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FISCAL IMPACT STATEMENT

LS 7483

BILL NUMBER: SB 496

NOTE PREPARED: Apr 21, 2011

BILL AMENDED: Apr 7, 2011

SUBJECT: Parental Initiatives for School Reorganization.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR: Rep. Behning

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires a school corporation to sell surplus real property to another educational institution if the educational institution is the highest bidder.

The bill requires the State Board of Education to create a school performance category of pending reorganization. It provides that parents of a school that is in the third or subsequent year of placement in the lowest performance category may petition to reorganize the school by:

1. Closing the school and transferring the students to a higher performing school in the same school corporation;
2. Providing tuition payments for students to transfer to a higher performing school in another school corporation; or
3. Reorganizing the school as a charter school.

The bill requires the governing body of the school corporation to carry out the reorganization if the parents of at least 51% of the students in the school sign the petition. It requires the Department of Education (DOE) to place such a school in the *pending reorganization* performance category. The bill also provides that once a school has been reorganized, another petition for reorganization may not be submitted for at least five years after the school year in which the reorganization takes place.

Effective Date: Upon Passage

Explanation of State Expenditures: (Revised) The cost to the state of creating a school performance category of *pending reorganization* and placing a reorganized school in the category should be minor. The task could be done with existing resources. Additionally, having the State Board verify the signatures in the

petition would entail the use of administrative resources but this should be within DOE's capability assuming near customary staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The impact on schools would depend on the actions of the students' parents and the outcome of the petitions. The three allowable actions could have different fiscal impacts on the school:

- The closing of the school and transferring students to a higher performing school in the district might require the school to transfer resources and could result in a reduction in costs if there was capacity in higher performing schools.
- The cost of providing transfer payments to another school would depend on the cost of education in the other school corporation. However, current school formula funds the majority of the school general fund so the cost would be minor if the student is included in the ADM count of the receiving school corporation. The current school corporation, however, would lose all the funding associated with the students that do transfer.
- The reorganization of the school as a charter school would reduce expenditures and revenue for the school corporation. It is unknown if the result would be a net reduction in costs. The school funding for the first year for a new charter school would be the same as the per student funding in the school corporation.

Background: Based on the 2010 data, there are 34 schools out of the 1,862 schools, 1.8%, that have been in the lowest performance category for at least three consecutive years. There are an additional 16 schools that have been in the lowest performance category for two consecutive years.

The average tuition support funding for regular programs is about \$5,492 in CY 2011.

Explanation of Local Revenues:

State Agencies Affected: Department of Education.

Local Agencies Affected: Local schools.

Information Sources: Department of Education website, <http://www.doe.in.gov/pl221/welcome.html>, and databases.

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