

CONFERENCE COMMITTEE REPORT DIGEST FOR EHB 1192

Citations Affected: IC 5-1-5-2.5; IC 5-10-8-6.8; IC 6-1.1; IC 20-26-5-4; IC 20-27-13; IC 20-40; IC 20-46-5-4; IC 20-48-1-2.

Synopsis: Local government. Conference committee report for EHB 1192. Provides that before January 1, 2014, a school corporation may use the debt restructuring statutes if the school corporation has a circuit breaker impact of at least 20%, as certified by the department of local government finance (DLGF) (rather than 30%, under current law). Requires that such a school corporation must either: (1) have the distressed unit appeal board (DUAB) approve the school corporation's financial plan for paying any refunding bonds; or (2) meet certain criteria concerning debt-ADM ratios, debt-assessed value ratios, and the amount of homestead assessed valuation in the school corporation. Provides that a school corporation that meets these requirements may restructure its debt without going through the petition and remonstrance process requirements and referendum requirements that would otherwise apply under current law. Specifies that if a school corporation restructures its debt under these provisions, any extension of the debt repayment period may not exceed ten years after the latest maturity date for any of the bonds being retired or refunded by the school corporation. Provides that a school corporation is eligible to obtain a loan from the rainy day fund if the school corporation is designated as distressed by the DUAB or the school corporation is otherwise approved for a loan by the DUAB. Provides that in the case of a school corporation that petitions the DUAB, the DUAB shall make a recommendation to the state board of finance concerning the loan. Provides that the state board of finance may not after December 31, 2017, approve such loans to a school corporation from the rainy day fund. Specifies that at the time the DUAB designates a school corporation as distressed or otherwise recommends that a loan from the rainy day fund be approved for the school corporation, the DUAB may also recommend to the state board of finance that a loan from the rainy day fund to the school corporation be contingent upon any of the following: (1) The sale of specified unused property by the school board. (2) The school corporation modifying one or more specified contracts entered into by the school corporation. Provides that in making a loan from the rainy day fund to a school corporation, the state board of finance may make the loan contingent upon any such condition recommended by the DUAB. Provides that a school corporation's loan may not exceed the lesser of \$5,000,000 or the result of multiplying the school corporation's ADM by \$1,000. Provides for the interception of revenues otherwise payable to the school corporation if the school corporation fails to pay an obligation associated with the loan. Specifies that the treasurer of state may not impair the rights of the

school corporation's bondholders regarding rainy day fund loan payments. Provides that the interest rate on rainy day fund loans to a school corporation is equal to the interest rate on state taxes, minus 2%, but in no case shall the interest rate be less than 1%. Changes the membership of the DUAB. Provides that a political subdivision may file a petition with the DUAB seeking designation of the political subdivision as a distressed political subdivision, based on any one of several failures by the political subdivision to meet its financial obligations. Specifies that the DUAB may consider whether a political subdivision has exercised all of its local options. Provides that if the DUAB designates a political subdivision as a distressed political subdivision, the board shall (except in the case of a school corporation that is designated as distressed) appoint an emergency manager for the distressed political subdivision. Provides that an emergency manager of a distressed political subdivision has broad powers to effect the financial rehabilitation of the distressed political subdivision. Provides that a school corporation that is designated as distressed may not carry out certain actions without the approval of the DUAB. Provides that if a school corporation that covers its active and retired employees under a state employee health plan consolidates, reorganizes, or merges after May 1, 2012, with a school corporation that does not cover its active and retired employees under a state employee health plan, the school corporation that results from the consolidation, reorganization, or merger must allow an individual for whom the first school corporation had (as of the effective date of the consolidation, reorganization, or merger) health insurance liability under a state employee health plan to continue the individual's coverage under the state employee health plan for at least five years, as long as the individual otherwise remains eligible for coverage under the plan. Provides that a school corporation that carried out a general program in at least one school year beginning after June 30, 2010, to provide transportation to and from school for eligible students must carry out a program to provide transportation to and from school, unless the governing body of the school corporation: (1) approves the termination of the transportation program; and (2) provides public notice of the termination; at least three years before the date after which the transportation will no longer be provided. Allows the department of education to waive these requirements if the department determines that a transportation plan presented by the school corporation, with or without revisions required by the department: (1) will protect the safety of eligible students enrolled in the school corporation; and (2) is otherwise in accordance with applicable law. Provides that before January 1, 2018, costs attributable to transportation may be budgeted in and paid from a school corporation's general fund. Provides that the DLGF may upon petition by a school corporation adjust the school corporation's levy for the school bus replacement fund to reflect the school corporation's school bus acquisition plan. Reduces (by 75% in 2013, 50% in 2014, and 25% in 2015) the amount by which a school corporation must otherwise reduce the school corporation's other levies to offset a pension debt levy, if the school corporation adopts a resolution to apply such a reduction. Requires the DUAB to report to the budget committee before certain dates concerning actions taken by the DUAB under the statute allowing a school corporation with a circuit breaker impact to restructure its debt. **(This conference committee report does the following: (1) Provides that before a school corporation with a 20% circuit breaker impact may use the debt restructuring statutes before 2014, the school corporation must either: (A) have the DUAB approve the school corporation's financial plan for paying any refunding bonds; or (B) meet certain criteria concerning debt-ADM ratios, debt-assessed value ratios, and the amount of homestead assessed valuation in the school corporation. (2) Requires the DLGF to certify a school corporation's circuit breaker impact percentage within ten working days after requested by the school corporation (rather than 30 days, under the current provisions in the bill). (3) Specifies that if a school corporation restructures its debt under these provisions, any extension of the debt repayment period may not exceed ten years after the latest maturity date for any of the bonds being retired or refunded by the school corporation. (4) Requires the DUAB to report to the budget committee concerning actions taken by the DUAB under these provisions allowing a school corporation with a circuit breaker impact to restructure its debt. (5) Provides that the interest rate on loans to a school corporation from the rainy day fund may not be less than 1%.)**

Effective: Upon passage.

CONFERENCE COMMITTEE REPORT

MADAM PRESIDENT:

Your Conference Committee appointed to confer with a like committee from the House upon Engrossed Senate Amendments to Engrossed House Bill No. 1192 respectfully reports that said two committees have conferred and agreed as follows to wit:

that the House recede from its dissent from all Senate amendments and that the House now concur in all Senate amendments to the bill and that the bill be further amended as follows:

- 1 Delete everything after the enacting clause and insert the following:
- 2 SECTION 1. IC 5-1-5-2.5, AS ADDED BY P.L.229-2011,
- 3 SECTION 63, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 4 UPON PASSAGE]: Sec. 2.5. (a) As used in this section, "eligible
- 5 school corporation" means a school corporation (as defined in
- 6 IC 36-1-2-17) that satisfies all the conditions required by this section.
- 7 (b) As used in this section, "increment" means the annual difference
- 8 between:
- 9 (1) the annual debt service payment for the bonds proposed to be
- 10 retired or refunded; and
- 11 (2) the annual debt service payment for the proposed refunding
- 12 bonds;
- 13 for each year that the bonds that are being retired or refunded would
- 14 have been outstanding.
- 15 (c) In order for a school corporation to be an eligible school
- 16 corporation under this section, the school corporation must determine
- 17 that the percentage computed under this subsection for the school
- 18 corporation is **at least twenty percent (20%) before January 1, 2014,**
- 19 **or at least thirty percent (30%) after December 31, 2013,** regarding
- 20 the year for which the latest certified levies have been determined. A
- 21 school corporation shall compute its percentage as follows:
- 22 (1) Compute the amount of credits granted under IC 6-1.1-20.6

- 1 against the school corporation's combined levy for the school
 2 corporation's:
- 3 (A) debt service fund, as described in IC 20-46-7-15;
 - 4 (B) capital projects fund;
 - 5 (C) transportation fund;
 - 6 (D) school bus replacement fund; and
 - 7 (E) racial balance fund.
- 8 (2) Compute the school corporation's combined levy for the
 9 school corporation's:
- 10 (A) capital projects fund;
 - 11 (B) transportation fund;
 - 12 (C) school bus replacement fund; and
 - 13 (D) racial balance fund.
- 14 (3) Divide the amount computed under subdivision (1) by the
 15 amount computed under subdivision (2) and express it as a
 16 percentage.

