

Second Regular Session 117th General Assembly (2012)

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 2011 Regular Session of the General Assembly.

HOUSE ENROLLED ACT No. 1192

AN ACT to amend the Indiana Code concerning taxation.

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

SECTION 1. IC 5-1-5-2.5, AS ADDED BY P.L.229-2011, SECTION 63, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2.5. (a) As used in this section, "eligible school corporation" means a school corporation (as defined in IC 36-1-2-17) that satisfies all the conditions required by this section.

(b) As used in this section, "increment" means the annual difference between:

- (1) the annual debt service payment for the bonds proposed to be retired or refunded; and
- (2) the annual debt service payment for the proposed refunding bonds;

for each year that the bonds that are being retired or refunded would have been outstanding.

(c) In order for a school corporation to be an eligible school corporation under this section, the school corporation must determine that the percentage computed under this subsection for the school corporation is **at least twenty percent (20%) before January 1, 2014, or at least thirty percent (30%) after December 31, 2013**, regarding the year for which the latest certified levies have been determined. A school corporation shall compute its percentage as follows:

- (1) Compute the amount of credits granted under IC 6-1.1-20.6

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against the school corporation's combined levy for the school corporation's:

- (A) debt service fund, as described in IC 20-46-7-15;
 - (B) capital projects fund;
 - (C) transportation fund;
 - (D) school bus replacement fund; and
 - (E) racial balance fund.
- (2) Compute the school corporation's combined levy for the school corporation's:
- (A) capital projects fund;
 - (B) transportation fund;
 - (C) school bus replacement fund; and
 - (D) racial balance fund.
- (3) Divide the amount computed under subdivision (1) by the amount computed under subdivision (2) and express it as a percentage.

A school corporation that desires to be an eligible school corporation under this section must submit a written request for a certification by the department of local government finance that the computation of the school corporation's percentage computed under this subsection is correct. The department of local government finance shall, not later than ten (10) working days after the date the department receives the school corporation's request, certify the percentage computed under this subsection for the school corporation.

(d) A school corporation that desires to be an eligible school corporation under this section must satisfy the following conditions:

- (1) The school corporation shall conduct a public hearing and provide notice of the time, date, and place of the hearing, published as required by IC 5-3-1, before the school corporation may adopt ~~an ordinance~~ **a resolution** under this section. At the public hearing, the governing body must provide the following information:
- (A) The annual debt service payments, applicable debt service tax rate, and total debt service payments for the bonds proposed to be retired or refunded.
 - (B) The annual debt service payments, applicable debt service fund tax rate, and total debt service payments for the proposed refunding bonds.
 - (C) The annual increment for each year that the bonds that are being retired or refunded would have been outstanding and any other benefits to be derived from issuing the refunding

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bonds.

(2) The requirements of this subdivision do not apply to a school corporation that adopts a resolution under subsection (g) before January 1, 2014, and that has a percentage computed under subsection (c) that is at least twenty percent (20%), as certified by the department of local government finance. If the amount determined under subsection (c)(3) is:

(A) more than forty-five percent (45%), notwithstanding IC 6-1.1-20-3.1(a) and IC 6-1.1-20-3.2(a), the school corporation shall use the petition and remonstrance process prescribed by IC 6-1.1-20-3.1(b) and IC 6-1.1-20-3.2(b) and more individuals must sign the petition for the bond refunding under this section than the number of individuals signing a remonstrance against the bond refunding; or

(B) at least thirty percent (30%) but not more than forty-five percent (45%), the school corporation shall conduct a referendum on a public question regarding the bond refunding using the process for a referendum tax levy under IC 20-46-1 and the bond refunding must be approved by the eligible voters of the school corporation. The question to be submitted to the voters in the referendum must read as follows:

"Shall _____ (insert the name of the school corporation) issue refunding bonds to refund not more than fifty percent (50%) of its outstanding bonds to provide an annual savings to the school's debt service fund that can be transferred from the school's debt service fund to the school's capital projects fund, transportation fund, or school bus replacement fund?".

(3) The requirements of this subdivision apply to a school corporation that adopts a resolution under subsection (g) before January 1, 2014, and that has a percentage computed under subsection (c) that is at least twenty percent (20%), as certified by the department of local government finance. The school corporation must either:

(A) have the distressed unit appeal board approve the school corporation's financial plan for paying any refunding bonds issued under this section, as provided in subsection (e); or

(B) meet all of the following conditions:

(i) The ratio that the amount of the school corporation's debt (as determined in December 2010) bears to the school corporation's 2011 ADM ranks in the ten (10) highest among all school corporations.

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(ii) The ratio that the amount of the school corporation's debt (as determined in December 2010) bears to the school corporation's total assessed valuation for calendar year 2011 ranks in the ten (10) highest among all school corporations.

