



April 5, 2013

**ENGROSSED
SENATE BILL No. 517**

DIGEST OF SB 517 (Updated April 2, 2013 12:25 pm - DI 92)

Citations Affected: IC 5-1; IC 6-1.1; IC 20-40; IC 20-48; IC 36-1; noncode.

Synopsis: Local government finance. Authorizes the department of local government finance (DLGF) to establish a three year pilot program concerning nonbinding review of budgets, property tax rates, and property tax levies. Provides that for a county to be eligible for designation as a pilot county, the county fiscal body must adopt a resolution and submit an application to the DLGF. Allows the DLGF to designate not more than three counties as pilot counties. Specifies that the following apply in 2014 and thereafter in a pilot county: (1) Each taxing unit in the pilot county must file with the DLGF the taxing unit's proposed budgets, property tax rates, and property tax levies. (2) When formulating the taxing unit's estimated budget, property tax rate, and property tax levy, each taxing unit shall consider estimated consequences of the circuit breaker property tax credits. (3) The DLGF shall prepare an analysis of the proposed budgets, property tax rates, and property tax levies submitted by taxing units in the pilot county and provide the analysis to the county fiscal body and to the fiscal body of each taxing unit in the pilot county. (4) Upon request by the county
(Continued next page)

Effective: Upon passage; July 1, 2013.

Miller Pete, Smith J, Randolph

(HOUSE SPONSORS — HUSTON, ERRINGTON, GOODIN, THOMPSON)

January 14, 2013, read first time and referred to Committee on Tax and Fiscal Policy.
February 14, 2013, amended, reported favorably — Do Pass.
February 18, 2013, read second time, ordered engrossed. Engrossed.
February 19, 2013, read third time, passed. Yeas 49, nays 0.

HOUSE ACTION

February 26, 2013, read first time and referred to Committee on Ways and Means.
April 4, 2013, amended, reported — Do Pass.

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fiscal body, representatives of the DLGF shall appear before the county fiscal body to review the analysis. (5) The county fiscal body shall review the proposed budgets, property tax rates, and property tax levies of each taxing unit in the pilot county and the total tax rate of each taxing district in the county, and shall issue a nonbinding recommendation to each taxing unit. Provides that the maximum amount allowed for an operating balance in the debt service fund is the sum of: (1) 50% of the budget estimate for the debt service on debt incurred before January 1, 2009; plus (2) 25% of the amount budgeted for the ensuing year for debt service on debt incurred after December 31, 2008. Provides that taxes levied under the allowance may not be construed as an increase in a political subdivision's property tax levy to make up for a reduction in property tax collections under the circuit breaker law. Provides for proportional allocation of circuit breaker losses. Allows political subdivisions to transfer money from other funds to debt service funds when property tax reductions reduce debt service fund balances below the amount needed to meet debt service obligations. Permits a school corporation to make a transfer from its general fund to its transportation fund or school bus replacement fund if more than 75% of its transportation fund levy or bus replacement fund levy is lost due to: (1) the application of the circuit breaker credit; plus (2) the tax allocations made to protect taxes that are protected from the circuit breaker credit. Limits the general fund transfer to 50% of the revenue lost by the impacted fund. Specifies that an eligible school corporation may adopt a resolution before January 1, 2014, to use certain debt restructuring statutes. Provides that in the case of a school corporation designated after June 30, 2013, as distressed by the distressed unit appeal board (board) upon submission of a petition by the school corporation requesting the designation, the board shall appoint an emergency manager for the school corporation. (Under current law, the board is required to appoint an emergency manager for each political subdivision, other than a school corporation, that is designated as distressed.) Allows the board to approve a petition submitted jointly by the governing body and the superintendent of a school corporation requesting authority to transfer before July 1, 2015, excess funds in the school corporation's debt service fund to the school corporation's transportation fund. Provides that in the case of a school corporation that has issued bonds to implement solutions to contractual retirement or severance liability and that has elected to phase in the reductions to the school corporation's levies for transportation, school bus replacement, capital projects, and art association and historical society funds, as appropriate, the schedule of annual levy reduction percentages is lengthened from three years to five years by adding two additional 25% reduction years in years two and three of the phase-in. Allows a school corporation in LaPorte County to exchange real property for services provided by another governmental agency.

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April 5, 2013

First Regular Session 118th General Assembly (2013)

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 2012 Regular Session of the General Assembly.

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ENGROSSED SENATE BILL No. 517

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

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

1 SECTION 1. IC 5-1-5-2.5, AS AMENDED BY P.L.145-2012,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 2.5. (a) As used in this section, "eligible
4 school corporation" means a school corporation (as defined in
5 IC 36-1-2-17) that satisfies all the conditions required by this section.
6 (b) As used in this section, "increment" means the annual difference
7 between:
8 (1) the annual debt service payment for the bonds proposed to be
9 retired or refunded; and
10 (2) the annual debt service payment for the proposed refunding
11 bonds;
12 for each year that the bonds that are being retired or refunded would
13 have been outstanding.
14 (c) In order for a school corporation to be an eligible school
15 corporation under this section, the school corporation must determine

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1 that the percentage computed under this subsection for the school
 2 corporation is at least twenty percent (20%), ~~before January 1, 2014, or~~
 3 ~~at least thirty percent (30%) after December 31, 2013,~~ regarding the
 4 year for which the latest certified levies have been determined. A
 5 school corporation shall compute its percentage as follows:

6 (1) Compute the amount of credits granted under IC 6-1.1-20.6
 7 against the school corporation's combined levy for the school
 8 corporation's:

- 9 (A) debt service fund, as described in IC 20-46-7-15;
 10 (B) capital projects fund;
 11 (C) transportation fund;
 12 (D) school bus replacement fund; and
 13 (E) racial balance fund.

14 (2) Compute the school corporation's combined levy for the
 15 school corporation's:

- 16 (A) capital projects fund;
 17 (B) transportation fund;
 18 (C) school bus replacement fund; and
 19 (D) racial balance fund.

20 (3) Divide the amount computed under subdivision (1) by the
 21 amount computed under subdivision (2) and express it as a
 22 percentage.

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

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

33 (1) The school corporation shall conduct a public hearing and
 34 provide notice of the time, date, and place of the hearing,
 35 published as required by IC 5-3-1, before the school corporation
 36 may adopt a resolution under this section. At the public hearing,
 37 the governing body must provide the following information:

- 38 (A) The annual debt service payments, applicable debt service
 39 tax rate, and total debt service payments for the bonds
 40 proposed to be retired or refunded.
 41 (B) The annual debt service payments, applicable debt service
 42 fund tax rate, and total debt service payments for the proposed

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1 refunding bonds.
2 (C) The annual increment for each year that the bonds that are
3 being retired or refunded would have been outstanding and
4 any other benefits to be derived from issuing the refunding
5 bonds.
6 (2) The requirements of this subdivision do not apply to a school
7 corporation that adopts a resolution under subsection (g) before
8 January 1, 2014, and that has a percentage computed under
9 subsection (c) that is at least twenty percent (20%), as certified by
10 the department of local government finance. If the amount
11 determined under subsection (c)(3) is:
12 (A) more than forty-five percent (45%), notwithstanding
13 IC 6-1.1-20-3.1(a) and IC 6-1.1-20-3.2(a), the school
14 corporation shall use the petition and remonstrance process
15 prescribed by IC 6-1.1-20-3.1(b) and IC 6-1.1-20-3.2(b) and
16 more individuals must sign the petition for the bond refunding
17 under this section than the number of individuals signing a
18 remonstrance against the bond refunding; or
19 (B) at least thirty percent (30%) but not more than forty-five
20 percent (45%), the school corporation shall conduct a
21 referendum on a public question regarding the bond refunding
22 using the process for a referendum tax levy under IC 20-46-1
23 and the bond refunding must be approved by the eligible
24 voters of the school corporation. The question to be submitted
25 to the voters in the referendum must read as follows:
26 "Shall _____ (insert the name of the school corporation)
27 issue refunding bonds to refund not more than fifty percent
28 (50%) of its outstanding bonds to provide an annual savings
29 to the school's debt service fund that can be transferred from
30 the school's debt service fund to the school's capital projects
31 fund, transportation fund, or school bus replacement fund?".
32 (3) The requirements of this subdivision apply to a school
33 corporation that adopts a resolution under subsection (g) before
34 January 1, 2014, and that has a percentage computed under
35 subsection (c) that is at least twenty percent (20%), as certified by
36 the department of local government finance. The school
37 corporation must either:
38 (A) have the distressed unit appeal board approve the school
39 corporation's financial plan for paying any refunding bonds
40 issued under this section, as provided in subsection (e); or
41 (B) meet all of the following conditions:
42 (i) The ratio that the amount of the school corporation's debt

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1 (as determined in December 2010) bears to the school
2 corporation's 2011 ADM ranks in the ten (10) highest
3 among all school corporations.

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

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

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

14 (1) the school corporation submits to the distressed unit appeal
15 board the school corporation's financial plan for paying any
16 refunding bonds issued under this section; and

17 (2) the distressed unit appeal board approves the plan after
18 making a determination that the financial plan is feasible.

