

A Brief Review of School Financing, Performance and Enrollment in Delaware County Indiana

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Purpose

This review provides information related to the financing of school corporations in Delaware County, Indiana. We include a history and projection of school enrollment (public and private), information on school performance, the role of property taxes, school corporation physical plant, and finally a comparison of per student funding and staffing for Delaware County's seven school corporations. The goal is to help clarify these issues by providing comparable data across the county's school corporations.

School Financing in Indiana

With the passage of HEA1001, beginning in FY2009, all of school operational funds (100%) come from the state funding formulary, while transportation and capital expenses are financed by local property taxes. Prior to Fiscal Year 2009 the state paid 85% of operating funds.¹

The state funding formula has a base element and a 'complexity' adjustment, which is effectively an increase in per student payments for school corporations with high shares of low-income households. The funding formula was adjusted again in 2010 and 2016 to eliminate elements that slowed the flow of funds from declining to growing corporations (de-ghosting).²

Since the 1950's, funding has followed students, now it is 100% of operational funding and it follows more quickly than in years past.³

Property tax payments are collected on all eligible property within a taxing unit's geographic boundary. The HEA1001 (and subsequent Constitutional Amendment) capped property tax

¹ See http://www.indianacounties.org/egov/documents/1207595285_814300.pdf for a good overview of the data.

² See this STATE Impact report for a quick review of recent changes.
<http://indianapublicmedia.org/stateimpact/2015/06/16/districts-state-funding-changed/>

³ Schools also receive significant extramural funding from federal, state and non-profit grants for particular activities. While these are an important part of school funding, they are not clearly reported in a single location, and are subject to wide annual variation. Moreover, most of these funds (Title I, IDEA, Free and Reduced Lunch support) are not part of the general fund and are deployed to specific uses not otherwise funded. Thus, we do not discuss them in this brief document. Some examples are here: <http://febp.newamerica.net/k12/IN/1807320>

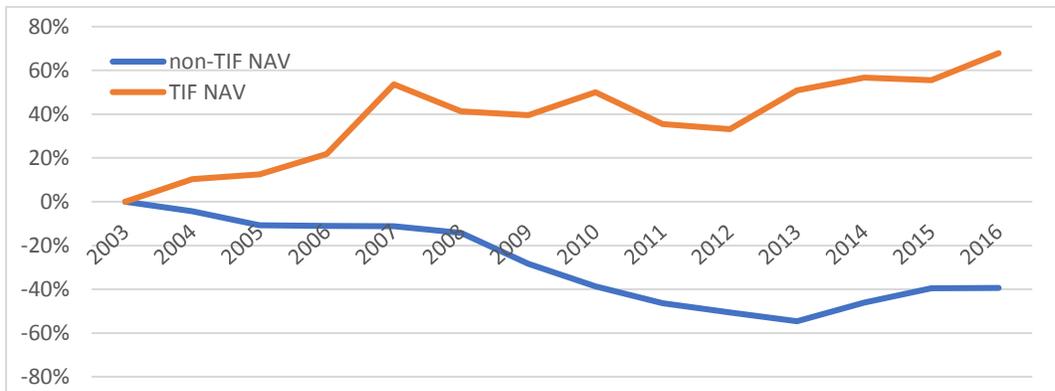
rates. The complexities of property tax administration make the local tax system difficult to understand. We make note three widespread misunderstandings.

Property tax collections are capped both by tax rate and by growth of individual taxing unit budgets. The places that lost the most revenue to property tax caps were the most highly taxed places in Indiana, and Delaware County was among the most heavily taxed counties in the state. Still, those taxing units typically receive more revenue than the places with lower impacts from tax caps, as will be apparent in the next section. .

The actual impact of not-for-profit activity should be assessed as the impact that activity would have on tax revenue if it left the community. For example, the impact of Ball Memorial Hospital on tax revenues in Delaware County is appropriately measured as the loss to revenue if the hospital were to close. While some small not-for-profit activities may occupy land for which an alternative higher use could be found by the private sector, the net effect of the large not-for-profit activities across Delaware County is unambiguously positive.⁴ Local taxing units receive more, rather than less revenue due to the presence of the large not for profit activities in the community because of the positive impact these organizations have on overall property value in Muncie.

