INDIANA

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I. GENERAL BACKGROUND

State

Indiana operates a reward-for-effort or guaranteed tax base school funding formula that limits increases in general fund revenues from state and local taxes in an effort to produce equity, i.e., equal dollars per pupil to spend for equal local property tax effort.

The 1993 Indiana General Assembly developed this formula in response to a lawsuit that challenged the constitutionality of the state’s previous school funding system (Lake Central v. State of Indiana, No. 56 C01-8704-CP81 (Newton Cir. Ct. 1987)). The plaintiffs in the Lake Central lawsuit charged that since the previous foundation formula allowed property-rich school corporations to generate more revenue than property-poor school corporations, it violated the Equal Protection clause of the state constitution (Article I, Section 23) and that the state was out of compliance with Article VIII, Section 1, which provides "for a general and uniform system of Common Schools."

The formula has substantially improved funding adequacy. Instructional revenue per student increased by 1.7% per year in inflation-adjusted dollars between 1993 and 1999. The formula also allocates greater responsibility to the state for school funding than did the previous formula. Between 1993 and 1999, state funding provided approximately 90% of all new revenue.

The formula has only marginally improved horizontal equity but continues to strengthen vertical equity. All measures of horizontal revenue equity improved slightly from 1993 to 1999 except the ratio between the top and bottom 10%. Minority and poor students, though, live in districts receiving higher revenue in 1999.
In 1999, state and local public school revenues for the General Fund were $5,096 million. Of that total, the state share was $3,089 million or 60.6%. The state grants a property tax credit of approximately 20% of property taxes paid, and adding that figure to the state share increases the state’s share to 66%.

The principal sources of revenue for public education are state and local taxes. State sources are from general revenues and a Property Tax Replacement Fund (PTRF). State revenue for Indiana public schools comes primarily from a general retail sales tax, an individual flat rate income tax, and three separate corporate income taxes. Appropriations are made biennially from the state’s general fund.

Each year since 1973, the Indiana General Assembly has specified maximum general fund property tax levies for each school corporation. There are a few circumstances under which a school may impose a higher levy than permitted by the statute but only after applying for and receiving approval from two state agencies. Although there are some provisions for local referenda to raise additional revenue and modify local tax levies, only a small number of districts have used these procedures and only one district in the last decade has been successful.

Local

In 1999, Indiana had 294 public school corporations (districts) enrolling 974,495 students. All but two of these corporations are consolidated districts offering both elementary and secondary education. Indiana school corporations are independent municipal corporations.

The funding formula generated higher mean general fund property tax rates in each year from 1993 to 1999, with the average rate increasing by nearly 10% over the six-year period. Property tax rates were equalized considerably by the formula, though this occurred primarily because rates in corporations with very low tax rates have increased substantially since 1993.

School corporations in Indiana are managed by a superintendent and a school board and vary in size from 247 to 41,933 pupils. There are also nine regional service centers that do not receive formula support but do depend on (a) subsidies from local participating schools, and (b) categorical distributions from the state’s education budget.

School corporations must use five separate statutory funds for financing their activities. These funds are the General Fund, the Transportation Fund, the Debt Service Fund, the Capital Projects Fund, and a Pre-school Special Education
Fund. Monies may not be transferred between funds without specific legislative authorization. The General Fund is the largest of these funds, but increases in this fund have been limited by the General Assembly each year since 1973. The tax rate for the Capital Projects Fund is limited to the lesser of $1.25 per $100 of assessed valuation, adjusted for the effects of the 1995 general reassessment, or the rate necessary to fund the corporation’s Capital Project Plan. The tax rate for the Pre-school Special Education Fund is limited to $0.01. Annual growth in tax revenues for the Transportation Fund is limited a maximum of (a) 5%, or (b) the corporation’s average annual property value growth in preceding three years, with a maximum increase of 10%. The Debt Service Fund is not limited.

The property tax, collected by separate rates established and publicly advertised for each of the funds, is the largest source of local school revenues. When the Indiana General Assembly changed the property tax system in 1973, the ratio of state to local funding in the General Fund was approximately 1:2; in 1999, the ratio of state to local funding in the General Fund was 2:1. Additional sources of local revenue are a motor vehicle excise tax and a county adjusted gross income tax (CAGIT) or a county option income tax (COIT). These income taxes are available not as an additional source of revenue, but only to replace tax receipts or reimburse for receipts lost due to homestead exemptions.