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

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

29 (g) A school corporation that desires to be an eligible school
30 corporation under this section must, before ~~July 1, 2013~~, **January 1,**
31 **2014**, and notwithstanding any other law, adopt a resolution that sets
32 forth the following:

33 (1) The determinations made under subsection (c), including the
34 department of local government finance's certification of the
35 percentage computed under subsection (c).

36 (2) The requirements of this subdivision do not apply to a
37 resolution adopted under this subsection before January 1, 2014,
38 if the school corporation has a percentage computed under
39 subsection (c) that is at least twenty percent (20%), as certified by
40 the department of local government finance. The result of the
41 petition remonstrance process under subsection (d)(2)(A) or the
42 result of the vote on the public question under subsection

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- 1 (d)(2)(B), whichever applies.
- 2 (3) A determination providing for the:
- 3 (A) issuance of bonds to refund not more than fifty percent
- 4 (50%) of outstanding bonds or leases issued by or on behalf of
- 5 the school corporation; and
- 6 (B) payment of redemption premiums and the costs of the
- 7 refunding.
- 8 (4) With respect to the refunding bonds, the following:
- 9 (A) The maximum principal amount.
- 10 (B) The maximum interest rate.
- 11 (C) The annual lease or debt service payment.
- 12 (D) The final maturity date.
- 13 (E) The estimated amount of the increment that will occur for
- 14 each year that the bonds that are being retired or refunded by
- 15 the issuance of refunding bonds would have been outstanding.
- 16 (F) A finding that the annual debt service or lease payment on
- 17 the refunding bonds will not increase the annual debt service
- 18 or lease payment above the annual debt service or lease
- 19 payment approved by the school corporation for the original
- 20 project.

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

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

32 (i) Property taxes imposed by an eligible school corporation to pay
 33 debt service for bonds permitted by this section shall be considered for
 34 purposes of calculating the limits to property tax liability under Article
 35 10, Section 1 of the Constitution of the State of Indiana and for
 36 calculating a person's credit under IC 6-1.1-20.6-7.5. However,
 37 property taxes imposed by an eligible school corporation through
 38 December 31, 2019, to pay debt service for bonds permitted by this
 39 section may not be considered in an eligible county, as used in Article
 40 10, Section 1(h) of the Constitution of the State of Indiana, for purposes
 41 of calculating the limits to property tax liability under Article 10,
 42 Section 1 of the Constitution of the State of Indiana or for calculating

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1 a person's credit under IC 6-1.1-20.6-7.5.

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

10 SECTION 2. IC 6-1.1-17-3.5, AS AMENDED BY P.L.137-2012,
11 SECTION 24, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
12 JULY 1, 2013]: Sec. 3.5. (a) This section does not apply to taxing units
13 located in a county in which a county board of tax adjustment reviews
14 budgets, tax rates, and tax levies. This section does not apply to a
15 taxing unit that has its proposed budget and proposed property tax levy
16 approved under section 20 or 20.3 of this chapter or IC 36-3-6-9.

17 (b) This section applies to a taxing unit other than a county. **Except**
18 **as provided in section 3.7 of this chapter**, if a taxing unit will impose
19 property taxes due and payable in the ensuing calendar year, the taxing
20 unit shall file the following information in the manner prescribed by the
21 department of local government finance with the fiscal body of the
22 county in which the taxing unit is located:

23 (1) A statement of the proposed or estimated tax rate and tax levy
24 for the taxing unit for the ensuing budget year.

25 (2) In the case of a taxing unit other than a school corporation, a
26 copy of the taxing unit's proposed budget for the ensuing budget
27 year.

28 (c) In the case of a taxing unit located in more than one (1) county,
29 the taxing unit shall file the information under subsection (b) with the
30 fiscal body of the county in which the greatest part of the taxing unit's
31 net assessed valuation is located.

32 (d) A taxing unit must file the information under subsection (b)
33 before September 2 of a year.

34 (e) A county fiscal body shall complete the following in a manner
35 prescribed by the department of local government finance before
36 October 2 of a year:

37 (1) Review any proposed or estimated tax rate or tax levy filed by
38 a taxing unit with the county fiscal body under this section.

39 (2) In the case of a taxing unit other than a school corporation,
40 review any proposed or estimated budget filed by a taxing unit
41 with the county fiscal body under this section.

42 (3) In the case of a taxing unit other than a school corporation,

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- 1 issue a nonbinding recommendation to a taxing unit regarding the
 2 taxing unit's proposed or estimated tax rate or tax levy or
 3 proposed budget.
- 4 (f) The recommendation under subsection (e) must include a
 5 comparison of any increase in the taxing unit's budget or tax levy to:
 6 (1) the average increase in Indiana nonfarm personal income for
 7 the preceding six (6) calendar years and the average increase in
 8 nonfarm personal income for the county for the preceding six (6)
 9 calendar years; and
 10 (2) increases in the budgets and tax levies of other taxing units in
 11 the county.
- 12 (g) The department of local government finance must provide each
 13 county fiscal body with the most recent available information
 14 concerning increases in Indiana nonfarm personal income and
 15 increases in county nonfarm personal income.
- 16 (h) If a taxing unit fails to file the information required by
 17 subsection (b) with the fiscal body of the county in which the taxing
 18 unit is located by the time prescribed in subsection (d), the most recent
 19 annual appropriations and annual tax levy of that taxing unit are
 20 continued for the ensuing budget year.
- 21 (i) If a county fiscal body fails to complete the requirements of
 22 subsection (e) before the deadline in subsection (e) for any taxing unit
 23 subject to this section, the most recent annual appropriations and
 24 annual tax levy of the county are continued for the ensuing budget year.
- 25 SECTION 3. IC 6-1.1-17-3.7 IS ADDED TO THE INDIANA
 26 CODE AS A **NEW SECTION TO READ AS FOLLOWS**
 27 **[EFFECTIVE JULY 1, 2013]: Sec. 3.7. (a) This section authorizes a**
 28 **three (3) year pilot program to allow county fiscal bodies of**
 29 **designated counties to carry out a more thorough nonbinding**
 30 **review of the proposed budgets, property tax rates, and property**
 31 **tax levies of all taxing units in those counties. The general assembly**
 32 **finds that, because of the enactment of property tax credits under**
 33 **IC 6-1.1-20.6, there is an even greater need for taxing units to**
 34 **cooperate in the adoption of their budgets, property tax rates, and**
 35 **property tax levies.**
- 36 (b) The department of local government finance may establish
 37 a pilot program concerning nonbinding review of budgets,
 38 property tax rates, and property tax levies as provided in this
 39 section. The role of the department of local government finance in
 40 the pilot program is to develop the framework for the continuation
 41 of a more thorough nonbinding review in all counties without the
 42 direct involvement of the department of local government finance.



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1 (c) For a county to be eligible for designation as a pilot county
2 participating in the pilot program:

3 (1) the county fiscal body must adopt a resolution approving
4 the submission of an application to be designated as a pilot
5 county; and

6 (2) the county fiscal body must submit to the department of
7 local government finance before the date specified by the
8 department:

9 (A) an application in the form and containing the
10 information prescribed by the department; and

11 (B) a copy of the resolution adopted under subdivision (1).

12 (d) After reviewing applications submitted under subsection (c),
13 the department of local government finance may designate not
14 more than three (3) counties that submit an application under
15 subsection (c) as pilot counties under this section. In determining
16 which counties are designated as pilot counties, the department of
17 local government finance shall attempt to achieve diversity among
18 designated counties based on:

19 (1) the geographical location of the counties;

20 (2) the population of the counties; and

21 (3) whether the counties are primarily rural or urban.

22 (e) The department of local government finance shall notify
23 each taxing unit in a pilot county of:

24 (1) the designation of the county as a pilot county; and

25 (2) the duties of the taxing unit under this section.

26 (f) The following apply in 2014 and thereafter:

27 (1) Each taxing unit in a pilot county shall, before September
28 2 of each year, file with the department of local government
29 finance and with the county fiscal body:

30 (A) the taxing unit's proposed budgets, property tax rates,
31 and property tax levies for the following calendar year;

32 (B) a statement of whether:

33 (i) a petition and remonstrance process has been initiated
34 under IC 6-1.1-20 concerning a controlled project of the
35 taxing unit;

36 (ii) a public question under IC 6-1.1-20 concerning a
37 controlled project of the taxing unit has been certified
38 and will be on the election ballot;

39 (iii) a referendum tax levy question under IC 20-46-1 has
40 been certified and will be on the election ballot; or

41 (iv) the taxing unit anticipates that it will during the
42 following eighteen (18) months either adopt a resolution

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or ordinance under IC 6-1.1-20 making a preliminary determination to issue bonds or enter into a lease concerning a controlled project of the taxing unit, or adopt a resolution under IC 20-46-1 to place a referendum tax levy question on the election ballot; and (C) any additional information required by the department to prepare the analysis required under subdivision (4).