(iii) The amount of homestead assessed valuation in the school corporation for calendar year 2011 was at least sixty percent (60%) of the total amount of assessed valuation in the school corporation for calendar year 2011.

(e) A school corporation meets the requirement of subsection (d)(3)(A) if:

- (1) the school corporation submits to the distressed unit appeal board the school corporation's financial plan for paying any refunding bonds issued under this section; and
- (2) the distressed unit appeal board approves the plan after making a determination that the financial plan is feasible.

The distressed unit appeal board must either approve or disapprove the financial plan not more than sixty (60) days after the later of the date the school corporation submits the financial plan under this subsection or the date on which the department of local government finance certifies the percentage computed for the school corporation under subsection (c). The distressed unit appeal board may not unreasonably deny approval of a school corporation's financial plan under this subsection.

(f) Except as provided in subdivision (2)(A), subsection (d)(2)(A), IC 6-1.1-20 does not apply to bonds issued under this section.

(g) A school corporation that desires to be an eligible school corporation under this section must, before July 1, 2013, and notwithstanding any other law, adopt an ordinance a resolution that sets forth the following:

- (1) The determinations made under subsection (c), including the department of local government finance's certification of the percentage computed under subsection (c).
- (2) The requirements of this subdivision do not apply to a resolution adopted under this subsection before January 1, 2014, if the school corporation has a percentage computed under subsection (c) that is at least twenty percent (20%), as certified by the department of local government finance. The result of the petition remonstrance process under subsection (d)(2)(A) or the result of the vote on the public question under subsection (d)(2)(B), whichever applies.

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- (3) A determination providing for the:
 - (A) issuance of bonds to refund not more than fifty percent (50%) of outstanding bonds or leases issued by or on behalf of the school corporation; and
 - (B) payment of redemption premiums and the costs of the refunding.
- (4) With respect to the refunding bonds, the following:
 - (A) The maximum principal amount.
 - (B) The maximum interest rate.
 - (C) The annual lease or debt service payment.
 - (D) The final maturity date.
 - (E) The estimated amount of the increment that will occur for each year that the bonds that are being retired or refunded by the issuance of refunding bonds would have been outstanding.
 - (F) A finding that the annual debt service or lease payment on the refunding bonds will not increase the annual debt service or lease payment above the annual debt service or lease payment approved by the school corporation for the original project.

If the governing body adopts ~~an ordinance a resolution~~ under this section, the governing body must publish notice of the adoption of ~~the ordinance the resolution~~ as required by IC 5-3-1.

~~(f)~~ **(h)** An eligible school corporation may issue refunding bonds as permitted by this section. In addition, an eligible school corporation may extend the repayment period beyond the repayment period for the bonds that are being retired or refunded by the issuance of refunding bonds. However, the repayment period may be extended only once for a particular bond, and the extension may not exceed ten (10) years **after the latest maturity date for any of the bonds being retired or refunded by the eligible school corporation under this section.**

~~(g)~~ **(i)** Property taxes imposed by an eligible school corporation to pay debt service for bonds permitted by this section shall be considered for purposes of calculating the limits to property tax liability under Article 10, Section 1 of the Constitution of the State of Indiana and for calculating a person's credit under IC 6-1.1-20.6-7.5. However, property taxes imposed by an eligible school corporation through December 31, 2019, to pay debt service for bonds permitted by this section may not be considered in an eligible county, as used in Article 10, Section 1(h) of the Constitution of the State of Indiana, for purposes of calculating the limits to property tax liability under Article 10, Section 1 of the Constitution of the State of Indiana or for calculating a person's credit under IC 6-1.1-20.6-7.5.



(j) If a school corporation described in subsection (d)(3)(B) issues refunding bonds as permitted by this section, the school corporation must, not more than sixty (60) days after the department of local government finance certifies the school corporation's percentage under subsection (c), report information concerning the refunding to the distressed unit appeal board. The distressed unit appeal board shall make a non-binding review with recommendations regarding the school's financial condition and operating practices.

SECTION 2. IC 5-10-8-6.8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 6.8. (a) This section applies to a school corporation that results from the consolidation, reorganization, or merger, after May 1, 2012, of:**

- (1) a school corporation that has elected to provide coverage of health care services for active and retired employees of the school corporation under a state employee health plan; and**
- (2) a school corporation that has not elected to provide coverage of health care services for active and retired employees of the school corporation under a state employee health plan.**

(b) A school corporation that results from a consolidation, reorganization, or merger described in subsection (a) must allow an individual for whom the school corporation described in subsection (a)(1) had (as of the effective date of the consolidation, reorganization, or merger) health insurance liability under a state employee health plan to continue the individual's coverage under the state employee health plan for at least five (5) years, as long as the individual otherwise remains eligible for coverage under the plan.

