



Indianapolis Local Education Alliance

July 23, 2025

Agenda

- Welcome and Introductions
- Project management update
- Data update
- School Finance presentation
 - Discussion
- Public Comment
- Next Steps and Closing

Alliance Members

- **Mayor Joe Hogsett**, Chair
- **Dr. Aleesia Johnson**, Superintendent, Indianapolis Public Schools
- **Tina Ahlgren**, Teacher, H.L. Harshman Middle School (IPS district-managed school parent appointee)
- **Barato Britt**, President/CEO, Edna Martin Christian Center (IPS board president appointee)
- **Maggie A. Lewis**, Majority Leader, City-County Council; CEO, Boys & Girls Clubs (mayoral appointee)
- **Tobin McClamroch**, Managing Partner, Dentons Bingham Greenebaum (mayoral appointee)
- **Andrew Neal**, CEO, Outreach Indiana (IPS innovation school parent appointee)
- **Bart Peterson**, Former Mayor of Indianapolis (mayoral appointee)
- **Angela Smith-Jones**, Associate VP for State Relations, Indiana University (mayoral appointee)

Review: ILEA Responsibilities and Timeline

Established by state law in 2025, the Indianapolis Local Education Alliance (ILEA) is tasked with creating a comprehensive plan for Indianapolis public schools by a December 31, 2025, deadline.

Main responsibilities include:

- Assessing all IPS and charter school facilities
- Creating an asset management plan
- Establishing a more efficient and collaborative transportation system
- Developing templates for funding and revenue-sharing between the sectors.

The alliance may also consider broader issues like school performance and governance structures. From July through December 2025, the Mayor's Office has exclusive authority to authorize new charter schools within IPS boundaries. The ILEA's final report is due to state and local leaders at the end of the year.

Project Management Update

Michael O'Connor has been engaged to serve as project manager

- Current Principal with Bose Public Affairs Group.
- President of the IPS Board of School Commissioners from 2018 to 2020
- Chief Deputy Mayor and Chief of Staff for the City of Indianapolis from 2000-2004.

Support will include development of components for facility and transportation plan, coordination of meetings and materials, engaging of any other necessary vendors.

Data Update

- **School Landscape & Enrollment:**
 - A breakdown of all **99 public schools** by type (e.g., Direct Managed, Innovation, Charter) and governance structure.
 - Enrollment for 2024-25 and trends over past five years by school type and grade level.
- **Student Demographics:**
 - Demographic data for all schools, including breakdowns by race/ethnicity, Free/Reduced Lunch (FRL) eligibility, English Language Learner (ELL), and Special Education (SPED) status.
 - Trends in demographic enrollment over the last five years.
- **Academic Performance:**
 - Includes **ILEARN, IREAD, SAT**, graduation rates, and chronic absenteeism.
 - Performance data disaggregated by student subgroups
- **Systems & Geographic Context:**
 - Details on **IPS Innovation Partnerships**, including in-kind services.
 - Data on population trends, birth rates, and housing growth, plus a **geographic map** of school locations to inform future planning.

Questions?

School Finance Overview

How Indiana Public Schools are Funded Today

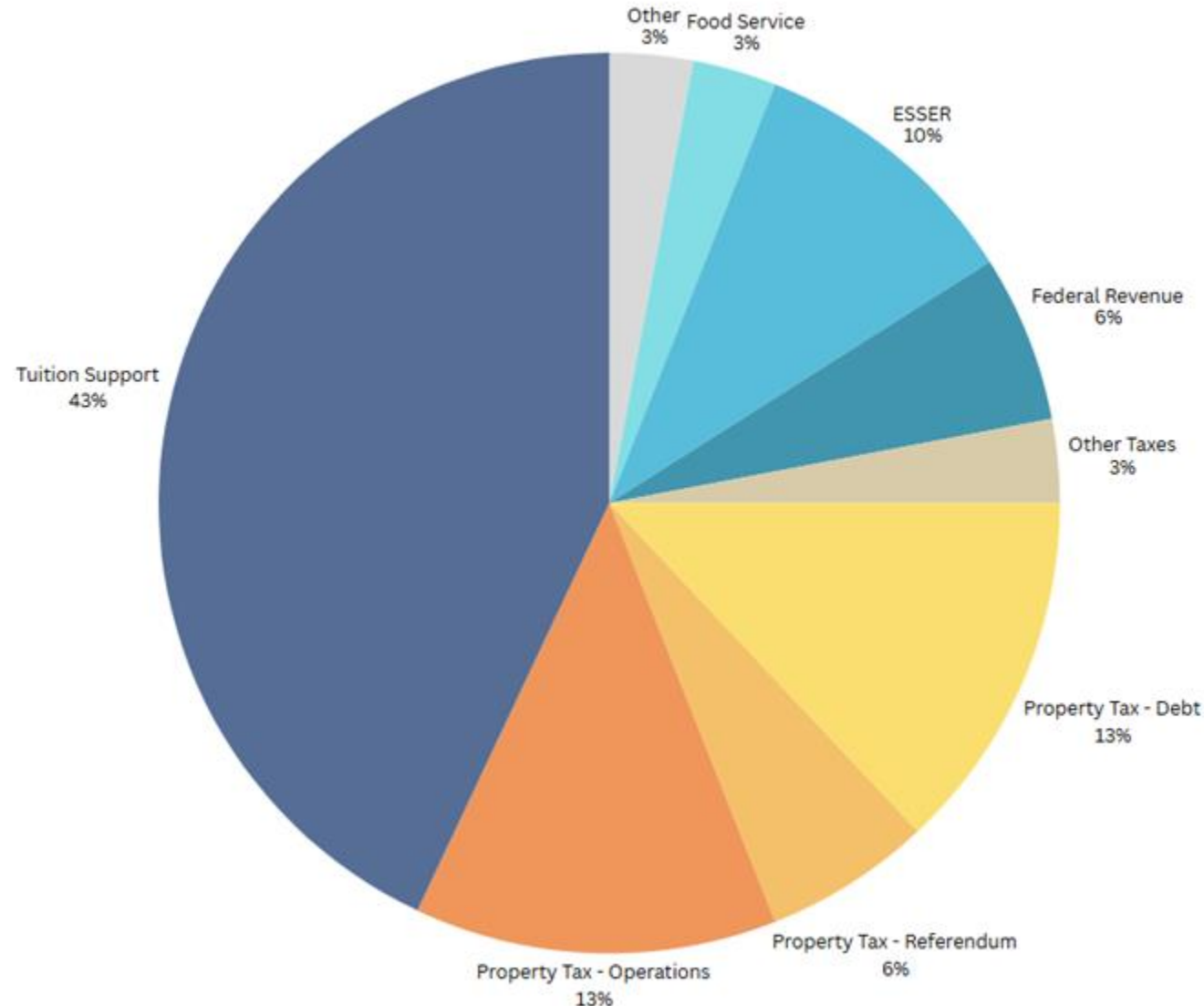
While state funding makes up the vast majority of Indiana's public school funding, federal and local funding streams also support education:

- **Federal funding:** Allocated from the U.S. Department of Education primarily through Title Grants that focus on staff quality and support certain student populations, such as those experiencing poverty, English learners, and students with disabilities.
- **State dollars:** Income and sales taxes, cover basic classroom costs based on student enrollment and includes a Complexity Index adjustment for students facing higher needs, such as those experiencing poverty.
- **Local property taxes:** Supports transportation, building maintenance, safety, and capital needs. Affected by rate caps and increased deductions that can limit revenue growth.

State Funding – Defining Terms

- **Tuition Support:** The primary source of state funding for schools, based on student enrollment. This is often referred to as the "per-pupil" amount.
- **Complexity Grant:** Additional state funding provided to schools to support students from low-income households.
- **Education Fund:** The Education Fund is predominately classroom-level expenditures, such as teacher salaries, and is funded through state tuition support and federal grant funds.
- **Referendum:** A local ballot measure that allows school districts to ask voters for additional property tax revenue, either for operating expenses or capital projects.
- **Complexity Index:** The base amount is then multiplied by a "complexity index" for each student who qualifies for free or reduced-price lunch, providing additional funding for those students.
- **Charter School Grant:** Charter schools receive an additional per-pupil grant from the state to help cover operational and facility costs, as they do not have the ability to raise local property tax revenue.