A school corporation providing information to the department of local government finance shall provide the information through the department's interactive and searchable Internet web site containing local government information (the Indiana gateway for governmental units). When formulating the taxing unit's estimated budget, property tax rate, and property tax levy under section 3 of this chapter, the proper officers of the taxing unit shall consider the estimated consequences of the property tax credits under IC 6-1.1-20.6 on the property taxes that will be collected by the taxing unit and the calculation of fund balances.

(2) A taxing unit in a pilot county that would otherwise be required to submit its proposed budgets, property tax rates, and property tax levies for nonbinding review under section 3.5 of this chapter is not required to do so, but the taxing unit must instead submit the information required by subdivision (1) to the department of local government finance.

(3) A taxing unit that is located in a pilot county and that is subject to binding review and approval of the taxing unit's budgets, property tax rates, and property tax levies under section 20 of this chapter or IC 36-3-6-9:

(A) remains subject to binding review and approval under those statutes and must submit the information required under those statutes to the appropriate fiscal body; and

(B) must also submit the information required by subdivision (1) to the department of local government finance.

(4) The department shall prepare an analysis of the proposed budgets, property tax rates, and property tax levies submitted by taxing units in each pilot county. The department of local government finance may establish appropriate procedures and conduct the appropriate analysis that meets the department's requirements for the review of a unit's budget under this chapter. The analysis prepared by the department

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- must include at least the following:**
- (A) The estimated total property tax rate for each taxing district in the pilot county.**
- (B) The estimated total amount of property taxes to be levied in the pilot county.**
- (C) The estimated consequences of the property tax credits under IC 6-1.1-20.6 on:**
 - (i) the property tax rates of each taxing unit and taxing district in the pilot county;**
 - (ii) the expected total tax rate of each taxing district in the county; and**
 - (iii) the property taxes that will be collected by each taxing unit in the pilot county.**
- (5) The department of local government finance shall, before October 2 of each year, provide the analysis prepared under subdivision (4) for a pilot county to the county fiscal body of the pilot county and to the fiscal body of each taxing unit in the pilot county. Upon request by the county fiscal body, representatives of the department of local government finance shall appear before the county fiscal body to review the analysis.**
- (6) The county fiscal body of a pilot county shall, on or before October 15 of each year:**
 - (A) review the proposed budgets, property tax rates, and property tax levies of each taxing unit in the pilot county;**
 - (B) review the expected total tax rate of each taxing district in the county; and**
 - (C) issue a nonbinding recommendation to each taxing unit in the pilot county regarding the taxing unit's proposed budgets, property tax rates, and property tax levies.**

The review and recommendation required to be carried out under this subdivision may be carried out by the full county fiscal body or by a committee appointed by the county fiscal body for that purpose.
- (7) A recommendation by a county fiscal body must include a comparison of any increase in a taxing unit's budgets, property tax rates, and property tax levies to:**
 - (A) the average increase in Indiana nonfarm personal income for the preceding six (6) calendar years and the average increase in nonfarm personal income for the county for the preceding six (6) calendar years; and**
 - (B) increases in the budgets, property tax rates, and**

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property tax levies of other taxing units in the county.
(8) After review under this section, a taxing unit must adopt its budget, property tax rates, and property tax levies by the date required under section 5 of this chapter.

(g) The county fiscal body of a pilot county may, before July 1 of a year, adopt a resolution discontinuing the county's participation in the pilot program. If a county fiscal body adopts such a resolution:

- (1) the county fiscal body shall certify a copy of the resolution to the department of local government finance;
- (2) the county's participation in the pilot program is terminated; and
- (3) the department of local government finance shall attempt to replace the pilot county with another county that has applied to be designated as a pilot county.

(h) The department of local government finance shall, before November 1, 2014, and each year thereafter, report to the commission on state tax and financing policy concerning the pilot program and whether the nonbinding review under the pilot program is fostering cooperation among taxing units in the adoption of their budgets, property tax rates, and property tax levies.

(i) This section expires January 1, 2017.

SECTION 4. IC 6-1.1-17-22 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 22. In determining the amount of the levy for a debt service fund for an ensuing year, the maximum amount allowed for an operating balance in the debt service fund is the sum of:**

- (1) fifty percent (50%) of the amount budgeted for the ensuing year for debt service on debt incurred before January 1, 2009; plus
- (2) twenty-five percent (25%) of the amount budgeted for the ensuing year for debt service on debt incurred after December 31, 2008.

Property taxes described in this section may not be construed as an increase in a political subdivision's property tax levy to make up for a reduction in property tax collections required by IC 6-1.1-20.6-9.5.

SECTION 5. IC 6-1.1-20.3-6, AS AMENDED BY P.L.145-2012, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 6. (a) The fiscal body and the executive of a political subdivision may jointly file a petition with the board seeking**

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1 to have the political subdivision designated as a distressed political
2 subdivision under this chapter.

3 (b) The governing body and the superintendent of a school
4 corporation may **do any of the following:**

5 (1) Jointly file a petition with the board seeking relief under
6 section 8.3 of this chapter.

7 (2) **Jointly file a petition with the board seeking to have the**
8 **school corporation designated as a distressed political**
9 **subdivision under this chapter.**

10 (3) **Jointly file a petition with the board requesting authority**
11 **to transfer before July 1, 2015, excess funds in the school**
12 **corporation's debt service fund to the school corporation's**
13 **transportation fund as provided in section 8.4 of this chapter.**

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

16 SECTION 6. IC 6-1.1-20.3-6.5, AS ADDED BY P.L.145-2012,
17 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
18 UPON PASSAGE]: Sec. 6.5. (a) After the board receives a petition
19 concerning a political subdivision under section 6(a) **or 6(b)(2)** of this
20 chapter, the board may designate the political subdivision as a
21 distressed political subdivision if at least one (1) of the following
22 conditions applies to the political subdivision:

23 (1) The political subdivision has defaulted in payment of principal
24 or interest on any of its bonds or notes.

25 (2) The political subdivision has failed to make required
26 payments to payroll employees for thirty (30) days or two (2)
27 consecutive payrolls.

28 (3) The political subdivision has failed to make required
29 payments to judgment creditors for sixty (60) days beyond the
30 date of the recording of the judgment.

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

33 (A) Forward taxes withheld on the incomes of employees.

34 (B) Transfer employer or employee contributions due under
35 the Federal Insurance Contributions Act (FICA).

36 (C) Deposit the political subdivision's minimum obligation
37 payment to a pension fund.

38 (5) The political subdivision has accumulated a deficit equal to
39 eight percent (8%) or more of the political subdivision's revenues.
40 For purposes of this subdivision, "deficit" means a negative fund
41 balance calculated as a percentage of revenues at the end of a
42 budget year for any governmental or proprietary fund. The

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- 1 calculation must be presented on an accrual basis according to
- 2 generally accepted accounting principles.
- 3 (6) The political subdivision has sought to negotiate a resolution
- 4 or an adjustment of claims that in the aggregate:
- 5 (A) exceed thirty percent (30%) of the political subdivision's
- 6 anticipated annual revenues; and
- 7 (B) are ninety (90) days or more past due.
- 8 (7) The political subdivision has carried over interfund loans for
- 9 the benefit of the same fund at the end of two (2) successive
- 10 years.
- 11 (8) The political subdivision has been severely affected, as
- 12 determined by the board, as a result of granting the property tax
- 13 credits under IC 6-1.1-20.6.
- 14 (9) In addition to the conditions listed in subdivisions (1) through
- 15 (8), and in the case of a school corporation, the board may also
- 16 designate a school corporation as a distressed political
- 17 subdivision if at least one (1) of the following conditions applies:
- 18 (A) The school corporation has:
- 19 (i) issued refunding bonds under IC 5-1-5-2.5; or
- 20 (ii) adopted a resolution under IC 5-1-5-2.5 making the
- 21 determinations and including the information specified in
- 22 IC 5-1-5-2.5(g).
- 23 (B) The ratio that the amount of the school corporation's debt
- 24 (as determined in December 2010) bears to the school
- 25 corporation's 2011 ADM ranks in the highest ten (10) among
- 26 all school corporations.
- 27 (C) The ratio that the amount of the school corporation's debt
- 28 (as determined in December 2010) bears to the school
- 29 corporation's total assessed valuation for calendar year 2011
- 30 ranks in the highest ten (10) among all school corporations.
- 31 (D) The amount of homestead assessed valuation in the school
- 32 corporation for calendar year 2011 was at least sixty percent
- 33 (60%) of the total amount of assessed valuation in the school
- 34 corporation for calendar year 2011.
- 35 The board may consider whether a political subdivision has fully
- 36 exercised all the local options available to the political subdivision,
- 37 such as a local option income tax or a local option income tax rate
- 38 increase or, in the case of a school corporation, an operating
- 39 referendum.
- 40 (b) If the board designates a political subdivision as distressed under
- 41 subsection (a), the board shall review the designation annually to
- 42 determine if the distressed political subdivision meets at least one (1)

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1 of the conditions listed in subsection (a).
2 (c) If the board designates a political subdivision as a distressed
3 political subdivision under subsection (a), the board shall immediately
4 notify:

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

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

11 SECTION 7. IC 6-1.1-20.3-7.5, AS ADDED BY P.L.145-2012,
12 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
13 UPON PASSAGE]: Sec. 7.5. (a) This section does not apply to a school
14 corporation designated **before July 1, 2013**, as a distressed political
15 subdivision.

