

P R O G R E S S R E P O R T  
SCHOOL FINANCE STUDY COMMITTEE  
 January, 1988

BACKGROUND INFORMATION

House File 499 directed the Legislative Council to appoint a working committee consisting of members of the House and Senate Committees on Education and Committees on Ways and Means and members who represent the Department of Education, education interest groups, and other organizations and associations interested in school finance to conduct a comprehensive study of school finance. The legislation stated that the recommendations of the Study Committee should be made to the General Assembly meeting in 1989. Chapter 442 of the Code, the chapter that contains the state school foundation formula, is repealed effective July 1, 1991.

The Legislative Council established a School Finance Study Committee, named members, and authorized two days of meetings to begin the task.

Members named to the School Finance Study Committee are:

Senator Larry Murphy, Oelwein, Co-chairperson  
 Representative Arthur Ollie, Clinton, Co-chairperson  
 Senator Joy Corning, Cedar Falls  
 Senator Bill Dieleman, Pella  
 Senator Edgar H. Holden, Davenport  
 Senator Wally E. Horn, Cedar Rapids  
 Senator James Riordan, Waukee  
 Senator Ray Taylor, Steamboat Rock  
 Representative Kay Chapman, Cedar Rapids  
 Representative Horace Daggett, Kent  
 Representative Ruhl Maulsby, Rockwell City  
 Representative Tom H. Miller, Cherokee  
 Representative David Tabor, Baldwin  
 Representative Philip Wise, Keokuk  
 Mr. Donald Byers, Newton  
 Ms. Mary Ellen Chamberlain, Davenport  
 Mr. Lowell Dauenaugh, Des Moines  
 Mr. Don Gunderson, Dike  
 Mr. Bill Knapp II, West Des Moines  
 Ms. Patsy Partridge, Keokuk  
 Ms. Rita Venner, Breda  
 Dr. Carol Bradley, Ex Officio

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Prior to the commencement of Study Committee activities, several members of the Study Committee who are Commissioners for the State of Iowa in the Education Commission of the States, an organization formed by an interstate compact to help state education policymakers to improve the quality of education at all levels, met with Mr. Kent McGuire, Director of the School Finance Division of the Education Commission of the States, at the Education Commission of the States Annual Meeting held in July in Denver to discuss the Iowa Study. These members were Co-chairpersons Murphy and Ollie and Senator Corning and Representative Daggett.

Mr. McGuire indicated that the Education Commission of the States would be interested in assisting the Iowa General Assembly during the preliminary phases of its study by analyzing information, conducting interviews, assisting in developing a request for proposal to be sent to potential consultants, and helping to analyze bids on the proposal. At this meeting he indicated that he would attend the Study Committee's first meeting to discuss school finance issues and possible approaches to the study of a school finance formula.

#### AUGUST 20-21 MEETING

The Study Committee met on August 20 and 21, 1987. Mr. Kent McGuire was present as well as Mr. John Myers, Senior Program Director for Education of the National Conference of State Legislatures. The National Conference of State Legislatures is a nonpartisan organization of the fifty states that provides services to state legislatures.

The Study Committee heard presentations by Dr. Leland Tack, Chief of the Bureau of Planning, Research, and Development of the Department of Education; Mr. Phil Dunshee, Director of Governmental Affairs, Iowa Association of School Boards; and Mr. Lowell Dauenbaugh, School Finance Specialist, Iowa State Education Association, outlining the conditions that led to the enactment of the state school foundation formula, historical changes that have occurred, and present provisions.

Mr. Brad Hudson, Budget Analyst for the Department of Management, discussed the impact of declining property values on state school foundation aid. He commented that an additional \$15.6 million will be needed in 1988-89 because of a four percent decline in the assessed valuation of taxable property in this state. Mr. Hudson also explained school district property tax levies that are in addition to the school aid formula moneys and state credits for certain property taxes.

Legislative staff discussed prior legislative and executive branch studies of the school foundation formula. Mr. McGuire reviewed the manner in which other states have conducted studies of their school finance formulas. Mr. Myers and Mr. McGuire

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described three basic variations of school finance formulas and discussed the formulas of several different states. Formulas may be: minimum foundation level, guaranteed yield, or percent equalizing. States with multi-tiered formulas were also described.

The Committee unanimously adopted a motion that requested approval from the Legislative Council for the expenditure of not exceeding \$140,000 from section 2.12 of the Code for a study of Iowa's school finance formula. The Education Commission of the States, with assistance from the National Conference of State Legislatures, would conduct the first phase of the study by gathering information about the school finance plan and analyzing the perceptions of school personnel and representatives of interest groups. The Education Commission of the States would also help to write a request for proposal for an outside consultant to actually perform the study of the school finance plan.

#### LEGISLATIVE COUNCIL APPROVAL

On September 2, 1987, the Legislative Council approved a request from the School Finance Study Committee for the following:

1. The Study Committee may enter into a contract with the Education Commission of the States to conduct the first phase of the school finance study at a cost of not exceeding \$40,000 to be paid from section 2.12 of the Code.

2. The Study Committee may meet for five additional days between December 1987 and June 1988 to hear testimony, approve the awarding of one or more contracts for an outside consultant to conduct the study, and hear progress reports from the consultant.

3. The Study Committee may employ an independent consultant under a Request for Proposal to conduct the study at a cost of not exceeding \$100,000 with specific approval of the contract to be made by the Legislative Council after bids have been received and reviewed.

#### CONTRACT WITH EDUCATION COMMISSION OF THE STATES

A contract was executed between the School Finance Study Committee and the Education Commission of the States, with subcontracts between Education Commission of the States and the National Conference of State Legislatures and between the Education Commission of the States and Augenblick, Vanderwater and Associates, to complete the first phase of the study. A copy of the scope of work for this phase is attached to this report.