IPS – Funding Breakdown

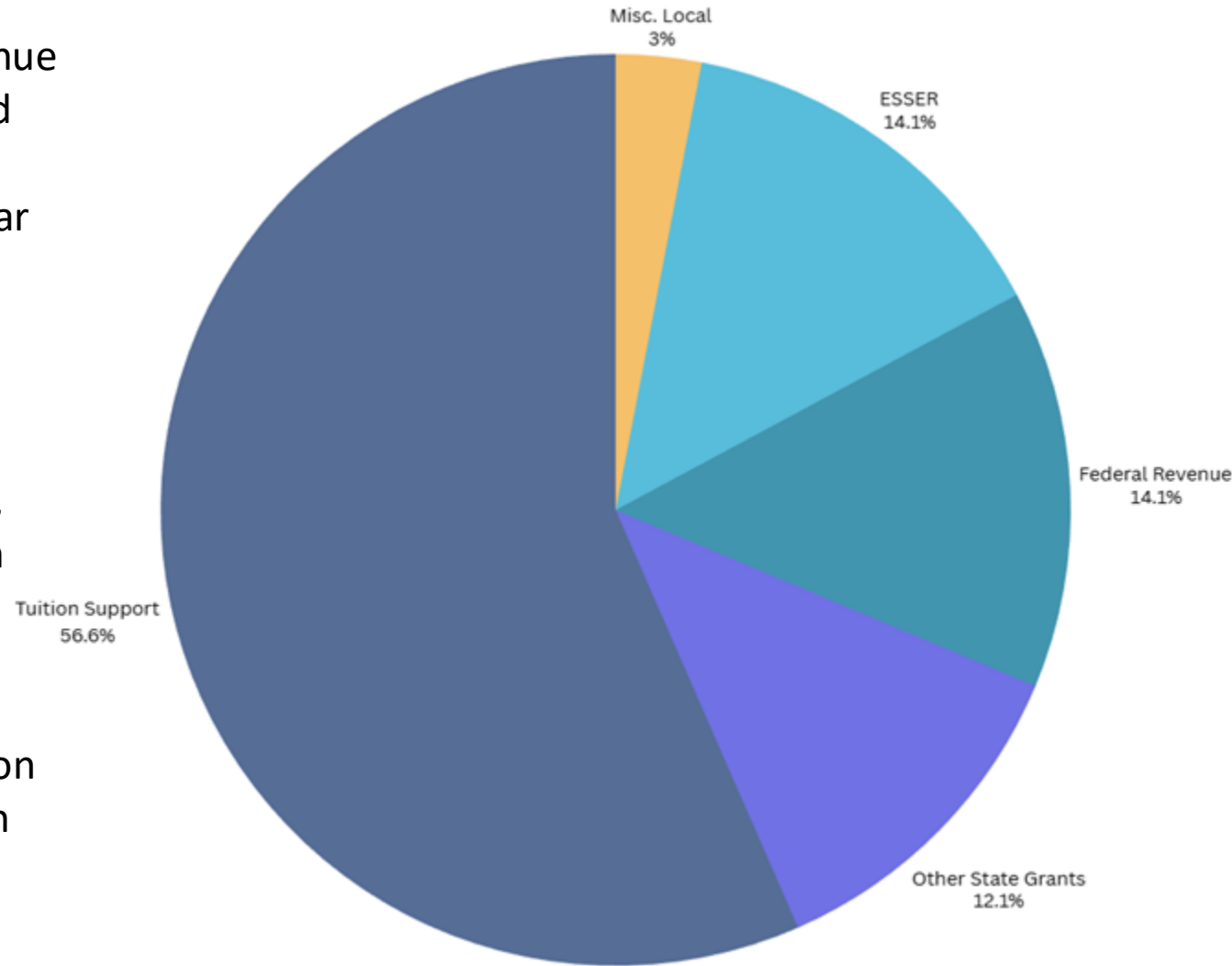


- State Tuition Support totaled 43% of IPS revenue in SY 2024
- Property Taxes and other local taxes totaled 35% of IPS revenue in SY 2024
- Federal Funding and other revenue sources totaled 22% of IPS revenue in SY 2024
- ESSER Funding is a one-time grant revenue source and cannot support ongoing operations

Charter School – Funding Breakdown

This chart shows revenue for a mayor-sponsored charter school that is demographically similar to the district.

Beginning in June 2025, some charter schools in Marion County began receiving a portion of local property tax revenue from the Marion County school district in which the students they serve reside.



