LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7074 **DATE PREPARED:** Jan 29, 2002
BILL NUMBER: HB 1130 **BILL AMENDED:** Jan 29, 2002

SUBJECT: Approval of Bond Issues by Nonelected Boards.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires a lease with an original term of at least five years or the bonded indebtedness of a civil taxing unit that does not have a majority of elected members to be approved by the city, town, or county fiscal body. The bill also authorizes the executive in the largest municipality of a county to appoint an individual to serve as the executive's proxy on the county's solid waste management district board. The bill provides that when a community revitalization enhancement district (CRED) is designated for certain purposes, the unit may spend money to develop or enhance the value of real property used for retail purposes.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The state's expense for property tax replacement credits (PTRC) and homestead credit could be affected by this bill. If the amount of a civil taxing unit's debt issue that is backed by property tax levy is affected by this bill, the state's expense for homestead credit and PTRC (if the levy qualifies for PTRC) would be proportionally affected.

PTRC and homestead credits are paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. Any change in PTRC and homestead credit expenditures would ultimately affect the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The bill would allow funds to be used by a unit to develop or enhance the value of real property for retail purposes. The impact of this provision is indeterminable and would vary for CREDs designated for Allen County where all of the following exist:

(1) the area contains a building or buildings with at least 800,000 gross square feet and having leasable floor

space, at least 50% of which is or will become vacant;

(2) There must be significant obstacles to redevelopment of the area due to any of the following problems: (a) obsolete or inefficient buildings as evidenced by a decline of at least 75% in their assessed valuation during the preceding ten years; (b) transportation or access problems; or (c) environmental contamination;

(3) At least 400 fewer persons are employed in the area than were employed in the area during a year that is 15 years previous to the current year;

(4) The area has been designated as an economic development target area; and

(5) The unit has appropriated, pooled, set aside, or pledged at least $250,000 for purposes of addressing the redevelopment obstacles described above.

Explanation of Local Revenues: The bill will affect civil taxing units that have a governing body that is not comprised of a majority of officials who are elected to serve on the governing body, and the civil taxing unit in question is not located in a consolidated city. Under current law, a civil taxing unit is any entity that has power to impose the ad valorem property tax (with the exception of a school corporation).

Under the bill, a civil taxing unit would be required to request and receive approval to incur bonded indebtedness on bonds (defined in the Indiana Code as indebtedness, whether payable from property taxes, revenues, or any other source, not including notes or warrants representing temporary loans that are payable out of taxes levied and in the course of collection) or enter a lease with an original term of at least five years from the fiscal body as described in the bill. In Marion County, the City-County Council would have oversight. If the unit is not located in a city or town or in Marion County, then the county fiscal body would have oversight. If approval is granted, then the civil taxing unit may incur the bonded indebtedness or execute the lease upon the approved request for such to the Department of Local Government Finance.

This proposal would add the accountability of an elected body rather than allowing an appointed body to incur debt. The amount of a civil taxing unit’s tax rate, levy, or debt (if backed by property taxes) could be affected by this bill.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Civil taxing units with appointed governing bodies; county, city, or town fiscal bodies.

Information Sources: