February 20, 1998

ENGROSSED
HOUSE BILL No. 1222

DIGEST OF HB 1222 (Updated February 19, 1998 11:18 am - DI 58)

Citations Affected: IC 6-1.1; IC 20-10.1; IC 21-2; IC 21-3; noncode.

Synopsis: School funding formula. Changes the date by which the state board of tax commissioners must notify school corporations of the assessment ratio and adjustment factor calculated for the school corporation by the state board of tax commissioners. Permits the state board of tax commissioners to certify 1998 tax rates and tax levies no later than March 31, 1998 (instead of February 15, 1998). Modifies the general fund property tax levy limitation formula for school corporations to change the manner in which the property tax assessment adjustment factor determined by the state board of tax commissioners is incorporated into the formula. Changes the tuition support formula to eliminate the reduction factor used to determine formula ADM for schools that lose students one year and then gain students the following year. Changes the comparison for the minimum guarantee of 3% so that money attributable to a loss in federal aid,

(Continued next page)

Effective: See text of bill.

Bauer
(SENATE SPONSORS — MILLS, GERY)

January 8, 1998, read first time and referred to Committee on Ways and Means.
January 12, 1998, amended, reported — Do Pass.
January 14, 1998, read second time, ordered engrossed.
January 15, 1998, engrossed. Read third time, passed. Yeas 100, nays 0.

SENATE ACTION

January 30, 1998, read first time and referred to Committee on Finance.
February 19, 1998, amended, reported favorably — Do Pass.

C o p y

Digest Continued

referendum property tax levy increases, or new facilities is considered. Amends the definition of alternative education program. Provides that governing bodies of school corporations may establish joint programs. Allows an entity other than a school corporation to manage or operate an alternative education program on behalf of a school corporation. Removes the requirement that a grant for an alternative education program be reviewed by the budget committee. Repeals the definition of program organizer for alternative education programs, and makes corresponding changes to related statutes. Delays the implementation of fiscal year budgeting for a school corporation. Continues the pilot project for ten school corporations until July 1, 2001. Delays the report on fiscal year budgeting for schools until 1999. Provides that the local match of state grants to school corporations for alternative education programs is one-third of the state grant rather than a flat $250. Uses program enrollment rather than attendance in the computation of the number of full-time equivalent students for which the state grant provides reimbursement. Provides that the expiration date for the statute containing the school general fund property tax levy limitations is the same as the expiration date for the statutes containing the school funding formula. Reinstates changes to a school corporation's general fund property tax levy that were to become effective in 2001 to adjust for 100% assessed values. Adds rounding rules for all calculations. Repeals obsolete provisions.

C o p y

February 20, 1998

Second Regular Session 110th General Assembly (1998)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 1997 General Assembly.

C o p y

ENGROSSED
HOUSE BILL No. 1222

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

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

SECTION 1. IC 6-1.1-19-1.5, AS AMENDED BY P.L.260-1997(ss), SECTION 48, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]: Sec. 1.5. (a) ~~The following definitions apply throughout~~ **As used in** this section and IC 21-3-1.7,

~~(1) "Adjusted general fund property tax rate" means the school corporation's actual rate adjusted by the school corporation's assessment ratio as determined by the state board of tax commissioners.~~

~~(2) "Previous year adjusted general fund property tax rate" means a school corporation's previous year adjusted general fund property tax rate as determined under this section but after the reductions cited in IC 21-3-1.7-5(1), IC 21-3-1.7-5(2), and IC 21-3-1.7-5(3).~~ **"adjustment factor" means the adjustment factor determined by the state board of tax commissioners for a school corporation under IC 6-1.1-34.**

(b) Except as otherwise provided in this chapter, a school corporation may not, for an ensuing calendar year, impose a general fund ad valorem property tax levy which exceeds the following:

STEP ONE: Determine the **product of the** school corporation's target general fund property tax rate **determined** under IC 21-3-1.7-6.8 **multiplied by the school corporation's adjustment factor.**

STEP TWO: Subtract the school corporation's previous year general fund property tax rate ~~before the assessment ratio adjustment but~~ after the reductions cited in IC 21-3-1.7-5(1), IC 21-3-1.7-5(2), and IC 21-3-1.7-5(3) from the school corporation's **adjusted** target general fund property tax rate determined under STEP ONE.

STEP THREE: Determine the product of:

(A) the school corporation's target general fund property tax rate determined under IC 21-3-1.7-6.8; multiplied by

(B) the quotient resulting from:

(i) the absolute value of the result of the school corporation's adjustment factor minus one (1); divided by

(ii) two (2).

STEP ~~THREE:~~ **FOUR:** Determine the levy resulting from the school corporation's previous year ~~adjusted~~ general fund property tax rate **after the reductions prescribed by IC 21-3-1.7-5(1), IC 21-3-1.7-5(2), and IC 21-3-1.7-5(3):**

(A) plus the lesser of:

(i) in 1998 only, the STEP TWO result divided by two (2);

(ii) **in 1999 only,** the STEP TWO result; or

(iii) **in 1998 and in 1999, the sum of** fifteen cents ($0.15) **plus, if the school corporation's adjustment factor is more than one (1), the STEP THREE product;**

if the school corporation's previous year general fund property tax rate ~~before the assessment ratio adjustment but~~ after the reductions cited in IC 21-3-1.7-5(1), IC 21-3-1.7-5(2), and IC 21-3-1.7-5(3) is not more than the school corporation's **adjusted** target general fund property tax rate determined under STEP ONE; or

(B) minus the lesser of:

(i) the absolute value of the STEP TWO result; or

(ii) **the sum of** twenty-five cents ($0.25) **plus, if the school corporation's adjustment factor is less than one (1), the STEP THREE product;**

C o p y

if the school corporation's previous year general fund property tax rate ~~before the assessment ratio adjustment but~~ after the reductions cited in IC 21-3-1.7-5(1), IC 21-3-1.7-5(2), and IC 21-3-1.7-5(3) exceeds the school corporation's **adjusted** target general fund property tax rate determined under STEP ONE.

