HOUSE BILL No. 1003

DIGEST OF HB 1003 (Updated February 7, 2019 1:20 pm - DI 113)

Citations Affected: IC 6-1.1; IC 20-29; IC 20-40.

Synopsis: School corporation expenditure targets. Provides that a school must specify in its proposed budget the anticipated amount it will transfer from its education fund to its operations fund during the budget year and requires an acknowledgment at its budget hearing of whether it will transfer more than 15% from its education fund to its operations fund. Requires the education employment relations board to annually prepare, publish, and submit a report to the budget committee and the legislative council that covers various employment information for school employees. Provides that a school corporation shall make (Continued next page)

Effective: July 1, 2019; January 1, 2020.

DeVon, Huston

January 7, 2019, read first time and referred to Committee on Education.
January 10, 2019, reported — Do Pass. Referred to Committee on Ways and Means pursuant to Rule 127.
February 4, 2019, amended, reported — Do Pass.
February 7, 2019, read second time, amended, ordered engrossed.
every reasonable effort to budget and spend for its education fund so that no more than 15% of the revenue deposited in its education fund is transferred to its operations fund. Requires the department of education to identify and the office of management and budget (OMB) to notify those school corporations that transfer more than the 15% amount for the previous calendar year beginning in 2020. Requires the department of education and the OMB to publish on their Internet websites a list of those school corporations exceeding the 15% transfer amount. Requires a school corporation's governing body to publically acknowledge receipt of a notice that the school corporation is on the list and publish on the school corporation's Internet web site that it is on the list along with related items. Requires the OMB and the division of finance of the department of education to be available to provide assistance to each school corporation that is included on the list. Requires a school corporation that is not on the list to publish this fact on the school corporation's Internet web site. Provides that, if a school corporation is over the transfer target, the school corporation is required to explain its expenditures to department of education and the fiscal and qualitative indicators committee. Provides that the department of education may require the school corporation to present its explanation to fiscal and qualitative indicators committee at a public meeting. Permits the fiscal and qualitative indicators committee to issue a recommendation to the school corporation, and requires posting of the recommendation on the school corporation's Internet web site. Requires the department of education to annually publish a school operating budget cost of service index report that analyzes average operating costs of school corporations.
HOUSE BILL No. 1003

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

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

SECTION 1. IC 6-1.1-17-5.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2019]: Sec. 5.3. A school corporation shall specify in its proposed budget the anticipated amount that will be transferred from the total revenue deposited in the school corporation's education fund to its operations fund during the next calendar year. At its public hearing to adopt a budget under this chapter, the school corporation shall acknowledge whether the school corporation's anticipated transfer amount will be more than fifteen percent (15%) of the total revenue deposited in the school corporation's education fund to its operations fund during the next calendar year.

SECTION 2. IC 20-29-3-15 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2019]: Sec. 15. (a) The board shall prepare an annual report covering the previous school year or collective bargaining period that includes at least the information described in subsection (b).
Before November 15 each year, the board shall:

1. submit the report to the budget committee, department of education, state board, and legislative council in an electronic format under IC 5-14-6; and
2. publish the report on the state's interactive and searchable Internet web site containing local government information (the Indiana gateway for governmental units).

(b) The report must cover at least the following information:

1. The total number of full-time public school teachers and the number of nonteaching full-time district level administrators.
2. The average tenure of all full-time public school teachers.
3. The number of first-year, full-time teachers hired during the previous calendar year.
4. The number of full-time teachers who retired during the interval between the immediately preceding collective bargaining period and the previous calendar year's collective bargaining period.
5. The overall average salary of nonteaching full-time district level administrators.
6. The overall average salary of full-time public school teachers.
7. The statewide average total compensation of full-time public school teachers, the statewide average daily teacher salary rate, and the statewide average annual teacher contract days.
8. The statewide average total compensation of full-time public school administrators, the statewide average daily nonteaching, full-time, district level administrator salary rate, and the statewide average annual administrator contract days.
9. The average salary and total compensation of full-time public school teachers for each school corporation.
10. The average salary and total compensation of nonteaching, full-time district level administrators, including separately the superintendent, for each school corporation.
11. The minimum full-time public school teacher salary.
12. The maximum full-time public school teacher salary.
13. The minimum nonteaching full-time district level administrative salary.
14. The maximum nonteaching full-time district level administrative salary.
(15) The number of full-time public school teachers earning a salary under the statewide average.