(c) This SECTION expires January 1, 2018.

SECTION 3. IC 6-1.1-20.3-2, AS AMENDED BY P.L.146-2008, SECTION 202, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2. As used in this chapter, "distressed political subdivision" means a political subdivision that expects to have the political subdivision's property tax collections reduced by at least five percent (5%) in a calendar year as a result of the application of the credit under IC 6-1.1-20.6 for that calendar year: designated as a distressed political subdivision by the board under section 6.5 of this chapter.**

SECTION 4. IC 6-1.1-20.3-4, AS AMENDED BY P.L.146-2008, SECTION 203, IS AMENDED TO READ AS FOLLOWS



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[EFFECTIVE UPON PASSAGE]: Sec. 4. (a) The distressed unit appeal board is established.

(b) The distressed unit appeal board consists of the following members:

(1) The director of the office of management and budget or the director's designee. The director or the director's designee shall serve as chairperson of the distressed unit appeal board.

(2) The commissioner of the department of local government finance or the commissioner's designee.

~~(3) The commissioner of the department of state revenue or the commissioner's designee.~~

~~(4)~~ **(3)** The state examiner of the state board of accounts or the state examiner's designee.

~~(5) The following members appointed by the governor:~~

~~(A) One ~~(1)~~ member appointed from nominees submitted by the Indiana Association of Cities and Towns:~~

~~(B) One ~~(1)~~ member appointed from nominees submitted by the Association of Indiana Counties:~~

~~(C) One ~~(1)~~ member appointed from nominees submitted by the Indiana Association of School Superintendents:~~

A member nominated and appointed under this subdivision must be an elected official of a political subdivision:

~~(6) One ~~(1)~~ member appointed by the governor (in addition to members appointed under subdivision ~~(5)~~):~~

~~(7) One ~~(1)~~ member appointed by the speaker of the house of representatives. A member appointed under this subdivision serves a term of four ~~(4)~~ years.~~

(4) The state superintendent of public instruction or the superintendent's designee.

(5) An individual appointed by the chairman of the legislative council.

~~(c) The members appointed under subsection (b)(5) and subsection (b)(6) serve at the pleasure of the governor:~~

~~(d)~~ **(c)** Each member of the commission is entitled to reimbursement for:

(1) traveling expenses as provided under IC 4-13-1-4; and

(2) other expenses actually incurred in connection with the member's duties as provided in the state policies and procedures established by the Indiana department of administration and approved by the budget agency.

SECTION 5. IC 6-1.1-20.3-6, AS AMENDED BY P.L.146-2008, SECTION 205, IS AMENDED TO READ AS FOLLOWS



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[EFFECTIVE UPON PASSAGE]: Sec. 6. (a) ~~For property taxes first due and payable in 2008 and thereafter, The fiscal body and the executive of a distressed political subdivision may petition the board for relief as authorized under this chapter from the application of the credit under IC 6-1.1-20.6 for a calendar year. political subdivision may jointly file a petition with the board seeking to have the political subdivision designated as a distressed political subdivision under this chapter.~~

(b) A petition under subsection (a) must include a proposed financial plan for the distressed political subdivision. The proposed financial plan must include the following:

- (1) Proposed budgets that would enable the distressed political subdivision to cease being a distressed political subdivision.
- (2) Proposed efficiencies, consolidations, cost reductions, uses of alternative or additional revenues, or other actions that would enable the distressed political subdivision to cease being a distressed political subdivision.
- (3) Proposed increases, if any, in the percentage thresholds (specified as a percentage of gross assessed value) at which the credit under IC 6-1.1-20.6 will apply, including any varying percentages for different classes of property.
- (4) Proposed reductions, if any, to the credits under IC 6-1.1-20.6 (by percentages), including any varying percentage reductions for different classes of property.

(b) **The governing body and the superintendent of a school corporation may jointly file a petition with the board seeking relief under section 8.3 of this chapter.**

(c) The board may adopt procedures governing the timing and required content of a petition under subsection (a).

SECTION 6. IC 6-1.1-20.3-6.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 6.5. (a) After the board receives a petition concerning a political subdivision under section 6(a) of this chapter, the board may designate the political subdivision as a distressed political subdivision if at least one (1) of the following conditions applies to the political subdivision:**

- (1) **The political subdivision has defaulted in payment of principal or interest on any of its bonds or notes.**
- (2) **The political subdivision has failed to make required payments to payroll employees for thirty (30) days or two (2) consecutive payrolls.**
- (3) **The political subdivision has failed to make required**



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payments to judgment creditors for sixty (60) days beyond the date of the recording of the judgment.

(4) The political subdivision, for at least thirty (30) days beyond the due date, has failed to do any of the following:

- (A) Forward taxes withheld on the incomes of employees.
- (B) Transfer employer or employee contributions due under the Federal Insurance Contributions Act (FICA).
- (C) Deposit the political subdivision's minimum obligation payment to a pension fund.

