

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6869

BILL NUMBER: HB 1681

DATE PREPARED: Apr 6, 1999

BILL AMENDED: Apr 5, 1999

SUBJECT: School Retirement and Severance Liability.

FISCAL ANALYST: David Hoppmann

PHONE NUMBER: 232-9559

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) (1) This bill would authorize St. Joseph County's five school corporations (e.g., John Glenn, Penn-Harris-Madison, Mishawaka, South Bend, and Union North United) to issue bonds to implement solutions to contractual retirement or severance liability. It would require that such school corporations may issue bonds for this purpose only one time, and that the bonds must be issued before November 1, 1999. It would require a reduction in other property tax levies to offset the Debt Service Fund levy needed.

(2) This bill would authorize school corporations to establish retirement and severance liability stabilization funds, and to transfer money to those funds from their general funds. It would provide that money transferred to those funds may not be expended or transferred for five years.

(3) This bill would allow a political subdivision to donate proceeds from riverboat gaming to public school endowment corporations that meet certain conditions, and would define "public school endowment corporation".

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) (1) This provision would not result in a significant additional cost to the State Tax Board.

PTRC

The State's expense for property tax replacement credits (PTRC) could be kept from increasing under this bill if St. Joseph County's five school corporations choose to reduce either their General Fund or Transportation Fund in an amount equal to the property tax levy needed for debt service in accordance with the provisions of the bill.

PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any savings of PTRC expenditures would ultimately benefit the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) (2) This bill would authorize school corporations to establish retirement and severance liability stabilization funds, and to transfer money to those funds from their general funds. It would provide that money transferred to those funds may not be expended or transferred for five years, and that it be used solely for the purposes of paying retirement or severance liabilities.

The effects of this provision would vary from school corporation to school corporation, and would depend upon local action.

Explanation of Local Revenues: (Revised) (1) This bill would authorize St. Joseph County's five school corporations to issue bonds to implement solutions to contractual retirement or severance liability. It would require that these school corporations may issue bonds for this purpose only one time.

The effects of this bill would vary from school corporation to school corporation, and would depend upon local action.

(3) Under current law, in order to receive donations from a unit, foundations must be a charitable nonprofit community foundation, and must agree to do the following: 1) hold donations as permanent endowments; and 2) distribute income from donations only to the unit as directed by resolution of the unit's fiscal body. This bill would exempt public school endowment corporations from these provisions (when receiving donations of proceeds from riverboat gaming), and would allow both principal and income from such donations to be distributed to a public school endowment corporation. This bill would not affect other types of foundations.

This bill would allow school corporations to receive additional monies from public school endowment corporations than is possible under current statute. The effects of this bill would vary from school corporation to school corporation, and would depend upon local action.

The total number of public school endowment corporations in the State of Indiana is currently indeterminable. However, it is estimated that there are at least fifty in existence.

State Agencies Affected: State Tax Board.

Local Agencies Affected: St. Joseph County School Corporations; School Corporations.

Information Sources: Melissa Henson, State Tax Board, (317) 232-3773.