

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7931**

**BILL NUMBER: SB 479**

**NOTE PREPARED: Jan 11, 2005**

**BILL AMENDED:**

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

**FIRST AUTHOR:** Sen. Simpson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

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

**IMPACT:** Local

**Summary of Legislation:** This bill permits a school corporation to issue bonds one time before July 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severance liability if the school corporation did not issue bonds for that purpose under a prior statute that has been repealed. It permits a school corporation that issued bonds under the repealed statute before December 31, 2004, to issue bonds one additional time before July 1, 2006, in an amount not to exceed the difference between: (1) the amount of the prior bond issue (which was limited to 2% of the school corporation's assessed value); and (2) 2% of the school corporation's true tax value as of December 31, 2004. 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 July 1, 2006. A school would be able to issued pension bonds based on existing unfunded contractual liability for retirement or severance payments as of June 30, 2001. The amount of the bonds is limited to 2% of the assessed valuation of the school corporation minus the value of retirement or

severance bonds that were issued before December 31, 2004. 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.

*Background:* As of December 8, 2004, 227 pension bonds worth \$1.06 B had been approved by the Department of Local Government Finance. Approximately 65 schools have not issued pension bonds.

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

**Local Agencies Affected:** School corporations.

**Information Sources:** Teresa Hemmerle Department of Local Government Finance, 317-232-3774.

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.