



Dear ISBA Members:

Here is your **Week #16 ISBA Legislative Update**...The 2021 budget session (the first regular session of the 122nd Indiana General Assembly) recessed yesterday for what is now being termed the “spring session.” By recessing—not adjourning sine die—this allows the legislature to reconvene at a time of their choosing (as late as November 15) to address congressional and legislative redistricting. Legislative leaders have pledged that redistricting will be the only matter dealt with when the session is reconvened likely in the fall – once final decennial census data is received from the U.S. Census Bureau.

The big news to conclude the session was unquestionably the passage of HEA 1001, the 2021-2023 state budget, which was developed using an updated state revenue forecast for Fiscal Years 2021 through 2023 received last week by the State Budget Committee. Included in the updated revenue forecast was the projection that the state will have nearly \$2 billion more in revenue available over the next two years than was projected in December. ISBA called last week for an

increase in funding for K-12 public education of at least 3 percent each fiscal year in the tuition support formula (as the Senate-passed version included an 1.25% increase in FY '22 and a 2.9% increase in FY '23). Inflation rates are jumping in the U.S. (now 2.6%) and the Midwest (now 3.0% for the 12-month period ending in March), so the tuition support increases needed to meet or exceed these numbers. The final budget is approximately 3.5 percent each year—far surpassing all expectations that we've had for the months leading up to and during the session. More details on HB 1001 will be provided below.

Please note, ISBA will issue a more comprehensive 2021 session scorecard report on Friday, April 30. The session scorecard report will provide details of ISBA's legislative agenda that were supported through bills that have passed into law, as well as issues that we advocated for that fell short of passage this session. In addition, in the next few weeks we plan to provide detailed guidance on particular bills that impact school board governance matters (e.g., HEA 1437).

ISBA Bill Tracking List

To view the ISBA Bill Tracking List, click [HERE](#). A few bills died this week, and others have been removed from this tracking list that were deemed non-germane to K-12 education in the final enrolled acts. Overall, ISBA began tracking 179 bills at the start of session, then 61 bills in the second half of the bill process, and the final count of bills on the list that will become law is 40.

Summary of HEA 1001, the State Budget

Overall, this is a good budget in that the annual increases for traditional public education are about 3.5% each year when using the Fiscal Year '21 appropriation amount of \$7.51 billion (not the allocation amount based on the decline of 14,000+ students in statewide ADM) as well as after deducting for the annual increase for Choice Scholarship, charter schools, and virtual charters. When using the FY '21 tuition support appropriation amount of \$7.51 billion, the tuition support increase in

FY '22 is 4.6% to \$7.86 billion, or a difference of \$345.6 million. When deducting the increases of \$55 million for the Choice Scholarship Program, the \$3 million for the establishment of the ESA program, and a \$28 million increase for charters/virtual charter schools, the balance of the tuition support increase is \$259.6 million, or a 3.46% increase for K-12 public schools. The FY '23 tuition support increase is 4.3% and goes from \$7.86 billion to \$8.2 billion, or a difference of \$340 million. When subtracting the FY '23 increases for the school choice options of \$70 million, the balance of the tuition support increase for traditional public schools is \$270 million. Thus, the FY '23 increase over FY '22 for traditional public schools is 3.44%. Over the two years, when carry over the first-year increase into the base of the second year, the total new monies for traditional public schools from the FY '21 figure is \$789.2 million. That is tremendous!

The other “good news” for K-12 education is that the budget includes the increase in special education, ELL funding, CTE funding restoration for the “less than moderate value” programs, and virtual funding at 85% for full-time virtual programs, including virtual charter schools. In particular, the special education funding increases in the tuition support formula are significant, at 5 percent in FY '22 and at 10 percent in FY '23. The per student funding amount for special needs students in the “severe” category will increase from \$9,156 in FY '21 to \$10,575 in FY '23. For the “moderate” category, the per student amount will increase from \$2,300 in FY '21 to \$2,657 in FY '23. The non-English speaking grant program was increased by \$5 million to \$27.5 million/year.

The “bad news” includes the expansion of Choice Scholarships to qualify upper middle-class families at 300% of FRL income eligibility and elimination of the 50% and 70% award tiers (moving all voucher recipients to 90%), expansion of the SGO tax credit, ESA program creation, the charter school facility grant increase from \$750/student to \$1,250/student in FY '23. The Choice Scholarship grant funding increases by a staggering 32% from FY '21 to FY '22, and another 16% from FY

'22 to FY '23, if projected student enrollment increases are realized. It is also bad news that the final budget didn't include the Senate's version of the Complexity Index adjustments.

Dissecting the numbers further, you may have heard or read about the total new money for K-12 education totaling \$1.9 billion over the next two years. This figure comes with a significant footnote that \$600 million of this figure is for the paydown of the pre-1996 Teacher Retirement Fund liability, a state obligation. None of the \$600 million will come to school corporations to use for Education Fund expenditures or teacher compensation increases. Another \$150 million will be used for the Student Learning Recovery Grant Program, to address COVID-19 learning loss. HEA 1008 establishes this grant program and stipulates that all federal stimulus and pandemic recovery monies received by school corporations must be spent first before a school corporation can use the state grant funds. The Indiana Department of Education has the duty to define "eligible entities" for the grant program and it is possible that school corporations will not be a direct grant recipient of these funds. If we do receive grant funding directly, it is exempt from use for collective bargaining. In addition, the grant is not considered revenue in the school corporation's Education Fund for purposes of determining whether the school corporation is in a position of deficit financing.

Overall, when looking at this two-year budget, the funding for traditional public education far surpasses any budget numbers that we've anticipated from the onset of the pandemic and even in recent months. It is disappointing from the perspective that before 2011, 100% of tuition support went to public schools, and now more than \$227 million in FY '22 and \$264 million in 'FY 23 will go to the Choice Scholarship voucher program. What public school advocate would be happy with the diversion of these funds away from the more than 1 million students we serve?

Grassroots Advocacy at Work

Thanks to you, our ISBA members, for your active engagement in grassroots advocacy this session. You responded in volume to several call-to-action alerts. Our united and visible efforts led to the defeat of a number of adversarial bills (that will be spotlighted next week), passage of many pro-public education measures, and tremendous funding increases for public schools. Yes, there were also legislative losses this session.

There are many legislators to thank for the support of public education. I will spotlight some of these champions in the session scorecard report next week as well. We will want to be sure to thank these policymakers for their help.

Member Meeting Webinar

Lisa Tanselle, General Counsel, and I will be reviewing many of the new K-12 education laws and answering your questions about the 2021 session during our live Spring Member Meeting Webinar on May 12, 6 p.m. EDT. If you haven't already registered, please do so at: <https://web.isba-ind.org/events/ISBA-Spring-Member-Meeting-Webinar-1944/details>