

**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 6964

BILL NUMBER: HB 1189

NOTE PREPARED: Feb 24, 2012

BILL AMENDED: Feb 23, 2012

SUBJECT: School Finance.

FIRST AUTHOR: Rep. Thompson

FIRST SPONSOR: Sen. Charbonneau

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *School Formula:* This bill converts the school funding formula from a calendar year formula to a state fiscal year formula. It adds a Fiscal Year Transition Grant to the formula.

The bill provides that: (1) an average daily membership (ADM) count of students enrolled in a public school in grades K-12 must be taken during the school year in September and February; and (2) state tuition support must be distributed based on the latest count of students.

Tuition Support Distribution: This bill requires state tuition support distributions to be made every month rather than every 40 days.

ADM References: The bill makes related changes in various calculations to reflect the change in counting procedure.

Beginning with the 2013-2014 school year, provides for basic tuition support payments to charter school corporations in the first six months of initial operation.

Definitions: The bill defines the terms "enrolled" and "attending" for purposes of the tuition support formula.

Student Records: The bill requires an accredited nonpublic school that is required to send the records of a former student of the accredited nonpublic school to a requesting school regardless of whether the former student or the former student's parent or guardian owes an outstanding debt to the accredited nonpublic school.

The bill repeals the Charter School Start-up Grant and Operating Advances Programs.

The bill appropriates \$30,900,000 for the state fiscal year beginning July 1, 2012, to cover state tuition support distributions.

The bill makes technical corrections.

Effective Date: (Amended) Upon passage; July 1, 2012; January 1, 2013; July 1, 2013.

Explanation of State Expenditures: (Revised) *Tuition Support Distribution:* The change requiring state tuition support distributions to be made every month rather than every 40 days should have no fiscal impact. The distributions are currently made on the 15th of each month.

School Formula: The bill would change the current calendar year school formula to a fiscal year formula and changes the ADM used in the school formula calculations. Currently, the September 2012 ADM is used for the CY 2013 school formula calculations.

The bill would change the tuition support calculations for the last six months for CY 2012 and CY 2013. The following table shows which ADM count is used in the current law and what the change would be under this bill.

Distribution Month 2012	Current Law 2012	Proposed 2012	Distribution Month 2013	Current Law 2013	Proposed 2013
January	Sept 2011	Sept 2011	January	Sept 2012	Sept 2012
February	Sept 2011	Sept 2011	February	Sept 2012	Sept 2012
March	Sept 2011	Sept 2011	March	Sept 2012	Sept 2012
April	Sept 2011	Sept 2011	April	Sept 2012	Sept 2012
May	Sept 2011	Sept 2011	May	Sept 2012	Sept 2012
June	Sept 2011	Sept 2011	June	Sept 2012	Sept 2012
July	Sept 2011	Sept 2011	July	Sept 2012	Feb 2013
August	Sept 2011	Sept 2011	August	Sept 2012	Feb 2013
September	Sept 2011	Sept 2011	September	Sept 2012	Feb 2013
October	Sept 2011	Sept 2011	October	Sept 2012	Feb 2013
November	Sept 2011	Sept 2011	November	Sept 2012	Feb 2013
December	Sept 2011	Sept 2011	December	Sept 2012	Feb 2013

Generally, the February ADM count has about 5,000 to 7,500 students less than the previous September ADM. The ADM used in primetime calculations would change in a like manner.

The counts used in the school formula for career and technical education would also change to two counts taken

in September and February, similar to the ADM counts. The counts used in the school formula for the honors grants and special education would not change. The current count date for career and technical education count is in September at the time of the ADM count.

The special education count date would continue to be December 1 for the state and federal special education counts, and the honors count is the number of honors diplomas granted the previous school year.

(Revised) *Fiscal Year Transition Grant*: The bill appropriates an additional \$30.9 M for FY 2013 to fund the cost of moving the CY 2013 school formula to July 1, 2012. Based on current projections, about 197 schools would receive increased tuition support and 161 schools would receive the same tuition support for FY 2013. The Fiscal Year Transition Grant assures that no public school receives less in July through December under the new fiscal year formula than under the current calendar year formula. The FY 2013 total appropriation for tuition support would be \$6,339.6 M. Under current law, the school formula expenditures for FY 2013 are estimated to be about \$15.6 M less than what was projected at the end of the 2011 legislative session. This bill is estimated to spend approximately \$45.5 M more than the current appropriation for tuition support for FY 2013. The school formula is repealed on July 1, 2013.

(Revised) *School Corporation Estimated Distribution*: The bill would include a special grant to public schools with significant growth. New charter schools, charter schools adding a grade, and all schools with an estimated 15% growth would be able to use an estimated ADM instead of the count like other public schools. The impact would depend on the number of new charter schools that might open and their enrollment and growth in other public schools. For the 2011-2012 school year, there were three new charter schools that opened with 305 students. The amount in prior years for all new charter schools would have varied between \$3.5 M and \$8.2 M, depending on number of students and location.

This provision could eliminate the need for a charter school to borrow from the Common School Fund. Currently, a charter school does not receive tuition support until the January after they begin operation, so there is a six-month period they do not receive tuition support. Charter schools may still need some short-term borrowing until they receive their November tuition support. Currently, 58 charter schools have borrowed about \$75.6 M from the Common School Fund.

(Revised) *Definitions*: Defining the terms "enrolled" and "attending" for purposes of the tuition support formula should have no fiscal impact.

Calendar Year Reference: The bill changes references from a school calendar year to a state fiscal year for the administrative fee a charter school sponsor may charge a charter school. The provision should have little fiscal impact.

Student Records: The Department of Education could revoke the accreditation of a nonpublic school that does not send a former student's records to the student's new school. The impact on the Department should be minor.

DOE Reporting: The bill requires the Department of Education to report to the State Budget Committee: (1) the number of students who left a charter school and enrolled in a public school maintained by a school corporation during the 2011-2012 school year; and (2) the number of students who received a Choice scholarship for the 2011-2012 school year and left a nonpublic school and enrolled in a public school maintained by a school corporation during the 2011-2012 school year.

Explanation of State Revenues:

Explanation of Local Expenditures: *Student Records:* The bill would make it easier for a public school to obtain a student's records from an accredited nonpublic school.

Explanation of Local Revenues: See *Explanation of State Expenditures*.

State Agencies Affected: Department of Education.

Local Agencies Affected: Schools.

Information Sources: Department of Education Databases.

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