

In Re:	Wapsie Valley Comm. ) School District ) Budget Appeal ) FY 2000-2001 )	Order   June 21, 2000
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**BEFORE THE DIRECTOR OF THE IOWA DEPARTMENT OF MANAGEMENT, CYNTHIA P. EISENHAUER; STATE TREASURER, MICHAEL L. FITZGERALD; AND STATE AUDITOR, RICHARD D. JOHNSON**

The above captioned matter was heard on May 10, 2000, before a panel consisting of Ronald J. Amosson, Executive Secretary to the State Appeal Board and presiding officer; Stephen E. Larson, Executive Officer III, Office of the State Treasurer; Donna Kruger, Senior Auditor II, Office of the State Auditor, and Lisa Oakley, School Finance Director, Iowa Department of Management.

The hearing was held pursuant to Chapter 24 of the Code of Iowa. Superintendent Steven M. Wehr represented the District. The primary spokesperson for the petitioners was Gene R. Wilson.

Upon consideration of the specific objections raised by the petitioners, the testimony presented to the hearing panel at the public hearing, and after a public meeting to consider the matter, the State Appeal Board has voted to reduce the budgeted expenditures as described herein.

**PROCEDURAL HISTORY**

The FY2001 proposed budget summary for the Wapsie Valley Community School District was published in the Waterloo Courier on March 24, 2000 and March 31, 2000. The required public hearing was held on April 10, 2000, and the budget was adopted without change on that same date. The budget was filed with the Bremer County Auditor's office on April 12, 2000.

A petition protesting the certified FY2001 Wapsie Valley Community School District budget was filed with the Bremer County Auditor on April 24, 2000, and was received by the State Appeal Board on April 25, 2000. The petition stated "We, the undersigned, protest the action of the officials of the Wapsie Valley School Board and Superintendent in certification of their 2000-2001 budget and request an appeal hearing." Prior to the County Auditor's receipt of the petition, Gene R. Wilson sent a letter to the Auditor stating that he protested the school district's budget and he outlined several reasons why.

- The estimated \$200,000 savings resulting from closing the Oran Junior High School building was not reflected in the budget.
- The superintendent proposes to spend \$277,000 more than the estimated revenue the District will receive, but the superintendent admitted that he probably won't spend it but he wants the spending authority.

- The superintendent is proposing to deficit spend the Property, Plant, and Equipment Levy (PPEL) by \$154,084

## DISCUSSION

### Petitioners

At the budget appeal public hearing, petitioner Gene Wilson made opening comments. He expressed disappointment that the School District did not provide opening comments to the hearing panel or the petitioners prior to the hearing as requested by the hearing panel. Mr. Wilson then read the petitioners' opening remarks, which were previously submitted as requested. He referred to exhibit A, a schedule of FY2001 expenditures, which outlined various scenarios for saving school costs. One of the scenarios was to close the Junior High School building in Oran, Iowa and to provide classroom space for the Junior High pupils at the Senior High School in Fairbank, Iowa. The schedule, prepared by the school district for the study committee, showed that the estimated costs of the school district would be \$4,700,200 if no changes in attendance centers were made. It also showed that a savings of \$212,200 could be achieved with the Junior High School building closed, resulting in total estimated expenditures of \$4,488,000, including \$228,500 flow-through money to the Area Education Agency (AEA).

Mr. Wilson then referred to exhibit B, which he said was the adopted budget for FY2001. He referenced line 36; the total of budgeted expenditures for the budget year. The amount shown was \$5,573,377, which included \$223,977 in flow-through funds to the AEA. Mr. Wilson said that it appeared that the amount of increase was \$873,777 over the proposed expenditures and that this was reprehensible and unacceptable. He proposed that the district be held to the estimate of \$4,700,200 less the \$212,200 savings by closing the Junior High School building leaving a budget of \$4,488,000.

Petitioners' exhibit C was a copy of an article in the February 21, 2000 issue of the "Wapsie Valley Administrative Newsletter". The article indicated that if the Junior High School building was closed and the students (89 of them) were moved to the High School there would be some initial remodeling costs associated, which would probably be less than \$10,000. Mr. Wilson proposed that all remodeling costs, including architect fees and labor provided by janitorial staff be limited to \$10,000 or less as stated by Mr. Wehr.

Mr. Wilson continued his comments by referring to certain expense categories on the proposed budget. He noted the expenses for instruction increased \$155,000 for the teaching staff. He said this is an increase of \$2,924 per teacher if the school district is reducing staff. He pointed out that administration costs increased \$46,500, which he believed was prohibitive, but increased a total of

\$127,255 if one administrator and secretary are eliminated due to the closing of the Junior High School.

Mr. Wilson mentioned plant operation and maintenance expenditures, which he said increased \$53,500 with one less building. According to exhibit A, the elimination of one building was projected to save \$33,414 in this area. Mr. Wilson said that with the closing of the building the actual increase in this expenditure area was \$86,914.

According to Mr. Wilson, the list goes on but nothing compares to central support services with an expenditure increase of 247%.

Mr. Wilson continued by providing certain historical data regarding the expenditure increases in costs per student, teacher, and administrator. He also compared expenditure increases with the rate of inflation. Mr. Wilson ended his opening remarks by asking the State Appeal Board to render a decision in the petitioners favor.

### **School District**

Superintendent Steven M. Wehr responded to the petitioners' opening comments by stating that the petitioners bore the burden of proof because the budgeted expenditures were less than the prior year budgeted expenditures.

When questioned about the process of closing the Junior High School building in Oran, Mr. Wehr said that he decided in February to form a study committee to review this issue in light of decreasing enrollment, lower property taxes and negative spending authority. A committee was formed, comprised of ten citizens appointed by the School Board and several School Board members. Various scenarios of reducing expenditures, including closing the Junior High School building, were given to the committee by the School Board for consideration. In March a decision was made by the Board to close the Junior High School building. A number of citizens questioned the process used to make this decision. They cited, among other things, no opportunity for public input at the committee meetings.

