STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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TO: All School Corporations

FROM: Jason Cockerill, Commissioner

DATE: July 19, 2026

SUBJECT: Legislation Affecting School Funding Matters

Introduction

The Department of Local Government Finance ("Department") issues this memorandum to inform interested parties about changes made to laws concerning school corporation funding. The relevant legislation includes House Enrolled Act 1210-2026 ("HEA 1210") signed by Governor Mike Braun on March 12, 2026.

This memorandum is for informative purposes only and is not a substitute for reading the law.

I. Guaranteed Energy Savings Contracts

Sections 227 and 228 of HEA 1210 amend IC 36-1-12.5-10 and 12, respectively, regarding guaranteed energy savings contracts ("GESC"). These changes are effective July 1, 2026.

Under these changes, the governing body of a political subdivision shall upload onto Gateway information listed in Ind. Code § 36-1-12.5-10 concerning the GESC, rather than provide it to the Department through other means. The governing body also does not need to make an annual report to the Department on the savings realized from a GESC or utility efficiency program in the previous year.

In addition, Ind. Code § 36-1-12.5-12 is amended to remove the requirement to report to the Department information related to improvements not causally connected to a conservation measure but included in a GESC.

II. Alternative Procedure to Certify Eligibility to Issue School Refunding Bonds

Various sections of HEA 1210 establish an alternative procedure whereby school corporations can become certified as eligible to issue refunding bonds. Specifically, this is an alternative procedure to Ind. Code § 5-1-5-2.5, wherein a school corporation can be eligible to issue refunding bonds if the impact of credits granted under Ind. Code § 6-1.1-20.6 to the sum of its debt service fund and operations fund is at least 20% of the operations fund levy. The relevant sections are effective upon passage.

A. Certification of Eligibility, Ind. Code § 5-1-5-2.6

Section 15 of HEA 1210 adds Ind. Code § 5-1-5-2.6 as a new section, effective upon passage.

1. Definitions

"Eligible school corporation" means a school corporation (as defined in Ind. Code § 36-1-2-17) that satisfies all the conditions required by Ind. Code § 5-1-5-2.6.

"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.

2. Eligibility requirements

To be eligible to issue refunding bonds, a school corporation must meet two (2) requirements:

(1) Per the formula below, the impact from credits granted under Ind. Code § 6-1.1-20.6 to the operations fund is at least sixty percent (60%) of the school corporation's operations fund levy.

$$\frac{\text{Amount of credits granted under IC 6-1.1-20.6 against the operations fund}}{\text{Operations fund levy}} = \text{Percent result} \geq 60\%$$

(2) Issuing refunding bonds will not reduce revenue to other local units in the same county.

Note the following:

(1) Compared to the procedure outlined in Ind. Code § 5-1-5-2.5, the required circuit breaker and supplemental homestead credit impact is higher, 60% as opposed to 20%, and excludes any impact of credits granted under Ind. Code § 6-1.1-20.6 against the debt service fund levy.

(2) "Credits granted under IC 6-1.1-20.6" includes both the property tax cap circuit breaker credits (Ind. Code § 6-1.1-20.6-7.5), the Over 65 circuit breaker credit (Ind. Code § 6-1.1-20.6-8.5) and the supplemental homestead credit (Ind. Code § 6-1.1-20.6-7.7).

(3) In addition, this procedure imposes an additional requirement – that revenue to other local units in the county will not decrease as a result of the school corporation being eligible to issue refunding bonds.

(4) It is not specified what metrics the Department or school corporation must follow when determining whether other units' revenue would be reduced if the refunding bonds are issued, including the information to be provided in the request.

3. Request for certification

To be certified to issue refunding bonds, a school corporation must submit a written request that the Department determine that the school corporation meets both of the above eligibility requirements. The Department must make a determination not later than thirty (30) business days after the date the request is received. If the eligibility requirements are met, the Department must certify the school corporation is eligible.

Once certified as eligible, the school corporation must then adopt a resolution including the following information:

(1) The Department's certification of eligibility.

(2) A determination providing for the issuance of bonds to refund bonds or leases issued by or on behalf of the school corporation before July 1, 2025, and for the payment of redemption premiums and the costs of refunding.

(3) With respect to the refunding bonds, the following:

(A) The maximum principal amount.

(B) The maximum interest rate.

(C) The annual lease or debt service payment.

(D) The final maturity date.

(E) The estimated amount of the increment that will occur for each year that the bonds that are being retired or refunded by the issuance of refunding bonds would have been outstanding.

(F) A finding that the annual debt service or lease payment on the refunding bonds will not increase the annual debt service or lease payment above the annual debt service or lease payment approved by the school corporation for the original project.

Once adopted, the school corporation must then publish notice of the adoption in accordance with Ind. Code § 5-3-1.

B. Issuance of refunding bonds

An eligible school corporation may issue refunding bonds. Note that an eligible school corporation is not required to issue refunding bonds.

In addition, an eligible school corporation may extend the repayment period one (1) time per bond being retired or refunded, up to ten (10) years after the latest maturity date for any of the bonds being retired or refunded.

C. Other affected provisions

Other provisions in Indiana Code are affected by the implementation of Ind. Code § 5-1-5-2.6. This includes:

1. Eligibility to be designated as distressed unit

Issuing refunding bonds under Ind. Code § 5-1-5-2.6 may be a factor in determining an eligible school corporation being designated as a distressed political subdivision under Ind. Code § 6-1.1-20.3-6.5(a)(9)(A).

2. Imposition of debt service levy to repay retired or refunded bonds

An eligible school corporation that issues refunding bonds under Ind. Code § 5-1-5-2.6 may impose a debt service levy under Ind. Code § 20-46-7-15 on bonds that were retired or refunded by the issuance of refunding bonds.

3. Original process to be an eligible school corporation, Ind. Code § 5-1-5-2.5

Although Ind. Code § 5-1-5-2.6 states that this is an alternative procedure, it is not clear in the statute or in Ind. Code § 5-1-5-2.5 when the former must apply over the latter. Therefore, the school corporation presumably has the option to choose which procedure to follow.

Contact Information

Questions may be directed to Anna Culy, Budget Division Director, at aculy@dlgf.in.gov.