TO: School Corporations

FROM: Fred Van Dorp, Budget Director

RE: Operations Fund - Bus Replacement Plan and Bus Replacement Spending

DATE: May 11, 2018

Pursuant to IC 20-40-18-9 and in conjunction with the implementation of HEA 1009-2017 and HEA 1167-2018, the Department of Local Government Finance ("Department") releases the memorandum below to clarify the new procedures associated with adopting or amending a Bus Replacement plan.

The operations fund is the exclusive fund to be used to pay for the replacement of school buses, either through a purchase agreement or under a lease agreement. A school corporation may use operations fund money to replace school buses if a properly adopted resolution approving the school bus replacement plan or amended plan is submitted to the Department. The resolution and plan must be in the format prescribed by the Department.

All plans must apply to at least the five (5) budget years immediately following the year the plan is adopted and include at least the following:

(1) An estimate for each year to which it applies of the nature and amount of proposed expenditures from the fund.

(2) If the school corporation is seeking to acquire or contract for transportation services for additional school buses or school buses with a larger seating capacity as compared with the number and type of school buses from the prior school year, provide evidence of a demand for increased transportation services within the school corporation.

(3) If the school corporation is seeking to require a contractor to replace a school bus, evidence that the need exists for the replacement of the school bus.

(4) Evidence that the school corporation seeking to acquire additional school buses under this section is acquiring or contracting for the school buses only for the purposes specified in subdivision (3) or for replacement purposes.

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. The school corporation shall post the proposed plan or
proposed amended plan on the school corporation's website before the hearing and publish a notice of the hearing in accordance with IC 5-3-1-2(b), before holding a hearing on the adoption of the resolution as follows:

(1) For a school corporation that has not elected to adopt a budget under IC 6-1.1-17-5.6 or for which a resolution adopted under IC 6-1.1-17-5.6(d) is in effect, the school corporation must hold the hearing and adopt the resolution after January 1 and not later than November 1 of the immediately preceding year.

(2) For a school corporation that elects to adopt a budget under IC 6-1.1-17-5.6, the school corporation must hold the hearing and adopt the resolution after January 1 and not later than April 1 of the immediately preceding school fiscal year.

The governing body may hold the hearing and include the notice as part of a regular governing body meeting or part of the same hearing and notice for a capital projects expenditure plan.

If an amendment to a bus replacement plan is being proposed, the governing body must declare the nature of and the need for the amendment in the resolution to adopt the amendment to the plan. The plan, as proposed to be amended, must comply with the requirements for a plan under IC 20-40-18-9. The school corporation must then submit the resolution to the Department.

The amount that may be paid from the fund under IC 20-40-18-9 in a school year is equal to the fair market lease value in the school year of each school bus, school bus chassis, or school bus body used under the contract, as substantiated by invoices, depreciation schedules, and other documented information available to the school corporation. The allocation of costs to the fund must comply with the accounting standards prescribed by the state board of accounts.

If you have any questions about the attached notice or plan template, please contact your county Budget Field Representative (http://www.in.gov/dlgf/files/Field_Rep_Map_-_Budget.pdf).