



# A Descriptive Overview of Local School Property Tax Funding in Indiana

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June 18, 2024



## Scope and Objective

1. Policy Analytics, LLC was engaged by the School Associations to conduct an independent, non-advocacy, analysis of school property tax funding between calendar year 2010 and 2023.
2. This analysis is intended to be a descriptive evaluation of changes in property tax revenues and expenditures from property tax supported funds between the period referenced, in order to provide a basis for future policy discussions.
3. This analysis relies heavily on the Financial Form 9 data completed annually by school corporations compiled by the Indiana Department of Education, and Certified Budget Orders certified by the Indiana Department of Local Government Finance.
4. School Operating and Capital Referendum funds have been excluded from this analysis due to their discretionary, voter approved nature, and non-uniform use throughout the State.

# Key Takeaways

## Assessed Value:

- Since 2010 the statewide annual change in Net Assessed Value per student has averaged 3.7% annually.
- While there have been larger than normal increases in the Net Assessed Value the past few years, the early 2010s saw little gain in Net Assessed Value.

## Operations Fund:

- Since 2010 the average Operations Fund net levy has lagged behind inflation.
- Non-discretionary costs of Transportation, Utilities, and Insurance account for 75.5% of the Operations Fund net levy. In 16% of school districts(High CB Districts), these three costs are more than the districts receive in Operations Fund levy.

## Debt Service Fund:

- As capital outlay and construction costs have risen, Debt Service revenue has increased as well.
- From 2010 to 2023, inflationary costs in school construction and capital outlay have increased by 5.5% annually.
- During this same timeframe, Debt Service revenue has increased by 2.6% annually.

# Definitions

## Small Districts:

- School districts with an enrollment of 2,000 students or less in School Year 2023-2024.
- There are 156 school districts that fall into this classification in the data set.

## Growing Districts:

- School districts that have had a year over year enrollment increase of 1% or greater annually for the past five school years.
- There are 34 school districts that fall into this classification in the data set.

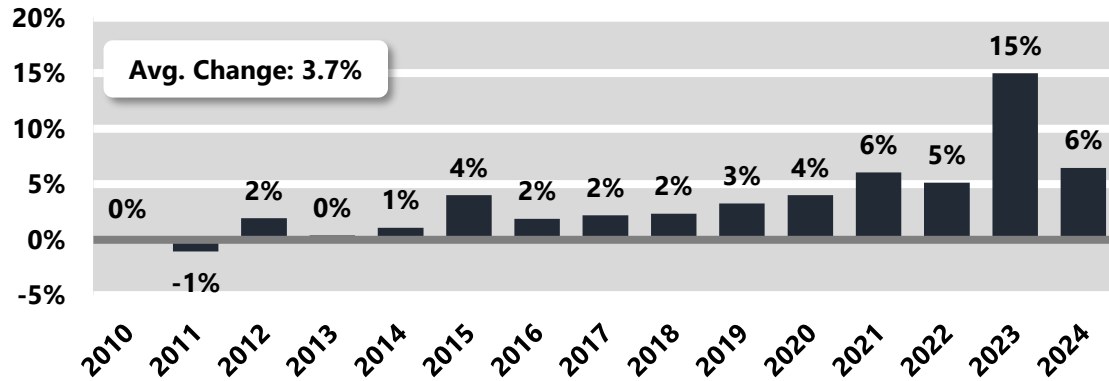
## High Circuit Breaker Districts:

- School districts with a circuit breaker loss (high property tax rates) of 20% or greater in the Operations Fund for in the 2024 Budget Year.
- There are 48 school districts that fall into this classification in the data set.

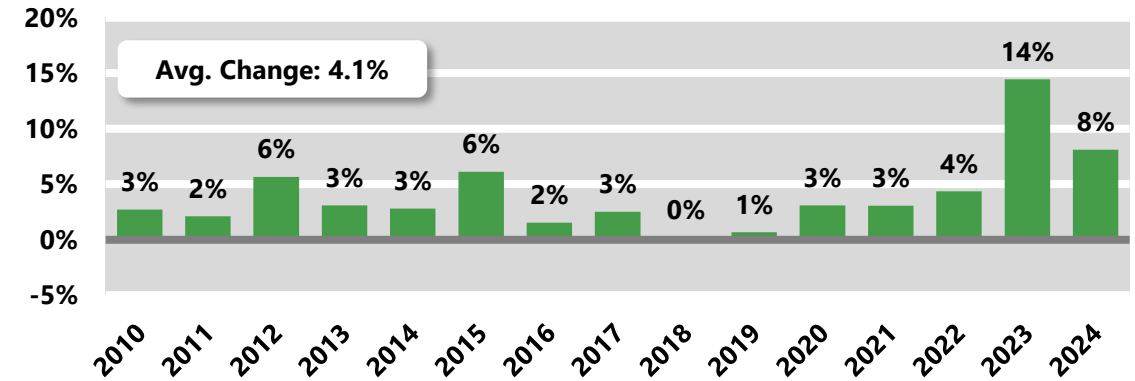
# Long-term Tax Base Growth for Indiana Schools

