

Funding - Legislative Brief**October 2020**

The COVID-19 pandemic has taken a toll on the State budget and it remains eminent that revenues will be down for the next budget cycle. On behalf of schools, the Indiana Department of Education (IDOE) implors the General Assembly **not** to cut current K-12 funding. Tuition support is the main funding source for Indiana's schools and must remain a top fiscal priority. Indiana's K-12 education appropriation accounts for more than 50 percent of Indiana's General Fund appropriations, supporting school operations and teachers salaries, impacting 1.2 million Hoosier students.

Indiana's K-12 education system must set the course for increased academic achievement and intellectual growth. The COVID-19 pandemic created a degree of learning loss for Hoosier students. Additionally, districts were tasked with mobilizing quickly to shift to remote learning at a great expense. Faced with a global pandemic, schools pivoted quickly to meet the needs of students, staff, and communities by providing necessities like remote resources and food service. This is evidence that K-12 funding is more critical than it's ever been. The end goal, pandemic or not, is to provide children with the tools necessary to be successful in life.

If K-12 spending cuts occur during fiscal years 2022 and 2023, Indiana districts will face the following challenges and issues:

1. Underfunding and underserving Indiana's most at-risk students.
2. Cuts to critical programs due to in part by the necessary reallocation of resources due to the COVID-19 pandemic.
3. Increases in SEL and insurance costs resulting from heightened anxiety and depression due to the pandemic.
4. Additional costs to provide PPE, sanitizing equipment, and support staff such as school counselors and school nurses.
5. Decreases in teacher retention adding to an already alarming teacher shortage resulting in the need to issue emergency permits.

Proposed legislative remedies to ensure adequate state funding:

1. *Curricular Material Reimbursement* (I.C. 20-26-12, I.C. 20-33-5, and I.C. 12-14-28)

The school Curricular Material Reimbursement Program allows IDOE to reimburse school corporations, accredited non-public schools, and charter schools for a portion of the costs incurred to provide curricular materials, workbooks, and instructional materials to children

who meet federal free and reduced price lunch financial eligibility guidelines. IDOE allocates funds based on a per student amount as required by I.C. 20-33-5-9.5.

For the last two years of the program, \$39,000,000 has been available for reimbursement. In 2018-2019, 490,037 students were claimed, costs claimed was \$69,268,568 and the reimbursement rate was \$79.58 (rounded). In 2019-2020, 481,262 students were claimed, costs claimed were \$66,110,514, and the reimbursement rate was \$81.04 (rounded). The population served is students who are eligible for free or reduced lunches as determined under I.C. 12-14-28-1. Participating school corporations, charter schools, and nonpublic schools are currently submitting data for the 2020-2021 school year. Due to the pandemic, we anticipate an increase in costs claimed as well as the number of students participating in the program.

Left unchanged, state reimbursement will decrease for participating schools as the number of eligible students and program costs increase.

If the appropriation remains at \$39M for fiscal years 2022 and 2023, the per student reimbursement amount allocated to participating schools will likely decline from year to year resulting in school corporations raising additional unreimbursed funds through a property tax levy. Budget items including the textbook reimbursement fund will continue to be strained as a result of unemployment due to COVID-19.

Should the appropriation experience a 15 percent reduction, the per student reimbursement will experience a sharper decline resulting in a higher property tax levy raised by school corporations. Charter schools will experience a revenue loss equal to the difference between costs claimed less the state reimbursement amount.

Absent adequate curricular material funding, schools may continue to use outdated materials, hardware, and software, which results in not keeping pace with technology changes. Additionally, current law bases reimbursement on the total number of students participating in the program. It does not limit reimbursement to the lesser of costs claimed or the amount determined under I.C. 20-33-5-9.5. Therefore, a participating school could receive a reimbursement that is greater than costs claimed. Given the expectation that participating public and nonpublic schools will experience an increase in the number of students requesting curricular material assistance, the appropriation should remain at \$39M at a minimum. Knowing an appropriation increase is unlikely at this time, participating public and nonpublic schools rely on the appropriation to offset some of the costs incurred in providing eligible students assistance. With a virtual presence being used to a greater extent by many schools, the use of electronic devices is critical to adequately provide instruction.

