February 2, 2006

ENGROSSED
HOUSE BILL No. 1134

DIGEST OF HB 1134 (Updated February 1, 2006 10:29 am - DI 106)

Citations Affected: Numerous provisions throughout the Indiana Code.

Synopsis: Recodification of Title 21 and related provisions. Recodifies the grade K-12 education finance law, including teacher pension and education property tax control provisions, without substantive change. Makes conforming amendments. Repeals: (1) provisions in IC 6-1.1-19 and Title 21 that are recodified by this bill; and (2) various obsolete education finance law provisions. (The introduced version of this bill was prepared by the Code Revision Commission.)

Effective: July 1, 2006.

Foley, Behning, Kuzman, Van Haaften

(SENATE SPONSORS — LANDSKE, KENLEY, BOWSER)

January 4, 2006, read first time and referred to Committee on Judiciary.
January 5, 2006, reported — Do Pass.
January 9, 2006, read second time, ordered engrossed. Engrossed.
January 10, 2006, read third time, passed. Yeas 93, nays 3.

SENATE ACTION

January 26, 2006, read first time and referred to Committee on Judiciary.
February 1, 2006, reported favorably — Do Pass.

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February 2, 2006

Second Regular Session 114th General Assembly (2006)

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 2005 Regular Session of the General Assembly.

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ENGROSSED
HOUSE BILL No. 1134

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:

SECTION 1. IC 2-3.5-1-2, AS AMENDED BY P.L.1-2005, SECTION 50, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. (a) A member of the general assembly who is serving on April 30, 1989, may elect to become a participant in both the defined benefit plan and the defined contribution plan of the legislators' retirement system, as provided by IC 2-3.5-3-1. If such a member does not elect to become a participant in the legislators' retirement system, that member is not affected by this article and is instead covered by IC 5-10.2, IC 5-10.3, and ~~IC 21-6.1.~~ **IC 5-10.4.**

(b) Notwithstanding IC 5-10.3-7-2 or any other law, a member of the general assembly who is a participant in the legislators' defined benefit plan shall also be a member of PERF or TRF while serving in another position covered by PERF or TRF. However, the following provisions apply to a participant who is also a member of PERF or TRF:

(1) The PERF board or TRF board shall include the participant's years of service in the general assembly in the determination of

eligibility for benefits under PERF or TRF.

(2) Except as provided in subdivision (4), the PERF board or TRF board shall not include in the computation of benefits from PERF or TRF the participant's:

(A) salary as a member of the general assembly; or

(B) years of service as a member of the general assembly.

(3) The participant is not required to make annuity contributions to PERF or TRF for service as a member of the general assembly after July 1, 1989.

(4) IC 5-10.2-4-3.1 and the special provisions for members of the general assembly in IC 5-10.2-3-7.5, IC 5-10.3-7-3, IC 5-10.3-7-7, IC 5-10.3-8-2, **IC 5-10.4-5-7, and** IC 20-28-10-16 ~~and IC 21-6.1-5-7.5~~ do apply to the determination of the participant's benefits under PERF and TRF for benefits earned before July 1, 1989. IC 5-10.2-4-3.1 and the special provisions for members of the general assembly in IC 5-10.2-3-7.5, IC 5-10.3-7-3, IC 5-10.3-7-7, IC 5-10.3-8-2, **IC 5-10.4-5-7, and** IC 20-28-10-16(b) ~~and IC 21-6.1-5-7.5~~ do not apply to the determination of the participant's benefits under PERF or TRF for benefits earned after June 30, 1989.

SECTION 2. IC 2-3.5-1-4, AS AMENDED BY P.L.1-2005, SECTION 51, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. (a) A member of the general assembly who:

(1) served as a member of the general assembly before April 30, 1989;

(2) was not serving as a member of the general assembly on April 30, 1989; and

(3) is subsequently elected or appointed to the general assembly;

is a participant in the defined contribution plan of the legislators' retirement system.

(b) The PERF and TRF benefits earned by a participant described in subsection (a) before July 1, 1989, for service as a member of the general assembly or in another covered position, are not affected by this article. However, the following provisions apply to such a participant who is also a member of PERF or TRF:

(1) The PERF board or TRF board shall include the participant's years of service in the general assembly in the determination of eligibility for benefits under PERF or TRF.

(2) The PERF board or TRF board shall not include in the computation of benefits from PERF or TRF the participant's:

(A) salary as a member of the general assembly that is received after July 1, 1989; or

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(B) years of service as a member of the general assembly after July 1, 1989.

(3) The participant is not required to make annuity contributions to PERF or TRF for service as a member of the general assembly after July 1, 1989.

(4) If IC 5-10.2-4-3.1 or any of the special provisions for members of the general assembly in IC 5-10.2-3-7.5, IC 5-10.3-7-3, IC 5-10.3-7-7, IC 5-10.3-8-2, **IC 5-10.4-5-7, and** IC 20-28-10-16 ~~and IC 21-6.1-5-7.5~~ applied to the determination of the participant's benefits under PERF or TRF before July 1, 1989, those provisions do not apply to the determination of the participant's benefits under PERF or TRF for benefits earned after July 1, 1989.

SECTION 3. IC 2-3.5-3-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) This chapter applies to:

(1) each member of the general assembly who is serving on April 30, 1989, and who files an election under subsection (b); and

(2) each member of the general assembly who is elected or appointed after April 30, 1989.

(b) A member of the general assembly who is serving on April 30, 1989, may elect to have the member's years of service in the general assembly covered by this chapter, IC 2-3.5-4, and IC 2-3.5-5 instead of IC 5-10.2, IC 5-10.3, and ~~IC 21-6.1.~~ **IC 5-10.4.** An election under this subsection:

(1) must be made in writing;

(2) must be filed with the PERF board on a form prescribed by the board;

(3) must be made before January 1, 1990; and

(4) is irrevocable.

(c) Notwithstanding subsection (b), if a member of the general assembly files an election under subsection (b), the PERF board or the TRF board shall include all of the member's years of service in the general assembly in the determination of eligibility for benefits under PERF or TRF. However, except as provided by IC 2-3.5-1-2(b), the PERF board or TRF board shall not include in the computation of benefits from PERF or TRF the member's:

(1) salary as a member of the general assembly received after April 30, 1989; or

(2) years of service as a member of the general assembly after April 30, 1989.

SECTION 4. IC 4-11-2-2 IS ADDED TO THE INDIANA CODE

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AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 2. (a) Because there exists in recorder's offices in various counties a large number of school fund mortgages that:**

(1) appear unsatisfied of record; and

(2) have been paid;

the county auditor of any county where the mortgaged lands are situated, when requested by the mortgagor or owner of the mortgaged lands, shall examine the ledgers or other records of the county auditor's office and compare the records with the receipts of money for school fund mortgages in the treasurer's office of the county.

(b) If, upon the examination and comparison, and according to all facts that are known to the county auditor, or that come to the county auditor's knowledge, the county auditor finds that a mortgage in the recorder's office of the county that appears unsatisfied of record has been paid, the county auditor shall make an entry of satisfaction upon the margin of the record in the recorder's office, showing the mortgage as paid.

(c) The mortgagor or owner of the lands shall pay to the county auditor a fee of twenty-five cents ($0.25) for services provided under this section. The mortgagor or owner shall also pay to the recorder the county recorder's fee provided for releasing mortgages.

SECTION 5. IC 4-11-2-3 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 3. If:**

(1) a person has purchased and been granted a deed of conveyance to any lands sold for delinquent taxes by the county treasurer of any county;

(2) at the time when the lands were sold, there was an unpaid school fund loan, secured by mortgage, on the lands, and the mortgage was foreclosed by the county after the sale; and

(3) through the foreclosure proceedings, the county acquired title to the lands;

the board of commissioners of the county in which the lands are situated may pay to the person who holds the tax deed to the lands any sum that may be agreed upon, not exceeding the amount that the purchaser paid for the lands at the tax sale, together with an amount equal to any taxes that the purchaser of the lands paid, not including any interest, on the condition that the holder of the tax deed to the lands execute to the board of commissioners of the county a quitclaim deed to the lands. All expenditures authorized

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under this section shall be paid out of the county general fund without any appropriation being made for the expenditure.

SECTION 6. IC 4-12-1-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 12. (a) Within forty-five (45) days following the adjournment of the regular session of the general assembly, the budget agency shall examine the acts of such general assembly and, with the aid of its own records and those of the budget committee, shall prepare a complete list of all appropriations made by law for the budget period beginning on July 1 following such regular session, or so made for such other period as is provided in the appropriation. While such list is being made by it the budget agency shall review and analyze the fiscal status and affairs of the state as affected by such appropriations. A written report thereof shall be made and signed by the budget director and shall be transmitted to the governor and the auditor of state. The report shall be transmitted in an electronic format under IC 5-14-6 to the general assembly.

(b) Not later than the first day of June of each calendar year, the budget agency shall prepare a list of all appropriations made by law for expenditure or encumbrance during the fiscal year beginning on the first day of July of that calendar year. At the same time, the budget agency shall establish the amount of a reserve from the general fund surplus which such agency estimates will be necessary and required to provide funds with which to pay the distribution to local school units required by law to be made so early in such fiscal year that revenues received in such year prior to the distribution will not be sufficient to cover such distribution. Not later than the first day of June following adjournment of such regular session of the general assembly the amounts of the appropriations for such fiscal year, and the amount of such reserve, shall be written and transmitted formally to the auditor of state who then shall establish the amounts of such appropriations, and the amount of such reserve, in the records of the auditor's office as fixed in such communication of the budget agency.

(c) Within sixty (60) days following the adjournment of any special session of the general assembly, or within such shorter period as the circumstances may require, the budget agency shall prepare for and transmit to the governor and members of the general assembly and the auditor of state, like information, list of sums appropriated, and if required, an estimate for a reserve from the general fund surplus for distribution to local school units, all as is done upon the adjournment of a regular session, pursuant to subsections (a) and (b) of this section to the extent the same are applicable. The budget agency shall transmit any information under this subsection to the general assembly in an

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electronic format under IC 5-14-6.

(d) The budget agency shall administer the allotment system provided in IC 4-13-2-18.

(e) The budget agency may transfer, assign, and reassign any appropriation or appropriations, or parts of them, excepting those appropriations made to the Indiana state teacher's retirement fund established by ~~IC 21-6.1,~~ **IC 5-10.4-2,** made for one specific use or purpose to another use or purpose of the agency of state to which the appropriation is made, but only when the uses and purposes to which the funds transferred, assigned and reassigned are uses and purposes the agency of state is by law required or authorized to perform. No transfer may be made as in this subsection authorized unless upon the request of and with the consent of the agency of state whose appropriations are involved. Except to the extent otherwise specifically provided, every appropriation made and hereafter made and provided, for any specific use or purpose of an agency of the state is and shall be construed to be an appropriation to the agency, for all other necessary and lawful uses and purposes of the agency, subject to the aforesaid request and consent of the agency and concurrence of the budget agency.

(f) One **(1)** or more emergency or contingency appropriations for each fiscal year or for the budget period may be made to the budget agency. Such appropriations shall be in amounts definitely fixed by law, or ascertainable or determinable according to a formula, or according to appropriate provisions of law taking into account the revenues and income of the agency of state. No transfer shall be made from any such appropriation to the regular appropriation of an agency of the state except upon an order of the budget agency made pursuant to the authority vested in it hereby or otherwise vested in it by law.

SECTION 7. IC 4-30-16-3, AS AMENDED BY P.L.246-2005, SECTION 45, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) The commission shall transfer the surplus revenue in the administrative trust fund as follows:

(1) Before the last business day of January, April, July, and October, the commission shall transfer to the treasurer of state, for deposit in the Indiana state teachers' retirement fund ~~(IC 21-6.1-2),~~ **(IC 5-10.4-2),** seven million five hundred thousand dollars ($7,500,000). Notwithstanding any other law, including any appropriations law resulting from a budget bill (as defined in IC 4-12-1-2), the money transferred under this subdivision shall be set aside in the pension stabilization fund ~~(IC 21-6.1-2-8)~~ **(IC 5-10.4-2-5)** to be used as a credit against the unfunded

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accrued liability of the pre-1996 account (as defined in ~~IC 21-6.1-1-6.9)~~ **IC 5-10.4-1-12)** of the Indiana state teachers' retirement fund. The money transferred is in addition to the appropriation needed to pay benefits for the state fiscal year.

(2) Before the last business day of January, April, July, and October, the commission shall transfer:

(A) two million five hundred thousand dollars ($2,500,000) of the surplus revenue to the treasurer of state for deposit in the "k" portion of the pension relief fund (IC 5-10.3-11); and

(B) five million dollars ($5,000,000) of the surplus revenue to the treasurer of state for deposit in the "m" portion of the pension relief fund (IC 5-10.3-11).

(3) The surplus revenue remaining in the fund on the last day of January, April, July, and October after the transfers under subdivisions (1) and (2) shall be transferred by the commission to the treasurer of state for deposit on that day in the build Indiana fund.

(b) The commission may make transfers to the treasurer of state more frequently than required by subsection (a). However, the number of transfers does not affect the amount that is required to be transferred for the purposes listed in subsection (a)(1) and (a)(2). Any amount transferred during the month in excess of the amount required to be transferred for the purposes listed in subsection (a)(1) and (a)(2) shall be transferred to the build Indiana fund.

SECTION 8. IC 5-1-5-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. The following terms as used in this chapter have the following meanings:

(a) "Governing body" means the council, commission, board of commissioners, board of directors, board of trustees, or other legislative body in which the legislative powers of the issuing body are vested.

(b) "Issuing body" means the state of Indiana, its agencies, commissions, universities, colleges, institutions, political subdivisions, counties, school corporations, hospital associations, municipal and quasi-municipal corporations, special taxing districts, and any corporation which has issued bonds payable directly or indirectly from lease rentals payable by any of the foregoing issuing bodies, now or hereafter existing under the laws of the state. ~~of Indiana.~~

(c) "Bond" means any revenue bond, general obligation bond, or advance refunding bond.

(d) "Revenue bond" means any bond note, warrant, certificate of indebtedness, or other obligation, including a certificate or other

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evidence of participation in the lessor's interest in and rights under a lease, for the payment of money issued by an issuing body or any predecessor of any issuing body which is payable from designated revenues, rental payments, special benefits, taxes or a special fund but excluding any obligation constituting an indebtedness within the meaning of the constitutional debt limitation and any obligation payable solely from special assessments or special assessments and a guaranty fund.

(e) "General obligation bond" means any bond, note, warrant, certificate of indebtedness or other obligation of an issuing body which constitutes an indebtedness within the meaning of the constitutional debt limitation.

(f) "Advance refunding bonds" means bonds issued for the purpose of refunding bonds first subject to redemption or maturing after the date of the advance refunding ~~boards.~~ **bonds.**

(g) "Ordinance" means an ordinance of a city or town or resolution or other instrument by which the governing body of the issuing body exercising any power hereunder takes formal action and adopts legislative provisions and matters of some permanency.

(h) "Corporation which has issued bonds" means a corporation organized under ~~IC 1971, 21-5,~~ **IC 20-47-2 or IC 20-47-3,** the laws of any state of the United States of America or of the United States of America, including any bank, trust company, or national association serving as a trustee under an indenture providing for issuance of bonds.

(i) Words used ~~herein~~ **in this chapter** importing singular or plural number may be construed so that one (1) number includes both.

SECTION 9. IC 5-1.5-1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 10. "Security" means:

(1) a bond, note, or evidence of indebtedness issued by a qualified entity;

(2) a lease or certificate or other evidence of participation in the lessor's interest in and rights under a lease with a qualified entity;

(3) an obligation of a qualified entity under an agreement between the qualified entity and the bank; or

(4) an agreement executed by a qualified entity under ~~IC 21-1-5.~~ **IC 20-49-4.**

SECTION 10. IC 5-1.5-4-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) The bank may issue its bonds or notes in principal amounts that it considers necessary to provide funds for any purposes under this article, including:

(1) the purchase or acquisition of securities;

(2) the making of loans to or agreements with qualified entities

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through the purchase of securities;

(3) the payment, funding, or refunding of the principal of, or interest or redemption premiums on, bonds or notes issued by it whether the bonds or notes or interest to be paid, funded, or refunded have or have not become due; and

(4) the establishment or increase of reserves to secure or to pay bonds or notes or interest on bonds or notes and all other costs or expenses of the bank incident to and necessary or convenient to carry out its corporate purposes and powers.

(b) Except as otherwise provided in this article or by the board, every issue of bonds or notes shall be general obligations of the bank payable out of the revenues or funds of the bank, subject only to agreements with the holders of a particular series of bonds or notes pledging a particular revenue or fund. Bonds or notes may be additionally secured by a pledge of a grant or contributions from the United States, a qualified entity, or a person or a pledge of income or revenues, funds, or money of the bank from any source.

(c) Notwithstanding subsections (a) and (b), the total amount of bank bonds and notes outstanding at any one (1) time, except:

(1) bonds or notes issued to fund or refund bonds or notes; and

(2) bonds or notes issued for the purpose of purchasing an agreement executed by a qualified entity under ~~IC 21-1-5;~~ **IC 20-49-4;**

may not exceed one billion dollars ($1,000,000,000) for qualified entities described in IC 5-1.5-1-8(1) through IC 5-1.5-1-8(4) and IC 5-1.5-1-8(8) through IC 5-1.5-1-8(11).

(d) Notwithstanding subsections (a) and (b), the total amount of bank bonds and notes outstanding at any one (1) time, except bonds or notes issued to fund or refund bonds or notes, may not exceed two hundred million dollars ($200,000,000) for qualified entities described in IC 5-1.5-1-8(5) through IC 5-1.5-1-8(6).

(e) Notwithstanding subsections (a) and (b), the total amount of bank bonds and notes outstanding at any one (1) time, except bonds or notes issued to fund or refund bonds or notes, may not exceed thirty million dollars ($30,000,000) for qualified entities described in IC 5-1.5-1-8(7).

(f) The limitations contained in subsections (c), (d), and (e) do not apply to bonds, notes, or other obligations of the bank if:

(1) the bonds, notes, or other obligations are not secured by a reserve fund under IC 5-1.5-5; or

(2) funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts

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sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption.

SECTION 11. IC 5-2-10.1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 10. (a) A county may establish a county school safety commission.

(b) The members of the commission are as follows:

(1) The school safety specialist for each school corporation located in whole or in part in the county.

(2) The judge of the court having juvenile jurisdiction in the county or the judge's designee.

(3) The sheriff of the county or the sheriff's designee.

(4) The chief officer of every other law enforcement agency in the county, or the chief officer's designee.

(5) A representative of the juvenile probation system, appointed by the judge described under subdivision (2).

(6) Representatives of community agencies that work with children within the county.

(7) A representative of the Indiana state police district that serves the county.

(8) A representative of the Prosecuting Attorneys Council of Indiana who specializes in the prosecution of juveniles.

(9) Other appropriate individuals selected by the commission.

(c) If a commission is established, the school safety specialist of the school corporation having the largest ADM (as defined in ~~IC 21-3-1.6-1.1)~~ **IC 20-18-2-2)** in the county shall convene the initial meeting of the commission.

(d) The members shall annually elect a chairperson.

(e) A commission shall perform the following duties:

(1) Perform a cumulative analysis of school safety needs within the county.

(2) Coordinate and make recommendations for the following:

(A) Prevention of juvenile offenses and improving the reporting of juvenile offenses within the schools.

(B) Proposals for identifying and assessing children who are at high risk of becoming juvenile offenders.

(C) Methods to meet the educational needs of children who have been detained as juvenile offenders.

(D) Methods to improve communications among agencies that work with children.

(E) Methods to improve security and emergency preparedness.

(F) Additional equipment or personnel that are necessary to

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carry out safety plans.

(G) Any other topic the commission considers necessary to improve school safety within the school corporations within the commission's jurisdiction.

(3) Provide assistance to the school safety specialists on the commission in developing and requesting grants for safety plans.

(4) Provide assistance to the school safety specialists on the commission and the participating school corporations in developing and requesting grants for school safe haven programs under section 7 of this chapter.

(5) Assist each participating school corporation in carrying out the school corporation's safety plans.

(f) The affirmative votes of a majority of the voting members of the commission are required for the commission to take action on a measure.

SECTION 12. IC 5-10-0.5-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) The prohibitions of Article 11, Section 12 of the Constitution of the State of Indiana do not apply to:

(1) the public employees' retirement fund (IC 5-10.3);

(2) the Indiana state teachers' retirement fund ~~(IC 21-6.1),~~ **(IC 5-10.4);**

(3) the Indiana state police pre-1987 benefit system (IC 10-12-3);

(4) the Indiana state police 1987 benefit system (IC 10-12-4); or

(5) any other public employee retirement fund administered by the board of trustees of the Indiana public employees' retirement fund.

(b) Investments of the funds listed in subsection (a) are subject to the following limitations and regulations:

(1) Investments of the public employees' retirement fund and any other public employee retirement fund administered by the board of trustees of the Indiana public employees' retirement fund are subject to IC 5-10.3-5-3, including P.L.37-1996.

(2) Investments of the Indiana state teachers' retirement fund are subject to ~~IC 21-6.1-3-9, including P.L.37-1996.~~ **IC 5-10.4-3-10.**

(3) Investments of the Indiana state police benefit system are subject to IC 10-12-2-2.

SECTION 13. IC 5-10-1.7-1, AS AMENDED BY P.L.170-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) The retirement plans covered by this chapter are:

(1) The state excise police, gaming agent, and conservation

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officers' retirement plan, established under IC 5-10-5.5.

(2) The public employees' retirement fund, established under IC 5-10.3-2.

(3) The trust fund and pension trust of the department of state police, established under IC 10-12-2.

(4) The Indiana state teachers' retirement fund, established under ~~IC 21-6.1-2.~~ **IC 5-10.4-2.**

(5) The Indiana judges' retirement fund, established under IC 33-38-6.

(6) The police officers' and firefighters' pension and disability fund established under IC 36-8-8-4.

(b) As used in this chapter, "board" means the board of trustees of a retirement plan covered by this chapter.

SECTION 14. IC 5-10-8-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. The following definitions apply in this chapter:

(1) "Employee" means:

(A) an elected or appointed officer or official, or a full-time employee;

(B) if the individual is employed by a school corporation, a full-time or part-time employee;

(C) for a local unit public employer, a full-time or part-time employee or a person who provides personal services to the unit under contract during the contract period; or

(D) a senior judge appointed under IC 33-24-3-7;

whose services have continued without interruption at least thirty (30) days.

(2) "Group insurance" means any of the kinds of insurance fulfilling the definitions and requirements of group insurance contained in IC 27-1.

(3) "Insurance" means insurance upon or in relation to human life in all its forms, including life insurance, health insurance, disability insurance, accident insurance, hospitalization insurance, surgery insurance, medical insurance, and supplemental medical insurance.

(4) "Local unit" includes a city, town, county, township, public library, or school corporation.

(5) "New traditional plan" means a self-insurance program established under section 7(b) of this chapter to provide health care coverage.

(6) "Public employer" means the state or a local unit, including any board, commission, department, division, authority,

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institution, establishment, facility, or governmental unit under the supervision of either, having a payroll in relation to persons it immediately employs, even if it is not a separate taxing unit. With respect to the legislative branch of government, "public employer" or "employer" refers to the following:

(A) The president pro tempore of the senate, with respect to former members or employees of the senate.

(B) The speaker of the house, with respect to former members or employees of the house of representatives.

(C) The legislative council, with respect to former employees of the legislative services agency.

(7) "Public employer" does not include a state educational institution (as defined under IC 20-12-0.5-1).

(8) "Retired employee" means:

(A) in the case of a public employer that participates in the public employees' retirement fund, a former employee who qualifies for a benefit under IC 5-10.3-8 or IC 5-10.2-4;

(B) in the case of a public employer that participates in the teachers' retirement fund under ~~IC 21-6.1,~~ **IC 5-10.4,** a former employee who qualifies for a benefit under ~~IC 21-6.1-5,~~ **IC 5-10.4-5;** and

(C) in the case of any other public employer, a former employee who meets the requirements established by the public employer for participation in a group insurance plan for retired employees.

(9) "Retirement date" means the date that the employee has chosen to receive retirement benefits from the employees' retirement fund.

SECTION 15. IC 5-10-8-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3.1. (a) A public employer that contracts for a group insurance plan or establishes a self-insurance plan for its employees may withhold or cause to be withheld from participating employees' salaries or wages whatever part of the cost of the plan the employees are required to pay. The chief fiscal officer responsible for issuing paychecks or warrants to the employees shall make deductions from the individual employees' paychecks or warrants to pay the premiums for the insurance. Except as provided by section 7(d) of this chapter, the fiscal officer shall require written authorization from state employees, and may require written authorization from local employees, to make the deductions. One (1) authorization signed by an employee is sufficient authorization for the fiscal officer to continue to make deductions for this purpose

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until revoked in writing by the employee.

(b) A public employer that contracts for a group insurance plan or establishes a self-insurance plan for its retired employees may require that the retired employees pay any part of the cost of the plan that is not paid by the public employer. A retired employee may assign part or all of the retired employee's benefit payable under IC 5-10.3-8, ~~IC 21-6.1-5,~~ **IC 5-10.4-5,** or any other retirement program for this required payment.

SECTION 16. IC 5-10-8-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. (a) The state, excluding state educational institutions (as defined by IC 20-12-0.5-1), may not purchase or maintain a policy of group insurance, except:

(1) life insurance for the state's employees;

(2) long term care insurance under a long term care insurance policy (as defined in IC 27-8-12-5), for the state's employees; or

(3) an accident and sickness insurance policy (as defined in IC 27-8-5.6-1) that covers individuals to whom coverage is provided by a local unit under section 6.6 of this chapter.

(b) With the consent of the governor, the state personnel department may establish self-insurance programs to provide group insurance other than life or long term care insurance for state employees and retired state employees. The state personnel department may contract with a private agency, business firm, limited liability company, or corporation for administrative services. A commission may not be paid for the placement of the contract. The department may require, as part of a contract for administrative services, that the provider of the administrative services offer to an employee terminating state employment the option to purchase, without evidence of insurability, an individual policy of insurance.

(c) Notwithstanding subsection (a), with the consent of the governor, the state personnel department may contract for health services for state employees and individuals to whom coverage is provided by a local unit under section 6.6 of this chapter through one (1) or more prepaid health care delivery plans.

(d) The state personnel department shall adopt rules under IC 4-22-2 to establish long term and short term disability plans for state employees (except employees who hold elected offices (as defined by IC 3-5-2-17)). The plans adopted under this subsection may include any provisions the department considers necessary and proper and must:

(1) require participation in the plan by employees with six (6) months of continuous, full-time service;

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(2) require an employee to make a contribution to the plan in the form of a payroll deduction;

(3) require that an employee's benefits under the short term disability plan be subject to a thirty (30) day elimination period and that benefits under the long term plan be subject to a six (6) month elimination period;

(4) prohibit the termination of an employee who is eligible for benefits under the plan;

(5) provide, after a seven (7) day elimination period, eighty percent (80%) of base biweekly wages for an employee disabled by injuries resulting from tortious acts, as distinguished from passive negligence, that occur within the employee's scope of state employment;

(6) provide that an employee's benefits under the plan may be reduced, dollar for dollar, if the employee derives income from:

(A) Social Security;

(B) the public employees' retirement fund;

(C) the Indiana state teachers' retirement fund;

(D) pension disability;

(E) worker's compensation;

(F) benefits provided from another employer's group plan; or

(G) remuneration for employment entered into after the disability was incurred.

(The department of state revenue and the department of workforce development shall cooperate with the state personnel department to confirm that an employee has disclosed complete and accurate information necessary to administer subdivision (6).)

(7) provide that an employee will not receive benefits under the plan for a disability resulting from causes specified in the rules; and

(8) provide that, if an employee refuses to:

(A) accept work assignments appropriate to the employee's medical condition;

(B) submit information necessary for claim administration; or

(C) submit to examinations by designated physicians;

the employee forfeits benefits under the plan.

(e) This section does not affect insurance for retirees under IC 5-10.3 or ~~IC 21-6.1.~~ **IC 5-10.4.**

(f) The state may pay part of the cost of self-insurance or prepaid health care delivery plans for its employees.

(g) A state agency may not provide any insurance benefits to its employees that are not generally available to other state employees,

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unless specifically authorized by law.

(h) The state may pay a part of the cost of group medical and life coverage for its employees.

SECTION 17. IC 5-10.2-1-4.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4.5. As used in this article, "1996 account" refers to the 1996 account established within the Indiana state teachers' retirement fund under ~~IC 21-6.1-2-2.~~ **IC 5-10.4-2-2.**

SECTION 18. IC 5-10.2-1-5.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5.5. As used in this article, "pre-1996 account" refers to the pre-1996 account established within the Indiana state teachers' retirement fund under ~~IC 21-6.1-2-2.~~ **IC 5-10.4-2-2.**

SECTION 19. IC 5-10.2-1-6.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6.5. As used in this article, "school corporation" has the meaning set forth in ~~IC 21-6.1-1-7.~~ **IC 5-10.4-1-13.**

SECTION 20. IC 5-10.2-2-2.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2.5. (a) Each board may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary for all assets under its control, subject to the limitations and restrictions set forth in section 18 of this chapter, IC 5-10.3-5-3, and ~~IC 21-6.1-3-9.~~ **IC 5-10.4-3-10.**

(b) Each board may commingle or pool assets with the assets of any other persons or entities. This authority includes, but is not limited to, the power to invest in commingled or pooled funds, partnerships, or mortgage pools. In the event of any such investment, the board shall keep separate detailed records of the assets invested. Any decision to commingle or pool assets is subject to the limitations and restrictions set forth in IC 5-10.3-5-3 and ~~IC 21-6.1-3-9.~~ **IC 5-10.4-3-10.**

SECTION 21. IC 5-10.2-2-3, AS AMENDED BY P.L.62-2005, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) The annuity savings account consists of:

(1) the members' contributions; and

(2) the interest credits on these contributions in the guaranteed fund or the gain or loss in market value on these contributions in the alternative investment program, as specified in section 4 of this chapter.

Each member shall be credited individually with the amount of the member's contributions and interest credits.

(b) Each board shall maintain the annuity savings account program

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in effect on December 31, 1995 (referred to in this chapter as the guaranteed program). In addition, the board of the Indiana state teachers' retirement fund shall establish and maintain a guaranteed program within the 1996 account. Each board may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary of the annuity savings account, subject to the limitations and restrictions set forth in IC 5-10.3-5-3 and ~~IC 21-6.1-3-9.~~ **IC 5-10.4-3-10.**

(c) Each board shall establish alternative investment programs within the annuity savings account of the public employees' retirement fund, the pre-1996 account, and the 1996 account, based on the following requirements:

(1) Each board shall maintain at least one (1) alternative investment program that is an indexed stock fund and one (1) alternative investment program that is a bond fund.

(2) The programs should represent a variety of investment objectives under IC 5-10.3-5-3.

(3) No program may permit a member to withdraw money from the member's account except as provided in IC 5-10.2-3 and IC 5-10.2-4.

(4) All administrative costs of each alternative program shall be paid from the earnings on that program or as may be determined by the rules of each board.

(5) A valuation of each member's account must be completed as of:

(A) the last day of each quarter; or

(B) another time as each board may specify by rule.

(d) The board must prepare, at least annually, an analysis of the guaranteed program and each alternative investment program. This analysis must:

(1) include a description of the procedure for selecting an alternative investment program;

(2) be understandable by the majority of members; and

(3) include a description of prior investment performance.

(e) A member may direct the allocation of the amount credited to the member among the guaranteed fund and any available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection under rules established by each board. A board shall allow a member to make a selection or change any existing selection at least once each quarter.

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(2) The board shall implement the member's selection beginning the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the board or an alternate date established by the rules of each board. This date is the effective date of the member's selection.

(3) A member may select any combination of the guaranteed fund or any available alternative investment funds, in ten percent (10%) increments or smaller increments that may be established by the rules of each board.

(4) A member's selection remains in effect until a new selection is made.

(5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in accordance with the member's direction, based on:

(A) for an alternative investment program balance, the market value on the effective date; and

(B) for any guaranteed program balance, the account balance on the effective date.

All contributions to the member's account shall be allocated as of the last day of that quarter or at an alternate time established by the rules of each board in accordance with the member's most recent effective direction. The board shall not reallocate the member's account at any other time.

(f) When a member who participates in an alternative investment program transfers the amount credited to the member from one (1) alternative investment program to another alternative investment program or to the guaranteed program, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's selection or at an alternate time established by the rules of each board. When a member who participates in an alternative investment program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be the market value of the member's investment as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus contributions received after that date or at an alternate time established by the rules of each board.

(g) When a member who participates in the guaranteed program transfers the amount credited to the member to an alternative investment program, the amount credited to the member in the guaranteed program is computed without regard to market value and is

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based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the effective date of the transfer. However, each board may by rule provide for an alternate valuation date. When a member who participates in the guaranteed program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date plus interest since that date. However, each board may by rule provide for an alternate valuation date.

SECTION 22. IC 5-10.2-2-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 17. Fund records of individual members and membership information are confidential, except for the name and years of service of a fund member. However, this section does not prohibit a board from providing fund records to an association described in IC 5-10.3-8-10 or ~~IC 21-6.1-5-17.~~ **IC 5-10.4-5-14.**

SECTION 23. IC 5-10.2-3-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) Each member's creditable service, for the purpose of computing benefits under this article, consists of all service in a position covered by a retirement fund plus all other service for which the retirement fund law gives credit.

(b) No member may be required to pay any contributions for service before ~~he~~ **the member** is covered by this article as a condition precedent to receiving benefits under this article. However, ~~he~~ **the member** must furnish proof of the service to the board of the fund under which ~~he~~ **the member** claims service.

(c) A member who has past service as an employee of the state or a participating political subdivision in a position which was not covered by the retirement fund is entitled to credit for this service if the position becomes covered before January 1, 1985, by the Indiana state teachers' retirement fund, the public employees' retirement fund, or the retirement fund for the state board of accounts and if ~~he~~ **the member** submits proof of the service to the secretary of the fund in which ~~he~~ **the member** claims service.

(d) A member who has past service in a position that was not covered by the retirement fund is entitled to credit for this service if the position becomes covered after December 31, 1984, by a fund while ~~he~~ **the member** holds that position or another position with the same

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employer and if ~~he~~ **the member** submits proof of the service to the director of the fund in which ~~he~~ **the member** claims service.

(e) The proof required by this section must:

(1) be submitted in a form approved by the director;

(2) contain dates and nature of service and other information required by the director; and

(3) be certified by the governing body or its agent.

(f) A member who is a state employee is entitled to service credit for the time the member is receiving disability benefits under a disability plan established under IC 5-10-8-7.

(g) If a participant in the legislators' defined benefit plan does not become entitled to a benefit from that plan, the PERF board or the TRF board shall include the participant's service in the general assembly in the determination of eligibility for, and computation of, benefits under PERF or TRF at the time the participant would be eligible to receive benefits under PERF or TRF. After benefits commence under PERF or TRF with the general assembly service included, the participant's general assembly service may not be used for the computation of benefits under IC 2-3.5-4.

(h) A member may receive service credit for all or a part of the member's creditable service in another governmental retirement plan under IC 5-10.3-7-4.5 and ~~IC 21-6.1-4-4.5.~~ **IC 5-10.4-4-4.** A member may not receive credit for service for which the member receives service credit in another retirement plan maintained by a state, a political subdivision, or an instrumentality of the state for service that PERF or TRF would otherwise give credit.

(i) A member may use all or a part of the member's creditable service under PERF or TRF in another governmental retirement plan under the terms of the other plan. Creditable service used under the other governmental retirement plan may not be used in PERF or TRF.

SECTION 24. IC 5-10.2-4-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) Except as provided in subsection (f), in computing the retirement benefit for a nonteacher member, "average of the annual compensation" means the average annual compensation calculated using the twenty (20) calendar quarters of service in a position covered by the retirement fund before retirement in which the member's annual compensation was the highest. However, in order for a quarter to be included in the twenty (20) calendar quarters, the nonteacher member must have performed service throughout the calendar quarter. All twenty (20) calendar quarters do not have to be continuous but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may

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not be included in two (2) different groups.

(b) This subsection does not apply to a teacher member described in subsection (c). In computing the retirement benefit for a teacher member, "average of the annual compensation" means the average annual compensation for the five (5) years of service before retirement in which the member's annual compensation was highest. In order for a year to be included in the five (5) years, the teacher member must have received for the year credit under ~~IC 21-6.1-4-2~~ **IC 5-10.4-4-2** for at least one-half (1/2) year of service. The five (5) years do not have to be continuous.

(c) This subsection applies to a member of the Indiana state teachers' retirement fund who serves in an elected position for which the member takes an unpaid leave of absence. In computing the retirement benefit for a teacher member described in this subsection for years of service to which ~~IC 21-6.1-5-7.5~~ **IC 5-10.4-5-7** does not apply, "average of the annual compensation" means the annual compensation for the one (1) year of service before retirement in which the member's annual compensation was highest. In order for a year to be used, the teacher member must have received for the year credit under ~~IC 21-6.1-4-2~~ **IC 5-10.4-4-2** for at least one-half (1/2) year of service.

(d) Subject to IC 5-10.2-2-1.5, "annual compensation" means:

(1) the basic salary earned by and paid to the member plus the amount that would have been part of that salary but for:

(A) the state's, a school corporation's, a participating political subdivision's, or a state educational institution's (as defined in IC 20-12-0.5-1) paying the member's contribution to the fund for the member; or

(B) the member's salary reduction agreement established under Section 125, 403(b), or 457 of the Internal Revenue Code; and

(2) in the case of a member described in subsection (c) and for years of service to which ~~IC 21-6.1-5-7.5~~ **IC 5-10.4-5-7** does not apply, the basic salary that was not paid during the year but would have been paid to the member during the year under the member's employment contracts, if the member had not taken any unpaid leave of absence to serve in an elected position.

The portion of a back pay award or a similar award that the board determines is compensation under an agreement or under a judicial or an administrative proceeding shall be allocated by the board among the years the member earned or should have earned the compensation. Only that portion of the award allocated to the year the award is made is considered to have been earned during the year the award was made. Interest on an award is not considered annual compensation for any

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year.

(e) Compensation of ~~no~~ **not** more than two thousand dollars ($2,000) received from the employer in contemplation of the member's retirement, including severance pay, termination pay, retirement bonus, or commutation of unused sick leave or personal leave, may be included in the total annual compensation from which the average of the annual compensation is determined, if it is received:

(1) before the member ceases service; or

(2) within twelve (12) months after the member ceases service.

(f) This ~~section~~ **subsection** applies to a member of the general assembly:

(1) who is a participant in the legislators' retirement system established under IC 2-3.5;

(2) who is also a member of the public employees' retirement fund or the **Indiana** state teachers' retirement fund; and

(3) whose years of service in the general assembly may not be considered in determining the average of the annual compensation under this section, as provided in IC 2-3.5-1-2(b)(2) or IC 2-3.5-3-1(c).

The board shall use the board's actuarial salary increase assumption to project the salary for any previous year needed to determine the average of the annual compensation.

SECTION 25. IC 5-10.2-4-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. (a) Benefits provided under this section are subject to IC 5-10.2-2-1.5.

(b) A member who retires is entitled to receive monthly retirement benefits, which are guaranteed for five (5) years or until the member's death, whichever is later. A member may select in writing any of the following nonconflicting options for the payment of the member's retirement benefits instead of the five (5) year guaranteed retirement benefit payments. The amount of the optional payments shall be determined under rules of the board and shall be the actuarial equivalent of the benefit payable under sections 4, 5, and 6 of this chapter.

(1) Joint and Survivor Option.

(A) The member receives a decreased retirement benefit during the member's lifetime, and there is a benefit payable after the member's death to a designated beneficiary during the lifetime of the beneficiary, which benefit equals, at the option of the member, either the full decreased retirement benefit or two-thirds (2/3) or one-half (1/2) of that benefit.

(B) If the member dies before retirement, the designated

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beneficiary may receive only the amount credited to the member in the annuity savings account unless the designated beneficiary is entitled to survivor benefits under IC 5-10.2-3.

(C) If the designated beneficiary dies before the member retires, the selection is automatically canceled and the member may make a new beneficiary election and may elect a different form of benefit under this subsection.

(2) Benefit with No Guarantee. The member receives an increased lifetime retirement benefit without the five (5) year guarantee specified in this subsection.

(3) Integration with Social Security. If the member retires before the age of eligibility for Social Security benefits, in order to provide a level benefit during the member's retirement the member receives an increased retirement benefit until the age of Social Security eligibility and decreased retirement benefits after that age.

(4) Cash Refund Annuity. The member receives a lifetime annuity purchasable by the amount credited to the member in the annuity savings account, and the member's designated beneficiary receives a refund payment equal to:

(A) the total amount used in computing the annuity at the retirement date; minus

(B) the total annuity payments paid and due to the member before the member's death.

(c) If:

(1) the designated beneficiary dies while the member is receiving benefits; or

(2) the member is receiving benefits, the member marries, either for the first time or following the death of the member's spouse, after the member's first benefit payment is made, and the member's designated beneficiary is not the member's current spouse or the member has not designated a beneficiary;

the member may elect to change the member's designated beneficiary or form of benefit under subsection (b) and to receive an actuarially adjusted and recalculated benefit for the remainder of the member's life or for the remainder of the member's life and the life of the newly designated beneficiary. The member may not elect to change to a five (5) year guaranteed form of benefit. If the member's new election is the joint and survivor option, the member shall indicate whether the designated beneficiary's benefit shall equal, at the option of the member, either the member's full recalculated retirement benefit or two-thirds (2/3) or one-half (1/2) of this benefit. The cost of

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recalculating the benefit shall be borne by the member and shall be included in the actuarial adjustment.

(d) Except as provided in subsection (c), a member who files for regular or disability retirement may not change:

(1) the member's retirement option under subsection (b);

(2) the selection of a lump sum payment under section 2 of this chapter; or

(3) the beneficiary designated on the member's application for benefits if the member selects the joint and survivor option under subsection (b)(1);

after the first day of the month in which benefit payments are scheduled to begin. For purposes of this subsection, it is immaterial whether a benefit check has been sent, received, or negotiated.

(e) A member may direct that the member's retirement benefits be paid to a revocable trust that permits the member unrestricted access to the amounts held in the revocable trust. The member's direction is not an assignment or transfer of benefits under IC 5-10.3-8-10 or ~~IC 21-6.1-5-17.~~ **IC 5-10.4-5-14.**

SECTION 26. IC 5-10.2-5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. ~~Post-Retirement Increase; Cost of Living Increase.~~ (a) The monthly benefit (B) payable on and after July 1, 1977, to a member, or a survivor or beneficiary of a member, who retired or was disabled before July 2, 1972, shall be increased by an amount equal to the benefit payable (J) in June 1977 times one-half percent (1/2%) times the number of years (y) from the member's date of retirement or disability through June 1977.

Expressed mathematically: $B = (1 + .005_y)J$

This subsection does not apply to persons receiving disability benefits under ~~IC 21-6.1-5-2.~~ **IC 5-10.4-5-2.**

(b) As a cost of living increase, the retirement, disability, and survivor benefit payable on and after July 1, 1978, to a member, or a beneficiary or survivor of a member, who retired before July 2, 1977, shall be increased by three percent (3%). This subsection does not apply to benefits payable in a lump sum.

SECTION 27. IC 5-10.2-5-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 17. (a) The pension portion (plus postretirement increases to the pension portion), provided by employer contributions, of the monthly benefit payable after June 30, 1988, to a member, or a survivor or beneficiary of a member, who retired or was disabled:

(1) before July 2, 1970, shall be increased by three percent (3%);

(2) after July 1, 1970, and before July 2, 1976, shall be increased

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by two percent (2%); and

(3) after July 1, 1976, and before July 2, 1981, shall be increased by one percent (1%).

(b) In addition to the increase specified in subsection (a), the pension portion (plus postretirement increases to the pension portion), provided by employer contribution, of the monthly benefit payable after June 30, 1988, to a member, or a survivor or beneficiary of a member, who retired or was disabled before July 2, 1986, shall be increased by one percent (1%).

(c) The increases specified in this section:

(1) shall be based upon the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

(d) **This subsection does not apply to a person described in IC 5-10.4-6-7.** For the period beginning July 1, 1988, through June 30, 1989, the costs of the postretirement increases provided by this section for members of the **Indiana state** teachers' retirement fund shall be charged to the retired teacher annuity reserve. ~~and do not apply to persons covered by section 18 of this chapter.~~

SECTION 28. IC 5-10.4 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 10.4. STATE TEACHERS' RETIREMENT FUND

Chapter 1. General Provisions

Sec. 1. This article supplements IC 5-10.2 and may not be construed or administered to diminish or nullify the rights, privileges, and benefits conferred by IC 5-10.2, except for the granting and purchase of service credit under IC 21-6.1-4 (before its repeal) or IC 5-10.4-4.

Sec. 2. The definitions in this chapter apply throughout this article.

Sec. 3. "1996 account" refers to the 1996 account established within the fund under IC 5-10.4-2-2.

Sec. 4. "Americans with Disabilities Act" refers to the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) and any amendments and regulations related to the Act.

Sec. 5. "Board" refers to the board of trustees of the Indiana state teachers' retirement fund.

Sec. 6. "Director" refers to the chief administrative officer of the fund.

Sec. 7. "Fund" refers to the Indiana state teachers' retirement

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fund:

(1) established by; and

(2) operating under;

this article.

Sec. 8. "Governing body" means:

(1) a township trustee and the township board of a school township;

(2) a board of school commissioners;

(3) a metropolitan board of education;

(4) a board of trustees; or

(5) another board or commission;

charged by law with the responsibility of administering the affairs of a school corporation.

Sec. 9. "Member" means a person qualifying for membership in the fund under IC 5-10.4-4-1.

Sec. 10. "Member's contributions" includes contributions paid by the employer of a member for the member to the fund.

Sec. 11. "Military service" means service in the military, naval, or air service of the United States armed forces.

Sec. 12. "Pre-1996 account" refers to the pre-1996 account established within the fund under IC 5-10.4-2-2.

Sec. 13. "School corporation" means a public school corporation established by and under Indiana law. The term includes any:

(1) school city;

(2) school town;

(3) school township;

(4) consolidated school corporation;

(5) metropolitan school district;

(6) township school corporation;

(7) county school corporation;

(8) united school corporation; or

(9) community school corporation.

Sec. 14. "State superintendent" refers to the state superintendent of public instruction.

Sec. 15. "Transfer" includes the acts of selling and assigning.

Sec. 16. "Trustee" means a member of the board of the fund.

Chapter 2. Fund

Sec. 1. (a) The Indiana state teachers' retirement fund is established to be used to pay benefits to teachers and to supervisors of teachers in the public schools after specified years of service and under other specified circumstances.

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(b) The board is responsible for the control and management of the fund.

Sec. 2. (a) The board shall segregate the fund into the following accounts:

(1) The pre-1996 account.

(2) The 1996 account.

(b) The board shall segregate each of the accounts established under subsection (a) into the following subaccounts:

(1) The annuity savings account.

(2) The retirement allowance account.

(c) Except as provided in subsection (d), member contributions shall be credited to the annuity savings account within the pre-1996 account.

(d) Member contributions made after June 30, 1995, with respect to the following members shall be credited to the annuity savings account within the 1996 account:

(1) An individual who first became a member of the fund after June 30, 1995.

(2) A member who:

(A) before July 1, 1995, served in a position covered by the fund; and

(B) after June 30, 1995, and before July 1, 2005, was hired by another school corporation or institution covered by the fund or rehired by a prior employer.

(3) A member described in subdivision (2) who, after June 30, 2005, is hired by another school corporation or institution covered by the fund or rehired by a prior employer.

(e) Member contributions made to the pre-1996 account with respect to a member covered by subsection (d) shall be transferred to the annuity savings account within the 1996 account.

(f) Employer contributions made after June 30, 1995, with respect to members described in subsection (d) shall be credited to the retirement allowance account within the 1996 account. Employer contributions made after June 30, 1995, with respect to all other members shall be credited to the retirement allowance account within the pre-1996 account.

(g) The board shall administer these accounts and subaccounts as specified in IC 5-10.2-2.

Sec. 3. The board shall:

(1) prorate the expenses of administration of the fund and the bond of the director between the retirement allowance accounts; and

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(2) pay the prorated expenses from those accounts.

Sec. 4. (a) The general assembly shall appropriate an amount from the state general fund that is sufficient to cover the state's actuarial liability for each member covered by the pre-1996 account and for each state employee covered by the 1996 account. The board may reduce this liability by the amount of interest earned on the deposits in the fund. This liability is determined by the actuarial investigation required by IC 5-10.2-2-9.

(b) The actuarial investigation and the board shall include in the determination of the liability, contribution rate, and appropriation the amount necessary to fully fund any past and estimated future cost of living increases for members of the pre-1996 account and the 1996 account, amortized over thirty (30) years. The actuary shall consult with the budget agency in making this determination.

(c) The board shall:

(1) prepare its budget based on this investigation and for other specified expenditures; and

(2) submit the budget to the governor or to another officer or committee authorized by law to recommend the necessary appropriation.

(d) Each school corporation shall contribute to the 1996 account as specified in IC 5-10.4-7.

(e) If members receive compensation from federal funds, the board shall determine the employer's contribution, excluding administrative expenses, at the end of each fiscal year, to be paid from federal funds. The amount shall be determined by a method adopted by the board that results in an equitable sharing of the employer contribution by the federal government on account of members receiving compensation from federal funds.

Sec. 5. (a) The pension stabilization fund is established. The pension stabilization fund is a part of the pre-1996 account and shall be administered by the board in accordance with the powers and duties granted to the board by IC 5-10.4-3-6, IC 5-10.4-3-8, and IC 5-10.4-3-10 through IC 5-10.4-3-14.

(b) The following shall be deposited in the pension stabilization fund:

(1) Amounts allocated to the pension stabilization fund under IC 4-30-16-3.

(2) A part of the employer reserve balance as determined by the budget director so that the employer reserve is sufficient for the cash flow needs.

(3) Other amounts appropriated to the pension stabilization

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fund by the general assembly.

(c) Payments from the pension stabilization fund must equal the pre-1996 account liabilities for the current fiscal year minus the prior year's state general fund payments for the pre-1996 account multiplied by the pension stabilization percentage set forth in subsection (d).

(d) The pension stabilization percentage is one hundred six percent (106%). The budget agency, after review by the budget committee and with the approval of the governor, may change the pension stabilization percentage so that the present value of future payments from the fund equal the fund's balance plus the present value of future receipts to the fund, but the payments may not allow the fund balance to be negative.

(e) Money in the pension stabilization fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 6. (a) The board shall do the following:

(1) Credit interest to the members' annuity savings accounts in the guaranteed fund and actual earnings to the alternative investment programs.

(2) After complying with subdivision (1), distribute an amount up to the interest credit rate, not to exceed any remaining earnings, to the reserve accounts.

(3) After complying with subdivisions (1) and (2), distribute any remaining undistributed income reserve as of the end of each fiscal year on a pro rata basis, based on fiscal year beginning balances, to all reserve accounts in the pre-1996 account, including the pension stabilization fund, and in the 1996 account.

(b) Income may not be distributed under subsection (a)(2) or (a)(3) to the following:

(1) Members' annuity savings accounts in the guaranteed fund or the alternative investment program.

(2) The annuity reserve for benefits-in-force.

Chapter 3. Board

Sec. 1. (a) The board consists of six (6) trustees.

(b) Five (5) trustees shall be appointed by the governor. At least two (2) of the trustees appointed by the governor must be members of the fund. The governor shall make these appointments after June 30 and before July 16 of each year.

(c) The director of the budget agency or the director's designee is an ex officio voting member of the board. An individual appointed under this subsection to serve as the director of the

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budget agency's designee serves as a permanent designee until replaced by the director of the budget agency.

Sec. 2. A trustee shall serve a term of four (4) years, beginning on August 1 following appointment. Whenever a trustee is appointed to fill a vacancy caused by death or resignation, that trustee shall serve the unexpired term of the trustee's predecessor. A trustee shall serve until the trustee's successor is appointed and qualified.

Sec. 3. On or before the September monthly meeting, the board annually shall elect a president, vice president, and secretary from its members to serve as officers of the board. An officer shall serve a term of one (1) year or until the officer's successor is elected and qualified.

Sec. 4. (a) On the board's order:

(1) the trustees who are not state officers or employees shall receive the same per diem, mileage, and travel allowances paid to members of the general assembly serving on interim study committees established by the legislative council; and

(2) the trustees who are state officers or employees are entitled to reimbursement for necessary expenses actually incurred through service on the board.

These costs shall be paid from resources at the disposal of the fund.

(b) Special meetings may be conducted on the call of the president or on the written call for a special meeting signed by three (3) trustees.

(c) A majority of the board constitutes a quorum at any meeting for transacting business.

Sec. 5. (a) The governor shall appoint a director from the members. Subject only to the governor's approval, the board shall fix the salary of the director.

(b) The director:

(1) shall maintain a record of the board's proceedings;

(2) is responsible for the safekeeping of the books and records of the fund; and

(3) shall give bond as specified by the board.

Sec. 6. (a) A trustee shall give bond as specified periodically by the state board of finance.

(b) The board shall do all the following:

(1) Act on an application for benefits.

(2) Provide the necessary forms for administering the fund.

(3) Establish records and accounts, which:

(A) provide the necessary information for an actuary's

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examination; and
(B) are sanctioned by the state board of accounts.
(4) Maintain individual records for each member containing the member's:
(A) name;
(B) date of birth;
(C) age at beginning service;
(D) service record;
(E) address;
(F) contributions to the fund;
(G) amounts withdrawn; and
(H) benefits paid;
and other items considered necessary.
(5) Employ or contract with employees, auditors, technical experts, legal counsel, and other service providers as the board considers necessary to transact the business of the fund without the approval of any state officer, and fix the compensation of those persons.
(6) Make rules as required to administer the fund.
(7) Publish a summary of the fund's condition.
(8) Provide for a report for each member, at least annually before June 1, of the value of the amount credited to the member in the annuity savings account in each investment program under IC 5-10.2-2.
(9) Provide for the installation in the general office of a complete system of:
(A) books;
(B) accounts, including reserve accounts; and
(C) records;
to give effect to all the requirements of this article and to ensure the proper operation of the fund.
(10) Appoint an actuary.
(11) With the advice of the actuary, adopt actuarial tables and compile data needed for actuarial studies necessary for the fund's operation.
(12) Adopt a budget on a calendar year or fiscal year basis that is sufficient, as determined by the board, to perform the board's duties and, as appropriate and reasonable, draw upon fund assets to fund the budget.
(13) Expend money, including income from the fund's investments, for effectuating the fund's purposes.
(14) Establish personnel programs and policies for the

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employees of the board.

(15) Submit a report of the board's activities to the governor, the pension management oversight commission, and the budget committee before November 1 of each year. The report under this subdivision shall set forth a complete operating and financial statement covering the board's operations during the most recent fiscal year, including information on the following:

(A) Investment performance.

(B) Investment and administrative costs as a percentage of assets under management.

(C) Investment asset allocation strategy.

(D) Member services.

(E) Member communications.

(16) Establish a code of ethics or decide to be under the jurisdiction and rules adopted by the state ethics commission.

Sec. 7. The board shall annually analyze the fund's:

(1) income and expenditures;

(2) actuarial condition;

(3) reserve accounts;

(4) investments; and

(5) such other data as necessary to interpret the fund's condition and the board's administration of the fund;

for internal control purposes.

Sec. 8. (a) The board may do the following:

(1) Adopt and enforce rules regarding the fund's administration and the control and investment of the fund.

(2) Give bond for an employee for the fund's protection.

(3) Receive the state's share of the cost of the pension contribution from the federal government for a member on leave of absence in order to work in a federally supported educational project.

(4) Sue and be sued as the board of trustees of the Indiana state teachers' retirement fund.

(5) Summon and examine witnesses when adjusting claims.

(6) When adjusting disability claims, require medical examinations by doctors approved or appointed by the board. Not more than two (2) examinations may be conducted in one (1) year.

(7) Conduct investigations to help determine the merit of a claim.

(8) Meet an emergency that may arise in the administration

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of the board's trust.

(9) Determine other matters regarding the board's trust that are not specified.

(10) Enter into agreements with an insurance company to provide life, hospitalization, surgical, medical, dental, vision, long term care, or supplemental Medicare insurance, using individual or group insurance policies for retired teachers, and deduct premium payments for the policies from the teachers' retirement benefits and remit the payments to the insurance companies when deduction is authorized by the respective retired teacher.

(11) Enter into agreements with one (1) or more insurance companies to provide annuities for retired teachers and upon a member's authorization transfer the amount credited to the member in the annuity savings account to the insurance companies.

(12) Exercise all powers necessary, convenient, or appropriate to carry out and effectuate the board's public and corporate purposes and to conduct the board's business.

(13) Establish and amend rules:

(A) for the administration and regulation of the fund and the board's affairs; and

(B) to effectuate the powers and purposes of the board;

without adopting a rule under IC 4-22-2.

(b) An agreement under subsection (a)(10) may be for a duration of three (3) years.

(c) This subsection does not apply to:

(1) an agreement under subsection (a)(10); or

(2) investments of the board.

A contract that the board enters into under section 10(b) of this chapter or any other provision may be for a term of not more than five (5) years, with the ability to renew.

(d) The board's powers and the fund's powers specified in this chapter shall be interpreted broadly to effectuate the purposes of this chapter and may not be construed as a limitation of powers.

Sec. 9. (a) The board is responsible for the fund's property. The board may take and hold any property given outright or on condition to the fund and shall perform the conditions accepted. Unless restricted by a condition, the board may transfer the property when necessary for the fund's benefit.

(b) The board shall receipt:

(1) property belonging to or coming into the fund and shall

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judiciously invest the property; and

(2) money coming into the fund and, except as specified in sections 13 and 14 of this chapter, shall deposit the money with the state treasurer in the manner required of other state funds by IC 5-13.

(c) The board shall make quarterly reports to the auditor of state as required by law for the transference of the fund to the auditor of state's books.

(d) The board shall direct the fund's disbursements on itemized vouchers to the auditor of state approved by the president of the board and the director or, in the absence or incapacity of both officers, by another trustee directed by order of the board. The auditor of state then shall issue a warrant on the treasurer of state.

Sec. 10. (a) The board shall invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The board also shall diversify investments in accordance with prudent investment standards, subject to the limitations and restrictions set forth in IC 5-10.2-2-18.

(b) The board may:

(1) make or have investigations made concerning investments; and

(2) contract for and employ investment counsel to advise and assist in the purchase and sale of securities.

(c) The board is not subject to IC 4-13, IC 4-13.6, or IC 5-16 when managing real property as an investment. A management agreement entered into by the board shall ensure that the management agent acts in a prudent manner regarding the purchase of goods and services. Contracts for the management of investment property shall be submitted to the governor, the attorney general, and the budget agency for approval. A contract for the management of real property as an investment:

(1) may not exceed a four (4) year term and must be based upon guidelines established by the board;

(2) may provide that the property manager may collect rent and make disbursements for routine operating expenses such as utilities, cleaning, maintenance, and minor tenant finish needs;

(3) shall establish, consistent with the board's duty under IC 30-4-3-3(c), guidelines for the prudent management of expenditures related to routine operation and capital

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improvements; and

(4) may provide specific guidelines for the board to:

(A) purchase new properties;

(B) contract for the construction or repair of properties; and

(C) lease or sell properties;

without individual transactions requiring the approval of the governor, the attorney general, the Indiana department of administration, and the budget agency. However, each individual contract involving the purchase or sale of real property is subject to review and approval by the attorney general at the specific request of the attorney general.

(d) Whenever the board takes bids in managing or selling real property, the board shall require a bid submitted by a trust (as defined in IC 30-4-1-1(a)) to identify all the following:

(1) Each beneficiary of the trust.

(2) Each settlor empowered to revoke or modify the trust.

Sec. 11. The board's transactions under section 10 of this chapter are subject to IC 5-10.2-2-1.5.

Sec. 12. Each security may be held in bearer form or registered in the name of:

(1) the fund;

(2) a nominee created by the board; or

(3) a nominee of a custodian bank or safekeeping bank, approved by the board.

Sec. 13. (a) The board may enter into a custodial agreement on terms the board considers in the best interest of the fund with a bank or trust company that is domiciled in the United States and approved by the Indiana department of financial institutions under IC 28-1-2-39 to:

(1) act in a fiduciary capacity; and

(2) manage custodial accounts;

in Indiana.

(b) The agreement described in subsection (a) may authorize the custodian to:

(1) hold the fund's securities and other investments in the name of the fund or a nominee, or in bearer form;

(2) collect the income and other receipts from the securities and other investments and deposit them subject to the instructions of the board or the board's representative;

(3) reinvest the receipts on the direction of the board or the board's representative;

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(4) maintain accounting records and prepare reports as may be required for use by the fund and the state board of accounts; and

(5) perform other services for the board that are appropriate and customary for the custodian.

(c) The custodian is responsible for all securities held in the name of its nominee for the fund.

Sec. 14. All income and other receipts from securities may be:

(1) collected by the custodian bank or safekeeping bank approved for that purpose by the board and deposited in the custodial account or a checking account of the board;

(2) reinvested from the custodial account or checking account when the board determines that the receipts may be safely invested; or

(3) withdrawn by the board for the immediate needs of the fund from the checking account or custodial account and then deposited with the treasurer of state, as required for other money coming into the fund.

Sec. 15. (a) Except as otherwise provided, a trustee or employee of the board may not have any direct interest in the income of an investment made by the board or may not receive any pay or emolument for services connected with any investment made by the board.

(b) The board may purchase a security or financial interest issued or owned by a:

(1) custodian bank or trust company; or

(2) subsidiary, parent corporation, or holding company of a custodian bank or trust company.

(c) A trustee or employee may not become an obligor for money loaned by or borrowed from the fund.

Sec. 16. A person who recklessly violates:

(1) IC 21-6.1-3-9 (repealed), IC 21-6.1-3-11 (repealed), IC 21-6.1-3-15 (repealed), or IC 21-6.1-3-18 (repealed), before July 1, 2006; or

(2) section 10, 12, 14, or 15 of this chapter, after June 30, 2006;

commits a Class A misdemeanor.

Chapter 4. Fund Membership; Employee Contributions; Creditable Service; Purchase of Service; Fund Withdrawal

Sec. 1. (a) The members of the fund include:

(1) legally qualified and regularly employed teachers in the public schools;

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(2) persons employed by a governing body, who were qualified before their election or appointment;

(3) legally qualified and regularly employed teachers at Ball State University, Indiana State University, University of Southern Indiana, and Vincennes University;

(4) legally qualified and regularly employed teachers in a state educational institution:

(A) that is supported wholly by public money; and

(B) whose teachers devote their entire time to teaching;

(5) legally qualified and regularly employed teachers in state benevolent, charitable, or correctional institutions;

(6) legally qualified and regularly employed teachers in an experimental school in a state university who teach elementary or high school students;

(7) as determined by the board, certain instructors serving in a university extension division not covered by a state retirement law;

(8) employees and officers of the department of education and of the fund who were qualified before their election or appointment;

(9) a person who:

(A) is employed as a nurse appointed under IC 20-34-3-6 by a school corporation located in a city having a population of more than ninety thousand (90,000) but less than one hundred five thousand (105,000); and

(B) participated in the fund before December 31, 1991, in the position described in clause (A); and

(10) persons who are employed by the fund.

(b) Teachers in any state institution who accept the benefits of a state supported retirement benefit system comparable to the fund's benefits may not come under the fund unless permitted by law or the rules of the board.

(c) The members of the fund do not include substitute teachers who have not obtained an associate degree or a baccalaureate degree.

Sec. 2. (a) Creditable service is determined under IC 5-10.2-3-1 and this chapter.

(b) A member, whether or not the member is employed under a contract, must serve at least:

(1) one hundred twenty (120) days in a year; or

(2) sixty (60) days in each of two (2) years;

to receive one (1) year of service credit in the fund.

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(c) Except as otherwise specified, a member may not be granted more than one (1) year of credit for service in a calendar year or fiscal year.

Sec. 3. (a) Except as provided in subsection (b), a member who served the public schools in a capacity that subsequently was designated by the state as a service for which a license is specified, is eligible to receive service credit for the total length of that service.

(b) A member whose service was recognized as creditable on March 11, 1953, may receive for prior uncredited years served in the same capacity service credit that is not more than the minimum number of years required for a retirement benefit.

(c) If a person presents a claim for prior service in the form established by the board, the board shall issue to the person a certificate of the amount of prior service allowed by the board.

(d) A member may waive the member's rights to prior service, only if the waiver is made at the time of transfer to the fund.

(e) A member shall retain all service credit earned under the law before July 1, 1975.

Sec. 4. (a) As used in this section, "out-of-state service" means service in any state in a comparable position that would be creditable service if performed in Indiana. The term includes comparable service performed:

(1) on a United States military installation;

(2) in a federal prison; or

(3) at an educational facility operated or supervised by the Bureau of Indian Affairs.

(b) In computing the service credit for a member who began teaching in Indiana before July 1, 1981, and who has served as a public school teacher out of state, the board may include the greater of:

(1) eight (8) years of out-of-state service rendered before July 1, 1981; or

(2) one (1) year of out-of-state service rendered before July 1, 1981, for every four (4) years of in-state service.

(c) In addition, a member may purchase out-of-state service credit that has not been claimed under subsection (b) subject to the limitations of subsections (d) and (e) if the member satisfies the following requirements:

(1) The member has at least one (1) year of creditable service in the fund.

(2) Before the member retires, the member makes

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contributions to the fund that meet the following requirements:

(A) The contributions are equal to the product of the following:

(i) For service credit purchased before January 1, 1994, the member's salary when the member first became a member of the fund. For service credit purchased after December 31, 1993, the member's salary at the time the member actually makes a contribution for the service credit.

(ii) For service credit purchased before January 1, 1994, normal cost, as determined by the actuary of the fund. For purposes of this section, "normal cost" means the value of the annual amount required to fund the prospective benefits promised an employee for the work the employee has performed. For service credit purchased after December 31, 1993, a percentage rate, as determined by the actuary of the fund, based on the age of the member at the time the member actually makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased.

(iii) The number of years of out-of-state service the member intends to purchase.

(B) The contributions are for any accrued interest, at a rate determined by the actuary for the fund, for the period from the member's initial membership in the fund to the date payment is made by the member.

(3) The member has received verification from the fund that the out-of-state service is, as of that date, valid.

(d) Out-of-state years that qualify a member for retirement in an out-of-state system or in a federal retirement system may not be granted under this section.

(e) After April 1, 1965, at least ten (10) years of in-state service is required before a member may claim any out-of-state service credits.

(f) A member who:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a monthly allowance; or

(2) receives a monthly allowance for the same service from another tax supported public employee retirement plan other

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than under the federal Social Security Act;

may withdraw the personal contributions made under the contributory plan plus accumulated interest after submitting a properly completed application for a refund to the fund.

(g) The following apply to the purchase of service credit under this section after July 1, 1998:

(1) The board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The board shall determine the length of the period during which the payments must be made.

(2) The board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

(h) Contributions received after July 1, 1993, for the purchase of service credit under this section must be applied against the unfunded accrued liability of the fund.

Sec. 5. (a) As used in this section, "private teaching service" means service in Indiana as a teacher in a private school, kindergarten through postsecondary, that would be creditable service if performed in an accredited public school in Indiana.

(b) A member may purchase private teaching service credit subject to the following:

(1) The member must have at least one (1) year of credited service in the fund.

(2) The member must have at least ten (10) years of in-state credited service before the member may claim the service credit.

(3) Before the member retires, the member must make contributions to the fund:

(A) that are equal to the product of:

(i) the member's salary at the time the member actually makes a contribution for the service credit;

(ii) a percentage rate, as determined by the actuary of the fund, based on the age of the member at the time the member makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and

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(iii) the number of years of private teaching service the member intends to purchase; and

(B) for any accrued interest, at a rate determined by the actuary of the fund, for the period from the member's initial membership in the fund to the date payment is made by the member.

(4) The fund must receive verification from the private school that the private teaching service occurred.

(c) Service for years of private teaching that qualify a member for retirement in an out-of-state system, a private retirement system, or a federal retirement system may not be granted under this section.

(d) A member who:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a monthly allowance; or

(2) receives a monthly allowance for the same service from another tax supported public employee retirement plan other than under the federal Social Security Act;

may withdraw the personal contributions made under the contributory plan plus accumulated interest after submitting to the fund a properly completed application for a refund.

(e) The following apply to the purchase of service credit under this section:

(1) The board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The board shall determine the length of the period during which the payments must be made.

(2) The board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

Sec. 6. (a) As used in this section, "substitute teaching service" means service in Indiana as a substitute teacher that is not covered under section 1(c) of this chapter but is served by a person who has other service that is covered under section 1(a) of this chapter.

(b) A member may purchase substitute teaching service if:

(1) the member has at least one (1) year of creditable service in the fund;

(2) before the member retires, the member makes

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contributions to the fund:

(A) that are equal to the product of:

(i) the member's salary at the time the member actually makes a contribution for the service credit;

(ii) a percentage rate, as determined by the actuary of the fund, based on the age of the member at the time the member makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and

(iii) the number of years of substitute teaching service the member intends to purchase; and

(B) for any accrued interest, at a rate determined by the actuary of the fund, for the period from the member's initial membership in the fund to the date payment is made by the member; and

(3) the fund receives verification from the school corporation that the substitute teaching service occurred.

(c) Service for years of substitute teaching that qualify a member for retirement in an out-of-state system or in a federal retirement system may not be granted under this section.

(d) A member who:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a monthly allowance; or

(2) receives a monthly allowance for the same service from another tax supported public employee retirement plan other than under the federal Social Security Act;

may withdraw the personal contributions made under the contributory plan plus accumulated interest after submitting to the fund a properly completed application for a refund.

(e) The following apply to the purchase of service credit under this section:

(1) The board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The board shall determine the length of the period during which the payments must be made.

(2) The board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of

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the service credit.

Sec. 7. (a) Except as provided in section 8 of this chapter, a member may be given credit for leaves of absence for study, professional improvement, and temporary disability if the leave credit does not exceed one-seventh (1/7) of the total years of service claimed for retirement (referred to as the one-seventh rule). A member granted a leave in these instances for exchange teaching and for other educational employment approved individually by the board is considered a teacher and is entitled to the benefits of the fund if for or during the leave the member pays into the fund the member's contributions. A leave for other educational employment is not subject to the one-seventh rule.

(b) In each case of a teacher requesting a leave of absence to work in a federally supported educational project, the board must determine that the project is educational in nature and serves state citizens who might otherwise be served by the public schools or public institutions of higher education. The board shall make this determination for a one (1) year period, which is later subject to review and reapproval.

(c) Subject to this chapter, leaves of absence specified in IC 20-28-10-1, IC 20-28-10-2, IC 20-28-10-3, or IC 20-28-10-4 and adoption leave of not more than one (1) year must be credited to retirement.

(d) Notwithstanding any law, this section must be administered in a manner consistent with the federal Family and Medical Leave Act of 1993 (29 U.S.C. 2601 et seq.). A member on a leave of absence that qualifies for the benefits and protections afforded by the Family and Medical Leave Act is entitled to receive credit for vesting and eligibility purposes to the extent required by the Family and Medical Leave Act but is not entitled to receive credit for service for benefit purposes unless the leave is described in subsection (a), (b), or (c).

Sec. 8. (a) This subsection applies to a member who retires before July 1, 1980. A member who had completed four (4) years of approved college teacher education before voluntary or involuntary induction into the military services is entitled to credit for that service as if the member had begun teaching before the induction. A member who serves in military service is considered a teacher and is entitled to the benefits of the fund if before or during the leave of absence the member pays into the fund the member's contributions. Time served by a member in military service for the duration of the hostilities or for the length of active

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service in the hostilities and the necessary demobilization time after the hostilities is not subject to the one-seventh rule set forth in section 7 of this chapter.

(b) This subsection applies to a member who retires after June 30, 1980. A member who completed four (4) years of approved college teacher education before voluntary or involuntary induction into military service is entitled to credit for the member's active military service as if the member had begun teaching before the induction. A member who serves in military service is considered a teacher and is entitled to the benefits of the fund if the following conditions are met:

(1) The member has an honorable discharge.

(2) Except as provided in subsection (e), the member returns to active teaching service not later than eighteen (18) months after the completion of active military service.

(3) The member has at least ten (10) years of in-state service credit.

The time served by a member in military service for the duration of the hostilities or for the length of active service in the hostilities and the necessary demobilization time after the hostilities is not subject to the one-seventh rule set forth in section 7 of this chapter. However, not more than six (6) years of military service credit may be granted under this subsection.

(c) This subsection applies to a member who retires after May 1, 1989. A member who had begun but had not completed four (4) years of approved college teacher education before voluntary or involuntary induction into the military services is entitled to service credit in an amount equal to the duration of the member's active military service if the following conditions are met:

(1) The member has an honorable discharge.

(2) Except as provided in subsection (e), the member returns to a four (4) year approved college teacher training program not later than eighteen (18) months after the completion of active military service and subsequently completes that program.

(3) The member has at least ten (10) years of in-state service credit.

The time served by a member in active military service for the length of active service in the hostilities and the necessary demobilization is not subject to the one-seventh rule set forth in section 7 of this chapter. However, not more than six (6) years of military service credit may be granted under this subsection.

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(d) This subsection applies to a member who retires after May 1, 1991, and who is employed at a state institution of higher education. A member who had begun but had not completed baccalaureate or post-baccalaureate education before voluntary or involuntary induction into military service is entitled to the member's active military service credit for the member's active military service in an amount equal to the duration of the member's military service if the following conditions are met:

(1) The member received an honorable discharge.

(2) Except as provided in subsection (e), the member returns to baccalaureate or post-baccalaureate education not later than eighteen (18) months after completion of active military service and subsequently completes that education.

(3) The member has at least ten (10) years of in-state service credit.

The time served by a member in active military service for the length of active service in the hostilities and the necessary demobilization is not subject to the one-seventh rule set forth in section 7 of this chapter. However, not more than six (6) years of military service credit may be granted under this subsection.

(e) The board shall extend the eighteen (18) month deadline contained in subsection (b)(2), (c)(2), or (d)(2) if the board determines that an illness, an injury, or a disability related to the member's military service prevented the member from returning to active teaching service or to a teacher education program not later than eighteen (18) months after the member's discharge from military service. However, the board may not extend the deadline beyond thirty (30) months after the member's discharge.

(f) If a member retires and the board subsequently determines that the member is entitled to additional service credit due to the extension of a deadline under subsection (e), the board shall recompute the member's benefit. However, the additional service credit may be used only in the computation of benefits to be paid after the date of the board's determination, and the member is not entitled to a recomputation of benefits received before the date of the board's determination.

(g) Notwithstanding any provision of this section, a member is entitled to military service credit and benefits in the amount and to the extent required by the federal Uniformed Services Employment and Reemployment Rights Act (38 U.S.C. 4301 et seq.), including all later amendments.

(h) Subject to this section, an active member may purchase not

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more than two (2) years of service credit for the member's service on active duty in the armed services if the member meets the following conditions:

(1) The member has at least one (1) year of credited service in the fund.

(2) The member serves on active duty in the armed services of the United States for at least six (6) months.

(3) The member receives an honorable discharge from the armed services.

(4) Before the member retires, the member makes contributions to the fund as follows:

(A) Contributions that are equal to the product of:

(i) the member's salary at the time the member actually makes a contribution for the service credit;

(ii) a rate, determined by the actuary of the fund, that is based on the age of the member at the time the member actually makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and

(iii) the number of years of service credit the member intends to purchase.