STEP ~~FOUR:~~ **FIVE:** Determine the sum of:

(A) the STEP ~~THREE~~ **FOUR** amount; plus

(B) an amount equal to the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years.

The maximum levy is to include the portion of any excessive levy and the levy for new facilities.

(c) For purposes of this section, "total assessed value", as adjusted under subsection (d), with respect to a school corporation means the total assessed value of all taxable property for ad valorem property taxes first due and payable during that year.

(d) The state board of tax commissioners may adjust the total assessed value of a school corporation to eliminate the effects of appeals and settlements arising from statewide general reassessment of real property.

(e) The state board shall annually establish an assessment ratio **and adjustment factor** for each school corporation to be used upon the review and recommendation of the budget committee. The information compiled, including background documentation, may not be used in a:

(1) review of an assessment under IC 6-1.1-8, IC 6-1.1-13, IC 6-1.1-14, or IC 6-1.1-15;

(2) petition for a correction of error under IC 6-1.1-15-12; or

(3) petition for refund under IC 6-1.1-26.

(f) All tax rates shall be computed by rounding the rate to the nearest one-hundredth of a cent ($0.0001). **All tax levies shall be computed by rounding the levy to the nearest dollar amount.**

(g) This section expires January 1, 2000.

SECTION 2. IC 6-1.1-34-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 6. (a) After the state board of tax commissioners calculates a new assessment ratio for a school corporation and before publishing the new ratio, the board shall send a notice of the new assessment ratio to the county auditor, the county assessor, and the governing body of the school corporation. The state board of tax commissioners shall send these notices ~~on or~~ before ~~the second Tuesday in May~~ **March 2** of each year in which the board

C o p y

calculates a new assessment ratio for the school corporation.

(b) Within thirty (30) days after notification of a new assessment ratio, the county auditor, the county assessor, or the governing body of the school corporation may:

(1) examine and verify the state board of tax commissioners' data; and

(2) make suggestions concerning the values established by the board.

SECTION 3. IC 6-1.1-34-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 7. Each year in which the state board of tax commissioners computes a new assessment ratio for a school corporation, the board shall also compute a new adjustment factor for the school corporation. If the school corporation's assessment ratio for a year is more than ninety-nine percent (99%) but less than one hundred one percent (101%) of the state average assessment ratio for that year, the school corporation's adjustment factor is the number one (1). In all other cases, the school corporation's adjustment factor equals (1) the state average assessment ratio for a year, divided by (2) the school corporation's assessment ratio for that year. The state board of tax commissioners shall notify the school corporation of its new adjustment factor ~~on or~~ before ~~July 1st~~ **March 2** of the year in which the board calculates the new adjustment factor.

SECTION 4. IC 20-10.1-4.6-1, AS AMENDED BY P.L.260-1997(ss), SECTION 61, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 1. As used in this chapter, "alternative education program" refers to an alternative school or educational program that is described in ~~section 4 of~~ this chapter. ~~The term includes:~~

~~(1) an alternative education program described in section 3(a)(1) of this chapter; or~~

~~(2) an area alternative education program described in section 3(a)(2) of this chapter.~~

SECTION 5. IC 20-10.1-4.6-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 3. (a) The governing body may elect to:

(1) establish an alternative program on its own; or

(2) participate in an area alternative program through a ~~joint~~ **cooperative** program ~~under IC 20-5-11.~~ **permitted by law.**

(b) An alternative program is not required to be located at a site that is different than the site at which the traditional school instruction is offered.

(c) An alternative program may be managed or operated on

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behalf of a school corporation by an entity other than a school corporation.

SECTION 6. IC 20-10.1-4.6-4, AS AMENDED BY P.L.260-1997(ss), SECTION 65, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 4. To qualify as an alternative education program, the program must:

(1) be an educational program for eligible students that instructs the eligible students in a different manner ~~than~~ **from** the manner of instruction available in a traditional school setting; and

(2) comply with the rules that are adopted under IC 4-22-2 by the board to govern:

(A) alternative education programs; and

(B) admission of eligible students to alternative education programs.

SECTION 7. IC 20-10.1-4.6-5, AS AMENDED BY P.L.260-1997(ss), SECTION 66, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 5. The ~~program organizer~~ **school corporation** may request the approval from the department for the following:

(1) To receive the grant for alternative education programs under IC 21-3-11.

(2) To be granted waivers from rules adopted by the state board that may otherwise interfere with the objectives of the alternative education program, including waivers of:

(A) certain high school graduation requirements;

(B) the length of the student instructional day as set forth in IC 20-10.1-2-1(b);

(C) required curriculum and textbooks;

(D) teacher certification requirements; and

(E) physical facility requirements.

