

FINANCING PUBLIC ELEMENTARY AND SECONDARY EDUCATION IN IOWA
ECONOMICS OF, PRESENT PROGRAM, TWO MODELS

Prepared by:
Dr. Wayne P. Truesdell
Associate Professor of
School Administration
University of Northern Iowa

Revised November 27, 1970
From Earlier Studies:
October 29, 1969; February 1, 1970
June 1, 1970; August 16, 1970;
September 1, 1970; November 1, '70

THIS PAPER

1. Discusses the economic factors significant to financing education;
2. Analyzes the operation of the 1967 Iowa School Support Law;
3. Presents Two Models which have been developed in an effort to provide a school support program in Iowa which:
 - a. can be more easily understood
 - b. can be administered with greater consistency;
 - c. will eliminate the present obstructions to effective local school budgeting;
 - d. will provide greater equalization of educational opportunity;
 - e. will create greater equity in tax burdens throughout Iowa.

TABLE OF CONTENTS

PART I - ECONOMIC FACTORS INVOLVED IN FINANCING PUBLIC EDUCATION

Comparative Costs of Education, 1953-4 to 1969-70	1
Basic Problems in Financing Education: Accountability and Equity	2
Responsiveness of Taxes to Economic Growth (Table I)	3-5
Sources of Income for the General Fund, 1969-70 (Graph I)	4
Sources of Income for all Units of Government (Table II)	6
State Support of Iowa Schools, 1946-7 to 1968-9 (Table III)	7

PART II - THE 1967 IOWA SCHOOL SUPPORT LAW IN OPERATION (1969-70)

Description of the 1967 School Support Law	8-9
Inequality in Ability to Finance Quality Education	10
Application of Law to Selected Iowa Schools (Graph II)	11
Operation of County Basic Levy 1969-70 (Map VI)	12
Operation of County Income Tax Sharing, 1969-70 (Map VII)	13

PART III - TWO PROPOSALS TO IMPROVE SCHOOL SUPPORT IN IOWA

Assumptions and Principles Basic to a Sound Program	14-15
Features of the Two Proposed Models	16
Data Essential to Development of Models (Table IV)	17
Distribution of Total Funds, Present and Two Models (Graph III)	18
Summary of Source of Income for Each Model (Table V)	19
Application of Two Models to Selected Iowa Schools	20-23
MODEL II - Explanation 20; Graph IV	21
MODEL V - Explanation 22; Graph V	23
Observations on Operation of Two Models	24-25
Affect of Variations in Taxable Property and Income Valuations (Table VI)	24
Significance of Property and Income in Determining Capacity to Support Education (Table VII)	25

PART IV - SUMMARY AND RECOMMENDATIONS

26-27

PREFACE

Two Models are Developed Here

- MODEL II - This is the plan proposed by Senator Roger Shaff of Clinton County and Representative Edgar Holden of Scott County. This program was run for all Iowa schools in August. An attempt is underway to up-date it at this time.
- MODEL V - This program is based upon the principles enunciated by the State Finance Committee created by the Department of Public Instruction. Data will be run for all schools before Christmas.

PURPOSE OF THE RESEARCH

The data included in this paper has been presented at various times and in various stages of evolution of ideas to Legislative Committees, the Governor's Thirty Man Committee Studying Education, various committees of the Department of Public Instruction, and to other meetings involving superintendents, board members and citizens in Iowa.

It is not the purpose of this researcher to settle upon any plan for supporting education as permanent. Rather, the main function of research is the constant exploration of premises and hypotheses; to insist that no conclusion is ever final; and to continuously use each piece of research as a foundation for more research, new alternative solutions to problems, and continuous improvement of programs. Thus, any legislator, superintendent or board member who insists that all persons in the profession must agree upon some proposal is assuming that there could be a single perfect solution, and is suggesting that progress ends at a given point. It is the duty of the Legislature to evolve the most functional solution for the circumstances.

Thus, this paper, and all others, has not endeavored to express the ideas solely of a given group, but rather, to use significant ideas of various individuals and groups in a broader presentation of the total problem of financing Iowa schools.

ACKNOWLEDGEMENTS

The first attempt to analyze in detail the financing of Iowa schools was done in May, 1966, a full year before the ill-fated marriage of "proportionate sharing" and the "Peterson Plan. Reams of paper have been used in the interim. It is hoped that the solutions offered here are more soundly based upon research than earlier proposals.

This researcher is indebted to many persons and many groups for suggestions and help.

To Senator Roger Shaff and Representative Edgar Holden for the ideas known as Model II, and their interest in exploring various directions in school finance;

To the Department of Public Instruction for the comprehensive publications they now distribute, for making additional information available, and for permitting me to serve on this last State Finance Committee.

To two research assistants at UNI, Louis White and Craig Paul.

To the computer services at UNI, and particularly to Tom Wilson and to Carl Nehner, Professor of Mathematics, for drafting two programs.

To those at the University of Northern Iowa who see value in continuous research: Dr. Gordon Ruhm, Graduate Dean; Dr. Howard Knutson, Dean of the College of Education; Dr. Clifford Bishop, formerly Head of the Department of Education and Dr. Wray Silvey, now Head of the Department of School Administration and Personnel Service.

HOW SHALL PUBLIC EDUCATION (Kg - 12) IN IOWA BE FINANCED?

Prepared by:
Dr. Wayne P. Truesdell
Associate Professor of Education
University of Northern Iowa

August 16, 1970
Revised: September 1, 1970
October 26, 1970

INTRODUCTION

Comparative Costs of Education and Other Local Government Services.

In 1969-70, Iowa public schools proposed to spend \$534,522,000 for operation (General Fund). Exact expenditures are not yet available. Another \$36 million or more was contracted for the school house fund (payment of bonds and interest.)

There were 659,882 students reported as enrolled in public schools on September 15, 1969. The per pupil cost in the General Fund proposed for 1969-70 was \$810.03. Adding \$54 for the school house fund the total proposed expenditures were about \$864 per pupil. (Department of Public Instruction, Data and Publications, 1969-70.)

Costs of education in Iowa, and the nation, have risen faster than other state and local government expenditures, but less rapidly than federal government costs.

From 1930 to 1967 expenditures of all governments increased. In 1967 expenses of government had increased over 1930 so that:

1	All government expenditures were	6.76 times 1930 costs
	Federal government	24.33 times 1930 costs
	State and local (excluding school districts)	3.04 times 1930 costs
	School districts	4.24 times 1930 costs

(Roe L. John and Edgar L. Morphet, The Economics and Financing of Education, Prentice-Hall, 1969, p 128).

Total school expenditures in Iowa displayed an average annual increase of 12.6 percent from 1964-5 to 1969-70. From 1953-4 to 1964-5 the average annual increase was 5.85 percent. These data are shown below:

INCREASE IN TOTAL IOWA SCHOOL COSTS 1953-4 to 1969-70

	<u>Annual Total Costs</u>		<u>Percent of Increase</u>		<u>Annual Percent of Increases</u>	
	<u>Millions</u>	<u>5 year</u>	<u>Ave. Annual</u>			
1953-4	\$179				1961-2	4.1%
1958-9	226	25.9%	4.8%		1962-3	5.4%
1963-4	316	39.8%	7.0%		1963-4	4.9%
1968-9	545	72.7%	11.9%		1964-5	5.6%
					Average	5.0%
					1965-6	11.1%
					1966-7	14.4%
					1967-8	13.6%
					1968-9	13.6%
					1969-70	10.5%
					Average	12.6%

In the 15 years 1953-4 to 1968-69 the cost of public education in Iowa tripled, from \$179 million to \$545 million. It increased another 10.5 percent from 1968-9 to 1969-70.

(Iowa Department of Public Instruction, Data on Iowa Schools, 1968-9, p 100.)

Some increase was necessary to raise Iowa teachers salaries to a more reasonable level. In 1956 Iowa teachers salaries were but 67% of the national average. Iowa ranked 40th among the 50 states. In 1968 Iowa salaries ranked at the national average and Iowa was 21st among the fifty states. During this 12 year period Iowa salaries for public school teachers increased 131 percent. This was by far the greatest increase in the nation. (NEA Research Bulletin)

Since 70 percent of Iowa school costs (1969-70) come from property, taxes have risen precipitously. Assessments of property increased by 47.6% from 1952 to 1967, while the property tax for schools increased by 180 percent. Thus a 132% increase in rates was necessary in those 15 years. From 1968-9 to 1969-70 taxable valuations increased 7.0% and proposed general fund expenditures increased 10.5 percent. (Iowa Tax Commission Publications; Department of Public Instruction, Data on Iowa Schools.)

Some respite came after 1967 when the new state aid law increased state funds from about \$50 million to \$149 million (including the 40% income tax distribution). The property tax rate declined from 49.002 mills in 1965-6 to 45.642 mills in 1968-9. (Department of Public Instruction, Data on Iowa Schools, 1968-9, p 88). But the affect of the extra \$100 million has been dissipated in increased costs, and property tax rates for schools are again on the upgrade.