(B) Contributions for any accrued interest, at a rate determined by the actuary of the fund, for the period from the member's initial membership in the fund to the date payment is made by the member.

However, a member is entitled to purchase service credit under this subsection only to the extent that service credit is not granted for that time under another provision of this section. At least ten (10) years of service in Indiana is required before a member may receive a benefit based on service credits purchased under this section. A member who terminates employment before satisfying the eligibility requirements necessary to receive a monthly allowance or receives a monthly allowance for the same service from another tax supported public employee retirement plan other than under the federal Social Security Act may withdraw the purchase amount plus accumulated interest after submitting a properly completed application for a refund to the fund.

(i) The following apply to the purchase of service credit under subsection (h):

(1) The board may allow a member to make periodic payments of the contributions required for the purchase of

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the service credit. The board shall determine the length of the period during which the payments must be made.

(2) The board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

Sec. 9. The board shall determine the actuarial liability resulting from the years of service of the members in the fund and shall determine the state's share of the liability. The board shall distribute the payment of this liability over a period of years that will be equitable to the state and the fund.

Sec. 10. The director shall obtain a designation of beneficiary as soon as possible from each member.

Sec. 11. (a) Each member shall contribute to the fund three percent (3%) of the member's compensation as set forth in IC 5-10.2-3. However, the member's employer may pay the contribution on behalf of the member.

(b) If a member's employer elects to pay the members' contributions for its employees, the employer must initiate the payments as part of salary and fringe benefit adjustments provided to these employees.

Sec. 12. (a) The fund may accept cash rollover contributions from a member who is making payments for additional service credits under this chapter if the following conditions are met:

(1) The rollover contribution must represent:

(A) all or a part of the member's interest in a retirement plan of a former employer that is qualified under Section 401(a) of the Internal Revenue Code and that permits the interest to be transferred to the fund as a qualifying rollover contribution under the Internal Revenue Code;

(B) all or a part of the member's interest from an individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code;

(C) all or a part of the member's interest in:

(i) a qualified plan described in Section 403(a) of the Internal Revenue Code; or

(ii) an annuity contract or account described in Section 403(b) of the Internal Revenue Code; or

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(D) all or a part of the member's interest in an eligible plan that is maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457(b) of the Internal Revenue Code.

(2) The amount of the rollover contributions may not exceed the amount of payment required to purchase the service credits under this chapter.

(3) The rollover contributions may contain only tax deferred contributions and earnings on the contributions and may not include any posttax contributions.

(4) The member must be otherwise eligible to purchase the service credit under this chapter.

(b) To the extent permitted by the Internal Revenue Code and the applicable regulations, the fund may accept, on behalf of a member who is purchasing permissive service credit under this chapter, a trustee to trustee transfer from:

(1) an annuity contract or account described in Section 403(b) of the Internal Revenue Code; or

(2) an eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

(c) The fund, the board, and their respective members, officers, and employees do not have any responsibility or liability with respect to the federal and state income tax consequences of any transfer made to the fund under this section. The board may require, as a condition to the fund's acceptance of a rollover contribution:

(1) satisfactory evidence that the proposed transfer is a qualifying rollover contribution under the Internal Revenue Code; and

(2) reasonable releases or indemnifications from the member against any liabilities that may be connected with the transfer.

(d) Cash transferred to the fund as a rollover contribution shall be deposited in the retirement allowance account in the pre-1996 account or the 1996 account, whichever is appropriate.

(e) A member who terminates employment before satisfying the eligibility requirements necessary for a pension or disability benefit may withdraw the member's rollover contribution, plus accumulated interest, after submitting a properly completed application for a refund to the fund. However, the member must also apply for a refund of the member's entire annuity savings account under IC 5-10.2-3 to be eligible for a refund of the

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member's rollover amount.

(f) Except as provided in this section, the fund shall not accept any other rollover contributions from a member.

(g) The board shall administer this section in accordance with the rollover provisions of the Internal Revenue Code and any applicable regulations.

Sec. 13. A member who suspends membership is subject to the withdrawal provisions of IC 5-10.2-3.

Sec. 14. (a) After December 31, 1994, creditable service does not accrue under:

(1) this chapter;
(2) IC 5-10.2-3-1;
(3) IC 20-28-10-1;
(4) IC 20-28-10-2;
(5) IC 20-28-10-3; or
(6) any other law concerning the fund for leave for other educational employment;

unless the creditable service is directly related to a governmental unit under Section 414(d) of the Internal Revenue Code (as defined in IC 5-10.2-1-3.5).

(b) After June 30, 1995, for members receiving credit for leave for other educational employment under section 7 of this chapter or subsection (a), the board shall assess an actuarially determined employer share amount against the appropriate entity to be paid to the state general fund.

Chapter 5. Benefits

Sec. 1. (a) A member who becomes disabled after June 30, 1984, may receive a benefit under this section and sections 2 through 4 of this chapter. If the member qualifies for disability retirement under IC 5-10.2-4-6, the member may choose to receive a benefit under IC 5-10.2-4-6 instead of under this section and sections 2 through 4 of this chapter.

(b) A member who:

(1) is an active teacher;
(2) has earned at least five (5) service credits; and
(3) suffers a temporary or permanent disability that continues for at least six (6) months;

may receive a classroom disability benefit for as long as the disability exists.

(c) Except as provided in subsection (d), a teacher must apply not later than one (1) year after the date of the disability to receive a classroom disability benefit under this chapter.

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(d) The board may waive the requirement described in subsection (c) if the board finds extenuating circumstances that justifiably prevented the person from applying within the time required. The board shall adopt rules specifying the extenuating circumstances that must be shown before a waiver may be granted under this subsection.

Sec. 2. (a) The monthly classroom disability benefit paid under section 1 of this chapter is determined in STEP THREE of the following formula:

STEP ONE: Subtract five (5) from the total years of service credit earned by the member before the date of the member's disability.

STEP TWO: Multiply the remainder determined under STEP ONE by five dollars ($5).

STEP THREE: Add the STEP TWO result and one hundred twenty-five dollars ($125).

(b) A classroom disability benefit payment is charged against the retirement allowance account.

(c) Classroom disability benefits may not begin until ordered by the board after the member undergoes a medical examination by a physician selected by the board. If the medical examination conducted by a physician selected and paid by the board establishes to the board's satisfaction that the disability no longer exists, the member may not receive a classroom disability benefit.

(d) If a member on a classroom disability benefit refuses to submit at least annually to a medical examination by a physician selected by the board, the board shall discontinue the member's benefits until the member withdraws the refusal. If the refusal continues for at least one (1) year, the member may forfeit the right to receive classroom disability benefits.

(e) To the extent required by the federal Americans with Disabilities Act, the transcripts, reports, records, and other material compiled to determine the existence of a disability shall be:

(1) kept in separate medical files for each member; and

(2) treated as confidential medical records.

(f) This section shall be administered in a manner that is consistent with the federal Americans with Disabilities Act, to the extent required by the Act.

Sec. 3. (a) If a member dies while on a classroom disability benefit, the member's total classroom disability benefit payments are deducted from the funds that are paid to the member's estate

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or designated beneficiary.

(b) If a member stops receiving a classroom disability benefit, returns to teaching, and dies before retirement, the member's total classroom disability benefit payments are deducted from any death benefit payable to the member's estate or designated beneficiary.

Sec. 4. After reaching sixty-five (65) years of age or an earlier retirement date selected by the member, the member may request that the member's classroom disability benefit payments cease and the member's retirement benefits begin. A member's retirement benefits may not be reduced because the member received classroom disability benefits.

Sec. 5. The state or a school corporation may not enforce a mandatory retirement age against members employed in the public schools.

Sec. 6. A member is eligible for retirement benefits as specified in IC 5-10.2-4.

Sec. 7. (a) As used in this section, "member-legislator" means a member who has at least:

(1) twenty (20) years of service credit as a teacher; and

(2) ten (10) years of service in the general assembly.

(b) Notwithstanding IC 5-10.2-4-3 or IC 5-10.2-4-3.1, in computing the pension for a member-legislator, the average of the annual compensation is the sum of the salaries in any one (1) year for a member-legislator's:

(1) position covered by the fund; and

(2) service in the general assembly.

Sec. 8. (a) A member who:

(1) has ceased employment in the public schools; and

(2) is eligible for retirement benefits;

shall designate a retirement date as described in IC 5-10.2-4-1.

(b) A member who chooses to begin receiving retirement benefits at the time the member ceases employment is entitled to receive the proportionate amount of the member's monthly benefit for the month in which the cessation occurred.

(c) Annually the board may require a member to execute an affidavit stating the member's eligibility for a retirement benefit.

Sec. 9. (a) The fund shall make a member's first pension benefit payment not more than ninety (90) days after the date the member completes and files an application for retirement benefits.

(b) After the first pension benefit payment, a person entitled to benefits shall receive a retirement benefit payment by the tenth day of each month.

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Sec. 10. (a) If a benefit check issued by the fund is outstanding and unpaid for more than six (6) months after the date the check is issued, the benefit check is canceled.

(b) A benefit check canceled under subsection (a) may not be honored, cashed, or accepted for payment or deposit by an individual, a bank, a trust company, a savings association, or any other financial institution or person.

(c) The cancellation of a benefit check under this section does not discharge the fund's obligation to pay the benefit for which the canceled benefit check was issued.

Sec. 11. A member may have the member's retirement benefits paid under the options specified in IC 5-10.2-4-7.

Sec. 12. If a member dies before retirement, the member's benefits are paid as specified in IC 5-10.2-3-7.5, IC 5-10.2-3-7.6, and IC 5-10.2-3-8.

Sec. 13. (a) IC 5-10.2-4-8, IC 5-10.2-4-9, and IC 5-10.2-4-10 apply to the reemployment of a retired member.

(b) For a retired member who withdraws from retirement status, resumes teaching, and again retires, the board shall pay the member, after the member's second or subsequent retirement, a monthly retirement benefit at least equal to the highest amount the retired member has received as a retirement benefit.

Sec. 14. (a) The benefits payable from the fund are exempt from seizure or levy on attachment, supplemental process, and all other processes.

(b) A member's transfer of a benefit payment is void. However, a member may assign benefits for paying:

(1) premiums on a group, life, hospitalization, surgical, or medical insurance plan maintained in whole or in part by a state agency; and

(2) dues to any association that proves to the board's satisfaction that the association has as members at least twenty percent (20%) of the number of retired members of the fund.

Sec. 15. (a) The board may stop a member's benefit if the member does any of the following while receiving the benefit:

(1) Fails to report for a required examination, unless excused by the board.

(2) Disobeys the requirements of the board regarding the examination.

(3) Refuses to repay an overpayment of benefits.

(b) The board also may stop a member's benefit if the board has

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reasonable cause to believe that:

(1) the member has died; or

(2) in the case of a member receiving disability benefits under IC 5-10.2-4-6 or classroom disability benefits under section 1 of this chapter, the member is no longer disabled.

Sec. 16. The computation of benefits described in section 2 of this chapter applies to benefits payable on and after July 1, 1975, and includes benefits payable to members who retired or whose employment was terminated before that date. However, a member's benefits may not be reduced below the amount paid to the member before July 1, 1975. The benefits for a member who retired before January 1, 1956, shall be computed by multiplying fifteen dollars ($15) by the member's years of service and then actuarially adjusting the product obtained to take into account a member's early retirement and the retirement option selected by a member using the factors in effect on July 1, 1975.

Chapter 6. Restricted Benefits

Sec. 1. (a) In addition to any other benefit received from the fund, a person who, on July 1, 1967:

(1) received a retirement benefit from the fund; and

(2) did not receive a benefit under the federal Social Security Act;

shall receive thirty-five dollars ($35) per month.

(b) There is annually appropriated to the fund from money not otherwise appropriated in the state general fund an amount sufficient to pay the benefit described in subsection (a).

Sec. 2. (a) After July 9, 1949, a member receiving a retirement benefit under Acts 1915, c.182, or any statute amendatory of or supplemental to it enacted before January 1, 1949, is eligible, subject to Acts 1949, c.130, s.2(j), to receive a retirement benefit approximately equal to the state's proportionate share of a retirement benefit provided by Acts 1949, c.130 for up to thirty (30) years of service. These members shall make written application for these benefits to the board at any time. Applications must be based on the service record established in the office of the fund on April 1, 1949. This retirement benefit must begin on the tenth of the month following acknowledgment of the application.

(b) The board shall establish, with the advice of the fund's actuary, a simplified table for computing the increases under this section for the years of service. The board may provide by resolution for participation by the members receiving benefits under this section in the additional annuity fund.

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(c) Within a reasonable time, the board shall issue to each member of the fund a service certificate that includes the following:

(1) The member's name.

(2) The member's last known address.

(3) The member's account number.

(4) The law under which the member is participating in the fund.

(5) The contribution due from the member.

(6) A certification of the total years of creditable service that the member has as of a date fixed by the board.

(d) The service certificate described in subsection (c) is final and conclusive regarding service in the fund. However, a member may, not later than one (1) year from the issuance or notification of the certificate, request that the board modify the member's service certificate.

Sec. 3. (a) After July 9, 1951, a member receiving or entitled to receive a retirement benefit that accrued before July 11, 1951, under Acts 1915, c.182, or any statute amendatory of or supplemental to Acts 1915, c.182 enacted before January 1, 1951, is eligible to receive an increase in benefit. This benefit must be, when adjusted by the board to Acts 1951, c.142, s.2 (j), the equivalent of the retirement benefit for which the member would be eligible if the teacher had retired as a member of the fund under Acts 1951, c.142 with the beginning age, years of teaching and equivalent service, and payments made by the member at retirement.

(b) A member who has completed at least twenty (20) years of service is eligible to receive a retirement benefit from state sources of not less than four hundred twenty dollars ($420) a year.

(c) There is appropriated annually to the fund from the state general fund, in addition to other appropriations for the fund, an amount sufficient to pay the retirement benefits specified in this section.

Sec. 4. (a) Beginning July 1, 1965, a person who receives a retirement benefit shall receive from the fund an amount that when added to the person's pension benefit derived from state sources and the person's Social Security benefit earned as a teacher equals at least one hundred seventeen dollars and fifty cents ($117.50) per month for a person with thirty (30) years of creditable service. The amount of the benefit must be adjusted actuarially for more or fewer years of service.

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(b) There is annually appropriated to the fund from money not otherwise appropriated in the state general fund an amount sufficient to pay the benefits described in this section.

Sec. 5. (a) A retired member is entitled to a supplemental retirement benefit to be paid by the fund as long as the member meets the following conditions:

(1) The member currently receives an annuity, a pension, or other retirement benefit from the fund.

(2) The member is at least sixty-five (65) years of age.

(3) The amount of all annuities, pensions, and retirement benefits for which the member is eligible under the federal Social Security Act is less than two hundred dollars ($200) per month.

(b) The amount of the supplemental retirement benefit to which a qualifying retired member is entitled each month is the difference between two hundred dollars ($200) and the total of all annuities, pensions, and retirement benefits that the member is eligible to receive under the federal Social Security Act.

(c) A retired member who:

(1) is not eligible for an annuity, a pension, or a retirement benefit under the federal Social Security Act; and

(2) qualifies under subsection (a);

is entitled to a supplemental retirement benefit of two hundred dollars ($200) per month.

(d) The general assembly shall biennially appropriate to the fund from money not otherwise appropriated in the state general fund the amount necessary to satisfy this section.

Sec. 6. (a) In addition to the increase provided in IC 5-10.2-5-6, the monthly benefit payable after June 30, 1978, to a member, or a survivor or beneficiary of a member who retired or was disabled:

(1) before July 2, 1962, is increased by three percent (3%);

(2) after July 1, 1962, and before July 2, 1967, is increased by two percent (2%); and

(3) after July 1, 1967, and before July 2, 1972, is increased by one percent (1%).

(b) This section does not apply to benefits payable in a lump sum.

Sec. 7. The costs of postretirement increases for the following persons may not be charged against the retired teacher annuity reserve:

(1) A member of the fund who has received a lump sum payment under IC 5-10.2-4-2.

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(2) Survivors and beneficiaries of a member described in subdivision (1).

Sec. 8. (a) The pension portion (plus postretirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after December 31, 2002, to a member of the fund (or to a survivor or beneficiary of a member of the fund) who retired or was disabled:

(1) after July 1, 1995, and before July 2, 2000, shall be increased by one percent (1%);

(2) after July 1, 1977, and before July 2, 1995, shall be increased by two percent (2%); and

(3) before July 2, 1977, shall be increased by three percent (3%).

(b) The increases specified in this section:

(1) are based on the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

Sec. 9. (a) The pension portion (plus postretirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after December 31, 2003, to a member of the fund (or to a survivor or beneficiary of a member of the fund) who retired or was disabled:

(1) after July 1, 1996, and before July 2, 2001, shall be increased by one percent (1%);

(2) after July 1, 1978, and before July 2, 1996, shall be increased by two percent (2%); and

(3) before July 2, 1978, shall be increased by three percent (3%).

(b) The increases specified in this section:

(1) are based on the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

Sec. 10. (a) The pension portion (plus postretirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after December 31, 2004, to a member of the fund (or to a survivor or beneficiary of a member of the fund) who retired or was disabled:

(1) after July 1, 1996, and before July 2, 2002, shall be increased by one percent (1%);

(2) after July 1, 1978, and before July 2, 1996, shall be

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increased by two percent (2%); and

(3) before July 2, 1978, shall be increased by three percent (3%).

(b) The increases specified in this section:

(1) are based on the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

Chapter 7. School Corporation Reports and Administration

Sec. 1. (a) The administrative officers of a school corporation or other institution covered by the fund shall:

(1) notify each person to be employed in a teaching position that the person's obligations under this article are a condition of employment; and

(2) make the obligations a part of the teacher's contract.

(b) Except in cases where the contribution is made on behalf of the member, a teacher's contract shall be construed to require the deduction of contributions to meet the teachers' contractual obligations to the fund and the state.

Sec. 2. A teacher new to the service, when the teacher first signs a contract, shall complete a record form prescribed by the board. The completed form shall be forwarded to the board.

Sec. 3. (a) Unless the member's contribution is made on behalf of the member, the treasurer of a school corporation, the township trustee, or the appropriate officer of any other institution covered by the fund shall:

(1) deduct from each member's salary the member's contribution for the fund; and

(2) issue to each member, on behalf of the board, a statement for each contribution deducted.

(b) The statement described in subsection (a)(2) is evidence that the member has credit from the fund for payment of the stated contribution.

Sec. 4. (a) The treasurer of a school corporation, the township trustee, and the appropriate officer of any other institution covered by the fund is liable on the officer's official bond for failure to deduct, report, and pay the contributions to the board.

(b) The board, by an action in its name prosecuted by the attorney general, may recover the contributions.

Sec. 5. (a) Not later than October 1 of each year, the administrative and executive officers of a school corporation or other institution covered by the fund shall report to the board, on

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forms furnished by the board, the following information:

(1) The members of the fund employed by the school corporation or other institution.

(2) The hire or rehire date of each member listed in subdivision (1).

(3) The retirement account number of each member listed in subdivision (1).

(b) The officers described in subsection (a) shall report periodically during the year as to the members of the fund employed after the reporting date so that contributions and other information may be verified.

Sec. 6. (a) As used in this section, "net contributions" means the gross amount of a member's contributions minus any refund paid or due a teacher.

(b) Not later than January 15, April 15, July 15, and October 15 of each year, the treasurer of a school corporation, the township trustee, or the appropriate officer of any other institution covered by the fund shall make an employer report as provided in section 7 of this chapter, on a form furnished by the board, to the board accompanied by a warrant for payment of:

(1) the total net contributions to the fund made for or by the members in the preceding three (3) months; and

(2) the employer contributions as required by section 11 of this chapter.

(c) Amendatory reports to correct errors or omissions may be required and made.

Sec. 7. (a) Not later than January 15, April 15, July 15, and October 15 of each year, the treasurer of a school corporation, the township trustee, or the appropriate officer of any other institution covered by the fund shall make a report to the board on a form furnished by the board and within the time set by the board. Amendatory reports to correct errors or omissions may be required and made.

(b) The report required by subsection (a) must include:

(1) the name of each member employed in the preceding reporting period, except substitute teachers;

(2) the total salary and other compensation paid for personal services to each member in the reporting period;

(3) the sum of contributions made for or by each member;

(4) the sum of employer contributions made by the school corporation or other institution;

(5) the number of days each member received salary or other

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compensation for teaching services; and

(6) any other information that the board determines necessary for the effective management of the fund.

(c) As often as the board determines necessary, the board may review or cause to be reviewed the pertinent records of any public entity contributing to the fund under this article.

Sec. 8. If the treasurer of a school corporation, the township trustee, or the appropriate officer of any other institution covered by the fund fails to make the reports and payments as required in section 6 or 7 of this chapter, the following apply:

(1) The officer has an additional thirty (30) days to make the reports and payments without a penalty.

(2) If the reports and payments are not made within thirty (30) days after the deadlines required by section 6 or 7 of this chapter, the board may fine the school corporation, township, or institution that the officer serves one hundred dollars ($100) for each additional day that the reports and payments are late.

(3) If the officer is habitually late, as determined by the board, the school corporation, township, or institution that the officer serves is ineligible to receive any distribution of money from the state for school purposes until the reports and payments are received and approved by the board.

Sec. 9. Expenses of the state superintendent necessary in administering section 8 of this chapter must be paid from the funds of the board on a voucher approved by the director.

Sec. 10. The board shall maintain separate accounts within the 1996 account for each school corporation. Credits and charges to these accounts must be made as prescribed in IC 5-10.2-2.

Sec. 11. (a) Annually the board shall certify to each school corporation and each school corporation shall pay its employer contribution rate to the fund, computed as specified in IC 5-10.2-2 for the employer contribution for teachers covered by the 1996 account, including the school corporation's share of administration expenses for the 1996 account.

(b) The board shall determine the amount of unfunded accrued liability of the school corporations. The board shall determine the unfunded accrued liability by individual employers or by a group of employers. The school corporations shall pay the amount in a lump sum or amortize the amount over a period determined by the board.

(c) The payments by school corporations for the amounts

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described in subsections (a), (b), and (d) are allocated to the school corporations and not to the state.

(d) If a school corporation's account shows a deficit, the board may require the school corporation to make additional payments necessary to eliminate the deficit in addition to the employer contributions computed under subsections (a) and (b).

Sec. 12. (a) If a school corporation fails to make the payments required by this chapter, the amount payable may be:

(1) withheld by the auditor of state from money payable to the school corporation and transferred to the fund; or

(2) recovered in a suit in the circuit or superior court of the county in which the school corporation is located.

(b) The suit described in subsection (a)(2) shall be:

(1) an action by the state on the relation of the board; and

(2) prosecuted by the attorney general.

SECTION 29. IC 5-13-10-6 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 6. All interest accrued or accruing on the sinking fund or any other fund held by the state for the benefit of common schools is set apart for distribution as other revenues are distributed for the support of the common schools.**

SECTION 30. IC 5-16-6.5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. As used in this chapter, "public agency" includes the following:

(1) A political subdivision as defined in IC 36-1-2-13.

(2) A municipally owned utility.

(3) A lessor corporation leasing a school building to a school corporation under ~~IC 21-5-11~~ **IC 20-47-2** or ~~IC 21-5-12.~~ **IC 20-47-3.**

(4) A lessor corporation constructing a public facility to be leased to a political subdivision.

(5) A state agency.

(6) Any entity established by the general assembly as a body corporate and politic.

SECTION 31. IC 5-16-10-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. As used in this chapter, the following terms have the following meanings:

(1) "Affiliate" means a parent, descendant, spouse, spouse of a descendant, brother, sister, spouse of a brother or sister, employee, director, officer, partner, limited liability company manager or member, joint venturer, a corporation subject to common control with the architect, engineer or construction

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manager, a shareholder or corporation who controls the architect, engineer or construction manager, or a corporation controlled by the architect, engineer, or construction manager.

(2) "Architect" means the person registered under IC 25-4-1.

(3) "Construction manager" means a person designated as a construction manager by contract who provides professional management services, which contribute to the control of time and the cost and quality of a public construction project, and who performs those services concurrent with architectural and engineering services rendered during the design and construction phases of a construction project.

(4) "Engineer" means the person registered under IC 25-31-1.

(5) "Person" means a natural person, a partnership, a limited liability company, or a corporation.

(6) "Public construction project" means the construction, remodeling, rehabilitation, or repair of any building or other facility of a unit of local government, whether the building or facility is owned by the unit or leased by the unit with an option to purchase under IC 36-1-10 or any other law. However, "public construction project" does not mean highway or bridge construction.

(7) "Unit of local government" includes any county, city, town, township, and any other political subdivision, commission, or agency created under law. However, the term does not include a school corporation or lessor corporation qualifying under ~~IC 21-5-11~~ **IC 20-47-2** or ~~IC 21-5-12.~~ **IC 20-47-3.**

SECTION 32. IC 5-16-11.1-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. As used in this chapter, "public agency" includes a:

(1) political subdivision as defined in IC 36-1-2-13;

(2) municipally owned utility;

(3) lessor corporation leasing a school building to a school corporation under ~~IC 21-5-11~~ **IC 20-47-2** or ~~IC 21-5-12;~~ **IC 20-47-3;** or

(4) lessor corporation constructing a public facility to be leased to a political subdivision.

SECTION 33. IC 5-22-22-1, AS AMENDED BY P.L.184-2005, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) This chapter applies only to personal property owned by a governmental body.

(b) This chapter does not apply to dispositions of property described in any of the following:

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(1) IC 5-22-21-1(b).
(2) IC 36-1-11-5.5.

(c) This chapter does not apply to any of the following:

(1) The disposal of property under an urban homesteading program under IC 36-7-17.

(2) The lease of school buildings under ~~IC 21-5.~~ **IC 20-47.**

(3) The sale of land to a lessor in a lease-purchase contract under IC 36-1-10.

(4) The disposal of property by a redevelopment commission established under IC 36-7.

(5) The leasing of property by a board of aviation commissioners established under IC 8-22-2 or an airport authority established under IC 8-22-3.

(6) The disposal of a municipally owned utility under IC 8-1.5.

(7) The sale or lease of property by a unit (as defined in IC 36-1-2-23) to an Indiana nonprofit corporation organized for educational, literary, scientific, religious, or charitable purposes that is exempt from federal income taxation under Section 501 of the Internal Revenue Code or the sale or reletting of that property by the nonprofit corporation.

(8) The disposal of surplus property by a hospital established and operated under IC 16-22-1 through IC 16-22-5, IC 16-22-8, IC 16-23-1, or IC 16-24-1.

(9) The sale or lease of property acquired under IC 36-7-13 for industrial development.

(10) The sale, lease, or disposal of property by a local hospital authority under IC 5-1-4.

(11) The sale or other disposition of property by a county or municipality to finance housing under IC 5-20-2.

(12) The disposition of property by a soil and water conservation district under IC 14-32.

(13) The disposal of surplus property by the health and hospital corporation established and operated under IC 16-22-8.

(14) The disposal of personal property by a library board under IC 36-12-3-5(c).

(15) The sale or disposal of property by the historic preservation commission under IC 36-7-11.1.

(16) The disposal of an interest in property by a housing authority under IC 36-7-18.

(17) The disposal of property under IC 36-9-37-26.

(18) The disposal of property used for park purposes under IC 36-10-7-8.

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(19) The disposal of textbooks that will no longer be used by school corporations under IC 20-26-12.

(20) The disposal of residential structures or improvements by a municipal corporation without consideration to:

(A) a governmental body; or

(B) a nonprofit corporation that is organized to expand the supply or sustain the existing supply of good quality, affordable housing for residents of Indiana having low or moderate incomes.

(21) The disposal of historic property without consideration to a nonprofit corporation whose charter or articles of incorporation allows the corporation to take action for the preservation of historic property. As used in this subdivision, "historic property" means property that is:

(A) listed on the National Register of Historic Places; or

(B) eligible for listing on the National Register of Historic Places, as determined by the division of historic preservation and archeology of the department of natural resources.

(22) The disposal of real property without consideration to:

(A) a governmental body; or

(B) a nonprofit corporation that exists for the primary purpose of enhancing the environment;

when the property is to be used for compliance with a permit or an order issued by a federal or state regulatory agency to mitigate an adverse environmental impact.

(23) The disposal of property to a person under an agreement between the person and a governmental body under IC 5-23.

SECTION 34. IC 5-28-9-16, AS ADDED BY P.L.4-2005, SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 16. A qualified entity receiving a loan under this chapter may levy an annual tax on personal and real property located within the qualified entity's geographical limits for industrial development purposes, in addition to any other tax authorized by statute to be levied for such purposes, at a rate that will produce sufficient revenue to pay the annual installment and interest on a loan made under this chapter. The tax may be in addition to the maximum annual rates prescribed by IC 6-1.1-18, IC 6-1.1-18.5, ~~IC 6-1.1-19,~~ **IC 20-45-3,** and other statutes.

SECTION 35. IC 6-1.1-1-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) Except as provided in subsection (b), "assessed value" or "assessed valuation" means an amount equal to:

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(1) for assessment dates before March 1, 2001, thirty-three and one-third percent (33 1/3%) of the true tax value of property; and

(2) for assessment dates after February 28, 2001, the true tax value of property.

(b) For purposes of calculating a budget, rate, or levy under IC 6-1.1-17, IC 6-1.1-18, IC 6-1.1-18.5, ~~IC 6-1.1-19,~~ IC 6-1.1-20, ~~IC 21-2-11.5,~~ **IC 20-45-3, IC 20-46-4, IC 20-46-5,** and ~~IC 21-2-15,~~ **IC 20-46-6,** "assessed value" or "assessed valuation" does not include the assessed value of tangible property excluded and kept separately on a tax duplicate by a county auditor under IC 6-1.1-17-0.5.

SECTION 36. IC 6-1.1-10-38 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 38. This chapter does not contain all of the property tax exemption provisions. The property taxation exemption provisions include, but are not limited to, the following sections:

IC 4-20.5-14-3	IC 20-14-7-3
IC 4-20.5-19	IC 20-14-9-15
IC 5-1-4-26	IC 20-14-10-14
IC 6-1.1-10-5	~~IC 21-5-11-14~~ **IC 20-47-2-21**
IC 8-10-1-27	~~IC 21-5-12-10~~ **IC 20-47-3-15**
IC 8-23-7-31	IC 23-7-7-3
IC 8-15-2-12	IC 23-14-70-23
IC 8-21-9-31	IC 36-1-10-18
IC 10-18-2-22	IC 36-7-14-37
IC 10-18-1-36	IC 36-7-15.1-25
IC 10-18-3-12	IC 36-7-18-25
IC 10-18-4-21	IC 36-9-4-52
IC 10-18-7-9	IC 36-9-11-10
IC 14-33-20-27	IC 36-9-11.1-11
IC 15-1.5-6-4	IC 36-9-13-36
IC 16-22-6-34	IC 36-9-13-37
IC 20-12-6-11	IC 36-9-30-31
IC 20-12-7-5	IC 36-10-8-18
IC 20-12-8-5	IC 36-10-9-18

SECTION 37. IC 6-1.1-17-8, AS AMENDED BY P.L.228-2005, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) If the county board of tax adjustment determines that the maximum aggregate tax rate permitted within a political subdivision under IC 6-1.1-18 is inadequate, the county board shall, subject to the limitations prescribed in ~~IC 6-1.1-19-2,~~ **IC 20-45-4,** file its written recommendations in duplicate with the county auditor. The board shall include with its recommendations:

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(1) an analysis of the aggregate tax rate within the political subdivision;

(2) a recommended breakdown of the aggregate tax rate among the political subdivisions whose tax rates compose the aggregate tax rate within the political subdivision; and

(3) any other information ~~which~~ **that** the county board considers relevant to the matter.

(b) The county auditor shall forward one (1) copy of the county board's recommendations to the department of local government finance and shall retain the other copy in the county auditor's office. The department of local government finance shall, in the manner prescribed in section 16 of this chapter, review the budgets by fund, tax rates, and tax levies of the political subdivisions described in subsection (a)(2).

SECTION 38. IC 6-1.1-17-16, AS AMENDED BY P.L.228-2005, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 16. (a) Subject to the limitations and requirements prescribed in this section, the department of local government finance may revise, reduce, or increase a political subdivision's budget by fund, tax rate, or tax levy which the department reviews under section 8 or 10 of this chapter.

(b) Subject to the limitations and requirements prescribed in this section, the department of local government finance may review, revise, reduce, or increase the budget by fund, tax rate, or tax levy of any of the political subdivisions whose tax rates compose the aggregate tax rate within a political subdivision whose budget, tax rate, or tax levy is the subject of an appeal initiated under this chapter.

(c) Except as provided in subsections (j) and (k), before the department of local government finance reviews, revises, reduces, or increases a political subdivision's budget by fund, tax rate, or tax levy under this section, the department must hold a public hearing on the budget, tax rate, and tax levy. The department of local government finance shall hold the hearing in the county in which the political subdivision is located. The department of local government finance may consider the budgets by fund, tax rates, and tax levies of several political subdivisions at the same public hearing. At least five (5) days before the date fixed for a public hearing, the department of local government finance shall give notice of the time and place of the hearing and of the budgets by fund, levies, and tax rates to be considered at the hearing. The department of local government finance shall publish the notice in two (2) newspapers of general circulation published in the county. However, if only one (1) newspaper of general

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circulation is published in the county, the department of local government finance shall publish the notice in that newspaper.

(d) Except as provided in subsection (i), ~~IC 6-1.1-19,~~ **IC 20-45, IC 20-46,** or IC 6-1.1-18.5, the department of local government finance may not increase a political subdivision's budget by fund, tax rate, or tax levy to an amount which exceeds the amount originally fixed by the political subdivision. The department of local government finance shall give the political subdivision written notification specifying any revision, reduction, or increase the department proposes in a political subdivision's tax levy or tax rate. The political subdivision has one (1) week from the date the political subdivision receives the notice to provide a written response to the department of local government finance's Indianapolis office specifying how to make the required reductions in the amount budgeted by fund. The department of local government finance shall make reductions as specified in the political subdivision's response if the response is provided as required by this subsection and sufficiently specifies all necessary reductions. The department of local government finance may make a revision, a reduction, or an increase in a political subdivision's budget only by fund.

(e) The department of local government finance may not approve a levy for lease payments by a city, town, county, library, or school corporation if the lease payments are payable to a building corporation for use by the building corporation for debt service on bonds and if:

(1) no bonds of the building corporation are outstanding; or

(2) the building corporation has enough legally available funds on hand to redeem all outstanding bonds payable from the particular lease rental levy requested.

(f) The department of local government finance shall certify its action to:

(1) the county auditor;

(2) the political subdivision if the department acts pursuant to an appeal initiated by the political subdivision;

(3) the first ten (10) taxpayers whose names appear on a petition filed under section 13 of this chapter; and

(4) a taxpayer that owns property that represents at least ten percent (10%) of the taxable assessed valuation in the political subdivision.

(g) The following may petition for judicial review of the final determination of the department of local government finance under subsection (f):

(1) If the department acts under an appeal initiated by a political

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subdivision, the political subdivision.

(2) If the department acts under an appeal initiated by taxpayers under section 13 of this chapter, a taxpayer who signed the petition under that section.

(3) If the department acts under an appeal initiated by the county auditor under section 14 of this chapter, the county auditor.

(4) A taxpayer that owns property that represents at least ten percent (10%) of the taxable assessed valuation in the political subdivision.

The petition must be filed in the tax court not more than forty-five (45) days after the department certifies its action under subsection (f).

(h) The department of local government finance is expressly directed to complete the duties assigned to it under this section not later than February 15 of each year for taxes to be collected during that year.

(i) Subject to the provisions of all applicable statutes, the department of local government finance may increase a political subdivision's tax levy to an amount that exceeds the amount originally fixed by the political subdivision if the increase is:

(1) requested in writing by the officers of the political subdivision;

(2) either:

(A) based on information first obtained by the political subdivision after the public hearing under section 3 of this chapter; or

(B) results from an inadvertent mathematical error made in determining the levy; and

(3) published by the political subdivision according to a notice provided by the department.

(j) The department of local government finance shall annually review the budget by fund of each school corporation not later than April 1. The department of local government finance shall give the school corporation written notification specifying any revision, reduction, or increase the department proposes in the school corporation's budget by fund. A public hearing is not required in connection with this review of the budget.

(k) The department of local government finance may hold a hearing under subsection (c) only if the notice required in IC 6-1.1-17-12 is published at least ten (10) days before the date of the hearing.

SECTION 39. IC 6-1.1-17-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 17. Subject to the limitations contained in IC 6-1.1-19, ~~and~~ IC 6-1.1-18.5, **IC 20-45, and IC 20-46,** the department of local government finance may at any time

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increase the tax rate and tax levy of a political subdivision for the following reasons:

(1) To pay the principal or interest upon a funding, refunding, or judgment funding obligation of a political subdivision.

(2) To pay the interest or principal upon an outstanding obligation of the political subdivision.

(3) To pay a judgment rendered against the political subdivision.

(4) To pay lease rentals that have become an obligation of the political subdivision under ~~IC 21-5-11~~ **IC 20-47-2** or ~~IC 21-5-12.~~ **IC 20-47-3.**

SECTION 40. IC 6-1.1-17-19 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 19. If there is a conflict between the provisions of this chapter and the provisions of IC 6-1.1-19, ~~or~~ IC 6-1.1-18.5, **IC 20-45, or IC 20-46,** the provisions of ~~the latter two (2) chapters~~ **IC 6-1.1-19, IC 6-1.1-18.5, IC 20-45, and IC 20-46** control with respect to the adoption of, review of, and limitations on budgets, tax rates, and tax levies.

SECTION 41. IC 6-1.1-18-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) Except as provided in subsection (b), the sum of all tax rates for all political subdivisions imposed on tangible property within a political subdivision may not exceed:

(1) forty-one and sixty-seven hundredths cents ($0.4167) on each one hundred dollars ($100) of assessed valuation in territory outside the corporate limits of a city or town; or

(2) sixty-six and sixty-seven hundredths cents ($0.6667) on each one hundred dollars ($100) of assessed valuation in territory inside the corporate limits of a city or town.

(b) The proper officers of a political subdivision shall fix tax rates which are sufficient to provide funds for the purposes itemized in this subsection. The portion of a tax rate fixed by a political subdivision shall not be considered in computing the tax rate limits prescribed in subsection (a) if that portion is to be used for one (1) of the following purposes:

(1) To pay the principal or interest on a funding, refunding, or judgment funding obligation of the political subdivision.

(2) To pay the principal or interest on an outstanding obligation issued by the political subdivision if notice of the sale of the obligation was published before March 9, 1937.

(3) To pay the principal or interest upon:

(A) an obligation issued by the political subdivision to meet an emergency which results from a flood, fire, pestilence, war, or

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any other major disaster; or

(B) a note issued under IC 36-2-6-18, IC 36-3-4-22, IC 36-4-6-20, or IC 36-5-2-11 to enable a city, town, or county to acquire necessary equipment or facilities for municipal or county government.

(4) To pay the principal or interest upon an obligation issued in the manner provided in IC 6-1.1-20-3 (before its repeal) or IC 6-1.1-20-3.1 through IC 6-1.1-20-3.2.

(5) To pay a judgment rendered against the political subdivision.

(6) To meet the requirements of the family and children's fund for child services (as defined in IC 12-19-7-1).

(7) To meet the requirements of the county hospital care for the indigent fund.

(8) To meet the requirements of the children's psychiatric residential treatment services fund for children's psychiatric residential treatment services (as defined in IC 12-19-7.5-1).

(c) Except as otherwise provided in IC 6-1.1-19, ~~or~~ IC 6-1.1-18.5, **IC 20-45, or IC 20-46,** a county board of tax adjustment, a county auditor, or the department of local government finance may review the portion of a tax rate described in subsection (b) only to determine if it exceeds the portion actually needed to provide for one (1) of the purposes itemized in that subsection.

SECTION 42. IC 6-1.1-18-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 11. If there is a conflict between the provisions of this chapter and the provisions of IC 6-1.1-19, ~~or~~ IC 6-1.1-18.5, **IC 20-45, or IC 20-46,** the provisions of ~~the latter two (2) chapters~~ **IC 6-1.1-19, IC 6-1.1-18.5, IC 20-45, and IC 20-46** control with respect to the adoption of, review of, and limitations on budgets, tax rates, and tax levies.

SECTION 43. IC 6-1.1-18-12, AS AMENDED BY P.L.1-2005, SECTION 87, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 12. (a) For purposes of this section, "maximum rate" refers to the maximum:

(1) property tax rate or rates; or

(2) special benefits tax rate or rates;

referred to in the statutes listed in subsection (d).

(b) The maximum rate for taxes first due and payable after 2003 is the maximum rate that would have been determined under subsection (e) for taxes first due and payable in 2003 if subsection (e) had applied for taxes first due and payable in 2003.

(c) The maximum rate must be adjusted:

(1) each time an annual adjustment of the assessed value of real

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property takes effect under IC 6-1.1-4-4.5; and
(2) each time a general reassessment of real property takes effect under IC 6-1.1-4-4.

(d) The statutes to which subsection (a) refers are:
(1) IC 8-10-5-17;
(2) IC 8-22-3-11;
(3) IC 8-22-3-25;
(4) IC 12-29-1-1;
(5) IC 12-29-1-2;
(6) IC 12-29-1-3;
(7) IC 12-29-3-6;
(8) IC 13-21-3-12;
(9) IC 13-21-3-15;
(10) IC 14-27-6-30;
(11) IC 14-33-7-3;
(12) IC 14-33-21-5;
(13) IC 15-1-6-2;
(14) IC 15-1-8-1;
(15) IC 15-1-8-2;
(16) IC 16-20-2-18;
(17) IC 16-20-4-27;
(18) IC 16-20-7-2;
(19) IC 16-23-1-29;
(20) IC 16-23-3-6;
(21) IC 16-23-4-2;
(22) IC 16-23-5-6;
(23) IC 16-23-7-2;
(24) IC 16-23-8-2;
(25) IC 16-23-9-2;
(26) IC 16-41-15-5;
(27) IC 16-41-33-4;
~~(28) IC 20-26-8-4;~~
~~(29) IC 21-1-11-3;~~
~~(30) IC 21-2-17-2;~~
(28) IC 20-46-2-3;
(29) IC 20-49-2-10;
~~(31)~~ **(30)** IC 23-13-17-1;
~~(32)~~ **(31)** IC 23-14-66-2;
~~(33)~~ **(32)** IC 23-14-67-3;
~~(34)~~ **(33)** IC 36-7-13-4;
~~(35)~~ **(34)** IC 36-7-14-28;
~~(36)~~ **(35)** IC 36-7-15.1-16;

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~~(37)~~ **(36)** IC 36-8-19-8.5;
~~(43)~~ ~~(38)~~ **(37)** IC 36-9-6.1-2;
~~(44)~~ ~~(39)~~ **(38)** IC 36-9-17.5-4;
~~(45)~~ ~~(40)~~ **(39)** IC 36-9-27-73;
~~(46)~~ ~~(41)~~ **(40)** IC 36-9-29-31;
~~(47)~~ ~~(42)~~ **(41)** IC 36-9-29.1-15;
~~(48)~~ ~~(43)~~ **(42)** IC 36-10-6-2;
~~(49)~~ ~~(44)~~ **(43)** IC 36-10-7-7;
~~(50)~~ ~~(45)~~ **(44)** IC 36-10-7-8;
~~(51)~~ ~~(46)~~ **(45)** IC 36-10-7.5-19;
~~(47)~~ **(46)** IC 36-10-13-5;
~~(48)~~ **(47)** IC 36-10-13-7;
(48) IC 36-10-14-4;
(49) IC 36-12-7-7;
(50) IC 36-12-7-8;
(51) IC 36-12-12-10; and
(52) any statute enacted after December 31, 2003, that:
(A) establishes a maximum rate for any part of the:
(i) property taxes; or
(ii) special benefits taxes;
imposed by a political subdivision; and
(B) does not exempt the maximum rate from the adjustment under this section.

(e) The new maximum rate under a statute listed in subsection (d) is the tax rate determined under STEP SEVEN of the following STEPS:

STEP ONE: Determine the maximum rate for the political subdivision levying a property tax or special benefits tax under the statute for the year preceding the year in which the annual adjustment or general reassessment takes effect.

STEP TWO: Determine the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value (before the adjustment, if any, under IC 6-1.1-4-4.5) of the taxable property from the year preceding the year the annual adjustment or general reassessment takes effect to the year that the annual adjustment or general reassessment takes effect.

STEP THREE: Determine the three (3) calendar years that immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first take effect.

STEP FOUR: Compute separately, for each of the calendar years determined in STEP THREE, the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the

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assessed value (before the adjustment, if any, under IC 6-1.1-4-4.5) of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Determine the greater of the following:

(A) Zero (0).

(B) The result of the STEP TWO percentage minus the STEP FIVE percentage.

STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by the sum of one (1) plus the STEP SIX percentage increase.

(f) The department of local government finance shall compute the maximum rate allowed under subsection (e) and provide the rate to each political subdivision with authority to levy a tax under a statute listed in subsection (d).

SECTION 44. IC 6-1.1-18-13 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 13. (a) The maximum property tax rate levied under IC 20-46-6 by each school corporation for the school corporation's capital projects fund must be adjusted each time a general reassessment of property takes effect. The adjusted property tax rate becomes the new maximum property tax rate for the levy for property taxes first due and payable in each year:**

(1) after the general reassessment for which the adjustment was made takes effect; and

(2) before the next general reassessment takes effect.

(b) The new maximum rate under this section is the tax rate determined under STEP SEVEN of the following formula:

STEP ONE: Determine the maximum rate for the school corporation for the year preceding the year in which the general reassessment takes effect.

STEP TWO: Determine the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the year preceding the year the general reassessment takes effect to the year that the general reassessment is effective.

STEP THREE: Determine the three (3) calendar years that immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP FOUR: Compute separately, for each of the calendar years determined in STEP THREE, the actual percentage

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increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Determine the greater of the following:

(A) Zero (0).

(B) The result of the STEP TWO percentage minus the STEP FIVE percentage.

STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by the sum of one (1) plus the STEP SIX percentage increase.

(c) The department of local government finance shall compute the maximum rate allowed under subsection (b) and provide the rate to each school corporation.

SECTION 45. IC 6-1.1-18.5-9.9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9.9. (a) The department of local government finance shall adjust the maximum property tax rate levied under the statutes listed in section 9.8(a) of this chapter, ~~IC 6-1.1-19-10,~~ **IC 20-46-3-6,** or ~~IC 21-2-15-11~~ **IC 20-46-6-5** in each county for property taxes first due and payable in:

(1) 2004;

(2) the year the county first applies the deduction under IC 6-1.1-12-41, if the county first applies that deduction for property taxes first due and payable in 2005 or 2006; and

(3) 2007, if the county does not apply the deduction under IC 6-1.1-12-41 for any year.

(b) If the county does not apply the deduction under IC 6-1.1-12-41 for property taxes first due and payable in 2004, the department shall compute the adjustment under subsection (a)(1) to allow a levy for the fund for which the property tax rate is levied that equals the levy that would have applied for the fund if exemptions under IC 6-1.1-10-29(b)(2) did not apply for the 2003 assessment date.

(c) If the county applies the deduction under IC 6-1.1-12-41 for property taxes first due and payable in 2004, the department shall compute the adjustment under subsection (a)(1) to allow a levy for the fund for which the property tax rate is levied that equals the levy that would have applied for the fund if:

(1) exemptions under IC 6-1.1-10-29(b)(2); and

(2) deductions under IC 6-1.1-12-41;

did not apply for the 2003 assessment date.

(d) The department shall compute the adjustment under subsection

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(a)(2) to allow a levy for the fund for which the property tax rate is levied that equals the levy that would have applied for the fund if deductions under IC 6-1.1-12-41 did not apply for the assessment date of the year that immediately precedes the year for which the adjustment is made.

(e) The department shall compute the adjustment under subsection (a)(3) to allow a levy for the fund for which the property tax rate is levied that equals the levy that would have applied for the fund if deductions under IC 6-1.1-12-42 did not apply for the 2006 assessment date.

SECTION 46. IC 6-1.1-19-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. ~~As used in this~~ **The following definitions apply throughout this** chapter: ~~the following terms have the following meanings, unless the context clearly requires otherwise:~~

~~(a) "School year" means the period of time from July 1 of each year until June 30 of the following year.~~

~~(b) "ADA" means, as to any school corporation, the average number of pupils in daily attendance in the school corporation, determined in accordance with the rules and regulations established by the Indiana state board of education.~~

~~(c) "Current ADA" means the most recently determined ADA for the school corporation in question.~~

~~(d) With the exception provided for in section 6(b) of this chapter, "ADA ratio" means, as to any school corporation, the quotient resulting from a division of that school corporation's current ADA by that school corporation's ADA for the school year ending in 1973. However, in any case in which the quotient is less than one (1), the ADA ratio for the school corporation is one (1).~~

~~(e) "General fund" means the fund that the governing body of each school corporation is required to establish by IC 21-2-11-2.~~

~~(f) With the exceptions provided for in sections 4.4(a)(4), 4.5(c), 6(b), and 6(c) of this chapter, "base tax levy" means the total dollar amount of the ad valorem tax levy for its general fund that was levied by a school corporation for taxes collectible in 1973, assuming one hundred percent (100%) tax collection.~~

~~(g) "Excessive tax levy" means a school corporation's general fund ad valorem property tax levy for a calendar year which exceeds the maximum general fund ad valorem property tax levy permitted under section 1.5 of this chapter.~~

~~(h) "Normal tax levy" means the total dollar amount of any general fund ad valorem property tax levy that is made by a school corporation~~

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~~for a calendar year, and that is not an excessive tax levy.~~

(1) "Appeal" refers to an appeal taken to the department of local government finance by or in respect of a school corporation under any of the following:

(A) IC 6-1.1-17.

(B) This chapter.

(C) IC 20-45.

(D) IC 20-46.

~~(i)~~ **(2)** "Tax control board" means the school property tax control board established by section 4.1 of this chapter.

SECTION 47. IC 6-1.1-19-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. **(a)** When an appeal is taken to the department of local government finance, ~~under IC 6-1.1-17 or under this chapter by, or in respect of, any school corporation,~~ the department may exercise ~~those~~ **the** powers **described in IC 6-1.1-17** to revise, change, or increase the budget, tax levy, or tax rate of the appellant school corporation ~~that are defined in IC 6-1.1-17~~ subject to ~~the provisions of~~ this chapter, **IC 20-45, and IC 20-46.**

(b) The department of local government finance may not exercise any of ~~those~~ **the** powers **described in subsection (a)** until it receives, ~~in respect to~~ **regarding** the appellant school corporation's budget, tax levy, or tax rate, the recommendation of the tax control board.

SECTION 48. IC 6-1.1-19-4.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4.1. (a) To assist the department of local government finance in deciding the merits of any appeal filed ~~under IC 6-1.1-17 or under this chapter~~ with the department by, or in respect of, any school corporation, there is established the school property tax control board. ~~This~~

(b) The tax control board ~~shall consist~~ **consists** of five (5) voting members and two (2) ex officio nonvoting members. In addition, the school property tax control board may include not more than four (4) additional voting members who shall be appointed as follows:

(1) One (1) member ~~is to~~ **shall** be appointed by the president pro tempore of the senate and must be a business official of a school corporation who is not employed by a school corporation that is undergoing a construction project.

(2) One (1) member ~~is to~~ **shall** be appointed by the president pro tempore of the senate and must be an engineer **who is** knowledgeable in the construction of school buildings but who is:

(A) not actively employed by an engineering firm that is involved in a school building construction project; ~~or who is~~ **and**

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(B) not otherwise a party to a contract for engineering services for a school building construction project.

(3) One (1) member ~~is to~~ **shall** be appointed by the speaker of the house of representatives and must be an architect **who is** knowledgeable in the design of school buildings but who is:

(A) not actively employed by an architectural firm that is involved in a school building construction project; ~~or who is~~ **and**

(B) not otherwise a party to a contract for architectural services for a school building construction project.

(4) One (1) member ~~is to~~ **shall** be appointed by the speaker of the house of representatives and must be a financial adviser who is:

(A) not actively employed as a financial adviser to a school corporation that is involved in a school building construction project; or ~~who is~~

(B) not otherwise a party to a contract for financial advisory services for a school building construction project.

Of the mandatory five (5) voting members, one (1) shall be appointed by the state board of accounts, one (1) shall be appointed by the department of local government finance, and three (3) shall be appointed by the governor. The governor may seek the recommendation of the state superintendent of public instruction with regard to one (1) of the governor's appointments. Each of the remaining two (2) governor's appointees must be a citizen of Indiana who neither holds an elective or appointive office in the government of the state nor is regularly employed by the state. Each of the mandatory five (5) voting members and any additional voting members who may be appointed serves at the will of the appointing board or person.

(c) The speaker of the house of representatives shall appoint one (1) member of the house **of representatives** as one (1) of the ex officio nonvoting members of the tax control board. The president pro tempore of the senate shall appoint one (1) ~~senator~~ **member of the senate** as the other ex officio nonvoting member of the tax control board. Each of the ex officio nonvoting members of the tax control board ~~shall~~ serve at the will of the appointing officer.

(d) A vacancy in the membership of the tax control board shall be filled by the appointing authority who made the appointment to the seat that is vacated.

(e) ~~No member~~ **Members** of the tax control board ~~shall~~ **do not** receive compensation for services as ~~such a member,~~ **members,** except as provided in subsections ~~(g)~~ **(m)** and ~~(h).~~ **(n).**

(f) Each ~~of the members~~ **member** of the tax control board shall,

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before proceeding to the discharge of the member's duties as a member of the tax control board, subscribe and swear to a ~~writing~~ **written statement** declaring the member's intention to:

(1) support the Constitution of the United States and the Constitution of the State of Indiana; and ~~the member's intention to~~

(2) faithfully, honestly, and impartially discharge the member's duties as a member of the tax control board.

~~(b)~~ **(g)** The tax control board shall meet, as business ~~may require,~~ **requires,** in rooms provided by the department of local government finance. The department of local government finance shall provide the tax control board with such staff and secretarial assistance as the tax control board may reasonably require. ~~At each organizational meeting of~~ The tax control board ~~which~~ shall ~~be held annually,~~ **hold an annual organizational meeting at which** the ~~tax control~~ board shall elect one (1) of its members **as** chairman and another **as** secretary.

~~(c)~~ **(h)** The department of local government finance shall promptly deliver **the following** to the tax control board:

(1) Every appeal petition that is filed ~~under IC 6-1.1-17 or under this chapter~~ with the department by, or in respect of, any school corporation. ~~The department of local government finance shall also promptly deliver to the tax control board~~

(2) Any other materials related to the appeal petition ~~as~~ **that** the department ~~shall then or thereafter possess.~~ **possesses.**

(i) Upon receiving an appeal petition **from a school corporation** the tax control board shall ~~proceed~~ immediately ~~to~~ examine the petition and ~~to~~ consider the merits of the school corporation's appeal.

~~(d)~~ **(j)** The tax control board may conduct hearings on any appeal petition ~~that is~~ before the tax control board, and the tax control board may require any officer or member of the school corporation whose appeal petition is under consideration by the tax control board to appear before the tax control board, ~~or~~ to produce, before the tax control board, any books and records ~~that~~ the tax control board considers pertinent to the appeal, or both.

~~(e)~~ **(k)** If an officer or ~~a~~ member **of a school corporation** fails or refuses to:

(1) appear at a hearing of the tax control board after ~~having been given~~ **receiving** a written notice from the tax control board requiring the officer's or member's attendance; or ~~fails or refuses to~~

(2) produce for the tax control board's use the books and records that the tax control board has, by written notice, required the

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officer or member to produce;

the tax control board may file an affidavit in the circuit court ~~in which~~ **with** jurisdiction ~~of the person of~~ **over** the officer or member, ~~may be had,~~ setting forth the facts of the failure or refusal. Upon the filing of the affidavit, the circuit court shall promptly issue a summons, and the sheriff of the county ~~within~~ **in** which the circuit court ~~is sitting~~ **sits** shall serve the summons. The summons ~~shall~~ **must** command the officer or member to appear before the tax control board, to provide information to the tax control board, or to produce books and records for the tax control board's use, as the case may be. Disobedience of the summons is punishable as ~~a~~ contempt of the circuit court that issued the summons.

~~(f)~~ **(l)** All expenses incident to the filing of the affidavit and the issuance and service of the summons under this section shall be charged to the officer or member against whom the summons is issued, unless the circuit court finds that the action of the officer or member was taken in good faith and with reasonable cause. If the court finds that the officer or member acted in good faith and with reasonable cause or if an affidavit ~~has been~~ **is** filed without the issuance of a summons, the expenses shall **be:**

(1) ~~be~~ charged against the county in which the affidavit has been filed; and

(2) ~~be~~ allowed by the proper fiscal officers of that county.

~~(g)~~ **(m)** Each member of the tax control board who is not a state employee is entitled to receive both of the following:

(1) The minimum salary per diem provided by IC 4-10-11-2.1(b).

(2) Reimbursement for travel expenses and other expenses actually incurred in connection with the member's duties, as provided in the state travel policies and procedures established by the Indiana department of administration and approved by the budget agency.

~~(h)~~ **(n)** Each member of the tax control board who is a state employee is entitled to reimbursement for travel expenses and other expenses actually incurred in connection with the member's duties, as provided in the state travel policies and procedures established by the Indiana department of administration and approved by the budget agency.

SECTION 49. IC 6-1.1-19-5.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5.3. ~~(a) The tax control board may recommend to the department of local government finance a correction of mathematical errors in data that affect the determination of:~~

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~~(1) a school corporation's adjusted base levy;~~
~~(2) a school corporation's excessive tax levy; or~~
~~(3) a school corporation's normal tax levy.~~

~~(b)~~ The department of local government finance may correct mathematical errors in data for any school corporation.

SECTION 50. IC 6-1.1-19-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. (a) Any recommendation that is to be made by the tax control board to the department of local government finance ~~pursuant to any provision of this chapter shall~~ **under any law that applies to the appeal must** be made at ~~such a~~ **the** time ~~as is~~ prescribed in this chapter. ~~and,~~

(b) If ~~no~~ **a** time for ~~the~~ making ~~of such~~ a recommendation is **not** prescribed in this chapter, ~~then~~ the recommendation ~~shall~~ **must** be made at ~~such~~ a time ~~as will permit~~ **that permits** the department **of local government finance** to complete ~~those~~ **the** duties of the department that are ~~defined~~ **set forth** in IC 6-1.1-17 within the time allowed by law for the completion of ~~those~~ **the** duties or ~~such~~ **within the** additional time ~~as~~ **that** is reasonably necessary for the department **of local government finance** and the tax control board to complete the duties ~~provided by~~ **set forth in** this chapter.

(c) ~~No~~ **A** tax levy ~~shall be~~ **is not** invalid because of the failure of either the tax control board or the department of local government finance to complete its duties within the time or time limits provided by this chapter or any other law.

(d) Subject to ~~the provisions of~~ this chapter, the department of local government finance may:

(1) accept, reject, or accept in part and reject in part any recommendation of the tax control board that is made to ~~it~~ **the department of local government finance** under this chapter; and ~~may~~

(2) make any order that is consistent with ~~the provisions of~~ IC 6-1.1-17. ~~The department of local government finance may not approve or authorize an excessive tax levy except in accordance with the provisions of this chapter.~~

~~(b)~~ **(e)** A school corporation may petition for judicial review of the final determination of the department of local government finance under subsection ~~(a).~~ **(d).** The petition must be filed in the tax court not more than forty-five (45) days after the department enters its order under subsection ~~(a).~~ **(d).**

SECTION 51. IC 6-1.1-20-1.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1.1. As used in this chapter, "controlled project" means any project financed by bonds or

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a lease, except for the following:

(1) A project for which the political subdivision reasonably expects to pay:

(A) debt service; or

(B) lease rentals;

from funds other than property taxes that are exempt from the levy limitations of IC 6-1.1-18.5 or ~~IC 6-1.1-19.~~ **IC 20-45-3.** A project is not a controlled project even though the political subdivision has pledged to levy property taxes to pay the debt service or lease rentals if those other funds are insufficient.

(2) A project that will not cost the political subdivision more than two million dollars ($2,000,000).

(3) A project that is being refinanced for the purpose of providing gross or net present value savings to taxpayers.

(4) A project for which bonds were issued or leases were entered into before January 1, 1996, or where the state board of tax commissioners has approved the issuance of bonds or the execution of leases before January 1, 1996.

(5) A project that is required by a court order holding that a federal law mandates the project.

SECTION 52. IC 6-1.1-20-1.2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1.2. As used in this chapter, "debt service" means principal of and interest on bonds. The term includes the repayment of an advance from the common school fund under ~~IC 21-1-5-3.~~ **IC 20-49-4-8.**

SECTION 53. IC 6-1.1-20-1.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1.3. As used in this chapter, "lease" means a lease by a political subdivision of any controlled project with lease rentals payable from property taxes that are exempt from the levy limitations of IC 6-1.1-18.5 or ~~IC 6-1.1-19.~~ **IC 20-45-3.**

SECTION 54. IC 6-1.1-20-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3.1. A political subdivision may not impose property taxes to pay debt service or lease rentals without completing the following procedures:

(1) The proper officers of a political subdivision shall:

(A) publish notice in accordance with IC 5-3-1; and

(B) send notice by first class mail to any organization that delivers to the officers, before January 1 of that year, an annual written request for such notices;

of any meeting to consider adoption of a resolution or an ordinance making a preliminary determination to issue bonds or

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enter into a lease and shall conduct a public hearing on a preliminary determination before adoption of the resolution or ordinance.

(2) When the proper officers of a political subdivision make a preliminary determination to issue bonds or enter into a lease, the officers shall give notice of the preliminary determination by:

(A) publication in accordance with IC 5-3-1; and

(B) first class mail to the organizations described in subdivision (1)(B).

(3) A notice under subdivision (2) of the preliminary determination of the political subdivision to issue bonds or enter into a lease must include the following information:

(A) The maximum term of the bonds or lease.

(B) The maximum principal amount of the bonds or the maximum lease rental for the lease.

(C) The estimated interest rates that will be paid and the total interest costs associated with the bonds or lease.

(D) The purpose of the bonds or lease.

(E) A statement that any owners of real property within the political subdivision who want to initiate a petition and remonstrance process against the proposed debt service or lease payments must file a petition that complies with subdivisions (4) and (5) not later than thirty (30) days after publication in accordance with IC 5-3-1.

(F) With respect to bonds issued or a lease entered into to open:

(i) a new school facility; or

(ii) an existing facility that has not been used for at least three (3) years and that is being reopened to provide additional classroom space;

the estimated costs the school corporation expects to incur annually to operate the facility.

(G) A statement of whether the school corporation expects to appeal ~~as described in IC 6-1.1-19-4.4(a)(4)~~ **for a new facility adjustment (as defined in IC 20-45-1-16)** for an increased ~~adjusted base~~ **maximum permissible tuition support** levy to pay the estimated costs described in clause (F).

(4) After notice is given, a petition requesting the application of a petition and remonstrance process may be filed by the lesser of:

(A) one hundred (100) owners of real property within the political subdivision; or

(B) five percent (5%) of the owners of real property within the

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political subdivision.

(5) The state board of accounts shall design and, upon request by the county auditor, deliver to the county auditor or the county auditor's designated printer the petition forms to be used solely in the petition process described in this section. The county auditor shall issue to an owner or owners of real property within the political subdivision the number of petition forms requested by the owner or owners. Each form must be accompanied by instructions detailing the requirements that:

(A) the carrier and signers must be owners of real property;

(B) the carrier must be a signatory on at least one (1) petition;

(C) after the signatures have been collected, the carrier must swear or affirm before a notary public that the carrier witnessed each signature; and

(D) govern the closing date for the petition period.

Persons requesting forms may not be required to identify themselves and may be allowed to pick up additional copies to distribute to other property owners.

(6) Each petition must be verified under oath by at least one (1) qualified petitioner in a manner prescribed by the state board of accounts before the petition is filed with the county auditor under subdivision (7).

(7) Each petition must be filed with the county auditor not more than thirty (30) days after publication under subdivision (2) of the notice of the preliminary determination.

(8) The county auditor must file a certificate and each petition with:

(A) the township trustee, if the political subdivision is a township, who shall present the petition or petitions to the township board; or

(B) the body that has the authority to authorize the issuance of the bonds or the execution of a lease, if the political subdivision is not a township;

within fifteen (15) business days of the filing of the petition requesting a petition and remonstrance process. The certificate must state the number of petitioners that are owners of real property within the political subdivision.

If a sufficient petition requesting a petition and remonstrance process is not filed by owners of real property as set forth in this section, the political subdivision may issue bonds or enter into a lease by following the provisions of law relating to the bonds to be issued or lease to be entered into.

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SECTION 55. IC 6-1.1-20-3.2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3.2. If a sufficient petition requesting the application of a petition and remonstrance process has been filed as set forth in section 3.1 of this chapter, a political subdivision may not impose property taxes to pay debt service or lease rentals without completing the following procedures:

(1) The proper officers of the political subdivision shall give notice of the applicability of the petition and remonstrance process by:

(A) publication in accordance with IC 5-3-1; and

(B) first class mail to the organizations described in section 3.1(1)(B) of this chapter.

A notice under this subdivision must include a statement that any owners of real property within the political subdivision who want to petition in favor of or remonstrate against the proposed debt service or lease payments must file petitions and remonstrances in compliance with subdivisions (2) through (4) not earlier than thirty (30) days or later than sixty (60) days after publication in accordance with IC 5-3-1.

(2) Not earlier than thirty (30) days or later than sixty (60) days after the notice under subdivision (1) is given:

(A) petitions (described in subdivision (3)) in favor of the bonds or lease; and

(B) remonstrances (described in subdivision (3)) against the bonds or lease;

may be filed by an owner or owners of real property within the political subdivision. Each signature on a petition must be dated and the date of signature may not be before the date on which the petition and remonstrance forms may be issued under subdivision (3). A petition described in clause (A) or a remonstrance described in clause (B) must be verified in compliance with subdivision (4) before the petition or remonstrance is filed with the county auditor under subdivision (4).

(3) The state board of accounts shall design and, upon request by the county auditor, deliver to the county auditor or the county auditor's designated printer the petition and remonstrance forms to be used solely in the petition and remonstrance process described in this section. The county auditor shall issue to an owner or owners of real property within the political subdivision the number of petition or remonstrance forms requested by the owner or owners. Each form must be accompanied by instructions detailing the requirements that:

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(A) the carrier and signers must be owners of real property;
(B) the carrier must be a signatory on at least one (1) petition;
(C) after the signatures have been collected, the carrier must swear or affirm before a notary public that the carrier witnessed each signature;
(D) govern the closing date for the petition and remonstrance period; and
(E) apply to the carrier under section 10 of this chapter.

Persons requesting forms may not be required to identify themselves and may be allowed to pick up additional copies to distribute to other property owners. The county auditor may not issue a petition or remonstrance form earlier than twenty-nine (29) days after the notice is given under subdivision (1). The county auditor shall certify the date of issuance on each petition or remonstrance form that is distributed under this subdivision.

(4) The petitions and remonstrances must be verified in the manner prescribed by the state board of accounts and filed with the county auditor within the sixty (60) day period described in subdivision (2) in the manner set forth in section 3.1 of this chapter relating to requests for a petition and remonstrance process.

(5) The county auditor must file a certificate and the petition or remonstrance with the body of the political subdivision charged with issuing bonds or entering into leases within fifteen (15) business days of the filing of a petition or remonstrance under subdivision (4), whichever applies, containing ten thousand (10,000) signatures or less. The county auditor may take an additional five (5) days to review and certify the petition or remonstrance for each additional five thousand (5,000) signatures up to a maximum of sixty (60) days. The certificate must state the number of petitioners and remonstrators that are owners of real property within the political subdivision.

(6) If a greater number of owners of real property within the political subdivision sign a remonstrance than the number that signed a petition, the bonds petitioned for may not be issued or the lease petitioned for may not be entered into. The proper officers of the political subdivision may not make a preliminary determination to issue bonds or enter into a lease for the controlled project defeated by the petition and remonstrance process under this section or any other controlled project that is not substantially different within one (1) year after the date of the county auditor's certificate under subdivision (5). Withdrawal of

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a petition carries the same consequences as a defeat of the petition.

(7) After a political subdivision has gone through the petition and remonstrance process set forth in this section, the political subdivision is not required to follow any other remonstrance or objection procedures under any other law (including section 5 of this chapter) relating to bonds or leases designed to protect owners of real property within the political subdivision from the imposition of property taxes to pay debt service or lease rentals. However, the political subdivision must still receive the approval of the department of local government finance required by:

(A) IC 6-1.1-18.5-8; or ~~IC 6-1.1-19-8.~~

(B) IC 20-46-7-8, IC 20-46-7-9, and IC 20-46-7-10.

SECTION 56. IC 6-1.1-20.6-9, AS ADDED BY P.L.246-2005, SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) The fiscal body of a county may adopt an ordinance to authorize the county fiscal officer to borrow money repayable over a term not to exceed five (5) years in an amount sufficient to compensate the political subdivisions located wholly or in part in the county for the reduction of property tax collections in a calendar year that results from the application of the credit under this chapter for that calendar year.

(b) The county fiscal officer shall distribute in a calendar year to each political subdivision located wholly or in part in the county loan proceeds under subsection (a) for that calendar year in the amount by which the property tax collections of the political subdivision in that calendar year are reduced as a result of the application of the credit under this chapter for that calendar year.

(c) If the county fiscal officer distributes money to political subdivisions under subsection (b), the political subdivisions that receive the distributions shall repay the loan under subsection (a) over the term of the loan. Each political subdivision that receives a distribution under subsection (b):

(1) shall:

(A) appropriate for each year in which the loan is to be repaid an amount sufficient to pay the part of the principal and interest on the loan attributable to the distribution received by the political subdivision under subsection (b); and

(B) raise property tax revenue in each year in which the loan is to be repaid in the amount necessary to meet the appropriation under clause (A); and

(2) other than the county, shall transfer to the county fiscal officer

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money dedicated under this section to repayment of the loan in time to allow the county to meet the loan repayment schedule.

(d) Property taxes imposed under subsection (c)(1)(B) are subject to levy limitations under IC 6-1.1-18.5 or ~~IC 6-1.1-19.~~ **IC 20-45-3.**

(e) The obligation to:

(1) repay; or

(2) contribute to the repayment of;

the loan under subsection (a) is not a basis for a political subdivision to obtain an excessive tax levy under IC 6-1.1-18.5 or ~~IC 6-1.1-19.~~ **IC 20-45-6.**

(f) The application of the credit under this chapter results in a reduction of the property tax collections of each political subdivision in which the credit is applied. A political subdivision may not increase its property tax levy to make up for that reduction.

SECTION 57. IC 6-1.1-21-2, AS AMENDED BY P.L.1-2005, SECTION 92, AND AS AMENDED BY P.L.246-2005, SECTION 64, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on property assessed under this article.

(b) "Taxes" means property taxes payable in respect to property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges which a county treasurer combines with all other taxes in the preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5 is to be filed on or before March 1 of each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract

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adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county) **(before its repeal);** minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 *(repealed)* were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6

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(repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 **(before its repeal) or IC 20-46-6** for a capital projects fund; plus

(ii) IC 6-1.1-19-10 **(before its repeal) or IC 20-46-3** for a racial balance fund; plus

(iii) ~~*IC 20-14-13*~~ *IC 36-12-12* for a library capital projects fund; plus

(iv) ~~*IC 20-5-17.5-3*~~ *IC 36-10-13-7* for an art association fund; plus

(v) IC 21-2-17 (**before its repeal) or IC 20-46-2** for a special education preschool fund; plus

(vi) IC 21-2-11.6 **(before its repeal) or IC 20-46-1** for a referendum tax levy fund; plus

(vii) an appeal filed under IC 6-1.1-19-5.1 **(before its repeal) or IC 20-45-6-8** for an increase in a school corporation's maximum permissible ~~general fund~~ **tuition support** levy for certain transfer tuition costs; plus

(viii) an appeal filed under IC 6-1.1-19-5.4 **(before its repeal) or IC 20-46-4-10** for an increase in a school corporation's maximum permissible ~~general~~ **transportation** fund levy for transportation operating costs; minus

(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under ~~IC 6-1.1-19~~ **IC 6-1.1-19-4.5 (before its repeal),** including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5 **(before its repeal), IC 20-45-3,** or any other law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE **(as effective January 1, 1990)** or IC 6-1.1-18.5-19(b) STEP THREE **(as effective January 1, 1990),** whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(4) **(as effective before January 1, 1989),** filed after December 31, 1982; or

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(ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory established under IC 36-8-19-1, the amount of property taxes levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

(i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 (repealed) that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN **(as effective January 1, 1995)** for property taxes payable in 1995, or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b) **(as effective before March 16, 2004) and IC 12-19-7-4 (as effective after March 15, 2004);** and

(ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 **(before its repeal)** that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN **(as effective January 1, 1995)** for property taxes payable in 1995, or the amount determined under IC 12-19-7-4(b) **(as effective before March 16, 2004) and IC 12-19-7-4 (as effective after March 15, 2004)** for property taxes payable in each year after 1995; plus

(2) all taxes to be paid in the county in respect to mobile home assessments currently assessed for the year in which the taxes stated in the abstract are to be paid; plus

(3) the amounts, if any, of county adjusted gross income taxes that were applied by the taxing units in the county as property tax replacement credits to reduce the individual levies of the taxing units for the assessment year, as provided in IC 6-3.5-1.1; plus

(4) the amounts, if any, by which the maximum permissible ad valorem property tax levies of the taxing units of the county were reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated assessment year; plus

(5) the difference between:

(A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR; minus

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(B) the amount the civil taxing units' levies were increased because of the reduction in the civil taxing units' base year certified shares under IC 6-1.1-18.5-3(e).

(h) "December settlement sheet" means the certificate of settlement filed by the county auditor with the auditor of state, as required under IC 6-1.1-27-3.

(i) "Tax duplicate" means the roll of property taxes ~~which~~ **that** each county auditor is required to prepare on or before March 1 of each year under IC 6-1.1-22-3.

(j) "Eligible property tax replacement amount" is, *except as otherwise provided by law,* equal to the sum of the following:

(1) Sixty percent (60%) of the total county tax levy imposed by each school corporation in a county for its general fund for a stated assessment year.

(2) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year.

(3) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on tangible personal property, excluding business personal property, for an assessment year.

(k) "Business personal property" means tangible personal property (other than real property) that is being:

(1) held for sale in the ordinary course of a trade or business; or

(2) held, used, or consumed in connection with the production of income.

(l) "Taxpayer's property tax replacement credit amount" means, *except as otherwise provided by law,* the sum of the following:

(1) Sixty percent (60%) of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year.

(2) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on real property.

(3) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on tangible personal property other than business personal property.

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(m) "Tax liability" means tax liability as described in section 5 of this chapter.

(n) "General school operating levy" means the ad valorem property tax levy of a school corporation in a county for the school corporation's general fund.

(o) "Board" refers to the property tax replacement fund board established under section 10 of this chapter.

SECTION 58. IC 6-1.1-21-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 10. (a) There is established a property tax replacement fund board to consist of the commissioner of the department, the commissioner of the department of local government finance, the director of the budget agency, and two (2) ex officio nonvoting representatives of the general assembly of the state of Indiana. The speaker of the house of representatives shall appoint one (1) member of the house as one (1) of the ex officio nonvoting representatives, and the president pro tempore of the senate shall appoint one (1) senator as the other ex officio nonvoting representative, each to serve at the will of the appointing officer. The commissioner of the department shall be the chairman of the board, and the director of the budget agency shall be the secretary of the board.

