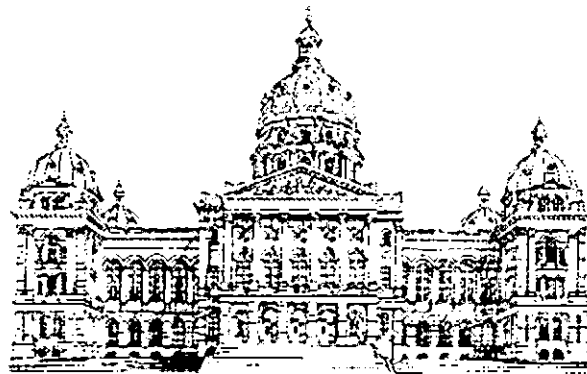


**PROGRESS REPORT**

**SCHOOL FINANCE  
WORKING COMMITTEE**



Presented to the  
**LEGISLATIVE COUNCIL**  
and the  
**IOWA GENERAL ASSEMBLY**  
June 1999

Prepared by the  
**LEGISLATIVE SERVICE BUREAU**



**Legislative  
Service  
Bureau**

# PROGRESS REPORT

## School Finance Working Committee

June 1999

### MEMBERS

Senator Donald Redfern, Co-chairperson  
 Senator Michael Connolly  
 Senator John Kibbie  
 Senator John Redwine  
 Senator Kitty Rehberg

Representative Betty Grundberg, Co-chairperson  
 Representative Bob Brunkhorst  
 Representative Cecil Dolecheck  
 Representative Roger Thomas  
 Representative Philip Wise

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### AUTHORIZATION AND APPOINTMENT

**First Phase.** The School Finance Working Committee was developed as a result of the passage of House Concurrent Resolution 15, which requested the formation of a Committee by the Legislative Council to conduct a comprehensive study of school finance and make recommendations for a revised school aid formula. One of the primary factors underlying the passage of HCR 15, and the formation of the Committee, is a clause contained in Iowa Code Chapter 257 stipulating that the school aid formula is subject to a sunset provision repealing the chapter effective July 1, 2001. The rationale for requiring the automatic repeal, when the Code Chapter 257 provisions were enacted during the 1989 Legislative Session, was to facilitate a review of the formula's operation at the conclusion of the 10-year period following enactment. The charge of the Committee was to "Conduct a comprehensive study of the school finance funding formula and make recommendations. The study may include a review of other sources of kindergarten through grade 12 public school funding. Up to \$150,000 is authorized for the expenses of the Committee. Expenditure of the authorized funding requires the prior approval of the Chairperson and Vice Chairperson of the Legislative Council in consultation with the Minority Leaders of the Senate and House. The Working Committee may hold meetings at locations throughout the state." The Working Committee was authorized to hold six meetings. On November 13, 1998, the Legislative Council authorized an extension of the Committee's completion deadline

into the 1999 Legislative Session, with final recommendations arrived at by March 15, 1999.

**Second Phase.** Based on the recommendations of the School Finance Working Committee, discussed subsequently in this report, the Legislative Council on June 2, 1999 authorized the School Finance Working Committee to continue its deliberations during the 1999 interim. In addition to the focus areas identified by the Working Committee in its recommendations for further analysis and study, the Committee is required to study and make recommendations for funding alternative high school programs in accordance with a directive contained in 1999 Iowa Acts, House File 782. The Council authorized five additional meeting days. The Working Committee recommendations contain a second report due date of January 15, 2000.

Note: This progress report is confined to a summary of the deliberations and recommendations of the Working Committee during its first phase, occurring during the 1998 Legislative Interim and the 1999 Legislative Session.



## **School Finance Working Committee**

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### **1. Administrative Information.**

The Committee held its initial meeting on September 9, 1998, and elected Temporary Co-chairpersons Senator Donald Redfern and Representative Betty Grundberg as Permanent Co-chairpersons. The Committee conducted additional meetings on October 12, November 9, and December 1, 1998, and January 14, 1999. Committee members also participated in a telephone conference call on December 15, 1998. Members unanimously approved the Committee's proposed recommendations by signature on February 25, 1999.

### **2. September 9, 1998, Meeting.**

#### **a. National Conference of State Legislatures – School Finance Litigation and State Approaches.**

**Overview.** Mr. Terry Whitney, Senior Policy Specialist and Principal Analyst for K-12 School Finance for the National Conference of State Legislatures, described school finance litigation occurring in over one-quarter of the states. He also provided input regarding Iowa's school finance formula.

Since 1971, state school finance systems have been ruled unconstitutional by state courts in 20 states, and upheld by state courts in 21 states (Iowa's state school finance system has not been challenged in court). Currently, 13 states have school finance litigation pending, four states have seen their finance systems upheld in state appellate or state supreme court cases, one state settled, and the finance systems of six states were ruled unconstitutional. States have also recently been sued over capital outlay. However, Arizona is the only state that has lost in court on this issue. Most states are now in the fortunate position of deciding whether or how to spend or return excess state general fund revenues, but Mr. Whitney cautioned that there will be negative education outcomes when these revenues shrink in an economic downturn.

**Equity.** Educational equity powered school finance litigation in the 1980s with the assumption that a minimum level of spending is required in each district. In the 1990s, though, property-poor districts are pitted against property-wealthy districts, resulting in a trend toward educational adequacy, the basis of which is whether the amount of school funding for each student is sufficient to produce a good education. Some states are appropriating a great deal of new moneys to school districts through the imposition of income and sales taxes. The new moneys are going to all of these states' schools, but the majority of funding is directed toward property-poor districts.

**Constitutional Issues – Iowa Comments.** Mr. Whitney commented on Iowa legal issues. The issue of adequacy as it relates to facilities depends upon a state's constitution and how the state's court interprets that constitution. The Iowa

Constitution does not expressly contain a right-to-education provision, nor does it address capital outlay for infrastructure. Iowa has not established statewide standards, which may provide the state with some immunity to adequacy challenges. However, Iowa's super majority requirement for the passage of school bonds could lead to a possible adequacy challenge. Iowa is one of only four states that requires a super majority. The state may wish to consider reducing the requirement to a simple majority. Changes in the appraisal system used in assessing property taxes may also be needed.

Iowa's school foundation aid formula is basically sound, but contains elements in need of fine-tuning. The state needs to periodically review the formula – specifically reviewing the mix of taxes between the local and state levels, and state aid for urban versus rural districts. Increasing the amount of state funding could lead to increased state control, but loss of local control is not necessarily a foregone conclusion.

### **b. Augenblick & Myers – Specific School Finance Report Efforts.**

**Overview.** Mr. John Myers, a partner in the Denver-based education consulting firm of Augenblick & Myers, discussed specific state school finance reform efforts his firm has contributed to, and alternative approaches Iowa might wish to consider.

**State Trends.** Mr. Myers reported that states are involved in the following trends: expanding the use of "foundation"-type systems and examining new approaches to developing the base cost level required by such systems; developing more adjustments to the base to reflect the cost pressures facing school districts; creating "second tiers" to provide districts with an equalized opportunity to generate funds above the adjusted base; using strong measures, such as capping local revenues or recapturing funds, to ensure equity; developing statewide property taxes; examining the use of performance-based fiscal incentives; and evaluating the equity of their school finance systems.

**Iowa Factors.** Adjustments must be made to foundation systems because of student, salary, and other cost factors. If the factor, such as wide variations in teachers' salaries or the increased needs involved in teaching kids from economically disadvantaged areas, is a cost need, it should be included in the foundation base.

Iowa needs to review successful approaches in other states and use a combination of approaches in setting its base to take adequacy into consideration. The state should also do the following:

- ◆ Review the changes that have occurred in society and educationally in the past 10 years, and cost out what is currently required and what needs to occur to achieve adequacy, in order to determine a new foundation base model. Areas that should be reviewed include the cost of living and special education. Special education might be modified from "labeling" students to a system that considers population and averaging, though small districts could be harmed by



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this approach. The state could minimize the problem by establishing a base, but allowing for special situations.

- ◆ Review categorical funding. Iowa's expenditure equalization is generally good, but categoricals, such as minimum teacher salaries, the Educational Excellence Program, staff development, English as a Second Language (ESL), and technology funding, should be reviewed for their effect on equity. Some states have made transportation a separate categorical item.

- ◆ Identify efficient school districts and use them as models.
- ◆ Consider reviewing mandates that could be inhibiting districts from reallocating current dollars for reform efforts.
- ◆ Consider renewing incentives that encourage small districts to participate in whole grade sharing.

The findings of the 1997-1998 legislative interim Task Force to Study Iowa's System of State and Local Taxation and pressure to lower property taxes will drive school finance changes. The state has moved to a strong inclusion program, but has not changed its special education formula. A good state school finance formula funds 60 percent of costs consistent with the wealth of districts and adequacy. The state can limit itself to small changes based on student and district differences.

### c. Department of Education.

**Overview.** Mr. Ted Stilwill, Director of the Iowa Department of Education, provided an overview of the condition of education in the state and its relationship to the funding system. Nearly \$2 billion per year is spent on education in Iowa, and the state receives good value for its funding. The state enjoys high-achievement levels in comparison with the rest of the nation, but those levels can be improved upon. The state's investment level is average, but Iowa's students rank in the top five, while income levels do not place the state in the top five. A large factor in Iowa's educational success is the outstanding teaching workforce, which is probably due to the active interests in local communities and school boards.

