

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

LS 6438

BILL NUMBER: SB 86

NOTE PREPARED: Dec 5, 2025

BILL AMENDED:

SUBJECT: Charter Schools.

FIRST AUTHOR: Sen. Qaddoura

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Requirements for Charter Schools:* This bill provides that provisions regarding the following apply to charter schools:

- (1) Child suicide awareness and prevention policy requirements.
- (2) Staff performance evaluation plan requirements.
- (3) Curriculum.
- (4) Student discipline.
- (5) Criminal organization activity.
- (6) Student safety reporting.
- (7) Government funds and accounts.
- (8) Certain notice requirements regarding convictions of licensed employees.

The bill also requires charter schools to provide transportation services to all students who reside within the public school district within which the charter school is located. It changes the maximum charter school contract term to five years. It also provides that a charter must contain a provision to appoint certain persons to the governing board of the charter school. The bill requires any public meeting of a charter school governing board where the annual budget is adopted to be held in the county in which the charter school is located.

Charter School Authorizers: This bill removes the Indiana Charter School Board, state educational institutions, and nonprofit college or university governing boards from the definition of an authorizer. After June 30, 2026, the bill provides that the Indiana Charter School Board, state educational institutions, and governing boards may not issue new charters or renew existing charters. After June 30, 2026, the bill establishes a five year moratorium that prohibits an authorizer from granting a charter to an organizer to establish and operate a charter school in Indiana.

Sale or Lease of School Buildings: The bill exempts school corporations subject to certain property tax sharing requirements from the dollar law.

Small Charter Schools: This bill prohibits certain charter schools from receiving state funding, or from receiving funding from operation fund property tax levies, operating referendum tax levies, and school safety referendum tax levies.

Property Tax Sharing: This bill removes, expires, and repeals provisions that require school corporations to share operation fund property tax levy, operating referendum tax levy, and school safety referendum tax levy funds with charter schools.

The bill makes conforming changes.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Small Charter Schools:* Under the bill, beginning in FY 2027, any charter school that had an ADM below 100 on the most recent spring ADM count date would become ineligible for any state or local property tax funding. There are 6 charter schools that are projected to have an ADM under 100 on the FY 2026 spring ADM count date. The approximately 375 students that would otherwise attend these charter schools would likely need to transfer to a new school. State expenditures could decrease, dependent upon where students transfer.

[There are several charter school that are expected to have spring ADMs that are close to 100. A slight increase or decrease in the ADM relative to estimates would impact the total number of charter schools and students impacted.]

Charter School Authorization: Beginning in FY 2027, the bill prohibits the authorization of new charters until FY 2032 and limits the duration of charters to five years. [Under current law, charters can be authorized for up to 15 years.] Additionally, the bill only allows school corporations and the Indianapolis Mayor's Office of Education Innovation (OEI) to authorize charter schools. To avoid closure, any charter school that is currently authorized by another entity would need to get authorized by the OEI or a school corporation before the expiration of its current charter. To the extent charter school enrollment decreases due to these provisions, state expenditures could decrease. The impact will depend on when and where affected students enroll.

Indiana Charter School Board: Under the bill, the Indiana Charter School Board (ICSB) would no longer be able to act as a charter authorizer. While the ICSB received an appropriation of about \$252,000 for FY 2027, it is funded primarily through the over \$600,000 in administrative fees it collects from the charter schools it authorizes. As the charters it authorized expire over time, the ICSB's workload would decrease substantially. The significant workload decrease and the elimination of its primary funding source could, dependent upon state actions, impact staffing and resources for the ICSB in the future. [See *Explanation of State Revenues* for additional details.]

Sale or Lease of School Buildings: Current law requires school corporations to sell or lease certain school buildings for \$1. Provisions in the bill exempt school corporations from this statute if they are required to share property tax revenue with charter schools. This would decrease the number of school buildings available to be purchased or leased by an SEI for \$1. [SEIs receive state funding through General Fund appropriations.]

Minor Workload Impacts: Provisions in the bill will result in minor workload increases for the State Police Department and the Department of Education, and a minor workload decrease for the Department of Local

Government Finance.

Additional Information –

Charter School Authorization: There are 66 charter schools, including innovation network charter schools, that are authorized by an entity other than a school corporation or the OEI. Those schools received approximately \$283.4 M in state tuition support distributions in FY 2025.

Charter School Student Transfers: If students leave charter schools to attend a traditional school corporation, Charter and Innovation Network School Grant expenditures would decrease by \$1,400 per student. Additionally, state tuition support expenditures would decrease if students choose to attend a nonpublic school. In FY 2025, traditional schools received an average of \$8,489 in tuition support revenue per ADM. In comparison, the average Choice Scholarship received \$6,497 in tuition support while students attending a nonpublic school without a Choice Scholarship or who are homeschooled do not receive any tuition support.