**Funding Summary 1998–99**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total State School Aid (All Programs)</td>
<td>$4,083 million</td>
</tr>
<tr>
<td>Grants in Aid</td>
<td>3,626 million</td>
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<tr>
<td>Teacher Retirement Contributions</td>
<td>455 million</td>
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<tr>
<td>FICA</td>
<td>2 million</td>
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<tr>
<td>Total Local School Revenue</td>
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<tr>
<td>Property Tax</td>
<td>2,369 million</td>
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<tr>
<td>Other local source tax revenue</td>
<td>424 million</td>
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<tr>
<td>Local source non-tax revenue</td>
<td>199 million</td>
</tr>
<tr>
<td>Total Combined State and Local School Revenue</td>
<td>$7,075 million</td>
</tr>
<tr>
<td>State Financed Property Tax Credits Attributable to School Taxes</td>
<td>$403 Million</td>
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</table>
II. LOCAL SCHOOL REVENUE

Property Tax Revenue

The property tax is the principal local revenue source for schools, generating $2,771.7 million in 1998–99. In 1999, the average property tax rate in an Indiana school corporation was $5.4382 per $100 of assessed valuation in the corporation. The largest share of property taxes support the general fund operations of schools. In 1999, general fund property tax rates averaged $2.8413 with the rates paid in the state’s 294 school corporations varying from this mean by an average of less than 12%. In addition, four smaller funds receive property tax revenues to assist in paying the debt service, capital projects, transportation, and pre-school handicapped costs of school corporations.

All real property and business personal property is subject to taxation – theoretically at a uniform rate of assessment. By statute, all property is to be assessed at one-third of “true tax value.” True tax value is defined by regulations promulgated by the Indiana State Board of Tax Commissioners. These regulations are extremely complex and leave a great deal of discretion in the hands of the 1,008 locally elected township trustees or township assessors who are responsible for assessments. In 1998, the Indiana Supreme Court overturned an Indiana Tax Court decision (State Board of Tax Commissioners v. Town of St. John, 702 N.E.2d 1034 (Ind. 1998)) that had found Indiana’s “true tax value” system of property assessments unconstitutional because all property is not assessed equally and uniformly as required by Article 10, Section 1 of the State Constitution.

In order to ensure that taxpayers across the state pay their school property taxes on an equal basis, regardless of the assessment practices of their township, the state compares the actual assessed value of properties in each school corporation with their “true tax value.” The “true tax value” for every property is set by assessments rules established by the State Board of Tax Commissioners. The ratio of the “true tax values” and the actual assessed values is the Tax Rate Adjustment Factor for each school corporation. Each year, the school property tax rates paid in each corporation are multiplied by the corporation’s Tax Rate Adjustment Factor. This provides an equalized yield statewide (e.g., if "one-third of true tax value" for property in a corporation is determined to be 10% greater than the corporation’s assessed values, the school property tax rates in the corporation are multiplied by 1.1).
Other Local Source Tax Revenue

Local revenue sources other than property taxes generated $424.4 million in 1998–99.

Motor Vehicle Excise Tax

Schools in Indiana receive a portion of the motor vehicle excise tax paid on automobiles, light trucks, and airplanes registered in the state. The amount of this tax varies from $12 to $1,200 depending on the age and original value of the vehicle. This is actually a state tax collected in lieu of a personal property tax when vehicles are registered annually. The receipts from the tax are distributed to the county in which the owner of the vehicle resides. The revenue is then distributed to local units of government, based on what share of local property taxes they collect. The amount of auto vehicle excise taxes received by a school corporation thus depends on (a) the excise taxes paid on vehicles owned by county residents, and (b) the percentage of local property taxes collected by the school corporation. As would be expected under such a system, auto excise tax receipts vary greatly among school corporations. Total auto excise tax receipts received by schools in 1999 was $187.0 million.

Financial Institutions Tax

Schools also receive a portion of a financial institutions tax imposed upon any business primarily engaged in extending credit or in leasing. The tax is based on the assets of these financially institutions and the tax generated $11.1 million for schools in 1999.