(16) The number of full-time public school teachers earning a salary in excess of the statewide average.

(17) For each school corporation, the average salary paid to full-time public school teachers in each of the following tenure benchmarks:

(A) First year.
(B) Fifth year.
(C) Tenth year.
(D) Fifteenth year.
(E) Twentieth year.
(F) Twenty-fifth year.
(G) Thirty (30) or more years of service.

(18) For each school corporation, the nominal dollar figures for subdivisions (5), (6), (11), (12), (13), (14), and (17) in nationally recognized, open-source, state-specific cost of living index-adjusted dollars to compare to the figures described in subdivision (19).

(19) Comparative data on overall full-time public school teacher salary averages and by each of the tenure benchmarks listed in subdivision (17) in both nominal dollars and nationally recognized, open-source, state-specific cost of living index-adjusted dollars for each of the following states:

(A) Illinois.
(B) Kentucky.
(C) Michigan.
(D) Ohio.
(E) Wisconsin.

As used in this subsection, total compensation includes the monetary value of salary, wages, bonuses, stipends, supplemental payments, commissions, employment benefits, and any other form of remuneration paid for personal services.

(c) The board may require schools to submit any school corporation specific information needed to complete the report. Parties to a collective bargaining agreement shall comply with the board's requests for information necessary to complete the report.

SECTION 3. IC 20-40-2-0.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2020]: Sec. 0.3. As used in this chapter, "education fund transfer target percentage" refers to the threshold maximum education fund transfer percentage set forth in section 6 of this
SECTION 4. IC 20-40-2-0.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2020]: Sec. 0.5. As used in this chapter, "excessive education fund transfer list" refers to the list required by section 6 of this chapter.

SECTION 5. IC 20-40-2-6, AS ADDED BY P.L.244-2017, SECTION 71, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2020]: Sec. 6. (a) Each school corporation shall make every reasonable effort to transfer no more than fifteen percent (15%) 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.

(b) Only after the transfer is authorized by the governing body in a public meeting with public notice, money in the education fund may be transferred to the operations fund to cover expenditures that are not allocated to student instruction and learning under IC 20-42.5. The amount transferred from the education fund to the operations fund shall be reported by the school corporation to the department. 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.

(c) The report must include information as required by the department and in the form required by the department.

(d) The department must post the report submitted under subsection (b) on the department's Internet web site.

(e) Beginning in 2020, the department shall track for each school corporation transfers from the school corporation's education fund to its operations fund for the preceding six (6) month period. Beginning in 2021, before February 1 of each year, the department shall provide to the office of management and budget an excessive education fund transfer list comprised of all school corporations that transferred more than fifteen percent (15%) 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 the immediately preceding calendar year. A school corporation that is not included on the excessive education fund transfer list is considered to have met the education fund transfer target percentage for the immediately preceding calendar year.
SECTION 6. IC 20-40-2-8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2020]: Sec. 8. The office of management and budget and the division of finance of the department shall be available to consult with and provide technical assistance to each school corporation that is included on the excessive education fund transfer list required under section 6 of this chapter.

SECTION 7. IC 20-40-2-9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2020]: Sec. 9. (a) For each school corporation included on the excessive education fund transfer list required under section 6 of this chapter, the office of management and budget shall, not later than thirty (30) days after receiving the excessive education fund transfer list from the department, submit in both a written and an electronic format a notice to the school corporation's superintendent, school business officer, and governing body that the school corporation did not meet its education fund transfer target percentage for the previous calendar year.

