

**Digest
Of
Public School Finance
In
Indiana**

2015-2017 Biennium

**Indiana Department of Education
Glenda Ritz
State Superintendent of Public Instruction**

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PREFACE

This booklet is designed to serve as a handbook for persons interested in public school finance in Indiana. Included are descriptions, appropriations, and participation requirements for the various State grants and distributions available to public schools and in some instances accredited nonpublic schools authorized by the Indiana General Assembly. These grants and distributions are in effect for the 2015-2017 biennium. Along with State monies, Indiana public schools are supported by certain local revenues. A description of property tax administration, as related to public school finance, is also presented.

Many of the programs presented in this publication may be found on the Indiana Department of Education Web page at www.in.gov/doi. Additionally, information pertaining to property taxes and school budgets may be found on the Department of Local Government Finance Web page at www.in.gov/dlqf. Information pertaining to school accounting may be found on the State Board of Accounts Web site at www.in.gov/sboa. To find Indiana Code cites referenced throughout the document, please go to www.in.gov/iga.

Additional inquiries should be directed to the Office of School Finance, 115 W. Washington Street, South Tower, Suite 600, Indianapolis, IN 46204-2798. The telephone number is 317-232-0840.

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SOURCES OF LOCAL PUBLIC SCHOOL SUPPORT

Practically all Indiana public school revenues are derived directly or indirectly from some taxing vehicle. Dollars for State support to local public school corporations are appropriated by the Indiana General Assembly from the General Fund or dedicated funds of the State. Dedicated funds include monies from the Hoosier Lottery. Revenues to the State's General Fund include monies generated by sales and use taxes, the individual income tax, and corporate income taxes.

Locally, various forms of taxation are used to generate monies for schools and for civil units of government. The local taxes are charged, collected, and provided to the governmental units in a more direct way than State revenues. Examples of local taxes charged include the property tax, license excise tax, commercial vehicle excise tax, financial institutions tax, and special county equalizing school taxes in Lake and Dearborn counties. Other sources of income are non-tax items including receipts from transfer tuition, property sales, gifts, contributions, and earnings from investments.

The Property Tax: The property tax represents the largest local revenue generator for local units of government, and a source of funds for public schools. The tax is charged against real property (land and improvements), utilities, and personal property. Inventory is not subject to taxation. Inherent in the property tax structure is the need to value property. To determine a value for assessment purposes, a particular parcel must first be located and listed. Currently, locally elected assessors determine property valuations using appraisal guides prescribed by the Department of Local Government Finance (DLGF). As the agency responsible for ensuring fair and equitable assessments statewide, the DLGF oversees the mass assessment work of the assessing officials. I.C. 6-1.5-1 thru 4 provides that the Indiana Board of Tax Review is the final arbitrator of appeals and appeals of determinations by assessing officials.

The most recent statewide assessment for property tax purposes was conducted in 2012 for property taxes collectable in 2013. The next reassessment will be a cyclical reassessment, with 25% of parcels in a county being reassessed each year. The first cyclical reassessment began July 1, 2014, and will be completed by March 1, 2018, with annual adjustment of non-reassessed properties occurring each year. All real property is assessed at True Tax Value. Beginning in calendar year 2009, the State began funding 100% of costs for the school general fund. Property tax dollars are no longer used to support operating purposes of Indiana's school corporations but continue to support other funds such as transportation, capital projects, bus replacement, debt service, and racial balance.

I.C. 6-1.1-18.5-9.9 (before its repeal) required the DLGF to adjust the maximum property tax rate for the Capital Projects Fund and Racial Balance Fund for public schools in each county for property taxes first due and payable in 2004, 2005, 2006, and 2007 for the inventory deduction. This adjustment applied to the school Capital Projects Fund and Racial Balance Fund tax rates and permitted school corporations to

maintain the fund levies after the application of the inventory deduction or interstate commerce exemptions is permanent.

License Excise Tax: Automobiles, light trucks, and airplanes are taxed locally, in the county of the owner's legal residence, at the time of annual license plate registration. The amount of the tax varies from \$12 to \$532 in 17 classifications according to the age and original price of the vehicle (I.C. 6-6-5-5). The excise tax is charged in addition to the cost of the license plate and necessary registration fees. Under current law, one-half of the license excise tax charged above, \$24 is paid by the State of Indiana through the Excise Tax Reduction Program. This program is funded from proceeds from the Indiana Lottery Commission. Although the individual purchasing the plate realizes an excise tax reduction, local governmental units are provided full allocation. Representatives of the Indiana Bureau of Motor Vehicles make collections locally. Locally collected revenues are augmented by the apportionment from lottery proceeds to each county. This county total is allocated to each taxing district (governmental unit) at the same time and in the same manner as property taxes are distributed (I.C. 6-6-5-10(c)). Indiana also has a boat excise tax (I.C. 6-6-11) and the aircraft license excise tax (I.C. 6-6-6.5). Proceeds from these taxes are distributed to each taxing unit in the county.

Commercial Vehicle Excise Tax: Effective calendar year 2000, an excise tax was chargeable to:

- All trucks and tractors having a gross vehicle weight greater than 11,000 pounds not used with a semi-trailer, traction engine, or other similar vehicle used for hauling purposes.
- A tractor used with a semi-trailer.
- A semi-trailer having a gross vehicle weight greater than 3,000 pounds, including a semi-trailer converted to a full trailer through the use of a converted dolly.

Previously the value of these vehicles was included in the assessed valuation of the taxing unit. Beginning on January 1, 2000, each taxing unit's assessed valuation was adjusted downward to account for the commercial vehicle value portion of the total assessed valuation being replaced by the commercial vehicle excise tax. The DLGF, formerly known as the State Board of Tax Commissioners, made this calculation for calendar year 2001.

The County Auditor makes the distribution of the commercial vehicle excise tax after May 1 and December 1 of each calendar year. Specific language concerning the Commercial Vehicle Excise Tax may be found in I.C. 6-6-5.5.

Financial Institutions Taxes (FIT): I.C. 6-5.5-8 allows for a tax on the personal property of financial institutions. FIT represents the dollar amounts the State guaranteed when the FIT was converted from a fee to a tax. If the personal property of the financial

institution does not raise sufficient property tax to cover the guarantee, the State sends the difference to the county auditor to distribute as FIT. The County Auditor allocates this tax in the same manner as the license excise tax, on the basis of tax rate, and makes two distributions per year to governmental units.

Special County Taxes: Special laws applicable only in the counties of Dearborn and Lake provide for uniform tax levies on a countywide basis. The yield of the levies is collected at the county level and is redistributed to the public school corporations within the county. Details of the distribution plan for Dearborn County are found in I.C. 20-45-8-1, and the Lake County distribution plan is found in I.C. 20-45-7-1.

County Income Tax: All counties in Indiana are permitted to adopt a countywide adjusted gross income tax (CAGIT), a county option income tax (COIT) and/or a county economic development income tax (CEDIT). For CAGIT, the county council adopts the tax and for COIT the county option income tax council adopts the tax. The body which can adopt a CEDIT rate differs based on whether the county already has CAGIT or COIT. The rate of the tax varies depending on the rate implemented in a particular county. A portion of the revenue derived from CAGIT (one fourth of one percent) is used as property tax replacement for all school tax rate supported funds. Details of these taxes may be found in I.C. 6-3.5-1.1 for CAGIT, I.C. 6-3.5-6 for COIT and I.C. 6-3.5-7 for CEDIT. If a county has adopted the County Option Income Tax (COIT), it cannot adopt the County Adjusted Gross Income Tax. CEDIT can be adopted with either CAGIT or COIT.

Local Option Income Tax (LOIT): Under I.C. 6-3.5-1.1 and I.C. 6-3.5-6, the appropriate county fiscal body or income tax council may adopt LOIT's in COIT, CAGIT, or CEDIT counties. Although the local option income tax for public safety, operating levy freeze, or property tax relief does not provide replacement or additional revenue to school corporations, the operating levy freeze and property tax relief can minimize revenue losses from the circuit breaker. The adopting body for LOIT in a CAGIT county is the county council and the adopting body for LOIT in a COIT county is the county option income tax council. Schools may benefit from the adoption of the tax, with the exception of public safety tax, because the income tax may lower the property tax burden thereby lessening the circuit breaker credits, if any. The maximum rate limits for one or more of the local option income taxes is independent of the maximum rate limits for the normal CAGIT, COIT, and CEDIT available to counties. Maximum rates for local option income taxes are 0.25% for public safety, 1.0% for operating levy freeze, and 1.0% for property tax relief in the form of additional homestead credits, qualified homestead credits, or broad based property tax relief.

Other Sources of Revenue: In addition to the enumerated local taxes, school corporations may receive other forms of non-tax income. These include, but are not limited to, receipts from transfer tuitions, property sales, gifts, and contributions.

Property Tax Levy Limitations: All Indiana public school corporations may levy and collect property taxes for the Debt Service (I.C. 20-46-7), Capital Projects (I.C. 20-46-6),

Transportation (I.C. 20-46-4), Bus Replacement (I.C. 20-46-5), Racial Balance (I.C. 20-46-3), and Referendum Funds (I.C. 20-46-1). As such, the main revenue source for the General is the revenue received from the State in the form of State Tuition Support. School budgets, tax rates, and tax levies for most schools are approved by the school governing body and not by any other governmental unit except the DLGF. For schools with appointed boards, the school budget adoption will be completed by an elected fiscal body of either the county, city or town as determined through I.C. 6-1.1-17-20. A property tax levy limit exists for the Transportation Fund and Bus Replacement Fund, and a tax rate limit exists for the Capital Projects Fund. The Debt Service Fund levy and rate must provide enough revenue to meet the annual debt payments of a school corporation. The Transportation Fund is used to account for day-to-day operating expenses, and the Bus Replacement Fund is used to account for school bus replacement. The Bus Replacement Fund is levy controlled beginning in 2012 and its need enumerated in the twelve-year Bus Replacement Plan as adopted by the local school governing body. Beginning with 2011 taxes due and payable in 2012, the bus replacement fund now has a maximum levy as established by the DLGF. Moving forward, the bus replacement levy will be allowed annual growth similar to the transportation fund.

In 1973, the Indiana General Assembly enacted legislation which froze all school **General Fund** property tax levies. A base levy, which consisted of the 1972 payable in 1973 actual General Fund levy, plus any loss in cash balance for 1973, was established for all Indiana public school corporations. Since that time, the base levy has been adjusted to reflect increases permitted by law. Once these adjustments were made, the new levy became the General Fund tax ceiling for a school corporation. This tax ceiling was referred to as the Maximum Normal Tax Levy (MNTL). The MNTL is the most a school corporation could charge for General Fund purposes.

However, beginning in 2009 the funding for the school general and special education pre-school was moved to the State. Using the State tuition support formula, which utilizes student data, each school corporation and/or charter school's amount of State tuition support and other grant amounts are determined for a given calendar year.

In addition, HEA1001-2009 eliminated the School Property Tax Control Board, which reviewed and made recommendations to the DLGF Commissioner on excessive levy appeals and capital projects for a school corporation. Now school corporations seeking an excessive levy appeal must submit the information directly to the Commissioner of the DLGF for action.

A public school corporation is authorized a **Debt Service Fund** levy to meet annual debt service obligations. These obligations may include both principal and interest payments for lease rentals, general obligation bonds, Veterans Memorial and Common School Fund repayments to the school corporation's General Fund, and interest payments for tax anticipation warrant issues. Debt service obligations are used to determine the levy allowed in the Debt Service Fund. The DLGF has issued specific guidelines pertaining to new school construction projects that require a Debt Service

Fund levy to satisfy annual debt payments either in the form of school construction bonds or lease rental payments.

