
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: School Corporation Officials

FROM: Wesley R. Bennett, Commissioner

RE: Transfers between School Corporation Funds, House Enrolled Act 1397-2019

DATE: June 17, 2019

This memorandum addresses House Enrolled Act 1397-2019 (“HEA 1397”), signed into law by Governor Holcomb on May 5, 2019. Effective July 1, 2019, HEA 1397 makes changes to state law concerning transfers between a school corporation’s funds. This memorandum is for informational purposes and is not a substitute for reading the law.

Under current law, specifically, IC 20-29-6-2 and 3, a school board may not enter into a collective bargaining agreement that places the employer in a position of deficit financing. “Deficit financing,” as defined in IC 20-29-2-6, means expenses exceeding revenues from the education fund and (if applicable) a referendum tax levy under IC 20-46-1, but excluding transfers from the operations fund to the education fund.

HEA 1397 amends IC 20-29-6-3 so that a school board may pass a resolution indicating that a portion or percentage of money transferred from the operations fund to the education fund may be considered education fund revenue for purposes of funding a teacher contract and to determine whether a collective bargaining agreement would place the school corporation in a position of deficit financing. Therefore, if a school board authorizes a transfer from the operations fund to the education fund, it can also adopt a resolution stating that part or all of the transferred amount is considered “revenue of the education fund” if it is used for funding of a teacher contract. In effect, it would allow school corporations to offset increases in expenses from collective bargaining agreements with operations fund transfers, so as not to risk voiding an agreement. This resolution must be adopted by September 14 of a given year, and expires one (1) year after adoption.

HEA 1397 also amends IC 20-29-6-12.5 to require a resolution to include the following:

- (1) All transfers between the operations fund and the education fund.
- (2) A statement regarding whether or not the transfer is for the purpose of funding teacher contracts.

In addition, if a school board adopts this resolution, it must submit the resolution to the Department of Local Government Finance (“Department”) on or before November 1. The Department will provide guidance later this year on how to submit these resolutions.

Contact Information

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