

# Tipton Community School Corporation



**2021**

**Tipton Community School Corporation**

## **Budget Timeline Budget Year 2021**

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<b>September 8, Tuesday</b>	<b>Budget Work Session</b>	<b>5:30 PM</b>
	plus	
	Regular Board Meeting	6:30 PM
	Approval to Advertise Budget (Education, Capital Projects, Bus Replacement & Operation Funds),	
September 10, Thursday	Submit Notice to Taxpayers of proposed 2021 budget and tax levies and Notice to Taxpayers of Public Hearing to DLGF through Gateway. (Must be at least 10 days before hearing; October 9 is the last day permitted)	
<b>September 22, Tuesday</b>	<b>Special Board Meeting</b>	<b>5:30 PM</b>
	Public Hearing on Budget, Capital Projects Plan, and Bus Replacement Plan. (Must be at least 10 days before adopted; October 21 is last day permitted for public hearing)	
October 5, Monday	Obtain Certificate of No Remonstrance on CPF from County Auditor	
<b>October 13, Tuesday</b>	<b>Regular Board Meeting</b>	<b>6:30 PM</b>
	Adoption of the 2021 Budget, Capital Projects Plan, Bus Replacement Plan, and other budget related resolutions. (November 1 is the last day permitted by law)	
October 15, Thursday	Submit 2021 budgets, tax rates, and tax levies to the County Auditor and DLGF (November 4 is the last day permitted for submission of budget through Gateway.)	
December 31, Thursday	Statutory deadline for DLGF to certify 2021 budgets, tax rates, and tax levies.	

Note: Board meeting dates in **BOLD**

School budget adoptions must occur no later than November 1. Public Hearing must be held at least ten (10) days before the date the budget is adopted.

**TIPTON COMMUNITY SCHOOL CORPORATION**  
**2021 BUDGET OVERVIEW**

The 2020 budget marked the second year of changes in school budgeting. In 2017, The Indiana General Assembly passed legislation (HEA 1009) that impacted school corporation funds beginning January 1, 2019. The bill eliminates the school's General Fund and creates an Education Fund for expenditures related to student instruction and learning and an Operations Fund to replace the Capital Projects Fund, the Transportation Fund, and the Bus Replacement Fund. The Operations Fund will raise a property tax levy to provide funding for aforementioned levies.

With the establishment of these two funds, there were significant changes. One of the biggest changes is moving some line items from the Education Fund (General Fund) to the Operations Funds. Some of these line items include: corporation administration and costs and maintenance. This includes all areas associated with these items salaries, benefits, operational costs, supplies, etc.

**Use of Funds and Primary Source of Revenue 2021**

Fund	Primary Use	Primary Source of Revenue
Education	All "Academic Achievement" and "Student Support" Expenditures from the Office of Management & Budget "Dollars to Classroom" categories defined as Direct Classroom Expenditures	State tuition support based on enrollment (same as current)
Operations	All previous uses of Capital Projects, Transportation, and Bus Replacement Funds PLUS All "Overhead" and "Non operational" expenditures from the former General Fund, including salaries & benefits for administrative offices, custodian & maintenance salaries & benefits, insurance and utilities.	Local property tax (same as current)

The law allows school corporations to transfer between the two funds. In particular, schools may transfer from the Education Fund to the Operations Fund to help take care of those expenditures that have moved from the General Fund to the Operations Fund. The one requirement is that all transfers must be approved by the school board in a public meeting and reported to the IDOE on Form 9.



