

Monroe County Community School Corporation
BOARD OF SCHOOL TRUSTEES
Work Session – August 18, 2009

MEMORANDA

The Board of School Trustees of the Monroe County Community School Corporation met in work session at 5:00 p.m. on Tuesday, August 18, 2009, at Bloomington High School South, which is located at 1965 South Walnut Street, Bloomington, Indiana.

Board members present: Jeannine Butler, John Hamilton, Jim Muehling, Lois Sabo-Skelton, Vicki Streiff and Sue Wanzer

Board member absent: Valerie Merriam

Also present: Vi Simpson, Indiana Senator; J.T. Coopman, Superintendent; Tim Thrasher, Comptroller; Janet Tupper, Administrative Assistant; and Andy Graham, Reporter for *The Herald-Times*.

The meeting was called to order at 5:00 p.m. and President Butler stated that the purpose for this meeting was to discuss legislation issues with Senator Vi Simpson. She welcomed Senator Simpson and thanked Mr. Muehling for making a contact with the Senator to arrange for this discussion.

Discussion of Legislation Issues with Senator Vi Simpson – Mr. Muehling explained that the Board had a lot of questions regarding school funding. He noted that our school system would receive \$3 million more if MCCSC merely received per student what the Muncie schools receive per student, which is troubling considering similar size and demographics. He said there are disparities and equity is a question. He said Senator Simpson is recognized as an expert in the area of state funding and expressed appreciation for her willingness to attend this meeting to discuss equitable funding for schools.

Senator Simpson thanked Board members for their service on a school board. She acknowledged the difficulty that school board members face in their important role, noting that the work they do is so impacted by legislation. She said she would try to answer questions in a general way and talk about reasons, as she sees them, why we have the school funding formula we have today – including historical reasons, how we got to today and political reasons. A summary of Senator Simpson's comments, sometimes in response to questions, follow.

At one time, in the 1970's, two-thirds of school funding came from property tax and one-third from the State. In 1973, the Governor instituted a tax freeze that went into effect because of a property tax revolt. At that time, tax rates were frozen. As the assessed valuation changed, some communities and school corporations experienced a windfall. The Legislature changed to put a control on the tax levy – around 5% - so that every year the levy could not go up more than 5%.

A little later in the 1970's a minimum guarantee was implemented and the Legislature came up with a training and experience index in recognition of some school corporations having more experienced teachers (more expensive) that allowed school corporations to compensate for that expense. When the minimum guarantee was put on top of levy control – some school corporations had low tax rates and low levies and others had high levies – it multiplied the effect in that differences kept multiplying. The minimum guarantee was also a percentage increase which added to the same problem. Legislators like many other elected officials think in terms of two and four-year terms only. In 1973 the primary concern was about property tax, making sure that taxpayers were heard.

In the early 1980's people started talking about equalizing. When Senator Simpson ran for office in 1984 equalization of the funding formula was a primary concern. School corporations were threatening lawsuits and in some states they did that. In about the mid-1980's, Indiana Legislators came up with a concept of closing the gap. They recognized that the dollars per student spend were skewed because of property tax. So they established a funding floor, i.e. school corporations could not be moved down but those at the funding floor could be moved up while holding others at the upper amount.

At the same time, a 'deghoster' was implemented for school systems with decreasing enrollment. We were having urban flight and school corporations where this was occurring did have fewer students. Because the General Fund amount (foundation grant) money was based on the number of students these school corporations were losing money. A minimum guarantee did help those school corporations but Legislators came up with a 'deghoster' plan which is a five-year phase out of a child: the first year a child was not enrolled, the school system continued to count him/her 80%, the second year 60%, etc. At the same time we were paying for that child in a suburban school. It was okay for the suburban school but not a good idea for the state because the state was paying 180% (first year) for that child. This was the case only if a district had declining enrollment. Example: Indianapolis Public Schools was having a significant declining enrollment but the state 'deghosted' over five years to lessen the effect of less support.

