Members

Rep. Scott Pelath, Chairperson
Rep. Joseph Pearson
Rep. Eric Turner
Sen. Brandt Hershman
Sen. Timothy Skinner

COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES[1]

Meeting Date:	**August 26, 2010**
Meeting Time:	**1:00 P.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 404**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**1**

Members Present: **Rep. Scott Pelath, Chairperson; Rep. Joseph Pearson; Rep. Eric Turner; Sen. Brandt Hershman; Sen. Timothy Skinner.**

Members Absent: **None.**

Chairman Pelath called the meeting to order shortly after 1:00 p.m.

Dynamic Fiscal Scoring

After opening remarks and the introduction of Commission members, Chairman Pelath recognized Professor John Mikesell, Chancellor's Professor of Public and Environmental Affairs, Indiana University - Bloomington, to testify on the issue of dynamic fiscal scoring.

Professor Mikesell began by noting the difference between a revenue forecast (a revenue baseline with no change in structure or administration of tax systems) and a revenue estimate or "score" (the impact of changing some component of tax structure). He explained the three protocols in revenue scoring:

- Static: change in tax has no impact on behavior of businesses or individuals

[1] These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at http://www.in.gov/legislative Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for hard copies.

- Micro-behavioral dynamic: change in tax alters the behavior of businesses or individuals in markets directly impacted by the tax, but no change in the total economy

- Macro-dynamic : change in the tax also has a secondary or feedback impact on the state economy as a whole (looking at the impact of the tax on the macroeconomy)

Professor Mikesell testified that the use of macro-dynamic scoring requires the development of a state economic model that tracks the initial micro-dynamic effects through the macroeconomy. He stated that the two approaches to macro-dynamic scoring models are: (1) the computable general equilibrium (CGE) model; or (2) the regional economic (REMI) model.

Professor Mikesell testified that:

- States began to experiment with dynamic scoring in the mid-1990s

- California was legislatively mandated to do dynamic scoring

- States either purchased models from external vendors, contracted with universities, or developed models internally

- States that use macro-dynamic models generally limit their use only to large tax changes (for example, change of over $10 million in California and New Mexico; change of over $100 million in Texas)

- Other uses of macro-dynamic models include: (1) evaluating the impact of economic development programs; (2) estimating the impact of major tax revisions; (3) identifying the impact of land uses; and (4) measuring the impact of major industrial development

- Macro-dynamic models have been regularly used in Oregon, Texas, New Mexico, and California; however, several states have used them for "one and done" projects

Professor Mikesell testified that obstacles to using macro-dynamic scoring include: (1) the expense; (2) the short-term horizon for state budgets (the dynamic effects tend to be in the "out" years; (3) the time requirements; (4) unavailable data; and (5) the fact that many assumptions or guesses are necessary. He then gave an example of the use of dynamic fiscal scoring related to a major tax proposal in California, and he explained why feedback effects in dynamic models may be small: (1) taxes are a modest element in private sector decisions; (2) state and local taxes (all business, some individual) are deductible in the federal tax system; (3) state economies are open and impacts quickly "leak" to other states; and (4) because states must balance their budgets, the tax change is often counterbalanced by an opposite change in state spending. Professor Mikesell noted, however, that capital is more mobile than labor, so feedback effects are larger from changes in corporate taxes than from individual income or sales taxes.

In discussing the issue of accuracy of macro-dynamic scoring, Professor Mikesell testified that it is difficult to know whether they are accurate, and it is also difficult to separate the effects of one change from many other changes. He described a film credit in New Mexico that was scored by two different macro-dynamic models that gave two very different estimates. He also described a mistake made in Arizona in scoring an alternative fuel

vehicle tax credit in 2000.

Professor Mikesell testified that Michigan had estimated in 1997 that it would cost $250,000 to $350,000 to develop a macro-dynamic model, and that REMI models can be rented. He summarized his testimony by noting that: (1) using completely static estimates is wrong; (2) micro-dynamic scoring is uncontroversial, but there is a question of what elasticities are appropriate; and (3) macro-dynamic scoring is controversial, is used for big policy changes, and is not justified for use on every proposal.

(See Exhibit A, Professor Mikesell's PowerPoint presentation "Dynamic Scoring / Revenue Estimation by States: An Overview of Experience and Current Practices".)

Tax Credits for Contributions to K - 12 Foundations

After thanking Professor Mikesell for his testimony, Chairman Pelath next recognized Senator Vi Simpson to testify concerning tax credits for contributions to K - 12 foundations. She noted that she had been in discussions with other legislators regarding how to encourage contributions to school corporations, and that for discussion purposes she had introduced a bill in the 2010 session of the General Assembly (SB 288) that would have provided a tax credit for contributions to public education foundations. Senator Simpson explained that the bill proposed a tax credit to parallel the existing credit for contributions to colleges, but that there are other approaches that could be taken, including an approach similar to what had been enacted for contributions to scholarship granting organizations.

Chairman Pelath then recognized Leah McGrath, Association Manager of the Indiana Association of Public Education Foundations ("INAPEF"). She distributed a handout concerning K -12 public school foundations and tax credits to Committee members. (See Exhibit B.)

Ms. McGrath testified that:

- INAPEF was founded in 2000, and has 55 member foundations that represent over one-half of students in public schools

- INAPEF's role is to: (1) rally community support and interest; and (2) engage in fundraising to increase private investment in public education

- Arizona has had a tax credit for donations to public schools since 1997; Florida does not have a state income tax, but it has enacted a state matching program for contributions to public schools foundations; Idaho has had a tax credit for donations to public schools since 1984; and Pennsylvania has also adopted a tax credit (for details of these programs, see Exhibit B)

Representative Eric Turner commented that he supports the concept. He noted that Senator Simpson's proposed legislation had higher limits than the existing tax credit for contributions to colleges, and that the proposed tax credit would have been refundable and limited to public schools. Representative Turner suggested that Ms. McGrath discuss with INAPEF members the question of whether they could support such a bill if it also included private schools, and that she review a proposed amendment to SB 309 offered by Representative Truitt during the 2010 session.

In response to questions from Chairman Pelath, Ms. McGrath testified: (1) that some public education foundations are not members of INAPEF; and (2) that two barriers to establishing a public education foundation are the need for a "champion" behind the effort

to establish a foundation and the fact that the idea of establishing a foundation often has just not occurred to citizens.

In response to a question from Representative Joseph Pearson, Ms. McGrath stated that members of INAPEF are organized as 501(c)(3) grant-making organizations.

Chairman Pelath next recognized Tina Peterson, Executive Director, Foundation of Monroe County Community Schools (FMCCS) and the president-elect of INAPEF. Ms. Peterson had distributed a booklet from the FMCCS to Committee members. (See Exhibit C.)

Ms. Peterson testified that the FMCCS was established in 1972. It began as an institution to provide "luxuries" in education, but it now has a different role. She explained that there is a perception that because public schools are supported by taxes, contributions to schools are not necessary. Ms. Peterson listed a number of programs undertaken by the FMCCS (dropout prevention; literacy attainment; science coordinator), and she described the FMCCS's current campaign to raise $3.75 million.

In answer to a question from Chairman Pelath concerning measuring results and receiving feedback, Ms. Peterson testified that: (1) with only 2.5 employees, the FMCCS relies on the school corporation's data; and (2) the FMCCS is housed with the administration of the school corporation. Senator Hershman questioned Ms. Peterson concerning: (1) what level of credit would be appropriate; and (2) the split between corporate and individual donors.

Ms. McGrath was recognized to speak again briefly on the level of tax credits for foundations in Arizona, Idaho, Florida, and Pennsylvania.

Senator Tim Skinner questioned Ms. Peterson concerning how long the foundation needed to finance a program that it had instituted, and Ms. Peterson testified that the foundation believes its role is to "seed" various programs and to provide stop-gap funding, but not to provide long-term funding. Representative Pearson commented that foundations can develop best practices and can provide flexibility by meeting local needs. Representative Turner commented that some of those who originally supported the tax credit for contributions to higher education have regretted not indexing the credit in same way.

Chairman Pelath recognized Gail Zeheralis of the Indiana State Teachers Association. Ms. Zeheralis testified that: (1) there is an ongoing need for programmatic funding: and (2) foundations should not be viewed as the "safety valve" for public education funding.

There being no further business, Chairman Pelath adjourned the meeting at approximately 2:55 p.m.

