

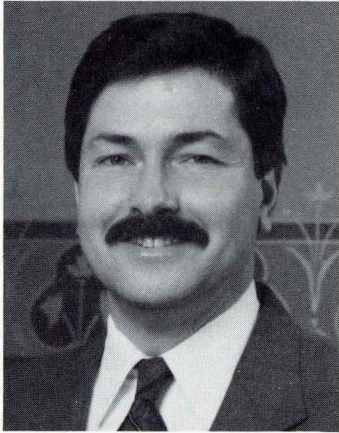
L  
148  
.097  
1989

# Our Children's Future:

## A Plan for Funding Elementary and Secondary Education in Iowa



3-760



## Dear Friend of Education,

I am pleased to submit to you this far-reaching proposal to revise the school aid formula for K-12 education in Iowa. This proposal is focused on kids, on the quality of education we provide our children both now and as we approach the 21st century. Its focus is on quality, fairness and access. Its goal is to make Iowa's education system second to none.

This proposal has been developed in cooperation with the major educational groups in the state and through the outstanding leadership of Dr. William Lepley and Dr. Leland Tack of the Department of Education. They deserve a great deal of credit for this plan. If you adopt these recommendations, Iowa will have a student-driven formula that will continue the state's commitment to replacing property taxes as a source of funding for local school education in the state of Iowa. It also adopts new initiatives by targeting at-risk prekindergarten education and the application of new technology so that we can develop classrooms of the future here in our state.

This program also addresses the issue of funding standards for quality education in Iowa, and it is fair to districts—large or small—in our state by providing for a 100 percent budget guarantee.

This proposed revision in the school aid formula, if adopted, will continue the state's commitment to equality of educational opportunities for every youngster in our state. In addition, it adds a new element to our educational formula in Iowa—a commitment to quality. I hope that you will share with me this commitment to the future of the children of Iowa.

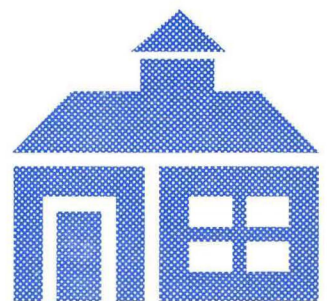
Sincerely,

Terry E. Branstad  
Governor  
January 1989

# Building on the Past to Create the Future

Iowa's current method of funding its public schools has served the state well for almost 20 years. Initially designed by the General Assembly in the late 1960s, it was modified between 1970 and 1972 to create the present foundation plan. Among its notable features are a uniform levy requirement, a state foundation base, a growth limit on school districts' budgets, higher allowable growth for low-spending districts, minimum state aid for each district, and school district budgets based on enrollment.

However, conditions change, and school finance must also change. The current formula has been repealed, effective June 30, 1991. A new school aid formula will be implemented in the 1990-91 school year. Among the factors necessitating a new formula are changing demographic and economic conditions and increasing emphasis on educational reform. Other issues requiring consideration are enrollments and enrollment change provisions, allowable growth and budget growth, discretionary funding, standards, special populations, unique district needs, incentives, supplementary weights, student opportunities, the Excellence in Education Program, area education agency funding, and new initiatives.

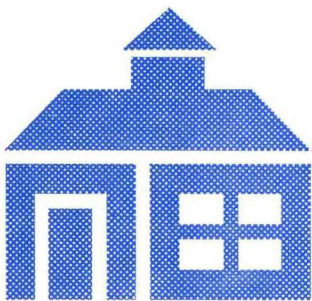


# Goals

The current formula had clearly defined goals when it was created: to provide property tax replacements, to equalize the method of taxing property for school purposes, to provide a process for allocating state aid to schools, and to implement tax relief through various credits. Many of those goals are still applicable. The Governor used the following goals to form the basis for his recommendations:

## **Focus on Quality/Fairness/Access**

- Funding should be dependent on the number of pupils in a district, be adjusted to local conditions and across time, and be weighted to meet program and student needs.
- Changes made to the formula should be phased in over several years to provide stability and predictability.
- New initiatives should be categorically funded until they are established and evaluated. If successful, they can be incorporated into the formula.
- Local needs should be reflected in local budgets.
- Some local flexibility in generating revenue should be included, with public review provided for.
- The formula should provide for the educational needs of special children.
- An appropriate balance must be reached between state aid and property taxes for both school districts and area education agencies, and the commitment to additional property tax replacement should be maintained.
- State and local money must be used effectively and efficiently.
- Educational opportunities should not be dependent upon residency.



