

SENATE BILL No. 448

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-10-18-10; IC 4-12-16; IC 20-39-5; IC 20-49-4.

Synopsis: School corporation financial management. Establishes the financially distressed school corporation appeals board to evaluate and authorize emergency relief to school corporations that the board determines are unable to carry out their public education responsibilities. Establishes the distressed school fund. Permits a loan or advance from the counter-cyclical revenue and economic stabilization fund, the distressed school fund, or the common school fund to a distressed school corporation.

Effective: Upon passage.

Rogers

January 12, 2015, read first time and referred to Committee on Appropriations.



First Regular Session 119th General Assembly (2015)

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 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

SENATE BILL No. 448



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 4-10-18-10, AS AMENDED BY P.L.119-2012,
2 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 10. (a) The state board of finance may lend
4 money from the fund to entities listed in subsections (e) through (k) **or**
5 **subsection (n)** for the purposes specified in those subsections.
6 (b) **This subsection does not apply to a loan under subsection (n).**
7 An entity must apply for the loan before May 1, 1989, in a form
8 approved by the state board of finance. As part of the application, the
9 entity shall submit a plan for its use of the loan proceeds and for the
10 repayment of the loan. Within sixty (60) days after receipt of each
11 application, the board shall meet to consider the application and to
12 review its accuracy and completeness and to determine the need for the
13 loan. The board shall authorize a loan to an entity that makes an
14 application if the board approves its accuracy and completeness and
15 determines that there is a need for the loan and an adequate method of
16 repayment.



1 (c) The state board of finance shall determine the terms of each
2 loan, which must include the following:

3 (1) The duration of the loan, which must not exceed twelve (12)
4 years.

5 (2) The repayment schedule of the loan, which must provide that
6 no payments are due during the first two (2) years of the loan.

7 (3) **Except as provided in this section**, a variable rate of interest
8 to be determined by the board and adjusted annually. The interest
9 rate must be the greater of:

10 (A) five percent (5%); or

11 (B) two-thirds (2/3) of the interest rate for fifty-two (52) week
12 United States Treasury bills on the anniversary date of the
13 loan, but not to exceed ten percent (10%).

14 (4) The amount of the loan or loans, which may not exceed the
15 maximum amounts established for the entity by this section.

16 (5) Any other conditions specified by the board.

17 (d) An entity may borrow money under this section by adoption of
18 an ordinance or a resolution and, as set forth in IC 5-1-14, may use any
19 source of revenue to repay a loan under this section. This section
20 constitutes complete authority for the entity to borrow from the fund.
21 If an entity described in subsection (i) fails to make any repayments of
22 a loan, the amount payable shall be withheld by the auditor of state
23 from any other money payable to the consolidated city. If any other
24 entity described in this section fails to make any repayments of a loan,
25 the amount payable shall be withheld by the auditor of state from any
26 other money payable to the entity. The amount withheld shall be
27 transferred to the fund to the credit of the entity.

28 (e) A loan under this section may be made to a city located in a
29 county having a population of more than twenty-five thousand (25,000)
30 but less than twenty-five thousand eight hundred (25,800) for the city's
31 waterworks facility. The amount of the loan may not exceed one
32 million six hundred thousand dollars (\$1,600,000).

33 (f) A loan under this section may be made to a city the territory of
34 which is included in part within the Lake Michigan corridor (as defined
35 in IC 14-13-3-2, before its repeal) for a marina development project. As
36 a part of ~~its~~ **the city's** application under subsection (b), the city must
37 include the following:

38 (1) Written approval by the Lake Michigan marina development
39 commission of the project to be funded by the loan proceeds.

40 (2) A written determination by the commission of the amount
41 needed by the city, for the project and of the amount of the
42 maximum loan amount under this subsection that should be lent



1 to the city.
2 The maximum amount of loans available for all cities that are eligible
3 for a loan under this subsection is eight million six hundred thousand
4 dollars (\$8,600,000).

5 (g) A loan under this section may be made to a county having a
6 population of more than one hundred seventy-five thousand (175,000)
7 but less than one hundred eighty-five thousand (185,000) for use by the
8 airport authority in the county for the construction of runways. The
9 amount of the loan may not exceed seven million dollars (\$7,000,000).
10 The county may lend the proceeds of its loan to an airport authority for
11 the public purpose of fostering economic growth in the county.

12 (h) A loan under this section may be made to a city having a
13 population of more than sixty thousand (60,000) but less than sixty-five
14 thousand (65,000) for the construction of parking facilities. The
15 amount of the loan may not exceed three million dollars (\$3,000,000).