(b) If a school corporation's governing body receives a notice from the office of management and budget under subsection (a), the school corporation shall do all of the following:

1. Publicly acknowledge receipt of the excessive education fund transfer list notice from the office at the governing body's next public meeting.
2. Enter into the governing body's official minutes for that meeting acknowledgment of the notice.
3. Publish on the school corporation's Internet web site the office's notice and any relevant individual reports prepared by the office within thirty (30) days after the public meeting.

SECTION 8. IC 20-40-2-10 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2020]: Sec. 10. (a) After the office of management and budget completes the school corporation notice requirement under section 9 of this chapter, the office shall notify the state board, fiscal and qualitative indicators committee, department, and Indiana education employment relations board as soon as possible of all school corporations that received a notice stating they were on the excessive education fund transfer list for the immediately preceding calendar year.

(b) Upon receipt of the office of management and budget notice to a school corporation under section 9 of this chapter, the school...
corporation's superintendent and financial personnel, including the school's business officer, shall prepare and submit explanatory documentation within ninety (90) days, explaining the following:

(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.

(c) The school corporation's superintendent shall submit the explanatory documentation to the department and the fiscal and qualitative indicators committee.

(d) Upon submission of the explanatory documentation under subsection (b), the school corporation's superintendent shall present the explanatory documentation to the school corporation's governing body at its next public meeting. The governing body shall enter both the actual documentation and corresponding discussion into its official minutes for that meeting.

(e) Upon the completion of the duties under subsection (d), the school corporation shall publish the explanatory documentation alongside any further notices and related reports from the office of management and budget on its Internet web site within thirty (30) days.

(f) Upon receipt of a school corporation's explanatory documentation, the fiscal and qualitative indicators committee shall officially acknowledge receipt of the documentation at its next public meeting and enter the receipt into its official minutes for that meeting.

(g) Upon receipt of the explanatory documentation, the department, in collaboration with the fiscal and qualitative indicators committee, shall review the documentation within sixty (60) days to make a preliminary determination of whether the documentation satisfactorily demonstrates that the school corporation's leadership has outlined and begun a corrective action plan to make progress in meeting the education fund transfer target percentage for the next calendar year.

(h) If the department determines the explanatory documentation is not satisfactory, the department may contact the superintendent and financial personnel, including the school business officer, of the school corporation to schedule as soon as possible an appearance before the fiscal and qualitative indicators committee.
committee at a public meeting to provide an opportunity to explain
the details within the explanatory documentation, and to explain to
the fiscal and qualitative indicators committee the school
corporation's budgeting and compensation levels in relation to the
following for the school corporation:
   (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 office of management
and budget 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.
(i) The fiscal and qualitative indicators committee may contact
the superintendent and financial personnel, including the school's
business officer, of a school corporation that has been included on
the office's excessive education fund transfer list for at least two (2)
immediately preceding calendar years to provide the school
corporation an opportunity to explain to the fiscal and qualitative
indicators committee in a public meeting the school corporation's
budgeting and compensation levels in relation to the items listed in
subsection (h).
   (j) After the fiscal and qualitative indicators committee receives
the school corporation's explanation under this section, the fiscal
and qualitative indicators committee may issue an official
recommendation to the school corporation to perform a review and
improve its budgeting procedures in consultation with any state
agencies the fiscal and qualitative indicators committee considers appropriate. 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. If the fiscal and qualitative indicators committee 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.

(k) The school corporation shall publish the most recent notices from the office of management and budget, relevant individual reports prepared by the office of management and budget, explanatory documentation by the school corporation, and official recommendations by the fiscal and qualitative indicators committee on the school corporation's Internet web site.

(l) The school corporation may remove the notice, its explanatory documentation, and the fiscal and qualitative indicators committee's official recommendation from its Internet web site if the office of management and budget determines that the school corporation met its education fund transfer target percentage and is no longer on the excessive education fund transfer list.