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

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

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

25 SECTION 8. IC 6-1.1-20.3-8.3, AS ADDED BY P.L.145-2012,
26 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
27 UPON PASSAGE]: Sec. 8.3. After the board receives a petition
28 concerning a school corporation under section ~~6(b)~~ **6(b)(1)** of this
29 chapter, the board shall review the school corporation's request for a
30 loan from the counter-cyclical revenue and economic stabilization fund
31 under IC 6-1.1-21.4-3(b). The board shall make a recommendation to
32 the state board of finance regarding the loan request. The board may
33 consider whether a school corporation has attempted to secure
34 temporary cash flow loans from the Indiana bond bank or a financial
35 institution in making its recommendation.

36 SECTION 9. IC 6-1.1-20.3-8.4 IS ADDED TO THE INDIANA
37 CODE AS A NEW SECTION TO READ AS FOLLOWS
38 [EFFECTIVE UPON PASSAGE]: **Sec. 8.4. (a) After the board
39 receives a petition concerning a school corporation under section
40 6(b)(3) of this chapter, the board shall review the school
41 corporation's request for the authority to transfer excess funds in
42 the school corporation's debt service fund to the school**

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1 corporation's transportation fund. The board shall make a
2 determination regarding:

3 (1) whether the school corporation may transfer excess funds
4 in the school corporation's debt service fund to the school
5 corporation's transportation fund; and

6 (2) if a transfer is approved under subdivision (1), the amount
7 of excess funds that may be transferred from the school
8 corporation's debt service fund to the school corporation's
9 transportation fund.

10 (b) The board may not approve a transfer of excess funds from
11 the school corporation's debt service fund to the school
12 corporation's transportation fund if the transfer will occur after
13 June 30, 2015.

14 (c) This section expires July 1, 2015.

15 SECTION 10. IC 6-1.1-20.3-8.5, AS ADDED BY P.L.145-2012,
16 SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
17 UPON PASSAGE]: Sec. 8.5. (a) This section does not apply to a
18 school ~~corporations~~ **corporation designated before July 1, 2013, as**
19 **a distressed political subdivision.**

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

23 (1) Assume and exercise the authority and responsibilities of both
24 the executive and the fiscal body of the political subdivision
25 concerning the adoption, amendment, and enforcement of
26 ordinances and resolutions relating to or affecting the fiscal
27 stability of the political subdivision. However, the emergency
28 manager does not have the power to impose taxes or fees in
29 addition to the taxes or fees authorized by the political
30 subdivision before the political subdivision was designated a
31 distressed political subdivision.

32 (2) Review the political subdivision's budget.

33 (3) Review salaries of the political subdivision's employees.

34 (4) Conduct a financial and compliance audit of the internal
35 operations of the political subdivision.

36 (5) Develop a written financial plan in consultation with the
37 officials of the political subdivision not later than six (6) months
38 after appointment.

39 (6) Develop a plan for paying all the political subdivision's
40 outstanding obligations.

41 (7) Review existing labor contracts.

42 (8) Adopt a budget for the political subdivision for each calendar

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- 1 or fiscal year, as applicable, that the political subdivision remains
 2 a distressed political subdivision.
- 3 (9) Review payrolls and other claims against the political
 4 subdivision before payment.
- 5 (10) Make, approve, or disapprove the following:
- 6 (A) A contract.
- 7 (B) An expenditure.
- 8 (C) A loan.
- 9 (D) The creation of any new position.
- 10 (E) The filling of any vacant position.
- 11 (11) Submit a written report to the board every three (3) months
 12 concerning:
- 13 (A) actions taken by the emergency manager;
- 14 (B) expenditures made by the distressed political subdivision;
 15 and
- 16 (C) the work that has been done to remove the distressed
 17 political subdivision from distressed status.
- 18 (12) Petition the board to terminate a political subdivision's status
 19 as a distressed political subdivision when the conditions found in
 20 section 6.5 of this chapter are no longer applicable to the political
 21 subdivision.
- 22 (c) An emergency manager of a distressed political subdivision
 23 appointed under section 7.5 of this chapter may do the following:
- 24 (1) Renegotiate existing labor contracts and act as an agent of the
 25 political subdivision in collective bargaining.
- 26 (2) Reduce or suspend salaries of the political subdivision's
 27 employees.
- 28 (3) Enter into agreements with other political subdivisions for the
 29 provision of services.
- 30 (d) Except as provided in section 13(c) of this chapter, an
 31 emergency manager of a distressed political subdivision retains the
 32 powers and duties described in subsections (b) and (c) until:
- 33 (1) the emergency manager resigns or dies;
- 34 (2) the board removes the emergency manager; or
- 35 (3) the political subdivision's status as a distressed political
 36 subdivision is terminated under section 13(b) of this chapter.
- 37 SECTION 11. IC 6-1.1-20.3-10, AS AMENDED BY P.L.145-2012,
 38 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 39 UPON PASSAGE]: Sec. 10. A distressed political subdivision may
 40 petition the tax court for judicial review of a determination of the board
 41 under section 6.5 of this chapter. **A school corporation may also**
 42 **petition the tax court for judicial review of a determination of the**

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1 **board under section 8.4 of this chapter.** The action must be taken to
 2 the tax court under IC 6-1.1-15 in the same manner that an action is
 3 taken to appeal a final determination of the Indiana board of tax review.
 4 The petition must be filed in the tax court not more than forty-five (45)
 5 days after the board enters its final determination.

6 SECTION 12. IC 6-1.1-20.3-13, AS ADDED BY P.L.145-2012,
 7 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 8 UPON PASSAGE]: Sec. 13. (a) If:

- 9 (1) an emergency manager of a distressed political subdivision;
 10 ~~that is not a school corporation;~~
- 11 (2) the fiscal body and executive of the political subdivision
 12 jointly; or
- 13 (3) the governing body of a school corporation that:
 - 14 (A) employs a new superintendent; or
 - 15 (B) has a new member elected or appointed to its governing
 16 body;

17 during the time the school corporation is a distressed political
 18 subdivision;
 19 files a petition with the board for termination of the political
 20 subdivision's status as a distressed political subdivision, the board shall
 21 conduct a public hearing on the question of whether to terminate the
 22 political subdivision's status as a distressed political subdivision.

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

27 (c) Notwithstanding any other section of this chapter, not later than
 28 ninety (90) days after taking office, a new executive of a distressed
 29 political subdivision may petition the board for suspension of the
 30 political subdivision's distressed status. The executive must include in
 31 its petition a written plan to resolve the applicable issues described in
 32 section 6.5 of this chapter. If the board approves the executive's written
 33 plan, the board may suspend the political subdivision's distressed status
 34 for one hundred eighty (180) days. Suspension under this chapter
 35 terminates automatically upon expiration of the one hundred eighty
 36 (180) day period. The board may consider a petition to terminate the
 37 political subdivision's distressed status during a period of suspension.

38 SECTION 13. IC 6-1.1-20.6-9.8, AS AMENDED BY P.L.137-2012,
 39 SECTION 35, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 40 UPON PASSAGE]: Sec. 9.8. (a) This section applies to property taxes
 41 first due and payable after December 31, 2009.

42 (b) The following definitions apply throughout this section:

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- 1 (1) "Debt service obligations of a political subdivision" refers to:
- 2 (A) the principal and interest payable during a calendar year
- 3 on bonds; and
- 4 (B) lease rental payments payable during a calendar year on
- 5 leases;
- 6 of a political subdivision payable from ad valorem property taxes.
- 7 (2) "Protected taxes" refers to the following:
- 8 (A) Property taxes that are exempted from the application of
- 9 a credit granted under section 7 or 7.5 of this chapter by
- 10 section 7(b), 7(c), 7.5(b), or 7.5(c) of this chapter or another
- 11 law.
- 12 (B) Property taxes imposed by a political subdivision to pay
- 13 for debt service obligations of a political subdivision that are
- 14 not exempted from the application of a credit granted under
- 15 section 7 or 7.5 of this chapter by section 7(b), 7(c), 7.5(b), or
- 16 7.5(c) of this chapter or any other law. Property taxes
- 17 described in this subsection are subject to the credit granted
- 18 under section 7 or 7.5 of this chapter by section 7(b), 7(c),
- 19 7.5(b), or 7.5(c) **of this chapter** regardless of their designation
- 20 as protected taxes.
- 21 (3) "Unprotected taxes" refers to property taxes that are not
- 22 protected taxes.
- 23 (c) ~~The total amount collected from protected taxes shall be~~
- 24 ~~allocated to the fund for which the protected taxes were imposed as if~~
- 25 ~~no credit were granted under section 7 or 7.5 of this chapter.~~ The total
- 26 amount of the loss in revenue resulting from the granting of credits
- 27 under section 7 or 7.5 of this chapter must reduce ~~only~~ the amount of
- 28 **protected and** unprotected property taxes distributed to a fund in
- 29 proportion to the ~~unprotected rate tax~~ **property tax levy** imposed for
- 30 that fund relative to the total of all **protected and** unprotected ~~tax rates~~
- 31 **property tax levies** imposed by the ~~taxing unit~~ **political subdivision**.
- 32 SECTION 14. IC 6-1.1-20.6-10, AS AMENDED BY P.L.137-2012,
- 33 SECTION 36, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 34 UPON PASSAGE]: Sec. 10. (a) As used in this section, "debt service
- 35 obligations of a political subdivision" refers to:
- 36 (1) the principal and interest payable during a calendar year on
- 37 bonds; and
- 38 (2) lease rental payments payable during a calendar year on
- 39 leases;
- 40 of a political subdivision payable from ad valorem property taxes.
- 41 (b) Political subdivisions are required by law to fully fund the
- 42 payment of their debt obligations in an amount sufficient to pay any

