

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

**LS 7334**

**BILL NUMBER: SB 518**

**NOTE PREPARED:** Feb 12, 2025

**BILL AMENDED:** Feb 11, 2025

**SUBJECT:** School Property Taxes.

**FIRST AUTHOR:** Sen. Rogers

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

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

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill provides that all school corporations that adopt a resolution for a property tax levy for a controlled project or a school safety referendum tax levy after May 10, 2025, must share revenue received from the levy with certain charter schools. The bill specifies, for purposes of making distributions to charter schools from a property tax levy for a controlled project, that only charter schools located within the attendance area of the school corporation shall receive a distribution of revenue from that levy. It provides that all school corporations must share revenue received from a debt service levy with certain charter schools. This bill also provides that all school corporations that adopt a resolution for an operating referendum tax levy after May 10, 2025, must share revenue received from the levy with certain charter schools. The bill provides that all school corporations must share revenue from the school corporation's operations fund levy with certain charter schools. It excludes school corporations meeting specified criteria from the sharing of property tax revenue received under the bill's provisions. The bill provides a calculation for determining the amount of an annual grant from the Charter and Innovation Network School Grant Program based on the amount of property tax revenue received by a charter school from school corporations. It makes conforming changes.

**Effective Date:** May 10, 2025 (retroactive); July 1, 2025.

**Explanation of State Expenditures:** (Revised) *Charter and Innovation Network School Grant:* Certain charter schools may currently qualify to receive \$1,400 per ADM from the Charter and Innovation Network School Grant. Provisions in the bill reduce the Charter and Innovation Network School Grant award by an amount equal to the per-student debt service levy collections and capital referendum collections received by the charter school. The bill further reduces the grant award if the aggregate amount received by a charter school from the grant, debt service levy, and capital referendum collections, is greater than the amount received by a school corporation who shares their debt service levy and capital referendum collections with the charter school. These provisions represent a significant decrease in state expenditures of at least \$19 M annually, beginning in FY 2026.

(Revised) *Property Tax Sharing:* The bill's provisions will increase the administrative workload for the

Department of Education and the Department of Local Government Finance related to assisting county auditors distribute property taxes amongst charter schools. The bill’s requirements are within the agencies’ routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

*Additional Information* - (Revised) *Charter and Innovation Network School Grant*: Based on CY 2024 capital referendum collections, the bill’s provisions could reduce Charter and Innovation Network School Grant expenditures by \$19 M annually. State expenditures would further decrease dependent on the per-student amount collected by charter schools through school corporation debt service levies. This amount is indeterminable and dependent on local action. [In FY 2025, the Charter and Innovation Network School Grant was appropriated \$52.6 M.]

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) *Referendum Assistance*: Charter schools who elect to receive a share of another school corporation’s capital, operating, or school safety referendums are required to contribute a proportionate share of the costs to conduct the referendum. This provision is expected to reduce expenditures for school corporations who attempt to pass a referendum, while increasing expenditures for charter schools who wish to receive a share of another school corporation’s referendum revenue. The impact is ultimately dependent on local action.

(Revised) *County Auditor*: County auditors will experience a workload increase related to distributing a school corporation’s property taxes amongst charter schools. The bill’s requirements are within a county auditor’s routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Explanation of Local Revenues:** (Revised) *Property Tax Sharing*: Under current law, school corporations in Lake, Marion, St. Joseph, and Vanderburgh counties are required to share their operations fund levy collections and operating and school safety referendum collections under certain conditions with charter schools. Beginning in CY 2026, the bill modifies these statutes and requires all school corporations to share collections received from these sources with charter schools. The table below displays the estimated impact of the bill relative to current law. The revenue shifted to charter schools is revenue lost by school corporations.

<b>Revenue Shifts of Operations Fund Levy and Operating and School Safety Referendum Collections; This Bill Compared to Current Law: CY 2026-CY 2028</b>			
	CY 2026	CY 2027	CY 2028
Revenue Shifted to Charter Schools	\$ 22.4 M	\$ 47.7 M	\$ 80.1 M

*Existing statute require certain operating and school safety referendums whose resolutions were adopted after May 10, 2023, to be shared with charter schools. The table above measures the net impact of the bill’s provisions compared to current law, with the assumption that all existing operating and school safety referendums are being shared with charter schools.*

*The bill also exempts from being shared the amount collected by an impacted school corporation through their operations fund levy for the purpose of paying down debt incurred before May 10, 2025. This amount is unknown and the table above assumes all operations fund levy collections will be shared with charter schools.*

The bill additionally requires capital referendum collections and debt service levy collections to be shared with charter schools. Based on CY 2024 collections, the bill would shift approximately \$19 M in capital referendums to charter schools. The bill's impact to the amount of debt service levy collections that would be shared is indeterminable and dependent on the debt levy raised to pay off new debt incurred after May 10, 2025.