Income Tax

Counties may adopt one of three countywide income taxes: a County Adjusted Gross Income Tax (CAGIT), a County Option Income Tax (COIT), or an Economic Development Income Tax (EDIT). The base of each tax is essentially the same, and none provides significant additional money for schools to spend. CAGIT receipts go to schools, but can be used only to replace property taxes, while some COIT money may replace dollars lost because of homestead credits. Indiana’s schools receive no EDIT revenue.

Sales Tax

Indiana schools have no direct access to sales tax revenues.
Tax Credits and Exemptions

There is an increasing use by civil units of local governments of property tax abatements and tax increment financing (TIF) districts for economic development purposes. Local administrators have expressed great concern about the impact of property tax abatements and TIFS on the Capital Project Fund (CPF) and Debt Service Fund (DSF). Property tax abatements and TIFS decrease CPF revenues since the tax rate is fixed in a particular year. These credits and exemptions increase the DSF rates other taxpayers are assessed since the fund’s revenue is fixed in a particular year.

These developments do not deprive schools of general fund revenue, however. The state sets general fund property tax rates in Indiana and guarantees the yield of this tax. To the extent that property is off the tax rolls due to abatements or tax increment financing, schools’ local shares are lowered, costing the state additional dollars.

The Indiana Constitution directs the General Assembly to exempt three types of property from taxation: (a) Property used for municipal, education, literary, scientific, religious, or charitable purposes; (b) Residential personal property; and (c) Intangible personal property.

Local Source Non-Tax Revenue

Indiana school corporations generated nearly $200 million from food services, textbook rentals, investment earnings, rental of school buildings (e.g., gymnasiums), extracurricular activities, and indirect cost reimbursement.

III. SPENDING AND TAX LIMITS

The General Assembly has controlled general fund property tax rates each year since 1973. In addition, Indiana operates a school funding formula that dictates by how much instructional revenues per pupil may increase each year.

Indiana school corporations are independent municipal corporations. Their general fund budgets are made and adopted by the local school board and are not subject to voter approval. Their budgets and tax rates are subject to review and reduction by the Indiana State Board of Tax Commissioners, a three-member body, appointed by the Governor, which acts as the ultimate authority on the administration of the property tax in the state.
IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

Earmarked state revenue totaled $66.6 million in 1998-99. In 1999, the State General Assembly dedicated funds to five programs: (a) Indiana Teacher’s Retirement Fund ($30.0 million), (b) Technology Grant Program ($21.5 million), (c) testing and remediation ($14.3 million), (d) motorcycle safety ($0.5 million), and (e) school traffic safety ($0.2 million).

V. BASIC SUPPORT PROGRAMS

Tuition Support

Funding in 1998–1999: $2,466.9 million.

Percentage of Total State Aid: 60.4%.

Nature of program: Guaranteed Tax Base.

Allocation Units: Pupil Enrollment as measured by enrollment data for a day in September set by the Indiana Department of Education, usually the second Friday following Labor Day – a day intended to reflect stabilized enrollments.

Local Fiscal Capacity: Assessed property valuation, auto excise tax, and financial institutions tax distributions.

How Formula Operates: The tuition support formula includes (a) a minimum amount of regular instructional revenue per student, (b) an increment over the previous year’s revenue per student, (c) an adjustment for enrollment decreases—called the “reghoster,” and (d) a guaranteed percentage increase in revenue.

The minimum revenue per student for each school corporation depends upon the at-risk index of the corporation, a statistic that measures the relative disadvantage of the local population and, thus, the relative difficulty in educating local students to meet state performance standards (the formula that generates each school corporation’s at-risk index is described in Section VIII). Because there are considerable differences in school corporations’ at-risk indices, the minimum ranged from $3,962 to $4,445 in 1999.

School corporations receiving funding per student that was above the previous year’s minimum are allowed to increase their revenue per student in the current year by a percentage that is (a) directly related to the at-risk index of the corporation, and (b) inversely related to the previous year’s revenue. Thus, the increment is larger for corporations with high at-risk indices and smaller for those
with high levels of revenue per student in the previous year. Because the at-risk indices and the previous year’s revenue both vary significantly, the increment ranged from $74 to $143 in 1999. This calculated increment was added to 1998 revenue per student to obtain the incremented revenue per student for 1999.

The formula next allows declining enrollment school corporations to add 0.8 to their enrollment for each student lost from the previous year and 0.6 for each student lost in the year before that. The goal of this “rehoster” is to permit declining enrollment school corporations to decrease their spending gradually.

