

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6825

BILL NUMBER: HB 1216

NOTE PREPARED: Dec 27, 2021

BILL AMENDED:

SUBJECT: Elimination of Textbook Fees.

FIRST AUTHOR: Rep. Hatfield

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Curricular Materials Fund:* This bill requires each public school to provide curricular materials at no cost to each student enrolled in the public school. It establishes the Curricular Materials Fund to provide state advancements for costs incurred by public schools in providing curricular materials to students at no cost. It provides that the Department of Education (DOE) shall administer the fund. It provides that for state fiscal years beginning after June 30, 2023, money in the fund is continually appropriated. It also requests an appropriation in the state budget to the fund for the biennium beginning July 1, 2023, and ending June 30, 2025.

Maintenance of Effort Requirements: This bill appropriates from the state General Fund to the Office of the Secretary of Family and Social Services (FSSA) an amount sufficient to meet maintenance of effort requirements in the state budget for the biennium beginning July 1, 2023, and ending June 30, 2025.

Material Purchases and Rentals: This bill provides that a governing body or organizer of a charter school: (1) may purchase from a publisher any curricular materials selected by proper officials; (2) may rent curricular materials to certain nonpublic schools; and (3) may not rent the curricular materials to any student enrolled in any public school.

Repeals: This bill repeals a requirement that a school corporation must offer curricular materials at a reasonable rate to a family that moves during the school term. It repeals a requirement that a township trustee must use specified accounting methods for a curricular materials rental fund. It also makes conforming changes.

Effective Date: July 1, 2022; July 1, 2023.

Explanation of State Expenditures: Summary: The provisions in this bill are estimated to increase General Fund expenditures for curricular materials reimbursement by \$62 M to \$68 M each year beginning in FY 2024, with potentially an additional estimated increase in state General Fund expenditures each year of up to \$39 M to meet the state’s required maintenance of effort (MOE) for the Temporary Assistance for Needy Families (TANF) block grant. Any additional funds required to meet the MOE requirement will depend on state action.

The DOE shall administer the fund and must determine the average cost per student, per school, each year, and calculate the distribution amount for each school. These requirements represent an additional workload [and/or expenditure] on the agency outside of the agency’s routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Additionally, the FSSA will have increased workload and/or expenditures to report on the funds available to meet the MOE requirement and potentially to implement new programs to meet the requirement if no existing expenditures qualify as MOE.

Additional Information:

Curricular Materials Fund: This bill creates the Curricular Materials Fund to reimburse school corporations and charter schools (public schools) for the purchase of curricular material, and eliminates rental fees paid by students for such materials. Under current law, public schools charge their students rental fees to reimburse the school for the cost of such materials. This bill shifts the rental fees currently paid by students to instead be paid to schools by the state via the fund. This is estimated to increase General Fund expenditures by \$62 M to \$68 M per fiscal year beginning in FY 2024. The cost of this provision is strongly correlated with the number of students attending public schools. As enrollments increase or decrease, so does the cost to the fund.

The fund may consist of funding from appropriations by the General Assembly, donations, federal grants or other federal appropriations, and interest and other earnings derived from the investment of money in the fund. Money in the fund does not revert to the state General Fund. The state currently reimburses public schools for some to all of the rental fees for students meeting certain financial eligibility criteria. These students are exempt from paying such rental fees. During the 2020-2021 school year, the total amount paid to schools by students for curricular material rental fees totaled \$61 M.

Temporary Assistance for Needy Families (TANF): Payment for curriculum materials for all students reduces the funds that make up the MOE for TANF. Currently, the state pays the curricular material rental fees only for certain low-income students, qualifying the expenditure as part of the MOE. The MOE could be replaced with existing expenditures for other qualifying programs, increases in cash benefits, new programs, or through cash penalties, including reduction in the TANF grant. In the FY 2022-FY 2023 biennial budget, \$39 M was appropriated each year for curricular material reimbursement to schools from the General Fund; the amount is applied to the MOE. [The total state MOE requirement has varied between \$104 M and \$121 M in recent years.]

The TANF block grant pays for cash benefits and programs that assist low-income families. The state MOE is based on the state’s historic cost-sharing in previous federal welfare programs and the work participation

rate of single and two-parent families.

Explanation of State Revenues:

Explanation of Local Expenditures: *Curricular Materials Fund:* Distributions from the fund to a public school will be equal to the statewide average cost of curricular materials per public school student, multiplied by the school's fall count of average daily membership (ADM). However, if the total fund balance does not allow for this per-student amount to be distributed during a fiscal year, the DOE shall make distributions to schools on a pro rata basis. If the distribution amount is less than the amount needed to pay the cost of all curricular materials provided to each student by the school, the school may incur expenses for which it is not reimbursed.

Explanation of Local Revenues: *Curricular Materials Fund:* This bill shifts a school's reimbursement for curricular materials from rental fees paid by students to distributions from the fund. Any resulting net fiscal impact on a public school would depend on the total distribution it receives from the fund as compared to the total it would receive from rental fees from students.

Material Purchases and Rentals: Current law states that public schools can rent curricular materials to any certified public or nonpublic school that is in the public school's attendance area. This bill does not allow public schools to rent curricular materials to other public schools, but it allows them to rent curricular materials to any certified nonpublic school in the state. This would only impact public schools that currently rent curricular materials to other public schools (a revenue decrease) and public schools that would choose to rent to a nonpublic school that is outside of its attendance area as newly allowed under this bill (a revenue increase). All revenue from such rentals must be deposited into the school's Curricular Materials Account.

State Agencies Affected: Department of Education; Family and Social Services Administration.

Local Agencies Affected: School corporations; Charter schools.

Information Sources: Department of Education data.

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