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SCHOOL FINANCE SUBCOMMITTEE
OF THE
HOUSE AND SENATE COMMITTEES ON EDUCATION
AND THE
SENATE COMMITTEE ON WAYS AND MEANS

Report to Members of the
Second Session of the Sixty-seventh General Aassembly

State of Iowa
1978

FINAL REPORT
of
SCHOOL FINANCE SUBCOMMITTEE

The Legislative Council authorized a subcommittee composed of members of the House Committee on Education and the Senate Committee on Education and Committee on Ways and Means to study school finance and related matters.

Members of the School Finance Subcommittee are:
Senator Earl Willits, Co-chairperson
Representative John Patchett, Co-chairperson
Senator Joan Orr
Senator Norman G. Rodgers
Senator William E. Palmer
Senator Roger J. Shaff
Senator John Scott
Senator Ray Taylor
Senator Lucas J. DeKoster
Representative Keith Baker
Representative Reid W. Crawford
Representative Horace Daggett
Representative Terry Dyrland
Representative Wally Horn
Representative Lowell Norland
Representative Charles Poncy
Representative Delwyn Stromer
Representative Henry Wulff (who resigned)

The Subcommittee held one single-day meeting and two two-day meetings as well as an evening hearing as it looked at the declining enrollment problem, transportation costs, reorganization procedures, minimal competency testing, school standards, coaching requirements, services to nonpublic school pupils, assistance in purchasing textbooks, and procedures for granting enrichment aid.

At the first meeting the Subcommittee was informed about the task of the School Equalization Project of the Department of Public Instruction. The project is funded by means of a \$210,270 grant from the United States Office of Education to study and develop a plan for equality of educational opportunity for Iowa school children. The study commenced in January 1977 and is scheduled for completion in September 1978. The areas which are being studied are:

1. Educational program adequacy to assure equal opportunity for all pupils.
2. Financial needs of local education agencies which reflect the peculiar cost factors of each local district.

3. Cost variations in the programs offered as well as transportation, capital outlay and debt service.
4. Financial ability of local districts to meet the financial obligations for education based on the wealth of the state as a whole.
5. Tax support equity of the school finance plan.
6. Educator/citizen attitudes and participation in the decision making process.
7. Size and organizational efficiency in the delivering of educational services.

Jim Rose, Budget Consultant for Education from the Office of the State Comptroller, presented financial information on the school finance formula at each of the Subcommittee meetings. Copies of the following are attached to this Report and by this reference made a part thereof.

1. A chart indicating the cost and sources for funding the school aid formula for each year since 1970-1971 and including a projection for 1978-1979.
2. A statistical comparison of foundation level, allowable growth, state cost, enrollments, total budget, special education students identified, and area education agency budgets for the 1977-1978 year and the two preceding years.
3. An estimate of the 1978-1979 state aid required to fund the school finance formula.

At its first meeting the Subcommittee members were provided copies of the following information provided by the Department of Public Instruction, copies of which may be obtained upon request to the Legislative Service Bureau:

1. Number of Carnegie units offered by each district.
2. Enrollment comparisons.
3. Assessed valuation per pupil by district.
4. State aid per pupil for each district.

The Subcommittee agreed to concentrate its efforts regarding the operation of the school finance formula to the problems of declining enrollment and transportation. The school finance formula is based upon enrollment and the statewide public school enrollment declined 8,497 students from 1976-1977 to 1977-1978.

In order to obtain information about what is happening to school districts because of declining enrollments and budget

limitations based on enrollment, the Subcommittee directed the staff to provide them with various kinds of information about the operation of school districts.

