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FISCAL IMPACT STATEMENT

LS 6373

BILL NUMBER: HB 1367

NOTE PREPARED: Mar 23, 2010

BILL AMENDED: Mar 13, 2010

SUBJECT: Education Matters

FIRST AUTHOR: Rep. Porter

FIRST SPONSOR: Sen. Kenley

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Health Insurance:* This bill permits a school corporation to elect to provide coverage under a state employee health plan to active and retired employees without providing coverage to individuals who retire from the school corporation before July 1, 2010.

Remediation: The bill requires schools to give priority in the allocation of resources to remediation programs to students who are deficient in reading skills in Grade 1 through Grade 3.

Reading Skills: The bill requires the State Superintendent of Public Instruction in conjunction with the State Board of Education to develop a plan to improve reading skills of students. It provides that the plan must include reading skill standards for Grade 1 through Grade 3.

School Fund Transfer: The bill allows the governing body of a school corporation to adopt a resolution to transfer money between funds held by the school corporation in the 2010-2011 school year in order to preserve and protect instructional programs. It directs a school corporation to take the actions necessary and desirable to preserve and protect instructional programs.

Restoration Grant Calculation: The bill changes the Restoration Grant calculation for all school corporations to reflect the amount of the annual decrease in federal aid to affected areas from the year preceding calendar year 2009 by three years to the year preceding calendar year 2009 by two years.

Effective Date: January 1, 2010 (Retroactive); Upon Passage; July 1, 2010.

Explanation of State Expenditures: *Remediation:* The provision requiring priority in the allocation of

remediation resources to programs for students who are deficient in reading skills in Grade 1 through Grade 3 should not have any fiscal impact. This provision would reallocate existing appropriations.

Reading Skills: The State Superintendent of Public Instruction in conjunction with the State Board of Education should be able to develop a plan to improve reading skills of students within existing resources. If the plan has a fiscal impact, then it has to be presented to the legislature during the budget process. In determining if a component has a fiscal impact, consideration has to be given to whether the component will increase costs to the state or a school corporation or require the state or school corporation to reallocate resources.

Restoration Grant Calculation: The bill would change the calculation of the 2009 revenue used in the Restoration Grant to include the 2009 state tuition support the school received plus the amount of the annual decrease in federal aid to affected areas from the year preceding calendar year 2009 by three years to the year preceding calendar year 2009 by two years. Currently, only the 2009 state tuition support is the 2009 revenue used in the calculation. For CY 2009, six schools had losses in federal aid to affected areas totaling \$363,868. The increase in funding the Restoration Grant is about \$262,300 annually for CY 2010 and CY 2011.

Explanation of State Revenues:

Explanation of Local Expenditures: *School Funds Transfer:* The bill allows schools to transfer an amount equal to 5% of their Capital Projects Fund maximum property tax levy (excluding the levy allowed for utilities and property insurance) amongst funds in the school corporation. Transfers may not be made from a debt service fund or a racial balance fund. To qualify for a transfer over 5% and up to 10%, the school employees can not receive a general salary increase for the 2010-2011 school year. Schools could still provide increment increases up to 2% to teachers and increases due to changes in job duties or completion of licensing requirements. The impact would depend on whether a school chooses to make the transfer between funds and the amount of money available for transfer in the various funds. For CY 2010, between \$31.9 M - \$63.9 M would be available for transfer between funds depending if schools choose to give a general salary increase or not.

Schools are required to report to the Department of Education within three months after the end of the year. The information is to include:

1. The purpose of the transfer.
2. The funds involved in the transfer.
3. The amount transferred between the funds.
4. The impact of the transfer to the programs that were supported by the fund from which the transfer is made.

Remediation: The bill could shift some remediation funding that is currently used in Grades 4 through 12 to Grades 1 through 3.

Health Insurance: The provision that allows a school corporation that elects to provide coverage under a state employee health plan to active and retired employees to not provide coverage to individuals who retire from the school corporation before July 1, 2010, could reduce health insurance expenditures.

Explanation of Local Revenues: *Restoration Grant Calculation:* See *Explanation of State Expenditures*.

State Agencies Affected: Department of Education; Budget Agency.

Local Agencies Affected: Local schools

Information Sources: Department of Education databases.

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