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FISCAL IMPACT STATEMENT

LS 7876

BILL NUMBER: SB 548

NOTE PREPARED: Jan 17, 2007

BILL AMENDED:

SUBJECT: Charter Schools.

FIRST AUTHOR: Sen. Lubbers

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Technology:* This bill provides that a charter school may receive technology funds.

Retirement: The bill allows the employees of a charter school to participate in a private pension or retirement benefit program.

Transportation Fund Levies: The bill requires the Department of Education to report to the Department of Local Government Finance the amount of transportation levies for school corporations in which students attending a charter school have legal settlement, if the sponsor of the charter school requires transportation to be provided for the students.

Charter School Grant: The bill provides that a charter school may receive a grant for the operational expenses of the first semester the charter school is in operation.

Property Sales: The bill prohibits a school corporation from making a covenant that unneeded real property may not be sold to another educational institution.

Special Education Preschool: The bill provides that a charter school may provide special education services for a preschool child with a disability in the same manner as other public schools.

Target Revenue: The bill provides that the target revenue per ADM used in funding for a charter school sponsored by the executive of a consolidated city is the highest target revenue per ADM for a school corporation located in the county.

Effective Date: July 1, 2007; January 1, 2008.

Explanation of State Expenditures: *Technology:* The bill would allow charter schools to receive technology grants. The state appropriation for the Technology Plan Grant program is \$2.5 M. Charter schools would be eligible to receive a portion of the appropriation.

Transportation Fund Levies: The bill could increase school transportation fund levies by about \$2.4 M if all the existing charter schools provide transportation. Subject to appropriation, the increase in state PTRC and homestead credits associated with the increase in transportation levies would be about \$524,000.

Target Revenue: The bill would increase the school formula revenue for charter schools sponsored by the Mayor of Indianapolis. The school with the highest target revenue per ADM in Marion County is Indianapolis Public Schools and is projected to be about \$6,862 per ADM for CY 2007. The total increase in school formula funding would be about \$770,000. The state would pay 65% of the increase, and property taxes would pay 35% of the increase. Subject to the tuition support appropriation and calendar year spending limitations, the increase in the tuition support distribution to charter schools would be about \$501,000. If the tuition support distribution exceeds the tuition support appropriation or calendar year spending limitation, the distribution to schools is proportionately reduced. The increase in property taxes is about \$269,000. Subject to appropriation, the state would pay PTRC and homestead credits on the increase in property taxes. The increase would be about \$178,000. The impact would increase if the Mayor approved more charter schools.

Special Education Preschool: The bill would allow charter schools to provide special education to preschool children in the same manner as other public schools. The current special education preschool formula is: (a) \$2,750 times the number of special education preschool students minus (b) the preschool tax rate times the school's AV. Since charter schools have no AV, the state would pay \$2,750 times the number of children. If about 100 special education preschool school children enrolled in charter schools, the impact would be about \$275,000. Any additional preschool special education students would be funded within the current appropriation level. If the addition of these children caused the distribution formula to exceed the appropriation, then the \$2,750 grant would be reduced so that the actual distribution equals the appropriation.

Charter School Grant: The bill makes start-up grants from the General Fund for charter schools. The bill establishes the Charter School Grant Account within the General Fund. The maximum grant a charter school can receive equals the charter school's enrollment times $\frac{1}{2}$ of the target revenue per ADM of the school corporation where the charter school is located or, for charter schools sponsored by the Mayor of Indianapolis, the target revenue per ADM of the school corporation with the greatest target revenue per ADM in the county times 1.15. The grant would depend on the number of new charter schools established each year. Over the last five years the enrollment of new charter schools has been about 1,100 students per year. If these grants would have been available over the past five years, the amount of the grants would have been about \$3.8 M per year. This bill does not make an appropriation for these grants.

Background: As of CY 2006 there were 27 approved charter schools with an enrollment of 5,690 students. Charter schools in CY 2006 received \$27.5 M in tuition support from the state and \$13.9 M in property taxes.

Explanation of State Revenues:

Explanation of Local Expenditures: *Retirement:* Allowing charter schools to participate in a private pension or retirement benefit program could increase or decrease charter school pension expenditures,

depending on the cost of the private pension plan compared to the state pension plans.

Explanation of Local Revenues: *Transportation Fund Levies:* The bill would require school corporations with property taxing authority to increase their property tax levy to fund the transportation of charter school students if the sponsor requires the charter school to provide transportation. For CY 2006, schools levied about \$412.6.M to transport about 983,065 students, or about \$420 per student. The increase in the transportation property tax levy could be about \$2.4 M if all the existing charter schools provided transportation.

Target Revenue: The bill provides that for calculating the school formula for charter schools sponsored by the Indianapolis Mayor, the highest target revenue per ADM of schools in the county is to be used instead of the current calculation in the school formula. The school with the highest target revenue per ADM in Marion County is Indianapolis Public Schools and is projected to be about \$6,862 per ADM for CY 2007. The increase in property taxes would be about \$269,000. The amount would increase if the Mayor approved more charter schools.

Property Sales: The provision should have no fiscal impact.

State Agencies Affected: Department of Education, Department of Local Government Finance.

Local Agencies Affected: School Corporations and Charter Schools.

Information Sources: Department of Education databases.

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