House Enrolled Act 1001-2008 changed the way school construction projects are approved. Beginning July 1, 2008, voters in the local community determine whether or not to approve school construction projects through the petition and remonstrance or referendum process. If community members do not object to the proposed project or if they do not file enough signatures on a petition to initiate a petition and remonstrance process, the school district can move forward with a capital project. If the lesser of 100 or more registered voters or property owners with the political subdivision, or five percent of the registered voters residing within the political subdivision sign a petition requesting the application of the petition and remonstrance process, Indiana Code 6-1.1-20-3.1 and 3.2 must be followed.

Additionally, I.C. 20-40-9 authorizes school corporations to use money in the debt service fund to pay for all unreimbursed costs of textbooks for the school corporation's students who were eligible for free or reduced lunches in the previous school year.

The **Capital Projects Fund** requires schools to formulate a plan for the ensuing year and at least two succeeding years. The ensuing year's plan becomes a part of the annual budget. Amendments to the plan must be filed within 20 days of publication of the notice of rates and levies as required under I.C. 6-1.1-17-12. The Capital Projects Fund may be used for the following purposes:

- Land acquisition and development: Acquisition and development of sites for school purposes.
- Fees for professional services: Fees paid to architects, engineers, attorneys, project managers, and fiscal consultants for land acquisition, site development, and building improvements. Also expenses for nonrecurring in-service technology training.
- Education specifications development: Feasibility studies and educational specifications for building design for use by architects and others.
- Building acquisition, construction, and improvement:
 - Planned construction, repair, replacement, or remodeling;
 - Site acquisition;
 - Site development
 - Repair, replacement, or site acquisition that is necessitated by an emergency;
 - Sports facilities (not to exceed 5% of the property tax revenues for the fund in the calendar year;
 - Purchase, upgrade, lease, maintain, or repair one or more of the following:
 - Computer hardware
 - Computer software
 - Wiring and computer networks
 - Communication access systems used to connect computer networks or electronic gateways;

- Services of full-time or part-time computer maintenance employees;
- Nonrecurring in-service technology training of school employees;
- Advances, together with interest, on common school loans for education technology programs;
- Acquire equipment or services necessary
 - To implement technology preparation curriculum under I.C. 20-30-12;
 - To participate in a program to provide technologies as defined in I.C. 20-40-8-13; or
 - A combination of services and equipment listed.
- The purchase of building materials for vocational building and trades classes;
- The payments for qualifying portion of Guaranteed Energy Savings Contracts under I.C. 36-1-12.5 may be paid from this account;
- Under certain circumstances, the payment of salaries and benefits for skilled craft employees;
- Emergency allocation: repair, replacement, or site acquisition that is necessitated by an emergency.
- Allocation for future projects: accumulation of funds for projects that the school corporation has articulated with reasonable specificity within the plan, including size, purpose, features, estimated cost in constant dollars, and site or possible sites.
- Utilities, property and casualty insurance or both as allowed by law.

The plan may also include expenditures for funds transferred to the Repair and Replacement Fund.

The statutory maximum rate that may be charged for Capital Projects Fund purposes is \$0.4167 per each \$100 of assessed valuation, annually adjusted by the DLGF. Further, the 2003 Indiana General Assembly added I.C. 6-1.1-18.5-9.9 (before its repeal), which specified that the maximum property tax levy for the Capital Projects Fund shall be adjusted after the application of the inventory deduction or interstate commerce exemption. I.C. 6-1.1-18-12 requires the capital project fund rate to be adjusted each year to account for the change in assessed value of real property that result from an annual adjustment or reassessment of the assessed value of real property. Due to these adjustments, the rate cap will vary among school corporations. Lastly, a school corporation may exceed the statutory rate cap for this fund in a year in which the corporation uses capital project fund money for utilities, property and casualty insurance or both.

Specific language about the Capital Projects Fund is in I.C. 20-40-8 and levy language is in I.C. 20-46-6, and 50 IAC 9.

The **Transportation Fund** was established by the 1979 Indiana General Assembly as a separate fund with taxing authority. Except as noted below, the Transportation Fund is to bear all costs related to pupil transportation, except bus replacement. The

Transportation Fund maximum levy is determined each year by adjusting the preceding year levy by assessed value growth quotient determined under I.C. 6-1.1-18.5-2. Under I.C. 20-46-4-10, in any one year the school corporation may appeal for an increase if the transportation budget increases by at least ten percent (10%) in any of the following areas:

- Increased fuel expense over the previous year.
- A significant increase in school enrollment or miles traveled compared to the previous year for regular students and/or special education students.
- A significant increase in the number of students enrolled in special education, who need transportation or a significant increase in mileage traveled by the school corporation's buses due to students enrolled in special education as compared with the previous year.
- Increased operating costs due to compliance with a court ordered desegregation plan.
- Increased miles driven due to building closure.

The Bus Replacement Fund levy is determined on the basis of the locally adopted twelve-year bus replacement plan, which is updated each budget year. Beginning with 2011 taxes due and payable in 2012, the bus replacement fund is controlled by a maximum levy. Specific language concerning the Transportation Fund and Bus Replacement Fund is found in I.C. 20-40-6 and 7 and I.C. 20-46-4 and 5.

The **Referendum Tax Levy Fund** was established by the 2002 Indiana General Assembly as a separate fund. The governing body of each school corporation for which a referendum tax levy is approved under I.C. 6-1.1-19-4.5 (before its repeal) establishes this fund and receipt proceeds from a referendum tax levy into this fund. Specific statutory language pertaining to the establishment of the referendum tax levy is in I.C. 20-46-1. The referendum tax levy fund law, I.C. 20-40-3, provides that money in this fund may be used for any lawful school expense.

Reasons for a referendum tax levy include 1) the governing body determines that it cannot, in a calendar year, carry out its public educational duty unless it imposes a referendum tax levy; 2) the governing body determines that a referendum tax levy should be imposed to replace property tax revenues that the school corporation will not receive because of the application of the circuit breaker credit under IC 6-1.1-20.6.

A referendum tax levy can be put into effect only if a majority of the individuals, who vote in a referendum, approve the school corporation's referendum question for the following calendar year. Approved referendum levies are outside the circuit breaker credit calculations. In other words, schools should receive all the taxes generated by the referendum tax levy. Only the over 65 circuit breaker credit in I.C. 6-1.1-20.6-8.5

would impact the referendum fund tax levy. Likewise, taxpayer liability may exceed the circuit breaker threshold due to approved referendums.

Pursuant to I.C. 20-46-1, a school corporation may impose a referendum tax levy in an amount needed to support the school corporation. Property tax collections from the referendum fund tax levy are deposited in the referendum fund and used for any lawful school expenses consistent with the wording of the referendum question. The referendum fund is not eligible for property tax replacement credits in CAGIT counties. Additionally, schools may pursue a Referendum Capital Projects Debt Levy.

I.C. 36-1-8-5.1 permits a political subdivision, including public school corporations, to establish a **Rainy Day Fund** to receive transfers of unused and unencumbered funds. The rainy day fund is subject to the same appropriation process as other funds that receive tax money. Prior to making an appropriation from the rainy day fund, the board of school trustees must make a finding that the proposed use of the rainy day fund is consistent with the intent of the fund. Excluding debt service funds, in any fiscal year, the school corporation may transfer not more than ten percent (10%) of the school corporation's total annual budget for that fiscal year to the rainy day fund. The DLGF may not reduce the actual or maximum permissible levy of a school corporation as a result of a balance in the school corporation's rainy day fund.

Circuit Breaker Credits: The Indiana General Assembly made significant changes in school finance in 2008, affecting property tax collections in 2008 and beyond. I.C. 6-1.1-20.6-7.5 allows a person a credit against the person's property tax liability for property taxes first due and payable after 2009. The amount of the credit is the amount by which the person's property tax liability attributable to the person's homestead exceeds one percent (1%); residential, agricultural, and long term care property exceeds two percent (2%); and nonresidential real and personal property exceeds three percent (3%) of the gross assessed value of the property that is the basis for taxes for that calendar year. The exception to this limit is when the limits to property tax liability were expected to reduce in 2010 the aggregate property tax revenue that would otherwise be collected by all units of local government and school corporations in the county by at least twenty percent (20%) or property taxes imposed in an eligible county to pay debt service or make lease payments for bonds or leases issued or entered into before July 1, 2008 are not considered for purposes of calculating the credit. The counties that meet the twenty percent (20%) threshold are St. Joseph and Lake. If a school corporation pursues a referendum for operating and/or debt service, the tax rate is outside the circuit breaker calculation.

A circuit breaker credit reduces the amount of property taxes a person has to pay. Circuit breaker credits may not be recovered through a shortfall appeal. Property taxes are allocated to all units based on the unit's proportionate share of the district wide non-exempt tax rate. Units are required to fully fund debt service obligations in an amount sufficient to pay any debt service or lease rentals on outstanding obligations, regardless of any reduction in property taxes due to circuit breaker credits.

Provisions for School Indebtedness

Long-term Indebtedness: Long-term school indebtedness typically extends beyond two years. Indiana law permits long-term debt to be financed with the sale of general obligation bonds. Historically, long-term debt has been used by public school corporations for purchase of pupil transportation equipment (general obligation bonds only) or for facility construction and improvements.

Bonds for Retirement or Severance Liability: In addition to the provisions for long-term indebtedness indicated above, I.C. 20-48-1-2 permitted school corporations to issue bonds to implement solutions to contractual retirement or severance liability. Proceeds from these bonds are accounted for in the Pension Bond Fund. Contractual retirement or severance liability is defined as the payments anticipated to be required to be made to employees of a school corporation upon or after the termination of their employment by the school corporation under an existing or previous employment agreement. Provisions under this law are subject to the following limitations:

1. Bonds may be issued for this purpose only one (1) time.
2. The school corporation must have issued the bonds before July 1, 2006.
3. The solution to which the bonds are contributed must be reasonably expected to reduce the school corporation's existing unfunded contractual liability for retirement or severance payments, as of June 30, 2001.
4. The amount of bonds issued for this purpose may not exceed two percent (2%) of true tax value of property in the school corporation, for a school corporation that did not issue bonds under I.C. 20-5-4-1.7 (before its repeal); OR the remainder of two percent (2%) of true tax value of property in the school corporation as of the time that the school corporation issued bonds under I.C. 20-5-4-1.7 (before its repeal), minus the amount of bonds that the school corporation issued under I.C. 20-5-4-1.7 (before its repeal) for a school corporation that issued bonds before April 14, 2003.
5. Each year that a Pension Bond Fund levy is needed under this law, the school corporation is required to reduce its total property tax levy for the school corporation's transportation, school bus replacement, capital projects, and art association and historical society funds, as appropriate, in an amount equal to the property tax levy required for the debt service, multiplied by a statutory adjustment percentage. In addition, the property tax rate for each of these funds shall be reduced each year until the bonds are retired.
6. A school corporation that issues bonds under this law must establish a separate debt service fund, the Pension Bond Fund, for repayment of the bonds.

Bonds issued for retirement or severance liability purposes were to be issued in the same manner as other bonds of the school corporation and must have been issued before July 1, 2006. These bonds were not subject to the petition and remonstrance process under I.C. 6-1.1-20, nor were the bonds subject to the limitations contained in I.C. 36-1-15.