### Comparison of 2020 Budget and 2021 Budget

2020 Approved Budget			2021 Proposed Budget		Difference
101 Education	\$9,183,720		101 Education	\$9,362,732	\$179,012
200 Debt Service	\$2,852,560		200 Debt Service	\$2,824,636	\$-25,660
300 Operations	\$4,758,993		300 Operations	\$4,237,829	\$-561,164
Circuit Breaker	\$380,246		Circuit Breaker	\$442,780	\$-62,534
<b>Total</b>	<b>\$16,415,027</b>		<b>Total</b>	<b>\$15,982,417</b>	<b>\$-432,610</b>

In 2020, approximately 18% of the Education Fund that was once paid through the General Fund will now need to be paid through the Operations Fund. For 2021, we will reduce this amount to 5.3% in order to cover an operational deficit in the Education Fund. The total amount of transfer will be \$500,000. A recommendation will be made that the board approve a resolution allowing for a monthly transfer of \$48,270 from the Education Fund to the Operations Fund, beginning in January 2021 with the start of the 2021 budget. The balances at the end of the fiscal year will stay in Education and Operation Funds.

TCSC will be impacted more and more by the property tax caps, or circuit breakers (increase of \$62,534). Tax Bill 101 provides property owners with a cap on the amount of property taxes over 1 percent of the gross assessed value for homestead properties, 2 percent for other residential and agricultural land and 3 percent for other real and personal property. The caps ensure that a property owner does not pay more than a fixed percent of the property's gross assessed value in taxes but the caps do not change the local tax rate. While this helps the property owner's tax bill, it does limit the amount to be raised by taxing units such as schools. If a taxpayer is about to be billed higher than their capped liability, the bill is reduced to the cap. As a result, the county will collect less property taxes. The loss collections are then passed onto the units. The impact of the property tax caps is included in the budget summary and the various forms completed for DLGF.

**2019 Legislation:** The following are new laws approved during the 2019 General Assembly and enacted effective July, 2019:

- HEA 1021 - Education Finance. House Enrolled Act (HEA) 1021 amends language regarding fund references, protected tax waivers, maximum levy growth, school capital project plans, and bus replacement plans.
- SEA 127 - Referendum for School Safety Levy. Senate Enrolled Act (SEA) 127 allows school corporations to adopt a resolution to place a referendum on the ballot and impose a school safety referendum tax levy to improve school safety.
- HEA 1001 – Teachers' Retirement Fund '96. HEA 1001 included a \$150,000,000 appropriation to the Teachers' Retirement Fund (TRF) '96 Fund. This appropriation was designed to fully-fund the TRF '96 Fund and result in a reduction of the employer rate for that fund beginning July 1, 2019, upon receipt of the appropriation.
- HEA 1001 - Kindergarten ADM (1 of 5). The Indiana General Assembly recently amended I.C. 20-43-4-5 allowing school corporations to receive state funding for kindergarten (KG) students who are at least age five by September 1, 2019 for the 2019-2020 school year. The same provision moves the date to October 1, 2020 for the 2020-2021 school year. Note: I.C. 20-33-2-7 still requires a student to be at least five years of age on August 1 of the school year to participate in a KG program at a school corporation, unless the student is waived into kindergarten. School corporations may adopt an appeal procedure to allow a parent to request a "waiver" for a student who is not at least five years of age on August 1.
- HEA 1001 - Biennial Budget (2 of 5). Distribution for Tuition Support: FY2020 \$7,331,500,000 FY2021 \$7,514,400,000 Traditional public schools, charter schools, and virtual charter schools are eligible for basic, career and technical education, special education, and honors designation funds.
- HEA 1001 - English Learner Funding (4 of 5). The HEA 1001 State Budget provides the allotments for all State programs for the biennium, including the State Non-English Speaking Program (NESP).
- HEA 1001 (2019) increased the overall State Budget for NESP by \$5 million and changed the funding structure in which the Indiana Department of Education (IDOE) allocates the funds. For both the 2019-2020 and 2020-2021 fiscal years, the total NESP funding is \$22.5 million each year. As a comparison, in 2018-2019, the total NESP funding was \$17.5 million. HEA 1003 - School Expenditure Targets (1 of 2).
- HEA 1003 requires school corporations to specify information concerning transfers from the Education Fund to the Operations Fund during the budget year, as well as requiring each school corporation to acknowledge at its budget hearing whether the transfer exceeds 15 percent of the total revenue in the Education Fund.
- HEA 1397 - School Transfer of Funds. The Indiana General Assembly amended I.C. 20-29-6-3, effective July 1, 2019, to allow a school governing body to adopt a resolution indicating that a portion of money transferred from the Operations Fund to the Education Fund may be considered Education Fund revenue for the purpose of funding teacher contracts and to determine whether the school corporation is placed in a position of deficit financing under the teacher's collective bargaining agreement. The resolution must be adopted before September 15 of any year and expires within one year of adoption by the school governing body. On or before November 1 of each year, the school governing body shall submit a copy of the resolution to the Department of Local Government Finance. The resolution must include all transfers between the Education and Operations Fund and whether or not the transfer was for the purpose of funding teacher contracts.
- SEA 549 - School Financial Matters. Each year, a school superintendent must file a written report with the local board of finance that assesses the financial condition of the school corporation based on the fiscal and qualitative indicators determined under I.C. 20-19-7-4. The local board of finance must review the report at its annual meeting.