Two Basic Problems in Financing Education Today.

Everyone seems concerned about the increasing costs of education and its affect upon property taxes. Two aspects seem to have high priority in public thinking at this time.

1. How can schools be held more accountable for proving that results are comparable to the increased number of personnel and the increased costs?

Enrollments increased from 620,424 in 1964-5 to 659,882 in 1969-70, an increase of 6.4%. Total costs increased from \$333 million to about \$570 million, an increase of 71.2%. (Department of Public Instruction, Data on Iowa Schools Part I, 1969-70, p 17; 1968-9, p 100).

A study by the author of increases in school costs from 1953-4 (\$179.2 million to 1968-9 (\$544.9 million) showed that of the increased costs over the 15 year period:

40 percent could be attributed to inflation

28 percent to increased number of students

32 percent must be justified in terms of greater quantity or increased quality of education per child.

(Computed from: Department of Public Instruction, Data on Iowa Schools, 1968-9; Statistical Abstract of the U.S., 1969)

This last 32 percent increase is the factor that schoolboards, administrators and instructional staff must be accountable for. Has the increase in staff and equipment triggered by the 1965ESEA resulted in an increase in quantity and quality of instruction commensurate with these increases?

2. How can the burden of education (as well as many other services of local government) be shifted from the archaic and unresponsive property tax to sources of income more significant to the total Gross National Product?

The property tax contributes 15 percent of the total taxes for all governments in the U.S., yet Iowa local public education, in 1969-70, relied on the property tax for about 70 percent of total educational costs. (Johns and Morphet, op cit, ppl30-1). Nation wide property has decreased rapidly as a source of income. In 1968, 72 percent of the National Income came from salaries and wages; in 1929 salaries and wages contributed 60 percent. (Statistical Abstract of the U.S., 1969, p 310.) The laborer now contributes more to the finished product than does capital or property.

Responsiveness of Taxes to Economic Growth

Returns from taxes on income and consumer purchases (sales, tobacco, gas, etc) have tended to keep pace with increasing demands of government. Increases in property tax assessments have lagged far behind the increasing needs of local government.

Note the comparison of some basic sources of revenue and the demands upon them.

TABLE I

COMPARISON OF SOURCES OF REVENUE
1952 - 1967

<u>Source of Revenue</u>	<u>1952</u>	<u>1967</u>	<u>Percent of Change</u>
1. Personal Income	\$ 19,786,636	\$ 105,199,345	431.66%
2. Corporation Income	2,811,706	11,794,515	319.47%
3. Sales Tax	51,339,209	93,500,574	82.12%
4. Use Tax	7,949,765	21,492,208	170.35%
5. Cigarette Tax	5,004,349	24,128,176	382.14%
6. Beer Tax	3,094,764	3,651,521	17.99%
7. Motor Vehicle Fuel Tax	39,802,460	104,181,324	161.74%
8. Inheritance Tax	3,964,588	12,095,968	205.10%
9. Assessed Value of Real Property	4,200,000,000	6,200,000,000	47.61%
10. Property Tax for Schools	110,700,000	310,000,000	180.00%

Source: Iowa State Tax Commission

Prepared by: Louis P. White, Research Assistant, UNI, April 20, 1970

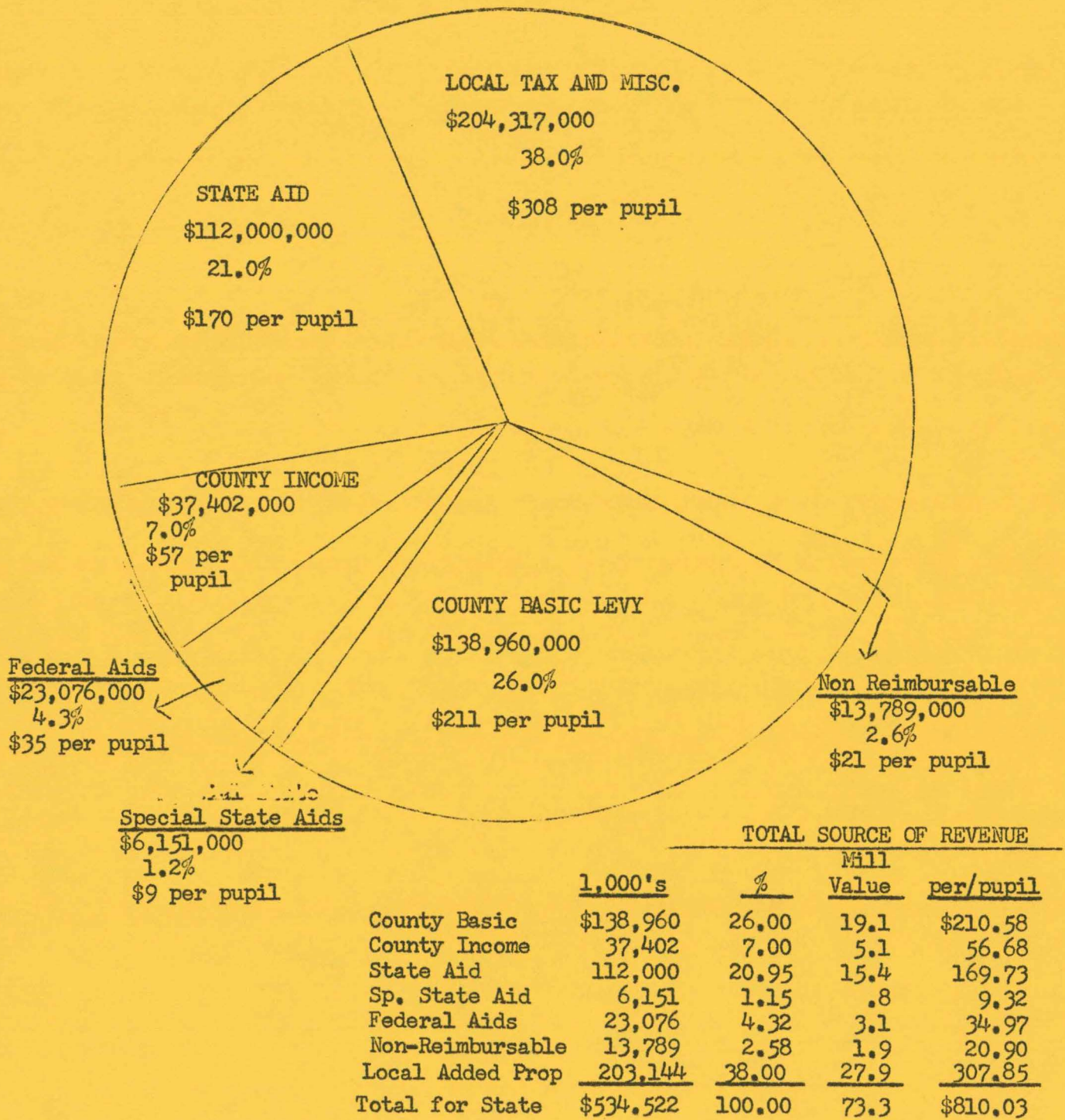
The 1967 Iowa School Support Law was a landmark in the direction of more state support for schools.

1966-7 - \$44 Million - 12.5 percent of costs

1969-70 - \$155 Million - 29.8 percent of general fund

In 1969-70 data the \$37.4 million distributed to schools from 40 percent of the income tax collected is included, even though it was distributed at the county level. Graph I shows the sources of income for the general fund for Iowa schools in 1969-70.

GRAPH I
TOTAL GENERAL FUND EXPENDITURES IN THE STATE OF IOWA 1969-70
DISTRIBUTED BY SOURCE OF INCOME



SOURCE: Department of Public Instruction
Prepared by: Louis P. White, Research Assistant UNI
April 20, 1970

Responsiveness of the 40% of the Income Tax Earmarked for Schools.

That part of 1969-70 school support which came from the 40% of the Iowa income tax earmarked for schools, was the most responsive to economic growth. This 40 percent provided \$34.5 million for schools in 1968-9 and \$37.4 million in 1967-70, an increase of 8.4 percent. Property assessments increased from \$6,786 million to \$7,261 million during the same time, or 7.0 percent. Proposed general fund expenditures increased 10.5 percent from \$483.7 million to \$534.6 million. The real laggard was the state aid figure. It was fixed at - \$111 million for 1968-9 and \$112 million (does not include special aids) in 1969-70, an increase of only 0.9 percent. Thus the property tax had to pick up \$47.0 million of the increase. This caused an increase in millage rates to support the general fund of 3.0 mills, from a 44.2 mill state average in 1968-9 to 47.2 mills in 1969-70.

