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# SENATE BILL No. 226

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-10-18-10; IC 4-12-15; IC 20-26-5-4; IC 20-27; IC 20-39-5; IC 20-40; IC 20-49-4.

**Synopsis:** School corporation financial management. Requires a school corporation that has provided school bus service to students to continue the bus service unless the department of education grants the school corporation a waiver. Requires the state school bus committee to adopt rules that permit paid advertisements on buses. Establishes the financially distressed school corporation appeals board to evaluate and authorize emergency relief to school corporations that the board determines are unable to carry out their public education responsibilities. Establishes the distressed school fund. Permits a loan or advance from the counter-cyclical revenue and economic stabilization fund, the distressed school fund, or the common school fund to a distressed school corporation. Permits money in a school general fund to be used, in addition to any money in a school transportation fund, to pay costs attributable to transportation. Permits a loan from the common school fund for costs attributable to transportation.

**Effective:** Upon passage.

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## Miller

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January 4, 2012, read first time and referred to Committee on Appropriations.

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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.

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# SENATE BILL No. 226



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

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

1 SECTION 1. IC 4-10-18-10, AS AMENDED BY P.L.197-2011,  
2 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 UPON PASSAGE]: Sec. 10. (a) The state board of finance may lend  
4 money from the fund to entities listed in subsections (e) through (k) **or**  
5 **subsection (n)** for the purposes specified in those subsections.  
6 (b) **This subsection does not apply to a loan under subsection (n).**  
7 An entity must apply for the loan before May 1, 1989, in a form  
8 approved by the state board of finance. As part of the application, the  
9 entity shall submit a plan for its use of the loan proceeds and for the  
10 repayment of the loan. Within sixty (60) days after receipt of each  
11 application, the board shall meet to consider the application and to  
12 review its accuracy and completeness and to determine the need for the  
13 loan. The board shall authorize a loan to an entity that makes an  
14 application if the board approves its accuracy and completeness and  
15 determines that there is a need for the loan and an adequate method of  
16 repayment.  
17 (c) The state board of finance shall determine the terms of each



- 1 loan, which must include the following:
- 2 (1) The duration of the loan, which must not exceed twelve (12)
- 3 years.
- 4 (2) The repayment schedule of the loan, which must provide that
- 5 no payments are due during the first two (2) years of the loan.
- 6 (3) **Except as provided by this section**, a variable rate of interest
- 7 to be determined by the board and adjusted annually. The interest
- 8 rate must be the greater of:
- 9 (A) five percent (5%); or
- 10 (B) two-thirds (2/3) of the interest rate for fifty-two (52) week
- 11 United States Treasury bills on the anniversary date of the
- 12 loan, but not to exceed ten percent (10%).
- 13 (4) The amount of the loan or loans, which may not exceed the
- 14 maximum amounts established for the entity by this section.
- 15 (5) Any other conditions specified by the board.
- 16 (d) An entity may borrow money under this section by adoption of
- 17 an ordinance or a resolution and, as set forth in IC 5-1-14, may use any
- 18 source of revenue to repay a loan under this section. This section
- 19 constitutes complete authority for the entity to borrow from the fund.
- 20 If an entity described in subsection (i) fails to make any repayments of
- 21 a loan, the amount payable shall be withheld by the auditor of state
- 22 from any other money payable to the consolidated city. If any other
- 23 entity described in this section fails to make any repayments of a loan,
- 24 the amount payable shall be withheld by the auditor of state from any
- 25 other money payable to the entity. The amount withheld shall be
- 26 transferred to the fund to the credit of the entity.
- 27 (e) A loan under this section may be made to a city located in a
- 28 county having a population of more than ~~twenty-four~~ **twenty-five**
- 29 thousand (~~24,000~~) **(25,000)** but less than twenty-five thousand (~~25,000~~)
- 30 **eight hundred (25,800)** for the city's waterworks facility. The amount
- 31 of the loan may not exceed one million six hundred thousand dollars
- 32 (\$1,600,000).
- 33 (f) A loan under this section may be made to a city the territory of
- 34 which is included in part within the Lake Michigan corridor (as defined
- 35 in IC 14-13-3-2, before its repeal) for a marina development project. As
- 36 a part of ~~its~~ **the city's** application under subsection (b), the city must
- 37 include the following:
- 38 (1) Written approval by the Lake Michigan marina development
- 39 commission of the project to be funded by the loan proceeds.
- 40 (2) A written determination by the commission of the amount
- 41 needed by the city, for the project and of the amount of the
- 42 maximum loan amount under this subsection that should be lent

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1 to the city.  
 2 The maximum amount of loans available for all cities that are eligible  
 3 for a loan under this subsection is eight million six hundred thousand  
 4 dollars (\$8,600,000).

5 (g) A loan under this section may be made to a county having a  
 6 population of more than one hundred ~~seventy~~ **seventy-five** thousand  
 7 ~~(170,000)~~ **(175,000)** but less than one hundred eighty thousand  
 8 (180,000) for use by the airport authority in the county for the  
 9 construction of runways. The amount of the loan may not exceed seven  
 10 million dollars (\$7,000,000). The county may lend the proceeds of its  
 11 loan to an airport authority for the public purpose of fostering  
 12 economic growth in the county.

