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**FISCAL IMPACT STATEMENT**

**LS 7665**

**BILL NUMBER:** SB 524

**NOTE PREPARED:** May 3, 2007

**BILL AMENDED:** Apr 28, 2007

**SUBJECT:** IFA and IEDC Programs.

**FIRST AUTHOR:** Sen. Hershman

**FIRST SPONSOR:** Rep. Mays

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** *Definitions:* The bill provides that the definitions in the law establishing the Indiana Finance Authority (IFA) apply throughout all the other laws administered by the IFA. It also replaces references to the "secretary" or "secretary-treasurer" of the IFA with "public finance director".

*Transfers:* It abolishes the Indiana Health and Educational Facility Financing Authority (IHEFA) and transfers its powers and duties to the IFA. The bill also transfers the following programs from the IFA to the Indiana Economic Development Corporation (IEDC):

- (1) Shovel Ready Site Development Center;
- (2) Capital Access Program;
- (3) Industrial Development Loan Guaranty Program;
- (4) Agricultural Loan and Rural Development Project Fund; and
- (5) Business Development Loan Fund.

It makes conforming changes.

*Repeal:* The bill also repeals: (1) provisions in the law governing the Health and Educational Facility Financing Authority that are also included in the law governing the IFA; and (2) provisions that are relocated from the statutes governing the IFA to the statutes governing the IEDC.

It makes other conforming and transitional changes.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** This bill addresses financial entities created by the General Assembly that are public bodies corporate and politic, and separate from the state. To the extent that these entities are separate from the state, the bill would not have a fiscal impact on state government. However, these entities provide essential state services. Therefore, any benefits from management and market efficiencies that may be achieved by the financial entities affect costs to the state for the services provided.

*Transfer of Authority from IHEFA to the IFA:* In 2005, the Health Facility Financing Authority and the Educational Facilities Authority were combined into a single authority. Under the bill, the single authority, the IHEFA, would be abolished and its authority transferred to the IFA. Since the costs of administering IHEFA are included in the IFA operations currently, the transfer would primarily reduce administrative costs for its governing body.

*Background on Indiana Health and Education Finance Authority:* The IHEFA is a body politic and corporate, not a state agency, but an independent public instrumentality exercising essential public functions. The IHEFA is governed by a seven-member panel, including the Governor or the Governor's designee, the Public Finance Director or the Director's designee, the State Health Commissioner or the State Health Commissioner's designee, and four members appointed by the Governor (two of whom must be knowledgeable in health care or public finance and investment matters related to health care and two of whom must be knowledgeable in higher education or public finance and investment matters related to higher education).

*Transfer of Programs from IFA to Indiana Economic Development Corporation:* To the extent that programs are transferred from the IFA to the Indiana Economic Development Corporation (IEDC), there will be no change in administrative costs. Any efficiency gains from the transfer will be based on administrative actions.

*Background on the Indiana Finance Authority:* The Indiana Constitution does not allow the state to undertake debt except in certain circumstances. The General Assembly has established the IFA as the single decision-making body concerning access to the capital and financial markets in the name of, or for the benefit of, the state. The IFA, a separate body corporate and politic, issues bonds or notes through public or private sale that are exempt from state taxes. The proceeds of the bonds or notes may be lent for any purpose that a controlled entity would borrow for or for the state revolving fund program. The Board may establish and maintain a reserve fund for one or more issues of bonds or notes.

*Background on the Indiana Economic Development Corporation:* The IEDC is a body politic and corporate, not a state agency but an independent instrumentality exercising essential public functions. The IEDC creates and updates a Strategic Economic Development Plan, establishes strategic benchmarks and performance measures, monitors and reports on Indiana's economic performance, markets Indiana to businesses worldwide, assists Indiana businesses that want to grow, solicits funding from the private sector for selected initiatives, provides for the orderly economic development and growth of Indiana, establishes and coordinates the operation of programs commonly available to all citizens of Indiana to implement a strategic plan for the state's economic development and enhance the general welfare, and evaluates and analyzes the state's economy to determine the direction of future public and private actions.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Finance Authority; Indiana Economic Development Corporation; Indiana Health and Education Finance Authority.

**Local Agencies Affected:**

**Information Sources:**

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