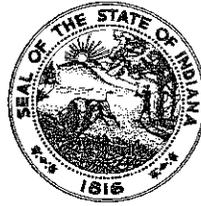


STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All School Corporations
FROM: Brian E. Bailey, Commissioner *BEB*
RE: School Corporation Pension Debt Obligations
DATE: July 9, 2012

On March 19, 2012, Governor Mitch Daniels signed into law House Enrolled Act 1192 ("HEA 1192"). Section 27 of HEA 1192 amends IC 20-48-1-2 to allow school corporations to modify, under certain circumstances, the amount by which they must reduce the total property tax levy for a specified fund to neutralize retirement or severance liabilities.

Indiana Code 20-48-1-2 provides that each year that a debt service levy is needed for purposes of funding retirement or severance liabilities, a school corporation must reduce the total property tax levy for the school corporation's transportation, school bus replacement, capital projects, and art association and historical society funds, as appropriate, in an amount equal to the property tax levy needed for the debt service multiplied by the adjustment percentage set forth in subsection (1) or (2) below, as applicable:

- (1) if the governing body of the school corporation adopts a resolution specifying that the adjustment percentages below apply to the school corporation, the adjustment percentage will be the following:
 - A) for property taxes first due and payable in 2013, 25%;
 - B) for property taxes first due and payable in 2014, 50%;
 - C) for property taxes first due and payable in 2015, 75%; and
 - D) for property taxes first due and payable after 2015, 100%; or
- (2) if the governing body of the school corporation does not adopt a resolution specifying that the adjustment percentages above apply to the school corporation, the adjustment percentage is 100%.

For example, if a school corporation adopts the resolution described in subsection (1) above and it has an annual debt service levy of \$500,000 for purposes of funding retirement or severance liabilities, it must reduce its levy(ies) in transportation, school bus replacement, capital projects, and art association and historical society funds, as appropriate, by \$125,000 for 2013, \$250,000 for 2014, \$375,000 for 2015, and \$500,000 for 2016. If a school does not adopt the resolution described in subdivision (1) above, it must reduce its transportation, school bus replacement, capital projects, and art association and historical society funds, as appropriate, by \$500,000 for 2013.

Questions may be directed to Staff Attorney Mike Duffy at 317-233-9219 or mduffy@dlgf.in.gov.