

IOWA LEGISLATIVE SERVICE BUREAU

A SEARCHING LOOK AT SCHOOL FINANCE IN IOWA

A Report on Some Extensive Research to Determine How the 1967 Iowa School Support Law Actually Operated in Various Types of Schools in Iowa in 1968.

1. How can schools with increasing enrollments finance new buildings with present high interest rates?
2. Why was it impractical to super-impose the Proportional Sharing Plan sponsored by the Senate upon the County Foundation part of the Peterson Plan sponsored by the House?
3. In what respect has the 1967 Law provided a base from which a workable and an equalizing program can evolve?
4. How can the present state formula be made an equalizing formula?
5. What are the strengths and weaknesses of the County Basic Tax and the sharing of 40 percent of the income tax collected in the county?
6. How can the County Sharing plan be made more equitable statewide?
7. What type of supervision at the State level should there be over local budgets and local school expenditures?
8. Is there a relation between an effective state aid program and school reorganization?

It is the purpose of this paper to deal with these significant questions. The writer feels that very few Iowans, important officials included, understand just how the present school support program actually works.

First Printing: October 29, 1969
 First Revision: December 6, 1969
 Second Revision: December 24, 1969
 Third Revision: January 22, 1970

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FINANCING IOWA'S PUBLIC SCHOOLS
 HOW DOES THE PRESENT SCHOOL SUPPORT LAW OPERATE?
 WHAT CHANGES SHOULD THE 1970 LEGISLATURE MAKE?

I

INTRODUCTION

PURPOSE OF THIS PAPER

It is the purpose of this paper to present the results of in depth research which the writer has been doing for more than four years on Iowa school financing.

THE WRITER'S INTEREST IN AN IOWA STATE AID PROGRAM

This research started when a State Finance Committee representing the Iowa Association of School Administrators, the Iowa Association of School Boards, the Iowa State Education Association, the Education Departments of the four Iowa Universities and the Department of Public Instruction first proposed an "open ended" Proportional Sharing Bill to the 1965 General Assembly. The writer had grave misgivings as to the workability of an open ended formula. The experience of the 1967 School Support Law has justified his apprehension at that time.

In May of 1966 the writer researched the effect of the proposed Proportional Sharing Law on Iowa school districts of varying size and wealth. At that time only sale value of property was considered in determining relative wealth of districts and eligibility for proposed aid. The writer emphasized two areas for consideration in this 1966 report:

1. A foundation program would be superior to an open-ended state aid plan.
 The following is quoted:
 "The use of present expenditures encourages those with already high levels, and it discriminates against those schools whose expenditures have been low because of low valuations and high tax rates."
 The experience the past three years has documented this hypothesis.
2. Property is not a fair means of determining eligibility for state aid.
 Income should be included. I quote: "It may take some searching to provide a more equitable basis for distribution of state aid, but in a state where both agriculture and industry are important neither income nor property is the complete answer," "A larger part of the burden of support of local schools and other local services must be shifted from the archaic and unresponsive visible property tax to sources of taxation which are more responsive to economic growth. . . ."

At this time in 1966 the writer outlined a foundation plan which would have provided 40 percent of the total costs of public education from state sources, and would have assessed a uniform property tax statewide of 34 mills to underwrite the local sixty percent of a foundation of \$550 per pupil. At that time Council Bluffs would have obtained 74 percent of its school costs from state sources, while Carroll and Pleasant Valley would have received no state support; they could obtain more than the total costs from the 34 mill tax.

In 1967, while the Senate and House were trying to arrive at a compromise over Proportionate Sharing and the Peterson Plan, this writer pointed out the dangers of using Proportionate Sharing as it was proposed. He showed that one of the ten poorest districts, Mar-Mac, would have received \$186.14 per pupil because its operating costs were but \$394 per pupil (1964-5). Its neighbor, Garnavillo, with twice the per pupil wealth, would have received \$188.64 per pupil because it spent \$516; while the wealthiest of all districts in Iowa, Pleasant Valley, would have received \$203.00 per pupil.

Fortunately, LeRoy Peterson had perservered in the study of school finance, and his plan of county equalization through a countywide property tax and distribution of 40 percent of the income tax collected in the county, became part of the final law in 1967. But unfortunately, the Senate would not bow out without some credit, so the Proportional Sharing part was super-imposed upon the Peterson County Foundation Plan. Now instead of paying state aid on total expenditures, the aid was reserved to those schools whose expenditures exceeded the county foundation. Thus the greater the expenditures, the greater the state aid. This was further distorted by the reduction process in relative wealth, the use of 1.00 - .25 (Relative Wealth). Thus the law that resulted was a monstrosity.

In August, 1968, the writer again prepared a research paper showing the weaknesses of the open ended state aid formula, and the dangers of super imposing it on the county foundation plan. This was presented to the Iowa Educational Conference Board, composed of representatives of the educational organizations in Iowa, mentioned above. The only coments were:

1. "Don't throw the baby out with the bath."
2. "We need another year to see how it will work."

The writer attempted to point out that the evidence was conclusive and that the distortion of the formula in favor of the high spending school would increase rather than decrease the disparity between aid payments and wealth.

Here is where we stand today. We have a monster on our hands. A plan intended to equalize educational opportunity puts a premium on high spending.

The research in this paper is intended to point out the glaring weaknesses of the present law, and to suggest four alternative proposals for changing the formula, any one of which would provide much greater equalization of educational opportunity than the present law.

SOME GAINS FROM THE 1967 SCHOOL SUPPORT LAW

Overall, the 1967 Iowa School Support Law is a landmark in more equitable financing of Iowa public schools. It does shift about 32 percent (1968-9 payments) of general fund costs to other than property taxes through the use of state aid and the county income distribution. Another 26 percent of the general fund is shared county wide, thus equalizing educational opportunity with the same tax rate county wide.

The 1967 Law increased the State's contribution to local schools from \$44 million in 1966-7 to \$116.7 million in 1968-9; from 12.5 percent of the local general fund costs of education from state sources to about 24 percent. In addition, the distribution of 40 percent of the income tax collected in the county on a per pupil basis added another 7.3 percent of general fund costs from other than property tax.

Iowa has the makings of a strong sharing program if those who have the power to revise the law would just stand up and be counted on the question of changing the state aid formula to pay out state aid in terms of need instead of in terms of

expenditures above the county foundation level. This foundation level averaged \$241 in 1968-9.

WHO IS RESPONSIBLE FOR THE FINANCING OF PUBLIC EDUCATION

About five years ago Dr. James Conant wrote a book urging that all public education be financed by the state rather than by local communities. Although ignored at that time, its merit is becoming more and more evident.

Education is a state function. The legislature of each state can determine the nature of the curriculum, the qualifications of teachers, the extent of education provided at public costs, and the manner of financing this education. Because of the concept of local control, and the lack before 1900 of need for much education, this function was delegated to local communities. It is obvious now that both the need for equalization of educational opportunity and the demand for equity in school taxation demand that the state take a greater part in both the planning and financing of public education. This does not preclude the right of the local community to adapt the program to local needs, or to extend the program beyond that obtained through state support. But there is logic in assuming that the state should assure a foundation level of education for every child at a uniform burden on the taxpayer.

POLITICAL EXPEDIENCY OR POLITICAL INTEGRITY. A SEARCH FOR THE TRUTH

Another point strikes the writer as being relevant to our attitude toward school legislation reform. Almost every educational or political leader in Iowa to whom I present my research data and to whom I suggest the need for improving the state aid formula, confronts me with the term "political expediency." One official stated that it was "political reality." This I can not buy. I am told that legislators will not buy the suggested changes in the school finance law because of "political expediency (reality)." In short, I am told that legislators are more concerned with getting the votes of their constituents than they are with the educational welfare (or any other welfare) of the children and citizens of Iowa. I presume this means, also, that educational leaders can see only a "pragmatic" approach -- something that is edible. They too, hesitate to take a stand against their jobs. The "Iron Duke", Bill Severin of the Waterloo Daily Courier, can become highly incensed over the use of four letter words at UNI, but he laughs off the statement by an Iowa representative that no changes should be made in the state aid formula because his local district might lose some of the largess it gets from its neighbors, and from the beneficence of Iowa sales, income and excise tax payers.

It is time for some "political integrity" in place of "political expediency", time for legislators and educational leaders to take a stand for education and not for their jobs. Socrates, the Athenian philosopher, had something to say along this line some 500 years before Christ. He had three strong commitments:

1. Truth, virtue and a mind filled with knowledge are man's greatest assets. They are much more important than money or the pleasures of life.
2. Possession of the above assets can lead man to a serenity of mind that no one can take from him. Critics may hurt his body, but they can't corrupt his soul.
3. The most important task of all men is the "search for truth". Every man should be a philosopher.

Socrates words were "politically inexpedient" and he was given hemlock for "corrupting the youth of Athens." It is in the cause of "political and leadership integrity" that the above lines were written, and the research which follows is

presented. I have been given varying degrees of the "hemlock treatment" during the past four years. My kind make those who preach "political expediency" uncomfortable because we are constantly prodding our leadership to "search for the truth", at times when their offices or jobs depend upon providing something that is palatable for those whose philosophy is "political expediency."

I hope we have some leaders in Iowa who will "search for the truth."

THE TWO FACETS OF A SOUND SCHOOL SUPPORT LAW

At the outset, this researcher is aware that there are two facets to consider in any school support program:

1. Equalization of educational opportunity for all Iowa children.
How do we assure a comparable educational program for all Iowa children, irrespective of geographical location or community wealth?
2. Providing equity in the support of education among taxpayers in Iowa.
This last premise suggests that a reasonable quality of education should be available to every Iowa child at an approximately equal tax burden upon Iowa citizens in any part of the state.

WHAT PUBLIC SCHOOL EXPENDITURES ARE COVERED BY THE PRESENT IOWA SCHOOL SUPPORT LAW?

The Iowa law makes no provision for helping to finance school building construction. It is concerned only with the general fund, that part of school expenditures which supports the day to day operation and maintenance of the school.

STATE FINANCING OF SCHOOL BUILDING CONSTRUCTION

There is no provision in Iowa law for state aid to finance the construction of buildings. Buildings must be financed completely through the local property tax. Far sighted communities can build up funds for buildings, and save interest cost, by the use of a continuous 2 1/2 mill levy. (School Laws of Iowa, 278.1). Such an authorization takes only a majority vote. For the city of Waterloo with 19,000 students and a taxable value of \$159 million, a 2 1/2 mill levy (\$2.50 per \$1,000 of taxable value) would raise \$397,000 a year. In a school such as Grundy Center with 1050 students and taxable valuation of \$14.7 million, the 2 1/2 mill levy would raise about \$37,000 a year. The law permits a similar levy of 1 mill for the purchase of sites.

~~The~~ bulk of financing of school building construction comes from sale of bonds paid back, with interest, over a 20 year period.

There is a great^a difference in the capacity of school districts to finance buildings as there is to provide a quality educational program. Both are based upon the per pupil property valuation in the district. These variations in building capacity result from:

1. Rapid increase in enrollment in city and suburban districts which demand added facilities. Rural areas will see a decrease in enrollment and much less need for adding facilities. See Appendix Tables I - III.
2. Great differences in taxable valuations of property per pupil among districts. The cities tend to have much less wealth per pupil than the rural areas. See Appendix, Tables I - III for differences in per pupil wealth and in tax rates to retire bonds.

Graph A - I shows differences in per pupil bonding capacity for four schools in Pottawattamie County. Note that Council Bluffs has only \$908 bonding capacity per child compared to \$1,391 in Lewis Central, \$2,785 per pupil in Carson-Macedonia and \$4,135 per pupil enrolled in Oakland. In Graph A - I the taxable value per pupil suggests the limit of bonding capacity; the millage rates suggest the variation in effort between growing urban centers and more stable rural communities.

GRAPH A I*

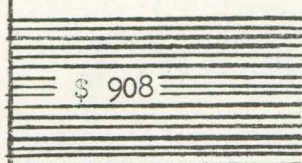
VARIATIONS AMONG SELECTED POTTAWATTAMIE COUNTY SCHOOLS IN THE BONDING CAPACITY
BEHIND EACH CHILD IN AVERAGE DAILY MEMBERSHIP -- 1969-70

| | |
|----------------|---------------|
| Taxable Value | Bond Fund |
| Per ADM | Tax Rate |
| <u>1968-69</u> | <u>1968-9</u> |

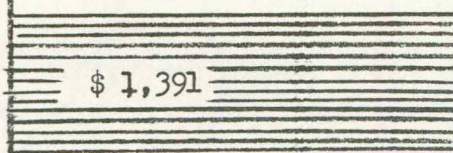
CARSON-MACEDONIA
\$12,658 0.693 mills



COUNCIL BLUFFS
\$ 4,751 9.399 mills **



LEWIS CENTRAL
\$ 6,948 13.280 mills **



OAKLAND
\$20,805 4.597 mills



* Source of Data: Office of County Superintendent of Schools, Calvin, Bones, Council Bluffs
Graph Prepared by Dr. Wayne P. Truesdell, 1-19-1970

** Both Council Bluffs and Lewis Central have the 2.5 mill voted levy and the 1.00 schoolhouse fund in addition to the amount levied annually for retirement of bonds and interest. These are not counted in the legal 10.00 mill and 15.00 mill limits on levies for retiring bonds and interest.

3. Amount of bonds outstanding. No district can bond for more than five percent of the actual (or sale) value of property. The bonding capacity of two school districts is computed below:

TABLE A I *

BONDING CAPACITY IN TWO POTTAWATTAMIE COUNTY DISTRICTS, July 1, 1969

| | <u>Council Bluffs</u> | <u>Carson-Macedonia</u> |
|--|-----------------------|-------------------------|
| 1. Taxable Valuations in \$1,000 | \$75,604 | \$ 8,577 |
| 2. Sale Value of Property 100/27 x Taxable Value in \$1,000 | 280,018 | 31,767 |
| 3. Bonding Capacity 5 percent of Sale Value in \$1,000 | 14,000 | 1,588 |
| 4. Bonds Outstanding in \$1,000 | 4,645 | 10 |
| 5. Unused Capacity in \$1,000 | 9,355 | 1,578 |
| 6. Unused Bonding Capacity per student in ADM | 607 | 2,030 |

SOURCE: Pottawattamie County Schools, Dr. Calvin Bones, Supt.

The problems of urban centers are compounded by low per pupil wealth, and an influx of students for which facilities are needed.

4. The ability to pay off bonds at high interest rates within the 10 mill or 15 mill legal limit. In 1967 the General Assembly doubled the bonding capacity of districts by changing the assessment ratio from a hypothetical 60 percent of sale value to a more realistic 27 percent of sale value. At the same time school house fund tax levy limits were increased from 7.5 mills to 10.00 mills. By a sixty percent vote in any district this limit could be raised to 15 mills. These limits are in addition to the 2.5 mills school house fund voted levy, and the 1.0 mill site levy (Court Decision). Thus it is possible for districts to levy 18.5 mills for building and retirement of bonds.

But interest rates were about 3 percent in 1965. Today, some schools fail to find buyers at the 6 percent legal interest rate limit for schools.

It takes \$67.00 in taxes per year to retire a \$1,000 bond at 3% interest over a 20 year period, \$1,340.00 total. It takes \$86.80 in taxes a year to retire the same \$1,000 bond over a 20 year period with 6% interest, a total of \$1,736.00. This increase of \$396 reduces the bonding capacity of the district by 29.5 percent when interest rates increased from 3 to 6 percent.

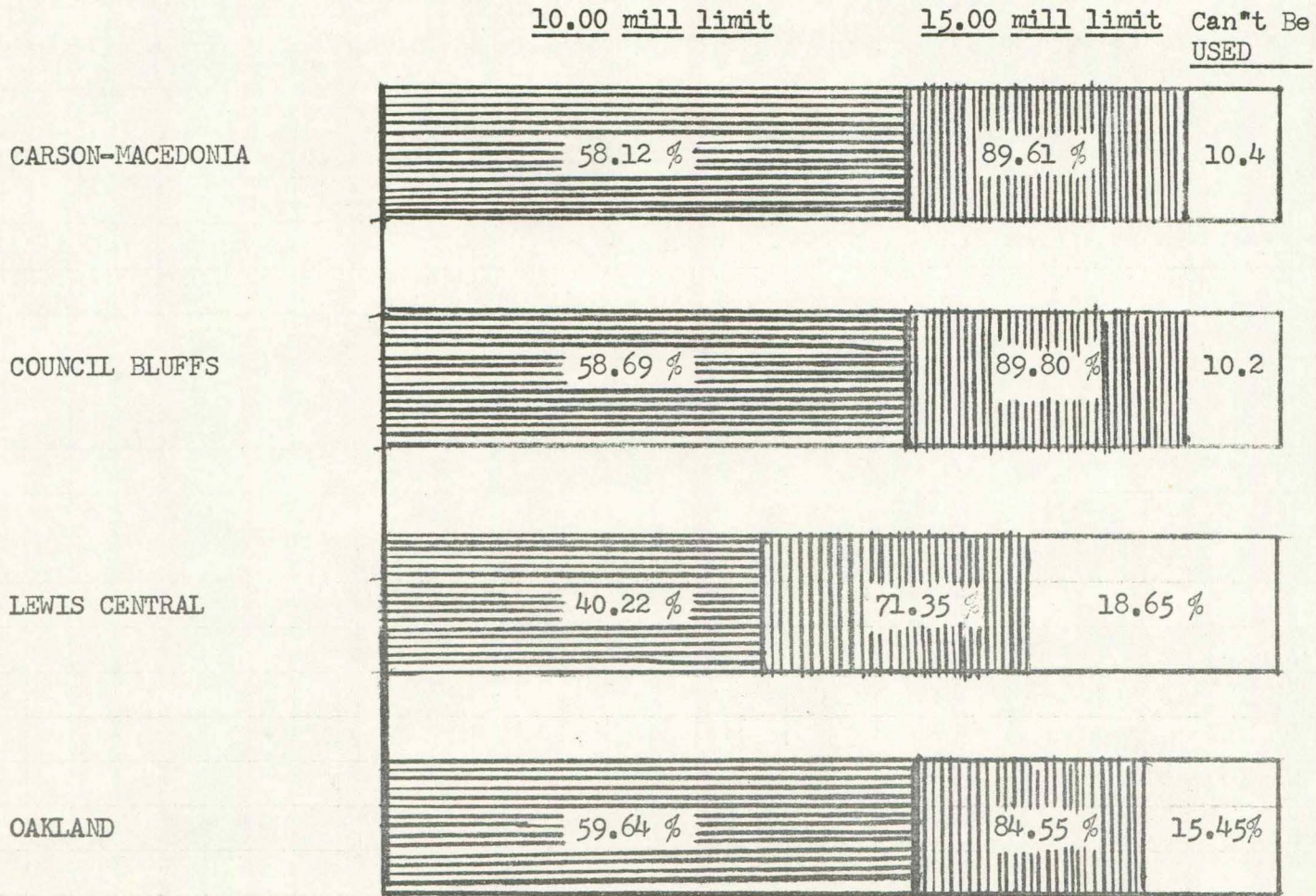
Graph A II shows the percent of the bonding capacity that could be utilized with the 10 and 15 mill levy in 4 Pottawattamie County districts. The two districts which did not issue bonds recently at high interest rates could utilize about 90% of bonding capacity with a 15 mill tax levy. Oakland and Lewis Central have issued bonds more recently under higher rates.

It is difficult for a district such as Council Bluffs with a taxable valuation of \$4,751 per pupil (State average \$10,362. in 1968-9) and only \$908 bonding capacity per child to finance new school buildings. (See Graph A I) State assistance to schools with similar financial limitations is desirable. A majority of the states now provide some type of building construction aid from state funds.

GRAPH ~~TABLE~~ A II*

PERCENT OF THE BONDING CAPACITY THAT COULD BE USED WITHIN THE 10.00 MILL AND 15.00 MILL STATUTORY LIMIT ON TAX LEVIES --SELECTED SCHOOLS IN POTTAWATTAMIE COUNTY

July 1, 1969



* Data Obtained from Dr. Calvin Bones, Supt., Pottawattamie County Schools
Graph Prepared by Dr. Wayne P. Truesdell, January 19, 1970

SOURCES OF INCOME FOR SUPPORT OF THE GENERAL FUND

A. SUMMARY OF ALL INCOMES

The school general fund secures money from a multitude of different sources. Graph I shows the fraction of the total support of the general fund in Iowa that comes from the various sources. Each of the major sources will be considered in detail in this paper.

There are great variations among Iowa schools in the amount of money received per pupil from each of the components which make up State-County Foundation.

Graph I shows all the components of the General Fund in Iowa schools in 1968-9. Graph II shows how these components vary among Iowa counties and individual school districts.

1. The County Basic Tax Levy. A uniform millage levy in a county provided 25.8 percent of the total general fund expenditures statewide in 1968-9. After state and federal aids, the county income tax, transfers and other non-reimbursable expenditures are deducted from the total general fund askings in all schools, 40 percent of the balance is collected by this uniform county tax. The contribution per pupil from the County Basic levy averaged \$187 statewide in 1968-9. In Graph II it can be noted that Story county had a uniform county levy of 22.03 mills and distributed \$206 per pupil from this County Basic Fund. Clay County distributed almost as much per pupil, (\$196) on a 15.00 mill levy. This shows the great differences among counties in the levy required to provide a given amount of money per pupil. These differences statewide are shown in Map I and Map II.

2. The County Income Tax Distribution. Forty percent of the income tax collected in each county is distributed on a per pupil basis in that county. Graph I shows that this accounted for 7.3 percent of the total general fund in 1968-9, about \$54.00 per pupil. Again the distribution shows considerable variation among Iowa counties, from \$102.39 in Dubuque County (with over 50 percent of children in parochial schools) to \$23.83 in rural Ringgold county in southwest Iowa. Map III shows the 1968-9 and the 1969-70 income tax available per pupil in each county in Iowa.

In Graph II Story county had \$62.51 per pupil to distribute while Pottawattamie county had \$39.31 per pupil.

