THE IOWA CENTER FOR RESEARCH IN SCHOOL ADMINISTRATION

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Special Reports

# IOWA SCHOOL FINANCE HANDBOOK
(Background, Data, and Philosophy
for a
State Support Program)

Prepared By the Iowa Center For Research In
School Administration
for
The Iowa Association of School Administrators

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prepared for

The Iowa Association of School Administrators

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THE IOWA CENTER FOR RESEARCH IN SCHOOL ADMINISTRATION

# FOREWARD

This material has been prepared at the request of the Iowa Association of School Administrators to be used as a handbook for discussion on State Aid programs. A committee consisting of Dr. Howard Knutson of Iowa State College Dr. Virgil Lagomarcino of Iowa State University, Mr. Walter Fredericks, President of I. A. S. A., Mr. Richard Smith of the State Department of Education, and Dr. Willard Lane, of the State University of Iowa met to determine the best means of bringing before the Iowa Administrators the concept and philosophy of the Foundation Program.

It was decided that Dr. Knutson, Dr. Lagomarcino and Dr. Lane should meet with a group of about 20 administrators in the state representing the various districts of the I. A. S. A. and hold a "training session" on the philosophy and theory of the foundation program. The superintendents attending from each of the districts would then be responsible for presenting the concept of the foundation program at the district I. A. S. A. meetings held in the spring.

One of the decisions of this committee was that some information on the state picture and concept of the foundation program ought to be pulled together. It was hoped that this might prove useful to the committee and to the superintendents present at the "training session". Lane volunteered to have the information assembled by the Iowa Center.

The original plan was for the committee of professors and administrators to re-convene and go over the material before the "training session" to be held at Ames on March 6, 1962. Due to pressure of time and other committments it was not possible for the committee to meet to study and revise the information herein presented. Consequently this material does not constitute an endorsement by the I. A. S. A. or other committee members. It should be construed as a guide for discussion.

W. R. Lane

# PART I

## WHAT IS HAPPENING TO THE COST OF PUBLIC EDUCATION IN IOWA?

### RELATIONSHIP OF STATE TO LOCAL SCHOOL DISTRICT

It is a well established and fundamental principle that the public school system in legal theory exists as a state rather than a local institution. As the Supreme Court of Minnesota has stated:[1]

> "This Court so frequently has affirmed the doctrine that the maintenance of the public school is a matter of state and not local concern that it is unnecessary further to review the authorities at this date."

The people in each state are responsible for the basic provisions of the public school system and their policy is expressed through the state constitution and legislative enactments.

However, a century ago, state governments lacked the revenue sources to finance education nor did they have any good means of communication with a statewide school system. The prevailing mood of the frontiersman was to distrust governmental restraint of any kind and he found it especially to his dislike when it came to a matter so personal as the training of his children. It is hardly any wonder that legislatures quickly delegated authority to establish school districts and the responsibility for their operation to local governmental units.

### WHY THE LOCAL PROPERTY TAX?

In a mid-nineteenth century agrarian dominated economy, land was the obvious asset. The early industries were related to the soil and their assets were tangible. Tax resourses were historically derived from property. Since property was so universal and exclusive during these early times the entire fiscal structure of local government came to rest upon the property tax.

### DEVELOPMENT OF THE FISCAL STRUCTURE IN IOWA

The pattern[2] of local property tax support in Iowa began when the 1838 Territorial Legislature declared "that there shall be established a common school, or schools, in each

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1. State ex rel. "Board of Education of Minneapolis v. Erickson, 190 Minn. 216, 251 N. W. 519
2. Knezevich, S. J., Past and Present Problems in Financing Iowa Schools, Iowa City, Iowa (Iowa Center for Research in School Administration, November 1960) pp. 1-3

of the counties." This was the legal beginning of public education in our state. These schools were to be "open and free for every class of white citizens between the ages of 4 and 21 years."

The territorial legislature created a system of public schools but charged, in 1840, that the county should help pay for schools through the levy of a tax of "not less than one mill, nor more than five mills on the dollar, on the assessed value of all property real and personal." In 1848, a district tax was authorized for school building purposes. The use of the local and county property taxing powers for schools were forward looking approaches considering that the time was prior to the Civil War. Legislation after statehood supported territorial laws. The "Second Iowa School Commission" of 1856 declared that it was "the obligation of property to bear the burden of taxation for the support of public instruction."

Supplementary sources of funds appeared as early as 1846 when "all fines collected for any breach of the penal laws" and "all monies arising from the granting of licenses for the sale of ardent spirits" and all funds resulting from the sale of "lost goods and estrays" were appropriated to the use of the common schools." Even more important than such incidental fines, fees, and sales were the so-called "State Aids" which came from sources other than State taxes. It was a form of "Federal Aid" plus a county property tax which gave rise to the first Iowa "State Aid" for schools. About 2,500,000 acres of good Iowa land (the exact amount is difficult to determine) were given by the Federal government to Iowa when it became a state. Unfortunately, some of the land sold for as little as twenty-five cents an acre and most went for $1.25 an acre. The first "Federal Aid" for Iowa schools in the form of land grants did much to stimulate public education in spite of mismanagement of the funds.

In 1850, 42% of the current expenditures for public education came from State funds created as a result of the Federal land grants to Iowa. School costs rose faster than did the interest from the "Permanent School Fund" and so this form of State support dropped to 29% of current expenditures for public schools in 1860, to 12% in 1879, to 8% in 1880, to 5% in 1890 and to 1 1/2% in 1900.

The financial problems relating to the extension of public education to include high schools during the early part of this century stimulated anew the quest for State support. The "Better Iowa Schools Commission" of 1911-12 encouraged the development of rural high schools and recommended State Aid to stimulate the "voluntary consolidation of schools." The 1913 General Assembly authorized a limited amount of State Aid for consolidated schools as well as for normal training courses in high schools. This was the first real State support in more than 50 years of statehood.

These early State contributions were small for in 1921 about 96% of the funds for public elementary and secondary education came from local sources, 4% from the State, and very little from the Federal government. As early as 1925 it was recognized that the one great obstacle to the proper development of educational programs in Iowa was the great proportion of the burden of school support borne by the locality.

The failure to appropriate enough funds to pay in full the amount of State Aid a district was entitled to by law is an old practice in Iowa that continues right up to the present. Thus, in 1934 all State Aids (outside the interest on the Permanent School Fund) required an appro-

priation of $750,600 but the legislature provided only $397,000. As a result the consolidated schools received less than 1/2 the amount they were entitled to and standard rural schools less than 1/3. During the early part of the 1930's revenues received by schools from State sources amounted to only between 1 and 2% of the total school revenues.

There was a wait of more than 30 years for the next significant event in State support for schools. In 1945 about $1,000,000 in Supplemental Aids and $2,000,000 in Transportation Aids were appropriated by the legislature. State Aids in multi-million dollar amounts are a Post-World II phenomenon. In spite of the increase in amounts only about 3 1/2% of the total cost of schools in 1945 came from direct State Aids to schools.

Relieving the tax burden upon property is no new slogan. It has been advocated during most of this century. Part of the problem stems from the fact that schools did not benefit much from the newer forms of taxation introduced in the 20th century. The call for more reliance on taxes other than those on property to support Iowa schools has been heard for 37 years or longer. Supporting evidence for the need of revenues other than the local property tax can be found in the 1925 study directed by the Educational Finance Inquiry Commission.[3] Some of the facts of the times brought to light by this study were:

1. There has been little change in population for the period 1909 to 1922. The total enrollment in elementary schools increased only 1.4% while the high school enrollment increased 39.9%. The total average daily attendance for both elementary and high school increased 40.6%.

2. Cost increased from $15,500,000 in 1910 to $63,000,000 in 1921, an increase of over 400%.

3. About 96% of the funds for the support of elementary and high schools comes from the locality, 4% from the state, and very little from the national government.

4. Serious obstacles to the development of education in Iowa are the antiquated system of taxation and the ineffective system of state subventions.

The writers concluded that Iowa "has been one of the most backward states in reforming its tax system to conform with the general changes in economic conditions." They state "that 20% of the total school support coming from the state, properly distributed, even with the present size of districts, would adjust.....inequalities."

SCHOOL COSTS CLIMB

School costs have climbed in every decade but one during the history of public education in Iowa.[4] Expenditures for schools declined during the "depression decade" of 1930-40.

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3. Russell, Wm. F. Holy, Thomas; Stone, Raleigh; and others. The Financing of Education in Iowa. (New York, The Macmillan Co. 1925)

4. Knezevich, S. J., op. cit. pp. 5-5a

Almost all high school districts today have budgets which exceed by far the $71,219 expended in 1850 to meet all general school fund costs in Iowa. Disbursements for schools exceeded $3,000,000 in 1870 and this sum was more than doubled by 1890.

Current expenditures for Iowa schools did not exceed $100,000,000 in any one year until 1950-51. From 1899-1900 to 1949-50, the first 50 years of this decade, current expenditures for schools per year increased almost $85,500,000. During the past decade school operating costs climbed by about $100,000,000 or far more than the overall growth during the previous 50 years. If present trends continue, annual school costs at the end of the 1960 decade will be $150,000,000 more than they were at the end of the 1950 decade. This is a conservative estimate.

Inflation, of course, takes its toll on schools as well as other parts of society. Increasing enrollments, expanding programs, better qualified teachers, lengthening the school term to include summer school experiences, as well as the general demands for better quality and greater educational services contribute their share to ever-rising school costs.

Property taxes must supply most of the funds for current operating and other school costs. The following figures include property taxes used for all school expenditures (not just current expenses). As would be expected from the previous paragraphs on expenditures, property taxes for schools went beyond the $100,000,000 mark very early in the 1950's. If present trends continue, school property taxes will exceed $225,000,000 annually by 1962 and $300,000,000 annually by 1968.

The total for all property taxes in Iowa for all governmental purposes was almost $124,000,000 in 1946. By 1951 these taxes went beyond $210,600,000 and by 1957 hit almost $304,200,000. If present means of financing various governmental expenditures do not change radically, Iowa property taxes will total more than $400,000,000 annually by 1962 more than $500,000,000 by 1967, and more than $600,000,000 by 1971.

Although school property taxes climbed in total amounts from $66,867,449 in 1946 to $178,529,642 in 1958, the percent school taxes were of all property taxes remained fairly stable. Although the percentage relationship has fluctuated, schools took a little less than 54% (53.94%) of total property taxes in Iowa in 1946 and a little more than 54% (54.34%) in 1958. The trend since the low percentage point in 1948 has been upward. It indicates that other governmental units that rely heavily on the property tax have experienced substantial increases in operating costs. It is the combined effect of rising costs in public schools and of other governmental units (that are forced to rely heavily on the property tax for revenues) that will send property taxes skyrocketing.

Although the following data developed by the Iowa State Deparment of Public Instruction have been used quite extensively by Blythe Conn and the Iowa Association of School Boards they are worth repeating here:

IOWA PROPERTY TAXES

| Actual | | | | Predicted | | |
|---|---|---|---|---|---|---|
| Year | *Total Prop. taxes | Prop. taxes for schools | Per Cent School taxes are of total | Year | Total Prop. taxes | Prop. taxes for schools |
| 1946 | $123,966,692 | $66,867,449 | 53.94% | 1960 | $367,000,000 | $200,990,000 |
| 1947 | 142,030,031 | 75,495,686 | 53.15% | 1961 | 386,000,000 | 212,000,000 |
| 1948 | 170,115,404 | 85,012,919 | 49.67% | 1962 | 406,000,000 | 225,000,000 |
| 1949 | 176,340,570 | 88,724,089 | 50.31% | 1963 | 427,000,000 | 237,000,000 |
| 1950 | 188,954,442 | 95,782,019 | 50.69% | 1964 | 448,000,000 | 250,000,000 |
| 1951 | 210,665,468 | 108,218,981 | 51.33% | 1965 | 469,000,000 | 263,000,000 |
| 1952 | 227,778,512 | 118,143,942 | 51.87% | 1966 | 492,000,000 | 276,000,000 |
| 1953 | 242,178,793 | 127,780,771 | 52.76% | 1967 | 514,000,000 | 290,000,000 |
| 1954 | 251,913,029 | 134,975,882 | 53.58% | 1968 | 537,000,000 | 304,000,000 |
| 1955 | 267,336,890 | 142,333,414 | 53.42% | 1969 | 560,000,000 | 318,000,000 |
| 1956 | 284,785,386 | 151,899,398 | 53.34% | 1970 | 584,000,000 | 332,000,000 |
| 1957 | 304,193,904 | 162,706,662 | 53.49% | | | |
| 1958 | 328,544,813 | 178,529,642 | 54.34% | | | |
| 1959 | **352,000,000 | ***189,600,000 | | | | |

*Includes property and monies and credits taxes
**Estimated taxes on property alone - from figures based upon survey by Iowa Taxpayers Association
***Actual for school fiscal year ending June 30, 1959

The basic idea of relying on the property taxes to pay the lion's share of the cost of educating children and youth in Iowa public schools continues right up to the present day. Every where around us there is evidence that the people and the state of Iowa have experienced much change and progress during the more than 120 years since organization as a territory. The basic framework for supporting public schools in Iowa, in contrast, has changed but little during these same years. Little wonder that in recent years a considerable amount of difficulty has been evidenced in financing schools even in the efficiently organized school districts. All indications are that the financial plight facing schools will worsen if we continue to rely on 19th century patterns to finance 20th century institutions.

