

F I N A L R E P O R T
EDUCATION FUNDING SUBCOMMITTEE

January, 1982

The Education Funding Subcommittee of the Senate and House Standing Committees on Education was established by the Legislative Council to study the present operation of the Iowa state school foundation plan and its ability to provide adequate funds for the school districts of this state, and to look at possible changes in the funding mechanism.

Members of the Subcommittee were:

Senator Arthur L. Gratias, Nora Springs
Representative Horace Daggett, Lenox
Senator Joe Brown, Montezuma
Senator Clarence Carney, Sioux City
Senator John Jensen, Plainfield
Senator Bass Van Gilst, Oskaloosa
Representative Michael Connolly, Dubuque
Representative Warren Johnson, Sloan
Representative Ruhl Maulsby, Rockwell City
Representative Lowell Norland, Kensett

The Subcommittee was authorized three meetings. Three meetings were held on October 1, October 30, and December 4. At the first meeting Senator Gratias and Representative Daggett were elected co-chairpersons.

Prior to the first meeting of the Education Funding Subcommittee, the full Senate and House Education Committees met on September 24 for an informational meeting about the history and operation of the state school foundation plan and public and nonpublic school transportation information. The information received at this full Committee meeting enabled the Subcommittee to begin its first meeting without spending time reviewing the various aspects of the state school foundation plan.

At its first meeting, the Subcommittee asked representatives of the State Board of Public Instruction and various organizations and persons interested in education in the state to make presentations about the state school foundation plan. Copies of the presentations are on file in the Legislative Service Bureau. The following persons made presentations:

1. Sue Wilson, President, State Board of Public Instruction
2. Wayne Beal, Assistant Director, Iowa Association of School Boards
3. Jan Reinicke, Lobbying Specialist, Iowa State Education Association

4. Harold Westra, Superintendent, Oskaloosa, representing the Iowa Association of School Administrators
5. Roger Baskerville, Superintendent, Lohrville, representing People United for Rural Education
6. Wayne Truesdell, Professor Emeritus, University of Northern Iowa

Most of the Subcommittee's time was spent discussing and receiving information about one of four separate areas: the ability of school districts to levy a property tax for a cash reserve, the predicted shortfall in funds appropriated for the payment of claims of school districts for providing nonpublic school pupil transportation, discussion about various aspects of the school foundation formula together with information obtained from computer simulations provided by the Legislative Fiscal Bureau and the Department of Public Instruction altering various aspects of the formula, and two miscellaneous issues relating to school district expenditures. An explanation of each follows:

Cash Reserve Levy

In 1981, the General Assembly enacted legislation authorizing school districts to levy a property tax for a cash reserve at a rate that will provide a cash reserve of not to exceed seven and five-tenths percent of its total district expenditures for the preceding school year including salaries encumbered under contract for the next following July and August. For many years school districts had been levying a property tax for maintaining a cash reserve, but in 1980 the Attorney General issued an Opinion stating that school districts did not possess authority to levy for the cash reserve and the legislation was enacted to allow a limited levy for a cash reserve.

There were differing interpretations made of the language in the legislation. The State Comptroller's office believes that "cash reserve" means unencumbered cash on hand on June 30 of a fiscal year. Both the Department of Public Instruction and the Iowa Association of School Boards believe that a school district's unspent balance from the previous year (the difference between the amount the district was authorized to spend under the school foundation plan and the amount it actually spent) should be subtracted from the unencumbered cash on hand at the end of a fiscal year in determining a district's cash reserve.

Each of the three groups presented its views to the Subcommittee and copies of their presentations are on file in the Legislative Service Bureau. Although their interpretations of cash reserve differ, all agree that the limit on the levy is unrealistic.

The Subcommittee recommends legislation to allow school districts to levy a property tax to maintain a cash reserve as they were levying before the first Attorney General's Opinion. However, the Subcommittee recommends granting the School Budget Review

Committee the authority to review on an annual basis the tax levies for the cash reserve and to reduce a district's additional property tax for the following school year by the amount the Committee deems that a cash reserve levy is excessive.