(5) The political subdivision has accumulated a deficit equal to eight percent (8%) or more of the political subdivision's revenues. For purposes of this subdivision, "deficit" means a negative fund balance calculated as a percentage of revenues at the end of a budget year for any governmental or proprietary fund. The calculation must be presented on an accrual basis according to generally accepted accounting principles.

(6) The political subdivision has sought to negotiate a resolution or an adjustment of claims that in the aggregate:

- (A) exceed thirty percent (30%) of the political subdivision's anticipated annual revenues; and
- (B) are ninety (90) days or more past due.

(7) The political subdivision has carried over interfund loans for the benefit of the same fund at the end of two (2) successive years.

(8) The political subdivision has been severely affected, as determined by the board, as a result of granting the property tax credits under IC 6-1.1-20.6.

(9) In addition to the conditions listed in subdivisions (1) through (8), and in the case of a school corporation, the board may also designate a school corporation as a distressed political subdivision if at least one (1) of the following conditions applies:

- (A) The school corporation has:
 - (i) issued refunding bonds under IC 5-1-5-2.5; or
 - (ii) adopted a resolution under IC 5-1-5-2.5 making the determinations and including the information specified in IC 5-1-5-2.5(g).
- (B) The ratio that the amount of the school corporation's debt (as determined in December 2010) bears to the school corporation's 2011 ADM ranks in the highest ten (10) among all school corporations.

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(C) The ratio that the amount of the school corporation's debt (as determined in December 2010) bears to the school corporation's total assessed valuation for calendar year 2011 ranks in the highest ten (10) among all school corporations.

(D) The amount of homestead assessed valuation in the school corporation for calendar year 2011 was at least sixty percent (60%) of the total amount of assessed valuation in the school corporation for calendar year 2011.

The board may consider whether a political subdivision has fully exercised all the local options available to the political subdivision, such as a local option income tax or a local option income tax rate increase or, in the case of a school corporation, an operating referendum.

(b) If the board designates a political subdivision as distressed under subsection (a), the board shall review the designation annually to determine if the distressed political subdivision meets at least one (1) of the conditions listed in subsection (a).

(c) If the board designates a political subdivision as a distressed political subdivision under subsection (a), the board shall immediately notify:

- (1) the treasurer of state; and**
- (2) the county auditor and county treasurer of each county in which the distressed political subdivision is wholly or partially located;**

that the board has designated the political subdivision as a distressed political subdivision.

SECTION 7. IC 6-1.1-20.3-7 IS REPEALED [EFFECTIVE UPON PASSAGE]. See: 7. (a) If the fiscal body of a distressed political subdivision submits a petition under section 6 of this chapter, the board shall review the petition and assist in establishing a financial plan for the distressed political subdivision:

(b) In reviewing a petition submitted under section 6 of this chapter, the board:

- (1) shall consider:**
 - (A) the proposed financial plan;**
 - (B) comparisons to similarly situated political subdivisions;**
 - (C) the existing revenue and expenditures of political subdivisions in the county; and**
 - (D) any other factor considered relevant by the board; and**
- (2) may establish subcommittees or temporarily appoint nonvoting members to the board to assist in the review:**



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SECTION 8. IC 6-1.1-20.3-7.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 7.5. (a) This section does not apply to a school corporation designated as a distressed political subdivision.**

(b) If the board designates a political subdivision as a distressed political subdivision under section 6.5 of this chapter, the board shall appoint an emergency manager for the distressed political subdivision. An emergency manager serves at the pleasure of the board.

(c) The chairperson of the board shall oversee the activities of an emergency manager.

(d) The distressed political subdivision shall pay the emergency manager's compensation and reimburse the emergency manager for actual and necessary expenses.

SECTION 9. IC 6-1.1-20.3-8 IS REPEALED [EFFECTIVE UPON PASSAGE]. **Sec. 8: (a) The board may authorize relief as provided in subsection (b) from the application of the credit under IC 6-1.1-20.6 for a calendar year if the governing body of each political subdivision in the county that is affected by the financial plan has adopted a resolution agreeing to the terms of the financial plan:**

(b) If the conditions of subsection (a) are satisfied, the board may, notwithstanding IC 6-1.1-20.6, do any of the following:

(1) Increase the percentage thresholds (specified as a percentage of gross assessed value) at which the credit under IC 6-1.1-20.6 applies to a person's property tax liability in the political subdivision:

(2) Provide for percentage reductions to credits otherwise provided under IC 6-1.1-20.6 in the political subdivision:

(3) Provide that some or all of the property taxes that:

(A) are being imposed to pay bonds, leases, or other debt obligations; and

(B) would otherwise be included in the calculation of the credit under IC 6-1.1-20.6 in the political subdivision;

shall not be included for purposes of calculating a person's credit under IC 6-1.1-20.6:

(c) If the board provides relief described in subsection (b), the board shall conduct audits and reviews as necessary to determine whether the affected political subdivision is abiding by the terms of the financial plan agreed to under subsection (a):

SECTION 10. IC 6-1.1-20.3-8.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS



[EFFECTIVE UPON PASSAGE]: **Sec. 8.3.** After the board receives a petition concerning a school corporation under section 6(b) of this chapter, the board shall review the school corporation's request for a loan from the counter-cyclical revenue and economic stabilization fund under IC 6-1.1-21.4-3(b). The board shall make a recommendation to the state board of finance regarding the loan request. The board may consider whether a school corporation has attempted to secure temporary cash flow loans from the Indiana bond bank or a financial institution in making its recommendation.

SECTION 11. IC 6-1.1-20.3-8.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 8.5.** (a) This section does not apply to school corporations.

(b) Notwithstanding any other law, an emergency manager of a distressed political subdivision appointed under section 7.5 of this chapter shall do the following:

- (1) Assume and exercise the authority and responsibilities of both the executive and the fiscal body of the political subdivision concerning the adoption, amendment, and enforcement of ordinances and resolutions relating to or affecting the fiscal stability of the political subdivision. However, the emergency manager does not have the power to impose taxes or fees in addition to the taxes or fees authorized by the political subdivision before the political subdivision was designated a distressed political subdivision.
- (2) Review the political subdivision's budget.
- (3) Review salaries of the political subdivision's employees.
- (4) Conduct a financial and compliance audit of the internal operations of the political subdivision.
- (5) Develop a written financial plan in consultation with the officials of the political subdivision not later than six (6) months after appointment.
- (6) Develop a plan for paying all the political subdivision's outstanding obligations.
- (7) Review existing labor contracts.
- (8) Adopt a budget for the political subdivision for each calendar or fiscal year, as applicable, that the political subdivision remains a distressed political subdivision.
- (9) Review payrolls and other claims against the political subdivision before payment.
- (10) Make, approve, or disapprove the following:
 - (A) A contract.

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- (B) An expenditure.
 - (C) A loan.
 - (D) The creation of any new position.
 - (E) The filling of any vacant position.
- (11) Submit a written report to the board every three (3) months concerning:
- (A) actions taken by the emergency manager;
 - (B) expenditures made by the distressed political subdivision; and
 - (C) the work that has been done to remove the distressed political subdivision from distressed status.
- (12) Petition the board to terminate a political subdivision's status as a distressed political subdivision when the conditions found in section 6.5 of this chapter are no longer applicable to the political subdivision.
- (c) An emergency manager of a distressed political subdivision appointed under section 7.5 of this chapter may do the following:
- (1) Renegotiate existing labor contracts and act as an agent of the political subdivision in collective bargaining.
 - (2) Reduce or suspend salaries of the political subdivision's employees.
 - (3) Enter into agreements with other political subdivisions for the provision of services.
- (d) Except as provided in section 13(c) of this chapter, an emergency manager of a distressed political subdivision retains the powers and duties described in subsections (b) and (c) until:
- (1) the emergency manager resigns or dies;
 - (2) the board removes the emergency manager; or
 - (3) the political subdivision's status as a distressed political subdivision is terminated under section 13(b) of this chapter.
- SECTION 12. IC 6-1.1-20.3-8.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 8.7. A school corporation that is designated a distressed political subdivision may not do any of the following without the approval of the board during the period before the board terminates the school corporation's status as a distressed political subdivision:**
- (1) Acquire real property for school building purposes.
 - (2) Construct new school buildings or remodel or renovate existing school buildings.
 - (3) Incur a contractual obligation (except for a maintenance contract or an employment contract for a new employee

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whose employment replaces the employment of a former employee) that requires an expenditure of more than thirty thousand dollars (\$30,000).

(4) Purchase or enter into an agreement to purchase personal property at a cost of more than thirty thousand dollars (\$30,000).

(5) Adopt or advertise a budget, tax levy, or tax rate for an ensuing budget year.

SECTION 13. IC 6-1.1-20.3-10, AS ADDED BY P.L.146-2008, SECTION 209, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. A distressed political subdivision may petition the tax court for judicial review of a ~~final~~ determination of the board **under section 6.5 of this chapter**. The action must be taken to the tax court under IC 6-1.1-15 in the same manner that an action is taken to appeal a final determination of the Indiana board of tax review. The petition must be filed in the tax court not more than forty-five (45) days after the board enters its final determination.