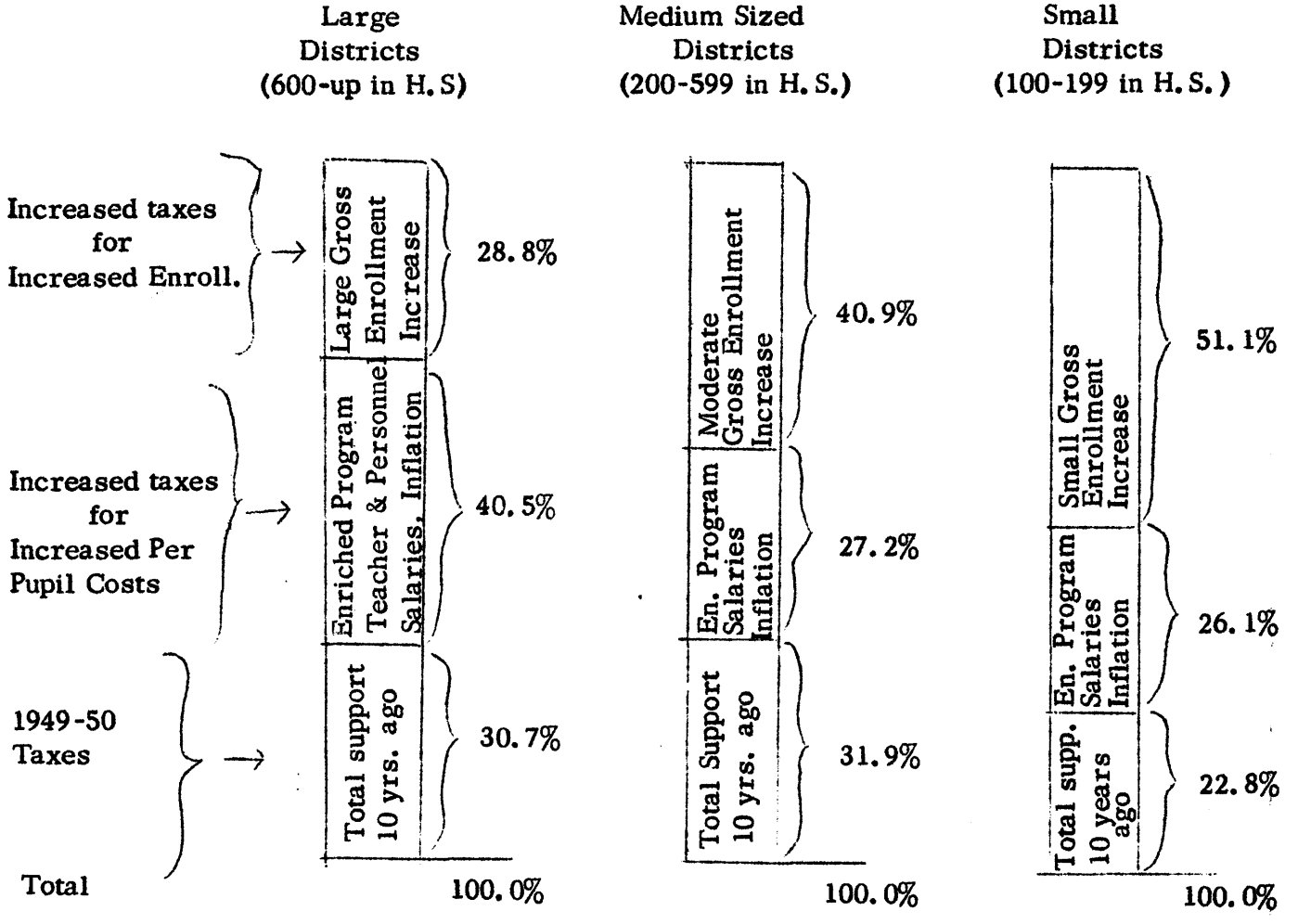
An attempt was made at the Iowa Center to explain the overall reasons for the increased outlays for public education during the 1949-50 to 1959-60 period.[5] A sample of 21 school districts was selected for intensive study and analysis. In one comparison three factors

5. Perry, A. V. and Moore, E. E. Factors Responsible For School Costs and Tax Increases in Iowa During the 1949-50 to 1959-60 Decade. (Iowa Center For Research in School Administration, June, 1961) p. 3

responsible for 1959-60 taxes for current expenditure and increases since 1949-50 were shown: 1) the percent of taxes attributable to increased enrollment, 2) the percent of taxes attributable to increased tax per pupil and 3) the percent which the 1949-50 taxes were of 1959-60 taxes. The results of this comparison may be seen in Figure I.

FIGURE I

AMOUNT OF 1959-60 EDUCATIONAL COSTS SUPPORTED BY 1949-50 TAXES AND PRINCIPAL FACTORS CONTRIBUTING TO INCREASES SINCE 1949-50




These data probably represent the best broad casual generalization that can be made to account for property tax increases. These same factors account for tax increases in any decade though perhaps in a different relationship.

## CONCLUSIONS

Iowa does not lack for study of the school finance problem. At least 6 Tax Commissions, 8 legislative school study committees, and 12 studies from the higher institutions have contributed important information relative to the problem. The State Department of Public Instruction has had the problem of finance more or less under continuous study since 1936. The following conclusions can be drawn from these studies:

1. The principle of State and local district sharing in the support of education has a long precedent in Iowa beginning with the first appropriations for county teacher's institutes, and culminating with the present State support program.

2. The State's share of support for current operation has been too small to meet the needs of growing school systems.

3. Increased costs because of increased pupil population, improved educational programs, and inflationary trends have been met largely by dependence on the local property tax.

4. Failure to give adequate attention to the tax support structure at the state level has led to repeated attempts over the years to apply patches to the present structure which have proved to be somewhat temporary in their effect.

5. Public education has been accepted in Iowa as an established institution. Attention needs to be directed toward establishing a fiscal structure in which the ideal of equal educational opportunity can more nearly be realized.

If we do not wish the present pattern of financing schools to prevail in the future it is imperative to take a look at the principles of good state programs which have evolved since 1900 and to take some positive action to establish a tax structure which is realistic in terms of the educational needs of children. It is the purpose of the remainder of this handbook to lay out the fundamentals of an adequate fiscal structure and to carefully analyze the present Iowa system of school support. It is hoped that in this way the handbook can become a guide to the development of a more realistic state-local partnership to meet the challenge of training our children for useful and productive citizenship.

# PART II

## A LOOK AT THE PRINCIPLES BEHIND GOOD STATE SUPPORT PROGRAMS

### EARLY STATE SUPPORT PROGRAMS

Prior to the twentieth century, principles of "equalization" and "reward for effort" or some combination of the two characterized most state-support programs. The two sources of state funds evident in Iowa in 1900 were the "permanent school fund and the appropriation for county institutes. The first provided too little by 1900 to constitute any real "reward for effort", and the second was used to upgrade the skills of thousands of poorly trained teachers. The extent to which schools should be supported was regarded strictly as a matter of local concern.

### A PERIOD OF SCIENTIFIC STUDY

Cubberly's 1905 study represented the first attempt toward a scientific approach to the problems of public school finance. In his attempt to discover a state support plan to equalize educational opportunity, equalize the tax burden, and encourage and stimulate desirable practices at the local level, Cubberly started a movement which is still going on. Several state-support programs followed the study but most states continued with meager programs for at least a quarter century. A few important studies followed Cubberly's but the most significant and far-reaching seems to be the thirteen-volumned Educational Finance Inquiry completed in 1925 under the auspices of the American Council on Education. Volume 8 of this series dealt with the state of Iowa, what it spent for education, what it could afford to spend, and recommended certain reforms which have been reviewed in Chapter I. Iowa was chosen for the study because the Commission wanted a state characterized by an agricultural economy in contrast to their study of industrial New York State. The study does mark the beginning in Iowa of a long period of comprehensive study of the problems of financing public schools. Perhaps more significant than the Iowa study were two short pages in the New York study by Strayer and Haig, contending that the principle of equalization demands that the state assume the responsibility of providing an acceptable minimum program of education in every district. The proposal lacked specific techniques or devices for implementation but these were soon provided by Mort in his studies on the measurement of educational need. Most states have since adopted in part or in entirety programs which recognize the responsibility of the state for sharing in the support of locally-controlled programs of education. These programs of state support are commonly known as "minimum", "foundation", or "minimum-foundations" programs.

### BASIC ARGUMENTS FOR STATE SUPPORT PROGRAMS

Social attitudes toward public school education have changed greatly since the 1925 study. As aptly put by Benson:

> "Throughout the world, both philosophers and men of affairs appear to have reached consensus of this point: education is a major force for human betterment."[6]

Perhaps it is fair to say that this attitude toward the value of education has spread to every man. Humanitarian values lead men to ask, "If the quality of education contributes to a child's value in later life, can we put price tags on different children simply because of where they live?" That we do in effect put price tags on children is obvious when children are forced by virtue of their residence to attend schools in communities varying widely in their ability to provide comparable programs of education. The well-educated and productive person is viewed as an economic asset and a better citizen. The poorly educated and unproductive person may be a poor citizen and an economic liability. It has been stated that:[7]

> "Children of parents in depressed areas need a good education, 1) that they may recognize attractive opportunities on the outside and, 2) that they may be able to take advantage of them."

It is generally recognized that citizens in depressed areas may be powerless to keep things from getting worse. Because of high tax rates and poor services, people who can afford to do so move away. This causes local tax rates to rise even higher. Thus, persons who remain become less socially useful, less mobile, and less employable. Many people now realize that in an economy characterized by interdependence, members of the larger social community simply cannot avoid the consequences of poor quality services offered in economically depressed areas. The preceding arguments help to form a basis for the rationale that the state is acting in its own interest when it invests in locally controlled programs designed to provide equal educational opportunity for all children. That quality of education had anything to do with the investment in it may have been a proposal in 1925 but it is pretty clear in 1962.

Tax Equalization

Institutions which exist for the public good must be supported by means of some kind of taxation. The problem of securing fiscal equity for the taxpayer has had a long history of study and deliberation. In the support of public schools the problem is complex for two fundamental reasons:

1) Wealth based on property which is the basis for taxation is not distributed uniformly, and

2) The children to be educated are not distributed uniformly.

School districts having the least wealth may have the most children. That it is to the advantage of the state and nation that these children be adequately educated has been discussed in

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6. Benson, Charles S. The Economics of Public Education. (Boston, Houghton Mifflin Co., 1961) p. vii
7. Benson, Charles, op. cit. p. 230

the previous section. The problem of tax dollars to provide educational opportunity for these children is another matter. Economists tend to view the tax dollar in terms of its utility to the taxpayer, pointing out that dollars taken from the poor have greater utility for them than those taken from the rich. Following this line of reasoning, it becomes apparent that a high rate of taxation in poor areas not only produces little revenue but imposes a greater burden on those people than does taxation in wealthier areas. This is the basis for the argument that tax dollars be collected where there is ability to pay and spent where they will bring the greatest public good.

Encouraging Local Schools To Develop Better Programs

Wealthy local school districts have long contributed to improvement of educational programs through experimentation with advanced methods and practices. Authorities in the field of education generally agree that such districts should be recognized and encouraged by the state. These districts can point the way for others to make wholesome and tested changes. Mort refers to such schools as "pilot" school districts. Provision of flat-grant aid to all school districts is viewed as one way to provide encouragement to these school districts and to provide enough tax-leeway to encourage them to use local tax funds to develop better programs of education. Flat-grant state funds are sometimes proposed in addition to funds for equalization purposes. This is a third basic argument for state support of modern programs of education.

SOURCES OF STATE FUNDS

State tax funds for the support of schools have been derived chiefly from permanent endowments established from early federal land grants, from earmarked taxes, and from state appropriations from the general fund. Interest from the permanent endowment has long since ceased to be a significant source of state school funds in Iowa. Earmarked taxes have not been used in Iowa though proposals to provide funds through a 1% sales tax have been made. The present general and supplemental aid programs are supported by appropriations paid from the state general fund.

State tax proceeds are called "earmarked" when they are dedicated to a particular function and when the yield of the tax determines the appropriation for that function. Such taxes have unfortunate results for the schools because of the variability in revenue derived from year to year and the possibility of adverse reaction from competing governmental agencies. Earmarked taxes also present a problem in budgeting for both the state and the local school district. Some people advocate the tax in spite of the handicaps, though fewer states have employed the practice in recent years.

Authorities advocate that state support programs be paid from the state general fund because of its greater stability. School districts are in a better position to anticipate the amount to be received from state general fund sources and can avoid the extreme variations which might otherwise be required in the local tax rate when state funds are based on a variable source.

## GENERAL CLASSIFICATION OF STATE SUPPORT FUNDS

In order to adequately discuss the present types of state support in Iowa or to discuss the features of comparative state support programs it is necessary to define or describe the various types of direct and indirect state support funds in common use.

### Types Defined

#### Direct State Aids

For the purpose of classification it is common to divide the many types of state appropriated money into two main groups known as general purpose and special purpose funds. Each of these two groups may have eitherof two usual methods of distribution known as flat-grant and equalization grant. This makes it possible to categorize most state funds for education under one of four general headings:

1. General-purpose flat-grant funds
   These funds may be used for general school purposes without restriction. The basis for apportionment is usually a fixed amount per teacher, or per pupil or per classroom unit, etc. in the school district. This type of grant is not intended to equalize educational opportunity. Rather, it represents use of the state's tax broadening powers. Iowa's general school aid which provides for 17¢ per elementary child in A. D. A. and $1.00 per junior college student in A. D. A. is an example. These funds usually contain elements both of tax equalization and tax sharing.

2. Special-purpose flat-grants funds
   As suggested by the heading these funds can be used only for specific designated purposes such as transportation or vocational education. The basis for apportionment is usually a fixed amount per teacher, or per pupil or per classroom unit, and so forth, in the school district. The transportation aid formula in Iowa which provides $30 per year per pupil transported is an example. Special purpose funds have usually been advocated on the "incentive" principle. Special purpose funds are steadily losing favor.

3. General-purpose equalizing funds
   These funds may be used for general school purposes without restriction. They differ from other general purpose funds in that the amount distributed to each school district is determined by the relative ability of the local district to support its schools. The intent of the supplemental aid program in Iowa serves as an example.

4. Special-purpose equalizing funds.
   These funds may be ticketed for specific items such as transportation,

teacher's salaries, textbooks, buildings, etc. The method of distribution is based upon the relative ability of the local district to support its schools. Iowa has no state support fund which falls in this category.

Funds For Property Tax Relief

Some state funds exist to pay certain obligations incurred by legislation exempting some property taxpayers from portions of their local tax. Such funds exist in Iowa for payment of the homestead exemption, the veteran's exemption, and the agricultural land tax credit. In all three cases the amounts of the credits are deducted from the individual's property tax bill and the taxpayer pays the net amount. The county applies to the state for reimbursement of the total amount credited to eligible taxpayers in the county. In the cases of the Veteran's exemption and the agricultural land tax credit the state pro-rates the amount of the claim if the appropriation is insufficient.

The homestead exemption and the veteran's exemption apply to property taxes paid for all purposes. School programs do not benefit from appropriations made for these exemptions.

The agricultural land tax credit fund exists to reimburse the taxpayer for school taxes paid on tracts of ten or more acres of land used for agricultural purposes and when the school tax for the general fund exceeds fifteen mills. This fund exists solely for relief from school taxes on agricultural land located within the several school districts. The intent of the state is for property tax relief on agricultural land. The effect is to provide little, if any, indirect support of public education without altering the basic structure of local property tax for school support. The fund does not increase the funds available for school operating expenses. Some of the property tax burden is in effect shifted to the state.

PRINCIPLES OF A GOOD STATE SUPPORT PROGRAM

Rosenstengel and Eastmond contend that[8]

".....the manner in which the state supports schools is equally as important as the amount of money it spends for education. A state-support program that is not based on sound principles of school finance may defeat the very purposes it has been set up to accomplish. It may thwart initiative, reward inefficiency, and provide a meager and inadequate school program."

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8. Rosenstengel, Wm. E. and Eastmond, J. N. School Finance, Its Theory and Practice (New York, The Ronald Press, 1957) p. 63

It seems necessary at this point to identify those principles which the authorities generally accept as basic to any good program of state-local support of education.

School District Organization

The organization of school districts is not actually a part of the state school program. Yet it is of such importance that Jesse Parker, state superintendent of public instruction, in 1954, recommended that reorganization should go hand in hand or possibly precede any new state aid program. It is clear that too-small school districts are unable to use state funds efficiently, and are inordinately expensive considering the meager educational opportunities.

Democracy

School districts should be a working example of the principle of democracy. Rosenstengel and Eastmond state that, self-government presupposes an ability or capacity to fulfill the function itself. Very small districts often lack adequate lay and professional leadership. Lack of pupils and limited financial resources inhibit their ability to make decisions that are in the best interests of the state as a whole. Local initiative and local control can only be effectively exercised in adequately organized districts.

Equal Educational Opportunity

Equal educational opportunity for all children is a fundamental for any program of state support. Yet a high percent of state support cannot bring equal educational opportunity in those districts which are poorly organized. A recent report of the Iowa Center [9] suggests that "the optimum for Iowa (high schools) appears to be within the 400 to 1,000 range..... some schools in less densely populated areas are apparently adopting the six-year secondary school in order to secure an enrollment range of 400 to 1,000 pupils, making possible a more favorable combination of cost-quality factors."

Prudence

The prudential principle demands the wise use of money. Research[10] has shown many times that excessive costs are typically found in districts where elementary schools employ less than one teacher per grade and high schools employ less than ten teachers. Cost per pupil unit of educational opportunity bears a negative relationship to size in secondary schools of less than about 500 pupils.

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9. Perry, A. V. What Does Research Say About Optimum Size For Secondary Schools? (Iowa Center For Research In School Administration, August, 1961) p. 6

10. Woodham, Wm. J. The Relationship Between the Size of Secondary Schools, The Per-Pupil Cost and the Breadth of Education Opportunity (Gainesville, Fla.: University of Florida, doctoral dissertation, 1951), p. 185

Adaptability

The principle of adaptability refers to the ability of school systems to change, i.e. to provide modern up-to-date educational programs. Mort and Cornell[11] in a broad sampling of Pennsylvania schools found that schools with more than 86 classroom units were the first to make desirable changes. These districts with less than 30 classroom units were much less adaptable than larger ones. The principle implies that districts must be large enough to provide adequate leadership in sufficient amount to keep school programs up-to-date.

Local Initiative

Local initiative is a principle which must be credited for the rapid establishment and growth of schools in this country. Local control seems to be crucial to maintaining local initiative. State plans which prescribe standards with detailed requirements tend to discourage local responsibility. A state plan with no standards could just as easily violate principles of equal educational opportunity, prudence, or adaptability, and result in a reduction of local initiative.

Local Effort

Enough local effort should be required of the citizens of every district to maintain interest in the school program and in how the money is spent. If excessive effort is required for an inadequate program it cannot be claimed that there is local control. Local autonomy demands that people must have both the ability to choose between alternatives and the authority to do so.

State Control

Programs of state financial support should be designed to provide sufficient state-local funds to finance the essential program of studies. They should not be used as a means of restricting or over-riding local control of education. Certain minimum controls such as compulsory attendance, length of term, and certification of teachers are necessary. State control should be limited to that which is necessary to insure that state funds are actually spent for the minimum program.

Fiscal Equity

The principle of fiscal equity requires that once a reasonable rate of taxation is determined that the rate be applied to assessments which are themselves equitable. This requires, in states dependent to a large extent on the property tax, some system of equalized assessments. The machinery for equalizing property assessments already exists in Iowa.

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11. Mort, Paul R. and Cornell, Francis G. American Schools in Transition. (New York: Bureau of Publications, Teachers College, Columbia University, 1941), pp. 137-38.

Tax Leeway

A good state support program should provide some funds for all districts - except perhaps for the few small very rich districts. Where state programs have been in existence it is necessary for new programs of state support to guarantee at least the amount of funds payable under the old programs in order to avoid undue disruption of the local budget. Sometimes the local tax rate for the minimum foundation program is set at a lower rate than is necessary to fully support the program in the key district. Such provisions provide what is known as tax leeway. Where tax leeway exists, local districts are enabled to go ahead with innovations using their own financial resources for support.

## OPERATIONAL FEATURES OF A GOOD STATE SUPPORT PROGRAM

The needs, and consequently the costs, are different for high schools than elementary schools. There are various ways of counting pupils for the purpose of determining the amount of state support in dollars. The existence of summer school services, problems of including or excluding capital outlay from the state support program, and a host of other considerations are relevant to the design of state-local support programs. The extent to which these problems are recognized and incorporated into the state support program has much to do with whether or not the preceding principles operate. A discussion of relevant operational problems follows.

Measuring The Need

The most common measures of educational need are the weighted pupil unit and the weighted classroom unit. The two are equivalent approaches to the problem of measurement. Weighting is generally done on the basis of expenditure experience in the state and research. A value of 1/2 for kindergarten, 1 for the elementary pupil, 1 1/2 for secondary, and 1 3/4 for Junior Colleges are examples. This may vary from state to state as determined by research for that state. It has been widely recognized that junior high and high school programs are more costly than elementary programs. The weighted pupil unit actually attempts to estimate the cost ratio between the various program levels. Other factors such as the additional cost of schools in rural areas and the cost of transportation affect this ratio. These are called sparsity factors and corrections are commonly made so that different ratios may be used for rural and urban schools.

Use of the classroom unit requires that the size of the classroom unit be legislatively defined. For example, 20 kindergarten pupils in average daily attendance, 25 elementary pupils in average daily attendance, or 20 high school pupils in average daily attendance might be defined as one classroom unit. The classroom unit might also be defined in terms of a certain number of teachers, administrators, supervisors, etc. for a given period of employment. Once this has been determined the value of each classroom unit may be fixed in the same ratios as have been determined for the pupil units at the various program levels. Sparsity corrections are as easily accomplished with the classroom unit as with the weighted pupil unit.

Mort and some of his students have proposed the derivation and use of a single, all encompassing unit of educational need. By plotting a two-way distribution of the variables

reflecting increased costs a formula can be devised from which it is possible to compute the amount of educational need of any school district regardless of size or sparsity of population. Unless carefully drawn, the formula can have the effect of unduly restricting or encouraging school district reorganization. The method is somewhat difficult for the layman and has not been widely used.

The advantage in measures of need is that it presents a ready method for counting the units of need in any school district.

Determining The Load

The school census is no longer a commonly used measure. Apportionment of funds on this basis tended to favor urban areas and failed to meet the needs of sparsely populated areas. The age limits for the school census were determined at a time that it was thought desirable to provide elementary school opportunities to grown adults. These age limits are no longer realistic for census purposes and are unrelated to the numbers of children actually attending school. They do still appear in certain sections of the Iowa Code.