Nonpublic School Pupil Transportation

Information was presented at the full House and Senate Committee meeting that funds appropriated for the fiscal year ending June 30, 1982 for transportation of nonpublic school children will be approximately \$861,000 less than the amount needed. The Department of Public Instruction presented information tracing the history of nonpublic pupil transportation funding, including estimates that the second semester claim for the 1981-1982 school year will be prorated at the 64 percent level. Superintendents from the Carroll, Dubuque, and Western Dubuque School Districts presented information about the hardships which will occur in their districts if sufficient funds are not appropriated by the General Assembly to pay their claims. It was noted that the law provides that the school districts may charge the parents of the nonpublic school students the difference between the amount of the reimbursement and the district cost of providing the transportation, but the representatives from the three districts expressed reluctance about collecting from the parents. The difference between the reimbursement and the cost must come from the district's general fund operating moneys.

The Subcommittee members agreed that they are concerned about the lack of sufficient funding for nonpublic school pupil transportation expenditures, when such transportation is required by law, but stopped short of recommending to the Education Appropriations Subcommittees that the necessary funds to fully fund the costs be appropriated. Some Subcommittee members believe that appropriations should not be recommended until more information is available about the condition of the state treasury and funding needs in other areas.

Public School Transportation

Subcommittee members expressed an interest in obtaining additional information about the public school transportation costs and the degree to which school districts which have high per pupil transportation costs are penalized in the amount of money that is available to them for providing an educational program. Representatives of the Department of Public Instruction presented a number of items of information relating to the costs of school transportation, including a history of costs by district since 1976-1977, comparisons of transportation expenditures by district per average daily membership (ADM) and per budget enrollment, expenditures without transportation costs per ADM, regular program cost per pupil with transportation costs by various percentiles of districts, transportation costs related to population density per square mile, and average district costs per pupil by decile ranking of transportation costs per pupil, including the number of pupils

per square mile. Copies of this information were distributed to Subcommittee members and are on file in the Legislative Service Bureau. Representatives of the Department of Public Instruction indicated that population density explains only twelve percent of the variation of transportation costs in school districts. They stated that fewer than ten percent of school district have less to spend on their educational programs because of high transportation costs. The Subcommittee made no recommendations in this area.

School Funding Computer Simulations

The Legislative Fiscal Bureau possesses the capability of using a computer to determine funding information for the state school foundation plan as it currently exists and with any number of variations in the present plan. On a statewide basis for the 1981-1982 school year state aid will equal \$620,089,000 and is projected to increase to \$645,123,000 in 1982-1983. The Subcommittee requested and received cost information for the following changes in the school aid formula for the 1982-1983 school year:

1. Increasing the budget guarantee from 100% to 101%, 102%, and 103%.
2. Increasing the foundation level of support from 77% to 78%, 79%, and 80%.
3. Restoring the \$6 per pupil addition to state cost per pupil which was not added in 1981-1982.
4. Providing 5.91% allowable growth which the formula would have generated rather than 7% set by law.
5. Providing 9% and 11% allowable growth and restoring the \$6 per pupil addition to state cost per pupil.
6. Changing the enrollment base from 25% of the 1978 headcount to 35% of that figure.
7. Providing an \$8.15 uniform levy with a 90% foundation level of support.

In addition, the Legislative Fiscal Bureau developed information listing income tax paid per certified student and per budget enrollment compared to property valuations of taxable property per certified student and per budget enrollment.

A computer simulation was run to obtain estimated costs of the formula for the school year beginning July 1, 1983 using an estimated 7.5% state percent of growth.

Copies illustrating the financial impact of these changes in the formula on a statewide basis are attached to this report.

The Subcommittee made no recommendations in this area pending the receipt of later information about state revenues.

