



February 24, 2014

ENGROSSED
SENATE BILL No. 143

DIGEST OF SB 143 (Updated February 24, 2014 9:46 am - DI 84)

Citations Affected: IC 5-1.

Synopsis: School debt restructuring. Specifies that a school corporation may adopt a resolution before January 1, 2019, to use certain debt restructuring statutes if the property tax circuit breaker credit impact for the school corporation is at least 20% of its levies.

Effective: Upon passage.

**Miller Patricia, Charbonneau,
Tallian, Skinner, Eckerty, Lanane**
(HOUSE SPONSOR — THOMPSON)

January 8, 2014, read first time and referred to Committee on Appropriations.
January 23, 2014, reported favorably — Do Pass.
January 27, 2014, read second time, ordered engrossed.
January 28, 2014, engrossed. Read third time, passed. Yeas 49, nays 0.

HOUSE ACTION

February 10, 2014, read first time and referred to Committee on Ways and Means.
February 24, 2014, reported — Do Pass.

ES 143—LS 6211/DI 58



February 24, 2014

Second Regular Session 118th General Assembly (2014)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

ENGROSSED SENATE BILL No. 143

A BILL FOR AN ACT to amend the Indiana Code concerning education.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 5-1-5-2.5, AS AMENDED BY P.L.257-2013,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 2.5. (a) As used in this section, "eligible
4 school corporation" means a school corporation (as defined in
5 IC 36-1-2-17) that satisfies all the conditions required by this section.
6 (b) As used in this section, "increment" means the annual difference
7 between:
8 (1) the annual debt service payment for the bonds proposed to be
9 retired or refunded; and
10 (2) the annual debt service payment for the proposed refunding
11 bonds;
12 for each year that the bonds that are being retired or refunded would
13 have been outstanding.
14 (c) In order for a school corporation to be an eligible school
15 corporation under this section, the school corporation must determine
16 that the percentage computed under this subsection for the school

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1 corporation is at least twenty percent (20%), regarding the year for
 2 which the latest certified levies have been determined. A school
 3 corporation shall compute its percentage as follows:

4 (1) Compute the amount of credits granted under IC 6-1.1-20.6
 5 against the school corporation's combined levy for the school
 6 corporation's:

7 (A) debt service fund, as described in IC 20-46-7-15;

8 (B) capital projects fund;

9 (C) transportation fund;

10 (D) school bus replacement fund; and

11 (E) racial balance fund.

12 (2) Compute the school corporation's combined levy for the
 13 school corporation's:

14 (A) capital projects fund;

15 (B) transportation fund;

16 (C) school bus replacement fund; and

17 (D) racial balance fund.

18 (3) Divide the amount computed under subdivision (1) by the
 19 amount computed under subdivision (2) and express it as a
 20 percentage.

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

29 (d) A school corporation that desires to be an eligible school
 30 corporation under this section ~~must satisfy the following conditions: (1)~~
 31 ~~The school corporation~~ shall conduct a public hearing and provide
 32 notice of the time, date, and place of the hearing, published as required
 33 by IC 5-3-1, before the school corporation may adopt a resolution under
 34 this section. At the public hearing, the governing body must provide the
 35 following information:

36 ~~(A)~~ (1) The annual debt service payments, applicable debt service
 37 tax rate, and total debt service payments for the bonds proposed
 38 to be retired or refunded.

39 ~~(B)~~ (2) The annual debt service payments, applicable debt service
 40 fund tax rate, and total debt service payments for the proposed
 41 refunding bonds.

42 ~~(C)~~ (3) The annual increment for each year that the bonds that are



1 being retired or refunded would have been outstanding and any
2 other benefits to be derived from issuing the refunding bonds.

3 (2) The requirements of this subdivision do not apply to a school
4 corporation that adopts a resolution under subsection (g) before
5 January 1, 2014, and that has a percentage computed under
6 subsection (c) that is at least twenty percent (20%); as certified by
7 the department of local government finance. If the amount
8 determined under subsection (c)(3) is:

9 (A) more than forty-five percent (45%); notwithstanding
10 IC 6-1.1-20-3.1(a) and IC 6-1.1-20-3.2(a), the school
11 corporation shall use the petition and remonstrance process
12 prescribed by IC 6-1.1-20-3.1(b) and IC 6-1.1-20-3.2(b) and
13 more individuals must sign the petition for the bond refunding
14 under this section than the number of individuals signing a
15 remonstrance against the bond refunding; or

16 (B) at least thirty percent (30%) but not more than forty-five
17 percent (45%); the school corporation shall conduct a
18 referendum on a public question regarding the bond refunding
19 using the process for a referendum tax levy under IC 20-46-1
20 and the bond refunding must be approved by the eligible
21 voters of the school corporation. The question to be submitted
22 to the voters in the referendum must read as follows:

23 "Shall _____ (insert the name of the school corporation)
24 issue refunding bonds to refund not more than fifty percent
25 (50%) of its outstanding bonds to provide an annual savings
26 to the school's debt service fund that can be transferred from
27 the school's debt service fund to the school's capital projects
28 fund; transportation fund; or school bus replacement fund?":

29 (3) The requirements of this subdivision apply to a school
30 corporation that adopts a resolution under subsection (g) before
31 January 1, 2014, and that has a percentage computed under
32 subsection (c) that is at least twenty percent (20%); as certified by
33 the department of local government finance. The school
34 corporation must either:

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

38 (B) meet all of the following conditions:

39 (i) The ratio that the amount of the school corporation's debt
40 (as determined in December 2010) bears to the school
41 corporation's 2011 ADM ranks in the ten (10) highest
42 among all school corporations:



1 (ii) The ratio that the amount of the school corporation's debt
 2 (as determined in December 2010) bears to the school
 3 corporation's total assessed valuation for calendar year 2011
 4 ranks in the ten (10) highest among all school corporations:
 5 (iii) The amount of homestead assessed valuation in the
 6 school corporation for calendar year 2011 was at least sixty
 7 percent (60%) of the total amount of assessed valuation in
 8 the school corporation for calendar year 2011.