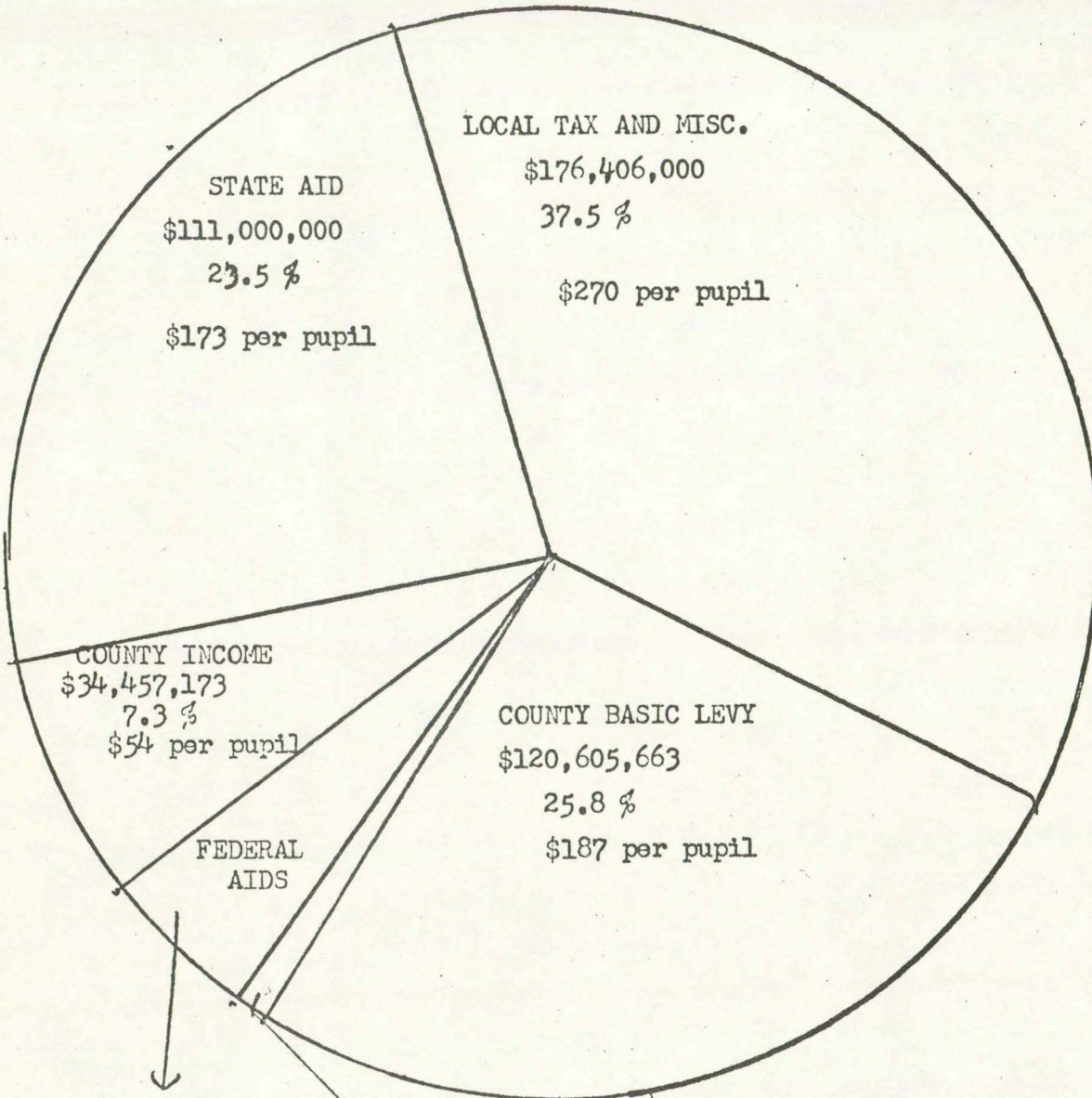
3. The State Aid. (Please do not call it equalizing aid). The intent of the aid was equalizing of educational opportunity among students in Iowa. Actually, the formula distributes this aid almost entirely in terms of expenditures above the county equalization total (income and county basic). This rewards high spending schools and penalizes efficient operation of schools.

Graph I shows that the \$111,000,000 provided by the legislature for 1968-9 accounted for 23.5 percent of the general fund statewide, or about \$187 per pupil in public schools.

Graph II shows that there are considerable variations in state aid received among Iowa schools. Garnavillo received \$259 per pupil on an expenditure of \$857 while Spencer received \$132 on an expenditure of \$590.

GRAPH I

TOTAL GENERAL FUND EXPENDITURES IN THE STATE OF IOWA 1968-9
DISTRIBUTED BY SOURCE OF INCOME



Federal Aids
\$21,426,000
4.6%

Special State Aids
\$4,513,000
.95%

TOTAL SOURCE OF REVENUE

| | \$1,000 | Percent | Mill Value | Per Pupil |
|---------------------|-------------------|--------------|-------------|--------------|
| County Basic | \$120,606 | 25.8% | 18.1 | \$187 |
| County Income | 34,457 | 7.4 | 5.1 | 54 |
| State Aid | 111,000 | 23.6 | 16.4 | 173 |
| Sp State Aids | 4,513 | 1.0 | .7 | 7 |
| Federal Aids | 21,426 | 4.6 | 3.2 | 32 |
| Local & Misc | 176,406 | 37.6 | 26.1 | 270 |
| TOTAL 1968-9 | \$ 468,408 | 100.0 | 69.6 | \$718 |

Source: Department of Public Instruction Data, 1968-9
Graph prepared by Dr. Wayne P. Truesdell
December 26, 1969

GRAPH II *

SOURCES OF INCOME FOR THE GENERAL FUND IN PAIRS OF IOWA SCHOOLS IN THE SAME COUNTY 1968-9
(Per Pupil in ADM)

| Taxable Value Per ADM | Value Gen. Fund Mills | County Basic | Income Tax | State Aid | Misc. Aids & Added Local Effort | TOTAL GENERAL FUND |
|-----------------------|-----------------------|----------------------|------------|-----------|---------------------------------|--------------------|
| STATE AVERAGE | | \$187 17.78 Mills | \$54 | \$173 | \$304 | \$718 |
| STORY COUNTY | | | | | | |
| Ames | \$ 7,801 56.19 M. | \$206 | \$62 | \$203 | \$328 | \$799 |
| Nevada | \$ 9,261 40.63 M. | 22.03 Mills | | \$144 | \$233 \$645 | |
| POTTAWATTAMIE CO. | | | | | | |
| Council Blfs | \$ 4,751 59.87 M. | \$156 | | \$165 | \$218 \$578 | |
| Walnut | \$16,964 39.16 M. | 22.65 Mills | \$39 | \$249 | \$478 | \$919 |
| CLAYTON CO. | | | | | | |
| Mar-Mac | \$ 5,982 53.36 M. | \$195 | \$33 | \$169 | \$277 \$674 | |
| Garnavillo | \$11,451 47.12 M. | 20.24 Mills | | \$259 | \$6 \$370 | \$857 |
| CLAY COUNTY | | | | | | |
| Clay Cent. | \$17,984 39.44 M. | \$196 | \$45 | \$228 | \$57 \$455 | \$93 |
| Spencer | \$ 9,527 34.24 M. | 15.00 Mills | | \$ 132 | \$217 \$590 | |

4. Total of Non-Property Tax Aids in 1968-9. If in Graph I the federal aids (4.6 percent), all state aids (24.4 percent), and the income tax distribution (7.3 percent) are combined, it can be noted that growth taxes at the county, state and federal level accounted for 36.3 percent of total general fund expenditures in 1968-9. This provided 25.4 mills of property tax relief in 1968-9.

5. Total county-state foundation support in 1968-9. By combining the first three items in Graph II it is possible to note the extent of county-state support in 1968-9. The state average was \$414 per student of the \$718 total. Among schools listed on Graph II this foundation varies from \$360 in Council Bluffs to \$487 in Garnavillo.

It is possible that some state aid was denied because schools exceeded the allowable growth rate. Graph II shows these amounts. Garnavillo could have lost up to \$6.00 per pupil and South Clay up to \$57 per pupil. Exact figures are not available. The aid was paid in 1968-9, but will be deducted from the amount paid in 1969-70.

B. THE COUNTY BASIC TAX LEVY

This section will show how the County Basic Tax functions in different Iowa counties.

Map I shows the mill levy in each county and the dollars per pupil in Average Daily Membership raised by this levy.

Table III shows these data for selected Iowa counties. Table II shows also, the great variations among Iowa counties in the dollars per pupil that can be raised with one mill of tax. Map II illustrates this variability in per pupil taxing capacity for all Iowa counties.

COUNTY BASIC PROPERTY TAX LEVY, 1968-9 SCHOOL YEAR

Top figure: uniform county millage
Bottom figure: dollars per ADM distributed

MAP 7

| | | | | | | | | | | | | |
|---------------------------------|------------------------------|-------------------------------|------------------------------|----------------------------|-------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| YON 12.25 \$191 | OSCEOLA 16.30 \$226 | DICKINSON 14.71 \$197 | EMMET 15.28 \$183 | KOSSUTH 14.24 \$227 | WINNEBAGO 15.61 \$177 | WORTH 16.69 \$205 | MITCHELL 17.02 \$203 | HOWARD 16.87 \$200 | WINNESHIEK 17.45 \$176 | ALLAMAKEE 17.38 \$164 | | |
| SIoux 13.50 \$207 | O'BRIEN 12.70 \$203 | CLAY 15.00 \$196 | PALO ALTO 16.42 \$263 | HANCOCK 15.65 \$215 | CERRO GORDO 17.88 \$179 | FLOYD 15.61 \$190 | CHICKASAW 15.29 \$185 | FAYETTE 16.84 \$171 | CLAYTON 20.24 \$194 | | | |
| LYMCOUTH 13.16 \$188 | CHEROKEE 14.21 \$188 | BUENA VISTA 14.42 \$192 | POCAHONTAS 11.67 \$221 | HUMBOLDT 15.40 \$192 | WRIGHT 15.23 \$231 | FRANKLIN 13.06 \$205 | BUTLER 14.97 \$191 | BREMER 16.75 \$167 | BLACK HAWK 20.84 \$162 | BUCHANAN 20.02 \$176 | DELAWARE 19.13 \$185 | DUBUQUE 14.28 \$217 |
| WOODBURY 19.19 \$152 | IDA 15.02 \$208 | SAC 13.74 \$195 | CALHOUN 13.06 \$219 | WEBSTER 15.90 \$176 | HAMILTON 14.61 \$203 | HARDIN 15.62 \$224 | GRUNDY 12.37 \$195 | TAMA 15.20 \$201 | BENTON 15.32 \$189 | LINN 23.56 \$201 | JONES 18.38 \$175 | JACKSON 19.18 \$192 |
| MONONA 14.50 \$206 | CRAWFORD 14.48 \$184 | CARROLL 8.84 \$191 | GREENE 12.87 \$219 | BOONE 16.58 \$189 | STORY 22.03 \$205 | MARSHALL 17.76 \$191 | CLINTON 16.94 \$167 | CLAYTON 20.24 \$194 | CLAYTON 20.24 \$194 | CLAYTON 20.24 \$194 | CLAYTON 20.24 \$194 | CLAYTON 20.24 \$194 |
| HARRISON 17.51 \$187 | SHELBY 16.07 \$210 | AUDUBON 19.29 \$249 | GUTHRIE 17.56 \$210 | DALLAS 18.89 \$225 | POLK 21.69 \$171 | JASPER 20.26 \$183 | POWESHIEK 17.12 \$185 | IOWA 16.31 \$204 | JOHNSON 22.56 \$234 | SCOTT 20.73 \$137 | SCOTT 20.73 \$137 | SCOTT 20.73 \$137 |
| POTTAWATTAMIE 22.65 \$155 | WASS 14.15 \$166 | ADAIR 15.81 \$212 | MADISON 16.88 \$207 | WARREN 21.55 \$164 | MARION 16.52 \$167 | MAHASKA 17.86 \$196 | KEOKUK 15.80 \$209 | WASHINGTON 15.13 \$185 | MUSCATINE 19.45 \$171 | LOUISA 17.51 \$215 | LOUISA 17.51 \$215 | LOUISA 17.51 \$215 |
| MILLS 16.44 \$225 | MONTGOMERY 16.35 \$190 | ADAMS 16.53 \$216 | UNION 17.69 \$178 | CLARKE 16.13 \$153 | LUCAS 19.51 \$177 | MONROE 23.52 \$160 | WAPELLO 25.50 \$171 | JEFFERSON 13.45 \$148 | HENRY 17.37 \$200 | DES MOINES 21.72 \$176 | DES MOINES 21.72 \$176 | DES MOINES 21.72 \$176 |
| FREMONT 17.85 \$250 | PAGE 15.15 \$168 | TAYLOR 14.54 \$176 | RINGGOLD 19.85 \$234 | DECATUR 17.61 \$174 | WAYNE 15.31 \$202 | APPANOOSE 20.87 \$170 | DAVIS 17.09 \$165 | VAN BUREN 16.84 \$175 | LEE 19.35 \$185 | LEE 19.35 \$185 | LEE 19.35 \$185 | LEE 19.35 \$185 |

Dr. Wayne P. Truesdell
June 28, 1969

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TABLE III

STATEWIDE VARIATIONS IN MILLAGE AND DOLLARS PER PUPIL RAISED
THROUGH THE COUNTY BASIC TAX, 1968-9

| | <u>County wide Rate (mills)</u> | <u>Dollars per pupil raised</u> | <u>Dollars per pupil raised with one mill</u> |
|---|-------------------------------------|-------------------------------------|---|
| Highest County Carroll County | 8.84 | \$191 | \$21.60 |
| Lowest County Wapello County | 25.50 | \$171 | \$ 6.70 |
| Low Industrial County Pottawattamie County | 22.65 | \$155 | \$ 6.88 |
| High Industrial County Linn County | 23.56 | \$201 | \$ 8.55 |
| Southwest Rural County Taylor County | 14.54 | \$176 | \$12.08 |
| Northwest Rural County Ida County | 15.02 | \$208 | \$13.37 |
| State Average | 19.00 | \$188 | \$ 9.50 |

Carroll County educates 57 percent of its children in parochial schools, thus all of the property in Carroll County supports 43 percent of the children.

Wapello and Pottawattamie Counties are less affluent than Linn County. A tax rate which would raise a dollar in Wapello County would raise \$1.28 cents in Linn County. Agricultural counties have scattered populations and more wealth per pupil. The tax rate that would raise \$1.00 per pupil in Wapello County would raise \$1.81 in Ringgold County and \$1.98 per pupil in Ida County.

The above data suggests that the county may not be a desirable area over which educational costs should be shared by all taxpayers. If education is a state function, should the 40% of expenses be spread statewide? If this had been done in 1968-9, the rate would have approached 18 mills statewide, and would have raised \$188 per pupil.

S T A T E O F I O W A

| | | | | | | | | | | | |
|----------------------------|--------------------------|-------------------------|--------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|------------------|
| LYON \$15.59 | OSCEOLA 13.87 | DICKIN- SON 13.39 | EMMET 11.98 | KOSSUTH | WINNE- BAGO 11.34 | WORTH 15.70 | MITCH- ELL 11.93 | HOWARD 11.86 | WINNE- SHIEK 10/09 | ALLA- MAKEE \$9.43 | |
| SIoux 15.33 | OBRIEN 15.98 | CLAY 13.06 | PALO ALTO 16.02 | 15.94 | HANCOCK 13.73 | CERRO GORDO 10.01 | FLOYD 12.17 | CHICK- ASAW 12.10 | FAYETTE | CLAYTON | |
| PLYMOUTH 14.29 | CHERO- KEE 13.23 | BUENA VISTA 13.31 | POCA- HONTAS 18.94 | HUM- BOLDT 12.47 | WRIGHT 15.17 | FRANK- LIN 15.70 | BUTLER 12.76 | BREMER 9.97 | 10.15 | 9.70 | |
| WOODBURY 7.92 | IDA 13.84 | SAC 14.19 | CAL- HOUN 16.77 | WEBSTER 11.07 | HAMIL- TON 13.89 | HARDIN 14.34 | GRUNDY 15.76 | BLACK HAWK 7.77 | BUCH- ANAN 8.79 | DELAWARE 9.66 | DUBUQUE 15.20 |
| MONONA 13.29 | CRAWFORD 12.71 | CARROLL 21.61 | GREENE 17.02 | BOONE 11.40 | STORY \$9.32 | MARSHALL 10.75 | TAMA 13.22 | BENTON 12.34 | LINN 8.53 | JONES 9.53 | JACKSON 10.01 |
| HARRISON 10.68 | SHELBY 13.07 | AUDU- BON 12.90 | GUTHRIE 11.96 | DALLAS 11.91 | POLK 7.88 | JASPER 9.03 | POWE- SHIEK 10.81 | IOWA 12.51 | JOHNSON 10.37 | CEDAR 12.49 | CLINTON 9.85 |
| POTTAWATTA- MIE 6.84 | CASS 11.73 | ADAIR 13.41 | MADISON 12.26 | WARREN 7.61 | MARION 10.11 | MAHASKA 10.97 | KEOKUK 13.23 | WASHINGTON 12.23 | LOUISA | MUSCATINE 8.60 | SCOTT 9.02 |
| MILLS 13.69 | MONT- GOMERY 11.62 | ADAMS 13.07 | UNION 10.06 | CLARKE 9.49 | LUCAS 9.07 | MONROE 6.80 | WAPELLO 6.71 | JEFFER- SON 11.00 | HENRY 11.51 | 12.27 | DES MOINES |
| FREMONT \$14.01 | PAGE 11.09 | TAYLOR 12.10 | RING- GOLD 11.79 | DECATUR 9.88 | WAYNE 13.19 | APPANOOSE 8.15 | DAVIS 9.65 | VAN BUREN 10.39 | LEE \$9.56 | 8.10 | |

COUNTY BASIC PROPERTY TAX LEVY, 1968-9 SCHOOL YEAR
DOLLARS RAISED PER PUPIL IN ADM WITH EACH MILL LEVIED

SOURCE: Department of Public Instruction; Compiled by Dr. Wayne P. Truesdell, Jan. 20, 1970

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Inequities in a County Basic Tax Distributed on a Per Pupil Basis.

Map I shows the variations among counties in the per pupil distribution of the proceeds from the County Basic Tax. Two types of inequity are not shown by this map:

1. For the rural district in a county containing a city.
2. For two taxpayers who might be neighbors, one in a county unit containing a city; the other in a rural county.

Table IV illustrates the first inequity shown above.

TABLE IV *

VARIATIONS IN RURAL AND URBAN DISTRICT SHARING IN COUNTY BASIC TAX
1968-9

| Key: | Taxable value per pupil 1968-9 | County Basic Mills 1968-9 | Distributed per pupil county wide 1968-9 | Raised per pupil in District 1968-9 | County sharing per pupil -out + in |
|--------------------------|--|------------------------------------|---|--|--|
| COUNTY 1 - Pottawattamie | | | | | |
| A. Council Bluffs (U) | \$ 4,751 | 22.65 | \$155 | \$108 | \$ +47 |
| B. Lewis Central (BR) | 6,950 | 22.65 | 155 | 165 | -10 |
| C. Carson-Macedonia (R) | 12,513 | 22.65 | 155 | 289 | -134 |
| D. Oakland (R) | 20,811 | 22.65 | 155 | 473 | -318 |
| COUNTY 2 - Black Hawk | | | | | |
| I. Waterloo (U) | 8,146 | 20.84 | 163 | 170 | - 7 |
| J. Hudson (R) | 12,178 | 20.84 | 163 | 259 | - 96 |
| K. Cedar Falls (BR) | 5,890 | 20.84 | 163 | 126 | + 37 |
| COUNTY 3 - Polk | | | | | |
| M. Des Moines (U) | 7,904 | 21.69 | 172 | 166 | + 6 |
| N. Bond'ant-Farrar (R) | 15,356 | 21.69 | 172 | 347 | -175 |
| O. Urbandale (BR) | 5,172 | 21.69 | 172 | 131 | + 41 |

* SOURCE - Department of Public Instruction

Metropolitan areas, including bedroom suburbs, tend to draw on rural areas in the County Basic tax.

Inequity # 2 is also illustrated by Table V and Graph V -G.

The differences can be observed:

1. In per pupil contributions to the basic tax by schools of equal wealth, one in an urban and another in an adjacent rural county.

2. In the County Basic Tax millage between urban and rural counties.

1. Differences in Contribution to the County Basic Tax Fund.

If Dike were in the Black Hawk county school system rather than in Grundy County, a Dike taxpayer would contribute \$141 per pupil to the support of other schools in Black Hawk County. It now receives \$11 per pupil more than it contributes. Some of Dike's district is in Black Hawk county, but these taxpayers support the Grundy County Basic Tax Fund.

Nesco contributes \$133 for each of its pupils to the education of children in other schools in Story County.

Both Hubbard and Radcliffe adjoin NESCO, but are a part of the Hardin county system. Had they been a part of the Story county system, Hubbard would have shared an additional \$145 per pupil with schools in Story county. Its total sharing would then have been \$215 per pupil. Radcliffe would have added \$186 per pupil of sharing for a total of \$323 per pupil contributed to the county fund more than it would get back.

In Pottawattamie County, Carson-Macedonia contributes \$134 more per pupil to the County Basic Fund than it gets back, and Oakland shares \$318 with other schools in the county.

If Griswold, with land in Pottawattamie county, were a part of the Pottawattmie county system instead of the Cass county system its sharing in the County Basic Fund would be increased by \$121 for each of its students to a total sharing of \$145. It now pays out \$24 more per pupil than it gets back.

Nishna Valley Community is in Mills County, were it in adjoining Pottawattamie county its taxpayers would add \$206 per pupil to the support of other students in Pottawattamie county. Its total sharing in the county basic would be increased from \$78 per pupil to \$284 per pupil.

2. Difference in Millage Levies.

Map I and Table V show the great differences in millage to support the County Basic Tax fund in rural and urban counties.

The Dike taxpayer saves 8.47 mills by being in Grundy County. It also receives \$32 more per pupil from the County Basic distribution. The advantage in being in Grundy County rather than Black Hawk County would have been 10.67 mills in 1968-9.

The Hubbard taxpayer saves 6.43 mills by being in Hardin rather than in Story County. If the \$18 dollars more per pupil is considered the difference is 7.38 mills. Radcliffe taxpayers save 7.18 mills (6.43 + .75).