Finally, the formula provides all school corporations with a minimum increase in regular instructional revenue. In 1999, all school corporations were guaranteed an increase of at least 3% in their regular instructional revenue, regardless of other formula components. As a result, the school corporations affected by this provision received more revenue per student than was provided by the incremented revenue per student described above.

**State Share in Funding:** 1999 state revenue, as a percentage of regular instructional revenue, was 65.4%.

**Local Share in Funding:** Indiana uses a guaranteed tax base formula to calculate the local share of funding. The formula requires school corporations with higher revenue per student to levy taxes at higher rates, but it also calculates those rates on the basis of a state guaranteed level of assessed valuation per student rather than the school corporations’ actual assessed valuations. This limits the property tax rates paid by property-poor school corporations.

All school corporations were required to levy a general fund property tax rate of $2.65 per $100 of assessed valuation in 1999 to cover the minimum revenue per student as described above. Because these minimums varied with the at-risk index of the school corporations, the guaranteed tax base assumed by this portion of the property tax ranged from about $149,000 to $168,000 per student in 1999.

School corporations with revenue above their calculated minimums are required to levy additional property taxes. Almost all of them calculated the additional property tax rate on the difference between their minimum revenue and their incremented revenue using a guaranteed tax base of $95,000 per student in 1999. The handful of school corporations with actual assessed valuations higher than $95,000 calculated their general fund property tax rates for their revenue above the minimum on the basis of their actual assessed valuation.
There are two important qualifications in applying this formula, however. First, school corporations are not permitted to increase their general fund property tax rate by more than 15 cents per $100 of assessed valuation each year or to lower it by more than 25 cents per $100 of assessed valuation. Second, school corporations affected by the regular instructional revenue guarantee do not have to assess any additional property taxes on the revenue they receive beyond their incremented revenue per student.

**Weighting Procedures:** For allocation calculation purposes, kindergarten is weighted at 0.5, since kindergarten is funded as only a half-day program.

**Adjustments for Special Factors:** Because school funding is distributed on a calendar year basis, corporations with large enrollment increases at the beginning of the school year do not receive additional funding until January of the next year. The Indiana School Funding Formula provides a growing enrollment grant to some school corporations to reimburse them for the costs of educating the additional students during the first four months of the school year. This grant is calculated at one third of a corporation’s per-pupil revenue for each additional student enrolled. This grant is available to school corporations with an increase of at least 250 students or to school corporations that experience at least a 5% increase in enrollment.

**Aid Distribution Schedule:** The state distributes tuition support payments to school corporations on a calendar year basis in 12 equal monthly installments.

**Districts off Formula:** None.

### VI. TRANSPORTATION

**Funding in 1998–1999:** $36.4 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** Regular school transportation reimbursement is computed on the basis of factors existing in each school corporation for the school year ending in the preceding calendar year. The adjusted per-pupil amount is equal to $280 minus an amount determined by multiplying $20 by the linear density of the corporation. Linear density is determined by dividing the total number of eligible pupils by the total round trip mileage. Eligible pupils must be enrolled in the corporation and transported more than one mile. A transported kindergarten pupil is counted as 0.5. Round trip mileage is determined by calculating the distance from the first eligible pick-up point to the last point an eligible pupil disembarks.
at school. The adjusted per pupil amount is then multiplied by the number of eligible pupils to yield the total transportation allowance.

**State Share:** The difference between the school corporation’s transportation allowance and the levy raised by a $0.42 per $100 assessed valuation tax rate is the school corporation’s entitlement from the state. If the state appropriation for transportation is insufficient to pay the state’s entire obligation, each school corporation’s entitlement is proportionately reduced.

Special education and vocational education transportation reimbursements are computed on the basis of factors that are in existence in each school district in the school year ending in which reimbursements are made. For both of these programs, the entitlement is 80% of the eligible costs of transporting those students to their respective programs.

**Local Share:** The amount raised by imposition of a mandatory tax rate of $0.42 per $100 of the previous year’s assessed valuation.