# Recommendations

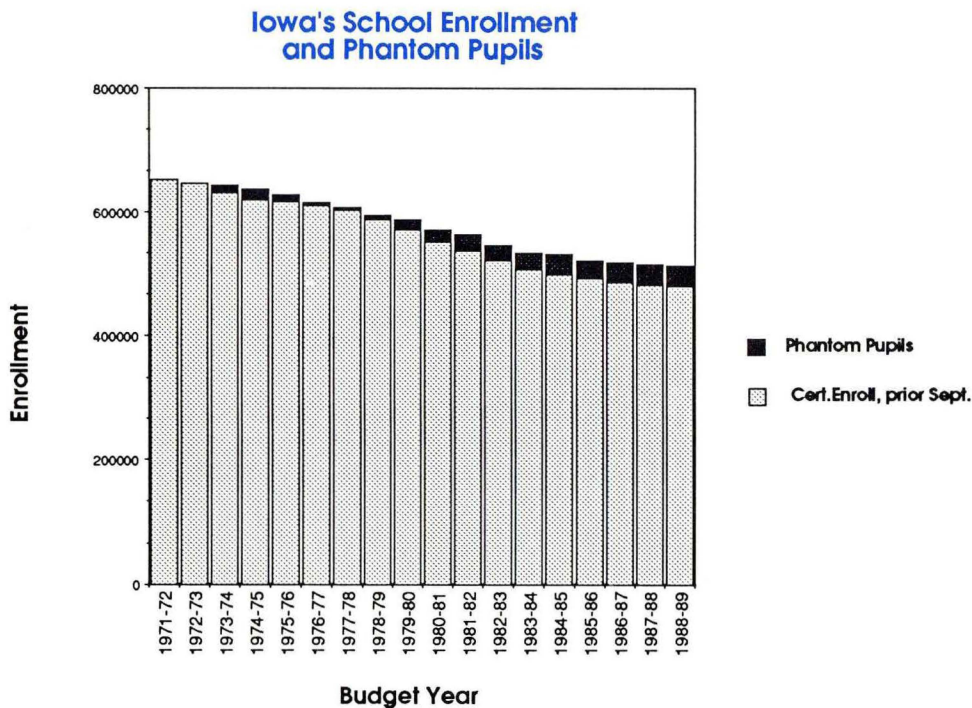
The Governor's recommendations on school finance address the fundamental issues of current and future school budgets, enrollment changes in districts, property taxes, and state aid. The specific recommendations are:

## Enrollment Decline Provision

The basic formula should remain based on enrollment, and an average of the most recent three years' enrollment should be used as the budget enrollment count. If the prior year's enrollment is greater than the three-year average, then the prior year's enrollment should be used as the budget enrollment.

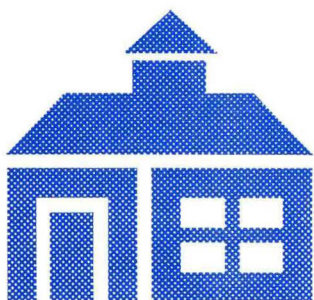
"With any change in funding, some school districts will benefit more than others. We hope legislators will look at the big picture and do what is best for our schools and students. Education is the key to Iowa's economic development and the development of our most precious resource, our children."

Ken Tilp, President,  
Iowa State Education  
Association



Educating our children is an investment in the future which has an extremely high rate of return. Governor Branstad's commitment to educational excellence is evident in this proposed finance formula which addresses the needs of students, softens the impact of declining enrollment, maintains an appropriate curriculum, and provides for competitive salaries for professional educators.

