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[HF 2441](#) – School District Program Funding Flexibility (LSB6139HV.1)  
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Fiscal Note Version – As Amended and Passed by the House

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### **Description**

[House File 2441](#) as amended and passed by the House makes several changes regarding the use of funds by school districts. Several sections of the Bill are effective upon enactment. Other sections are applicable to either the FY 2018 or FY 2019 school year.

Changes include:

- Early Intervention categorical funds (\$34.9 million in estimated FY 2019, generated through the school aid formula) may be used for any school general fund purpose.
- At-risk and dropout prevention programming will be approved by resolution of a district's school board and modified supplemental aid (MSA) amounts will be submitted to and reviewed by the School Budget Review Committee (SBRC). The SBRC shall grant requests for MSA that meet the school district's approved plans. Plans are to be submitted November 1.
- Specifies that At-risk and Dropout Prevention MSA may be used to pay for staff including but not limited to administrative staff, psychologists, social workers, and school safety personnel.
- Allows At-risk and Dropout Prevention MSA to be used for any purpose that directly benefits students in the adopted program.
- Removes limitations on the length of time allowed for the term of school district property leases.
- Creates additional allowable uses for unspent balances in school districts' Child Care Enterprise Fund.
- Clarifies allowed uses of Home School Assistance Program funds.

### **Background**

#### ***Early Intervention***

Iowa Code chapter [256D](#), (Early Intervention Block Grant) is scheduled to sunset on July 1, 2018 (FY 2019). The funding for the Program is generated as specified under Iowa Code section [257.10\(11\)](#) (Early Intervention Supplement), which will continue and is not impacted by the repeal of Iowa Code chapter [256D](#). The Bill removes the requirement that the funding generated under Iowa Code section [257.10\(11\)](#) be used pursuant to Iowa Code chapter [256D](#). If this requirement is not removed, beginning in FY 2019, school districts will no longer be able to expend the funding generated under Iowa Code section [257.10\(11\)](#) due to the repeal of Iowa Code chapter [256D](#). Department of Education administrative rules regarding the funds will remain in the Administrative Code, although they will no longer have any legal effect. Once the statute authorizing these rules is repealed, the Department will need to rescind the rules through the normal rulemaking process.

Goals of the Early Intervention Supplement/Block Grant are:

- To provide resources for K-3 classrooms to reduce class sizes in basic skills instruction to the State goal of one teacher per 17 students in that grade range.
- To achieve a higher level of student success in basic skills, especially reading skills.
- To increase communication and accountability regarding student performance.

Funding currently may be expended for the following:

- Additional licensed instructional staff.
- Additional support for students, such as before and after school programs, tutoring, and intensive summer programs.
- Acquisition and administration of diagnostic reading assessments.
- Implementation of research-based instructional intervention programs for students needing additional support.
- Implementation of all-day, every-day kindergarten programs.
- Providing classroom teachers with professional development and intensive training programs in best practices to improve reading instruction, including but not limited to training programs related to instruction to increase students' phonemic awareness, reading abilities, and comprehension skills.

### ***At-risk and Dropout Prevention Programming***

Funding for At-risk and Dropout Prevention programming is generated in two ways: through the school aid formula with a supplementary weighting model and through MSA amount. The supplementary weighting for at-risk students provides additional funding to school districts for providing programs that serve at-risk students and alternative school students through the school aid formula. The calculation for supplementary weighting is outlined in Iowa Code section [257.11\(4\)](#) and is based on the school district's total enrollment and the number of students in grades 1 through 6 who are eligible for free or reduced price lunch. School districts may also request At-risk and Dropout Prevention MSA, which is generated by property taxes. The maximum allowable request varies by district, and is between 2.5% and 5.0% of the district's regular program cost as required by Iowa Code section [257.41\(3\)](#). Program funding must consist of up to 75.0% of the MSA and at least 25.0% from the district cost generated through the school aid formula.

### ***Child Care Fund***

The Child Care Fund is a school district enterprise fund created under Iowa Code chapter [298A](#), which must be established by any district receiving money for the purpose of offering a child care program. There are some districts that have remaining balance from the fees collected from parents and families for the purpose of offering child care. This provision allows districts to transfer the additional balance, after completing a public hearing, to the district's general fund.

As of FY 2017, 71 school districts had established Child Care Funds. Twenty-nine of the funds have reported positive balances, totaling an estimated \$3.4 million Statewide.

### **Fiscal Impact**

There is no expected fiscal impact to the State, for any of the Bill's provisions.

School districts will be allowed to expend funding generated by the Early Intervention Categorical Supplement for any school general fund purpose in FY 2019 and future years.

School districts may generate a different amount of MSA for At-risk and Dropout Prevention programming based on changes, but the impact on property taxes cannot be determined at this time.

School districts will be able to transfer unused Child Care Funds to the districts' general fund.

**Sources**

Department of Education  
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.

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