**Extent of Participation:** All school corporations.

**VII. SPECIAL EDUCATION**

**Funding in 1998–1999:** $293.9 million.

**Percentage of Total State Aid:** 7.2%.

**Description:** In 1995, Indiana adopted a simplified system of funding for special education, reducing the categories that generate funding to only three: students with severe disabilities, students with mild/moderate disabilities, and students who require communication or homebound services. The goal of formula is to reflect current service delivery realities by:

1. Using a modified form of unduplicated students to lessen the incentive to over-label children in order to generate additional state revenue;

2. Grouping special education students into three broadly constructed categories to provide school corporations with more flexibility in serving students with disabilities; and

3. Allocating a higher percentage of special education revenue to the severe/high category to help school corporations better meet the exceptionally high costs incurred in providing services to profoundly disabled children.
State Share: The state share in 1999 is the sum of:

1. $7,285 for each Severely Disabled Student (Multiple handicapped, orthopedic handicapped, visually impaired, hearing impaired, emotionally handicapped (FT), severely/profoundly mentally handicapped, dual sensory impaired, autism, and traumatic brain injury),

2. $1,977 for each Non-duplicated Moderately Disabled Students (Emotionally handicapped (all other), learning disabled, mildly/moderately mentally handicapped, and other health impaired), and

3. $469 for each Duplicated Students with a communication disorder (Communication disordered and homebound).

Local Share: Local districts are expected to provide the difference between the formula-generated allocation and actual expenditures for state-funded special education programs from their general fund revenues.

Extent of Participation: All school corporations.

VIII. COMPENSATORY EDUCATION

K–12 At-Risk

Funding in 1998–1999: $43.3 million.

Percentage of Total State Aid: 1.1%.

Description: An at-risk index is computed for each school corporation using 1990 census data by adding the following:

1. the percentage of the population in the school corporation who are at least 20 years of age with less than a twelfth grade education, multiplied by 0.44; and

2. the percentage of families in the school corporation with a single parent, multiplied by 0.40; and

3. the percentage of families in the school corporation with children under 18 years of age that have a family income below the poverty level, multiplied by 0.16.

Since 1988, school corporations have been given a grant proportional to their at-risk indices to support specified additional programs for at-risk students. In an
effort to provide extra funding for school corporations with the greatest level of disadvantage, beginning in 1994 this grant has been available only to the 131 (out of 294) school corporations with an at-risk index above 0.20. In 1996, the threshold was lowered to 0.15 in order to provide at-risk funds to 104 more school corporations (for a total of 235). Beginning in 1998, a compromise was struck that provides an additional grant to the 131 school corporations with at-risk indices above 0.20. Note, however, each year’s revenue is built on the previous year’s revenue level so all corporations continue to receive at least their 1993 at-risk revenue amount.

**State Share:** The state share in 1999 is the sum of:

1. The school district’s at-risk index minus 0.15 multiplied by $564.30 per ADM (cannot be less than zero); and
2. The school district’s at-risk index minus 0.2 multiplied by $219.45 per ADM (cannot be less than zero).

**Local Share:** Local districts are expected to provide the difference between the formula-generated allocation and actual expenditures for specified additional programs for at-risk students from their general fund revenues.

**Extent of Participation:** All school corporations.

**IX. GIFTED AND TALENTED EDUCATION**

**Funding in 1998–1999:** $6.7 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** The purpose of the program is to encourage school corporations to develop and implement gifted and talented education programs. Schools apply for one of the three noncompetitive grants: planning, implementation, or continuation.

**State and Local Shares:** Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for gifted and talented programs.

**Extent of Participation:** All school corporations participate
X. BILINGUAL EDUCATION

No state aid provided.

XI. EARLY CHILDHOOD EDUCATION

Preschool Special Education


Percentage of Total State Aid: less than 1%.

Description: Foundation program with a $0.01 per $100 assessed valuation qualifier

Local and State Shares: School corporations must impose a property tax rate of $0.01 per $100 of assessed valuation in the corporation. The state then distributes enough dollars to provide $2,750 for each preschool handicapped child.

Extent of Participation: All school corporations.

XII. OTHER CATEGORICAL PROGRAMS

K–3 Class Size Reduction (Prime Time)


Percentage of Total State Aid: 2.5%.