(b) Except as provided in section 10.5 of this chapter, the schedule to be used in making distributions to county treasurers during the periods set forth in section 4(b) of this chapter is as follows:

January	0.00%
February	0.00%
March	16.70%
April	16.70%
May	0.00%
June	0.00%
July	16.60%
August	0.00%
September	16.70%
October	16.70%
November	16.60%
December	0.00%

The board may authorize the department to distribute the estimated distributions to counties earlier than what is required under section 4(b) of this chapter.

(c) The board is also authorized to transfer funds from the property tax replacement fund for the purpose of providing ~~financial aid~~ **state tuition support distributions** to school corporations as provided in ~~IC 21-3.~~ **IC 20-20-33 and IC 20-43.**

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SECTION 59. IC 6-1.1-21.5-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. (a) The board shall determine the terms of a loan made under this chapter. However, interest may not be charged on the loan, and the loan must be repaid not later than ten (10) years after the date on which the loan was made.

(b) The loan shall be repaid only from property tax revenues of the qualified taxing unit that are subject to the levy limitations imposed by IC 6-1.1-18.5 or ~~IC 6-1.1-19.~~ **IC 20-45-3.** The payment of any installment of principal constitutes a first charge against such property tax revenues as collected by the qualified taxing unit during the calendar year the installment is due and payable.

(c) The obligation to repay the loan is not a basis for the qualified taxing unit to obtain an excessive tax levy under IC 6-1.1-18.5 or ~~IC 6-1.1-19.~~ **IC 20-45-6.**

(d) Whenever the board receives a payment on a loan made under this chapter, the board shall deposit the amount paid in the counter-cyclical revenue and economic stabilization fund.

(e) This section may not be construed to prevent the qualified taxing unit from repaying a loan made under this chapter before the date specified in subsection (a) if a taxpayer described in section 3 of this chapter resumes paying property taxes to the qualified taxing unit.

SECTION 60. IC 6-1.1-21.5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. (a) The receipt by the qualified taxing unit of the loan proceeds is not considered to be part of the ad valorem property tax levy actually collected by the qualified taxing unit for taxes first due and payable during a particular calendar year for the purpose of calculating the levy excess under IC 6-1.1-18.5-17 and ~~IC 6-1.1-19-1.7.~~ **IC 20-44-3.** The receipt by the qualified taxing unit of any payment of delinquent tax owed by a taxpayer in bankruptcy is considered to be part of the ad valorem property tax levy actually collected by the qualified taxing unit for taxes first due and payable during a particular calendar year for the purpose of calculating the levy excess under IC 6-1.1-18.5-17 and ~~IC 6-1.1-19-1.7.~~ **IC 20-44-3.**

(b) The loan proceeds and any payment of delinquent tax may be expended by the qualified taxing unit only to pay debts of the qualified taxing unit that have been incurred pursuant to duly adopted appropriations approved by the department of local government finance for operating expenses.

(c) In the event the sum of the receipts of the qualified taxing unit that are attributable to:

(1) the loan proceeds; and

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(2) the payment of property taxes owed by a taxpayer in a bankruptcy proceeding initially filed in 2000 and payable in 2001;

exceeds sixteen million dollars ($16,000,000), the excess as received during any calendar year or years shall be set aside and treated for the calendar year when received as a levy excess subject to IC 6-1.1-18.5-17 or ~~IC 6-1.1-19-1.7.~~ **IC 20-44-3.** In calculating the payment of property taxes as provided in subdivision (2), the amount of property tax credit finally allowed under IC 6-1.1-21-5 in respect to such taxes is ~~deemed to be~~ **considered** a payment of such property taxes.

(d) As used in this section, "delinquent tax" means any tax owed by a taxpayer in a bankruptcy proceeding initially filed in 2000 and that is not paid during the calendar year for which it was first due and payable.

SECTION 61. IC 6-1.1-21.7-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 14. Loan proceeds received under this chapter may not be considered to be a levy excess under IC 6-1.1-18.5-17 and ~~IC 6-1.1-19-1.7.~~ **IC 20-44-3.**

SECTION 62. IC 6-1.1-21.8-4, AS AMENDED BY P.L.246-2005, SECTION 66, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. (a) The board shall determine the terms of a loan made under this chapter. However, the interest charged on the loan may not exceed the percent of increase in the United States Department of Labor Consumer Price Index for Urban Wage Earners and Clerical Workers during the most recent twelve (12) month period for which data is available as of the date that the unit applies for a loan under this chapter. In the case of a qualified taxing unit that is not a school corporation or a public library (as defined in IC 36-12-1-5), a loan must be repaid not later than ten (10) years after the date on which the loan was made. In the case of a qualified taxing unit that is a school corporation or a public library (as defined in IC 36-12-1-5), a loan must be repaid not later than eleven (11) years after the date on which the loan was made. A school corporation or a public library (as defined in IC 36-12-1-5) is not required to begin making payments to repay a loan until after June 30, 2004. The total amount of all the loans made under this chapter may not exceed twenty-eight million dollars ($28,000,000). The board may disburse the proceeds of a loan in installments. However, not more than one-third (1/3) of the total amount to be loaned under this chapter may be disbursed at any particular time without the review of the budget committee and the approval of the budget agency.

(b) A loan made under this chapter shall be repaid only from:

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(1) property tax revenues of the qualified taxing unit that are subject to the levy limitations imposed by IC 6-1.1-18.5 or ~~IC 6-1.1-19,~~ **IC 20-45-3.**

(2) in the case of a school corporation, the school corporation's debt service fund; or

(3) any other source of revenues (other than property taxes) that is legally available to the qualified taxing unit.

The payment of any installment of principal constitutes a first charge against the property tax revenues described in subdivision (1) that are collected by the qualified taxing unit during the calendar year the installment is due and payable.

(c) The obligation to repay a loan made under this chapter is not a basis for the qualified taxing unit to obtain an excessive tax levy under IC 6-1.1-18.5 or ~~IC 6-1.1-19.~~ **IC 20-45-6.**

(d) Whenever the board receives a payment on a loan made under this chapter, the board shall deposit the amount paid in the counter-cyclical revenue and economic stabilization fund.

(e) This section does not prohibit a qualified taxing unit from repaying a loan made under this chapter before the date specified in subsection (a) if a taxpayer described in section 3 of this chapter resumes paying property taxes to the qualified taxing unit.

(f) Interest accrues on a loan made under this chapter until the date the board receives notice from the county auditor that the county has adopted at least one (1) of the following:

(1) The county adjusted gross income tax under IC 6-3.5-1.1.

(2) The county option income tax under IC 6-3.5-6.

(3) The county economic development income tax under IC 6-3.5-7.

Notwithstanding subsection (a), interest may not be charged on a loan made under this chapter if a tax described in this subsection is adopted before a qualified taxing unit applies for the loan.

SECTION 63. IC 6-1.1-21.8-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. The maximum amount that the board may loan to a qualified taxing unit is determined under STEP FOUR of the following formula:

STEP ONE: Determine the amount of the taxpayer's property taxes due and payable in November 2001 that are attributable to the qualified taxing unit as determined by the department of local government finance.

STEP TWO: Multiply the STEP ONE amount by one and thirty-one thousandths (1.031).

STEP THREE: Multiply the STEP TWO product by two (2).

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STEP FOUR: Add the STEP ONE amount to the STEP THREE product.

However, in the case of a qualified taxing unit that is a school corporation, the amount determined under STEP FOUR shall be reduced by the board to the extent that the school corporation receives relief in the form of adjustments to the school corporation's assessed valuation under ~~IC 21-3-1.6-1.1~~ **IC 20-45-4-7** or IC 6-1.1-17-0.5.

SECTION 64. IC 6-1.1-21.8-6, AS AMENDED BY P.L.4-2005, SECTION 42, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. (a) As used in this section, "delinquent tax" means any tax:

(1) owed by a taxpayer in a bankruptcy proceeding initially filed in 2001; and

(2) not paid during the calendar year in which it was first due and payable.

(b) Except as provided in subsection (d), the proceeds of a loan received by the qualified taxing unit under this chapter are not considered to be part of the ad valorem property tax levy actually collected by the qualified taxing unit for taxes first due and payable during a particular calendar year for the purpose of calculating the levy excess under IC 6-1.1-18.5-17 and ~~IC 6-1.1-19-1.7.~~ **IC 20-44-3.** The receipt by a qualified taxing unit of any payment of delinquent tax owed by a taxpayer in bankruptcy is considered to be part of the ad valorem property tax levy actually collected by the qualified taxing unit for taxes first due and payable during a particular calendar year for the purpose of calculating the levy excess under IC 6-1.1-18.5-17 and ~~IC 6-1.1-19-1.7.~~ **IC 20-44-3.**

(c) The proceeds of a loan made under this chapter must first be used to retire any outstanding loans made by the department of commerce (including any loans made by the department of commerce that are transferred to the Indiana economic development corporation) to cover a qualified taxing unit's revenue shortfall resulting from the taxpayer's default on property tax payments. Any remaining proceeds of a loan made under this chapter and any payment of delinquent taxes by the taxpayer may be expended by the qualified taxing unit only to pay obligations of the qualified taxing unit that have been incurred under appropriations for operating expenses made by the qualified taxing unit and approved by the department of local government finance.

(d) If the sum of the receipts of a qualified taxing unit that are attributable to:

(1) the loan proceeds; and

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(2) the payment of property taxes owed by a taxpayer in a bankruptcy proceeding and payable in November 2001, May 2002, or November 2002;

exceeds the sum of the taxpayer's property tax liability attributable to the qualified taxing unit for property taxes payable in November 2001, May 2002, and November 2002, the excess as received during any calendar year or years shall be set aside and treated for the calendar year when received as a levy excess subject to IC 6-1.1-18.5-17 or ~~IC 6-1.1-19-1.7.~~ **IC 20-44-3.** In calculating the payment of property taxes as referred to in subdivision (2), the amount of property tax credit finally allowed under IC 6-1.1-21-5 in respect to those taxes is considered to be a payment of those property taxes.

SECTION 65. IC 6-1.1-22-9.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9.5. (a) This section applies only to property taxes first due and payable in a year that begins after December 31, 2003:

(1) with respect to a homestead (as defined in IC 6-1.1-20.9-1); and

(2) that are not payable in one (1) installment under section 9(b) of this chapter.

(b) At any time before the mailing or transmission of tax statements for a year under section 8 of this chapter, a county may petition the department of local government finance to establish a schedule of installments for the payment of property taxes with respect to:

(1) real property that are based on the assessment of the property in the immediately preceding year; or

(2) a mobile home or manufactured home that is not assessed as real property that are based on the assessment of the property in the current year.

The county fiscal body (as defined in IC 36-1-2-6), the county auditor, and the county treasurer must approve a petition under this subsection.

(c) The department of local government finance:

(1) may not establish a date for:

(A) an installment payment that is earlier than May 10 of the year in which the tax statement is mailed or transmitted;

(B) the first installment payment that is later than November 10 of the year in which the tax statement is mailed or transmitted; or

(C) the last installment payment that is later than May 10 of the year immediately following the year in which the tax statement is mailed or transmitted; and

(2) shall:

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(A) prescribe the form of the petition under subsection (b);

(B) determine the information required on the form; and

(C) notify the county fiscal body, the county auditor, and the county treasurer of the department's determination on the petition not later than twenty (20) days after receiving the petition.

(d) Revenue from property taxes paid under this section in the year immediately following the year in which the tax statement is mailed or transmitted under section 8 of this chapter:

(1) is not considered in the determination of a levy excess under IC 6-1.1-18.5-17 or ~~IC 6-1.1-19-1.7~~ **IC 20-44-3** for the year in which the property taxes are paid; and

(2) may be:

(A) used to repay temporary loans entered into by a political subdivision for; and

(B) expended for any other reason by a political subdivision in the year the revenue is received under an appropriation from;

the year in which the tax statement is mailed or transmitted under section 8 of this chapter.

SECTION 66. IC 6-1.1-29-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) A county council may adopt an ordinance to abolish the county board of tax adjustment. This ordinance must be adopted by July 1 and may not be rescinded in the year it is adopted. Notwithstanding IC 6-1.1-17, IC 6-1.1-18, ~~IC 6-1.1-19,~~ **IC 20-45, IC 20-46,** IC 12-19-7, IC 12-19-7.5, ~~IC 21-2-14,~~ IC 36-8-6, IC 36-8-7, IC 36-8-7.5, IC 36-8-11, IC 36-9-3, IC 36-9-4, and IC 36-9-13, if such an ordinance is adopted, this section governs the treatment of tax rates, tax levies, and budgets that would otherwise be reviewed by a county board of tax adjustment under IC 6-1.1-17.

(b) The time requirements set forth in IC 6-1.1-17 govern all filings and notices.

(c) A tax rate, tax levy, or budget that otherwise would be reviewed by the county board of tax adjustment is considered and must be treated for all purposes as if the county board of tax adjustment approved the tax rate, tax levy, or budget. This includes the notice of tax rates that is required under IC 6-1.1-17-12.

SECTION 67. IC 6-2.5-5-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 23. Transactions involving tangible personal property are exempt from the state gross retail tax, if the person acquiring the property acquires it for incorporation into a school building which is being constructed by a lessor corporation in accordance with a lease executed under

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~~IC 21-5-11~~ **IC 20-47-2** or ~~IC 21-5-12.~~ **IC 20-47-3.**

SECTION 68. IC 6-3.5-1.1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 10. (a) Except as provided in subsection (b), one-half (1/2) of each adopting county's certified distribution for a calendar year shall be distributed from its account established under section 8 of this chapter to the appropriate county treasurer on May 1 and the other one-half (1/2) on November 1 of that calendar year.

(b) This subsection applies to a county having a population of more than one hundred forty-five thousand (145,000) but less than one hundred forty-eight thousand (148,000). Notwithstanding section 9 of this chapter, the initial certified distribution certified for a county under section 9 of this chapter shall be distributed to the county treasurer from the account established for the county under section 8 of this chapter according to the following schedule during the eighteen (18) month period beginning on July 1 of the year in which the county initially adopts an ordinance under section 2 of this chapter:

(1) One-fourth (1/4) on October 1 of the **calendar** year in which the ordinance was adopted.

(2) One-fourth (1/4) on January 1 of the calendar year following the year in which the ordinance was adopted.

(3) One-fourth (1/4) on May 1 of the calendar year following the year in which the ordinance was adopted.

(4) One-fourth (1/4) on November 1 of the calendar year following the year in which the ordinance was adopted.

Notwithstanding section 11 of this chapter, the part of the certified distribution received under subdivision (1) that would otherwise be allocated to a civil taxing unit or school corporation as property tax replacement credits under section 11 of this chapter shall be set aside and treated for the calendar year when received by the civil taxing unit or school corporation as a levy excess subject to IC 6-1.1-18.5-17 or ~~IC 6-1.1-19-1.7.~~ **IC 20-44-3.** Certified distributions made to the county treasurer for calendar years following the eighteen (18) month period described in this subsection shall be made as provided in subsection (a).

(c) Except for:

(1) revenue that must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter;

(2) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, or equipping facilities and buildings;

(B) debt service on bonds; or

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(C) lease rentals;

under section 2.8 of this chapter;

(3) revenue that must be used to pay the costs of construction, improvement, renovation, or remodeling of a jail and related buildings and parking structures under section 2.7, 2.9, or 3.3 of this chapter;

(4) revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; or

(5) revenue that must be used to pay the costs of constructing, acquiring, improving, renovating, or equipping a county courthouse under section 3.6 of this chapter;

distributions made to a county treasurer under subsections (a) and (b) shall be treated as though they were property taxes that were due and payable during that same calendar year. Except as provided by subsection (b), the certified distribution shall be distributed and used by the taxing units and school corporations as provided in sections 11 through 15 of this chapter.

(d) All distributions from an account established under section 8 of this chapter shall be made by warrants issued by the auditor of the state to the treasurer of the state ordering the appropriate payments.

SECTION 69. IC 6-3.5-1.1-14, AS AMENDED BY P.L.207-2005, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 14. (a) In determining the amount of property tax replacement credits civil taxing units and school corporations of a county are entitled to receive during a calendar year, the department of local government finance shall consider only property taxes imposed on tangible property that was assessed in that county.

(b) If a civil taxing unit or a school corporation is located in more than one (1) county and receives property tax replacement credits from one (1) or more of the counties, then the property tax replacement credits received from each county shall be used only to reduce the property tax rates that are imposed within the county that distributed the property tax replacement credits.

(c) A civil taxing unit shall treat any property tax replacement credits that it receives or is to receive during a particular calendar year as a part of its property tax levy for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

(d) Subject to subsection (e), if a civil taxing unit or school corporation of an adopting county does not impose a property tax levy that is first due and payable in a calendar year in which property tax

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replacement credits are being distributed, the civil taxing unit or school corporation is entitled to use the property tax replacement credits distributed to the civil taxing unit or school corporation for any purpose for which a property tax levy could be used.

(e) A school corporation shall treat any property tax replacement credits that the school corporation receives or is to receive during a particular calendar year as a part of its property tax levy for its general fund, debt service fund, capital projects fund, transportation fund, school bus replacement fund, and special education preschool fund in proportion to the levy for each of these funds for that same calendar year for purposes of fixing its budget and for purposes of the ~~property tax~~ **maximum permissible tuition support** levy limits imposed by ~~IC 6-1.1-19.~~ **IC 20-45-3.** A school corporation shall allocate the property tax replacement credits described in this subsection to all six (6) funds in proportion to the levy for each fund.

SECTION 70. IC 20-12-14-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. (a) Instruction in laboratory schools may be provided for pre-school pupils, kindergarten pupils, special education pupils, and for all or a portion of the twelve (12) common school grades.

(b) Agreements may be entered into with local school units and educational organizations for the assignment of pupils to such laboratory schools, the payment of transfer fees, and contributions to the cost of establishing and maintaining the laboratory schools.

(c) A laboratory school that:

(1) is operated by a university under this chapter without an agreement described in subsection (b); and

(2) has an ADM ~~(as defined in IC 21-3-1.6-1.1(d))~~ of not more than seven hundred fifty (750);

shall be treated as a charter school for purposes of local funding under ~~IC 6-1.1-19~~ **IC 20-45-3** and state funding under ~~IC 21-3.~~ **IC 20-20-33 and IC 20-43.**

(d) A pupil who attends a laboratory school full time may not be counted in ADM or ADA by any local school unit when his attendance is not regulated under an agreement.

SECTION 71. IC 20-17-2 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 2. Effect of Recodification by the Act of the 2006 Regular Session of the General Assembly

Sec. 1. As used in this chapter, "prior law" refers to the statutes concerning education finance, including provisions related to the

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Indiana state teachers' retirement fund and public school corporation property tax controls, that are repealed or amended in the recodification act of the 2006 regular session of the general assembly as the statutes existed before the effective date of the applicable or corresponding provision of the recodification act of the 2006 regular session of the general assembly.

Sec. 2. The purpose of the recodification act of the 2006 regular session of the general assembly is to recodify prior law in a style that is clear, concise, and easy to interpret and apply. Except to the extent that:

(1) the recodification act of the 2006 regular session of the general assembly is amended to reflect the changes made in a provision of another bill that adds to, amends, or repeals a provision in the recodification act of the 2006 regular session of the general assembly; or

(2) the minutes of meetings of the code revision commission during 2005 expressly indicate a different purpose;

the substantive operation and effect of the prior law continue uninterrupted as if the recodification act of the 2006 regular session of the general assembly had not been enacted.

Sec. 3. Subject to section 2 of this chapter, sections 4 through 9 of this chapter shall be applied to the statutory construction of the recodification act of the 2006 regular session of the general assembly.

Sec. 4. (a) The recodification act of the 2006 regular session of the general assembly does not affect:

(1) any rights or liabilities accrued;

(2) any penalties incurred;

(3) any violations committed;

(4) any proceedings begun;

(5) any bonds, notes, loans, or other forms of indebtedness issued, incurred, or made;

(6) any tax levies made or authorized;

(7) any funds established;

(8) any patents issued;

(9) the validity, continuation, or termination of any contracts, easements, or leases executed;

(10) the validity, continuation, scope, termination, suspension, or revocation of:

(A) permits;

(B) licenses;

(C) certificates of registration;

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(D) grants of authority; or

(E) limitations of authority; or

(11) the validity of court decisions entered regarding the constitutionality of any provision of the prior law;

before the effective date of the recodification act of the 2006 regular session of the general assembly (July 1, 2006). Those rights, liabilities, penalties, violations, proceedings, bonds, notes, loans, other forms of indebtedness, tax levies, funds, patents, contracts, easements, leases, permits, licenses, certificates of registration, grants of authority, and limitations of authority continue and shall be imposed and enforced under prior law as if the recodification act of the 2006 regular session of the general assembly had not been enacted.

(b) The recodification act of the 2006 regular session of the general assembly does not:

(1) extend or cause to expire a permit, license, certificate of registration, or other grant or limitation of authority; or

(2) in any way affect the validity, scope, or status of a license, permit, certificate of registration, or other grant or limitation of authority;

issued under the prior law.

(c) The recodification act of the 2006 regular session of the general assembly does not affect the revocation, limitation, or suspension of a permit, license, certificate of registration, or other grant or limitation of authority based in whole or in part on violations of the prior law or the rules adopted under the prior law.

Sec. 5. The recodification act of the 2006 regular session of the general assembly shall be construed as a recodification of prior law. Except as provided in section 2(1) and 2(2) of this chapter, if the literal meaning of the recodification act of the 2006 regular session of the general assembly (including a literal application of an erroneous change to an internal reference) would result in a substantive change in the prior law, the difference shall be construed as a typographical, spelling, or other clerical error that must be corrected by:

(1) inserting, deleting, or substituting words, punctuation, or other matters of style in the recodification act of the 2006 regular session of the general assembly; or

(2) using any other rule of statutory construction;

as necessary or appropriate to apply the recodification act of the 2006 regular session of the general assembly in a manner that does not result in a substantive change in the law. The principle of

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statutory construction, which states that a court must apply the literal meaning of an act if the literal meaning of the act is unambiguous, does not apply to the recodification act of the 2006 regular session of the general assembly to the extent that the recodification act of the 2006 regular session of the general assembly is not substantively identical to the prior law.

Sec. 6. Subject to section 9 of this chapter, a reference in a statute or rule to a statute that is repealed and replaced in the same or a different form in the recodification act of the 2006 regular session of the general assembly shall be treated after the effective date of the new provision as a reference to the new provision.

Sec. 7. A citation reference in the recodification act of the 2006 regular session of the general assembly to another provision of the recodification act of the 2006 regular session of the general assembly shall be treated as including a reference to the provision of prior law that is substantively equivalent to the provision of the recodification act of the 2006 regular session of the general assembly that is referred to by the citation reference.

Sec. 8. (a) As used in the recodification act of the 2006 regular session of the general assembly, a reference to rules adopted under any provision of this title or under any other provision of the recodification act of the 2006 regular session of the general assembly refers to either:

(1) rules adopted under the recodification act of the 2006 regular session of the general assembly; or

(2) rules adopted under the prior law until those rules have been amended, repealed, or superseded.

(b) Rules adopted under the prior law continue in effect after June 30, 2006, until the rules are amended, repealed, or suspended.

Sec. 9. (a) A reference in the recodification act of the 2006 regular session of the general assembly to a citation in the prior law before its repeal is added in certain sections of the recodification act of the 2006 regular session of the general assembly only as an aid to the reader.

(b) The inclusion or omission in the recodification act of the 2006 regular session of the general assembly of a reference to a citation in the prior law before its repeal does not affect:

(1) any rights or liabilities accrued;

(2) any penalties incurred;

(3) any violations committed;

(4) any proceedings begun;

(5) any bonds, notes, loans, or other forms of indebtedness

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issued, incurred, or made;
(6) any tax levies made or authorized;
(7) any funds established;
(8) any patents issued;
(9) the validity, continuation, or termination of contracts, easements, or leases executed;
(10) the validity, continuation, scope, termination, suspension, or revocation of:
(A) permits;
(B) licenses;
(C) certificates of registration;
(D) grants of authority; or
(E) limitations of authority; or
(11) the validity of court decisions entered regarding the constitutionality of any provision of the prior law;
before the effective date of the recodification act of the 2006 regular session of the general assembly (July 1, 2006). Those rights, liabilities, penalties, violations, proceedings, bonds, notes, loans, other forms of indebtedness, tax levies, funds, patents, contracts, easements, leases, permits, licenses, certificates of registration, grants of authority, and limitations of authority continue and shall be imposed and enforced under prior law as if the recodification act of the 2006 regular session of the general assembly had not been enacted.

(c) The inclusion or omission in the recodification act of the 2006 regular session of the general assembly of a citation to a provision in the prior law does not affect the use of a prior conviction, violation, or noncompliance under the prior law as the basis for revocation of a license, permit, certificate of registration, or other grant of authority under the recodification act of the 2006 regular session of the general assembly, as necessary or appropriate to apply the recodification act of the 2006 regular session of the general assembly in a manner that does not result in a substantive change in the law.

SECTION 72. IC 20-18-2-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 1.5. (a) "ADA", for purposes of this title (except IC 20-23-4-19 and IC 20-45-7), means the average number of pupils in daily attendance in the school corporation, determined in accordance with the rules established by the state board.**

(b) "ADA", for purposes of IC 20-23-4-19, has the meaning set

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forth in IC 20-23-4-19.

(c) "ADA", for purposes of IC 20-45-7, has the meaning set forth in IC 20-45-7-3.

SECTION 73. IC 20-18-2-2, AS ADDED BY P.L.1-2005, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. ~~"Average daily membership, or~~ "ADM" has the meaning set forth in ~~IC 21-3-1.6-1.1(d).~~ **IC 20-43-1-6.**

SECTION 74. IC 20-18-2-2.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 2.5. "Charter school" has the meaning set forth in IC 20-24-1-4.**

SECTION 75. IC 20-18-2-13.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 13.5. "Political subdivision" has the meaning set forth in IC 36-1-2-13.**

SECTION 76. IC 20-18-2-14.3 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 14.3. "Property tax" refers to an ad valorem property tax.**

SECTION 77. IC 20-18-2-16, AS ADDED BY P.L.1-2005, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 16. (a) "School corporation", **for purposes of this title (except IC 20-20-33, IC 20-26-1 through IC 20-26-5, IC 20-26-7, IC 20-30-8, and IC 20-43),** means a public school corporation established by Indiana law. ~~(b)~~ The term includes a:

(1) school city;
(2) school town;
(3) school township;
(4) consolidated school corporation;
(5) metropolitan school district;
(6) township school corporation;
(7) county school corporation;
(8) united school corporation; or
(9) community school corporation.

(b) "School corporation", for purposes of IC 20-26-1 through IC 20-26-5 and IC 20-26-7, has the meaning set forth in IC 20-26-2-4.

(c) "School corporation", for purposes of IC 20-20-33 and IC 20-30-8, includes a charter school (as defined in IC 20-24-1-4).

(d) "School corporation", for purposes of IC 20-43, has the meaning set forth in IC 20-43-1-23.

SECTION 78. IC 20-18-2-20.3 IS ADDED TO THE INDIANA

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CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 20.3. "State tuition support" has the meaning set forth in IC 20-43-1-25.**

SECTION 79. IC 20-18-2-21.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 21.5. "Tax control board" refers to the school property tax control board established by IC 6-1.1-19-4.1.**

SECTION 80. IC 20-20-11-3, AS ADDED BY P.L.1-2005, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) The types of initiatives for which money appropriated to the program may be used include the following:

(1) Conducting feasibility studies concerning the following:

(A) Mandating full-day or half-day kindergarten programs.

(B) Choice of enrollment programs.

(C) Establishing magnet schools.

(2) An evaluation of P.L.390-1987(ss).

(3) Exploring different or expanded testing methods.

(4) An evaluation of the primetime program ~~under IC 21-1-30.~~ **(as defined in IC 20-43-1-22).**

(5) Administering pilot programs concerning school academic readiness factors of students in kindergarten and grades 1 and 2.

(6) Studying the implications of offering preschool programs for special education students.

(7) Conducting the student services programs under IC 20-20-27.

(8) The Indiana writing project.

(b) The evaluation of P.L.390-1987(ss) and the primetime program described in subsection (a)(2) and (a)(4) shall be conducted by an entity other than the department under a contract entered into by the department.

(c) The student services programs under subsection (a)(7) shall be funded under the program based upon criteria approved by the department. The programs must include a study of:

(1) the role of the public school guidance counselor; and

(2) the guidance counselor proficiency statements developed under P.L.342-1989(ss), SECTION 39, as approved by the department.

SECTION 81. IC 20-20-13-6, AS ADDED BY P.L.177-2005, SECTION 40, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. (a) The educational technology program and fund is established to provide and extend educational technologies to elementary and secondary schools for:

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(1) the 4R's technology grant program to assist school corporations (on behalf of public schools) in purchasing technology equipment:

(A) for kindergarten and grade 1 students, to learn reading, writing, and arithmetic using technology;

(B) for students in all grades, to understand that technology is a tool for learning; and

(C) for students in kindergarten through grade 3 who have been identified as needing remediation, to offer daily remediation opportunities using technology to prevent those students from failing to make appropriate progress at the particular grade level;

(2) providing educational technologies, including computers in the homes of students;

(3) conducting educational technology training for teachers; and

(4) other innovative educational technology programs.

(b) The department may also use money in the fund under contracts entered into with the office of technology established by IC 4-13.1-2-1 to study the feasibility of establishing an information telecommunications gateway that provides access to information on employment opportunities, career development, and instructional services from data bases operated by the state among the following:

(1) Elementary and secondary schools.

(2) Institutions of higher learning.

(3) Vocational educational institutions.

(4) Libraries.

(5) Any other agencies offering education and training programs.

(c) The fund consists of:

(1) state appropriations;

(2) private donations to the fund;

(3) money directed to the fund from the corporation for educational technology under IC 20-20-15; or

(4) any combination of the amounts described in subdivisions (1) through (3).

(d) The program and fund shall be administered by the department.

(e) Unexpended money appropriated to or otherwise available in the fund for the department's use in implementing the program under this chapter at the end of a state fiscal year does not revert to the state general fund but remains available to the department for use under this chapter.

(f) Subject to section 7 of this chapter, a school corporation may use money from the school corporation's capital projects fund as permitted

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under ~~IC 21-2-15-4~~ **IC 20-40-8** for educational technology equipment.

SECTION 82. IC 20-20-13-7, AS ADDED BY P.L.1-2005, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. (a) Notwithstanding any other law, a school corporation is not entitled to:

(1) receive any money under this chapter or IC 20-20-15;

(2) use money from the school corporation's capital projects fund for educational technology equipment under ~~IC 21-2-15-4;~~ **IC 20-40-8;** or

(3) receive an advance from the common school fund for an educational technology program under ~~IC 21-1-5;~~ **IC 20-49-4;**

unless the school corporation develops a three (3) year technology plan.

(b) Each technology plan must include at least the following information:

(1) A description of the school corporation's intent to integrate technology into the school corporation's curriculum.

(2) A plan for providing inservice training.

(3) A schedule for maintaining and replacing educational technology equipment.

(4) A description of the criteria used to select the appropriate educational technology equipment for the appropriate use.

(5) Other information requested by the department after consulting with the budget agency.

(c) The department shall develop guidelines concerning the development of technology plans. The guidelines developed under this subsection are subject to the approval of the governor.

SECTION 83. IC 20-20-13-12, AS ADDED BY P.L.1-2005, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 12. A school corporation that receives a grant under sections 6 through 9 of this chapter must deposit the grant in the school technology fund. ~~established under IC 21-2-18.~~

SECTION 84. IC 20-20-13-24, AS ADDED BY P.L.218-2005, SECTION 48, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 24. A school corporation that receives a grant under sections 13 through 24 of this chapter shall deposit the grant in the school technology fund. ~~established under IC 21-2-18.~~ If the Indiana School for the Blind and Visually Impaired ~~established by IC 20-21-2-1~~ or the Indiana School for the Deaf ~~established by IC 20-22-2-1~~ receives a grant under sections 13 through 24 of this chapter, the school shall deposit the grant in an account or fund that the school uses exclusively for the funding of technology.

SECTION 85. IC 20-20-33 IS ADDED TO THE INDIANA CODE

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AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 33. Alternative Education Program Grants

Sec. 1. As used in this chapter, "alternative education program" means an alternative education program (as defined in IC 20-30-8-1).

Sec. 2. As used in this chapter, "full-time equivalent students" means the number of students determined under IC 20-30-8-16.

Sec. 3. As used in this chapter, "qualifying school corporation" means a school corporation, including a charter school, that has been approved under IC 20-30-8-8 to receive a grant under this chapter.

Sec. 4. 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.

Sec. 5. 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.

Sec. 6. To receive a grant under this chapter, a school corporation must expend on alternative education programs in the school year a matching amount of at least one-third (1/3) of the amount of the state grant per full-time equivalent student, as determined under the rules adopted by the state board.

Sec. 7. (a) Except as provided in subsection (b), the department shall distribute a grant under this chapter to a qualifying school corporation not later than March 1. The grant must be for the number of full-time equivalent students enrolled in and attending an alternative education program from January 1 through December 31 of the immediately preceding year and reported to the department under IC 20-30-8-15.

(b) The department may authorize additional distributions for approved programs if the total amount of the distributions to a school corporation during a school year under this subsection does not exceed a maximum amount of seven hundred fifty dollars ($750) per full-time equivalent student reported under IC 20-30-8-15.

SECTION 86. IC 20-20-34 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 34. Special Education Preschool Grants

Sec. 1. This chapter applies to each school corporation imposing

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a property tax under IC 20-46-2 for a calendar year for the school corporation's special education preschool fund.

Sec. 2. (a) The auditor of state shall distribute to each school corporation an amount equal to the result of the following formula:

STEP ONE: Determine the product of:

(A) two thousand seven hundred fifty dollars ($2,750); multiplied by

(B) the number of special education preschool children who are students in the school corporation, as annually determined by the department.

STEP TWO: Determine the greater of zero (0) or the remainder of:

(A) the STEP ONE amount; minus

(B) the property tax required by IC 20-46-2.

(b) A distribution under this section is in addition to any distribution of federal funds that are made available to the state for special education preschool programs.

Sec. 3. (a) One-half (1/2) of each school corporation's state distribution under this chapter for a calendar year shall be distributed to the school corporation before April 1 and the other one-half (1/2) shall be distributed before October 1 of that calendar year.

(b) These distributions are to pay expenses during the school year ending in the year of the distributions.

(c) The money needed to make the distributions is annually appropriated from the state general fund.

SECTION 87. IC 20-23-1-1, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) As used in this chapter, "board" means a county board of education.

(b) As used in this chapter, "county superintendent" means the county superintendent of schools.

(c) The township trustees of each township of each county constitute a county board of education.

(d) The board shall meet:

(1) monthly at the office of the county superintendent; and

(2) at other times as the county superintendent considers necessary.

(e) The county superintendent:

(1) is ex officio chairperson of the board; and

(2) shall act as administrator of the board, carrying out the acts and duties designated by the board.

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(f) The secretary of the board shall keep an accurate record of the minutes of the board. The minutes shall be kept at the county superintendent's office.

(g) A quorum consists of a number of members equal to the number of township schools under the administration of the county superintendent. However, business may not be transacted unless a majority of the trustees of the township schools under the administration of the county superintendent is present. Business shall be transacted and the acts of the board become effective by a two-thirds (2/3) majority vote of members present on matters coming before the board.

(h) This chapter may not be construed as granting the board any authority over:

(1) the selection or employment of any personnel or employees; or

(2) the purchase of supplies;

in a township school.

(i) Upon nomination by the county superintendent and with the approval of two-thirds (2/3) of the members, the board shall enter into written contracts with additional administrative and supervisory employees who are necessary for the proper administration and supervision of the county school system and the township schools of the county.

(j) Except as provided in subsection (i), funds for the salaries of and supplies for persons employed under this section shall be provided in the same manner as the fixing and appropriation of the salaries of the county superintendent.

(k) The salary or fee of a school attorney related to performing the duties of the attorney's office may in part be paid directly from the school **general** fund.

(l) The board shall make decisions concerning the general conduct of the schools, which shall be enforced as entered upon the minutes recorded by the secretary of the board.

(m) The board:

(1) shall receive through its treasurer from the state money provided and distributed from the state ~~school tuition fund~~ for teaching units for those employed by the board; and

(2) is considered to fulfill all requirements of a school corporation for receiving the funds from the state. ~~school tuition fund.~~

(n) The county treasurer is ex officio treasurer of the board, eligible to receive the distribution of funds from the state. Funds received under this section shall be credited to the county ~~revenue~~ **general** fund as a

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receipt against the estimated expenditures for the salaries of the school employees, for which distribution was made by the state.

SECTION 88. IC 20-23-1-4, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. (a) A county superintendent of schools shall see that the full amount of interest on the **money for the** school ~~fund~~ **corporations in the county** is paid and apportioned.

(b) When there is a:

(1) deficit of interest ~~of~~ **on** any school ~~fund;~~ **money;** or

(2) loss of any school ~~fund or revenue;~~ **money;**

by the county, the county superintendent of schools shall see that proper warrants are issued for the reimbursement of the appropriate ~~fund.~~ **school corporation.** However, the board of county commissioners may not pay interest that exceeds the amount provided under this chapter to the county superintendent of schools.

SECTION 89. IC 20-23-1-5, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. (a) The official dockets, records, and books of account of the following officers serving in the county must be open at all times to the inspection of the county superintendent: ~~of schools.~~

(1) Clerks of the courts.

(2) County auditor.

(3) County commissioners.

(4) Prosecuting attorneys.

(5) Mayors of cities.

(6) Township trustees.

(7) School trustees.

(b) If the county superintendent ~~of schools~~ finds that any of the officers described in subsection (a) have neglected or refused to collect and pay over interest, fines, forfeitures, licenses, or other claims due **to** the **common** school ~~funds and revenues~~ **fund or other funds** of the state, or have misapplied ~~the~~ school ~~funds or revenues~~ **money** in their possession, the county superintendent ~~of schools~~ shall:

(1) bring an action in the name of the state of Indiana for the recovery of the money for the benefit of the **common** school fund or ~~revenues,~~ **other funds of the state;** and

(2) make a report concerning the action to the board of county commissioners and to the state superintendent.

SECTION 90. IC 20-23-1-6, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. (a) The township trustees of each township of each county shall perform all the civil functions performed before

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March 13, 1947, by the township trustees. The township trustees of the county constitute a county board of education to manage the affairs of the county school corporation created under this chapter in each county.

(b) School cities and school towns retain independent organization and administration unless abandoned as provided by law. The county school corporation includes all areas not organized on March 13, 1947, into jurisdictions controlled and governed as school cities or school towns.

(c) The board shall meet:

(1) at the time the board designates at the office of the county superintendent; and

(2) at other times and places the county superintendent considers necessary.

(d) At the first meeting of each year, to be held on the first Wednesday after the first Monday in January, the board shall organize by selecting a president, a vice president, a secretary, and a treasurer from its membership.

(e) The county superintendent shall call the board into special session. Unless the board elects to have this section remain inoperative, the board shall organize itself. The failure of the county superintendent to call the board into session under this section may not be construed to mean that a county school corporation described in this section is in existence in the county, and a county school corporation may not be brought into existence until the board has met in special session after March 13, 1947, and has taken action to organize itself into a county school corporation, after consideration of the question of whether it should elect to have the provisions of this section remain inoperative. The organization, if affected, must be:

(1) filed with the county auditor; and

(2) published by the county auditor in two (2) newspapers of different political persuasions of general circulation throughout the county within ten (10) days after the filing.

The organization is considered to fulfill the requirements of this section for the transacting of public business under this section. The secretary of the board shall keep an accurate record of the minutes of the board, which shall be kept at the county superintendent's office. The county superintendent shall act as administrator of the board and shall carry out such acts and duties as shall be designated by the board. A quorum consists of two-thirds (2/3) of the members of the board.

(f) The board shall:

(1) make decisions as to the general conduct of the schools that

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may be enforced as entered in the minutes recorded by the secretary of the board; and

(2) exercise all powers exercised before March 13, 1947, by or through township trustees or meetings or petitions of the trustees of the county.

(g) The board shall appoint a county superintendent who serves a term of four (4) years. The board shall fill vacancies in this office by appointments that expire at the end of the regular term. The county superintendent ~~of schools~~ and other persons employed for administrative or supervisory duties are considered to be supervisors of instruction.

(h) The government of the common schools of the county is vested in the board. The board has the authority, powers, privileges, duties, and obligations granted to or required of school cities before March 13, 1947, and school towns and their governing boards generally with reference to the following:

(1) The purchase of supplies.

(2) The purchase and sale of buildings, grounds, and equipment.

(3) The erection of buildings.

(4) The employment and dismissal of school personnel.

(5) The right and power to sue and be sued in the name of the county.

(6) Insuring property and employees.

~~(7) Levying and collecting taxes.~~

~~(8)~~ **(7)** Making and executing a budget.

~~(9)~~ **(8)** Borrowing money.

~~(10)~~ **(9)** Paying the salaries and expenses of the county superintendent and employees as approved by the board.

~~(11)~~ **(10)** Any act necessary to the proper administration of the common schools of the county.

(i) A county school corporation organized under this section:

(1) has all right, title, and interest of the predecessor township school corporations terminated under this section to and in all the real, personal, and other property of any nature and from whatever source derived; and

(2) shall assume, pay, and be liable for all the indebtedness and liabilities of the predecessor school corporation.

(j) The treasurer, before entering upon the duties of treasurer's office, shall execute a bond to the acceptance of the county auditor in an amount equal to the largest sum of money that will be in the possession of the treasurer at any one (1) time conditioned as an ordinary official bond, with a reliable surety company or at least two

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(2) sufficient freehold sureties, who may not be members of the board, as surety or sureties on the treasurer's bond.

(k) The president and secretary shall each give bond, with a surety or sureties described in subsection (j), to be approved by the county auditor, in the sum of one-fourth (1/4) of the amount required of the treasurer under subsection (j). A board may purchase bonds from a reliable surety company and pay for them out of the special school revenue of the board's county.

(l) The powers set forth in this section may not be considered or construed to:

(1) limit the authority of a board to the powers expressly conferred in this section; or ~~to~~

(2) restrict or modify any authority granted by any other law not in conflict with this section.

~~(m) A board may annually levy the amount of taxes that in the judgment of the board, made a matter of record in the board's minutes, is necessary to produce income sufficient to conduct and carry on the common schools committed to the board.~~

~~(n) A board shall annually levy a sum sufficient to meet all payments of principal and interest as they mature in the year for which the levy is made on the bonds, notes, or other obligations of the board. The board may impose tax levies within statutory limits, and the levies are subject to the same review as school city and school town levies.~~

SECTION 91. IC 20-23-3-9 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 9. Appeals shall be allowed from decisions of the township trustees concerning school matters to the county superintendent. The county superintendent shall receive and promptly determine the appeals according to the rules that govern appeals to the court under IC 4-21.5-5, so far as the rules are applicable. The county superintendent's decisions of all local questions relating to:**

(1) the legality of school meetings;

(2) establishment of schools;

(3) the location, building, repair, or removal of schoolhouses;

(4) transfers of persons for school purposes; and

(5) resignation and dismissal of teachers;

shall be treated as final.

SECTION 92. IC 20-23-4-12, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 12. (a) In formulating a preliminary reorganization plan and with respect to each of the community school corporations

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that are a part of the reorganization plan, the county committee shall determine the following:

(1) The name of the community school corporation.

(2) Subject to subsection (e), a general description of the boundaries of the community school corporation.

(3) With respect to the board of school trustees:

(A) whether the number of members is:

(i) three (3);

(ii) five (5); or

(iii) seven (7);

(B) whether the members are elected or appointed;

(C) if the members are appointed:

(i) when the appointments are made; and

(ii) who makes the appointments;

(D) if the members are elected, whether the election is at:

(i) the primary election at which county officials are nominated; or

(ii) the general election at which county officials are elected; and

(E) subject to sections 21 and 22 of this chapter, the manner in which members are elected or appointed.

(4) The compensation, if any, of the members of the regular and interim board of school trustees, which may not exceed the amount provided in ~~IC 20-26-4-6.~~ **IC 20-26-4-7.**

(5) Subject to subsection (f), qualifications required of the members of the board of school trustees, including limitations on:

(A) residence; and

(B) term of office.

(6) If an existing school corporation is divided in the reorganization, the disposition of assets and liabilities.

(7) The disposition of school aid bonds, if any.

(b) If existing school corporations are not divided in the reorganization, the:

(1) assets;

(2) liabilities; and

(3) obligations;

of the existing school corporations shall be transferred to and assumed by the new community school corporation of which they are a part, regardless of whether the plan provides for transfer and assumption.

(c) The preliminary plan must be supported by a summary statement of:

(1) the educational improvements the plan's adoption will make

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possible;

(2) data showing the:

(A) assessed valuation;

(B) number of resident students in ~~average daily attendance~~ **ADA** in grades 1 through 12;

(C) assessed valuation per student referred to in clause (B); and

(D) property tax levies;

of each existing school corporation to which the plan applies;

(3) the:

(A) assessed valuation;

(B) resident ~~average daily attendance;~~ **ADA;** and

(C) assessed valuation per student;

data referred to in subdivision 2(A) through 2(C) that would have applied for each proposed community school corporation if the corporation existed in the year the preliminary plan is prepared or notice of a hearing or hearings on the preliminary plan is given by the county committee; and

(4) any other data or information the county committee considers appropriate or that may be required by the state board in its rules.

(d) The county committee:

(1) shall base the assessed valuations and tax levies referred to in subsection (c)(2) through (c)(3) on the valuations applying to taxes collected in:

(A) the year the preliminary plan is prepared; or

(B) the year notice of a hearing or hearings on the preliminary plan is given by the county committee;

(2) may base the resident ~~average daily attendance~~ **ADA** figures on the calculation of the figures under the rules under which they are submitted to the state superintendent by existing school corporations; and

(3) shall set out the resident ~~average daily attendance~~ **ADA** figures for:

(A) the school year in progress if the figures are available for that year; or

(B) the immediately preceding school year if the figures are not available for the school year in progress.

The county committee may obtain the data and information referred to in this subsection from any source the committee considers reliable. If the county committee attempts in good faith to comply with this subsection, the summary statement referred to in subsection (c) is sufficient regardless of whether the statement is exactly accurate.

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(e) The general description referred to in subsection (a)(2) may consist of an identification of an existing school corporation that is to be included in its entirety in the community school corporation. If a boundary does not follow the boundary of an existing civil unit of government or school corporation, the description must set out the boundary:

(1) as near as reasonably possible by:

(A) streets;

(B) rivers; and

(C) other similar boundaries;

that are known by common names; or

(2) if descriptions as described in subdivision (1) are not possible, by section lines or other legal description.

The description is not defective if there is a good faith effort by the county committee to comply with this subsection or if the boundary may be ascertained with reasonable certainty by a person skilled in the area of real estate description. The county committee may require the services of the county surveyor in preparing a description of a boundary line.

(f) A member of the board of school trustees:

(1) may not serve an appointive or elective term of more than four (4) years; and

(2) may serve more than one (1) consecutive appointive or elective term.

SECTION 93. IC 20-23-4-19, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 19. (a) If the creation of a community school corporation out of an existing corporation:

(1) would not involve a change in its territorial boundaries or in its board of school trustees or other governing body, other than a change ~~if any~~ in the time of election or appointment or the time the board members take office; and ~~the creation~~

(2) is consistent with the standards set up under this chapter ~~as modified, if any, by~~ **and** the standards set out in this section;

the state board may ~~upon~~ **on** its own motion or ~~upon~~ **on** petition of the governing body of the existing school corporation at any time with hearing in the county where ~~such~~ **the** school corporation is located, after notice by publication at least once in one (1) newspaper of general circulation published in the county where ~~such~~ **the** school corporation is located, at least ten (10) but not more than thirty (30) days before the date of a hearing, and without action of the county committee declare ~~such~~ **the** existing school corporation to be a community school

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corporation by adopting a resolution to this effect. The existing school corporation qualifies as to size and financial resources if it has an ~~average daily attendance~~ **ADA** of at least two hundred seventy (270) students in grades 9 through 12 or at least one thousand (1,000) students in grades 1 through 12, and has an assessed valuation per student of at least five thousand dollars ($5,000).

(b) For ~~the~~ purposes of this ~~provision,~~ **section,** the following terms have the following meanings:

(1) "County tax" means a property tax:

(A) that is levied at an equal rate in the entire county in which any school corporation is located, other than a tax qualifying as a countywide tax within the meaning of Acts 1959, c.328, s.2, or any similar statute; and

(B) for which the net proceeds of which are distributed to school corporations in the county.

(2) "Assessed valuation" of any school corporation means the net assessed value of its real and personal property as of March 1, 1964, adjusted in the same manner as ~~such~~ **the** assessed valuation is adjusted for each county by the department of local government finance under Acts 1949, c.247, s.5, as amended, unless that statute has been repealed or no longer provides for ~~such~~ **an** adjustment. If a county has a county tax, the assessed valuation of each school corporation in the county shall be increased by the amount of assessed valuation, if any, that would be required to raise an amount of money, equal to the excess of the amount distributed to any school corporation from the county tax over the amount collected from the county tax in the school corporation, using total taxes levied by the school corporation in terms of rate:

(A) excluding the countywide tax under Acts 1959, c.328, s.2, or any similar statute; and

(B) including all other taxes levied by or for the school corporation. ~~including but not limited to the county tax, bond fund levy, lease rental levy, library fund levy, special school fund levy, tuition fund levy, capital projects fund levy, and special funds levies.~~

The increased valuation shall be based on the excess distributed to the school corporation from the county tax levied for the year 1964 and the total taxes levied for the year, or if the county tax is first applied or is raised for years after 1964, then the excess distributions and total taxes levied for the year in which the tax is first applied or raised. If the excess distribution and total taxes levied cannot be determined accurately on or before the adoption

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of the resolution provided in this section, excess distribution and taxes levied shall be estimated by the department of local government finance using the last preceding assessed valuations and tax rates or such other information as that department determines, certifying the increased assessment to the state board before such time. In all cases, the excess distribution shall be determined upon the assumption that the county tax is one hundred percent (100%) collected and all collections are distributed.

(3) "Assessed valuation per student" of any school corporation means the assessed valuation of any school corporation divided by its ~~average daily attendance~~ **ADA** in grades 1 through 12.

(4) ~~"Average daily attendance"~~ **"ADA"** in any school corporation means the average daily attendance of students who are residents in the school corporation and in the particular grades to which the term refers for the school year 1964-1965 in accordance with the applicable regulations of the state superintendent, used in determining average daily attendance in the distribution of the tuition funds by the state to its various school corporations where funds are distributed on such basis and irrespective of whether the figures are the actual resident daily attendance of the school for the school year.

~~(b)~~ **(c)** The community school corporation ~~shall~~ automatically ~~come~~ **comes** into being on either July 1 or January 1 following the date of approval, whichever is earlier. The state board shall mail by certified ~~United States~~ mail, return receipt requested, a copy of the resolution certified by **the** county committee's chairperson or secretary to:

(1) the recorder of the county from which the county committee having jurisdiction of ~~such~~ **the** existing school corporation was appointed; and ~~to such~~

(2) the county committee.

The resolution may change the time of election or appointment of the board of trustees of the school corporation or the time ~~such~~ **the** trustees take office. The recorder shall without cost record the certified resolution in the miscellaneous records of the county. The recording ~~shall constitute~~ **constitutes** a permanent record of the action of the state board and may be relied on by any person. Unless the resolution provides that an interim member of the board of trustees shall not be appointed, the board of trustees in office on the date of the action ~~shall continue~~ **continues** to constitute the board of trustees of the school corporation until their successors are qualified, and the terms of their respective office and board membership ~~shall~~ remain unchanged except

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to the extent ~~that~~ the resolution otherwise provides. For purposes of this chapter and IC 20-23-16-1 through IC 20-23-16-11, a community school corporation shall be regarded as a school corporation created under section 16 of this chapter.

SECTION 94. IC 20-23-5-12, AS ADDED BY P.L.231-2005, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 12. (a) With respect to whether the disposition of the assets and liabilities of the losing school corporation, allocation of school tax receipts, and the amount to be paid by the acquiring school corporation is equitable, the court, subject to subsection (b), shall be satisfied that the annexing resolution conforms substantially to the following standards:

(1) The acquiring school corporation shall assume a part of all installments of principal and interest on any indebtedness of the losing school corporation (other than current obligations or temporary borrowing) that fall due after the end of the last calendar year in which the losing school corporation is entitled to receive current tax receipts from property tax levies on the property of the annexed territory. The part consists of the following:

(A) All installments relating to any indebtedness incurred in connection with the acquisition or construction of any building located in the annexed territory.

(B) A proportion of all installments relating to any other indebtedness that is the same proportion as the valuation of the real property in the annexed territory bears to the valuation of all the real property in the losing school corporation, as the indebtedness is assessed for general taxation immediately before annexation.

(2) The acquiring school corporation shall make the payments and assume the obligations provided for a school corporation acquiring territory or a building or buildings under ~~IC 21-5-10.~~ **IC 20-47-5.**

(b) Standards under subsection (a) may not be applicable to the extent the losing school corporation and acquiring school corporation otherwise agree in a situation where all or a majority of the students in the annexed territory have been transferred from the losing school corporation to the acquiring school corporation for the five (5) school years immediately preceding the transfer. The agreement between school corporations may not prejudice the rights of bondholders or lessors whose rights against the losing school corporation and acquiring school corporation shall, upon enforcement, be allocated

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between the losing school corporation and acquiring school corporation in accordance with subsection (a)(1) and (a)(2).

SECTION 95. IC 20-23-6-6, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. (a) On the day and hour named in the notice filed under section 5 of this chapter, polls shall be opened and the votes of the registered voters shall be taken upon the public question of consolidating school corporations. The election shall be governed by IC 3, except as provided in this chapter.

(b) The county election board shall conduct the election. The public question shall be placed on the ballot in the form prescribed by IC 3-10-9-4 and must state "Shall (here insert the names of the school corporations that the resolution proposes to consolidate) be consolidated into a consolidated school corporation?".

(c) A brief statement of the provisions in the resolution for appointment or election of a governing body may be placed on the ballot in the form prescribed by IC 3-10-9-4. A certificate of the votes cast for and against the consolidation of the school corporations shall be filed with:

(1) the governing body of the school corporations subject to the election;

(2) the state superintendent; and

(3) the county recorder of each county in which a consolidated school corporation is located;

together with a copy of the resolution.

(d) If a majority of the votes cast at each of the elections is in favor of the consolidation of two (2) or more school corporations, the trustees of the school corporations shall proceed to consolidate the schools and provide the necessary buildings and equipment. In any school corporation where a petition was not filed and an election was not held, the failure on the part of the voters to file a petition for an election shall be considered to give the consent of the voters of the school corporation to the consolidation as set out in the resolution.

(e) If the special election is not conducted at a primary or general election, the expense of the election shall be borne by the school corporation or each of the school corporations subject to the election and shall be paid out of the ~~special~~ school **general** fund.

SECTION 96. IC 20-23-6-8, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) Consolidated schools are under the control and management of the consolidated governing body created under this chapter, and a new consolidated school corporation comes into

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existence:

(1) at the time specified in the resolutions provided in section 3 or 4 of this chapter; or

(2) if a time is not specified, at the following times:

(A) If a protest has not been filed and the creation is accomplished by the adoption of a joint resolution following publication of notice as provided in section 3 of this chapter, thirty (30) days ~~following~~ **after** the adoption of the joint resolution.

(B) If the creation is accomplished after an election as provided in section 6 of this chapter, thirty (30) days ~~following~~ **after** the election.

(b) The members of the governing body shall:

(1) take an oath to faithfully discharge the duties of office; and

(2) meet at least five (5) days before the time the new consolidated school corporation comes into existence to organize.

(c) The governing body shall meet to reorganize on August 1 of each year and at any time the personnel of the board is changed. At the organization or reorganization meeting, the members of the governing body shall elect the following:

(1) A president.

(2) A secretary.

(3) A treasurer.

(d) The treasurer, before starting the duties of the treasurer's office, shall execute a bond to the acceptance of the county auditor. The fee for the bond shall be paid from the ~~special~~ school **general** fund of the consolidated school corporation. Any vacancy occurring in ~~governing body~~ **the** membership in any governing body, other than vacancy in the office of an ex officio member, shall be filled in the following manner:

(1) If the membership was originally made by appointment, the vacancy shall be filled by appointment by the legislative body of the:

(A) city;

(B) town;

(C) township; or

(D) other body;

or other official making the original appointment.

(2) If the membership was elected, the vacancy shall be filled by a majority vote of the remaining members of the governing body of the consolidated school corporation.

(e) The members of the governing body, other than the township executive or ex officio member, shall receive compensation for services

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as fixed by resolution of the governing body. The members, other than the township executive or any ex officio member, may not receive more than two hundred dollars ($200) annually. Any:

(1) township executive; or

(2) ex officio member of the governing body;

shall serve without additional compensation.

(f) The governing body of a consolidated school corporation may elect and appoint personnel it considers necessary.

SECTION 97. IC 20-23-6-9, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) When any:

(1) school town;

(2) school city;

(3) school township;

(4) joint school; or

(5) consolidated school;

has become consolidated by resolution or election and the new governing body has been appointed and legally organized, the former school township, school town, school city, joint school, or consolidated school is considered abandoned.

(b) All school:

(1) property;

(2) rights;

(3) privileges; and

(4) any indebtedness;

from the abandoned school is considered to ~~have accrued~~ **accrue** to and be assumed by the new consolidated school corporation.

(c) The title of property shall pass to and become vested in the new consolidated school corporation. All debts of the former school corporations shall be assumed and paid by the new consolidated school corporation. All the privileges and rights conferred by law upon the former:

(1) school ~~township,~~ **town;**

(2) school ~~town,~~ **city;**

(3) school ~~city,~~ **township;**

(4) joint school; or

(5) consolidated school;

are granted to the newly consolidated school corporation.

(d) This subsection applies when the consolidated governing body of a consolidated school corporation decides that property acquired under subsection (b) from a township is no longer needed for school purposes. The governing body shall offer the property as a gift for park

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and recreation purposes to the township that owned the property before the school was consolidated. If the township board accepts the offer, the governing body shall give the township a quitclaim deed to the property. The deed must state that the township is required to use the property for park and recreation purposes. If the township board refuses the offer, the governing body may sell the property in the manner provided in subsection (e).

(e) This subsection provides the procedure for the sale of school property that is no longer needed for school purposes by the governing body of a consolidated school corporation. The governing body shall cause the property to be appraised at a fair cash value by three (3) reputable resident freeholders of the school corporation offering the property for sale. The appraisals shall be made under oath and spread of record upon the records of the governing body. A sale may not be made for less than the appraised value, and the sale must be made for cash. The sale shall take place after the governing body gives notice under IC 5-3-1 of the terms, date, time, and place of sale.

(f) Proceeds from a sale under subsection (e) shall be placed in a ~~special school~~ **capital projects** fund of the consolidated school corporation **or other fund** designated as the ~~capital outlay~~ fund that ~~shall be~~ **is** available for capital outlay of the school corporation.

SECTION 98. IC 20-23-7-12, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 12. **(a) As used in this section, "county" means the county in which the school township is located.**

~~(a)~~ **(b)** As used in this section, "school township" means a school township ~~of this state~~ **in Indiana** that:

(1) for the last full school semester immediately preceding:

(A) the adoption of a preliminary resolution by the township trustee and the township board under subsection (f); or

(B) ~~their~~ **the** adoption of a resolution of disapproval **by the township trustee and the township board** under subsection (g);

had an ~~average daily membership~~ **ADM** of at least six hundred (600) students in kindergarten through grade 12 in the public schools of the school township; or

(2) is part of a township in which there were more votes cast for township trustee outside the school township than inside the school township in the general election at which the trustee was elected and that preceded the adoption of the preliminary or disapproving resolution.

(c) As used in this section, "township board" means the

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township board of a township in which the school township is located.

~~(b)~~ **(d)** As used in this section, "township trustee" means the township trustee of the township in which the school township is located.

~~(c) As used in this section, "township board" means the township board of the township in which the school township is located.~~

~~(d) As used in this section, "county" means the county in which the school township is located.~~

(e) In a school township, a metropolitan school district may be created by complying with this section. A metropolitan school district created under this section shall have the same boundaries as the school township. After a district has been created under this section, the school township that preceded the metropolitan school district is abolished. ~~None of~~ The procedures or provisions governing the creation of a metropolitan school district under another section of this chapter ~~are applicable~~ **do not apply** to the creation of a district under this section. After a **metropolitan school** district is created under this section, the ~~metropolitan school~~ district shall, except as otherwise provided in this section, be governed by and operate in accordance with this chapter governing the operation of a metropolitan school district as established under section 2 of this chapter.

(f) Except as provided in subsection (g), a metropolitan school district provided for in subsection (e) may be created in the following manner:

(1) The township trustee shall call a meeting of the township board. At the meeting the township trustee and a majority of the township board shall adopt a resolution that a metropolitan school district shall be created in the school township. The township trustee shall then give notice:

(A) by ~~publication by two (2) insertions~~ **two (2) publications** one (1) week apart in a newspaper of general circulation published in the school township; or

(B) if there is no newspaper as described in clause (A), in a newspaper of general circulation in the county;

of the adoption of the resolution setting forth the text of the resolution.

(2) On the thirtieth day after the date of the last publication of the notice under subdivision (1) and if a protest has not been filed, the township trustee and a majority of the township board shall confirm their preliminary resolution. If, however, on or before the twenty-ninth day after the date of the last publication of the

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notice, a number of registered voters of the school township, equal to five percent (5%) or more of the number of votes cast in the school township for secretary of state at the last preceding general election for that office, sign and file with the township trustee a petition requesting an election in the school township to determine whether or not a metropolitan school district must be created in the township in accordance with the preliminary resolution, then an election must be held as provided in subsection (h). The preliminary resolution and confirming resolution provided in this subsection shall both be adopted at a meeting of the township trustee and township board in which the township trustee and each member of the township board received or waived a written notice of the date, time, place, and purpose of the meeting. The resolution and the proof of service or waiver of the notice shall be made a part of the records of the township board.

(g) Except as provided in subsection (f), a metropolitan school district may also be created in the following manner:

(1) A number of registered voters of the school township, equal to five percent (5%) or more of the votes cast in the school township for secretary of state at the last general election for that office, shall sign and file with the township trustee a petition requesting the creation of a metropolitan school district under this section.

(2) The township trustee and a majority of the township board shall, not more than ten (10) days after the filing of a petition:

(A) adopt a preliminary resolution that a metropolitan school district shall be created in the school township and proceed as provided in subsection (f); or

(B) adopt a resolution disapproving the creation of the district.

(3) If either the township trustee or a majority of township board members vote in favor of disapproving the resolution, an election must be held to determine whether or not a metropolitan school district shall be created in the school township in the same manner as is provided in subsection (f) if an election is requested by petition.

(h) An election required under subsection (f) or (g) may, at the option of the township trustee, be held either as a special election or in conjunction with a primary or general election to be held not more than one hundred twenty (120) days after the filing of a petition under subsection (f) or the adoption of the disapproving resolution under subsection (g). The township trustee shall certify the question to the

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county election board under IC 3-10-9-3 and give notice of an election:

(1) by two (2) ~~insertions~~ **publications** one (1) week apart in a newspaper of general circulation in the school township; or

(2) if a newspaper described in subdivision (1) does not exist, in a newspaper of general circulation published in the county.

The notice must provide that on a day and ~~at an hour~~ **time** named in the notice, the polls shall be opened at the usual voting places in the various precincts in the school township for the purpose of taking the vote of the registered voters of the school township regarding whether a metropolitan school district shall be created in the township. The election shall be held not less than twenty (20) days and not more than thirty (30) days after the last publication of the notice unless a primary or general election will be conducted not more than six (6) months after the publication. In that case, the county election board shall place the public question on the ballot at the primary or general election. If the election is to be a special election, the township trustee shall give notice not more than thirty (30) days after the filing of the petition or the adoption of the disapproving resolution.

(i) On the day and time named in the notice, the polls shall be opened and the votes of the voters shall be taken regarding whether a metropolitan school district shall be created in the school township. IC 3 governs the election except as otherwise provided in this chapter. The county election board shall conduct the election. The public question shall be placed on the ballot in the form prescribed by IC 3-10-9-4 and must state "Shall a metropolitan school district under IC 20-23-7 be formed in the _____ School Township of _____ County, Indiana?". The name of the school township shall be inserted in the blanks.

(j) The votes cast in the election shall be canvassed at a place in the school township determined by the county election board. The certificate of the votes cast for and against the creation of a metropolitan school district shall be filed in the records of the township board and recorded with the county recorder. If the special election is not conducted at a primary or general election, the school township shall pay the expense of holding the election out of the ~~special~~ school **general** fund that is appropriated for this purpose.

(k) A metropolitan school district shall, subject to section 7 of this chapter, be created on the thirtieth day after the date of the adoption of the confirming resolution under subsection (f) or an election held under subsection (h). If a public official fails to do the official's duty within the time prescribed in this section, the failure does not invalidate the proceedings taken under this section. An action to contest the validity

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of the creation of a metropolitan school district under this section or to enjoin the operation of a metropolitan school district may not be instituted later than the thirtieth day following the date of the adoption of the confirming resolution under subsection (f) or of the election held under subsection (h). Except as provided in this section, an election under this subsection may not be held sooner than twelve (12) months after another election held under subsection (h).

(l) A metropolitan school district is known as "The Metropolitan School District of _____ Township, _____ County, Indiana". The first metropolitan board of education in a metropolitan school district created under this section consists of five (5) members. The township trustee and the township board members are ex officio members of the first board, subject to the laws concerning length of their respective terms of office, manner of election or appointment, and the filling of vacancies applicable to their respective offices. The ex officio members serve without other compensation or reimbursement for expenses than that which they may receive from their respective offices. The township board shall, by a resolution recorded in its records, appoint the fifth member of the metropolitan board of education. The fifth member shall meet the qualifications of a member of a metropolitan board of education under this chapter, with the exception of the board member district requirements provided in sections 4, 5, and 8 of this chapter.

(m) A fifth board member shall be appointed not more than fifteen (15) days after the date of the adoption of the confirming resolution under subsection (f)(2) or an election held under subsection (h). The first board shall hold its first meeting not more than fifteen (15) days after the date when the fifth board member is appointed or elected, on a date established by the township board in the resolution in which it appoints the fifth board member. The first board shall serve until July 1 following the election of a metropolitan school board at the first primary election held more than sixty (60) days following the creation of the metropolitan school district.

(n) After the creation of a metropolitan school district under ~~with~~ this section, the president of the metropolitan school board of the district shall serve as a member of the county board of education and perform the duties on the county board of education that were previously performed by the township trustee. The metropolitan school board and superintendent of the district may call upon the assistance of and use the services provided by the county superintendent of schools. This subsection does not limit or take away the powers, rights, privileges, or duties of the metropolitan school district or the board or

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superintendent of the district provided in this chapter.

SECTION 99. IC 20-23-8-8, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) A plan is subject to the following limitations:

(1) A member of the governing body may not serve for a term of more than four (4) years, but a member may succeed himself or herself in office. This limitation does not apply to members who hold over during an interim period to effect a new plan awaiting the selection and qualification of a member under the new plan.

(2) The plan, if the members are:

(A) to be elected, shall conform with one (1) of the types of board organization permitted by IC 20-23-4-27; or

(B) appointed, shall conform with one (1) of the types permitted by IC 20-23-4-28.

(3) The terms of the members of the governing body, either elected to or taking office on or before the time the plan takes effect, may not be shortened. The terms of the members taking office under the plan may be shortened to make the plan workable on a permanent basis.

(4) If the plan provides for electoral districts, where a member of the governing body is elected solely by the voters of a single district, the districts must be as near as practicable equal in population. The districts shall be reapportioned and their boundaries changed, if necessary, by resolution of the governing body before the election next following the effective date of the subsequent decennial census to preserve the equality by resolution of the governing body.

(5) The plan shall comply with the:

(A) Constitution of the State of Indiana; and

(B) Constitution of the United States;

including the equal protection clauses of both constitutions.

(6) The provisions of IC 20-23-4-26 through IC 20-23-4-33 ~~and IC 20-23-16-4~~ relating to the board of trustees of a community school corporation and to the community school corporation, including provisions relating to powers of the board and corporation and provisions relating to the mechanics of selection of the board, where elected and where appointed, apply to a governing body set up by a plan under this chapter and to the school corporation.

(b) The limitations set forth in this section do not have to be specifically set forth in a plan but are a part of the plan. A plan shall be

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construed, if possible, to comply with this chapter. If a provision of the plan or an application of the plan violates this chapter, the invalidity does not affect the other provisions or applications of the plan that can be given effect without the invalid provision or application. The provisions of a plan are severable.

SECTION 100. IC 20-23-10-9, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9. A merged school corporation has the powers provided in IC 20-23-4-26 through IC 20-23-4-33. ~~and IC 20-23-16-4.~~

SECTION 101. IC 20-23-11-2, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. The trustee or trustees of Indiana may ~~levy taxes and~~ perform ~~other~~ duties in maintaining the joint school as are otherwise provided by law for maintaining the public schools in Indiana.

SECTION 102. IC 20-23-16-26, AS ADDED BY P.L.1-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 26. (a) A metropolitan board of education shall:

(1) make decisions pertaining to the general conduct of the schools, and these decisions shall be enforced and entered into the minutes recorded by the secretary of the board; and

(2) exercise powers previously exercised under the law, by or through:

(A) township trustees;

(B) meetings or petitions of the township trustees of the county; and

(C) county boards of education previously existing.

The offices of township trustee or county board or county boards of education as far as the conduct of public schools is concerned are abolished as of noon on the day the metropolitan school district is created and comes into existence.

(b) The metropolitan superintendent of schools and other persons employed for administrative or supervisory duties may be considered to be supervisors of instruction and are eligible, subject to the rules adopted by the state board, to qualify for teaching units in accordance with law.

(c) The government of the common schools of a district is vested in the board. The board shall function with the authority, powers, privileges, duties, and obligations previously granted to or required of school cities and their governing boards regarding the:

(1) purchase of supplies;

(2) purchase and sale of:

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(A) buildings;
(B) grounds; and
(C) equipment;
(3) erection of buildings;
(4) employment and dismissal of school personnel;
(5) insuring property and employees;
~~(6) levying and collecting of taxes;~~
~~(7)~~ **(6)** making and executing of a budget;
~~(8)~~ **(7)** borrowing money; and
~~(9)~~ **(8)** paying the salaries and expenses of the:
(A) county superintendent; and
(B) employees;
as approved by the board.

(d) A board is a body corporate and politic by the name and style of "The Metropolitan School District of _____, Indiana" with the right to prosecute and defend suits and shall act as necessary to the proper administration of the common schools of the county.

(e) The school district shall:
(1) be vested with rights, titles, and interests of the district's predecessor township or town school corporations;
(2) assume, pay, and be liable for the:
(A) indebtedness;
(B) obligations;
(C) liabilities; and
(D) duties;
of the predecessor corporations from whatever source derived; and
(3) institute and defend suits arising out of the school district's:
(A) liabilities;
(B) obligations;
(C) duties; and
(D) rights;
assumed by a metropolitan school district.

(f) The treasurer, before entering upon the duties of the office, shall execute a bond to the acceptance of the county auditor. The bond may not be greater than the largest sum of money that will be in the possession of the treasurer at any one (1) time. The board of education may purchase the bond from a reliable surety company and pay for it out of the special school revenue of the metropolitan district.

(g) The powers set forth in this section shall not be considered as or construed to:
(1) limit the power and authority of a school board; or

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(2) restrict or modify powers or authority granted by another law not in conflict with the provisions of this section.

~~(h) A board may annually levy taxes, and the decision to levy taxes shall be recorded in the board's minutes. Taxes should be levied to produce income sufficient to conduct the common schools committed to the board. A board shall annually levy a rate that will produce a sum sufficient to meet payments of principal and interest that will mature in the year that the levy is made on the bonds, notes, or other obligations of the board. The power of a board in making tax levies shall be exercised within statutory limits and levies are subject to the same review as school city levies.~~

SECTION 103. IC 20-24-1-2, AS ADDED BY P.L.1-2005, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. "ADM of the previous year" ~~or "ADM of the prior year"~~ has the meaning set forth in ~~IC 21-3-1.6-1.1(m).~~ **IC 20-43-1-7.**

SECTION 104. IC 20-24-1-6, AS ADDED BY P.L.1-2005, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. "Current ADM" has the meaning set forth in ~~IC 21-3-1.6-1.1(n).~~ **IC 20-43-1-10.**

SECTION 105. IC 20-24-6-7, AS ADDED BY P.L.1-2005, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. (a) A charter school shall participate in the following:

(1) The Indiana state teachers' retirement fund in accordance with ~~IC 21-6.1.~~ **IC 5-10.4.**

(2) The public employees' retirement fund in accordance with IC 5-10.3.

(b) A person who teaches in a charter school is a member of the Indiana state teachers' retirement fund. Service in a charter school is creditable service for purposes of ~~IC 21-6.1.~~ **IC 5-10.4.**

(c) A person who:

(1) is a local school employee of a charter school; and

(2) is not eligible to participate in the Indiana state teachers' retirement fund;

is a member of the public employees' retirement fund.

(d) The boards of the Indiana state teachers' retirement fund and the public employees' retirement fund shall implement this section through the organizer of the charter school, subject to and conditioned upon receiving any approvals either board considers appropriate from the Internal Revenue Service and the United States Department of Labor.

SECTION 106. IC 20-24-7-2, AS ADDED BY P.L.1-2005,

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SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. (a) Not later than the date established by the department for determining ~~average daily membership,~~ **ADM,** and after May 31 each year, the organizer shall submit to the department the following information on a form prescribed by the department:

(1) The number of students enrolled in the charter school.

(2) The name and address of each student.

(3) The name of the school corporation in which the student has legal settlement.

(4) The name of the school corporation, if any, that the student attended during the immediately preceding school year.

(5) The grade level in which the student will enroll in the charter school.

The department shall verify the accuracy of the information reported.

(b) This subsection applies after December 31 of the calendar year in which a charter school begins its initial operation. The department shall distribute to the organizer the ~~amount determined under IC 21-3-1.7 for the charter school.~~ **state tuition support distribution.** The department shall make a distribution under this subsection at the same time and in the same manner as the department makes a distribution **of state tuition support** under ~~IC 21-3-1.7.~~ **IC 20-43-2 to other school corporations.**

(c) The department shall provide to the department of local government finance the following information:

(1) For each county, the number of students who:

(A) have legal settlement in the county; and

(B) attend a charter school.

(2) The school corporation in which each student described in subdivision (1) has legal settlement.

(3) The charter school that a student described in subdivision (1) attends and the county in which the charter school is located.

(4) The amount **of the tuition support levy** determined under ~~IC 6-1.1-19-1.5(f) STEP EIGHT for 2004 and IC 6-1.1-19-1.5(b) STEP SIX for 2005~~ **IC 20-45-3-11** for each school corporation described in subdivision (2).

(5) The amount determined under STEP TWO of the following formula:

STEP ONE: Determine the product of:

(A) the ~~amount~~ **target revenue per ADM (as defined in IC 20-43-1-26)** determined ~~under IC 21-3-1.7-6.7(d) or IC 21-3-1.7-6.7(e)~~ for a charter school described in subdivision (3); multiplied by

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(B) thirty-five hundredths (0.35).

