

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6413
BILL NUMBER: SB 100

DATE PREPARED: Nov 16, 1999
BILL AMENDED:

SUBJECT: Bonds for school corporation retirement liability.

FISCAL ANALYST: Chuck Mayfield
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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes school corporations in St. Joseph County to issue bonds to implement solutions to contractual retirement or severance liability. The bill provides that those school corporations may issue bonds for this purpose only one time and that the bonds must be issued before December 2, 2000. The bill also requires a reduction in other property tax levies to offset the debt service levy needed.

Effective Date: July 1, 2000; December 2, 2000.

Explanation of State Expenditures: The state provides a Property Replacement Credit of about 20% for school General Fund and Transportation Fund levies but does not provide a replacement credit for school Debt Service Fund levies. To repay the bonds a school would have to increase their Debt Service Fund levy and reduce some other fund's property tax levy. If the school reduces its General Fund or Transportation Fund levy then Property Tax Replacement Credit the state would be required to pay would be less. If the school reduces its Capital Projects Fund levy then there is no state fiscal impact. (The state does not pay Property Tax Placement Credits for the Capital Project Fund.)

Explanation of State Revenues:

Explanation of Local Expenditures: The bill provides a method to fund possible solutions to contractual retirement or severance liability problems for schools in St. Joseph County. The bill could increase some levies for taxpayers depending on which other levy is reduced. As discussed above, the state pays about 20 cents of every General Fund or Transportation Fund levy dollar. If the school General Fund or Transportation Fund levies are reduced to fund the increase in the Debt Fund, then the local school would lose the Property Tax Replacement Credit on the reduction.

Explanation of Local Revenues:

State Agencies Affected: State Board of Tax Commissioners

Local Agencies Affected: School corporations in St. Joseph County

Information Sources: