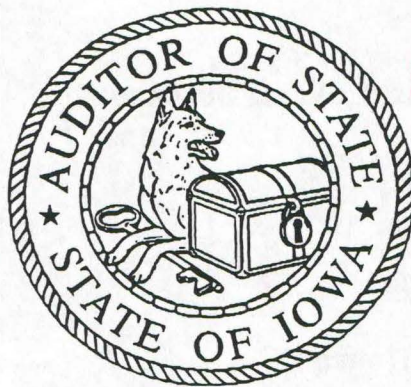


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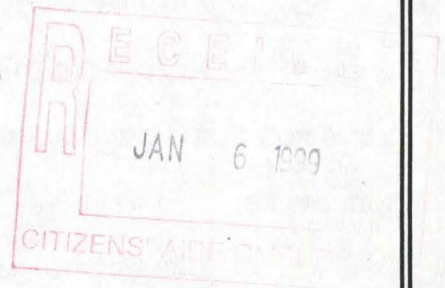
**AN ANALYSIS
OF THE
AREA EDUCATION AGENCIES**

**AS REQUIRED BY HOUSE FILE 2533,
77TH GENERAL ASSEMBLY**

December 31, 1998



**Richard D. Johnson, CPA
AUDITOR OF STATE**



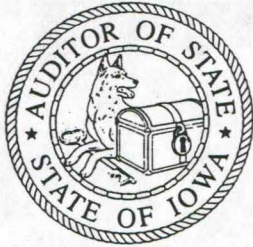
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**An Analysis
of the
Area Education Agencies**



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To the Members of the Iowa General Assembly:

In accordance with Chapter 11 of the *Code of Iowa* and as required by House File 2533, 77th General Assembly, we have conducted an analysis of the fifteen Area Education Agencies (AEAs). The AEAs were analyzed to determine the major areas of fiscal year 1997 expenditures by AEA service areas, services to school districts, juvenile shelter services, and detention home instruction. Also, the AEAs were analyzed to compare staffing levels, number of pupils served, purchase or lease of equipment and facilities, and funding from school districts.

We performed the following procedures:

1. Reviewed relevant sections of the *Code of Iowa* and the *Iowa Administrative Code*.
2. Reviewed the Area Education Agency history and funding formula.
3. Performed an analysis of the fiscal year 1987 and 1997 audit reports and Annual Financial Reports of all Area Education Agencies.
4. Performed a comparative analysis of AEA financial data for fiscal years 1987 and 1997.
5. Reviewed the AEA comprehensive plans submitted to the Iowa Department of Education for fiscal year 1998.
6. Interviewed various Iowa Department of Education personnel to obtain relevant information on AEA and Department functions and responsibilities.
7. Identified, reviewed and tested compliance with certain laws, regulations, policies and procedures pertaining to AEAs and the Iowa Department of Education.
8. Sent questionnaires to AEAs to obtain background information and clarification on various issues. Responses were reviewed and AEA personnel were interviewed as necessary for additional information.

Based on these procedures, we have developed certain recommendations and other relevant information that we believe should be considered by the Iowa General Assembly, the Governor, the Iowa Department of Education and the Area Education Agencies.

We extend our appreciation to the management and staff at the Iowa Department of Education and the Area Education Agencies for the courtesy, cooperation, and assistance provided to us during this study.

RICHARD D. JOHNSON, CPA
Auditor of State

December 31, 1998

**An Analysis
of the
Area Education Agencies**

EXECUTIVE SUMMARY

The State is divided into fifteen Area Education Agencies (AEAs), each of which is governed by an area education board of directors. AEAs began operation on July 1, 1975 with the purpose of identifying and serving children requiring special education, providing for media services, and providing other educational programs and services to public and non-public pupils. The establishment of AEAs was based on the need to provide equitable educational services among school districts. The AEAs were formed as regional units to aid the Iowa Department of Education (Department) and school districts in providing education to Iowa children by offering programs and services which individual school districts may not otherwise be able to provide.

An analysis of the AEAs was performed as required by H.F. 2533, 77th General Assembly. The House File identified the issues to be analyzed as the major areas of fiscal year 1997 expenditures by AEA service areas, services to school districts, juvenile shelter services, and detention home instruction. Also, the analysis includes a comparison of staffing levels, number of pupils served, purchase or lease of equipment and facilities, and funding from school districts.

Beginning July 1, 1997, AEAs were required by Chapter 273.10 of the *Code of Iowa* to participate in an accreditation process established by the Department. To be accredited and maintain that status, the AEAs must have an approved three-year comprehensive plan, an approved annual budget and plan update, and approved programs and services following an on-site review.

The *Code of Iowa*, Chapter 273.11, requires that the standards for accrediting area education programs "shall be general in nature, but at a minimum shall identify requirements addressing the services provided by each division, as well as identifying indicators of quality that will permit the area education agencies, school districts, the department of education, and the general public to judge accurately the effectiveness of area education agency services." The divisions identified in Chapter 273 are special education, media services, and additional services.

The AEA accreditation process implemented in fiscal year 1998 does not appear to resolve the findings addressed in this report.

SERVICES AREAS

Special Education – This is the largest of the three service areas in terms of funding and services provided. Objectives include the implementation of State regulations and guidelines relating to special education through support services and instructional services as follows:

Special education support services are required to be provided by all AEAs. Services include support services and consultative help to school districts in the following areas: mental disabilities, learning disabilities, psychological and hearing screening, speech, hearing, and visual disorders, social work, occupational therapy, preschool programs for handicapped children, including infants, and work experience.

Special educational instructional services are offered by nine of the AEAs. The AEAs employ teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts by the AEAs.

Media Services – The AEAs are responsible for providing media services to school districts. Each AEA maintains a media center that is to serve as a materials lending library, a professional library, and a curriculum laboratory. Materials provided by the AEAs are to include print and non-print reference materials, textbooks, and other media-oriented instruction. The center must also ensure a means to deliver this material to the school districts.

Educational Services/Additional Services – All other services offered by the AEAs are categorized as educational services. Factors considered in determining the services that will be offered include the availability of funding and whether the school districts will be required and are willing to reimburse the AEA for services rendered. Educational services are to assist the school districts with meeting new curriculum, staff development, and long-range planning needs. The services offered vary widely among the AEAs.

Other Service Areas – The AEAs have service areas for general administration, central support and plant operations and maintenance, which consist of expenses that are incurred for the operation of the AEA that are not directly associated with special education, media services and educational services. The expenses include items such as facility maintenance, the salary of the administrator and support staff, janitorial services and other operational expenses. These costs are allocated to special education, media services and educational services. The allocation basis varies among the AEAs.

Juvenile Home - Chapter 282.30 of the *Code of Iowa* requires the AEAs to provide an educational program for each child living in a licensed shelter care home or approved juvenile detention home within its boundaries. The Iowa Department of Education reimburses the AEAs for the cost of providing the educational programs to the juvenile homes within their area.

FINANCIAL INFORMATION

AEAs are funded primarily through a combination of state aid, property taxes and federal grants. Funding for the three service areas of special education, media services and educational services are calculated separately as part of the school aid formula. The funding is determined by taking the cost per pupil multiplied by the weighted enrollment or enrollment served in each school district within the AEA. The AEA state aid and property tax funding is included in individual school district budgets, but the State withholds the funds from the school district funding and pays them directly to the AEA. The annual funding provided to the AEAs is paid in ten equal installments (September – June).

Salaries and benefits comprise the largest portion of expense for the AEAs, accounting for 73% of the total expenditures as follows:

Expenditures by Object – General and Special Revenue Funds

<u>Expenditures</u>	<u>Total</u>	<u>% of Total</u>
Salaries and benefits	\$ 159,727,443	72.80%
Purchased services	39,029,970	17.79%
Supplies and materials	13,088,708	5.97%
Capital outlay	5,285,085	2.41%
Other expenses	2,265,367	1.03%
Total	\$ 219,396,573	

There are substantial differences in the number of students served by each AEA, as well as in revenues and expenditures.

Summary of Fiscal Year 1997 General and Special Revenue Funds

<u>AEA</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Expenditures</u>	<u>% of Total</u>	<u>Weighted Enrollment</u>	<u>% of Total</u>
1	\$ 13,524,720	6.09%	13,141,282	5.99%	38,281	6.84%
2	10,687,650	4.81%	10,412,808	4.74%	24,702	4.41%
3	5,143,579	2.32%	5,065,600	2.31%	14,066	2.52%
4	7,615,930	3.43%	7,598,429	3.46%	12,560	2.24%
5	11,972,252	5.39%	12,016,014	5.48%	28,884	5.16%
6	6,891,305	3.10%	6,771,127	3.09%	18,945	3.39%
7	36,927,637	16.62%	36,041,389	16.43%	39,952	7.14%
9	19,170,493	8.63%	19,537,949	8.91%	57,966	10.36%
10	23,682,950	10.66%	23,381,549	10.66%	67,428	12.05%
11	40,261,067	18.12%	39,907,734	18.19%	123,471	22.06%
12	11,090,254	4.99%	10,940,365	4.99%	34,625	6.19%
13	13,185,062	5.93%	12,836,822	5.85%	37,036	6.62%
14	4,991,551	2.25%	5,095,666	2.32%	13,713	2.45%
15	9,849,419	4.43%	9,531,664	4.34%	26,898	4.81%
16	7,170,792	3.23%	7,118,175	3.24%	21,056	3.76%
Total	\$ 222,164,661		219,396,573		559,583	

The cost per pupil is calculated by dividing total general fund expenditures for each service area, after allocation of general administration, central support and plant operation and maintenance expenses, by the weighted enrollment as reported to the Department.

AREA EDUCATION AGENCIES

The highest and lowest cost per pupil in each service area has been shaded in the table below.

Cost per Pupil by Service Area for Fiscal Year 1997

AEA	Special Education Support	Media Services	Educational Services	Total AEA	Cost per Pupil Ranking	Weighted Enrollment Ranking
1	\$ 237.87	36.72	67.30	341.89	5	5
2	230.81	35.60	69.75	336.16	6	10
3	260.85	30.49	57.80	349.14	3	13
4	250.39	39.79	94.64	384.82	1	15
5	236.81	38.96	60.31	336.08	7	8
6	266.84	37.93	40.74	345.51	4	12
7	215.94	37.07	52.73	305.74	14	4
9	227.85	41.40	62.81	332.06	8	3
10	228.11	38.04	61.25	327.40	11	2
11	212.89	38.27	60.64	311.80	13	1
12	228.78	39.14	37.68	305.60	15	7
13	247.43	44.18	40.40	332.01	9	6
14	253.13	31.84	71.12	356.09	2	14
15	227.92	39.65	62.17	329.74	10	9
16	226.47	35.56	50.70	312.73	12	11
Average	\$ 236.81	37.64	59.34	333.79		

Chapter 257.36 of the *Code of Iowa* allows the Iowa Department of Education to direct the Iowa Department of Management to deduct funds from the amounts provided to the AEAs for special education support services based on excess unreserved and undesignated fund balances. The Department has determined that excess balances are those greater than ten percent of special education support expenditures. There is no similar restriction for media and educational services. The special education support balances reported in the AEAs' annual financial reports were all less than ten percent at June 30, 1997. AEA 11 had the largest undesignated balance in special education support of \$1,435,271, which is 5.46% of their expenditures. The largest percent of special education support fund balance to expenditures was 9.55% at AEA 6.

Chapter 273.3(7) of the *Code of Iowa* allows an AEA to lease, subject to the approval of the Director of the Department of Education, facilities and buildings necessary to provide authorized programs and services. Eleven AEAs are currently purchasing buildings through capital leases and lease purchase agreements. Four of these are financed through Certificates of Participation. AEA 5 has purchased a building and is currently renting space to outside entities. The outstanding debt on the capital leases for all AEAs at June 30, 1997 was \$17,389,308.

FINDINGS AND RECOMMENDATIONS

Based on information gathered during the analysis, we developed key findings and recommendations described in detail in this report and summarized as follows:

Department of Education's Responsibilities - Chapter 256.1 of the *Code of Iowa* provides the Iowa Department of Education with regulatory and general supervision responsibilities over AEAs. The Department was established to act in both a policy-making and advisory capacity. Based on our review, observations and interviews with Department personnel, it appears that the Department is acting more in a consultative and advisory capacity than a supervisory and regulatory function. We identified several instances where the Department was not providing adequate guidance or enforcing established policies.

The Department should take a more active role in enforcing the application of previously established fiscal policies and practices of the AEAs. In addition, the Department should establish policies and procedures where additional uniformity is appropriate. Also, the Department should perform additional monitoring procedures including the review of the annual financial reports (AFRs) and audit reports for consistency and compliance with Department guidelines and policies, follow-up on questions and concerns identified in the review of the AFRs and audit reports, and review financial policies and procedures during site visits, as necessary.

The Governor and the Legislature should review the funding and staffing levels of the Department to ensure they are adequate to provide the oversight functions required by the *Code of Iowa*.

Juvenile Home Program Classroom Rental - The *Iowa Administrative Code* (IAC), Chapter 281-63.17(4) states that the rental of classroom facilities is considered to be an allowable cost only when adequate space is not available at the juvenile home or the AEA. One detention center is refusing to provide classroom space to the AEA and another facility is threatening to force the AEA to vacate the classroom space that is currently being utilized. The AEAs have requested that the Department change the IAC restriction so that AEAs may pay rent to the juvenile detention centers.

The Department, counties and General Assembly should review this matter and ensure that all juvenile detention centers provide, without charge, adequate classroom space for use by the AEAs to provide the required education to the students housed in the centers.

Administrative Expenditures - Chapter 273.13 of the *Code of Iowa* requires that an AEA's administrative expenditures not exceed five percent of the AEA's operating fund. However, the definition in the *Code of Iowa* is not specific and therefore, compliance is difficult to determine.

The Department should adopt an *Iowa Administrative Code* provision that further defines what is intended to be included as administrative expenditures as identified in the *Code of Iowa*. The Department should perform monitoring to ensure compliance by all AEAs.

Reporting Changes - The AEAs submit Annual Financial Reports (AFR) each year to the Iowa Department of Education. These AFRs include financial information by service area, which is consistent with how the AEAs are funded. The Department is currently revising the required format for reporting on the AFRs. With these changes, the AEA will no longer report information by service areas, even though funding is specifically provided by service area. Therefore, the AEAs will no longer

be responsible for demonstrating that funds are being expended for the purpose or service area for which the funds were provided.

The reporting required by the Department for the AEAs should enable the AEAs to demonstrate that they are providing the services for which they were funded or required to provide. With the establishment of the AEA accreditation process required by Chapter 273.10 of the *Code of Iowa*, the Legislature should consider whether the current AEA funding process should be modified or eliminated.

Unless the Legislature modifies or removes the current funding restrictions, the reporting changes proposed by the Department are not appropriate to demonstrate that funds are expended for the purpose or services for which they were provided.

OTHER ITEMS FOR CONSIDERATION

AEA Services - AEAs were established to provide equitable educational services among school districts. However, there appears to be a number of differences in the services offered by the AEAs to the individual school districts. The larger AEAs appear to offer a wider variety and more services than the smaller AEAs.

The Department and the General Assembly should work to ensure that services offered are effectively provided at similar costs throughout the state. This should include a determination of the optimum number of students and the geographic area that will allow for maximum cost effectiveness. As shown in the table on page 10, there are large disparities in enrollment and cost per pupil.

When the AEAs were established in 1975, the Iowa Communications Network (ICN) did not exist and Internet access was not available. These recent changes in the educational environment should impact the number of AEAs needed today. Several options have been identified for consideration by the Legislature including: requiring the AEAs to share services, requiring the Department to provide additional guidance and standards for the services offered, restructuring the current boundaries of the existing AEAs, restructuring and reducing the number of AEAs, merging some of the smaller AEAs, or eliminating the AEAs entirely.

AEA HISTORY & DESCRIPTION

HISTORY

The State is divided into fifteen Area Education Agencies (AEAs), each of which is governed by an area education board of directors. AEAs began operation on July 1, 1975 with the purpose of identifying and serving children requiring special education, providing for media services, and providing other educational programs and services to public and non-public pupils. The establishment of AEAs was based on the need to provide equitable educational services among school districts. The AEAs were formed as regional units to aid the Iowa Department of Education (Department) and school districts in providing education to Iowa children by offering programs and services which individual school districts may not otherwise be able to provide. The AEAs are numbered from one to seven and nine to sixteen, with no number eight.

The Director of the Department has the authority per the *Code of Iowa*, Chapter 273.2, to establish the boundaries of the AEAs. The boundaries of an AEA can not divide a school district and are required to be changed, as necessary, to account for school district mergers. See **Appendix A** for a listing of the AEAs and **Appendix B** for a current map of AEA boundaries.

Each AEA board member represents a director district, a geographic portion of the area which may contain one or several school districts, that is approximately equal in population to the other director districts of the AEA. The number of director districts in each AEA varies from five to nine. The members are elected at director district conventions that are attended by the members of the school district boards within the director district. The AEA board members must reside in the school district they represent and serve without pay for staggered three-year terms. Nine member boards currently serve eleven of the AEAs, three have seven member boards and one AEA has a five-member board. The boards of directors annually approve budgets and program plans prior to submission to the Department.

SERVICES PROVIDED BY AREA EDUCATION AGENCIES

The services offered by the AEAs are grouped into three areas: special education, media services, and educational services. The *Code of Iowa*, Chapter 273.2, identifies the following services that AEAs may provide:

- In-service training programs for school districts and AEA employees;
- Electronic data processing;
- Research, demonstration projects and models;
- Educational planning for children under five years of age through grade twelve and children requiring special education;
- Auxiliary services for non-public pupils;
- Other educational programs and services as approved by the State Board of Education.

The duties and responsibilities of the three main service areas include the following:

Special Education – Services provided by the AEA may include the following:

Support Services – Each AEA is required to establish a division of special education. Special education is the largest of the three service areas in terms of funding and services provided. The objectives include the implementation of State regulations and guidelines relating to special education. The *Code of Iowa*, Chapter 273.5, provides a list of responsibilities for this service area:

- a) Properly identify children requiring special education.
- b) Insure that each child requiring special education receives an appropriate special education program or service.
- c) Assign appropriate weights for each child requiring special education programs or services.
- d) Supervise special education support personnel.
- e) Provide each school district and the Department with a special education weighted enrollment count.
- f) Submit to the Department special education instructional and support program plans and applications.
- g) Coordinate the special education program within the area served.

Special education support includes support services and consultative help to school districts in the following areas: mental disabilities, learning disabilities, psychological and hearing screening, speech, hearing, and visual disorders, social work, occupational therapy, preschool programs for handicapped children, including infants, and work experience.

Instructional Services – In addition to providing support services, AEA's 2, 4, 5, 6, 7, 10, 13, 15, and 16 offer instructional services to school districts for the special education program. The AEA's employ teachers to provide instruction to special education pupils. The actual costs incurred by the AEA for providing instructional services are billed to each school district with children participating in these programs.

Media Services - The AEA's are responsible for providing media services to school districts. Each AEA maintains a media center that is to serve as a materials lending library, a professional library, and a curriculum laboratory. Materials provided by the AEA are to include print and non-print reference materials, textbooks, and other media-oriented instruction. The center must also ensure a means to deliver these materials to the school districts. AEA's are required to annually submit a media service plan to the Department. The plan is to include the AEA's compliance with specific *Iowa Administrative Code* requirements as well as a summary of plans and activities to be implemented in future years that will ensure that the media service area is meeting its intended purpose. The plan should also contain a summary of the AEA's goals, an internal program assessment including feedback from the school districts, and an analysis of the needs assessments of the school districts. Other services provided to the school districts by the media division include printing, graphic design, and various production services. Some AEA's provide other services such as consulting, cooperative purchasing programs, equipment repair programs and access to data and resource information systems. Some of the AEA's also share costs with the school districts for implementing new software programs and

audiovisual equipment. These services are available to the school districts at a charge that is limited to the cost of materials plus a minimal administrative charge. Based on information obtained from the AEAs, the charge for a service is determined by the number of school districts participating and whether the needs are specialized. AEA responses to our questionnaires indicate that the AEAs provide services required by the *Code of Iowa* and *Iowa Administrative Code* with state dollars and use available remaining dollars for programs and services that will benefit all or most of the school districts in the area.

