

**W. Va. 126CSR200, Policy 8100, Public School Finance
Executive Summary**

**West Virginia Department of Education
Office of School Operations and Finance / School Finance**

Policy Cycle: 30-day Comment Period Adoption of Policy

Policy Process: Revision Repeal and Replace New

Introduction: Policy 8100, Public School Finance, is being repealed and replaced to incorporate numerous changes in public school finance since its last revision.

Background: Policy 8100 was last updated in 1990. The policy outlines fiscal management, receipts, disbursements, budgeting, and reporting requirements of county boards of education. Subsequent to the policy’s last revision, several school finance related statutes have passed through the WV Legislature including many changes to the Public School Support Plan and personnel laws impacting the finances of the county board. Additionally, there have been many changes to the industry standard regarding payroll, disbursement, and the receipting of revenue. Virtual stakeholder meetings were held on August 12, 2021 and September 23, 2021 to discuss the various changes to public school finance over the past 30 years. Prior to these meetings, there were several in-person meetings with stakeholders to discuss the repeal and replace policy.

Proposed Changes: The policy is being repealed and replaced to incorporate numerous changes in public school finance including but not limited to: payroll evolution, disbursement evolution, and various statutory and WVBE policy revisions and implementation that impact school finance. The revised policy thoroughly defines public school finance in WV and incorporates real world experiences and practices from WV School Business Officials.

Impact: There should be limited impact due to the policy revision. The policy incorporates federal and state laws and regulations as well as school finance best practices which county board finance staff should already be following.

Action:

- Release for 30-day public comment.
- Approve by WVBE with effective date 30 days from filing.

Response to Comments: The comments received during the comment period resulted in changes to the policy (see Attachment J-1).

Comments were received by the following groups:

- Teachers
- 2 Administrators (including principals and county staff)
- Higher Educators
- Parents/Grandparents
- Others

placed in a file system established for this purpose. Additional copies may be printed if needed. A physical exchange of currency requires a physical receipt. A paperless receipt system is acceptable for record-keeping purposes. All required information is to be posted to the receipt journal when the receipt is completed.

Every receipt issued must show the following information: the date, amount received, form of payment (cash, check, wire, credit card, other), name of the payer, purpose of the collection, and the fund and account for which the monies were received.

Receipts should normally be posted individually but may be posted in a batch if the funds are received from the same source and recorded on consecutively numbered receipts. The range of receipt numbers in a batch must be shown in the receipt journal and on a deposit document or slip.

Every receipt must contain a valid signature. The treasurer is responsible for the issuance of receipts but may delegate authority for the actual writing and signing of the receipts and is responsible for ensuring that appropriate segregation of duties is adhered to. The use of electronic signatures is acceptable but must be password protected. Signature stamps or pre-printed signatures are not valid. Receipts are not to be issued for deposits that result from the transfer of funds from savings or investment accounts or for the initial re-deposit of checks that have been returned by the bank for insufficient funds. There may be other limited instances where revenues are recorded through an adjusting journal entry, rather than the receipt process, at the discretion of the treasurer.

2.4. DEPOSIT PROCEDURES

Deposits must be made as frequently as necessary and possible. A bank deposit must be made whenever total collections on hand exceed \$500 or before any extended school holiday. Bank deposits **must should** be made at least weekly, regardless of the amount of collections. All funds are to be deposited intact, as received, into a bank depository account. Deposit slips and/or deposit listings are to be prepared in such a manner that a deposit can be trailed to a certain group of receipts, such as recording the deposit number and receipt number range on the deposit slip. The deposit slip and/or deposit listing is to be prepared in duplicate. It is recommended that bank deposits be made on a daily basis. The bank will provide a validated receipt indicating the date and amount of deposit that is to be attached to the deposit slip copy in the deposit book.

The endorsement of a check for deposit must include language similar to *For Deposit Only*, as well as the board name and account number. The depository bank may provide an endorsement stamp.