William Lepley, Director,  
Iowa Department of  
Education



## State and District Cost

A new state cost and a new district cost should be calculated. Budgets would be divided by the three-year average enrollment of the year before implementation of the new formula. District costs would remain at the recalculated levels if they did not exceed the state cost by more than 10 percent. Included in the recalculation of the district and state cost should be funds previously received as semi-annual apportionment monies.

Added to each district and state cost would be a per-pupil amount for allowable growth, talented and gifted, new standards, Phase II, and other school program improvements.

## Budget Guarantee

No district's budget should be less than its prior year's budget. All districts will be guaranteed that their budgets will not decrease.

## Allowable Growth

No change should be made in the use of both state general fund revenues and the gross national product implicit price deflator to determine the allowable growth amount. Actual state revenue changes should be the basis for calculating rates of changes. One-time revenues should not be included in the basis.

The allowable growth amount should be computed for a two-year period. The second year's growth should be based on estimates set by the Revenue Estimating Conference.

## The Excellence in Education Program

Funding for Phase I of the program should not be changed.

Phase II should be included in the district's cost on a per-pupil basis.

Phase III should not be included in the formula. However, Phase III funding should increase by an allowable growth amount as the funding is incorporated into the direct support of teachers' performance-based salaries.

## Instructional Support Fund

An instructional support fund should be established which would allow a district to increase its budget up to 10 percent. The state would equalize the access to this fund through a percentage equalization formula by which the average state percentage contribution would be

set at 25 percent. This fund would replace the current enrichment levy and the additional allowable growth granted under the educational improvement levy. Allowable uses of this fund would include current enrichment, educational improvement, and activities included under the playground levy, such as community education. This fund must be approved by a majority vote of the people within five years.

### **Funding for 4-Year-Old At-Risk Students**

Beginning with the 1991-92 school year, those districts submitting an approved plan to the Department of Education for serving 4-year-old at-risk students should be eligible to receive special funding for such programs. Each district would be granted \$500 per full-time-equivalent pupil for providing programs for these children.

### **Supplemental Weights**

The supplementary weight of .1 for those districts having a substantial number of students sharing would be repealed effective July 1, 1993. However, districts having the supplemental weight as of July 1, 1993 would retain the additional funds for 10 years if the districts reorganize, less the number of years the adjustment was used prior to reorganization.

### **Physical Plant and Equipment Fund**

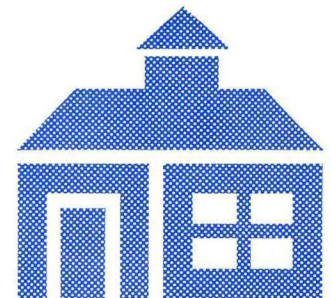
A physical plant and equipment fund should be established. The maximum tax levy would be \$1.00 per \$1,000 taxable valuation. Use of this fund would be for expenditures presently identified within the site and schoolhouse levies. In addition, non-instructional items such as school buses could be purchased so long as the item's cost exceeded \$5,000. Up to 33 cents of this levy could be imposed by board action, but for no more than one year at a time. No more than 67 cents of this levy could be imposed by a referendum requiring a simple majority voter approval. Capital expenditures currently included under the playground levy would be included in this levy.

### **Management Fund**

A district management fund which would include the current tort or insurance fund and unemployment and early retirement levies should be established.

"School funding is a very difficult and complex issue. While no plan will satisfy the needs of all school districts, the proposal submitted by the Governor presents a balanced and reasonable approach. The proposal emphasizes quality education, addresses equity, recognizes the importance of local control, and is based on a pupil-driven formula."

Gaylord Tryon, Executive Director, School Administrators of Iowa



## School Budget Review Committee

The function and duties of the School Budget Review Committee should be retained and expanded to meet changing needs and conditions. The most immediate need is the committee's ability to help school districts address current and future environmental hazards. Its authority to grant districts additional allowable growth for the management, abatement and removal of environmental hazards such as asbestos, underground motor vehicle fuel storage tanks, radium, and water quality must be clarified.

## Area Education Agency Funding

No change should be made in the process for funding the area education agencies; they should continue to receive funds on a "flow-through" basis. The new formula and the transition to the new formula would result in the same level of funding the area education agencies would receive under the current formula.

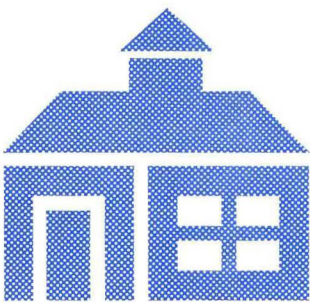
## New Initiatives

Future funding for the expanded use of technology should be incorporated into the funding formula for both the school districts and the area education agencies. The level of funding should be determined by the establishment of a task force to assess the instructional and administrative use of computers in Iowa schools. In addition, this task force should develop a statewide technology plan. A series of pilot projects to develop and evaluate a "classroom of the future" should be funded.

Funding for telecommunications should be based on the results of the legislatively required Department of Education study committee and the results of the work of the Iowa Public Television Narrowcast Board.

## Open Enrollment

Parents should be able to choose the public school district their child will attend. After broad input is obtained, administrative rules should be developed covering such issues as application processes, transportation, desegregation, availability of facilities and staff, and athletics. The Department of Education would establish the timetables and the safeguards for the program.





## Foundation Level

The foundation level, which determines the amount of state aid districts receive, should be set at 82 percent of the new state cost effective with the 1990-91 school year. The Governor recommends that the state continue to support education to ensure that every child has access to an appropriate education.

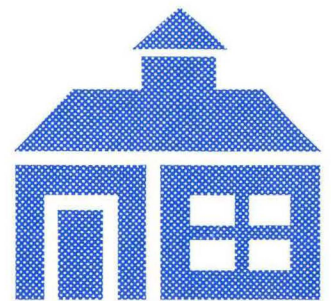
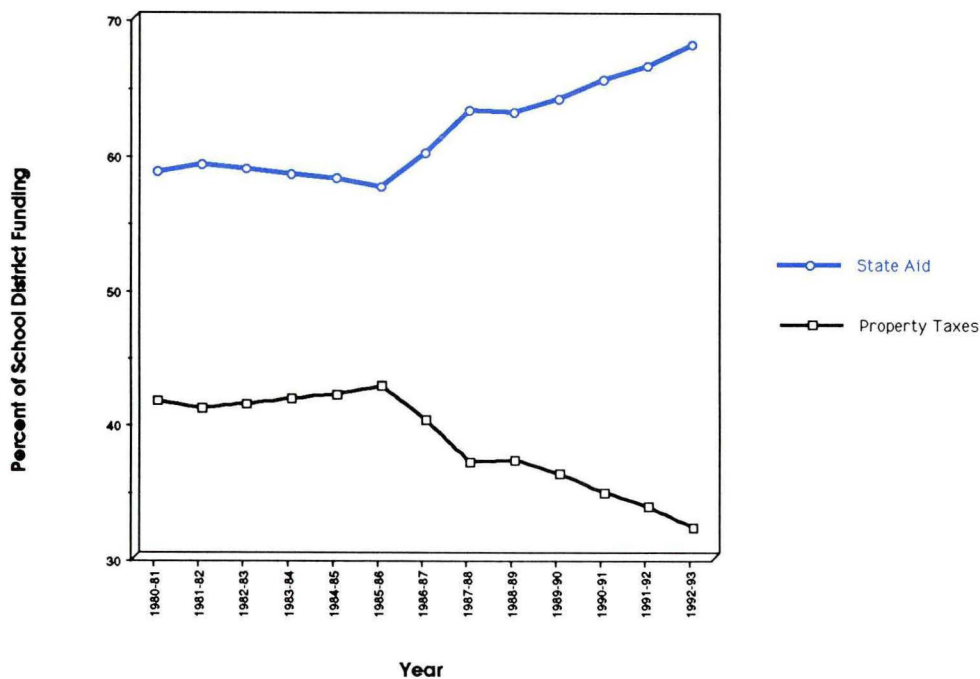
## State Aid

Governor Branstad recommends \$1,198,500,000 to implement a new school finance formula in fiscal year 1991. This includes funding for school foundation aid, educational excellence program, additional funding for talented and gifted programs, new standards, at risk programs, at risk student programs, property tax adjustments to implement the formula and property tax credits.

