

MEMORANDUM

To: Superintendents, Business Managers, and Treasurers

From: Melissa K. Ambre, Director of School Finance

Date: May 29, 2020

Re: House Enrolled Act (HEA) 1065 – Various Tax Matters

Background:

House Enrolled Act 1065 (2020) makes four changes to the current school finance structure. First, the Distressed Unit Appeals Board (DUAB) approves all loans and advances made to the common school fund when a school corporation seeks to establish a school improvement fund. These funds are to strictly be used for renovations, repairs, improvements, or demolition of school buildings or other property used for educational purposes. Secondly, the governing body of a school corporation may distribute money received through a tax levy or a school safety referendum tax levy to a charter school. This excludes virtual charter schools. Third, it removes the cap on a school corporation's career and technical education (CTE) enrollment grant amount. Finally, the bill amends language regarding residential housing Tax Increment Finance (TIF) areas.

Guidance:

Distressed Unit Appeals Board

If, upon determination by the State Board of Education (SBOE), DUAB delays or suspends loan or advance repayments under IC 6-1.1-20.3-6.8, DUAB shall require the school corporation to establish a school improvement fund and to transfer to the school improvement fund an amount equal to the payments that were delayed or suspended.

Funds transferred may be used for repair, renovation, or other improvements to school buildings and property used for education purposes as of July 1, 2020, or demolition of school buildings or other structures on school property as of the same date. DUAB must approve expenditures from the school improvement fund. The law also allows a school corporation to raise an annual debt service levy equal to the amount that would have been deducted from tuition support for repayment to the education fund.

Levy Distributions to Charter Schools

IC 20-24-7-6 was amended allowing a charter school to elect to distribute a proportionate share of its operations fund to a school corporation in whose district the charter school is located.

IC 20-46-1-8 allows a school governing body to make a determination to share a portion of its referendum proceeds with a charter school, excluding a virtual charter school. The resolution must also indicate whether or not proceeds in the education fund levy collected through a referendum will be used to provide a distribution to a charter school(s) and the amount that will be distributed to the charter school(s). A school corporation may request financial documentation to demonstrate financial need of the charter school(s).

IC 20-46-9-6 allows a governing body to allocate a portion of a school safety referendum tax levy to a charter school, excluding a virtual charter school, that is located in the attendance area of the school corporation. The governing body must indicate whether or not the school corporation's tax levy will be used to provide a distribution to a charter school.

Career and Technical Education (CTE) Grant

The \$130M cap on career and technical education distributions from FY 2021 state tuition support is repealed (*see* IC 20-43-8-15).

Residential Housing and Tax Increment Finance (TIF)

HEA 1065 amends several provisions in IC 36-7-14-53. One change includes the requirement that before formal submission of a residential housing development program to the regional planning commission, the department of redevelopment shall consult with persons interested in or affected by the proposal including school superintendents and school governing bodies located within the proposed allocation area. This includes notifying the fiscal officer of all affected units and the school governing body and superintendent at least thirty days prior to a public meeting on the program.

If you have any questions, please contact Melissa Ambre, Director of School Finance, at mambre@doe.in.gov, or by phone at 317-232-0841.

This bill was authored by Representative Jeffery Thompson. The full bill text can be found [here](#). Information regarding how to contact your legislators can be found [here](#).