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FISCAL IMPACT STATEMENT

LS 6713

BILL NUMBER: HB 1191

NOTE PREPARED: Dec 31, 2005

BILL AMENDED:

SUBJECT: In-Class Spending Requirements.

FIRST AUTHOR: Rep. Stutzman

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides for the reporting of a school corporation's expenditures for current operating expenses. It requires a school corporation to receive prior approval from the Department of Local Government Finance before making certain expenditures if: (1) the school corporation's total expenditures for instruction are less than 65% of the school corporation's total current operating expenditures; and (2) the school corporation is not operating on an approved plan that increases the school corporation's in-class spending percentage by at least two percentage points each year.

Effective Date: July 1, 2006.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF), Department of Education (DOE), and State Board of Accounts (SBOA) could incur some additional expense from the implementation of the bill. The impact for each would probably be minor.

Explanation of State Revenues:

Explanation of Local Expenditures: If a school corporation does not spend at least 65% of their current operating expenditures on instruction or have a plan approved by DLGF to increase instructional expenditures by at least 2 percentage points per year to achieve the 65% requirement, then prior approval by DLGF is required before certain actions are taken (the school is a "controlled school"). The actions include:

1. Acquisition of real estate for school building purposes.
2. Making of a lease of real or personal property.
3. Purchase of personal property in excess of \$10,000.

4. Adoption or advertising of a budget, levy, or tax rate in any calendar year.
5. Making of current operating expenditures (other than an expenditure for instruction) if the school does not have a plan in place to increase instructional expenditures as required by the bill.

The bill could reduce or redirect expenditures by schools by an unknown amount.

According to a study conducted by the National Center for Education Statistics, approximately 270 of the 293 school corporations would have been under the 65% instructional requirement of the bill in the 2002-2003 school year. Of the 270 school corporations, about 130 spent between 60% and 64% of their current operation expenditures on instruction.

Explanation of Local Revenues: The bill provides that if a school takes any of the prohibited actions described above without the approval of DLGF, then DLGF may reduce the corporation's certified levy and budget such that the instructional expenditures are at least 60% of current operating expenditures.

State Agencies Affected: Department of Local Government Finance; Department of Education; State Board of Accounts.

Local Agencies Affected: School Corporations.

Information Sources: National Center for Education Statistics Common Core of Data Database, <http://nces.ed.gov/ccd/bat/> .

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