Checks which are returned by the bank because of insufficient funds or for other reasons should be charged back immediately to the debtor. If it is found that the reasons for non-payment have been eliminated, the returned check must be re-deposited without delay.

A redeposit of a returned check, a check that takes place of the original check, or currency that takes the place of the original check, must be handled separately from other deposits. The deposit slip and all ledger entries are to be clearly marked as *Redeposit*.

Any efforts relating to the collection of returned checks should be done in accordance with board procedure.

Other deductions, as long as they are available to all employees, may be offered according to board policies or procedures. These deductions include, but are not limited to: disability insurance, life insurance, cancer insurance, and other similar type policies, and credit unions.

4.8. NON-CASH FRINGE BENEFITS

IRS Publication 15 (Circular E) dictates the record keeping for fringe benefits. A fringe benefit is a form of pay for the performance of services. An example of a fringe benefit is when an employee is allowed to use a business vehicle to commute to and from work. The value of this benefit must be included in the employee's W-2 form. Generally, the fair market value of such benefit is subject to income tax withholding, Social Security, and Medicare taxes. See the IRS publication for complete guidance.

Another form of non-cash fringe benefit is the use of employer-purchased cell phones. However, this benefit might be excludable from income because of the De-Minimum benefits rule referenced in IRS Publication 15.

4.9. TUITION REIMBURSEMENT

As per Policy 5202 and W. Va. Code §18A-3-3a, certain educators may qualify for state tuition reimbursement. Reimbursement requests are processed and approved by the WVDE Office of Certification. The board is responsible for reimbursing the approved employees and receives a grant award from WVDE in the amount of reimbursements that were made during the year.

If the tuition reimbursement request is denied by the WVDE Office of Certification because no state funds are available, applicants may seek tuition reimbursement from the board to be paid by federal or local sources. There must be a tuition reimbursement policy in place for the use of federal funds for tuition reimbursement beyond eligibility requirements. Refer to the WVDE Division of Federal Programs and Support for details.

The board must also have a local policy to address tuition reimbursement. IRS Publication 970 refers to educational assistance programs and should be referenced in the policy to determine tax consequences. The board may provide tuition reimbursements from other state, federal, or local funds as governed by the local policy.

4.10. UNEMPLOYMENT COMPENSATION

W. Va. Code §21A-1-1 authorizes unemployment compensation for employees. The LEA is invoiced the actual cost of benefits provided, plus one half of the amount of extended benefits paid on a quarterly basis per W. Va. Code §21A-5-3a. The LEA is exempt from the Federal Unemployment Tax Act (FUTA) per IRS Code §3306(c)(7) which excludes employees of states, political subdivisions, and their instrumentalities from the requirements.

A quarterly wage report must be submitted for use in determining unemployment eligibility and benefits. CBEM are not eligible for unemployment as elected officials and should be excluded from employment reports provided to WorkForce West Virginia. See W. Va. Code §21A-6-1 for detailed information regarding employee eligibility for unemployment compensation.

The LEA must review claims for benefits and make challenges when deemed necessary.

4.11. WORKERS' COMPENSATION

Pursuant to W. Va. Code §23-2-1 and W. Va. Code §23-2-1a, the LEA is required to provide Workers' Compensation coverage to employees. Premiums are based on employer gross payroll amounts.

The LEA must seek worker's compensation coverage from private providers. It is recommended that the LEA also develop a return-to-work policy to help reduce premiums.

4.12. SECTION 125 PLANS

An IRS Section 125 Plan allows an employee to select from a variety of eligible benefits that have premiums deducted from gross earnings before taxes are computed. The only time tax law regulations allow for changes in a Section 125 Plan is if there is an allowed election change event, such as change in marital status, change in number of dependents, change of employment status, etc. IRS regulations require that this plan be non-discriminatory to all employees.

