



HEA 1009-2017

HB 1167-2018

Matthew Parkinson, Deputy Commissioner

March 14, 2018



Disclaimer

- This presentation is provided as a resource for interested parties. It is not a substitute for reading the law. In the event that this presentation and statute differ, statute controls.
- HEA 2017 – 1009
<https://iga.in.gov/legislative/2017/bills/house/1009>
- HB 2018 – 1167
<https://iga.in.gov/legislative/2018/bills/house/1167>



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 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

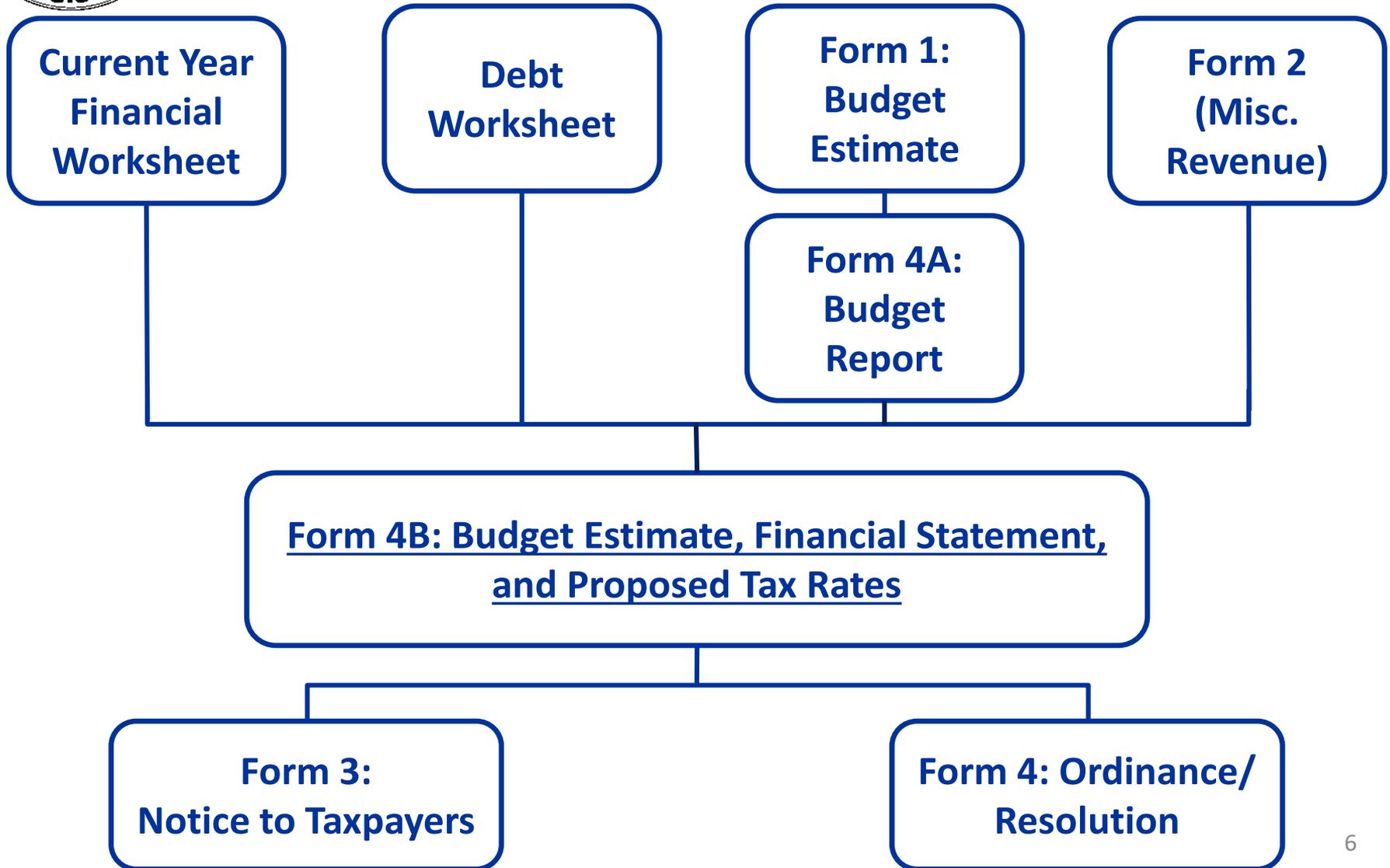
- Establishment of education fund
- The governing body of each school corporation shall establish an education fund for the payment of expenses that are allocated to student instruction and learning under IC 20-42.5.