13 (h) A loan under this section may be made to a city having a  
 14 population of more than ~~fifty-nine~~ **sixty** thousand ~~(59,000)~~ **(60,000)** but  
 15 less than ~~fifty-nine~~ **sixty-five** thousand ~~seven hundred~~ **(59,700)**  
 16 **(65,000)** for the construction of parking facilities. The amount of the  
 17 loan may not exceed three million dollars (\$3,000,000).

18 (i) A loan or loans under this section may be made to a consolidated  
 19 city, a local public improvement bond bank, or any board, authority, or  
 20 commission of the consolidated city, to fund economic development  
 21 projects under IC 36-7-15.2-5 or to refund obligations issued to fund  
 22 economic development projects. The amount of the loan may not  
 23 exceed thirty million dollars (\$30,000,000).

24 (j) A loan under this section may be made to a county having a  
 25 population of more than thirteen thousand ~~five hundred~~ **(13,500)**  
 26 **(13,000)** but less than fourteen thousand (14,000) for extension of  
 27 airport runways. The amount of the loan may not exceed three hundred  
 28 thousand dollars (\$300,000).

29 (k) A loan under this section may be made to Covington Community  
 30 School Corporation to refund the amount due on a tax anticipation  
 31 warrant loan. The amount of the loan may not exceed two million seven  
 32 hundred thousand dollars (\$2,700,000), to be paid back from any  
 33 source of money that is legally available to the school corporation.  
 34 Notwithstanding subsection (b), the school corporation must apply for  
 35 the loan before June 30, 2010. Notwithstanding subsection (c),  
 36 repayment of the loan shall be made in equal installments over five (5)  
 37 years with the first installment due not more than six (6) months after  
 38 the date loan proceeds are received by the school corporation.

39 (l) IC 6-1.1-20 does not apply to a loan made by an entity under this  
 40 section.

41 (m) As used in this section, "entity" means a governmental entity  
 42 authorized to obtain a loan under subsections (e) through (k) or

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1 subsection (n).

2 (n) This section applies to a school corporation designated as a  
3 financially distressed school corporation under IC 20-39-5. Subject  
4 to this subsection, the state board of finance may loan money from  
5 the fund to a financially distressed school corporation on the terms  
6 established by the state board of finance if:

7 (1) the applicant has been designated as a financially  
8 distressed school corporation under IC 20-39-5;

9 (2) the emergency financial relief authorized under IC 20-39-5  
10 includes a loan from the fund;

11 (3) the state board of finance approves the accuracy and  
12 completeness of the application;

13 (4) the state board of finance determines that there is a need  
14 for the loan;

15 (5) the state board of finance determines that there is an  
16 adequate method of repayment for the loan; and

17 (6) there is sufficient money in the fund to make the loan.

18 The amount of a loan under this subsection may not exceed the  
19 amount of emergency financial relief specified by the financially  
20 distressed school corporation appeals board. A school corporation  
21 may not be required to pay any interest on or fees for a loan  
22 granted under this subsection. A school corporation may repay a  
23 loan under this subsection in equal installments over a term of ten  
24 (10) years unless the state board of finance and the financially  
25 distressed school corporation agree to a lesser term or a different  
26 payment schedule. The outstanding balance of the loan may be  
27 prepaid without penalty. In establishing the terms of the loan, the  
28 state board of finance shall consider the plan developed by the  
29 financially distressed school corporation appeals board and the  
30 financially distressed school corporation to move the financially  
31 distressed school corporation out of its financially distressed status.  
32 If a school corporation fails to make a loan repayment when due,  
33 the treasurer of state, upon being notified of the failure by the state  
34 board of finance, shall pay the unpaid debt service obligations that  
35 are due from the funds of the state only to the extent of the  
36 amounts appropriated for the calendar year for distribution to the  
37 financially distressed school corporation from state funds,  
38 deducting the payment from the appropriated amounts. A  
39 deduction under this subsection must be made first from all funds  
40 except state tuition support and second from state tuition support.  
41 Money repaid on a loan under this subsection shall be deposited in  
42 the fund.

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1 SECTION 2. IC 4-12-15 IS ADDED TO THE INDIANA CODE AS  
 2 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON  
 3 PASSAGE]:

4 **Chapter 15. Distressed School Fund**

5 **Sec. 1. As used in this chapter, "board" refers to the financially**  
 6 **distressed school corporation appeals board established by**  
 7 **IC 20-39-5-5.**

8 **Sec. 2. As used in this chapter, "financially distressed school**  
 9 **corporation" refers to a school corporation designated a**  
 10 **financially distressed school corporation by the board.**

11 **Sec. 3. As used in this chapter, "fund" refers to the distressed**  
 12 **school fund established by section 4 of this chapter.**

13 **Sec. 4. The distressed school fund is established. The fund shall**  
 14 **be administered by the budget agency.**

15 **Sec. 5. The fund consists of the following:**

- 16 (1) appropriations made to the fund by the general assembly;  
 17 (2) grants, gifts, and donations intended for deposit in the  
 18 fund; and  
 19 (3) principal repaid to the fund from a loan granted under this  
 20 chapter.

