Reprinted
January 28, 2000

SENATE BILL No. 21

DIGEST OF SB 21 (Updated January 28, 2000 12:30 PM - DI 92)

Citations Affected: IC 4-10; IC 6-1.1.

Synopsis: State spending limit. Limits increases in state expenditures to an amount based on the increase in inflation and population. Allows the general assembly to authorize additional spending through adoption of a concurrent resolution. Establishes the excess tax fund to receive certain state revenues that exceed the spending limit and provides that the fund is to be used to provide property tax relief programs enacted by the general assembly. Provides that the homestead credit percentage will remain at 10%. (Under current law, the credit percentage is scheduled to decrease from 10% to 4% in 2002.)

Effective: Upon passage.

Adams K, Kenley, Weatherwax, Clark, Waterman, Long, Skillman, Wheeler, Lawson C, Landske, Meeks R, Ford, Riegsecker, Bray, Meeks C, Jackman, Nugent, Paul, Miller, Lubbers, Wyss, Alting, Gard, Merritt, Server

November 16, 1999, read first time and referred to Committee on Rules and Legislative Procedure.
January 10, 2000, amended; reassigned to Committee on Finance.
January 24, 2000, amended, reported favorably — Do Pass.
January 28, 2000, read second time, amended, ordered engrossed.

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Reprinted
January 28, 2000

Second Regular Session 111th General Assembly (2000)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 1999 General Assembly.

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SENATE BILL No. 21

A BILL FOR AN ACT to amend the Indiana Code concerning state funds.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 4-10-20 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 20. State Fiscal Year Spending Limit

Sec. 1. (a) This chapter does not apply to the extent that payments for pensions, including accrued unfunded liability, and final court judgments on which the state is obligated to pay exceed the spending limits imposed by this chapter.

(b) This chapter does not apply to the extent that money expended from a reserve fund exceeds the spending limits imposed by this chapter if the initial transfer of the money into the reserve fund was included in the fiscal year spending of a previous state fiscal year.

Sec. 2. As used in this chapter, "CPI" refers to the United States Bureau of Labor Statistics Consumer Price Index for All Urban

Consumers for the U.S. City Average for All Items, or its successor index.

Sec. 3. As used in this chapter, "fiscal year spending" means all state governmental expenditures and reserve increases in a state fiscal year, except expenditures from the following:

(1) Money deposited into the excess tax fund established under section 10 of this chapter.

(2) Money received as gifts.

(3) Federal funds.

(4) Money collected for another government.

(5) Pension contributions by employees and pension fund earnings.

(6) Money received from damage awards.

(7) Money received from property sales.

(8) Money received from settlement awards.

(9) State dedicated funds.

Sec. 4. As used in this chapter, "inflation" means, with respect to any fiscal year, the lesser of:

(1) the percentage change between:

(A) the quotient of:

(i) the sum of the CPI for the twelve (12) months ending in April of the calendar year before the adoption of the state biennial budget; divided by

(ii) twelve (12); and

(B) the quotient of:

(i) the sum of the CPI for the twelve (12) months ending in April of the calendar year before the calendar year described in clause (A); divided by

(ii) twelve (12); or

(2) six percent (6%).

Sec. 5. As used in this chapter, "maximum annual percentage change in fiscal year spending" means the sum of the following:

(1) Inflation with respect to the fiscal year in question, as calculated under section 4 of this chapter.

(2) The annual percentage rate of change in population.

(3) One percent (1%).

Sec. 6. As used in this chapter, "population" means:

(1) the number of residents of the state as estimated by the United States Bureau of the Census each year; or

(2) the number of residents of the state as counted by the United States Bureau of the Census in a decennial census.

Sec. 7. As used in this chapter, "state fiscal year" means the

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twelve (12) month period beginning July 1 in a calendar year.

Sec. 8. Before July 1 of calendar year 2000 and each even-numbered year thereafter, the department of state revenue shall:

(1) certify to the governor and the legislative council:

(A) the inflation amount calculated under section 4 of this chapter; and

(B) the annual percentage rate of change in population as reported in the most recent population estimate report of the United States Bureau of Census; and

(2) release the information certified under subdivision (1) to the general public.

Sec. 9. (a) This subsection applies to a state fiscal year beginning July 1 of calendar year 2001 and each odd-numbered year thereafter. The state may not increase fiscal year spending more than the maximum annual percentage change in fiscal year spending applicable to that state fiscal year.

(b) This subsection applies to a state fiscal year beginning July 1 of calendar year 2002 and each even-numbered year thereafter. State fiscal year spending may not exceed the amount determined under the following STEPS:

STEP ONE: Determine the amount of state fiscal year spending permitted under subsection (a).