16 (i) A loan or loans under this section may be made to a consolidated
17 city, a local public improvement bond bank, or any board, authority, or
18 commission of the consolidated city to fund economic development
19 projects under IC 36-7-15.2-5 or to refund obligations issued to fund
20 economic development projects. The amount of the loan may not
21 exceed thirty million dollars (\$30,000,000).

22 (j) A loan under this section may be made to a county having a
23 population of more than thirteen thousand (13,000) but less than
24 fourteen thousand (14,000) for extension of airport runways. The
25 amount of the loan may not exceed three hundred thousand dollars
26 (\$300,000).

27 (k) A loan under this section may be made to Covington Community
28 School Corporation to refund the amount due on a tax anticipation
29 warrant loan. The amount of the loan may not exceed two million seven
30 hundred thousand dollars (\$2,700,000), to be paid back from any
31 source of money that is legally available to the school corporation.
32 Notwithstanding subsection (b), the school corporation must apply for
33 the loan before June 30, 2010. Notwithstanding subsection (c),
34 repayment of the loan shall be made in equal installments over five (5)
35 years with the first installment due not more than six (6) months after
36 the date loan proceeds are received by the school corporation.

37 (l) IC 6-1.1-20 does not apply to a loan made by an entity under this
38 section.

39 (m) As used in this section, "entity" means a governmental entity
40 authorized to obtain a loan under subsections (e) through (k) **or**
41 **subsection (n).**

42 **(n) This subsection applies to a school corporation designated as**



1 a financially distressed school corporation under IC 20-39-5.
 2 Subject to this subsection, the state board of finance may loan
 3 money from the fund to a financially distressed school corporation
 4 on the terms established by the state board of finance if:

- 5 (1) the applicant has been designated as a financially
 6 distressed school corporation under IC 20-39-5;
 7 (2) the emergency financial relief authorized under IC 20-39-5
 8 includes a loan from the fund;
 9 (3) the state board of finance approves the accuracy and
 10 completeness of the application;
 11 (4) the state board of finance determines that there is a need
 12 for the loan;
 13 (5) the state board of finance determines that there is an
 14 adequate method of repayment for the loan; and
 15 (6) there is sufficient money in the fund to make the loan.

16 The amount of a loan under this subsection may not exceed the
 17 amount of emergency financial relief specified by the financially
 18 distressed school corporation appeals board. A school corporation
 19 may not be required to pay any interest on or fees for a loan
 20 granted under this subsection. A school corporation may repay a
 21 loan under this subsection in equal installments over a term of ten
 22 (10) years unless the state board of finance and the financially
 23 distressed school corporation agree to a lesser term or a different
 24 payment schedule. The outstanding balance of the loan may be
 25 prepaid without penalty. In establishing the terms of the loan, the
 26 state board of finance shall consider the plan developed by the
 27 financially distressed school corporation appeals board and the
 28 financially distressed school corporation to move the financially
 29 distressed school corporation out of its financially distressed status.
 30 If a school corporation fails to make a loan repayment when due,
 31 the treasurer of state, upon being notified of the failure by the state
 32 board of finance, shall pay the unpaid debt service obligations that
 33 are due from the funds of the state only to the extent of the
 34 amounts appropriated for the calendar year for distribution to the
 35 financially distressed school corporation from state funds,
 36 deducting the payment from the appropriated amounts. A
 37 deduction under this subsection must be made first from all funds
 38 except state tuition support and second from state tuition support.
 39 Money repaid on a loan under this subsection shall be deposited in
 40 the fund.

41 SECTION 2. IC 4-12-16 IS ADDED TO THE INDIANA CODE AS
 42 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON



1 PASSAGE]:

2 **Chapter 16. Distressed School Fund**

3 **Sec. 1. As used in this chapter, "board" refers to the financially**
4 **distressed school corporation appeals board established by**
5 **IC 20-39-5-5.**

6 **Sec. 2. As used in this chapter, "financially distressed school**
7 **corporation" refers to a school corporation designated a**
8 **financially distressed school corporation by the board.**

9 **Sec. 3. As used in this chapter, "fund" refers to the distressed**
10 **school fund established by section 4 of this chapter.**

11 **Sec. 4. The distressed school fund is established. The fund shall**
12 **be administered by the budget agency.**

