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**FISCAL IMPACT STATEMENT**

**LS 7361**

**BILL NUMBER:** HB 1317

**NOTE PREPARED:** Jan 13, 2004

**BILL AMENDED:**

**SUBJECT:** Conversion To Class 1 Public Library Status.

**FIRST AUTHOR:** Rep. Ruppel

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** The bill allows a town and a township that: (1) are the only participants in a library services authority established before April 1, 2004; and (2) meet certain population or assessed valuation requirements; to convert the library services authority to a Class 1 public library. The bill provides that the library services authority's board of directors may recommend any of its members or any other qualified person for appointment to the new library district's board. The bill provides that the budget of the authority remains in effect until a budget and tax levy are adopted under the procedures for Class 1 libraries. The bill requires the new district's board to give annual notice of the proposed budget and property tax levy to the town council, township trustee, and township board before the public hearing on the proposed budget and tax levy. The bill establishes procedures to determine the maximum permissible ad valorem property tax levies of the new library district, the town, and the township for the first budget year after the conversion.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** Since the total of the maximum levies for the town, township, and library would not be affected by this bill, there would be no impact to state expenditures for the property tax Replacement Credit (PTRC).

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Summary:* A Library Service Authority (LSA) that meets certain requirements, under the bill, could become a Class 1 public library by resolution of the town and township within the library's services. Under the requirements of the bill, the North Webster Library Service Authority in Tippecanoe Township, Kosciusko County would be eligible to convert to a Class 1 public library. The bill

would require township and town action with the ability for citizens to remonstrate against conversion to a Class 1 public library. It is unclear if a participating town and a township could act within the service area of the Indiana Cooperative to establish a Class 1 public library under this bill.

*Remonstrance:* Under the bill, citizens that do not favor conversion of the library to a Class 1 public library may petition and file a remonstrance with the circuit court clerk. If a remonstrance is filed, the circuit court clerk would require additional administrative time to carry out the remonstrance requirements specified by the bill.

*Library Board:* Under the bill, a library board would be established and replace the existing board of directors. Members of the board of directors could become members of the library board if so appointed. Under current law, members of a library board serve without compensation.

Under current law, a Class 1 public library board must determine the rate of taxation for the library district that is necessary for the operation of the library. The library board would certify the rate to the county auditor, and the county auditor would certify the tax rate to the county tax adjustment board. (See Explanation of Local Revenues.)

*North Webster LSA Budget:* Under the bill, the library budget at the time of conversion would remain effective until a budget, tax levy, and tax rate were adopted. The current North Webster LSA budget is \$30,800 per year. The library's budget is funded by 50% from the town and 50% from the township. The library's budget declined by about \$200 from the previous year.

**Explanation of Local Revenues:** The bill would reduce the assessed valuation that is needed to establish a Class 1 library taxing district. Currently, the assessed valuation of a new library district has to be the median assessed valuation of the 10 library districts closest in population to 10,000. The bill would change the requirement to the most recent certified assessed valuation of *any of* these 10 library districts or allowing even the smallest assessed valuation of the 10 library districts to be the qualifying standard. There are currently about 242 libraries with taxing authority.

The bill would give the North Webster LSA the ability to impose a property tax levy if converted to a Class 1 library district. For the first year in which the new district adopted a budget and fixed a tax rate and levy, the new district's maximum levy would equal the library's total current budget, increased by the assessed value growth quotient (AVGQ). The AVGQ was 4.7% for tax levies in 2004.

The bill would provide that the North Webster town and Tippecanoe township levies would be reduced by an amount equal to their share of the total North Webster Library Service Authority budget. Therefore, this bill would not affect total maximum levy limits.

If the library services authority were to convert to a Class 1 library taxing district before September 1, of a given year, the new library district would be required to adopt their budget, tax rate, and levy for the following year. If the new library district failed to give proper notice of the conversion and failed to adopt a budget and establish a budget, tax rate, and levy by September 20, in the year of conversion, then the library district's funding for the subsequent year would be equal to the most recent annual appropriation and budget adopted and in effect when the LSA converted to a library district.

*Background Miscellaneous Revenue:* The North Webster LSA received approximately \$7,000 in donations in the current year. The library collects approximately \$60 in late return and copy fees per month.

**State Agencies Affected:** Indiana Local Government Tax Control Board.

**Local Agencies Affected:** North Webster, Tippecanoe Township, Kosciusko County.

**Information Sources:** Helen Leinbach, Librarian North Webster Tippecanoe Library, (574) 834-7122; Martha Roblee, Indiana State Library (317) 232-3715; State of Indian: *List of Appropriations FY 2004-FY 2005* .

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