"The time has come for a solution to be proposed to the school finance question. The Governor's plan has many elements which our association feels workable for the school districts of Iowa. We feel that this proposal will be a spring-board for crafting a school finance bill in the legislature which will ensure future excellence for Iowa education."

T. E. Davidson, Executive Director, Iowa Association of School Boards

Iowa's State Aid and Property Taxes



"We believe enactment of these changes will build on the momentum in education revitalization in Iowa made possible with funding from the Educational Excellence Act."

Joint statement, IASB, ISEA, and SAI



## Property Taxes

Governor Branstad recommends that the uniform levy of \$5.40 per \$1,000 taxable valuation be retained in the new finance formula. A downward adjustment in property taxes of approximately \$9 million per year for each of three years is recommended to implement the new formula. The adjustment would keep property taxes at approximately the same level as the current formula.

Activities currently funded under additional allowable growth, which is all property taxes, would be funded through state aid or through a mixture of state aid (25 percent) and property taxes (75 percent). Currently, talented and gifted is \$6.9 million, educational improvement is \$4.3 million, and the enrichment levy is \$3.9 million in property taxes.

# Current Finance Law Features to be Retained

## Uniform Levy

The Governor recommends that the uniform levy of \$5.40 per \$1,000 taxable valuation be retained in the finance formula. Agriculture land tax credits would continue to be based upon tax rates above the \$5.40 rate.

## Weighted Special Education Count

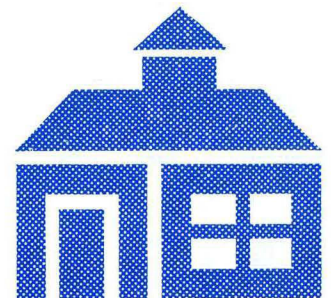
The Governor recommends no change in the level or method of funding special education programs at this time. The Department of Education is conducting a special study, "Structure and Process for the Continued Development of the Special Education Service Delivery System in Iowa." Recommendations from this study would be incorporated in financing districts upon its completion.

## Weighting for Limited-English-Speaking Students

Funding for limited-English-speaking students should continue as is planned under current law. The weighting should be adjusted by the School Budget Review Committee so that the same amount of money will be generated under the new formula and during the transition as would be generated under the current formula.

## Dropout Prevention and Dropout Programs

The Governor recommends the continuation of the current funding for dropout and dropout prevention programs. However, a district may choose to provide the program through the instructional support fund and thereby have the state participate in the funding of the program.

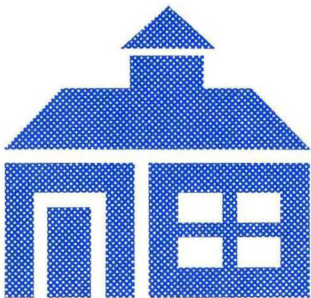


# Implementing a New Plan

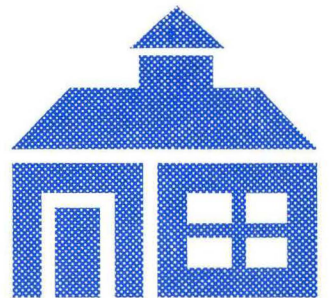
Governor Branstad recommends that the current formula be adjusted over a three-year period to phase the new formula into effect. The recommended adjustment is to move the 1978 base enrollment year up over this three-year period.

The foundation level, which is at 82 percent for the 1988-89 school year, would be set at 82 percent for the 1990-91 school year. Current law calls for the foundation level to increase by .5 percent per year, up to 85 percent. The foundation amount per pupil would be \$2,465 per budget pupil under the first year of the transition (1990-91) and \$2,421 per budget pupil under current law.

District cost and the state cost would be recalculated effective for the 1990-91 school year. This will result in higher allowable growth amounts applied in the 1991-92 school year.



