

FY2003	FY2007	FY2011
A	C	F
Grade based on % of Weighted Funding Disparity		

Indiana

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Introduction

This chapter compares district and charter school revenues statewide, and for Gary and Indianapolis, for fiscal year 2011 (FY11).¹ Comparisons are made to previous research for FY03 and FY07, based on the same methodology.

Funding disparities between districts

and charter schools for the same matched geographic area are explored. The per pupil funding values in the analysis are weighted to compare districts and charter schools as though they served the same proportions of urban and suburban students (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. Also included in the monograph is a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

Highlights of the FY11 Analysis

- Indiana’s 60 charter schools received 21.6 percent less funding than district schools: \$8,671 vs. \$11,055 per pupil, respectively, a difference of \$2,384 per pupil (Figures 1 & 3).
- The seven charter schools in Gary received 21.6 percent less funding than district schools; \$10,335 vs. \$13,175 per pupil, a difference of \$2,840 per pupil (Figure 3).
- The 26 Indianapolis charter schools received 42.3 percent less funding than district schools: \$8,660 vs. \$15,017 per pupil, a difference of \$6,357 per pupil (Figure 3).
- Indiana’s charter schools received \$8,671 per pupil, but district schools would have received more money to educate the same students, an estimated \$13,286, a difference of \$4,616 or 34.7 percent. The weighted district per pupil revenue therefore increases the funding disparity by \$2,232 per pupil from the unweighted statewide difference above (Figure 3).
- Charter schools in Indiana educate 2.2 percent of the state’s public school students but receive 1.7 percent of total revenue (Figures 2 & 3).
- Magnitude of Disparity: If all Indiana districts received the same level of per pupil funding as charter schools, they would have received \$2,410,533,203 less in total funding (Figure 3).

Probable Causes of the Disparities

- Charter schools do not receive Local funding, and State funding does not compensate for the absence of Local funding. Districts received a total of \$9,155 per pupil in Local and State revenue, while charter schools statewide received \$6,384 per pupil.
- Indiana’s charter schools serve a greater percentage of students in high-cost urban areas than districts statewide.
- Indiana’s charter schools serve a high proportion of special education students, as well as students eligible for free or reduced-price lunch, yet state funding does not appear to accommodate the extra costs of providing services to these high-need students.

Where the Money Comes From

The state of Indiana provides the majority of funding for public education as of 2008. In that year, the legislature

