Description of the Formula

The Indiana General Assembly revisits the school distribution formula in its budget making sessions, on odd years. The 2011 session will be a budget making session and the General Assembly will both enact legislation to enumerate the formula and its various components and provide appropriations for the 2011-2012 and 2012-2013 state fiscal years. Due to the fact that the formulae for each of these two fiscal years build from previous year data, the narrative that follows reflects the formula for both the 2009-2010 (CY 2010) and 2010-2011 (CY 2011) distribution formulae.

Total Tuition Support: The following summary includes the total tuition support for 2010 and 2011 calendar years is the addition of these components in for each school corporation, charter school, and virtual charter pilot school as they apply.

- Tuition Support
- Academic Honors Diploma Grant
- Special Education Grant
- Vocational Education Grant
- Prime Time Grant
- Restoration Grant
- Small Schools Grant

Tuition support is the total of several different calculations and includes tuition support, academic honors, special education, vocational education, prime time, restoration, and small schools grant. Each school corporation and charter school computes tuition support based on the variables described below. Accordingly, it is not possible to provide examples of these calculations applicable to school corporations, charter schools and the virtual pilot school. Further, input variables are subject to change due to modifications in student count variables, or reductions made by the Department of Education required by statute to preclude overspending either the fiscal year appropriation, calendar year cap, or a state ordered reduction. At the end of
the Tuition Support section is a discussion pertaining to the year end cap and a state ordered reduction.

In its simplest form, the tuition support formula determines the gross amount of state revenue for each school corporation, charter school, and virtual pilot school.

**PREVIOUS YEAR REVENUE**
Selected state revenues establish a revenue base to determine the ensuing years funding. In 2010, the State Tuition Support worksheet page 3, Previous year Revenue, reflects the 2009 Basic Tuition Support (pulled from DOE SA539 Tuition Support, First Column) plus the 2010 PL874 adjustment, if applicable. In 2011, the State Tuition Support worksheet page 3, Previous Year Revenue, reflects the 2010 Basic Tuition Support (pulled from DOE SA540 Tuition Support, First Column) plus the 2010 PL874 adjustment, if applicable. Unless otherwise specified all calculations are round to two places.

Charter schools in the first year of operation outside of Marion County are funded based on the school corporation where the charter school is located and do not have a previous year revenue. Charter schools in first year of operation in Marion County use a weighted average of the funding from the corporation where the student has legal residency.

**ADJUSTED ADM FOR 2009-2010 and 2010-2011**
The calculation begins by re-calculating the 2008-2009 and 2009-2010 adjusted ADM for 2010 and in 2011, the 2009-2010 and 2010-2011 adjusted ADM. The adjusted ADM will provide for a declining enrollment adjustment. There will be an adjustment to the ADM of school corporations for decline in the student population. This adjustment will be calculated for both 2009-2010 and 2010-2011 ADM to reflect a 3-year average of the ADM. A charter school’s adjusted ADM for the purposes of this section is the charter school’s actual ADM.

**Adjustment:** For 2010, ADM counts for 2006-2007, 2007-2008, 2008-2009 are divided by 3 and summed. The result is compared to the actual ADM count for 2008-2009 with the greater of the two selected. The second part calculates the adjusted ADM using 2007-2008, 2008-2009, and 2009-2010 ADM figures each divided by 3. The results are added together and compared to the 2009-2010 ADM with the greater of the two numbers selected. The greater of the two numbers is the adjusted ADM for 2009-2010. This process is repeated for 2010-2011 using ADM counts for the current and prior two years.

For charter schools, the adjusted 2009-2010 ADM is the actual 2009-2010 ADM and for 2011, the adjusted ADM is the actual 2010-2011 ADM.

**Transition to Foundation Revenue:** A calculation is made to determine the transition to foundation revenue a school corporation or charter school will receive for a calendar year by calculating a complexity index, a Foundation Funding amount, and the transition to foundation per ADM. Transition to Foundation Revenue is defined as the per pupil Foundation Funding Amount as determined in the transition to foundation calculation section multiplied by the 2009-2010 Adjusted ADM to determine tuition support for 2010 and by the 2010-2011 adjusted ADM to determine tuition support for 2011.
The calculation considers:
  o The complexity index
  o Previous year revenue per adjusted ADM
  o The relationship between the previous year revenue per adjusted ADM and the State foundation amount multiplied by the complexity index.

**Adjusted Complexity Index:** The complexity index is determined according to the following criteria and is the sum of the following calculation plus 1:

For 2010, the percentage of the school corporations’ students eligible for free or reduced lunch in the 2008-2009 school year is multiplied by .4974 ($2,263/$4,550) and this result is rounded to four places and cannot be less than zero. For 2011, the 2008-2009 free or reduced lunch data is multiplied by .4974 ($2,241/$4,505). If the result of the addition is equal to or greater than 1.25, it is adjusted by subtracting 1.25 from the above result and adding back the difference.

