

HEA 1009 - 2017

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HEA 1009 - 2017

- Passed during the 2017 legislative session.
- Signed by Governor Holcomb April 28, 2017.
- Overhauls school corporation financial reporting and budgeting.
- Most of the act is effective January 1, 2019



HEA 1167 - 2018

- Passed during the 2018 legislative session.
- Signed by Governor Holcomb March 19, 2018.
- Technical amendments to HEA 1009-2017.
- The act is effective January 1, 2019



HEA 1009 Major Provisions

- Eliminates the following funds:
 - General
 - Transportation
 - Bus Replacement
 - Capital Projects
 - Art Association
 - Historical Society
 - Public Playground
 - Racial Balance



HEA 1009 Major Provisions

- Calls for the establishment of the following funds:

IC 20-40-2-2

- Establishment of education fund
- The governing body of each school corporation shall establish an education fund for the payment of expenses that are allocated to student instruction and learning under IC 20-42.5.

IC 20-40-18-1

- School corporation operations fund created
- The governing body of each school corporation shall create an operations fund to be used by the school corporation after December 31, 2018.



HEA 1009 Major Provisions

- **IC 20-42.5**
 - Created in 2006 by HEA 1006
 - 4 Categories of Expenditures:
 - 1 & 2: Education Expenditures
 - 3 & 4: Operation Expenditures
 - 65% Solution



Chart of Accounts

- State Board of Accounts must develop a chart of accounts for use by school corporations.
- Chart of accounts must provide the ability to determine expenditures made at and for each individual school building of a school corporation.
- Chart of accounts effective date: 1/1/2019.





Education Fund



Education Fund

- IC 20-40-2-3: Distributions of tuition support shall be received in the education fund.
- IC 20-40-2-4: Generally speaking, the education fund shall be used only for expenses allocated to student instruction and learning under IC 20-42.5.

Note: The fund may not be used to pay directly any expenses that are not allocated to student instruction and learning under IC 20-42.5 or expenses permitted to be paid from the school corporation's operation fund.



Education Fund

- Teacher Salaries and Fringe Benefits
- Principal Salaries and Fringe Benefits
- Special Programs: CTE; Gifted & Talented; Special Education; Summer School; Remediation
- Guidance Counseling, Nurses, Speech Pathology
- Classroom Supplies and Equipment
- Educational Media Services





Operations Fund



Operations Fund

Generally used to pay non-academic expenses and consolidates the following funds and levies:

- Transportation
- Bus Replacement
- Capital Projects
- Art Association
- Historical Society
- Public Playground
- Racial Balance



Operations Fund

- 2019 Max Levy for transportation and bus replacement funds = 2018 maximum after eliminating temporary adjustments *AVGQ.
- Years after 2019: Prior maximum levy after eliminating temporary adjustments *AVGQ.



Operations Fund

- Former Capital Project Fund
 - 2019 capital projects levy = (2018 maximum rate + 2018 Utility and Insurance Rate) times (Assessed Value / 100 * AVGQ)
 - *Note 1:* that this will remove the rate-controlled element of the capital projects fund.
 - *Note 2:* Utilities and Insurance Adjustment will be a one-time, permanent adjustment for 2019.



AVGQ – AV Growth Quotients

- Nothing to do about assessed valuation
- 6-year non-farm income adjustment
- Developed by State Budget Agency
- 4% in 2019



Operations Fund

- Expenditures
 - Transportation
 - Bus Replacement
 - Capital Projects
 - General Fund Operational
 - Business Office
 - Human Resources
 - Utilities
 - Custodial & Maintenance
 - Property Insurance



Operations Fund

- Schools must still file the resolutions establishing the following plans with the Department of Local Government Finance
 - Capital Projects Plan
 - School Bus Replacement Plan



Capital Projects Plan

- Capital Projects Plan
 - DLGF prescribes the format. Plan must:
 - include all proposed expenditures that exceed ten thousand dollars (\$10,000) and are for:
 - (1) capital assets; or
 - (2) projects that are considered capital in nature including technology related projects.



Operation Fund Expenditures

- Expenses previously reported on the Capital Project Plan will be made from the Operation Fund, but not listed in the new Plan format.
 - Rental of real estate, buildings, facilities, and equipment.
 - To repair and replace certain buildings and fixtures.
 - Equipment valued under \$10,000
 - Site Services contracts
 - Janitorial
 - Custodial
 - Snow and ice removal
 - Utilities
 - Property and casualty insurance



Other HEA 1009 provisions

IC 20-40-2-6

Transfers from education fund to operations fund

- Only after the transfer is authorized by the governing body in a public meeting with public notice, money in the education fund may be transferred to the operations fund to cover expenditures that are not allocated to student instruction and learning.

HEA 1167 – Section 29

- A school corporation may, by resolution, transfer to its education fund or operations fund money that has been deposited in its rainy day fund.



Transfers

- On January 1, 2019, the school corporation is required to transfer the balance of the General Fund to the Education fund.
- On January 1, 2019, the school corporation is required to transfer the balance of the Capital Projects Fund, Transportation Fund, and Bus Replacement Fund to the Operations Fund.
- Before March 1, 2019, the corporation can transfer a portion of the General Fund balance that has not been allocated to educational expenses to the Operations Fund at a public meeting and reported to IDOE.



Other HEA 1167 Provisions

Section 15

- a) Any balance in the operations fund may be invested in the manner provided for investment of money by a political subdivision. The net proceeds from the investment become a part of the operations fund.
- b) Any balance, or a part of the balance, remaining in the operations fund at the end of a year may be:
 - 1) retained in the operations fund; or
 - 2) transferred to the school corporation's rainy day fund



HEA's 1009 & 1167

No changes to:

- Debt Service Fund
- Federal Funds
- Rainy Day Fund
- Protected Taxes Waiver
- Pension Neutrality
- State Tuition Support & Formula
- Budget Preparation
- Property Tax Forms