Controlled Projects: Pursuant to I.C. 6-1.1-20-1.1 a controlled project means “any project financed by bonds or a lease, except for the (1) A project for which the political subdivision reasonably expects to pay: (A) debt service; or (B) lease rentals; from funds other than property taxes that are exempt from the levy limitations of I.C. 6-1.1-18.5 or (before January 1, 2009) I.C. 20-45-3. A project is not a controlled project even though the political subdivision has pledged to levy property taxes to pay the debt service or lease rentals if those other funds are insufficient. (2) A project that will not cost the political subdivision more than the lesser of the following: (A) Two million dollars (\$2,000,000). (B) An amount equal to one percent (1%) of the total gross assessed value of property within the political subdivision on the last assessment date, if that amount is at least one million dollars (\$1,000,000). (3) A project that is being refinanced for the purpose of providing gross or net present value savings to taxpayers. (4) A project for which bonds were issued or leases were entered into before January 1, 1996, or where the State Board of Tax Commissioners has approved the issuance of bonds or the execution of leases before January 1, 1996. (5) A project that is required by a court order holding that a federal law mandates the project. (6) A project that: (A) is in response to: (i) a natural disaster; (ii) an accident; or (iii) an emergency; in the political subdivision that makes a building or facility unavailable for its intended use; and (B) is approved by the county council of each county in which the political subdivision is located. (7) A project that was not a controlled project under this section as in effect on June 30, 2008, and for which: (A) the bonds or lease for the project were issued or entered into before July 1, 2008; or (B) the issuance of the bonds or the execution of the lease for the project was approved by the department of local government finance before July 1, 2008. (8) A project of the Little Calumet River basin development commission for which bonds are payable from special assessments collected under I.C. 14-13-2-18.6.”

General Obligation Bond Issues

Initiating Bond Issues: Responsibility for initiating and approving bond issues lies with the local school corporation. The DLGF no longer is required to approve bond issues for school construction.

Limitation on Issuance of Bonds: The proceeds of the bond issue must be used for capital outlay purposes. Bonds issued for the funding of judgments or for the purchase of school buses shall mature not more than five (5) years from the date of the bonds. Bonds issued for other purposes must mature not more than twenty-five (25) years from the date of the bonds. Annual payments of principal and interest must be scheduled to provide approximately equal payments or, when taking into account existing debt service, equal aggregate debt service payments. Specific information concerning bond

issuance may be found in I.C. 5-1-14 and I.C. 20-48-1. I.C. 20-27-4-4 specifically applies to bonds issued for purchase of school buses and specifies a term not to exceed six (6) years.

Limitations on Debt: The State Constitution limits indebtedness by a taxing unit to two percent (2%) of assessed valuation. The General Assembly has by statute reduced the amount of direct debt that any school corporation may have to one-third (1/3) of the two percent (2%) constitutional limit. Loans from the Veterans Memorial School Construction Fund and the Common School Fund stipulate that such loans shall not be considered as a part of the constitutional limitation on indebtedness.

Voting Requirements: If requested by the voters and property taxpayers in the school district, there is petition/remonstrance or voting requirements for creating indebtedness. Specific procedures and notice requirements for controlled projects must be followed as previously noted. Advice of legal counsel with regard to taxpayer notice and the petition/remonstrance, as found in I.C. 6-1.1-20-3.1 and 3.2 or a referendum, as found in I.C. 6-1.1-20-3.5 and 3.6, should be followed. If a referendum is required, the DLGF shall review the language of the public question to evaluate whether the project description is accurate and unbiased against either a vote in favor of or against the project. If necessary, the DLGF may request modified ballot language to ensure the description is accurate.

Approval and the Sale of Bonds: Prior to issuance, local taxpayers may determine through the petition and remonstrance process, a referendum, or an objection filed with the county auditor, as applicable, the outcome of all bond proposals. The processes that are available to local taxpayers depend upon the cost of the proposed project. The State does not assist school corporations with the sale of bonds and bonds do not have to be offered first to a State agency. Funds from the sale of bonds, which are not immediately required for school construction, may be invested pursuant to the public funds statute until needed, although such investments are subject to federal arbitrage regulations.

Bond Records, Tax Levies, and Payments: Tax levies necessary to retire bonds are not subjected to the limitations prescribed for current levies for school purposes. The local school corporation keeps bond records. The levy necessary to retire a bond issue is determined by the local school corporation and included as a part of the total school corporation budget. Additional tax levies necessary to pay the bonds not approved through a referendum would be included in calculating the circuit breaker for each property tax payer. A successful referendum means that the necessary tax levies are not included in calculating the circuit breaker.

Holding Corporations

School corporations are authorized by law to enter into lease rental agreements with school building authorities, which have constructed school buildings in accordance with laws, rules, and regulations governing school construction. These agreements (as well

as I.C. 20-47-2 and I.C. 20-47-3) provide that when the agreements are paid in full, the leased premises become the property of the school corporation. As such, these agreements are not considered as indebtedness against the constitutional limitation on indebtedness. However, if the construction project is a controlled project, specific procedures and notices are required as previously noted.

Private or public holding corporations may be used to finance school construction and improvements. The holding corporation acquires funding, builds, constructs additions to and remodels the facility, and leases it to the school corporation for a specified period of time, after which the school corporation assumes full ownership. Accordingly, the one third (1/3) of two percent (2%) debt limit does not apply to holding corporations' bond issues. There are two types of holding corporations that school corporations may use for financing school buildings:

1. Public holding corporations are authorized under I.C. 20-47-2.
2. Private holding corporations are authorized under I.C. 20-47-3.

Guidelines for the entering into a lease rental with a holding corporation include, but are not limited to, the following:

1. The school board must determine the need, method, and period of financing and receive a petition from at least 50 patrons who favor the construction.
2. The school board must conduct a public hearing on the project, in accordance with I.C. 20-47-2-11 (public holding corporation) or I.C. 20-47-3-9 (private holding corporation).
3. An architect must be selected by the school corporation. Either the school corporation or the holding corporation may pay the architect.
4. An attorney and bond counsel should be hired.
5. If a public holding corporation is to be used to finance the project, the corporation must be formed following legal procedures outlined by the attorney.
6. The architect must submit plans to:
 - a. The State Fire Prevention and Building Safety Commission.
 - b. The local Zoning Board and County Board of Health.
7. The school board must advertise and hold a public meeting on the method of financing the construction and the lease agreement.
8. The school board must execute bidding after advertising and holding the public hearing.
9. If a public holding corporation is used to finance construction, a bond sale must be conducted.
10. If a public holding corporation is used to finance construction, a bond sale must be conducted.
11. The holding corporation must acquire the real estate before construction starts.

Although some of these steps may be rearranged due to local circumstances or due to expediency, I.C. 20-47-2 for public holding corporations or I.C. 20-47-3 for private holding corporations must be strictly followed. In all circumstances, legal counsel directives must be followed.

Short Term School Indebtedness: School corporations may use any of the following three options to generate revenue to meet emergency conditions existing in current operations.

Advance Draw: A school corporation may apply to the county treasurer for advances against the budget from funds that may be available from the proceeds of tax levies in the county. Application must be made for an advance draw, and the county treasurer has 30 days to provide the advance.

Emergency Loans: If a school board, by resolution, determines that an unbudgeted emergency exists it may obtain an emergency loan. This loan is made by issue of note(s) in the same manner as the issuance of bonds, except as to purpose. Repayment of the loan(s) is to be budgeted in the next year's annual budget and credited accordingly to the fund for which the loan was made. Interest may be budgeted from the Debt Service Fund.

Bond Anticipation or Temporary Loans: If a school corporation experiences a cash flow problem where immediate expenses surpass immediately available revenues, it may declare that an emergency exists and borrow money in anticipation of receipt of known revenues (I.C. 20-48-1-9). For any tax-supported fund, the corporation may issue tax anticipation warrants. Under State law, "the amount of principal of temporary loans maturing on or before June 30 for any fund may not exceed eighty percent (80%) of the amount of taxes and State tuition support distributions estimated to be collected or received for and distributed to the fund at the June settlement. The amount of principal of temporary loans maturing after June 30 and on or before December 31 may not exceed eighty percent (80%) of the amount of taxes and State tuition support distributions estimated to be collected or received for and distributed to the fund at the December settlement."

An issue of tax or State tuition support anticipation warrants may not be made if the total of all tax or State tuition support anticipation warrants exceeds twenty thousand dollars (\$20,000) until the issuance is advertised for sale, bids are received, and an award is made by the governing body as required for the sale of bonds, except that the publication of notice of sale is not necessary outside the county or more than ten days before the date of sale.

Interest may be paid from the Debt Service Fund. Principal is paid from the actual property tax proceeds, when these taxes are normally distributed by the Auditor. However, if the governing body determines that an emergency exists that requires extension of the prescribed maturity date for a temporary loan, the prescribed maturity date may be extended for not more than six (6) months after the budget year for which

the temporary loan is made. In order to extend the repayment under this provision, the governing body must pass a resolution that includes a statement determining that an emergency exists; a brief description of the grounds for the determination that an emergency exists; and the date the loan will be repaid that is not more than six (6) months after the budget year for which the temporary loan is made. The resolution must be forwarded immediately to the State Board of Accounts and the DLGF.

School Bus Purchase Financing: A public school corporation may enter into a loan arrangement with banking or lending institution for the purchase of school buses. These loans may be repaid from either General or Debt Service Funds. Specific loan procedures vary as to the method of repayment. General obligation bonds may also be issued for the purchase of school buses. School bus purchase procedures, generally, are found in I.C. 20-27-4. Corporations considering school bus purchases using either a loan or the issuance of general obligation bonds should contact the State Board of Accounts for additional information.

Debt Reporting: Pursuant to Indiana Code 5-1-18-6, a political subdivision that issues bonds or enters into a lease after December 31, 2005, must supply the Department of Local Government Finance with a debt issuance report not later than one month after the date on which the bonds are issued or the lease is executed.

Indiana Code 5-1-18-7 provides that the debt issuance report must be submitted electronically in a manner prescribed by the Department. The Department prescribes that the report must be submitted through Gateway Debt Management online system. The report must include:

1. The par value of the bond issue;
2. A schedule of maturities and interest;
3. The purposes of the bond issue;
4. The itemized costs of issuance information, including fees for bond counsel, other legal counsel, underwriters and financial advisors;
5. The Type of bonds that are issued; and
6. Other information as required by the Department.

A copy of the official statement and bond covenants, if any, must be supplied with this information. Furthermore, the Department may not approve an appropriation or a property tax levy for a debt that is not reported in Gateway Management. The Department may, for good reason, grant a waiver to this requirement.

Leases must be reported through the same electronic system and the report must include:

1. The term of the lease;
2. The annual and the total amount of the lease rental payments;
3. The purpose of the lease;
4. The itemized costs incurred by the political subdivision with respect to the preparation and execution of the lease; including legal fees and other professional fees;

5. If all or part of the lease rental payments are used for debt service payments for bonds issued for the acquisition, construction, renovation, improvement, expansion, or use of a building, structure, or other public improvement for the political subdivision:
 - a. The name of the lessor;
 - b. Par value of the bond issue; and
 - c. The purposes of the bond issue; and
6. Other information as required by the Department.

The Department requires each political subdivision to verify to the Department that the list of indebtedness and related details in the Department's Gateway Debt Management system are current and accurate on an annual basis.