Enrichment Levy

Subcommittee members expressed interest in receiving further information about the enrichment levy since citizens in 35 school districts voted at the regular school election on September 8, 1981 on the adoption of the enrichment. Seventeen of the thirty-five districts approved the enrichment levy, bringing the total number of districts to forty-four. Information about the enrichment levy for the 1981-1982 school year was compiled listing the districts, the enrichment percent, the amount approved and the amounts and rates of the income surtax and the property tax levy. A timeline was developed illustrating that from the time of the election twenty-six and one-half months elapses until the first income surtax payment is made to the school district.

Representatives from the Department of Revenue stated that although their Department could make payments based upon estimated income surtax receipts, the actual figures are not available until October of the year following the year for which the surtax is paid. The Subcommittee discussed delaying the election date from the regular September school election to a special election held as late as the following mid-February, but took no action. Copies of the information about the enrichment levy are on file in the Legislative Service Bureau.

Driver Education

The Subcommittee discussed the funding of driver education programs and learned that the state percent of growth under the foundation plan was increased by .3% in 1975 to fund the cost of driver education programs beginning in 1975. The Department of Public Instruction personnel agreed with Subcommittee members that the cost of providing "behind-the-wheel" driving instruction has increased dramatically since that date because of higher costs for gasoline, oil, and maintenance of the cars and because car dealers are no longer able to loan cars at little or no cost to the school districts. Therefore, the Subcommittee recommends that the Committees on Education recommend passage of a bill relating to driver education to provide that after a student has completed three of the six or more hours of laboratory instruction consisting of street or highway driving, upon the written request of the student's parent or guardian, the instructor may waive the remaining required laboratory instruction if the student has demonstrated to the instructor an ability to properly operate a motor vehicle. A copy of a bill to implement this recommendation is attached to this report.

Charge for School Activities

Several Subcommittee members commented about a recent Attorney General's Opinion that states that public schools may not charge

fees for participation in extracurricular school activities because no affirmative authority exists authorizing the charging of fees. It was noted that a number of school districts had begun charging fees for participation in extracurricular school activities prior to the issuance of the Opinion and it is not known whether districts have continued to do so under the guise that the fees are charged as school supply fees for tangible items used in extracurricular activities. The Subcommittee recommends that the Committees on Education recommend passage of a bill allowing school districts to charge students for participation in extracurricular school activities and to provide for a waiver of the fees for hardship cases. A copy of a bill to implement this recommendaion is attached to this report.

PROPOSED HOUSE/SENATE FILE _____

BY (PROPOSED COMMITTEES ON EDUCATION
BILL BY THE EDUCATION FUNDING
SUBCOMMITTEE)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act to authorize a property tax levy by school districts
2 for a cash reserve.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 Section 1. Acts of the Sixty-ninth General Assembly, 1981
2 Session, chapter 94, section 1, is amended by striking the
3 section and inserting in lieu thereof the following:

4 SECTION 1. Chapter 298, Code 1981, is amended by adding
5 the following new section:

6 NEW SECTION. LEVY FOR CASH RESERVE. The board of directors
7 of a school district may certify for levy by March 15 of a
8 school year, a tax on all taxable property in the school
9 district in order to raise an amount for a necessary cash
10 reserve for a school district's general fund.

11 Sec. 2. Section 442.13, Code 1981, is amended by adding
12 the following new subsection:

13 NEW SUBSECTION. Annually the school budget review committee
14 shall review the amount of property tax levied by each school
15 district for a cash reserve authorized in section 1 of this
16 Act. If in the committee's judgment, the amount of a
17 district's cash reserve levy is unreasonably high, the
18 committee shall instruct the state comptroller to reduce that
19 district's tax levy computed under section 442.9 for the
20 following budget year by the amount the cash reserve levy
21 is deemed excessive. A reduction in a district's property
22 tax levy for a budget year under this subsection does not
23 affect the district's authorized budget.

24 Sec. 3. This Act, being deemed of immediate importance,
25 takes effect from and after its publication in _____
26 _____, a newspaper published in _____, Iowa, and in
27 _____, a newspaper published in _____, Iowa.