Finally, in portraying the difference in equity among the property tax and income and consumption taxes, one needs only to look to the responsiveness of state sources to increasing demands for services from 1935 to 1967. The sales tax remained at 2 percent except for a 1/2 percent increase in a 2 year period; and the income tax remained at 3/4 of its intended rates, from 3/4 percent to 5 percent throughout the period. Yet they responded to all state needs, and assumed such added burdens by 1967 as :

- \$56 million for health and welfare
- 6.7 million for public safety
- 63.6 million for Regents Institutions
- 54.7 million for public education
- 47 million for tax refunds, such as the Agricultural Land Refund, the Homestead and the Veterans exemptions.

(Iowa Comptroller, Receipts and Expenditures for 1966-7)

Thus the second priority in support of education is to shift more of the cost of local education from the property tax to the more equitable and responsive income and consumption taxes.

The Federal Governments Share in Taxes.

A shift to the income tax for support of local services is complicated by the fact that the Federal Government "hogs" this most lucrative, responsive and equitable source of revenue.

In 1966 a total of \$160.8 Billion was collected by all units of government in the United States, from all sources and by all types of taxes. Table II shows these data.

TABLE II

SOURCES OF TAXES USED BY ALL UNITS OF GOVERNMENT IN THE UNITED STATES, 1966

	Amount Billions	Percent of all taxes collected in the U.S.	USE BY UNIT OF GOVERNMENT		
			Unit Using Tax	Amount Received Billions	percent of total income of that unit
Property	\$24.7	15.3%	Local	\$22.8	87.1%
Individual and Corp. Income	92.3	57.4%	Federal State	85.5 6.3	82.2% 21.5%
Sales and Excise	33.7	21.0%	Federal State	14.6 17.0	14.1% 58.0%
Other Taxes	12.2	6.4%	State	5.1	17.7%
Totals	\$160.8	100.0%			
Federal Share	\$104.1	65.0%			
State Share	29.4	18.0%			
Local Share	27.4	17.0%			

(Johns and Morphet, op cit, pp 130-1)

Thus, federal sharing of income tax with state and local governments must come before there can be true equity in the support of local services, including education.

CHANGES IN SOURCES OF IOWA SCHOOL REVENUE SINCE 1945

One should not belittle the efforts to date to shift some of the burdens of education to state sources. In 1945 local public schools were, for all practical purposes, financed entirely by the local property tax. There was a small amount of federal aid for vocational education and hot lunches; and a pittance for consolidated schools and for Normal Training came from the state. In 1945 the state embarked on a program of limited state aid.

The changes in amount of school support from the state level from the first state aid law in 1945 are shown in the following table:

TABLE III
STATE SUPPORT OF LOCAL SCHOOLS

<u>\$1000</u>	<u>1946-7</u>	<u>1953-4</u>	<u>1964-5</u>	<u>1968-9</u>
1. General Aid	\$7,348	\$12,000	\$33,500	\$111,000
2. 40% of Income Tax				33,804
3. Supplementary Aid	987	2,000	4,000	
4. Transportation	1,555	3,000	4,000	
5. Mining Camp	72	72	55	
6. Emergency			200	292
7. Special Education	47	526	2,500	1,875
8. Vocational Education		200	2,400	1,545
9. Normal Institutes	50	50		
10. Driver Education			1,200	1,541
11. Consolidate ^d Schools	124			
12. Normal Training	18			
13. TOTALS	<u>\$10,185</u>	<u>\$17,848</u>	<u>\$47,905</u>	<u>\$149,870</u>
14. Total School Expense		\$179,179	\$333,344	\$544,912
15. Percent of Total Expenditures		9.96%	14.37%	27.50%
16. Pupil Enrollments		487,000	620,431	658,427

Sources: Department of Public Instruction, Biennial Report, 1948, pp 68, 73, 74 ;
Data on Iowa Schools, 1966, p 60 ; Data on Iowa Schools, 1968-9, p 97

The table shows very little change in state aid from the first law in 1945 to the more generous law in 1967, from \$10 million to \$49 million. Since 1949 the average state support of local schools in the United States has been about 40 percent of total costs. Iowa supported local schools from state sources at 9.96 percent in 1953-4, 14.37 percent in 1964-5, and 27.50 percent in 1968-9.

Until 1967 only three states were more penurious than Iowa in providing state funds for local school district support. They were Nebraska, New Hampshire and North Dakota. In 1968-9 Iowa ranked 34 among the 50 states in support of local public schools.
state

THE PRESENT FINANCIAL PROGRAM IN IOWA

The 1967 law had several features, some unnecessarily complicated in terms of the purpose served. The graph on page 4 shows the source of funds supporting the \$534.5 million General Fund in 1969-70.

1. County Property Tax Sharing. Some \$139 million (26.00%) came from a sharing of county tax funds. Forty percent of reimbursable expenditures of the General Fund for all schools in the county was combined into one fund. This amount was levied against all property in the county and the proceeds were distributed on a per pupil in enrollment (ADM) basis. In 1969-70 the average tax rate was 19.1 mills, and the average per pupil distribution was \$210.58 per pupil. This varied in terms of taxable value per pupil. Council Bluffs had \$4,905 in taxable value behind each student. It contributed \$115 for each of its pupils to this county fund and received back \$173. Walnut in the same county, had \$19,849 in taxable value per pupil. It contributed \$467 for each of its pupils and received back \$173 per pupil.

The County Basic Levy has a high degree of equalization. Its weakness is that the county is too small an area for equalization and it works a hardship on homes and rural property in a county where there is a city. A tax rate of 15 mills was necessary in Walnut to provide the \$294 that was shared by the other schools in Pottawattamie County. A state-wide property tax divided on a per pupil basis state-wide would have the equalizing effect and be more equitable. A 20 mill tax would have raised \$220 per pupil in 1969-70. In Pottawattamie County a 23.5 mill tax raised only \$173 per pupil.

A map which follows (Map # 6) shows the administration of this tax county-wide in 1969-70.

2. County Income Tax Sharing. Forty percent of the income tax collected by the state in each county is returned to the schools in that county on a per pupil in enrollment basis.

In 1969-70 the amount available was \$37,402,000. State-wide it would have amounted to \$56.68 per student enrolled. Because of variations in income, and the percent of children in parochial schools it varied from \$27 in Allamakee County to \$100 in Dubuque County. Urban counties share more income tax than rural counties (see Map VII which follows). If allotted in an equitable ratio, this income tax distribution could offset the higher burden on home owners and rural land provided by the county property tax sharing. But in 1969-70, the 37.4 million dollars income tax distribution was but 21 percent of the total county-wide sharing of income and property taxes.

3. State Aid. \$118,151,000 was allotted in State Aids in 1969-70. This represented 22.10 percent of the General Fund (29.10% if the 7.0% county income tax sharing is added). \$112 million of this was distributed by a formula which defies understanding by more than a handful of people in Iowa.

It was intended that the distribution be in terms of need, the relative wealth of the district. But this need factor is divided by 4, and then multiplied by expenditures per pupil, which had no real limit before 1970-71. The result is almost a perfect correlation between state aid paid and the two factors of per pupil expenditure and per pupil wealth. Schools with high levels of per pupil wealth can afford to spend more and still retain lower tax rates than their more frugal neighbors who have less per pupil wealth. Per pupil wealth varies almost inversely with enrollment. Thus the cities, with smaller per pupil resources tend to receive less aid than their less densely populated and higher spending rural neighbors.

The top priority, in this writers opinion, is to junk this complicated formula and apply a foundation program that would achieve better equalization with more public understanding of the process.

4. Added Local Support. Finally, the balance above the county basic property tax (\$210.53 per pupil average in 1969-70), the county sharing of 40 percent of the income tax (\$56.68 per pupil), and state aid (\$169.73 per pupil), must come from locally levied property taxes. This amounted to \$216,933,000 million (40.48 percent of the General Fund) in 1969-70.

To this \$534.5 million in proposed General Fund expenditures in 1969-70 must be added another approximately \$37 million for bond retirement and interest, and for the 2½ mill school house levy and the 1 mill site levy, a total proposed public school expenditure in 1969-70 of about \$571 million dollars.

On the pages which follow are illustrations of how the Iowa School Support program operated in 1969-70.

Page 11 - a Bar Graph (Graph II) illustrating how the program operated on a per pupil basis in selected Iowa schools;

Page 12 - a map of Iowa (Map VI) which lists for all 99 Iowa counties:

top figure: the County Basic millage levy in 1969-70.

middle figure: the dollars per public school student distributed from the county basic property tax levy in 1969-70.

bottom figure: the number of dollars that would be raised per pupil in public schools in the county by a one mill property tax levied county-wide.

This map illustrates the wide range in abilities of counties to support education by a property tax. It shows that the rural counties generally have more capacity than urban counties (i.e.: Grundy can raise \$18.33 per student, Wapello \$6.79, and Black Hawk \$8.02).

Page 13 - a map of Iowa (Map VII) which lists for all Iowa counties the amount distributed per public school pupil from 40% of the income tax collected in the county in 1969-70.