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1 debt service or lease rentals on outstanding obligations, regardless of
 2 any reduction in property tax collections due to the application of tax
 3 credits granted under this chapter. **A political subdivision shall pay**
 4 **its debt service obligations from its debt service fund. If the**
 5 **amount deposited in a debt service fund is reduced as a result of**
 6 **the application of a credit granted under this chapter below the**
 7 **amount needed to meet the debt service obligations of a political**
 8 **subdivision as the obligations come due, the political subdivision**
 9 **may transfer money from one (1) or more of the political**
 10 **subdivision's other funds to its debt service fund.**

11 (c) Upon the failure of a political subdivision to pay any of the
 12 political subdivision's debt service obligations during a calendar year
 13 when due, the treasurer of state, upon being notified of the failure by
 14 a claimant, shall pay the unpaid debt service obligations that are due
 15 from money in the possession of the state that would otherwise be
 16 available for distribution to the political subdivision under any other
 17 law, deducting the payment from the amount distributed. A deduction
 18 under this subsection must be made:

19 (1) first from distributions of county adjusted gross income tax
 20 distributions under IC 6-3.5-1.1, county option income tax
 21 distributions under IC 6-3.5-6, or county economic development
 22 income tax distributions under IC 6-3.5-7 that would otherwise be
 23 distributed to the county under the schedule in IC 6-3.5-1.1-10,
 24 IC 6-3.5-1.1-21.1, IC 6-3.5-6-16, IC 6-3.5-6-17.3, IC 6-3.5-7-17,
 25 and IC 6-3.5-7-17.3; and

26 (2) second from any other undistributed funds of the political
 27 subdivision in the possession of the state.

28 (d) This section shall be interpreted liberally so that the state shall
 29 to the extent legally valid ensure that the debt service obligations of
 30 each political subdivision are paid when due. However, this section
 31 does not create a debt of the state.

32 SECTION 15. IC 20-40-2-4, AS AMENDED BY P.L.145-2012,
 33 SECTION 24, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 34 JULY 1, 2013]: Sec. 4. (a) Except as provided by subsection (b) or any
 35 other law, any lawful school expenses payable from any other fund of
 36 a school corporation, including debt service and capital outlay, may be
 37 budgeted in and paid from the fund.

38 (b) Before January 1, 2018, costs attributable to transportation (as
 39 defined in IC 20-40-6-1) may be budgeted in and paid from the fund.
 40 After December 31, 2017, costs attributable to transportation (as
 41 defined in IC 20-40-6-1) may not be budgeted in and paid from the
 42 fund. **After June 30, 2013, a school corporation may also transfer**

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1 money from its general fund to its transportation fund (IC 20-40-6)
2 if it qualifies under subsection (c).

3 (c) A school corporation may make a transfer from its general
4 fund to its transportation fund if the amount of revenue loss from:

5 (1) the credits for excessive property taxes granted under
6 IC 6-1.1-20.6-7.5 in the amount that affects the school
7 corporation's transportation fund; plus

8 (2) allocations to the school transportation fund resulting
9 from the granting of credits under IC 6-1.1-20.6-7.5 to protect
10 the protected taxes as provided in IC 6-1.1-20.6-9.8;

11 is more than seventy-five percent (75%) of the school corporation's
12 transportation fund levy for the year for which the latest certified
13 levies have been determined. The amount of the transfer may not
14 exceed fifty percent (50%) of revenue lost by the school
15 corporation's transportation fund.

16 (d) A school corporation may make a transfer from its general
17 fund to its school bus replacement fund (IC 20-40-7) if the revenue
18 lost from:

19 (1) the credits for excessive property taxes granted under
20 IC 6-1.1-20.6-7.5 in the amount that affects the school
21 corporation's school bus replacement fund; plus

22 (2) allocations to the school bus replacement fund resulting
23 from the granting of credits under IC 6-1.1-20.6-7.5 to protect
24 the protected taxes as provided in IC 6-1.1-20.6-9.8;

25 is more than seventy-five percent (75%) of the school corporation's
26 school bus replacement fund levy for the year for which the latest
27 certified levies have been determined. The amount of the transfer
28 may not exceed fifty percent (50%) of revenue lost by the school
29 corporation's school bus replacement fund.

30 SECTION 16. IC 20-40-7-6, AS ADDED BY P.L.2-2006,
31 SECTION 163, IS AMENDED TO READ AS FOLLOWS
32 [EFFECTIVE JULY 1, 2013]: Sec. 6. Except as otherwise provided by
33 law, **including the exception for transfers permitted by**
34 **IC 20-40-2-4(d)**, the fund is the exclusive fund used to pay the
35 following costs attributable to transportation:

36 (1) Amounts paid for the replacement of school buses, either
37 through a purchase agreement or under a lease agreement.

38 (2) The costs of contracted transportation service payable from
39 the fund under section 7 of this chapter.

40 SECTION 17. IC 20-40-9-6, AS ADDED BY P.L.2-2006,
41 SECTION 163, IS AMENDED TO READ AS FOLLOWS
42 [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) Money in the fund may

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- 1 be used for payment of the following:
- 2 (1) All debt and other obligations arising out of funds borrowed
- 3 or advanced for school buildings when purchased from the
- 4 proceeds of a bond issue for capital construction.
- 5 (2) A lease to provide capital construction.
- 6 (3) Interest on emergency and temporary loans.
- 7 (4) All debt and other obligations arising out of funds borrowed
- 8 or advanced for the purchase or lease of school buses when
- 9 purchased or leased from the proceeds of a bond issue, or from
- 10 money obtained from a loan made under IC 20-27-4-5, for that
- 11 purpose.
- 12 (5) All debt and other obligations arising out of funds borrowed
- 13 to pay judgments against the school corporation.
- 14 (6) All debt and other obligations arising out of funds borrowed
- 15 to purchase equipment.
- 16 **(b) A school corporation may before July 1, 2015, transfer**
- 17 **excess money in the fund to the school corporation's transportation**
- 18 **fund, if the transfer is approved by the distressed unit appeal**
- 19 **board under IC 6-1.1-20.3-8.4.**
- 20 SECTION 18. IC 20-48-1-2, AS AMENDED BY P.L.145-2012,
- 21 SECTION 27, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 22 JULY 1, 2013]: Sec. 2. (a) As used in this section, "retirement or
- 23 severance liability" means the payments anticipated to be required to
- 24 be made to employees of a school corporation upon or after termination
- 25 of the employment of the employees by the school corporation under
- 26 an existing or previous employment agreement.
- 27 (b) This section applies to each school corporation that:
- 28 (1) did not issue bonds under IC 20-5-4-1.7 before its repeal; or
- 29 (2) issued bonds under IC 20-5-4-1.7 (repealed):
- 30 (A) before April 14, 2003; or
- 31 (B) after April 13, 2003, if an order approving the issuance of
- 32 the bonds was issued by the department of local government
- 33 finance before April 14, 2003.
- 34 (c) In addition to the purposes set forth in section 1 of this chapter,
- 35 a school corporation described in subsection (b) may issue bonds to
- 36 implement solutions to contractual retirement or severance liability.
- 37 The issuance of bonds for this purpose is subject to the following
- 38 conditions:
- 39 (1) The school corporation may issue bonds under this section
- 40 only one (1) time.
- 41 (2) A school corporation described in subsection (b)(1) or
- 42 (b)(2)(A) must issue the bonds before July 1, 2006.

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1 (3) The solution to which the bonds are contributing must be
 2 reasonably expected to reduce the school corporation's unfunded
 3 contractual liability for retirement or severance payments as it
 4 existed on June 30, 2001.

5 (4) The amount of the bonds that may be issued for the purpose
 6 described in this section may not exceed:

7 (A) two percent (2%) of the true tax value of property in the
 8 school corporation, for a school corporation that did not issue
 9 bonds under IC 20-5-4-1.7 (before its repeal); or

10 (B) the remainder of:

11 (i) two percent (2%) of the true tax value of property in the
 12 school corporation as of the date that the school corporation
 13 issued bonds under IC 20-5-4-1.7 (before its repeal); minus

14 (ii) the amount of bonds that the school corporation issued
 15 under IC 20-5-4-1.7 (before its repeal);

16 for a school corporation that issued bonds under IC 20-5-4-1.7
 17 (repealed) as described in subsection (b)(2).

