
STATE OF INDIANA

DISTRESSED UNIT APPEAL BOARD



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SCHOOL CORPORATION FISCAL AND QUALITATIVE INDICATORS COMMITTEE

Summary of Discussions and Potential Modifications to School Corporation Fiscal Indicators

The School Corporation Fiscal and Qualitative Indicators Committee (“Committee”) is soliciting feedback on potential changes to the school corporation fiscal indicators. The current indicators can be found at <https://www.in.gov/duab/2386.htm>.

The Committee met on October 20 and October 28, 2020, to discuss potential changes to the existing indicators. The upcoming release of the indicators will include calendar year 2019 data, which is the first year that includes the new accounting structure and the Education and Operations Funds. As a result, the Committee has discussed changes to the indicators due to the new accounting structure, as well as other policies that have impacted school corporation finance. In addition, information regarding how the indicators have been utilized by the Distressed Unit Appeal Board (“DUAB”) to identify school corporations subject to the assessment process also was discussed. The recordings for these meetings can be found at the following links:

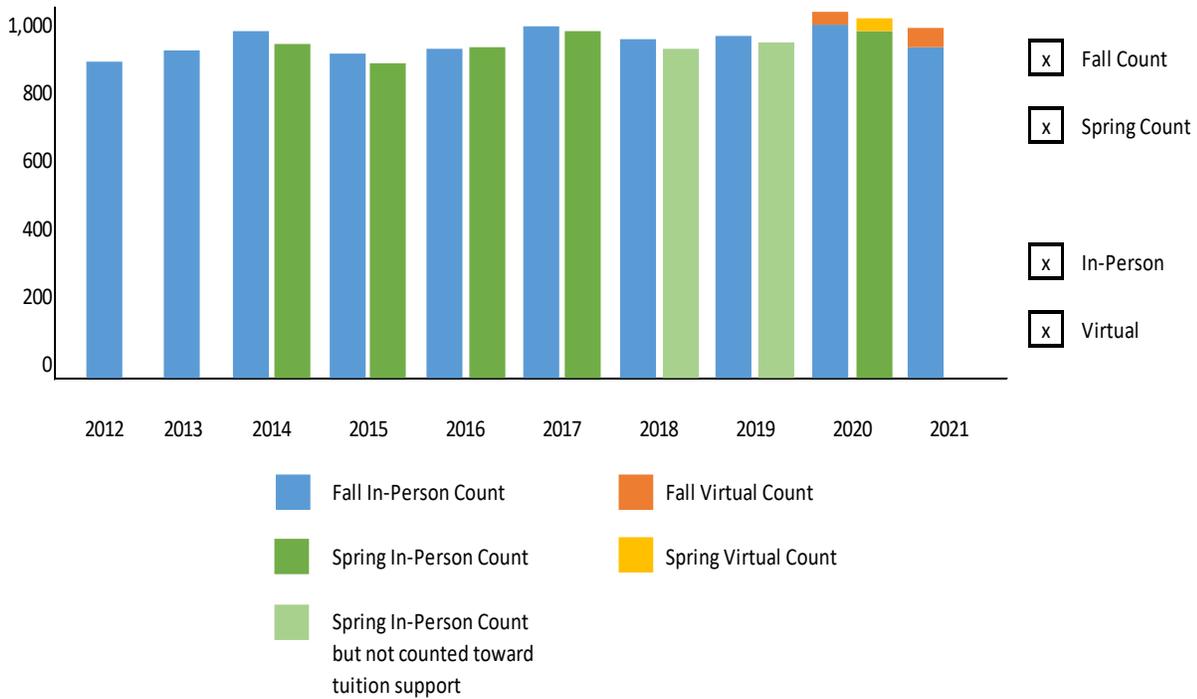
- October 20, 2020 Meeting: <https://youtu.be/RHksXxbFzgg>
- October 28, 2020 Meeting: <https://youtu.be/pviLLZhiYBE>

Each of the existing indicators is listed below along with potential modifications to the indicator that have been discussed by the Committee. In some instances, additional questions remain on the potential modifications. Those questions are also listed so interested parties may provide their feedback on these issues.

Interested parties are asked to provide their feedback to the Committee by November 13, 2020. Feedback can be provided via email at indicators@duab.in.gov or by voicemail at 317.234.2273. All comments received will be shared with all Committee members. The Committee will meet again in November to discuss the feedback received and finalize the indicators.

Average Daily Membership (“ADM”)

The Committee is considering updating this indicator to include the spring count for each year displayed and to make a distinction between in-person and virtual students for those years for which this data is collected. (For the 2020-2021 fall count data, “Virtual Due to COVID” students would be included in the in-person count as a school corporation would receive full tuition support funding for these students similar to an in-person student.) A rough mock-up of what the updated indicator could look like is below.