13 **Sec. 5. The fund consists of the following:**

14 **(1) Appropriations made to the fund by the general assembly.**

15 **(2) Grants, gifts, and donations intended for deposit in the**
16 **fund.**

17 **(3) Principal repaid to the fund from a loan granted under**
18 **this chapter.**

19 **Sec. 6. Expenses of administering the fund shall be paid from**
20 **money in the fund.**

21 **Sec. 7. The treasurer of state shall invest the money in the fund**
22 **not currently needed to meet the obligations of the fund in the same**
23 **manner as other public money may be invested. Interest that**
24 **accrues from these investments shall be deposited in the fund.**

25 **Sec. 8. Money in the fund at the end of a fiscal year does not**
26 **revert to the state general fund.**

27 **Sec. 9. The fund shall be used as a revolving fund to make loans**
28 **to school corporations that are determined to be financially**
29 **distressed school corporations under IC 20-39-5.**

30 **Sec. 10. A school corporation may apply for a loan in a form**
31 **approved by the budget agency. As part of the application, the**
32 **school corporation shall submit a plan for the school corporation's**
33 **use of the loan proceeds and for the repayment of the loan. Not**
34 **later than sixty (60) days after receipt of each application, the**
35 **budget agency shall make a final determination concerning the**
36 **application.**

37 **Sec. 11. The budget agency shall establish procedures for**
38 **application to the fund for a loan.**

39 **Sec. 12. Subject to this chapter, the budget agency, after review**
40 **by the budget committee, may loan money to a financially**
41 **distressed school corporation on the terms established by the**
42 **budget agency.**



1 **Sec. 13. The budget agency may authorize a loan to a school**
2 **corporation that makes an application if:**

3 **(1) the applicant has been designated to be a financially**
4 **distressed school corporation under IC 20-39-5;**

5 **(2) the emergency financial relief authorized by the board**
6 **includes a loan from the fund;**

7 **(3) the budget agency approves the accuracy and**
8 **completeness of the application;**

9 **(4) the budget agency determines that there is a need for the**
10 **loan;**

11 **(5) the budget agency determines that there is an adequate**
12 **method of repayment for the loan; and**

13 **(6) there is sufficient money in the fund to make the loan.**

14 **Sec. 14. The amount of a loan under this chapter may not exceed**
15 **the amount of emergency financial relief specified by the board.**

16 **Sec. 15. The following terms apply to a loan under this chapter:**

17 **(1) A financially distressed school corporation may not be**
18 **required to pay any interest on or fees for a loan granted**
19 **under this chapter.**

20 **(2) A financially distressed school corporation may repay the**
21 **loan in equal installments over a term of ten (10) years unless**
22 **the budget agency and the financially distressed school**
23 **corporation agree to a lesser term or a different payment**
24 **schedule.**

25 **(3) The outstanding balance of the loan may be prepaid**
26 **without penalty.**

27 **Sec. 16. In establishing the terms of a loan under this chapter,**
28 **the budget agency shall consider the plan developed by the board**
29 **and the financially distressed school corporation to move the**
30 **financially distressed school corporation out of its financially**
31 **distressed status.**

32 **Sec. 17. If a financially distressed school corporation fails to**
33 **make a loan repayment under this chapter when due, the treasurer**
34 **of state, upon being notified of the failure by the budget agency,**
35 **shall pay the unpaid debt service obligations that are due from the**
36 **funds of the state only to the extent of the amounts appropriated**
37 **for the calendar year for distribution to the financially distressed**
38 **school corporation from state funds, deducting the payment from**
39 **the appropriated amounts. A deduction under this subsection must**
40 **be made:**

41 **(1) first from all funds except state tuition support; and**

42 **(2) second from state tuition support.**



1 **Sec. 18. Money repaid on a loan under this chapter shall be**
 2 **deposited in the fund.**

3 SECTION 3. IC 20-39-5 IS ADDED TO THE INDIANA CODE AS
 4 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON
 5 PASSAGE]:

6 **Chapter 5. Financially Distressed School Corporation Appeals**
 7 **Board**

8 **Sec. 1. As used in this chapter, "board" refers to the financially**
 9 **distressed school corporation appeals board established by section**
 10 **5 of this chapter.**

11 **Sec. 2. As used in this chapter, "chairperson" refers to the**
 12 **chairperson of the board.**

13 **Sec. 3. As used in this chapter, "member" refers to a member of**
 14 **the board.**

15 **Sec. 4. As used in this chapter, "petition" refers to a petition**
 16 **requesting emergency financial relief under this chapter.**

