

Indiana Advisory Commission on Intergovernmental Relations

Friday, September 26, 2014

1:30 P.M. to 4:00 P.M.

Statehouse

Room 404

200 W. Washington Street

Indianapolis, Indiana

MINUTES

CALL TO ORDER/WELCOME

Representative Mike Karickhoff called the meeting to order and welcomed the group at approximately 1:30 pm. Members introduced themselves. Attendance is shown in Attachment A.

Chair Karickhoff introduced the new director of IU Public Policy Institute, Mark Lawrance.

MEETING AGENDA

- Call to Order/Welcome/Introductions Chair Mike Karickhoff
- Approval of Minutes of August 29, 2014 Chair Mike Karickhoff
- 911/Dispatch Findings Chair Mike Karickhoff
Jamie Palmer
- Update on Survey of Elected Officials Jamie Palmer
- Update on Annexation Survey Jamie Palmer
- Fiscal Benchmarking Presentation Luke Spreen, IU SPEA
Jamie Palmer
- Break
- Fiscal Benchmarking Feedback Chair Mike Karickhoff
Fiscal Benchmarking Team
- Next Meeting: Chair Mike Karickhoff
 - Friday, October 24, 1:30-4:00, Statehouse, Room 404 - Focus: Managing the Cost of Local Government Employee Health Care
- Adjournment Chair Mike Karickhoff

APPROVAL OF MINUTES OF AUGUST 29, 2014

Approval of the minutes for August 29, 2014 was postponed to the next meeting.

911/DISPATCH FINDINGS

Mike Karickhoff asked the commission to review a draft set of findings from the previous presentations and discussions on 911/Emergency Dispatch.

Draft 911/Dispatch Findings

The overarching objective of our work on this issue has been to “ensure a system of funding for 911 services that it is robust, stable, and equitable, and supports high quality local 911, E911, and related public safety dispatch services. The system also must support the implementation of new technologies, and increased efficiencies, both intra-county and inter-county, over time.

To accomplish this goal, we have identified the following potential actions:

- 1. Approach the Budget Committee to allow a \$0.10 increase on statewide 911 fees for landlines, contract mobile phones, and VOIP.*
- 2. Treat 911 fees on all mobile phones equally.*
- 3. Provide additional local funding options (e.g., a Public Safety LOIT that is uncoupled from property tax relief) to supplement current statewide 911 fees.*
- 4. Enable local governments within counties to transfer levy capacity to county government to allow counties to fund 911, E911 and related public safety dispatch more fully and equitably with property taxes.*
- 5. Establish authority to audit telecommunications providers to ensure that all statewide 911 fees are being remitted.*
- 6. Encourage increased 911 system efficiencies through enhanced technologies and the adoption of best practices within and across counties.*

Representative Austin suggested revisiting the formulas for distribution of 911 funds across counties. Donor counties want to be able to keep more of the revenue that they generate.

UPDATE ON SURVEY OF ELECTED OFFICIALS

Jamie Palmer updated the group on the status of the 2014 Survey of Elected Officials. During the past week, letters were sent to those officials who had not yet completed the survey as well as postcard reminders. At that time, the staff had received 250 responses.

UPDATE ON ANNEXATION SURVEY

Ms. Palmer reminded the group that, in the fall of 2013, they had asked to study annexation. In response, the staff had conducted a survey of cities and towns regarding their annexations from 2009-2014. The staff also collected data from the Legislative Services Agency. Over the summer of 2014, the issue was assigned to the General Assembly’s Interim Study Committee on Government. She presented the results of the survey before the committee on September 24 (Attachment B and C).

Chair Karickhoff asked about the tenor of the committee and speakers. Ms. Palmer said that were landowners who had faced annexation and were opposed. Stephen Buschmann, an attorney with Thrasher Buschmann & Voelkel who specializes in annexation remonstrances and testified before the IACIR in the

spring, also testified before the study committee. He gave similar testimony to the study committee about the courts thwarting the ability of remonstrators to challenge annexations on substantive grounds.

Ms. Palmer acknowledged that annexation is an emotional issue. The survey and LSA data show that most annexations, at least 70 percent, are voluntary, and few annexations are more than 200 acres. Annexation opponents have claimed that involuntary annexation is ramping up. The data show that in the last 5 year period annexations have increased from recession levels but they have not returned to rates associated with the boom time before the recession. In the last five years, there have been about 75 ordinances annually. She told the study committee that a lot of controversy seems to occur when land is between two municipalities. Potentially, the fear that later expansion could be limited seems to make some municipalities annex big areas. Very large annexations also seem to be controversial. One potential solution would be to limit the size of annexations to a percent of the land area of the municipality.

FISCAL BENCHMARKING PRESENTATION

Ms. Palmer began the presentation by introducing Luke Spreen, with Indiana University and the School of Public and Environmental Affairs. She provided background on the project (Attachment D).

Ms. Palmer said that two years ago, the IU Public Policy Institute (Institute) and SPEA-Bloomington took up Fiscal Benchmarking. She described the project team made of various academic advisors, Institute staff, agencies, practitioner advisors, and graduate students. She described from where the data comes and issues there were with the data. Much of the raw data is available on the Gateway, maintained by the Indiana Business Research Center [HTTP://gateway.ifionline.org](http://gateway.ifionline.org).