The Committee also discussed whether there should be a threshold associated with when virtual students would be displayed. A possibility that was discussed would be to use the threshold associated with counting virtual students as a separate school number. The Committee would like additional feedback from interested stakeholders on this idea.

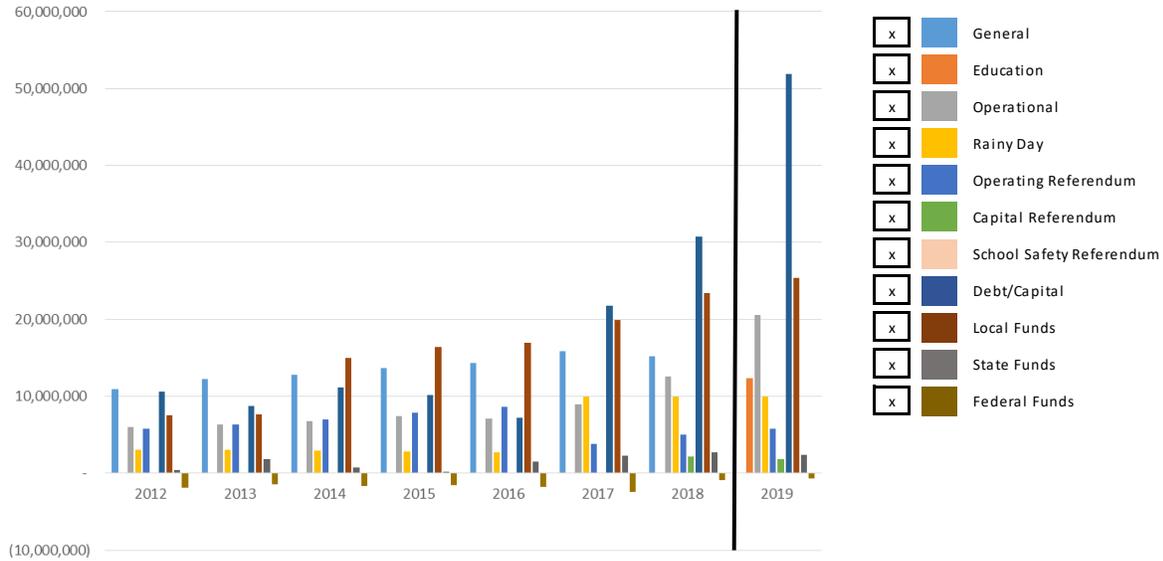
Fund Balances

For this indicator and others that allow for selection by fund category, the Committee discussed expanding the fund classifications available for selection. This would allow the user of the indicators to better refine the funds included in the analysis. Below is a comparison of the fund classifications, looking at both the existing fund classifications and the potential fund classifications that have been discussed by the Committee. Interested stakeholders are encouraged to provide feedback on these classifications and if other classifications are needed.

Current Fund Classifications	Proposed Fund Classifications
General	General
Operational	Education
Rainy Day	Operational
Other Local Funds	Rainy Day
All Other Funds	Operating Referendum
	Capital Referendum
	School Safety Referendum
	Debt/Capital ¹
	Local Funds
	State Funds
	Federal Funds

¹ The Debt/Capital fund classification is proposed to include both debt service funds, debt service reserve funds, and construction funds where bond proceeds are commonly placed.