Property tax losses from the assessed value include personal deductions (at least 12 including Homestead, Veteran’s Disability, Heritage Barn, etc.). Personal property is also removed from the tax rolls for up to 10 years through Property Tax Abatements (roughly \$275 million, or 8.16% of assessed value in Delaware County in the most recent year available). Tax Increment Financing also captures all assessed value growth for up to 25 years. Household Deductions, Business Personal Property Tax Abatement and Tax Increment Financing have significantly reduced the base of taxation in Delaware County. See the accompanying figure.

Figure 1. Property Tax Assessed Value Growth (TIF and non-TIF Assessed Value)⁵



⁴ The accounting method of estimating not for profit assessed value is for comparative purposes only, not to render an economic estimate of the value of not-for-profit activities and their impact upon tax revenues.

⁵ See Hicks, Faulk and Devaraj (2015) <http://projects.cberdata.org/reports/FiscalTIF-20160129.pdf>

School Budgets

Schools in Indiana receive funding from the state formulary, with student counts collected twice annually. Property tax payments come from the school share of local property taxes. Comparing funding at the corporation level is helpful in understanding the degree of financial stress each unit faces.

There is significant variation in school funding at the corporation level in Delaware County. Cowan Community Schools receive \$6,096 per student from the state funding formula, and an additional \$1,319 from property taxes. This is the lowest state aid per student in the county and second lowest property tax support. Liberty-Perry (Wapahani) receives \$1,105 from property taxes. Again, these funds are intended for operational and facility/transportation respectively. At the high end, Muncie Community Schools receives \$7,636 per student from the state and another \$1,939 from property taxes, the highest per student revenues in the county. See Table 2.

Table 2. Delaware County School Funding, Enrollment and Teach⁶

Corporation	2016-17 Enrollment	Student to Teacher Ratio (2015-16)	State Funding per Student (2017)	2017 Property Tax Appropriations per Student	Total per Student Funding 2016-17	Percent Funding Difference (from Lowest in County)	Funding Difference per class of 25 Students (from lowest in County)
Cowan C.S.	791	13.6	\$6,096	\$1,319	\$7,415	0%	\$0
Wapahani (Liberty-Perry)	1,210	14.5	\$6,506	\$1,105	\$7,611	3%	\$4,901
Yorktown C.S. (Mt Pleasant)	2,534	17.6	\$6,143	\$1,529	\$7,672	3%	\$6,412
Daleville C.S.	924	13.6	\$6,053	\$1,777	\$7,830	6%	\$10,374
Delta (Delaware)	2,622	15.2	\$6,320	\$1,667	\$7,987	8%	\$14,292
Wes-Del	817	12.3	\$6,373	\$1,823	\$8,196	11%	\$19,511
Muncie CS	5,690	12.0	\$7,636	\$1,939	\$9,575	29%	\$53,993

On a per student basis, MCS receives \$1,263 (or 18%) more per student from the state formula, and \$116 more per student in local property taxes than the next best funded corporation in Delaware County.

These differences funding levels through the state formulary are by design, to accommodate costs associated with providing a wider array of services to poorer populations.⁷ The property tax differences are caused very large variations in property value within the city of Muncie relative to other locations in the county. Even with property tax caps, all Muncie taxing units receive much higher tax revenues than surrounding jurisdictions.

⁶ Sources are IDOE Compass (2015-16 and 2016-17) and DLGF County Budgets.

⁷ Seventy-five percent of MCS students receive free or reduced-price meals, while between 35 and 50 percent of students in the six other Delaware County school corporations received free or reduced-price meals.