## BUDGET BASICS

Schools have separate funds that each covers specific areas of a school operation. For 2020 there will be 4 separate funds:

**Education Fund:** By far the largest fund, accounting for 53% of the total budget. From this fund we pay the salaries and benefits of most employees except administrative, transportation, and maintenance personnel. Salaries and benefits account for over 97% of the Education Fund. Supplies, staff development, and other items related to classroom instruction come from the Education Fund.

**Operation Fund:** This fund is a combination of the Capital Projects, Transportation, and Bus Replacement Funds. Equipment, computers and other technology, maintenance and repairs of both equipment and buildings, and professional services fees that were once in the CPF. It also is used for construction of new small equipment as well as utilities and insurance costs. In addition, all expenses associated with school transportation, including the purchase of buses (formerly from the Bus Replacement Fund) comes from this fund. Also, salaries of all bus drivers and the TCSC mechanic come from this fund as well as the contracted bus drivers.

**Debt Service Fund:** Anything built by using bonds is paid back through Debt Service. Pay-off on the addition to the elementary, an energy savings/improvement project that replaced the high school roof and repaired the parking lot lights, and pay-off on the new transportation/outdoor facilities project come through Debt Service. There is also a small payment in Debt Service to supplement the state's partial reimbursement for free textbooks.

**Rainy Day Fund:** This fund was created by transferring money into it from other funds. It does not have its own tax levy. By Board resolution, it can only be used in cases of emergency.

So how do the funds get money? Property tax has been the primary source of revenue for many years. There is also revenue from license excise taxes, commercial vehicle excise taxes, financial institutions taxes, and state grants, as well as numerous other limited sources. Property taxes will be used to fund the Operations Fund. Funding for the Education Fund comes from the state in the basic tuition support where an increase in sales tax has been the primary source of replacement for the loss in property tax.

Two other terms are essential to understanding budgeting: appropriations and levy.

- **Appropriations:** Appropriations is the official word for budget, and the two words are used interchangeably. An **appropriation**, approved by the Board and later approved by the state Department of Local Government Finance (DLGF), means "permission to spend." When it is stated a fund has an appropriation of \$1 million that means the corporation has permission to spend \$1 million. If the corporation somehow receives more revenue than expected, and that fund ends up with \$1.5 million, the corporation still can spend only \$1 million because that was what was appropriated. To spend that extra half million, the corporation would need to get permission from the Board for an "additional appropriation."

**Levy:** The tax levy is the amount of money collected through property taxes. Each fund that can receive property taxes (Operations and Debt Service) has its own separate tax rate. The assessed value of property multiplied times the rate, then divided by 100, gives us our levy. Once the expected rate is advertised it can never go up. Therefore, to protect the corporation and ensure all needed funds are received, the corporation always advertises a rate that is substantially greater than what the final approved rate is expected to be. The Education Fund has no property tax at all.