Dynamic Scoring / Revenue Estimation by States: An Overview of Experience and Current Practices

Presented to Indiana Commission on Tax and Financing Policy

August 26, 2010

John L. Mikesell

Chancellor's Professor of Public and Environmental Affairs

Indiana University - Bloomington

CSTFP
Meeting 1, 8/26/10
Exhibit A

SCHOOL OF PUBLIC AND ENVIRONMENTAL AFFAIRS
INDIANA UNIVERSITY

A Critical Distinction for Taxes in Budget Building

- Revenue **forecast**: revenue baseline with no change in structure or administration of tax systems. Works from forecast of underlying changes in aggregate economy.

- Revenue **estimate / score**: revenue impact of changing some component of tax structure or tax administration. (A "fiscal note."). Impact in budget horizon, not long term.

Static v. Dynamic in Revenue Estimates / Scoring

- Static: change in tax has no impact on behavior of businesses or individuals.

- Micro-behavioral dynamic: change in tax alters behavior of businesses or individuals in markets directly impacted by the tax, no change in total economy. (This approach is used at the federal level and by most states.)

- Macro-dynamic : change in tax has impact on state economy as a whole (output, employment, etc.) that induces revenue impact in opposite direction of initial tax change. (Experiments with this approach at federal level by JCT and CBO, a few states.)

Basic Principles of Macro-Dynamic Scoring

- Requires development of a state economic model that links state-local fiscal system into private state economy and integrates feedbacks from private economy to the fiscal systems.
- Alternatives: computable general equilibrium (CGE) or regional economic (input/output) (REMI) models
- Both are multiple equation/multiple industry/multiple period household – business – government models designed to identify how the state economy works. Data intensive.
- Dynamic scoring starts with a static or micro-dynamic estimate – that is what sets off the feedback effects.

Why Macro-Dynamic Scoring

- Get total fiscal impact of tax change ("all the revenue impacts a tax change can have")to include:
  - Direct (static) impact
  - Indirect (dynamic) microeconomic effect
  - Indirect (dynamic) macroeconomic and microeconomic effects that cause changes in size of state economy and on tax bases
- Provide a better understanding of how state economy functions, e.g., links between fiscal and private sectors, relationships between service sector and manufacturing industries, influences on agricultural actives, etc.
- Uses all available information
- May show reduced fiscal impact of tax cutting.

Some Facts About Macro-Dynamic Scoring

- States began to experiment with dynamic scoring in the mid-1990s.
- Some states were legislatively mandated to do dynamic scoring (e.g., California, 1994).
- Some states purchased models from external vendors, some contracted with their state universities, some developed models within state government.
- More states have maintained macro-dynamic models than use them for scoring proposed tax legislation. And usually they limit its scoring use only to large tax changes (for instance, static change of over $10 million in California and New Mexico, over $100 million in Texas)

Other Uses for Macro-Dynamic Models

- States more likely to use dynamic models for analyzing large policy options / major tax restructuring than for scoring bills in the normal flow of legislation.
- Examples:
  - Identifying the impact of alternative economic development programs / strategies.
  - Estimating the economic impact of a major income tax revision.
  - Identifying the economic and fiscal impact of particular land uses.
  - Measuring the impact of major new industrial plant in the state
  - Replacing state corporate income tax with some other tax (e.g., Ohio CAT revisions, Rhode Island net receipts tax (VAT))
- Not as time sensitive as bill scoring, policy shifts more likely to have macroeconomic impacts than marginal revisions to existing tax structure.

Several States Have Used Dynamic Models at Least Once, but Few Have Been Regularly Used for Revenue Scoring (**bold**), Many are now inactive. Several have been "one and done" projects

- Arizona (REMI)
- Georgia
- Louisiana (REMI)
- New York
- **Oregon** (CGE)
- **Texas** (REMI)
- Wyoming (REMI)
- Rhode Island (REMI)
- **New Mexico** (CGE, REMI)
- Massachusetts
- North Carolina (REMI)
- Maryland (REMI)
- **California** (CGE)
- Iowa (REMI)
- Maine (REMI)
- Michigan (REMI)
- Minnesota (REMI)
- Vermont (REMI)
- Nebraska
- Ohio (REMI)

Summarizing State Experience: Who Actually Has Done and Is Doing What?

- There is no reliable and consistent accounting of which states have developed macro-dynamic models. (Some definitional problems)
- There is no reliable and consistent accounting of which states have used macro-dynamic models for scoring of legislative tax proposals. (Some states who did now don't: California, New Mexico; Oregon has and does.)
- There is no reliable and consistent accounting of which states currently maintain macro-dynamic models or currently use such models for scoring legislative proposals.
- Dynamic models housed at various places in state governments, often in state economic development agencies. And these models often are not designed to accommodate fiscal scoring.

Obstacles to Macro-Dynamic Scoring

- More expensive than static or micro-dynamic scoring.
- Short-term horizon of state budgets (desire for balance in budget year, minimal focus on longer term fiscal consequences), dynamic impacts in longer time horizon
- Time requirement for doing estimates of legislative proposals
- Some data required to build the model will be unavailable at the state level, some will not be available for the industries or households needed for the model, and some will not use the same definitions as the tax structure. Model may lack details needed to score tax legislation.
- The model will employ many ad hoc guesses: state-specific supply elasticities, elasticities of substitution between factors of production, marketplace responses, reactions from other states, etc. --with potential for political influence. And results may be extremely sensitive to these assumptions.

An Illustration: What the California Dynamic Model Showed – Reactions to $1 Billion Static Revenue Increases from Major Taxes

- Corporate Income Tax: offsetting revenue reduction of $180 million (**18%**) from loss of around 11 thousand jobs and $479 million in business investment expenditures.
- Personal Income Tax: offsetting revenue reduction of $40 million (**4%**) from loss of about 18 thousand jobs and $83 million in business investment expenditures.
- Sales and Use Tax: offsetting revenue reduction of $120 million (**12%**) from loss of around 10 thousand jobs and $109 million in business investment expenditures.

Why Feedback Effects on Revenue May Be Small

- Taxes are a modest element in private sector decisions. Household and business behavior is mostly driven by non-tax factors (access to markets, access to resources, family ties, etc.). Marginal change in tax law won't incite big reaction.

- State and local taxes (all business, some individual) are deductible in federal tax system, thus dampening impact of change

- State economies are open and impacts quickly leak to other states. National economy has smaller leakage rate.

- Because states must balance their budgets, the tax change in the first year normally must be counterbalance by an opposite change in state spending. That works to obliterate the macro-feedback effects of the tax change.

- But capital is more mobile than labor, so impacts from taxes on capital tend to be greater (corporate income, business property, sales tax on business inputs)

Are The Scoring Estimates Accurate?

- We usually don't know.
- Nobody keeps score – it would be difficult to sort out the effects of one change from lots of other changes that impact revenue collections and to identify activities that would have happened even without the tax change. And we usually don't know for the static or micro-dynamic estimates either.
- Mostly nobody knows and any change gets rolled into the forecast baseline in future years.
- But sometimes big errors become obvious: Arizona alternative fuels vehicle tax preferences

The Worst Case Scoring Scenario: Arizona Alternative Fuel Vehicle Tax Preferences, 2000

- Fully refundable lump-sum tax credit for up to half of purchase price of vehicles using alternative fuels, limited to up to 1 % of all vehicles in state, no requirement that alternative fuel be used or that vehicle stays in state. Also waive sales tax and annual registration fee for the vehicle.
- Official (static) estimate: $3 - $10 million per year
- Likely revenue loss (until program halted part way through first year): $400 - $500 million
- But that is an over statement – many sales would have occurred without the credit, so would not be part of the impact of the program. Even here, we do not know what the true number is.

Errors in Dynamic Scoring: So What is the Test?

- "Credibility" of methodology and assumptions is the primary test, not results. Sensitivity tests to see how assumptions change results in model. Internal consistency, not actual estimates.

- Violates cardinal rule of positive economics: test by assumptions and methodology, not results.

Basic Points about Macro-Dynamic Scoring / Analysis

- Dynamic scoring / analysis cannot continue if decision makers lose interest in it. (Discovery that tax cuts are not self-financing has been one big factor in loss of interest.)
- Models cannot continue in operation unless they are regularly maintained / updated. Requires staff and research money
- Using macro-dynamic model for all tax legislation will not be feasible.
- Easy for decision makers to lose interest when difference between micro-dynamic and macro-dynamic revenue estimates are modest or when most tax proposals are too small to merit use of the macro-dynamic approach.