Educational Services/Additional Services – All other services offered by the AEAs are categorized as educational services. Factors considered in determining the services that will be offered include the availability of funding and whether the school districts will be required and willing to reimburse the AEA for services rendered. In-service training for employees of schools, educational data processing, and research and demonstration projects and models are examples of requested services. Educational services are to assist the school districts with meeting new curriculum, staff development, and long-range planning needs. The services offered vary among the AEAs. The *Iowa Administrative Code*, Chapter 281-71.3 requires the AEAs to submit an annual educational services program plan. This plan should identify how the services offered were selected and also a budget of anticipated revenues and expenditures.

The Department has decided that the comprehensive plans (explained in the AEA Accreditation section on page 17 of this report) will replace the educational service plans and did not require the plans for fiscal year 1997, even though the *Iowa Administrative Code* requirement remains in effect. The Department indicated that this was intended to provide a transition period for the AEAs to begin implementation of the comprehensive plans. As with the additional services offered by the media division, the determination of how the programs will be funded is primarily based on the participation of the school districts and available funding. For those programs providing benefit to a majority of the school districts, the AEA will attempt to provide the service with state funding. If the service is more specialized, the AEA will most likely provide the service while requiring reimbursement from the recipients.

To provide guidance for determining the services to be offered by an AEA, Chapter 273.7 of the *Code of Iowa* establishes a sixty percent participation guideline. If sixty percent of the number of school boards within the AEA, or if local boards that represent sixty percent of the AEA weighted enrollment, request a service in writing the AEA shall arrange for the service to be provided. Based on responses to our questionnaires from the AEAs, two of the fifteen AEAs are providing services that were requested by at least sixty percent of the school districts. The requests were not made in writing, but the majority guideline was used. The services indicated are:

- Technology consultants and technical support
- Curriculum and school improvement consultants
- Staff development programs

Chapter 273.7A of the *Code of Iowa* deals with the services that an AEA may offer to a school district under contract. The services that are provided under this section are to be paid for by the school districts. Only nine of the fifteen AEAs indicated they are providing services pursuant to Chapter 273.7A. The services indicated are:

- Facility and financial management services and transportation training
- Reading recovery lead teacher
- Special education instruction programs
- Trial of assistive technology equipment
- Staff development with nearby AEA
- Equipment maintenance
- Sharing of director for consultation and curriculum development
- Superintendent services
- Printing and microfilming
- Cooperative purchasing

Based on responses received from questionnaires sent to the AEAs, the consensus of the AEAs is that they try to provide services as requested by the individual school districts. They feel that by following this practice rather than requiring sixty percent of the school districts to file a written request for services, they are meeting the needs of the school districts more effectively. The services that are offered by the AEAs are largely dependent upon the needs of the school districts within the area. In order to determine the needs of the schools, the AEAs use a variety of tools. Although all of the AEAs perform needs assessments, the following were identified as resources used to determine the services that should be provided to the school districts. Some of the AEAs use a combination of these sources while others rely exclusively on one.

- Eight of fifteen AEAs utilize a needs assessment that is completed by the individual school districts.
- One AEA indicated use of a needs assessment completed by the administrators of the AEA service areas.
- Seven AEAs stated that they respond to the requests made by school districts.
- Two AEAs utilize school improvement or comprehensive plans submitted by the school districts.
- Ten of the AEAs determine the need for services based on decisions made by the boards or advisory committees for the area.

The AEAs' responses to the questionnaires indicated that school district participation rates for the programs offered ranged from 5% to 100%. Only seven programs were identified as having lower than a 50% participation rate.

The questionnaire responses from the AEAs differed somewhat from the discretionary programs listed in the AEA comprehensive plans. It is clear from the AEA responses and interviews that AEAs offer a wide variety of services. However, it is not clear whether the differences in services are based on the needs of the school districts, funding differences or due to the geographic size of the AEA region and enrollments of the school districts. The AEAs with the largest enrollments seem to offer more services than the AEAs with smaller enrollments.

The additional programs provided to the school districts as reported on the AEA comprehensive plans are summarized on **Schedule 1**.

Other Service Areas – The AEA's have service areas for general administration, central support and plant operations and maintenance, which consist of expenses that are incurred for the operation of the AEA that are not directly associated with a specific service area. The expenses include items such as facility maintenance, the salary of the administrator and support staff, janitorial services and other operational expenses. These costs are allocated to special education, media services and educational services. The Department has not provided specific guidance on a consistent basis for allocating these costs. Based on interviews with AEA personnel, the four AEA's that report the plant operations and maintenance service area all allocate the costs based on square footage or floor space. The various methods utilized by the AEA's for allocation of general administration and central support expenses to the service areas are as follows:

General administration:

- 7 AEA's base allocation on the percentage of actual expenditures.
- 3 AEA's base allocation on the percentage of controlled funding received.
- 3 AEA's base allocation on the percentage of budgeted expenditures.
- 2 AEA's base allocation on the percentage of total revenues received.

Central support:

- 6 AEA's base allocation on the percentage of actual expenditures.
- 3 AEA's base allocation on the percentage of controlled funding received.
- 2 AEA's base allocation on actual usage of equipment.
- 2 AEA's base allocation on the percent of actual revenues received.
- 2 AEA's base allocation on the percentage of budgeted expenditures.

AEA ACCREDITATION PROCESS

Beginning July 1, 1997, AEA's were required by Chapter 273.10 of the *Code of Iowa* to participate in an accreditation process established by the Department. Prior to the implementation of the accreditation process, each AEA was required to submit an annual plan specifically relating to each service area. It is the intent of the Department to eliminate the submission of individual service area reports since all services are addressed in the comprehensive plan.

To be accredited and maintain that status, the AEA's must have an approved three-year comprehensive plan, an approved annual budget and plan update (due March 15th), and approved programs and services following an on-site review. The minimum standards established in the *Code of Iowa* for the accreditation process require the AEA's to submit the information required by the Department in a timely manner. The accreditation team for each AEA is appointed by the Director of the Department to conduct an evaluation of the AEA's, which shall include an on site visit to each AEA. The accreditation team consists of the following individuals: Department staff members, representatives from schools served by the AEA, representatives from other AEA's, and others assigned by the Department Director. After visiting the AEA, the team shall make a report to the State Board of Education (Board) and the Director that includes a recommendation as to whether the

programs of the AEA shall receive or maintain accreditation. The report is to include strengths, weaknesses, and recommendations. If the Board approves the accreditation recommendation, it will be granted for a term of three years or less, if deemed necessary. If accreditation is not granted, the Director and AEA board shall establish a remediation plan. In the event the deficiencies noted are not remedied, the Board may merge the deficient program with that of an accredited AEA or contract with another AEA for the services.

The *Code of Iowa*, Chapter 273.11, requires that the standards for accrediting area education programs "shall be general in nature, but at a minimum shall identify requirements addressing the services provided by each division, as well as identifying indicators of quality that will permit the area education agencies, school districts, the department of education, and the general public to judge accurately the effectiveness of area education agency services." The divisions identified in Chapter 273 are special education, media services, and additional services. Chapter 281-72.4 of the *Iowa Administrative Code* states that "These standards list the requirements for the educational, special education, and media services provided by an AEA". The standards indicated are used to accredit the AEA programs and services and are to be identified in the comprehensive plans submitted by the AEAs. They are:

- General - programs and services should provide leadership for school improvement and be designed to enhance the learning opportunities of pupils.
- School-community planning - programs and services that support and facilitate school and community planning.
- Professional development - to facilitate the professional growth of instructional, administrative, and support personnel.
- Curriculums - support and facilitate curriculum development, instruction, and assessment in the areas of reading, language arts, mathematics and science.
- Special education - support and assist school districts in the provision of a free, appropriate education and full educational opportunity to children between birth and the age of 21 who require special education.
- Instructional media services - supplement and support the media centers and services of school districts.
- School technology - develop and implement a plan based on the needs of the school districts served and include collaborative partnerships with other school districts and AEAs for the provision of technology support, products and services.
- Discretionary services - those services not required of an AEA, but provided as requested by school districts.

The first comprehensive plans were due to the Department on January 1, 1998. The following are the minimum requirements to be included in the plans:

- A summary of the needs assessments completed by the school districts in the area.
 - A description of intended services and programs, intended results, correlation with school district plans, plans for implementation, budgeting, and staffing.
 - A description of the AEAs approach to multicultural, nonsexist and diverse
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educational needs of pupils.

- The evaluation system to be used by the AEA to determine the effectiveness of programs.
- The organizational structure of the AEA
- An annual budget

The *Code of Iowa* requires that AEAs must be monitored a minimum of once every three years in order to maintain accreditation status. For the years that either a new plan is not required or a site visit will not be made, the AEA must submit an annual plan update. The schedule for the planned cycle for the AEAs as provided by the Department is as follows:

AEA #	1997-98	1998-99	1999-2000	2000-01	2001-02
3, 6, 10, 12, 14	2 yr Plan Submitted	Site Visit	New 3 yr Plan Due	Budget Update	Budget Update
5, 7, 9, 11, 15	3 yr Plan Submitted	Budget Update	Site Visit	New 3 yr Plan Due	Budget Update
1, 2, 4, 13, 16	4 yr Plan Submitted	Budget Update	Budget Update	Site Visit	New 3 yr Plan Due

Based on discussion with Department personnel, the method of reporting to the Department is currently being revised to accommodate the "changes in the service areas". Under the proposed changes, the AEAs will no longer report revenues and expenditures by service area. The funding that is received by the AEA will be considered a "pool of money" to be used in order to support all AEA programs. The only funding to be monitored separately by the Department is that which is subject to federal guidelines and restrictions, and the 30% of media funding that is restricted by Chapter 257.37(2) of the *Code of Iowa* for the purchase or replacement of media material.

The basic funding that the AEA receives from the school districts is determined by the foundation aid formula established in chapter 257 of the *Code of Iowa*. The funding provided is based on cost per pupil and weighted enrollment or enrollment served. The formula specifically identifies the amount of funding provided from the pupils receiving special education, media services and educational services. It is the opinion of interviewed Department personnel that the *Code of Iowa* does not place any restriction requiring that the AEA must use the funds provided under each service area for that specific area. However, Chapter 257.36 specifically refers to "the moneys available to area education agencies for special education support services". Chapter 257.37(1) of the *Code of Iowa* specifically identifies "the total amount funded in each area for media services," and Chapter 257.37(3) refers to "the total amount funded in each area for educational services".

IOWA DEPARTMENT OF EDUCATION RESPONSIBILITIES

Chapter 256.1 of the *Code of Iowa* provides the Department with regulatory and general supervision responsibilities over the state system of education, including AEAs. The Department was established to act in both a policy-making and advisory

AREA EDUCATION AGENCIES

capacity. The Department is required to prepare forms and procedures, as necessary, to be used by the AEA's, school districts and community colleges to ensure uniformity, accuracy, and efficiency in keeping records for both pupils and accounting, execution of contracts and submission of reports. Some of the Department's responsibilities as required by the *Code of Iowa* and the *Iowa Administrative Code* are identified in **Appendix C**.

The AEA's are required to submit various budget and expenditure reports to the Department. The following table provides a summary of various reports that the AEA's submit to the Department as required by both the *Code of Iowa* and the *Iowa Administrative Code*.

Required Reporting to the Department of Education from the AEA's

Program	Report Required	Frequency	Received by Department in fiscal year 1997	Code of Iowa Chapter	Iowa Administrative Code Chapter
All	Comprehensive Plan	Every 3 years, updates annually	Yes	273.10	281-72.3
All	Annual Financial Report (AFR)	Annually	Yes	273.3(3)	N/A
Educational Services	Program Plan	Annually	No	N/A	281-71.3
Media Services	Program Plan	Annually	Yes	273.4	N/A
Juvenile Home	Budget	Annually	Yes	282.28	281-63.3
Juvenile Home	Juvenile Home expenditure Claim	Annually	Yes	282.28	281-63.18
Phase	Program Plan	Annually	Yes	294A.15	281-91.4
Phase	Program description, implementation and expenditures for the year.	Annually	Yes	294A.19	281-91.6
School Improvement Technology	Assurance that a program plan has been or is being developed.	Annually	Yes	295.2	N/A
Special Education	Program Plan	Every 3 years	Yes	N/A	281-41.22

FUNDING

The AEA budgets are made up of a combination of state aid, property taxes and federal grants. Since AEA's have no taxing authority they rely on the school districts to generate the property taxes. The AEA state aid and property tax funding is included in individual school district budgets, but the State withholds the funds from the school district funding and pays them directly to the AEA's. Funding for special education, media services and educational services are calculated separately as part of the school aid formula. The flow through funding, also called controlled funding, to the AEA's is determined by taking the cost per pupil multiplied by the weighted enrollment or enrollment served in each school district. Each of the service

areas has its own per pupil rate, which varies among the AEAs. The cost per pupil is determined by adding the amount of allowable growth as established in Chapter 257.8(2) of the *Code of Iowa* to the cost per pupil from the prior year. The funding to be provided from state foundation aid and property taxes for the three service areas is calculated as follows:

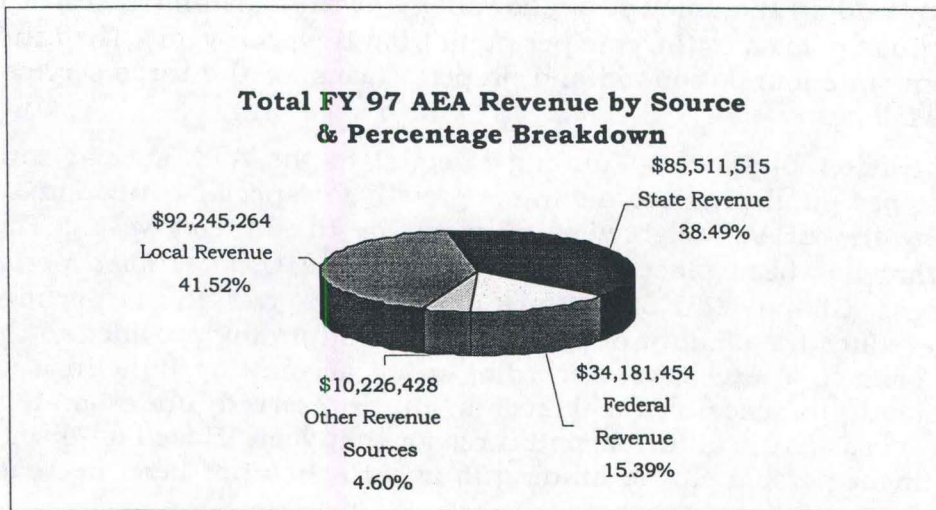
Special Education Support – Funding is equal to the AEA special education support cost per pupil plus the allowable growth for special education support multiplied by the AEA's weighted enrollment for the budget year. The only restriction that has been placed on the funds by the *Code of Iowa* pertains to fund balances. Chapter 257.36 of the *Code of Iowa* gives the Department the authority to reduce the amount of special education funding provided to the AEA if the fund balance is excessive. According to an accounting bulletin issued by the Department, an excessive balance is an unreserved undesignated fund balance in excess of 10% of the expenditures for that year. Based on discussions with Department personnel, the funding to an AEA has not been decreased for this reason for a number of years.

Media Services – Funding is equal to the AEA media services cost per pupil in the base year plus the allowable growth for media services multiplied by the total enrollment served for the budget year. Chapter 257.67(2) of the *Code of Iowa*, requires the AEA to expend a minimum of 30% of the funding received for media services strictly for the purpose of purchasing or replacing the materials required to maintain the media centers.

Educational Services – Funding is equal to the AEA educational services cost per pupil in the base year plus the allowable growth for educational services multiplied by the total enrollment served for the budget year. No restrictions are placed on this funding in the *Code of Iowa*.

The funding provided to the AEAs is paid directly to the AEAs by the State in ten equal installments (September – June). The portion of funding classified as foundation aid is calculated by multiplying 79% of the AEA special education support foundation cost per pupil by the weighted enrollment for the AEA. The remaining funding received by the AEA is classified as local property tax. **Schedule 2** shows a comparison of the difference in controlled funding from 1987 to 1997. Overall, controlled funding has increased 50%, with an increase of less than 1% in enrollment. AEA 11 has shown the largest increase in controlled funding and enrollment since 1987, with increases of 65% and 11%, respectively.

The AEAs also receive other state, federal and local funding in addition to state aid and property taxes. Other sources of revenue are described in **Appendix D**. This list is not all-inclusive, but does include the additional revenue received by a majority of the AEAs.



Other state funding:

- School Improvement Technology Program
- Educational Excellence Program (Phases I, II, and III)
- Juvenile Home Instruction

Federal funding:

- Eisenhower Professional Development (Title II)
- Education of the Handicapped (IDEA, Part B; IDEA Preschool)

Other local:

- Tuition

Schedule 3 is a summary of revenues received by the AEAs for fiscal year 1997, while **Schedule 4** shows revenue for 1987. **Schedules 5 and 6** present expenditures by fund for 1997 and 1987. These schedules present an overall picture of AEA activity for 1997 and 1987.

JUVENILE HOME PROGRAM

Chapter 282.30 of the *Code of Iowa* requires AEAs to provide an educational program for each child living in a licensed shelter care home or approved juvenile detention home within its boundaries.

The following methods may be utilized in providing the educational program, but the AEAs are not limited to the following:

- Enrolling the child in the school district of residence.
- Delivering the educational program of the school district of residence in the school district where the child is living.
- Enrolling the child in the school district in which the child is living.
- Enrolling the child in the educational program provided in the Juvenile Home facility.

The Department reimburses the AEAs for the cost of providing educational programs to juvenile homes within their area. Allowable expenses per the *Iowa Administrative Code*, Chapter 281-63.17, include:

- Instructional expenditures – salaries and benefits of employees such as teachers, substitutes, aides, and other personnel providing educational services. Purchased services, supplies, and capital outlay may also be included.
- Pupil services – those designed to assess and improve the well being of pupils and to supplement the teaching process. These services include the areas of guidance, transportation and programs coordination.
- Instructional services – services designed to direct, manage and supervise the improvement of instructional services including salaries, purchased services, supplies and other expenses associated with the services of staff assigned directly to the juvenile home instructional programs.
- Tuition expenditures – costs for sending a juvenile home pupil not requiring special education to a school district. These expenses may also include costs for pupils requiring special education to be paid by the school district of residence.

Expenditures may not include costs incurred for debt services, facilities acquisition, construction or operation and maintenance of plant services. The only exception to this rule is for rental expenditures of classroom facilities when adequate space is not available at the juvenile home or AEA. In addition, expenditures claimed by the AEA should also not include those for providing special education, media and educational services as these are services that must be provided to the pupils in the juvenile home.