18 (5) Each year that a debt service levy is needed under this section,
 19 the school corporation shall reduce the total property tax levy for
 20 the school corporation's transportation, school bus replacement,
 21 capital projects, and art association and historical society funds,
 22 as appropriate, in an amount equal to:

23 (A) the property tax levy needed for the debt service under this
 24 section; multiplied by

25 (B) the adjustment percentage set forth in subsection (f) or (g),
 26 as applicable.

27 The property tax rate for each of these funds shall be reduced
 28 each year until the bonds are retired.

29 (6) The school corporation shall establish a separate debt service
 30 fund for repayment of the bonds issued under this section.

31 (d) Bonds issued for the purpose described in this section shall be
 32 issued in the same manner as other bonds of the school corporation.

33 (e) Bonds issued under this section are not subject to the petition
 34 and remonstrance process under IC 6-1.1-20 or to the limitations
 35 contained in IC 36-1-15.

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

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

42 (2) For property taxes first due and payable in 2014,

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1 **twenty-five percent (25%).**
2 **(3) For property taxes first due and payable in 2015,**
3 **twenty-five percent (25%).**
4 ~~(2)~~ **(4)** For property taxes first due and payable in ~~2014~~, **2016**,
5 fifty percent (50%).
6 ~~(3)~~ **(5)** For property taxes first due and payable in ~~2015~~, **2017**,
7 seventy-five percent (75%).
8 ~~(4)~~ **(6)** For property taxes first due and payable after ~~2015~~, **2017**,
9 one hundred percent (100%).
10 (g) If the governing body of a school corporation does not adopt a
11 resolution specifying that the adjustment percentages under subsection
12 (f) apply to the school corporation, the adjustment percentage is one
13 hundred percent (100%).
14 SECTION 19. IC 36-1-11-3, AS AMENDED BY P.L.27-2008,
15 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16 JULY 1, 2013]: Sec. 3. (a) This section does not apply to the disposal
17 of real property under section 5, 5.5, 5.9, ~~or 8~~, **or 18** of this chapter.
18 (b) Disposal of real property under this chapter is subject to the
19 approval of:
20 (1) the executive of the political subdivision or agency; or
21 (2) the fiscal body of the political subdivision or agency, if there
22 is no executive.
23 The executive or fiscal body may not approve a disposal of property
24 without conducting a public hearing after giving notice under IC 5-3-1.
25 However, in a municipality the executive shall designate a board or
26 commission of the municipality to give notice, conduct the hearing, and
27 notify the executive of its recommendation.
28 (c) Except as provided in section 3.2 of this chapter, in addition, the
29 fiscal body of a unit must approve:
30 (1) every sale of real property having an appraised value of fifty
31 thousand dollars (\$50,000) or more;
32 (2) every lease of real property for which the total annual rental
33 payments will be twenty-five thousand dollars (\$25,000) or more;
34 and
35 (3) every transfer of real property under section 14 or 15 of this
36 chapter.
37 SECTION 20. IC 36-1-11-4, AS AMENDED BY P.L.188-2011,
38 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
39 JULY 1, 2013]: Sec. 4. (a) A disposing agent who wants to sell or
40 transfer real property must comply with this section, except as
41 permitted by section 4.1, 4.2, 5, 5.5, 5.7, 5.9, 8, 14, ~~or 15~~, **or 18** of this
42 chapter.

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1 (b) The disposing agent shall first have the property appraised by
2 two (2) appraisers. The appraisers must be:

- 3 (1) professionally engaged in making appraisals;
4 (2) licensed under IC 25-34.1; or
5 (3) employees of the political subdivision familiar with the value
6 of the property.

7 (c) After the property is appraised, the disposing agent shall publish
8 a notice in accordance with IC 5-3-1 setting forth the terms and
9 conditions of the sale and, when subsection (e) is employed, may
10 engage an auctioneer licensed under IC 25-6.1 to advertise the sale and
11 to conduct a public auction. The advertising conducted by the
12 auctioneer is in addition to any other notice required by law and shall
13 include a detailed description of the property to be sold stating the key
14 numbers, if any, of the tracts within that property. If the disposing agent
15 determines that the best sale of the property can be made by letting the
16 bidders determine certain conditions of the sale (such as required
17 zoning or soil or drainage conditions) as a prerequisite to purchasing
18 the property, the disposing agent may permit the bidders to specify
19 those conditions. The notice must state the following:

- 20 (1) Bids will be received beginning on a specific date.
21 (2) The sale will continue from day to day for a period determined
22 by the disposing agent of not more than sixty (60) days.
23 (3) The property may not be sold to a person who is ineligible
24 under section 16 of this chapter.
25 (4) A bid submitted by a trust (as defined in IC 30-4-1-1(a)) must
26 identify each:
27 (A) beneficiary of the trust; and
28 (B) settlor empowered to revoke or modify the trust.

29 (d) A bid must be open to public inspection. A bidder may raise the
30 bidder's bid, and subject to subsection (e), that raise takes effect after
31 the board has given written notice of that raise to the other bidders.

32 (e) The disposing agent may also engage an auctioneer licensed
33 under IC 25-6.1 to conduct a sale by public auction. The auction may
34 be conducted either at the time for beginning the sale in accordance
35 with the public notice or after the beginning of the sale. The disposing
36 agent shall give each bidder who has submitted a bid written notice of
37 the time and place of the auction.

38 (f) The disposing agent may, before expiration of the time set out in
39 the notice, sell the property to the highest and best bidder. The highest
40 and best bidder must have complied with any requirement under
41 subsection (c)(4). However, the disposing agent may sell the property
42 for less than ninety percent (90%) of the average of the two (2)

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1 appraisals of the tracts only after an additional notice stating the
 2 amount of the bid to be accepted is published in accordance with
 3 IC 5-3-1. The disposing agent may reject all bids. If the disposing agent
 4 rejects all bids, the disposing agent must make a written determination
 5 to reject all bids explaining why all bids were rejected.

6 (g) If the disposing agent determines that, in the exercise of good
 7 business judgment, the disposing agent should hire a broker or
 8 auctioneer to sell the property, the disposing agent may do so and pay
 9 the broker or auctioneer a reasonable compensation out of the gross
 10 proceeds of the sale. A disposing agent may hire a broker to sell real
 11 property directly rather than using the bid process under subsections (c)
 12 through (f) if:

13 (1) the disposing agent publishes a notice of the determination to
 14 hire the broker in accordance with IC 5-3-1; and

15 (2) the property has been up for bid for at least sixty (60) days
 16 before the broker is hired, and either no bids were received or the
 17 disposing agent has rejected all bids that were received.

18 The disposing agent may hire one (1) of the appraisers as the broker or
 19 auctioneer.

20 (h) The following apply if a broker is hired under subsection (g):

21 (1) The property may not be sold to a person who is ineligible
 22 under section 16 of this chapter.

23 (2) If the property is sold to a trust (as defined in IC 30-4-1-1(a)),
 24 the following information must be placed in the public record
 25 relating to the sale:

26 (A) Each beneficiary of the trust.

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

28 SECTION 21. IC 36-1-11-7 IS AMENDED TO READ AS
 29 FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 7. (a) A disposing agent
 30 who exchanges property must proceed under this section, except as
 31 permitted by section 8 **or 18** of this chapter.

32 (b) An exchange may be made with a person who is:

33 (1) not a governmental entity; and

34 (2) eligible under section 16 of this chapter;

35 only after advertisement following as nearly as practical the procedure
 36 prescribed by section 4 of this chapter, with the property the disposing
 37 agent conveys to be partial or full payment for the property the
 38 disposing agent receives.

39 SECTION 22. IC 36-1-11-18 IS ADDED TO THE INDIANA
 40 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 41 [EFFECTIVE UPON PASSAGE]: **Sec. 18. (a) This section applies to**
 42 **a school corporation located in LaPorte County.**

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1 **(b) Notwithstanding any other law, a school corporation may**
 2 **transfer real property to any other governmental agency in**
 3 **exchange for services provided to the school corporation.**
 4 **(c) This section constitutes the only authority necessary for a**
 5 **school corporation to make real property available for exchange**
 6 **under this section. A school corporation is not required to apply**
 7 **any additional procedures to an exchange made under this section.**
 8 **SECTION 23. [EFFECTIVE UPON PASSAGE] (a) As used in this**
 9 **SECTION, "political subdivision" has the meaning set forth in**
 10 **IC 36-1-2-13.**
 11 **(b) The legislative council is urged to:**
 12 **(1) assign to an interim study committee the study of the**
 13 **budgeting process for political subdivisions; and**
 14 **(2) require a written report of the study committee's findings**
 15 **and recommendations before November 1, 2013.**
 16 **(c) This SECTION expires January 1, 2014.**
 17 **SECTION 24. [EFFECTIVE UPON PASSAGE] (a) IC 6-1.1-17-22,**
 18 **as added by this act, applies to property taxes first due and payable**
 19 **after December 31, 2013.**
 20 **(b) IC 6-1.1-20.6-9.8 and IC 6-1.1-20.6-10, each as amended by**
 21 **this act, apply to property taxes first due and payable after**
 22 **December 31, 2012.**
 23 **(c) This SECTION expires January 1, 2015.**
 24 **SECTION 25. An emergency is declared for this act.**

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COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 517, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 5-1-5-2.5, AS AMENDED BY P.L.145-2012, SECTION 1, 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 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.

