

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7449

BILL NUMBER: HB 1585

NOTE PREPARED: Mar 31, 2013

BILL AMENDED: Mar 28, 2013

SUBJECT: Township and municipal matters.

FIRST AUTHOR: Rep. Slager

FIRST SPONSOR: Sen. Hershman

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) *Distressed Unit:* This bill provides that if a township's township assistance (TA) property tax rate for property taxes first due and payable in 2014 or any year thereafter is more than 12 times the statewide average TA property tax rate (as determined by the Department of Local Government Finance [DLGF]), the Distressed Unit Appeal Board (DUAB) may designate the township as a distressed political subdivision (effective on January 1 of the following year) regardless of whether the township has submitted a petition requesting to be designated as a distressed political subdivision.

Maximum Levies: The bill provides that if a township's TA property tax rate for property taxes first due and payable in 2013 or any year thereafter is more than 12 times the statewide average TA property tax rate (as determined by the DLGF), the DLGF shall, beginning with property taxes first due and payable in the following year, do the following:

- (1) Remove the TA property tax levy from the maximum property tax levy for the township's general fund.
- (2) Require the township to separate its TA property tax levy into two property tax levies (a TA benefits property tax levy and a TA administration property tax levy).
- (3) Calculate a separate maximum permissible property tax levy for those two tax levies.

The bill provides that the DLGF shall determine the initial maximum property tax levy for a township's TA administration property tax levy. It specifies the manner in which the initial maximum property tax levy for the TA benefits property tax levy is determined.

Territory Transfer: This bill allows a municipality containing any territory that is:

(1) located in a township with a TA property tax rate that for property taxes first due and payable in 2015 or any year thereafter is more than 12 times the statewide average TA property tax rate; and
(2) adjacent to another township;
to have territory of the municipality transferred to an adjacent township if certain conditions are satisfied.

It provides that if sufficient voters of the municipality submit a petition requesting a transfer of such territory, a referendum shall be held on the transfer. The bill specifies that if at least two-thirds of the voters of the municipality who vote in the referendum vote to approve the transfer, the legislative body of the municipality may, within the one year period after the referendum, submit a petition to one or more adjacent townships requesting the adjacent township to accept the transfer of the territory of the municipality.

The bill provides that if the legislative body of an adjacent township adopts a resolution accepting the transfer of the territory, that territory of the municipality is transferred to and becomes part of the township adopting the resolution.

The bill also provides that if no adjacent township adopts a resolution accepting the transfer of an eligible municipality's property:

- (1) the territory of the eligible municipality is not transferred; and
- (2) a subsequent referendum on the transfer of the eligible municipality's territory may not be held.

Study: This bill requires the Commission on State Tax and Financing Policy to study the following issues in 2013:

- (1) The administrative costs of providing township assistance.
- (2) The reporting of the administrative costs of providing township assistance.

Effective Date: (Amended) Upon Passage; July 1, 2013.

Explanation of State Expenditures: (Revised) *Maximum Levies:* The DLGF would be required to determine a township's initial TA administration maximum levy in a year when the township's maximum levy is split into general, TA administration, and TA benefits.

(Revised) *Study:* The Commission on State Tax and Financing Policy meets regularly during legislative interims. It is likely that the additional study topics could be incorporated into the regularly scheduled meetings of the Commission.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Distressed Unit:* Under this provision, the DUAB may, on its own motion, designate any township as a distressed unit if the township's total 2014 or later TA tax rate is more than 12 times as high as the state average TA tax rate for that year. A designation as a distressed unit by the DUAB would be effective on January 1 of the following year.

Under current law, the DUAB appoints an emergency manager for a civil taxing unit designated as a distressed political subdivision. The emergency manager assumes all authority and responsibilities of both the executive and the fiscal body concerning the adoption, amendment, and enforcement of ordinances and resolutions that affect the unit's fiscal stability. The manager may not impose new taxes or fees.

The manager's duties include a review of budgets, salaries, payroll, contracts, and other claims, the conduct of a financial audit, the development of a financial plan and a plan to pay obligations, and budget adoption. The manager may also renegotiate contracts, reduce or suspend salaries, and contract with other taxing units to provide services.

The distressed unit must pay the emergency manager's compensation and reimburse the emergency manager for actual and necessary expenses.

Explanation of Local Revenues: (Revised) *Maximum Levies:* Under this bill, the nonfire township maximum levy would be separated into three separate maximum levies if a township's 2013 or later TA tax levy is more than 12 times as high as the state average TA tax rate for that year.

For the affected townships, the ensuing year's maximum levy for TA administration would be determined by the DLGF. The maximum levy for TA benefits would equal the TA property tax levy in the qualifying year minus the amount calculated for the TA administration maximum levy, then increased by the usual maximum levy growth quotient.