Griswold taxpayers are 9.33 mills (8.50 + .83) ahead by being in Cass rather than Pottawattamie Co.

Nishna Valley taxpayers save 10.88 mills (6.21 + 3.67) by being in Mills rather than Pottawattamie County.

EFFECT UPON COUNTY BASIC TAX SHARING ON
RURAL DISTRICTS IN A COUNTY WITH A CITY
1968-9

| | Taxable Value ADM | County Basic Mills | Dollars Distributed Per ADM | Dollars Raised Per ADM | Dollars Shared Per ADM | County Difference |
|--|-------------------------|--------------------------|-----------------------------------|------------------------------|------------------------------|----------------------|
| 1. Hudson (Black Hawk Co) | \$12,178 | 20.84 | \$163 | \$259 | \$- 96 | |
| 2. Dike (Grundy Co.) If in B. H. Co. | 14,584 | 12.37 20.84 | 195 163 | 184 304 | + 11 -141 | \$ -152 |
| 3. NESCO (Story Co.) | 15,092 | 22.05 | 206 | 339 | -133 | |
| 4. Hubbard (Hardin Co.) If in Story Co. | 19,087 | 15.62 22.05 | 224 206 | 294 421 | - 70 -215 | - -145 |
| 5. Radcliffe (Hardin) If in Story Co. | 23,984 | 15.62 22.05 | 224 206 | 361 529 | -137 -323 | -186 |
| 6. Carson Macedonia (Pottawattamie) | 12,513 | 22.65 | 155 | 289 | -134 | |
| 7. Oakland (Pottawattamie) | 20,811 | 22.65 | 155 | 473 | -318 | |
| 8. Griswold (Cass Co) If in Potta"mie) | 13,267 | 14.15 22.65 | 166 155 | 190 300 | - 24 -145 | -121 |
| 9. Nishna Valley Mills Co. If in Pott. Co. | 19,376 | 16.44 22.65 | 226 155 | 304 439 | - 78 -284 | -206 |

SOURCE: Department of Public Instruction; Table prepared by Dr. Wayne Truesdell, January 22, 1970

GRAPH V G *

EFFECT OF COUNTY BASIC TAX SHARING ON A RURAL DISTRICT IN A COUNTY WITH A CITY
 COMPARED TO SCHOOLS OF SIMILAR WEALTH IN RURAL COUNTIES
 1968-9 Per Pupil in ADM

KEY: "Added" refers to the increased per pupil sharing with other schools were this district in the urban county listed.

| | Distributed | | Additional Contribution | TOTAL |
|------------------------------------|-------------|-------|--------------------------|-------|
| BLACK HAWK COUNTY | | | | |
| Hudson | \$163 | | \$96 Now | \$259 |
| Dike (Grundy Co) If In B.H. Co. | \$163 | +\$11 | \$152 Added | 304 |
| STORY COUNTY | | | | |
| NESCO | \$206 | | \$133 Now | \$339 |
| Hubbard (Hardin Co.) | \$206 | | Now \$70 Added \$145 | \$421 |
| Radcliffe (Hardin Co.) | \$206 | | Now \$137 Added \$186 | \$529 |
| POTTAWATTAMIE CO. | | | | |
| Carson-Macedonia | \$155 | | \$134 Now | \$289 |
| Oakland | \$155 | | \$318 Now | \$473 |
| Griswold (Cass County) | \$155 | | Now \$24 Added \$121 | \$300 |
| Nishna Valley | \$155 | | Now \$78 Added \$206 | \$439 |

SOURCE: Department of Public Instruction; Graph prepared by Dr. Wayne P. Truesdell, January 22, 1970

C. THE COUNTY INCOME TAX DISTRIBUTION

The 1967 Law provides that 40 percent of the income tax collected in each Iowa County shall be returned to that county and be distributed to the public schools on a per pupil basis.

Four factors tend to produce wide variations in the amount of this county income tax distribution per pupil in the 99 Iowa counties. These are:

1. Percentage of children in the county educated in parochial schools
2. Industrialization in the county
3. The value of agricultural land and the resulting income therefrom
4. Possible percent of the work force who live in an Iowa county but work in another state

The income tax returned to each Iowa county and distributed on a per pupil basis is shown in Map VI for both 1968-9 and 1969-70. Table VI shows the variations in income tax distributed per pupil in 1968-9 and 1969-70 for selected Iowa counties.

TABLE VI

COMPARISON OF COUNTY INCOME TAX DISTRIBUTED IN SELECTED IOWA COUNTIES 1968 - 9 and 1969 - 70

| <u>County</u> | <u>Dollars Per Pupil</u> | | | <u>Change in percent</u> | <u>Percent of State Average (\$54.60 per pupil 1968-9)</u> |
|--|--------------------------|----------------|-------------------|----------------------------------|--|
| | <u>1968-9</u> | <u>1969-70</u> | <u>Difference</u> | | |
| 1. <u>Lowest</u> | | | | | |
| Allamakee | \$28.96 | \$27.48 | \$ - 1.48 | - 5.1% | 52.7% |
| 2. <u>Lowest Industrial</u> | | | | | |
| Pottawattamie | 39.31 | 34.06 | - 5.25 | -13.4% | 71.7% |
| 3. <u>High Industrial</u> | | | | | |
| Linn | 68.90 | 70.36 | +1.46 | + 2.1% | 127.0% |
| 4. <u>Southwest Rural</u> | | | | | |
| Ringgold | 23.83 | 31.01 | +7.18 | +30.0% | 43.7% |
| 5. <u>Northwest Rural</u> | | | | | |
| Ida | 46.97 | 55.27 | +8.30 | +17.3 | 85.1% |
| 6. <u>Industrial & High Parochial Enrollment</u> | | | | | |
| Dubuque | 102.39 | 99.98 | -2.41 | -2.4% | 186.5 |
| 7. STATE AVERAGE | 54.60 | 57.60 | +3.00 | +5.5% | |

Source: Computed from Data Provided by Department of Public Instruction

PER PUPIL (ADM) DISTRIBUTION OF INCOME TAX - 1968-9 Top Figure, 1969-70 Bottom Figure

| | | | | | | | | | | | | |
|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|--------------------------------|---------------------------------|-----------------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|--------|--------------------------------|
| LYON \$39.62 \$42.10 | OSCEOLA \$47.11 \$54.33 | DICKINSON \$39.92 \$41.02 | EMMET \$43.76 \$46.46 | ROSSUTH \$49.15 \$57.91 | WINNEBAGO \$34.95 \$49.81 | WORTH \$31.50 \$42.31 | MITCHELL \$43.45 \$46.44 | HOWARD \$29.28 \$30.24 | WINNESHIEK \$43.37 \$46.33 | ALLAMAKEE \$28.96 \$27.48 | MAP VI | |
| SIoux \$53.42 \$57.66 | O'BRIEN \$44.54 \$44.24 | CLAY \$45.31 \$48.25 | PALO ALTO \$37.80 \$40.26 | | HANCOCK \$36.24 \$45.54 | CERRO GORDO \$55.35 \$61.98 | FLOYD \$51.72 \$57.33 | CHICKASAW \$38.98 \$43.18 | FAYETTE \$36.29 \$38.75 | CLAYTON \$33.35 \$33.06 | | |
| PLYMOUTH \$53.41 \$53.18 | CHEROKEE \$50.53 \$51.81 | BUENA VISTA \$60.51 \$61.29 | POCAHONTAS \$48.43 \$55.81 | HUMBOLDT \$45.29 \$47.08 | WRIGHT \$45.07 \$51.65 | FRANKLIN \$46.39 \$60.38 | BUTLER \$39.22 \$46.91 | BREMER \$39.64 \$42.10 | | | | |
| WOODBURY \$58.05 \$59.47 | IDA \$46.97 \$55.27 | SAC \$45.81 \$51.02 | GALHOUN \$40.60 \$42.84 | WEBSTER \$56.55 \$62.18 | HAMILTON \$39.56 \$45.77 | HARDIN \$46.27 \$52.90 | GRUNDY \$48.95 \$55.20 | BLACK HAWK \$62.75 \$66.63 | BUCHANAN \$42.40 \$48.04 | DELAWARE \$35.29 \$39.41 | | DUBUQUE \$102.39 \$99.98 |
| MONONA \$39.44 \$44.89 | CRAWFORD \$39.59 \$45.71 | CARROLL \$77.42 \$80.15 | GREENE \$43.60 \$53.74 | BOONE \$51.77 \$59.75 | STORY \$62.51 \$68.49 | MARSHALL \$62.91 \$68.10 | TAMA \$41.28 \$46.15 | BENTON \$43.13 \$48.57 | LINN \$68.90 \$70.36 | JONES \$42.36 \$47.57 | | JACKSON \$41.91 \$47.12 |
| HARRISON \$35.29 \$40.74 | SHELBY \$47.43 \$52.00 | AUDUSON \$37.53 \$38.52 | WATKINS \$31.52 \$34.10 | DALLAS \$48.11 \$51.62 | POLK \$69.42 \$72.94 | JASPER \$52.53 \$60.10 | POWESHIEK \$43.95 \$54.19 | IOWA \$42.77 \$46.94 | JOHNSON \$73.41 \$77.90 | CLINTON \$57.20 \$61.79 | | |
| TAVATIANIE \$39.31 \$34.06 | CASS \$42.04 \$43.35 | ADAIR \$35.54 \$49.81 | MADISON \$36.45 \$42.03 | WARREN \$41.75 \$48.67 | MARION \$50.04 \$54.53 | MANASKA \$47.97 \$55.62 | KEOKUK \$36.65 \$41.45 | WASHINGTON \$45.25 \$51.49 | MUSCATINE \$56.33 \$62.14 | SCOTT \$38.59 \$42.73 | | |
| MILLS \$45.21 \$49.11 | MONTGOMERY \$50.26 \$57.41 | ADAMS \$39.36 \$41.51 | UNION \$39.10 \$45.17 | CLARKE \$29.95 \$36.95 | LUCAS \$39.38 \$41.68 | MONROE \$33.51 \$40.23 | WAPELLO \$45.25 \$49.46 | JEFFERSON \$51.89 \$52.89 | HENRY \$49.95 \$58.02 | LOUISA \$36.79 | | |
| FREMONT \$43.43 \$40.36 | PAGE \$48.32 \$51.49 | TAYLOR \$24.96 \$34.00 | RINGGOLD \$23.83 \$31.01 | DECATUR \$27.72 \$30.74 | WAYNE \$30.86 \$38.35 | APPANOOSE \$32.91 \$35.77 | DAVIS \$30.83 \$33.51 | VAN BUREN \$30.25 \$37.04 | LEE \$61.98 \$66.71 | DES MOINES \$64.70 \$70.32 | | MAP II |

SOURCE: Department of Public Instruction

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1. Effect upon income tax distribution of percent of children enrolled in parochial Schools.

Dubuque County had 55.6 per cent of its enrollment in parochial schools in 1968-9. The income tax distribution for 1969-70 is \$99.98 per pupil enrolled in public schools. This is a decline from the 1968-9 distribution of \$102.39 per public school pupil, or 2.4%. The percentage enrolled in parochial schools in 1967-8 was 58.5 percent.

Carroll County is another county with large parochial enrollments, 57 percent in 1967-8. 53.4 percent in 1968-9. It also received a large per pupil distribution from the 40 percent of the income tax allotted to public schools -- \$77.42 per public school pupil in 1968-9 and \$80.15 in 1969-70. The increase in farm income in 1968-9 must have offset the increase in percentage of children in public schools.

At the other extreme are counties with no children in parochial schools. Hardin County distributed \$52.90 per pupil in 1969-70, Ringgold County had \$31.01 per pupil for distribution.

2. Effect of Industrialization upon income and the amount available for per pupil distribution.

Industrial counties tend to have more income per student than do counties where the economy is predominantly agricultural. Compare Linn County, which distributed \$70.36 per pupil in county income tax in 1969-70, and Scott County with \$70.54 per pupil, both industrial counties, to several counties without a city larger than 5000 people. Ida County, in northwest Iowa, distributed \$55.27 in income tax per pupil in 1969-70, Ringgold County in Southwest Iowa contributed \$31.01 per pupil, and Allamakee County in far Northeast Iowa distributed the smallest amount of any county in Iowa, \$27.48 per pupil.

3. Effect of Differences in Agricultural Income Upon the County Income Tax Distribution per Pupil

The differences in price of land per acre would be an index that should be related to farm income. This factor may be diluted somewhat by the fact that those areas with low per acre farm values have much larger farms and fewer pupils per square mile than those with more productive land. Table VII suggests some variations in farm land values and in amount of income distributed per pupil.

TABLE VII

RELATION OF FARM VALUES (PER ACRE) AND PER PUPIL INCOME TAX RETURNED TO THE SCHOOLS IN SELECTED IOWA COUNTIES -- (1969-70)

| <u>Counties</u> | <u>Land Value per Acre 1968</u> | <u>Taxable Value Per Acre Using 27% Sale Value</u> | <u>Dollars One Mill would raise per Acre</u> | <u>Distribution per pupil of 40% of county income tax 1969-70</u> |
|-----------------------|---------------------------------|--|--|---|
| <u>Northeast Iowa</u> | | | | |
| Allamakee | \$ 139 | \$ 37.50 | \$ 0.037 | \$ 27.48 |
| Grundy | 535 | 144.00 | 0.144 | 55.20 |
| <u>Southeast Iowa</u> | | | | |
| Keokuk | 265 | 71.50 | 0.071 | 41.45 |
| Davis | 157 | 42.50 | 0.043 | 33.51 |
| <u>Southwest Iowa</u> | | | | |
| Ringgold | 149 | 40.00 | 0.040 | 31.01 |
| Cass | 266 | 72.00 | 0.072 | 43.35 |
| <u>Northwest Iowa</u> | | | | |
| Ida | 375 | 101.00 | 0.101 | 55.27 |
| Osceola | 379 | 102.00 | 0.102 | 54.33 |

Source: Land Values per Acre: William Forst, Iowa Director of Revenue; Income Tax Distribution -- Iowa Department of Public Instruction

Map III also shows the change in distribution of county income tax to schools from 1968-9 to 1969-70. These would be based upon the changes in income from 1967-8 to 1968-9 (fiscal years). Except for northeast Iowa the increase in distribution of income tax to the schools must suggest a rather significant improvement in farm prices in 1968-9 over 1967-8.

4. The Effect of a Large Percent of Iowa Residents Working in Another State Upon the Income Tax Available for Distribution to Schools in Iowa Counties.

Only eight of the 99 Iowa counties distributed less income tax per pupil in 1969-70 than in 1968-9. Two of these counties had cities where large percents of the work force commuted to work outside the county and state.

The significance of this fact to income tax available for schools is shown below:

| <u>County and City Involved</u> | <u>Percent of Work Force Working Outside of County 1960</u> | <u>Income Tax Distribution Per Pupil</u> | | <u>Percent of Change</u> |
|-------------------------------------|---|--|----------------|------------------------------|
| | | <u>1968-9</u> | <u>1969-70</u> | |
| Council Bluffs (Pottawattamie) | 40.9% | \$39.31 | \$34.06 | 14.3% loss |
| Davenport (Scott) | 15.5% | \$71.39 | \$70.54 | 1.2% loss |

Source: Department of Public Instruction

In the case of Davenport there was no Illinois income tax and so there are no deductions from the amount that these commuting workers would pay to Iowa. In Nebraska there is an income tax with rates up to 2 percent. As a result the amount of tax contributed to Iowa by those who work in Nebraska but live in Iowa is the difference between the 2 percent and the rates in Iowa, not significant for most workers. The result is a terrific loss of income to Council Bluffs and other school districts in the Omaha and Army Base commuting area. Since 40 percent of the income comes back to schools it is a serious problem to Pottawattamie County, particularly to Council Bluffs and Lewis Central. The \$34.06 of county income tax distributed per pupil in Pottawattamie County ranks 8th from the bottom in Iowa, despite the fact that industrial counties tend to have more income to contribute to schools than agricultural counties.

Furthermore, the decrease from \$39.31 per pupil in 1968-9 to \$34.06 in 1969-70 in Pottawattamie County is a loss of 13.4 percent in one year, at a time when the state average distribution increased 5.5 percent.

It would appear that it is time that our State Legislature started "searching for the truth", to quote Socrates, and started some type of dialog to get this problem corrected. Two areas should be considered:

a. Some type of reciprocity with Nebraska so that a reasonable proportion of the income tax paid by Iowa residents working in Nebraska would come back to the site where most services are rendered, including the cost of education.

b. The change in the distribution of Income Tax from a county-wide to a State wide per pupil basis. Had the 40 percent of Iowa's income tax collections been distributed statewide on a per pupil basis in 1968-9, Pottawattamie County children would have received \$54.60 per pupil toward their education, rather than the \$39.31 per pupil received on a county-wide distribution. In 1969-70 each Pottawattamie student in public schools would have had \$57.60 behind his education from income rather than the depleted \$34.06 actually available on a county-wide basis.

The decline in Pottawattamie County of 13.4 percent in county income tax distribution per pupil must be related to (a) the increase in public school enrollment, and (b) an increase in the work force living in Pottawattamie County who work in Nebraska, and leave most of their income tax to improve Nebraska services.

CHANGE IN PER PUPIL DISTRIBUTION OF COUNTY INCOME FROM 1968-9 to 1969-70

Map III shows that only eight Iowa counties experienced a decrease in the per pupil distribution of the 40 percent of the income tax collected in the county in 1969-70 as compared to 1968-9. Three were industrial counties; Dubuque, Scott and Pottawattamie. They have been discussed previously. These three, plus the five counties which would be classed as rural (with no city large enough to enroll 3500 students) are shown in Table VIII.

TABLE VIII

IOWA COUNTIES WITH LOWER PER PUPIL DISTRIBUTION OF COUNTY INCOME TAX
IN 1969-70 THAN IN 1968-9

| <u>Counties</u> | <u>Enrollment in Public Schools</u> | | <u>Change in Parochial School Enrollment</u> | <u>Income Tax Distribution Per Pupil</u> | | <u>Percent of Loss</u> |
|------------------------------|-------------------------------------|-------------------------------|--|--|----------------|------------------------|
| | <u>1968-9</u> | <u>Change (%) from 1967-8</u> | | <u>1968-9</u> | <u>1969-70</u> | |
| <u>Industrial Counties</u> | | | | | | |
| Dubuque | 12,187 | + 9.0% | - 519 | \$102.39 | \$99.98 | - 2.4% |
| Scott | 33,542 | + 4.7% | - 613 | 71.39 | 70.56 | - 1.6% |
| Pottawattamie | 22,671 | + 0.5% | - 99 | 39.31 | 34.06 | -13.4% |
| <u>Agricultural Counties</u> | | | | | | |
| <u>Northeast Iowa</u> | | | | | | |
| Allamakee | 4,180 | + 8.1% | - 130 | 28.76 | 27.48 | - 5.1% |
| Clayton | 5,418 | + 3.6% | - 74 | 33.56 | 33.06 | - 9.8% |
| <u>Northwest Iowa</u> | | | | | | |
| O'Brian | 4,446 | - 0.1% | - 53 | 44.54 | 44.24 | - 0.6% |
| Plymouth | 5,705 | + 3.5% | - 180 | 53.41 | 53.18 | - 0.4% |
| <u>Southwest Iowa</u> | | | | | | |
| Fremont | 2,337 | - 5.6% | -33 | 43.43 | 40.86 | - 9.4% |

Source: Department of Public Instruction

No other county is as badly penalized in the area of equalization of educational opportunity through income tax distribution county-wide as is Pottawattamie County.

At the other extreme are several agricultural counties where the per pupil distribution of county income tax has shown a distinct increase. Several of the eighteen counties containing cities have also had significant increases. Some of these are shown in Table IX.

