

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6520**

**BILL NUMBER:** HB 1110

**NOTE PREPARED:** Feb 11, 2013

**BILL AMENDED:** Feb 7, 1013

**SUBJECT:** Flexibility in Use of School Funds.

**FIRST AUTHOR:** Rep. McNamara

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) *Capital Projects Fund (CPF) Utility and Property Insurance:* This bill extends the authority for a school corporation to use money in its Capital Projects Fund to pay the costs of insurance and utilities through 2014. It increases the amount of a school corporation's allowable expenditures from 3.5% to 4.5% of the school corporation's 2005 calendar year distribution. The bill provides that amounts available for expenditure exceeding 3.5% of the school corporation's 2005 calendar year distribution must be used to pay storm water fees charged to the school corporation.

*Transfers Between Funds:* The bill permits a school corporation to transfer money to a fund from any other fund, except a school bus replacement fund or a debt service fund, for two years.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *CPF Utility and Property Insurance:* The maximum amount of CPF funding statewide that can be used for paying the costs of insurance and utilities is about \$204.5 M each year, or 3.5% of the school corporation's 2005 calendar year school formula revenue. Currently, this provision is only valid through CY 2013. This bill would allow schools to use CPF funds for insurance and utilities costs through CY 2014. In FY 2012, school expenditures from CPF for utilities and property insurance was about \$182.4 M.

(Revised) The bill would also allow up to about \$58.4 M of the CPF to be used to pay storm water fees that are currently paid from the school General Fund. It is unknown how much school corporations currently spend on storm water fees. A school corporation would be able to increase their CPF levy above their current maximum rate to raise the additional funds for storm water fees.

*Transfers Between Funds:* The bill would increase a school's flexibility in the use of funds between various funds. The school board has to affirm the following:

1. The transfer is not needed to meet obligations of the fund where the transfer is being made.
2. The transfer does not violate any federal law or regulation or the terms of any agreement related to a lease or bond.
3. The transfer is necessary.

The school can not increase its property tax levy or borrow money to make up for the reduction resulting from the transfer.

*Background:* The following funds and numbers of schools with reported 2011 positive cash balances follow:

1. General Fund: 344 schools with CY 2011-ending positive cash balances of \$768.8 M.
2. Transportation Fund: 277 schools with CY 2011-ending positive cash balances of \$191.0 M.
3. Capital Projects Fund: 281 schools with CY 2011-ending positive cash balances of \$417.6 M.
4. Local Rainy Day Fund: 250 schools with CY 2011-ending positive cash balances of \$397.9 M.

The school general fund is mostly funded by the state. The transportation fund and capital projects fund are primarily funded by property taxes. The property tax controls on these funds are as follows:

- Transportation Fund is a levy-controlled fund. The levy is allowed to increase by a certain percentage each year. The control is the same as the civil property tax controls.
- Capital Projects Fund is a rate-controlled fund. The rate is a set level that varies from school to school and is adjusted by changes in inflation.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Local schools.

**Information Sources:** Department of Education Databases.

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