Figure 1

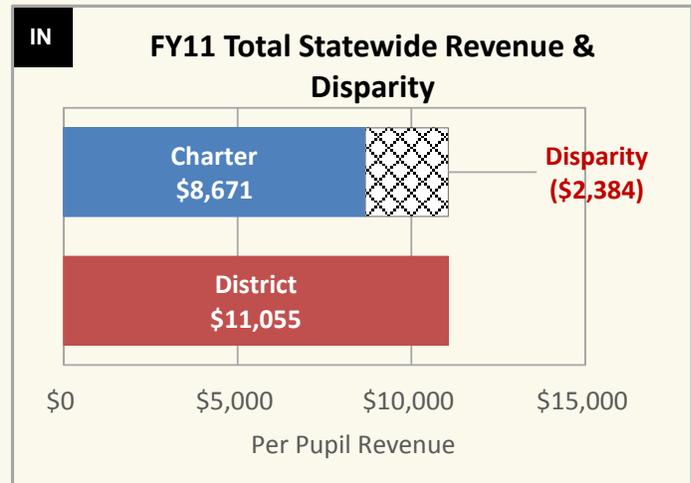


Figure 2

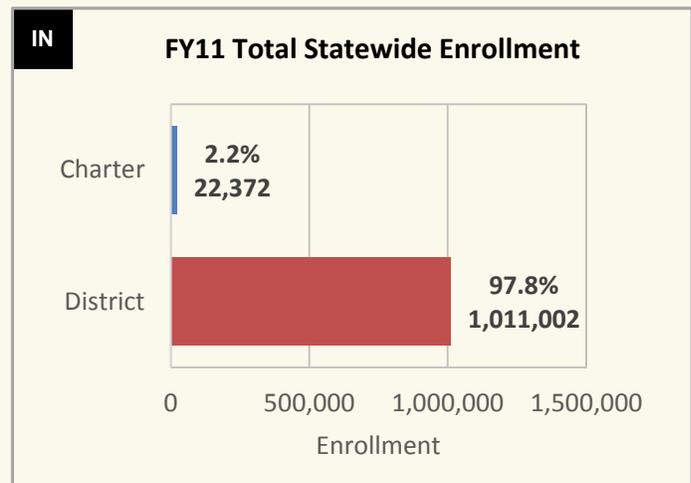


Figure 3

IN Summary Data Table									
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Indianapolis		Gary		
Per Pupil Revenue									
District	\$11,055		\$13,286		\$15,017		\$13,175		
Charter	\$8,671		\$8,671		\$8,660		\$10,335		
Difference	(\$2,384)		(\$4,616)		(\$6,357)		(\$2,840)		
% of District	(21.6%)		(34.7%)		(42.3%)		(21.6%)		
Per Pupil Revenue by Source									
	District	Charter	District	Charter	District	Charter	District	Charter	
Federal	\$952	\$1,592	\$1,747	\$1,592	\$2,315	\$1,673	\$1,824	\$2,075	
State	\$6,313	\$6,378	\$8,279	\$6,378	\$8,998	\$6,231	\$10,088	\$7,791	
Local	\$2,842	\$6	\$2,763	\$6	\$3,530	\$12	\$808	\$0	
Other	\$698	\$626	\$389	\$626	\$158	\$711	\$383	\$456	
Public-Indeter.	\$241	\$68	\$102	\$68	\$10	\$32	\$72	\$5	
Indeterminate	\$10	\$2	\$6	\$2	\$6	\$1	\$0	\$7	
Total	\$11,055	\$8,671	\$13,286	\$8,671	\$15,017	\$8,660	\$13,175	\$10,335	
Enrollment									
District	1,011,002 97.8%		Focus Area Districts Educate 4.3% of All District Students		32,535 75.6%		10,463 70.3%		
Charter	22,372 2.2%		Focus Area Charters Educate 66.8% of All Charter Students		10,526 24.4%		4,423 29.7%		
Total Enrollment	1,033,374		N/A		43,061		14,886		
Charter Schools*	60		N/A		26		7		
Revenue									
District	\$11,176,784,697 98.3%		N/A N/A		\$488,569,721 84.3%		\$137,852,166 75.1%		
Charter	\$193,984,362 1.7%		N/A N/A		\$91,154,123 15.7%		\$45,710,431 24.9%		
Total Revenue	\$11,370,769,060		N/A		\$579,723,844		\$183,562,596		
Percentage of Revenue by Source									
	District	Charter	District	Charter	District	Charter	District	Charter	
Federal	8.6%	18.4%	13.1%	18.4%	15.4%	19.3%	13.8%	20.1%	
State	57.1%	73.6%	62.3%	73.6%	59.9%	72.0%	76.6%	75.4%	
Local	25.7%	0.1%	20.8%	0.1%	23.5%	0.1%	6.1%	0.0%	
Other	6.3%	7.2%	2.9%	7.2%	1.1%	8.2%	2.9%	4.4%	
Public-Indeter.	2.2%	0.8%	0.8%	0.8%	0.1%	0.4%	0.5%	0.1%	
Indeterminate	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	
Magnitude of Disparity = Total Funding Difference x District Enrollment (see above)									
	\$ (2,410,533,203)				\$ (206,819,825)		\$ (29,720,075)		

Note: The 60 charter schools in Figure 3 are the number of charter schools that can be separately identified for purposes of revenue and enrollment analysis and were analyzed. For FY11, the state provided enrollment data for 61 charter schools but financial data for 60. Therefore, one school was excluded from this analysis.

shifted to an increase in the state sales tax to fund General Fund obligations instead of relying on local property taxes. Local taxes still can be used to fund other components of education such as debt service, capital and transportation. By FY11, state funding accounted for more than half of total district funding and nearly three-quarters of charter school funding.

How Indiana Funds Its Districts²

General Fund revenues for districts are determined by the Foundation Level, which is determined district by district based on a series of calculations aimed at setting a target revenue level. Target revenue represents the sum of total funding each district is expected to need in the coming year.

The first calculation, the Foundation Grant, takes the General Assembly assigned Foundation Level (\$4,505 for 2011) and multiplies that by the adjusted enrollment, as well as by an index based on the community'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 district receives the highest result in this series of calculations.

