

**IOWA DEPARTMENT OF EDUCATION
(Cite as 27 D.o.E. App. Dec. 664)**

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| <i>In re School Building Closing</i> |) | |
| |) | |
| Scott and Jamie Schmidt, |) | |
| |) | DECISION |
| Appellant, |) | |
| |) | |
| v. |) | |
| |) | |
| Gladbrook-Reinbeck |) | Admin. Doc. No. 5007 |
| Community School District, |) | |
| |) | |
| Appellee. |) | |

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| <i>In re School Building Closing</i> |) | |
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| Chad and Karen Mussig, |) | |
| |) | DECISION |
| Appellant, |) | |
| |) | |
| v. |) | |
| |) | |
| Gladbrook-Reinbeck |) | Admin. Doc. No. 5008 |
| Community School District, |) | |
| |) | |
| Appellee. |) | |

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| <i>In re School Building Closing</i> |) | |
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| Scott and Kathy Vavroch, |) | |
| |) | DECISION |
| Appellant, |) | |
| |) | |
| v. |) | |
| |) | |
| Gladbrook-Reinbeck |) | Admin. Doc. No. 5009 |
| Community School District, |) | |
| |) | |
| Appellee. |) | |

STATEMENT OF THE CASE

The Appellants, on behalf of their minor children, seek reversal of a February 25, 2015 decision by Gladbrook-Reinbeck Community School District (“GRCS D” or “District”) Board (“GRCS D Board” or “Board”) to close the Gladbrook attendance center effective for the fall of 2015 leaving an attendance center in Reinbeck only. The affidavit of appeals filed by the Appellants, supporting documents, and the school district’s supporting documents are included in the record. Authority and jurisdiction for the appeal are found in Iowa Code § 290.1 (2015). The administrative law judge finds that she and the State Board of Education (“the State Board”) have jurisdiction over the parties and subject matter of the appeal before them.

An in person evidentiary hearing was held in this matter on June 9, 2015, before designated administrative law judge, Nicole M. Proesch, J.D., pursuant to agency rules found at 281 Iowa Administrative Code chapter 6. The Appellants were present on behalf of their minor children and represented by attorney Darrell G. Meyer. The Appellee, GRCS D, was represented by attorney Kristy M. Latta. Also present for the school district was Superintendent Shawn Holloway (“Superintendent Holloway”) and GRCS D Board President, Josh Hemann (“President Hemann”).

Deb Osborn testified for the appellants. Appellants’ exhibits #1-31 were admitted into evidence without objection. Appellant’s also submitted sworn depositions for Douglas W. Rowe, Matthew R. Wyatt, President Hemann, Chris L. Frischmeyer, and Superintendent Holloway, which were admitted without objection. Superintendent Holloway and President Hemann testified for GRCS D. The school district’s exhibits #A-W were admitted into evidence without objection.

FINDINGS OF FACT

The GRCS D currently has three school buildings in the district:

1. The Gladbrook-Reinbeck High School located in Reinbeck, Iowa, which currently houses grades nine through twelve for the entire district;
2. The Reinbeck Elementary School located in Reinbeck, Iowa, which currently houses kindergarten through second grade for residents of Gladbrook, and grades three through four for both residents of Gladbrook and Reinbeck; and
3. The Gladbrook Elementary/Middle School located in Gladbrook, Iowa, which currently hosts grades kindergarten through second grade for residents in Gladbrook, and grades fifth through eighth for both residents of both Gladbrook and Reinbeck.

In January of 2014, faced with declining enrollment¹ and a negative financial outlook,² the GRCS D Board began to look at options for reducing expenditures for the district. The board reviewed financial projections prepared by Gary Sinclair, who is the Director of Financial

¹ Exhibit E on page 122 shows that enrollment in 2014 was 522 students, which is down from 17 students from the previous year, and down from 618 students in 2009.

² Based on enrollment projections the district was projecting a negative unspent balance of \$262,593.00 for the fiscal year 2016.

Planning Services for the Iowa Association of School Boards.³ The Board considered several cost saving options to include: closing an attendance center, staff reductions, programming reductions, sharing programs, and transportation costs. The Board established a goal of having an unspent balance⁴ of \$500,000.00 and a goal of \$600,000.00 in cost reductions. On February 19, 2014, after reviewing the options and the budget projections the District decided not to close any school buildings at that time. Instead the district cut some positions, reduced some positions to part-time, and discussed sharing programs. From February of 2014 to June of 2014 the Board continued to review the budget and find ways reduce spending to achieve its goals. At the June 19, 2014, meeting the Board voted to contract with RSP to conduct an enrollment analysis and to facilitate a facility planning process based on its goals.

