

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7744

BILL NUMBER: HB 1742

NOTE PREPARED: Jan 22, 2007

BILL AMENDED:

SUBJECT: LaPorte County Development Cooperative.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill has the following provisions:

LaPorte Development Cooperative: The bill establishes the LaPorte County Development Cooperative (Development Cooperative).

Membership: It provides that LaPorte County and Michigan City are members of the Development Cooperative. It also provides that the city of LaPorte is a member of the Development Cooperative only if the city council adopts a resolution authorizing the city to be a member.

Governance: The bill provides that the Development Cooperative is governed by a Development Board. It also provides that the Development Board consists of individuals appointed by the county commissioners of LaPorte County, the county council of LaPorte County, the mayor of Michigan City, the city council of Michigan City, and the mayor of Michigan City and the city council of Michigan City acting jointly. It provides that if the city of LaPorte is a member of the Development Cooperative, the city council must determine whether one, two, or three members will be appointed to represent the city on the Development Board. It provides that if the city of LaPorte is not a member of the Development Cooperative, the mayor of LaPorte appoints a nonvoting member to the Development Board. The bill specifies that the Governor appoints a member to the Development Board and it provides that the member appointed by the Governor serves as chair of the Development Board and is not entitled to vote, except as necessary to break a tie vote. It provides for staggered terms of the initial members.

Development Cooperative Funding: It requires LaPorte County to transfer \$1,250,000 annually and Michigan City to transfer \$750,000 annually to the Development Cooperative from:

- (1) Riverboat Admissions Taxes, Riverboat Wagering Taxes, or Riverboat Incentive Payments received by the county or city;
- (2) money distributed to the county's or city's local Major Moves fund; or
- (3) any local option tax.

City of LaPorte Contribution: The bill provides that if the city of LaPorte is a member of the Development Cooperative, the city must transfer the following amounts annually to the Development Cooperative:

- (1) \$750,000, if the city will have three voting members.
- (2) \$500,000, if the city will have two voting members.
- (3) \$250,000, if the city will have one voting member.

It also provides that if the city of LaPorte becomes a member of the Development Cooperative after December 31, 2007, the city must also transfer to the Development Cooperative the amount that the city would have transferred to the Development Cooperative if the city had been a member of the Development Cooperative during the period beginning January 1, 2008, and ending on the date the city becomes a member of the Development Board. It requires the city of LaPorte to make an additional transfer if the city increases the number of voting members the city has on the Development Board.

Indiana Finance Authority: It authorizes the Indiana Finance Authority to issue bonds and use the proceeds of the bonds to acquire any obligations issued by the Development Cooperative.

LaPorte County Development Cooperative Authority: It authorizes the Development Cooperative to:

- (1) make loans, loan guarantees, and grants to or on behalf of a commuter transportation district, an intermodal transportation facility, an airport development authority, a regional transportation authority, and a shoreline development commission;
- (2) issue bonds to the Indiana Finance Authority;
- (3) lease land or projects to a commuter transportation district, an airport authority, an airport development authority, a regional transportation authority, or a shoreline development commission;
- (4) use the Development Cooperative's funds to match federal grants; and
- (5) take other actions to carry out its purposes.

Compliance: The bill requires the Development Cooperative to comply with the common construction wage law, the public purchasing laws, the public works laws, and any applicable federal bidding statutes and regulations. It requires a political subdivision that receives a loan, grant, or other financial assistance from the Development Cooperative to comply with applicable federal, state, and local public purchasing and bidding laws and regulations.

Comprehensive Strategic Development Plan: It requires the Development Cooperative to submit to the Budget Committee and to the Director of the Office of Management and Budget for approval a comprehensive strategic development plan that includes detailed information concerning:

- (1) the proposed air, rail, transportation, shoreline, and other economic development projects to be undertaken or financed by the Development Cooperative; and
- (2) the timelines, budgets, returns on investment, projected need for ongoing subsidies, and projected federal matching funds for each project.

Reporting: It requires the Development Cooperative to issue an annual report to the Legislative Council, the Budget Committee, and the Governor concerning the operations and activities of the Development

Cooperative during the preceding state fiscal year.

Agreement with the Northwest Indiana Regional Development Authority: It authorizes the Development Cooperative to enter into an agreement with the Northwest Indiana Regional Development Authority or any other entity to jointly equip, own, lease, and finance projects and facilities or otherwise carry out the purposes of the Development Cooperative.

Responsibilities: It requires the Development Cooperative to:

- (1) assist in the coordination of local efforts concerning airport development projects and transportation projects;
- (2) assist a commuter transportation district and an airport authority in coordinating regional transportation and economic development efforts; and
- (3) fund various projects and facilities.

Termination of the LaPorte County Development Cooperative: It provides that the Development Cooperative is terminated on the later of June 30, 2017, or the date on which there are no bonds of the Development Cooperative outstanding and no leases of the Development Cooperative are in effect. It provides that if the Development Cooperative is not terminated on June 30, 2017, the Development Cooperative may not issue any additional bonds, enter into any additional leases, or undertake any additional projects. It requires the bylaws of the Development Cooperative to include an agreement for the winding up of the operations of the cooperative and the assumption of any assets and liabilities of the cooperative upon the termination of the Development Cooperative.