SECTION 14. IC 6-1.1-20.3-13 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 13. (a) If:**

(1) an emergency manager of a distressed political subdivision that is not a school corporation;

(2) the fiscal body and executive of the political subdivision jointly; or

(3) the governing body of a school corporation that:

(A) employs a new superintendent; or

(B) has a new member elected or appointed to its governing body;

during the time the school corporation is a distressed political subdivision;

files a petition with the board for termination of the political subdivision's status as a distressed political subdivision, the board shall conduct a public hearing on the question of whether to terminate the political subdivision's status as a distressed political subdivision.

(b) The board shall terminate the political subdivision's status as a distressed political subdivision if the board finds that the conditions found in section 6.5 of this chapter are no longer applicable to the political subdivision.

(c) Notwithstanding any other section of this chapter, not later than ninety (90) days after taking office, a new executive of a

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distressed political subdivision may petition the board for suspension of the political subdivision's distressed status. The executive must include in its petition a written plan to resolve the applicable issues described in section 6.5 of this chapter. If the board approves the executive's written plan, the board may suspend the political subdivision's distressed status for one hundred eighty (180) days. Suspension under this chapter terminates automatically upon expiration of the one hundred eighty (180) day period. The board may consider a petition to terminate the political subdivision's distressed status during a period of suspension.

SECTION 15. IC 6-1.1-21.4-0.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 0.5. As used in this chapter, "ADM" refers to a school corporation's average daily membership as determined under IC 20-43-4-2.**

SECTION 16. IC 6-1.1-21.4-2, AS ADDED BY P.L.131-2008, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2. As used in this chapter, "eligible school corporation" refers to either of the following:**

(1) A school corporation located in a county in which distributions of property tax revenue for 2007 or 2008 to the taxing units (as defined in IC 6-1.1-1-21) of the county:

~~(1)~~ **(A)** have not been made; or

~~(2)~~ **(B)** were delayed by more than sixty (60) days after either due date specified in IC 6-1.1-22-9.

(2) A school corporation that is:

(A) designated by the distressed unit appeal board as a distressed political subdivision under IC 6-1.1-20.3; or

(B) approved for a loan by the distressed unit appeal board under IC 6-1.1-20.3-8.3.

SECTION 17. IC 6-1.1-21.4-3, AS ADDED BY P.L.131-2008, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 3. (a)** An eligible school corporation may apply to the board for a loan from the counter-cyclical revenue and economic stabilization fund.

(b) Subject to subsections (c) and (d) and section 3.5 of this chapter, an eligible school corporation described in section 2(2) of this chapter may apply to the board for a loan. The maximum amount of a loan that the board may approve for the eligible school corporation is the lesser of the following:

(1) Five million dollars (\$5,000,000).

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(2) The product of:

- (A) one thousand dollars (\$1,000); multiplied by**
- (B) the school corporation's 2012 ADM.**

(c) At the time the distressed unit appeal board designates a school corporation as a distressed political subdivision under IC 6-1.1-20.3 or recommends under IC 6-1.1-20.3-8.3 that a loan from the fund be approved for a school corporation, the distressed unit appeal board may also recommend to the state board of finance that a loan from the fund to the school corporation be contingent upon any of the following:

- (1) The sale of specified unused property by the school board.**
- (2) The school corporation modifying one (1) or more specified contracts entered into by the school corporation.**

(d) In making a loan from the fund to a school corporation, the state board of finance may make the loan contingent upon any condition recommended by the distressed unit appeal board under subsection (c).

SECTION 18. IC 6-1.1-21.4-3.5 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3.5. The board may not approve a loan under this chapter after December 31, 2017.**

SECTION 19. IC 6-1.1-21.4-4, AS ADDED BY P.L.131-2008, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) The board, after review by the budget committee, shall determine the terms of any loan made under this chapter. ~~However, The interest rate on the loan may not exceed one percent (1%).~~ **is the interest rate established by the commissioner of the department of state revenue under IC 6-8.1-10-1 minus two percent (2%), but in no case shall the interest rate be less than one percent (1%).**

(b) The total amount of all loans under this chapter for all calendar years may not exceed the following:

- (1) Six million dollars (\$6,000,000) for all calendar years ending before January 1, 2012.**
- (2) The sum of the amounts approved under section 3(b) of this chapter for all calendar years beginning after December 31, 2011, plus the outstanding balance of all loans that were made under this chapter before 2012.**

(c) An eligible school corporation receiving a loan under this chapter must repay the loan within seventy-two (72) months after the date on which the loan is made.

(d) The board may disburse in installments the proceeds of a loan

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made under this chapter.

(e) An eligible school corporation may repay a loan made under this chapter from any sources of revenue.

(f) The obligation to repay a loan made under this chapter is not a basis for an eligible school corporation to obtain an excessive tax levy under IC 6-1.1-19.

(g) 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.

