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FISCAL IMPACT STATEMENT

LS 7098

BILL NUMBER: HB 1297

NOTE PREPARED: Jan 28, 2010

BILL AMENDED:

SUBJECT: Financing Public University Projects.

FIRST AUTHOR: Rep. Klinker

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill makes changes in the law governing the financing of capital projects by state educational institutions. The bill repeals a requirement that certain revenue bonds be approved in an appropriation act of the General Assembly.

Effective Date: Upon passage.

Explanation of State Expenditures: The bill has several provisions that may streamline the state educational institutions' bonding and financing. It is unknown how the bill might affect this financing.

The bill specifies that the term "bond" includes notes but does not include:

1. Certificates of participation in lease purchase agreements;
2. Installment contracts; or
3. Instruments similar to installment contracts or certificates of participation in lease contracts.

The bill defines check to include electronic transfer by wire transfer or other similar means for the 1% of principal check required for the institution in accepting a bid for bonds, other than a bid submitted by the federal government.

The bill increases from 80% to 100% of the grant as the amount a state educational institution can borrow in grant anticipation loans. The bill also requires the repayment of the loan to be structured so as to amortize and pay interest on the loan in accordance with anticipated receipts of the grant.

The bill allows state educational institutions to issue bonds for refunding or advance funding of bonds with

Budget Agency approval, instead of the Budget Agency's, Budget Committee's, and Governor's approval, if the board of trustees provides that the bonding will create a savings to the state educational institution.

The bill expands the definition of "building facility" to include software and the cost of customization, installation, and training. This provision would allow state educational institutions to bond for software and training on software and equipment. The impact would depend on the project.

The bill defines "research intensive state educational institution" to be Purdue University and allows the institution to issue bonds for research-related activities as outlined in the bill without the prior approval of the General Assembly so long as the projects are not eligible for fee replacement or state financing of the projects.

Background: The 2009 General Assembly authorized \$472.15 M in bonding authority for state educational institutions. Of the \$472.15 M authorized, \$281.35 M was eligible for fee replacement.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State educational institutions.

Local Agencies Affected:

Information Sources:

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