The Legislative Service Bureau staff selected sixty districts located throughout the state based upon a comparison of enrollments between 1970-1971 and 1976-1977. Four districts were chosen from each merged area: a large declining enrollment district (generally over 2,000 total enrollment), a medium declining enrollment district (generally between 700 and 900 total enrollment), a small declining enrollment district (generally under 300 total enrollment), a district exhibiting a stable enrollment, and a district experiencing an enrollment increase. Information about each of these districts was obtained from Department of Public Instruction data and from a questionnaire sent to each of the districts and includes:

1. Comparison of enrollments and numbers of teachers, administrators, and support personnel between 1972-1973 and 1976-1977.
2. Comparison of Carnegie units offered by subject area between 1972-1973 and 1975-1976.
3. Average class sizes for 1975-1976 and 1976-1977.
4. Current numbers of multi-grade classrooms.
5. Current numbers of teacher preparations and teacher planning time based upon numbers of class periods per day.
6. Comparison of educational backgrounds of teachers between 1973-1974 and 1976-1977.
7. Current school bus replacement policies.
8. Use of various cost savings measures.
9. Comparison of utility costs for 1975-1976 and 1976-1977.
10. Comparison of different kinds of expenditures on a cost per pupil basis and as a percent of total expenditures between 1972-1973 and 1975-1976.

Copies of the Report of the staff may be obtained upon request from the Legislative Service Bureau.

The Subcommittee discussed various methods of altering the method by which enrollments are calculated for the school finance formula. Several computer runs were requested of the State Comptroller's Office and the district-by-district cost results of the following are available for viewing at the Legislative Service Bureau:

1. Use of the average daily membership for the year previous to the base year unless a district's September enrollment count is higher.
2. Use of a three-year average of the average daily membership unless the district's September enrollment count is higher.
3. Disregarding the first 2% of a district's enrollment loss or gain and only counting 50% of any additional loss or gain.
4. Disregarding the first 4% of a district's enrollment loss or gain and only counting 50% of any additional loss or gain.
5. Basing the controlled budget of a school district on the amount of the controlled budget for the previous year plus growth.

The statewide cost of each of these alternatives is contained in a chart which is attached to this Report and by this reference made a part thereof.

In addition to the preceding computer runs, Mr. Rose was requested to provide the following computer runs by district:

1. Basing 1/3 of a school district's controlled budget on the controlled budget of the previous year plus growth and basing the remainder on the current formula.
2. Use of the current enrollment cushion, the three year average daily membership, or the September enrollment, whichever is greater.

The cost information based upon these computer runs should be available prior to the session.

The Subcommittee discussed a number of alternatives for computing enrollment and the House members of the Subcommittee voted to recommend that the three-year average of the average daily membership be used in computing enrollment and if a district wishes to use the September enrollment instead, it can request authority to do so from the School Budget Review Committee.

The Subcommittee requested additional information about transportation costs. Information was distributed based upon the annual transportation reports filed by the districts for 1973-1974 and 1976-1977. This information included numbers of pupils transported, miles traveled per day, cost per mile, and cost per pupil transported. This information is available upon request from the Legislative Service Bureau. The Subcommittee took no action in the transportation area.

Two other areas relating to school finance were discussed by the Subcommittee. The House Committee had introduced a bill in 1977 which allowed school districts eligible for 125% allowable growth to petition the School Budget Review Committee to grant up to 150% allowable growth for educational improvement. The Subcommittee voted not to make such a recommendation when it was determined that only seven districts are eligible for the additional allowable growth for the 1977-1978 school year and the number eligible for it next year is fewer.

The Subcommittee voted to recommend that an increase in the enrichment amount from 5% to 10% of the state cost per pupil be enacted and that the local board of directors be allowed to adopt the enrichment option after three public hearings. Their recommendation requires that an election be held if a petition protesting the proposed enrichment resolution is signed by at least ten percent of the registered voters in the school district and delivered to the board before the date of the third hearing.

The Subcommittee studied the provisions of House File 590 as it was introduced by the House Committee on Education and voted to recommend the passage of several portions of the bill.

The Subcommittee voted to recommend a revision and clarification of school reorganization procedures as follows:

The procedure for action on a reorganization petition should be changed so that the hearing does not have to be held on the same day as the final day for filing objections and objections can be filed up to sixty days after a petition is filed. When two or more area education agencies are discussing the formation of a school district which includes territory in more than one area education agency, the total votes of each board must be equal. The A.E.A. board must be required to consider the wishes of property owners who reside along the boundary lines of proposed districts. For the first year of existence of a reorganized district, the board should consist of all of the resident members of the boards of the constituent districts.