**Transition to Foundation Calculation:** A school corporation, based on individual corporation data, will either be above, below, or at their foundation funding. Foundation Funding is defined as the complexity index of the school corporation or charter school multiplied by the foundation amount as determined in statute as passed by the General Assembly. Remember, the foundation amount reflects per adjusted pupil funding. For 2010, the foundation amount is $4,550. In 2011, the foundation amount is $4,505 per pupil. The school corporation or charter school moves towards the Foundation Funding amount if the school corporation or charter school is above or below the Foundation Funding amount.

The school formula determines if a school corporation or charter school is above, below, or at their Foundation Funding amount by subtracting the previous year revenue per adjusted ADM from the Foundation Funding. If a school corporation is receiving per pupil dollars that are below their foundation funding amount by more than a negative $150, the school formula pushes this amount down by 1/9th, or at least $150 in CY 2010 and CY 2011 of the full incremental amount. If a school corporation is receiving per pupil dollars within a range of a negative $150 (-$150) and $50 the school corporation receives their Foundation Funding amount. If a school corporation is more than $50 above their Foundation Funding amount (as indicated by the $50 variance), the school formula drives the per pupil funding amount up by ½, or at least $50, in CY 2010 and CY 2011 of the difference.

A charter school that is in its first year of operation outside of Marion County in 2010 or 2011 uses the Transition to Foundation per ADM of the school corporation in which it is located to compute the Transition to Foundation Revenue. A charter school that is in its first year of operation in Marion County in 2010 or 2011 uses the sum of the weighted average of the Transition to Foundation per ADM determined for the school corporations in which the students have legal settlement to compute the Transition to Foundation Revenue.

**Transition to Foundation Revenue:** This section determines the transition to foundation amount revenue by taking the Transition to Foundation per adjusted ADM multiplied by the 2009-2010 (for 2010) or the 2010-2011 (for 2011) Adjusted ADM or actual ADM if the ADM is
less than 100 for a school corporation or actual ADM for Charter Schools to determine the Transition to Foundation amount. If the school is a foundation funded school then the P.L. 874 amount is added to the Total Revenue determined in Part Two to determine the ensuing year’s Basic Tuition Support. If the school is not foundation funded, then the P.L. 874 is not added in and the Part Two calculation is the ensuing year’s Basic Tuition Support. The final calculated revenue of this section is referred to as Basic Tuition Support.

VIRTUAL CHARTER SCHOOLS
Virtual Charter Schools are funded at 80% of the average statewide tuition support multiplied by the Virtual Charter ADM for 2009-2010 as well as in 2010-2011.

ACADEMIC HONORS GRANT
Each school corporation and charter school is eligible to receive $900 for each student who received an academic honors diploma for the previous school year in 2008-2009 for 2010 and 2009-2010 for 2011.

SPECIAL EDUCATION GRANT
School corporations and charter schools are entitled to receive a grant for special education programs. The grant is based on a count of students who are enrolled in special education programs on December 1 of the preceding calendar year. The enrollment of December 1, 2009 is used in the 2010 funding formula and the enrollment of December 1, 2010 is used in the 2011 funding formula.

The grant is the sum of multiplying the count of enrolled students by the following:
- $8,350 multiplied by the unduplicated count of students with severe disabilities; plus
- $2,265 multiplied by the unduplicated count of students with mild and moderate disabilities; plus
- $533 multiplied by the duplicated count of students with communication disorders; plus
- $533 multiplied by the duplicated count of pupils in homebound programs; plus
- $2,750 multiplied by the special preschool education program pupil count.

The same per pupil program dollar amounts are used for both 2010 and 2011. Additionally, beginning in 2010, the special education preschool program pupil count is included in this funding at $2,750 per pupil in both 2010 and 2011.

CAREER & TECHNICAL EDUCATION GRANT
School corporations and charter schools are eligible to receive a vocational education grant. The distribution of career & technical education monies is based on labor market demand and wage data calculated according to the following table. Students enrolled in these categories must be enrolled and attending the school corporation and be counted in the school corporation ADM. For 2010, the fall 2009 program enrollment data are used to calculate the grant. Beginning with the fall 2010 program enrollment data, information needed will be collected through the INTERS system at the Department of Workforce Development. The fall 2010 program enrollment data are used for 2011 funding. All calculations are rounded to the nearest dollar.
The calculation is the number of students enrolled in career and technical education programs that are addressing employment demand for individuals in labor market categories that are projected to need a:

1. More than Moderate Labor Market Need and High Wage/$450 per student credit hour multiplied by the number of hours (up to three hours); plus
2. More than Moderate Labor Market Need and Moderate Wage/$375 per student credit hour multiplied by the number of students in this category; plus
3. Moderate Labor Market Need and High Wage/$375 per student credit hour multiplied by the number of students in this category; plus
4. Moderate Labor Market Need and Moderate Wage/$300 per student credit hour multiplied by the number of students in this category; plus
5. Less than Moderate Labor Market Need and High Wage/$300 per student credit hour multiplied by the number of students in this category; plus
6. Less than Moderate Labor Market Need and Moderate Wage/$225 per student credit hour multiplied by the number of students in this category; plus
7. All Other Vocational Education Programs/$250 per student multiplied by the number of students in this category; plus
8. Area Participation/$150 per student multiplied by the number of students.

Area Participation funding is for students participating in a vocational education program in which students from multiple schools are served in the same classroom at a common location. This does not include students served in programs that meet for one class period a day.

The total career & technical education grant is the sum of the dollar amounts calculated under steps one through eight. The Indiana Department of Workforce Development defines the areas of job demand annually. If a school corporation feels the determined job demand categorization is not representative of their area, that school corporation may petition the Department of Workforce Development for re-categorization.

**PRIME TIME GRANT**

All school corporations and charter schools are eligible to receive a Prime Time Grant. This grant is paid on the basis of a Target Pupil/Teacher Ratio calculated for each school corporation or charter school. This ratio can range from 18 pupils per teacher to 15 pupils per teacher, depending on the school corporation or charter school Complexity Index. The 2010 Complexity Index is used for the calculation in 2010 and the 2011 Complexity Index is used for 2011. The Adjusted Complexity Index for a charter school in the 2010 and 2011 funding formula is based on the percentage of free or reduced lunch counts from the 2008-2009 school year for the charter. For a first year charter, the percentage of free or reduced lunch taken from the SE report in their first year of operation and subsequent years of operation.

The first calculation is to determine the applicable Target Pupil/Teacher Ratio.

- If the Complexity Index is equal to or greater than 1.1, but less than 1.2, subtract the Complexity Index from 1.2, divide that result by .1, multiply the quotient by 3 and add
15. This is the target pupil/teacher ratio.

- If the Complexity Index is less than 1.1, the target pupil/teacher ratio is 18.
- If the Complexity Index is equal to or greater than 1.2, the target pupil/teacher ratio is 15.

For 2010, divide the 2009-2010 Grade K-3 ADM by the appropriate pupil/teacher ratio. Round to four places. For 2011, divide the 2010-2011 Grade K-3 ADM by the appropriate pupil/teacher ratio. Round to four (4) places. This calculation determines a teacher equivalency needed to meet the target pupil/teacher ratio.

For 2010, multiply the applicable 2010 tuition support amount by .75 and divide by the 2009-2010 ADM. For 2011, multiply the applicable 2011 tuition support by .75 and divide by the 2010-2011 ADM. Round to two (2) places.

This result is multiplied by the applicable year (2009-2010 for the 2010 calculation or the 2010-2011 for the 2011 calculation) Grade K-3 ADM.

Divide this result by $74,500, for 2010 and the same for 2011, rounded to two (2) places, and subtract the amount from the result of the division of the 2010-2011 Grade K-3 ADM by the appropriate pupil/teacher ratio. Round this value to two (2) places. This calculation cannot be less than zero (0). This represents the number of Grade K-3 teachers that are funded through the Prime Time calculation. This result is multiplied by $74,500, and rounded to two (2) places in both 2010 and 2011. The result is compared to the 1999 Prime Time Grant amount or the First Program Year Grant amount. The greater of these three dollar values is compared to the 2009 (for 2010) or 2010 (for 2011) Prime Time Grant multiplied by 1.075% then rounded to two (2) places. The 2011 Prime Time Grant is the lesser of these two values.

Charter schools are calculated the same as all other school corporation; however, many do not qualify as the enrollment sizes in kindergarten through grade three are lower than traditional school corporations and the formula generates enough funding to meet the student teacher ratio required in the formula calculation. As charter schools did not exist in 1999, the comparison for funding looks at the dollar amount when charter schools first become eligible for Prime Time funding in the formula and are compensated accordingly.

RESTORATION GRANT

Restoration funding applies to school corporations and charter schools. The restoration grant compares the 2009 and 2010 tuition support funding and without consideration of other grants allowed in the formula. The restoration grant compares 2009 tuition support funding without grants (prime time, special education, career and technical education, small schools, academic honors) to 2010 and in 2011, the same comparison is made. The grant caps the 2009 tuition support funding level without grants except that it does not allow a school to receive more than an increase or decrease of $25 per ADM for 2010 from the 2009 regular programs funding per ADM and $75 for 2011. If there is more than a 3% decrease, there is an additional grant of $220 per ADM in 2010 and $350 per ADM in 2011 for schools that qualify.