*Charter and Innovation Network School Grant:* The bill will reduce Charter and Innovation Network School Grant revenue received by charter schools. [See *Explanation of State Expenditures.*]

*Additional Information -*

(Revised) *Operations Fund Levy:* Under current law, school corporations in Lake, Marion, St. Joseph, and Vanderburgh counties are required to share a portion of their operations fund levy collections with charter schools located in the same county. The distribution received by eligible charter schools is based on the number of nonvirtual students attending the charter school who reside within the impacted school corporation's legal settlement area.

Beginning in CY 2026, the bill requires all school corporations to share nearly all of their operations fund levy collections with charter schools. The amount distributed to charter schools is dependent on the number of nonvirtual students who reside in the impacted school corporation's legal settlement area and who attend a charter school. The bill makes four exceptions:

1. Amounts collected by the impacted school corporation to pay debt incurred before May 10, 2025 are not subject to the bill's property tax sharing provisions.
2. In CY 2026, only 33% of the operations fund levy distribution is shared. In CY 2027, that percentage is 66%, and in CY 2028, the full distribution is shared.
3. The bill exempts school corporations who are, or were, considered a distressed political unit in the last three years. This would exempt Gary Community School Corporation from sharing operations fund levy collections until CY 2028.
4. The bill exempts school corporations in which less than 100 students of legal settlement attend a charter school from sharing their operations fund levy collections.

*Operating and School Safety Referendums:* Current statute require school corporations in Lake, Marion, St. Joseph, and Vanderburgh counties to share operating and school safety referendum collections with charter schools for resolutions adopted after May 10, 2023. Currently, only MSD Wayne Township and Lake Station Community Schools have operating referendums whose collections must be shared with charter schools. [There are no school safety referendums that are currently required to be shared.] Under existing law, the referendum distributions received by charter schools is dependent on the number of students attending the charter school who reside in the impacted school corporation's legal settlement area.

Beginning in CY 2026, the bill makes certain charter schools eligible to receive a share of an impacted school corporation's operating or school safety referendum collections dependent on the number of nonvirtual students who attend the charter school who reside in the impacted school corporation's legal settlement area. School corporations in which less than 100 students of legal settlement attend a charter school are exempted from the bill's requirements to share their operating and school safety referendum collections.

*Capital Referendums:* Beginning in CY 2026, the bill requires capital referendums whose resolution are adopted after May 10, 2025, to be shared with qualified charter schools. Qualified charter schools must be located within the same district of the school corporation required to share their capital referendum

collections, and their distribution is dependent on the number of nonvirtual students enrolled at the qualified charter school who reside in the impacted school corporation's legal settlement area. The bill uses the amount collected by the county auditor in the referendum's initial installment period to calculate how much is shared with charter schools for all years of the referendum. School corporations in which less than 100 students of legal settlement attend a charter school are exempted from the bill's requirements to share their capital referendum collections.

*Debt Service Levy:* Beginning in CY 2026, the bill requires school corporations to share their debt service levy with charter schools. The bill makes the following exemptions to this provision:

1. Amounts collected by the impacted school corporation to pay debt incurred before May 10, 2025 are not subject to the bill's debt service levy sharing provisions.
2. In CY 2026, only 33% of the debt service levy distribution is shared. In CY 2027, that percentage is 66%, and in CY 2028, the full distribution is shared.
3. The bill exempts school corporations who are, or were, considered a distressed political unit in the last three years. This would exempt Gary Community School Corporation from sharing debt service levy collections until CY 2028.
4. The bill exempts school corporations in which less than 100 students of legal settlement attend a charter school from sharing their debt service levy collections.

Ultimately, the amount of debt service levies required to be shared with charter schools is indeterminable. [See *Explanation of State Expenditures*.]

**State Agencies Affected:** Department of Education; Department of Local Government Finance.

**Local Agencies Affected:** Public schools; county auditors.

**Information Sources:** LSA Property Tax Database; LSA Education Database.

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