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[SF 246](#) – Dropout Prevention Moneys (LSB1596SV)

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Fiscal Note Version – New

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## **Description**

[Senate File 246](#) modifies the maximum modified supplemental amount (MSA) calculation for school district requests to the School Budget Review Committee (SBRC) related to at-risk, alternative school, returning dropout, and dropout prevention programs. The Bill modifies the maximum MSA calculation for fiscal years beginning on or after July 1, 2023 (FY 2024) and before FY 2028 by increasing the MSA limitation of 2.5% of the school district's total regular program district cost by 0.5% each fiscal year until reaching 5.0% for FY 2028, and each fiscal year thereafter, when the maximum ratio percentage will be 5.0% for all school districts.

The maximum ratio percent by fiscal year is as follows:

- FY 2023 – 2.5%
- FY 2024 – 3.0%
- FY 2025 – 3.5%
- FY 2026 – 4.0%
- FY 2027 – 4.5%
- FY 2028 – 5.0%

The Bill takes effect upon enactment.

## **Background**

Iowa Code section [257.31](#) provides that if a school district has unusual circumstances creating an unusual need for additional funds, the SBRC may grant supplemental aid to the school district from certain funds appropriated to the Department of Education (DE) for the use of the SBRC, or the SBRC may establish an MSA for the school district, or both. The SBRC does not currently have funds appropriated to the DE for this purpose. The SBRC must review a school district's unexpended fund balance prior to any decision regarding these types of funding requests.

As part of the budget for a school district's program for at-risk students, secondary students who attend alternative programs and alternative schools, or returning dropouts and dropout prevention, the school board may request to use a modified supplemental amount. However, current law provides that the ratio of the modified supplemental amount compared to the school district's total regular program district cost must not exceed 2.5% or the school district's highest ratio for any fiscal year beginning on or after July 1, 2009, but before July 1, 2013, whichever is greater.

Iowa Code section [257.41](#)(1) provides that the funding for programs for returning dropouts and dropout prevention must be funded annually on a basis of 25.0% or more from the district cost of the school district and up to 75.0% through the establishment of an MSA. The MSA is funded by local property taxes, and program participation is discretionary. Some districts levy property taxes up to the district's maximum capacity and others do not.

The SBRC's authorization of an MSA increases the spending authority for a school district. An authorized MSA does not result in additional State funding. A school district may choose to utilize the additional spending authority by using resources they have available for this purpose and might result in funding from property taxes. A school district that elects to increase its additional levy for its dropout prevention program may elect to lower other levy rates to offset the increase.

Applications to the SBRC for an MSA related to FY 2024 programing must be submitted after January 15, 2023, and before March 1, 2023, as specified in Iowa Code section [257.40\(2\)](#).

**Assumptions**

- All applications for an MSA will be for the maximum allowed.
- Districts will levy the maximum amount.
- Districts will not decrease other levies (management levy or cash reserve levy).
- Certified enrollment and district costs per pupil remain constant.
- School district carryforward amounts, which are required to be deducted from an MSA award, will be zero.
- There will be no additional cost to the State as a result of the Bill.
- The Department of Education will make modifications to the MSA application as part of the annual application update at no additional cost.
- The Bill will be enacted prior to March 1, 2023.

**Fiscal Impact**

Senate File 246 will have no fiscal impact on the State. The maximum estimated increase to school district spending authority is as follows:

<b>Increased School District Spending Authority</b>			
(Dollars in Millions)			
<b>Fiscal Year</b>	<b>Maximum Capacity Impact</b>	<b>Local Match</b>	<b>Districts Impacted</b>
FY 2024	\$ 2.5	\$ 0.8	63
FY 2025	3.4	1.1	96
FY 2026	5.7	1.9	149
FY 2027	7.2	2.4	174
FY 2028	8.0	2.7	199

**Sources**

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

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/s/ Jennifer Acton

February 13, 2023

Doc ID 1368732

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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.  
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