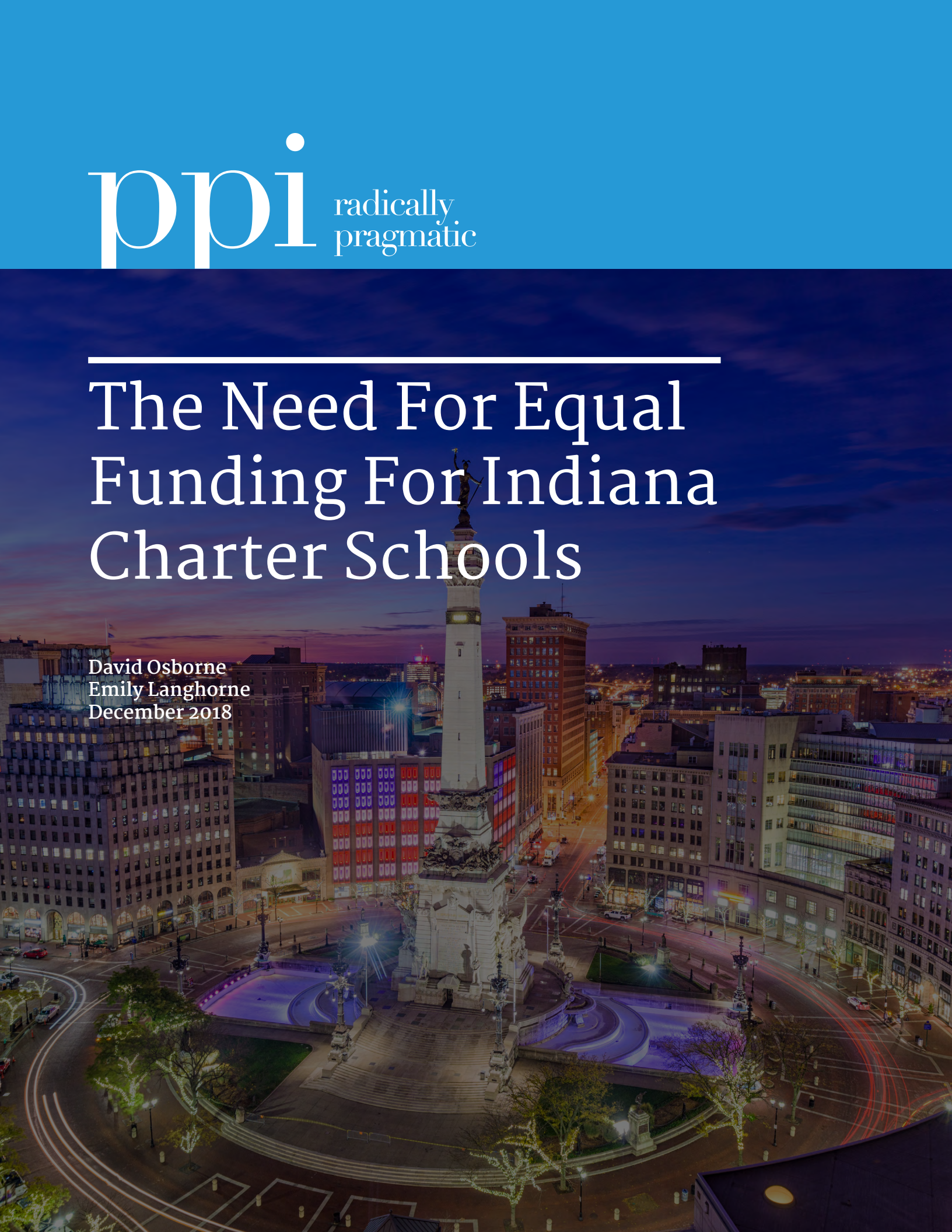


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The Need For Equal Funding For Indiana Charter Schools

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December 2018



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Executive Summary

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Charter schools are tuition-free public schools operated by independent organizations. Freed from many rules and top-down policies constraining district-operated schools, charter school leaders have direct control over most school-level decisions.

Indiana has the best charter school law in the country, according to the National Alliance of Public Charter Schools, because it allows full operational flexibility and provides true accountability for school performance.¹

Indiana's brick-and-mortar K-12 charter schools serve a higher percentage of students of color and low-income students than the traditional public schools. Yet, on state standardized tests, these charter school students outperform their peers at traditional public schools. In both 2016 and 2017, the state rated a higher percentage of charters as "A" schools and a lower percentage as "D" or "F" schools than traditional public schools serving similar student populations.²

All charter schools were founded to fill some unmet need in our K-12 system or to offer a better alternative to a failing traditional school. Yet brick-and-mortar K-12 charter schools receive \$3,113 per student per year less than district-operated public schools, because they do not receive local tax funding.³ Indiana offers an Innovation Grant of up to \$500 per pupil to qualifying charter schools, which averages \$440 per pupil.⁴ Hence, the overall funding shortfall is \$2,673 per student per year.

To remedy this inequality, we recommend that the annual Innovation Grant paid to brick-and-mortar K-12 charter schools (including charters that specialize in serving students with cognitive disabilities or addiction problems) be raised from \$500 to \$3,100 per student. We also recommend that all restrictions and eligibility requirements to receive the grant be removed. Charter schools are already more accountable for performance than district-operated schools, because charter authorizers close schools that perform poorly or have financial problems. A total of 32 charter schools have been closed in Indiana since 2006.⁵

II. OVERVIEW OF INDIANA'S CHARTER SCHOOLS

For the past decade, Indiana's charter schools have outperformed traditional public schools that serve students with similar demographics and academic histories. Furthermore, the state's charter schools serve a higher percentage of students of color and low-income students than its traditional public schools. Yet charters receive \$2,673 less per pupil than traditional public schools, because they cannot access local tax revenues.⁶

This 24 percent funding gap is a civil rights issue. Though parents of charter school students are taxpayers, their children do not have equal access to tax dollars. This is profoundly unfair to the thousands of low-income and minority families who have refused to leave their children in failing district schools. These families have pursued the American Dream by seeking a better education and a better future for their children. They should not be penalized for their efforts: Their children deserve the same level of school funding as every other child in public school.