17 **Sec. 5. The financially distressed school corporation appeals**
 18 **board is established.**

19 **Sec. 6. (a) The board consists of the following seven (7) voting**
 20 **members:**

21 **(1) One (1) member appointed by the commissioner of the**
 22 **department of local government finance.**

23 **(2) One (1) member appointed by the chief examiner for the**
 24 **state board of accounts.**

25 **(3) One (1) member appointed by the state superintendent.**

26 **(4) One (1) member appointed by the speaker of the house of**
 27 **representatives.**

28 **(5) One (1) member appointed by the president pro tempore**
 29 **of the senate.**

30 **(6) Two (2) members appointed by the governor.**

31 **(b) Each member of the board must be knowledgeable about**
 32 **public school funding.**

33 **(c) The member appointed under subsection (a)(4) must be**
 34 **actively employed by a school corporation as a school**
 35 **superintendent.**

36 **(d) The member appointed under subsection (a)(5) must be**
 37 **actively employed by a school corporation as a school business**
 38 **official.**

39 **(e) A member appointed under subsection (a)(6):**

40 **(1) must be a citizen of Indiana; and**

41 **(2) may not hold an elected or appointed state office or be**
 42 **regularly employed as an employee of the state.**



1 **Sec. 7. A member of the board serves at the will of the**
2 **appointing authority.**

3 **Sec. 8. If a vacancy occurs on the board, the appointing**
4 **authority that appointed the vacating member shall fill the vacancy**
5 **by appointing an individual who qualifies for appointment under**
6 **section 6 of this chapter.**

7 **Sec. 9. A member of the board serves without compensation.**
8 **However, each member of the board is entitled to reimbursement**
9 **for:**

- 10 (1) **traveling expenses as provided under IC 4-13-1-4; and**
11 (2) **other expenses actually incurred in connection with the**
12 **member's duties as provided in the state policies and**
13 **procedures established by the Indiana department of**
14 **administration and approved by the budget agency.**

15 **Sec. 10. The board shall meet on the call of the chairperson, as**
16 **needed. The chairperson shall consult with the department to**
17 **determine when meetings are necessary.**

18 **Sec. 11. The state superintendent shall call the initial meeting of**
19 **the board each year. In calendar year 2015, the state**
20 **superintendent shall call the initial meeting before July 1, 2015.**
21 **After calendar year 2015, the state superintendent annually shall**
22 **call the initial meeting in January of each year. At the initial**
23 **meeting, the board shall elect a member of the board to serve as**
24 **chairperson for the year.**

25 **Sec. 12. The department shall provide the staff and assistance**
26 **that the board reasonably requires and provide rooms for the**
27 **board to meet and conduct hearings. The board may contract with**
28 **accountants, financial experts, and other advisors and consultants**
29 **as necessary to carry out the board's duties under this chapter.**

30 **Sec. 13. The expenses of the board shall be paid from money**
31 **appropriated to the department.**

32 **Sec. 14. An order issued by the board must be adopted by an**
33 **affirmative vote of at least four (4) members.**

34 **Sec. 15. The board shall:**

- 35 (1) **establish procedures for appeals under this chapter;**
36 (2) **determine the merits of appeals by a school corporation**
37 **under this chapter; and**
38 (3) **authorize appropriate emergency financial relief to a**
39 **school corporation that meets the board's criteria for**
40 **receiving emergency financial relief under this chapter.**

41 **Sec. 16. The board shall establish the criteria that determines**
42 **whether a school corporation qualifies for emergency financial**



1 relief. The board may consider any combination of the following
 2 information to determine whether a school corporation meets the
 3 criteria established by the board for emergency financial relief:

- 4 (1) Failed general fund or property tax cap referendums, or
 5 both.
 6 (2) Declining school enrollment.
 7 (3) Declining assessed valuation.
 8 (4) Increased class size.
 9 (5) Property tax circuit breaker impact.
 10 (6) Delayed payments to vendors.
 11 (7) Reductions in school corporation staff.
 12 (8) Efficiencies in energy use, purchasing, or other
 13 expenditure categories.
 14 (9) Impact of outsourcing services.
 15 (10) Declining state support dollars per student.
 16 (11) Indebtedness.
 17 (12) Other information determined acceptable by the board.

