INDIANA CHARTERS KNOWLEDGE SERIES

The Rural Charter Funding Gap

How a corporation-level threshold can leave a strong community school outside Indiana's new property-tax sharing system

A statewide policy can be geographically neutral on paper and still work very differently in rural communities. The design rewards concentration; rural charter enrollment is often dispersed.

Purpose

This guide translates current Indiana law into planning guidance for charter leaders, boards, and advisers. It is educational, not legal advice. Amounts and eligibility should be confirmed against official estimates and current law before a budget is adopted.

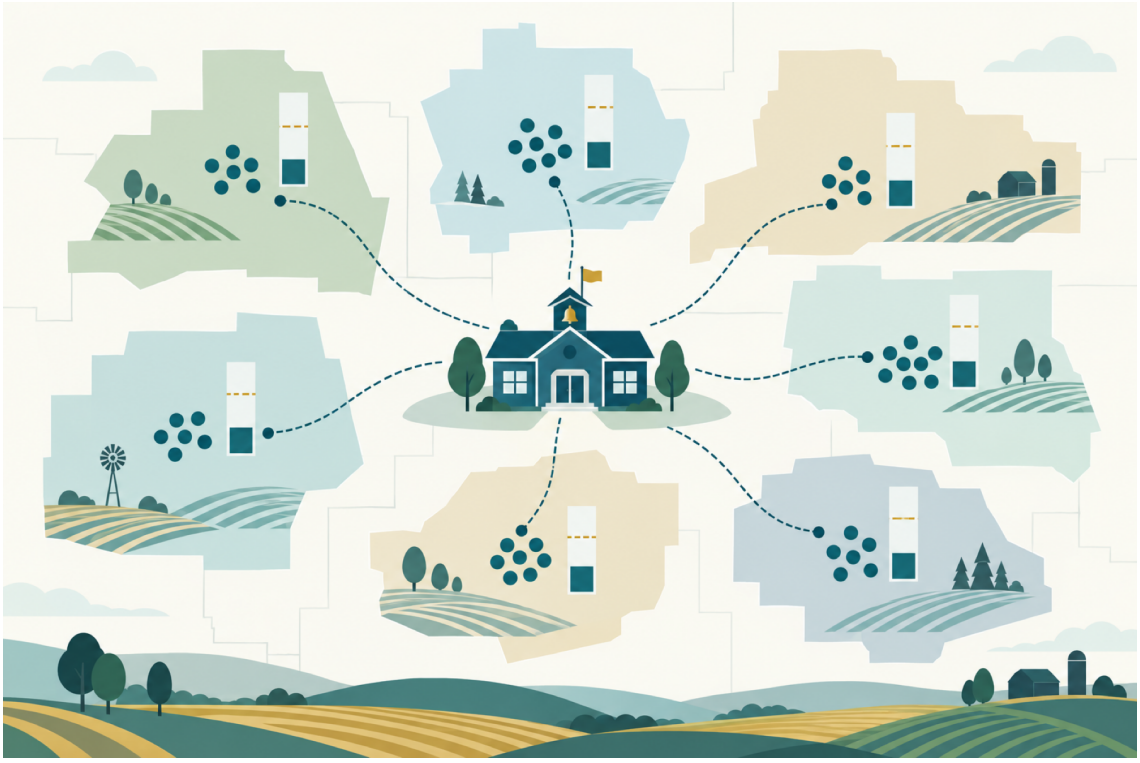
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The overlooked risk

Indiana's 2028 operations-sharing framework depends on where charter students have legal settlement. The qualifying count is tested corporation by corporation. A rural charter that draws modest numbers from several small corporations may receive no local operations revenue even when its total enrollment is substantial.



A rural charter may serve a substantial student community while its students remain divided among several corporation-level threshold calculations.

A privacy-protected rural illustration

An October 2026 review of one rural Indiana charter found an actual ADM of 100 spread across seven school corporations. To protect the school and preserve the policy focus, the example is intentionally anonymized and reports only aggregate facts.

Measure	Actual result	Threshold observation
School ADM	100	The school has 100 students in total
Sending corporations	7	ADM is dispersed across separate corporation-level tests
Largest single-corporation concentration	Below 100	The school's own students do not meet the 100-student floor in any one corporation

The school has an actual ADM of 100, but the statute does not test the school's total enrollment. It tests the aggregate eligible-charter count separately inside each corporation. Unless other eligible charters add enough students in a corporation, the school can have an ADM of 100 and still receive $0 from that corporation's operations levy.

Why rural schools are structurally exposed

- Rural families cross corporation boundaries for geography, work, transportation, and school fit.
- Each surrounding corporation may be too small to contribute 100 charter students, even if charter participation is meaningful locally.
- There may be no second or third charter nearby whose students can help the aggregate corporation count reach the threshold.
- Urban charter ecosystems naturally aggregate many students inside one large corporation, making the same threshold easier to clear.

The 2% language does not create a small-corporation escape hatch

The statute requires at least the **greater of** 100 students or 2% of spring ADM. For a small corporation, 2% may be far below 100, but the 100-student floor still controls. For a very large corporation, 2% may exceed 100 and becomes the controlling threshold.

Why the $1,400 grant matters

The state grant was created to address the local-property-tax gap. If it is reduced or eliminated on the assumption that SEA 1 has solved that gap, rural schools that do not clear the corporation-level threshold could lose the old remedy without receiving the new revenue. The result would not merely be a slower phase-in; it could be a permanent geographic exclusion.

Policy options

Option	Effect
Rural hold-harmless	Preserve the $1,400 grant for schools or pupils that do not generate local sharing.
Lower or alternative rural threshold	Permit sharing when a smaller count represents meaningful local participation.
Regional aggregation	Allow qualifying counts across adjoining small corporations for a rural charter's service area.
Per-pupil minimum	Guarantee a minimum combined state-and-local supplement for eligible pupils.
Transparency requirement	Publish school-by-corporation projections, thresholds, and zero-dollar outcomes before grant changes.

A constructive legislative ask

The message should not be urban versus rural or charter versus district. It should be: *Before changing the grant, run the statute against every charter's legal-settlement distribution and publish who receives local revenue, who receives none, and why.* That is a data request, not an accusation - and it gives statewide advocates a solvable design problem.

Data still needed statewide

- Aggregate qualifying charter students by corporation, including all eligible charters.
- Each corporation's spring and fall ADM used in threshold and allocation calculations.
- Certified operations levy and collection estimates.
- Projected charter distributions at 25%, 50%, 75%, and 100%.
- The effect of any proposed grant reduction on schools receiving little or no local revenue.

Continue the series

- Indiana Charter School Property-Tax Sharing: What SEA 1 Changes - and What It Does Not Guarantee
- How Indiana Charter Schools Can Participate in Local Referenda

Primary sources

Indiana Code 20-46-8-12
https://iga.in.gov/laws/2026/ic/titles/20#20-46-8-12

Indiana Code 20-24-13-1 and 20-24-13-6
https://iga.in.gov/laws/2026/ic/titles/20#20-24-13-1

DLGF: Legislative Changes to Property Tax Referenda and Controlled Projects
https://www.in.gov/dlgf/files/2025-memos/250610-Cockerill-Memo-Legislative-Changes-to-Property-Tax-Referenda-and-Controlled-Projects.pdf

This publication has not been reviewed by legal counsel and is not legal, tax, election-law, or accounting advice. It reflects the 2026 Indiana Code and publicly available materials reviewed through October 9, 2026. Future legislation, agency guidance, ADM corrections, and county calculations may change the result.