STEP TWO: Multiply the STEP ONE amount by the maximum annual percentage change in fiscal year spending applicable to the previous state fiscal year.

STEP THREE: Add the amount resulting from STEP TWO to the STEP ONE amount.

(c) If the general assembly considers it necessary to spend beyond the spending limit imposed by this chapter, the general assembly may do so by adopting a concurrent resolution approved by a majority of both houses of the general assembly. The resolution must state:

(1) that the general assembly desires to budget and spend more funds than permitted by IC 4-10-20; and

(2) the reasons necessitating the excess spending.

Upon passage of such a resolution, a cause of action may not be initiated under section 12 of this chapter if the excess spending results from passage of the resolution and the reasons for the excess spending stated in the resolution.

Sec. 10. If revenue from sources not excluded from fiscal year spending exceeds the spending limit imposed under this chapter for

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that state fiscal year, the excess must be deposited into the excess tax fund established under section 11 of this chapter to be used for property tax relief programs enacted by the general assembly.

Sec. 11. (a) The excess tax fund is established for the purpose of providing property tax relief under programs enacted by the general assembly. The fund shall be administered by the treasurer of state.

(b) The expenses of administering the fund shall be paid from money in the fund.

(c) The treasurer of state shall invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.

(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 12. This chapter may be enforced in a private individual or class action suit. Successful plaintiffs are allowed costs and reasonable attorney's fees. The state may recover costs and reasonable attorney's fees under this chapter only if a suit against it is ruled frivolous. Revenue collected illegally, kept illegally, or spent illegally for the four (4) state fiscal years preceding the date that the suit is filed shall be deposited in the excess tax fund commencing for each state fiscal year on the date the state exceeds the spending limitation imposed for that state fiscal year under this chapter.

SECTION 2. IC 6-1.1-20.9-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) Except as otherwise provided in section 5 of this chapter, an individual who on March 1 of a particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a credit against the property taxes which the individual pays on the individual's homestead. However, only one (1) individual may receive a credit under this chapter for a particular homestead in a particular year.

(b) The amount of the credit to which the individual is entitled equals the product of:

(1) the percentage prescribed in subsection (d); multiplied by

(2) the amount of the individual's property tax liability, as that term is defined in IC 6-1.1-21-5, which is attributable to the homestead during the particular calendar year.

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all

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deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 ~~through 2001~~ **and thereafter**	10%
~~2002 and thereafter~~	~~4%~~

However, the property tax replacement fund board established under IC 6-1.1-21-10, in its sole discretion, may increase the percentage of the credit provided in the schedule for any year, if the board feels that the property tax replacement fund contains enough money for the resulting increased distribution. If the board increases the percentage of the credit provided in the schedule for any year, the percentage of the credit for the immediately following year is the percentage provided in the schedule for that particular year, unless as provided in this subsection the board in its discretion increases the percentage of the credit provided in the schedule for that particular year. However, the percentage credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

(e) Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit has been properly filed under this chapter.

(f) The county auditor shall apply the credit equally to each installment of taxes that the individual pays for the property.

(g) Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the credit provided by this chapter if:

(1) an individual uses the residence as the individual's principal place of residence;

(2) the residence is located in Indiana;

(3) the individual has a beneficial interest in the taxpayer;

(4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence;

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and
(5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.
SECTION 3. **An emergency is declared for this act.**

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SENATE MOTION

Mr. President: I move that Senator Garton be removed as author of Senate Bill 21 and that Senator Adams K be substituted therefor.

GARTON

SENATE MOTION

Mr. President: I move that Senator Kenley be added as coauthor of Senate Bill 21.

ADAMS K

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COMMITTEE REPORT

Mr. President: The Senate Committee on Rules and Legislative Procedure, to which was referred Senate Bill No. 21, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning state funds.

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

(Reference is to SB 21 as introduced.)

and when so amended that said bill be reassigned to the Senate Committee on Finance.

GARTON, Chairperson

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SENATE MOTION

Mr. President: I move that Senator Kenley be removed as coauthor of Senate Bill 21.

KENLEY

SENATE MOTION

Mr. President: I move that Senator Kenley be added as second author of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senators Weatherwax and Clark be added as coauthors of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Waterman be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Long be added as coauthor of Senate Bill 21.

ADAMS K

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SENATE MOTION

Mr. President: I move that Senator Skillman be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senators Wheeler and Lawson C be added as coauthors of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Landske be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Meeks R be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Ford be added as coauthor of Senate Bill 21.

ADAMS K

C o p y

SENATE MOTION

Mr. President: I move that Senator Riegsecker be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Bray be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Meeks C be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Jackman be added as coauthor of Senate Bill 21.

