

INDIANAPOLIS PUBLIC SCHOOLS
DISTRESS UNIT APPEAL BOARD (DUAB)
Report on Financial Condition

FOR YEAR ENDING DECEMBER 2022



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for the Marion County Board of Finance
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Indianapolis Public Schools
Distress Unit Appeal Board (DUAB)
Report on Financial Condition

Indianapolis Public Schools (IPS) is committed to financial accountability. Over the past seven years, IPS has voluntarily pursued greater transparency and more robust external financial statement reporting.

- Every quarter, Quarterly Finance Updates are provided to the Board.
- Regularly, the IPS Finance Committee, consisting of community members, meets to develop, review and comment on policy related to cash management, debt management and financial sustainability.
- As of January 2024, IPS continues to distribute school funding based on Student Based Allocation (SBA), first implemented for SY 2017–18.
- In 2023, IPS finalized the SY 2021–22 audited financial statements per GAAP GASB and audited by a CPA firm. The statements also included an Annual Comprehensive Financial Report (ACFR) which is a high standard for transparency and full disclosure to ensure users have information relevant to the district’s financial health. The IPS Audit Committee exists to select an audit firm and oversee financial reporting and internal controls of the district.
- To learn more about IPS Financial Reporting, visit <https://myips.org/central-services/finance/>

The DUAB Fiscal Indicators through or as of December 2022 are within SY 2022–23 which presented an ongoing, unprecedented opportunity in addressing unfinished learning for both the students and families that IPS serves.

Student Enrollment and Staff Support

IPS’ 2022–23 enrollment increased from SY 2021–22 and continued at similar levels in the most recent count for SY 2023–24. The student body remains richly diverse in ethnicities, languages and abilities; key highlights include 80% of students identifying as multiracial, Hispanic, Asian or Black.

During the past three school years, SY 2021–22 through SY 2023-24, the global and local economic conditions have continued to support strong local real estate values and state revenues that therefore strengthened IPS’ short-term projections. The increase in state and local funding allowed strategic investments in teachers and support staff such as compensation to attract and retain staff. Also, IPS’ commitment to advocating for equitable resources with external stakeholders to serve all students remained a high priority for district leadership.

Major Initiatives

The District leadership has spearheaded three major initiatives to position IPS students and staff for continued and enhanced success in the coming academic years by investing in comprehensive approaches to tangible and intangible assets within the district, its facilities, and its people. Those initiatives include:

IPS Rebuilding Stronger

Rebuilding Stronger is designed to reinvent, rebuild, redesign, and rethink the District’s family of schools, how it spends resources, and how to effectively leverage facilities. It’s the District’s commitment to ensuring excellent offerings (academics and extracurriculars) exist for all students in all neighborhoods.

The Rebuilding Stronger initiative incorporates an extensive stakeholder engagement strategy and feedback to reimagine the IPS of the future. Stakeholder input was used to guide and inform the planning process and the final plan.

This four-phase, multi-year initiative began in Fall 2021 with IPS Superintendent Dr. Aleesia Johnson's State of the District address. The Rebuilding Stronger Advisory Committee, and the community, met to discuss the District's facilities, enrollment, and Choice options, financial sustainability, and the student experience. During meetings, committee members reviewed district data and worked in small groups to develop potential solutions. District stakeholders also participated in these meetings and engaged with the materials and data online, sharing feedback through a variety of surveys.

The 8 components of Rebuilding Stronger include:

- Grade reconfiguration and middle school impact
- Enrollment zone and elimination of proximity priority
- Facilities upgrades and renovations
- Program expansion and replication
- Pre-K expansion
- Special education in all zones
- High-ability program eligibility and placement
- School consolidations and closures

On May 2, 2023, Indianapolis voters approved the District's 2023 Capital Referendum — which is part of the Rebuilding Stronger initiative. The \$410M referendum allows IPS to move forward with much-needed building improvements to more than 20 IPS elementary and middle schools.

- For more details about the Rebuilding Stronger Plan, visit www.myips.org/rebuilding-stronger/
- For more details about the 2023 Capital referendum and building improvements, visit www.myips.org/2023referendum/

IPS Proving What's Possible

Launched in January 2022, Proving What's Possible is an initiative to recruit and retain more diverse, high-quality teachers for classrooms districtwide.

It encompasses programs — including career pathways into the district, such as paid residency opportunities for teachers and principals — as well as a website for teacher candidates to learn about the district and submit an interest form in 10 seconds or less, in-person networking/hiring events, and much more.

The initiative, which came on the heels of increases in starting pay for new teachers and recent salary hikes for classroom veterans, is making the district one of the most attractive in the nation to high achievers looking to start rewarding careers in education.

Proving What's Possible was launched by the District's Talent Office to ensure schools have equitable access to highly qualified educators. These new programs include:

- **IndyTeach Apprenticeship:** A no-cost, paid, and fully embedded educator training program offering a path to teaching for aspiring teachers. For this apprenticeship, the District's Talent Office is partnering with Christel House Indianapolis, a local network of charter schools, to help

participants through the one-year program and obtain an Indiana State Teaching License without the need to return to a university.