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.



Budget Forms – Flow Chart





Budget Form 4B

Net Assessed Value ↘

Net Assessed Value \$ 175,000,000

Expenses

Funding

| Funds Required For Expenses To December 31st Of Incoming Year | | Published Amount | Adopted Amount |
|---|--|------------------|----------------|
| 1. Total budget estimate for incoming year ⓘ | | \$ 3,492,334 | \$ 0 |
| 2. Necessary expenditures, July 1 to December 31 of present year, to be made from appropriation unexpended ⓘ | | \$ 2,081,641 | \$ 0 |
| 3. Additional appropriation necessary to be made July 1 to December 31 of present year ⓘ | | \$ 0 | \$ 0 |
| 4. Outstanding temporary loans: | | | |
| a). To be paid not included in lines 2 or 3 ⓘ | | \$ 0 | \$ 0 |
| b). Not repaid by December 31 of present year ⓘ | | \$ 0 | \$ 0 |
| 5. TOTAL FUNDS required (add lines 1,2,3,4a and 4b) ⓘ | | \$ 5,573,975 | \$ 0 |
| Funds On Hand To Be Received From Sources Other Than Proposed Tax Levy | | Published Amount | Adopted Amount |
| 6. Actual cash balance, June 30 of present year (including cash investments) ⓘ | | \$ 1,924,370 | \$ 0 |
| 7. Taxes to be collected, present year (December settlement) | | \$ 716,446 | \$ 0 |
| 8. Miscellaneous revenue to be received July 1 of present year to December 31 of incoming year(Schedule on File): | | | |
| a). Total Column A Budget Form 2 ⓘ | | \$ 632,255 | \$ 0 |
| b). Total Column B Budget Form 2 ⓘ | | \$ 983,104 | \$ 0 |
| 9. TOTAL FUNDS (Add lines 6, 7, 8a and 8b) ⓘ | | \$ 4,256,175 | \$ 0 |
| 10. Net amount to be raised for expenses to December 31 of incoming year (deduct line 9 from 5) ⓘ | | \$ 1,317,800 | \$ 0 |



Budget Form 4B

**Calculates
Tax levy,
rate &
operating
balance**

| Proposed Tax Rate and Levy | Published Amount | Adopted Amount |
|--|------------------|----------------|
| 11. Operating balance (not in excess of expense January 1 to June 30, less miscellaneous revenue for same period) ⓘ <small>NOTE: Enter Lines 13a, 13b and 16 then press 'Save' button to calculate this value.</small> | \$ 250,000 | \$ 0 |
| 12. Amount to be raised by tax levy (add lines 10 and 11) ⓘ | \$ 1,567,800 | \$ 0 |
| 13a. Property Tax Replacement Credit from Local Option Tax ⓘ | \$ ██████████ | \$ ██████████ |
| 13b. Operating LOIT ⓘ | \$ ██████████ | \$ ██████████ |
| 14. NET AMOUNT TO BE RAISED BY TAX LEVY (deduct line 13a and 13b from line 12) ⓘ | \$ 1,567,800 | \$ 0 |
| 15. Levy Excess Fund applied to current budget ⓘ | \$ 0 | \$ 0 |
| 16. Net amount to be raised ⓘ | \$ 1,567,800 | \$ 0 |
| 17. Net Tax Rate on each one hundred dollars of taxable property ⓘ | 0.8959 | 0.0000 |

**Property
Tax Cap**

| | Advertised Amount | Adopted Amount |
|----------------------------|-------------------|----------------|
| Property Tax Cap Credits ⓘ | \$ 0 | \$ 0 |



Save/Calculate



Budget Form 4B

- Budget Form 4B – Financial Statement
 - Also known as the “16 Line Statement” or the “Fund Report.”
- Shows financial snapshot for an 18-month period.
- Two columns:
 - Advertised – Reflects budget, rate, and levy as prepared by the fiscal officer.
 - Adopted – Reflects budget, rate, and levy as approved by the fiscal body.



Budget Form 4B

- Provides estimated levy and tax rate per fund.
- Lines 1-10 pull in from other forms.
- Lines 11-17 are to calculate a property tax levy and rate. (Gateway Calculator can help!)



