

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All School Corporations
FROM: Brian E. Bailey, Commissioner *BEB*
RE: Bus Replacement Fund Maximum Levy Adjustment Petition
DATE: June 28, 2012

On March 19, 2012, Governor Mitch Daniels signed into law House Enrolled Act 1192 ("HEA 1192"). Section 26 of HEA 1192 amended IC 20-46-5-4 so that a school corporation may petition the Department of Local Government Finance ("DLGF") to adjust the school corporation's bus replacement fund maximum levy. If a school corporation petitions the DLGF, the DLGF may make an adjustment to the school corporation's bus replacement fund maximum levy.

A school corporation wishing to receive an adjustment to its bus replacement fund maximum levy must submit a petition to the DLGF explaining why the school corporation's bus replacement fund maximum levy as adjusted annually by the assessed value growth quotient does not meet its reasonable needs.

No particular format is required for the petition, but the petition should include at least the following:

- a copy of the school corporation's latest bus replacement plan;
- all of the school corporation's buses by type (A - D), including any buses that represent an increased need and the year in which the need is expected to occur;
- all bus contract obligations;
- a total requested maximum levy; and
- justification of the proposed maximum levy, which should include a description of any unanticipated or extenuating circumstances (copies of invoices or other evidence of purchase may be attached to the petition).

This information should not be a substantially similar recitation of what the school corporation submitted to the DLGF in September 2011. In other words, a school corporation is required to submit new information of changed circumstances since 2011. The DLGF will not consider any information not included in the petition.

In proposing a new maximum levy, a school corporation should be mindful that IC 20-46-5-4 provides that each school corporation may only levy for a calendar year a property tax for the bus replacement fund in accordance with the school bus acquisition plan it adopted.

A petition must be submitted to busreplacement@dlgf.in.gov no later than August 31, 2012. The DLGF's determination regarding the petition will be included in the school corporation's 1782 Notice.

For purposes of budget review or adoption, school corporations subject to IC 6-1.1-17-3.5 or IC 6-1.1-17-20 should submit to the appropriate fiscal body the same bus replacement fund maximum levy figure proposed in their petition to the DLGF. The bus replacement fund maximum levy approved by the DLGF may equal or be less than (but will not exceed) the maximum levy adopted by the school corporation or fiscal body.

The DLGF emphasizes that IC 20-48-1-2, as amended by Section 27 of HEA 1192, prescribes that each year a debt service levy is needed for purposes of funding retirement or severance liabilities, a school corporation must reduce the total property tax levy for the school corporation's transportation, school bus replacement, capital projects, and art association and historical society funds, as appropriate, in an amount equal to the property tax levy needed for the debt service multiplied by an adjustment percentage. The DLGF cannot approve a proposed bus replacement fund maximum levy that has been increased in contravention of IC 20-48-1-2. In addition, the DLGF reaffirms that because the bus replacement plan is a twelve-year plan, costs will be apportioned over the life of the plan. If, for example, the DLGF were to approve a bus replacement fund maximum levy for 2013 that included the entire cost of a new bus to be purchased in the tenth year of the plan, the school corporation's bus replacement fund maximum levy would be inflated by that amount for nine years, which is unreasonable.

Questions should be directed to busreplacement@dlgf.in.gov.