Description: The primetime program is established to provide money to encourage school corporations to lower the pupil/teacher ratio in kindergarten through third grade. Grant amounts are based on the number of staff a corporation needs (relative to their staff level in 1983–84) and has hired to reduce the pupil-to-adult ratios in grades K–3 in the current year to 18-to-1 in kindergarten and first grade; 20–to-1 in second and third grades. School corporations also receive primetime funding for staff hired to maintain pupil-to-adult ratios in the face of growing enrollment. An instructional assistant is counted as one-third FTE for purposes of calculating this ratio.

State Share: In 1999, school corporations receive $26,526 for each FTE added to the ratio in the current year or needed to maintain the ratio below the grade level threshold.
Local Share: School corporations pay the difference between $26,526 and amount necessary to employ an FTE.

Extent of Participation: 290 of 294 districts participate

Vocational Education


Percentage of Total State Aid: 1.3%.

Description: Additional Pupil Count (APC) is provided for students participating in vocational education programs according to the following program weighting:

- Agriculture A (1/2 day) 0.38
- Agriculture B (1 period per day) 0.19
- Distributive Education 0.33
- Health Occupations (laboratory) 0.33
- Consumer and Homemaking (1 period per day) 0.14
- Occupational Home Economics (laboratory) 0.33
- Business Education (laboratory) 0.33
- Industrial Education A (1/2 day) 0.48
- Industrial Education B (2 periods per day) 0.33
- Cooperative Education (all areas) 0.28
- Area School Participation (in addition to the above) 0.09

State Share: In 1999, the sum of the APCs is multiplied by $1,600 to arrive at the state share.
Local Share: Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for vocational programs.

Extent of Participation: All school corporations.

Desegregation


Percentage of Total State Aid: less than 1%.

Description: A state allocation of $19.9 million was ordered by a federal district court judge for the Southern District of Indiana as part of the Indianapolis Public Schools (IPS) school desegregation order. Funds go to IPS and to the six suburban Marion County school corporations to which minority IPS students are transported. IPS also pays considerable transfer tuition for the 5,794.19 full-time equivalent (FTE) minority children transported to these suburban schools in 1999. In addition, the state is mandated to provide $2.4 million annually to support curricular options that are designed to promote desegregation of the Ft. Wayne School Corporation.

State and Local Shares: There is no required local share for the receiving school districts. IPS pays an additional $30.9 million in transfer tuition.

Extent of Participation: 8 of 294 school corporations.

Summer School


Percentage of Total State Aid: less than 1%.

Description: The state reimburses school corporations for 105% of the instructional costs incurred in summer school programs approved by the State Board of Education. These instructional costs are classroom teacher and instructional aide salaries only; no materials costs are reimbursable. In the event that the total reimbursement exceeds the appropriation available, all claims are reduced proportionately. In 1998, actual summer school reimbursement was 76% of instructional costs.
State and Local Shares: The 1999 regular summer school appropriation was $20.8 million. The local share is all summer school costs not covered by the state reimbursement.

Extent of Participation: 254 of 294 school corporations.

Adult Education


Percentage of Total State Aid: less than 1%.

Description: Adult education funds reimburse a school corporation for basic secondary education programs provided to persons who:

(a) need the courses in order to obtain the skills required for the completion of the eighth grade or for a high school equivalency certificate;

(b) need a limited number of credits in order to qualify for a high school diploma; or

(c) have graduated from high school but have basic deficiencies in mathematics or English.

State and Local Shares: School corporations are reimbursed for instructors’ salaries and administrative and support costs. The reimbursement for instructors’ salaries is based on an average of 10 adults per approved unit of instruction. The reimbursement for administrative and support costs may not exceed 15% of the total appropriation. In actual practice, appropriations for this fund may not be sufficient to pay all of the claims made against it. In this case, the local school corporation must pay the balance after state appropriation.

Extent of Participation: Participation varies by semester, but is generally about 80 of 294.

School Textbook Reimbursement Contingency Fund


Percentage of Total State Aid: less than 1%.

Description: Parents are expected to pay textbook and related school fees. The School Textbook Reimbursement Contingency Fund enables school corporations
to receive a reimbursement for textbook and related school fees for children who meet federal free lunch standards.

**State Share:** School corporations receive 20% of the cost of the textbooks as listed on the adoption list, 100% of the cost of the workbooks that accompany adopted textbooks, and 100% of consumable textbooks that are state adopted. The costs of textbooks used in gifted and talented education and in special education are reimbursed based on amortization of the book over the years it is to be used.