Resource Requirements for Macro-Dynamic Analysis

- Models costly to build from scratch: Michigan estimated development cost to be in range of $250,000 - $350,000 in 1997. Translates to $325,000 - $460,000 in 2010 prices. Operations would require full time economist.
- REMI can be rented – an option used by states interested in a particular issue. Possibly $30,000 for three months.

Concluding Observations

- Completely static revenue estimates: **wrong**. Used when there is no basis for other approaches or when tax changes are trivially small.

- Micro-dynamic: **uncontroversial**. Only barrier is absence of appropriate response elasticities. Lots of guessing. Provides the starting point for macro-dynamic estimation.

- Macro-dynamic: **controversial**, not often used for scoring, can be useful (necessary) for big policy changes. There is a macro-dynamic effect for tax change (just as there is for spending change), but trying to capture it on each proposal likely is not justified and probably doesn't make much difference. But ignoring it for large structural changes is also not justified.

CSTFP
Meeting 1, 8/26/10
Exhibit B

K-12 Public School Foundations:

Local Support for Our Local Schools!

Working Together...Building Partnerships...Making a Difference

K-12 public school foundations are important, because they:

- Increase private investment & community support in public education
- Create opportunity for private-public partnerships for K-12 public schools
- Offer the community the opportunity to be a part of the solution, on a local level

Education foundations inspire innovation and reform in our classrooms today. Indiana's public K-12 school foundations are well positioned to bring communities together for our kids.

Tax credits for donations to K-12 public school foundations would:

- Encourage increased giving at a time when the need is greater than ever
- Encourage private-public partnerships as part of the solution for the challenges facing our public schools
- Reinforce the message that public education is a priority in Indiana

State	Program	Notes
Idaho	Since 1984, Idaho has provided tax credits for donations made to Idaho public schools and their foundations. Equal to 50% of donation, up to $500 single, $1000 for joint, and $5000 for corporation	Because of the success of this program, the Idaho Legislature increased the tax credit in the 2010 session from $100 to $500 for single returns, from $200 to $1000 for joint returns, and from $1,000 to $5,000 for corporations. This is the second time the credit has been increased since its inception.
Florida	In 2001, Florida legislature started School District Matching Program to encourage formation of public school foundations. At that time the Florida Consortium of Education Foundations was formed to provide support to ed foundations and administer grant program.	Since 2001, Florida has appropriated more than $12 M to matching grant program, which has leveraged $30 M in private matching dollars. Today, every public K-12 school corporation has a foundation. In 2009, the Hillsborough County Education Foundation received a $100 M grant from the Bill & Melinda Gates Foundation for joint Foundation-School District program aimed at "placing strong teachers in the classroom." This is the largest grant ever awarded to benefit a public school.
Arizona	Since 1997, Arizona has provided Individual Tax Credits for donations to public schools (which include donations or fees paid for support of extracurricular activities or character education). The credit is equal to 100% of donation, up to $200 for single, $400 for joint.	Even in times of economic turmoil, Arizona has seen tax credit donations to public school rise (as reported by *The Arizona Republic).* For example, in tax year 2008, Mesa Public Schools saw a 10% increase in their donations – equaling $200,000 more in private dollars for their public schools.
Pennsylvania	In 2001, the Pennsylvania Educational Improvement Tax Credit for businesses was created. The credit is equal to up to $300,000 for donations to: 1) Scholarship Organizations and 2) Public School Educational Improvement Organizations (many times education foundations). Tax credit equal to 75% of donation or 90% for a 2-year donation.	Statewide, public school programs in Pennsylvania receive about $22 million yearly, as a result of this program. NOTE: It appears most corporations are eligible for the 90% credit. In FY 2008-09, contributions to public school educational improvement organizations equaled $25 Million, while tax credits paid by the state equaled $21 Million.

**See other side for sources.

The Indiana Association of Public Education Foundations

INAPEF 2010-2011 Executive Committee

Ginny Hacker, President
Washington Twp. Schools Foundation

Tina Peterson, President-Elect
Foundation of Monroe Co. Comm. Schools

Lisa Baize, Past President
Wayne Township Education Foundation

Joe Smith, Treasurer
IPS Education Foundation

Cheri Goodwin, Secretary
Lebanon Educational Foundation

Martha Schrader, Co-Founder
Retired, Public Schl. Found. of Tippecanoe Co.

Our members represent 1/2 of the students & teachers in Indiana's K-12 public schools!

INAPEF serves as a resource to K-12 local education foundations (LEFs) and as a catalyst to increase community involvement for the enhancement of public education in Indiana. INAPEF was formed in 2000 to augment efforts of local foundations, to help them expand opportunities for their students, to support those existing foundations and to help communities start their own local education foundations. Through statewide and regional meetings, webinars and web information, INAPEF helps foundation staff and volunteers with many aspects of foundation management including training in:

- Process of school fund raising as an exciting multidimensional discipline with tested methodology and techniques
- Techniques in organizational management that includes staff and volunteer leadership development, governance and performance assessment
- Ethics and fiduciary responsibility

INAPEF Members

Anderson Education Foundation, Inc.
Avon Education Foundation
Bartholomew Cons. School Corp Foundation
Batesville Comm. Schools Educ. Foundation
Beech Grove Education Foundation
Brownsburg Education Foundation
Carmel Clay Education Foundation
Center Grove Education Foundation
Clinton Prairie School Foundation
Danville Community Education Foundation
Decatur Township Education Foundation
East Allen Co. Schools Educ. Foundation
Educ. Foundation of Taylor Comm. Schools
EVSC Foundation (Evansville)
Foundation of Monroe Co. Comm. Schools
Frankfort Education Foundation
Franklin Township Education Foundation
Goshen Community Schools Foundation
Griffith Public School Educ. Foundation
Hamilton Heights Education Foundation
Hamilton SE Schools Foundation
Hammond Education Foundation
IPS Education Foundation
Kokomo Public Schools Foundation
Lake Central Education Foundation
LaPorte Educational Dev. Foundation
Lawrence Township School Foundation
Lebanon Educational Foundation
Merrillville Education Foundation
Mt. Vernon Education Foundation
Munster Education Foundation
New Albany Floyd Co. Educ. Foundation
Noblesville Schools Educ. Foundation
Penn Harris Madison Educ. Foundation
Perry Township Education Foundation
Pike Township Educational Foundation
Plainfield Comm. Sch. Legacy Foundation
Portage Township Education Foundation
Public Educ. Foundation of Evansville
Public Education Foundation of Valparaiso
Public Sch. Foundation of Tippecanoe Co.
Richland Bn Bloss. Comm. Sch. Found.
School City of Hobart Educ. Foundation
School City of Mishawaka Educ. Found.
South Putnam Comm. Educ. Foundation
Springs Valley Education Foundation
The Public Educ Foundation (South Bend)
Tri-Creek Education Foundation
Vigo County Education Foundation
Warren Arts & Education Foundation
Warsaw Education Foundation
Washington Twp. Schools Foundation
Wayne Township Education Foundation
Westfield Washington Educ. Dev. Found.
Zionsville Education Foundation

Sources for state information:
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http://lbfc.legis.state.pa.us/reports/2009/40.PDF

The Indiana Association of Public Education Foundations
Working Together...Building Partnerships...Making a Difference
8907 Fathom Crest, Indianapolis, IN 46256 t: 317.502.9996 leah@inapef.org www.inapef.org