SECTION 8. IC 20-10.1-4.6-6, AS AMENDED BY P.L.260-1997(ss), SECTION 67, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 6. (a) Before a ~~program organizer~~ **school corporation** is eligible for the funding, ~~a program organizer must have~~ the grant for the program **must be** approved by both:

(1) the department; and

(2) the budget agency. ~~after review by the budget committee.~~

(b) A school corporation may initiate the program and waiver approval process under section 5 of this chapter and the grant approval process under this section by submitting an application for the proposed alternative education program, on forms developed by the

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department, to the department. The application must include the following information:

(1) The number of eligible students expected to participate in the alternative education program.

(2) A description of the proposed alternative education program, including a description of the nature of the alternative education program curriculum.

(3) The extent to which the manner of instruction at the alternative education program differs from the manner of instruction available in the traditional school setting.

(4) A description of specific progressive disciplinary procedures that:

(A) are reasonably designed to modify disruptive behavior in the traditional school learning environment without necessitating admission to an alternative education program; and

(B) will be used before admitting a disruptive student into an alternative education program.

(5) Any other pertinent information required by the department.

(c) The term of a grant may not exceed one (1) school year. If a school corporation fails to conduct an alternative education program in conformity with this chapter, the rules adopted by the state board of education, or the terms of the approved grant, the department or the budget agency after review by the budget committee may terminate funding for the alternative education program before the grant expires.

SECTION 9. IC 21-2-11.5-3.1, AS AMENDED BY P.L.6-1997, SECTION 190, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: Sec. 3.1. (a) Before a governing body may collect property taxes for the school transportation fund's school bus replacement account in a particular calendar year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year for all years before ~~1999~~ **2001** and not later than January 31 for ~~1999~~ **2001** and all subsequent years:

(1) conduct a public hearing on; and

(2) pass a resolution to adopt;

a plan under this section.

(b) The state board of tax commissioners shall prescribe the format of the plan. A plan must apply to at least the ten (10) budget years immediately following the year the plan is adopted. A plan must at least include the following:

(1) An estimate for each year to which it applies of the nature and amount of proposed expenditures from the transportation fund's

C o p y

school bus replacement account.

(2) A presumption that the minimum useful life of a school bus is not less than ten (10) years.

(3) An identification of:

(A) the source of all revenue to be dedicated to the proposed expenditures in the upcoming budget year; and

(B) the amount of property taxes to be collected in that year and the unexpended balance to be retained in the account for expenditures proposed for a later year.

(4) If the school corporation is seeking to:

(A) acquire; or

(B) contract for transportation services that will provide;

additional school buses or school buses with a larger seating capacity as compared to the number and type of school buses from the prior school year, evidence of a demand for increased transportation services within the school corporation. Clause (B) does not apply if contracted transportation services are not paid from the school bus replacement account.

(5) If the school corporation is seeking to:

(A) replace an existing school bus earlier than ten (10) years after the existing school bus was originally acquired; or

(B) require a contractor to replace a school bus;

evidence that the need exists for the replacement of the school bus. Clause (B) does not apply if contracted transportation services are not paid from the school bus replacement account.

(6) Evidence that the school corporation that seeks to acquire additional school buses under this section is acquiring or contracting for the school buses only for the purposes specified in subdivision (4) or for replacement purposes.

(c) After reviewing the plan, the state board of tax commissioners shall certify its approval, disapproval, or modification of the plan to the governing body and the auditor of the county. The state board of tax commissioners may seek the recommendation of the school property tax control board with respect to this determination. The action of the state board of tax commissioners with respect to the plan is final.

(d) The state board of tax commissioners may approve appropriations from the transportation fund's school bus replacement account only if the appropriations conform to a plan that has been adopted in compliance with this section.

(e) A governing body may amend a plan adopted under this section. When an amendment to a plan is required, the governing body must declare the nature of and the need for the amendment and must show

C o p y

cause as to why the original plan no longer meets the transportation needs of the school corporation. The governing body must then conduct a public hearing on and pass a resolution to adopt the amendment to the plan. The plan, as proposed to be amended, must comply with the requirements for a plan under subsection (b). This amendment to the plan is not subject to the deadline for adoption described in subsection (a). However, the amendment to the plan must be submitted to the state board of tax commissioners for its consideration and is subject to approval, disapproval, or modification in accordance with the procedures for adopting a plan set forth in this section.

(f) If a public hearing is scheduled under this section, the governing body shall publish a notice of the public hearing and the proposed plan or amendment to the plan in accordance with IC 5-3-1-2(b).

SECTION 10. IC 21-2-15-5, AS AMENDED BY P.L.6-1997, SECTION 192, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: Sec. 5. (a) Before a governing body may collect property taxes for a capital projects fund in a particular year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year for all years before ~~1999~~ **2001** and not later than January 31 for ~~1999~~ **2001** and all subsequent years hold a public hearing on a proposed plan and then pass a resolution to adopt a plan.

(b) The state board of tax commissioners shall prescribe the format of the plan. A plan must apply to at least the three (3) years immediately following the year the plan is adopted. A plan must estimate for each year to which it applies the nature and amount of proposed expenditures from the capital projects fund. A plan must estimate:

(1) the source of all revenue to be dedicated to the proposed expenditures in the upcoming calendar year; and

(2) the amount of property taxes to be collected in that year and retained in the fund for expenditures proposed for a later year.

(c) If a hearing is scheduled under subsection (a), the governing body shall publish the proposed plan and a notice of the hearing in accordance with IC 5-3-1-2(b).

