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Statehouse Report

MAY 4, 2009

The 2009 session of the 116th Indiana General Assembly adjourned *sine die* last week without passing a state budget bill. This means the governor will call legislators back for a special session to pass a spending plan before the fiscal year ends on June 30, 2009. A special session is not necessarily limited to budgetary issues, but the focus of the legislature will likely be very limited during that time. The last special session occurred in 2002.

While budget negotiations failed last week, the legislature did complete work on most other issues. Chief among those, in terms of difficulty, was a compromise on [HB 1379](#)—the bill to prevent the insolvency of Indiana's unemployment insurance trust fund.

State Budget

House and Senate negotiators had reportedly reached a bipartisan agreement on [HB 1001](#), the state budget bill, early last week. The early compromise included two years of funding (rather than the one-year plan passed by the House), increased prison spending requested by the governor that had not been in earlier versions, \$200 million more in higher education capital projects, and a \$1.3 billion surplus. However, on the last day, the governor apparently asked that an additional \$100 million be cut and placed in the state surplus.

The governor's contention was that the budget was not using the most recent revenue data, and would be unable to reach the agreed-upon surplus level. Legislative leaders disagreed with this assertion, but in a last-ditch effort to pass a bill, the Senate cut the \$100 million from the \$28 billion package—mainly from K-12 public education—and the House leaders agreed to put the measure up for a vote. It failed in the House by a vote of [27-71](#). The Senate did pass the bill [37-13](#), but the governor has said he would have vetoed the bill even if it had passed both chambers—even with the additional \$100 million in education cuts.

With the governor accusing the legislature of failing to reduce spending enough to account for decreasing revenues, and legislators accusing the governor of moving the goalposts throughout negotiations, it is clear some work needs to be done to come to a compromise. The state should have two more months of accurate revenue data by June (when the governor is expected to call the legislature back), which should help bring more certainty to the negotiations.

However, other peripheral issues may add more difficulties to the public debate. The General Assembly did not provide any solution to the financial difficulties facing the Indianapolis authority that runs Lucas Oil Stadium and Conseco Fieldhouse—and House negotiators have suggested this was one reason for the governor's opposition to the budget. Also, efforts to move casinos in Lake County (and possibly add a casino in Fort Wayne), as well as a funding plan for transportation projects in northern Indiana could reappear more forcefully in June.

Unemployment Insurance

[HB 1379](#) was the result of bipartisan compromise to fix the insolvency of Indiana's unemployment insurance trust fund. A structural deficit in the fund has existed since 2000, when premiums on businesses were lowered, and benefits were increased. A steadily increasing gap in the fund was exacerbated by the economic downturn over the prior year. Last year, the fund took in only \$579 million while paying out \$986 million, and this year, the fund—which is kept separate from the state's general accounts—is expected to distribute \$900 million more than it collects. As a result, Indiana has had to borrow nearly \$800 million from the federal government to continue paying unemployment claims.

To fill the funding gap, the bill will phase in higher tax rates for employers while keeping jobless benefits at the current rate of a maximum \$390 per week.

Under current law, companies pay between 1.1 percent and 5.6 percent on the first \$7,000 of each employee's annual salary. Those companies with a history of frequent layoffs pay a higher rate. With the new legislation, employers will have a lower minimum rate, but a higher maximum rate, on a higher base pay amount. Starting in 2010 businesses will pay between 0.7 percent and 9.5 percent on the first \$9,500 of a worker's salary. In 2011, tax rates will increase to 0.75 percent to 10.2 percent on the \$9,500 taxable wage base.

However, employers that do not lay off workers pay less under the new system than current law. The minimum yearly payment is currently \$77 per worker, but that will drop to \$71.25 under the bill. Therefore, the nearly 40,000 businesses in Indiana that rarely tap into the fund will see a decrease in the rates they pay. Even with the new higher maximum percentage, Indiana's rates will remain below the Midwest average.

Changes in the fund's structure are expected to raise about \$315 million a year. The bill also includes administrative changes to increase efficiency in the operation of the fund that could save the state up to \$300 million annually.

The final version of the bill passed the House [52-47](#), and passed the Senate [46-3](#). The governor has indicated that he will sign the bill when he receives it.

Foreclosures

[SB 492](#) will require lenders to offer nonbinding mediation to homeowners whose loans have fallen into default, with the assistance of the state-sponsored Indiana Foreclosure Prevention Network. The legislation also would require lenders to pay a \$50 court fee when filing a foreclosure to fund the mediation program. The bill passed both the House and Senate unanimously.