18 Sec. 17. (a) The board may adopt rules under IC 4-22-2 to
 19 implement this chapter.

20 (b) The board may adopt temporary rules in the manner
 21 specified for the adoption of emergency rules under IC 4-22-2-37.1
 22 to implement this chapter. A temporary rule adopted under this
 23 subsection expires on the earliest of the following:

- 24 (1) The date specified in the temporary rule.
 25 (2) The date another temporary rule or a rule adopted under
 26 IC 4-22-2 supersedes or repeals the temporary rule.
 27 (3) January 1, 2016.

28 This subsection expires January 1, 2016.

29 Sec. 18. The governing body of a school corporation may appeal
 30 to the board for emergency financial relief under this chapter. An
 31 appeal is commenced by filing with the board a petition that
 32 complies with this chapter.

33 Sec. 19. A petition for emergency financial relief must:

- 34 (1) be submitted to the department in the form and on the
 35 schedule prescribed by the board;
 36 (2) demonstrate that the petitioning school corporation in the
 37 ensuing budget year cannot:
 38 (A) carry out the school corporation's public educational
 39 duties committed to the school corporation by law; and
 40 (B) provide an adequate educational opportunity to all
 41 students enrolled in the school corporation;
 42 without emergency financial relief;



1 (3) demonstrate that the petitioning school corporation
 2 qualifies for emergency financial relief under the criteria
 3 prescribed by the board; and

4 (4) be accompanied by:

5 (A) a copy of the resolution of the governing body
 6 authorizing the appeal;

7 (B) the supporting documentation required by the board
 8 and this chapter; and

9 (C) the plans required by this chapter.

10 Sec. 20. The board shall conduct a public hearing in the area
 11 served by the school corporation on each petition that meets the
 12 criteria established by the board after giving notice of the public
 13 hearing under IC 5-3-1.

14 Sec. 21. After a public hearing on a petition, the board shall take
 15 final action on the petition. If the board determines that the
 16 petitioning school corporation has demonstrated that:

17 (1) the school corporation in the ensuing budget year cannot:

18 (A) carry out the school corporation's public educational
 19 duties committed to the school corporation by law; and

20 (B) provide an adequate educational opportunity to all
 21 students enrolled in the school corporation;

22 without emergency financial relief; and

23 (2) the petitioning school corporation qualifies for emergency
 24 financial relief under the criteria prescribed by the board;

25 the board shall declare the petitioning school corporation to be a
 26 financially distressed school corporation.

27 Sec. 22. (a) The state superintendent may request the board to
 28 declare a school corporation to be a financially distressed school
 29 corporation if the state superintendent receives information that
 30 indicates conditions set forth in IC 6-1.1-20.3-6.5(a)(1) through
 31 IC 6-1.1-20.3-6.5(a)(4) qualify the school corporation for
 32 emergency financial relief.

33 (b) Following a request under subsection (a), the board may
 34 direct the school corporation to produce information the board
 35 requires to take action on the request.

36 Sec. 23. The board shall conduct a public hearing in the area
 37 served by the school corporation on each request under section 22
 38 of this chapter after giving notice of the public hearing under
 39 IC 5-3-1.

40 Sec. 24. After a public hearing on a request under section 22 of
 41 this chapter, the board shall take final action on the request. If the
 42 board determines that the state superintendent has demonstrated



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

that:
(1) the school corporation in the ensuing budget year cannot:
(A) carry out the school corporation's public educational duties committed to the school corporation by law; and
(B) provide an adequate educational opportunity to all students enrolled in the school corporation; without emergency financial relief; and
(2) the school corporation qualifies for emergency financial relief under IC 6-1.1-20.3-6.5(a)(1) through IC 6-1.1-20.3-6.5(a)(4);
the board shall declare the school corporation to be a financially distressed school corporation.

Sec. 25. The board shall work with a school corporation declared to be a financially distressed school corporation to prepare a plan under section 26 of this chapter.

Sec. 26. The plan described in section 25 of this chapter must:
(1) be acceptable to the board;
(2) demonstrate how the school corporation will move out of its financially distressed status;
(3) require the school corporation to provide quarterly reports regarding the school corporation's financial status during the period before the board terminates the school corporation's status as a financially distressed school corporation;
(4) require the school corporation to comply with the requirements of section 27 of this chapter during the period before the board terminates the school corporation's status as a financially distressed school corporation; and
(5) require the governing body to adopt a resolution accepting the board's proposal for emergency financial relief and the conditions for granting emergency financial relief.