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DECEMBER 17 MEETING

A meeting was held on December 17, 1987, to hear comments from interest groups. A list of individuals making presentations is attached to this report.

FUTURE ACTIVITIES

The Study Committee has scheduled a meeting for January 26, 1988, to receive the report of the first phase from the Education Commission of the States and to develop a Request For Proposal to be sent to potential bidders.

It is anticipated that a contract for the remainder of the study can be signed by April 1988 with the consultant commencing work immediately thereafter. The consultant's recommendations would be completed by November and the Study Committee would make its recommendations to the General Assembly by January 1989.

## ATTACHMENT E

### APPENDIX A SCOPE OF WORK IOWA SCHOOL FINANCE PROJECT

A School Finance Study Committee, established by the Legislative Council, has been directed by the Legislative Council to study the strengths and weaknesses of the current system of financing schools and to develop recommendations for a new school finance system.

As a preliminary step in the execution of the study work of the Committee, the Legislative Council, on behalf of the School Finance Study Committee, is contracting with the Education Commission of the States (ECS) to collect additional information about the current school finance statutes and generally about prevailing attitudes of local school districts and interest groups regarding the quality of education in Iowa and the state role in supporting the public schools. ECS has agreed to assist the School Finance Study Committee in developing specifications for a comprehensive study of the state's system of financing public schools.

Pursuant to the contract between the Iowa Legislative Council and ECS, the following tasks will be performed by ECS:

1. Conduct a series of interviews in Iowa school districts to clarify local concerns about the state system of financing public schools. ECS will conduct interviews in between 15 and 20 school districts around the state. Care will be taken to select a group of districts that represent as best as is possible with limited time and resources, the characteristics and operating conditions typical to all school districts in the state (e.g. rural and urban, large and small, various levels of income, etc.). Geography and availability of local school and community leadership will also be taken into consideration in selecting school districts for the interview phase of the project. These interviews will not become the basis for specific recommendations for improvements to the current system of financing schools in Iowa. Rather, the perceptions and insights of school district officials will become part of the information used in shaping the focus of any subsequent studies of school finance conducted by or for the School Finance Study Committee.

2. Engage in discussions with a wide range of business, education, taxpayer, and other interest groups to learn more about the concerns these groups have about school finance in Iowa and to identify their recommendations for improving the state's school finance system. ECS will consult with the School Finance Study Committee in identifying the interest groups to include in these conversations. ECS will visit individually with as many of these groups and organizations as is possible, given financial and geographic considerations. Telephone conversations and written correspondence will be used to solicit input when visits are not feasible. Like the district interviews, the purpose of these discussions is to generate information that will be helpful to the School Finance Study Committee in designing subsequent studies of school finance.

3. Review, through discussions with the Iowa Department of Education, other state agencies and appropriate university personnel, prior analyses of school finance in Iowa and attempt to relate these studies and reviews to the areas of immediate concern to state and local educators and policymakers. The principal objective is to clarify what these studies do and do not contribute to the current investigation of school finance in Iowa. A related objective is to learn more about the on-going capacities of various agencies and organizations in the state to examine issues deemed important for additional study by the General Assembly.

4. Develop in draft form, a Request for Proposal (RFP) or Requests for Proposals (RFPs), to be used by the School Finance Study Committee in soliciting proposals from consultants who might be selected to conduct detailed analyses of specific aspects of school finance in Iowa.

ECS assistance to the School Finance Study Committee in clarifying issues and developing specifications for a review of school finance in Iowa is to begin in mid-September of 1987 and continue through the end of January, 1988. ECS will review the steps taken in developing the Request for Proposal (RFP) or Requests for Proposals (RFPs) and discuss the content of the RFP or RFPs at the January meeting of the School Finance Study Committee, the exact date of that meeting to be determined later.

The budget for this project and approximate timetable for specific activities is attached as appendix B. The total costs of the four activities identified above is \$40,000. The project will be managed by Kent McGuire, Senior Policy Analyst for the Education Commission of the States. ECS will subcontract with the National Conference of State Legislatures (NCSL) and Augenblick, Vanderwater and Associates (AVA) to complete all phases of the project. Descriptions of these organizations and copies of the subcontracts are attached as appendix C.

## PRESENTERS

December 7, 1987  
School Finance Study Committee

Jerry Snethen, Iowa Farm Bureau Federation  
George Chambers, Professor, University of Iowa  
Ron Dickinson, Area Education Agency VII Administrator,  
representing the area education agencies  
Dorothy Meyerhoff, Iowa PTA  
Max Miller, Business Manager, Ottumwa Public Schools,  
representing the Iowa Association of School Business Officials  
Karlene Garn, President-elect, Iowa Educational Media Association  
Roger Hudson, Controller, Des Moines Public Schools,  
representing the Urban Network  
Rich Nutt, Realtor, Sioux City,  
representing the Iowa Realtors Association  
Sue Atkinson, Parents for Quality Education  
Bill Smith, Iowans for Tax Reform Action Coalition  
Phil Dunshee, Iowa Association of School Boards  
Joe Hellstern, Untied Property Taxpayers of Iowa  
Jan Reinicke, Iowa State Education Association  
Michael Knapp, President, Iowa Association for the Education of  
Young Children  
Judy Jeffrey, President, Iowa Talented and Gifted Association  
Kenneth Shaw, Superintendent, Nevada Public Schools,  
representing the School Administrators of Iowa

Written presentations were received from:

Richard W. Phillips, President, Iowa Taxpayers Association  
Mary Etta Lane, Executive Director, Association for Retarded  
Citizens of Iowa

School Presenters  
db/dg/20