract the services with an outside provider in order to pay from PPEL?

**Answer:** A district employee would most likely be providing services that are not allowed from the PPEL Fund, such as maintenance, professional development, instruction or support services to students rather than the ones permitted from the PPEL Fund (i.e., a license renewal fee; a technical assistance support contract that does not include maintenance; an Internet subscription, license, or fee; or a cable or satellite service).

The individual with whom the district contracts would need to meet the Internal Revenue Service (IRS) requirements for an independent contractor determined through an IRS form SS-8 ruling whether the services are appropriate to the General Fund or to the PPEL Fund.

**9. Question:** Can the following be paid from PPEL?

- The yearly license fee for our accounting software and updates.
- Student records system software and maintenance/license renewals.
- Support contracts for technology services, Internet service, and Internet filters.

**Answer:** If the fees related to the accounting and student records software are in reality a license renewal fee; a technical assistance support contract that is not maintenance; an Internet subscription, license, or fee; or a cable or satellite service, then the costs can be paid from PPEL/SAVE if it has not been disallowed by Code or rules and the cost meets the \$500 cost threshold per transaction from a single vendor.

Support contracts for technology are generally maintenance and would be expenditures in the General Fund rather than PPEL. If the support contracts for technology are actually a license renewal fee; a technical assistance support contract that is not maintenance; an Internet subscription, license, or fee; or a cable or satellite service, then they would also meet the definition of technology. Internet services and Internet filters meet the definition of technology to be expended from PPEL if they meet the cost threshold and are included in a single transaction with a single vendor.

**10. Question:** A district has a technology contract that meets the criteria to be expended from PPEL, and the annual contract, which meets the cost threshold, is paid in monthly installments. If each monthly payment is less than the \$500 threshold, does that disqualify the cost from PPEL?

**Answer:** No. If there is an annual contract (single transaction) that meets the cost threshold, it is permissible to make monthly payments on that contract. If it is not a contract and is instead a monthly amount where the service can be cancelled at the end of any month, then each month is a separate transaction and would not meet the cost threshold.

### HVAC System

**1. Question:** Our district uses a technology system/software to maintain our HVAC system. This purchased service/software monitors our building temperatures and functioning of our systems. Is this a technology cost that we can pay using PPEL funds? Can the HVAC system be considered "technology" so that maintenance is allowable from PPEL?

**Answer:** The HVAC system itself would be purchased under Iowa Code section 298.3(1), paragraphs "b", "f", or "g", but not under paragraph "c". HVAC, without regard to cost, would be expended from PPEL under 298.3(1)(b) if a new facility, or under 298.3(1)(f) if a replacement or major repair to the HVAC system. The latter expressly states that repair "does not include maintenance." Maintenance on the HVAC system would be payable from the General Fund rather than PPEL; however, repair of the HVAC system could be expended from PPEL.

Purchase of the monitoring system/service may be paid from PPEL if it qualifies under the definition of technology and meets the \$500 per unit cost threshold separate from the HVAC system.

### Fees and Deposits

**1. Question:** May a district charge a technology fee to students? Are there limits on fees? Are waivers required? What about deposits? Do deposits have to be returned?

**Answer:** Fees allowed by Code are limited to seven categories:

- Textbooks (Iowa Code 301.1)
- School supplies that are not essential items to instruction (Iowa Code 301.1, OAG #79-12-22)
- Eye protective devices (Iowa Code 280.10)
- Ear protective devices (Iowa Code 298.11)
- Summer school courses (Iowa Code 282.6)
- Driver education courses (Iowa Code 282.6)
- Discretionary transportation (Iowa Code 285.1(1))

The 2011 amendment to Code did not expand on the allowable fees a district could charge related to technology. A technology fee is allowable as a textbook rental fee and would follow the same requirements. Fees must be based on actual costs. If a technology fee is charged to students, the district is saying the technology is a textbook substitute, in which case the technology can only be purchased from the General Fund and not from PPEL.

If a technology fee is charged, the waiver provisions must be honored. A full waiver of all fees shall be granted if the student or the student's family meets the financial eligibility criteria for free meals, for the Family Investment Program (FIP), for transportation assistance under open enrollment, or if the student is in foster care. A partial waiver is appropriate if the student or student's family meets the financial eligibility criteria for reduced-price meals, and is based on "a sliding scale related to an ability to pay." One way to justify the amount of a partial waiver is to make sure it corresponds to the percentage of the reduced-price meal from full-price meal. Finally, each school district has discretion to grant a temporary waiver of one or more fees in the event of a temporary financial difficulty in the student's immediate family. This temporary waiver may be granted at any time during a school year; the maximum length of a temporary waiver shall be one year.