28 EXPLANATION

29 This bill allows boards of school districts to levy for
30 a cash reserve but provides for a review of cash reserve
31 levies by the school budget review committee. If the SBRC
32 deems a cash reserve levy excessive, it can reduce the
33 district's additional property tax levy the next school year.
34 The bill takes effect upon its publication.

35

state cost/pupil 2083 (incl. 7)
 AEA cost $\frac{94}{2272}$ 7% A.G.

Legislative Fiscal Bureau
 October 29, 1981

Impact of Alternative Adjustments to K-12 Foundation Plan

FUNDING COMPONENTS: (dollars in thousands)	Current Law		Changes in Foundation Support Level			Changes in Enrollment 35% of 1978 Headcount	Restoring \$6 Bonus
	81-82	82-83	78%	79%	80%		
Budget Areas:							
Regular Program Cost	\$ 1,177,014	\$ 1,232,153	\$ 1,232,153	\$ 1,232,153	\$ 1,232,153	\$ 1,238,013	\$ 1,233,629
Effect of change			0	0	0	5,860	1,477
MIA Support Cost	52,171	53,927	53,927	53,927	53,927	53,927	53,927
Effect of change			0	0	0	0	0
TOTAL CONTROLLED BUDGET	\$ 1,229,184	\$ 1,286,080	\$ 1,286,080	\$ 1,286,080	\$ 1,286,080	\$ 1,291,940	\$ 1,287,557
Effect of change			0	0	0	5,860	1,477
Source of Funds:							
Foundation Level Supported	\$ 934,058	\$ 978,390	\$ 991,163	\$ 1,003,036	\$ 1,016,129	\$ 982,857	\$ 980,911
Effect of change			12,773	25,546	37,739	4,467	2,601
Uniform Levy	313,969	333,267	333,267	333,267	333,267	333,267	333,267
Effect of change			0	0	0	0	0
State Aid	620,089	645,123	657,896	670,669	682,862	649,590	647,724
Effect of change			12,774	25,545	37,738	4,467	2,610
Additional Property Tax	295,126	307,691	294,918	282,145	269,951	309,083	306,566
Effect of change			(-12,773)	(-25,546)	(-37,740)	1,392	(-1,125)
NUMBER OF SCHOOLS AT BUDGET GUARANTEE:	265	49	49	49	49	0	47
Effect of change			0	0	0	(-49)	(-2)
ENROLLMENTS:							
Certified Fall Headcount	520,342	510,905	510,905	510,905	510,905	510,905	510,905
Effect of change			0	0	0	0	0
Budget (Based on historical)	557,577	547,314	547,314	547,314	547,314	550,515	547,314
Effect of change			0	0	0	3,201	0
Weighted (All enrollments)	598,123	583,961	583,961	583,961	583,961	586,745	583,952
Effect of change			0	0	0	3,200	(-9)
Adjustment for Budget Guarantee	4,316	417	417	417	417	0	408
Effect of change			0	0	0	(-417)	(-9)