At the September 3, 2014, meeting the Board reviewed the enrollment projections from RSP, which included projections from 2014-2019 as well as previous enrollment information. GRCS D's certified enrollment has declined from 618 students in 2009 to 522 students in 2014.⁵ The new projections showed a slight decrease in enrollment moving forward. After reviewing all of the information the Board agreed to assume that the District would continue to see a loss of an estimated ten students per year in future years. A loss of students equals a loss of approximately \$6400.00 per student in state aid. The board reviewed historical and projected financial information regarding budget projections out to fiscal year 2019.⁶ Based on these assumptions the District would be at a negative unspent balance of -\$168,919 in fiscal year 2019. A District cannot operate on a negative unspent balance. Faced again with a loss in state aid, rising costs, and increasing teachers' salaries, the Board discussed the need to review additional cost saving measures to include: sharing athletics, use of an online course for health, reducing class sections, and closing an attendance center. The Board agreed to have Superintendent Holloway contact two facilitators to discuss next steps in long range facility planning.

At the September 18, 2014, meeting the Board reviewed and discussed two options for closing attendance centers in GRCS D and the costs savings associated with each option. The first option was to close the Gladbrook attendance center and send all grades to Reinbeck and the second option was to close the Reinbeck Elementary/Middle School and have grades kindergarten through sixth attend in Gladbrook and grades 7-12 attend in Reinbeck. The Board discussed operational costs, transportation costs, and the savings from the closure of buildings. The Board agreed to have a work session to continue to review these options.

On October 1, 2014, a work session was held with two facilitators contacted by Superintendent Holloway, Superintendent Joe Kramer ("Superintendent Kramer") from South

³ Mr. Sinclair prepared the financial projections using FPP Lite which is financial projection software. The Appellants challenge the accuracy of these projections and the use of this software instead of ISFIS software.

⁴ Local school district funding is determined primarily but the number of students and the districts costs per pupil. Iowa Code § 257.1 (2015). School districts have limited spending authority in their budgets. *Id.* § 257.31. An available unspent spending authority is an amount the district has available to spend, if cash is available. Any unused spending authority carries over to the next fiscal year. However, if there is a negative unspent balance, this is a violation of the districts statutory spending authority. Thus, a district cannot have a negative unspent balance.

⁵ Exhibit E, page 122.

⁶ Exhibit E, pages 118-135.

Central Calhoun and Superintendent Jeff Kruse (“Superintendent Kruse”) from Pocahontas. Both had recently experienced consolidations and building closings in their own districts. The Board continued to discuss costs of facilities, costs of transportation, condition and location of facilities, and academic offerings. At the October 15, 2014, meeting the Board appointed a long-range facility planning committee⁷ to discuss the best solution between the two building closure options previously presented.

Over the course of seven meetings the long-range facility planning committee and the two facilitators met and reviewed the enrollment history and projections, District financial information, student scheduling and classroom arrangements, transportation costs and savings based on the different options, building costs savings for each option, staff, and other savings. The committee toured both the Gladbrook and Reinbeck attendance centers at issue. The committee also met with the Board and Mr. Sinclair in a question and answer session to review financial projections related to the two scenarios.⁸ The projections showed that closing the Gladbrook attendance center would provide the district an estimated savings of \$402,025.28 per year and that closing the Reinbeck attendance center would provide an estimated savings of \$296,880.42 per year.

The committee also reviewed a third and fourth option.⁹ The third option was to keep the Gladbrook campus open, close the Reinbeck elementary, and serve students in grades kindergarten through eighth at the Gladbrook campus. Grades nine through twelve for both towns would continue to be served at the high school in Reinbeck. This would result in an estimated savings of \$248,320.00 per year. The fourth option was to keep the Gladbrook Campus open, serve students in grades kindergarten through second who live in Gladbrook and serve students in third through eighth grade for both towns at the Gladbrook campus. The Reinbeck elementary would remain open and serve grades kindergarten through second who live in Reinbeck. Grades nine through twelve for both towns would continue to be served at the high school in Reinbeck. This would result in an estimated savings of \$270,880.14 per year. Although, there was initial discussion that the committee would provide a recommendation as to which option to choose the Board elected to get a list of pros and cons from the committee so the Board could make the final decision.