In 1992 some school corporations filed a lawsuit because closing the gap was about increasing dollars per student and moving lower systems up. When Senator Simpson went to the Legislature she represented Eastern-Greene, Brown County, Richland-Bean Blossom and Monroe County Community school systems. Those school corporations were in the bottom 10 in the state, but the bottom 10 became the bottom 20, etc. The lawsuit was based on the gap in tax rate – some were \$2 and some were \$8 – but kids had the same need.

That year (1992) a committee came up with a reward for effort – if you were trying – closing the gap idea and at the same time forcing tax rates both up and down so eventually everybody would have the same tax rate. State dollars were used to fill the gap and over a period of time it would be equalized. The school funding formula was very complicated at that time.

Around the same time the A+ program was implemented. They knew that some children, because of factors that are not of their choosing, cost more to educate. If you want to be equitable you have to realize that some children do not begin at the same point. Components such as poverty, education level of parents, single families, etc. contribute to these factors. Experts told us these were factors that contributed to success or failure of children. Example: Muncie is similar to MCCSC but has a higher at-risk index and this might have made a difference every year. During all this conversation there are still urban school corporations with declining enrollment but they said they need a minimum guarantee – no matter how many students we lose we must have a minimum guarantee.

In 2002 Legislators started on property tax reform again and decided to take the General Fund away from property tax (two-thirds some years ago). (The state now funds 100% of the General Fund.) In 2004 the formula was changed again. Over a 10 to 15-year period, we would have a new governor and several changes in the funding formula. The state now funds the foundation grant (dollars per student), is trying to achieve equity, redesigned the at-risk index and now uses only free and reduced lunch count in the corporation to determine the at-risk index (complexity index). Poverty determines early on whether a child will be successful in school and it costs more money to educate children who are in poverty.

The school funding formula today is subject to political pulls but the transition to foundation idea was to raise the foundation grant for everybody. Because the state does not have enough money to do that, what happened to the transition to foundation is that the foundation grant is slightly moving down. Example:

the foundation grant times the ADM (Average Daily Membership) and then times the complexity index. A higher complexity index will make a difference in funding. The ‘deghoster’ changed from 5 years to 3 years which speeds up the loss of funds for some school systems that are losing enrollment. A flight grant has been implemented which is for school corporations that have an even higher complexity index and losing more than 3% enrollment. There is a small school grant for school corporations that have fewer than 1,000 students with a fairly stable student population.

Political ramifications – Over the years those persons in the House and Senate representing declining enrollment school corporations have been fighting for a minimum guarantee. Every time a minimum guarantee is put into the formula those school corporations that do not benefit from a minimum guarantee have less of the ‘pot’ of available money. On the other hand you have members who represent school corporations that are growing and they would like the whole concept of ‘deghosting’, minimum guarantee, etc. dropped and have money follow the child. Rural school corporations and town school corporations that are growing slightly are represented by various voices in the Legislature and they have a different clot. The fight over school funding is really over how much to spend. Education costs – K-12, higher education and teacher pensions – amount to about 64% of the state budget.

The school funding formula impacts school corporations in different ways and some of that discussion has gone partisan. All of some county Legislators are republicans and they want money to go with the child. Many of the urban school systems (Muncie, Anderson, Gary, IPS to name a few) and some others with declining enrollments are primarily represented by democrats who do not want to lose money with each child who moves. Very seldom do you hear people talk about how the formula impacts education in the big picture. Instead a lot of discussion gets bogged down with specifics, such as IPS saying if we get an \$11 million cut in our budget we cannot do what you told us we have to do such as security and bonuses to attract good teachers.

Senator Simpson asked the Legislature to add to the budget a two-year commission to study the issue and find out what other states are doing. She said they do know that it costs money to educate a child who comes from a family of poverty but they also know when you have smart kids you have to offer the right classes. She said she thinks we need to take this whole discussion out of politics. She said what happens is that everything else in the budget takes a second seat, although these issues are also important. She suggested that we need to come up with a formula that will stay for 10 to 12 years because we cannot fix the current formula in a year or two. Senator Simpson noted that property taxes do not go down in a recession and we do not have enough money to fix this formula. Her hope is that we come up with a formula and stick with it. Members of the commission are Legislators: three republicans (six total) and three (six total) from each the House and Senate. They will bring in people who know how the formula works and help design a program that the Legislature can accept. She concluded that none of us knows how to fix it; it needs to come out of the political fire.