Data Center Incentives

[SB 448](#) was designed to help Indiana compete for large-scale information technology investments. The legislation will allow counties and municipalities to waive property taxes on computers, fiber optic cable and other equipment used in a large data center. To qualify, a firm would have to invest at least \$10 million and agree to pay an average wage at least 25 percent greater the average wage for the county. The final conference committee report passed the House [97-3](#), and passed the Senate unanimously.

Teen Drivers

Teenagers will now have to wait longer and practice more before obtaining driver's licenses under legislation awaiting the governor's signature. [SB 16](#), which takes effect July 1, 2010, will increase the minimum age from 16 and one month to 16 and six months for teens who have completed driver's education courses to receive licenses. The bill requires 50 hours of driving practice—10 of which must be done at night—and require parents to sign off on those hours. It also prohibits drivers under the age of 18 from using cell phones behind the wheel, except in emergencies.

The final version of the bill passed the House [79-17](#), and passed the Senate [35-15](#).

Golf Carts

[HB 1483](#) will now allow licensed drivers to operate golf carts on city streets in Indiana if allowed to do so by a city or town ordinance authorizing their use.

Puppy Mills

Legislation to regulate large-scale dog breeding operations won final passage and awaits the governor's signature. [HB 1468](#) withstood intense negotiations, but still represents boost to regulations that law enforcement officials testified were so lax that they were powerless to act against the worst operators. The bill requires daily exercise and sets other minimum standards of care. It also requires commercial dog breeders to register with the state.

Elected Judges in St. Joseph County

A bill to elect St. Joseph County's Superior Court judges has been sent to the governor. [HB 1491](#) would require all of the currently appointed Superior Court judges' seats to be up for non-partisan election at the expiration of their current terms. The Senate also added a provision to the bill that creates a new three-judge panel for the Indiana Court of Appeals. The new panel would be appointed by the governor in 2011.

Bills That Failed

Most bills filed at the beginning of session fail to make it all the way through the legislative process. Some of the casualties this year include a statewide smoking ban, local government reorganization, nutrition information in restaurants, and a comprehensive renewable energy plan.

To see a complete list of all bills filed, click [here](#)—the bills that made it through to the governor are listed in dark print, while those that died are in gray.

Governor's Action on Bills

Below is a list of enrolled acts signed into law by the governor over the last week. More bills are on their way to the governor, and as they are received, they can be viewed at the list updated [here](#).

[SEA 98](#) - Mental health medicaid quality advisory committee. *Signed.*

[SEA 164](#) - Definition of relevant market area. *Signed.*

[SEA 174](#) - Repossession of motor vehicles. *Signed.*

[SEA 202](#) - Lead poisoning prevention. *Signed.*

[SEA 228](#) - End of route inspection by bus drivers. *Signed.*

[SEA 236](#) - Sentence enhancement for feticide. *Signed.*

[SEA 263](#) - Public School Compensation Schedule . *Signed.*

[SEA 280](#) - Adoption. *Signed.*

[SEA 303](#) - Adoption records. *Signed.*

[SEA 307](#) - Silver alert for missing endangered adults. *Signed.*

[SEA 344](#) - Restoration of county offices of family resources. *Signed.*

[SEA 356](#) - Military family leave. *Signed.*

[SEA 376](#) - Line of duty disability from Parkinson's disease. *Signed.*

[SEA 414](#) - Charity Gaming. *Signed.*

[SEA 437](#) - Coverage for cancer chemotherapy. *Signed.*

[SEA 438](#) - Self-directed care. *Signed.*

[SEA 465](#) - Department of Labor Administrative Matters. *Signed.*

[SEA 480](#) - Contact lens dispensing. *Signed.*

[SEA 481](#) - Electronic birth and death registration. *Signed.*

[SEA 487](#) - Underground plant protection. *Signed.*

[HEA 1419](#) - Student Discipline. *Signed.*

[HEA 1671](#) - Nursing scholarships. *Signed.*



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How to track legislative action.

The [web page for the Indiana General Assembly](#) is a free resource for the public that provides some helpful tools to follow the progress of legislative action during the session. You can [find out how to contact your legislator](#), read [all of the filed bills](#), and search the [Indiana Constitution, Indiana Code, and Indiana Register](#).

You can also watch live streaming video of the legislature while it is in session, as well as some committee meetings [here](#).

The regularly updated House and Senate Committee schedules are also available online, and contain links to legislation up for consideration in committee.

[House Committee Schedule](#)

[Senate Committee Schedule](#)



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