The current formula is based upon equity, and while it has achieved a high degree of equity, the current formula is not safe from litigation. To ensure a more stable system, more predictability in funding is needed. Schools also need more flexibility, though flexibility may be in conflict with other values.

**Focus Areas.** Areas requiring attention include the following:

- ◆ Adequacy. The formula was developed and implemented in 1972 and modified in 1989. The needs of the 1990s are much broader than they were in the 1970s. In each of the past few years, ESL growth has been 12 percent. Special education has seen growth of 6 to 7 percent. Several alternative schools

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are now operational. Reading achievement scores are on a downward trend and have been for the past eight years. Income disparities are greater.

- ◆ Categorical items. Local school districts need greater flexibility. District needs for advance funding, infrastructure problems, budget guarantees, and special education deficits are starting to drain off the general fund of the state. Learning is fragmented with different funding streams.

- ◆ Oversight. The state provides the majority of funding, but the local school districts are not well-served by being excessively accountable to the department or to the Legislature. The state should nurture local ownership.

**Financing Overview.** Dr. Lee Tack, Administrator of the Division of Financial and Information Services for the department, provided an overview of the operation of the current school aid formula, a detailed legislative history of the development of the formula, and a comparison of school finance in Iowa today versus 1989, and discussed major issues, perceived formula strengths and weaknesses, and the possibilities for addressing them.

**Trends.** Enrollments will be decreasing over the next five to 10 years because Iowa's birth rate is on a downward trend. The greatest change in the enrollment picture has been the increase in the Hispanic population. Districts with enrollments of more than 600 students have seen steady growth. The number of and weighting for special education students is rising, though the general enrollment is not increasing. Some students are classified as special education who may not actually meet the qualifying factors for special education, but whose special needs could not otherwise be met under the weighting for regular students.

### **d. Department of Revenue and Finance – Property Tax Valuations.**

Mr. Richard Stradley, Iowa Department of Revenue and Finance, discussed property valuation practices in Iowa and the basis underlying property tax variations between school districts. Mr. Stradley provided information regarding the calculation of Iowa property valuation assessment limitations and their application to specific classes of property, including agricultural, residential, commercial, and industrial property.

## **3. October 12, 1998, Meeting.**

### **a. Sioux City Chamber of Commerce.**

Ms. Debi Durham, President of the Sioux City Chamber of Commerce, appeared via an Iowa Communications Network (ICN) uplink to provide background information relating to the local option sales tax for school infrastructure and to discuss the campaign that resulted in its successful passage in Sioux City.

**Background of Legislation.** Ms. Durham noted that the Sioux City area has imminent school infrastructure needs, but is property-tax poor. The community, therefore, does not have enough in property tax revenues to cover school infrastructure needs.



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Reflecting the community's desire to take care of its own infrastructure needs, the Chamber approached Representative Christopher Rants in 1997, asking him to sponsor legislation for a local option sales tax for school infrastructure needs.

**Sioux City Campaign.** A "Schools Now Committee" was formed at the outset of a four-week campaign to pass the local option sales tax, using county coordinators and nearly 500 volunteers. There was no organized opposition to the proposal. Every section of the community gained from passage of the tax. Private sector individuals and business provided the funding, \$57,000, needed for the campaign. A local business organization, Greater Siouxland, made the campaign its annual community project, and contributed \$25,000 for the effort.

Overall, a majority of the county's voters approved the tax, though the issue did not pass in all communities. Sixty-one percent of the voters in Sioux City approved the tax.

### **b. Sioux City Community School District.**

Dr. James Austin, Superintendent of the Sioux City Community School District, discussed the school finance formula from the perspective of a northwestern Iowa district. He described the formula as generally effective, but listed the following as minor modifications for improving the formula:

- ◆ Incorporate the total cost of special education for any given year into the state foundation formula. Property valuation varies greatly across the state. The dollar amount per \$1,000 in value assessed by a property-poor district to make up the deficit for a mandated program such as special education could be over 5.5 times that of a property-rich district.
- ◆ Establish a set amount per student for at-risk funding and add that amount to a district's state cost per pupil. Also, develop a statewide weighting factor based upon the number and percent of children from low-income families.
- ◆ Drop the 25 percent local matching funds requirement for state-mandated talented and gifted and at-risk programs.
- ◆ Increase the weighting for English as a Second Language instruction from the current 0.19 percent to 0.25 percent for a student's first three years in the program; extend the program to five years, weighting students 0.19 in years four and five. The need for the program is growing rapidly in some areas of the state. Districts facing great need must increase property tax to make up the deficit, fund the deficit from regular education, or reduce the program. The dropout rate will increase in districts that cannot cover the need.
- ◆ Honor the state's prior commitment to fully fund the state's share of the Instructional Support Program.

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- ◆ Limit the property taxes paid to another district under open enrollment to the amount paid by the family, prorated over all siblings receiving services from their resident district.
- ◆ Remove area education agency (AEA) budgets from local district budgets, or reduce the AEA budget to reflect the previous year's district property tax percent of collection or permit the AEA to petition each county to raise the taxes necessary to make up any shortfall.
  - ◆ Base the regular program allowable growth on the state's revenue growth.
  - ◆ Change the definition of "infrastructure" to permit the purchase of new furniture.
  - ◆ Treat transportation costs as a separate issue. Determine the average cost per student and provide additional aid if the average costs are exceeded by a district.

### c. Iowa State Education Association.

Mr. Brad Hudson, Administrative Lobbyist for the Iowa State Education Association (ISEA), provided a brief overview of the development of the present school finance formula from its inception in the early 1970s, and recommended adjustments to the formula.

**Overview.** According to Mr. Hudson, the formula has provided equity and property tax relief from the early 1970s until the present. From the early 1970s through 1989, declining enrollment and property tax relief were the two major features challenging legislators. In 1989, with enrollment still declining throughout many of the state's districts, the state passed legislation instituting the Instructional Support Program to give local communities more discretion to handle local problems. The state would fund 25 percent of the program. Also in 1989, the state addressed special education and transportation. However, the state soon after experienced an economic downturn, and state education funding was reduced. If the state currently funded these programs as provided in 1989, the additional state funding would equal \$284,000,000.

**Recommendations.** Mr. Hudson made the following recommendations:

- ◆ Return state funding to the level (factoring in inflation) and programming in place in 1989. He argued that this level of funding is needed now more than ever because more of the children entering school now are at-risk and more children are requiring additional special education services.
- ◆ Base the annual allowable growth percentage on state revenues, the gross national product (GNP), and the price deflator (of which the consumer price index is the current norm). When the state used that method to calculate the percentage for allowable growth, if state revenues were lower than the GNP and





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the price deflator, only the state revenues were used. The state abandoned the method in 1994. The state since realized very good revenue years, according to Mr. Hudson, but the state's school districts did not realize their share of the good years.

- ◆ Roll the Educational Excellence Program into the formula. Because the state froze the funding for the program and has not allowed for inflation when appropriating annual funding for the program, the school districts have 25 percent less buying power for program purposes.

### **d. Iowa Association of School Boards.**

**Overview.** Ms. Susan Donovan, Director of Government Relations for the Iowa Association of School Boards (IASB), noted that school districts need the financial capacity to accommodate the demographic and social changes in student populations, respond to the values and expectations of their communities, and tap the potential of every student. These responsibilities are hampered by constrained budgets, spending limitations, and state and federal mandates that occasionally offset a district's local priorities.

**Recommendations.** The IASB recommends that the Legislature do the following:

- ◆ Establish an allowable growth rate, on a consistent basis, at a level that provides sufficient resources to ensure districts basic financial health and stability. That recommendation would require the Legislature to raise the rate for the 1999-2000 school year above the 3 percent level established during the 1998 Session. Ms. Donovan reiterated Mr. Hudson's observation that school districts did not enjoy the same amount of revenue growth enjoyed by the state in recent years. She called for the state to provide education funding at a level reflecting both the state's commitment to education and the state's financial ability.

- ◆ Fully fund existing unfunded mandates, such as publication cost increases, postsecondary enrollment options, and fee waivers.

- ◆ Remove the arbitration requirement from the collective bargaining process. Arbitrators make awards based on a district's taxing authority, ignoring local factors and impacts on the educational system, and an arbitrator's decision does not reflect any consideration of student achievement, nor weigh the considerations accordingly.

Ms. Donovan also asked the Committee to consider the high costs of technology in recommending changes to the formula.

### **e. School Administrators of Iowa.**

**Overview.** Dr. Ben Norman, Superintendent of the Ankeny Community School District, and Dr. Dick Sundblad, Superintendent of the Johnston Community School District, represented the School Administrators of Iowa. Both superintendents

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recommend that the state fully fund the existing formula, including on-time funding for enrollment increases. Dr. Norman noted that most of all, school districts need predictability in funding. Dr. Sundblad noted that districts must be able to attract high quality teachers. Dr. Sundblad stated that the 3 percent increase in allowable growth established for the 1999-2000 school year does not communicate commitment to education. Dr. Norman noted that Polk County districts want the allowable growth percentage increased to between 4.5 and 5 percent.