On January 14, 2015, the GRCSD Board held a work session to review the report from the committee. The committee provided a list of pros and cons to the Board.¹⁰ The committee also provided a list of priorities for the District which included academic offerings, general fund/enrollment, community impact, and status quo. The committee members shared positive rationales for keeping each of the buildings. Additionally, the committee presented thoughts on the third and fourth option to the Board for consideration.

⁷ The committee was to be made up of four teachers, four business or city leaders, one mayor or council member from Gladbrook, one mayor or council member from Reinbeck, four District Advisory Members, and six parents. Deb Osborn was a member of the committee and served as Co-Chair.

⁸ Exhibit M, page 249.

⁹ Exhibit M, page 249.

¹⁰ Exhibit R, page 310.

On January 21, 2015, and January 28, 2015, the Board met for two public work sessions to discuss the options with the community. The Board provided a recap of the work of the Board and the long-range facility planning committee up to that point. Superintendent Holloway presented savings projections for four scenarios requested by the board. A survey was available for questions and comments and the Board answered questions from the survey. Community members were given an opportunity to address the Board with comments or questions. The board set the date for a vote on the school closing for the February 25, 2015 meeting.

During a work session with the Board on February 4, 2015, Superintendent Kramer and Superintendent Kruse provide a written recommendation to the Board regarding which option it should choose.¹¹ The recommendation outlined the pros and cons related to academics, community impact, financial/enrollment variables, and status quo. The recommendation stated:

If the board feels the community impact is the primary consideration in their decision, we recommend maintaining the Gladbrook building as an attendance center. If the long-term financial picture is the board's primary consideration, we recommend maintaining the Reinbeck elementary building. Academic offerings are enhanced or reductions mitigated if the Reinbeck elementary is maintained through the reduction in transportation and utility costs. The ability to share staff within the district is enhanced by maintaining two buildings in the same community. It is important for the community to stay united once a final decision is made.

At the February 25, 2015, meeting each of the Board members was given the opportunity to speak and then to vote. The GRCSD Board voted 5-2 to close the Gladbrook Elementary/Middle school building prior to the beginning of the 2015-2016 school year, and subsequently to realign the grades of the Reinbeck Elementary school building to now serve all students from the District in grades K-6 and to realign the grades of the Gladbrook-Reinbeck high school building to now serve all students in the District in grades 7-12.¹²

As discussed below, we must determine whether there was substantial, credible evidence to support the decision to close the Gladbrook attendance center. Thus, it is probative to know why the majority of the local Board voted to close the Gladbrook attendance center. The rationales given by those in the majority during the meeting included the following:

- The Board looked at the various financial considerations.
- They considered the difference in costs savings between the options.
- They considered the amount of students who historically open enrolled in and out of the District.
- They considered the transportation of students for each of the options.

¹¹ Exhibit V, page 427-429.

¹² A motion was made to amend the decision to close the Reinbeck Elementary building instead but that motion failed.

It was a mixed vote with pros and cons given to both sides. President Hemann felt there was sufficient evidence to support both decisions and that reasonable minds could differ regarding the appropriate outcome. President Hemann voted to close the Gladbrook attendance center. Board member Matthew Wyatt also voted to close the Gladbrook attendance center.¹³ He raised a concern that roughly 60% of the students come from the north end of the district and it didn't make sense to transport that many kids to southern end of the district to Gladbrook.

The Appellants agree with the Board members who voted against the closing of the Gladbrook attendance center. Specifically, Board member Douglas Rowe voted against the closing because he felt he did not have enough information regarding picking up students and sports schedules to make a decision at that point in the process.¹⁴ Additionally, he felt the process was flawed from the beginning and that the conversation regarding closing an attendance center should have been started much earlier than it was. Prior to the night of the vote Mr. Rowe requested that the issue be tabled to allow time for the new superintendent¹⁵ to review the situation however, the Board did not table the vote.

The Appellants consulted with Deb Osborn, who is a CPA and was a co-chair of the long-range facility planning committee, regarding her conclusions about the district's financial information and the options brought to the Board. She outlined several concerns she felt were not contemplated in the Board's decision which included the following:

- The District had just switched to PMA software for determining financial projections. She believed the PMA software does not guarantee accurate results and that the projections between the PMA software and ISFIS software showed varying results.
- The budget projections were overstated and not accurate.
- The projections with regard to open enrollment numbers were not accurate because on the day of the vote the numbers of those who had filed paperwork was much higher than the assumption made by the board.
- The costs associated with maintaining a 28E agreement with the City of Gladbrook should the building close were not considered.
- The costs associated with disposal of the building were not considered.
- The details of implementation of the options were not considered.
- Over 40% of the district is from Gladbrook and they would be inconvenienced by closing the Gladbrook attendance center.
- The Superintendent was leaving to go to another district and the community was not aware of this at the time of the vote.

