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FISCAL IMPACT STATEMENT

LS 6726
BILL NUMBER: HB 1328

NOTE PREPARED: Dec 30, 2023
BILL AMENDED:

SUBJECT: Department of Local Government Finance.

FIRST AUTHOR: Rep. Snow
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *State Assessed Distributable AVs:* This bill requires the Department of Local Government Finance (DLGF) to notify the county assessor of the DLGF's tentative assessment, or information related to tentative valuation changes, of a utility company's distributable property not later than June 1.

PTABOA Membership: This bill provides for the staggering of terms for property tax assessment board of appeals (PTABOA) members.

Certified AV Amendments: This bill requires a county auditor to submit an amended certified statement of the assessed value for the ensuing year to the DLGF by the later of: (1) September 1; or (2) 15 days after the certified statement is submitted to the DLGF.

Local Unit Appeals Oversight: This bill prohibits certain civil taxing units that determine they cannot carry out their governmental functions for an ensuing calendar year under various levy limitations from submitting an appeal unless the civil taxing unit receives approval from the appropriate fiscal body to submit the appeal. It similarly prohibits a participating unit of a fire protection territory from submitting an appeal unless each participating unit of the fire protection territory has adopted a resolution approving submission of the appeal. It also provides that, for purposes of the transportation levy component of an operations fund property tax levy, a school corporation, whose budget for the upcoming year is subject to review by a fiscal body, may not submit an appeal to the DLGF unless the school corporation receives approval from the fiscal body.

Certification of Public Questions: This bill requires the DLGF, regarding the referendum process for bonds or leases for certain projects, to certify its approval or recommendations to the county auditor and the county

election board not more than 10 days after both the required certification of the county auditor and the language of the public question are submitted to the DLGF for review. The bill also requires the DLGF to send its decision regarding referendum language to the governing body of a school corporation not more than 10 days after: (1) the certification of the county auditor; and (2) the resolution is submitted to the DLGF.

LIT Levy Freeze Rate: This bill requires the DLGF to approve a lower levy freeze tax rate if it finds that the lower rate, in addition to: (1) the supplemental distribution as determined in an adopted resolution; and (2) the amount in certain repealed stabilization funds, as applicable; would fund the levy freeze dollar amount.

Property Tax Management Software Compliance: This bill provides that if the DLGF determines that certified computer software or a certified provider is not in compliance with certain specifications or standards or the rules of the DLGF, the DLGF may request that the provider develop a corrective action plan. It provides that a contract with a computer provider under a corrective action plan is not void unless the DLGF: (1) determines that the provider has failed to substantially correct the noncompliance; and (2) revokes the provider's certification. It also establishes corrective action plan provisions for noncompliant computer providers.

TIF Allocation Areas Involving Certain Military Bases: This bill provides that for a county having a United States government military base that is scheduled for closing, the expiration date of the allocation area may be extended for the purposes of paying certain expenses.

CMHS Competitive Pilot Program: This bill establishes a competitive pilot program for community mental health services (CMHS).

Effective Date: July 1, 2024.

Explanation of State Expenditures: *State Assessed Distributable AVs, Certified AV Amendments, Certification of Public Questions, and LIT Levy Freeze Rate:* These provisions are within the DLGF's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Property Tax Management Software Compliance: These provisions may result in an increase in the administrative workload for the DLGF to the extent that the agency would have to review a corrective action plan from a software vendor that they determine is out of compliance with the software standards and verify that the software vendor's plan does indeed correct the issues that caused the non-compliance status. Additionally, the administrative workload for the DLGF could increase if the agency decides to initiate a revocation proceeding in the event the software vendor fails to submit a corrective action plan or the corrective action plan does not remedy the issues.

CMHS Competitive Pilot Program: This bill will result in an increase in the administrative workload for the Family and Social Services Administration's Division of Mental Health and Addiction since the division will be tasked with 1) reviewing applications from the applicable counties that are electing to participate in the competitive pilot program and 2) establishing a funding formula for the pilot program under the scenario where a county has designated multiple community health centers.

Explanation of State Revenues:

Explanation of Local Expenditures: *State Assessed Distributable AVs:* This provision should have little

to no fiscal impact for county assessors.

PTABOA Membership: This provision may result in a decrease in the administrative workload for PTABOAs in the long run. Staggering the expiration date of the members allows the board to meet regularly and conduct business, thereby potentially preventing a backlog of appeals from accumulating because the board can't conduct business for lack of a quorum.

