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FISCAL IMPACT STATEMENT

LS 6787

BILL NUMBER: HB 1068

NOTE PREPARED: Dec 27, 2011

BILL AMENDED:

SUBJECT: Fire protection territories.

FIRST AUTHOR: Rep. Bacon

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill specifies the factors that the Department of Local Government Finance (DLGF) shall consider when a civil taxing unit (unit) requests an increase in the unit's maximum property tax levy to meet the unit's obligations to a fire protection territory.

This bill also provides that ten or more taxpayers may file a petition with the DLGF requesting the DLGF to reduce the maximum property tax levy and the actual property tax levy for a taxing unit that is the provider unit of a fire protection territory. It specifies the factors the DLGF must consider if such a petition is filed.

Effective Date: July 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, the legislative bodies of at least two contiguous taxing units may establish a fire protection territory (FPT). All units involved in the FPT are participating units, one of which is the provider unit. During the first three years of the territory's existence, the participating units each impose a property tax levy to support the FPT. After three years, the provider unit imposes a levy and tax rate upon all of the property in the FPT and the other participating units' levies for fire protection are eliminated.

Currently, in the year before the first year that a levy to support the FPT is imposed, a civil taxing unit may petition the DLGF for an increase in its maximum levy to meet its obligations to the FPT. The DLGF may grant increases over a three-year period. In determining the allowable levy increase, The DLGF must consider the amount that the taxing unit must provide to meet the expenses of the FPT, including allowing for a reasonable operating balance.

Under this bill, the DLGF would instead be required to consider:

- 1) Budgets, levies, and tax rates in the area to be served by the FPT before the creation of the FPT;
- 2) Whether the requested increase is reasonable due to a population increase within the FPT; and
- 3) Any other factors determined by the DLGF.

The bill would also permit a petition by 10 or more taxpayers asking the DLGF to reduce the provider unit's maximum levy. If a petition is filed, the DLGF could reduce the provider unit's maximum levy. The DLGF would be required to consider population changes, assessed valuation changes, the cost of providing fire service, comparisons to similar jurisdictions, previous fire protection tax rates and levies, future needs, and other factors determined by the DLGF.

This bill could result in a reduction of maximum levies for FPT provider units in some cases if (1) the DLGF evaluates maximum levy relief requests differently, or (2) taxpayers in a fire protection territory file a successful petition to reduce the maximum levy. There are currently 40 fire protection territories with a total 2011 property tax levy of \$35.4 M.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Fire protection territories.

Information Sources: Local Government Database, DLGF.

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