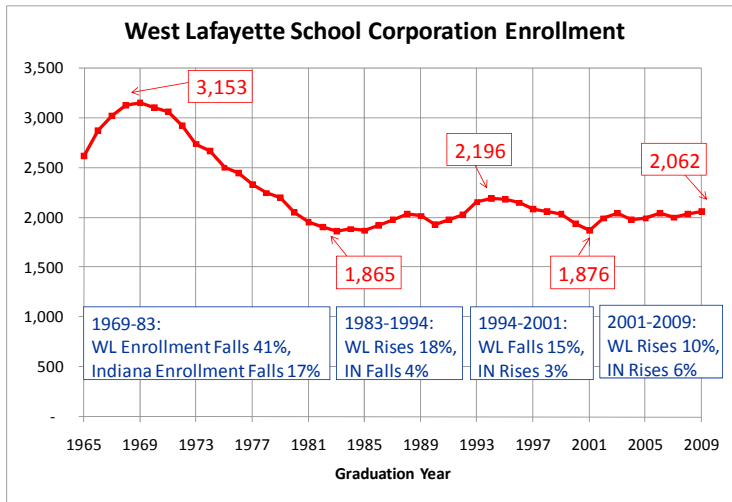
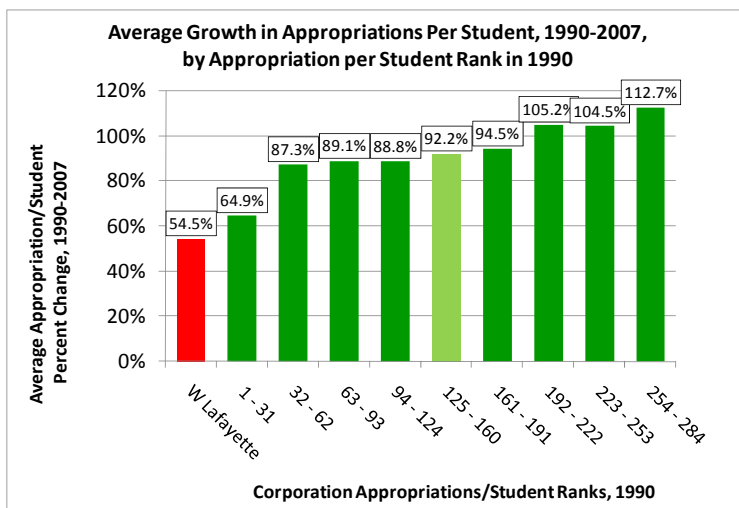