A. Description of Indiana's Charter Schools

Indiana's charter schools are tuition-free public schools operated by independent organizations. Freed from many rules and top-down policies constraining district-operated schools, charter school leaders have direct control over most school-level decisions. The theory is that students can achieve more if those who understand their needs best – namely, principals and teachers, not a district central office – make the decisions that affect their learning. In exchange for this increased autonomy, charter schools are held accountable through performance contracts with an authorizing body, which closes or replaces the school if students aren't learning enough. Most charters are schools of choice, but unlike many magnet

schools in traditional districts, they cannot select their students. Indiana's charter law requires that an oversubscribed charter use a lottery to see who gets in, unless the school has opted into a unified enrollment system like Indianapolis's Enroll Indy, which is in essence a lottery for all families.⁷

B. Growth and Present Size

Indiana enacted its charter school law in 2001, and, by 2018, the charter sector had grown to 88 schools, serving approximately 44,444 students – roughly four percent of all public-school students.⁸ Of these schools, 62 serve students in brick-and-mortar schools, 17 serve adult students, and five serve special populations (students with severe cognitive disabilities or addiction problems). The remaining four schools include three virtual schools and one hybrid school, where students attend school two days a week and learn on their own, using computers, for the other three days.⁹

Figure 1: Types of Charter Schools in Indiana

SUMMARY OF TYPES OF CHARTER SCHOOLS	
Brick-and-mortar charter schools	62
Special population schools	5
Adult high school	17
Virtual school	3
Hybrid school	1
Total public charter schools	88

C. Additional Funding Needed for Brick-and-Mortar and Special Population K-12 Charter Schools

The charter schools that need equal funding are the 62 brick-and-mortar schools and the five special population schools. Virtual charter schools serve a very different population from most of the state's other charter schools and the school districts where those charters are located, and they are funded differently from either. The state's one hybrid school, with 240 students, is operated by a virtual charter operator, and its students are on site only two days a week. The 17 adult high schools are also

funded differently, under a separate funding provision.

D. Charter School Accountability

The state's charter authorizers are responsible for holding the schools accountable for performance, which ultimately means revoking a charter and closing a school if student performance lags too far behind grade level. Each school's contract lasts at least three years but no more than seven before renewal.¹⁰ Indiana's charter law allows five types of organizations to serve as authorizers, as shown in Figure 2.

Figure 2: Charter School Authorizers in Indiana

WHAT AUTHORIZERS DO	WHO CAN BE AN AUTHORIZER	INDIANA'S CURRENT AUTHORIZERS
<ul style="list-style-type: none"> • Vet and approve charter school applications • Oversee school progress • Hold schools accountable for performance • Close and replace failing schools • Ask successful operators to open another campus 	<ul style="list-style-type: none"> • Governing board of any school corporation (local school board) • Governing board of a nonprofit college or university offering a baccalaureate degree • State college or university offering baccalaureate degree • Mayor of Indianapolis • Indiana Charter School Board 	<ul style="list-style-type: none"> • Ball State University • Calumet College of St. Joseph • Daville Community Schools • Evansville/ Vanderburgh Schools • Indiana Charter Board • Grace College • Indianapolis Mayor's Office • Trine University

State law stipulates that charter schools must be organized and overseen by a 501(c)3 nonprofit governing board. However, these nonprofit boards may contract with for-profit or nonprofit school management organizations to run the school. Regardless, over 90 percent of charter school operators in the state are nonprofits.¹¹

States with strong charter laws and equally strong authorizers produce charter schools with positive academic gains for students. The National Alliance for Public Charter Schools, an advocacy group, annually evaluates each state's law. In 2018, for the third year in a row, the group ranked Indiana's charter law number one out of the nation's 45 charter laws (in 44 states and the District of Columbia).¹²

The Center for Education Reform, which conducts its own rankings using a different framework, has consistently given Indiana's law an "A" rating – awarded to only four jurisdictions. Both the Alliance and the Center highlight as strengths of the law the great autonomy given to charter schools and the state's ability to hold charters accountable for their performance.¹³

While Indiana's charter schools receive flexibility from certain state laws and are exempt from district policies, they are subject to all state and federal laws that protect against discrimination. The state's charter law dictates that public charters must serve any student who resides in the state and cannot limit students' admissions in any way, except in the case of single-gender charter schools. As at other public schools, students must take all state exams, and the schools are subject to the state's A-F performance rating.¹⁴

III. COMPARING THE PERFORMANCE OF DISTRICT-OPERATED AND CHARTER SCHOOLS

A. Basis of Comparison

The 2017 State Board of Education study, *Formal Evaluation of the Overall State of Charter School Outcomes in Indiana*, used demographic and academic data to compare district and charter students in the 15 school corporations with the most charter school students. These "benchmark districts" are shown in Figure 3.¹⁵



Figure 3: Charter School Enrollment by Students Living Within the 15 Benchmark Districts' Boundaries, 2015-2016

BENCHMARK DISTRICT	CHARTER SCHOOL STUDENTS	% OF STUDENTS WITHIN CORP BOUNDARIES
Indianapolis Public Schools	11,493	28.0%
Gary Community School Corp	4,924	43.2%
South Bend Community School Corp	1,812	8.8%
Anderson Community School Corp	1,274	15.4%
School City of East Chicago	974	16.7%
M S D Lawrence Township	894	5.4%
M S D Warren Township	876	6.7%
School City of Hammond	820	5.6%
Fort Wayne Community Schools	728	2.4%
M S D Pike Township	703	5.9%
Evansville Vanderburgh School Corp	648	2.8%
M S D Wayne Township	639	3.8%
M S D Washington Township	516	4.4%
Perry Township Schools	502	3.1%
Greater Clark County Schools	478	4.4%

As Figure 4 shows, charter schools in these 15 school districts have higher percentages of low-income students (those who qualify for subsidized meals) and students of color than district schools.

