
HOUSE BILL No. 1191

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-19-4.9; IC 20-19-6.

Synopsis: In-class spending requirements. Provides for the reporting of a school corporation's expenditures for current operating expenses. Requires a school corporation to receive prior approval from the department of local government finance before making certain expenditures if: (1) the school corporation's total expenditures for instruction are less than 65% of the school corporation's total current operating expenditures; and (2) the school corporation is not operating on an approved plan that increases the school corporation's in-class spending percentage by at least two percentage points each year.

Effective: July 1, 2006.

Stutzman

January 9, 2006, read first time and referred to Committee on Education.

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Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

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HOUSE BILL No. 1191



A BILL FOR AN ACT to amend the Indiana Code concerning education finance.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-19-4.9 IS AMENDED TO READ AS
 2 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4.9. (a) **The following**
 3 **definitions apply throughout** this section:
 4 (1) **"Current operating expenditures" has the meaning set**
 5 **forth in IC 20-19-6-2.**
 6 (2) **"In-class spending percentage" has the meaning set forth**
 7 **in IC 20-19-6-6.**
 8 (3) **"Instruction" has the meaning set forth in IC 20-19-6-7.**
 9 (b) **Subsection (c)(1)** does not apply to a school corporation that
 10 receives emergency financial relief under section 4.5(c) or section 4.7
 11 of this chapter.
 12 ~~(b)~~ **Every (c) This section applies to a school corporation in any**
 13 **year:**
 14 (1) with respect to which the tax control board recommends, and
 15 the department of local government finance authorizes,
 16 emergency financial relief under section 4.5 of this chapter
 17 (including relief in the form of an authorization to make an



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excessive tax levy), ~~is~~, if the school corporation accepts the authorized relief; or

(2) that immediately succeeds a year in which the department of education reports under IC 20-19-6 that the school corporation's in-class spending percentage for the accounting period that is the subject of the report was less than sixty-five percent (65%), unless:

(A) the school corporation:

(i) has a plan in place, adopted by the school corporation's governing body and approved by the department of local government finance, to make instruction expenditures in each school year sufficient to have an in-class spending percentage of at least sixty-five percent (65%); and

(ii) is increasing expenditures for instruction in each year by an amount that results in an in-class spending percentage that is at least two (2) percentage points higher than in the immediately preceding year until the school corporation has an in-class spending percentage of at least sixty-five percent (65%); or

(B) all the students with legal settlement in the school corporation are enrolled in other transferee corporations under an arrangement in which substantially all the expenditures of the school corporation are expenditures for the payment of transfer tuition.

(d) A school corporation is prohibited throughout any calendar year in to which or for which the school corporation receives the emergency financial relief this section applies from taking any of the prohibited actions described in this subsection until the action is recommended by the tax control board to the department of local government finance and authorized by the department. The prohibited actions are any of the following:

(1) The acquisition of real estate for school building purposes, the construction of new school buildings, or the remodeling or renovation of existing school buildings.

(2) The making of a lease of real or personal property for an annual rental or the incurring of any other contractual obligation (except an employment contract for a new employee, which contract is to supersede the contract of a terminating employee) calling for an annual outlay by the school corporation in excess of ten thousand dollars (\$10,000).

(3) The purchase of personal property for a consideration in

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excess of ten thousand dollars (\$10,000).

(4) The adoption or advertising of a budget, tax levy, or tax rate for any calendar year.

(5) The making of a current operating expenditure (other than an expenditure for instruction) that exceeds five hundred dollars (\$500), if subsection (c)(2) applies and the school corporation does not have a plan in place, adopted by the school corporation's governing body and approved by the department of local government finance, to increase instruction expenditures in the year by the lesser of the following:

(A) Two (2) percentage points more than the amount expended for instruction in the immediately preceding year.

(B) The amount needed for the school corporation to have an in-class spending percentage in the year of at least sixty-five percent (65%).

~~(c)~~ (e) If a school corporation subject to the controls described in subsection ~~(b)~~ (d) takes any of the actions described in subsection ~~(b)~~ (d) without having first obtained the recommendation of the tax control board and the department of local government finance's authorization for the action, the department may take appropriate steps to:

(1) if subsection (c)(1) applies, reduce or terminate any emergency financial relief that the school corporation may then be receiving under section 4.5 of this chapter; or

(2) if subsection (c)(2) applies, reduce the certified general fund levy for a year and the school corporation's budget by an amount that does not exceed the amount necessary to bring the school corporation's in-class spending percentage in the year to at least sixty percent (60%).

(f) A school corporation is not eligible for an excess levy to fund a plan described in subsection (c)(2) or (d)(5).

(g) The amount of a school corporation's maximum permissible general fund levy is not reduced by the amount of a reduction required under subsection (e)(2). For purposes of determining state distributions to a school corporation, a school corporation shall be treated as having levied the amount of a reduction under subsection (e)(2).