## **PROCESS TIMELINE**

It is important to realize an 18 month budget is actually prepared. The corporation must project all costs and revenue for the remaining 6 months of the current year plus all of the following year. The general process used to develop a budget (no exact dates) is:

1. Prepare estimates of costs.
2. Prepare preliminary estimates of revenue, which includes contacting the auditor's office to get estimates of tax revenues.
3. Meet with a representative of the state DLGF to review preliminary figures (usually in July). The state sometimes has new information that causes changes in figures.
4. Complete the budget.
5. Explain the budget to the School Board and get permission to advertise through DLGF. The Capital Projects and Bus Replacement Plan will be advertised on the school corporation's web page.
6. Get official approval of the budget from the School Board, which must also include approval of the transfer of funds, a Capital Projects Plan, and a Bus Replacement Plan and all other appropriate resolutions.
7. File the budget with the county auditor.
8. Receive final certification of the budget and the tax rates that will be used (usually February or later).

## **OFFICIAL BUDGET GOALS**

School corporations are required to develop annual budget goals. The state has defined 4 types of school expenditures, two of which are considered "instructional expenses" and two of which are considered "non-instructional expenses." With HEA 1009, costs for administration, transportation, capital projects, bus replacement, and other non-instructional expenses are part of the Operations Fund. While the instruction expenses are categorized in the Education Fund. Every year every school corporation is expected to increase the percentage of the budget that goes for instructional purposes. The premise of the legislation is that schools that spend more in the classroom will have higher student achievement. The goals for 2021 are included on the next page.



## **Tipton Community School Corporation**

### **Budget Goals 2021**

P.L. 191-2006 (IC 20-42.5-3-4 et seq.) establishes four categories of expenditures to be extracted from a school corporation's budget:

- (1) Student academic achievement expenditures*
- (2) Student instructional support expenditures*
- (3) Overhead and operational expenditures*
- (4) Nonoperational expenditures*

P.L. 191-2006 further requires each governing body to establish goals for each category of expenditures that will increase the school corporation's allocation of taxpayer resources to student instruction and learning (categories 1 and 2 combined). Unique circumstances that would impact the law's directive may be considered.

#### *Category Goals for 2021:*

- In each category the corporation shall seek and analyze every means possible to achieve spending efficiency and effectiveness. Cooperative purchase agreements, shared specification development, purchase of overstocked items, and other means will be utilized to reach this goal.
- The corporation will continue participation in the Wabash Valley Educational Service Center and will avail itself of the many cost-savings measures available through the cooperative power of the service center.
- The corporation will continue participation in the East Central Indiana Gas Consortium as a means to manage and reduce costs of natural gas.
- The corporation will participate in the Indiana Schools Education Service Center Risk Management Program to manage and reduce costs of worker's comp. Insurance.
- The corporation will continue to examine the statewide bus purchasing program and utilize that program if a cost savings can be realized. Outsourcing and use of technology will be considered in all categories as further means to achieve efficient and effective expenditures.
- TCSC will strive to accumulate and maintain a cash balance equivalent to three (3) months of expenditures or 25% of its Education Fund budget in cash balance.

#### *Special Circumstances for 2021 and beyond:*

97% of the corporation's Education Fund budget is committed to salaries and benefits. Because of the uncertainty of enrollment, in which the student count generates revenue in the Basic Grant that makes up the Education Fund, the revenue forecast for the TCSC is uncertain. We hope that the enrollment will rise, or at least stabilize. Over the last two years we have lost 100 students



