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Distressed Unit Appeal Board Meeting Memorandum

May 1, 2017

Call to Order: The meeting of the Distressed Unit Appeal Board (DUAB or Board) was held on Monday, May 1, 2017 from 6:32 P.M.-8:52 P.M. EDT. The meeting was held in the gymnasium of the Muncie Area Career Center, 2500 N. Elgin St., Muncie, Indiana. Board members in attendance were Micah Vincent, Chairman, Kent Hatcher, Paul Joyce, Courtney Schaafsma, and Rep. Milo Smith. Staff member in attendance was David Marusarz, Department of Local Government Finance (DLGF) Deputy General Counsel. Representatives of Muncie Community School Corporation (MCSC), as well as MCSC Superintendent Dr. Steven Baule, Muncie mayor Dennis Tyler, local area legislators, representatives from the Department of Education (DOE), and members of the public were also present.

Discussion: The May 1, 2017 meeting of the DUAB was called to order by Chairman Vincent. Chairman Vincent noted the presence of a quorum, as well as compliance with the Open Door Law, and asked the Board members to introduce themselves. He also stated the Board needed to adopt the minutes from the DUAB's April 19, 2017 meeting and entertained a motion to do so.

Motion: Mr. Joyce moved to approve minutes from the DUAB's March 31, 2017 meeting. Mr. Hatcher seconded the motion.

Vote: Ms. Schaafsma voted yes. Mr. Joyce voted yes. Mr. Hatcher voted yes. Chairman Vincent voted yes. The motion carried by a vote of 4-0.

Discussion of Meeting Focus: Chairman Vincent then discussed the meeting's purpose, which was to discuss Senate Enrolled Act 567-2017 (SEA 567) as it pertains to MCSC and to take testimony from MCSC and local officials, local area legislators, and members of the public who wished to testify.

Presentation: Ms. Schaafsma proceeded with her presentation of SEA 567. She began by explaining that SEA 567 changed the composition of the Board to include three nonvoting advisors. The law also designated MCSC as a fiscally impaired school corporation effective April 28, 2017, the date the law was signed by the Governor, through January 1, 2018. By designating MSCS as fiscally impaired, SEA 567 required the Board to appoint an emergency manager for MCSC, with the option of appointing the superintendent of MCSC as emergency manager on a temporary basis of up to 6 months, and listed the duties, tasks, and powers of the emergency manager related to deficit reduction, financial stability, and outsourcing of debt, as well as related goals. Finally, SEA 567 required the Board to hold a public hearing no later than December 1, 2017 to determine whether to designate MCSC as a distressed unit effective January 1, 2018, and listed the options the Board has in determining whether MCSC is a distressed unit.

Ms. Schaafsma then explained that the Board will issue a Request for Information to solicit interested candidates for the role of emergency manager, explaining the anticipated deadlines and the expected qualities and qualifications of the emergency manager. She then reiterated the Board's obligation to hold a public hearing in December, adding that the Board's intent will be to gather input on the progress the emergency manager has made toward financial stability for MCSC. She also informed those in attendance on the public resource options made available, including a webpage specific to the Board as well as an e-mail listserv that they can sign up for.

Ms. Schaafsma then described the outline and expected timeframe of the testimony.

Testimony: The following testimony was offered.

Dr. Steven Baule, superintendent of MCSC, began by describing the scope of the school corporation as of September 2016 and projections for 2017, explaining that enrollment has increased better than projections but has declined overall. Dr. Baule then explained MCSC's financial situation and attempts to manage the deficits, including reducing staff and streamlining costs, while also stating that despite the financial difficulties the school corporation is facing students are succeeding academically and staff brought in more than \$1.1 million in grants. Finally, Dr. Baule stated that MCSC's budget is deficient by \$4.5 million currently and is expected to cut its current cash balance by \$2 million by the end of 2017 and by \$4.5 million more by the end of 2018.

Chairman Vincent asked if the planned reduction in cash balance would be based on a proposed referendum. Dr. Baule said it was not.

The following members of the MCSC Board (school board) were then given an opportunity to speak: Debbie Faick, Jason Donati, and Bev Kelley.

Debbie Faick testified that according to the MCSC's former CFO MCSC's financial situation arose from property tax caps, changes in laws including the school funding formula, and declining student enrollment. Ms. Faick said that the new CFO proposed what she described as 'aggressive reduction in the debt service,' which the school board was reluctant to question. She described some of these reductions were based on studies and involved merging high schools, converting another high school, closing an elementary school, reducing staffing, and combining or consolidating certain positions. She concluded by saying that the primary goal is to maintain academic standards in MCSC and that state intervention will mean more opportunities for the school corporation.

Rep. Smith asked if there are any facilities that need urgent repairs to the building. Ms. Faick responded that the MCSC has embraced what she described as a 'deferred maintenance philosophy' leading to some facilities being in dire need of repairs.

Jason Donati testified by making the following recommendations: make the emergency manager a team as allowed by SEA 567; have the emergency manager look at academic management as well as fiscal management to curb low morale among employees; and use a community advisory panel because the community has good leadership. Mr. Donati concluded that it is unclear what the school board's role is during this process, especially with regard to their decisionmaking, but that he is willing to be collaborative and cooperative.

Bev Kelley testified by stating MCSC is financially distressed and exhorting the Muncie community to help the emergency manager do the need work.

Patricia Kennedy of the Muncie Teachers Association (MTA) then testified. Ms. Kennedy stated that the MTA is aware of the fiscal distress and the need for emergency manager, as well as the progress that has been made thus far to get MCSC out of its financial situation. She then urged the Board to appoint an emergency manager that has integrity, is fair and collaborative, has sound logic, and has a mind toward education, with appreciation toward the MCSC's history and respect for the facilities. She stated that MTA in the past worked collaboratively with MCSC, and that while earlier measures were meant to prevent a slash & burn approach, since then program directors and support staff are leaving and that MCSC is 'hardly recognizable.' She stated that the MCSC is now making it look like revenue is increasing, and that a March 31 factfinding report revealed difficulty with labor negotiations. Finally, Ms. Kennedy said the MTA wants to work collaboratively with the Board and the emergency manager.

Rep. Smith asked if any of the key staff leaving were due to cuts. Ms. Kennedy responded no, but one did retire before she originally planned to.

The following local area legislators then offered testimony: Senator Tim Lanane; Representative Sue Errington; Representative Melanie Wright; and Rep. Greg Beumer.

Sen. Lanane stated that the intent of SEA 567 was to address financial challenges but not to the degree that making MCSC a distressed unit would have. He added that the guideposts in SEA 567 can be met by MCSC and the community.

Rep. Errington stated that the emergency manager will need to be a uniter, will need to be tough, will need to be willing to make MCSC 'swallow some very bitter pills' to make it healthy again, and will need to have a temperament to work with stakeholders productively. She said that Muncie has seen an exodus of teachers, students, families, and it will only escalate over time. She then exhorted the Board to review candidates carefully.

Rep. Wright stated that she was appalled how SEA 567 included MCSC without input from elected officials from Muncie, and especially during ISTEP testing. She commented that education reform has been pushed forward without reflecting on implications, noting specifically the tax caps, reforming the school funding formula, and implementation of school choice. She then said that the community needs to feel the stability of collective decisionmaking.

Rep. Beumer offered comment by commending DUAB for getting things started quickly and commending teachers and students for their future involvement. He then said the goal here is to provide the best education within the means of the community.

Mayor Dennis Tyler then offered comments, starting by saying the emergency manager will need to be able to bring the community together to be successful. He then noted that white flight from Muncie and school choice are contributing to MCSC's problems, but he also noted that some programs such as the robotics program is helping rebuild the community. He said that the community will need to know it is vested in helping the MCSC, and that the proposed referendum is going to fail because the people still

do not believe they are vested. He concluded by saying that the Constitution guarantees a quality education for students.

