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FISCAL IMPACT STATEMENT

LS 6699

BILL NUMBER: SB 355

NOTE PREPARED: Dec 26, 2011

BILL AMENDED:

SUBJECT: Distressed political subdivisions.

FIRST AUTHOR: Sen. Charbonneau

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a taxing unit other than a school corporation (civil taxing unit) may file a petition with the Distressed Unit Appeal Board (DUAB) seeking designation of the civil taxing unit as a distressed political subdivision, based on any one of several failures by the civil taxing unit to meet its financial obligations.

The bill provides that if the DUAB designates a civil taxing unit as a distressed political subdivision, the board shall appoint an emergency manager for the distressed political subdivision. It provides that an emergency manager of a distressed political subdivision has broad powers to effect the financial rehabilitation of the distressed political subdivision.

This bill reduces the number of members on the DUAB to three: (1) the Director of the Office of Management and Budget (OMB); (2) the Commissioner of the Department of Local Government Finance (DLGF); and (3) the State Examiner of the State Board of Accounts (SBA). The bill also repeals obsolete provisions of the DUAB statute.

Effective Date: January 1, 2012 (retroactive); July 1, 2012.

Explanation of State Expenditures: Currently, the DUAB is comprised of nine members including the executives of the Office of Management and Budget (OMB), the Department of Local Government Finance (DLGF), the Department of State Revenue, and the State Board of Accounts, plus four members appointed by the Governor and one member appointed by the House Speaker. The DUAB was established to receive petitions from taxing units for relief from circuit breaker credit losses but has ceased to function as a result of the passage of the constitutional amendment to cap property taxes.

Under this bill, the DUAB would have three members including the executives of the OMB, the DLGF, and the State Board of Accounts. DUAB members are entitled to reimbursement of travel and other actual expenses. The reduction of the DUAB membership could result in a small reduction in state expenses.

Under current law, a distressed unit may petition the Indiana Tax Court for a judicial review of a DUAB final determination. Under this bill, a civil taxing unit could petition the Tax Court to review a DUAB determination regarding the unit's distressed status.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a taxing unit that loses at least 5% of its property tax revenue in a calendar year due to the circuit breaker caps is a distressed political subdivision (distressed unit). The fiscal body of a distressed unit may petition the DUAB for relief from the caps. This bill would remove the statutory language regarding the DUAB's authority to provide relief from the circuit breaker caps.

Under the bill a civil taxing unit could become a distressed unit only after the DUAB accepts a joint petition from the unit's fiscal body and its executive. Designation as a distressed unit may be made only if the DUAB finds that at least one of several adverse conditions exists. A distressed unit designation would be reviewed annually by the DUAB. A newly elected executive would be able to petition the DUAB to suspend the distressed status for 180 days so that a new plan may be presented.

If the DUAB designates a taxing unit as a distressed unit, the DUAB would appoint an emergency manager for the unit. The manager's activities would be overseen by the DUAB chairman. The manager would assume all authority and responsibilities of both the executive and the fiscal body concerning the adoption, amendment, and enforcement of ordinances and resolutions that affect the unit's fiscal stability. The manager could not impose new taxes or fees. The manager's duties would include a review of budgets, salaries, payroll, contracts, and other claims, the conduct of a financial audit, the development of a financial plan and a plan to pay obligations, and budget adoption. The manager may also renegotiate contracts, reduce or suspend salaries, and contract with other taxing units to provide services.

State Agencies Affected: Distressed Unit Appeals Board.

Local Agencies Affected: Civil taxing units.

Information Sources:

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