Annual Change in Certified Net Assessed Value per Student

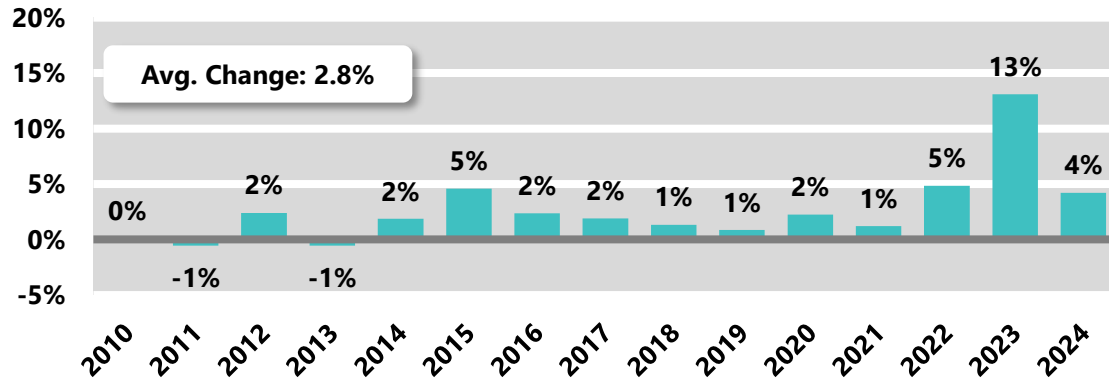
Statewide



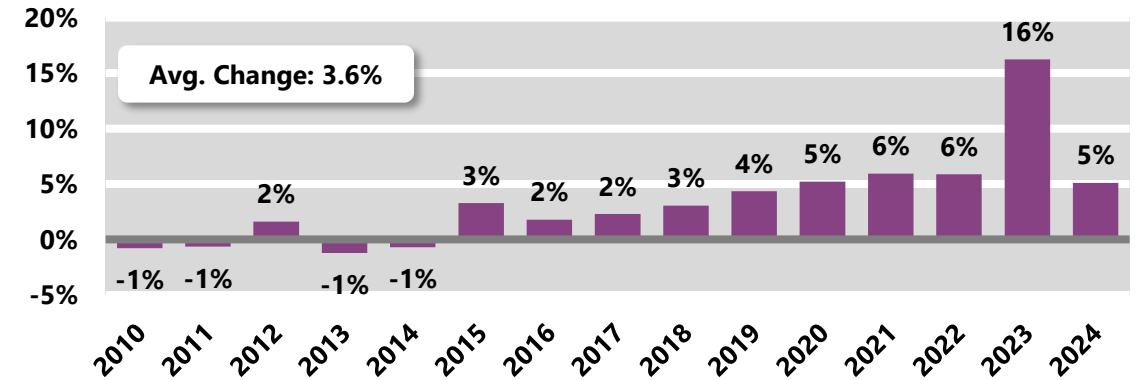
Small Districts



Growing Districts



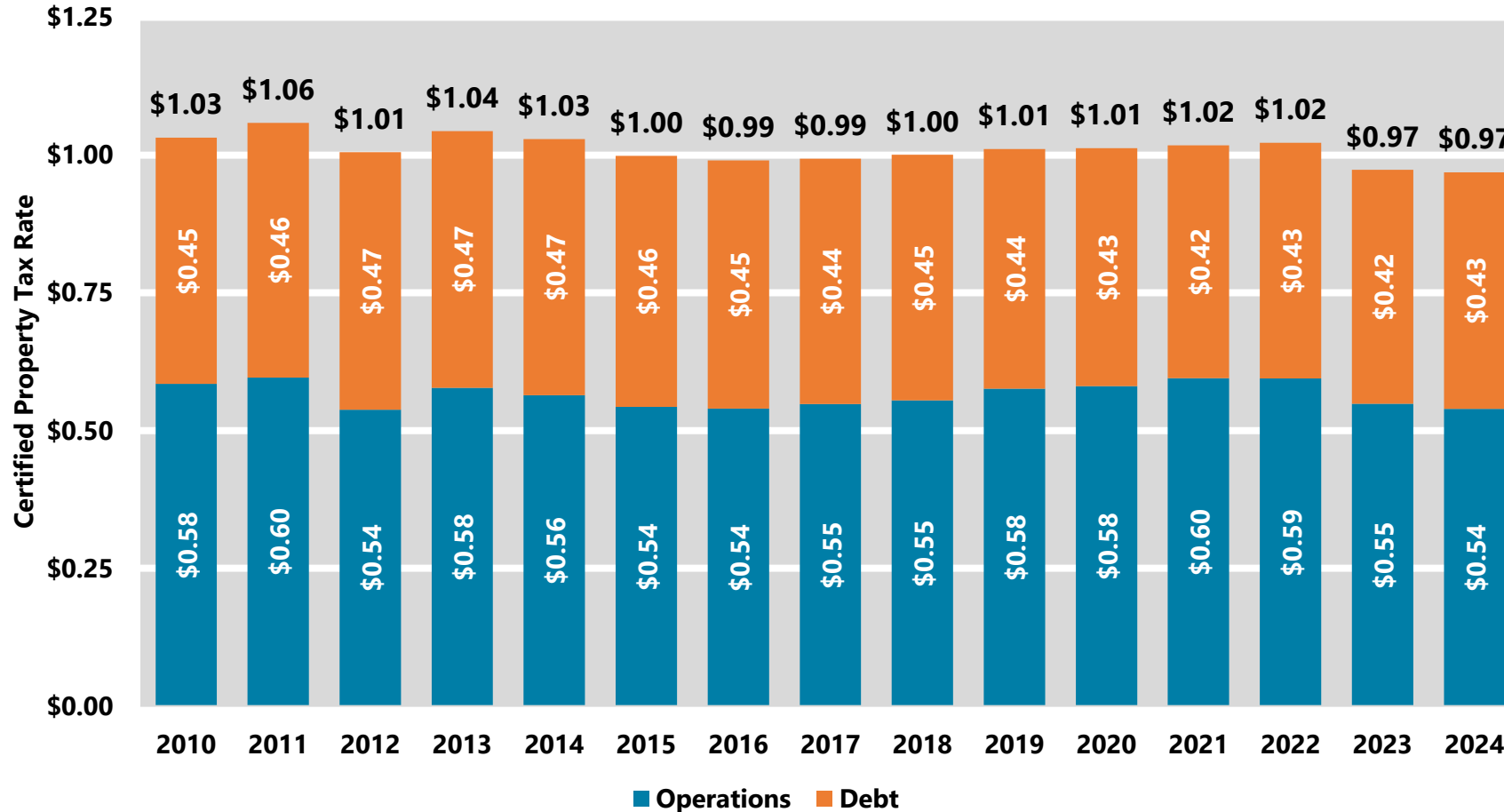
High Circuit Breaker Districts



Sources: NAV: Certified Budget Order (DLGF)  
Enrollment: Enrollment by School Corp. (DOE)

# Non-Referendum Property Tax Rate History

Average School Property Tax Rates (2010 – 2024)



- The historical average combined tax rate of the Debt Service and Operations Funds has decreased by 6% between 2010 and 2024.
- The statewide average of the Debt Service Fund rate has declined by 8.5% from its high of \$0.47 in 2014.
- The average Operations Fund rate has varied over the years due to the Maximum Levy Growth Quotient controls. When the tax base grows slower than the MLGQ, the Operations Fund rate tends to increase.