Figure 4: Student Enrollment (Subgroup)¹⁶

	SCHOOL TYPE		
	All Indiana Schools	Benchmark Traditional Public Schools	Benchmark Brick-and-Mortar Charters
% Students of Color	23.6%	54.1%	66.7%
% White Students	69.0%	35.1%	26.7%
% English Language Learners	4.5%	10.1%	5.8%
% Free/Reduced Lunch	45.7%	66.4%	68%
% Special Education	14.5%	15%	13.5%

Almost everyone in education agrees that more children from low-income families struggle academically than children from middle- or upper-income families. Many low-income families are led by a single parent, who may work long hours.¹⁷ Some of these families struggle to even get their children to school. Low-income families also tend to suffer more evictions and move more frequently, which forces students to change schools more often or miss some schooling entirely.¹⁸ They are also less likely to have access to and information

about healthy eating habits, so their children are prone to pediatric obesity and nutrition-related problems that can affect learning and development.¹⁹

Children from low-income families that do not speak English also have a significant disadvantage, especially if these children do not develop proficiency in English before they enter first grade. Because many of these children are not enrolled in preschool, they often lack that opportunity.²⁰

B. Comparison of Academic Performance

Because of these factors, the fairest measure of academic performance is academic growth: how much students have learned in one academic year. Comparisons of absolute test scores are unfair because middle-class students start with such an advantage over low-income students.

Based on results of the 2016-2017 Indiana Statewide Testing for Education Progress (ISTEP+), fourth through eighth grade students at brick-and-mortar charters had slightly greater academic growth than those at district schools, while brick-and-mortar charter high school students had far greater growth than their traditional public school peers.²¹

Figure 5: 2017 ISTEP+ Academic Growth by School Type²²

SCHOOL TYPE	AVERAGE STUDENT GROWTH POINTS: GRADES 4-8	AVERAGE STUDENT GROWTH POINTS: HIGH SCHOOL
All Indiana Schools	98.95	100.46
Benchmark Traditional Public Schools	93.42	93.96
Benchmark Brick-and-Mortar Charters	94.84	111.98

When it comes to absolute test scores, as opposed to growth, white students at traditional public schools were the only racial subgroup to outperform their counterparts at brick-and-mortar charter schools in grades four through eight. But, for all other ethnic or racial groups, brick-and-mortar charters outperformed traditional schools by three to six percentage points.²³ On the ISTEP+ grade 10 assessments, brick-and-mortar charter students outperformed traditional high school students by significant margins on both ELA and math, across all racial groups and among low-income students.²⁴ (For details on absolute test scores, see Appendix A.)

Indiana’s A-F accountability model reveals that a greater percentage of brick-and-mortar charters received an A rating in 2016 and 2017 than traditional schools – and a lower percentage received a D or F rating. (A greater percentage of brick-and-mortar charters also received no grade each year when compared with traditional public schools, because new charters often build up one grade at a time, so recently opened elementary schools only had students enrolled in non-tested grades, K-2.)²⁵

Figure 6: 2016 Indiana Department of Education Letter Grades by School Type ²⁶

SCHOOL TYPE	A	B	C	D	F	NO GRADE
All Indiana Schools	23.6%	38.4%	22%	8.6%	5.5%	2.0%
Benchmark Traditional Public Schools	5.8%	27.2%	25.2%	21.4%	18.8%	1.4%
Benchmark Brick-and-Mortar Charters	17.7%	9.7%	25.8%	19.4%	12.9%	14.5%

 Figure 7: 2017 Indiana Department of Education Letter Grades by School Type²⁷

SCHOOL TYPE	A	B	C	D	F	NO GRADE
All Indiana Schools	29.5%	32.7%	21.6%	9.0%	5.9%	1.3%
Benchmark Traditional Public Schools	11.4%	19%	24.6%	19.3%	25.1%	0.6%
Benchmark Brick-and-Mortar Charters	20.3%	15.9%	21.7%	13%	13%	15.9%

Another source of comparison is Stanford University's Center for Research on Educational Outcomes (CREDO) report, *Charter School Performance in Indiana*, which analyzed state test scores from 2005-2006 through 2010-2011.²⁸ CREDO's methodology and research are widely respected among education researchers, because it compares students from the two sectors with similar demographics and similar past test scores. According to CREDO:

- Charter students gained 1.5 additional months of learning in reading and 1.3 additional months in math per year compared to students at traditional public schools with similar demographics and similar past test scores.²⁹
- Low-income and black students showed even greater gains, with low-income black students benefiting the most, gaining an additional three months of learning in math and 2.5 months in reading per year.³⁰

Other researchers at Stanford University have found that an increase of one standard deviation in cognitive ability leads to a 13 percent increase in lifetime earnings. Using this standard, a 2018 report from the University of Arkansas – *Bigger Bang, Fewer Bucks?* – analyzed revenue data from FY 2014 and achievement data from the 2015 National Assessment of Educational Progress (NAEP) to determine the cost-effectiveness of district schools and public charters in urban areas nationwide.

In Indianapolis, it found that charter schools were 65 percent more cost-effective for both reading and math than traditional public schools.³¹ The report concluded that, for every dollar invested in their education, Indianapolis students who had been enrolled in charter schools for 6.5 years experienced a \$1.24 higher return on investment than those who attended traditional public schools – a 30 percent difference. For those who spent their entire K-12 education at a charter school, the figure was \$3.27 higher – a 79 percent difference.³²

Figure 8: Return-on-Investment Comparisons between Charter and Traditional Public Schools in Indianapolis³³

	CHARTER 13 YEARS		CHARTER 6.5 YEARS	
	ROI Difference (Charter-TPS)	ROI Difference (Percent)	ROI Difference (Charter – TPS)	ROI Difference (Percent)
Indianapolis Public School Students	\$3.27	79	\$1.24	30

IV. FUNDING DISPARITIES BETWEEN DISTRICT-OPERATED AND CHARTER SCHOOLS

A. School Funding Received from the State

The majority of education funding in Indiana comes directly from the state and is broken into categorical grants, as shown in Figure 9. These state grants are evenly distributed between brick-and-mortar K-12 charters and traditional public schools.