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

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

- 28 (1) The school corporation shall conduct a public hearing and
 29 provide notice of the time, date, and place of the hearing,
 30 published as required by IC 5-3-1, before the school corporation
 31 may adopt ~~an ordinance~~ **a resolution** under this section. At the
 32 public hearing, the governing body must provide the following
 33 information:
- 34 (A) The annual debt service payments, applicable debt service
 35 tax rate, and total debt service payments for the bonds
 36 proposed to be retired or refunded.
 - 37 (B) The annual debt service payments, applicable debt service
 38 fund tax rate, and total debt service payments for the proposed
 39 refunding bonds.
 - 40 (C) The annual increment for each year that the bonds that are
 41 being retired or refunded would have been outstanding and
 42 any other benefits to be derived from issuing the refunding
 43 bonds.
- 44 **(2) The requirements of this subdivision do not apply to a**
 45 **school corporation that adopts a resolution under subsection**
 46 **(g) before January 1, 2014, and that has a percentage**
 47 **computed under subsection (c) that is at least twenty percent**
 48 **(20%), as certified by the department of local government**
 49 **finance. If the amount determined under subsection (c)(3) is:**
- 50 (A) more than forty-five percent (45%), notwithstanding
 51 IC 6-1.1-20-3.1(a) and IC 6-1.1-20-3.2(a), the school

1 corporation shall use the petition and remonstrance process
 2 prescribed by IC 6-1.1-20-3.1(b) and IC 6-1.1-20-3.2(b) and
 3 more individuals must sign the petition for the bond refunding
 4 under this section than the number of individuals signing a
 5 remonstrance against the bond refunding; or
 6 (B) at least thirty percent (30%) but not more than forty-five
 7 percent (45%), the school corporation shall conduct a
 8 referendum on a public question regarding the bond refunding
 9 using the process for a referendum tax levy under IC 20-46-1
 10 and the bond refunding must be approved by the eligible
 11 voters of the school corporation. The question to be submitted
 12 to the voters in the referendum must read as follows:

13 "Shall _____ (insert the name of the school corporation)
 14 issue refunding bonds to refund not more than fifty percent
 15 (50%) of its outstanding bonds to provide an annual savings
 16 to the school's debt service fund that can be transferred from
 17 the school's debt service fund to the school's capital projects
 18 fund, transportation fund, or school bus replacement fund?".

19 **(3) The requirements of this subdivision apply to a school**
 20 **corporation that adopts a resolution under subsection (g)**
 21 **before January 1, 2014, and that has a percentage computed**
 22 **under subsection (c) that is at least twenty percent (20%), as**
 23 **certified by the department of local government finance. The**
 24 **school corporation must either:**

25 **(A) have the distressed unit appeal board approve the**
 26 **school corporation's financial plan for paying any**
 27 **refunding bonds issued under this section, as provided in**
 28 **subsection (e); or**

29 **(B) meet all of the following conditions:**

30 **(i) The ratio that the amount of the school corporation's**
 31 **debt (as determined in December 2010) bears to the**
 32 **school corporation's 2011 ADM ranks in the ten (10)**
 33 **highest among all school corporations.**

34 **(ii) The ratio that the amount of the school corporation's**
 35 **debt (as determined in December 2010) bears to the**
 36 **school corporation's total assessed valuation for calendar**
 37 **year 2011 ranks in the ten (10) highest among all school**
 38 **corporations.**

39 **(iii) The amount of homestead assessed valuation in the**
 40 **school corporation for calendar year 2011 was at least**
 41 **sixty percent (60%) of the total amount of assessed**
 42 **valuation in the school corporation for calendar year**
 43 **2011.**

44 **(e) A school corporation meets the requirement of subsection**
 45 **(d)(3)(A) if:**

46 **(1) the school corporation submits to the distressed unit**
 47 **appeal board the school corporation's financial plan for**
 48 **paying any refunding bonds issued under this section; and**

49 **(2) the distressed unit appeal board approves the plan after**
 50 **making a determination that the financial plan is feasible.**

51 **The distressed unit appeal board must either approve or**

1 **disapprove the financial plan not more than sixty (60) days after**
 2 **the later of the date the school corporation submits the financial**
 3 **plan under this subsection or the date on which the department of**
 4 **local government finance certifies the percentage computed for the**
 5 **school corporation under subsection (c). The distressed unit appeal**
 6 **board may not unreasonably deny approval of a school**
 7 **corporation's financial plan under this subsection.**

8 (f) Except as provided in ~~subdivision (2)(A)~~, **subsection (d)(2)(A)**,
 9 IC 6-1.1-20 does not apply to bonds issued under this section.

10 (g) A school corporation that desires to be an eligible school
 11 corporation under this section must, before July 1, 2013, and
 12 notwithstanding any other law, adopt ~~an ordinance~~ **a resolution** that
 13 sets forth the following:

14 (1) The determinations made under subsection (c), **including the**
 15 **department of local government finance's certification of the**
 16 **percentage computed under subsection (c).**

17 (2) **The requirements of this subdivision do not apply to a**
 18 **resolution adopted under this subsection before January 1,**
 19 **2014, if the school corporation has a percentage computed**
 20 **under subsection (c) that is at least twenty percent (20%), as**
 21 **certified by the department of local government finance.** The
 22 result of the petition remonstrance process under subsection
 23 (d)(2)(A) or the result of the vote on the public question under
 24 subsection (d)(2)(B), whichever applies.

25 (3) A determination providing for the:

26 (A) issuance of bonds to refund not more than fifty percent
 27 (50%) of outstanding bonds or leases issued by or on behalf of
 28 the school corporation; and

29 (B) payment of redemption premiums and the costs of the
 30 refunding.

31 (4) With respect to the refunding bonds, the following:

32 (A) The maximum principal amount.

33 (B) The maximum interest rate.

34 (C) The annual lease or debt service payment.

35 (D) The final maturity date.

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

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

44 If the governing body adopts ~~an ordinance~~ **a resolution** under this
 45 section, the governing body must publish notice of the adoption of ~~the~~
 46 ~~ordinance~~ **the resolution** as required by IC 5-3-1.

47 (h) An eligible school corporation may issue refunding bonds as
 48 permitted by this section. In addition, an eligible school corporation
 49 may extend the repayment period beyond the repayment period for the
 50 bonds that are being retired or refunded by the issuance of refunding
 51 bonds. However, the repayment period may be extended only once for

1 a particular bond, and the extension may not exceed ten (10) years
 2 **after the latest maturity date for any of the bonds being retired or**
 3 **refunded by the eligible school corporation under this section.**

4 ~~(g)~~ **(i)** Property taxes imposed by an eligible school corporation to
 5 pay debt service for bonds permitted by this section shall be considered
 6 for purposes of calculating the limits to property tax liability under
 7 Article 10, Section 1 of the Constitution of the State of Indiana and for
 8 calculating a person's credit under IC 6-1.1-20.6-7.5. However,
 9 property taxes imposed by an eligible school corporation through
 10 December 31, 2019, to pay debt service for bonds permitted by this
 11 section may not be considered in an eligible county, as used in Article
 12 10, Section 1(h) of the Constitution of the State of Indiana, for purposes
 13 of calculating the limits to property tax liability under Article 10,
 14 Section 1 of the Constitution of the State of Indiana or for calculating
 15 a person's credit under IC 6-1.1-20.6-7.5.

