

Indiana Advisory Commission on Intergovernmental Relations
Friday, August 12, 2016
2:00 P.M. – 4:00 P.M.
Statehouse, Room 404
200 W. Washington Street
Indianapolis, Indiana

MINUTES

CALL TO ORDER/WELCOME/INTRODUCTIONS

Chairman Mike Karickhoff called the meeting to order and welcomed the group at approximately 2:00 pm. Chairman Karickhoff asked for introductions from those in attendance. Attendance is shown in Attachment A.

Meeting Agenda

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| • Call to Order/Welcome | Chairman Mike Karickhoff |
| • Introductions | Chairman Mike Karickhoff
Membership |
| • Approval of Minutes of December 1, 2015 | Chairman Mike Karickhoff
Membership |
| • Commission Work Plan | Chairman Karickhoff
Membership |
| • Topic: Ensuring the ability of local government to provide and fund local services, including discussion of minimum property taxes, adjusting property assessment rules for nonprofits, and enhancing the ability of local government to assess service fees/payments in lieu of taxes. | Chairman Mike Karickhoff
Jamie Palmer |
| ○ Update on legislative session | |
| ○ Revisit minimum property tax replacement fee | |
| ○ Update on State of Fire and EMS Services in Indiana Project | Chairman Mike Karickhoff
Jamie Palmer |
| • Update on 2017 Survey of Local Elected Officials | Chairman Mike Karickhoff
Jamie Palmer |
| • Upcoming Meetings: | Chairman Mike Karickhoff |
| ○ Friday, September 9, 2016, 1:00-4:00 P.M., Statehouse 404 (please note change in meeting date) | |
| ○ Friday, October 21, 2016, 1:00-4:00 P.M., Statehouse 404 | |
| • Adjournment | Chairman Mike Karickhoff |

APPROVAL OF MINUTES OF DECEMBER 1, 2015

Chairman Karickhoff asked the commission to review the minutes from the previous meeting, December 1, 2015 (Attachment B).

Commissioner Ken Paust made a motion to approve minutes as written. Councilor Geoff McKim seconded the motion. The motion carried unanimously.

COMMISSION WORK PLAN

Chairman Karickhoff indicated that the commission has two ongoing studies: the 2016 state of fire and EMS services (Attachment C) and water and wastewater infrastructure needs. He indicated also that the commission would revisit its work from 2015 on a minimum property tax replacement fee.

He asked commission members to identify potential additional topics for discussion. He would like to select issues that result in legislation.

Representative Tom Saunders suggested also revisiting assessment rules for nonprofits. This is an issue he has worked on for twenty years as a local and state official. He believes that properties used specifically for worship should be tax exempt. There should be a local option to recover the cost of public safety and other basic services from other nonprofits.

Commissioner Ken Paust suggested that we may need to look at hospitals and other nonprofits separately. In some cases, hospitals make significant contributions to local health issues.

Councilor Geoff McKim indicated that Monroe County has a lot of tax exempt property. This is about organizations rather than individual taxpayers.

Senator Ron Grooms asked about whether the commission had considered studying tax increment financing (TIF).

Chairman Karickhoff indicated that TIF has been assigned by leadership to another group.

Chairman Karickhoff suggested studying levy banking. In 2004, levy banking was eliminated. It was later restored, but with tax caps, it isn't possible for units to use banked levy. This creates an incentive for units to maintain a maximum levy. He suggested a system in which units could assign banked levy to another unit.

Citizen member Darren Vogt was unsure about how something like that would work.

Citizen Member G. Michael Schopmeyer suggested that generating new revenue might require a new local tax such as alcoholic beverages. The General Assembly allows local governments to adopt food and beverage taxes.

Chairman Karickhoff suggested that sin taxes may be outside the commission's purview. Taxing alcoholic beverages would require new administrative processes.

Commissioner Therese Brown suggested that the commission needs to be bold. The discussion needs to get to the specific, and beyond the abstract.

Citizen member Vogt suggested studying annexation. A proposed annexation in Fort Wayne is expected to have a significant effect on the local school funding.

Rhonda Cook of IACT indicated that it was an issue assigned to a study committee, but likely won't be taken up.

Senator Grooms suggested studying impact fees for commercial development.

Councilor Larry Hesson indicated that enabling the local adoption of food and beverage tax. The tax has been beneficial for Hendricks County. It funds Lucas Oil Stadium and some local priorities.

Representative Karickhoff said that it could be added to the list. Local adoption has been stopped in House Ways and Means Committee in the past. He suggested that some places are given the authority to adopt the tax and then don't.

Commissioner Paust indicated that his county had asked for the tax to fund a conference center. The County Council chose not to implement. He supports creating enabling legislation that allows local governments to adopt this tax without special legislation.