The amount of these state grants varies between schools, based on the demographics of their student populations. As Figure 10 shows, charters averaged slightly more per-pupil funding from the complexity grant, because they served more disadvantaged students, but less from other grants. There are minor variations in average per-pupil funding, but no significant difference between district-operated and charter schools in the totals.³⁴

Figure 9: Indiana’s State Categorical School Funding Grants

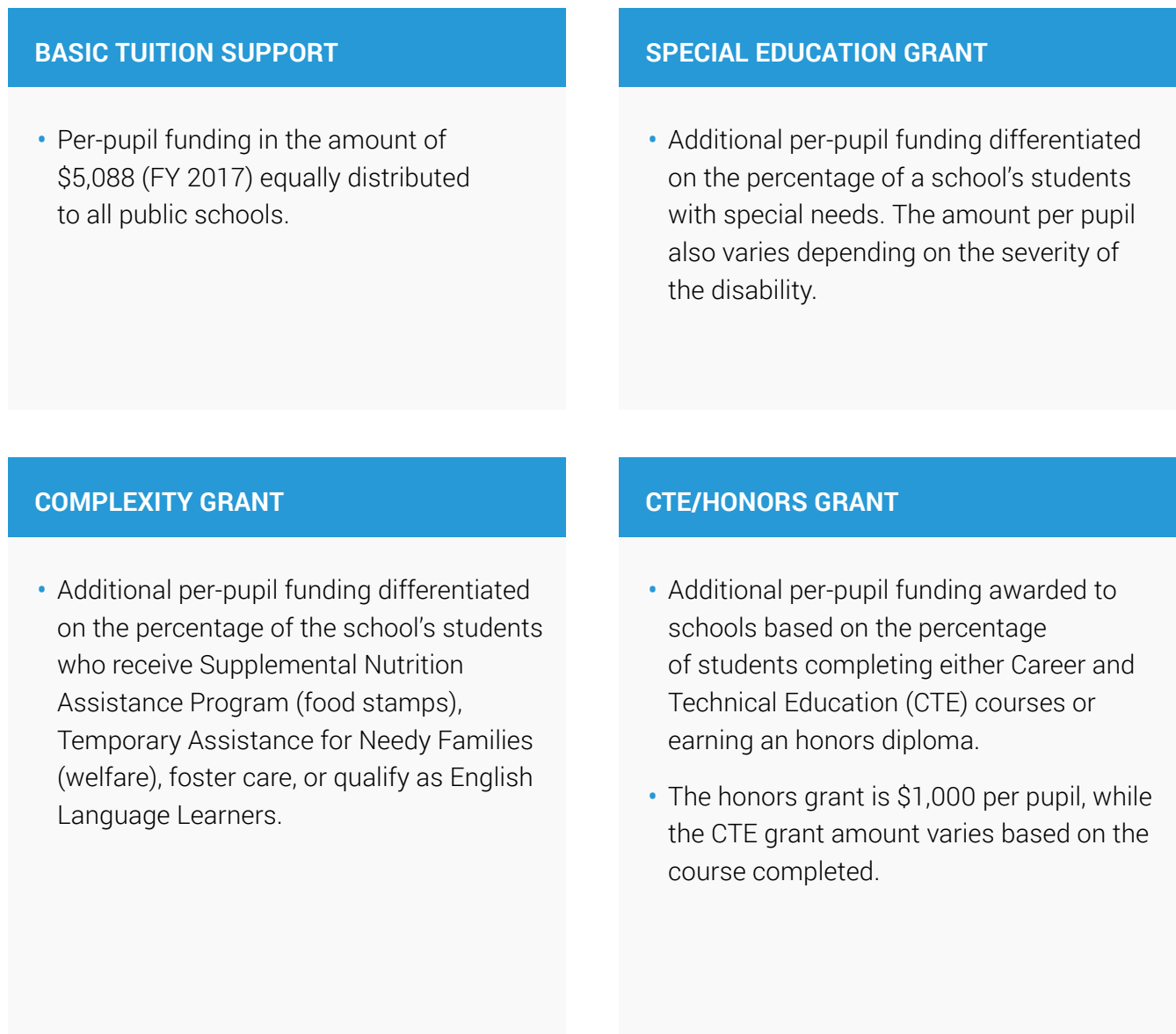


Figure 10: FY 2017 Average State Categorical Funding per Pupil

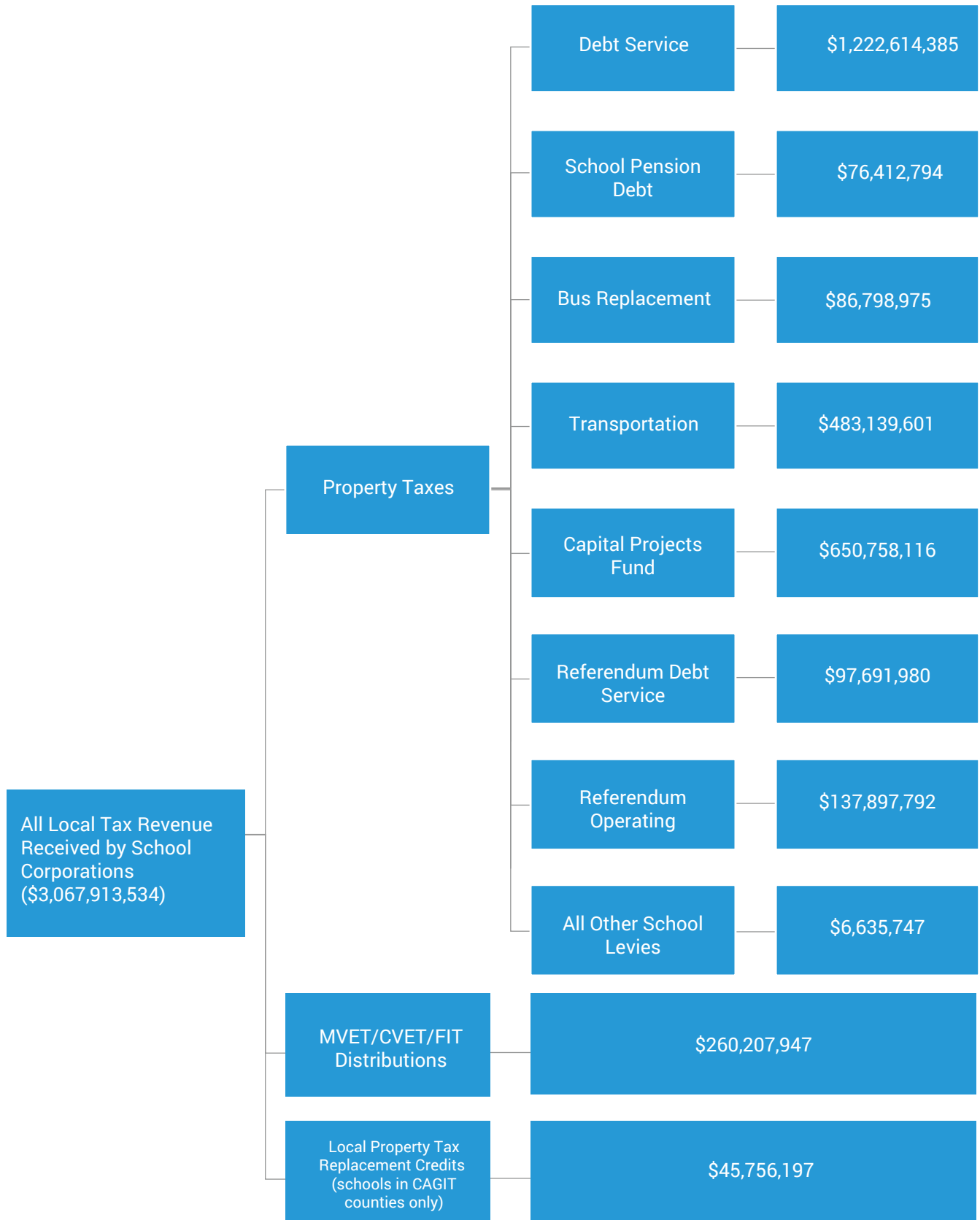
CATEGORICAL GRANT (AVG. PER PUPIL)	BENCHMARK TRADITIONAL PUBLIC SCHOOL	BRICK-AND-MORTAR CHARTER SCHOOL	SPECIAL POPULATION CHARTER
Honors	\$81	\$22	\$16
CTE	\$15	\$11	\$2
Special Education	\$596	\$457	\$1,838
Complexity Grant	\$1,424	\$1,525	\$1,044
Foundation Grant	\$5,088	\$5,088	\$5,088
Total Categorical Funding	\$7,204	\$7,103	\$7,988

B. School Funding Received from Local Governments

The state's categorical funding is distributed equitably between charters and traditional public schools; the large funding disparity results from traditional public schools' access to local tax revenue. In order to analyze all sources of local revenue dedicated to public schools, the Indiana General Assembly's Legislative Services Agency (LSA) compiled data from reports filed by the state Department of Education, the Department of Local Government Finance, and the county auditor's offices from each of Indiana's 92 counties. The LSA data reveals that, in FY 2017, traditional public schools statewide received an average of \$3,113 per pupil from local tax revenues.