- State Tuition Support totaled 56% of school revenue in SY 2024
- Other State Grants, including the \$1,400 per pupil Charter School Grant totaled 12% of revenue in SY 2024
- Federal Funding totaled 28% of the school's revenue in SY 2024
- ESSER Funding is a one-time grant revenue source that has now expired; cannot support ongoing operations

Property Taxes and School Funding - Overview

- **Pre-2008:** Schools relied heavily on local property taxes for their general operating funds.
- **2008 Property Tax Caps:** The state implemented constitutional caps on property taxes, significantly limiting local funding for schools.
- **Shift to State Funding:** To make up for the loss, the state shifted to a system where the majority of school funding comes from state sales and income taxes, distributed through a complex formula.
- **The Rise of Choice:** The expansion of charter schools and the creation of the Innovation Network model introduced new complexities to the funding landscape.
- **Referendum:** For IPS, referendums have been a critical tool to supplement the Operations Fund and to fund major capital projects, like the Rebuilding Stronger initiative. The current 8-year operating referendum began 2018 and expires in 2026.
- **Funding Disparity:** The inability of charter schools to access local revenue streams has been a central point of debate and is a key reason for the creation of the ILEA.

Local Funding – Defining Terms and Concepts

- **Operations Fund:** This is the primary bucket of funding for the physical infrastructure of our schools—the buildings and the buses.
- **Assessed value:** The dollar value assigned to a property by the local government for taxation purposes. Assessed value determines how much tax revenue a school district can collect from local property taxes. A higher assessed value typically means more potential funding for schools—unless limited by property tax caps or circuit breakers.
- **Property tax rate:** The amount of tax levied per \$100 of assessed property value. It's expressed in dollars per \$100 of value and varies by taxing district. School districts set tax rates to generate funding for specific needs, like transportation or capital projects. These rates, combined with assessed values, determine total property tax revenue. Some rates—like those approved by referendum—can exceed normal limits.
- **Property tax caps:** The constitutional limits on how much property owners can be taxed, based on the type of property.
- **Circuit breaker:** The tool used to enforce property tax caps. When property taxes exceed these limits, the excess is not collected. This results in lost revenue for schools and other local units of government.

Circuit Breaker Rate Caps

Cap	Description
1%	Homestead Property
2%	Rental Residential; Long term care; farm land
3%	Non-residential

- Circuit breaker caps apply to the gross assessed value (market value) of the property.
- Taxes levied in excess of the cap are not paid by the taxpayer (and not received by taxing units).
- Debt service funds are “protected” from the circuit breaker caps
- Referendum funds are “outside” of the circuit breaker caps.

Timeline of Property Tax Policy Change

1998

Indiana Supreme Court finds Indiana's system of property tax assessment is unconstitutional

2003

All real property is assessed using market value in use

2004

Phase out of inventory tax begins.

2007

Market value reassessment and property tax "crisis."

2008

Major property tax reform is passed by the General Assembly.

2011

Full implementation of 2008 property tax reform, including circuit breaker rate caps.

2014

Reorganization of local income taxes, including property tax relief.

2019

Consolidation of Capital Projects, Transportation and Bus Replacement into Operations Fund.