TABLE IX
 COUNTIES WITH LARGE INCREASES IN PER PUPIL DISTRIBUTION OF INCOME TAX
 1969-70 OVER 1968-9

| <u>County</u> | Change in Enrollment 1968-9 to 1969-70 Percent | Distribution of County Income Tax Per Pupil | | |
|------------------------------|---|---|----------------|--------------------------|
| | | <u>1968 - 9</u> | <u>1969-70</u> | <u>Percent of Change</u> |
| <u>Urban Counties</u> | | | | |
| Des Moines | + 1.5 % | \$ 64.70 | \$ 70.32 | + 10.9% |
| Jasper | + 1.2 % | 52.53 | 60.10 | + 11.5% |
| Cerro Gordo | + 0.1% | 55.35 | 61.98 | + 11.2% |
| <u>Agricultural Counties</u> | | | | |
| Hardin -Northeast | + 3.0% | 46.27 | 52.90 | + 14.3% |
| Keokuk -Southeast | + 2.0 % | 36.65 | 41.45 | + 13.1% |
| Wayne - Southcentral | - 1.0% | 30.86 | 38.35 | + 24.1% |
| Taylor -Southwest | + 0.5% | 24.96 | 34.00 | + 36.1% |
| Adair -Southwest | + 1.5% | 35.54 | 49.81 | + 40.6% |
| Ida -Northwest | - 1.3% | 46.97 | 55.27 | + 17.6% |
| Osceola -Northwest | + 0.8% | 47.11 | 54.33 | + 15.4% |

Source: Department of Public Instruction

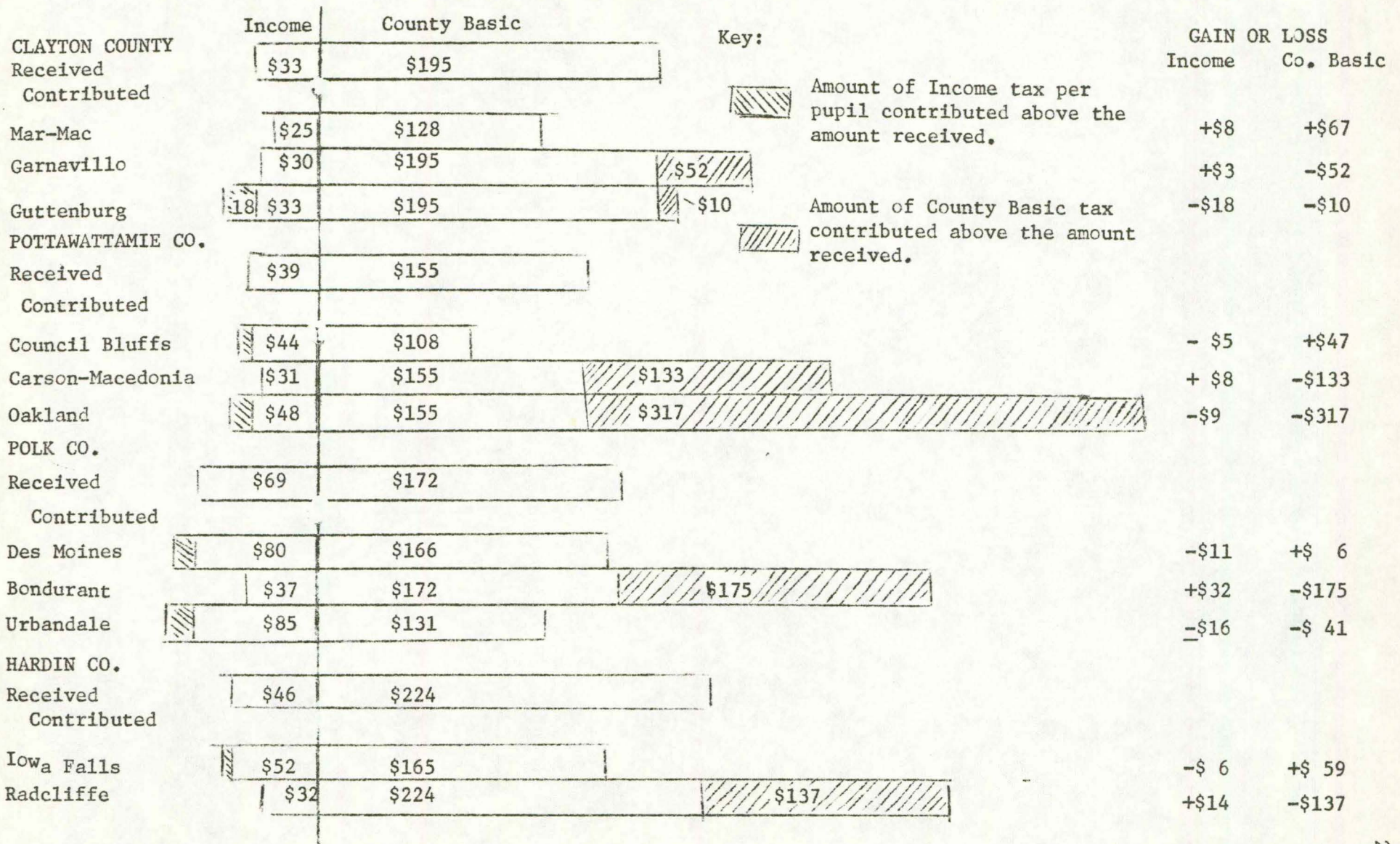
Both (1) small increases in school population, and (2) large increases in county income tax are evidenced in Table IX.

If it is the responsibility of the state to provide a reasonable level of educational opportunity for all children, then a good place to start would be in the state-wide distribution of this 40 percent of the income tax collected in Iowa. In 1968-9 it would have provided \$54.60 per pupil rather than the variation of from \$23.83 in Ringgold County to \$102.39 per pupil in Dubuque County.

The Result of Combining The County Basic Tax Levy and The County Income Tax Distribution.

The district with low taxable value per pupil will contribute less per pupil to the County Basic Property Tax than it gets back. Generally these are the urban school districts, although a few rural districts are in this category. The reverse is true when income tax is distributed. Industrial cities tend to contribute more per pupil than do rural areas to the county income tax distribution. Graph III shows these data.

GRAPH
 DISTRICT CONTRIBUTION PER PUPIL TO THE COUNTY BASIC & COUNTY INCOME FUND COMPARED
 TO AMOUNT RECEIVED BY THE DISTRICT
 1968 - 9



SOURCE: Department of Public Instruction; Graph prepared by Dr. Wayne P. Truesdell, January 22, 1970

Relative Weight of Property and Income in the County Equalization Fund.

The process of using income and of property in the two aspects of county sharing are unrelated, and bear no relation to the state aid formula to be discussed later. In 1968-9 about 26 percent of the general fund costs in Iowa schools came from the county basic levy -- a uniform levy which raises a fund which is distributed on a per pupil basis. About 7.4 percent of the general fund came from distributing on a per pupil basis 40 percent of the income tax paid in the county.

But it is significant that there are great ranges in the ratio of these two factors in counties containing cities, and in those counties which are predominantly rural.

Note the variations in the ratio of income to the total mix among several counties used in previous illustrations.

TABLE X A

COMPARISON OF COUNTY INCOME AND PROPERTY TAX SHARING IN SELECTED SCHOOLS IN 1968-9

| | Black Hawk | Buena Vista | Clayton | Dubuque | Pottwat- tamie | Ring- gold | State |
|---|------------|-------------|----------|----------|-------------------|---------------|----------|
| 1. Distributed Per pupil from County Basic Tax | \$162.81 | \$192.00 | \$194.84 | \$217.35 | \$155.50 | \$234.55 | \$187.40 |
| 2. Distributed Per pupil from 40% of income tax | 62.75 | 60.51 | 33.35 | 102.39 | 39.31 | 23.83 | 53.54 |
| 3. Total County Sharing Per Pupil | 225.56 | 252.51 | 228.19 | 319.74 | 194.81 | 268.38 | 240.94 |
| 4. Percent from Income Tax | 27.81% | 23.96% | 14.61% | 32.00% | 20.18% | 9.22% | 22.20% |

Source: The Department of Public Instruction

There are two variables in the above table which are not self-evident. (1) The County Basic distribution is a part of total expenditures and reflects different per pupil spending in various counties, and (2) such counties as Dubuque and Clayton have large percentages of children in parochial schools. In these two counties the burden on the taxpayer is thus less to raise the same dollars per pupil in the County Basic levy, and the income is distributed among fewer pupils, thus resulting in larger income distributions than the average.

It would appear that income does assume its proportionate share of county sharing -- on an average. The percent that gross income is of income and sale value of property statewide is 20.2 percent. Statewide in 1968-9, income contributed 22.20 percent of the county equalization fund. There are wide differences in counties, however, and among districts within counties. The range in the percent that the 40 percent of income is to the total of county income and property taxes shared county wide is from 9.22 percent in Ringgold County to 27.81 percent in Black Hawk County. This is one argument for collecting a property tax statewide for the property sharing now assumed at the county level, and for distributing the 40 percent of the income tax statewide.

Table X B shows the variability in returns from the uniform County Basic Tax levy and County Income tax distribution. It shows also the great difference in tax burdens among schools to reach a hypothetical county foundation program.

PART I FUNDS AVAILABLE IN SELECTED IOWA COUNTIES - 1968-9
WITH 20 MILL LEVY PLUS COUNTY INCOME TAX DISTRIBUTION

| | Pottawa- ttamie | Dubuque | Black Hawk | Ringgold | Buena Vista | State Average |
|--|--------------------|----------|---------------|----------|----------------|------------------|
| 1. Taxable Value per ADM | \$ 6,766 | \$13,699 | \$ 7,753 | \$12,179 | \$13,307 | \$10,362 |
| 2. Amount Per Pupil Raised with 20 Mill County Basic Tax | \$135.32 | \$273.98 | \$155.06 | \$243.32 | \$266.14 | \$207.24 |
| 3. Income Tax Distributed | 39.31 | 102.39 | 67.25 | 23.83 | 60.51 | 53.54 |
| 4. Total Per Pupil County Equalization | \$174.64 | \$275.37 | \$222.31 | \$267.15 | \$326.65 | \$260.78 |

PART II SPECIFIC SCHOOLS IN ABOVE COUNTIES

| 5. School District | Council Bluffs | Dubuque | Cedar Falls | Mt. Ayr | Marathon | |
|---|-------------------|-----------|----------------|----------|-----------|-------|
| 6. Taxable Value Per ADM | \$4,751 | \$11,976 | \$ 5,890 | \$12,166 | \$14,339 | |
| 7. Difference From State Average | -\$86.14 | + \$14.59 | -\$38.47 | +\$6.37 | + \$65.87 | |
| 8. Additional millage Needed to Reach State Average | +17.90 | - 1.22 | + 6.51 | - 0.52 | - 4.57 | |
| 9. Present County Basic Mills | 22.65 | 14.28 | 20.84 | 19.85 | 14.42 | 17.78 |
| 10. Total Mills With 20 Mill County Basic to Reach State Ave. | 37.90 | 17.78 | 26.57 | 19.48 | 15.43 | |

SOURCE: Department of Public Instruction; Prepared by Wayne Truesdell
January 22, 1970

Table X B sets up an hypothetical county equalization program. It would involve a 20 mill levy in all schools, divided county wide, and the distribution of the forty percent of the county income tax allotted to schools. The amount raised by these two methods would average \$260.78 per pupil statewide.

Table X B shows how the tax burden upon different Iowa school districts would vary to attain this average goal under a county equalization plan. Council Bluffs would need to levy 37.90 mills to obtain \$260.78 per pupil, despite the County Basic tax sharing and the \$39.31 income tax distributed. This results from an extremely low per pupil valuation of property (\$4,751).

Marathon, because it has a per pupil taxable valuation of \$14,339, and because Buena Vista county distributes \$60.51 per pupil in income tax countywide, could attain this average goal of \$260.78 per pupil with a 15.43 mill levy. Thus a taxpayer in one county must pay 2.45 times the taxes paid by a taxpayer in another county to provide the same funds for education.

These data are presented to support the contention that the county is not a large enough area for equalization of educational opportunity with equity to the tax payer.

IV

THE OPERATION OF THE STATE AID FORMULA

The state aid formula was intended to equalize educational opportunity in Iowa by helping all schools attain a reasonable level of achievement with an equitable local property tax burden. Thus, it was intended that payments per student would increase as the per pupil wealth of the district decreased.

In practice it has quite the opposite effect. Since aid payments are made in relation to total pupil expenditures, those schools who spend the most per pupil tend to receive the most dollars in aid per pupil. These higher spending schools tend to be:

1. The smaller districts because their pupil/teacher ratio and pupil/administrator ratio is lower than the larger schools.
2. The schools with greater wealth per pupil because they can spend more than their less wealthy neighbors and still have lower property tax rates. Because of sparsity of children in rural areas the smaller rural districts tend to have this characteristic also.

These data are shown in the following table:

TABLE XI
COMPARATIVE DATA FOR IOWA SCHOOLS BY ENROLLMENT GROUPS

| Total Enrollment | No. of Schools 1967-68 | Average teacher/ pupil ratio grades 10-12 1967-68 | Average per pupil operating cost 1967-68 | Average per pupil state aid 1968-69 |
|------------------|---------------------------|--|---|---|
| Under 500 | 123 | 11.8 | \$739 | \$193 |
| 500-749 | 120 | 14.9 | 672 | 180 |
| 750-999 | 65 | 15.7 | 637 | 176 |
| 1000-1499 | 60 | 17.6 | 627 | 178 |
| 1500-1999 | 22 | 17.8 | 605 | 160 |
| 2000-2999 | 39 | 19.3 | 591 | 168 |
| Over 3000 | 26 | 21.7 | 574 | 163 |

Source: Truesdell, Wayne P., The Dilemma of the Small School, 1969.

This payment of more per pupil aid to the wealthier district does tend to reduce the disadvantage the districts with high per pupil wealth have in the County Basic Tax program. But it is somewhat of a devious means to accomplish a purpose which could be accomplished by improving the entire program. Paying state aid on total expenditures does subsidize and encourage spending. This has been evidenced in the payments of state aid over a two-year period.

The formula was not designed to operate in conjunction with a County Basic Tax and an Income Tax distribution. It has been said that a committee created the camel. That comment is relevant here. LeRoy Peterson did have a much more integrated plan for paying out state aid to accompany the County Basic Tax and County Income distribution.

THE NATURE OF THE FORMULA

The state aid formula has two parts which tend to operate in opposition to each other. In fact, that part which hopes to distribute aid in terms of relative wealth is almost nullified by the part which says that aid will be paid out in relation to total reimbursable general fund expenditures. The total formula is:

$$\text{Per pupil Aid} = \left[\begin{array}{c} (1) \\ 1.00 - .25 \end{array} \right] \left(\begin{array}{c} (2) \\ \frac{\text{District per pupil wealth}}{\text{State per pupil wealth}} \end{array} \right) \left(\begin{array}{c} (3) \\ \text{Reimbursable General Fund Expenditures} \end{array} \right)$$

The Constricting effect of 1.00 - .25 (Relative Wealth)

Part (1) tends to constrict the effect of the range in relative wealth by multiplying it by .25, and then subtracting it from 1 before applying it to expenditures. The following data will illustrate this reduction in the variability of local district per pupil wealth:

Table XII may appear to be complicated, but it is worth careful study, because it gives the key to understanding why the present state aid formula can never be called an equalizing formula. Table XII will be used to illustrate the manner in which the present state aid formula functions. At this stage the writer is attempting to show how the 1.00 - .25 (Relative Wealth) decreases the equalizing potential of the formula.

Two small schools, Mar-Mac in Northeast Iowa, and Marathon in Northwest Iowa are used to illustrate the operation of the formula.

Since Mar-Mac has a per pupil wealth (including property and income as used in the formula) equal to 56/100 of the state average, one could anticipate that it would receive an amount of aid 1.78 times that of the average school in Iowa. But when the 1.00 - .25 (Relative Wealth) is applied this 1.78 has been reduced to 1.15, thereby almost destroying any semblance of equalization of educational opportunity.

Marathon has a per pupil wealth 1.27 times that of the state average. One could assume that its state aid would be only 78/100 of the average school in the state. But when the 1.00 - .25 (Relative Wealth) has taken its toll Marathon is entitled to .92 of the aid paid the average school.

Table XII follows. It carries the results of the formula through from relative wealth to actual aid paid.

TABLE XII

DATA SHOWING HOW THE 1.00 - .25 (RELATIVE WEALTH) FACTOR IN THE FORMULA REDUCES THE INTENDED EQUALIZATION OF EDUCATIONAL OPPORTUNITY OF STATE AID (1968-9)

| 1. County | <u>Clayton</u> | | <u>Pottawattamie</u> | | <u>Buena Vista</u> | |
|--|----------------|-------------------|-----------------------|-------------------------|--------------------|-------------------|
| | <u>Mar-Mac</u> | <u>Garnavillo</u> | <u>Council Bluffs</u> | <u>Carson Macedonia</u> | <u>Marathon</u> | <u>Storm Lake</u> |
| 2. School District | | | | | | |
| 3. District Wealth as a Per Cent of State Wealth Per Pupil | 56.4% | 101.0% | 52.7% | 114.7% | 127.6% | 116.4% |
| 4. Expected Per Cent of Per Pupil Costs from State Aid in Terms of the Average | 178% | 99 % | 190% | 87% | 78% | 92% |
| 5. State Aid Allowed Per Dollar of Costs in Relation to the Average Pupil in Ia. | 115% | 99 % | 115+% | 97% | 92% | 94% |
| 6. Per Pupil Gen. Fund Expenditures in 1967-8 | \$672 | \$806 | \$578 | \$784 | \$853 | \$520 |
| 7. Per Pupil State Aid Received, 1968-9 | \$168 | \$259 | \$165 | \$219 | \$264 | \$112 |
| 8. Per Pupil State Aid as a Percent of the Average Aid Paid (\$173 per pupil) | 97% | 150% | 96% | 126% | 152% | 64% |

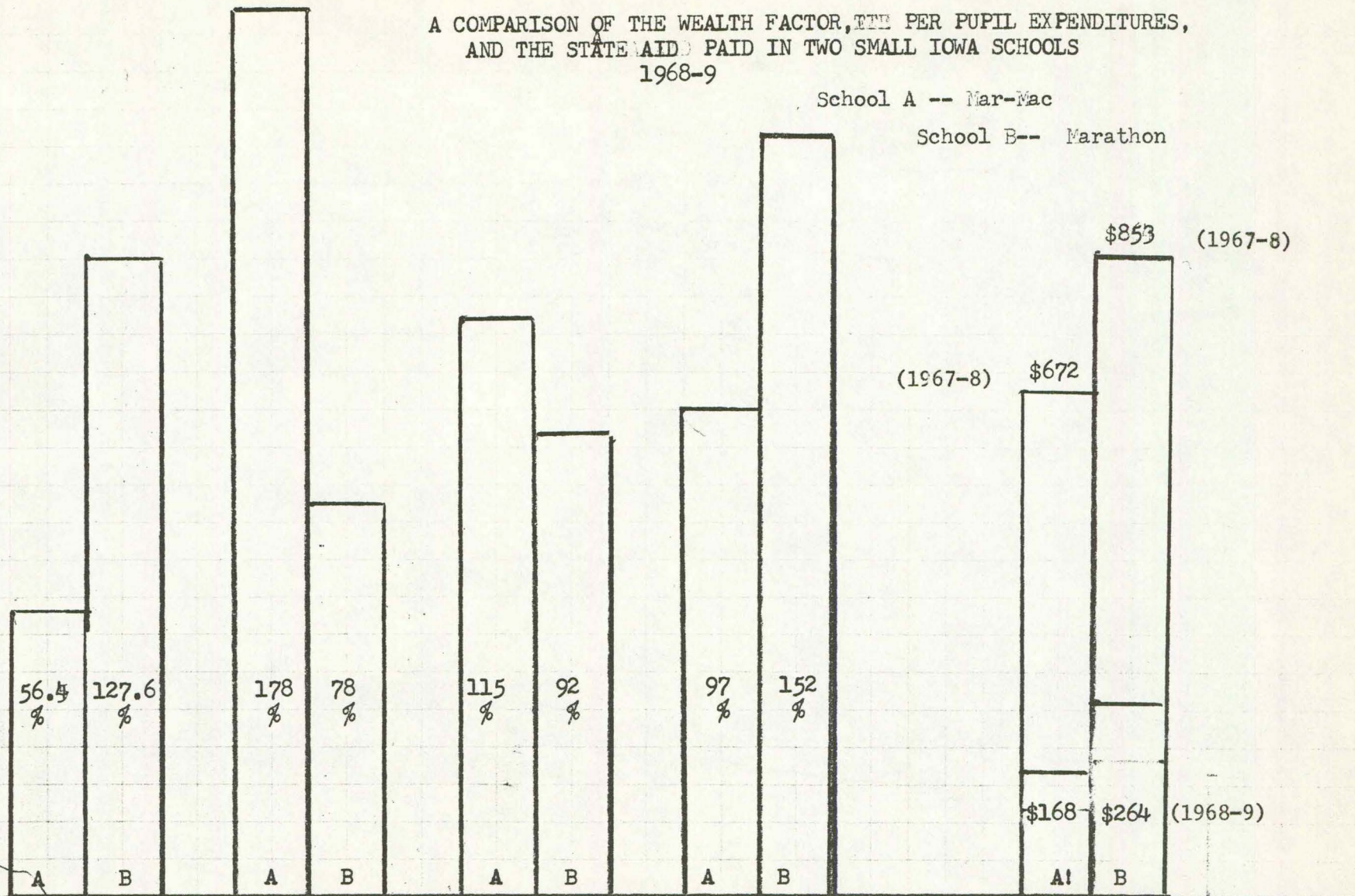
Source: Computations made from data obtained from the Department of Public Instruction

GRAPH III-A *

A COMPARISON OF THE WEALTH FACTOR, THE PER PUPIL EXPENDITURES,
AND THE STATE AID PAID IN TWO SMALL IOWA SCHOOLS
1968-9

School A -- Mar-Mac

School B-- Marathon



* Source of Data
Department of Public Instruction

Graph Prepared by Dr. Wayne P. Truesdell, January 20, 1970

35A

The Relative Wealth Part of the Formula

Part (2) of the formula, relative wealth, is complicated. It encompasses both sale value of property and gross income.

Part (2) of the formula is:

$$\begin{array}{r}
 .7 \text{ (Local District Sale Value of Property)} \\
 + \\
 .3 \text{ (Local District Gross Income)} \\
 \hline
 \hline
 \text{District } \frac{\text{ADM} + \text{Census}}{2} \\
 \hline
 \hline
 \hline
 .7 \text{ (State Sale Value of Property)} \\
 + \\
 .3 \text{ (State Gross Income)} \\
 \hline
 \hline
 \text{State } \frac{\text{ADM} + \text{Census}}{2}
 \end{array}$$

Sale value of property is multiplied by .7 and gross income by .3 to get the total wealth factor. The per pupil wealth is obtained by dividing the wealth factor by $\frac{1}{2}$ the sum of the enrollment in the local district (Average Daily Membership (ADM)/and the census (those in the district between 5 and 21 years of age).

The use of the census figure tends to give one-half weight to those attending parochial schools, and thus reduce the relative wealth factor for districts with large parochial enrollments. This tends to increase the per pupil aid to districts with parochial school districts.

This process of figuring the wealth per student is done for the individual district and for the state. When the local per pupil wealth is divided by the state per pupil wealth the relative wealth factor results.

An example will illustrate how the relative wealth factor is obtained.

| | | | | |
|---|---|-----------------------|---------------------------|---------------------|
| | | .7 (\$553,331,755) | Sale value of property | |
| | + | .3 (\$196,770,410) | Gross Income | |
| District | | 19,008.6 | + 27,446 | |
| | | 2 | | Local pupil factor |
| <hr style="border-top: 3px double black;"/> | | | | |
| STEP 1 | | .7 (\$22,375,861,523) | Sale value of property | |
| | + | .3 (\$ 5,649,307,700) | Gross Income | |
| State | | 631,357.7 | + 875,274.0 | |
| | | 2 | | State pupil factor |
| <hr style="border-top: 3px double black;"/> | | | | |
| | | \$387,332,229 | + \$59,031,123 | Local wealth factor |
| | | 46,454.6 | | Local Pupil Factor |
| | | 2 | | |
| <hr style="border-top: 3px double black;"/> | | | | |
| STEP 2 | | \$15,663,103,066 | + \$1,694,793,310 | State Wealth Factor |
| | | 1,506,631.4 | | State Pupil Factor |
| | | 2 | | |
| <hr style="border-top: 3px double black;"/> | | | | |
| | | \$446,363,352 | | Local Wealth Factor |
| | | 23,227.3 | | Local Pupil Factor |
| <hr style="border-top: 3px double black;"/> | | | | |
| STEP 3 | | \$ 17,357,895,376 | | State Wealth Factor |
| | | 753,315.9 | | State Pupil Factor |
| <hr style="border-top: 3px double black;"/> | | | | |
| STEP 4 | | \$19,217 | District Wealth Per Pupil | |
| | | \$23,043 | State Wealth Per Pupil | |
| <hr style="border-top: 3px double black;"/> | | | | |

STEP 5 ANSWER : RELATIVE WEALTH FACTOR OF DISTRICT IS 83.4 percent of the State average.

