

Tipton Community School Corporation



2022

Tipton Community School Corporation

Budget Timeline

Budget Year 2022

September 14th, Tuesday

Budget Work Session 5:30 PM

Regular Board Meeting 6:30 PM

Approval to Advertise Budget

(Education, Capital Projects Bus,
Replacement & Operation Funds)

September 16, Thursday

**Submit Notice to Taxpayers of
proposed 2022 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)

September 28, Tuesday

Special Board Meeting 5:30 PM

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 4, Monday

**Obtain Certificate of No Remonstrance on CPF
from County Auditor**

October 12, Tuesday

Regular Board Meeting 6:30 PM Adoption
of the 2022 Budget, Capital Projects Plan,
Bus Replacement Plan, and other budget
related resolutions. (November 1 is the last
day permitted by law)

October 14, Thursday

**Submit 2022 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, Friday Statutory deadline for DLGF to certify 2022 budgets, tax rates, and tax levies.

Note: Board meeting dates in **BOLD**

TIPTON COMMUNITY SCHOOL CORPORATION
2022 BUDGET OVERVIEW

The 2022 budget marked the third 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 2021 Budget and 2022-Budget

2021 Approved Budget			2022 Proposed Budget			Difference
101 Education	\$9,197,300		101 Education	\$9,553,000 (\$600,000)		+\$355,700
200 Debt Service	\$2,824,636		200 Debt Service	\$2,834,161		+ \$9,000
300 Operations	\$4,237,829		300 Operations	\$4,036,879		-\$200,000
Circuit Breaker	\$442,780		Circuit Breaker	\$416,620		+\$26,160
Total	\$16,259,265		Total	\$16,424,404		

The corporation is permitted to perform a monthly transfer of up to 15% of the Education Fund dollars to the Operation Fund to replace funds once drawn from property tax levies. TCSC will transfer approximately 6% of Education Fund dollars to the Operation Fund. A recommendation will be made that the board approve a resolution allowing up to 15% for a monthly transfer of which we will only transfer \$50,000 from the Education Fund to the Operations Fund, beginning in January 2022 with the start of the 2022 budget.

TCSC is impacted by the property tax caps, or circuit breaker. This year's circuit breaker amount will be \$416,620, which is actually \$26,160 less than 2021. 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.

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 58% of the total budget. From this fund we pay the salaries and benefits of most employees except central office administration, some technology staff, transportation, and maintenance personnel. Full time teacher salaries account for over 57% of the Education Fund. Non-certified salaries, certified and non-certified benefits, 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 central office administration, some technology personnel, 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 2022

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 2022:

- 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 compensation insurance.
- The corporation will continue to use the statewide bus purchasing program.
- TCSC will strive to accumulate and maintain a cash balance equivalent to three (1) one month of expenditures or \$500,000 in cash balance in the Education Fund.

Special Circumstances for 2022 and beyond:

87%, down from 97% in 2021 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 TCSC is uncertain. We hope that the enrollment will rise, or at least stabilize. Preliminary numbers demonstrate a stabilization of enrollment for the 2021-22 school year.

We have also transferred staff to other fund categories that include Operation Fund, Preschool Fund, ESSER II and ESSER III. Teacher salaries paid through the ESSER funds total \$210,000 that will no longer be paid from the Education Fund. Preschool salaries and benefits are also completely funded by “On My Way Pre-K,” student tuition, and federal before and after school funding. This will create an overall savings of approximately \$120,000 for the Education Fund.

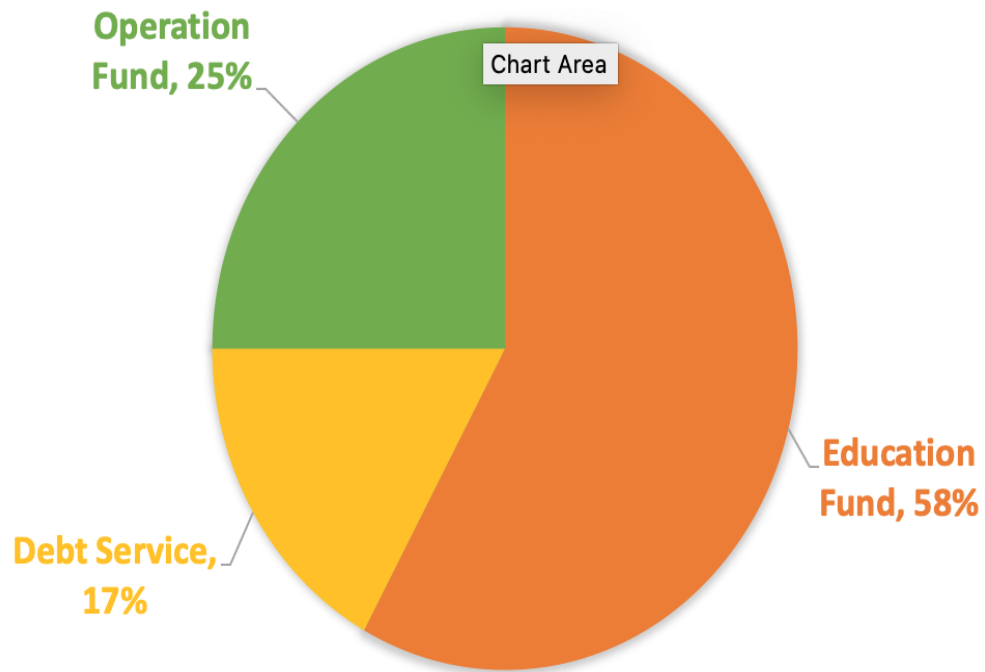
Another way to offset expenditures in the Education Fund, is moving additional administrative salary and benefit costs to the Operation Fund. In 2022, the Director of Student Services salary and benefits were transferred to the Operations, saving approximately \$130,000 in the Education Fund. It is important 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.

