

# INDIANA

Overall Market Rating: **Growth Ready**

Indiana continues to steadily improve both policy and funding conditions, and there is strong political support for private school choice. Advocates have succeeded in making eligibility and funding improvements that enable new schools to enroll and serve students well on public funding.

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## Market Overview:

Indiana has one of the nation's strongest sets of private school choice laws in the country, as it relates to meeting the needs of students and parents. There are now four school choice programs, including a statewide tax credit scholarship program, a statewide voucher program, a statewide private and homeschool tax-credit deduction, and a brand new education savings account program for special needs students.

The voucher program, called the Choice Scholarship program, is statewide, and existing schools are able to expand their existing campuses and serve students in the current ecosystem. Per-pupil funding in the choice sectors (private and charter) lags district funding, but the maximum voucher amount in the communities of highest need (Gary and Indianapolis) is around \$7,000.

There have been significant changes to the programs over the last few legislative sessions, all of which make Indiana markets more favorable to school creation. Of note:

1. In 2020 a legislative change clarified that schools can be accredited/approved before they open with children in seats and then accept public money immediately.
2. In 2021, changes were made to eligibility across the Choice Scholarship and Scholarship Tax Credit to make student eligibility requirements more straightforward and cohesive. In addition, it has become easier for a student to stay enrolled or re-enroll once accepted into either of those programs.
3. Indiana eliminated the sliding scale funding in the Choice Scholarship Program. All eligible students are now funded at 90% of state funding.
4. Finally, Indiana created a special needs ESA which offers additional funding to any child with an IEP or special services plan whose family earns less than 300% of the income threshold for the federal free or reduced-lunch program (FRL).

There are accreditation and accountability requirements that private schools must adhere to once they agree to accept choice or scholarship students, which include participation in the statewide A-F rating system. Student growth is a significant component of the rating system, but there are penalties for low performance after just two years of data. Schools are allowed to petition the state board for relief, but they must be able to prove academic growth for the majority of students in the prior year.

# Demographic Analysis:

## ENROLLMENT FIGURES

Indiana (2019-20)	
Total Public School Enrollment (Including Charter Schools)	1,033,964
K-12 Private School Enrollment	115,421
Charter School Enrollment	44,965

## ELIGIBILITY BY PROGRAM (NUMBERS MAY BE DUPLICATIVE)

Program	% Eligible Students	Current Enrollment (2021-2022)	Eligibility Requirements
Indiana Choice Scholarship Program	79% of families with children statewide	44,376 participating students  330 participating schools	Students must be between ages 5-22, have a family income of less than 300% FRL (\$154,014 for a family of 4 in 2022-23) and qualify under one of the following pathways: <ol style="list-style-type: none"> <li>1. Students who attended a public school the previous two semesters.</li> <li>2. Students who received the scholarship two or more previous years or the year prior but exited the program before the end of the academic year.</li> <li>3. Students with an IEP.</li> <li>4. Students who would otherwise attend an “F” rated school.</li> <li>5. Students/siblings enrolled in the program or who received a tax credit scholarship the previous year.</li> </ol>

			6. Students who use an Early Education Grant to attend Pre-K at an eligible Choice Scholarship school where they will enroll in K.
Tax Credit Scholarship	79% of families statewide	9,557 participating students  341 participating schools	<ul style="list-style-type: none"> <li>• Children must be ages 5-22.</li> <li>• Family income cannot exceed 300% of FRL.</li> <li>• Current private school students are eligible.</li> </ul>
Private/Homeschool Deduction	10% of students statewide	63,103 participating families (2020-21)	<ul style="list-style-type: none"> <li>• Deductions are available for parents' expenditures on either private schools or homeschooling for their children, including private school tuition, textbooks, fees, software, tutoring and supplies.</li> </ul>
Education Savings Account	13% of students statewide	No Data	<ul style="list-style-type: none"> <li>• Family income cannot exceed 300% FRL</li> <li>• Student must have an IEP or Special Services Plan</li> <li>• Enrolled students remain eligible until they graduate</li> </ul>

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## Funding:

Assessment: Adequate in high-need areas for the lowest income families

### Assets:

- Funding level is high, in high-need areas, relative to other choice markets.
- Funding is tied to general school aid, so choice per-pupil funding increases at the same rate as traditional public-school funding.

### Considerations:

- Communities outside Gary and Indianapolis are funded at a much lower level.
- There is a significant gap in funding between traditional districts and private schools, and private schools are not eligible for the additional \$1,000 facilities allowance available to charters.

INDIANA CHOICE SCHOLARSHIP PROGRAM

Maximum	Average 2021-2022	Program Cap	Disbursement
90% of public school district funding  Indianapolis: 90% = \$6,534 Gary: 90% = \$7,019	All Students: \$5,439  90% Awards by Grade Level (2018-19):  Kindergarten: \$5,794 Grades 1-8: \$5,679 High School: \$5,758	None	<ul style="list-style-type: none"> <li>- Payments are made a minimum of two times per year, once each semester.</li> <li>- An additional payment for special education funding is made in February.</li> </ul>

**Trend:** Funding is stable and will increase along with public school funding.

TAX CREDIT SCHOLARSHIP PROGRAM

Maximum	Average 2020-2021	Program Cap	Disbursement
Determined by scholarship-granting organization, but may be as high as full tuition.	\$2,346	\$16.5M	Scholarship granting organizations disburse funds: <ul style="list-style-type: none"> <li>- Payments are made a minimum of two times per year, once each semester.</li> <li>- An additional payment for special education funding is made in February.</li> </ul>

**Trend:** Funding is stable and has consistently grown each year.

PRIVATE/HOMESCHOOL DEDUCTION

Maximum	Average 2020	Cap	Disbursement
\$1,000 per child	\$1,817 per household	None	<ul style="list-style-type: none"> <li>- Deductions are taken on family tax returns</li> </ul>

**Trend:** Funding is stable.

NOTE: The special needs Education Savings Account in Indiana began serving students in 2022. There is no funding information available yet, but the maximum funding amount is 90% of state funding for the student, and the program is capped at \$10 million. Data will be available once the program has been implemented.

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## Policy & Regulatory Environment:

Assessment: Acceptable

Assets:

- Choice Scholarship Program: There are no geographic limits or caps on school or student participation.

Considerations:

- Schools must be accredited by the Indiana Department of Education (IDOE), or another statutorily prescribed accreditor, prior to participation in either program.
- Freeway accreditation is now available to new schools and no longer requires a one-year observation period, which allows new schools to enter the programs and immediately receive public funding.
- Choice Scholarship-participating schools must administer state assessments and participate in the statewide school performance system, and can be sanctioned for low performance after two years.
- Schools that participate in the Choice Scholarship Program must offer several prescribed curricular requirements.
- IDOE is required to perform site visits to 5% of private schools in these programs each year.
- Pathways for student eligibility are numerous and may be complex for parents and new schools to navigate.

**Summary:** While the Indiana statutes and regulations were always positioned to serve parents, they have been updated to be more favorable to the development of new private schools. New school startup is now possible after recent regulatory changes.

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## Human Capital:

Assessment: Insufficient but improving

Assets:

- Indianapolis is one of the most active markets for talent development and recruitment.
- Teach for America, TNTP and others are active and expanding in the market.
- The charter and philanthropic sectors are working to develop new pipelines and opportunities to develop teachers and leaders.

Considerations:

- Other than a leadership fellowship program that is run by The Oaks Academy, private schools are generally not being included in the talent development work.
- Accreditation requirements will force schools to hire fully licensed instructional staff, in many cases, with few alternative options.

**Summary:** Indiana—Indianapolis specifically—is leading the nation in the identification and incubation of new teaching and leading talent, but by both default and design, private schools have not had the same access to these discussions and resources as charter and district schools. The accreditation requirement is likely to force schools into very traditional hiring practices and limit the pool of talent from which they can pull.

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## Local Champions & Climate:

Assessment: Strong and consistent

Assets:

- There is coordinated advocacy, including civic, political, and grassroots leadership.
- Multiple organizations (Institute for Quality Education, EdChoice, American Federation for Children) are focused on shared objectives.
- There is a pattern of stable political support and leadership from elected officials.

Considerations:

- None.

**Summary:** State and national advocates have been very successful in Indiana. They have worked to advance charter, private school choice and district reform successfully.

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## Facilities:

Assessment: Not adequate to meet the needs of new entrants to the market; no major changes

Assets:

- Real estate is relatively affordable.
- The lending and philanthropic communities are accustomed to supporting school facility needs.

Considerations:

- Surplus public facilities are not available to private schools.
- There are no public source of facilities funding, and any additional mechanism to move public money into private schools would likely be challenged in court.

- There is no strategic conversation around private schools' facilities because expansion and growth has remained fairly limited. IFF may offer a financing and development solution for some private schools and has surveyed the facility needs of the region.

**Summary:** There is no discussion of facilities solutions for private operators currently being considered in Indiana. Real estate is available and affordable, but a thorough city-by-city facilities assessment is necessary to determine what specific facility challenges and opportunities need to be addressed.