SECTION 9. IC 20-40-18-13 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2019]: Sec. 13. (a) Before December 1 of each year, the department shall do the following:

(1) Calculate school operating budget cost of service indexes as described in subsection (b) for the following groups of school corporations:

(A) School corporations having a current ADM of less than or equal to one thousand (1,000).
(B) School corporations having a current ADM of more than one thousand (1,000) and less than or equal to five thousand (5,000).
(C) School corporations having a current ADM of more than five thousand (5,000).

(2) Prepare a school operating budget cost of service index

HB 1003—LS 7475/DI 58
report that describes the indexes calculated under subdivision (1).
(3) Make the report available to the public on the department's Internet web site.
(b) For a group of school corporations for a specified period, the school operating budget cost of service index for the period is the average of the sum of the costs of the key operating budget items for each school corporation in the group for the period. Key operating budget items include the following:

(1) Utilities.
(2) Property and casualty insurance.
(3) Physical plant maintenance.
(4) Grounds maintenance.
(5) Janitorial service.
(6) Food service.
(7) Any other expenditure category that the department considers to be more than a de minimis expenditure.
(c) For each group of school corporations for which the school operating budget cost of service index is calculated for a period, the report required by subsection (a) must also:

(1) break down the average costs for each category of expenditure for the school corporations in the group; and
(2) calculate a two (2) year inflationary cost estimate for each average cost category included under subdivision (1).
COMMITTEE REPORT

Mr. Speaker: Your Committee on Education, to which was referred House Bill 1003, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

(Reference is to HB 1003 as introduced.)

BEHNING

Committee Vote: Yeas 9, Nays 3

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1003, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Replace the effective dates in SECTIONS 2 through 8 with "[EFFECTIVE JANUARY 1, 2020]".

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 6-1.1-17-5.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2019]: Sec. 5.3. A school corporation shall specify in its proposed budget the anticipated amount that will be transferred from the total revenue deposited in the school corporation's education fund to its operations fund during the next calendar year. At its public hearing to adopt a budget under this chapter, the school corporation shall acknowledge whether the school corporation's anticipated transfer amount will be more than fifteen percent (15%) of the total revenue deposited in the school corporation's education fund to its operations fund during the next calendar year."

Page 1, line 4, delete "state fiscal year" and insert "school year or collective bargaining period".

Page 1, line 5, delete "October 1" and insert "November 15".

Page 1, line 15, delete "public school" and insert "district level".

Page 2, line 2, delete "school" and insert "calendar".

Page 2, line 5, delete "school" and insert "calendar".

Page 2, line 7, delete "public" and insert "district level".

Page 2, line 8, delete "school".

HB 1003—LS 7475/DI 58
Page 2, line 12, delete "teachers." and insert "teachers, the statewide average daily teacher salary rate, and the statewide average annual teacher contract days."

Page 2, line 14, delete "administrators." and insert "administrators, the statewide average daily nonteaching, full-time, district level administrator salary rate, and the statewide average annual administrator contract days."

Page 2, line 18, delete "public school administrators" and insert "district level administrators, including separately the superintendent."

Page 2, line 22, delete "public school" and insert "district level".

Page 2, line 24, delete "public school" and insert "district level".

Page 2, line 41, after "'(14)'" insert ".".

Page 2, line 42, delete "Indiana-specific, Consumer Price Index-adjusted" and insert "nationally recognized, open-source, state-specific cost of living index-adjusted."

Page 3, line 5, delete "state-specific, Consumer Price Index-adjusted" and insert "nationally recognized, open-source, state-specific cost of living index-adjusted."

Page 3, between lines 11 and 12, begin a new line blocked left and insert:
"As used in this subsection, total compensation includes the monetary value of salary, wages, bonuses, stipends, supplemental payments, commissions, employment benefits, and any other form of remuneration paid for personal services.".

Page 3, delete lines 26 through 29.

Page 3, line 37, delete "school" and insert "calendar".