ADAMS K

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SENATE MOTION

Mr. President: I move that Senators Nugent and Paul be added as coauthors of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Miller be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Lubbers be added as coauthor of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senators Wyss, Alting, Gard and Merritt be added as coauthors of Senate Bill 21.

ADAMS K

SENATE MOTION

Mr. President: I move that Senator Server be added as coauthor of Senate Bill 21.

ADAMS K

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COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred Senate Bill No. 21, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Replace the effective date in SECTION 1 with "[EFFECTIVE UPON PASSAGE]".

Page 1, line 2, delete "SECTION" and insert "CHAPTER".

Page 1, line 3, delete "Sec. 1.", begin a new paragraph and insert:

"**Chapter 20. State Fiscal Year Spending Limit**

Sec. 1. (a)".

Page 1, between lines 6 and 7, begin a new paragraph and insert:

"**(b) This chapter does not apply to the extent that money expended from a reserve fund exceeds the spending limits imposed by this chapter if the initial transfer of the money into the reserve fund was included in the fiscal year spending of a previous state fiscal year.**".

Page 1, line 8, delete "Indiana, all".

Page 1, line 9, delete "items, all urban customers," and insert "**All Urban Consumers for the U.S. City Average for All Items,**".

Page 1, line 12, after "except" insert "**expenditures from**".

Page 1, line 13, delete "Refunds made in the current or next state fiscal year." and insert "**Money deposited into the excess tax fund established under section 10 of this chapter.**".

Page 1, line 14, delete "Gifts." and insert "**Money received as gifts.**".

Page 2, line 1, delete "Collections" and insert "**Money collected**".

Page 2, delete line 4.

Page 2, line 5, delete "(7) Damage" and insert:

"**(6) Money received from damage**".

Page 2, line 6, delete "(8) Property" and insert:

"**(7) Money received from property**".

Page 2, between lines 6 and 7, begin a new line block indented and insert:

"**(8) Money received from settlement awards.**

(9) State dedicated funds.".

Page 2, line 10, delete "CPI as last reported in the calendar year that" and insert "**quotient of:**

(i) the sum of the CPI for the twelve (12) months ending in April of the calendar year before the adoption of the state biennial budget; divided by

(ii) twelve (12);".

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Page 2, delete line 11.

Page 2, line 13, delete "CPI as last reported in the calendar year that ended" and insert "**quotient of:**

(i) the sum of the CPI for the twelve (12) months ending in April of the calendar year before the calendar year described in clause (A); divided by

(ii) twelve (12); or".

Page 2, delete line 14.

Page 2, delete lines 23 through 28, begin a new paragraph and insert:

"**Sec. 7. Before July 1 of calendar year 2000 and each even-numbered year thereafter, the department of state revenue shall:**

(1) certify the inflation amount calculated under section 4 of this chapter to the governor and the legislative council; and

(2) release the information certified under subdivision (1) to the general public.

Sec. 8. (a) This subsection applies to a state fiscal year beginning in an odd-numbered year. The state may not increase fiscal year spending more than the maximum annual percentage change in fiscal year spending applicable to that state fiscal year.

(b) This subsection applies to a state fiscal year beginning in an even-numbered year. State fiscal year spending may not exceed the amount determined under the following STEPS:

STEP ONE: Determine the amount of state fiscal year spending permitted under subsection (b).

STEP TWO: Multiply the STEP ONE amount by the maximum annual percentage change in fiscal year spending applicable to the previous state fiscal year.

STEP THREE: Add the amount resulting from STEP TWO to the STEP ONE amount.

(c) If the general assembly considers it necessary to spend beyond the spending limit imposed by this chapter, the general assembly may do so by adopting a concurrent resolution approved by a majority of both houses of the general assembly. The resolution must state:

(1) that the general assembly desires to budget and spend more funds than permitted by IC 4-10-20; and

(2) the reasons necessitating the excess spending.

Upon passage of such a resolution, a cause of action may not be initiated under section 11 of this chapter if the excess spending results from passage of the resolution and the reasons for the

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excess spending stated in the resolution.".

Page 2, line 29, delete "8" and insert "**9**".

Page 2, line 31, delete "shall be refunded in the next state".

Page 2, line 32, delete "fiscal year." and insert "**must be deposited into the excess tax fund established under section 10 of this chapter to be used for property tax relief programs enacted by the general assembly.**".

Page 2, delete lines 33 through 39, begin a new paragraph and insert:

"**Sec. 10. (a) The excess tax fund is established for the purpose of providing property tax relief under programs enacted by the general assembly. The fund shall be administered by the treasurer of state.**

(b) The expenses of administering the fund shall be paid from money in the fund.