The process for the funding and reporting of the juvenile home instructional program is outlined below:

1. The AEA shall submit a proposed program and budget to the Department by January 1 of the next succeeding school year. The Department will review the budgets for reasonableness.
2. The Department will notify the Department of Revenue and Finance (DRF) and the AEA of its action by February 1.
3. The approved amount will be paid to the AEA in monthly installments (September-June). Funding is provided from the funds appropriated under Chapter 257.16 (State Aid) of the *Code of Iowa*. The reimbursement for juvenile home expenses is deducted from the amount of state aid available for allocation to school districts.
4. The AEA will submit actual costs on claim forms to the Department by August 1 of the following school year. Department staff will review claims for reasonableness. This review includes a comparison to prior year actual expenditures and figures submitted in the budget for the current year.
5. The approved amount will be compared to amounts actually paid to the AEA. If the AEA does not support the amount that has been reimbursed, the difference will be subtracted from October and succeeding payments of the next school year.

AREA EDUCATION AGENCIES

There is not an appropriation that has been established specifically for funding the juvenile home program. The funding is provided by reduction of state aid for each school district based on the school district's percentage of total weighted enrollment. The percentage of weighted enrollment is multiplied by the total amount of the juvenile home claim for all AEAs and state aid for the school district is reduced accordingly. As shown on **Schedule 7**, funding for the juvenile home programs has increased from \$638,894 in 1987 to \$4,014,345 in fiscal year 1997. The Department does not currently perform any additional monitoring of the juvenile home program.

Services for the juvenile home instructional programs are required by the *Iowa Administrative Code*, Chapter 281-63.16 to be accounted for in the special revenue fund. There are three AEAs that reported this activity in the General fund in their fiscal year 1997 audit reports.

Schedule 8 shows a comparison of the budget to actual for the juvenile home instructional programs for fiscal year 1997. The budget requests are based on estimated expenses as calculated by the AEAs. The AEAs have indicated that the budgets are determined based on known salary and benefit expenditures and/or a factor to adjust for inflation. Ten of the fourteen AEAs participating in the juvenile home program did not expend the full amount of the budget request. As noted earlier, if the AEA does not fully expend the amount it has received during the year, the Department will reduce the payment to be received in October and succeeding months, if necessary. The payments to the four AEAs that exceeded the budgeted amount were limited to the amount initially requested.

Most of the costs incurred by the AEAs are for salaries paid to instructors and program administrators. The administrative expenditures as a percentage of total expenditures range from a low of 2.76% to a high of 19.66%. Administrative expenditures include the salary of the employee administering the program and any expense incurred for the rental of classroom space. Thirteen of fourteen AEAs indicated that the program is administered by someone on a part-time basis so only a portion of that employee's salary is reflected in the administrative expenditures. AEA 11 is substantially larger than the other AEAs with regard to number of pupils served and number of classrooms. Consequently, AEA 11 requires a program administrator as well as program consultants.

Juvenile Home Administrative and Total Expenditures

AEA	Administrative Expenditures	Total Expenditures	Administrative Expenditures as a % of Total
1	\$ 4,784	53,395	8.96%
2	23,943	139,063	17.22%
3	13,998	154,514	9.06%
4	-	-	0.00%
5	5,019	89,968	5.58%
6	9,849	98,491	10.00%
7	22,228	290,529	7.65%
9	46,906	289,159	16.22%
10	23,848	307,308	7.76%
11	192,682	1,409,025	13.67%
12	30,041	359,264	8.36%
13	27,753	371,597	7.47%
14	41,802	212,609	19.66%
15	6,459	234,331	2.76%
16	5,051	68,874	7.33%
	<u>\$ 454,363</u>	<u>4,078,127</u>	<u>11.14%</u>

The AEA's may request reimbursement for the rental payments to a private facility for classroom space. The *Iowa Administrative Code*, Chapter 281-63.17(4) prohibits the juvenile detention centers from charging the AEA's rent for classroom space. In the event that there is no classroom space available at the detention center, the AEA may rent space from a different facility. Currently, only four of the fourteen AEA's are incurring rental expenses. Two areas of concern relating to space rental have been indicated by the AEA's. One of the AEA's is experiencing difficulty with a juvenile detention center threatening to force the AEA to vacate the space that is currently being used. In the other instance, a new detention center is being constructed. The owners of the facility are not planning to provide space for the AEA to use as classroom space unless the AEA will pay rent. The AEA experiencing the difficulty related to the new facility has requested that the Department amend the restriction in the *Iowa Administrative Code* to allow reimbursement for rental of classroom space at the juvenile detention center.

The cost per pupil and cost per classroom for the juvenile home programs is shown on **Schedule 9**. The cost per pupil ranges from a high of \$16,577 at AEA 11 to a low of \$6,887 at AEA 16, with the average for all AEA's at \$11,751 per pupil. The cost per classroom ranges from \$78,959 at AEA 12 to \$37,881 at AEA 6. These figures are subject to the number of pupils that are served during the year and the period of time for which they receive services. Essentially, the number of pupils may fluctuate throughout the year, but the number of teachers and classrooms do not. This causes the expense to remain constant regardless of the number of pupils in attendance at any one time.

The juvenile home programs have grown considerably since 1987. The number of AEA's participating has increased from ten to fourteen, with AEA 4 as the only non-participant. Expenditures have increased by almost five times the 1987 amount. The number of pupils being served under the juvenile homes programs has increased from 1,804 in 1987 to 6,885 in 1997. The change in activity by AEA is summarized below:

Juvenile Home Program - Change in Expenditures and Pupils Served

AEA	1997 Total Expenditures	1987 Total Expenditures	% of Increase in Expenditures	1997 Pupils Served	1987 Pupils Served	% of Increase in Number of Pupils Served
1	\$ 53,395	-	100%	50	-	100%
2	139,063	24,901	458%	154	77	100%
3	154,514	-	100%	121	-	100%
4	-	-	0%	-	-	0%
5	89,968	23,633	281%	110	80	38%
6	98,491	-	100%	380	-	100%
7	290,529	28,451	921%	562	52	981%
9	289,159	32,844	780%	546	123	344%
10	307,308	86,380	256%	817	447	83%
11	1,409,025	333,897	322%	1,655	632	162%
12	359,264	68,938	421%	757	187	305%
13	371,597	36,743	911%	799	107	647%
14	212,609	24,844	756%	181	12	1408%
15	234,331	29,550	693%	354	87	307%
16	68,874	-	100%	399	-	100%
Total	\$ 4,078,127	690,181	491%	6,885	1,804	282%

**An Analysis
of the
Area Education Agencies**

FINANCIAL ANALYSIS

REVENUES

The majority of the funding for general and special revenue funds that is provided to the AEAs is in the form of state and local funding. As shown below, revenues have increased approximately 68% since 1987 with the percentage of funding by source remaining fairly constant. In fiscal year 1997, approximately 42% of revenue received by the AEAs was from local sources and 38% from the state. For fiscal year 1987, revenue included 46% from local sources and 39% from the state. Since 1987, AEA 14 has shown the largest increase in revenues with a 94% increase. AEA 10 experienced the smallest increase of only 31%. As shown on **Schedule 10**, local funding has increased for all AEAs, except for AEAs 3 and 10, which decreased 1.3% and 16.2% respectively. This reduction in revenue can be attributed to the participation in AEA special education instruction services being eliminated at AEA 3 and reduced at AEA 10.

Total AEA Revenue by Source

	1997	% of Total	1987	% of Total	% of change
Local	92,245,264	41.52%	60,442,234	45.65%	52.62%
State	85,511,515	38.49%	51,701,441	39.05%	65.39%
Federal	34,181,454	15.39%	14,041,611	10.60%	143.43%
Other	10,226,428	4.60%	6,222,554	4.70%	64.34%
	<u>222,164,661</u>	<u>100.00%</u>	<u>132,407,840</u>	<u>100.00%</u>	<u>67.79%</u>

Federal revenues have more than doubled since 1987, which can be attributed to the increase in the federal funding provided for the special education program. Funding for special education programs accounts for 87% of the federal funding passed through the Department to the AEAs. The federal funding that is provided to the AEAs is for the purpose of providing support services including assessment of the pupils in the area in order to determine curricula and assistance in developing and implementing methods for providing these pupils with proper education.

Although the AEAs are required to provide only support services under the special education program, nine of the AEAs also provide instructional services. These services include hiring the special education instructors, rather than the school districts employing them and then billing the school districts for actual costs incurred. AEAs 2, 4, 5, 6, 7, 10, 13, 15 and 16 provided these services during fiscal year 1997. The pooling service provided by AEA 7 is the largest in the state with respect to the number of school districts participating. This generates most of the revenue that is received in its special revenue fund and over half of the total revenue received by the AEA.

AREA EDUCATION AGENCIES

Four of the fifteen AEAs indicated that they also received some funding in the form of grants from local businesses. The funding that has been received is immaterial with respect to total funding, but it does allow the AEAs receiving the funds to provide services that other AEAs may not be able to support. Based on the comprehensive plan submitted and interviews with personnel at AEA 9, a local riverboat casino in that area provided over \$250,000 in local grants to provide programs in areas such as career preparation, communication, behavior, learning strategies and youth development conferences.

EXPENDITURES

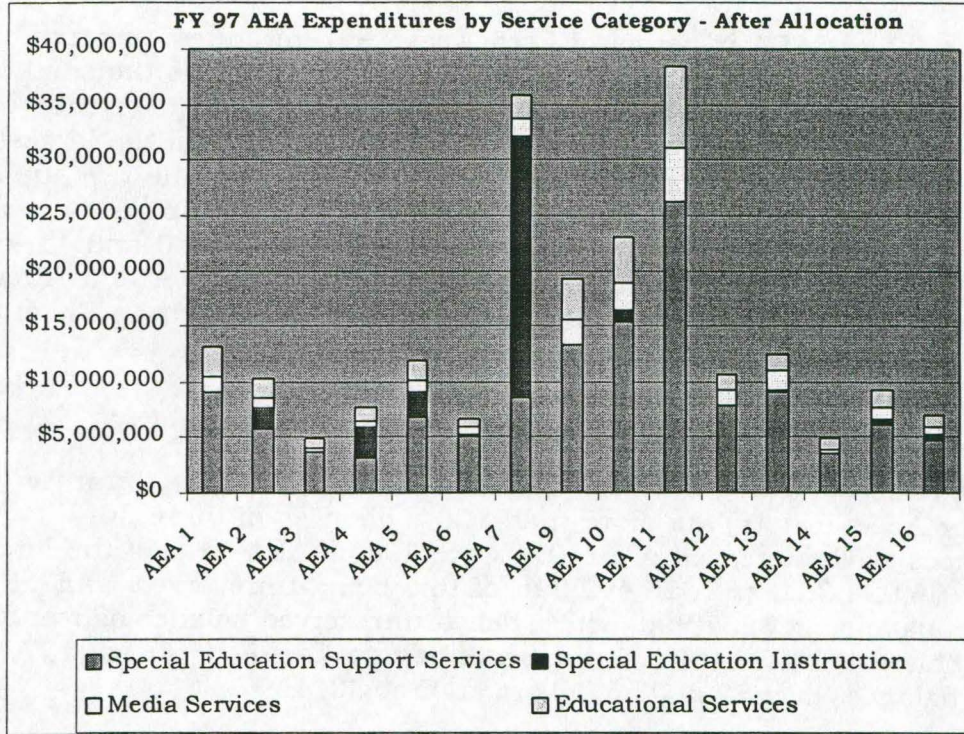
Expenditures in the general and special revenue funds for all of the AEAs combined have increased 63% since fiscal year 1987. The percent of expenditures by service area has remained relatively constant during that time. The special education support services provided by AEAs accounted for 59% of expenditures, which is consistent with the portion of funding received by AEAs. In the ten year span, the service area with the largest increase was educational services, with an 88% increase. This increase is primarily due to the additional services now provided by the AEAs. Based on interviews with personnel at the AEAs, most of the services that are not mandated by law and not directly associated with special education or media services areas are considered educational services for reporting purposes.

Total AEA Expenditures by Service Area after Allocation

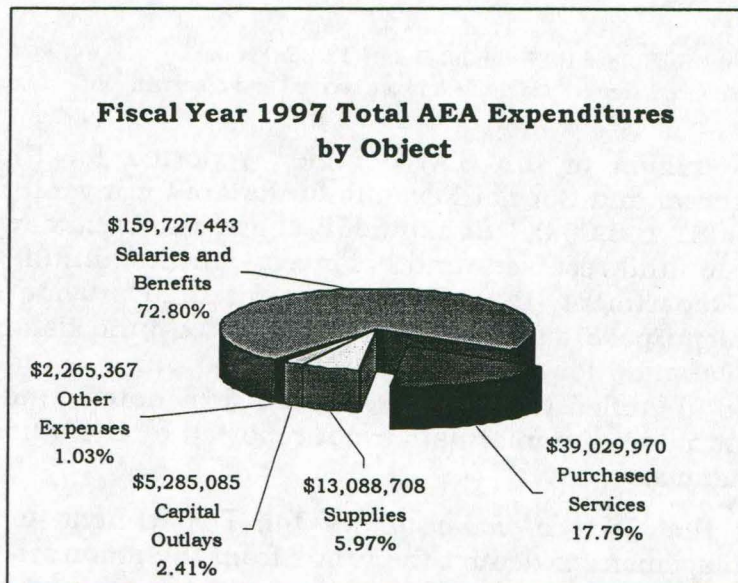
	1997	% of Total	1987	% of Total	Increase	% of change
Special Education						
Support Services	\$ 128,474,500	59.67%	76,151,164	57.52%	52,323,336	68.71%
Instruction	32,676,304	15.18%	24,876,543	18.79%	7,799,761	31.35%
Media Services	21,471,906	9.97%	13,853,420	10.46%	7,618,486	54.99%
Educational Services	32,695,736	15.18%	17,508,628	13.23%	15,187,108	86.74%
	<u>\$ 215,318,446</u>	<u>100.00%</u>	<u>132,389,755</u>	<u>100.00%</u>	<u>82,928,691</u>	<u>62.64%</u>

Note: Excludes juvenile home program expenditures

Schedules 11 and 12 show expenditures by service area for 1997 and 1987 before and after allocation of administrative expenditures. In the administrative service areas (general administration, central support and plant operations and maintenance), AEAs 4, 6, and 9 have shown the largest increase since 1987. In these same service areas, AEA 1 had an 11.51% decrease, while AEA 11 had a decrease of 10.58%. The reason for the large variations in the changes in the administrative service areas is not known.



A breakdown of AEA total expenditures by object is shown on **Schedule 13**. As this schedule indicates, 73% of AEA expenditures are for salaries and benefits. This percentage ranges from a low of 55.3% at AEA 11 to a high of 80.5% at AEA 12. Expenditures coded to purchased services ranges from a low of 11.2% at AEA 16 to a high of 30.6% at AEA 11. Purchased services constitute 18% of general fund expenditures for the AEAs. These expenditures may include amounts paid for services rendered by entities or personnel not on the payroll, property services such as utilities and rental, transportation, and services purchased from another AEA.



AEA 11 is the largest AEA in terms of fiscal year 1997 revenues, expenditures and enrollment. It is also the largest geographically, while AEA 16 is the smallest. The AEA's with the most revenue in fiscal year 1997 include AEA 11, with over \$40 million, and AEA 7, with approximately \$37 million. AEA 7 has the largest special education instructional program, which generates over half of the revenue received by the AEA. AEA 14 received the least amount of revenue during fiscal year 1997, receiving just under \$5 million. The three largest AEA's (9, 10 and 11) comprise over 40% of the total enrollment and approximately 37% of the total revenue and expenditures. The three smallest AEA's (3, 4 and 14) have less than 8% of the total enrollment and approximately 8% of total revenues and expenditures.

FUND BALANCES

AEA fund balances have grown considerably since 1987. The unreserved fund balances for AEA's in total are more than \$20 million as of June 30. The reserved fund balances have increased over 10% since 1987. AEA 11 has the largest fund balance at \$6,039,804, with \$5,492,996 of this being unreserved. AEA 9 has the lowest fund balance at \$507,890, with a deficit unreserved balance of over \$160,000. AEA fund balances by fund are shown on **Schedule 14**. Four AEA's (1, 7, 10 & 11) have fund balances over \$2 million dollars at June 30, 1997.

Total AEA Fund Balances - All Funds

	1997	1992	1987
Unreserved - Undesignated	\$ 13,543,212	6,934,232	5,715,142
Unreserved - Designated	6,560,637	1,547,871	Not Available
Reserved	6,868,965	3,887,446	6,201,544
Total	\$ 26,972,814	12,369,549	11,916,686

Source: 1997, 1992, and 1987 audit reports and annual financial reports.

Note: In the fiscal year 1987 annual financial reports, fund balances were only identified as unreserved and reserved.

Approximately \$2.5 million of the \$3.75 million reported for the reserved fund balances in the General and Special Revenue funds are for inventories (\$1,424,231) and encumbrances (\$1,148,004). **Schedule 15** shows the breakdown of the General and Special Revenue fund reserved fund balances. In the annual financial reports submitted to the Department, the AEA's are required to provide explanations for reserved for special purpose balance and all designated fund balances. AEA 4 did not provide an explanation for their reserve for special purpose fund balance. Only AEA's 4, 13 and 16 identified the purpose of their designated fund balances. The Department did not obtain the information not reported by the other nine AEA's with designated fund balances.

Chapter 257.36 of the *Code of Iowa* allows the Department to direct the Iowa Department of Management to deduct the funds from the amounts provided to AEA's for special education support services based on excess unreserved and undesignated

fund balances. The Department has determined that excess balances are those greater than 10% of special education support expenditures. There are no similar restrictions for media and educational services. The special education support balances for the AEAs are all fewer than 10% for fiscal year 1997 per the fund balances reported on the annual financial reports (AFRs) submitted to the Department. The fund balances reported in the AFRs do not agree to the fiscal year audit reports for several AEAs (2,6,7,9,10,12 and 14). Only AEA 1 reports fund balances by service area in their audit report. AEAs 6 and 3 have the highest percentage of undesignated fund balances to expenditures for Special Education Support at 9.55% and 8.94%, respectively.

**Special Education Support Fund Balance and Expenditures
Per the Annual Financial Report**

AEA	Undesignated Balance	Expenditures After Allocation	% of Total
1	\$ 174,360	9,105,910	1.91%
2	397,045	5,701,361	6.96%
3	327,854	3,669,135	8.94%
4	257,912	3,144,942	8.20%
5	227,579	6,840,117	3.33%
6	482,828	5,055,294	9.55%
7	732,768	8,627,411	8.49%
9	-	13,207,777	0.00%
10	376,113	15,380,751	2.45%
11	1,435,271	26,285,951	5.46%
12	460,914	7,921,399	5.82%
13	347,477	9,163,955	3.79%
14	87,830	3,471,216	2.53%
15	497,568	6,130,682	8.12%
16	232,363	4,768,599	4.87%
Total	\$ 6,037,881	128,474,500	4.70%

The undesignated fund balances in relation to expenditures in the other service areas is shown in the table below. AEA 14 has the largest undesignated fund balance percentage in media services at 53.7%, followed by AEA 5 at 26.7%. The AEAs with the highest percentage of undesignated fund balance to expenditures for educational services are AEA 7 at 37.0% and AEA 14 at 29.5%.