THE SCHOOL BUDGET

Process: In the case of all school funds for which property taxes may be levied, the budget process is essentially the same. The total budget is planned and is expressed as dollars to be expended during the budget year. All miscellaneous revenues, including, but not limited to, license excise tax, financial institutions tax, and commercial vehicle excise tax are subtracted from the planned expenditures of a school's various funds. The result is the dollar amount that is anticipated to be charged against local property, or the tax levy. If the needed levy exceeds the legal amount which may be taxed for a particular fund, the budget must be balanced. There is no longer a levy for the school general fund resulting in the majority of its revenues being derived from state tuition support. There are two options that may be exercised to balance the budget. One possibility is to determine if all revenues which have been previously accounted for, and if not, which additional revenues exist. The other option is to review the expenditures planned and reduce the total dollars to be expended.

The School Budget: The school budget represents the educational program of a school community translated into dollar need (expenditures). The budget generally covers a calendar year, January 1 through December 31. For selected public school corporations, the budget year is a fiscal year, July 1 through June 30. Governing boards are responsible for budget preparation, although this task is typically delegated to the chief administrator or their designate.

Budget Forms: School budget forms are prescribed by the DLGF and approved by the State Board of Accounts. Most budget forms are completed and submitted to the DLGF through the Indiana Gateway for Government Units website (<https://gateway.ifionline.org/>) ("Gateway"). User guides on completion of these forms on Gateway can be found at <http://www.in.gov/dlgf/9105.htm>. In addition, certain school-specific forms are provided by the DLGF outside of Gateway and can be found at <http://www.in.gov/dlgf/4873.htm>.

Local Approval: Generally, final action on school budgets by local school boards must be taken on or before November 1 of each year for the ensuing year's budgets. The exception to this applies to those corporations budgeting on a fiscal year basis. Corporations operating on a fiscal year basis must meet before February 1 to adopt budgets. In either case, a public hearing on the budgets must be held at least ten days before final action, in the form of formal adoption, by the local school board or an elected fiscal body of a county, city or town for school corporations with appointed boards according to requirements in I.C. 6-1.1-17-20. The notice of the estimated budget and levy, and public hearing information on the Budget Form 3 must be completed and submitted online via the DLGF's Gateway before September 14. The notice must be published at least ten (10) days before the date fixed for the public hearing. The date, time and place of the hearing must be announced as a part of the notice. The local school board or a representative for the elected fiscal body for schools with appointed boards must submit all budget forms through Gateway within two (2)

days after the budget adoption. Submission through Gateway serves as submission of the budget forms to the DLGF.

Objecting Petitions: Ten or more taxpayers within the taxing district(s) of the taxing unit may file an objecting petition to a proposed budget, rate or tax levy. Such petition must be filed with the local school board or elected fiscal body within seven days of the public hearing. Petitioners may object to a budget, tax rate, or tax levy. The local school board or elected fiscal body must file their findings concerning the objecting petition as a part of their adopted budget.

County Review: Unless a county has a County Tax Adjustment Board (CTAB) in operation, any unit that plans to levy a property tax in the ensuing year is required by September 2 (I.C. 6-1.1-17-3.5) to submit to the council information that includes the proposed budget, tax levies and rates for the council to review. The county council is required to make recommendations concerning the budgets, rates, and levies to all units except schools. If the CTAB is in operation, that body reviews all budgets within the county and must complete its work on or before November 2 of each year (I.C. 6-1.1-17-9). The CTAB may recommend reductions in tax rates. If the county auditor or county tax adjustment board modifies the budgets, tax rates, or tax levies, the County Auditor publishes final action of the board or auditor in a consolidated advertisement including all taxing units. The date of this advertisement begins the timelines for any governmental entity to appeal any of the ensuing year budgets, as permitted by law. If there is not an operating CTAB in a particular county and no modifications have been made by the County Auditor, it is not necessary to publish the consolidated chart.

State Review and Approval: As provided in I.C. 6-1.1-17-16, the DLGF shall review all taxing unit budgets and may review, revise, reduce, or increase the taxing unit's respective budget by funds, tax rates, and/or tax levies. Such revisions may restore reductions made by the CTAB, if appropriate appeals have been filed seeking such restoration. Fund budgets, tax rates, and tax levies established by the DLGF are effective without change during the budget year to which they apply either calendar or fiscal year.

Budget Appeals: Indiana law provides specific language that school corporations must follow concerning school budget excessive levy appeals and these appeal provisions, if executed by a school corporation, must be timely filed with the DLGF in Indianapolis to be considered by the DLGF. The DLGF sets the deadline for submitting an excessive levy appeal application and the Commissioner may approve, deny, or modify the appeal amount. For 2016 budgets, the deadline to file an excessive levy appeal was October 19, 2015.

Indiana statutes provide that school corporations may file an appeal for a transportation operational increase (I.C. 20-46-4).

A timely filed appeal requires the following:

- the local school board adopts a resolution to appeal and include that in the official minutes of the school corporation.
- school officials file an appeal petition with the DLGF in Indianapolis before the deadline established by the DLGF.

Additional Appropriations: Sometimes a public school corporation finds it necessary to have spending authority beyond the level appropriated in the approved budget. Whenever additional or emergency appropriations become necessary, the local school board first must determine that an additional or emergency appropriation is needed and that there is unobligated cash available to support the additional spending need. Notice to taxpayers must be provided by advertisement. The notice must include a time and date of a hearing conducted by the school board or the elected fiscal body if the school corporation has an appointed board to explain the need for the additional spending need as well as to receive public input. Following the hearing, the school board or the elected fiscal body must adopt a resolution enumerating the amount of additional spending authority that is needed. The resolution may be for less than the amount advertised but cannot be for a greater amount than advertised in the notice to taxpayers. After the resolution is adopted, a Certified Copy of Additional Appropriation (State Form 55819) must be filed with the DLGF. A copy of State Form 55819 can be found attached to the June 4th, 2015 memo discussing additional appropriations (<http://www.in.gov/dlqf/2444.htm>). If the additional spending authority is being sought from non-property tax funds other than the rainy day fund, the process is complete. However, if the additional appropriation is being sought from property tax supported funds, formal action by the DLGF is required. Additional appropriations for the general fund are still approved by the DLGF too. The DLGF is required to make a determination as to the disposition of the additional appropriation request within fifteen (15) days after the request is received. Additional appropriation statutory provisions are found in I.C. 6-1.1-18-5.

School Audits: School audits are conducted by the State Board of Accounts. Audits are performed to conform to the federal single audit act. Audits are conducted on a two-year cycle and include all school corporation funds and extra-curricular funds. Audits are conducted on a fiscal year, July 1 through June 30, basis and as such may involve more than two calendar years. A portion of the audit is charged to the local school corporation. Audit reports are kept on file by the State Board of Accounts and by the local unit.

STATE SUPPORT

Sources of State Support for Public Schools

ALTERNATIVE EDUCATION GRANT

Pursuant to P.L. 213-2015, I.C. 20-30-8, and 511 I.A.C. 1-9

	2015-2016	2016-2017
Total Appropriation	\$6,145,407	\$6,142,909

A school corporation is eligible to receive a grant upon submission of a *Full-Time Equivalent Student Report: Actual Attendance Count* for the approved alternative education program conducted for the school corporation or an area alternative education program. The number of full-time equivalent students enrolled and attending a qualified alternative program during a reporting period is calculated according to the following formula:

Step One: Record the total number of alternative education program sessions conducted during the reporting period for the approved program.

Step Two: Record the total number of eligible students enrolled and attending the program during these sessions.

Step Three: Divide the total number of eligible students by the total number of alternative education sessions conducted during the reporting period.

Step Four: Divide the total number of alternative education program sessions by three hundred sixty (360).

Step Five: Multiply the quotient from Step Three and the quotient obtained from Step Four to determine the actual full-time student equivalent (FTE) count.

State Share: The State share is the calculated amount, not to exceed seven hundred fifty dollars (\$750) per full-time equivalent student who is enrolled and attending an approved alternative education program in a school year. This reimbursement for SY2014-2015 was \$670 per full-time equivalent student (FTE) due to a budget reduction at the State level and high levels of participation.

Local Share: The local share is a matching amount of at least one-third (1/3) of the amount of the State grant per full-time equivalent student, as determined by the rules adopted by the Indiana State Board of Education.

Requirements for Participation: An alternative education program is approved through the alternative education grant application process. Renewal grants must be

submitted yearly for existing programs. Renewal grants can be obtained online at <https://www.iub.edu/~intell/survey/AE2015/protected/admin.php>.

School districts must submit a new program proposal for any program that was not approved in the school year prior to the school year in which the district plans to operate the program. New program proposals can be obtained online at <http://www.doe.in.gov/cte/alternative-education> under Grants. The deadline for starting a program in August is June 21 and the deadline for starting a program in January is October 21, which is at least 60 days prior to serving students.

Additionally, the appropriations include funding to provide \$7,500 for each child attending a charter school operated by an accredited hospital specializing in the treatment of alcohol and drug abuse. This funding is in addition to state tuition support for the charter school.

Extent of Participation: Approximately 129 school corporations operating 204 programs received alternative education grant funds in 2015 and total grants were approximately \$5,958,999.80.

Distribution: This reimbursement is made once a year. The distribution is made no later than March 1st for the preceding calendar year.

State Tuition Support

Pursuant to P.L. 213-2015, I.C. 20-43-1 and I.C. 20-45-3

	2015-2016	2016-2017
General Fund	\$6,820,300,000	\$6,980,500,000

State tuition support is the sum of five different calculations and includes basic tuition support, honors, special education, career and technical education grant, and the complexity grant. Each school corporation and charter school computes state tuition support grants based on variables described below. Accordingly, it is not possible to provide examples of these calculations applicable to school corporations or charter schools. Further, input variables are subject to change due to modifications in student count variables or reductions made by the Department of Education as required by statute to preclude over spending in the fiscal year appropriation. The fiscal year appropriation also provides funding for the Choice Scholarship and the Mitch Daniels Early Graduation Scholarship programs.

Tuition Support: In its simplest form, the tuition support formula determines a gross amount of State revenue for each school corporation and charter school.

Definitions and Formula Components:

Average Daily Membership (ADM): The Average Daily Membership is a count of students enrolled and expected to be in attendance for Kindergarten through Grade 12 in Indiana public school corporations and all charter schools on a particular day. For school corporations and charter schools that do not offer a full-day kindergarten program, kindergarten students are counted as one-half (1/2) for membership. For school corporations and charter schools that offer a full-day kindergarten program, kindergarten students count as one (1) for membership. This change occurred with the FY2016 school funding formula. The ADM is the sum of the following:

- **Resident Enrollment**
 - Resident enrollment for a school corporation includes those students with legal settlement in, and who are enrolled and attending school in the school corporation. For a charter school, resident enrollment includes Indiana students who are enrolled and attending an individual charter school, regardless of legal settlement. Foreign exchange students, who are residing in, and attending the school corporation.
- **Transfers Out**
 - Transfers out for a school corporation are resident students who, for various reasons, are transferred out to another school corporation or out of State. This term does not apply to charter schools. Reasons include:
 - An agreement between the corporation of legal settlement and the servicing corporation;

- A “better accommodation” student transfer agreement under I.C. 20-26-11-5 between the corporation of legal settlement and the student’s parent(s);
- A “better accommodation” order by the State Board of Education;

The student is served by a public or private school under a contract for residential or alternative services through the State Superintendent of Public Instruction.

- **Cash Transfers**

- Cash transfers for a school corporation include students with legal settlement in another school corporation who are enrolled and attending school another school corporation based on an agreement between the parent(s) and the school corporation the student attends. Cash transfers may or may not include students whose parent(s) pay tuition to the school corporation the student attends. This term does not apply to charter schools.

