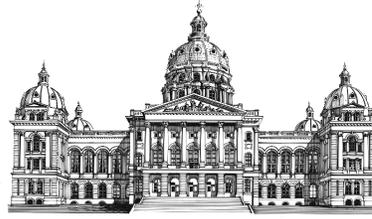

Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
June 30, 1993

Sharing And Reorganization Incentives For Local School Districts

ISSUE

Local school districts in Iowa that share classes either on a part-time basis or a full-time basis or that reorganize, receive stipends from the State through the School Foundation Formula. These stipends are being phased out over the next 5 years for reorganizations and the next 4 years for whole grade sharing agreements. Stipends will remain for sharing of certain classes or instructors.

AFFECTED AGENCIES

Local School Districts

CODE AUTHORITY

Sections 257.3 - 257.5, 257.11, 257.12, and 275.31, Code of Iowa

BACKGROUND

In the last half of the 1980's, legislation was enacted that provided financial incentives to local school districts to enter into whole grade sharing agreements in an attempt to encourage school districts to reorganize. The incentives for whole grade sharing originally were for an indefinite period. In 1988, the financial incentive for whole grade sharing was limited to a maximum of 5 years. This change was made in an attempt to further encourage school districts to reorganize. During the existence of the reorganization incentive, 66 school districts chose to reorganize resulting in the elimination of 36 school districts.

The incentive funding was not intended to be used for ongoing operating costs. Reorganizing the districts should have resulted in improved utilization of staff and administration allowing for elimination of certain positions and redirection of these savings to new programs or strengthening current programs.

CURRENT SITUATION

The incentives for whole grade sharing and reorganizing are being phased out over the next 5 years. Districts that have been receiving these incentives are expressing concerns about financial distress and the possible need to reduce programs and eliminate staff.

I
S
S
U
E

R
E
V
I
E
W

ALTERNATIVES

1. Leave the statutes as currently drafted and reinforce the position that by sharing whole classes or reorganizing, school districts should experience an economy of scale at the inception of the sharing agreement or the reorganization and the incentive money should be used for one-time expenditures for equipment, training, or remodeling. Additional funding needs should be met through local sources such as the current budget, the instructional support levy, or petitioning the School Budget Review Committee for permanent allowable growth.

2. Allow school districts to adjust the district cost per pupil. This would allow for the incentives to continue to be generated by the School Foundation Formula in future years. The effect of adjusting the district cost per pupil has several impacts if the funding is deemed necessary in future years.
 - The School Foundation Formula forces all schools' district cost per pupil be within 5.0% of the State cost per pupil. This mechanism in the formula addresses disparities in per pupil funding across the State.

 - In effect, this would cause districts that had been receiving the whole grade sharing or reorganization incentives to decide whether or not to adjust the district cost per pupil. If the district cost per pupil is adjusted and exceeds 105.0% of the State cost per pupil, the district will gradually be reduced to 105.0% of the State cost per pupil.

 - Rolling the incentives into the district cost per pupil removes State aid from the funding mix and puts the entire burden upon local property taxes. This occurs because the School Foundation Formula requires students (weights) to be present or created by statutory direction to create State aid. Since the adjustment to the district cost per pupil doesn't generate students or weights, the formula would not generate additional State funds for these incentives.

3. Extend the incentives for an additional period of time in the current form. This would continue the split in funding between State aid and local property taxes.

BUDGET IMPACT

The impact of sharing teachers or classes and reorganizing incentives for FY 1993 and FY 1994 on the State General Fund is as follows:

	<u>FY 1993</u>	<u>FY 1994</u>
Shared Pupils and Teachers (310 districts impacted)	\$ 7,766,436	\$ 9,947,732
Shared Administrators (247 districts impacted)	7,638,793	7,826,323
Reorganization Incentives (24 districts impacted)	3,106,894	5,759,745
Total	<u>\$ 18,512,123</u>	<u>\$ 25,533,800</u>

STAFF CONTACT: Brad Hudson (17799)

LFB:IR0611B.DOC/6/30/93b
 Sharing and Reorganization Incentives for Local School Districts