Explanation of State Revenues: Statute allows charter school authorizers to charge an administrative fee capped at 3% of the tuition support received by a charter school. The bill prohibits SEIs and the Indiana Charter School Board from authorizing charter schools, eliminating any revenue from administrative fees. In FY 2024, Ball State University, the University of Southern Indiana, and the Indiana Charter School Board (ICSB) received a total of \$3.4 M in administrative fees from charter schools.

Explanation of Local Expenditures: *Requirements for Charter Schools:* Beginning in FY 2027, the bill requires charter schools electing to receive property tax levy distributions to provide transportation services to certain students. Assuming a transportation cost ratio of \$2,300 per ADM, charter school expenditures could increase an estimated \$57 M and \$74 M in FY 2027 and FY 2028, respectively. Charter school workload will also increase to comply with certain statutes currently required of school corporations.

School Corporations: To the extent the bill's provisions lead to students leaving charter schools to attend traditional school corporations, school corporation expenditures related to enrolling additional students would increase. Any expenditure increase will be offset by an increase in state tuition support and property tax revenue. [See *Explanation of State Expenditures.*]

Sale or Lease of School Buildings: The bill would decrease the number of school buildings available to be leased or bought by a charter school for \$1. This may increase the future expenditures of a charter school. [See *Explanation of State Expenditures.*]

County Auditors: County auditors will experience a workload decrease related to distributing a school corporation's property taxes amongst charter schools beginning in CY 2027.

Explanation of Local Revenues: *Tuition Support:* The bill will likely increase traditional school corporation enrollment and state tuition support revenue by eliminating state and local property tax funding for charter schools with a spring ADM at or below 100, prohibiting the authorization of new charters from FY 2027 through FY 2032, and repealing certain entities' ability to authorize charter schools. [See *Explanation of State Expenditures.*]

Property Tax Revenue: To the extent the bill's provisions decrease charter school ADM, more property tax revenue will be retained by school corporations.

Operations Fund Levy Sharing: Provisions in the bill repeal existing statute requiring certain school corporations to share their operations fund levies with charter schools. This represents a future revenue decrease for charter schools and will allow school corporations to retain \$11 M and \$21 M in operations fund levy revenue in CY 2027 and CY 2028, respectively. Because current law implements a four-year phase in for distributions received by charter schools beginning in CY 2028, the amount retained by school corporations will increase significantly in future years.

Operating Referendum Sharing: Using CY 2028 estimated collections for the purpose of calculating the distributions and long-term impact and assuming that all existing operating referendums would be renewed at the same tax rate, an estimated \$40 M in future annual operating referendum revenue would be retained by school corporations rather than being distributed to charter schools. Ultimately, this impact would only occur if operating referendums are replaced or reauthorized at the same rate, with the bill impacting referendums that first generate revenue in CY 2027. The annual impact would change if, in the future, any of the following occur:

- 1) Schools pass new referendums;
- 2) Existing referendums are replaced with new referendums which have different taxation rates; or if
- 3) Existing referendums expire without being reauthorized or replaced.

School Safety Referendum Sharing: Existing statute no longer requires new school safety referendums to be shared with charter schools if their initial distribution is in CY 2028 or later. Provisions in the bill prohibit school safety referendums from being shared with charter schools if their initial distribution is in CY 2027 or later. If school corporations pass school safety referendums with an initial distribution in CY 2027, referendum revenue retained by school corporations will increase and revenue to charter schools will decrease. [Since they were first enacted in 2019, four school corporations have held a school safety referendum, with two of the referendums passing.]

Charter School Authorizers: Under the bill, school corporations and the OEI will be the only entities allowed to authorize charter schools. Charter schools that are currently authorized by another entity may pursue another authorizer. This could increase revenue to OEI and other school corporations if they choose to authorize additional charter schools. [OEI currently charges a fee of 1% of the Foundation Grant distributions received by charter schools and collected \$1.2 M in FY 2024.]

Sale or Lease of School Buildings: The bill may increase revenue for school corporations 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 - Current Law Property Tax Sharing: Existing statute requires school corporations located in Lake, Marion, St. Joseph, and Vanderburgh counties to share their operations fund levy collections and operating and school safety referendum collections under certain conditions with charter schools. Beginning in CY 2028, current law expands the operations fund levy and operating referendum sharing provisions to any school corporation if the count of nonvirtual students with legal settlement at the school corporation but who attend a charter school is greater than 100, or if the count is greater than 2% of the school corporation's nonvirtual ADM. After the expansion, distributions received by charter schools from operations fund levy collections are phased-in over four years with charters receiving 25%, 50%, and 75% of their calculated distribution in CY 2028, CY 2029, and CY 2030 respectively.

State Agencies Affected: Indiana Charter School Board; State educational Institutions; Indiana State Police;

Department of Education; Department of Local Government Finance.

Local Agencies Affected: Public schools; Indianapolis Mayor's Office of Education Innovation; County auditors.

Information Sources: LSA Property Tax Database; LSA Education Database; Charter School Authorizer Reports, <https://www.in.gov/sboe/charter-schools/authorizer-annual-reports/>;

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