Northwest Indiana Regional Bus Authority: It provides that a municipality in LaPorte County may become a member of the Northwest Indiana Regional Bus Authority if the municipal fiscal body adopts a resolution authorizing the municipality to become a member of the authority. It also provides that if a municipality in LaPorte County becomes a member of the Authority, the executive of the municipality shall appoint a member to the Authority's board and a member to the Citizens Advisory Council.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Indiana Finance Authority:* The bill adds to the authority of the Indiana Finance Authority (IFA) to issue bonds and use the proceeds to acquire other obligations. In this case, the IFA could acquire any obligation of the LaPorte County Development Authority. To the extent that financial markets would have a favorable view of the IFA acquiring obligations of regional development authorities, this provision could have positive fiscal impact on the LaPorte County Development Authority through interest rate savings or access to bond markets.

Background for the Indiana Finance Authority: The IFA is a body politic and separate from the state, but providing an essential state function. The Indiana Constitution does not allow the state to undertake debt except in certain circumstance. The General Assembly has established the IFA to undertake debt financing for governmental purposes.

Treasurer of State: If LaPorte County, Michigan City, or, if included, the city of LaPorte fails to transfer the amounts required and the Development Cooperative has bonds outstanding, the State Treasurer will reduce the next distribution of property tax replacement credits and instead pay the amount withheld to the Development Cooperative. To the extent that the county or a municipality would fail to transfer amounts owed, accounting costs for the Treasurer of State would increase minimally.

General Assembly: Under the bill, if the Development Cooperative has bonds outstanding that are not secured by a lease, the General Assembly would covenant to not reduce the amount required to be transferred as established by the bill. Further, the General Assembly covenants under the bill that it will not repeal the act or impair the rights of bond owners secured by lease rentals or pledges of revenues.

Explanation of State Revenues: *Taxation:* All property owned by the Development Cooperative, the revenue of the Development Cooperative, and the bonds issued by the Development Cooperative are exempt from taxation in Indiana, except for the financial institutions tax or inheritance tax.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* The bill provides a mechanism for funding development projects through the LaPorte County Development Cooperative. The fiscal impact of the Development Cooperative will depend on the projects undertaken, financing terms for the projects, and the effectiveness of projects management by the Development Cooperative.

Background: The Development Cooperative is established as a separate body corporate and politic to acquire, construct, equip, own, lease, and finance projects and facilities for lease to or the benefit of eligible political subdivisions, and to fund and develop various transportation-related facilities and projects and economic development projects in LaPorte County. The Development Cooperative assists in coordination of local efforts concerning projects, assists various authorities and districts, funds projects as provided, and funds bus services.

Development Cooperative Fund: Under the bill, the Development Cooperative establishes and administers the Development Cooperative Fund consisting of transfers by members, appropriations of the General Assembly, federal money, and gifts, donations, and grants. The fund may be used to secure bonds, but the Development Cooperative must separate the fund into two accounts - a lease payment account and a general account. Any funds remaining in the lease payment account that are not used for lease payments are returned to the members transferring funds.

Bonding: The Development Cooperative may issue bonds to obtain money to pay the costs of acquiring real or personal property; acquiring, constructing, improving, reconstructing, or renovating projects; funding or refunding bonds issued. Bonds are payable from the revenues from lease of the project or insurance proceeds and revenue received by the Development Cooperative in the Development Cooperative Fund. The terms of the bonds are to be set out by the Development Cooperative Board in a resolution approving the bonds or by a trust indenture approved by resolution of the Board. The bonds must mature within 40 years and may only be sold to the Indiana Finance Authority. The bonds may be secured by a trust indenture between the Development Cooperative and a corporate trustee, which may be any trust company or national or state bank in Indiana that has trust powers.

Leasing: The Development Cooperative may enter into a lease of land or a project with an eligible political subdivision, if the political subdivision finds that the lease rental is fair and reasonable. The term of the lease may not exceed 40 years and payments may not be required prior to the project being complete and ready for occupancy or use. The lease, among other considerations, may allow for an additional term equal to or less than the original term, and it must contain an option for the political subdivision to purchase the project.

Reporting: Before November 1 of each year, the Development Cooperative is to prepare a report for

the Legislative Council, Budget Committee, and the Governor concerning its operations and activities. The Development Cooperative also is to prepare a comprehensive strategic development plan and submit the plan by January 1, 2010, to the Budget Committee for review and the Director of the Office of Management and Budget for approval. The Office of Management and Budget is to contract for an annual financial audit of the Development Cooperative with the Development Cooperative paying the costs of audit by a certified public accountant. The State Board of Accounts may conduct an audit at any time, with the Development Cooperative paying the costs of the audit.

State Agencies Affected: Indiana Finance Authority.

Local Agencies Affected: LaPorte County, City of LaPorte, Michigan City, Northwest Indiana Regional Development Authority.

Information Sources:

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