

2024 Legislative Session - Short Session Ends With Focus on Workforce Development, Education. Fiscal Issues On Hold Until 2025

The Indiana General Assembly adjourned the “short” session on the evening Friday, March 8, 2024. While the session was labeled as short, that does not mean it was uneventful. A total of 756 bills and resolutions were introduced. In the final analysis, only 172 were passed and sent to Governor Holcomb for his signature. That is still a fair amount of legislation to be passed in a short ten weeks. For his part, the Governor only vetoed one bill, an education bill containing anti-discrimination language.

On the tax side, only minor tweaks to local income taxes and property taxes were passed, most making little discernable impact. Several local food and beverage and Innkeepers’ taxes were approved, as well as administrative bills from the Department of Local Government Finance and the State Board of Accounts. These bills will certainly impact local government finance officers, but will be little noticed outside of fiscal experts.

The General Assembly has opted to continue to let the State and Local Tax Review (SALTR) Task Force complete its work before digging in on state and local taxation in the 2025 budget session. Look for that group to take up its second year of work and study in April 2024. Issues that were introduced in legislation that were instead ultimately assigned to SALTR include:

- The possibility of extending the 4% cap on the Maximum Levy Growth Quotient or MLGQ (the factor that determines growth in property tax levies) one additional year so levy growth would be capped through 2026. Without the cap, the MLGQ would rise above 5%.
- Looking into adjusting the language around assessments on apartments, allowing assessors to use the trending factors and adjustments in the DLGF assessment manual to clear up issues raised by assessors on apartment assessments that could have had a large fiscal impact to some communities.

The Funding Indiana’s Roads for a Stronger, Safer Tomorrow (FIRSST) Taskforce was extended another year, after not making any recommendations in 2023. It has also been asked to investigate how to deal with electric vehicles regarding revenue and the road funding formula.

For a primer on the SALTR and FIRSST groups’ work through 2023, you can refer to IFPI’s [2023 Interim Study Wrap-Up](#).

Regarding non-tax policy issues, education (K-16) received the most legislative attention. However, barring headline-grabbing education legislation, there are still plenty of bills, particularly those dealing with higher education and workforce development, which are relevant, especially when we look to the 2025 budget session.

In 2023 and 2024, lawmakers began taking small steps to building out youth workforce programming, including youth apprenticeship, in high school (refer to our recent primer on HEA 1002 (2023) [here](#)). It is reasonable to foresee that K-12 funding and funding for career and technical education and high school workforce programming will be a marquee subject in the 2025 Indiana budget negotiations.

One bill from Senate Appropriations Chair Ryan Mishler that received a hearing only for discussion purposes, [would overhaul school choice funding](#). During the Senate hearing the discussion centered around merging the different programs – career scholarship accounts, education scholarship accounts, and CHOICE programs would be merged with the stated goal of providing parents with greater flexibility. We can expect a version of this conversation to continue through 2025.

A sleeper issue of sorts is the ongoing administrative law reform that has taken place over the last several years. Expect to hear more in-depth analysis on this and some of the other following issues over the next months as IFPI prepares for the 2025 budget session.

STATE TAX AND REVENUE LEGISLATION

[SEA256](#) made several changes to the way the Indiana Economic Development Corporation (IEDC) administers their Innovation Development Districts (such as the [LEAP](#) district in Boone County). Specifically, these districts (which operate very much like tax increment financing districts) may be layered on top of an existing allocation area if the State Budget Committee and local government leaders agree to it, with some restrictions.

The bill also extends the Funding Indiana's Roads for a Stronger, Safer Tomorrow Task Force (FIRSST) for an additional year. A provision was added in the waning days of the session that requires the Indiana Gaming Commission to bring large spending projects in front of the State Budget Committee.

[SEA228](#) makes a variety of technical changes to several taxes. One interesting change is streamlining the conditions required for out-of-state retail merchants to collect Indiana Sales Tax (known as the Sales Tax Nexus). With the changes in the bill, all merchants who have gross Indiana revenue exceeding \$100,000 will be required to collect Indiana Sales Tax. This change will reduce Sales Tax revenue by as much as \$7 million. The bill also allows restaurants to claim an exemption equal to 50% of the Sales Tax imposed on purchases of electricity, reducing state revenue by up to \$14.7 million.

Conversations around property tax policy is evergreen at the Statehouse, but [HEA1120](#) only made minor changes to the system. Most of the critical property tax issues were assigned to the SALTR task force to review in 2024. The bill did create a new process for challenging controlled projects where the scope of the project changes after going through the petition and remonstrance process.

[SEA221](#) is a State Board of Accounts technical correction and clean-up bill. [SEA190](#) makes changes to the State Disaster Relief Fund, making it possible for local governments to draw down more funding when disasters strike.

LEGISLATION IMPACTING LOCAL GOVERNMENTS

[SEA183](#) gives counties the option to exempt mobile homes and manufactured homes from property taxes. If implemented statewide, this could impact \$23.9 million of property tax revenue. (note that the assessed value, or AV, for mobile homes and manufactured homes are not factored into a county's total net AV base, meaning that this provision will decrease county revenues, but will not shift the taxing burden to other types of properties).

