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**FISCAL IMPACT STATEMENT**

**LS 7322**

**BILL NUMBER: HB 1338**

**NOTE PREPARED: Feb 25, 2013**

**BILL AMENDED: Feb 20, 2013**

**SUBJECT:** Charter School Administration.

**FIRST AUTHOR:** Rep. Behning

**FIRST SPONSOR:** Sen. Kruse

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:  GENERAL  
 DEDICATED  
 FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) The bill does the following:

1. This bill provides that a charter school is eligible to receive a School Safety Grant.
2. The bill provides that a charter school will be able to use certain electronic meeting procedures..
3. The bill changes references to "sponsor" with "authorizer" in the charter school law.
4. The bill adds definition of "education service provider". It adds certain requirements to be contained in a proposal to establish a charter school pertaining to education service providers.
5. The bill adds various charter renewal requirements.
6. The bill provides that a charter contract may consist of more than one charter school.
7. The bill requires an authorizer to develop a charter school closure protocol.
8. The bill provides that a public audit of a charter school or organizer of a charter school is limited to the use of the public money received by the organizer of a charter school or the charter school.
9. The bill provides for the release to a charter school authorizer of certain covered records that are in the possession of the Department of Education or the State Board of Education and concern a charter school.
10. The bill repeals a provision that requires the City-County Council of Indianapolis to approve a charter school authorized by the Mayor of Indianapolis.
11. The bill repeals a provision that provides a governing body must obtain approval from the Department of Education (Department) before granting a charter in which more than 50% of the students in the school corporation will attend the charter school.
12. The bill requires the Department, with the approval of the State Board of Education (State Board), to

- submit an annual report to the Budget Committee pertaining to virtual charter schools.
13. The bill provides that if an organizer of a charter school maintains an Internet web site for a charter school, the organizer shall publish the names of the charter school's governing body on the Internet web site. (Current law requires an organizer to publish the names of the governing body on the charter school's Internet web site.)
  14. The bill requires charter school organizers to adopt and accurately implement a single, unified accounting system for charter school organizers as prescribed by the state board and the State Board of Accounts.
  15. The bill repeals a provision pertaining to accounting and financial reporting of charter schools.
  16. The bill provides that for purposes of administering state tuition support, a charter school organizer is considered a school corporation.
  17. The bill provides that a member of the State Charter Board may not be removed before the end of the member's full term by the member's appointing authority without cause.
  18. The bill provides that the State Charter Board must collectively possess strong experience and expertise in certain areas.
  19. The bill provides that the Department's Internet web site must include a Charter School Annual Report.
  20. The bill requires an authorizer to adopt national industry standards of quality charter school authorizing.
  21. The bill provides that a charter school agreement must include a requirement that a charter school not remain in the lowest category or designation of school improvement in the third year after initial placement in the lowest category or designation.
  22. The bill requires the State Board to provide an authorizer a hearing if the authorizer fails to close a charter school that does not meet the minimum standards in the charter agreement. It provides that the State Board, after providing a hearing, may close the charter school at the end of the school year. (Current law provides that the charter school may be closed on a date set by the State Board.) The bill provides that the State Board, after providing a hearing, may reduce the administrative fees that an authorizer may receive. (Current law provides that the administrative fees may be reduced by up to 50% of the amount of the administrative fees.) It provides that if an authorizer does not correct deficiencies that prohibit an authorizer from opening new charter schools, the State Board may, with a 2/3 vote, decommission the authorizer. It provides that the decommissioned authorizer's charter schools have 150 days to apply for approval from the State Charter Board.
  23. The bill provides for the voluntary relinquishment of authorizer status.
  24. The bill provides that 90% of a virtual charter school's foundation amount is used to calculate the school's state funding distribution. (Current law provides that the percentage used in the calculation is 87.5%.)
  25. The bill removes a requirement that 60% of the students of a virtual charter school must have been included in the state's ADM count for the previous school year.
  26. The bill provides that a virtual charter school is eligible to receive New Charter School Startup Grants.
  27. The bill provides that a virtual charter school is eligible to receive career and technical education grants. The bill also provides that a virtual charter school is eligible to receive honors diploma awards.
  28. The bill provides that a charter school shall pay back an outstanding advance if the charter school closes or has its charter revoked. The bill also provides that the Attorney General shall use any means under the Attorney General's authority to collect the principal of any unpaid advance. It provides that

a charter school or successor of interest to the charter school must pay back any unpaid advance before it may receive a charter school startup grant or grants or loans from the charter school facilities assistance program.

29. The bill makes conforming amendments.

**Effective Date:** Upon passage; June 30, 2013; July 1, 2013; January 1, 2014.

**Explanation of State Expenditures:** (Revised) *Summary:* Most of the provisions in the bill could have a minor fiscal impact. However, the following two provisions in the bill could have a significant fiscal impact.

(1) The bill changes the way the tuition support distribution for a virtual charter school is calculated. Under the bill, the tuition support distribution for a virtual charter school would be calculated like it is for other charter schools, except virtual charter schools would receive 90% of the target funding that a charter school receives. Currently, a virtual charter school receives 87.5% of the target funding that a charter school receives. The impact of this change would depend on the school formula in the future. The current school formula is repealed as of June 30, 2013. For CY 2013, the change would have increased funding to virtual charter schools by about \$796,000.

