



Reprinted
February 19, 2021

SENATE BILL No. 244

DIGEST OF SB 244 (Updated February 18, 2021 3:20 pm - DI 51)

Citations Affected: IC 5-1; IC 5-11.

Synopsis: State and local audit examinations. Provides that after June 30, 2021, a political subdivision may not issue or guarantee a debt obligation until the fiscal officer of the political subdivision has: (1) prepared a debt capacity analysis report (report) on a standard form prescribed by the SBOA with the assistance of the department of local government finance; and (2) presented the report to the fiscal body of the political subdivision in a public hearing. Provides that after June 30, 2021, political subdivisions must provide information concerning pledges, covenants, and agreements that they have made to secure or guarantee a financial obligation of another person to the department of local government finance in the form and on the schedule specified by the department made. Requires the state board of accounts to establish standards for the state and political subdivisions that require disclosure of pledges, covenants, and agreements that have been made to secure or guarantee a financial obligation of another person, including guarantees for private bond issues of private companies. Specifies that the standards must be consistent with generally accepted governmental accounting principles. In reporting periods beginning after June 30, 2021, requires the state and political subdivisions to include the disclosures in the notes of the entity's annual financial statements.

Effective: Upon passage; July 1, 2021.

Buck, Boots, Walker G

January 11, 2021, read first time and referred to Committee on Tax and Fiscal Policy.
February 9, 2021, reported favorably — Do Pass.
February 18, 2021, read second time, amended, ordered engrossed.

SB 244—LS 6563/DI 87



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First Regular Session of the 122nd General Assembly (2021)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2020 Regular Session of the General Assembly.

SENATE BILL No. 244

A BILL FOR AN ACT to amend the Indiana Code concerning labor and safety.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 5-1-14-18 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: **Sec. 18. (a) This section applies only to a**
4 **political subdivision (as defined in IC 5-11-10.5-1) that is subject to**
5 **audit or examination by the state board of accounts under**
6 **IC 5-11-1-9 or any other law.**
7 **(b) As used in this section, "contingency reserve revenue"**
8 **means the revenue of a political subdivision that could be required**
9 **to meet the political subdivision's potential financial payment**
10 **obligations created by a guarantee.**
11 **(c) As used in this section, "debt service revenue" means the**
12 **revenue of a political subdivision that is pledged or assigned to the**
13 **payment of the political subdivision's debt service obligations.**
14 **(d) As used in this section, "guarantee" includes any guarantee,**
15 **pledge, covenant, or agreement made by a political subdivision as**
16 **security or guarantor in which the political subdivision has**
17 **incurred or could incur a financial payment obligation in relation**

SB 244—LS 6563/DI 87



1 to the debt obligation, regardless of whether the political
 2 subdivision is the original or primary debtor for the debt
 3 obligation.

4 (e) Before July 1, 2021, the state board of accounts, with the
 5 assistance of the department of local government finance, shall
 6 prescribe a standard form debt capacity analysis report that must
 7 be used by a fiscal officer of a political subdivision for the purposes
 8 of subsection (f). The form must require a report of at least the
 9 following:

10 (1) The total amount of the political subdivision's current
 11 outstanding debt obligations.

12 (2) The additional amount of debt obligations that the political
 13 subdivision would incur with the issuance or guarantee of the
 14 debt obligations that are presented to the fiscal body of the
 15 political subdivision under subsection (f). The political
 16 subdivision shall provide a description of each outstanding
 17 guarantee, including any guarantee in which the political
 18 subdivision is required to make a payment in the budget year
 19 and any guarantee in which the political subdivision is not
 20 required to make a payment in the budget year in which the
 21 report is made under subsection (f) (including guarantees
 22 related to a private bond issue of a private company). The
 23 description must conform to any format and guidance
 24 specified by the state board of accounts.

25 (3) A determination of the percentage of the political
 26 subdivision's total debt obligations compared to the amount
 27 of the political subdivision's prospective revenue available for
 28 debt service using the following formula:

29 **STEP ONE:** Determine the sum of the amount of the
 30 political subdivision's:

- 31 (i) debt service revenue requirements; plus
- 32 (ii) contingency reserve revenue requirements.