- **State Obligations**

- State obligations for a school corporation include students placed into the school corporation as a result of State action and include:
 - State placement into an institution located within the corporation that is operated by the Division of Disability, Aging, and Rehabilitative Services, or the Division of Mental Health.
 - State placement by either of the above agencies into an institution, public or private facility, a home, group home, or alternative family setting within the school corporation.
 - Students enrolled and attending the school corporation who are children of State employees living on State property.
- State obligations for a charter school include students enrolled and attending the charter school who are children of State employees living on State property.

- **Placements In**

- For a school corporation, this includes students enrolled and attending the school corporation as a result of placement by Indiana county welfare, Indiana courts, Indiana licensed child-placing agencies, or by a parent or guardian in a State licensed private or public health care facility, child care facility, or foster home located in the school corporation. This placement into the school corporation is for non-educational reasons. This term does not apply to charter schools.

- **Dual Enrollment**

- For a school corporation, this includes students who are enrolled in a public school and a nonpublic or home school, who has legal settlement in the school corporation and receive instructional services from the school corporation. These students are counted on a full-time equivalency basis, based on the number of periods served in the day by the public school and must receive 180 days of instruction. This term does not apply to charter schools.

For funding purposes, the ADM count is taken annually, the second Friday after Labor Day, as established by the State Board of Education. This is referred to as the “fall” count and provides basic tuition support and complexity grant funding for July through December. A second ADM count is taken on a date established by the State Board of Education in February. This is referred to as the “spring” count and provides basic tuition support and complexity grant funding for January through July. 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 FY2016, Previous Year Revenue, reflects the July to December 2014 Basic Tuition Support (pulled from DOE SA54 Tuition Support, First Column) actually received plus the January to June 2015 Basic Tuition Support (pulled from DOE SA54 Tuition Support, First Column) actually received. Unless otherwise specified, all calculations round to two places. For FY2016, previous year revenue is the amount of actual basic tuition support received in FY2015 (July 1, 2014 through June 30, 2015).

In the past, charter schools, in the first year of operation outside of Marion County, were 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 used a weighted average of the transition to foundation funding from the school corporation where the student had legal settlement.

Beginning with the FY2016 basic grant calculation and continuing in FY2017, new charter schools are funded at foundation rather than based on the previous calculation.

AVERAGE DAILY MEMBERSHIP (ADM) FOR 2015-2016

The ADM counts are currently taken twice a year, in February and September. Continuing with the FY2016 school funding formula, the fall (September) count will be used for July-December state tuition support funding calculations and the spring (February) count for January-June funding calculations. In May, school corporations,

virtual charter schools, and charter schools may submit an estimated ADM count that is used to provide funding for the period of July through October until the actual September ADM count is final. For school corporations or charter schools that do not submit a May estimated ADM count, the Department continues to use the most recent actual membership count (February) or has the option to specify an ADM count. For FY2016 state tuition support, the estimated ADM count was collected in May 2015. For FY2017 basic tuition support, the Department will use a May 2016 estimated ADM count to determine July through October basic tuition and complexity grant funding.

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, and complexity grant funding. 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.

In FY2016, new charter schools are funded at foundation, or \$4,967, per student and at \$5,088 per student in FY2017.

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 FY2016, transition to foundation revenue is defined as the per pupil foundation funding amount multiplied by the current (fall), or September 2015, and also the current (spring), or February 2016, ADM to determine basic tuition support for FY2016.

The calculation considers:

- Previous year revenue per adjusted ADM
- Transition to Foundation per adjusted ADM
- 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 continue to transition down to foundation over 3 years in FY2016 and move to foundation in FY2017. 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 Department adjusts the basic tuition support distributions for November and December to reflect any overpayment or underpayment in the July through October payments. When the February 2016 ADM count for each school corporation and charter school is

final, the Department will recalculate and adjust the remaining basic tuition support distributions to effect the change in January to June 2016 funding.

VIRTUAL CHARTER SCHOOLS

In FY2016, Virtual Charter Schools continue to be funded at 90.0% of the foundation amount (\$4,967) multiplied by the Virtual Charter schools September (fall) ADM for the period of July through December and February (spring) ADM for the period of January through June. Foundation funding will be used again at the 90% level in FY2017.

In addition to special education grants, virtual charters continue to be eligible for Career and Technical Education, Honors, and Complexity grants. The formula uses two ADM counts, September (fall) and February (spring), for virtual charter schools in both FY2016 and FY2017 funding.

Reconciliation: When the September ADM count is final, the Department will adjust the remaining virtual charter basic tuition support distributions for November and December to reflect any overpayment or underpayment in the July through October tuition support distributions. When the February ADM count of the ensuing year is final, the Department recalculates and adjusts the remaining virtual charter tuition support payments to effect the change in January to June 2016 virtual charter funding. The same process occurs as part of the FY2017 school funding formula.

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 2014-2015 for FY2016 and in school year 2015-2016 for FY2017 funding.

Additionally, the formula generates \$1,400 for students who received an academic honors diploma or a Core 40 with technical honors diploma and also received SNAP, TANF or Foster Care Assistance in FY2015.

Both types of funding continue for FY2017. The state tuition support formula uses only one honors count for fiscal year funding in both FY2016 and FY2017.

Reconciliation: When the final honors counts are known, the Department reconciles FY2016 or FY2017 honors funding by increasing/decreasing the remaining months honors grant payments. Usually, the updated counts are loaded and Honors funding reconciled as part of the December distribution.

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. In addition to the December 1 special education count, a second special education count is taken on April 1 but not used for special education funding. Both the December 1 and April 1 special education count information is provided to the State Budget Committee.

The Department uses the December 1, 2015, special education count in the FY2016 funding formula. For FY2017, the Department will use the December 1, 2016, special education count in the FY2017 funding formula. Additionally virtual charter schools are eligible to receive special education funding in both FY2016 and FY2017 using the same formula as school corporations and traditional charter schools.

Special education funding amounts have been modified for the FY2016 and FY2017 school funding formula. The grant is the sum of multiplying the count of enrolled students by the following:

- \$8,800 multiplied by the unduplicated count of students with severe disabilities.
- \$2,300 multiplied by the unduplicated count of students with mild and moderate disabilities.
- \$500 multiplied by the duplicated count of students with communication disorders.
- \$500 multiplied by the duplicated count of pupils in homebound programs.
- \$2,750 multiplied by the special preschool education program pupil count.

Under the previous formula, funding amounts were: \$8,350, \$2,265, \$533, \$533, and \$2,750 for each category.

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 FY2016, the formula will use the fall 2015 career and technical education counts and for FY2017, the formula will use the fall 2016 career and technical education counts to calculate the grant. The Department collected career and technical education data through the INTERS system at the Department of Workforce Development. All calculations are rounded to the nearest dollar.

During the 2015 session of the Indiana General Assembly, some categories received funding adjustments, while the “all other career and technical education programs” was removed and replaced with the number of pupils in foundation, introductory, or work-based learning courses.

The grant is based on the number of credit hours of the program (either one, two or three credits) multiplied by the number of students enrolled in the program multiplied by the applicable amount. For programs 1-10, the number of credit hours is multiplied by:

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 \$500; 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 \$450; plus,
3. 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 a less than moderate wage category is multiplied by \$300; 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 high wage category is multiplied by \$450; 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 moderate number of individuals in the moderate wage category is multiplied by \$300; 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 moderate number of individuals in the less than moderate wage category is multiplied by \$225; plus,
7. 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; plus,
8. 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; plus,

9. 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 less than moderate wage category is multiplied by \$150; plus,
10. 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 1-9 above; plus

For programs 11-13, the amount is based on:

11. The number of pupils in introductory courses multiplied by \$300; plus
12. The number of pupils in foundational courses multiplied by \$150; and
13. The number of pupils in apprenticeships, cooperative education programs, or work based learning courses multiplied by \$300.

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 will reconcile FY2016 honors funding by increasing/decreasing the remaining months career and technical education grant distributions.

COMPLEXITY GRANT

In FY2016, the complexity grant calculation does not utilize the percentage of students that received textbook assistance in FY2015. The FY2016 complexity grant calculation uses the percentage of students that received SNAP, TANF, or Foster Care assistance in October 2014. The foundation grant multiplier decreased from \$4,587 in FY2015 to \$3,489 for FY2016 and \$3,539 in FY2017. A transition is made between the FY2015 complexity index and the FY2016 complexity index. The second tier calculation was

replaced with the FY2015 percentage of students eligible for English Language Learners (ELL) combined with the percentage of transition from previous complexity index for traditional public schools.

Both a current September (fall) ADM and current February (spring) ADM are used in the complexity grant formula for FY2016 and FY2017. For FY2016, the formula is the percentage of the school corporations' students eligible for SNAP, TANF or Foster Care Assistance in FY2015 minus the FY2015 Complexity Index. The result is then divided by 3. If this result is less than negative one-tenth (-0.1) and the FY2015 ELL percentage is greater than or equal to 25%, then an ELL adjustment occurs. The absolute value of the SNAP, TANF and Foster Care assistance minus the FY2015 Complexity Index is divided by 4 to determine an ELL complexity adjustment. This result plus the FY2015 complexity index and the result of dividing by 3 above are added together to determine the FY2016 complexity index. This result is then multiplied by the \$3,489 for FY2016 to determine a per student complexity amount. The grant calculation then multiplies 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 multiplies the foundation amount by the current February (spring) ADM and divides by two (2) to determine the January to June complexity grant. The sum of these two results is the fiscal year complexity grant.

Reconciliation: When the September ADM count is final, the Department adjusts the remaining complexity grant payment distributions for November and December to reflect any overpayment or underpayment in the July through October complexity grant distributions. When the February 2016 ADM count is final, the Department will recalculate and adjust the remaining complexity grant distributions to effect the change in January to June 2016 funding.

Note: The full-day kindergarten grant was repealed for FY2016 and FY 2017, as reflected in the definition of average daily membership.

STATE TUITION SUPPORT

The total State Tuition Support for FY2016 and FY2017 is the addition of these components for each school corporation, virtual charter school and charter school as they apply:

- Basic Tuition Support
- Honors Diploma Grant
- Special Education Grant
- Career & Technical Education Grant
- Complexity Grant

Continuing with FY2016 and FY2017, two membership counts will be used to calculate funding for Basic Tuition Support and Complexity grant funding.

Continuing with the FY2016 and FY2017 school funding formula, one count will be used to calculate funding for Honors, Career and Technical Education, and Special Education grants.

The reconciliation process for fiscal year funding is the same for each year.

State Share: The FY2016 or FY2017 Total calculated State Tuition Support Grant amount.

Local Share: None.

Requirements for Participation: Operate school corporations for at least 180 student days and enroll students.

Extent of Participation: All school corporations and charter schools participate in this program and receive one or more of the State Tuition Support Grants.

Distribution: Based on a schedule set by the 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 of the payments in each calendar year must equal the amount required under the statute.

NOTE: Should the amount to be distributed in either fiscal year 2016 or 2017 exceed the statewide amount statutorily established for either year (referred to as the fiscal year cap), the statute requires that the distribution to each school corporation shall be proportionately reduced so that the total reductions equal the amount that the total distribution exceeds the statutory authority.

The amount of the reduction in either year for a particular school corporation, including charter schools, is the result of multiplying the total excess (amount by which the statewide calculated formula exceeds the statutory statewide cap for either FY2016 or FY2017) multiplied by a fraction. The numerator is the amount the school corporation and charter school would have received if a reduction were not made; and the denominator is the total amount that would be distributed for tuition support to all school corporations if a reduction were not made.