[SEA33](#) makes changes to local income tax (LIT) for public safety and provides clarification and limitations on allowable uses for the judicial system LIT (covering "courtroom costs"). The language addressing public safety LIT may result in LIT revenue shifts among eligible civil units.

[HEA1121](#) makes changes to Local Income Tax (LIT) councils and increases the amount of LIT that may be used for operating costs for correctional facilities, the bill allows qualified counties to adopt a LIT to pay for acute care hospitals within their jurisdictions. The bill also allows Hammond and Cicero to implement food and beverage taxes; Perry County and Grant County to implement special purpose LITs; and Knox County to implement an increased rate for its Innkeepers' tax. The bill also addresses LIT distributions in the event of consolidation of fire protection districts. [SEA238](#) authorizes County Innkeepers' Tax rate increases in Jefferson County and Elkhart County.

[HEA1199](#), as introduced, would remove the ability of Indianapolis to implement an Economic Enhancement District in the Mile Square (which was a tool provided to the Capital City in the 2023 budget bill). After a series of contentious committee meetings and some [remarks](#) made during the NBA All Star Weekend held in Indy, the General Assembly instead opted to provide a more constrained funding mechanism for the city, which would exempt apartment owners from paying any fees owed to the EED. It will also require Indianapolis to hold a public hearing and get approval again from the City-County Council to institute such a district. The EED may also only exist for 10 years, meaning that Indianapolis will have to ask the legislature to reauthorize the EED before 2034. See IFPI's commentary on the introduced version of HB 1199 [here](#).

[HEA1328](#) is a broad agency bill from the Department of Local Government Finance (DLGF), including various very technical provisions. DLGF will likely provide continuing education on the provisions in this and other bills in their [monthly educational webinars](#).

PENSION MATTERS

[HEA1004](#) provides a 13th check for retired teachers and public employees. These retirees will receive between \$150 to \$450 (based on years of service) by October 2024. The total cost of this benefit will be \$34 million for one year. The legislation requires the Indiana Public Retirement System (INPRS) to charge employers (schools and government units) a surcharge to pre-fund future 13th checks and 1% cost of living increases for employees who retire after July 1, 2025 (as a general rule, 13th checks benefit older retirees and cost of living increases are better over the course of a retirement for younger retirees). This bill is a first step in automating these retirement benefit increases moving forward. According to the fiscal note on the bill, there are an estimated 175,000 Hoosier public retirees. In the past, the 13th check has been approved by the Indiana General Assembly over the years, to provide an end-of-the year pension benefit bonus for retirees, but the General Assembly opted not to award this pension benefit bonuses in 2023, a decision that surprised many retirees who have come to depend on them.

GOVERNMENT REFORM

[HEA1026](#) streamlines definitions, staffing, mileage reimbursement, and per diem allocations for task forces, committees, boards, and councils where these functions are not currently specified. It specifies the differences, including duties and responsibilities relating to the operations for various task forces, committees, boards, and councils. While dry, this is pretty good piece of legislation, by formalizing this in code and by providing a standard framework. The hope is that any new entities will follow this framework moving forward.

Several bills address public notice and public meeting requirements. [HEA1338](#) limits the authority of the Indiana Public Access Counselor, and provides more autonomy for local agencies to adopt their own rules and policies governing the conduct of their meetings. It clarifies law enforcement authority to remove disruptive individuals from public buildings and offices if they are in violation of the functioning i of those buildings. It also reinforces the ability of local units to establish policies governing the conduct and decorum of public meetings. [HEA1204](#) allows public notices to be advertised on an eligible newspaper's website if the website is regularly updated. If it is not, the unit can advertise on their own website. [HEA1328](#) (the DLGF mega bill) allows additional appropriations to be advertised on the state's Gateway website instead of being published in a newspaper. Finally, [SEA252](#) changes the definitions for which local newspapers qualify for publishing public notices, potentially increasing the number of newspapers in which local units can publish.

[SEA148](#) was a bill requested by the Indiana Department of Workforce Development. It requires that all agencies who administer “workforce-related programs” must collect identical outcome data on their programs and must report that data to the Management Performance Hub annually. This bill impacts the Department of Workforce Development, the Governor’s Workforce Cabinet, the Indiana Commission for Higher Education, the Department of Education, and the Family and Social Services Administration. This bill will allow the state to measure the impact and effectiveness of all workforce programming, based on a common set of data metrics.

While technically an education bill, [SEA211](#) requires the state to create an Excellence in Civic Engagement designation for schools. This language is applauded by many advocates, as an opportunity to increase civic education for Hoosier students.

LEGISLATION IMPACTING HEALTHCARE COSTS

[HEA1067](#) is an expansive bill that will impact the Family and Social Services Administration (FSSA) and their administration of Medicaid, and disability and rehabilitation services. The bill will have a direct impact on reimbursements for community mental health centers, if Indiana is approved as a Demonstration Program state (which requires a Medicaid state plan amendment or waiver from the federal government).

