

Executive Summary

This report focuses on at-risk funding for public K-12 education, specifically in Indiana. The first section covers the different ways in which at-risk funding can be operationalized in school funding formulas. The second section addresses how at-risk funding for education has evolved over time in Indiana, and evaluates the pros and cons of these different approaches. The third section looks in more detail at alternative ways of counting at-risk students. The fourth section reviews some of the research literature on studies relating to at-risk funding and student performance. The fifth section provides new analyses of the relationship between at-risk students, funding, and student performance in Indiana. Finally, the report concludes with a summary of main findings and recommendations.

The following are some of the key observations that emerged from the review:

Findings from Counting At-Risk Students:

1. Indiana is somewhat of an outlier nationally in how it counts at-risk students. Most states rely on free and reduced-price lunch counts to represent the number of at-risk students. Indiana moved away from this approach beginning in FY15.
2. Each of the approaches used by Indiana in the past 20+ years have issues that affect their accuracy as a measure of the number of at-risk students in public schools.
3. The Complexity Index has generally become less “complex” from its inception; however, the current approach is more complicated because it has three factors that can overlap and must be reconciled.
4. The current approach – basing at-risk counts on the number of students receiving either SNAP, TANF, or in foster care – likely understates the true number of at-risk students because families must apply for the benefits, and the matching process used by the State to eliminate duplicates and verify eligibility drops cases that cannot be matched. Furthermore, the matching and verification process is more costly to the State than other options.
5. The State has improved the funding mechanism for at-risk students by moving away from a weighted-student approach to a categorical grant approach. This change reduces the unintended effects of funding formula modifications on at-risk funding, and clarifies exactly how much additional funding is being provided for at-risk students.

Findings from Review of Research:

6. The vast majority of researchers today argue that there is a positive relationship between education funding and student performance. The old narrative that “money doesn’t matter” is misleading due to poorly designed studies and inappropriate statistical techniques.

7. There is no consensus on how much additional funding is needed to remove achievement gaps between at-risk and other students. However, studies have found that initiatives such as reductions in class size and increases in funding tend to help lower-income students more than their peers.

Findings from Analysis of Indiana Data:

8. There is still a strong and negative relationship between the concentration of at-risk students in public schools and their pass rate on the State's ISTEP+ test.
9. In the last ten years, Indiana has not made progress in increasing its overall funding for public K-12 education. After adjusting for inflation, public K-12 education funding per student in the state has declined substantially.
10. In the last ten years, the share of public K-12 education funding provided by Indiana for helping at-risk students has also declined from close to 20% to under 10%.
11. Indiana's national ranking on funding for education and teacher salaries has fallen substantially over the current decade, and the state has a relatively high student-to-teacher ratio.

The following are some recommendations for Indiana to consider moving forward with regard to education funding for at-risk students:

1. Continue the current practice of using categorical grant funding (i.e., the Complexity Grant) rather than weighted per-student funding to supplement the Basic Grant funding for at-risk students.
2. Calculate the Complexity Grant as the unweighted proportion of at-risk students multiplied by the number of students and the designated per-dollar increment in funding for at-risk students.
3. Explore whether Indiana could use tax return data for the purpose of counting at-risk students and forming the Complexity Index. The State could estimate the percentage of students with families that fall below a designated income level.
4. In lieu of using tax return data for estimating the number of at-risk students, Indiana could use school corporation poverty estimates from the U.S. Census Bureau through the Small Area Income and Poverty Estimates (SAIPE) program.
5. A third alternative for counting at-risk students would involve using Indiana state tax return data aggregated at the zip code level rather than matched against students at the school corporation level. This would reduce administrative burden costs due to not having to match families in schools to tax returns.
6. Indiana should increase the base amount of funding going to public K-12 education. This can be done most directly by increasing the per-student funding level in the Basic Grant. The fact that state education funding per student has not kept pace with inflation over the last 10 years, nor kept pace with other states, is troubling in light of empirical research

that has found positive and significant relationships between education funding and student performance.

7. Indiana should also increase the share of state education funding that is distributed on the basis of at-risk students. Because at-risk funding per student has declined in the last ten years, and performance gaps persist between at-risk and other students, it would be helpful to direct a higher share of education funding to school corporations with more at-risk students.