

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** All School Corporations, Charter Schools, and County Auditors in Lake, Marion, St. Joseph, and Vanderburgh Counties

**FROM:** Jason Cockerill, Commissioner

**RE:** Legislation Affecting School Operations Fund Distribution to Charter Schools under Ind. Code § 20-46-8-11.2

**DATE:** June 13, 2025

## **Introduction**

The Department of Local Government Finance (“Department”) issues this memorandum to inform school corporations located in Lake, Marion, St. Joseph, and Vanderburgh counties about changes made to laws concerning the sharing of school corporation operations fund revenue with charter schools under Ind. Code § 20-46-8-11.2. In particular, with respect to changes made by Section 225 of Senate Enrolled Act 1-2025 (“SEA 1”), signed into law by Governor Mike Braun on April 15, 2025.

This memorandum is for informative purposes only and is not a substitute for reading the law or consulting with local counsel.

## **Operations Fund Levy Distributions to Charter Schools, Senate Enrolled Act 1-2025**

Indiana Code § 20-46-8-11.2, initially enacted by House Enrolled Act 1001-2023, requires distributions of revenue collected from an operations fund levy to charter schools from a school corporation located in Lake, Marion, St. Joseph, and Vanderburgh counties.

The amendments to this statute by SEA 1 are effective retroactive to January 1, 2025, and are intended to first apply for taxes payable in 2025. However, there are provisions made by SEA 1 that affect only distributions in 2025 and others that only affect distributions in 2026 and 2027. Careful attention must be given to which provisions apply to which distribution year. As always, the Department’s guidance is for informative purposes and is not a substitute for reading the law, including the provisions of SEA 1 referenced herein.

SEA 1 makes the following revisions to Ind. Code § 20-46-8-11.2:

(1) The provisions of Ind. Code § 20-46-8-11.2 does not apply after the calendar year 2027. Note that Section 226 of SEA 1 adds Ind. Code § 20-46-8-12 as a new section, effective July 1, 2025,

and provides for statewide application of many of the provisions imposed by Ind. Code § 20-46-8-11.2 starting with distributions made in calendar year 2028.

(2) For the distributions made in calendar years 2025, 2026, and 2027, the county auditor shall distribute an amount collected of operations fund levy revenue to each charter school eligible for a distribution, limited to the levy attributed to the territory of the school corporation that is located within the boundaries of Lake, Marion, St. Joseph, or Vanderburgh counties.

*For example, a school corporation located in both St. Joseph County and Marshall County. The St. Joseph County Auditor must calculate the operations fund levy revenue distribution to charter schools located in St. Joseph County, and using only that certified net assessed value (“CNAV”) linked to taxing districts in St. Joseph County for the school corporation’s operations fund (DLGF Fund Number 3300). The CNAV linked to taxing districts in Marshall County for the school corporation’s operations fund are not part of the calculation.*

(3) Charter schools that are not eligible to receive a distribution include the following:

(i) A virtual charter school.

(ii) An adult high school.

(iii) **For distributions in calendar years 2026 and 2027 only**, a charter school that the Department determined did not submit an adopted budget and an attestation that the procedures under IC 20-46-8-11.2(h) were followed. See (8), below.

(4) IC 20-46-8-11.2(d) changes the deadline for the Department of Education (“DOE”) to determine the percentage of operations fund tax levy revenue to be distributed to the school corporation and eligible charter schools. Previously, the deadline was thirty (30) days before the June and December settlement and corresponding distribution to the school corporation under Ind. Code § 6-1.1-27-1 et seq. Under SEA 1, the deadlines are as follows:

(i) For distributions in calendar year 2025, March 1, 2025.

(ii) For distributions in calendar year 2026, January 1, 2026.

(iii) For distributions in calendar year 2027, January 1, 2027.

(5) The five-step distribution amount formula under Ind. Code § 20-46-8-11.2(d) has not changed. However, Ind. Code § 20-46-8-11.2(e) has been amended to remove the ability of the county auditor to prescribe how DOE shall provide the calculation.

(6) IC 20-46-8-11.2(g) provides that before **August 15, 2025**, and **August 15, 2026**, the DOE will provide an estimate of the expected property tax revenue to each school corporation and eligible charter school. This amount is based on the most recent fall ADM count.

(7) IC 20-46-8-11.2(h) adds new language **for distributions made in calendar years 2026 and 2027 only**, the charter school governing body must take the following actions in order to receive a distribution for that year:

(i) Adopt a budget no later than **October 15**. The budget to be adopted is the budget for the current school year. This will be the October 15, which is before the calendar year in which the distribution would be made (calendar years 2026 and 2027, as applicable).

(ii) Not later than ten (10) days before budget adoption, the budget must be fixed and presented to the charter board in a public meeting in the county where the charter school is incorporated. Therefore, the public meeting must take place no later than **October 5**.

(iii) After the budget is adopted, and no later than **November 1**, the charter authorizer's governing body must submit the following to the charter authorizer and to the Department through Gateway:

(A) The adopted budget.

(B) The dates on which each of the above actions were met.

(C) A statement attesting the following two (2) things:

(1) Those dates are true and accurate.

(2) The budget was properly adopted.

All dates stated above are in reference to the calendar year before the calendar year that the distribution is made.

*For example, a charter school holds a public hearing on October 3, 2025, regarding a proposed budget in order to receive an operations fund distribution in calendar year 2026. The proposed budget is then adopted on October 15, 2025, and submitted to the charter authorizer, and uploaded onto Gateway on November 1, 2025. The charter school must then upload an attestation and state on Gateway that the public hearing was held on October 3, 2025, and the budget was adopted on October 15, 2025. The attestation must state that the budget was properly adopted, and the dates wherein the public hearing and budget adoption occurred are true and accurate.*

(8) IC 20-46-8-11.2(i) provides that **for distributions made in calendar years 2026 and 2027 only**, the Department shall determine whether the charter school timely submitted the adopted budget and attestation statement under Ind. Code § 20-46-8-11.2(h). If the Department determines that the charter school did not timely submit both documents, the charter school will be deemed ineligible and the amount determined under Ind. Code § 20-46-8-11.2(d) & (f) that would otherwise be distributed to the charter school will be withheld. The withheld amount will

be distributed to the school corporation and the eligible charter schools under Ind. Code § 20-46-8-11.2(f) under the following timetable:

For a withholding from the calendar year 2026 distribution, in calendar year 2027.

For a withholding from the calendar year 2027 distribution, in calendar year 2027.

**NOTE:** The Department emphasizes that the requirement for a charter school to submit the adopted budget and attestation only applies to distributions for calendar years 2026 and 2027. **Therefore, there should be no withholdings for the calendar year 2025.**

**NOTE #2:** The withheld amount is factored into STEP THREE of Ind. Code § 20-46-8-11.2(f) by adding it to the incremental property tax amount which is then multiplied by the share the school corporation and each charter school has of the students with legal settlement attending the respective entities. While the statute directs the ineligible charter school's revenue share to be redistributed with respect to the withheld amount, it does not direct the same charter school's *student* share (i.e., the share of students with legal settlement determined under Ind. Code § 20-46-8-11.2(d)) to be likewise redistributed. Therefore, it is possible that there will be a portion of the withheld amount that will not be redistributed, equal to the ineligible charter school's share of students with legal settlement. Any questions about undistributed funds should be directed to the State Board of Accounts ("SBOA").

(9) The distribution formula under Ind. Code § 20-46-8-11.2(f) has been revised so that the calculation is made for each settlement period under Ind. Code § 6-1.1-27-1 et seq. (i.e., the June and December settlement periods), rather than for the entire year. In addition, each of the three STEPS in the formula are revised as follows:

(i) STEP ONE: The base property tax levy amount is determined as the three-year average (2021-2023) of operations fund collections for each applicable settlement period. To reiterate, the collections utilized in the determination of the base property tax levy are restricted to only revenue generated in Lake, Marion, St. Joseph, and Vanderburgh counties.

*Example: A school corporation in Lake County received the following operations fund levy revenue in the June and December settlement periods, respectively, in calendar years 2021, 2022, and 2023:*

<i>Calendar Year</i>	<i>June Settlement</i>	<i>December Settlement</i>
<b>2021</b>	\$300,000	\$250,000
	+	+
<b>2022</b>	\$325,000	\$275,000
	+	+
<b>2023</b>	\$350,000	\$300,000
	=	=
<b>Total</b>	\$975,000	\$825,000
	/	/
<b>Divide by 3</b>	3	3

	=	=
<b>Base property tax amount</b>	<b>\$325,000</b>	<b>\$275,000</b>

*Therefore, the base property tax levy amount determined for STEP ONE for the school corporation is \$325,000 for the June settlement period and \$275,000 for the December settlement period.*

(ii) STEP TWO: The incremental property tax levy amount is calculated as the difference of a school corporation's operations fund collections for the applicable settlement period in the current calendar year minus the base property tax levy amount described in STEP ONE.

*Example: The school corporation in Lake County received the following operations fund levy revenue in the June and December settlement periods, respectively, in calendar years 2025:*

<b>Calendar Year</b>	<b>June Settlement</b>	<b>December Settlement</b>
<b>2025</b>	<b>\$385,000</b>	<b>\$320,000</b>

*Taking the STEP ONE results for this school corporation determined above, the incremental property tax levy amounts are as follows for the June and December settlement periods, respectively:*

<b>Calendar Year</b>	<b>June Settlement</b>	<b>December Settlement</b>
<b>2025 Operations Fund Levy Revenue</b>	<b>\$385,000</b>	<b>\$320,000</b>
	-	-
<b>Minus STEP ONE amount for the same settlement period</b>	<b>\$325,000</b>	<b>\$275,000</b>
	=	=
<b>Incremental property tax levy amount</b>	<b>\$60,000</b>	<b>\$45,000</b>

*Therefore, the incremental property tax levy amounts are \$60,000 for the June Settlement and \$45,000 for the December Settlement.*

(iii) STEP THREE: The amount to be distributed to each school corporation and eligible charter school includes the amount withheld in the prior year due to a determination by the Department that the charter school has not timely submitted the required information under Ind. Code § 20-46-8-11.2(h). See (8) above. **Under Ind. Code § 20-46-8-11.2(i), this withholding only applies to distributions made in calendar years 2026 and 2027 and will NOT affect distributions made in calendar year 2025.**

*Example Pt. 1: Assume the following:*

- *A school corporation in Marion County has a pay-2027 incremental property tax amount for the June settlement of \$350,000.*

- There are four (4) charter schools in the school corporation.
- The percentages determined by DOE, in consultation with the Department under Ind. Code § 20-46-8-11.2(d) for the four (4) charter schools and the school corporation are as follows:

<i>School Corporation</i>	<i>48%</i>
<i>Charter School A</i>	<i>6%</i>
<i>Charter School B</i>	<i>15%</i>
<i>Charter School C</i>	<i>7%</i>
<i>Charter School D</i>	<i>24%</i>

- In late 2025, Charter School D failed to submit the required documentation in accordance with Ind. Code § 20-46-8-11.2(h) and thus was determined as ineligible for distribution in the ensuing year in accordance with Ind. Code § 20-46-8-11.2(i) therefore is ineligible to receive a distribution in calendar year 2026.
- Subject to Ind. Code § 20-46-8-11.2(i), Charter School D would have received \$60,000 in the calendar year 2026. As a result of the non-compliance with the provisions set forth in subsection (h), the distribution is withheld and thus distributed in calendar year 2027.

Therefore, the amount to be distributed **in calendar year 2027** to the school corporation and the remaining charter schools is \$310,000 (\$250,000 + \$60,000 = \$310,000), to be distributed as follows:

<b><i>Receiving entity</i></b>	<b><i>§ 11.2(d) percentage</i></b>		<b><i>Incremental levy amount + withholding (if available)</i></b>		<b><i>Distributed amount</i></b>
<b><i>School Corporation</i></b>	<i>0.48</i>	×	<i>\$310,000</i>	=	<i>\$148,800</i>
<b><i>Charter School A</i></b>	<i>0.06</i>	×	<i>\$310,000</i>	=	<i>\$18,600</i>
<b><i>Charter School B</i></b>	<i>0.15</i>	×	<i>\$310,000</i>	=	<i>\$46,500</i>
<b><i>Charter School C</i></b>	<i>0.07</i>	×	<i>\$310,000</i>	=	<i>\$21,700</i>
<b><i>Charter School D</i></b>	<i>0.24</i>	×	<i>\$250,000</i>	=	<i>\$60,000</i>
<b><i>Total distribution</i></b>			<b><i>\$295,600</i></b>		

Note that the total amount above is less than the \$310,000 because twenty-four percent (24%) of the \$60,000 withheld amount (or \$14,400) has not been redistributed.

*Example Pt. 2: Same facts as in Part 1, except the Department's determination occurred in late 2026 and affects distributions in calendar year 2027. The amounts have not changed.*

*Therefore, the amount to be distributed **in calendar year 2027** to the school corporation and the remaining charter schools is \$310,000 (\$250,000 + \$60,000 = \$310,000) and distributed in the same amounts as above. Note that the distribution of the withheld amount is being made in the same year as when it is being withheld from the charter school.*

*Example Pt. 3: Same facts as in Part 1, except the Department has determined that the charter school complied with submitting the documents required by Ind. Code § 20-46-8-11.2(h). Therefore, the incremental property tax levy amount is \$250,000, because there is no withholding taking place.*

<b>Receiving entity</b>	<b>§ 11.2(d) percentage</b>		<b>Incremental levy amount + withholding</b>		<b>Distributed amount</b>
<b>School Corporation</b>	0.48	×	\$250,000	=	\$120,000
<b>Charter School A</b>	0.06	×	\$250,000	=	\$15,000
<b>Charter School B</b>	0.15	×	\$250,000	=	\$37,500
<b>Charter School C</b>	0.07	×	\$250,000	=	\$17,500
<b>Charter School D</b>	0.24	×	\$250,000	=	\$60,000
<b>Total Distribution</b>					<b>\$250,000</b>

*Note that the total amount above is equal to \$250,000 because the school corporation and all the charter schools are receiving their allotted amounts.*

### **Contact Information**

Questions may be directed to David Marusarz, Deputy General Counsel at [dmarusarz@dlgf.in.gov](mailto:dmarusarz@dlgf.in.gov).