# West Lafayette School Corporation Enrollment, Budget and Employment Trends Over Three Decades

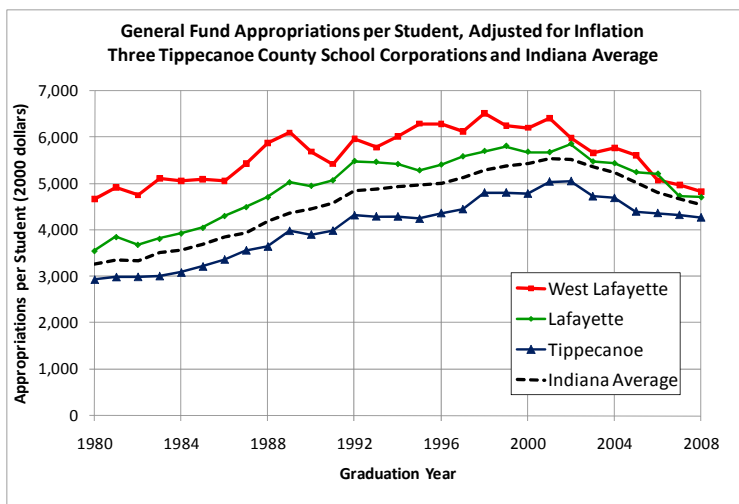
Larry DeBoer  
April 22, 2009



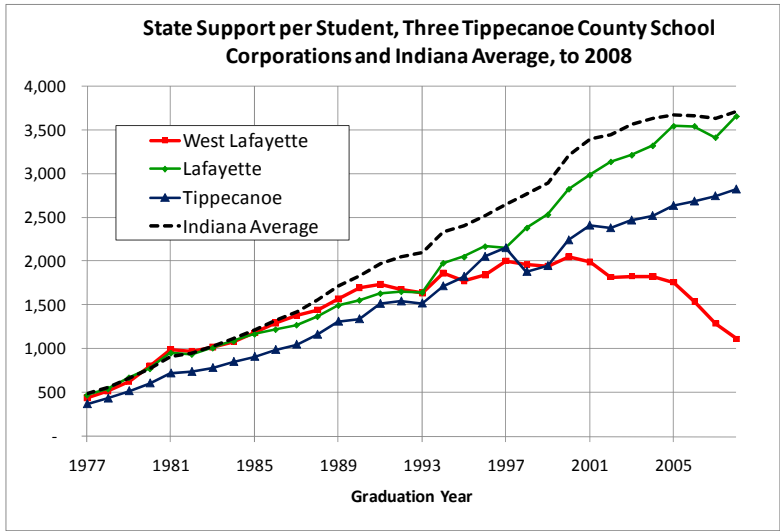
Since the last of the baby boomers graduated in 1982-83, West Lafayette's enrollment has been within 10% of 2,000. Most of Tippecanoe County's housing development has been outside the two cities in the past two decades. Between 1989 and 2009, Tippecanoe County School Corporation enrollment increased by 4,384.



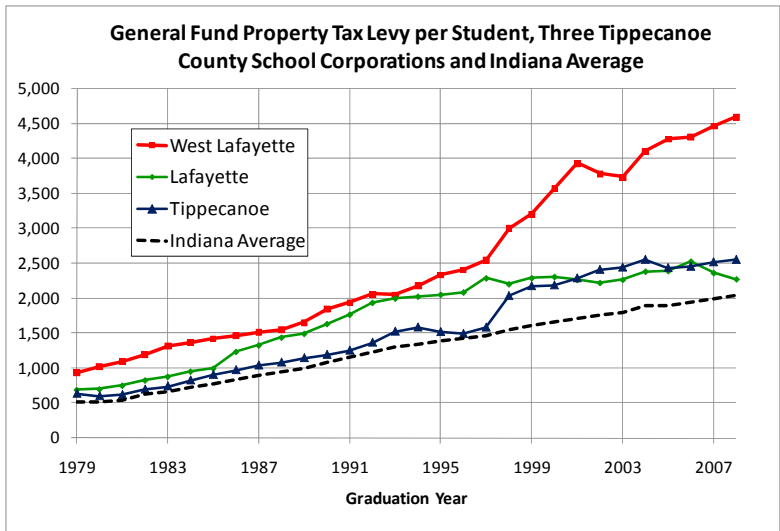
The state adopted a new funding formula in 1993, designed to reduce the range in spending per pupil among school corporations. West Lafayette was a high spending corporation, so its spending increased only 54.5% over the 1990-2007 period. The average school corporation saw an 85% increase.