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- (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 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 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

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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.

(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

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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 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~~, **January 1, 2014**, and notwithstanding any other law, adopt 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.

(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

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project.

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

(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.

(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."

Page 7, between lines 6 and 7, begin a new paragraph and insert:

"SECTION 5. IC 6-1.1-20.3-6, AS AMENDED BY P.L.145-2012, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) The fiscal body and the executive of a 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) The governing body and the superintendent of a school corporation may **do any of the following:**

(1) Jointly file a petition with the board seeking relief under

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section 8.3 of this chapter.

(2) Jointly file a petition with the board seeking to have the school corporation designated as a distressed political subdivision under this chapter.

(3) Jointly file a petition with the board requesting authority to transfer before July 1, 2015, excess funds in the school corporation's debt service fund to the school corporation's transportation fund as provided in section 8.4 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, AS ADDED BY P.L.145-2012, SECTION 6, IS AMENDED 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) **or 6(b)(2)** 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 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

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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.

(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

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(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 6-1.1-20.3-7.5, AS ADDED BY P.L.145-2012, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7.5. (a) This section does not apply to a school corporation designated **before July 1, 2013**, 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 8. IC 6-1.1-20.3-8.3, AS ADDED BY P.L.145-2012, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8.3. After the board receives a petition concerning a school corporation under section ~~6(b)~~ **6(b)(1)** 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 9. IC 6-1.1-20.3-8.4 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 8.4. (a) After the board receives a petition concerning a school corporation under section 6(b)(3) of this chapter, the board shall review the school corporation's request for the authority to transfer excess funds in the school corporation's debt service fund to the school corporation's transportation fund. The board shall make a determination regarding:**

(1) whether the school corporation may transfer excess funds in the school corporation's debt service fund to the school corporation's transportation fund; and



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(2) if a transfer is approved under subdivision (1), the amount of excess funds that may be transferred from the school corporation's debt service fund to the school corporation's transportation fund.

(b) The board may not approve a transfer of excess funds from the school corporation's debt service fund to the school corporation's transportation fund if the transfer will occur after June 30, 2015.

(c) This section expires July 1, 2015.

SECTION 10. IC 6-1.1-20.3-8.5, AS ADDED BY P.L.145-2012, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8.5. (a) This section does not apply to a school corporation: **corporation designated before July 1, 2013, as a distressed political subdivision.**

(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:

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- (A) A contract.
 - (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 11. IC 6-1.1-20.3-10, AS AMENDED BY P.L. 145-2012, SECTION 13, 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 determination of the board under section 6.5 of this chapter. **A school corporation may also petition the tax court for judicial review of a determination of the board under section 8.4 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.

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SECTION 12. IC 6-1.1-20.3-13, AS ADDED BY P.L.145-2012, SECTION 14, IS AMENDED 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 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."

Page 8, between lines 26 and 27, begin a new paragraph and insert:

"SECTION 15. IC 20-40-2-4, AS AMENDED BY P.L.145-2012, SECTION 24, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: 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, 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

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defined in IC 20-40-6-1) may not be budgeted in and paid from the fund. **After June 30, 2013, a school corporation may also transfer money from its general fund to its transportation fund (IC 20-40-6) if it qualifies under subsection (c).**

(c) A school corporation may make a transfer from its general fund to its transportation fund if the amount of revenue loss from:

(1) the credits for excessive property taxes granted under IC 6-1.1-20.6-7.5 in the amount that affects the school corporation's transportation fund; plus

(2) allocations to the school transportation fund resulting from the granting of credits under IC 6-1.1-20.6-7.5 to protect the protected taxes as provided in IC 6-1.1-20.6-9.8;

is more than seventy-five percent (75%) of the school corporation's transportation fund levy for the year for which the latest certified levies have been determined. The amount of the transfer may not exceed fifty percent (50%) of revenue lost by the school corporation's transportation fund.

(d) A school corporation may make a transfer from its general fund to its school bus replacement fund (IC 20-40-7) if the revenue lost from:

(1) the credits for excessive property taxes granted under IC 6-1.1-20.6-7.5 in the amount that affects the school corporation's school bus replacement fund; plus

(2) allocations to the school bus replacement fund resulting from the granting of credits under IC 6-1.1-20.6-7.5 to protect the protected taxes as provided in IC 6-1.1-20.6-9.8;

is more than seventy-five percent (75%) of the school corporation's school bus replacement fund levy for the year for which the latest certified levies have been determined. The amount of the transfer may not exceed fifty percent (50%) of revenue lost by the school corporation's school bus replacement fund.

SECTION 16. IC 20-40-7-6, AS ADDED BY P.L.2-2006, SECTION 163, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 6. Except as otherwise provided by law, **including the exception for transfers permitted by IC 20-40-2-4(d)**, the fund is the exclusive fund used to pay the following costs attributable to transportation:

(1) Amounts paid for the replacement of school buses, either through a purchase agreement or under a lease agreement.

(2) The costs of contracted transportation service payable from the fund under section 7 of this chapter.

SECTION 17. IC 20-40-9-6, AS ADDED BY P.L.2-2006,



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SECTION 163, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. **(a)** Money in the fund may be used for payment of the following:

- (1) All debt and other obligations arising out of funds borrowed or advanced for school buildings when purchased from the proceeds of a bond issue for capital construction.
- (2) A lease to provide capital construction.
- (3) Interest on emergency and temporary loans.
- (4) All debt and other obligations arising out of funds borrowed or advanced for the purchase or lease of school buses when purchased or leased from the proceeds of a bond issue, or from money obtained from a loan made under IC 20-27-4-5, for that purpose.
- (5) All debt and other obligations arising out of funds borrowed to pay judgments against the school corporation.
- (6) All debt and other obligations arising out of funds borrowed to purchase equipment.

(b) A school corporation may before July 1, 2015, transfer excess money in the fund to the school corporation's transportation fund, if the transfer is approved by the distressed unit appeal board under IC 6-1.1-20.3-8.4."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 517 as introduced.)

HERSHMAN, Chairperson

Committee Vote: Yeas 11, Nays 0.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred Senate Bill 517, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 11, line 28, delete "twenty-five percent" and insert "**the sum of:**

- (1) fifty percent (50%) of the amount budgeted for the ensuing year for debt service on debt incurred before January 1, 2009; plus**
- (2) twenty-five percent (25%) of the amount budgeted for the**

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ensuing year for debt service on debt incurred after December 31, 2008.

Property taxes described in this section may not be construed as an increase in a political subdivision's property tax levy to make up for a reduction in property tax collections required by IC 6-1.1-20.6-9.5."

Page 11, delete lines 29 through 30.

Page 17, delete lines 30 through 42, begin a new paragraph and insert:

"SECTION 13. IC 6-1.1-20.6-9.8, AS AMENDED BY P.L.137-2012, SECTION 35, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9.8. (a) This section applies to property taxes first due and payable after December 31, 2009.

(b) The following definitions apply throughout this section:

- (1) "Debt service obligations of a political subdivision" refers to:
 - (A) the principal and interest payable during a calendar year on bonds; and
 - (B) lease rental payments payable during a calendar year on leases;

of a political subdivision payable from ad valorem property taxes.

- (2) "Protected taxes" refers to the following:
 - (A) Property taxes that are exempted from the application of a credit granted under section 7 or 7.5 of this chapter by section 7(b), 7(c), 7.5(b), or 7.5(c) of this chapter or another law.
 - (B) Property taxes imposed by a political subdivision to pay for debt service obligations of a political subdivision that are not exempted from the application of a credit granted under section 7 or 7.5 of this chapter by section 7(b), 7(c), 7.5(b), or 7.5(c) of this chapter or any other law. Property taxes described in this subsection are subject to the credit granted under section 7 or 7.5 of this chapter by section 7(b), 7(c), 7.5(b), or 7.5(c) of this chapter regardless of their designation as protected taxes.

(3) "Unprotected taxes" refers to property taxes that are not protected taxes.

(c) ~~The total amount collected from protected taxes shall be allocated to the fund for which the protected taxes were imposed as if no credit were granted under section 7 or 7.5 of this chapter.~~ The total amount of the loss in revenue resulting from the granting of credits under section 7 or 7.5 of this chapter must reduce ~~only~~ the amount of

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protected and unprotected property taxes distributed to a fund in proportion to the ~~unprotected rate tax~~ **property tax levy** imposed for that fund relative to the total of all **protected and** unprotected ~~tax rates~~ **property tax levies** imposed by the ~~taxing unit~~ **political subdivision**.