### f. Iowa Department of Education.

**1989 Legislation.** Dr. Lee Tack provided a brief history of state education funding from 1972 to the present. The legislation passed in 1989 included the following: a new formula, effective in Fiscal Year 1991; the uniform levy of \$5.40 was established; the foundation level was established at 83.5 percent; the minimum state aid per pupil was established at \$300; the September enrollment date was introduced; the state cost per pupil, district cost per pupil, special education weights, and limited English proficiency weights were all recalculated; district costs in high-spending districts were capped and reduced; district costs in low-spending districts were equalized; the allowable growth calculation was set forth, to be calculated for two years; income surtaxes could be used in addition to property taxes for certain leases; controlled budgets were instituted; the 101 percent budget guarantee was established; adjusted property taxes were available for districts "negatively impacted"; the Instructional Support Program was equalized; the Education Improvement Program was created; the School Budget Review Committee was retained and received authority over a transportation assistance appropriation; the Physical Plant and Equipment Levy was expanded and a new Management Levy added; and districts were required to move to GAAP reporting.

**1991-1992 Changes.** During the 1991 Legislative Session, the advance for increasing enrollment, the enrollment adjustment for decreasing enrollment, and the requirement to pay state aid in 10 equal installment payments were all eliminated; Instructional Support State Aid was frozen at \$14.8 million; the budget guarantee was set at 100 percent; and Instructional Support Aid was reduced by 3.5 percent. Educational Excellence was reduced by \$12 million; the Fiscal Year 1991-1992 foundation level for regular education was reduced from 83.5 to 83 percent; and the Fiscal Year 1991-1992 foundation level for special education was reduced from 83.5 to 79 percent. In 1992, the automatic allowable growth calculation was eliminated and replaced with a system requiring the Governor to recommend, and the Legislature to set, the allowable growth rate.

**Recent Changes.** Since 1992, the allowable growth rate has ranged from a low of 2.1 percent to a high of 3.5 percent. For Fiscal Year 1995-1996, the budget guarantee was again set at 101 percent. In 1996, the Legislature committed to appropriating \$30 million for technology for five years. In 1997, the budget guarantee was set for Fiscal Year 1997-1998 and Fiscal Year 1998-1999 at 100



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percent and the voter-approved Physical Plant and Equipment Levy was increased to \$1.34 per \$1,000 of assessed value. In 1998, the Local Option Sales Tax for Infrastructure was created.

### **g. Economic Effect of Public Education Spending in Central Iowa.**

**Overview.** Dr. Les M. Omatani, Superintendent for the West Des Moines Community School District, spoke on a paper he distributed entitled, *Capacity and the Economic Effect of Public Education Spending in Polk County and Central Iowa*. Dr. Omatani expressed his belief that the current funding formula, on the criteria of equity, is one of the best in the nation, but has never been allowed to work as intended. The state's ability to provide a world-class education faces two major issues – capacity, or insufficient allowable growth, and unfunded mandates. These problems do not result from errors in the formula, but from underfunding the formula. Without proper funding, students will receive fewer program choices in the 1999-2000 school year than they received in the 1997-1998 school year. The state must acknowledge that the increased operating expenses for schools is in the range of 5 to 8 percent, not 2 or 3 percent.

### **h. Urban Education Network.**

**Overview.** Dr. Eric Witherspoon, Superintendent of the Des Moines Community School District, Dr. Jerry Palmer, Assistant Superintendent of the Iowa City Community School District, and Dr. Arlis Swartzendruber, Superintendent for the Waterloo Community School District, participated in a panel discussion of school finance issue on behalf of the Urban Education Network. The panel endorsed adequacy in education funding and noted that the state's level of education funding has not kept pace with the increased needs of a student population significantly different from the population enrolled at the inception of the formula in 1972. Dr. Witherspoon suggested that the state consider reducing classroom size. Dr. Swartzendruber recommended that the state consider increased funding for infrastructure, special education, and early education.

### **i. Iowa Farm Bureau Federation.**

Mr. Denny Presnall, Director of Legislative Affairs for the Iowa Farm Bureau Federation, discussed the work of a task force on education the federation recently coordinated. He praised the current formula, but recommended that the state raise the foundation level, fully fund the formula, and correct the state's infrastructure problems. He noted that inequity is forcing property taxes to fund infrastructure needs. He suggested a raise in the uniform levy or the passage of a 1 cent sales tax as methods for funding infrastructure needs that would be fair to rural areas. In answering questions from the Committee, he noted that the federation would support increasing the foundation level for special education to the same level as exists for regular education.

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### j. Rural Schools of Iowa – Transportation Funding.

Dr. Alan Meyer, Superintendent of the Eddyville-Blakesburg Community School District, focused his presentation primarily on transportation funding. Transportation woes for his district include the following: difficulties in finding substitute drivers, varying road conditions, aging school buses, the high cost of new school buses, and school bus safety improvements. He added that other states fund school transportation at higher levels than does Iowa, and cited Missouri in particular for funding transportation at 80 percent.

### k. Iowa Association of School Business Officials.

**Survey Findings.** Dr. James Scharff, Director of Finance and Support Services at the Mason City Community School District, and Dr. Palmer addressed the school finance formula and Dr. Scharff's study of school funding. Dr. Scharff issued a survey to members of the boards of education, school business managers, superintendents, and teachers from each of 74 randomly selected public schools in Iowa. The response rate was a surprising 97.6 percent. None of the groups surveyed indicated a desire for radical changes in the funding formula, and superintendents favored change more than did school board members.

**Recommendations.** The survey yielded the following recommendations:

- ◆ Continue student weightings for special education, but adjust the weightings to more adequately meet needs.
- ◆ Fund daily busing as a separate categorical item fund.
- ◆ Address infrastructure.
- ◆ Expand allowable Physical Plant and Equipment Levy fund expenditures.
- ◆ Ensure that all students receive comparable education programs and services without regard to residence.
- ◆ Modify the School Budget Review Committee process to include a more locally controlled method.
- ◆ Provide school for students at an earlier age.
- ◆ Provide funding commitments to public schools for multiple years.

## 4. November 9, 1998, Meeting.

### a. Reading Improvement Programs and Approaches.

#### ◆ Reading Recovery.

**Overview.** Dr. Mary Lose, Director and Trainer, Reading Recovery Center of Iowa, described the work of the Center, located in Des Moines, and the method used by teachers who complete the Center's program. She noted that



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the center, established July 1, 1998, is one of 23 university regional training centers in the country where teachers study to become Reading Recovery teacher leaders. Teacher leaders, who must have a master's degree to be accepted into the center's program, participate in a year-long residency program at the center. Upon completion of the program, the teacher leaders teach children, teach a training class of Reading Recovery teachers, and continue their professional development. The costs of training and supporting a Reading Recovery teacher are approximately \$60,000.

**Reading Recovery Method.** The program method used is an intervention program for first graders who experience difficulty in reading. The program supplements regular classroom instruction with 12-20 weeks of intensive one-to-one instruction for 30 minutes per day and is directed at children whose reading level falls within the lowest 20 percent of their first grade class. Following completion of the program of instruction, the majority of the children have been found to attain an average or better reading level and research indicates that the students who successfully complete the program maintain at least average performance in subsequent years. Additionally, schools save in the long-term through reduced repetition of the same grade by students, reduced referrals to special education, and reduction of Title I services. Dr. Lose emphasized that the program does not supplant special education because Reading Recovery addresses only one challenge that students may face.

**Iowa Implementation.** The Reading Recovery Program was initially implemented in Iowa by districts that prioritized the program using existing funds to send teachers out of state to become trained as teacher leaders. In 1998, the General Assembly appropriated \$200,000 for the program. Of these funds, \$100,000 was allocated to the AEAs and \$100,000 was allocated to the Board of Regents for establishment of a Reading Recovery University Training Center. The first class enrolled in the Center includes five Reading Recovery teacher leaders who will then go into the state to train 10 to 12 Reading Recovery teachers.

Currently, the program serves 3,800 children with 475 Reading Recovery teachers and 11 Reading Recovery teacher leaders. As noted above, five additional teacher leaders are currently in training at the center. Full implementation of the program would provide services to 8,000 children who would require the services of 1,000 Reading Recovery teachers and 28 Reading Recovery teacher leaders.

◆ **Soar to Success.**

**Overview.** Ms. Cathy Hanson, Soar to Success Intermediate Intervention Program, Cedar Rapids, described the program as a small-group reading intervention program for children in intermediate grades (3 through 6) which

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uses authentic literature, reciprocal teaching, and graphic organizers to assist students in accelerating reading growth. She noted that children who read below level in grades 3-6 have the common characteristics of knowing decoding skills but not being able to apply them in reading, and calling words correctly but not comprehending what they read.

**Specifics.** The Soar to Success Program utilizes 40-minute sessions, which are fast-paced and systematic. The literature utilizes natural language and is scaffolded from simple to complex, and the components of the instructional plan include revisiting (students reread previously read books and then interact with the teacher or a small group to determine if the child is comprehending what the child has read); reviewing (students summarize the previous day's reading using graphic organizers); rehearsing (the teacher in some fashion previews the text to be read and children may predict what the text will include); reading and reciprocal teaching (students read to verify their predictions or answer questions and then the teacher and student engage in reciprocal teaching in which each takes the role of the other in summarizing, clarifying, questioning, or predicting relative to the text); and responding/reflecting (students write responses, complete graphic organizers, reflect on strategies, or discuss and share).

Ms. Nancy Klopp and Ms. Diane Alsager, Cedar Rapids Community Schools, provided information regarding their practical experience with the program.

