

**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 6308

BILL NUMBER: SB 234

NOTE PREPARED: Jan 1, 2008

BILL AMENDED:

SUBJECT: Public School Transfers.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Public School Transfers:* This bill establishes a public school transfer program that allows the parent of a student to request a transfer for the student to enroll in: (1) a different public school in the student's base school corporation; or (2) a public school in a different school corporation.

The bill provides an allocation of public funds for transfer students between the base school corporation and the receiving school corporation, and provides that a transferring student's parent is responsible for transportation and any additional costs. It allows school corporations to enter into an interlocal agreement under which students whose legal settlement is in one school corporation may attend school in the other school corporation.

The bill allows a student who has legal settlement in one school corporation and whose parent owns property for which the parent pays property tax in another school corporation to attend school in the latter school corporation without transfer tuition being charged.

Annual Report: The bill requires a school corporation to provide notice to parents concerning the publication of the school corporation's annual performance report and concerning the right of students to transfer out of schools that fail to perform adequately.

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Public School Transfers:* The provisions of this bill are not likely to significantly affect the amount of funding that is generated by the school funding formula if the student was enrolled in a public school the previous year since students who transfer to a different school corporation will

still be counted as a member of the school corporation from which the student originated (the base corporation). The transfers begin with the 2009-2010 school year, which would impact the 2010 school formula. The 2010 school formula is unknown.

Using the CY 2009 school formula, the bill could have an impact on the school formula for students that transfer from a private school to a public school. The school receiving the student would count the new student in their ADM for school formula purposes. The increase in funding on average would be either about \$5,725 or \$1,145 (1/5 of \$5,725 for schools with declining enrollment). As an example, if 100 private school children decided to transfer to a public school not in their base corporation, the impact would be between \$114,500 and \$572,500. The increase in state funding is limited to the tuition support calendar year cap, which is the maximum of tuition support the state can distribute during a calendar year. If the additional students caused the tuition support distribution to exceed the calendar year cap, then the distribution would be proportionately reduced.

The overall effects of this bill will depend upon the decisions made by the parents of the children who are currently enrolled in the state's public schools. The estimated number of students enrolled in school is 1,045,702 for public schools and 132,577 for private schools. Each pupil would be eligible. The number of pupils who participate in this program will depend upon the satisfaction of the parent and the child with the child's current school experience, the availability of other programs in either the same school corporation or another school corporation, the ability of the parent to pay for any difference in tuition, and the willingness of superintendents and principals of school corporations to accept pupils from other school corporations.

The administrative costs for the Department of Education can probably be covered within the level of their existing budgets and resources.

Impact of Transfer if Parent Owns Property in School District: The bill allows a student to enroll in a school other than the one in which the student has legal settlement if the parent owns property in the school district the student would attend and if the principal of the school and the superintendent of the school corporation in which the school is located agree. The number of students that might be allowed to transfer without paying transfer tuition by the sending school or the parent is unknown. The impact on the state would depend on whether the transfer generated an increase in funding of the school formula. The addition or reduction of a student to a school formula varies from \$984 to \$7,777 for CY 2008, a difference of \$6,793. The impact on the state could be a saving or additional expense of up to \$6,793 per student

Explanation of State Revenues:

Explanation of Local Expenditures: *Public School Transfers:* This bill could affect both the operations and revenues of school corporations who lose students and those school corporations who gain students under the Public Elementary and Secondary School Transfer Program. Since the transfer of students requires the approval of both the superintendent and principal that enroll the students, it is possible that no significant changes would occur if they might disrupt school operations or require significant additions of staff and capital facilities for the school enrolling the students. The superintendent that receives a transfer request must notify the school superintendent of legal settlement of the request within seven days. The school superintendent of legal settlement may send a letter to the receiving superintendent and the parent objecting to the transfer on the grounds that the transfer is not in the best interests of the student. The letter would include the reasons the transfer is not in the best interests of the student. The receiving superintendent may then deny the request if the transfer is not in the best interests of the student. The superintendent must notify the school of legal settlement not later than 15 days of accepting the student.

Local schools could have increased administrative expense associated with notifying parents of their right to transfer their child and of the availability of the school's Annual Performance Report. The additional expense would probably be minor.

Effects on Base School Corporations: If school children leave the base corporation and enroll in another school corporation, the base school corporation would lose the state support and school general fund state property tax replacement credits that it receives for the student. Based on estimated state aid projections for the 2009 calendar year, the revenue loss could range from \$3,296 to \$7,155 per student.

If the school corporation loses sufficient students, it could reduce staff and possibly facilities. If a significant number of children remain in the base corporation but move to a different school within that corporation, the school corporation may need to rearrange classroom space, transfer teachers, and make other adjustments to accommodate the shift in students.

If the student at the time the transfer is granted is enrolled in a private school, then the school receiving the student would count the student in their ADM and not the base school corporation. The bill should have no effect on the base school.

Effects on Public School Corporations to which Pupils Transfer: Since each student who transfers from a public school to a public school would be permitted to receive the state assistance per ADM from their base school corporation, the student's transfer tuition would range from \$3,296 to \$7,155. Based on CY 2006 estimated tuition support, the average transfer tuition per student would be an estimated \$4,640. Parents of the transferring pupils are responsible for the difference between the costs of attending the school and the transfer tuition.

The bill could have an impact on the school formula for students that transfer from a private school to a public school. The school receiving the student would count the new student in their ADM for school formula purposes. The increase in funding on average would be either about \$5,725 or \$1,145 (1/5 of \$5,725 for schools with declining enrollment).

School corporations would also need to meet annually with the parents of the transferred student to discuss the student's progress and to determine whether the student's transfer tuition may be renewed for the following year.

The bill provides that if adjoining school corporations enter into an interlocal agreement under which students may attend school in the adjoining school corporations, the terms of the interlocal agreement, rather than transfer tuition statutes, govern the payment. The interlocal agreement may be a savings to the school sending the student to the other school corporation. The impact would depend on the number of schools entering into the agreements.

The impact on the receiving school to provide transportation to special education students that might enroll is unknown. The cost would be paid by the school's transportation fund. The school would also be eligible to receive state or federal funds that are based on the student's disability. The state special education grant in the tuition support formula for CY 2009 is \$8,350 for students with severe disabilities, \$2,265 for students with moderate disabilities, and \$533 for students with communication disabilities.

Annual Report: The bill requires a school corporation to provide notice to parents concerning the publication of the school corporation's annual performance report. This will have a minimal impact on administrative

costs.

Explanation of Local Revenues: *Impact of Transfer If Parent Owns Property in School District:* The bill allows a student to enroll in a school other than the one the student has legal settlement if the parent owns property in the school district the student would attend and the principal of the school and the superintendent of the school corporation jointly agree to enroll the student. The number of students that might be allowed to transfer without paying transfer tuition by the sending school or the parent is unknown. The school would lose possible transfer tuition revenue that would have been paid by the parent or sending school.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local School Corporations.

Information Sources: Department of Education Databases.

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