



INDIANA STATE BOARD OF EDUCATION

To: Indiana State Board of Education
Date: December 13, 2016
RE: Approval to Replenish the Common School Fund

I. Legal Authority.

IC 20-49-4-23(a) provides that “[u]pon request of the state board, acting upon the advice of the department, the state board of finance may periodically sell, transfer, or liquidate agreements, in whole or in part...the principal or interest to be received at any time under one (1) or more agreements that evidence the right of the state to make deductions from state tuition support to pay advances under this chapter under the terms and conditions that the state board of finance considers necessary and appropriate.” In other words, the State can sell its right to receive State tuition reimbursements (principal and interest) for advancements issued from the Common School Fund. This process allows for a rapid replenishment of the fund compared to the lengthy process of receiving principal and interest payments over a period of numerous years.

However, sales are permitted only when the follow conditions are satisfied: 1) each sale, transfer, or liquidation may be made only to a department, an agency, a commission, an instrumentality, or a public body of the State, including the Indiana bond bank; 2) each sale, transfer, or liquidation of agreements may be made only for cash; 3) payments under the sale, transfer, or liquidation must be made to the Treasurer of State for the fund and reported to the State Board of Finance; 4) the total amount of cash received by the fund from the sale may not be less than the outstanding principal amount of all or a part of the agreements sold plus accrued interest owed; and 5) each proposed sale, transfer, or liquidation must be reviewed by the Budget Committee and approved by the State Budget Agency. *See* IC 20-49-4-23(b).

II. Request.

The Bond Bank has proposed that the Indiana State Board of Education (“Board”) authorize the State Board of Finance to sell existing Common School Fund loan agreements to the Indiana Bond Bank, in one or more transactions, in an aggregate amount not to exceed \$250,000,000. The Indiana Bond Bank believes that this series of transactions will serve and significantly benefit the school corporations of the State who benefit from Common School Fund loans and will promote the betterment of the system of public education in the State.

III. Recommendation.

Staff from the Indiana Department of Education and the Board jointly recommend authorizing the State Board of Finance to sell existing Common School Fund loan agreements to the Indiana Bond Bank. However, any such sales shall be subject to the restrictions and requirements contained in IC 20-49-4-23 and any other applicable law.