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Description of the Formula

The Indiana General Assembly revisits the school distribution formula in its budget making sessions, on odd years. The 2015 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 2015-2016 and 2016-2017 state fiscal years. Due to the fact that the formula for each of these two fiscal years build from previous year data, the narrative that follows reflects the formula for both the 2013-2014 (FY 2014) and 2014-2015 (FY 2015) distribution. Beginning July 1, 2013, the Indiana General Assembly moved from a calendar year to a fiscal year formula for school corporations.

Total Tuition Support: The following summary includes the grants that comprise state tuition support funding for FY2014 and FY2015 and is the addition of these components in for each school corporation, charter school, and virtual charter school as they apply.

- Basic Tuition Support
- Honors Diploma Grant
- Special Education Grant
- Vocational Education Grant
- Complexity Grant
- Full day kindergarten Grant

The Department computes state tuition support for each school corporation and charter school based on the variables described below. Accordingly, it is not possible to provide examples of these calculations applicable to school corporations, charter schools and virtual charter schools. 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 or a state ordered reduction. At the end of the state tuition support section is a brief discussion pertaining to the fiscal year cap.

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

Definitions and Formula Components:

Average Daily Membership (ADM): The Average Daily Membership is a count of students enrolled for Kindergarten through Grade 12 in Indiana public school corporations and all charter schools on a particular day. Kindergarten students are counted as one-half (1/2) ADM. The ADM is the sum of students considered resident attendees, transfers out, cash transfers, state obligations, placements in and dual enrolled.

Beginning in FY2014, the state tuition support formula used two membership counts to determine grant funding for basic tuition support, complexity and full day kindergarten. The first is called the fall membership count, which is taken in September, and provided funding for the period of July through December. The second is the spring membership count, which is taken in February, and provides funding for the period of January through June. Because an updated membership count is not known for the July payment of the fiscal year, school corporations and charter schools provide an estimated membership count for which payments are based until actual counts become available.

For funding purposes, a career and technical education count is taken annually, the second Friday after Labor Day as established by the State Board of Education. In addition, a special education count is required December 1 (used for funding purposes) with another count on April 1. The April 1 special education count is for informational purposes only and is not used for funding. Indiana law provides that a charter school is a public school.

Basic Tuition Support Formula Calculations: Unless otherwise noted, the following formula calculations apply to both school corporations and charter schools.

PREVIOUS YEAR REVENUE

Selected state revenues establish a revenue base to determine the ensuing years funding. For FY2014, Previous Year Revenue, reflected the July to December 2012 Basic Tuition Support actually received plus the January to June 2013 Basic Tuition Support actually received. As part of the previous year revenue calculation for FY2014, the calculations determine the fiscal year distribution amount associated with the complexity index calculations from the calendar year 2012 and calendar year 2013 tuition support worksheets. By determining the amount associated with the complexity index, that amount is subtracted from the actual previous fiscal year basic tuition support to determine previous year revenue. Unless otherwise specified all calculations were round to two places. For FY2015, previous year revenue is the amount of actual basic tuition support received in FY2014 (July 1, 2013 through June 30, 2014).

Charter schools in the first year of operation outside of Marion County are funded based on the transition to foundation amount for the public school corporation where the charter school is located and do not have a previous year revenue. Charter schools in the first year of operation in

Marion County use a weighted average of the transition to foundation funding from the school corporation where the student has legal settlement.

ADJUSTED AVERAGE DAILY MEMBERSHIP (ADM) FOR 2013-2014 and 2014-2015

The ADM counts are currently taken twice a year, in February and September. Starting with the FY2014 school funding formula, the fall (September) count was used for July-December state tuition support funding calculations and the spring (February) count for January-June funding calculations. School corporations, virtual charter schools, and charter schools submitted an estimated ADM and FDK count that was used until the September count was final. For FY2014 state tuition support, the estimated count was collected in June 2013. For FY2015 basic tuition support, the Department collected an ADM and full day kindergarten estimate in May 2014. In FY 2014 and FY 2015, for the purposes of calculating tuition support, the February count cannot be less than 90% of the September count of the previous year, regardless of the actual amount of February count.

Beginning with FY2014, adjusted ADM was dependent on the period for which basic tuition support is being calculated. Both counts will be used to determine funding for the applicable six month period. This same methodology is in place for FY2015 too.

TRANSITION TO FOUNDATION REVENUE

The transition to foundation revenue calculation determines the total state dollars generated by the formula, excluding categorical funding for honors grant, special education, career and technical education, complexity index and full day kindergarten. A calculation is made to determine the foundation amount per pupil for each individual school corporation and charter school. Additionally, a foundation amount is calculated for virtual charter schools as part of determining the foundation amount used in the calculation of a virtual charter school's tuition support.

A charter school in the first year of operation in FY2014 that was located outside Marion County used the foundation amount per ADM for the public school corporation in which the charter school was located to compute total basic tuition support revenue. For Marion County charters, in the first year of operation for FY2014, it was a weighted average of the funding from the public school corporation where the student resided.

