

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6869

BILL NUMBER: HB 1681

DATE PREPARED: Apr 8, 1999

BILL AMENDED: Apr 7, 1999

SUBJECT: School Retirement, Severance Liability and Kindergarten Issues.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures			14,690,614
Net Increase (Decrease)			14,690,614

Summary of Legislation: (Amended) (1) This bill would authorize St. Joseph County's five school corporations (e.g., John Glenn, Penn-Harris-Madison, Mishawaka, South Bend, and Union North United) to issue bonds to implement solutions to contractual retirement or severance liability. It would require that such school corporations may issue bonds for this purpose only one time, and that the bonds must be issued before December 1, 1999 (it would repeal this contractual retirement or severance liability bond issue authorization effective December 2, 1999). It would require a reduction in other property tax levies each year to offset the Debt Service Fund levy needed for the bonds.

(2) This bill would authorize school corporations to establish retirement and severance liability stabilization funds, and to transfer money to those funds from their general funds. It would provide that money transferred to those funds may not be expended or transferred for five years.

(3) This bill would allow a political subdivision to donate proceeds from riverboat gaming to public school endowment corporations that meet certain conditions, and would define "public school endowment corporation".

(4) This bill would establish a kindergarten teacher professional development program to be administered by the Department of Education.

(5) It provides that a child must be at least five years of age on the following dates to officially enroll in a kindergarten program offered by a school corporation: (1) July 1 of the 2000-2001 school year. (2) August 1 of the 2001-2002 school year. (3) September 1 of the 2002-2003 school year or any subsequent school year. (Current law requires that a child must be at least five years of age on June 1 to officially enroll in a kindergarten program.) It allows the governing body of a school corporation to adopt a procedure for a parent to appeal to the school superintendent for kindergarten enrollment of a child who is not five years old on the statutory date. (Current law requires a school corporation to adopt the procedure.)

Effective Date: (Amended) July 1, 1999; December 2, 1999.

Explanation of State Expenditures: (Revised) (1) **Bond Issuance:** This provision would not result in a significant additional cost to the State Tax Board.

PTRC The State's expense for property tax replacement credits (PTRC) could be kept from increasing under this bill if St. Joseph County's five school corporations choose to reduce either their General Fund or Transportation Fund in an amount equal to the property tax levy needed for debt service in accordance with the provisions of the bill.

PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any savings of PTRC expenditures would ultimately benefit the state General Fund.

(4) **Kindergarten Teacher Professional Development Program:** The costs of a professional development program for kindergarten teachers will depend upon the number of kindergarten teachers who would attend training and development programs, and the level of appropriations that the General Assembly provides for this program.

The costs associated with a professional development program include stipends, travel reimbursements, consultant fees and costs for substitute teachers. As an example of professional development efforts funded by the Department of Education, DOE budgets \$206 per teacher for training in the Integrated Thematic Instruction technique under the CLASS program (Connecting Learning Assures Student Success).

The number of current kindergarten teachers who would participate in the professional development programs and the additional teachers who would be hired by school corporations to accommodate the new enrollment date of kindergarten (as discussed below) would in part determine the demand for this program. Currently, 1,800 persons teach kindergarten in 290 school corporations.

(5) **Kindergarten Enrollment Date:** This provision will increase the average daily membership of school corporations over a four year period as compared to the ADM under current law. Consequently, this increase in ADM will also increase expenditures from the school funding formula. During the 1997-98 school year, 72,941 students were enrolled in public school kindergarten. Assuming an even distribution of births over 12 months, each month will add 6,078 children to the statewide average daily membership (ADM).

Under current statute, kindergarten students are counted as a half ADM, consequently, the additional costs in the first year will be based on additional ADM count of 3,039.

Based on the changes in ADM as a result of the dates of admission changes, the additional costs that are generated by the school funding formula are shown in the following table.

Note: The estimated costs are based on current state law. The future costs that are associated with the additional ADM could be changed during the 1999 and 2001 General Assemblies when the school funding formula is reauthorized. This analysis also assumes that school corporations that currently participate in Primetime will hire additional instructional staff and expand facilities in order to continue qualifying for Primetime funding.

