

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

LS 6675
BILL NUMBER: HB 1176

NOTE PREPARED: Jan 8, 2026
BILL AMENDED: Jan 8, 2026

SUBJECT: Education Matters.

FIRST AUTHOR: Rep. Teshka
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Pokagon Indiana Education Fund*: This bill provides that, beginning July 1, 2027, the Pokagon Indiana Education Fund must be used to make payment to certain Indiana public or private (instead of only public) institutions of higher learning or workforce development and training programs.

Charter Conversion: This bill provides that, in addition to conditions established in current law to convert an existing public elementary or secondary school, an existing public elementary or secondary school may be converted into a charter school if certain other conditions apply. It allows, if the conditions are met, the governing body of a school corporation to:

- (1) convert more than one existing public elementary or secondary school within the school corporation; and
- (2) operate two or more conversion charter schools under a single charter.

The bill also prohibits the governing body of a school corporation from being the authorizer of a charter school and entering into or having a participating innovation network charter school agreement with the charter school at the same time.

Innovation Network Charter Schools: This bill amends provisions regarding participating innovation network charter schools to allow an organizer to enter into an agreement with more than one school corporation. It amends requirements regarding the location of a participating innovation network charter school and terms of an agreement. The bill also amends the duties of the Department of Education with regard to participating innovation network charter schools. It also makes conforming changes, including changes to the complexity index.

Parent Notification: This bill requires parental notification if a school determines a student is at risk of not achieving grade level proficiency in mathematics.

Scholarship Granting Organizations: The bill amends the definition of "eligible student" for purposes of eligibility for school scholarships distributed by scholarship granting organizations.

Reversions to the General Fund: The bill provides that money in terminated Education Scholarship Accounts and Career Scholarship Accounts does not revert to the state General Fund. It also provides that money in the Indiana Education Scholarship Account Program Fund, Indiana Education Scholarship Account Administration Fund, and Career Scholarship Account Program Fund at the end of a state fiscal year does not revert to the state General Fund.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Reversions to the General Fund:* Under current law, money in the Education Scholarship Account (ESA) and Career Scholarship Account (CSA) programs revert to the General Fund when money remains in:

1. A student's ESA or CSA upon termination of the account,
2. The ESA Administration Fund at the end of the fiscal year, or
3. The CSA Program Fund at the end of the fiscal year.

Under the bill, the money would not revert to the General Fund. Instead, the money would be used to allow more students to participate in the programs. In FY 2025, the Treasurer of State reports that \$1.7 M and \$0.8 M was reverted to the General Fund from the ESA and CSA programs, respectively.

(Revised) *Scholarship Granting Organizations (SGO):* The bill eliminates the income requirement to be eligible for a scholarship from an SGO. The requirement is currently set at 400% of the maximum income to be eligible for free or reduced-price lunch. While more students would likely take advantage of the SGO scholarship under the bill, state expenditures would not be impacted.

Complexity Grant: Under current law, school corporations and charter school organizers can enter into an agreement in which a charter school becomes an innovation network charter school (INCS). Statute provides a specific complexity index calculation for the entities involved in an INCS agreement. The bill's changes to that calculation will have a small but indeterminable impact on state expenditures beginning in FY 2027.

Charter Conversion: Current law allows school corporations to convert a school into a charter school under specific circumstances. Beginning in FY 2027, the bill establishes an alternative method to convert schools into charter schools. If this increases the number of conversion charter schools, distributions through the Charter and Innovation Network School Grant Program may also increase. The impact to state expenditures is dependent on the appropriation made to the program.

Additional Information -

Charter Conversion: Eligible charter schools receive \$1,400 per ADM through the Charter and Innovation Network School Grant Program. The program received an appropriation of \$52.6 M in FY 2027 but an estimated \$55.3 M will be needed to fully fund distributions under current law. If an augmentation is not able to fund the difference, distributions received by charter schools would be proportionally reduced.

Explanation of State Revenues: *Reversions to the General Fund:* General Fund revenue from reversions from the ESA and CSA programs would decrease under the bill. In FY 2025, a total of \$2.5 M was reverted to the General Fund from these programs.

Explanation of Local Expenditures: *Fees:* Under current law, school corporations can collect a fee of up

to 1% of the state tuition support funding each INCS generates. Under the bill, the school corporations would only be able to collect the fee based on the state tuition support generated by INCS students that live within that school corporation's boundaries. This would be an expenditure decrease for any INCS that has students who reside outside of the school corporation's boundaries.

Charter Conversion: School corporation expenditure decreases as a result of this bill are offset by an increase in expenditures for the conversion charter school. The impact to statewide public school expenditures depends on local action.

Workload: The bill requires public schools to notify parents of students who are found to be at risk of not achieving grade-level proficiency in mathematics. This is a minor workload increase that would be completed with existing staff and resources.

Explanation of Local Revenues: (Revised) *SGO Scholarship Expansion:* Students who switch from public schools to an SGO scholarship would decrease public schools' state tuition support revenue. However, any impact is expected to be small and dependent upon the number of students who become newly eligible under the bill and choose to utilize an SGO scholarship.

Fees: School corporations would lose revenue to the extent that INCS are required to pay less in fees to the school corporation. See *Explanation of Local Expenditures*.

Complexity Grant: Beginning in FY 2027, the bill's changes to the complexity index calculation for the charter schools involved in an INCS agreement could impact a participating charter school's complexity index. That could lead to a small but indeterminable impact on Complexity Grant revenue for any affected charter school. A school corporation's revenue from fees charged to each INCS could also be impacted.

Charter Conversion: Charter and Innovation Network School Grant Program revenue could increase if more schools are converted into charter schools under the bill. [See *Explanation of State Expenditures*.]

State Agencies Affected: Department of Education.

Local Agencies Affected: Public schools.

Information Sources: LSA education database; Treasurer of State; Department of Education; Department of State Revenue.

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