The project objectives are to inform policy discussions, understand environmental impacts on fiscal conditions, highlight best practices, identify stress points and concerns, and facilitate comparisons across local governments. Deliverables will include an annual comprehensive report and two to three issue briefs per year.

The project team selected fiscal benchmarks in consultation with academic and practitioner advisory boards. Some benchmarks are common among other state fiscal benchmarking programs, i.e., operating position, debt service ratio, and spending/revenue/debt per capita. Others are Indiana-specific, i.e., property tax cap losses. There are plans to incorporate new indicators in future annual reports like the general fund balance. The 2011-2012 Annual Report at the project website, <http://policyinstitute.iu.edu/fiscalbenchmarking>.

Luke Spreen presented the 2011-2012 indicators and selected data. He and Ms. Palmer took questions. (Attachment D)

Chair Karickhoff asked if there could be a special study to see what would happen if supplemental deductions like the homestead credit were taken away.

Larry Hesson asked if the total revenue includes the Innkeepers Tax.

Mr. Spreen said yes.

Darren Vogt asked if there was a breakdown of available revenue. Mr. Spreen said that depends on the local government.

Geoff McKim asked where do Motor Vehicle Highway/Local Roads and Streets (MVH/LRS) distributions show.

Mr. Spreen said it shows up in "other tax".

Chair Karickhoff asked if the increase in revenue might be due to migration to urban areas.

Mr. Spreen said yes.

Robin Brandgard said that he was concerned about lumping municipal utility finances with general government finances. Money collected by utilities must stay with the utilities.

Mr. Spreen said that it is hard to disentangle monies. The project team worked to make sure that the data across sources included the same things. The Annual Financial Report includes utility finances for most municipalities. That was the rule the team used for other sources of data

Mr. Hesson asked what the net fines are.

Mr. Spreen said that was a good question and would get back to him.

Mr. McKim asked if the wheel tax was in local excise taxes.

Mr. Spreen will check.

Chair Karickhoff asked about the consistency of the use of the codes in the data.

Ms. Palmer said that there are some issues. The input interface on the Gateway is getting better.

Mr. McKim asked regarding the property tax cap base indicator where the tax exempt can be found expressed as a ratio.

Ms. Palmer said that those data are available in the county property tax abstracts.

Chair Karickhoff pointed out that college towns may have less tax local option income tax used for property tax replacement because they have more rental housing property that is subject to a higher property tax cap.

Mr. McKim asked if tax increment financing data was included.

Ms. Palmer indicated that the team was not able to assign TIF revenue to units for the property tax measures.

FISCAL BENCHMARKING FEEDBACK

Chair Karickhoff asked if the school benchmarks will go back to 2011.

Mr. Spreen said they will have three years of data. School financial reporting is different from the Annual Financial Reports produced by other local governments.

Ms. Palmer said that a minimum of three years is ideal. It gives a fairer picture.

Mr. Vogt asked if they had looked at schools already.

Mr. Spreen said they did not do that analysis but plan to do so.

Mr. McKim suggested that the indicators may need to address the situation when counties manage County Option Income Tax (COIT) as a separate fund.

Ms. Palmer said they have not differentiated any of the indicators by fund. The team may be able to now that the county coding is settling.

Chair Karickhoff asked if enterprise funds were tracked. Sometimes if the operating balance is low then enterprise funds are used temporarily.

Mayor Wellman asked who the target audience was.

Ms. Palmer said principally state and local government officials, but citizens can access the information.

Chair Karickhoff told the group that the project worked hard not to grade local governments.

Representative Austin expressed concern that each county is different, especially regarding school populations.

Mayor Wellman expressed concern about comparing units with vastly different service mixes and arrangements. As an example, he said that some cities handle trash pick-up with their own workers, while others contract the service out. Each has different expenses.

Ms. Palmer said there is no source to contain all the details of local government services. The project team would be open to working to document some of those differences if funding can be identified.

Senator Randy Head thanked the speakers for their work. It was clearly a significant effort. It is important that we collect objective data. The potential for misuse should not deter us.

Representative Austin said the people who worked on the project are terrific. She offers a word of caution about interpretation.

Ms. Palmer pointed to the section in the report about data interpretation. She welcomed suggestions for changes if that text did not address Representative Austin's concern.

Mr. Vogt asked about the best way to ensure that the reported data is useful.

Ms. Palmer said that the coding issues would help a lot in that regard.

Representative Austin suggested scheduling two or three lunchtime briefings with legislators and staff to present this work.

NEXT MEETING

The next meeting will be Friday October 24, 1:30-4:00, Statehouse, Room 404. That meeting will be focused on managing local government employee health care costs.

ADJOURNMENT

Chair Karickhoff asked for a motion to adjourn. Senator Head made the motion. Mr. Vogt seconded the motion, and it was approved unanimously. The meeting was adjourned at 3:15 P.M.

ADOPTION

These minutes were adopted by the commission on October 24, 2014.