Source: State of Iowa - Audit of State Aid Formula

Relative Weight Given to Property and Income in the Formula.

The present method of determining district wealth is a great improvement over state aid plans previously proposed because it includes income as well as property in determining a district's per pupil wealth.

In 1966, 71 percent of the Gross National Product was in the form of wages or salaries to employees. Thus income should have a significant place in determining a school district's per pupil wealth.

In Iowa, in 1968-9, the \$28,025,168,223 of real value of property and gross income was distributed as follows:

| | |
|--|------------------|
| Sale value of Property - - - - - | \$22,375,861,523 |
| Gross Income - - - - - | 5,649,307,700 |
| Percent that Income is of the Total - - - - - | 20.2 percent |
| Percent that Income Plays in the State Aid Formula | 9.8 percent |

Several examples will illustrate the difference in the .7 of property and .3 of gross income between cities and those districts that are predominately rural.

TABLE XII - A

| | State | Waterloo | Rembra- ndt | Gutten- burg | Western Dubuque | Fort Dodge |
|---|--------------|-----------|----------------|-----------------|--------------------|---------------|
| 1. Market Value of Property \$1,000 | \$22,375,862 | \$663,332 | \$10,603 | \$17,983 | \$138,793 | \$247,735 |
| 2. Gross Income \$1,000 | 5,649,308 | 196,770 | 1,189 | 7,758 | 24,093 | 83,705 |
| 3. Total | \$28,038,965 | \$750,102 | \$11,792 | \$25,741 | \$162,886 | \$331,439 |
| 4. Percent Gross Income is of Total | 20.22% | 26.23% | 10.08% | 30.14% | 14.79% | 25.26% |
| 5. Percent Income is of total if .7 property and .3 income are used | 9.76% | 13.22% | 4.58% | 15.60% | 6.92% | 9.76% |

Thus it can be seen in all examples above that the use of .7 of the sale value of property and .3 of the gross income in the formula reduces the share of school support provided by income in comparison to real property. Also, the great variation in the part that income plays among Iowa districts is shown in comparing a rural district, Rembrandt, where income is but 4.58 % of the .7 + .3 mix, to urban Waterloo where income represents 13.22 percent of the mix

The Pupil Factor Used in the State Aid Formula.

It was mentioned that adding the census to the enrollment and dividing by 2: $\frac{(\text{ADM} + \text{Census})}{2}$ gave one-half weight to each student from that school district attending a parochial school. This would reduce the relative wealth per pupil in the district and thus entitle a district with large parochial enrollments to more state aid per pupil in the public schools than would have been forthcoming had only public school enrollments been used. Western Dubuque will be used as an example to illustrate this facet of the state aid formula because it educates more than half of its school age students in parochial schools. Table XII B also shows the variations among several school districts in Iowa.

TABLE XII - B
EFFECT OF USE OF ($\frac{\text{ADM} + \text{CENSUS}}{2}$) ON STATE AID ENTITLEMENT IN SELECTED
IOWA SCHOOL DISTRICTS FOR 1968-9

| | State Average | Western Dubuque | Water · loo | Gutten- burg | Fort Dodge | Remb- randt |
|--|------------------|--------------------|----------------|-----------------|---------------|----------------|
| 1. ADM 1968-9 | 631,357 | 1,383 | 19,008 | 597 | 7,653 | 196 |
| 2. Census (5-21 yr olds) | 875,274 | 6,819 | 27,446 | 1,122 | 1.,653 | 245 |
| 3. Pupil Factor $\frac{(\text{ADM} + \text{Census})}{2}$ | 753,316 | 4,100 | 23,227 | 859 | 9,653 | 220 |
| 4. Percent that ADM is of $\frac{\text{ADM} + \text{Census}}{2}$ | 83.81% | 33.73% | 81.84% | 69.49% | 79.28% | 89.09% |
| 5. Wealth Per Pupil With $\frac{.7 \text{ property} + .3 \text{ income}}{\text{ADM}}$ | \$27,492 | \$75,475 | \$23,482 | \$24,984 | \$25,940 | \$39,791 |
| 6. Wealth Per Pupil With $\frac{.7 \text{ property} + .3 \text{ income}}{\frac{\text{ADM} + \text{Census}}{2}}$ | \$23,042 | \$25,453 | \$19,217 | \$17,357 | \$20,566 | \$35,294 |
| 7. Wealth Factor 1968-9 | 100.0 | 110.47 | 83.40 | 75.33 | 89.26 | 153.17 |
| 8. Wealth Factor Using ADM only | 100.0 | 274.50 | 85.45 | 90.94 | 94.42 | 144.79 |
| 9. 1968-9 State Effort | 75.0 | 72.38 | 79.15 | 81.17 | 77.69 | 61.71 |
| 10. New State Effort 1.00 - .25 (Relative Wealth) | 75.0 | 31.4 | 78.64 | 77.26 | 76.39 | 63.80 |
| 11. Per Pupil Aid 1968-9 | \$172.49 | \$197.54 | \$167.03 | \$166.04 | \$159.73 | \$244.44 |
| 12. Aid if Only ADM were used. | \$172.49 | 85.69 | 165.96 | 158.03 | 156.20 | 252.72 |

Source: Iowa State Auditor: Audit of State Department Aid figures for above schools.

Using ADM instead of $\frac{\text{ADM} + \text{Census}}{2}$ would reduce the entitlement (by increasing the relative per pupil wealth) of those districts with students in parochial schools. Thus Western Dubuque would have received \$85.69 per pupil in 1968-9 instead of the \$197.54 it did receive. All other districts, except Rembrandt, seem to have more than the average in parochial schools and would lose some aid. Rembrandt appears to have few students involved and would stand to gain about \$8.00 by using ADM rather than $\frac{\text{ADM} + \text{Census}}{2}$.

Payment of State Aid in Relation to Total Expenditures -- part (3) of the formula.

After part (1), the 1.00 - .25 (Relative Wealth), has reduced the difference between the entitlement of the wealthy and less wealthy district, part (3) of the formula succeeds in reversing the formula a full 180° from its original intent -- that of equalizing educational opportunity. Previously a table was used (Table XI) to show that as expenditures decrease by enrollment groups that state aid also decreases.

Part (3) of the formula is the expenditures eligible for state aid. Deducted from total general fund expenditures are (a) self-financing activities, (b) special state and federal aids (driver education, special education, Title I, vocational education), and (c) the amount received by each school from the County Basic Tax levy and the County Income Tax distribution. Table XIII and Graph IV illustrate how state aid is figured for two Iowa schools.

The effect of the Turner Ruling on the County Basic distribution and upon state aid distribution.

This question is covered here because of its relation to state aid payments.

Attorney General Richard Turner ruled, in 1967, that before 40% of general funds were raised county wide, that the state aid payment and the county income distribution must be deducted from the general fund askings. This would be in addition to deductions of special state aids (driver education, special education, vocational education etc), federal aids, transfers, pupil activity costs and other special receipts. The result reduced to 25.8 percent in 1968-9 the part of the general fund shared countywide. See Table XIII and Graph I. Graphs IV and XIII -A explain the effect of this ruling. In 1968-9 it would have meant that an average of \$227 per pupil would have been returned to the County Basic fund. Forty percent of this would average \$90. This would have reduced the state aid eligibility by about \$59 million. Such a change would have two effects, both exceedingly undesirable as this writer views the equity of sharing.

1. The foundation level of support from the County Basic tax and county income distribution would have been increased about 37 percent. This would have reduced the amount eligible for state aid. A sampling of schools shows that generally, those spending above the state average would have received more state aid per pupil and those spending below the state average would have received less per pupil aid in 1968-9. This further penalizes efficient operation and rewards high spending. This contention is illustrated for two Iowa schools in Table XIII and Graph IV.

2. In counties where there is a city with low per pupil wealth and a large percent of the total county enrollment, the sharing in the County Basic would be significantly increased. These facts are substantiated in Graph V G where schools of approximate equal per pupil wealth, one in an urban county and a neighbor in a rural county are compared.

The effect of the Turner ruling on state aid paid is illustrated in Table XIII and Graph IV which follow.

TABLE XIII

41

COMPUTATION OF COUNTY BASIC FUNDS AND STATE AID
WITH AND WITHOUT THE TURNER RULING -- 1968-9 year

| All Figures are Per Pupil | Present Distribution | | Without Turner Ruling | |
|---|----------------------|-------------|-----------------------|-------------|
| | School A | School B | School A | School B |
| 1. Relative Wealth of District - of State Ave. | 160.0% | 83.4% | 160.0% | 83.4% |
| 2. Total General Fund Per Pupil, 1968-9 | \$963 | \$547 | \$963 | \$547 |
| 3. Total Reimbursable from County and State | 846 | 525 | 846 | 525 |
| 4. County Income Tax | 61 | 63 | 61 | 63 |
| 5. County Basic Tax | 192 | 162 | 285* | 256* |
| 6. Base for State Aid Computations | \$593 | \$300 | \$500 | \$207 |
| 7. Percent from State Aid | 60.05% | 81.13% | 60.05% | 81.13% |
| 8. Aid Entitlement | \$356.17 | \$243.37 | \$300.25 | \$167.94 |
| 9. Percent of Funds the \$111,000,000 will cover | 68.63% | 68.63% | 93.0% | 93.0% |
| 10. Amount of Aid Paid or Would have been Paid | \$244.44 | \$167.03 | \$279.23 | \$156.18 |
| 11. Millage to Raise County Basic | 14.42 | 20.84 | 21.20 | 33.00 |

* State average figures on aid were used because total figures for all schools in the county in each case were not available. There would be some degree of error, but not large.

Data From: Department of Public Instruction Mimeographed Data

Prepared by: Dr. Wayne P. Truesdell
December 29, 1969

GRAPH IV

COMPONENTS OF THE GENERAL FUND--WITH AND WITHOUT TURNER
1968-9

All Data is in
Per Pupil

KEY:

A-- Total Genl Fund
Expenditures 1968-9

B-- Balance of Special
Aids and Local
Contribution

C. Total Eligible for
County and State Aid

D. State Aid Received

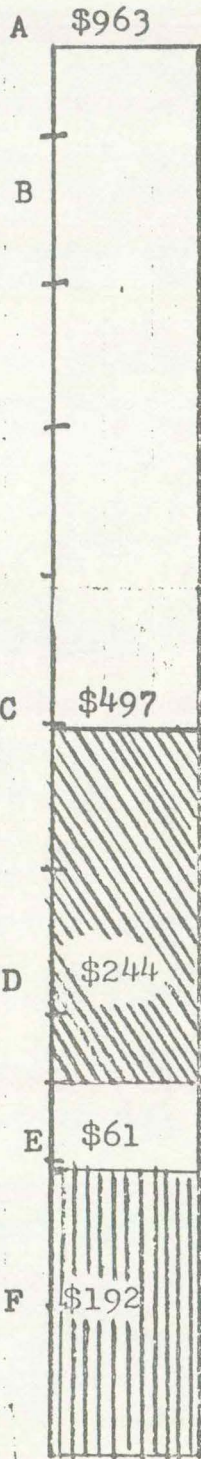
E. County Income Tax
Distribution

F. County Basic Tax
Distribution

Source of Data

Dept. of Pub. Inst.

Graph Prepared by
Dr. Wayne P. Truesdell
December 29, 1969

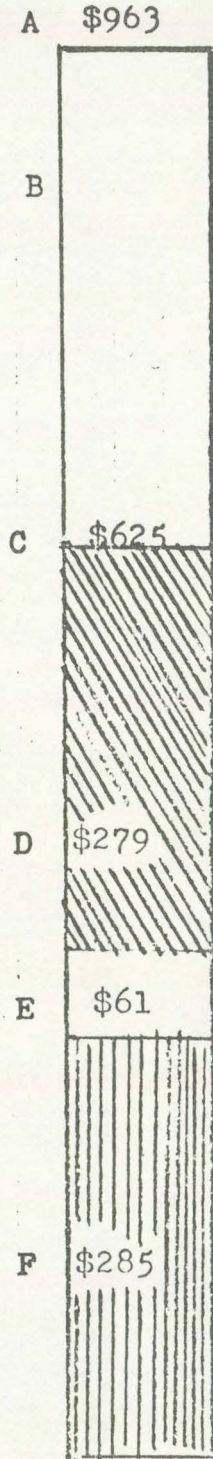


School
A

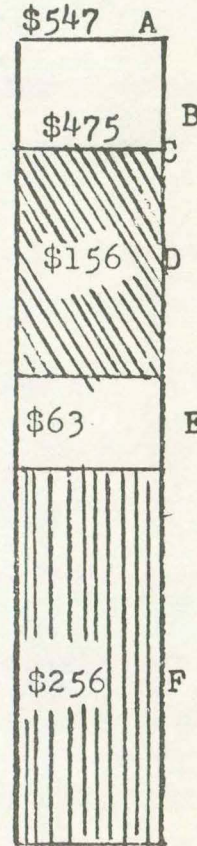


School
B

Present Distribution



School
A



School
B

Without Turner
Ruling

The figures in Table XIII labeled "without Turner Ruling" were computed as follows:

\$111,000,000 - Amount of state aid distributed through the formula in 1968-9

\$163,000,000 - Amount of state aid needed in 1968-9 if claims had been paid in full. Payments were 68.63 percent of entitlement.

Both the income tax distribution and state aid would have been put back into the County Basic reimbursable expenditures without the Turner ruling.

\$111,000,000 state aid

\$ 34,457,178 County income tax distribution

\$145,457,178 - The total amount that would have been returned to the County Basic.

\$ 58,828,712 - This is the additional amount that would have been shared county-wide -- 40% of the \$145 million.

This \$58 million would then be deducted from the money eligible for state aid. Since aid is 75 percent of reimbursable funds, state aid demands would have been about \$44,000,000. Deducting \$44 million from the \$163 million in claims would have left \$119 million in claims for 1968-9.

The \$111^{million} of state aid would have paid about 93 percent of claims instead of the 68.63 percent actually paid in 1968-9.

Explanation of Table XIII and Graph IV.

Item 5. Per pupil wise the following amounts would be returned to the County Basic fund.

A - \$173 state aid plus \$61 income tax - Total \$233.

B - \$173 state aid plus \$63 income tax - Total \$236

40% of each:

A - \$93.20 - use \$93

B - \$94.40 - use \$94

Increase in County Basic:

A - \$192 + \$93 = \$285

B - \$162 + \$94 = \$256

Thus the amount eligible for state aid would be reduced:

A - \$593 - 93 = \$500

B - \$300 - 94 = \$206

If the state effort is applied:

A - 60.05 % of \$500 = \$300

B - 81.13% of \$206 = \$167

If 93% of aid were paid:

A would receive \$279, an increase of \$35 over what it actually received.

B would receive \$156 - \$11 dollars less than it actually received.

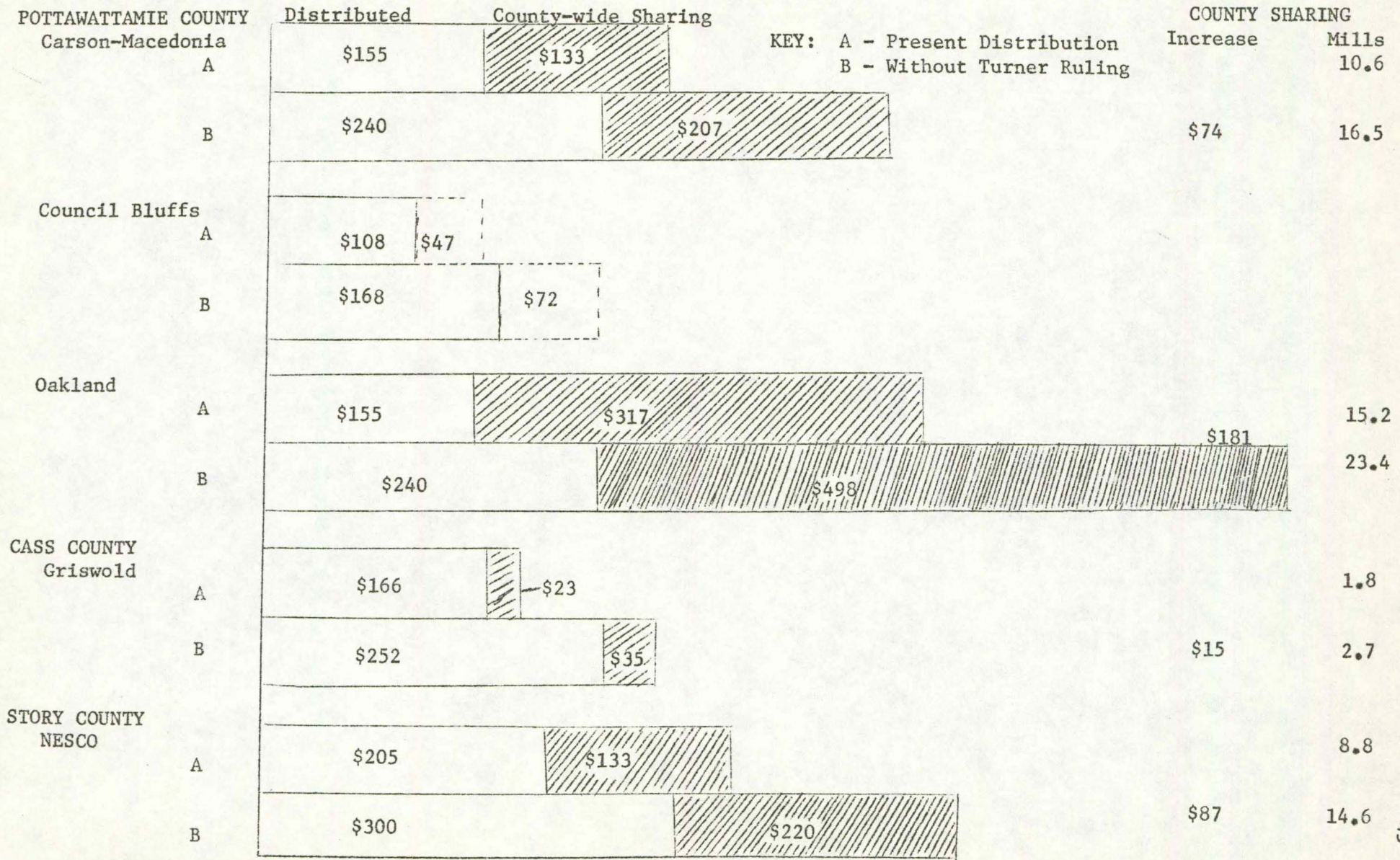
Thus an annulment of the Turner ruling would tend to increase aid for the high spending school and reduce it for the school with lower per pupil costs.

2. Effect of annulment of Turner ruling on wealthy districts in a county containing a city.

Graph XIII - A -G which follows shows the effect of the Turner ruling on the County Basic sharing:

GRAPH XIII . . - G *

EFFECT OF ANNULING TURNER RULING ON CONTRIBUTIONS TO THE BASIC COUNTY FUND IN SELECTED IOWA SCHOOLS 1968-9



SOURCE: Department of Public Instruction; Prepared by Dr. Wayne P. Truetsdell, January 23, 1970

Note that in Pottawattamie County and in Story County, both with cities, the sharing part would be increased perceptibly, but in Griswold which is in a county without a city (Cass) the increase is small. Carson-Macedonia and Griswold adjoin and have about equal taxable values per pupil. Griswold now shares \$23 per pupil with other schools in the county, but its neighbor Carson-Macedonia with equal wealth, shares \$133 per pupil. NESCO shares \$133 in Story County.

Any increase in the county without increasing the area sharing the fund, results in significant tax increases for the wealthy school. Two taxpayers could be neighbors and be in the Griswold and the Carson-Macedonia districts. They could have equal assessments. The district per pupil wealth is comparable. In Griswold the tax rate for sharing with other schools in Cass County would be 1.8 mills, in Carson-Macedonia, to share in Pottawattamie County would take 10.6 mills. On my house assessed at \$4000, I would share \$7.20 and \$42.40 respectively. If the Turner ruling were annulled the comparable sharing would be 2.7 mills and 16.5 mills. My sharing would be \$10.80 or \$65.00 respectively.

This data is not submitted to dispage the County Basic Tax Fund. It is an important step in equalizing educational opportunity at equitable property tax rates. But my concern is for the degree of responsibility for this sharing. Should two taxpayers who are neighbors share differently in equalizing educational opportunity? The contention is that county-wide sharing should be expanded to state-wide sharing.

In Graph XIII - A G, Council Bluffs does not contribute as much as it receives, \$108 to \$155 and \$168 to \$240. This is because of low per pupil valuations. But because it educates 68 percent of the students in Pottawattamie County the dollars contributed by other schools amount to about 33 cents per student in Council Bluffs. Only through widening the base of sharing could Council Bluffs receive the aid it needs to equalize educational opportunity, or could one reduce the inequity to Pottawattamie taxpayers as compared to those in less urbanized counties.

Summary for 1968-9 of:

- a. County Basic Tax Distribution
- b. County Income Tax Distribution
- c. State Aid

Table XIV identifies two facets of the county - state foundation program provided by the 1967 law.

1. State aid payments are controlled almost entirely by expenditures per pupil and bear little relation to per pupil wealth in the district. (see items 1 - 3). To illustrate:

A Council Bluffs student had but .53 of the per pupil wealth in the state, but since expenditures were low received \$169 per pupil, \$4 below the state average.

2. The less wealthy district does get substantial tax relief through the county-state foundation plan. This is shown in Columns 3 - 7.

Mar-Mac received \$269 through county sharing, county income and state aid. None came from property taxes or Mar-Mac citizens. With a per pupil taxable value of \$5,982, this \$269 meant 44.8 mills of tax relief to local citizens.

