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**FISCAL IMPACT STATEMENT**

**LS 6865**

**BILL NUMBER:** HB 1001

**NOTE PREPARED:** Feb 22, 2024

**BILL AMENDED:** Feb 22, 2024

**SUBJECT:** Education and Higher Education Matters.

**FIRST AUTHOR:** Rep. Goodrich

**FIRST SPONSOR:** Sen. Raatz

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

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

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Education Scholarship Account (ESA) Eligibility:* This bill amends the definition of "eligible student" to include a sibling of a student with a disability with regards to the ESA program. It also provides that the sibling may not use the ESA account for certain ESA qualified expenses.

*ESA Qualified Expenses:* This bill amends the definition of "ESA qualified expenses" to include certain curricular materials and supplemental materials.

*ESA and Career Scholarship Account (CSA) Participating Entities:* The bill amends certain requirements regarding ESA and CSA participating entities regarding providing evidence of unencumbered assets.

*CSA Applications:* The bill changes certain CSA application time frames from 7 days to 30 days.

*Higher Education Grants and Scholarships:* The bill allows the recipient of a:

- (1) Higher Education Award;
- (2) Freedom of Choice Grant; or
- (3) Scholarship under the Twenty-first Century Scholars Program;

to apply the award, grant, or scholarship to the cost of training by an approved intermediary, employer, or labor organization. The bill also allows certain recipients of a scholarship under the Twenty-first Century Scholars program to apply the scholarship to the cost of a sequence, course, apprenticeship, or program of study provided by a CSA participating entity. The bill also provides maximum annual amounts and maximum aggregate amounts of an award, grant, or scholarship.

*Commission for Higher Education (CHE):* This bill requires CHE to:

(1) create a list of intermediaries, employers, and labor organizations approved to receive reimbursement from a:

(A) Higher Education Award;

(B) Freedom of Choice Grant; and

(C) Scholarship under the Twenty-first Century Scholars Program; and

(2) establish requirements or limitations with regard to reimbursements.

*State Educational Institutions (SEIs):* The bill requires each SEI to provide certain information regarding degrees, degree completion, faculty members, administrative support staff, costs, salaries, and debt loads to CHE. It also requires CHE to prepare longitudinal analysis regarding certain data.

*Department of Education Higher Education Data:* The bill requires each private postsecondary educational institution and each out-of-state public and nonprofit degree granting institution that offers instructional or educational services or training in Indiana to provide to the Department of Education information to carry out certain reporting requirements and requirements related to the Indiana Graduates Prepared to Succeed dashboard. It also allows for the revocation of an out-of-state public or nonprofit degree granting institution's authorization if the institution fails to provide the information.

*Employer Training Grant Program:* The bill adds teaching to the employment sectors eligible for the Next Level Jobs Employer Training Grant Program.

*Career Coaching Grant:* The bill amends requirements regarding: (1) eligibility for career coaching grants; and (2) instruction on career awareness.

**Effective Date:** July 1, 2024; July 1, 2025.

**Explanation of State Expenditures:** (Revised) *Summary* - The bill's provisions allowing the recipients of the Frank O'Bannon Grant or the Twenty-first Century Scholarship to apply the award amount to the cost of receiving training would have an indeterminate, but likely small, impact on state expenditures in FY 2026. The net impact is dependent upon a number of factors that are described in more detail below. Those provisions would result in a workload increase for CHE in FY 2026, but may require additional staff if utilization increases substantially over time.

Additionally, the bill expands the Education Scholarship Account (ESA) program eligibility to include siblings of ESA participants. That provision could increase expenditures, but any impact is likely to be small. The bill also adds teaching to the employment sectors eligible for the Employer Training Grant program, which could increase expenditures for the program up to the amount appropriated for the program beginning in FY 2025. CHE and state educational institutions (SEIs) would experience workload increases from other provisions in the bill that would be dependent upon administrative decisions made by CHE. Finally, the bill's provisions regarding the Career Coaching Grant are not expected to impact state expenditures.

**Additional Information** -

*Financial Aid for Training:* Beginning in FY 2026, the bill allows recipients of the Frank O'Bannon Grant or the Twenty-first Century Scholarship to apply the award amount to the cost of receiving training by an approved intermediary, employer, or labor organization instead of the educational costs of a postsecondary educational institution. Additionally, the Twenty-first Century Scholarship can be used by students that have or had an account in the CSA program to pay the expenses of finishing a course, sequence, apprenticeship,

or program of study they had started. The bill specifies that a recipient of a Frank O'Bannon Grant or Twenty-first Century Scholarship who uses the award for training cannot receive an award that exceeds what they would have received if they had used the award at a higher education institution in a given year or in aggregate. The provisions are likely to increase Frank O'Bannon and Twenty-first Century Scholarship expenditures. The impact would be dependent upon a variety of factors, including but not limited to:

1. The number of students that would want to utilize financial aid for training, course, sequence, program of study, or apprenticeship completion.
2. The portion of the students described above that was eligible for the Twenty-first Century Scholarship or meet CHE's requirements for the use of the Frank O'Bannon Grant.
3. The cost of the training pursued.
4. The number of students that would have used a Frank O'Bannon Grant or Twenty-first Century Scholarship for higher education that would, under the bill, choose instead to use it to get training. The difference in cost between the training and higher education could result in a state expenditure decrease that would offset, to some extent, the increase from more students taking advantage of the Frank O'Bannon Grant or Twenty-first Century Scholarship.
5. Any future impacts on the Outcomes-Based Performance Funding formula distributions from decreased enrollment in SEIs as students choose to get training instead of attending an SEI.