SECTION 11. IC 21-3-1.7-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]: Sec. 5. As used in this chapter, "tuition support levy" means with respect to a school corporation for a year the maximum general fund ad valorem property tax levy for the school corporation determined under IC 6-1.1-19-1.5 reduced by the following:

(1) An amount equal to the annual decrease in federal aid to

C o p y

impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years.

(2) The original amount of any excessive tax levy the school corporation imposed as a result of the passage, during the preceding year, of a referendum under ~~IC 6-1.1-19-4(e)(1)(bb) or~~ IC 6-1.1-19-4.5(c) for taxes first due and payable during the year.

(3) The portion of the maximum general fund levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility during the preceding year.

SECTION 12. IC 21-3-1.7-6.6, AS ADDED BY P.L.260-1997(ss), SECTION 79, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]: Sec. 6.6. For purposes of this chapter, a school corporation's adjusted current ADM is the result determined under STEP SEVEN of the following formula:

STEP ONE: Determine the ~~result~~ **greater** of **the following:**

(A) The school corporation's ADM for the previous year. ~~minus~~

(B) The school corporation's current ADM.

STEP TWO: ~~Multiply the STEP ONE result by eight-tenths (0.8).~~

Determine the remainder of:

(A) the school corporation's ADM for the year preceding the current year by two (2) years; minus

(B) the STEP ONE result.

STEP THREE: Determine the greater of the following:

(A) The STEP TWO result.

(B) Zero (0).

~~STEP FOUR: Determine the greater of zero (0) or the result of the school corporation's ADM for the year preceding the current year by two (2) minus the school corporation's ADM for the previous year.~~

STEP ~~FIVE:~~ **FOUR:** Multiply the STEP ~~FOUR~~ **THREE** result by six-tenths (0.6).

~~STEP SIX: This STEP applies if the STEP TWO result is negative. Determine the greater of the following:~~

~~(A) The STEP FIVE result minus the absolute value of the STEP TWO result.~~

~~(B) Zero (0).~~

STEP FIVE: Determine the greater of the following:

(A) The remainder of the school corporation's ADM for the previous year minus the school corporation's current

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ADM.

(B) Zero (0).

STEP SIX: Multiply the STEP FIVE result by eight-tenths (0.8).

STEP SEVEN: Determine the sum of the following:

(A) The school corporation's current ADM.

(B) The result determined under STEP ~~THREE.~~ **FOUR.**

(C) The result determined under

~~(i)~~ STEP SIX. ~~if applicable; or~~

~~(ii) STEP FIVE, if STEP SIX does not apply.~~

Round the result to the nearest five-tenths (0.5).

SECTION 13. IC 21-3-1.7-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]: Sec. 7. If a computation under this chapter results in a fraction **and a rounding rule is not specified,** the fraction shall be rounded ~~to~~ **as follows:**

(1) **If it is a tax rate calculation, to the nearest one-hundredth of a cent ($0.0001).**

(2) If it is a tuition support calculation, to the nearest cent ($0.01).

(3) If it is a calculation not covered by subdivision (1) or (2), to the nearest ten-thousandth (.0001). ~~or~~

~~(2) the nearest cent;~~

~~whichever is applicable.~~

SECTION 14. IC 21-3-1.7-8, AS AMENDED BY P.L.260-1997(ss), SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]: Sec. 8. Notwithstanding IC 21-3-1.6 and subject to section 9 of this chapter, the state distribution for a calendar year for tuition support for basic programs for each school corporation equals the result determined using the following formula:

STEP ONE: Determine the greater of the following:

(A) The product of:

(i) the school corporation's target revenue per ADM; multiplied by

(ii) the school corporation's adjusted current ADM.

(B) The product of:

(i) the school corporation's previous year revenue; multiplied by

(ii) one and three-hundredths (1.03).

(C) For a school corporation that has target revenue per ADM for a calendar year that is equal to the

C o p y

IC 21-3-1.7-6.7, STEP ONE (C) amount, determine the sum of:

(i) the school corporation's target revenue per ADM multiplied by the school corporation's adjusted current ADM; plus

(ii) the amount of the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years; plus

(iii) the original amount of an excessive tax levy the school corporation imposed as a result of the passage, during the preceding year, of a referendum under IC 6-1.1-19-4.5(c) for taxes first due and payable during the year; plus

(iv) the part of the maximum general fund levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility during the preceding year.

STEP TWO: Determine the remainder of:

(A) the STEP ONE amount; minus

(B) the sum of:

(i) the school corporation's tuition support levy; plus

(ii) the school corporation's excise tax revenue for the year that precedes the current year by one (1) year.

If the state tuition support determined for a school corporation under this section is negative, the school corporation is not entitled to any state tuition support. In addition, the school corporation's maximum general fund levy under IC 6-1.1-19-1.5 shall be reduced by the amount of the negative result.

SECTION 15. IC 21-3-11-9, AS ADDED BY P.L.260-1997(ss), SECTION 94, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 9. The number of full-time equivalent students enrolled in an alternative education program during a reporting period is the result determined under STEP SIX of the following formula:

STEP ONE: Determine the number of alternative education program sessions that were conducted in a reporting period for a qualifying school corporation as follows:

(A) Determine the number of days on which an alternative education program was conducted for an entire morning, as determined under the rules adopted by the Indiana state board of education.

(B) Determine the number of days on which an alternative

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education program was conducted for an entire afternoon, as determined under the rules adopted by the Indiana state board of education.

(C) Determine the number of days on which an alternative education program was conducted for an entire evening, as determined under the rules adopted by the Indiana state board of education.