**Local Share:** In actual practice, appropriations for the School Textbook Reimbursement Contingency Fund may not be sufficient to pay all of the claims made against it. In this case, the local school corporation must pay the balance after state appropriation. In addition, parents paid $49.1 million in textbook rental fees in 1999.

**Extent of Participation:** All school corporations participate.

**School Food Service**

**Funding in 1998–1999:** $5.2 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** In 1999, the allocation formula provided school districts with $1.9425 per free lunch, $1.5425 per reduced price lunch, and $0.18 per paid lunch served to students under the National School Lunch Program.

**State Share:** The National School Lunch Program requires the state to provide $5 million in funding for the program. This state revenue is distributed among school corporations by the following formula:

1. Number of paid lunches served by the corporation during the school year, divided by

2. Number of paid lunches served by all Indiana corporations during the school year, multiplied by

3. $5 million

**Local Share:** Local districts are responsible for the difference between the amount provided by federal allocations, state allocations and student fees and the actual expenditures for school lunch programs.
Extent of Participation: 293 of 294.

XIII. TEACHER RETIREMENT AND BENEFITS


Percentage of Total State Aid: 12.0%

Description: Teacher retirement payments for certified employees are made to the Indiana Teacher’s Retirement Fund, a defined pension benefit system. For employees hired before July 1, 1995, the state acts as employer for these benefits. For employees hired on or after July 1, 1995, the school district acts as employer for the payment of these benefits. In addition, an employee contribution of 3% is a contributory component of the fund. Some local school districts elect to pay the total employee share of 3% as a negotiated benefit.

The state provided $88.7 million in cost of living adjustments to current retirees in 1999. In addition, the state contributed $75 million to a pension stabilization fund in 1999 to compensate for previous underfunding of the Indiana Teacher’s Retirement Fund and forwarded $30 million in revenues previously dedicated to the Indiana Teacher’s Retirement Fund.

Non-certificated employees are covered by PERF (Public Employees Retirement Fund). The employer share for PERF varies by school district based on current pension obligations and projected liabilities of the district. The employer share is 7% on average with a 3% employee contribution.

Local school corporations provide the employers’ share of social security tax payments for all personnel except those whose salaries are attributable to federal, state, or local grants.

State Share: State appropriations for employees hired before July 1, 1995, are paid directly to the teacher retirement fund in lieu of being incorporated into state aid payments to local school districts.

Local Share: Local districts are responsible for Indiana Teacher’s Retirement Fund employer contributions for employees hired on or after July 1, 1995 and for employers' contributions to FICA for all school district employees.

Extent of Participation: All corporations participate.
XIV. TECHNOLOGY

Technology Grants

Funding in 1998–1999: $15.0 million.

Percentage of Total State Aid: less than 1%.

Description: The General Assembly provides annual funding to the Indiana Department of Education’s Technology Grant Program that is to be distributed to all school corporations within a six-year cycle.

State Share: The total grant to a qualifying school corporation is not to exceed $200 per student.

Local Share: None.

Extent of Participation: All corporations participate.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Debt Service

Funding in 1998–1999: $35.6 million.

Percentage of Total State Aid: less than 1%.

Description: The state annually distributes a flat grant of $40 per ADA pupil in grades 1-12 to all school corporations. Originally this money was to be used for debt service payments, but over the years schools that did not have debt service obligations could use it in the general funds. The statute now limits the amount of the flat grant that may be used in the general fund to no more than the greatest amount so used in any one calendar year between 1973 and 1993. Any amount left must be used for debt service, if there is any. If any of the flat grant dollars are left after that, they may be used for either current operating expenses or may go to the capital projects fund.

State Share: In addition to the annual payment of $40 per student in grades 1–12, the state contributes to the Debt Service Fund through property tax replacement credits on debt incurred prior to 1984.

Local Share: A school corporation is authorized to have a Debt Service Fund levy to meet annual debt service obligations, including lease-rental agreements,
bond retirement, civil bond obligations, and other indebtedness. There is a state constitutional general obligation debt limit in each school corporation equal to 2% of its current assessed valuation. Further debt can be incurred through lease-rental agreements with private or public holding corporations.

**Number of school districts participating:** All districts participate.

**XVI. STANDARDS/ACCOUNTABILITY MEASURES**

Indiana operates an assessment structure based upon what students should demonstrate in mathematics and language arts. The 10th grade assessment is a high school exit test and is prerequisite for a diploma. Other mandatory grade level tests are 3rd, 6th, and 8th.