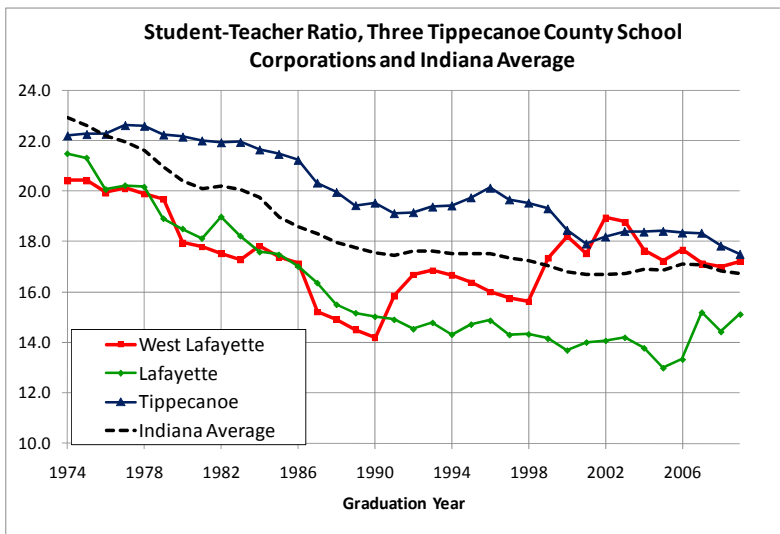
Statewide limits on property tax revenues and slow growth in state aid to schools have meant that growth in school spending has not matched inflation since 2001. West Lafayette's inflation-adjusted spending per pupil has been declining, and is now only 7% higher than the state average. In 1983 West Lafayette spent 43% more per pupil than the state average.



The 1993 school funding reforms also aimed to sever the link between property wealth and school spending. This was accomplished by decreasing the state aid paid to wealthy school corporations, and increasing the state aid paid to less wealthy school corporations. West Lafayette has one of the highest assessed values per pupil in the state, so its state aid per pupil dropped.



Wealthier school corporations like West Lafayette were required to pay more in property taxes per pupil, as part of the school formula's equalizing effort. However, in 2009 and after property taxes will no longer be used to support school general fund spending. All of the general fund will be paid with state aid.



One reason that West Lafayette was a high spending corporation was its high assessed value per pupil. This no longer creates a funding advantage, with the 1993 reforms and now with the elimination of property tax revenues in the general fund. West Lafayette has the second highest average teacher pay in Indiana. With total spending closer to the state average, and high teacher pay, West Lafayette now has class sizes slightly larger than the state average, as measured by pupils per teacher.

## The school funding formula in the Senate's version of the budget bill, 2009

### 2009, 2010 & 2011 School Formula Simulation

Complexity Index is 1 Tier based on Free and Reduced Percentage, Full Growth for Growing Schools,  
No Reghoster, 2 Year Trans Down & 3 Year Trans Up to Foundation Starting 2009, No Flat Grants 2009-2011

Circuit Breaker Funds Losses > 3.54%, Special Preschool Included

Limit Restore in \$/ADM to \$275/ADM in 2010 and \$425/ADM in 2011 over 2009 Reg\$/ADM

7875 West Lafayette School Corp

	<b>Curr 2009</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Complexity Index	1.0519	1.0519	1.0489	1.0489
ADM	1,897	1,897	1,915.5	1,934
Adj ADM	1,897	1,897	1,915.5	1,934
State Regular	11,753,357	10,595,864	9,694,231	9,787,858
/ADM	6,196	5,586	5,061	5,061
Special Ed	659,951	659,951	647,203	631,355
Vocational Ed	20,050	20,050	19,143	19,670
Prime Time	78,410	78,410	84,291	90,613
Honors	65,700	65,700	59,400	53,100
<b>Total</b>	<b>12,577,468</b>	<b>11,419,975</b>	<b>10,504,268</b>	<b>10,582,596</b>
/ADM	6,630	6,020	5,484	5,472
Restore 2009		1,157,493	2,059,126	1,965,499
Funding	12,577,468	12,577,468	12,563,394	12,548,095
/ADM	6,630	6,630	6,559	6,488
Circuit Breaker	0	0	0	0
Title 1		58,142	58,142	

### State regular support

1. Calculate the foundation amount, which is the school corporation's target spending per pupil

The starting value for all school corporations is \$4,825 per pupil. This amount depends on the state revenue available for education. The amount is unchanged for 2009, 2010 and 2011. Usually it increases year after year.

Multiply the starting value by the "complexity index," which is based on the share of students who receive free or reduced price school lunches. The formula is  $[(2,400 / 4,825) * \text{School Lunch Percent}] + 1$ . This formula implies that the state adds \$2,400 per pupil to regular support for each student eligible for the school lunch program. The Department of Education data base lists West Lafayette's complexity index at 1.0519. The estimated Senate formula result assumes that West Lafayette's complexity index will decline slightly to 1.0489 in 2010 and 2011.

The foundation amount is \$4,825 times the complexity index,  $\$4,825 \times 1.0519 = \underline{\$5,075}$  in 2009. With a lower complexity index the result is \$5,061 in 2010 and 2011.

2. Calculate West Lafayette's foundation revenue per pupil for 2008. This is the sum of state regular support, the general fund property tax levy, and the excise tax revenue on motor vehicles, commercial vehicles, and banks, divided by ADM, which is average daily membership, a measure of enrollment. In 2009 the property tax and excise taxes will not be used for the general fund. All of the revenue will come from the state.

2008 state regular support:	\$1,488,757
2008 property tax levy:	9,353,878
2008 motor vehicle excise tax:	552,105
2008 commercial vehicle excise tax:	6,994
<u>2008 financial institutions tax (bank tax):</u>	<u>95,296</u>
2008 total foundation revenue	\$11,497,030

Divide by 2008 ADM, 1,886.07, which is \$6,096.

3. Calculate the "two-year transition down" from 2008 foundation revenue per pupil to the 2010-11 foundation amount per pupil. West Lafayette's 2008 foundation amount is higher than the target foundation amounts for 2009-2011. The amount will be reduced in two steps, in 2009 and 2010.

For 2009, calculate the difference between the 2008 and 2009 amounts, \$5,075 - \$6,096 = -\$1,021. Divide by two to get -\$510 (difference due to rounding). Add this amount to the 2008 amount per pupil, to get \$5,586. That's the 2009 state regular support per pupil.

For 2010, calculate the difference between the 2009 and 2010 amounts, \$5,061 - \$5,586 = -\$525. Add this amount to the 2009 amount per pupil, to get \$5,061. In other words, in 2010 West Lafayette will be at its target foundation support. That continues in 2011.

4. Multiply per pupil state regular support by ADM in each year, to get total state regular support. ADM is 1,897 for 2009, and estimated at 1,915.5 and 1,934 for 2010 and 2011, respectively.

For 2009,  $1,897 \times \$5,586 = \$10,595,864$ , which is a 7.8% decline from the 2008 total.

For 2010,  $1,915.5 \times \$5,061 = \$9,694,231$ , which is an 8.5% reduction from the 2009 amount.

For 2011,  $1,934 \times \$5,061 = \$9,787,858$ , which is a 1.0% increase from the 2010 amount.

### **Additional Support**

State regular support is by far the largest share of total state aid, but there are four other smaller grants, for special education, vocational education, prime time and honors. In total, these sum to \$824,111 in 2009, \$810,037 in 2010 and 794,738 in 2011, a decline of about 2% per year.

### **ARRA Stimulus Funds**

The Federal government's American Recovery and Reinvestment Act provides fiscal stabilization grants to states, to maintain spending at 2009 levels. The current spending levels are based on the funding formula currently in law, which was written during the budget session of 2007, and revised by the property tax reform in 2008. The amount in 2009 is \$12,577,468. In 2009 the Senate formula appropriates enough ARRA money to hold West Lafayette's total funding at this level. In 2010 and 2011, an upper limit placed on the per pupil amount causes small decreases in total funding.

### **Circuit Breaker and Title 1**

This amount is zero for West Lafayette, because the corporation's losses to the circuit breaker credits are relatively small. Circuit breaker credits are part of the property tax cap legislation that comes into effect in 2009. Title 1 is a federal program originally enacted in 1965, that is now part of the No Child Left Behind program. It provides federal funds to schools to provide added educational services to students in need. Schools must meet poverty thresholds to be eligible. The program provides a small amount to West Lafayette.

## Capital Comments

### **State Budget Pain Now or Later**

April 2009

Larry DeBoer  
Professor  
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We'd been waiting for months, and on Friday, April 17, it came: the updated forecast of Indiana state revenues, for fiscal years 2009, 2010 and 2011. It was terrible news. Revenues would fall short of the pessimistic December forecast by an added \$831 million for the three years.