Budget Form 4B

Gateway Calculator available to help complete the bottom section

Enter the selected field and save

| | | |
|---|--|---|
| 10. Net amount to be raised for expenses to December 31 of incoming year (deduct line 9 from 5) ⓘ | \$ 1,317,800 | \$ 0 |
| <input type="radio"/> I want to make my own calculations for this Form 4B <input checked="" type="radio"/> I want to use the Gateway Calculator ⓘ <input checked="" type="checkbox"/> I acknowledge that I am responsible for verifying the accuracy of the information submitted to the Department through the Gateway website. I acknowledge that neither the Department of Local Government Finance nor the Indiana Business Research Center is liable for the calculations performed by the Gateway calculator. | <input type="radio"/> Enter Operating Bal. (Fill line 11) <input checked="" type="radio"/> Enter Levy (Fill line 16) <input type="radio"/> Enter Rate (Fill line 17) | <input type="radio"/> Enter Operating Bal. (Fill line 11) <input type="radio"/> Enter Levy (Fill line 16) <input type="radio"/> Enter Rate (Fill line 17) |
| Proposed Tax Rate and Levy | Published Amount | Adopted Amount |
| 11. Operating balance (not in excess of expense January 1 to June 30, less miscellaneous revenue for same period) ⓘ <small>NOTE: Enter Lines 13a, 13b and 16 then press 'Save' button to calculate this value.</small> | \$ <input type="text"/> | \$ 0 <input type="text"/> |
| 12. Amount to be raised by tax levy (add lines 10 and 11) ⓘ | \$ <input type="text"/> | \$ 0 <input type="text"/> |
| 13a. Property Tax Replacement Credit from Local Option Tax ⓘ | \$ <input type="text"/> | \$ 0 <input type="text"/> |
| 13b. Operating LOIT ⓘ | \$ <input type="text"/> | \$ 0 <input type="text"/> |
| 14. NET AMOUNT TO BE RAISED BY TAX LEVY (deduct line 13a and 13b from line 12) ⓘ | \$ <input type="text"/> | \$ 0 <input type="text"/> |
| 15. Levy Excess Fund applied to current budget ⓘ | \$ <input type="text"/> | \$ 0 <input type="text"/> |
| 16. Net amount to be raised ⓘ | \$ 1567800 <input type="text"/> | \$ 0 <input type="text"/> |
| 17. Net Tax Rate on each one hundred dollars of taxable property ⓘ | <input type="text"/> | 0.0000 <input type="text"/> |

Calculates Tax levy and rate



Save/Calculate



Budget Form 4B

- Gateway Calculator
 - Units may make their own calculations, or use the Gateway Calculator.
 - Enter Operating Bal. (Fill Line 11)
 - Enter Levy (Fill Line 16) - Most Common

| | | |
|---|--|--|
| <input type="radio"/> I want to make my own calculations for this Form 4B | <input type="radio"/> Enter Operating Bal. (Fill line 11) | <input type="radio"/> Enter Operating Bal. (Fill line 11) |
| <input checked="" type="radio"/> I want to use the Gateway Calculator  | <input type="radio"/> Enter Levy (Fill line 16) | <input type="radio"/> Enter Levy (Fill line 16) |
| <input checked="" type="checkbox"/> <small>I acknowledge that I am responsible for verifying the accuracy of the information submitted to the Department through the Gateway website. I acknowledge that neither the Department of Local Government Finance nor the Indiana Business Research Center is liable for the calculations performed by the Gateway calculator.</small> | <input type="radio"/> Enter Rate (Fill line 17) | <input type="radio"/> Enter Rate (Fill line 17) |

- Make sure NAV entered.
 - If unsure, contact Budget Field Representative.



Budget Forms – Not Submitted

Current Year Financial Worksheet: Additional Calculations for Form 4B



[Click to edit form](#)



Not 'Ready to Submit'.

