



[HF 2497](#) – School Finance, Dropout Prevention (LSB6327HV)  
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 Fiscal Note Version – New

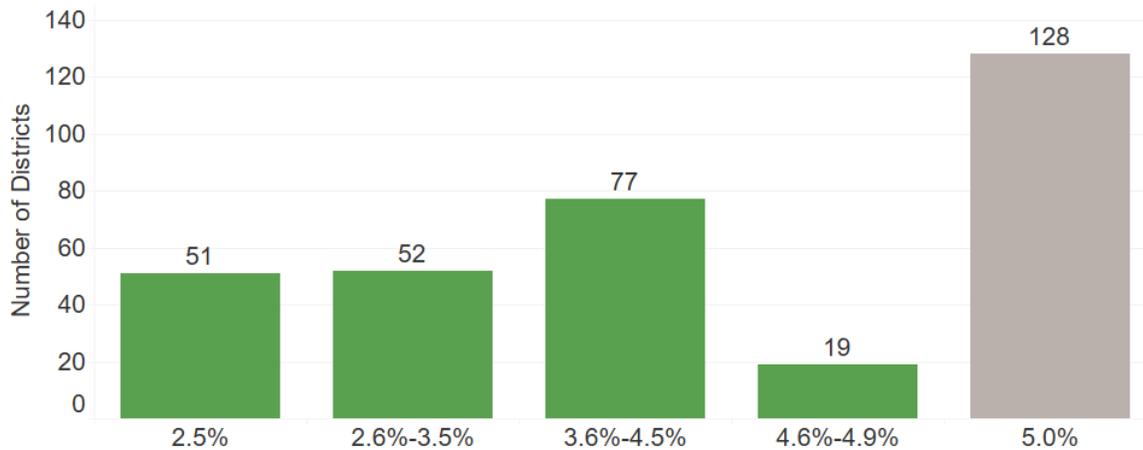
**Description**

[House File 2497](#) permits a school district to request a Modified Supplemental Amount (MSA) from the School Budget Review Committee (SBRC) up to a maximum ratio of 5.0% for dropout prevention programs under Iowa Code section [257.41](#).

**Background**

School districts may levy property taxes for returning dropout prevention programs, which the SBRC shall grant under Iowa Code section [257.40](#). Up to 75.0% of the program’s budget may be funded with an MSA, with the remaining 25.0% matched from a school district’s general fund. Effective in FY 2013, 2012 Iowa Acts, chapter [1102](#) (Returning Dropout Prevention Programs — Funding), froze the MSA ratio that a school district could request from a maximum of 5.0% to the maximum ratio the school district had between FY 2010 and FY 2013. However, a district with a ratio below 2.5% could request an MSA up to a ratio of 2.5%. There are 199 school districts out of 327 that are capped at a maximum ratio below 5.0%. The following chart shows the number of districts by maximum ratios.

Number of School Districts by Range of Ratios



The MSA amounts for the program are calculated by the district’s cost per pupil multiplied by its budget enrollment. The product is then multiplied by up to the district’s capped ratio. Any program carryforward funds from the previous year are subtracted from the district’s requested MSA amount before it is approved by the SBRC.

**Assumptions**

- Districts’ cost per pupil, which ranges from \$6,880 to \$7,045, is fixed at current law.
- Budget enrollment estimates are agreed upon by the Legislative Services Agency (LSA) and the Department of Management (DOM).

- The 199 school districts previously capped below 5.0% will begin to request MSAs for dropout prevention using the maximum ratio (5.0%) starting in FY 2022, if their carryforward does not exceed the maximum amount for which a district can levy.
- Future program carryforward by district is unknown. For estimation purposes, the fiscal impact assumes districts statewide will have the same FY 2019 carryforward amount of \$10.2 million.

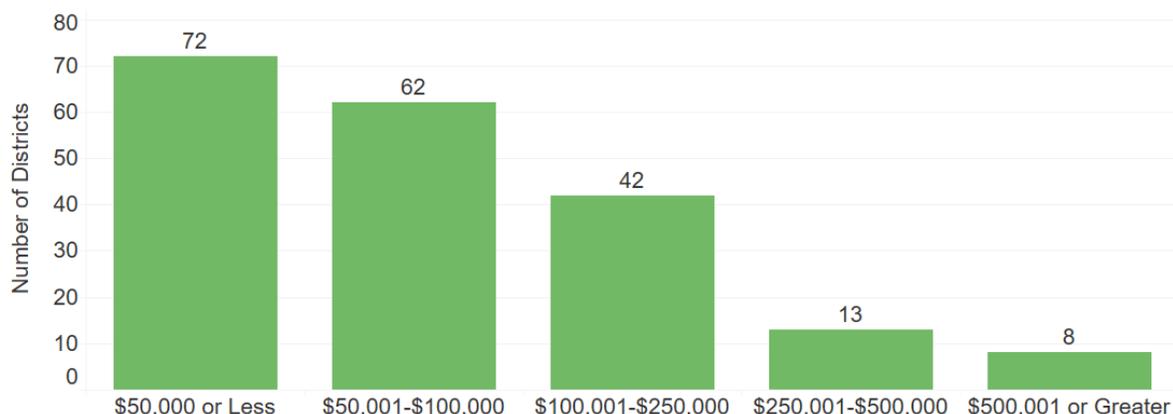
**Fiscal Impact**

[House File 2497](#) does not have a fiscal impact to the State. Under the provisions of this Bill, and at the maximum ratio permitted, statewide property taxes may increase by the following:

- FY 2022: \$24.7 million
- FY 2023: \$24.8 million
- FY 2024: \$24.9 million
- FY 2025: \$24.9 million

The median maximum increase by district in FY 2022 is \$63,929. The chart below shows the number of school districts by category of estimated highest additional levy amounts for the programs.

Number of School Districts by Estimated Maximum Additional Levy Amounts for Dropout Prevention



**Sources**

Department of Education  
 Iowa Association of School Boards  
 Department of Management  
 LSA analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.