(c) The treasurer of state shall invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.

(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.".

Page 2, line 40, delete "10" and insert "**11**".

Page 3, line 4, delete "refunded" and insert "**deposited in the excess tax fund**".

Page 3, line 6, delete "Subject to judicial review, the state".

Page 3, delete lines 7 through 10, begin a new paragraph and insert:

"SECTION 2. **An emergency is declared for this act.**".

and when so amended that said bill do pass.

(Reference is to SB 21 as reprinted January 13, 2000.)

BORST, Chairperson

Committee Vote: Yeas 9, Nays 4.

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SENATE MOTION

Mr. President: I move that Senate Bill 21 be amended to read as follows:

Page 4, between lines 12 and 13, begin a new paragraph and insert:

"SECTION 2. IC 6-1.1-20.9-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) Except as otherwise provided in section 5 of this chapter, an individual who on March 1 of a particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a credit against the property taxes which the individual pays on the individual's homestead. However, only one (1) individual may receive a credit under this chapter for a particular homestead in a particular year.

(b) The amount of the credit to which the individual is entitled equals the product of:

(1) the percentage prescribed in subsection (d); multiplied by

(2) the amount of the individual's property tax liability, as that term is defined in IC 6-1.1-21-5, which is attributable to the homestead during the particular calendar year.

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 ~~through 2001~~ **and thereafter**	10%
~~2002 and thereafter~~	~~4%~~

However, the property tax replacement fund board established under IC 6-1.1-21-10, in its sole discretion, may increase the percentage of the credit provided in the schedule for any year, if the board feels that the property tax replacement fund contains enough money for the resulting increased distribution. If the board increases the percentage of the credit provided in the schedule for any year, the percentage of the credit for the immediately following year is the percentage provided in the schedule for that particular year, unless as provided in this

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subsection the board in its discretion increases the percentage of the credit provided in the schedule for that particular year. However, the percentage credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

(e) Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit has been properly filed under this chapter.

(f) The county auditor shall apply the credit equally to each installment of taxes that the individual pays for the property.

(g) Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the credit provided by this chapter if:

(1) an individual uses the residence as the individual's principal place of residence;

(2) the residence is located in Indiana;

(3) the individual has a beneficial interest in the taxpayer;

(4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence; and

(5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.".

Renumber all SECTIONS consecutively.

(Reference is to SB 21 as printed January 25, 2000.)

KENLEY

SENATE MOTION

Mr. President: I move that Senate Bill 21 be amended to read as follows:

Page 2, line 32, after "means" insert "**the sum of the following**".

Page 2, line 33, delete "inflation" and insert "**Inflation**".

Page 2, line 34, after "chapter" delete "; plus" and insert "**.**".

Page 2, between lines 34 and 35, begin a new line block indented and insert:

"**(2) The annual percentage rate of change in population.**".

Page 2, line 35, delete "(2) one" and insert "**(3) One**".

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Page 2, between lines 35 and 36, begin a new paragraph and insert:

"**Sec. 6. As used in this chapter, "population" means:**

(1) the number of residents of the state as estimated by the United States Bureau of the Census each year; or

(2) the number of residents of the state as counted by the United States Bureau of the Census in a decennial census.".

Page 2, line 36, delete "6." and insert "**7.**".

Page 2, line 38, delete "7." and insert "**8.**".

Page 2, line 41, delete "the inflation amount calculated under section 4 of" and insert "**to the governor and the legislative council:**

(A) the inflation amount calculated under section 4 of this chapter; and

(B) the annual percentage rate of change in population as reported in the most recent population estimate report of the United States Bureau of Census; and".

Page 2, delete line 42.

Page 3, line 3, delete "8." and insert "**9.**".

Page 3, line 4, delete "in an" and insert "**July 1 of calendar year 2001 and each**".

Page 3, line 4, after "year" insert "**thereafter**".

Page 3, line 7, delete "in an" and insert "**July 1 of calendar year 2002 and each**".

Page 3, line 8, after "year" insert "**thereafter**".

Page 3, line 11, delete "(b)" and insert "**(a)**".

Page 3, line 26, delete "11" and insert "**12**".

Page 3, line 29, delete "9." and insert "**10.**".

Page 3, line 32, delete "10" and insert "**11**".

Page 3, line 34, delete "10." and insert "**11.**".

Page 4, line 4, delete "11." and insert "**12.**".

Page 4, line 8, after "collected" insert "**illegally**".

Page 4, line 8, after "kept" insert "**illegally**".

(Reference is to SB 21 as printed January 25, 2000.)

KENLEY

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