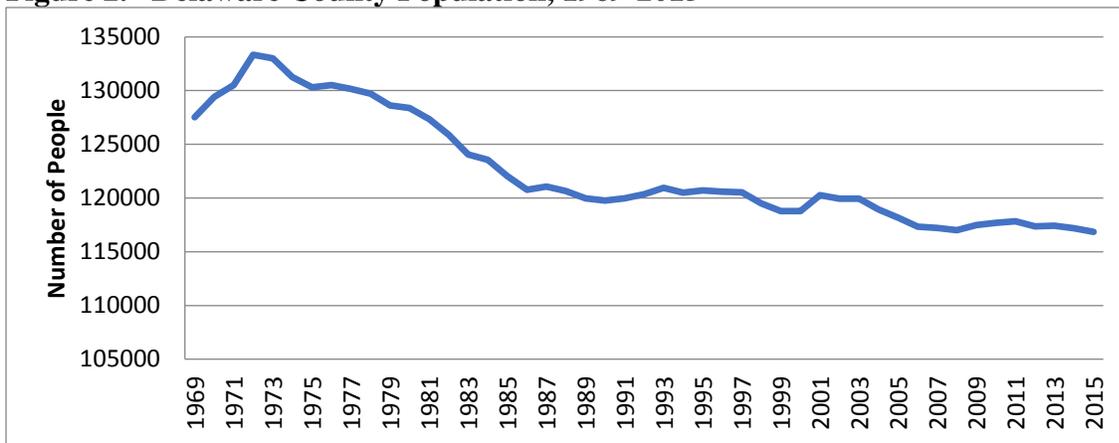
Many residents will be surprised at the large differential in payments to schools. For a typical class of 25 students, MCS receives \$34,482 more dollars on a per capita basis than the next highest funded school corporation (Wes-Del) and \$53,993 more than Cowan Community Schools, the lowest in the County.

There is no ‘optimal’ school funding level, but taxpayers and policymakers should consider comparison data on funding, staffing and performance, when evaluating the relative fiscal stress facing individual units. Likewise, understanding enrollment dynamics is also critical to this issue.

Muncie Metro Area Population

The population within the Muncie Metropolitan Statistical Area (Delaware County) has been in decline since the early 1970’s (Figure 2).⁸

Figure 2. Delaware County Population, 1969-2015



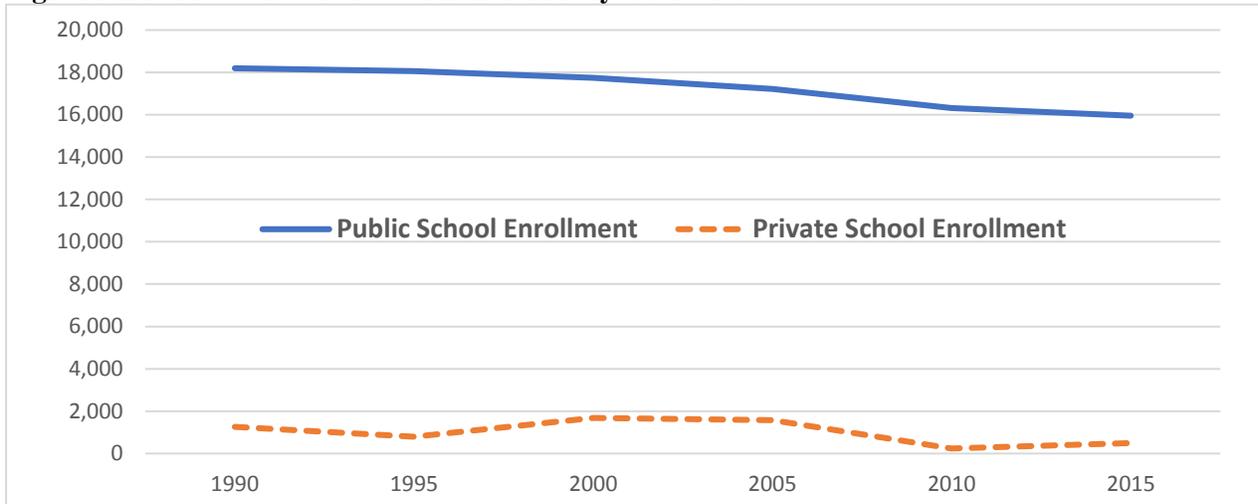
Historical student counts in Delaware County are readily available since 1990. Public school enrollment has been in decline over this period (Figure 3).