³⁵ As Figure 11 shows, the LSA's data compilation categorizes all local levies implemented to fund school corporations

and provides the total revenue collected from each tax. As shown below, local property taxes provided funding for eight categories of local school needs, such as transportation, debt service, and capital projects. However, school corporations also received funding from the motor vehicle excise tax, commercial vehicle excise tax, and financial institutions tax. In addition, in the 1970s, some counties adopted a County Adjusted Gross Income Tax (CAGIT). These counties can supplement the school funding not collected through local property levies, because of a statewide cap on property taxes, with money raised from local income taxes. The revenue from this tax is also shown below. Statewide, the amount of local tax revenue distributed to school corporations for FY 2017 was \$3,067,913,534.

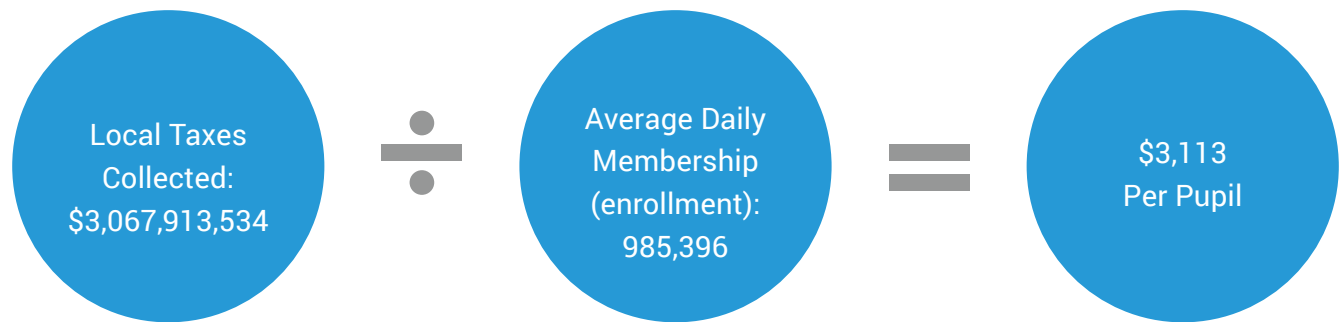
Figure 11: Local Tax Revenue Received by School Corporations, FY 2017³⁶



During the 2016-2017 school year, 985,396 students were enrolled in traditional public schools in Indiana. This equates to an average of \$3,113 per pupil from local tax revenue,

according to the LSA's data. Charter schools do not receive any local funding; consequently, they received an average of \$3,113 less per student per year than traditional public schools.

