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FISCAL IMPACT STATEMENT

LS 7402

BILL NUMBER: HB 1514

NOTE PREPARED: Jan 14, 2021

BILL AMENDED:

SUBJECT: School Accountability.

FIRST AUTHOR: Rep. Cook

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *School Performance Categories:* This bill provides that the State Board of Education (SBOE) may establish one or more categories to designate school performance. It provides that the SBOE may use an "A" through "F" grading scale. It also provides that, before July 1, 2024, the SBOE shall establish new standards of measuring high school performance.

School Improvement Requirements and Repealing of Provisions: This bill repeals provisions that: (1) provide consequences for failing schools; (2) provide consequences for failing charter schools; and (3) authorize the establishment of turnaround academies. It also makes conforming and technical amendments.

Effective Date: Upon passage; July 1, 2021.

Explanation of State Expenditures: *School Performance Categories:* This bill requires the Department of Education (DOE) to recommend, and State Board of Education (SBOE) to approve, an updated formula for determining performance grades for schools, effective July 1, 2024, based on the school's performance and other indicators or measures as prescribed in the bill. Any impact to General Fund expenditures would be dependent upon the grades received by the schools under the updated accountability grading system. Lower school grades would result in a potential state expenditure decrease related to Charter and Innovation Network School Grants. However, this bill may also impact a private school's ability to receive choice scholarships which may lead to an increase in state expenditures for basic tuition support under IC 20-43-6. [In FY 2021 the estimated statewide average cost of \$7,125 for basic tuition payments for a student to attend a public school is higher than the estimated average cost of \$4,807 for a choice scholarship for that same student.]

Charter and Innovation Network School Grants: Under current law, nonvirtual charter schools that receive a “D” or “F” grade are not eligible for the Charter and Innovation Network School Grant unless one of the following applies:

1. the school has been operating for fewer than three years,
2. a majority of the school's students have developmental, intellectual, or behavioral challenges, or
3. the school receives the same or better accountability grade as the nearest non-charter public school that teaches the same grades of students as the charter school.

The grant amount is \$750 per student. Any fiscal impact related to this grant would depend upon the grades that would be assigned under the updated accountability system.

Choice Scholarship: The impact of changes to the accountability grading system on state tuition support payments to choice scholarship schools is unknown at this time. The eligibility of a choice scholarship school to receive state tuition support funding for new students depends on its academic performance category. Currently, a school placed in either of the two lowest categories for two or three consecutive years, or in the lowest category for three consecutive years, is subject to a suspension of choice scholarship payments for new students who would otherwise use a choice scholarship to attend the school.

SBOE: This bill allows the SBOE to determine grades for schools based on the school's performance and other indicators or measures, with the updated accountability system being in place by July 1, 2024, or earlier if emergency rules are adopted as prescribed in the bill. The SBOE may also provide schools with an overall school grade for the sole purpose of determining whether certain programs or requirements, such as remedial actions, apply to the school. Any fiscal impact resulting from this change to school performance grading will depend on which indicators are used, the weighting applied for the overall grade, and whether this will cause more or fewer schools to require remedial actions or programs.

These duties of the SBOE may result in an increase in workload; however, these requirements are within the SBOE's routine administrative functions and, given that the updated accountability system will not be required until July 1, 2024, should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels. Additionally, the SBOE has various tasks it must complete when a school corporation receives an "F" grade. The number of tasks and the administrative burden of those tasks depends on how many consecutive years the school receives an "F" grade. Any change to the accountability grading system could impact the SBOE's workload depending on whether more or fewer schools receive a grade in the lowest designation.

DOE: The DOE must recommend which assessments the SBOE may use for determining a school's performance. This bill requires the DOE to, beginning July 1, 2024, use specific criteria for determining school performance grades. If any indicator under the updated accountability system falls outside of the current duties and data collection performed by the DOE, this may result in a workload increase requiring additional funds or resources beyond existing levels. If the DOE staff and resources are currently being used to capacity, they may be insufficient for full implementation of these requirements. 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.

School Improvement Requirements and Repealing of Provisions: This bill repeals the requirement that a

charter school, after four consecutive years of being in the lowest grade designation, would have to close. It enables all charter schools to remain open regardless of their current performance grade designation. As a result, the charter school authorizer and the SBOE will not need to complete the required petitions and other actions, or hold hearings, which would otherwise be required when a charter school would close due to its performance grade.

This bill repeals the interventions for public school corporations receiving an "F" grade. Repealing such requirements will eliminate the need for the SBOE to approve contracts necessary to implement such actions and will result in less administrative duties for the DOE regarding such actions.

This bill also repeals the authorization of turnaround academies. Indiana currently has no schools classified as a turnaround academy and will experience no fiscal impact regarding this repeal.

Explanation of State Revenues:

Explanation of Local Expenditures: *School Performance Categories:* Under current law, school corporations that receive "F" accountability grades have certain tasks they must complete, such as holding public hearings, issuing public notices, and revising school plans. The number of tasks that must be completed, and the administrative burden of those tasks, depends on the number of consecutive years the school corporation received an "F" accountability grade. Any impact to schools would be dependent upon the grades received by the schools under the updated accountability grading system, and would not take effect until after the updated system is in place.

School Improvement Requirements and Repealing of Provisions: Repealing the interventions for public school corporations receiving an "F" grade will result in less administrative work for any school that would otherwise be required to complete such actions.

This bill prohibits the SBOE from using transformation zones as an intervention resulting from school performance but still allows schools to opt into doing so, meaning that any work or costs a school may incur for establishing a transformation zone would depend on local action. If a school is no longer mandated to establish a transformation zone as part of their performance improvement plan, the school would no longer need to complete the associated administrative work.

Additionally, without charter schools being required to close, the charter school authorizer and the SBOE will not need to complete the required petitions and other actions, or hold hearings, which would otherwise be required when a charter school closes due to school performance.

Explanation of Local Revenues:

State Agencies Affected: State Board of Education; Department of Education.

Local Agencies Affected: Public school corporations; Charter schools.

Information Sources:

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