In addition to the Foundation Level process, the state provides grants for the number of Academic Honors diplomas the district awarded in the previous year, as well as for special education and vocational education programs. Additionally, the state provides grants to maintain student-teacher ratios for grades one through three, funding for small schools and funds for school districts with declining revenues.

How Indiana Funds Its Charter Schools

Indiana charter schools receive revenue via the same funding formula used for districts, with some exceptions. The state transmits state revenue directly to each charter; the shift to total state support of the general fund has cut off the majority of local funding for charter schools, however. Virtual charter schools receive 80 percent of the average statewide tuition.

Legislation passed late in the 2011 school year will provide new charter schools with start-up grants, and a Common School Fund will provide charters with interest-free loans when enrollment increases more than 15 percent from the previous year. This legislation also created full-day kindergarten grants for charter schools.

Funding for Public School Facilities

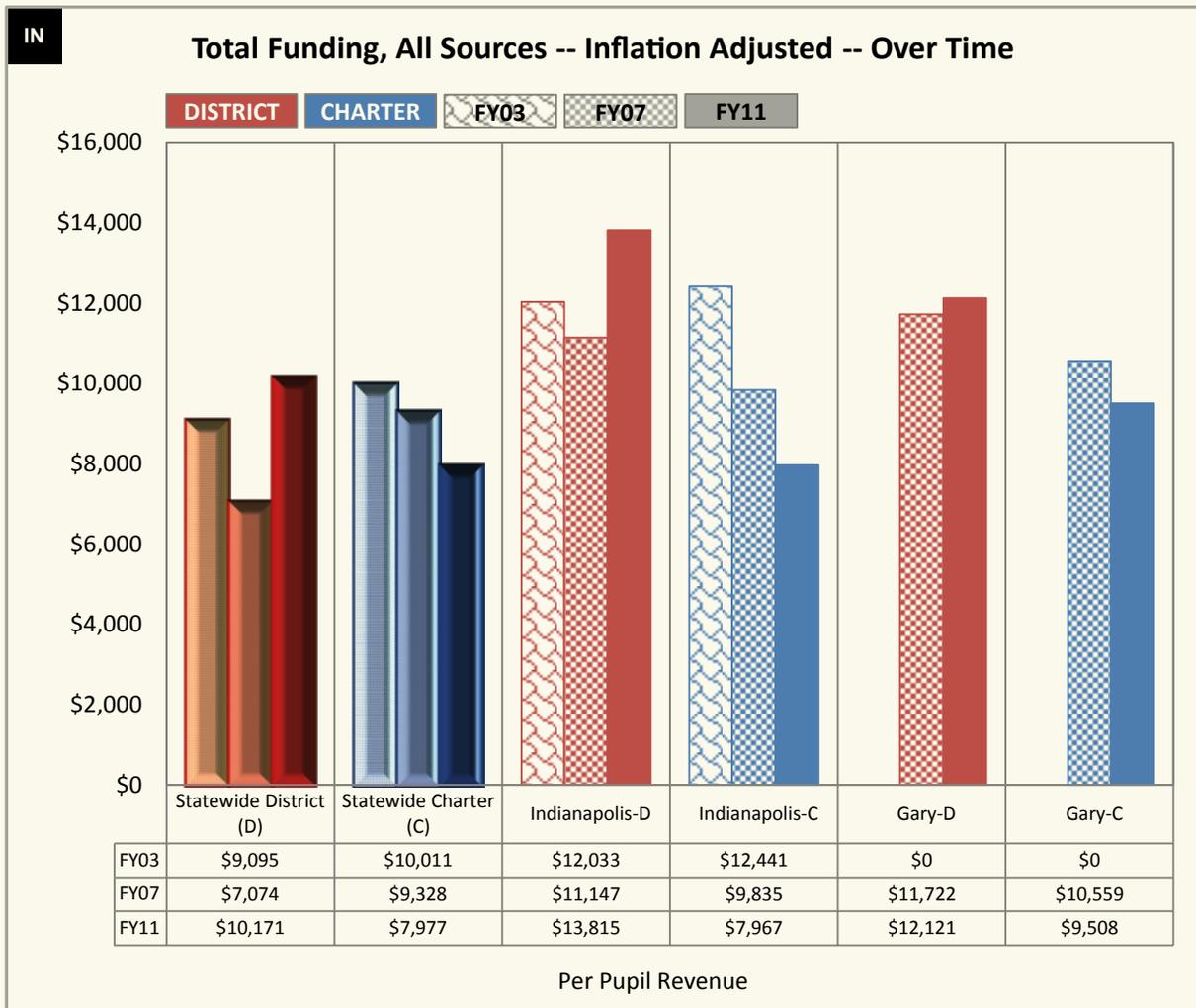
The state provides funding for charter school facilities through the Per-Pupil Facilities Aid Programs, an effort that provides a state match to federal funds. During the 2011 legislative session, a new program received approval—the Indiana Charter School Facilities Fund. Loans of \$10,000 to \$1.5 million can be used to purchase a facility, to make improvements to leased facilities or to construct a new facility. The state allotted \$3.4 million for the facilities program.

