

INDIANA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
2018 HEA 1009 WORKSHOPS
Frequently Asked Questions

1. What is the Assessed Value Growth Quotient (AVGQ)?

The AVGQ is the average growth in non-farm assessed value over the past six years. The State Budget Agency calculates the AVGQ every year.

2. How is the 2019 Operations Fund maximum levy calculated?

The 2018 Maximum Levy (less pension neutrality) for the Transportation Fund and School Bus Replacement Fund x AVGQ plus the 2018 maximum levy for the Capital Projects Fund including the excessive levy for utilities and property insurance x AVGQ will be the 2019 Operations Fund maximum levy. The levy used will be the maximum levy not the certified levy for each of the funds.

3. How does the 2019 Operations Fund calculation differ from the 2018 Capital Projects Fund calculation?

The Operations Fund will be a levy-controlled process rather than a rate-controlled process.

4. What are the 2019 requirements for the Capital Projects Plan and Bus Replacement Plan?

1. The Capital Projects Plan and Bus Replacement Plan must be placed on the district's website prior to the budget hearing. (Public notice of the hearing is still required although newspaper advertising of the plans is not.)

2. The Capital Projects Plan and Bus Replacement Plan must be submitted to the DLGF even though the plans no longer need to be approved by the agency.

5. What if the district amends either plan during the calendar year?

The amended plan(s) must be posted on the district's website prior to board action and must also be submitted to DLGF.

6. What has changed regarding the Capital Projects Plan?

The Capital Projects Plan should contain only planned expenditures for capital assets (e.g. equipment, service vehicles, technology, etc.) for which the value of each asset exceeds \$10,000.

7. What about the personnel costs and services that will be paid from the Operations Fund?

The Operations Fund budget should include all expenses for personnel, services, maintenance and purchase of fixed assets. Therefore, the Operations Budget portion dealing with capital project expenditures will exceed the Capital Projects Plan which is limited to depreciable capital assets.

8. What has changed regarding the Bus Replacement Plan?

The Bus Replacement Plan is now a 5- year plan rather than a 12-year plan.

9. How will the Pension Debt Service Fund be neutralized?

The Pension Debt Service Fund will be neutralized by the Operations Fund.

10. Will the 2019 budget forms be changed?

There should be no material changes to the 2019 budget forms. Note: There will be one Form 4B for the Operations Fund (in other words, one levy for Capital Projects, Transportation and Bus Replacement).

11. Will DLGF supply estimated maximum levies?

DLGF anticipates supplying estimated maximum levies by July 15, 2018.

12. Will the property tax cap waiver be available for 2019?

Yes, the property tax cap waiver is currently applicable through 2019.

13. What is the Operations Fund maximum amount that may be spent on athletic facilities?

Maximum expenditures in a calendar year may not exceed 2.7% of property taxes levied for the fund in a calendar year.

14. Are equipment lease or lease operating payments permitted through the Education Fund?

No. Equipment lease or lease operating payments must be expended in the Operations Fund.

15. Has the process changed for the acceptance and processing of additional appropriations?

No, the additional appropriations process is unchanged. Requirements include public notice, local board approval and DLGF approval.

16. What are the components of the new account number (string)?

Fund| Function| Object| Building (4 digits)| Location (2-digits)

17. Will HEA 1009 impact encumbrances?

No. Encumbrances are purchase orders issued to function accounts. The district's financial software should use the function accounts to place the encumbrances in the appropriate funds consistent with HEA 1009 as directed by the State Board of Accounts revised chart of accounts.

18. What transfers are required or permitted by HEAs 1009 and 1167?

1. *An initial transfer must be made on January 1, 2019 to transfer the December 31, 2018 General Fund balance to the Education Fund.*
2. *An initial transfer must be made between January 1 and March 1, 2019 from the Education Fund to the Operations Fund for expenditures previously made through the General Fund, such as the business office, utilities, custodians, etc.*
3. *An initial transfer must be made on January 1, 2019 to transfer the December 31, 2018 Capital Projects Fund, Transportation Operating Fund and Bus Replacement Fund cash balances to the Operations Fund.*
4. *Transfers may also be made to/from the Education Fund and to/from the Operations Fund.*
5. *Transfers may also be made to/from the Rainy Day Fund to either the Education Fund or Operations Fund.*

