

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

LS 7118

BILL NUMBER: HB 1423

NOTE PREPARED: Feb 2, 2026

BILL AMENDED: Jan 29, 2026

SUBJECT: Indianapolis Public Education Corporation.

FIRST AUTHOR: Rep. Behning

FIRST SPONSOR: Sen. Raatz

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Indianapolis Public Education Corporation (IPEC) and board (IPEC board). The bill establishes the duties and powers of IPEC and the IPEC board. It also provides that the Indianapolis Public Schools school corporation (IPS) is not subject to building closure or certain transfer of school building laws. The bill allows only certain authorizers to grant or renew charters for charter schools located within the geographic boundaries of IPS. The bill specifies authority and duties of IPEC related to imposition of property taxes. It also provides that IPEC is authorized to pursue a controlled project, operating referendum, or school safety referendum (instead of IPS).

The bill also requires the county auditor to transfer to IPEC a percentage of the amount of revenue collected from the operations fund property tax levy that would otherwise be distributed to the school city and applicable charter schools. It establishes the IPEC operations fund and IPEC debt service fund.

This bill provides that IPEC may issue bonds, enter leases, or otherwise incur indebtedness after March 31, 2026, and before July 1, 2027, only if the board of school commissioners of IPS first adopts a resolution approving the issuance of the bonds, entering into the lease, or incurring of indebtedness. The bill provides, beginning April 1, 2026, and ending June 30, 2027, the reduction of distributions to pay for debt service obligations issued by IPEC must be made from reductions of distributions to IPS.

Effective Date: Upon passage; July 1, 2026.

Explanation of State Expenditures: *Sale or Lease of School Buildings:* Current law requires school corporations to sell or lease certain school buildings for \$1. The bill exempts Indianapolis Public Schools (IPS) from that requirement, decreasing the number of school buildings available to be purchased or leased by a state educational institution (SEI) for \$1.

State Board of Education: Under the bill, the decision to close certain schools within the IPS geographic boundaries could go before the State Board of Education under certain circumstances. This would be a minor workload increase that would be completed with existing staff and resources.

Explanation of State Revenues: *Charter School Authorizers:* Beginning April 1, 2026, the bill allows only the Indiana Charter School Board (ICSB), the Indianapolis Office of Education Innovation (OEI), and Indianapolis Public Schools (IPS) to authorize or renew charter schools located within the geographic boundary of IPS. If an interested SEI is prevented from authorizing a charter school, SEI revenue would decrease. If ICSB authorizes more charter schools, ICSB revenue would increase.

Additional Information - Statute allows charter school authorizers to charge an administrative fee capped at 3% of the tuition support received by a charter school. In FY 2024, ICSB charged an administrative fee of 0.75% of the total basic tuition support received by the charter school. Only two charter schools currently located within the geographic boundary of IPS would not be able to renew its charter with its existing authorizer under the bill.

Explanation of Local Expenditures: *Indianapolis Public Education Corporation:* The bill establishes the Indianapolis Public Education Corporation (IPEC) to establish a unified student transportation, school property, and school performance system within the geographic boundaries of IPS. The bill requires IPEC to have an executive director and would likely need staff in order to carry out its powers and duties. The cost of the salary, benefits, and any office space required by IPEC is unknown, but would be significant.

Transportation: Currently, not all charter schools within the IPS school district boundaries provide transportation for their students. Under the bill, IPEC would be required to establish a transportation plan that would eventually require all schools to provide transportation. This likely represents a local expenditure increase that would begin in FY 2029.

Workload: IPS currently must complete a report on its school buildings that is sent to the Department of Education. Under the bill, IPS would be exempt from that requirement. This represents a minor workload decrease.

Sale or Lease of School Buildings: The bill's exemption for IPS from the \$1 law may increase the future expenditures of a charter school. [See Explanation of State Expenditures.]

Additional Information -

Powers and Duties: Under the bill, IPEC is a municipal corporation with the powers necessary to complete the duties and responsibilities specified in the bill. IPEC's responsibilities include, but are not limited to:

1. Beginning in FY 2029, control the management and operation of school property, including repairing, demolishing, selling, and purchasing school buildings.
2. Establish a unified transportation plan and oversee transportation services.
3. Develop and implement a school performance framework by FY 2029 that includes a process for closing chronically underperforming schools and inefficient school buildings.
4. Develop a formula for the distribution of property taxes and other revenue among all the schools under IPEC's control.
5. Make, execute, and enforce contracts between IPEC and the schools under its control.
6. Impose property tax levies.

Explanation of Local Revenues: *Operations Fund:* Under the bill, starting in CY 2026, IPEC could choose to receive up to 3% of the operations fund collections that would have been distributed to IPS and certain charter schools. This could reduce revenue for IPS and charter schools that would have received operations fund distributions by \$2.8 M and \$3.0 M in CY 2026 and CY 2027, respectively. Ultimately, the revenue

impact on schools is dependent upon the funding the IPEC board determines it needs in order to fund IPEC operations.

Revenue Distributions: The bill requires IPEC to establish a formula used to equitably distribute property tax and other revenue among IPS and all the charter schools within the IPS district boundaries. Over time, IPEC would take over the responsibility of imposing property tax levies. Ultimately, the impact of the revenue sharing provisions on individual schools is dependent upon the decisions made by IPEC regarding:

1. The imposition of property tax levies;
2. Borrowing made on behalf of schools; and
3. The formula to distribute revenue to all the schools under IPEC's control.

IPEC: IPEC could receive revenue from contracts with schools regarding the management and operation of school properties, providing transportation services, or any other matters IPEC determines is needed in order to carry out its duties and responsibilities.

Charter School Authorizers: The bill could increase OEI and IPS administrative fee revenue. The OEI charged an administrative fee of 1% of a school's foundation grant revenue in FY 2024. [See Explanation of State Expenditures.]

Sale or Lease of School Buildings: The bill may increase revenue for IPEC dependent on the market rate value of a building that would have otherwise been required to be sold or leased for \$1. [See Explanation of State Expenditures.]

Additional Information - Revenue Distributions: IPEC would have the authority to take on debt for any of the schools under its jurisdiction and utilize the debt service levy to pay loans. The bill specifies that after March 31, 2026 and before July 1, 2027, IPEC can incur debt only if the IPS board of school commissioners adopts a resolution approving the incursion of debt.

IPEC would also receive up to 3% of the operations fund distributions that would go to IPS and certain charter schools. Property tax referendum revenue would continue to be distributed to IPS and charter schools in the same manner it is under current law. In addition to property taxes, other local revenue sources that IPEC would distribute to schools include the commercial vehicle excise tax, financial institution tax, and the license excise tax. The bill allows charter schools to opt out of IPEC having managing control of the charter school's property. Charter schools that choose to opt out would not receive revenue from a debt service levy.

State Agencies Affected: State educational institutions; Indiana Charter School Board; State Board of Education.

Local Agencies Affected: All public schools within Indianapolis Public School's geographic boundaries; Indianapolis Office of Education Innovation.

Information Sources: Charter School Authorizer Reports,
<https://www.in.gov/sboe/charter-schools/authorizer-annual-reports/>.

Fiscal Analyst: Austin Spears, 317-234-9454; Kelan Fong, 317-232-9592.