The above-captioned matters were consolidated and were heard on December 22, 1999, before a hearing panel comprised of Joe DeHart, consultant, Bureau of Planning, Research & Evaluation; Donna Eggleston, consultant, Bureau of Administration & School Improvement Services; and Susan E. Anderson, J.D., designated administrative law judge, presiding. Appellants, Jayne Whetstone, Dawn Renslow, and Janna Nelson, were present and were represented by Attorney James Sayre of Sayre Law Firm, Des Moines, Iowa. Appellee, Stuart-Menlo Community School District [hereinafter "the District"], was present in the person of John Sheldahl, superintendent. Appellee was represented by Attorney Brian Gruhn of the Gruhn Law Firm, Cedar Rapids, Iowa.

Appellants in this appeal are residents of the Stuart-Menlo District and parents of students in the District. Appellants seek reversal of decisions of the Board of Directors [hereinafter, "the Board"] of the District made on October 27, 1999, that failed to continue a whole grade sharing agreement with the Dexfield Community School District.

An evidentiary hearing was held pursuant to departmental rules found at 281 Iowa Administrative Code 6. Authority and jurisdiction for the appeal are found at Iowa Code section 290.1(1999). The administrative law judge finds that she and the State Board of Education have jurisdiction over the parties and subject matter of the appeal before them.
I. FINDINGS OF FACT

The two districts involved in the whole grade sharing agreement are Stuart-Menlo and Dexfield. Dexfield is a consolidation of the former Redfield and Dexter Districts. Stuart-Menlo is also a consolidation of two formerly independent districts. For the past seven years, Dexfield and Stuart-Menlo have shared their high schools and middle schools. The Dexfield District is located to the north and east of Stuart-Menlo. Under the agreement, they refer to themselves as the “West Central School District.”

The districts entered into a two-way whole grade sharing agreement seven years ago. The 1999-2000 school year will be the final year of whole grade sharing unless the agreement can be extended by the parties on or before February 1, 2000.

The whole grade sharing agreement now in place is also the second whole grade sharing agreement the two districts have signed. The first whole grade sharing agreement was executed in January 1993, and covered the school years 1994-95 through 1996-97. The terms of the initial agreement are almost identical to the terms contained in the agreement that is now in place. Both agreements require the parties to announce an intent to continue whole grade sharing by August of the last year of the agreement’s term.

Dexfield and Stuart-Menlo are currently in the last year of their second two-way sharing agreement that the parties executed in January 1997. Under the terms of that agreement, Dexfield sends its high school students (grades 9 through 12) to Stuart-Menlo’s high school in Stuart. Stuart-Menlo, in turn, sends its middle school students (grades 6 through 8) to Dexfield’s middle school in Redfield. Each school, however, maintains its own elementary school and does not share any facilities with respect to students enrolled in kindergarten through the fifth grade.

West Central, therefore, is comprised of the following attendance centers: a K-5 school in Menlo; a 2-5 school in Dexter; a pre-kindergarten, kindergarten and 1st grade in Redfield adjacent to the middle school which holds grades 6, 7, and 8; and the high school (grades 9-12), located in Stuart.

The testimony showed that the West Central District under the whole grade sharing agreement in the 1999-2000 school year has a total of approximately 1,000 students. The break down is approximately 315 high school students (grades 9-12); there are approximately 214 middle school students (grades 6-8); and there are approximately 450 elementary students (grades K-5). Stuart-Menlo makes up 200 of the high school students; Dexfield, 115. Stuart-Menlo has 128 middle school students; Dexfield, 86. In
the elementary school, Stuart-Menlo has 240 students; Dexfield, 210.

The whole grade sharing agreement permits Stuart-Menlo to bill Dexfield for a percentage of the costs the districts incur in operating its high school. The percentage Stuart-Menlo bills is based on the number of Dexfield students who attend the high school. A similar arrangement exists with respect to the middle school, and Dexfield is permitted to bill Stuart-Menlo for the costs it incurs operating that facility based on the number of Stuart-Menlo students who attend the middle school.

Guy Ghan Consulting Company did a Reorganization Study in 1997 for the Stuart-Menlo District and Dexfield District as they were considering a consolidation vote. In the spring of 1999, the Boards of Director for Dexfield and Stuart-Menlo considered whether to continue whole-grade sharing beyond the term of the agreement now in place. In March 1999, the Dexfield Board concluded that whole grade sharing remained in its best interest and officially announced its intent to enter into new whole grade sharing negotiations with Stuart-Menlo. The Dexfield Board’s decision was consistent with the stated desires of its residents. When polled, the majority of those residents stated that they believed the Dexfield/Stuart-Menlo whole-grade sharing was successful for the students of each district. The citizens, by and large, also believed that the two districts had a future together and that either the whole-grade sharing arrangement should be continued, or that the two districts should be consolidated into one new district.

Because it believed the citizens should be given an opportunity to decide the fate of each district, the Dexfield and Stuart-Menlo Boards of Directors submitted the consolidation issue to the voters and supported a petition to that effect. The Dexfield Board also concluded that any further discussion regarding the whole-grade sharing should be postponed until the consolidation vote was conducted. Stuart-Menlo’s Board of Directors reached a similar conclusion.