19. What board resolutions are required or suggested?

1. *Board should pass a resolution to establish the Education Fund and the Operations Fund. (Suggested timing is prior to the budget hearing). Note: The actual use of and funding of these funds does not occur until January 1, 2019.*
2. *Board must pass a resolution to move the December 31, 2018 General Fund balance to the Education Fund on January 1, 2019.*
3. *Board must pass a resolution to establish the amount of money to be transferred from the Education Fund to the Operations Fund on time-specific basis (i.e., monthly, quarterly, semiannually, or annually). Note: The resolution may be amended during the year as financial circumstances may change.*
4. *Board must pass a resolution for transfers from the Operations Fund to the Education Fund.*
5. *Board must pass a resolution to transfer to/from the Rainy Day Fund.*
6. *Board must pass a resolution for any additional appropriation.*
7. *Board must pass a resolution to amend the Capital Projects or Bus Replacement Plans.*

20. How do HEAs 1009 and 1167 impact collective bargaining?

There should be no impact.

1. *Local districts are strongly encouraged to only consider the state tuition monies that remain in the Education Fund after the transfer to the Operations fund for bargaining purposes.*

2. *Local districts are strongly encouraged to accurately fund the Operations Fund through Education Fund transfers. It will be important to avoid under or over-funding the Operations Fund.*
3. *Transfers from the Operations Fund to the Education Fund should not be considered for bargaining purposes.*
4. *Transfers from the Rainy Day Fund should be considered “one time” monies and should not be used to augment base salaries or benefits.*

21. Do HEAs 1009 and 1167 impact Gateway?

There should be no impact.

22. Will HEAs 1009 and 1167 impact audits by the State Board of Accounts?

There should be no impact. SBOA encourages you take appropriate board action and to maintain all related resolutions and supporting work.

23. Will it now be permissible to make expenditures directly from the Rainy Day Fund?

Yes, this is a move to add flexibility and efficiency.

24. Does the Curricular Materials Fund (Textbook Rental Fund) continue to be a stand alone fund?

Yes

25. Will the transportation and bus replacement appeals continue?

Yes. The factors that can be used for the transportation appeal will now include a cost increase due to restructuring or redesigning transportation services due to a need for additional, expanded, consolidated, or modified routes and a labor cost increase due to a labor shortage.

26. Is permissible for the Board of Education/Board of School Trustees to adopt a resolution to establish the Education Fund and Operations Fund before January 1, 2019?

Yes. It is both permissible and advisable for the local board to adopt a resolution to establish the Education Fund and Operations Fund prior to January 1, 2019. This action might logically occur prior to the 2019 budget hearing, as the 2019 budget will establish revenues and appropriations for each of the funds.

27. Will the dollar amount of the Operations Fund budget exceed the Capital Projects Plan?

A: Yes. The Capital Projects Plan is to only include capital assets in excess of \$10,000. IT is possible that you are not planning to purchase a single asset in excess of \$10,000; however, the Operations Fund still needs appropriations for operating overhead, student transportation and bus replacement. (Please see categories 3 and 4 in the State Board of Accounts proposed Chart of Accounts as found on the IASBO website.)

28. Are there new qualifications that assist with a transportation appeal?

Yes, there are two new qualifiers: 1) Need for additional routes resulting from school closures; 2) Labor cost increase due to labor shortage.

29. Is it permissible to transfer funding and expenditures from the Operations Fund to the Education Fund?

It is possible to transfer money from the Operations Fund to the Education; however, expenditures for categories 3 and 4 must remain in the Operations Fund.

30. Will referendum fund levies be combined with the Operations Fund?

No, the referendum fund levies will remain separate and apart from the Operations Fund levy.

31. When posting the calendar of serial school board meetings, will including mention of the possibility of fund transfers meet the requirement to provide notice of transfers?

The Department of Local Government Finance will submit the question for legal review. There is no answer at this time.

32. What building number should be used in the account number string when a building number has not been assigned or is not readily apparent?

State Board of Accounts suggested using either 0000 or the 4-digit district number.