Transition to Foundation Revenue Calculation: A calculation is made to determine the transition to foundation amount per pupil for each individual school corporation and charter school by calculating a foundation funding amount, and the transition to foundation per ADM. In FY2014, transition to foundation revenue is defined as the per pupil foundation funding amount multiplied by the current (fall) 2013-2014 adjusted ADM for September and also the current (spring) 2013-2014 adjusted ADM for February to determine basic tuition support for FY2014 and by the current (fall) 2013-2014 adjusted ADM for September and also the current (spring) 2013-2014 adjusted ADM for February to determine basic tuition support for FY2015.

The calculation considers:

1. Previous year revenue per adjusted ADM
2. Transition to Foundation per adjusted ADM
3. Current (fall or spring) ADM

Transition to Foundation Calculation: The transition-to-foundation computation is changed for school corporations and charter schools transitioning down to foundation. School corporations and charter schools continued to transition down to foundation over 5 years in FY2014 and over 4 years in FY2015. The foundation amount is multiplied by the number of students to calculate basic tuition support.

Reconciliation: When the Department finalizes the September ADM count, the remaining tuition support distributions for November and December will be adjusted to reflect any overpayment or underpayment in the July through October tuition support distributions. When the February 2015 ADM counts are final, the Department will recalculate and adjust positively or negatively the remaining tuition support distributions to effect the change in January to June 2015 funding of FDK.

VIRTUAL CHARTER SCHOOLS

Beginning with FY2014, Virtual Charter Schools are funded at 90.0% of the charter schools foundation amount (\$4569) in the same fiscal year multiplied by the Virtual Charter schools September (fall) ADM for the period of July to December and February (spring) ADM for the period of January to June. The same held true for FY2015 using a foundation amount of \$4587. In order to determine the foundation amount, virtual charter schools must use part of the basic tuition support calculation. The funding continues at the 90% level in FY2015.

In addition to special education grants, virtual charters are also eligible for Career and Technical Education, Honor grants, Complexity, and Full-day kindergarten grants.

Reconciliation: When the Department finalizes the September ADM count, the Department adjusts the remaining virtual charter tuition support distributions for November and December to reflect any overpayment or underpayment in the July through October tuition support distributions. When the February FDK count of the ensuing year is final, the Department recalculated and adjusted positively or negatively the remaining virtual charter tuition support payments positively or negatively to effect the change in January to June 2014 virtual charter funding. The same process occurs as part of the FY2015 school funding formula.

Student Based Components

HONORS GRANT

Each school corporation, charter school, and virtual charter school is eligible to receive \$1,000 for each student who received an academic honors diploma as well as those students who received a Core 40 diploma with technical honors in school year 2012-2013 for FY2014 and in school year 2013-2014 for FY2015 funding. This amount reflects a \$100 increase per student from the prior biennium budget. One honors count will be used for fiscal year funding in both FY2014 and FY2015.

Reconciliation: When the final honors counts are known, the Department reconciled FY2014 and FY2015 honors funding by increasing/decreasing the remaining months honors grant payments.

SPECIAL EDUCATION GRANT

School corporations and charter schools are entitled to receive a grant for special education programs. The special education grant is based on a count of students who are enrolled in special education programs on December 1 of the current fiscal year. The enrollment of December 1, 2013 was used in the FY2014 funding formula and the enrollment of December 1, 2014 will be used for the FY2015 funding formula. Additionally virtual charter schools are eligible to receive special education funding in both FY2014 and FY2015 using the same formula as school corporations and charter schools.

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.
- \$2,265 multiplied by the unduplicated count of students with mild and moderate disabilities.
- \$533 multiplied by the duplicated count of students with communication disorders.
- \$533 multiplied by the duplicated count of pupils in homebound programs.
- \$2,750 multiplied by the special preschool education program pupil count.

The same per pupil program dollar amounts are used for both FY2014 and FY2015.

Reconciliation: If an overpayment occurs, the Department will decrease the February through May special education payments to effect the change. If an underpayment occurs, the Department will increase the February special education payment to effect the change in the special education grant.