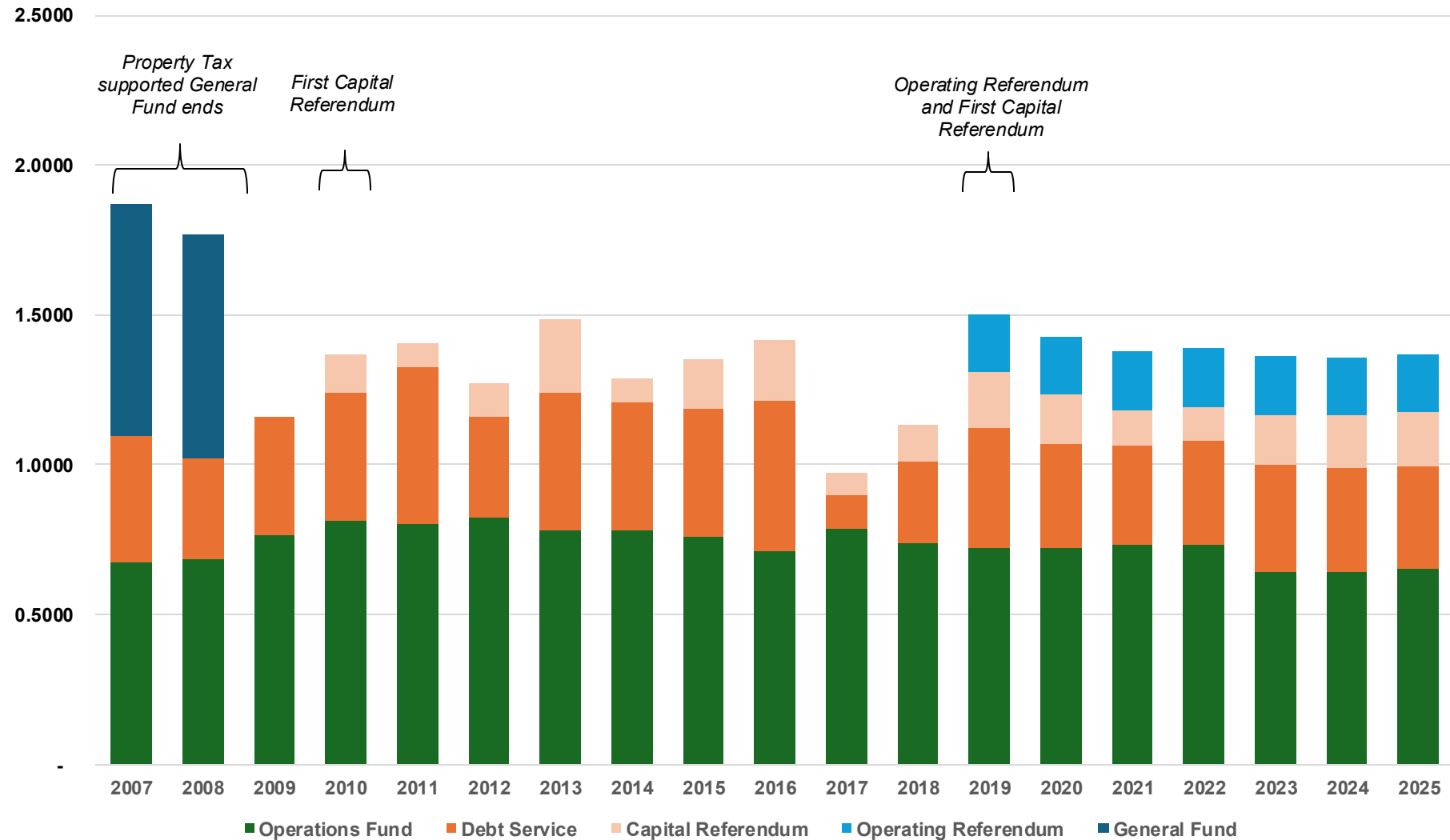
2024

Rapid assessed value increase lead to limited property tax relief

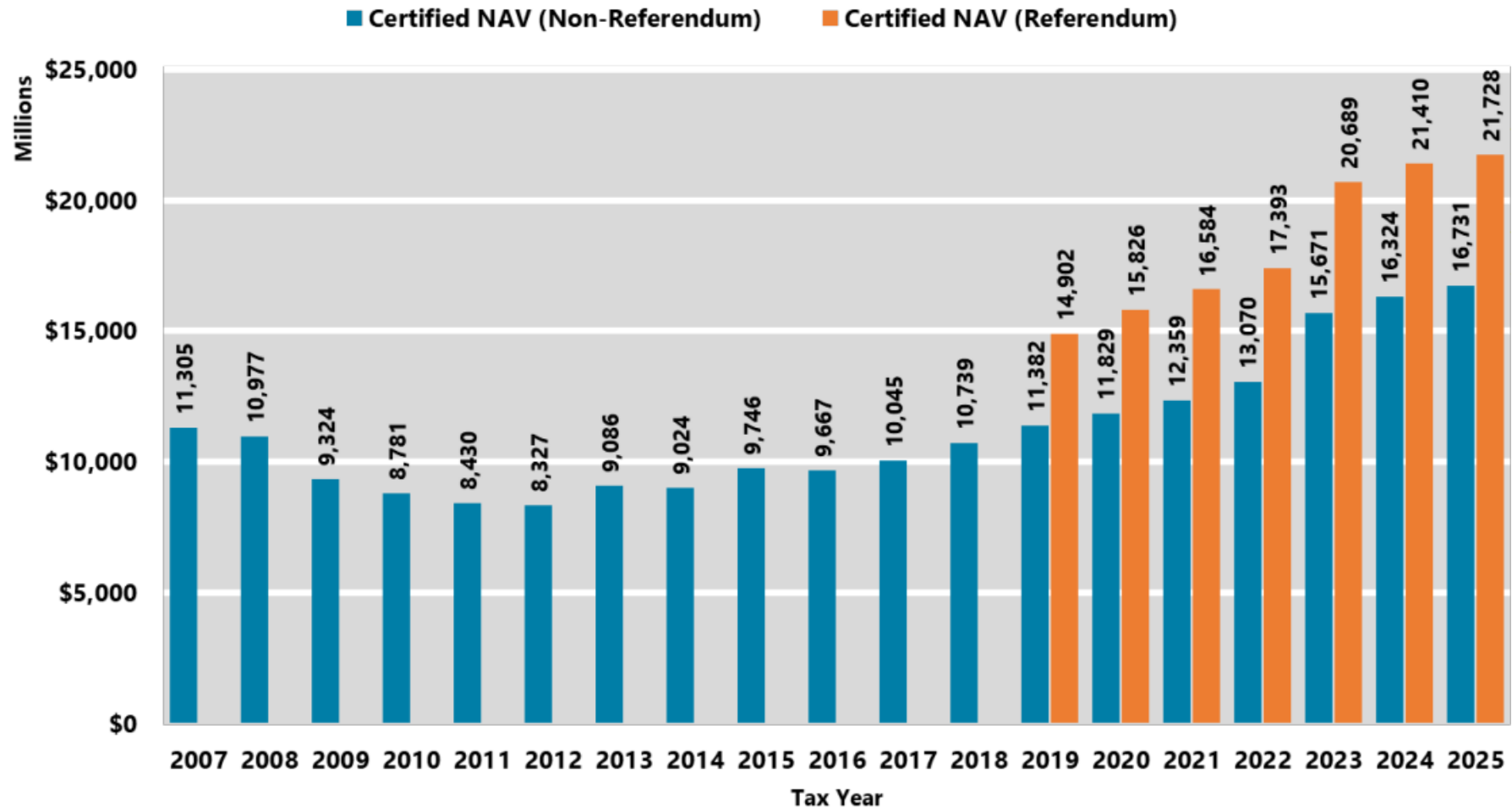
2025

Major local government finance reform enacted in SEA 1 - 2025

IPS Property Tax Rate History



IPS Assessed Value History



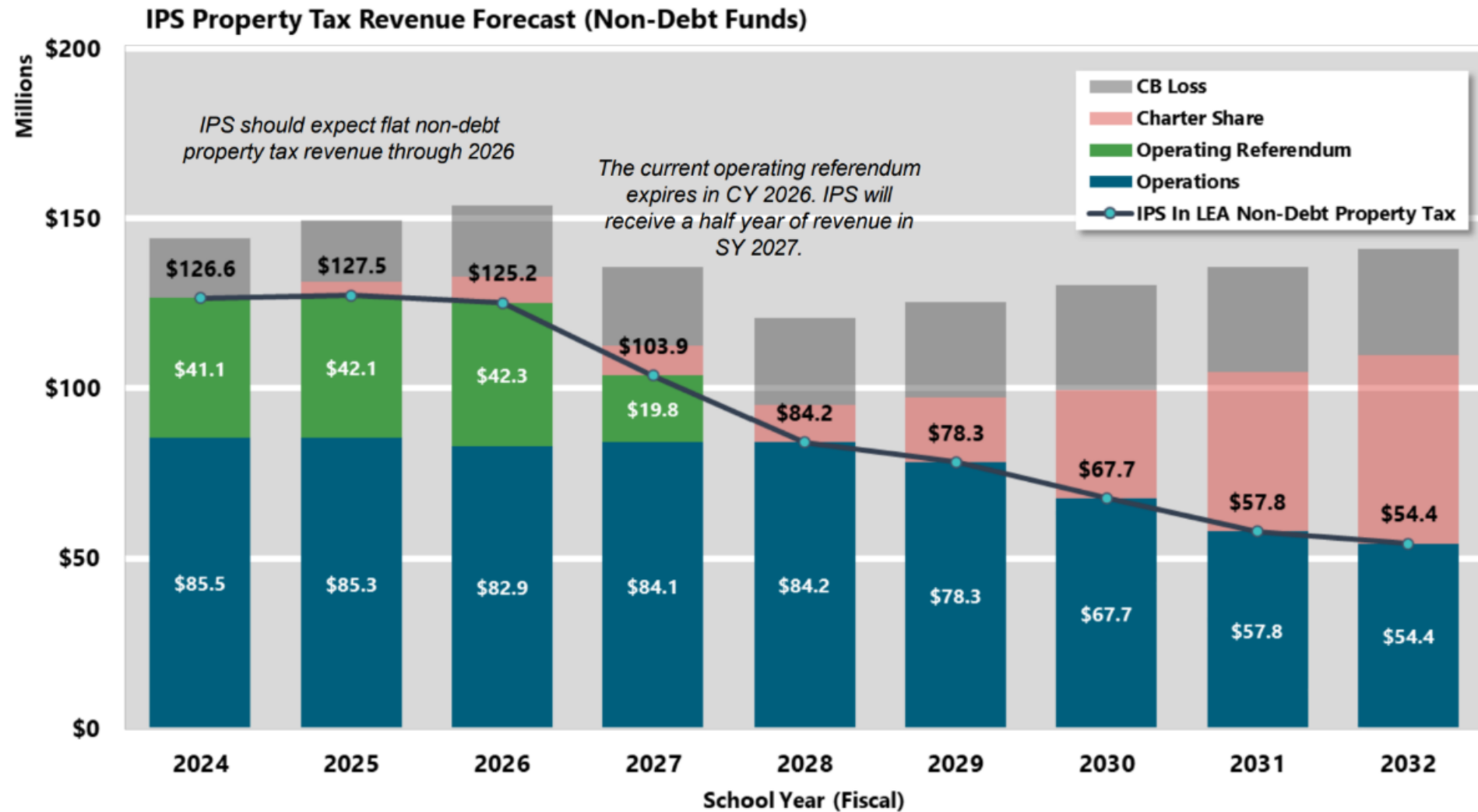
SEA 1 -2025 Overview & Implications

- Introduces a property tax credit for homeowners, equal to 10% of property tax liability, up to \$300 (unfunded).
- Scales the supplemental homestead deduction to 67% by 2031.
- Introduces a non-homestead residential deduction of 33%.
- Exempts certain depreciable personal property from assessment.
- Restructures the local income tax, beginning in CY 2028.
- Allocates operations fund dollars to charter schools on a per student basis.

SEA 1 -2025 Overview & Implications

1. Taxing units should expect reduced property tax revenues (compared to baseline) due to the homestead credit and new deductions (~ \$5M in 2026 per LSA).