Average daily attendance has been a much more acceptable measure. It is found by summing the days attended by each student enrolled and dividing by the number of days school is in session during the school year. It is more nearly representative of the actual pupil load for whom the public school district is responsible. It has been criticized on the basis that it reflects decreases in attendance solely as consequence of bad weather or epidemics.

Average daily membership has been proposed as a remedy for the shortcomings of average daily attendance. It is found by summing the daily membership for the school year and dividing by the number of days school is in session. Membership on any given day is defined as the number of pupils enrolled on opening day less those pupils who later drop out plus those who enroll after the opening day. (It is not good practice to drop pupils from the roll temporarily due to illness or other absence because it results in an artificially high attendance rate. A case can be made for A. D. M. in that it more nearly reflects the educational load for which the district budget must be planned.

Other Considerations

State support programs are commonly computed on the basis of a nine-month program. This overlooks the fact that many school districts operate summer schools. If these services are needed to provide the essentials of a minimum program, poor districts may be unable to provide these services. For this reason, provision can and should be made for adding fractional units sufficient to meet the needs during the summer months.

Some states have attempted to tie instructional salaries to the state support program. If the level of the support program is not sufficient to allow poor districts to obtain the highest caliber teachers, the scheme does little to upgrade the quality of teachers in poor districts. This problem has been circumvented in some states by assigning a lower value to a unit which is used for poorly prepared teachers and a higher value for well-prepared teachers. The effect then is to reward districts which employ the better prepared teachers. Including instructional salaries in the state support program is subject to the criticism that it does not

leave the local district free to determine how money is to be used.

Authorities generally agree that transportation is an essential service which should be recognized in the state support program. In some states transportation is not included in the basic foundation program. In other states sparsity corrections for transportation are included in the basic foundation program. There seems to be no particular justification for separating transportation from the foundation program.

Most foundation programs thus far have been based upon current operating expense. School districts with rapidly expanding pupil populations may be unable to finance necessary building programs and hence are forced to violate the principle of equal educational opportunity. Where the problem has been recognized at all, two approaches have been taken. One is to include capital outlay in the foundation program and the other is to provide a separate foundation program for capital outlay.

## FOUNDATION PROGRAM - A MUST

The original Strayer-Haig proposal was based on the idea that the wealthiest districts were quite able to finance a minimum program on their own. A levy sufficient to provide the cost of the minimum program in the wealthiest district was to be required of all school districts. The difference between the cost of the program and the amount raised by this uniform levy in each district was to be provided by the state. In effect this based the state support program on the typically small district of great wealth and resulted in an exceptionally high per cent of state support.

## "KEY DISTRICTS"

This plan was soon modified to a plan known as the Key-District plan. Mort advanced the notion that the plan should be based on the "largest wealthy district." In this plan "freak" or atypical districts are excluded and the plan is based on the largest wealthy district. The local levy is sometimes set at a smaller figure than that required for the key district to bear the entire cost of the minimum program. Thus, all districts are allowed to participate in the program and tax leeway is provided. If the local levy is adjusted properly, school districts can be assured of at least the same amount of state support as they have received under prior flat-grant programs.

### The Foundation Program Formulated

Simply stated the Strayer-Haig concept boils down to the following:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| State Support For a given School District | = | number of units of educational need in the district | X | unit cost of the foundation program | − | Tax Rate for the local contribution to the program | X equalized value of taxable prop. in the district |

### Tinkering Can Defeat The Concept

Unfortunately, undue tinkering with the mechanics of the concept or failure to define realistically the foundation program to be supported has prevented full realization of a basic

program of education in many instances. Research is needed in Iowa to define the unit of educational need, the acceptable foundation, and the necessary local property tax rate to be contributed by all districts. When all these have been determined, it is necessary to turn to the sources available for the state support and to find out how much of the proposed state tax is tax-sharing and how much is tax equalization. If the sources of state support funds have a large element of hidden tax-sharing then fiscal equity is defeated and injustice is likely to bear on the taxpayers in the poor district. If this happens in a state committed to a program of education, the most that can be said is that the penalty bears upon the taxpayer rather than upon the child. Up to the present Iowa has done little to guarantee equity to either the child or the taxpayer.

Getting Beneath The Labels

In any comprehensive analysis of state-support programs it is necessary to get beneath the labels attached to state aids to see how much in reality is tax-sharing and how much is equalization. This is equally true for proposed programs of state support. In other words, the framework of a state-aid system should be determined in terms of the needs for equalization and tax sharing.

It is not uncommon to ask too much of state distribution fund formulas in achieving the aforementioned principles of good state support programs. Again Mort[12] succinctly points out the problem:

> "Whenever a state-aid law is written, everybody, it seems, has some special miracle worker that will induce or press the schools into making progress. The denial of full participation to poorly organized schools, "the granting of so many dollars" if you spend it for these particular purposes", the computation of the cost of the foundation program so that schools must expand expenditures by hiring better-trained teachers (if they can) and not by hiring more teachers, the determination of the cost of the program by budgets that must pass state-office inspection, the payment of aid as reimbursement instead of in terms of commitments for the current year - these are the little things that squeeze the equalization out of state-aid programs."

It would seem that financial penalities for non-compliance carry with them the risk that the local district may be unable - not just unwilling - to meet all the conditions implied by good principles. The result is to deny funds to districts most in need, thus defeating equalization of educational opportunity. It is fairly obvious that some of the principles should be met through legislation other than that connected with the distribution program.

It has been shown in Part I that a state-local partnership for the support of education in Iowa has existed for a long time. The trouble is that the local partner has responded far more than has the state to challenges brought on by change in pupil population, the value of money, and the public expectancy for education.

The problem has been intensified for the local partner because the local property tax

12. Mort, Paul R.; Reusser, Walter C.; and Polley, John W. Public School Finance (NewYork McGraw-Hill Book Co., 1960) pp. 250-251.

has been the only resource available to it. One of the fundamental needs in Iowa is for tax broadening. This is possible only at the state level for it is the state that can tap resources not available to the local district. When the state taps such tax resources and redistributes the money for local functions, part of the tax is actually returned to the local district on a "tax-sharing" basis. The remainder of the tax which is consumed at some place other than the point of origin has an equalizing effect. Hence, administrators and interested lay people are often entrapped into regarding state appropriations as "aid" when in reality the state has only acted as the administrative agent for making available to the community its own resources. On the other hand, a part of most flat-grants distributions have an equalizing function which is hidden just as is the tax sharing aspect of most appropriations. Mort[13] presents methods for analysis of the amount of each which can be applied in any state and to any formula.

Two Equivalent Programs

Mort illustrates two equivalent ways in which a state can commit itself to a definite program of equal educational opportunity, one way based on a full equalization formula and the other on a combined flat-grant and equalization formula. The programs are equivalent because of the previously mentioned hidden equalization in the flat-grant. Assuming a $400 foundation program, Mort shows in a chart similar to Chart I below a state program based upon equalization aid, some tax broadening support, and the local property tax. By what he terms a "marriage of convenience," the same effect can be had as shown in Chart II.

Chart I

Minimum Program Based on Equalization

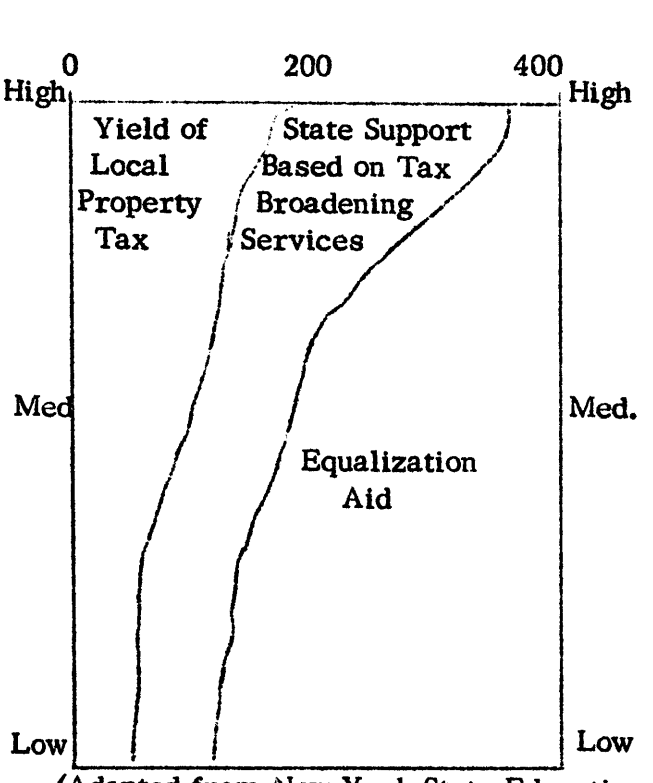
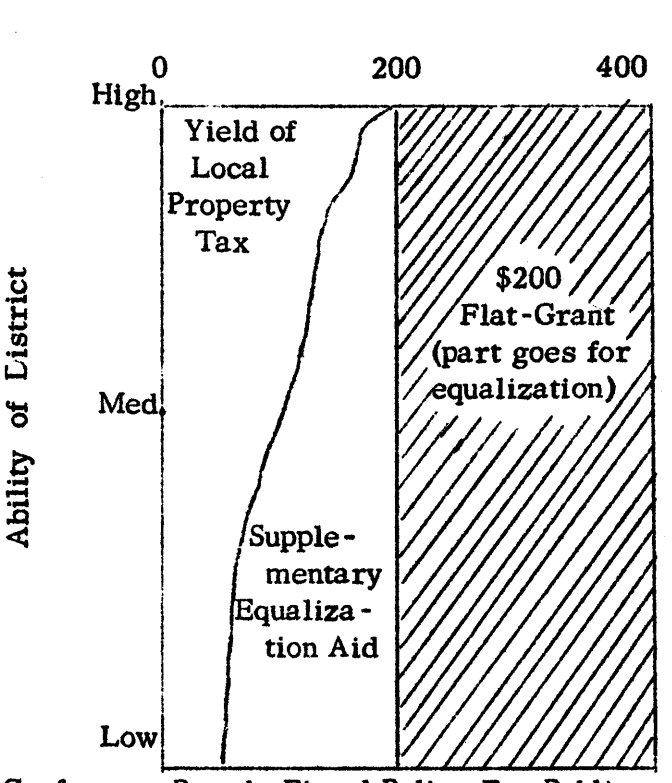



Chart II

Minimum Program Based on Flat-Grant and Equalization




(Adapted from New York State Educational Conference Board, Fiscal Policy For Public Education in the State of New York, Albany, N. Y., September, 1947, p. 69)

13. Mort, Paul R., Reusser, Walter C; and Polley, John W. Public School Finance (New York, McGraw-Hill Book Co., 1960) chps. 12, 13, 14.

Enough of the flat-grant shown in Chart II is equalization to make the total equalization in Chart II equivalent to that shown in Chart I. The remaining part of the flat-grant in Chart II would be equivalent to the part of Chart I designated as support based on tax-braodening. Chart II seems to offer a method of solving the problem in states relying heavily on existing programs of flat-grant aid. It also can be appealing to those who would not take the trouble to see through the component parts of existing aids, whatever their label.

# PART III

## PRESENT PROGRAM OF SCHOOL FINANCE IN IOWA

### LEGAL BASIS OF STATE AUTHORITY AND RESPONSIBILITY

The constitution of Iowa contains two provisions which define the power and responsibility of the general assembly with respect to education: [14]

1. "The general assembly shall have power..... to provide for the educational interest of the state in any manner that to them shall seem best and proper." (Article IX, 1st, Section 15)

2. "The general assembly shall encourage by suitable means, the promotion of intellectual, scientific, moral, and agricultural improvement." (Article IX, 2nd, Section 3)

Within the framework of Iowa's constitution the responsibility for organizing intermediate and local units, the provisions by which these units shall be financed, and the assignment of educational functions to them and to the department of public instruction as the representative agency with statewide jurisdiction in certain areas of public education, rests squarely upon the Iowa General Assembly and upon the people of the state. The Iowa General Assembly is the supreme board of education for the people of the state. Local school districts operate within the framework laid down by the legislature. Whenever children in Iowa are deprived of adequate educational opportunities due to faulty district structure or inadequate funds and where ever the citizens of the state do not share alike the burden of supporting education, the legislature must accept the responsibility of correcting the inadequacies.