- ◆ **Iowa Reading Association.** Mr. John York, President, Iowa Reading Association, discussed the funding needs in Iowa for reading. He also introduced Ms. Judie Hoffman, Legislative Liaison for the Association. Mr. York identified the association's priorities for the 1999 Legislative Session:
  - The top priority is providing funding for each school district in Iowa for remedial and expanded reading programs. He suggested that block grant funding is the best approach because each school district has unique needs and is the best determiner of the methods to use in addressing its needs.
  - The second priority is providing additional professional development in the area of reading instruction to teachers and to students in teacher preparation programs. He noted that even though Phase III (Educational Excellence Program) funding can be used for this purpose, it is often difficult to find substitute teachers to take the place of a teacher who is participating in the instruction.
  - The third priority is providing support for programs such as Phase III and the National Board for Professional Teaching Standards, with recognition and stipends for teachers.



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### b. Multicultural Shift in Iowa's Student Population.

#### ◆ Limited English Proficient (LEP) Program.

**Overview.** Ms. Nina Carran, Bureau Chief, Bureau of Instructional Services, Iowa Department of Education, and Acting Administrator of the Limited English Proficient Classification and Instruction Program, discussed the program (also referred to as English as a Second Language (ESL) and bilingual education). She defined LEP students as those who have a home language background other than English and whose English language skills are not yet well enough developed for them to be able to participate successfully in classrooms where all academic instruction is in English. The instruction time necessary to learn English for LEP students ranges from three to 10 years.

**Legal and Financial Issues.** The legal responsibilities of providing for the education of LEP students is based on federal and state law and numerous United States Supreme Court decisions. She noted that learning English as a second language does not necessitate giving up or forgetting a first language and that the lack of English proficiency does not alone make a student eligible for special education services. Funding for the LEP Program is provided through the federal government as well as state government. The number and variety of primary languages of LEP students is increasing across the state and there is a shortage of ESL/bilingual teachers.

#### ◆ Migrant Education Funding.

**Overview.** Mr. Paul Cahill, Title I Consultant, Iowa Department of Education, described the funding for migrant education. The Migrant Education Program is a federal program established as a separate program under an amendment to the federal Title I Program in 1966. The program has been reauthorized every five years, most recently in 1994. Services provided vary depending upon the number and needs of the students identified and may include: preschool programs, individual tutorial in content areas, before and after school programs, ESL, summer school programs, supportive health services, parent advisory council, and translating and interpreting services.

Migrant workers are those who seek temporary or seasonal work in agriculture, fishing, or related industries, including food processing. They follow the growing seasons across the country and many have incomes below the federal poverty level. In Iowa, Hispanics make up the largest group of migrants followed by Southeast Asians, African-Americans, Anglos, and other ethnic groups.

**Migrant Children.** The challenges faced by migrant children are, among others, frequent disruptions caused by relocation during an academic year; poverty; poor nutrition; housing and sanitary conditions; and limited language skills. To qualify for Migrant Education Program assistance, a migrant child must have

moved within the past three years across state or school district lines (intrastate or interstate) with or to join a migrant parent, guardian, or member of the immediate family to obtain temporary or seasonal work. The child must be in any grade between preschool and 12th grade and cannot be older than 21 years of age. Federal funding for the program is based upon the number of migrant children which a state is able to identify. In Iowa, federal funding has increased from \$79,000 in 1995 to \$835,000 in 1998, following the addition of two staff who were hired to assist in identifying migrants.

◆ **Enrollment Turnover and Impact.**

**Overview.** Mr. Mark Gray, Associate Professor of Anthropology, University of Northern Iowa, discussed the effects on schools which enroll the children of migrant workers. His study compared the enrollment patterns in all elementary schools in the Marshalltown area, which is the location of a meat packing plant that employs approximately 1,800 workers. Mr. Gray noted that in the meat packing industry turnover in the workforce might range from 60 to 100 percent. The results of the study demonstrate a high enrollment turnover, with approximately one-third of the children not being enrolled for the full year, and a loss of a high percentage of kindergarten cohorts with up to 75 percent of kindergarten cohorts being lost by the 4th grade.

**Study Implications.** The study finds that schools which enroll the children of migrant workers face disruption in the classroom known as "churning" – classes have established learning plans, but the constant coming and going of students results in the need to backtrack – the need for more individualized attention and teacher time, and increased clerical time spent in recordkeeping. Mr. Gray noted that the policy implications include that funding for these students should be weighted to compensate for the increased costs associated with their education, and that some schools would benefit from quarterly counts of students rather than the current practice of counting students annually in September, which does not accurately reflect the additional migrant children who might enroll after September. Mr. Gray noted that results would vary from one industry or plant to another. He also noted that some industries and plants provide assistance in making educational services available to migrant children. In Fiscal Year 1997-1998, nine school districts came before the School Budget Review Committee to request additional funding for this population. The requests ranged from \$5,000 to \$2 million.

**c. Talented and Gifted Program Funding Needs.**

**Overview.** Ms. Judy Jeffrey, Division Administrator, Division of Early Childhood, Elementary and Secondary Education, Department of Education, and Mr. James Daniels, Vice President, Institutional Advancement, Buena Vista College, presented information regarding the Talented and Gifted Program in Iowa. The primary source of funding for talented and gifted programs is property taxes through additional





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allowable growth. No state funding is directly allocated to support these programs. Ms. Jeffrey noted that 87 percent of Iowa school districts currently receive additional allowable growth for gifted and talented programs and that the total budget for the 328 programs is approximately \$20 million, of which approximately \$15 million is paid through additional allowable growth (property taxes).

**Need for Expansion.** Mr. Daniels suggested that the Talented and Gifted Program should be expanded and suggested that the program should be viewed and emphasized in the same manner that varsity athletics are emphasized. He noted three reasons for full expansion of the program:

- ◆ The need for quality education. Iowa's quality of education is declining as evidenced by test scores, dropout rates, and other measures.
- ◆ The "brain drain." Mr. Daniels suggested that this is currently measured by the number of college graduates who leave the state, but could also be measured by the number of students who are ignored early in their academic careers, become bored, and fail or drop out of the system.
- ◆ The need for the provision of quality education to the gifted and talented. Mr. Daniels suggested that the gifted and talented should not be expected to teach themselves but should be provided with instruction and teachers that challenge them.

Mr. Daniels noted that in order to expand the Talented and Gifted Program, additional funding is necessary.

### d. Iowa Mathematics and Science Coalition.

**Overview.** Mr. Larry Leutizinger and Ms. Jo Duea, University of Northern Iowa, Coalition Co-Directors, provided information about the Iowa Mathematics and Science Coalition. The coalition was formed in 1993 to revitalize math and science education in the state. Members of the coalition include representatives of education, employer, and public policy interests. Mr. Leutizinger discussed the trend in Iowa of declining test scores in the areas of math and science. One problem is that of teacher shortages in these areas. One-third to one-half of new teachers leave teaching in the first five years, especially those in the math and science fields, due to the availability of a variety of other opportunities for application of these skills.

**Suggestions for Change.** He suggested that teachers might be retained through the use of induction programs with mentors, the use of an awards system for accomplishments, and the use of regularly scheduled meetings over the ICN for new teachers and mentors to form support groups. In the area of funding considerations, the co-directors suggested increased funding for professional development, the use of standards and assessment tools, and higher salaries for teachers in the content areas that are in short supply. Ms. Duea discussed what other states are doing. She mentioned that South Dakota, Nebraska, Ohio, and Michigan have systemic state

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initiatives which entail the expenditure of over \$1 million annually. Illinois provides grants of \$25,000 per school district for math and science standards and assessment. Minnesota appropriated \$1.3 million to the Coalition for its work there.

### **e. Special Education Historical Overview and Task Force Evolution.**

**Overview.** Mr. Al Fagerlund, Co-Chairman of the 1996 Special Education Finance Task Force, provided a summary of the history of special education and the Special Education and At-Risk Finance Task Force established by the Department of Education in 1996 as a result of a legislative directive. He noted that special education enrollment has steadily increased over the years and has taken place in all levels of special education with level 1 (mild) increasing by roughly 30 percent, level 2 (moderate) increasing by roughly 50 percent, and level 3 (severe) increasing by roughly 100 percent.

**Funding System.** He explained the current funding system for special education. The funding is provided to school districts on a "weighted" basis. Depending upon the level of services required by an individual student, the weight varies. The number of students requiring special education services is based upon a count conducted by the AEA and the school district on December 1 of each year. Each school district must then account for the use of the additional funds and the accounting is reviewed by the School Budget Review Committee. The committee can make adjustments in the weightings based upon a district's fund balance. The committee reduces the special education fund balance in each school district up to an amount not exceeding 10 percent of the additional dollars generated for special education. The state aid portion of the positive special education fund balances are pooled and distributed on a prorated basis to school districts with negative special education fund balances. The property tax portion of positive special education fund balances is credited to the school district in the following year. School districts with negative special education fund balances may use cash on hand or levy local property taxes to restore the negative special education fund balance to zero for the following year. Mr. Fagerlund noted that the history of special education funding balances demonstrates a deficit for each year.

**Recent Studies.** Various studies of the special education system have taken place in the state to revise the funding system, none of which resulted in recommendations that were carried out. In 1996, a task force was formed to study special education funding with the goals of increasing the capacity of the whole school to meet the needs of all children, increasing support available to at-risk students, and ensuring predictable and equitable special education funding at both the state and local levels.

