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, Rhonda Scott and Deb Stiles, were present and were unrepresented by counsel. Appellee, Stuart-Menlo Community School District [hereinafter "the District"], was present in the persons of Del Hoover, superintendent; Wendy Parker, elementary principal; Harry Light, board president. Appellee was represented by Attorney Tom Foley of the Nyemaster Law Firm, Des Moines, Iowa.

Appellants in this appeal are residents of the Dexfield 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 28, 1999, that failed to continue a whole grade sharing agreement with the Stuart-Menlo School District.

An evidentiary hearing was held pursuant to the Rules of the Department of Education found at 281 Iowa Administrative Code 6. Authority and jurisdiction for the appeal are found in 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 the 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 breakdown 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 21, 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 District 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 learning 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 middle school since eight students are enrolled out because of the whole grade sharing agreement requirement that the middle school students, from Menlo 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 Dexfield 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 these 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 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. Also, Stuart-Menlo is on a budget guarantee next year for instructional support.

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 revenues. 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 ration 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.

After its October 28 meeting, the Dexfield Board of Directors decided to attempt to enter into 28E Agreements with the Earlham and Adel-Desoto-Minburn [hereinafter, “ADM”] School districts as a way of providing an accredited program to its high school students. With the assistance of Earlham and ADM, the Dexfield Board of Directors believed that in the short-run it could provide a complete educational program to all of its students, although it acknowledges that educational programming will not be quite as good as the educational program that the students now receive. At the time of the appeal hearing, testimony showed that Dexfield was waiting to hear from the Earlham board regarding a 28E agreement. At the time of the appeal hearing, A-D-M had indicated to Dexfield that A-D-M does not currently have room to accommodate Dexfield’s high school students.

In the long run, the Dexfield Board believed it could create stable partnerships that will lead to the best possible education for all of its students. Mr. Hoover testified that at the time of the appeal hearing, he was hopeful these 28E agreements would be reached with Earlham for the 2000-2001 academic year. He also testified that in his opinion that there were possibilities for whole grade sharing agreements possibly leading to consolidation with Earlham.
Since the appeal hearing, however, the Earlham Board notified the Dexfield Board in a January 12, 2000, letter as follows:

This letter is to inform you of what happened at our special board meeting January 6, 2000.

#1 The board committed in principal for one year and one year only to a 28E agreement for academic classes 9-12 depending on availability of space. The Earlham students will have first priority in their schedules. The board and administration will work out the details and finances at a later date.

#2 The motion was made to share 9-12 athletics and extra curricular activities. This motion died for lack of a second.

#3 The board voted unanimously to not share junior high athletics and extra curricular activities.

The Earlham Board wants the Dexfield Board to understand this is a one-year only agreement to help you put a high school back together. There will be no talks of consolidation, reorganization or whole grade sharing.

Mr. Hoover testified that if Earlham said no to the 28E agreements with Dexfield, then “it’s Stuart-Menlo or nothing at that point”, because of potential accreditation problems. He testified that before the whole grade sharing agreement, Dexfield was a high school with 100 students and it had had enough trouble in meeting the accreditation standards. He testified that it was likely that if the Dexfield District could not do whole grade sharing with Stuart-Menlo or reached 28E agreements with Stuart-Menlo, then the Dexfield District would likely have to be dismantled. Mr. Hoover testified that the Department of Education publishes no specific standards for accreditation for middle schools and elementary schools, so he
felt that the Dexfield District could meet the requirements on its own for a middle school and elementary school.

Dexfield Superintendent Del Hoover, Dexfield School Board President Harry Light, and Dexfield Middle School Principal Wendy Parker all testified at the hearing that if Dexfield tries to recreate a high school on its own, it will be very difficult for it to meet the accreditation standards of the Department of Education. They all had extreme doubts as to whether that could be done due to a combination of lack of the ability to offer required courses and lack of ability to have enough students to take the courses. Wendy Parker and Del Hoover have been charged by the District Board to come up with a proposal as to how the Dexfield High School might be able to operate on its own. Ms. Parker’s testimony was substantially the same as Dr. Jeanine Shelley’s testimony regarding the advantages of the whole grade sharing agreement on the high school curriculum and regarding what the high school students would be losing if the whole grade sharing agreement is discontinued.