Contrast this to NESCO in Story County. Its net sharing was \$129. With \$15,092 taxable value of property behind each pupil the property tax relief was but 8.4 mills.

A foundation program combining a county or state wide tax levy, distribution of some of the income tax, and substantial state aid will provide tax relief in proportion to the tax millage load.

TABLE XIV

RELATIVE WEALTH, AND MILL VALUE OF COUNTY SHARING AND NON- PROPERTY TAX
SUPPORT IN SELECTED IOWA SCHOOLS, 1968-9 (All Data is in terms of per pupil (ADM))

| County and District | 1 Relative Wealth | 2 General Fund Costs | 3 State Aid | 4 Net From County Basic | 5 County Income | 6 Total of 3-4-5 | 7 Net Value of 3-4-5 in Mills |
|-----------------------------|-------------------------|-------------------------------|-------------------|----------------------------------|-----------------------|------------------------|---|
| <u>Clayton County</u> | | | | | | | |
| Mar-Mac | .56 | \$ 674 | \$169 | \$ + 67 | \$33 | \$269 | 44.8 |
| Garnavillo | 1.01 | 856 | 259 | - 52 | 33 | 240 | 21.0 |
| Guttenburg | .76 | 626 | 164 | - 10 | 33 | 187 | 23.0 |
| <u>Pottawattamie County</u> | | | | | | | |
| Council Bluffs | .53 | 578 | 165 | + 47 | 39 | 251 | 52.6 |
| Walnut | 1.49 | 919 | 249 | -224 | 39 | 64 | 3.8 |
| Carson-Macedonia | 1.20 | 783 | 219 | -133 | 39 | 125 | 10.0 |
| Oakland | 1.84 | 730 | 141 | -317 | 39 | -137 | -6.6 |
| <u>Black Hawk County</u> | | | | | | | |
| Cedar Falls | .61 | 582 | 135 | + 36 | 63 | 234 | 39.8 |
| Hudson | 1.04 | 801 | 212 | - 96 | 63 | 179 | 14.8 |
| Waterloo | .83 | 643 | 167 | - 7 | 63 | 223 | 27.6 |
| <u>Buena Vista County</u> | | | | | | | |
| Marathon | 1.28 | 978 | 265 | 0 | 61 | 326 | 22.8 |
| Rembrandt | 1.60 | 920 | 244 | - 55 | 61 | 250 | 16.5 |
| Storm Lake | 1.20 | 611 | 113 | + 35 | 61 | 209 | 19.2 |
| <u>Henry County</u> | | | | | | | |
| Mt. Pleasant | 1.07 | 551 | 80 | + 23 | 50 | 153 | 15.0 |
| New London | 1.01 | 748 | 156 | + 41 | 50 | 247 | 27.6 |
| WACO | 1.16 | 1,000 | 262 | - 22 | 50 | 290 | 22.8 |
| Winfield | 1.76 | 1,115 | 245 | -115 | 50 | 180 | 9.7 |
| <u>Story County</u> | | | | | | | |
| Ames | .86 | 799 | 203 | + 29 | 63 | 295 | 37.8 |
| Gilbert | .92 | 802 | 191 | - 1 | 63 | 253 | 27.5 |
| NESCO | 1.46 | 903 | 199 | -133 | 63 | 129 | 8.6 |
| Nevada | 1.00 | 645 | 144 | 0 | 63 | 207 | 22.4 |

SOURCE: Department of Public Instruction; Prepared by Dr. Wayne P. Truesdell
January 22, 1970; (Some figures are changed from previous reports,
latest data on general fund expenditures per pupil is now available
from the DPI).

SOME ALTERNATIVES TO THE PRESENT STATE AID FORMULA

The two basic weaknesses in the present formula are:

- (1) The 1.00 - .25 (Relative Wealth) which reduces the differences in wealth among schools; and
- (3) Reimbursable expenditures based upon total general fund expenditures rather than upon a foundation program designed to pay aid in an attempt to bring all schools up to a reasonable quality of educational opportunity.

There are four alternatives, all of which would tend to provide a degree of equalization, rather than destroy the equalization provided by the county sharing components.

1. Pay Aid strictly in terms of the relative wealth of the district.
Insist that local effort bring expenditures up to the state average or else reduce the aid by that difference.
2. Pay state aid on a flat per pupil basis, \$172.49 per pupil in 1968-9; in any year divide the total aid available by the total enrollment in public schools in the state (ADM)
3. Correct two glaring weaknesses in the present formula.
 - a. Raise the 1.00 - .25 to a more realistic figure
 - b. Pay aid on expenditures only up to the state average per pupil costs
4. Build a statewide foundation program consisting of:
 - a. A uniform millage statewide to raise about 25 percent of the general fund (about 19-20 mills in 1968-9) and distribute it on a per pupil basis (about \$187 per pupil in 1968-9).
 - b. Uniform distribution of the 40 percent of the income tax collected statewide on a per pupil basis - (\$53.54 in 1968-9; \$57.60 in 1969-70)
 - c. Payment of state aid either as set out in 1 or 2 above. Number one would be preferable.

Each of the above Alternative proposals is explained below.

ALTERNATIVE NUMBER ONE

Pay State Aid Strictly in Terms of the Relative Wealth of a District, with the District expected to provide a local effort to bring its expenditures up to the State average or lose the difference in State aid.

Part (2) of the formula would be retained. This part uses .7 of the sale value of property and .3 of the gross income. The ADM + the Census divided by 2 is the measure of pupil population. The .7 and .3 should be altered with experience since it rates income as only 9.22 percent of the total of income and property where in 1968-9 it was 20.2 percent.

The formula would be:
$$\frac{1}{\text{Relative Wealth}} \text{ times } \frac{\text{Total Aid Available}}{\text{Pupil Enrollment}} =$$

aid to be distributed for each student in that school.

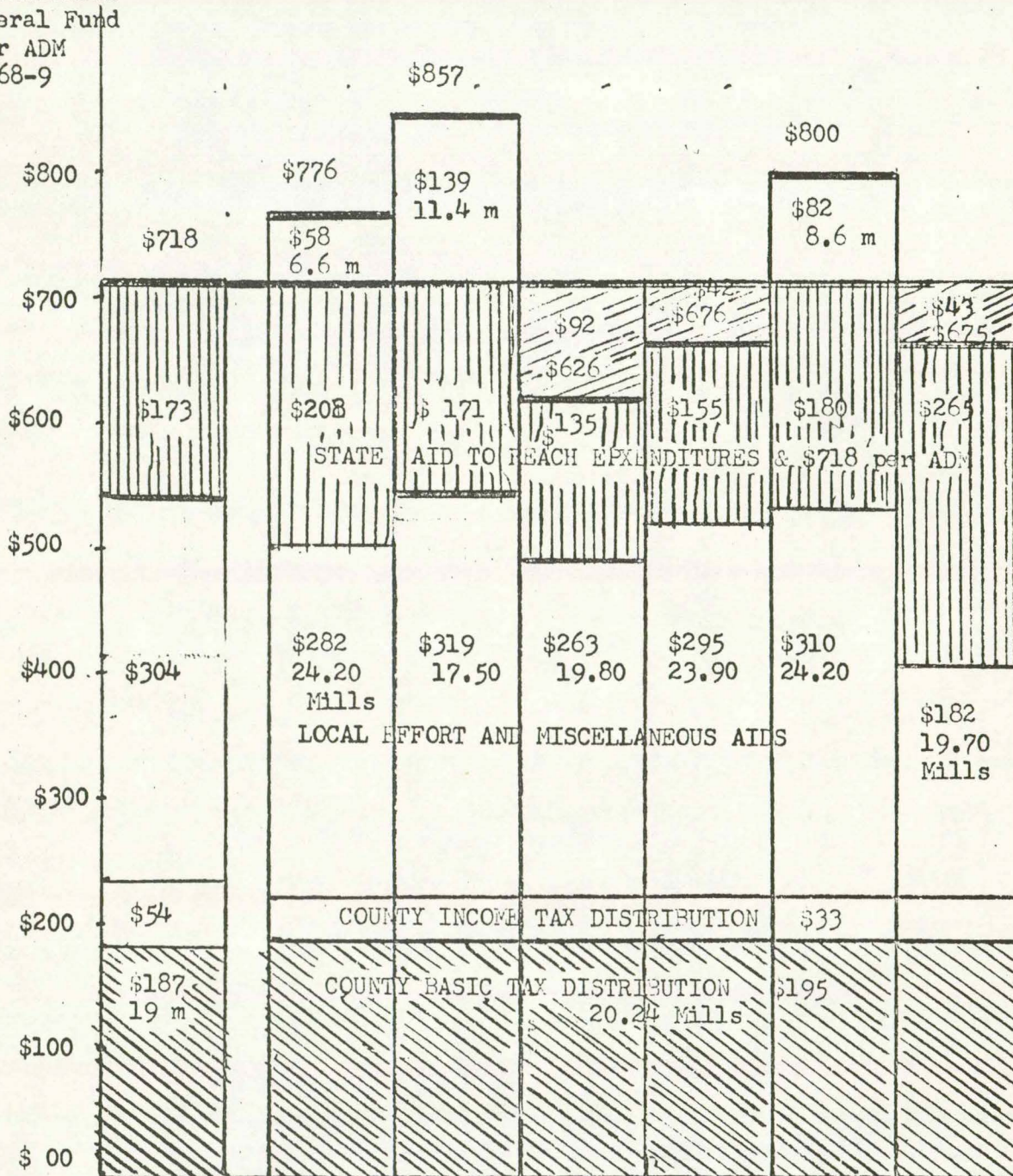
The State Average and the six schools in Clayton County are used to illustrate Alternative Number 1. These are contained in Graph V.

GRAPH V

COMPONENTS OF GENERAL FUND FINANCING IN CLAYTON COUNTY SCHOOLS
USING ALTERNATE # 1-- 1/RW times Per Pupil Aid Available

Source of Data: Department of Public Instruction and County Superintendent
Computations by Louis White, Research Assistant, UNI

Expenditures
General Fund
per ADM
1968-9



| School District | State Average | Central Clayton | Garna-Villo | Gutten-burg | MFL | Star-mont | Mar Mac |
|------------------------|---------------|-----------------|-------------|-------------|---------|-----------|---------|
| Tax Val ADM | | \$8,778 | \$12,180 | \$9,179 | \$9,691 | \$9,523 | \$6,130 |
| Relative Wealth | 1.00 | .83 | 1.01 | .76 | .89 | .96 | .56 |
| Mills to \$718 | | 44.44 | 39.74 | 42.04 | 43.94 | 44.44 | 39.94 |
| Mills to 1968-9 Expend | | 51.04 | 51.14 | 42.04 | 43.94 | 53.04 | 39.94 |
| Mill value of \$718 | | 81.2 | 58.9 | 78.0 | 73.7 | 75.5 | 117.0 |

The State Average per pupil expenditure in the General Fund (excluding transfers) in 1968-9 was approximately \$718 dollars. This is used as the base for determining actual aid.

The county basic tax in Clayton County is a uniform millage of 20.24 mills and permitted, in 1968-9, \$195 to be distributed per pupil.

Distribution of 40 percent of the income tax collected in Clayton County in 1968-9 contributed an additional \$33.00 per pupil. These two county sharing factors accounted for \$228 per pupil with uniform tax burdens. This can be called a county foundation program.

With a wealth of 101 percent of the state average, Garnavillo would have been entitled to \$171 per pupil aid. It received \$259 in 1968-9. Because its per pupil wealth was 56 percent of the State average, Mar-Mac could receive \$308 to reach the \$718 average expenditure. It received \$168 in 1968-9.

But in order to be eligible for full aid the school must spend the average per pupil in the state. Since Mar-Mac lacked \$43 of reaching the state average (\$675) it would lose this \$43 in aid. It would still receive \$265 per pupil as compared to \$168 in 1968-9.

The local contribution is based upon reaching \$718 per pupil and must be paid regardless of the level of expenditure.

In the case of Garnavillo, the per pupil expenditures were \$139 above the state average (\$857). The additional \$139 would have to be supported by local taxes, an additional 11.4 mills. It would thus have a 51.14 mill tax.

Note how nearly uniform the local tax rates are to reach the \$718 state average -- from 39.74 in Garnavillo, the wealthiest district, to \$44.44 in Starmont. This facet has appeared in some 20 counties for which Louis White has computed this formula. It would definitely provide more equitable sharing of the tax burden to reach the state average of expenditure.

Note what the millages would be in each district if the total \$718 were supported locally. Here is another test of a truly good school financing program -- its ability to provide a strong foundation program at a relatively equal tax burden. Note that the \$718, if supported totally by local property taxes would mean 58.9 mills in Garnavillo and 117.0 mills in Mar-Mac. Garnavillo saves 9.2 mills and Mar-Mac 77 mills.

It is this state aid formula that deserves more than cursory attention of our legislative and educational leaders.

Two types of adjustments would be necessary with any aid formula.

a. To help cities with low relative wealth. Because they can obtain optimum staffing ratios city schools can operate more efficiently than rural schools. But cities do not tend to have as high per pupil wealth as rural areas, even if the .3 of gross income is applied to the formula. Table XVII, p. 61, shows that the 22 cities spent \$43 per pupil less than the state average in 1968-9 (6 percent), had per pupil assessed values 34 percent below the state median, were entitled to 22 percent more aid than the state average, but yet averaged \$9 less per pupil (5 percent) than the state average. The cities paid a general fund millage of \$52.31 (28 percent above the state average). This inability of the cities to finance a reasonable educational program at the same financial outlay as less populated areas needs special attention. The city fathers are raising the same issue in relation to costs of city government.

b. At the other extreme is the thinly populated rural area with large taxable value per pupil. The smaller enrollments force less favorable staffing ratios and higher per pupil costs. Some of these higher per pupil costs are unavoidable in smaller schools. How much weight in the formula should be given to sparcity of students? How much pressure should be exerted to get small schools to combine into more efficient units, say in excess of 1000 students?

A previous chart shows that districts with over 1000 do operate with a degree of economy not greatly below that of large cities. A 10% weighting of the formula would permit \$190 per pupil as an average for small schools rather than \$173. This aspect needs study, along with the desirability of further reorganization of the smallest districts.

A second problem with rural districts is the greater per pupil tax base compared to city districts. This results in a significant sharing of tax resources with cities in the county basic tax.

The return on a dollar of capital invested in farm land, buildings, and

equipment is different from the return on a dollar of property invested in housing, in commercial establishments, or in manufacturing enterprises in the city. How does one equate these difference so that a uniform millage may be applied to all property in a school district, an Intermediate Unit, a county government, or statewide? The 1969 General Assembly did pass a law which would give rural property an advantage over city property in assessment. Other states assess farm land and buildings differently from urban property.

Several devices in Iowa are in existence to attempt to equate the difference in the productivity of property subject to the property tax. The Homestead Exemption provided \$33.0 million dollars to encourage home ownership in 1967-8. The taxes of retired persons were frozen. Veterans get from \$500 to \$1,000 reduction in assessed valuation. Finally, the Agriculture Land Refund Fund distributed \$19.0 million during each year of the 1967-9 biennium to farm owners to share the General Fund Tax rate above 20 mills.

Hartsell Perry, a research specialist in the Department of Public Instruction until two years ago, attempted to call attention to the significance of the Agricultural Land Refund as an equalizer of agricultural land taxes. It is difficult to fit it into the picture to know how it affects the average taxpayer. But Hartsell Perry did come up with figures that place this refund in terms of the pupil--a per pupil refund to equalize property taxes. A few examples will illustrate:

In Black Hawk County--Hudson--\$60.16 per pupil--worth 4.88 mills to the person who received it. Because it has little agricultural land the value to a farmer in the Waterloo districts was \$2.77 per student. However, the individual farmer would get a bigger refund in Waterloo than in Hudson because of the higher General Fund tax rate--a larger amount above 20 mills.

Carson-Macedonia, in Pottawattamie County, had an average per pupil Agricultural Land Refund of \$88.76 per pupil, equivalent to about 7 mills. Council Bluffs merited \$0.99 per student.

In Buena Vista County, Rembrandt farm owners received an average of \$111.07 per pupil educated, worth about seven mills. However, there is not a direct relation between the refund per pupil to the taxpayer and the actual mill value in tax replacement.

ALTERNATIVE NUMBER TWO

Pay state aid on a per pupil basis. In 1968-9 this would have meant a flat grant of \$172.49 per pupil in the public schools in Iowa. A derivation of this was included as the third part of the Peterson plan in 1967. Study will show that this \$172.49 per pupil will have a strong equalizing effect when combined with the county basic fund and county income distribution.

A grant of \$173 would mean a tax replacement of 28 mills for Mar-Mac, but only 14 mills for Garnavillo; 36 mills for Council Bluffs, but only 9 mills for Oakland; 38 mills in Ames and 12 mills for NESCO.

The combined replacement in property taxes of the three programs would be as follows:

TABLE XV

COMBINED TAX REPLACEMENT WITH FLAT PER PUPIL AID

| | <u>County Basic Fund</u> | | <u>County Income</u> | | <u>State Aid</u> | | <u>Combination of Three Phases</u> | |
|--------------------------|--------------------------|-------------------|----------------------|-------------------|------------------|-------------------|------------------------------------|-------------------|
| | <u>Net Dollars</u> | <u>Mill Value</u> | <u>Dollars</u> | <u>Mill Value</u> | <u>Dollars</u> | <u>Mill Value</u> | <u>Dollars</u> | <u>Mill Value</u> |
| <u>Clayton Co.</u> | | | | | | | | |
| Mar Mac | \$ + 67 | 10.9 | \$ 33 | 5.4 | \$ 173 | 28.2 | \$ 273 | 44.5 |
| Garnavillo | - 52 | -4.3 | 33 | 2.7 | 173 | 14.2 | 154 | 12.6 |
| <u>Pottawattamie Co.</u> | | | | | | | | |
| Council Bluffs | + 47 | 10.0 | 39 | 8.3 | 173 | 36.9 | 259 | 54.5 |
| Oakland | -317 | -16.3 | 39 | 2.1 | 173 | 8.9 | -105 | -5.0 |
| <u>Story County</u> | | | | | | | | |
| Ames | + 29 | 3.8 | 62 | 8.2 | 173 | 22.5 | +264 | 34.5 |
| NESCO | -133 | -9.4 | 62 | 4.5 | 173 | 12.2 | 102 | 7.3 |

Continue the present state aid formula with two basic adjustments.

- a. Change the 1.00 - .25 (Relative Wealth) to a larger decimal. As an illustration below 1.00 - .40 (Relative Wealth) is used.
- b. Change the reimbursable expenditures so that no school would be paid state aid on an amount above the state average of reimbursable expenditures.

In the following example data has been taken for three schools from the State Auditor's figures in checking these schools. Present state aid or average per pupil state aid has been used in lieu of reimbursable expenditures per pupil, since the latter were not immediately available for the average Iowa school.

TABLE XVI

EFFECT OF CHANGING TWO FACTORS IN THE STATE AID FORMULA
ON AID PAID IN 1968-9 IN SELECTED IOWA SCHOOLS

| | State Average | Waterloo | Guttenburg | Rembrandt |
|--|------------------|----------|------------|-----------|
| Reimbursable Expenditures per ADM 1968-9 | | \$447 | \$472 | \$738 |
| State Aid Paid, 1968-9 | \$172.49 | \$167.03 | \$164.04 | \$244.44 |
| Relative Wealth | 100.00 | 83.40 | 74.29 | 154.49 |
| State Aid Effort with (1.00 - .25) | 75.00 | 79.15 | 81.17 | 61.71 |
| State Aid Factor using (1.00 - .40) | 60.00 | 66.64 | 70.28 | 38.20 |
| Conversion Factor using present aid or state average | | 63/60 | 65.20/60 | 46.40/60 |
| Aid due with two changes in state aid formula | \$172.49 | \$176 | \$179 | \$133 |

ALTERNATIVE NUMBER FOUR

1. Levy a uniform statewide millage tax to provide about 25 percent of general fund expenditures. Distribute it on a per pupil basis. A statewide millage of 20 mills in 1968-9 would have provided about \$207 per pupil in the public schools.
2. Distribute the 40 percent of income tax on a per pupil basis statewide. This would have amounted to \$53.54 per pupil in 1968-9 and \$57.60 per pupil in 1969-70.
3. Use one of two types for the distribution of the state aid.
 - a. Preferable -- distribute in terms of per pupil wealth as used in alternative number 1.
 - b. Alternate -- distribute on a per pupil basis -- \$172.49 in 1968-9.

If the state aid were a flat grant the foundation program in 1968-9 would have meant \$414 per pupil with equal tax contributions. This is shown as the state average in several graphs and tables.

Graph VI illustrates the result of using the two possible derivations of the state aid factor in Alternative number 4 for a few schools of widely varying financial ability.

One can note the following characteristics of a statewide program.

1. If a flat grant is used there will be considerable range in tax rates for both rich and poor districts to reach the state average of \$718.00. It varies from 62.8 mills in Council Bluffs to 30.0 mills in Walnut, in the same county. Thus it would appear that some equalization of the state aid facet is desirable.
2. If a 20 mill levy is used to raise \$215.00 statewide, and state aid is apportioned according to wealth, a greater burden is shifted to the schools with greater wealth. Here the low point in local taxes would be 30.7 in Council Bluffs and a high in its wealthier neighbor, Walnut, of 40.0 mills. Since this is inequitable, the amount shared by the statewide property tax should be reduced to equalize this variation.
3. As schools spend more than the average they begin to assume a greater part of the burden locally. Where \$800 is used as the expected expenditure for each school (still using \$718 as the state average), the low millage now becomes 43.7 in Garnavillo (44.8 in Walnut) and the high is 49.7 in Waterloo (44.7 in Mar-Mac and 47.9 in Council Bluffs).

Thus it is possible to integrate the county basic tax levy, the county wide income tax distribution, and state aid based upon relative wealth into a program that provides both:

1. Equalization of educational opportunity
2. An equitable tax rate for all school districts.

These are the premises stated on page 1 of this paper.