A petition for reorganization was eventually filed by the registered voters of each community and a reorganization vote was conducted on September 14, 1999, as part of the regularly scheduled general election. A majority of the total number of votes cast in each district is necessary for a consolidation. Even though consolidation was supported by each Board, 56% of the total voters in both school districts rejected the petition for reorganization. At that time, 62% of the Dexfield residents voted “for” consolidation of the two districts, but a majority of the Stuart-Menlo residents voted “against” it (53% voted no). The
consolidation was supported by the communities of Dexter and Redfield, but it was rejected by the communities of Stuart and Menlo.

If a consolidation proposition fails, a new petition describing the identical or similar boundaries shall not be filed for at least six months from the date of the election. The law requires a six-month waiting period between the first and second consolidation votes, which brings the time up to March 14, 2000. After the six-month waiting period, the law requires a period of ninety days for notice and hearings to take place before the vote can actually occur. Because of these requirements, a new consolidation vote could not be put on the ballot prior to July of 2000.

After the voters rejected the petition for consolidation, Stuart-Menlo presented Dexfield with four alternative arrangements under which Stuart-Menlo would continue whole-grade sharing. These alternatives were Stuart-Menlo’s initial proposals. The “options” the Dexfield Board received were as follows:

Option 1 - Establish a one-way whole-grade sharing agreement whereby Dexfield would send its high school students (grades 9 through 12) to Stuart, but Stuart would no longer send its middle school students (grades 6 through 8) to Dexter.

Option 2 - Continue two-way whole-grade sharing as it exists in the current agreement, but with the condition that Dexfield move the middle school from Redfield to Dexter by the beginning of the 2001-2002 school year.

Option 3 - Maintain the current whole-grade sharing agreement, but with slight financial modifications.

Option 4 - Dissolve whole-grade sharing in its entirety.

Del Hoover, Dexfield’s Superintendent of Schools, prepared a detailed report listing the positive and negative aspects of each proposal. In his report, Superintendent Hoover analyzed each option Dexfield received from the perspective of what was best for the students of each district. Superintendent Hoover concluded that Option 3 (continuing the whole-grade sharing agreement with financial modifications) was the only option of the four presented that was in the best interests of the District students (Exh. N). Dexfield’s Board agreed and voted to continue the whole-grade sharing agreement with slight modifications.

As soon as it became apparent to the Dexfield residents that consolidation would not occur prior to the school year 2000-01, efforts were begun to continue the current WGS agreement.
Pursuant to the statutory provisions governing the whole grade sharing process, "the board of directors of each school district that is negotiating, extending, or renewing a sharing agreement, shall publicly announce its intent to negotiate a sharing agreement" in a public meeting on or before November 1 of the year prior to the new agreement. Iowa Code section 282.11(1999). The Dexfield Board issued letters of intent in April and August of 1999.

By October 1999, the Stuart-Menlo Board had still not responded or issued a letter of intent and the November 1 deadline was coming up. On October 27, 1999, the Stuart-Menlo Board voted in open session on the following motions:

1. Stuart-Menlo motion to negotiate with Dexfield a two-way sharing agreement with financial modifications. Failed 1-4.

2. Stuart-Menlo motion to negotiate one-way sharing agreement with Dexfield for high school only. Passed 5-0.

3. Stuart-Menlo motion to negotiate two-way sharing agreement with the middle school moved from Redfield to Dexter. Passed 3-2.

During its meeting held on October 27, 1999, therefore, the Stuart-Menlo Board rejected, by a vote of 4 to 1, Dexfield’s offer to negotiate a two-way sharing agreement with financial modifications. The Stuart-Menlo Board, however, unanimously passed a motion to negotiate a one-way sharing agreement between the two districts. The Board also passed, by a vote of 3 to 2, a motion to negotiate a two-way sharing agreement, but made those negotiations contingent upon Dexfield moving its middle-school from Redfield to Dexter by the first day of school for the 2001-2002 school year.

In a letter dated October 28, Stuart-Menlo Superintendent John Sheldahl communicated the results of the Board’s meeting the night before. During the meeting the next day, October 28, 1999, the Dexfield Board considered the options available to it to continue whole-grade sharing with Stuart-Menlo. On the evening of October 28, 1999, the Dexfield Board met in open session and voted as follows:

1. Dexfield motion to negotiate two-way sharing agreement with financial modifications. Passed 5-0.

2. Dexfield motion to negotiate one-way sharing agreement for grades 9-12 to Stuart-Menlo. Failed 0-5.
3. Dexfield motion to continue a two-way sharing agreement for one year while Dexfield explores options with other districts. Passed 5-0.

4. Dexfield motion to continue sharing agreement with Stuart-Menlo for one year and study grade level restructuring. Failed 2-3.

5. Dexfield motion to negotiate sharing with Stuart-Menlo while pursuing reorganization vote. Passed 5-0.

In the opinion of the Dexfield Board, the two alternatives the Stuart-Menlo Board now offered were not in the District’s long-term best interests and did not serve the interest of the students. The Board believed a better and more productive partnership could be established with one or more of the other four school districts that share its borders.

On October 29, 1999, the Dexfield Board sent a letter to the Stuart-Menlo Board summarizing the Dexfield Board’s actions from the previous evening. The last paragraph of the letter contains the following statement:

The Dexfield Board is committed to two-way whole grade sharing and working toward long-term solutions for the future.

That letter was the last communication between the boards.

The Appellants want to preserve the current whole grade sharing arrangement between the Stuart-Menlo and the Dexfield Community School Districts because it allows the high school to offer 68 to 70 courses; it allows the high school to offer block scheduling, which means that the students are in each class for longer periods of time; it allows the high school students to be in a separate building from the middle school students; and it allows the middle school students to have an age-appropriate curriculum.

Ms. Corkins, a parent with several students in the Stuart-Menlo District, testified as a representative of a group called “Save Our Schools.” She emphasized the above four reasons for maintaining the current whole grade sharing agreement at least through the 2000-2001 school year. She testified that at the time of the hearing, petitions for a second consolidation vote were circulating and that they were intending to have a second consolidation vote as early as July of 2000. Ms. Corkins testified that it simply does not make sense for the two districts to separate for the 2000-2001 school year, if there is a possibility that a second consolidation vote will pass in July of 2000.
Dr. Jeanine Shelley, curriculum director for the Stuart-Menlo and Dexfield Schools, testified on behalf of the Appellants. Dr. Shelley has a Ph.D. in Curriculum and Instructional Technology. As curriculum director, she ensures that both districts meet Department of Education standards, she directs staff development, she attends meetings regarding the comprehensive school improvement plan, and she reports curriculum activities to the boards of education of both districts. Her opinion about discontinuing the current whole grade sharing agreement is that it would not be in the best interest of students and staff.

Dr. Shelley was employed by the Johnston Community School District before her current position and was extremely impressed by the curriculum at West Central, particularly in spite of the fact that West Central has a high-risk student population. She testified that 30% to 40% of the West Central student population are free and reduced lunch recipients. Because of the impressive curriculum at West Central, however, the high-risk student population has had high test scores. Dr. Shelley testified that on its own, Stuart-Menlo could meet the minimum accreditation standards at least for next year, but that “divided, each district will spend several years of precious student learning time struggling to meet state requirements and destroy the strong learning structure they worked so hard to build.”

Dr. Shelley also testified that the Stuart-Menlo population needs applied courses that are geared toward the student population who are not college-bound. The Stuart-Menlo Board’s plan if the District is on its own for the next school year is to drop the following high school courses that are currently in place under whole grade sharing:

- English – Creative Writing, Dramatic Literature, World Literature;
- Science – Principles of Technology and Applied Chemistry, (Both courses are geared toward non-college-bound students.);
- Business – Business Operations and Multi-Media;
- Foreign Language – possibly all four levels of French;
- Industrial Technology – Home Utilities and Robotics; and
- Music – Music Appreciation.

(Exhibit G-1, The Wireless, West Central’s newsletter.)
Dr. Shelley testified that for next year, the curriculum might not suffer too much because the teachers will be having basically the same preparations. The high school will, however, eventually fall into the more basic curriculum that will serve only the middle student population and won’t assist either high-risk students who are not college-bound or college-bound students.

This will occur partly because West Central currently offers block scheduling in the high school. Block scheduling basically means that instead of having eight 45-minute periods per day, there are four 90-minute periods per school day allowing for four classes of double length per day, alternating on an “A-Day” and “B-Day” basis. Dr. Shelley testified that for high school students, this is an ideal scheduling arrangement. This also allows the students to have a longer period of time to work on projects and discussions that it is difficult to complete in the shorter traditional 45-minute class periods. The teachers teach only six of eight “normal” periods, so they have extra preparation time and extra time to assist students who need additional help.

Dr. Shelley testified that if Stuart-Menlo were on its own, the high school teachers would have to teach seven classes with a preparation time of only 45 minutes to prepare. Also the teachers’ creativity will fall because there is not enough time in the day for them to prepare to do anything other than just a basic textbook approach.

Dr. Shelley also testified that she could think of absolutely no advantages to the students for Stuart-Menlo to be on its own again. There are no curriculum advantages, only disadvantages. (She stated that she was not qualified to talk about any financial advantages or disadvantages.) The staff development at West Central has been very good, but if Stuart-Menlo is on its own, it will not be able to bring in the same quality of people to conduct staff development programs. Dr. Shelley also testified that whole grade sharing has allowed teachers to teach in their areas of expertise. For instance, if an English teacher has expertise in composition, that teacher teaches composition but not literature (and vice versa). If a science teacher has expertise in biology, that teacher teaches biology but not computer classes (and vice versa). She testified that this opportunity to teach in areas of expertise would all have to change over time if Stuart-Menlo is independent again.

Mr. Larry Nulph was the superintendent for the Stuart-Menlo Community School District for 18 years, from 1981 until June 30, 1999, when he retired. He was the superintendent for the District during six of the last seven years under the whole grade sharing agreement. He testified that the Stuart-Menlo Community School District is experiencing decreasing enrollment. When he became superintendent in 1981, the District had 670 students, but when he
retired, the enrollment had decreased to 590 students. The District is graduating 50 seniors per year and only bringing in 35 to 40 students in kindergarten. The District is continuing to decrease in enrollment. In a declining enrollment situation, it would be best to join forces with another district in order to continue the quality of the curriculum.

