

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

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6722**

**BILL NUMBER:** SB 546

**NOTE PREPARED:** Dec 30, 2010

**BILL AMENDED:**

**SUBJECT:** Virtual Charters and School Scholarship Tax Credit.

**FIRST AUTHOR:** Sen. Hume

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

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

**IMPACT:** State

**Summary of Legislation:** The bill eliminates the Virtual Charter School Pilot Program.

The bill eliminates the school scholarship tax credit and repeals the statutes concerning the program and the tax credit.

The bill makes conforming changes.

**Effective Date:** January 1, 2011 (retroactive).

**Explanation of State Expenditures:** *Virtual Charter School Pilot Program:* The bill repeals the Virtual Charter School Program. A virtual charter school is defined as a charter school where over 50% of the instruction is provided by virtual distance learning, online technologies, or computer-based instructions. Virtual charter schools would be funded at 80% of the statewide basic tuition support.

The per-student aid to virtual charter schools would be about \$4,694 per student for CY 2011 under the current tuition support formula. There are 489 students enrolled in virtual charter schools for the 2010-2011 school year. The maximum allowable enrollment is 500 students for the 2010-2011 school year. The reduction in the tuition support for CY 2011 would be about \$2.3 M. The savings would depend on if the actual distribution of tuition support was under the calendar year maximum of \$6,658.5 M for CY 2011. If the calculated distribution is above the maximum, then the bill would decrease the reductions to schools; if it was below the maximum distribution, then it would reduce state expenditures.

*Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms,

instructions, and computer programs to reflect the repeal of the School Scholarship Tax Credit. The DOR's current level of resources should be sufficient to implement these changes.

**Explanation of State Revenues:** *School Scholarship Tax Credit:* The bill repeals the tax credit effective January 1, 2011. This credit is equal to 50% of the contributions made by an individual or corporate taxpayer to nonprofit K-12 school scholarship-generating organizations. The credit is nonrefundable and unused credits may not be carried forward or carried back. Total amount of credits allowed during a fiscal year is limited to \$2.5 M. The credit went into effect at the beginning of 2010. According to the Department of State Revenue, \$43,200 in School Scholarship Tax Credits had been awarded as of November 18, 2010. This leaves \$2.46 M left to be awarded before July 1, 2011, under current statute.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** See *Explanation of State Expenditures*.

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

**Local Agencies Affected:** Virtual charter schools.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825; Jim Landers, 317-232-9869.