This map generally shows the reverse of Map VI - Urban counties generally distribute more income tax per student than rural counties.

A summary of school support potential from both property and income for some rural and urban counties in different parts of Iowa follow.

financing Iowa schools p 10

VARIATIONS IN ABILITY TO FINANCE PUBLIC
EDUCATION IN IOWA COUNTIES (1969-70)

	<u>Property Tax</u> Dollars raised per pupil with one mill	<u>Income Tax</u> Amount distributed per pupil
<u>Rural</u>		
Central Iowa Grundy County	\$18.33	\$55
South Central Monroe County	7.03	\$40
Northwest O'Brien County	16.49	\$44
<u>Urban</u>		
Wapello County Ottumwa	6.79	\$49
Pottawattamie County Council Bluffs	7.34	\$34
Black Hawk County Cedar Falls	8.02	\$67
Scott County Davenport - Bettendorf	9.62	\$70
Linn County Cedar Rapids	9.19	\$70
<u>State Average</u>	\$ 11.04	\$57

The above data suggests that Monroe County in southern Iowa has less capacity in both income and property than north central and northwest Iowa rural counties. Also Pottawattamie and Wapello counties have neither income or property comparable with the state average.

Graph II illustrates the equalizing value of a county wide sharing of both income and property taxes.

It does suggest, along with Maps VI and VII, that even greater equalization of educational opportunity and equity in tax burden would be accomplished by a state wide sharing of both income and property taxes rather than county sharing.

Also, none of the data on the graph and two maps shows the wide variations among schools in both income and property values. This data follows for high and low schools in Iowa.

	<u>Local Districts</u>	<u>County Wide</u>	<u>State Average</u>
<u>Property Tax</u>			
(1 mill will raise per pupil)			
High	\$27.90	\$21.29	
Low	4.91	6.97	
Average			\$11.04
<u>Income Tax</u>			
High	\$104.14	\$100.00	
Low	11.61	27.00	
Average			\$56.68

GRAPH II

SOURCES OF INCOME FOR THE GENERAL FUND IN PAIRS OF IOWA SCHOOLS IN THE SAME COUNTY 1969-70 (Per Pupil in ADM)

Taxable Value Per ADM	Gen. Fund Mills	County Basic	In-come Tax	State Aid	Misc. Aids and Added Local Effort	Total General Fund
State Average \$11,000		\$211 19.1 mills	\$57	\$170	\$354	\$792
COUNTY A						
School 1 \$8,238 65.01		\$231	\$68	\$207	\$466	\$972
School 2 \$10,911 43.84		21.94 mills		\$141	\$296	\$736
COUNTY B						
School 1 \$4,905 66.47		\$173	\$34	\$178	\$249	\$644
School 2 \$19,849 49.08		23.5 mills		\$239	\$573	\$1,019
COUNTY C						
School 1 \$6,666 63.63		\$208	\$33	\$181	\$363	\$725
School 2 \$12,178 58.09		21.07 mills		\$245	\$522	\$1008
COUNTY D						
School 1 \$17,260 42.42		\$217	\$48	\$195	\$511	\$971
School 2 \$9,832 42.54		16.54 mills		\$133	\$216	\$694

SOURCE: DPI; Prepared By: L. P. White, Research Assistant, UNI April 24, 1970

COUNTY BASIC TAX LEVY 1969-70

ADAMS 13.60 \$211 \$15.51	OSCEOLA 15.36 \$241 \$15.71	DICKINSON 13.21 \$228 \$17.22	EMMET 17.03 \$211 \$12.37	KOSSUTH 13.12 \$258 \$19.67	WINNEBAGO 14.34 \$198 \$13.83	WORTH 15.82 \$233 \$14.74	MITCHELL 16.51 \$216 \$13.06	HOWARD 18.82 \$231 \$12.27	WINNESHIEK 19.80 \$209 \$10.57	ALLAMAKEE 18.61 \$168 \$9.04										
SIoux 14.18 \$238 \$16.82	O'BRIEN 13.87 \$229 \$16.49	CLAY 16.54 \$217 \$13.14	PALO ALTO 17.30 \$263 \$15.22	WEBSTER 16.50 \$191 \$11.59	HANCOCK 13.63 \$236 \$17.34	CERRO GORDO 20.02 \$218 \$10.91	FLOYD 17.44 \$215 \$12.31	CHICKASAW 18.05 \$201 \$11.14	FAYETTE 19.66 \$200 \$10.16	CLAYTON 21.07 \$208 \$9.88										
MOUTH 15.64 \$216 13.79	CHEROKEE 16.11 \$218 \$13.55	BUENA VISTA 16.17 \$221 \$13.65	POCAHONTAS 13.01 \$254 \$19.49	HUMBOLDT 15.91 \$263 \$16.51	WRIGHT 16.22 \$259 \$16.00	FRANKLIN 14.96 \$242 \$16.21	BUTLER 17.04 \$222 \$13.04	BREMER 18.10 \$183 \$10.10	BLACK HAWK 23.11 \$185 \$8.02	BUCHANAN 19.89 \$201 \$10.09	DELAWARE 21.01 \$197 \$9.38	DUBUQUE 16.83 \$273 \$16.21								
FOODBURY 21.74 \$177 \$8.15	IDA 15.26 \$243 \$15.91	SAC 14.50 \$233 \$16.09	CALHOUN 13.78 \$248 \$18.00	HAMILTON 16.76 \$240 \$14.30	HARDIN 14.44 \$232 \$16.05	GRUNDY 12.33 \$226 \$18.33	TAMA 17.20 \$231 \$13.42	BENTON 16.80 \$222 \$13.23	LINN 23.68 \$218 \$9.19	JONES 21.77 \$210 \$9.64	JACKSON 19.39 \$197 \$10.15	CLINTON 17.24 \$192 \$11.11								
MONONA 15.30 \$223 \$14.59	CRAWFORD 16.74 \$216 \$12.88	CARROLL 10.54 \$224 \$21.29	GREENE 14.38 \$252 \$17.56	BOONE 16.99 \$212 12.46	STORY 21.94 \$231 \$10.53	MARSHALL 18.45 \$221 \$11.99	POWESHIEK 17.75 \$218 \$12.29	IOWA 17.52 \$229 \$13.09	JOHNSON 26.74 \$274 \$10.25	CEGAR 16.80 \$225 \$13.39	SCOTT 22.50 \$216 \$9.62	MUSCATINE 20.32 \$198 \$9.72								
HARRISON 18.06 \$219 \$12.11	SHELBY 16.34 \$230 \$14.05	AUDUBON 19.06 \$251 \$13.17	GUTHRIE 17.11 \$235 \$13.72	DALLAS 20.62 \$250 \$12.15	POLK 24.02 \$199 \$8.29	JASPER 20.30 \$211 \$10.41	MAHASKA 19.53 \$239 \$12.23	KEOKUK 16.29 \$226 \$13.87	WASHINGTON 18.54 \$225 \$12.16	LOUISA 20.12 \$253	JEFFERSON 14.12 \$157 \$11.14	HENRY 19.45 \$228 \$11.72								
POTTAWATTAMIE 23.50 \$173 \$7.34	CASS 14.70 \$176 \$12.00	ADAIR 16.76 \$246 \$14.66	MADISON 19.11 \$230 \$12.03	WARREN 25.21 \$198 \$7.85	MARION 18.69 \$199 \$10.63	MAHASKA 19.53 \$239 \$12.23	KEOKUK 16.29 \$226 \$13.87	WASHINGTON 18.54 \$225 \$12.16	LOUISA 20.12 \$253	JEFFERSON 14.12 \$157 \$11.14	HENRY 19.45 \$228 \$11.72	DES MOINES 21.57 \$214 \$9.90								
MILLS 15.40 \$255 \$16.57	MONTGOMERY 16.58 \$215 \$12.96	ADAMS 16.55 \$236 \$14.25	UNION 17.39 \$186 \$10.71	CLARKE 17.67 \$184 \$10.44	LUCAS 21.13 \$194 \$9.19	MONROE 26.30 \$185 \$7.03	WAPELLO 27.52 \$187 \$6.79	JEFFERSON 14.12 \$157 \$11.14	HENRY 19.45 \$228 \$11.72	DES MOINES 21.57 \$214 \$9.90	FREMONT 16.25 \$273 \$16.83	PAGE 16.66 \$207 \$12.44	TAYLOR 17.34 \$216 \$12.45	RINGGOLD 21.69 \$269 \$12.41	DECATUR 18.84 \$203 \$10.79	WAYNE 15.34 \$231 \$15.08	APPANOOSE 20.85 \$180 \$8.64	DAVIS 18.05 \$189 \$10.50	VAN BUREN 18.30 \$218 \$11.91	LEE 19.71 \$226 \$11.46