16 **(j) If a school corporation described in subsection (d)(3)(B)**
 17 **issues refunding bonds as permitted by this section, the school**
 18 **corporation must, not more than sixty (60) days after the**
 19 **department of local government finance certifies the school**
 20 **corporation's percentage under subsection (c), report information**
 21 **concerning the refunding to the distressed unit appeal board. The**
 22 **distressed unit appeal board shall make a non-binding review with**
 23 **recommendations regarding the school's financial condition and**
 24 **operating practices.**

25 SECTION 2. IC 5-10-8-6.8 IS ADDED TO THE INDIANA CODE
 26 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 27 UPON PASSAGE]: **Sec. 6.8. (a) This section applies to a school**
 28 **corporation that results from the consolidation, reorganization, or**
 29 **merger, after May 1, 2012, of:**

- 30 **(1) a school corporation that has elected to provide coverage**
 31 **of health care services for active and retired employees of the**
 32 **school corporation under a state employee health plan; and**
 33 **(2) a school corporation that has not elected to provide**
 34 **coverage of health care services for active and retired**
 35 **employees of the school corporation under a state employee**
 36 **health plan.**

37 **(b) A school corporation that results from a consolidation,**
 38 **reorganization, or merger described in subsection (a) must allow**
 39 **an individual for whom the school corporation described in**
 40 **subsection (a)(1) had (as of the effective date of the consolidation,**
 41 **reorganization, or merger) health insurance liability under a state**
 42 **employee health plan to continue the individual's coverage under**
 43 **the state employee health plan for at least five (5) years, as long as**
 44 **the individual otherwise remains eligible for coverage under the**
 45 **plan.**

46 **(c) This SECTION expires January 1, 2018.**

47 SECTION 3. IC 6-1.1-20.3-2, AS AMENDED BY P.L.146-2008,
 48 SECTION 202, IS AMENDED TO READ AS FOLLOWS
 49 [EFFECTIVE UPON PASSAGE]: **Sec. 2. As used in this chapter,**
 50 **"distressed political subdivision" means a political subdivision that**
 51 **expects to have the political subdivision's property tax collections**

1 reduced by at least five percent (5%) in a calendar year as a result of
 2 the application of the credit under IC 6-1.1-20.6 for that calendar year.
 3 **designated as a distressed political subdivision by the board under**
 4 **section 6.5 of this chapter.**

5 SECTION 4. IC 6-1.1-20.3-4, AS AMENDED BY P.L.146-2008,
 6 SECTION 203, IS AMENDED TO READ AS FOLLOWS
 7 [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) The distressed unit appeal
 8 board is established.

9 (b) The distressed unit appeal board consists of the following
 10 members:

11 (1) The director of the office of management and budget or the
 12 director's designee. The director or the director's designee shall
 13 serve as chairperson of the distressed unit appeal board.

14 (2) The commissioner of the department of local government
 15 finance or the commissioner's designee.

16 ~~(3) The commissioner of the department of state revenue or the~~
 17 ~~commissioner's designee.~~

18 ~~(4)~~ (3) The state examiner of the state board of accounts or the
 19 state examiner's designee.

20 (5) The following members appointed by the governor:

21 (A) One ~~(1)~~ member appointed from nominees submitted by
 22 the Indiana Association of Cities and Towns:

23 (B) One ~~(1)~~ member appointed from nominees submitted by
 24 the Association of Indiana Counties:

25 (C) One ~~(1)~~ member appointed from nominees submitted by
 26 the Indiana Association of School Superintendents:

27 A member nominated and appointed under this subdivision must
 28 be an elected official of a political subdivision.

29 (6) One ~~(1)~~ member appointed by the governor (in addition to
 30 members appointed under subdivision (5)):

31 (7) One ~~(1)~~ member appointed by the speaker of the house of
 32 representatives. A member appointed under this subdivision
 33 serves a term of four ~~(4)~~ years:

34 (4) The state superintendent of public instruction or the
 35 superintendent's designee.

36 (5) An individual appointed by the chairman of the legislative
 37 council.

38 ~~(c)~~ The members appointed under subsection (b)(5) and subsection
 39 ~~(b)(6)~~ serve at the pleasure of the governor:

40 ~~(d)~~ (c) Each member of the commission is entitled to reimbursement
 41 for:

42 (1) traveling expenses as provided under IC 4-13-1-4; and

43 (2) other expenses actually incurred in connection with the
 44 member's duties as provided in the state policies and procedures
 45 established by the Indiana department of administration and
 46 approved by the budget agency.

47 SECTION 5. IC 6-1.1-20.3-6, AS AMENDED BY P.L.146-2008,
 48 SECTION 205, IS AMENDED TO READ AS FOLLOWS
 49 [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) For property taxes first
 50 due and payable in 2008 and thereafter, The fiscal body and the

1 **executive** of a distressed political subdivision may petition the board
 2 **for relief** as authorized under this chapter from the application of the
 3 **credit** under IC 6-1.1-20.6 for a calendar year: **political subdivision**
 4 **may jointly file a petition with the board seeking to have the**
 5 **political subdivision designated as a distressed political subdivision**
 6 **under this chapter.**

7 (b) A petition under subsection (a) must include a proposed
 8 financial plan for the distressed political subdivision. The proposed
 9 financial plan must include the following:

10 (1) Proposed budgets that would enable the distressed political
 11 subdivision to cease being a distressed political subdivision.

12 (2) Proposed efficiencies, consolidations, cost reductions, uses of
 13 alternative or additional revenues, or other actions that would
 14 enable the distressed political subdivision to cease being a
 15 distressed political subdivision.

16 (3) Proposed increases, if any, in the percentage thresholds
 17 (specified as a percentage of gross assessed value) at which the
 18 credit under IC 6-1.1-20.6 will apply, including any varying
 19 percentages for different classes of property.

20 (4) Proposed reductions, if any, to the credits under IC 6-1.1-20.6
 21 (by percentages), including any varying percentage reductions for
 22 different classes of property.

23 (b) **The governing body and the superintendent of a school**
 24 **corporation may jointly file a petition with the board seeking relief**
 25 **under section 8.3 of this chapter.**

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

28 SECTION 6. IC 6-1.1-20.3-6.5 IS ADDED TO THE INDIANA
 29 CODE AS A NEW SECTION TO READ AS FOLLOWS
 30 [EFFECTIVE UPON PASSAGE]: **Sec. 6.5. (a) After the board**
 31 **receives a petition concerning a political subdivision under section**
 32 **6(a) of this chapter, the board may designate the political**
 33 **subdivision as a distressed political subdivision if at least one (1) of**
 34 **the following conditions applies to the political subdivision:**

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

37 (2) **The political subdivision has failed to make required**
 38 **payments to payroll employees for thirty (30) days or two (2)**
 39 **consecutive payrolls.**

40 (3) **The political subdivision has failed to make required**
 41 **payments to judgment creditors for sixty (60) days beyond the**
 42 **date of the recording of the judgment.**

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

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

46 (B) **Transfer employer or employee contributions due**
 47 **under the Federal Insurance Contributions Act (FICA).**

48 (C) **Deposit the political subdivision's minimum obligation**
 49 **payment to a pension fund.**

50 (5) **The political subdivision has accumulated a deficit equal**
 51 **to eight percent (8%) or more of the political subdivision's**

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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 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

1 **immediately notify:**

2 **(1) the treasurer of state; and**

3 **(2) the county auditor and county treasurer of each county in**
 4 **which the distressed political subdivision is wholly or partially**
 5 **located;**

6 **that the board has designated the political subdivision as a**
 7 **distressed political subdivision.**

8 SECTION 7. IC 6-1.1-20.3-7 IS REPEALED [EFFECTIVE UPON
 9 PASSAGE]. Sec. 7: (a) If the fiscal body of a distressed political
 10 subdivision submits a petition under section 6 of this chapter, the board
 11 shall review the petition and assist in establishing a financial plan for
 12 the distressed political subdivision:

13 (b) In reviewing a petition submitted under section 6 of this chapter,
 14 the board:

15 (1) shall consider:

16 (A) the proposed financial plan;

17 (B) comparisons to similarly situated political subdivisions;

18 (C) the existing revenue and expenditures of political
 19 subdivisions in the county; and

20 (D) any other factor considered relevant by the board; and

21 (2) may establish subcommittees or temporarily appoint
 22 nonvoting members to the board to assist in the review:

23 SECTION 8. IC 6-1.1-20.3-7.5 IS ADDED TO THE INDIANA
 24 CODE AS A NEW SECTION TO READ AS FOLLOWS
 25 [EFFECTIVE UPON PASSAGE]: Sec. 7.5. (a) **This section does not**
 26 **apply to a school corporation designated as a distressed political**
 27 **subdivision.**

28 (b) **If the board designates a political subdivision as a distressed**
 29 **political subdivision under section 6.5 of this chapter, the board**
 30 **shall appoint an emergency manager for the distressed political**
 31 **subdivision. An emergency manager serves at the pleasure of the**
 32 **board.**

33 (c) **The chairperson of the board shall oversee the activities of**
 34 **an emergency manager.**

35 (d) **The distressed political subdivision shall pay the emergency**
 36 **manager's compensation and reimburse the emergency manager**
 37 **for actual and necessary expenses.**

38 SECTION 9. IC 6-1.1-20.3-8 IS REPEALED [EFFECTIVE UPON
 39 PASSAGE]. Sec. 8: (a) The board may authorize relief as provided in
 40 subsection (b) from the application of the credit under IC 6-1.1-20.6 for
 41 a calendar year if the governing body of each political subdivision in
 42 the county that is affected by the financial plan has adopted a resolution
 43 agreeing to the terms of the financial plan:

44 (b) If the conditions of subsection (a) are satisfied, the board may,
 45 notwithstanding IC 6-1.1-20.6, do any of the following:

46 (1) Increase the percentage thresholds (specified as a percentage
 47 of gross assessed value) at which the credit under IC 6-1.1-20.6
 48 applies to a person's property tax liability in the political
 49 subdivision:

50 (2) Provide for percentage reductions to credits otherwise
 51 provided under IC 6-1.1-20.6 in the political subdivision:

1 (3) Provide that some or all of the property taxes that:

2 (A) are being imposed to pay bonds, leases, or other debt
3 obligations; and

4 (B) would otherwise be included in the calculation of the
5 credit under IC 6-1.1-20.6 in the political subdivision;

6 shall not be included for purposes of calculating a person's credit
7 under IC 6-1.1-20.6.

8 (c) If the board provides relief described in subsection (b), the board
9 shall conduct audits and reviews as necessary to determine whether the
10 affected political subdivision is abiding by the terms of the financial
11 plan agreed to under subsection (a):

12 SECTION 10. IC 6-1.1-20.3-8.3 IS ADDED TO THE INDIANA
13 CODE AS A NEW SECTION TO READ AS FOLLOWS
14 [EFFECTIVE UPON PASSAGE]: **Sec. 8.3. After the board receives**
15 **a petition concerning a school corporation under section 6(b) of**
16 **this chapter, the board shall review the school corporation's**
17 **request for a loan from the counter-cyclical revenue and economic**
18 **stabilization fund under IC 6-1.1-21.4-3(b). The board shall make**
19 **a recommendation to the state board of finance regarding the loan**
20 **request. The board may consider whether a school corporation has**
21 **attempted to secure temporary cash flow loans from the Indiana**
22 **bond bank or a financial institution in making its recommendation.**

23 SECTION 11. IC 6-1.1-20.3-8.5 IS ADDED TO THE INDIANA
24 CODE AS A NEW SECTION TO READ AS FOLLOWS
25 [EFFECTIVE UPON PASSAGE]: **Sec. 8.5. (a) This section does not**
26 **apply to school corporations.**

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

30 (1) Assume and exercise the authority and responsibilities of
31 both the executive and the fiscal body of the political
32 subdivision concerning the adoption, amendment, and
33 enforcement of ordinances and resolutions relating to or
34 affecting the fiscal stability of the political subdivision.
35 However, the emergency manager does not have the power to
36 impose taxes or fees in addition to the taxes or fees authorized
37 by the political subdivision before the political subdivision
38 was designated a distressed political subdivision.

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

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

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

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

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

48 (7) Review existing labor contracts.

49 (8) Adopt a budget for the political subdivision for each
50 calendar or fiscal year, as applicable, that the political
51 subdivision remains a distressed political subdivision.

1 (9) Review payrolls and other claims against the political
2 subdivision before payment.

3 (10) Make, approve, or disapprove the following:

4 (A) A contract.

5 (B) An expenditure.

6 (C) A loan.

7 (D) The creation of any new position.

8 (E) The filling of any vacant position.

9 (11) Submit a written report to the board every three (3)
10 months concerning:

11 (A) actions taken by the emergency manager;

12 (B) expenditures made by the distressed political
13 subdivision; and

14 (C) the work that has been done to remove the distressed
15 political subdivision from distressed status.

16 (12) Petition the board to terminate a political subdivision's
17 status as a distressed political subdivision when the conditions
18 found in section 6.5 of this chapter are no longer applicable to
19 the political subdivision.

20 (c) An emergency manager of a distressed political subdivision
21 appointed under section 7.5 of this chapter may do the following:

22 (1) Renegotiate existing labor contracts and act as an agent of
23 the political subdivision in collective bargaining.

24 (2) Reduce or suspend salaries of the political subdivision's
25 employees.

26 (3) Enter into agreements with other political subdivisions for
27 the provision of services.

28 (d) Except as provided in section 13(c) of this chapter, an
29 emergency manager of a distressed political subdivision retains the
30 powers and duties described in subsections (b) and (c) until:

31 (1) the emergency manager resigns or dies;

32 (2) the board removes the emergency manager; or

33 (3) the political subdivision's status as a distressed political
34 subdivision is terminated under section 13(b) of this chapter.

35 SECTION 12. IC 6-1.1-20.3-8.7 IS ADDED TO THE INDIANA
36 CODE AS A NEW SECTION TO READ AS FOLLOWS
37 [EFFECTIVE UPON PASSAGE]: Sec. 8.7. A school corporation that
38 is designated a distressed political subdivision may not do any of
39 the following without the approval of the board during the period
40 before the board terminates the school corporation's status as a
41 distressed political subdivision:

42 (1) Acquire real property for school building purposes.

43 (2) Construct new school buildings or remodel or renovate
44 existing school buildings.

45 (3) Incur a contractual obligation (except for a maintenance
46 contract or an employment contract for a new employee
47 whose employment replaces the employment of a former
48 employee) that requires an expenditure of more than thirty
49 thousand dollars (\$30,000).

50 (4) Purchase or enter into an agreement to purchase personal
51 property at a cost of more than thirty thousand dollars

1 **(\$30,000).**

2 **(5) Adopt or advertise a budget, tax levy, or tax rate for an**
 3 **ensuing budget year.**

4 SECTION 13. IC 6-1.1-20.3-10, AS ADDED BY P.L.146-2008,
 5 SECTION 209, IS AMENDED TO READ AS FOLLOWS
 6 [EFFECTIVE UPON PASSAGE]: Sec. 10. A distressed political
 7 subdivision may petition the tax court for judicial review of a ~~final~~
 8 determination of the board **under section 6.5 of this chapter.** The
 9 action must be taken to the tax court under IC 6-1.1-15 in the same
 10 manner that an action is taken to appeal a final determination of the
 11 Indiana board of tax review. The petition must be filed in the tax court
 12 not more than forty-five (45) days after the board enters its final
 13 determination.