Along with various insurance plans, such as disability income insurance, life insurance, and cancer insurance that may qualify, the Section 125 Plan also can include flexible spending accounts, health savings accounts, dependent day care accounts, and other benefit services as described by a Section 125 administrator. Because of the complexity of compliance, it is recommended that boards have a third-party administrator if they participate in a Section 125 Plan. Without a third-party administrator, the board may utilize the West Virginia PEIA plan for Section 125 benefits but cannot offer other plan benefits that are not supported by the PEIA plan. Boards can either use a third-party administrator or the West Virginia PEIA plan to administer Section 125 benefits.

4.13. DIRECT DEPOSIT

W. Va. Code §21-5-3 allows the LEA, upon the written request of the employee, to deposit the employee's compensation directly into demand or time accounts in a bank, credit union, or savings and loan institution. The written request shall specifically identify the employee, the financial institution, the type of account, and the account number.

W. Va. Code also allows alternative forms of payment of employee compensation by means of a payroll card, provided that there is an agreement in writing between both the LEA and the employee.

The LEA cannot require **existing** employees to utilize direct deposit.

4.14. TRAVEL REIMBURSEMENTS

W. Va. Code §18A-2-14 requires the board to reimburse any school personnel for each mile traveled when the employee is required to use a personal motor vehicle in the course of employment. The board shall reimburse at the same rate for all employees. The rate of reimbursement shall be at the least the lesser of, and not more than the greater of, the standard federal mileage rate and the rate authorized by the travel management rule of the West Virginia Department of Administration.

Policy 8200 states that all personnel are required to follow all travel authorization and reimbursement requirements and must submit a travel expense reimbursement request prior to the payment of the travel

balance sheet accounts, and three digits for the object code. Budgeting to the location code level should take place when possible due to federal reporting requirements.

The proposed budget amounts for the new fiscal year should not include any amounts for encumbrances or obligations of the preceding fiscal year. Conversely, proposed budget amounts for the upcoming year must provide for all incurred obligations of the new fiscal year, regardless of whether the obligations are to be actually paid by year end.

All major construction and renovation projects, including those funded by the School Building Authority of West Virginia (SBA), must be budgeted and accounted for in a permanent improvement fund, bond construction fund (if bonds are issued), or a capital projects fund. A major construction project is defined as a construction project in which expenditures exceed three percent of a board's previous year's total expenditures. Counties may elect to budget projects in the general fund which are less than three percent.

All major federal programs are required to be included in the proposed budget in the special revenue fund. Include these awards in the proposed budget using the appropriate project and revenue source codes. If the amount of the actual grant award is not known at the time the proposed budget is submitted, a budget request revision may be completed after the beginning of the fiscal year to adjust the total amount of the project.

Every agency must include in its proposed budget the projected beginning ~~unassigned~~ fund balance for the year for every fund. Careful consideration should be given to ensure that the amounts are not overstated, but a projected beginning balance must be shown in the proposed budget for the upcoming year, either positive or negative. This also includes the projected ending cash balance at June 30 with the West Virginia Municipal Bond Commission for the boards that maintain a Debt Service Fund.

For those agencies that are projecting a deficit unassigned fund balance in the General Current Expense Fund at June 30 of the prior year, such deficit must be reflected as a negative beginning fund balance in the proposed budget.

To provide for unforeseen situations that may occur during the year, it is strongly recommended that all agencies budget between three percent and five percent of their total general fund projected revenues as a reserve for contingencies. The Government Finance Officers Association (GFOA) recommends that, at a minimum, governments maintain an unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.

The budgeting process is continuous and should be long range, not just year to year. Completion of the budget document does not terminate the planning process. The process continues to be a means of providing an overall picture of consequences to decision makers.