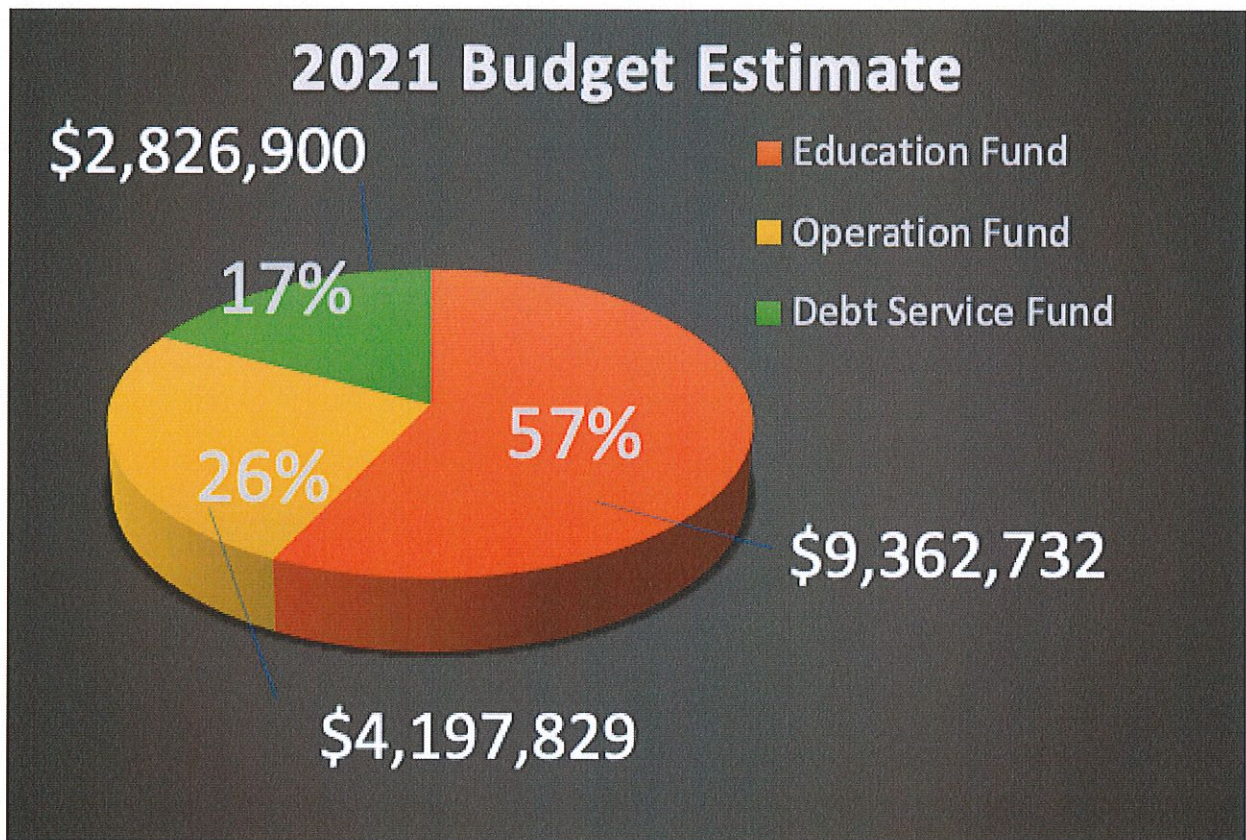
for an approximate loss in revenue of \$700,000. We've had a loss in revenue with a reduction in staffing and costs. In fact, salary increases have made the financial picture worsen.

A short term fix for 2021 is to not transfer all of the \$1,500,000 needed in the operations fund to offset the circuit breaker. Instead we will only transfer \$500,000 leaving the rest to support expenditures in the Education Fund. We will use the cash balance in the Operation Fund for one year to offset the effects of the circuit breaker.

Another way to offset expenditures in the Education Fund, is moving additional administrative salary and benefit costs to the Operation Fund. It is important to watch balances in the Operation Fund to ensure liquidity since other costs in that fund are sharply increasing. Although numerous energy savings measures have been employed, cost increases for utilities and insurance continue to outpace all other expenditures.