STEP TWO: Determine the product of:

(A) the STEP ONE amount; multiplied by

(B) the current ADM of a charter school described in subdivision (3).

(6) The amount determined under STEP THREE of the following formula:

STEP ONE: Determine the number of students described in subdivision (1) who:

(A) attend the same charter school; and

(B) have legal settlement in the same school corporation located in the county.

STEP TWO: Determine the subdivision (5) STEP ONE amount for a charter school described in STEP ONE (A).

STEP THREE: Determine the product of:

(A) the STEP ONE amount; multiplied by

(B) the STEP TWO amount.

SECTION 107. IC 20-24-7-3, AS ADDED BY P.L.1-2005, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) This section applies to a conversion charter school.

(b) Not later than the date established by the department for determining ~~average daily membership~~ **ADM** and after July 2, the organizer shall submit to a governing body on a form prescribed by the department the information reported under section 2(a) of this chapter for each student who:

(1) is enrolled in the organizer's conversion charter school; and

(2) has legal settlement in the governing body's school corporation.

(c) Beginning not more than sixty (60) days after the department receives the information reported under section 2(a) of this chapter, the department shall distribute to the organizer:

(1) tuition support and other state funding for any purpose for students enrolled in the conversion charter school;

(2) a proportionate share of state and federal funds received:

(A) for students with disabilities; or

(B) staff services for students with disabilities;

enrolled in the conversion charter school; and

(3) a proportionate share of funds received under federal or state categorical aid programs for students who are eligible for the federal or state categorical aid and are enrolled in the conversion charter school;

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for the second six (6) months of the calendar year in which the conversion charter school is established. The department shall make a distribution under this subsection at the same time and in the same manner as the department makes a distribution to the governing body of the school corporation in which the conversion charter school is located. A distribution to the governing body of the school corporation in which the conversion charter school is located is reduced by the amount distributed to the conversion charter school. This subsection does not apply to a conversion charter school after December 31 of the calendar year in which the conversion charter school is established.

(d) This subsection applies beginning with the first property tax distribution described in IC 6-1.1-27-1 to the governing body of the school corporation in which a conversion charter school is located after the governing body receives the information reported under subsection (b). Not more than ten (10) days after the governing body receives a property tax distribution described in IC 6-1.1-27-1, the governing body shall distribute to the conversion charter school the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the quotient of:

(A) the number of students who:

(i) are enrolled in the conversion charter school; and

(ii) were counted in the ADM of the previous year for the school corporation in which the conversion charter school is located; divided by

(B) the current ADM of the school corporation in which the conversion charter school is located.

In determining the number of students enrolled under clause (A)(i), each kindergarten student shall be counted as one-half (1/2) student.

STEP TWO: Determine the total amount of the following revenues to which the school corporation in which the conversion charter school is located is entitled for the second six (6) months of the calendar year in which the conversion charter school is established:

(A) Revenues obtained by the school corporation's:

(i) general fund property tax levy; and

(ii) excise tax revenue (as defined in ~~IC 21-3-1.7-2).~~ **IC 20-43-1-12).**

(B) The school corporation's certified distribution of county adjusted gross income tax revenue under IC 6-3.5-1.1 that is to be used as property tax replacement credits.

STEP THREE: Determine the product of:

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(A) the STEP ONE amount; multiplied by
(B) the STEP TWO amount.

(e) Subsection (d) does not apply to a conversion charter school after the later of the following dates:

(1) December 31 of the calendar year in which the conversion charter school is established.

(2) Ten (10) days after the date on which the governing body of the school corporation in which the conversion charter school is located receives the final distribution described in IC 6-1.1-27-1 of revenues to which the school corporation in which the conversion charter school is located is entitled for the second six (6) months of the calendar year in which the conversion charter school is established.

(f) This subsection applies during the second six (6) months of the calendar year in which a conversion charter school is established. A conversion charter school may apply for an advance from the charter school advancement account under ~~IC 21-1-32~~ **IC 20-49-7** in the amount determined under STEP FOUR of the following formula:

STEP ONE: Determine the result under subsection (d) STEP ONE (A).

STEP TWO: Determine the difference between:
(A) the conversion charter school's current ADM; minus
(B) the STEP ONE amount.

STEP THREE: Determine the quotient of:
(A) the STEP TWO amount; divided by
(B) the conversion charter school's current ADM.

STEP FOUR: Determine the product of:
(A) the STEP THREE amount; multiplied by
(B) the quotient of:
(i) the subsection (d) STEP TWO amount; divided by
(ii) two (2).

SECTION 108. IC 20-24-7-4, AS ADDED BY P.L.1-2005, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. (a) Services that a school corporation provides to a charter school, including transportation, may be provided at not more than one hundred three percent (103%) of the actual cost of the services.

(b) This subsection applies to a sponsor that is a state educational institution described in IC 20-24-1-7(2). In a calendar year, a state educational institution may receive from the organizer of a charter school sponsored by the state educational institution an administrative fee equal to not more than three percent (3%) of the total amount the

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organizer receives during the calendar year:

(1) under ~~IC 6-1.1-19-12~~ **section 12 of this chapter;** and ~~IC 21-3-1.7-8.2.~~

(2) from basic tuition support (as defined in IC 20-43-1-8).

SECTION 109. IC 20-24-7-9, AS ADDED BY P.L.1-2005, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) This section applies if:

(1) a sponsor:

(A) revokes a charter before the end of the term for which the charter is granted; or

(B) does not renew a charter; or

(2) a charter school otherwise terminates its charter before the end of the term for which the charter is granted.

(b) Any local or state funds that remain to be distributed to the charter school in the calendar year in which an event described in subsection (a) occurs shall be distributed as follows:

(1) First, to the common school loan fund to repay any existing obligations of the charter school under ~~IC 21-1-32.~~ **IC 20-49-7.**

(2) Second, to the entities that distributed the funds to the charter school. A distribution under this subdivision shall be on a pro rata basis.

(c) If the funds described in subsection (b) are insufficient to repay all existing obligations of the charter school under ~~IC 21-1-32,~~ **IC 20-49-7,** the state shall repay any remaining obligations of the charter school under ~~IC 21-1-32~~ **IC 20-49-7** from the amount appropriated for **state tuition support** distributions. ~~under IC 21-3-1.7.~~

SECTION 110. IC 20-24-7-12 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 12. (a) Not later than the date on which the department of local government finance certifies a final action under IC 6-1.1-17-16, the department of local government finance shall provide to each county auditor the amount determined under section 2(c)(6) of this chapter for each charter school attended by a student who has legal settlement in both the county and a school corporation located in the county.**

(b) At the same time a county auditor distributes property taxes to a school corporation, the county auditor shall distribute to a charter school the amount described in subsection (a) for the charter school.

(c) A distribution of property taxes to a school corporation does not include an amount distributed under subsection (b).

SECTION 111. IC 20-24-8-5, AS ADDED BY P.L.1-2005,

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SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. The following statutes and rules and guidelines adopted under the following statutes apply to a charter school:

(1) IC 5-11-1-9 (required audits by the state board of accounts).

(2) ~~IC 20-26-6-2~~ **IC 20-39-1-1** (unified accounting system).

(3) IC 20-35 (special education).

(4) IC 20-26-5-10 and IC 20-28-5-9 (criminal history).

(5) IC 20-26-5-6 (subject to laws requiring regulation by state agencies).

(6) IC 20-28-7-14 (void teacher contract when two (2) contracts are signed).

(7) IC 20-28-10-12 (nondiscrimination for teacher marital status).

(8) IC 20-28-10-14 (teacher freedom of association).

(9) IC 20-28-10-17 (school counselor immunity).

(10) For conversion charter schools only, IC 20-28-6, IC 20-28-7, IC 20-28-8, IC 20-28-9, and IC 20-28-10.

(11) IC 20-33-2 (compulsory school attendance).

(12) IC 20-33-3 (limitations on employment of children).

(13) IC 20-33-8-19, IC 20-33-8-21, and IC 20-33-8-22 (student due process and judicial review).

(14) IC 20-33-8-16 (firearms and deadly weapons).

(15) IC 20-34-3 (health and safety measures).

(16) IC 20-33-9 (reporting of student violations of law).

(17) IC 20-30-3-2 and IC 20-30-3-4 (patriotic commemorative observances).

(18) IC 20-31-3, IC 20-32-4, IC 20-32-5, IC 20-32-6, IC 20-32-8, or any other statute, rule, or guideline related to standardized testing (assessment programs, including remediation under the assessment programs).

(19) IC 20-33-7 (parental access to education records).

(20) IC 20-31 (accountability for school performance and improvement).

SECTION 112. IC 20-25-3-2, AS ADDED BY P.L.1-2005, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. (a) The school city board has the following powers:

(1) The powers conferred upon school cities by Acts 1871, c.15.

(2) The powers conferred by law as of March 9, 1931, on boards of school commissioners in cities having a population of one hundred thousand (100,000) or more.

(3) The powers conferred by all laws in effect as of March 9, 1931, on boards of school commissioners in cities having a

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population of more than two hundred thousand (200,000) or more than three hundred thousand (300,000).

(4) The powers conferred under IC 20-26-1, IC 20-26-2, IC 20-26-3, IC 20-26-4, IC 20-26-5, ~~IC 20-26-6, and~~ IC 20-26-7, **and IC 20-41-1,** except as otherwise provided in this chapter.

(b) A school city board provided for by this chapter, in its respective school city, is liable for and must pay and discharge all of the indebtedness, liabilities, and obligations of a board elected in the school city under any of the statutes listed in this section and under this chapter.

(c) The board is vested with the title and ownership of all property of every kind of the existing school city.

SECTION 113. IC 20-25-4-10, AS ADDED BY P.L.1-2005, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 10. ~~(a) The board may not create debt in excess of twenty-five thousand dollars ($25,000) in total, except:~~

~~(1) as otherwise provided in this chapter; or~~

~~(2) for debts that exist on or after March 9, 1931, that are authorized by the general school laws of Indiana, including debt incurred under IC 21-4-20, IC 20-26-1, IC 20-26-2, IC 20-26-3, IC 20-26-4, IC 20-26-5, IC 20-26-6, and IC 20-26-7.~~

~~(b) Notwithstanding subsection (a), the board is liable for the board's lawful contracts with persons rendering services and furnishing materials incident to the ordinary current operations of the board's schools if the contracts have been entered into as provided in this chapter and in accordance with law. The obligations of the board to persons rendering services or furnishing materials is not limited or prohibited by this chapter.~~

~~(c)~~ **(a)** If the compensation to be paid for the purchase of real estate or an interest in real estate required by the board for the board's purposes cannot be agreed upon or determined by the:

(1) board; and

(2) persons owning or having an interest in the land desired;

the board may, by eminent domain, determine the compensation and acquire the title to the real estate or interest in the real estate by court action under IC 32-24.

~~(d)~~ **(b)** The right and power of the board to own and acquire real estate and interests in real estate in any manner and for any purpose specified in this chapter or by the general school laws of Indiana is not limited to real estate situated within the corporate boundaries of the civil city in which a school city is located. However, the right and power to acquire and own real estate extends to any parcel or trace of

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real estate the whole of which is situated:

(1) within one-half (1/2) mile of the nearest point on the corporate boundary of the civil city;

(2) within a platted territory:

(A) outside but contiguous to; or

(B) contiguous to another platted territory that is contiguous to;

the corporate boundary of the civil city; or

(3) within one-half (1/2) mile of the nearest point of the boundary of a platted territory:

(A) outside but contiguous to; or

(B) contiguous to another platted territory that is contiguous to;

the corporate boundary of the civil city.

"Platted territory", as used in this subsection, means a territory or land area for which a plat has been recorded in the manner provided by Indiana ~~statutes~~ **law** pertaining to the recording of plats of land.

~~(c)~~ **(c)** Before acquiring any real estate or interest in real estate outside the corporate limits of the civil city, the board must, by resolution entered into the record of the board's corporate minutes, find and determine that, in the judgment of the board, the real estate or interest in real estate to be acquired will be needed for the future purposes of the board. This chapter does not limit the right of any board to accept, own, and hold real estate or an interest in real estate, wherever situated, that is acquired by the board by gift or devise.

SECTION 114. IC 20-25-4-11, AS ADDED BY P.L.1-2005, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 11. The board has the powers and duties conferred upon governing bodies by existing statutes and by the general school laws, including IC 20-26-1, IC 20-26-2, IC 20-26-3, IC 20-26-4, IC 20-26-5, ~~IC 20-26-6, and~~ IC 20-26-7, **and IC 20-41-1,** to the extent the powers and duties are consistent with this chapter.

SECTION 115. IC 20-25-5-15, AS ADDED BY P.L.231-2005, SECTION 27, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 15. With respect to whether the disposition of the assets and liabilities of the losing school corporation is equitable, the allocation of school tax receipts is equitable, and the amount to be paid by the acquiring school corporation is equitable, a court must be satisfied that the annexing resolution conforms substantially to the following standards:

(1) Except for current obligations or temporary borrowing, the acquiring school corporation shall assume a part of all

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installments of principal and interest on the indebtedness of the losing school corporation that is due after the end of the last calendar year in which the losing school corporation is entitled to receive current tax receipts from property tax levies on the property in the annexed territory. The part assumed by the acquiring school corporation consists of the following:

(A) All installments relating to any indebtedness incurred in connection with the acquisition or construction of a building located in the annexed territory.

(B) A proportion of all installments relating to any other indebtedness that is in the same proportion as the valuation of the real property in the annexed territory bears to the valuation of all the real property in the losing school corporation. Valuation under this clause is based upon the assessment for general taxation immediately before annexation.

(2) The acquiring school corporation shall make the payments and assume the obligations provided for a school corporation acquiring:

(A) territory;

(B) a building or buildings; or

(C) both territory and a building or buildings;

under ~~IC 21-5-10.~~ **IC 20-47-5.**

(3) If the annexed territory includes an entire losing school corporation, the acquiring school corporation shall:

(A) acquire all the property and assets of the losing school corporation without making any payments for the losing school corporation; and

(B) assume all of the liabilities and obligations of the losing school corporation.

SECTION 116. IC 20-25-16-1, AS ADDED BY P.L.1-2005, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. To provide the board with the necessary flexibility and resources to carry out this article, the following apply:

(1) The board may:

(A) eliminate or modify existing policies;

(B) create new policies; and

(C) alter policies;

subject to this article and the plan developed under IC 20-25-10.

(2) IC 20-29 applies to the school city, except for the provision of IC 20-29-6-7(a) that requires any items included in the 1972-1973 agreements between an employer school corporation and an employee organization to continue to be bargainable.

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(3) The board may waive the following statutes and rules for any school in the school city without administrative, regulatory, or legislative approval:

(A) The following rules concerning curriculum and instructional time:

511 IAC 6.1-3-4
511 IAC 6.1-5-0.5
511 IAC 6.1-5-1
511 IAC 6.1-5-2.5
511 IAC 6.1-5-3.5
511 IAC 6.1-5-4.

(B) 511 IAC 6.1-4-1 concerning student/teacher ratios.

(C) The following statutes and rules concerning textbooks and rules adopted under the statutes:

IC 20-20-5-1 through IC 20-20-5-4
IC 20-20-5-23
IC 20-26-12-1
IC 20-26-12-2
IC 20-26-12-24
IC 20-26-12-26
IC 20-26-12-28
511 IAC 6.1-5-5.

(D) 511 IAC 6.1-4-2 concerning school principals.

(4) Notwithstanding any other law, a school city may do the following:

(A) Lease school transportation equipment to others for nonschool use when the equipment is not in use for a school city purpose.

(B) Establish a professional development and technology fund to be used for:

(i) professional development; or
(ii) technology, including video distance learning.

(C) Transfer funds obtained from sources other than state or local government taxation to any account of the school corporation, including a professional development and technology fund established under clause (B).

(5) Transfer funds obtained from property taxation to the general fund ~~(established under IC 21-2-11)~~ and the school transportation fund, ~~(established under IC 21-2-11.5),~~ subject to the following:

(A) The sum of the property tax rates for the general fund and the school transportation fund after a transfer occurs under this subdivision may not exceed the sum of the property tax rates

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for the general fund and the school transportation fund before a transfer occurs under this subdivision.

(B) This subdivision does not allow a school corporation to transfer to any other fund money from the debt service fund. ~~established under IC 21-2-4.~~

SECTION 117. IC 20-26-5-4, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers:

(1) In the name of the school corporation, to sue and be sued and to enter into contracts in matters permitted by applicable law.

(2) To take charge of, manage, and conduct the educational affairs of the school corporation and to establish, locate, and provide the necessary schools, school libraries, other libraries where permitted by law, other buildings, facilities, property, and equipment.

(3) To appropriate from the school corporation's general fund an amount, not to exceed the greater of three thousand dollars ($3,000) per budget year or one dollar ($1) per pupil, not to exceed twelve thousand five hundred dollars ($12,500), based on the school corporation's previous year's ~~average daily membership (as defined in IC 21-3-1.6-1.1)~~ **ADM,** to promote the best interests of the school corporation through:

(A) the purchase of meals, decorations, memorabilia, or awards;

(B) provision for expenses incurred in interviewing job applicants; or

(C) developing relations with other governmental units.

(4) To:

(A) Acquire, construct, erect, maintain, hold, and contract for construction, erection, or maintenance of real estate, real estate improvements, or an interest in real estate or real estate improvements, as the governing body considers necessary for school purposes, including buildings, parts of buildings, additions to buildings, rooms, gymnasiums, auditoriums, playgrounds, playing and athletic fields, facilities for physical training, buildings for administrative, office, warehouse, repair activities, or housing school owned buses, landscaping, walks, drives, parking areas, roadways, easements and facilities for power, sewer, water, roadway, access, storm and surface water, drinking water, gas, electricity, other utilities and

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similar purposes, by purchase, either outright for cash (or under conditional sales or purchase money contracts providing for a retention of a security interest by the seller until payment is made or by notes where the contract, security retention, or note is permitted by applicable law), by exchange, by gift, by devise, by eminent domain, by lease with or without option to purchase, or by lease under ~~IC 21-5-10, IC 21-5-11, or IC 21-5-12.~~ **IC 20-47-2, IC 20-47-3, or IC 20-47-5.**

(B) Repair, remodel, remove, or demolish, or to contract for the repair, remodeling, removal, or demolition of the real estate, real estate improvements, or interest in the real estate or real estate improvements, as the governing body considers necessary for school purposes.

(C) Provide for energy conservation measures through utility energy efficiency programs or under a guaranteed energy savings contract as described in IC 36-1-12.5.

(5) To acquire personal property or an interest in personal property as the governing body considers necessary for school purposes, including buses, motor vehicles, equipment, apparatus, appliances, books, furniture, and supplies, either by cash purchase or under conditional sales or purchase money contracts providing for a security interest by the seller until payment is made or by notes where the contract, security, retention, or note is permitted by applicable law, by gift, by devise, by loan, or by lease with or without option to purchase and to repair, remodel, remove, relocate, and demolish the personal property. All purchases and contracts ~~delineated~~ **specified** under the powers ~~given~~ **authorized** under subdivision (4) and this subdivision are subject solely to applicable law relating to purchases and contracting by municipal corporations in general and to the supervisory control of state agencies as provided in section 6 of this chapter.

(6) To sell or exchange real or personal property or interest in real or personal property that, in the opinion of the governing body, is not necessary for school purposes, in accordance with IC 20-26-7, to demolish or otherwise dispose of the property if, in the opinion of the governing body, the property is not necessary for school purposes and is worthless, and to pay the expenses for the demolition or disposition.

(7) To lease any school property for a rental that the governing body considers reasonable or to permit the free use of school property for:

(A) civic or public purposes; or

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(B) the operation of a school age child care program for children **who are at least** five (5) years of age ~~through fourteen (14)~~ **and less than fifteen (15)** years of age that operates before or after the school day, or both, and during periods when school is not in session;

if the property is not needed for school purposes. Under this subdivision, the governing body may enter into a long term lease with a nonprofit corporation, community service organization, or other governmental entity, if the corporation, organization, or other governmental entity will use the property to be leased for civic or public purposes or for a school age child care program. However, if payment for the property subject to a long term lease is made from money in the school corporation's debt service fund, all proceeds from the long term lease must be deposited in the school corporation's debt service fund so long as payment for the property has not been made. The governing body may, at the governing body's option, use the procedure specified in IC 36-1-11-10 in leasing property under this subdivision.

(8) To:

(A) Employ, contract for, and discharge superintendents, supervisors, principals, teachers, librarians, athletic coaches (whether or not they are otherwise employed by the school corporation and whether or not they are licensed under IC 20-28-5), business managers, superintendents of buildings and grounds, janitors, engineers, architects, physicians, dentists, nurses, accountants, teacher aides performing noninstructional duties, educational and other professional consultants, data processing and computer service for school purposes, including the making of schedules, the keeping and analyzing of grades and other student data, the keeping and preparing of warrants, payroll, and similar data where approved by the state board of accounts as provided below, and other personnel or services as the governing body considers necessary for school purposes.

(B) Fix and pay the salaries and compensation of persons and services described in this subdivision.

(C) Classify persons or services described in this subdivision and to adopt schedules of salaries or compensation.

(D) Determine the number of the persons or the amount of the services employed or contracted for as provided in this subdivision.

(E) Determine the nature and extent of the duties of the

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persons **described in this subdivision.**

The compensation, terms of employment, and discharge of teachers are, however, subject to and governed by the laws relating to employment, contracting, compensation, and discharge of teachers. The compensation, terms of employment, and discharge of bus drivers is subject to and governed by laws relating to employment, contracting, compensation, and discharge of bus drivers. The forms and procedures relating to the use of computer and data processing equipment in handling the financial affairs of the school corporation must be submitted to the state board of accounts for approval ~~to the end~~ **so** that the services are used by the school corporation when the governing body determines that it is in the best interest of the school corporation while at the same time providing reasonable accountability for the funds expended.

(9) Notwithstanding the appropriation limitation in subdivision (3), when the governing body by resolution considers a trip by an employee of the school corporation or by a member of the governing body to be in the interest of the school corporation, including attending meetings, conferences, or examining equipment, buildings, and installation in other areas, to permit the employee to be absent in connection with the trip without any loss in pay and to ~~refund to~~ **reimburse** the employee or ~~to~~ the member the employee's or member's reasonable ~~hotel and board bills~~ **lodging and meal expenses** and necessary transportation expenses. To pay teaching personnel for time spent in sponsoring and working with school related trips or activities.

(10) To transport children to and from school, when in the opinion of the governing body the transportation is necessary, including considerations for the safety of the children and without regard to the distance the children live from the school. The transportation ~~to~~ **must** be otherwise in accordance with applicable law.

(11) To provide a lunch program for a part or all of the students attending the schools of the school corporation, including the establishment of kitchens, kitchen facilities, kitchen equipment, lunch rooms, the hiring of the necessary personnel to operate the lunch program, and the purchase of material and supplies for the lunch program, charging students for the operational costs of the lunch program, fixing the price per meal or per food item. To operate the lunch program as an extracurricular activity, subject to the supervision of the governing body. To participate in a

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surplus commodity or lunch aid program.

(12) To purchase textbooks, to furnish textbooks without cost or to rent textbooks to students, to participate in a textbook aid program, all in accordance with applicable law.

(13) To accept students transferred from other school corporations and to transfer students to other school corporations in accordance with applicable law.

(14) To ~~levy taxes, to~~ make budgets, to appropriate funds, and to disburse the money of the school corporation in accordance with applicable law. To borrow money against current tax collections and otherwise to borrow money, in accordance with ~~IC 21-2-21.~~ **IC 20-48-1.**

(15) To purchase insurance or to establish and maintain a program of self-insurance relating to the liability of the school corporation or the school corporation's employees in connection with motor vehicles or property and for additional coverage to the extent permitted and in accordance with IC 34-13-3-20. To purchase additional insurance or to establish and maintain a program of self-insurance protecting the school corporation and members of the governing body, employees, contractors, or agents of the school corporation from liability, risk, accident, or loss related to school property, school contract, school or school related activity, including the purchase of insurance or the establishment and maintenance of a self-insurance program protecting persons described in this subdivision against false imprisonment, false arrest, libel, or slander for acts committed in the course of the persons' employment, protecting the school corporation for fire and extended coverage and other casualty risks to the extent of replacement cost, loss of use, and other insurable risks relating to property owned, leased, or held by the school corporation. To:

(A) participate in a state employee health plan under IC 5-10-8-6.6;

(B) purchase insurance; or

(C) establish and maintain a program of self-insurance;

to benefit school corporation employees, including accident, sickness, health, or dental coverage, provided that a plan of self-insurance must include an aggregate stop-loss provision.

(16) To make all applications, to enter into all contracts, and to sign all documents necessary for the receipt of aid, money, or property from the state, ~~government,~~ the federal government, or from any other source.

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(17) To defend ~~any~~ **a** member of the governing body or any employee of the school corporation in any suit arising out of the performance of the member's or employee's duties for or employment with, the school corporation, if the governing body by resolution determined that the action was taken in good faith. To save any member or employee harmless from any liability, cost, or damage in connection with the performance, including the payment of legal fees, except where the liability, cost, or damage is predicated on or arises out of the bad faith of the member or employee, or is a claim or judgment based on the member's or employee's malfeasance in office or employment.

(18) To prepare, make, enforce, amend, or repeal rules, regulations, and procedures:

(A) for the government and management of the schools, property, facilities, and activities of the school corporation, the school corporation's agents, employees, and pupils and for the operation of the governing body; ~~which rules, regulations,~~ and ~~procedures~~

(B) that may be designated by an appropriate title such as "policy handbook", "bylaws", or "rules and regulations".

(19) To ratify and approve any action taken by a member of the governing body, an officer of the governing body, or an employee of the school corporation after the action is taken, if the action could have been approved in advance, and in connection with the action to pay the expense or compensation permitted under IC 20-26-1 through IC 20-26-5, IC 20-26-7, ~~IC 21-2-19,~~ **IC 20-40-12,** and ~~IC 21-2-21~~ **IC 20-48-1** or any other law.

(20) To exercise any other power and make any expenditure in carrying out the governing body's general powers and purposes provided in this chapter or in carrying out the powers delineated in this section which is reasonable from a business or educational standpoint in carrying out school purposes of the school corporation, including the acquisition of property or the employment or contracting for services, even though the power or expenditure is not specifically set out in this chapter. The specific powers set out in this section do not limit the general grant of powers provided in this chapter except where a limitation is set out in IC 20-26-1 through IC 20-26-5, IC 20-26-7, ~~IC 21-2-19,~~ **IC 20-40-12,** and ~~IC 21-2-21~~ **IC 20-48-1** by specific language or by reference to other law.

SECTION 118. IC 20-26-5-12, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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JULY 1, 2006]: Sec. 12. Except for IC 20-26-4-1, IC 20-26-4-4, and IC 20-26-4-5, the powers given each school corporation in IC 20-26-1 through IC 20-26-5, IC 20-26-7, ~~IC 21-2-19,~~ **IC 20-40-12,** and ~~IC 21-2-21~~ **IC 20-48-1** and the limitations on those powers set out in IC 20-26-1 through IC 20-26-5, IC 20-26-7, ~~IC 21-2-19,~~ **IC 20-40-12,** and ~~IC 21-2-21~~ **IC 20-48-1** may not be construed to limit the authority of the governing body given by any other statute or rule.

SECTION 119. IC 20-26-5-13, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 13. Except as provided in section 12 of this chapter, IC 20-26-1 through IC 20-26-5, IC 20-26-7, ~~IC 21-2-19,~~ **IC 20-40-12,** and ~~IC 21-2-21 is~~ **IC 20-48-1 are** supplemental to all other statutes and rules. The powers given to any school corporation under IC 20-26-1 through IC 20-26-5, IC 20-26-7, ~~IC 21-2-19,~~ **IC 20-40-12,** and ~~IC 21-2-21~~ **IC 20-48-1** are in addition to those given by any other statute or rule and are not subject to any limitations set out in those statutes or to comply with those statutes, except to the extent provided in IC 20-26-1 through IC 20-26-5, IC 20-26-7, ~~IC 21-2-19,~~ **IC 20-40-12,** and ~~IC 21-2-21~~ **IC 20-48-1** by specific reference to a designated statute or the statute or rule relating to a given subject. ~~All statutes in conflict with IC 20-26-1 through IC 20-26-5, IC 20-26-7, IC 21-2-19, and IC 21-2-21 are repealed to the extent of the conflict.~~

SECTION 120. IC 20-26-5-14, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 14. IC 20-26-1 through IC 20-26-5, IC 20-26-7, ~~IC 21-2-19,~~ **IC 20-40-12,** and ~~IC 21-2-21~~ **IC 20-48-1** shall be liberally construed to permit the governing body of a school corporation to conduct its affairs in a manner consistent with sound business practice to the ends that the authority of the governing body is clarified and that it is permitted to operate with the maximum efficiency consistent with accountability.

SECTION 121. IC 20-26-5-20, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 20. The governing body of any school corporation may:

(1) permit any of its facilities to be used by any person in situations and at times that do not interfere with use of the facility for school purposes, ~~as for example:~~ **including:**

~~(1)~~ **(A)** use of a swimming pool or other athletic facility; or

~~(2)~~ **(B)** use of classrooms or other space in a school for purposes of school age childcare; and

~~may~~ **(2)** incur any necessary expense in the use or operation of the

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facility.

The governing body may set up and charge a schedule of fees for admission to or use of any facility outside the school corporation's regular school program. Fees shall be deposited in the general fund or the ~~special school fund~~ **extracurricular account** of the school corporation.

SECTION 122. IC 20-26-5-30, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 30. A school corporation may use funds under ~~section 27 of this chapter~~ **IC 36-12-14-4** for the aid, maintenance, and support of nursery schools conducted by an association incorporated to operate a nursery school.

SECTION 123. IC 20-26-7-36, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 36. Before the governing body exercises power granted by any law to spend more than one million dollars ($1,000,000) to build, repair, or alter school buildings that would be financed by:

(1) entering into a lease agreement under ~~IC 21-5-11-7~~ **IC 20-47-2-11 through IC 20-47-2-14** or ~~IC 21-5-12-7,~~ **IC 20-47-3-9 through IC 20-47-3-12;**

(2) issuing bonds under ~~IC 21-2-21,~~ **IC 20-48-1;** or

(3) any other available method;

the governing body may order the preparation and pay the costs of a feasibility study.

SECTION 124. IC 20-26-7-37, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 37. (a) If the governing body proposes to construct, repair, or alter a school building at a cost of more than one million dollars ($1,000,000) that would be financed by:

(1) entering into a lease agreement under ~~IC 21-5-11-7~~ **IC 20-47-2-11 through IC 20-47-2-14** or ~~IC 21-5-12-7,~~ **IC 20-47-3-9 through IC 20-47-3-12;**

(2) issuing bonds under ~~IC 21-2-21,~~ **IC 20-48-1;** or

(3) any other available method;

the governing body must hold a public hearing at which explanations of the potential value of the proposed project to the school corporation and to the community shall be given and at which interested parties may present testimony and questions.

(b) Notice of the hearing shall be given in accordance with IC 5-3-1. The notice must state that on a given day, ~~at an hour,~~ **time,** and place, the governing body will meet to discuss and hear objections and support to the proposed construction.

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SECTION 125. IC 20-26-7-41 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 41. A township trustee may, whenever:**

(1) a schoolhouse is removed to a different location or a new one erected for the school in a different place; and

(2) the land where the schoolhouse is situated belongs unconditionally to the township, town, or city;

sell the land, if the trustee believes it is advantageous to the township, town, or city to do so. The township trustee shall sell the land for the highest price that can be obtained for the land. Upon payment of the purchase money to the township, town, or city, the township trustee shall execute to the purchaser a deed of conveyance, which must be sufficient to vest in the purchaser the title the township, town, or city has to the land. The money derived from the sale becomes a part of the school revenue.

SECTION 126. IC 20-26-7-42 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 42. (a) If an officer authorized to sell school land sells any lands without a title to the land, the officer or the officer's successor in office may convey other land of equal value that is agreed upon by the officer and the purchaser, purchaser's heirs, or purchaser's assigns. If an agreement is not made, the purchase money, with interest, shall be repaid to the purchaser, purchaser's heirs, purchaser's executors, purchaser's administrators, or purchaser's assigns.**

(b) Purchase money may not be repaid until the prosecuting attorney has:

(1) investigated the facts of the case; and

(2) certified to the correctness of the claim.

SECTION 127. IC 20-26-7-43 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 43. (a) This section applies to school corporations organized and formed through reorganization under IC 20-23-4, IC 20-23-6, or IC 20-23-7 and school townships under IC 20-23-3.**

(b) This section applies only when a school corporation or school township sustains loss by fire, wind, cyclone, or other disaster of all or a major part of its school building or school buildings.

(c) A school corporation or school township seeking to exercise its right of eminent domain under IC 32-24 to obtain land for use in reconstructing or replacing the school building or school

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buildings may not condemn more than twice the acreage established by the state board as the minimum acreage requirement for the type of school building damaged or destroyed and being reconstructed or replaced. In determining the acreage, land already owned by the school corporation or school township that adjoins any part of the land out of which additional land is sought to be condemned shall be used in computing the total acreage for the reconstruction or replacement of the school building or school buildings under this section. The need for the additional land is subject to judicial review in the court where the condemnation action is filed and may, at the request of either party, be tried either by the court or a jury before appraisers are appointed with full rights of appeal, by either party, from the interlocutory findings.

SECTION 128. IC 20-26-7-44 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 44. (a) If:**

(1) a school township has acquired or acquires any personal property or money by gift, devise, or bequest;

(2) the donor or testator, at the time of making the gift, devise, or bequest does not or did not attach any conditions or directions concerning the way or manner in which the gift, devise, or bequest may or shall be used or expended for the benefit of the public schools of the school township; and

(3) a petition is signed by at least fifty (50) resident freeholders of the school township and filed before August 2 with the trustee of the school township, requesting the township board to appropriate and transfer all of the gift, devise, or bequest to a capital projects fund or debt service fund to be used for the erection of a new school building or buildings;

the trustee shall give notice to the taxpayers of the school township, by publication, that on the same day on which the township board meets to establish the tax levy for the ensuing year, all persons interested in the proposed petition may appear and be heard.

(b) If the township board grants the petition after the hearing, the township board shall appropriate and transfer all the money of the gift, devise, or bequest to a capital projects fund or debt service fund for the erection of a new school building or buildings.

(c) If any gift, devise, or bequest subject to this section consists of stocks, bonds, or other personal property, the township trustee, with the consent and approval of the township board, may sell the

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stocks, bonds, or other personal property for not less than the market value of the property on the day on which the property is sold.

SECTION 129. IC 20-26-10-8, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) The governing bodies of participating school corporations may pay into a joint fund, ~~to be~~ known as the joint services, leasing, construction, and supply fund, an amount set forth in the written agreement under section 3 of this chapter. ~~A~~ **Each** governing body shall budget and appropriate funds for the joint program from ~~a special school fund or tuition~~ **the school corporation's general** fund ~~of their respective school corporations~~ in accordance with laws governing the use of ~~those funds.~~ **the general fund.**

(b) The joint services, leasing, construction, and supply fund shall be held by the governing body of the school corporation designated in the written agreement to administer and supervise the joint program. The designated governing body shall receive, disburse, and maintain an account for the fund in the same manner as prescribed for other funds of the governing body and under the written agreement but without any further or additional appropriation of the funds. The designated governing body shall:

(1) make a complete and detailed financial report of all receipts and disbursements not later than thirty (30) days after the end of each school year; and ~~shall~~

(2) furnish copies of the report to the governing bodies of all other participating school corporations.

The reports required under this ~~chapter~~ **section** are supplementary to and do not supersede or repeal the requirements for publication of annual reports of certain school corporations as provided by IC 5-3-1.

SECTION 130. IC 20-26-11-13, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 13. (a) As used in this section, the following terms have the following meanings:

~~(1) "ADM" means the following:~~

~~(A) For purposes of allocating to a transfer student state distributions under IC 21-1-30 (primetime), "ADM" as computed under IC 21-1-30-2.~~

~~(B) For all other purposes, "ADM" as set forth in IC 21-3-1.6-1.1.~~

~~(2)~~ **(1)** "Class of school" refers to a classification of each school or program in the transferee corporation by the grades or special programs taught at the school. Generally, these classifications are

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denominated as kindergarten, elementary school, middle school or junior high school, high school, and special schools or classes, such as schools or classes for special education, vocational training, or career education.

~~(3)~~ **(2)** "Special equipment" means equipment that during a school year:

(A) is used only when a child with disabilities is attending school;

(B) is not used to transport a child to or from a place where the child is attending school;

(C) is necessary for the education of each child with disabilities that uses the equipment, as determined under the individualized education program for the child; and

(D) is not used for or by any child who is not a child with disabilities.

~~(4)~~ **(3)** "Student enrollment" means the following:

(A) The total number of students in kindergarten through grade 12 who are enrolled in a transferee school corporation on a date determined by the state board.

(B) The total number of students enrolled in a class of school in a transferee school corporation on a date determined by the state board.

However, a kindergarten student shall be counted under clauses (A) and (B) as one-half (1/2) student. The state board may select a different date for counts under this subdivision. However, the same date shall be used for all school corporations making a count for the same class of school.

(b) Each transferee corporation is entitled to receive for each school year on account of each transferred student, except a student transferred under section 6 of this chapter, transfer tuition from the transferor corporation or the state as provided in this chapter. Transfer tuition equals the amount determined under STEP THREE of the following formula:

STEP ONE: Allocate to each transfer student the capital expenditures for any special equipment used by the transfer student and a proportionate share of the operating costs incurred by the transferee school for the class of school where the transfer student is enrolled.

STEP TWO: If the transferee school included the transfer student in the transferee school's ADM for a school year, allocate to the transfer student a proportionate share of the following general fund revenues of the transferee school for, except as provided in

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clause (C), the calendar year in which the school year ends:

(A) ~~The following~~ State **tuition support** distributions. ~~that are computed in any part using ADM or other student count in which the student is included:~~

~~(i) Primetime grant under IC 21-1-30.~~

~~(ii) Tuition support for basic programs.~~

~~(iii) Enrollment growth grant under IC 21-3-1.7-9.5.~~

~~(iv) At-risk grant under IC 21-3-1.7-9.7.~~

~~(v) Academic honors diploma award under IC 21-3-1.7-9.8.~~

~~(vi) Vocational education grant under IC 21-3-12.~~

~~(vii) Special education grant under IC 21-3-2.1.~~

~~(viii) The portion of the ADA flat grant that is available for the payment of general operating expenses under IC 21-3-4.5-2(b)(1).~~

(B) Property tax levies.

(C) Excise tax revenue (as defined in ~~IC 21-3-1.7-2)~~ **IC 20-43-1-12)** received for deposit in the calendar year in which the school year begins.

(D) Allocations to the transferee school under IC 6-3.5.

STEP THREE: Determine the greater of:

(A) zero (0); or

(B) the result of subtracting the STEP TWO amount from the STEP ONE amount.

If a child is placed in an institution or facility in Indiana under a court order, the institution or facility shall charge the county office of the county of the student's legal settlement under IC 12-19-7 for the use of the space within the institution or facility (commonly called capital costs) that is used to provide educational services to the child based upon a prorated per student cost.

(c) Operating costs shall be determined for each class of school where a transfer student is enrolled. The operating cost for each class of school is based on the total expenditures of the transferee corporation for the class of school from its general fund expenditures as specified in the classified budget forms prescribed by the state board of accounts. This calculation excludes:

(1) capital outlay;

(2) debt service;

(3) costs of transportation;

(4) salaries of board members;

(5) contracted service for legal expenses; and

(6) any expenditure that is made out of the general fund from extracurricular account receipts;

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for the school year.

(d) The capital cost of special equipment for a school year is equal to:

(1) the cost of the special equipment; divided by

(2) the product of:

(A) the useful life of the special equipment, as determined under the rules adopted by the state board; multiplied by

(B) the number of students using the special equipment during at least part of the school year.

(e) When an item of expense or cost described in subsection (c) cannot be allocated to a class of school, it shall be prorated to all classes of schools on the basis of the student enrollment of each class in the transferee corporation compared with the total student enrollment in the school corporation.

(f) Operating costs shall be allocated to a transfer student for each school year by dividing:

(1) the transferee school corporation's operating costs for the class of school in which the transfer student is enrolled; by

(2) the student enrollment of the class of school in which the transfer student is enrolled.

When a transferred student is enrolled in a transferee corporation for less than the full school year of student attendance, the transfer tuition shall be calculated by the part of the school year for which the transferred student is enrolled. A school year of student attendance consists of the number of days school is in session for student attendance. A student, regardless of the student's attendance, is enrolled in a transferee school unless the student is no longer entitled to be transferred because of a change of residence, the student has been excluded or expelled from school for the balance of the school year or for an indefinite period, or the student has been confirmed to have withdrawn from school. The transferor and the transferee corporation may enter into written agreements concerning the amount of transfer tuition due in any school year. If an agreement cannot be reached, the amount shall be determined by the state board, and costs may be established, when in dispute, by the state board of accounts.

(g) A transferee school shall allocate revenues described in subsection (b) STEP TWO to a transfer student by dividing:

(1) the total amount of revenues received; by

(2) the ADM of the transferee school for the school year that ends in the calendar year in which the revenues are received.

However, for state **tuition support** distributions ~~under IC 21-1-30, IC 21-3-2.1, IC 21-3-12,~~ or any other ~~statute that computes the amount~~

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~~of a state distribution~~ **state distribution computed** using less than the total ADM of the transferee school, the transferee school shall allocate the revenues to the transfer student by dividing the revenues that the transferee school is eligible to receive in a calendar year by the student count used to compute the state distribution.

(h) Instead of the payments provided in subsection (b), the transferor corporation or state owing transfer tuition may enter into a long term contract with the transferee corporation governing the transfer of students. The contract may:

(1) be entered into for a period of not more than five (5) years with an option to renew;

(2) specify a maximum number of students to be transferred; and

(3) fix a method for determining the amount of transfer tuition and the time of payment, which may be different from that provided in section 14 of this chapter.

(i) If the school corporation can meet the requirements of ~~IC 21-1-30-5,~~ **IC 20-43-9-8,** it may negotiate transfer tuition agreements with a neighboring school corporation that can accommodate additional students. Agreements under this section may:

(1) be for one (1) year or longer; and

(2) fix a method for determining the amount of transfer tuition or time of payment that is different from the method, amount, or time of payment that is provided in this section or section 14 of this chapter.

A school corporation may not transfer a student under this section without the prior approval of the child's parent.

(j) If a school corporation experiences a net financial impact with regard to transfer tuition that is negative for a particular school year as described in ~~IC 6-1.1-19-5.1,~~ **IC 20-45-6-8,** the school corporation may appeal for an excessive levy as provided under ~~IC 6-1.1-19-5.1.~~ **IC 20-45-6-8.**

SECTION 131. IC 20-26-11-20, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 20. ~~(a) As used in sections 19 through 29 of this chapter, "ADM" refers to ADM as defined in IC 21-3-1.6-1.1.~~

~~(b) As used in sections 19 through 29 of this chapter, "capital projects fund" refers to the school corporation fund set up under IC 21-2-15.~~

~~(c)~~ **(a)** As used in sections 19 through 29 of this chapter, "class of school" refers to a classification of each school in the transferee corporation by the grades taught therein (generally denominated as elementary schools, middle schools or junior high schools, high

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schools, and special schools such as schools for special education, vocational training or career education). Elementary schools include schools containing kindergarten, but for purposes of this chapter, a kindergarten student shall be counted as one-half (1/2) student.

~~(d) As used in sections 19 through 29 of this chapter, "debt service fund" refers to the school corporation fund set up under IC 21-2-4.~~

~~(e) As used in sections 19 through 29 of this chapter, "general fund" refers to the school corporation funds set up under IC 21-2-11.~~

~~(f)~~ **(b)** As used in sections 19 through 29 of this chapter, "transferee corporation" means the school corporation receiving students under a court order described in section 19 of this chapter.

~~(g)~~ **(c)** As used in sections 19 through 29 of this chapter, "transferor corporation" means the school corporation transferring students under a court order described in section 19 of this chapter.

~~(h)~~ **(d)** As used in sections 19 through 29 of this chapter, "transferred student" means any student transferred under a court order described in section 19 of this chapter.

SECTION 132. IC 20-26-11-23, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 23. (a) If a transfer is ordered to commence in a school year, where the transferor corporation has net additional costs over savings (on account of any transfer ordered) allocable to the calendar year in which the school year begins, and where the transferee corporation does not have budgeted funds for the net additional costs, the net additional costs may be recovered by one (1) or more of the following methods in addition to any other methods provided by applicable law:

(1) An emergency loan made under ~~IC 21-2-21-6~~ **IC 20-48-1-7** to be paid, out of the debt service levy and fund, or a loan from any state fund made available for the net additional costs.

(2) An advance in the calendar year of state funds, which would otherwise become payable to the transferee corporation after such calendar year under law.

(3) A grant or grants in the calendar year from any funds of the state made available for the net additional costs.

(b) The net additional costs must be certified by the department of local government finance, and any grant shall be made solely after affirmative recommendation of the school property tax control board. ~~established by IC 6-1.1-19-4.1.~~ Repayment of any advance or loan from the state shall be made in accordance with ~~IC 6-1.1-19-4.5(d).~~ **IC 20-45-6-3.** The use of any of the methods in this section does not subject the transferor corporation to ~~IC 6-1.1-19-4.7.~~ **IC 20-45-6-5 or**

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IC 20-45-6-6.

SECTION 133. IC 20-26-11-25, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 25. (a) Payment of the operating cost must be paid from and receipted to the respective general funds of the transferor and transferee corporations.

(b) Payment of capital costs must be made by the transferor corporation, at its discretion, from any fund or source and be receipted by the transferee corporation, at its discretion, either to the ~~cumulative building~~ **capital projects** fund or to the debt service fund.

SECTION 134. IC 20-26-11-27, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 27. Transportation must be provided by the transferor corporation to each transferred student under IC 20-27. However, the transferor corporation may contract with the transferee corporation to provide transportation to the transferred students ~~(the transferor corporation paying the costs of transportation)~~ **at the expense of the transferor corporation,** and that the transferor corporation, in addition to the other means of financing the purchase of transportation equipment, may make the purchases out of its ~~cumulative building~~ **capital projects** fund.

SECTION 135. IC 20-26-15-6, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. Except as provided in this chapter and notwithstanding any other law, a freeway school corporation or a freeway school may do the following during the contract period:

(1) Disregard the observance of any statute or rule that is listed in the contract.

(2) Lease school transportation equipment to others for nonschool use when the equipment is not in use for a school corporation purpose, if the lessee has not received a bid from a private entity to provide transportation equipment or services for the same purpose.

(3) Replace the budget and accounting system that is required by law with a budget or accounting system that is frequently used in the private business community. The state board of accounts may not go beyond the requirements imposed upon the state board of accounts by statute in reviewing the budget and accounting system used by a freeway school corporation or a freeway school.

(4) Establish a professional development and technology fund to be used for:

(A) professional development; or

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(B) technology, including video distance learning.

However, any money deposited in the professional development and technology fund for technology purposes must be transferred to the school technology fund. ~~established under IC 21-2-18.~~

(5) Subject to subdivision (4), transfer funds obtained from sources other than state or local government taxation among any accounts of the school corporation, including a professional development and technology fund established under subdivision (4).

(6) Transfer funds obtained from property taxation and from state distributions among the general fund ~~(established under IC 21-2-11)~~ and the school transportation fund, ~~(established under IC 21-2-11.5),~~ subject to the following:

(A) The sum of the property tax rates for the general fund and the school transportation fund after a transfer occurs under this subdivision may not exceed the sum of the property tax rates for the general fund and the school transportation fund before a transfer occurs under this subdivision.

(B) This subdivision does not allow a school corporation to transfer to any other fund money from the:

(i) capital projects fund; ~~(established under IC 21-2-15),~~ or

(ii) debt service fund. ~~(established under IC 21-2-4).~~

(7) Establish a locally adopted assessment program to replace the assessment of students under the ISTEP program established under IC 20-32-5-15, subject to the following:

(A) A locally adopted assessment program must be established by the governing body and approved by the department.

(B) A locally adopted assessment program may use a locally developed test or a nationally developed test.

(C) Results of assessments under a locally adopted assessment program are subject to the same reporting requirements as results under the ISTEP program.

(D) Each student who completes a locally adopted assessment program and the student's parent have the same rights to inspection and rescoring as set forth in IC 20-32-5-9.

SECTION 136. IC 20-27-9-7, AS ADDED BY P.L.1-2005, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. (a) As used in this section, "developmentally disabled person" means a person who has a developmental disability (as defined in IC 12-7-2-61).

(b) A special education cooperative operating under IC 36-1-7, IC 20-35-5, or IC 20-26-10 or a school corporation may enter into an

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agreement with a state supported agency serving developmentally disabled persons in which a school bus or special purpose bus used by the special education cooperative or school corporation may be used to transport developmentally disabled persons who:

(1) are at least two (2) years of age; and

(2) live within the boundaries of the special education cooperative or school corporation;

to and from programs for the developmentally disabled.

(c) An increased cost of transportation for developmentally disabled persons ~~not reimbursed under IC 21-3-3.1~~ shall be borne by the persons transported or the state supported agency serving the developmentally disabled. However, a developmentally disabled person may not be required to pay for transportation provided under this section if the required payment is contrary to law.

SECTION 137. IC 20-28-6-3, AS ADDED BY P.L.1-2005, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. The state superintendent shall do the following:

(1) Prescribe the following forms:

(A) The uniform teacher's contract in the following alternate forms:

(i) The regular teacher's contract.

(ii) The temporary teacher's contract.

(B) The supplemental service teacher's contract.

(2) Furnish each school corporation with the forms.

(3) Require each school corporation to include in the school corporation's semiannual report on ~~average daily attendance~~ **ADA** a statement that the school corporation is in compliance with IC 20-28-5-2, sections 4 through 7 of this chapter, IC 20-28-9-7, and IC 20-28-9-8.

SECTION 138. IC 20-28-7-15, AS ADDED BY P.L.1-2005, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 15. (a) A township trustee may not contract with a teacher if the teacher's term of service under the contract begins after the expiration of the trustee's term of office.

(b) A contract that violates subsection (a) is void as to the trustee's township and school **general** fund. However, the trustee is personally liable to the teacher for all services rendered under the contract and all damages sustained by reason of the contract.

SECTION 139. IC 20-28-10-16, AS ADDED BY P.L.1-2005, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 16. (a) If a teacher serves in the general assembly, the teacher shall be given credit for the time spent in this service,

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including the time spent for council or committee meetings. The leave for this service does not diminish the teacher's rights under the Indiana state teachers' retirement fund or the teacher's advancement on the state or a local salary schedule. For these purposes, the teacher is, despite the leave, considered teaching for the school during that time.

(b) The compensation received while serving in the general assembly shall be included for teachers retiring after June 30, 1980, in the determination of the teacher's annual compensation to compute the teacher's retirement benefit under IC 5-10.2-4. A teacher serving in the general assembly may choose to have deductions made from the teacher's salary as a legislator for contributions under either ~~IC 21-6.1-4-9~~ **IC 5-10.4-4-11** or IC 5-10.3-7-9.

SECTION 140. IC 20-30-2-8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 8. The state superintendent may encourage the development and establishment of innovative or exemplary school calendars.**

SECTION 141. IC 20-30-8-3, AS ADDED BY P.L.1-2005, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. **(a) Except as provided in subsection (b),** as used in this chapter, "eligible student" refers to a student who qualifies as an eligible student under section 9 of this chapter.

(b) As used in section 16 of this chapter, "eligible student" means an eligible pupil (as defined in IC 20-43-1-11) who meets the criteria for enrollment in an alternative education program under section 9 of this chapter.

SECTION 142. IC 20-30-8-3.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 3.5. As used in this chapter, "full-time equivalent students" means the number of students determined under section 16 of this chapter.**

SECTION 143. IC 20-30-8-4.6 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 4.6. As used in this chapter, "qualifying school corporation" means a school corporation, including a charter school, that has been approved under section 8 of this chapter to receive a grant under this chapter.**

SECTION 144. IC 20-30-8-7, AS ADDED BY P.L.1-2005, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. The program organizer may request the approval from the department for the following:

(1) To receive the grant for alternative education programs under

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~~IC 21-3-11.~~ **IC 20-20-33.**

(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 20-30-2-2;

(C) required curriculum and textbooks;

(D) teacher certification requirements; and

(E) physical facility requirements.

SECTION 145. IC 20-30-8-8, AS ADDED BY P.L.1-2005, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) Before a program organizer is eligible for the funding under ~~IC 21-3-11,~~ **IC 20-20-33,** a program organizer must have the grant for the program 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 7 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 the traditional school learning environment without necessitating admission to an alternative education program; and

(B) will be used before admitting a disruptive student ~~into~~ **to** 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

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conformity with:

(1) this chapter;

(2) the rules adopted by the state board; or

(3) 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 146. IC 20-30-8-15 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 15. Each qualifying school corporation shall report to the department in the form specified by the department the number of full-time equivalent students who were enrolled in an alternative education program. Reports must be submitted before January 31 of each year for the period January 1 through December 31 of the immediately preceding year.**

SECTION 147. IC 20-30-8-16 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 16. 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 state board.

(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 state board.

(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 state board.

(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 enrolled in the sessions.

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

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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 148. IC 20-30-11-11, AS ADDED BY P.L.1-2005, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 11. A student who participates in the program is considered a student enrolled in the school corporation to compute ~~average daily membership.~~ **ADM.**

SECTION 149. IC 20-31-11-6, AS ADDED BY P.L.1-2005, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. (a) A public school that receives a monetary award under this chapter may expend that award for any educational purpose for that school, except:

(1) athletics;

(2) salaries for school personnel; or

(3) salary bonuses for school personnel.

(b) A monetary award may not be used to determine:

(1) the maximum permissible ~~general fund ad valorem property tax~~ **tuition support** levy under ~~IC 6-1.1-19-1.5;~~ **IC 20-45-3;** or

(2) the **state** tuition support under ~~IC 21-3-1.6;~~ **IC 20-43.**

of the school corporation in which the school receiving the monetary award is located.

SECTION 150. IC 20-33-2-30, AS ADDED BY P.L.1-2005, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 30. A school corporation having an ~~average daily attendance~~ **ADA** of at least one thousand five hundred (1,500) students constitutes a separate attendance district.

SECTION 151. IC 20-33-2-31, AS ADDED BY P.L.1-2005, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 31. (a) In a county ~~which~~ **that** has been completely reorganized into one (1) or more school corporations under IC 20-23-4, the governing body of each school corporation with at least one thousand five hundred (1,500) students in ~~average daily attendance~~ **ADA** shall appoint an attendance officer. The governing body of each school corporation that has fewer than one thousand five hundred (1,500) students in ~~average daily attendance~~ **ADA** may appoint an attendance officer. If the governing body of a school corporation that has discretion in whether ~~or not~~ to appoint an attendance officer declines to make an appointment, the superintendent of the school

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corporation shall serve as ex officio attendance officer under section 35 of this chapter.

(b) Whenever the governing body of a school corporation makes an appointment under this section, it shall appoint an individual nominated by the superintendent. However, the governing body may decline to appoint any nominee and require another nomination. The salary of each attendance officer appointed under this section shall be fixed by the governing body. In addition to salary, the attendance officer is entitled to receive reimbursement for actual expenses necessary to properly perform the officer's duties. The salary and expenses of an attendance officer appointed under this section shall be paid by the treasurer of the school corporation.

SECTION 152. IC 20-33-2-32, AS ADDED BY P.L.231-2005, SECTION 43, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 32. (a) In a county that has not been completely reorganized under IC 20-23-4, the governing body of each school corporation that constitutes a separate attendance district under section 30 of this chapter shall appoint an attendance officer. One (1) additional attendance officer may be appointed for every seven thousand five hundred (7,500) students in ~~average daily attendance~~ **ADA** in the corporation.

(b) Whenever the governing body of a school corporation makes an appointment under this section, it shall appoint an individual nominated by the superintendent. However, the governing body may decline to appoint any nominee and require another nomination. The salary of each attendance officer appointed under this section shall be fixed by the governing body. In addition to salary, the officer is entitled to receive reimbursement for actual expenses necessary to properly perform the officer's duties. The salary and expenses of an attendance officer appointed under this section shall be paid by the treasurer of the county in which the officer serves, on a warrant signed by the county auditor. The county council shall appropriate, and the board of county commissioners shall allow, the funds necessary to make these payments. However, a warrant shall not be issued to an attendance officer until the attendance officer has filed an itemized statement with the county auditor. This statement shall show the time employed and expenses incurred. The superintendent shall approve the statement and certify that it is correct.

SECTION 153. IC 20-33-2-33, AS ADDED BY P.L.1-2005, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 33. (a) In a county that has not been completely reorganized under IC 20-23-4, all school corporations that do not

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individually constitute separate attendance districts under section 30 of this chapter together constitute a remainder attendance district. The governing bodies of each remainder attendance district with at least one thousand five hundred (1,500) students in ~~average daily attendance~~ **ADA** shall appoint an attendance officer. One (1) additional attendance officer may be appointed for every seven thousand five hundred (7,500) students in ~~average daily attendance~~ **ADA** in the district. The governing bodies of a remainder attendance district with less than one thousand five hundred (1,500) students in ~~average daily attendance~~ **ADA** may appoint an attendance officer. If the governing bodies have discretion in whether ~~or not~~ to appoint an attendance officer and decline to make an appointment, the superintendent or superintendents involved shall serve as ex officio attendance officers under section 35 of this chapter.

(b) The governing bodies of the school corporations involved shall together form an appointing authority for attendance officers with the governing body of each school corporation having one (1) vote. This appointing authority shall appoint an individual nominated by the superintendent. However, the appointing authority may reject any nominee and require another nomination. The salary of each attendance officer appointed under this section shall be fixed by the appointing authority. In addition to salary, the officer is entitled to receive reimbursement for actual expenses necessary to properly perform the officer's duties. The salary and expenses of an attendance officer appointed under this section shall be paid by the treasurer of the county in which the officer serves, on a warrant signed by the county auditor. The county council shall appropriate, and the board of county commissioners shall allow, the funds necessary to make these payments. However, a warrant may not be issued to an attendance officer until the officer has filed an itemized statement with the county auditor. This statement must show the time employed and expenses incurred. The appropriate superintendent shall approve the statement and certify that it is correct.

SECTION 154. IC 20-33-2-34, AS ADDED BY P.L.1-2005, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 34. (a) This section applies to a county having a population of:

(1) more than twenty-seven thousand (27,000) but less than twenty-seven thousand two hundred (27,200); or

(2) more than one hundred forty-five thousand (145,000) but less than one hundred forty-eight thousand (148,000).

(b) Notwithstanding sections 32 and 33 of this chapter, in a county

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that has not been completely reorganized under IC 20-23-4, the governing body of each school corporation constituting a separate attendance district under section 30 of this chapter shall appoint an attendance officer. One (1) additional attendance officer may be appointed for every seven thousand five hundred (7,500) students in ~~average daily attendance~~ **ADA** in the school corporation. The governing body of each school corporation that does not individually constitute a separate attendance district may appoint an attendance officer.

(c) If the governing body of the school corporation makes an appointment under this section, it shall appoint an individual who is nominated by the superintendent of the school corporation. However, the governing body may decline to appoint a nominee and may require another nomination to be made by the superintendent. If the governing body has discretion in whether to appoint an attendance officer under subsection (b) and declines to make an appointment, the superintendent of the school corporation involved shall serve as ex officio attendance officer under section 35 of this chapter.

(d) The salary, including fringe benefits, of each attendance officer appointed under this section shall be fixed by the governing body of the school corporation and shall be paid by the treasurer of the school corporation.

(e) Each attendance officer appointed under this section is entitled to receive reimbursement from the school corporation for the actual and necessary expenses incurred by the attendance officer in the proper performance of the attendance officer's duties.

SECTION 155. IC 20-33-2-37, AS ADDED BY P.L.1-2005, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 37. The governing body of a school corporation that has fewer than one thousand five hundred (1,500) students in ~~average daily attendance~~ **ADA** may organize the school corporation as a separate attendance district and appoint an attendance officer. The governing body, in making the appointment, shall appoint an individual nominated by the superintendent. However, it may decline to appoint any nominee and require another nomination. All compensation for an attendance officer appointed under this section shall be paid by the treasurer of the school corporation in which the officer is employed.

SECTION 156. IC 20-33-8.5-5, AS ADDED BY P.L.242-2005, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. The agreement must provide how the expenses of supervising a student who has been suspended or expelled are funded. A school corporation may not be required to expend more than

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the ~~amount determined under IC 21-3-1.7-6.7(c)~~ **target revenue per ADM (as defined in IC 20-43-1-26)** for each student referred under the agreement.

SECTION 157. IC 20-35-5-4, AS ADDED BY P.L.1-2005, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. An agreement adopted under section 2 of this chapter may include the following:

(1) An agreement to acquire sites, buildings, and equipment for the sites and buildings by:

(A) purchase;

(B) lease from any of the participating school corporations for the term of the agreement; or

(C) lease under the provisions of ~~IC 21-5-11~~ **IC 20-47-2** or ~~IC 21-5-12.~~ **IC 20-47-3.**

(2) An agreement to repair, equip, and maintain school buildings and equipment.

(3) An agreement that participating school corporations may use funds from their respective capital projects fund to pay for the costs under subdivision (1) or (2) or for any other purposes authorized under ~~IC 21-2-15.~~ **IC 20-40-8.**

SECTION 158. IC 20-35-5-5, AS ADDED BY P.L.1-2005, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. The amount of money used from a participating school corporation's ~~cumulative building fund or~~ capital projects fund shall be determined by agreement among the participating school corporations.

SECTION 159. IC 20-35-8-2, AS ADDED BY P.L.218-2005, SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. (a) The state board shall adopt rules under IC 4-22-2 to establish limits on the amount of transportation that may be provided in the student's individualized education program. Unless otherwise specially shown to be essential by the child's individualized education program, in case of residency in a public or private facility, these rules must limit the transportation required by the student's individualized education program to the following:

(1) The student's first entrance and final departure each school year.

(2) Round trip transportation each school holiday period.

(3) Two (2) additional round trips each school year.

(b) If a student is a transfer student receiving special education in a public school, the state or school corporation responsible for the payment of transfer tuition under IC 20-26-11-1 through IC 20-26-11-4

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shall pay the cost of transportation required by the student's individualized education program. ~~However, if a transfer student was counted as an eligible student for purposes of a distribution in a calendar year under IC 21-3-3.1, the transportation costs that the transferee school may charge for a school year ending in the calendar year shall be reduced by the sum of the following:~~

~~(1) The quotient of:~~

~~(A) the amount of money that the transferee school is eligible to receive under IC 21-3-3.1-2.1 for the calendar year in which the school year ends; divided by~~

~~(B) the number of eligible students for the transferee school for the calendar year (as determined under IC 21-3-3.1-2.1).~~

~~(2) The amount of money that the transferee school is eligible to receive under IC 21-3-3.1-4 for the calendar year in which the school year ends for the transportation of the transfer student during the school year.~~

(c) If a student receives a special education:

(1) in a facility operated by:

(A) the state department of health;

(B) the division of disability, aging, and rehabilitative services; or

(C) the division of mental health and addiction;

(2) at the Indiana School for the Blind and Visually Impaired; or

(3) at the Indiana School for the Deaf;

the school corporation in which the student has legal settlement shall pay the cost of transportation required by the student's individualized education program. However, if the student's legal settlement cannot be ascertained, the state board shall pay the cost of transportation required by the student's individualized education program.

(d) If a student is placed in a private facility under IC 20-35-6-2 in order to receive a special education because the student's school corporation cannot provide an appropriate special education program, the school corporation in which the student has legal settlement shall pay the cost of transportation required by the student's individualized education program. However, if the student's legal settlement cannot be ascertained, the state board shall pay the cost of transportation required by the student's individualized education program.

SECTION 160. IC 20-37-1-1, AS ADDED BY P.L.231-2005, SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) Two (2) or more school corporations may cooperate to:

(1) establish; and

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(2) maintain or supervise;

schools or departments for vocational education if the governing bodies of the school corporations agree to cooperate and apportion the cost of the schools or departments among the school corporations.

(b) If the cooperating school corporations agree to:

(1) establish; and

(2) maintain or supervise;

the schools or departments under subsection (a), the designated representatives of the school corporations constitute a board for the management of the schools or departments. The board may adopt a plan of organization, administration, and support for the schools or departments. The plan, if approved by the state board, is a binding contract between the cooperating school corporations.

(c) The governing bodies of the cooperating school corporations may cancel or annul the plan described in subsection (b) by the vote of a majority of the governing bodies and upon the approval of the state board. However, if a school corporation desires to withdraw a course offering from the cooperative agreement after:

(1) attempting to withdraw the course offering under a withdrawal procedure authorized by the school corporation's cooperative agreement or bylaw; and

(2) being denied the authority to withdraw the course offering;

the school corporation may appeal the denial to the state board. In the appeal, a school corporation must submit a proposal requesting the withdrawal to the state board for approval.

(d) The proposal under subsection (c) must do the following:

(1) Describe how the school corporation intends to implement the particular vocational education course.

(2) Include a provision that provides for at least a two (2) year phaseout of the educational program or course offering from the cooperative agreement.

Upon approval of the proposal by the state board, the school corporation may proceed with the school corporation's withdrawal of the course offering from the cooperative agreement and shall proceed under the proposal.

(e) The withdrawal procedure under subsections (c) and (d) may not be construed to permit a school corporation to change any other terms of the plan described in subsection (b) except those terms that require the school corporation to provide the particular course offering sought to be withdrawn.

(f) The board described in subsection (b) may do the following:

(1) Enter into an agreement to acquire by lease or purchase:

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(A) sites;
(B) buildings; or
(C) equipment;

that is suitable for these schools or departments. This authority extends to the acquisition of facilities available under ~~IC 21-5-11.~~ **IC 20-47-2.**

(2) By resolution adopted by a majority of the board, designate three (3) or more individuals from the board's membership to constitute an executive committee.

(g) To the extent provided in a resolution adopted under subsection (f)(2), an executive committee shall do the following:

(1) Exercise the authority of the full board in the management of the schools or departments.

(2) Submit a written summary of its actions to the full board at least semiannually.

SECTION 161. IC 20-37-2-12 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 12. A school corporation that offers an institutional farm training program in any high school to veterans under 38 U.S.C. 3201 et seq. may accept from any student tuition fees to be paid by the student from any allotment for tuition fees received by the student from the United States Department of Veterans Affairs.**

SECTION 162. IC 20-39 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 39. ACCOUNTING AND FINANCIAL REPORTING PROCEDURES

Chapter 1. Unified Accounting System

Sec. 1. All public school governing bodies shall adopt and fully and accurately implement a single, unified accounting system as prescribed by the state board and the state board of accounts.

Sec. 2. Section 1 of this chapter and rules and guidelines adopted under section 1 of this chapter apply to a charter school.

Sec. 3. IC 20-26-15-6 applies to the budget and accounting system of a freeway school.

Chapter 2. Oversight by Department of Education

Sec. 1. (a) The state superintendent shall exercise the supervision over school funds and revenues that is necessary to ascertain their safety, secure their preservation, and secure their application to the proper object.

(b) The state superintendent may cause to be instituted, in the

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name of the state of Indiana, for the use of the proper fund or revenue, all suits necessary for the recovery of any part of the funds or revenues. The prosecuting attorney shall prosecute all the suits at the insistence of the state superintendent and without charge against the funds or revenue.

Sec. 2. The state superintendent may require from the county auditors, school examiners, county treasurers, township trustees, county clerks, and county treasurers:

(1) copies of all reports required to be made by them; and

(2) all other information in relation to the duties of their respective offices, so far as those duties relate to the:

(A) condition of the school funds, school revenues, and property of the common schools; and

(B) condition and management of the common schools;

that the state superintendent determines is important.

Sec. 3. The state superintendent may prepare and transmit to the proper officers:

(1) suitable forms and rules for making all reports;

(2) necessary blanks for all reports; and

(3) all necessary instructions;

for the better organization and government of common schools and conducting all necessary proceedings under this chapter and IC 20-42.

Chapter 3. Financial Oversight of Township Schools

Sec. 1. The books, papers, and accounts of any township trustee concerning schools are at all times subject to the inspection of the school examiner, the county auditor, and the board of county commissioners of the proper county.

Sec. 2. For purposes of an inspection, the school examiner, county auditor, and board of county commissioners may by subpoena:

(1) summon before them any trustee; and

(2) require the production of books, papers, and accounts;

after three (3) days notice of the time to appear and produce any books, papers, and accounts is given.

Sec. 3. If any books and accounts have been imperfectly kept, the board of commissioners may correct them. If fraud appears, the board of commissioners shall remove the person guilty of the fraud.

Sec. 4. The state board of accounts shall prescribe accounting forms to be used by the county committees (as defined in IC 20-23-4-4) and shall audit the financial records of each county

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committee (as defined in IC 20-23-4-4) at least once every three (3) years.

Chapter 4. Audits; Reports Related to Trust Funds

Sec. 1. This chapter applies to the following funds:

(1) A county common school fund held in trust by a county under IC 20-42-1.

(2) A congressional township school fund held in trust by a county under IC 20-42-2.

Sec. 2. The state board of accounts shall examine the records and affairs of the school funds held in trust by the counties. If the examination discloses a violation of law, the state examiner shall order the county auditor or other public official charged with the performance of any duty to comply with the law. If the county auditor or other public official fails to comply with the state examiner's order within a reasonable time, the state examiner shall certify to the prosecuting attorney of the county a copy of the report of examination and of the order issued for proper proceeding to enforce the law.

Sec. 3. Before May 1 of each calendar year, each county auditor and county treasurer shall prepare a written report and present the report to the board of county commissioners at the May meeting of the board. The report must concern the school funds held in trust by the county. The following information must be included concerning the county common school fund and the congressional township school fund for the previous calendar year:

(1) The amount in each fund.

(2) Any additions to the funds, including the sources of the additional funds.

(3) The financial condition of the funds, including information concerning the amount safely invested, unsafely invested, and uninvested in the funds, and any loss to the funds.

(4) The amount of interest collected on the funds.

(5) Any amount due and unpaid to the funds.

Sec. 4. (a) At the May meeting the county commissioners shall, in the presence of the county auditor and county treasurer, do the following:

(1) Examine the:

(A) reports prepared under section 3 of this chapter;

(B) accounts and proceedings of the officers in relation to the funds listed in section 1 of this chapter; and

(C) revenue derived from the funds listed in section 1 of this chapter.

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(2) Compare the reports with the cash, notes, mortgages, records, and books of the officers to determine the amount in the funds and the safety of the funds.

(b) The county commissioners may do whatever is necessary to secure the preservation and prompt payment of the interest on the funds listed in section 1 of this chapter and make up any losses to the funds that have accrued or may accrue.

Sec. 5. (a) Each board of county commissioners, at the May meeting described in section 4 of this chapter, shall prepare a written report that includes the following information for the previous year:

(1) The amount in the funds at the close of the year.

(2) The amount added from sale of land.

(3) The number of acres of unsold congressional township school lands and the approximate value of the lands.

(4) The amount added from fines and forfeitures.

(5) The amount added by the commissioners of the debt service fund.

(6) The amount added from all other sources.

(7) The total amount in the funds.

(8) The amount refunded.

(9) The amount reloaned.

(10) The amount safely invested.

(11) The amount unsafely invested.

(12) The amount uninvested.

(13) The amount of any fund loss.

(14) The amount of interest collected.

(15) The amount of interest delinquent.

(b) The information in the report required by subsection (a) must distinguish between the:

(1) congressional township school fund; and

(2) county common school fund.

In its report of the interest or revenue derived from the funds, the board of county commissioners shall observe the same distinction.

Sec. 6. The report prepared under section 5 of this chapter must be entered on the records of the board of county commissioners. Copies of the report must be:

(1) signed by the members of the board of county commissioners, the county auditor, and the county treasurer; and

(2) sent to the:

(A) auditor of state; and

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(B) state superintendent.

SECTION 163. IC 20-40 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 40. GOVERNMENT FUNDS AND ACCOUNTS

Chapter 1. Funds Established Outside IC 20-40

Sec. 1. This article is not intended to be an exhaustive list of the governmental funds and accounts that a school corporation may establish to carry out school purposes.

Sec. 2. As used in this chapter, "freeway school" has the meaning set forth in IC 20-26-15-2.

Sec. 3. As used in this chapter, "freeway school corporation" has the meaning set forth in IC 20-26-15-3.

Sec. 4. As used in this chapter, "joint program" has the meaning set forth in IC 20-26-10-1.

Sec. 5. Statutes outside this article that permit or require the establishment of joint funds include the following:

(1) IC 20-26-10-3 (joint fund for a joint program).

(2) IC 20-26-10-8 (joint services, leasing, construction, and supply fund).

(3) IC 20-26-10-9 (joint investment fund).

(4) IC 20-26-10-11 (joint service and supply fund to pay for a joint program).

(5) IC 20-30-6-5 (joint fund to conduct educational television instruction and contract with a commercial television station for the use of the station's facilities and staff).

Sec. 6. IC 20-26-15-6 permits a freeway school or freeway school corporation to establish and use a professional development and technology fund.

Chapter 2. General Fund

Sec. 1. As used in this chapter, "fund" refers to a school corporation's general fund established under section 2 of this chapter.

Sec. 2. The governing body of each school corporation shall establish a general fund for the operation and maintenance of local schools.

Sec. 3. Except as otherwise provided by law, all receipts and disbursements authorized by law for school funds and tax levies shall be received in and disbursed from the fund.

Sec. 4. Except as provided by law, any lawful school expenses payable from any other fund of a school corporation, including debt service and capital outlay, but excluding costs attributable to

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transportation (as defined in IC 20-40-6-1), may be budgeted in and paid from the fund.

Sec. 5. Remuneration for athletic coaches, whether or not the athletic coaches are:

(1) otherwise employed by the school corporation; and

(2) licensed under IC 20-28-4 or IC 20-28-5;

may be budgeted in and paid from the fund.

Chapter 3. Referendum Tax Levy Fund

Sec. 1. As used in this chapter, "fund" refers to a referendum tax levy fund established under section 3 of this chapter.

Sec. 2. As used in this chapter, "levy" refers to a property tax levy imposed under IC 20-46-1 for the fund.

Sec. 3. The governing body of each school corporation for which a levy is:

(1) transferred; or

(2) approved;

under IC 20-46-1 shall establish a referendum tax levy fund.

Sec. 4. Property tax collections from a levy shall be deposited in the fund.

Sec. 5. Money in the fund may be used for any lawful school expenses.

Chapter 4. Special Education Preschool Fund

Sec. 1. As used in this chapter, "fund" refers to a special education preschool fund established under section 3 of this chapter.

Sec. 2. As used in this chapter, "levy" refers to a property tax levy imposed under IC 20-46-2 for the fund.

Sec. 3. To implement IC 20-35-4-9 and IC 20-26-5-1, each school corporation shall establish a special education preschool fund.

Sec. 4. The fund consists of the following:

(1) The levy.

(2) Distributions to the school corporation from the state under IC 20-20-34.

Sec. 5. Money in the fund may be used only for special education programs for preschool age children as required under IC 20-35-4-9.

Chapter 5. Racial Balance Fund

Sec. 1. This chapter applies only to a school corporation that may impose a levy under IC 20-46-3.

Sec. 2. As used in this chapter, "fund" refers to a racial balance fund established under section 4 of this chapter.

Sec. 3. As used in this chapter, "levy" refers to a property tax

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levy imposed under IC 20-46-3 for the fund.

Sec. 4. A school corporation may establish a racial balance fund.