Ms. Osborn also thought the \$200,000.00 in budget cuts made by the board put the District on the right track with an unspent balance of \$752,504.00 in fiscal year 2016.¹⁶ She

¹³ Deposition of Matthew Wyatt, page 16-17.

¹⁴ Deposition of Douglas W. Rowe, page 28-32.

¹⁵ By the time of the board meeting Mr. Holloway had accepted a Superintendent position in Panora for the 2015-2016 school year.

¹⁶ Exhibit 30, page 2.

thought the Board should have looked at other ways to save money, like sharing a superintendent, before closing a building. She voiced concerns about the process including the use and make-up of the long range planning committee. She felt the committee was restricted to only looking at two options and was troubled that they were only asked for a list of pros and cons and not a recommendation. In an email to the board on January 22, 2015, Ms. Osborn expressed her opinion that the fourth option was the best option even if it does not save them the most money because it allows both communities stability and the ability to grow.¹⁷

The District agreed that open enrollment numbers will fluctuate depending on the outcome of the vote. In one instance they ran numbers for twenty-five students to open enroll out under each of the scenarios but, Superintendent Holloway still considered this a wild card. The District was aware of the 28E Agreement and the need to handle that issue after the vote. The Board also planned to work out the details of implementation after the vote took place.

CONCLUSIONS OF LAW

The Appellants are residents of the GRCSO, and are parents of students who attend in the district at the Gladbrook Elementary School. Furthermore, the parties have stipulated that the Appellants are aggrieved parties under Iowa Code section 290.1, thus, the Appellants have standing to bring this appeal.

The Appellants argue that “the Barker rules,” which were formally codified as 281---IAC Chapter 19, are the standard to be applied in appeals of this nature. However, in 2009, the Iowa Supreme Court in *Wallace v. Iowa State Board of Education* invalidated “the Barker rules.” 770 N.W.2d 344 (Iowa 2009). The Court in *Wallace* held that a District’s decision to close an attendance center entailed discretion of the district and as such the proper standard of review by the State Board is for abuse of discretion. *Id.* at 349. Thus, we will apply that standard here.

The Iowa Supreme Court has stated that in applying the abuse of discretion standard we look only at whether a reasonable person could have found sufficient evidence to come to the same conclusion as the District. *Sioux City Community Sch. Dist. v. Iowa Dept. of Educ.*, 659 N.W.2d 563, 569 (2003); *see also* Iowa Code § 17A.19(10)(f)(1). If a decision was not based upon substantial evidence or was based on an erroneous application of law we will find the decision is unreasonable. *Id.* The abuse of discretion standard means that the State Board may not substitute its own judgment for that of the District absent a showing that the initial decision was “unreasonable and lacked rationality.” *Id.* at 571. While we acknowledge that reasonable minds can differ, that does not justify overruling a decision that is based on sufficient evidence because some do not like the outcome. The local board must have erroneously applied relevant law or failed to base its decision upon substantial evidence before we will overturn it.

The abuse of discretion standard requires the State Board to give deference to local board decisions because the local board’s expertise over local matters. *Berger v. Iowa Dept. of Transp.*, 679 NW 2d 636, 640 (Iowa 2004). Under Iowa law, local school boards have broad authority to “determine the number of schools to be taught, divide the corporation into such wards or other divisions for school purposes as may be proper, [and] determine the school in

¹⁷ Exhibit 20, page 1-2

which each child shall attend.” Iowa Code § 279.11. The local board also has broad discretion to establish and maintain attendance centers based on the needs of the school age pupils enrolled in the school district. *Id.* § 280.3(5).

The Appellants are required to show that the GRCSB Board abused its discretion when it decided to close the Gladbrook attendance center. However, no evidence has been offered to support this finding. Under the abuse of discretion standard, a reasonable person could find substantial evidence supporting GRCSB’s decision in this case. The record here establishes the facts in this case are largely undisputed. We will not do an in depth analysis into the facts because the facts show sufficient evidence to come to the same conclusion as the District.

