

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7130

BILL NUMBER: HB 1362

NOTE PREPARED: Jan 26, 2006

BILL AMENDED: Jan 23, 2006

SUBJECT: Local Government Reorganization.

FIRST AUTHOR: Rep. Buck

FIRST SPONSOR:

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Reorganization of Political Subdivisions:* The bill establishes a uniform procedure for the reorganization of political subdivisions in any county. The bill provides that the reorganization process may be initiated by the legislative bodies of the reorganizing political subdivisions or by a petition signed by 10% of the voters in the reorganizing political subdivisions. It provides that the plan of reorganization must be adopted by all reorganizing political subdivisions before the proposed reorganization may be submitted to the voters for approval. The bill also provides that a reorganization may occur only if the voters of the reorganizing political subdivisions approve the reorganization in the public question.

Reorganization Committee: The bill requires the reorganizing political subdivisions to appoint individuals to a reorganization committee to develop a plan for reorganization. It specifies the elements that must be included in the plan.

Department of Local Government Finance: The bill requires the Department of Local Government Finance to adjust the maximum property tax levies, maximum property tax rates, and budgets of political subdivisions that reorganize.

Effect: It provides that when the reorganization is effective, all the participating political subdivisions except the remaining reorganized political subdivision cease to exist.

Conformance: It makes related changes.

Effective Date: Upon passage.

Explanation of State Expenditures: *Department of Local Government Finance:* The bill could increase administrative costs for the Department of Local Government Finance (DLGF) which is required to establish a formula for adjusting maximum permissible property tax levies, maximum permissible property tax rates, and budgets. The adjustments could not exceed 50% of the savings or expense reductions realized in the first full year of operation. Further, a political subdivision may petition for judicial review of a final determination of the DLGF. Also, the DLGF will prescribe forms for petitions, resolutions, certifications, and other writings.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* The bill would have indeterminate fiscal impact. To the extent that reorganized political subdivisions could work more efficiently or avoid duplication of services, costs could be reduced. However, the savings achieved will vary based on the reorganization undertaken. The actual cost of reorganization will also vary, but will likely require additional expenditures for elections, certifications and filings, and reorganization planning.

Background on Reorganization of Political Subdivisions: The bill would allow the reorganization of two or more counties, townships, municipalities, school corporations, municipal corporations, special taxing districts, a township and a municipality, a county and one or more townships, a municipality and a county, a school corporation and a county or municipality, or a municipal corporation and a county or a municipality. The reorganizations would be limited by requirements that the subdivision be adjacent, that the majority of the population reside within the other subdivision, or other qualifications.

The consolidation could result in a single, new political subdivision, or one political subdivision may subsume another. A legislative body receiving a certified resolution from another political subdivision may take no action, decline to participate, adopt a substantially identical resolution, or adopt a resolution that differs from the resolution received.

Indebtedness of a reorganizing political subdivision will be paid from local income tax, excise tax, sales tax, or other tax, if allowed, of the new political subdivision. The tax rate cannot exceed the amount needed to pay the debt and interest. The tax may be imposed in the area served by the reorganizing political subdivision before reorganization or the entire area of the reorganized political subdivision, if permitted in the reorganization plan. Revenue sharing from any area of the reorganized political subdivision is allowed to retire the indebtedness. An individual employed as a firefighter, police officer, or sheriff by a reorganizing political subdivision remains a member of the retirement fund under which the individual was a member when the political subdivisions were separate.

The reorganization of political subdivisions may be terminated or restored by the legislative body or voters in the same manner that the reorganization was initiated. A reorganization among several political subdivisions may go forward even if the voters of one political subdivision reject a reorganization plan. In this case, a new plan of reorganization must be approved.

Reorganization Committee: The reorganization committee may be appointed under an interlocal agreement prior to approval of the reorganization, or by appointment of the executive of each reorganizing subdivision when there is no prior agreement. The members of the committee serve without pay, but may be reimbursed for expenses incurred in the performance of their duties. The committee may use the offices and staff of the reorganizing subdivisions and the reorganizing subdivisions may employ attorneys, accountants, consultants, and other professionals for the committee.

The reorganization plan proposed by the committee must include the name and description of the reorganized subdivision, its boundaries, the taxing areas, and the membership of the legislative, fiscal, and executive bodies. It must include the disposition of personnel, agreements, assets, and liabilities of the subdivisions, and other matters defined by the committee or legislative body. The plan is presented to the legislative body of each reorganizing political subdivision for adoption. The legislative body may adopt the plan, modify it, or reject the plan. The reorganization committee must submit a new reorganization plan within 30 days after a rejection.

The powers of the reorganization committee include adopting rules for the administration of the committee, conducting public hearings, reviewing books and records of any reorganizing subdivision, administering oaths, and issuing and enforcing subpoenas and discovery orders.

Explanation of Local Revenues:

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: All.

Information Sources:

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