Debt Worksheet



Form 1: Budget Estimate



Form 2: Estimate of Miscellaneous Revenues



Form 3: Notice to Taxpayers



Form 4: Ordinance / Resolution of Appropriations and Tax Rates



Form 4A: Budget Report



Form 4B: Budget Estimate, Financial Statement and Proposed Tax Rate



1782 Recipients: Registration of 1782 Notice E-mail Recipients





Budget Forms – Submitted

| | |
|--|---|
| Current Year Financial Worksheet: Additional Calculations for Form 4B | <input checked="" type="checkbox"/> |
| Click to view form | <input checked="" type="checkbox"/> This form has been submitted. |
| Submitted on 10/11/2017 11:30:57 AM | |
| Debt Worksheet | <input checked="" type="checkbox"/> |
| Form 1: Budget Estimate | <input checked="" type="checkbox"/> |
| Form 2: Estimate of Miscellaneous Revenues | <input checked="" type="checkbox"/> |
| Form 3: Notice to Taxpayers | <input checked="" type="checkbox"/> |
| Form 4: Ordinance / Resolution of Appropriations and Tax Rates | <input checked="" type="checkbox"/> |
| Form 4A: Budget Report | <input checked="" type="checkbox"/> |
| Form 4B: Budget Estimate, Financial Statement and Proposed Tax Rate | <input checked="" type="checkbox"/> |
| 1782 Recipients: Registration of 1782 Notice E-mail Recipients | <input checked="" type="checkbox"/> |



Operations Fund



Operations Fund

- Generally used to pay non-academic expenses.
- Consolidates the following funds and levies:
 - Transportation
 - Bus Replacement*
 - Capital Projects*
 - Art Association
 - Historical Society
 - Public Playground
 - Racial Balance
- Note: Plans required to be filed with Department of Local Government prior to spending on these purposes.



Operations Fund

- Levy equals the sum of the following individual levies:
 - Transportation
 - Bus Replacement
 - Capital Projects
 - Art Association
 - Historical Society
 - Public Playground
 - Racial Balance



Operations Fund

- 2019 Max Levy = 2018 maximum after eliminating temporary adjustments * AVGQ.
- Years after 2019: Prior maximum levy after eliminating temporary adjustments * AVGQ.



Operations Fund

- Initial Max Levy Notes – 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.



Operations Fund

- Transportation Levy Appeal:
 - School corporation must establish that an appeal is necessary because of a transportation operating cost increase of at least 10% over the preceding year for at least one of the reasons on the following slide.
 - Fuel expense increase.
 - Student enrollment or miles traveled increase.
 - Special education transportation needs increase.
 - Court-ordered desegregation plan.
 - Closure of a school building resulting in increased transportation distances.



Operations Fund

- Transportation Levy Appeal:
 - Possible cost increase factors:
 - Fuel expense increase.
 - Student enrollment or miles traveled increase.
 - Special education transportation needs increase.
 - Court-ordered desegregation plan.
 - Closure of a school building resulting in increased transportation distances.
 - Need for additional, expanded, consolidated, or modified routes.
 - Labor cost increase due to a labor shortage.



Operations Fund

- Transportation Levy Appeal:
 - Must be filed before October 20.
 - DLGF determines if levy increase is necessary.
 - If it is necessary, it is added to the maximum operations fund levy.



Operations Fund

- School must still file the following plans with Department:
 - Capital Projects Plan
 - School Bus Replacement Plan



Capital Projects Plan

IC 20-40-18-6(a)(c)

- Capital projects plan; publication on Internet web site; adoption; amendment; notices; hearings; emergency uses
 - (a) A school corporation's capital projects expenditure plan or amended plan must limit proposed expenditures to those described in section 7 of this chapter.
 - (c) If a school corporation wants to use money in the operations fund during the year to pay for any items listed in section 7 of this chapter, the governing body must adopt a resolution approving the plan or amended plan.



Capital Projects Plan

- Capital Projects Plan
 - DLGF prescribes the format. Plan must:
 - Apply to at least the three immediate years after the year the plan is adopted;
 - Estimate the nature and amount of proposed capital expenditures by year;
 - Estimate the source of all revenue dedicated to proposed capital projects expenditures and amount of property taxes collected and retained in the fund for capital projects expenditures.



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.



Capital Projects Plan

- Capital Projects Plan must be adopted after January 1 and not later than November 1 of the year preceding the plan's first year.
- Capital Projects Plan must be submitted to DLGF.



Capital Projects Plan

- Capital Projects Plan expenditure types:
 1. Site acquisition
 2. Site development
 3. Building acquisition, construction, replacement, improvement, etc.
 4. Rental of real estate, buildings, facilities, and equipment.
 - Does not apply to holding company leases.
 5. To repair and replace certain buildings and fixtures.
 6. Equipment, including maintenance vehicles.
 - Does not apply to non-maintenance vehicles.
 - Does not apply to extracurricular or interscholastic activity equipment.