SECTION 14. IC 6-1.1-20.6-10, AS AMENDED BY P.L.137-2012, SECTION 36, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. (a) As used in this section, "debt service obligations of a political subdivision" refers to:

- (1) the principal and interest payable during a calendar year on bonds; and
- (2) lease rental payments payable during a calendar year on leases;

of a political subdivision payable from ad valorem property taxes.

(b) Political subdivisions are required by law to fully fund the payment of their debt obligations in an amount sufficient to pay any debt service or lease rentals on outstanding obligations, regardless of any reduction in property tax collections due to the application of tax credits granted under this chapter. **A political subdivision shall pay its debt service obligations from its debt service fund. If the amount deposited in a debt service fund is reduced as a result of the application of a credit granted under this chapter below the amount needed to meet the debt service obligations of a political subdivision as the obligations come due, the political subdivision may transfer money from one (1) or more of the political subdivision's other funds to its debt service fund.**

(c) Upon the failure of a political subdivision to pay any of the political subdivision's debt service obligations during a calendar year when due, the treasurer of state, upon being notified of the failure by a claimant, shall pay the unpaid debt service obligations that are due from money in the possession of the state that would otherwise be available for distribution to the political subdivision under any other law, deducting the payment from the amount distributed. A deduction under this subsection must be made:

- (1) first from distributions of county adjusted gross income tax distributions under IC 6-3.5-1.1, county option income tax distributions under IC 6-3.5-6, or county economic development income tax distributions under IC 6-3.5-7 that would otherwise be distributed to the county under the schedule in IC 6-3.5-1.1-10, IC 6-3.5-1.1-21.1, IC 6-3.5-6-16, IC 6-3.5-6-17.3, IC 6-3.5-7-17, and IC 6-3.5-7-17.3; and
- (2) second from any other undistributed funds of the political subdivision in the possession of the state.

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(d) This section shall be interpreted liberally so that the state shall to the extent legally valid ensure that the debt service obligations of each political subdivision are paid when due. However, this section does not create a debt of the state."

Delete page 18.

Page 19, delete lines 1 through 7.

Page 20, delete lines 38 through 42, begin a new paragraph and insert:

"SECTION 18. IC 20-48-1-2, AS AMENDED BY P.L.145-2012, SECTION 27, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: 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.

(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

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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.

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, twenty-five percent (25%).

(3) For property taxes first due and payable in 2015, twenty-five percent (25%).

~~(2)~~ **(4) For property taxes first due and payable in 2014, 2016, fifty percent (50%).**

~~(3)~~ **(5) For property taxes first due and payable in 2015, 2017, seventy-five percent (75%).**

~~(4)~~ **(6) For property taxes first due and payable after 2015, 2017, 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

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(f) apply to the school corporation, the adjustment percentage is one hundred percent (100%).

SECTION 19. IC 36-1-11-3, AS AMENDED BY P.L.27-2008, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 3. (a) This section does not apply to the disposal of real property under section 5, 5.5, 5.9, ~~or 8~~, **or 18** of this chapter.

(b) Disposal of real property under this chapter is subject to the approval of:

- (1) the executive of the political subdivision or agency; or
- (2) the fiscal body of the political subdivision or agency, if there is no executive.

The executive or fiscal body may not approve a disposal of property without conducting a public hearing after giving notice under IC 5-3-1. However, in a municipality the executive shall designate a board or commission of the municipality to give notice, conduct the hearing, and notify the executive of its recommendation.

(c) Except as provided in section 3.2 of this chapter, in addition, the fiscal body of a unit must approve:

- (1) every sale of real property having an appraised value of fifty thousand dollars (\$50,000) or more;
- (2) every lease of real property for which the total annual rental payments will be twenty-five thousand dollars (\$25,000) or more; and
- (3) every transfer of real property under section 14 or 15 of this chapter.

SECTION 20. IC 36-1-11-4, AS AMENDED BY P.L.188-2011, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 4. (a) A disposing agent who wants to sell or transfer real property must comply with this section, except as permitted by section 4.1, 4.2, 5, 5.5, 5.7, 5.9, 8, 14, ~~or 15~~, **or 18** of this chapter.

(b) The disposing agent shall first have the property appraised by two (2) appraisers. The appraisers must be:

- (1) professionally engaged in making appraisals;
- (2) licensed under IC 25-34.1; or
- (3) employees of the political subdivision familiar with the value of the property.

(c) After the property is appraised, the disposing agent shall publish a notice in accordance with IC 5-3-1 setting forth the terms and conditions of the sale and, when subsection (e) is employed, may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and to conduct a public auction. The advertising conducted by the

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auctioneer is in addition to any other notice required by law and shall include a detailed description of the property to be sold stating the key numbers, if any, of the tracts within that property. If the disposing agent determines that the best sale of the property can be made by letting the bidders determine certain conditions of the sale (such as required zoning or soil or drainage conditions) as a prerequisite to purchasing the property, the disposing agent may permit the bidders to specify those conditions. The notice must state the following:

- (1) Bids will be received beginning on a specific date.
- (2) The sale will continue from day to day for a period determined by the disposing agent of not more than sixty (60) days.
- (3) The property may not be sold to a person who is ineligible under section 16 of this chapter.
- (4) A bid submitted by a trust (as defined in IC 30-4-1-1(a)) must identify each:
 - (A) beneficiary of the trust; and
 - (B) settlor empowered to revoke or modify the trust.

(d) A bid must be open to public inspection. A bidder may raise the bidder's bid, and subject to subsection (e), that raise takes effect after the board has given written notice of that raise to the other bidders.

(e) The disposing agent may also engage an auctioneer licensed under IC 25-6.1 to conduct a sale by public auction. The auction may be conducted either at the time for beginning the sale in accordance with the public notice or after the beginning of the sale. The disposing agent shall give each bidder who has submitted a bid written notice of the time and place of the auction.

(f) The disposing agent may, before expiration of the time set out in the notice, sell the property to the highest and best bidder. The highest and best bidder must have complied with any requirement under subsection (c)(4). However, the disposing agent may sell the property for less than ninety percent (90%) of the average of the two (2) appraisals of the tracts only after an additional notice stating the amount of the bid to be accepted is published in accordance with IC 5-3-1. The disposing agent may reject all bids. If the disposing agent rejects all bids, the disposing agent must make a written determination to reject all bids explaining why all bids were rejected.

(g) If the disposing agent determines that, in the exercise of good business judgment, the disposing agent should hire a broker or auctioneer to sell the property, the disposing agent may do so and pay the broker or auctioneer a reasonable compensation out of the gross proceeds of the sale. A disposing agent may hire a broker to sell real property directly rather than using the bid process under subsections (c)

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through (f) if:

- (1) the disposing agent publishes a notice of the determination to hire the broker in accordance with IC 5-3-1; and
- (2) the property has been up for bid for at least sixty (60) days before the broker is hired, and either no bids were received or the disposing agent has rejected all bids that were received.

The disposing agent may hire one (1) of the appraisers as the broker or auctioneer.

(h) The following apply if a broker is hired under subsection (g):

- (1) The property may not be sold to a person who is ineligible under section 16 of this chapter.
- (2) If the property is sold to a trust (as defined in IC 30-4-1-1(a)), the following information must be placed in the public record relating to the sale:

(A) Each beneficiary of the trust.

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

SECTION 21. IC 36-1-11-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 7. (a) A disposing agent who exchanges property must proceed under this section, except as permitted by section 8 **or 18** of this chapter.

(b) An exchange may be made with a person who is:

- (1) not a governmental entity; and
- (2) eligible under section 16 of this chapter;

only after advertisement following as nearly as practical the procedure prescribed by section 4 of this chapter, with the property the disposing agent conveys to be partial or full payment for the property the disposing agent receives.

SECTION 22. IC 36-1-11-18 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 18. (a) This section applies to a school corporation located in LaPorte County.**

(b) Notwithstanding any other law, a school corporation may transfer real property to any other governmental agency in exchange for services provided to the school corporation.

(c) This section constitutes the only authority necessary for a school corporation to make real property available for exchange under this section. A school corporation is not required to apply any additional procedures to an exchange made under this section.

SECTION 23. [EFFECTIVE UPON PASSAGE] **(a) As used in this SECTION, "political subdivision" has the meaning set forth in IC 36-1-2-13.**

(b) The legislative council is urged to:

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(1) assign to an interim study committee the study of the budgeting process for political subdivisions; and

(2) require a written report of the study committee's findings and recommendations before November 1, 2013.

(c) This SECTION expires January 1, 2014.

SECTION 24 [EFFECTIVE UPON PASSAGE] (a) IC 6-1.1-17-22, as added by this act, applies to property taxes first due and payable after December 31, 2013.

(b) IC 6-1.1-20.6-9.8 and IC 6-1.1-20.6-10, each as amended by this act, apply to property taxes first due and payable after December 31, 2012.

(c) This SECTION expires January 1, 2015."

Page 21, delete lines 1 through 39.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 517 as printed February 15, 2013.)

BROWN T, Chair

Committee Vote: yeas 18, nays 0.

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