CHOICE SCHOLARSHIP PROGRAM

Pursuant to Public Law 213-2015, IC 20-51, and 512 IAC 4-1

The Choice Scholarship Program was passed as part of House Enrolled Act 1003-2011(Public Law 92-2011) and provides Choice Scholarships to students in households that meet income and eligibility requirements. The program provides funds to assist with the payment of tuition and fees at a participating Choice School.

For the 2011-2012 school year, Choice Scholarships were limited to 7,500 students. For the 2012-2013 school year, Choice Scholarships were limited to 15,000 students. Beginning with the 2013-2014 school year, the student cap was removed and Choice Scholarships were available to any student that met eligibility and income requirements. During the 2013 Session of the Indiana General Assembly, the program was further expanded to include eligibility components related to special education, siblings, and failing schools.

ELIGIBILITY

To participate in the Choice Scholarship Program a student must satisfy income and eligibility requirements.

STUDENT ELIGIBILITY CRITERIA

All students must satisfy the following three requirements:

1. Have legal settlement in Indiana;
2. Be between the ages of 5 and 22 no later than August 1 of the school year; and
3. Be accepted for enrollment into a participating Choice Scholarship school;

After satisfying the three requirements listed above, a student must satisfy the requirements for one of seven eligibility pathways.

1. Two-Semesters in Public School Pathway

- a. The student was enrolled in 1st through 12th grade in a public school, including a charter school, in Indiana for at least two semesters immediately preceding the first semester for which the individual receives a Choice Scholarship.
- b. Beginning with the 2013-2014 school year, kindergarten attendance could satisfy the two semesters in public school requirement.
- c. The student is a member of a household with an annual income equal to or below 150% of the amount to qualify for the federal free or reduced lunch program.

2. **Previous Scholarship Granting Organization (SGO) Award Pathway**
 - a. The student received a SGO Scholarship in a previous school year, including a school year that does not immediately precede the school year for which the student is applying for a Choice Scholarship.
 - b. The five approved Scholarship Granting Organizations (SGOs) are:
 - Educational Choice Charitable Trust
 - School Scholarship Granting Organization of Northeast Indiana
 - Tuition Assistance Fund of Southwestern Indiana
 - Sagamore Institute Scholarships for Education Choice
 - The Lutheran Scholarship Granting Organization of Indiana
 - c. The student is a member of a household with an annual income equal to or below 150% of the amount to qualify for the federal free or reduced lunch program.

3. **Previous Choice Scholarship Student Pathway**
 - a. **2012-2013 School Year**
 - The student received a Choice Scholarship in the previous school year.
 - b. **2013-2014 School Year and forward**
 - The student received a Choice Scholarship in a school year that does not immediately precede the school year for which the student is applying for a Choice Scholarship; or
 - The student received a Choice Scholarship in the immediately preceding school year but the student exited the Choice School prior to the end of the school year.
 - c. The student is a member of a household with an annual income equal to or below 150% of the amount to qualify for the federal free or reduced lunch program.

4. **Continuing Choice Scholarship Student Pathway**
 - a. The student received a Choice Scholarship in the school year that immediately precedes the school year for which the student is applying for a Choice Scholarship.
 - b. The student is required to have remained enrolled at the Choice School for the entirety of the immediately preceding school year.
 - c. The student is a member of a household with an annual income equal to or below 200% of the amount to qualify for the federal free or reduced lunch program.

5. **Special Education Pathway**

- a. The student has a disability that requires special education.
- b. An individualized education program (IEP) pursuant to IC 20-35 or a service plan pursuant to 511 IAC 7-34 has been developed for the student.
- c. The student is a member of a household with an annual income equal to or below 200% of the amount to qualify for the federal free or reduced lunch program.

6. **“F” Public School Pathway**

- a. The student would be required to attend a specific public school based on their residence that has been assigned an “F” grade.
- b. This pathway does not require prior attendance at the school.
- c. The student is a member of a household with an annual income equal to or below 150% of the amount to qualify for the federal free or reduced lunch program.

7. **Sibling Pathway**

- a. The sibling of the newly applying student received either a Choice Scholarship or an SGO scholarship in a preceding school year, including a school year that does not immediately precede the school year for which the student is applying for a Choice Scholarship.
- b. For purposes of the Choice Scholarship Program, the term “sibling” shall mean one of two or more individuals having one **or** both parents, guardians or custodians in common. The term does not require a consanguineous (blood) relationship between the individuals.
- c. The student is a member of a household with an annual income equal to or below 150% of the amount to qualify for the federal free or reduced lunch program.

INCOME ELIGIBILITY CRITERIA

The income criteria to participate in the Choice Scholarship Program are linked to the federal free or reduced lunch program income guidelines. In order to qualify for the larger, 90% Choice Scholarship award, a student must be a member of a household with an annual income equal to or below 100% of the amount to qualify for the federal free or reduced lunch program. To qualify for the smaller, 50% award, the student must be a member of a household with an annual income equal to or below 150% of the amount to qualify for the federal free or reduced lunch program. Beginning with the 2013-2014 school year, income eligibility for the 50% award was expanded to 200% of the amount to qualify for the federal free or reduced lunch program for students qualifying under the Continuing Choice and Special Education Pathways.

As outlined in the Annual Choice Scholarship report, recent statistics on the program include:

Student Program Participation				
	2011-2012	2012-2013	2013-2014	2014-2015
Student Count	3,911	9,139	19,809	29,148

School Program Participation				
	2011-2012	2012-2013	2013-2014	2014-2015
School Count	241	289	313	314

Choice Scholarship Program Payments			
	2011-2012	2012-2013	2013-2014
Fall Payment	\$7,799,984.08	\$ 18,039,837.37	\$ 39,616,670.96
Spring Payment	\$7,869,787.65	\$ 18,290,329.20	\$ 39,349,947.35
Total Payments	\$15,669,771.73	\$ 36,330,166.57	\$ 78,966,618.31
Refunds	\$ 155,747.13	\$ 287,243.54	\$ 373,278.51
Net Payment	\$15,514,024.60	\$ 36,042,923.03	\$ 78,593,339.80

MITCH DANIELS EARLY GRADUATION SCHOLARSHIP PROGRAM

Pursuant to Public Law 213-2015, IC 21-12-10

Indiana Code 21-12-10 allows eligible students to receive a \$4,000 Mitch Daniels Early Graduation Scholarship upon meeting all graduation requirements by the end of grade 11. An individual is eligible for a Mitch Daniels early graduation scholarship if the student:

- (1) is a resident of Indiana;
- (2) attended a publicly supported school on a full-time equivalency basis for at least the last two semesters before the individual graduated;
- (3) had legal settlement in Indiana for at least the last two semesters before graduating;
- (4) met at least the minimum requirements set by the Indiana state board of education for granting a high school diploma by the end of grade 11 (including any summer school courses completed before July 1 of a year) and was awarded after December 31, 2010, a high school diploma by the publicly supported school that the individual last attended for course credits earned before the end of grade 11;
- (5) was not enrolled in a publicly supported school for any part of grade 12;
- (6) applies to the commission ([SSACI](#)) for a Mitch Daniels early graduation scholarship in the manner specified by the commission; and
- (7) within five months after graduating from high school:
 - a. becomes a student in good standing at an approved postsecondary educational institution whose students are eligible to receive before September 1, 2014, a higher education award (IC 21-12-3-11) or a freedom of choice grant (IC 21-12-4-4), or, after August 31, 2014, a higher education award or freedom of choice grant published under IC 21-12-1.7-3 ; and
 - b. is engaged in a program will lead to an approved postsecondary degree or credential.

For FY2015, scholarship distributions were \$1,150,000.

ADULT LEARNER FUND

Pursuant to Public Law 213-2015 I.C. 20-24-7-13.5

2015-2016	2016-2017
\$29,403,000	\$36,927,000

The Adult Learners fund is for a charter school that serves students, who are at least twenty-two (22) years of age and who have dropped out of high school before receiving a diploma. State law provides a listing of charter schools eligible to receive Adult Learner funds.

The appropriation funds a full-time equivalency count of students at \$6,600 per student for the fiscal year. The charter schools specified are removed from the state tuition support formula and funded through this appropriation.

The Department distributes funds according to a schedule set by the State Budget Agency and approved by the governor. The schedule provides for payments to be made at least twelve (12) times per fiscal year, with one (1) payment each forty (40) days. The aggregate amount of payments may not exceed the fiscal year appropriation. If the appropriations are insufficient, the Department will reduce each charter schools distribution by a proportionate share.

The following charter schools are being paid through the Adult Learners fund for FY2016:

- 9385 Christel House DORS
- 9885 Gary Middle College, Gary
- 9355 Excel Center Kokomo
- 9345 Excel Center Lafayette
- 9335 Excel Center Lafayette Square Mall
- 9305 Excel Center in Richmond
- 9750 Anderson Excel Center
- 9910 Excel Learners for Adults
- 9900 Excel Center South Bend
- 9855 Excel Center Noblesville
- 9440 Christel House DORS West
- 9840 Excel Center University Heights

EARLY INTERVENTION PROGRAM AND READING DIAGNOSTIC ASSESSMENT

Pursuant to P.L. 213-2015

2015-2016
\$4,018,030

2016-2017
\$4,012,000

Early Intervention Program

The \$4,018,030 Early Intervention Program focuses on early grade level intervention (first and second grades) to improve the reading readiness and reading skills of students who are at risk of not learning to read.

The Early Literacy Intervention Grant:

- Assists schools in acquiring materials, resources, and expertise needed to enhance literacy. Key to the programs funded is an enhancement of instructions so that teachers are better equipped to meet needs of students, to enhance student engagement, and to increase student literacy achievement.
- Provides funding for training specific to the school's core reading program, intervention and assessment. This training will directly impact the teachers' and/or interventionists' ability to administer their core, intervention or assessment program with fidelity which translates into more comprehensive and effective literacy instruction.
- Provides a means to further parent/family knowledge and participation in the literacy instruction of children. This can involve parent/family education meetings and trainings that model early literacy and provide supportive materials so that parents/families can extend the reading and literacy experiences in order to maximum student achievement.
- Provides funding for one year so that schools will have to time to fully implement their programs, sustain progress of the intervention over time, and gather data showing results from their assessments.

State Share: The total amount of the approved grant to a school corporation.

Local Share: Any costs of the program not met by the grant allocation.

Requirements for Participation: All Indiana public elementary schools serving students in first and second grades are eligible to submit a proposal for the competitive Early Intervention Grant.

Extent of Participation: For the 2014-2015 school year, 415 schools received an award representing 94 school corporations.

GIFTED AND TALENTED EDUCATION PROGRAM

Pursuant to P.L. 213-2015

2015-2016	2016-2017
\$12,550,416	\$12,548,096

The purpose of this program is to support school corporation high ability programs. The High Ability Education program includes:

1. Funding to assist local schools in the development and implementation of their programs and services for high ability students, K-12.
2. Organizing and developing a State infrastructure of resources and communication for high ability programs.

State Share: The total amount of the approved grant to a school corporation.

Local Share: Any costs of the program not met by the grant allocation.

Requirement for Participation: A school corporation may submit an electronic grant proposal for planning or continuation of services. Proposals are reviewed to verify compliance with I.C. 20-36 and 511 I.A.C. 6-9.1, the High Ability Program Rule.

