

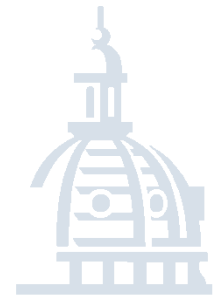


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# Fiscal Note

Fiscal Services Division



**SF 451** – School Dropout Prevention (LSB 1558H8339)

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Fiscal Note Version – As Amended by **H-8339**

### **Description**

**Senate File 451** as amended by **H-8339** codifies appropriate uses of Returning Dropout and Dropout Prevention Program funding. Additionally, the amendment restricts the modified allowable growth (MAG) amount a district can request to the ratio established in FY 2012 (the current law maximum ratio is 5.0%). However, a district with a ratio below 2.5% could request MAG up to a ratio of 2.5%. The MAG ratio is the amount of MAG requested as a ratio to the district total regular program cost.

### **Background**

Currently, appropriate uses for Returning Dropout and Dropout Prevention Program funding are established by Department of Education rule. Amendment **H-8339** modifies and expands appropriate uses of Program funds.

The amount of MAG approved for Returning Dropout and Dropout Prevention Program is funded through local property tax. Both the number of districts and the amount of MAG for the program increased through FY 2011. The amount of MAG for the program decreased to \$103.6 million and the percentage of districts decreased to 91.7% of the districts participating in FY 2012

### **Returning Dropout and Dropout Prevention Program Modified Allowable Growth (MAG) and Remaining Capacity Amounts FY 2010 - FY 2012 (Dollars in Millions)**

<b>Fiscal Year</b>	<b>Modified Allowable Growth (MAG) For Returning Dropout and Dropout Prevention Programs</b>	<b>Number of Districts with MAG for Program</b>	<b>Percentage of Districts with MAG for Program</b>	<b>Remaining MAG Capacity for the Program</b>
FY 2010	\$ 106.8	334	92.5%	\$ 31.9
FY 2011	108.5	335	93.3%	32.8
FY 2012	103.6	322	91.7%	38.6

### **Assumptions**

- Of the 351 school districts, 116 school districts had ratios below 2.5% in FY 2012, including 29 districts with a ratio of 0.0%. The remaining 235 districts had a ratio between 2.5% and 5.0% in FY 2012, including 20 with a ratio of 5.0% (the maximum ratio under current law).
- Freezing the ratio of MAG rate a school district can request at the district's FY 2012 ratio or 2.5%, whichever is greater, will reduce the MAG capacity from \$142.2 million to \$110.3 million, a reduction of \$31.9 million (based on FY 2012 data). The freeze will not occur until FY 2014.

- The 116 districts that were below the 2.5% ratio level in FY 2012 generated \$9.9 million for MAG for the Returning Dropout and Dropout Prevention Program. Based on the FY 2012 data, if each of these districts were at the 2.5% ratio level the total would have increased by \$6.6 million. However, capping the maximum ratio for these 116 districts will reduce the remaining MAG capacity for these districts from \$33.2 million to \$16.6 million, a reduction of \$16.6 million.
- The 235 districts that were at or above the 2.5% ratio level in FY 2012 generated \$93.7 million for MAG for the Returning Dropout and Dropout Prevention Program. Capping the maximum ratio for these 235 districts will reduce the remaining MAG capacity for these districts from \$109.0 million to \$93.7 million, a reduction of \$15.3 million.
- In FY 2011, the restricted ending fund balance reserved for the Returning Dropout and Dropout Prevention Program totaled \$23.1 million. These funds will be available for use in future fiscal years and will limit the amount of modified allowable growth requested by a like amount.

### **Fiscal Impact**

There is no State General Fund impact as a result of the Bill as amended by [H-8339](#). The impact on school district property tax amounts is unknown and may vary between districts. Although the amendment allows for expanded uses of the program funds, school districts will either be capped at the FY 2012 ratio, or the 2.5% ratio, whichever is greater. In future fiscal years, any increases in MAG for the Returning Dropout and Dropout Prevention Program will likely be the result of future allowable growth rates and/or increased enrollments for individual school districts.

### **Sources**

Iowa Department of Management, School Aid file  
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](#). 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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