14 SECTION 14. IC 6-1.1-20.3-13 IS ADDED TO THE INDIANA
 15 CODE AS A NEW SECTION TO READ AS FOLLOWS
 16 [EFFECTIVE UPON PASSAGE]: **Sec. 13. (a) If:**

17 **(1) an emergency manager of a distressed political subdivision**
 18 **that is not a school corporation;**

19 **(2) the fiscal body and executive of the political subdivision**
 20 **jointly; or**

21 **(3) the governing body of a school corporation that:**

22 **(A) employs a new superintendent; or**

23 **(B) has a new member elected or appointed to its**
 24 **governing body;**

25 **during the time the school corporation is a distressed political**
 26 **subdivision;**

27 **files a petition with the board for termination of the political**
 28 **subdivision's status as a distressed political subdivision, the board**
 29 **shall conduct a public hearing on the question of whether to**
 30 **terminate the political subdivision's status as a distressed political**
 31 **subdivision.**

32 **(b) The board shall terminate the political subdivision's status**
 33 **as a distressed political subdivision if the board finds that the**
 34 **conditions found in section 6.5 of this chapter are no longer**
 35 **applicable to the political subdivision.**

36 **(c) Notwithstanding any other section of this chapter, not later**
 37 **than ninety (90) days after taking office, a new executive of a**
 38 **distressed political subdivision may petition the board for**
 39 **suspension of the political subdivision's distressed status. The**
 40 **executive must include in its petition a written plan to resolve the**
 41 **applicable issues described in section 6.5 of this chapter. If the**
 42 **board approves the executive's written plan, the board may**
 43 **suspend the political subdivision's distressed status for one**
 44 **hundred eighty (180) days. Suspension under this chapter**
 45 **terminates automatically upon expiration of the one hundred**
 46 **eighty (180) day period. The board may consider a petition to**
 47 **terminate the political subdivision's distressed status during a**
 48 **period of suspension.**

49 SECTION 15. IC 6-1.1-21.4-0.5 IS ADDED TO THE INDIANA
 50 CODE AS A NEW SECTION TO READ AS FOLLOWS
 51 [EFFECTIVE UPON PASSAGE]: **Sec. 0.5. As used in this chapter,**

1 **"ADM" refers to a school corporation's average daily membership**
 2 **as determined under IC 20-43-4-2.**

3 SECTION 16. IC 6-1.1-21.4-2, AS ADDED BY P.L.131-2008,
 4 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 5 UPON PASSAGE]: Sec. 2. As used in this chapter, "eligible school
 6 corporation" refers to **either of the following:**

7 (1) A school corporation located in a county in which
 8 distributions of property tax revenue for 2007 or 2008 to the
 9 taxing units (as defined in IC 6-1.1-1-21) of the county:

10 (1) (A) have not been made; or

11 (2) (B) were delayed by more than sixty (60) days after either
 12 due date specified in IC 6-1.1-22-9.

13 (2) **A school corporation that is:**

14 (A) **designated by the distressed unit appeal board as a**
 15 **distressed political subdivision under IC 6-1.1-20.3; or**

16 (B) **approved for a loan by the distressed unit appeal board**
 17 **under IC 6-1.1-20.3-8.3.**

18 SECTION 17. IC 6-1.1-21.4-3, AS ADDED BY P.L.131-2008,
 19 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 20 UPON PASSAGE]: Sec. 3. (a) An eligible school corporation may
 21 apply to the board for a loan from the counter-cyclical revenue and
 22 economic stabilization fund.

23 (b) **Subject to subsections (c) and (d) and section 3.5 of this**
 24 **chapter, an eligible school corporation described in section 2(2) of**
 25 **this chapter may apply to the board for a loan. The maximum**
 26 **amount of a loan that the board may approve for the eligible school**
 27 **corporation is the lesser of the following:**

28 (1) **Five million dollars (\$5,000,000).**

29 (2) **The product of:**

30 (A) **one thousand dollars (\$1,000); multiplied by**

31 (B) **the school corporation's 2012 ADM.**

32 (c) **At the time the distressed unit appeal board designates a**
 33 **school corporation as a distressed political subdivision under**
 34 **IC 6-1.1-20.3 or recommends under IC 6-1.1-20.3-8.3 that a loan**
 35 **from the fund be approved for a school corporation, the distressed**
 36 **unit appeal board may also recommend to the state board of**
 37 **finance that a loan from the fund to the school corporation be**
 38 **contingent upon any of the following:**

39 (1) **The sale of specified unused property by the school board.**

40 (2) **The school corporation modifying one (1) or more**
 41 **specified contracts entered into by the school corporation.**

42 (d) **In making a loan from the fund to a school corporation, the**
 43 **state board of finance may make the loan contingent upon any**
 44 **condition recommended by the distressed unit appeal board under**
 45 **subsection (c).**

46 SECTION 18. IC 6-1.1-21.4-3.5 IS ADDED TO THE INDIANA
 47 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 48 [EFFECTIVE UPON PASSAGE]: **Sec. 3.5. The board may not**
 49 **approve a loan under this chapter after December 31, 2017.**

50 SECTION 19. IC 6-1.1-21.4-4, AS ADDED BY P.L.131-2008,
 51 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

1 UPON PASSAGE]: Sec. 4. (a) The board, after review by the budget
 2 committee, shall determine the terms of any loan made under this
 3 chapter. ~~However, The interest rate on the loan may not exceed one~~
 4 ~~percent (1%).~~ **is the interest rate established by the commissioner of**
 5 **the department of state revenue under IC 6-8.1-10-1 minus two**
 6 **percent (2%), but in no case shall the interest rate be less than one**
 7 **percent (1%).**

8 (b) The total amount of all loans under this chapter ~~for all calendar~~
 9 ~~years~~ may not exceed **the following:**

10 (1) Six million dollars (\$6,000,000) **for all calendar years**
 11 **ending before January 1, 2012.**

12 (2) **The sum of the amounts approved under section 3(b) of**
 13 **this chapter for all calendar years beginning after December**
 14 **31, 2011, plus the outstanding balance of all loans that were**
 15 **made under this chapter before 2012.**

16 (c) An eligible school corporation receiving a loan under this
 17 chapter must repay the loan within seventy-two (72) months after the
 18 date on which the loan is made.

19 (d) The board may disburse in installments the proceeds of a loan
 20 made under this chapter.

21 (e) An eligible school corporation may repay a loan made under this
 22 chapter from any sources of revenue.

23 (f) The obligation to repay a loan made under this chapter is not a
 24 basis for an eligible school corporation to obtain an excessive tax levy
 25 under IC 6-1.1-19.

26 (g) Whenever the board receives a payment on a loan made under
 27 this chapter, the board shall deposit the amount paid in the
 28 counter-cyclical revenue and economic stabilization fund.

29 SECTION 20. IC 6-1.1-21.4-6, AS ADDED BY P.L.131-2008,
 30 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 31 UPON PASSAGE]: Sec. 6. A loan under this chapter is not bonded
 32 indebtedness for purposes of IC 6-1.1-18.5 **or IC 6-1.1-20.**

33 SECTION 21. IC 6-1.1-21.4-7 IS ADDED TO THE INDIANA
 34 CODE AS A NEW SECTION TO READ AS FOLLOWS
 35 [EFFECTIVE UPON PASSAGE]: **Sec. 7. Upon the failure of a school**
 36 **corporation to repay any of the school corporation's obligations**
 37 **under this chapter during a calendar year when due, the treasurer**
 38 **of state, upon being notified of the failure by the board, shall pay**
 39 **the unpaid obligations that are due from money in the possession**
 40 **of the state that would otherwise be available for distribution to the**
 41 **school corporation under any other law, deducting the payment**
 42 **from the amount distributed. However, the treasurer of state may**
 43 **not impair the rights of the school corporation's bondholders.**

44 SECTION 22. IC 20-26-5-4, AS AMENDED BY HEA 1009-2012,
 45 SECTION 131, IS AMENDED TO READ AS FOLLOWS
 46 [EFFECTIVE UPON PASSAGE]: Sec. 4. In carrying out the school
 47 purposes of a school corporation, the governing body acting on the
 48 school corporation's behalf has the following specific powers:

49 (1) In the name of the school corporation, to sue and be sued and
 50 to enter into contracts in matters permitted by applicable law.