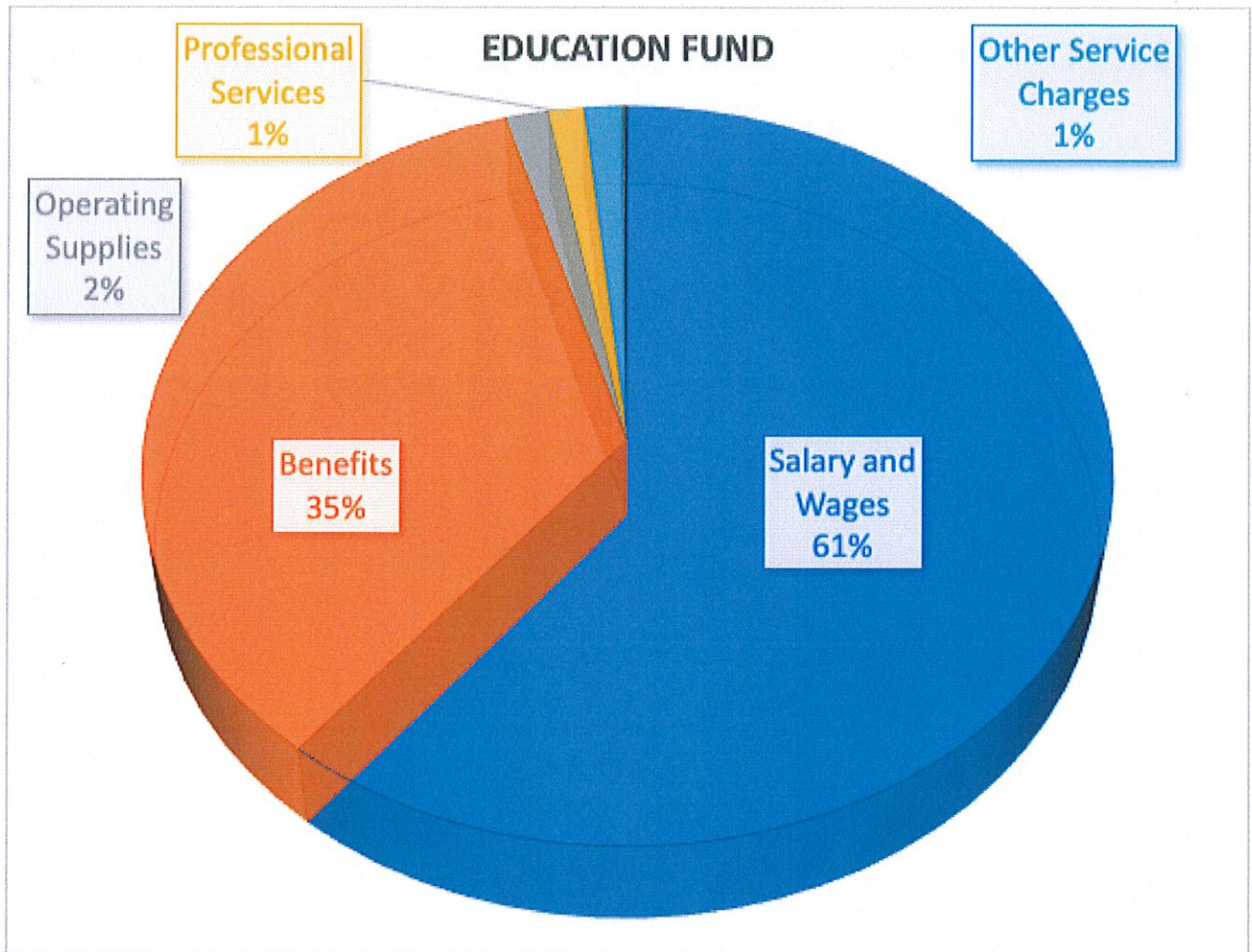
The only viable way for the corporation to remain fiscally stable is to reduce personnel costs. At one time this might have been accomplished by attrition, however the net savings may not be enough. It is important to look at personnel, programming, and schedules in the secondary buildings in order to right size our corporation for our current reality.

