

ISBA 2026 Legislative Priorities

1. Indiana Code Title 20 Education Regulatory Relief

The Indiana General Assembly has passed 308 new K-12 education laws over the last eight legislative sessions, or an average of 38.5 new laws per session. This high volume of enacted laws requires significant implementation and compliance efforts, and administrative reporting duties. With more than 1,500 pages of state laws and regulations to comply with, this regulatory environment takes the focus away from our “*Why*” of elevating student achievement outcomes. ISBA wholeheartedly supports continued efforts for regulatory relief beyond HEA 1002-2025 (Public Law 214). We recommend the following statutes be modified or repealed:

A. Repeal GAAP Accounting Requirements

Make accrual (GAAP) accounting optional for the school corporations required to use this method of accounting. We believe IC 5-1-11.5-3 should be amended and made optional (change the “shall” to a “may”). Currently, this section requires school corporations with an ADM of more than 15,000 students to prepare an annual financial report using the modified accrual basis of accounting that yields no clear and tangible benefits for most entities. Based on the 2024-2025 school year enrollment data, this provision of law only applied to eight school corporations. According to school officials with Carmel Clay Schools, this requirement has resulted in an average annual cost increase of \$100,000 for consultant services and consuming approximately 900 hours of additional work. Fort Wayne Community Schools has indicated a similar experience with staffing time and costs. Those who like this accounting system can continue to use it while eliminating the mandate of duplicate accounting methods and excessive costs.

B. Provide Local Control on Third-Party Options of SBOA Audits

ISBA supports giving school corporations more flexibility in contracting with third-party CPA firms or companies to seek lower cost audit options that would satisfy State Board of Accounts audit guidelines. School corporations have documented significant increases in the audit costs charged by the state, or its contracted vendor, in the past few years. Where costs can be optimized at the local level, school corporations should be granted this flexibility, rather than have to comply with a prescribed audit rate set based on federal and state regulations.

C. Expand Fund Transfer Flexibility for Certain School Districts

School corporations transferring more than 15% from the Education Fund to the Operations Fund are considered to have transferred an excessive amount and must undergo extensive state reporting and review requirements under IC 20-40-2. ISBA supports the aim to focus on student achievement outcomes, not inputs, at the school corporation level, including school board governance and oversight. ISBA proposes the consideration of the following options concerning interfund transfers of school corporation revenues:

- 1) Total deregulation with a repeal of the fund transfer limits established in IC 20-40-2 given the existence of teacher compensation goals and requirements.
- 2) Full transfer flexibility for performance qualified school corporations (under IC 20-24.2-2) or add new criteria for exempt school corporations to include all or some combination

of the following components: a) “high performing” academically (A or B rated school corporation); b) Debt Service rate of less than 70 cents per \$100/AV; c) meets teacher compensation requirements as set forth in statute; and d) not on the DUAB watchlist.

3) A 2-year hold harmless for Education Fund to Operations Fund transfers up to 20% through June 30, 2028, for all school corporations unless the school corporation is on the DUAB watchlist or is a D or F school corporation under the school accountability framework (these school corporations would still need to comply with all statutory requirements under IC 20-40-2-9 and IC 20-40-2-10).

4) Provide for local control of which funds are used to pay salaries, regardless of the position.

These changes would help address the significant increases in transportation expenses (school bus pricing and fuel costs) and the fact that almost 80 percent of Operations Fund dollars are spent on just the three expenses of transportation, utilities, and insurance.

D. Repeal of Laws That Restrict Use and Transfer of School Buildings

Current laws on underutilized and vacant school buildings restrict the authority of school boards to make determinations on the appropriate use and sale of school buildings and require the transfer of these buildings for just \$1. The laws impose burdensome reporting requirements on school corporations that include listing all buildings owned by the school corporation, determining the designed occupancy of each building, and assessing the current use and percentage of use of each building for classroom instruction. Additionally, the laws require school corporations to follow complex procedures with specified timelines that include giving notice to multiple entities, providing estimated costs of operating the building, and allowing onsite inspection of the building before being able to sell or lease a school building. Given recent changes in the law on school funding that increase both state and local revenue to charter schools to meet facility needs, school corporations should be relieved of these restrictions, and these laws should be repealed.

E. Add AED Compliance Flexibility

House Enrolled Act 1515-2025 (Public Law 232) requires that an operational automated external defibrillator (AED) is present at each event in which students have an increased risk of sudden cardiac arrest. This law has created a substantial unfunded mandate for schools. It has also led to some confusion as it does not define “event.” Secondary schools regularly have multiple “events” happening at any given time. Districts are reporting substantial costs associated with compliance as per unit costs are approximately \$2,500.

HEA 1515, which took effect on July 1, will be difficult for school corporations to comply with, creating substantial liability exposure should an incident occur. It can be argued that it’s safer to have AEDs in fixed locations at schools/buildings, so there is never a question about where the AEDs are located in case of emergencies.

While well intentioned, ISBA supports a modification to the law to allow multiple events in proximity at one location to share AEDs. Let school corporations decide how many units

are needed to optimally fulfill its required venue-specific emergency action plan for sudden cardiac arrest.