Capital Projects Plan

- Capital Projects Plan expenditure types:
 7. Site Services contracts for the following services:
 - Janitorial;
 - Custodial;
 - Maintenance;
 - Snow and ice removal;
 - Trash removal;
 - Mowing and lawn care;
 - Pest control;
 - Other routine services.



Capital Projects Plan

- Capital Projects Plan expenditure types:
 8. Emergency repair, replacement, or site acquisition.
 9. Construction, repair, replacement, remodeling, or maintenance of a school sports facility.
 - May not exceed 2.7% of Operations Fund levy.
 10. Utilities.
 11. Property and casualty insurance.



Capital Projects Plan

- Capital Projects Plan expenditure types:
 12. Technology expenditures not allocated to student instruction and learning.
 13. Advances including interest from the common school fund for educational technology programs.
 14. Energy savings contracts.
 15. Maintain a joint school established with a school corporation in an adjacent state under IC 20-23-11.
 16. Certain judgments rendered against the school corporation.
 17. Certain claims or settlements for which the school corporation is liable.



Capital Projects Plan

- Capital Projects Plan expenditure types:
 18. Premium, management fee, claim, or settlement for which the school corporation is liable under a federal or state statute.
 19. Settlement or claim for which insurance coverage is permitted.
 20. All other lawful expenses not allocated to student instruction and learning under the education fund.
 21. Expenses incurred as a result of unusual circumstances.



Bus Replacement Plan

IC 20-40-18-9(a)(c)

- School bus replacement plan; publication on Internet web site; adoption; amendment; notices; hearings
 - (a) Before a school corporation may use money in the operations fund for replacing school buses, a resolution approving the school bus replacement plan or amended plan must be submitted to the department of local government finance.
 - (c) If a school corporation wants to use money in the operations fund during the year to pay for school bus replacement, the governing body must adopt a resolution approving the bus replacement plan or amended plan.



Bus Replacement Plan

- Bus Replacement Plan
 - DLGF prescribes the format. Plan must:
 - Apply to at least the five immediate years after the year the plan is adopted.
 - Estimate the nature and amount of proposed expenditures by year.
 - Evidence to support the need for any contract for transportation services that will add additional buses, increase capacity, or replace a school bus.



Bus Replacement Plan

- Bus Replacement Plan
 - DLGF prescribes the format. Plan must:
 - Include if the school corporation is seeking to acquire or contract for transportation services that will provide school busses and evidence of demand.
 - School corporation must post plan on its website.
 - School corporation must adopt the plan after January 1 and no later than November 1 of the year preceding the first year of the plan.



Bus Replacement Plan

- Bus Replacement Plan
 - Before the last Thursday in August, a governing body may designate a part of a transportation contract, fleet contract, or common carrier contract as an expenditure from the fund.



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.

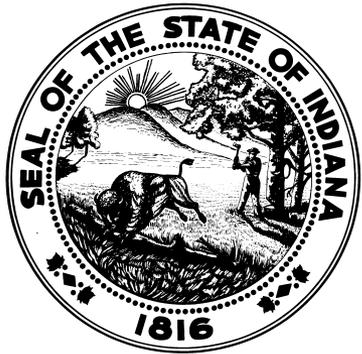


Education Fund



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 operations fund.



Other Provisions from HEA 1009 and HEA 1167



Other HEA 1009 provisions

IC 20-40-2-6

- Transfers from education fund to operations fund
 - (a) 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 under IC 20-42.5.
- On 1/1/2019, the balance in the school corporation's general fund shall be transferred to the education fund.



Other HEA 1009 provisions

- Income tax revenue
 - For school corporations in former CAGIT counties, local income tax revenue may be allocated among any of its funds.
 - School corporations in other counties do not typically receive local income tax revenue.



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 remains may be:
 - (1) retained in the operations fund; or
 - (2) transferred to the school corporation's rainy day fund

Section 29

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



Other HEA 1167 Provisions

- A school corporation may appeal to the Department to increase their maximum permissible operations fund levy related to increased transportation costs.
- Appeal must establish that the school corporation will be unable to provide transportation services without an increase.
- The Department may grant a levy increase that is less than the increase requested by the Corporation.
- The appeal must be filed with the Department before October 20 of the year before the increase is proposed to take effect.