(D) Determine the sum of the clause (A), (B), and (C) amounts.

STEP TWO: For each morning, afternoon, and evening session of an alternative education program that is used to determine the STEP ONE result, determine the number of eligible students ~~attending~~ **enrolled in** the sessions.

STEP THREE: Determine the sum of the STEP TWO amounts.

STEP FOUR: Divide the STEP THREE result by the STEP ONE result.

STEP FIVE: Divide the STEP ONE result by three hundred sixty (360).

STEP SIX: Multiply the STEP FOUR result by the STEP FIVE result.

SECTION 16. IC 21-3-1.7-6.3 IS REPEALED [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)].

SECTION 17. IC 20-10.1-4.6-2.7 IS REPEALED [EFFECTIVE JULY 1, 1998].

SECTION 18. P.L.50-1996, SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: SECTION 18. (a) The department of education and the state board of tax commissioners shall select pilot school corporations under subsection (b). Beginning January 1, 1997, the school corporations selected under subsection (b) shall comply with SECTIONS 1 through 18 of this act as if those SECTIONS were effective January 1, 1997.

(b) Before October 1, 1996, the department of education and the state board of tax commissioners shall meet to select ten (10) pilot school corporations. The pilot school corporations shall be selected with the objective that the pilot school corporations collectively represent a broad range of the different types and sizes of school corporations that exist in Indiana. In order to achieve this objective, the department of education and the state board of tax commissioners shall select the pilot school corporations based on the following criteria:

(1) The size of the student population within the corporation.

(2) The size of the geographic territory served by the corporation.

(3) The average growth of the property tax assessed valuation

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within the corporation's district over the preceding three (3) years.

(4) The growth or decline of the ADM (as defined in IC 21-3-1.6-1.1) within the corporation over the preceding three (3) years, excluding any year in which there is a general reassessment.

(5) The extent of urban development in the corporation.

(6) Any other factors the department of education and the state board of tax commissioners determine are necessary to distinguish a group or category of school corporations that deserve representation by a pilot school corporation.

(c) All state and local governmental officials whose official functions relate to this act shall cooperate with the department of education, the state board of tax commissioners, and the pilot school corporations to implement this act.

(d) This SECTION expires July 1, ~~1999.~~ **2001.**

SECTION 19. P.L.50-1996, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: SECTION 19. (a) The initial school year budget adopted by a pilot school corporation selected under SECTION 18 of this act and fixed by the state board of tax commissioners under this act is for the period beginning July 1, 1997, through June 30, 1998. The first six (6) months of the initial budget for a pilot school corporation must be consistent with the last six (6) months of the budget fixed by the state board of tax commissioners for calendar year 1997 under the procedures effective in 1996.

(b) The initial school year budget adopted by a school corporation, other than a pilot school corporation selected under SECTION 18 of this act, and fixed by the state board of tax commissioners under this act, is for the period beginning July 1, ~~1999,~~ **2001,** through June 30, ~~2000.~~ **2002.** The first six (6) months of the initial budget must be consistent with the last six (6) months of the budget fixed by the state board of tax commissioners for calendar year ~~1999~~ **2001** under the procedures effective in ~~1998.~~ **2000.**

(c) This SECTION expires July 1, ~~2000.~~ **2002.**

SECTION 20. P.L.50-1996, SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: SECTION 20. (a) The department of education, with the assistance of the state board of tax commissioners, shall submit to the budget committee the following concerning all pilot school corporations selected under SECTION 18 of this act:

(1) Before October 1, ~~1998,~~ **1999,** a written report that:

(A) specifies positive and negative aspects experienced in

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formulating a budget under this act;

(B) makes recommendations on how to remedy any perceived inadequacies in the provisions of this act; ~~and~~

(C) analyzes the long term benefits of this act;

~~(2) Before October 1, 1999, a written report that:~~

~~(A) updates the report made under subdivision (1);~~

~~(B)~~ **(D)** outlines adjustments the school corporation made in the process of converting to formulating a budget under this act; and

~~(C)~~ **(E)** provides any other information related to the school corporation's experiences as a pilot school corporation under this act that the school corporation believes important to be made known to the general assembly or other school corporations before this act takes effect for all school corporations.

(2) Before October 1, 2000, a written report that updates the report made under subdivision (1).

(3) Before October 1, 2001, a written report that updates the report made under subdivision (2).

Each pilot school corporation shall provide the department of education with the information necessary for the department of education to complete the reports required under this subsection.

(b) The department of education shall send copies of the reports required by this SECTION to the following:

(1) The county auditor.

(2) The state board of tax commissioners.

(3) Each pilot school corporation.

(4) The Indiana School Boards Association.

(c) This SECTION expires July 1, ~~2000.~~ **2002.**

SECTION 21. [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)] **(a) Notwithstanding IC 6-1.1-17-16, the state board of tax commissioners shall certify 1998 tax rates and tax levies to:**

(1) county auditors; and

(2) political subdivisions that have initiated appeals as described in IC 6-1.1-17-16(f)(2);

on or before March 31, 1998.

(b) This SECTION expires July 1, 1999.

SECTION 22. **An emergency is declared for this act.**

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1222, 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:

Page 4, delete lines 24 through 42.

Delete page 5.

