

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: School Corporations

FROM: Fred Van Dorp, Budget Director

RE: Bus Replacement Plan and Capital Projects Plan

DATE: May 29, 2019

Pursuant to IC 20-40-18, the Department of Local Government Finance (“Department”) releases this memorandum and templates for the capital projects plan and bus replacement plan.

Capital Project Plan

If a school corporation wants to use money in the operations fund for expenditures related to capital asset acquisition or expenditures that are capital in nature, the governing body must adopt a resolution approving the plan or amended plan. Then, as per IC 20-40-18-6(d), if a governing body adopts the resolution specified in subsection (c), the school corporation must then submit the resolution, and not the plan itself, to the Department.

All plans must conform to the following stipulations:

- (1) Apply to at least the three (3) years immediately following the year that the plan is adopted;
- (2) Estimate for each year to which the plan applies the nature and amount of proposed capital expenditures from the fund; and
- (3) Estimate:
 - (A) The source of all revenue to be dedicated to the proposed capital expenditures in the upcoming calendar year; and
 - (B) The amount of property taxes to be collected in the upcoming calendar year and retained in the fund for capital expenditures proposed for a later year.

Plans must contain a listing of all proposed expenditures that exceed \$10,000 and are for:

- (1) Capital assets; or
- (2) Projects that are considered capital in nature as listed in IC 20-40-18-7 including technology related projects.

The school corporation shall post the proposed plan or proposed amended plan on the school corporation's website before the hearing, and shall publish a notice of the hearing in accordance with IC 5-3-1-2(b). Other than school corporations that operate on a fiscal calendar pursuant to IC 6-1.1-17-5.6, the governing body must hold a hearing on the adoption of the resolution after January 1 and not later than November 1 of the immediately preceding 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 bus replacement plan.

Bus Replacement Plan

IC 20-40-18-9 confirms that 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. 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. 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. This only applies if the contracted services are to be paid from the operations fund.
- (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 (2) or for replacement purposes.

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). Other than school corporations that operate on a fiscal calendar pursuant to IC 6-1.1-17-5.6, a school corporation must hold a hearing on the adoption of the resolution after January 1 and not later than November 1 of the immediately preceding 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 is being proposed, the governing body must declare the nature of and the need for the amendment in the resolution. The amended plan must comply with the requirements for a plan under IC 20-40-18-9. The school corporation must then submit the resolution, but not the plan itself, 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, please contact your Budget Field Representative. Contact information can be found at: https://www.in.gov/dlgf/files/Budget_Field_Reps.pdf.