

Indiana Advisory Commission on Intergovernmental Relations

Tuesday March 31, 1998 Meeting, 1:00 PM

Senate Committee Room 233

Indiana State House

MINUTES

CALL TO ORDER

Chairperson Joseph C. Zakas announced that there was not a quorum present (see attendance sheet attached) and called the meeting to order at approximately 1:10 P.M.

AGENDA

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| - Call to Order | Chairperson Zakas |
| - Approval of Minutes of November 24, 1997 Meeting | Commission Members |
| - Annexation Study Update | John L. Krauss
Greg Lindsey
Jamie Palmer |
| - Update on Citizens' Commission on Taxes | Kurt Zorn |
| - Rights-of-Way Study Presentation | Sam Nunn
Joseph Rubleske |
| - Other Business | |
| - Next Meeting | |
| - Adjournment | |
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APPROVAL OF MINUTES

Senator Zakas asked for questions or comments in regard to the minutes of the November 1997 meeting. Representative Scholer motioned for the approval of the minutes. The minutes were approved unanimously.

ANNEXATION UPDATE-LEGISLATION

John Krauss gave the commission an update on the status of Indiana annexation legislation. Mr. Krauss explained that during summer 1997, IACIR staff identified errors and omissions in Indiana's annexation statute resulting from previous changes in the statute. The most prominent omission is the lack of a "state certifying official" for filing annexation ordinances (please refer to the December 1997 memo IACIR Annexation Study: Identified "Holes" in the Statute for a detailed description of the legislation).

IACIR staff, with assistance from the Indiana Association of Cities and Towns (IACT), Association of Indiana Counties (AIC), Indiana Township Association (ITA), and the Indiana Planning Association, developed a bill (SB242) for the 1998 session of the Indiana General Assembly to remedy these oversights. Senator Beverly Gard was the author Senate Bill 242.

The bill was heard in the Senate Governmental and Regulatory Affairs Committee on Wednesday, January 28. In committee, an amendment filed by Senator Murray Clark was adopted. The amendment voided annexations: 1) in which a municipality passes an annexation ordinance under I.C. 36-4-3-3 or I.C. 36-4-3-4(a)(1) after the effective date of the act and prior to July 1, 1999 and 2) a remonstrance is filed that the court determines to be sufficient (51 percent of property owners or 75 percent of assessed valuation). The amendment also required the IACIR to report the findings of its annexation study to the Legislative Council by December 1, 1998. The amended bill passed out of committee 9 to 1. Mr. Krauss said that IACIR staff did not take a position on the amendment. IACT, AIC, and ITA were concerned that the amendment changed the technical nature of the bill.

On second reading, three motions were made to amend SB242. Passed amendments by Senator Gard and Senator Joseph Zakas made minor technical corrections to the bill. A motion by Senator Larry Borst to eliminate the moratorium on annexations (passage through July 1, 1999) was defeated by a voice vote. SB242, as amended, was defeated on third reading by a vote of 13 to 37.

Mr. Krauss explained that the lack of a state certifying official creates major obstacles to collecting information at the state level regarding annexation. It also will have a negative impact on the Legislative Services Agency's efforts to prepare for the 2000 Census. Mr. Krauss said staff would work with LSA to find a way to amend the errors in the statute.

Senator Zakas asked if IACIR staff worked with LSA's Code Revision division to amend the annexation statute. He also asked if the lack of state certifying official had legal implications. Mr. Krauss explained that the Code Revision division did make a minor technical change to the statute, but would not fill in the "state certifying official" because it would have major policy implications. Mr. Krauss also said that the lack of a state official did not affect the legality of annexations, it only made it harder to collect data at the state level.

Senator Zakas suggested that staff send a letter explaining problems in the annexation statute to the President Pro Tempore of the Indiana Senate and Speaker of the Indiana House of Representatives. Mr. Krauss said staff would draft and send the letter, copies of which will be forwarded to commission members.

ANNEXATION STUDY UPDATE

Dr. Greg Lindsey, director of environmental research for IU's Center for Urban Policy and the Environment, presented a status report on the Center's study of annexation that is being conducted for the commission. Dr. Lindsey presented preliminary results from the study, which shows where and how often annexations are taking place in Indiana. (Handouts from the presentation are included at the end of the minutes.) The next interim report on the annexation study will be completed in May 1998.

Mayor Sonya Margerum commented that cities often need to annex suburbs so they can keep growing and not be constrained, and this should be taken into consideration by the annexation study. Mayor Margerum also said that growth, not revenue generation, is the incentive for many cities to annex.

Mr. Krauss said that many citizens do not understand that the remonstrance process is not based on whether or not property owners want the annexation to take place. Rather, remonstrances focus on whether or not there are technical errors in the fiscal plan that state law requires cities to prepare before annexing property.

