

MEMBERS OF THE MT. VERNON SCHOOL COMMUNITY:

It is no secret that our District has been struggling financially over the last three years. We have had to reduce our General Fund expenditures by over \$4 million dollars through cuts in personnel, programs, and operational expenditures. Our current (2011) General Fund budget is virtually identical to our 2006 General Fund budget. As you are aware, we also attempted to pass a referendum to offset some of the lost state revenue which failed. The net effect of all of these factors has been devastating. The revenue losses have been too large and too frequent for us to manage effectively. Our budget year is the calendar year, and our expenditure cycle is the school year. We contract with employees and vendors from the middle of August through the middle of August of the next year. That leaves us with a four month window (September, October, November, December) to reduce expenditures during the calendar year. Thus, when we make cuts for a school year we realize about 1/3 of the savings in the current calendar year and the remaining 2/3 of the savings in the following calendar year. This is an effective strategy when the next year's budget is at least equal to the current year. However, when we receive budget revenue reductions in consecutive years, this strategy by itself isn't enough. That is why we attempted to pass the referendum in 2010. When your expenses exceed your revenue, you delay payments. This is what has happened to us.

Now we have an additional problem. With the passage of the Property Tax Caps, our ability to raise money through property taxes has been significantly curtailed. For sixteen consecutive years, our student enrollment grew by an average of 82 new students per year. We went from 2,329 students to 3,641 students (56.3% increase) during that period. At the same time, the housing market was booming and our district's assessed valuation was growing at a rate of 7% to 10% per year. It peaked at just over \$1 billion dollars in 2008. During this growth period we hired experts in school finance and demographics to help us establish a responsible facility development plan to accommodate the projected growth in student enrollment. At the time the facilities plan was established and adopted, all indications were that the growth of our community would continue over the next 10 to 15 years. Thus, the plan was implemented and the financial commitments were made prior to 2008.

The Property Tax Caps Legislation was passed in 2008. It consolidated the tax rates of all taxing units (schools, townships, towns, libraries, etc.) and placed a limit on the total amount of property tax that a property owner (1% of gross assessed value), a farmer (2% of gross assessed value), and business/industry (3% of gross assessed value) can pay. For example, a resident whose property has a gross assessed value (market value) of \$200,000 cannot pay more than \$2,000 in property taxes to all taxing units combined. Even if the property tax formula calculates the resident's property tax to be \$3,000, they still pay \$2,000. The uncollected property tax loss of \$1,000 is prorated to each of the taxing units. Since Mt. Vernon averages about 65% of the property taxes collected within our district, in the above example Mt. Vernon would lose \$650 in revenue, and the other taxing units would lose the difference. The downturn in the economy has de-valued property. As previously mentioned, our District's assessed value has dropped 22% since 2008. That is forcing people to reach the property tax caps more rapidly than originally anticipated, and thus, the significant loss of property tax revenue to schools and other taxing units.

The series of events that began in 2008 were unseen and unprecedented. The economy tanked and started one the deepest and longest recessions in our country's history. Our student enrollment declined by 103 students reducing our enrollment to 3,538 students, and thus making us a declining district instead of a growing district. Legislation was enacted that drastically changed the way public schools are funded, and the way we raise and use property taxes. Over the last three years the only constant has been change!

When massive, far reaching changes are made, there will be consequences that no one anticipated. That is what has happened to us.

No one set out to "get" Mt. Vernon. The legislative changes regarding the way schools are funded and the restrictions on property tax collection were done with the intent to make these areas more fair and equitable. However, every school district in Indiana is unique. Their demographics are different; their economies are based on different things; their population densities are different; and so on. Thus, every new law or regulation has a different effect on each district. As in the movie "The Perfect Storm," the people who were impacted by the massive low pressure cold front from Canada were inconvenienced, but not in danger. The people who were affected by the high pressure system with strong winds coming from the Gulf of Mexico were inconvenienced, but not in danger. Even the people who were affected by Hurricane Grace had moderate risk, but no eminent threat to life. However for the handful of ships that were affected by all three environmental anomalies, the situation was quite different. Survival was in jeopardy. Likewise, for a handful of school districts who have been adversely affected by all the changes, survival is a challenge. Unfortunately, we are one of those districts.

Prior to the recent reforms in school funding, a district with economic problems could appeal their case to a state panel that had the authority to declare the school a distressed school and provide assistance in their recovery. When the tax reforms were enacted, the panel was eliminated and no replacement was created. Without an appeal process there are no definitive answers to how relief can be sought and what happens if relief isn't granted? We are having ongoing conversations with many of the members of the General Assembly, Department of Education representatives, the State Treasurer's Office, and a variety of public funding experts. Many of the legislators now realize this gap exists, and I'm hopeful they will address the issue in the upcoming session. For now, we will continue to monitor the situation, and keep you informed on our progress toward resolving the crisis.

Sincerely,

Dr. Bill Riggs