Extent of Participation: Grants were awarded to 291 school corporations for the 2014-2015 school year.

Grants	Number Available	Individual Amounts Awarded	Total
	292	\$24,387-\$154,329	\$11,655,704

Distribution: Grants are paid by cash request to the school corporation upon proposal approval.

NATIONAL SCHOOL LUNCH PROGRAM

Pursuant to P.L. 213-2015 and I.C. 20-26-9-1 thru I.C. 20-26-9-17

2015-2016
\$5,125,000

2016-2017
\$5,125,000

Each school district's grant is a pro-rata share of the appropriated amount based on that district's percentage of the total paid meals served in the State during the previous school year. The amount appropriated is the required State match for participation in the National School Lunch Program. For further information concerning this multi-faceted program, please contact the Division of School and Community Nutrition Programs.

Requirements for Participation: The school corporation must be a participant in the National School Lunch Program and meet the nutritional standards set forth therein.

Extent of Participation: All public school corporations and over 200 nonpublic schools and other organizations.

State Share: This is the State Match on Federal National School Lunch Program Funds.

Local Share: There is no local share required for participation in this program. Costs not covered by the grant are borne locally and normally passed on to the student through meal charges.

Distribution: Funds are distributed annually, usually in the month of October, for the previous school year. The October 2015 distribution was \$4,943,210 for the 2014-2015 school year.

NON-ENGLISH SPEAKING PROGRAM

Pursuant to P.L. 213-2015

2015-2016	2016-2017
\$10,248,664	\$10,492,568

The 1999 Indiana General Assembly enacted the Non-English Speaking Program. This program is to provide funds to local public school corporations having a concentration of students who have a primary language other than English and limited English proficiency, as determined by WIDA W-APT and ACCESS assessments.

State Share: The State share varies each year, dependent upon the number of students identified as having a primary language other than English and limited English proficiency (LEP). The allocation for the 2015-2016 school year was \$175.86 per pupil, based on the 2014-2015 LEP pupil count through the Language Minority report. All program funds are allocated to school corporations with no funds remaining at the State level for administration.

Local Share: All program costs not covered by the State distribution.

Extent of Participation: A total of 337 school corporations received a distribution for the 2015-2016 school year serving a total of 57,770 LEP students. Distributions totaled \$10,159,432.

Distribution: Annually, as applications for funds are received and approved.

School Performance Award

Pursuant to P.L. 213-2015 and I.C. 20-43-10-3

2014-2015	2015-2016
\$30,000,000.00	\$40,000,000.00

School Performance Award

The School Performance Award was added by HEA 1001 (the Biennial Budget) during the 2013 Legislative Session of the General Assembly. It awards certain highly effective and effective teachers with cash stipends. These stipends are based on a formula described in [IC 20-43-10-3](#), which incorporates school-level data to determine which highly effective and effective teachers will receive the stipend.

The School Performance Award:

- As determined by the General Assembly, the award formula is based on each school's State achievement test scores. Each school's ISTEP and ECA achievement scores will be used in the calculation of a school's award amount; this includes ISTEP Math, English Language Arts, Social Studies and Science as well as the school's ECA English 10, Algebra 1, and Biology 1 results. If applicable, the award may also include an amount determined by each school's non-waiver graduation rate. The Department has created a graphical representation (www.doe.in.gov/evaluations) of the award calculation as described in the aforementioned legislation.
- There will be no application process for this award nor will a contract be necessary. The awards are determined using data from the 2014-2015 school year. The Department must wait on the availability of that data.

Requirements for Participation: All public schools, including charters, are eligible to receive an award if the school implemented a Staff Performance Evaluation program during the 2014-2015 school year as described in IC 20-28-11.5. That statute also requires schools to rate teachers in one of the four categories (Highly Effective, Effective, Improvement Necessary, and Ineffective). If a school did not implement a Staff Performance Evaluation program during the 2014-2015 school year as described in IC 20-28-11.5, the school will not be eligible to receive a School Performance Award. Additionally, the cash stipend must be paid only to teachers rated Effective or Highly Effective in eligible schools.

SCHOOL TEXTBOOK REIMBURSEMENT CONTINGENCY FUND

Pursuant to P.L. 213-2015 and I.C. 20-33-5

2015-2016
\$39,000,000

2016-2017
\$39,000,000

The purpose of the School Textbook Reimbursement Contingency Fund is to provide to school corporations, charter schools, and accredited nonpublic schools reimbursement from the Department of Education for a portion of the costs incurred during a school year in providing classroom instruction to children who meet the federal free and reduced lunch standards. Previous to 1999-2000 the program only provided assistance on behalf of students meeting free lunch standards.

State Share: School corporations, charter schools, and accredited nonpublic schools can receive reimbursement for curricular materials based on the number of eligible students claimed divided by the available appropriation. I.C. 20-18-2-2.7 defines curricular material as “systematically organized material designed to provide a specific level of instruction in a subject matter category, including:

- (1) books;
- (2) hardware that will be consumed, accessed or used by a single student during a semester or school year;
- (3) computer software; and
- (4) digital content.”

School corporations, charter schools, and accredited nonpublic schools are required to file student level information and curricular material information that reflects actual costs for both curricular materials and consumable workbooks that accompany adopted curricular materials. For FY2016 and FY2017, reimbursement from the fund will be based on a per student amount determined by dividing the statewide appropriation by the number of free/reduced students benefiting from curricular materials. Schools are still required to file textbook claim information that provides information on the cost of consumables, workbooks, and curricular materials. The cost of curricular materials used in gifted and talented education and special education is provided too. Lastly, developmentally appropriate instruction material for Grades K-3, laboratories, and children’s literature programs are included in the costs filed.

Local Share: School corporations and charter schools shall pay the balance after State reimbursement for curricular materials. Students who qualify under the federal free and reduced lunch provisions may not be required to pay fees for curricular materials, supplies, or other required class fees. The fees shall be paid by the school corporation that the child attends. The nonpublic school has no legal responsibility for paying the balance.

Requirements for Participation: School corporations, charter schools, or accredited nonpublic schools must file a claim with the Department of Education before November 1 of the current school year. The claim must include the number of eligible students and the associated costs for curricular materials, consumable curricular materials, and workbooks. Schools are required to submit student information through the STN Application Center in order to populate the student count on the claim form. The approved applications must include data required by Family and Social Services Administration (FSSA) with regard to Temporary Assistance to Needy Families to be considered by the Department of Education for reimbursement under this program.

Extent of Participation: In 2014-2015, this fund provided textbook assistance to local school corporations for 499,870 students and provided assistance for 4,956 accredited nonpublic school students at a cost of \$39,000,000.

Distribution: The Department distributes the funds in February of each school year.

SOCIAL SECURITY AND TEACHER RETIREMENT

Pursuant to P.L. 213-2015

2015-2016	2016-2017
\$2,403,792	\$2,403,792

The State's reimbursement consists of a monthly distribution to 20 non-school corporation entities (special and vocational education independent cooperatives, county auditors, and educational service centers) based on their 1992-93 obligation for social security for certified staff. Beginning in 1996, it also includes a reimbursement of 8.5% of the salaries of employees in the 1996 fund of the Teacher Retirement Fund.

State Share: The State share is 100% of the obligation, not to exceed the appropriation available.

Local Share: The local share is all costs not covered by State reimbursement.

Requirements for Participation: Non-school corporation entities must file for this reimbursement and have been in operation and incurred social security obligations in 1992-93 and been responsible for contributions to the 1996 fund of the Teacher Retirement Fund.

Extent of Participation: Independent special and vocational education cooperatives, two county auditors, and two education service centers receive reimbursement.

Distribution: Reimbursement is made on the first day of each month.

SUMMER SCHOOL

Pursuant to P.L. 213-2015 I.A.C. 6.1-5-2.5, 511 I.A.C. 6.1-5.1-3.5, 511 I.A.C. 6-7-6, and 511 I.A.C. 6-7-6.5

2015-2016
\$18,360,000

2016-2017
\$18,360,000

Reimbursement: For 2015, instructional costs for summer educational programs approved by the State Board of Education were reimbursed by category and grade level. For Category 1, five Math courses were 100% reimbursable. These included Middle School Math, Pre-Algebra, Algebra 1, and Integrated Math 1. Category 2 included basic studies (except the mathematics classes included in Category 1). Category 3 included all other curricular programs, enrichment and multidisciplinary classes as well as classes not counting toward graduation.

Eligible Programs

There was a three-category method of classifying courses for the purpose of reimbursing instructional costs as detailed below. Classes classified as Category 1 were reimbursed at 105 percent—if supported by the appropriation. If not supported by the appropriation, it was reduced proportionately among all claims submitted to the department. These costs were deducted from the total summer school appropriation and the remaining funds were allocated to reimburse Category 2 and 3 eligible costs.

Category 1 classes

Grades 1 – 3: Reading

Grades 9 – 12: Courses towards graduation, including electives

Category 2 classes

Grades 1 – 8: Language Arts and Mathematics

Grades 4 – 8: Reading

Category 3 classes

Grades 1 – 8: All other curricular programs, enrichment and multidisciplinary classes

Grades 9 – 12: Courses not counting toward graduation

Reimbursable Programs for 2015 Summer School

Elementary School

Category 1: Grades 1-3 Core Curricular Program — Reading

Category 2: Grades 1-6 Curricular Program – English/Language Arts (including Reading for Grades 4-6) and Mathematics

Category 3: Grades 1-6 All Other Curricular Program and Enrichment Studies- Social Studies, Science, Fine Arts, Visual Arts, Music, Citizenship, Health Education, Physical Education and Enrichment Studies,

Middle School (may also include Grade 6 where applicable)

Category 2: Grades 7-8 Core Curricular Program — Studies in curriculum areas required by 511 IAC 6.1-5-3.6(b)(1) and (2) – Middle School Language Arts (including Reading), and Mathematics

Category 3: Grades 7- 8 Curricular Program and Enrichment Studies — Studies in curriculum areas suggested for inclusion in the curriculum by 511 IAC 6.1-5-3.6(b)(3) through 511 IAC 6.1-5-3.6(c) – Social Studies and Citizenship, Science, Fine Arts, Visual Arts, Music, Career & Technical Education, Health, Physical Education, and Enrichment.

High School (Grades 9 – 12)

Category 1: 9-12 Courses toward Required Studies — Approved high school courses:

- (1) meet the requirements for high school graduation under 511 IAC 6-7.1-4 - including Elective credits;
- (2) meet the requirements for the Core 40 diploma designation 511-IAC 6-7.1-5, including Elective credits;
- (3) meet the requirements for the Core 40 diploma designation with academic honors 511 IAC 6-7.1-6, including Elective credits; and
- (4) meet the requirements for the Core 40 diploma designation with technical honors 511 IAC 6-7.1-7, including Elective credits.

Category 3: Courses not counting towards graduation — All other approved high school courses in 511IAC 6-7.1-7, except Driver Education and Motorcycle Safety Education, which are not eligible for reimbursement.

Non-Standard Programs (All Levels)

School corporations may offer only approved courses and curriculum programs. Non-standard program approval is available for courses and curriculum programs that differ from those authorized by the rules of the board in ways including, but not limited to, content, organization, methods, staffing, course title, instructional materials, or criteria for course or program completion. The deadline for submitting requests for approval of non-standard courses or curriculum programs was April 1, 2015.

2016 Summer School Program

The Department shall reimburse eligible school corporations for approved summer school program classes by taking 1.05 multiplied by the amount expended for instructional costs of approved programs and reduced proportionately if the appropriation is insufficient to fund all programs at one hundred percent (100%). Instructional costs, for purposes of the program, include only teacher salaries and teacher aide wages.