Mr. Nulph testified that seven years ago it was Stuart-Menlo that originally approached Dexfield about entering into a whole grade sharing agreement. Stuart-Menlo approached Dexfield because Stuart-Menlo needed space and curriculum development, both of which goals have been reached through the whole grade sharing agreement. Mr. Nulph’s testimony was in agreement with Dr. Shelley’s testimony that the West Central District under whole grade sharing has offered expansive curriculum offerings and that the combination of the two districts in whole grade sharing had been a very positive experience for the students at West Central. He testified that there would be a negative impact of discontinuing the whole grade sharing agreement with a great loss in quality of programs. He testified that it is in the best interest of the students’ education to continue this quality of curriculum for at least a year to allow a second consolidation vote to occur this summer.

Mr. Nulph testified that the whole grade sharing controversy is all about “quality versus dollars.” He recognized that the data showed that it was costing the Stuart-Menlo District more to whole grade share than it had cost it alone. The Stuart-Menlo District’s and that their carryover balance had decreased from $870,000 when it began the whole grade sharing agreement to $500,000 currently. Mr. Nulph’s opinion was that the Stuart-Menlo District would be able to meet the minimum accreditation standards on its own. He still feels, however, that the extra amount of money has been justified because it was in the best interest of the students to continue offering the 69 high school courses it has now offered, rather than dropping down to the 50 courses which they would probably end up with if they tried to exist independently.

Mr. Nulph testified that the whole grade sharing agreement had allowed enriched programs for extracurricular activities that would have to disappear if Stuart-Menlo is alone. Mr. Nulph also testified that before the whole grade sharing agreement, some of the teachers had to teach in both the middle school and the high school, sometimes teaching in areas that although they were certified in, they had no expertise or degree in.

Mr. Nulph testified that there has been a location problem with the middle school being away from the center of the combined West Central District. He testified that the distance between Menlo and Redfield (for the Menlo students attending the middle school located in Redfield) was approximately 17 miles each way.
That translated into about 25 minutes, each way, and there is a concern for the length of time on the bus. Mr. Nulph testified that this distance affects about 32 middle school students who live in Menlo. The students who live in the rural area outside of Menlo are picked up in the country and taken to Menlo. The riding time to Menlo is in addition to the shuttle time from the elementary attendance center in Menlo to the middle school in Redfield. The transportation system works so that the first students on the bus in the morning in the rural area routes are also the first students off in the afternoon.

Mr. Nulph testified that the Stuart-Menlo District in his last year there had 20 more students open-enrolled out than in because parents were turning toward Adel and Earlham, because they are east of Stuart-Menlo and closer to Des Moines. Mr. Nulph also believed that the open enrollment requests are due at least partly to the location of the Menlo middle school since eight students are enrolled out because of the whole grade sharing agreement requirement that the middle school students must travel to Redfield.

Marla Frantum is the guidance counselor for the West Central Middle School under the whole grade sharing agreement. She is also the middle school athletic director. This is her seventh year as the guidance counselor for the middle school; therefore, she has been the guidance counselor during the entire time of the whole grade sharing agreement. She worked for the Dexitfield Community School District for two years before the agreement was in place. She also currently teaches some classes at the middle school.

Ms. Frantum testified that the best thing about the whole grade sharing agreement for the middle school students is that they have an age-appropriate curriculum. The middle school, unlike the high school, does not have block scheduling. The middle school has “flexible block” scheduling which allows for 45-minute periods of classes due to the fact that middle school students cannot concentrate for one-and-a-half hour blocks of time every day. However, it is flexible in the sense that if there are some days where the students need to concentrate on a certain project for the entire day or for part of the day, they can do so.

Ms. Frantum testified that she also believes there are significant advantages in keeping the middle school and the high school students separate from each other, so the younger students do not have exposure to and contact with the older high school students.

Ms. Frantum testified that the middle school student population is overwhelmingly in favor of staying together. The uncertainty that has occurred this year over whether the two districts will remain together either under whole grade sharing or
under consolidation has adversely affected the middle school students. They are not coming prepared to learn because they are so upset about the uncertainty and the possible changes. She also stated that middle school students are very aware of what educational opportunities they will be offered in the high school and they are worried about the fact that they will have fewer educational opportunities in high school if the two districts separate. Ms. Frantum testified that about 80% of the middle school students have talked to her about the uncertainty and that only five of those students were in favor of separating the districts.

She testified that if the districts were separated that the sixth grade would most likely go back to Menlo and that the seventh and eighth grade students would be with the high school students. She also testified that the disciplinary issues are better for students in a sixth through eighth grade middle school situation than in a seventh through twelfth grade situation because the teachers are able to engage in “teachable moments” with the middle school students who are in a separate middle school. In the middle school, it would be a backward step for the interdisciplinary teaming because there would be no time for the teachers to engage in interdisciplinary planning.

In terms of athletics, Ms. Frantum testified that she sees no positive impact from splitting the districts. She testified that the West Central Athletic Conference would be prepared to accept either Stuart-Menlo alone or the West Central District as it is under the current whole grade sharing agreement. If the districts are separate, it will be hard to put together enough students to have separate seventh and eighth grade teams. She testified that currently there are not enough eighth-grade girls for a five-girl basketball team next year if Stuart-Menlo is on its own. She also testified that the music and the band opportunities would decrease because the band would be smaller if the districts are on their own.