**Media and Educational Services Fund Balances
Per the Annual Financial Reports**

AEA	Media Services			Educational Services		
	Undesignated Balance	Expenditures After Allocation	% of Total	Undesignated Balance	Expenditures After Allocation	% of Total
1	\$ 103,853	1,405,511	7.39%	435,370	2,576,466	16.90%
2	123,929	879,342	14.09%	451,351	1,722,857	26.20%
3	19,181	428,905	4.47%	175,353	813,046	21.57%
4	40,234	499,761	8.05%	214,975	1,188,709	18.08%
5	300,107	1,125,399	26.67%	(3,641)	1,741,970	-0.21%
6	114,380	718,541	15.92%	187,588	771,863	24.30%
7	(76,228)	1,480,869	-5.15%	780,249	2,106,545	37.04%
9	-	2,399,937	0.00%	-	3,641,076	0.00%
10	217,550	2,564,769	8.48%	99,984	4,130,120	2.42%
11	407,875	4,725,542	8.63%	1,509,157	7,487,216	20.16%
12	139,917	1,355,138	10.32%	379,646	1,304,564	29.10%
13	8,151	1,636,213	0.50%	400,875	1,496,313	26.79%
14	234,306	436,619	53.66%	287,482	975,222	29.48%
15	75,474	1,066,506	7.08%	294,794	1,672,206	17.63%
16	67,236	748,854	8.98%	19,563	1,067,563	1.83%
Total	\$ 1,775,964	21,471,906	8.27%	5,232,746	32,695,736	16.00%

COST PER PUPIL

Schedule 16 shows the cost per pupil for each service area for fiscal years 1997 and 1987. The cost per pupil is calculated by dividing total general fund expenditures for each service area, after allocation of general administration, central support and plant operation and maintenance expenses, by the weighted enrollment as reported to the Department.

Special Education Support

- The highest cost per pupil for fiscal year 1997 was \$266.84 in AEA 6 and the lowest was \$212.89 in AEA 11.
- The average 1997 cost per pupil for special education support was \$236.81, which has increased 71% from \$138.61 in fiscal year 1987.
- 76% of the expenditures for all AEAs combined are for salaries and benefits paid to special education staff during fiscal year 1997. The second largest area of expenditures is for purchased services, which account for 13% of expenditures.
- The average 1997 salary per full time equivalent (FTE) for special education support for all AEAs was \$44,222. The salaries per FTE by AEA for special education support range from \$33,083 in AEA 3 to \$48,216 in AEA 12.
- Factors that may influence the cost per pupil include the differences in salaries and the number of professional employees at each AEA. An additional factor is the variation in the number of pupils served per FTE, which is influenced by enrollment.

Special Education Support Cost per Pupil

AEA	1997		1987	
	Cost per Pupil	Cost per Pupil	Cost per Pupil	Increase
1	\$ 237.87	153.04		84.83
2	230.81	139.61		91.20
3	260.85	135.95		124.90
4	250.39	151.65		98.74
5	236.81	132.52		104.29
6	266.84	140.94		125.90
7	215.94	143.27		72.67
9	227.85	134.76		93.09
10	228.11	132.74		95.37
11	212.89	130.21		82.68
12	228.78	141.43		87.35
13	247.43	138.61		108.82
14	253.13	137.79		115.34
15	227.92	126.30		101.62
16	226.47	140.29		86.18
Average	\$ 236.81	138.61		98.20

Media Services

- The highest cost per pupil for fiscal year 1997 was \$44.18 in AEA 13 and the lowest was \$30.49 in AEA 3.
- The average 1997 cost per student for media services was \$37.64, which has increased 57% from \$24.03 in fiscal year 1987.
- 46% of the expenditures for all AEAs combined are for salaries and benefits paid to media services staff during fiscal year 1997. The second largest area of expenditures is for supplies and materials including lending library materials, which comprised 26% of expenditures.
- The average 1997 salary per full time equivalent (FTE) for media services for all AEAs was \$31,863. The salaries per FTE by AEA for media services range from \$26,522 in AEA 16 to \$37,481 in AEA 11.
- Factors that may influence the cost per pupil include the differences in services, salaries and the number of classified FTEs at each AEA.

Media Services Cost per Pupil

AEA	1997 Cost per Pupil	1987 Cost per Pupil	Increase
1	\$ 36.72	23.64	13.08
2	35.60	22.72	12.88
3	30.49	23.37	7.12
4	39.79	26.18	13.61
5	38.96	27.82	11.14
6	37.93	23.40	14.53
7	37.07	23.35	13.72
9	41.40	26.36	15.04
10	38.04	23.48	14.56
11	38.27	29.57	8.70
12	39.14	21.05	18.09
13	44.18	22.93	21.25
14	31.84	24.08	7.76
15	39.65	20.80	18.85
16	35.56	21.75	13.81
Average	\$ 37.64	24.03	13.61

Educational Services

- The highest cost per pupil for fiscal year 1997 was \$94.64 in AEA 4 and the lowest was \$37.68 in AEA 12.
- The average 1997 cost per pupil for educational services was \$59.34, which has increased 108% from \$28.53 in fiscal year 1987.
- 46% of the expenditures for all AEA's combined are for salaries and benefits paid to educational services staff during fiscal year 1997. The second largest area of expenditures, 28% of the total, is for purchased services. This includes expenses incurred for providing additional services to the school districts.
- The average 1997 salary per full time equivalent (FTE) for educational services for all AEA's was \$46,494. The salaries per FTE by AEA for educational services range from \$33,843 in AEA 13 to \$56,472 in AEA 11.
- Factors that may influence the cost per pupil include the types and the number of additional services that are provided to the school districts, differences in salaries and the number of professional FTEs at each AEA.

Educational Services Cost per Pupil

AEA	1997		1987	
	Cost per Pupil	Cost per Pupil	Cost per Pupil	Increase
1	\$ 67.30	27.48	39.82	
2	69.75	30.13	39.62	
3	57.80	24.80	33.00	
4	94.64	29.68	64.96	
5	60.31	23.12	37.19	
6	40.74	20.79	19.95	
7	52.73	31.69	21.04	
9	62.81	25.01	37.80	
10	61.25	28.19	33.06	
11	60.64	48.03	12.61	
12	37.68	28.10	9.58	
13	40.40	30.13	10.27	
14	71.12	29.70	41.42	
15	62.17	27.21	34.96	
16	50.70	23.91	26.79	
Average	\$ 59.34	28.53	30.81	

STAFFING

The AEAs classify the full time equivalent employees (FTEs) into three categories. As defined in the accounting manual provided by the Department, they are:

- Administrative – Administrators, chief executive officers of an AEA, service area directors and assistants and supervisory employees.
- Professional – Instructors and others requiring a high degree of knowledge and skills acquired through at least a baccalaureate degree and coordinators assigned to supervise a project rather than people.
- Classified – All other employees such as clerical staff.

Through interviews with AEA personnel, it was determined that there are some inconsistencies in how FTEs are categorized for reporting to the Department. Seven AEAs consider only licensed instructors and specialists to be included as professional FTEs, while eight AEAs include employees possessing required educational degrees as well as licensed instructors.

AEA 7 has the largest number of FTEs with 968, but approximately 720 of these are for Special Education Instruction. If the Special Education Instruction area is excluded, AEAs 11 and 10 have the most FTEs with 477.71 and 371.3, respectively. AEA 4, with 84.73 FTEs and AEA 14, with 99.33 have the fewest FTEs.

Total Full Time Equivalent Staff by Service Area

AEA	Special Education Support	Media Services	Educational Services	Juvenile Home	General Administration & Central Support	Total Excluding Special Ed. Instruction	Special Education Instruction	Total	General Admin. as % of Total
1	163.14	23.59	24.26	1.71	16.00	228.70	-	228.70	7.00%
2	110.80	14.20	15.90	3.70	14.94	159.54	40.35	199.89	7.47%
3	79.55	7.65	6.96	5.00	5.50	104.66	-	104.66	5.26%
4	60.23	8.70	8.20	-	7.60	84.73	74.10	158.83	4.78%
5	136.11	18.50	14.10	3.00	8.00	179.71	78.00	257.71	3.10%
6	100.50	13.14	10.35	3.00	6.15	133.14	4.24	137.38	4.48%
7	173.05	25.00	27.50	8.60	13.65	247.80	720.10	967.90	1.41%
9	218.80	31.70	50.50	8.40	19.80	329.20	-	329.20	6.01%
10	266.40	34.10	41.90	9.40	19.50	371.30	15.60	386.90	5.04%
11	316.62	57.65	41.56	38.58	23.30	477.71	-	477.71	4.88%
12	137.20	20.70	15.00	9.05	9.90	191.85	-	191.85	5.16%
13	158.60	18.50	23.10	12.45	14.50	227.15	4.05	231.20	6.27%
14	64.23	8.80	14.40	5.20	6.70	99.33	-	99.33	6.75%
15	125.25	16.50	14.40	7.00	10.80	173.95	16.80	190.75	5.66%
16	93.45	12.60	13.70	2.60	9.50	131.85	17.00	148.85	6.38%
Totals	2,203.93	311.33	321.83	117.69	185.84	3,140.62	970.24	4,110.86	4.52%

Schedule 17 shows total FTEs by classification and service area. The professional classification comprises 60% of the total FTEs. The special education support service area includes 54% of the total FTEs at the AEAs. The general administration and central support FTEs are approximately 5% of total FTEs. AEAs 1 and 2 have the highest percentage of employees in the general administration/central support areas at 7% and 7.5% of total FTEs. AEA 7 has the lowest percentage in this area with 1.4%.

ADMINISTRATIVE EXPENSE

The *Code of Iowa*, Chapter 273.13, requires that the administrative expenditures for an AEA will not exceed 5% of the AEA's operating fund. As defined in the *Code of Iowa*, "administrative expenditures" include expenditures for executive administration.

There is not a clear definition as to which expenditures are actually considered administrative expenditures as defined in the *Code of Iowa*. Within the expenditure account codes established by the Department for AEA's and school districts, there is an expenditure classification called executive administration. This is defined as activities associated with the overall administration of, or executive responsibility for, the entire school district/AEA. The Department staff interviewed indicated this was the amount they thought should be used in determining compliance with the *Code of Iowa*. The Department does not monitor AEA actual expenditures for compliance with this requirement.

Using the executive administration expenditure classification, all AEA's would be in compliance as shown on **Schedule 18**. In contrast, it is our opinion that the 5% requirement is broader than the limited interpretation used by the Department. If administrative expenditures were defined to include the entire general administration service area, four of the fifteen AEA's would not be in compliance. One potential problem with this interpretation is that the AEA's are not consistent in their recording of expenditures between the general administration and central support service areas. There is not specific guidance provided by the Department on the use of these service areas and what expenditures should be included in each.

A third possibility would be to include both the general administration and the central support service areas, which causes eleven of fifteen AEA's to be in non-compliance. **Schedule 18** shows the results under the three possibilities described above. Due to the lack of a clear definition of administrative expenditures either by the *Code of Iowa* or the Department, it is difficult to determine compliance with the administrative expenditure requirement.

EQUIPMENT AND FACILITIES

There are three sections of the *Code of Iowa* that provide guidance for AEA's on the purchase or lease of equipment and the issuance of debt. These sections are summarized below:

Chapter 273.2 – An AEA may execute lease purchase agreements pursuant to Chapter 273.3(7) of the *Code of Iowa*. If the lease exceeds ten years, or the purchase price and the property to be acquired pursuant to the lease purchase agreement exceeds \$25,000, the AEA must conduct a public hearing on the proposed lease purchase agreement and receive approval from the AEA Board of Directors and the Director of the Iowa Department of Education (Department) before entering into the agreement.

Chapter 273.3(7) – The AEA is authorized to lease, subject to the approval of the Director of the Department, facilities and buildings necessary to provide authorized programs and services. If the lease is for less than ten years, and with an annual

cost of less than \$25,000, it does not require the approval of the Director. If a lease requires approval, the Director is not to approve the lease until the Director is satisfied that local school districts within the area do not have suitable facilities available.

Chapter 279.48 – An AEA is authorized to purchase equipment, negotiate and enter into a loan agreement, and issue a note to pay for the equipment, subject to the following terms:

- a) The note must mature within five years, or the useful life of the equipment, whichever is less.
- b) The note may bear interest at a rate to be determined by the AEA Board, and the manner provided by Chapter 74A.3(1) of the *Code of Iowa*.
- c) The AEA Board must approve the form of the agreement and note.
- d) Principal and interest on the note must be payable from budgeted receipts in the debt service fund for each year of a period of up to five years.

The total of scheduled annual payments of principal and interest due and payable from current budgeted receipts or future budgeted receipts must not exceed 10% of the last authorized budget of the AEA. Before entering into the loan agreement, the AEA must publish a ten-day notice.

The Department does not maintain adequate historical information on past approvals of leases and lease purchase agreements, therefore, we were not able to test compliance with the above requirements. Also, documentation was not available to indicate whether the Director determined that other public school corporations did not have suitable facilities available.

The AEAs' fixed asset balances as of June 30, 1997 are summarized on **Schedule 19**. The three AEAs with the largest fixed asset balance (9,10 & 11) are also the AEAs with the largest enrollment. All AEAs own at least one building with the exception of AEA 16, which leases all their facilities. AEA 1 owns the most buildings with eleven at a value of \$3,260,742, while AEA 13 owns nine buildings. The buildings with the highest value are shown below:

AEA	Building	Location	Value	Year Purchased
9	Central Office	Bettendorf	\$ 4,535,526	1985
10	Central Office	Cedar Rapids	3,492,756	1974
11	Central Office	Johnston	3,234,282	1986

A list of buildings owned by each AEA at June 30, 1997 is included as **Schedule 20**.

Eleven AEAs are currently purchasing buildings through capital leases and lease purchase agreements. Four of these are financed through Certificates of Participation. The buildings purchased or constructed through the capital leases are reflected in the building totals on **Schedule 19**, except for AEAs 1, 9 and 12, whose capital leases have not been fully capitalized at June 30, 1997. AEA 1 reported a capital lease with a balance of \$4,613,197, of which \$2,933,562 is for future remodeling and construction, therefore this portion was not capitalized. AEA 9 is

capitalizing their capital lease as payments are made, instead of capitalizing the entire amount at the beginning of the lease as required by accounting standards. The AEA 12 Denison facility valued at \$45,000 was not capitalized at June 30, 1997. AEA 1 has the largest outstanding capital lease balance at June 30, 1997 of \$ 4,613,197. Four other AEA's have balances outstanding in excess of two million. A summary of capital lease activity is shown on **Schedule 21**.

Fourteen of the AEA's also leased facilities, in addition to the buildings they owned. The fiscal year 1997 rent expense as reported in the 1997 audit reports ranged from \$251,066 at AEA 7 to zero at AEA 1. These leases are reported as operating leases in the AEA financial statements with the exclusion of the operating leases of AEA's 4, 10, 11 and 14. These AEA's did not report any operating leases in their 1997 audit reports. Three AEA's also reported operating leases for equipment.

Capital outlay for each AEA during fiscal year 1997 is shown on **Schedule 22**. Capital outlay averages approximately 4% of total expenditures for AEA's in total. AEA's 5 and 9 had the largest amount of capital outlay due to the renovation of a field office purchased in Storm Lake and a building expansion project in Bettendorf, respectively. Capital outlay for all of the AEA's in fiscal year 1987 was \$ 7,347,080, compared to a total of \$ 9,107,156 in fiscal year 1997. The building that was purchased in Storm Lake by AEA 5 is partially leased to outside entities.

OTHER RECENT REPORTS

AEA System Evaluation Report – Draft as of December 2, 1998

The AEA's contracted with the North Central Regional Laboratory (NCREL) for \$75,000 to perform an evaluation to establish the significance of the state network of AEA's and to gather baseline data on the AEA services and resources. The evaluation used multiple sources to determine how AEA services were viewed, including site visits, interviews, focus groups and surveys.

Area Education Agencies Review

The Legislative Fiscal Bureau conducted an issue review of AEA's dated September 15, 1997. This review provided an overview of AEA's, including history, funding formula and authority.

FINDINGS AND RECOMMENDATIONS

1. DEPARTMENT OF EDUCATION'S RESPONSIBILITIES

Chapter 256.1 of the *Code of Iowa* provides the Iowa Department of Education with regulatory and general supervision responsibilities over the state system of education, including the area education agencies (AEAs). The Department was established to act in both a policy-making and advisory capacity. The Department is also required to prepare forms and procedures, as necessary, to be used by the AEAs to insure uniformity, accuracy, and efficiency in keeping pupil and accounting records and submission of reports.

Based on our review, observations and interviews with Department personnel, the Department appears to be acting more in a consultative and advisory capacity than a supervisory and regulatory function. Identified areas where the Department is not providing adequate guidance or enforcing the established policies are as follows:

1. The AEAs record expenditures under the service areas of special education, media services, educational services, general administration, central support and plant operations. The costs for general administration, central support and plant operations are then allocated to the other three service areas. The Department does not provide the AEA with any guidance on how this allocation should be done. The AEAs were not consistent in the allocation basis of these costs in their fiscal year 1997 audit reports or annual financial reports. Four different methods of allocation were used for general administration and five different methods were identified for the allocation of central support. For consistency and comparability purposes, the AEAs should be required to use a standard basis for allocation of these costs.
2. The *Code of Iowa*, Chapter 273.13, requires that administrative expenditures not exceed five percent of the AEAs' operating fund. The Department does not monitor whether the AEAs are in compliance with this section of the *Code of Iowa*.
3. The Department does provide some consultative services, however, Department personnel interviewed indicated that they believe they have little influence concerning the operation and reporting of the AEAs.
4. The Department requires annual financial reports (AFR) from each AEA. The Department observes them and prepares a summary report of this financial information. The Department has identified inconsistencies in the AFRs, but has not required the AEAs to make corrections in their AFRs.
5. The AEAs submit their audit reports to the Department. The Department performs a review of the audit reports for compliance with federal requirements, but does not review the audit reports for adherence to accounting policies and requirements or for consistency. During our review of the fiscal year 1997 audit reports, the following inconsistencies were identified:
 - a. Three of fifteen audit reports showed portions of the juvenile home program in the General Fund. The *Iowa Administrative Code*, Chapter 281-63.16(256) and Accounting Bulletin #1, prepared by the Department, requires that the activity of the juvenile home program be reported in the Special Revenue

Fund.

- b. The AEA's are not properly reporting their cooperative purchasing arrangements. The Department has provided guidance indicating these should be reported in an Enterprise Fund. Fourteen of the AEA's reported this activity in the General Fund and one reported it an Agency Fund.
 - c. There were also a number of instances where the account coding/classifications between the audit reports and the AFRs were different.
6. The *Iowa Administrative Code*, Chapter 281-71.3, states that each AEA will submit an educational services program plan and budget by December 1 of each year for the succeeding fiscal year. The Department did not require these plans for fiscal year 1997. In addition, the Department intends to eliminate the submission of individual service area reports since all services are addressed in the comprehensive plan.

RECOMMENDATION

The Department has oversight authority as stated in the *Code of Iowa*, Chapter 256.1. They have not exerted this oversight authority as established in the *Code of Iowa*. The Department should take a more active role in establishing fiscal policies and practices of the AEA's, including monitoring compliance with established guidelines and regulations. The Department should designate a person with the responsibility of coordinating the Department's effort and responsibility toward the AEA's. This responsibility would include providing AEA's with additional accounting guidance, policies and procedures and also performing monitoring of the AEA's. The Department should improve the accountability of the AEA's by requiring consistent and accurate reporting and a more thorough review of the services offered to ensure that funding is spent in the most effective and efficient manner possible and for the purposes identified in the *Code of Iowa*.

The reporting required by the AEA's should allow for comparability and consistency between AEA's and provide meaningful information to the Department, legislators, school districts and citizens.

The Department should have a more active role in the overall monitoring of AEA activity. This includes:

- Review of the AFRs and audit reports for consistency between AEA's.
- Review of the AFRs and audit reports for compliance with Department guidelines and the Uniform Financial Accounting manual.
- Follow-up on questions or concerns identified in the review of the AFRs and audit reports.
- Perform a review of financial policies and procedures during site visits.

The Governor and the Legislature should review the funding and staffing levels of the Department to ensure they are adequate to provide the oversight functions required by the *Code of Iowa*.

2. JUVENILE HOME PROGRAM CLASSROOM RENTAL

The Department reimburses the AEAs for the cost of providing educational programs to juvenile homes within their area. Other funding received by the juvenile detention centers is primarily through the counties.