FUNDING COMPONENTS: (dollars in thousands)	Current Law		Impact of Alternative Adjustments to K-12 Foundation Plan, cont'd.		
	81-82	82-83	Changes in Guaranteed Budget Growth		
			101%	102%	103%
Budget Areas:					
Regular Program Cost	\$ 1,177,014	\$ 1,232,153	\$ 1,232,860	\$ 1,234,039	\$ 1,235,912
Effect of change			707	1,886	3,759
ALA Support Cost	52,171	53,927	53,927	53,937	53,927
Effect of change			0	0	0
<u>TOTAL CONTROLLED BUDGET</u>	<u>\$ 1,229,184</u>	<u>\$ 1,286,080</u>	<u>\$ 1,286,787</u>	<u>\$ 1,287,966</u>	<u>\$ 1,289,839</u>
Effect of change			707	1,886	3,759
Source of Funds:					
Foundation Level Supported	\$ 934,058	\$ 978,390	\$ 978,903	\$ 979,771	\$ 981,157
Effect of change			573	1,381	2,767
Uniform Levy	313,969	333,267	333,267	333,267	333,267
Effect of change			0	0	0
State Aid	620,089	645,123	645,636	646,504	647,890
Effect of change			514	1,381	2,767
Additional Property Tax	295,126	307,691	307,885	308,195	308,682
Effect of change			194	504	991
<u>NUMBER OF SCHOOLS AT BUDGET GUARANTEE:</u>	265	49	85	123	168
Effect of change			36	74	119
ENROLLMENTS:					
Certified Fall Headcount	520,342	510,905	510,905	510,905	510,905
Effect of change			0	0	0
Budget (Based on historical)	557,577	547,314	547,314	547,314	547,314
Effect of change			0	0	0
Weighted (All enrollments)	598,123	583,961	584,290	584,841	585,720
Effect of change			329	880	1,759
Adjustment for Budget Guarantee	4,316	417	745	1,296	2,175
Effect of change			329	880	1,759

FUNDING COMPONENTS: (dollars in thousands)	Current Law		Impact of Adjustments to K-12 Plan Changes in Allowable Growth Percentage		
	81-82	82-83	5.9%	9.0%	11.0%
			(no \$6 bonus)	(\$6 bonus in)	(\$6 bonus in)
Budget Areas:					
Regular Program Cost	\$ 1,177,014	\$ 1,232,153	\$ 1,216,992	\$ 1,250,395	\$ 1,272,683
Effect of change			15,161	18,242	40,530
AEA Support Cost	52,171	53,927	53,355	53,014	56,043
Effect of change			(-572)	515	2,116
TOTAL CONTROLLED BUDGET	\$ 1,229,184	\$ 1,286,080	\$ 1,270,347	\$ 1,305,409	\$ 1,328,726
Effect of change			\$ (-15,733)	\$ 19,329	\$ 42,646
Source of Funds:					
Foundation Level Supported	\$ 934,058	\$ 978,390	\$ 969,653	\$ 992,930	\$ 1,011,012
Effect of change			(-8,737)	14,540	32,622
Uniform Levy	313,969	333,267	333,267	333,267	333,267
Effect of change			0	0	0
State Aid	620,089	645,123	636,386	659,663	677,745
Effect of change			(-8,737)	14,540	32,622
Additional Property Tax	295,126	307,691	300,694	312,479	317,714
Effect of change			(-6,997)	4,788	10,023
NUMBER OF SCHOOLS AT BUDGET GUARANTEE:	265	49	88	24	8
Effect of change			39	(-25)	(-41)
ENROLLMENTS:					
Certified Fall Headcount	520,342	510,905	510,905	501,905	510,905
Effect of change			0	0	0
Budget (based on historical)	557,577	547,314	547,314	547,314	517,314
Effect of change			0	0	0
Weighted (all enrollments)	598,123	583,961	584,314	583,690	583,605
Effect of change			353	(-271)	(-356)
Adjustment for Budget Guarantee	4,316	417	770	146	61
Effect of change			353	(-271)	(-356)

