

School Choice REPORT

May 2008

Property Tax Reforms & Schools

Restructuring sets the stage for major changes and conflict

Beyond the flurry over property tax cuts and controls, a very real change is coming in the manner in which our public schools are funded in this state.

It used to be said that only one person in the state understood the state's school funding formula. The problem was that no one could find that person! A patchwork of decades of policy tweaks, political deals, and antiquated funding mechanisms left Indiana with the distinction of having one of the most convoluted school funding models in the country.

Enter the property tax increase crisis and a public uproar, followed by state lawmakers enacting sweeping restructuring and controls.



The local property tax levy component of school district funding will be replaced entirely with state funding starting with the 2009 state budget. As conceived, this will provide greater controls on spending and put more of an emphasis on "per-pupil" funding of school districts.

This year's landmark changes will likely set the stage for a more rational method of funding schools largely on a per-pupil basis under a formula yet to be determined. And a lot is yet to be decided. Antacids are in demand in superintendent offices around the state.

School funding has and will continue to be largely a political exercise. With so much yet to be determined in how a funding formula will be structured to distribute funds, as well as how much will even be available - all of the stakeholders in the education establishment will

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Thirty-nine Schools Under the Microscope

*State Board wants more focus on
lowest-performing schools*

The need to focus on making major changes in the state's lowest-performing schools has become a key topic before the State Board of Education.

Under Indiana's school accountability law, public schools are graded on a variety of performance measures and categorized for improvement efforts. While 440 schools are rated as "exemplary," 127 schools fall into the lowest "probation" category. Of this group, 39 schools have failed to improve in the last three years and are a particular concern.

If a school fails to improve four years in a row, state law mandates that the state department of education conduct a formal review of operations at each of these schools. However, several members of the state board are concerned that more focus on the lowest-performing schools is necessary, with a study on immediate actions to drive improvements.

"We have a moral responsibility, said

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News Briefs

Colin and Alma Powell Draw Attention to Dropout Crisis

Former Secretary of State Colin Powell and his wife Alma are leading a major effort to raise awareness and demand action to improve the nation's dismal high school graduation rate.

"The United States was once the recognized world leader in the educational arena, but many countries with far fewer resources than ours have now surpassed our graduation and literacy rates," explain the Powells in a *Washington Times* editorial. "Still others are gaining ground while we have stood still."

Each year, about 1.2 million students in the U.S. drop-out of high school. Among minorities, the numbers are much higher. Nearly half of African Americans and more than 40 percent of Hispanics will fail to graduate.

The America's Promise Alliance, founded by Colin and Alma Powell, will be conducting 100 summits around the nation to bring together community and political leaders to discuss the dropout crisis and, most importantly, to develop action plans for driving improvements.

"When more than 1 million students a year drops out of high school, it's more than a problem, it's a catastrophe," said Colin Powell.

Urban Catholic Schools Closing in Alarming Numbers

Since 1990, more than 1,300 Catholic schools have closed across the U.S. Most of these have been in urban areas plagued by poorly-performing public school systems.

A recent report "Who Will Save America's Urban Catholic Schools?" released by the Thomas B. Fordham Institute details the challenges faced by these schools. Vital to providing quality educations in many inner-city areas, the loss of these Catholic schools can have a dramatic impact.

Estimates place the number of Catholic school students displaced by school closings at about 300,000. The report estimates that this has cost taxpayers over \$20 billion to pay for these displaced students to attend public schools in their areas.

The report indicates the primary causes are demographics and economics. As more Catholic families have moved to the suburbs, inner-city Catholic schools lost donor support and were forced to hire more laypersons to teach. Higher costs have led to higher tuitions, pushing Catholic schools out-of-reach for more and more urban poor.

A meaningful school choice program will help combat this very real crisis.

Education Is Key to Job Creation

Jeff Brantley, Executive Director

There are serious consequences for children, our state, and nation as a result of inadequate educational opportunities and poor performance.

AT&T recently reported having serious problems finding enough skilled workers to fill 5,000 customer service jobs it had agreed to bring back to the U.S. from India.

"We're having trouble finding the numbers that we need with the skills that are required to do these jobs," explained AT&T's CEO Randall Stephenson. "We're able to do new product engineering in Bangalore (India) as easily as we're able to do it in Austin, Texas."

No wonder. According to U.S. Department of Education figures, in 2004 India's colleges produced 350,000 engineering graduates, compared to 70,000 in the U.S.

These numbers are staggering – and just a sampling. Our nation and our state can win a global economic competition, keeping and creating good-paying jobs in our communities,

but not without a sufficiently educated workforce.

Yet, our schools are failing at the most basic levels. Parents continue to be denied school choice programs to help them access a successful public or private education.

More than a million children a year in the U.S. fail to graduate from high school. One in ten American high schools are considered "dropout factories" where no more than 60 percent of students graduate.

A 2007 U.S. Department of Education study reported "only college graduates have experienced growth in real median weekly earnings since 1979. In contrast, high school dropouts have seen their real median weekly earnings decline by 23 percent."

In Indiana, three of every ten high school students drop-out before graduating. Those remaining are often ill-prepared for the college (half of college entrants fail to graduate in this state) or the workforce in a rapidly-changing, global economy.



Are Indiana Students Prepared for Life Success?

Of every 100 Indiana students in the 9th grade

Only 72 graduate from high school

44 of the 72 enter college

33 are still enrolled

22 graduate

- Indiana is in the bottom third of states ranked on average SAT scores (ranked 38th for 2007 college-bound students).
- Indiana ranks 44th in the nation in the percentage of adults with a

Source: Hoosiers for Economic Growth, Feb. 2008.

We'd like to hear from you.

We'd like to know if you have any questions, need assistance, and/or what you think about education issues. Input from concerned citizens like you really makes a difference.

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Focus on Improvement

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Daniel Elsener, a board member and president of Marian College. "You can't leave this many thousands of children in schools that aren't improving." (Indpls. Star 04/03/08)

Unfortunately, these families have few options. Absent a school choice program, parents in these failing schools have few options for finding their children a quality education if they cannot afford to move or pay private school tuition. Where public charter schools are nearby, they are already filled to capacity.

One step the Board could take, with approval from the legislature, is to create a scholarship program for parents in these schools to take part or all of the per-pupil funding and use it to pay tuition at a private school of their choice. Parents would be empowered with real choices.

Similar programs have been created in cities such as Milwaukee and Cleveland. Research shows that not only do the children in these programs improve faster, but the schools they came from also improve as they are forced to compete. Public school superintendents in these cities even support the programs because they provide a valuable tool to demand changes in their own schools.

Without significant and immediate steps to drive changes in these failing schools, thousands of students each year will continue to be denied the opportunity of a quality education and fall short of their potential.

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be gearing up for a major lobbying and public relations effort for the 2009 legislative session.

If you thought this was a settled matter, think again.

What this means for school choice remains to be seen. However, research in other states has already demonstrated that school choice programs actually save taxpayers millions of dollars a year. Such programs not only allow parents to choose schools, but the per-pupil costs borne by taxpayers are significantly less than if the child remained in the assigned public school.

A significant school choice program would be in the best interests of taxpayers and consistent with a vision for restructuring our state's property tax and school funding systems.

The School Choice Report is published periodically by School Choice Indiana as a resource on education issues for interested parents, policy makers and the general public. Articles are accepted for consideration for publication.

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News Briefs *cont.*

Ohio Scholarship Program Application Numbers Soaring

Parents in poorly-performing school districts in Ohio are applying in record numbers to access the state's scholarship program to attend private schools.

Begun for the 2006-07 school year, the Ohio EdChoice Scholarship program provides funding to parents attending or living in areas served by consistently failing public schools to move their children to a participating private school.

Statewide, about 90,000 students are eligible to participate in the program, but state law limits the total available scholarships to 14,000 statewide. Scholarships are worth up to \$4,375 for elementary and middle school and up to \$5,150 for high school tuition.

Applications for the 2008-09 school year have increased more than 36% over last year's application period.

Two Indianapolis Charter Schools Earn National Award

In recognition of outstanding improvements in student achievement, two charter schools in Indianapolis have received the Effective Practice Incentive Community National Charter School Consortium awards.

The Southeast Neighborhood School of Excellence (SENSE) and the Charles A. Tindley Accelerated Charter School ranked among 99 charter schools nationwide with the highest annual student achievement gains.

A project of the New Leaders for New Schools organization, the program evaluated test scores to identify top-achieving charter schools in terms of raising test scores between the 2005-06 and 2006-07 school years.



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Louisiana Enacts School Choice Tax Credit Program

In March, Louisiana's new Governor Bobby Jindal signed legislation providing a personal state income tax deduction for qualified education expenses, including private school tuition.

The program provides a deduction worth 50% of the total amount spent on qualifying educational expenses, up to a maximum deduction of \$5,000.

The Louisiana state legislature is now debating a measure that would create a \$10 million voucher program that could send as many as 1,500 public elementary students in New Orleans to private and parochial schools. The bill enjoys the full support of Governor Jindal.

Study Shows Milwaukee Choice Program Benefits

A January 2008 study of the Milwaukee Parental Choice Program from 2002 to 2006 found high school graduation rates for children in the program were a full fourteen percentage points higher than in the city's public schools.

If the same graduation rate had been achieved in the Milwaukee public schools, 1,087 more of their students would have graduated from high school in just that four year period.

Florida Expands Choice Tax Credit Program

In a move to provide more school choices for parents, the Florida legislature has expanded the state's educational scholarship tax credit program from \$80 to \$100 million. The measure enjoyed bipartisan support.

Currently, 20,000 low-income Florida families receive privately-funded scholarships to attend the school of their choice. The expanded tax credit will provide more opportunities to encourage private funding.

Corporations participating in the program can take advantage of a state income tax credit for contributions made to qualifying scholarship programs.



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Georgia Legislature Passes Scholarship Tax Credit

(Note: As this edition goes to print, this legislation has not yet been signed into law by Georgia Governor Sonny Perdue.)

Thousands of Georgia families will be able to access new scholarship funding to help pay private school tuition under a new program enacted by the state legislature.

House Bill 1133 establishes a \$50 million corporate and individual tax credit program to be administered through Student Scholarship Organizations (SSOs). SSOs would provide scholarships to qualifying families to cover private school educational expenses, most notably tuition.

Under the program, individuals can contribute up to \$1,000 and married

couples \$2,500 and receive a 100% state tax credit.

Additionally, the program would allow corporations to contribute up to 75% of their state tax liability and receive a 100% state tax credit for the donated amount.

"Tax credits are a win-win-win for parents, students and taxpayers," explained Jared Thomas, director of Americans for Prosperity-Georgia. "Parents are empowered to send their children to schools they couldn't afford, while taxpayers get a credit toward taxes due while giving to well-intentioned education charities. This is good education policy and good public finance policy."