

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All School Corporations
FROM: Micah G. Vincent, Commissioner *MGV*
RE: School Debt Restructuring Eligibility
DATE: June 18, 2013

On May 11, 2013, Governor Mike Pence signed into law Senate Enrolled Act 517 ("SEA 517"). Section 1 of SEA 517 modifies the eligibility requirements for those school corporations seeking to restructure their debt obligations to allow for increment to be generated and applied to property tax cap losses in the capital projects fund, transportation fund or school bus replacement fund. Please note, this memorandum is intended to be an informative bulletin, not a substitute for reading the law.

In order to be an eligible school corporation, the school corporation must determine a percentage based on the following calculation identified in IC 5-1-5-2.5(c):

- (1) Compute the amount of credits granted under IC 6-1.1-20.6 against the school corporation's combined levy for the school corporation's:
 - (A) debt service fund, as described in IC 20-46-7-15;
 - (B) capital projects fund;
 - (C) transportation fund;
 - (D) school bus replacement fund; and
 - (E) racial balance fund.
- (2) Compute the school corporation's combined levy for the school corporation's:
 - (A) capital projects fund;
 - (B) transportation fund;
 - (C) school bus replacement fund; and
 - (D) racial balance fund.
- (3) Divide the amount computed under subdivision (1) by the amount computed under subdivision (2) and express it as a percentage.

To be eligible for the debt restructuring, SEA 517 amends the eligibility requirement to require that the percentage computed through the above formula is at least twenty percent (20%) regardless of the timing of the calculation.

Section 1 also amends the deadline for school corporation action with respect to eligibility. A school corporation that desires to be an eligible school corporation under this section has until January 1, 2014 to adopt a resolution making certain determinations under IC 5-1-5-2.5(g).

Once a school corporation has been determined to be an eligible school corporation, the school corporation may apply to the Distressed Unit Appeals board to approve the school corporation's financial plan for paying any refunding bonds issued under IC 5-1-5-2.5.

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