Ms. Parker also testified about the possible course offerings for Dexfield high school students in the school year 2000-2001 if it is on its own. Exhibit 2 contained a list of required courses that could be covered and also a list of required courses that could not be covered without a 28E agreement with another school district. The required courses that Dexfield would not be able to provide on its own include: Advanced Math/Pre-Calculus, Calculus, Physics, Chemistry, Driver Education, four units of Foreign Language, Agricultural Education, Health Occupation Education, Industrial Education, and Marketing Education.

Ms. Parker testified regarding the increased number of teacher preparations for what would be the new junior and senior high schools in Dexfield. The teachers would not only be asked to go from teaching junior high to high school and vice versa, but they would also be asked to teach out of their areas of expertise. She testified that some teachers would have to teach five or six classes that they have never taught before.

The evidence showed that Adel-Desoto-Minburn School District has indicated that they have no room for Dexfield’s
high school students next year. The Earlham District has agreed only to provide courses to the Dexfield high school students after Earlham students have been given priority in choosing their classes. If the Dexfield District were to try to enter into 28E agreements for specific, separate classes to more than one other school district, the testimony showed that there would be too much travel time logistically between towns in order for the Dexfield students to get to their classes in a way that would match with the schedules of the various districts.

Even if Dexfield could offer those classes through 28E agreements, there are serious concerns as to whether Dexfield would have the students in those classes; the testimony showed that the Dexfield administration believes that they will have serious trouble getting students in all the required classes. The testimony showed that it was likely that an independent Dexfield high school would have only 60 to 70 students in grades 9 through 12. Mr. Hoover testified, however, that the polls that Dexfield had recently conducted at parent-
teacher conferences indicated approximately 70 students are likely to open enroll out of the Dexfield District if it is on its own, leaving only approximately 50 students in the high school for Dexfield. Mr. Hoover testified that the open enrollment exodus has been affecting the number of Dexfield students. Out of 94 students who are open enrolled out in 1999-2000, 60 of them were open enrolled to Adel-Desoto-Minburn; 20 of them were open enrolled out to Earlham; and 14 of them were open enrolled out to other districts.

Ms. Parker testified that some middle school teachers would likely go from three preparations to seven preparations a day if Dexfield were to establish its own high school. Marla Frantum, middle school guidance counselor, testified substantially the same as she did in the Stuart-Menlo hearing, as to the effect on the middle school students of not being able to have an age-appropriate curriculum or schedule. Both Ms. Parker and Ms. Frantum testified that they felt the second consolidation vote would be successful now that the Stuart-Menlo patrons can see what is facing them due to the reduced curriculum that could be offered by Stuart-Menlo if it were independent.
Mr. Hoover testified that financially it would be possible for Dexfield to do a one-way whole grade sharing agreement with Stuart-Menlo. He also testified that although it would be extremely costly for Dexfield to move the middle school to Dexter for next year without a consolidation vote, but that it could be done financially. At the time of the hearing, Mr. Hoover testified that a 28E agreement with Earlham would be better than a one-way whole grade sharing agreement with Stuart-Menlo because of the deteriorating relationship with Stuart-Menlo over the past year.

Mr. Hoover testified, however, that a one-way whole grade sharing agreement with Stuart-Menlo would be better than breaking up the District.

Mr. Hoover testified that at least 80% of the high school in the Dexfield District want the whole grade sharing agreement to continue even if it is only a one-way whole grade sharing agreement. Mr. Hoover also testified that according to the Ghan Consulting Reorganization Study from 1997, two districts that have entered into whole grade sharing agreements have never failed to eventually consolidate.

Dexfield Board President Harry Light testified. Mr. Light is in his second year as board president and in his fourth year as a member of the Dexfield Board. Mr. Light confirmed Mr. Hoover’s testimony. He also added that he had been surprised by Stuart-Menlo’s vote on the consolidation of the district, because he thought it would have passed. He testified that the reason the Dexfield Board voted not to one-way whole grade share was because it wanted to enter into a long-term arrangement for the District. He testified that going from two-way whole grade sharing to one-way whole grade sharing would be a step back and that it would not likely end in a long-term relationship.

Mr. Light testified that the Dexfield Board had voted not to move the middle school from Redfield to Dexter because it would have accommodated only 35 of the Stuart-Menlo middle school students and because it would have been too costly to do it without a consolidation commitment.
Dexfield Board President Light specifically stated in answer to questioning that he agreed with Superintendent Hoover on the following:

1) Dexfield would have serious problems meeting accreditation standards on its own for the high school students;
2) Entering into a one-way whole grade sharing agreement or 28E agreements with Stuart-Menlo for next year would be preferable to dismantling the District; and
3) It would be financially possible for Dexfield either to enter into a one-way whole grade sharing agreement with Stuart-Menlo or to enter into 28E agreements to take care of its high school students.