Ms. Wanzer suggested that since they are looking for advisory people to work with the commission, the Indiana University School of Education includes several people who are experts in school finance. She said she is happy that Senator Simpson did this and hopes she gets people to assist who know about school finance.

Senator Simpson shared a chart giving an overview of the 2009 school funding formula (a copy is attached to and made a part of the official record of this meeting). She said when the formula is based solely on how many at-risk students a school corporation like MCCSC has – a low at-risk index and a stable population – school corporations like that over the state are affected adversely, but there is much debate over the ‘outliers’ and we have to start thinking in different ways.

In response to Mr. Hamilton's questions, Ms. Simpson shared some examples of the variables in funding per student, General Fund only – MCCSC would receive \$6,068 per student in 2010 and East Chicago will receive almost \$9,000 per student. She said if you cut off the top and bottom 10%, most school systems would be in the \$6,000 range. She said there are school corporations like South Bend with a much lower per student funding than East Chicago and it occurred because of historical issues. The curve has compressed over time.

Andy Graham noted that there is a \$3 million difference in funding that Muncie receives over MCCSC. He understood that before the complexity index was built in MCCSC received \$15 million less and he assumed that comes from historical factors. Ms. Simpson responded that his assumption was accurate. She said they talked about differences in school systems that skew the formula.

Mr. Muehling asked is it fair that a child in East Chicago should receive 50% more than a child in MCCSC; we do more with less here. Senator Simpson agreed that it is not fair but when you factor in the political aspect, you must get a budget passed. She said they (Legislators representing various school systems) will do whatever is needed for a school funding formula that protects their school districts. She added that the school funding formula is a compromise. She confirmed that local government is still funded by property tax. She said K-12 funding is done by committee and changes because it depends on who is taking the lead.

In response to Dr. Coopman's question, Senator Simpson said stimulus money is in two parts: one for special education and Title I and it has been distributed through regular channels. Then there was a discretionary amount of about \$1.2 billion and about \$850 million was to be used for education. It had to be used to backfill budget cuts. The government created a cut in K-12 education funding by not distributing your last month's payment but instead was distributed out of stimulus money. If we had said no to stimulus money, we would have had to make more cuts. Dr. Coopman asked if continuation of percentages and budget backfill with stimulus dollars that will go away in two years (and we will continue to use percentages) will we be in trouble again in two years. Ms. Simpson said not for that reason – if we are not out of recession we will make cuts and get through it but 2012 will be a 'dog'. She noted that everybody wanted property tax cuts but if the recession goes on much longer there will be real problems.

Adding to Ms. Wanzer's comments, Senator Simpson said more and more people are recognizing the terrible results. She said the cuts are significant because of the caps; once you bump against them there is no place to go. She thinks people are recognizing the consequences. Noting that it is her opinion, she said statute is already in place and it does not need to be in the (State) Constitution.

Dr. Butler noted that two or three years ago ISBA (Indiana School Boards Association) talked about caps and what it would mean to city government. Senator Simpson said some cities like school corporations have enormous tax burdens. She believes in fiscal autonomy for local government but that is a problem for some cities.

