



## School Corporation Fiscal and Qualitative Indicators Committee Meeting Memorandum

September 6, 2018

**Call to Order:** A meeting of the School Corporation Fiscal and Qualitative Indicators Committee (“Committee”) was held on September 6, 2018, at 2:00 p.m. EDT at One North Capitol Avenue, Suite 900, Large Conference Room, Indianapolis, Indiana. Members of the Committee attending the meeting included Courtney Schaafsma (Chair), Melissa Ambre, Matt Parkinson, Neil Broshears, Chase Lenon, Josh Martin and David Holt.

Ms. Schaafsma called the meeting to order and recognized compliance with the Open Door Law. The first agenda item was the approval of minutes from the July 26, 2018 meeting. Mr. Broshears made a motion to approve the minutes and Mr. Martin seconded. The Committee voted 7-0 in favor of the motion.

Ms. Schaafsma then outlined the goals for the meeting including reviewing the potential indicators report that was provided to the Committee and narrowing down the indicators that will continue to be under consideration by the Committee. She also noted that the Committee is invited to provide feedback on how the indicators are presented both in terms of visual format and data used to compute the indicator.

To start the conversation, the Committee looked at the indicators provided for fund balance. Mr. Broshears highlighted Total Fund Balance or Fund Balance as percent of Expenditures as potential indicators for consideration. Mr. Holt noted that Total Fund Balance may include a variety of funds that could skew the financial picture for a school corporation. He also highlighted the importance of the General Fund Balance and Rainy Day Fund Balance on the fiscal health of a school corporation. Ms. Ambre also highlighted the importance of the General Fund to the day-to-day operations of a school corporation. Ms. Schaafsma suggested that indicators could be combined to include General Fund and Rainy Day Fund Balances while also showing Total Fund Balance.

Mr. Parkinson noted that the user of the indicators may impact the indicators that would be most valuable. Ms. Schaafsma noted that, from a Distressed Unit Appeal Board (“DUAB”) perspective, trend lines over time for an individual school corporation would be most valuable for the future work of DUAB, while other users may prefer to compare across school corporations. Mr. Holt noted that the upcoming change in the financial accounting for school corporations will impact the ability to identify trend lines over time for a school corporation. Mr. Martin noted that there may be ways through the dashboard process that the user could filter the indicators to address their particular questions and needs.

Mr. Lenon commented that Textbook Rental and School Lunch Fund Balances may not be necessary, but looking at Deficit Fund Balances as Percent of Total Fund Balance would be worthwhile to provide a picture of Total Fund Balance.

For revenue indicators, Mr. Broshears suggested that Average Daily Membership (“ADM”) and Tuition Support indicators could be narrowed. Ms. Ambre focused on ADM as the key indicator. Mr. Holt noted that he would also be interested in seeing a percentage change calculation accompanying ADM. In looking at Total Revenue per ADM, Mr. Holt noted that the indicator may not provide good information without a benchmark on which to compare. For property tax revenue, Mr. Parkinson encouraged the Committee to look at property tax data by ADM and assessed value (“AV”). Mr. Holt asked how frequently delinquencies and appeals impact property tax revenue. Mr. Parkinson noted that certain school corporations will struggle with those factors more than other school corporations. Ms. Schaafsma directed the Committee to the Operating Referendum Revenue as Percent of Total Revenues indicator, which would be utilized only for certain school corporations. Mr. Holt noted that the context of the referendum may be important in evaluating this indicator. For other indicators that looked at specific revenue sources and compared them to total revenue, Mr. Holt noted that the presence of debt revenue and Federal grants could skew these calculations. Ms. Schaafsma indicated that she could rework some of the indicators to remove debt from consideration.

