
HOUSE BILL No. 1222

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 21-2-11.5-3.1; IC 21-2-15-5; IC 21-3-1.7; P.L.50-1996; P.L.6-1997, SECTION 86; P.L.6-1997, SECTION 190; P.L.6-1997, SECTION 192.

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. 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
(Continued next page)

Effective: January 1, 1998 (retroactive); July 1, 1998.

Bauer

January 8, 1998, read first time and referred to Committee on Ways and Means.

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Digest Continued

guarantee of 3% so that money attributable to a loss in federal aid, referendum property tax levy increases, or new facilities is considered. Eliminates provisions that would convert school corporations from a calendar year budget to a fiscal year budget in 1999. 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. Adds rounding rules for all calculations. Repeals obsolete provisions.

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Introduced

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.

HOUSE BILL No. 1222

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

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

1 SECTION 1. IC 6-1.1-19-1.5, AS AMENDED BY
2 P.L.260-1997(ss), SECTION 48, IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]:
4 Sec. 1.5. (a) ~~The following definitions apply throughout~~ **As used in this**
5 ~~section and IC 21-3-1.7,~~
6 (1) "Adjusted general fund property tax rate" means the school
7 corporation's actual rate adjusted by the school corporation's
8 assessment ratio as determined by the state board of tax
9 commissioners.
10 (2) "Previous year adjusted general fund property tax rate" means
11 a school corporation's previous year adjusted general fund
12 property tax rate as determined under this section but after the
13 reductions cited in IC 21-3-1.7-5(1), IC 21-3-1.7-5(2), and
14 IC 21-3-1.7-5(3). "adjustment factor" means the adjustment
15 factor determined by the state board of tax commissioners for



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1 **a school corporation under IC 6-1.1-34.**

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

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

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

15 **STEP THREE: Determine the product of:**

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

18 **(B) the quotient resulting from:**

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

22 **(ii) two (2).**

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

27 (A) plus the lesser of:

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

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

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

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

39 (B) minus the lesser of:

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

41 (ii) **the sum of twenty-five cents (\$0.25) plus, if the school**
42 **corporation's adjustment factor is less than one (1), the**

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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) 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



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1 ~~the second Tuesday in May~~ **March 2** of each year in which the board
 2 calculates a new assessment ratio for the school corporation.

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

- 6 (1) examine and verify the state board of tax commissioners' data;
 7 and
 8 (2) make suggestions concerning the values established by the
 9 board.

10 SECTION 3. IC 6-1.1-34-7 IS AMENDED TO READ AS
 11 FOLLOWS [EFFECTIVE JULY 1, 1998]: Sec. 7. Each year in which
 12 the state board of tax commissioners computes a new assessment ratio
 13 for a school corporation, the board shall also compute a new
 14 adjustment factor for the school corporation. If the school corporation's
 15 assessment ratio for a year is more than ninety-nine percent (99%) but
 16 less than one hundred one percent (101%) of the state average
 17 assessment ratio for that year, the school corporation's adjustment
 18 factor is the number one (1). In all other cases, the school corporation's
 19 adjustment factor equals (1) the state average assessment ratio for a
 20 year, divided by (2) the school corporation's assessment ratio for that
 21 year. The state board of tax commissioners shall notify the school
 22 corporation of its new adjustment factor ~~on or before July 1st~~ **March**
 23 **2** of the year in which the board calculates the new adjustment factor.

24 SECTION 4. IC 21-2-11.5-3.1, AS AMENDED BY P.L.6-1997,
 25 SECTION 189, IS AMENDED TO READ AS FOLLOWS
 26 [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]: Sec. 3.1. (a)
 27 Before a governing body may collect property taxes for the school
 28 transportation fund's school bus replacement account in a particular
 29 year, the governing body must, after January 1 and not later than
 30 September 20 of the immediately preceding year: ~~for all years before~~
 31 ~~1999 and not later than January 31 for 1999 and all subsequent years:~~

- 32 (1) conduct a public hearing on; and
 33 (2) pass a resolution to adopt;

34 a plan under this section.

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

- 39 (1) An estimate for each year to which it applies of the nature and
 40 amount of proposed expenditures from the transportation fund's
 41 school bus replacement account.
 42 (2) A presumption that the minimum useful life of a school bus is



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1 not less than ten (10) years.

