LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7171 **DATE PREPARED:** Jan 7, 2000
BILL NUMBER: HB 1225 **BILL AMENDED:**

SUBJECT: State and local administration.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that before a granting body may provide development assistance the granting body must adopt criteria for awarding the assistance and enter into an agreement with the person that will receive the assistance. It provides that the agreement must include certain employment and wage goals and provisions specifying the obligation to repay the assistance if the goals are not met. It requires the Department of State Revenue to publish a tax expenditure report and requires each county auditor to report certain information. This bill also requires the Department of Commerce to adopt a standardized information form that must be completed by any person applying for development assistance.

The bill provides that a person that receives state funds may not use those funds, either directly or indirectly, to discourage unionization by that person's employees or any other employees. It further provides that a person that knowingly authorizes or permits an expenditure of state funds to discourage unionization is liable to the state for civil damages of two times the amount of the expenditure, plus reasonable attorney's fees and costs. It also allows a taxpayer to bring an action to recover civil damages on behalf of the state.

Effective Date: July 1, 2000.

Explanation of State Expenditures: *Development Assistance Agreements:* This bill requires the Department of State Revenue (DOR) to produce an annual report containing the amount of uncollected revenues for certain development assistance, including tax credits and deductions. The DOR may incur some additional expenses as a result of this provision, but it is expected that these costs could be absorbed within the Department's budget.

Each county auditor must annually provide the State Board of Tax Commissioners certain information concerning property tax deductions and credits claimed during the preceding year. The Tax Board must compile and publish all data in the report in both written and electronic form and must also adopt a standardized disclosure form for use by the county auditors. The Tax Board may incur some additional expenses as a result of this provision, but it is expected that these costs could be absorbed within the Board's budget.

The bill requires the Indiana Department of Commerce (IDOC) to adopt a standardized information form that must be completed by any person applying for development assistance under any program or fund operated or administered by the state or a political subdivision. The bill also requires the IDOC to monitor development assistance provided by itself, other state agencies, and local entities. The IDOC would also be required to prepare annual reports regarding recipients assistance. It is estimated that the Department would need an additional PAT II level employee in order to meet the provisions of this bill. Annual salary, fringe, and indirect expenses for a PAT II level employee are estimated at $41,733 in FY 2001 and $41,588 in FY 2002.

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. As of December 1999, the Lieutenant Governor's Office had 20 vacant positions. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

State Funds and the Discouragement of Unionization: This bill provides that a person that receives state funds may not use, either directly or indirectly, those funds in whole or in part to discourage unionization by that person's employees or other employees. The Department of Labor (DOL) is required to adopt rules to implement the provisions of this bill. This bill establishes record keeping and filing requirements for a person who uses state funds to discourage unionization. The records are to be submitted to the DOL on a quarterly basis. The DOL may audit the records at anytime to ensure compliance with the provisions of this bill. The DOL is also required to hold a hearing to determine if a person has violated the provisions of this bill. The implementation of these provisions by DOL should have a minimal fiscal impact, and it is expected that these costs can be absorbed within DOL's existing budget.

If the DOL determines after a hearing that person has violated this provision, the person may not receive state funds. There would not be a reduction in state funds under this provision because it is expected that these funds would be allocated to another applicant.

This bill provides that every contract for the payment of state funds to a person must contain a covenant stating that the person receiving the state funds will comply with the provisions of this bill. There may be a minimal fiscal impact to the Department of Administration for the development and printing of the covenant. However, it is expected that these costs can be absorbed within the Department's existing budget.

Explanation of State Revenues: *Development Assistance Agreements:* State entities granting development assistance may receive repayment of all or a portion of the assistance granted if recipients do not comply with the goals and requirements stated in a development agreement.

The bill also provides that if a recipient of development assistance does not submit the required form to the IDOC by the date the information is due, the recipient must pay a civil penalty of $100 (up to a maximum of $1,000 per year) for each day past the due date.

State Funds and the Discouragement of Unionization: A person who knowingly authorizes or permits an expenditure of state funds in violation of the provisions of this bill is liable to the state for civil damages. This bill provides that the civil damages are equal to two times the amount of the expenditure, plus reasonable attorney's fee, and costs. The fiscal impact of this provision is indeterminable.

Explanation of Local Expenditures: *Development Assistance Agreements:* Each county auditor and local unit granting development assistance must provide annually to the State Board of Tax Commissioners certain information regarding property tax deductions, credits, and other assistance claimed during the preceding year. This provision could increase administrative expenses for county auditors and local units. The specific impact is indeterminable and would likely vary based on a local unit's record-keeping systems. However, the overall impact is not expected to be great.

Explanation of Local Revenues: *Development Assistance Agreements:* Local units granting development assistance may receive repayment of all or a portion of the assistance granted if recipients do not comply with the goals and requirements stated in a development agreement.

State Agencies Affected: Department of State Revenue, the State Board of Tax Commissioners, Indiana Department of Commerce, Department of Workforce Development, Department of Labor, Department of Administration.

Local Agencies Affected: County auditors, local units granting development assistance.

Information Sources: Leslie Richardson, Director, Division of Research, Indiana Department of Commerce (317) 232-8962.