Indiana

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Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Indiana and, in particular, the cities of Indianapolis and Gary during FY 2006-07. [1]

In the following figures, the statewide values show how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district PPR varies between districts. The weighted values estimate how much more or less per pupil funding

Figure 1: District and Charter School Revenues and Enrollments

Indiana (2006-07)	Statewide		Statewide Weighted for Charter Enrollment		Indianapolis		Gary	
Per pupil Revenue								
District	$7,047		$9,834		$11,147		$11,722	
Charter	$9,328		$9,328		$9,835		$10,559	
Difference	***$2,281***		***($506)***		***($1,312)***		***($1,163)***	
	32.4%		***(5.1%)***		***(11.8%)***		***(9.9%)***	
Per pupil Revenue by Source	**District**	**Charter**	**District**	**Charter**	**District**	**Charter**	**District**	**Charter**
Federal	$701	$1,114	$1,384	$1,114	$1,779	$995	$1,666	$1,620
State	$3,906	$4,208	$5,611	$4,208	$5,968	$4,031	$7,876	$4,635
Local	$1,770	$2,340	$1,649	$2,340	$1,476	$2,712	$1,854	$1,885
Other	$669	$1,666	$1,190	$1,666	$1,924	$2,097	$325	$2,418
Indeterminate	$0	$0	$0	$0	$0	$0	$0	$0
Total	$7,047	$9,328	$9,834	$9,328	$11,147	$9,835	$11,722	$10,559
Enrollment								
District	1,024,893		N/A		37,057		14,083	
	99.1%		N/A		89.6%		89.1%	
Charter	9,013		N/A		4,315		1,731	
	0.9%		N/A		10.4%		10.9%	
Charter Schools	37		N/A		17		16	
Total Revenue								
District	$7,222,025,906		N/A		$413,068,314		$165,076,259	
	98.8%		N/A		90.7%		90.0%	
Charter	$84,070,962		N/A		$42,438,326		$18,277,220	
	1.2%		N/A		9.3%		10.0%	
Total	$7,306,096,868		N/A		$455,506,641		$183,353,479	
Percentage of Revenue by Source	**District**	**Charter**	**District**	**Charter**	**District**	**Charter**	**District**	**Charter**
Federal	10.0%	11.9%	14.1%	11.9%	16.0%	10.1%	14.2%	15.3%
State	55.4%	45.1%	57.1%	45.1%	53.5%	41.0%	67.2%	43.9%
Local	25.1%	25.1%	16.8%	25.1%	13.2%	27.6%	15.8%	17.9%
Other	9.5%	17.9%	12.1%	17.9%	17.3%	21.3%	2.8%	22.9%
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in district school funding if subjected to charter funding structure								
	$2.2 billion				***($48.6 million)***		***($15.8 million)***	

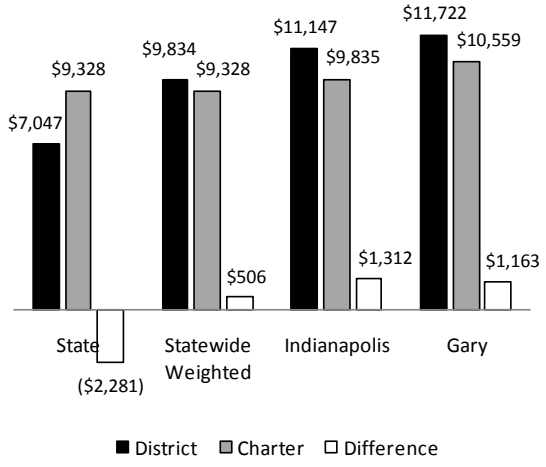
charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

Highlights of Our Findings

- Indiana's 37 charter schools received 32.4 percent more funding than district schools statewide: $9,328 vs. $7,047 per pupil, a difference of $2,281. This is due to the high concentration of charter schools in urban areas with high levels of funding.

- Indiana charter schools received $9,328 per pupil, but district schools would have received an estimated $9,834 to educate the same students – a difference of $506 or 5.1 percent. Weighting the district PPR for charter enrollment therefore decreases the funding disparity of -$2,281 by $506 from the statewide difference above.

Figure 2: Per Pupil Total Revenue for Indiana District vs. Charter Schools, FY 2006-07



- Indianapolis' 17 charters received 11.8 percent less funding than district schools: $9,835 vs. $11,147 per pupil, a difference of $1,312.

- The 16 charter schools in Gary received 9.9 percent less funding than district schools: $10,559 vs. $11,722 per pupil, a difference of $1,163.

Primary Reasons for Funding Disparities

- Most charter schools are located in urban areas where schools receive more funding to educate students, while many of the districts statewide are located in lower-funded rural areas.

How Indiana Funds Its District Schools[2]

The state provides school districts a per pupil Foundation Level, as many states do. The Foundation level of funding is set district-by-district beginning with a series of calculations aimed at setting the "Target Revenue" level. Target revenue represents the sum of total state and local dollars each district is expected to need in the coming year to educate its students. However, the process of calculating the foundation level is onerous, and in some cases is detrimental to schools facing rapid increases in enrollment.