The allocation of funds is determined by dividing the appropriation by the number of eligible students to arrive at a per student amount. Total funds distributed to a participating school

could exceed costs claimed. Reversion to the previous law for allocating funds would eliminate this issue.

Proposed remedies regarding allocation of curricular reimbursement materials include: Maintaining or increasing the existing \$39M appropriation or amending I.C. 20-33-5-9.5 to include a provision that the amount of reimbursement is based on total costs claimed and proportionately reduced should the appropriation be insufficient.

2. *Summer School* (511 IAC 12, I.C. 20-26-5, and I.C. 20-30-7)

Summer School is a state-reimbursable program which allows Indiana's school corporations to provide summer academic courses for students in elementary, middle, and high school. All courses included in the state approved course titles and descriptions are eligible to be offered for elementary, middle, and high school students upon annual approval by the State Board of Education. IDOE's role is to monitor the reimbursement process through the collection and review of data as well as distribution of funds.

All Indiana public school corporations and charter schools are eligible for Summer School reimbursement. For the 2017-2018 school year, IDOE reimbursed 305 school corporations and charter schools, total costs claimed were \$22,503,429 and more than 223,399 students were served. For the 2018-2019 school year, IDOE reimbursed 310 schools, total costs claimed were \$22,720,311 and more than 236,718 students were served. IDOE spent the entire appropriation, \$18,360,000, for school year 2018-2019. Summer school costs for the 2019-2020 are still being finalized.

In the most recent school year, IDOE expanded the window to accept summer school estimates to allow schools to figure out course offerings in response to instructional obstacles faced in the spring during the pandemic. The loss of learning for some students, especially in kindergarten through grade three, when learning to read, will be significant. Summer school gives schools a chance to help the struggling students be better prepared for their next grade level. With the pandemic, there were more absences due to precautionary or quarantine measures, which resulted in a gap in learning, in all grade levels. This will likely continue through next summer's program. Allowing the current appropriation to remain in place provides schools with some funding to cover part of all costs for programs provided as we move forward.

IDOE recommends continued funding of \$18,360,000 for summer school to afford school corporations and charter schools the ability to offer needed courses for students that require additional courses to complete graduation requirements, other course requirements, and to assist with learning gaps.

3. Tuition Support (I.C. 20-43, I.C. 20-24, 511 IAC 1-3, I.C. 20-51, I.C. 21-12-10)

The Tuition Support appropriation supports allocations for the Choice Scholarship Program, described in I.C. 20-51, the Mitch Daniels Early Graduation Scholarship Program described in I.C. 21-12-10, and State Tuition Support found in I.C. 20-43.

Tuition Support provides funding for students in traditional public school corporations and charter schools through the school funding formula. The school funding formula aims to provide fairness in per student funding. Beginning in 2009, the state assumed the cost of the school general fund property tax levy. The local general fund levies no longer exist and the State funds the Education Fund for each school corporation and charter school using sales and income tax revenues.

On July 1, 2013, the State Tuition Support formula was modified from a calendar year to a fiscal year school funding formula, which was consistent with how state revenue flowed and continues to flow. For FY 2014 and FY 2015, the Full-day Kindergarten (FDK) Grant was a separate grant within the State Tuition Support formula while the Basic Grant was broken into two separate grants- Basic and the Complexity Grant. On July 1, 2015, state law changed to allow students, who participate in a FDK program, to count as one student for Basic and Complexity Grant funding. Students, who do not participate in a FDK program, continue to count as one-half student for both grants. As part of statutory changes, the FDK grant, which was a separate grant within State Tuition Support, was repealed.

Beginning with the FY 2018 school funding formula and continuing on with the FY 2019 formula, the September membership count was used to calculate Basic and Complexity Grant funding and the February membership count was informational. After years of moving toward the same level of foundation funding for each student, all school corporations and charter schools reached foundation in FY 2017. Beginning in FY 2020, both the fall and spring membership counts were used in the school funding formula. Additionally, the Complexity Grant, which for a few years was separate from the Basic Grant, was rolled back into the Basic Grant for fiscal years 2020 and 2021. The current Basic Grant consists of three funding components- foundation, complexity, and English Language Learner. As part of the FY 2021 school funding formula, a student who was at least age five on October 1, 2020, was eligible to be reported for membership, if the student was waived into kindergarten in accordance with local school policy.