The calculation divides the 2009 tuition support amount by the previous year 2008-2009 ADM and adds $25 to that amount in 2010 and $75 in 2011. Then the amount is multiplied by the
2009-2010 ADM in 2010 and 2010-2011 ADM in 2011 to arrive at a tuition support amount. This amount is compared to the 2009 tuition support amount the lesser number is selected. Twenty five dollars ($25) in 2010 and seventy five dollars ($75) in 2011 is subtracted from the 2008-2009 per ADM amount and then multiplied by the 2009-2010 ADM or 2010-2011 ADM count (for 2011) to determine an amount that is used to compare to the capped 2009 tuition support amount to determine which figure is higher. The formula then looks at the greater of zero or the prior line’s amount minus the 2010 tuition support amount in 2010 and the 2011 amount in 2011 to arrive at what will be added to the 2010 or 2011 basic tuition support amount. In 2010, that result plus the 2010 tuition support is then divided by the 2009 tuition support amount to determine if it dropped more than three percent (3%). In 2011, that result plus the 2011 tuition support is then divided by the resulting line 10 amount in the 2010 tuition support formula to determine if it dropped more than three percent (3%). If the amount drops below 97%, an additional grant of $220 in 2010 and $350 in 2011, or that number, is multiplied by 9,500 in 2010 and 12,000 in 2011. This result is multiplied by the 2009-2010 ADM for 2010 and 2010-2011 ADM for 2011 and added to the previously calculated grant to determine whether or not a restoration grant is given.

For the 2011 restoration grant calculation, this section continues to compare revenues to the 2009 tuition support amount without grants to determine whether or not additional funds will be granted.

**SMALL SCHOOLS GRANT**
Small schools grant applies to school corporations and does not apply to charter schools. For schools with an ADM of less than 1,700, the formula allows a $192 per ADM for complexity index over 1.2 and $91 per ADM for complexity index above 1.1 and less than 1.2.

If a school corporation has an ADM of less than 1,700 and a complexity index greater than 1.1 and less than 1.2, the school receives the lesser of: 1,700 minus the 2009-2010 or 2010-2011 ADM or $91, multiplied by the 2009-2010 (for 2010) or the 2010-2011 ADM (for 2011). If a school corporation has an ADM of less than 1,700 and a complexity index of greater than 1.2, the school receives the lesser of: 1,700 minus the 2009-2010 ADM (for 2010) or 2010-2011 (for 2011) or $192 multiplied by the 2009-2010 (for 2010) or the 2010-2011 ADM for 2011.

**STATE TUITION SUPPORT**
The total State Tuition Support for the 2010 or 2011 calendar year is the addition of these components for each school corporation and charter school as they apply:

- Basic Tuition Support
- Academic Honors Diploma Grant
- Special Education Grant
- Career & Technical Education Grant
- Prime Time Grant
- Restoration Grant
- Small Schools Grant

**Revenue and Expenditure Information**
**State mandates restricting revenue and expenditure increases:** The Indiana General Assembly appropriates funds available for tuition support, which are controlled by the tuition support formula.

**Distributions:** The distribution of state tuition support is based on a schedule set by the State Budget Agency and approved by the Governor. The schedule must provide for at least 12 payments that cannot be more than 40 days apart, and the aggregate number of payments in each calendar year must equal the amount required under statute. The Distribution is made via wire transfers. Calculations are made by the Office of School Finance, Department of Education.

If the amount distributed in either calendar year 2010 or 2011 exceed the statewide amount statutorily established by the General Assembly, the statute requires the distribution to each school be proportionately reduced so that the total reductions equal the amount that the total distribution exceeds the statutory authority.

**School district budget and tax rate procedures/sources of local revenue:** All school districts are fiscally independent. Only two schools in the state operate on a fiscal year basis with the remaining schools operating under a calendar year basis. Each school corporation, not charter schools, has the ability to raise property taxes in five separate property based funds: Debt service, capital projects, transportation, bus replacement, and operating referendum. Under Indiana Law, a corporation must budget expenditures for transportation, school bus replacement, and or debt service to levy taxes for those funds. The capital projects fund has a rate cap. Both the capital projects and bus replacement funds are based upon need and an adopted plan. School referendum is imposed after approval by voters in a special or general election.

Beginning in 2009, school’s no longer had the ability to raise property taxes under the general fund. The funding comes from within the state’s general fund with no applicable local property tax piece.

**State support for nonpublic schools:** This does not apply in Indiana.