5.2. BUDGET REVISION PROCESS

Rarely will actual revenues and expenditures equal budgeted revenues and expenditures for the year. To manage effectively, administrators need to be able to adjust budgeted amounts to the actual amounts received and expended each year. W. Va. Code §18-9B-10 specifies that the board may expend funds or incur obligations only in accordance with the approved budget and expenditure schedule and make transfers between items of appropriation or expenditure only with prior written approval of WVDE. In

SECTION 7

EXCESS LEVIES, PUBLIC BONDED INDEBTEDNESS, AND OTHER FUNDING SOURCES

7.1. EXCESS AND BOND LEVY OVERVIEW

Excess levies and bond issuances can be considered as an additional source of revenue for boards. These levies must be authorized by a vote of the citizens of the county. The elections **may must** be held in conjunction with any primary or general election. Prior to the passage of HB 4353 during the 2022 Legislative Session, a special election was allowable to be held for the sole purpose of determining the outcome of an excess levy or bond levy election. Effective June 10, 2022, special elections are allowable only for the purpose of presenting to the voters the question of synchronizing the levy with a future primary or general election.

All boards shall keep detailed records of all revenue and expenses derived from bond or levy issues. This information will be critical for financial statement preparation and accountability to the general public. Bond and excess levy elections often require months of planning prior to the actual election process. Inadequate development and planning of the levy or bond order can often result in poor decisions. The West Virginia Secretary of State recommends setting the election date 12-15 months in advance, in consultation with the county clerk. It is also recommended that the order calling for the election be submitted to the State Auditor and legal counsel for review prior to adoption by the governing body in order to eliminate any potential problems. These elections also have special ballot and advertisement requirements as prescribed by law. The West Virginia Secretary of State provides an election calendar which should be used to ensure that all required documentation is presented, and deadlines are met.

Board employees are prohibited from advocating for a levy or bond election during their daily work schedule. Boards may provide strictly factual information about the upcoming bond or excess levy. As quoted in the Special Levy and Bond Elections guide by the West Virginia Secretary of State, "Governing bodies should take particular care that groups advocating the passage of levies or bonds operate strictly within the law, and that the governing body and its employees not use public funds, time or materials to advocate the passage of the issue. Allegations of the violation of election laws surrounding campaigns for passage or defeat of levies and bonds create serious problems in the community."

The excess levy and bond elections must be certified to the West Virginia State Auditor's Office in accordance with W. Va. Code §11-8-12. Check with the West Virginia State Auditor's Office for applicable deadlines.

For more regulations, instructions, and best practices please review the Special Levy and Bond Elections guide provided by the West Virginia Secretary of State. This guide may be downloaded at www.sos.wv.gov.

7.2. EXCESS LEVIES

Pursuant to the provisions of W. Va. Code §11-8-16, boards may impose an excess levy in addition to the regular levy, if approved by at least a majority of the voters who cast their ballots during the election. The election may not extend beyond five years. Future levies must be approved by another election.

7.2.a. PURPOSES FOR EXCESS LEVIES

of the governing body authorizing the bonds.” If the bonds are redeemed prior to maturity, the board may not levy taxes in connection with the redemption of the bonds in excess of the taxes that would have been levied for the payment of principal and interest on the bonds in any year.

Per W. Va. Code §13-1-16, the resolution authorizing the bonds should contain the following statement: "It is certified that this bond is authorized by and is issued in conformity with the requirements of the Constitution and Statutes of the State of West Virginia."

All bonds issued by a board shall be signed by the president of the ~~board county commission and countersigned by the clerk of the county commission~~ superintendent acting as secretary of the board. Additionally, W. Va. Code §13-1-19 stipulates that “. . . bonds issued by a board shall be signed by the president of the board and countersigned by the secretary thereof. The seal of the political division shall be affixed to the bonds.”

7.3.f. ADVERTISEMENT AND SALE OF BONDS

Per W. Va. Code §13-1-21, the board issuing bonds pursuant to this article shall sell the same and collect the proceeds, which proceeds shall be deposited with its treasurer. The bonds must be advertised for sale, on sealed bids or electronic bids. The advertisement is to be published as a Class II legal advertisement in compliance with W. Va. Code §59-3-2. The first notice must be published at least 14 days prior to the date and time of the bid opening in the format described by the board. The advertisement may also be published in the *Bond Buyer* or similar publication and the advertisement may be published electronically. The board may reject any and all bids. If the bonds are not sold, the board may sell the bonds at a private sale within 120 days after the date of the advertisement. However, no private sale can be made unless the price is higher than the highest bid received. If the bonds are still not sold, the bonds can be re-advertised. In no event shall bonds be sold for less than their par value.