Sec. 5. Money in the fund may be used only for education programs that improve or maintain racial balance in the school corporation. Money in the fund may not be used for:

(1) transportation; or

(2) capital improvements;

even though those costs may be attributable to the school corporation's proposed programs for improving or maintaining racial balance in the school corporation.

Chapter 6. School Transportation Fund

Sec. 1. As used in this chapter, "costs attributable to transportation" refers to costs listed in section 6 of this chapter that are attributable to transportation, as authorized by this title, of school children during the school year ending in the calendar year.

Sec. 2. As used in this chapter, "fund" refers to a school transportation fund established under section 4 of this chapter.

Sec. 3. As used in this chapter, "levy" refers to a property tax levy imposed under IC 20-46-4 for the fund.

Sec. 4. The governing body of each school corporation shall establish a school transportation fund.

Sec. 5. (a) Subject to this chapter, the fund is the exclusive fund to be used by a school corporation for the payment of costs attributable to transportation.

(b) After June 30, 2005, and before July 1, 2007, a school corporation may budget for and pay costs attributable to transportation from the general fund.

(c) Contracted transportation service costs transferred to the school bus replacement fund under IC 20-40-7 are payable from the school bus replacement fund.

Sec. 6. (a) The following costs are payable from the fund:

(1) The salaries paid to bus drivers, transportation supervisors, mechanics and garage employees, clerks, and other transportation related employees.

(2) Contracted transportation service.

(3) Wages of independent contractors.

(4) Contracts with common carriers.

(5) Student fares.

(6) Transportation related insurance.

(7) Other expenses of operating the school corporation's transportation service, including gasoline, lubricants, tires,

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repairs, contracted repairs, parts, supplies, equipment, and other related expenses.

(b) Percentages or parts of salaries of teaching personnel or principals are not attributable to transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the fund.

(c) Costs for a calendar year are those costs attributable to transportation for students during the school year ending in the calendar year.

Sec. 7. In addition to property tax collections, receipts available for school transportation from any other revenue source shall be received in and disbursed from the fund to pay costs attributable to transportation. An expenditure may be made only if it has been provided for in the school corporation's annual budget or by an additional appropriation under IC 6-1.1-18-5.

Sec. 8. (a) This section applies only to the extent that:

(1) the school corporation's fund has not been increased under IC 20-46-4-6(2); or

(2) another adjustment has not been made by the department of local government finance to reflect the termination of state distributions for the school corporation's fund.

(b) During the period beginning July 1, 2005, and ending June 30, 2007, the school corporation may transfer money in a fund maintained by the school corporation (other than the special education preschool fund or the school bus replacement fund) that is obtained from:

(1) a source other than a state distribution or local property taxation; or

(2) a state distribution or a property tax levy that is required to be deposited in the fund;

to any other fund. A transfer under subdivision (2) may not be the sole basis for reducing the property tax levy for the fund from which the money is transferred or the fund to which money is transferred. Money transferred under this subsection may be used only to pay costs, including debt service, attributable to reductions in funding for transportation distributions under IC 21-3-3.1 (before its repeal), including reimbursements associated with transportation costs for special education and vocational programs under IC 21-3-3.1-4 (before its repeal) and ADA flat grants under IC 21-3-4.5 (before its repeal). The property tax levy for a fund

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from which money was transferred may not be increased to replace money transferred to another fund.

(c) The total amount transferred under this section may not exceed the following:

(1) For the period beginning July 1, 2005, and ending June 30, 2006, the last state transportation distribution (as defined in IC 20-46-4-3).

(2) For the period beginning July 1, 2006, and ending June 30, 2007, an amount equal to the subdivision (1) amount.

Chapter 7. School Bus Replacement Fund

Sec. 1. As used in this chapter, "costs attributable to transportation" has the meaning set forth in IC 20-40-6-1.

Sec. 2. As used in this chapter, "fund" refers to a school bus replacement fund established under section 5 of this chapter.

Sec. 3. As used in this chapter, "levy" refers to a property tax levy imposed under IC 20-46-5 for the fund.

Sec. 4. "Plan" refers to a plan or amended plan adopted and approved under IC 20-46-5.

Sec. 5. The governing body of each school corporation shall establish a school bus replacement fund.

Sec. 6. Except as otherwise provided by law, the fund is the exclusive fund used to pay the following costs attributable to transportation:

(1) Amounts paid for the replacement of school buses, either through a purchase agreement or under a lease agreement.

(2) The costs of contracted transportation service payable from the fund under section 7 of this chapter.

Sec. 7. (a) Before the last Thursday in August in the year preceding the first school year in which a proposed contract commences, the governing body of a school corporation may elect to designate a part of a:

(1) transportation contract (as defined in IC 20-27-2-12);

(2) fleet contract (as defined in IC 20-27-2-5); or

(3) common carrier contract (as defined in IC 20-27-2-3);

as an expenditure payable from the fund.

(b) An election under this section must be made in a transportation plan approved by the department of local government finance under this chapter. The election applies throughout the term of the contract.

(c) The amount that may be paid from the fund in a school year is equal to the fair market lease value in the school year of each school bus, school bus chassis, or school bus body used under the

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contract, as substantiated by invoices, depreciation schedules, and other documented information available to the school corporation.

(d) The allocation of costs under this section to the fund must comply with the allocation guidelines adopted by the department of local government finance and the accounting standards prescribed by the state board of accounts.

Sec. 8. The department of local government finance may approve appropriations from the fund only if the appropriations conform to a plan.

Chapter 8. Capital Projects Fund

Sec. 1. As used in this chapter, "calendar year distribution" means the sum of the following:

(1) A school corporation's:

(A) state tuition support; and

(B) maximum permissible tuition support levy (as defined in IC 20-45-1-15);

for the calendar year.

(2) The school corporation's excise tax revenue (as defined in IC 20-43-1-12) for the immediately preceding calendar year.

Sec. 2. As used in this chapter, "emergency" means:

(1) when used with respect to repair or replacement:

(A) a fire;

(B) a flood;

(C) a windstorm;

(D) a mechanical failure of any part of a structure; or

(E) an unforeseeable circumstance; and

(2) when used with respect to site acquisition, the unforeseeable availability of real property for purchase.

Sec. 3. As used in this chapter, "fund" refers to the capital projects fund established under section 6 of this chapter.

Sec. 4. As used in this chapter, "levy" refers to a property tax levy imposed under IC 20-46-6 for the fund.

Sec. 5. As used in this chapter, "plan" refers to a plan or amended plan adopted and approved under IC 20-46-6.

Sec. 6. A school corporation may establish a capital projects fund.

Sec. 7. Interest on money in the fund, including the fund's pro rata share of interest earned on the investment of total money on deposit, shall be deposited in the fund. However, the governing body may adopt a resolution to transfer any interest earned on money in the fund to the school corporation's general fund.

Sec. 8. Notwithstanding IC 6-1.1-17, the department of local

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government finance may approve appropriations from the fund only if the appropriations conform to a plan.

Sec. 9. The department of local government finance may adopt rules under IC 4-22-2 to implement this chapter and IC 20-46-6.

Sec. 10. (a) Except as provided in subsection (b), with respect to any facility used or to be used by the school corporation, money in the fund may be used to pay for the following:

(1) Planned construction, repair, replacement, or remodeling.

(2) Site acquisition.

(3) Site development.

(4) Repair, replacement, or site acquisition that is necessitated by an emergency.

(b) Except as provided in section 12 of this chapter, money in the fund may not be used to pay for:

(1) planned construction, repair, replacement, or remodeling;

(2) site acquisition;

(3) site development; or

(4) repair, replacement, or site acquisition that is necessitated by an emergency;

of a facility used or to be used primarily for interscholastic or extracurricular activities.

Sec. 11. Money in the fund may be used to pay for the purchase, lease, repair, or maintenance of equipment to be used by the school corporation. However, money in the fund may not be used to pay for the purchase, lease, repair, or maintenance of the following:

(1) Vehicles to be used for any purpose.

(2) Except as provided in section 12 of this chapter, equipment to be used primarily for interscholastic or extracurricular activities.

Sec. 12. Money in the fund may be used to pay for the construction, repair, replacement, remodeling, or maintenance of a school sports facility. However, a school corporation's expenditures in a calendar year under this section may not exceed five percent (5%) of the property tax revenues levied for the fund in the calendar year.

Sec. 13. Money in the fund may be used for any of the following purposes:

(1) To purchase, lease, upgrade, maintain, or repair one (1) or more of the following:

(A) Computer hardware.

(B) Computer software.

(C) Wiring and computer networks.

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(D) Communication access systems used to connect with computer networks or electronic gateways.

(2) To pay for the services of full-time or part-time computer maintenance employees.

(3) To conduct nonrecurring in-service technology training of school employees.

(4) To pay advances, together with interest on the advances, from the common school fund for educational technology programs under IC 20-49-4.

(5) To acquire any equipment or services necessary:

(A) to implement the technology preparation curriculum under IC 20-30-12;

(B) to participate in a program to provide educational technologies, including:

(i) computers in the homes of students (commonly referred to as "the buddy system project") under IC 20-20-13-6;

(ii) the 4R's technology program; or

(iii) any other program under the educational technology program described in IC 20-20-13; or

(C) to obtain any combination of equipment or services described in clauses (A) and (B).

Sec. 14. Money in the fund may be used to purchase any of the following for the use of vocational building trades classes to construct new buildings and remodel existing buildings:

(1) Building sites.

(2) Buildings in need of renovation.

(3) Building materials.

(4) Equipment.

Sec. 15. Money in the fund may be used for leasing or renting existing real estate. However, money in the fund may not be used for payments authorized under IC 20-47-2 and IC 20-47-3.

Sec. 16. (a) For purposes of this section, maintenance does not include janitorial or comparable routine services normally provided in the daily operation of the facilities or equipment.

(b) Subject to this section, money in the fund may be used to pay for services of school corporation employees who are:

(1) bricklayers;

(2) stone masons;

(3) cement masons;

(4) tile setters;

(5) glaziers;

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(6) insulation workers;
(7) asbestos removers;
(8) painters;
(9) paperhangers;
(10) drywall applicators and tapers;
(11) plasterers;
(12) pipe fitters;
(13) roofers;
(14) structural and steel workers;
(15) metal building assemblers;
(16) heating and air conditioning installers;
(17) welders;
(18) carpenters;
(19) electricians; or
(20) plumbers;

as these occupations are defined in the United States Department of Labor, Employment and Training Administration, Dictionary of Occupational Titles, Fourth Edition, Revised 1991.

(c) Payment may be made under this section for employee services described in subsection (b) only if:

(1) the employees perform:
(A) construction of;
(B) renovation of;
(C) remodeling of;
(D) repair of; or
(E) maintenance on;

the facilities and equipment specified in sections 10 and 11 of this chapter;

(2) the total of all annual salaries and benefits paid by the school corporation to employees described in this section is at least six hundred thousand dollars ($600,000); and

(3) the payment of the employees described in this section is included as part of the school corporation's proposed plan.

(d) The number of employees covered by this section is limited to the number of employee positions described in this section that existed in the school corporation on January 1, 1993.

Sec. 17. Money in the fund may be used to pay for energy saving contracts entered into by a school corporation under IC 36-1-12.5.

Sec. 18. Money in the fund may be used to carry out a plan developed under IC 16-41-37.5.

Sec. 19. This section applies during the period beginning January 1, 2006, and ending December 31, 2007. Money in the fund

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may be used to pay for up to one hundred percent (100%) of the following costs of a school corporation:

(1) Utility services.

(2) Property or casualty insurance.

(3) Both utility services and property or casualty insurance.

A school corporation's expenditures under this section may not exceed in 2006 two and seventy-five hundredths percent (2.75%) and in 2007 three and five-tenths percent (3.5%) of the school corporation's 2005 calendar year distribution.

Sec. 20. Money in the fund may be transferred to another fund and used as provided by law. The laws permitting a transfer of money from the fund include the following:

(1) IC 20-20-10-5 (implementation of technology preparation task force).

(2) IC 20-40-6-8 (any fund for costs attributable to transportation).

(3) IC 20-40-11-3 (repair and replacement fund).

(4) IC 20-40-12-6 (self-insurance fund).

(5) IC 20-49-4-22 (advance for educational technology program).

Chapter 9. Debt Service Fund

Sec. 1. As used in this chapter, "debt service" includes bonds and coupons, civil bond obligations, lease rental contracts, and interest cost on emergency and temporary loans.

Sec. 2. As used in this chapter, "fund" refers to a debt service fund established under section 4 of this chapter.

Sec. 3. As used in this chapter, "levy" refers to a debt service levy under IC 20-46-7 for the fund.

Sec. 4. The governing body of each school corporation shall establish a debt service fund.

Sec. 5. Except as otherwise provided by law, all expenditures for debt service must be paid from the fund.

Sec. 6. Money in the fund may be used for payment of the following:

(1) All debt and other obligations arising out of funds borrowed or advanced for school buildings when purchased from the proceeds of a bond issue for capital construction.

(2) A lease to provide capital construction.

(3) Interest on emergency and temporary loans.

(4) All debt and other obligations arising out of funds borrowed or advanced for the purchase or lease of school buses when purchased or leased from the proceeds of a bond

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issue, or from money obtained from a loan made under IC 20-27-4-5, for that purpose.

(5) All debt and other obligations arising out of funds borrowed to pay judgments against the school corporation.

(6) All debt and other obligations arising out of funds borrowed to purchase equipment.

Sec. 7. (a) Money in the fund may be used for payment of all unreimbursed costs of textbooks for the school corporation's students who were eligible for free or reduced lunches in the previous school year.

(b) The governing body may transfer the amount levied to cover unreimbursed costs of textbooks under this section to the textbook rental fund or extracurricular account.

Sec. 8. (a) Lease rental obligations on account of leases entered into under IC 21-5-11 (before its repeal), IC 20-47-2, IC 21-5-12 (before its repeal), or IC 20-47-3 may be paid by a school corporation from the fund.

(b) Payments described in subsection (a) must be provided for in the annual budget for the fund from which the payment is made.

(c) This section does not prohibit the payment of lease rental obligations from the general fund.

Sec. 9. Money in the fund may be used to pay lease rental obligations, school bonds and coupons, and civil bond obligations assumed by school corporations reorganized under IC 20-23-4.

Sec. 10. (a) Except as otherwise provided by law, a school corporation may not pay from the fund the principal of emergency and temporary loans obtained for the benefit of any other fund.

(b) Except as provided in IC 20-48-1-7 and IC 20-48-1-9, payment of interest on emergency and temporary loans must be received in and disbursed from the fund.

Sec. 11. An amount equal to deductions made or to be made in the current year for the payment of principal and interest on an advancement from any state fund (including the common school fund and the veterans memorial school construction fund) may be included in debt service and appropriated and paid to the general fund.

Chapter 10. Levy Excess Fund

Sec. 1. As used in this chapter, "fund" refers to a levy excess fund established under section 2 of this chapter.

Sec. 2. Each corporation shall establish a levy excess fund for purposes of IC 20-44-3.

Sec. 3. The chief fiscal officer of a school corporation may invest

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money in the school corporation's fund in the same manner in which money in the school corporation's general fund may be invested. However, any income derived from investment of the money shall be deposited in and becomes a part of the fund.

Chapter 11. Repair and Replacement Fund

Sec. 1. As used in this chapter, "fund" refers to a repair and replacement fund established under section 2 of this chapter.

Sec. 2. The governing body of each school corporation may establish a repair and replacement fund under this chapter.

Sec. 3. (a) The procedure for establishing a fund is the same as the procedure to be used in making an additional appropriation under IC 6-1.1-18-5.

(b) The resolution of the governing body must be in the form prescribed by the department of local government finance and must contain at least the following:

(1) The annual amount permitted to be expended from the fund each year.

(2) The duration of the fund, which may not exceed five (5) years.

(3) That the sources for the fund for each year must be from either the general fund or the capital projects fund, or both.

Sec. 4. The fund consists of:

(1) any balance in the fund at the beginning of the year; and

(2) any transfers into the fund from the capital projects fund or the general fund.

Sec. 5. A transfer to the fund from the general fund or capital projects fund may be made without appropriation.

Sec. 6. The fund shall be used solely for the repair of buildings and the repair and replacement of building fixtures that are:

(1) owned or leased by the school corporation; and

(2) of a type constituting loss capable of being covered by casualty insurance.

Sec. 7. Expenditures from the fund may be made only after appropriation in the school corporation's annual budget or by an additional appropriation under IC 6-1.1-18-5.

Sec. 8. Any balance remaining in the fund at the end of a year does not revert to the general fund.

Sec. 9. Any balance in the fund may be invested in the manner provided for investment of general fund money and the net proceeds from the investment become a part of the fund.

Sec. 10. The fund may extend for a specified number of years, not to exceed five (5), and for a specified annual amount permitted

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to be expended during each year.

Sec. 11. (a) The fund may be reduced or rescinded before its expiration by resolution of the governing body of the school corporation.

(b) Not later than August 1 of any year, ten (10) or more taxpayers in a taxing district in which the school corporation is located may file with the county auditor of the county in which the taxing district is located a petition for reduction or rescission of the fund. The petition must set forth the taxpayers' objections to the fund. The petition shall be certified to the department of local government finance.

(c) Upon receipt of a petition under subsection (b), the department of local government finance shall, within a reasonable time, fix a date for a hearing on the petition. The hearing must be held in the county in which the taxing district is located. Notice of the hearing shall be given to the executive officer of the school corporation and to the first ten (10) taxpayers whose names appear on the petition. The notice must be in the form of a letter signed by the commissioner or deputy commissioner of the department of local government finance, sent by mail with full prepaid postage to the executive officer and the taxpayers at their usual places of residence at least five (5) days before the date fixed for the hearing.

(d) After the hearing under subsection (c), the department of local government finance shall approve, disapprove, or modify the request for reduction or rescission of the fund and shall certify that decision to the county auditor of the county in which the taxing district is located.

(e) If the fund is rescinded under this section, any balance remaining shall be transferred to the school corporation's capital projects fund.

Sec. 12. This chapter does not authorize an additional levy increase.

Chapter 12. Self-Insurance Fund

Sec. 1. As used in this chapter, "fund" refers to a self-insurance fund established under section 4 of this chapter.

Sec. 2. As used in this chapter, "health care services" has the meaning set forth in IC 27-8-11-1.

Sec. 3. As used in this chapter, "self-insurance program" means a program of self-insurance established or maintained by a governing body to provide coverage for health care services to a school corporation's employees and the employees' dependents.

Sec. 4. The governing body of each school corporation:

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(1) may establish a self-insurance fund in accordance with this chapter for the purposes described in:

(A) section 5(1) through 5(3) of this chapter; and

(B) section 5(4) of this chapter as section 5(4) of this chapter applies to governing body or school employee coverage other than coverage for health care services; and

(2) shall, if the governing body elects to provide a self-insurance program to cover health care services, establish a self-insurance fund for the purposes described in section 5(4) of this chapter as section 5(4) of this chapter applies to health care services.

Sec. 5. The fund may be used to provide money for the following purposes:

(1) The payment of a judgment rendered against the school corporation, or rendered against an officer or employee of the school corporation for which the school corporation is liable under IC 34-13-2, IC 34-13-3, or IC 34-13-4 (or IC 34-4-16.5, IC 34-4-16.6, or IC 34-4-16.7 before their repeal).

(2) The payment of a claim or settlement for which the school corporation is liable under IC 34-13-2, IC 34-13-3, or IC 34-13-4 (or IC 34-4-16.5, IC 34-4-16.6, or IC 34-4-16.7 before their repeal).

(3) The payment of a premium, management fee, claim, or settlement for which the school corporation is liable under a federal or state statute, including IC 22-3 and IC 22-4.

(4) The payment of a settlement or claim for which insurance coverage is permitted under IC 20-26-5-4(15).

Sec. 6. Subject to the approval of the commissioner of insurance, the governing body of the school corporation may:

(1) transfer to the fund an amount of money in:

(A) the general fund budget; and

(B) the general fund tax levy and rate;

(2) transfer money from the general fund to the fund;

(3) appropriate money from the general fund for the fund; or

(4) transfer money from the capital projects fund to the fund, to the extent that money in the capital projects fund may be used for property or casualty insurance.

Sec. 7. Any balance remaining in the fund at the end of the year does not revert to the general fund.

Sec. 8. Subject to IC 20-26-5-4(15) and this chapter and notwithstanding any other law, a self-insurance program must comply with this chapter.

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Sec. 9. (a) A self-insurance program must provide for appeals to a review panel to:

(1) hear complaints; and

(2) resolve concerns;

regarding issues related to coverage, coverage discrimination, and access under the self-insurance program.

(b) The composition of the review panel under subsection (a):

(1) must reflect the populations covered under the self-insurance program;

(2) may include a member representative of each covered population; and

(3) must maintain a balance of administration and nonadministration members.

(c) Self-insurance program documents provided to individuals covered under the self-insurance program must specify the appeal process, including the name, address, and telephone number of the individual with whom an appeal may be filed.

Sec. 10. (a) A self-insurance program must be written on an incurred claims basis.

(b) The governing body must fund a self-insurance program as described in section 4(2) of this chapter to include coverage for all eligible incurred claims.

(c) Subject to this chapter and notwithstanding any other law:

(1) contributions made on behalf of individuals covered under the self-insurance program, including employee and employer contributions; and

(2) transfers or allocations of funds by a governing body;

for coverage for health care services under a self-insurance program must be directly deposited into the fund and may not be transferred to other accounts or expended for any other purpose.

Chapter 13. Petty Cash Fund

Sec. 1. As used in this chapter, "custodian" means a person appointed by the governing body to be responsible for the maintenance and administration of the fund.

Sec. 2. As used in this chapter, "fund" refers to a petty cash fund established under section 3 of this chapter.

Sec. 3. The governing body of each school corporation may establish and maintain a petty cash fund to pay small or emergency expenses of an administrative or operating nature.

Sec. 4. If a fund is established, the governing body shall make an appropriation for the fund in an amount that is not more than five hundred dollars ($500). The fund shall be established by a warrant

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drawn on the general fund of the school corporation payable to a custodian appointed by the school corporation.

Sec. 5. The custodian shall convert a warrant described in section 4 of this chapter to cash and is responsible for the administration of the fund.

Sec. 6. (a) At the end of each month, the custodian shall file with the governing body a report showing the:

(1) balance of the fund at the beginning of the month;

(2) amount of all warrants drawn and expenditures from the fund during the month; and

(3) balance on hand in the fund at the end of the month.

(b) For each expenditure from the fund, the custodian shall obtain a receipt or voucher, which the custodian shall file with the monthly report.

Sec. 7. If the fund is no longer needed or a change is made in custodian, the custodian shall return the balance of the fund to the general fund and make a report to the governing body containing the information and supporting receipts or vouchers required under section 6 of this chapter.

Chapter 14. Special Purpose Funds Without Local Tax

Sec. 1. (a) Except as provided in this section, money received by a school corporation for a specific purpose or purposes, by gift, endowment, or under a federal statute, may be accounted for by establishing separate funds apart from the general fund.

(b) Subsection (a) does not apply if local tax funds are involved.

(c) Money described in subsection (a) may not be accepted unless the:

(1) terms of the gift, endowment, or payment; and

(2) acceptance of the gift, endowment, or payment;

provide that the officers of the school corporation are not divested of any right or authority that the officers are granted by law.

Sec. 2. Both:

(1) money received for specific purposes, by gift, endowment, or under a federal statute; and

(2) any earnings on money received for specific purposes, by gift, endowment, or under a federal statute;

may be disbursed without appropriation.

Sec. 3. A school corporation shall maintain money received by gift, endowment, or under a federal statute in a special fund as required by law, including IC 20-35-4-7.

Chapter 15. School Technology Fund

Sec. 1. As used in this chapter, "fund" refers to a school

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technology fund established under section 2 of this chapter.

Sec. 2. (a) Each school corporation shall establish a school technology fund.

(b) The fund consists of the following:

(1) Money transferred to the fund under IC 20-40-14-1 or section 3 or 4 of this chapter.

(2) Other money, as designated by the department.

(c) Property taxes levied by a school corporation for a capital projects fund may not be transferred to the fund.

Sec. 3. All money appropriated from the general fund for any of the purposes described in section 5 of this chapter shall be transferred from the general fund to the fund.

Sec. 4. (a) As used in this section, "base year" means:

(1) January 1, 1998, through June 30, 1999; or

(2) any subsequent universal service program year for which a school corporation initially makes an application to the program.

(b) All money saved by a school corporation as a result of universal service discounts provided to the school corporation under the federal Telecommunications Act of 1996 must be transferred to the fund.

(c) For purposes of this section, the amount of money saved by a school corporation as a result of universal service discounts during the base year and any subsequent universal service program year is equal to:

(1) the sum of all reimbursements in the form of cash or discounts received or eligible to be received under the universal service program during the base year; minus

(2) discounts from expenditures made from the debt service and capital projects funds during the base year for one (1) time costs such as new construction or remodeling projects.

Sec. 5. (a) Except as provided in subsection (b), money in the fund may be used for one (1) or more of the purposes described in IC 20-20-13, IC 20-26-15-6(4)(B), or IC 20-40-8-13.

(b) Money in the fund may not be used to purchase software programs to be used exclusively for administrative purposes, such as payroll and attendance records, personnel records, administration of insurance or pension programs, or any other similar purpose. However, if a particular software program will be used for administrative purposes and for other purposes described in subsection (a), a part of the cost of the software program may be paid from the fund. The part of the cost that may be paid from the

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fund is the total cost of the software program multiplied by the estimated percentage of use of the software program for nonadministrative purposes.

Sec. 6. (a) Before February 15 of each year, each school corporation shall file a report with the state superintendent's special assistant for technology.

(b) A report filed under this section must:

(1) be prepared in the form prescribed by the special assistant for technology; and

(2) include a list of expenditures made by the school corporation during the preceding calendar year from the school corporation's:

(A) fund for purposes described in this chapter;

(B) capital projects fund for purposes described in IC 20-40-8-13; and

(C) debt service fund to provide financing for any equipment or facilities used to provide educational technology programs.

(c) Before April 1 of each year, the special assistant for technology shall:

(1) compile the information contained in the reports filed under this section; and

(2) present that compilation to the educational technology council.

SECTION 164. IC 20-41 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 41. EXTRACURRICULAR FUNDS AND ACCOUNTS

Chapter 1. Accounting for School Functions; Extracurricular Account

Sec. 1. As used in this chapter, "treasurer" includes an assistant treasurer or a deputy treasurer.

Sec. 2. Any self-supporting programs maintained by a school corporation, including:

(1) school lunch; and

(2) rental or sale of textbooks;

may be established as separate funds, separate and apart from the general fund, if no local tax rate is established for the programs.

Sec. 3. (a) A person who has charge of the collection, custody, and disbursement of funds collected and expended to pay expenses incurred in conducting any athletic, social, or other school

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function, the cost of which is not paid from public funds, shall:

(1) keep an accurate account of all money received and expended, showing the:

(A) sources of all receipts;

(B) purposes for which the money was expended; and

(C) balance on hand; and

(2) file a copy of the account with the township trustee, board of school trustees, or board of school commissioners within two (2) weeks after the close of each school year.

(b) An account filed under subsection (a)(2) is a public record open to inspection by any interested person at any reasonable time during office hours.

Sec. 4. (a) All forms and records for keeping the accounts of the extracurricular activities in school corporations shall be prescribed or approved by the state board of accounts. The records and affairs of the extracurricular activities may be examined by the state board of accounts when the state examiner determines an examination is necessary. The forms prescribed or approved for keeping these accounts must achieve a simplified system of bookkeeping and shall be paid for, along with the bond required in this chapter, from the general fund.

(b) The funds of all accounts of any organization, class, or activity shall be accounted separately from all others. Funds may not be transferred from the accounts of any organization, class, or activity except by a majority vote of its members, if any, and by the approval of the principal, sponsor, and treasurer of the organization, class, or activity. However, in the case of athletic funds:

(1) approval of the transfer must be made by the athletic director, who is regarded as the sponsor; and

(2) participating students are not considered members.

All expenditures of the funds are subject to review by the governing body of the school corporation.

Sec. 5. (a) A public school must have a treasurer for purposes of this chapter. The treasurer must be:

(1) the superintendent or principal of the particular school;

(2) a clerk of the school corporation; or

(3) a member of the faculty appointed by the superintendent or principal.

This designation must be made immediately upon the opening of the school term or the vacating of the office of treasurer. Claims shall be filed and paid under sections 7 and 8 of this chapter. The

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employing or appointing officials of a school may appoint and engage a school treasurer or clerk.

(b) A school corporation may appoint one (1) or more assistant or deputy treasurers.

(c) A treasurer is not personally liable for an act or omission occurring in connection with the performance of the duties set forth in this chapter, unless the act or omission constitutes gross negligence or an intentional disregard of the treasurer's duties.

Sec. 6. (a) The treasurer shall give a bond in an amount fixed by the superintendent and principal of the school approximating the total amount of the anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. Bonds shall be filed with the trustee or board of school trustees. The surety on the bonds must be a surety company authorized to do business in Indiana. However, the requirement for giving the bond and the requirement to deposit the receipts in a separate bank account, as required in section 9 of this chapter, do not apply to any school for which the funds, as estimated by the principal, will not exceed three hundred dollars ($300) during a school year.

(b) The requirements of this chapter may be fulfilled by providing a comprehensive bonding instrument, including a single blanket position bond, for all extracurricular treasurers. A comprehensive bonding instrument is acceptable instead of individual separate personal position bonds.

Sec. 7. (a) The treasurer has charge of the custody and disbursement of any funds collected by a collecting authority and expended to pay expenses:

(1) approved by the principal or teacher in charge of the school;

(2) incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers);

(3) that cost more than twenty-five dollars ($25) during the school year; and

(4) that are not paid from public funds.

(b) The principal or teacher in charge of the school shall designate a collecting authority to be in charge of the collection of any funds described in this section. Upon collection of any funds, the collecting authority shall deliver the funds, together with an accounting of the funds, to the custody of the school treasurer. The principal may designate different collecting authorities for each

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separate account of funds described in this section.

Sec. 8. (a) The treasurer shall keep an accurate account of all money received by the collecting authority and expended, showing:

(1) the sources of all receipts;

(2) the purposes for which the money was expended; and

(3) the balance on hand.

A copy of the report, together with all records and files of extracurricular activities, shall be filed as required under section 3 of this chapter.

(b) However, in a school that has two (2) or more semesters in any one (1) school year, the treasurer of the school shall file a copy of the treasurer's financial report of receipts and disbursements with the township trustee, board of school trustees, or board of school commissioners not more than two (2) weeks after the close of each semester. Records and files of extracurricular activities for the entire school year shall be filed with the last financial semester report of any one (1) school year.

(c) A copy of the report shall be filed with and kept by the city superintendent having jurisdiction and the county superintendent where the superintendent has jurisdiction.

(d) The records under this section shall be kept for five (5) years, after which they may be destroyed.

Sec. 9. (a) The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. The account is known as the school extracurricular account. The records of each organization, class, or activity shall be kept separate so that the balance in each fund may be known at all times.

(b) The money in the school extracurricular account may be invested under the conditions specified in IC 5-13-10 and IC 5-13-10.5 for investment of state money. However, investments under this section are at the discretion of the principal. The interest earned from any investment may be credited to the school extracurricular account and need not be credited proportionately to each separate extracurricular fund. The interest earned from the investment may be used for any of the following:

(1) A school purpose approved by the principal.

(2) An extracurricular purpose approved by the principal.

(c) Amounts expended under this section for the purposes described in this section are in addition to the appropriation under IC 20-26-5-4(3).

Chapter 2. School Lunch and Textbook Rental Programs

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Sec. 1. Each township trustee in operating a school lunch program may use either of the following accounting methods:

(1) The township trustee may supervise and control the program through its school corporation account by establishing a school lunch fund.

(2) The township trustee may have the program operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts under IC 20-41-1.

Sec. 2. Each township trustee in operating a textbook rental program may use either of the following accounting methods:

(1) The township trustee may supervise and control the program through its school corporation account by establishing a textbook rental fund.

(2) If textbooks have not been purchased and financial commitments or guarantees for the purchases have not been made by the school corporation, the township trustee may have the program operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts under IC 20-41-1.

Sec. 3. (a) If a school lunch fund is established under section 1 of this chapter or a textbook rental fund is established under section 2 of this chapter, the receipts and expenditures for each program shall be made to and from the proper fund without appropriation or the application of other laws relating to the budgets of local governmental units.

(b) If either program or both programs under sections 1 and 2 of this chapter are operated through the extracurricular account, the township trustee shall approve the amount of the bond of the treasurer of the extracurricular account in an amount the township trustee considers necessary to protect the account for all funds coming into the hands of the treasurer.

Sec. 4. A governing body in operating a school lunch program under IC 20-26-5-4(11) may use either of the following accounting methods:

(1) It may supervise and control the program through the school corporation account, establishing a school lunch fund.

(2) It may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1.

Sec. 5. (a) A governing body in operating a textbook rental

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program under IC 20-26-5-4(12) may use either of the following accounting methods:

(1) The governing body may supervise and control the program through the school corporation account, establishing a textbook rental fund.

(2) If textbooks have not been purchased and financial commitments or guarantees for the purchases have not been made by the school corporation, the governing body may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1.

(b) If the governing body determines that a hardship exists due to the inability of a student's family to purchase or rent textbooks, taking into consideration the income of the family and the demands on the family, the governing body may furnish textbooks to the student without charge, without reference to the application of any other statute or rule except IC 20-26-1 through IC 20-26-5, IC 20-26-7, IC 20-40-12, and IC 20-48-1.

Sec. 6. (a) If a school lunch fund is established under section 4 of this chapter and a textbook rental fund is established under section 5 of this chapter, the receipts and expenditures from a fund for the program to which the fund relates shall be made to and from the fund without appropriation or the application of other statutes and rules relating to the budgets of municipal corporations.

(b) If either the lunch program or textbook rental program is handled through the extracurricular account, the governing body of the school corporation shall approve the amount of the bond of the treasurer of the extracurricular account in an amount the governing body considers sufficient to protect the account for all funds coming into the hands of the treasurer of the account.

Sec. 7. IC 20-25-4-19 applies to a lunch program established by a school city (as defined in IC 20-25-2-12).

SECTION 165. IC 20-42 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 42. FIDUCIARY FUNDS AND ACCOUNTS

Chapter 1. Administration of Common School Fund by County

Sec. 1. This chapter applies to a county that has not:

(1) transferred the money in the county's fund to the debt service funds of the school corporations in the county under

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section 5 of this chapter, IC 21-2-4-5 (before its repeal), or a predecessor law; or

(2) surrendered the money in the county's fund to the treasurer of state under section 6 of this chapter, IC 21-1-3-1 (before its repeal), or a predecessor law.

Sec. 2. As used in this chapter, "fund" refers to a common school fund administered by a county.

Sec. 3. The funds that:

(1) before March 6, 1865, were:

(A) known and designated as the surplus revenue funds;

(B) appropriated to common schools;

(C) known and designated as the saline fund;

(D) known and designated as the bank-tax fund;

(E) derived from the sale of county seminaries and property belonging to county seminaries or after March 5, 1865, are derived from the sale of county seminaries and property belonging to county seminaries; or

(F) money and property held for county seminaries;

(2) are derived from fines assessed for breaches of the penal laws of the state;

(3) are derived from forfeitures that accrue;

(4) are derived from lands and other estate that escheat to the state for want of heirs or kindred entitled to the inheritance of the lands or other estate;

(5) are derived from lands that:

(A) were granted before March 6, 1865; or

(B) are granted after March 5, 1865;

to the state, if no special object is expressed in the grant;

(6) are derived from the proceeds of the sales of the swamp lands granted to the state of Indiana by the act of Congress of September 1850;

(7) are derived from the taxes that are assessed periodically upon the property of corporations for common school purposes; and

(8) are derived from the one hundred and fourteenth section of the charter of the state bank of Indiana;

constitute the common school fund.

Sec. 4. Subject to sections 5, 6 and 9 of this chapter, the fund shall never be diminished in amount.

Sec. 5. Any balance remaining in a fund shall be transferred to the debt service funds of the school corporations in the county. The amount transferred may be appropriated and paid to a school

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corporation's general fund.

Sec. 6. (a) A county council may adopt a resolution to:

(1) elect to surrender the custody of the fund; and

(2) order the board of county commissioners, the county auditor, and the county treasurer to take any and all steps necessary to surrender the custody of a fund held in trust by the county.

If the county council adopts a resolution under this section, the amount of money distributed to and held in trust by the county is due and payable to the treasurer of state. A county council may elect whether the county shall surrender all or any part of the fund. If the county retains custody of any money in the fund, the county shall loan the money as otherwise provided by law. Any part of the money in the fund surrendered by the county shall be paid to the treasurer of state immediately after the election by the county council.

(b) Within ten (10) days after the passage of the resolution by a county council of a county electing to surrender the custody of the fund, the county auditor shall prepare and file with the board of commissioners of the county a report showing the following:

(1) The total amount of the fund that has been entrusted to and is held in trust by the county.

(2) The total amount of the funds that is loaned as provided by law.

(3) The total amount of the fund, if any, loaned to the county and which loans are unpaid.

(4) The total amount of the fund held in cash in the possession and custody of the county and that is not loaned.

(5) A separate schedule of past due loans. The schedule must show the unpaid balance of principal and the amount of delinquent interest due and unpaid on each delinquent loan.

(c) The board of county commissioners shall examine the reports, and, if found correct, the board of county commissioners shall order:

(1) that the report be entered on its records; and

(2) the county auditor to draw the county auditor's warrant, payable to the treasurer of state, for the amount of the fund that is not loaned and is held in cash in the custody and possession of the county as shown by the report.

The county auditor shall forward the warrants to the auditor of state together with a certified copy of the report. The county auditor shall also forward with the payment a certified copy of the

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resolution of the county council electing to surrender the custody of the fund or any part of the fund.

(d) After passage by the county council of a resolution electing to surrender the custody of the funds, no part of the fund that is in the custody of the county may be loaned by the county or by any official of the county. Except as provided in this subsection, all outstanding loans of the fund at the time of the passage of the resolution shall be collected when due. Any loan that comes due and payable after the passage of the resolution may be renewed for one (1) additional five (5) year period, on the application of the person owing the loan as provided by law. However, a loan that is more than one (1) year delinquent in payment of principal or interest at the time of the passage of the resolution of the county council may not be renewed.

(e) On:

(1) May 1 or November 1 immediately after the passage of the resolution electing to surrender the fund; and

(2) each May 1 and November 1 thereafter;

all the money collected and on hand that belongs to the fund shall be paid to the treasurer of state. If at the time for a semiannual payment the amount collected and paid to the treasurer of state when added to the amounts previously paid to the treasurer of state is less than the result determined by multiplying one-fortieth (1/40) of the amount of the fund held in trust at the time of the passage of the resolution by the number of semiannual payments that have occurred after the passage of the resolution, the county auditor shall draw the county auditor's warrant on the general fund of the county for an amount sufficient to pay to the treasurer of state the difference between the amount paid and the amount equal to the result of multiplying one-fortieth (1/40) of the amount of the fund held in trust at the time of the passage of the resolution by the number of semiannual payments that have occurred after the passage of the resolution.

(f) At the same time and in the same manner, there shall be paid to the treasurer of state interest to the date of the semiannual payment on the balance of the funds held in trust by the county from the immediately preceding October 31 or April 30 at the rate fixed by law. Whenever within the preceding six (6) months any payment of the fund has been made by the county to the treasurer of state, the county shall also pay interest at the rate fixed by law on the amount of the payment to the date of receipt of the payment by the treasurer of state. If the amount collected as interest on the

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fund is not sufficient to make payment of interest to the treasurer of state, the county auditor shall draw the county auditor's warrant on the general fund of the county for an amount sufficient when added to the amount collected as interest on the fund to pay the interest due to the state.

(g) The board of county commissioners shall, in its annual budget estimate, include an estimate of the amount necessary to make the payments from the county general fund as required by this section, and the county council shall appropriate the amount of the estimate.

(h) A county is subrogated to all the rights and remedies of the state with respect to loans made from a fund held in trust by the county to the extent of any and all payments made from the county general fund under this chapter.

Sec. 7. A county shall be held liable for the:

(1) preservation of the part of the fund as is entrusted or has been entrusted to the county; and

(2) payment of the annual interest on the fund at the rate established by law.

Sec. 8. The payment of annual interest must be full and complete every year. The payment must appear in the county auditor's report to the state superintendent. The state superintendent shall, at any time when the state superintendent discovers from the report, or otherwise, that there is a deficit in the amount collected, for want of prompt collection or otherwise, direct the attention of the board of county commissioners and the county auditor to the fact. The board of commissioners shall provide for the deficit in their respective counties.

Sec. 9. (a) This section does not apply to a fund entrusted to a county before November 1, 1851.

(b) Loans may not be made of the principal of the common school funds held in trust by the several counties of the state. Each county auditor and treasurer shall forward semiannually all payments made and all interest collected on any loan made before March 7, 1953, by any county from the fund, to the treasurer of state. The amount transferred to the treasurer of state must be held under IC 20-49-3.

Sec. 10. Subject to section 9 of this chapter, the:

(1) principal belonging to a fund; and

(2) accumulations to the principal of a fund held by a county; must be loaned at four percent (4%) per annum. Loans made before June 1, 1943, with a rate of interest higher than four percent

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(4%) per annum must have an interest rate of four percent (4%) per annum.

Sec. 11. In a county where the total amount in the:

(1) fund; or

(2) congressional township school fund;

accumulates to the amount of at least one thousand dollars ($1,000), a county may not borrow and use the funds or any part of the funds for any lawful purpose for a period not exceeding five (5) years.

Sec. 12. (a) If a county council borrows funds under this chapter, the county council shall adopt an ordinance specifying the amount of the funds to be borrowed and specify the time for which the loan will be made. The board of county commissioners shall execute to the state of Indiana for the use of the funds a written obligation, executed by the board of county commissioners and attested by the county auditor, that specifies the following:

(1) The facts under which the written obligation is executed.

(2) The sum of money borrowed.

(3) The time when the money will be repaid to the fund by the county.

(b) The obligation must be deposited with the county auditor of the county. The county auditor shall retain the obligation and record entries concerning the loans. The provisions of IC 6-1.1-20 concerning the loan to the county from the school funds apply to this section.

Sec. 13. After the obligation is deposited with the county auditor under section 12 of this chapter, the county auditor shall issue a warrant to the county treasurer, to be paid to the county for the amount of money specified in the ordinance and obligation. When the warrant is presented to the county treasurer, the treasurer shall transfer from the fund the amount contained in the warrant from the principal sum of the fund to the credit of the county revenue of the county. Funds transferred under this section become a part of the general revenue funds of the county.

Sec. 14. (a) If the funds remain in the county treasury of the county for four (4) months without having been loaned under this chapter, upon the request of the county auditor, the board of county commissioners may, by an order entered of record, direct the county treasurer to invest the funds in:

(1) bonds, notes, certificates, and other valid obligations of the United States; and

(2) bonds, notes, debentures, and other securities issued by

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any federal instrumentality that are fully guaranteed by the United States.

(b) If it becomes necessary to obtain the funds invested in the government bonds under subsection (a) to be able to make a loan to any borrower, whose application has been approved and granted, the treasurer shall sell, at the earliest opportunity, a sufficient amount of the government bonds to make the loan.

Sec. 15. (a) All payments of principal or interest must be paid to the county treasurer. The:

(1) county treasurer shall file a receipt with the county auditor; and

(2) county auditor shall give the payor a receipt and record the payment.

(b) The county auditor may accept payment of principal or interest if the county auditor can immediately transmit and pay the payment to the county treasurer.

Chapter 2. County Administration of Congressional Township School Fund

Sec. 1. This chapter applies to a county that has money in a fund.

Sec. 2. As used in this chapter, "fund" refers to a congressional township school fund administered by a county.

Sec. 3. The fund derived from the sale of congressional township school lands constitutes the congressional township school fund.

Sec. 4. The fund shall never be diminished in amount.

Sec. 5. A county shall be held liable for the:

(1) preservation of the part of the fund as is entrusted or has been entrusted to the county; and

(2) payment of the annual interest on the fund, at the rate established by law.

Sec. 6. The payment of annual interest must be full and complete every year. The payment must appear in the county auditor's report to the state superintendent. The state superintendent shall, at any time when the state superintendent discovers that there is a deficit in the amount collected, direct the attention of the board of county commissioners and the county auditor to the fact. The board of commissioners shall provide for the deficit in the commissioners' respective counties.

Sec. 7. The county auditor of each county shall, semiannually, on the second Monday of July and on the last Monday in January make apportionment of the amount of the congressional township school revenue belonging to each school corporation. The

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apportionment shall be paid to each school corporation's treasurer.

Sec. 8. The county auditor shall report the amount apportioned to the state superintendent, verified by affidavit.

Sec. 9. The income of the fund belonging to any congressional township or part of a congressional township may not be:

(1) diminished by an apportionment; or

(2) diverted or distributed to another township.

Sec. 10. The:

(1) principal belonging to the fund; and

(2) accumulations to the principal of a fund held by a county;

must be loaned at four percent (4%) per annum. Loans made before June 1, 1943, with a rate of interest higher than four percent (4%) per annum must have an interest rate of four percent (4%) per annum.

Sec. 11. In a county where the total amount in the:

(1) common school fund; or

(2) fund;

accumulates to the amount of at least one thousand dollars ($1,000), a county may not borrow and use the funds, or any part of the funds, for any lawful purpose for a period not exceeding five (5) years.

Sec. 12. (a) If a county council borrows funds under this chapter, the county council shall adopt an ordinance specifying the amount of the funds to be borrowed and specify the time when the loan will be made. The board of county commissioners shall execute to the state of Indiana for the use of the funds a written obligation, executed by the board of county commissioners and attested by the county auditor, that specifies the following:

(1) The facts under which the written obligation is executed.

(2) The sum of money borrowed.

(3) The time when the money will be repaid to the fund by the county.

(b) The obligation must be deposited with the county auditor. The county auditor shall retain the obligation and record entries concerning the loans. The provisions of IC 6-1.1-20 concerning the loan to the county from the school funds apply to this section.

Sec. 13. After the obligation is deposited with the county auditor under section 12 of this chapter, the county auditor shall issue a warrant to the county treasurer to be paid to the county for the amount of money specified in the ordinance and obligation. When the warrant is presented to the county treasurer, the treasurer shall transfer from the fund the amount contained in the warrant

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from the principal sum of the fund to the credit of the county revenue of the county. Funds transferred under this section become a part of the general revenue funds of the county.

Sec. 14. (a) If the funds remain in the county treasury of the county for four (4) months without having been loaned under this chapter, upon the request of the county auditor, the board of county commissioners may, by an order entered of record, direct the county treasurer to invest the funds in:

(1) bonds, notes, certificates, and other valid obligations of the United States; and

(2) bonds, notes, debentures, and other securities issued by any federal instrumentality that are fully guaranteed by the United States.

(b) If it becomes necessary to obtain the funds invested in the government bonds under subsection (a) to be able to make a loan to any borrower, whose application has been approved and granted, the treasurer shall sell, at the earliest opportunity, a sufficient amount of the government bonds to make the loan.

Sec. 15. All payments of principal or interest must be paid to the county treasurer. The:

(1) treasurer shall file a receipt with the county auditor; and

(2) auditor shall give the payor a receipt and record the payment.

The county auditor may accept payment of principal or interest if the county auditor can immediately transmit and pay the payment to the county treasurer.

Chapter 3. Seminary Township School Fund

Sec. 1. This chapter applies in a county that has a seminary township school fund.

Sec. 2. As used in this chapter, "account" refers to the seminary lands school account established under section 8 of this chapter.

Sec. 3. As used in this chapter, "fund" refers to a seminary township school fund established under section 5 of this chapter.

Sec. 4. As used in this chapter, "seminary land" means land dedicated to the inhabitants of a township by the Northwest Territory Ordinance of 1787 for educational purposes.

Sec. 5. There is established in any township containing seminary land a fund to be known as the seminary township school fund.

Sec. 6. The fund consists of all money received before August 18, 1969, from the rental of seminary lands.

Sec. 7. The administrator of the fund is the trustee of the township in which the seminary lands are located.

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Sec. 8. (a) The fund shall be deposited in a commercial bank or other institution authorized by law to receive public money.

(b) The account into which the fund is deposited must be an interest paying account. The trustee shall annually take the interest from the fund and deposit the interest into a separate bank account known as the seminary lands school account maintained by the trustee for purposes of this chapter.

(c) The trustee shall also deposit in the account:

(1) forty percent (40%); or

(2) two thousand five hundred dollars ($2,500);

whichever is greater, each year of the annual rental received from seminary lands.

Sec. 9. (a) Both:

(1) sixty percent (60%) of the annual rental received from seminary lands; and

(2) the interest received from the fund created by the proceeds from the lease or sale of seminary lands;

shall be paid each year by the trustee to the school corporations in the county in which seminary lands are located.

(b) The amount paid each year under this section shall be credited on a pro rata basis to the school property tax obligations of the owners of land in the township containing the seminary land. The school property tax obligation of the owners of land shall be reduced each year on a pro rata basis by the amount of the payment.

Sec. 10. The trustee, with the advice and consent of the township board, shall use the account for the following educational purposes:

(1) Each year the trustee shall pay to the parent or legal guardian of any child whose residence is within the township, the initial cost for the rental of textbooks used in any elementary or secondary school that has been accredited by the state. The reimbursement for the rental of textbooks shall be for the initial yearly rental charge only. Textbooks subsequently lost or destroyed may not be paid for from this account.

(2) Students who are residents of the township for the last two (2) years of their secondary education and who still reside within the township are entitled to receive financial assistance in an amount not to exceed an amount determined by the trustee and the township board during an annual review of higher education fees and tuition costs of post-high school

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education at any accredited college, university, junior college, or vocational or trade school. Amounts to be paid to each eligible student shall be set annually after this review. The amount paid each year must be:

(A) equitable for every eligible student without regard to race, religion, creed, sex, disability, or national origin; and

(B) based on the number of students and the amount of funds available each year.

(3) A person who has been a permanent resident of the township continuously for at least two (2) years and who needs educational assistance for job training or retraining may apply to the trustee of the township for financial assistance. The trustee and the township board shall review each application and make assistance available according to the need of each applicant and the availability of funds.

(4) If all the available funds are not used in any one (1) year, the unused funds shall be retained in the account by the trustee for use in succeeding years.

Sec. 11. The bond required by law for the trustee shall be increased by an amount equal to the sum of the fund and the average annual rental income from the seminary lands.

Sec. 12. All funds and accounts provided in this chapter and the accumulation of the funds and accounts shall be periodically audited and examined in the same manner provided by law for public money.

Sec. 13. All expenditures and payments made under this chapter shall be made only after necessary expenditures to protect and maintain the seminary lands in a good and safe condition are first made from the annual rental income.

Chapter 4. Funding of Retirement or Severance Plan

Sec. 1. This chapter applies to a school corporation that:

(1) after June 30, 2001, establishes a retirement or severance plan that will require the school corporation to pay postretirement or severance benefits to employees of the school corporation; or

(2) includes in a collective bargaining agreement or other contract entered into after June 30, 2001, a provision to increase:

(A) the benefit; or

(B) the unfunded liability;

under a retirement or severance provision that will require the school corporation to pay postretirement or severance

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benefits to employees of the school corporation.

Sec. 2. (a) A school corporation must fund on an actuarially sound basis the postretirement or severance benefits that will be paid to employees under a plan, an agreement, or a contract described in section 1(1) of this chapter or an increase described in section 1(2) of this chapter.

(b) A school corporation must place the assets used to fund on an actuarially sound basis the postretirement or severance benefits in a separate fund or account, and the school corporation may not commingle the assets in the separate fund or account with any other assets of the school corporation.

SECTION 166. IC 20-43 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 43. STATE TUITION SUPPORT

Chapter 1. General Provisions

Sec. 1. This article expires January 1, 2008.

Sec. 2. The definitions in this chapter apply throughout this article.

Sec. 3. "Academic honors diploma award" refers to the amount determined under IC 20-43-10-2.

Sec. 4. "Adjusted ADM" refers to the amount determined under IC 20-43-4-7.

Sec. 5. "Adjusted tuition support levy" refers to the amount determined under IC 20-43-3-5.

Sec. 6. "ADM" refers to average daily membership determined under IC 20-43-4-2.

Sec. 7. "ADM of the previous year" means the initial computed ADM for the school year ending in the preceding calendar year.

Sec. 8. "Basic tuition support" means the part of a school corporation's state tuition support for basic programs determined under IC 20-43-6-5.

Sec. 9. "Complexity index" refers to the complexity index determined under IC 20-43-5-3.

Sec. 10. "Current ADM" means the initial computed ADM for the school year ending in the calendar year.

Sec. 11. "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20-43-4-1.

Sec. 12. "Excise tax revenue" refers to the amount determined under IC 20-43-3-2.

Sec. 13. "Foundation amount" refers to the amount determined under IC 20-43-5-4.

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Sec. 14. "Full-time equivalency" refers to the amount determined under IC 20-43-4-6.

Sec. 15. "Guaranteed minimum revenue" refers to the amount determined under IC 20-43-5-8.

Sec. 16. "Local contribution" refers to the amount determined under IC 20-43-6-4.

Sec. 17. "Maximum permissible tuition support levy" has the meaning set forth in IC 20-45-1-15.

Sec. 18. "Maximum state distribution" refers to the amount determined under IC 20-43-2-2.

Sec. 19. "Previous year revenue" refers to the amount determined under IC 20-43-3-4.

Sec. 20. "Previous year revenue foundation amount" refers to the amount determined under IC 20-43-5-5.

Sec. 21. "Primetime distribution" refers to the amount determined under IC 20-43-9-6.

Sec. 22. "Primetime program" refers to the program established under IC 20-43-9-1.

Sec. 23. "School corporation" means the following:

(1) Any local public school corporation established under Indiana law.

(2) Except as otherwise indicated in this article, a charter school.

Sec. 24. "Special education grant" refers to the amount determined under IC 20-43-7-6.

Sec. 25. "State tuition support" means the amount of state funds to be distributed to a school corporation in any calendar year under this article for all grants, distributions, and awards described in IC 20-43-2-3.

Sec. 26. "Target revenue per ADM" refers to the amount determined under IC 20-43-5-9.

Sec. 27. "Total target revenue" refers to the amount determined under IC 20-43-6-3.

Sec. 28. "Transition to foundation amount" refers to the amount determined under IC 20-43-5-6.

Sec. 29. "Transition to foundation revenue" refers to the amount determined under IC 20-43-5-7.

Sec. 30. "Vocational education grant" refers to the amount determined under IC 20-43-8-9 as adjusted under IC 20-43-8-10.

Chapter 2. Maximum State Distribution

Sec. 1. The department shall distribute the amount appropriated by the general assembly for distribution as state tuition support in

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accordance with this article. If the appropriations for distribution as state tuition support are more than required under this article, one-half (1/2) of any excess shall revert to the state general fund and one-half (1/2) of any excess shall revert to the property tax replacement fund. The appropriations for state tuition support shall be made each calendar year under a schedule set by the budget agency and approved by the governor. However, the schedule must provide:

(1) for at least twelve (12) payments;

(2) that one (1) payment shall be made at least every forty (40) days; and

(3) the total of the payments in each calendar year must equal the amount required under this article.

Sec. 2. The maximum state distribution for a calendar year for all school corporations is:

(1) three billion seven hundred fifty-four million seven hundred thousand dollars ($3,754,700,000) in 2006; and

(2) three billion seven hundred forty-seven million two hundred thousand dollars ($3,747,200,000) in 2007.

Sec. 3. If the total amount to be distributed:

(1) as basic tuition support;

(2) for academic honors diploma awards;

(3) for primetime distributions;

(4) for special education grants; and

(5) for vocational education grants;

for a particular year exceeds the maximum state distribution for a calendar year, the amount to be distributed for state tuition support under this article to each school corporation during each of the last six (6) months of the year shall be proportionately reduced so that the total reductions equal the amount of the excess.

Sec. 4. The amount of the reduction for a particular school corporation under section 3 of this chapter is equal to the total amount of the excess determined under section 3 of this chapter multiplied by a fraction. The numerator of the fraction is the amount of the distribution for state tuition support that the school corporation would have received if a reduction were not made under this section. The denominator of the fraction is the total amount that would be distributed for state tuition support to all school corporations if a reduction were not made under this section.

Sec. 5. If a school corporation operates on a twelve (12) month school year program, as approved by the state superintendent, the

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distribution of state support for the program shall be made under an adjusted formula to be approved by the state superintendent. The adjustment formula shall grant to each school corporation operating an approved twelve (12) month school year an amount of money that must be on the same basis as the distribution for the regular support program, prorated per diem to reflect the extended school term.

Sec. 6. (a) If money appropriated in a fiscal year by the general assembly for adult education is insufficient to fund the state adult education distribution formula provided in the rules adopted by the state board, the budget agency may transfer a sufficient amount of money from any excess in the state appropriation for state tuition support for the fiscal year to fund the state adult education distribution formula.

(b) Before the budget agency makes a transfer under this section, the budget agency shall refer the matter to the budget committee for an advisory recommendation.

Sec. 7. (a) If the money appropriated in a fiscal year by the general assembly for summer school education is insufficient to fund the state summer school distribution formula provided in the rules adopted by the state board to carry out IC 20-30-7-1, the budget agency may transfer a sufficient amount of money from any excess in the state appropriation for state tuition support for the fiscal year to fund the state summer school distribution formula.

(b) Before the budget agency makes a transfer under this section, the budget agency shall refer the matter to the budget committee for an advisory recommendation.

Chapter 3. General Computations; Amounts Used in State Tuition Support Calculations

Sec. 1. If a computation under this article results in a fraction and a rounding rule is not specified, the fraction shall be rounded as follows:

(1) All tax rates shall be computed by rounding the rate to the nearest one-hundredth of a cent ($0.0001).

(2) All tax levies shall be computed by rounding the levy to the nearest dollar ($1) amount.

(3) All state tuition support distributions shall be computed by rounding the state tuition support distribution to the nearest cent ($0.01).

(4) If a calculation is not covered by subdivision (1), (2), or (3), the result of the calculation shall be rounded to the nearest ten-thousandth (.0001).

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Sec. 2. (a) This subsection does not apply to a charter school. A school corporation's excise tax revenue is the sum of the:

(1) financial institution excise tax revenue (IC 6-5.5);

(2) motor vehicle excise taxes (IC 6-6-5);

(3) commercial vehicle excise taxes (IC 6-6-5.5);

(4) boat excise tax (IC 6-6-11); and

(5) aircraft excise tax (IC 6-6-6.5);

the school corporation received for deposit in the school corporation's general fund in a calendar year or would have received for deposit in the school corporation's general fund in a calendar year if the settlement of property taxes first due and payable in the calendar year had been made on the schedule required under IC 6-1.1-27-1.

(b) A charter school's excise tax revenue for a calendar year is zero (0).

Sec. 3. Not later than January 15 each year, the department of local government finance shall certify to the department the amount of each school corporation's excise tax revenue for the immediately preceding year. In 2006, the department of local government finance shall certify to the department the amount of each school corporation's excise tax revenue for both 2004 and 2005. The department may rely on the excise tax revenue amounts certified by the department of local government finance under this section in making calculations under this article.

Sec. 4. (a) A school corporation's previous year revenue equals the amount determined under STEP TWO of the following formula:

STEP ONE: Determine the sum of the following:

(A) The school corporation's basic tuition support for the year that precedes the current year.

(B) The school corporation's maximum permissible tuition support levy for the calendar year that precedes the current year, made in determining the school corporation's adjusted tuition support levy for the calendar year.

(C) The school corporation's excise tax revenue for the year that precedes the current year by two (2) years.

STEP TWO: Subtract from the STEP ONE result an amount equal to the sum of the following:

(A) The reduction in the school corporation's state tuition support under any combination of subsection (b), subsection (c), IC 20-10.1-2-1 (before its repeal), or IC 20-30-2-4.

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(B) In 2006, the amount of the school corporation's maximum permissible tuition support levy attributable to the levy transferred from the school corporation's general fund to the school corporation's referendum tax levy fund under IC 20-46-1-6.

(b) A school corporation's previous year revenue must be reduced if:

(1) the school corporation's state tuition support for special or vocational education is reduced as a result of a complaint being filed with the department after December 31, 1988, because the school program overstated the number of children enrolled in special or vocational education programs; and

(2) the school corporation's previous year revenue has not been reduced under this subsection more than one (1) time because of a given overstatement.

The amount of the reduction equals the amount the school corporation would have received in state tuition support for special and vocational education because of the overstatement.

(c) A school corporation's previous year revenue must be reduced if an existing elementary or secondary school located in the school corporation converts to a charter school under IC 20-5.5-11 before July 1, 2005, or IC 20-24-11 after June 30, 2005. The amount of the reduction equals the product of:

(1) the sum of the amounts distributed to the conversion charter school under IC 20-5.5-7-3.5(c) and IC 20-5.5-7-3.5(d) before July 1, 2005, and IC 20-24-7-3(c) and IC 20-24-7-3(d) after June 30, 2005; multiplied by

(2) two (2).

Sec. 5. (a) As used in this section, "school corporation" does not include a charter school.

(b) A school corporation's adjusted tuition support levy for a calendar year is the result determined using the following formula:

STEP ONE: Determine the school corporation's maximum permissible tuition support levy.

STEP TWO: Determine the sum of the following:

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

(B) The part of the school corporation's maximum permissible tuition support levy for the calendar year that

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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 calendar year.

(C) The part of the school corporation's maximum permissible tuition support levy for the calendar year that is added to the school corporation's maximum permissible tuition support levy in the calendar year to provide revenue for one (1) or more charter schools attended by students with legal settlement in the school corporation.

STEP THREE: Determine the difference of:

(A) the STEP ONE amount; minus

(B) the STEP TWO amount.

Sec. 6. (a) For purposes of this section, "school corporation" does not include a charter school.

(b) Adjusted assessed valuation of any school corporation that is used in computing a school corporation's state tuition support for a calendar year must be the assessed valuation in the school corporation, adjusted as provided in IC 6-1.1-34.

(c) The amount of the valuation described in subsection (b) must also be adjusted downward by the department of local government finance to the extent it consists of real or personal property owned by a railroad or other corporation under the jurisdiction of a federal court under the federal bankruptcy laws (11 U.S.C. 101 et seq.) if as a result of the corporation being involved in a bankruptcy proceeding the corporation is delinquent in payment of its Indiana real and personal property taxes for the year to which the valuation applies. If the railroad or other corporation in some subsequent calendar year makes payment of the delinquent taxes, the state superintendent shall prescribe adjustments in the distributions of state tuition support that subsequently become due to a school corporation affected by the delinquency. The adjustment must ensure that the school corporation will not have been unjustly enriched under P.L.382-1987(ss).

(d) The amount of the valuation described in subsection (b) must also be adjusted downward by the department of local government finance to the extent it consists of real or personal property described in IC 6-1.1-17-0.5(b).

Chapter 4. Determination of Pupil Enrollment; ADM; Adjusted ADM

Sec. 1. (a) An individual is an eligible pupil if the individual is a pupil enrolled in a school corporation and:

(1) the school corporation has the responsibility to educate the

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pupil in its public schools without the payment of tuition;

(2) subject to subdivision (5), the school corporation has the responsibility to pay transfer tuition under IC 20-26-11, because the pupil is transferred for education to another school corporation;

(3) the pupil is enrolled in a school corporation as a transfer student under IC 20-26-11-6 or entitled to be counted for ADM purposes as a resident of the school corporation when attending its schools under any other applicable law or regulation;

(4) the state is responsible for the payment of transfer tuition to the school corporation for the pupil under IC 20-26-11; or

(5) all of the following apply:

(A) The school corporation is a transferee corporation.

(B) The pupil does not qualify as a qualified pupil in the transferee corporation under subdivision (3) or (4).

(C) The transferee corporation's attendance area includes a state licensed private or public health care facility, child care facility, or foster family home where the pupil was placed:

(i) by or with the consent of the department of child services;

(ii) by a court order;

(iii) by a child placing agency licensed by the division of family resources; or

(iv) by a parent or guardian under IC 20-26-11-8.

(b) For purposes of a vocational education grant, an eligible pupil includes a student enrolled in a charter school.

Sec. 2. A school corporation's ADM is the number of eligible pupils enrolled in:

(1) the school corporation; or

(2) a transferee corporation;

on a day to be fixed annually by the state board and as subsequently adjusted not later than January 30 under the rules adopted by the state board.

Sec. 3. The initial day of the ADM count must fall within the first thirty (30) days of the school year. However, if extreme patterns of:

(1) student in-migration;

(2) illness;

(3) natural disaster; or

(4) other unusual conditions in a particular school

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corporation's enrollment;

on either the day fixed by the state board or on the subsequent adjustment date, cause the enrollment to be unrepresentative of the school corporation's enrollment throughout a school year, the state board may designate another day for determining the school corporation's enrollment.

Sec. 4. The state board shall monitor changes that occur after the fall ADM count in the number of students enrolled in programs for children with disabilities. The state board shall:

(1) before December 2 of that same year; and

(2) before April 2 of the following calendar year;

make an adjusted count of students enrolled in programs for children with disabilities. The state superintendent shall certify the December adjusted count to the budget committee before February 5 of the following year and the April adjusted count not later than May 31 immediately after the date of the April adjusted count.

Sec. 5. In determining ADM, each kindergarten pupil shall be counted as one-half (1/2) pupil. If a school corporation commences kindergarten in a school year, the ADM of the current and prior calendar years shall be adjusted to reflect the enrollment of the kindergarten pupils.

Sec. 6. (a) In determining ADM, each pupil enrolled in a public school and a nonpublic school is to be counted on a full-time equivalency basis if the pupil:

(1) is enrolled in a public school and a nonpublic school;

(2) has legal settlement in a school corporation; and

(3) receives instructional services from the school corporation.

(b) For purposes of this section, full-time equivalency is calculated as follows:

STEP ONE: Determine the result of:

(A) the number of days instructional services will be provided to the pupil, not to exceed one hundred eighty (180); divided by

(B) one hundred eighty (180).

STEP TWO: Determine the result of:

(A) the pupil's public school instructional time (as defined in IC 20-30-2-1), rounded to the nearest one-hundredth (0.01); divided by

(B) the actual public school regular instructional day (as defined in IC 20-30-2-2), rounded to the nearest one-hundredth (0.01).

STEP THREE: Determine the result of:

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(A) the STEP ONE result; multiplied by
(B) the STEP TWO result.
STEP FOUR: Determine the lesser of one (1) or the result of:
(A) the STEP THREE result; multiplied by
(B) one and five hundredths (1.05).

(c) If the computation for a pupil under subsection (b) results in a fraction, the fraction must be rounded to the nearest one-hundredth (0.01).

Sec. 7. (a) This subsection does not apply to a charter school. When calculating adjusted ADM for 2006 distributions, this subsection, as effective after December 31, 2005, shall be used to calculate the adjusted ADM for the previous year rather than the calculation used to calculate adjusted ADM for 2005 distributions. For purposes of this article, a school corporation's "adjusted ADM" for the current year is the result determined under the following formula:

STEP ONE: Determine the sum of the following:
(A) The school corporation's ADM for the year preceding the current year by four (4) years multiplied by two-tenths (0.2).
(B) The school corporation's ADM for the year preceding the current year by three (3) years multiplied by two-tenths (0.2).
(C) The school corporation's ADM for the year preceding the current year by two (2) years multiplied by two-tenths (0.2).
(D) The school corporation's ADM for the year preceding the current year by one (1) year multiplied by two-tenths (0.2).
(E) The school corporation's ADM for the current year multiplied by two-tenths (0.2).
Round the result to the nearest five-tenths (0.5).
STEP TWO: Determine the sum of:
(A) the school corporation's ADM for the year preceding the current year; plus
(B) the product of:
(i) the school corporation's ADM for the current year minus the clause (A) amount; multiplied by
(ii) seventy-five hundredths (0.75).
Round the result to the nearest five-tenths (0.5).
STEP THREE: Determine the greater of the following:
(A) The STEP ONE result.

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(B) The STEP TWO result.

(b) A charter school's adjusted ADM for purposes of this article is the charter school's current ADM.

Chapter 5. Determination of Complexity Index and Target Revenue Per ADM

Sec. 1. A school corporation's target revenue per ADM for a calendar year is the amount determined under section 9 of this chapter.

Sec. 2. The following amounts must be determined under this chapter to calculate a school corporation's target revenue per ADM for a calendar year:

(1) The school corporation's complexity index for the calendar year under section 3 of this chapter.

(2) The school corporation's foundation amount for the calendar year under section 4 of this chapter.

(3) The school corporation's previous year revenue foundation amount for the calendar year under section 5 of this chapter.

(4) The school corporation's transition to foundation amount for the calendar year under section 6 of this chapter.

(5) The school corporation's transition to foundation revenue for the calendar year under section 7 of this chapter.

(6) The school corporation's guaranteed minimum revenue for the calendar year under section 8 of this chapter.

Sec. 3. (a) This subsection does not apply to a charter school. A school corporation's complexity index is determined under the following formula:

STEP ONE: Determine the greater of zero (0) or the result of the following:

(1) Determine the percentage of the population in the school corporation who are at least twenty-five (25) years of age with less than a twelfth grade education.

(2) Determine the quotient of:

(A) one thousand nineteen dollars ($1,019); divided by

(B) four thousand five hundred seventeen dollars ($4,517) in 2006 and four thousand five hundred sixty-three dollars ($4,563) in 2007.

(3) Determine the product of:

(A) the subdivision (1) amount; multiplied by

(B) the subdivision (2) amount.

STEP TWO: Determine the greater of zero (0) or the result of the following:

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(1) Determine the percentage of the school corporation's students who were eligible for free lunches in the school year ending in 2005.

(2) Determine the quotient of:

(A) one thousand two hundred sixty dollars ($1,260); divided by

(B) four thousand five hundred seventeen dollars ($4,517) in 2006 and four thousand five hundred sixty-three dollars ($4,563) in 2007.

(3) Determine the product of:

(A) the subdivision (1) amount; multiplied by

(B) the subdivision (2) amount.

STEP THREE: Determine the greater of zero (0) or the result of the following:

(1) Determine the percentage of the school corporation's students who were classified as limited English proficient in the school year ending in 2005.

(2) Determine the quotient of:

(A) four hundred fifty-two dollars ($452); divided by

(B) four thousand five hundred seventeen dollars ($4,517) in 2006 and four thousand five hundred sixty-three dollars ($4,563) in 2007.

(3) Determine the product of:

(A) the subdivision (1) amount; multiplied by

(B) the subdivision (2) amount.

STEP FOUR: Determine the greater of zero (0) or the result of the following:

(1) Determine the percentage of families in the school corporation with a single parent.

(2) Determine the quotient of:

(A) five hundred fifty-seven dollars ($557); divided by

(B) four thousand five hundred seventeen dollars ($4,517) in 2006 and four thousand five hundred sixty-three dollars ($4,563) in 2007.

(3) Determine the product of:

(A) the subdivision (1) amount; multiplied by

(B) the subdivision (2) amount.

STEP FIVE: Determine the greater of zero (0) or the result of the following:

(1) Determine the percentage of families in the school corporation with children who are less than eighteen (18) years of age and who have a family income level below the

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federal income poverty level (as defined in IC 12-15-2-1).
(2) Determine the quotient of:
(A) three hundred forty-seven dollars ($347); divided by
(B) four thousand five hundred seventeen dollars ($4,517) in 2006 and four thousand five hundred sixty-three dollars ($4,563) in 2007.
(3) Determine the product of:
(A) the subdivision (1) amount; multiplied by
(B) the subdivision (2) amount.
STEP SIX: Determine the sum of the results in STEP ONE through STEP FIVE.
STEP SEVEN: Determine the result of one (1) plus the STEP SIX result.
STEP EIGHT: This STEP applies if the STEP SEVEN result is equal to or greater than one and twenty-five hundredths (1.25). Determine the result of the following:
(1) Subtract one and twenty-five hundredths (1.25) from the STEP SEVEN result.
(2) Multiply the subdivision (1) result by five-tenths (0.5).
(3) Determine the result of:
(A) the STEP SEVEN result; plus
(B) the subdivision (2) result.
The data to be used in making the calculations under STEP ONE, STEP FOUR, and STEP FIVE of this subsection must be the data from the 2000 federal decennial census.
(b) A charter school's complexity index is the index determined under subsection (a) for the school corporation in which the charter school is located. However, the complexity index for Campagna Academy Charter School is the complexity index determined under subsection (a) for Gary Community School Corporation.
Sec. 4. A school corporation's foundation amount for a calendar year is the result determined under STEP TWO of the following formula:
STEP ONE: Determine:
(A) four thousand five hundred seventeen dollars ($4,517) in 2006; or
(B) four thousand five hundred sixty-three dollars ($4,563) in 2007.
STEP TWO: Multiply the STEP ONE amount by the school corporation's complexity index.
Sec. 5. A school corporation's previous year revenue foundation

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amount for a calendar year is equal to the school corporation's previous year revenue divided by the school corporation's adjusted ADM for the previous year.

Sec. 6. A school corporation's transition to foundation amount for a calendar year is equal to the result determined under STEP THREE of the following formula:

STEP ONE: Determine the difference of:

(A) the school corporation's foundation amount; minus

(B) the school corporation's previous year revenue foundation amount.

STEP TWO: Divide the STEP ONE result by:

(A) six (6) in 2006; or

(B) five (5) in 2007.

STEP THREE: A school corporation's STEP THREE amount is the following:

(A) For a charter school that has previous year revenue that is not greater than zero (0), the charter school's STEP THREE amount is the quotient of:

(i) the school corporation's guaranteed minimum revenue for the calendar year where the charter school is located; divided by

(ii) the school corporation's current ADM.

(B) The STEP THREE amount for a school corporation that is not a charter school described in clause (A) is the following:

(i) The school corporation's foundation amount for the calendar year, if the absolute value of the STEP ONE amount is less than or equal to fifty dollars ($50).

(ii) For 2007, the school corporation's foundation amount for the calendar year, if the foundation amount in 2006 equaled the school corporation's target revenue per ADM in 2006.

(iii) The sum of the school corporation's previous year revenue foundation amount and the greater of the school corporation's STEP TWO amount or fifty dollars ($50), if the school corporation's STEP ONE amount is greater than fifty dollars ($50).

(iv) The difference determined by subtracting the greater of the absolute value of the school corporation's STEP TWO amount or fifty dollars ($50) from the school corporation's previous year revenue foundation amount, if the school corporation's STEP ONE amount is less

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than negative fifty dollars (-$50).

Sec. 7. A school corporation's transition to foundation revenue for a calendar year is equal to the product of:

(1) the school corporation's transition to foundation amount for the calendar year; multiplied by

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

Sec. 8. A school corporation's guaranteed minimum revenue for a calendar year is equal to the greater of the following:

(1) The school corporation's transition to foundation revenue for the calendar year.

(2) The amount determined under STEP THREE of the following formula:

STEP ONE: Divide the school corporation's previous year revenue by the school corporation's previous year ADM.

STEP TWO: Multiply the STEP ONE result by ninety-nine hundredths (0.99).

STEP THREE: Multiply the STEP TWO amount by the school corporation's current ADM.

Sec. 9. A school corporation's target revenue per ADM for a calendar year is the quotient of:

(1) the school corporation's guaranteed minimum revenue for the calendar year; divided by

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

Chapter 6. Calculation of Basic Tuition Support Distribution

Sec. 1. Subject to the amount appropriated by the general assembly for state tuition support and IC 20-43-2, the amount that a school corporation is entitled to receive in basic tuition support for a year is the amount determined in section 5 of this chapter.

Sec. 2. The following amounts must be determined under this chapter to determine a school corporation's basic tuition support:

(1) The school corporation's total target revenue under section 3 of this chapter.

(2) The school corporation's local contribution under section 4 of this chapter.

Sec. 3. (a) A school corporation's total target revenue for a calendar year is the amount determined under the applicable provision of this section.

(b) This subsection applies to a school corporation that has target revenue per ADM for a calendar year that is not equal to the school corporation's foundation amount for the calendar year. The school corporation's total target revenue for a calendar year is equal to the school corporation's guaranteed minimum revenue for

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the calendar year.

(c) This subsection applies to a school corporation that has target revenue per ADM for a calendar year that is equal to the school corporation's foundation amount for the calendar year. The school corporation's total target revenue for a calendar year is the sum of the following:

(1) The school corporation's foundation amount for the calendar year multiplied by the school corporation's adjusted ADM for the current year.

(2) 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.

(3) The part of the school corporation's maximum permissible tuition support 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 or reopening an existing facility during the preceding year.

Sec. 4. (a) A school corporation's local contribution for a calendar year is the amount determined under the applicable provision of this section.

(b) This subsection applies to a school corporation that is not a charter school. Determine the sum of the following:

(1) The school corporation's adjusted tuition support levy.

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

(c) This subsection applies to a charter school. Determine the product of:

(1) the charter school's guaranteed minimum revenue for the calendar year; multiplied by

(2) thirty-five hundredths (0.35).

Sec. 5. A school corporation's basic tuition support for a calendar year is the difference between:

(1) the school corporation's total target revenue for the calendar year; minus

(2) the school corporation's local contribution for the calendar year.

Sec. 6. If the basic tuition support determined for a school corporation under section 5 of this chapter is negative, the:

(1) school corporation is not entitled to any state tuition support; and

(2) school corporation's maximum permissible tuition support

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levy shall be reduced by the amount of the negative result.

Chapter 7. Special Education Grants

Sec. 1. In addition to the amount a school corporation is entitled to receive in basic tuition support, each school corporation is entitled to receive a grant for special education programs. The amount of the special education grant is based on the count of eligible pupils enrolled in special education programs on December 1 of the preceding year in:

(1) the school corporation; or

(2) a transferee corporation.

Sec. 2. (a) In a school corporation's nonduplicated count of pupils in programs for severe disabilities, the school corporation shall count each pupil served in any one (1) of the following programs:

(1) Autism.

(2) Dual sensory impairment.

(3) Emotional handicap, full time.

(4) Hearing impairment.

(5) Severe mental handicap.

(6) Multiple handicap.

(7) Orthopedic impairment.

(8) Traumatic brain injury.

(9) Visual impairment.

(b) A pupil may be counted in only one (1) of the programs in this section even if the pupil is served in more than one (1) program.

(c) A pupil may not be included in the nonduplicated count in this section and in the nonduplicated count of pupils in programs for mild or moderate disabilities in section 3 of this chapter.

Sec. 3. (a) In a school corporation's nonduplicated count of pupils in programs for mild and moderate disabilities, the school corporation shall count each pupil served in any one (1) of the following programs:

(1) Emotional handicap, all other.

(2) Learning disability.

(3) Mild mental handicap.

(4) Moderate mental handicap.

(5) Other health impairment.

(b) A pupil may be counted in only one (1) of the programs in this section even if the pupil is served in more than one (1) program.

(c) A pupil may not be included in the nonduplicated count in

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this section and in the nonduplicated count of pupils in programs for severe disabilities in section 2 of this chapter.

Sec. 4. In a school corporation's duplicated count of pupils in programs for communication disorders, the school corporation shall count each pupil served, even if the pupil is served in another special education program.

Sec. 5. (a) In a school corporation's cumulative count of pupils in homebound programs, a school corporation shall count each pupil who received homebound instruction up to and including December 1 of the current year plus each pupil who received homebound instruction after December 1 of the prior school year.

(b) A school corporation may include a pupil in the school corporation's cumulative count of pupils in homebound programs even if the pupil also is included in the school corporation's:

(1) nonduplicated count of pupils in programs for severe disabilities;

(2) nonduplicated count of pupils in programs for mild and moderate disabilities; or

(3) duplicated count of pupils in programs for communication disorders.

Sec. 6. A school corporation's special education grant for a calendar year is equal to the sum of the following:

(1) The nonduplicated count of pupils in programs for severe disabilities multiplied by eight thousand two hundred forty-six dollars ($8,246).

(2) The nonduplicated count of pupils in programs of mild and moderate disabilities multiplied by two thousand two hundred thirty-eight dollars ($2,238).

(3) The duplicated count of pupils in programs for communication disorders multiplied by five hundred thirty-one dollars ($531).

(4) The cumulative count of pupils in homebound programs multiplied by five hundred thirty-one dollars ($531).

Sec. 7. Participation in a program is not required to the extent of full-time equivalency. The state board shall adopt rules that define the:

(1) nature and extent of participation; and

(2) type of program qualifying for approval.

A count may not be made on any program that has not been approved by the state board or to the extent that a pupil is not participating to the extent required by any rule of the state board.

Sec. 8. If a new special education program is created by rule of

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the state board or by the United States Department of Education, the state board shall determine whether the program shall be included in the list of programs for:

(1) severe disabilities; or

(2) mild and moderate disabilities.

Chapter 8. Vocational Education Grants

Sec. 1. Pupil enrollment under this chapter shall be determined at the same time that a school corporation's ADM is determined.

Sec. 2. (a) Before December 1 of each year, the department of workforce development shall provide the department with a report, to be used to determine vocational education grant amounts in the second calendar year after the year in which the report is provided, listing whether the labor market demand for each generally recognized labor category is more than moderate, moderate, or less than moderate. In the report, the department of workforce development shall categorize each of the vocational education programs using the following four (4) categories:

(1) Programs that address employment demand for individuals in labor market categories that are projected to need more than a moderate number of individuals.

(2) Programs that address employment demand for individuals in labor market categories that are projected to need a moderate number of individuals.

(3) Programs that address employment demand for individuals in labor market categories that are projected to need less than a moderate number of individuals.

(4) All programs not covered by the employment demand categories of subdivisions (1) through (3).

(b) Before December 1 of each year, the department of workforce development shall provide the department with a report, to be used to determine grant amounts that will be distributed under this chapter in the second calendar year after the year in which the report is provided, listing whether the average wage level for each generally recognized labor category for which vocational education programs are offered is a high wage, a moderate wage, or a less than moderate wage.

(c) In preparing the labor market demand report under subsection (a) and the average wage level report under subsection (b), the department of workforce development shall, if possible, list the labor market demand and the average wage level for specific regions, counties, and municipalities.

(d) If a new vocational education program is created by rule of

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the state board, the department of workforce development shall determine the category in which the program should be included.

Sec. 3. (a) Participation in a program is not required to the extent of full-time equivalency.

(b) The state board shall adopt rules that further define the nature and extent of participation and the type of program qualifying for approval.

(c) A count may not be made on any program that has not been approved by the state board or to the extent that a pupil is not participating to the extent required by any rule of the state board.

Sec. 4. In addition to the amount a school corporation is entitled to receive in basic tuition support, each school corporation is entitled to receive a grant for vocational education programs.

Sec. 5. (a) In a school corporation's duplicated count of pupils in programs addressing employment demand for individuals in labor market categories that are projected to need more than a moderate number of individuals, the school corporation shall count each pupil enrolled in each of the programs.

(b) A pupil may be counted in more than one (1) of the programs if the pupil is enrolled in more than one (1) program at the time pupil enrollment is determined.

(c) A pupil may be included in the duplicated count in this section and in the duplicated count of pupils in programs addressing employment demand that is moderate or less than moderate.

Sec. 6. (a) In a school corporation's duplicated count of pupils in programs addressing employment demand for individuals in labor market categories that are projected to need a moderate number of individuals, the school corporation shall count each pupil enrolled in each of the programs.

(b) A pupil may be counted in more than one (1) of the programs if the pupil is enrolled in more than one (1) program at the time pupil enrollment is determined.

(c) A pupil may be included in the duplicated count in this section and in the duplicated count of pupils in programs addressing employment demand that is more than or less than moderate.

Sec. 7. (a) In a school corporation's duplicated count of pupils in programs addressing employment demand for individuals in labor market categories that are projected to need less than a moderate number of individuals, the school corporation shall count each pupil enrolled in each of the programs.

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(b) A pupil may be counted in more than one (1) of the programs if the pupil is enrolled in more than one (1) program at the time pupil enrollment is determined.

(c) A pupil may be included in the duplicated count in this section and in the duplicated count of pupils in programs addressing employment demand that is more than moderate or moderate.

Sec. 8. (a) A school corporation shall count each pupil enrolled in:

(1) each apprenticeship program;

(2) each cooperative education program; and

(3) any program not covered by sections 5 through 7 of this chapter.

(b) A pupil may be counted in more than one (1) of the programs if the pupil is enrolled in more than one (1) program at the time pupil enrollment is determined.

(c) A pupil may be included in the duplicated count in this section and in the duplicated count of pupils in programs addressing employment demand that is more than moderate, moderate, or less than moderate.

Sec. 9. A school corporation's vocational education grant for a calendar year is the sum of the following amounts:

STEP ONE: For each vocational program provided by the school corporation:

(A) the number of credit hours of the program (either one (1) credit, two (2) credits, or three (3) credits); multiplied by

(B) the number of students enrolled in the program; multiplied by

(C) the following applicable amount:

(i) Four hundred fifty dollars ($450), in the case of a program described in section 5 of this chapter (more than a moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a high wage.

(ii) Three hundred seventy-five dollars ($375), in the case of a program described in section 5 of this chapter (more than a moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a moderate wage.

(iii) Three hundred dollars ($300), in the case of a program described in section 5 of this chapter (more

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than a moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a less than moderate wage.

(iv) Three hundred seventy-five dollars ($375), in the case of a program described in section 6 of this chapter (moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a high wage.

(v) Three hundred dollars ($300), in the case of a program described in section 6 of this chapter (moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a moderate wage.

(vi) Two hundred twenty-five dollars ($225), in the case of a program described in section 6 of this chapter (moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a less than moderate wage.

(vii) Three hundred dollars ($300), in the case of a program described in section 7 of this chapter (less than a moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a high wage.

(viii) Two hundred twenty-five dollars ($225), in the case of a program described in section 7 of this chapter (less than a moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a moderate wage.

(ix) One hundred fifty dollars ($150), in the case of a program described in section 7 of this chapter (less than a moderate labor market need) for which the average wage level determined under section 2(b) of this chapter is a less than moderate wage.

STEP TWO: The number of pupils described in section 8 of this chapter (all other programs) multiplied by two hundred fifty dollars ($250).

STEP THREE: The number of pupils participating in a vocational education program in which pupils from multiple schools are served at a common location multiplied by one hundred fifty dollars ($150).

Sec. 10. If a school corporation determines that the categories of vocational education programs issued by the department of

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workforce development under section 2 of this chapter are not representative of the employment demand in the region surrounding the school corporation, the school corporation may petition the department of workforce development to recategorize for the school corporation the vocational education programs offered by the school corporation according to the employment demand in the region surrounding the school corporation. The petition must include information supporting the school corporation's determination that the categories of vocational education programs by the department of workforce development under section 2 of this chapter are not representative of the employment demand in the region surrounding the school corporation.

Chapter 9. Primetime Program

Sec. 1. The primetime program is established to provide money to encourage school corporations to lower the pupil/teacher ratio in kindergarten through grade 3.

Sec. 2. The amount received under this chapter shall be devoted to reducing class size in kindergarten through grade 3.

Sec. 3. The primetime program shall be administered by the state board.

Sec. 4. For purposes of computation under this chapter, the following shall be used:

(1) The staff cost amount for a school corporation is sixty-nine thousand eight hundred eleven dollars ($69,811).

(2) The guaranteed primetime amount for a school corporation is the primetime allocation, before any penalty is assessed under this chapter, that the school corporation would have received under this chapter for the 1999 calendar year or the first year of participation in the program, whichever is later.

(3) The following apply to determine whether amounts received under this chapter have been devoted to reducing class size in kindergarten through grade 3 as required by section 2 of this chapter:

(A) Except as permitted under section 8 of this chapter, only a licensed teacher who is an actual classroom teacher in a regular instructional program is counted as a teacher.

(B) If a school corporation is granted approval under section 8 of this chapter, the school corporation may include as one-third (1/3) of a teacher each classroom instructional aide who meets qualifications and performs

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duties prescribed by the state board.

Sec. 5. In order to receive a distribution under this chapter, a school corporation must implement the primetime program in the following order:

(1) Grade 1.

(2) Grade 2.

(3) Grade 3 or kindergarten.

(4) The grade not chosen under subdivision (3).

Sec. 6. A school corporation's primetime distribution for a calendar year under this chapter is the amount determined by the following formula:

STEP ONE: Determine the applicable target pupil/teacher ratio for the school corporation as follows:

(A) If the school corporation's complexity index is less than one and one-tenth (1.1), the school corporation's target pupil/teacher ratio is eighteen to one (18:1).

(B) If the school corporation's complexity index is at least one and one-tenth (1.1) but less than one and two-tenths (1.2), the school corporation's target pupil/teacher ratio is fifteen (15) plus the result determined in item (iii) to one (1):

(i) Determine the result of one and two-tenths (1.2) minus the school corporation's complexity index.

(ii) Determine the item (i) result divided by one-tenth (0.1).

(iii) Determine the item (ii) result multiplied by three (3).

(C) If the school corporation's complexity index is at least one and two-tenths (1.2), the school corporation's target pupil/teacher ratio is fifteen to one (15:1).

STEP TWO: Determine the result of:

(A) the ADM of the school corporation in kindergarten through grade 3 for the current school year; divided by

(B) the school corporation's applicable target pupil/teacher ratio, as determined in STEP ONE.

STEP THREE: Determine the result of:

(A) the total target revenue for 2006 and 2007 multiplied by seventy-five hundredths (0.75); divided by

(B) the school corporation's total ADM.

STEP FOUR: Determine the result of:

(A) the STEP THREE result; multiplied by

(B) the ADM of the school corporation in kindergarten through grade 3 for the current school year.

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STEP FIVE: Determine the result of:
(A) the STEP FOUR result; divided by
(B) the staff cost amount.
STEP SIX: Determine the greater of zero (0) or the result of:
(A) the STEP TWO amount; minus
(B) the STEP FIVE amount.
STEP SEVEN: Determine the result of:
(A) the STEP SIX amount; multiplied by
(B) the staff cost amount.
STEP EIGHT: Determine the greater of the STEP SEVEN amount or the school corporation's guaranteed primetime amount.
STEP NINE: A school corporation's amount under this STEP is the following:
(A) If the amount the school corporation received under this chapter in the previous calendar year is greater than zero (0), the amount under this STEP is the lesser of:
(i) the STEP EIGHT amount; or
(ii) the amount the school corporation received under this chapter for the previous calendar year multiplied by one hundred seven and one-half percent (107.5%).
(B) If the amount the school corporation received under this chapter in the previous calendar year is not greater than zero (0), the amount under this STEP is the STEP EIGHT amount.

Sec. 7. A school corporation shall compile class size data for kindergarten through grade 3 and report the data to the department for purposes of maintaining compliance with this chapter.

Sec. 8. (a) The state board shall approve the counting of classroom instructional aides as teachers under this chapter if the school corporation can substantiate each year that providing adequate classroom space for the attainment of the school corporation's target pupil/teacher ratio creates an unreasonable hardship for that school corporation.

(b) If a school corporation qualifies under subsection (a) for classroom instructional aides, the school corporation shall present to the state board a plan concerning that school corporation's instructional aides program.

Sec. 9. School corporations shall apply for money under this chapter:
(1) on a form prescribed; and

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(2) on or before the date designated;

by the state board.

Sec. 10. The state board shall evaluate the effectiveness of the primetime program and shall monitor compliance by school corporations with this chapter.

Sec. 11. The state board shall adopt rules under IC 4-22-2 to implement this chapter.

Chapter 10. Other Tuition Support Grants

Sec. 1. In addition to a basic tuition support distribution, a school corporation is eligible for the grants provided under this chapter.

Sec. 2. (a) A school corporation's academic honors diploma award for a calendar year is the amount determined under STEP TWO of the following formula:

STEP ONE: Determine the number of the school corporation's eligible pupils who successfully completed an academic honors diploma program in the school year ending in the previous calendar year.

STEP TWO: Multiply the STEP ONE amount by nine hundred dollars ($900).

(b) An amount received by a school corporation as an honors diploma award may be used only for:

(1) any:

(A) staff training;

(B) program development;

(C) equipment and supply expenditures; or

(D) other expenses;

directly related to the school corporation's academic honors diploma program; and

(2) the school corporation's program for high ability students.

(c) A governing body that does not comply with this section for a school year is not eligible to receive an academic honors diploma award for the following school year.

SECTION 167. IC 20-44 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 44. PROPERTY TAX LEVIES; GENERAL PROVISIONS

Chapter 1. Taxable Property

Sec. 1. (a) This section applies in:

(1) the formulation of a budget by the proper legal officers of a school corporation;

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(2) estimating the probable amount of tax revenue that the school corporation will collect on taxable property within the school corporation's jurisdiction for and during the year for which the budget is formulated and for which appropriations will be made; and

(3) calculating the tax levy to be made for the ensuing year.

(b) The officers shall:

(1) consider the average percentage of actual tax collections, including delinquencies, from the taxable property during the past three (3) years not exceeding one hundred per cent (100%); and

(2) estimate the probable amount of tax revenue by the use of the average percentage.

Sec. 2. IC 6-1.1-1-3(b) applies to funds and levies described in IC 6-1.1-1-3(b).

Chapter 2. General Levy Powers

Sec. 1. This chapter applies to each school corporation.

Sec. 2. Each governing body may annually levy the amount of taxes that:

(1) in the judgment of the governing body; and

(2) after being made a matter of record in the minutes;

should be levied to produce income sufficient to conduct and carry on the public schools committed to the governing body.

Sec. 3. The governing body shall annually levy a rate that will produce a sum sufficient to meet all payments of principal and interest as they mature in the year for which the levy is made on the:

(1) bonds;

(2) notes; or

(3) other obligations;

of the school corporation.

Sec. 4. A school corporation may impose a levy for a fund, as permitted in IC 20-48-1-7, to repay an emergency loan to the fund.

Sec. 5. The school trustee or board of school trustees of Indiana may levy taxes in maintaining a joint school established with a school corporation in an adjacent state under IC 20-23-11 as are otherwise provided by law for maintaining the public schools in Indiana.

Sec. 6. The power of the governing body in making tax levies shall be exercised within existing statutory limits. The levies are subject to the review required by law.

Chapter 3. Application of Levy Excess to Reduce Property

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Taxes

Sec. 1. As used in this chapter, "fund" refers to a levy excess fund established under section 4 of this chapter.

Sec. 2. As used in this chapter, "levy excess" means that part of the property tax levy actually collected by a school corporation for taxes first due and payable during a particular calendar year that exceeds the school corporation's total levy, as approved by the department of local government finance under IC 6-1.1-17, for those property taxes.

Sec. 3. (a) A school corporation's levy excess is valid.

(b) The general fund portion of a school corporation's levy excess may not be contested on the grounds that it exceeds the school corporation's maximum permissible tuition support levy limit for the applicable calendar year.

Sec. 4. Except as provided in section 9 of this chapter, a school corporation shall deposit its levy excess in a fund to be known as the school corporation's levy excess fund.

Sec. 5. The department of local government finance shall require a school corporation to include the amount in the school corporation's fund in the school corporation's budget fixed under IC 6-1.1-17.

Sec. 6. Except as provided in section 7 of this chapter, a school corporation may not spend money in its fund until the expenditure of the money has been included in a budget that has been approved by the department of local government finance under IC 6-1.1-17. For purposes of fixing its budget and for purposes of the property tax levy limits fixed by law, a school corporation shall treat the money in its fund that the department of local government finance permits the school corporation to spend during a particular calendar year as part of the school corporation's property tax levy for that same calendar year.

Sec. 7. A school corporation may transfer money from its fund to its other funds to reimburse those funds for amounts withheld from the school corporation as a result of refunds paid under IC 6-1.1-26.

Sec. 8. Subject to the limitations imposed by this chapter, a school corporation may use money in its fund for any lawful purpose for which money in any of its other funds may be used.

Sec. 9. If the amount that would be deposited in the fund of a school corporation for a particular calendar year is less than one hundred dollars ($100), no money shall be deposited in the fund of the school corporation for that year.

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SECTION 168. IC 20-45 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 45. GENERAL FUND LEVIES

Chapter 1. Definitions

Sec. 1. The definitions in this chapter apply throughout this article.

Sec. 2. "Adjusted ADM" has the meaning set forth in IC 20-43-1-4.

Sec. 3. "Adjusted target property tax rate" refers to the property tax rate determined under IC 20-45-3-7.

Sec. 4. "Adjusted tuition support levy" has the meaning set forth in IC 20-43-1-5.

Sec. 5. "Adjustment factor" means the adjustment factor determined by the department of local government finance for a school corporation under IC 6-1.1-34.

Sec. 6. "Current ADM" has the meaning set forth in IC 20-43-1-10.

Sec. 7. "Emergency relief" refers to an excessive tax levy or other remedy permitted under IC 20-45-6.

Sec. 8. "Equalization tax rate" refers to the amount determined under IC 20-45-3-9.

Sec. 9. "Equalization tax rate limit" refers to the amount determined under IC 20-45-3-8.

Sec. 10. "Equalized levy" refers to the amount determined under IC 20-45-3-10.

Sec. 11. "Excessive tax levy" means a school corporation's general fund property tax levy for a calendar year that exceeds the school corporation's maximum permissible tuition support levy.

Sec. 12. "Foundation amount" has the meaning set forth in IC 20-43-1-13.

Sec. 13. "Foundation amount revenue" is the amount determined under IC 20-45-3-4.

Sec. 14. "Guaranteed minimum revenue" has the meaning set forth in IC 20-43-1-15.

Sec. 15. "Maximum permissible tuition support levy" refers to the maximum permissible tuition support levy that a school corporation is permitted to impose under IC 6-1.1-19-1.5 (before its repeal) or IC 20-45-3-11.

Sec. 16. "New facility adjustment" refers to an increase in a school corporation's tuition support levy that is permitted as nonemergency relief under IC 20-45-5 or emergency relief under

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IC 20-45-6-2(e).

Sec. 17. "Previous year property tax rate" means the part of the school corporation's previous year general fund property tax rate:

(1) imposed as a tuition support levy under IC 6-1.1-19-1.5 (before its repeal) or IC 20-45-3-11; and

(2) computed before making any of the reductions described in IC 21-3-1.7-5 (before its repeal, for computations before July 1, 2006) or required to compute the school corporation's adjusted tuition support levy (for computations after June 30, 2006).

Sec. 18. "Target property tax rate" is the amount determined under IC 20-45-3-6.

Sec. 19. "Target revenue per ADM" has the meaning set forth in IC 20-43-1-26.

Sec. 20. "Tax rate floor" refers to the amount determined under IC 20-45-3-5.

Sec. 21. "Total assessed value" with respect to a school corporation means the total assessed value of all taxable property for property taxes first due and payable during the year.

Sec. 22. "Tuition support levy" refers to a school corporation's tuition support levy under IC 6-1.1-19-1.5 (before its repeal) or IC 20-45-3 for the school corporation's general fund.

Chapter 2. General Provisions

Sec. 1. The governing body of each school corporation shall levy a property tax for the school corporation's general fund.

Sec. 2. The tax levy and rate for the general fund shall be established by the governing body of each school corporation.

Sec. 3. (a) A school corporation that did not impose a general fund tax levy for the preceding calendar year may not collect a general fund tax levy for the ensuing calendar year until the general fund tax levy (and the related budget, appropriations, and general fund tax rate), after being adopted and advertised, is:

(1) considered by the proper county board of tax adjustment as provided by law;

(2) reviewed by the tax control board, which shall make its recommendations in respect to the general fund tax levy to the department; and

(3) approved by the department of local government finance.

(b) For purposes of this article, the school corporation's initial maximum permissible tuition support levy must be based on the taxes collectible in the first full calendar year after the approval.

(c) If territory is transferred from one (1) school corporation to

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another under IC 20-4-4 (before its repeal), IC 20-3-14 (before its repeal), IC 20-23-5, or IC 20-25-5, maximum permissible tuition support levy and the other terms used in this article shall be interpreted as though the assessed valuation of the territory had been transferred before March 1, 1977, in accordance with rules and a final determination by the department of local government finance.

Sec. 4. The department of local government finance 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:

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

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

Sec. 5. All tax rates and tax levies computed under this article shall be computed by rounding in conformity with IC 20-43-3-1.

Sec. 6. (a) The maximum permissible tuition support levy limits imposed by IC 20-45-3 do not apply to general fund property taxes imposed on personal property of banks that became subject to assessment in 1989 and thereafter because of IC 6-1.1-2-7.

(b) For purposes of computing the maximum permissible tuition support levy limits imposed under IC 20-45-3, a school corporation's tuition support levy for a particular calendar year does not include that part of the levy imposed on bank personal property as provided in subsection (a).

Sec. 7. School trustees of a school township shall authorize a local tuition support levy, not to exceed the limit provided by law, that is sufficient to conduct a six (6) month term of school each year. The levy must be based on estimates and receipts from all sources for the previous year. Receipts from the previous year may include amounts received from the state's tuition support revenue.

Sec. 8. IC 20-43-6-6 applies to determining a school corporation's maximum permissible tuition support levy for a calendar year when the school corporation's basic tuition support for a calendar year, as determined under IC 20-43-6-5, is negative.

Chapter 3. Tuition Support Levy

Sec. 1. A school corporation may impose a tuition support levy for the school corporation's general fund.

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Sec. 2. Except as otherwise provided in this chapter, a school corporation may not impose a tuition support levy in a calendar year that exceeds the maximum permissible tuition support levy determined for the school corporation for a calendar year under section 11 of this chapter.

Sec. 3. The following amounts must be determined under this chapter to calculate a school corporation's maximum permissible tuition support levy for a calendar year:

(1) The school corporation's foundation amount revenue for the calendar year under section 4 of this chapter.

(2) The school corporation's tax rate floor for the calendar year under section 5 of this chapter.

(3) The school corporation's target property tax rate for the calendar year under section 6 of this chapter.

(4) The school corporation's adjusted target property tax rate for a calendar year under section 7 of this chapter.

(5) The school corporation's equalization tax rate limit for a calendar year under section 8 of this chapter.

(6) The school corporation's equalization tax rate for a calendar year under section 9 of this chapter.

(7) The school corporation's equalized levy for a calendar year under section 10 of this chapter.

Sec. 4. A school corporation's foundation amount revenue for a calendar year is the product of:

(1) the school corporation's foundation amount for the calendar year; multiplied by

(2) the school corporation's adjusted ADM for the calendar year.

Sec. 5. (a) A school corporation's tax rate floor is the tax rate determined under this section.

(b) This subsection applies only if the school corporation's guaranteed minimum revenue for the calendar year is not equal to the school corporation's foundation amount revenue for a calendar year. The school corporation's tax rate floor for the calendar year is the result under STEP SIX of the following formula:

STEP ONE: Divide the school corporation's assessed valuation by the school corporation's current ADM.

STEP TWO: Divide the STEP ONE result by ten thousand (10,000).

STEP THREE: Determine the greater of the following:

(A) The STEP TWO result.

(B) Thirty-six dollars and thirty cents ($36.30).

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STEP FOUR: Determine the result under clause (B):

(A) Subtract the school corporation's foundation amount revenue for the calendar year from the school corporation's guaranteed minimum revenue for the calendar year.

(B) Divide the clause (A) result by the school corporation's current ADM.

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

STEP SIX: Divide the STEP FIVE result by one hundred (100).

(c) This subsection applies only if the school corporation's guaranteed minimum revenue for the calendar year is equal to the school corporation's foundation amount revenue for a calendar year and the STEP ONE result is greater than zero (0). The school corporation's tax rate floor for the calendar year is the result under STEP SEVEN of the following formula:

STEP ONE: Add the following:

(A) 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.

(B) The part of the unadjusted tuition support 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: Divide the STEP ONE result by the school corporation's current ADM.

STEP THREE: Divide the school corporation's assessed valuation by the school corporation's current ADM.

STEP FOUR: Divide the STEP THREE result by ten thousand (10,000).

STEP FIVE: Determine the greater of the following:

(A) The STEP FOUR result.

(B) Thirty-six dollars and thirty cents ($36.30).

STEP SIX: Divide the STEP TWO result by the STEP FIVE amount.

STEP SEVEN: Divide the STEP SIX result by one hundred (100).

Sec. 6. A school corporation's target property tax rate for a calendar year is the sum of:

(1) seventy-two cents ($0.72) in 2006 and seventy-two and

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ninety-two hundredths cents ($0.7292) in 2007; plus

(2) if applicable, the school corporation's minimum equalization tax rate.

Sec. 7. A school corporation's adjusted target property tax rate for a calendar year is equal to:

(1) the school corporation's target property tax rate; multiplied by

(2) the school corporation's adjustment factor.

Sec. 8. A school corporation's equalization tax rate limit for a calendar year is the result of:

(1) the school corporation's adjusted target property tax rate; minus

(2) the school corporation's previous year property tax rate.

Sec. 9. (a) A school corporation's equalization tax rate for a calendar year is the tax rate determined under this section.

(b) If the school corporation's adjusted target property tax rate exceeds the school corporation's previous year property tax rate, the school corporation's equalization tax rate for a calendar year is the school corporation's previous year property tax rate after increasing the rate by the lesser of:

(1) the school corporation's equalization tax rate limit for the calendar year; or

(2) three cents ($0.03).

(c) If the school corporation's adjusted target property tax rate is less than the school corporation's previous year property tax rate, the school corporation's equalization tax rate for a calendar year is the school corporation's previous year property tax rate after reducing the rate by the lesser of:

(1) the absolute value of the school corporation's equalization tax rate limit; or

(2) eight cents ($0.08).

(d) If the school corporation's adjusted target property tax rate equals the school corporation's previous year property tax rate, the school corporation's equalization tax rate for a calendar year is the school corporation's adjusted target property tax rate.

Sec. 10. A school corporation's equalized levy for a calendar year is the result determined under STEP TWO of the following formula:

STEP ONE: Divide the school corporation's total assessed value by one hundred dollars ($100).

STEP TWO: Multiply the school corporation's equalization tax rate by the STEP ONE result.

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Sec. 11. A school corporation's tuition support levy for a calendar year is the sum of the following:

(1) The school corporation's equalized levy for the calendar year.

(2) 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.

(3) The part of the maximum permissible tuition support levy for the year that equals the original amount of the levy by the school corporation to cover the costs of opening a new school facility or reopening an existing facility during the preceding year.

(4) The amount determined under STEP FOUR of the following formula:

STEP ONE: Determine the target revenue per ADM for each charter school that included at least one (1) student who has legal settlement in the school corporation in the charter school's current ADM.

STEP TWO: For each charter school, multiply the STEP ONE amount by the number of students who have legal settlement in the school corporation and who are included in the charter school's current ADM.

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

STEP FOUR: Multiply the STEP THREE amount by thirty-five hundredths (0.35).

Chapter 4. Review by County Board of Tax Adjustment or County Auditor; Appeals

Sec. 1. A county board of tax adjustment may not approve or recommend the approval of an excessive tax levy.

Sec. 2. If a school corporation adopts or advertises an excessive tax levy, the county board of tax adjustment that reviews the school corporation's budget, tax levy, and tax rate shall reduce the excessive tax levy to the maximum permissible tuition support levy.

Sec. 3. If a county board of tax adjustment approves or recommends the approval of an excessive tax levy for a school corporation, the auditor of the county for which the county board of tax adjustment is acting shall reduce the excessive tax levy to the maximum permissible tuition support levy. The reduction shall be set out in the notice required to be published by the county auditor under IC 6-1.1-17-12. An appeal shall be permitted as provided

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under IC 6-1.1-17 as modified by IC 6-1.1-19 and this article.

Sec. 4. Appeals from any action of a county board of tax adjustment or county auditor concerning a school corporation's budget, property tax levy, or property tax rate may be taken as provided for by IC 6-1.1-17 and IC 6-1.1-19. Notwithstanding IC 6-1.1-17 and IC 6-1.1-19, a school corporation may appeal to the department of local government finance for emergency financial relief for the ensuing calendar year at any time before:

(1) September 20; or

(2) in the case of a request described in IC 20-45-6-5 or IC 20-46-6-6, December 31;

of the calendar year immediately preceding the ensuing calendar year.

Sec. 5. In the appeal petition in which a school corporation seeks emergency financial relief, the appellant school corporation shall:

(1) allege that, unless it is given the emergency financial relief for which it petitions, it will be unable to carry out, in the ensuing calendar year, the public educational duty committed to it by law; and

(2) support that allegation by reasonably detailed statements of fact.

Sec. 6. When an appeal petition in which a school corporation petitions for emergency financial relief is filed with the department of local government finance, the department of local government finance shall include, in the notice of the hearing in respect of the petition that it is required to give under IC 6-1.1-17-16, a statement that the appellant school corporation is seeking emergency financial relief for the ensuing calendar year. A subsequent action taken by the department of local government finance concerning the appeal petition is not invalid or otherwise affected if the department of local government finance fails to include the statement in the hearing notice.

Sec. 7. In an appeal, the tax control board may recommend and the department of local government finance may grant nonemergency relief under IC 20-45-5 or emergency relief under IC 20-45-6.

Sec. 8. In an appeal, the tax control board may recommend to the department of local government finance a correction of mathematical errors in data that affect the determination of:

(1) a school corporation's maximum permissible tuition support levy; or

(2) a school corporation's excessive tax levy.

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Chapter 5. Review of Order of County Board of Tax Adjustment or County Auditor; Tuition Support Levy; New Facilities Adjustment

Sec. 1. This chapter applies with respect to every appeal petition of a school corporation that:

(1) is delivered to the tax control board by the department of local government finance under IC 6-1.1-19-4.1; and

(2) does not include a request for emergency financial relief.

Sec. 2. This chapter applies to an appeal petition under IC 20-45-6-2 for emergency relief to the extent permitted by IC 20-45-6-2(e).

Sec. 3. The tax control board shall, after the tax control board studies the appeal petition and related materials, recommend to the department of local government finance that:

(1) the order of the county board of tax adjustment or the county auditor in respect of the appellant school corporation's budget, tax levy, or tax rate for the ensuing calendar year be approved;

(2) the order of the county board of tax adjustment or the county auditor concerning the appellant school corporation's budget, tax levy, or tax rate for the calendar year be disapproved and that the appellant school corporation's budget, tax levy, or tax rate for the calendar year be:

(A) reduced; or

(B) increased;

as specified in the tax control board's recommendation; or

(3) combined with a recommendation allowed under subdivision (1) or (2), a new facility adjustment be granted to permit the school corporation's tuition support levy to be increased if the school corporation can show a need for the increase because of:

(A) the opening after December 31, 1972, of a new school facility; or

(B) the reopening after July 1, 1988, of an existing facility that:

(i) was not used for at least three (3) years immediately before the reopening; and

(ii) is reopened to provide additional classroom space.

Sec. 4. The amount of a new facility adjustment approved by the tax control board must be an amount equal to the increase in costs resulting to the school corporation from the:

(1) opening and operation of a new facility; or

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(2) reopening and operation of an existing facility that:
(A) has not been used for at least three (3) years; and
(B) is being reopened to provide additional classroom space.

Sec. 5. In determining increased costs for a new facility adjustment, the tax control board shall consider:
(1) the costs to the school corporation of complying with:
(A) safety;
(B) health;
(C) space;
(D) heat; or
(E) lighting;
standards required by state or federal law or regulation; and
(2) the other physical operation costs that in the opinion of the tax control board justify an adjustment in the school corporation's tuition support levy.

Sec. 6. With respect to an appeal petition described in this chapter, the tax control board may not make a recommendation that, if followed by the department of local government finance, would authorize the appellant school corporation for a calendar year to:
(1) collect a general fund tax levy in excess of the general fund tax levy initially adopted and advertised by the appellant school corporation;
(2) impose a general fund tax rate in excess of the general fund tax rate initially adopted and advertised by the appellant school corporation; or
(3) collect an excessive tax levy.

Chapter 6. Emergency Relief; Excessive Tax Levies

Sec. 1. A school corporation may impose an excessive tax levy or obtain other emergency relief from the maximum permissible tuition support property tax limitations imposed by IC 20-45-3 only if:
(1) the school corporation requests the excessive tax levy or other emergency relief in an appeal to the department of local government under IC 6-1.1-19;
(2) this chapter authorizes the emergency relief; and
(3) the department of local government finance approves the excessive tax levy or other emergency relief.

Sec. 2. (a) This section applies with respect to every appeal petition of a school corporation that:
(1) is delivered to the tax control board by the department of

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local government finance under IC 6-1.1-19-4.1; and

(2) includes a request for emergency financial relief.

(b) This section does not apply to an appeal petition described in section 5 or 6 of this chapter.

(c) The tax control board shall, after studying the appeal petition and related materials, make an appropriate recommendation to the department of local government finance.

(d) If the appeal petition requests a referendum under IC 20-46-1, the tax control board shall expedite the tax control board's review as necessary to permit the referendum to be conducted without a special election.

(e) In respect to the appeal petition, the tax control board may make to the department of local government finance any of the recommendations described in IC 20-45-5-3, subject to the limitations described in IC 20-45-5-6.

(f) In addition to a recommendation under subsection (c) or (e), if the tax control board concludes that the appellant school corporation cannot, in a calendar year, carry out the public educational duty committed to the appellant school corporation by law if the appellant school corporation does not receive emergency financial relief for the calendar year, the tax control board may recommend to the department of local government finance that:

(1) the order of the county board of tax adjustment or the county auditor in respect of the budget, tax levy, or tax rate of the appellant school corporation be:

(A) approved; or

(B) disapproved and modified;

as specified in the tax control board's recommendation; and

(2) the appellant school corporation receive emergency financial relief from the state:

(A) on terms to be specified by the tax control board in the tax control board's recommendation; and

(B) in the form permitted under subsection (g).

(g) The tax control board may recommend emergency financial relief for a school corporation under subsection (f) in the form of:

(1) a grant or grants from any funds of the state that are available for that purpose;

(2) a loan or loans from any funds of the state that are available for that purpose;

(3) permission to the appellant school corporation to borrow funds from a source other than the state or assistance in obtaining the loan;

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(4) an advance or advances of funds that will become payable to the appellant school corporation under any law providing for the payment of state funds to school corporations;

(5) permission to the appellant school corporation to:

(A) cancel any unpaid obligation of the appellant school corporation's general fund to the appellant school corporation's capital projects fund; or

(B) use for general fund purposes:

(i) any unobligated balance in the appellant school corporation's capital projects fund; and

(ii) the proceeds of any levy made or to be made by the school corporation for;

the school corporation's capital projects fund;

(6) permission to use, for general fund purposes, any unobligated balance in any debt service or other construction fund, including any unobligated proceeds of a sale of the school corporation's general obligation bonds; or

(7) a combination of the emergency financial relief described in subdivisions (1) through (6).

Sec. 3. (a) This section applies with respect to any school corporation:

(1) to which a loan or advance of state funds is made under section 2 of this chapter; or

(2) for which a loan or an advance is recommended under section 2 of this chapter;

for purposes other than the purpose specified in section 5 or 6 of this chapter.

(b) The tax control board may recommend to the department of local government finance that the school corporation be authorized:

(1) for a specified calendar year; and

(2) solely for the purpose of enabling the school corporation to repay the loan or advance;

to collect an excessive tax levy.

(c) A recommendation under this section must specify the amount of the recommended excessive tax levy.

(d) Upon receiving the recommendation from the tax control board, and without any other proceeding, the department of local government finance may authorize the school corporation for a specified calendar year to make an excessive tax levy in accordance with:

(1) the recommendation of the tax control board; or

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(2) a modification of the recommendation that the department of local government finance determines is proper.

(e) Whenever the department of local government finance exercises its power under this section, the department of local government finance shall, in the order to the affected school corporation, specify the amount of the authorized excessive tax levy and take appropriate steps to ensure that the proceeds of the excessive tax levy needed for loan repayment purposes are not used for any other purpose.

(f) The department of local government finance may not exercise its power under this section to authorize any school corporation to collect an excessive tax levy for more than one (1) calendar year in any period of four (4) consecutive calendar years.

Sec. 4. (a) This section does not apply to a school corporation that receives emergency financial relief under:

(1) section 2(d) of this chapter and IC 20-46-1 (referendum fund levy); or

(2) section 5 or 6 of this chapter.

(b) This section applies if:

(1) the tax control board recommends;

(2) the department of local government finance authorizes; and

(3) the school corporation accepts;

emergency relief under section 2 of this chapter, including emergency relief in the form of an excessive tax levy.

(c) A school corporation is prohibited throughout any calendar year in which or for which the school corporation receives emergency financial relief from taking any of the prohibited actions described in subsection (d) until the action is:

(1) recommended by the tax control board to the department of local government finance; and

(2) authorized by the department of local government finance.

(d) The prohibited actions under subsection (c) are any of the following:

(1) The acquisition of real estate for school building purposes, the construction of new school buildings, or the remodeling or renovation of existing school buildings.

(2) The making of a lease of real or personal property for an annual rental or the incurring of any other contractual obligation (except an employment contract for a new employee, which is to supersede the contract of a terminating employee) calling for an annual outlay by the school

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corporation that exceeds ten thousand dollars ($10,000).

(3) The purchase of personal property for a consideration that exceeds ten thousand dollars ($10,000).

(4) The adoption or advertising of a budget, tax levy, or tax rate for any calendar year.

(e) If a school corporation subject to the controls described in this section takes any of the actions described in subsection (d) without having first obtained:

(1) the recommendation of the tax control board; and

(2) the department of local government finance's authorization;

for the action, the department of local government finance may take appropriate steps to reduce or terminate any emergency financial relief that the school corporation may then be receiving under section 2 of this chapter.

Sec. 5. (a) This section applies with respect to each appeal petition that:

(1) is delivered to the tax control board by the department of local government finance under IC 6-1.1-19-4.1; and

(2) includes a request for emergency relief to make up a shortfall that has resulted:

(A) whenever:

(i) erroneous assessed valuation figures were provided to the school corporation;

(ii) erroneous figures were used to determine the school corporation's total property tax rate; and

(iii) the school corporation's general fund tax levy was reduced under IC 6-1.1-17-16(d); or

(B) because of the payment of refunds that resulted from appeals under this article and IC 6-1.5.

(b) The tax control board shall recommend to the department of local government finance that the school corporation receive emergency financial relief. The relief must be in any combination of the forms of relief specified in section 2(g) of this chapter.

(c) The tax control board shall, if the tax control board determines that a shortfall exists as described in subsection (a), recommend that a school corporation that appeals for the purpose stated in subsection (a) be permitted to collect an excessive tax levy for a specified calendar year in the amount of the difference between:

(1) the school corporation's property tax levy for a particular year as finally approved by the department of local

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government finance; and

(2) the school corporation's actual property tax levy for the particular year.

Sec. 6. (a) This section applies with respect to each appeal petition that:

(1) is delivered to the tax control board by the department of local government finance under IC 6-1.1-19-4.1;

(2) includes a request for emergency relief to make up a shortfall that has resulted because of a delinquent property taxpayer; and

(3) for which the tax control board finds that the balance in the school corporation's levy excess fund plus the property taxes collected for the school corporation is less than ninety-eight percent (98%) of the school corporation's property tax levy for that year, as finally approved by the department of local government finance.

(b) The tax control board may recommend to the department of local government finance that the school corporation receive emergency financial relief in a form specified in section 2(g) of this chapter and be permitted to collect an excessive tax levy for a specified calendar year in the amount of the difference between:

(1) the school corporation's property tax levy for a particular year, as finally approved by the department of local government finance; and

(2) the school corporation's actual property tax collections plus any balance in the school corporation's levy excess fund.

Sec. 7. A recommendation made by the tax control board under section 5 or 6 of this chapter must specify the amount of the excessive tax levy. The department of local government finance may authorize the school corporation to make an excessive tax levy in accordance with the recommendation without any other proceeding. Whenever the department of local government finance authorizes an excessive tax levy under section 5 or 6 of this chapter, the department of local government finance shall take appropriate steps to ensure that the proceeds of the excessive tax levy are first used to repay any loan authorized under this chapter.

Sec. 8. (a) A school corporation may conduct an analysis of that school corporation's:

(1) total transfer tuition payments actually made or estimated to be made on behalf of students transferring from the school corporation; and

(2) total revenue actually received or estimated to be received

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by the school corporation on behalf of students transferring to the school corporation;

to determine the net financial impact of transfer tuition on the particular school corporation for the school year ending in the calendar year immediately preceding the ensuing calendar year or the calendar year that precedes the ensuing calendar year by two (2) years, or both. If the school corporation determines from the analysis that the amount of revenue received by the school corporation under subdivision (2) is less than the amount of transfer tuition payments made by the school corporation under subdivision (1), the school corporation may include the amount attributable to the difference between the subdivision (1) and subdivision (2) amounts in the school corporation's appeal for an excessive tax levy under IC 6-1.1-19. However, a school corporation may not include the amount of a particular deficit in more than one (1) appeal.

(b) A school corporation may appeal to the department of local government finance under IC 6-1.1-19 to increase the school corporation's maximum permissible tuition support levy for the following year by the amount described in subsection (a). Upon the demonstration by the school corporation to the department of local government finance that the amount of transfer tuition payments received by the school corporation under subsection (a)(2) is less than the amount of transfer tuition payments made by the school corporation under subsection (a)(1), the department of local government finance shall grant the increase described in this section.

(c) If a school corporation is granted an increase under this section, the amount attributable to the increase may not be included in the school corporation's:

(1) tuition support levy for the year following the year in which the increase applies; or

(2) determination of state tuition support.

(d) A levy increase described in this section may be based on an estimate of transfer tuition payments paid or received by a school corporation. If the actual difference between the transfer tuition payments made by a school corporation and the transfer tuition payments received by a school corporation for a school year is less than the estimate used to grant a levy increase described in this section, the department of local government finance may reduce the levies imposed by a school corporation by the amount of the overage.

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Sec. 9. Notwithstanding the order of the department of local government finance in the matter of the excessive tax levy appeal for emergency financial relief for Jay County School Corporation, the department of local government finance shall grant approval of an excessive tax levy to a school corporation that has requested the excessive tax levy as a result of an intercept action. The relief shall be granted as an advance of state funds to be paid back to the treasurer of state in two hundred forty (240) payments of:

(1) thirteen thousand eight hundred eighty-two dollars ($13,882) beginning on January 15, 2001, and ending May 15, 2003; and

(2) equal installment amounts beginning June 15, 2003, and ending with final payment on December 31, 2020.

Sec. 10. A school corporation that has annexed all or part of any territory of a township school may file a petition of appeal under IC 6-1.1-19 with the department of local government finance for emergency financial relief under IC 20-23-9-4.

Chapter 7. Supplemental County Levy; Lake County

Sec. 1. This chapter applies only to Lake County.

Sec. 2. The following is declared to be the policy of this chapter:

(1) That in certain areas in Indiana there exists a condition created by the shift in population from urban centers to outlying areas that has created administrative and financial problems in the maintenance and operation of school systems in these areas, resulting in maladjustment of taxable wealth in these areas for levying taxes for the operation of the schools.

(2) That improvement in the administrative and financial structures of the qualified school corporations existing in these outlying areas to the urban centers is essential for the following:

(A) The establishment and maintenance of a general uniform and efficient system of public schools to provide a more equalized educational opportunity for public school pupils.

(B) The achievement of greater equity in school tax rates among the inhabitants of the various existing qualified school corporations in these areas.

(C) The provision for more use of the public funds expended for the support of the public school system.

(3) That existing statutes with respect to the granting of financial assistance on a countywide basis, allowing a more

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favorable use of the taxable wealth of the county for the support of the various school districts within the county, are inadequate to effectuate the need for this improvement in those areas.

(4) That modification in the present statutory provisions pertaining to the levying of tax rates for school purposes for the areas that qualify within the definitions in this chapter is essential to carry out the purposes of IC 20-23-4, and to that end it is the intent of the general assembly, by this chapter, to make provision for a more satisfactory use of the taxable wealth of counties that qualify under this chapter for the promotion, betterment, and improvement of their educational systems.

Sec. 3. As used in this chapter, "ADA" means, as to any qualified school corporation, the average number of pupils in daily attendance in the qualified school corporation, determined in accordance with the rules established by the state board. If territory is transferred from one (1) school corporation to another after April 4, 1973, under IC 20-4-4 (before its repeal), IC 20-3-14 (before its repeal), IC 20-23-5, or IC 20-25-5, ADA ratio shall be interpreted as though the pupils in the territory had been transferred in the school year ending in 1973.

Sec. 4. As used in this chapter, "ADA ratio" means, as to any qualified school corporation, the quotient resulting from a division of that qualified school corporation's current ADA by that qualified school corporation's ADA for the school year ending in 1973. However, in any case in which the quotient is less than one (1), the ADA ratio for the qualified school corporation is one (1). If territory is transferred from one (1) school corporation to another after April 4, 1973, under IC 20-4-4 (before its repeal), IC 20-3-14 (before its repeal), IC 20-23-5, or IC 20-25-5, ADA ratio shall be interpreted as though the pupils in the territory had been transferred in the school year ending in 1973.

Sec. 5. As used in this chapter, "assessed valuation" of any qualified school corporation means the net assessed value of its real and taxable personal property adjusted by a percentage factor. For each qualified school corporation, this factor shall be the most recent adjustment factor computed by the department of local government finance under IC 6-1.1-34.

Sec. 6. As used in this chapter, "county auditor" refers to the county auditor of a qualified county.

Sec. 7. As used in this chapter, "county council" refers to the

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county council of a qualified county.

Sec. 8. As used in this chapter, "county treasurer" refers to the county treasurer of a qualified county.

Sec. 9. As used in this chapter, "current ADA" means the most recently determined ADA for the qualified school corporation in question. If territory is transferred from one (1) school corporation to another after April 4, 1973, under IC 20-4-4 (before its repeal), IC 20-3-14 (before its repeal), IC 20-23-5, or IC 20-25-5, current ADA ratio shall be interpreted as though the pupils in the territory had been transferred in the school year ending in 1973.

Sec. 10. As used in this chapter,"eligible pupil" has the meaning set forth in IC 20-43-1-11.

Sec. 11. As used in this chapter, "entitlement" of a qualified school corporation is that part of the fund:

(1) to which any qualified school corporation is entitled for any calendar year; and

(2) on the basis of which the tax is set under this chapter.

Sec. 12. As used in this chapter, "fund" refers to the county school distribution fund:

(1) into which the receipts from the tax must be credited; and

(2) from which distributions to qualified school corporations must be charged.

Sec. 13. As used in this chapter, "qualified county" means Lake County.

Sec. 14. As used in this chapter, "qualified school corporation" means any school corporation that has under its jurisdiction any territory located in the qualified county.

Sec. 15. As used in this chapter, "tax" refers to the county supplemental school financing property tax to be levied by the county council under this chapter.

Sec. 16. Each calendar year, the county council shall impose a tax on the real and personal property subject to taxation by the county under this chapter.

Sec. 17. The tax shall be imposed at the same time the county council adopts the qualified county's budget, tax levy, and tax rate for the next calendar year under IC 6-1.1-17.

Sec. 18. The county council shall set a rate for the tax that will produce the total amount of the entitlements of the qualified school corporations for the next calendar year. However, the amount of the tax levy may not be greater than the amount determined under STEP TWO of the following formula:

STEP ONE: Determine the total dollar amount of that tax

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levy for 1972, payable in calendar year 1973, assuming one hundred percent (100%) tax collection.

STEP TWO: Multiply the STEP ONE amount by the ADA ratio.

Sec. 19. Before July 11 of each year, the state superintendent shall certify to the county auditor:

(1) the consolidated ADA ratio of the qualified school corporations;

(2) the number of pupils in ADM of each qualified school corporation for the immediately preceding school year; and

(3) an estimate of these statistics for the succeeding school year.

Sec. 20. (a) The county auditor shall compute the amount of the tax to be levied each year. Before August 2, the county auditor shall certify the amount to the county council.

(b) The tax rate shall be advertised and fixed by the county council in the same manner as other property tax rates. The tax rate shall be subject to all applicable law relating to review by the county board of tax adjustment and the department of local government finance.

(c) The department of local government finance shall certify the tax rate at the time it certifies the other county tax rates.

(d) The department of local government finance shall raise or lower the tax rate to the tax rate provided in this chapter, regardless of whether the certified tax rate is below or above the tax rate advertised by the county.

Sec. 21. The maximum levy limit that the county may levy for a particular year equals the maximum levy limit otherwise prescribed for the county for that year by IC 6-1.1-18.5. The amount levied for that year under the tax is included within the maximum levy limit.

Sec. 22. The county officials charged with the duty of collecting and receiving receipts from county taxes shall collect and receive the tax in the same manner as other county taxes.

Sec. 23. The county treasurer shall deposit the money collected from the tax in a county school distribution fund.

Sec. 24. For purposes of allocating distributions of tax revenues collected under IC 6-5.5, IC 6-6-5, IC 6-6-5.5, or IC 6-6-6.5, the tax shall be treated as if it were property taxes imposed by a separate taxing unit. The appropriate part of those distributions shall be deposited in the fund.

Sec. 25. The county auditor and the county treasurer shall

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distribute the money credited to the fund during a calendar year to the qualified school corporations based on their entitlements for the year, adjusted as provided in this chapter.

Sec. 26. The entitlement of each qualified school corporation from the fund for each calendar year is the greater of:

(1) the amount of its entitlement for calendar year 2000 from the tax levied under this chapter; or

(2) an amount equal to twenty-seven dollars and fifty cents ($27.50) times its ADM.

Sec. 27. (a) If the tax rate is incorrect because of an error in calculating its amount, including a mistake in the amount of assessment, the error shall be expeditiously corrected within the next two (2) years by decreasing or increasing the rate of the tax set during those two (2) years.

(b) If the entitlement received by a qualified school corporation in any calendar year is more or less than its entitlement on account of an error in calculation, the amount of entitlement of a qualified school corporation shall be similarly adjusted within the next two (2) calendar years.

(c) If the money credited to the fund during any year is more or less than the total entitlements of the qualified school corporations for the calendar year, except for a greater or lesser receipt incident due to an error in calculating an entitlement or its correction, the county auditor shall increase or reduce each qualified school corporation's entitlement by the same percentage.

(d) The entire balance of the fund for each calendar year shall be distributed.

Sec. 28. The county auditor shall issue a warrant to the county treasurer for the distributions from the fund to the qualified school corporations in the amounts to which they are entitled under this chapter. The distributions shall be made at the same time as other property tax levies in each semiannual tax settlement period. A qualified school corporation has the right to obtain advance draws.

Sec. 29. Receipts from the fund shall be credited by each qualified school corporation to its general fund. The budgets of each qualified school corporation shall reflect the anticipated receipts from the tax. Appropriations shall be made from the general fund by the qualified school corporations as other appropriations are made either in the annual budgets or by additional appropriations.

Sec. 30. The department of local government finance and the state superintendent shall make certifications of any information

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in their possession, or any other certifications required by this chapter that will facilitate its execution.

Chapter 8. Supplemental County Levy; Dearborn County

Sec. 1. This chapter applies only to Dearborn County. This chapter applies to an area outside Dearborn County to the extent that the area is part of a qualified school corporation.

Sec. 2. The following is declared to be the policy of this chapter:

(1) That in certain areas in Indiana there exists a condition created by the large concentration of taxable property in a single township away from outlying areas that has created administrative and financial problems in the maintenance and operation of school systems in those areas, resulting in maladjustment of taxable wealth in such areas for levying taxes for the operation of the schools.

(2) That improvement in the administrative and financial structures of the qualified school corporations existing on March 12, 1965, in those outlying areas is essential for:

(A) the establishment and maintenance of a general uniform and efficient system of public schools to provide a more equalized educational opportunity for public school pupils;

(B) the achievement of greater equity in school tax rates among the inhabitants of the various qualified school corporations existing on March 12, 1965, in these areas; and

(C) the provision for more use of the public funds expended for the support of the public school systems.

(3) That statutes existing on March 12, 1965, with respect to the granting of financial assistance on a countywide school basis, allowing a more favorable use of the taxable wealth of the county for the support of the various school districts within or attached to the county, are inadequate to effectuate the need for this improvement in those areas described in this chapter.

(4) That modification in the statutory provisions existing on March 12, 1965, pertaining to the levying of tax rates for school purposes for those areas that qualify within the definitions in this chapter is essential to carry out the purposes of IC 20-23-4, and the tax levied under this chapter shall be considered a county tax within the meaning of IC 20-23-4, and to that end it is the intent of the general assembly, by this chapter, to make provision for a more

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satisfactory use of the taxable wealth of counties that qualify under this chapter for the promotion, betterment, and improvement of their educational systems.

Sec. 3. As used in this chapter, "assessed valuation" of any qualified school corporation means the net assessed value of its real and taxable personal property adjusted by a percentage factor. This factor shall be computed by the department of local government finance on a townshipwide basis for each township in the qualified county and areas assigned to the qualified county for school purposes in the same manner that the department of local government finance computes a factor for the various counties of the state under IC 6-1.1-34. In determining the assessed valuation of any qualified school corporation, the factor for any township shall be applied to the assessed valuation of the real and taxable personal property of each qualified school corporation lying within the township and school areas attached to the township.

Sec. 4. As used in this chapter, "board of county commissioners" refers to the board of county commissioners of a qualified county.

Sec. 5. As used in this chapter, "county auditor" means the county auditor of a qualified county.

Sec. 6. As used in this chapter, "fund" means the county school distribution fund:

(1) into which the receipts from the tax must be credited; and

(2) from which distribution to a qualified school corporation must be charged.

Sec. 7. As used in this chapter, "entitlement" of a qualified school corporation is that part of the fund:

(1) to which a qualified school corporation is entitled for any calendar year; and

(2) on the basis of which the tax is set under this chapter.

Sec. 8. As used in this chapter, "paying qualified school corporation" means any qualified school corporation in which the tax collected on the assessed valuation of the qualified school corporation exceeds the amount of the entitlement payable to the qualified school corporation under this chapter.

Sec. 9. As used in this chapter, "qualified county" refers to Dearborn County. The term includes any area attached to Dearborn County for school purposes.

Sec. 10. As used in this chapter, "qualified school corporation" means a school corporation that has under its jurisdiction any territory that is located in the qualified county.

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Sec. 11. As used in this chapter, "receiving qualified school corporation" means any qualified school corporation receiving an entitlement under this chapter that exceeds the amount of the tax collected on the assessed valuation of the qualified school corporation.

Sec. 12. As used in this chapter, "tax" means the county supplemental school financing property tax to be levied by the board of county commissioners of a qualifying county under this chapter.

Sec. 13. "Total school tax rate" means the sum of the property tax rates levied for all school purposes.

Sec. 14. A county school distribution fund is established in a qualified county.

Sec. 15. There shall be appropriated from the fund to qualified school corporations, in the manner provided in this chapter, sufficient amounts of money to achieve the purposes of this chapter.

Sec. 16. (a) The board of county commissioners shall levy a county supplemental school financing tax at a rate that is sufficient to annually provide adequate funds to carry out the purposes of this chapter. The various officials and employees of the qualified county and the qualified school corporations charged with the duty of levying, collecting, and receiving other property tax funds for county or school purposes, or both, shall take the appropriate and respective steps as otherwise required by law for the levying, collecting, and receiving of property taxes in order to levy, collect, and receive the tax.

(b) The receipts from the tax shall be credited into the fund and paid from the fund by the county auditor to the qualified school corporations.

Sec. 17. If the area of a qualified school corporation extends into an adjoining county, the tax rate fixed by the board of county commissioners shall control for the levying and assessment of the tax in the area extending into the adjoining county. The board of county commissioners and other county officials of the adjoining county shall take all appropriate and necessary action as otherwise required by law for:

(1) the levying, collecting, and receiving of the county supplemental school financing taxes; and

(2) the payment of the taxes into the fund;

for distribution under this chapter.

Sec. 18. (a) Before July 11 of each year, the state superintendent

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shall deliver to the county auditor a certified statement of the ADM in grades 1 through 12 residing in each qualified school corporation for the immediately preceding school year.

(b) Upon the receipt of the information, the county auditor shall compute the amount to be distributed to each of the qualified school corporations from the receipts of the tax levy, based on the formula set forth in this chapter.

(c) The county auditor shall annually issue a warrant to the county treasurer ordering the payment to the respective qualified school corporations the various amounts in the fund at each semiannual tax settlement period during the year in which the tax has been collected.

(d) The qualified school corporations and the proper officials and employees of the qualified school corporations shall receive the receipts distributed by the county treasurer in the same manner as other tax receipts are received.

Sec. 19. The receipts from the tax are available to a qualified school corporation for any purpose or purposes for which school expenditures are authorized by law. The purpose or purposes for which the receipts from the tax are used rests within the discretion of the administrative officer or governing board of each qualified school corporation. The budgets of the qualified school corporations must reflect the anticipated receipts from the tax. Appropriations shall be made of the receipts from the tax as other appropriations are made.

Sec. 20. The tax levy is subject to all laws concerning review by the county board of tax adjustment and the department of local government finance.

Sec. 21. To qualify to receive any of the receipts of a tax levy, a qualified school corporation must levy against the assessed valuation of the qualified school corporation a total school tax rate sufficient to generate an amount equal to the amount of revenues deposited in the fund in calendar year 1979.

Sec. 22. (a) The amount to be raised by the tax shall be determined in any calendar year by the county auditor and certified to by the board of county commissioners before the time for making the county budgets in the year.

(b) The amount is the total of the entitlements of all qualified school corporations.

(c) The entitlement of each qualified school corporation calculated in a calendar year is an amount equal to the result determined under STEP TWO of the following formula:

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STEP ONE: Calculate the quotient of:

(A) the total amount deposited in the fund in calendar year 1979 or the first year in which a deposit was made, whichever is later; divided by

(B) the total ADM of the immediately preceding school year of qualified school corporations that received money from the fund in 1979.

STEP TWO: Calculate the product of:

(A) the STEP ONE result; multiplied by

(B) the ADM of the immediately preceding school year of the qualified school corporation that received money from the fund in 1979.

Sec. 23. The entitlement of a receiving qualified school corporation may not have the effect of reducing the total school tax rate of the qualified school corporation below the total school tax rate prevailing in any paying qualified school corporation. Any entitlement payable under this chapter shall be reduced so as not to produce that effect. However, the entitlement of a receiving qualified school corporation that levies its maximum tuition support levy shall not be affected by the receiving qualified school corporation's tax rate.

Sec. 24. (a) The board of county commissioners shall levy a tax rate on all the real and taxable personal property in the county that is sufficient to raise the total of the entitlements in the same manner as other county property tax rates are levied.

(b) If the board of county commissioners fails in any calendar year to levy the tax rate required by this chapter, the department of local government finance shall certify the amount of the tax levy to the county auditor. The certified rate shall be the tax for the calendar year. The tax shall be collected and received by the county treasurer in the same manner as other county property taxes are collected.

Sec. 25. (a) The money received into the fund in any calendar year shall be paid to the qualified school corporations in accordance with their entitlements, determined in the immediately preceding calendar year, in the same manner as other tax distributions.

(b) A qualified school corporation has the same rights to advance payments of a distribution from the fund as the qualified school corporation's right to advance payments of other property taxes.

(c) If the tax receipts in the county school distribution fund in

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any calendar year are less than the total of the entitlements for any reason, on account of delinquencies in collection or otherwise, each entitlement shall be reduced in the same percentage so that the entire fund is exhausted.

(d) If the tax receipts in any calendar year are more than the total of the entitlements because of the collection of delinquencies for prior years, each entitlement shall be increased in the same percentage so that the entire fund is exhausted.

Sec. 26. In making its budget, each qualified school corporation shall take into account its anticipated receipts from the fund. The county auditor, before July 15 of each year, shall certify to each qualified school corporation the amount of its entitlement from the fund to be used in the preparation of its budget. Any qualified school corporation may also appropriate its entitlement by emergency appropriation in the same manner as any property tax receipt.

Sec. 27. The tax provided by this chapter may not operate to diminish the amount of state tuition support or other aid given by the state.

Sec. 28. The department of local government finance and the state superintendent shall make certifications of any information in their possession, or any other certifications required by this chapter that will facilitate this chapter's execution.

SECTION 169. IC 20-46 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 46. LEVIES OTHER THAN GENERAL FUND LEVIES

Chapter 1. Referendum Tax Levy

Sec. 1. As used in this chapter, "base tax levy" means the total dollar amount of the property tax levied by a school corporation for the school corporation's general fund for taxes collectible in 1973, assuming one hundred percent (100%) tax collection, as adjusted under IC 6-1.1-19-4.4(a)(4) (before its repeal), IC 6-1.1-19-4.5(c) (before its repeal), IC 6-1.1-19-6(b) (before its repeal), and IC 6-1.1-19-6(c) (before its repeal).

Sec. 2. As used in this chapter, "excessive tax levy" has the meaning set forth in IC 20-45-1-11.

Sec. 3. As used in this chapter, "fund" refers to the referendum tax levy fund.

Sec. 4. As used in this chapter, "levy" refers to the property tax levy imposed under this chapter.

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Sec. 5. As used in this chapter, "referendum" refers to a referendum under this chapter.

Sec. 6. A school corporation may impose a referendum tax levy for the school corporation's fund in the amount allowed under:

(1) section 7 of this chapter;

(2) sections 8 through 19 of this chapter; or

(3) both subdivisions (1) and (2).

Sec. 7. (a) This section applies to a school corporation that added an amount to the school corporation's base tax levy before 2002 as the result of the approval of an excessive tax levy by the majority of individuals voting in a referendum held in the area served by the school corporation under IC 6-1.1-19-4.5 (before its repeal).

(b) A school corporation may adopt a resolution before September 21, 2005, to transfer the power of the school corporation to levy the amount described in subsection (a) from the school corporation's general fund to the school corporation's fund. A school corporation that adopts a resolution under this section shall, as soon as practicable after adopting the resolution, send a certified copy of the resolution to the department of local government finance and the county auditor. A school corporation that adopts a resolution under this section may, for property taxes first due and payable after 2005, levy an additional amount for the fund that does not exceed the amount of the excessive tax levy added to the school corporation's base tax levy before 2002.

(c) The power of the school corporation to impose the levy transferred to the fund under this section expires December 31, 2012, unless:

(1) the school corporation adopts a resolution to reimpose or extend the levy; and

(2) the levy is approved, before January 1, 2013, by a majority of the individuals who vote in a referendum that is conducted in accordance with the requirements in this chapter.

As soon as practicable after adopting the resolution under subdivision (1), the school corporation shall send a certified copy of the resolution to the county auditor and the department of local government finance. Upon receipt of the certified resolution, the tax control board shall proceed in the same manner as the tax control board would for any other levy being reimposed or extended under this chapter. However, if requested by the school corporation in the resolution adopted under subdivision (1), the question of reimposing or extending a levy transferred to the fund

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under this section may be combined with a question presented to the voters to reimpose or extend a levy initially imposed after 2001. A levy reimposed or extended under this subsection shall be treated for all purposes as a levy reimposed or extended under IC 6-1.1-19-4.5(c) (before its repeal) and this chapter, after June 30, 2006.

(d) The school corporation's levy under this section may not be considered in the determination of the school corporation's state tuition support under IC 20-43 or the determination of the school corporation's maximum permissible tuition support levy under IC 20-45-3.

Sec. 8. (a) This section applies to a school corporation that includes a request for a levy under this chapter in an emergency appeal under IC 6-1.1-19 and IC 20-45-6-2.

(b) In addition to, or instead of, any recommendation that the tax control board may make in an appeal, the tax control board may recommend that the appellant school corporation be permitted to make a levy for the ensuing calendar year under this chapter.

Sec. 9. A tax control board recommendation under this chapter may be put into effect only if:

(1) a majority of the individuals who vote in a referendum that is conducted in accordance with this section and sections 10 through 19 of this chapter approves the appellant school corporation's making a levy for the ensuing calendar year;

(2) the department of local government finance approves the recommendation in writing; and

(3) the appellant school corporation requests that the tax control board take the steps necessary to cause a referendum to be conducted.

Sec. 10. The question to be submitted to the voters in the referendum must read as follows:

"For the __ (insert number) calendar year or years immediately following the holding of the referendum, shall the school corporation impose a property tax rate that does not exceed _____ (insert amount) cents ($0.__) (insert amount) on each one hundred dollars ($100) of assessed valuation and that is in addition to the school corporation's normal tuition support tax rate?".

Sec. 11. The voters in a referendum may not approve a levy that is imposed for more than seven (7) years. However, a levy may be reimposed or extended under this chapter.

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Sec. 12. The tax control board shall act under IC 3-10-9-3 to certify the question to be voted on at the referendum to the county election board of each county in which any part of the appellant school corporation is located.

Sec. 13. Each county clerk shall, upon receiving the question certified by the tax control board under this chapter, call a meeting of the county election board to make arrangements for the referendum.

Sec. 14. (a) The referendum shall be held in the next primary or general election in which all the registered voters who are residents of the appellant school corporation are entitled to vote after certification of the question under IC 3-10-9-3. However, if the referendum would be held at a primary or general election more than six (6) months after certification by the tax control board, the referendum shall be held at a special election to be conducted not less than ninety (90) days after the question is certified to the circuit court clerk or clerks by the tax control board.

(b) The school corporation shall advise each affected county election board of the date on which the school corporation desires that the referendum be held, and, if practicable, the referendum shall be held on the day specified by the school corporation.

(c) The referendum shall be held under the direction of the county election board, which shall take all steps necessary to carry out the referendum.

(d) If a primary election, general election, or special election is held during the sixty (60) days preceding or following the special election described in this section and is held in an election district that includes some, but not all, of the school corporation, the county election board may also adopt orders to specify when the registration period for the elections cease and resume under IC 3-7-13-10.

(e) Not less than ten (10) days before the date on which the referendum is to be held, the county election board shall cause notice of the question that is to be voted upon at the referendum to be published in accordance with IC 5-3-1.

(f) If the referendum is not conducted at a primary or general election, the appellant school corporation in which the referendum is to be held shall pay all the costs of holding the referendum.

Sec. 15. Each county election board shall cause:

(1) the question certified to the circuit court clerk by the tax control board to be placed on the ballot in the form prescribed by IC 3-10-9-4; and

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(2) an adequate supply of ballots and voting equipment to be delivered to the precinct election board of each precinct in which the referendum is to be held.

Sec. 16. The individuals entitled to vote in the referendum are all of the registered voters resident in the appellant school corporation.

Sec. 17. Each precinct election board shall count the affirmative votes and the negative votes cast in the referendum and shall certify those two (2) totals to the county election board of each county in which the referendum is held. The circuit court clerk of each county shall, immediately after the votes cast in the referendum have been counted, certify the results of the referendum to the tax control board. Upon receiving the certification of all the votes cast in the referendum, the tax control board shall promptly certify the result of the referendum to the department of local government finance. If a majority of the individuals who voted in the referendum voted "yes" on the referendum question:

(1) the department of local government finance, upon being notified by the tax control board of the result of the referendum, shall promptly notify the school corporation that the school corporation is authorized to collect, for the calendar year that next follows the calendar year in which the referendum is held, a levy not greater than the amount approved in the referendum;

(2) the levy may be imposed for the number of calendar years approved by the voters following the referendum for the school corporation in which the referendum is held; and

(3) the school corporation shall establish a fund under IC 20-40-3-1.

Sec. 18. A school corporation's levy may not be considered in the determination of the school corporation's state tuition support under IC 20-43 or the determination of the school corporation's maximum permissible tuition support levy under IC 20-45-3.

Sec. 19. If a majority of the persons who voted in the referendum did not vote "yes" on the referendum question:

(1) the school corporation may not make any levy for its general fund other than a levy permitted under IC 20-45; and

(2) another referendum under this section may not be held for one (1) year after the date of the referendum.

Chapter 2. Special Education Preschool Levy

Sec. 1. As used in this chapter, "fund" refers to a special

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education preschool fund.

Sec. 2. As used in this chapter, "levy" refers to a levy under this chapter.

Sec. 3. Subject to IC 6-1.1-18-12, each year each school corporation shall impose a property tax of thirty-three hundredths of one cent ($0.0033) for each one hundred dollars ($100) of assessed valuation.

Sec. 4. The levy shall be deposited in the school corporation's fund.

Chapter 3. Racial Balance Levy

Sec. 1. This chapter applies to a school corporation that:

(1) is located in Allen County;

(2) is a party to a lawsuit alleging that its schools are segregated in violation of the Constitution of the United States or federal law;

(3) desires to improve or maintain racial balance among two (2) or more schools within the school corporation, regardless of the school corporation's basis for desiring to improve or maintain racial balance; and

(4) has a minority student enrollment that comprises at least ten percent (10%) of its total student enrollment, using the most recent enrollment data available to the school corporation.

Sec. 2. As used in this chapter, "fund" refers to a racial balance fund.

Sec. 3. As used in this chapter, "levy" refers to a levy imposed under this chapter.

Sec. 4. As used in this chapter, "minority student" means a student who is black, Spanish American, Asian American, or American Indian.

Sec. 5. A school corporation may petition the tax control board to impose a property tax to raise revenue for the purposes of the fund. However, before a school corporation may impose a property tax under this chapter, the school corporation must file a petition with the tax control board under IC 6-1.1-19. The petition must be filed before June 1 of the year preceding the first year the school corporation desires to impose the property tax and must include the following:

(1) The name of the school corporation.

(2) A settlement agreement among the parties to a desegregation lawsuit that includes the program that will improve or maintain racial balance in the school corporation.

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(3) The proposed levy.

(4) Any other item required by the school property tax control board.

Sec. 6. Subject to IC 6-1.1-18.5-9.9, the tax control board may recommend to the department of local government finance that a school corporation be allowed to establish a levy. The amount of the levy shall be determined each year and the levy may not exceed the lesser of the following:

(1) The revenue derived from a tax rate of eight and thirty-three hundredths cents ($0.0833) for each one hundred dollars ($100) of assessed valuation within the school corporation.

(2) The revenue derived from a tax rate equal to the difference between the maximum rate allowed for the school corporation's capital projects fund under IC 20-46-6 minus the actual capital projects fund rate that will be in effect for the school corporation for a particular year.

Sec. 7. The department of local government finance shall review the petition of the school corporation and the recommendation of the tax control board and:

(1) disapprove the petition if the petition does not comply with this section;

(2) approve the petition; or

(3) approve the petition with modifications.

Sec. 8. A levy is in addition to, and not part of, the school corporation's tuition support levy for purposes of determining the school corporation's maximum permissible tuition support levy under IC 20-45-3.

Sec. 9. Money received from a levy shall be deposited in the school corporation's fund.

Chapter 4. School Transportation Levy

Sec. 1. As used in this chapter, "costs attributable to transportation" has the meaning set forth in IC 20-40-6-1.

Sec. 2. As used in this chapter, "fund" refers to the school transportation fund.

Sec. 3. As used in this chapter, "last state transportation distribution" means the total amount of state funding received by a school corporation for transportation costs:

(1) under IC 21-3-3.1-1 through IC 21-3-3.1-3 (before their repeal) after June 30, 2003, and before July 1, 2004; and

(2) for special education and vocational programs under IC 21-3-3.1-4 (before its repeal) after June 30, 2003, and

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before July 1, 2004;
multiplied by two (2).

