



February 15, 2013

SENATE BILL No. 517

DIGEST OF SB 517 (Updated February 12, 2013 1:38 pm - DI 73)

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

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 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. For all taxing units, provides that the maximum amount allowed for an operating balance for a debt service fund is 25% of the budget estimate for the fund. Specifies, for

(Continued next page)

COPY

Effective: Upon passage; January 1, 2013 (retroactive); July 1, 2013.

Miller Pete

January 14, 2013, read first time and referred to Committee on Tax and Fiscal Policy.
February 14, 2013, amended, reported favorably — Do Pass.

SB 517—LS 6962/DI 58+



Digest Continued

purposes of protecting debt service funds under the property tax circuit breaker credit, that the political subdivision may determine the allocation of property tax reductions from the circuit breaker credit to funds receiving only unprotected taxes using only the funds of the political subdivision that incurred the debt and not other political subdivisions. Specifies that the allocation is to be made using only the taxing districts for which there was an impact from granting the circuit breaker credit. Specifies that the revenue for a fund receiving protected taxes is also reduced if the revenue reallocation from funds receiving only unprotected taxes is insufficient to offset the amount of the circuit breaker. Permits a political subdivision to transfer money to meet debt service obligations from any other available source if a fund receiving protected taxes also has to be reduced. Limits the amount of the transfer to the shortfall, and requires that the transfer must be specifically identified as a debt service obligation transfer for each affected fund. Allows a political subdivision to transfer money received as miscellaneous revenue from one fund to one or more other funds of the political subdivision if certain conditions are met. 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.

C
o
p
y



February 15, 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.

C
O
P
Y

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

SB 517—LS 6962/DI 58+



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

C
O
P
Y



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

COPY



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

C
O
P
Y



- 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

C
o
p
y



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,

C
o
p
y



- 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.



C
O
P
Y

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

C
O
P
Y



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

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

20 (2) A taxing unit in a pilot county that would otherwise be
 21 required to submit its proposed budgets, property tax rates,
 22 and property tax levies for nonbinding review under section
 23 3.5 of this chapter is not required to do so, but the taxing unit
 24 must instead submit the information required by subdivision
 25 (1) to the department of local government finance.

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

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

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

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

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

- 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**

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

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 twenty-five percent (25%) of the budget estimate for the debt service fund for the ensuing year.**

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 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

C
o
p
y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

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 anticipated annual revenues; and
 - (B) are ninety (90) days or more past due.
- (7) The political subdivision has carried over interfund loans for

C
o
p
y



1 the benefit of the same fund at the end of two (2) successive
2 years.
3 (8) The political subdivision has been severely affected, as
4 determined by the board, as a result of granting the property tax
5 credits under IC 6-1.1-20.6.
6 (9) In addition to the conditions listed in subdivisions (1) through
7 (8), and in the case of a school corporation, the board may also
8 designate a school corporation as a distressed political
9 subdivision if at least one (1) of the following conditions applies:
10 (A) The school corporation has:
11 (i) issued refunding bonds under IC 5-1-5-2.5; or
12 (ii) adopted a resolution under IC 5-1-5-2.5 making the
13 determinations and including the information specified in
14 IC 5-1-5-2.5(g).
15 (B) The ratio that the amount of the school corporation's debt
16 (as determined in December 2010) bears to the school
17 corporation's 2011 ADM ranks in the highest ten (10) among
18 all school corporations.
19 (C) The ratio that the amount of the school corporation's debt
20 (as determined in December 2010) bears to the school
21 corporation's total assessed valuation for calendar year 2011
22 ranks in the highest ten (10) among all school corporations.
23 (D) The amount of homestead assessed valuation in the school
24 corporation for calendar year 2011 was at least sixty percent
25 (60%) of the total amount of assessed valuation in the school
26 corporation for calendar year 2011.
27 The board may consider whether a political subdivision has fully
28 exercised all the local options available to the political subdivision,
29 such as a local option income tax or a local option income tax rate
30 increase or, in the case of a school corporation, an operating
31 referendum.
32 (b) If the board designates a political subdivision as distressed under
33 subsection (a), the board shall review the designation annually to
34 determine if the distressed political subdivision meets at least one (1)
35 of the conditions listed in subsection (a).
36 (c) If the board designates a political subdivision as a distressed
37 political subdivision under subsection (a), the board shall immediately
38 notify:
39 (1) the treasurer of state; and
40 (2) the county auditor and county treasurer of each county in
41 which the distressed political subdivision is wholly or partially
42 located;

