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Fiscal Note

Fiscal Services Division

SF 451 – School Dropout Prevention (LSB 1558H8387)
Analyst: Shawn Snyder (Phone: 515-281-7799) (shawn.snyder@legis.state.ia.us)
Fiscal Note Version – Amendment **H-8339** as amended by **H-8387**

Description

Amendment **H-8339** as amended by **H-8387** changes the requirement that school districts use the FY 2012 modified allowable growth (MAG) ratio (amount of modified allowable growth requested as a ratio to the district total regular program cost) to permit the use of the maximum ratio the school district had between FY 2010 and FY 2013 for restrictions on MAG funding for the Returning Dropout and Dropout Prevention Program. However, a district with a ratio below 2.5% could request MAG up to a ratio of 2.5%. Additionally, the amendment provides that the section detailing the appropriate uses of the Program funding is effective beginning in FY 2013.

Assumptions

- Returning Dropout and Dropout Prevention Program MAG funding ratios for FY 2013 are based on preliminary information from the Department of Education and are subject to change.
- In FY 2013, there will be 348 school districts. The ratios from previous fiscal years are based on the ratios for those 348 districts.
- Of the 348 school districts, 53 school districts have a maximum ratio below 2.5% between FY 2010 and FY 2013, including 18 districts with a ratio of 0.0%. The remaining 295 districts had a maximum ratio between 2.5% and 5.0% between FY 2010 and FY 2013, including 54 with a ratio of 5.0% (the maximum ratio under current law).
- Freezing the ratio of MAG[1] will reduce the MAG capacity from $142.4 million to $121.2 million, a reduction of $21.2 million (based on FY 2013 data). The freeze will not occur until FY 2014.
- The 53 districts that were below the 2.5% ratio level between FY 2010 and FY 2013 will generate $4.9 million for MAG for the Dropout and Dropout Prevention Program based on their maximum ratio between FY 2010 and FY 2013. Based on the FY 2013 data, at the 2.5% ratio level, the total will increase to $8.5 million. However, compared to current law, capping the maximum ratio for these 60 districts will reduce the remaining MAG capacity for these districts from $17.1 million to $8.5 million, a reduction of $8.6 million.
- The 295 districts that were at or above the 2.5% ratio level between FY 2010 and FY 2013 will generate $112.6 million for MAG for the Dropout and Dropout Prevention Program. Capping the maximum ratio for these 295 districts will reduce the remaining MAG capacity for these districts from $125.3 million to $112.6 million, a reduction of $12.7 million.
- In FY 2011, the restricted ending fund balance reserved for the 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 MAG requested by a like amount.
- Changing the effective date for the appropriate uses of Program funds to FY 2013 will have no fiscal impact. The FY 2013 MAG amounts for the Program have been established and will not increase.

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[1] A school district can request to use the maximum ratio between FY 2010 through FY 2013, or 2.5%, whichever is greater.

Fiscal Impact

There is no State General Fund impact as a result of the House Amendment **H-8387**. The impact on school district property tax amounts are unknown and may vary between districts and any impact will not occur until FY 2014. Although the amendment allows for expanded uses of the Program funds, school districts will either be capped at the highest ratio between FY 2010 through FY 2013, 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
Iowa Department of Education, Preliminary FY 2013 Returning Dropout/Dropout Prevention Funding file and Preliminary FY 2011 Restricted Fund Balance file
LSA analysis and calculations

/s/ Holly M. Lyons

April 2, 2012

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.