**Task Force Recommendations.** Mr. Fagerlund noted that the 1996 task force membership included representatives of taxpayer groups, education associations, special education teachers, special education program administrators, AEA administrators, school administrators, parents, and business managers. The task force made recommendations regarding at-risk funding and special education. In the



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area of special education funding, the task force recommended that funding be provided on a per pupil basis, utilizing the total enrollment of the school district, and that funding include an annual allowable growth adjustment. Additionally, the task force recommended that implementation of the new funding method include all of the following: using a per pupil amount, equalizing the amount per pupil by providing that the per pupil amount for each district fall within an acceptable range; using a method in addressing fluctuations in enrollment in a district that is the same as the method used in addressing regular education funding; handling the nonpublic enrollment for special education on a pupil-by-pupil basis; providing that the state pay for high-cost students through a standing unlimited appropriation; providing AEA funding for special education services, which is consistent with the funding formula for the other divisions of the AEA; and reviewing and demonstrating accountability of special education in the same manner as with other education programs.

**At-Risk Funding.** With regard to at-risk funding, the task force recommended that additional funding should be provided to address the cost associated with educating students who are at-risk, and the additional funding should be based on the number and percent of children from low-income families as measured by the free lunch count in each district. The definition used for "at-risk" should be the definition found in the Iowa Standards for At-Risk Students. Districts must report the expenditure of the additional dollars and a biennial review will be conducted to adjust the formula.

**Costs.** Dr. Lee Tack, Administrator, noted that the recommendations have yet to be implemented, partly due to the estimated cost of between \$30 million and \$100 million. He also noted that in reviewing other states' methods in funding special education, none used a voucher system.

### **f. Area Education Agency School Finance Perspective.**

**Overview.** Mr. William Garner, Administrator, Arrowhead AEA, Fort Dodge, reviewed the history of the AEA in Iowa. The AEA system was established in 1975 to address inequity in special education, staff development, and media services, due to the variance caused by a 99-county system. There are 15 AEAs in the state. Each has a board of directors, and the boundaries are aligned with community colleges, but are subject to change to account for local school mergers and changes in school district boundaries so that no school district is divided.

**Services.** Area education agency services are grouped into the areas of special education, media services, and educational services. Special education support services account for 80 percent of the work of the AEA. Each AEA is required to have a division of special education that is headed by a director of special education. The director is responsible for implementation of state regulations and guidelines relating to special education programs and services. All AEAs provide support services and some provide instructional programs. Media services account for 10 percent of the work of the AEAs. This includes materials lending, a professional library for educators, a curriculum laboratory for previewing educational materials,

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delivery services for distribution of materials, and other services. Educational services account for the remaining 10 percent of the work of the AEAs, which includes curriculum development and which varies between the AEAs.

**Funding Source.** Area education agencies are funded through the school aid formula. Funding is generated at the school district level, through a property tax levy, based upon a formula which reflects a cost per pupil times enrollment rate. The cost per pupil and per service differs for each AEA. State and property tax moneys are generated, then flow from the school district through to the AEA. The school district does not pay the AEA directly, but the state pays the entire amount and withholds part of the state aid payment to school districts.

**Boards.** Mr. Garner noted that the AEAs are subject to a great deal of accountability. The AEA board members are elected by the local AEA boards and have advisory committees for all areas of service. In 1996, the General Assembly enacted legislation to require accreditation of AEAs, which entails approval of a three-year comprehensive plan, an approved annual budget and plan update, and approved programs and services following an on-site review by an accreditation team.

**Funding Concerns.** While funding is provided separately for the three areas of services, Mr. Garner noted that a major concern is maintenance and infrastructure costs and recommended that these costs be addressed and funded separately from the other service costs.

Mr. Garner also indicated support for categorical funding as opposed to funding based upon a growth factor. He noted that some AEAs are in areas in which student enrollment is increasing, but in others, enrollment is decreasing so that even if an increase in allowable growth is provided, the AEA is unable to demonstrate adequate enrollment to receive additional funding.

Mr. Garner stated that he would provide the Committee with possible options for funding and noted that one option would be providing funding to AEAs based upon a per teacher basis rather than a per pupil basis, because AEAs serve teachers and not pupils directly.

### **g. Regional Input Coordinated Through Area Education Agencies Over the Iowa Communications Network.**

**Overview.** The Committee utilized the Iowa Communications Network (ICN) to obtain input from across the state regarding the school finance formula from school superintendents and business managers representing two school districts per area education agency (AEA) region. The input was obtained during the November 9 and December 1, 1998, meetings. Those speaking included the following:



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### ◆ **November 9 Meeting.**

- Robert Longmuir, Superintendent, New Hampton Community School District.
- Joseph Kirchoff, Superintendent, West Delaware County Community School District.
- James Scharf, Business Manager, Mason City Community School District.
- Steve Ward, Superintendent, Greene Community School District.
- Ronald Crooks, Superintendent, Union Community School District.
- Stan Slessor, Superintendent, Waverly-Shell Rock Community School District.
- Randy Moffat, Superintendent, South Page Community School District.
- Steve Waterman, Superintendent, Clarke Community School District.
- Lynn Padellford, Superintendent, Murray Community School District.
- Joseph Scalzo, Superintendent, Ottumwa Community School District.
- Ronald Bethards, Superintendent, Moulton-Udell Community School District.
- John Roder, Superintendent, Mount Pleasant Community School District.

### ◆ **December 1 Meeting.**

- Jim House, Superintendent, Preston/East Central School District.
- Mike Kortemeyer, Superintendent, Louisa-Muscatine Community School District.
- Phil Hintz, Superintendent, Newton Community School District.
- Gaylen Houser, Assistant Superintendent, West Des Moines Community School District.
- Harold Prior, Superintendent, Algona Community School District.
- Steve Litts, Superintendent, Hartley-Melvin-Sanborn Community School District.
- Les Douma, Superintendent, MOC-Floyd Valley Community School District.
- Dave Haggard, Superintendent, Fort Dodge Community School District.
- Bill Kruse, Superintendent, Storm Lake Community School District.
- Clarence Lippert, Superintendent, South Tama Community School District.
- Doyle Scott, Superintendent, East Marshall Community School District.
- Mick Starcevich, Superintendent, College Community School District.

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- Jim Steffen, Business Manager, College Community School District.
- Steve Graham, Executive Director, Business Services, Cedar Rapids School District.
- Marlin Lode, Superintendent, Cherokee Community School District.
- Kent Schwiesow, Assistant Superintendent, LeMars Community School District.
- ◆ **Issues identified included the following:**
  - **School Finance Formula in General.** The majority of superintendents expressed support for a "tune-up" of the current formula, indicating that adequate funding, not the formula itself, is the problem. It was noted that it was not a coincidence that state scores have dropped while state education funding has dropped.
  - **Allowable Growth.** The superintendents agreed that the state should provide an adequate allowable growth figure. It was generally felt that the allowable growth percentages have not reflected the growth in state revenues and they suggested that the allowable growth percentage should keep pace with growth in state revenues.
  - **Budget Guarantee.** There was strong support for maintaining the budget guarantee. It was noted that districts face the fear annually that the budget guarantee will disappear, and that district expenses do not decline with declining enrollment figures.
  - **Categorical Funding.** It was suggested that early education and class size issues should be addressed by the state, and that transportation needs be considered. It was also suggested that categorical funding should be increased to relieve property tax burdens, that the need for English as a Second Language (ESL) assistance is increasing, and extended, and that on-time, talented and gifted, and at-risk funding should all be rolled into the formula as a means of providing property tax relief.
  - **Declining Enrollment.** A number of superintendents asked the state to consider adjustments for declining enrollment, with several programs mentioned as needing to be cut if the district does not receive funding for declining enrollment or an increase in allowable growth. It was noted that enrollment declines are projected to continue.
  - **Equalization of Per Pupil Expenditure.** Superintendents recommended equalization of the per pupil expenditure throughout the state.
  - **Extended School Year.** It was noted that longer school calendars are needed, but the districts will need funds to air condition their schools and for staff development.



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- **Infrastructure.** Many superintendents observed a need to repair deteriorating school buildings in Iowa, noting that many school buildings are unsafe, and suggested consideration of a per pupil distribution of state funds for infrastructure needs. It was suggested that a one cent sales tax could be enacted at the state level to remedy the state's school infrastructure problem.
- **Instructional Support Levy.** Virtually all superintendents advised that the state should fully fund its portion of the levy. Comments included rolling instructional support into the formula, that the current system for instructional support is unfair to the 30 percent of school districts that desire the levy but cannot get voter support, and that a reverse referendum is a no-win option for local school boards.
- **Management and Physical Plant and Equipment Levies.** Several superintendents observed that the permissible uses of management levy are too restrictive, and asked that the physical plant and equipment restrictions and caps be lifted.
- **On-time Funding for Enrollment Growth.** Many superintendents told members that districts experiencing enrollment growth need state aid immediately, and that the state needs to address not only on-time funding, but adequate on-time funding.
- **Property Tax.** It was noted that valuation differences have an impact on school districts because the amount of return is limited for districts with low values, and therefore inequities result. Too much burden falls on property taxpayers because the state does not adequately fund special education. It was opined that property taxpayers are also unfairly burdened because districts facing increasing enrollment must petition the School Budget Review Committee for the authority to levy more property tax, and that levies should be equalized on a per pupil basis. Several superintendents suggested that the state consider reducing from 60 to 50.1 percent the majority needed to pass bonding issues.
- **Special Education.** It was advised that special education needs should be fully funded and districts should be permitted to keep any positive special education balances within the district. It was agreed that special weighting should be increased, perhaps funded at the same level as regular education.
- **Supplemental Weighting.** Some superintendents expressed support for the Department of Education's recommendations related to supplemental weighting for alternative and at-risk populations.