Page 6, delete lines 1 through 33, begin a new paragraph and insert:

"SECTION 4. IC 21-2-11.5-3.1, AS AMENDED BY P.L.6-1997, SECTION 190, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: Sec. 3.1. (a) Before a governing body may collect property taxes for the school transportation fund's school bus replacement account in a particular calendar year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year for all years before ~~1999~~ **2001** and not later than January 31 for ~~1999~~ **2001** and all subsequent years:

(1) conduct a public hearing on; and

(2) pass a resolution to adopt;

a plan under this section.

(b) The state board of tax commissioners shall prescribe the format of the plan. A plan must apply to at least the ten (10) budget years immediately following the year the plan is adopted. A plan must at least include the following:

(1) An estimate for each year to which it applies of the nature and amount of proposed expenditures from the transportation fund's school bus replacement account.

(2) A presumption that the minimum useful life of a school bus is not less than ten (10) years.

(3) An identification of:

(A) the source of all revenue to be dedicated to the proposed expenditures in the upcoming budget year; and

(B) the amount of property taxes to be collected in that year and the unexpended balance to be retained in the account for expenditures proposed for a later year.

(4) If the school corporation is seeking to:

(A) acquire; or

(B) contract for transportation services that will provide;

additional school buses or school buses with a larger seating capacity as compared to the number and type of school buses from the prior school year, evidence of a demand for increased transportation services within the school corporation. Clause (B) does not apply if contracted transportation services are not paid

C o p y

from the school bus replacement account.

(5) If the school corporation is seeking to:

(A) replace an existing school bus earlier than ten (10) years after the existing school bus was originally acquired; or

(B) require a contractor to replace a school bus;

evidence that the need exists for the replacement of the school bus. Clause (B) does not apply if contracted transportation services are not paid from the school bus replacement account.

(6) Evidence that the school corporation that seeks to acquire additional school buses under this section is acquiring or contracting for the school buses only for the purposes specified in subdivision (4) or for replacement purposes.

(c) After reviewing the plan, the state board of tax commissioners shall certify its approval, disapproval, or modification of the plan to the governing body and the auditor of the county. The state board of tax commissioners may seek the recommendation of the school property tax control board with respect to this determination. The action of the state board of tax commissioners with respect to the plan is final.

(d) The state board of tax commissioners may approve appropriations from the transportation fund's school bus replacement account only if the appropriations conform to a plan that has been adopted in compliance with this section.

(e) A governing body may amend a plan adopted under this section. When an amendment to a plan is required, the governing body must declare the nature of and the need for the amendment and must show cause as to why the original plan no longer meets the transportation needs of the school corporation. The governing body must then conduct a public hearing on and pass a resolution to adopt the amendment to the plan. The plan, as proposed to be amended, must comply with the requirements for a plan under subsection (b). This amendment to the plan is not subject to the deadline for adoption described in subsection (a). However, the amendment to the plan must be submitted to the state board of tax commissioners for its consideration and is subject to approval, disapproval, or modification in accordance with the procedures for adopting a plan set forth in this section.

(f) If a public hearing is scheduled under this section, the governing body shall publish a notice of the public hearing and the proposed plan or amendment to the plan in accordance with IC 5-3-1-2(b).

SECTION 5. IC 21-2-15-5, AS AMENDED BY P.L.6-1997, SECTION 192, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: Sec. 5. (a) Before a governing body may collect property taxes for a capital projects fund in a particular

C o p y

year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year for all years before ~~1999~~ **2001** and not later than January 31 for ~~1999~~ **2001** and all subsequent years hold a public hearing on a proposed plan and then pass a resolution to adopt a plan.

(b) The state board of tax commissioners shall prescribe the format of the plan. A plan must apply to at least the three (3) years immediately following the year the plan is adopted. A plan must estimate for each year to which it applies the nature and amount of proposed expenditures from the capital projects fund. A plan must estimate:

(1) the source of all revenue to be dedicated to the proposed expenditures in the upcoming calendar year; and

(2) the amount of property taxes to be collected in that year and retained in the fund for expenditures proposed for a later year.

(c) If a hearing is scheduled under subsection (a), the governing body shall publish the proposed plan and a notice of the hearing in accordance with IC 5-3-1-2(b).".

Page 9, between lines 28 and 29, begin a new paragraph and insert:

"SECTION 10. IC 21-3-11-6, AS ADDED BY P.L.260-1997(ss), SECTION 94, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 6. **(a)** A qualifying school corporation is eligible to receive a grant from the state for each full-time equivalent student who is enrolled in an alternative education program conducted for the school corporation. The maximum amount that may be granted to a qualifying school corporation in a school year is seven hundred fifty dollars ($750) per full-time equivalent student.

(b) To receive a grant under this chapter, the school corporation must expend **on alternative education programs** in the school year a matching amount of at least ~~two hundred fifty dollars ($250)~~ **one-third (1/3) of the amount of the state grant** per full-time equivalent student, ~~on alternative education programs,~~ as determined under the rules adopted by the Indiana state board of education.

SECTION 11. IC 21-3-11-9, AS ADDED BY P.L.260-1997(ss), SECTION 94, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 9. The number of full-time equivalent students enrolled in an alternative education program during a reporting period is the result determined under STEP SIX of the following formula:

STEP ONE: Determine the number of alternative education program sessions that were conducted in a reporting period for a qualifying school corporation as follows:

(A) Determine the number of days on which an alternative

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education program was conducted for an entire morning, as determined under the rules adopted by the Indiana state board of education.

(B) Determine the number of days on which an alternative education program was conducted for an entire afternoon, as determined under the rules adopted by the Indiana state board of education.