C
O
P
Y



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

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

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

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

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

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

28 SECTION 9. IC 6-1.1-20.3-8.4 IS ADDED TO THE INDIANA
29 CODE AS A NEW SECTION TO READ AS FOLLOWS
30 [EFFECTIVE UPON PASSAGE]: **Sec. 8.4. (a) After the board
31 receives a petition concerning a school corporation under section
32 6(b)(3) of this chapter, the board shall review the school
33 corporation's request for the authority to transfer excess funds in
34 the school corporation's debt service fund to the school
35 corporation's transportation fund. The board shall make a
36 determination regarding:**

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

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

C
o
p
y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

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:
 - (A) A contract.
 - (B) An expenditure.
 - (C) A loan.

C
o
p
y



- 1 (D) The creation of any new position.
- 2 (E) The filling of any vacant position.
- 3 (11) Submit a written report to the board every three (3) months
- 4 concerning:
- 5 (A) actions taken by the emergency manager;
- 6 (B) expenditures made by the distressed political subdivision;
- 7 and
- 8 (C) the work that has been done to remove the distressed
- 9 political subdivision from distressed status.
- 10 (12) Petition the board to terminate a political subdivision's status
- 11 as a distressed political subdivision when the conditions found in
- 12 section 6.5 of this chapter are no longer applicable to the political
- 13 subdivision.
- 14 (c) An emergency manager of a distressed political subdivision
- 15 appointed under section 7.5 of this chapter may do the following:
- 16 (1) Renegotiate existing labor contracts and act as an agent of the
- 17 political subdivision in collective bargaining.
- 18 (2) Reduce or suspend salaries of the political subdivision's
- 19 employees.
- 20 (3) Enter into agreements with other political subdivisions for the
- 21 provision of services.
- 22 (d) Except as provided in section 13(c) of this chapter, an
- 23 emergency manager of a distressed political subdivision retains the
- 24 powers and duties described in subsections (b) and (c) until:
- 25 (1) the emergency manager resigns or dies;
- 26 (2) the board removes the emergency manager; or
- 27 (3) the political subdivision's status as a distressed political
- 28 subdivision is terminated under section 13(b) of this chapter.
- 29 SECTION 11. IC 6-1.1-20.3-10, AS AMENDED BY P.L.145-2012,
- 30 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 31 UPON PASSAGE]: Sec. 10. A distressed political subdivision may
- 32 petition the tax court for judicial review of a determination of the board
- 33 under section 6.5 of this chapter. **A school corporation may also**
- 34 **petition the tax court for judicial review of a determination of the**
- 35 **board under section 8.4 of this chapter.** The action must be taken to
- 36 the tax court under IC 6-1.1-15 in the same manner that an action is
- 37 taken to appeal a final determination of the Indiana board of tax review.
- 38 The petition must be filed in the tax court not more than forty-five (45)
- 39 days after the board enters its final determination.
- 40 SECTION 12. IC 6-1.1-20.3-13, AS ADDED BY P.L.145-2012,
- 41 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 42 UPON PASSAGE]: Sec. 13. (a) If:

C
o
p
y



- 1 (1) an emergency manager of a distressed political subdivision;
- 2 ~~that is not a school corporation;~~
- 3 (2) the fiscal body and executive of the political subdivision
- 4 jointly; or
- 5 (3) the governing body of a school corporation that:
- 6 (A) employs a new superintendent; or
- 7 (B) has a new member elected or appointed to its governing
- 8 body;
- 9 during the time the school corporation is a distressed political
- 10 subdivision;

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

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

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

30 SECTION 13. IC 6-1.1-20.6-9.8, AS AMENDED BY P.L.137-2012,
 31 SECTION 35, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 32 JANUARY 1, 2013 (RETROACTIVE)]: Sec. 9.8. (a) This section
 33 applies to property taxes first due and payable after December 31,
 34 2009.