In Chapter 281-63.17(4) of the *Iowa Administrative Code* (IAC), rental expenditures for classroom facilities are considered to be allowable costs only when adequate space is not available at the juvenile home or the AEA. Currently, two AEAs are experiencing some difficulty with juvenile detention centers providing classroom space for the programs in their respective areas. In one case, a juvenile detention center is refusing to provide classroom space to the AEA. In the other, one of the facilities is threatening to force the AEA to vacate the classroom space that is currently being utilized. In order to remedy the situation, the AEAs have requested that the Department change the restriction in the IAC so that AEAs may pay rent to juvenile detention centers.

RECOMMENDATION

The juvenile detention centers not providing classroom space to the AEAs are not providing a means for the educational services that the residents are entitled to. The *Iowa Administrative Code* currently does not allow the AEAs to request reimbursement for rent charged by a juvenile detention center for classroom space. Classrooms within the detention centers allow the students to receive the education that they are entitled to without transporting them to another classroom facility.

The Department, counties and the General Assembly should review this matter and ensure that all juvenile detention centers provide, without charge, adequate classroom space for use by the AEAs in providing the required education to the students housed in the detention centers.

3. ADMINISTRATIVE EXPENDITURES

The *Code of Iowa*, Chapter 273.13, requires that administrative expenditures for AEAs not exceed five percent of the agency's operating fund. As defined in the *Code of Iowa*, "administrative expenditures" include expenditures for executive administration.

Since the definition in the *Code of Iowa* is not specific, compliance with this requirement is difficult to determine. Under different definitions presented within our report, AEAs ranged from all being in compliance to eleven not being in compliance. The current expenditure classification of executive administration in the accounting manual for AEAs does not seem sufficient for the purposes of this section of the *Code of Iowa*. The Department has not provided additional guidelines to assist in the determination of compliance with the *Code of Iowa* requirement, nor does the Department monitor compliance based on actual expenditures.

RECOMMENDATION

Chapter 273.13 of the *Code of Iowa* should be amended to include a more specific description of administrative expenditures. The Department's use of the executive administration classification does not provide a true picture of the cost to administer the AEAs. Administrative expenditures, at a minimum should include the administrator, accounting and clerical staff salaries and benefits, administrative travel, training, and equipment, and other general operating expenses of the AEA. The Department should adopt an *Iowa Administrative Code* provision that further defines what is intended to be included as administrative expenditures as identified in the *Code of Iowa*. The definition should include which expenditure account codes from the Uniform Financial Accounting Manual for AEAs should be used in determining total administrative expenditures. The Department should perform adequate monitoring to ensure compliance by all AEAs.

4. REPORTING CHANGES

The AEAs are required to submit annual financial reports (AFR) each year to the Iowa Department of Education. These AFRs include financial information by service area. The reporting by service area is consistent with how the AEAs are funded as provided by the *Code of Iowa*, Chapter 257.35.

The Department is currently revising the required format for reporting on the AFR's, based on the standards adopted for the accreditation process in the *Code of Iowa*, Chapter 273.11. With these changes, the AEAs will no longer report by service area. The funding that is received by the AEA will be reported as a "pool of money" to be used to support all of the AEA programs. Based on the proposed changes, the AEAs will no longer be responsible for demonstrating that funds are being expended for the purpose or service area for which the funds were provided.

RECOMMENDATION

The reporting required by the Department for the AEAs should enable the AEAs to demonstrate that they are providing the services for which they were funded or required to provide. With the establishment of the AEA accreditation process as required by Chapter 273.10 of the *Code of Iowa*, the Legislature should consider whether the current AEA funding process should be modified or eliminated.

The required reporting should be consistent with the funding process provided for in the *Code of Iowa*. Unless the Legislature modifies or removes the current funding restrictions, the reporting changes proposed by the Department are not appropriate to demonstrate that funds are expended for the purpose or services for which they were provided.

ITEMS FOR FURTHER CONSIDERATION

AEAs provide special education, media and consultative services, as well as other services and programs requested by school districts. No AEA is exactly the same as another. There are variations in services, enrollment, funding and reporting. The Iowa Department of Education is the state agency with the responsibility for regulation and general supervision of AEAs. The Department generally has acted in more of an advisory capacity than a regulatory function.

With the current AEA boundaries and enrollment differences, obtaining equitable services at similar costs among the AEAs may not be possible. Due to the funding and enrollment differences, the smaller AEAs may not be able to offer the same number of programs and services. In the AEA regions comprised of mostly small school districts, the school districts may not be able to pay for additional services they need. The variations in the enrollment of the current regions served by each AEA will continue to contribute to differences in the ability of the AEAs to provide services to school districts.

AEA 11 is able to serve over 123,000 students at a per pupil cost of \$311.80, while AEA 4 serves 12,560 students at a cost per pupil of \$384.42. Given the large disparities by AEA in the number of students, geographic area and services offered, consideration should be given to whether it is necessary to maintain the same number of AEAs. When AEAs were established in 1975, the Iowa Communications Network (ICN) did not exist and the Internet was not available. These recent changes in the educational environment should have an impact on the number of AEAs needed today. The Department and the Legislature should determine the optimum number of students and the geographic area of each AEA that will allow for maximum cost effectiveness.

In order to ensure services offered by AEAs are equitable, necessary and meet the needs of the school districts, the following options have been identified for consideration by the Legislature:

- Require more sharing of services between existing AEAs. The AEAs should look to cooperative efforts and shared services as options for offering services more efficiently and effectively. Areas for consideration as either shared services or as support for the merging of AEAs are:
 - Consolidation of media centers, including libraries – These centers could be located on a regional basis. Savings achieved by decreasing the number of duplicate materials purchased could be used to offer a wider variety of materials and services.
 - Sharing of educational services and discretionary programs – Sharing of similar services/programs could result in savings due to reduced developmental costs, materials and possibly salaries.
 - Sharing of administrative staff – AEAs may be able to share executive staff similar to what is currently done by some school districts resulting in a decrease in administrative salaries.
- Consider requiring the Department to provide additional guidance and standards for the discretionary and other services offered by AEAs. Services offered should be central to the current mission of the AEAs. Consideration

should be given to AEAs only offering programs and services that 60% of the school districts request. If the majority of the AEAs across the state are providing a particular service, consideration should be given to whether that service should be required for all AEAs. Further, the availability of fee for service would require a 60% vote of school districts as required by the *Code of Iowa*, Chapter 273.7.

- Consider restructuring the boundaries of the current 15 AEAs to more evenly distribute the enrollment. AEAs should be able to provide similar services to all school districts.
- Consider restructuring the current boundaries while also reducing the number of AEAs. Again, this option should result in a more equitable distribution of enrollment. Also, by reducing the number of AEAs, there should be savings in administrative costs.
- Consider maintaining the current boundaries, but require the merger of some of the smaller AEAs with bordering AEAs. The Department would coordinate the effort to ensure that the school districts are provided services in the most efficient manner possible.
- Consider eliminating the AEA system and shift current AEA responsibilities and funding to the Department and the local school districts. The school districts would decide what services, in addition to the required services, they actually need and what method of delivery would be used. The Department should coordinate the effort to ensure that school districts are receiving all the required services. The Department would provide consultative and technical services, as well as monitoring.

Prior to implementation of this option a feasibility study would be necessary. Small school districts would have the most difficulty ensuring required services are offered and may require contracts with other school districts for the performance of some services. Also, the Department could provide the services that school districts are not able to provide through other means.

**Area Education Agencies
Discretionary Services Offered
Year Ended June 30, 1997**

Program Category	Area Education Agency															
	1	2	3	4	5	6	7	9	10	11	12	13	14	15	16	
	Number of programs offered within each category.															
Career Preparation	1	-	1	-	1	1	1	1	1	1	1	-	-	1	1	
Cooperative Purchasing	1	1	-	1	1	1	-	1	1	-	1	-	1	1	1	
Early Childhood Development	1	1	1	2	1	1	1	2	1	1	-	-	1	2	-	
Environmental Issues	1	-	-	1	-	-	-	1	-	-	-	1	-	-	1	
Administrative Assistance	3	2	1	3	1	-	2	4	1	-	1	2	1	-	-	
Curriculum Development	4	-	1	-	-	-	3	-	-	2	-	-	-	1	1	
At-Risk and Behavioral	1	-	1	-	1	2	2	2	-	2	2	-	1	-	1	
Parent and Community Integration	1	-	-	-	1	-	-	-	-	-	1	-	1	-	-	
Measurement of Student Achievement	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	
Staff Development	-	-	1	1	-	-	1	1	-	1	1	-	-	1	-	
Student Competitions	-	-	-	-	-	-	1	-	-	-	1	-	-	1	1	
Agreements with other entities	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	
Additional programs for excelling students	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	
Homework hotline	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	
Total	13	5	6	8	6	5	11	15	4	7	9	3	5	7	6	

Source: AEA July 1, 1997 Comprehensive Plans.

Note: Categories were grouped by the Auditor of State based on program descriptions obtained from the comprehensive plans submitted by each AEA.

**Area Education Agencies
Controlled Funding
Years Ended June 30, 1997 and June 30, 1987**

AEA	1997 Controlled Funding	1987 Controlled Funding	Increase Controlled Funding	% Increase Controlled Funding	1997 Weighted Enrollment	1987 Weighted Enrollment	Increase/(Decrease) Weighted Enrollment	% Increase/(Decrease) Weighted Enrollment
1	\$ 9,680,664	7,029,568	2,651,096	37.71%	38,281	40,567	(2,286)	-5.64%
2	5,622,268	3,882,123	1,740,145	44.82%	24,702	25,471	(769)	-3.02%
3	3,377,991	2,438,713	939,278	38.52%	14,066	15,406	(1,340)	-8.70%
4	3,341,643	2,147,863	1,193,780	55.58%	12,560	11,929	631	5.29%
5	7,021,514	4,790,157	2,231,357	46.58%	28,884	30,197	(1,313)	-4.35%
6	4,270,474	2,836,200	1,434,274	50.57%	18,945	20,360	(1,415)	-6.95%
7	8,710,752	6,465,372	2,245,380	34.73%	39,952	42,212	(2,260)	-5.35%
9	13,294,033	9,395,194	3,898,839	41.50%	57,966	60,314	(2,348)	-3.89%
10	15,428,093	9,871,179	5,556,914	56.29%	67,428	63,861	3,567	5.59%
11	27,296,892	16,538,642	10,758,250	65.05%	123,471	111,565	11,906	10.67%
12	8,160,178	5,465,219	2,694,959	49.31%	34,625	33,889	736	2.17%
13	8,284,340	5,496,607	2,787,733	50.72%	37,036	36,772	264	0.72%
14	3,159,104	2,013,229	1,145,875	56.92%	13,713	14,139	(426)	-3.01%
15	6,012,978	4,098,983	1,913,995	46.69%	26,898	28,202	(1,304)	-4.62%
16	4,805,915	3,348,496	1,457,419	43.52%	21,056	21,620	(564)	-2.61%
TOTAL	\$ 128,466,839	85,817,545	42,649,294	49.70%	559,583	556,504	3,079	0.55%

Source: Fiscal year 1997 and 1987 audit reports

Area Education Agencies
1997 Revenues
Year Ended June 30, 1997

	AEA 1	AEA 2	AEA 3	AEA 4	AEA 5	AEA 6	AEA 7
General Fund							
Property taxes	\$ 4,146,742	2,376,709	1,616,042	1,463,039	2,970,333	1,806,260	3,657,354
Tuition	-	1,790,859	-	476,240	-	-	39,078
Sale of services	-	88,846	61,512	-	585,929	197,221	81,890
Interest on investments	125,861	49,300	29,932	48,045	18,826	71,722	285,872
Gifts and donations	-	61,079	-	-	-	-	-
Sale of equipment and materials	-	80,615	-	-	-	-	-
Other local	454,799	58,817	13,365	56,115	53	52,378	977,965
State foundation aid	5,533,922	3,245,559	1,761,949	1,878,604	4,051,181	2,464,214	5,053,398
Phase I, II, and III	255,445	170,965	-	-	251,378	122,467	-
Juvenile home reimbursement	-	136,033	-	-	-	-	-
Other state aid	55,023	524,190	329,363	73,033	71,979	673,033	210,084
Federal grants	2,899,533	2,104,678	1,176,902	866,080	1,700,578	1,296,545	2,427,927
Total Revenues	13,471,325	10,687,650	4,989,065	4,861,156	9,650,257	6,683,840	12,733,568
Special Revenue Fund							
Tuition	-	-	-	2,648,812	2,187,187	92,355	23,091,731
Interest on investments	-	-	-	16,015	-	-	-
Phase I, II, and III	767	-	1,779	-	5,729	2,696	5,729
Juvenile home reimbursement	52,628	-	152,735	-	86,997	97,086	292,384
Other state aid	-	-	-	89,947	42,082	-	792,093
Federal sources	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	15,328	12,132
Total Revenues	53,395	-	154,514	2,754,774	2,321,995	207,465	24,194,069
Capital Projects Fund							
Interest on investments	-	-	-	-	20,526	-	60,342
Bond proceeds	-	-	-	-	1,234,562	-	-
Miscellaneous	740	-	-	-	-	-	-
Total Revenues	740	-	-	-	1,255,088	-	60,342
Debt Service Fund							
Interest on investments	-	-	-	-	10,151	-	12,711
Bond proceeds	-	-	-	-	265,438	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	275,589	-	12,711
Enterprise Fund							
Rental income	-	-	-	-	124,579	-	-
Total Revenues - All funds	\$ 13,525,460	10,687,650	5,143,579	7,615,930	13,627,508	6,891,305	37,000,690

Source: Fiscal Year 1997 audit reports

Notes: Some revenue items were reclassified or combined for consistency and comparability between AEA's.
This schedule does not include transfer activity.

AREA EDUCATION AGENCIES

SCHEDULE 3

AEA 9	AEA 10	AEA 11	AEA 12	AEA 13	AEA 14	AEA 15	AEA 16	Total
5,640,120	6,618,115	11,103,164	3,540,153	3,432,686	1,302,256	2,601,831	2,055,659	54,330,463
-	-	419,547	-	109,277	82,729	-	533,159	3,450,889
833,760	2,398,867	2,998,147	166,397	254,670	93,886	576,109	-	8,337,234
152,979	82,610	416,499	58,759	156,417	62,744	87,316	56,758	1,703,640
-	-	-	-	-	-	-	-	61,079
-	-	-	-	-	-	-	-	80,615
962,250	295,718	770,373	209,187	586,228	111,125	25,351	302,319	4,876,043
7,653,913	8,809,978	16,193,728	4,620,025	4,851,654	1,856,848	3,411,147	2,750,256	74,136,376
329,327	430,638	696,179	202,645	209,143	82,796	-	9,670	2,760,653
-	-	-	-	-	-	-	67,675	203,708
65,915	359,502	148,946	64,677	598,814	99,648	210,902	118,861	3,603,970
3,243,070	3,404,985	6,105,459	1,869,147	2,445,832	1,086,910	2,021,970	1,276,435	33,926,051
18,881,334	22,400,413	38,852,042	10,730,990	12,644,721	4,778,942	8,934,626	7,170,792	187,470,721
-	962,842	-	-	166,575	-	438,367	-	29,587,869
-	-	-	-	-	-	-	-	16,015
7,729	3,552	24,998	3,166	8,904	3,000	4,000	-	72,049
281,430	316,143	1,353,845	356,098	364,862	209,609	246,820	-	3,810,637
-	-	-	-	-	-	-	-	924,122
-	-	29,797	-	-	-	225,606	-	255,403
-	-	385	-	-	-	-	-	27,845
289,159	1,282,537	1,409,025	359,264	540,341	212,609	914,793	-	34,693,940
43,250	-	-	-	-	-	-	-	124,118
-	-	-	-	-	-	-	-	1,234,562
-	-	-	-	-	-	-	-	740
43,250	-	-	-	-	-	-	-	1,359,420
13,991	-	-	-	-	-	-	-	36,853
-	-	-	-	-	-	-	-	265,438
-	205,728	-	-	-	-	12,065	-	217,793
13,991	205,728	-	-	-	-	12,065	-	520,084
-	-	-	-	-	-	-	-	124,579
19,227,734	23,888,678	40,261,067	11,090,254	13,185,062	4,991,551	9,861,484	7,170,792	224,168,744

Area Education Agencies
1987 Revenues
Year Ended June 30, 1987

	AEA 1	AEA 2	AEA 3	AEA 4	AEA 5	AEA 6	AEA 7
General Fund							
Property taxes	\$ 3,398,305	1,602,131	1,111,715	1,080,047	2,087,074	1,215,900	2,806,527
Tuition	-	736,333	529,386	-	1,232,904	-	90,298
Sale of services	104,670	104,447	39,870	21,410	245,448	912,507	-
Interest on investments	88,057	20,771	12,963	26,080	39,196	-	82,260
Gifts and donations	-	600	-	-	-	-	-
Sale of equipment and materials	-	38,304	-	-	-	-	159,316
Other local	2,890	39,040	10,494	-	23,000	91,379	335,129
State foundation aid	3,631,263	2,279,992	1,326,998	1,067,816	2,703,083	1,620,300	3,658,845
Juvenile home aid	-	24,901	-	-	15,844	-	26,286
Other state aid	-	69,700	-	-	10,295	17,484	39,940
Federal grants	1,203,286	741,833	348,504	388,165	775,871	603,757	1,316,494
Total Revenues	8,428,471	5,658,052	3,379,930	2,583,518	7,132,715	4,461,327	8,515,095
Special Revenue Fund							
Tuition	-	-	-	2,431,149	-	-	11,930,866
Interest on investments	-	-	-	-	-	-	52,915
Other state aid	-	-	-	-	-	-	98,252
Federal sources	-	-	-	14,292	-	-	30,760
Total Revenues	-	-	-	2,445,441	-	-	12,112,793
Total Revenues - All funds	\$ 8,428,471	5,658,052	3,379,930	5,028,959	7,132,715	4,461,327	20,627,888

Source: Fiscal year 1987 audit reports

Notes: For AEA's 9 and 10, the portion of state aid paid with property tax was not available. The figures presented above were calculated using an average percentage for all other AEA's. This schedule does not include transfer activity.

