Indiana

Summary: This 2019-20 profile of Indiana's public K-12 school finance system focuses on three core indicators from the School Finance Indicators Database: fiscal effort, statewide adequacy, and equal opportunity. On a weighted average of these three measures (see back), Indiana scores 37 out of 100, which ranks 37th out of the 48 states with possible ratings.

Fiscal effort is a measure of how much states devote to their schools as a share of their economic capacity (i.e., ability to raise revenue). Effort is calculated by dividing direct state and local K-12 spending in each state by its gross state product (GSP).

- Indiana effort: 3.16%
- U.S. average: 3.61%

- Indiana is a low effort state.
- In FY 2020, IN spent 3.16 percent of its economic capacity (GSP) on its K-12 public schools.
- This was 0.44 percentage points lower than the unweighted national average of 3.61 percent.
- IN’s effort level ranks #39 in the nation (out of 50).

Effort trend and capacity
- IN’s 2020 effort level is 0.69 pctl. points lower than it was pre-recession (2006).
- This net change in effort between 2006 and 2020 is ranked #49 in the nation.

Effort trend and capacity

Net change by period (% pts.)

<table>
<thead>
<tr>
<th>Period</th>
<th>IN</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12 recession</td>
<td>-0.54</td>
<td>-0.13</td>
</tr>
<tr>
<td>Post-recession</td>
<td>-0.14</td>
<td>0.01</td>
</tr>
<tr>
<td>Full period</td>
<td>-0.69</td>
<td>-0.12</td>
</tr>
</tbody>
</table>

- IN’s effort was lower than its 2006 level in 5 years between 2016-2020; had effort recovered to its 2006 level during these years, total 2016-20 spending would have been $14.75 billion (27.1 percent) higher.
- IN is a relatively medium capacity state, with a GSP per capita ranked #32 in the nation.

Statewide adequacy compares actual per-pupil (PP) spending in each state to district-level cost model estimates of the amount required to achieve the modest goal of U.S. average test scores. The graphs to the right indicate the percentage of students in districts where spending is below adequate and the funding gap (% above/below) in the typical student’s district. The graphs include regional and national averages.

- Overall adequacy in IN is relatively moderate.
- By the modest standard of U.S. average scores, 38.9 percent of IN students attend inadequately funded districts, which ranks #32 in the nation (out of 49).
- The typical IN student’s district spends 2.4 percent above adequate levels, which ranks #33 in the nation.

Equal opportunity is the comparison of adequacy between each state’s higher- and lower-poverty districts. The graph to the right presents adequate funding gaps by district poverty quintile (the blue diamonds are U.S. averages). The difference (in pctl. points) between the lowest- and highest-poverty groups is a state’s “opportunity gap.”

- Educational opportunity in IN is severely unequal.
- Spending in IN’s highest-poverty districts is 24.1 percent ($3,755 PP) below the estimated adequate level, compared with 52.6 percent ($3,451 PP) above adequate in the state’s most affluent districts.
- This opportunity gap of -76.7 percentage points is ranked #31 in the nation (out of 48).

Adequacy in 10 largest IN districts

Percent above/below adequate spending, ten largest IN school districts

- FORT WAYNE COMM SCH: -19.1
- INDIANAPOLIS PS: -24.5
- EVANSVILLE VANDERBURGH SC: 6.3
- HAMILTON SOUTHEASTERN SCHLS: -82.3
- PERRY TOWNSHIP SCHLS: -21.3
- M S D WAYNE TOWNSHIP: -28.2
- SOUTH BEND COMMUNITY SC: -30.7
- CARMEL CLAY SCHLS: 107.7
- M S D LAWRENCE TOWNSHIP: -23.4
- VIGO CNTY SC: -8.0

- Statewide, spending is below estimated adequate levels in 102 of the 288 IN districts with available data.
- Closing all these negative gaps would require $1.3 billion in new funding.
**Fiscal effort**
Fiscal effort indicates how much of a state's total economic capacity goes toward K-12 schools. It is calculated in the SIFD by dividing direct state and local K-12 expenditures by either Gross State Product (GSP) or aggregate state personal income. Both of these are measures of a state's economic capacity. In this sense, effort measures how much each state contributes as a percentage of how much it might contribute. The former denominator (GSP) is used in these profiles, but the two are highly correlated, and the income-based effort indicator is available in the SIFD. Bear in mind that high-capacity states with larger economies, such as New York and California, can put forth lower effort than lower capacity states, such as Mississippi and Alabama, but still contribute substantially because their large economies. For this reason, we prefer the quintiles as a means of differentiating between low/inadequate funding states that do and do not have the capacity to increase revenue.