### 5. December 1, 1998, Meeting.

#### a. Children With Additional Needs.

**Drop-out and Drop-out Prevention Programs.** Mr. Ray Morley, Consultant, Homeless Children and Youth and At-Risk Students, Iowa Department of Education, reviewed drop-out and drop-out prevention program funding. He noted that over 200 school districts from all regions in the state participate in the programs, and are permitted to pursue additional allowable growth for the programs. Only 10 districts participated in 1984. During the 1998 school year, nearly 39,000 students were served by the programs.

Programs begin when districts submit a proposal to the department, which reviews and assists districts in meeting all requirements. The department provides resources and assistance so that the districts can improve their success rates. Participating districts are required to submit a year-end report to the department. Schools are reporting success in three main areas: personal and social, academic, and career/professional. Drop-outs are returning to schools, graduating, and going on to postsecondary educational institutions at rates between 38 and 51 percent. Attendance and grades are also improving. Mr. Morley asked for continued state support for these programs.

**School-Based Youth Services Program.** Mr. Morley observed that the program began with four pilot projects, and has grown to 28 projects. The projects provide service linkages within a district's community. The department is working toward a common monitoring system, and has had much success implementing evaluation systems. The average cost is \$20 per student. He recommended the continuation of the program, and expressed his concern about any attempt to fold the programs into community empowerment areas without utilizing the current working systems. The competitive grant process should continue, because it provides the department with the models it needs.

**Early Childhood.** Mr. Robert Smith, President of the Waterloo School Board, encouraged funding for early childhood programs, but recommended holding school districts accountable for the success of their students.

**Drug and Alcohol Abuse Prevention.** Ms. Jeanne Chesnut, Substance Abuse Preventionist/Coordinator for AEA XVI, stated that with a grant from the Department of Public Health, the AEA has been working with the Department of Education to dovetail the grant with similar programs. She is working with student assistance teams and with educators to train them to spot at-risk behavior early. She noted that 98 counties have at least one court liaison working with law enforcement and the schools to reduce truancy and other at-risk behaviors, and she recommended continued funding for those liaisons.

**Health.** Ms. Rita Audlehelm, School Nurse for the Central Decatur Community School District, spoke in favor of early identification of at-risk behavior and for





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developmental preschool programs. She noted that teachers need support services, such as guidance counselors and student health centers. She added that state law does not require a school to employ a nurse. She called for reduced class sizes and a source for services at schools for students in grades K-12, not just K-3.

**Lead Poisoning.** Mr. David Van Horn, Director of Special Education at AEA XIV, spoke in favor of screening blood lead levels in children for the presence of any lead level that could put the children at risk.

### **b. School Infrastructure/Fire Safety.**

State Fire Marshal Roy Marshall reviewed by decade the fires which have occurred in Iowa. In the 1950s, 1960s, and 1970s, an average of 20 to 21 fires occurred each decade in schools. In the 1980s, there were 71 fires, and in the 1990s, 102 fires in schools. He has a staff of 12, 11 of whom are in the field. Inspections are unannounced. Each field inspector is responsible for nursing homes, hospitals, and schools in eight to 10 counties. His office is statutorily required to inspect schools, including postsecondary schools, every two years. However, for funding reasons, the office cannot meet the requirement. When asked for a list of schools that have not been inspected, he responded that such a list would be difficult to produce, because each inspector would have to search the inspector's files and respond to the state office. Some 20 to 30 city fire departments provide inspections for districts within their cities, such as Des Moines, without being reimbursed by the state.

Violations are divided into three categories. The most expensive and difficult to correct are category "A" violations, which are structural and exist in approximately 10 percent of the school buildings inspected by the State Fire Marshal's Office. Category "B" violations, which involve exiting and early warning deficiencies, exist in virtually all schools. Category "C" violations involve electrical deficiencies.

He noted that preservationists would like to save old schools, but the costs of renovation are sometimes higher than the costs of building a new building. The office rarely closes a school, but may say they cannot be occupied and notify the school's insurance carrier. Schools generally volunteer to work to rectify the problem at that point. The increasing number of fires, however, is causing his office to pressure schools to close down or fix their deficiencies. Most fires are maliciously set, but the cause is not as important as whether the schools have adequate exits, for example. He noted that his office and the insurance companies often inspect for the same things, but insurance companies insure property, while his office inspects to protect lives.

### **c. Weightings.**

**Supplementary Weighting.** Dr. Lee Tack and Mr. Dwight Carlson, Assistant to the Director at the Department of Education, provided an overview of the types of supplementary weighting and distributed copies of the Attorney General's Opinion on Supplementary Weighting, in which the Attorney General's Office studied the



application of the supplementary weighting laws to classes taught in conjunction with a community college. Mr. Carlson noted that in the Attorney General's opinion, coursework offered by community colleges for high school credit only is not eligible for weighting. He said the department is seeking legislative support to change the law that prevents weighting for these cooperative efforts. Dr. Tack noted that approximately 70 school districts will be affected if the law is not changed to permit the weighting. The result, if the law is changed, could be that more community colleges will operate alternative high schools. However, a large increase over present numbers is not anticipated because community colleges were already under the impression that they were eligible for the weighting. The programs and contracts vary. Small communities are beginning to form consortiums. Dr. Tack noted that supplemental weighting has not really altered the look of the average school district, and the weightings do not offer new opportunities, but the state would be paying more for the programs.

In addition, the department will seek legislation for weighting for all students attending alternative schools and for legislation to permit supplemental weighting for vocational-technical classes provided to high school students by community colleges. The department also supports weighting for community college credit-only liberal arts college credits to high school students and postsecondary enrollment options weighting for high school students attending community colleges. However, the department is not in favor of additional weighting that supplants high school classes.

**Special Education Weighting.** In answer to a question regarding special education funding, Dr. Tack noted that the special education weights would have to be increased as follows in order to provide full state funding: 1.68 by 0.7 percent, 2.35 by 0.13 percent, and 3.74 by 0.11 percent. Increasing the weights will not increase new dollars for education, but will result in property tax relief. It is the responsibility of the AEAs to correctly identify and make sure that students are receiving the most appropriate programs. Some of the greatest growth in special education need has been in the area of behavioral disorders. He observed that if the behavioral disorders are addressed early, the need for future intensive services may be reduced. Schools need additional moneys to prevent students from requiring special education services.

Much of the current deficit in special education funding is due to a change that occurred in the 1988-1989 school year. Prior to that year, schools could use the December 1 count, or the previous year's count, whichever was greater. As families move in and out of communities, the moneys generated are now generated in a prior year, but paid out in the current year. Ninety percent will be considered surplus that they will have to return. In later years, the differences may be due more to the level of allowable growth.

Dr. Tack agreed with a statement by Senator John Kibbie, regarding the fact that students gained today are more expensive than the students lost. Many of the



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young families who left the state in the 1980s were well-educated. The enrollment gains of the 1990s are basically due to people who need ESL services. Adequacy for ESL services will have to be addressed to get the state back to its former achievement level.

**Postsecondary Enrollment Options.** The department will not be addressing the Postsecondary Enrollment Options Act in any of its departmental bills because consensus could not be reached toward a solution. School districts statewide pay \$1,707,000 to postsecondary institutions, mainly community colleges, for students under the Act. Most of the students are juniors and seniors taking social sciences and humanities courses. Science courses account for 9.5 percent of the participation, and math courses account for 11 percent.

### **d. Fiscal Analysis.**

Dr. Tack and Mr. Mike Lipsman, Legislative Analyst for the Legislative Fiscal Bureau, provided members with a fiscal analysis of the school foundation formula. Mr. Lipsman noted that an allowable growth increase of 1 percent would cost the state \$25 million. He reported that the Iowa Association of Realtors is compiling a record of home transactions.

In response to a question, Mr. Lipsman stated that only 19 school districts make use of the playground levy. With regard to the drop-out prevention allowable growth, Dr. Tack noted that those districts that are not asking for the additional allowable growth range from rich to poor in valuation, but those asking for the additional allowable growth are primarily low-valuation districts or are property-poor.

### **e. Iowa Parent Teachers Association.**

Mr. Wayne Bauman, Vice President of Legislation for the Iowa Parent Teachers Association (PTA), prioritized the Iowa PTA's concerns as follows: smaller class size, higher concentrations of staff at the lower grades, and better structures in which staff and students work. Mr. Bauman noted that schools have experienced cuts when state revenues were up, and district administrators are asking the PTA for assistance in raising funds for programs they have never had to raise funds for before.

## **6. December 15, 1998, Telephone Conference Call.**

**Priorities Identified.** Co-chairperson Redfern requested that each member indicate what they considered to be the top five priorities for the Committee to focus on in formulating its recommendations. Priorities identified included the following:

- ◆ Implementing an alternative method of allowable growth determination tied to an objective standard rather than formulated through the political process.
- ◆ Increasing the general program and special education foundation levels to promote property tax relief.

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- ◆ Assisting school districts experiencing either an increase or decline in enrollment. Methods identified for declining enrollment districts included reinstatement of the declining enrollment matrix and extending and increasing the budget guarantee provision.
- ◆ Increasing funding for children with additional needs, including at-risk, all-day kindergarten, K-3 block grant funding, and the Educational Excellence Program.
- ◆ Adjusting equity for taxpayers and in the spending per pupil.
- ◆ Reducing level one special education weighting, with a corresponding increase in at-risk funding.
- ◆ Fully funding the state portion of the Instructional Support Program.
- ◆ Addressing inequities resulting from the School Budget Review Committee process.
- ◆ Providing transportation funding assistance and possibility of incorporating a scarcity factor.
- ◆ Addressing school infrastructure needs.
- ◆ Incorporating the Instructional Support Program and School Improvement Technology Fund moneys into the school aid formula.
- ◆ Mandating funding in connection with postsecondary enrollment and alternative high school options.
- ◆ Providing state funding for talented and gifted programs and AEAs.
- ◆ Reviewing all program and funding items vetoed from 1998's Senate File 2366 (which incorporates some of the above list).
- ◆ Providing for class size reduction.