Sec. 4. As used in this chapter, "levy" refers to a levy under this chapter.

Sec. 5. Each school corporation may levy for the calendar year a property tax for the fund sufficient to pay all operating costs attributable to transportation.

Sec. 6. The levy may not exceed:

(1) the amount determined by multiplying:

(A) the school corporation's levy for the fund for the previous year under IC 21-2-11.5 (before its repeal) or this chapter, as that levy was determined by the department of local government finance in fixing the civil taxing unit's budget, levy, and rate for that preceding calendar year under IC 6-1.1-17 and after eliminating the effects of temporary excessive levy appeals and any other temporary adjustments made to the levy for the calendar year; by

(B) the assessed value growth quotient determined under IC 6-1.1-18.5-2; plus

(2) in 2006 and 2007, the amount determined under section 9 of this chapter.

Sec. 7. The tax rate and levy for the fund shall be established as a part of the annual budget for the calendar year in accordance with IC 6-1.1-17.

Sec. 8. If the amount levied in a particular year exceeds the amount necessary to cover the costs payable from the fund, the levy in the following year shall be reduced by the amount of surplus money.

Sec. 9. To the extent that the amount determined under section 6(1) of this chapter has not been adjusted to reflect the termination of state transportation distributions for the school corporation's fund, as determined by the department of local government finance, a school corporation may increase its levy for 2006 above the amount determined under section 6(1) of this chapter by fifty percent (50%) of the school corporation's last state transportation distribution, and the school corporation may increase its levy for 2007 above the amount determined under section 6(1) of this chapter by the remaining fifty percent (50%) of the school corporation's last state transportation distribution. The amount of the additional levy imposed in a calendar year under this section shall be treated, for purposes of applying section 6(1) of this chapter in the following year, as part of the school corporation's

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levy for the fund for the previous year.

Sec. 10. (a) A school corporation may appeal to the department of local government finance under IC 6-1.1-19 to increase the maximum levy permitted for the school corporation's fund. To be granted an increase by the department of local government finance, the school corporation must establish that the increase is necessary because of a transportation operating cost increase of at least ten percent (10%) over the preceding year as a result of at least one (1) of the following:

(1) A fuel expense increase.

(2) A significant increase in the number of students enrolled in the school corporation that need transportation or a significant increase in the mileage traveled by the school corporation's buses compared with the previous year.

(3) A significant increase in the number of students enrolled in special education who need transportation or a significant increase in the mileage traveled by the school corporation's buses due to students enrolled in special education as compared with the previous year.

(4) Increased transportation operating costs due to compliance with a court ordered desegregation plan.

(5) The closure of a school building within the school corporation that results in a significant increase in the distances that students must be transported to attend another school building.

In addition, before the department of local government finance may grant a maximum levy increase, the school corporation must establish that the school corporation will be unable to provide transportation services without an increase. The department of local government finance may grant a maximum operating costs levy increase that is less than the increase requested by the school corporation.

(b) If the department of local government finance determines that a permanent increase in the maximum permissible levy is necessary, the maximum levy after the increase granted under this section becomes the school corporation's maximum permissible levy under this chapter.

Chapter 5. School Bus Replacement Levy

Sec. 1. As used in this chapter, "fund" refers to the school bus replacement fund.

Sec. 2. As used in this chapter, "levy" refers to a levy imposed under this chapter.

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Sec. 3. As used in this chapter, "plan" refers to a school bus acquisition plan adopted or amended under this chapter.

Sec. 4. Each school corporation may levy for a calendar year a property tax for the fund in accordance with the school bus acquisition plan adopted under this chapter.

Sec. 5. The levy tax rate and the levy shall be established as a part of the annual budget for the calendar year in accordance with IC 6-1.1-17.

Sec. 6. (a) This section does not apply to a school corporation located in South Bend, unless a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect.

(b) Before a governing body may collect property taxes for the fund in a particular calendar year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year:

(1) conduct a public hearing on; and

(2) pass a resolution to adopt;

a plan.

Sec. 7. (a) This section applies only to a school corporation located in South Bend.

(b) This section does not apply to the school corporation if a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect.

(c) Before the governing body of the school corporation may collect property taxes for the fund in a particular calendar year, the governing body must, after January 1 and on or before February 1 of the immediately preceding year:

(1) conduct a public hearing on; and

(2) pass a resolution to adopt;

a plan.

Sec. 8. (a) The department of local government finance shall prescribe the format of the plan.

(b) A plan must apply to at least the ten (10) budget years immediately following the year the plan is adopted.

(c) 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 fund.

(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

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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 fund 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 with 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 fund.
(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 fund.
(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.

Sec. 9. After reviewing the plan, the department of local government finance shall certify its approval, disapproval, or modification of the plan to the governing body and the county auditor of the county. The department of local government finance may seek the recommendation of the tax control board with respect to this determination. The action of the department of local government finance with respect to the plan is final.

Sec. 10. (a) A governing body may amend a plan. When an amendment to a plan is required, the governing body must:
(1) declare the nature of and the need for the amendment; and
(2) show cause as to why the original plan no longer meets the needs of the school corporation.

(b) The governing body must then conduct a public hearing on and pass a resolution to adopt the amendment to the plan.

(c) The plan, as proposed to be amended, must comply with the requirements for a plan under section 8 of this chapter.

(d) An amendment to the plan is not subject to the deadlines for

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adoption described in section 6 or 7 of this chapter. However, the amendment to the plan must be submitted to the department of local government finance for its consideration and is subject to approval, disapproval, or modification in accordance with the procedures for adopting a plan set forth in this chapter.

Sec. 11. 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).

Chapter 6. Capital Projects Levy

Sec. 1. As used in this chapter, "fund" refers to the capital projects fund.

Sec. 2. As used in this chapter, "levy" refers to a levy imposed under this chapter.

Sec. 3. As used in this chapter, "plan" refers to a plan adopted or amended under this chapter.

Sec. 4. As used in this chapter, "qualified utility and insurance costs" refers to costs described in IC 20-40-8-19.

Sec. 5. Subject to IC 6-1.1-18-13 and IC 6-1.1-18.5-9.9, to provide for the fund, the governing body may, for each year in which a plan is in effect, impose a property tax rate that does not exceed forty-one and sixty-seven hundredths cents ($0.4167) on each one hundred dollars ($100) of assessed valuation of the school corporation. The actual rate imposed by the governing body must be advertised in the same manner as other property tax rates.

Sec. 6. (a) This section applies only for a calendar year for which IC 20-40-8-19 permits a school corporation to pay qualified utility and insurance costs from the fund.

(b) For a year in which a school corporation uses money from the school corporation's fund to pay for qualified utility and insurance costs, the school corporation may impose a property tax rate that exceeds the rate described in section 5 of this chapter. The amount by which the property tax rate may exceed the rate described in section 5 of this chapter equals the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the school corporation's qualified utility and insurance costs for the calendar year.

STEP TWO: Determine the quotient of:

(A) the STEP ONE amount; divided by

(B) the school corporation's assessed valuation for the year.

STEP THREE: Determine the product of:

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(A) the STEP TWO amount; multiplied by

(B) one hundred (100).

Sec. 7. A school corporation receiving an advancement for an educational technology program may annually impose a levy for the fund as provided in IC 20-49-4-22.

Sec. 8. (a) This section does not apply to a school corporation that is located in South Bend, unless a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect.

(b) Before a governing body may collect property taxes for a capital projects fund in a particular year, the governing body must:

(1) after January 1; and

(2) not later than September 20;

of the immediately preceding year, hold a public hearing on a proposed or amended plan and pass a resolution to adopt the proposed or amended plan.

Sec. 9. (a) This section applies only to a school corporation that is located in South Bend.

(b) This subsection does not apply to the school corporation if a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect.

(c) Before the governing body of the school corporation may collect property taxes for a fund in a particular year, the governing body must:

(1) after January 1; and

(2) before February 2;

of the immediately preceding year, hold a public hearing on a proposed or amended plan and pass a resolution to adopt the proposed or amended plan.

Sec. 10. (a) The department of local government finance shall prescribe the format of the plan.

(b) A plan must:

(1) apply to at least the three (3) years immediately following the year the plan is adopted;

(2) estimate for each year to which the plan applies the nature and amount of proposed expenditures from the fund; and

(3) estimate:

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

(B) the amount of property taxes to be collected in the upcoming calendar year and retained in the fund for

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expenditures proposed for a later year.

Sec. 11. If a hearing is scheduled for a plan, the governing body shall publish the proposed plan and a notice of the hearing in accordance with IC 5-3-1-2(b).

Sec. 12. A governing body shall publish a notice of the adoption or amendment of a plan in accordance with IC 5-3-1-2(b). This publication must be made not later than twenty (20) days after the county auditor posts and publishes the notice of the school corporation's tax rate for the ensuing calendar year.

Sec. 13. (a) In the first year that a plan is proposed, ten (10) or more taxpayers that will be affected by the adopted plan may file a petition with the county auditor of a county in which the school corporation is located not later than ten (10) days after the publication under section 12 of this chapter. The petition must set forth the taxpayers' objections to the proposed plan.

(b) After the first year a plan is proposed, ten (10) or more taxpayers that will be affected by the adopted plan may file a petition with the county auditor of a county in which the school corporation is located not later than ten (10) days after the publication under section 12 of this chapter. The petition must set forth the taxpayers' objections to any item in the proposed plan or amendment to the plan that does not concern a construction project that had previously been included in a plan.

(c) The county auditor shall immediately certify a petition filed under this section to the department of local government finance.

Sec. 14. (a) The department of local government finance shall within a reasonable time fix a date for a hearing on a petition filed under section 13 of this chapter. The hearing shall be held in a county in which the school corporation is located.

(b) The department of local government finance shall notify:

(1) the governing body; and

(2) the first ten (10) taxpayers whose names appear on the petition;

at least five (5) days before the date fixed for the hearing.

Sec. 15. After a hearing on the petition under section 14 of this chapter, the department of local government finance shall certify its approval, disapproval, or modification of the plan to the governing body and the county auditor of the county. The department of local government finance may seek the recommendation of the tax control board with respect to the department of local government finance's determination.

Sec. 16. A governing body may petition for judicial review of the

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final determination of the department of local government finance under section 15 of this chapter. The petition must be filed in the tax court not more than forty-five (45) days after the department of local government finance certifies its action under section 15 of this chapter.

Sec. 17. (a) A governing body may amend a plan to:

(1) provide money for the purposes of the fund; or

(2) supplement money accumulated in the fund for the purposes of the fund.

(b) Subject to any notice and hearing requirements, a school corporation may amend a plan to include expenditures under IC 20-40-8-19.

Sec. 18. (a) This section applies to an amendment to a plan that is required by a reason other than an emergency.

(b) The governing body must hold a public hearing on the proposed amendment. At the hearing, the governing body must declare the nature of and the need for the amendment and pass a resolution to adopt the amendment to the plan.

(c) The plan, as proposed to be amended, must comply with the requirements for a plan under section 10 of this chapter. The governing body must publish the proposed amendment to the plan and notice of the hearing in accordance with IC 5-3-1-2(b).

(d) An amendment to the plan:

(1) is not subject to the deadline for adoption described in section 8 or 9 of this chapter;

(2) must be submitted to the department of local government finance for its consideration; and

(3) is subject to approval, disapproval, or modification in accordance with the procedures for adopting a plan.

Sec. 19. (a) This section applies to an amendment to a plan that is required by reason of an emergency that results in costs that exceed the amount accumulated in the fund for repair, replacement, or site acquisition that is necessitated by an emergency.

(b) The governing body is not required to comply with section 18 of this chapter.

(c) The governing body must immediately apply to the department of local government finance for a determination that an emergency exists. If the department of local government finance determines that an emergency exists, the governing body may adopt a resolution to amend the plan.

(d) An amendment to the plan is not subject to the deadline and

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the procedures for adoption described in section 8 or 9 of this chapter. However, the amendment is subject to modification by the department of local government finance.

Sec. 20. An amendment adopted under section 18 or 19 of this chapter, may require any of the following:

(1) The payment of eligible costs from:

(A) money accumulated in the fund for other purposes; or

(B) money to be borrowed from other funds of the school corporation or from a financial institution.

(2) An increase in the property tax rate for the fund to restore money to the fund or to pay principal and interest on a loan. Any increase to the property tax rate for the fund is effective for property taxes first due and payable for the year next certified by the department of local government finance under IC 6-1.1-17-16. However, the property tax rate may not exceed the maximum rate established under section 5 of this chapter.

Chapter 7. Debt Service Levy

Sec. 1. As used in this chapter, "fund" refers to the debt service fund.

Sec. 2. As used in this chapter, "levy" refers to a levy imposed under this chapter.

Sec. 3. As used in this chapter, "obligation" refers to any obligation that is permitted or required by law to be paid from the fund under IC 20-40-9 or another law.

Sec. 4. The governing body of each school corporation shall establish a levy in every calendar year sufficient to pay all obligations.

Sec. 5. If the advertised levy is insufficient to produce revenue to meet all obligations for any calendar year, the department of local government finance may establish a levy greater than advertised if necessary to meet the school corporation's obligations.

Sec. 6. An amount equal to deductions made or to be made in the current year for the payment of principal and interest on an advancement from any state fund (including the common school fund and the veterans memorial school construction fund) may be included in a levy and appropriated and paid to the general fund.

Sec. 7. A school corporation receiving an advancement:

(1) under IC 20-49-2 may annually levy a tax for the fund as provided in IC 20-49-2-16;

(2) for a school building construction program may annually levy a tax for the fund as provided in IC 20-49-4-21; or

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(3) for an educational technology program may annually levy a tax for the fund as provided in IC 20-49-4-22.

Sec. 8. (a) A school corporation must file a petition requesting approval from the department of local government finance to:

(1) incur bond indebtedness;

(2) enter into a lease rental agreement; or

(3) repay from the debt service fund loans made for the purchase of school buses under IC 20-27-4-5;

not later than twenty-four (24) months after the first date of publication of notice of a preliminary determination under IC 6-1.1-20-3.1(2), unless the school corporation demonstrates that a longer period is reasonable in light of the school corporation's facts and circumstances.

(b) A school corporation must obtain approval from the department of local government finance before the school corporation may:

(1) incur the indebtedness;

(2) enter into the lease agreement; or

(3) repay the school bus purchase loan.

(c) This restriction does not apply to property taxes that a school corporation levies to pay or fund bond or lease rental indebtedness created or incurred before July 1, 1974.

(d) This section does not apply to school bus purchase loans made by a school corporation that will be repaid solely from the general fund of the school corporation.

Sec. 9. (a) This section applies only to an obligation described in section 8 of this chapter.

(b) The department of local government finance may:

(1) approve;

(2) disapprove; or

(3) modify then approve;

a school corporation's proposed lease rental agreement, bond issue, or school bus purchase loan. Before the department of local government finance approves or disapproves a proposed lease rental agreement, bond issue, or school bus purchase loan, the department of local government finance may seek the recommendation of the tax control board.

(c) The department of local government finance shall render a decision not more than three (3) months after the date the department of local government finance receives a request for approval under section 8 of this chapter. However, the department of local government finance may extend this three (3) month period

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by an additional three (3) months if, at least ten (10) days before the end of the original three (3) month period, the department of local government finance sends notice of the extension to the executive officer of the school corporation.

Sec. 10. (a) This section applies only to an obligation described in section 8 of this chapter.

(b) The department of local government finance may not approve a school corporation's proposed lease rental agreement or bond issue to finance the construction of additional classrooms unless the school corporation first:

(1) establishes that additional classroom space is necessary; and

(2) conducts a feasibility study, holds public hearings, and hears public testimony on using a twelve (12) month school term (instead of the nine (9) month school term (as defined in IC 20-30-2-7)) rather than expanding classroom space.

(c) A taxpayer may petition for judicial review of the final determination of the department of local government finance under this section. The petition must be filed in the tax court not more than thirty (30) days after the department of local government finance enters its order under this section.

Sec. 11. The department of local government finance in determining whether to approve or disapprove a school building construction project and the tax control board in determining whether to recommend approval or disapproval of a school building construction project shall consider the following factors:

(1) The current and proposed square footage of school building space per student.

(2) Enrollment patterns within the school corporation.

(3) The age and condition of the current school facilities.

(4) The cost per square foot of the school building construction project.

(5) The effect that completion of the school building construction project would have on the school corporation's tax rate.

(6) Any other pertinent matter.

Sec. 12. The department of local government finance in determining whether to approve or disapprove a school building construction project and the tax control board in determining whether to recommend approval or disapproval of a school building construction project may not approve or recommend the approval of a project that is financed through the issuance of bonds

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if the bonds mature more than twenty-five (25) years after the date of the issuance of the bonds.

Sec. 13. The department of local government finance shall annually conduct the review of debt service obligations (as defined in IC 20-48-1-11) required in IC 20-48-1-11.

SECTION 170. IC 20-47 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 47. RELATED ENTITIES; HOLDING COMPANIES; LEASE AGREEMENTS

Chapter 1. Public Foundations

Sec. 1. As used in this chapter, "proceeds from riverboat gaming" means tax revenue received by a political subdivision under IC 4-33-12-6, IC 4-33-13, or an agreement to share a city's or county's part of the tax revenue.

Sec. 2. As used in this chapter, "public school endowment corporation" means a corporation that is:

(1) organized under the Indiana Nonprofit Corporation Act of 1991 (IC 23-17);

(2) organized exclusively for educational, charitable, and scientific purposes; and

(3) formed to provide educational resources to:

(A) a particular school corporation or school corporations; or

(B) the schools in a particular geographic area.

Sec. 3. A political subdivision may donate proceeds from riverboat gaming to a public school endowment corporation under the following conditions:

(1) The public school endowment corporation retains all rights to the donation, including investment powers.

(2) The public school endowment corporation agrees to return the donation to the political subdivision if the corporation:

(A) loses the corporation's status as a public charitable organization;

(B) is liquidated; or

(C) violates any condition of the endowment set by the fiscal body of the political subdivision.

Sec. 4. A public school endowment corporation may distribute both principal and income.

Sec. 5. (a) The governing body of a school corporation may donate the proceeds of a grant, a gift, a donation, an endowment, a bequest, a trust, or an agreement to share tax revenue received

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by a city or county under IC 4-33-12-6 or IC 4-33-13, or other funds not generated from taxes levied by the school corporation, to a foundation under the following conditions:

(1) The foundation is a charitable nonprofit community foundation.

(2) The foundation retains all rights to the donation, including investment powers, except as provided in subdivision (3).

(3) The foundation agrees to do the following:

(A) Hold the donation as a permanent endowment.

(B) Distribute the income from the donation only to the school corporation as directed by resolution of the governing body of the school corporation.

(C) Return the donation to the general fund of the school corporation if the foundation:

(i) loses the foundation's status as a public charitable organization;

(ii) is liquidated; or

(iii) violates any condition of the endowment set by the governing body of the school corporation.

(b) A school corporation may use income received under this section from a community foundation only for purposes of the school corporation.

Chapter 2. Public Holding Companies

Sec. 1. This chapter does not apply to a:

(1) school corporation;

(2) joint school corporation; or

(3) consolidated school corporation;

the schools of which do not have a total enrollment of at least two hundred fifty (250) pupils.

Sec. 2. As used in this chapter, "capital actually invested" includes the following amounts expended by a lessor corporation:

(1) Organization and incorporation expenses.

(2) Financing costs.

(3) Carrying charges.

(4) Legal fees.

(5) Architects' fees.

(6) Contractors' fees.

(7) Reasonable costs and expenses incidental thereto.

Sec. 3. As used in this chapter, "lessor corporation" means a corporation described in section 6 of this chapter.

Sec. 4. As used in this chapter, "school building" means a building used as a part of or in connection with the operation of a

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school and includes the:

(1) site for the building;

(2) equipment for the building; and

(3) appurtenances to the building, such as heating facilities, water supply, sewage disposal, landscaping, walks, drives, and playgrounds.

However, the term does not include a building that is designed for and to be used exclusively for interschool athletic contests.

Sec. 5. (a) Subject to subsection (b), a school corporation may lease a school building or buildings for the use of:

(1) the school corporation; or

(2) a joint or consolidated school district of which the school corporation is a part or to which it contributes;

for a term not to exceed thirty (30) years.

(b) A school corporation may not enter into a lease under this section unless:

(1) a petition for the lease signed by at least fifty (50) patrons of the school corporation has been filed with the governing body of the school corporation; and

(2) the governing body, after investigation, determines that a need exists for the school building and that the school corporation cannot provide the necessary funds to pay the cost or its proportionate share of the cost of the school building or buildings required to meet the present needs.

(c) If two (2) or more school corporations propose to jointly enter into a lease under this section, joint meetings of the governing bodies of the school corporations may be held, but action taken at a joint meeting is not binding on any of those school corporations unless approved by a majority of the governing body of those school corporations. A lease executed by two (2) or more school corporations as joint lessees must:

(1) set out the amount of the total lease rental to be paid by each lessee, which may be as agreed upon; and

(2) provide that:

(A) there is no right of occupancy by any lessee unless the total rental is paid as stipulated in the lease; and

(B) all rights of joint lessees under the lease are in proportion to the amount of lease rental paid by each lessee.

Sec. 6. (a) A school corporation or corporations may enter into a lease under this chapter only with a corporation organized under Indiana law solely for the purpose of acquiring a site, erecting a

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suitable school building or buildings on that site, leasing the building or buildings to the school corporation or corporations, collecting the rentals under the lease, and applying the proceeds of the lease in the manner provided in this chapter.

(b) A lessor corporation described in subsection (a):

(1) must, except as provided in subdivision (2), act entirely without profit to the lessor corporation or its officers, directors, and stockholders;

(2) is entitled to the return of capital actually invested, plus interest or dividends on outstanding securities or loans, not to exceed five percent (5%) per annum and the cost of maintaining the lessor corporation's corporate existence and keeping its property free of encumbrance; and

(3) upon receipt of any amount of lease rentals exceeding the amount described in subdivision (2), apply the excess funds to the redemption and cancellation of the lessor corporation's outstanding securities or loans as soon as may be done.

Sec. 7. (a) A lease entered into under this chapter must include the following provisions:

(1) An option for the school corporation or corporations to renew the lease for a further term on similar conditions.

(2) An option for the school corporation or corporations to purchase the property covered by the lease after six (6) years from the execution of the lease and before the expiration of the term of the lease, on the date or dates in each year as may be fixed in the lease. The purchase price:

(A) must be equal to the amount required to enable the lessor corporation owning the property to liquidate by paying all indebtedness, with accrued and unpaid interest, redeeming and retiring any stock at par, and paying the expenses and charges of liquidation; and

(B) may not exceed the capital actually invested in the property by the lessor corporation represented by outstanding securities or existing indebtedness, plus the cost of transferring the property and liquidating the lessor corporation.

(b) A lease entered into under this chapter may not provide or be construed to provide that a school corporation is under any obligation to purchase a leased school building or buildings, or under any obligation in respect to any creditors, shareholders, or other security holders of the lessor corporation.

Sec. 8. (a) A lessor corporation proposing to build a school

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building or buildings must submit preliminary plans, specifications, and estimates for the building or buildings to the lessee or lessees before the execution of the lease. Final plans and specifications must be submitted to the state department of health, state fire marshal, and other agencies designated by law to pass on plans and specifications for school buildings. The final plans and specifications described in this subsection must be approved by the approving agencies in writing and by the lessee or lessees before the construction of the school building or school buildings.

(b) IC 4-21.5 does not apply to the formulation, issuance, or administrative review of an approval by an agency under subsection (a). However, IC 4-21.5 does apply to the judicial review and civil enforcement of an approval by an agency under subsection (a).

Sec. 9. A lease entered into under this chapter may provide that as part of the lease rental for the school building or buildings the lessee or lessees shall:

(1) pay all taxes and assessments levied against or on account of the leased property;

(2) maintain insurance on the leased property for the benefit of the lessor corporation; and

(3) assume all responsibilities for repair and alterations of the leased property during the term of the lease.

Sec. 10. A school corporation or corporations may, in anticipation of the acquisition of a site and the construction and erection of a school building or buildings, enter into a lease with a lessor corporation before the actual acquisition of the site and the construction and erection of the building or buildings. However, a lease entered into under this section may not provide for the payment of any lease rental by the lessee or lessees until the building or buildings are ready for occupancy, at which time the stipulated lease rental may begin. The contractor must furnish to the lessor corporation a bond satisfactory to the lessor corporation conditioned upon the final completion of the building or buildings within the period specified in the contract.

Sec. 11. (a) After the lessor corporation and the school corporation or corporations have agreed upon the terms and conditions of a lease proposed to be entered into under this chapter, and before the final execution of the lease, a notice shall be given by publication to all persons interested of a hearing or joint hearing to be held before the governing body or governing bodies of the school corporation or corporations authorized to

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approve the lease. The hearing must be not earlier than:

(1) ten (10) days after publication of the notice, if new construction is proposed; or

(2) thirty (30) days after publication of the notice, if improvement or expansion is proposed.

(b) The notice required by subsection (a) must:

(1) be published one (1) time in:

(A) a newspaper of general circulation printed in the English language in the school corporation;

(B) a newspaper described in clause (A) in each school corporation if the proposed lease is a joint lease; or

(C) if no such paper is published in the school corporation, in any newspaper of general circulation published in the county;

(2) name the date, time, and place of the hearing; and

(3) set forth a brief summary of the principal terms of the lease agreed upon, including the:

(A) location of the property to be leased;

(B) name of the proposed lessor corporation;

(C) character of the property to be leased;

(D) rental to be paid; and

(E) number of years the lease is to be in effect.

The cost of publishing the notice shall be borne by the lessor corporation.

(c) The proposed lease, drawings, plans, specifications, and estimates for the school building or buildings must be available for inspection by the public during the ten (10) day or thirty (30) day period described in subsection (a) and at the hearing under section 12 of this chapter.

Sec. 12. (a) At the hearing, all interested persons have a right to be heard upon the necessity for the execution of the proposed lease and whether the rental to be paid to the lessor corporation under the proposed lease is a fair and reasonable rental for the proposed building. The hearing may be adjourned to a later date or dates.

(b) Within thirty (30) days following the termination of the hearing, the governing body or bodies of the school corporation or corporations may by a majority vote of all members of the governing body or bodies:

(1) authorize the execution of the proposed lease as originally agreed upon; or

(2) make modifications to the proposed lease that are agreed upon with the lessor corporation.

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However, the lease rentals as set out in the published notice may not be increased in any modifications approved under subdivision (2).

Sec. 13. (a) If the execution of the lease as originally agreed upon or as modified by agreement is authorized by the governing body or bodies of the school corporation or corporations, the governing body shall give notice of the signing of the lease by publication one (1) time in:

(1) a newspaper of general circulation printed in the English language in the school corporation;

(2) a newspaper described in subdivision (1) in each school corporation if the proposed lease is a joint lease; or

(3) if no such newspaper is published in the school corporation, in any newspaper of general circulation published in the county.

(b) Within thirty (30) days after the publication of notice under subsection (a), fifty (50) or more taxpayers in the school corporation or corporations who:

(1) will be affected by the proposed lease; and

(2) are of the opinion that:

(A) necessity does not exist for the execution of the lease; or

(B) the proposed rental provided for in the lease is not a fair and reasonable rental;

may file a petition in the office of the county auditor of the county in which the school corporation or corporations are located. The petition must set forth the taxpayers' objections to the lease and facts showing that the execution of the lease is unnecessary or unwise or that the lease rental is not fair and reasonable, as the case may be.

(c) Upon the filing of a petition under subsection (b), the county auditor shall immediately certify a copy of the petition, together with any other data that is necessary to present the questions involved, to the department of local government finance. Upon receipt of the certified petition and data, if any, the department of local government finance shall fix a time, date, and place for the hearing of the matter, which may not be less than five (5) nor more than thirty (30) days thereafter. The department of local government finance shall:

(1) conduct the hearing in the school corporation or corporations, or in the county where the school corporation or corporations are located; and

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(2) give notice of the hearing to the members of the governing body or bodies of the school corporation or corporations, and to the first fifty (50) taxpayers who signed the petition under subsection (b) by a letter signed by the commissioner or deputy commissioner of the department of local government finance, and enclosed with full prepaid postage addressed to the taxpayer petitioners at their usual place of residence, at least five (5) days before the hearing.

The decision of the department of local government finance on the appeal, upon the necessity for the execution of the lease and as to whether the rental is fair and reasonable, is final.

Sec. 14. An action to contest the validity of the lease or to enjoin the performance of any of the terms and conditions of the lease may not be instituted at any time later than:

(1) thirty (30) days after publication of notice of the execution of the lease by the governing body or bodies of the school corporation or corporations; or

(2) if an appeal has been taken to the department of local government finance, thirty (30) days after the decision of the department of local government finance.

Sec. 15. The lessor corporation shall acquire, own, and hold in fee simple the land on which a school building or buildings are to be erected under this chapter. A school corporation that proposes to lease such a school building, either alone or jointly with another school corporation, and owns the land on which it desires that the building or buildings be erected may sell and transfer that land to the lessor corporation in fee simple, subject to the following conditions:

(1) Before the sale may take place, the governing body of the school corporation must file a petition with the circuit court of the county in which the school corporation is located, requesting the appointment of three (3) disinterested freeholders of the school corporation as appraisers to determine the fair market value of the land.

(2) Upon their appointment, the three (3) appraisers shall proceed to fix the fair market value of the land and shall report the amount fixed to the circuit court within two (2) weeks after their appointment.

(3) The school corporation may sell the land to the lessor corporation for an amount not less than the amount fixed as the fair market value by the three (3) appraisers, which shall be paid in cash upon delivery of the deed by the school

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corporation to the lessor corporation. However, if the land was acquired by the school corporation within three (3) years immediately preceding the date of the filing of the petition with the circuit court, the land may not be sold for an amount less than the amount paid by the school corporation for the land.

Sec. 16. (a) A corporation qualifying as a lessor corporation under this chapter may, in furtherance of its corporate purposes, issue and sell stock, bonds, and other securities. Mortgage bonds issued by a lessor corporation that are a first lien on the leased property are legal and proper investments for state banks and trust companies, insurance companies, and fiduciaries. Bonds issued under this section may be callable upon notice in the manner provided in the mortgage indenture, at premiums up to five percent (5%) with accrued and unpaid interest.

(b) Stocks, bonds, and other securities issued by a lessor corporation shall be sold in the manner provided in IC 5-1-11. However, the notice of sale shall be published in the manner required for bonds of the county in which the school building is located.

(c) Shares of common stock issued by a lessor corporation are not required to be sold at a public sale. The price of the shares shall be determined by the lessor corporation, but the price of the shares may not exceed the lesser of:

(1) the necessary expense of incorporation, preparation of preliminary plans and specifications, and other preliminary expense necessary to the preparation of the proposed lease and publication of notice of the lease; or

(2) a sum equal to five percent (5%) of the proposed cost of the building or buildings.

(d) None of the costs of construction of the building, the purchase of the equipment for the building, or the incidental expenses in connection with the construction or purchase may be paid from stocks, bonds, or securities of the lessor corporation unless those stocks, bonds, or securities are sold at public sale as provided in this section.

(e) The approval of the securities commissioner is not required in connection with the issuance and sale of any stocks, bonds, or other securities of the lessor corporation.

(f) A part of the proceeds from stocks, bonds, or other securities sold at public sale may be used to reimburse the incorporators or any other person or persons who may have advanced funds for

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essential preliminary expenses as provided for in this section, with interest on the amount reimbursed not to exceed five percent (5%).

Sec. 17. (a) As used in this section, "bonds" includes bonds, debentures, or other evidences of indebtedness.

(b) A lessor corporation having outstanding bonds that by their terms are redeemable before their maturities may issue bonds in the manner provided by section 16 of this chapter to refund the outstanding bonds. The refunding bonds may be issued in an amount not exceeding the sum of:

(1) the principal amount of the outstanding bonds;

(2) any premium required to be paid upon redemption of the outstanding bonds; and

(3) the estimated expenses to be incurred in connection with the issuance of the refunding bonds.

(c) The sum of the net interest cost to the lessor corporation of the refunding bonds plus the premium required to be paid in connection with the redemption of the outstanding bonds and the estimated expenses to be incurred in connection with the issuance of the refunding bonds may not exceed the total interest that would have been payable by the lessor corporation on the bonds being refunded from the date of redemption to the maturity of the bonds being refunded. Net interest cost on the refunding bonds is the amount determined by computing the total interest on all the refunding bonds to their maturities and deducting from that amount the premium bid, if any.

(d) Refunding bonds issued under this section:

(1) are legal and proper investments;

(2) are exempt from taxation; and

(3) may be sold without registration with or approval of the securities division of the office of the secretary of state or securities commissioner;

in the same manner, under the same conditions, and subject to the same limitations as any other bonds issued by lessor corporations under section 16 of this chapter. However, no proceedings or actions by the lessee nor approval by any board, commission, or agency are required in connection with the refunding, and the refunding authorized in this section does not affect the obligation of the lessee to pay the lease rental under the lease of the building or buildings.

(e) An action to contest the validity of refunding bonds issued under this section may not be brought after the fifteenth day following the receipt of bids for the bonds.

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(f) In connection with the issuance of refunding bonds, the lessee school corporation or school corporations may enter into an amendment to the lease with the lessor corporation providing for an extension of the time set forth in the lease before the option of the lessee or lessees to purchase may be exercised to a time agreed upon between the lessee school corporation or school corporations and the lessor corporation.

Sec. 18. (a) As used in this section, "bonds" means bonds, debentures, or other evidences of indebtedness.

(b) As used in this section, "improvement" or "improvements" means one (1) or more of the following:

(1) Construction of a school building.

(2) An addition to a school building owned by a lessor corporation or owned by the school corporation to which a lessor corporation has leased property under this chapter, and any remodeling incidental to that addition.

(3) Remodeling of or construction of appurtenances to a school building owned by a lessor corporation.

(c) A lessor corporation having outstanding bonds that by their terms are redeemable before their maturities may issue bonds in the manner provided under section 16 of this chapter to refund the outstanding bonds and construction of improvements.

(d) Refunding and improvement bonds issued under this section:

(1) are legal and proper investments;

(2) are exempt from taxation; and

(3) may be sold without registration with or approval of the securities division of the office of the secretary of state or the securities commissioner;

in the same manner, under the same conditions, and subject to the same limitations as any other bonds issued by lessor corporations under section 16 of this chapter.

(e) In connection with the issuance of refunding and improvement bonds, the lessee school corporation or school corporations may enter into an amendment to the lease with the lessor corporation providing for:

(1) an extension of the time set forth in the lease before the option of the lessee or lessees to purchase may be exercised to a time agreed upon between the lessee school corporation or school corporations and the lessor corporation;

(2) an extension of the term of the lease, not to exceed ten (10) years, to include the improvements in the description of the

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leased property; and

(3) increased lease rental payments after the completion of the improvements.

(f) No proceedings or actions by the lessee nor approval by any board, commission, or agency are required in connection with a refunding under this section, and the refunding does not affect the obligation of the lessee to pay the lease rental under the lease of the building or buildings. However, all provisions, restrictions, and limitations of this chapter that are not inconsistent with this section, including the petition of school patrons, notice of hearing, hearing, notice of execution, and right to file an objecting petition, apply to an amendment of the lease increasing the lease rental payments as if the amendment were an original lease.

(g) An action to contest the validity of refunding and improvement bonds issued under this section may not be brought after the fifteenth day following the receipt of bids for the bonds.

Sec. 19. A school corporation that decides to exercise an option to purchase a school building under this chapter may issue general obligation bonds to procure funds to pay the cost of acquisition. General obligation bonds issued under this section must be authorized, issued, and sold in the manner provided for the authorization, issuance, and sale of bonds by school corporations for school building purposes.

Sec. 20. A school corporation that executes a lease under this chapter shall annually appropriate from its debt service fund or general fund an amount sufficient to pay the lease rental required under the lease. The appropriation is reviewable by other bodies vested by law with such authority to ascertain that the specified amount is sufficient to meet the lease rental required under the lease. The first specific appropriation shall be made at the first budget period following the date of the execution of the lease, and the first annual appropriation must be sufficient to pay the estimated amount of the first annual lease rental payment to be made under the lease. Thereafter, the annual appropriations provided for in this section shall be made, and payments shall be made from the debt service fund.

Sec. 21. Property owned by a lessor corporation entering into a lease with a school corporation or corporations under this chapter, and all stock and other securities (including the interest or dividends) issued by a lessor corporation, are exempt from all state, county, and other taxes, except the financial institutions tax (IC 6-5.5) and inheritance taxes (IC 6-4.1).

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Sec. 22. This chapter shall be construed as being supplemental to all other laws covering the acquisition, use, and maintenance of school buildings by school corporations. However, as to school buildings constructed, acquired, leased, or purchased under this chapter, it is not necessary to comply with other laws concerning the acquisition, use, and maintenance of school buildings by school corporations except as specifically required in this chapter.

Sec. 23. (a) Upon the termination of a lease entered into under this chapter, the lessor corporation shall return to the school corporation any money held by the lessor corporation that exceeds the amount needed to retire bonds issued under this chapter and to dissolve the lessor corporation.

(b) A school corporation shall deposit the money received under subsection (a) in its debt service fund or capital projects fund.

Chapter 3. Private Holding Companies

Sec. 1. This chapter does not apply to a charter school.

Sec. 2. As used in this chapter, "school building" means a building used as part of or in connection with the operation of schools and includes the:

(1) site for the building;

(2) equipment for the building; and

(3) appurtenances to the building, such as heating facilities, water supply, sewage disposal, landscaping, walks, drives, and playgrounds.

However, the term does not include a building that is designed for and to be used exclusively for interschool athletic contests.

Sec. 3. (a) Subject to subsection (b), a school corporation may lease a school building or buildings for the use of:

(1) the school corporation; or

(2) a joint or consolidated school district of which the school corporation is a part or to which it contributes;

for a term not to exceed fifty (50) years.

(b) A school corporation may not enter into a lease under this section unless:

(1) a petition for the lease signed by at least fifty (50) patrons of the school corporation has been filed with the governing body of the school corporation; and

(2) the governing body, after investigation, determines that a need exists for the school building.

(c) If two (2) or more school corporations propose to jointly enter into a lease under this section, joint meetings of the governing bodies of the school corporations may be held, but action taken at

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a joint meeting is not binding on any of those school corporations unless approved by a majority of the governing body of each of those school corporations. A lease executed by two (2) or more school corporations as joint lessees must:

(1) set out the amount of the total lease rental to be paid by each lessee, which may be as agreed upon; and

(2) provide that:

(A) there is no right of occupancy by any lessee unless the total rental is paid as stipulated in the lease; and

(B) all rights of joint lessees under the lease are in proportion to the amount of lease rental paid by each lessee.

Sec. 4. A school corporation or corporations may enter into a lease or lease with option to purchase under this chapter only with:

(1) a corporation organized under Indiana law or admitted to do business in Indiana; or

(2) a religious organization (or the organization's agent) that is exempt from federal income taxation under Section 501 of the Internal Revenue Code.

Sec. 5. (a) Except as provided in subsection (d), a lease must provide that the school corporation or corporations have an option to:

(1) renew the lease for a further term on like conditions; and

(2) purchase the property covered by the lease;

with the terms and conditions of the purchase to be specified in the lease, subject to the approval of the department of local government finance.

(b) If the option to purchase the property covered by the lease is exercised, the school corporation or corporations, to procure funds to pay the purchase price, may issue and sell bonds under the provisions of the general statute governing the issue and sale of bonds of the school corporation or corporations. The purchase price may not be more than the purchase price set forth in the lease plus:

(1) two percent (2%) of the purchase price as prepayment penalty for purchase within the first five (5) years of the lease term; or

(2) one percent (1%) of the purchase price as prepayment penalty for purchase in the second five (5) years of the lease term;

and thereafter the purchase shall be without prepayment penalty.

(c) However:

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(1) if the school corporation or corporations have not exercised an option to purchase the property covered by the lease at the expiration of the lease; and

(2) upon the full discharge and performance by the school corporation or corporations of their obligations under the lease;

the property covered by the lease becomes the absolute property of the school corporation or corporations, and the lessor corporation shall execute proper instruments conveying to the school corporation or corporations good and merchantable title to that property.

(d) The following provisions apply to a school corporation that is located in Dubois County and enters into a lease with a religious organization or the organization's agent as authorized under section 4 of this chapter:

(1) The lease is not required to include on behalf of the school corporation an option to purchase the property covered by the lease.

(2) The lease must include an option to renew the lease.

(3) The property covered by the lease is not required to become the absolute property of the school corporation as provided in subsection (c).

Sec. 6. (a) A lessor corporation proposing to build a school building or buildings must submit preliminary plans, specifications, and estimates for the building or buildings to the lessee or lessees before the execution of the lease. Final plans and specifications must be submitted to the state department of health, state fire marshal, and other agencies designated by law to pass on plans and specifications for school buildings. The final plans and specifications must be approved by those agencies in writing and by the lessee or lessees before the construction of the school building or school buildings.

(b) IC 4-21.5 does not apply to the formulation, issuance, or administrative review of an approval by an agency under subsection (a). However, IC 4-21.5 does apply to the judicial review and civil enforcement of an approval by an agency under subsection (a).

Sec. 7. A lease entered into under this chapter may provide that as a part of the lease rental for the school building or buildings the lessee or lessees shall:

(1) pay all taxes and assessments levied against or on account of the leased property;

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(2) maintain insurance on the leased property for the benefit of the lessor corporation; and

(3) assume all responsibilities for repair and alterations of the leased property during the term of the lease.

Sec. 8. A school corporation or corporations may, in anticipation of the acquisition of a site and the construction and erection of a school building or buildings, and subject to the approval of the department of local government finance, enter into a lease with a lessor corporation before the actual acquisition of the site and the construction and erection of the building or buildings. However, the lease entered into by the school corporation or school corporations may not provide for the payment of any lease rental by the lessee or lessees until the building or buildings are ready for occupancy, at which time the stipulated lease rental may begin. The lessor corporation shall furnish a bond to the approval of the lessee or lessees conditioned on the final completion of the building or buildings within a period not to exceed one (1) year from the date of the execution of the lease, unavoidable delays excepted.

Sec. 9. (a) After the lessor corporation and the school corporation or corporations have agreed upon the terms and conditions of a lease proposed to be entered into under this chapter, and before the final execution of the lease, a notice shall be given by publication to all persons interested of a hearing or joint hearing to be held before the governing body or governing bodies of the school corporations authorized to approve the lease. The hearing must be not earlier than:

(1) ten (10) days afer publication of the notice, if new construction is proposed; or

(2) thirty (30) days after publication of the notice, if improvement or expansion is proposed.

(b) The notice required by subsection (a) must:

(1) be published one (1) time in:

(A) a newspaper of general circulation printed in the English language in the school corporation;

(B) a newspaper described in clause (A) in each school corporation if the proposed lease is a joint lease; or

(C) if no such paper is published in the school corporation, in any newspaper of general circulation published in the county;

(2) name the date, time, and place of the hearing; and

(3) set forth a brief summary of the principal terms of the lease agreed upon, including the:

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(A) location of the property to be leased;
(B) name of the proposed lessor corporation;
(C) character of the property to be leased;
(D) rental to be paid; and
(E) number of years the lease is to be in effect.

The cost of publication of the notice shall be paid by the lessor corporation.

(c) The proposed lease, drawings, plans, specifications, and estimates for the school building or buildings must be available for inspection by the public during the ten (10) day or thirty (30) day period described in subsection (a) and at the hearing under section 10 of this chapter.

Sec. 10. (a) At the hearing, all interested persons have a right to be heard upon the necessity for the execution of the proposed lease and whether the rental to be paid to the lessor corporation under the proposed lease is a fair and reasonable rental for the proposed building. The hearing may be adjourned to a later date or dates.

(b) Not later than thirty (30) days following the termination of the hearing, the governing body or bodies of the school corporation or corporations may by a majority vote of all members of the governing body or bodies:

(1) authorize the execution of the lease as originally agreed upon; or
(2) make modifications to the proposed lease as agreed upon with the lessor corporation.

However, the lease rentals as set out in the published notice may not be increased.

Sec. 11. (a) If the execution of the lease as originally agreed upon or as modified by agreement is authorized by the governing body or bodies of the school corporation or corporations, the governing body shall give notice of the signing of the lease by publication one (1) time in:

(1) a newspaper of general circulation printed in the English language in the school corporation;
(2) a newspaper described in subdivision (1) in each school corporation if the proposed lease is a joint lease; or
(3) if no such newspaper is published in the school corporation, in any newspaper of general circulation published in the county.

(b) Within thirty (30) days after the publication of notice under subsection (a), ten (10) or more taxpayers in the school corporation or corporations who:

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(1) will be affected by the proposed lease; and

(2) are of the opinion that:

(A) no necessity exists for the execution of the lease; or

(B) the proposed rental provided for in the lease is not a fair and reasonable rental;

may file a petition in the office of the county auditor of the county in which the school corporation or corporations are located. The petition must set forth the taxpayers' objections to the lease and facts showing that the execution of the lease is unnecessary or unwise, or that the lease rental is not fair and reasonable, as the case may be.

(c) Upon the filing of a petition under subsection (b), the county auditor shall immediately certify a copy of the petition and any other data that is necessary to present the questions involved to the department of local government finance. Upon receipt of the certified petition and data, if any, the department of local government finance shall fix a date, time, and place for the hearing of the matter, which may not be less than five (5) nor more than thirty (30) days after receipt of the petition and data, if any. The department of local government finance shall:

(1) conduct the hearing in the school corporation or corporations or in the county where the school corporation or corporations are located; and

(2) give notice of the hearing to the members of the governing body or bodies of the school corporation or corporations and to the first ten (10) taxpayer petitioners upon the petition by a letter signed by the commissioner or deputy commissioner of the department of local government finance, and enclosed with full prepaid postage addressed to the taxpayer petitioners at their usual place of residence, at least five (5) days before the hearing.

The decision of the department of local government finance on the appeal, upon the necessity for the execution of the lease, and as to whether the rental is fair and reasonable, is final.

Sec. 12. An action to contest the validity of the lease or to enjoin the performance of any of the terms and conditions of the lease may not be instituted at any time later than:

(1) thirty (30) days after publication of notice of the execution of the lease by the governing body or bodies of the school corporation or corporations; or

(2) if an appeal has been taken to the department of local government finance, thirty (30) days after the decision of the

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department of local government finance.

Sec. 13. The lessor corporation shall acquire, own, and hold in fee simple the land on which a school building or buildings are to be erected under this chapter. A school corporation that proposes to lease a school building, either alone or jointly with another school corporation, and owns the land on which it desires to be erected the building or buildings may sell and transfer that land to the lessor corporation in fee simple, subject to the following conditions:

(1) Before the sale may take place, the governing body of the school corporation must file a petition with the circuit court of the county in which the school corporation is located, requesting the appointment of three (3) disinterested freeholders of the school corporation as appraisers to determine the fair market value of the land.

(2) Upon appointment, the three (3) appraisers shall proceed to fix the fair market value of the land and shall report the amount fixed to the circuit court within two (2) weeks after the appointment.

(3) The school corporation may sell the land to the lessor corporation for an amount not less than the amount fixed by the three (3) appraisers as the fair market value, which shall be paid in cash upon delivery of the deed by the school corporation to the lessor corporation. However, if the land was acquired by the school corporation within three (3) years immediately preceding the date of the filing of the petition with the circuit court, the land may not be sold for an amount less than the amount paid by the school corporation for the land.

Sec. 14. A school corporation that executes a lease under this chapter shall annually appropriate and pay out of the debt service fund an amount sufficient to pay the lease rental required under the lease. The appropriation and rate are reviewable by other bodies vested by law with the authority to determine that the levy is sufficient to raise the amount required to meet the rental required under the lease.

Sec. 15. School buildings leased by a lessor corporation entering into a lease with a school corporation or corporations under this chapter are exempt from all state, county, and other taxes. However, the rental payments to a lessor corporation under the terms of such a lease are subject to all applicable taxes under Indiana law.

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Sec. 16. This chapter shall be construed as being supplemental to all other laws covering the acquisition, use, and maintenance of school buildings by school corporations. However, as to school buildings constructed or leased under this chapter, it is not necessary to comply with the provisions of other laws concerning the acquisition, use, and maintenance of school buildings by school corporations except as specifically required in this chapter.

Sec. 17. (a) A corporation qualifying as a lessor corporation under this chapter may issue and sell bonds and other securities. Mortgage bonds issued by a lessor corporation that are a first lien on the leased property are legal and proper investments for state banks and trust companies, insurance companies, and fiduciaries.

(b) Bonds and other securities issued by a lessor corporation under this section need not be sold under IC 5-1-11, and approval of the securities commissioner is not required in connection with the issuance and sale of the bonds.

Sec. 18. (a) Upon the termination of a lease entered into under this chapter, the lessor corporation shall return to the school corporation any money held by the lessor corporation that exceeds the amount needed to retire bonds issued under this chapter and to dissolve the lessor corporation.

(b) A school corporation shall deposit the money received under subsection (a) in its debt service fund or its capital projects fund.

Chapter 4. Lease of Existing School Building

Sec. 1. This chapter applies to the lease by a school corporation of an existing school building or improved school building under IC 20-47-2 or IC 20-47-3.

Sec. 2. As used in this chapter, "existing school building":

(1) includes a:

(A) school building; or

(B) building that after acquisition will be used as a school building; and

(2) may include more than one (1) building.

The term does not include a portable or relocatable building or classroom.

Sec. 3. As used in this chapter, "improved school building" means an existing school building as improved, renovated, remodeled, or expanded by a lessor corporation.

Sec. 4. As used in this chapter, "school building" has the meaning set forth in IC 20-47-2-4 or IC 20-47-3-2.

Sec. 5. A lessor corporation qualified or formed to acquire a site, erect a school building on the site, and lease the school building to

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a school corporation under IC 20-47-2 or IC 20-47-3 may:

(1) be qualified or formed to acquire, improve, or expand an existing school building;

(2) acquire, improve, or expand an existing school building;

(3) finance an existing school building or improved school building; and

(4) lease an existing school building or improved school building to a school corporation under applicable law.

Sec. 6. (a) A lessor corporation may acquire and finance an existing school building, other than as provided in section 5 of this chapter, and lease the existing school building to a school corporation. A school corporation shall comply with IC 20-47-2 or IC 20-47-3 and the petition and remonstrance provisions under IC 6-1.1-20.

(b) A lease made under this section may provide for the payment of lease rentals by the school corporation for the use of the existing school building.

(c) Lease rental payments made under the lease do not constitute a debt of the school corporation for purposes of the Constitution of the State of Indiana.

(d) A new school building may be substituted for the existing school building under the lease if the substitution was included in the notices given under IC 20-47-2, IC 20-47-3, and IC 6-1.1-20. A new school building must be substituted for the existing school building upon completion of the new school building.

Sec. 7. A school corporation may not pay a legal or other professional fee as the result of an exchange or a substitution under section 5 or 6 of this chapter.

Sec. 8. (a) Except as provided in subsection (b), the lease or contract of lease of an existing school building or improved school building to a school corporation as authorized by this chapter must comply with all applicable terms of IC 20-47-2 or IC 20-47-3, including:

(1) the notice of hearing on the lease;

(2) public hearing;

(3) notice of execution of lease; and

(4) the submission of plans and specifications for the improvement or expansion of the existing school building for approval by the state agencies designated in IC 20-47-2 or IC 20-47-3 or otherwise required by law or rule.

(b) If a school corporation is occupying and using an existing school building during the renovation, remodeling, or expansion of

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the building, the lease or contract of lease may provide for the payment of lease rental by the school corporation for the use of the building during renovation, remodeling, or expansion.

Sec. 9. The sale price of an existing school building must be determined under the provisions of IC 20-47-2 or IC 20-47-3 relating to the sale of land to a lessor corporation. Except as provided in this section, IC 20-26-7 and any other law relating to the sale of the property of school corporations or other public property do not apply to the sale of an existing school building to a lessor corporation under this chapter.

Sec. 10. A school corporation that sells an existing school building under section 6 of this chapter shall deposit the proceeds of the sale in the school corporation's capital projects fund and use the proceeds only for:

(1) new construction of school buildings;

(2) related site acquisition; and

(3) related site development.

However, any amount of the proceeds of the sale that are not used for a purpose described in subdivisions (1) through (3) within one (1) year after the school corporation receives the proceeds must be transferred to the school corporation's debt service fund.

Chapter 5. Payment of Rent by Annexed School Corporations

Sec. 1. (a) If a school corporation has leased a building or buildings under IC 20-47-2 or IC 20-47-3 and a part of the territory of the school corporation is later annexed to or otherwise acquired by another school corporation, the school corporation acquiring the territory shall pay to the school corporation whose territory is acquired the part of each lease rental payment as specified in this chapter.

(b) Each payment of an acquiring school corporation described in subsection (a) must be in an amount that bears the same ratio to the lease rental payment coming due from the school corporation whose territory is acquired as the ratio of the net assessed valuation for tax purposes in the territory acquired bears to the net assessed valuation for tax purposes of all property in the school corporation whose territory is acquired, including the property acquired.

(c) In the case of an annexation occurring after an annexation described in subsections (a) and (b), the part of the lease rental payments to be paid by the acquiring school corporation must be increased by the same ratio as the ratio described in subsection (b). The payments must be made to the school corporation whose

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territory is acquired before the date when the lease rental payments become due and owing.

Sec. 2. If a building or buildings that have been leased under IC 20-47-2 are located in the territory annexed or acquired, as described in section 1 of this chapter:

(1) the school corporation acquiring the territory:

(A) shall pay the full amount of the lease rental payments due after the territory is annexed or acquired in accordance with the terms of the lease; and

(B) succeeds to and possesses all the rights and is subject to the obligations of the lessee under the lease, including the right of occupancy and use of the building; and

(2) all rights and obligations of the lessee school corporation named in the lease terminate.

SECTION 171. IC 20-48 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 48. BORROWING AND BONDS

Chapter 1. Borrowing and Bonds

Sec. 1. (a) As used in this section, "improvement of real estate" includes:

(1) construction, reconstruction, remodeling, alteration, or repair of buildings or additions to buildings;

(2) equipment related to activities specified in subdivision (1); and

(3) auxiliary facilities related to activities specified in subdivision (1), including facilities for:

(A) furnishing water, gas, and electricity;

(B) carrying and disposing of sewage and storm and surface water drainage;

(C) housing of school owned buses;

(D) landscaping of grounds; and

(E) construction of walks, drives, parking areas, playgrounds, or facilities for physical training.

(b) A school corporation is authorized to issue bonds to pay the:

(1) cost of acquisition and improvement of real estate for school purposes;

(2) funding of judgments;

(3) cost of the purchase of school buses; and

(4) incidental expenses incurred in connection with and on account of the issuance of the bonds.

Sec. 2. (a) As used in this section, "retirement or severance

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liability" means the payments anticipated to be required to be made to employees of a school corporation upon or after termination of the employment of the employees by the school corporation under an existing or previous employment agreement.

(b) This section applies to each school corporation that:

(1) did not issue bonds under IC 20-5-4-1.7 before its repeal; or

(2) issued bonds under IC 20-5-4-1.7 before April 14, 2003.

(c) In addition to the purposes set forth in section 1 of this chapter, a school corporation described in subsection (b) may issue bonds to implement solutions to contractual retirement or severance liability. The issuance of bonds for this purpose is subject to the following conditions:

(1) The school corporation may issue bonds under this section only one (1) time.

(2) The school corporation must issue the bonds before July 1, 2006.

(3) The solution to which the bonds are contributing must be reasonably expected to reduce the school corporation's unfunded contractual liability for retirement or severance payments as it existed on June 30, 2001.

(4) The amount of the bonds that may be issued for the purpose described in this section may not exceed:

(A) two percent (2%) of the true tax value of property in the school corporation, for a school corporation that did not issue bonds under IC 20-5-4-1.7 (before its repeal); or

(B) the remainder of:

(i) two percent (2%) of the true tax value of property in the school corporation as of the date that the school corporation issued bonds under IC 20-5-4-1.7 (before its repeal); minus

(ii) the amount of bonds that the school corporation issued under IC 20-5-4-1.7 (before its repeal);

for a school corporation that issued bonds under IC 20-5-4-1.7 before April 14, 2003.

(5) Each year that a debt service levy is needed under this section, the school corporation shall 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 under this section. The property tax rate for each of these funds shall be

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reduced each year until the bonds are retired.

(6) The school corporation shall establish a separate debt service fund for repayment of the bonds issued under this section.

(d) Bonds issued for the purpose described in this section shall be issued in the same manner as other bonds of the school corporation.

(e) Bonds issued under this section are not subject to the petition and remonstrance process under IC 6-1.1-20 or to the limitations contained in IC 36-1-15.

Sec. 3. (a) Bonds authorized by this article and IC 20-26-1 through IC 20-26-5 must be payable in the amounts and at the times and places determined by the governing body.

(b) Bonds issued for the funding of judgments or for the purchase of school buses shall mature not more than five (5) years from the date of the bonds. Bonds issued for other purposes must mature not more than twenty-five (25) years from the date of the bonds.

(c) The governing body may provide that principal and interest of the bonds are payable at a bank in Indiana and may also be payable at the option of the holder at another bank designated by the governing body, either before or after the sale.

(d) The governing body may pay the fees of the bank paying agent and shall deposit with the paying agent, if any, within a reasonable period before the date that principal and interest become due sufficient money for the payment of the principal and interest on the due date.

Sec. 4. Bonds issued by a school corporation must be sold at:

(1) not less than par value;

(2) public sale as provided by IC 5-1-11; and

(3) any rate or rates of interest determined by the bidding.

If the net interest cost exceeds eight percent (8%) per year, the bonds must not be issued until the issuance is approved by the department of local government finance.

Sec. 5. (a) Bonds shall be executed in the name and on behalf of the school corporation by the president and secretary of the governing body. One (1) of the signatures may be by facsimile imprinted on a bond instrument, but at least one (1) of the signatures shall be manually affixed. The secretary of the governing body shall cause the seal of the school corporation to be impressed or a facsimile of the seal printed on each bond. Interest coupons, if any, shall be executed by the facsimile signature of the

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treasurer of the governing body.

(b) If the president, secretary, or treasurer of the governing body ceases to be the president, secretary, or treasurer for any reason after the officer has executed bonds under this section but before the bonds have been delivered to the purchaser or purchasers of the bonds, the bonds are binding and valid obligations as if the officer were in office at the time of delivery. The treasurer of the governing body shall cause the bonds to be delivered to the purchaser or purchasers and shall receive payment for the bonds.

Sec. 6. (a) The governing body shall provide for the payment of principal and interest on bonds executed under section 5 of this chapter by levying annually a tax that is sufficient to pay the principal and interest as the bonds become due.

(b) The bodies charged with the review of budgets and tax levies shall review a levy for principal and interest described in subsection (a) to determine whether the levy is sufficient.

Sec. 7. (a) This section applies if a governing body finds by written resolution that an emergency exists that requires the expenditure of money for a lawful corporate purpose that was not included in the school corporation's existing budget and tax levy.

(b) If a governing body makes a finding specified in subsection (a), the governing body may authorize making an emergency loan that may be evidenced by the issuance of the school corporation's note in the same manner and subject to the same procedure and restrictions as provided for the issuance of the school corporation's bonds, except as to purpose.

(c) If a governing body authorizes an emergency loan as specified in subsection (b), the governing body shall, at the time for making the next annual budget and tax levy for the school corporation, make a levy to the credit of the fund for which the expenditure is made sufficient to pay the loan and the interest on the loan. However, the interest on the loan may be paid from the debt service fund.

Sec. 8. The provisions of all general statutes and rules relating to:

(1) filing petitions requesting the issuance of bonds and giving notice of the issuance of bonds;

(2) giving notice of determination to issue bonds;

(3) giving notice of a hearing on the appropriation of the proceeds of the bonds and the right of taxpayers to appear and be heard on the proposed appropriation;

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(4) the approval of the appropriation by the department of local government finance; and

(5) the right of taxpayers to remonstrate against the issuance of bonds;

apply to proceedings for the issuance of bonds and the making of an emergency loan under this article and IC 20-26-1 through IC 20-26-5. An action to contest the validity of the bonds or emergency loans may not be brought later than five (5) days after the acceptance of a bid for the sale of the bonds.

Sec. 9. (a) If the governing body of a school corporation finds and declares that an emergency exists to borrow money with which to pay current expenses from a particular fund before the receipt of revenues from taxes levied or state tuition support distributions for the fund, the governing body may issue warrants in anticipation of the receipt of the revenues.

(b) The principal of warrants issued under subsection (a) is payable solely from the fund for which the taxes are levied or from the school corporation's general fund in the case of anticipated state tuition support distributions. However, the interest on the warrants may be paid from the debt service fund, from the fund for which the taxes are levied, or the general fund in the case of anticipated state tuition support distributions.

(c) The amount of principal of temporary loans maturing on or before June 30 for any fund may not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund at the June settlement.

(d) The amount of principal of temporary loans maturing after June 30 and on or before December 31 may not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund at the December settlement.

(e) At each settlement, the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund includes allocations to the fund from the property tax replacement fund.

(f) The county auditor or the auditor's deputy shall determine the estimated amount of taxes and state tuition support distributions to be collected or received and distributed. The warrants evidencing a loan in anticipation of tax revenue or state tuition support distributions may not be delivered to the purchaser of the warrant and payment may not be made on the warrant

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before January 1 of the year the loan is to be repaid. However, the proceedings necessary for the loan may be held and carried out before January 1 and before the approval. The loan may be made even though a part of the last preceding June or December settlement has not been received.

(g) Proceedings for the issuance and sale of warrants for more than one (1) fund may be combined. Separate warrants for each fund must be issued, and each warrant must state on the face of the warrant the fund from which the warrant's principal is payable. An action to contest the validity of a warrant may not be brought later than fifteen (15) days after the first publication of notice of sale.

(h) An issue of tax or state tuition support anticipation warrants may not be made if the total of all tax or state tuition support anticipation warrants exceeds twenty thousand dollars ($20,000) until the issuance is advertised for sale, bids are received, and an award is made by the governing body as required for the sale of bonds, except that the publication of notice of the sale is not necessary:

(1) outside the county; or

(2) more than ten (10) days before the date of sale.

Sec. 10. Temporary transfers of funds by a school corporation may be made as authorized under IC 36-1-8-4.

Sec. 11. (a) As used in this section, "debt service obligations" refers to the principal and interest payable during a calendar year on a school corporation's general obligation bonds and lease rentals under IC 20-47-2 and IC 20-47-3.

(b) Before the end of each calendar year, the department of local government finance shall review the bond and lease rental levies, or any levies that replace bond and lease rental levies, of each school corporation that are payable in the next succeeding year and the appropriations from the levies from which the school corporation is to pay the amount, if any, of the school corporation's debt service obligations. If the levies and appropriations of the school corporation are not sufficient to pay the debt service obligations, the department of local government finance shall establish for each school corporation:

(1) bond or lease rental levies, or any levies that replace the bond and lease rental levies; and

(2) appropriations;

that are sufficient to pay the debt service obligations.

(c) Upon the failure of a school corporation to pay any of the

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school corporation's debt service obligations during a calendar year when due, the treasurer of state, upon being notified of the failure by a claimant, shall pay the unpaid debt service obligations that are due from the funds of the state only to the extent of the amounts appropriated by the general assembly for the calendar year for distribution to the school corporation from state funds, deducting the payment from the appropriated amounts. A deduction under this subsection must be made:

(1) first from property tax relief funds to the extent of the property tax relief funds;

(2) second from all other funds except state tuition support; and

(3) third from state tuition support.

(d) This section shall be interpreted liberally so that the state shall to the extent legally valid ensure that the debt service obligations of each school corporation are paid. However, this section does not create a debt of the state.

Chapter 2. Borrowing; School Towns and School Cities

Sec. 1. This chapter applies to any school city or school town.

Sec. 2. (a) Subject to subsection (c), if the board of school trustees or other proper authority of a school town or school city finds that an emergency exists for borrowing money with which to meet current expenses of the schools of the school town or school city, the board of school trustees or other proper authority of the school town or school city may make temporary loans in anticipation of current revenues of the school town or school city to an amount not to exceed fifty percent (50%) of the amount of taxes actually levied and in the course of collection for the fiscal year in which the loans are made.

(b) For purposes of subsection (a), revenues are considered to be current and taxes are considered to have been actually levied and in the course of collection when the budget levy and rate have been finally approved by the department of local government finance.

(c) In second and third class school cities, a loan may not be made under this section for more than twenty thousand dollars ($20,000) unless:

(1) the letting of the loans has been advertised once each week for two (2) successive weeks in two (2) newspapers of general circulation published in the school city; and

(2) sealed bids have been submitted:

(A) at a regular meeting of the school board of the school city; and

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(B) under the notices specified in subdivision (1);

stipulating the rate of interest to be charged by the bidder.

(d) School loans made under this section must be made with the bidder that submits:

(1) the lowest rate of interest; and

(2) with the bid an affidavit showing that collusion does not exist between the bidder and any other bidder for the loan.

Sec. 3. (a) A temporary loan made under section 2 of this chapter must be authorized by a resolution of the board of school trustees or other proper authority:

(1) designating the:

(A) nature of the consideration;

(B) date, time, and place payable;

(C) rate of interest, not to exceed six percent (6%) per annum; and

(D) revenues in anticipation of which the temporary loan is made and out of which the temporary loan is payable; and

(2) appropriating and pledging a sufficient amount of current revenues of the school town or school city:

(A) in anticipation of which the temporary loan is made; and

(B) out of which the temporary loan is payable;

to the payment of the temporary loan.

A temporary loan must be evidenced by the time warrants of the school town or school city in terms designating the nature of the consideration, the date, time, and place payable, and the revenues in anticipation of which the temporary loan is issued and out of which the temporary loan is payable. Interest accruing on the warrants to date of maturity must be added to and included in the face value of the warrants.

(b) A school town or school city may issue the time warrants of the school corporation, in anticipation of current revenues of the school town or school city, directly to persons, firms, limited liability companies, and corporations in payment of approved services, materials, and supplies contracted for, purchased, performed, and delivered.

Chapter 3. Borrowing; Indianapolis Public Schools

Sec. 1. This chapter applies only to a school city to which IC 20-25 applies.

Sec. 2. As used in this chapter, "board" has the meaning set forth in IC 20-25-2-5.

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Sec. 3. As used in this chapter, "school city" has the meaning set forth in IC 20-25-2-12.

Sec. 4. (a) The board may periodically, as the need arises, borrow money and issue school building bonds to supply the school city with funds:

(1) to buy real estate;

(2) to erect buildings for school or administrative purposes;

(3) to enlarge, remodel, and repair school buildings; or

(4) for one (1) or more of the purposes described in subdivisions (1) through (3).

The proceeds of the sale of bonds under this subsection may not be used for a purpose other than a purpose described in subdivisions (1) through (4).

(b) The board may periodically, as the need arises, issue school funding bonds to take up and retire the principal and accrued interest of any outstanding bonds of the school city. School funding bonds may be issued only if the board determines it is to the advantage of the school city to refund the outstanding bonds of the school city. A school funding bond may not be issued and the proceeds of a school funding bond may not be used for a purpose other than to refund or take up and discharge outstanding bonds of the school city. Any preexisting bonds for which the school city is liable under IC 20-25-4, this chapter, or a predecessor law are outstanding bonds of the school city under this subsection.

(c) Before school building bonds may be issued under subsection (a), the board shall, by a resolution entered into the record in the board's corporate minutes, demonstrate a particular need for the money and the inability of the school city to supply the money from any other applicable fund under the control of the board. Before school funding bonds may be issued under subsection (b), the board shall, by a resolution entered into the record of the board's corporate minutes, provide a description of the bonds to be taken up, including the kind, date, date of maturity, and amount of the bonds.

(d) Bonds issued under this section must:

(1) be serial bonds;

(2) bear interest at a rate payable semiannually; and

(3) mature at a time or times fixed in the resolution of the board.

(e) A bond to be issued under this section may not be delivered until the price of the bond is paid to the treasurer of the school city in:

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(1) money for school building bonds; or

(2) money or bonds to be refunded for school funding bonds.

A bond issued under this section may not accrue interest before its delivery.

(f) A bond issued under this section must be payable to bearer and be of the general form usual in municipal bonds.

(g) Before offering bonds authorized by this section for sale, the board must give three (3) weeks notice of the date fixed for the sale of the bonds. The notice must include a description of the bonds and invite bids for the bonds. The notice shall be given by three (3) advertisements, one (1) time each week for the three (3) consecutive weeks immediately preceding the day of sale in a newspaper published and with a general circulation in Indianapolis. Notice may also be required in other advertisements if ordered by the board.

(h) The board shall sell the bonds to the highest and best bidder and has the right to reject any bid. The proceeds arising from the sale shall be used only for the purpose declared in the resolution of the board.

Sec. 5. (a) The board may, if the board's general fund is exhausted or in the board's judgment is in danger of exhaustion, make temporary loans for the use of the board's general fund to be paid out of the proceeds of taxes levied by the school city for the board's general fund. The amount borrowed for the general fund must be paid into the board's general fund and may be used for any purpose for which the board's general fund lawfully may be used. A temporary loan must:

(1) be evidenced by the promissory note or notes of the school city;

(2) bear interest that is payable, according to the note or notes, periodically or at the maturity of the note or notes and at not more than seven percent (7%) per annum; and

(3) mature at a time or times determined by the board, but not later than one (1) year after the date of the note or notes.

Loans made in a calendar year may not be for a sum greater than the amount estimated by the board as proceeds to be received by the board from the levy of taxes made by the school city for the board's general fund. Successive loans may be made to aid the general fund in a calendar year, but the total amount of successive loans outstanding at any time may not exceed the estimated proceeds of taxes levied for the board's general fund.

(b) A loan under this section may not be made until notice

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asking for bids is given by newspaper publication. Notice must be made one (1) time in a newspaper published in the school city at least seven (7) days before the time the bids for the loans will be opened. A bidder shall name the amount of interest the bidder agrees to accept, not exceeding seven percent (7%) per annum. The loan shall be made to the bidder or bidders bidding the lowest rate of interest. The note, notes, or warrants may not be delivered until the full price of the face of the loan is paid to the treasurer of the school city, and interest does not accrue on the loan until delivery.

Sec. 6. (a) A school city wishing to make a temporary loan for its general fund under this section may temporarily borrow money, without payment of interest, from the school city's treasury if the school city has in its treasury money derived from the sale of bonds that cannot or will not in the due course of the business of the school city be expended in the near future. A school city shall, by its board, take the following steps required by law to obtain a temporary loan under this section:

(1) Present to the department of local government finance and the state board of accounts:

(A) a copy of the corporate action of the school city concerning the school city's desire to make a temporary loan;

(B) a petition showing the particular need for a temporary loan;

(C) the amount and the date or dates when the general fund will need the temporary loan or the installments of the loan;

(D) the date on which the loan and each installment of the loan will be needed;

(E) the estimated amounts from taxes to come into the general fund;

(F) the dates when it is expected the proceeds of taxes will be received by the school city for the general fund;

(G) the amount of money the school city has in each fund derived from the proceeds of the sale of bonds that cannot or will not be expended in the near future; and

(H) a showing of when, to what extent, and why money in the bond service fund will not be expended in the near future.

(2) Request the department of local government finance and the state board of accounts to authorize a temporary loan from the bond service fund for the general fund.

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(b) If:

(1) the department of local government finance finds and orders that there is need for a temporary loan and that it should be made;

(2) the state board of accounts finds that the money proposed to be borrowed will not be needed during the period of the temporary loan by the fund from which it is to be borrowed; and

(3) the state board of accounts and the department of local government finance approve the loan;

the business manager and treasurer of the school city shall, upon the approval of the state board of accounts and the department of local government finance, take all steps necessary to transfer the amount of the loans as a temporary loan from the fund to be borrowed from to the general fund of the school city. The loan is a debt of the school city chargeable against its constitutional debt limit.

(c) The state board of accounts and the department of local government finance:

(1) may fix the total amount that may be borrowed on a petition; and

(2) shall determine:

(A) at what time or times;

(B) in what installments; and

(C) for what periods;

the money may be borrowed.

The treasurer and business manager of the school city, as money is collected from taxes levied on behalf of the general fund, shall credit the amount of money collected from taxes levied to the loan until the amount borrowed is fully repaid to the fund from which the loan was made. The treasurer and business manager of the school city shall at the end of each calendar month report to the board the amounts applied from taxes to the payment of the loan.

(d) The school city shall, as often as once a month, report to both the state board of accounts and the department of local government finance:

(1) the amount of money borrowed and unpaid;

(2) any anticipated similar borrowings for the current month;

(3) the amount left in the general fund; and

(4) the anticipated drafts on the bond service fund for the purposes for which the fund was created.

(e) The state board of accounts and the department of local

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government finance, or either acting independently:

(1) if it appears that the fund from which the loan was made requires the repayment of all or part of the loan before maturity; or

(2) if the general fund no longer requires all or part of the proceeds of the loan;

may require the school city to repay all or part of the loan. A school city shall, if necessary to repay all or part of a loan under this subsection, exercise its power to obtain a temporary loan from others under section 5 of this chapter to raise the money needed to repay the bond service fund the amount ordered repaid.

Sec. 7. A school city shall provide for the payment and retirement of debt obligations of the school city in the manner provided under IC 20-46-7, IC 20-48-1-6, and IC 20-48-1-11.

Sec. 8. (a) The board may not create debt exceeding twenty-five thousand dollars ($25,000) in total, except:

(1) as otherwise provided in IC 20-25-4 or this chapter; or

(2) for debts that exist after March 8, 1931, that are authorized by the general school laws of Indiana, including debt incurred under IC 21-4-20, IC 20-26-1, IC 20-26-2, IC 20-26-3, IC 20-26-4, IC 20-26-5, IC 20-26-7, and IC 20-41-1.

(b) Notwithstanding subsection (a), the board is liable for the board's lawful contracts with persons rendering services and furnishing materials incident to the ordinary current operations of the board's schools if the contracts have been entered into as provided in this chapter and in accordance with law. The obligations of the board to persons rendering services or furnishing materials is not limited or prohibited by IC 20-25-4 or this chapter.

Chapter 4. Township School Building

Sec. 1. Sections 2 through 4 of this chapter apply if a township board finds at an annual or special meeting of the board, that:

(1) it is necessary to provide for the construction of a school building; and

(2) the cost of the building, or the proportional cost if it is a joint graded high school building, will exceed the sum available from an annual levy.

Sec. 2. (a) The board may authorize the trustee to issue township warrants or bonds to pay for the building or the proportional cost of it. The warrants or bonds:

(1) may run for a period not exceeding fifteen (15) years;

(2) may bear interest at any rate; and

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(3) shall be sold for not less than par.

The township trustee, before issuing the warrants or bonds, shall place a notice in at least one (1) newspaper announcing the sale of the bonds in at least one (1) issue a week for three (3) weeks. The notice must comply with IC 5-3-1 and must set forth the amount of bonds offered, the denomination, the period to run, the rate of interest, and the date, place, and time of selling. The township board shall attend the bond sale and must concur in the sale before the bonds are sold.

(b) The board shall annually levy sufficient taxes each year to pay at least one-fifteenth (1/15) of the warrants or bonds, including interest, and the trustee shall apply the annual tax to the payment of the warrants or bonds each year.

(c) A debt of the township may not be created except by the township board in the manner specified in this section. The board may bring an action in the name of the state against the bond of a trustee to recover for the use of the township funds expended in the unauthorized payment of a debt. The board may appropriate and the township trustee shall pay from township funds a reasonable sum for attorney's fees for this purpose.