It is likely that there will be limited utilization of the bill's provision allowing the grants and scholarships to be used for training in FY 2026. As student awareness increases and employers, intermediaries, and labor organizations expand their training programs, participation is likely to increase over time.

(Revised) *ESA Program:* While state expenditures would likely increase due to the provision, the impact on state expenditures is likely to be small and is dependent upon where those students would have attended school without the eligibility changes provided by the bill. [State expenditures would decrease if students who would have attended a public school who switch to the ESA program. State expenditures would increase if students who would have been homeschooled or attended a nonpublic school without a Choice Scholarship switch to the ESA program.]

Under current law, the ESA program allows students with a disability who meet an income requirement and who enroll in a nonpublic school to receive a grant that is equal to 90% of the student's home school corporation's per-student Basic Tuition Support Grant for the previous fiscal year. Additionally, if the student chooses to receive special education services from an entity other than the student's home school corporation, the student would be eligible to receive the Special Education Grant the student's home school corporation would have received for the student. FY 2023 was the first year the program enrolled students. As of November 21, the TOS reports that 431 students are participating in the program in FY 2024, up from 143 students in FY 2023. State expenditures for those students is about \$5 M. TOS can use up to \$500,000 for administration of the program, bringing the program cost to an estimated \$5.5 M in FY 2024. Based on enrollment changes in other states that have programs similar to an ESA program, the number of students will likely increase over the next few years.

*Commission for Higher Education:* The bill requires CHE to:

1. Create a list of employers, labor organizations, and intermediaries that can receive reimbursement from a Frank O'Bannon Grant or Twenty-first Century Scholarship and establish requirements and limits on reimbursements.
2. Develop a process to approve the employers, labor organizations, and intermediaries for reimbursement.
3. Complete a longitudinal analysis on various costs at each SEI, financial aid awarded to students,

and a comparison of the price of attending SEIs with national data.

4. Prescribe the manner and form by which SEIs must report certain data required by the bill. [See *State Educational Institutions* below for additional information.]

Additionally, the bill allows CHE to establish requirements or limitations on students using Frank O’Bannon or Twenty-first Century Scholarships for training or completing a CSA entity’s course, program, sequence, or apprenticeship. These requirements would likely be completed with existing staff and resources. However, if utilization of the Frank O’Bannon Grant or the Twenty-First Century Scholarship for training grows over time, dedicated staff may be necessary in the future.

(Revised) *State Educational Institutions (SEIs)*: Beginning in FY 2025, the bill requires SEIs to collect and report information to CHE on students pursuing and completing each degree offered by the SEI, certain student and SEI staff counts within degree programs, student cost by degree program, post-graduation salary by degree, SEI administrator and instructor salary, ratios involving faculty, student, and administrator counts, and student debt data. Some of the data required may not currently be collected at the granularity specified in the bill. However, the bill gives CHE the authority to describe the manner and form by which the information is collected, and CHE may be able to utilize its existing data collection infrastructure and projects to collect some of the data required in the bill. The workload increase for SEIs will be dependent upon decisions made by CHE.

*Employer Training Grant Program*: The bill will expand the pool of eligible employers for the Employer Training Grant, which could increase expenditures for the program up to the amount appropriated for the program beginning in FY 2025. The annual appropriation for the Employer Training Grant is \$17.1 M in FY 2024 and FY 2025. The Employer Training Grant reimburses employers in eligible sectors for employee training costs. The Department of Workforce Development administers the Employer Training Grant and could experience a minor workload increase. In CY 2020, the program received additional funding from federal CARES Act dollars which temporarily expanded the program. In FY 2023, program expenditures were below the appropriated amount.

(Revised) *Career Coaching Grant*: Provisions in the bill provide extra flexibility for eligible entities to apply for a career coaching grant beginning in FY 2025. However, the Commission for Higher Education expects the entirety of the \$15 M appropriation to the Career Coaching Grant Funds to be distributed in FY 2025, so the added flexibility provided by the bill is unlikely to impact state expenditures. [Public schools, accredited nonpublic schools, approved intermediaries, and approved career coaching providers are considered eligible entities and may apply for a Career Coaching Grant.]

**Explanation of State Revenues:** (Revised) *ESA Qualified Expenses*: Under current law, students are able to carry over up to \$1,000 of unused ESA funds in their accounts from one school year to the next. Unused funds that exceed that threshold are reverted back to the General Fund. Additionally, upon graduation, any amount still in the program account is reverted back to the General Fund. The bill expands the list of qualified expenses to include curricular materials. This could increase the portion of ESA funds that are used by account holders, and thus reduce the reversions to the General Fund.

*Financial Aid for Training*: SEIs could experience a decrease in revenue from tuition and fees if some students that would have used the Frank O’Bannon Grant or the Twenty-first Century Scholarship to enroll in higher education choose instead to receive training. [See *Explanation of State Expenditures*].

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) Public school revenue from state tuition support could decrease under the bill as students who were ineligible for the ESA program become eligible for the ESA program under the bill and switch to a nonpublic school. The number of students that would switch to the ESA program is likely to be small and dependent in part on the appropriation for the ESA program, as that will limit the number of students that can participate in the program.

**State Agencies Affected:** Commission for Higher Education; Department of Education; Department of Workforce Development; Treasurer of State.

**Local Agencies Affected:**

**Information Sources:** Commission for Higher Education; Legislative Services Agency. 2023 Workforce Program Review.

[https://s3.us-east-2.amazonaws.com/iga-publications/workforce\\_review/2023-10-02T13-28-29.680Z-2023%20Workforce%20Evaluation%20FINAL.pdf](https://s3.us-east-2.amazonaws.com/iga-publications/workforce_review/2023-10-02T13-28-29.680Z-2023%20Workforce%20Evaluation%20FINAL.pdf)

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