Figure 12: Local Tax Funding per Pupil for the 2016-2017 School Year



The State Board of Education's *Formal Evaluation of the Overall State of Charter School Outcomes in Indiana* reported a lower number for the local funding gap in FY 2017: \$1,542 per pupil.³⁷ However, there are some significant issues with this amount:

- The State Board of Education's report only included property tax funding and did not include all other county-level funding. (Both property taxes and additional county-level funding are included in the LSA's data, as shown in Figure 11.)
- The study compared funding for charters and traditional public schools in only 15 benchmark districts, which include 61 percent of charter students in Indiana. Because these are lower-income areas, the study failed to capture the funding disparities in more affluent communities with higher property tax revenue and other local tax revenues.

- In poorer communities fewer people pay their property taxes; in Lake County, for instance, only about 40 percent of the tax levied was collected for FY 2017. The study reported the amount of tax actually collected, not the amount levied. More affluent communities are not only more likely to collect more of their taxes due, they are more likely to pass additional property taxes via referenda and use all or some of that revenue for schools.³⁸

By limiting itself to 15 districts and only including property tax funding, the state study failed to capture these factors. Hence its \$1,542 average per-pupil disparity is a conservative estimate. We believe the LSA's data offers a more accurate estimate of the local funding gap. (Both data sets excluded nonpublic sources of school funding such as donations, foundation grants, and revenue from district building sales.)

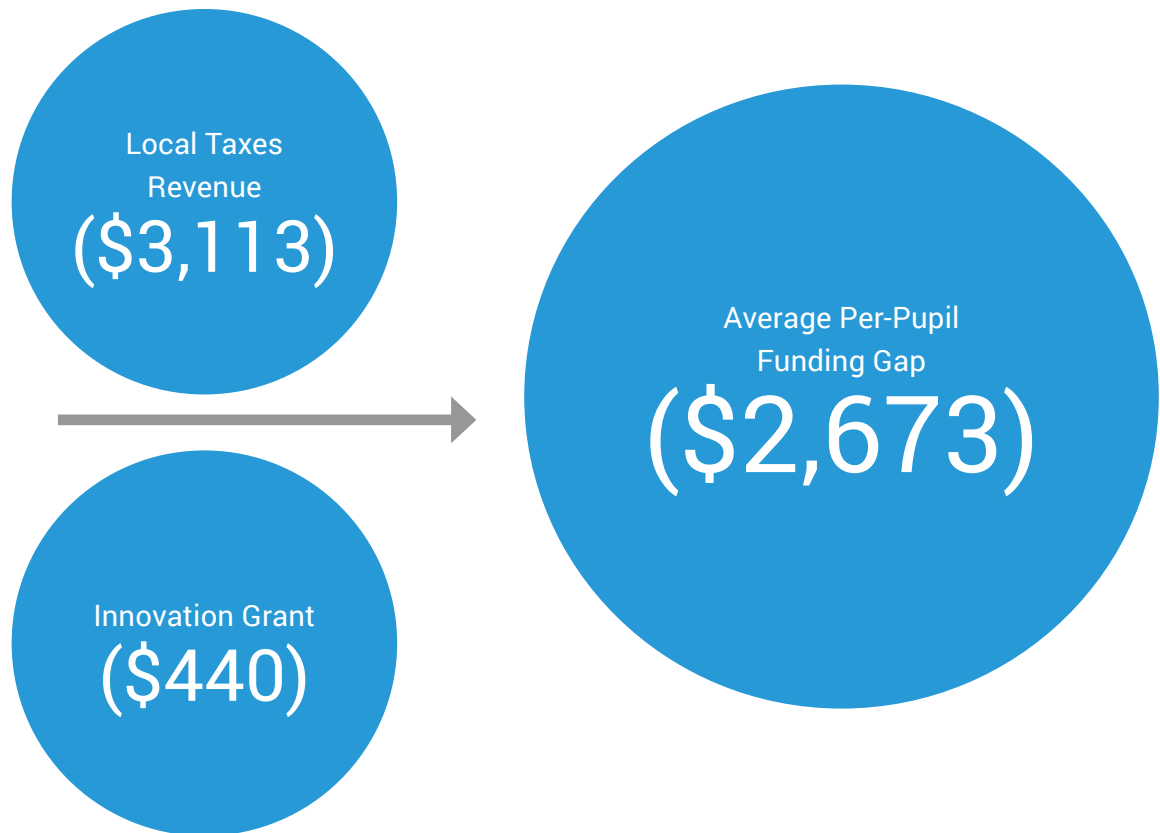
C. The Charter and Innovation Network School Grant Program

In 2015, the Indiana General Assembly attempted to address the funding disparity between charters and district schools by passing House Enrolled Act 1001. This act created the Charter and Innovation Network School Grant Program (Innovation Grant), a new categorical grant available only to non-virtual K-12 charters and innovation network schools. Qualifying charters and innovation schools can receive up to \$500 per pupil to help pay for capital projects, technology, and transportation, costs that traditional public schools cover

with funds generated by local property taxes.³⁹ However, the Innovation Grant provides significantly less money per pupil than property taxes. In FY 2017, the average additional per-pupil funding received by a brick-and-mortar charter through an Innovation Grant was \$440. This was obviously far less than the average local per-pupil funding gap of \$3,113 (from the LSA's data). This disparity means that even with the Innovation Grant, students at public charter schools are significantly underfunded when compared with their traditional public-school peers, as Figure 13 shows.

Figure 13: Innovation Grant Revenue v. Local Property Tax Revenue

Average Funding Gap per Pupil
Using LSA's Data



D. Conditions for Charter Schools to Receive the Innovation Grant

Furthermore, charters and innovation network schools qualify for the Innovation Grant only if they are in their first or second year of operation, have a C grade or better, or serve a large percentage of students with developmental, intellectual, or behavioral challenges. (If a school does not qualify, it can request special qualification through an application that shows it outperforms its closest traditional public schools, but not every charter that requests the special qualification receives the full \$500 per pupil.)⁴⁰ In contrast, traditional public schools are entitled to all their property tax revenue regardless of school performance or student challenges.

Since charter schools are held to high accountability standards by their authorizers (leading to closure of 32 charters already), there is no need for additional conditions to receive the funding.

