LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 6287 **DATE PREPARED:** Feb 25, 2000
BILL NUMBER: HB 1068 **BILL AMENDED:** Feb 24, 2000

SUBJECT: Creation of fire districts.

FISCAL ANALYST: Bob Sigalow; Bev Holloway
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FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) ***Multi-County Districts*:** This bill allows a municipality that is located in two counties to establish a fire protection district. It also repeals a conflicting provision.

***Cumulative Funds*:** The bill provides that the property tax levy limits do not apply to property taxes imposed by a fire protection district for a Cumulative Firefighting Building and Equipment Fund. It also specifies that money in a fire protection territory Equipment Replacement Fund may be used to purchase housing.

Effective Date: (Amended) Upon Passage; July 1, 2000; January 1, 2001.

Explanation of State Expenditures: (Revised) ***Cumulative Funds*:** This bill would allow fire protection districts to levy the Cumulative Building and Equipment Fund outside of the districts' maximum levies. Cumulative Building and Equipment Fund levies do not qualify for property tax replacement credit (PTRC). If a district currently chooses to impose the Cumulative Fund levy, then it may not use that levy authority for its General Fund. Consequently, the state does not pay PTRC on the Cumulative Fund portion of the maximum levy. If the district currently chooses to use its entire levy authority for its General Fund, then PTRC is paid on the entire levy.

The state would not incur any additional PTRC obligation for the districts that currently do not have cumulative funds. However, since four districts currently have cumulative fund levies totaling $141,039 (as explained below), the state's actual PTRC payment could rise by as much as $28,200 under this proposal. The state's potential obligation for PTRC really isn't impacted by this proposal since the districts can currently use their entire max levies for their General Funds if they chose to do so, with the state paying PTRC on the entire amount.

Although the potential levy that qualifies for PTRC is not affected by this provision, total property tax levies could rise if fire protection districts impose a levy for the cumulative fund. Homestead credits are paid on the entire amount of net taxes due from a homeowner. Since property tax bills could be increased by this provision, the amount needed to fund the state homestead credit could also be increased. If all of the districts adopt Cumulative Building and Equipment Funds, then homestead credits could increase by as much as $28,000 in CY 2001, $40,000 in CY 2002 and $25,000 in CY 2003. However, the actual fiscal impact is dependent on local action.

PTRC and Homestead credits are paid from the Property Tax Replacement Fund (PTRF). This fund is supplemented by the General Fund annually to meet obligations. An increase of expenditures from the PTRF would ultimately impact the General Fund. (The reduction in the possible homestead credit cost from CY 2001 to CY 2002 is due to the scheduled reduction of the homestead credit percentage from 10% to 4% in CY 2002.)

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) ***Multi-County Districts*****:** This bill establishes the procedure for the creation and dissolution of a fire district in a municipality that is located in two counties. There are 21 municipalities located in multiple counties. The creation of the new fire district requires the legislative body of each county to adopt an identical ordinance or resolution. The dissolution of the fire district requires the legislative body of each county to adopt an ordinance dissolving the district after determining in a public hearing that the district should be dissolved. The adoption of an ordinance or resolution and the required public hearings can be done within the existing budgets of each county legislative body.

The current statute (IC 36-8-11-26) regarding the purchasing of firefighting equipment applies to the new fire district.

Current law already allows two districts that are in different counties to merge if at least one-eighth of their aggregate boundaries coincide. Cross-county municipalities can currently establish one district in each county and then merge at a later date to form one district. Since this bill would enable the initial formation of the larger district without creating the smaller districts, the municipality could save the administrative expenses associated with the duplication of efforts required under current law.

Explanation of Local Revenues: ***Multi-County Districts*****:** The current statutes relating to a taxing district (IC 36-8-11-16), bonding (IC 36-8-11-17), annual budget (IC 36-8-11-18), and a tax levy (IC 36-8-11-18 and 19) for existing fire districts also applies to the newly created fire district. However, the budget of the new fire district must be approved by the county fiscal body and county board of tax adjustment in each county in the newly created district.

Cumulative Funds**:** Under current law, a county, municipality, township, or a fire protection district may impose a Cumulative Building and Equipment Fund tax rate not to exceed $0.10. The fund may be used to purchase or lease fire fighting and EMS equipment and to purchase, construct, or renovate buildings used for fire or EMS purposes. The levy for the fund is subject to the maximum permissible levy for fire protection districts, but it is not included in a township's maximum levy.

This bill would allow fire protection districts to also levy the Cumulative Building and Equipment Fund outside of the districts' maximum levies. In 1999, there were forty-five fire protection districts with a total statewide assessed value of $1.8 B. Four districts had levies for the Cumulative Building and Equipment Fund in CY 1999 totaling $141,039. If all of the districts adopted the cumulative fund rate at the $0.10 tax rate, the increase in the statewide total levy would be about $1.9 M in CY 2001, $2.0 M in CY 2002, and

$2.0 M in CY 2003. This is the maximum increase in tax levies for the currently organized districts under this proposal.

An increase in the district's levy could also cause an increase in the district's share of County Adjusted Gross Income Tax (CAGIT), County Option Income Tax (COIT), Excise Tax, and Financial Institutions Tax (FIT) revenues. These taxes are distributed to local units based on a unit's share of the total of all levies in the county. An increase in these revenues for the district would come at the expense of other units in the county.

The actual fiscal impact is dependent on local action.

State Agencies Affected:

Local Agencies Affected: Townships; Fire protection districts; The following cross-county municipalities: Albany (Delaware/Randolph); Ashley (Dekalb/Steuben); Batesville (Ripley/Fountain); Chesterfield (Madison/Delaware); Converse (Miami/Grant); Cumberland (Marion/Hancock); Dunkirk (Jay/Blackford); Edinburgh (Johnson/Bartholomew/Shelby); Elwood (Madison/Tipton); Glenwood (Rush/Fayette); Hamilton (Dekalb/Steuben); Jamestown (Boone/Hendricks); Kingsbury (Lake/LaPorte); Markle (Huntington/Wells); Milltown (Crawford/Harrison); Nappanee (Elkhart/Kosciusko); Otterbein (Benton/Tippecanoe); St. Paul (Decatur/Shelby); Shirley (Hancock/Henry); Wolcottville (Noble/Lagrange); and Zanesville (Wells/Allen).

Information Sources: Tonya Galbraith, Indiana Association of Cities and Towns, (317) 237-6200; Jim Cornwell (232-3773), State Board of Tax Commissioners; Local Government Database.