Certified AV Amendments: This provision should have little to no fiscal impact for county auditors since county auditors currently have the ability to submit an amended certification of net assessed values (CNAV). The current deadline for submitting an amended CNAV is September 1. This bill's provisions edit the deadline slightly to be the later of either September 1 or 15 days after the original CNAV was submitted.

Local Unit Appeals Oversight: These provisions will result in an increase in the administrative workload for the applicable fiscal body that is tasked with reviewing and approving excess levy appeal requests before the local unit may submit the appeal request to the DLGF for its review.

Certification of Public Questions: These provisions should have little to no fiscal impact for county auditors.

LIT Levy Freeze Rate: This provision may result in a minor increase in the administrative workload for county auditors since the auditor's office would be the likely source of information for providing the LIT Levy Freeze Stabilization Fund balance that would be required as part of a county's request to lower its levy freeze tax rate.

Property Tax Management Software Compliance: The impact on the administrative workload and expenditures for county auditors, assessors, and treasurers is indeterminable. The actual impact will be contingent on whether a software system that a county uses is determined to be non-compliant by the DLGF and the software vendor fails to correct the issues via a corrective action plan. The county would then experience an increase in administrative workload for transitioning over to a different software system that is compliant. Additionally, county expenditures could increase if the new, compliant software system is more expensive than the previous, non-compliant software system. The actual fiscal impact will be both county and software vendor specific.

TIF Allocation Areas Involving Certain Military Bases: This provision may result in a minor increase in the long-term administrative workload for the applicable county auditor and applicable redevelopment commission or authority that are currently providing the administration, oversight, and reporting responsibilities for the allocation area to the extent that the county fiscal body approves an extension of the allocation area's expiration date.

CMHS Competitive Pilot Program: These provisions will result in an increase in the administrative workload for those applicable counties that decide to participate in the CMHS competitive pilot program. The county executives will have to adopt a resolution by no later than June 30, 2024, indicating the county's intent to participate in the program. Additionally, the county may incur additional costs by having to conduct a competitive procurement process by no later than June 30, 2025. According to the U.S. Census Bureau's 2020 Census county population counts, four counties in Indiana would be eligible to participate in the pilot program based on their population: Allen, Hamilton, Lake, and St. Joseph.

Additional Information - LIT Levy Freeze Rate: There are a total of 11 counties that adopted a LIT levy freeze rate under the previous CAGIT/COIT (local income tax) structure: Brown, Carroll, Jasper, Jay,

Marion, Morgan, Parke, Pulaski, Wabash, Warren, and Wells. Of these 11 counties, only Carroll County still uses its LIT levy freeze revenue to fully fund what would otherwise be the annual increases in the civil unit property tax levies. The other ten counties have since decided to "thaw" their levy freeze, meaning that the LIT revenue is only funding the property tax levy increases from the prior years when the levy was frozen. The LIT levy freeze revenue comes from the county's certified shares portion of the LIT revenue and is done before the remaining certified shares revenue is allocated to the other units in the county.

Explanation of Local Revenues: *Local Unit Appeals Oversight:* These provisions would have an indeterminable impact on the revenues for the applicable local units. The actual impact will be contingent on whether the applicable fiscal body approves the excess levy appeal request. Currently, the DLGF is the only entity that must review and approve such requests. Under this bill, another layer of review and approval is built into the process, which could potentially prevent a request from being submitted to the DLGF that would have otherwise been submitted, assuming the fiscal body does not approve the request. The actual impact will be contingent on the number excess levy appeal requests filed and decisions of the applicable fiscal bodies.

TIF Allocation Areas Involving Certain Military Bases: Property tax revenues for taxing units within the applicable allocation areas will remain unchanged. However, broadly speaking, if one assumes that the investment causing the increase in AV would occur regardless of the TIF, creating a new TIF or extending the expiration date of a currently existing TIF could cause a delay in the reduction of tax rates and the resulting tax shift from existing properties that would normally occur until the applicable properties are included in the tax base when the TIF expires.

State Agencies Affected: Department of Local Government Finance; Family and Social Services Administration - Division of Mental Health and Addiction.

Local Agencies Affected: Civil taxing units and school corporations.

Information Sources: U.S. Census Bureau 2020 Census Data.

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