21 **Sec. 6. Expenses of administering the fund shall be paid from**  
 22 **money in the fund.**

23 **Sec. 7. The treasurer of state shall invest the money in the fund**  
 24 **not currently needed to meet the obligations of the fund in the same**  
 25 **manner as other public money may be invested. Interest that**  
 26 **accrues from these investments shall be deposited in the fund.**

27 **Sec. 8. Money in the fund at the end of a fiscal year does not**  
 28 **revert to the state general fund.**

29 **Sec. 9. The fund shall be used as a revolving fund to make loans**  
 30 **to school corporations that are determined to be financially**  
 31 **distressed school corporations under IC 20-39-5.**

32 **Sec. 10. A school corporation may apply for a loan in a form**  
 33 **approved by the budget agency. As part of the application, the**  
 34 **school corporation shall submit a plan for the school corporation's**  
 35 **use of the loan proceeds and for the repayment of the loan. Within**  
 36 **sixty (60) days after receipt of each application, the budget agency**  
 37 **shall make a final determination concerning the application.**

38 **Sec. 11. The budget agency shall establish procedures for**  
 39 **application to the fund for a loan.**

40 **Sec. 12. Subject to this chapter, the budget agency, after review**  
 41 **by the budget committee, may loan money to a financially**  
 42 **distressed school corporation on the terms established by the**

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budget agency.

**Sec. 13. The budget agency may authorize a loan to a school corporation that makes an application if:**

- (1) the applicant has been designated to be a financially distressed school corporation under IC 20-39-5;**
- (2) the emergency financial relief authorized by the board includes a loan from the fund;**
- (3) the budget agency approves the accuracy and completeness of the application;**
- (4) the budget agency determines that there is a need for the loan;**
- (5) the budget agency determines that there an adequate method of repayment for the loan; and**
- (6) there is sufficient money in the fund to make the loan.**

**Sec. 14. The amount of a loan under this chapter may not exceed the amount of emergency financial relief specified by the board.**

**Sec. 15. The following terms apply to a loan under this chapter:**

- (1) A financially distressed school corporation may not be required to pay any interest on or fees for a loan granted under this chapter.**
- (2) A financially distressed school corporation may repay the loan in equal installments over a term of ten (10) years unless the budget agency and the financially distressed school corporation agree to a lesser term or a different payment schedule.**
- (3) The outstanding balance of the loan may be prepaid without penalty.**

**Sec. 16. In establishing the terms of a loan under this chapter, the budget agency shall consider the plan developed by the board and the financially distressed school corporation to move the financially distressed school corporation out of its financially distressed status.**

**Sec. 17. If a financially distressed school corporation fails to make a loan repayment under this chapter when due, the treasurer of state, upon being notified of the failure by the budget agency, shall pay the unpaid debt service obligations that are due from the funds of the state only to the extent of the amounts appropriated for the calendar year for distribution to the financially distressed school corporation from state funds, deducting the payment from the appropriated amounts. A deduction under this subsection must be made:**

- (1) first from all funds except state tuition support; and**

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1           **(2) second from state tuition support.**

2           **Sec. 18. Money repaid on a loan under this chapter shall be**  
 3 **deposited in the fund.**

4           SECTION 3. IC 20-26-5-4, AS AMENDED BY P.L.90-2011,  
 5 SECTION 11, AND AS AMENDED BY P.L.200-2011, SECTION 1,  
 6 IS CORRECTED AND AMENDED TO READ AS FOLLOWS  
 7 [EFFECTIVE UPON PASSAGE]: Sec. 4. In carrying out the school  
 8 purposes of a school corporation, the governing body acting on the  
 9 school corporation's behalf has the following specific powers:

10           (1) In the name of the school corporation, to sue and be sued and  
 11 to enter into contracts in matters permitted by applicable law.  
 12 However, a governing body may not use funds received from the  
 13 state to bring or join in an action against the state, unless the  
 14 governing body is challenging an adverse decision by a state  
 15 agency, board, or commission.

16           (2) To take charge of, manage, and conduct the educational affairs  
 17 of the school corporation and to establish, locate, and provide the  
 18 necessary schools, school libraries, other libraries where  
 19 permitted by law, other buildings, facilities, property, and  
 20 equipment.

21           (3) To appropriate from the school corporation's general fund an  
 22 amount, not to exceed the greater of three thousand dollars  
 23 (\$3,000) per budget year or one dollar (\$1) per pupil, not to  
 24 exceed twelve thousand five hundred dollars (\$12,500), based on  
 25 the school corporation's previous year's ADM, to promote the best  
 26 interests of the school corporation through:

27           (A) the purchase of meals, decorations, memorabilia, or  
 28 awards;

29           (B) provision for expenses incurred in interviewing job  
 30 applicants; or

31           (C) developing relations with other governmental units.

32           (4) To:

33           (A) Acquire, construct, erect, maintain, hold, and contract for  
 34 construction, erection, or maintenance of real estate, real estate  
 35 improvements, or an interest in real estate or real estate  
 36 improvements, as the governing body considers necessary for  
 37 school purposes, including buildings, parts of buildings,  
 38 additions to buildings, rooms, gymnasiums, auditoriums,  
 39 playgrounds, playing and athletic fields, facilities for physical  
 40 training, buildings for administrative, office, warehouse, repair  
 41 activities, or housing school owned buses, landscaping, walks,  
 42 drives, parking areas, roadways, easements and facilities for

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1 power, sewer, water, roadway, access, storm and surface  
 2 water, drinking water, gas, electricity, other utilities and  
 3 similar purposes, by purchase, either outright for cash (or  
 4 under conditional sales or purchase money contracts providing  
 5 for a retention of a security interest by the seller until payment  
 6 is made or by notes where the contract, security retention, or  
 7 note is permitted by applicable law), by exchange, by gift, by  
 8 devise, by eminent domain, by lease with or without option to  
 9 purchase, or by lease under IC 20-47-2, IC 20-47-3, or  
 10 IC 20-47-5.

