

F I N A L R E P O R T

SCHOOL FUNDING SUBCOMMITTEE
OF THE SENATE STANDING COMMITTEE ON SCHOOLS
AND THE HOUSE STANDING COMMITTEE ON EDUCATION

The School Funding Subcommittee was established in July of 1974 with the following membership:

Senator Willard R. Hansen, Chairman
Representative Delwyn Stromer, Vice Chairman
Senator Leonard C. Andersen
Senator James W. Griffin, Sr.
Senator Joan Y. Orr
Senator Norman G. Rodgers
Representative William R. Ferguson
Representative Ingwer L. Hansen
Representative Wally E. Horn
Representative John E. Patchett

The Subcommittee was assigned the study requested in the Conference Committee Report on House File 1121, which asked for a study of the following subjects in relation to the state school foundation program:

1. Transportation of student.
2. Declining enrollment.
3. Population density.
4. Costs unique to urban school districts.
5. The possible restructuring of Iowa's present delivery system to ensure quality education for all students.

At its first meeting on July 9, 1974, the Subcommittee planned to hold monthly meetings and determined to pursue first the subjects of transportation costs, and costs unique to urban school districts. The members agreed that school reorganization as such would not be studied by this Subcommittee, but that concepts of restructuring the delivery system necessarily carry the possibility of some reorganization.

The Subcommittee received much assistance, including statistical data, from Dr. Robert D. Benton, State Superintendent of Public Instruction. Dr. Benton and many other participants discussed the problems that transportation costs impose on some school districts, and several suggestions were made to remove transportation costs from the school foundation program and fund them separately by some combination of state aid and local effort in an equalizing formula.

Problems of population density, declining enrollment, and the possible need for restructuring of the delivery system suggested to the Subcommittee the need for more satisfactory methods of accountability for schools. Efforts were made to develop statistics on a number of quality factors involved in education, such as the number of courses offered, the pupil-teacher ratio, the experience of the teachers, and test scores, so that these quality factors might be compared with quantitative factors such as costs per pupil for various programs and services, property valuations, and tax rates. However, due to lack of time and constraints imposed by the present accounting system of schools, it was only possible to obtain statistics comparing total costs and transportation costs to number of courses offered in each school district.

At its second meeting the Subcommittee received presentations on various facets of its assignment from representatives of the Iowa State Education Association, the Iowa Association of School Boards, the Iowa Association of School Administrators and the PTA, and on urban costs particularly from a number of large-city school administrators. Higher building and maintenance costs, higher salaries, and special needs of minority and underprivileged children in the larger cities were stressed by the urban school superintendents. Recommendations presented by the educational organizations included consideration of an increase in allowable growth, funding flexibility to meet a variety of special problems, and weighting of the funding formula to provide appropriate funding in different educational areas.

At its third meeting a number of school superintendents from rural districts addressed the Subcommittee, including a superintendent from a countywide school district, a recently reorganized district and a district which shares teaching responsibility with another district. Both advantages and disadvantages of the various systems were discussed, and a number of suggestions offered. Other subjects discussed at this meeting were the recent unsuccessful attempt to impose a school district income surtax in the Pleasant Valley district, the request of the school nurses' association for legislation setting guidelines for school health services, and appeals by State Representatives Charles N. Poncy and Horace Daggett seeking relief for the unusual problems within their districts relating to declining enrollment and transportation costs. Several of the speakers suggested special methods of funding for special local problems, either by grants administered by the school budget review committee, or by authority for the school boards to levy limited amounts of additional taxes.

The Subcommittee considered the Maryland Plan for funding the costs of school construction, but determined that constitutional obstacles in Iowa will probably make such a plan impractical here. It was determined that forty million dollars annually is required at present to pay interest and principal costs on school building fund debts.

The October meeting included extensive further discussion on transportation costs and suggestions to deal with this problem. A group of parents from Melrose, Iowa, which is a part of the Albia school district, visited with the Subcommittee about problems which have arisen in their district subsequent to reorganization and declining enrollments, but the Subcommittee determined that the problems must be resolved through the regular administrative processes.