Of these issues, it was determined that equalization of property tax relief, increasing and declining enrollment, an alternative allowable growth determination mechanism, transportation funding, at-risk and special education funding, and full funding of the state portion of the instructional support program appeared on a majority of Committee member priority lists.

### **7. January 14, 1999, Meeting.**

#### **a. Fiscal Presentation.**

Mr. Mike Lipsman distributed and explained the fiscal runs he had compiled as requested by the Committee. He described the runs as tools members can use to model the fiscal impact as components are moved in and out of the formula.



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### **b. Committee Discussion.**

The members discussed several issues, including the uniform levy as a property tax relief measure, foundation changes and whether changes should be driven by efforts to achieve educational excellence, equitable funding for gifted and talented programs, drop-out prevention funding and whether such funding should be included in the formula, English as a Second Language funding, on-time or advanced enrollment funding, transportation funding, the effects of lowering versus raising the uniform levy, the effects of raising the foundation level, special education funding, the instructional support levy, and a three-year rolling average plan for schools with declining enrollment as an alternative to the declining enrollment matrix and the 100 percent budget guarantee.

The Committee also discussed what were described as immediate needs for on-time funding and the budget guarantee. Co-chairperson Redfern reminded members that the Legislative Council charged the Committee with the responsibility of conducting a comprehensive study of school finance and making recommendations for a revised school aid formula. He stated that it would be the responsibility of the standing education committees to address more immediate concerns.

## **8. Committee Recommendations.**

### **a. Recommendations for First Phase of Interim Committee.**

- ◆ Raise the regular program foundation level, special education foundation level, and special education support services foundation level, to 90 percent, and the uniform levy to \$6 per thousand dollars of assessed property valuation.
- ◆ Address the current special education deficit by providing "on-time funding" for special education.
- ◆ Recognize statewide participation in the Gifted and Talented Program by incorporating Gifted and Talented funding for all school districts within the funding formula.
- ◆ Establish a \$4 million transportation fund to assist school districts with disproportionately high transportation costs. The fund would be distributed pro rata to school districts with transportation costs in excess of 150 percent of the statewide average transportation cost, in an amount up to, but not exceeding, a maximum of 50 cents of state funding for every dollar of transportation expense exceeding the 150 percent statewide average amount.
- ◆ For school districts experiencing declining enrollment, permit the utilization of either the most recent enrollment count or a three-year rolling average enrollment count, combined with a continuation of some form of school district budget guarantee provision.

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- ◆ Provide "on-time funding" for school districts experiencing increasing enrollment by permitting the utilization of actual enrollment for the current school budget year.
  - ◆ Fully fund the instructional support levy.
  - ◆ Establish weighted enrollment for at-risk students.
  - ◆ Eliminate or gradually phase out existing K-12 funding formula components or programs which would appear to warrant reallocation, including supplemental property tax payments authorized in Code section 257.15.
- b. Recommendations Regarding Sunset Provision and Continuation of Status as Interim Committee.**
- ◆ Repeal Code chapter 257, July 1, 2001, "sunset clause" and require legislative review of the funding formula every five years.
  - ◆ Continue status as an interim committee during the 1999 Legislative Interim, with additional meetings authorized and a second report due by January 15, 2000. Issues to be addressed during this next phase of the Interim Committee would include those listed below in paragraph "c" in addition to others identified by Committee members.
- c. Issues for Consideration During Second Phase of Interim Committee.**
- ◆ Teacher and administrator salaries.
  - ◆ Incorporation into formula of programs currently funded outside formula, such as Educational Excellence, Technology, and block grants for K-3 students.
  - ◆ Limited English proficiency funding.
  - ◆ At-risk students funding.
  - ◆ Reorganization incentives.
  - ◆ Area Education Agency funding and programs.
  - ◆ Phases, I, II, and III of the Educational Excellence Program.
  - ◆ Funding formula weightings.
  - ◆ Advanced placement programs and funding.
- d.** Appendix A of this report contains an expanded discussion of the recommendations of the Committee, which provides additional detail regarding the rationale considered by the Committee in formulating its recommendations.



## **School Finance Working Committee**

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### **9. Written Materials Filed With the Legislative Service Bureau.**

#### **a. September 9, 1998, Meeting.**

◆ Mr. Terry Whitney filed a map titled "School Finance Litigation;" "Michigan Property Tax/School Finance Issues," prepared by George Towne, Legislative Analyst for the Michigan Senate Fiscal Agency, January 1994; "Mississippi Adequate Education Program," issued by the Mississippi State Senate Finance Committee; "Explanation of the Local Option Plan," implemented by the State of Texas; and a summary of the "Wyoming Cost-Based School Finance System."

◆ Mr. John Myers filed a fact sheet titled "Glossary of School Finance Terms."

◆ Dr. Lee Tack filed a three-ring binder containing reference materials relating to the transparencies he exhibited during the meeting with the following titles: "Financing Public Elementary and Secondary Education," "Public School Funding Formula History Legislative Summary (1971-1998)," "Iowa Public School Certified Enrollments and Projections by District," and staff, fiscal, and transportation information.

◆ Mr. Richard Stradley filed two fact sheets titled "Iowa Assessment Limitations" and "Iowa Assessment Limitations" (first published as a press release August 15, 1997).

#### **b. October 12, 1998, Meeting.**

◆ Dr. James B. Austin filed a folder titled "School Finance Working Committee 1998-1999," which contains his written comments and a number of graphs specific to the education needs and education funding of the Sioux City Community School District.

◆ Ms. Susan Donovan filed her written comments, additional information supporting the Iowa Association of School Boards' recommendations on school finance, a fact sheet on the impact of unfunded mandates, and graphs reflecting arbitration results and data for school years 1996-1997, 1997-1998, and 1998-1999.

◆ Dr. Ben Norman filed a graph titled "Dollars in Funding Above or Below State Per Pupil Funding Amount 1997-1998" and a copy of "Area XI Superintendents' Proposed Legislative Action."

◆ Dr. Dick Sundblad filed a graph titled "Johnston Community School District Per Student Expenditure Reduction as Result of Loss of Advance for Increased Enrollment."

◆ Dr. Lee Tack filed a listing of state education funding measures from 1972 to the present.

◆ Dr. Les Omotani filed his written comments.

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- ◆ Dr. Alan Meyer filed a number of graphs containing Iowa public school transportation data.

- ◆ Dr. James R. Scharff filed an executive summary, and a complete copy, of his study, "Options in Public School Financial Allocation Policies Preferred by Iowa Educators."

### c. November 9, 1998, Meeting.

- ◆ Dr. Mary Lose submitted Reading Recovery Executive Summary, 1984-1997; Reading Recovery Funds Allocated to AEAs Fiscal Year 1998; Joanna: A Reading Recovery Success Story; and 1998-1999 Iowa Reading Recovery Program Listing of Districts in Each Agency That Have Reading Recovery Programs.

- ◆ Cathy Hanson submitted Soar to Success – Program Overview.

- ◆ John York submitted Iowa Reading Association – Legislative Priorities for the 1999 Session.

- ◆ Paul Cahill submitted Migrant Allocations 1997-1998 and Migrant Education in Iowa – Fact Sheet.

- ◆ Nina Carran submitted a Limited English Proficient Program Summary and a document regarding Limited English Proficient Students and Weighting.

- ◆ Mark A. Grey submitted a document titled Secondary Labor in the Meatpacking Industry: Demographic Change and Student Mobility in Rural Iowa Schools.

- ◆ Judy Jeffrey submitted two documents: Allowable Growth Talented and Gifted 1998-1999 and a Gifted and Talented Funding Summary.

- ◆ Larry Leutzinger and Jo Duea submitted a report regarding the Iowa Mathematics and Science Coalition.

- ◆ Al Fagerlund submitted the following: Special Education and At-Risk Finance Task Force Summary Report, October 1996, and Special Education and At-Risk Task Force Materials Packet, and Support Services for At-Risk Students Other Than Disabled.

- ◆ William Garner submitted the following: Area Education Agency Summary Document, and Arrowhead AEA Pamphlet.

- ◆ AEA Review, Iowa Legislative Fiscal Bureau.

- ◆ Packet Provided by Legislative Service Bureau:

- ◇ Public School Finance Programs of the United States and Canada, 1993-1994.

- ◇ Sioux City Community School District – Revenue Growth -- Updated Charts.





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- ◇ Foundation Funding Formula Scenarios – Legislative Fiscal Bureau.
- ◇ Press Release – Federal Funding to Hire Additional Teachers.
- ◇ Student Achievement Guarantee in Education (SAGE) Program, May 1997.

### **d. December 1, 1998, Meeting.**

- ◆ Dr. Lee Tack submitted Attorney General's Opinion on Supplementary Weighting.

- ◆ Rita Audlehelm submitted "Central Decatur Health Services 1998-99."

- ◆ Representative Bob Brunkhorst submitted fiscal data runs compiled by Mike Lipsman.

