

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7387**

**BILL NUMBER:** HB 1234

**NOTE PREPARED:** Jan 27, 2004

**BILL AMENDED:** Jan 26, 2004

**SUBJECT:** Early Learning Trust Fund.

**FIRST AUTHOR:** Rep. Bauer

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill authorizes grants and advances from the Common School Fund to enable school corporations to provide voluntary full-day kindergarten programs and other early learning programs. The bill establishes an Early Learning Trust Fund and makes certain transfers and appropriations to that fund. The bill also prohibits advances from the Common School Fund for anticipated transfer tuition costs and educational technology after June 30, 2004. It limits the advances from the Common School Fund for school construction to an aggregate \$30 M.

**Effective Date:** Upon passage; July 1, 2004.

**Summary of Net State Impact:** (Revised) The net impact on the state is expenditure neutral. The bill shifts current revenues to the Early Learning Trust Fund to pay for new or expanded programs. The following chart shows the expenditures and revenue shifts for the Early Learning Trust Fund.

	FY 2004	FY 2005	FY 2006	FY 2007
<b>Expenditures</b>				
Full-Day Kindergarten	\$8.5 M	\$40.0 M	\$40.0 M	\$40.0 M
Preschool Pilots			8.0 M	12.0 M
<b>Total Expenditures</b>	\$8.5 M	\$40.0 M	\$48.0 M	\$52.0 M
<b>Redirected Revenue</b>				
Full-Day Kindergarten	\$8.5 M	\$8.5 M	\$8.5 M	\$8.5 M
Lottery and Gaming				
Abandoned Property Fund			25.0 M	25.0 M
Advances from Common School Fund		31.5 M	14.5 M	18.5 M
<b>Total Redirected Revenue</b>	\$8.5 M	\$40.0 M	\$48.0 M	\$52.0 M

**Explanation of State Expenditures:** *Early Learning and School Readiness Commission:* The bill creates the Early Learning and School Readiness Commission. The Governor determines the number of members, terms of office, and appoints members to the Commission. Members of the Commission are entitled to travel expenses, and members who are not state employees are entitled to per diem. The Department of Education is to provide staff support for the Commission. The Commission, in consultation with the Department of Education, is to establish a grant program for full-day kindergarten and pilot programs for preschool, reading and family literacy, and parental education.

*Early Learning Trust Fund:* (Revised) The bill creates the Early Learning Trust Fund to provide funding for full-day kindergarten programs, preschool programs, reading and family literacy programs, and parental education programs. The Fund is to be administered by the Department of Education. Money in the Fund at the end of the fiscal year does not revert to the General Fund, and interest earnings of the Fund will remain in the Fund. The bill annually appropriates money in the Fund.

The bill provides funding of \$40 M annually for Full-Day Kindergarten Programs. For FY 2005, the \$40 M consists of \$31.5 M in Common School Fund advances and the current \$8.5 M appropriation for full-day kindergarten. For FY 2006, the \$40 M consists of \$14.5 M in Common School Fund advances, the current \$8.5 M appropriation for full-day kindergarten, and \$17 M from the redirection of Abandoned Property Fund transfers. For FY 2007, the \$40 M consists of \$18.5 M in Common School Fund advances, the current \$8.5 M appropriation for full-day kindergarten, and \$13 M from the redirection of Abandoned Property Fund transfers. The \$40 M would provide a grant of \$1,500 per student to fund about 26,666 students. If the \$40 M is insufficient to provide funding to all schools that apply, the bill provides funding priorities. Schools and students participating in the program the prior year are the first priority; second priority is new students in schools participating last year sorted by the percentage of students eligible for free and reduced lunch; third is Title I schools not participating last year sorted by the percentage of students eligible for free and reduced lunch; and last is non-Title I schools not participating last year sorted by the percentage of students eligible for free and reduced lunch.

*Pilot Projects:* The bill provides \$8 M for FY 2006 and \$12 M for FY 2007 from the redirection of

Abandoned Property Fund transfers for preschool, reading and family literacy, and parental education pilot programs.

**Explanation of State Revenues:** (Revised) *Common School Fund:* Currently, the Common School Fund is used to make advances to school corporation for: (1) construction by schools with low assessed valuation per ADM, (2) technology, (3) charter schools, and (4) anticipation of the school corporation's receipt of certain transfer tuition. The bill provides that after July 1, 2004, the Common School Fund could only be used to make disaster-related construction advances up to an aggregate amount of \$30 M, advances for voluntary full-day kindergarten programs, other early learning programs, and charter schools. During FY 2003, the Common School Fund funded 12 new construction advances for \$47.8 M and 65 technology advances at \$23.1 M. For FY 2005, the Fund would make advances of \$31.5 M to school corporations for full-day kindergarten programs.

*Background:* On June 30, 2003, the Common School Fund had unobligated reserves of \$39 M and a fund balance of about \$498.3 M. Currently, under the State Constitution and state statute, the Fund can be used for advances and loans to schools, but the principle in the Fund cannot be diminished. The Common School Fund receives revenues from the following sources: (a) various fines and forfeitures (IC 21-1-3-7); (b) balances exceeding \$500,000 from the Abandoned Property Fund (IC 32-9-1.5-34); (c) unclaimed funds (IC 32-9-8-4); and (d) escheated estates (IC 21-1-1-1).

*Full-Day Kindergarten:* The current appropriation set in P.L. 224-2003 (Budget Bill) for FY 2005 is \$8.5 M for the Full-Day Kindergarten Program. The bill cancels the appropriation and appropriates \$8.5 M to the Early Learning Trust Fund.

(Revised) *Abandoned Property Fund:* Currently the Abandoned Property Fund makes transfers of the fund balances that exceed \$500,000 to the Common School Fund on June 30 of each year. However, P.L. 224-2003 (Budget Bill) directed these transfers in 2003, 2004, and 2005 to the state General Fund. The bill would require the Treasurer to transfer \$25 M during FY 2006 and \$25 M during FY 2007 from the Abandoned Property Fund to the Early Learning Trust Fund.

*Background:* All intangible property held by business associations or financial institutions is to be presumed abandoned seven years after the last owner contact and is subsequently remitted to the Attorney General. All funds received are placed in the Abandoned Property Fund. A claimant can recover the value of the property for up to 25 years. Under current statute (except for the provisions in P.L. 224-2003 as explained above), if the balance in the Abandoned Property Fund exceeds \$500,000, the excess is transferred to the Common School Fund. Transfers from the Abandoned Property Fund to the Common School Fund has ranged from \$15 M in FY 1999 to \$30 M in FY 2002.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) This bill will have an impact on the ability of local schools to borrow funds from the Common School Fund for construction and technology loans. The aggregate amount of outstanding disaster-related construction loans made to school corporations after June 30, 2004, can not exceed \$30 M. If the demand for these types of loans exceed this cap in the future, schools will have to find other funding sources.

The bill requires schools to repay the advances (loans) from the Common School Fund made for full-day kindergarten programs similar to the current requirements for other types of advances from the Fund. The advances authorized are \$31.5 M in FY 2005, \$14.5 M in FY 2006, and \$18.5 M in FY 2007.

If the cost of implementing a full-day kindergarten program of a school is more than the \$1,500 per student advance or grant, the school may not impose a fee on students that participate in the free or reduced lunch program.

**State Agencies Affected:** Department of Education, Early Learning and School Readiness Commission.

**Local Agencies Affected:** Schools.

**Information Sources:** Jeff Zaring, Department of Education, 317-232-6622.; *Indiana Handbook on Taxes, Revenues, and Appropriations, FY 2003.*

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