On the same day, December 22, 1999, the same hearing panel heard an appeal filed by the parents of Stuart-Menlo students seeking reversal of a decision of the Stuart-Menlo Board of Directors made on October 27, 1999, that failed to continue a whole grade sharing agreement with the 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 had to agree to mediation in order for 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.

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. The State Board concludes that Dexfield’s decision not to enter into a one-way whole grade sharing agreement with Stuart-Menlo was unreasonable
and contrary to the best interest of education. The State Board will first analyze whether or not the Dexfield Board’s vote against one-way whole grade sharing was unreasonable. Then it will analyze whether or not that same decision was contrary to the best interest of education.

First, in terms of its unreasonableness, the State Board finds that the evidence was undisputed that the Dexfield Superintendent, Middle School Principal and Board President agreed that Dexfield would not be able to meet state accreditation standards for high school students on its own. The evidence was also undisputed that Dexfield would be able financially to enter into a one-way whole grade sharing agreement with Stuart-Menlo. The preponderance of the evidence shows that Dexfield’s loss of reorganization incentive money, declining enrollment and open enrollment has made it financially impossible for it to continue to provide an adequate educational program for its students without partnering with another district.

Unfortunately, other options are either very narrow or have been foreclosed for Dexfield. The Adel-Desoto-Minburn District has advised the Dexfield Superintendent that it does not have room in its high school program to admit the Dexfield students under any type of tuitioning agreement. The next contiguous district that could be a possibility is Earlham. Earlham has agreed to take Dexfield’s high school students into its academics program only for one year after its own students are given first priority.

For these reasons, the State Board concludes that the Dexfield Board was unreasonable when it voted not to enter into a one-way whole grade sharing agreement with Stuart-Menlo for the Dexfield high school students.

(Regarding the Dexfield Board’s failure to agree to move the middle school to Dexter, the State Board finds that this Dexfield decision was reasonable due to the serious financial commitment that would be required on the part of Dexfield without a consolidation vote or without a long-term, two-way whole grade sharing agreement with Stuart-Menlo.)

The State Board further concludes that the Dexfield Board’s decision not to enter into a one-way whole grade sharing agree-
ment with Stuart-Menlo was contrary to the best interest of education. In addition to the evidence that Dexfield would not be able to meet accreditation standards on its own, 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).

The five factors are:

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.

We will apply the five factors in the order that they are presented in the statute.

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 Dexfield has engaged in any serious negotiations for different alliances that 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 Dexfield District 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 the 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.

The evidence supports Appellants’ contention that the vote not to continue the whole grade sharing agreement is both unreasonable and contrary to the best interest of education.

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 Iowa Code provides that whole grade sharing agreements must be signed by February 1 before the academic year in which the agreement will begin. That deadline has passed. Since the Iowa Code does not authorize the Department of Education to waive this deadline, the State Board at this point cannot require the District to sign a one-way whole grade sharing agreement with Stuart-Menlo.

The academic and extracurricular fate of Dexfield’s high school students is in serious jeopardy and the uncertainty as to where those students would attend school needs to be resolved so that planning can be done for the 2000-2001 school year. For the sake of continuity, it would be in the best interest of the high school students to continue where they are until other longer-term arrangements can be made.

The State Board strongly recommends, therefore, the following:

1) The State Board strongly prefers that, first, the Dexfield Superintendent should contact the Stuart-Menlo Superintendent as soon as possible to discuss and negotiate 28E agreements between the two districts for Dexfield’s high school academics and extracurricular programs, including athletics; and for Dexfield’s middle school extracurricular programs, including athletics; and

2) If a 28E agreement with Stuart-Menlo is not reached, the Dexfield Board should then make arrangements as soon as possible to discontinue grades 9 through 12 of its high school under the provisions of Iowa Code section 282.7(1999).
All motions or objections not previously ruled upon are hereby denied and overruled.

III. DECISION

For the foregoing reasons, the October 28, 1999, decision of the Board of Directors of the Dexfield Community School District not to enter into a one-way whole grade sharing agreement, is recommended for reversal. Costs of this appeal are to be certified as required by Iowa Code §290.4 and are hereby assigned to Appellee.

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

It is so ordered.

CORINE HADLEY, PRESIDENT
STATE BOARD OF EDUCATION