9 (e) A school corporation meets the requirement of subsection
 10 (d)(3)(A) if:

- 11 (1) the school corporation submits to the distressed unit appeal
 12 board the school corporation's financial plan for paying any
 13 refunding bonds issued under this section; and
 14 (2) the distressed unit appeal board approves the plan after
 15 making a determination that the financial plan is feasible.

16 The distressed unit appeal board must either approve or disapprove the
 17 financial plan not more than sixty (60) days after the later of the date
 18 the school corporation submits the financial plan under this subsection
 19 or the date on which the department of local government finance
 20 certifies the percentage computed for the school corporation under
 21 subsection (c). The distressed unit appeal board may not unreasonably
 22 deny approval of a school corporation's financial plan under this
 23 subsection:

24 (f) Except as provided in subsection (d)(2)(A); (e) IC 6-1.1-20 does
 25 not apply to bonds issued under this section.

26 (g) (f) A school corporation that desires to be an eligible school
 27 corporation under this section must, before January 1, 2014, 2019, and
 28 notwithstanding any other law, adopt a resolution that sets forth the
 29 following:

- 30 (1) The determinations made under subsection (c), including the
 31 department of local government finance's certification of the
 32 percentage computed under subsection (c).
 33 (2) The requirements of this subdivision do not apply to a
 34 resolution adopted under this subsection before January 1, 2014,
 35 if the school corporation has a percentage computed under
 36 subsection (c) that is at least twenty percent (20%); as certified by
 37 the department of local government finance. The result of the
 38 petition remonstrance process under subsection (d)(2)(A) or the
 39 result of the vote on the public question under subsection
 40 (d)(2)(B); whichever applies:

41 (3) (2) A determination providing for the:

- 42 (A) issuance of bonds to refund not more than fifty percent



- 1 (50%) of outstanding bonds or leases issued by or on behalf of
 2 the school corporation **before January 1, 2009**; and
 3 (B) payment of redemption premiums and the costs of the
 4 refunding.
- 5 ~~(4)~~ **(3)** With respect to the refunding bonds, the following:
 6 (A) The maximum principal amount.
 7 (B) The maximum interest rate.
 8 (C) The annual lease or debt service payment.
 9 (D) The final maturity date.
 10 (E) The estimated amount of the increment that will occur for
 11 each year that the bonds that are being retired or refunded by
 12 the issuance of refunding bonds would have been outstanding.
 13 (F) A finding that the annual debt service or lease payment on
 14 the refunding bonds will not increase the annual debt service
 15 or lease payment above the annual debt service or lease
 16 payment approved by the school corporation for the original
 17 project.

18 If the governing body adopts a resolution under this section, the
 19 governing body must publish notice of the adoption of the resolution
 20 as required by IC 5-3-1.

21 ~~(h)~~ **(g)** An eligible school corporation may issue refunding bonds as
 22 permitted by this section. In addition, an eligible school corporation
 23 may extend the repayment period beyond the repayment period for the
 24 bonds that are being retired or refunded by the issuance of refunding
 25 bonds. However, the repayment period may be extended only once for
 26 a particular bond, and the extension may not exceed ten (10) years after
 27 the latest maturity date for any of the bonds being retired or refunded
 28 by the eligible school corporation under this section.

29 ~~(i)~~ **(h)** Property taxes imposed by an eligible school corporation to
 30 pay debt service for bonds permitted by this section shall be considered
 31 for purposes of calculating the limits to property tax liability under
 32 Article 10, Section 1 of the Constitution of the State of Indiana and for
 33 calculating a person's credit under IC 6-1.1-20.6-7.5. However,
 34 property taxes imposed by an eligible school corporation through
 35 December 31, 2019, to pay debt service for bonds permitted by this
 36 section may not be considered in an eligible county, as used in Article
 37 10, Section 1(h) of the Constitution of the State of Indiana, for purposes
 38 of calculating the limits to property tax liability under Article 10,
 39 Section 1 of the Constitution of the State of Indiana or for calculating
 40 a person's credit under IC 6-1.1-20.6-7.5.

41 ~~(j)~~ If a school corporation described in subsection ~~(d)(3)(B)~~
 42 refunding bonds as permitted by this section, the school corporation



1 must, not more than sixty (60) days after the department of local
2 government finance certifies the school corporation's percentage under
3 subsection (c); report information concerning the refunding to the
4 distressed unit appeal board. The distressed unit appeal board shall
5 make a non-binding review with recommendations regarding the
6 school's financial condition and operating practices.

7 **SECTION 2. An emergency is declared for this act.**



COMMITTEE REPORT

Madam President: The Senate Committee on Appropriations, to which was referred Senate Bill No. 143, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is to SB 143 as introduced.)

Committee Vote: Yeas 10, Nays 1

Senator Mishler, Acting Chairperson

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred Senate Bill 143, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

(Reference is to SB 143 as printed January 24, 2014.)

Committee Vote: Yeas 17, Nays 0

Representative Brown T