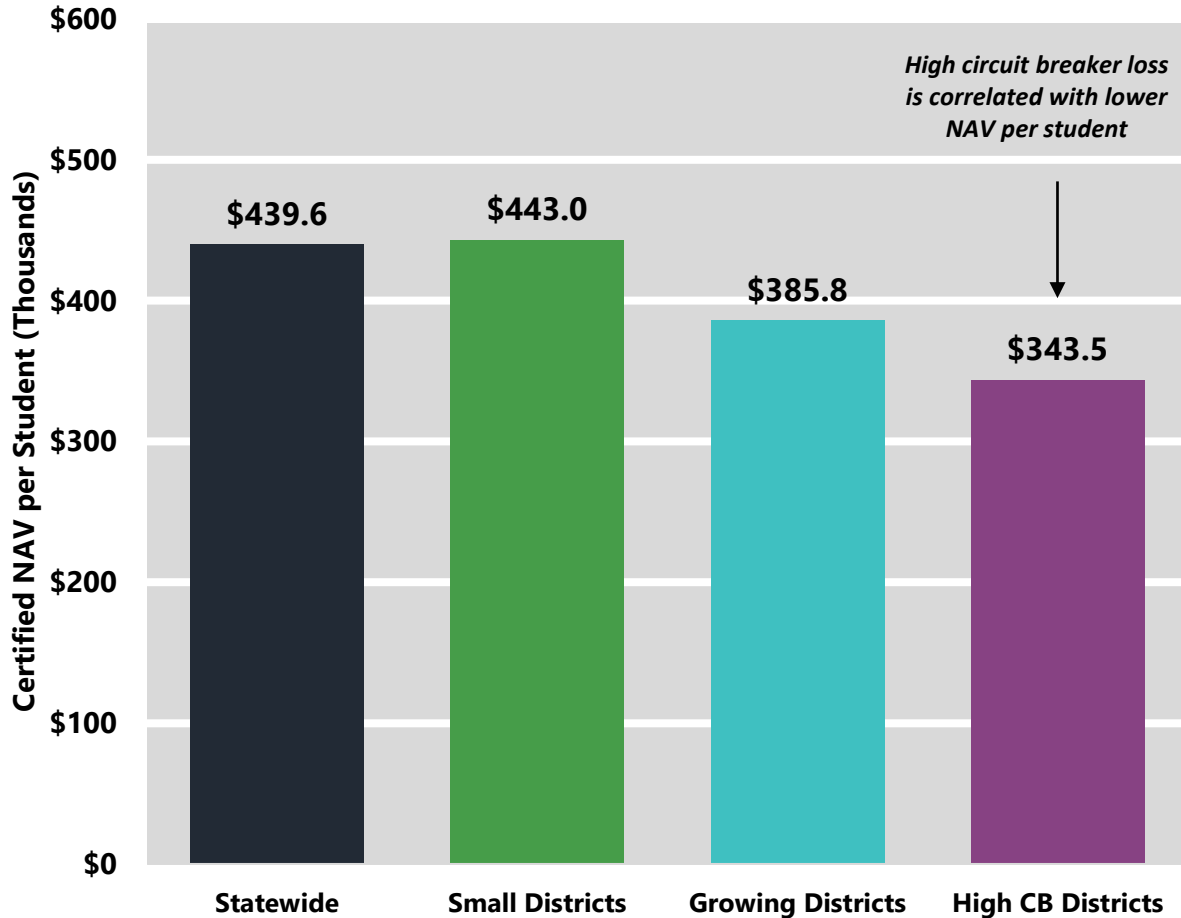
Source: Certified Budget Order (DLGF)

Notes: Operations Fund rate includes Pension Debt Service due to neutralization provisions  
 Prior to 2019, Operations Fund includes Transportation, Capital Projects and Bus Replacement funds

# Non-Referendum Property Tax Rates and NAV per Student

2024 Calendar Year; by School Grouping

2024 NAV per Student



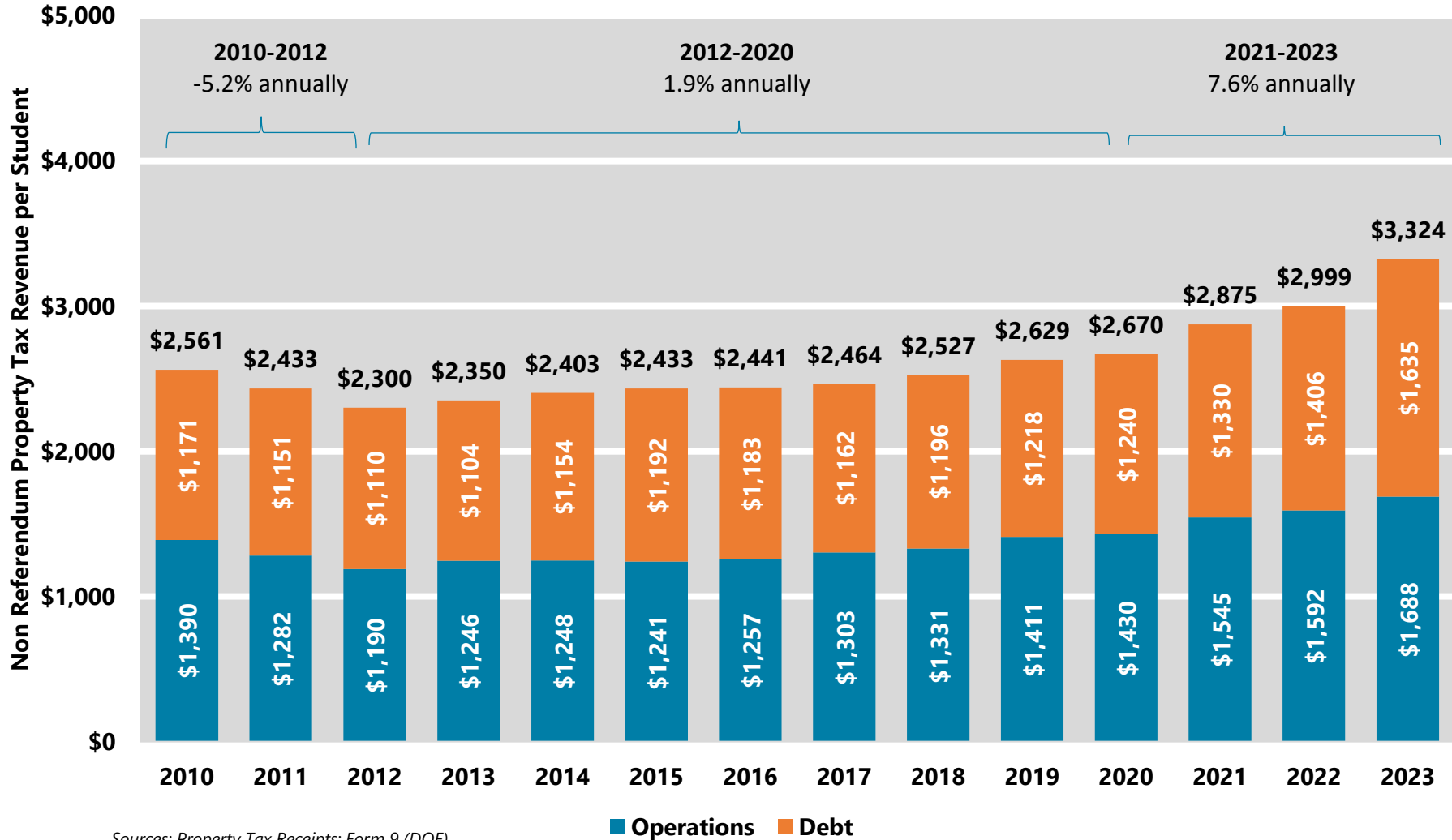
2024 Non-Referendum Rates



Sources: NAV, Tax Rates: Certified Budget Order (DLGF)  
Enrollment: Enrollment by School Corp. (DOE)

# Non-Referendum Property Tax Receipts per Student

Calendar Year 2010 through 2023



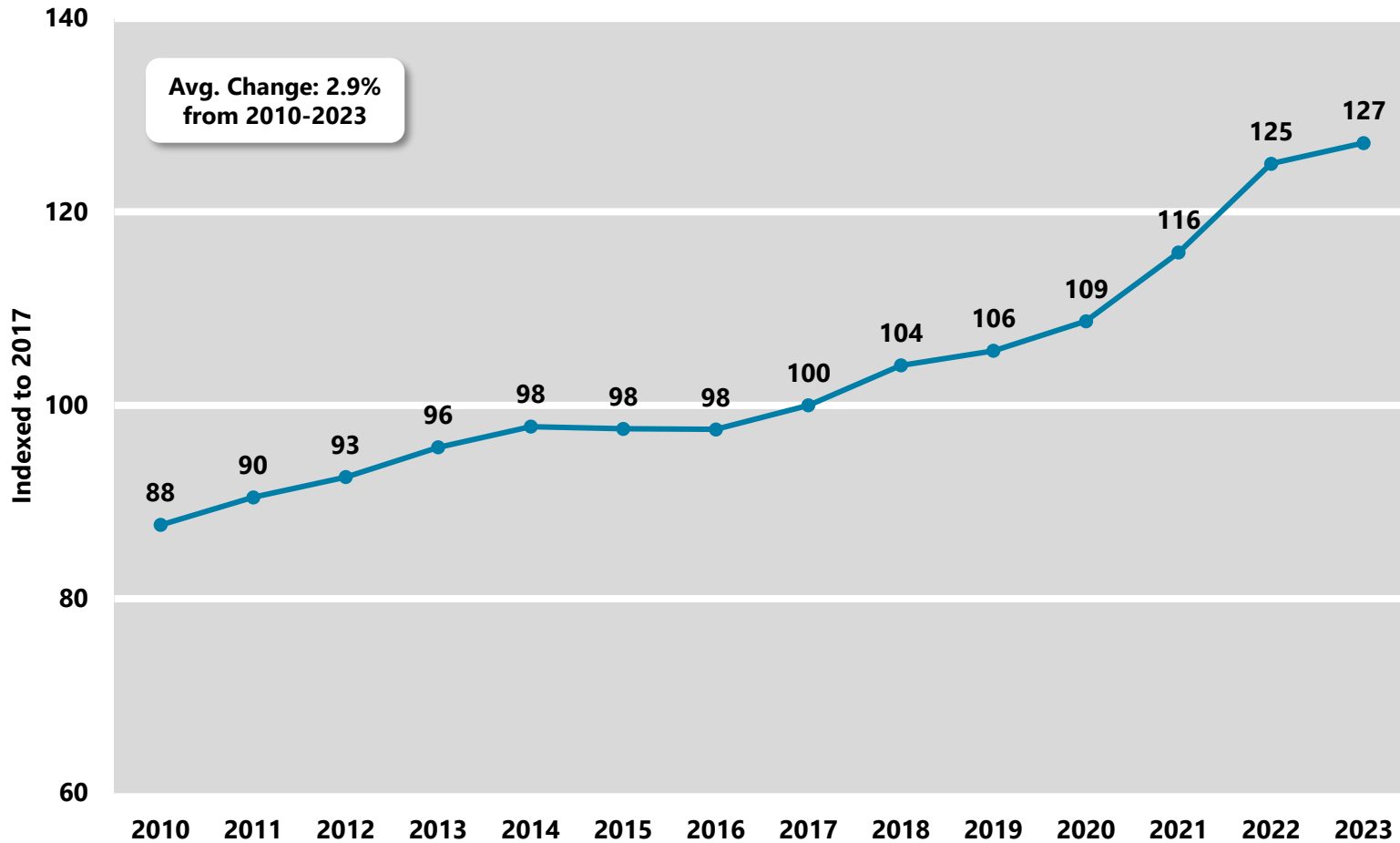
- On average, non-referendum property tax revenue per student increased at a rate of 2.0% annually between 2010 and 2023.
- Per student property tax revenues decreased between 2010 and 2012 due to property tax reforms and the effects of the 2008 recession.
- Per student property tax revenues increased by 10.8% between 2022 and 2023.