As soon as practical after the election results authorizing the issuance of bonds, a certified copy of all records related to the bond issue must be transmitted to the West Virginia Attorney General (Attorney General). Records include: orders, ordinances, proclamations, notices, advertisements, affidavits, and resolutions. Once the documentation is received, the Attorney General will either approve or disapprove the validity of the bond issue. The Attorney General will then notify the board which authorized the issuance of the bonds of the decision by mail and will also notify the people of the political division of the approval or disapproval of the bond issue, by publishing an advertisement as a Class II legal advertisement in compliance with W. Va. Code §59-3-2. If no interested party or taxpayer contests the Attorney General’s approval or disapproval of the bond issue within ten days from the advertisement, then the action will be considered final and no other appeals will be allowed.

According to W. Va. Code §13-1-29, if the bond issue is approved, the cost of publishing the notice and the costs of certifying and copying all records, papers, and proceedings, and all necessary expenses incurred by the Attorney General in connection with the bond issue, must be paid out of the proceeds arising from the sale of the bonds. If the bond issue is not approved, the expenses must be paid out of the general fund of the board.

7.3.g. INVESTMENT OF BOND PROCEEDS

See Section 1.9 – Bank Accounts, for details related to bank account(s) for bond proceeds.

The transfer and investment of bond proceeds is addressed in W. Va. Code §18-9-6. According to this code section, the County Sheriff (Sheriff) will transfer to the board all funds held on behalf of the board. The balance as of June 30 will be transferred no later than August 1 of that same year and the Sheriff's office will issue a final settlement statement for the fiscal year ending on June 30. All balances in all board funds at the end of each month after June 30 shall be transferred by the Sheriff to the board no later than the tenth day of the following month.

W. Va. Code §18-9-6 also discusses alternative investment options for bonds and security for funds invested.

7.4. OTHER FUNDING SOURCES

7.4.a. SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA (SBA):

The SBA provides capital improvement grants for school construction projects. These grants include Construction Funds (Needs Grant awards), Major Improvement Funds - maximum \$1,000,000, Emergency Funds to assist with natural disasters - maximum \$2,000,000, and Reserve Grants for approved projects awaiting local financing approvals. According to the SBA's *Policy and Procedures Handbook*, the emergency situation must have been generated by an Act of God, i.e., fire, wind, flood, storm, earthquake, etc. The funds cannot be utilized for funding non-disaster needs or projects. Additionally, federal, state, and local funds for emergency repair/replacement must have been identified and exhausted in order for a district to be eligible for emergency funding. Prior to receiving the emergency funding, all insurance claims must have been filed and amount of settlements determined. Insurance should be at the cost of replacement level or at the highest level available. These grants must be used for the projects approved by the SBA and the SBA provides significant oversight throughout the project development, design, and construction.

W. Va. Code §18-9D-4d requires the SBA to maintain a reserve fund of at a minimum \$600,000 for the purpose of making emergency grants to financially distressed boards to assist them in making repairs or performing urgent maintenance to facilities or facility related equipment or facility related equipment replacement necessary to maintain the serviceability or structural integrity of school facilities currently in use or necessary for educating the students of the board.

Once the grant funds are awarded, the SBA requires a requisition form (SBA Form 104-A) to accompany approved vendor invoices that are sent to the SBA office for review and approval. Boards should follow SBA policies and procedures for payment of invoices.

7.4.b. QUALIFIED ZONE ACADEMY BOND (QZAB):

The QZAB program provides income tax credits to the holders of bonds (often banks) that are issued by state or local governments. ~~The proceeds of the bonds are used for certain types of improvements and services by a board, or an academic program within a board, having a significant low-income student body below the postsecondary level, defined as a *qualified zone academy*. QZABs are interest-free to the issuing boards. In effect, the United States government subsidizes the interest cost through income tax credits.~~