2. Due to tax base restructuring, future operating referenda will require higher tax rates to yield current levels of revenue.
3. As SEA 1 is fully implemented, future property tax revenue growth will be largely dependent on tax base growth.
4. The allocation of operations fund revenue to charter schools is a marked increase over prior law.

IPS Property Tax Revenue Forecast



Looking ahead

- Recent legislation will begin to allow charter schools to receive a share of local property tax revenue, including referendum funds.
- The ILEA is charged with developing the "how"—the specific mechanisms and agreements for this new era of shared funding.
- This includes:
 - Creating templates for revenue-sharing agreements.
 - Developing a capital levy approval process.
 - Ensuring that this new system is implemented in a way that is equitable, efficient, and benefits all students.

Discussion

Public Comment Procedure

For everyone to have a fair chance to speak and be heard, please observe the following rules:

First, each speaker will be limited to **1.5** minutes. When the timer sounds, please conclude your statement.

Second, please ensure comments reasonably relate to the work of the ILEA and address the alliance as a whole.

Finally, please avoid repeating what a prior speaker has said so that we may hear from as many people as possible.

Public Comment

Next Steps

Tentative ILEA Roadmap

- **July/August:** Review current landscape, identify priority data around academics, transportation, facilities, etc.
- **September/October:** Issues deep dive to identify potential challenges and consider draft recommendations
- **November/December:** Continued analysis and refinement of recommendations
- **December:** ILEA adopts final recommendations. Plan submitted to state and local leaders by 12/31.

Closing

Next steps include:

- Preparing transportation and facility data

Next Meeting:

- 6 p.m., Aug 20, 2025.
- Details and upcoming meeting schedule available at <https://www.indy.gov/activity/indianapolis-local-education-alliance>
- Contact ILEA@Indy.gov or IPSEExternalAffairs@myips.org with questions or comments.