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FISCAL IMPACT STATEMENT

LS 7465

BILL NUMBER: HB 1358

NOTE PREPARED: Feb 17, 2013

BILL AMENDED: Feb 14, 2013

SUBJECT: Parental initiatives for school reorganization.

FIRST AUTHOR: Rep. Huston

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill establishes the following parental initiatives for school reorganization of low performing schools: (1) The conversion of an existing public school into a charter school. (2) A petition to have the state board of education consider intervention and establish a lead partner to support the operation of the school. (3) The transfer of the operation of a charter school to the school corporation in which the charter school is located. It repeals current provisions concerning the conversion of existing public schools into charter schools.

Effective Date: July 1, 2013.

Explanation of State Expenditures: (Revised) Under this bill, the number of schools that the State Board might have to consider for possible intervention might increase. The board would also have to adopt rules to govern the transfer process and, in the case of a charter school that is transferring to a public corporation, establish the types of debt that the school corporation must include in an offer to purchase a charter school building.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Summary:*

(1) *Conversion from Public School to Charter School:* The bill would change the procedure for establishing a conversion charter school. The impact would depend on the number of conversions authorized by the State Board. Based on the 2012 academic performance standards, 54 schools are eligible for conversion to charter schools or to be operated by a lead partner; and an additional six schools were taken over by the state

and would not fall under the provisions of this bill. There are also 140 schools that would potentially be eligible for conversion if they receive a failing grade in 2013.

(2) *Transfer of Charter School to School Corporation:* The fiscal impact is indeterminable at this time. Under the proposed statute, per State Board recommendation, a school corporation would have to accept the students of a failing charter school that is located in its district. As a result, the corporation may have to expend additional resources in remedial training for those students who are below acceptable standards.

After negotiating with the charter school, the corporation may have to assume the debts of the charter school and purchase its building. Also, if the corporation does not purchase the charter school building, the corporation would have to find a place for the students of the charter school if there isn't enough space in its own schools. This may result in an additional expense for the corporation.

If the building purchase has to be financed through the issuance of bonds payable from property taxes, its purchase may be subject to voter approval (either through the petition-remonstrance process or perhaps less likely, a referendum) depending on its cost (*see Additional Information - Charter School Purchase*).

Based on the 2012 academic performance standards, four charter schools are eligible to apply for transfer to a public school corporation. Of these one did not have its license renewed by its sponsor, and a second school decided not to request renewal of its license. Additionally, there are 13 charter schools that would potentially be eligible for transfer if they receive a failing grade in 2013.

(Revised) *Additional Information:*

Conversion from Public School to Charter School: Under current law, an existing public elementary or secondary school may be converted into a charter school if all of the following conditions apply:

- (1) At least 51% of the parents of students who attend the school have signed a petition requesting the conversion, which must be completed not later than 90 days after the date of the first signature.
- (2) The school has been placed in either of the two lowest academic performance categories for two (2) consecutive years.
- (3) The governing body votes to convert an existing school within the school corporation.

This bill repeals the current statute. Under the bill, the school must be in either of the two lowest academic performance categories for three consecutive years. However, either the governing body or the parents of at least 51% of the students can initiate the conversion process. The 90 day requirement for the collection of signatures no longer applies. As with current law, if a governing body operates a school that has been placed in either of the two lowest academic performance categories for four consecutive years, the governing body may not serve as the charter school's sponsor. The conversion charter school must accept all students who attended the school before its conversion and who still wish to attend the school.

Under the bill, the parents of 51% of the students attending a school eligible for conversion can petition the State Board for the school be operated by a lead partner as defined by this bill (i.e. an organization that will assist in running the school).

Transfer from Charter to Public Corporation: Under the bill, the school must be in either of the two lowest academic performance categories for three consecutive years. The parents of at least 51% of the students can

petition the State Board to be transferred to the school district. The State Board has to approve the transfer.

Under the bill, the governing body of the school corporation and the charter school would have to resolve issues relating to the transfer. Unless the parties agree otherwise, the corporation must offer to purchase the charter school building and assume its debt. If the charter school refuses the corporation's offer, the corporation would have to provide educational service to the students of the charter school at a location determined by the corporation.

Charter School Purchase: In general, the cost of a school would have to be at least \$1 M for it to require voter approval by either a petition and remonstrance process (an eligible voter indicates yes or no on a form) or a referendum. For example, the following categories of schools will be subject to a petition and remonstrance process:

- (1) An elementary school building, middle school building, or other school building for academic instruction (used for students in kindergarten through Grade 8) that will not exceed \$10 M.
- (2) A high school building or other school building for academic instruction (used for Grades 9 through 12) that will not exceed \$20 M.

Under current law, the lesser of (a) 100 people who are either voters or property owners or (b) 5% of the voters may request a petition and remonstrance process. If at least the minimum number of eligible voters request the petition, the process will go forward. The purchase will be approved if the minimum number of individuals requesting the petition and remonstrance is not met, or if a majority of voters approve the project if the petition/remonstrance goes forward.

For a referendum, the cost of building must exceed the cost outlined in categories (1) or (2) above. The number of individuals requesting the referendum is the same as for the petition and remonstrance, but instead of indicating a preference on a form, the referendum will be held at the next municipal, primary, or general election.

Explanation of Local Revenues:

State Agencies Affected: State Board of Education.

Local Agencies Affected: Local Schools; School corporations

Information Sources: Department of Education website:
www.doe.in.gov/improvement/accountability/f-accountability

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