

Vic's Statehouse Notes #337 – May 1, 2019

Dear Friends,

The 2019 budget deal was announced on April 23rd and passed on April 24th to close the budget session.

Messages you sent to give K-12 schools better funding in the final version were successful! Thank you for your efforts!

The final funding for K-12 was higher than any previous proposal. This is true despite the latest revenue forecast that said Indiana would have \$100 million less to spend. The grassroots pressure to raise K-12 funding was as high as I've seen it in the 23 sessions of the General Assembly that I have attended.

Despite the improvement in K-12 funding, **the budget results present a mixed picture for public education in Indiana:**

- **K-12 tuition support got a 2.5% increase each year, a bit higher than the 2015 increases but not as much as the 2007 budget increases.** See the chart below to put these increases into historical context for the past seven budgets.
- **Giving more and more public money to private schools continued.** Voucher expansion in the form of the new 70% voucher was included in the budget at a two-year new cost estimated by LSA to be \$19 million. Tax credits for private school scholarships were expanded at a two-year new cost of \$3.5 million. Charter school grants, given in addition to funding provided in the funding formula for charter schools, were raised by 50% at a two-year extra cost of \$15 million. These three new benefits for private and charter schools total \$37.5 million.
- The funding formula estimates **vouchers (Choice Scholarships) to cost \$175 million in the first year of the new budget and \$185 million in the second year. That money comes out of the K-12 tuition support fund cited above.**
- The funding formula estimates that **in the first year voucher students will increase by 4.3% but voucher funding will increase by 9.3%.** In the second year of the budget, voucher students will increase by 3.5% but voucher funding will increase by 5.6%.
- The funding formula estimates that **new charter schools will get \$12 million in the first year of the new budget and \$26 million in the second year of the budget. Budgets for all charter schools, except for the charter school grants mentioned above, come out of the line item for K-12 tuition support.**
- Some **60 of the 289 public school districts will get less money in the funding formula** due to stable or declining student enrollments. These districts will be hard pressed to raise teacher pay or simply to maintain current programs.
- On average, **community public school districts saw funding gains in the range of 2% while voucher increases cited above are far higher.**
- Pension payments owed by school districts were reduced by 2% using the budget surplus, giving school districts an estimated savings of \$70 million each year, equivalent to another 1% increase

in K-12 tuition support. The problem is that this money is not distributed evenly and some small districts will get very little help from this program. The Indianapolis Star found that districts could receive a range from \$1100 per teacher to \$600 per teacher and that small districts might count only a few teachers in this pension plan providing minimal help to boost teacher pay.

- The Teacher Appreciation Grant was raised from \$30 million to \$37.5 million each year.
- Funding for English Language Learner programs rose from \$17.5 million to \$22.5 million each year.
- **Funding to pay for curriculum materials (textbooks) for low-income students remained stuck at \$39 million each year**, where it has been for over a decade. Low funding in this program means the state pays only a portion of the textbook costs, usually around 75%. Districts with high percentages of low-income students must pay for those textbooks out of scarce local funds.

The good news in this list is tempered by the ease that voucher-supporting groups were once again able to expand vouchers and tax credits for private school scholarships. The heavy lifting required to get more money for public school teacher pay compared to the ease by which voucher programs were expanded raises questions about the future of public education in Indiana.

Does the supermajority General Assembly leadership really want public school teachers to feel supported and respected in Indiana? If public schools falter because teachers leave the state or the teaching profession, then parents will choose private schools and private schools will win the competition that the General Assembly began in 2011. Keeping good teachers is essential to the success of public education.

Compare This Budget with Six Previous Budgets

Claims about the new budget can be weighed by comparing it to the previous six budgets. Study the table below to see how the new 2019 budget matches up with recent budgets going back to 2007.

When the school funding formulas are passed every two years by the General Assembly, legislators see the bottom line percentage increases on a summary page. Figures that have appeared on this summary are listed below for the last seven budgets that I have personally observed as they were approved by the legislature.

Tuition support and dollar increases have been rounded to the nearest 10 million dollars.

	Tuition Support		% Increase from previous year	Amount Increase from previous year
2007 BUDGET				
FY 2008	\$6.27 Billion	▲	+4.1%	+\$250 Million
FY 2009	\$6.48 Billion	▲	+3.6%	+\$210 Million
2009 BUDGET				
FY 2010	\$6.55 Billion	▲	+1.1%	+\$70 Million
FY 2011	\$6.57 Billion	▲	+0.3%	+\$20 Million
2011 BUDGET				
FY 2012	\$6.28 Billion	▲	-4.5%	-\$290 Million
FY 2013	\$6.34 Billion	▲	+1%	+\$60 Million
2013 BUDGET				
FY 2014	\$6.62 Billion	▲	+2%	+\$280 Million
FY 2015	\$6.69 Billion	▲	+1%	+\$70 Million
2015 BUDGET				
FY 2016	\$6.82 Billion	▲	+2.3%	+\$130 Million
FY 2017	\$6.98 Billion	▲	+2.3%	+\$160 Million
2017 BUDGET				
FY 2018	\$7.04 Billion	▲	+1.6%	+\$60 Million
FY 2019	\$7.16 Billion	▲	+1.7%	+\$120 Million
2019 BUDGET				
FY 2020	\$7.33 Billion	▲	+2.5%	+\$178 Million
FY 2021	\$7.71 Billion	▲	+2.5%	+\$183 Million

Total funding and percentage increases were taken directly from the School Funding Formula summary page. Sometimes in the first year of two budget years, the previous budget amount was not fully spent and the adjusted lowered base was used by the General Assembly to calculate the percentage increase.