CSTFP
Meeting 1, 8/26/10
Exhibit C

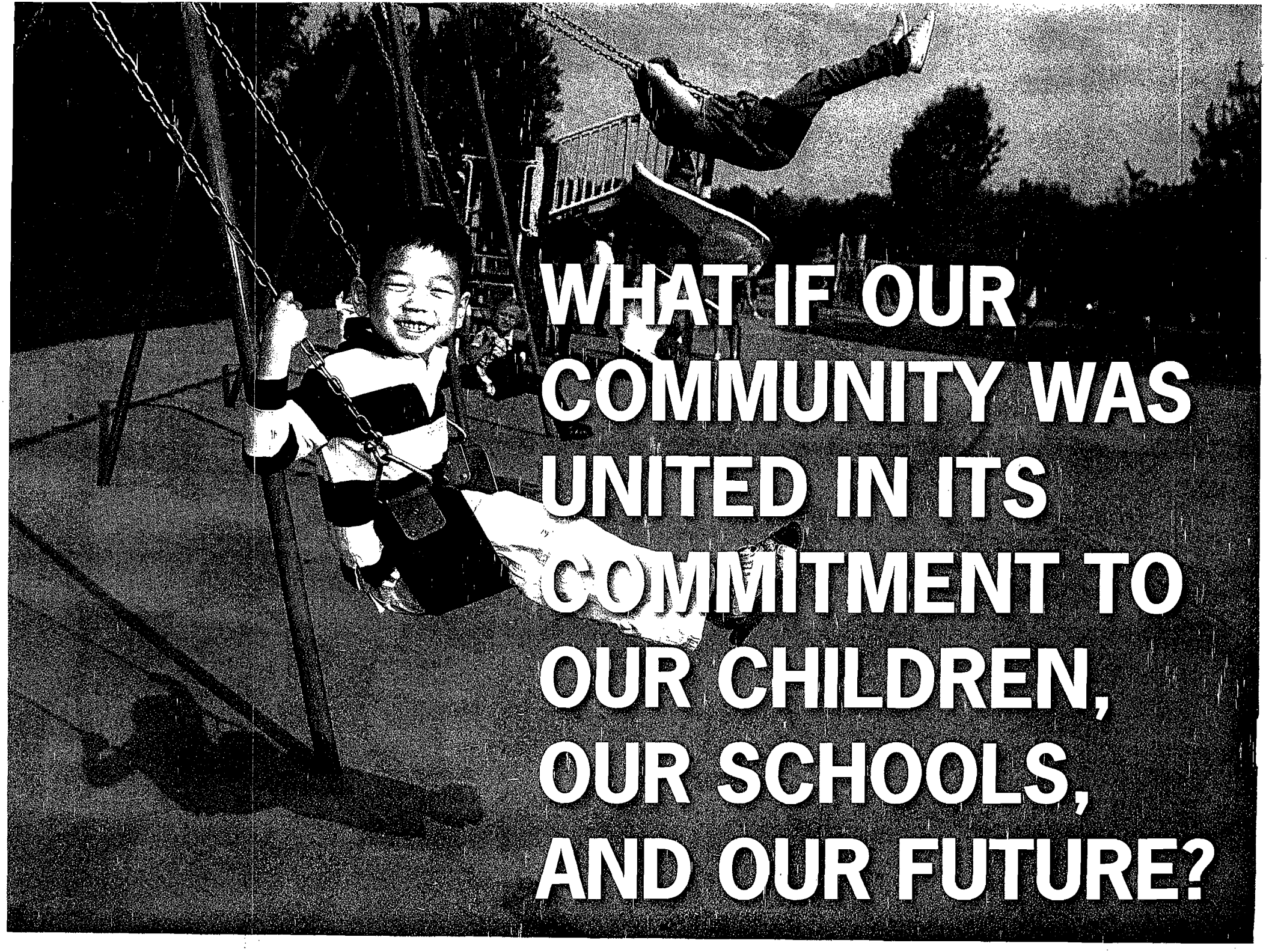
OUR CHILDREN
OUR SCHOOLS
OUR FUTURE

TAKING ACTION FOR KIDS & COMMUNITY

FMCCS
Enhancing Education

FOUNDATION OF MONROE COUNTY COMMUNITY SCHOOLS

$3,750,000 CAMPAIGN


WHAT IF OUR
COMMUNITY WAS
UNITED IN ITS
COMMITMENT TO
OUR CHILDREN,
OUR SCHOOLS,
AND OUR FUTURE?

HONORARY CHAIRS

Mark Kruzan
Mayor, City of Bloomington

Melanie Hart
President, Tasus Corporation

Sue Talbot
Indiana University Trustee

Mark Moore
President & CEO
Bloomington Hospital

John Whikehart
Chancellor
Ivy Tech Community College
Bloomington

CAMPAIGN CHAIRS

Ken Gros Louis
University Chancellor

Kelly King
MCCSC Parent

FMCCS
Enhancing Education

OUR CHILDREN, OUR SCHOOLS, OUR FUTURE

Never has education been more essential to the form and function of a community than it is here in Monroe County. Education defines our identity and underscores our place in the state. From an internationally respected university and a progressive, growing community college to a ground breaking life sciences training center, it is outwardly evident that Bloomington is committed to education and values innovation.

Our local K-12 schools have always been an important part of the tapestry of educational priorities in our community. Until recently, we have often taken the viability of our schools for granted. No longer, can we assume that the education of our young people will take place without a concerted effort to enable success.

The recent cuts to the MCCSC budget leave us with gaps and uncertainties in the framework of our educational system. While this community and our state wrestle with the long-term issues of school funding and structure, we need to take action now for the 10,700 students who step into our schools each and every morning expecting to read, write, think, and succeed.

We ask you to join us in this critical campaign for our children. By dedicating ourselves and enlisting community support we can secure the funds to guarantee that our students and schools have the resources they need. Stepping up now will allow our students to step forward on the path to their success.

Melanie Hart *Mark Kruzan* *Mark Moore*
Sue Talbot *John Whikehart* *Ken Gros Louis* *Kelly King*

OUR SCHOOLS ARE IN CRISIS

A $6 million dollar cut to the MCCSC budget has created an unprecedented crisis in our public schools. Teachers have lost their jobs, class sizes will increase in all 23 MCCSC schools, and many curricular opportunities will cease to exist. Programs familiar to generations of local students have been eliminated and the long-term outlook for school funding offers little in the way of hope for the future.

In the State of Indiana, public education is funded by sales and income taxes and the recent economic downturn has resulted in inadequate revenue to support our schools. As a result, K-12 institutions across the state are cutting budgets and scrambling for solutions. Should current projections be realized, additional cuts to public education will be necessary in each of the next several school years.

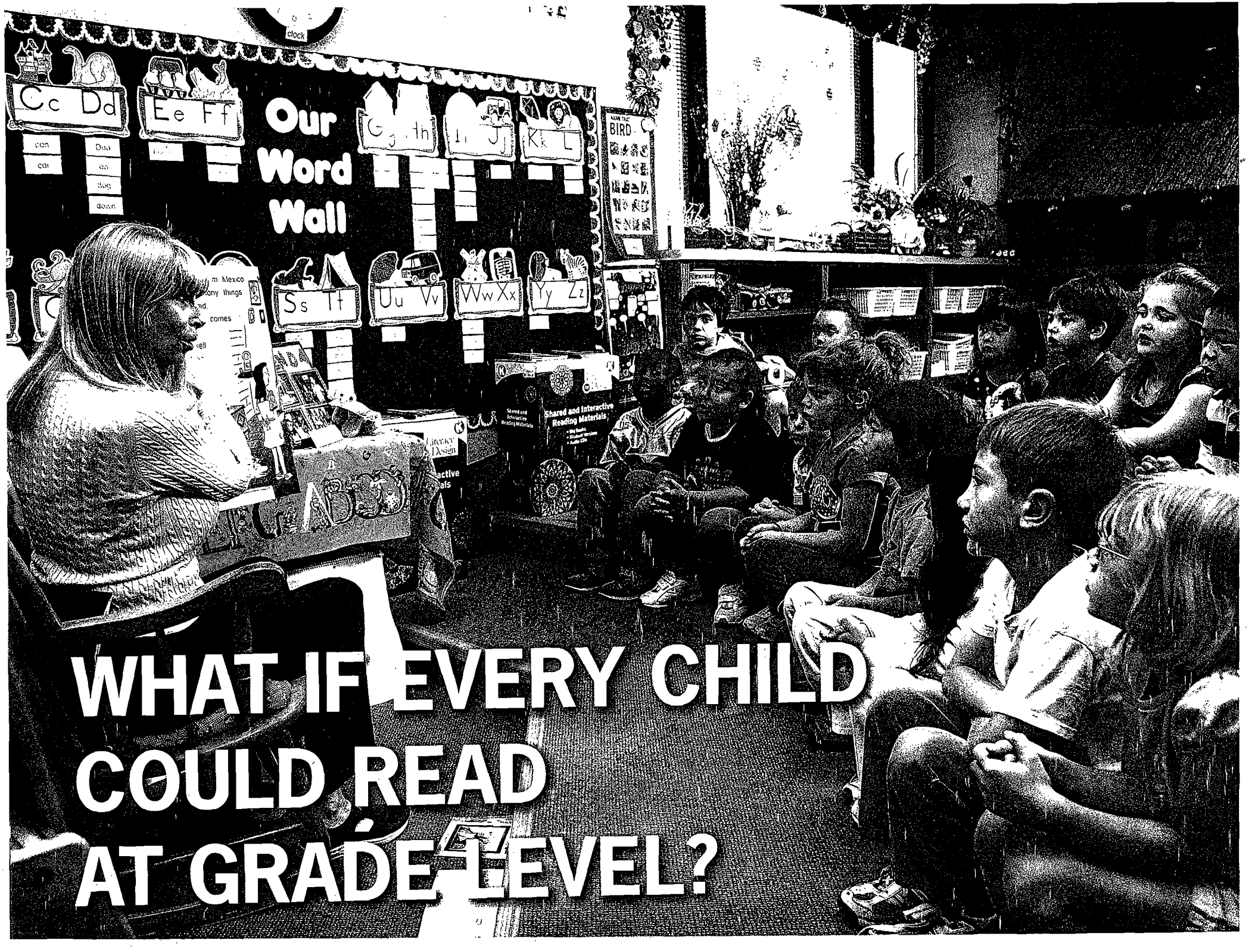
For a community committed to education, these cuts are particularly shocking. It will require an uncommon dedication to a common goal to secure the future for our children and our schools.