SECTION 20. IC 6-1.1-21.4-6, AS ADDED BY P.L.131-2008, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. A loan under this chapter is not bonded indebtedness for purposes of IC 6-1.1-18.5 or **IC 6-1.1-20**.

SECTION 21. IC 6-1.1-21.4-7 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 7. Upon the failure of a school corporation to repay any of the school corporation's obligations under this chapter during a calendar year when due, the treasurer of state, upon being notified of the failure by the board, shall pay the unpaid obligations that are due from money in the possession of the state that would otherwise be available for distribution to the school corporation under any other law, deducting the payment from the amount distributed. However, the treasurer of state may not impair the rights of the school corporation's bondholders.**

SECTION 22. IC 20-26-5-4, AS AMENDED BY HEA 1009-2012, SECTION 131, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: 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. However, a governing body may not use funds received from the state to bring or join in an action against the state, unless the governing body is challenging an adverse decision by a state agency, board, or commission.
- (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

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(\$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 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 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 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 conservation measures through utility efficiency programs or under a guaranteed 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

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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 specified under the powers 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

(B) the operation of a school age child care program for children who are at least five (5) years of age 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

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(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 that are consistent with IC 20-28-9-1.

(C) Classify persons or services described in this subdivision and to adopt schedules of salaries or compensation that are consistent with IC 20-28-9-1.

(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 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 are 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 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

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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 reimburse the employee or the member the employee's or member's reasonable 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) **Subject to IC 20-27-13**, 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 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 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 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 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

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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. In accordance with IC 20-26-17, to:

(A) participate in a state employee health plan under IC 5-10-8-6.6 or IC 5-10-8-6.7;

(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, the federal government, or from any other source.

(17) To defend 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; and

(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

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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 20-40-12, and 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 20-40-12, and IC 20-48-1 by specific language or by reference to other law.

SECTION 23. IC 20-27-13 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 13. Termination of Transportation; Waiver

Sec. 1. As used in this chapter, "eligible student" means an individual who in any part of a school year:

- (1) is enrolled in a school corporation;**
- (2) has legal settlement in the school corporation;**
- (3) attended school in the school corporation's taxing district;**
- and**
- (4) is not required by federal or state law to receive transportation services to and from school.**

Sec. 2. This chapter applies to a school corporation that carried out a general program in at least one (1) school year beginning after June 30, 2010, to provide transportation to and from school for eligible students.

Sec. 3. Except as provided in section 7 of this chapter, a school corporation described in section 2 of this chapter shall carry out a program to provide transportation to and from school for all eligible students in any part of a school year beginning after June 30, 2012, unless the governing body of the school corporation:

- (1) approves the termination of the transportation program;**
- and**
- (2) provides public notice of the date after which the transportation will no longer be provided under the**



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transportation program;
at least three (3) years before the date after which the transportation will no longer be provided under the transportation program.

Sec. 4. Transportation provided in a transportation program required under section 3 of this chapter may be limited by the school corporation's governing body to children residing a minimum distance from a school if the governing body includes facts in the resolution setting the minimum distance that demonstrate that each child residing less than the minimum distance from the school can safely walk to and from the school unattended by an adult during the regular hours that the child would ordinarily be coming to or from the school.

Sec. 5. Transportation provided under a transportation program required under section 3 of this chapter may be limited by the school corporation's governing body to providing transportation to school immediately before the beginning of an instructional day (as described in IC 20-30-2-2) and from school immediately after the end of an instructional day (as described in IC 20-30-2-2) without additional accommodations for participation in extracurricular activities.

Sec. 6. Transportation provided under a transportation program required under section 3 of this chapter must be otherwise in accordance with applicable law.

Sec. 7. (a) A school corporation may petition the department in writing to waive the requirement imposed by section 3 of this chapter.

(b) A petition under subsection (a) must:

- (1)** demonstrate that the waiver request was approved by the governing body for the school corporation;
- (2)** describe the transportation services that will be provided to students who are required by federal or state law to receive transportation services to and from school;
- (3)** present a written plan that provides for the safe movement of eligible students to and from school; and
- (4)** include any other information required by the department.

Sec. 8. If a petition complies with section 7 of this chapter, the department shall conduct a public hearing on the petition in the district served by the school corporation after giving notice of the public hearing under IC 5-3-1.

Sec. 9. If, based on the information contained in the petition and provided in the public hearing or otherwise made available to the

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department, the department determines that the plan presented by the school corporation, with or without revisions required by the department:

(1) will protect the safety of eligible students enrolled in the school corporation; and

(2) is otherwise in accordance with applicable law;

the department may waive the requirements imposed by section 3 of this chapter.