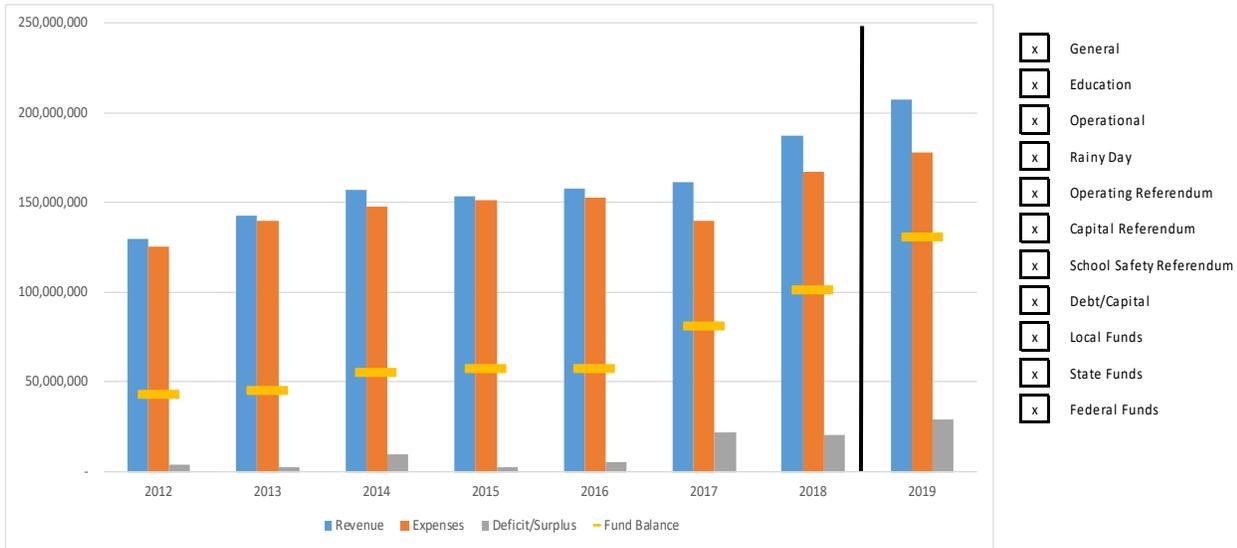
The indicator for Fund Balances is proposed to remain largely the same in its look, as shown below. The data for this indicator is based on December fund balances. A note would be added to the indicator to describe the change in the accounting structure from 2018 to 2019.



A question discussed by the Committee was whether the fund classifications should be presented individually as above or if the selected fund classifications should be aggregated into one fund balance bar per year. In addition, the Committee discussed the possibility of providing the ability for the user to specify the number of years presented on the indicator as a way to address the level of detail included in the indicator if each fund classification is presented separately. The Committee also discussed whether it would be beneficial to be able to look at fund balance data per ADM. Interested stakeholders are encouraged to provide feedback on these questions.

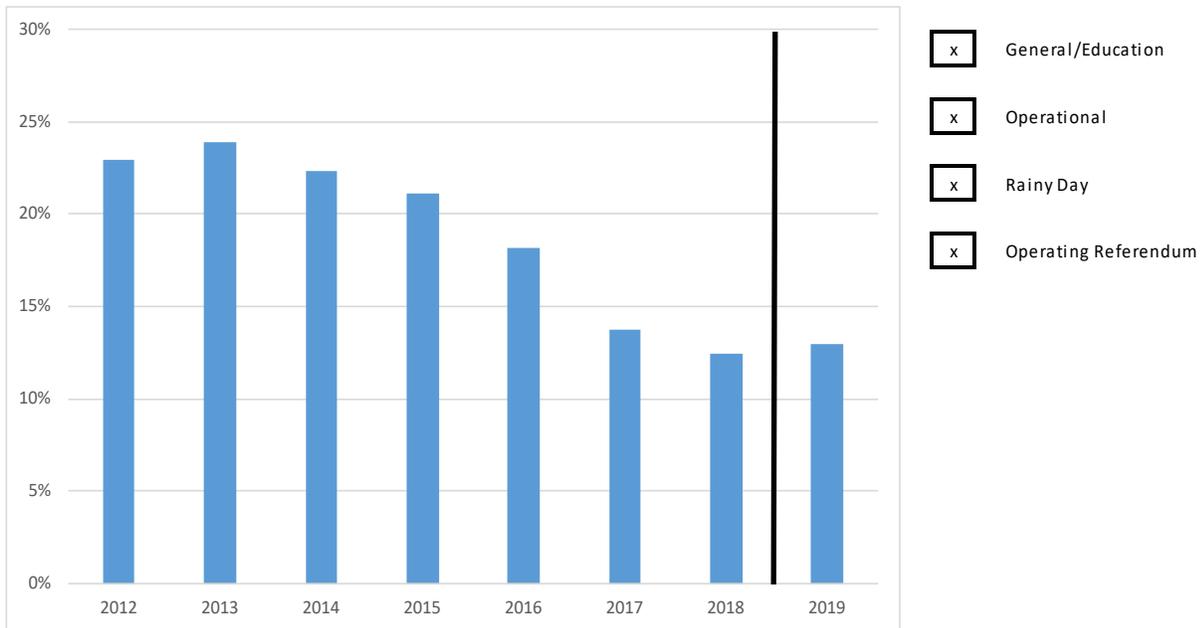
Annual Deficit/Surplus

Similar to the Fund Balance indicator, the Committee has discussed few modifications to the Annual Deficit/Surplus indicator but for expanding the fund classifications to be included in the indicator.



