
STATE OF INDIANA



MEMORANDUM

TO: All School Corporations

FROM: Distressed Unit Appeal Board

DATE: April 17, 2012

SUBJECT: Policies and Procedures for Petitioning the Distressed Unit Appeal Board for a Rainy Day Fund Loan under I.C. 6-1.1-20.3-8.3

The purpose of this memorandum is to inform the governing body and the superintendent of all school corporations of the procedures for filing a petition with the Distressed Unit Appeal Board (DUAB) to request a loan from the state counter-cyclical revenue and economic stabilization fund (Rainy Day Fund) under I.C. 6-1.1-20.3-8.3.

DUAB MEMBERSHIP

DUAB Membership

The DUAB consists of the following five (5) members:

- The Director of the Office of Management and Budget or designee (*Chairperson*).
- The Commissioner of the Department of Local Government Finance or designee.
- The State Examiner of the State Board of Accounts or designee.
- The State Superintendent of Public Instruction or designee.
- An individual appointed by the chairman of the legislative council.

PROCEDURES FOR PETITIONING THE DISTRESSED UNIT APPEAL BOARD

Petition for Relief.

The governing body and the superintendent of a school corporation may jointly file a petition with the DUAB seeking relief. IC 6-1.1-20.3-6(b).

A petition to the DUAB must include the following:

- a. The loan amount being requested (the lesser of \$5,000,000 or the product of \$1,000 x the school corporation's 2012 ADM);
- b. Specific reasons why a loan is needed;
- c. The plan for how the loan will be used by the school corporation;
- d. A pro forma financial plan by fund, including a description of the repayment plan for the loan including details as to whether the school corporation is currently running a structural surplus or deficit (include a plan of how any structural deficit will be eliminated if one exists);
- e. A description of any and all efforts the school corporation has taken to secure temporary cash flow loans from the Indiana Bond Bank or a financial institution;
- f. Structure and maturity of current debt (including voter approved), itemized (for each bond issue) and aggregated;
- g. Statement on future capital financing needs (including the amount and timing of any future bond issue);
- h. Collective bargaining agreements for the past 5 years, including descriptions of any salary increases (include step increases);
- i. Health care plans and contribution rates for the past 5 years (for teachers, administrators, and school board members), including deductibles, co-pays, co-insurance, and out-of-pocket maximums;
- j. Total revenue from all sources for each of the past 5 years;
- k. Total expenditures for each of the past 5 years;
- l. Detailed expenditures for the most recent completed year (including a breakdown of any travel expenses);
- m. A list of all contracts valued at more than \$30,000 and the value of each (including all employment contracts);
- n. Enrollment for each of the past 5 years and projected enrollment for the next 5 years;
- o. Number of full time equivalent (FTE) employees (broken down by teachers, administrators, etc.) for each of the past 5 years;
- p. Total certified net assessed values for each of the past 5 years;
- q. Detailed list of all real property owned by the school corporation;
- r. Detailed list of all new construction over the last 10 years (include a description of the project, total cost, and relevant year(s));
- s. Latest calculation of dollars to the classroom;
- t. Balances of all funds on the final day of the month as of the two most recent semi-annual settlements. For example, a petition filed on June 5, 2012 should include the balances of all funds on December 31, 2011, and June 30, 2011; whereas, a petition filed on July 5, 2012 should include the balances of all funds on June 30, 2012, and December 31, 2011.
- u. Amount of ARRA funds (e.g., Title I, state fiscal stabilization, etc.) actually drawn (with dates) and remaining amounts to be drawn;
- v. Amount of EduJobs funds actually drawn (with dates) and remaining amounts to be drawn;
- w. Any other information the school corporation or DUAB may consider pertinent.

DUAB REVIEW PROCESS

DUAB Administrative Procedures Governing the Petition

Note: See the attached DUAB Administrative Policies and Procedures.

DUAB Petition Review and Recommendations

If the governing body and the superintendent of a school corporation submit a petition requesting a loan, the DUAB is required to review the petition and make a recommendation to the state board of finance regarding the loan request. IC 6-1.1-20.3-8.3.

In making its recommendation, the DUAB may consider whether a school corporation has attempted to secure temporary cash flow loans from the Indiana Bond Bank or a financial institution.

If the DUAB recommends to the state board of finance that a loan from the Rainy Day Fund be approved for a school corporation, the DUAB may also recommend that the loan be contingent upon any of the following:

1. The sale of specified unused property by the school board.
2. The school corporation modifying one (1) or more specified contracts entered into by the school corporation.

DUAB Staffing and Assistance.

The Department of Local Government Finance is required to provide the DUAB with the staff and assistance that it reasonably requires.

The DUAB may contract with accountants, financial experts, and other advisors and consultants as necessary to carry out the DUAB's duties. IC 6-1.1-20.3-5.

The DUAB must keep a record of its proceedings and its orders. IC 6-1.1-20.3-9.

If you have any questions about this memorandum, please contact Ann Kaiser, General Counsel and Policy Director of the Office of Management and Budget at (317) 234-2079 or akaiser@omb.in.gov; or Brian Bailey, Commissioner of the Department of Local Government Finance at (317) 234-5720 or bbailey@dlgf.in.gov.

Attachment:
DUAB Administrative Procedures