

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6122**  
**BILL NUMBER: HB 1516**

**DATE PREPARED: Oct 30, 1998**  
**BILL AMENDED:**

**SUBJECT:** Textbook funding.

**FISCAL ANALYST:** Mark Goodpaster  
**PHONE NUMBER:** 232-9852

**FUNDS AFFECTED: X GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures		76,700,000	65,800,000
Net Increase (Decrease)		(76,700,000)	(65,800,000)

LOCAL IMPACT	CY 1999	CY 2000	CY 2001
Local Revenues			
Local Expenditures	(29,800,000)	(53,700,000)	(34,800,000)
Net Increase (Decrease)	29,800,000	53,700,000	34,800,000

**Summary of Legislation:** This bill requires the Department of Education to reimburse school corporations for the cost of textbooks adopted for initial use in the 1999-2000 school year. Beginning with the 2000-2001 school year, it requires the Department of Education to pay the supplier directly for the costs of recently adopted textbooks for school corporations. It appropriates from the state General Fund a sufficient amount to pay for state textbook funding. The bill specifies that the current law providing reimbursement for textbooks for students who are eligible for assistance applies only to textbooks for which a rental fee is paid. It prohibits school corporations that have been reimbursed for certain textbooks by the Department of Education from renting those same textbooks to students. It provides for administration of the program by the Department of Education.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** The added costs to the State General Fund will depend on the type of textbook adopted in a particular year. These future costs are projected based upon an annual inflation factor of 5.3%.

To calculate the net cost to the State General Fund, the projected costs associated with purchasing the textbooks are offset by phasing out the costs of providing financial assistance to school corporations for families who qualify for the Federal Free Lunch Program. Under current law, school corporations are required to waive the textbook fees for children of families who qualify for the Federal Free Lunch Program. Consequently, a state appropriation of \$12.4 million reimburses school corporations for the revenue lost by waiving these fees.

While the State General Fund will pay the entire costs of textbooks adopted for initial use starting in FY 2000, it will continue to reimburse school corporations for revenue losses associated with text books purchased between 1994 and 1999 and provided to students in the Federal Free Lunch Program. This phaseout is estimated by multiplying \$12.4 million by 1/6th in FY 2000, 2/6ths in FY 2001 until the entire reimbursement is phased out by FY 2005. (The fraction 1/6 is used because textbooks are adopted for a six year period.)

<b><u>FY</u></b>	<b><u>Textbook Adopted</u></b>	<b><u>Projected Costs</u></b>	<b><u>Less State Reimbursement</u></b>	<b><u>Net Cost</u></b>
<b>2000</b>	Science and Health	\$78.8 M	(\$2.1 M)	\$76.7 M
<b>2001</b>	Miscellaneous	\$69.9 M	(\$4.1 M)	\$65.8 M
<b>2002</b>	Reading/Handwriting	\$64.1 M	(\$6.2 M)	\$57.9 M
<b>2003</b>	Language Arts	\$101.1 M	(\$8.3 M)	\$92.8 M

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** School corporations would save an estimated \$28.3 Million in CY 1999, \$65.8 Million in CY 2000 and \$44.1 Million in CY 2001 under this bill. The estimated fiscal impact includes the cost savings to the school corporations from both the state reimbursement for purchase of textbooks for school year 1999-2000 and the outright purchase of textbooks in the years after 2000. The phaseout of all receipts that would be received as revenue from either textbook rental fees, textbook sales, township assistance and the reimbursement by the state General Fund is also included when calculating the net fiscal effect.

	<b><u>Expenditure Savings</u></b>	<b><u>Phaseout of Rental Fees And Sales Revenue</u></b>	<b><u>Phaseout of State Reimbursement</u></b>	<b><u>Phaseout of Trustees Assistance</u></b>	<b><u>Net Savings</u></b>
<b>1999</b>	\$39.5 M	(\$8.6 M)	(\$1.0 M)	\$0.06 M	\$29.8 M
<b>2000</b>	\$74.4 M	(\$17.7M)	(\$3.1 M)	\$0.12 M	\$53.7 M
<b>2001</b>	\$67.1 M	(\$27.2 M)	(\$5.2 M)	\$0.18 M	\$34.9 M
<b>2002</b>	\$82.7 M	(\$37.1 M)	(\$7.2 M)	\$0.24 M	\$38.5 M

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** Local School Corporations.

**Information Sources:** Department of Education.