11 (B) Repair, remodel, remove, or demolish, or to contract for  
 12 the repair, remodeling, removal, or demolition of the real  
 13 estate, real estate improvements, or interest in the real estate  
 14 or real estate improvements, as the governing body considers  
 15 necessary for school purposes.

16 (C) Provide for conservation measures through utility  
 17 efficiency programs or under a guaranteed savings contract as  
 18 described in IC 36-1-12.5.

19 (5) To acquire personal property or an interest in personal  
 20 property as the governing body considers necessary for school  
 21 purposes, including buses, motor vehicles, equipment, apparatus,  
 22 appliances, books, furniture, and supplies, either by cash purchase  
 23 or under conditional sales or purchase money contracts providing  
 24 for a security interest by the seller until payment is made or by  
 25 notes where the contract, security, retention, or note is permitted  
 26 by applicable law, by gift, by devise, by loan, or by lease with or  
 27 without option to purchase and to repair, remodel, remove,  
 28 relocate, and demolish the personal property. All purchases and  
 29 contracts specified under the powers authorized under subdivision

30 (4) and this subdivision are subject solely to applicable law  
 31 relating to purchases and contracting by municipal corporations  
 32 in general and to the supervisory control of state agencies as  
 33 provided in section 6 of this chapter.

34 (6) To sell or exchange real or personal property or interest in real  
 35 or personal property that, in the opinion of the governing body, is  
 36 not necessary for school purposes, in accordance with IC 20-26-7,  
 37 to demolish or otherwise dispose of the property if, in the opinion  
 38 of the governing body, the property is not necessary for school  
 39 purposes and is worthless, and to pay the expenses for the  
 40 demolition or disposition.

41 (7) To lease any school property for a rental that the governing  
 42 body considers reasonable or to permit the free use of school

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1 property for:

2 (A) civic or public purposes; or

3 (B) the operation of a school age child care program for  
 4 children who are at least five (5) years of age and less than  
 5 fifteen (15) years of age that operates before or after the school  
 6 day, or both, and during periods when school is not in session;  
 7 if the property is not needed for school purposes. Under this  
 8 subdivision, the governing body may enter into a long term lease  
 9 with a nonprofit corporation, community service organization, or  
 10 other governmental entity, if the corporation, organization, or  
 11 other governmental entity will use the property to be leased for  
 12 civic or public purposes or for a school age child care program.  
 13 However, if payment for the property subject to a long term lease  
 14 is made from money in the school corporation's debt service fund,  
 15 all proceeds from the long term lease must be deposited in the  
 16 school corporation's debt service fund so long as payment for the  
 17 property has not been made. The governing body may, at the  
 18 governing body's option, use the procedure specified in  
 19 IC 36-1-11-10 in leasing property under this subdivision.

20 (8) To:

21 (A) Employ, contract for, and discharge superintendents,  
 22 supervisors, principals, teachers, librarians, athletic coaches  
 23 (whether or not they are otherwise employed by the school  
 24 corporation and whether or not they are licensed under  
 25 IC 20-28-5), business managers, superintendents of buildings  
 26 and grounds, janitors, engineers, architects, physicians,  
 27 dentists, nurses, accountants, teacher aides performing  
 28 noninstructional duties, educational and other professional  
 29 consultants, data processing and computer service for school  
 30 purposes, including the making of schedules, the keeping and  
 31 analyzing of grades and other student data, the keeping and  
 32 preparing of warrants, payroll, and similar data where  
 33 approved by the state board of accounts as provided below,  
 34 and other personnel or services as the governing body  
 35 considers necessary for school purposes.

36 (B) Fix and pay the salaries and compensation of persons and  
 37 services described in this subdivision *that are consistent with*  
 38 *IC 20-28-9-1.*

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

42 (D) Determine the number of the persons or the amount of the

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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 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) To transport children to and from school, when in the opinion of the governing body **or (if IC 20-27-13 applies) the department** 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

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1 operate the lunch program as an extracurricular activity, subject  
 2 to the supervision of the governing body. To participate in a  
 3 surplus commodity or lunch aid program.  
 4 (12) To purchase textbooks, to furnish textbooks without cost or  
 5 to rent textbooks to students, to participate in a textbook aid  
 6 program, all in accordance with applicable law.  
 7 (13) To accept students transferred from other school corporations  
 8 and to transfer students to other school corporations in accordance  
 9 with applicable law.  
 10 (14) To make budgets, to appropriate funds, and to disburse the  
 11 money of the school corporation in accordance with applicable  
 12 law. To borrow money against current tax collections and  
 13 otherwise to borrow money, in accordance with IC 20-48-1.  
 14 (15) To purchase insurance or to establish and maintain a  
 15 program of self-insurance relating to the liability of the school  
 16 corporation or the school corporation's employees in connection  
 17 with motor vehicles or property and for additional coverage to the  
 18 extent permitted and in accordance with IC 34-13-3-20. To  
 19 purchase additional insurance or to establish and maintain a  
 20 program of self-insurance protecting the school corporation and  
 21 members of the governing body, employees, contractors, or agents  
 22 of the school corporation from liability, risk, accident, or loss  
 23 related to school property, school contract, school or school  
 24 related activity, including the purchase of insurance or the  
 25 establishment and maintenance of a self-insurance program  
 26 protecting persons described in this subdivision against false  
 27 imprisonment, false arrest, libel, or slander for acts committed in  
 28 the course of the persons' employment, protecting the school  
 29 corporation for fire and extended coverage and other casualty  
 30 risks to the extent of replacement cost, loss of use, and other  
 31 insurable risks relating to property owned, leased, or held by the  
 32 school corporation. *In accordance with IC 20-26-17, to:*  
 33 (A) participate in a state employee health plan under  
 34 IC 5-10-8-6.6 or IC 5-10-8-6.7;  
 35 (B) purchase insurance; or  
 36 (C) establish and maintain a program of self-insurance;  
 37 to benefit school corporation employees, including accident,  
 38 sickness, health, or dental coverage, provided that a plan of  
 39 self-insurance must include an aggregate stop-loss provision.  
 40 (16) To make all applications, to enter into all contracts, and to  
 41 sign all documents necessary for the receipt of aid, money, or  
 42 property from the state, the federal government, or from any other