2 (3) An identification of:

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

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

8 (4) If the school corporation is seeking to:

9 (A) acquire; or

10 (B) contract for transportation services that will provide;
11 additional school buses or school buses with a larger seating
12 capacity as compared to the number and type of school buses
13 from the prior school year, evidence of a demand for increased
14 transportation services within the school corporation. Clause (B)
15 does not apply if contracted transportation services are not paid
16 from the school bus replacement account.

17 (5) If the school corporation is seeking to:

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

20 (B) require a contractor to replace a school bus;
21 evidence that the need exists for the replacement of the school
22 bus. Clause (B) does not apply if contracted transportation
23 services are not paid from the school bus replacement account.

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

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

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

38 (e) A governing body may amend a plan adopted under this section.
39 When an amendment to a plan is required, the governing body must
40 declare the nature of and the need for the amendment and must show
41 cause as to why the original plan no longer meets the transportation
42 needs of the school corporation. The governing body must then conduct

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1 a public hearing on and pass a resolution to adopt the amendment to the
 2 plan. The plan, as proposed to be amended, must comply with the
 3 requirements for a plan under subsection (b). This amendment to the
 4 plan is not subject to the deadline for adoption described in subsection
 5 (a). However, the amendment to the plan must be submitted to the state
 6 board of tax commissioners for its consideration and is subject to
 7 approval, disapproval, or modification in accordance with the
 8 procedures for adopting a plan set forth in this section.

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

12 SECTION 5. IC 21-2-15-5, AS AMENDED BY P.L.6-1997,
 13 SECTION 191, IS AMENDED TO READ AS FOLLOWS
 14 [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]: Sec. 5. (a)
 15 Before a governing body may collect property taxes for a capital
 16 projects fund in a particular year, the governing body must, after
 17 January 1 and not later than September 20 of the immediately
 18 preceding year, ~~for all years before 1999 and not later than January 31~~
 19 ~~for 1999 and all subsequent years,~~ hold a public hearing on a proposed
 20 plan and then pass a resolution to adopt a plan.

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

- 27 (1) the source of all revenue to be dedicated to the proposed
- 28 expenditures in the upcoming budget year; and
- 29 (2) the amount of property taxes to be collected in that year and
- 30 retained in the fund for expenditures proposed for a later year.

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

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

- 40 (1) An amount equal to the annual decrease in federal aid to
- 41 impacted areas from the year preceding the ensuing calendar year
- 42 by three (3) years to the year preceding the ensuing calendar year



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1 by two (2) years.

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

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

10 SECTION 7. IC 21-3-1.7-6.6, AS ADDED BY P.L.260-1997(ss),
11 SECTION 79, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
12 JANUARY 1, 1998 (RETROACTIVE)]: Sec. 6.6. For purposes of this
13 chapter, a school corporation's adjusted current ADM is the result
14 determined under STEP SEVEN of the following formula:

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

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

17 minus

18 (B) The school corporation's current ADM.

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

20 **Determine the remainder of:**

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

23 **(B) the STEP ONE result.**

24 **STEP THREE: Determine the greater of the following:**

25 (A) The STEP TWO result.

26 (B) Zero (0).

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

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

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

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

37 (B) Zero (0).

38 **STEP FIVE: Determine the greater of the following:**

39 (A) **The remainder of the school corporation's ADM for**
40 **the previous year minus the school corporation's current**
41 **ADM.**

42 (B) Zero (0).

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1 **STEP SIX: Multiply the STEP FIVE result by eight-tenths**
 2 **(0.8).**

3 STEP SEVEN: Determine the sum of the following:

4 (A) The school corporation's current ADM.

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

6 (C) The result determined under

7 (i) ~~STEP SIX~~, if applicable; or

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

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

10 SECTION 8. IC 21-3-1.7-7 IS AMENDED TO READ AS
 11 FOLLOWS [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]:
 12 Sec. 7. If a computation under this chapter results in a fraction **and a**
 13 **rounding rule is not specified**, the fraction shall be rounded ~~to~~ **as**
 14 **follows:**

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

17 (2) **If it is a tuition support calculation, to the nearest cent**
 18 **(\$0.01).**

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

21 ~~(2) the nearest cent;~~

22 **whichever is applicable.**

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

30 STEP ONE: Determine the greater of the following:

31 (A) The product of:

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

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

35 (B) The product of:

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

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

39 **(C) For a school corporation that has target revenue per**
 40 **ADM for a calendar year that is three thousand six**
 41 **hundred seventy-five dollars (\$3,675) in 1998 or three**
 42 **thousand eight hundred eighty-five dollars (\$3,885) in**

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