

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6689**  
**BILL NUMBER: SB 354**

**DATE PREPARED:** Dec 20, 1999  
**BILL AMENDED:**

**SUBJECT:** Textbook funding.

**FISCAL ANALYST:** David Hoppmann  
**PHONE NUMBER:** 232-9559

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

**IMPACT:** State & Local

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues			
State Expenditures		63,000,000	63,300,000
Net Increase (Decrease)		(63,000,000)	(63,300,000)

LOCAL IMPACT	CY 2000	CY 2001	CY 2002
Local Revenues			
Local Expenditures	(7,100,000)	(12,800,000)	(11,500,000)
Net Increase (Decrease)	7,100,000	12,800,000	11,500,000

**Summary of Legislation: Textbook Rental Program-** The bill abolishes the textbook rental program for public school students. It expands the definition of textbook to include a variety of materials used in the instruction of students.

**Textbook Fund-** It requires school corporations to establish a textbook fund and to appropriate money from the fund to purchase all needed textbooks for loan without charge to students of the corporation.

**Textbook Grants-**It provides an annual state textbook grant in the amount of \$83 multiplied by the average daily membership (ADM) of a school corporation and requires the deposit of grant funds in the textbook account

The bill also makes transitional provisions.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures: Textbook Grants-** School corporations would be eligible for a state grant per ADM of \$83. The projected costs of these grants would be approximately \$79.8 million in FY 2001, \$80.2 million in FY 2002, and \$80.6 million in FY 2003. No appropriation exists in the bill.

**Elimination of State Appropriation for Textbooks-** P.L. 273-1999 appropriated \$16.8 million for FY 2001 to pay for a portion of the costs of textbook rental fees that are waived by school corporations for children of families who qualify for the Federal Free Lunch Program. Since the portion of the program pertaining to public schools would be abolished, the State General Fund would realize a savings of \$16.8 million for FY 2001.

**Poor Relief/Reduction of PTRC-** The state pays 20% Property Tax Replacement Credit (PTRC) on poor relief levies. The reduction in the poor relief levy explained under local revenues will result in a reduction in the amount of \$73,000 paid by PTRC (20% of \$366,000). PTRC is paid from the Property Tax Replacement Fund which is supplemented by the State General Fund. Therefore, any reduction in PTRC actually reduces expenditures from the State General Fund.

The following table illustrates the potential net cost to the State regarding the provisions of this bill assuming the current level of PTRC or textbook appropriations would have continued beyond the biennium.

<u>FY</u>	<u>Textbook Adopted</u>	<u>Textbook Grants</u>	<u>Elimination of State Appropriation for Textbooks</u>	<u>Less: Reduction in PTRC</u>	<u>Net Cost</u>
2001	Miscellaneous	\$79.8 M	(\$16.8 M)	(\$0.073 M)	<b>\$63.0 M</b>
2002	Reading/Handwriting	\$80.2 M	(\$16.8 M)	(\$0.073 M)	<b>\$63.3 M</b>
2003	Language Arts & Foreign Language	\$80.6 M	(\$16.8 M)	(\$0.073 M)	<b>\$63.7 M</b>

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** School corporations may have additional funds to spend if revenue from these state grants exceeds the current funding sources as explained below.

This bill would require that school corporations pay for textbooks regardless of whether or not a state appropriation is made.

**Explanation of Local Revenues:** School corporations currently pay for textbooks using textbook rental fees, proceeds from the sale of used textbooks, state reimbursement of textbooks for children who qualify for the Federal Free Lunch Program, and financial assistance from township trustees. As proposed by this bill, school corporations would be eligible to use a state grant of \$83 per ADM instead of the above sources.

The following table compares the projected costs and revenues to school corporations under current law to the projected costs and revenues as proposed by this bill.

**Estimate Based On Current Law****Estimate Based on Proposed Bill**

<u>CY</u>	<b>Estimate Based On Current Law</b>			<b>Estimate Based on Proposed Bill</b>				
	<u>Projected Revenue</u>	<u>Projected Costs</u>	<u>Net Diff.</u>	<u>State Grant</u>	<u>Projected Costs</u>	<u>Less: Trustees Assistance</u>	<u>Net Diff.</u>	<u>Net Change</u>
2000	\$33.5 M	(\$35.7 M)	<b>(\$2.2)</b>	\$40.0	(\$35.7 M)	(\$0.183 M)	<b>\$4.1</b>	<b>\$6.3</b>
2001	\$68.7 M	(\$74.1 M)	<b>(\$5.4)</b>	\$80.0	(\$74.1 M)	(\$0.366 M)	<b>\$5.5</b>	<b>\$10.9</b>
2002	\$70.4 M	(\$66.6 M)	<b>\$3.8</b>	\$80.4	(\$66.6 M)	(\$0.366 M)	<b>\$13.4</b>	<b>\$9.6</b>
2003	\$72.1 M	(\$82.3 M)	<b>(\$10.2)</b>	\$80.7	(\$82.3 M)	(\$0.366 M)	<b>(\$2.0)</b>	<b>\$8.2</b>

**Estimate Based on Current Law-** Under current law, the revenues that school corporations receive from textbook fees and sales are projected to increase at an average rate of 2.5% annually. Monies from the State General Fund for textbook reimbursements and assistance from township trustees are assumed to remain at the FY 2001 level (General Fund reimbursements) and the FY 1998 level (Township Trustee assistance). Textbook purchases are projected to increase by an average rate of 6.1% annually. The difference between projected revenues and expenditures are shown in the column noted “Net Diff.” These projections show that costs will exceed the collected revenues assuming that the projected trends occur.

**Estimate Based on Proposed Bill-** As proposed by this bill, school corporations would be eligible to receive revenue from a state grant based on each school corporation’s ADM. This grant revenue, estimated to be approximately \$80 million per fiscal year, is projected to exceed the revenue that school corporations currently receive from other sources. The townships’ maximum levies would be reduced by \$366,000 which would translate into a gross property tax reduction in the same amount. Taxpayers would realize a net property tax savings (after PTRC) of approximately \$292,800. The projected savings for local units of government in future years is based on reported expenditures of \$366,000 for CY 1998.

Also, under current law, school corporations may provide free textbooks through elementary and high school libraries if 51% of the registered voters in the school district approve a referendum. This bill would reduce the General Fund levy of school corporations that currently provide free textbooks. Three school corporations were identified that currently provide free textbooks to students. The school corporations are as follows: 1) North Gibson School Corporation; 2) East Gibson School Corporation; and 3) Marion Community Schools.

**Net Change-** The final column in the table above shows the difference between the net differences of the two sets of projections. Overall, when comparing the differences in projections between current law and this bill, school corporations could potentially realize additional revenues of an \$6.3 million in CY 2000, \$10.9 million in CY 2001, \$9.6 million in CY 2002 and \$8.2 in CY 2003.

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

**Local Agencies Affected:** School corporations.

**Information Sources:** Department of Education ORACLE Data Tables, North Gibson School Corporation, East Gibson School Corporation, and Marion Community Schools.