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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 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 4. IC 20-27-3-6.5 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6.5. (a) The committee shall adopt and**

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1 enforce rules under IC 4-22-2 that allow the display of paid  
2 advertisements on a school bus operated by or on behalf of a school  
3 corporation.

4 (b) The rules adopted under subsection (a) must provide that  
5 any advertisement displayed on a school bus may not be placed in  
6 a manner that:

7 (1) obstructs the school bus driver's vision through the  
8 windshield or any other window;

9 (2) impedes the school bus driver's operation of any  
10 equipment;

11 (3) distracts the attention of other motorists from the school  
12 bus's warning lamps or stop signal arm when the school bus  
13 is loading or unloading students; or

14 (4) obscures the number of the school district on the back of  
15 the school bus.

16 (c) The rules adopted under subsection (a) must establish  
17 standards for the subject matter that may be displayed on a school  
18 bus. The committee may permit the display only of material that  
19 is developmentally appropriate for students.

20 SECTION 5. IC 20-27-13 IS ADDED TO THE INDIANA CODE  
21 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
22 UPON PASSAGE]:

23 **Chapter 13. Review of Termination of Transportation**

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

26 (1) is enrolled in a school corporation;

27 (2) has legal settlement in the school corporation;

28 (3) attended school in the school corporation's taxing district;  
29 and

30 (4) is not required by federal or state law to receive  
31 transportation services to and from school.

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

36 **Sec. 3.** A school corporation shall carry out a program to  
37 provide transportation to and from school for all eligible students  
38 in any part of a school year beginning after June 30, 2012, for  
39 which the school corporation does not have a waiver granted by  
40 the department under this chapter.

41 **Sec. 4.** A fee or charge may not be imposed for transportation  
42 provided under a transportation program required under section

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- 1 3 of this chapter.
- 2       **Sec. 5.** Transportation provided in a transportation program  
 3 required under section 3 of this chapter may be limited by the  
 4 school corporation's governing body to children residing a  
 5 minimum distance from a school if the governing body includes  
 6 facts in the resolution setting the minimum distance that  
 7 demonstrate that each child residing less than the minimum  
 8 distance for the school can safely walk to and from the school  
 9 unattended by an adult during the regular hours that the child  
 10 would ordinarily be coming to or from the school.
- 11       **Sec. 6.** Transportation provided under a transportation  
 12 program required under section 3 of this chapter may be limited  
 13 by the school corporation's governing body to providing  
 14 transportation to school immediately before the beginning of an  
 15 instructional day (described in IC 20-30-2-2) and from school  
 16 immediately after the end of an instructional day (described in  
 17 IC 20-30-2-2) without additional accommodations for participation  
 18 in extracurricular activities.
- 19       **Sec. 7.** Transportation provided under a transportation  
 20 program required under section 3 of this chapter must be  
 21 otherwise in accordance with applicable law.
- 22       **Sec. 8.** Before May 1 in a year, a school corporation may  
 23 petition the department in writing to waive the requirement  
 24 imposed by section 3 of this chapter for one (1) or more of the  
 25 immediately following school years. The petition must:
- 26       (1) demonstrate that the waiver request was approved by the  
 27 governing body for the school corporation;
  - 28       (2) describe the transportation services that will be provided  
 29 to students who are required by federal or state law to receive  
 30 transportation services to and from school;
  - 31       (3) present a written plan that provides for the safe movement  
 32 of eligible students to and from school; and
  - 33       (4) include any other information required by the department.
- 34       **Sec. 9.** If a petition complies with section 8 of this chapter, the  
 35 department shall conduct a public hearing on the petition in the  
 36 district served by the school corporation after giving notice of the  
 37 public hearing under IC 5-3-1.
- 38       **Sec. 10.** If, based on the information provided in the petition,  
 39 provided in the public hearing, or otherwise available to the  
 40 department, the department determines that the plan presented by  
 41 the school corporation, with or without revisions required by the  
 42 department:

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1           (1) will protect the safety of eligible students enrolled in the  
2           school corporation; and  
3           (2) is otherwise in accordance with applicable law;  
4       the department may waive the requirement imposed by section 3  
5       of this chapter for one (1) or more school years as requested in the  
6       petition.

