Accelerate Indiana Municipalities

SB 9 – Maximum Levy Growth Quotient

Senator Scott Baldwin

Summary

- Changes the MLGQ calculation from a 6-year rolling average of Indiana's non-farm personal income.
- Creates a new MLGQ calculation for each county.
- The calculation uses a composite of the following four metrics with the following weights:
  - (A) County non-farm personal income: 20%
  - (B) Indiana average pay in all industries: 30%
  - (C) US Nonfarm business productivity: 30%
  - (D) Indiana personal consumption expenditures: 20%
- A 6-year rolling average is calculated for each metric and then multiplied by the weight.
- The full written formula would be: 0.2(6-year average of A) + 0.3(6-year average of B) + 0.3(6-year average of C) + 0.2(6-year average of D)

Fiscal Impact

- The fiscal note on this bill projects the MLGQ over the next two years for all counties in Indiana.
- Every county is projected to have an MLGQ that falls between 3.4% and 4.5%, the lowest being Gibson County and the highest being Hamilton County.
- There are 10 counties that would have an MLGQ higher than the current 4% statutory cap that has existed since 2024, all the rest of the counties would have a lower MLGQ.
- The fiscal note compares the fiscal impact of the new formula relative to the formula returning to a statutory cap of 6% next year. In so doing, it projects significantly lower MLGQs than would otherwise be in law, leading to a reduction in property tax revenue for local units over the next two years of $163M in the second year.

Aim Comments

- The new MLGQ calculation in SB 9 would be lower than the existing calculation using just nonfarm personal income statewide both for the projected future years and every prior year since at least 2010.
- Because the MLGQ sets the maximum levy growth and compounds on itself each year, any significant cut to the MLGQ has permanent and growing fiscal impacts on municipal budgets.

- The projected fiscal impact in the fiscal note would only be before the first two years and it would continue to grow every year the lower calculation is in place.
- Differentiating by county could serve to allow growing communities to capture more of their growth if done correctly. However, this calculation allows growing communities to capture less of their growth than the simple statewide average of nonfarm income which already did not track growth very well.
- SB 9 is another bill with a significant negative impact on municipal property tax revenue with no proposed replacement. The impacts continue to mount and with each one we grow more and more concerned about how state leaders value our cities and towns.