

## MEMORANDUM

To: School Superintendents and Chief Financial Officers

From: Melissa K. Ambre, Director, Office of School Finance

Date: December 13, 2019

Re: House Enrolled Act 1003 – School Corporation Expenditure Targets (2 of 2)

### **Background:**

The bill requires school corporations to specify information concerning transfers from the education fund to the operations fund during the budget year. This legislation also requires each school corporation to acknowledge at its budget hearing whether the transfer exceeds 15 percent of the total revenue in the education fund.

### **Guidance:**

Effective January 2020, the Indiana Department of Education (IDOE) is required to track all school corporation transfers from the education fund to its operations fund for the preceding six month period.

Effective January 2021, IDOE is required to compile an excessive education fund transfer list comprised of all school corporations that transferred more than 15 percent of the total revenue deposited in the school corporation's education fund from the school corporation's operations fund during the immediately preceding calendar year. A school corporation that is not included on the excessive education fund transfer list is considered to have met the education fund transfer target percentage for the immediately preceding calendar year.

IDOE's Office of School Finance and the Indiana Education Employment Relations Board (IEERB) will be available to consult with and provide technical assistance to each school corporation included on the excessive education fund transfer list.

Effective no later than March 1, 2021, and each year thereafter, for each school corporation included on the excessive education fund transfer list, IDOE will provide written and electronic notice to the school corporation's superintendent, school business officer, and governing body that the school corporation did not meet its education fund transfer target percentage for the previous calendar year.

Immediately following the notice provided to impacted school corporations, IDOE is required to notify the State Board of Education, the Fiscal and Qualitative Indicators Committee (FQIC), and IEERB of all school corporations on the excessive education fund transfer list for the previous calendar year.

The governing body of each school corporation receiving such notice shall:

- 1) Publicly acknowledge receipt of the excessive education fund transfer list notice from IDOE at the governing body's next public meeting;
- 2) Enter into the governing body's official minutes for that meeting acknowledgement of the notice; and
- 3) Publish on the school corporation's website IDOE's notice and any relevant individual reports prepared by IDOE within 30 days after the public meeting.

Within 90 days of receipt of the notice regarding their placement on the excessive funds transfer list, the school corporation's superintendent and financial personnel, including the school's business officer, shall prepare and submit the following documentation to IDOE and FQIC:

- 1) How and why the school corporation's leadership believes the school corporation failed to meet the education fund transfer target percentage.
- 2) Provide steps the school corporation's leadership is planning or actively taking to budget and spend during the next calendar year to meet the education fund transfer target percentage for the next calendar year.

This documentation must also be submitted to the school corporation's governing body at its next public meeting, and such documentation and ensuing discussion must be entered into the official minutes for that meeting. The school corporation shall publish the explanatory documentation alongside any further notices and related reports from IDOE on the corporation's website within 30 days of the public meeting.

Within 60 days of receipt of the explanatory documentation, IDOE, in collaboration with FQIC, shall make a preliminary determination of whether the documentation satisfactorily demonstrates the school corporation's leadership has outlined and begun a corrective action plan to make progress in meeting the education fund transfer target percentage for the next calendar year. If it is determined the information is not satisfactory, IDOE may contact the superintendent and financial personnel, including the school business officer, to schedule an appearance before the FQIC as soon as possible, to provide an opportunity to explain the details with the explanatory documentation and the school corporation's budgeting and compensation levels in relation to the following for the school corporation:

- 1) How and why the education fund transfer target percentage was not met during the previous calendar year;
- 2) Total combined expenditures;
- 3) Student instructional expenditures;

- 4) Noninstructional expenditures;
- 5) Full-time teacher compensation expenditures;
- 6) Nonteaching, full-time administrative personnel compensation expenditures;
- 7) Nonteaching staff personnel compensation expenditures;
- 8) Any prior or planned attempts to seek the assistance available under HEA 1003 from IEERB and IDOE's Office of School Finance;
- 9) Any prior or planned pooling of resources, combined purchases, usage of shared administrative services, or collaboration with contiguous school corporations in reducing noninstructional expenditures as described in IC 20-42.5-2-1; and
- 10) Any prior or planned consideration of meeting the requirements of and applying for school corporation efficiency incentive grants under IC 36-1.5-6.

Effective January 2022, if a school corporation is included on IDOE's excessive education fund transfer list for at least two years, the FQIC may contact the superintendent and financial personnel, including the school's business officer, to provide the school corporation an opportunity to explain to the FQIC in a public meeting the school corporation's budgeting and compensation levels in relation to items 1-10 listed above.

The FQIC may issue an official recommendation to the school corporation to perform a review and improve its budgeting procedures in consultation with state agencies that the committee considers appropriate. The state agencies specified by the FQIC shall assist the school corporation before and during its next collective bargaining period with the goal of meeting or making progress toward the education fund transfer target percentage.

If the FQIC issues an official recommendation, the school corporation's governing body shall officially acknowledge receipt of the recommendation at its next public meeting which should be reflected in the minutes for that meeting. In addition, the school corporation shall publish the official recommendation on the school corporation's website.

Each school corporation shall publish the most recent notices from IDOE, relevant individual reports prepared by IDOE, explanatory documentation by the school corporation, and official recommendations by the FQIC on the school corporation's website. This information may be removed once IDOE determines the school corporation has met its education fund transfer target percentage, and is no longer on the excessive fund transfer list.

Current Reporting:

Beginning with the submission of Form 9 financial data in July 2019, school corporations have been required to complete a Statement of Transfers. The Statement of Transfers provides detail on transfers from the education fund to the operations fund and vice versa for the period of January to June 2019. The data in the report is populated from the Form 9 financial data reported by school corporations. Included in the Statement of Transfers are the fund names, transfer amount, date of transfer, date of public hearing, and a description of the transfer. The Statement of Transfers is IDOE's first step in tracking transfers beginning in 2020. Additional transfer guidance can be found in Moodle-Finance.

If you have any questions, please contact Melissa Ambre by telephone at (317) 232-0841 or email at [mambre@doe.in.gov](mailto:mambre@doe.in.gov) or Amy Pattison by telephone at (317) 232-0843 or email at [apattison@doe.in.gov](mailto:apattison@doe.in.gov).

This bill was authored by Representative Dale DeVon and full bill text can be found [here](#). Information regarding how to contact your legislators can be found [here](#).