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FISCAL IMPACT STATEMENT

LS 7022 | **NOTE PREPARED:** Jan 26, 2006
BILL NUMBER: SB 323 | **BILL AMENDED:** Jan 24, 2006

SUBJECT: Allocation of School Resources.

FIRST AUTHOR: Sen. Lubbers | **BILL STATUS:** As Passed Senate
FIRST SPONSOR: Rep. Noe

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: The bill requires the State Board of Education annually to: (1) analyze state statutes, rules, policies, and relationships to determine those that restrict school corporations and public schools from allocating resources to, and focusing efforts on, student instruction and learning; and (2) report the results of the analysis to the State Superintendent of Public Instruction, the General Assembly, and the Governor.

The bill allows school corporations to undertake certain actions to save money in nonacademic areas and reallocate the saved money to student instruction and learning.

The bill requires the Department of Education (DOE) and the State Board of Education (Board) to develop a plan to upgrade the financial management, analysis, and reporting system for school corporations and schools.

Effective Date: July 1, 2006.

Explanation of State Expenditures: (Revised) *State Board of Education:* The bill directs the Board, with the assistance of the Office of Management and Budget, the Department of Education's Division of Finance, and others, to study and report on the following areas:

- Ways to reduce school expenditures for textbooks, technology, school buses, and other miscellaneous expenses determined by the Board.
- Shared school purchases, uses of services, and efforts to explore cooperatives, common management, or consolidations.
- School corporations' expenses for the 2004-2005 and 2005-2006 school years.
- Review, with ability to modify the Department's plan to upgrade the financial management and

reporting of school corporations.

The various reports are to be made available to the public, schools, and the General Assembly. The Board is directed to publicly recognize and reward school corporations that achieve the goals.

Department of Education: In addition to the items listed above, the Division of Finance is required to annually survey schools on reallocation of resources to student instruction and learning. The Division of Finance is to analyze all schools' expenses incurred during the 2004-2005 and 2005-2006 school years. In addition, educational service centers could draw upon the Division of Finance for technical assistance with school reallocation efforts.

DOE would also be required to develop a plan to upgrade school reporting systems, financial management, and analysis. At the State Board's direction, DOE would be required to work with the State Board of Accounts, the Office of Management and Budget, and external consultants to devise the required plan. The results of the plan would be reported to the Governor and the General Assembly by the State Board and the Department by October 1, 2006.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. As of January 2, 2005, DOE had 84 vacant positions valued at about $2.5 M. On June 30, 2005, DOE reverted $786,060 M and the Board reverted $212,606 to the state General Fund.

Department of Insurance: Under the bill, insurance trusts would have to register with the Department of Insurance (DOI). The Department would regulate these trusts including: denying, suspending, or revoking a trust registration. The DOI would be allowed to adopt rules to implement this provision. The DOI's current level of resources should be sufficient to implement this provision. The DOI reverted $168,906 at the close of FY 2005. As of January 4, 2006, the DOI had 79 total employees on staff (78 full-time and one on leave.)

Explanation of State Revenues:

Explanation of Local Expenditures: *Consolidation:* The bill grants school corporations the authority to collaborate with other school corporations, and through the educational services centers to undertake action to reduce non-instructional expenditures and allocate the resulting savings to student instruction and learning. The actions a school can take include:

- Pooling of resources with other school corporations or units of government for liability insurance, property and casualty insurance, worker's compensation insurance, employee health insurance, vision insurance, dental insurance, or other insurance.
- Consolidating purchases with other school corporations or units of government of the following:
  - School buses and other vehicles and vehicle fleets.
  - Fuel, maintenance, or other services for vehicles or vehicle fleets.
  - Energy needs (See: *Natural Gas Purchases*).
  - Food services.

- Facilities management services.
- Transportation management services.
- Textbooks, technology, and other school materials and supplies.
- Any other purchase a school corporation may require.
- Sharing of services, including:
- The use of shared administrative services overseeing transportation, food services, facilities, or other operations.
- The use of shared administrative services to manage finance, payroll, human resources, information technology, purchasing, or other administrative services.
- The use of shared resources to provide instruction, supplemental services, extracurricular activities, or other student services.

School corporations would not be required to merge schools, consolidate or otherwise relinquish control of curriculum, instruction, or student activities to use shared services arrangements. The bill could reduce school expenses on services and purchases made with other schools, but the amount of the savings is unknown and would depend on local school decisions.

Background: School expenditures for the 2004-2005 school year are presented in the table below.

Expenditures	
Utilities	$247.8 M
Fuel	$34.3 M
Maintenance	$837.1 M
Food purchases	$97.4 M
Supplies	$366.0 M

School Reporting: Under the bill, schools would be required to report their expenditures, the amount of progress made on student instructional expenditures, and include trend lines to the public and the General Assembly. The expenditures would be broken down into the following categories:

- Student instructional activities, specifying all the money spent directly on students for academic achievement and extracurricular experiences.
- Student instructional support.
- Operational.
- Non-operational, including capital, debt service, retirement, or severance payments, or other non-instructional and non-operational purposes.

Insurance Pooling: Under the bill, school corporations that decided to pool assets for insurance coverage would be required to create a trust for the pooled coverage. The trust would be required to be regulated by the Department of Insurance. The coverage would have to be provided by a stop-loss provider with aggregate retention of 125% of the amount of expected claims for the following year.

The trust could be examined by the Department of Insurance. All examination costs would be charged to the trust.

Pooling of insurance coverage across several school corporations could reduce the cost for schools to provide insurance.

Natural Gas Purchases: The bill would allow a school or a group of schools to be considered a single purchaser of natural gas when purchasing natural gas from any natural gas seller. A rate schedule filed by a natural gas utility and approved by the Indiana Utility Regulatory Commission must include provisions to allow school corporations acting jointly to elect to be billed as a single purchaser under reasonable terms and conditions. This could potential reduce utility costs of schools.

(Revised) *Governing Body Responsibilities:* Starting with the 2007-2008 school year, school governing bodies would be required to establish goals for school academic achievement, instructional support, operational, and non-operational expenditures that would increase school's allocation of funds towards student instruction and learning.

Explanation of Local Revenues:

State Agencies Affected: State Board of Education; Department of Education; Office of Management and Budget; the Legislative Services Agency; Office of the Governor; State Board of Accounts; Department of Insurance.

Local Agencies Affected: School corporations, educational service centers.

Information Sources: Department of Education databases; *HRM Detail Staffing Report Jan 4, 2006;* State Budget Agency: *FY2005 General and Rainy Day Fund Summaries*.

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