7       **Sec. 11.** The department may condition a waiver under this  
8       chapter on the terms and conditions specified by the department.  
9       If a school corporation fails to comply with a term or condition of  
10      a waiver or the department discovers facts that indicate that the  
11      school corporation's plan:

12           (1) is not protecting the safety of eligible students enrolled in  
13           the school corporation; or  
14           (2) is not otherwise in accordance with applicable law;  
15      the department may issue an order under IC 4-21.5-3 or an  
16      emergency or temporary order under IC 4-21.5-4 specifying the  
17      actions that must be taken by the school corporation to correct the  
18      deficiency. The order may suspend or terminate the waiver  
19      granted under this chapter beginning on the date specified by the  
20      department.

21      SECTION 6. IC 20-39-5 IS ADDED TO THE INDIANA CODE AS  
22      A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON  
23      PASSAGE]:

24      **Chapter 5. Financially Distressed School Corporation Appeals**  
25      **Board**

26      **Sec. 1.** As used in this chapter, "board" refers to the financially  
27      distressed school corporation appeals board established by section  
28      5 of this chapter.

29      **Sec. 2.** As used in this chapter, "chairperson" refers to the  
30      chairperson of the board.

31      **Sec. 3.** As used in this chapter, "member" refers to a member of  
32      the board.

33      **Sec. 4.** As used in this chapter, "petition" refers to a petition  
34      requesting emergency financial relief under this chapter.

35      **Sec. 5.** The financially distressed school corporation appeals  
36      board is established.

37      **Sec. 6. (a)** The board consists of the following seven (7) voting  
38      members:

39           (1) One (1) member appointed by the commissioner of the  
40           department of local government finance.

41           (2) One (1) member appointed by the chief examiner for the  
42           state board of accounts.

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- 1           **(3) One (1) member appointed by the superintendent of public**
- 2           **instruction.**
- 3           **(4) One (1) member appointed by the speaker of the house of**
- 4           **representatives.**
- 5           **(5) One (1) member appointed by the president pro tempore**
- 6           **of the senate.**
- 7           **(6) Two (2) members appointed by the governor.**
- 8           **(b) Each member of the board must be knowledgeable about**
- 9           **public school funding.**
- 10           **(c) The member appointed under subsection (a)(4) must be**
- 11           **actively employed by a school corporation as a school**
- 12           **superintendent.**
- 13           **(d) The member appointed under subsection (a)(5) must be**
- 14           **actively employed by a school corporation as a school business**
- 15           **official.**
- 16           **(e) Each member appointed under subsection (a)(6):**
- 17           **(1) must be a citizen of Indiana; and**
- 18           **(2) may not hold an elected or appointed state office or be**
- 19           **regularly employed as an employee of the state.**
- 20           **Sec. 7. A member of the board serves at the will of the**
- 21           **appointing authority.**
- 22           **Sec. 8. If a vacancy occurs on the board, the appointing**
- 23           **authority that appointed the vacating member shall fill the vacancy**
- 24           **by appointing an individual who qualifies for appointment under**
- 25           **section 6 of this chapter.**
- 26           **Sec. 9. A member of the board serves without compensation.**
- 27           **However, each member of the board is entitled to reimbursement**
- 28           **for:**
- 29           **(1) traveling expenses as provided under IC 4-13-1-4; and**
- 30           **(2) other expenses actually incurred in connection with the**
- 31           **member's duties as provided in the state policies and**
- 32           **procedures established by the Indiana department of**
- 33           **administration and approved by the budget agency.**
- 34           **Sec. 10. The board shall meet on the call of the chairperson, as**
- 35           **needed. The chairperson shall consult with the department to**
- 36           **determine when meetings are necessary.**
- 37           **Sec. 11. The superintendent of public instruction shall call the**
- 38           **initial meeting of the board each year. In calendar year 2012, the**
- 39           **superintendent shall call the initial meeting before July 1, 2012.**
- 40           **After calendar year 2012, the superintendent annually shall call the**
- 41           **initial meeting in January of each year. At the initial meeting, the**
- 42           **board shall elect a member of the board to serve as chairperson for**

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the year.

**Sec. 12.** The department shall provide the staff and assistance that the board reasonably requires and provide rooms for the board to meet and conduct hearings. The board may contract with accountants, financial experts, and other advisors and consultants as necessary to carry out the board's duties under this chapter.

**Sec. 13.** The expenses of the board shall be paid from money appropriated to the department.

**Sec. 14.** An order issued by the board must be adopted by an affirmative vote of at least four (4) members.

**Sec. 15.** The board shall:

- (1) establish procedures for appeals under this chapter;
- (2) determine the merits of appeals by a school corporation under this chapter; and
- (3) authorize appropriate emergency financial relief to a school corporation that meets the board's criteria for receiving emergency financial relief under this chapter.

**Sec. 16.** The board shall establish the criteria that determines whether a school corporation qualifies for emergency financial relief. The board may consider any combination of the following information to determine whether a school corporation meets the criteria established by the board for emergency financial relief:

- (1) Failed general fund or property tax cap referendums, or both.
- (2) Declining school enrollment.
- (3) Declining assessed valuation.
- (4) Increased class size.
- (5) Property tax circuit breaker impact.
- (6) Delayed payments to vendors.
- (7) Reductions in school corporation staff.
- (8) Efficiencies in energy use, purchasing, or other expenditure categories.
- (9) Impact of outsourcing services.
- (10) Declining state support dollars per student.
- (11) Indebtedness.
- (12) Other information determined acceptable by the board.

