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OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6150
BILL NUMBER: HB 1047

NOTE PREPARED: Dec 7, 2020
BILL AMENDED:

SUBJECT: Education Matters.

FIRST AUTHOR: Rep. Lucas
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that any statute or rule establishing requirements regarding teacher salary, evaluations, or curriculum or any other requirement regarding the employment of teachers other than teacher licensing requirements is, as applicable, repealed or voided.

The bill establishes the Education Options Account (EOA) program and establishes:

- (1) the Education Options Account Fund; and
- (2) requirements and conditions for the EOA program.

It requires the Treasurer of State to administer the program. The bill also requires the Treasurer of State to:

- (1) annually request a parent of an eligible student who is participating in the EOA program to complete a written survey; and
- (2) annually provide a summary of the survey to the Governor and the Legislative Council.

The bill continuously appropriates money from the Education Options Account Fund and the accounts established within the fund for the purposes of the program.

Effective Date: July 1, 2021; July 1, 2022.

Explanation of State Expenditures: *Summary* - The bill would increase state expenditures beginning in FY 2023. The largest source of the expenditure increase is the bill's provision regarding the EOA program. The EOA program would make students who do not attend a public school or receive a choice scholarship eligible to receive a state grant to pay for qualifying educational expenses from a participating education service provider. LSA estimates that if all the students that currently attend a nonpublic school received a state grant

from the Education Options Account Fund, expenditures would increase by \$715 M. The following variables will impact state expenditures:

1. The estimated number of students currently attending a private school or home school, but not on a Choice scholarship.
2. The estimated number of Choice scholarship recipients that would switch from a Choice scholarship to an EOA.
3. The number of students that would switch from a charter school to a private school by utilizing an EOA.

The bill also has provisions that will require additional appropriations for the State Treasurer.

Students Attending Private Schools not on a Choice Scholarship: The bill establishes the Education Options Account Fund, which would allow parents of students who do not attend a public school or receive a choice scholarship to receive a state grant to pay for qualifying educational expenses from a participating education service provider. The grants would be available beginning in FY 2023. Currently, the state does not provide any funding for those students. The grant amount for a given student would be equal to the per-student state tuition support, excluding the special education grant, of the school corporation in which the student has legal settlement. A student with disabilities who would be eligible for special education services could either receive the special education grant amount in their EOA or could choose to receive special education services from their home school corporation while attending a nonpublic school.

Based on a combination of Census Bureau and National Center for Education Statistics data, LSA estimates that there are over 98,383 students that are currently home-schooled or who attend a private school without a Choice scholarship. If each of those students received an EOA grant, LSA estimates state expenditures would increase by \$647.2 M, based on FY 2021 school funding grant amounts.

Choice Scholarship Recipients: Unless some Choice scholarship awarding schools choose not to participate in the program, most students currently receiving Choice scholarships would likely choose instead to participate in the Education Options Account Program. Based on FY 2022 estimates for Choice scholarship recipients and FY 2021 school funding grant amounts, LSA estimates state expenditures would increase \$68.5 M if all the students that would have been Choice scholarship recipients would instead utilize an EOA.

Charter School Students: Using Census Bureau data and estimates for charter school ADM in FY 2022, LSA estimates that, in the long term, 1,491 students would switch from charter schools to an EOA. Since, on average, charter schools receive more in state funding than what the state would pay in an EOA, state expenditures could decrease by up to roughly \$450,000, assuming FY 2021 grant amounts. However, it would likely take several years to reach estimated number of students switching from charter schools to an EOA.

Treasurer of State: The bill requires the Treasurer of State to administer the Education Options Account Program. As part of its duties in administering the program, the bill provides that the Treasurer of State would need to do the following:

1. Administer and manage the Education Options Accounts, which would require additional appropriations.
2. Create a website portal that, among other requirements, must allow parents and education service providers to submit applications to participate in the program and parents to select, pay, and rate education service providers. The LSA's Office of Technology Services estimates the cost of the development of such projects at \$600,000.

3. Audit Education Options Accounts, which would require an additional appropriation.
4. Review applications for participation in the program and maintain a list of service providers.
5. Revoke a service provider's approval status if it failed to meet the requirements of an approved service provider.
6. Hold hearings for parents who have had their EOA frozen due to misuse of funds or violating the requirements of the program.
7. Chair the Parent Review Committee.
8. Report survey results regarding parent's satisfaction with the program.

Tasks four through eight above, when taken together, could require additional staffing and resources.

Workload Increases for other State Agencies: The bill's requirements would have small workload increases for the Department of Education and the State Board of Education. The requirements would be accomplished with existing staff and resources.

Explanation of State Revenues:

Explanation of Local Expenditures: *Public Schools:* Public schools could experience enrollment decreases under the bill if students choose instead to attend a non-public entity and utilize the Education Options Account. If fewer students attend public schools, expenditures would decrease. Any expenditure decrease is unlikely to offset the loss of revenue.

Explanation of Local Revenues: *Public Schools:* Public schools could experience enrollment decreases under the bill if students choose instead to attend a non-public entity and utilize the EOA program. The state tuition support public schools receive is driven largely by the Average Daily Membership (ADM), which is the count of students that are enrolled and expected to attend a given school on a given date. LSA estimates that in the long term, 39,400 students could leave traditional school corporations to utilize an EOA to attend a nonpublic school, in addition to the 1,491 students estimated to leave charter schools. That would decrease public schools' state tuition support by roughly \$273.5 M using FY 2021 grant amounts. The ADM decrease (and accompanying revenue decrease) would take several years to reach its full effect.

State Agencies Affected: State Treasurer; State Board of Education; Department of Education.

Local Agencies Affected: Public schools.

Information Sources: Legislative Services Agency's Office of Technology Services; DOE data; <https://nces.ed.gov/blogs/nces/post/measuring-the-homeschool-population>; United States Census Bureau; LSA Education Database.

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