Mr. Hamilton applauded the Legislature's work on securing a new formula. He said he does not foresee much will change in the next two years. Looking at it from a school board perspective and how to move forward, he asked what dynamics of school funding should the Board look at given there is not a lot of change in funding but a lot of demands on schools. Senator Simpson said cautionary is the note in Indiana. She said the Governor is ready to put a hold on disbursements. She said if the economy does not pick up and the Governor decides to withhold disbursement, it would be a real problem and there is nothing we can do about it. She said some of those present met at lunch and talked about shared concerns coming from IAPSS (Indiana Association of Public School Superintendents) regarding significant trends at the national and state levels – the trend toward church schools, doing away with rules and regulations

and having outcome measurements of different kinds. Senator Simpson said talking about that and being prepared for those changes is something school boards should do. She said she is troubled that these new rules promulgated by Dr. (Tony) Bennett (State Superintendent for Public Instruction) will de-professionalize the teaching profession. She said she does know at the national level there is more talk about charter schools. She thinks what the school system is doing to offer an alternative rather than charter is the right thing to do.

Ms. Wanzer agreed – noting that Dr. Bennett said graduate level classes offered had no content in theory. She said the Governor wants to take over more control and she is not sure that he has an understanding of public education. Mr. Hamilton said it is a good thing to think about investment in education and in our future but he who has the gold rules and he thinks that is true when the state took over funding of schools. In response to Ms. Wanzer's suggestion, Senator Simpson supported the idea of people who have an impact (such as teachers) coming to the Legislature.

Dr. Coopman concluded that it appears now that Dr. Bennett can move forward with decision making in relationship to changing the way teachers and administrators are certified to work in Indiana schools. He said there is some concern in the way it was done because there was not a lot of dialogue with teachers and administrator associations. He said it appears that someone is trying to get ahead of when the Legislature is in session and he thinks it is good to get Legislator ideas and possibly forestall decisions being made by the State Superintendent.

Senator Simpson said if the rules are promulgated and go forward while the Legislature is not in session it would be difficult to repeal once implemented and moving forward. She thinks the school board and superintendent associations as well as teachers and parents need to come forward; the whole idea of education reform takes on a life of its own. She said once Legislators go home they have other jobs, get into other things and do not focus; it will take a stateside effort to get people focused. She reiterated that to turn this around will take a concerted effort by organizations and constituents throughout the state.

Dr. Sabo-Skelton said while people are talking about changes and people are going to school so they can be effective, we have worked hard to offer wonderful opportunities. She noted we have great successes including New Tech High School and an alternative school. She thinks we are in dangerous quarters right now and we need to connect throughout the state or we will lose public schools. She said she is ready to start work.

Senator Simpson said this school corporation (MCCSC) has a wonderful story to tell and few can tell this story better. She said the message that public schools are failing is a myth and she does not know how to change the message. She noted that slogans work well – such as No Child Left Behind and public schools are failing – but we need to tell that this country was built on public schools. She said she is for change but it is wrong to think everything should be run like a business.

Further dialogue ensued regarding what might be done to change the message, the sovereignty of local control and the importance of teachers and administrators being heard locally and statewide. Ms. Simpson agreed that the state is trying to take over decisions that should be left to school boards and at the local level. She noted that this community cares about education and people who live and work here care about success. She also does not want the State Superintendent or Governor telling us to lower standards.

Mr. Muehling concluded that if we are asked to do the same tasks, we should receive the same money. Senator Simpson said it is fascinating when it all comes together but the funding formula is very difficult; they could not solve all of the problems. Dr. Butler said she thinks the commission and advisory board is a good first step. She said the Board appreciates any help Ms. Simpson can give. She added that our legislative representatives are friends to education and we appreciate anything they can do to help

maintain professionalism of teachers. On behalf of the School Board and constituents, she thanked Senator Simpson for attending the luncheon and this meeting. Board members added their thanks.

Mr. Hamilton said the pressure is on finances and the argument can prevail that you have to let people have more flexibility to do more things. He said it is a given that we will continue to have pressure on academic achievement ... most people are not happy about how we measure achievement but we need to do a good job in order to use it to improve our schools.

Adjournment – The meeting was adjourned at 6:50 p.m.

ABSENT

Jeannine Butler, President

Valerie Merriam, Vice President

Victoria I. Streiff, Secretary

John Hamilton, Assistant Secretary

Jim Muehling, Member

Lois Sabo-Skelton, Member

Susan P. Wanzer, Member