<u>Year</u>	<u>State Tuition Support</u>	<u>At Risk Monies</u>	<u>Growing Enrollment</u>	<u>Primetime</u>	<u>Total State Support</u>
2001	\$9,266,299	\$157,527	\$968,409	\$4,298,379	\$14,690,614
2002	\$19,504,649	\$317,362	\$987,819	\$12,895,136	\$33,704,966
2003	\$22,049,949	\$325,633	\$43,205	\$20,632,218	\$43,051,005

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) **(2) Retirement and Severance Liability Stabilization Funds** This bill would authorize school corporations to establish retirement and severance liability stabilization funds, and to transfer money to those funds from their general funds. It would provide that money transferred to those funds may not be expended or transferred for five years, and that it be used solely for the purposes of paying retirement or severance liabilities.

The effects of this provision would vary from school corporation to school corporation, and would depend upon local action.

(4) Kindergarten Teacher Professional Development Program: Depending on how much is budgeted by the Department of Education, school corporations may need to pay for substitute teachers if school teachers attend training and teacher development programs during class hours. The daily cost of substitute teachers is roughly \$65.

(5) Kindergarten Enrollment Date: The following table shows the additional number of students who would be added to the school corporations over the three year period when the admission date is changed. As the table indicates, more than half of the school corporations (58%) would experience increases of between 15 and 50 students. Another 34% of the school corporations could experience increases of between 50 and 890 -- the largest increase in the number of kindergarten children that any school corporation would experience.

<u>additional number of students over 3 year period</u>	<u># of school corporations</u>	<u>percentage distribution</u>
less than 5 students	4	1%
between 5 and 10 students	5	2%
between 10 and 15 students	14	5%
between 15 and 25 students	61	21%
between 25 and 50 students	109	37%
between 50 and 100 students	59	20%
between 100 and 200 students	29	10%
more than 200 students	<u>13</u>	4%
total number of school corporations	<u>294</u>	

Depending on the existing capacity of each school corporation, some school corporations may need to build new classrooms, add new teachers, acquire additional buses or incur more route miles to transport kindergarten children to school. Other school corporations may be able to accommodate the additional children with current staff and facilities.

School corporations with classroom shortages may need to rent classrooms from local businesses or churches or use temporary classrooms until new classrooms are built. School corporations which add new classrooms will also incur additional costs for utilities and custodial care.

Explanation of Local Revenues: (Revised) **(1) Bond Issues:** This bill would authorize St. Joseph County's five school corporations to issue bonds to implement solutions to contractual retirement or severance liability. It would require that these school corporations may issue bonds for this purpose only one time, and that the bonds must be issued before December 1, 1999.

The effects of this bill would vary from school corporation to school corporation, and would depend upon local action.

(3) Proceeds from Riverboat Gaming to Public School Endowment Corporations Under current law, in order to receive donations from a unit, foundations must be a charitable nonprofit community foundation, and must agree to do the following: 1) hold donations as permanent endowments; and 2) distribute income from donations only to the unit as directed by resolution of the unit's fiscal body. This bill would exempt public school endowment corporations from these provisions (when receiving donations of proceeds from riverboat gaming), and would allow both principal and income from such donations to be distributed to a public school endowment corporation. This bill would not affect other types of foundations.

This bill would allow school corporations to receive additional monies from public school endowment corporations than is possible under current statute. The effects of this bill would vary from school corporation to school corporation, and would depend upon local action.

The total number of public school endowment corporations in the State of Indiana is currently indeterminable. However, it is estimated that there are at least fifty in existence.

State Agencies Affected: State Tax Board, Department of Education.

Local Agencies Affected: St. Joseph County School Corporations; School Corporations.

Information Sources: Melissa Henson, State Tax Board, (317) 232-3773, Mary Beth Morgan, Jayma Ferguson, Phyllis Usher Department of Education, Department of Education Department of Education Data Bases.