51 However, a governing body may not use funds received from the

- 1 state to bring or join in an action against the state, unless the
2 governing body is challenging an adverse decision by a state
3 agency, board, or commission.
- 4 (2) To take charge of, manage, and conduct the educational affairs
5 of the school corporation and to establish, locate, and provide the
6 necessary schools, school libraries, other libraries where
7 permitted by law, other buildings, facilities, property, and
8 equipment.
- 9 (3) To appropriate from the school corporation's general fund an
10 amount, not to exceed the greater of three thousand dollars
11 (\$3,000) per budget year or one dollar (\$1) per pupil, not to
12 exceed twelve thousand five hundred dollars (\$12,500), based on
13 the school corporation's previous year's ADM, to promote the best
14 interests of the school corporation through:
- 15 (A) the purchase of meals, decorations, memorabilia, or
16 awards;
- 17 (B) provision for expenses incurred in interviewing job
18 applicants; or
- 19 (C) developing relations with other governmental units.
- 20 (4) To:
- 21 (A) Acquire, construct, erect, maintain, hold, and contract for
22 construction, erection, or maintenance of real estate, real estate
23 improvements, or an interest in real estate or real estate
24 improvements, as the governing body considers necessary for
25 school purposes, including buildings, parts of buildings,
26 additions to buildings, rooms, gymnasiums, auditoriums,
27 playgrounds, playing and athletic fields, facilities for physical
28 training, buildings for administrative, office, warehouse, repair
29 activities, or housing school owned buses, landscaping, walks,
30 drives, parking areas, roadways, easements and facilities for
31 power, sewer, water, roadway, access, storm and surface
32 water, drinking water, gas, electricity, other utilities and
33 similar purposes, by purchase, either outright for cash (or
34 under conditional sales or purchase money contracts providing
35 for a retention of a security interest by the seller until payment
36 is made or by notes where the contract, security retention, or
37 note is permitted by applicable law), by exchange, by gift, by
38 devise, by eminent domain, by lease with or without option to
39 purchase, or by lease under IC 20-47-2, IC 20-47-3, or
40 IC 20-47-5.
- 41 (B) Repair, remodel, remove, or demolish, or to contract for
42 the repair, remodeling, removal, or demolition of the real
43 estate, real estate improvements, or interest in the real estate
44 or real estate improvements, as the governing body considers
45 necessary for school purposes.
- 46 (C) Provide for conservation measures through utility
47 efficiency programs or under a guaranteed savings contract as
48 described in IC 36-1-12.5.
- 49 (5) To acquire personal property or an interest in personal
50 property as the governing body considers necessary for school

1 purposes, including buses, motor vehicles, equipment, apparatus,
 2 appliances, books, furniture, and supplies, either by cash purchase
 3 or under conditional sales or purchase money contracts providing
 4 for a security interest by the seller until payment is made or by
 5 notes where the contract, security, retention, or note is permitted
 6 by applicable law, by gift, by devise, by loan, or by lease with or
 7 without option to purchase and to repair, remodel, remove,
 8 relocate, and demolish the personal property. All purchases and
 9 contracts specified under the powers authorized under subdivision
 10 (4) and this subdivision are subject solely to applicable law
 11 relating to purchases and contracting by municipal corporations
 12 in general and to the supervisory control of state agencies as
 13 provided in section 6 of this chapter.

14 (6) To sell or exchange real or personal property or interest in real
 15 or personal property that, in the opinion of the governing body, is
 16 not necessary for school purposes, in accordance with IC 20-26-7,
 17 to demolish or otherwise dispose of the property if, in the opinion
 18 of the governing body, the property is not necessary for school
 19 purposes and is worthless, and to pay the expenses for the
 20 demolition or disposition.

21 (7) To lease any school property for a rental that the governing
 22 body considers reasonable or to permit the free use of school
 23 property for:

24 (A) civic or public purposes; or

25 (B) the operation of a school age child care program for
 26 children who are at least five (5) years of age and less than
 27 fifteen (15) years of age that operates before or after the school
 28 day, or both, and during periods when school is not in session;
 29 if the property is not needed for school purposes. Under this
 30 subdivision, the governing body may enter into a long term lease
 31 with a nonprofit corporation, community service organization, or
 32 other governmental entity, if the corporation, organization, or
 33 other governmental entity will use the property to be leased for
 34 civic or public purposes or for a school age child care program.
 35 However, if payment for the property subject to a long term lease
 36 is made from money in the school corporation's debt service fund,
 37 all proceeds from the long term lease must be deposited in the
 38 school corporation's debt service fund so long as payment for the
 39 property has not been made. The governing body may, at the
 40 governing body's option, use the procedure specified in
 41 IC 36-1-11-10 in leasing property under this subdivision.

42 (8) To:

43 (A) Employ, contract for, and discharge superintendents,
 44 supervisors, principals, teachers, librarians, athletic coaches
 45 (whether or not they are otherwise employed by the school
 46 corporation and whether or not they are licensed under
 47 IC 20-28-5), business managers, superintendents of buildings
 48 and grounds, janitors, engineers, architects, physicians,
 49 dentists, nurses, accountants, teacher aides performing
 50 noninstructional duties, educational and other professional

- 1 consultants, data processing and computer service for school
 2 purposes, including the making of schedules, the keeping and
 3 analyzing of grades and other student data, the keeping and
 4 preparing of warrants, payroll, and similar data where
 5 approved by the state board of accounts as provided below,
 6 and other personnel or services as the governing body
 7 considers necessary for school purposes.
- 8 (B) Fix and pay the salaries and compensation of persons and
 9 services described in this subdivision that are consistent with
 10 IC 20-28-9-1.
- 11 (C) Classify persons or services described in this subdivision
 12 and to adopt schedules of salaries or compensation that are
 13 consistent with IC 20-28-9-1.
- 14 (D) Determine the number of the persons or the amount of the
 15 services employed or contracted for as provided in this
 16 subdivision.
- 17 (E) Determine the nature and extent of the duties of the
 18 persons described in this subdivision.
- 19 The compensation, terms of employment, and discharge of
 20 teachers are, however, subject to and governed by the laws
 21 relating to employment, contracting, compensation, and discharge
 22 of teachers. The compensation, terms of employment, and
 23 discharge of bus drivers are subject to and governed by laws
 24 relating to employment, contracting, compensation, and discharge
 25 of bus drivers. The forms and procedures relating to the use of
 26 computer and data processing equipment in handling the financial
 27 affairs of the school corporation must be submitted to the state
 28 board of accounts for approval so that the services are used by the
 29 school corporation when the governing body determines that it is
 30 in the best interest of the school corporation while at the same
 31 time providing reasonable accountability for the funds expended.
- 32 (9) Notwithstanding the appropriation limitation in subdivision
 33 (3), when the governing body by resolution considers a trip by an
 34 employee of the school corporation or by a member of the
 35 governing body to be in the interest of the school corporation,
 36 including attending meetings, conferences, or examining
 37 equipment, buildings, and installation in other areas, to permit the
 38 employee to be absent in connection with the trip without any loss
 39 in pay and to reimburse the employee or the member the
 40 employee's or member's reasonable lodging and meal expenses
 41 and necessary transportation expenses. To pay teaching personnel
 42 for time spent in sponsoring and working with school related trips
 43 or activities.
- 44 (10) **Subject to IC 20-27-13**, to transport children to and from
 45 school, when in the opinion of the governing body the
 46 transportation is necessary, including considerations for the safety
 47 of the children and without regard to the distance the children live
 48 from the school. The transportation must be otherwise in
 49 accordance with applicable law.
- 50 (11) To provide a lunch program for a part or all of the students