F. Provide Flexibility in Contracting for School Administrators

Current laws require school boards to hire administrators by using a regular teacher contract and then provide additional rights to the administrators. This results in administrators having rights both as a teacher and as an administrator and imposes significant burdens on school boards in cases where the board wants to either reassign or terminate the administrator. School boards should be given the flexibility to determine whether an administrator should be hired using the regular teacher contract or some other type of employment agreement.

2. TIF Taxing Matters

A. Assign Base AV to all Property

ISBA supports the suitable and reasonable use of Tax Increment Financing (TIF) as a fiscal policy tool for community economic development with appropriate guidelines for redevelopment commissions. It is important that the original assessment, whether the property is taxable or not, is used for the calculation of the AV base for a TIF area to ensure all appropriate taxes flow to the respective taxing entities, including schools. If a proposed TIF property is not taxable at the time of the allocation area being established, ISBA proposes that the taxes that would have been paid as pre-developed land be included in the base AV to determine property tax levy distributions to local units of government.

B. Limit the Percentage of Incremental AV Captured by the Redevelopment Commission

AMEND IC 36-7-14-39 to require redevelopment commissions to annually distribute 15% of the incremental assessed value to all local taxing units. This is a permissible policy via a “may” provision. ISBA supports changing this provision to “shall.”

C. School Board Member as a Voting Member

AMEND IC 36-7-14-6.1 to require the municipal and county executive to appoint a school board member as a **voting member** of the redevelopment commission. In cases where there is more than one school corporation located within the territory served by the redevelopment commission, the school board member who is appointed shall be recommended by the school corporation that has the largest assessed valuation (gross or net).

3. Various Education Matters

A. Clarify Senate Enrolled Act 1 on “Cooling Off Period” for General Obligation Bonds

Language included in Senate Enrolled Act 1 (Public Law 68) regarding general obligation (G.O.) bonds and the new 12-month “cooling off” provision has led to confusion. Implementation guidance issued by the Department of Local Government Finance

interprets the “cooling off” period to apply to not only short-term G.O. bonds issued prior to May 1, 2025, for two years or less, but also for issuances after May 1, 2025, for a period of not more than five years. ISBA supports legislation to change the restrictions to apply to only short-term G.O. bond issuances for two years or less. Longer term bonding is a necessary strategy to address facility repairs, renovations, or new construction needs of a school corporation. Restrictions on the issuance of bonds for five years or less will result in less favorable lending terms and rates.

B. Local Income Option (LIT) for School Corporation

Senate Enrolled Act 1 (Public Law 68-2025) eliminated redistribution of LIT to school corporations (in former CAGIT counties) resulting in a loss of more than \$58 million annually. In total, as a result of all the new property tax reforms and restrictions imposed in SEA 1, school corporations will experience a net reduction of \$740 million in levy dollars over three-years (2026-2028). While for many school corporations, the loss of levy dollars is a “decrease to the increase” from what would have been collected. However, for 74 school corporations the loss in property tax dollars will be a true decrease from the 2025 levies received. School corporations already experience tight constraints, largely from circuit breaker/tax cap losses, in Operation Fund levies. As aforementioned, almost 80 percent of the Operations Fund revenues are used for transportation, insurance, and utilities on average for all school corporations. The added constraints imposed by SEA 1 will tighten budgets even more, leaving little funding for facility management needs. ISBA supports either reinstated the mandatory LIT redistribution, or providing school corporations with the authority to impose a Local option Income Tax.

C. Stop Arm Violation Fine and Penalty Enforcement

Enhanced efforts are needed to enforce school bus stop arm violation penalties and fines to better protect students in school bus zones. Legislation introduced in the 2021 and 2022 sessions proposed that a registered owner of a motor vehicle commits an infraction if the owner's vehicle is used to violate the school bus stop arm law. Passage of this legislation would lessen the burden of proof to identify the driver of the vehicle.

4. On My Way Prekindergarten Program Restoration and Expansion

Several changes were made to curtail the scope and costs of the On My Way Pre-K Program in the 2025 state legislative session. An enrollment cap was set at 2,500 total children, with a portion reserved for families meeting limited eligibility criteria. In addition, the eligibility threshold based on family income is now 140% of the federal poverty level (previously 150%). ISBA calls for not only these restrictions or cuts to be restored, but to increase the program eligibility based on the child's family household income from 140% to 400% of the federal poverty level (which equals the last income criteria set for the Indiana Choice Scholarship Voucher Program before income guidelines were removed to qualify all families in that program). ISBA supports increasing state funding for the On My Way Pre-K grant program to significantly expand opportunities for early childhood learning and supports that meet rigorous PATHS to Quality standards. Early childhood education is foundational to long-term student success.

According to 2021 research conducted by the Center for Early Learning at Purdue University, On My Way Pre-K children performed better than comparison children on general school

readiness skills, such as identifying shapes, colors and numbers and language and literacy skills in kindergarten. The On My Way Pre-K students also tended to have higher performance on ILEARN English/Language Arts tests than the comparison children in grades 3 and 4. (See study summary at: <https://www.in.gov/fssa/carefinder/files/OMWPK-2-Study-Summary-Report-0122.pdf>)