**Indiana Statewide Testing for Educational Progress (ISTEP+) Remediation**

**Funding in 1998–1999:** $19.2 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** ISTEP+ is a statewide test of language arts and mathematics required of the state’s 3rd, 6th, 8th, and 10th grade students. Corporations’ remediation programs, which are established for all students who do not meet the state proficiency standards, are eligible for state grants.

**State Share:** Grant amounts are determined by the percentage of students not meeting the proficiency standards. Corporations with higher percentages of students not meeting the proficiency standards receive higher grant amounts per student.

**Local Share:** Corporations must dedicate $1 for each $2 received from the state.

**Extent of Participation:** All school corporations.

**Graduation Qualifying Examination Remediation**

**Funding in 1998–1999:** $4.9 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** All students are required to pass both a language and mathematics proficiency examination to graduate from an Indiana high school.
State Share: Grant amounts are determined by the percentage of students not passing the proficiency examination. Corporations with higher percentages of students not passing the proficiency examination receive higher grant amounts per student.

Local Share: None.

Extent of Participation: All school corporations.

XVII. REWARDS/SANCTIONS

Academic Honors Diploma Grants


Percentage of Total State Aid: less than 1%.

Description: In order to provide an incentive for school corporations to increase the number of students completing the state’s academic honors diploma curriculum, as well as to cover the professional development and other costs involved, the state provides a grant to school corporations for every student who successfully completes an academic honors diploma. If they choose, school corporations can pass these funds along to these students in the form of scholarships.

State Share: In 1999, school corporations received $800 for each student who graduated in 1997–98 with an academic honors diploma. Eight Indiana school corporations chose to forward the $800 to the student.

Local Share: None.

Extent of Participation: All corporations participate.

School Improvement Awards

Funding in 1998–1999: $3.3 million.

Percentage of Total State Aid: less than 1%.

Description: The Indiana School Improvement Award Program rewards individual schools (not school corporations) for demonstrating growth in student performance areas and encourages continued improvement. The money may be
expended for any educational purpose for the school that earned the award, but it cannot be spent for athletics, salaries, or salary bonuses for school personnel.

**State Share:** The state distributes the appropriation based on a calculation that includes improvements in attendance, graduation rates, and ISTEP+ scores.

**Local Share:** None.

**Extent of Participation:** All corporations participate.

### XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

**Funding in 1998–1999:** $6.8 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** Alternative education is designed to meet the needs of students who, for a variety of reasons, cannot learn in the traditional school environment. To receive state funding, such programs must be state approved and serve students in grades 6 to 12 meeting a variety of criteria (e.g., previously dropped-out of school, a documented record of disruptive behavior, employment that provides necessary family support and that interferes with regular school attendance).

**State Share:** In 1999, the state provides $750 per ADM student.

**Local Share:** In 1999, the school district must allocate an additional $250 per ADM student to the program.

**Extent of Participation:** 123 of 294 school corporations participate.

### XIX. AID FOR PRIVATE SCHOOLS

**Funding in 1998–1999:** Not reported.

**Percentage of Total State Aid:** N/A.

**Description:** The School Textbook Reimbursement Contingency Fund enables accredited private schools to receive a reimbursement for textbook and related school fees for children who meet federal free lunch standards.

**State and Local Shares:** Accredited private schools receive 20% of the cost of the textbooks as listed on the adoption list, 100% of the cost of the workbooks that accompany adopted textbooks, and 100% of consumable textbooks that are
state adopted. The costs of textbooks used in gifted and talented education and in special education are reimbursed based on amortization of the book over the years it is to be used. In actual practice, appropriations for this fund may not be sufficient to pay all of the claims made against it. In this case, the private school (or the parent) must pay the balance after state appropriation.

XX. RECENT/PENDING LITIGATION

In 1998, the Indiana Supreme overturned an Indiana Tax Court decision (State Board of Tax Commissioners v. Town of St. John, 1993) that had found Indiana’s “true tax value” system of property assessments unconstitutional because all property is not assessed equally and uniformly as required by Article 10, Section 1 of the State Constitution. There is no pending litigation.

XXI. SPECIAL TOPICS

None reported.