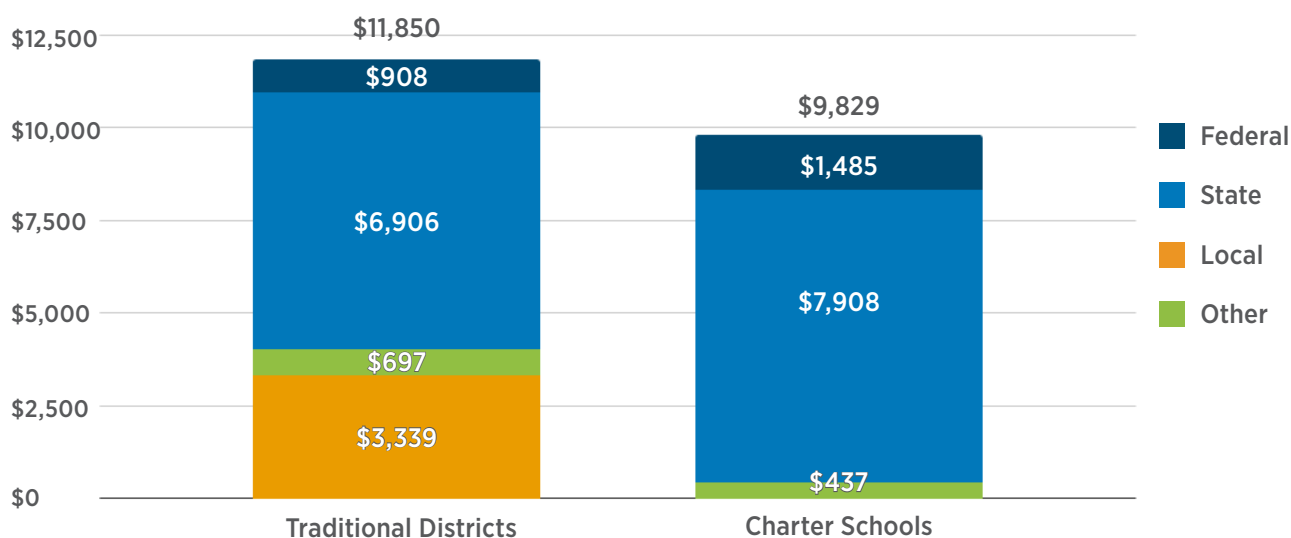


Ensuring All Students in Indiana Receive Their Fair Share of Funding

School-funding changes over the last decade have exacerbated inequities in how Indiana's public education dollars are allocated. Students from low-income communities, students with disabilities, English language learners, and students in public charter schools receive less than their fair share of funds, and these inequities will likely be exacerbated by COVID-19. Students of color are disproportionately impacted by these funding gaps.

Average Total Revenue Per-Pupil by Source



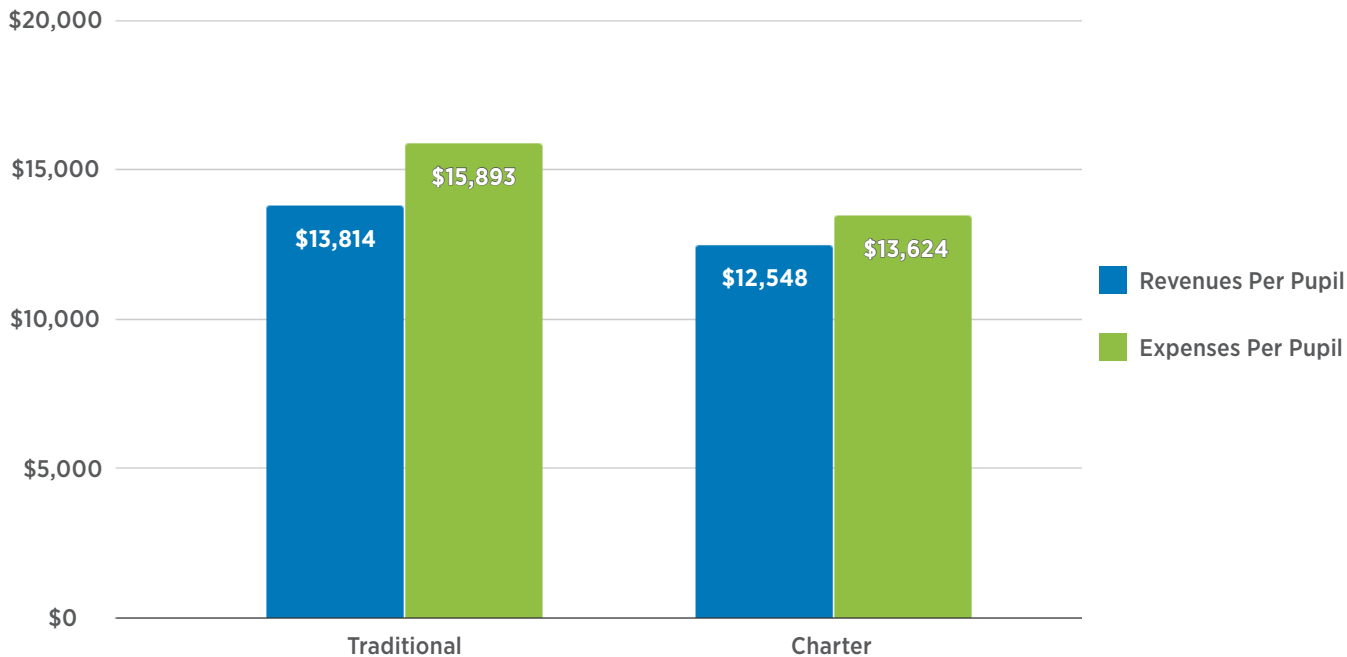
Source: Author calculations based on 2019 IDOE Form 9 expenditures and revenues (public records request). Figures report the average of three fiscal years: 2016-17, 2017-18, and 2018-19.

Two primary funding changes have contributed to the problem:

- **Property tax reforms:** The state capped local property tax rates in 2008, and since then, school districts have launched 188 referenda to raise additional operating dollars. As wealthy districts increasingly gain voter approval for referenda, lower-income districts have been unable to raise those revenues and charter schools cannot access local referenda dollars. As a result, the spending gap between the wealthiest and poorest schools and districts has grown from 38 percent to 53 percent over the past decade.
- **Funding Formula Changes:** A 2015 change to the state's funding formula (the "Complexity Grant") resulted in a dramatic 35 percent reduction in the state's additional per-pupil funding for students from low-income households. **Now Indiana spends just 27 percent more on these students than on their more affluent peers, an amount considered insufficient to close achievement gaps.**

In addition, English language learners in Indiana receive on average an additional \$289 per pupil, much less than what federal benchmarks suggest is necessary to support their needs. And Indiana’s public schools are severely underfunded for their obligation to serve all students with disabilities appropriately. A comparison of Indiana’s special education funding to three states with similar funding approaches shows the average shortfall in Indiana is nearly \$7,000 per pupil, per education category.

Revenues and Expenses Per Student with Disabilities



Source: Author calculations based on 2019 IDOE Form 9 expenditures and revenues (public records request). Figures report data from the 2018-19 fiscal year.

Proposed Solutions

Differentiate state aid based on local wealth, recognizing that not all schools and districts have equal abilities to contribute. Under the current funding system, all districts or schools receive the same amount of basic state funding, regardless of their ability to generate or access local property tax revenues.

Create more equitable funding for students from low-income households and English language learners. Indiana should change its funding formula to grant additional funds for low-income students and begin to include English language learners in the formula, ensuring more funding for these students.

Create a fairer system for special education funding. More and higher weights should be added to the State Special Education Grant to better account for the wide spectrum of needs and costs to serve these students.

Share local funding with charter schools. Revenues raised through local property tax referenda should be shared proportionately with charter schools residing in the district.