Tuition Support appropriations:

FY 2019	\$7,160,000,000
FY 2020	\$7,331,500,000
FY 2021	\$7,514,400,000

In FY 2019, IDOE distributed tuition support funds to 289 school corporations and 80 charter schools. In FY 2020, the IDOE distributed tuition support funds to 289 school corporations

and 79 charter schools. For FY 2021, the IDOE anticipates distributing tuition support funds to 290 school corporations and 80 charter schools.

The Choice Scholarship Program served 36,290 participating students and 329 Choice schools in FY 2019. The same program served 36,707 participating students and 326 participating Choice schools in FY 2020. The FY 2020 program included a second choice student application window. The breakdown of applicants was 36,248 in Period 1 and 459 in Period 2.

The Mitch Daniels Early Graduation Scholarship program provided funds for 263 recipients in FY 2019 and 340 recipients in FY 2020.

Left unchanged, school corporations and charter schools will face negative impacts on programs and services. The Tuition Support appropriation provides the greatest source of revenue for school corporations and charter schools. In light of the COVID-19 pandemic, local governing bodies had to make fast and hard choices to address technology and ongoing maintenance needs for staff, teachers, and students both inside and outside the classroom. These changes will likely result in re-evaluation, reduction, and or elimination of programs and services moving forward.

If there is continued expansion in the number of public school corporations, charter schools, and participating Choice schools, tuition support funding shifts to accommodate the changing student populations and creates uncertainty with the funding stream. The number of new students entering the 2019-2020 Choice program during the second application period was 459 while the number of transfer students (Choice school to Choice school) was 90 students. Given the pandemic, we anticipate the number of students “new” to the program during the 2020-2021 second application period is likely to increase over the last school year.

Proposed remedies to support educational needs and programs of students include:

1. At a minimum, maintain the FY 2021 appropriation moving forward.
2. Consider not reverting any remaining tuition support funds to the state general fund.
3. Evaluate the feasibility of increasing taxes (cigarette, gaming etc.).
4. Consider diverting lottery revenues to support traditional public schools.
5. Place a moratorium on reorganizing school corporations, establishing new charter schools, and accepting applications for new Choice Schools.
 - a. Amend I.C. 20-23-4-7 to place a two-year moratorium on the subdivision of one more more school corporations
 - b. Amend I.C. 20-24-3 to place a two-year moratorium on granting of a charter to organizers
 - c. Amend I.C. 20-51-4-7 to place a two-year moratorium that precludes an accredited nonpublic school that is not currently an eligible participating school in the Choice Scholarship Program from participating in the program

- d. Amend I.C. 20-51-4-7 to require a first period choice application during the same school year to be eligible for a second period application. The second application period (November 1 through January 15) would allow Choice school to Choice school transfer of existing eligible students while not allowing new applicants to enter the program mid-year

4. *Charter and Innovation Network School Grant Program (I.C. 20-24-13)*

This grant, which is administered by the State Board of Education, provides funding to a charter school for capital improvements, operation fund expenditures, and the purposes for which the Senator David C. Ford educational technology fund may be used. Virtual charter schools are not eligible for funds.

Appropriation history includes:

FY 2018	\$15,000,000
FY 2019	\$15,000,000
FY 2020	\$22,500,000
FY 2021	\$22,500,000

For fiscal years 2018 and 2019, the annual grant for a school was \$500 multiplied by the number of eligible pupils counted in the current average daily membership count of the school. For fiscal years 2020 and 2021, the multiplier increased to \$750 per eligible pupil and while the appropriation increased fifty percent from fiscal year 2019 to fiscal year 2020. Eligibility requirements to receive a grant are described in I.C. 20-24-13-4 and 5.

Left unchanged, charter schools will not share the same fiscal burden as other funds and grant programs. We must ensure that any reversions or reduction in funding for grants are spread across programs. Reversions or state budget cuts, if needed, should be spread evenly across all K-12 factions.

Proposed remedies include:

1. Reducing fiscal year 2022 and 2023 appropriations to fiscal year 2019 funding levels.
2. Amending I.C. 20-24-13-6 to reflect a per pupil funding amount of \$500 from \$750.