A short term fix for 2022 is to not transfer all of the needed funds from Education to the Operation Fund to offset the circuit breaker. Instead we will only transfer \$600,000 leaving the rest to support expenditures in the Education Fund. This will cause us to spend around \$300,000 of Operation Fund cash balance in 2022.

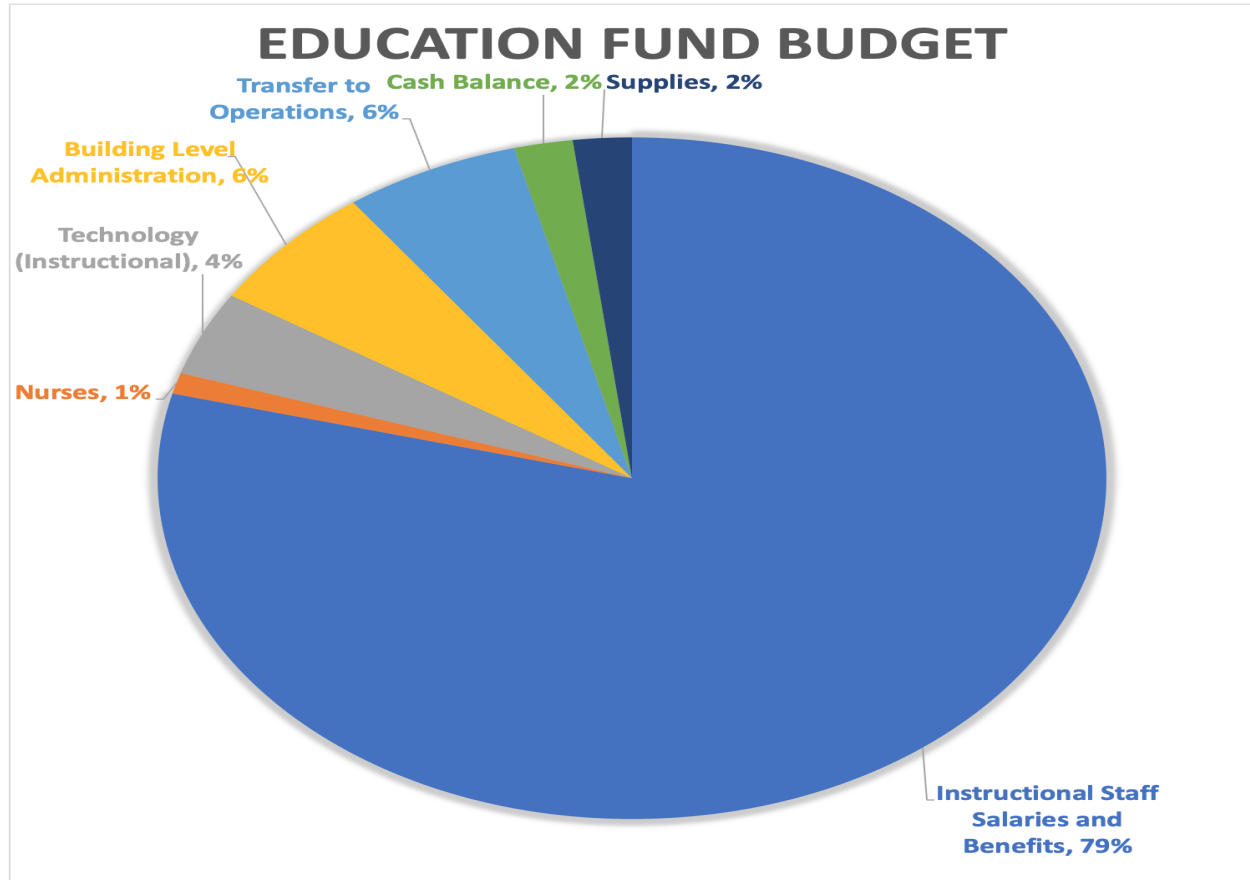
The only viable way for the corporation to remain fiscally stable is to reduce personnel costs when possible. We have reduced our teaching staff by 5 FTE and classified staff 8 FTE. It is important to look at personnel, programming, and schedules in all buildings in order to right size our corporation for our current reality.

2022 Budget Breakdown:

ALL FUNDS



Education Fund-Budget Breakdown:



Operation Fund-Budget Breakdown

