

Fast Facts

Changes in Indiana School Funding

What —

The CEEP Education Policy Brief, *Changes in Indiana School Funding*, by Robert Michael, Terry Spradlin, and Fatima Carson, explores the historical implications of Indiana's school funding formula and examines recent changes to the formula. Special attention is paid to changes in the Foundation Program for the 2009-2011 biennium, the diminished role of local property taxes, the legacy of the minimum guarantee provision, changes to the Complexity Index, as well as the impact of the American Recovery and Reinvestment Act of 2009 on education funding in Indiana.

Why —

The development of school funding methodologies can be highly contentious. The state budget bill, which was recently passed on June 30, 2009, created changes that will impact the manner in which school corporations throughout the state are funded and the amount of funding school corporations will receive. Perhaps the most significant change to school funding in Indiana occurred in 2008 with the elimination of the property tax as a revenue source for schools. It is important for educators and policymakers to understand the present day implications of Indiana's school funding history, in addition to the impact of recent changes in school funding on students and school corporations.

How —

Research on school funding must address essential questions of how tax funds are generated and distributed to school corporations and spent on the delivery of public education. In addition, stakeholders must focus on questions of whether school funding formulas are adequate and equitable. This Policy Brief provides a fundamental review and understanding of Indiana school funding while addressing ongoing and emerging challenges that the state and school corporations face.

Recommendations

- **Monitor fiscal neutrality.** Evaluation of Indiana school funding must be ongoing to ensure that the dollars generated by the Foundation Program are not related to community wealth.
- **Monitor vertical equity.** The state, through the Complexity Index, has made progress in targeting additional resources to students who are said to be more expensive to educate. The impact of the new formula should be measured to ensure that the state does not lose forward momentum with this funding objective.
- **Monitor horizontal equity.** The introduction of lower and upper limits on the amount the Foundation Program generates, through the Restoration and Small School Grants, may result in increased fluctuations in funding per pupil in similarly situated school corporations. If this occurs, a decline in horizontal equity may result.

To read this Education Policy Brief, go to:

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