Basics of School Finance

January 29,2026

Chad Blacklock, Managing Director

STIFEL | Public Finance

State of Public-School Finance

STIFEL | Public Finance

- Financial management of a school district has become much more complex over the last 10 years.
- Legislative changes have added financial and operational pressures to many schools and there is no sign of this slowing.
- Schools are trying to maintain a fair and competitive pay/benefits structure for all staff.
- Schools are now competing for students with other public schools, charter schools, private/parochial schools, and online academies.
- Inflation has caused expenses in the Operational Departments to increase at record levels i.e.: Construction, Utilities, P&C Insurance, School Buses, Fuel etc….
- Schools are considering Operating Referendums as a way to fund increasing expenses and stay financially healthy.

Indiana Public School Funding

State Funding

- Per student
- Set by State legislators
- Primary Purpose is too fund Instruction

Property Tax

- Operational / Debt
- Paid by local taxpayers
- Amount paid is based on the taxable value of the property
- Operations property tax has a limit that is unique to each school district.

STIFEL Public Finance

School Corporation Funds

Instructional

Education Fund

- Revenue: State Tuition Support, Other Misc.
- Expenses: Instructional

Operations

Operations Fund

- Revenue: Property Tax, Education Fund Transfers, Other Misc.
- Expenses: Operational, Capital, Equipment, Improvements, Transportation

Debt

Debt Service Fund

- Revenue: Property Tax, Other Misc.
- Expenses: Debt Payments

Operating Referendum Fund

- Revenue: Property Tax, Other Misc.
- Expenses: Instructional & Operations

Rainy Day Fund

- Revenue: Transfers from the other Funds
- Expenses: According to Board Resolution

Fiscal Note

Transfers from the Education Fund to the Operations Fund

Cap: 15% of State Funding

State of Indiana Per Student Funding

STIFEL | Public Finance

Indiana Tuition Support Breakdown	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
					LSA Run as of 04/23/25	
Basic & Complexity Grants						
Foundation	5,995	6,235	6,590	6,681	6,967	7,071
Change YTY	5.1%	4.0%	5.7%	1.4%	4.3%	1.5%
Virtual (% of Foundation)	5,096	5,300	5,602	5,679	5,922	6,010
85% of Foundation 2026, 2027						
85% of Foundation: 2019 - 2025						
90% of Foundation: 2018, 2017						
Change YTY	5.1%	4.0%	5.7%	1.4%	4.3%	1.5%
Complexity Grant (School receives a % of base)	3,775	3,775	3,983	4,024	4,001	4,015
Change YTY	2.7%	0.0%	5.5%	1.0%	-0.6%	0.3%
Basic Grant & Complexity						
Basic	5,995	6,235	6,590	6,681	6,967	7,071
Complexity	3,775	3,775	3,983	4,024	4,001	4,015
Total	9,770	10,010	10,573	10,705	10,968	11,086
Change $	392	240	563	132	263	118
Change%	4.2%	2.5%	5.6%	1.2%	2.5%	1.1%
CY Average US Inflation Rate - US Bureau of Labor Statistics	6.2%	4.8%	3.5%	3%		

2023 – Schools could no longer charge parents for textbook rental. The State gave schools $155 per student, in a TBR Grant, to fund this revenue loss.

2025 – The TBR Grant is removed form the State Budget and schools are now required to fund all curricular expenses from the Education Fund.

2026 Foundation Actual Change = 2% / Foundation with Complexity Change = 1%

2027 Foundation Actual Change = -.07% / Foundation with Complexity Change = -.03%

Property Tax Funds

Property Tax Supported Funds

Debt Fund(s)

Tax Levy Calculation
- Needs based
- Levy is a factor of the schools annual debt payments.

Referendum Fund(s)

Tax Levy Calculation
- Based on parameters approved by the tax payers.

Operations Fund

Tax Levy Calculation
- Maximum levy unique to each school corporation
- Maximum levy increases each year by the Statewide Growth Quotient.

The property tax levy/rate from these Funds make up the schools total property tax rate/levy.

Tax Levy Calculation

Property Tax Levy = (Net Assessed Value/100) x Tax Rate

Operations Fund – Max Levy Growth Quotient

STIFEL | Public Finance

	2023	2024	2025	2026	2027
MLGQ	5.0%	4.0%	4.0%	4%	?

- The Operations Fund is a maximum levy fund.
- Each school corporation has a unique base levy that was established in 2019.
- The levy increases by the Statewide Maximum Levy Growth Quotient (MLGQ) each budget year.
- The MLGQ is based on the change in the States 6-year rolling average of Non-Farm Personal Income.
- 2024, 2025, 2026, the State Legislators capped the MLGQ at 4%.

Property Tax Caps & Circuit Breaker Loss

- In 2010, the Citizens of Indiana voted to make Property Tax Caps part of the Indiana Constitution.

- Property Tax Caps place a ceiling or maximum on the amount of property tax generated on a piece of property.

- The cap is calculated as a percentage of the Gross Assessed Value of the property.
  - 1% - Residential
  - 2% - Other Residential / Farm Ground
  - 3% - Commercial

- Revenue loss from Property Tax Caps is 100% in the Operations Fund.

Debt Service Tax Rate

- Any school that has a debt service tax rate over $0.70 will be required to place all new debt issues on a referendum ballot. Effective as of July 1, 2025.

Assessed Value Changes

Homesteads

- Increases the homestead deduction, which will reduce a home's net assessed valuation.
- The total deduction will equal 67% by 2031.
- Example - A $250,000 home will receive a 34.65% decrease in their net assessed value.

Farmland and 2% Properties

- Phases in deductions from 0% to 33% through 2031.
- Decrease in agricultural land AV of 33%

Commercial:

- Removes the 30% depreciation floor for business personal property tax placed into service after January 1, 2025.
- Includes an exemption for businesses with less than $2,000,000 in BPP.
- 30% floor will remain for BPP placed into service before January 1, 2025 and BPP in a TIF.
- Will reduce net assessed value.
    - Exact amount will depend on each school corporation's tax base makeup

Operations Fund

- Max Levy Growth Quotient (MLGQ) is capped at 4% in 2026.
- Charter share beginning in 2028.

Consult with your bond and local counsel on any legislation for their interpretation and how it applies to your specific school

Senate Enrolled Act 1 – Impact to Schools

Referendum

- Requires that all referendums be on a general election.
- Changes the language of the question and timing of sharing dollars with charter schools.
- Schools will be required to share revenue with charter schools beginning with new referendums conducted after January 1, 2027.
- Only affects schools that have the greater of 100 students or 2% of their spring ADM attending non-virtual charter schools.

Local Income Tax Revenues

- Schools will no longer receive Local Income Tax Revenue beginning in 2028.

Homestead Credit

- Starting in 2026, Homeowners receive up to a $300 credit
- Over 65 receives an additional $150 credit.

Disclosure

Stifel | Public Finance

Stifel, Nicolaus & Company, Incorporated ("Stifel") has prepared the attached materials. Such material consists of factual or general information (as defined in the SEC's Municipal Advisor Rule). Stifel is not hereby providing a municipal entity or obligated person with any advice or making any recommendation as to action concerning the structure, timing or terms of any issuance of municipal securities or municipal financial products. To the extent that Stifel provides any alternatives, options, calculations or examples in the attached information, such information is not intended to express any view that the municipal entity or obligated person could achieve particular results in any municipal securities transaction, and those alternatives, options, calculations or examples do not constitute a recommendation that any municipal issuer or obligated person should effect any municipal securities transaction. Stifel is acting in its own interests, is not acting as your municipal advisor and does not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, to the municipal entity or obligated party with respect to the information and materials contained in this communication.

Stifel is providing information and is declaring to the proposed municipal issuer and any obligated person that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, with respect to the referenced proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm's- length commercial transaction. Serving in the role of underwriter, Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its' own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

These materials have been prepared by Stifel for the client or potential client to whom such materials are directly addressed and delivered for discussion purposes only. All terms and conditions are subject to further discussion and negotiation. Stifel does not express any view as to whether financing options presented in these materials are achievable or will be available at the time of any contemplated transaction. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by Stifel to provide or arrange any financing for any transaction or to purchase any security in connection therewith and may not relied upon as an indication that such an offer will be provided in the future. Where indicated, this presentation may contain information derived from sources other than Stifel. While we believe such information to be accurate and complete, Stifel does not guarantee the accuracy of this information. This material is based on information currently available to Stifel or its sources and is subject to change without notice. Stifel does not provide accounting, tax or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and /or counsel as you deem appropriate.