The first calculation, the Foundation Grant, takes the General Assembly assigned Foundation Level ($4,563 for FY 2006-07) and multiplies the foundation level by (1) adjusted enrollment; and (2) a cost-index based on the district's socioeconomic status known as the Complexity Index.

The second calculation, called the Variable Grant, multiplies the current year adjusted enrollment with the Target Revenue figure from the previous year. The third and final calculation, the Minimum Guarantee Grant, increases the Target Revenue figure from the previous year by an amount approved by the General Assembly. Each district receives the highest result in this series of calculations.

Once the Target Revenue figure has been established for the district, the local portion of contribution is determined based on the property tax replacement credit and other local taxes. The state then calculates the portion of revenue to be generated from state funds.

In addition to the Foundation Level process, districts can receive revenues for rapid enrollment growth (either five percent or 250 pupils), grants

for the number of Academic Honors diplomas the district awarded in the previous year, and supplemental grants for early learning initiatives. Finally, the state provides additional funds for special education and vocational education.

Figure 3: State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state	X		
Charter schools are eligible for local funding	X		
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows district to withhold funding from charter schools for providing administrative services	X[3]		
State "holds harmless" district funding for charter enrollment		X[4]	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district	X		
Cap on number of charter schools		X[5]	
Cap on number of charter schools authorized per year	X		
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X		

How Indiana Funds Its Charter Schools

The funding landscape for Indiana's charter schools closely resembles the process designed for school districts. Charter schools adhere to the same funding formula and have access to the same categorical dollars available to school districts. However, there are some exceptions depending on when the charter school opened. While school district ADM's are adjusted for growth or declining enrollment, charter school funding is not adjusted for the prior year's average daily membership – funding is based on the actual ADM of the school.

Additionally, charter schools in the first year of operation receive funding based on target revenue per ADM of the school district in which the charter is located. Charter students from high revenue districts would increase the overall per pupil revenue at the charter school. After the first year of operation, the charter schools funding is based on the Complexity Index of the school district in which the charter is located.

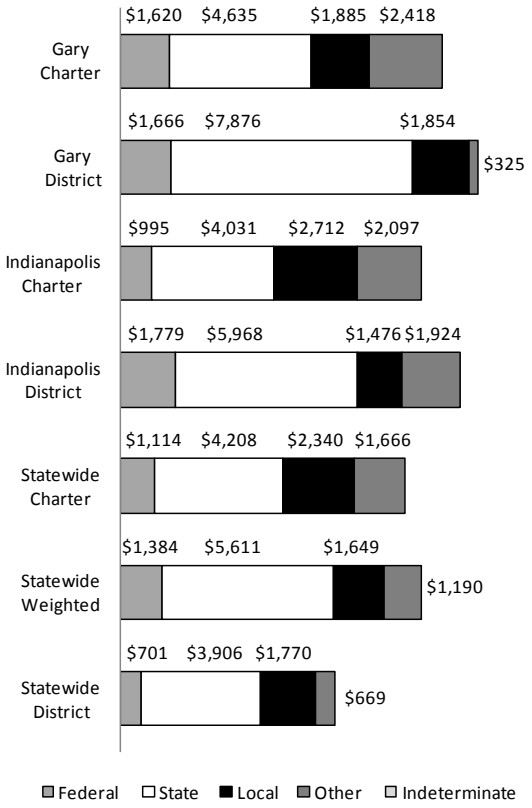
Primary Revenue Sources for Indiana's District Schools

On average, urban charters received more funding than all districts statewide. Charter schools received $4,208 per pupil in state funds compared to $3,906 per pupil for districts. Charter schools statewide also received more federal funding, $1,114 per pupil, compared to $701 per pupil for districts. Charters also received more in local funding than districts statewide, $2,340 vs. $1,770 per pupil. Funding from private sources also increased charter school funding: $1,666 per pupil vs. $669 for districts.

The funding advantage shifts to the districts, however, in Indianapolis and Gary. Indianapolis received $1,779 per pupil in federal funds, while charter schools received $995 per pupil. In Gary, the district received $1,666 per pupil in federal revenues, whereas charter schools received $1,620 per pupil.

In Indianapolis, the district received $5,968 in state funds compared to $4,031 for charters, a $1,937 advantage for district schools. The disparity in state funding per pupil is even larger in Gary, with district schools receiving $3,241 more per pupil than charter schools ($7,876 vs. $4,635).

Figure 4: Per Pupil Revenue by Source for Indiana District vs. Charter Schools, FY 2006-07



Local funds in Indianapolis totaled $1,476 per pupil for district schools and $2,712 for charter schools, a charter advantage of $1,236 per pupil. However, Gary district and charter schools received nearly equal amounts in local funding: $1,854 and $1,885, respectively.