V. WHY CHARTER SCHOOLS SHOULD BE SUPPORTED AND ENCOURAGED

A. Charters Identify and Fill Gaps and Failures in Our K-12 System

Charter schools are an entrepreneurial response to gaps or failings in our traditional K-12 system. Most charter schools were founded by some group or entity that perceived an unmet need or failure in the existing K-12 system. For instance:

- The Mayor of Indianapolis became a charter authorizer because the Indianapolis Public School system had such low performance.
- Similarly, 13 charter schools opened in Gary because its district-operated schools were weak.

- Five charter schools were founded for special needs students:
 - Options Charter School (Noblesville and Carmel campuses) is designed to support the academic and social needs of students who have not found success in the traditional large public-school environment.
 - Marion Academy serves students who have been in the juvenile justice system, have been expelled, or are at risk of expulsion.
 - Hope Academy is for teens in recovery from drug and alcohol abuse.
 - Damar Charter Academy prepares students with developmental, intellectual, and behavioral challenges for a lifetime of learning.
- Fourteen Excel Centers and three Christel House DORS Schools were founded to overcome the tremendous problem of adults with no high school diploma.
- Career Academy was founded to provide career and vocational training to South Bend students.
- Purdue University founded Polytechnic High School to help inner-city and low-income students meet its entrance standards.

B. Competition from Charters Improves Traditional Public Schools

Competition from charter schools often pushes school districts to improve, as numerous studies have shown. The most recent, published in 2017 on New York City's public schools, found that proximity to charter schools significantly increased student performance at nearby traditional public schools. The closer a traditional public school was located to a charter, the stronger the academic growth at the traditional school. The effect was strongest at traditional public schools co-located with public charters. Not only did student performance increase, but students at traditional schools also experienced small positive effects on their attendance. The greatest positive effects occurred for low-income students and those eligible for special education. There was no significant impact for traditional public schools that co-located with another traditional public school: It was the competition from a charter school that caused the effect.⁴¹

C. Charters Offer High-quality Education to Minority Students

Indiana has an obligation to provide high-quality education to all students. Charters generally have a higher percentage of minority students, and the Gary and Indianapolis Public Schools, with 40 percent of all the charter students in the state, have very high percentages of minority students.⁴² Charters empower these families by providing alternatives to leaving their children in failing neighborhood schools.

VI. RESPONSES TO OBJECTIONS TO FUNDING CHARTER SCHOOLS EQUALLY

Opponents of charters, led by teachers' unions, continue to perpetuate falsehoods about the "dangers" these schools pose. Those who benefit from preserving the educational status quo have been successful at using these falsehoods to create excuses for denying charter students equitable funding. This section debunks many of those excuses.

A. Charter Schools Take Money That Belongs to the Traditional Public Schools

First, charter schools are public schools. In Indiana, students can go to any public school they choose. The traditional public schools do not "own" their students. The truth is that traditional public schools are unfairly keeping the tax dollars of charter school parents. Many parents must accept that their children do not receive the same education funding as their neighbors, simply because their child's public school has the word "charter" in its title.

B. Chartering Is the Privatization of Public Education

Some critics label chartering "privatization," but this is nonsense. The majority of publicly-funded services in the U.S. are delivered by private organizations. Medicare and Medicaid are publicly funded, but private doctors and hospitals deliver most of their services. Our public roads and highways are publicly funded but constructed and often maintained by private companies, on contract with public departments of transportation. Our public schools are also constructed and renovated by private companies. Chartering is simply the use of contracting to deliver education. But, just as service delivery by private organizations does not make Medicare a private program, private delivery of publicly-funded education does not

make it private education. Charter schools are public because they are funded by taxpayers, open to all children, and free – just like most other public schools. Since some district magnet schools are selective – i.e., not open to all children – one could argue that charters are more public than district schools.

C. Charters Are Not Accountable to the Taxpayers

Other opponents claim that public charters should not receive equal funding because they receive waivers from state laws and district policy. These critics argue that, because charters are exempt from top-down policies and initiatives – for example, district-wide curriculum or literacy initiatives – they aren't being held to the same standards. However, the state judges K-12 charter schools by the same performance framework it uses to judge traditional public schools. Charters don't have to follow prescriptive, cookie-cutter mandates to achieve their outcomes, but that does not make them less accountable.

In reality, charters are more accountable for their performance than traditional public schools, because their authorizers close or replace schools if they fail to meet the performance goals laid out in their charters. In contrast, too many failing district schools continue to operate year after year, doing a disservice both to students who attend them and the taxpayers who fund them.

The state sometimes takes over failing district schools, but school corporations rarely close or replace them. Elected school board members are reluctant to do so because closing a failing school is often political suicide – even if it's what's best for the kids. Often, teachers' unions will incite a system-wide protest over

the closing of a school. Because turnout in school board elections is often less than 10 percent, the votes of these protestors can sway election results. Charters, on the other hand, are often authorized by appointed (rather than elected) boards, and few of their teachers join unions. As a result, even when an elected school board acts as an authorizer, it is more likely to close an underperforming charter than an underperforming traditional school. Closing a charter might result in a protest from one building but not a system-wide backlash.

D. Public Charters “Cream” the Higher Achieving, More Affluent Students

The enrollment data documented in both the 2012 CREDO study and the 2017 Indiana State Board of Education report directly contradict this claim, revealing that charters serve a higher percentage of low-income students and students of color than the state's traditional public schools. Additionally, nationwide research has debunked this claim about the country's charter sector as a whole.⁴³

As discussed above, charters cannot have admissions requirements, nor can they operate on attendance zones encompassing primarily affluent neighborhoods. By design, these schools serve all students, regardless of ability or socio-economic status. Hence, they are more accessible than selective district magnet schools, which intentionally cream the higher achieving students.

E. Charter Schools Receive Philanthropy That Offsets the Disparity from Public Funding

A common misconception about charters is that the philanthropic dollars they raise make up for public funding gaps. But traditional public schools also generate non-public revenue. Non-public revenue comes from a variety of sources:

parents' contributions, food service revenue, out-of-attendance-zone tuition, adult education programs, rental of facilities for community use, philanthropic donations, and more.