- 35 (b) The following definitions apply throughout this section:
- 36 (1) "Debt service obligations of a political subdivision" refers to:
- 37 (A) the principal and interest payable during a calendar year
- 38 on bonds; and
- 39 (B) lease rental payments payable during a calendar year on
- 40 leases;
- 41 of a political subdivision payable from ad valorem property taxes.
- 42 (2) "Protected taxes" refers to the following:

C
o
p
y



1 (A) Property taxes that are exempted from the application of
 2 a credit granted under section 7 or 7.5 of this chapter by
 3 section 7(b), 7(c), 7.5(b), or 7.5(c) of this chapter or another
 4 law.
 5 (B) Property taxes imposed by a political subdivision to pay
 6 for debt service obligations of a political subdivision that are
 7 not exempted from the application of a credit granted under
 8 section 7 or 7.5 of this chapter by section 7(b), 7(c), 7.5(b), or
 9 7.5(c) of this chapter or any other law. Property taxes
 10 described in this subsection are subject to the credit granted
 11 under section 7 or 7.5 of this chapter by section 7(b), 7(c),
 12 7.5(b), or 7.5(c) **of this chapter** regardless of their designation
 13 as protected taxes.
 14 (3) "Unprotected taxes" refers to property taxes that are not
 15 protected taxes.
 16 (c) ~~The total amount collected from protected taxes shall be~~
 17 ~~allocated of revenue to be distributed~~ to the fund for which the
 18 protected taxes were imposed ~~shall be determined~~ as if no credit were
 19 granted under section 7 or 7.5 of this chapter. The total amount of the
 20 loss in revenue resulting from the granting of credits under section 7 or
 21 7.5 of this chapter must reduce only the amount of unprotected property
 22 taxes distributed to a fund ~~in proportion to the unprotected rate tax~~
 23 ~~imposed for that fund relative to the total of all unprotected tax rates~~
 24 ~~imposed by the taxing unit. using the following criteria:~~
 25 (1) ~~The reduction may be allocated in the amounts determined~~
 26 ~~by the political subdivision using a combination of~~
 27 ~~unprotected taxes of the political subdivision in those taxing~~
 28 ~~districts in which the credit caused a reduction in protected~~
 29 ~~taxes.~~
 30 (2) ~~The tax revenue and each fund of any other political~~
 31 ~~subdivisions must not be affected by the reduction.~~
 32 (d) ~~When:~~
 33 (1) ~~the revenue that otherwise would be distributed to a fund~~
 34 ~~receiving only unprotected taxes is reduced entirely under~~
 35 ~~subsection (c) and the remaining revenue is insufficient for a~~
 36 ~~fund receiving protected taxes to receive the revenue specified~~
 37 ~~by subsection (c); or~~
 38 (2) ~~there is not a fund receiving only unprotected taxes from~~
 39 ~~which to distribute revenue;~~
 40 ~~the revenue distributed to the fund receiving protected taxes must~~
 41 ~~also be reduced. If the revenue distributed to a fund receiving~~
 42 ~~protected taxes is reduced, the political subdivision may transfer~~

C
O
P
Y



1 money from one (1) or more of the other funds of the political
 2 subdivision to offset the loss in revenue to the fund receiving
 3 protected taxes. The transfer is limited to the amount necessary for
 4 the fund receiving protected taxes to receive the revenue specified
 5 under subsection (c). The amount transferred shall be specifically
 6 identified as a debt service obligation transfer for each affected
 7 fund.

8 SECTION 14. IC 20-40-2-4, AS AMENDED BY P.L.145-2012,
 9 SECTION 24, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 10 JULY 1, 2013]: Sec. 4. (a) Except as provided by subsection (b) or any
 11 other law, any lawful school expenses payable from any other fund of
 12 a school corporation, including debt service and capital outlay, may be
 13 budgeted in and paid from the fund.