Mr. Wehr said the cost savings for closing the Junior High School building were not reflected in the budget because the amounts were not known at the time the budget was adopted.

When asked why the School District overestimates expenditures and underestimates revenue, he responded that it was so the District wouldn't have to amend the budget. He said that 90% of the school districts budget this way. Mr. Wehr said the budgeted amounts were meaningless, they were "guesstimates". He said few citizens attended the public hearings or understood

the re-estimating process. In relation to property taxes, he said that with \$10 out of every \$12 being formula driven, not much can be done with the budget.

Members of the audience voiced support for the petitioners.

In response to a request from the hearing panel, the School District supplied additional information regarding the Fiscal Year 1995 actual revenues and expenditures.

### **FINDINGS OF FACT**

- The School District has developed and certified a budget that results in an ending General Fund deficit balance of \$275,014.
- The School District has developed and certified a budget that results in an ending PPEL Fund deficit balance of \$154,084. The use of this fund is restricted for specific purposes other than general fund operations, resulting in expenditure levels that may vary from year to year.
- The estimated FY2000-2001 expenditures are lower than the budgeted expenditures for the prior year. The burden of proof on showing why the District's budget should be decreased is on the petitioners.
- The School District closed the Junior High School building in Oran, Iowa, effective for the school year beginning 2000-2001.
- A lawsuit was filed on closing the Junior High School building and a hearing was scheduled for June 13, 2000.
- The District's presentation at the budget hearing included budget and actual figures from several different fiscal years. The actual receipts and disbursements presented for fiscal years 1996 – 1999 were inconsistent with the District's audited financial statements.

### **BASIS FOR DECISION**

- The data on local government budgets (including school districts) is used and relied upon by other interested parties other than citizens of the school district.
- Budget estimates must be as accurate and reliable as possible. The budgets are not meaningless as alleged.
- The District stated that the \$212,200 estimated savings for closing the Junior High School building have not been included in the fiscal year 2001 budget.

- In accordance with chapter 24 of the Code of Iowa, the District may amend its FY2001 budget during the fiscal year, but such amendment would be subject to citizen appeal.


**ORDER**

Based on the financial position of the School District and information provided by the parties involved, the State Appeal Board orders that the total General Fund expenditures for FY 2000-2001 be reduced by \$275,014, which will result in a balanced General Fund budget. The total reduction is comprised partially of the \$212,200 cost savings identified by the District for the closing of the Junior High School building. These cost savings were not included in the District's budget and are summarized as follows:


Instruction	\$98,031
Support Services	<u>114,169</u>
Total savings identified by the District	\$ 212,200
Additional reduction to be determined by the District	<u>62,814</u>
 Total Expenditure Reduction	 \$ <u>275,014</u>

Specific reductions in expenditures in the above areas are to be determined by the District and reported to the Department of Management.

**STATE APPEAL BOARD**

  
 Cynthia P. Eisenhauer  
 Chairperson

  
 Michael L. Fitzgerald  
 Vice Chairperson

  
 Richard D. Johnson  
 Member

June 21, 2000  
 Date

**Wapsie Valley Community School District  
Fiscal 2001 Budget Protest  
Budget to Actual Analysis  
Total Budget**

Exhibit A

**Receipts**

Fiscal Year	Budget	Actual/Estimated	Percent Difference	Source of Actual Amounts	Other Financing Source
1996	\$ 4,737,550	4,532,998	-4.318%	Audited Financial Statements	\$ -
1997	4,944,580	4,784,216	-3.243%	Audited Financial Statements	-
1998	5,094,796	4,838,371	-5.033%	Audited Financial Statements	25,000
1999*	5,238,268	5,033,376	-3.911%	Audited Financial Statements	-
2000	5,650,000	5,416,768	-4.128%	Estimated (1)	-
2001	5,350,674	5,350,674	0.000%	Estimated (2)	-

(1) Estimated at 95.872%, average of 1996-1999.

(2) Estimated receipts at budgeted figure due to approximately \$300,000 budget reduction from 2000

**Disbursements**

Fiscal Year	Budget	Actual/Estimated	Percent Difference	Source of Actual Amounts	
1996	\$ 4,589,801	4,439,542	-3.274%	Audited Financial Statements	
1997	5,000,000	4,912,146	-1.757%	Audited Financial Statements	
1998	5,100,000	4,964,184	-2.663%	Audited Financial Statements	
1999*	5,299,643	5,053,534	-4.644%	Audited Financial Statements	
2000	5,750,000	5,203,977	-9.496%	Re-estimated	
2001	5,573,977	5,401,072	-3.102%	Estimated (1)	
2001 - Alt.	5,298,963	5,401,072	1.927%	Estimated (1)	(2)

(1) Estimated at 96.898%, average of 1996-1999.

(2) Budgeted disbursements reduced by \$275,014

**Fund Balances**

Fiscal Year Ended June 30,	Budget	Actual/Estimated	Difference	% Budgeted Balance to Disbursements	% Actual Balance to Disbursements
1996	\$ 333,355	414,754			
1997	(55,420)	286,824	(342,244)	-1.108%	5.839%
1998	347,116	186,011	161,105	6.806%	3.747%
1999*	202,499	(216,199)	418,698	3.821%	-4.278%
2000	50,000	(3,408)	53,408	0.870%	-0.065%
2001	(277,898)	(53,806)	(224,092)	-4.986%	-0.996%
2001 - Alt.	(2,884)	(53,806)	50,922	-0.052%	-0.996%

\* 1999 is the first year the District budgeted on a GAAP basis