Statistical data and graphs relating to enrollments, enrollment projections, increases in the allowable growth permitted under the law, the Consumer Price Index, and the growth in the state general fund were prepared for the Subcommittee by staff members, and various bill draft requests were considered by the Subcommittee.

At its November meeting the Subcommittee continued its study of school funding problems, focusing on the issues of weighting, enforcement of school standards, proposals to increase allowable growth, and proposals for limited increases in spending for certain purposes at the option of local boards. Further bill drafts were requested by the Subcommittee.

Dr. Wayne P. Truesdell, Professor in the Department of School Administration and Personnel Services at the University of Northern Iowa, presented a large amount of statistical information about the school foundation program at the Subcommittee's December 10 meeting, and discussed with the members his proposals to increase the equity of the program. Dr. Truesdell stated his belief that the program is basically sound, but can be improved by an increase in the foundation levy and a proportionate increase in the state's commitment to fund a percentage of the average cost, and by the use of the wealth represented by adjusted gross income in a district, as well as that represented by property valuation, in determining the base upon which the local levies and the state aid are based. He noted, however, that these proposals required further study, and that the immediate problems which require attention are those caused by declining enrollments and an allowable growth rate which has not kept up with inflation or state revenues.

The Subcommittee, at the final meeting held on December 31, 1974, took additional action on several bills before the Subcommittee, copies of which are available for reference at the Legislative Service Bureau. The Subcommittee also discussed the problems of increasing the allowable growth percentage in the school funding formula and the interpretation of the prekindergarten students status for enrollment purposes. The members also discussed the substantial increases in the requests for special education by the Area Education Agencies established by chapter 273, Code 1975. Dr. Benton appeared before the Subcommittee and explained that he believed prekindergarten children can be counted for enrollment purposes under present law. Dr. Benton also explained that the AEA had identified handicapped

students faster than anticipated and that budgets were approximately double the estimates for special education support costs. It was pointed out that some costs of special education included in the districts' costs will receive double financing resulting in a windfall to some districts. Dr. Benton explained that more students than expected had been identified as handicapped but that these numbers would be scrutinized before approval and that the combination of approximately 24,500 handicapped students identified over the estimated 16,000 and the increased estimates of support costs have substantially raised the projected costs of special education and would require a phase-in period of about three years.

The Subcommittee requested an Attorney General's opinion interpreting "elementary and secondary" as found in chapter 442 of the Iowa Code to determine whether prekindergarten students are eligible to be counted for enrollment purposes for the school funding formula. If the opinion interprets that prekindergarten children may be counted for enrollment purposes, the Subcommittee requested that legislation be drafted to exclude prekindergarten students from the computation of enrollment in section 442.4.

The Subcommittee voted to recommend to the appropriate standing committees the following actions:

1. A resolution requiring the Department of Public Instruction to conduct a study of weighting the school funding formula for various programs, based upon a study of exemplary programs and not upon a study of costs attributable to all programs. A copy of the proposed resolution is attached.

2. A bill to allow the school funding formula to operate for computation of allowable growth rather than the eight percent established as a minimum for the 1975-76 school year. A copy of this bill is attached and numbered LSB 485.

3. That the following three alternatives be studied as possible changes in computing allowable growth:

- a. That allowable growth be based upon the Consumer Price Index.

- b. That the allowable growth be set equal to an average between the present school funding formula and the Consumer Price Index.

- c. That the Consumer Price Index be included as one-third of the computation of the allowable growth formula in the present school funding formula.

4. A recommendation to the standing committees that individual school district costs be reduced to compensate for the shift of special education costs to the Area Education Agency.

5. A recommendation for an interim committee study of the possibility of a tax mix for school funding based upon income and property, and further equalization of property tax assessments along with program weighting.

6. That changes be made to the school standards of chapter 257 requiring yearly inspections and that the time period allowed to comply be limited to one year. The Subcommittee voted to recommend the attached bill, LSB 406, to the appropriate standing committee.

The Subcommittee also voted that the following measures be prepared and referred to the appropriate standing committees for further consideration:

1. A Resolution to establish a school district organization commission composed of legislators and educators to study alternatives for restructuring school districts.