Additional fiscal items to consider:

1. Teacher pay and teacher shortages:

According to the learning policy institute, 10.5 percent of Indiana teachers left the profession in 2018 making Indiana fourth in the nation for teacher attrition. This figure correlates with the

number of emergency permits IDOE issues each year. From 2017-2018, 2018-2019, and 2019-2020, issuance of emergency permits increased from 2,837 to 3,812, and to 4,496 respectively.

Teacher shortages have taken a toll on Indiana schools which is directly related to educator pay. According to recent data, the following areas experienced a teacher shortage during the 2019-2020 school year: science, math, computer education/science, and technology education.¹ These shortages are felt even more during the 2020-2021 school year as the pandemic negatively affected the teaching profession.

2. Fifteen percent budget cut items:

The following six services underwent 15 percent budget cut dues to COVID-19 cost saving measures.

Program	FY 2021 Appropriation	15% Reserve
Alternative Education	\$6,242,816	\$936,422
High Ability	\$13,053,300	\$1,958,010
Early Intervention	\$3,255,130	\$488,270
Remediation Testing	\$11,711,344	\$1,756,702
STEM Program Alignment	\$3,000,000	\$450,000
David C. Ford	\$3,086,071	\$462,911

Formative assessments (remediation testing) and the use of their data help guide classroom instruction at the individual student level and result in increased academic success. The total amount of unique students participating in the formative assessment during the 2019-2020 was 815,049 and it's estimated that during the 2020-2021 school year there will be 819,822 unique students participating. This increase of 4,773 students is in part due to 42 additional corporations participating in Indiana's formative assessment grant funds.² Another round of monetary reductions in this area will lead to less formative assessment offerings or require districts to pay for this valuable resource.

Alternative education programs are critical pathways for students who otherwise may drop out of school. The amount of alternative education students totaled 16,058 during the 2017-2018 school year and 16,528 during the 2019-2020 school year. During the 2019-2020 school year and in spite of the issues caused by COVID-19, 4,080 (24.3 percent) students earned high school diplomas. In addition, 2,689 (16 percent) students attained the academic,

¹ Other areas include: business, CTE courses, early childhood education, instrumental and general music, secondary language arts, special education, teachers as English learners, vocal and general music, and world languages.

² Source: 2020-2021 Formative Assessment Grant: corporation and School Distributions. September 2, 2020 memorandum

behavioral, and social goals established in their Individual Service Plans (ISPs), and 4,799 (28.6 percent) students made progress toward those goals. In other words, nearly 70 percent of all alternative education students graduated, met, or made progress toward their goals. Of the seniors enrolled in alternative education programs, 56.9 percent earned their high school diplomas, in spite of the challenges they faced that made them eligible for alternative education.

Early Intervention Grant (EIG) funds are to be used to better equip teachers to meet the needs of students, to enhance student engagement, and to increase student literacy achievement for students in grades K-3. Compared to the 2019-2020 school year, there are about 100 more schools participating in EIG funds during the 2020-2021 school year. In terms of student enrollment, EIG serviced 119,983 students during the 2019-2020 school year and will service 141,040 students during the 2020-2021 school year. Since 2017, the EIG amount allocated per student was around \$27, and the 2020-2021 EIG allocation per student will be \$17.35.

3. *State Reserves:*

During fiscal year 2019, State reserves totaled \$2.3 billion but at the close of fiscal year 2020 these reserves dipped to \$1.4 billion or 9.1 percent of current year expenditures. Indiana's reserve benchmark rests between 10-15 percent of expenditures. The instability of the pandemic moving forward creates fiscal uncertainty as Indiana lawmakers strike a careful balance between maintaining healthy reserves versus adequately funding our K-12 institutions.

4. *Civil Liability Immunity:*

Every school employee, school corporation, contractor, volunteer, and governing body should be provided civil immunity during the COVID-19 pandemic and for any future declared public health emergency. So long as these individuals are acting within the scope of their employment and in good faith are responding to a lawful order or directive from the state of Indiana or federal agency, they should not be held liable for their actions or omissions. Failure to pass civil liability legislation could result in expensive court battles and associated fines reducing the cash flow available to districts.

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