Long-Term Funding Patterns

For Indiana, we now have three point-in-time snapshots of public education funding for FY03, FY07, and FY11.³ Please note that in the presentation and discussion of longitudinal data that follow, the figures used are inflation-adjusted to FY07 dollars and differ from figures presented in Figure 3, which includes actual and weighted per pupil revenues representing FY11 only. The inflation-adjusted per pupil revenues in Figures 6–8 are for comparative purposes only. Refer to the Methodology section for more on inflation adjustments.

Total Funding

Figure 6



Indiana districts recorded a surge in funding since FY07, while the state's charter schools recorded funding declines for FY07 and FY11 (Figure 6). When all revenue sources are combined, funding for Indiana's districts rose by 11.8 percent between FY03 and FY11, increasing from \$9,095 to \$10,171 per pupil. Funding for Indiana's districts surged during the downturn in the economy, rising 43.8 percent, from \$7,074 per pupil to \$10,171 per pupil in FY11. Statewide, funding for Indiana's charter schools, however, fell by 20.3 percent, declining from \$10,011 in FY03 to \$7,977 in FY11, or \$2,033 per pupil. While charter school funding declined both in FY07 and FY11, the rate of decline accelerated during the economic downturn, with revenues falling 14.5 percent, from \$9,328 in FY07 to \$7,977 per pupil in FY11.

Gary's districts received slightly higher funding increases between FY07 and FY11 (Gary had no charter schools in FY03), rising from \$11,722 per pupil to \$12,121 per pupil in FY11, or 3.4 percent. Charters in Gary recorded a 10.0 percent decline in funding between FY07 and FY11, falling from \$10,559 to \$9,508 per pupil (Figure 6).

Indianapolis Public Schools recorded a 14.8 percent increase in funding from FY03 to FY11, rising from \$12,033 to \$13,815 per pupil. The city's charters recorded a significant funding reduction of 36.0 percent during the same period, falling from \$12,441 in FY03 to \$7,967 per pupil in FY11. During the economic downturn, Indianapolis