Rep. Smith commended Mayor Tyler for doing what he can as mayor to help the MCSC. Mayor Tyler responded by saying all options should be on the table.

Chairman Vincent then opened the meeting up for public comments. He exhorted the people to keep noise or applause to a minimum so that people speaking are kept at ease, as well as to keep comments brief and not to simply repeat what has already been said by others.

At 8:10 P.M. EDT, a member of the audience asked if there could be a break. Chairman Vincent called for a short break.

At 8:19 P.M. EDT, Chairman Vincent reconvened the meeting.

Public testimony was given by the following persons.

Johnna Oliver, Muncie resident, stated that it is necessary to get students involved, thus thinking outside the box and creative idea like fundraisers is required to bring them in.

Mike Ryan, Muncie resident, stated that he agreed with prior comments and yielded the remainder of his time.

Linda Hanson spoke on behalf of the League of Women Voters in Muncie. She testified that the school board's attempts at debt reduction were based on a blue ribbon strategic plan and that the board had been working on projective enrollment. She said that the community's support for the MCSC is noteworthy and also necessary for success. She then recommended that the emergency manager be someone with knowledge but who is also collaborative and transparent, given the time constraints to work.

Tony Costello, Muncie resident, said that Muncie as a whole is a distressed unit, not just the MCSC. He stated that both short term and long term solutions are required in the restructuring, maintenance, and replacement of school facilities. Finally, he recommended Steve Edwards as emergency manager.

Sandra Siebold, Muncie resident, stated that Dr. Baule should not be appointed as emergency manager because he has contributed to the current distressed situation, including a patchwork of ideas that were not thoroughly vetted. She then said the emergency manager must be unbiased, transparent, and respectful.

Christie Horvath, Muncie resident, testified that from conversations with MCSC students she found them attentive to MCSC's situation as well as concerned and asking questions about the school corporation.

Lauren Bishop-Weidner spoke on behalf of the Indiana Coalition for Public Education in Delaware County. She stated that the emergency manager must be able to listen to input and act based on that input. She said that trust is an issue and that the emergency manager must be able to regain the trust of the stakeholders.

Vicki Jeffers, Muncie resident, testified by saying MCSC is losing both teachers and students. She cited an example where a school closing resulted in more than 25 students going to other school corporations after one week, and another where one school corporation received 30 applications from former MCSC teachers. She noted one of the reasons why teachers are leaving is because of the hostile work environment at MCSC. She then said the school board is not listening.

Rick Yentzer, Muncie resident, stated that the DUAB program has had mixed results in Gary and in Indianapolis, hence he is skeptical about the results for Muncie. He recommended that the state surplus money should be given to the school corporations and that the legislature must develop a consolidation plan or give authority over public schools to higher education instead of the state. He then said that education should be equal and available to everybody.

Chris Hiatt, Muncie resident, said that MCSC intends to cut spending rather than reduce debt, that the referendum is being sought without authority to do so, and that the plan to close Muncie Northside was halted because 'the fix was in.' He said the protected tax legislation in 2012 and 2013 was helpful, but MCSC has sought a waiver from protected taxes which resulted in the GO bond being squandered. He said that Muncie as a tax district is 'tapped out.' He then recommended that the emergency manager needs to be wholly independent and outside the community.

Bryce Oliver, Muncie resident, said that the emergency manager must be able to be transparent and be able to communicate effectively and with a unit front.

Donna Brown spoke on behalf of the Muncie Action Plan. She said the emergency manager must have local knowledge, administrative and academic knowledge, and local credibility. She said the emergency manager's duty is to right the ship and be able to tackle big issues.

New Business: Chairman Vincent asked the Board if there was any new business to be discussed. There was none.

Adjournment: The proceedings were adjourned at 8:52 P.M. EDT.