## 2021 Budget Breakdown:

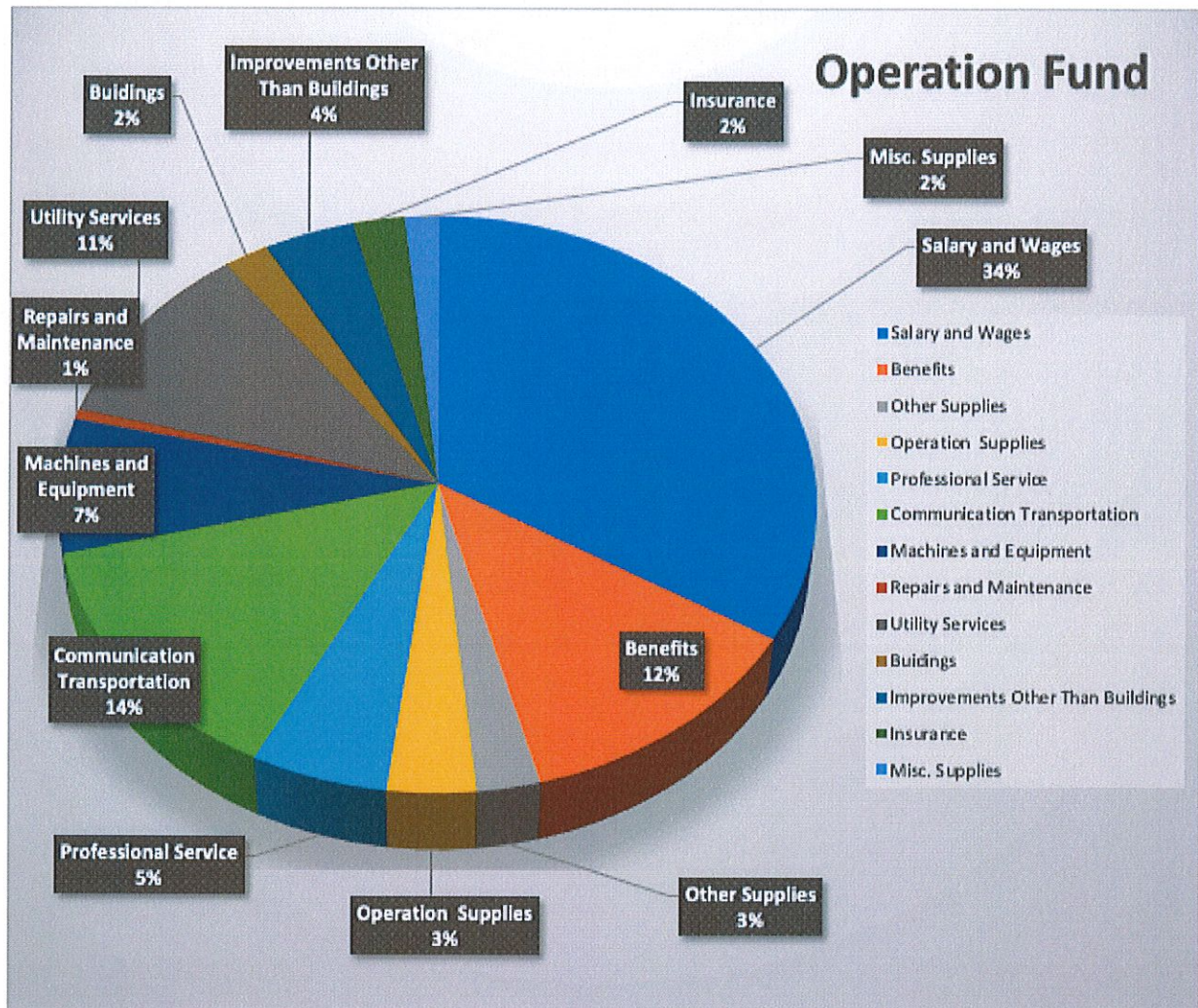




Education Fund-Budget Breakdown:



## Operation Fund-Budget Breakdown





## All Funds-Budget Breakdown (without Debit Service)

