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**FISCAL IMPACT STATEMENT**

**LS 7570**  
**BILL NUMBER: SB 521**

**NOTE PREPARED: Jan 13, 2009**  
**BILL AMENDED:**

**SUBJECT:** School Corporation Reorganization.

**FIRST AUTHOR:** Sen. Dillon  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

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

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires school corporations with an average daily membership (ADM) of less than 500 students to merge with another school corporation or school corporations. It provides for the preparation of a comprehensive reorganization plan by a county committee, public hearings on the plan, and approval by the State Board of Education. The bill also provides for the development of a comprehensive reorganization plan by the State Board of Education for school corporations that fail to reorganize by 2013.

The bill requires the Department of Education (Department) to develop standards for educational opportunity and operational efficiency for school corporations. It requires a school corporation with an ADM of greater than 499 students and less than 1,000 students to demonstrate to the Department that it meets the standards, and, if unable to do so, to merge with another school corporation or school corporations.

The bill provides that the reorganization provisions do not apply to a charter school.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** The bill could increase costs for the State Board of Education to develop reorganization plans for certain school corporations that do not adopt a reorganization plan to be implemented before July 1, 2013. [Before July 1, 2013, a school corporation with an ADM on June 30, 2009, of less than 500 students shall, and a school corporation with more than 499 may, hold a public meeting to determine a method of reorganization. The governing body of the school corporation will determine the appropriate form of reorganization based on testimony received and carry out the steps required to reorganize.] The State Board of Education will develop a plan for school corporations that fail to develop a reorganization plan, unless, based on the information received during the public hearing, the school

corporation determines reorganization is not in the best interests of the students and petitions the Board for a waiver from the requirements.

The bill also requires the Department of Education to develop educational opportunity and operational efficiency standards for schools with ADMs between 500 and 1,000. The standards for educational opportunity should at least consider:

1. Courses and extracurricular opportunities in foreign language, mathematics, and science.
2. College-level or dual credit, advanced placement, and international baccalaureate courses.
3. Courses that are in addition to the minimum state standards for all schools.
4. Any additional opportunities representative of opportunities offered by schools.

The standards for operational efficiency should include:

1. Determination of the extent to which the school corporation spends general fund money for classroom instruction.
2. Establishment of acceptable average percentage of classroom spending for a school.

The impact would depend on the cost for the Department to develop the standards. The impact should not be significant. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Schools of fewer than 500 students must, and schools with more than 499 students may, reorganize under the bill. The bill also requires schools with 500 to 1,000 students to show that they meet or exceed the standards that the Department of Education develops for educational opportunity and operational efficiency, or they must also reorganize.

For those schools which are required to reorganize but fail to do so, the State Board of Education is to develop a reorganization plan for the school and will require the governing body of the school to implement the plan. The impact on school corporation costs is unknown and will depend on local decisions and actions.

*Background:* The following shows the 2007 school year general fund expenditures for schools with less than 500 students and between 500 to 1,000 students by expenditure classification.

	<b>Under 500 ADM</b>	<b>500-1,000 ADM</b>
<b>Number of Schools</b>	42	49
<b>Number of Students</b>	9,065	39,536
<b>Academic Achievement</b>	42,811,360	198,395,761
<b>Instructional Support</b>	7,381,288	20,656,463
<b>Overhead &amp; Operations</b>	18,584,179	35,145,090
<b>Non-operational Expenses</b>	4,790,830	849,835
<b>Total</b>	<b>73,567,657</b>	<b>255,047,149</b>

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** Local schools.

**Information Sources:** Department of Education databases.

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