

# STATE OF INDIANA

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**TO:** All Indiana School Corporation Superintendents, Business Officials, and Board Presidents

**FROM:** Tracy Brown, Indiana DOE Chief Financial Officer  
Pete Miller, Indiana DUAB Executive Director

**DATE:** September 1, 2023

**RE:** Preparing for Post-ESSER Operating Budgets

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In response to the COVID-19 pandemic, Congress appropriated three rounds of financial relief through the Elementary and Secondary School Emergency Relief Fund ("ESSER"). ESSER I, II, and III distributed \$190 billion across the country, \$2.8 billion of which was allocated to Indiana K-12 schools.

ESSER regulations provided greater flexibility than those of the last major federal stimulus program in 2009, allowing more opportunity to supplant existing funding sources, not just supplement them. As a result, there is now a greater risk of a "fiscal cliff" where ESSER dollars spent on ongoing operations will need to be replaced by other funding sources when the project period ends for ESSER dollars on September 30, 2024.

School boards and administrators throughout Indiana obligated ESSER funds in a variety of ways. Each approach was appropriate to that community's individual needs. However, those who budgeted a portion of ESSER dollars to increased operating costs will experience greater challenges once the temporary funding runs out. It is imperative that school officials evaluate this threat. To assist with this evaluation, we offer a forecasting tool on the following pages.

We strongly encourage every school corporation and charter school in the state to develop financial forecasts to project revenues, expenditures, and cash balances beyond the life of ESSER. Best practice is to always have a rolling five-year financial forecast on hand, but at the very least, we recommend a three-year forecast that includes the current year, the following year, and the first full post-ESSER year. This can be done by calendar year or school year.

We suggest that the forecast be comprised of four key funds:

- Education
- Operations
- Operating Referendum (if applicable)
- Rainy Day

The model does not need to be complex. Whatever high-level categories you currently use to track expenses is fine. More detailed line items would only be needed if different growth rates are expected for different types of expenditures.

Below are two basic templates you are welcome to modify to best suit your needs.

<i>OVERALL SUMMARY</i>	<u>CY 2023, or SY 2023-24</u>	<u>CY 2024, or SY 2024-25</u>	<u>CY 2025, or SY 2025-26</u>
<b>Beginning Balance</b>			
Education Fund			
Operations Fund			
Operating Referendum Fund			
Rainy Day Fund			
<b>Total Beginning Balance</b>			
<b>Revenue</b>			
Education Fund			
Operations Fund			
Operating Referendum Fund			
Rainy Day Fund			
<b>Total Revenue</b>			
<b>Expenditures</b>			
Education Fund			
Operations Fund			
Operating Referendum Fund			
Rainy Day Fund			
<b>Total Expenditures</b>			
<b>Net Surplus / Deficit</b>			
Education Fund			
Operations Fund			
Operating Referendum Fund			
Rainy Day Fund			
<b>Total Net Surplus / Deficit</b>			
<b>Net Transfers</b>			
Education Fund			
Operations Fund			
Operating Referendum Fund			
Rainy Day Fund			
<b>Total Net Transfers</b>			
<b>Ending Balance</b>			
Education Fund			
Operations Fund			
Operating Referendum Fund			
Rainy Day Fund			
<b>Total Ending Balance</b>			
<b>Balance as % of Expenditures</b>			

<i>DETAIL FOR EACH FUND</i>	<u>CY 2023, or SY 2023-24</u>	<u>CY 2024, or SY 2024-25</u>	<u>CY 2025, or SY 2025-26</u>
<b>Revenue</b>			
Line item 1			
Line item 2			
Line item 3			
Line item 4			
<b>Total Revenue</b>			
<b>Expenditures</b>			
Line item 1			
Line item 2			
Line item 3			
Line item 4			
<b>Total Expenditures</b>			
<b>Net Surplus / Deficit</b>			
<b>Incoming Transfers</b>			
Source 1			
Source 2			
<b>Total Incoming Transfers</b>			
<b>Outgoing Transfers</b>			
Destination 1			
Destination 2			
<b>Total Outgoing Transfers</b>			
<b>Net Transfers</b>			

While it can be challenging to predict the future, document any assumptions made and continue on; the model can always be revised later. The point of this exercise is to measure your school or district's ESSER cliff to inform your management decisions today. You may or may not need to take significant actions now, but waiting to assess possible deficits and their impact on reserves is more likely to result in more drastic measures being necessary in the future.

To reiterate, this is a voluntary exercise, but we hope you concur with the importance of sizing up the risk to your school corporation after 2024. Once you complete the exercise, if you foresee fiscal problems on the horizon, please contact us at [indicators@duab.in.gov](mailto:indicators@duab.in.gov) so that we might assist you in navigating through this challenging period.