MAP VI

Map VI
April 12, 1970
Dr. W. P. Truesdell

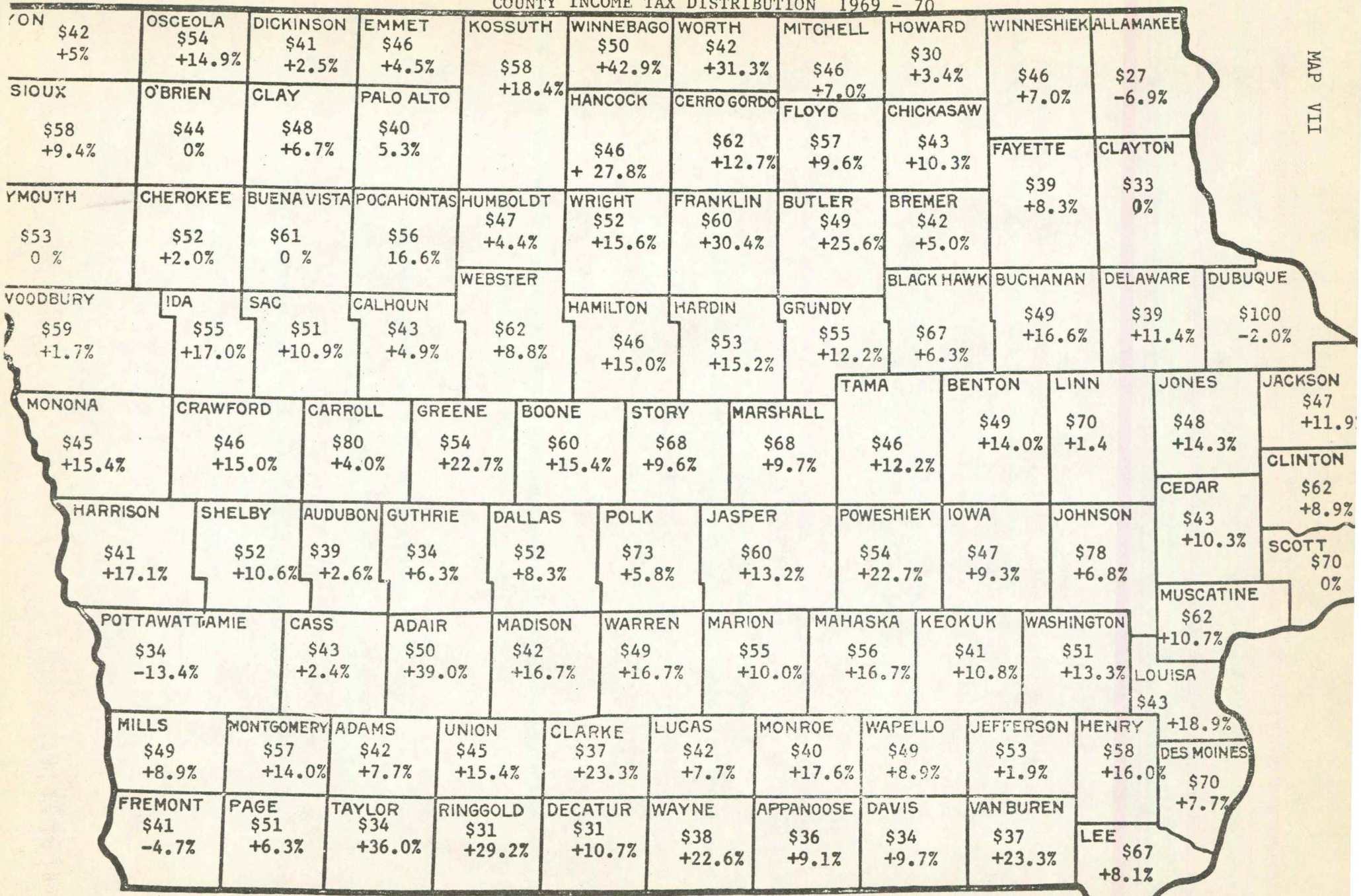
SOURCE: Department of Public Instruction

KEY: Top Figure- 1969-70 County Basic Millage
Middle Figure - Dollars Distributed per
Pupil in ADM

Bottom Figure - Dollars raised per Student With one Mill

COUNTY INCOME TAX DISTRIBUTION 1969 - 70

MAP VIII



State Average: \$57.40 per pupil
% of Increase: 5.5%

Source: Department of Public Instruction
Prepared by: Dr. Wayne P. Truesdell, Feb. 10, 1970

KEY - Top Figure - Per Pupil Distribution
Bottom Figure - Per cent of Change from 1968 - 69

13

In a meeting on October 6, 1970 of a Statewide Finance Committee structured by the Department of Public Instruction, the following basic assumptions and principles relative to financing public education were promulgated. They follow:

BASIC ASSUMPTIONS

Education is a responsibility of the State. This is substantiated by Amendment Ten in the Federal Constitution, and in the assumption of the power by the Iowa General Assembly to establish and regulate schools.

Therefore: it can be assumed that it is the responsibility of each state to assure that each of its citizens has equal educational opportunity.

Also: it could be further assumed that the responsibility for financing a level of education to assure this equal educational opportunity rests upon all citizens of the state, proportionate to individual and corporate ability to contribute.

AGREEMENT UPON LEGISLATIVE NEEDS AT THIS TIME

The committee agreed that the following should have high priority in the 1971 Legislative Sessions:

1. The state aid formula must be simplified;
2. The method of financing schools must reduce the present high property tax burdens for support of local schools; and
3. State support should stop short of the point at which it might be subsidizing inefficient operation of local schools.

FINANCE PRINCIPLES ADOPTED BY STATE SCHOOL FINANCE STUDY COMMITTEE

October 6, 1970

1. The state should support a foundation program.
2. Local effort, in terms of rates of taxes on property, on personal and corporate income, and on consumption, should tend to be comparable up to state average expenditures.
3. Schools should be permitted to set a level of expenditures consistent with local needs and citizen demands, recognizing that all costs above the foundation level would be assessed totally on the local district.
4. A uniform statewide property tax rate should be required in all districts. The committee prefers that the distribution of the money raised by this levy to be on a per pupil basis statewide.
5. The 40 percent of the income tax now earmarked for schools should not be reduced, but it should be distributed on a per pupil basis statewide rather than retained by each county and distributed on a per pupil basis in the county.
6. Total state aid should not be less than the national average of about 40% in recent years.
7. Any state aid formula should incorporate a wealth factor to include taxable value of property and some phase of income (adjusted gross or taxable).
8. Fall enrollment in public schools should be used in the distribution of state aid. (Second Friday in September)
9. All general fund expenditures should be used in the computation of state aid.

continued on next page

10. The State Comptroller should pay the state equalization aid to the various districts in two installments; on September 15, an advance equivalent to 50 percent of the previous year's aid; and on February 15 the balance due in terms of the September enrollment of the current year.
11. The Committee believes that the Budget Review Committee is an important instrument in helping achieve budgetary control in local districts.

ADDITIONAL PRINCIPLES WHICH SEEM PERTINENT TO THIS WRITER:

1. State aid allotments should not be fixed amounts (\$112,000,000) but should be stated as a fraction of expenditures; or a fraction of the income from a given tax so that it will be responsive to economic changes.
2. Some recognition should be given to those costs peculiar to a type of school. These could include aid for school building construction in rapidly growing suburbs of cities, for transportation of pupils in Iowa's counties where population is becoming sparser, for special education needs, for special aid in areas with a high percent of disadvantaged children, and to encourage innovation. These could be added as an index onto a 100 percent state aid entitlement, or they could be special grants as is true now with special education, vocational education and driver education.
3. Though it is not to be recommended, it may be desirable to seek a vote of the local citizens to raise the additional local millage (or percent of gross income) over the preceeding year's rate. Local districts should be accountable for keeping increases in costs of education within economic growth rates, or else proving to the tax payer why greater increase than the economic growth rate is desirable.

PROPOSALS FOR IMPROVEMENT OF THE PRESENT SCHOOL SUPPORT PROGRAM

At the present time two basic, but very similar proposals for the financing of public education (Kg-12) in Iowa have been publicized. Both of them are outlined in the pages which follow:

MODEL # II -- The Shaff-Holden Foundation Plan which would incorporate property taxes, income taxes, and state aid to support education in every school up to 85 percent of average per pupil expenditures. The basic features are:

1. A 20 mill Property Tax Levy in every district. The proceeds of this tax would remain in the local district.
2. Provide, from retrievable sources (see later table) the equivalent of a two percent (same as 20 mills) levy on the Adjusted Gross Income in the district. Again, these funds would remain in the local district.
3. State support to reach 85 percent of the state average per pupil in the general fund; or 85 percent of the local per pupil expenditures in the general fund if it were less than the state average.
4. Support the remaining local district costs in the general fund by the same rate of taxes upon Taxable Valuation of Property and Adjusted Gross Income, all borne by the local district.
5. No provisions for other than local property taxes for support of the Schoolhouse Fund is anticipated.