[SEA9](#) requires locally owned health care entities to submit notice of a merger with total assets of at least \$10 million to the Attorney General. There is some debate that mergers lead to higher healthcare costs for Hoosiers (for more information, refer to the [2023 work](#) of the Health Care Cost Oversight Task Force).

[SEA215](#) makes supplemental Medicare policies available to people younger than 65 if they have a federally defined disability or end stage renal disease. This will expand access to these policies in Indiana.

WORKFORCE AND EDUCATION LEGISLATION

[SEA1](#) tightens the state’s policy for reading remediation (initially, through mandatory summer school) and holding back younger students who do not demonstrate reading proficiency by third grade, unless they meet one of a few exceptions (such as an Individualized Education Plan, or IEP). Advocates for English learners warn that the state could run afoul of federal law by retaining students only for a lack of English proficiency. For context, 1 in 5 third graders are not reading proficiently, and it is estimated that this bill will result in 7,050 students repeating third grade in FY 2026. Meanwhile, [SEA6](#), a companion bill, would require the Indiana Department of Education to identify older students who don’t read proficiently.

SEA270 clarifies that school districts must close underutilized buildings and make them available to charter schools for \$1. It also requests the Commission for Higher Education to report on the feasibility of granting Ivy Tech Community College the ability to confer baccalaureate degrees and allowing Vincennes University the ability to offer additional bachelor's degree programs.

HEA1001 makes tweaks to the sweeping program passed last year in HEA1002 (2023) meant to reshape the high school experience. Specifically, it allows Career Scholarship Accounts to be used to pay for driver's license and expands Education Scholarship Accounts to siblings of a student with disabilities. It also makes teacher training eligible for the Next Level Jobs Employer Training Grant. Earlier versions of this bill would have diverted 21st Century Scholars and Frank O'Bannon funding to be used for high school Career Scholarship Accounts. While this language was ultimately removed from the bill, we should expect this issue to come up again in 2025.

HEA1093 removes all remaining provisions in child employment law where Indiana statute was more stringent than federal rules, allowing students more opportunities for employment outside of school hours. Opponents of the bill are concerned about unintended consequences for these youth.

HEA1179 requires higher education institutions to disclose foreign gifts and contracts to the Indiana Commission for Higher Education and the Commission is to make that disclosure information available to the public.

HEA1243 and HEA1380 are two omnibus K-12 education bills, broadly outlined below:

HEA1243:

- Requires the establishment of a new standard Indiana diploma by October 2028.
- Establishes curriculum requirements for computer science and internet safety.
- Extends personal finance curriculum to 8th graders.
- Requires schools to adopt policies on habitually truant students participating in extracurricular activities.
- Clarifies that literacy achievement grants are not subject to collective bargaining.
- Creates professional development and curricular resources for mathematics.

HEA1380:

- Prohibits schools from charging a fee for out-of-district transfer students.
- Expands the Indiana Learns program for tutoring support beyond 2026.
- Innovation Network Schools will receive 100% of their state tuition support dollars and may not be charged above a certain amount for goods and services.
- The Department of Education will establish pilot programs on student transportation and school facilities.
- Universities must publicize information about hazing incidents.
- The Commission on Seclusion and Restraint will meet twice per year and adopt a policy requiring schools to minimize or eliminate the use of time-outs.

SEA8 requires all state public higher education institutions to begin offering options for three-year baccalaureate degrees by July 1, 2025. It also opens the door to four-year institutions to begin offering associate degrees, by asking each public institution to submit a report outlining how that might work. Last, the bill requires all Indiana K-12 public high schools to offer college-level 30 credit general education coursework that is transferrable to all Indiana public higher education institutions. This coursework, now known as the Indiana College Core, is available at half of Indiana high schools currently.

OTHER LEGISLATION OF INTEREST

SEA2 is a comprehensive childcare expansion framework bill without additional funding (that may happen in next year's state budget). The bill expands eligibility of childcare vouchers and On My Way Pre-K vouchers to children of childcare employees. It requires the state to investigate ways in which childcare regulations might be streamlined, and requires the state to implement a childcare micro facility pilot program. HEA1102 is another childcare bill that makes changes to small home-based childcare requirements. It allows certain childcare programs at schools to provide services to business employees' children when the business enters into a contract with the school and certain conditions are met.

HEA1277 requires the Indiana Broadband Office to first submit recommendations to the State Budget Committee, prior to making subgrants to broadband service providers from the federal Broadband Equity, Access, and Deployment (BEAD) Program.

HEA1278 is a technical cleanup bill of old provisions associated with the Indiana Utility Regulatory Commission (IURC) and the Office of Energy Development. It also makes changes to the rules around how local governments are certified to be a commercial solar energy ready community or a wind energy ready community. Last, the bill clarifies utility rate cases, and public hearing requirements for the IURC.

HEA1417 requires the Indiana Department of Agriculture to conduct an economic impact study based on the lost farmland report, due on July 2024. The report will survey all farmland lost from 2010 through 2022, and the causes for the loss. The new required economic analysis will be due July 2025.

SEA150 creates a statewide task force to study and assess the use of Artificial Intelligence (AI) technology by state agencies, and provides a framework for state agencies, schools, and local governments to create related policies.

About the Indiana Fiscal Policy Institute

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