Eligible programs include the following:

Grades 1-3 Reading;
Grades 9-12 Courses toward graduation, including electives;
Grades 1-8 Language Arts and Mathematics;
Grades 4-8 Reading;
Grades 1-8 All other curricular programs, enrichment and multidisciplinary classes; and
Grades 9-12 Courses not counting toward graduation.

State Share: The State share is 100% Category 1 costs. Should there be insufficient funds to provide full reimbursement; Category 2 will be reimbursed if supported by the remaining funds.

Local Share: The local share is all summer school costs not covered by State reimbursement.

Requirements for Participation: Summer school reimbursement includes all Category 1 and Category 2 courses listed by grade level above except Driver Education and Motorcycle Safety Education. To conduct a nonstandard course, schools must apply for and receive a waiver approved by the Department of Education.

Extent of Participation: In the summer of 2015, 272 school corporations participated in summer school, and the \$18,360,000 appropriation was expended.

Distribution: Reimbursement is made after all summer school reports are received and approved and this is normally by November of each year.

COMMON SCHOOL FUND

Pursuant to I.C. 20-49-4

Advancements from the Common School Fund may be used for school building construction purposes and educational technology programs. Indiana Code 20-49-3-8 was amended during the 2014 session of the Indiana General Assembly to allow school corporation career and technical education schools described in I.C. 20-37-1-1 to apply for both common school construction and technology loans. School corporation career and technical education schools must provide the Office of School Finance with the information it needs to determine each participating school's proportionate share of the loan. To date, no school corporation career and technical education centers have requested a construction or technology loan.

School Technology Advancement Account

P.L. 213-2015 Pursuant to I.C. 20-49-4-5, I.C. 20-49-6, and 511 I.A.C. 1-2.5

2015-2016	2016-2017
\$5,000,000	\$5,000,000

The purpose of the account is to make loans to school corporations in order to:

1. Purchase computer hardware and software to be used primarily for student instruction.
2. To develop and implement innovative technology projects.

State Share: The State share is 100% of the approved qualifying amount. The minimum loan per School Corporation is \$20,000. The maximum loan per School Corporation is an amount determined by dividing the corporation's total pupil enrollment (as reported on the most recent DOE-PE) by 25 and multiplying the result by \$500 and rounding that figure to the next highest whole number.

If the aggregate amount of the petitions for loans does not reach \$5,000,000, the remaining dollars are distributed on an enrollment per capita basis among those petitioning school corporations indicating a desire to be considered for additional funding.

If the aggregate amount of the petitions for loans exceeds \$5,000,000, all petitioning school corporations are ranked in ascending order according to adjusted assessed valuation (AAV) per ADM. Petitioners with the lowest AAV/ADM receive first consideration when the loans are granted. Petitions for loans are filled until the appropriation is expended.

The State Board of Finance shall establish periodically the rate of interest payable as not less than 1% and not greater than 4%.

The Treasurer of the State of Indiana has established a repayment schedule of two to five years depending upon the amount of the loan.

Any school corporation receiving a loan from the account may annually levy a tax in the Debt Service Fund sufficient to produce an amount equal to the amount deducted that year from the Basic Grant.

Local Share: The local share is all computer hardware and software costs not covered by the loan. Additionally, the recipient school corporation is responsible for interest and the repayment of principal on schedule.

Requirements for Participation: Any school corporation authorized by law to establish public schools and levy taxes for their maintenance may petition for a loan from the School Technology Advancement Account.

In order to receive a loan, a school corporation must develop a three-year technology plan. The plan must include at least the following information.

1. A description of the corporation's intent to integrate technology into the curriculum.
2. A plan for providing in-service training.
3. A schedule for maintaining and replacing educational technology equipment.
4. A description of the criteria used to select the appropriate educational technology equipment for the appropriate use.
5. Other information requested by the Department of Education after consulting with the State Budget Agency.

Extent of Participation: Loans totaling \$3,672,951 were granted to 20 school corporations in the fall of 2015.

Distribution: Funds are available each year immediately following approval of petitions at the September meeting of the State Board of Education.

School Building Construction Program

Qualifications: Under the provisions of I.C. 20-49-4-7 to qualify for an advance from the Common School Fund, the school corporation or school township must have:

1. Sustained loss by fire, wind, cyclone, or other disaster of all or a major portion of a school building or school buildings.

2. An adjusted assessed valuation per pupil ADM within the lowest 40% of the assessed valuation per pupil ADM when compared with all school corporations or school townships assessed valuation per pupil ADM.
3. An advance under this chapter outstanding on July 1, 1993, that bears interest at 7½%.

School Building Construction Program does not include facilities used or to be used primarily for interscholastic or extracurricular activities.

Maximum Amount Available: No advance to a school corporation or a school township for any school building construction program may exceed the greater of:

1. \$15,000,000; or
2. the product of \$15,000 multiplied by the number of pupils accommodated as a result of the school building program.

The State Board of Education may waive this provision in the event that the school corporation or school township sustains loss by fire, wind, cyclone, or other disaster.

Interest Rate: The State Board of Finance will periodically establish interest rates as long as:

1. The established rate or rates do not exceed seven and one-half percent (7½%).
2. The interest rate or rates on advances made to school corporations or school townships with advances outstanding on July 1, 1993, bearing interest at seven and one-half percent (7½%) or more shall not exceed four percent (4%).

Repayment Period: Money advanced to school corporations or school townships for school building construction programs may be advanced for periods not to exceed 20 years.

State Board of Education Administrative Policies: The State Board of Education adopted the following administrative policies at its September 2, 2009, meeting.

Extent of Participation: In the fall of 2015, construction loans totaling \$10,689,500 were awarded to 3 school corporations.

Educational Technology Program

Qualifications: In order to receive funds under I.C. 20-49-4-16 through I.C. 20-49-4-22, the school corporation must develop a three-year technology plan (I.C. 20-20-13-7). The plan must include at least the following information:

1. A description of the school corporation's or school township's intent to integrate technology into the school corporation's curriculum.
2. A plan for providing in-service training.
3. A schedule for maintaining and replacing educational technology equipment.
4. A description of the criteria used to select the appropriate educational technology equipment for the appropriate use.
5. Other information requested by the Department of Education after consulting with the State Budget Agency.

The Department of Education is required to develop guidelines concerning the development of technology plans. Guidelines are subject to the approval of the governor.

Maximum Amount Available: Advances for educational technology programs are without limitation in amount other than the availability of funds in the Common School Fund for this purpose, and the ability of the school corporation desiring an advance to repay it in accordance with the terms of the advance.

Interest Rates: The State Board of Finance shall establish periodically the rate or rates of interest payable as long as the rate or rates:

1. Are not less than 1%; and
2. Do not exceed 4%.

Repayment Period: Money advanced for school technology may be for periods not to exceed five years.

Use of Funds: The State Board of Education will advance money to school corporations or school townships for the:

1. Acquisition of educational technology equipment.
2. Operation of education technology equipment.
3. The training of teachers in the use of educational technology equipment.

Extent of Participation: Loans totaling \$14,879,611 were granted to 31 school corporations in the fall of 2015.

State Board of Education Administrative Policies for the Common School Fund: Technology advances must be used within one (1) year after the State Board of Education approves the advance.

ADMINISTRATIVE POLICIES FOR THE COMMON SCHOOL FUND

1. During any one award period, a school corporation may cite no more than one building (remodeling, renovation, or new structure) as the subject of an advance from the Common School Fund.
2. The State Board of Education will not approve a construction advance to a school corporation that has unused school facilities that are in excess of the corporation's facility needs. An applicant school corporation will provide a list of all facilities owned or leased by the school corporation and a statement of the current use of each facility. If a facility is not currently being used, the corporation must explain the status of that facility and provide a rationale for not disposing of the facility.
3. A school corporation that submits an application for an advance from the school construction program or the educational technology program must certify either: 1) that the corporation has completed the preliminary determination and petition-remonstrance procedure in I.C. 6- 1.1-20 with favorable results; or 2) that the procedure does not apply. This requirement does not apply if a school corporation intends to repay an educational technology advance from its Capital Projects Fund.
4. A corporation must submit its request for an advance on an original copy of the form approved by the State Board of Education.
5. Any school corporation that requests an advance from the school construction program should comply with the school facility guidelines adopted by the Indiana State Board of Education on September 7, 1995, or guidelines subsequently adopted pursuant to I.C. 20-19-2-12.
6. The maximum amount awarded under the provisions governing educational technology advances will be based on the corporation's ADM times \$100. Corporations requesting advances for technology will be ranked from lowest to highest according to their adjusted assessed valuation per ADM.
7. Funds for the two categories of advances shall be allocated as follows:
 - School Construction Program 50%
 - Educational Technology Program 50%

In the event that all funds are not awarded from one program, those funds that remain may be transferred to the other program.

8. Technology advances must be used within one (1) year after the State Board of Education approves the advance.

9. Construction advances must be used within two (2) years after the State Board of Education approves the advance, with at least fifty percent (50%) of the advance used within one (1) year after the State Board of Education approves the advance.

10. The State Board of Education will not permit prepayment of advances.

Adopted: September 2, 2009

VETERANS MEMORIAL SCHOOL CONSTRUCTION FUND

Pursuant to I.C. 20-49-2

Loans are determined on the basis of the School Building Index, a ratio between classroom need, expressed in dollars, and school corporation current debt.

State Share: Advancement to any school corporation under the provisions of I.C. 20-49-2-9 shall not be in excess of \$250,000. However, the maximum dollar amount may be waived if:

1. The school corporation has an adjusted assessed valuation per pupil ADA of less than \$8,400.
2. The school corporation's Debt Service Fund tax rate would exceed one dollar per \$100 of assessed valuation without a waiver of the dollar limitation.

Local Share: A prerequisite for obtaining the proceeds from a loan is that the school corporation must have issued bonds for the purpose of constructing, remodeling, or repairing school buildings in 90% of the maximum amount allowable under the constitution and laws of the State. The amount of the repayment on the principal, plus one percent (1%) interest on the declining balance, is withheld by the State from the corporation's basic grant distribution and transferred to the Veterans Memorial School Construction Fund.

Extent of Participation: Since 1969, 78 school corporations have obtained loans from this fund. Currently, one school corporation has an outstanding loan.

Distribution: During 2015, no funds were distributed.

VETERANS MEMORIAL SCHOOL CONSTRUCTION FUND

Disaster Provisions

Pursuant to I.C. 20-49-2-11

State Share: The amount of the loan will be determined by multiplying the State's average cost of construction per pupil (as determined by P.L. 81-815) by the number of pupils displaced by the disaster. School corporations may apply for only the difference between the insurance coverage and the replacement cost of the facility.

Local Share: Repayment is made in annual installments over a maximum of 20 years. The amount of repayment on the principal, plus one percent (1%) interest on the declining balance, is withheld by the State from the school corporation's basic grant distribution and transferred to the School Disaster Loan Fund.

Requirements for Participation: The school corporation must have suffered loss by fire, flood, tornado, wind, or other disaster that makes all or part of the school building unfit for school purposes as defined in I.C. 20-26-7-29 thru I.C. 20-26-7-34. The maximum amount of the loan may not exceed three million dollars (\$3,000,000).

Extent of Participation: Currently 8 school corporations have outstanding loans.

Distribution: Loans are distributed in accordance with the guidelines established by the State Board of Education.