

TO: School Superintendents, Directors, Business Managers, and Treasurers

FROM: Melissa Ambre, Director, Office of School Finance
Amy Pattison, Assistant Director, Office of School Finance

RE: Excessive Education Fund Transfer List (Updated)

DATE: December 2020

Excessive Education Fund Transfer List

The following memo provides an overview of state law regarding the Excessive Education Fund Transfer List as outlined in I.C. 20-40-2-6 during the 2019 legislative session. The law reads, “Each school corporation shall make every reasonable effort to transfer not more than fifteen percent of the total revenue deposited in the school corporation’s education fund from the school corporation’s education fund to the school corporation’s operations fund during a calendar year.” Additionally, “The transfers made during the: (1) first six (6) months of each state fiscal year shall be reported before January 31 of the following year; and (2) last six (6) months of each state fiscal year shall be reported before July 31 of that year.”

Form 9 Step 4

The creation of the excessive education fund transfer list and procedures specified in IC 20-40-2-9 through 20-40-2-10 applies to calendar year 2020. It is important that school corporations ensure the accuracy of their transfer reports for each six-month period. The Indiana Department of Education (IDOE) will use calendar year 2020 transfers, reported through Form 9, to determine whether a school corporation met the recommended transfer target of 15 percent. IDOE implemented Step 4 as part of the Form 9 financial data submission process to gather the data necessary to determine whether each school corporation exceeded the fifteen percent target transfer amount.

Step 4 of the Form 9 upload process displays all fund transfers (account 60100) made from the Education fund or the Operations fund. For each transfer displayed, school corporations indicated whether the transfer was made between the Education fund and the Operations fund, or if the transfer was made to a different fund. If the transfer was between the Education fund and the Operations fund, school officials must add the date of the transfer, the date of the supporting public meeting, and a short description of how the funds will be used once the transfer is complete. If the transfer was not between the Education fund and Operations fund, no additional data is needed for that report line.

If the school governing body approved multiple transfers at one board meeting, officials may report the same public meeting date for each transfer line while reflecting a different date of transfer on each line.

The Transfer report is optional for charter schools and non-Local Educational Agencies. The report format is shown below:

FORM 9 FINANCIAL REPORT

Statement of Transfers

2020 Period 1: January 1 to June 30, 2020

Transfer Direction	Amount	Was this a Transfer Between the Education Fund and the Operations Fund(Y/N)	Date of Transfer	Date of Public Meeting	Description
Transfers FROM the Education Fund 0101 IC 20-40-2	\$38,274.78	<input checked="" type="radio"/> YES <input type="radio"/> NO	10/15/2020	10/01/2020	Transfer to support transportation services

Each entry for transfers using accounts 60100 and 5200 between the Education fund 0101 and Operations fund 0300 should be shown individually in the Form 9 step three data submission file and should not be totaled. Completion of this report satisfies the requirements by law. Additionally, the report will be available on IDOE's public website as well as DOE Online.

Excessive Education Fund Transfer List

Before February 1 of each year, IDOE must compile an excessive education fund transfer list of all school corporations that transferred more than fifteen percent of the total revenue in the Education fund to the Operations fund during the previous calendar year. (IC 20-40-2-6)

*School corporations whose transfer report information for calendar year 2020 (January to June 2020 and July to December 2020) is not yet available by **January 31** will be temporarily listed as not having met the requirement.*

Notification of Excessive Education Fund Transfer List

For each school corporation on the Excessive Education Fund Transfer List, IDOE will notify, no later than March 1 of each year, the superintendent, school business officer, and school governing body that the school corporation did not meet the transfer target percentage in the previous calendar year. (IC 20-40-2-9)

School corporations that receive the IDOE notice must

- publicly acknowledge receipt of the notification at its next public meeting of the school governing body,
- enter into the official minutes the notice, and
- publish on the school corporation's website IDOE notice and relevant report within thirty days of the public meeting.

Other notifications by IDOE

IDOE must also notify the State Board of Education (SBOE), Fiscal Qualitative Indicators Committee (FQIC), and the Indiana Education Employment Relations Board (IEERB) of school corporations on the Excessive Education Fund Transfer List.

School Corporation Response Period and Required Actions

Within ninety days of IDOE notice, the school corporation's superintendent and financial personnel including the school's business officer must prepare and submit explanatory documentation outlined in IC 20-40-2-10(b). The explanatory information must be sent to IDOE and the FQIC. The information must also be filed and shared with the school governing body for incorporation into its official meeting minutes.