Other HEA 1009 provisions

- Guidance for School Corporations
 - DLGF will make available guidance to school corporations for the implementation of HEA 1009.
 - Partner project with DOE, SBOA, IEERB, and IASBO.



Other HEA 1009 provisions

- GAAP Accounting (Schools)
 - School corporations with ADM of more than 15,000.
 - Annual Financial Report is submitted using modified accrual basis of accounting.
 - Upon petition from the school corporation, the State Examiner may waive this requirement.



Other HEA 1009 provisions

- GAAP Accounting (Counties and Municipalities)
 - Counties with population of more than 100,000.
 - Municipalities with population of more than 75,000.
 - Annual Financial Report is submitted using modified accrual basis of accounting.
 - Upon petition from the school corporation, the State Examiner may waive this requirement.



HEA 1043 – Controlled Projects

- The definition of a controlled project was changed to adjust project cost thresholds.
(A) Ordinance/resolution making a preliminary determination to issue bonds or enter into a lease:
 - Adopted before January 1, 2018 = \$2,000,000
 - Adopted in 2018 = \$5,000,000
 - Adopted in 2019 and beyond = prior year threshold times AVGQ.



HEA 1043 – Controlled Projects

- The definition of a controlled project was changed to adjust project cost thresholds.
(B) An amount equal to the following:
 - 1% of total gross AV of property within the political subdivision if total gross AV is more than \$100,000,000.
 - \$1,000,000 if total gross AV of property within the political subdivision is not more than \$100,000,000.



HEA 1043 – Petition/Remonstrance

- Project cost threshold for petition/remonstrance for school corporations is the lesser of the following:
 - Ordinance/resolution making a preliminary determination to issue bonds or enter into a lease.
 - Adopted before January 1, 2018: \$10,000,000.
 - Adopted in 2018: \$15,000,000.
 - Adopted in 2019 and beyond: prior year threshold times AVGQ.



HEA 1043 – Petition/Remonstrance

- Project cost threshold for petition/remonstrance for school corporations is the lesser of the following:
 - An amount equal to 1% of the total gross AV of property within the political subdivision if the total gross AV is more than \$1,000,000,000 or \$10,000,000 if the total gross AV of property within the political subdivision is not more than \$1,000,000,000.



HEA 1043 – Referendum

- A referendum is applicable for any controlled project for which a political subdivision adopts an ordinance or resolution making a preliminary determination to issue bonds or enter into a lease if the sum of the costs of the controlled project plus the costs of all other controlled projects the political subdivision has adopted in the past year exceeds \$25,000,000.



HEA 1043 – Referendum

- Must hold at least 2 public hearings on the preliminary determination before adoption of the resolution or ordinance.
 - Must allow public comment.
 - Must provide various information as outlined in statute, including:
 - Estimated debt service levy and rate for 10 years including debt roll-off.



HEA 1043 – Petition to DLGF

- A person may petition the DLGF objecting that the political subdivision has divided a controlled project to avoid petition/remonstrance or referendum.
- Not later than 30 days after receiving the petition, the Department shall issue a final determination on whether the project was divided.



Other DLGF Topics and Due Dates



SEA 321-2016

- Budget Streamlining
- Makes changes to certain parts of the budget adoption process.
- Beginning with 2019 budgets, budget orders must be certified by December 31 or January 15 (depending on circumstances in county) instead of February 15.



Upcoming Date Changes

- For 2019 budgets:
 - Debt Service Reporting
 - Taxing units will report their estimated debt service payments before May 1.
 - Payments will be used to compute estimated debt service levies.
 - IC 6-1.1-17-0.7(a).



Upcoming Date Changes

- For 2019 budgets:
 - Budget Order Certification
 - The Department must certify budgets by December 31.
 - If a taxing unit issues debt after December 1 or intends to file a shortfall appeal, the deadline is January 15.
 - IC 6-1.1-17-16(k)



Thank you!

- Website: www.in.gov/dlgf
 - “Contact Us”: www.in.gov/dlgf/2338.htm
- Wes Bennett, Commissioner
 - Telephone: 317.234.5720
 - E-mail: wbennett@dlgf.in.gov
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