One barrier that has been eliminated for all Stuart-Menlo and Redfield students is the athletic ineligibility that attaches under open enrollment. The Athletic Association and the Girls’ Union have agreed with the Department of Education on an interpretation of the eligibility rules that eliminates any period of ineligibility for the high school students of West Central who choose to open enroll to other districts.

Todd Broman has been a high school life sciences teacher for the past 18 years. He was employed by the Stuart-Menlo District before whole grade sharing began. He is currently the President of the Stuart-Menlo Education Association. He was also a member of the building improvement team when they set up the block scheduling for the high school. He testified that an overwhelming number of the faculty and staff at the Stuart-Menlo District are
in favor of continuing whole grade sharing or consolidation because they feel that the district must do what is best for the students.

Mr. Broman testified that the West Central District under whole grade sharing has superior programs compared to any other school district around them. He testified that with the dropping enrollment, the Stuart-Menlo District would have to drop courses from the high school curriculum. He is concerned that there will be a loss of faculty when the Stuart-Menlo tries to cover the courses that it must teach by asking the faculty to stretch outside their areas of expertise and by asking the faculty to stretch from middle school to high school teaching and vice versa.

Dr. John Sheldahl began his duties as superintendent of the Stuart-Menlo District on or about June 30, 1999, following Mr. Nulph’s retirement. He testified that after the consolidation vote failed, the Boards could not agree upon an option that earned the majority support of both the boards. He testified that the Stuart-Menlo Board was concerned about the fate of the 115-120 Dexfield High School students. For that reason, it offered the possibility of a one-way whole grade sharing agreement where the Dexfield students could continue attending high school in Stuart. The Dexfield and Stuart-Menlo districts under that arrangement would each take care of their own kindergarten through eighth-grade students.

Dr. Sheldahl also testified that if the Dexfield Board had agreed to move the middle school from Redfield to Dexter, he felt that there would have been no problem for the Stuart-Menlo Board to continue the whole grade sharing agreement.

It was Dr. Sheldahl’s opinion that the current whole grade sharing agreement was not sustainable financially for the Stuart-Menlo District because the District is in a trend where it is spending more than its revenues every year. Under the whole grade sharing agreement, the Stuart-Menlo students have had great academic and extracurricular programs, but financially the Stuart-Menlo Board could simply not justify remaining in a whole grade sharing agreement in which the Stuart-Menlo Board had no control over the spending in the middle school program. Dr. Sheldahl testified that the Dexfield District’s unspent balance was going up and that Stuart-Menlo District’s unspent balance was going down. He testified that the “Cadillac programming” under the whole grade sharing agreement led to a situation after the 1998-1999 school year where Stuart-Menlo’s expenditures had exceeded its revenues.

The Board felt that the whole grade sharing agreement was costing it more every year than it would cost if the Stuart-Menlo District were back on its own. Stuart-Menlo students comprise 63%
of the total students in both the middle school and high school buildings under the whole grade sharing agreement. Under the current billing arrangement, therefore, the Stuart-Menlo District pays 63% of the total expenses in the whole grade sharing agreement. Dr. Sheldahl testified that the billing system that has been used by the districts under the whole grade sharing agreement is that the two boards bill each other at the end of the year, but they don’t help each other decide how the dollars are spent.

Dr. Sheldahl testified that Stuart-Menlo’s unreserved fund balance for 1998-99 was $184,000. Under fiscal year 1993-94, when the whole grade sharing agreement with Dexfield first began, Stuart-Menlo’s unreserved fund balance was $620,000. It is the Stuart-Menlo Board’s hope that its projection for the 1999-2000 should stop the downward trend because of an instructional support levy that is now in place for the spring of 2000. He testified that Dexfield has had an instructional support levy in place for approximately eight years, so Dexfield is in a better financial position than Stuart-Menlo. The unreserved fund balance should therefore start to increase. It is the Board’s hope that the unreserved fund balance will grow by approximately $150,000 to a total of $334,000 after the 1999-2000 school year.

For the above reasons, Dr. Sheldahl testified that if Stuart-Menlo goes back on its own, it could reduce spending by having its own K-12 programming. It can save transportation expenses. It will have one fiscal control system and it will be concerned with operating only two buildings instead of four. Dr. Sheldahl pointed out that the unspent authorized balance figure on page ten of Exhibit AA indicated that Stuart-Menlo’s unspent balance has gone down dramatically. He testified that the unspent balance indicates how much spending authority a district has that it does not actually use.

The cash solvency ratio equals the undesignated unreserved fund balance divided by total revenue. The District’s cash solvency ratio going into the whole grade sharing agreement seven years ago was 15 and over the course of the whole grade sharing agreement, it has decreased to 2.7. Dr. Sheldahl also testified that Stuart-Menlo’s cash solvency ratio went from 5 to 2.7 over the past school year. It is the Board’s hope that if Stuart-Menlo is on its own again, its unspent balance should build back up over the course of time.

Dr. Sheldahl also testified that Dexfield’s cash solvency ratio is currently 19 and that if the two districts were consolidated, the combined cash solvency ratio would be somewhere between 2.7 and 19. Dr. Sheldahl also testified that Stuart-Menlo has “an acceptable solvency ratio” currently, but not a “target
solvency". Dexfield has had a support levy for eight years, but that Stuart-Menlo had just passed its support levy recently. This should help the financial situation of the Stuart-Menlo District.