Special elections for school district reorganizations should be held no later than December thirty-first. The collective bargaining agreement of the district with the largest enrollment should continue in effect until a successor agreement for the reorganized district is negotiated, and the employees of the reorganized district should be included in the bargaining unit of that agreement. If only one collective bargaining agreement is in effect in the proposed district, all the employees of the reorganized district should be included in the bargaining unit of that agreement.

Other areas included in House File 590 were discussed and voted upon by the Subcommittee. The actions of the Subcommittee follow.

The Subcommittee discussed whether two years of a foreign language should be required to be taught for approval of a school district and voted to retain the foreign language requirement.

The Subcommittee discussed the feasibility of requiring school districts to test for minimal competency of their students and the appropriate grade levels for the testing. It voted to take no action to require minimal competency testing.

The Subcommittee discussed the provision of House File 590 that grants the Department of Public Instruction the authority to approve up to ten pilot programs for gifted and talented children to be financed by an increase in allowable growth of the districts and voted to recommend the provision.

The Subcommittee voted to recommend that the option of the State Board of Public Instruction to allow additional time for school districts making a good faith effort to comply with approval standards be deleted.

The Subcommittee recommends that districts which jointly employ personnel for classes will meet the twelve-grade requirements for school districts.

It recommends that area education agency special education support costs be discounted when determining whether a district is eligible for 125% allowable growth.

It recommends that the authority of the school budget review committee be modified to aid school districts with unusual transportation costs and school districts confronting unique problems.

The Subcommittee discussed the requirement that coaches must possess a valid teaching certificate in order to coach interscholastic athletics in the public schools. There was considerable discussion centering upon the limitations on employment resulting from the common requirement that teachers possessing coaching credentials in order to be employed and the concern that relaxing the certification requirements would lead to professionalization of high school sports. A bill which provides that persons hired by public schools to coach interscholastic extracurricular competition teams other than in football, basketball, or wrestling need not be certificated teachers but must demonstrate competence in physiology, psychology, and first aid was recommended by the Senate members of the Subcommittee, but not by the House members. The bill also provides that for nonathletic extracurricular activities a noncertified coach must demonstrate competence in psychology.

The Subcommittee was assigned the topic of funding textbook purchases for both public and nonpublic school students, but voted to refer the matter to the Joint Budget Subcommittees on Education

School Finance Subcommittee

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because of the state appropriation which would be necessary to finance the proposal.

The Subcommittee received a memo from the Legislative Service Bureau relating to the Code of Iowa as it relates to a recent Supreme Court decision Wolman v. Walter which sets forth criteria for funding of certain programs and services for nonpublic school students. Since the areas where changes may be necessary relate to the provision of diagnostic and therapeutic services, the Subcommittee agreed to refer the matter to the Area Education Agency Subcommittee of the Senate Committee on Education.

STATE OF IOWA
FUNDING ELEMENTARY & SECONDARY EDUCATION
(Includes Counties prior to 1975-76)

