

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

**LS 6640**  
**BILL NUMBER: HB 1652**

**NOTE PREPARED:** Dec 23, 2024  
**BILL AMENDED:**

**SUBJECT:** Choice Scholarships.

**FIRST AUTHOR:** Rep. Payne  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

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

**IMPACT:** State & Local

**Summary of Legislation:** This bill amends the definition of "eligible Choice Scholarship student".

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

**Explanation of State Expenditures:** The bill's elimination of the income eligibility requirement for the Choice Scholarship would increase state expenditures by an estimated \$88.6 M in FY 2026 and \$94.6 M in FY 2027, assuming current state tuition support grant amounts. Additionally, the Department of Education may need additional staff and resources to administer an expanded Choice Scholarship Program. LSA estimates that the DOE may need one additional staff member to administer the program at a cost of about \$86,000 annually (assuming FY 2025 salaries and benefits).

**Additional Information -** Under current law, students between the ages of 5 and 22 who attend a Choice Scholarship-participating school and have a household income that is 400% or less of the maximum income to be eligible for the federal Free and Reduced Price Lunch Program are eligible for a Choice Scholarship. The scholarship amount is the lesser of:

- A) The tuition and fees charged by the Choice Scholarship school; or
- B) 90% of the student's home school corporation's per-student Basic Tuition Support and Honors Grant funding.

The bill eliminates the household income requirement while keeping the scholarship calculation the same as current law.

Students who do not currently attend a public school who would switch to a Choice Scholarship under the bill would increase state expenditures. This population includes students who do not currently meet the income requirement and are:

- A) Currently attending a Choice Scholarship-participating school, but are not on a Choice Scholarship;
- B) Attending a nonpublic school that does not participate in the Choice Scholarship program; or
- C) Taught in a homeschool.

The state currently pays \$0 in state tuition support for the students in these groups.

Students who would have otherwise attended a public school and who become eligible for, and receive, a Choice Scholarship under the bill would slightly reduce state expenditures. The reduction is substantially smaller than the increase that would come from other student groups switching to the Choice Scholarship because state expenditures only decrease by the difference between the full state tuition support the student would have generated at a public school and the Choice Scholarship the student would receive under the bill.

Table 1 shows the fiscal impact of the two groups of students newly receiving a Choice Scholarship under the bill. The number of students in both groups would continue to grow past FY 2027, but the annual state expenditure impact is not expected to increase substantially over FY 2027's \$94.6 M expenditure increase.

<b>Table 1. Impact of the Choice Scholarship Expansion: FY 2026-FY 2027</b>				
	Count of New Students Switching to the Choice Scholarship Program		State Expenditure Impact	
	FY 2026	FY 2027	FY 2026	FY 2027
Students who would have attended a public school	943	2,123	-\$1.1 M	-\$2.4 M
Students who would have attended a nonpublic or homeschool	14,050	15,104	\$89.7 M	\$97.0 M
<b>All students switching to the Choice Scholarship Program</b>	<b>14,993</b>	<b>17,227</b>	<b>\$88.6 M</b>	<b>\$94.6 M</b>

#### **Explanation of State Revenues:**

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Choice Scholarship Expansion:* Public school revenue from state tuition support would decrease under the bill as students who were ineligible for the Choice Scholarship Program become eligible and switch to a Choice Scholarship school. Table 2 shows the number of students that are expected to switch to a Choice Scholarship School and the public school revenue impact in FY 2026 and FY 2027. The estimates assume state tuition support grants remain the same as FY 2025. LSA estimates the long-term impact would likely occur in FY 2029 to FY 2030, at which point public schools will have lost about 4,500 students from the Choice expansion and about \$34 M annually in state tuition support.

<b>Table 2. Impact of the Choice Scholarship Expansion on Public Schools FY 2026-FY 2027</b>				
	Count of New Students Switching to the Choice Scholarship Program		Public School Revenue Impact	
	FY 2026	FY 2027	FY 2026	FY 2027
Students who would have attended a public school	943	2,123	-\$7.2 M	-\$16.1 M

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** Public schools.

**Information Sources:** United States Census Bureau American Community Survey data; National Center for Education Statistics; Choice Scholarship Program annual reports, Indiana Department of Education; LSA education database; Department of Education;  
<https://media.doe.in.gov/news/ido-org-chart-external-overview.pdf>

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