**Sec. 17. (a)** The board may adopt rules under IC 4-22-2 to implement this chapter.

**(b)** The board may adopt temporary rules in the manner specified for the adoption of emergency rules under IC 4-22-2-37.1 to implement this chapter. A temporary rule adopted under this subsection expires on the earliest of the following:

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- 1           (1) The date specified in the temporary rule.
- 2           (2) The date another temporary rule or a rule adopted under
- 3           IC 4-22-2 supersedes or repeals the temporary rule.
- 4           (3) January 1, 2014.

5   **This subsection expires January 1, 2014.**

6           **Sec. 18. The governing body of a school corporation may appeal**  
7 **to the board for emergency financial relief under this chapter. An**  
8 **appeal is commenced by filing with the board a petition that**  
9 **complies with this chapter.**

10          **Sec. 19. A petition for emergency financial relief must:**

11           (1) be submitted to the department in the form and on the  
12           schedule prescribed by the board;

13           (2) demonstrate that the school corporation in the ensuing  
14           budget year cannot:

15                   (A) carry out the school corporation's public educational  
16                   duties committed to it by law; and

17                   (B) provide an adequate educational opportunity to all  
18                   students enrolled in the school corporation;

19           without emergency financial relief;

20           (3) demonstrate that the petitioning school corporation  
21           qualifies for emergency financial relief under the criteria  
22           prescribed by the board; and

23           (4) be accompanied by:

24                   (A) a copy of the resolution of the governing body  
25                   authorizing the appeal;

26                   (B) the supporting documentation required by the board  
27                   and this chapter; and

28                   (C) the plans required by this chapter.

29          **Sec. 20. The board shall conduct a public hearing on each**  
30 **petition that meets the criteria established by the board after**  
31 **giving notice of the public hearing under IC 5-3-1 in the area**  
32 **served by the school corporation.**

33          **Sec. 21. After a public hearing on a petition, the board shall take**  
34 **final action on the petition. If the board determines that the**  
35 **petitioning school corporation has demonstrated that:**

36           (1) the school corporation in the ensuing budget year cannot:

37                   (A) carry out the school corporation's public educational  
38                   duties committed to it by law; and

39                   (B) provide an adequate educational opportunity to all  
40                   students enrolled in the school corporation;

41           without emergency financial relief; and

42           (2) the petitioning school corporation qualifies for emergency

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1 financial relief under the criteria prescribed by the board;  
2 the board shall declare the petitioning school corporation to be a  
3 financially distressed school corporation.

4 Sec. 22. The board shall work with a school corporation  
5 declared to be a financially distressed school corporation to  
6 prepare a plan under section 23 of this chapter.

7 Sec. 23. The plan described in section 22 of this chapter must:

- 8 (1) be acceptable to the board;
- 9 (2) demonstrate how the school corporation will move out of  
10 its financially distressed status;
- 11 (3) require the school corporation to provide quarterly  
12 reports regarding the school corporation's financial status  
13 during the period before the board terminates the school  
14 corporation's status as a financially distressed school  
15 corporation;
- 16 (4) require the school corporation to comply with the  
17 requirements of section 24 of this chapter during the period  
18 before the board terminates the school corporation's status as  
19 a financially distressed school corporation; and
- 20 (5) require the governing body to adopt a resolution accepting  
21 the board's proposal for emergency financial relief and the  
22 conditions for granting emergency financial relief.

23 Sec. 24. A school corporation that receives emergency financial  
24 relief may not do any of the following without the approval of the  
25 board during the period before the board terminates the school  
26 corporation's status as a financially distressed school corporation:

- 27 (1) Acquire real property for school building purposes.
- 28 (2) Construct new school buildings or remodel or renovate  
29 existing school buildings.
- 30 (3) Incur a contractual obligation (except an employment  
31 contract for a new employee whose employment replaces the  
32 employment of a former employee) that requires an  
33 expenditure of more than ten thousand dollars (\$10,000).
- 34 (4) Purchase or enter into an agreement to purchase personal  
35 property at a cost of more than ten thousand dollars  
36 (\$10,000).
- 37 (5) Adopt or advertise a budget, tax levy, or tax rate for an  
38 ensuing budget year.

39 Sec. 25. (a) A plan described in section 22 of this chapter may  
40 include a proposal to use any of the following emergency relief to  
41 the extent authorized by law and available:

- 42 (1) An interest free loan from any of the following:

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- 1 (A) The counter-cyclical revenue and economic
- 2 stabilization fund.
- 3 (B) The common school fund.
- 4 (C) The distressed school fund established by IC 4-12-15-4.
- 5 (2) Authorization to use unobligated reserves or other
- 6 balances in construction funds, sinking funds, bond funds, or
- 7 debt service funds, to the extent permitted under the school
- 8 corporation's agreements with the holders of any bonds,
- 9 leases, or other obligations of the school corporation or a
- 10 holding company for the school corporation.
- 11 (3) Authorization to make interfund transfers from any
- 12 statutory fund.

13 (b) If a plan described in section 22 of this chapter provides for  
 14 an interest free loan from a fund, a school corporation may apply  
 15 to the appropriate official or entity administering the fund for a  
 16 loan in accordance with the plan. The administering officer or  
 17 entity may grant the loan from the fund on the terms determined  
 18 by the administering officer or entity, to the extent money is  
 19 available and to the extent permitted by law.