Sources: Property Tax Receipts: Form 9 (DOE)  
Enrollment: Enrollment by School Corp. (DOE)



# Inflationary Indices

State and Local Government Consumption Index (2017 = 100)

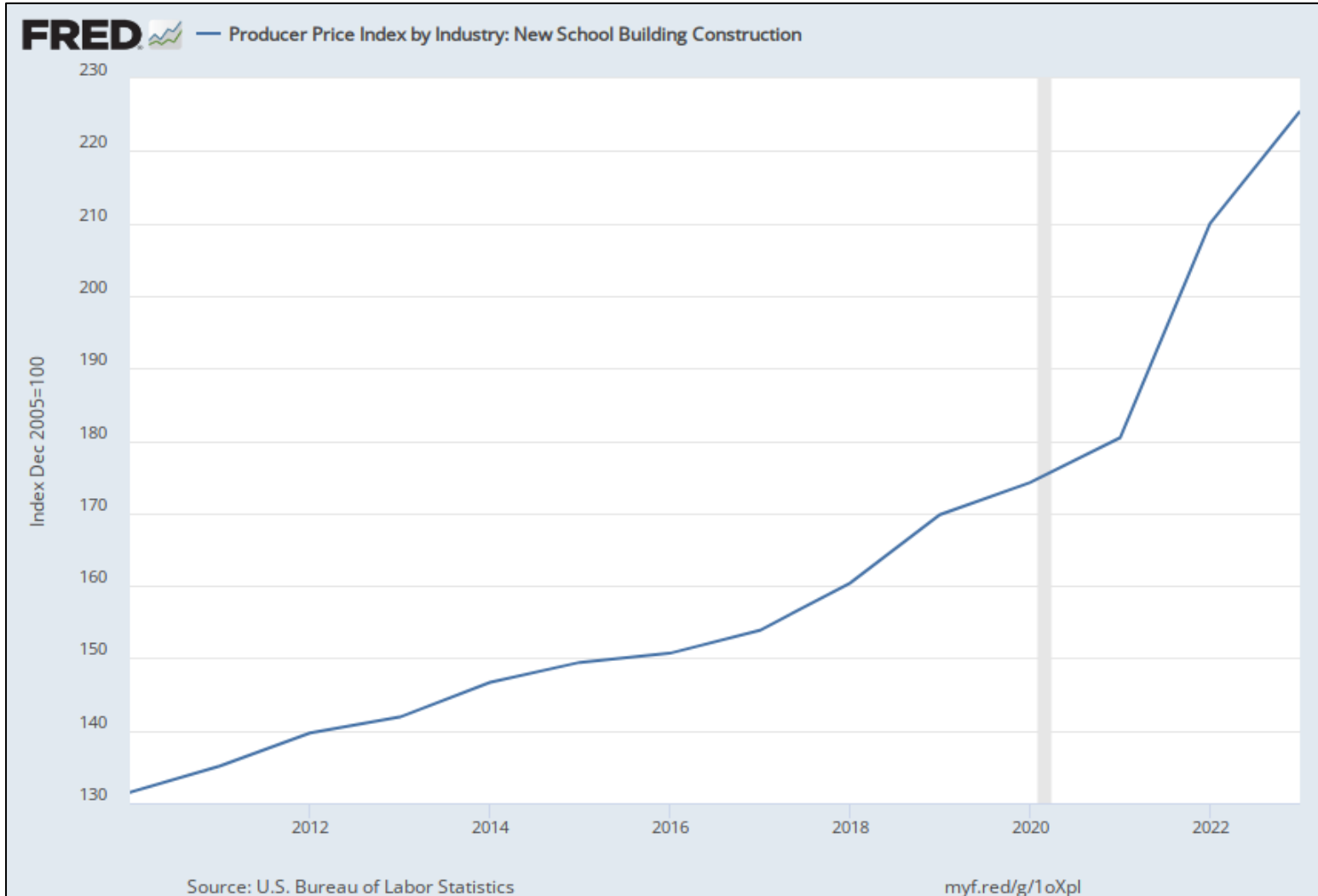


- The State and Local Government Consumption Price index is published by the U.S. Bureau of Economic Analysis as part of the Gross Domestic Product Series.
- Between 2010 and 2023, the index increased at a rate of 2.9% annually.
- Between 2020 and 2023, the index increased at a rate of 5.3% annually.

Source: State and Local Government consumption expenditures and gross investment index (U.S. BEA)

# Inflationary Indices

Producer Price Index by Industry (2005 = 100)

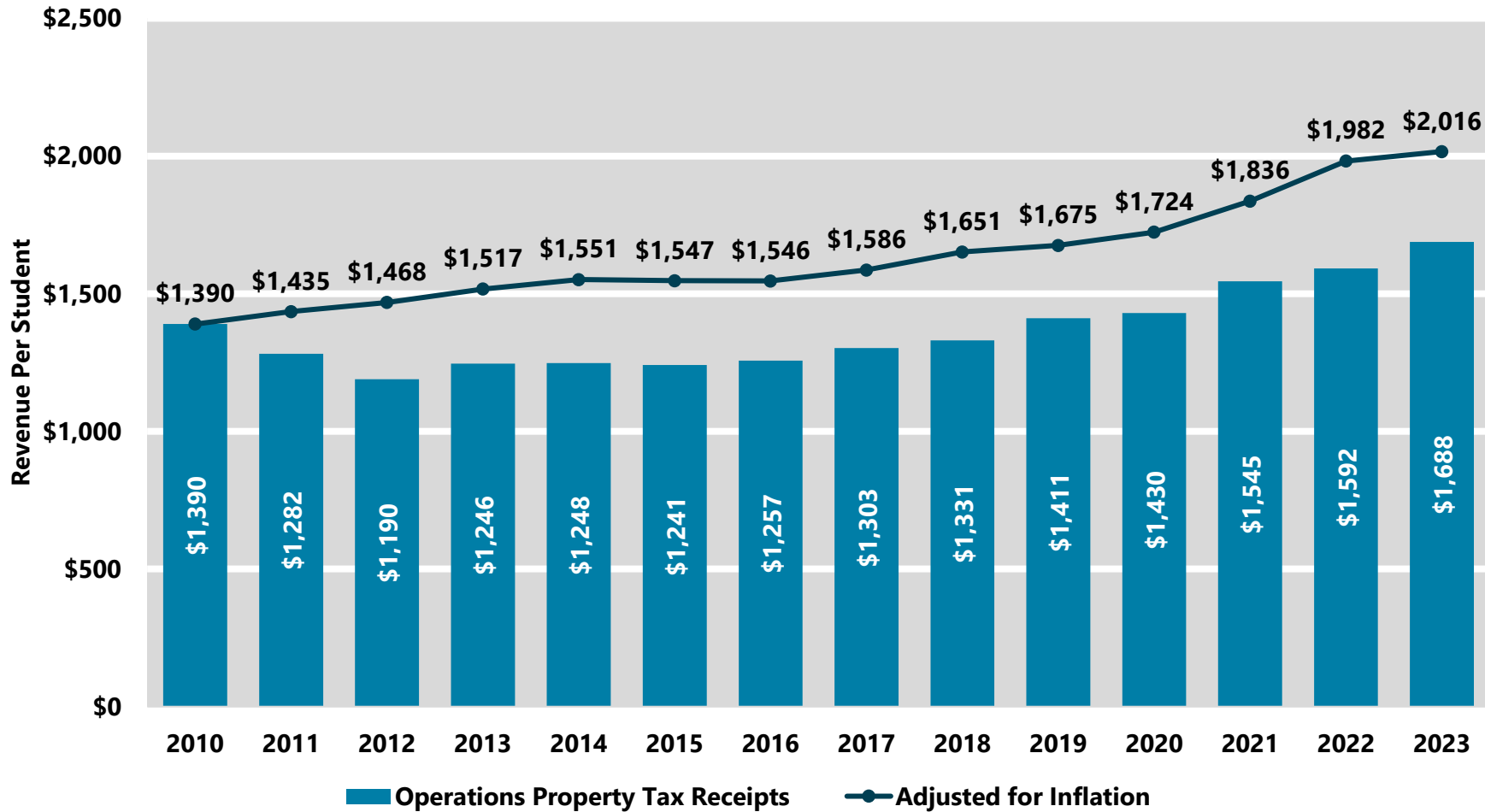


- The Producer Price Index for New School Building Construction is produced by the U.S. Bureau of Labor Statistics and published by the Federal Reserve Bank of St. Louis.
- Between 2010 and 2023, the index increased at a rate of 4.2% annually.
- Between 2020 and 2023, the index increased at a rate of 9% annually.

Source: Producer Price Index by Industry; New School Building Construction (FRED)

# Operations Property Tax Revenue per Student vs. Inflationary Index

Compared to U.S. BEA State and Local Government Consumption Index

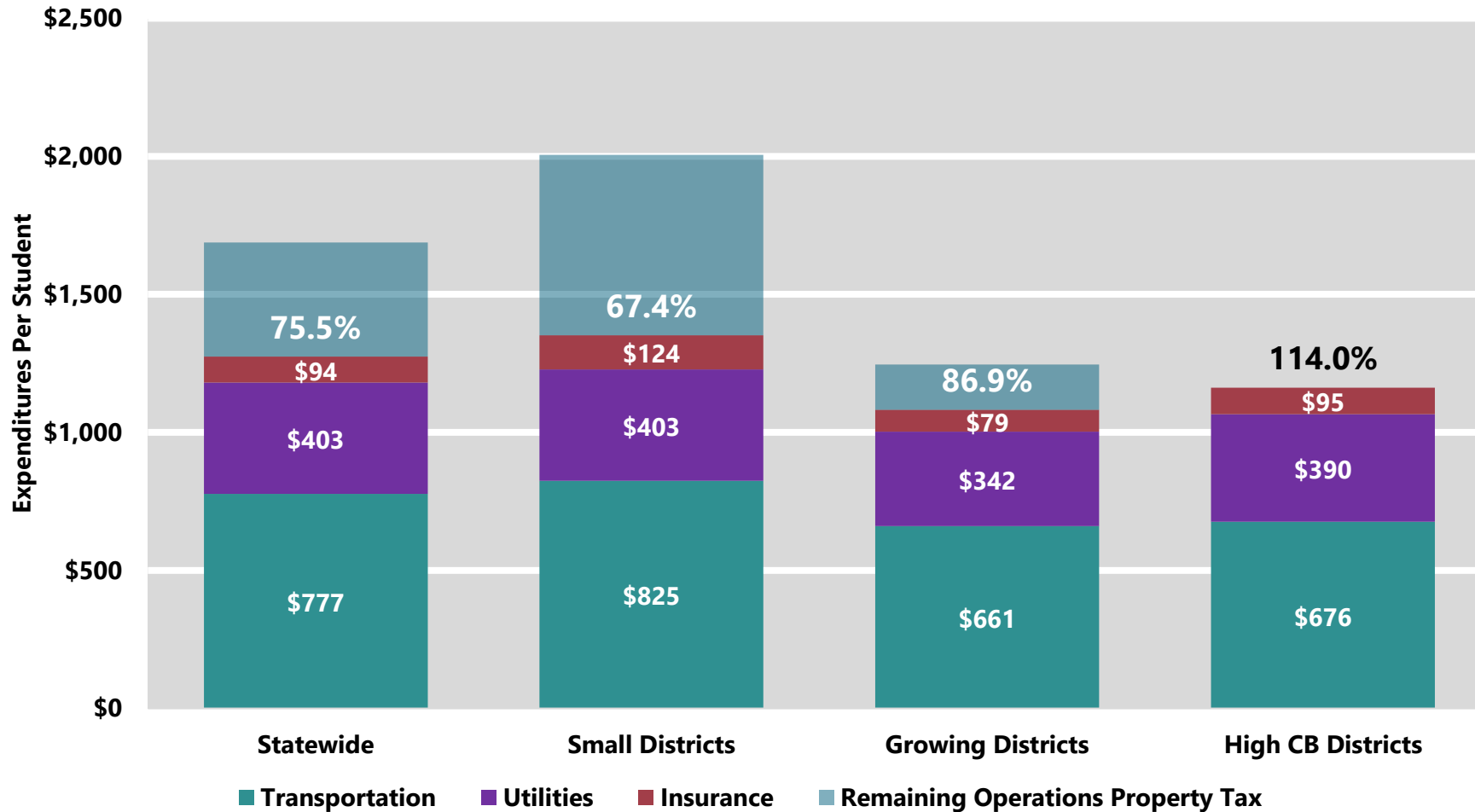


- Between 2010 and 2023, the inflationary index increased by 2.9% annually.
- Over the same period, per student Operations Fund revenue increased by 1.5% annually.
- The difference between the growth in the Operations Fund Net Levy and Inflation has created a decrease in purchasing power for items such as transportation, utilities, capital projects, and maintenance for school districts.

Sources: Property Tax Receipts: Form 9 (DOE)  
 Enrollment: Enrollment by School Corp. (DOE)  
 Inflation Index: State and Local Government Consumption Index (BEA)

# Operations Fund Expenditures per Student as a Component of Revenue

Calendar Year 2023; by School Grouping

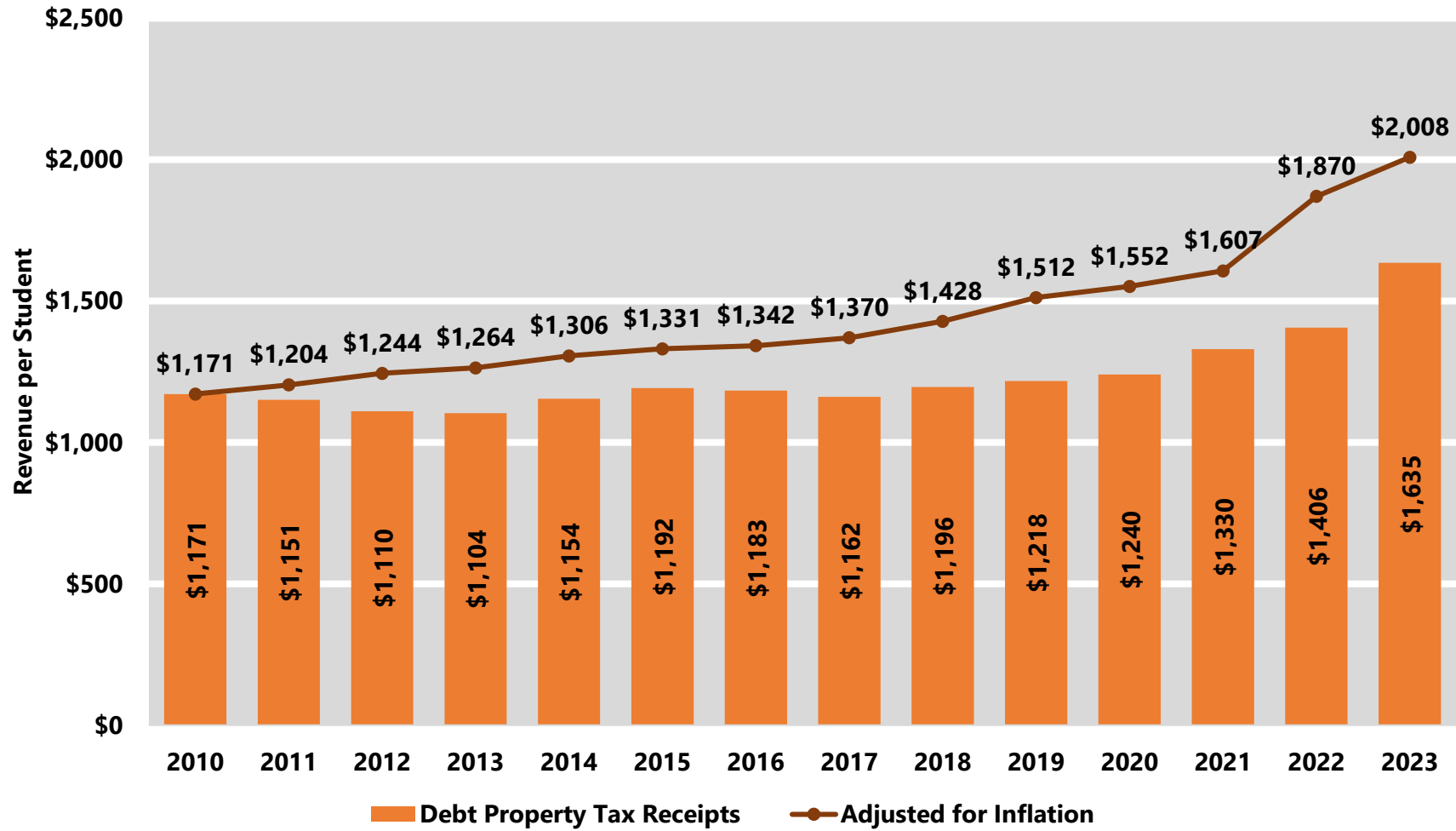


- Between the subgroups, there is a large difference in the percentage of the net levy that is spent on the fixed expenses of transportation, utilities, and insurance.
- In High Circuit Breaker districts, the fixed costs of these three areas account for more dollars than are received in property tax levy in the Operations Fund.
- Any remaining revenue is utilized for other expenses such as bus replacement, building maintenance, technology, and capital projects.
- The percentage is less in Small Districts due to the additional revenue that is received in the Operations Fund compared to the other subgroups.

Sources: Operations Fund Revenues and Expenditures: Form 9 (DOE)  
Enrollment: Enrollment by School Corp. (DOE)

# Non-Referendum Debt Service Revenue per Student vs. Inflationary Index

*Compared to Producer Price Index for New School Construction*



- The Produce Price Index for New School Construction has increased by 5.5% from 2010 to 2023.
- Non-Referendum Debt is used for a combination of new school construction and existing school maintenance purposes.
- Debt Service approved by voter referendum is excluded from this comparison.
- New school construction costs have grown by 25% since 2021.
- Debt Service property tax revenue has grown by 2.6% on average since 2010.

Sources: Debt Service Fund Revenues: Form 9 (DOE)  
Enrollment: Enrollment by School Corp. (DOE)

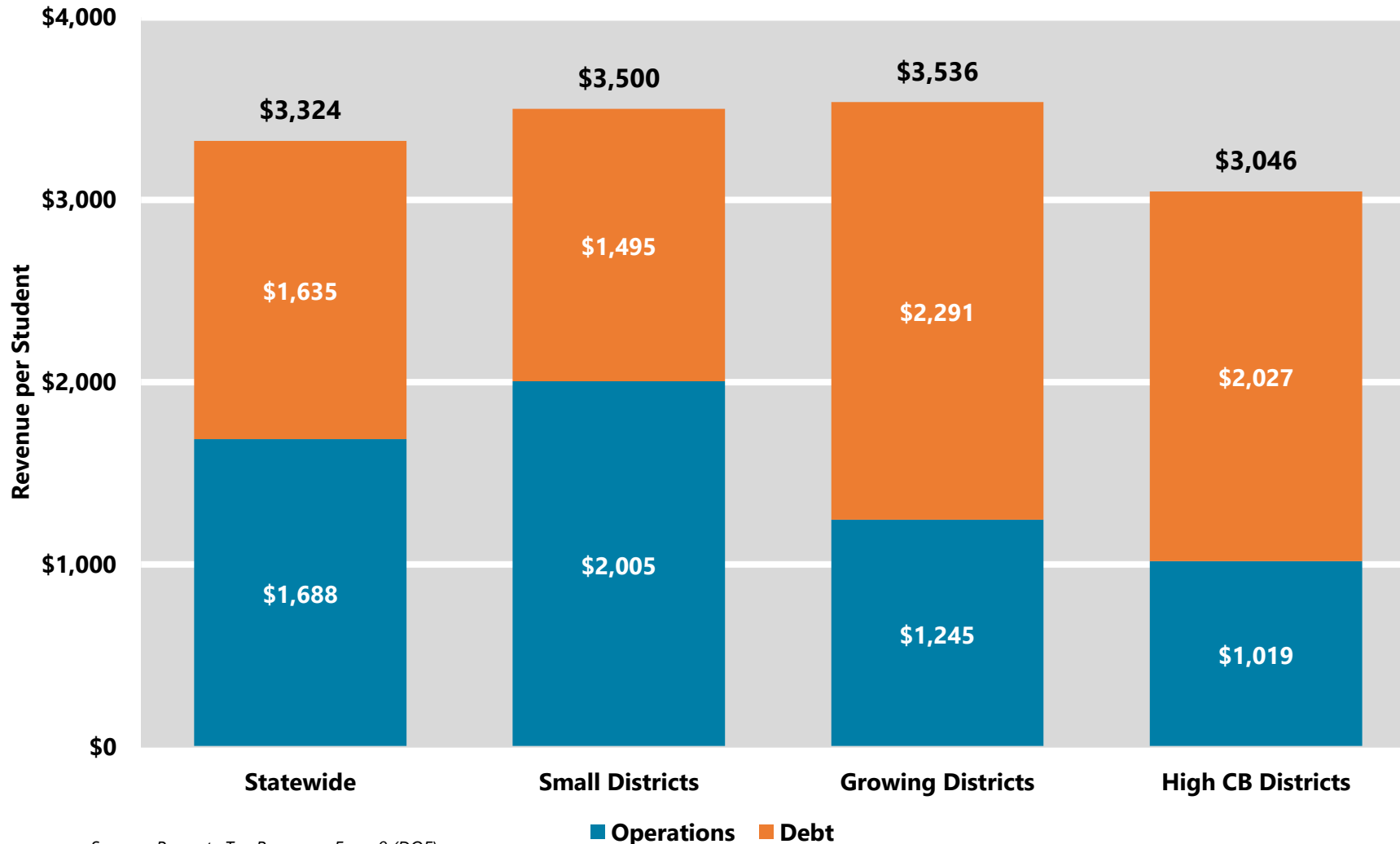
# Construction Cost Comparison

Construction Item	2019	2023	% Increase
Steel	\$4,500/Ton	\$9,000/Ton	100%
Concrete	\$6.50/Sq. Ft.	\$12.50/Sq. Ft.	92%
Masonry	\$18.00/Sq. Ft.	\$36.00/Sq. Ft.	100%
Roofing	\$14.50/Sq. Ft.	\$24.50/Sq. Ft.	69%
Plumbing	\$50.00/Sq. Ft.	\$80.00/Sq. Ft.	60%
Electrical	\$30.00/Sq. Ft.	\$50.00/Sq. Ft.	67%

- While the New School Construction Producer Price Index grew by 9% annually from 2020 to 2023, school districts in Indiana saw a large increase in construction costs on several items.
- The cost of these capital projects may be paid out of the Operations Fund, Operating Referendum Fund, Capital Referendum Fund, or Debt Service Fund.

Source: Meyer Najem

# 2023 Non-Referendum Property Tax Receipts per Student



- 46% of High Circuit Breaker Districts had either an Operating Referendum or Capital Referendum in 2023.
- The differences in the subgroup financial characteristics of assessed value, tax rate, and circuit breaker loss creates a variety in revenue sources.
- Additional revenue in the Operations Fund correlates with lower Debt Service revenues.
- Regardless of revenue distribution, school districts tend to end in a similar place in terms of revenue generation.

Sources: Property Tax Revenues: Form 9 (DOE)  
Enrollment: Enrollment by School Corp. (DOE)

■ Operations ■ Debt

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