33 **STEP TWO:** Determine the amount of the political
 34 subdivision's prospective revenue available for debt
 35 service.

36 **STEP THREE:** Determine the quotient of the STEP ONE
 37 amount divided by the STEP TWO amount, expressed as
 38 a percentage.

39 (4) Any statutory or constitutional limitations affecting the
 40 amount of debt that may be issued, including:

- 41 (A) the political subdivision's maximum permissible
 42 property tax levy under IC 6-1.1-18.5-3;



1 **(B) any limitations on the political subdivision's property**
 2 **tax revenue that result from credits granted under**
 3 **IC 6-1.1-20.6;**

4 **(C) any debt limits that apply to the political subdivision;**
 5 **and**

6 **(D) any expenditure rate limits under IC 6-3.6 that apply**
 7 **to the political subdivision.**

8 **(f) This subsection applies after June 30, 2021. Before the**
 9 **issuance or guarantee by a political subdivision of any type of debt**
 10 **obligation, the fiscal officer of the political subdivision must first**
 11 **prepare a debt capacity analysis report as described in subsection**
 12 **(e) and present the report to the fiscal body of the political**
 13 **subdivision in a public hearing. The notice of the hearing shall be**
 14 **published in accordance with IC 5-3-1. In addition, the political**
 15 **subdivision shall notify each taxing unit within the political**
 16 **subdivision of the hearing, including the date and location of the**
 17 **hearing.**

18 SECTION 2. IC 5-1-18-6, AS AMENDED BY P.L.159-2020,
 19 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 20 UPON PASSAGE]: Sec. 6. **(a)** A political subdivision that issues bonds
 21 or enters into a lease after December 31, 2005, shall supply the
 22 department with a debt issuance report not later than:

23 (1) one (1) month after the date on which the bonds are issued or
 24 the lease is executed, if the bonds are issued or the lease is
 25 executed before October 1; or

26 (2) five (5) business days after the date on which the bonds are
 27 issued or the lease is executed, if the bonds are issued or the lease
 28 is executed after September 30.

29 **(b) After June 30, 2021, political subdivisions shall supply the**
 30 **department with information concerning conduit debt and other**
 31 **financial pledges, covenants, and agreements (including guarantees**
 32 **related to a private bond issue of a private company). The**
 33 **department, in consultation with the state board of accounts, shall**
 34 **establish the form and the schedule for the information provided**
 35 **under this subsection. The information concerning pledges,**
 36 **covenants, and agreements must include the financial impact of**
 37 **guarantees in which the political subdivision is required to make**
 38 **a payment in the budget year in which the information is provided**
 39 **and guarantees in which the political subdivision is not required to**
 40 **make a payment in the budget year in which the information is**
 41 **provided.**

42 SECTION 3. IC 5-11-1-24, AS AMENDED BY P.L.181-2015,



1 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
2 UPON PASSAGE]: Sec. 24. (a) The state board of accounts shall
3 establish in writing uniform compliance guidelines for the
4 examinations and reports required by this chapter. The uniform
5 compliance guidelines must include the standards that an entity must
6 observe to avoid a finding that is critical of the audited entity for a
7 reason other than the audited entity's failure to comply with a specific
8 law.

9 (b) The state board of accounts may not establish guidelines for the
10 auditing of an audited entity that are inconsistent with any federal audit
11 guidelines that govern the audited entity.

12 (c) The state board of accounts must distribute the uniform
13 compliance guidelines to each audited entity that the state board of
14 accounts may audit.

15 (d) If the state board of accounts engages or authorizes the
16 engagement of a private examiner to perform an examination under this
17 chapter, the examination and report must comply with the uniform
18 compliance guidelines established under subsection (a). If a person
19 subject to examination under this chapter engages a private examiner,
20 the contract with the private examiner must require the examination
21 and report to comply with the uniform compliance guidelines
22 established under subsection (a).

23 (e) An audited entity may not request proposals for performing
24 examinations of an audited entity unless the request for proposals has
25 been submitted to and approved by the state board of accounts.

