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FISCAL IMPACT STATEMENT

LS 7294

BILL NUMBER: HB 1618

NOTE PREPARED: Jan 9, 2015

BILL AMENDED:

SUBJECT: South Shore extension.

FIRST AUTHOR: Rep. Slager

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill creates a program to provide state matching grants to the Northwest Indiana Regional Development Authority (RDA) for projects extending the Chicago, South Shore, and South Bend Railway (Northern Indiana Commuter Transportation District; NICTD; South Shore Line). The bill requires the RDA to make certain commitments in order to receive a grant. It also requires a return on investment analysis. The bill requires review of grant applications by the Budget Committee and approval by the Budget Agency.

The bill appropriates \$9,400,000 annually from the state General Fund for the program.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Annual Appropriation-* The bill annually appropriates \$9.4 M from the state General Fund to the State Budget Agency to make grants to the RDA. Funds remaining at the end of a state fiscal year do not revert to the state General Fund.

RDA: The RDA must prepare an update to the comprehensive strategic development plan that outlines the proposed uses of the annual \$9.4 M in grant funds. This update includes projections to determine the return on investment from projects undertaken with the grant funds. Additionally, the update must include proposed projects to extend the South Shore Line, as well as commitments from the RDA and local political subdivisions in exchange for receiving these grants.

In order for the RDA to provide funding to a political subdivision, the political subdivision must commit at least 20% of its annual County Economic Development Income Tax (CEDIT) tax revenue to satisfy the

matching requirement. Additionally, the RDA must commit the full \$9.4 M of annual funding for the projects, and the various political subdivisions must commit CEDIT revenue that totals at least \$3.2 M annually for the projects. All grant projects must realize a return on investment within 20 years after the first grant is made that is at least twice the annualized amount of the grant requested.

The RDA will also submit an annual progress report in July of each year to the Office of Management and Budget (OMB), outlining that particular year's planned projects. Projects in these yearly grant applications must be included in the update to the comprehensive strategic development plan.

Additionally, the RDA is to submit a progress report of all grant projects to the OMB in July of each year until 2045. The Budget Agency will determine prior to October 1 of each year whether the commitments made by the RDA are being satisfied.

The bill's requirements are within the RDA's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Office of Management and Budget, State Budget Agency, and State Budget Committee: Both the OMB and the State Budget Committee will review the update to the comprehensive strategic development plan as well as all grant applications prior to making any grant awards to the RDA .

The OMB is to evaluate the return on investment projections by the RDA, and the State Budget Agency is to determine forecasted increases in the state sales tax and income taxes from the proposed projects. Additionally, OMB is to review the RDA's annual progress report and determine by October 1 of each year whether the RDA's commitments have been satisfied. In the event that the commitments remain unsatisfied, the OMB may withhold distributions to the RDA and instead deposit those distributions into the state General Fund.

These requirements are within the OMB's, State Budget Agency's, and Budget Committee's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Expenditures*.

Additional Information: The RDA serves Lake and Porter Counties. Political subdivisions within these counties must commit at least \$3.2 M of CEDIT revenue annually as matching funds for these grants. The CY 2015 certified distribution of CEDIT revenue for Lake County is \$25.4 M, and the distribution for Porter County is \$22.7 M.

State Agencies Affected: Northwest Indiana Regional Development Authority; Office of Management and Budget; State Budget Agency; State Budget Committee.

Local Agencies Affected: Northern Indiana Commuter Transportation District (South Shore Line) and political subdivisions in Lake and Porter Counties.

Information Sources: State Budget Agency, CY 2015 Local Option Income Tax Certified Distributions Amended November 10, 2014. RDA website (www.in.gov/rda).

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