33. Regarding the calculation of maximum levy, what happens if your AV grows faster than AVGQ?

AVGQ is the maximum permitted by statute.

34. Will the transfer tuition calculation change?

No, the calculation will not change, although the Form 515 may be revised.

35. Will the Bus Replacement Plan template be the same?

There will be no material changes in the Bus Replacement Plan template.

36. What is the difference between controlled projects fund numbers 170 and 292?

Fund number 170 is for new controlled projects issued after 1/1/19. Fund number 292 is for controlled projects issued prior to 12/31/18. The two funds should not be combined.

37. Will eRate revenues and expenditures be accounted for in the Operations Fund?

No, eRate revenues and expenditures will continue to be accounted for in Fund 3720.

38. Can expenses be transferred from the Operations Fund to the Education Fund?

No, expenses may not be transferred, only funding.

39. Will Referendum funds be levied separately or as part of the Operations Fund?

Referendum Fund(s) will be levied separately. The Operations Fund levy will represent the combined levy for the former Capital Projects, Transportation Operating and Bus Replacement Funds.

40. Will the Rainy Day Fund still require a separate Budget Form 4B to establish appropriations?

Yes, a separate Budget Form 4B will continue to be required for the Rainy Day Fund.

41. How and when will IDOE require reporting of transfers between funds (e.g., Education Fund, Operations Fund, Rainy Day Fund, etc.)?

IDOE will require a report of transfers to accompany the semiannual Financial Form 9s. You should include the dollars transferred and the reason for the transfer.

42. When will the State Board of Accounts finalize the Chart of Accounts?

No later than December 31, 2018.

43. Do school buses need to be included in the Capital Assets Plan since they cost more than \$10,000?

No, school buses are represented by the Bus Replacement Plan and do not need to be included in the Capital Assets Plan.

44. Does the \$10,000 minimum apply to individual assets or the aggregate amount of similar assets in determining what to include in the 2019-2021 Capital Assets Plan?

The statute requires the inclusion of only individual assets that meet or exceed the \$10,000 minimum.

45. What are schools required to advertise in the newspapers regarding the 2019 budget?

Nothing is required to be advertised in the newspapers. Rather, the Notice of Hearing and Notice of Adoption are to be posted on DLGF's Gateway for all taxpayers to view.

The district website should include the Capital Projects Plan, the Bus Replacement Plan and a link to DLGF's Gateway.

46. With the creation of the Operations Fund effective January 1, 2019, is it still necessary for the board of school trustees to adopt a pension debt Neutrality Resolution?

No, a pension debt Neutrality Resolution is not required for the 2019 and future budgets. DLGF will apply the neutrality to the Operations Fund.

47. Does the 2019 Budget Hearing Notice need to be advertised in the newspapers?

A1: The hearing notice for the Capital Projects Plan will still need to be published in the newspapers, but only list the address of the school corporation website. There should be a DLGF template for the hearing notice.

A2: The hearing notice for the Bus Replacement Plan will still need to be published in the newspapers, but only list the address of the school corporation website. There should be a DLDF template for the hearing notice.

A3: As in the past, schools will still need to upload Form 3 to GATEWAY for notice of budget hearing.

48. Will a Notice of Adoption for the Capital Projects Plan need to be published after the school board adopts the 2019-2021 Capital Projects Plan?

IC 20-40-18-6 does not require a notice of adoption.

49. Should the capital assets and capital projects listings be prepared for one year or three years?

The capital assets and capital projects listings should be prepared for three (3) years.

50. Is it true that all Miscellaneous Taxes (Excise, CVET, FIT) must be receipted to the Operations Fund in 2019?

According to DLGF, they will not take exception to schools allocating excise tax revenue to multiple funds (Operations, Debt Service, etc.) consistent with provisions in IN Code Title 6. DLGF further acknowledges the IC-20-40-18-2 requires those amounts of excise tax revenue allocated to the Operations Fund is required to be deposited into the Operations Fund.

Note: SBOA will revise the Chart of Accounts to reflect this decision.

51. Is there a limit to the number of transfers that can be made to the Rainy Day Fund each year?

No, there is no limit to the number of transfers that can be made to or from the Rainy Day Fund each year.