26 **(f) This subsection applies to reporting periods beginning after**
27 **June 30, 2021. The state board of accounts shall establish**
28 **guidelines that require disclosure by municipalities and the state of**
29 **outstanding conduit debt and other outstanding financial pledges,**
30 **covenants, and agreements made by the municipality or state**
31 **(including guarantees related to a private bond issue of a private**
32 **company). The disclosures must be consistent with the**
33 **pronouncements of the governmental accounting standards board.**
34 **The state board of accounts shall establish the form and type of**
35 **disclosures required but the disclosures must include:**

36 (1) a description of pledges, covenants, and agreements in
37 which the entity is required to make a payment in the
38 reporting period for which the information is provided and
39 pledges, covenants, and agreements in which the entity is not
40 required to make a payment in the reporting period in which
41 the information is provided;

42 (2) a general description of conduit debt transactions;



- 1 **(3) the aggregate amount of all conduit debt obligations**
 2 **outstanding at the end of the audit entity's reporting period;**
 3 **(4) a clear indication of whether an issuer has an obligation**
 4 **for the debt beyond the resources provided by the related**
 5 **leases or loans; and**
 6 **(5) an explanation of any obligation to the audited entity that**
 7 **exists in the case of default of the issuance.**

8 SECTION 4. IC 5-11-1-26, AS AMENDED BY P.L.172-2011,
 9 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 10 JULY 1, 2021]: Sec. 26. (a) If a state office, municipality, or other
 11 entity has authority to contract for the construction, reconstruction,
 12 alteration, repair, improvement, or maintenance of a public work, the
 13 state board of accounts shall include in each examination report
 14 concerning the state office, municipality, or entity:

- 15 (1) an opinion concerning whether the state office, municipality,
 16 or entity has complied with IC 5-16-8; and
 17 (2) a brief description of each instance in which the state office,
 18 municipality, or entity has exercised its authority under
 19 IC 5-16-8-2(b) or IC 5-16-8-4.

20 (b) If a municipality or a county performs a public work by means
 21 of its own workforce under IC 36-1-12-3, the state board of accounts
 22 shall include the following in each examination report concerning the
 23 municipality or county:

- 24 (1) An opinion concerning whether the municipality or county has
 25 complied with IC 36-1-12-3 for each public work performed by
 26 the entity's own workforce.
 27 (2) A brief description of each public work that the municipality
 28 or county has performed with its own workforce under
 29 IC 36-1-12-3, including a calculation of the actual cost of each
 30 public work under IC 36-1-12-3.
 31 (3) An opinion concerning whether the municipality or county has
 32 complied with IC 36-1-12-19 in calculating the actual costs of a
 33 public work project performed under IC 36-1-12-3.

34 (c) If a state agency performs a public work by means of its own
 35 workforce under IC 4-13.6-5-4, the state board of accounts shall
 36 include the following in each examination report concerning the
 37 agency:

- 38 (1) An opinion concerning whether the agency has complied with
 39 IC 4-13.6-5-4 for each public work performed by the agency's
 40 own workforce.
 41 (2) A brief description of each public work that the agency has
 42 performed with its own workforce under IC 4-13.6-5-4, including



- 1 a calculation of the actual cost of each public work under
 2 IC 4-13.6-5-4.
- 3 (3) An opinion concerning whether the agency has complied with
 4 IC 4-13.6-5-4(c) in calculating the actual costs of a public work
 5 project performed under IC 4-13.6-5-4.
- 6 (d) If a state educational institution performs a public work by
 7 means of its own workforce under IC 5-16-1-1.5, the state board of
 8 accounts shall include the following in each examination report
 9 concerning the state educational institution:
- 10 (1) An opinion concerning whether the state educational
 11 institution has complied with IC 5-16-1-1.5 for each public work
 12 performed by the state educational institution's own workforce.
- 13 (2) A brief description of each public work that the state
 14 educational institution has performed with its own workforce
 15 under IC 5-16-1-1.5, including a calculation of the actual cost of
 16 each public work under IC 5-16-1-1.5.
- 17 (3) An opinion concerning whether the state educational
 18 institution has complied with IC 5-16-1-1.5 in calculating the
 19 actual costs of a public work project performed under
 20 IC 5-16-1-1.5.
- 21 (e) The state board of accounts may exercise any of its powers under
 22 this chapter concerning public accounts to carry out this section,
 23 including the power to require a uniform system of accounting or the
 24 use of forms prescribed by the state board of accounts.
- 25 **(f) This subsection applies to reporting periods beginning after**
 26 **June 30, 2021. The annual financial statements of a municipality**
 27 **and a state reporting entity must include the disclosures required**
 28 **by section 24(f) of this chapter.**
- 29 **SECTION 5. An emergency is declared for this act.**



COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 244, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is to SB 244 as introduced.)

HOLDMAN, Chairperson

Committee Vote: Yeas 13, Nays 0

 SENATE MOTION

Madam President: I move that Senate Bill 244 be amended to read as follows:

Replace the effective date in SECTION 2 with "[EFFECTIVE UPON PASSAGE]".

Page 2, line 15, after "(f)." insert "**The political subdivision shall provide a description of each outstanding guarantee, including any guarantee in which the political subdivision is required to make a payment in the budget year and any guarantee in which the political subdivision is not required to make a payment in the budget year in which the report is made under subsection (f) (including guarantees related to a private bond issue of a private company). The description must conform to any format and guidance specified by the state board of accounts.**".

Page 3, between lines 8 and 9, begin a new paragraph and insert:

"SECTION 2. IC 5-1-18-6, AS AMENDED BY P.L.159-2020, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. **(a)** A political subdivision that issues bonds or enters into a lease after December 31, 2005, shall supply the department with a debt issuance report not later than:

- (1) one (1) month after the date on which the bonds are issued or the lease is executed, if the bonds are issued or the lease is executed before October 1; or
- (2) five (5) business days after the date on which the bonds are issued or the lease is executed, if the bonds are issued or the lease is executed after September 30.

(b) After June 30, 2021, political subdivisions shall supply the department with information concerning conduit debt and other

SB 244—LS 6563/DI 87



financial pledges, covenants, and agreements (including guarantees related to a private bond issue of a private company). The department, in consultation with the state board of accounts, shall establish the form and the schedule for the information provided under this subsection. The information concerning pledges, covenants, and agreements must include the financial impact of guarantees in which the political subdivision is required to make a payment in the budget year in which the information is provided and guarantees in which the political subdivision is not required to make a payment in the budget YEAR in which the information is provided."

Page 3, delete lines 34 through 41, begin a new paragraph and insert:

"(f) This subsection applies to reporting periods beginning after June 30, 2021. The state board of accounts shall establish guidelines that require disclosure by municipalities and the state of outstanding conduit debt and other outstanding financial pledges, covenants, and agreements made by the municipality or state (including guarantees related to a private bond issue of a private company). The disclosures must be consistent with the pronouncements of the governmental accounting standards board. The state board of accounts shall establish the form and type of disclosures required but the disclosures must include:

(1) a description of pledges, covenants, and agreements in which the entity is required to make a payment in the reporting period for which the information is provided and pledges, covenants, and agreements in which the entity is not required to make a payment in the reporting period in which the information is provided;"

Page 3, line 42, delete "(1)" and insert "(2)".

Page 3, line 42, delete "the".

Page 4, line 1, delete "(2)" and insert "(3)".

Page 4, line 2, delete "fiscal year;" and insert "reporting period;"

Page 4, line 3, delete "(3)" and insert "(4)".

Page 4, line 3, delete "the" and insert "an".

Page 4, line 6, delete "(4)" and insert "(5)".

Page 5, delete lines 25 through 38, begin a new paragraph and insert:

"(f) This subsection applies to reporting periods beginning after June 30, 2021. The annual financial statements of a municipality and a state reporting entity must include the disclosures required by section 24(f) of this chapter."



Renumber all SECTIONS consecutively.

(Reference is to SB 244 as printed February 10, 2021.)

BUCK