The Appellants argument centers on the District’s reliance on financial projections they believe are based on inaccurate input. Both parties agree if you change a budget scenario in any way it creates a new budget projection. At best, budget projections are based on the best information the District has available to them at the time of the projection. Everyone understands these projections are just estimates that can change. One cannot determine with an absolute degree of certainty what the actual numbers will be in five years. However, these projections are the District’s best estimate of what the District’s financial position might be, and the Appellants failed to prove the methodology and assumptions employed were beyond the bounds of reason. The law does not require the Board and the District to employ the best possible methodology or assumptions; it merely requires that they not be an abuse of discretion. Here, the District could not ignore budget projections showing it would have a significant negative unspent balance if it did not make additional cuts. To ignore negative projections would be unreasonable.

The parties also agree that open enrollment numbers will also have an impact on these projections. However, the open enrollment statute gives districts very little control over timely filed open enrollments. Iowa Code § 282.18. As such, open enrollment numbers are hard to predict, especially in a situation where there is a vote pending on closing a school building because either option could result in open enrollments out of the District. The District considered this may be an issue but felt that the numbers may be a wash. Many times these budget projections are the only information districts have to inform policy decisions and we will not second guess those policy decisions once they pass the basic standard of reasonableness. There was no evidence presented by the appellants that showed the PMA software projections were wrong or that the District did not consider open enrollment numbers as an issue. Even, Ms. Osborn agreed with the positive projections made in the PMA software after the \$200,000.00 in budget cuts, which suggests she did not find the PMA software to be entirely inaccurate. Thus, we do not find the District’s reliance on the budget projections from Mr. Sinclair to be unreasonable.

The Appellants also take issue with the methodology of the Board’s decision making process but have not provided any evidence to show the choice of methodology is arbitrary. The standard is not which method is better but is it arbitrary. The Board chose to appoint a committee to review two options. It was within the discretion of the Board to limit the role of the committee to reviewing only two options. It was also within its discretion to ask for a list of pros and cons and not a final recommendation from the committee. In the end, the final decision rests with the Board. The evidence is clear the Board was aware of the 28E agreement

and the need to discuss further implementation of its plans after the final vote. It is clear that the Board considered the issues the Appellants presented in making its decision although it did not give those issues the same weight as the Appellants. Thus, the Appellants have not shown the actions of the Board to be an abuse of discretion.

The State Board's role here is not to determine which of the two options is the best option for the District. Nor is it our role to determine whether or not closing an attendance center was the best option for savings. The record shows substantial credible evidence existed to choose any one of the four options put before the Board. There may be options that the Appellants like better than the option the Board chose, but that is not a reason to overturn the local Board.

The abuse of discretion standard requires us to uphold the decision of the local Board if it is based on substantial credible evidence. It is irrelevant that the Appellants believe one option was better than another option. It is irrelevant that they believed the Board should have considered other costs saving options. Even in reviewing these facts in a light most favorable to the Appellants, we must conclude that a reasonable person could reach the same decision as the majority of the GRCSD Board. The facts in this case are not similar to situations in which the Supreme Court and the Iowa Court of Appeals have found an abuse of discretion. *See, e.g., In re Closing of Prairie Valley Elementary Bldg.*, 26 D.o.E. App. Dec. 10, 15-16 (2010) (citing *Auen v. Alcoholic Bev. Div. Iowa Dept. of Com.*, 679 N.W.2d 586 (Iowa 2004); *Cooper v. Maytag Co.*, 682 N.W.2d 82 (Iowa App. 2004); and *Schoenfeld v. FDL Foods, Inc.*, 560 N.W.2d 595 (Iowa 1997).

We understand this issue has been very emotional and divisive for the Gladbrook-Reinbeck Community. We understand the decision is not the outcome the Appellants would choose. However, there are no legal grounds to reverse the decision. We can find no abuse of discretion here. The GRCSD Board studied the issue at length and did not act in an arbitrary, unreasonable, irrational manner. Although, the Appellants disagree with the Board's decision it was the Board's decision to make.

DECISION

For the foregoing reasons, the decision of Gladbrook-Reinbeck Community School District Board made on February 25, 2015, to close the Gladbrook attendance center effective for the fall of 2015 is hereby AFFIRMED. There are no costs of this appeal to be assigned.

11/18/2015
Date

/s/
Nicole M. Proesch, J.D.
Administrative Law Judge

11/18/2015
Date

/s/
Charles C. Edwards Jr., Board President
State Board of Education