### HISTORY OF PRESENT STATE SUPPORT PROGRAMS

Prior to the school year 1945-46, all state money distributed to schools (except for the interest on the permanent school fund) was in the form of "special aid" allotments for normal training, consolidated schools, and standard rural schools. The 49th general assembly (1941) appointed Iowa's first school code commission, a study group whose recommendations for a state equalization and distributive fund failed to get through the senate sifting committee in the 50th general assembly. A second code commission was established in 1943 and of its 20 legislative proposals, 13 were passed by the 51st general assembly (1945). Among the laws passed were:

1. The school transportation act, which appropriated 2 million dollars as reimburse-

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14. State of Iowa, School Laws of Iowa (Des Moines, Iowa, State of Iowa, 1960) p. 61

ment to Iowa school districts for cost of public school transportation.

2. The agricultural land tax credit act which set up an agricultural land credit fund to be apportioned against the tax on agricultural lands of 10 acres or more in school districts in which the general school fund millage exceeded 15 mills. (The first appropriation under this act was $5000,000. The act was declared unconstitutional by the state supreme court because it granted credit to land owners in "independent" districts only. The act was later changed to include all school corporations and the revised act was later declared constitutional by the state supreme court.)

3. The supplemental aid act, which provided for an appropriation of 1 million dollars, to be distributed on a formula basis to certain school districts was Iowa's first fiscal equalization law. (The first equalization appropriation under this act paid only 22 percent of the claims of eligible school districts.)

In 1947, the 52nd general assembly provided for two new categories of aid - general and emergency. General aid was to be distributed to the school districts at the rate of 11 cents per day for each elementary pupil and 14 cents per day for each high school pupil in average daily attendance.[15] The "emergency" aid was to be paid from surplus funds during the 1947-49 biennium. State aids for normal training high schools, standard rural schools, and consolidated schools were eliminated by the 52nd general assembly. An amendment to the appropriation bill required that state funds be used only for a basic curriculum, the elements of which were defined by law, and each district was required to set up a "special fund" for teaching courses not included in the basic curriculum.

The 1949 legislature eliminated the emergency category and increased the general aid appropriation. The amount of general aid per child in average daily attendance was increased to 17 cents per day for each elementary pupil and 20 cents per day for each high school pupil. For the first time, aid was given to junior colleges at the rate of 25 cents per day per student.

While appropriations for general aid have increased since 1949, the procedures for payment have remained fixed except for junior college aid which is now $1.00 per day for resident students and $1.50 per day for non-resident junior college students.

PROVISIONS AND PRESENT APPROPRIATIONS OF THE VARIOUS STATE AIDS

The formula for general aid is embodied in Chapter 286 A of the Iowa Code. A school district must have been approved and levied at least 15 mills for the general fund in the preceding year in order to collect general aid. In November of 1961 $19,529,780 was paid out in general aid on a pro-rata basis of 108 percent of claims.

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15. For all State Aid purposes, elementary pupils are defined as kindergarten through grade eight, and high school pupils are efined as grades nine through twelve. Kindergarten pupils attending one-half day sessions are counted full time for state aid purposes.

Supplemental Aid

The supplementary aid formula appears in Chapter 286. 1 of the Iowa Code.

1. Provision is made for payment to districts which cannot furnish $120 per elementary pupil and $170 per high school pupil on a levy of 10 mills in non-high school districts and 15 mills in high school districts. (This means that high school districts draw supplemental aid if their assessed valuation per child in A. D. A. falls below about $9, 000 and in non-high school districts if it falls below about $13, 500. For the purpose of computing supplemental aid, the value of tax free lands must be considered in figuring the assessed valuation. )

2. No district can receive supplemental aid unless it levied at least 15 mills for the general fund for the previous year. Supplemental aid paid out in November of 1961 was $4, 000, 000. Total claims amounted to $9, 239, 712. 98. The pro-rata payment was 43 percent of the claims.

Special Aids

The present special aids for public schools in Iowa are:

1. Transportation - reimbursement is on the basis of 30 dollars per year per student transported, with the amount adjusted for each district on the basis of a) average number of pupils transported, b) miles per pupil per year, c) road conditions. Legislative appropriations were sufficent to meet formula references only in the early years of the administration of this act.

2. Special education - reimbursement for special education is made on the basis of excess cost of instruction of pupils in special education over the cost of instruction in the regular curriculum. Claims have never been paid in full. In those cases where the program is operated by the county board of education, the excess cost is computed on the basis of the average per pupil cost of the participating districts. The present appropriation is $1, 500, 000 per year.

3. Vocational aid - an annual appropriation is made to aid in financing vocational programs in school districts. The state matches an amount of federal aid appropriated through the Smith-Hughes Act of 1917 and the George Barden Act of 1946. The state and federal funds together may pay up to one-half of the cost of the local district's vocational education program. The last general assembly appropriated $400, 000 a year for aid to vocational education.

4. Mining Camp aid - money in the mining camp aid fund is apportioned to certain districts in areas where mining camps (coal mines) are located and consequently have low assessed valuation. The department of Public Instruction distributes the money on the basis of need as determined by the Department. Annual appropriations are now $45, 000.

5. Emergency aid - this aid was restored in 1955 and appropriations for 1960-61 were $200, 000. This aid is designed to assist districts which cannot maintain reasonable standards without levying a tax in excess of 100 mills. The money is distributed by the Department of

Public Instruction at their discretion.

## TRENDS AND COMPARISONS OF STATE MONEY AND SCHOOL COSTS

Trends in direct state appropriations for schools which are distributed by the Department of Public Instruction and the percent these funds have been of current operating expenses are shown in Table I. These appropriations, have been increased by each general assembly since 1949-50. The largest increase in money amounts, has been in the general aid appropriations which now total nearly $20 million. The total amount of money distributed directly to schools for 1960-61 was nearly $30 million.

In addition to direct state appropriations for schools, Table 1 also reveals the 1960 state appropriations for school property tax relief as embodies in the Agircultural Land Tax Credit, Homestead Exemption, and the Veterans Exemption. (See Table 6 for a more complete description of these appropriations.)

Table 2 depicts the trend in the amounts of state appropriations for schools distributed by the Department of Public Instruction and the percent these funds have been of current operating expense. It is readily observed that these state funds each year constituted a smaller amount of current operating expense from 1949-50 to 1960-61 except in 1954-55 and again in 1960-61. These state funds in 1960-61 constituted about 13.5 percent of current operating expense of all school districts. It should be noted that direct state school aid funds and appropriations for school property tax relief combined amounted to about 26 percent of current operating expenses in 1960-61.

The fact that state funds for support of education have not kept pace with current operating expenses has had the effect of placing more of the burden of support of education upon the local property tax. Table 3 reveals the trend in the gross local school property tax levies from 1949-50 to 1958-59. (Net school property taxes are gross school property taxes less exemptions, credits, and refunds.) The millage levies since 1949-50 have nearly doubled by 1958-59, the last year for which data is available. The total average mill levy for all school districts in Iowa for 1961-62 is over 40 mills.

TABLE 1

STATE APPROPRIATIONS TO SCHOOLS DISTRIBUTED BY
STATE DEPARTMENT OF PUBLIC INSTRUCTION 1949-50 - 1960-61

| School Year | General | Supplemental | Emergency | Mining Camp | Transportation | Special Education | Vocational | Total |
|---|---|---|---|---|---|---|---|---|
| 1949-50 | $12,000,000 | $2,000,000 | $ | $72,000 | $3,000,000 | $ 526,000 | $ | $ 17,598,000 |
| 1950-51 | 12,000,000 | 2,000,000 | | 72,000 | 3,000,000 | 526,000 | 200,000 | 17,798,000 |
| 1951-52 | 12,000,000 | 2,000,000 | | 72,000 | 3,000,000 | 526,000 | 200,000 | 17,798,000 |
| 1952-53 | 12,000,000 | 3,000,000 | | 72,000 | 3,000,000 | 526,000 | 300,000 | 18,898,000 |
| 1953-54 | 12,000,000 | 3,000,000 | | 72,000 | 3,000,000 | 526,000 | 300,000 | 18,898,000 |
| 1954-55 | 14,335,000 | 4,000,000 | | 72,000 | 3,000,000 | 675,000 | 300,000 | 22,382,000 |
| 1955-56 | 14,335,000 | 4,000,000 | | 72,000 | 3,000,000 | 675,000 | 300,000 | 22,382,000 |
| 1956-57 | 14,610,000 | 4,000,000 | 50,000 | 72,000 | 3,000,000 | 800,000 | 300,000 | 22,732,000 |
| 1957-58 | 14,610,768 | 4,000,000 | 50,000 | 72,000 | 3,000,000 | 800,000 | 300,000 | 22,732,000 |
| 1958-59 | 15,500,000 | 4,000,000 | 50,000 | 44,500 | 3,000,000 | 1,000,000 | 300,000 | 23,894,500 |
| 1959-60 | 15,500,000 | 4,000,000 | 100,000 | 36,700 | 3,000,000 | 1,000,000 | 300,000 | 23,936,700(a) |
| 1960-61 | 19,529,780 | 4,000,000 | 200,000 | 72,000 | 4,000,000 | 1,500,000 | 400,000(c) | 29,701,780(b) |
| 1960 | State appropriation for school property tax relief and proportion of property tax relief for schools (These appropriations shown for 1960 only, however these were in effect in lesser amounts for the previous years) | | | | | | | 27,056,643(d) |
| 1960 | Total State Share of School Tax Burden | | | | | | | 56,758,423 |

TABLE Source:
a. Biennial reports of state superintendent of public instruction
b. Letter State Superintendent of Public Instruction
c. $250,000 is appropriated for administration of the National Defense Education Act and some of this is distributed direct to schools.
d. See Table 6
e. State aids shown above were distributed on the basis of A. D. A. etc. for the year shown. The General Aid of $19,529,780 shown for 1960-61 was actually distributed in November of 1961. State aid for 1961-62 will be distributed in November of 1962

TABLE 2

Trend in Direct State Appropriation for Schools Distributed by Department of Public Instruction, Current Operating Expense and the Percent Direct State Appropriation to Schools have been of Current Operating Expense 1949-50 to 1960-61

| School Year | Direct State Appropriations for Schools Distributed by Department of Public Instruction to Iowa Schools | Current Operating Expense* | Per Cent Direct State Appropriations Distributed by Dept. of Public Instructions Have Been of Current Operating Expense |
|---|---|---|---|
| 1949-50 | $17,598,000 | $93,122,763 | 18.9 |
| 1950-51 | 17,798,000 | 101.470,997 | 17.5 |
| 1951-52 | 17,798,000 | 111,867,759 | 16 |
| 1952-53 | 18,898,000 | 120,844,364 | 15.6 |
| 1953-54 | 18,898,000 | 130,564,974 | 14.5 |
| 1954-55 | 22,382,000 | 140,352,543 | 15.9 |
| 1955-56 | 22,382,000 | 150,347,680 | 14.9 |
| 1956-57 | 22,732,000 | 160,162,976 | 14.2 |
| 1957-58 | 22,732,000 | 173,217,312 | 13.1 |
| 1958-59 | 23,894,500 | 187,025,059 | 12.8 |
| 1959-60** | 23,936,700 | 202,323,688 | 11.8 |
| 1960-61 | 29,701,780 | 218,733,534 | 13.5 |

*Source of the data in this column was taken from "Data on Iowa Schools", Department of Public Instruction, January, 1961, Page 26, and by personal letter from the Department.

**The amounts of money shown in column "Direct State Appropriation" Etc., were actually distributed during the school year following that shown. For example, State Aid for 1959-60 is shown as $23,936,700. This is the amount of money paid to Iowa School districts in November of 1960. In actual practice the State Aid appropriations help pay the current expenses for the same year in which they were received.

