

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6045

BILL NUMBER: HB 1014

NOTE PREPARED: Jul 24, 2022

BILL AMENDED:

SUBJECT: Gary Community School Corporation.

FIRST AUTHOR: Rep. Smith V

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes procedures to appoint members to the governing body of the Gary Community School Corporation (GCSC). It also establishes procedures for transferring responsibility of financial and academic matters from the emergency manager to the governing body. The bill removes obsolete provisions and makes conforming amendments. It repeals provisions relating to the election of advisory board members for the GCSC.

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

Explanation of State Expenditures: *Summary-* Under current law, the Distressed Unit Appeal Board (DUAB) pays an outside entity to act as the emergency manager of the GCSC. The bill's provisions would end the contract with the emergency manager, decreasing state expenditures. DUAB is currently in the process of negotiating a new contract with the emergency manager. The expenditure decrease that would begin in FY 2024 is dependent upon the new contract. Based on the latest contract, state expenditures would decrease by \$0.2 M to \$1.3 M in FY 2024, with the decrease likely being closer to \$1.3 M. Impacts in FY 2025 and beyond are dependent upon the contracts that would have been negotiated in the future.

Additional Information: This bill terminates the Gary Community School Corporation's (GCSC) status as a distressed political subdivision effective January 1, 2024. It also establishes the GCSC Board of Trustees (board) beginning on July 1, 2023. On or before October 1, 2023, the board must appoint a Superintendent and Chief Financial Officer. The board, Superintendent, and Chief Financial Officer will serve in an advisory capacity to the DUAB and the emergency manager through December 31, 2023. Then, beginning January 1, 2024, the duty of the emergency manager to act as the GCSC's governing body will be transferred to the board.

While the DUAB is currently negotiating a two-year contract with the emergency manager, MGT of America, the last contract was for services provided from FY 2021 through FY 2022. The contract consisted of a base pay in each fiscal year and remuneration for achieving certain performance benchmarks. The base pay in FY 2021 was set at \$2.9 M with a maximum possible remuneration of \$0.8 M. In FY 2022, the base pay was \$2.6 M, and the maximum remuneration was \$1.1 M.

The bill's impact on state expenditures in FY 2024 and after is dependent upon the contract currently being negotiated and the contracts, if any, that would have been negotiated for FY 2025 and later fiscal years. However, if the contract for FY 2024 was the same as the contract for FY 2022, state expenditures would decrease by \$0.2 M to \$1.3 M, with the decrease likely being closer to \$1.3 M. The state would save \$1.3 M in base pay to the emergency manager, but clauses in the contract could potentially award the emergency manager remunerations that it would not have otherwise earned.

Explanation of State Revenues:

Explanation of Local Expenditures: *Board of Trustees:* GCSC currently has a fiscal management board and an advisory board that are unpaid. Those will be abolished under the bill and replaced with the Board of Trustees consisting of seven members. Board members can pass a resolution paying members up to \$2,000 annually (or \$14,000 in total for all board members) plus a per diem amount approved by the Secretary of State. The increase in local expenditures, if any, is dependent upon local actions.

Administration: Currently, GCSC does not pay the salary and benefits of a Superintendent. However, GCSC pays the salary of a Chief Academic Officer that was appointed by and advises the emergency manager. GCSC also pays the salary of the Chief Financial Officer that was appointed by and advises the emergency manager. The board could continue to employ these individuals or it could decide to find new people to fill the role of Superintendent and Chief Financial Officer. The board's decisions will impact expenditures, but the impact is unknown and dependent upon local decisions.

Additional Information: The board is comprised of seven members, three appointed by the Mayor of Gary, three appointed by the Gary Common Council, and one appointed by the Gary Library Board.

Explanation of Local Revenues:

State Agencies Affected: Distressed Unit Appeal Board.

Local Agencies Affected: Gary Community School Corporation; Mayor of Gary; Gary Common Council; Gary Library Board.

Information Sources: State of Indiana Public Contract Search; Distressed Unit Appeal Board.

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