WHY $3,750,000?

Literacy, Engagement, and Graduation

These three words best describe the focus of this fundraising campaign. Each is critical to the success of our students and each is essential to the long term viability of our schools. Our students must read, our commitment to engaging students in their learning must be protected, and our young people must graduate prepared for success in the 21st Century. We cannot allow a shortfall in funding to lessen our resolve for providing students with the education and the opportunities they not only deserve, but depend upon.

LITERACY AND LIBRARIES	$1,000,000
CLASSROOM RESOURCES	$ 400,000
KEEPING KIDS ENGAGED AND IN SCHOOL	$2,350,000
CAMPAIGN TOTAL	$3,750,000



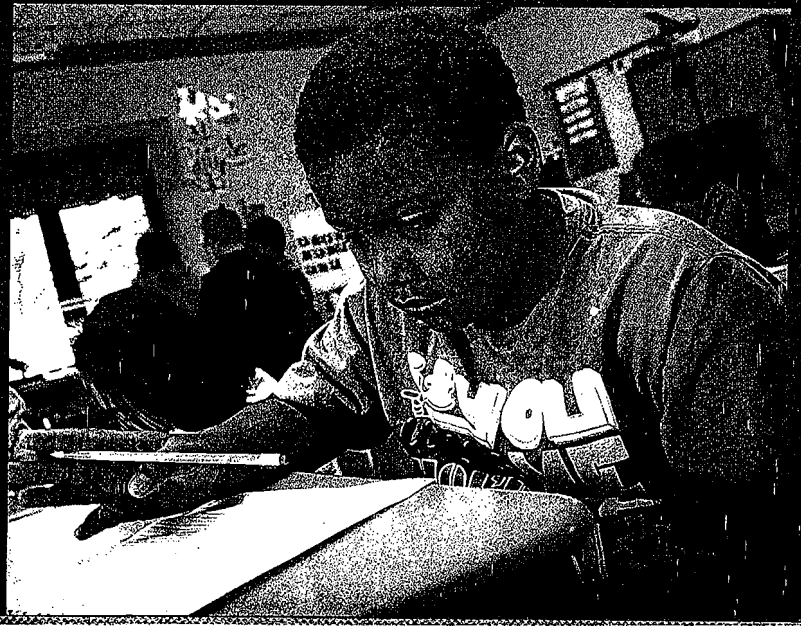
WHAT IF EVERY CHILD COULD READ AT GRADE LEVEL?

FACTS

- 37% of MCCSC 3rd Graders read below their expected grade level.
- 36% of MCCSC students enter middle school reading at less than a 7th grade level.
- 32% of MCCSC high school freshmen read below a 9th grade level.
- 11% of students entering post-secondary schools nationally are enrolled in remedial reading courses. (ACT, 2006)

PROBLEM

- Research confirms that the lowest performing readers are most at risk for dropping out of high school. (National High School Center)
- Growing class sizes and the elimination of positions will impact critical areas of literacy intervention and instruction.
- Funding for programs, books, supplies, and software has been drastically cut.



ACTION

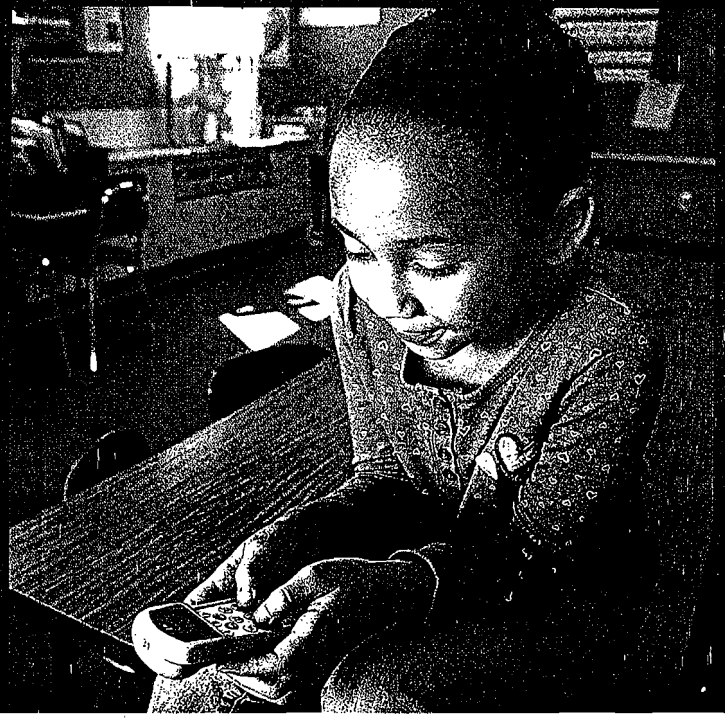
- Raise $1,000,000 to support literacy instruction across all grade levels and purchase books, software and other materials for libraries and classrooms.

FACTS

- RIGOR, RELEVANCE, and RELATIONSHIPS are the three R's of education in the 21st Century.
- Learning is optimized when students are engaged in activities that require complex thinking as well as the application of knowledge to real world situations.
- Hands-on and experiential learning opportunities bring learning to life. They increase the relevancy of the curriculum for students and create more engaged, self-directed learners.

PROBLEM

- A lean budget leaves little room for equipment, projects, and experiences that bring learning to life.
- Devoted teachers have always spent too much money out of their own pockets to provide the resources that engage students in the classroom.
- Teachers must have access to funds that will allow them to provide things like literature, microscopes, field trips, sheet music, and technology that ensure the relevancy and rigor of the classroom experience.

