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FISCAL IMPACT STATEMENT

LS 6808
BILL NUMBER: SB 368

NOTE PREPARED: Dec 31, 2021
BILL AMENDED:

SUBJECT: Complexity Index Within the School Funding Formula.

FIRST AUTHOR: Sen. Ford J.D.
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: <u>X</u> GENERAL
                           DEDICATED
                           FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires, for state fiscal years beginning after June 30, 2023, the State Board of Education to determine each school corporation's complexity index two times each year. It provides that the complexity index count dates coincide with the average daily membership count days. The bill allows a school corporation to request an adjustment to the school corporation's complexity index. It also provides a maximum amount of money attributable to complexity index calculations that may be distributed for all school corporations in a particular state fiscal year.

Effective Date: July 1, 2022.

Explanation of State Expenditures: *Summary-* The bill has three provisions that would impact state expenditures in FY 2024 and FY 2025. The bill's total impact on state expenditures is unknown and dependent on a number of factors including:
      1. Legislative actions.
      2. Changes in the number of students receiving SNAP or TANF benefits or who are in foster care (from hereon referred to as STF students) over time.
      3. How many additional students are discovered and counted in the complexity index under the bill's provisions.
      4. If the DOE would need additional resources.
      5. If the bill's Complexity Grant cap would be hit.

The bill's changes to the complexity index and the Complexity Grant occur in IC 20-43. All of IC 20-43 expires at the end of FY 2023. The FY 2024 - FY 2025 budget will replace existing code. Each of the three provisions that would impact state expenditures for the Complexity Grant are discussed in more detail below.

Complexity Index Calculated Twice per School Year: Under current law, the complexity index is calculated in October of even-numbered calendar years and is applied to the two subsequent fiscal years. Under the bill, the complexity index would be calculated twice per school year, once on the September ADM count date and another on the February ADM count date. Since the current complexity index is a measure of the percentage of students who receive SNAP or TANF benefits or who are in foster care, any changes in the economy that lead to a change in the number of SNAP and TANF beneficiaries will be reflected in the complexity index. The impact of this provision is dependent upon how the number of STF students changes from the date in October that would be used under current law and the dates that would be used under the bill.

Inclusion of Additional Students: Currently, the DOE uses an algorithm to match student enrollment data to the data it receives from DCS and FSSA regarding foster care, SNAP, and TANF. Under the bill, the complexity index calculation will take into account STF students that were not captured by the DOE's algorithm. This would increase the statewide complexity index. Taken by itself, an increase in the complexity index would increase state expenditures for the Complexity Grant. However, the impact is also dependent upon legislative action, as the per-student complexity grant amount could be modified to account for more students being included in the index. Working with schools on the count of students that are included in the complexity index calculation would be a workload increase for the DOE. Existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. 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.

Complexity Grant Cap: The bill sets a cap on the statewide Complexity Grant of $700.1 M. The cap would reduce statewide expenditures in the event that the Complexity Grant would have otherwise exceeded the cap.

<u>*Additional Information-*</u> The complexity grant is the product of ADM multiplied by the complexity index multiplied by the per student complexity grant amount (which is set at $3,775 in FY 2022 and FY 2023).

DOE's Complexity Index Algorithm: DOE matches records from FSSA and DCS on the following fields:
1. First name
2. Last name
3. Birth date
4. Gender
5. County (although the county field is only used for informational purposes).

DOE often matches students exactly on all the fields. However, it also has a match style called hyphenation matches, in which one part of a hyphenated last name matches and all the other fields match exactly. The DOE's other match style, called first or last name soft matches, occur when birth date and gender are matched exactly along with either the first name or the last name, and the first name or last name that was not matched exactly is matched by a software called Soundex that finds names that are spelled slightly differently but sound similar. It is possible that some minor differences in the fields between the DCS or FSSA files and DOE's enrollment data could cause some students to erroneously be excluded from the count of STF students.

Explanation of State Revenues:

Explanation of Local Expenditures: Public schools would experience a minor workload increase in

working with DOE to ensure all STF students are included in the complexity index.

Explanation of Local Revenues: The net impact on public school revenue from the Complexity Grant is unknown. [See *Explanation of State Expenditures* for further details.]

State Agencies Affected: Department of Education.

Local Agencies Affected: Public schools.

Information Sources: Department of Education.

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