Dr. Sheldahl testified that all the trend lines indicate that Stuart-Menlo will be in trouble financially if it continues to whole grade share with Dexfield into the future. He testified that if one looks at all the trend lines for solvency ratios, expenditures, and the undesignated, unreserved fund balance, the indications are that Stuart-Menlo would be in trouble even with the support levy if its expenditures continue to exceed its revenues each year as they are under the whole grade sharing agreement. This is true because if the expenditures continue to exceed the revenues each year, the instructional support levy rate will not prevent these trends from continuing down because the instructional support levy is locked into place. Therefore, if the expenditures increase each year, and the levy stays the same, these downward trends will continue and lead to dire financial trouble for the Stuart-Menlo District.

In sum, the Stuart-Menlo Board believes that if it is on its own, it can control its spending, spend fewer dollars, and have total control over its own spending, which is not the case under the whole grade sharing agreement with Dexfield.

Dr. Sheldahl testified about the impact on enrollment if the districts discontinue the whole grade sharing agreement. He testified that during the 1999-2000 school year, Stuart-Menlo had 196 high school students. He projects that in 2000-2001, the number of resident high school students at Stuart-Menlo would remain at 196. He does not know how open enrollment might affect the number of students ultimately at the high school. In 1999-2000, 13 more students open enrolled out than into the District.

He also testified that in the 2000-2001 school year, Stuart-Menlo projects that it will have 130 resident students in the middle school, grades 6 through 8. He testified that those 130 students who have been under the whole grade sharing agreement served by the middle school in Redfield would instead be served by Stuart-Menlo. If the 119 Dexfield high school students who are currently served by the whole grade sharing agreement in Stuart would be subtracted from the 130 middle school students, then there would be a difference of only 11 more students in Stuart-Menlo’s two buildings than there are now under the whole grade sharing agreement.

In terms of the high school curriculum, Dr. Sheldahl testified that he is not sure whether or not the block scheduling system could be retained, but there might be some type of modification of it. He testified that he has had conversations with Bob Olson, who is the current high school guidance counselor
for Stuart-Menlo. Mr. Olson told Dr. Sheldahl that if the Stuart-Menlo high school had approximately 200 students, then this would be a two-section high school. Based on the high school students’ choices and interests in the past, Mr. Olson agreed that the District probably would have to drop “extra courses” from the curriculum (Exhibit G-1). Dr. Sheldahl testified that the District would offer fewer courses than it had with whole grade sharing, but it would still be offering more courses than it had offered before entering into the whole grade sharing agreement years ago.

Dr. Sheldahl testified that a Stuart-Menlo high school would be able to meet or exceed the accreditation standards and the Regents’ standards so that its students could take the ACT and enter the Regents’ universities. He testified that Stuart-Menlo would have its same exit levels as it did before the whole grade sharing agreement.

Dr. Sheldahl testified that the middle school curriculum would be essentially the same and that the District would do everything it could to schedule the middle school classes so that the students would have the minimum number of contacts possible with the high school students. Dr. Sheldahl stated that it would be a junior high and not a true middle school model at first. He also stated that the Board recognizes that transitioning adolescents do need some special programming and that the Stuart-Menlo Board would not ignore that fact.

The middle school and high school students would have to share the same gym, cafeteria, shop, home economics facilities, and computer lab. Dr. Sheldahl testified that the middle school students would have the same academic core curriculum and exploratory rotation. He testified that teachers would not be able to do the interdisciplinary teaming or joint planning, but that the academic and extracurricular part of the middle school would be a fully functional junior high school. The junior high would be complete with clubs, sports, activities, and exploratory rotation. Some of the high school faculty would need to teach the exploratory rotations to the middle school students, such as foreign languages and computer courses.

Dr. Sheldahl testified that the Stuart-Menlo athletics have already been accepted into the West Central Athletic Conference for both middle school and high school. (Currently, the West Central District is participating in the Raccoon River Athletic Conference.)

In sum, Dr. Sheldahl testified that Stuart-Menlo can offer a quality education to all of its students. He also testified that given the current financial information, even if the Stuart-Menlo District stayed in a whole grade sharing agreement, it could not
guarantee that it could continue to offer the same high school courses. There would be no guarantee that all the high school courses or the block scheduling could continue to be offered even with a whole grade sharing agreement given Stuart-Menlo’s current financial situation.

Upon cross-examination, Dr. Sheldahl testified that if the District were to whole grade share for one more year in the 2000-2001 school year, that situation would be financially sustainable for one year. Dr. Sheldahl admitted that there were possibly other ways to save money even within the whole grade sharing arrangement that had not been explored by the districts. These included sharing superintendents. The current whole grade sharing agreement does provide for sharing superintendents as a possibility and states that the possibility should be reviewed. But Dr. Sheldahl testified that both Stuart-Menlo and Dexfield’s Boards had decided not to share a superintendent even though it would not affect the students in any way if they did so.

Dr. Sheldahl testified that the worst thing that could happen if the whole grade sharing agreement were continued for one year into the 2000-2001 school year would be the continuing uncertainty and stress in the communities and schools. Dr. Sheldahl testified that the Stuart-Menlo Board did not vote on the possibility of continuing the whole grade sharing agreement for one more year. It was a counter-proposal from Dexfield, but the Stuart-Menlo Board did not consider it because it was so close to the November 1 deadline and the Board wanted closure. He testified that the Stuart-Menlo Board simply does not feel that extending the whole grade sharing agreement by one more year meets the District’s needs.