GRAPH V/

APPLICATION OF ALTERNATIVE # 4 -- 20 mills statewide-- \$215.00 per pupil
 1968-9 Costs Income tax statewide 54.00 per pupil

A- State Aid-Flat 173.00 per pupil
 B- --Relative Wealth-Variable

1/Relative Wealth x \$173

Per Pupil
 Gen Fd
 Exp.

| Per Pupil Gen Fd Exp. | STATE | Mar-Mac | | Garnavillo | | Council Bluffs | | Walnut | | Waterloo | | |
|-----------------------------|--|---------|-------|------------|-------|----------------|-------|--------|-------|----------|-------|-------|
| | | A | B | A | B | A | B | A | B | A | B | |
| \$890 | \$82 | 13.4 | mills | 7.0 | mills | 17.2 | mills | 4.8 | mills | 10.1 | mills | \$200 |
| \$700 | Miscellaneous State Aids and Non-Reimbursable-- Estimated 10% of \$718 -- \$72 | | | | | | | | | | | \$718 |
| \$600 | Additional Local Effort | | | | | | | | | | | \$646 |
| \$500 | | \$204 | | \$204 | \$206 | \$204 | \$51 | \$204 | \$340 | \$204 | \$159 | |
| | | 33.2 | 11.3 | 16.7 | 16.7 | 42.8 | 10.7 | 12.0 | 20.0 | 24.6 | 19.5 | |
| \$400 | \$173 | \$173 | \$308 | \$173 | \$171 | \$173 | \$326 | \$173 | \$67 | \$173 | \$218 | \$442 |
| \$300 | STATEWIDE INCOME TAX DISTRIBUTION \$54.00 per Pupil | | | | | | | | | | | \$269 |
| \$200 | Statewide PROPERTY TAX LEVY 20.00 mills-- \$215.00 per pupil | | | | | | | | | | | \$215 |
| \$100 | | | | | | | | | | | | |
| 0 | | | | | | | | | | | | |
| Local Mills to \$718 | | 53.2 | 31.3 | 36.6 | 36.7 | 62.8 | 30.7 | 32.0 | 40.0 | 44.6 | 39.5 | |
| Local Mills to \$800 | | 66.6 | 44.7 | 43.6 | 43.7 | 80.0 | 47.9 | 36.8 | 44.8 | 54.7 | 49.7 | |
| State | | Mar Mac | | Garnavillo | | Council Bluffs | | Walnut | | Waterloo | | |
| | | A | B | A | B | A | B | A | B | A | B | |

The \$ figures are in terms of per pupil.
 Where other figures, such as 13.4, are used, they are mill levies necessary to obtain the dollar figures.

Source: of Data: Department of Public Instruction
 Research by Louis White, Research Assistant, UNI
 Table Prepared by Dr. Wayne P. Truesdell, Dec. 26, 1969

VI.

HOW CAN A BUDGET CONTROL COMMITTEE BE MADE AN EFFECTIVE INSTRUMENT
FOR INCREASING MORE EFFICIENT EXPENDITURE OF TAX FUNDS?

As now constituted, the Budget Control Committee created by the 1967 General Assembly has no power to force schools to reduce their expenditures. It merely reviews school budgets and determines if the school's budget for a given year has been increased over the previous year by a percent greater than the economic growth of the state. If the increase has been excessive, the school merely is told that it will not receive any state aid on the excess above the allowable growth. Actually, the school has lost nothing since, by law, it was not entitled to aid on this excess expenditure in the first place. The Budget Review Committee can not impose any penalty, nor can it insist that the school reduce its budget down to the allowable growth factor. Thus, this excess spending can be legally turned back to the local taxpayer.

The operation of the Budget Control Committee in 1968-9 did encourage some undesirable budgetary practices, practices which in no way increased the school's state aid nor decreased its local property tax.

Schools were told that they could transfer wages paid for coaching any type of activity (athletics, music, etc) to a fund exempt from the scrutiny of the Budget Control Committee. This is the old Special Courses Fund brought back into operation. Several 1969-70 budgets that I observed had substantial funds taken from budget control by putting it into this student activities fund. In most instances these schools had had no money in this fund in 1967-8. Such practices should be discouraged.

As it now stands the Budget Review Committee has no powers, legislative, or judicial. It merely confirms the computations of someone in the Department of Public Instruction, a purely administrative task.

And if any of the three Alternative Formulas were used there would never be an occasion for paying out excessive aid, because no school would ever get more aid than the state average per pupil aid, or would be paid aid on expenditures above the average per pupil expenditures in the state (\$718 in the general fund in 1968-9).

There is a way in which some review of school budgets could serve a desirable function. Connect budget review with efficiency in school operation. Consider such items as pupil/teacher ratio, pupil/administrative ratio and efficient purchasing of materials through bids. This might force districts to consolidate to increase pupil/teacher and pupil/administrator ratios, to utilize the services of an intermediate unit where local enrollments do not justify full time administrative, supervisory, or specialized personnel, and to put bookkeeping and purchasing upon a county or intermediate unit basis. This would require setting up some standards for pupil/teacher and pupil/administrator ratios. Where schools fail to meet these standards they could be denied state aid. This is now possible in terms of certification of personnel, curricular offerings, and specialized personnel. It is a hard pill to take and does destroy some local control. Perhaps it is better to let local districts determine if they want to pay for inefficient operation practices.

If there is no desire to put some teeth in the present Budget Control Law, the Budget Review Committee can do no more than give a bit of undesirable publicity to schools whose budgets have increased more than the allowable economic growth factor.

There is a place for considerable help to local districts in developing budgets which will provide for the greatest possible efficiency in school operation. If no penalties are attached this would be an advisory and consultative task. I

would submit that the Department of Public Instruction should be given adequate funds so that it can render such consultative services in school district organization, administrative organization, curricular improvement, staffing efficiency and competitive purchasing. The development of an efficient intermediate unit could have considerable impact in providing such services.

VII

HOW DO WE ENCOURAGE INNOVATION IN EDUCATION THROUGH FINANCIAL AID?

Some of those working closely with the original Proportional Sharing bill felt that the open end on expenditures would encourage innovation. This writer feels that innovation can be better encouraged through special grants for specific and well defined innovative plans. This method is pursued by the federal government, and to some extent by the state government. Vocational education, driver education, and special education are examples. If the general fund is increased without designation the money may not go for innovation. Thus both the federal and state governments should provide funds to encourage innovation, over and above the regular financing program. This writer questions that we would have made the progress in the areas mentioned above, and in development of media centers if they had not been categorical aids for a special purpose.

VIII

WHO SHOULD MAKE THE FINAL DECISION CONCERNING LOCAL EXPENDITURES IN EDUCATION?

There is much talk that the General Assembly might set a dollar limit or a mill limit on expenditures for education, much as it has for expenditures for the normal services of cities and towns. This is a most dangerous practice. Conditions vary so greatly that one school might continue to provide a good educational program (Oakland or Pleasant Valley) under the limitation while a school like Council Bluffs or Mar Mac would be seriously handicapped.

One could concede that several things need to be done to assure that the educational output justifies the dollars put into it. One of these is reorganization or cooperation among schools to eliminate unnecessarily small classes, and high administrative costs. As mentioned before, financial efficiency is not greatly enhanced in those districts with more than 1200 students. We need to turn our attention to this facet of school efficiency at the same time we are considering reducing expenditures. A previous table delineated the definite relation of school size (using enrollment groups) and per pupil costs in the general fund.

There are several ways by which the citizens of a community can restrict the spending of the board of education: (1) they can demand reorganization into more efficient units; (2) they can vote down bond issues if the need can not be justified; (3) they can protest at the hearing when the school budget is considered in the summer; and (4) they can select school board members who will demand efficient operation. What more is needed? If no school is paid state aid in an amount above the state average general fund expenditure, the decision as to how much more to

spend, how much to raise the tax rate, rests squarely with the citizens of the community affected. If we want greater efficiency, why not concentrate on helping communities to understand what a good educational program is, and how it can be most efficiently and economically obtained. Again, we need a much expanded State Department of Public Instruction to assume this chore.

IX

WHY IS SCHOOL DISTRICT REORGANIZATION SO CLOSELY RELATED TO A SOUND STATE AID PROGRAM

This concept is woven throughout this entire paper. Small schools have lower teacher/pupil ratios and lower administrator/pupil ratios. They utilize buildings and equipment much less fully than do larger schools. The results are higher per pupil costs.

State aid dollars come from the pocket of every citizen in the state. I pay income tax and sales tax (no cigarette tax). It is to my interest that these dollars be used most efficiently. Thus I object to paying aid to a school which has many high school classes with less than 10 students (some with one to three students) if it were possible to combine schools and have classes of 20-25 students. I am concerned that an expensive science laboratory has but one class of 8-10 in physics and one class of 12-15 in chemistry, and that the room then doubles for driver education, or some other science for which the equipment is not appropriate.

If no state aid is spent above average expenditures, or a weighted average which does consider that schools of 1000 students do have a bit higher per pupil costs, then my dollars in sales and income taxes are being used to provide the maximum of education that is attainable.

If districts with less than a reasonable number of students--we have 123 with under 500 total enrollment and 185 more with between 500 and 1000 total enrollment--feel that they have advantages in remaining a small school, then they would, of course, pay the additional cost in local property taxes. This is not true now when aid is paid on total general fund expenditures. It would be true if aid were paid to build up a foundation program for all schools--up to the state average per pupil cost in the general fund.

Comparisons of Financial Characteristics of Districts by Enrollment Categories.

Appendix Tables I - III provide data on 11 financial characteristics of schools. Schools have been grouped into three categories:

1. The 25 smallest Iowa schools, 1968-9 with an ADM of less than 500 students.
2. The 25 schools with ADM in 1968-9 between 1200-1500. This group of schools has been used because the writer has contended that 1200 is the minimum enrollment in which staff could be efficiently utilized. No suggestion has ever been made that these schools are large enough to provide the range of course offering needed by today's youth.
3. The 22 largest districts, those Iowa schools with enrollments (ADM) above 3500 students in 1968-9.

Table XVII summarizes the data for these three sets of schools, and compares it to the state average. Graphs XVII G-1 and G II put the same data in graphical form.

FINANCIAL CHARACTERISTICS OF IOWA SCHOOL DISTRICTS
BY ENROLLMENT CATEGORY
1968-9

| | State Average | 22 Schools over 3500 Enrollment | 25 schools 1200-1500 Enrollment | 25 Schools Under 300 Enrollment |
|---|------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 1. Total Enrollment | 652,362 | 256,128 | 32,985 | 6,367 |
| 2. Percent of State ADM | 100% | 39.2% | 5.1% | .97 |
| 3. Average Enrollment (ADM) | | 11,699 | 1,320 | 255 |
| 4. Per Pupil Costs General Fund | \$ 718 | \$675 | \$ 721 | \$ 914 |
| 5. Relative Wealth per Pupil | 1.00 | .82 | 1.14 | 1.58 |
| 6. State Aid per Pupil | \$ 173 | \$164 | \$ 174 | \$ 198 |
| 7. County Income Tax per Pupil | \$ 54 | \$ 63 | \$ 46 | \$ 45 |
| 8. Taxable Value of Property per ADM | \$12,166 | \$8,026 | \$12,333 | \$16,898 |
| 9. County Basic Tax - Mills | 17.78 | 20.22 | 16.90 | 15.44 |
| 10. County Basic Distribution ADM | \$ 183 | \$ 181 | \$ 190 | \$207 |
| 11. Total General Fund Mills | 40.08 | 52.31 | 40.19 | 39.18 |
| 12. Schoolhouse Fund Mills | 4.67 | 8.75 | 5.38 | 2.50 |
| 13. Total County State Sharing per ADM | \$ 410 | \$ 408 | \$ 410 | \$ 450 |

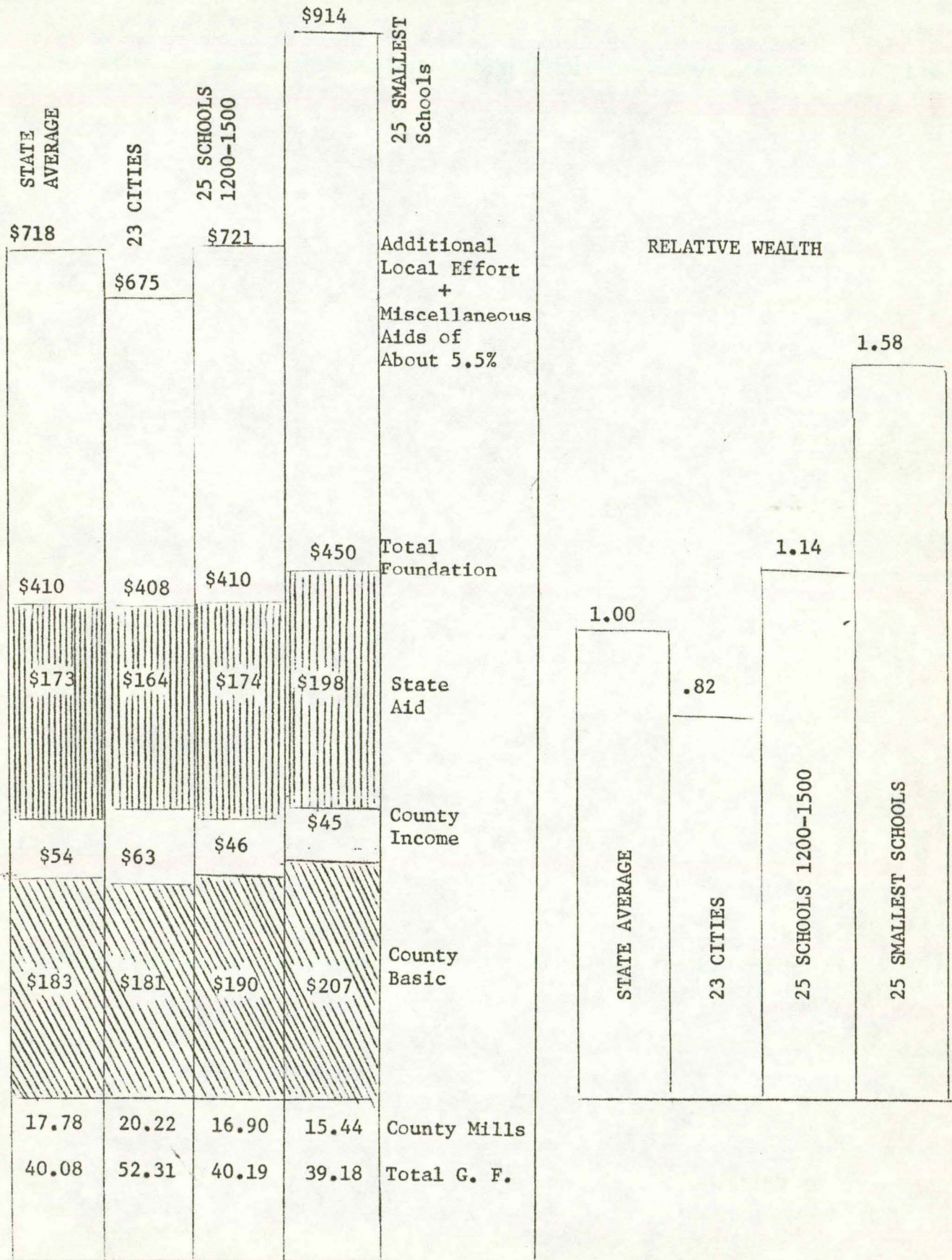
SOURCE: Department of Public Instruction;
Prepared by Dr. Wayne P. Truesdell, January 12, 1970

Some observations follow:

1. In 1968-9, 45 percent of the public school enrollment were in schools of over 3000 students (ADM), or in suburbs of these cities. Items 1 - 2 show that 39.2 percent of Iowa's students were in the 22 largest schools.

This fact can not be ignored when the future of education in Iowa is considered. The discussion which follows points out the differences in financial characteristics of these cities and the smaller school districts.

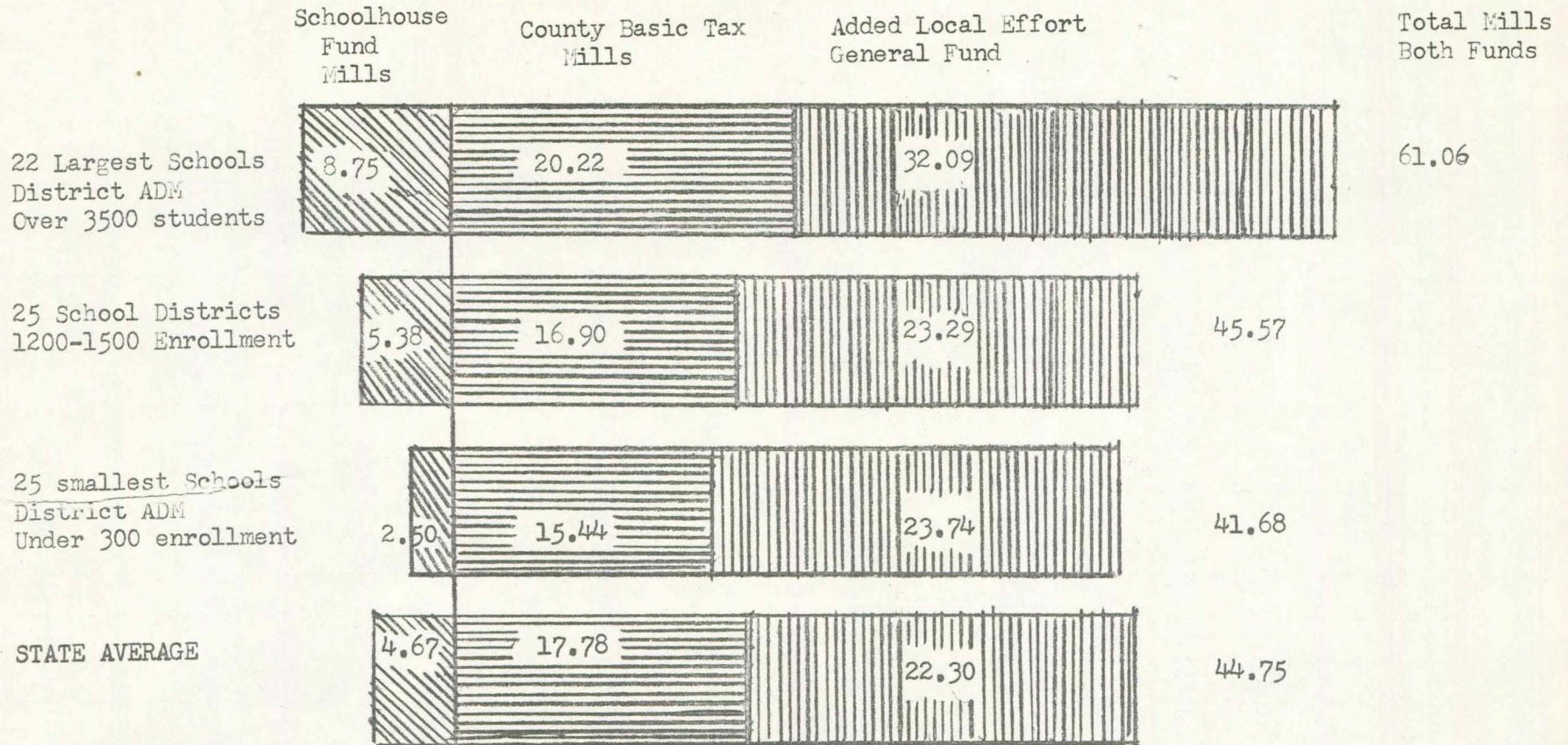
FINANCIAL CHARACTERISTICS OF IOWA SCHOOL DISTRICTS BY ENROLLMENT CATEGORIES
1968-9



SOURCE: Department of Public Instruction; Prepared by Dr. Wayne P. Truesdell
January 22, 1970

GRAPH #XVII G 2

COMPARISON OF TAX RATES IN SCHOOLS BY ENROLLMENT CATEGORIES
1968-9



In 1968-9, the 22 largest schools enrolled 39.2 % of all public school students in Iowa

* Source of Data; Department of Public Instruction
Graph Prepared by Dr. Wayne P. Truesdell, 1-20-1970

2. The relative wealth per pupil decreases as the enrollment increases. (See item 5). Relative wealth is that used in the state aid formula.

The largest schools have an average per pupil wealth 82 percent of the state average; those in the 1200-1500 enrollment category have per pupil wealth 14 percent above state average; and the 25 smallest schools have average wealth 58 percent above the state average. The same regression with enrollment can be observed by comparing taxable value of property per student (see item 8). The 1200-1500 enrollment group have 50 percent more taxable property behind each student than the 22 cities. The small schools have double the tax value behind each student of the cities.

3. Per pupil costs increase progressively as enrollments decrease. (see item 4) These data are shown for all Iowa schools on page 26. For the three groups in Table XVII the cities spend \$43 per pupil below the state average; schools with 1200 - 1500 students spend \$3 per pupil above the state average; and the small schools spend \$198 per pupil above the state average.

This is one of the factors which annuls the equalization intent of the present state aid formula. Since aid is paid on expenditures above the County Foundation level, the more a school spends the more aid it receives.

4. State aid regresses as size of school increases. In a situation where the per pupil wealth in the small schools is 1.93 the largest schools, and the taxable value of property per pupil is 2.11 that of the largest schools, one would expect equalizing aid to go in larger amounts to the largest schools to build a foundation program with an equitable tax sharing. The reverse is true. The open ended state formula rewards spending above the County Foundation.

Cities have built in efficiency due to larger pupil/teacher and administrator/teacher ratios, and more efficient use of facilities and equipment. Present state aid penalizes the larger schools for this efficiency and rewards smaller schools for inefficient operation in these areas.

Item 6 shows that the largest schools get \$9 per pupil state aid below the state average, the 1200-1500 enrollment group share at the state average, and the smallest schools get \$34 per pupil above the state average. Thus per pupil wealth which is twice that of the wealth of the largest school entitles the small school to per pupil aid 20 percent above the largest schools. This is a reason for limiting state aid to expenditures up to the state average to encourage greater efficiency in operation.

5. Cities do contribute more income tax per pupil than small schools. (See item 7). The ratio is 1.41. However, gross income is only 20.2 percent of the sum of gross income and real value of property. The county sharing program uses income as 22.2 percent of the total of income and property tax sharing. But the state aid formula credits income as 9.28 percent of the sum of income and property.