Office of the STATE COMPTROLLER

GENERAL FUND ONLY

In Millions

	Actual 1970-71		Actual 1971-72		Actual 1972-73		Actual 1973-74	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
GENERAL FUND BUDGETS	\$599.5	-	\$631.8	5.4%	\$654.4	3.6%	\$707.6	8.1%
SOURCE OF FUNDS:								
Property Tax -								
Uniform Levy	\$154.6	25.8%	\$154.6	24.5%	\$158.6	24.2%	\$166.2	23.5%
Additional Levy	226.2	37.7	223.6	35.4	211.9	32.4	197.1	28.0
County Levy	16.2	2.7	18.4	2.9	19.4	3.0	20.0	2.8
B-4 Credits Sub-Total	\$397.0	66.2%	\$396.6	62.8%	\$389.9	59.6%	\$383.3	54.3%
Deduct Credits (Below)	59.5	9.9	59.3	9.4	51.4	7.9	56.1	7.9
Total Property Tax	\$337.5	56.3%	\$337.3	53.4%	\$338.5	51.7%	\$327.2	46.4%
State Aid -								
Foundation Aid	-	-	-	-	\$215.1	32.9%	\$250.1	35.3%
Equalization Aid	\$115.0	19.2%	\$115.0	18.2%	-	-	-	-
40% Income Tax Returned	41.2	6.9	41.2	6.5	-	-	-	-
\$45 Per Student	-	-	29.5	4.7	-	-	-	-
Miscellaneous Direct State Aids	8.2	1.4	8.1	1.3	5.4	.8	5.2	.7
Direct Aid to County	2.0	.3	2.1	.3	2.3	.3	3.6	.5
B-4 Credits Sub-Total	\$166.4	27.8%	\$195.9	31.0%	\$222.8	34.0%	\$258.9	36.5%
Add Credits (Below)	59.5	9.9	59.3	9.4	51.4	7.9	56.1	7.9
Total State Aid	\$225.9	37.7%	\$255.2	40.4%	\$274.2	41.9%	\$315.0	44.4%
Miscellaneous -								
Other Income	\$ 32.1	5.4%	\$ 35.1	5.6%	\$ 35.0	5.3%	\$ 41.1	5.8%
Secretary Balance for Construction	-	-	-	-	-	-	-	-
Unspent Balance	-	-	-	-	-	-	15.6	2.2
Other County Income	4.0	.6	4.2	.6	6.7	1.1	8.7	1.2
Total Miscellaneous	\$ 36.1	6.0%	\$ 39.3	6.2%	\$ 41.7	6.4%	\$ 65.4	9.2%
GRAND TOTAL Source of Funds	\$599.5	100.0%	\$631.8	100.0%	\$654.4	100.0%	\$707.6	100.0%
Formula Enrollment	659,569		652,518		646,494		643,391	
Actual Fall Enrollment	659,569		652,518		646,494		631,901	
Average Millage Rate	51.643*		48.867*		46.722*		43.718*	
Property Tax Credits -								
Ag. Land	\$ 18.0		\$ 18.0		\$ 18.0		\$ 18.0	
Livestock	-		-		-		4.3	
Homestead (School Portion)	22.0		21.9		18.6		19.0	
Personal Property (School Portion)	19.5		19.4		14.8		14.8	
Total Credits	\$ 59.5		\$ 59.3		\$ 51.4		\$ 56.1	

*Does Not Include County - Approximately 2 1/2 Mills

STATE OF IOWA
FUNDING ELEMENTARY & SECONDARY EDUCATION
(Includes Counties Prior to 1975-76)

Office of the STATE COMPTROLLER

GENERAL FUND ONLY (In Millions)