Sec. 27. A school corporation that receives emergency financial relief may not do any of the following without the approval of the board during the period before the board terminates the school corporation's status as a financially distressed school corporation:
(1) Acquire real property for school building purposes.
(2) Construct new school buildings or remodel or renovate existing school buildings.
(3) Incur a contractual obligation (except an employment contract for a new employee whose employment replaces the employment of a former employee) that requires an expenditure of more than ten thousand dollars (\$10,000).



1 **(4) Purchase or enter into an agreement to purchase personal**
 2 **property at a cost of more than ten thousand dollars**
 3 **(\$10,000).**

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

6 **Sec. 28. (a) A plan described in section 25 of this chapter may**
 7 **include a proposal to use any of the following emergency relief to**
 8 **the extent authorized by law and available:**

9 **(1) An interest free loan from any of the following:**

10 **(A) The counter-cyclical revenue and economic**
 11 **stabilization fund.**

12 **(B) The common school fund.**

13 **(C) The distressed school fund established by IC 4-12-16-4.**

14 **(2) Authorization to use unobligated reserves or other**
 15 **balances in construction funds, sinking funds, bond funds, or**
 16 **debt service funds, to the extent permitted under the school**
 17 **corporation's agreements with the holders of any bonds,**
 18 **leases, or other obligations of the school corporation or a**
 19 **holding company for the school corporation.**

20 **(3) Authorization to make interfund transfers from any**
 21 **statutory fund.**

22 **(b) If a plan described in section 25 of this chapter provides for**
 23 **an interest free loan from a fund, a school corporation may apply**
 24 **to the appropriate official or entity administering the fund for a**
 25 **loan in accordance with the plan. The administering officer or**
 26 **entity may grant the loan from the fund on the terms determined**
 27 **by the administering officer or entity, to the extent money is**
 28 **available and to the extent permitted by law.**

29 **(c) Notwithstanding any other law, a school corporation may**
 30 **take an action authorized by the board under subsection (a)(2) or**
 31 **(a)(3).**

32 **SECTION 4. IC 20-49-4-5.5 IS ADDED TO THE INDIANA CODE**
 33 **AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE**
 34 **UPON PASSAGE]: Sec. 5.5. As used in this chapter, "financially**
 35 **distressed school corporation" refers to a school corporation that**
 36 **is designated as a financially distressed school corporation under**
 37 **IC 20-39-5.**

38 **SECTION 5. IC 20-49-4-8, AS ADDED BY P.L.2-2006, SECTION**
 39 **172, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON**
 40 **PASSAGE]: Sec. 8. The state board may advance money to school**
 41 **corporations to be used for:**

42 **(1) school building construction programs; and**



- 1 (2) educational technology programs; or
 2 (3) emergency financial relief to a financially distressed school
 3 corporation;

4 as provided in this chapter.

5 SECTION 6. IC 20-49-4-21.7 IS ADDED TO THE INDIANA
 6 CODE AS A NEW SECTION TO READ AS FOLLOWS
 7 [EFFECTIVE UPON PASSAGE]: Sec. 21.7. (a) Subject to this
 8 subsection, the state board may loan money from the fund to a
 9 financially distressed school corporation on the terms established
 10 by the state board if:

- 11 (1) the applicant has been designated as a financially
 12 distressed school corporation under IC 20-39-5;
 13 (2) the emergency financial relief authorized under IC 20-39-5
 14 includes a loan from the fund;
 15 (3) the state board approves the accuracy and completeness of
 16 the application;
 17 (4) the state board determines that there is a need for the
 18 loan;
 19 (5) the state board determines that there is an adequate
 20 method of repayment for the loan; and
 21 (6) there is sufficient money in the fund to make the loan.

22 (b) The amount of a loan under this section may not exceed the
 23 amount of emergency financial relief specified by the financially
 24 distressed school corporation appeals board under IC 20-39-5.

25 (c) A financially distressed school corporation may not be
 26 required to pay any interest on or fees for a loan granted under
 27 this section. A financially distressed school corporation may repay
 28 a loan under this section in equal installments over a term of ten
 29 (10) years unless the state board and the financially distressed
 30 school corporation agree to a lesser term or a different payment
 31 schedule. The outstanding balance of the loan may be prepaid
 32 without penalty.

33 (d) In establishing the terms of the loan, the state board shall
 34 consider the plan developed by the financially distressed school
 35 corporation appeals board and the financially distressed school
 36 corporation to move the financially distressed school corporation
 37 out of its financially distressed status.

38 (e) Money repaid on a loan under this subsection shall be
 39 deposited in the fund.

40 SECTION 7. An emergency is declared for this act.

