

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7661**  
**BILL NUMBER: HB 1860**

**DATE PREPARED: Jan 21, 1999**  
**BILL AMENDED:**

**SUBJECT:** School quality and innovations; charter schools.

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

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

**IMPACT:** State & Local

<b>STATE IMPACT</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
<b>State Revenues</b>			
<b>State Expenditures</b>		<b>2,500,000</b>	<b>2,500,000</b>
<b>Net Increase (Decrease)</b>		<b>(2,500,000)</b>	<b>(2,500,000)</b>

**Summary of Legislation:** This bill has the following provisions:

- (A) It provides that the governing body of a school corporation may establish an Indiana School Quality and Academic Progress Innovation Program for one or more schools in the school corporation. It establishes components of the innovation program and provides a state General Fund appropriation of \$40 per student in average daily membership (ADM) in a school that has an innovation program approved by the Indiana State Board of Education.
- (B) It provides for the establishment of public charter schools. It sets forth the description, general powers, student and teacher matters, application requirements, application procedures, budgets and funding, operation and oversight, and charter revocation procedures for public charter schools. It limits the number of charter schools that may be established.
- (C) It establishes the Indiana Teacher Quality Initiative as a public private partnership to provide expertise and training in teaching. It appropriates \$750,000 annually from the state General Fund for the teacher quality initiative.
- (D) It establishes the Indiana School Quality and Best Practices Resource Center as a public private partnership to provide expertise and training in school quality matters. It appropriates \$1,750,000 annually from the state General Fund for the resource center.
- (E) It repeals the Indiana school academic improvement law and the freeway schools law. It makes conforming amendments.

**Effective Date:** July 1, 1999; June 30, 2000.

**Explanation of State Expenditures:** This bill makes the following appropriations:

Provision A -- Indiana School Quality and Academic Progress Innovation Program: \$40 per average daily membership (ADM) for each school that has a program. The added expenditures will depend upon the number of schools that are approved by the State Board of Education.

Provision C -- Indiana Teacher Quality Initiative: An appropriation of \$750,000 annually

Provision D -- Indiana School Quality and Best Practices Resource Center: An appropriation of \$1.75 million annually

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Provision B -- Charter Schools: This bill makes the following provisions for organizing and funding charter schools.

Establishing a Charter School: To initiate the process, the school board, the school employee association, and a qualified third party must enter into a joint application. An application for establishing a charter school must be in the form of a proposed agreement and include a mission statement, goals objectives and student performance standards to be achieved, a description of the school's educational plan. The governing body shall receive and review all applications, hold community meetings and vote on the acceptance of the charter at a public meeting. If the governing body votes against the proposal, the applicant may appeal the decision to the state board of education.

Fiscal Matters: Funding for a charter school consist of the allocation of federal state and local funds in the same proportion and under the same criteria that the federal state and local funding is provided for other public schools within the school corporation in which the charter school is located including the distribution of all categorical program funds. **Consequently, passage of this bill will not change the overall amount of funding generated by the current school funding formula.**

Limitations on Charter Schools: Not more than 10 charters may granted before January 1, 2001 and not more than 10 additional charters can be granted before January 1, 2002. Overall, not more than 60 charters may be granted in Indiana and at least 16 of these charters must be reserved for applications for charters that are designed to increase the educational opportunities of at risk students.

Renewal and Revocation: A charter may not be approved for more than a five year period. A charter seeking renewal must submit a progress report to the governing body. The governing body may either revoke or renew the charter depending upon its findings. If a charter is revoked, the holder of the charter may appeal the decision to the State Board of Education.

If charter schools are established and a significant shift in students to charter schools occurs, the school corporation may need to shift staff and operations from the noncharter schools to the charter schools.

**Explanation of Local Revenues:** Passage of this bill would not affect property tax levies or rates because the students enrolled in a charter school would still be included in the school corporation's ADM.

Charter schools and programs would be allowed to charge tuition only for pre-school or Latch Key programs

(if the charter school or program provides these programs). In terms of local school property tax levies, there would be no fiscal impact.

**State Agencies Affected:** Department of Education, Professional Standards Board

**Local Agencies Affected:** School corporations

**Information Sources:**