- **U.S. effort averages are unweighted and do not include Vermont in any year** (effort not available in 2018-20 due to data irregularities), so as to keep a consistent set of states across all years.
- **In the first bullet of the left panel, we characterize each state’s effort level as low, medium, or high by sorting states into three roughly equal groups using terciles. Note that even seemingly small changes or differences in effort levels represent large revenue amounts, as the denominators are entire state economies.**
- **In order to provide a sense of states’ capacity, we characterize each state’s GSP per capita as small, medium, or large by sorting states into three roughly equal groups using terciles.**

**Statewide adequacy**

Adequacy is typically defined as the extent to which the amount of funding for schools is sufficient for students to reach a minimum/acceptable level of educational outcomes. Our adequacy estimates compare each district’s actual spending levels to estimates from cost models of how much that district would have to spend in order to achieve national average test scores (i.e., “required” or “adequate” spending). We express statewide adequacy in terms of either: 1) the proportion of students in each state in districts with actual funding below estimated adequate levels; and 2) the adequacy gap (percentage difference between actual and estimated adequate spending) for the typical student in each state. All these estimates are from the National Education Cost Model (NECM), which is part of the SIFD. The NECM calculates required spending based on the relationship between outcomes and cost factors such as regional wage variation, district size, and student characteristics. Note that this model and the data it uses are necessarily imperfect, and estimates should be viewed with appropriate caution. For more information about the NECM, see the SID user's guide. Some of the estimates presented in this section of the profile can be calculated using SID variables, whereas others (e.g., the district-by-district estimates in the right panel) require the use of the SIFD Cost Database (OCD); many but not all SID adequacy measures (all of which have variable name beginning with necm,) are aggregations of DCD estimates. The full DCD dataset (going back to 2009) is also publicly available at the SIFD website (2020 estimates will be released in early 2023).

- **In the first bullet of the left panel, we characterize statewide adequacy as follows: high (fewer than 20 percent of students in below-adequate districts and statewide [typical student’s] gap of <50 percent or greater); moderate (greater than 20 percent below adequate and statewide gap under +50 percent OR fewer than 20 percent below adequate and statewide gap above +50 percent); high (greater than 50 percent in below adequate districts).**
- **In the first bullet of the left panel, we characterize statewide adequacy as follows: high (fewer than 20 percent of students in below-adequate districts and statewide [typical student’s] gap of <50 percent or greater); moderate (greater than 20 percent below adequate and statewide gap under +50 percent OR fewer than 20 percent below adequate and statewide gap above +50 percent); high (greater than 50 percent in below adequate districts).**
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- **The regional comparators in the graph are U.S. Census divisions (9 groups). INI’s division is East North Central.**
- **The table in the right panel presents adequacy estimates (percentage difference between actual and estimated adequate spending) for the 10 largest [enrollment] districts in this state.**
- **The first bullet directly below the table presents the number of districts with below adequate funding as well as the total number of districts in this state with valid data. The first bullet presents the total additional funding that would be required to close all these negative funding gaps (“ignoring” all districts in which actual spending exceeds adequacy levels).**

**Equal opportunity**

Equal educational opportunity is achieved in a given state when none of that state’s districts are substantially further above or below adequate spending levels than are other districts. In the SIFD, we measure equal opportunity (EO) with the same NECM estimates used for statewide adequacy (see above), but in this case by comparing adequacy gaps (percentage difference between actual and estimated adequate spending) between the highest- and lowest-poverty districts in each state. That is, each state’s “opportunity gap” is the difference (in percentage points) between these two groups (district poverty groups are defined in terms of quintiles—e.g., the 20 percent highest-poverty districts compared with the 20 percent lowest-poverty districts in each state). Note that EO is conceptually independent of the adequacy measure (e.g., a hypothetical state in which all districts are below adequate funding levels might still exhibit EO, so long as high- and low-poverty districts are inadequate by roughly the same proportions, whereas highly unequal opportunity might exist in a state in which funding is universally adequate, if high-poverty districts are more adequately funded than low-poverty districts.

- **EO estimates are not available for Vermont and Hawaii (adequacy estimates not available), and cannot be calculated for D.C. (single government-run district state).**
- **In the first bullet of the left panel, we characterize EO in each state as follows: severely unequal (EO gap less than -75 points); highly unequal (EO gap between -30 and -75 points); moderately unequal (-30 to +30 points); fairly equal (EO gap within +30 points).**
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The following are some general notes about the profiles, followed by descriptions and notes pertaining to the three types of measures they present:

- The years in the profile refer to the spring semester of the school year (e.g., 2020 is 2019-20).
- Estimates may differ slightly from previous profiles, as some measures are changed or improved each year, and all are recalculated annually with updated data.
- Due to rounding, changes and differences published in this profile may vary slightly from users' manual calculations.
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