Private school losses have exceeded public school student declines. As of 2016, Delaware County had 15,768 public school students and 220 private school students. Public schools experienced a 13.3 percent decline (2,428 students) since 1990. Private schools saw their enrollment decline by 82.5 percent, or 1,040 students since 1990. The private school enrollment share peaked at 9.1 percent in 2005, and was 1.4 percent of all Delaware County students during 2015. Charter School enrollment at physical locations within Delaware County accounted for 174 students in K-8th grade during 2016.⁹

⁸ <http://profiles.cberdata.org/profiles/demographics/Delaware>

⁹ See Stats Indiana for County enrollment, and IDOE School Data Reports for individual enrollment data.

Figure 3. School Enrollment in Delaware County 1990-2015



Over the past decade, almost 95 percent of the student population declines have come from Muncie Community Schools. Recent forecasts suggest that decline will continue at a steady pace through 2030 (Figure 4). School corporation enrollment and school performance are linked. Households vote with their feet, and the enrollment changes (both public and private) reflect those patterns of household choice.¹¹

The opportunity for families to ‘vote with their feet’ regarding school location was enhanced by a series of state policies that enabled students to choose the school of their choice and attend a school outside their corporation of legal settlement (home school corporation) if space is available. Between 2010 and 2012 the legislature adopted rules expanding charter schools, offering vouchers for private schools and allowing families more school choice options.¹² However, in Delaware County private and charter school enrollment remain a fraction of what it was in 2005.¹³

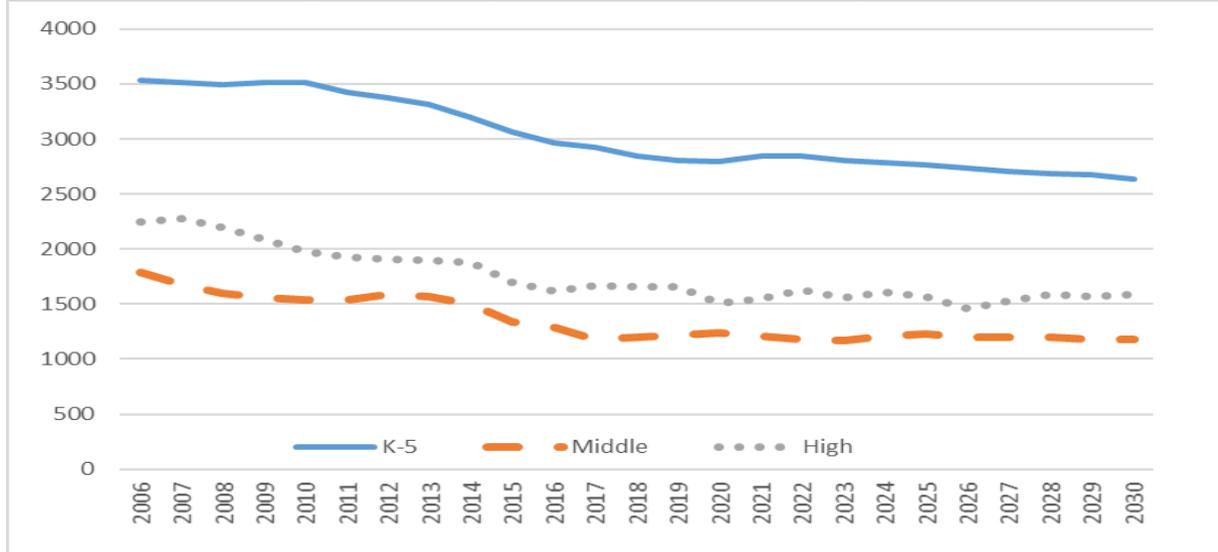
¹¹ See Hicks (2016) <http://projects.cberdata.org/reports/DisappointingEconDevt-20160620.pdf>, and Hicks and Faulk (2016) here: <http://projects.cberdata.org/reports/CountyPopulationGrowth.pdf>.