Representative Saunders indicated that Henry County has had a food and beverage tax for thirty years.

ENHANCING THE ABILITY OF LOCAL GOVERNMENT TO PROVIDE AND FUND LOCAL SERVICES

Jamie Palmer provided a brief update on 2016 legislation that resulted from or were related to the commission's discussions in 2015:

- SEA 308 passed and increased the assessed value for classified forest, classified windbreaks, and classified filter strips to \$13.39 and indexes the assessed value annually using the Consumer Price Index (Attachment D)
- HEA 1180 also passed. It established that local governments cannot impose a payment in lieu of taxes (PILOT) on nonprofits in tax increment finance (TIF) areas unless the property owner agrees if (1) the nonprofit was located in the area prior to TIF designation and has been used for tax exempt purposes continuously since designation or (2) the land was donated for a tax exempt purpose (Attachment E).
- HB 1476 proposed giving local governments the option to adopt a minimum property tax replacement fee (Attachments F and G).

Representative Karickhoff explained that HB 1476 was filed in 2016. A similar bill, HB 1204, was filed in 2015. The bill is intended to address inequities in contributions to local services. In some cases, taxpayers with multiple exemptions have no or very low tax bills. HB 1476 contemplated that local governments could adopt up to a \$400 fee. The Legislative Services

Agency estimated that if the minimum was set at \$100 across the state, the replacement fee would general \$18.5 million. Similarly, a \$200, \$300, and \$400 minimum would generate \$54.8 million, \$105.9 million, and \$172.1 million, respectively.

Ms. Palmer indicated that the commission packets also included the fiscal note for the 2015 bill. It included the number of properties that would be affected for a \$100 and \$200 minimum (Attachment H).

Representative Justin Moed expressed concern that for some taxpayers, who live in poverty, who are veterans, and who live on fixed incomes, the property tax replacement fee would be a hardship. Taxpayers who are concerned that they aren't making enough of a contribution to local services can choose not to file for all available tax credits.

Representative Moed indicated that 72 percent of voters voted to put tax caps in the Indiana Constitution. He cautioned against establishing policies that fly in the face of this overwhelming statement by the voters.

Citizen member Vogt indicated that when he and his neighbor call 911, both should be contributing to the cost of those important public safety services.

Commissioner Paust indicated that in his community voters supported the level of local public services and were not aware that tax caps would mean cuts in those services.

Mayor James Leinhoop asked about what fee would be reasonable for the owner of a \$100,000 house, what fee that owner can afford. He requested some objective information about the properties that would be subject to property tax replacement fees.

Citizen member Schopmeyer suggested that perhaps homestead credits should be means tested.

Chairman Karickhoff suggested that eliminating the supplemental homestead credit instead.

Councilor McKim suggested that adjusting the formula for calculating credits may be preferable to complete elimination.

UPDATE ON STATE OF FIRE AND EMS SERVICES IN INDIANA PROJECT

Ms. Palmer reminded the group that the impetus for the project came from the commission's previous public safety work, interest by the Lieut. Governor in challenges to the volunteer fire system, and interest from the Indiana Chamber. We have created a study advisory group that includes two IACIR members, members of the Indiana Fire Alliance, IUPUI SPEA public safety faculty, and trade groups such as IACT, AIC, IACC, ITA, and the Indiana Chamber.

We have gathered secondary data from the Census of Governments, Annual Financial Reports, and 100R staffing reports. We also are administering a survey of fire departments and independent EMS agencies. The survey includes questions about organization structure, location/service area, runs, type and number of staffing (volunteer, career, or a combination), benefits, training, specializations, fire stations and EMS facilities, fire apparatus, ISO (insurance)

ratings, billing arrangements, EMS levels of service, EMS staffing, EMS recruitment, EMS training, and volunteer recruitment and retention challenges (Attachment I).

There are about 850 fire departments. The fire survey was first sent out in mid-June and will close at the end of August. We are doing a lot of follow-up to increase the response rate. Currently, 31 percent of fire departments have completed. There are about 200 separate EMS agencies. This survey was first sent out in early July and will close at the end of August. To date, 27 percent of independent EMS agencies have completed the survey.

Commissioner Paust asked about how many fire departments provide EMS.

Ms. Palmer indicated that the survey will help determine.

Chairman Karickhoff indicated that this will be good data to have.

UPDATE ON 2017 SURVEY OF LOCAL ELECTED OFFICIALS

Ms. Palmer indicated that administration of the survey of local elected officials has been postponed until after the election. There is still time to propose questions. For new members, she will send out some examples of question from previous surveys.

NEXT MEETING

Chairman Karickhoff reminded the group that two additional fall meetings have been set for September 9 and October 21.

ADJOURNMENT

Chairman Karickhoff adjourned the meeting at approximately 3:15 p.m.