# Appendix



## Current Formula—1990-91 District Example

September 1978 actual enrollment	1,200
September 1988 actual enrollment	1,000
September 1989 actual enrollment	980
District cost 1990-91 estimated at	\$2,917
Foundation level at 83.0%	\$2,421
Taxable valuation estimated at	\$150,000,000

### Budget Calculations

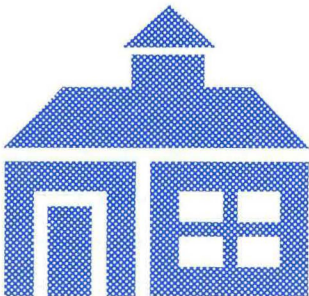
20% of September 1978 actual enrollment	240
80% of September 1988 actual enrollment	+800
Budget enrollment	=1,040
District cost	x\$2,917
	\$3,033,680
 Semi-annual apportionment	 +\$23,000
Regular program budget	\$3,056,680

### State Aid

Foundation level at 83%	\$2,421
Budget enrollment	x 1,040
	\$2,517,840
 Uniform levy	
Taxable valuation x \$5.40/\$1,000 valuation	-\$810,000
State aid	\$1,707,840

### Property Taxes

Budget	\$3,056,680
Foundation level	- \$2,517,840
	= 538,840
Additional property taxes	+ 810,000
Uniform levy	\$1,348,840



## New Formula — Transition Year 1990-91 District Example

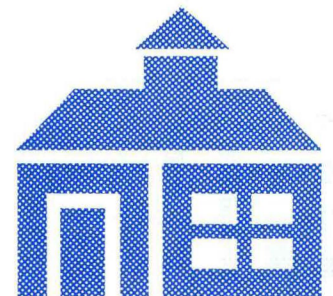
September 1980 actual enrollment	1,160
September 1982 actual enrollment	1,120
September 1985 actual enrollment	1,060
September 1987 actual enrollment	1,020
September 1988 actual enrollment	1,000
September 1989 actual enrollment	980
(20 pupil decrease per year since 1978)	
Recalculated district cost for FY 90	\$2,885
Foundation level at 82 percent of new state cost (\$3,028)	\$2,465
Taxable valuation estimated at	\$150,000,000

### Budget Calculations

1989-90 regular program budget	\$3,000,000
Semi-annual apportionment	<u>+\$23,000</u>
	\$3,023,000
20% of 1980 enrollment	232
80% of greater of 1987 or 1988 enrollment	<u>816</u>
	1,048
Enrollment to be divided into budget	1,048
Recalculated district cost	\$2,885
Allowable growth with adjustment	<u>+\$154</u>
	\$3,039
District cost for 1990-91 budget	\$3,039
Budget enrollment for 1990-91	
(10% - 85; 90% - 88, 89) (106 + 900)	<u>x1,006</u>
	\$3,057,234
Regular program budget	\$3,057,234
Budget guaranteed at current formula for 1990-91	<u>\$3,056,680</u>
Guaranteed amount	0
	\$20,120
Additional for talented and gifted	\$20,120
Total regular program budget	\$3,077,354

### State Aid

Foundation level at 82%	\$2,465
Budget enrollment	1,006
	<u>\$2,479,790</u>
Foundation amount	\$2,479,790



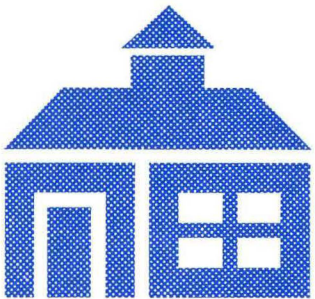
(continued)

## State Aid (continued)

Uniform levy	
Taxable valuation x 5.40/\$1,000 valuation	- \$810,000
State aid	\$1,669,790
State aid for talented and gifted	<u>\$20,120</u>
Total state aid	<u>\$1,689,910</u>

## Property Taxes

Budget without TAG	\$3,077,354
Foundation amount	<u>-\$2,479,790</u>
Additional levy amount	\$597,564
Uniform amount	+\$810,000
Total property taxes	\$1,407,564
Current formula	-\$1,348,840
State aid (property tax adjustment)	\$58,724





STATE LIBRARY OF IOWA



3 1723 02087 8948