2. An Act to permit school districts to obtain a limited amount of additional funds for purposes directly related to quality education, either by a local levy at the option of the board or an increase in allowable growth subject to approval by the school budget review committee.

3. An Act to provide state transportation aid to school districts, applicable to all districts whose transportation cost, as a percentage of its district cost, is above the state average transportation cost, as a percent of the state average cost.

4. Four bills, LSB 112, 439, 543 and 544 relating to alternatives for the school districts to raise an additional amount beyond their established district cost. This method would replace the present surtax authorized by chapter 442, Code 1975.

Copies of these bills are available at the Legislative Service Bureau.

Prepared by the Legislative
Service Bureau
December 20, 1974
ROUGH DRAFT - Not for Introduction

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

A BILL FOR

- 1 An Act relating to allowable growth for school districts.
- 2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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1 Section 1. Section four hundred forty-two point seven
2 (442.7), unnumbered paragraph two (2), Code 1975, is amended
3 to read as follows:

4 Each year the state comptroller shall compute the dollar
5 equivalent of the state percent of growth by multiplying the
6 state cost per pupil for the base year by the state percent
7 of growth for the budget year. As used in this chapter,
8 except as otherwise provided in this section, "allowable
9 growth" means the dollar equivalent of the state percent of
10 growth. ~~However, the state percent of growth is established~~
11 ~~at eight percent for the school years beginning July 1, 1974,~~
12 ~~and July 1, 1975.~~

13 Sec. 2. Section one (1) of this Act is effective for the
14 school year beginning July 1, 1975, and succeeding school
15 years.

16 Sec. 3. This Act, being deemed of immediate importance,
17 shall take effect and be in force from and after its
18 publication in _____, a newspaper
19 published in _____, Iowa, and in
20 _____, a newspaper published in
21 _____, Iowa.

22 EXPLANATION

23 This bill strikes the provision setting state percent of
24 growth at 8% for two years, since the operation of the regular
25 formula will provide a higher percentage for 1975. School
26 districts can amend their budgets in order to take advantage
27 of the higher allowable growth rate for the 1975-76 school
28 year.

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

A BILL FOR

1 An Act to require inspection for compliance with minimum
2 school standards at least once every two years, and to
3 shorten the period for compliance when a defect is
4 discovered.

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

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1 Section 1. Section two hundred fifty-seven point twenty-
2 five (257.25), subsections ten (10) and eleven (11), Code
3 1975, are amended to read as follows:

4 10. As a basis for inclusion on the list of approved
5 schools, the state department of public instruction shall
6 evaluate ~~the~~ each school educational program in the several
7 school systems of the state at least once every two years
8 for the purposes of school improvement and, approval and
9 compliance with school standards as prescribed in this section,
10 and each public and nonpublic school system shall make such
11 reports as the superintendent of public instruction deems
12 necessary to show compliance with the curriculum programs
13 and other requirements prescribed in the Code. An annual
14 evaluation shall be made of a school educational program
15 reporting a failure to fulfill the requirements of this
16 section.

17 The state superintendent shall make recommendations
18 and suggestions in writing to each school and school district
19 which is subject to this section when the department of public
20 instruction determines, after due investigation, that
21 deficiencies exist in any school or school district.

22 The state board of public instruction shall adopt
23 approval standards and rules to implement, interpret and make
24 effective the provisions of this section. In adopting the
25 same, the board shall take into account recognized educational
26 standards. Standards and rules shall be of general application
27 without specific regard to school population.

28 Such standards and rules shall be subject to the
29 provisions of chapter 17A. In addition, such standards and
30 rules shall be reported by the state board to the general
31 assembly within twenty days after the commencement of a regular
32 legislative session. No school or school district shall be
33 removed from the approved list for failure to comply with
34 such standards or rules, until at least one hundred twenty
35 days have elapsed following the reporting of such standards

1 and rules to the general assembly as provided in this section.