MODEL # V -- The Plan proposed by the State Finance Committee structured by the Department of Public Instruction. This also would support local schools up to 85 percent of general fund expenditures per pupil through the use of a statewide property tax and state aids.

1. Levy a 25 mill property tax statewide. (No method of distribution was included). It could be assumed that the two options are:
 - a. Leave the proceeds at home as in the Shaff-Holden plan, or
 - b. Distribute the proceeds of this tax equally among all students enrolled in public schools.
2. Through state aid support every school up to 85 percent of the average per pupil expenditure in the general fund, or 85 percent of the local district per pupil expenditure.
3. Secure the additional balance of local funds in the general fund above the 85 percent support level from locally levied taxes. (No designation of whether it should be property, income, or a combination of the two was made.)
4. Continue to support the schoolhouse fund by a property tax levy.

(The funds needed for these programs, and its application to selected schools follows.)

DATA ESSENTIAL TO THE DEVELOPMENT OF A SCHOOL SUPPORT PROGRAM

TABLE IV

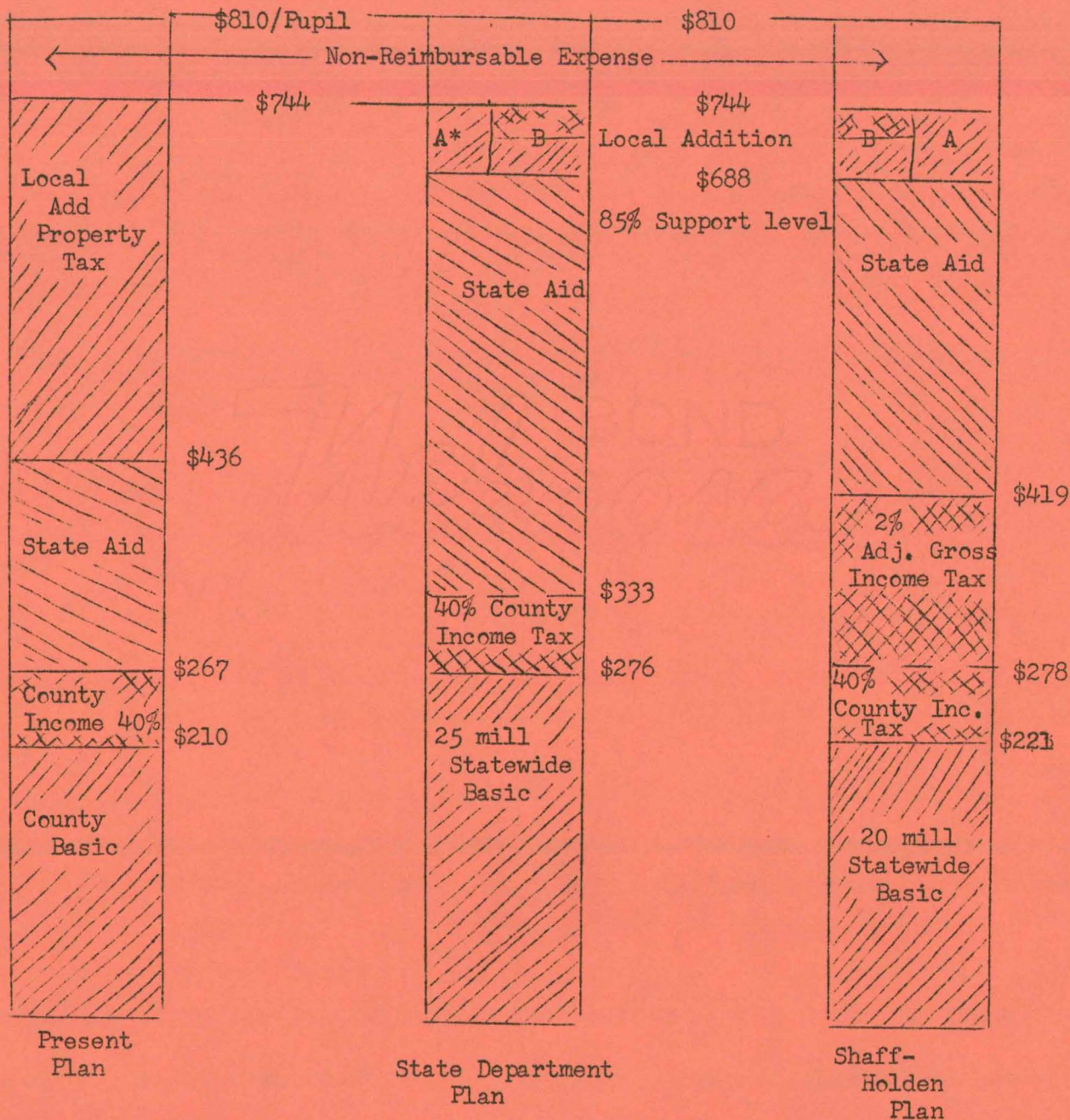
A. BASIC DATA ON ENROLLMENT AND RESOURCES	Total State	Per Pupil State Ave.	Percent of General Fund
1. Sept. 1969 Public Enrollment	659,882		
2. Proposed General Fund Expenditures	\$ 534,522,368	\$ 810.03	100.00%
3. 85 percent of Proposed GF Expendts	453,440,128	688.53	85.00%
4. Reimbursable Expenditures	491,506,252	744.84	90.80%
5. Taxable Valuation of Property, 1970	\$ 7,282,419,900	\$ 11,035	
6. Adjusted Gross Income 1969	6,532,663,450	9,900	
7. 20 mill property tax levy will raise	145,648,398	\$ 220.72	27.25%
8. 25 mill property tax levy will raise	182,060,478	275.90	34.06%
9. 2 percent tax on Adjuste ^d Gross Income will raise	130,653,269	197.99	24.44%
10. State Aid Needed to support 85% of GF			
a. With 25 mill property levy (M 5)	271,379,630	411.13	50.63%
b. With 20 mills +2% on Adj Gr Inc (M2)	177,138,520	269.00	33.33%
11. State Aid to Support			
a. 40% of the General Fund	213,808,947	324.01	40.00%
b. 50 % of the General Fund	267,261,184	405.01	50.00%

b. RETRIEVABLE FUNDS FROM VARIOUS SOURCES IN 1969-70

	Totals \$1000	Percent Available	Dollars Available \$1,000	Per Pupil	% of G. F.
1. Ag. Land Tax Credit	\$ 18,000	100%	\$ 18,000	\$ 27.28	3.37%
2. Personal Property Tax Credits	27,126	58%	15,733	23.84	2.94%
3. Homestead Exemption	34,600	58%	20,068	30.41	3.75%
4. Tax Free Lands	363	100%	363	.55	.07%
5. 1969-70 State School Aid	112,000	100%	112,000	169.73	20.95%
6. 40% of 1969-70 Income Tax	37,402	100%	37,402	56.68	7.00%
7. TOTALS	\$ 229,491		\$ 203,566	\$ 308.49	38.09%

GRAPH III

THREE POSSIBLE DISTRIBUTIONS OF TOTAL GENERAL FUND EXPENDITURES IN THE STATE OF IOWA
(Based on 1969-70 Data)



* A, B present ^{two} possible options of furnishing the difference needed to reach the \$744 of reimbursable General Fund Expenditures from the \$688 (85%) support level

- A. is based on Taxable Value of Property Assessment only
- B. is based on an equal rate distributed between Taxable Value of Property and Adjusted Gross Income.

SOURCE OF TOTAL PROPOSED GENERAL FUND

(A, B, C are the same in all plans.) 1969-70 Data

OPERATION OF THE LAW 1969-70

	<u>\$1,000</u>	<u>Percent of G.F.</u>	<u>Mills To Replace</u>	<u>Statewide Per/Pupil Average</u>
A. Total Proposed GF Exp. 1969-70	\$534,522	100.0%	73.3	\$810.03
B. Non- Reimbursable	13,789	2.5%	1.9	20.90
C. Federal Aids	23,067	4.3%	3.1	34.97
D. Property Taxes				
1. County Basic	\$ 138,960	26.0%	19.1	\$210.58
2. Local Addition	203,144	38.0%	27.9	307.85
3. TOTAL PROPERTY TAX	<u>\$342,104</u>	<u>64.0%</u>	<u>47.0</u>	<u>\$518.43</u>
E. State Non Property Taxes				
1. 40% County Income	\$ 37,402	7.0%	5.1	\$ 56.68
2. Unequalizing Aid	112,000	21.0%	15.4	169.73
3. Special State Aids	6,151	1.2%	.8	9.32
4. TOTAL NON PROPERTY TAX	<u>\$155,553</u>	<u>29.2%</u>	<u>21.3</u>	<u>\$ 235.73</u>