20 (c) Notwithstanding any other law, a school corporation may  
 21 take an action authorized by the board under subsection (a)(2) or  
 22 (a)(3).

23 SECTION 7. IC 20-40-2-4, AS ADDED BY P.L.2-2006, SECTION  
 24 163, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON  
 25 PASSAGE]: Sec. 4. Except as provided by law, any lawful school  
 26 expenses payable from any other fund of a school corporation,  
 27 including debt service and capital outlay, ~~but excluding~~ **including** costs  
 28 attributable to transportation (as defined in IC 20-40-6-1), may be  
 29 budgeted in and paid from the fund.

30 SECTION 8. IC 20-40-6-5, AS AMENDED BY P.L.234-2007,  
 31 SECTION 229, IS AMENDED TO READ AS FOLLOWS  
 32 [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Subject to this chapter  
 33 **and IC 20-40-2-4**, the fund is the exclusive fund to be used by a school  
 34 corporation for the payment of costs attributable to transportation.

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

38 SECTION 9. IC 20-49-4-3.5 IS ADDED TO THE INDIANA CODE  
 39 AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE  
 40 UPON PASSAGE]: **Sec. 3.5. As used in this chapter, "costs**  
 41 **attributable to transportation" has the meaning set forth in**  
 42 **IC 20-40-6-1.**

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1 SECTION 10. IC 20-49-4-4.5 IS ADDED TO THE INDIANA  
 2 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 3 [EFFECTIVE UPON PASSAGE]: **Sec. 4.5. As used in this chapter,**  
 4 **"distressed school corporation" refers to a school corporation that**  
 5 **is designated as a distressed school corporation under IC 20-39-5.**

6 SECTION 11. IC 20-49-4-8, AS ADDED BY P.L.2-2006,  
 7 SECTION 172, IS AMENDED TO READ AS FOLLOWS  
 8 [EFFECTIVE UPON PASSAGE]: **Sec. 8.** The state board may advance  
 9 money to school corporations to be used for:

- 10 (1) school building construction programs; ~~and~~  
 11 (2) educational technology programs;  
 12 **(3) costs attributable to transportation; or**  
 13 **(4) emergency financial relief to a distressed school**  
 14 **corporation;**

15 as provided in this chapter.

16 SECTION 12. IC 20-49-4-21.5 IS ADDED TO THE INDIANA  
 17 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 18 [EFFECTIVE UPON PASSAGE]: **Sec. 21.5. (a) Advances for costs**  
 19 **attributable to transportation shall be granted on the basis**  
 20 **determined by the state board.**

21 **(b) An advance for costs attributable to transportation is**  
 22 **without limitation in amount other than the availability of funds in**  
 23 **the fund for this purpose and the ability of the school corporation**  
 24 **desiring an advance to pay the advance according to the terms of**  
 25 **the advance.**

26 **(c) Money advanced to a school corporation for costs**  
 27 **attributable to transportation must be for a period of ten (10) years**  
 28 **unless the state board and the school corporation agree to a lesser**  
 29 **period. A school corporation is not required to pay interest on or**  
 30 **fees for an advance for costs attributable to transportation.**  
 31 **Advances for costs attributable to transportation may be prepaid**  
 32 **at any time without penalty.**

33 SECTION 13. IC 20-49-4-21.7 IS ADDED TO THE INDIANA  
 34 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 35 [EFFECTIVE UPON PASSAGE]: **Sec. 21.7. (a) Subject to this**  
 36 **subsection, the state board may loan money from the fund to a**  
 37 **financially distressed school corporation on the terms established**  
 38 **by the state board if:**

- 39 **(1) the applicant has been designated as a financially**  
 40 **distressed school corporation under IC 20-39-5;**  
 41 **(2) the emergency financial relief authorized under IC 20-39-5**  
 42 **includes a loan from the fund;**

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- 1           **(3) the state board approves the accuracy and completeness of**
- 2           **the application;**
- 3           **(4) the state board determines that there is a need for the**
- 4           **loan;**
- 5           **(5) the state board determines that there is an adequate**
- 6           **method of repayment for the loan; and**
- 7           **(6) there is sufficient money in the fund to make the loan.**
- 8           **(b) The amount of a loan under this section may not exceed the**
- 9           **amount of emergency financial relief specified by the financially**
- 10          **distressed school corporation appeals board.**
- 11          **(c) A financially distressed school corporation may not be**
- 12          **required to pay any interest on or fees for a loan granted under**
- 13          **this section. A financially distressed school corporation may repay**
- 14          **a loan under this section in equal installments over a term of ten**
- 15          **(10) years unless the state board and the financially distressed**
- 16          **school corporation agree to a lesser term or a different payment**
- 17          **schedule. The outstanding balance of the loan may be prepaid**
- 18          **without penalty.**
- 19          **(d) In establishing the terms of the loan, the state board shall**
- 20          **consider the plan developed by the financially distressed school**
- 21          **corporation appeals board and the financially distressed school**
- 22          **corporation to move the financially distressed school corporation**
- 23          **out of its financially distressed status.**
- 24          **(e) Money repaid on a loan under this subsection shall be**
- 25          **deposited in the fund.**
- 26          **SECTION 14. An emergency is declared for this act.**

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