2 11. The state board of public instruction shall
3 remove for cause, after due investigation and notice, any
4 school or school district from the approved list which fails
5 to comply with such approval standards and rules. The state
6 board shall allow a reasonable period of time, ~~which shall~~
7 ~~be at least~~ not to exceed one year, for compliance with such
8 approval standards and rules ~~if~~ unless such school or school
9 district is making a good faith effort and substantial progress
10 toward full compliance and if the failure to comply is due
11 to factors beyond the control of the board of directors or
12 governing body of such school or school district. In allowing
13 such time for compliance, the board shall follow consistent
14 policies, taking into account the circumstances of each case.
15 The reasonable period of time for compliance ~~may be, but need~~
16 ~~not be given prior to~~ shall not exceed the one-year notice
17 requirement ~~that is required under~~ of subsection 12. A school
18 or school district which is removed from the approved list
19 pursuant to the provisions of this section shall be ineligible
20 ~~to receive state financial aid~~ operate during the period of
21 noncompliance.

22 The superintendent of public instruction and the
23 president of the state board shall confer with the affected
24 school board and with the school boards of contiguous school
25 districts to assist the affected school board in determining
26 how best to offer the students of that district an approved
27 educational program. When a school district has been removed
28 from the approved list, ~~is ineligible to receive state aid,~~
29 and it can no longer continue to operate, and the board of
30 directors shall seek to merge the territory of the school
31 district with one or more contiguous school districts pursuant
32 to the provisions of chapter 275. If by the first of July
33 the following school year, the district has not met the
34 approval standards and any portion of the district has not
35 been merged with one or more contiguous school districts,

1 the portion that has not been merged shall be merged with
2 one or more contiguous school districts by the state board
3 and the provisions of sections 275.25 to 275.38 shall apply.

4 EXPLANATION

5 This bill mandates that each school education program
6 be inspected once every two years for compliance with the
7 educational school standards. It requires that deficiencies
8 be corrected within a one-year period after notice or the
9 school district will be reorganized.

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HOUSE CONCURRENT RESOLUTION NO. _____

By

1 WHEREAS, the financial needs of education are subject to
2 influences by dynamic needs of society, and

3 WHEREAS, the financial requirements for each school district
4 vary with the number of students in each program by grade
5 level, the type of curriculum and student physical and mental
6 differences, and

7 WHEREAS, the Iowa department of public instruction does
8 not have cost figures or procedures that accurately reflect
9 the relative costs in Iowa for each program calculated as
10 a per student cost figure, and

11 WHEREAS, these figures are necessary before an equitable
12 funding method can be adopted to allocate funds in proportion
13 to the average cost for each program and the number of students
14 in each district in each program category, NOW THEREFORE,

15 BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES, THE SENATE
16 CONCURRING, That the department of public instruction shall
17 conduct a study to begin as soon as possible and terminate
18 on October 1, 1975, to evaluate the average state program
19 costs per student, to develop an equitable system of weighting
20 and report to the general assembly the findings of the study.
21 The report shall include a weighting index which means the
22 ratios obtained by comparing the costs for different programs
23 to the average cost for an elementary school student in grades
24 one through six.

25 BE IT FURTHER RESOLVED, That the department of public
26 instruction shall determine the program cost per student by
27 dividing the cost of education for each program by the number
28 of students in the program. The program categories include
29 but are not limited to:

30 1. Basic programs:

- 1 a. Early childhood special education.
- 2 b. Kindergarten.
- 3 c. Elementary.
- 4 d. Middle school.
- 5 e. High school.
- 6 2. Special programs:
- 7 a. Speech handicapped.
- 8 b. All other handicapped.
- 9 c. Low income.
- 10 d. Non-English speaking.
- 11 e. Migrant.
- 12 f. Agriculture.
- 13 g. Homemaking.
- 14 h. Trades and industry.
- 15 i. Office and health.
- 16 j. Cooperative.
- 17 k. Handicapped vocational.
- 18 l. Coordinated vocational-academic education.
- 19 m. Gifted.

20 The department of public instruction may choose additional
21 categories to assist in illustrating the varying financial
22 demands of different school districts.

23 BE IT FURTHER RESOLVED, That to determine the average
24 program costs per student the department of public instruction
25 shall study exemplary programs conducted by school districts
26 in the state or by similar schools in other states, rather
27 than by analyzing the average costs of all similar programs
28 in the state.

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