- 1 attending the schools of the school corporation, including the
 2 establishment of kitchens, kitchen facilities, kitchen equipment,
 3 lunch rooms, the hiring of the necessary personnel to operate the
 4 lunch program, and the purchase of material and supplies for the
 5 lunch program, charging students for the operational costs of the
 6 lunch program, fixing the price per meal or per food item. To
 7 operate the lunch program as an extracurricular activity, subject
 8 to the supervision of the governing body. To participate in a
 9 surplus commodity or lunch aid program.
- 10 (12) To purchase textbooks, to furnish textbooks without cost or
 11 to rent textbooks to students, to participate in a textbook aid
 12 program, all in accordance with applicable law.
- 13 (13) To accept students transferred from other school corporations
 14 and to transfer students to other school corporations in accordance
 15 with applicable law.
- 16 (14) To make budgets, to appropriate funds, and to disburse the
 17 money of the school corporation in accordance with applicable
 18 law. To borrow money against current tax collections and
 19 otherwise to borrow money, in accordance with IC 20-48-1.
- 20 (15) To purchase insurance or to establish and maintain a
 21 program of self-insurance relating to the liability of the school
 22 corporation or the school corporation's employees in connection
 23 with motor vehicles or property and for additional coverage to the
 24 extent permitted and in accordance with IC 34-13-3-20. To
 25 purchase additional insurance or to establish and maintain a
 26 program of self-insurance protecting the school corporation and
 27 members of the governing body, employees, contractors, or agents
 28 of the school corporation from liability, risk, accident, or loss
 29 related to school property, school contract, school or school
 30 related activity, including the purchase of insurance or the
 31 establishment and maintenance of a self-insurance program
 32 protecting persons described in this subdivision against false
 33 imprisonment, false arrest, libel, or slander for acts committed in
 34 the course of the persons' employment, protecting the school
 35 corporation for fire and extended coverage and other casualty
 36 risks to the extent of replacement cost, loss of use, and other
 37 insurable risks relating to property owned, leased, or held by the
 38 school corporation. In accordance with IC 20-26-17, to:
- 39 (A) participate in a state employee health plan under
 40 IC 5-10-8-6.6 or IC 5-10-8-6.7;
- 41 (B) purchase insurance; or
- 42 (C) establish and maintain a program of self-insurance;
- 43 to benefit school corporation employees, including accident,
 44 sickness, health, or dental coverage, provided that a plan of
 45 self-insurance must include an aggregate stop-loss provision.
- 46 (16) To make all applications, to enter into all contracts, and to
 47 sign all documents necessary for the receipt of aid, money, or
 48 property from the state, the federal government, or from any other
 49 source.
- 50 (17) To defend a member of the governing body or any employee

1 of the school corporation in any suit arising out of the
 2 performance of the member's or employee's duties for or
 3 employment with, the school corporation, if the governing body
 4 by resolution determined that the action was taken in good faith.
 5 To save any member or employee harmless from any liability,
 6 cost, or damage in connection with the performance, including the
 7 payment of legal fees, except where the liability, cost, or damage
 8 is predicated on or arises out of the bad faith of the member or
 9 employee, or is a claim or judgment based on the member's or
 10 employee's malfeasance in office or employment.

11 (18) To prepare, make, enforce, amend, or repeal rules,
 12 regulations, and procedures:

13 (A) for the government and management of the schools,
 14 property, facilities, and activities of the school corporation, the
 15 school corporation's agents, employees, and pupils and for the
 16 operation of the governing body; and

17 (B) that may be designated by an appropriate title such as
 18 "policy handbook", "bylaws", or "rules and regulations".

19 (19) To ratify and approve any action taken by a member of the
 20 governing body, an officer of the governing body, or an employee
 21 of the school corporation after the action is taken, if the action
 22 could have been approved in advance, and in connection with the
 23 action to pay the expense or compensation permitted under
 24 IC 20-26-1 through IC 20-26-5, IC 20-26-7, IC 20-40-12, and
 25 IC 20-48-1 or any other law.

26 (20) To exercise any other power and make any expenditure in
 27 carrying out the governing body's general powers and purposes
 28 provided in this chapter or in carrying out the powers delineated
 29 in this section which is reasonable from a business or educational
 30 standpoint in carrying out school purposes of the school
 31 corporation, including the acquisition of property or the
 32 employment or contracting for services, even though the power or
 33 expenditure is not specifically set out in this chapter. The specific
 34 powers set out in this section do not limit the general grant of
 35 powers provided in this chapter except where a limitation is set
 36 out in IC 20-26-1 through IC 20-26-5, IC 20-26-7, IC 20-40-12,
 37 and IC 20-48-1 by specific language or by reference to other law.

38 SECTION 23. IC 20-27-13 IS ADDED TO THE INDIANA CODE
 39 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 40 UPON PASSAGE]:

41 **Chapter 13. Termination of Transportation; Waiver**

42 **Sec. 1. As used in this chapter, "eligible student" means an**
 43 **individual who in any part of a school year:**

44 **(1) is enrolled in a school corporation;**

45 **(2) has legal settlement in the school corporation;**

46 **(3) attended school in the school corporation's taxing district;**
 47 **and**

48 **(4) is not required by federal or state law to receive**
 49 **transportation services to and from school.**

50 **Sec. 2. This chapter applies to a school corporation that carried**
 51 **out a general program in at least one (1) school year beginning**

1 after June 30, 2010, to provide transportation to and from school
2 for eligible students.

3 Sec. 3. Except as provided in section 7 of this chapter, a school
4 corporation described in section 2 of this chapter shall carry out a
5 program to provide transportation to and from school for all
6 eligible students in any part of a school year beginning after June
7 30, 2012, unless the governing body of the school corporation:

8 (1) approves the termination of the transportation program;
9 and

10 (2) provides public notice of the date after which the
11 transportation will no longer be provided under the
12 transportation program;

13 at least three (3) years before the date after which the
14 transportation will no longer be provided under the transportation
15 program.

16 Sec. 4. Transportation provided in a transportation program
17 required under section 3 of this chapter may be limited by the
18 school corporation's governing body to children residing a
19 minimum distance from a school if the governing body includes
20 facts in the resolution setting the minimum distance that
21 demonstrate that each child residing less than the minimum
22 distance from the school can safely walk to and from the school
23 unattended by an adult during the regular hours that the child
24 would ordinarily be coming to or from the school.

25 Sec. 5. Transportation provided under a transportation
26 program required under section 3 of this chapter may be limited
27 by the school corporation's governing body to providing
28 transportation to school immediately before the beginning of an
29 instructional day (as described in IC 20-30-2-2) and from school
30 immediately after the end of an instructional day (as described in
31 IC 20-30-2-2) without additional accommodations for participation
32 in extracurricular activities.

33 Sec. 6. Transportation provided under a transportation
34 program required under section 3 of this chapter must be
35 otherwise in accordance with applicable law.

36 Sec. 7. (a) A school corporation may petition the department in
37 writing to waive the requirement imposed by section 3 of this
38 chapter.

39 (b) A petition under subsection (a) must:

40 (1) demonstrate that the waiver request was approved by the
41 governing body for the school corporation;

42 (2) describe the transportation services that will be provided
43 to students who are required by federal or state law to receive
44 transportation services to and from school;

45 (3) present a written plan that provides for the safe movement
46 of eligible students to and from school; and

47 (4) include any other information required by the department.

48 Sec. 8. If a petition complies with section 7 of this chapter, the
49 department shall conduct a public hearing on the petition in the
50 district served by the school corporation after giving notice of the
51 public hearing under IC 5-3-1.

1 **Sec. 9. If, based on the information contained in the petition and**
 2 **provided in the public hearing or otherwise made available to the**
 3 **department, the department determines that the plan presented by**
 4 **the school corporation, with or without revisions required by the**
 5 **department:**

6 **(1) will protect the safety of eligible students enrolled in the**
 7 **school corporation; and**

8 **(2) is otherwise in accordance with applicable law;**

9 **the department may waive the requirements imposed by section 3**
 10 **of this chapter.**

11 **Sec. 10. The department may condition a waiver under section**
 12 **9 of this chapter on the terms and conditions specified by the**
 13 **department. If a school corporation fails to comply with a term or**
 14 **condition of a waiver or the department discovers facts that**
 15 **indicate that the school corporation's plan:**

16 **(1) is not protecting the safety of eligible students enrolled in**
 17 **the school corporation; or**

18 **(2) is not otherwise in accordance with applicable law;**

19 **the department may issue an order under IC 4-21.5-3 or an**
 20 **emergency or temporary order under IC 4-21.5-4 specifying the**
 21 **actions that must be taken by the school corporation to correct the**
 22 **deficiency. The order may suspend or terminate the waiver**
 23 **granted under section 9 of this chapter beginning on the date**
 24 **specified by the department.**

25 SECTION 24. IC 20-40-2-4, AS ADDED BY P.L.2-2006,
 26 SECTION 163, IS AMENDED TO READ AS FOLLOWS
 27 [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) Except as provided by
 28 **subsection (b) or any other law**, any lawful school expenses payable
 29 from any other fund of a school corporation, including debt service and
 30 capital outlay, ~~but excluding costs attributable to transportation (as~~
 31 ~~defined in IC 20-40-6-1)~~; may be budgeted in and paid from the fund.