Fund Balance as Percent of Expenditures

The Committee is proposing to update the Fund Balance as Percent of Expenditures indicator to account for the change in the accounting structure. This would group the General and Education funds as a selection option in order to ensure multi-year analyses are comparable. In addition, the Committee is proposing adding Operating Referendum as a selection option, as funds generated through an operating referendum may be key to a school corporation’s overall operational picture.



Based on feedback received during the October 20 meeting, the Committee discussed the possibility of also including a state average line on the graph to allow for a user something to which the data can be compared. There was Committee interest in this idea, but the Committee also discussed if an average displayed would be better grouped with comparable school corporations. Potential groupings discussed included ADM size, location and

type of school corporation (rural, urban, and suburban). The Committee also discussed the impact of operating referendums to the calculation of averages and whether the inclusion of operating referendums would potentially skew the usefulness of the average data. Interested stakeholders are encouraged to provide feedback on these questions.

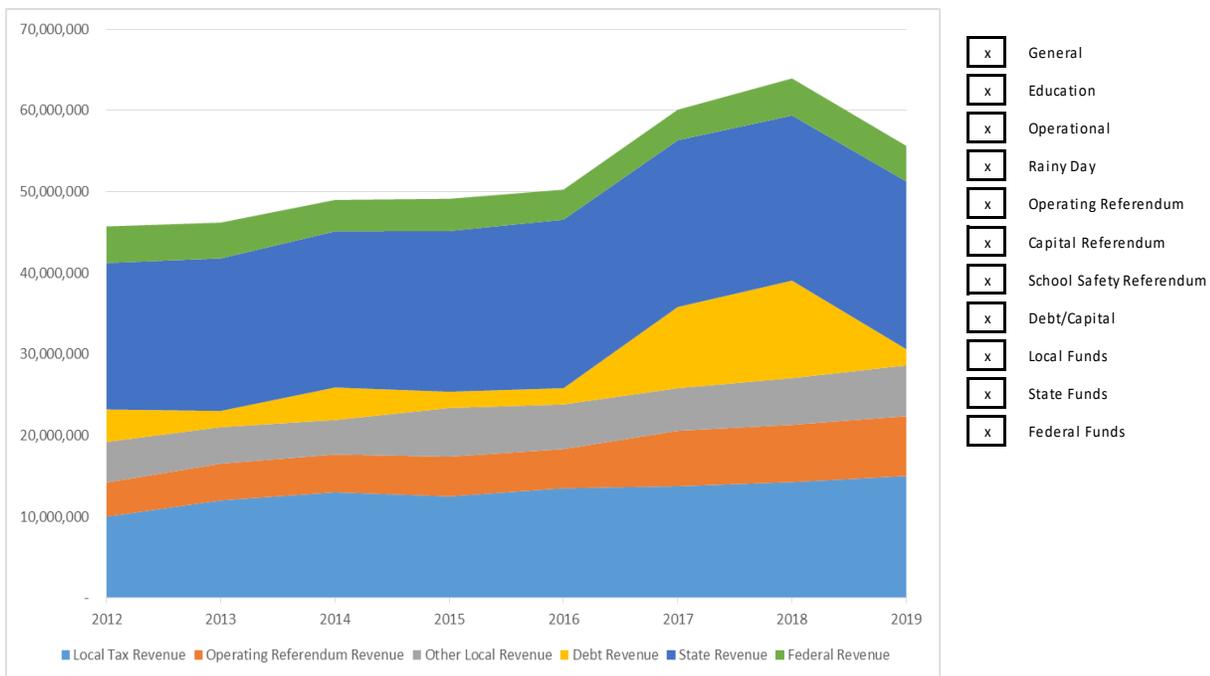
Tuition Support per ADM as compared to General Fund Expenditures per ADM

Previously, this indicator often was used to identify situations in which school corporations were spending more per student in the General Fund than the amount of tuition support per student that was received by the school corporation. Starting in 2019, this comparison became more difficult due to the ability of school corporations to transfer tuition support funds from the Education Fund to the Operations Fund. As a result, the number of schools in which expenditures per student (in either the General or Education Funds, depending on year being considered) were greater than tuition support per student significantly decreased from 2018 to 2019. In light of this, the Committee is considering eliminating this indicator as it no longer has the same usefulness as it did previously.

The Committee did discuss the possibility of modifying the tuition support per ADM figure to remove the amounts transferred to other funds as a way to provide more comparable data for this indicator. Additional analysis is being conducted on this idea, and interested stakeholders are encouraged to provide feedback on this idea.