The remaining nonfire maximum levy for the ensuing year would be reduced by the two TA maximum levy amounts. Overall, the total township maximum levies would be unchanged by this bill.

While total maximum levies would not be affected, the amounts available separately for administration and benefits may or may not fit the existing spending patterns of a township. If the resulting maximum levy for either component is lower than current spending, then the township would have to curtail spending for that component. If the resulting maximum levy for either component is higher than the amount needed, then the township could reduce the property tax levy for that component.

Background: Calumet Township in Lake County is the only township that had a TA fund tax rate exceeding the statewide average rate by a multiple of 12 or more in 2013. The state average TA tax rate in 2013 was \$0.0149 per \$100 of assessed value. The 2013 Calumet Township TA tax rate of \$0.3371 was 22.6 times the average. The next closest townships were Wayne Township in Allen County and Center Township in Delaware County, both with tax rates equal to about 8.4 times the 2013 average.

Territory Transfer: An analysis was performed to estimate the impact if the Griffith territory were to be transferred from Calumet Township to St. John Township in 2016. Under the bill, Griffith may petition any adjacent township to accept transfer, but for purposes of this analysis, it was assumed that all of Griffith would be a part of St. John Township. It was also assumed that \$25,000 would be transferred from Calumet Township's levy to St. John Township's levy to pay for township assistance in Griffith.

Based on estimated assessed values and levies for taxes payable in CY 2016, this bill could result in a higher TA tax rate for Calumet Township and a lower total tax rate for most taxpayers in Griffith.

The earliest that a transfer could be made under this bill is for taxes payable in 2016. The transfer of territory from Calumet Township would reduce the township's 2016 AV tax base by 16.6% from an estimated \$3.10 B to \$2.58 B. The AV reduction for Calumet Township would cause an increase in Calumet Township's total tax rate from an estimated \$0.35 per \$100 AV to \$0.42 in 2016. There would be virtually no change in the St. John Township tax rate. The total district tax rate for taxpayers in the affected portion of Griffith would be reduced from an estimated rate of \$3.67 to \$3.33.

Changes in the total tax rate for any taxpayer would impact net tax bills and revenue losses due to the circuit breaker caps for any taxing units that intersect with Calumet Township and Griffith.

Total circuit breaker losses for civil taxing units and schools would increase by an estimated \$974,000. Net tax bills would be reduced by an estimated \$1,010,000. The resulting net revenues would increase for some taxing units and decrease for other units. Net TIF revenues (after changes in both gross taxes and circuit breaker losses) would decline by about \$36,000. (Please see the table at the end of this document for the estimated impact on net revenues by taxing unit.)

Additional Information: There are three municipalities that are at least partially located in Calumet Township. The city of Gary accounts for 76% of the township's net AV. Griffith makes up 17.9% of the AV, and Lake Station accounts for 0.1% of the township's AV. The remaining 6% of Calumet Township's AV is attributable to unincorporated areas.

A small portion of Griffith is already located in St. John Township. This analysis estimates the impact if the remaining Griffith territory were to be transferred from Calumet Township to St. John Township.

State Agencies Affected: Department of Local Government Finance; Distressed Unit Appeal Board.

Local Agencies Affected: Calumet Township in Lake County; Town of Griffith; Other civil taxing units and school corporations in Lake County.

Information Sources: LSA Property Tax Database; Local Government Database.

Fiscal Analyst: Bob Sigalow, 317-232-9859.

Estimated Change in Net Revenue

Taxing Unit	2016
Lake County	36,777
Calumet Township	-727,998
St. John Township	23,776
Gary Civil City	-409,656
Crown Point Civil City	1
Lake Station Civil City	-773
Griffith Civil Town	217,037
Dyer Civil Town	11
St. John Civil Town	6
Schererville Civil Town	3
Lake Central School Corp	18
Lake Ridge School Corp	-19,687
Lake Station School Corp	-323
Gary Community School Corp	-167,482
Griffith Public School Corp	139,193
Gary Public Library	-39,981
Lake County Public Library	16,752
Gary Airport	-10,033
Gary Redevelopment	-1,546
Gary Public Transportation	-22,380
Lake Ridge Fire Protection	-3,287
Town Of Dyer Sanitary Dist	1
Lake County Solid Waste Mgt Dist	1,471
Gary Storm Water Management	-6,189
Total All Units	-974,289
TIF (By Taxing District)	
45003_Gary Corp Cal Twp Lake Ridge Sch	188
45004_Gary Corp Cal Twp Gary Sch	1,452
45006_Griffith Corp Calumet Twp	-37,760
Total TIF	-36,120
Grand Total	-1,010,409