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FISCAL IMPACT STATEMENT

LS 7143

BILL NUMBER: SB 358

NOTE PREPARED: Jan 2, 2021

BILL AMENDED:

SUBJECT: Vacant or Underutilized School Buildings.

FIRST AUTHOR: Sen. Rogers

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill defines a vacant or underutilized school building. It mandates that, beginning in 2022, and each school year thereafter, each school corporation shall submit to the Department of Education (DOE), within 60 days after the fall count of average daily membership (ADM), certain information about school buildings that are currently or have been used for any combination of kindergarten through grade 12 instruction.

The bill requires that, if a school building is vacant or underutilized for two consecutive counts, the DOE must notify the school corporation that it must put the school building up for sale unless the school corporation submits a protest and plan to bring the school building out of vacant or underutilized status. It authorizes mediation or arbitration if a dispute arises between the school corporation and charter school authorizer.

The bill makes conforming changes.

Effective Date: July 1, 2021.

Explanation of State Expenditures: *Department of Education (DOE):* The bill's requirements on the DOE to: (1) Determine if a school building is vacant or underutilized according to the criteria outlined in the bill; (2) Administer the appeals process whereby a school corporation can appeal the DOE's decision; and (3) Notify each charter school authorizer that a school building is available for lease or sale; represent an additional workload [and/or expenditure] on the agency outside of its routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. Any additional staff and resources required could be supplied through existing staff and

resources currently being used in another program or with new appropriations. School corporations would still be able to pass a resolution declaring that a school building is vacant or underutilized as they currently do under current law. [See *Explanation of Local Revenues for more information*].

State Board of Education: The State Board is charged with mediating any dispute between the school corporation and a charter school authorizer regarding the sale or lease of a vacant or underutilized school building. Either the school corporation or the charter school authorizer can request mediation. This could increase the workload of the State Board; if its existing staff and resources are insufficient to fulfill this requirement, the State Board could hire outside arbitrators or mediators. The cost will be shared equally between the school corporation and the charter school authorizer.

Charter School Authorizers-State Supported Authorizer: There are two state-supported charter school authorizers: Ball State University and the Indiana Charter School Board. If a disagreement between a charter school authorizer and the school corporation regarding the sale or lease of a vacant or underutilized school building were to lead to mediation, the authorizer would be required to pay half of the cost of mediation.

Explanation of State Revenues: *Charter School and Innovation Grant Program:* A school corporation that fails to comply with the requirements of this bill would submit any proceeds from the sale of a vacant or underutilized school building to the Charter School and Innovation Grant Program.

Explanation of Local Expenditures: School corporations would incur the additional administrative cost associated with: (1) compiling data on how their school buildings are being utilized and submitting the data to the DOE; (2) compiling data to support their claim in the appeal process that the school building in question should not be declared vacant or underutilized; and (3) if necessary, paying their share of the cost of mediation and arbitration. If the school building in question has to be closed, school corporations would incur the cost of making any necessary repairs before closing the building.

Charter School Authorizers-Local School Corporation Authorizer: See *Charter School Authorizers-State Supported Authorizer*. This applies to Evansville-Vanderburgh School Corporation and Nineveh-Hensley-Jackson United; it also applies to the Indianapolis Charter School Board.

Explanation of Local Revenues: Under current law, a school corporation can declare a school to be eligible for sale or lease to a charter school by passing a resolution and sending a notice to the DOE. This bill makes two changes to current law:

(1) It keeps the current pathway for declaring a school eligible for sale or lease, but introduces the definition of a vacant or underutilized school building. A school corporation must implement this definition when determining whether to pass a resolution declaring the school building eligible for sale or lease to a charter school.

(2) The bill adds a second pathway for declaring a school eligible for sale or lease. School corporations must submit school utilization data to the DOE annually. If a school building meets the definition of being underutilized for two consecutive years, the DOE would notify the school corporation that the school corporation has to offer the building for sale or lease to a charter school authorizer. This decision is subject to appeal. If DOE's decision is upheld, the school corporation must first attempt to sell or lease the school in question to a charter school; if a charter school does not wish to purchase or lease the school building, the school corporation can then sell or otherwise dispose of the building in accordance with current law.

The bill has the following fiscal impacts:

(1) The first is that a school building that a school corporation chooses not to declare eligible for sale or lease under current law could be declared eligible under this bill. The school corporation would have to make the building available for purchase or lease to any charter school. If a charter school purchases or leases the building (for \$1 under current law) the impact would be the loss of the building to the school corporation.

(2) The second is whether a school that has been declared eligible for sale under both current law and this bill would be sold at a higher price under current law than under this bill. Under this bill, it will take about two years longer before the building can be sold. The impact would be the revenue foregone because of the delay.

(3) The third is whether the delay in having to sell a school building under this bill would save the school corporation from incurring future additional expenditures to acquire another school building if the corporation's school utilization improves. The impact would be the net additional expenditure or savings the school corporation would incur because it sold the building too quickly. There is no time limit under current law for declaring a school building eligible for sale or lease; under this bill the process takes two years.

Additional Information: Under this bill, beginning in school year 2021-2022 and each school year thereafter, school corporations have to submit data on school utilization to the DOE. This has to be completed not later than 60 days after the fall ADM count is taken.

State Agencies Affected: Department of Education; State Board of Education; State-supported Charter School Authorizers.

Local Agencies Affected: School Corporations; Charter Schools; Local School Corporation Charter School Authorizers; Indianapolis Charter School Board.

Information Sources:

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