

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

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7700**

**BILL NUMBER:** HB 1430

**NOTE PREPARED:** Jan 26, 2005

**BILL AMENDED:**

**SUBJECT:** School choice scholarship program.

**FIRST AUTHOR:** Rep. Turner

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

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

**IMPACT:** State &Local

**Summary of Legislation:** This bill establishes the School Choice Scholarship Program (program) for students whose household incomes do not exceed 250% of the applicable household income to participate in the National School Lunch Program. It requires the Department of Education to adopt rules to administer the program. The bill requires nonpublic schools that participate in the program to follow certain laws and rules that apply to public schools. It annually appropriates money from the state general fund for school choice scholarships.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** The impact of the bill would depend on the number of students that participate in the program. The program sets the maximum scholarship at the lesser of the average amount of state tuition support a public school receives for each student or the cost of education at the receiving school. The student would be counted in the school corporations ADM where the student resides. If the student's household income is less than 250% of the National Lunch Program guidelines then the student qualifies for a scholarship. The scholarship is the lesser of the state support or the cost of education at the receiving school. The scholarship is reduced as the household income increases.

<b>Family income as percentage of Free or Reduced Lunch Guidelines</b>	<b>Scholarship Percentage</b>	<b>Tuition that May be Charged</b>
100% of Guidelines	100%	No tuition can be charged
150% of Guidelines	75%	Difference in Transfer Tuition and Scholarship
200% of Guidelines	50%	Difference in Transfer Tuition and Scholarship
250% of Guidelines	25%	Difference in Transfer Tuition and Scholarship

The impact depends on the number of students that would participate in the program and the school formula that would be in effect. Students in both public and nonpublic schools could participate. The impact on the state is different depending if the student currently attends a public school or attends a non-public school.

*Estimated Scenarios:* For the 2004 school year about 134,428 students attended non-public schools. If 10% of the non-public students participated and were eligible at the 100% of poverty guidelines, then approximately 13,400 students could be added to the ADM of public schools. If the FY 2005 average tuition support per student, about \$3,785, is used as an estimate of the maximum amount of the scholarship, then the cost of the scholarships could be \$50.9 M. An increase in ADM would also affect the school funding formula. The CY 2005 formula revenue per student is about \$5,967 per student. If schools received \$5,967 for new each new ADM, the increase in the formula revenue to schools would be about \$80 M. The program provides that the cost of the scholarship is deducted from the tuition support of the sending schools. The state would then pay about \$50.9 M in scholarships and an additional \$29.1 M to local schools. *However*, if all the students that chose to participate currently attend public schools and went to another public school, then the impact would be minor since the student is currently in the ADM count.

The bill appropriates sufficient money from the state General Fund to pay for the scholarships.

*Background:* The following table outlines the 2004-05 income eligibility guidelines for the National School Lunch Program.

Household Size	Annual Income
1	\$17,224
2	\$23,107
3	\$28,990
4	\$34,873
5	\$40,756
6	\$46,639
7	\$52,552
8	\$58,405

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill would redirect state tuition support from public schools to other public and private schools. The school would lose their state tuition support per student for the students that participated in the program and went to another school. The impact on local schools would depend on the school formula for CY 2006 and 2007 and calendar year caps set out in the budget bill. An increase in the schools ADM in the current formula would increase the schools' revenue from both state and local sources but school revenue would be reduced by the amount of the scholarship funds.

*Estimated Scenarios:* The local revenue per student in the school formula for CY 2005 is estimated at \$2,180 per student. If 10% of the students attending non-public schools participated in the program, the increase in local revenue might be about \$29.1 M.

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** Public and Non-public schools.

**Information Sources:** Department of Education Databases.

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.