(C) Determine the number of days on which an alternative education program was conducted for an entire evening, as determined under the rules adopted by the Indiana state board of education.

(D) Determine the sum of the clause (A), (B), and (C) amounts.

STEP TWO: For each morning, afternoon, and evening session of an alternative education program that is used to determine the STEP ONE result, determine the number of eligible students ~~attending~~ **enrolled in** the sessions.

STEP THREE: Determine the sum of the STEP TWO amounts.

STEP FOUR: Divide the STEP THREE result by the STEP ONE result.

STEP FIVE: Divide the STEP ONE result by three hundred sixty (360).

STEP SIX: Multiply the STEP FOUR result by the STEP FIVE result.".

Page 9, line 30, delete "P.L.50-1996;" and insert "P.L.6-1997, SECTION 86.".

Page 9, delete lines 31 through 32.

Page 9, between lines 32 and 33, begin a new paragraph and insert:

"SECTION 11. P.L.50-1996, SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: SECTION 18. (a) The department of education and the state board of tax commissioners shall select pilot school corporations under subsection (b). Beginning January 1, 1997, the school corporations selected under subsection (b) shall comply with SECTIONS 1 through 18 of this act as if those SECTIONS were effective January 1, 1997.

(b) Before October 1, 1996, the department of education and the state board of tax commissioners shall meet to select ten (10) pilot school corporations. The pilot school corporations shall be selected with the objective that the pilot school corporations collectively represent a broad range of the different types and sizes of school corporations that exist in Indiana. In order to achieve this objective, the department of education and the state board of tax commissioners shall

C o p y

select the pilot school corporations based on the following criteria:

(1) The size of the student population within the corporation.

(2) The size of the geographic territory served by the corporation.

(3) The average growth of the property tax assessed valuation within the corporation's district over the preceding three (3) years.

(4) The growth or decline of the ADM (as defined in IC 21-3-1.6-1.1) within the corporation over the preceding three (3) years, excluding any year in which there is a general reassessment.

(5) The extent of urban development in the corporation.

(6) Any other factors the department of education and the state board of tax commissioners determine are necessary to distinguish a group or category of school corporations that deserve representation by a pilot school corporation.

(c) All state and local governmental officials whose official functions relate to this act shall cooperate with the department of education, the state board of tax commissioners, and the pilot school corporations to implement this act.

(d) This SECTION expires July 1, ~~1999.~~ **2001.**

SECTION 12. P.L.50-1996, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: SECTION 19. (a) The initial school year budget adopted by a pilot school corporation selected under SECTION 18 of this act and fixed by the state board of tax commissioners under this act is for the period beginning July 1, 1997, through June 30, 1998. The first six (6) months of the initial budget for a pilot school corporation must be consistent with the last six (6) months of the budget fixed by the state board of tax commissioners for calendar year 1997 under the procedures effective in 1996.

(b) The initial school year budget adopted by a school corporation, other than a pilot school corporation selected under SECTION 18 of this act, and fixed by the state board of tax commissioners under this act, is for the period beginning July 1, ~~1999,~~ **2001,** through June 30, ~~2000.~~ **2002.** The first six (6) months of the initial budget must be consistent with the last six (6) months of the budget fixed by the state board of tax commissioners for calendar year ~~1999~~ **2001** under the procedures effective in ~~1998.~~ **2000.**

(c) This SECTION expires July 1, ~~2000.~~ **2002.**

SECTION 13. P.L.50-1996, SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999]: SECTION 20. (a) The department of education, with the assistance of the state board of tax commissioners, shall submit to the budget committee the

C o p y

following concerning all pilot school corporations selected under SECTION 18 of this act:

(1) Before October 1, 1998, a written report that:

(A) specifies positive and negative aspects experienced in formulating a budget under this act;

(B) makes recommendations on how to remedy any perceived inadequacies in the provisions of this act; and

(C) analyzes the long term benefits of this act.

(2) Before October 1, 1999, a written report that:

(A) updates the report made under subdivision (1);

(B) outlines adjustments the school corporation made in the process of converting to formulating a budget under this act; and

(C) provides any other information related to the school corporation's experiences as a pilot school corporation under this act that the school corporation believes important to be made known to the general assembly or other school corporations before this act takes effect for all school corporations.

(3) Before October 1, 2000, a written report that:

(A) updates the report made under subdivision (2);

(B) outlines adjustments the school corporation made in the process of converting to formulating a budget under this act; and

(C) provides any other information related to the school corporation's experiences as a pilot school corporation under this act that the school corporation believes important to be made known to the general assembly or other school corporations before this act takes effect for all school corporations.

(4) Before October 1, 2001, a written report that:

(A) updates the report made under subdivision (3);

(B) outlines adjustments the school corporation made in the process of converting to formulating a budget under this act; and

(C) provides any other information related to the school corporation's experiences as a pilot school corporation under this act that the school corporation believes important to be made known to the general assembly or other school corporations before this act takes effect for all school corporations.

Each pilot school corporation shall provide the department of education

C o p y

with the information necessary for the department of education to complete the reports required under this subsection.

(b) The department of education shall send copies of the reports required by this SECTION to the following:

(1) The county auditor.

(2) The state board of tax commissioners.

(3) Each pilot school corporation.

(4) The Indiana School Boards Association.

(c) This SECTION expires July 1, ~~2000.~~ **2002.**".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to House Bill 1222 as introduced.)