***State appropriations for school property tax relief in 1960 amounted to $27,056,643.

TABLE 3

STATE AVERAGE GROSS MILLAGE LEVIES 1949-50 to 1958-59*

| School Year | Millage Levy General Fund | Special Courses Fund | Millage Levy School House Fund | Total Levy ** |
|---|---|---|---|---|
| 1949-50 | 19.478 | .599 | 1.562 | 21.639 |
| 1950-51 | 20.561 | .638 | 1.794 | 22.993 |
| 1951-52 | 22.017 | .673 | 1.947 | 24.637 |
| 1952-53 | 23.369 | .747 | 2.099 | 26.215 |
| 1953-54 | 24.832 | .735 | 2.400 | 27.958 |
| 1954-55 | 25.923 | .722 | 2.587 | 29.232 |
| 1955-56 | 26.668 | .681 | 2.812 | 30.161 |
| 1956-57 | 28.952 | .643 | 3.712 | 33.307 |
| 1957-58 | 29.476 | .663 | 3.458 | 33.597 |
| 1958-59 | 34.957 | .678 | 3.559 | 39.194 |

Data for 1959-60 and 1960-61 not yet available

*Source: "Data on Iowa Schools", Department of Public Instruction, January, 1961 Page 20

** Mill levies would be reduced if refunds, credits, and exemptions for agricultural Land Tax Credit, Homestead Exemption Credit, and Veterans Exemptions were subtracted.

TABLE 4

Trend in Assessed Valuation, September 15th Public School Enrollment, and Assessed Valuation per Child for state of Iowa from 1949 to 1961

| Year | Assessed Valuation* | September 15th Public School Enrollment | Assessed Valuation Per Child Enrolled |
|---|---|---|---|
| 1949 | $3,935,890,977 | $450,681 | $8,733 |
| 1950 | 4,036,399,937 | 458,066 | 8,812 |
| 1951 | 4,246,614,218 | 466,550 | 9,102 |
| 1952 | 4,374,270,103 | 482,014 | 9,075 |
| 1953 | 4,434,729,212 | 493,327 | 8,989 |
| 1954 | 4,475,198,443 | 508,249 | 8,805 |
| 1955 | 4,548,720,227 | 518,042 | 8,781 |
| 1956 | 4,600,523,711 | 531,029 | 8,663 |
| 1957 | 4,755,850,246 | 541,630 *** | 8,781 |
| 1958 | 4,852,129,809 | 554,223 | 8,755 |
| 1959 | 4,992,865,455 | 567,253 | 8,802 |
| 1960 | 5,105,581,144 | 577,735 | 8,837 |
| 1961 | ** | 589,499 | |

*Assessed valuations are for the year shown at the left but collections are made in the following year. For example, collections are made on the assessed valuation for 1949 in 1950.

**Not available.

***Enrollments for the years previous to 1957-58 are based on adjustments of reported cumulative year-end enrollments to make them comparable with beginning-of-the year enrollments of 1957-58 through 1961-62. The correction is based on the ratio of 94.34 percent of the 1957-58 through 1961-62 enrollments given on September 15th which represents the percents that the 1957-58 through 1961-62 beginning-of-the-year enrollments were of the 1957-58 through 1961-62 reported cumulative year-end enrollments.

Source Data on Iowa Schools., State Department of Public Instruction, January, 1961 and Letter from Assistant State Superintendent of Public Instruction.

## ADEQUACY OF IOWA PROGRAM OF SCHOOL FINANCE

Iowa's present program of financing education has been depicted in Table 5 and Figure 2. (Data for Table 1 and Figure 2 are for high school districts for the school year 1958-59. Since little change has occurred in the legal provisions for financing of schools since 1958-59, the data serve to reveal the siginificant aspects of the program nearly as well as would current data.) All school districts were assigned to intervals or categories according to each district's assessed valuation per resident child in A. D. A. in 1958-59. The categories ranged from a low of $2,000 to $2,999 per resident child in A. D. A. up to $24,000 to $24,999 per resident child in A. D. A. Column 2 of Table 5 shows the number of districts in each category or interval, and column 3 shows the number of pupils in each interval. The average gross millage levy (general fund plus special courses fund levies only) was determined for all the schools in each interval. For example, in the 33 high school districts in the interval $14,000 to $14,999, the average levy was 25.2 mills for the general fund plus the special courses fund. The amount of money raised per resident child per A. D. A. in each category is shown in column 5 Table 5. In the category $14,000 to $14,999, $367 was available from the local school property tax for each resident child in A. D. A. Since general aid is apportioned on the basis of 20 cents per day for each high school pupil in A. D. A. and 17 cents per day for each elementary pupil in A. D. A., the general aid averages out to be equal to $29.28 for every resident child in the state. Column 7 reveals the amount of supplementary aid made available for each child in each assessed valuation category and column 8 shows the total amount of money available per resident child in A. D. A. in each interval.

Figure 2 depicts the information in Table 5 in graphic form. Several facts are noteworthy. The Iowa program for financing education bears heavily in the form of local property tax millage levies upon districts which have low amounts of property valuation behind each child. The present state support program does little to equalize local effort. Poorest districts in the state are exerting much more effort than are the wealthy districts, yet, the amount of money raised per child is much less in the poor district. The amount of general and supplmentary aid, plus the local effort, does not provide, for poor districts, an amount of money per child equal to that available in the median wealthy districts. The present program of school finance in Iowa does not provide for either equalization of local effort nor for equalization of educational opportunity.

## TAX RELIEF OR STATE AID?

One problem associated with defining state level financing of education in Iowa has been that of clearly establishing which monies flowing from the state treasury are aid to schools. It is unmistakably clear that those appropriations which are labeled as general, supplemental, emergency, mining camp, transportation, special education, and vocational education aids are definitely "state aid to schools." The money for these aids is apportioned by some measure of educational need and the money goes directly to the schools.

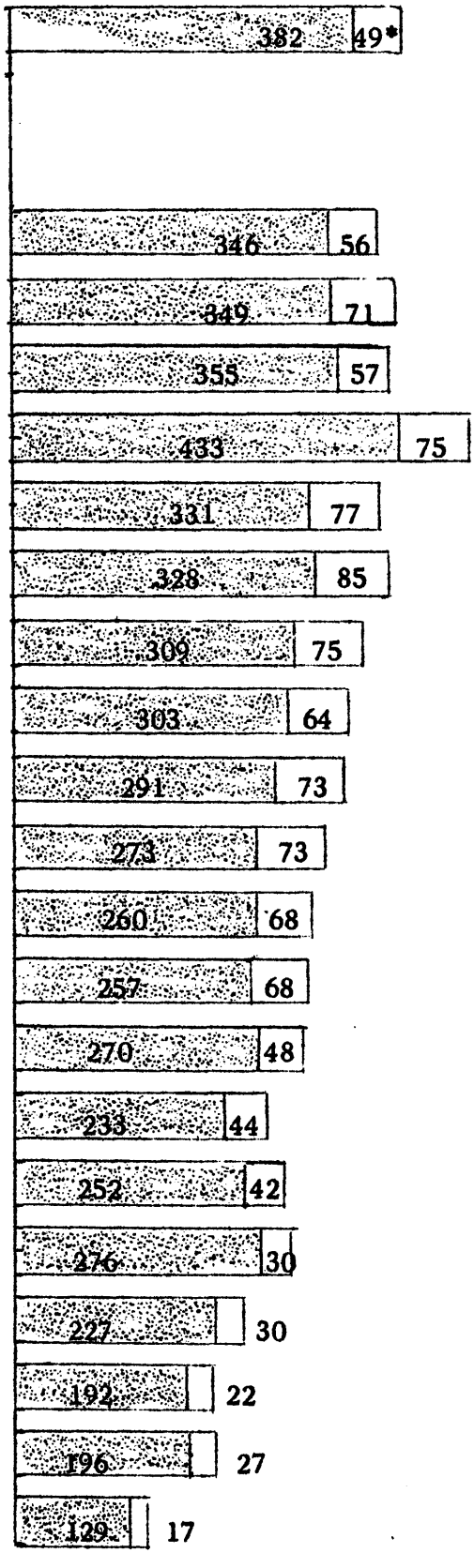
However, some monies which are appropriated from the state general fund for purposes other than direct school aid are sometimes classified as "state aid to schools" because the money serves to reimburse the local school property tax load. Three measures may be classified in this category - the Agricultural Land Tax Credit, the Homestead Tax Credit, and Veterans Tax Exemption Credit.

TABLE 5

1958-59 Program Of Finance in Iowa 's ~~City~~ 694 High School Districts

| 1 Intervals Assessed Valuation Per Child In A. D. A | 2 Number of Districts | 3 Number Pupils Each Interval | 4 General &* Special Courses Fund Average Millage Effort | 5 Local * Dollars Raised per Resident Child | 6 State General Aid Per Resident Child | 7 State Supple. Aid Per Resident Child | Total Money Available Per Child |
|---|---|---|---|---|---|---|---|
| 24,000-24,999 | 1 | 58 | 17.7 | $431 | $29.38 | 0 | $460 |
| 23,000-22,999 | 0 | 0 | | | 0 | | |
| 21,000-21,999 | 1 | 87 | 19.1 | 402 | 29.38 | 0 | 431 |
| 20,000-20,999 | 2 | 971 | 20.6 | 420 | 29.38 | 0 | 449 |
| 19,000-19,999 | 2 | 254 | 20.8 | 412 | 29.38 | 0 | 441 |
| 18,000-18,999 | 4 | 649 | 27.3 | 508 | 29.38 | 0 | 537 |
| 17,000-17,999 | 4 | 392 | 23.7 | 408 | 29.38 | 0 | 437 |
| 16,000-16,999 | 8 | 1,368 | 25.3 | 413 | 29.38 | 0 | 442 |
| 15,000-15,999 | 19 | 5,320 | 24.9 | 384 | 29.38 | 0 | 413 |
| 14,000-14,999 | 33 | 14,326 | 25.2 | 367 | 29.38 | 0 | 436 |
| 13,000-13,999 | 46 | 12,889 | 26.9 | 364 | 29.38 | 0 | 393 |
| 12,000-12,999 | 54 | 16,607 | 27.7 | 346 | 29.38 | 0 | 375 |
| 11,000-11,999 | 57 | 21,978 | 28.5 | 328 | 29.38 | 0 | 357 |
| 10,000-10,999 | 72 | 28,794 | 31.4 | 325 | 29.38 | 0 | 354 |
| 9,000-9,999 | 72 | 62,761 | 33.7 | 318 | 29.38 | 0 | 347 |
| 8,000-8,999 | 81 | 72,078 | 32.9 | 277 | 29.38 | 1.90 | 308 |
| 7,000-7,999 | 63 | 43,905 | 39.4 | 294 | 29.38 | 7.66 | 331 |
| 6,000-6,999 | 61 | 100,286 | 45.7 | 306 | 29.38 | 12.13 | 348 |
| 5,000-5,999 | 56 | 34,690 | 46.6 | 257 | 29.38 | 18.92 | 305 |
| 4,000-4,999 | 33 | 24,846 | 49.2 | 214 | 29.38 | 25.17 | 269 |
| 3,000-3,999 | 17 | 4,877 | 61.7 | 223 | 29.38 | 29.45 | 282 |
| 2,000-2,999 | 8 | 1,441 | 64.2 | 146 | 29.38 | 37.09 | 211 |

*Columns 4 and 5 make no allowance for the agriculture Land Tax credit, or Homestead and Veterans Exemption reimbursements.



| Dollars Raised Per Resident Child | State General Aid Per Resident Child $29.38 | State Supplemental Aid Per Resident Child | Total Money Available Per Child |
|---|---|---|---|
| 382 49* | | $ 0 | $460 |
| | | 0 | |
| | | 0 | |
| 346 56 | | 0 | 431 |
| 349 71 | | 0 | 449 |
| 355 57 | | 0 | 441 |
| 433 75 | | 0 | 537 |
| 331 77 | | 0 | 437 |
| 328 85 | | 0 | 442 |
| 309 75 | | 0 | 413 |
| 303 64 | | 0 | 436 |
| 291 73 | | 0 | 393 |
| 273 73 | | 0 | 375 |
| 260 68 | | 0 | 357 |
| 257 68 | | 0 | 354 |
| 270 48 | | 0 | 347 |
| 233 44 | | 1.90 | 308 |
| 252 42 | | 7.66 | 331 |
| 276 30 | | 12.13 | 348 |
| 227 30 | | 18.92 | 305 |
| 192 22 | | 25.17 | 269 |
| 196 27 | | 29.45 | 282 |
| 129 17 | | 37.09 | 211 |

*The approximate amount of Agricultural Land Tax Credit Reimbursement, Homestead and Veterans exemption Refunds

## The Agricultural Land Tax Credit

The Agricultural Land Tax Credit is based upon the premise that school taxes on lands of 10 acres or more used for horticultural or agricultural purposes should not be more than 15 mills for the general fund. (No credit is given against taxes for the special courses fund and/or the schoolhouse fund. A property owner cannot claim both Homestead and Agricultural Land Tax Credit. He must make a choice.)