AEA 9	AEA 10	AEA 11	AEA 12	AEA 13	AEA 14	AEA 15	AEA 16	Total
3,495,086	3,672,157	6,552,089	2,431,723	2,205,032	786,954	1,640,937	1,422,750	35,508,427
410,545	5,520,010	180,918	-	71,723	-	432,438	354,945	9,559,500
137,772	586,392	2,405,136	7,708	93,262	76,052	77,659	-	4,812,333
134,629	236,327	288,802	44,022	59,612	33,660	73,144	19,563	1,159,086
-	-	-	-	-	-	-	-	600
-	-	-	-	-	-	-	-	197,620
87,951	203,605	31,570	3,727	67,130	34,801	42,039	39,537	1,012,292
5,900,108	6,199,022	9,986,553	3,033,496	3,291,575	1,226,275	2,458,046	1,925,746	50,309,118
25,557	79,240	333,897	62,720	15,585	23,134	31,730	-	638,894
135,780	145,020	73,963	-	58,144	33,369	16,994	54,488	655,177
1,375,611	1,409,624	2,306,955	884,516	1,019,439	364,898	670,203	587,403	13,996,559
11,703,039	18,051,397	22,159,883	6,467,912	6,881,502	2,579,143	5,443,190	4,404,432	117,849,606
-	-	-	-	-	-	-	-	14,362,015
-	-	-	-	-	-	-	-	52,915
-	-	-	-	-	-	-	-	98,252
-	-	-	-	-	-	-	-	45,052
-	-	-	-	-	-	-	-	14,558,234
11,703,039	18,051,397	22,159,883	6,467,912	6,881,502	2,579,143	5,443,190	4,404,432	132,407,840

Area Education Agencies
1997 Expenditures
Year Ended June 30, 1997

	AEA 1	AEA 2	AEA 3	AEA 4	AEA 5	AEA 6	AEA 7
General Fund							
Special education :							
Instruction	\$ -	1,919,826	-	-	-	-	-
Support services	8,368,079	5,151,593	3,296,433	2,789,550	6,152,143	4,532,022	8,149,181
Media services	1,319,632	906,014	385,338	483,751	1,079,978	676,765	1,351,642
Educational services	2,353,170	1,477,590	730,459	1,021,524	1,622,873	680,990	1,996,231
Juvenile home education program	-	139,063	-	-	-	-	-
Iowa AV coop	-	-	-	-	-	-	-
General administration	696,434	357,642	349,999	248,427	267,245	306,694	903,364
Plant operation and maintenance	198,434	-	-	-	-	-	-
Central support services	152,138	461,080	148,857	290,160	585,247	349,227	474,039
Total Expenditures	13,087,887	10,412,808	4,911,086	4,833,412	9,707,486	6,545,698	12,874,457
Special Revenue Fund							
Special education :							
Instruction	-	-	-	2,765,017	2,218,560	120,083	22,898,631
Juvenile home administration	53,395	-	154,514	-	89,968	88,642	268,301
General administration	-	-	-	-	-	16,704	-
Total Expenditures	53,395	-	154,514	2,765,017	2,308,528	225,429	23,166,932
Capital Projects Fund							
Capital outlay	282,936	-	-	-	1,607,812	-	-
Execution of capital leases	4,500,000	-	-	-	-	-	-
General Administration	-	-	-	-	-	-	313,885
Total Expenditures	4,782,936	-	-	-	1,607,812	-	313,885
Debt Service Fund							
Debt service							
Principal	1,543,000	-	-	-	45,000	-	237,361
Interest and fiscal charges	105,637	-	-	-	83,185	-	NI
Total Expenditures	1,648,637	-	-	-	128,185	-	237,361
Enterprise Fund							
Property taxes	-	-	-	-	11,404	-	-
Total Expenditures - All funds	\$ 19,572,855	10,412,808	5,065,600	7,598,429	13,763,415	6,771,127	36,592,635

Source: Fiscal year 1997 audit reports

NI - Breakdown of information not included in audit report. Figure shown as principle also includes interest.

Notes: Some expenditure line items were reclassified or combined for consistency and comparability between the AEAs based on information obtained from the Iowa Department of Education.
This schedule does not include transfer activity.

AEA 9	AEA 10	AEA 11	AEA 12	AEA 13	AEA 14	AEA 15	AEA 16	Total
-	-	-	-	-	-	-	440,948	2,360,774
11,855,359	14,629,378	24,002,502	7,370,475	7,889,095	3,070,854	5,642,083	4,290,011	117,188,758
2,200,245	2,423,462	4,784,989	1,190,549	1,368,610	385,868	1,045,473	643,327	20,245,643
3,398,666	3,902,324	6,879,314	1,138,675	1,209,820	862,444	1,496,228	930,119	29,700,427
-	-	-	-	-	-	-	63,709	202,772
-	-	-	-	-	-	-	32,617	32,617
1,794,520	863,478	1,068,900	568,484	507,213	287,785	340,738	303,312	8,864,235
-	-	-	-	-	-	213,112	-	411,546
-	256,998	1,763,004	312,918	1,321,743	276,106	131,760	414,132	6,937,409
19,248,790	22,075,640	38,498,709	10,581,101	12,296,481	4,883,057	8,869,394	7,118,175	185,944,181
-	998,601	-	-	168,744	-	427,939	-	29,597,575
264,927	307,308	1,409,025	359,264	371,597	212,609	234,331	-	3,813,881
24,232	-	-	-	-	-	-	-	40,936
289,159	1,305,909	1,409,025	359,264	540,341	212,609	662,270	-	33,452,392
1,937,650	-	-	-	-	-	-	-	3,828,398
-	-	-	-	-	-	-	-	4,500,000
-	-	-	-	-	-	-	-	313,885
1,937,650	-	-	-	-	-	-	-	8,642,283
359,038	201,386	-	-	-	-	80,000	-	2,465,785
NI	NI	-	-	-	-	138,040	-	326,862
359,038	201,386	-	-	-	-	218,040	-	2,792,647
-	-	-	-	-	-	-	-	11,404
21,834,637	23,582,935	39,907,734	10,940,365	12,836,822	5,095,666	9,749,704	7,118,175	230,842,907

Area Education Agencies
1987 Expenditures
Year Ended June 30, 1987

	AEA 1	AEA 2	AEA 3	AEA 4	AEA 5	AEA 6	AEA 7
General Fund							
Special education							
Instruction	\$ -	695,916	529,386	-	1,200,495	869,826	-
Support services	5,412,148	3,324,855	1,892,735	1,659,022	3,603,260	2,672,359	5,761,931
Media services	806,089	513,996	284,351	281,136	807,850	422,821	907,268
Educational services	907,690	710,436	334,248	319,331	644,734	397,781	1,275,686
General administration	455,300	209,016	211,662	104,593	198,412	165,723	163,765
Central support services	700,646	143,634	102,535	111,284	285,806	110,490	262,172
County inherited fund	-	-	-	-	-	-	-
Library fund	-	-	11,096	-	-	-	-
Total Expenditures	8,281,873	5,597,853	3,366,013	2,475,366	6,740,557	4,639,000	8,370,822
Special Revenue Fund							
Special education							
Instruction	-	-	-	2,419,242	-	-	11,889,258
General administration	-	-	-	-	-	-	336,091
Total Expenditures	-	-	-	2,419,242	-	-	12,225,349
Total Expenditures - All funds	\$ 8,281,873	5,597,853	3,366,013	4,894,608	6,740,557	4,639,000	20,596,171

Source: Fiscal year 1987 audit reports

NI - Breakdown of information not included in audit report. Figure shown as principle also includes interest.

Note: Expenditures resulting from other financing sources of \$34,615 for AEA 9 were combined with educational services. This schedule does not include transfer activity.

AEA 9	AEA 10	AEA 11	AEA 12	AEA 13	AEA 14	AEA 15	AEA 16	Total
416,291	5,502,954	142,333	-	31,609	-	454,496	354,945	10,198,251
7,605,962	7,648,599	12,717,818	4,396,599	4,553,724	1,672,658	3,334,871	2,788,076	69,044,617
1,463,666	1,299,840	2,636,985	604,573	741,761	292,238	537,315	403,592	12,003,481
1,416,330	1,613,323	4,667,609	838,371	964,634	360,547	722,376	457,857	15,630,953
765,239	885,152	584,111	249,436	355,761	220,893	214,492	278,044	5,061,599
-	329,847	2,582,990	369,489	345,336	162,284	106,663	92,627	5,705,803
-	-	-	-	89,364	-	-	-	89,364
-	-	-	-	-	-	-	-	11,096
11,667,488	17,279,715	23,331,846	6,458,468	7,082,189	2,708,620	5,370,213	4,375,141	117,745,164
-	-	-	-	-	-	-	-	14,308,500
-	-	-	-	-	-	-	-	336,091
-	-	-	-	-	-	-	-	14,644,591
11,667,488	17,279,715	23,331,846	6,458,468	7,082,189	2,708,620	5,370,213	4,375,141	132,389,755

**Area Education Agencies
Juvenile Home Program Funding
Years Ended June 30, 1997 and June 30, 1987**

AEA	1997			1987		% Increase
	Juvenile Home Funding	Phase Funding	Total	Juvenile Home Funding		
1	\$ 52,628	767	53,395	-	100.00%	
2	136,033	3,030	139,063	24,901	458.46%	
3	152,735	1,779	154,514	-	100.00%	
4	-	-	-	-	0.00%	
5	86,997	2,971	89,968	15,844	467.84%	
6	97,086	1,406	98,492	-	100.00%	
7	292,384	5,729	298,113	26,286	1034.11%	
9	281,430	7,729	289,159	25,557	1031.43%	
10	316,143	3,552	319,695	79,240	303.45%	
11	1,353,845	24,998	1,378,843	333,897	312.95%	
12	356,098	3,166	359,264	62,720	472.81%	
13	364,862	8,904	373,766	15,585	2298.24%	
14	209,609	3,000	212,609	23,134	819.03%	
15	246,820	4,000	250,820	31,730	690.48%	
16	67,675	9,670	77,345	-	100.00%	
	\$ 4,014,345	80,701	4,095,046	638,894	540.96%	

Source: Fiscal year 1997 and 1987 annual financial reports

Note: The amount indicated for Phase funding represents the funding received from the Io Department of Education for Phase I, II, and III that is associated with instructors for the juvenile home program. Phase funds were not available in fiscal year 1987.

**Area Education Agencies
Juvenile Home Program
Expenditures - Budget Compared to Actual
Year Ended June 30, 1997**

AEA	<u>Instruction</u>			<u>Administration</u>			<u>Total</u>		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
1	\$ 60,888	48,611	(12,277)	6,783	4,784	(1,999)	67,671	53,395	(14,276)
2	114,007	115,120	1,113	24,924	23,943	(981)	138,931	139,063	132
3	132,297	140,516	8,219	13,998	13,998	-	146,295	154,514	8,219
4	-	-	-	-	-	-	-	-	-
5	108,166	84,949	(23,217)	3,057	5,019	1,962	111,223	89,968	(21,255)
6	105,828	88,642	(17,186)	11,759	9,849	(1,910)	117,587	98,491	(19,096)
7	347,735	268,301	(79,434)	-	22,228	22,228	347,735	290,529	(57,206)
9	243,026	242,253	(773)	51,287	46,906	(4,381)	294,313	289,159	(5,154)
10	310,899	283,460	(27,439)	24,084	23,848	(236)	334,983	307,308	(27,675)
11	1,612,099	1,216,343	(395,756)	201,901	192,682	(9,219)	1,814,000	1,409,025	(404,975)
12	304,659	329,223	24,564	20,078	30,041	9,963	324,737	359,264	34,527
13	393,522	343,844	(49,678)	29,275	27,753	(1,522)	422,797	371,597	(51,200)
14	151,258	170,807	19,549	46,625	41,802	(4,823)	197,883	212,609	14,726
15	233,696	227,872	(5,824)	20,324	6,459	(13,865)	254,020	234,331	(19,689)
16	78,589	63,823	(14,766)	7,859	5,051	(2,808)	86,448	68,874	(17,574)
TOTAL	\$ 4,196,669	3,623,764	(572,905)	461,954	454,363	(7,591)	4,658,623	4,078,127	(580,496)

Source: Juvenile home claims and budgets obtained from the Iowa Department of Education

Note: The expenditures for AEAs 6, 7, 9, and 16 include the portion of general administration allocated to the juvenile home program.

**Area Education Agencies
Juvenile Home - Cost per Pupil
Year Ended June 30, 1997**

AEA	Total Expenditures	Estimated Daily Average (FTE) *	Cost per Pupil	Number of Classrooms	Cost per Classroom
1	\$ 53,395	4.12	\$ 12,960	1.00	\$ 53,395
2	139,063	10.10	13,769	2.20	63,211
3	154,514	15.00	10,301	2.00	77,257
4	-	-	-	-	-
5	89,968	10.26	8,769	1.50	59,979
6	98,491	14.00	7,035	2.60	37,881
7	290,529	27.05	10,740	6.80	42,725
9	289,159	32.00	9,036	4.70	61,523
10	307,308	36.06	8,522	4.60	66,806
11	1,409,025	85.00	16,577	18.20	77,419
12	359,264	34.06	10,548	4.55	78,959
13	371,597	34.00	10,929	7.20	51,611
14	212,609	17.22	12,347	3.00	70,870
15	234,331	18.17	12,897	5.00	46,866
16	68,874	10.00	6,887	1.30	52,980
	<u>\$ 4,078,127</u>	<u>347.04</u>	<u>\$ 11,751</u>		

Source: Juvenile home claims from the Iowa Department of Education

* - The estimated daily average is calculated by each AEA and submitted to the Department. The figure is determined based on the weighted attendance for the juvenile detention centers. Weighting is determined based on the number of days a student attends the facility.

**Area Education Agencies
Revenues by Source - General and Special Revenue Funds
Years Ended June 30, 1997 and June 30, 1987**

AEA	<u>Local</u>		<u>State</u>		<u>Federal</u>		<u>Other</u>		<u>Total</u>		<u>% Increase</u>
	1997	1987	1997	1987	1997	1987	1997	1987	1997	1987	
1	\$ 4,601,541	3,401,195	5,897,785	3,631,263	2,899,533	1,203,286	125,861	192,727	13,524,720	8,428,471	60.46%
2	4,226,385	2,377,504	4,076,747	2,374,593	2,104,678	741,833	279,840	164,122	10,687,650	5,658,052	88.89%
3	1,629,407	1,651,595	2,245,826	1,326,998	1,176,902	348,504	91,444	52,833	5,143,579	3,379,930	52.18%
4	4,644,206	3,511,196	2,041,584	1,067,816	866,080	402,457	64,060	47,490	7,615,930	5,028,959	51.44%
5	5,157,573	3,342,978	4,509,346	2,729,222	1,700,578	775,871	604,755	284,644	11,972,252	7,132,715	67.85%
6	1,950,993	1,307,279	3,359,496	1,637,784	1,296,545	603,757	284,271	912,507	6,891,305	4,461,327	54.47%
7	27,766,128	15,162,820	6,353,688	3,823,323	2,427,927	1,347,254	379,894	294,491	36,927,637	20,627,888	79.02%
9	6,602,370	3,993,582	8,338,314	6,061,445	3,243,070	1,375,611	986,739	272,401	19,170,493	11,703,039	63.81%
10	7,876,675	9,395,772	9,919,813	6,423,282	3,404,985	1,409,624	2,481,477	822,719	23,682,950	18,051,397	31.20%
11	12,293,084	6,764,577	18,417,696	10,394,413	6,135,256	2,306,955	3,415,031	2,693,938	40,261,067	22,159,883	81.68%
12	3,749,340	2,435,450	5,246,611	3,096,216	1,869,147	884,516	225,156	51,730	11,090,254	6,467,912	71.47%
13	4,294,766	2,343,885	6,033,377	3,365,304	2,445,832	1,019,439	411,087	152,874	13,185,062	6,881,502	91.60%
14	1,496,110	821,755	2,251,901	1,282,778	1,086,910	364,898	156,630	109,712	4,991,551	2,579,143	93.54%
15	3,065,549	2,115,414	3,872,869	2,506,770	2,247,576	670,203	663,425	150,803	9,849,419	5,443,190	80.95%
16	2,891,137	1,817,232	2,946,462	1,980,234	1,276,435	587,403	56,758	19,563	7,170,792	4,404,432	62.81%
Total	\$ 92,245,264	60,442,234	85,511,515	51,701,441	34,181,454	14,041,611	10,226,428	6,222,554	222,164,661	132,407,840	67.79%
%of Total	41.52%	45.65%	38.49%	39.05%	15.39%	10.60%	4.60%	4.70%			

Source: Fiscal year 1997 and 1987 audit reports

**Area Education Agencies
Expenditures by Service Area Prior to Allocation
Years Ended June 30, 1997 and June 30, 1987**

	Special Education							
	<u>Support Services</u>		<u>Instruction</u>		<u>Media Services</u>		<u>Educational Services</u>	
	1997	1987	1997	1987	1997	1987	1997	1987
AEA 1	\$ 8,368,079	5,412,148	-	-	1,319,632	806,089	2,353,170	907,690
AEA 2	5,151,593	3,324,855	1,919,826	695,916	906,014	513,996	1,477,590	710,436
AEA 3	3,296,433	1,892,735	-	529,386	385,338	284,351	730,459	345,344
AEA 4	2,789,550	1,659,022	2,765,017	2,419,242	483,751	281,136	1,021,524	319,331
AEA 5	6,152,143	3,603,260	2,218,560	1,200,495	1,079,978	807,850	1,622,873	644,734
AEA 6	4,532,022	2,672,359	120,083	869,826	676,765	422,821	680,990	397,781
AEA 7	8,149,181	5,761,931	22,898,631	11,889,258	1,351,642	907,268	1,996,231	1,275,686
AEA 9	11,855,359	7,605,962	-	416,291	2,200,245	1,463,666	3,398,666	1,416,330
AEA 10	14,629,378	7,648,599	998,601	5,502,954	2,423,462	1,299,840	3,902,324	1,613,323
AEA 11	24,002,502	12,717,818	-	142,333	4,784,989	2,636,985	6,879,314	4,667,609
AEA 12	7,370,475	4,396,599	-	-	1,190,549	604,573	1,138,675	838,371
AEA 13	7,889,095	4,553,724	168,744	31,609	1,368,610	741,761	1,209,820	964,634
AEA 14	3,070,854	1,672,658	-	-	385,868	292,238	862,444	360,547
AEA 15	5,642,083	3,334,871	427,939	454,496	1,045,473	537,315	1,496,228	722,376
AEA 16	4,290,011	2,788,076	440,948	354,945	643,327	403,592	962,736	457,857
Total	\$ 117,188,758	69,044,617	31,958,349	24,506,751	20,245,643	12,003,481	29,733,044	15,642,049
% of Total	54.41%	52.15%	14.85%	18.50%	9.40%	9.07%	13.81%	11.82%

Source: Fiscal year 1997 and 1987 audit reports

Notes: The \$11,096 of Library fund expenditures for AEA 3 was included with educational services.
 The \$89,364 of County inherited expenditures for AEA 13 was included with central support.
 For AEA 15 the Carl Perkins program was included in educational services.
 For AEA 16 the Iowa AV coop has been included in educational services.
 The above expenditures exclude juvenile home program expenditures of \$4,016,653.