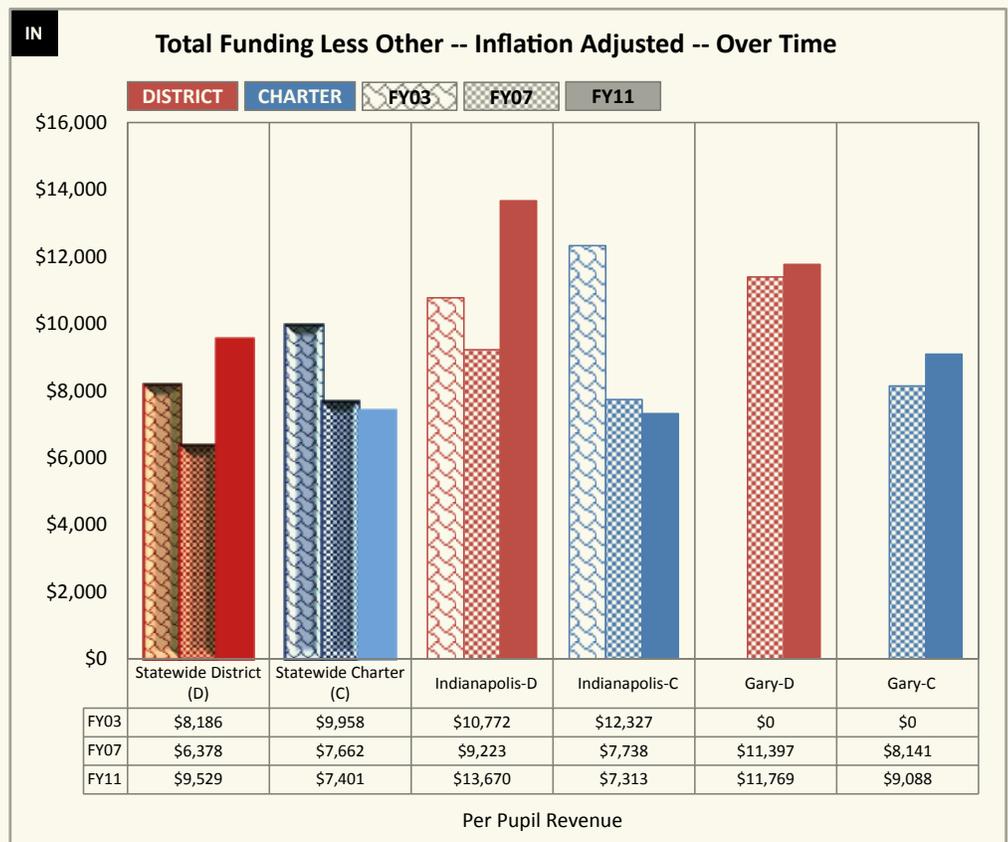
Public Schools increased their total funding 23.9 percent, from \$11,147 in FY07 to \$13,815 per pupil in FY11. Funding for the city’s charters fell \$1,868 per pupil during the same period, or 19.0 percent.

Total Funding Less Other

Our study includes total funding whether the funds originate from public or private sources. The “Other” category is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Therefore, we have removed Other dollars from this level of analysis to determine if funding from public sources is distributed equitably to districts and to charter schools. Public includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate.

Public education funding from Local, State and Federal sources for Indiana’s school districts rose by \$1,343 per pupil between FY03 and FY11, or 16.4 percent (Figure 7). Public funding for districts statewide increased significantly during the economic downturn, rising from \$6,378 in FY07 to \$9,529 per pupil in FY11, an increase of 49.4 percent. Statewide charter schools, by contrast, saw a significant decrease in public dollars of \$2,557 per pupil, a decline of 25.7 percent between FY03 and FY11. While most of this decrease occurred between FY03 and FY07, charter schools received less public funding during the recession as well, with revenue falling \$261 per pupil, or 3.4 percent.

Figure 7



Gary’s districts followed the statewide trend, receiving more public funding between FY07 (\$11,397) and FY11 (\$11,769), an increase of 3.3 percent. Gary’s charters, however, bucked the statewide trend for charters, with public revenues rising from \$8,141 in FY07 to \$9,088 per pupil in FY11, an increase of 11.6 percent (Figure 7).

Indianapolis districts recorded robust growth in public funding between FY03 and FY11, rising 26.9 percent, from \$10,772 in FY03 to \$13,670 in FY11 (Figure 7). Indianapolis charter schools recorded a 40.7 percent decline in public funding during the same period, from \$12,328 per pupil in FY03 to \$7,313 per pupil in FY11. The most significant decline in public funding occurred between FY03 and FY07, \$4,589 per pupil, or 37.2 percent. Between FY07 and FY11, Indianapolis charter schools lost another \$425 per pupil, or 5.5 percent.

Other Funding

Other revenue encompasses all forms of revenue not originating from public revenue sources, such as returns on investments, charges for facility rentals, and philanthropy. Of all the sources included in Other revenue, philanthropy has often served an important role in charter school financing to narrow the equity gap, and it is the largest source of funding in this category. As seen in Figure 8, revenue from Other sources declined significantly for the charter schools during the economic crisis.

Statewide, district revenue from Other sources has fallen from \$669 per pupil in FY07 to \$642 in FY11, a decline of 4.0 percent. For the state's charters, Other revenue plummeted between FY07 and FY11; statewide charter Other revenues rose by \$1,613 in FY07 but fell \$1,090 per pupil to \$576 in FY11, a decline of 65.4 percent. Since FY03, however, charters statewide have recorded a 986.8 percent increase in Other funding, rising from \$53 per pupil in FY03 to \$576 per pupil in FY11.