Charters at all levels raised more from other sources of revenue than their district counterparts. Statewide, charter schools raised $1,666 per pupil vs. $669 for school districts. That's a difference of $997 per pupil and accounts for nearly half of the difference between districts and charter schools statewide. Charter school reliance on other, non-tax revenues grows in both focus districts: Charters in Indianapolis raised $2,097 per pupil in other revenue (21.3 percent of total revenues), while the district raised $1,924 per pupil (17.3 percent of total revenues). In Gary, charters raised a startling $2,418 per pupil in other revenue (22.8 percent of total revenues) vs. $325 per pupil for the district (2.8 percent of total revenues). Therefore, if other, non-tax revenues in Gary were removed from per pupil totals, the disparity in government revenues alone grows to $3,216 ($11,397 for districts vs. $8,181 for charter schools) leaving charters at a 28.2 percent funding disadvantage.

Statewide, school districts received less of total revenue (98.8%) for the student population they served (99.1%), while charter schools statewide received more of total revenue (1.2%) for the population served (0.9%). However, the percentage of total funding favors districts in Indianapolis and Gary. The district in Indianapolis received 90.7 percent of total funding for 89.6 percent of student population served, while Indianapolis charters received 9.3 percent of total revenue for the 10.4 percent of total student population attending charter schools. In Gary, the district received 90.0 percent of total revenue for the 89.1 percent of the student population served, while the charters in Gary received 10.0 percent of total revenue for the 10.9 percent of total student population served.

Figure 5: School Characteristics

Indiana (2006-07)	Statewide District	Statewide Charters
Percentage of students eligible for free or reduced price lunch	37.4%	60.3%
Percentage of schools eligible for Title I	40.0%	64.9%
Percentage of students by school type:		
Primary (K-5)	47.3%	59.0%
Middle (6-8)	20.1%	3.3%
High (9-12)	30.5%	7.5%
Other (K-12, K-8, etc.)	2.2%	30.2%

Differences in student population do impact funding but do not explain a significant portion of the funding gap between charter and district schools, especially in the focus districts. A higher

percentage of charter school students was eligible for free or reduced price lunch (60.3 percent vs. 37.4 percent) and more charter schools were eligible for Title 1 funds than districts (Figure 5). Both of these student indicators correlate with charter schools statewide receiving more federal funds than districts statewide. Additionally, the foundation formula provides additional funding for schools with high free or reduced-price lunch counts, which again would provide a funding advantage to charter schools.

State Scorecard

As a result of the research conducted and the data collected for this study, we have assigned ratings to each state based on the quality of data available, as well as to the extent charter schools have access to specific streams of revenue.

We judged Data Availability on the ease of access to the information needed for this study. A rating of Yes means that either all information was available through web sources or that information was provided upon request by state departments of education. A rating of Partial means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of "No" means that the data were not available either through web sources or through state departments of education.

We judged Funding Formula based on whether or not charters were considered Local Education Agencies for purposes of funding. Yes means that charters in the state are always considered LEAs for all forms of funding. Partial means that charters in the state are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered an LEA. No means charters in the state are never considered an LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all three revenue streams listed.

Figure 6: State Scorecard

	Findings	IN
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y
	Percentage of federal revenue is *greater than* (>; black), *equal to* (=; black), or is l*ess than* (<; white) that of total enrollment for charter schools	>
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Percentage of state revenue is *greater than* (>; black), *equal to* (=; black), or is l*ess than* (<; white) that of total enrollment for charter schools	<
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Percentage of local revenue is *greater than* (>; black), *equal to* (=; black), or is l*ess than* (<; white) that of total enrollment for charter schools	>
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y[6]
	Percentage of facilities revenue is *greater than* (>; black), *equal to* (=; black), or is *less than* (<; white) that of total enrollment for charter schools	N/A
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	P
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

The same process applies to ratings for federal funding, state funding, local funding and facilities funding.

Endnotes

[1] Financial and enrollment data provided by the Indiana Department of Education.

[2] Descriptions of the Indiana funding formula found at "An Overview of the 2007 Basic Grant," produced by the Indiana Department of Education Office of Financial Management, Analysis and Reporting, June 2006.

[3] Districts may charge actual costs plus an administrative fee of 3 percent for any services provided.

[4] The state funding formula does provide for a process by which enrollment is calculated over a five-year period to avoid major swings in revenue from one year to the next, particularly for schools with declining enrollments. However, this process was in place prior to the operation of charter schools in the state.

[5] The Mayor of Indianapolis may not approve more than five charter schools per year.

[6] HB1001, passed in 2005, provides that if the United States Department of Education approves a new competition for states to receive matching funds for charter school facilities, the State Department of Education shall pursue this federal funding; appropriates ten million dollars ($10,000,000) to the department from the common school fund interest balance in the state general fund to provide state matching funds for the federal funding for the benefit of charter schools, beginning July 1, 2005, and ending June 30, 2007.