<u>General Administration</u>		<u>Central Support</u>		<u>Plant Operations & Maintenance</u>		<u>Total</u>	
1997	1987	1997	1987	1997	1987	1997	1987
696,434	455,300	152,138	700,646	198,434	-	13,087,887	8,281,873
357,642	209,016	461,080	143,634	-	-	10,273,745	5,597,853
349,999	211,662	148,857	102,535	-	-	4,911,086	3,366,013
248,427	104,593	290,160	111,284	-	-	7,598,429	4,894,608
267,245	198,412	585,247	285,806	-	-	11,926,046	6,740,557
323,398	165,723	349,227	110,490	-	-	6,682,485	4,639,000
903,364	499,856	474,039	262,172	-	-	35,773,088	20,596,171
1,818,752	765,239	-	-	-	-	19,273,022	11,667,488
863,478	885,152	256,998	329,847	-	-	23,074,241	17,279,715
1,068,900	584,111	1,763,004	2,582,990	-	-	38,498,709	23,331,846
568,484	249,436	312,918	369,489	-	-	10,581,101	6,458,468
507,213	355,761	1,321,743	434,700	-	-	12,465,225	7,082,189
287,785	220,893	276,106	162,284	-	-	4,883,057	2,708,620
340,738	214,492	131,760	106,663	213,112	-	9,297,333	5,370,213
303,312	278,044	414,132	92,627	-	-	7,054,466	4,375,141
8,905,171	5,397,690	6,937,409	5,795,167	411,546	-	215,379,920	132,389,755
4.13%	4.08%	3.22%	4.38%	0.19%	0%		

**Area Education Agencies
Expenditures by Service Area After Allocation
Years Ended June 30, 1997 and June 30, 1987**

AEA	Special Education		Instruction		Media Services		Educational Services		Total		% Change
	Support Services		1997	1987	1997	1987	1997	1987	1997	1987	
1	\$ 9,105,910	6,208,199	-	-	1,405,511	959,062	2,576,466	1,114,612	13,087,887	8,281,873	58.03%
2	5,701,361	3,556,030	1,970,185	695,916	879,342	578,590	1,722,857	767,317	10,273,745	5,597,853	83.53%
3	3,669,135	2,094,502	-	529,386	428,905	360,103	813,046	382,022	4,911,086	3,366,013	45.90%
4	3,144,942	1,809,007	2,765,017	2,419,242	499,761	312,356	1,188,709	354,003	7,598,429	4,894,608	55.24%
5	6,840,117	4,001,811	2,218,560	1,200,495	1,125,399	840,053	1,741,970	698,198	11,926,046	6,740,557	76.93%
6	5,055,294	2,869,457	126,938	869,826	718,541	476,500	771,863	423,217	6,672,636	4,639,000	43.84%
7	8,627,411	6,047,638	23,536,035	12,225,349	1,480,869	985,559	2,106,545	1,337,625	35,750,860	20,596,171	73.58%
9	13,207,777	8,127,637	-	441,552	2,399,937	1,589,830	3,641,076	1,508,469	19,248,790	11,667,488	64.98%
10	15,380,751	8,477,166	998,601	5,502,954	2,564,769	1,499,286	4,130,120	1,800,309	23,074,241	17,279,715	33.53%
11	26,285,951	14,526,753	-	148,111	4,725,542	3,298,437	7,487,216	5,358,545	38,498,709	23,331,846	65.00%
12	7,921,399	4,792,888	-	-	1,355,138	713,262	1,304,564	952,318	10,581,101	6,458,468	63.83%
13	9,163,955	5,096,830	168,744	34,271	1,636,213	843,232	1,496,313	1,107,856	12,465,225	7,082,189	76.01%
14	3,471,216	1,948,215	-	-	436,619	340,433	975,222	419,972	4,883,057	2,708,620	80.28%
15	6,130,682	3,561,919	427,939	454,496	1,066,506	586,461	1,672,206	767,337	9,297,333	5,370,213	73.13%
16	4,768,599	3,033,112	464,285	354,945	748,854	470,256	1,067,563	516,828	7,049,301	4,375,141	61.12%
Total	\$ 128,474,500	76,151,164	32,676,304	24,876,543	21,471,906	13,853,420	32,695,736	17,508,628	215,318,446	132,389,755	62.64%
% of Total	59.67%	57.52%	15.18%	18.79%	9.97%	10.46%	15.18%	13.23%			

Source: Fiscal year 1997 and 1987 audit reports

Notes: The \$89,364 of County inherited expenditures for AEA 13 was included with central support and allocated based on the percentages used to allocate the other central support expenditures.

For AEA 15 the Carl Perkins program was included in educational services.

AEA 9 misallocated central support and general administration expenditures. These amounts were reallocated based on the original allocation percentages reallocated based on the percentage of expenditures used in the audit report.

This schedule excludes expenditures for the juvenile home program, including \$61,474 of general administration that was allocated to the program. (\$4,016,653 plus allocation of \$61,474 = \$4,078,127 of juvenile home program expenditures.)

Area Education Agencies
Expenditures by Object - General and Special Revenue Funds
Year Ended June 30, 1997

AEA	Salaries and Benefits	Purchased Services	Supplies	Capital Outlays	Other Expenses	Total
1	\$ 10,272,274	1,611,162	807,478	335,592	114,776	13,141,282
2	7,911,113	1,742,902	373,510	288,272	97,011	10,412,808
3	3,621,368	907,254	375,000	140,628	21,350	5,065,600
4	5,446,402	1,584,529	284,526	221,154	61,818	7,598,429
5	9,059,373	1,814,179	486,763	399,322	256,377	12,016,014
6	5,306,198	858,883	382,622	184,749	38,675	6,771,127
7	28,778,797	5,541,668	701,381	656,801	362,742	36,041,389
9	14,752,636	2,900,784	1,398,465	384,963	101,101	19,537,949
10	17,905,438	3,366,088	1,446,320	431,024	232,679	23,381,549
11	22,070,655	12,218,629	4,099,709	802,210	716,531	39,907,734
12	8,801,957	1,242,527	644,211	182,682	68,988	10,940,365
13	9,278,112	2,332,762	670,402	444,873	110,673	12,836,822
14	3,846,915	705,107	315,112	191,008	37,524	5,095,666
15	7,067,197	1,408,107	666,947	379,222	10,191	9,531,664
16	5,609,008	795,389	436,262	242,585	34,931	7,118,175
TOTAL	\$ 159,727,443	39,029,970	13,088,708	5,285,085	2,265,367	219,396,573
Percent of Total	72.80%	17.79%	5.97%	2.41%	1.03%	100.00%

Source: Fiscal year 1997 annual financial reports from the Iowa Department of Education and fiscal year 1997 audit reports.

Area Education Agencies
Fund Balances by Fund
Year Ended June 30, 1997

AEA	General Fund				Special Revenue Fund			
	Reserved	Designated	Unreserved Undesignated	Total	Reserved	Designated	Unreserved Undesignated	Total
1	\$ 76,796	14,216	713,583	804,595	-	-	-	-
2	171,518	-	1,249,793	1,421,311	-	-	-	-
3	102,778	68,783	522,388	693,949	-	-	-	-
4	83,293	250,000	513,121	846,414	26,332	82,093	-	108,425
5	386,423	218,666	524,046	1,129,135	-	14,062	-	14,062
6	499,705	71,000	784,797	1,355,502	-	-	17,287	17,287
7	434,701	-	1,218,789	1,653,490	8,010	-	473,396	481,406
9	431,240	-	(122,677)	308,563	-	-	-	-
10	186,655	1,094,878	617,313	1,898,846	-	7,384	161,607	168,991
11	546,808	2,140,694	3,352,302	6,039,804	-	-	-	-
12	90,771	-	1,036,021	1,126,792	-	-	-	-
13	209,070	73,677	756,502	1,039,249	-	69,464	-	69,464
14	72,409	59,162	537,945	669,516	2,208	-	-	2,208
15	228,351	-	867,836	1,096,187	4,760	-	-	4,760
16	183,768	188,282	319,163	691,213	-	-	-	-
TOTAL	\$ 3,704,286	4,179,358	12,890,922	20,774,566	41,310	173,003	652,290	866,603

AEA	Capital Projects Fund			Debt Service Fund	Totals			
	Reserved	Designated	Total		Reserved	Designated	Unreserved Undesignated	Total
1	\$ 2,162,653	689,929	2,852,582	-	2,239,449	704,145	713,583	3,657,177
2	-	-	-	-	171,518	-	1,249,793	1,421,311
3	-	-	-	-	102,778	68,783	522,388	693,949
4	-	-	-	-	109,625	332,093	513,121	954,839
5	-	-	-	147,404	533,827	232,728	524,046	1,290,601
6	-	-	-	-	499,705	71,000	802,084	1,372,789
7	-	1,555,733	1,555,733	288,121	730,832	1,555,733	1,692,185	3,978,750
9	-	(37,386)	(37,386)	236,713	667,953	(37,386)	(122,677)	507,890
10	-	-	-	73,348	260,003	1,102,262	778,920	2,141,185
11	-	-	-	-	546,808	2,140,694	3,352,302	6,039,804
12	-	-	-	-	90,771	-	1,036,021	1,126,792
13	-	-	-	-	209,070	143,141	756,502	1,108,713
14	-	-	-	-	74,617	59,162	537,945	671,724
15	-	-	-	215,130	448,241	-	867,836	1,316,077
16	-	-	-	-	183,768	188,282	319,163	691,213
TOTAL	\$ 2,162,653	2,208,276	4,370,929	960,716	6,868,965	6,560,637	13,543,212	26,972,814

Source: Fiscal year 1997 audit reports

Note: AEA 7 also has undesignated fund balances of \$(28,304) in the Enterprise Fund and \$101,676 in the Fiduciary Fund.

**Area Education Agencies
General and Special Revenue Funds
Reserved Fund Balances
Year Ended June 30, 1997**

AEA	Encumbrances	Inventories	Reserved for:							Totals
			Special Purpose	Phase III	Media Resources	Restricted Assets	Long-term Debt	Technology	Prepaid Expenses	
1	\$ 10,564	42,357	-	23,875	-	-	-	-	-	76,796
2	-	47,530	-	-	-	-	-	93,526	30,462	171,518
3	-	102,778	-	-	-	-	-	-	-	102,778
4	-	65,714	43,911	-	-	-	-	-	-	109,625
5	224,906	139,044	-	-	-	-	-	-	22,473	386,423
6	259,774	189,510	-	-	-	-	-	-	50,421	499,705
7	127,471	68,917	-	-	246,323	-	-	-	-	442,711
9	218,818	192,368	-	-	-	10,235	-	-	9,819	431,240
10	140,224	46,431	-	-	-	-	-	-	-	186,655
11	42,592	127,735	-	7,042	351,801	-	-	-	17,638	546,808
12	-	68,659	-	20,533	-	-	-	-	1,579	90,771
13	37,050	118,329	-	13,562	-	-	-	28,706	11,423	209,070
14	8,867	32,804	-	-	-	-	-	-	32,946	74,617
15	39,992	42,074	151,045	-	-	-	-	-	-	233,111
16	37,746	139,981	-	-	-	-	-	-	6,041	183,768
Totals	\$ 1,148,004	1,424,231	194,956	65,012	598,124	10,235	93,526	28,706	182,802	3,745,596

Source: Fiscal year 1997 audit reports

Note: The reserved for special purpose for AEA 15 was identified as being for Phase III and media material resources in their annual financial report submitted the Iowa Department of Education. The reserved for special purpose for AEA 4 was not identified.

**Area Education Agencies
Cost per Pupil by Service Area
Years Ended June 30, 1997 and June 30, 1987**

AEA	Special Education				Media Services				Educational Services			
	1997 Cost per Pupil	1987 Cost per Pupil	Increase	Percent Increase	1997 Cost per Pupil	1987 Cost per Pupil	Increase	Percent Increase	1997 Cost per Pupil	1987 Cost per Pupil	Increase	Percent Increase
1	\$ 237.87	153.04	84.83	55.43%	36.72	23.64	13.08	55.33%	67.30	27.48	39.82	144.94%
2	230.81	139.61	91.20	65.32%	35.60	22.72	12.88	56.69%	69.75	30.13	39.62	131.50%
3	260.85	135.95	124.90	91.87%	30.49	23.37	7.12	30.47%	57.80	24.80	33.00	133.06%
4	250.39	151.65	98.74	65.11%	39.79	26.18	13.61	51.99%	94.64	29.68	64.96	218.87%
5	236.81	132.52	104.29	78.69%	38.96	27.82	11.14	40.04%	60.31	23.12	37.19	160.86%
6	266.84	140.94	125.90	89.33%	37.93	23.40	14.53	62.09%	40.74	20.79	19.95	95.96%
7	215.94	143.27	72.67	50.72%	37.07	23.35	13.72	58.76%	52.73	31.69	21.04	66.39%
9	227.85	134.76	93.09	69.08%	41.40	26.36	15.04	57.06%	62.81	25.01	37.80	151.14%
10	228.11	132.74	95.37	71.84%	38.04	23.48	14.56	62.01%	61.25	28.19	33.06	117.28%
11	212.89	130.21	82.68	63.50%	38.27	29.57	8.70	29.42%	60.64	48.03	12.61	26.25%
12	228.78	141.43	87.35	61.76%	39.14	21.05	18.09	85.94%	37.68	28.10	9.58	34.09%
13	247.43	138.61	108.82	78.51%	44.18	22.93	21.25	92.67%	40.40	30.13	10.27	34.09%
14	253.13	137.79	115.34	83.71%	31.84	24.08	7.76	32.23%	71.12	29.70	41.42	139.46%
15	227.92	126.30	101.62	80.46%	39.65	20.80	18.85	90.63%	62.17	27.21	34.96	128.48%
16	226.47	140.29	86.18	61.43%	35.56	21.75	13.81	63.49%	50.70	23.91	26.79	112.05%
Average	\$ 236.81	138.61	98.20		37.64	24.03	13.61		59.34	28.53	30.81	

Source: Cost per pupil was calculated by dividing expenditures by service area after allocation (schedule 12) by weighted enrollment.

**Area Education Agencies
Full Time Equivalent Employees by Classification
Year Ended June 30, 1997**

	FTE Classification				Total Salaries and Benefits	Average Salary
	Administrative	Professional	Classified	Total		
Special education support	107.76	1,714.31	381.86	2,203.93	\$ 97,462,868	\$ 44,222
Media services	21.14	45.76	244.43	311.33	9,919,851	31,863
Educational services	25.39	194.55	101.89	321.83	14,963,261	46,494
Juvenile home	2.00	62.65	53.04	117.69	3,453,156	29,341
General admin. & central support	43.25	13.35	129.24	185.84	8,656,643	46,581
Special education instruction	6.95	455.28	508.01	970.24	25,271,664	26,047
	206.49	2,485.90	1,418.47	4,110.86	\$ 159,727,443	

Source: 1997 annual financial reports from the Iowa Department of Education.

Area Education Agencies
Administrative Expenses
Year Ended June 30, 1997

AEA	Calculation 1					Calculation 2				Calculation 3			
	Administrative Expenditures	Operating Expenses	% of Operating Expenses	Complies with code		Administrative Expenditures	Operating Expenses	% of Operating Expenses	Complies with code	Administrative Expenditures	Operating Expenses	% of Operating Expenses	Complies with code
1	\$ 246,185	13,087,887	1.88%	yes		696,434	13,087,887	5.32%	no	848,572	13,087,887	6.48%	no
2	170,915	8,353,919	2.05%	yes		293,911	8,353,919	3.52%	yes	496,677	8,353,919	5.95%	no
3	157,686	4,911,086	3.21%	yes		349,999	4,911,086	7.13%	no	349,999	4,911,086	7.13%	no
4	146,168	4,833,412	3.02%	yes		248,427	4,833,412	5.14%	no	248,427	4,833,412	5.14%	no
5	87,650	9,707,486	0.90%	yes		266,505	9,707,486	2.75%	yes	326,659	9,707,486	3.37%	yes
6	151,487	6,545,698	2.31%	yes		306,695	6,545,698	4.69%	yes	450,998	6,545,698	6.89%	no
7	83,636	12,874,457	0.65%	yes		217,359	12,874,457	1.69%	yes	217,359	12,874,457	1.69%	yes
9	183,909	19,248,790	0.96%	yes		799,902	19,248,790	4.16%	yes	1,168,091	19,248,790	6.07%	no
10	204,997	22,075,640	0.93%	yes		827,847	22,075,640	3.75%	yes	1,080,909	22,075,640	4.90%	yes
11	357,384	38,498,709	0.93%	yes		1,068,900	38,498,709	2.78%	yes	1,619,237	38,498,709	4.21%	yes
12	158,400	10,581,101	1.50%	yes		381,584	10,581,101	3.61%	yes	591,024	10,581,101	5.59%	no
13	217,713	12,296,481	1.77%	yes		507,213	12,296,481	4.12%	yes	1,337,817	12,296,481	10.88%	no
14	151,987	4,883,057	3.11%	yes		287,785	4,883,057	5.89%	no	519,636	4,883,057	10.64%	no
15	153,562	8,869,394	1.73%	yes		314,204	8,869,394	3.54%	yes	444,464	8,869,394	5.01%	no
16	117,572	6,613,518	1.78%	yes		287,512	6,613,518	4.35%	yes	568,952	6,613,518	8.60%	no
Total	\$ 2,589,251	183,380,635	1.41%			6,854,277	183,380,635	3.74%		10,268,821	183,380,635	5.60%	

Calculation 1 - Administrative expenditures includes expenditures/activities associated with the overall administration of or executive responsibility for the entire school district AEA as reported on the AFR, expenditure code 2320 - Executive Administration.

Calculation 2 - Administrative expenditures includes expenditures for the general administration service area as reported on the AFR.

Calculation 3 - Administrative expenditures includes expenditures for the general administration and central support service areas as reported on the AFR.

Source: Fiscal year 1997 annual financial reports from the Iowa Department of Education, fiscal year 1997 audit reports.

Note: Operating expenditures include total expenditures and uses for all service areas in the General Fund as reported in the audit reports. Amounts reported in the General Fund for special education instruction and juvenile home have not been included in operating expenses.

**Area Education Agencies
Fixed Assets
Year Ended June 30, 1997**

AEA	Buildings and Land	Furniture, Equipment, and Vehicles	Library books & films	Leasehold Improvements	Total	Number of Buildings Owned
1	\$ 3,544,721	2,900,486	3,420,051	-	9,865,258	11
2	1,431,425	1,910,436	2,083,243	-	5,425,104	6
3	328,894	964,532	1,868,983	-	3,162,409	3
4	1,190,799	1,971,320	- **	-	3,162,119	2
5	2,107,812	2,557,004	2,358,073	-	7,022,889	2
6	1,787,006	1,186,961	2,077,279	43,368	5,094,614	2
7	2,470,420	2,523,423	2,334,836	-	7,328,679	2
9	4,574,126	3,870,841	5,102,726	380,361	13,928,054	1
10	4,087,144	5,311,722	4,123,304	-	13,522,170	2
11	4,383,621	5,736,827	6,120,398	-	16,240,846	2
12	2,086,108	1,913,101	2,801,954	-	6,801,163	4
13	1,198,596	2,065,635	2,859,514	11,074	6,134,819	9
14	643,672	1,234,535	855,372	-	2,733,579	1
15	2,580,394	1,794,070	2,831,674	-	7,206,138	1
16	-	1,947,377	2,080,268	145,369	4,173,014	0
Total	\$ 32,414,738	37,888,270	40,917,675	580,172	111,800,855	48

Source: Audit reports, information obtained from AEA questionnaire

** - AEA 4 does not include a value since, individually, library book and film values are under the AEA's \$500 capitalization policy.

**Area Education Agencies
Buildings Owned
Year Ended June 30, 1997**

Building	Value	Year Purchased	Building	Value	Year Purchased
AEA 1					
Central Office - Elkader	\$ 803,542	1976	AEA 7		
Special Ed. Annex - Elkader	75,500	1980	Central Office - River Hills School, Cedar	\$ 2,320,420	1984
Pole Warehouse - Elkader	24,400	1985	Harned Property - Cedar Falls	150,000	1988
Field Office - New Hampton	45,600	1979		<u>2,470,420</u>	
Field Office - Waukon	45,600	1976	AEA 9		
Field Office - West Union	106,300	1976	Central Office - Bettendorf	<u>4,535,526</u>	1985 (b)
Field Office - Decorah	106,700	1976	AEA 10		
Field Office - Manchester	111,300	1977	Central Office - Cedar Rapids	3,492,756	1974
Field Office - Farley	45,600	1976	Satellite Building - Iowa City	352,038	1988
Field Office - Maynard	45,600	1980		<u>3,844,794</u>	
Field Office - Dubuque	1,850,600	1997	AEA 11		
	<u>3,260,742</u>		Central Office - Johnston	3,234,282	1986
AEA 2			Branch Office - Ames	1,149,339	1995
Central Office - Clear Lake	1,152,035	1983		<u>4,383,621</u>	
Portable classrooms (3) - Gerard	98,037	1977	AEA 12		
Multipurpose building - Gerard	44,628	1985	Central Office - Sioux City	1,855,000	1984
Educational classrooms - Gerard	136,725	1991	Service Center - Denison	45,000	1991 (a)
	<u>1,431,425</u>		Service Center - Ida Grove	60,000	1991
AEA 3			Service Center - Cherokee	101,400	1994
Central Office / School - Cylinder	310,767	1988		<u>2,061,400</u>	
Bus Barn - Cylinder	6,149	1988	AEA 13		
Dwelling - Cylinder	11,978	1988	Central Office - Halverson Center for Edu	1,068,202	1986
	<u>328,894</u>		(8 buildings) - Council Bluffs		
AEA 4			Peterson Center - Council Bluffs	110,000	1987
Central Office - Sioux Center	936,275	1994		<u>1,178,202</u>	
Warehouse and parking lot - Sioux C	227,774	1997	AEA 14		
	<u>1,164,049</u>		Central Office - Creston	<u>573,462</u>	1980
AEA 5			AEA 15		
Central Office - Fort Dodge	500,000	1996	Central Office - Ottumwa	<u>2,580,394</u>	1994
Field Office - Storm Lake	1,607,812	1996	AEA 16		
	<u>2,107,812</u>		None	<u>0</u>	
AEA 6					
Central Office - Marshalltown	1,739,756	1974			
Field Office - Eldora	47,250	1996			
	<u>1,787,006</u>				

Source: AEA questionnaires, fiscal year 1997 audit reports.