¹² See HEA 1002, and a media explanation here: <http://indianapublicmedia.org/stateimpact/2016/08/19/years-indianas-voucher-program-functions-differently/>

¹³ According to IDOE reports, during 2015-16, 201 students residing in Muncie Community Schools Corporation received vouchers to attend private schools. During 2016-17, 174 students attended Inspire Academy, the charter school located in Delaware County. According to the 2015 MCS Annual Performance Report 13.4 percent of students (approximately 818 students) residing in MCS boundaries attended another school corporation during 2014-15. These 818 students would generate over \$6 million in funding through the state funding formula if they attended MCS. For details see <http://compass.doe.in.gov/dashboard/reportcard.aspx?type=corp&id=1970>.

Figure 4. MCS Students by School Level (History and Forecast)

(Source: Hicks and Schlesinger, *A Forecast of Enrollment in Muncie Community Schools: 2006-2030, March 2016*)



School performance

Measurements of school performance are imperfect; as traditional testing captures both student and school characteristics, (students from more affluent and better-educated households do better on standardized tests). To better measure the role schools play in student achievement, Indiana adopted a growth model score. This score measures individual student growth in comparison to a cohort of similar students. The growth model score can be compared to raw achievement levels for each school corporation. Interpreting these scores relative to the state average offers insight into overall performance (achievement) and student academic growth (relative to a statistically similar cohort). Achievement scores are heavily influenced by family characteristics, while the growth model score controls for family differences, so is primarily the result of school contributions to learning.

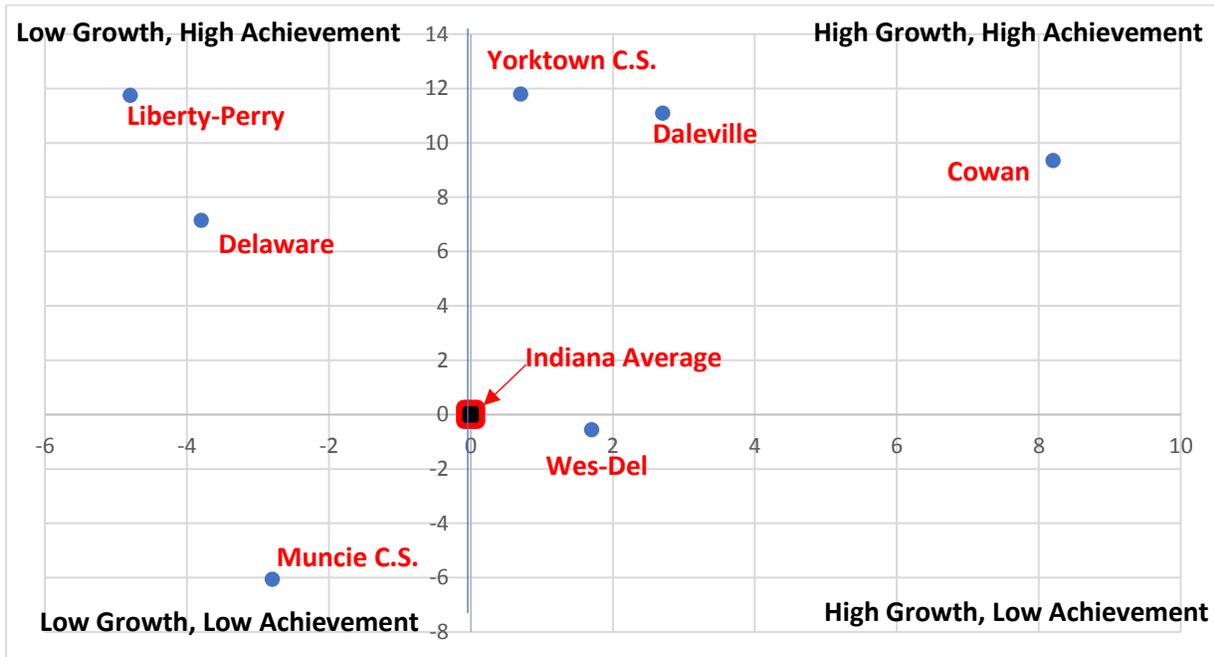
To display this for Delaware County, we combined the Math and Language Arts scores for each school corporation, and plotted them relative to the Indiana average on the following graphic.

Interpreting this is relatively straightforward, recalling that achievement is the average of the corporations ISTEP+ pass rate (math and language), while the growth model measures student growth in learning from the previous year when compared to a similar cohort of students across the state.

The middle point (origin) denotes the Indiana average for achievement and learning growth. Schools that are high growth, high achievement are performing above average, and getting relatively better. Schools that are low growth, low achievement are performing below average and getting worse.

Schools that are high growth low achievement are catching up to the average, while schools that are low growth, but high achievement are moving back to average. There is very little variation on these trends in Delaware County over the past half-decade.

Figure 5. IDOE ISTEP+ Test Scores and Growth Model Results, Spring 2016¹⁴



School physical plant, transportation and property taxes

The population changes across Delaware County have challenged the physical plant and infrastructure of school facilities and equipment. Growing school corporations such as Yorktown and Daleville face space constraints across school facilities. Nearly all school buildings across the county are relatively old for schools in the United States. However, the large enrollment declines in MCS offer a qualitatively different challenge than faces other schools in the county.¹⁵

¹⁴ See <https://learningconnection.doe.in.gov/GrowthModel/Search.aspx> for historical data by school and corporation in Indiana.

¹⁵ All schools in Delaware County currently transport students to school. The costs per student are determined primarily by the availability of alternative public transportation and population density. More urban places have lower per student transportation costs. These are funded by property taxes.

The MCS Corporation has a physical plant that is far too large for its current and future student population.¹⁶ Overall occupancy rates are now less than 75 percent in the current facilities, and headed towards 68 percent in 2030. The excess property costs have meant deferred maintenance on all facilities. One result is an excess supply of physically poor assets. Sale of the excess supply of current assets will not remedy debt or cash flow problems. Only three schools or 25 percent of capacity were ranked in good shape in the 2015 facilities assessment, while 6 required significant maintenance.

Table 1. MCS Facility Capacity Assessment and Forecast¹⁷

	Optimal Capacity	2017 enrollment	2030 projection	Surplus Capacity in 2030
Elementary Enrollment	3,724	2,970	2,747	977
Secondary Enrollment	4,184	2,913	2,663	1,521
Capacity utilization		74.4%	68.4%	

MCS has a current supply of classrooms that can accommodate 2,025 more students than are currently enrolled. That number will grow to nearly 2,500 students or 100 excess classrooms by 2030. This 100 excess classrooms translates to between three and five excess schools.

Summary

There are significant variations in performance, funding, staffing and physical plant challenges among the school corporations in Delaware County. Policymakers and taxpayers concerned about these issues should have a firm grasp of data regarding formulary aid from the state, property tax collections and the impact of recent legislation as well as staffing, facility capacity and private school enrollment in the county.

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¹⁶ Muncie Community Schools currently includes nine elementary schools, two middle schools, one high school, the Muncie Area Career Center, the Adventure Learning Center and the Youth Opportunity Center

¹⁷ Source: Hicks and Schlesinger forecast and Long-Range Facility Determination Plan Report, Muncie Community Schools, January 27, 2015
[http://www.muncie.k12.in.us/Portals/0/Reports/MCS_Long%20Range%20Facility%20Determination%20Plan_Jan%2027%202015\(rs\).pdf](http://www.muncie.k12.in.us/Portals/0/Reports/MCS_Long%20Range%20Facility%20Determination%20Plan_Jan%2027%202015(rs).pdf)