With experience the weight of income in the formula could be increased up to the 20.2 percent ratio that income bears to the total of income and sale value of property. But it is useless to think that schools can draw off more income tax than the present 40 percent now credited to schools at the county level.

Further, as long as the federal government collects 92 percent of all income taxes, and gets three fourths of its huge receipts from income it is not possible to increase state income taxes by enough to take over much more of the support of public education.

From now on considerable attention should be given to a plan for states and local communities to share to a greater extent in the income tax now monopolized by the federal government. It is the tax most responsive to economic growth and most related to ability to pay.

6. Cities pay higher millage rates to support a smaller per pupil education cost than do smaller schools. County Basic tax millage to raise the 25 percent of general fund costs are 1.33 times those in rural areas. (See items 9 - 10). And the County Basic distribution of the smallest schools is 1.14 times that of the largest schools. If these two factors of tax rate and amount raised are combined the small schools have a 51 percent advantage in the County Basic tax over urban schools.

7. Cities are caught in a squeeze between increasing enrollments and increasing building and bonding costs. Rural enrollments are decreasing as child bearing age youth leave the farms and small towns for urban centers. Rural schools will have many empty seats five years hence as this migration is combined with a birth rate half that of the 1950-1963 period.

Six of the 25 smaller schools in Appendix Table I have no outstanding bonds. The burden to retire bonds and construct buildings in the cities is 3.5 times that in rural areas. (8.75 mills and 2.50 mills). This problem is discussed in Part II of this paper.

Thus one can infer that size of school will become increasingly important in assessing the financial needs in Iowa education; and that the state must become increasingly involved in two facets of financing public education.

- a. To provide funds for school building construction for those areas experiencing significant population growths and whose bonding potential has been used up.
- b. To support general fund expenditures up to a foundation level. This means paying aid in reverse ratio to per pupil wealth rather than ⁱⁿ direct ratio to per pupil wealth as is now done.

Graphs XVII - G I and II illustrate graphically the materials enunciated in the above discussion.

SUMMARY AND CONCLUSIONS

This paper has used data available from the Department of Public Instruction and the State Auditor to show how the 1967 School Support Law operated during its first full year, 1968-9. The data suggests:

1. There is a need for state aid in school building construction as well as in supporting the educational program. Schools with increasing enrollments need additional facilities. Data shows that most of these districts tend to have lower than average per pupil taxable wealth. The result is inadequate facilities, reduced operating costs, or high tax rates. With increased building costs and higher interest rates these schools will have bond fund millages approaching the 15 mill limit.
2. The Difference in the economy of agriculture and industry presents a problem in sharing resources for education.

Rural areas tend to have higher per pupil taxable value of real property than do cities; thus they put more per pupil into the County Basic Tax Fund than they get back. This difference is a contribution of rural areas to the education of children in cities or bedroom suburbs.

The reverse hold relative to the utilization of the 40 percent of the income tax collected in the county. Cities tend to help educate children in rural districts in the same county.

An effort should be made to provide a mix of property values and income which would make each contribute an economically justifiable share to the mix.

In 1968-9 the gross income in Iowa was 20.2 percent of the sum of the sale value of property and gross income. Income contributed 22.2 percent of the county wide sharing fund.

The state aid formula equated gross income as 9.3 percent of the total of property values and income.

3. The County equalization provided about 33% of the total general fund of schools in 1968-9, 7.1 percent from income and 25.8 percent from property.

A strong case could be made for shifting both the County Basic Tax and the County income distribution to a statewide foundation program. If this had existed in 1968-9

- a. A tax rate of 20 mills statewide would have raised \$207 per pupil. This 20 mill levy raised only \$135 a pupil in Pottawattamie County.
- b. There would have been \$54.60 per pupil in the 40% of the income tax had it been distributed statewide. As it was Pottawattmie County received \$39.31 per pupil. The two county sharing plans would have provided \$261 a pupil in 1968-9 if shared statewide. Pottawattamie County received \$175 a pupil with an equivalent tax rate when funds were shared county wide. To Council Bluffs this difference of \$86 represented about 18 mills to local taxpayers.

5. County boundaries are not equitable lines for sharing of either income or property. Witness the 10.7 mill tax advantage to a Black Hawk county resident living in the Dike district (considered in Grundy County) over his neighbor in the Hudson district (Black Hawk County). This difference assumes the same dollars raised per pupil in each district with a county levy different by 10.7 mills. A statewide levy is much more equitable.

6. The state aid program does not equalize educational opportunity. Nor does it help to support a foundation program.

- a. The 1.00 - .25 destroys almost completely any semblance of equalization.
- b. Payment on the amount spent above the foundation program rather than up to the foundation program pays state aid in direct proportion to expenditures and almost inversely to need.

7. Any of the four alternates would be superior to the present formula.

- a. Pay in terms of relative wealth in the district, if the district provides a comparable local effort. (Alternative # 1)
- b. Pay a uniform per pupil aid regardless of wealth or expenditure, \$173 per pupil in 1968-9. (Alternative # 2)
- c. Make 2 corrections in the present formula: (Alternative # 3)
 - (1) Increase the (1.00 - .25) to (1.00 - .40) or (1.00 -.50). This would improve the equalization factor almost completely destroyed by using (1.00 - .25).
 - (2) Pay only on expenditures per pupil up to the state average (\$718 in the General Fund in 1968-9).
- d. Use a state wide foundation program to include: (Alternative # 4)
 - (1) A uniform millage statewide to raise about 25 -30 percent of the general fund expenditures. A statewide tax of 20 mills in 1968-9 would have raised \$207 per pupil. This would have accounted for 28.8 percent in the \$718 in the general fund in 1968-9.
 - (2) Per pupil distribution of the income tax statewide. In 1968-9 this would have provided \$52.50 per student in ADM. (The \$54 figure used throughout the report was that allotted in 1968-9 based on estimated enrollment.)
 - (3) Distribution of state aid on one of two bases:
 - (a) A flat grant to each school, regardless of wealth, equal to the amount available per pupil when the total aid available is divided by the enrollment (ADM) in the state. This would have been \$173 in 1968-9.
 - (b.) State aid based entirely on relative wealth. This would provide greater assistance to schools with low relative wealth than a flat grant, but the flat grant would provide a high level of tax relief in low pupil wealth districts. Graph VI presents alternative #4, comparing the two ways of paying state aid for each of the 5 schools used as examples.

If federal and other state aid were added to the state aid from the formula , the county (state) basic and the county (state) distribution of income tax there would have been a foundation program available of \$473 statewide. This would have been 66% of the average general fund of \$718 per student in 1968-9.

8. The Roorda Committee plan has considerable merit. It would limit state aid payments to a level where a school received up to 85 percent of its reimbursable expenditures, or the state average reimbursable expenditures, whichever were lower. The County Basic Tax and the County Income distribution would be continued and the Turner ruling would be annulled.

APPENDIX TABLE * I FINANCIAL CHARACTERISTICS OF IOWA'S SMALLEST SCHOOLS (Under 300 ADM 1968 - 9)

| School | ADM** | Per Pupil Gen Fund | Rel- ative Wealth | State Aid | County Income | ADM Tax- able Value | COUNTY BASIC | | MILLS | | Total County- State Sharing |
|---------------------|-------|--------------------|-------------------------|--------------|------------------|------------------------------|--------------|---------|--------------|-------------------------|--------------------------------------|
| | | | | | | | Mills | Dollars | Gen. Fund | School house Fund | |
| 1. ACL | 197- | \$1130 | 2.02 | \$ 233 | \$31 | \$16,215 | 15.31 | \$ 202 | 51.00 | 4.00 | \$466 |
| 2. RAKE | 194- | 879 | 1.49 | 235 | 35 | 15,013 | 15.61 | 178 | 41.47 | 3.93 | 448 |
| 3. Palmer | 214- | 1004 | 2.09 | 194 | 48 | 23,619 | 11.67 | 221 | 31.78 | 3.47 | 463 |
| 4. Rembrandt | 213+ | 920 | 1.60 | 244 | 61 | 15,194 | 14.42 | 192 | 38.39 | 1.66 | 497 |
| 5. Garrison | 215- | 1087 | 1.76 | 182 | 43 | 19,355 | 15.32 | 189 | 42.26 | none | 414 |
| 6. Diagonal | 237- | 892 | .99 | 184 | 24 | 12,085 | 19.85 | 235 | 52.52 | 1.57 | 443 |
| 7. Steamboat Rock | 239+ | 882 | 1.33 | 221 | 46 | 14,049 | 15.62 | 224 | 43.61 | 2.90 | 491 |
| 8. Lu Verne | 251- | 1002 | 2.35 | 154 | 49 | 25,832 | 14.24 | 227 | 33.78 | 2.57 | 440 |
| 9. New Providence | 250+ | 910 | 1.52 | 209 | 46 | 15,789 | 15.62 | 224 | 38.48 | none | 479 |
| 10. Fremont | 252- | 837 | 1.91 | 176 | 48 | 16,045 | 17.86 | 196 | 44.22 | none | 420 |
| 11. Prescott | 256+ | 938 | | | 39 | 14,151 | 16.53 | 216 | 41.73 | 4.39 | |
| 12. Menlo | 265- | 928 | 1.29 | 215 | 32 | 13,755 | 17.56 | 210 | 48.59 | 5.18 | 457 |
| 13. Marathon | 246- | 978 | 1.27 | 265 | 61 | 14,339 | 14.42 | 192 | 37.00 | 7.39 | 518 |
| 14. Clearfield | 261- | 880 | .98 | 244 | 25 | 12,162 | 14.54 | 176 | 46.12 | none | 445 |
| 15. Green Mountain | 264- | 855 | 1.09 | 202 | 63 | 13,519 | 17.76 | 191 | 37.93 | 1.72 | 456 |
| 16. Burt | 265+ | 922 | 1.88 | 161 | 49 | 16,918 | 14.24 | 227 | 37.31 | 3.73 | 437 |
| 17. Collins | 280- | 678 | 1.23 | 149 | 63 | 12,633 | 22.03 | 206 | 38.04 | 3.34 | 418 |
| 18. Ledyard | 268- | 742 | 1.81 | 130 | 49 | 16,546 | 14.24 | 227 | 23.63 | 1.18 | 376 |
| 19. Lowden | 280- | 889 | 1.51 | 205 | 39 | 17,399 | 16.66 | 209 | 37.24 | 4.71 | 453 |
| 20. Fonda | 281+ | 942 | 1.77 | 217 | 48 | 31,062 | 11.67 | 221 | 24.67 | none | 486 |
| 21. Galva | 280- | 961 | 1.72 | 174 | 47 | 20,271 | 15.02 | 208 | 33.96 | 1.46 | 399 |
| 22. Havelock-Plover | 286- | 958 | 1.87 | 189 | 48 | 21,652 | 11.67 | 221 | 29.90 | .65 | 458 |
| 23. Fox Valley | 295- | 957 | 1.47 | 201 | 30 | 15,413 | 16.84 | 176 | 50.94 | none | 407 |
| 24. Westfield | 291- | 679 | .99 | 182 | 53 | 10,856 | 13.16 | 189 | 36.33 | 4.14 | 424 |
| 25. Lakota | 287+ | 1008 | 1.97 | 175 | 49 | 18,574 | 14.24 | 227 | 38.65 | 4.42 | 451 |
| Average | 255 | \$914 | 1.58 | \$198 | 45 | \$16,898 | 15.44 | \$207 | 39.18 | 2.50 | \$448 |
| State Average | | 718 | 1.00 | 173 | 54 | 12,166 | 17.78 | 183 | 40.08 | 4.67 | 410 |
| % Above St. Ave | | .92 | .88 | 88% | 16% | 88 | 12 | 88 | 40 | 12 | 85 |
| % Below St. Ave | | .08% | 12% | 12% | .84% | .12 | 88% | 12% | 60 | .88 | 15% |

** + enrollment increased since 1967-8 to 1968-9
 - enrollment decreased since 1967-8 to 1968-9

* SOURCE; State Department of Public Instruction; Compiled by Dr. Wayne P. Truesdell, January 12, 1970

APPENDIX TABLE II* CHARACTERISTICS OF SCHOOLS WITH ADM'S OF 1200 - 1500 (1968-9)

| School | ADM** | (Financial) | | | | | MILLS | | Total County- State Sharing | | |
|-------------------|--------|------------------------------|-------------------------|--------------|------------------|------------------------------|-------------------------------|--------------|--------------------------------------|-------------------------|-------|
| | | Per Pupil Gen. Fund | Rel- ative Wealth | State Aid | County Income | ADM Tax- able Value | COUNTY BASIC Mills Dollars | Gen. Fund | | School house Fund | |
| 1. Glenwood | 1493- | \$661 | 1.24 | \$115 | \$ 45 | \$10,752 | 16.44 | \$226 | 34.33 | 5.60 | \$386 |
| 2. Clarke | 1488- | 614 | 1.00 | 172 | 30 | 9,191 | 16.13 | 153 | 39.55 | 6.68 | 355 |
| 3. Forest City | 1473+ | 612 | 1.04 | 160 | 35 | 9,329 | 15.61 | 178 | 38.66 | 4.84 | 373 |
| 4. Clarinda | 1428- | 767 | 1.05 | 112 | 48 | 10,626 | 15.15 | 168 | 45.33 | 5.63 | 328 |
| 5. Emmetsburg | 1436+ | 930 | 1.25 | 253 | 38 | 13,499 | 16.42 | 263 | 40.03 | 8.73 | 554 |
| 6. Starmount | 1425 + | 800 | .95 | 258 | 33 | 9,850 | 20.24 | 195 | 45.72 | 5.27 | 486 |
| 7. West Marshall | 1377+ | 828 | 1.08 | 176 | 63 | 11,792 | 17.76 | 191 | 44.63 | 7.09 | 430 |
| 8. West Liberty | 1348+ | 687 | 1.05 | 199 | 56 | 10,556 | 19.45 | 171 | 45.81 | 5.79 | 426 |
| 9. Maquoketa Val. | 1348+ | 649 | .82 | 230 | 35 | 9,166 | 19.13 | 186 | 48.85 | 3.99 | 451 |
| 10. Spirit Lake | 1342+ | 585 | 1.26 | 144 | 40 | 9,688 | 14.71 | 197 | 34.40 | 2.92 | 381 |
| 11. Mediapolis | 1340+ | 649 | 1.39 | 145 | 65 | 13,483 | 21.72 | 177 | 37.60 | 2.79 | 387 |
| 12. Tipton | 1302 | 752 | 1.03 | 263 | 39 | 10,310 | 16.66 | 208 | 38.27 | 5.76 | 510 |
| 13. Carlisle | 1331+ | 674 | .90 | 180 | 42 | 7,677 | 21.55 | 167 | 55.79 | 10.83 | 383 |
| 14. Central Lee | 1292 | 692 | .92 | 161 | 62 | 10,279 | 19.35 | 185 | 42.26 | 3.59 | 408 |
| 15. Camanche | 1267+ | 725 | 1.62 | 125 | 57 | 19,184 | 16.94 | 168 | 34.71 | 4.88 | 350 |
| 16. Cardinal | 1291- | 667 | .63 | 195 | 45 | 6,554 | 25.50 | 171 | 60.46 | 4.77 | 411 |
| 17. Missouri Val. | 1287+ | 621 | .88 | 133 | 35 | 9,538 | 17.51 | 187 | 49.65 | 5.56 | 355 |
| 18. Central Lyon | 1231- | 728 | 1.15 | 169 | 40 | 13,904 | 12.25 | 192 | 30.47 | 2.37 | 401 |
| 19. West Sioux | 1223- | 791 | 1.20 | 177 | 53 | 11,705 | 13.50 | 208 | 37.49 | 5.16 | 438 |
| 20. Carroll | 1224- | 747 | 1.31 | 141 | 77 | 28,940 | 8.84 | 191 | 17.49 | 1.78 | 409 |
| 21. Griswold | 1225+ | 779 | 1.27 | 188 | 42 | 13,267 | 14.15 | 166 | 37.54 | 8.54 | 396 |
| 22. So. Hamilton | 1201- | 936 | 1.58 | 214 | 40 | 17,132 | 14.61 | 204 | 36.91 | 5.73 | 458 |
| 23. Sumner | 1211- | 603 | .96 | 144 | 40 | 10,561 | 16.75 | 168 | 35.16 | 5.27 | 352 |
| 24. St. Ansgar | 1201+ | 789 | 1.41 | 191 | 43 | 13,294 | 17.02 | 203 | 42.84 | 4.14 | 437 |
| 25. Clarion | 1201- | 734 | 1.56 | 116 | 45 | 18,046 | 15.23 | 231 | 30.87 | 6.83 | 392 |
| Average | 1320 | 721 | 1.14 | \$174 | \$46 | \$12,333 | 16.90 | \$190 | 40.19 | 5.38 | \$395 |
| State Average | | 718 | 1.00 | 173 | 54 | 12,166 | 17.78 | 183 | 40.08 | 4.67 | 410 |
| % Above St. Ave | | 52 | .68 | 48 | 24 | 36 | .28 | 60 | .40 | .72 | .39 |
| % Below St. Ave | | .48 | .28 | 52 | 76 | .64 | .72 | 40 | .60 | .28 | 61 |

** + enrollment increased since 1967-8 to 1968-9
 - enrollment decreased since 1967-8 to 1968-9

SOURCE: State Department of Public Instruction; Compiled by Dr. Wayne P. Truesdell, January 12, 1970

APPENDIX TABLE III* CHARACTERISTICS OF SCHOOLS WITH ADM'S OF 3000 and OVER (1968-9)
(FINANCIAL)

| School | ADM ** | ADM per Pupil | | ADM | | | COUNTY BASIC | | MILLS | | Total County-State Sharing |
|---------------------|----------|---------------|------------------|-----------|---------------|----------------|--------------|---------|-----------|-------------------|----------------------------|
| | | Gen. Fund | Rel-ative Wealth | State Aid | County Income | Tax-able Value | Mills | Dollars | Gen. Fund | School house Fund | |
| 1. Des Moines | 45,595 - | \$728 | .747 | \$189 | \$ 69 | \$ 7,564 | 21.69 | 171 | 49.83 | 9.15 | \$429 |
| 2. Cedar Rapids | 24,528 + | 755 | .868 | 187 | 69 | 8,191 | 23.56 | 201 | 52.44 | 10.78 | 457 |
| 3. Davenport | 23,199 + | 652 | .780 | 149 | 71 | 7,089 | 20.73 | 187 | 51.01 | 5.97 | 407 |
| 4. Waterloo | 19,545 - | 643 | .755 | 167 | 63 | 8,029 | 20.84 | 162 | 46.89 | 7.29 | 392 |
| 5. Sioux City | 18,816 + | 641 | .683 | 160 | 58 | 6,736 | 19.19 | 153 | 50.05 | 4.71 | 371 |
| 6. Council Bluffs | 15,415 + | 578 | .527 | 165 | 39 | 4,688 | 22.65 | 155 | 59.87 | 9.40 | 351 |
| 7. Dubuque | 10,087 + | 723 | .781 | 138 | 102 | 11,960 | 14.28 | 217 | 37.17 | 9.26 | 457 |
| 8. Iowa City | 9,528 + | 777 | 1.096 | 156 | 73 | 9,907 | 22.56 | 234 | 59.31 | 10.76 | 463 |
| 9. Ottumwa | 8,198 - | 688 | .655 | 183 | 45 | 6,152 | 25.50 | 171 | 60.92 | 7.04 | 393 |
| 10. Fort Dodge | 7,962 + | 672 | .885 | 160 | 56 | 9,007 | 15.90 | 176 | 38.76 | 7.45 | 392 |
| 11. Burlington | 7,884 - | 714 | .762 | 155 | 65 | 6,722 | 21.72 | 176 | 54.98 | 9.21 | 396 |
| 12. Mason City | 7,684 + | 752 | .868 | 188 | 55 | 8,665 | 17.88 | 179 | 49.11 | 9.84 | 422 |
| 13. Clinton | 7,359 + | 580 | .835 | 139 | 57 | 7,288 | 16.94 | 167 | 41.58 | 6.72 | 363 |
| 14. Cedar Falls | 7,466 + | 582 | .607 | 135 | 63 | 6,538 | 20.84 | 162 | 60.32 | 10.59 | 360 |
| 15. Muscatine | 6,311 + | 592 | .943 | 122 | 56 | 7,810 | 19.45 | 171 | 45.70 | 7.61 | 349 |
| 16. Marshalltown | 6,285 + | 716 | 1.017 | 165 | 63 | 10,103 | 17.76 | 191 | 44.65 | 9.23 | 419 |
| 17. Ames | 5,982 + | 799 | .863 | 203 | 62 | 7,726 | 22.03 | 205 | 56.19 | 12.47 | 470 |
| 18. West Des Moines | 5,872 + | 648 | .801 | 145 | 69 | 7,562 | 21.69 | 171 | 51.74 | 11.69 | 385 |
| 19. Bettendorf | 5,501 + | 792 | .789 | 197 | 71 | 6,933 | 20.73 | 187 | 58.83 | 14.45 | 455 |
| 20. Newton | 5,264 + | 657 | .856 | 170 | 52 | 7,898 | 20.26 | 183 | 49.89 | 7.35 | 405 |
| 21. Ft. Madison | 3,944 + | 689 | .947 | 147 | 62 | 11,311 | 19.35 | 185 | 42.18 | 2.77 | 394 |
| 22. Keokuk | 3,703 + | 774 | .930 | 182 | 62 | 8,583 | 19.35 | 185 | 59.52 | 8.81 | 429 |
| Average | 11,699 | \$675 | .818 | \$ 164 | \$64 | \$8,021 | 20.22 | \$ 181 | 52.31 | 8.75 | \$ 412 |
| State Average | | 718 | 1.000 | 173 | 54 | 12,166 | 17.78 | 183 | 40.08 | 4.67 | 410 |
| % Above St. Ave. | | 36 | .09 | .32 | .86 | 0 | .82 | 41 | 100 | .95 | 45 |
| % Below St. Ave. | | .64 | .91 | .68 | .14 | 100 | .18 | 59 | 0 | .05 | .55 |

** + enrollment increased since 1967-8 to 1968-9
- enrollment decreased since 1967-8 to 1968-9

SOURCE: Department of Public Instruction; Compiled by Dr. Wayne P. Truesdell, January 12, 1970