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**FISCAL IMPACT STATEMENT**

**LS 7392**

**BILL NUMBER: HB 1550**

**NOTE PREPARED: Feb 24, 2005**

**BILL AMENDED:**

**SUBJECT:** School bonds for retirement expenses.

**FIRST AUTHOR:** Rep. Ayres

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

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

**IMPACT:** Local

**Summary of Legislation:** This bill permits a school corporation to issue bonds one time before January 1, 2006, to cover retirement or severance liability if the school corporation did not issue bonds for that purpose under a prior statute that has been repealed. It permits a school corporation that issued bonds under the repealed statute before April 14, 2003, to issue bonds one additional time before January 1, 2006, in an amount not to exceed the difference between: (1) the amount of the prior bond issue (which was formerly limited to 2% of the school corporation's assessed value), and (2) 2% of the school corporation's true tax value at the time of the prior bond issue. The bill requires a school corporation that issues bonds for retirement or severance liability to reduce the property tax levy for certain other funds of the school corporation in an amount equal to the property tax levy needed for debt service on the bonds.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill extends the deadline for issuing retirement or severance bonds from before December 30, 2004, to January 1, 2006. A school that has not issued pension bonds would be able to do so based on existing unfunded contractual liability for retirement or severance payments as of June 30, 2001. The bill also allows schools that issued pension bonds before April 14, 2003 to issue a second pension

bond up to the difference of 2% of the assessed valuation at the time of the bond and the bond issue. The amount of the bonds are limited to 2% of the assessed valuation of the school corporation, and the school must reduce the Transportation Fund, School Bus Replacement Fund, Capital Projects Fund, or Art Association and Historical Society Funds in an amount equal to the property tax levy needed to retire the pension or severance bonds. About 65 schools would be eligible to issue pension bonds under the bill, however, it is unknown how many additional schools might apply for bonding under this extension of the deadline.

*Background:* As of December 8, 2004, 227 pension bonds worth \$1.06 B had been approved by the Department of Local Government Finance.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** School corporations.

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