(2) The provisions that apply to the repayment of an advance from the Common School Fund to a charter school that has closed could reduce state expenditures depending on the success of the state in recovering advances to such charter schools. As of June 30, 2012, the state had made advances to charter schools totaling about \$75.3 M. Approximately nine charter school contracts with Ball State University will expire on June 30, 2013. Ball State is not renewing the contracts for seven of the charter schools, and an additional two schools withdrew their request for renewal. The outstanding advances to the nine charter schools total about \$15.3 M.

The other provisions of the bill and their potential impact are outlined below.

(1) Changing the reference from a charter school "sponsor" to a charter school "authorizer" should have no fiscal impact.

(2) The addition of the definition of "education service provider" and the addition or certain requirements to be included in a proposal to establish a charter school should have no fiscal impact.

(3) The addition of various charter renewal requirements could increase the administrative cost of renewing a charter, but the cost is probably minor.

(4) Allowing charter schools to be eligible for a School Safety Grant could increase the demand for such grants. The increase is probably minor. The grants totaled about \$1 M for FY 2012.

(5) The DOE could incur some additional costs associated with providing electronic access or written copies of certain records needed by a charter school authorizer without charge to an authorizer. The increased cost would probably be minor. In CY 2013, there are about 72 charter schools enrolling about 32,298 students.

(6) The bill repeals the requirement for approval by the DOE for the creation of a new charter school if more than 50% of the students are enrolled in the new charter school instead of the school corporation where the charter school is located. This change should have no fiscal impact. Currently, no charter school has close to 50% of a school corporation's students.

(7) The bill requires the DOE to annually submit a report to the Budget Committee on virtual charter schools. The administrative impact of this requirement should be minor. The majority of the impact would probably be developing the format of the report and collecting data.

(8) Requiring that the Department's Internet website include a Charter School Annual Report could have some minor impact.

(9) Allowing the State Board of Education to determine if an authorizer is in compliance with national industry standards should have no fiscal impact.

(10) The bill requires the State Board of Education to provide an authorizer a hearing if the authorizer fails to close a charter school that does not meet the minimum standards in the charter school agreement. This change should have no fiscal impact. The State Board meets monthly and the hearing could be scheduled during a regularly scheduled meeting.

(11) The provision allowing the State Board of Education to close a charter school at the end of the school year instead of on the date set by the State Board should have no fiscal impact.

(12) The provision allowing the State Board of Education to decommission an authorizer or reduce the authorizer's administrative fees could have a minimal fiscal impact.

(13) The provision allowing charter schools of the decommissioned authorizer to apply to the Charter School Board for approval to continue operation could increase the Board's workload.

(14) The provision allowing an authorizer to voluntarily relinquish authorizer status should have not have a fiscal impact.

(15) Removing the requirement that 60% of the students initially enrolled in a virtual charter school attended a public school the year before could increase the virtual charter school enrollment by an unknown number.

(16) Allowing virtual charter schools to receive New Charter School Startup Grants would increase the grant expenditures depending on the number of new virtual charter schools that are authorized in the future.

(17) The provision prohibiting a State Charter Board member from being removed before the end of their term without cause should have no fiscal impact.

(18) Requiring the State Charter Board to collectively possess strong experience and expertise in public and nonprofit governance, management, finance, public school leadership, higher education, school assessments, curriculum, instruction, and public education law should have no fiscal impact.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) The provisions of the bill and their potential impact are outlined below.

(1) Allowing a charter school contract to contain more than one charter school could reduce the cost to the authorizer of establishing new charter schools. The impact is probably minor.

(2) The requirement that an authorizer develop a charter school closure protocol could have some minor costs in establishing the protocol. There are currently eight charter school authorizers. The impact is probably minor and a one-time cost.

(3) Allowing charter schools to use the same electronic meeting procedures as school corporations may make it easier for a charter school to hold a meeting. The impact is probably minor.

(4) Specifying that a public audit of a charter school or organizer is limited to the public funds they receive could reduce the cost of audits, but the reduction is probably minor.

(5) The repeal of the provision that requires the City-County Council of Indianapolis to approve charter schools authorized by the Mayor might increase the number of charter schools in Indianapolis and decrease the administrative costs of charter school approval. The impact is probably minor.

(6) The bill repeals the requirement that a charter school submit a Charter School Annual Report to the DOE. Charter schools would still have to submit an annual report to the DOE like other public schools. The savings are probably minor.

(8) Requiring charter schools organizers to adopt and implement an accounting system as prescribed by the State Board and State Board of Accounts could increase cost to organizers when the system is implemented. The additional cost is unknown and would depend on the cost to transition to the new accounting system.

(9) The repeal of the provision requiring charter schools to have a single, unified accounting system as prescribed by the State Board of Accounts should have no fiscal impact. This is because charter schools are public schools and IC 20-39-1-1 requires all public school governing bodies to adopt a single, unified accounting system prescribed by the State Board of Accounts.

(10) Changing the definition of a school corporation to include charter school organizers and not charter schools for purposes of tuition support would shift tuition support from charter schools to the charter school organizers who would then be responsible for funding each charter school. For CY 2012, charter schools received about \$177.8 in tuition support.

(12) Including a provision in the charter school agreement that a charter school will not remain in the lowest performance category in the third year after initial placement in that category should have no fiscal impact.

**Explanation of Local Revenues:** (Revised) Allowing charter schools to be eligible to receive a School Safety Grant could increase revenue to charter schools.

Defining a charter school as a local educational agency would clarify that a charter school is eligible to receive grants that are given to local educational agencies by the federal, state, and local governments. The bill could increase revenue to charter schools.

**State Agencies Affected:** Department of Education; Board of Education; State Budget Agency.

**Local Agencies Affected:** City of Indianapolis.

**Information Sources:**

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