	Actual 1974-75		Actual 1975-76		Actual 1976-77		Estimated 1977-78		Projected 1978-79	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
GENERAL FUND BUDGETS	\$791.2	11.8%	\$883.5	11.7%	\$972.9	10.1%	\$1,046.3	7.5%	\$1,114.2	6.5%
SOURCE OF FUNDS:										
Property Tax -										
Uniform Levy	\$180.5	22.8%	\$180.5	20.4%	\$235.8	24.3%	\$ 243.3	23.2%	\$ 250.8	22.5%
Additional Levy	190.6	24.1	232.3	26.3	249.5	25.6	259.1	24.8	271.9	24.4
County Levy	21.6	2.7	-	-	-	-	-	-	-	-
B-4 Credits Sub-Total	\$392.7	49.6%	\$412.8	46.7%	\$485.3	49.9%	\$ 502.4	48.0%	\$ 522.7	46.9%
Deduct Credits (Below)	58.1	7.3	67.0	7.6	111.1	11.4	113.8	10.9	115.5	10.4
Total Property Tax	\$334.6	42.3%	\$345.8	39.1%	\$374.2	38.5%	\$ 388.6	37.1%	\$ 407.2	36.5%
State Aid -										
Foundation Aid	\$290.8	36.8%	\$385.4	43.6%	\$389.5	40.1%	\$ 433.2	41.4%	\$ 480.8	43.2%
Equalization Aid	-	-	-	-	-	-	-	-	-	-
40% Income Tax Returned	-	-	-	-	-	-	-	-	-	-
\$45 Per Student	-	-	-	-	-	-	-	-	-	-
Miscellaneous Direct State Aids	17.7	2.2	17.2	2.0	9.0	.9	9.0	.9	9.0	.8
Direct Aid to County	4.8	.6	-	-	-	-	-	-	-	-
B-4 Credits Sub-Total	\$313.3	39.6%	\$402.6	45.6%	\$398.5	41.0%	\$ 442.2	42.3%	\$ 489.8	44.0%
Add Credits (Below)	58.1	7.3	67.0	7.6	111.1	11.4	113.8	10.9	115.5	10.4
Total State Aid	\$371.4	46.9%	\$469.6	53.2%	\$509.6	52.4%	\$ 556.0	53.2%	\$ 605.3	54.4%
Miscellaneous -										
Other Income	\$ 41.3	5.2%	\$ 42.8	4.8%	\$ 61.3	6.3%	\$ 55.2	5.3%	\$ 55.2	5.0%
Secretary Balance for Construction	.9	.1	-	-	.3	-	.3	-	.3	-
Unspent Balance	30.9	4.0	25.3	2.9	27.5	2.8	46.2	4.4	46.2	4.1
Other County Income	12.1	1.5	-	-	-	-	-	-	-	-
Total Miscellaneous	\$ 85.2	10.8%	\$ 68.1	7.7%	\$ 89.1	9.1%	\$ 101.7	9.7%	\$ 101.7	9.1%
GRAND TOTAL Source of Funds	\$791.2	100.0%	\$883.5	100.0%	\$972.9	100.0%	\$1,046.3	100.0%	\$1,114.2	100.0%
Formula Enrollment	637,479		654,362		648,977		639,665		635,000	
Actual Fall Enrollment	619,552		612,987		605,615		600,000		592,000	
Average Millage Rate	41.126*		45.806		41.100		41.200		41.400	
Property Tax Credits -										
Ag. Land	\$ 18.0		\$ 18.0		\$ 42.0		\$ 42.0		\$ 42.0	
Livestock	4.3		4.9		4.9		4.9		4.9	
Homestead (School Portion)	19.3		24.6		42.2		46.8		48.5	
Personal Property (School Portion)	16.5		19.5		22.0		20.1		20.1	
Total Credits	\$ 58.1		\$ 67.0		\$111.1		\$113.8		\$115.5	

*Does Not Include County - Approximately 2 1/2 Mills

LOCAL SCHOOLS

3 Year Statistical Comparison

	<u>75-76</u>	<u>76-77</u>	<u>77-78</u>	
FOUNDATION LEVEL - %	73%	74%	75%	
- \$ per pupil	\$857	\$957	\$1,049	
ALLOWABLE GROWTH - %	10.700%	9.825%	7.84%	
- \$ per pupil	\$110	\$115	\$101	
- A.E.A. additional	\$40	\$4	\$4	
STATE COST PER PUPIL	\$1,174	\$1,293	\$1,398	
ENROLLMENT				
Headcount	616,665	610,090	601,593	
Bonus	10,033	5,237	5,922	
Weighting	27,577	33,632	32,125	
Total weighted	654,275	648,959	639,665	
Non-public	-	58,245	56,507	
TOTAL BUDGET	\$883.5 Million	\$972.9 Million	\$1,046.3 Million	
Other (Misc. Income, Unspent Bal., etc.)	68.1 "	89.1 "	101.7 "	(Est.)
State Aid (Including Property Tax Credits)	469.6 "	509.6 "	556.0 "	
Property Tax	345.8 "	374.2 "	388.6 "	
Average Levy	\$12.37	\$11.09	\$11.12	
TOTAL BUDGET - (Percent)				
Other	7.7%	9.1%	9.7%	
State Aid	53.2%	52.4%	53.2%	
Property Tax	39.1%	38.5%	37.1%	
Special Education - (Headcount)*				
1.8	22,924	26,479	28,968	(1.7)
2.2	4,015	4,637	5,222	(2.0)
4.4	1,300	2,025	2,067	(4.2)
			11**	
Special Education - (Weighting)*				
.8	18,339.2	21,183.2	20,277.6	(.7)
1.2	4,818.0	5,564.4	5,222.0	(1.0)
4.4	4,420.0	6,885.0	6,614.4	(3.2)
			11**	
AREA EDUCATION AGENCY				
Sp. Educ. Support - Total	\$26,448,000	\$31,442,000	\$35,271,543***	
- Per pupil	\$40.42	\$48.45	\$55.15***	
Media - Total	\$4,062,531	\$4,308,586	\$4,501,404	
- Per pupil	\$6.21	\$6.63	\$6.84	
Other - Total	\$6,794,272	\$7,414,034	\$7,986,201	
- Per pupil	\$10.00	\$11.09	\$12.14	