The total appropriation for the Agricultural Land Tax Credit for the years 1949 through 1954 was $5,000,000 a year. In 1954, it was increased to $10,500,000 where it remained until the last session of the legislature which raised the appropriation to $11,250,000 a year. In only one year has the appropriation been sufficient to pay all claims filed. That was in 1949 when claims totaled only $4,500,000 against a $5,000,000 appropriation. In 1961, total state claims amounted to $28,209,394. So 39.8 percent of the claims were paid.

The tax philosophy behind the Agricultural Land Tax Credit is that farm property bears more of the cost of education than does non-farm property. In 1943, Lancelot[16] conducted a study to determine the average amount of taxable property per census child in typical towns and cities of the state and a similar amount per census child in typical Iowa farm communities. The samples were scattered evenly throughout the state. In each of three separate studies, a sample of farm communities was compared with a group of non-farm communities.

His findings are shown below

| Study Number | Farm Property Per Census Child | Town Property Per Census Child | Ratio of Farm to Town Property Per Census Child |
|---|---|---|---|
| 1 | $7,732 | $2,434 | 3.17 |
| 2 | 7,735 | 2,327* | 3.32 |
| | | 2,116** | 3.65 |
| 3 | 6,696 | 2,146 | 3.12 |

*Villages and towns of fewer than 1,000 population
**Urban communities of more than 1,000 population

In a random selection of 191 consolidated school districts of Iowa, Lancelot also found that the mean ratio of the value of farm property per child living on farms to the value of non-farm property per town child was 3.84.

Lancelot determined,on the basis of the data, that if urban and farm districts are merged, farm property would bear for education approximately three times as much per child as would non-farm property. In view of this seemingly disproportionate burden upon agricultural land he concluded it was only logical to grant tax relief to farm land owners by allowing

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16. Lancelot, William H. "Taxable Property per Child in Farm and Non-Farm Communities in Iowa," Iowa State College Agricultural Experiment Station, May, 1943, p. 18

them a credit on their school taxes.

The Agricultural Land Tax Credit is sometimes included as state support or state aid for education. The money which is raised primarily by sales and income taxes flows from the state treasury to the 99 county treasurers where it is applied as credit on the school tax bills of individual owners of agricultural land. From this standpoint the money must be considered as school property tax relief for owners of agricultural land rather than aid to education. The money is not apportioned by any measure of educational need as are the general and supplemental aids. State support for education should go directly from the state to the local school district. However, the Agricultural Land Tax credit may serve to provide more money for education by reducing resistance to property tax increases. Farm land owners might accept tax increases knowing they will be reimbursed by state appropriations. In this manner the credit may contribute more money to education.

The Homestead Tax Credit

Iowa home owners may claim an exemption on their local tax bill under provisions of this act. Since local governments (including school districts) would be deprived of considerable revenue because of these exemptions, the general assembly appropriates money to pay in full all the tax money for which the local taxpayer is exempted under the Homestead Act. Local governments are not deprived of any assessed valuation upon which to base their tax levies as a result of the Homestead Tax exemption. Unlike the Agiricultural Land Tax credit, the Homestead credit is paid in full.

During 1960, state appropriations for this credit totaled $27,597,289.81. It can be estimated that 55.56 per cent[17] of the Homestead Tax exemption was on school taxes. (This percent is determined by dividing the total gross property tax of $196,454,562.76 for public schools by the total gross property tax for all purposes of $353,609,718.10.) Therefore the Homestead Tax Exemption on school taxes in Iowa in 1960 was $15,332,195.94 and this is 55.56 percent of the amount of the state appropriation for Homestead Credit.

Again, as in the case of the Agricultural Land Tax Credit, the money appropriated by the general assembly is for relief of property taxes. It is money which is sent directly from the state treasury to the county treasury where it is used to compensate for tax exemptions. The money is not apportioned by any measure of educational need.

Veterans Tax Exemption Credit

Money is made available each year in the state treasury to reimburse local governments for property tax exemptions to veterans. During 1960, the total amount paid out by the state treasury for veteran's exemptions was $2,197,256.78 of which $1,220,727.53 can be considered as partial reimbursement for local school property tax exemptions to veterans. (55.56 percent of $2,197,256.78). (The Veterans Tax Exemption Credit is not paid in full, but

17. This percentage figure was determined by Dr. Henry DeKock of the University of Iowa and verified by the auditor of the tax and valuation Section of the Property Tax Division of the Iowa State Tax Commission.

on a pro rata basis of ab out 75 percent. Therefore, about one-fourth of the Veterans Tax Exemption may be considered as an erosion on the property tax base.)

As in the case of the Agricultural Land Tax Credit and the Homestead Exemption Credit, the Veterans Tax Credit monies are not paid directly to local government units but are distributed to the county treasurers to compensate for the reduction in property tax burden for schools.

During 1960, the state distributed $27,052,923.47 to compensate for refunds and credits and school property taxes. This money must be considered as property tax relief.

Table 6 on the following page depicts the sources and amounts of local school property tax revenues, the amounts of exemptions and refunds from state sources, the net local school property tax burden, the amount of direct state aid to schools for 1960 and the percent each is of the total school tax burden.

## SOME PROBLEMS RELATED TO IOWA SCHOOL FINANCE

### Variability in Local Districts Assessed Valuations

One of the measures of local ability to finance education is the assessed valuation of the property per child in average daily attendance in the district. It must be expected that in a state with a large proportion of small districts such as Iowa, a widely varying amount of assessed valuation per child in A. D. A. will be found to support the educational program. Recent studies in a number of states have indicated a range in ability in large district states of from about 9 to 1 or 20 or 25 to 1. The range in one or two small district states exceeds 1,000 to 1.

The range in assessed valuation behind each child in average daily attendance (hereafter A. D. A.) for 1960-61 in Iowa was from $441,818 in one school district to $1,459 in another. (both non-high school districts) or a range of about 300 to 1. In high school districts the variation was from $55,991 to $2,241 in assessed valuation per child in A. D. A. or a range of about 25 to 1.

TABLE 6

Sources and Amounts of Local School Property Tax Revenues, Refunds and Credits from State Sources, and Direct State Aid to Schools for 1960 and the percent each is of the Total School Tax Burden.[18]

| Source of Money | | Amount | Percent Of Total School Tax Burden |
|---|---|---|---|
| 1. Moneys and Credits | | $ 2,173,479.01 | 0.98 |
| 2. Local School Property Taxes Levied | $196,454,562.76 | | |
| Less Exemptions and Credits | 27,052,923.47 | | |
| Net Local School Property Tax Burden | | 169,401,639.29 | 76.1 |
| 3. State Level Sources: | | | |
| Direct State Aid | 23,936,700.00 | | |
| Refunds and Credits | 27,052,923.47 | | |
| | | 50,989,623.47 | 22.9 |
| Total Tax Revenues for Schools From All Sources (1960) | | $222,564,741.77 | 100.00 |

Explanation of Calculations:

1. Moneys and Credits:

| | |
|---|---|
| Net Taxable value of Moneys and Credits | $ 869,391,604 |
| Times 2.5 mills | 0.0025 |
| Net moneys and Credits Revenue for Schools | $2,173,479.01 |

2. Local School Property Tax Revenues:

| | |
|---|---|
| Total State Assessed Valuation (1959) | $4,992,462,135 |
| Times State Average Millage Levy for Schools in 1960 | 0.03935 |
| Total School Property Tax Levy | $196,454,562.76 |

Exemptions and Credits

| | | |
|---|---|---|
| Agricultural Land Tax Credit | $10,500,000 | |
| Homestead Tax Credit (55.56 percent of $27,597,289.81) | 15,332,195.94 | |
| Veterans Tax Exemption Credit (55.56 percent of $2,197,256.53) | 1,220,727.53 | |
| Total credits and exemptions | | $27,052,923.47 |
| Net Local School Property Tax Load in 1960 | | $169,401,623.47 |

18. This analysis method was adapted from one created by Dr. Henry DeKock of the University of Iowa and verified by the auditor of the Tax and Valuation Section of the Property Tax Division of the Iowa State Tax Commission.

Wide disparity can be found in the assessed valuation behind each child in A. D. A. within single counties in Iowa. For example, the Pleasant Valley district in Scott county (a high school district) has $55,991 behind each child in A. D. A. and in the same county the Buffalo district ( a non-high school district) has an assessed valuation behind each child of only $1,510 in 1960-61, a range of about 37 to 1. The total tax levy for all school purposes in Pleasant Valley is 17.235 mills and in the Buffalo district it is 96.318 mills.

Even more pronounced is the range of assessed valuation per child in A. D. A. found in Polk County in 1960-61. The Pleasant Hill Rural Independent district had $277,886 behind each child in A. D. A. and the Babbit Rural Independent School district has $1,874 or a range of 148 to 1 within one county. (School district reorganization already effected in Polk county will make a substantial change in the above figures. )

Variability in Local Districts Millage Levies

The range in millage levies in the state is quite large. The highest millage levy for all school purposes found in the state in 1960-61 was 117.961 mills in the Brazil Independent school district in Apponoose county ( a non-high school district). A number of non-high school districts in Iowa levy no school property tax. For high school districts, the range in millage levies was from 108.939 mills in the VanWert Independent school district in Decatur County and the low was 12.280 mills for all school purposes in the Western Dubuque County district in 1960-61.

Table 7 reveals the wide range in the tax levies of the state's 562 high school and 1013 non-high school districts for 1960-61 and provides a comparison between the tax levies in the two types of districts.

Private School Enrollments

Parochial school enrollments have a decided effect upon assessed valuation per child in A. D. A. and the tax levies for school purposes. Several examples will serve to demonstrate this fact. The Dubuque Community School district with an A. D. A. in 1960-61 of 5,202.6 in the public schools, had an assessed valuation of $14,327 per child in A. D. A. and a total tax levy for schools of 25.524 mills. Of the 15 largest schools in Iowa, Dubuque Community district had a millage levy which was 15 mills lower than any of the other 14 districts. (About one-half of the school age children in the Dubuque Community school district are enrolled in parochial schools.) The Western Dubuque County Community school district also has a small public school enrollment becuase of the large parochial school enrollment and an assessed valuation of $48,212 per student in A. D. A. Another example of the effect of parochial school enrollments on millage levies can be seen in Carroll county which has large parochial school enrollments. The assessed valuationfor the County in 1960 was $50,848,836 and the 1960-61 A. D. A. for the county was 2,657. The average assessed valuation per child in A. D. A. in the Carroll county was $19,138 as compared with the 1960 state average of $8,837 per child enrolled.

