

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6255
BILL NUMBER: SB 9

DATE PREPARED: Nov 22, 1999
BILL AMENDED: Nov 22, 1999

SUBJECT: School funding.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill changes the effective date of the provisions of the 1999 budget bill that changed the Primetime education funding formula from a school year formula to a calendar year formula. The bill provides that the previous year distribution for Primetime calculations is before any assessed penalty. The bill also provides that a school corporation may include a classroom instructional aide as one-third of a teacher for Primetime. It makes other changes to the school funding formula. The bill changes the Lake County supplemental property tax for schools. The bill also moves from October 1 to April 1 the date for the Department of Workforce Development to report on labor demand categories under the vocational education formula.

This bill reinstates the CY 2000 formula used to determine vocational education funding for CY 2001.

Effective Date: (Amended) Upon passage; January 1, 2000; January 1, 2001; January 1, 2002.

Explanation of State Expenditures: (Revised) The bill makes changes to the current law to be consistent with the school formula simulations distributed at the end of the 1999 legislative session. It also delays and modifies the vocational education formula.

These school formula changes would reduce the amount of local general fund property tax revenue that is generated from the existing statute. The reduction in the property taxes would save the state \$1.7 M for FY 2000 and \$7.5 M for FY 2001 from the Property Tax Replacement Fund since the state funds approximately 20% of general fund property tax levies.

The current statute has an effective date for the new Primetime formula as January 1, 2001 instead of January 1, 2000. The current school formula does not have a Primetime distribution for CY 2000 and the distribution for CY 2001 would be zero. The primetime distribution is estimated to be \$106.6 M for CY 2000 and \$112.5 M for CY 2001. The impact of including Primetime in the formula is \$53.3M for FY 2000 and \$110 M for FY 2001. The tuition support appropriation in P.L. 273 - 1999 already includes the additional

\$53.3 M and \$100 M so there would not be any effect on the General Fund.

P.L.273 -1999 changed the vocational education tuition support formula beginning in CY 2001. This bill delays the change to CY 2002. Prior to this change in statute, the CY 2000 formula had been used since 1975. The CY 2000 formula provides an additional pupil count for students enrolled in vocational education programs. The following table shows the additional count by program for the CY 2000 formula.

2000 Vocational Program	Additional Count
Agriculture A (½ day)	0.38
Agriculture B (1 period per day)	0.19
Distributive education	0.33
Health occupations (laboratory)	0.33
Consumer and home economics (laboratory)	0.14
Occupational home economics (laboratory)	0.33
Business education (laboratory)	0.33
Industrial education A (½ day)	0.48
Industrial education B (2 periods per day)	0.33
Cooperative education (all areas)	0.28
Area school participation (in addition to the above)	0.09

The CY 2002 vocational education formula is based on market studies that project the future labor market demand and wage levels for each generally recognized labor category. The following table shows the vocational education formula grants that in the current statute would begin January 1, 2002.

2002 Vocational Education Grant	Grant Amount
Certificate of Technical Achievement	\$550
More than a Moderate Labor Need	\$1,000
Moderate Labor Need	\$700
Less than a Moderate Labor Need	\$300
Other Programs	\$230

Based on projected enrollments, reverting back to the old vocational education formula would reduce the vocational education distribution by \$1.8 M for CY 2001. The state fiscal impact is a reduction in the tuition support distribution of \$900,000, ½ of the CY 2001 amount, for FY 2001 and \$900,00, ½ of the CY 2001 amount, for FY 2002. The reduction is split equally between the state's General Fund and Property Tax Replacement Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) The school formula changes would reduce local general fund property tax revenue by an estimated \$17.2 M for CY 2000 and \$57.4 M for CY 2001. Without this change, property tax levies for local school would be higher than anticipated in P.L. 273 - 1999. The changes affect the adjustment of the primetime previous year's revenue and adjusted ADM calculations.

The bill also changes the effective date for the new primetime calculations from January 1, 2001 to January 1, 2000. Under current law there would be no distribution for CY 2000 and the distribution for CY 2001 would be zero. The bill would provide primetime revenue of \$106.6 M for CY 2000 and \$112.5 M for CY2001.

The change in the calculation of the Lake County supplemental property tax for schools has no net fiscal impact but may change the amount Lake County schools receive from the distribution of the tax. Gary Community Schools would have the largest lose of about \$50,000 under the proposed formula and Merrillville Community Schools would have the largest gain of about \$10,000.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local School Corporations.

Information Sources: Department of Education School Finance Information, School Formulation Simulations.