MODEL # II- SHAFF-HOLDEN PLAN

D. Property Taxes				
1. Basic 20 Mills	\$ 145,648	27.2%	20.0	\$ 220.72
2. Additional Local	19,973	3.7%	2.7	30.27
3. TOTAL PROPERTY TAX	<u>\$ 165,621</u>	<u>30.9%</u>	<u>22.7</u>	<u>\$ 250.99</u>
E. Non-Property				
1. 40% County Income	\$ 37,402	7.0%	5.1	\$ 56.68
2. Add to 2% on Adj. Gr. Inc.	93,251	17.5%	12.8	141.32
3. Added Local	18,093	3.4%	2.5	27.42
4. State Aid to 85%	177,139	33.2%	24.3	268.43
5. Special State Aids	6,151	1.2%	.8	9.32
6. TOTAL NON PROPERTY TAX	<u>\$ 332,036</u>	<u>62.3%</u>	<u>45.5</u>	<u>\$ 503.17</u>

MODEL # V - DPI STATE FINANCE COMMITTEE PLAN

D. Property Taxes				
1. 25 mill state wide	\$ 182,060	34.2%	25.0	\$ 275.90
2. Balance above 85%	38,066	7.0%	5.1	56.32
3. TOTAL PROPERTY TAX	<u>\$ 219,223</u>	<u>41.2%</u>	<u>30.1</u>	<u>\$ 332.22</u>
E. Non-Property				
1. 40% County Income	\$ 37,402	7.0%	5.1	\$ 56.68
2. State Aid to 85%	233,978	43.8%	32.2	354.57
3. Special State Aids	6,151	1.2%	0.8	9.32
4. TOTAL NON-PROPERTY TAX	<u>\$ 277,531</u>	<u>52.0%</u>	<u>38.1</u>	<u>\$ 420.57</u>

APPLICATION OF THE TWO MODELS TO SELECTED SCHOOLS

On the pages which follow schools have been selected to illustrate how each model would have functioned in 1969-70.

The schools selected include:

- Two cities with different levels of wealth and expenditures.
- Two rapidly growing suburban areas at extremes of per pupil wealth.
- Two small districts with extremes in wealth.
- LeMars has been picked as a typical city in terms of expenditures, and in both property and adjusted gross income per pupil. Also Lemars is in the enrollment range (1500-3000) who seem to most nearly reach a point of operational efficiency.

Model II (a) is illustrated first.

Explanation of graph - Model # II

Shown in the graph are the following data: Pleasant Valley is used as an example.

TV/P - \$26,532	Taxable valuation in 1969-70 per student in 1969 enrollment
AGI/P - \$ 5,636	Adjusted gross income per student in 1969
Mills - 29.17	Mills required to raise property share (20 mills plus local addition).
% - 2.92	Percent on adjusted gross income to raise its share (2 percent basic plus local addition).
Mills to State Ave. 21.77	Mills on property and adjusted gross income to reach state average per pupil expenditure.

Graph - Pleasant Valley

\$530	Dollars per pupil that would have been raised in 1969-70 in the district by a 20 mill property tax levy.
\$113	Dollars per pupil that would have been raised by a 2 percent (20 mill) tax on adjusted gross income in the district.
\$45	State aid paid to reach 85% of the average state per pupil expenditure in 1969-70 (\$688.52)
\$295	Balance to be raised locally by a uniform rate on property and adjusted gross income.
(\$57)	Added local share needed to raise state average per pupil (\$810)
\$65	Non Reimbursable expenditures - mostly special state aids and federal aids.
\$1048	Total general fund expenditures in Pleasant Valley in 1969-70.

IOWA SCHOOL FINANCE - MODEL II (a) - 1969-70

GRAPH IV

Per Pupil

- (1) 20 mill Property Tax - Kept in local district
- (2) 2 percent Gross Income Tax - Kept in local district
- (3) State Aid to reach 85% of state average per pupil general fund expenditure (\$688.52)
- (4) Local balance from equal rates on (1) property and (2) Adjusted Gross Income

TV/P Mills	AGI/P %	Mills to State Average	20 mill local	2% Adj. Gr. Income	State Aid	Local Add	N.R.*		
State Average									
\$11,035	\$9,900		\$221	\$198	\$270		\$57	\$64	\$810
22.72	2.27								
Pleasant Valley			\$530		\$113	\$45	\$295		\$65
\$26,522	\$5,636								
29.17	2.92								
21.77									\$1048
Urbandale			\$117	\$151	\$399		\$97		\$785
\$ 5,853	\$7,533								
27.24	2.72								
27.55									
Cedar Rapids			\$176	\$285	\$225		\$73	\$70	\$829
\$ 8,822	\$14,287								
23.16	2.32								
22.34									
Council Bluffs			\$97	\$196	\$249	\$48		48	\$638
\$4,858	\$9,808								
23.27	2.33								
25.04									
Walnut			\$395		\$211	\$83	\$258		\$66
\$19,729	\$10,549								\$1013
28.52	2.85								
21.82									
Mar-Mac			\$127	\$116	\$385	\$46	\$65		\$739
\$6,359	\$5,803								
23.78	2.38								
24.69									
Le Mars			\$228	\$199	\$213	\$54	\$59		\$753
\$11,412	\$9,955								
22.53	2.25								
22.95									

*Non Reimbursable

EXPLANATION OF MODEL V

Shown in the graph are the following data:

Pleasant Valley is used as an example:

TV/P - \$ 26,532 Taxable Valuation in 1969-70 per student in 1969 enrollment

AGI/P _ 5,636 Adjusted Gross Income per student in 1969

Total Mills-37.55 - Mills required to reach percent level of expenditures if Plan A is used (25 mills \div equally state wide/pupil)

Mills to state Average- 28.58 - Mills required to operate at state average expenditures (\$810 entotal)

Amount +/- (A-B) - \$387 - The difference between what 25 mills would raise and what district would receive were the 25 mill levy shared state wide.

Graph - Pleasant Valley (Example)

- \$ 276 - Dollars per pupil that would have been ^{received} in 1969-70 in the district by a 25 mill state wide property tax levy divided statewide on a per pupil basis (Plan A).
- \$ 412 - State Aid per pupil to reach 85% of the average state per pupil expenditure in 1969-70 (\$688) in Plan A.
- \$ 663 - Dollars per pupil that would have been raised in 1969-70 in the district by a 25 mill levy retained in the district (Plan B).
- \$ 25 - State Aid per pupil to reach 85% of the average state aid per pupil expenditure in 1969-70 in Plan B.
- \$ 333 - Added local share per pupil needed to reach present reimbursable expenditure level.
- \$ 27 - Non Reimbursable expenditures - mostly state aids and Federal Aids.
- \$ 1048 - Total General Fund expenditures in Pleasant Valley in 1969-70.

STATE AVERAGE

\$11,035

85%

A	25 mills ÷ per pupil State Wide	State Aid to 85% Level	Local	Non-
B	25 mills left in district levied	State Aid to 85% Level	Addit.	Reim
		\$276	\$688	\$744

\$810 (State Ave Exp / pupil)

Pleasant Valley

\$26,522 37.55
-387 28.58

25 mill	State Aid	Local Property Tax
276	412	333
663	25	27
		\$1048

Urbandale

\$ 5,853 41.67
+130 42.26

276	391	97	21	\$785
146	521			

Cedar Rapids

\$ 8,822 33.05
+56 30.89

276	412	71	70	\$829
220	468			

Council Bluffs

\$ 4,858 34.88
+155 40.23

276	266	48	48	\$638
121	421			

Walnut

\$19,729 38.13
-217 27.85

276	412	259	66	\$1013
493	195			

Mar-Mac

\$ 6,359 32.39
+118 34.12

276	352	47	64	\$739
158	470			

Le Mars

\$11,412 27.89
-9 29.73

276	364	54	59	\$753
285	355			

TV/P Total Mills
Mills to St. Ave.
Amt +/- (A-B)

GRAPH V IOWA SCHOOL FINANCE - 1969-70 DATA

GRAPHING OF STATE DEPT. PLAN OF DISTRIBUTION (MODEL V)

1. 25 mill levy (A) Distributed State Wide/Pupil; (B) Left in District Levied
2. State to 85% (688) State Level or 85% Local Gen. Fund if lower than state Average.
3. Balance from local property tax.

SOME OBSERVATIONS ON OPERATION OF MODELS # II AND # V

A. It is possible that 20 mills ^{on property + a} 2% tax on Adjusted Gross Income will raise more than 85 percent of the average per pupil cost (\$688.53); or that the 25 mill levy will exceed this amount.

1. Model # II uses a 20 mill (2%) levy on both Taxable Property and Adjusted Gross Income. \$688.53 would be raised by a 20 mill tax on a combined total of \$34,427.

Twelve Iowa schools of the 453 would have raised, in 1969-70, by a 20 mill (2 percent) rate on taxable value of property and Adjusted Gross Income combined more than 85 percent of state average General Fund expenditures (\$688.53). Nine of these have considerable parochial enrollment. If the principle that parochial children should be included in determining relative wealth is considered, it would not be offensive.