Page 4, line 11, delete "Before August 15" and insert "Beginning in 2020, the department shall track for each school corporation transfers from the school corporation's education fund to its operations fund for the preceding six (6) month period. Beginning in 2021, before February 1".

Page 4, line 17, delete "school" and insert "calendar".

Page 4, line 20, delete "school" and insert "calendar".

Page 4, line 39, delete "school" and insert "calendar".

Page 5, line 13, after "board," insert "fiscal and qualitative indicators committee."

Page 5, line 17, delete "school" and insert "calendar".

Page 5, line 27, delete "school" and insert "calendar".

Page 5, line 29, delete "school" and insert "calendar".

Page 5, line 31, delete "state board," and insert "fiscal and qualitative indicators committee.".

HB 1003—LS 7475/DI 58
Page 6, line 2, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 6, line 6, delete "state board," and insert "fiscal and qualitative indicators committee,"
Page 6, line 11, delete "school" and insert "calendar".
Page 6, line 16, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 6, line 18, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 6, line 19, delete "collective bargaining" and insert "compensation levels".
Page 6, line 22, delete "school" and insert "calendar".
Page 7, line 2, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 6, delete "school years" and insert "calendar years".
Page 7, line 7, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 8, delete "collective bargaining" and insert "compensation levels".
Page 7, line 10, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 11, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 14, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 15, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 18, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 30, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 33, delete "state board's" and insert "fiscal and qualitative indicators committee".

Page 6, line 2, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 6, line 6, delete "state board," and insert "fiscal and qualitative indicators committee,".
Page 6, line 11, delete "school" and insert "calendar".
Page 6, line 16, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 6, line 18, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 6, line 19, delete "collective bargaining" and insert "compensation levels".
Page 6, line 22, delete "school" and insert "calendar".
Page 7, line 2, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 6, delete "school years" and insert "calendar years".
Page 7, line 7, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 8, delete "collective bargaining" and insert "compensation levels".
Page 7, line 10, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 11, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 14, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 15, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 18, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 30, delete "state board" and insert "fiscal and qualitative indicators committee".
Page 7, line 33, delete "state board's" and insert "fiscal and
qualitative indicators committee's".
Page 7, delete line 38.
Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1003 as printed January 11, 2019.)

HUSTON

Committee Vote: yeas 15, nays 8.

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HOUSE MOTION

Mr. Speaker: I move that House Bill 1003 be amended to read as follows:

Page 8, after line 27, begin a new paragraph and insert:

"SECTION 1. IC 20-40-18-13 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2019]: Sec. 13. (a) Before December 1 of each year, the department shall do the following:

(1) Calculate school operating budget cost of service indexes as described in subsection (b) for the following groups of school corporations:
   (A) School corporations having a current ADM of less than or equal to one thousand (1,000).
   (B) School corporations having a current ADM of more than one thousand (1,000) and less than or equal to five thousand (5,000).
   (C) School corporations having a current ADM of more than five thousand (5,000).

(2) Prepare a school operating budget cost of service index report that describes the indexes calculated under subdivision (1).

(3) Make the report available to the public on the department's Internet web site.

(b) For a group of school corporations for a specified period, the school operating budget cost of service index for the period is the average of the sum of the costs of the key operating budget items for each school corporation in the group for the period. Key operating budget items include the following:
(1) Utilities.
(2) Property and casualty insurance.
(3) Physical plant maintenance.
(4) Grounds maintenance.
(5) Janitorial service.
(6) Food service.
(7) Any other expenditure category that the department considers to be more than a de minimis expenditure.

(c) For each group of school corporations for which the school operating budget cost of service index is calculated for a period, the report required by subsection (a) must also:

(1) break down the average costs for each category of expenditure for the school corporations in the group; and
(2) calculate a two (2) year inflationary cost estimate for each average cost category included under subdivision (1).

Reference is to HB 1003 as printed February 5, 2019.

PORTER