(a) The Denison facility had not been capitalized in the 6/30/97 audit report.

(b) AEA 9 has not capitalized the full amount of the capital lease on the Bettendorf facility; therefore, this amount is understated.

**Area Education Agencies
Leases
Year Ended June 30, 1997**

AEA	Operating Leases			Capital Leases		
	1997 Rent	Future Minimum Rental Payments	Leased Items	1997 Payments	Future Minimum Lease Payments	Leased Items
1	** \$ -	-		216,651	4,613,197	Constuction of Dubuque facility, future construction of Elkader and Decorah buildings, 2 copiers
2	** 113,608	213,529	L,S	104,339	449,103	Addition to Clear Lake central office, 2 copiers
3	33,226	33,001	S	-	-	
4	68,948	206,844	S	68,500	679,838	Central office in Sioux Center
5	159,254	148,112	E,S	45,000	1,455,000	Storm Lake office
6	102,396	218,645	E,S	23,505	23,745	Eldora office
7	251,066	-	S	233,935	2,305,000	Two buildings for non-instructional operations
9	* 42,000	64,375	S	333,629	2,828,072	Phone system, network publisher, duplicator, Bettendorf facility
10	** 29,177	-	S	274,425	2,158,396	Central office in Cedar Rapids, printing press, video library
11	** 169,916	503,059	S	182,319	546,957	Ames branch office
12	81,607	492,079	E,S	5,000	10,000	Denison service center
13	57,082	179,882	S	-	-	
14	29,400	7,400	S	-	-	
15	72,996	69,708	S	80,000	2,320,000	Land and building for central office (Ottumwa)
16	100,386	312,800	S	-	-	
Totals	\$ 1,311,062	2,449,434		1,567,303	17,389,308	

Source: AEA questionnaires, fiscal year 1997 audit reports.

L = Land S = Classroom or Office Space
E = Equipment

* - The audit report includes \$19,475 for two facilities that were excluded from the questionnaire response.

** - Information was obtained through questionnaire or interview as it was not included in the 1997 audit report.

**Area Education Agencies
Capital Outlay
Years Ended June 30, 1997 and June 30, 1987**

AEA	Fiscal Year 1997				% of Total Expenditures	1987 Capital Outlay	
	General	Special Revenue	Capital Projects	Total		Total All Funds	% Change
1	\$ 333,651	1,941	282,936	618,528	2.36%	(1) \$ 486,652	27.10%
2	288,272	-	-	288,272	2.77%	283,281	1.76%
3	134,576	6,052	-	140,628	2.66%	188,930	-25.57%
4	119,764	101,390	-	221,154	2.91%	163,370	35.37%
5	380,062	19,260	1,607,812	2,007,134	14.73%	(2) 235,408	752.62%
6	181,866	2,883	-	184,749	2.73%	261,901	-29.46%
7	568,566	88,235	313,885	970,686	2.67%	(3) 470,814	106.17%
9	383,021	1,942	1,937,650	2,322,613	11.19%	(4) 774,097	200.04%
10	316,838	114,186	-	431,024	1.84%	624,455	-30.98%
11	750,328	51,882	-	802,210	2.01%	2,305,348	-65.20%
12	177,699	4,983	-	182,682	1.67%	307,422	-40.58%
13	439,333	5,540	-	444,873	3.70%	497,658	-10.61%
14	186,411	4,597	-	191,008	3.51%	176,218	8.39%
15	289,320	89,902	-	379,222	3.98%	346,564	9.42%
16	242,585	-	-	242,585	3.41%	224,962	7.83%
Total	\$ 4,792,292	492,793	4,142,283	9,427,368	4.09%	\$ 7,347,080	28.31%

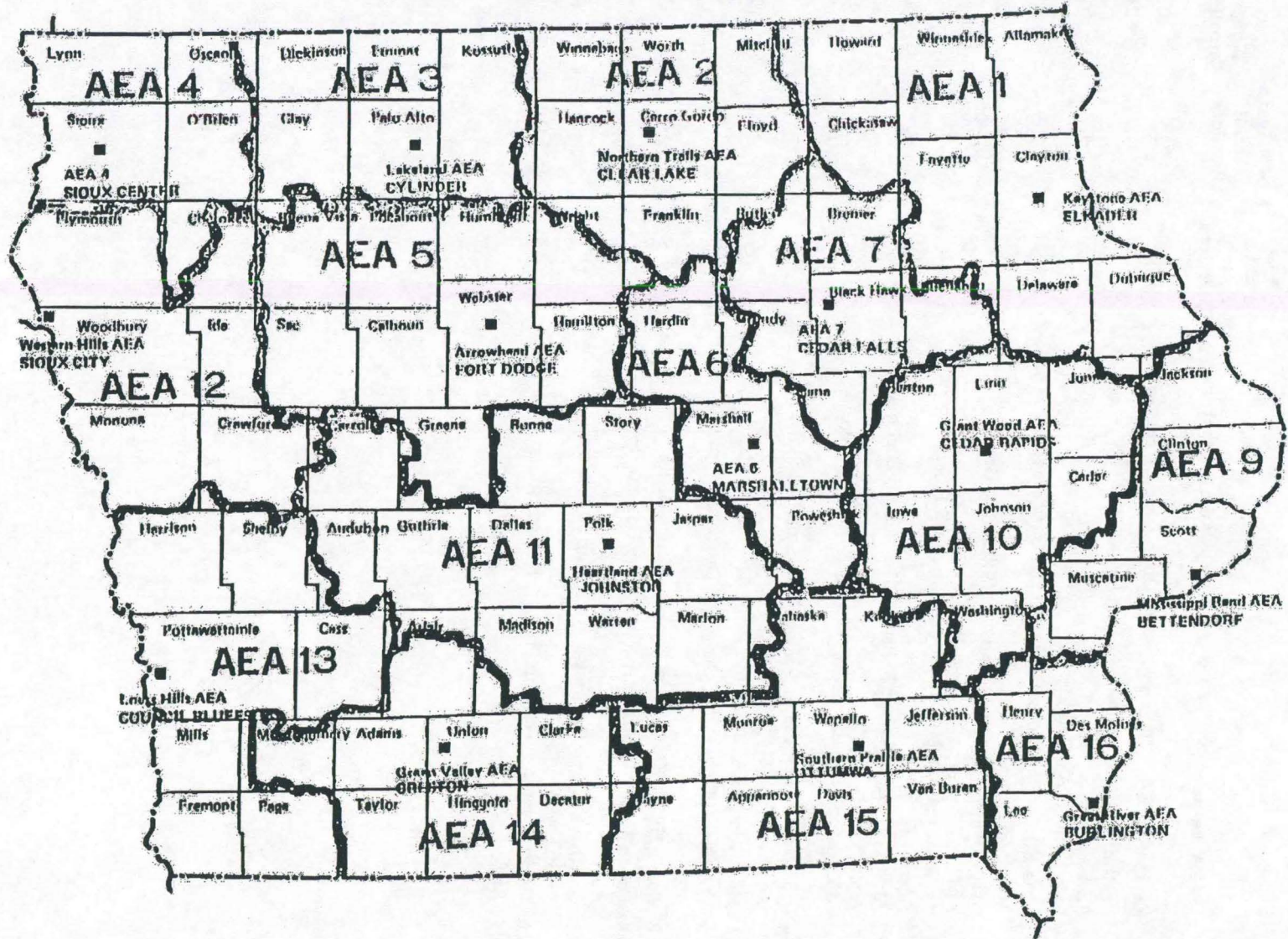
Source: Fiscal year 1997 and 1987 audit reports

- (1) - Capital Projects fund activity was for the construction and remodeling of the Elkader and Decorah facilities
- (2) - Capital Projects fund activity was for construction of field office in Storm Lake.
- (3) - Capital Projects fund activity was for the renovation and addition to the administrative center.
- (4) - Capital Projects fund activity was for Bettendorf building expansion project.

AEA INFORMATION

AEA #	AEA Name	City	Administrator	# of Public School Districts	# of Private School Districts	Weighted Enrollment
1	Keystone AEA	Elkader	Donald W. Mueller, Ph.D.	25	33	38,281
2	Northern Trails AEA	Clear Lake	Dr. Dean Meier	24	9	24,702
3	Lakeland AEA	Cylinder	Al Wood	19	7	14,066
4	Area Education Agency 4	Sioux Center	Dr. Gary Hayden	14	21	12,560
5	Arrowhead AEA	Fort Dodge	William J. Garner	31	12	28,884
6	Area Education Agency 6	Marshalltown	Richard Ploeger	16	4	18,945
7	Area Education Agency 7	Cedar Falls	Dr. Ronald Dickinson	23	16	39,952
9	Mississippi Bend AEA	Bettendorf	Glenn M. Pelecky	22	18	57,966
10	Grant Wood AEA	Cedar Rapids	Ronald S. Fiedler	33	21	67,428
11	Heartland AEA	Johnston	Dr. Wayne Rand	56	31	123,471
12	Western Hills AEA	Sioux City	Bruce E. Hopkins	24	17	34,625
13	Loess Hills AEA	Council Bluffs	James Bleitz	31	9	37,036
14	Green Valley AEA	Creston	Dr. Bob Steele	22	1	13,713
15	Southern Prairie AEA	Ottumwa	Harold Westra	24	4	26,898
16	Great River AEA	Burlington	Robert Bonta	13	6	21,056

Area Education Agencies



Iowa Department of Education's Responsibilities

Program	Requirement	Code of Iowa Chapter	Iowa Administrative Code Chapter	Compliance
All	The Department of Education shall act in a policymaking and advisory capacity and exercise general supervision over Area Education Agencies.	256.1(1)	N/A	See (1) Below
All	The Director of the Department shall review and approve the media services program plans submitted each year by the AEA.	273.4 (3)	N/A	Yes
All	The Department shall develop and establish an accreditation process and monitor the AEAs to determine whether they should be accredited.	273.1	281-72	Yes
Juvenile Home	The Department shall review and approve budgets submitted by the AEAs for juvenile home funding by February 1 each year.	282.28	N/A	Yes
Special Education	The Department shall conduct monitoring activities based on predetermined standards and procedures.	N/A	281-41.143	Yes

(1) The Department provided basic consulting services to the AEAs; however, Department personnel have indicated in interviews that they have little influence concerning the operation and reporting of the AEAs.

OTHER FUNDING SOURCES

Educational Excellence Program (Phases I, II, and III) (state) - The Educational Excellence Program funds are appropriated by the Legislature each session. Phase I, II, and III funds are used for the recruitment and retention of quality teachers and for enhancing the quality of education through performance based pay plans. Phase I funds are specifically for ensuring that each teacher receives the minimum salary as set by the legislature. For teachers employed by the AEA whose compensation is below the minimum, the Department will supplement the difference with Phase I funds.

Phase II funds are for the retention of quality teachers and are allocated to each school district based on the number of pupils at each school district. The amount received by the AEA is determined based on the portion of the salaries of teachers employed by the AEA and assigned to the school district to the total teachers salaries paid in the school district in the school year.

Phase III funds are the remaining funds within the Educational Excellence Program. The AEA may utilize these funds for performance based pay plans, additional salary for all teachers assigned to a specific discipline within the AEA, or those teachers assigned to a multidisciplinary team. Per the *Code of Iowa* Chapter 294A.16, an AEA receiving funds for an approved Phase III plan is eligible to retain up to fifty percent of all funds allocated to them for use during the next school year. If any funds are remaining after the second year the AEA must revert the money to the general fund of the State.

Education of the Handicapped (IDEA, Part B; IDEA Preschool) (federal) -These funds are provided through the Individuals with Disabilities Education Act (IDEA).

- **Special Education – Grants to States (IDEA, Part B)** - The funds are used to (1) ensure that all children with disabilities have available to them a free appropriate public education; (2) to ensure that the rights of children with disabilities and their parents or guardians are protected; (3) to assist in providing for the education of all children with disabilities; and, (4) to assess and ensure the effectiveness of efforts to educate children with disabilities. This funding is provided to AEAs only and is determined through based on the weighted enrollment for each AEA. The AEAs submit a funding request with a budget and application and receive reimbursement throughout the year based on expenditure claims submitted to the Iowa Department of Education (Department).
- **Special Education – Preschool Grants Program (IDEA Preschool)** - provides grants to States to assist them in: (1) providing special education and related services to children with disabilities ages three through five; (2) planning and developing a statewide comprehensive delivery system for children with disabilities from birth through five years; and, (3) providing direct and support services to children with disabilities aged three through five. This funding is provided to AEAs only and is determined based on the weighted enrollment for each AEA. The AEAs submit a funding request with a budget and application and receive reimbursement throughout the year based on expenditure claims submitted to the Department.

Eisenhower Professional Development (Title II) (federal) – Funding under this program is provided for the intended purpose of supporting sustained and intensive high-quality professional development for educators in the core academic subjects. The funds that are received by the AEA are for administering the program on behalf of the school districts. At the beginning of each award year, each school district is given the opportunity to elect to have their funding granted to the AEA rather than to them. This is determined on a district by district basis.

Juvenile Home Instruction (state) – This funding is for educational services provided to local juvenile homes by the AEAs. Each AEA submits a proposed budget to the Department, which is based on factors such as the prior year expenditures, known staff salary increases, and/or an inflationary factor for increased costs. The Department is responsible for reviewing and

approving the budgets. Upon approval, the AEA receives ten equal payments throughout the school year.

Sale of Services/Materials - The AEAs provide a number of additional services to the school districts for which they receive payment. In most cases, the fee charged to the school district is limited to the cost of materials and a small administration fee. The majority of these funds are received for data processing and media services such as photocopying and graphic production, as well as from the sale of books, videos, films, and other media materials.

School Improvement Technology Program (state) - The School Improvement Technology Program funds are appropriated by the Legislature each session. Each AEA has developed a plan that describes how they intend to support school districts with instructional technology staff development and training. The funds received by an AEA are to be used to support school districts within the area in providing technology planning and equipment, including hardware and software, materials and supplies related to instructional technology, and staff development and training related to instructional technology.

Tuition - Eleven of the fifteen AEAs received tuition revenue in fiscal year 1997. The AEAs identified the following sources for this tuition:

- Seven AEAs received tuition from staff members of the AEA and school districts staff for developmental program attendance.
- Eight AEAs received tuition for providing instructional services to special education pupils. The revenue is received from the school district for the pupils participating from that school district.
- One AEA indicated tuition was received for providing licensing renewal programs.

DEFINITIONS

Allowable growth – The state percent of growth (per *Code of Iowa*, Chapter 257.8(1)) multiplied by the program cost per pupil for the base year. (257.2(1) *Code of Iowa*)

Base year – The school year ending during the calendar year in which a budget is certified. (257.2(2) *Code of Iowa*)

Basic enrollment – Actual certified enrollment from the previous school year. This number includes pupils enrolled in private as well as public school districts and is determined on the third Friday in September. (257.6(2) *Code of Iowa*)

Budget enrollment – Basic enrollment for the school district in September of the previous year. (257.6(4) *Code of Iowa*)

Combined district cost per pupil – An amount determined by adding together the regular program district cost per pupil for a year and the special education support services district cost per pupil for that year as calculated under *Code of Iowa*, Chapter 257.10. (257.2(5) *Code of Iowa*)

Combined state cost per pupil – The per pupil amount determined by adding together the regular program state cost per pupil for a year and the special education support services state cost per pupil for that year as calculated under *Code of Iowa*, Chapter 257.9. (257.2(6) *Code of Iowa*)

Controlled Funding – Funding provided to the AEAs based on the state foundation aid funding formula.

Discretionary Services – Services provided by AEAs as requested by school districts that are not required of an AEA.

District cost per pupil – Prior year program cost plus allowable growth.

Educational services – Services that provide leadership and educational support activities to assist school districts to develop, modify, continue or enhance current educational programs.

Foundation dollars – Weighted enrollment multiplied by the state AEA special education support foundation cost per pupil (=allowable growth squared / prior year program cost per pupil).

General administration/Central support – The operational costs incurred by the AEA to maintain the facility and the salaries of those employees not working on for one specific service area. The AEAs may also use the cost center of plant operations and maintenance to account for the expenditures associated with the building and grounds.

Media services – AEAs maintain and update a center that provides a lending library for resource materials such as books, movies, videos and audiovisual equipment. The AEAs also provide consultative services and a delivery service to enable the materials and equipment to be circulated.

Program cost per pupil – Prior year AEA cost per pupil plus the state growth per pupil for the budget year.

Special education instruction – Services provided by the AEA including the operation of special education programs and classes for special education pupils. Those providing instruction are employees of the AEA rather than the school district and services may be provided at the school districts or in a facility maintained by the AEA. (256B.4 *Code of Iowa*)

Special education support - Services provided by the employees of an AEA that include identification, evaluation, remediation, consultation, systematic progress monitoring, continuing education and referral services. These employees may also engage in data collection, applied research and program evaluation.

State payments to AEA - Total funding provided to the AEA based on calculations in each of three service areas - special education, media services, and educational services. The calculated AEA foundation dollars are paid from state aid provided to the school districts. Remaining funding is provided from property taxes.

State percent of growth - Percent of growth that is established by statute pursuant to *Code of Iowa*, Chapter 257.8 and is used in determining the allowable growth.

Total enrollment served (educational and media services) - Budget enrollment plus resident approved non-public pupils less pupils attending both public and non-public schools that are included in the budget enrollment figure.

Weighted enrollment - Budget enrollment plus the additional weighting assigned for special education pupils requiring additional/specialized programs based on need as assessed by the AEA. (257.6(5) *Code of Iowa*)

Weighting Plan - In order to provide funds for the excess costs of instruction of children requiring special education above the costs of instruction of pupils in a regular curriculum, the following special education weighting plan has been adopted as follows:

1.00 Pupils in a regular curriculum

1.68 weighting includes:

- Pupils who require special adaptations while assigned to a regular classroom for basic instructional purposes.
- Pupils with disabilities placed in a special education class who receive part of their instruction in regular classrooms.
- Pupils who require specially designed instruction while assigned to a regular classroom for basic instructional purposes.

2.35 weighting is assessed for pupils requiring:

- Full-time, self-contained special education placement with little integration into a regular classroom.
- Substantial modifications, adaptations, or special education accommodations in order to benefit from instruction in an integrated classroom.

3.74 Children who have severe, multiple, or severe and profound disabilities.

Shared-time and part-time pupils of school age requiring special education are accounted for based on the portion of time for which they are enrolled or receive instruction for the school year. The number of children from the school district included in each category is multiplied by the weighting assigned to that category to calculate the weighted enrollment used for the school district in calculating the state school foundation aid funding. The portion of this funding that is provided to the AEA for administering special education programs is based on the weighted enrollment multiplied by the program cost per pupil for the school district. (256B.9 *Code of Iowa*)

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