* - 125 school districts will use a September 1977 headcount which will alter these figures

** - Part time students

*** - Represents amount to be raised, not budgets

James C. Rose
State Comptroller's Office
February 24, 1977

Estimate of 1978/79 State Aid
With an Estimated Growth Rate
of 7.824%

1977/78 State Cost per Pupil	\$1,398	
Times Growth Rate	<u>.07824</u>	
Equals 1978/79 Growth	<u>\$.109</u>	
1977/78 State Cost per Pupil	\$1,398	
Plus Regular Growth	109	
Plus Est. Newly Identified A.E.A. Support	<u>3</u>	
1978/79 State Cost per Pupil	\$1,510	
Times Foundation Percent	<u>76%</u>	
Equals Foundation Level	<u>\$1,148</u>	
January 1977 Enrollment	601,500	
Minus Estimated Decline	11,000	
Plus Bonus	<u>5,500</u>	
Equals Est. Jan. 78 Regular Count	<u>596,000</u>	
Estimated Jan. 78 Regular Count	596,000	596,000
Plus:		
1) 77/78 Weighting	32,125	32,125
2) Normal Increase in Weighting with Renewed action by SBRC	2,800	2,800
3) Restoration of Higher Weighting if no Action by SBRC	<u>4,350</u>	<u> </u>
Equals Total Formula Enrollment	635,275	630,925
Times Foundation Level	<u>\$1,148</u>	<u>\$1,148</u>
Minus Estimated Uniform Levy	\$729.3 Million	\$724.3 Million
Equals 1978/79 State Aid	<u>248.0</u>	<u>248.0</u>
Plus Advance for Sept. Increase	\$481.3	\$476.3
1978/79 State Aid	<u>3.0</u>	<u>3.0</u>
Minus 1977/78 State Aid	\$484.3	\$479.3
Increase	<u>433.2</u>	<u>433.2</u>
	<u>\$ 51.1</u>	<u>\$ 46.1</u>

State Comptroller's Office
Jim Rose
October 10, 1977

November 7, 1977

ONE-YEAR STATEWIDE COMPARISONS
OF FUNDING ALTERNATIVES
FOR THE CURRENT 1977-78 SCHOOL YEAR

(In Millions)

	<u>Current</u>	<u>1 Yr. A.D.M. (75-76)</u>	<u>1st 2% N.C. (50% over)</u>	<u>1st 4% N.C. (50% over)</u>	<u>Budget to Budget</u>	<u>3 Yr. Average A.D.M.</u>
Enrollment	641,196	642,110	643,641	644,889	633,739	650,410
Property Tax	\$ 503.5	\$ 504.1	\$ 504.6	\$ 505.2	\$ 522.8	\$ 507.8
State Aid	<u>429.4</u>	<u>430.4</u>	<u>431.9</u>	<u>433.2</u>	<u>421.8</u>	<u>438.9</u>
Controlled Budget	<u>\$ 932.9</u>	<u>\$ 934.5</u>	<u>\$ 936.5</u>	<u>\$ 938.4</u>	<u>\$ 944.6</u>	<u>\$ 946.7</u>

AMOUNT CHANGE FROM CURRENT

Enrollment	914	2,445	3,693	(7,457)	9,214
Property Tax	\$.6	\$ 1.1	\$ 1.7	\$ 19.3	\$ 4.3
State Aid	<u>1.0</u>	<u>2.5</u>	<u>3.8</u>	<u>(7.6)</u>	<u>9.5</u>
Controlled Budget	<u>\$ 1.6</u>	<u>\$ 3.6</u>	<u>\$ 5.5</u>	<u>\$ 11.7</u>	<u>\$ 13.8</u>

State Comptroller's Office
Jim Rose
November 7, 1977