14 (b) Before January 1, 2018, costs attributable to transportation (as
 15 defined in IC 20-40-6-1) may be budgeted in and paid from the fund.
 16 After December 31, 2017, costs attributable to transportation (as
 17 defined in IC 20-40-6-1) may not be budgeted in and paid from the
 18 fund. **After June 30, 2013, a school corporation may also transfer**
 19 **money from its general fund to its transportation fund (IC 20-40-6)**
 20 **if it qualifies under subsection (c).**

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

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

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

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

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

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

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



C
 O
 P
 Y

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

6 SECTION 15. IC 20-40-7-6, AS ADDED BY P.L.2-2006,
7 SECTION 163, IS AMENDED TO READ AS FOLLOWS
8 [EFFECTIVE JULY 1, 2013]: Sec. 6. Except as otherwise provided by
9 law, **including the exception for transfers permitted by**
10 **IC 20-40-2-4(d)**, the fund is the exclusive fund used to pay the
11 following costs attributable to transportation:

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

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

16 SECTION 16. IC 20-40-9-6, AS ADDED BY P.L.2-2006,
17 SECTION 163, IS AMENDED TO READ AS FOLLOWS
18 [EFFECTIVE UPON PASSAGE]: Sec. 6. **(a)** Money in the fund may
19 be used for payment of the following:

20 (1) All debt and other obligations arising out of funds borrowed
21 or advanced for school buildings when purchased from the
22 proceeds of a bond issue for capital construction.

23 (2) A lease to provide capital construction.

24 (3) Interest on emergency and temporary loans.

25 (4) All debt and other obligations arising out of funds borrowed
26 or advanced for the purchase or lease of school buses when
27 purchased or leased from the proceeds of a bond issue, or from
28 money obtained from a loan made under IC 20-27-4-5, for that
29 purpose.

30 (5) All debt and other obligations arising out of funds borrowed
31 to pay judgments against the school corporation.

32 (6) All debt and other obligations arising out of funds borrowed
33 to purchase equipment.

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

38 SECTION 17. IC 36-1-8-4.5 IS ADDED TO THE INDIANA CODE
39 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
40 1, 2013]: Sec. 4.5. **(a) In addition to the transfer of money under**
41 **section 4 of this chapter, the fiscal body of a political subdivision**
42 **may, by ordinance or resolution, permit the transfer of a**

C
O
P
Y



1 prescribed amount of miscellaneous tax revenue, for a prescribed
2 period, from one (1) fund of the political subdivision (transfer
3 fund) to one (1) or more other funds of the political subdivision, if
4 the following conditions are met:

5 (1) The miscellaneous tax revenue must not be revenue that is
6 derived from the imposition of a tax or part of a tax rate for
7 which a dedicated purpose is required by the law permitting
8 the imposition of the tax or part of the tax rate.

9 (2) The miscellaneous tax revenue must be revenue that was
10 allocated to the transfer fund using the property tax levy or
11 revenue for the transfer fund.

12 (3) There must be sufficient money on deposit to the credit of
13 the transfer fund to make the transfers.

14 (4) A receiving fund must be a fund that receives property tax
15 revenue.

16 (5) The prescribed period must end during the year in which
17 the transfers occur.

18 (b) The ordinance or resolution must include the following:

19 (1) A statement that the fiscal body has determined the
20 interest of the political subdivision will be best served if the
21 transfer is permitted, including a brief description of the
22 general purpose of the transfer and the basis for the
23 determination.

24 (2) The amount of the transfer.

25 (3) The funds involved.

26 (4) The dates for each transfer.

27 (5) A statement that the fiscal officer has certified that the
28 transferred funds are:

29 (A) not needed for the budget for the transfer fund; and

30 (B) unobligated and available for transfer.

31 The ordinance or resolution shall be immediately sent to the
32 department of local government finance and the state board of
33 accounts.

34 (c) The political subdivision shall hold a hearing to consider the
35 ordinance or resolution and publish a notice of the hearing one (1)
36 time in accordance with IC 5-3-1.

37 (d) The amount transferred is available for use only after an
38 appropriation of the money transferred under section 5 of this
39 chapter.

40 SECTION 18. An emergency is declared for this act.

C
O
P
Y



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.



C
O
P
Y

- (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

C
O
P
Y



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

C
O
P
Y



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

C
O
P
Y



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



C
O
P
Y

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

C
O
P
Y



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

SB 517—LS 6962/DI 58+



C
O
P
Y

(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



C
O
P
Y

(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:

C
O
P
Y



- (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.

SB 517—LS 6962/DI 58+



C
O
P
Y

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

C
O
P
Y



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,



C
O
P
Y

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.

C
O
P
Y