TABLE 7

Percentile rank of Tax Levies in Iowa's 562 High School and 1013 Non-High School Districts for 1960-61

| Percentile Rank | Total Millage Levy of 1013 Non High School Districts | Total Millage Levy of 562 High School Districts |
|---|---|---|
| 99th | 117.961 | 108.939 |
| 90th | 47.394 | 55.833 |
| 80th | 39.049 | 49.197 |
| 75th | 36.462 | 46.750 |
| 70th | 34.135 | 44.786 |
| 60th | 29.753 | 42.466 |
| MEDIAN 50th | 26.410 | 40.557 |
| 40th | 22.743 | 37.935 |
| 30th | 18.519 | 36.021 |
| 25th | 16.676 | 34.689 |
| 20th | 15.031 | 33.010 |
| 10th | 8.519 | 29.840 |
| 1st | 0.00 | 12.280 |

The above percentile ranks were obtained in the following manner: first the non-high school districts were ranked from high to low according to total millage levy and the percentile ranks were calculated. The same procedure was followed for the high school districts. One half the non-high schools had levies of less than 26.41 mills for all purposes and one half the high school districts had levies of less than 40.557 mills. The liquidation of non-high school districts will be a major step forward in the state program of school district finance.

## Assessment Practices

The problem of determining local ability to finance education is not simple because of a lack of uniform assessment practices. Existing assessed valuations may not provide a satisfactory basis either for determining local ability or for prescribing local uniform effort. To compensate for this problem, studies have been made in Iowa to show the ratio of the assessed value of property to the real or sale value of property.[19] The 1960 study of assessed valuation ratios for the year 1959 shows that the average ratio of assessed value to real value for rural property was 24.48, for urban property it was 23.63, and for the state for all property it was 23.65. However, there is a wide range in the ratios between counties and between urban and rural property in the same county. The range in ratios of assessed value to real value for rural property was 37.25 in Taylor county to 16.88 in Tama county. The range in ratios or urban property was from 32.42 in Freemont county to 17.6 in Warren county. For the state, average ratios for all property ranged from 35.80 in Taylor county to 18.08 in Tama County. A wide difference can be noted in some counties between the ratio of assessed to real in rural areas and in urban areas. This is true in Plymouth county, where the rural ratio is 28.67 and the urban ratio is 18.07. In Tama county the urban ratio was 24.44 and the rural was 16.88

Obviously, disparities in assessed valuations exist to a marked degree in Iowa. Equalization formulas which attempt to equalize educational opportunity and fail to make adjustment in local assessment practices are not good formulas. Use of the present formula for apportioning supplemental aid in Iowa will serve as an adequate example. The supplemental aid formula provides for payments to high school districts which cannot furnish $120 per elementary child on a levy of 15 mills. Taking the counties with the highest and lowest ratios of assessed evaluation in Iowa in 1959, it can be determined that 15 mills will raise twice as much in the county with a ratio of 36.00 as it will if a county has a ratio of 18.00. Becuase of this situation, school districts in counties with high assessed valuation ratios would not receive as much supplemental aid as those with low ratios. If the supplemental aid appropriations were suddenly increased by a considerable amount, it could be predicted that school districts and taxpayers would pressure assessors to lower assessed valuation.

## District Structure and State Aid

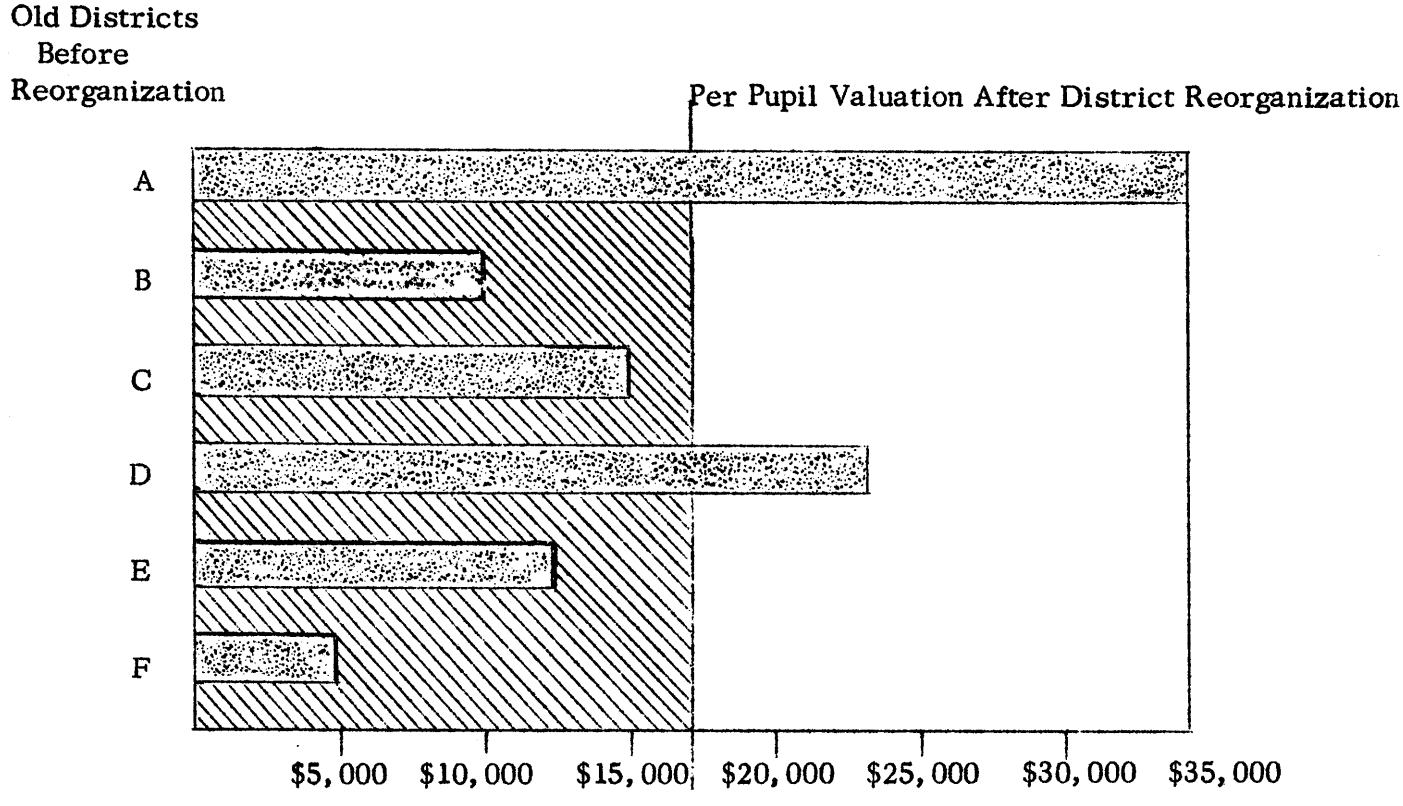
The size and economic characteristics of school districts have considerable influence on local school financing. Many studies have shown that both small schools and small school districts usually provide a less satisfactory educational program, are less efficient, and are more expensive to operate than larger schools and districts. School costs are unnecessarily high in small school districts or children are deprived of satisfactory educational opportunities, or both may occur. Any state with a large number of small districts has marked differences in local ability to finance schools. In such states the development of an equitable finance plan that will make possible adequate schools in all districts is difficult if not impossible. However, as districts are reorganized and larger districts evolve, the problem becomes simpler and a satisfactory solution is more practicable. In fact, in Iowa, district reorganization now occurring at a rather rapid rate, will contribute to the equalization of financial support and educational opportunity.

If districts with wide differences in ability were to combine into one larger district, the

19. 1960 Study of Assessed Valuation Ratios for the year 1959 by Iowa Association of Utility Tax Representatives. This study has been widely accepted.

extremes in that particular area would be eliminated and the range in local ability would be greatly reduced. The effect of reorganization on differences in local ability is illustrated in Figure 4. If the new district comprising the six original districts were organized the range in ability would be eliminated and the assessed valuation for every child in the new district would be adequate.

Figure 4.
An Example of the Effect of Reorganizing Several Districts of Varying Wealth on Per Pupil Valuation




School District Reorganization in Iowa

Iowa is plagued with too many non-high school districts, some of which operate no school, (these districts perform no educational functions but nevertheless remain as legal entities), and too many small high schools. Table 8 shows the number of non-high school and high school districts existing in Iowa for the school years 1954-55 through 1961-62. The total number of districts in Iowa for 1961-62 is 1391, of which 881 are non-high school and 510 are high school districts. In 1960-61, the total number of non-high districts in Iowa was 1013 and over one-half of these were non-operating districts and 354 were operating one-room schools. Between 1960-61, and 1961-62 there was a decrease of 132 non-high school districts. The law which requires that all areas in the state are to be a part of a high school district in 1962 will do much to improve school district structure in Iowa.

Since 1954-55, the number of districts supporting high schools dropped from 819 to 510 in 1961-62. (See Table 8). The state has reduced the number of small high schools at the rate of 50 or more during each of the past 4 years.

TABLE 8

Trend in Number of School Districts in Iowa
1954-55 to 1961-62

| Year | Non-High School | High School | Total |
|---|---|---|---|
| 1954-55 | 3598 | 819 | 4417 |
| 1955-56 | 3334 | 808 | 4142 |
| 1956-57 | 2903 | 788 | 3691 |
| 1957-58 | 2578 | 745 | 3323 |
| 1958-59 | 2085 | 694 | 2779 |
| 1959-60 | 1438 | 614 | 2052 |
| 1960-61 | 1013 | 562 | 1575 (1) |
| 1961-62 | 881 | 510 | 1391 (2) |

*Source: (1) Data on Iowa Schools, Department of Public Instruction, Des Moines, Iowa January, 1961
(2) Educational Bulletin, Ibid. January, 1962

When is a district too small for efficient operation? In general, a district should be large enough to operate elementary schools with one teacher per elementary grade. A four-grade high school with 200 pupils is regarded as an absolute minimum for efficient operation. Others argue that 300 or even 450 are more realistic minimum high school enrollments. To produce a secondary enrollment of from 300 to 450, the total enrollment of a school district for grades 1-12 would have to be no less than 900 to 1350 pupils. Thus, most authorities look upon 1200 as the smallest defensible total enrollment in the district. The legal minimum of 300 in grades 1-12 suggested in the Iowa code is extremely low and indefensible.

In 1950-60, only 27 percent of the high school districts in the state had 200 or more pupils enrolled in grades 9-12, as compared with 32 percent in 1960-61 and 40 percent in 1961-62. Dr. James Conant recommended that a high school should be large enough to have 100 in the graduating class. This would call for a four year high school of no less than 400, and if dropouts were considered it would be closer to 500. About 14.5 percent of the high school districts in Iowa in 1961-62 had a high school enrollment of 400 or more and only 10 percent had enrollments of 500 or more. These figures indicate that a majority of the school districts in Iowa providing high school programs operated high schools which were smaller than could be justified by minimum standards.

The following table indicates the rapidity with which all of the area of the state is being included within high school districts.

| Year | Percent of the state area included in High School Districts. |
|---|---|
| 1954-55 | 36.9% |
| 1955-56 | 41.9 |
| 1956-57 | 48.9 |
| 1957-58 | 55.6 |
| 1958-59 | 64.8 |
| 1959-60 | 76.0 |
| 1960-61 | 85.2 |
| 1961-62 | |

Progress in school district reorganization in Iowa has been encouraging in the past four or five years. How many districts are needed in Iowa for efficient school administration? The number needed might be from 200 to 300. The county board of education plans for reorganization of Iowa districts call for 358. But only 155, or 43 percent of those suggested in the county plans, will have enrollments of 1,000 or more in all grades, and nearly one-fourth of the currently planned high school attendance centers will have fewer than 200 pupils. It seems difficult to justify more than 200 high school districts in Iowa.

Appendix 1

CURRENT EXPENSE PER PUPIL IN SCHOOL DISTRICTS MAINTAINING HIGH SCHOOLS
School Year 1959-1960
(Dollar Distribution)

| Number of Districts | Enrolled in High School | Cost in $ Per Pupil A. D. A. |
|---|---|---|
| 28 | 600 & over | $347.75 |
| 12 | 500-599 | 315.83 |
| 21 | 400-499 | 316.70 |
| 32 | 300-399 | 339.48 |
| 76 | 200-299 | 346.48 |
| 81 | 150-199 | 348.84 |
| 127 | 100-149 | 368.03 |
| 93 | 75-99 | 371.02 |
| 77 | 50-74 | 411.39 |
| 65 | 25-49 | 453.56 |
| 2 | 0-24 | 586.85 |

Supplied By the State Department of Public Instruction