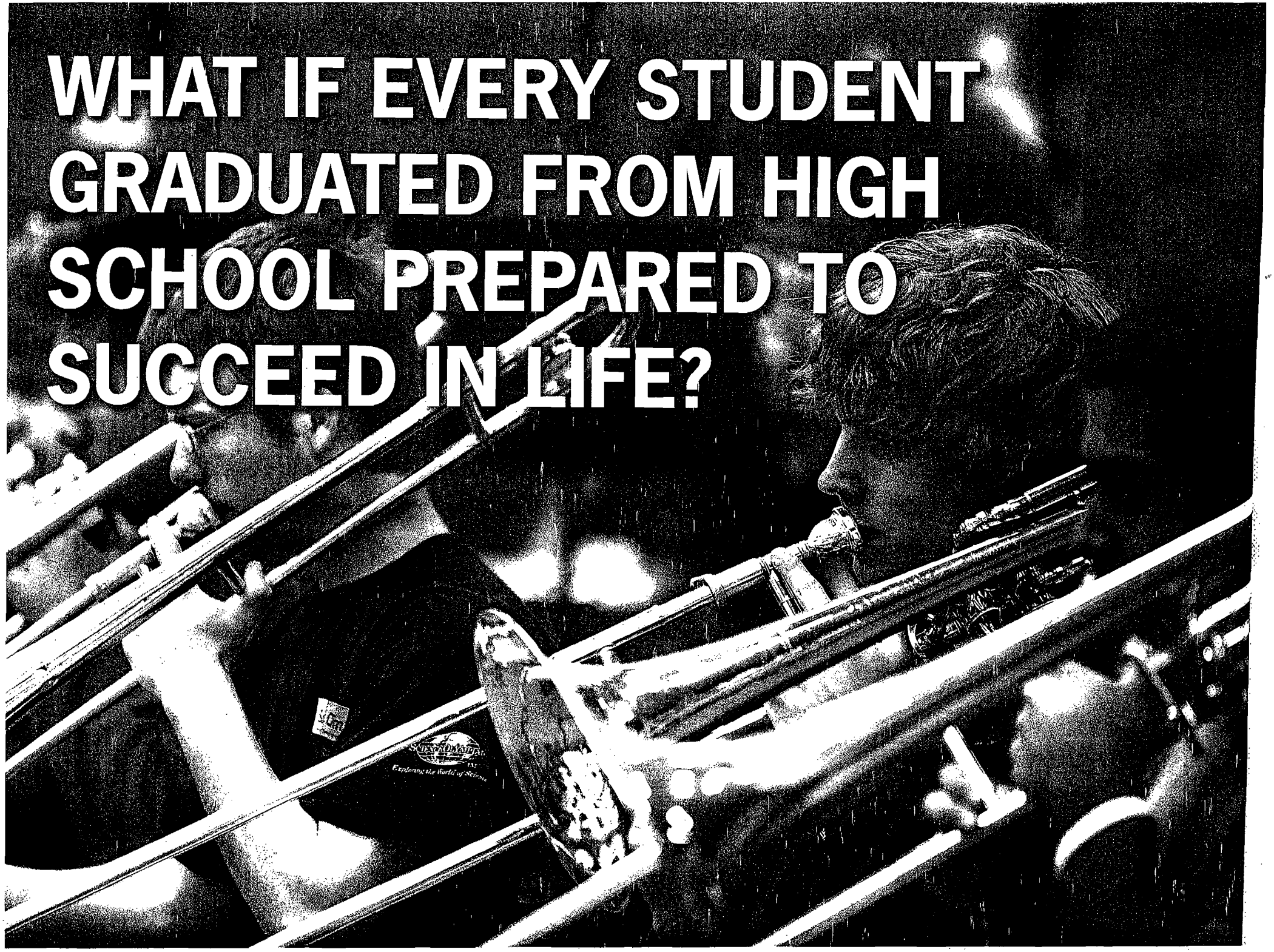


ACTION

- Raise $400,000 for projects, experiences, and opportunities that will serve to increase classroom engagement and improve student learning.

WHAT IF EVERY
CHILD WAS ENGAGED
IN LEARNING?

WHAT IF EVERY STUDENT GRADUATED FROM HIGH SCHOOL PREPARED TO SUCCEED IN LIFE?



FACTS

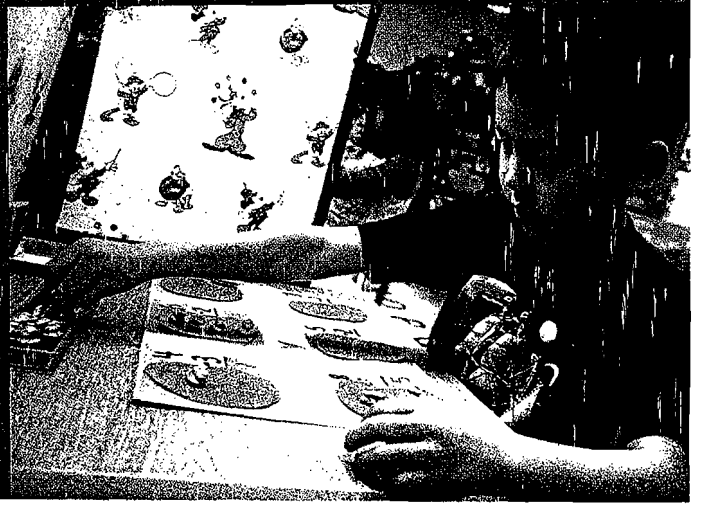
- 79% of MCCSC students graduated in 08/09.
- 12% dropped out or left school for unknown reasons.
- High school graduates live longer, are more likely to raise healthier children and are less likely to commit crimes or rely on public services. They are more likely to vote and to volunteer in their communities.
- Each drop out over his/her lifetime, costs the nation approximately $260,000.

PROBLEM

- Funding for critical programs that support students who may be likely to drop out has been cut.
- Class sizes will increase and critical student/teacher relationships, key to keeping kids in schools, will be impacted.
- Progress made in recent years through programs like Early College, New Tech, AVID, Read 180, STAR, and PACE is in jeopardy because of staffing changes, reduced funding, and belt tightening.

ACTION

- Raise $2.35 million to implement new programs and ensure the continuation of existing initiatives that keep kids engaged and in school.



What is The Foundation of Monroe County Community Schools?

The Foundation of Monroe County Community Schools has been serving students and educators since 1972. Throughout the last 38 years, FMCCS has remained true to its original charge and continues to provide resources to improve and enhance the educational development of all MCCSC students.

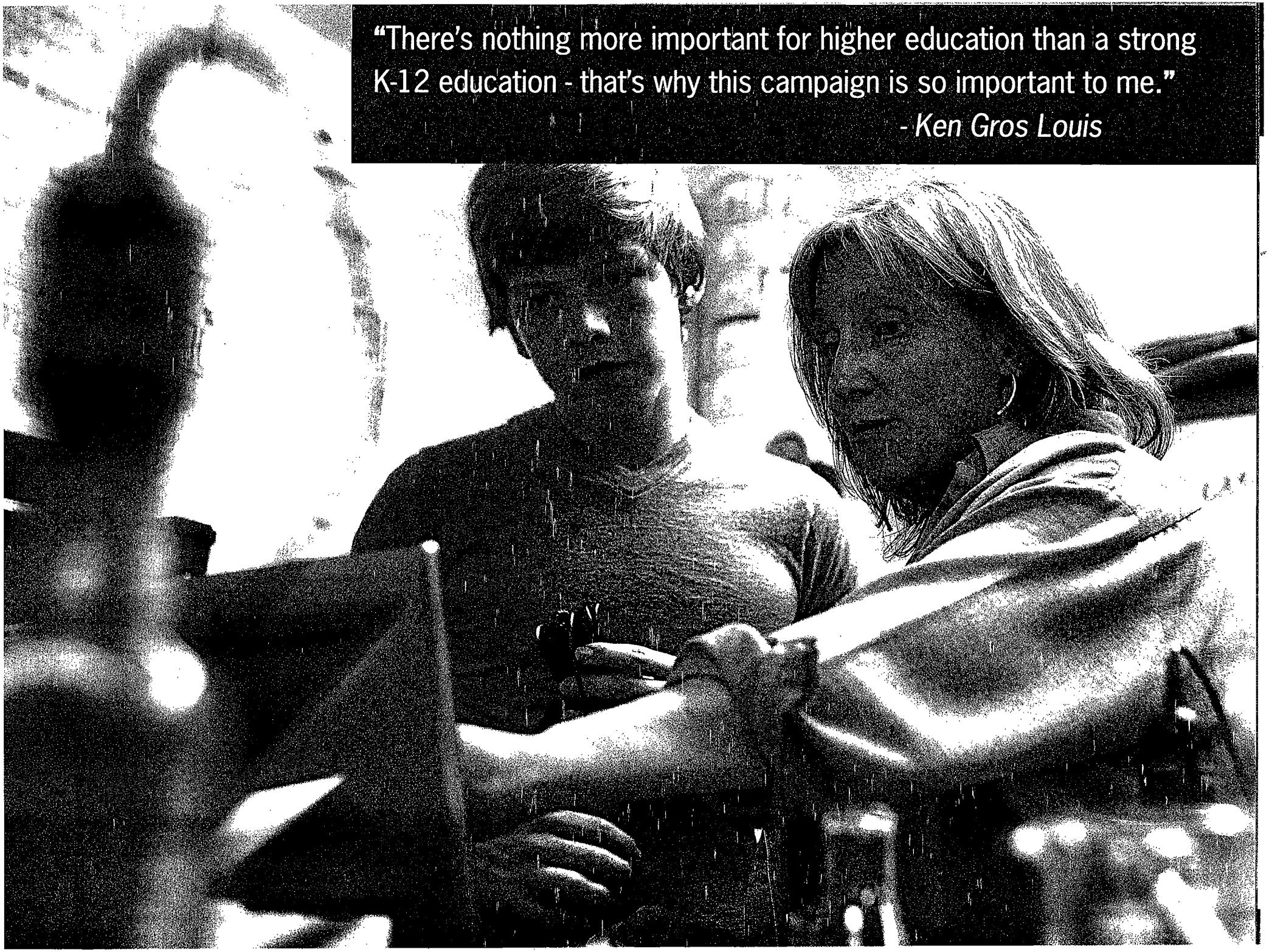
FMCCS works closely with the school corporation and the community to ensure that:

- our schools and classrooms are equipped to serve children,
- our educators have the tools necessary to meet the diverse needs of students,
- our students benefit from programs and experiences that prepare them for success, and
- our school system has the resources to embrace innovation and excellence.