If a deposit is charged to students, it must be a reasonable amount. The district should deposit the check, but hold the deposits in liability account 491, Deposits Payable, and not use the deposits to pay any expenditure, such as repair or maintenance. The amount of the deposit would be returned to the student when the computer/technology is returned to the district; however, the district may reduce the amount of the deposit that it returns by the actual costs of damage inflicted by the student while the computer/technology was in his/her possession (or should have been in his/her possession). Refundable deposits are not subject to the free/reduced waiver provisions.

If the computer/technology is stolen and the theft reported, it is a theft of school property and is handled in the same way the district handles a theft from its computer lab. The district should have a policy approved by its board on appropriate use, responsibilities, deposits, fees/fines, damage, and theft.

- 2. Question:** Can a district charge an annual technology fee to support the purpose or maintenance of devices in a 1:1 setting? Do these devices fall under the definition of school materials as textbook substitutes in Iowa Code section 301.1?

**Answer:** Ordinary operation and maintenance of equipment owned by the district is the district's responsibility. Just like textbooks, though, if a student inflicts intentional damage that exceeds the normal expected wear and tear of a young person having the technology, then the student may be assessed a "fine" for the cost of repair. Theft is covered through the district's insurance policy like other district equipment, and is not charged to the student who was a victim of the theft.

If the computers were purchased from the General Fund (not PPEL or SAVE), then the district may charge a reasonable textbook substitute fee. It should be based in some way on the purchase cost over time, should not include profit, and should not be used for maintenance.

- 3. Question:** Can the district collect fees from students or parents/guardians to cover insurance related to the computers?

**Answer:** No. There is no legally authorized "insurance fee."

- 4. Question:** Our attorney believes that we can charge an insurance or protection fee for technology. Can we rely on his opinion?

**Answer:** No. The district officers and administration are responsible for knowing and following Iowa Code, Iowa Administrative Code, and regulations. An opinion contrary to law does not absolve the district or its officers and staff of that responsibility.

- 5. Question:** May our district charge students for an iPad protection plan that parents can choose to purchase? It will be a base amount of \$25 with a progressive repair policy.

**Answer:** The iPads are district equipment and the cost of insurance must be covered entirely by the district. Insurance protection cannot be passed off to students or parents.

- 6. Question:** May a district offer a voluntary damage/loss program to parents for Chromebooks/tablets issued to students? Parents may participate for a \$20 fee per year in which case the district would cover X% of the cost of repairs. If parents choose not to participate, they are responsible for 100% of the cost of repairs. The district does not consider the fee to be a technology fee, and the fee would not be mandatory. Under those stipulations, would it be permissible to offer this option to parents, and would the district be allowed to use PPEL funds for the purchase of the Chromebooks/tablets? Our district plans to use the insurance fees to replace or repair damaged devices. If a district can implement this program, can the district also charge the students and families who participate in the free/reduced lunch program or is the fee waived for them?

**Answer:** No, the district cannot pass insurance costs on to students or parents, regardless of whether the fee is voluntary. Insurance costs, maintenance, upgrades, and normal wear and tear on the Chromebooks/tablets are responsibilities of the district.

No matter what districts call the various programs designed to pass technology costs on to students, those plans are not legally allowed fees unless they meet the requirement to be a textbook or textbook substitute fee, in which case the cost of the technology must have been paid from the General Fund. A textbook or textbook substitute fee shall be reasonable and shall be deposited in the General Fund. If the fee is a legal fee, it will be subject to the fee waiver requirements. If it isn't a legal fee, it isn't permitted to be charged to any students or parents.

There are two other charges permitted that are not fees: 1) fines for intentional damage, or 2) deposits. Fines are the lower of the actual cost of repair or the cost of replacement, but could be a lesser amount. Deposits are held by the district, and are returned in full to the student or parents when the device is returned. The deposit cannot be used by the district for maintenance, upgrade costs, or repairs; however, the amount of the deposit that must be returned can be reduced by the amount of a fine as defined in this paragraph.

- 7. Question:** Our district wants to self-insure our laptops, deposit the fees into the General Fund and pay the costs of repairs from there. We plan to give students and parents the option of purchasing insurance on the district-provided laptops for a small amount (\$30), or covering the laptops under their own insurance. If they purchase insurance through the district, and the laptop is damaged, the student or parents pay an additional \$100 deductible.



If they don't purchase our insurance and the laptop is damaged, they pay the full cost to repair it. Is this plan allowed?

**Answer:** No. The laptops are district equipment and the cost of insurance must be covered entirely by the district. Insurance protection cannot be passed off to students or parents. Damage to the computers may or may not be chargeable to students or parents, depending on whether the damage is ordinary wear and tear or intentionally inflicted.