BAUER, Chair

Committee Vote: yeas 25, nays 0.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred House Bill 1222, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, delete the title and insert the following:

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

Page 4, between lines 23 and 24, begin a new paragraph and insert:

"SECTION 4. IC 20-10.1-4.6-1, AS AMENDED BY P.L.260-1997(ss), SECTION 61, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 1. As used in this chapter, "alternative education program" refers to an alternative school or educational program that is described in ~~section 4 of~~ this chapter. ~~The term includes:~~

~~(1) an alternative education program described in section 3(a)(1) of this chapter; or~~

~~(2) an area alternative education program described in section 3(a)(2) of this chapter.~~

SECTION 5. IC 20-10.1-4.6-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 3. (a) The governing body may elect to:

(1) establish an alternative program on its own; or

(2) participate in an area alternative program through a ~~joint~~ **cooperative** program ~~under IC 20-5-11.~~ **permitted by law.**

(b) An alternative program is not required to be located at a site that is different than the site at which the traditional school instruction is offered.

(c) An alternative program may be managed or operated on behalf of a school corporation by an entity other than a school corporation.

SECTION 6. IC 20-10.1-4.6-4, AS AMENDED BY P.L.260-1997(ss), SECTION 65, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 4. To qualify as an alternative education program, the program must:

(1) be an educational program for eligible students that instructs the eligible students in a different manner ~~than~~ **from** the manner of instruction available in a traditional school setting; and

(2) comply with the rules that are adopted under IC 4-22-2 by the board to govern:

(A) alternative education programs; and

(B) admission of eligible students to alternative education

C o p y

programs.

SECTION 7. IC 20-10.1-4.6-5, AS AMENDED BY P.L.260-1997(ss), SECTION 66, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 5. The ~~program organizer~~ **school corporation** may request the approval from the department for the following:

(1) To receive the grant for alternative education programs under IC 21-3-11.

(2) To be granted waivers from rules adopted by the state board that may otherwise interfere with the objectives of the alternative education program, including waivers of:

(A) certain high school graduation requirements;

(B) the length of the student instructional day as set forth in IC 20-10.1-2-1(b);

(C) required curriculum and textbooks;

(D) teacher certification requirements; and

(E) physical facility requirements.

SECTION 8. IC 20-10.1-4.6-6, AS AMENDED BY P.L.260-1997(ss), SECTION 67, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 6. (a) Before a ~~program organizer~~ **school corporation** is eligible for the funding, ~~a program organizer must have~~ the grant for the program **must be** approved by both:

(1) the department; and

(2) the budget agency. ~~after review by the budget committee.~~

(b) A school corporation may initiate the program and waiver approval process under section 5 of this chapter and the grant approval process under this section by submitting an application for the proposed alternative education program, on forms developed by the department, to the department. The application must include the following information:

(1) The number of eligible students expected to participate in the alternative education program.

(2) A description of the proposed alternative education program, including a description of the nature of the alternative education program curriculum.

(3) The extent to which the manner of instruction at the alternative education program differs from the manner of instruction available in the traditional school setting.

(4) A description of specific progressive disciplinary procedures that:

(A) are reasonably designed to modify disruptive behavior in

C o p y

the traditional school learning environment without necessitating admission to an alternative education program; and

(B) will be used before admitting a disruptive student into an alternative education program.

(5) Any other pertinent information required by the department.

(c) The term of a grant may not exceed one (1) school year. If a school corporation fails to conduct an alternative education program in conformity with this chapter, the rules adopted by the state board of education, or the terms of the approved grant, the department or the budget agency after review by the budget committee may terminate funding for the alternative education program before the grant expires.".

Page 8, line 40, delete "that is three thousand six".

Page 8, delete lines 41 through 42.

Page 9, line 1, delete "1999," and insert "**that is equal to the IC 21-3-1.7-6.7, STEP ONE (C) amount, determine**".

Page 9, delete lines 29 through 42.

Page 10, delete lines 34 through 36, begin a new paragraph and insert:

"SECTION 16. IC 21-3-1.7-6.3 IS REPEALED [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)].

SECTION 17. IC 20-10.1-4.6-2.7 IS REPEALED [EFFECTIVE JULY 1, 1998].".

Page 12, line 11, strike "1998," and insert "**1999,**".

Page 12, line 15, strike "and".

Page 12, line 16, after "act" delete "." and insert ";".

Page 12, strike lines 17 through 18.

Page 12, line 19, strike "(B)" and insert "**(D)**".

Page 12, line 22, strike "(C)" and insert "**(E)**".

Page 12, line 28, delete "(3)" and insert "**(2)**".

Page 12, line 28, delete "that:" and insert "**that updates the report made under subdivision (1).**".

Page 12, delete lines 29 through 38.

Page 12, line 39, delete "(4)" and insert "**(3)**".

Page 12, line 39, delete "that:" and insert "**that updates the report made under subdivision (2).**".

Page 12, delete lines 40 through 42.

Page 13, delete lines 1 through 7.

Page 13, between lines 17 and 18, begin a new paragraph and insert:

"SECTION 20. [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)] **(a) Notwithstanding IC 6-1.1-17-16, the state**

C o p y

board of tax commissioners shall certify 1998 tax rates and tax levies to:

(1) county auditors; and

(2) political subdivisions that have initiated appeals as described in IC 6-1.1-17-16(f)(2);

on or before March 31, 1998.

(b) This SECTION expires July 1, 1999.".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to House Bill 1222 as printed January 12, 1998.)

BORST, Chairperson

Committee Vote: Yeas 14, Nays 0.

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