Fiscal year 2009 runs from July 2008 to June 2009. It will be a dismal year for state revenues. Back in April 2007, when the 2009 budget was passed, the state expected to collect \$13.4 billion for the general fund and some related funds. The legislature planned to spend a little less than that. It was a balanced budget.

The March 2008 property tax reform made changes, adding an extra point to the sales tax and adding school general fund and county welfare fund spending to the budget. That meant the state needed about \$14.5 billion to pay for its planned spending in 2009.

The April forecast says we'll collect only \$13.4 billion, a \$1.1 billion shortfall. That's really bad, but when the forecast was announced, several people in the room were skeptical. They hoped the forecast was right (but they thought it would be even worse).

In March the Budget Agency pointed out that 2009 revenues had fallen short of the December forecast by 15% so far, and at that rate the added shortfall for the year would be \$550 million. Yet the updated forecast projected an added shortfall for 2009 of only \$140 million.

Could the last three months of fiscal 2009 be that much better than the first nine? The state's own economic forecast says that the economic free fall has ended, and that the numbers show "hints of improvement." And in six of the past seven years the April to June revenues were better than the January to March numbers, compared to the December forecast. There is reason to hope that revenues won't be more terrible than the forecast.

The General Assembly will use the forecast beyond 2009 to write the budgets for fiscal years 2010 and probably 2011. We usually budget for two years at a time.

What can the budget-makers do with the forecast revenue? Let's look at some scenarios. Suppose we tried to pay for "business as usual," meaning 2010 and 2011 spending would rise by the average increase over the last ten years—about 3.5% per year—with the effects of the March 2008 property tax reforms added in.

We couldn't do it. It's not even close. Revenues fall short of spending by about \$2.2 billion for the two years. Since we'll start fiscal 2010 with balances of \$1.4 billion at best, we haven't got the funds to operate state government as we normally would.

But what about the Federal stimulus money? Some of it could be dropped into the budget to shore up revenues. In particular, the Federal government will increase the share it pays of the Medicaid program, which will reduce Indiana's share by about \$1.4 billion. And, there is another one billion dollars for "fiscal stabilization", meant to help state governments avoid spending cuts and tax increases.

Suppose we add this \$2.4 billion stimulus to the 2009-2011 budgets. Then we could support business as usual. Revenues would fall short of spending by about \$300 million in 2010 and 2011, and we'll probably have enough balances to cover that.

As the Governor has pointed out, however, if we spend that much, what happens in 2012 and 2013, when the Federal money disappears? It looks like state revenues would have to grow by more than 6% a year in the 2012-2013 biennium to continue business as usual. Sometimes in the past revenue has grown that fast, but that seems pretty far-fetched coming out of this deep recession. If revenues grow a modest 3% for those two years, we'd fall short of business-as-usual spending growth by more than a billion dollars a year. We couldn't do it.

We can take the pain now, and restrict spending for 2010-11. Or, we can take the pain later, and restrict spending for 2012-13. Perhaps the General Assembly will decide to spread it over four years, taking a little pain now and a little pain later.

Sources:

Larry DeBoer's Indiana Local Government Information website, at [www.agecon.purdue.edu/crd/Localgov](http://www.agecon.purdue.edu/crd/Localgov) .

Indiana Department of Education school data, at <http://mustang.doe.state.in.us/SAS/sas1.cfm> .

DeBoer's full essay, "West Lafayette School Corporation Enrollment, Budget and Employment Trends Over Three Decades," at [www.wl.k12.in.us/documents/WLSC\\_Trends\\_DeBoer\\_0309.pdf](http://www.wl.k12.in.us/documents/WLSC_Trends_DeBoer_0309.pdf) .

General information about school funding in Indiana, see the Center for Evaluation and Education Policy (CEEP), at <http://ceep.indiana.edu/finance> .