32 **(b) Before January 1, 2018, costs attributable to transportation**
 33 **(as defined in IC 20-40-6-1) may be budgeted in and paid from the**
 34 **fund. After December 31, 2017, costs attributable to transportation**
 35 **(as defined in IC 20-40-6-1) may not be budgeted in and paid from**
 36 **the fund.**

37 SECTION 25. IC 20-40-6-5, AS AMENDED BY P.L.234-2007,
 38 SECTION 229, IS AMENDED TO READ AS FOLLOWS
 39 [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Subject to this chapter
 40 **and except as provided in IC 20-40-2-4(b)**, the fund is the exclusive
 41 fund to be used by a school corporation for the payment of costs
 42 attributable to transportation.

43 (b) Contracted transportation service costs transferred to the school
 44 bus replacement fund under IC 20-40-7 are payable from the school
 45 bus replacement fund.

46 SECTION 26. IC 20-46-5-4, AS AMENDED BY P.L.172-2011,
 47 SECTION 123, IS AMENDED TO READ AS FOLLOWS
 48 [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) Each school corporation
 49 may levy for a calendar year a property tax for the fund in accordance
 50 with the school bus acquisition plan adopted under this chapter. The
 51 levy imposed for the March 1, 2011, and January 15, 2012, assessment

1 dates may not exceed the amount approved by the department of local
 2 government finance under section 5 of this chapter and IC 6-1.1-17. In
 3 setting the levy for the March 1, 2011, and January 15, 2012,
 4 assessment dates, the department of local government finance shall
 5 evaluate whether the levy proposed by a school corporation exceeds the
 6 reasonable needs of the school corporation to carry out the purposes of
 7 the fund and approve a levy that does not exceed the reasonable needs
 8 of the school corporation to carry out the purposes of this chapter. In
 9 making its determination, the department of local government finance
 10 may consider whether a school corporation has in a previous year
 11 transferred money from the fund to the school corporation's rainy day
 12 fund or a fund other than the school bus replacement fund. **Except as**
 13 **provided in subsection (b)**, a levy imposed for an assessment date
 14 after January 15, 2012, may not exceed an amount determined by
 15 multiplying:

16 (1) the school corporation's maximum permissible levy
 17 determined under this section for the previous year, after
 18 eliminating the effects of temporary excessive levy appeals and
 19 any other temporary adjustments made to the levy for the calendar
 20 year (regardless of whether the school corporation imposed the
 21 entire amount of the maximum permissible levy in the
 22 immediately preceding year); by

23 (2) the assessed value growth quotient determined under
 24 IC 6-1.1-18.5-2.

25 **(b) The department of local government finance may, upon**
 26 **petition by a school corporation, adjust the school corporation's**
 27 **levy for the fund to reflect the school corporation's plan adopted**
 28 **or amended under this chapter.**

29 SECTION 27. IC 20-48-1-2, AS AMENDED BY P.L.1-2010,
 30 SECTION 83, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 31 UPON PASSAGE]: Sec. 2. (a) As used in this section, "retirement or
 32 severance liability" means the payments anticipated to be required to
 33 be made to employees of a school corporation upon or after termination
 34 of the employment of the employees by the school corporation under
 35 an existing or previous employment agreement.

36 (b) This section applies to each school corporation that:

37 (1) did not issue bonds under IC 20-5-4-1.7 before its repeal; or

38 (2) issued bonds under IC 20-5-4-1.7 (repealed):

39 (A) before April 14, 2003; or

40 (B) after April 13, 2003, if an order approving the issuance of
 41 the bonds was issued by the department of local government
 42 finance before April 14, 2003.

43 (c) In addition to the purposes set forth in section 1 of this chapter,
 44 a school corporation described in subsection (b) may issue bonds to
 45 implement solutions to contractual retirement or severance liability.
 46 The issuance of bonds for this purpose is subject to the following
 47 conditions:

48 (1) The school corporation may issue bonds under this section
 49 only one (1) time.

50 (2) A school corporation described in subsection (b)(1) or

- 1 (b)(2)(A) must issue the bonds before July 1, 2006.
- 2 (3) The solution to which the bonds are contributing must be
- 3 reasonably expected to reduce the school corporation's unfunded
- 4 contractual liability for retirement or severance payments as it
- 5 existed on June 30, 2001.
- 6 (4) The amount of the bonds that may be issued for the purpose
- 7 described in this section may not exceed:
- 8 (A) two percent (2%) of the true tax value of property in the
- 9 school corporation, for a school corporation that did not issue
- 10 bonds under IC 20-5-4-1.7 (before its repeal); or
- 11 (B) the remainder of:
- 12 (i) two percent (2%) of the true tax value of property in the
- 13 school corporation as of the date that the school corporation
- 14 issued bonds under IC 20-5-4-1.7 (before its repeal); minus
- 15 (ii) the amount of bonds that the school corporation issued
- 16 under IC 20-5-4-1.7 (before its repeal);
- 17 for a school corporation that issued bonds under IC 20-5-4-1.7
- 18 (repealed) as described in subsection (b)(2).
- 19 (5) Each year that a debt service levy is needed under this section,
- 20 the school corporation shall reduce the total property tax levy for
- 21 the school corporation's transportation, school bus replacement,
- 22 capital projects, and art association and historical society funds,
- 23 as appropriate, in an amount equal to:
- 24 (A) the property tax levy needed for the debt service under this
- 25 section; **multiplied by**
- 26 **(B) the adjustment percentage set forth in subsection (f) or**
- 27 **(g), as applicable.**
- 28 The property tax rate for each of these funds shall be reduced
- 29 each year until the bonds are retired.
- 30 (6) The school corporation shall establish a separate debt service
- 31 fund for repayment of the bonds issued under this section.
- 32 (d) Bonds issued for the purpose described in this section shall be
- 33 issued in the same manner as other bonds of the school corporation.
- 34 (e) Bonds issued under this section are not subject to the petition
- 35 and remonstrance process under IC 6-1.1-20 or to the limitations
- 36 contained in IC 36-1-15.
- 37 **(f) This subsection applies only if the governing body of a school**
- 38 **corporation adopts a resolution specifying that the adjustment**
- 39 **percentages under this subsection apply to the school corporation.**
- 40 **The adjustment percentage under this subsection is the following:**
- 41 **(1) For property taxes first due and payable in 2013,**
- 42 **twenty-five percent (25%).**
- 43 **(2) For property taxes first due and payable in 2014, fifty**
- 44 **percent (50%).**
- 45 **(3) For property taxes first due and payable in 2015,**
- 46 **seventy-five percent (75%).**
- 47 **(4) For property taxes first due and payable after 2015, one**
- 48 **hundred percent (100%).**
- 49 **(g) If the governing body of a school corporation does not adopt**
- 50 **a resolution specifying that the adjustment percentages under**
- 51 **subsection (f) apply to the school corporation, the adjustment**

1 percentage is one hundred percent (100%).
2 SECTION 28. [EFFECTIVE UPON PASSAGE] (a) The distressed
3 unit appeal board established by IC 6-1.1-20.3-4 shall report to the
4 budget committee before each of the following dates concerning
5 actions taken by the distressed unit appeal board under
6 IC 5-1-5-2.5, as amended by this act:
7 (1) October 1, 2012.
8 (2) March 1, 2013.
9 (3) October 1, 2013.
10 (4) February 1, 2014.
11 (b) This SECTION expires June 30, 2014.
12 SECTION 29. An emergency is declared for this act.
13 Renumber all SECTIONS consecutively.
 (Reference is to EHB 1192 as reprinted February 29, 2012.)

Conference Committee Report
on
Engrossed House Bill 1192

Signed by:

Representative Cherry
Chairperson

Senator Miller

Representative Goodin

Senator Hume

House Conferees

Senate Conferees