

# **BENTON COMMUNITY SCHOOL CORPORATION**

## **FAQ - Benton Community School Corporation Finances and Options for Resolving**

Updated January 27, 2020

Q: How did Benton Community School Corporation find itself in a budget deficit?

Several factors have contributed. The most significant are that state financial contributions have not kept pace with inflation-based costs and that three years of declining BCSC enrollment has reduced state aid, which is tied directly to enrollment numbers.

Q: How large is the deficit?

For 2019, our structural deficit in the Education fund is close to \$2 million.

Q: Are many students moving to other, nearby districts?

Among students who left the district between June and November of 2019, fewer than one-third enrolled in an adjacent district.

Q: If declining enrollment is a problem, what is the corporation's plan to retain or keep from losing additional students?

Enrollment is declining for several reasons, including declining Benton County population and a more mobile population in general. BCSC thinks that the best way to retain students is to maintain and enhance existing academic programs and extracurricular opportunities.

Q: Will BCSC be conducting a referendum?

No decision has been made. Increasing property taxes to balance our budget is one option being considered. In a community survey conducted last summer, 66% said they would support an increase of \$100 per year to their residential property taxes (on a \$95,000 home, the average home value in the district), which would balance the budget. The school board is wrapping up a process of study to determine the best course of action to balance the BCSC budget. A decision is expected in February.

Q: How much would my taxes go up if a referendum is approved by voters?

We are considering asking voters to increase the property tax rate by \$0.34 per \$100 of property value, from \$0.60 to \$0.94. For the average value residential home in the district, which is \$95,000, property taxes would increase by \$100 per year, or \$8.34 per month. Agricultural

property would increase \$4.35 per year on one acre, commercial property would increase \$340 per year or \$28.33 per month.

Q: Aren't my property taxes already high enough?

While the board will always be sensitive to tax implications for property owners, Benton Community School Corporation school taxes are the lowest of a dozen neighboring school corporations. Even if school taxes increased by \$100 per year on a \$95,000 home, Benton would fall roughly in the middle of the neighboring districts.

Q: Can the corporation's Rainy Day Fund resolve the deficit?

No. This fund was established in 2001 and has assisted with expenses throughout the years. State law changes governing these funds have resulted in BCSC not transferring additional money to the fund since 2012. The current fund balance is about \$4.3 million. Without changes, this fund will be depleted by 2022.

Q: What happened to windmill revenue? Can that help with this situation?

We are no longer receiving windmill-related money. This revenue was a grant or gift from the county that BCSC received in varying amounts between 2009 and 2017. Most school corporations did not receive this revenue at all, and BCSC knew from the onset that this would not be a permanent or ongoing revenue source.

Q: What about other revenue opportunities, such as grants or putting solar farms on school properties?

We are always looking for additional revenue streams. Because grants are given for specific time periods, funding jobs through grants is impractical, as we would have to lay people off when the grant expires. Grants can be and have been used to purchase technology, equipment, supplies, a Social and Emotional Learning Program, etc. Our research into a solar farm installation indicated we would not see a revenue return until year 27 of a 30-year lease.

Q: Instead of increasing taxes, why not close a school?

The corporation is considering all options. However, we have an immediate need to balance the budget and closing a school will take at least a year. In addition, closing a school would only partly solve the problem. Closing a school would save about \$800,000 to \$1.1 million. The BCSC deficit is \$2 million, meaning some program and staff cuts would also be needed to balance the budget. The board also must consider unintended consequences of closing a school, such as losing students and their revenue to neighboring school districts. The school board is wrapping up a process of study to determine the best course of action to balance the BCSC budget. A decision is expected in February.

Q: Why did the school corporation give staff pay raises when revenue was declining?

The decision to begin increasing staff salaries was made in 2016, after years of low or no increases. We were starting to lose good staff to other districts offering better pay. Also at that point, the district did not know revenue was declining, as our enrollment drop hadn't begun. Additionally, the latest raise was reflective of the state legislature taking over some of the payment of TERF with recommendations that these funds should be passed on.

Q: If a referendum tax increase lasts for 8 years, what plans is the district making for years 9 and 10 and beyond?

Many factors and circumstances concerning school finance could change in eight years; BCSC's pledge to the community is to anticipate and be responsive to changes as much as possible and to continue its record of sound fiscal management.

Q: Will a referendum provide enough money or will the district be asking for another increase in a few years?

The financial environment for all Indiana schools is too much subject to change to say now whether BCSC might ask for a tax increase in 8 to 10 years. A plan will be developed to minimize, to the greatest extent possible, this need. According to an article in the Northwest Indiana Times, "Indiana education leader Jennifer McCormick said school referendums will become a way of life for most districts across the state."

Q: Can you decrease the amount of funding you transfer from the Education Fund to the Operations Fund?

Yes, but that would not reduce the deficit. It would simply shift the deficit from the Education Fund to the Operations Fund.

Q: Why didn't the school put money spent on the band room toward the budget?

The money used on the band room, concession stand and tennis courts renovation and secure lobby entrance and chemistry labs remodel at Benton Central could not have been used for the Education Fund or Operations Fund. Debt Service funds can only be used for debt service payments. The projects were paid for by refunding a current bond – there was no tax increase needed to fund the project.

## **FAQ - New as of January 27, 2020**

Q: If voters approve a referendum, how will the new revenue be spent?

New revenue will be spent primarily to cover the corporation's main costs: salaries and benefits for existing staff levels. The current structural deficit means that - without new revenue - the corporation would have no choice but to reduce staff and reduce academic programs accordingly.

Q: How will the community be able to track the corporation's spending of new revenue?

We plan to continue communication with the community in an effort to be more transparent about our budget, as well as, providing information about the amazing accomplishments of our students and staff. We will continue to update the news section of our website and supply stories to local media.

Q: What is the school corporation's plan if enrollment continues to decline?

In its current financial projections, the corporation assumes that enrollment will continue to decline, at least for the next few years. We base this on 1) census data showing that Benton County's population is declining and 2) our own enrollment numbers showing that we have smaller class sizes at the lower elementary school level than we do at the high school. No single course of action by BCSC will reverse those trends. However, we think that the best way to retain students within the district is to maintain our existing staffing and programs, both of which contribute to the demonstrated quality of BCSC education.

Q: If the current financial problem has been developing over a few years; why is the community being informed only now?

The BCSC administration and school board have been examining the issue for more than a year and the corporation acted last summer to survey the community and convene a Financial Advisory Committee. In addition, though, while the corporation has undergone enrollment fluctuations over the past decade or more, only last fall did we see a third consecutive year of enrollment decline, which indicated a trend and departure from past patterns of enrollment fluctuation.

Q: What cost or spending reductions will the corporation make to help erase the deficit?

The school board, working with the long range planning committee, will examine all areas of spending to make reductions that will least impact student programs. All programs, staff and instructional materials would be evaluated.

Q: How much money did the corporation save by combining Oxford and Fowler?

We can't easily calculate how much was saved because basically the only savings was the operational costs of the buildings, less the additional operational cost of the new school (Prairie Crossing). Nearly all the staff was moved to the new building. The purpose of that consolidation was to close the old facilities that would have required very large capital costs for renovation. It was less expensive to build a new building.

Q: Could Prairie Crossing absorb Boswell students if Boswell were closed?

Prairie Crossing has enough space. However, while the school board is weighing many options, closing a school, while saving expenses, would not alone be enough to erase our \$2 million structural deficit, and could not be accomplished quickly enough to meet our immediate needs.