Revenue by Type

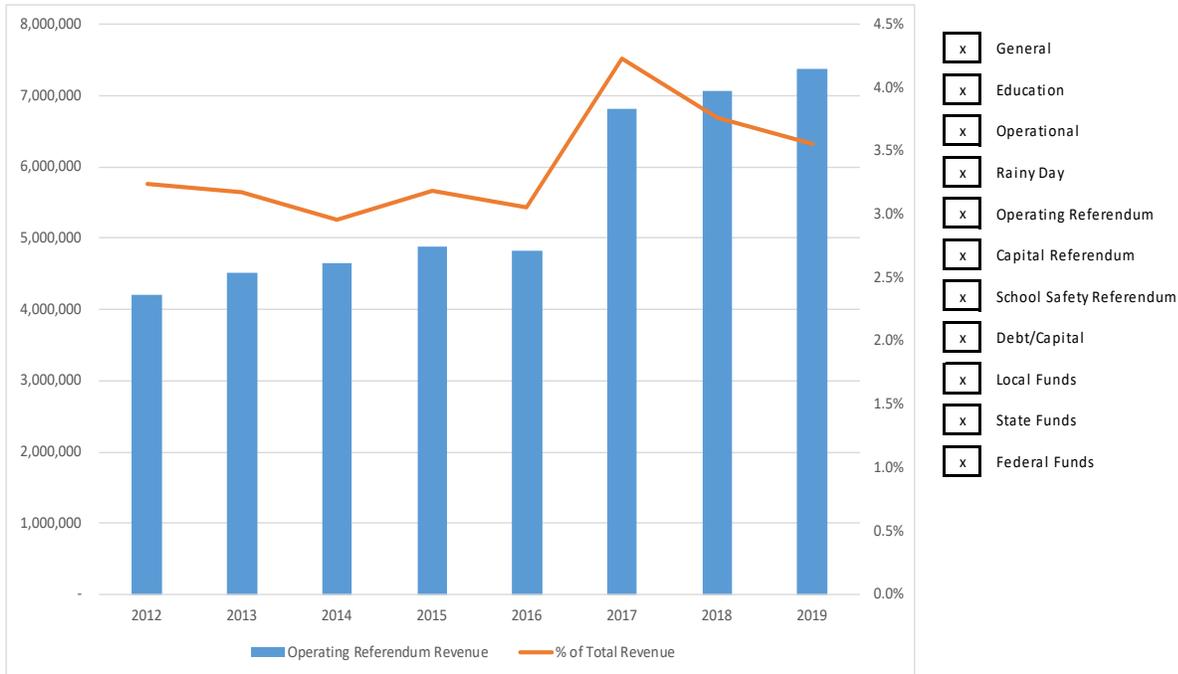
The Committee review of the Revenue by Type indicator did not yield any significant changes that were needed for this indicator. The one proposed modification would be to expand the list of fund classifications that can be included so that the list corresponds with the updated fund classifications also being used on other indicators.



Operating Revenue as Percent of Total Revenue

The Committee did not identify changes that were necessary to this indicator in its appearance. A question that remains outstanding is what the appropriate selection options should be for this indicator. One option would be to allow the user to identify which funds should be included in the graph, as shown in the example below. Another

option would be to allow the user to identify which types of revenue should be included in the graph. Revenue types would be the same as in the Revenue by Type indicator and would include the following: Local Tax Revenue, Operating Referendum Revenue, Other Local Revenue, Debt Revenue, State Revenue, and Federal Revenue.



General Fund Salaries and Benefits as compared to General Fund Expenditures

The Committee has reviewed this indicator and is currently proposing to eliminate this indicator. The change in accounting structure, along with differences in salaries and benefits expenditures due to various contracts that school corporations may have, decreases the usefulness of this indicator in identifying signs of fiscal distress.

Other Considerations

While the above discussion focuses on the existing indicators and proposed changes to these indicators, interested stakeholders are also encouraged to provide feedback on other potential indicators not captured in the discussion above. For example, during its October 28 meeting, the Committee discussed the possibility of an indicator that visually presented data from the Indiana Department of Education’s Public Transfer Report. A mark-up of this potential indicator is shown below. Concerns were raised about the impact of closed enrollment on this potential indicator and the differences in population included within the data (students with legal residence within the school corporation for the red bars and ADM for the green bars). Interested stakeholders are invited to provide feedback on this potential indicator, along with others that they believe could be helpful.



Next Steps

The Committee will meet later in November to finalize changes to the indicators based on the discussions outlined above. Interested stakeholders are asked to provide feedback and thoughts on the proposed indicators and pending questions outlined above by November 13, 2020. Feedback can be emailed to indicators@duab.in.gov or can be provided by voicemail at 317-234-2273. All feedback received will be shared with all Committee members prior to the next meeting.