We believe that by investing in children, we are investing in our community and in our future.

The Foundation is a 501 (c)(3) organization managed by a board of twenty-four committed community members.
Visit www.mccsfoundation.org to learn more.

Tina Peterson
Executive Director, FMCSS

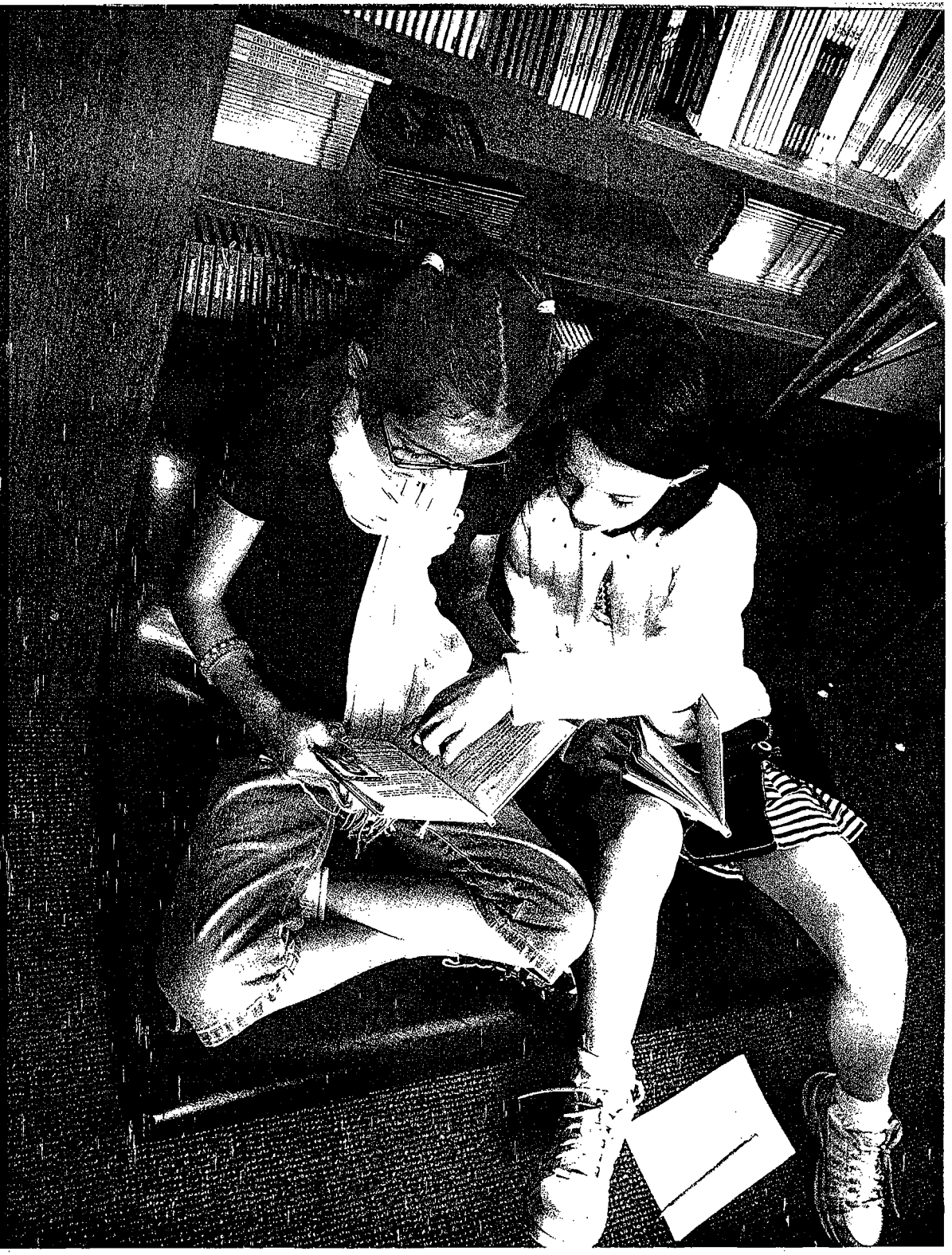


"There's nothing more important for higher education than a strong K-12 education - that's why this campaign is so important to me."

- Ken Gros Louis

"As citizens of Monroe County, the greatest legacy we can leave our young people is an education based on literary achievement. We need to promote high standards for success and to pursue appropriate strategies for all children. The future leaders of our society deserve our support in time and talents."

- Sue Talbot



Ways to Give

Multi-Year Pledges: Multiple year pledges allow the donor greater flexibility while offering the Foundation consistent support of programs and initiatives. Four-year pledges are recommended as the best vehicle for responding to the current funding crisis in our schools. The Foundation has a great deal of flexibility in tailoring multiple year gifts to meet the needs of the donor. Donors may choose to pay monthly, quarterly, or annually and the duration of pledges can vary as circumstances require. The Foundation will send reminder notices for upcoming pledge payments.

One-time Gifts: One time gifts are also greatly appreciated. Donations may be mailed or delivered to the Foundation Office.

Cash, Check or Credit Card: All forms of payment are welcome. Both multi-year and one-time gifts are accepted online at www.mccsfoundation.org. Please click on Contribute and Donate Now.

Appreciated Property: Please contact the Foundation about gifts of stocks, bonds, and mutual funds that have appreciated in value since their purchase date. We will work closely with the donor and our financial management team to facilitate these gifts.

Foundation Mailing Address: FMCCS, 315 North Drive, Bloomington, Indiana, 47401

Directions to the Foundation: From downtown, travel south on College/Walnut Avenue. Turn left onto North Drive across from the Herald Times. The Foundation is located in Suite 214 of the MCCSC Administration Center. Visitor parking is located in front of the building.

FREQUENTLY ASKED QUESTIONS

How does the Foundation support our schools and our students?

The Foundation of MCCS has been raising funds to support our local schools for 38 years. Funds are distributed to schools through grants, direct funding of programs, and through financial awards in response to competitive proposals. More than 2,000 projects and programs have been funded by the Foundation since 1972. We bring the community and schools together for the benefit of MCCSC students.

How will funds be distributed to best serve students and schools?

The dollars raised through the campaign will be used to fund program expenses in priority areas over the next four years. The Foundation will work closely with the school corporation and the community to identify and determine the best use of funds. Money will be distributed to the schools through direct funding of programs and grants awarded to MCCSC educators.

Can funds be raised to replace the salaries of teachers?

It would require more than $1,000,000 to create a reliable funding source for even one teaching position. Hundreds of millions of dollars would be necessary to sustain all of the positions lost. The school system is seeking long-term solutions for sustaining salaries for educators. Fundraising and private support is not a viable option for maintaining school staffing levels.

How were the campaign focus areas selected?

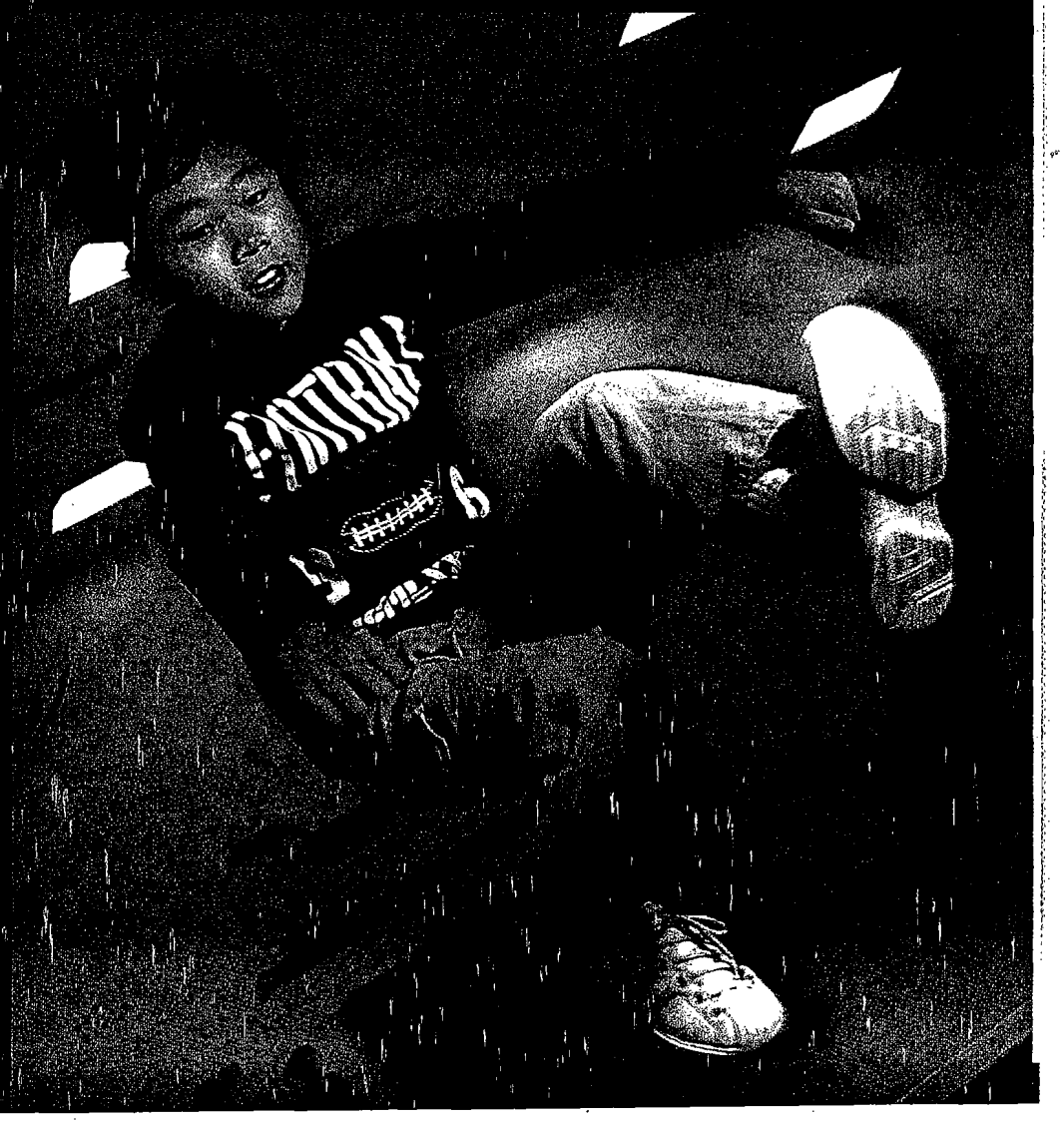
The focus areas align with the most critical needs of the MCCSC student population. Keeping kids in school, literacy, and student engagement are all vital for successful student outcomes. Additionally, the recent budget cuts impact each of these areas and restrict the school system's ability to provide essential educational resources to students.

If a school referendum is approved will this campaign still be necessary?

Yes. The Foundation campaign was designed to address needs that will NOT be resolved by a school referrendum. The Foundation campaign will generate an infusion of revenue for the start-up or short-term support of specific educational programs. The referendum, if approved, would generate property tax revenue to support the ongoing operational and personnel expenses of the school system.

Are campaign gifts tax deductible?

The Foundation of Monroe County Community Schools is a 501(c)(3) not-for-profit organization and all gifts are tax deductible as allowed by federal and state laws.



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Metropolitan Printing

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United Way of Monroe County

Lin Loring
Indiana University Athletics

Carol Maloney
Former Educator

Mayer Maloney
Herald-Times

Elizabeth Mann
Senior Judge

Lee Marchant
LJM Enterprises

Edwin Marshall
Indiana University

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Indiana University

Sue Mayer
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President's Challenge

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Megan McGuire
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Dennis Morrison
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Indiana University

Darryl Neher
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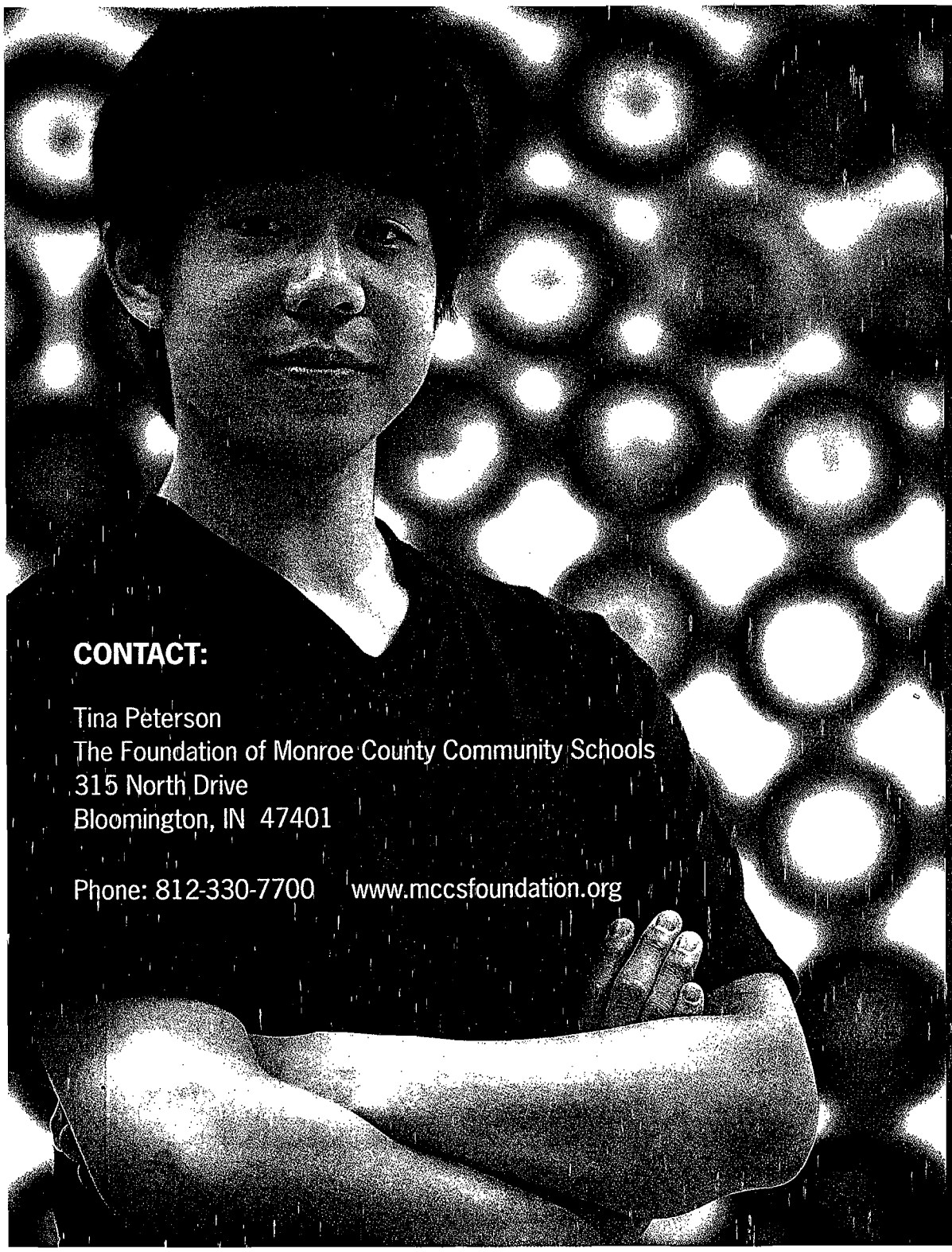
And the list is still growing!



CONTACT:

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Bloomington, IN 47401

Phone: 812-330-7700 www.mccsfoundation.org

"There is no more significant investment any of us can make than in the future of our community's kids. People we never met invested in our education, and it's our turn to make a difference in the lives of the next generation."

- Mark Kruzan

Many thanks to our friends of FMCCS who donated their services to produce this brochure.

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