Dr. Sheldahl was presented with the question of why should the whole grade sharing agreement be unraveled for next year if there is a possibility that the pending second consolidation vote will be successful the second time. Dr. Sheldahl responded that the surveys they conducted after the election results in September show that the majority of the Stuart-Menlo voters won’t support consolidation. He stated that the Stuart-Menlo Board assumes that the result of the second consolidation vote will be the same even though it will be close. He testified that a disadvantage to continuing the whole grade sharing agreement for one year would be that it would put off negotiations with the Dallas Center-Grimes School District, for example, for some future alliance.

Dr. Sheldahl testified that if the second consolidation vote were held this summer and passed, the two Boards could execute 28E agreements with relatively little problem to cover the 2000-2001 school year. Dr. Sheldahl testified that at the time of the hearing, the earliest time a second consolidation vote could possibly occur would be the latter part of July of 2000.
Dr. Sheldahl testified that although the Stuart-Menlo Board did not vote on the possibility of extending the whole grade sharing agreement for one more year, his opinion was that none of the Stuart-Menlo Board members would have been in favor of that proposal. He testified that financial modifications that could have been made included billing on actual cost per pupil instead of by percentage of operational costs.

Dr. Sheldahl testified that the facilities are the main issue, due to the fact that there is a building in Dexter that could be made into a middle school. The Stuart-Menlo community, especially in Stuart, believes that economic development has been hampered by the condition and locations of the current school buildings and the number of facilities. This simply is not attractive to the majority of people who consider moving into the community.

Following the testimony, the Appellants asked the State Board to extend the whole grade sharing agreement for one year pending the second consolidation vote. The Stuart-Menlo District argued that its Board’s decision not to continue two-way whole grade sharing with Dexfield should be affirmed because it was a reasonable decision based on the financial situation of the District.

On the same day, the hearing panel heard an appeal filed by the parents of Dexfield students seeking reversal of a decision of Dexfield’s Board of Directors made on October 28, 1999, that failed to continue a whole grade sharing agreement with the Stuart-Dexfield Community School District. Following the appeal hearings, the Dexfield Board filed a Motion on January 24, 2000, requesting that all parties to both appeals be allowed one more chance to mediate the issues in the appeals before proposed decisions were issued. The administrative law judge gave each party until February 4, 2000, to notify her whether or not they were willing to engage in mediation before the proposed decisions were issued. All parties would have to agree to mediation in order for new the mediation to occur. The Stuart-Menlo parents, the Dexfield parents, and the Dexfield Board all agreed to mediate. The Stuart-Menlo Board, however, refused to engage in mediation. Therefore, no mediation process occurred.

II. CONCLUSIONS OF LAW

Iowa Code sections 282.10 through 282.12 provide for whole grade sharing. “Whole grade sharing is a procedure used by school districts whereby all or a substantial portion of the pupils in any grade in two or more school districts share an educational program for all or a substantial portion of a school day under a written agreement. Iowa Code section 282.10(1)(1999). Whole grade sharing may be either one-way or two-way.
The Department of Education has been established to exercise general supervision of the state system of education. Iowa Code section 256.1(1999). One way the Department performs this role is by monitoring the districts’ accreditation standards and accountability for student achievement as stated in Iowa Code section 256. 11 and 281 Iowa Administrative Code 12 (the General Accreditation Standards).

A second way the Department performs its role is by providing a review of local board decisions under Iowa Code chapter 290 – “Appeals to the State Board of Education”. The actions of the local boards are subject to review to ensure that the boards’ decisions are reasonable and in the best interest of education.

In the context of reviewing local school board decisions, the State Board of Education does not stand in the same position as the court outside of the educational system. Rather, the underlying function of the State Board of Education is to “act in a policy-making and advisory capacity and to exercise general supervision over the state system of education including all … public elementary and secondary schools.” Iowa Code section 256.1(1)(1995). This function is effectuated, in part, through State Board review of local school board decisions pursuant to Code chapter 290.

The State Board of Education decisions “must be just and equitable” and “in the best interest of education”. Iowa Code section 290.3(1999) and 281 Iowa Administrative Code 6.17(2). The State Board of Education will overturn a local board decision only if it is unreasonable and contrary to the best interest of education. In re Jesse Bachman, 13 D.o.E. App. Dec. 363(1996). Both of these criteria must be met before the State Board of Education will overturn a decision. Therefore, the State Board will first analyze whether or not the Stuart-Menlo Board’s vote against two-way whole grade sharing with financial modifications was unreasonable. Then it will analyze whether or not that same decision was contrary to the best interest of education.

We find that the Stuart-Menlo Board’s decision not to enter into a two-way whole grade sharing agreement with financial modifications was not unreasonable due to the significant financial concerns presented at that time to the Board and due to the evidence that Stuart-Menlo can meet accreditation standards for its own high school. The State Board notes that there may have been other factors independent of the whole grade sharing agreement that led to Stuart-Menlo’s downward financial trends. The evidence shows that the cash solvency ratio of the District had fallen from 15 prior to whole grade sharing to 2.7 after the sixth year of the whole grade sharing agreement. The Board finds that the Stuart-Menlo Board’s concerns about the financial situation of the District were reasonable and that, therefore, its vote not to
enter into another two-way whole grade sharing agreement with financial modifications was also reasonable. The State Board does note, however, that the evidence showed that Stuart-Menlo could have investigated earlier in the whole grade sharing arrangement alternative agreements as to program costs. This could have curtailed or prevented Stuart-Menlo’s downward financial trends.