The explanatory documentation must include:

- “(1) How and why the school corporation's leadership believes the school corporation failed to meet the education fund transfer target percentage.
- (2) The 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.”

With thirty days of responding to and filing required documentation, school officials shall publish the explanatory documentation alongside any further notices and related reports from the department on its Internet web site.

FQIC and IDOE Review

Upon receipt of the information from the school corporation, the fiscal and qualitative indicators committee shall officially acknowledge receipt of the explanatory documentation at its next public meeting and enter the receipt into its official minutes for that meeting. (I.C. 20-40-2-10(f))

IDOE and FQIC have sixty days to review the explanatory documentation provided to determine whether it satisfactorily demonstrates the school corporation has begun a corrective action plan to make progress in meeting the education fund transfer target percentage for the next calendar year. (IC 20-40-2-10(g))

If explanatory documentation is not satisfactory, IDOE may contact the school corporation superintendent and finance personnel to schedule an appearance before the FQIC. At the public meeting, the school officials should be prepared to discuss the explanatory documentation and the school corporation's budget and compensation levels based on the factors outlined in IC 20-40-2-10(h).

Factors used to discuss budget and compensation levels

As part of the discussion with IDOE and FQIC, school personnel should provide the following information as supporting documentation:

- “(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 this chapter from the Indiana education employment relations board and the department's division of 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 under IC 20-42.5-2-1.
- (10) Any prior or planned participation in a county school safety commission under IC 5-2-10.1-10 to assist and reduce school safety expenditures.
- (11) Any prior or planned consideration of meeting the requirements of and applying for school corporation efficiency incentive grants under IC 36-1.5-6.”

A complete copy of the information must be emailed or mailed in advance of the meeting with the FQIC. Please email or mail a complete copy of the information to:

Distressed Unit Appeal Board
Courtney Schaafsma, Executive Director
One North Capitol Ave., Suite 900
Indianapolis, IN 46204
indicators@duab.in.gov

IN Department of Education Office of School Finance
Melissa Ambre, Director
100 N. Senate Ave.,
IGCN, 9th Floor
Indianapolis, IN 46204
mambre@doe.in.gov

School Corporation's on the Transfer List for at least the Two Preceding Calendar Years

FQIC may also contact the superintendent and staff of a school corporation that has been on the IDOE excessive education fund transfer list for at least the two preceding calendar years to provide an opportunity to explain school corporation data. Based on the information presented, FQIC may issue an official recommendation regarding next steps including but not limited to budget review and/or assistance during its next collective bargaining procedure in consultation with any state agencies that seem appropriate.

State Agency Follow Up

The state agencies specified by the fiscal and qualitative indicators committee 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.

School Corporation Acknowledgement

If the FQIC issues an official recommendation to a school corporation, the school corporation's governing body shall officially acknowledge receipt of the recommendation at its next public meeting and enter into the school corporation governing body's minutes for that meeting acknowledgment of receipt of the recommendation. In addition, the school corporation shall publish the official recommendation on the school corporation's Internet web site. This includes recent notices from IDOE, as well as individual reports prepared by IDOE and the FQIC, and official recommendations. The notice may be removed

when IDOE determines the school corporation met its education fund transfer target percentage and is removed from the excessive education fund transfer list.

Summary

2020

- July 31- deadline to submit transfers and other required Form 9 financial data for the period of January to June 2020.

2021

- January 31- deadline to submit transfers and other required Form 9 financial data for the period of July to December 2020.
- February 1- IDOE compiles CY 2020 Excessive Education Fund Transfer List.
- March 1- IDOE notifies school corporations that did not meet the transfer target percentage.
- After notifying school corporations- IDOE notifies SBOE, FQIC, and IEERB of school corporations on the excessive education fund transfer list.
- Within 90 days of IDOE notification, school corporations provide explanatory documentation to IDOE and FQIC.
- Within 30 days of the last action, school corporations must post the information on its public website.
- Within 60 days of receiving explanatory documentation, IDOE and FQIC review the information.
- IDOE and FQIC may take additional actions regarding the Excessive Education Fund Transfer List with the school posting any action taken on its public website.
- IDOE may remove a school corporation from the excessive education fund transfer list.

Local education agencies can find information concerning Form 9 financial data in [MOODLE Finance](#). If you have questions about this information, please contact [Amy Pattison](#) or [Melissa Ambre](#) or email Form9@doe.in.gov.