- ◆ Senator John Kibbie submitted a memo from Mike Lipsman regarding additional amounts of state aid, with attachments titled "Comparison of Budgeted and Estimated 'Fully Funded' Fiscal Year K-12 Education Program Costs" and "State Foundation Aid – Old vs. Current Formula Comparison."

- ◆ Roy Marshall, State Fire Marshal, submitted "State Fire Safety Report for Schools and Colleges."

- ◆ Wayne Bauman, Iowa PTA Vice President for Legislation, submitted written comments.

### **e. January 14, 1999, Meeting.**

- ◆ Fiscal runs compiled and distributed by Mike Lipsman, Legislative Fiscal Bureau:

- ◇ Current Law vs. Legislative Proposal – Fiscal Year 1999 Estimates
- ◇ Fiscal Year 1999 K-12 Foundation Aid Property Taxes:
  - Foundation Property Tax Levies
  - Other Education Property Tax Levies
  - Foundation Property Tax Rates
  - Other Education Property Tax Rates

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## SCHOOL FINANCE WORKING COMMITTEE RECOMMENDATIONS – EXPANDED DISCUSSION

The recommendations of the School Finance Working Committee consist of two phases:

- The recommendations contained in the first phase reflect aspects of the current formula which the members of the Committee have reached consensus on and were prepared to issue as the first phase concluded.
- The recommendations contained in the second phase reflect the Committee's acknowledgement that additional examination of the school formula is needed to fully address the Committee's charge and fulfill its responsibilities.

The recommendations were unanimously approved by Committee members on Thursday, February 25, 1999. The following discussion provides background information relating to the rationale of the members of the committee in making the recommendations

### PHASE ONE RECOMMENDATIONS

The School Finance Working Committee makes the following recommendations regarding priority modifications to the school funding formula, based upon input received over the course of four interim Committee meetings devoted to public testimony, and Committee review and analysis during two meetings of follow-up discussions. The recommendations reflect the consistent input of a large number of Committee presenters, and a thorough and careful discussion, analysis, and review by Committee members. Each of the recommendations relates to and promotes the fundamental principal underlying the operation of the school funding formula -- the equitable distribution of state and local funding to school districts across the state. The recommendations reflect the Committee's recognition that some variation between school districts regarding the impact of the formula and the amount of local effort required will inevitably occur. While they were regarded by the Committee as priority recommendations with regard to potential consideration during the 1999 Legislative Session and future legislative sessions, their focus should not be construed to diminish the importance of the many other issues the Committee seeks to address during the 1999 Interim.

1. Retain the current structure and basic operation of the school funding formula, repeal the Code chapter 257 July 1, 2001, "sunset clause," and require legislative review of the funding formula every five years.

While modifications to the current formula are needed, the Committee recommends the retention of the state's current method for financing public and elementary and secondary education. Accordingly, the committee recommends the repeal of the July 1, 2001, "sunset provision" established with the enactment of Code chapter 257. Continued legislative review and monitoring of the formula shall occur every five

years to ensure tax equity, the equitable distribution of state funding, and equity of programs and services.

2. Raise the regular program foundation level, special education foundation level, and special education support services foundation level to 90 percent, and the uniform levy to \$6 per \$1,000 of assessed property valuation.

The Committee recommends the adjustment of the uniform levy and the state supported foundation level to achieve both increased equity and property tax reduction. While property tax rates would vary depending on the assessed values in a particular school district, increasing the foundation level would result in a higher proportionate state funding commitment, and a corresponding reduction in the amount of additional property tax levy imposed to fully fund district cost. An increase in the uniform levy impacts high- and low-assessed value districts equally -- all taxpayers pay the same rate. The increased levy amount would enhance equity by facilitating additional funding for allocation to school districts through the school foundation level.

3. Address the current special education deficit by providing "on-time funding" for special education.

The school funding formula is pupil-driven. Based on the fact that funding for special education students is based on the previous year's enrollment count, a substantial special education deficit currently exists for many school districts. A special education deficit occurs when the cost of a school district's special education curriculum is not fully covered through the current formula. To fund the deficit, school districts can apply for additional authority by the School Budget Review Committee to levy property taxes. In recent years the special education deficit has begun to decline, based on allowing for the carryover of positive balances and an increase in the special education weightings. Testimony received by the Committee indicates that this trend will be accelerated, and the deficits nearly eliminated, if a school district is able to receive advances for increased special education enrollment counts based on the actual enrollment for the budget year -- i.e., "on-time" funding. Accordingly, the Committee supports on-time funding for special education.

4. Recognize statewide participation in the Gifted and Talented program by incorporating Gifted and Talented funding for all school districts within the funding formula.

The Gifted and Talented program is currently funded 100 percent at the local level. School districts may apply to the School Budget Review Committee for additional funding beyond their general fund amount to support their program. Recognizing the statewide participation in the program, the Committee recommends that the state become a financial partner with school districts in order to promote continued development of Gifted and Talented programs by incorporating Gifted and Talented funding into the school finance formula. This reflects three fundamental school

funding formula principles -- equalizing education opportunity, ensuring an excellent education for all the children of the state of Iowa, and providing property tax relief.

5. Establish a \$4 million transportation fund to assist school districts with disproportionately high transportation costs. The fund would be distributed pro rata to school districts with transportation costs in excess of 150 percent of the statewide average transportation cost, in an amount up to, but not exceeding, a maximum of 50 cents of state funding for every dollar of transportation expense exceeding the 150 percent statewide average amount.

When the current school funding formula was enacted, the total general fund transportation expenditures of school districts were included in calculating district cost per pupil for each school district and the state cost per pupil amount. Due to situations unique to certain school districts, disproportionately high transportation costs are incurred. The Committee examined several alternative methods of providing transportation assistance, and recognized that full funding of transportation expenses in every district would probably not be a realistic, or equitable, outcome. The Committee concluded that a separate fund to provide no more than 50 cents of state funding for every dollar of transportation expense exceeding 150 percent of the statewide average transportation cost, prorated if necessary, would be equitable and provide needed assistance.

6. Permit school districts experiencing declining enrollment to utilize either the most recent enrollment count or a three-year rolling average enrollment count, combined with a continuation of some form of school district budget guarantee provision.

A majority of school districts across the state are experiencing declining enrollment, and this trend is projected by the Department of Education to continue over the next decade. The Committee received consistent input that while funding is received on a per pupil basis, a decrease in the number of pupils does not correspond to an immediate and corresponding decrease in expenses incurred by the school district, and that accordingly a cushion to incrementally reduce the impact of declining enrollment was warranted. The Committee recommends implementing a three-year rolling average concept, combined with a continuation of some form of school district budget guarantee provision, which would gradually reduce the impact of the reduced enrollment and amount of state aid received.

7. Provide "on-time funding" for school districts experiencing increasing enrollment by permitting the utilization of actual enrollment for the current school budget year.

Despite the general trend toward declining enrollment, certain school districts are experiencing enrollment increases. The Committee recommends permitting these districts with increasing enrollment to receive an advance based on their actual enrollment count for the current school budget year.

8. Fully fund the instructional support levy.

A majority of school districts in the state have instituted the instructional support levy, which as originally enacted permitted school districts to increase their budgets by 10 percent through a combination of state and local funding. Subsequent legislation limited the state appropriation to the amount appropriated as instructional support state aid for the school budget year commencing on July 1, 1992, and provided that amounts distributed shall be prorated to each school district participating in the program in the event that the limitation was insufficient to fully fund the state portion. The effect of this limitation was to increasingly dilute the amount of state funding available as more and more school districts authorized participation. The Committee recommends that the state fulfill its commitment to the instructional support program.

9. Provide additional funding for at-risk students.

The Committee received input which indicated that if additional funding were made available for children classified as at-risk, the number categorized as level one special education would diminish, and needed funding would be received for programs and services focusing on at-risk student populations. The Committee supports additional weighted enrollment for at-risk students, distributed based on a free and reduced price school lunch count, which would enhance at-risk student assistance and increase the likelihood that students who might otherwise be classified as special education can remain in a regular curriculum.

10. Eliminate or gradually phase out existing K-12 funding formula components or programs which would appear to warrant reallocation, including supplemental property tax payments authorized in Code section 257.15.

The Committee recommends that aspects of the existing funding formula which may no longer be as relevant, necessary, or effective as when originally enacted be eliminated or phased out so that the funds may be reallocated in a more effective direction. The Committee has identified supplemental property tax payments authorized in Code Section 257.15 as one example of needed reallocation.

## PHASE TWO RECOMMENDATIONS

The Committee recommends that its status as an interim committee continue during the 1999 Interim with additional meetings authorized and a second report due by January 15, 2000.

During the Committee meeting process, the Committee identified those aspects of the school funding formula which it determined to be priority issues requiring immediate consideration and analysis. The Committee is confident that the phase one

recommendations listed above address those issues. The Committee has concluded, however, that additional time is necessary to fully address its charge and fulfill its responsibilities in conducting a truly comprehensive study of the school finance funding formula. This recommendation is based upon the testimony received over the course of the Committee's meetings from presenters, including the school personnel, national consultants, and members of the general public, and reflects the scope and complexity of the school funding formula. Issues to be addressed during the second phase of the interim committee would include, but are not limited to, the following:

- Teacher and administrative salaries
- Incorporation into the formula of programs currently funded outside the formula, such as Educational Excellence, Technology, and Block Grants for K-3 students
- Limited English proficiency funding
- Reorganization incentives, supplementary weighting
- Area education agency funding and programs
- Additional funding for at-risk students
- Advanced placement programs and the Postsecondary Enrollment Options Act