Sec. 10. The department may condition a waiver under section 9 of this chapter on the terms and conditions specified by the department. If a school corporation fails to comply with a term or condition of a waiver or the department discovers facts that indicate that the school corporation's plan:

(1) is not protecting the safety of eligible students enrolled in the school corporation; or

(2) is not otherwise in accordance with applicable law;

the department may issue an order under IC 4-21.5-3 or an emergency or temporary order under IC 4-21.5-4 specifying the actions that must be taken by the school corporation to correct the deficiency. The order may suspend or terminate the waiver granted under section 9 of this chapter beginning on the date specified by the department.

SECTION 24. IC 20-40-2-4, AS ADDED BY P.L.2-2006, SECTION 163, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) Except as provided by subsection (b) or any other 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 transportation (as defined in IC 20-40-6-1), may be budgeted in and paid from the fund.

(b) Before January 1, 2018, costs attributable to transportation (as defined in IC 20-40-6-1) may be budgeted in and paid from the fund. After December 31, 2017, costs attributable to transportation (as defined in IC 20-40-6-1) may not be budgeted in and paid from the fund.

SECTION 25. IC 20-40-6-5, AS AMENDED BY P.L.234-2007, SECTION 229, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Subject to this chapter and except as provided in IC 20-40-2-4(b), the fund is the exclusive fund to be used by a school corporation for the payment of costs attributable to transportation.

(b) Contracted transportation service costs transferred to the school bus replacement fund under IC 20-40-7 are payable from the school

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bus replacement fund.

SECTION 26. IC 20-46-5-4, AS AMENDED BY P.L.172-2011, SECTION 123, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. **(a)** 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. The levy imposed for the March 1, 2011, and January 15, 2012, assessment dates may not exceed the amount approved by the department of local government finance under section 5 of this chapter and IC 6-1.1-17. In setting the levy for the March 1, 2011, and January 15, 2012, assessment dates, the department of local government finance shall evaluate whether the levy proposed by a school corporation exceeds the reasonable needs of the school corporation to carry out the purposes of the fund and approve a levy that does not exceed the reasonable needs of the school corporation to carry out the purposes of this chapter. In making its determination, the department of local government finance may consider whether a school corporation has in a previous year transferred money from the fund to the school corporation's rainy day fund or a fund other than the school bus replacement fund. **Except as provided in subsection (b)**, a levy imposed for an assessment date after January 15, 2012, may not exceed an amount determined by multiplying:

- (1) the school corporation's maximum permissible levy determined under this section for the previous year, after eliminating the effects of temporary excessive levy appeals and any other temporary adjustments made to the levy for the calendar year (regardless of whether the school corporation imposed the entire amount of the maximum permissible levy in the immediately preceding year); by
- (2) the assessed value growth quotient determined under IC 6-1.1-18.5-2.

(b) The department of local government finance may, upon petition by a school corporation, adjust the school corporation's levy for the fund to reflect the school corporation's plan adopted or amended under this chapter.

SECTION 27. IC 20-48-1-2, AS AMENDED BY P.L.1-2010, SECTION 83, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) As used in this section, "retirement or severance 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.



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(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 (repealed):
 - (A) before April 14, 2003; or
 - (B) after April 13, 2003, if an order approving the issuance of the bonds was issued by the department of local government finance 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) A school corporation described in subsection (b)(1) or (b)(2)(A) 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 (repealed) as described in subsection (b)(2).
- (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:
 - (A) the property tax levy needed for the debt service under this section; **multiplied by**
 - (B) **the adjustment percentage set forth in subsection (f) or (g), as applicable.**

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The property tax rate for each of these funds shall be 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.

(f) This subsection applies only if the governing body of a school corporation adopts a resolution specifying that the adjustment percentages under this subsection apply to the school corporation. The adjustment percentage under this subsection is the following:

(1) For property taxes first due and payable in 2013, twenty-five percent (25%).

(2) For property taxes first due and payable in 2014, fifty percent (50%).

(3) For property taxes first due and payable in 2015, seventy-five percent (75%).

(4) For property taxes first due and payable after 2015, one hundred percent (100%).

(g) If the governing body of a school corporation does not adopt a resolution specifying that the adjustment percentages under subsection (f) apply to the school corporation, the adjustment percentage is one hundred percent (100%).

SECTION 28. [EFFECTIVE UPON PASSAGE] (a) The distressed unit appeal board established by IC 6-1.1-20.3-4 shall report to the budget committee before each of the following dates concerning actions taken by the distressed unit appeal board under IC 5-1-5-2.5, as amended by this act:

(1) October 1, 2012.

(2) March 1, 2013.

(3) October 1, 2013.

(4) February 1, 2014.

(b) This SECTION expires June 30, 2014.

SECTION 29. An emergency is declared for this act.

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Speaker of the House of Representatives

President of the Senate

President Pro Tempore

Governor of the State of Indiana

Date: _____ Time: _____

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