Because the Stuart-Menlo Board’s decision meets the reasonableness test, we are upholding the Stuart-Menlo District Board’s decision, but we are doing it with significant concerns and reservations about the fact that the District on its own will have fewer than 200 high school students in a declining enrollment environment.

The State Board of Education finds that the Stuart-Menlo Board’s decision is contrary to the best interest of education. The overwhelming evidence showed that the course offerings, the level of staff development and quality of education has been excellent under the whole grade sharing agreement for a district the size of West Central and that the Stuart-Menlo students’ educational opportunities are going to be substantially decreased once the District goes on its own. Although it is true that the Stuart-Menlo District’s evidence was undisputed that they would be able to meet accreditation standards, the State Board discourages districts from being satisfied with the minimal level of educational opportunities when there are possibilities for an enriched curriculum such as the one the District has been able to offer its students under the whole grade sharing agreement.

In helping to reach its conclusion that the Stuart-Menlo Board’s decision is contrary to the best interest of education, the State Board applied the five factors listed in Iowa Code section 256.9(34) (1999) regarding whether a whole grade sharing agreement is in the best interest of education. In re Janice Peters, 17 D.o.E. App. Dec. 88(1999). Although it is not strictly necessary for the State Board to analyze these factors in this situation since it has found that the Board’s actions were not unreasonable due to financial reasons, for policy reasons and for guidance to Stuart-Menlo and other districts faced with declining enrollments, we will apply the following five factors in the order in which they are presented in the statute:

The factors to be used in determining the recommendations [for whole grade sharing] include, but are not limited to:

a) the possibility of long-term survival of the proposed alliance.
b) The adequacy of the proposed educational programs versus the educational opportunities offered through a different alliance.

c) The financial strength of the new alliance.

d) Geographical factors.

e) The impact of the alliance on surrounding schools.

Id.

a) The possibility of long-term survival of the proposed alliance.

The long-term survival of the proposed alliance is impossible to predict according to the evidence presented at the appeal hearing. We don’t know whether the pending second consolidation vote would be successful. The State Board is taking judicial notice of the fact that a failed consolidation vote when put to a second vote has never failed a second time. Although the District believed the results would be the same and that a second consolidation vote would fail, the parents presented evidence that they feel the vote will pass in the Stuart-Menlo District because of incorrect information that was given to patrons prior to the first vote, which has now been clarified.

b) The adequacy of the proposed educational programs versus the educational opportunities offered through a different alliance.

The evidence was undisputed at the appeal hearing that the educational opportunities were far superior underneath the whole grade sharing agreement than they would be with Stuart-Menlo alone. There was no evidence that Stuart-Menlo has engaged in any serious negotiations for different alliances which would provide for more educational opportunities, certainly not to the extent that the current whole grade sharing agreement provides.

c) The financial strength of the new alliance.

The financial strength of a new whole grade sharing alliance could be stronger for the Stuart-Menlo District because it would be combined with a financially strong Dexfield District and because the Stuart-Menlo District now has a new instructional support levy in place.

d) Geographical factors.

Geographical factors favor continuing the alliance in that there will not be a problem with the location of the middle school if a new two-way whole grade sharing agreement were entered, possibly leading to consolidation.
e) The impact of the alliance on surrounding schools.

There will be no impact of the alliance on surrounding schools because the whole grade sharing agreement has already been in effect for six-and-a-half years.

We understand that Appellants have strong and sincerely-held feelings about how their school district should be run and that there should be “one more chance” for Stuart-Menlo and Dexfield to remain together without dismantling the whole grade sharing structure pending the outcome of the second consolidation vote. Although the State Board is sympathetic to Appellants’ desire for the West Central District to remain intact, it cannot provide the remedy Appellants seek. The preponderance of the evidence does not support Appellants’ contention that the Stuart-Menlo Board’s action was both unreasonable and contrary to the best interest of education. The fact that reasonable minds may differ about the wisdom or merits of the Stuart-Menlo Board’s decision does not render it unreasonable for the purposes of this appeal. For these reasons, it must be affirmed, with significant reservations on the part of the State Board of Education due to the declining enrollment of Stuart-Menlo’s 200-student high school and due to the reduction in educational opportunities for the students. Because of these reservations and in the best interests of the students, the State Board strongly recommends that the Stuart-Menlo Board agree to accept the Dexfield High School students under the provisions of a 28E agreement.

All motions or objections not previously ruled upon are hereby denied and overruled.

III. DECISION

For the foregoing reasons, the decision of the Board of the Board of Directors of the Stuart-Menlo Community School District, made on October 27, 1999, is hereby recommended for affirmance. Costs of this appeal are to be certified as required by Iowa Code chapter section 290.4, and are hereby assigned to Appellants.

DATE

SUSAN E. ANDERSON, J.D.
ADMINISTRATIVE LAW JUDGE

It is so ordered.

DATE

CORINE HADLEY, PRESIDENT
STATE BOARD OF EDUCATION