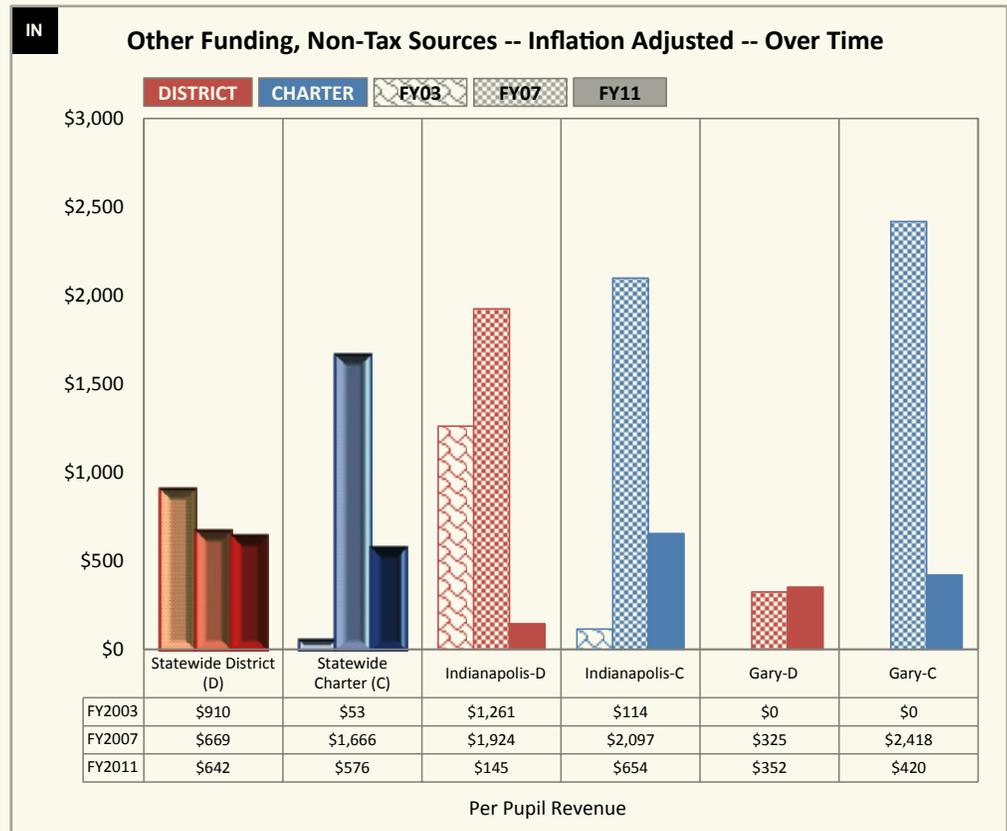
Other revenues for district schools in Gary rose modestly between FY07 (\$325) and FY11 (\$352), an 8.3 percent increase. Gary's charters, however, recorded a significant decline in Other funding, falling from \$2,418 per pupil in FY07 to \$420 per pupil in FY11, an 82.6 percent decline.

Other revenues for both districts and charters in Indianapolis declined between FY07 and FY11. Districts in Indianapolis recorded significant reductions in Other dollars between FY07 and FY11, falling \$1,779 per pupil, or 92.5 percent. Indianapolis charter schools' Other revenues also fell dramatically, by 68.8 percent between FY07 and FY11, or \$1,443 per pupil. Since FY03, however, Other funding for Indianapolis charter schools has risen \$540 per pupil, or 473.7 percent. Therefore, the increased funding from Other sources has helped to narrow the funding disparity between the districts and the charters in Indianapolis and statewide in spite of losses in Other dollars during the economic crisis.

Changes in Funding Results

Figure 9 shows the percentage increase/decrease in funding between FY03 and FY11 by each type of revenue stream. Because of the complications and changes in data availability and reporting quality for many states in this study for charter schools, the data reported in this figure may be somewhat misleading. The large percentile increases in Federal funding represent the attempt by the federal government to compensate for the decline in

Figure 8



Local and State funding during the downturn in the economy. Charters recorded a 19.5 percent decline during that period, however. Indiana school districts recorded a 37.0 percent increase in State funding from FY03 to FY11, while charter schools received 10.0 percent more in State funding. Both districts and charter schools lost Local funding during this period due to the economic decline.