2. Model # V levies a 25 mill tax on property. If left at home \$688.53 would be reached by a taxable valuation of \$27,534.

Only six schools would have been in this category in 1969-70, all with substantial parochial school enrollments.

3. The following schools could gain an advantage over poorer districts by keeping the proceeds of the 20 mills on property plus Adjusted Gross Income, or 25 mills on taxable valuation of property.

TABLE VI

SCHOOLS WHICH COULD OBTAIN OVER 85% (\$688.53) OF AVERAGE PER PUPIL COST BY BASIC LEVIES

School	1 Change in Enrollment 1968-9 to 1969-70	2 Taxable Value Per Pupil	3 Adjusted Gross Income Per Pupil	4 Combined Model # II	5 Model II Rate	6 Model V Rate
Critical Point		\$27,534		\$34,427	20 M	25 M
1. Lytton	-2.5	\$27,422	\$ 7,311	\$34,733	18.92	
2. Carroll	+5.7	27,792	22,958	50,750	13.57	24.77
3. CAL	-10.3	28,258	10,414	38,672	17.80	24.37
4. Lakota	-9.4	25,027	9,638	34,665	19.86	
5. LuVerne	+ 3.6	29,444	8,278	37,722	18.25	23.38
6. Swea City	- 2.7	24,333	10,239	34,572	19.92	
7. Remsen-Union	+2.1	31,685	14,573	46,258	14.88	21.73
8. Fonda	- 1.1	31,839	13,622	45,481	15.14	21.63
9. Crystal Lake	- 1.1	25,767	9,507	35,274	19.52	
10. Floyd Valley	- 0.9	26,007	12,546	38,353	17.95	
11. N.W. Webster	+ 3.2	27,356	8,340	35,696	19.29	
12. Sergent Eluff	- 9.3	30,412	6,172	36,584	18.82	22.64

4. Two factors will reduce the number of schools who would have reached the 85 percent of state average expenditures in 1970-71 without some state aid:

- a. Increasing costs. An 8 percent increase in per pupil costs would peg the state average in 1970-71 at \$743.61. This would require \$29,745 per pupil in taxable valuation at 25 mills and would have eliminated all but three schools.

It would have required a combined taxable valuation of property and Adjusted Gross Income of \$37,181. This would have eliminated all but six schools.

- b. Continued transfer of students from parochial to public schools. A transfer equal to 10 percent of the public school enrollment would have made a \$27,534 property valuation equivalent to \$30,287, or a combined property and income valuation of \$34,427 equivalent to \$38,206. Only three schools would raise above \$688.53 with 25 mills, and only 5 would exceed \$688.53 by 20 mills on combined property and Adjusted Gross Income, had their enrollments increased by 10 percent for 1969-70 by such transfer.

If both increased costs and increased parochial transfers are considered it would take \$32,720 and \$40,899 respectively to reach 85 percent of ^{ave.} per pupil expenditures. No school would exceed this figure with a 25 mill levy, and only three would exceed it with the combined 20 mill levy.

5. One factor would increase the chances of reaching this figure, a decline in enrollment. Three of the listed 12 schools declined in enrollment from 1968-9 to 1969-70 by 9 percent or more, three increased by 3.2 to 5.7 percent.

B. THE SIGNIFICANCE OF PROPERTY AND INCOME IN REACHING THE SUPPORT LEVEL.

The data computerized for all 453 Iowa School Districts shows quite conclusively that the wealth factor of districts would be changed significantly if income were used as well as property valuations in assessing taxes. Rural areas are heavy in property valuations per pupil and low in Adjusted Gross Income per pupil. The reverse is true in metropolitan areas. The following examples will illustrate this difference.

TABLE VII
COMPARISON OF PROPERTY AND INCOME PER STUDENT IN SELECTED SCHOOLS

	Taxable Valuation Per Student	Wealth Relative to the State Average	Adj. Gross Inc. Per Student	Wealth Relative To State Average	Combined Income & Property	Wealth Relative To State Average
1. State Average	\$11,035	1.00	\$9,900	1.00	\$20,935	1.00
2. Pleasant Valley	26,522	2.41	5,636	.57	32,158	1.53
3. Urbandale	5,853	0.53	7,533	.76	13,386	.64
4. Cedar Rapids	8,822	.80	14,287	1.43	23,107	1.10
5. Council Bluffs	4,858	.44	9,808	.98	14,666	.70
6. Walnut	19,729	1.79	10,549	1.07	30,278	1.43
7. Mar-Mac	6,359	.58	5,803	.58	12,162	.58
8. LeMars	11,412	1.04	9,955	1.01	21,367	1.02

Thus a support program which demanded a sharing of property tax only would be unjust to Pleasant Valley since its property is rated at 4 times its income per pupil. Cedar Rapids would gain the greatest advantage by sharing property only because its property is about 60 percent as high as income per student. The use of both property and income in getting the local participation in sharing would tend to even out the differences between property and income somewhat.

One must recognize that all state aid comes from income and excise taxes, paid in greater amounts by areas with higher per pupil incomes. In varying degrees then, districts would be denied the benefit of a lower income per pupil level in determining the total support program. They would be supporting their total costs by a property tax (regardless of whether it were kept at home or shared statewide) and would get no benefit from a lower income per pupil base.

SUMMARY AND RECOMENDATIONS

1. The 1967 School Support Law is Confusing and Complicated. It is a camel resulting from innumerable compromises among many special interest groups in the state. Each year it has been patched up, and each act of "cobbling" has rendered the law even more confusing to the public, more difficult to administer, and an increasing obstruction to good budgeting practices in the local district. What is needed is a new law based upon the principles of (1) simplicity, (2) equality of educational opportunity, and (3) equity in tax burden among all taxpayers in the state.

2. A Foundation Program Would Appear to be the Program Which Would Best Fit the Three Criteria Listed Above.

- a. It retains the property tax for local purposes, in line with its tradition.
- b. There is no formula and it is thus more easily understood and administered.
- c. There need be no delays in finalizing the budget. Only the average per pupil expenditures would need to be known and these could well be established as the preceding years expenditures with an average growth rate over a three year period.
- d. Local control of the property tax would be more politically expedient than a statewide sharing of property taxes.

3. There are Some Admonitions to be Carefully Watched if a Foundation Level Support Program is Used.

- a. If the property and income tax proceeds are left in the local district, and the support level is reached by state support, then the State must consistently support the program at the specified level. If a pro-rata of funds is necessary the inequity in the property taxing capacity of different districts will become quite evident. This will occur in two regards:
 - (1) Since the poor district will receive more aid than the more wealthy district, a pro-rata will mean the loss of more dollars in aid to the poor district than to the wealthier one, in reverse ratio to property wealth per pupil.

If the average loss in aid were 10 percent on an aid payment of \$400 per pupil average, but were a percent of the total aid received, the district entitled to \$100 aid would get \$90, a loss of \$10 per pupil, the district entitled to \$600 aid would get \$540 in aid, a loss of \$60 per pupil. If per pupil valuations were \$20,000 and \$5,000 per pupil

respectively, the loss of the wealthier district would demand .5 mill, and that of the poorer district 12 mills, in additional property taxes.

- (2) Since the poorer district has less property valuations per pupil its tax rate will be higher to make up a loss of a given number of dollars than will be true in the wealthy district. A loss of \$50.00 in aid in all districts would cost the poorest district in Iowa an additional 10 mills of property tax, and the richest district in Iowa about 1.5 mills.

- b. If the funds do not reach the proposed support level, then a new support level should be established at the percent of the general fund which the funds available will support, and all districts should be supported at this level by the combination of the local property tax and the state support.

4. A Tax on Adjusted Gross Income Could Easily be Administered from the State Level, but Might Incur Some Problems Were it to be Administered Locally, and were it to be used with Taxable Value of Property to support local costs above the support level (In these Models 85 percent of average state per pupil expenditures in the General Fund.)

5. Careful Consideration of the Manner in Which Income Can Best Be Taxed should be given to any program involving a change in the present method of taxing income.

- a. A tax on Adjusted Gross Income could be less regressive than on on Taxable Income. No report is necessary on income below \$3,000. The rate is not progressive above \$9,000 of taxable income. Thus it is regressive for persons in the \$3,000 to \$9,000 bracket as compared to those with less than \$3,000 or more than \$9,000 income. Adjusted Gross Income will show more variations than Taxable Income since it includes both the Federal Tax and Deductions other than for dependents.
- b. If taxes are to represent ability to pay, then a change in present rates to make them more progressive would meet the test better than a proportional tax on Adjusted Gross Income. Some States have geared the State tax to a percent of Federal Income Tax payments which would make a most progressive tax.
- c. Some concession from the Federal Government is essential before States can make extensive use of income taxes. The Federal Government now claims about 60 percent of all taxes collected by all governments, and hogs some 92 percent of individual and corporate income taxes collected by all governments.

STATE LIBRARY OF IOWA



3 1723 02117 1095