- **The IPS Principal Residency:** The only current principal residency program in the state is a year-long paid opportunity for high-potential school leaders, including assistant principals and current principals, to learn and grow within their careers. Principal Residents will receive job-embedded development support that prepares them to lead significant academic achievement in their schools.

IPS Strategic Plan 2025

At Indianapolis Public Schools, we believe all students can achieve their full potential, learn at high levels, and graduate prepared to succeed in school, career, and life. We are committed to ensuring that every student in every neighborhood receives the education and opportunities they deserve.

The Strategic Plan 2025 is based on the District's core values and was developed with feedback from thousands of students, educators, families, and community members.

We have narrowed our focus to four strategic priorities; each priority has related initiatives:

- Increase access to rigorous curriculum and instruction.
 - *Support adults at all levels of the system to build safe, engaging, and socially and emotionally supportive learning environments for students that ensure access to high-quality curriculum and instruction.*
- Promote racial equity.
 - *Strengthen and expand our work to eliminate opportunity gaps, align policies and talent decisions to the District's antiracism strategy, and build capacity for team members to persistently interrupt and address institutional bias.*
- Foster authentic engagement.
 - *Equip and engage families, team members, and the community in authentic and inclusive partnerships.*
- Operate and fund strategically.
 - *Strengthen the efficacy and equity of central office supports, services, and resource allocations.*

This initiative is requiring the District to examine every inequity and engage every community until students in all corners of our city have access to the high-quality education they deserve.

The District's Rebuilding Stronger and Proving What's Possible initiatives are offshoots of Strategic Plan 2025.

IPS Fiscal Indicators 2022
<https://www.in.gov/duab/2386.htm>

Depending on the reporting process, the district's finances and its students are, at times, not aligned appropriately to generate concise metrics (without additional explanation, caveats or reconciliation).

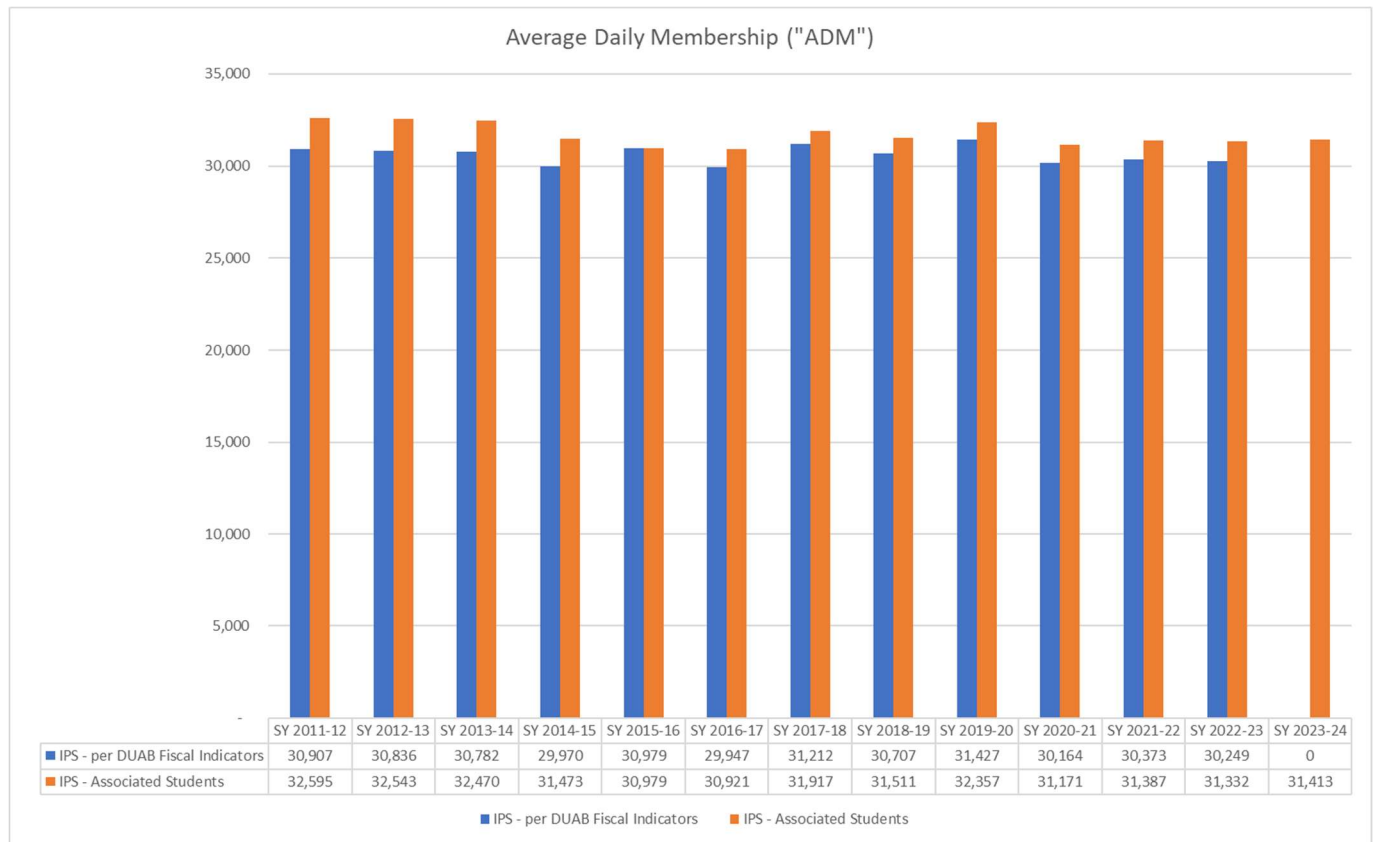
General issues include:

- How students are reported with their respective Local Education Agency (LEA).
- How the dollars associated with students are reported with their LEA.
- How the metrics arrived at by those inputs are misaligned when compared to other districts without the complexity of IPS' governance and reporting.

Average Daily Membership (ADM)

The DUAB ADM indicator does not capture all IPS, associated students. Since 2013, IPS student enrollment reporting has been impacted by turnaround and Innovation schools. Turnaround and Innovation school students within their respective LEAs receive the benefit of state and local funds IPS manages and reports.

In the most recent school years, enrollment has been impacted by COVID-19 and economic shifts impacting housing, employment and community health. The continued collaboration between IPS and various charter partners continues to support a stable and growing student population associated with IPS operations.



Fund Balances

IPS real estate values have been steadily increasing over the period represented in the DUAB graph. Increased real estate values have supported an increase in property tax revenue, which supports operational funding. Concurrently, the district focuses on improving operations and implementing cost-saving measures, which have realized savings. Specifically, projects related to facilities, transportation, and the sale of the district's underutilized properties have been key drivers in controlling/reducing costs.

The Operating Referendum proceeds received since 2019 have provided support to the fund balances in a manner that did not exist in 2018.

The Capital Referendum Phase I & II included the issuance of \$52M of bonds.

On July 1, 2019, IPS transitioned to the new State-Directed Fund structure of the Education Fund (previously General Fund) and Operations Fund (previously three separate funds — Capital Projects, Transportation Operating, and Bus Replacement).

Annual Deficit/Surplus

The operating referendum allows the district to continue to invest in staff, while also requiring significant operational cost savings in areas that support schools such as facilities, transportation, and other educational supports. Without successful execution of the operational cost-saving initiatives, there will be a need to raise additional revenue from other resources. IPS continues to monitor, manage and advocate for funds so there are no disruptions in students being served.

Since early 2020, the COVID-19 response required investments in technology, social distancing considerations in facilities and transportation, and health/safety supplies. Much of the investments were made upfront out of cash reserves and will be reimbursed, in part, by federal stimulus funding (ESSER) passed March 2020 to April 2021. The duration and ongoing cost of COVID-19 on education facilities, enrollment and learning loss are unknown. IPS-LEA has been allocated \$217 million to support unfinished learning, investments in information technology infrastructure and facility improvements through September 2024. You can learn more about IPS federal stimulus investments by visiting IPS ESSER Tracker on www.myips.org.

Fund Balances as Percentage of Expenditures

The IPS cash balance policy guides retaining reserves equal to at least one to three months (8% to 25%) of annual expenditures. The [cash balance policy](#) supports the district's strategy to educate students and protects the district's cash balance in instances where:

- There are timing differences between incurred expenditures and receipt of associated revenues.
- Additional funds are needed for emergencies.
- Significant shifts in revenue occur with short notice.

The COVID-19 response since 2020 is a perfect example of why reserves are maintained at agreed-upon targeted levels. Without the adequate cash in the Operations Fund the last few years, the necessary investments in technology, facilities and health/safety supplies would have caused a greater cash flow

burden on the district until reimbursements from federal stimulus and philanthropy would be available to be received.

Revenues by Type

The appearance of a significant revenue increase in 2016 is partially the result of IPS implementing internal accounting and reporting changes to comply with the Indiana State Board of Accounts' guidance. Additionally, IPS began the process of self-funding its medical benefits. Both changes resulted in the appearance of an influx of funds, which were technically fund transfers. The resulting fluctuations were not actual revenue for IPS.

A new revenue type in 2019 reports the proceeds received from the Operating Referendum passed by IPS voters in November 2018.

Operating Referendum Revenue as Percentage of Total Revenue

IPS passed its operating referendum in November of 2018 and did not receive operating revenue until the 2019 calendar year. Therefore, no operating referendum revenues were included until the 2019 fiscal indicators.

In the short-term, the operating referendum has allowed the district to provide competitive compensation to attract and retain teachers and staff to meet the educational needs of students.

In the long-term, strategic conversations and decisions are required to align sustainable levels of school support and operational services with the desired level of competitive compensation.