CAREER & TECHNICAL EDUCATION GRANT

The distribution of career & technical education monies is based on labor market demand and wage data calculated according to the following table. School corporations and charter schools are eligible to receive a vocational education grant. Students enrolled in these categories must be enrolled and attending the school corporation and be counted in the school corporation ADM. For FY2014, the formula used the fall 2013 career and technical education counts and for FY2015, the formula uses the fall 2014 career and technical education counts to calculate the grant. Information needed for both collections was collected through the INTERS system at the Department of Workforce Development. All calculations were 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. 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 more than moderate number of individuals in the high wage category is multiplied by \$450 times the number of hours (up to 3 hours); plus,
2. 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 more than moderate number of individuals in the moderate wage category is multiplied by \$375 per hour; plus,
3. The number of students enrolled in career and technical education programs that are addressing employment demand for individuals in the labor market categories that are projected to need a moderate number of individuals in the high wage category is multiplied by \$375 per hour; plus,
4. The number of students enrolled in career and technical education programs that are addressing employment demand for individuals in the labor market categories that are projected to need a moderate number of individuals in the moderate wage category is multiplied by \$300 per hour; plus,
5. The number of students enrolled in career and technical education programs that are addressing employment demand for individuals in the labor market categories that are projected to need a less than moderate number of individuals in the high wage category is multiplied by \$300 per hour; plus,
6. The number of students enrolled in career and technical education programs that are addressing employment demand for individuals in the labor market categories that are projected to need a less than moderate number of individuals in the moderate wage category is multiplied by \$225 per hour; plus,
7. The number of students enrolled in all other career and technical education programs, not covered in the above categories is multiplied by \$250; plus,
8. The number of students enrolled for career and technical education programs served in an area vocational school receiving students from more than one high school is multiplied by \$150. This applies to programs enumerated under 1-6 above.

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 eleven. 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.

Reconciliation: When the final career and technical education counts are known, the Department reconciled both FY2014 and FY2015 funding by increasing/decreasing the remaining months career and technical education grant distributions.

COMPLEXITY GRANT

The funding associated with the complexity index is computed as a separate Complexity Grant in FY2014 and FY2015. The free and reduced lunch percentage used in the FY2014 formula was updated to the 2012-2013 school year percentage of students eligible for free or reduced lunch. Additionally, it was only used in the FY2014 formula. In the FY2015 complexity formula, it was replaced by the percentage of students receiving free textbooks during the 2013-2014 school year. The foundation grant increased from \$4,569 in FY2014 to \$4,587 for FY2015. The second tier calculation of the complexity index is increased from 1.33 in FY2014 to 1.35 in FY2015.

Both a current September (fall) ADM and current February (spring) ADM were used in the complexity grant formula for FY2014 and FY2015. The Complexity Grant uses two counts for fiscal year funding. For FY2014, the percentage of the school corporations' students eligible for free or reduced lunch in the 2012-2013 school year divided by two (2) is rounded to four places with the result not being less than zero. If the result of the addition is equal to or greater than .33 in FY2014, it was adjusted by subtracting .33 from the result and adding back the difference in FY2014. This result was then multiplied by the FY2014 foundation amount of \$4569. The grant calculation then multiplied this amount by the current adjusted September (fall) ADM and divides by two (2) to determine the July to December complexity grant. The grant calculation multiplied the foundation amount by the current adjusted February (spring) ADM and divided by two (2) to determine the January to June complexity grant. The sum of these two results was the fiscal year complexity grant.

Reconciliation: When the Department finalizes the September ADM count, the remaining complexity grant payment distributions for November and December were adjusted to reflect any overpayment or underpayment in the July through October complexity grant distributions. When the February 2015 ADM count is final, the Department will recalculate and positively or negatively adjust the remaining complexity grant distributions to effect the change in January to June 2015 funding.

FULL DAY KINDERGARTEN (FDK) GRANT

Added to the state tuition support formula for FY2014 and FY2015 was the full day kindergarten grant. The FDK grant will use a September (fall) count for July to December funding and the February (spring) count for January to June funding. The grant was \$2448 per student for

FY2014 and is \$2472 per student for FY2015 funding. For purposes of the FDK grant, kindergarten students are counted as one (1).

Previously the full day kindergarten grant was outside of state tuition support and a flat amount of \$2,400 per eligible student was paid to school corporations and charter schools in December. Because full day kindergarten is a grant within state tuition support, payments are made according to a schedule provided by the State Budget Director. In 2013, the Department distributed \$190,228,800 for 79,262 full day kindergarten students.

Reconciliation: When the Department finalized the September (fall) FDK count, the remaining FDK grant payments for November and December were adjusted to reflect any overpayment or underpayment in the July through October FDK grant payments. When the Department finalizes the February (spring) FDK count, the remaining FDK grant payments during the six month period will be positively or negatively adjusted to reflect any overpayment or underpayment in the FDK grant distributions.

STATE TUITION SUPPORT FISCAL YEAR CAP

The Department monitors the total state tuition support spent for FY2014 and FY2015 to ensure total payments do not exceed funds available. For calculations that result in funding that exceeds the cap, the Department adjusts the state tuition support funds received by school corporations and charter schools to remain within the applicable fiscal year cap.

Revenue and Expenditure Information

State mandates restricting revenue and expenditure increases: The Indiana General Assembly appropriates funds available for state tuition support, which are controlled by the state 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 fiscal year must equal the amount required under statute. The Distribution is made via wire transfers. Calculations are made by the Indiana Department of Education Office of School Finance.

If the amount distributed in either fiscal year 2014 or 2015 exceeds 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. State tuition support funding comes from within the state's general fund with no applicable local property tax piece.

State tuition support for nonpublic schools

This does not apply in Indiana.