Figure 9

IN Per Pupil Revenue -- Inflation Adjusted -- Over Time						
Percentage Increase / Decrease (black shading)						
From/To:	FY2003 / FY2011	Federal	State	Local	Other	Total
Statewide District (D)		40.6%	37.0%	-21.2%	-29.4%	11.8%
Statewide Charter (C)		-19.5%	10.0%	-99.8%	984.3%	-20.3%
Indianapolis-D		40.7%	33.8%	5.8%	-88.5%	14.8%
Indianapolis-C		-12.7%	-7.9%	-99.7%	473.2%	-36.0%

Figure 10 shows changes to the variance in funding between Indiana’s districts and charter schools for FY03, FY07 and FY11. The variance represents the difference in funding between a district and the charters located within the boundaries of the district. When the percentage nears or is at zero, the district and the charters are being funded equitably. Statewide, the variance has widened between districts and charters from 9.1 percent (favoring charters) in FY03 to 21.6 percent (favoring districts) in FY11. The disparity for Indianapolis broadened the most, from 3.3 percent (favoring charters) to 42.3 percent (favoring districts).

Figure 10

IN Disparity as Percent of District -- Over Time			
Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	9.1%	-32.4%	-21.6%
Indianapolis	3.3%	-11.8%	-42.3%
Gary	0.0%	-9.9%	-21.6%

Figure 11: Select Enrollment Characteristics⁴

Figure 11 below shows data for both charter and district student enrollments that often generate additional revenue. We include these data, if available, to look at possible differences in the types of students served to discern if high-need student populations may be resulting in higher levels of funding for either charters or district schools.

At the statewide level, fewer Indiana district schools were Title I eligible than Indiana charter schools, 78.1 percent versus 83.3 percent, respectively. The differences in the number of free or reduced-price lunch eligible students also indicates a higher percentage of those students attending charter schools, 65.3 percent to 46.2 percent. For special education, Indiana charters serve significantly more students with special needs, 11.4 percent of total students versus 14.7 percent for Indiana’s school districts. State funding for charter schools does not appear to account for the higher percentage of special needs students attending charter schools.

Figure 11

IN		Select Enrollment Characteristics							
Student Group >>>	Percentage of Total Enrollment								
	Free & Reduced Lunch			Title I			Special Education		
	Year >>>	FY03	FY07	FY11	FY03	FY07	FY11	FY03	FY07
Statewide District	32.5%	37.4%	46.2%	52.8%	40.0%	78.1%	N/A	N/A	14.7%
Statewide Charter	34.8%	60.3%	65.3%	0.0%	64.9%	83.3%	N/A	N/A	11.4%

Funding Practices Summary

Figure 12

IN		Funding Practices Summary						
PURPOSE	GRADE			FUNDING				REF
	FY2003	FY2007	FY2011	Federal Source	State Source	Local Source	Facilities Source	
<i>This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.</i>	A	C	F					
	Grade based on % of Weighted Funding Disparity							
ACCESS TO FUNDING SOURCES								
Do charter schools have access to this funding source according to state statutes?	Y	Y	N	Y				1
In practice, do charter schools have at least as much access to this funding source as districts have?	Y	Y	N	N				
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	Y	Y	N	N				
DATA AVAILABILITY								
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?							Y	
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?							Y	
FUNDING FORMULA								
Are charter schools treated as LEAs for funding purposes?							Y	
Does the state provide funding for charter schools and districts based primarily on student enrollment?							Y	

1 In 2011, the state of Indiana passed legislation establishing a charter school facilities fund and provided \$3.4 million in funding for the program.

Endnotes

- 1 The Indiana Department of Education provided the 2010-11 district and charter revenue data used for this study.
- 2 Digest of Public School Finance in Indiana – 2011-2013 Biennium. Indiana Department of Education; “Changes in Indiana School Funding,” Michael, Robert S. et. al, Center for Evaluation & Education Policy, Volume 7, No. 2, Summer 2009.
- 3 Data for FY03 compiled by the authors for the Thomas B. Fordham Institute report, Charter School Funding: Inequity’s Next Frontier, 2005. Data for FY07 compiled by the authors for the Ball State University Report, Charter School Funding: Inequity Persists, 2010.
- 4 National Center for Educational Statistics (NCES). Common Core of Data, Table Generator, FY11: <http://nces.ed.gov/ccd/elsi/>.