Here is How Republican Leaders Added Up New Money for K-12 Education to Equal \$763 Million

Keep in mind that when counting new money, the new money for the first year must be repeated in the second year as the base for an additional increase. Thus, the new money in the 2019 budget is \$178 million for a 2.5% increase in the first year plus \$178 million to match that increase for the second year plus \$183 million to raise the second year by 2.5%.

That totals to \$539 million.

Then the Governor's plan to reduce pension payments by \$150 million over two years was enacted.

Adding \$150 million raises the total to \$689 million.

Then categorical funding for specific programs like the Teacher Appreciation Fund received \$74 million in new money.

Adding \$74 million raises the total to the number you have heard: \$763 million.

What is a 70% Voucher?

Most taxpayers have never heard of a 70% voucher. It appeared suddenly in the House budget without discussion or debate. Senator Mishler and Senator Bassler did not include it in the Senate budget approved by the Appropriations Committee, but on the floor of the Senate, the 70% voucher was put back in the budget by the Republican caucus on a second reading amendment using a voice vote. No roll call record is available of who supported this move toward more privatization of education in Indiana.

Here are the details:

- The historic legislative fight in 2011 over the original voucher bill established a 90% voucher for families of four currently making \$46,000 or less. This means that 90% of the per student support for a public school student goes to the parent to pay for private school tuition.
- A 50% voucher was established for families of four currently making \$69,000.
- Now, for the first time in the eight year history of vouchers, \$19 million more money will go to a new concept: a 70% voucher to families of four making between \$46,000 and \$57,500, while families between \$57,500 and \$69,000 would still receive a 50% voucher from Indiana taxpayers.
- This would probably not add many students to the voucher count but would give significantly more money to the parents making between \$46,000 and \$57,500 who already have students in the voucher program.
- The non-partisan Legislative Services Agency says the newly proposed 70% voucher would cost an extra \$7.7 million in the first year of the budget.
- It would cost \$11.3 million in the second year.
- Adding these two years together, this 70% voucher would cost taxpayers \$19 million.

- **The 70% voucher was not debated in any bill but just appeared in the budget. The secrecy of how this concept appeared is stunning. In eight years, it has never before been proposed.**
- **Giving more money to voucher parents was not the General Assembly's stated priority. No case was made that this 70% voucher solves any problem. It received no debate or public review. It was a total surprise when it showed up in the budget. This program has undercut the priority on more money for teacher pay.**

Let legislators know that you strongly oppose the passage of the 70% voucher and that you think it undermines the effort to make more money available for teacher raises.

What are School Scholarships?

School Scholarships, not to be confused with Choice Scholarships, are scholarships for students to attend private schools given out by Scholarship Granting Organizations that collect donations for these scholarships, donations which give donors a 50% tax credit when taxes are filed.

- In the first year, the budget for tax credits was raised by \$1 million to total \$15 million.
- In the second year, the budget for tax credits went up another \$1.5 million to \$16.5 million.
- The two-year budget total for private school scholarships is \$31.5 million. That is \$3.5 million higher than in the 2017 budget.
- **In this little-known program, the Scholarship Granting Organizations can now raise \$30 million next year for private school scholarships and \$15 million (50%) will be returned to donors at tax time.**
- **Here is the amazing part: There is no limit on the size of the donation. Wealthy donors who want to direct all of their tax obligation to private schools can do that and get 50% back as a tax credit.** Donors to Indiana colleges are limited to a \$200 tax credit for individuals, but there is no individual limit for School Scholarship donations. It is the most generous tax credit available in Indiana.
- **The School Scholarship law says that Scholarship Granting Organizations can keep 10% of their donations for administrative overhead. If donations total \$30 million and use up the \$15 million in tax credits, the SGO's can keep \$3 million, which is 10% of the total. It's a lucrative business.**
- School Scholarships have raised the number of students receiving Choice Scholarships (vouchers). The voucher law was changed in 2013 under Governor Pence to say that if a student gets a School Scholarship one year, they can get a Choice Scholarship (voucher) the next year. This has been the mechanism for why so many voucher students (now 58%) have never even tried out a public school. They receive a voucher but they have been in a private school all along.

Your messages to legislators during this budget session clearly made a difference. Let your legislators know how you feel about the various provisions of the final budget.

Grassroots support of public schools makes all the difference. Thank you for your active support of public education in Indiana!

Best wishes,

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