Frequently Asked Questions

- 1. What period does the Excessive Education Fund Transfer List cover?**
 - a. The first report covers transfers during the period of CY 2020, which is January 1 through December 31, 2020.
- 2. How do you determine the 15% amount?**
 - a. The amount is based on 15% of total Education Fund revenue reported as part of Form 9 financial data for January 1 through December 31, 2021.
- 3. What is total revenue?**
 - a. Total revenue is any revenue deposited into the Education Fund during the period of January 1 through December 31, 2020.
- 4. If we transfer money from another fund like rainy day or reimburse the education fund from a federal fund, etc., do we count that as revenue?**
 - a. No, fund transfers are not included in revenue

5. **If a school corporation transfers periodically to and from its Education and Operations fund, is the calculation based on the net amount transferred between the two funds?**
 - a. Yes, for transfers to and from the Education and Operations fund, the net amount of transfers will be used for comparison purposes.
6. **Does this include revenue from tax anticipation warrants?**
 - a. Since tax anticipation warrants are usually deposited in account 5430 temporary loans, this would not be included since they are receipt exceptions and therefore excluded from the calculation.
7. **Does this include revenue from a school referendum?**
 - a. No. The transfer is based on Education Fund revenue. Funds raised through a property tax referendum are deposited into a separate Referendum fund.
8. **If a school corporation deposits principal from the sale of an investment, is that considered revenue in the Education Fund?**
 - a. If the deposit occurs as part of a receipt exception, the transfer will not be included in the calculation of total Education Fund revenue.
9. **What triggers a school corporation to not meet the 15% requirement?**
 - a. Transfers that exceed 15.0% of Education Fund revenue will cause a school corporation to not meet the threshold.
 - b. If a school corporation does not timely file Form 9 financial data, which provides the basis of the calculation, the school corporation will be deemed as not meeting the 15% target transfer amount.
10. **How will a school corporation know if they transferred more than 15% of Education fund revenue to the Operations fund?**
 - a. Not later than March 1 of each year, IDOE will notify the superintendent, school business officer, and school governing body of any school corporation did not meet the transfer target percentage in the previous calendar year.
11. **What is explanatory documentation?**
 - a. Explanatory documentation is information that the school superintendent and/or business office shares with its board regarding how and why the school did not meet the education fund target percentage. It might include a written explanation of transfers that were made from the Education to Operations fund during the year and what necessitated the transfer(s). It should provide a thorough explanation as to the reason for the transfers.

Some questions that might be helpful are what were the expenditures made from the Operations fund using the revenue from the Education fund? Did an unforeseen circumstance necessitate the transfer of funds? If so, has the issue been resolved? Are the transfers based on a signed board resolution that allowed for the periodic transfer of funds? If so, were the transfers necessary? Could a lower amount have been transferred?

How will the school address the transfers from the Education to Operations Fund in the future? Can officials mitigate this from happening in the next budget year? If so, what steps will be taken to reduce the amount transferred from the Education fund?

Explanatory documentation

For a school corporation that receives notification of transfers of more than 15% of Education Fund revenue, the law requires that explanatory documentation be prepared and shared with the school governing body. The documentation should adequately explain how and why the school corporation did not meet the target transfer percentage.

To assist school corporations with documenting information, officials may want to conduct analysis to better understand previous calendar year (January to December) operations fund expenditures. This analysis is optional and does not preclude school corporations from utilizing other types of analysis when preparing the explanatory documentation.

- Group the operations fund expenditures by account code ranges. Which ranges contain the largest expenditure amounts for your school corporation? Focus on the top 2 or 3.

17000-17999	Joint Services
23000-23999	General Administration
25000-25999	Central Office Support Services
26000-26999	Operations and Maintenance
27000-27999	Transportation
31000-31999	Food Service
33000-33999	Community Services, coaching
40000-45999, 49000-49999	Facilities acquisition and construction
46000-47999	Purchase of equipment
51000-59999	Debt payments/Lease rental

- Subdivide each of the top expenditure categories by object codes, categorized into the following ranges:

100-199	Salaries
200-299	Benefits
300 – 444, 490-510, 512-559 and 580 – 590, 592-599	Purchased Services
600-699	Supplies
remaining object codes	Other

- For your top expenditure categories, is most of the spending on salaries and benefits, or on property and supplies? If there are purchased services, what are those specifically for? If most of the expenditures are for salaries and benefits, what are the job titles of those

being paid? Which services do they perform? If the expenditures are for supplies, describe the types of supplies purchased.

- If construction expenditures are large, explain the specifics of property acquired or improved. Are these ongoing costs?