A 2015 report by the University of Arkansas revealed that, in 2014, Indiana was one of the few states in which traditional public schools generated more revenue from nonpublic sources than charters did. For that year, Indiana's traditional public schools generated \$698 per pupil from nonpublic sources, while public charters generated \$626–\$72 less per pupil.⁴⁴

F. The Legislature Should Wait to Equalize Funding Because Indiana Has a Significant School Funding Shortfall

In 2017, the state underestimated the future enrollment of its public schools by not taking into account the number of four-year-old children that districts would accept into kindergarten. While the state has a cutoff birth date for kindergarten enrollment, it permits districts to grant waivers to four-year-old students with autumn birthdays as long as they prove to be school ready. These waivers created the funding shortfall, and districts that enrolled four-year-olds found themselves stretched for resources during the last budget session.

When the legislature formulates the next budget, it should have accurate enrollment data for kindergarteners of all ages. This should lessen the funding shortfall and the financial burden placed on the districts that funded four-year-old students.⁴⁵

VII. WHY EQUITABLE FUNDING MATTERS

Indiana's charter sector already performs better than its traditional public schools, because public charters have the autonomy they need and are held accountable for results. Unlike most district school principals, their leaders can make decisions that best meet the needs of their specific student population. Some charter leaders have hired additional social workers, for instance, because their students have experienced trauma at home. Others pay teachers to work extended school years to prevent the "summer slide." Others create learning models – from Montessori to blended learning to project-based to STEM to arts-focused – that engage their students.

Common sense says that with more money charter performance will only improve. And recent research debunks the argument that increased spending does not have an effect on student outcomes. A 2015 analysis published in the *Quarterly Journal of Economics* revealed that the state school finance reforms of the 1970s and 1980s, designed to increase the equity of funding within a state between districts with high property tax revenues and those with low, had a causal effect on educational attainment and labor market success. Increased funding had a dramatic impact on long-term student outcomes for low-income students (those children who, at any time during their K-12 educations, lived in a household with an annual income at or below twice the federal poverty line).⁴⁶

A 10 percent increase in per-pupil spending yielded:

- An additional 0.46 years of education completion
- 9.6 percent higher earnings

- A 6.1 percent decrease in the annual incidence of adult poverty⁴⁷

A 20 percent increase in per-pupil spending yielded:

- An additional 0.9 years of education completed
- 25 percent higher earnings
- A 20 percent reduction in the annual incidence of adult poverty⁴⁸

Because Indiana's charter schools educate a higher percentage of low-income students, these findings are especially relevant. Increased funding for charter students can have a profound impact on the life trajectory of low-income students, disrupting generations of poverty.

The court-ordered school finance reforms of the 1970s and 1980s, which had dramatic and positive impacts on the life trajectory of low-income students, were won on equity grounds. Challengers to state school finance systems maintained that when states relied on local property taxes to create the majority of revenue for their public schools, they inevitably created more per-pupil funding in affluent districts than in low-income districts. Repeatedly, state courts ruled that intense reliance on local property taxes violated states' responsibilities to provide quality education to all children.⁴⁹

Public charter school families in Indiana are fighting a similar battle. They are fighting for their civil rights to equal educational opportunity.

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APPENDIX A: 2017 STUDENT PROFICIENCY SCORES IN 15 DISTRICTS WITH THE MOST CHARTER STUDENTS

Figure 14: 2017 ISTEP+ Grades 3-8 Student Proficiency by School Type⁵⁰

SCHOOL TYPE	ELA	MATH
Benchmark Traditional Public Schools	51%	42.4%
Benchmark Brick-and-Mortar Charters	49.9%	38.5%

Figure 15: 2017 ISTEP+ ELA Grade 4-8 Student Proficiency by Subgroup and School Type⁵¹

STUDENT SUBGROUP	BENCHMARK TRADITIONAL PUBLIC SCHOOLS	BENCHMARK BRICK-AND-MORTAR CHARTERS
Black	37.8%	41.7%
Hispanic	45.6%	51.5%
White	65.6%	64.8%
Free/Reduced Lunch	44%	45.2%
Special Education	17.9%	23.5%
English Language Learners	29.2%	34.2%

Figure 16: 2017 ISTEP+ Math Grade 4-8 Student Proficiency by Subgroup and School Type⁵²

STUDENT SUBGROUP	BENCHMARK TRADITIONAL PUBLIC SCHOOLS	BENCHMARK BRICK-AND-MORTAR CHARTERS
Black	26.7%	30.3%
Hispanic	37.4%	40.3%
White	59.3%	53.8%
Free/Reduced Lunch	35.2%	35%
Special Education	17.8%	22.5%
English Language Learners	24.4%	30.3%

Figure 17: 2017 ISTEP 10 Student Proficiency by School Type⁵³

SCHOOL TYPE	ELA	MATH
Benchmark Traditional Public Schools	48.4%	24%
Benchmark Brick-and-Mortar Charters	52.7%	29.8%

Figure 18: ISTEP 10 ELA Student Proficiency by Subgroup and School Type⁵⁴

STUDENT SUBGROUP	BENCHMARK TRADITIONAL PUBLIC SCHOOLS	BENCHMARK BRICK-AND-MORTAR CHARTERS
Black	34.1%	36.1%
Hispanic	40.5%	56.4%
White	64%	72.1%
Free/Reduced Lunch	39.5%	42.5%
Special Education	11.5%	26.2%
English Language Learners	20.2%	N/A

Figure 19: ISTEP 10 Math Student Proficiency by Subgroup and School Type⁵⁵

STUDENT SUBGROUP	BENCHMARK TRADITIONAL PUBLIC SCHOOLS	BENCHMARK BRICK-AND-MORTAR CHARTERS
Black	12.7%	13.2%
Hispanic	17.3%	28.7%
White	36.6%	48.6%
Free/Reduced Lunch	16.5%	19.3%
Special Education	4.9%	9.8%
English Language Learners	10.2%	20%

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