SECTION 2. IC 20-19-6 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 6. Current Operating Expenditure Report

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1 **Sec. 1.** As used in this chapter, "current expenditures" refers to
 2 expenditures classified as current expenditures for public
 3 elementary and secondary schools under the standards applicable
 4 to a survey.

5 **Sec. 2.** As used in this chapter, "current operating
 6 expenditures" refers to the current expenditures described in
 7 section 13 of this chapter.

8 **Sec. 3.** As used in this chapter, "data" refers to financial
 9 information collected from school corporations under this chapter.

10 **Sec. 4.** As used in this chapter, "food service" refers to current
 11 expenditures classified as food services expenditures (subfunction
 12 code 3100 in the 3000 function code series) on a survey.

13 **Sec. 5.** As used in this chapter, "function" refers to the broadest
 14 classification of expenditure data used in a survey.

15 **Sec. 6.** As used in this chapter, "in-class spending percentage"
 16 refers to the percentage determined under section 17 of this
 17 chapter.

18 **Sec. 7.** As used in this chapter, "instruction" refers to current
 19 expenditures classified as instruction expenditures (1000 function
 20 code series) on a survey.

21 **Sec. 8.** As used in this chapter, "support services" refers to
 22 current expenditures classified as support services expenditures
 23 (2000 function code series) on a survey.

24 **Sec. 9.** As used in this chapter, "survey" refers to a survey
 25 described in section 12 of this chapter.

26 **Sec. 10.** The department shall establish a program to obtain
 27 complete and comparable cost data from each school corporation
 28 for current operating expenditures.

29 **Sec. 11.** A school corporation shall provide the data necessary
 30 for the department to comply with this chapter in the form and
 31 manner and on the schedule determined by the department.

32 **Sec. 12.** The department shall compile and classify data under
 33 this chapter in conformity with the standards applicable to the
 34 collection of the common core of data about the nation's public
 35 elementary and secondary schools by the United States
 36 Department of Education and the National Center for Education
 37 Statistics in the Local Education Agency Finance Survey (F-33)
 38 and the National Public Education Financial Survey (NPEFS).

39 **Sec. 13.** For purposes of this chapter, "current operating
 40 expenditures" equals the sum of the following:

- 41 (1) Instruction expenditures.
 42 (2) Support services expenditures.

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(3) Food services expenditures.
Sec. 14. (a) Subject to this section, if the standards for submitting financial information in a survey permit a school corporation or the department to use alternative accounting principles, methods of accounting, or accounting periods for data, the department shall select one (1) of the alternatives and provide for the compilation and reporting of data under this chapter in conformity with the selected alternative.

(b) The department must allocate current operating expenditures for employee benefits paid by a school corporation or the state among the current operating expenditure function codes under the allocation formula determined by the department and approved by the state board of accounts.

Sec. 15. The department shall provide instructions to school corporations on how to report data in conformity with this chapter. The instructions must be approved by the state board of accounts.

Sec. 16. Not later than ninety (90) days after the close of an accounting period, the department shall publish on the department's Internet web site and certify to the department of local government finance the following information for each school corporation:

- (1)** The current operating expenditure data for the school corporation for the immediately preceding accounting period.
- (2)** The in-class spending percentage for the school corporation.

Sec. 17. For purposes of this chapter, the in-class spending percentage of a school corporation is equal to the result determined under **STEP FOUR** of the following formula:

- STEP ONE:** Determine the current operating expenditures for a school corporation for an accounting period.
- STEP TWO:** Determine the instruction expenditures for the school corporation for the same accounting period.
- STEP THREE:** Divide the **STEP TWO** amount by the **STEP ONE** amount, rounding to the nearest one-thousandth (0.001).
- STEP FOUR:** Convert the **STEP THREE** result to a percentage by multiplying the **STEP THREE** result by one hundred (100).

Sec. 18. The department shall publish the data required under section 16 of this chapter with comparative data and explanatory information that the department determines will aid the public in evaluating the data.

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Sec. 19. The department shall establish a procedure for reviewing and correcting erroneous data published under sections 16 and 18 of this chapter.

Sec. 20. When the state board of accounts audits a school corporation, the state board of accounts shall conduct a review of the internal controls of the school corporation that the school corporation relies on to report data under this chapter. The state board of accounts shall treat the lack of adequate internal controls as an audit exception that must be corrected by the school corporation.

Sec. 21. Each school corporation and the department shall submit current operator expenditure information on surveys using the same accounting principles, methods of accounting, and accounting periods used to compile data under this chapter.

SECTION 3. [EFFECTIVE JULY 1, 2006] The initial accounting period to which IC 20-19-6, as added by this act, applies is the accounting period beginning January 1, 2006, and ending December 31, 2006. The designation of the initial accounting period under this SECTION does not prohibit the department of education from changing the accounting period to which IC 20-19-6, as added by this act, applies for any reporting period that ends after December 31, 2006, even if two (2) reporting periods partially overlap.

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