Source: Legislative Fiscal Bureau
December 4, 1981

FUNDING COMPONENTS: (dollars in thousands)	Current Law			82-83 90% Foundation \$8.15 Uniform Levy & \$200 Guarantee
	81-82	82-83	83-84 7.5% Growth	
Budget Areas:				
Regular Program Cost	\$ 1,177,014	\$ 1,232,153	\$ 1,299,886	\$ 1,232,153
Effect of change			67,733	0
AEA Support Cost	52,171	53,927	56,983	53,927
Effect of change			3,056	0
TOTAL CONTROLLED BUDGET	\$ 1,229,184	\$ 1,286,080	\$ 1,356,869	\$ 1,286,080
Effect of change			\$ 70,789	\$ 0
Source of Funds:				
Foundation Level Supported	\$ 934,058	\$ 978,390	\$ 1,046,602	\$ 1,143,310
Effect of change			68,212	164,920
Uniform Levy	313,969	333,267	354,124	501,586
Effect of change			20,857	168,319
State Aid	620,089	645,123	692,478	644,954
Effect of change			47,355	(-169)
Additional Property Tax	295,126	307,691	310,266	138,140
Effect of change			2,575	(-169,551)
NUMBER OF SCHOOLS AT BUDGET GUARANTEE:	265	49	NA	13 (\$200 guarantee)
ENROLLMENTS:				
Certified Fall Headcount	520,342	510,905	505,687	510,905
Effect of change			(-5,218)	0
Budget (based on historical)	557,577	547,314	537,425	547,314
Effect of change			(-9,889)	0
Weighted (all enrollments)	598,123	583,961	573,656	583,961
Effect of change			(-10,305)	0
Adjustment for Budget Guarantees	4,316	417	NA	417
Effect of change				0

PROPOSED HOUSE/SENATE FILE _____

BY (PROPOSED COMMITTEES ON EDUCATION
BILL BY THE EDUCATION FUNDING
SUBCOMMITTEE)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the hours of laboratory instruction re-
2 quired for completion of a driver education course.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 Section 1. Section 321.178, subsection 1, unnumbered para-
2 graph 1, Code 1981, is amended to read as follows:

3 An approved driver education course as programmed by the
4 department of public instruction shall consist of at least
5 thirty clock hours of classroom instruction, and six or more
6 clock hours of laboratory instruction of which at least three
7 clock hours shall consist of street or highway driving. After
8 the student has completed three clock hours of street or
9 highway driving and has demonstrated to the instructor an
10 ability to properly operate a motor vehicle and upon written
11 request of a parent or guardian, the instructor may waive
12 the remaining required laboratory instruction.

13 EXPLANATION

14 This bill provides that after a student has completed three
15 of the six or more hours of laboratory instruction for driver
16 education consisting of street or highway driving, upon the
17 written request of the student's parent or guardian, the
18 instructor may waive the remaining required laboratory
19 instruction if the student has demonstrated to the instructor
20 an ability to properly operate a motor vehicle. The bill
21 takes effect July 1 following its enactment.

22
23
24
25
26
27
28
29
30
31
32
33
34
35

PROPOSED SENATE/HOUSE FILE _____

BY (PROPOSED COMMITTEES ON EDUCATION BILL BY THE EDUCATION FUNDING SUBCOMMITTEE)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act permitting school districts to charge fees for extra-
2 curricular activities.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 Section 1. Section 282.6, Code 1981, is amended to read
2 as follows:

3 282.6 TUITION. ~~Every~~

4 1. Except as otherwise provided by state statute, every
5 school shall be free of tuition to all actual residents between
6 the ages of five and twenty-one years and to resident honorably
7 discharged soldiers, sailors, and marines, as many months
8 after becoming twenty-one years of age as they have spent
9 in the military or naval service of the United States before
10 they became twenty-one~~,-provided,-however,-fees.~~

11 2. Fees may be charged covering as follows:

12 a. A fee covering instructional costs for a summer school
13 program.

14 b. A reasonable fee for participation in an extracurricular
15 activity.

16 3. The board of education directors may~~,-in-a-hardship~~
17 ease~~,~~ exempt a student from payment of the above fees permitted
18 under subsection 2 in a hardship case.

19 ~~Every~~ 4. A person~~,-however,~~ who shall~~-attend-any~~ attends
20 a school after graduation from a four-year course in an
21 approved high school or its equivalent shall be charged a
22 sufficient tuition fee to cover the cost of the instruction
23 received by such the person.

24 ~~This~~ 5. Subsections 1 through 4 of this section shall
25 do not apply to tuition and fees authorized by chapter 280A.

26 EXPLANATION

27 This bill permits a school district to charge a reasonable
28 fee to students participating in extracurricular activities.

29 The bill takes effect July 1 following its enactment.

30
31
32
33
34
35