

# Indiana

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## FUNDING PRIORITIES

The education priority in Indiana grew from \$11.11 billion of \$31.6 billion total appropriations in FY 2016 to \$12.0 billion of \$39.3 billion total appropriations in FY 2021.<sup>1</sup> Total appropriations grew by 24.31% for the period while education appropriations grew by 7.98%. As a percent of total appropriations, education's share decreased from 35.2% in FY 2016 to 30.5% in FY 2021. Comparatively, the health and human services sector's share increased from 43.8% in FY 2016 to 48.6% in FY 2021.

P-12 education fall membership increased from 1,055,399 in FY 2016 to 1,057,486 in FY 2020.<sup>2</sup> The growth rate was .2% compared with the 5.8% growth rate of P-12 education funding during the period.<sup>3</sup> Indiana's total expenditure per pupil was \$11,388 compared to the \$14,364 national average in FY 2018.<sup>4</sup> Indiana ranked 41<sup>st</sup> nationally in expenditure per pupil. The state ranked 42<sup>nd</sup> nationally in average salaries of public school teachers in 2019-20.<sup>5</sup>

## CHANGES TO FUNDING FORMULA FOR P-12

Indiana's State Tuition Support once included five grants: 1. Basic Grant, 2. Complexity Grant, 3. Honors Diploma Grant, 4. Special Education Grant, and 5. Career and Technical Education Grant.<sup>6</sup> The program no longer includes the Complexity Grant as a separate grant that compensates school districts for the additional costs of educating economically disadvantaged students. As it stands, the program now includes four types of grants described as follows: The *Basic Grant* aims to operationalize the state's foundation program. This grant also includes a complexity multiplier that was once the separate complexity grant. The foundation program amount grew from \$4,967 per student in FY 2016 to \$5,548 per student in FY 2020. The *Honors Diploma Grant* provides funding to school districts based on the number of honors diplomas awarded. The grant

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1. Indiana State Budget Agency, *State of Indiana List of Appropriations* (2015, 2017, 2019).

2. Indiana Department of Education, *Indiana K-12 State Tuition Support Annual Report* (2020).

3. Indiana State Budget Agency, *State of Indiana List of Appropriations*.

4. National Center for Education Statistics, *Digest of Education Statistics, 2020 Tables and Figures*, Table 236.75. Retrieved September 7, 2021 from <https://nces.ed.gov>.

5. National Education Association, *Rankings of the States 2020 and Estimates of School Statistics 2021* (2021).

6. Indiana Department of Education, *Indiana K-12 State Tuition Support*.

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amount is \$1,100 or \$1,500 per student with the latter amount based on honors diploma awardees who are economically disadvantaged. The *Special Education Grant* provides funding for special education services across four tiers of need. Among the tiers, grant amounts range from \$500 to \$9,156 per student. The *Career and Technical Education Grant* varies with ratings based on assessments of Indiana's workforce needs and wages provided by different occupations. Grant amounts range from \$150 to \$680 per student.

The four grants along with funding for Choice Scholarships and Mitch Daniels Early Graduation Scholarships combine to be total State Tuition Support. For fiscal year 2020, excluding the scholarships, the contributions of the four grants to State Tuition Support were Basic Grant (89.28%), Honors Diploma Grant (.43%), Special Education Grant (8.36%) and Career and Technical Education Grant (1.93%).

#### PRESSING STATE ISSUES AFFECTING P-12 FUNDING

Pressing issues include COVID-19 related funding, teacher compensation, and complexity funding. Although the pandemic was predicted to precipitate state revenue declines and declines in school funding, these effects were countered by federal COVID-19 relief funding. The caveat is that COVID-19 relief funding is temporary and its use to plug holes in state and school district budgets will be short-lived. More immediately, state aid to school districts is limited to 85% of funding for each student that is taking classes virtually. Although this reduction in state aid was designed to address virtual charter schools, the reduction threatens to penalize school districts when students attend classes virtually due to contracting COVID-19 or being quarantined due to contact tracing. Teacher compensation continues to be a pressing issue in Indiana as teacher salaries in Indiana do not keep pace with teacher salaries in neighboring states. Spending plans related to COVID-19 relief funding promise to increase teacher salaries but the sustainability of these increases will be questionable when COVID-19 relief funding ceases. With changes to the school funding formula, complexity funding is now a part of the basic grant. This relates to concerns that were expressed multiple times about complexity funding declining. Without complexity funding standing on its own as a separate grant, concerns may emerge that further declines will occur.

#### ALTERNATIVES TO TRADITIONAL PUBLIC SCHOOL

Indiana has the Choice Scholarship Program that provides education vouchers. There were 324 Choice Scholarship Program participating schools that served

35,698 students in 2020-21.<sup>7</sup> Choice Scholarship Program enrollment was 3.16% of statewide enrollment. Charter schools enrolled 49,691 students in 2020-21 which was 4.47% of statewide enrollment. Non-public school enrollment, excluding Choice Scholarship Program students, was 42,958 students or 3.86% of statewide enrollment. From 2019-20 to 2020-21, charter school enrollment increased while Choice Scholarship Program and other non-public school enrollment declined. During the same period, traditional public school enrollment grew slightly.<sup>8</sup>

State per pupil expenditure<sup>9</sup> = \$6,795

Allocation of state dollars for P-12 and HE = \$12 billion

Percent of state budget = 30.5%

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7. Indiana Department of Education, *Choice Scholarship Program Annual Report: Participation and Payment Data* (2021).

8. Indiana Department of Education, *Indiana K-12 State Tuition Support*.

9. Indiana House Republican Policy and Ways and Means Staff, *Indiana's Education Funding Explained* (n.d.).