

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

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FISCAL IMPACT STATEMENT

LS 6189
BILL NUMBER: HB 1011

NOTE PREPARED: Feb 17, 2022
BILL AMENDED: Jan 13, 2022

SUBJECT: Sale of Capital Asset.

FIRST AUTHOR: Rep. Aylesworth
FIRST SPONSOR: Sen. Niemeyer

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill requires the fiscal body of a town to that receives proceeds from the sale of a capital asset made after December 15, 2021, and before January 1, 2023, to contract with a financial institution eligible to receive public funds of a political subdivision to assist the town in its investment program.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Investment income from the fund could offset or expand expenditures of a town that invests proceeds as provided in the bill. The town must also contract with a financial institution eligible to receive public funds of a political subdivision to assist in its investment program.

Additional Information - Current law requires a town to contract with a registered investment advisor. There are no restrictions on the advisor's fees. If the town contracts with an investment manager, fees will be restricted in the separate fund, which could provide cost savings.

Explanation of Local Revenues: The bill allows for a town to invest the proceeds from the sale of a large capital asset by separating the proceeds into a fund. This method provides for more investment options than would otherwise be allowed for town funds, which potentially increases investment revenue to the fund, along with increased risk of investments. Interest earned during the year that exceeds 5% of the balance at

the start of the year is considered part of the principal, and expenditures of the principal would require unanimous agreement of the town council.

Money in a fund established under the bill could be invested as the Next Generation Trust Fund may be invested, which potentially increases the interest revenue to the fund and the risk of the investments. Any fiscal impact of the bill will result from investment practices undertaken by the town, the advice of its investment advisors, and the investments of its investment managers.

Additional Information: The Next Generation Trust Fund may be invested as money is invested by the Indiana Public Retirement System. However, the money may not be invested in equity securities. Funds must be invested according to the prudent investor rule, which is found in IC 30-4-3.5. Further, the Next Generation Trust Fund trustee may contract with investment management professionals, investment advisors, and legal counsel.

State Agencies Affected:

Local Agencies Affected: Towns.

Information Sources:

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