For expenditure indicators, Mr. Holt indicated that the inclusion of debt expenditures in total expenditures may impact the indicators. Ms. Schaafsma noted that General Fund Expenditures per ADM and General Fund and Property Tax-Levied Fund Expenditures per ADM (minus debt expenditures) may be good measures on the expenditures side. She also noted that Annual Deficit/Surplus for All Funds and Annual Deficit/Surplus for General Fund may be useful if fund balances are also included on the graph. Mr. Holt agreed that showing fund balance would provide additional context for school corporation spending. Mr. Holt then indicated that the indicator on General Fund Salaries and Benefits is useful information, particularly if benchmarked against other school corporations or statewide averages. Mr. Parkinson shared that he felt the Capital Expenditures graph provided may not provide as much value due to annual fluctuations and the influence of debt on these expenditures.

For debt indicators, Ms. Schaafsma indicated that she felt the Outstanding Debt per \$100 Assessed Value provided the best information due to the reliance on assessed value in being able to repay debt. Mr. Holt noted that credit rating agencies will also look at outstanding debt per capita in their review of local governments. He also indicated that he felt that it would be important to provide the credit rating, if the school corporation has one, and the date on which the rating was obtained. Mr. Parkinson noted that debt indicators would be able to be usable throughout time, even as the financial reporting for school corporations changes. Ms. Schaafsma indicated that Debt Service Expenditures as Percent of Total Expenditures was designed to look at the flexibility of the school corporation to pay debt.

For demographic indicators, Ms. Schaafsma noted that the data provided in the report was based on the surrounding county for many of the indicators due to data availability. She also indicated that she would continue to pursue data that would be broken down by school corporation. Mr. Broshears highlighted the population and economic data indicators as context for the

environment in which the school corporation is located. Ms. Schaafsma indicated that the goal of the Housing Units indicator was to provide a metric for mobility. Mr. Holt asked to clarify the definition of “vacant” and indicated that looking at this data on a county basis may not provide an accurate picture for a particular school corporation. For Net Assessed Value, Mr. Holt highlighted that AV can provide information on the ability of the school corporation to raise property tax revenue. Ms. Ambre explained that many of the demographic indicators were useful in explaining the other indicators previously discussed. For the student demographic indicators, Ms. Ambre and Mr. Holt noted the relationship between these indicators and the school funding formula. Ms. Ambre explained that free and reduced lunch was no longer included in the school funding formula as the formula had transitioned to the use of SNAP/TANF/Foster Care.

Ms. Schaafsma then explained that, for the purposes of the report, the qualitative indicators have been noted but not yet fleshed out by school corporation. She indicated that the qualitative indicators could be very helpful in the assessment process. Mr. Lenon noted that there is an interest in including links to the State Board of Accounts audit reports with the indicators.

Ms. Schaafsma then asked about the time period on which the indicators should be based. Mr. Lenon explained that audit reports would be based on a fiscal year, while Mr. Parkinson noted that certain data may only be available on a calendar year basis. Mr. Holt indicated that he felt that calendar year basis may be more appropriate. Ms. Schaafsma then explained an assumption in the report pertaining to ADM, which is that the fall count would be applicable to the next calendar year data. Mr. Holt and Ms. Ambre both agreed that fall count would be most appropriately compared to the next calendar year. Ms. Schaafsma asked the Committee if they felt that grouping the school corporations by some type of label such as rural, suburban or urban. Mr. Holt explained that it is difficult to segregate school corporations into categories. Ms. Ambre indicated that she felt that it was important to have some type of classification for school corporations. Ms. Ambre indicated that she would provide more information on how the Department of Education has used classifications in the past. She also commented that she felt that statewide average may be useful for many of the indicators. Mr. Holt agreed that allowing for some type of benchmarking across school corporations would be helpful. Mr. Martin indicated that the Management Performance Hub could utilize machine-learning to try to group school corporations. Mr. Parkinson noted that the ability to compare across school corporations would be useful. He also pointed out that many people had been looking to use underlying data to for their own analysis so having the ability to download the data would be helpful. Lastly, Ms. Schaafsma asked the Committee for their thoughts on how frequently the indicators should be updated. Mr. Holt highlighted some benefits of providing the indicators on an annual basis.

**New business:** None.

**Adjournment:** Ms. Schaafsma adjourned the meeting at 3:55 p.m.