(d) If a taxpayer serves the board with a written demand that the board bring an action as described in subsection (c), and after thirty (30) days the board has not brought an action, a taxpayer may bring an action to recover for the use of the township funds expended in the unauthorized payment of a debt. An action brought under this subsection shall be brought in the name of the state.

Sec. 3. (a) If a trustee finds it necessary to erect a new school, the trustee shall procure suitable specifications for the school to be used by the bidders in bidding and in the construction of the school. If the trustee desires to purchase school furniture, fixtures, maps, charts, or other school supplies, not including fuel and literary periodicals, as authorized by the township board, the trustee shall make an estimate of the kinds and amounts, itemized particularly, to be used by bidders. If it is necessary to make repairs to a school, other than current or incidental repairs, the trustee shall make an itemized statement of the nature and character of the work to be performed for the use of bidders.

(b) All contracts shall be let after notice is given by publication in accordance with IC 5-3-1.

(c) The township board shall attend the letting. At the letting, all the work or supplies in any one (1) class shall be included and let

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in a single contract. All bids must be in writing and opened and read publicly at the date, time, and place fixed in the notice. In consultation with the township board, the trustee may take time to examine the bids and determine which is the lowest and best bid. The board may reject any bid. The trustee shall endorse either acceptance or rejection on the bids and preserve them.

(d) If a bid is accepted, a proper contract shall then be reduced to writing for the building, repairs, or supplies and signed by the successful bidder and the trustee. The trustee shall require the bidder to give bond with security to the trustee's approval for the faithful execution of the contract.

Sec. 4. A contract made in violation of sections 2 through 3 of this chapter is void.

Sec. 5. Sections 6 through 9 of this chapter apply to a township in which there is not a city or town that operates public schools within the city or town.

Sec. 6. If:

(1) a petition signed by at least one hundred (100) freeholders of the township is filed with the township trustee asking for the alteration or construction of a building or for an addition to a building to be used for teaching the children of the township the arts of agriculture, domestic science, or physical culture; and

(2) the building or addition to the building may be used by the citizens of the township for school and community entertainment and for other public purposes;

the township trustee, with the consent of the township board, may grant the petition and shall alter or construct a building or an addition to a building as will best meet the needs of the citizens of the township.

Sec. 7. Before altering or constructing a building or an addition to a building, the proposed action must be submitted for approval to the department of local government finance. The department of local government finance shall set the proposal for hearing and give ten (10) days notice of the hearing to the taxpayers of the taxing district by:

(1) one (1) publication in each of two (2) newspapers of opposite political parties published in the taxing district;

(2) one (1) publication if only one (1) newspaper is published;

(3) publication in two (2) newspapers representing the two (2) leading political parties published in the county and having a general circulation in the taxing district if no newspaper is

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published in the district; or

(4) publication in one (1) newspaper if only one (1) paper is published in the county.

The department of local government finance shall conduct the hearing in the taxing district. After the hearing upon the proposal, the department of local government finance shall certify its approval or disapproval to the county auditor and to the township trustee.

Sec. 8. (a) Upon approval by the department of local government finance, the township trustee may, with the consent of the township board, issue and sell the bonds of the civil township in an amount sufficient to pay for the alteration, construction, or addition described in section 6 of this chapter.

(b) The trustee may levy a tax on the taxable property of the township in an amount sufficient to discharge the bonds issued and sold. The bonds may not bear a maturity date more than twenty (20) years from the date of issue.

Sec. 9. In carrying out sections 6 through 8 of this chapter, the township trustee may join with the school township or district in the alteration, construction, or addition, contracting together and joining in the employment of an engineer or architect.

SECTION 172. IC 20-49 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 49. STATE MANAGEMENT OF COMMON SCHOOL FUNDS; STATE ADVANCES AND LOANS

Chapter 1. General Provisions

Sec. 1. The definitions in this chapter apply throughout this article.

Sec. 2. "Current ADM" has the meaning set forth in IC 20-43-1-10.

Sec. 3. "Target revenue per ADM" has the meaning set forth in IC 20-43-1-26.

Chapter 2. Administration of Veterans Memorial School Construction Fund; School Disaster Loan Fund

Sec. 1. As used in this chapter, "advancement" refers to an advance payment to a school corporation under this chapter.

Sec. 2. The veterans memorial school construction fund is established. The state board shall administer the fund.

Sec. 3. (a) The state board shall carry out this chapter.

(b) The state superintendent shall, from funds appropriated for administering this chapter, provide office space and employees to

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enable the state board to perform the duties required under this chapter.

(c) The state board may adopt rules under IC 4-22-2 necessary for the proper administration of the veterans memorial school construction fund and for carrying out this chapter.

Sec. 4. Subject to this chapter, the state board may order the auditor of state to periodically make an advancement from the state general fund for the construction, remodeling, or repair of school buildings to any school corporation.

Sec. 5. The state board may not order advancements under this chapter during any fiscal year that in total exceed the sum of:

(1) the balance remaining in the veterans memorial school construction fund at the end of the preceding fiscal year; and

(2) all accruals and transfers to the veterans memorial school construction fund.

Sec. 6. A school corporation is not entitled to an advancement under this chapter under the following circumstances:

(1) An advancement may not be made to any organized joint school district or to any school corporation within any organized joint school district when the advancement is to be used in connection with the enlargement or construction of a joint school.

(2) An advancement may not be made to a school corporation whose average resident enrollment in:

(A) grades 1 through 8 is less than thirty (30) per grade; or

(B) grades 9 through 12 is less than two hundred seventy (270);

in the proposed school building to be built.

(3) A school corporation is not entitled to an advancement if:

(A) the school corporation has used the maximum amount allowable under the Constitution of the State of Indiana and Indiana law for the construction of school facilities; and

(B) more than thirty-five percent (35%) of the total cost of the facilities has been to build or enlarge a gymnasium, an auditorium, or an athletic facility.

Sec. 7. All advancements made by the state board must comply with this chapter.

Sec. 8. An advancement may not be made for:

(1) any purpose other than the construction, remodeling, or repairing of school buildings and classrooms; or

(2) gymnasiums, auditoriums, or any athletic facilities.

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Sec. 9. A nondisaster advancement to any school corporation under section 10 of this chapter may not exceed two hundred fifty thousand dollars ($250,000). However, this dollar limitation is waived if:

(1) the school corporation has an adjusted assessed valuation per ADA of less than eight thousand four hundred dollars ($8,400);

(2) the school corporation's debt service fund tax rate would exceed one dollar ($1) for each one hundred dollars ($100) of assessed valuation without a waiver of the dollar limitation; and

(3) the school property tax control board recommends a waiver of the limitation.

Sec. 10. The state board shall make nondisaster advancements to school corporations under this chapter only when the following conditions exist:

(1) The school buildings and classrooms of any school corporation are not adequate for the proper education of the students in that public school or school corporation, and the school corporation is unable to finance the construction, remodeling, or repair of the necessary classrooms under existing debt and tax limitations without undue financial hardship.

(2) The school corporation has issued its bonds to construct, remodel, or repair schools and school buildings in ninety percent (90%) of the maximum amount allowable under the Constitution of the State of Indiana and Indiana law.

(3) The school corporation does not have funds available for the construction, remodeling, or repair of school buildings and classrooms sufficient to meet the requirements for the proper education of the school corporation's students.

(4) The school corporation has established and maintained a property tax levy in the amount of at least sixteen and sixty-seven hundredths cents ($0.1667) on each one hundred dollars ($100) of taxable property within the school corporation for school building purposes continuously for three (3) years before the time when the school corporation makes an application to the state board for an advancement.

Sec. 11. (a) The state board may make a disaster loan to a school corporation that has suffered loss by fire, flood, windstorm, or other disaster that makes all or part of the school building or buildings unfit for school purposes as described in IC 20-26-7-29

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through IC 20-26-7-34.

(b) A loan made under this section may not exceed three million dollars ($3,000,000). The school corporation shall repay the loan within twenty (20) years at an annual interest rate of one percent (1%) of the unpaid balance.

(c) The amounts repaid by school corporations under subsection (b) shall be deposited in a fund to be known as the school disaster loan fund. The money remaining in the school disaster loan fund at the end of a state fiscal year does not revert to the state general fund. The state board may use the money in the school disaster loan fund only to make disaster loans to school corporations under this section.

(d) Sections 13, 14, and 15 of this chapter do not apply to loans made under this section.

Sec. 12. Any school corporation desiring to obtain an advancement under this chapter shall submit to the state board a verified application stating:

(1) the existing condition concerning the need for money to be used to construct, remodel, or repair a school building in the school corporation;

(2) the amount of money needed; and

(3) any other information requested by the state board.

Sec. 13. (a) The state board shall compute and assign to the applicant school corporation a school building index that is the ratio of the school building need, in terms of money, to the school corporation's tax ability, in terms of money.

(b) For purposes of this section, the school building need, in terms of money, of a school corporation is the amount determined under STEP FOUR of the following formula:

STEP ONE: Add the ADA of students in grades 1 through 12 of the school corporation during the current school year in which application for an advancement is made and twice the ADA increase of the school corporation for the preceding three (3) years. However, the state board may make adjustments to reflect the effect of changes of boundary lines, loss of transfer students, or loss of resident students to private, parochial, or cooperative program schools within the three (3) year period.

STEP TWO: Divide the STEP ONE amount by twenty-five (25) to determine the number of classrooms needed to house the estimated enrollment increase.

STEP THREE: Subtract from the STEP TWO amount the

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number of classrooms that:

(A) are owned, under a lease-rental arrangement, or under construction in the school corporation; and

(B) were constructed for and normally used for classroom purposes at the time of making application for an advancement.

However, there shall not be subtracted classrooms in a building or buildings found to be inadequate for the proper education of students under standards and procedures prescribed by the state board or that have been condemned under IC 20-26-7-29 through IC 20-26-7-34 and that are to be replaced by funds applied for.

STEP FOUR: Multiply the STEP THREE amount by twenty thousand dollars ($20,000).

(c) For purposes of this section, the school corporation's tax ability, in terms of money, is the amount determined under STEP TWO of the following formula:

STEP ONE: Determine six and one-half percent (6 1/2%) of the adjusted value of taxable property in a school corporation as determined under IC 36-1-15-4 for state and county taxes immediately preceding the date of application.

STEP TWO: Subtract from the STEP ONE amount the sum of the following:

(A) The principal amount of any outstanding general obligation bonds of the school corporation.

(B) The principal amount of outstanding obligations of any corporation or holding company that has entered into a lease-rental agreement with the applicant school corporation.

(C) The principal amount of outstanding civil township, town, or city school building bonds.

If the school corporation's tax ability is less than one hundred dollars ($100), the school corporation's tax ability is considered for purposes of this section as being one hundred dollars ($100).

Sec. 14. School corporations having the highest school building index must be considered first for advancements. The advancements must be made in descending order of need as shown by the school building index. The state board, after giving consideration to the:

(1) relative order of the various applicant school corporations with regard to the school building index;

(2) matters and facts that are required to be considered under

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this chapter; and

(3) intent and purposes of this chapter;

shall make an advancement to the various school corporations for the purpose of construction, remodeling, or repairing in the amounts that are found by the state board to be necessary to enable the school corporations to provide for the classrooms and school buildings necessary and required to place the educational facilities of the school corporations on as nearly a uniform and relatively adequate basis as possible.

Sec. 15. (a) An advancement under this chapter is not an obligation of the school corporation within the meaning of the limitation against indebtedness under the Constitution of the State of Indiana. This chapter does not relieve the governing body of a school corporation of any obligation under Indiana law to qualify the school corporation for state tuition support. The school corporation must perform all the acts necessary to obtain state tuition support payments.

(b) A school corporation receiving an advancement under this chapter shall agree to have the total amount of the money advanced plus one percent (1%) of the outstanding balance deducted from the distribution of state tuition support:

(1) for a period not to exceed twenty (20) years; or

(2) until all the money advanced plus one percent (1%) has been deducted.

(c) The state board shall reduce the amount of each distribution of state tuition support to any school corporation that has received an advancement under this chapter in an amount to be agreed upon between the state board and the school corporation. The amount must include one percent (1%) on the balance of the advancement. However, if a school corporation:

(1) has received an advancement or advancements to replace a building or buildings under this chapter; and

(2) has not abandoned the building or buildings for classroom purposes upon completion of the classrooms for which the application for funds has been made;

the state board may amend the amount of the deductions. The amended deduction may include all state tuition support payable to the school corporation.

(d) If an advancement:

(1) has been previously made under this chapter; and

(2) was to be repaid within a period of less than twenty (20) years;

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the receiving school corporation and the state board may renegotiate the agreement for repayment. The new agreement may provide any period of repayment by the receiving school corporation as long as the period does not exceed twenty (20) years from the date of the original advancement.

Sec. 16. A school corporation receiving an advancement under this chapter may annually levy a tax in the debt service fund to replace the amount deducted in the current year from the distribution of state tuition support under this chapter. The amount received from the tax shall be transferred from the debt service fund to the general fund.

Sec. 17. (a) The auditor of state shall on December 31 and June 30 of each year transfer from the veterans memorial school construction fund to the state general fund the total amount of money advanced by the state board from the state general fund to school corporations under this chapter.

(b) The auditor of state shall at the time of a distribution of state tuition support transfer to the veterans memorial school construction fund an amount equal to the amount withheld from the distribution to school corporations that have received advancements under this chapter.

Sec. 18. Each school corporation that receives funds under this chapter shall provide a suitable plaque of a permanent nature commemorating the veterans who served in the armed forces of the United States. The plaque must be in a form recommended by the state board.

Chapter 3. State Administration of Common School Fund

Sec. 1. This chapter applies only to money in the fund that is not being held in trust by the several counties under IC 20-42.

Sec. 2. This chapter is in furtherance of the duties that are imposed exclusively upon the general assembly by the Constitution of the State of Indiana in connection with the:

(1) maintenance of a general and uniform system of common schools; and

(2) investment and reinvestment of the common school fund.

This chapter shall be liberally construed to carry out the purposes of the Constitution of the State of Indiana.

Sec. 3. As used in this chapter, "fund" refers to the common school fund in the custody of the treasurer of state.

Sec. 4. (a) The treasurer of state is the exclusive custodian of the fund not held in trust by the several counties under IC 20-42-1.

(b) The state board of finance has full and complete

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management and control of the fund. The state board of finance shall invest the fund as provided in this title.

Sec. 5. The state board shall administer the fund and this chapter.

Sec. 6. The state board may adopt rules under IC 4-22-2 necessary to administer the fund to carry out this chapter and IC 20-49-4.

Sec. 7. The fund interest balance is annually appropriated for the support of the common schools.

Sec. 8. The fund may be used to make advances:

(1) to school corporations, including school townships, under IC 20-49-4 and IC 20-49-5;

(2) under IC 20-49-6; and

(3) to charter schools under IC 20-24-7-3(f) and IC 20-49-7.

Sec. 9. The state board shall consider and accept or reject, in its discretion, applications of school building corporations created under IC 21-5-11 (before its repeal) or IC 20-47-2 for the purchase of first mortgage bonds issued by the corporation under IC 21-5-11 (before its repeal) or IC 20-47-2.

Sec. 10. Except as provided in this chapter, the fund shall be invested in:

(1) bonds, notes, certificates, and other valid obligations of the United States;

(2) bonds, notes, debentures, and other securities issued by any federal instrumentality and fully guaranteed by the United States;

(3) bonds, notes, certificates, and other valid obligations of any state of the United States or any county, township, city, town, or other political subdivision in Indiana that are issued under law, the issuers of which, for five (5) years before the date of the investment, have promptly paid the principal and interest on the bonds and other legal obligations in lawful money of the United States; or

(4) bonds, notes, or other securities issued by the Indiana bond bank and described in IC 5-13-10.5-11(3).

Sec. 11. (a) This section applies to a county that:

(1) has not elected to surrender custody of any part of the fund to the state; and

(2) has an insufficient amount of unloaned money in the fund when added to the amount of unloaned money in the congressional township school fund, as shown by a report of the county auditor and county treasurer, to make all loans for

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which the county auditor has applications.

(b) Upon petition of the board of commissioners of the county, the state board of finance may allocate to the county making the application the amount that the state board of finance determines is necessary.

Sec. 12. (a) The state board of finance shall direct all disbursement from the fund. The auditor of state shall draw the auditor of state's warrant on the treasurer of state, on a properly itemized voucher officially approved by:

(1) the president of the state board of finance; or

(2) in the absence of the president, any member of the state board of finance.

(b) Except as otherwise provided by this chapter, all securities purchased for the fund shall be deposited with and remain in the custody of the state board of finance. The state board of finance shall collect all interest or other income accruing on the securities, when due, together with the principal of the securities when the principal matures and is due. Except as provided by subsection (c), all money collected under this subsection shall be:

(1) credited to the proper fund account on the records of the auditor of state;

(2) deposited with the treasurer of state; and

(3) reported to the state board of finance.

(c) All money collected under an agreement that is sold, transferred, or liquidated under IC 20-49-4-23 shall be immediately transferred to the purchaser, transferee, or assignee of the agreement.

Sec. 13. (a) The state board of finance may:

(1) make all rules;

(2) employ all help;

(3) purchase all supplies and equipment; and

(4) incur all expense;

necessary to properly carry out this chapter.

(b) The expense incident to the administration of this chapter shall be paid from any money in the state treasury not otherwise appropriated upon the warrant of the auditor of state issued on a properly itemized voucher approved by the president of the state board of finance.

Sec. 14. A field examiner assigned by the state examiner shall annually examine the status of the fund. Upon completion of the examination, the examiner performing the duty shall prepare a report of the examination. The report must show:

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(1) all necessary pertinent information;
(2) the balance of the fund's principal at the close of the previous examination;
(3) the amount of interest and principal paid by each county to the state board of finance since the close of the previous examination;
(4) the balance of principal due at the date of the closing of the report;
(5) a statement of receipts and disbursements by the state board of finance;
(6) a list of the securities found to be in the possession of the state board of finance;
(7) the amount of each security; and
(8) the total amount of all the securities held in custody.

The appropriate officer of the state board of finance shall sign the list described in subdivision (6) in duplicate. The original signed list shall be deposited with the state board of accounts, and the duplicate of the signed list shall be kept in the files of the treasurer of state.

Sec. 15. This chapter may not be construed to relieve the county auditor of any county or any other county officer of any liability fixed by law not specifically changed by this chapter.

Sec. 16. (a) All fines, forfeitures, and other revenue that, by law, accrue to the fund shall be collected as provided by law. The money shall be paid into the state treasury and becomes a part of the fund in the custody of the treasurer of state. The county auditor shall keep a record of all fines and forfeitures and all other revenue that, by law, accrues to the fund. Semiannually on May 1 and November 1, the county auditor shall issue the county auditor's warrant payable to the treasurer of state in an amount equal to the total collections in the six (6) months preceding of fines and forfeitures and all other revenue that, by law, accrues to the fund or to the permanent endowment fund.

(b) At the time of payment of principal, interest, or accretions to the treasurer of state, the county auditor shall file a report with the auditor of state. The report must set forth the amount of the following:

(1) The county's common school fund.
(2) Interest on the county's common school fund.
(3) Fines and forfeitures from the county.
(4) All other accretions included in a payment from the county to the treasurer of state.

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Forms for making the report shall be furnished by the auditor of state.

(c) All money collected as interest on the fund shall be paid into the state treasury and shall be distributed for the uses and purposes provided by law.

Chapter 4. Advancement From Common School Fund; Buildings; Technology Programs

Sec. 1. This chapter applies to school corporations organized and formed through reorganization under IC 20-23-4, IC 20-23-6, or IC 20-23-7 and school townships under IC 20-23-3.

Sec. 2. Sections 9, 12, and 13 of this chapter do not apply if a school corporation sustains loss from a disaster.

Sec. 3. As used in this chapter, "advance" means an advance under this chapter from the fund.

Sec. 4. As used in this chapter, "disaster" refers to loss by:

(1) fire;

(2) wind;

(3) cyclone; or

(4) other disaster;

of all or a major part of a school building or school buildings.

Sec. 5. As used in this chapter, "educational technology program" means the:

(1) purchase, lease, or financing of educational technology equipment;

(2) operation of the educational technology equipment; and

(3) training of teachers in the use of the educational technology equipment.

Sec. 6. As used in this chapter, "fund" refers to the common school fund in the custody of the treasurer of state.

Sec. 7. As used in this chapter, "school building construction program" means the purchase, lease, or financing of land, the construction and equipping of school buildings, and the remodeling, repairing, or improving of school buildings by a school corporation:

(1) that sustained a loss from a disaster;

(2) whose adjusted assessed valuation (as determined under IC 6-1.1-34-8) per ADM is within the lowest forty percent (40%) of the assessed valuation per ADM when compared with all school corporation adjusted assessed valuation (as determined under IC 6-1.1-34-8) per ADM; or

(3) with an advance under this chapter outstanding on July 1, 1993, that bears interest of at least seven and one-half percent

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(7.5%).

The term does not include facilities used or to be used primarily for interscholastic or extracurricular activities.

Sec. 8. The state board may advance money to school corporations to be used for:

(1) school building construction programs; and

(2) educational technology programs;

as provided in this chapter.

Sec. 9. Priority of advances for school building construction programs shall be made to school corporations that have the least amount of adjusted assessed valuation (as determined under IC 6-1.1-34-8) per student in ADM.

Sec. 10. Priority of advances for educational technology programs shall be on whatever basis the state board, after consulting with the department and the budget agency, periodically determines.

Sec. 11. A school corporation desiring to obtain an advance must submit an application to the state board in the form established by the state board, after consulting with the department and the budget agency.

Sec. 12. To qualify for an advance under this chapter, a school corporation must establish a capital projects fund under IC 20-40-8. The state board, after consulting with the department and the budget agency, may waive or modify this requirement upon a showing of good cause by the school corporation.

Sec. 13. An advance to a school corporation for any school building construction program may not exceed the greater of the following:

(1) Fifteen million dollars ($15,000,000).

(2) The product of fifteen thousand dollars ($15,000) multiplied by the number of students accommodated as a result of the school building construction program.

However, if a school corporation has sustained loss by disaster, this limitation may be waived by the state board after consulting with the department and the budget agency.

Sec. 14. An advance for an educational technology program is without limitation in amount other than the availability of funds in the fund for this purpose and the ability of the school corporation desiring an advance to pay the advance according to the terms of the advance.

Sec. 15. (a) Money advanced to a school corporation for a school building construction program may be advanced for a period not

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exceeding twenty-five (25) years. The school corporation to which money is advanced must pay interest on the advance. For advances made before July 1, 1993, the state board may provide, either before an advance is made or before an advance is fully paid, that the payment of the advance may not be prepaid by more than six (6) months. For advances made after June 30, 1993, for school building construction programs, the state board may provide that the advances are prepayable at any time.

(b) The state board of finance shall periodically establish the rate or rates of interest payable on advances for school building construction programs as long as:

(1) the established interest rate or rates do not exceed seven and one-half percent (7.5%); and

(2) the interest rate or rates on advances made to school corporations with advances outstanding on July 1, 1993, bearing interest at seven and one-half percent (7.5%) or more shall not exceed four percent (4%).

Sec. 16. (a) Money advanced to a school corporation for an educational technology program may be for a period not exceeding five (5) years. The school corporation to which an advance is made shall pay interest on the advance. Advances for educational technology programs may be prepaid at any time.

(b) The state board of finance shall periodically establish the rate or rates of interest payable on advances for educational technology programs as long as the established interest rate or rates:

(1) are not less than one percent (1%); and

(2) do not exceed four percent (4%).

Sec. 17. An advance is not an obligation of the school corporation within the meaning of the limitation on or prohibition against indebtedness under the Constitution of the State of Indiana. Nothing in this chapter relieves the governing body of a school corporation receiving an advance of any obligation under Indiana law to qualify the school corporation for state tuition support. The school corporation shall continue to perform all acts necessary to obtain these funds.

Sec. 18. To ensure timely payment of advances according to the terms, the state may in its sole discretion withhold from funds due to school corporations to which advances are made amounts necessary to pay the advances and the interest on the advances in accordance with their respective terms. The terms of the advances shall be established by the state board after consulting with the

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department and upon the approval of the budget agency in advance of the time the respective advances are made. However, in the case of school corporations with advances outstanding on July 1, 1993, the withholding may be adjusted to conform with this chapter. To the extent available, funds shall first be withheld from the distribution of state tuition support. However, if this distribution is not available or is inadequate, funds may be withheld from the distribution of other state funds to the school corporation to which the advance is made.

Sec. 19. A school corporation receiving an advance shall agree to have the money advanced, together with the interest on the advance, deducted from the distribution of state tuition support until all the money advanced, together with the interest on the advance, has been paid. The state board and the state board of finance shall reduce each distribution of state tuition support to each school corporation to which an advance is made in an amount to be agreed upon by the state and the school corporation.

Sec. 20. An agreement with the state board or state board of finance under section 23 of this chapter to collect and pay over amounts deducted from state tuition support for the benefit of another party is not a debt of the state within the meaning of the limitation on or prohibition against state indebtedness under the Constitution of the State of Indiana.

Sec. 21. A school corporation to which an advance is made for a school building construction program may annually levy a property tax in the debt service fund to replace the amount deducted under this chapter in the current year from the distribution of state tuition support. The amount received from the tax must be transferred from the debt service fund to the general fund.

Sec. 22. A school corporation to which an advance is made for an educational technology program may annually levy a property tax in the capital projects fund or the debt service fund to replace the amount deducted under this chapter in the current year from the distribution of state tuition support. The amount received from the tax must be transferred from the capital projects fund or the debt service fund, as applicable, to the general fund.

Sec. 23. (a) Upon request of the state board, acting upon the advice of the department, the state board of finance may periodically sell, transfer, or liquidate agreements, in whole or in part, including without limitation the sale, transfer, or liquidation of all or any part of the principal or interest to be received at any

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time under one (1) or more agreements that evidence the right of the state to make deductions from state tuition support to pay advances under this chapter under the terms and conditions that the state board of finance considers necessary and appropriate.

(b) Each sale, transfer, or liquidation under this section is subject to the following conditions:

(1) Each sale, transfer, or liquidation may be made only to a department, an agency, a commission, an instrumentality, or a public body of the state, including the Indiana bond bank.

(2) Each sale, transfer, or liquidation of agreements may be made only for cash.

(3) Payments under the sale, transfer, or liquidation must be made to the treasurer of state for the fund and reported to the state board of finance.

(4) The total amount of cash received by the fund from the sale may not be less than the outstanding principal amount of all or a part of the agreements sold plus accrued interest owed.

(5) If necessary to facilitate a sale, transfer, or liquidation, the state board or the state board of finance may agree to act on behalf of an entity described in subdivision (1) by collecting payment on advances that are:

(A) received directly from a school corporation, if any direct payments are received; or

(B) deducted from amounts appropriated and made available for state tuition support.

An agreement by the state board or the state board of finance under this subdivision is a valid and enforceable contractual obligation but is not a debt of the state within the meaning of the limitation against indebtedness under the Constitution of the State of Indiana.

(6) Each proposed sale, transfer, or liquidation must be reviewed by the budget committee and approved by the budget agency.

Chapter 5. Advancement From the Common School Fund for Transfer Tuition Costs

Sec. 1. As used in this chapter, "advance" refers to an advance from the fund under this chapter.

Sec. 2. As used in this chapter, "fund" refers to the common school fund in the custody of the treasurer of state.

Sec. 3. To assist a school corporation in providing the school corporation's educational program to a student placed in a facility

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or home as described in IC 20-26-11-8(a) or IC 20-26-11-8(b) and not later than October 1 of each school year, the state board may advance money to a school corporation in anticipation of the school corporation's receipt of transfer tuition for students described in IC 20-26-11-8(a) or IC 20-26-11-8(b). The amount of the advance may not exceed the amount determined under STEP TWO of the following formula:

STEP ONE: Estimate for the current school year the number of students described in IC 20-26-11-8(a) or IC 20-26-11-8(b) that are transferred to the school corporation.

STEP TWO: Multiply the STEP ONE amount by the school corporation's prior year per student transfer tuition amount.

Sec. 4. (a) To qualify for an advance, a school corporation shall do the following:

(1) Certify to the state board the information described in section 3 of this chapter.

(2) Request from the state board the anticipated amount of transfer tuition not to exceed the amount described in section 3 of this chapter.

(3) Guarantee full repayment of the advance by agreeing to have:

(A) one-half (1/2) of the amount of the advance deducted from the monthly distribution of state tuition support received by the school corporation six (6) months after the advancement is made, with interest at the rate of four percent (4%); and

(B) the balance of the amount of the advancement deducted from the monthly distribution of state tuition support received by the school corporation twelve (12) months after the advancement is made, with interest at the rate of four percent (4%).

(b) The deducted amounts shall be transferred by the state board to the fund.

Sec. 5. A school corporation receiving an advance shall notify the school corporation or auditor of state from which the school corporation receives transfer tuition under IC 20-26-11 for students described in IC 20-26-11-8(a) or IC 20-26-11-8(b) of the amount of interest withheld under section 4 of this chapter. The school corporation or auditor of state shall reimburse the school corporation for the interest expense at the same time the transfer tuition is paid.

Sec. 6. (a) A school corporation's obligation to repay the

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advancement may not be construed to be diminished or otherwise affected if the school corporation in which the student has legal settlement fails to pay the transfer tuition as required under IC 20-26-11 to the transferee school corporation in a timely manner.

(b) An advance may not be construed to be an obligation of the school corporation within the meaning of the limitation against indebtedness under the Constitution of the State of Indiana.

Chapter 6. School Technology Advancement Account

Sec. 1. As used in this chapter, "advance" refers to an advance from the advancement account under this chapter.

Sec. 2. As used in this chapter, "advancement account" refers to the school technology advancement account established by section 3 of this chapter.

Sec. 3. The school technology advancement account is established within the common school fund.

Sec. 4. On July 1 of each year, there is appropriated to the advancement account:

(1) five million dollars ($5,000,000); minus

(2) the amount of money in the account on June 30 of the same year.

Sec. 5. Advancements of money from the advancement account may be made to a school corporation to:

(1) purchase computer hardware and software used primarily for student instruction; and

(2) develop and implement innovative technology projects.

Sec. 6. Money must be advanced under this chapter in accordance with IC 20-49-4-15 through IC 20-49-4-21.

Sec. 7. The state board shall adopt rules under IC 4-22-2 concerning:

(1) the criteria and priorities for awarding grants and advancements under this chapter;

(2) the terms and conditions of advancements made under this chapter; and

(3) any additional matters necessary for the implementation of this chapter.

Chapter 7. Charter School Advancement Account

Sec. 1. As used in this chapter, "account" refers to the charter school advancement account established within the common school fund under section 5 of this chapter.

Sec. 2. As used in this chapter, "advance" refers to an advance from the account under this chapter.

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Sec. 3. As used in this chapter, "charter school" refers to a school established under IC 20-24.

Sec. 4. As used in this chapter, "operational costs" means costs other than construction costs incurred by:

(1) a charter school other than a conversion charter school during the second six (6) months of the calendar year in which the charter school begins its initial operation; or

(2) a charter school, including a conversion charter school, during the second six (6) months of a calendar year in which the charter school's most recent enrollment reported under IC 20-24-7-2(a) divided by the charter school's previous year's ADM is at least one and fifteen-hundredths (1.15).

Sec. 5. The charter school advancement account is established within the common school fund.

Sec. 6. The state board shall advance money to charter schools from the account to be used for operational costs.

Sec. 7. A charter school that desires to obtain an advance must submit an application to the state board on a form prescribed by the state board after the state board consults with the department and the budget agency to determine the amount of the advance.

Sec. 8. Priority of advances for operational costs must be on a basis determined by the state board after consulting with the department and the budget agency.

Sec. 9. The state board, after consulting with the department and upon approval of the budget agency, shall establish the terms of an advance before the date on which the advance is made.

Sec. 10. The amount of an advance for operational costs may not exceed the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the product of:

(A) the charter school's enrollment reported under IC 20-24-7-2(a); multiplied by

(B) the charter school's target revenue per ADM.

STEP TWO: Determine the quotient of:

(A) the STEP ONE amount; divided by

(B) two (2).

STEP THREE: Determine the product of:

(A) the STEP TWO amount; multiplied by

(B) one and fifteen-hundredths (1.15).

Sec. 11. The amount of an advance for operational costs may not exceed the amount determined under STEP FOUR of the following formula:

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STEP ONE: Determine the quotient of:
(A) the charter school's target revenue per ADM; divided by
(B) two (2).
STEP TWO: Determine the difference between:
(A) the charter school's current ADM; minus
(B) the charter school's ADM of the previous year.
STEP THREE: Determine the product of:
(A) the STEP ONE amount; multiplied by
(B) the STEP TWO amount.
STEP FOUR: Determine the product of:
(A) the STEP THREE amount; multiplied by
(B) one and fifteen-hundredths (1.15).

Sec. 12. Money advanced to a charter school under this chapter may be advanced for a period not to exceed twenty (20) years.

Sec. 13. A charter school to which money is advanced under this chapter must pay interest on the advance at the rate determined under section 14 of this chapter. The state board shall provide that the advances are prepayable by the:
(1) charter school; or
(2) general assembly;
at any time.

Sec. 14. The state board of finance shall establish periodically the rate of interest payable on advances under this chapter. An interest rate established under this section may not:
(1) be less than one percent (1%); or
(2) exceed four percent (4%).

Sec. 15. To ensure timely payment of an advance according to the terms of the advance, the state may withhold from funds due to the charter school to which the advance is made an amount necessary to pay the advance and the interest on the advance.

Sec. 16. (a) This section applies if the general assembly prepays an advance under section 13 of this chapter.

(b) A prepayment must be deducted from the amount appropriated for distributions of state tuition support.

Sec. 17. The terms of an advance must include a provision allowing the state to withhold funds due to a charter school to which an advance is made until the advance, including interest accrued on the advance, is paid.

Sec. 18. If the state withholds funds under this chapter, the state first shall withhold funds from the distribution of state tuition support to the charter school to which the advance is made. If the

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state tuition support distribution is unavailable or inadequate, the state may withhold funds from any other distribution of state funds to the charter school.

Sec. 19. An advance under this chapter to a charter school is not an obligation of the charter school within the meaning of a constitutional limitation on or prohibition against indebtedness. This chapter does not relieve the organizer of the charter school of the duty to qualify the charter school for state tuition support.

Sec. 20. An agreement with the state board to collect and pay over amounts deducted from state tuition support for the benefit of another party is not a debt of the state within the meaning of the limitation against state indebtedness under the Constitution of the State of Indiana.

SECTION 173. IC 21-6.1-8-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 0.5. This chapter applies to an institution of higher education that had at least one (1) employee who was a fund member on July 1, 1980.**

SECTION 174. IC 21-6.1-8-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. ~~Definitions. As used in~~ **The following definitions apply throughout** this chapter:

~~(3)~~ **(1)** "Compensation" means:

(A) the fiscal year salary received by ~~the~~ **an** employee; plus ~~compensation of~~

(B) an amount not to exceed two thousand dollars ($2,000) ~~or less~~ received from the institution of higher education in contemplation of the employee's retirement, including severance pay, termination pay, retirement bonus, or commutation of sick leave or personal leave.

(2) "Fund" refers to the Indiana state teachers' retirement fund established by IC 5-10.4-2-1.

(3) "Fund member" means a person who qualifies for membership in the fund under IC 5-10.4-4-1.

~~(1)~~ **(4)** "Institution of higher education" means an institution of higher education **that is** supported in whole or in part by the state. ~~and a portion of whose employees are contributing members of the fund on July 1, 1980.~~

~~(2)~~ **(5)** "Retirement benefit system" means a retirement benefit system established by an institution of higher education after June 30, 1980.

SECTION 175. IC 21-6.1-8-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. ~~Participation in a~~

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~~Retirement Benefit System. If~~ **(a)** An institution of higher education ~~establishes~~ **may establish** a retirement benefit system ~~applicable to~~ **for the** employees of ~~that~~ **the** institution **of higher education.**

(b) If an institution of higher education establishes a retirement benefit system under subsection (a) that includes as participants employees who otherwise qualify as **fund** members, ~~of the fund under IC 21-6.1-4-1 and if~~ **the institution of higher education must allow** an employee who otherwise qualifies as a **fund** member ~~of the fund elects~~ to ~~be covered by~~ **elect whether to participate in** the retirement benefit system. ~~rather than the fund then.~~ **If an employee who otherwise qualifies as a fund member elects to participate in a retirement benefit system established under subsection (a), subsections (c) through (j) apply.**

~~(1)~~ **(c)** If ~~the~~ **an** employee is a contributing **fund** member ~~of the fund~~ at the time ~~he~~ **the employee** elects **under subsection (b)** to ~~be covered by the~~ **participate in a** retirement benefit system, the employee's rights in the fund ~~after his election~~ **on the date the employee's election is effective** are the same as if ~~his employment terminated~~ **the employee had terminated employment** on ~~the effective~~ **that** date. ~~of the cessation of his coverage by the fund.~~

~~(2)~~ **(d) The** service of ~~the~~ **an** employee ~~while covered by the~~ **who is participating in a** retirement benefit system may not ~~in any way~~ be ~~considered for purposes of~~ **used to earn** service credit, years of service, or for any other purpose ~~whatsoever under~~ **by** the fund.

~~(3) Once the~~ **(e) After an** employee's election ~~to be covered by the~~ **under subsection (b) to become a participant in a** retirement benefit system is effective, ~~he~~ **the employee** is not ~~thereafter~~ entitled to ~~become a member of~~ **rejoin** the fund ~~for so long as he~~ **while the employee** remains employed by the institution of higher education. ~~involved.~~

~~(4)~~ **(f)** If ~~the~~ **an** employee is a contributing **fund** member ~~of the fund~~ at the time ~~he~~ **the employee** elects **under subsection (b)** to ~~be covered by the~~ **become a participant in a** retirement benefit system, the **employee's** election and ~~the cessation of coverage by~~ **suspension of membership in** the fund are effective on July 1 immediately following the date ~~he~~ **the employee** files ~~his~~ **the** election with the institution of higher education.

(g) If ~~the~~ **an** employee is not a contributing **fund** member ~~of the fund an election filed during the first~~ **at the time the employee is initially hired by an institution of higher education that has established a retirement benefit system under subsection (a), the employee may file an election under subsection (b) to participate**

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in the employer's retirement benefit system not later than sixty (60) calendar days ~~of~~ **after the employee's** initial employment **date, and the election** is effective **as if it had been made** on the ~~first day of that~~ **employee's initial** employment **date.**

~~(5)~~ **(h)** An employee's election **under subsection (b)** must be in writing and ~~shall~~ **is** not ~~be~~ effective until filed with the institution of higher education.

~~(6)~~ **(i)** The institution of higher education shall inform the board of **trustees of the fund of:**

(1) the employee's election **to participate in the retirement benefit system established under subsection (a);** and ~~its~~

(2) the effective date **of the employee's election.**

~~(7)~~ **(j)** An employee may not be **both** an active: ~~participant in the~~

(1) fund **member;** and ~~a~~

(2) retirement benefit system **participant;**

at the same time.

SECTION 176. IC 21-6.1-8-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. **(a)** ~~Payments to the Institution of Higher Education.~~ If an institution of higher education establishes a retirement benefit system applicable to employees of the institution who otherwise qualify as members of the fund under IC 21-6.1-4-1, the general assembly shall appropriate to ~~the~~ **an** institution of higher education ~~for the purpose of this chapter~~ **that establishes a retirement benefit system under section 2 of this chapter for the purpose of funding the retirement benefit system** an amount estimated to be equal to seven and four-tenths percent (7.4%) of the compensation of ~~each~~ **an** employee who ~~elects to be covered by~~ **makes the election described in section 2(b) of this chapter and becomes a participant in** the ~~institution's~~ retirement benefit system ~~rather than by the fund during~~ **of the institution of higher education for** all or a ~~portion~~ **part** of the period of the appropriation.

(b) The institution of higher education shall estimate the sum **described in subsection (a)** and submit the estimate to the ~~state~~ budget agency and to the commission ~~on~~ **for** higher education for inclusion in the ~~institution's~~ operating appropriation **of the institution of higher education.**

(c) The estimate ~~shall~~ **described in subsection (b) must** be submitted at the same time but ~~separate~~ **separately** from the ~~institution's~~ request **of the institution of higher education** for an operating appropriation.

SECTION 177. IC 21-6.1-8-4 IS AMENDED TO READ AS

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FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. ~~Interpretation. Nothing in~~ This chapter ~~shall be interpreted as in any way limiting~~ **does not limit** the authority given to ~~any~~ **an** institution of higher education under any other ~~statute.~~ **law.**

SECTION 178. IC 21-7-4.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 4.5. Administration of the Indiana University Permanent Endowment Fund

Sec. 1. This chapter applies to money in the fund.

Sec. 2. As used in this chapter, "fund" refers to the Indiana University permanent endowment fund in the custody of the treasurer of state.

Sec. 3. (a) The treasurer of state is the exclusive custodian of the fund.

(b) The state board of finance has full and complete management and control of the fund. The state board of finance shall invest the fund as provided in IC 20.

Sec. 4. Except as provided in this chapter, the fund shall be invested in:

(1) bonds, notes, certificates, and other valid obligations of the United States;

(2) bonds, notes, debentures, and other securities issued by any federal instrumentality and fully guaranteed by the United States;

(3) bonds, notes, certificates, and other valid obligations of any state of the United States or any county, township, city, town, or other political subdivision in Indiana that are issued under law, the issuers of which, for five (5) years before the date of the investment, have promptly paid the principal and interest on their bonds and other legal obligations in lawful money of the United States; or

(4) bonds, notes, or other securities issued by the Indiana bond bank and described in IC 5-13-10.5-11(3).

Sec. 5. (a) The state board of finance shall direct all disbursement from the fund. The auditor of state shall draw the auditor of state's warrant on the treasurer of state, on a properly itemized voucher officially approved by:

(1) the president of the state board of finance; or

(2) in the absence of the president, any member of the state board of finance.

(b) Except as otherwise provided by this chapter, all securities

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purchased for the fund shall be deposited with and remain in the custody of the state board of finance. The state board of finance shall collect all interest or other income accruing on the securities, when due, together with the principal of the securities when the principal matures and is due. Except as provided by subsection (c), all money collected under this subsection shall be credited to the proper fund account on the records of the auditor of state and the collection shall be deposited with the treasurer of state and reported to the state board of finance.

(c) All money collected under an agreement that is sold, transferred, or liquidated under IC 21-49-4-23 shall be immediately transferred to the purchaser, transferee, or assignee of the agreement.

Sec. 6. (a) The state board of finance may:

(1) make all rules;

(2) employ all help;

(3) purchase all supplies and equipment; and

(4) incur all expense;

necessary to properly carry out this chapter.

(b) The expense incident to the administration of this chapter shall be paid from any money in the state treasury not otherwise appropriated upon the warrant of the auditor of state issued on a properly itemized voucher approved by the president of the state board of finance.

Sec. 7. The state board of accounts shall annually examine the status of the fund by a field examiner or field examiners assigned by the state examiner. Upon the completion of the examination, the examiners performing the duty shall prepare a report of the examination. The report must show:

(1) all necessary pertinent information;

(2) the balance of the fund's principal at the close of the previous examination;

(3) the amount of interest and principal paid by each county to the state board of finance since the close of the previous examination;

(4) the balance of principal due at the date of closing of the report;

(5) a statement of receipts and disbursements by the state board of finance;

(6) a list of the securities found to be in the possession of the state board of finance;

(7) the amount of each security; and

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(8) the total amount of all the securities held in custody.

The appropriate officer of the state board of finance shall sign the list described in subdivision (6) in duplicate. The original signed list shall be deposited with the state board of accounts, and the duplicate of the signed list shall be kept in the files of the treasurer of state.

Sec. 8. This chapter may not be construed to relieve the county auditor of any county, or any other county officer, of any liability fixed by law not specifically changed by this chapter.

Sec. 9. Notwithstanding any other law, the treasurer of state:

(1) on the terms that the treasurer of state prescribes; and

(2) without the approval of the state board of finance;

may make loans from the principal of the fund to its board of trustees.

SECTION 179. IC 22-4.1-12-1, AS AMENDED BY P.L.1-2005, SECTION 42, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. As used in this chapter, "eligible student" means:

(1) a student who is:

(A) enrolled in a public high school as a senior;

(B) at risk of withdrawing from school before graduation; and

(C) at risk under the criteria for determining **the** at risk ~~students under IC 21-3-1.6-1.1~~ **index (as defined in IC 21-3-1.6-1.1(l) before its repeal July 1, 2006);** or

(2) a student who is enrolled in the final year of a special education program.

SECTION 180. IC 23-2-4-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 13. (a) There is established the Indiana retirement home guaranty fund. The purpose of the fund is to provide a mechanism for protecting the financial interests of residents and contracting parties in the event of the bankruptcy of the provider.

(b) To create the fund, a guaranty association fund fee of one hundred dollars ($100) shall be levied on each contracting party who enters into a continuing care agreement after August 31, 1982. The fee ~~shall~~ shall be collected by the provider and forwarded to the commissioner within thirty (30) days ~~of~~ **after** occupancy by the resident. Failure of the provider to collect and forward such fee to the commissioner within that thirty (30) day period shall result in the imposition by the commissioner of a twenty-five dollar ($25) penalty against the provider. In addition, interest payable by the provider shall accrue on the unpaid fee at the rate of two percent (2%) a month.

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(c) Any ~~monies~~ **money** received by the commissioner under subsection (b) shall be forwarded to the ~~state~~ treasurer **of state.** The fund, and any income from it, shall be held in trust, deposited in a segregated account, invested and reinvested by the ~~state~~ treasurer **of state** in the same manner as provided in ~~IC 21-1-3-8~~ **IC 20-49-3-10** for investment of the common school fund. ~~and the Indiana University permanent endowment fund.~~

(d) All reasonable expenses of collecting and administering the fund shall be paid from the fund.

(e) ~~Monies~~ **Money** in the fund at the end of the state's fiscal year shall remain in the fund and shall not revert to the general fund.

SECTION 181. IC 23-14-70-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. All money received by a board of commissioners under section 1 of this chapter may be invested in compliance with ~~IC 21-1-7-6.~~ **IC 20-42-1-14.**

SECTION 182. IC 28-1-2-39 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 39. (a) A bank or trust company organized under the laws of any state or the United States may not act in a fiduciary capacity and manage a custodial account under IC 5-10.3-5-5 or ~~IC 21-6.1-3-13~~ **IC 5-10.4-3-13** unless the director or the director's designee has approved an application requesting authorization to manage a custodial account.

(b) The director or the director's designee shall:

(1) create an application form; and

(2) issue a written determination of approval or denial not more than thirty (30) days after receiving a completed application.

The period for approval or denial of an application set forth in subdivision (2) may be extended in the discretion of the director or the director's designee for an additional thirty (30) days.

(c) The director or the director's designee shall issue a written determination of approval if the director or the director's designee is satisfied that the bank or trust company organized under the laws of any state or the United States is operated in a safe and sound condition and that the management is experienced and competent.

SECTION 183. IC 33-33-53-5, AS AMENDED BY P.L.1-2005, SECTION 217, AND AS AMENDED BY P.L.231-2005, SECTION 50, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. In accordance with rules adopted by the judges of the court under section 6 of this chapter, the presiding judge shall do the following:

(1) Ensure that the court operates efficiently and judicially under rules adopted by the court.

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(2) Annually submit to the fiscal body of Monroe County a budget for the court, including amounts necessary for:

(A) the operation of the circuit's probation department;

(B) the defense of indigents; and

(C) maintaining an adequate law library.

(3) Make the appointments or selections required of a circuit or superior court judge under the following statutes:

IC 8-4-21-2

IC 11-12-2-2

IC 16-22-2-4

IC 16-22-2-11

IC 16-22-7

~~*IC 20-4-1*~~

IC 20-23-4

~~*IC 20-4-8*~~

~~*IC 20-23-16-19*~~

~~*IC 20-23-16-21*~~

IC 20-23-7-6

IC 20-23-7-8

~~*IC 20-5-20-4*~~

~~*IC 20-5-23-1*~~

~~*IC 20-14-10-10*~~

~~*IC 20-23-16-30*~~

IC 20-26-7-8

~~*IC 20-26-7-13*~~ **IC 20-26-7-14**

~~*IC 36-12-10-10*~~

~~IC 21-5-11-8~~ **IC 20-47-2-15**

~~IC 21-5-12-8~~ **IC 20-47-3-13**

IC 36-9

IC 36-10

IC 36-12-10-10.

(4) Make appointments or selections required of a circuit or superior court judge by any other statute, if the appointment or selection is not required of the court because of an action before the court.

SECTION 184. IC 34-13-5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 10. (a) A public lawsuit may not be brought, and no trial court has jurisdiction of any public lawsuit that is brought:

(1) more than ten (10) days after the first publication required by law for the sale of bonds of a municipal corporation; or

(2) in the case of a lease under ~~IC 21-5-11,~~ **IC 20-47-2,** more than

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ten (10) days after the first publication of notice by any school building corporation for the sale of its bonds;

but in no case later than the time limited for bringing suit under applicable law.

(b) After a public lawsuit is commenced, no other lawsuit relating to the same subject matter may be commenced, and no trial court has jurisdiction of any subsequent lawsuit. No action may be brought except as provided in this chapter if it could have been the subject of a public lawsuit. This chapter does not diminish any right of intervention of any person, or the right of any person to become a named party in the public lawsuit.

(c) This section shall not be construed to extend any existing statute of limitations on the bringing of any lawsuit.

SECTION 185. IC 36-1-8-5, AS AMENDED BY P.L.73-2005, SECTION 171, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. (a) This section applies to all funds raised by a general or special tax levy on all the taxable property of a political subdivision.

(b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise:

(1) Funds of a county, to the general fund or rainy day fund of the county, as provided in section 5.1 of this chapter.

(2) Funds of a municipality, to the general fund or rainy day fund of the municipality, as provided in section 5.1 of this chapter.

(3) Funds of a township for redemption of township assistance obligations, to the township assistance fund of the township or rainy day fund of the township, as provided in section 5.1 of this chapter.

(4) Funds of any other political subdivision, to the general fund or rainy day fund of the political subdivision, as provided in section 5.1 of this chapter. However, if the political subdivision is dissolved or does not have a general fund or rainy day fund, then to the general fund of each of the units located in the political subdivision in the same proportion that the assessed valuation of the unit bears to the total assessed valuation of the political subdivision.

(c) Whenever an unused and unencumbered balance remains in the civil township fund of a township and a current tax levy for the fund is not needed, the township fiscal body may order any part of the balance

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of that fund transferred to the debt service fund of the school corporation located in or partly in the township. ~~but~~ **However,** if more than one (1) school corporation is located in or partly in the township, then any sum transferred shall be transferred to the debt service fund of each of those school corporations in the same proportion that the part of the assessed valuation of the school corporation in the township bears to the total assessed valuation of the township.

(d) If there is:

(1) an unexpended balance in the debt service fund of any school township; and

(2) no outstanding bonded or other indebtedness of the school township to the payment of which the unexpended balance or any part of the unexpended balance can be legally applied;

the township trustee of the township, with the approval of the township board, may transfer the unexpended balance in the debt service fund to the school general fund of the school township.

(e) Whenever any township has collected any fund for the special or specific purpose of erecting or constructing a school building and the township trustee of the township decides to abandon the proposed work of erecting or constructing the school building, the township trustee of the township shall transfer the fund collected for the special or specific purpose to the township fund of the township, upon the order of the township board to make the transfer. It is lawful thereafter to use the funds for any purpose for which the township funds of the township may be used.

(f) Transfers to a political subdivision's rainy day fund must be made after the last day of the political subdivision's fiscal year and before March 1 of the subsequent calendar year.

SECTION 186. IC 36-1-10-1, AS AMENDED BY P.L.1-2005, SECTION 232, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) Except as provided in subsection (b), this chapter applies to:

(1) political subdivisions and agencies of political subdivisions that determine to acquire structures, transportation projects, or systems by lease or lease-purchase;

(2) a convention and visitor bureau established under IC 6-9-2 that determines to acquire a visitor center by lease or lease purchase; and

(3) a convention and visitor commission established by IC 6-9-11 that determines to acquire a sports and recreation facility by lease or lease purchase.

(b) This chapter does not apply to:

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(1) the lease of library buildings under IC 36-12-10, unless the library board of the public library adopts a resolution to proceed under this chapter instead of IC 36-12-10;

(2) the lease of school buildings under ~~IC 21-5,~~ **IC 20-47;**

(3) county hospitals organized or operating under IC 16-22-1 through IC 16-22-5;

(4) municipal hospitals organized or operating under IC 16-23-1; or

(5) boards of aviation commissioners established under IC 8-22-2.

SECTION 187. IC 36-1-10.5-1, AS AMENDED BY P.L.1-2005, SECTION 233, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) Except as provided in subsection (b), this chapter applies to:

(1) political subdivisions; and

(2) their agencies.

(b) This chapter does not apply to the purchase of:

(1) real property having a total price (including land and structures, if any) of twenty-five thousand dollars ($25,000) or less;

(2) airport land or structures under IC 8-22;

(3) library land or structures under IC 36-12;

(4) school land or structures under ~~IC 21-5,~~ **IC 20-47;**

(5) hospital land or structures by hospitals organized or operated under IC 16-22-1 through IC 16-22-5 or IC 16-23-1;

(6) land or structures acquired for a road or street right-of-way for a federal-aid project funded in any part under 23 U.S.C. 101 et seq.;

(7) land or structures by redevelopment commissions under IC 36-7-14 or IC 36-7-15.1, or redevelopment authorities under IC 36-7-14.5; or

(8) land by a municipally owned water utility, if:

(A) the municipally owned water utility has performed or contracted with another party to perform sampling and drilling tests of the land; and

(B) the sampling and drilling tests indicate the land has water resources.

SECTION 188. IC 36-1-11-1, AS AMENDED BY P.L.184-2005, SECTION 37, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) Except as provided in subsection (b), this chapter applies to the disposal of property by:

(1) political subdivisions; and

(2) their agencies.

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(b) This chapter does not apply to the following:

(1) The disposal of property under an urban homesteading program under IC 36-7-17.

(2) The lease of school buildings under ~~IC 21-5.~~ **IC 20-47.**

(3) The sale of land to a lessor in a lease-purchase contract under IC 36-1-10.

(4) The disposal of property by a redevelopment commission established under IC 36-7.

(5) The leasing of property by a board of aviation commissioners established under IC 8-22-2 or an airport authority established under IC 8-22-3.

(6) The disposal of a municipally owned utility under IC 8-1.5.

(7) The sale or lease of property by a unit to an Indiana nonprofit corporation organized for educational, literary, scientific, religious, or charitable purposes that is exempt from federal income taxation under Section 501 of the Internal Revenue Code or the sale or reletting of that property by the nonprofit corporation.

(8) The disposal of surplus property by a hospital established and operated under IC 16-22-1 through IC 16-22-5, IC 16-22-8, IC 16-23-1, or IC 16-24-1.

(9) The sale or lease of property acquired under IC 36-7-13 for industrial development.

(10) The sale, lease, or disposal of property by a local hospital authority under IC 5-1-4.

(11) The sale or other disposition of property by a county or municipality to finance housing under IC 5-20-2.

(12) The disposition of property by a soil and water conservation district under IC 14-32.

(13) The disposal of surplus property by the health and hospital corporation established and operated under IC 16-22-8.

(14) The disposal of personal property by a library board under IC 36-12-3-5(c).

(15) The sale or disposal of property by the historic preservation commission under IC 36-7-11.1.

(16) The disposal of an interest in property by a housing authority under IC 36-7-18.

(17) The disposal of property under IC 36-9-37-26.

(18) The disposal of property used for park purposes under IC 36-10-7-8.

(19) The disposal of textbooks that will no longer be used by school corporations under IC 20-26-12.

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(20) The disposal of residential structures or improvements by a municipal corporation without consideration to:

(A) a governmental entity; or

(B) a nonprofit corporation that is organized to expand the supply or sustain the existing supply of good quality, affordable housing for residents of Indiana having low or moderate incomes.

(21) The disposal of historic property without consideration to a nonprofit corporation whose charter or articles of incorporation allows the corporation to take action for the preservation of historic property. As used in this subdivision, "historic property" means property that is:

(A) listed on the National Register of Historic Places; or

(B) eligible for listing on the National Register of Historic Places, as determined by the division of historic preservation and archeology of the department of natural resources.

(22) The disposal of real property without consideration to:

(A) a governmental agency; or

(B) a nonprofit corporation that exists for the primary purpose of enhancing the environment;

when the property is to be used for compliance with a permit or an order issued by a federal or state regulatory agency to mitigate an adverse environmental impact.

(23) The disposal of property to a person under an agreement between the person and a political subdivision or an agency of a political subdivision under IC 5-23.

(24) The disposal of residential real property pursuant to a federal aviation regulation (14 CFR 150) Airport Noise Compatibility Planning Program as approved by the Federal Aviation Administration.

SECTION 189. IC 36-1-12-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 14. (a) This section applies to public work contracts in excess of one hundred thousand dollars ($100,000) for projects other than highways, roads, streets, alleys, bridges, and appurtenant structures situated on streets, alleys, and dedicated highway rights-of-way. This section also applies to a lessor corporation qualifying under ~~IC 21-5-11~~ **IC 20-47-2** or ~~IC 21-5-12~~ **IC 20-47-3** or any other lease-back arrangement containing an option to purchase, notwithstanding the statutory provisions governing those leases.

(b) A board that enters into a contract for public work, and a contractor who subcontracts parts of that contract, shall include in their

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respective contracts provisions for the retainage of portions of payments by the board to contractors, by contractors to subcontractors, and for the payment of subcontractors. At the discretion of the contractor, the retainage shall be held by the board or shall be placed in an escrow account with a bank, savings and loan institution, or the state as the escrow agent. The escrow agent shall be selected by mutual agreement between board and contractor or contractor and subcontractor under a written agreement among the bank or savings and loan institution and:

(1) the board and the contractor; or

(2) the subcontractor and the contractor.

The board shall not be required to pay interest on the amounts of retainage that it holds under this section.

(c) To determine the amount of retainage to be withheld, the board shall:

(1) withhold no more than ten percent (10%) of the dollar value of all work satisfactorily completed until the public work is fifty percent (50%) completed, and nothing further after that; or

(2) withhold no more than five percent (5%) of the dollar value of all work satisfactorily completed until the public work is substantially completed.

If upon substantial completion of the public work minor items remain uncompleted, an amount computed under subsection (f) ~~of this section~~ shall be withheld until those items are completed.

(d) The escrow agreement must contain the following provisions:

(1) The escrow agent shall invest all escrowed principal in obligations selected by the escrow agent.

(2) The escrow agent shall hold the escrowed principal and income until receipt of notice from the board and the contractor, or the contractor and the subcontractor, specifying the part of the escrowed principal to be released from the escrow and the person to whom that portion is to be released. After receipt of the notice, the escrow agent shall remit the designated part of escrowed principal and the same proportion of then escrowed income to the person specified in the notice.

(3) The escrow agent shall be compensated for the agent's services. The parties may agree on a reasonable fee comparable with fees being charged for the handling of escrow accounts of similar size and duration. The fee shall be paid from the escrowed income.

The escrow agreement may include other terms and conditions consistent with this subsection, including provisions authorizing the

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escrow agent to commingle the escrowed funds with funds held in other escrow accounts and limiting the liability of the escrow agent.

(e) The contractor shall furnish the board with a performance bond equal to the contract price. If acceptable to the board, the performance bond may provide for incremental bonding in the form of multiple or chronological bonds that, when taken as a whole, equal the contract price. The surety on the performance bond may not be released until one (1) year after the date of the board's final settlement with the contractor. The performance bond must specify that:

(1) a modification, omission, or addition to the terms and conditions of the public work contract, plans, specifications, drawings, or profile;

(2) a defect in the public work contract; or

(3) a defect in the proceedings preliminary to the letting and awarding of the public work contract;

does not discharge the surety.

(f) The board or escrow agent shall pay the contractor within sixty-one (61) days after the date of substantial completion, subject to sections 11 and 12 of this chapter. Payment by the escrow agent shall include all escrowed principal and escrowed income. If within sixty-one (61) days after the date of substantial completion there remain uncompleted minor items, an amount equal to two hundred percent (200%) of the value of each item as determined by the architect-engineer shall be withheld until the item is completed. Required warranties begin not later than the date of substantial completion.

(g) Actions against a surety on a performance bond must be brought within one (1) year after the date of the board's final settlement with the contractor.

(h) This subsection applies to public work contracts of less than two hundred fifty thousand dollars ($250,000). The board may waive the performance bond requirement of subsection (e) and accept from a contractor an irrevocable letter of credit for an equivalent amount from an Indiana financial institution approved by the department of financial institutions instead of a performance bond. Subsections (e) through (g) apply to a letter of credit submitted under this subsection.

SECTION 190. IC 36-1-14-1, AS AMENDED BY P.L.231-2005, SECTION 51, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) This section does not apply to donations of proceeds from riverboat gaming to a public school endowment corporation under ~~IC 20-26-5-21.~~ **IC 20-47-1-3.**

(b) As used in this section, "riverboat gaming revenue" means tax

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revenue received by a unit under IC 4-33-12-6, IC 4-33-13, or an agreement to share a city's or county's part of the tax revenue.

(c) Notwithstanding IC 8-1.5-2-6(d), a unit may donate the proceeds from the sale of a utility or facility or from a grant, a gift, a donation, an endowment, a bequest, a trust, or riverboat gaming revenue to a foundation under the following conditions:

(1) The foundation is a charitable nonprofit community foundation.

(2) The foundation retains all rights to the donation, including investment powers.

(3) The foundation agrees to do the following:

(A) Hold the donation as a permanent endowment.

(B) Distribute the income from the donation only to the unit as directed by resolution of the fiscal body of the unit.

(C) Return the donation to the general fund of the unit if the foundation:

(i) loses the foundation's status as a public charitable organization;

(ii) is liquidated; or

(iii) violates any condition of the endowment set by the fiscal body of the unit.

SECTION 191. IC 36-1-15-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. The department of local government finance shall compute, in conjunction with the approvals required under:

(1) IC 6-1.1-18.5-8(b); and ~~IC 6-1.1-19-8,~~

(2) IC 20-46-7-8, IC 20-46-7-9, and IC 20-46-7-10;

an adjusted value of the taxable property within each political subdivision. The department of local government finance may request a certification of net assessed valuation from the county auditor in order to make a calculation under this section.

SECTION 192. IC 36-7-15.1-26.9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 26.9. (a) The definitions set forth in section 26.5 of this chapter apply to this section.

(b) The fiscal officer of the consolidated city shall publish in the newspaper in the county with the largest circulation all determinations made under section 26.5 or 26.7 of this chapter that result in the allowance or disallowance of credits. The publication of a determination made under section 26.5 of this chapter shall be made not later than June 20 of the year in which the determination is made. The publication of a determination made under section 26.7 of this chapter shall be made not later than December 5 of the year in which

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the determination is made.

(c) If credits are granted under section 26.5(g) or 26.5(h) of this chapter, whether in whole or in part, property taxes on personal property (as defined in IC 6-1.1-1-11) that are equal to the aggregate amounts of the credits for all taxpayers in the allocation area under section 26.5(g) and 26.5(h) of this chapter shall be:

(1) allocated to the redevelopment district;

(2) paid into the special fund for that allocation area; and

(3) used for the purposes specified in section 26 of this chapter.

(d) The county auditor shall adjust the estimate of assessed valuation that the auditor certifies under IC 6-1.1-17-1 for all taxing units in which the allocation area is located. The county auditor may amend this adjustment at any time before the earliest date a taxing unit must publish the unit's proposed property tax rate under IC 6-1.1-17-3 in the year preceding the year in which the credits under section 26.5(g) or 26.5(h) of this chapter are paid. The auditor's adjustment to the assessed valuation shall be:

(1) calculated to produce an estimated assessed valuation that will offset the effect that paying personal property taxes into the allocation area special fund under subsection (c) would otherwise have on the ability of a taxing unit to achieve the taxing unit's tax levy in the following year; and

(2) used by the county board of tax adjustment, the department of local government finance, and each taxing unit in determining each taxing unit's tax rate and tax levy in the following year.

(e) The amount by which a taxing unit's levy is adjusted as a result of the county auditor's adjustment of assessed valuation under subsection (d), and the amount of the levy that is used to make direct payments to taxpayers under section 26.5(h) of this chapter, is not part of the total county tax levy under IC 6-1.1-21-2(g) and is not subject to IC 6-1.1-20.

(f) The ad valorem property tax levy limits imposed by IC 6-1.1-18.5-3 and ~~IC 6-1.1-19-1.5~~ **IC 20-45-3** do not apply to ad valorem property taxes imposed that are used to offset the effect of paying personal property taxes into an allocation area special fund during the taxable year under subsection (d) or to make direct payments to taxpayers under section 26.5(h) of this chapter. For purposes of computing the ad valorem property tax levy limits imposed under IC 6-1.1-18.5-3 and ~~IC 6-1.1-19-1.5,~~ **IC 20-45-3,** a taxing unit's ad valorem property tax levy for a particular calendar year does not include that part of the levy imposed to offset the effect of paying personal property taxes into an allocation area special fund under

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subsection (d) or to make direct payments to taxpayers under section 26.5(h) of this chapter.

(g) Property taxes on personal property that are deposited in the allocation area special fund:

(1) are subject to any pledge of allocated property tax proceeds made by the redevelopment district under section 26(d) of this chapter, including but not limited to any pledge made to owners of outstanding bonds of the redevelopment district of allocated taxes from that area; and

(2) may not be treated as property taxes used to pay interest or principal due on debt under IC 6-1.1-21-2(g)(1)(D).

SECTION 193. IC 36-10-12-7, AS ADDED BY P.L.1-2005, SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. (a) With the consent of the township board, the township trustee may provide financial assistance to a children's museum. The assistance shall be:

(1) paid from the funds of the school township;

(2) budgeted and appropriated as provided by law; and

(3) in an amount each year not to exceed the product of twenty-five cents ($0.25) multiplied by the ~~average daily attendance~~ **ADA (as defined in IC 20-18-2-1.5(a))** of children enrolled in grades 1 through 8 in the public schools of the township as reported in the last preceding annual report to the state superintendent of public instruction.

(b) The assistance under subsection (a) is payable annually. The trustee and the township board may continue the assistance annually if the board of trustees or other governing body of the children's museum has accepted by resolution the provisions of this chapter and has filed a certified copy of the resolution with the township trustee of the township before the date of the first payment.

SECTION 194. IC 36-10-12-8, AS ADDED BY P.L.1-2005, SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) The board of school trustees of a town may provide financial assistance to a children's museum. The assistance shall be:

(1) paid from the funds of the school town; and

(2) in an amount each year not to exceed the product of twenty-five cents ($0.25) multiplied by the ~~average daily attendance~~ **ADA (as defined in IC 20-18-2-1.5(a))** of children enrolled in grades 1 through 8 in the public schools of the town as reported in the last preceding annual report to the state superintendent of public instruction.

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(b) The assistance under subsection (a) is payable annually. The board of school trustees may continue the assistance annually if the board of trustees or other governing body of the children's museum has accepted by resolution the provisions of this chapter and has filed a certified copy of the resolution with the board of school trustees before the date of the first payment.

SECTION 195. IC 36-10-13-5, AS ADDED BY P.L.1-2005, SECTION 48, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. (a) This section applies only to a school corporation in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000).

(b) To provide funding for a historical society under this section, the governing body of a school corporation may impose a tax of not more than five-tenths of one cent ($0.005) on each one hundred dollars ($100) of assessed valuation in the school corporation.

(c) A tax under this section is not subject to the ~~tax~~ **maximum permissible tuition support** levy limitations imposed on the school corporation by ~~IC 6-1.1-19-1.5 or IC 21-2-11-8.~~ **IC 20-45-3.**

(d) The school corporation shall deposit the proceeds of the tax in a fund to be known as the historical society fund. The historical society fund is separate and distinct from the school corporation's general fund and may be used only to provide funds for a historical society under this section.

(e) Subject to section 6 of this chapter, the governing body of the school corporation may annually appropriate the money in the fund to be paid in semiannual installments to a historical society having facilities in the county.

SECTION 196. IC 36-10-13-7, AS ADDED BY P.L.1-2005, SECTION 48, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 7. (a) This section applies to school corporations in a county containing a city having a population of:

(1) more than one hundred fifty thousand (150,000) but less than five hundred thousand (500,000);

(2) more than one hundred twenty thousand (120,000) but less than one hundred fifty thousand (150,000);

(3) more than ninety thousand (90,000) but less than one hundred five thousand (105,000);

(4) more than one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000); or

(5) more than seventy-five thousand (75,000) but less than ninety thousand (90,000).

(b) To provide funding for an art association under this section, the

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governing body of a school corporation may impose a tax of not more than five-tenths of one cent ($0.005) on each one hundred dollars ($100) of assessed valuation in the school corporation. The tax is not subject to the ~~tax~~ **maximum permissible tuition support** levy limitations imposed on the school corporation by ~~IC 6-1.1-19-1.5 or IC 21-2-11-8.~~ **IC 20-45-3.**

(c) The school corporation shall deposit the proceeds of the tax imposed under subsection (b) in a fund to be known as the art association fund. The art association fund is separate and distinct from the school corporation's general fund and may be used only to provide funds for an art association under this section. The governing body of the school corporation may annually appropriate the money in the fund to be paid in semiannual installments to an art association having facilities in a city that is described in subsection (a), subject to subsection (d).

(d) Before an art association may receive payments under this section, the association's governing board must adopt a resolution that entitles:

(1) the governing body of the school corporation to appoint the school corporation's superintendent and director of art instruction as visitors who may attend all meetings of the association's governing board;

(2) the governing body of the school corporation to nominate individuals for membership on the association's governing board, with at least two (2) of the nominees to be elected;

(3) the school corporation to use the association's facilities and equipment for educational purposes consistent with the association's purposes;

(4) the students and teachers of the school corporation to tour the association's museum and galleries free of charge;

(5) the school corporation to borrow materials from the association for temporary exhibit in the schools;

(6) the teachers of the school corporation to receive normal instruction in the fine and applied arts at half the regular rates charged by the association; and

(7) the school corporation to expect exhibits in the association's museum that will supplement the work of the students and teachers of the corporation.

A copy of the resolution, certified by the president and secretary of the association, must be filed in the office of the school corporation before payments may be received.

(e) A resolution filed under subsection (d) is not required to be

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renewed annually. The resolution continues in effect until rescinded. An art association that complies with this section is entitled to continue to receive payments under this section as long as the art association complies with the resolution.

(f) If more than one (1) art association in a city that is described in subsection (a) qualifies to receive payments under this section, the governing body of the school corporation shall select the one (1) art association best qualified to perform the services described in subsection (d). A school corporation may select only one (1) art association to receive payments under this section.

SECTION 197. IC 36-10-14 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 14. Public Playgrounds Maintained by School; Third Class Cities

Sec. 1. This chapter applies only to a school corporation in a third class city with a board of school trustees.

Sec. 2. As used in this chapter, "board" refers to a board of school trustees in a third class city.

Sec. 3. The board may establish, maintain, and equip public playgrounds to be used by children during the summer vacation period. The board may use the public school buildings and grounds in the cities as is necessary to carry out this chapter.

Sec. 4. Subject to IC 6-1.1-18-12, the board may levy a tax not exceeding sixty-seven hundredths of one cent ($0.0067) on each one hundred dollars ($100) of assessed valuation of the property in the city to create a fund to carry out this chapter.

Sec. 5. The board may lease or purchase grounds in addition to the school grounds, either adjacent to the school grounds or elsewhere in the city. The board may also, under eminent domain statutes, condemn ground to be used for these purposes and pay for condemned ground out of the school revenues of the city not otherwise appropriated.

Sec. 6. The board:

(1) has full control of all playgrounds, including the preservation of order on playgrounds; and

(2) may adopt suitable rules and bylaws for the control of playgrounds. The board may enforce the rules by suitable penalties.

Sec. 7. (a) The board may select and pay for directors and assistants.

(b) The directors and assistants, while on duty and to preserve

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order and the observance of the rules and bylaws of the board, have all the powers of police officers of the city.

(c) The compensation for the directors and assistants shall be:

(1) fixed by the board; and

(2) paid from school revenues not otherwise appropriated.

SECTION 198. IC 36-12-15 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 15. Free Public Use of School Libraries

Sec. 1. As used in this chapter, "governing body" has the meaning set forth in IC 20-26-2-2.

Sec. 2. In cities and incorporated towns, a governing body may establish a free public library in connection with the common schools for:

(1) the care, protection, and operation of the library;

(2) the care of books and other materials; and

(3) borrowing and returning books and other materials and penalties for any violations.

However, in any city or incorporated town where there is established a library open to all the people, a tax may not be levied.

Sec. 3. The governing body may levy a tax of not more than one-tenth cent ($0.001) on each one dollar ($1) of taxable property assessed for taxation in a city or incorporated town in each year. The tax shall be placed on the tax duplicate of the city or incorporated town and collected in the same manner as other taxes. The taxes shall be paid to the governing body for the support and maintenance of the public library. The governing body may use tax revenues received under this section and gifts, devises, and grants to:

(1) provide suitable facilities for the library;

(2) purchase books and other materials; and

(3) hire necessary personnel.

Sec. 4. A city or incorporated town in which a free public library is established under this chapter may acquire by purchase or take and hold by gift, grant, or devise any real estate necessary for, or that is donated or devised for, the library. Any revenue derived from the real property shall be used for the library.

SECTION 199. THE FOLLOWING ARE REPEALED [EFFECTIVE JULY 1, 2006]: IC 5-10.2-5-18; IC 5-10.2-5-32; IC 5-10.2-5-34.4; IC 5-10.2-5-37; IC 6-1.1-19-1.5; IC 6-1.1-19-1.7; IC 6-1.1-19-2; IC 6-1.1-19-4.2; IC 6-1.1-19-4.4; IC 6-1.1-19-4.5; IC 6-1.1-19-4.6; IC 6-1.1-19-4.7; IC 6-1.1-19-4.9; IC 6-1.1-19-5.1;

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IC 6-1.1-19-5.4; IC 6-1.1-19-6; IC 6-1.1-19-8; IC 6-1.1-19-10; IC 6-1.1-19-10.5; IC 6-1.1-19-11; IC 6-1.1-19-12; IC 20-23-3-3; IC 20-23-3-5; IC 20-23-3-6; IC 20-23-3-7; IC 20-23-4-41; IC 20-23-16-4; IC 20-23-16-27; IC 20-25-4-5; IC 20-25-4-6; IC 20-25-4-7; IC 20-25-4-8; IC 20-25-4-9; IC 20-26-5-15; IC 20-26-5-16; IC 20-26-5-17; IC 20-26-5-21; IC 20-26-5-22; IC 20-26-5-25; IC 20-26-5-26; IC 20-26-5-27; IC 20-26-6; IC 20-26-8-4; IC 20-26-11-28; IC 20-30-6-3; IC 20-30-7-12; IC 20-30-8-4.5; IC 20-33-2-2; IC 21-1; IC 21-2; IC 21-3; IC 21-4; IC 21-5; IC 21-6.1-1; IC 21-6.1-2; IC 21-6.1-3; IC 21-6.1-4; IC 21-6.1-5; IC 21-6.1-6; IC 21-6.1-7.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Judiciary, to which was referred House Bill 1134, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

FOLEY, Chair

Committee Vote: yeas 11, nays 0.

COMMITTEE REPORT

Madam President: The Senate Committee on Judiciary, to which was referred House Bill No. 1134, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is made to House Bill 1134 as printed January 6, 2006.)

BRAY, Chairperson

Committee Vote: Yeas 9, Nays 0.

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