Susan Williams said that citizens living in rural areas are frustrated about annexation because they are not aware of the remonstrance process.

Senator Zakas asked if citizens in other states can only block an annexation if there is a technical error in the annexation plan. Jamie Palmer of the Center for Urban Policy and the Environment said that most other states give citizens the right to vote or petition.

Senator Zakas asked the Center for Urban Policy and the Environment to look at population density as it relates to annexation.

ANNEXATION PUBLIC FORUMS

Mr. Krauss suggested that the IACIR hold two meetings around the state of Indiana to generate public input on the issue of annexation. These meetings, which would be held in communities where annexation is not a controversial issue, would provide interest groups and citizens the opportunity to ask questions and provide feedback about annexation.

Senator Zakas suggested that these meetings not be official IACIR meetings. Staff would coordinate the meetings, and a single commission member would serve as the convener.

Representative Scholer said a meeting provides a format for providing information to citizens.

Senator Gard said that if the forums were not official IACIR meetings, commission members could not be reimbursed.

Representative Klinker said the forums should be official IACIR meetings because this will have a greater impact on future annexation legislation.

Representative Goeglein said politicians should be present at the forums to listen to their constituents.

John Ryan and Representative Goeglein said the forums should be held in a community facing a controversial annexation in order to fully understand all of the issues.

Representative Klinker said that the forums should start with positive case studies and information. She suggested the following locations: Lafayette, Muncie, Sheraton, and a city or town in southern Indiana.

Senator Gard suggested that the staff arrange three forums in the following locations: Lafayette or Kokomo, Indianapolis, and Seymour.

The Commission decided by consensus that the forums would be official commission meetings.

Senator Zakas asked staff to arrange the forums and circulate information to commission members.

CITIZENS COMMISSION ON TAXES

Dr. Kurt Zorn, co-director of the Citizens' Commission on Taxes, presented a draft proposal by the commission to reform taxes in Indiana (copy attached). Dr. Zorn said that Governor Frank O'Bannon charged the commission to develop a proposal that was fair, revenue neutral, and promoted economic development. Dr. Zorn also said the commission recently formed five committees to look at various issues. The committees are: 1) business taxation; 2) local option revenue; 3) controls (revenue and expenditure); 4) equity and fairness; and 5) property tax administration.

Senator Gard asked if the commission would consider using the state surplus in its proposal. Dr. Zorn said it is the prerogative of the governor and the general assembly to determine how and where to provide tax relief.

Representative Scholer asked if the final report will suggest transition periods for tax reform. Dr. Zorn said the final report will include recommendations regarding transition.

Representative Goeglein asked if the commission planned to set aside a part of the state surplus to cover shortfalls that might result from computer or forecasting errors. Dr. Zorn said the commission has not made a decision about this issue.

Representative Klinker said that the commission should talk to citizens and legislators about tax reform because citizens expect to hear from the commission. She also said that the commission needs to build consensus for its proposal with important interest groups. Dr. Zorn said the commission will develop a draft set of recommendations by May or June 1998. These recommendations will be presented during five meetings across the state.

Senator Allie Craycraft said that the commission needs to educate citizens about the difference between the state surplus and the rainy day fund.

Senator Gard asked if the commission was considering property tax reassessment issues in its proposal. Dr. Zorn said the commission was waiting for the Indiana Supreme Court's decision about property tax assessment. He said that the commission would develop two proposals: one proposal based on the current assessment system and another proposal based on market value assessment.

Susan Williams asked why the commission's proposal eliminated property tax funding for township poor relief. Dr. Zorn said that many recommendations for this change came from hearings across the state last summer. Dr. Zorn also said that the proposal did not eliminate funding for township poor relief, it simply proposed funding it with a source of revenue other than the property tax.

Representative Goeglein asked if the commission had looked at problems with courts and the criminal justice system. Dr. Zorn said the commission had not, though it might be an issue to consider in the future.

Dr. Zorn asked the IACIR to review the commission's recommendations and provide feedback and/or support to the commission. (A copy of Dr. Zorn's business card is attached to the minutes if IACIR members would like to talk to him about the Citizens' Commission on Taxes.)

RIGHTS-OF-WAY STUDY

Dr. Sam Nunn, assistant director, and Joseph Rubleske, research associate, both from the IU Center for Urban Policy and the Environment, made a brief presentation about pricing of utility rights-of-way in Indiana. Dr. Nunn and Mr. Rubleske recently conducted this study for the Indiana Legislative Services Agency. (A copy of the materials shown during the presentation is attached to the minutes.)

OTHER BUSINESS

None.

NEXT MEETING

Staff will telephone IACIR members to schedule the commission's next meeting.

ADJOURNMENT

The meeting was adjourned at approximately 3:15 P.M.