

Indiana Advisory Commission on Intergovernmental Relations

Wednesday, June 24, 2009

1:00 P.M. – 3:30 P.M.

Indiana State Teachers Association Conference Center

150 W. Market St., Second Floor

Indianapolis, Indiana

MINUTES

CALL TO ORDER/WELCOME

Senator Beverly Gard, Vice Chair, called the meeting to order at approximately 1:00 P.M. and conducted the meeting until the chair, Representative Win Moses, arrived. Senator Gard welcomed those present (see Attachment A) and asked for introductions.

The members introduced themselves.

MEETING AGENDA

- Call to Order Chair Win Moses
- Welcome and Introductions Chair Win Moses
John L. Krauss
- Approval of Minutes of November 20, 2008 Chair Win Moses
- Local Government Legislation: 2009 Regular Session Representatives of:
Association of Indiana Counties
Indiana Association of Cities and Towns
Indiana Township Association
- Update: Local Government Reform Jamie L. Palmer
- Presentation: 2008 Survey of Local Elected Officials Jamie L. Palmer
- Research Priorities for Remainder of 2009 Chair Win Moses
 - Special Districts? Vice Chair Beverly Gard
 - Water Infrastructure Funding? John L. Krauss
 - Greening Local Government: Paperless Recordkeeping? Jamie L. Palmer
 - Other?
- Member Updates and Announcements Commission Membership
- Appointments Jamie L. Palmer
- Next Meeting: TBD Chair Win Moses
- Adjournment Chair Win Moses

APPROVAL OF MINUTES OF NOVEMBER 20, 2008

Senator Gard asked the commission to review the minutes from the previous meeting.

Sue Paris moved to approve the minutes of November 20, 2008. The motion was seconded by Representative Sheila Klinker. The motion carried by unanimous vote.

PRESENTATIONS: LOCAL GOVERNMENT LEGISLATION (2009 REGULAR SESSION)

Andrew Berger, Legislative Director of the Association of Indiana Counties, provided a legislative summary of selected bills affecting county government. He provided the commission with a copy of the *2009 AIC Legislative Bulletin* (Attachment B) which contains a complete list of bills affecting county government.

- HEA 1001 - Provisions from HEA 1447, clarifying the county council review process of local unit levies, were added to the final budget bill. These provisions were a response to feedback that had been received on 2008 HEA 101. Language to allow vote centers in Johnson County also was added to the final budget bill (see SEA 209 below). The budget bill failed in the House.
- HEA 1230- This bill set rates for publishing public notices and allows for those rates to increase within certain limits. It requires newspapers to also post notices on their web site, if one exists, without an additional fee. Counties no longer have to publish claims. The bill was signed by the governor.
- HEA 1344-This bill established a statewide database for homestead deductions maintained by the Department of Local Government Finance. It enables the delivery of property tax bills by email. The bill was signed by the governor.
- SEA 209 would have allowed Johnson County to establish vote centers. Johnson County's election equipment was damaged in the floods of 2008. The bill was vetoed by the governor.

Representative Klinker indicated that Tippecanoe County has had a lot of success with voting centers.

Mr. Berger indicated that Wayne and Cass counties also were pilot counties for voting centers.

Representative Tom Saunders indicated that there was a current proposal to expand the property improvements eligible for the homestead credit.

Mr. Berger indicated that there was a proposal to expand the credit to detached improvements (gazebos, swimming pools, decks, etc.). Should that come to pass, it would lower assessed value further and increase the negative effect of the tax caps for local governments. He further indicated that the property tax system has not yet settled and that provided a reason to keep the tax caps out of the constitution. Small adjustments to the tax code can have significant effects.

Representative Klinker asked about the history behind the bill regarding public notices.

Representative Moses indicated that the final bill established a balance among interests, fewer actions require notice but revenue for local newspapers is preserved.

Rhonda Cook, Director of Government Affairs and Legislative Counsel at the Indiana Association of Cities and Towns, presented information on selected legislation from the perspective of cities and towns (see Attachment C).

- SJR 1, if passed, would have completed the next step in amending the 1-2-3% property tax into the state constitution. IACT advocates for the broad interests of all Indiana cities and towns and cannot support property tax caps in the constitution until the legislature adopts true home rule

- HEA 1058 would have required state income tax filers to indicate whether they reside in a city or a town. The collection of this base information will support a future municipal local option income tax (LOIT) option. This bill died in conference committee. IACT is working to get it into the budget bill in the special session.
- SEA 486 would have allowed cities and towns to form insurance trusts. This mechanism would save money for municipalities by pooling insurance risk. The bill died in conference committee.
- HEA 1447 addressed TIF replacement levies. 2008 HEA 1001 put TIF levies inside the maximum property tax levy and circuit breaker. The bill also contained language for fire territories and language to change the local government budget timeline. The bill died at the end of the regular session.
- HEA 1432 required a county auditor to distribute EDIT, CAGIT and COIT revenues to underlying taxing units within 10 working days of receipt from the state. This bill was IACT's priority legislative initiative this session. The bill passed.
- HEA 1331 required a city, county or town to provide an active member of the police department with body armor for the torso that is current. Body armor has a shelf life of about 5 years. IACT and municipalities are looking for ways to fund this mandate. Currently federal funding may be available, but that may be fleeting. The bill passed
- HEA 1483 gave local governments the ability to adopt an ordinance to allow residents to drive golf carts on local roads. The bill passed.
- SEA 448 instituted a five-year pilot program to local governments to provide a personal property tax exemption for IT equipment for data management companies. The bill passed.

Ms. Cook reiterated that IACT is working to get a number of provisions in the budget bill in the special session, including the TIF replacement issue, data collection to support municipal LOIT, and adjusting some purchasing language. Legislation passed, in the regular session, to require that local governments consult multiple sources for pricing when considering purchases over \$50,000. IACT is concerned about limiting the ability to purchase goods locally.

Matt Norris, representing the Indiana Township Association provided selected insights on legislation affecting townships (see Attachment D).

- HEA 1165 exempts children of public safety officers killed in the line of duty from the payment of tuition and regularly assessed fees for up to eight semesters in a state educational institution or technical school. The bill passed.
- HEA 1205 allows injured volunteer firefighters to miss work without disciplinary action if injured while engaged in emergency firefighting or emergency response activities. The bill passed.

He indicated that ITA also supported HEA 1230 and HEA 1432 that had been mentioned by the previous speakers. He also indicated that ITA was working to address some fire issues within the budget bill during the special session.

UPDATE: LOCAL GOVERNMENT REFORM

Jamie Palmer presented an update on local government reform. She indicated that in 2008 a few provisions passed that were related to property taxes. More provisions were debated in the 2009 session, but only minor changes passed including:

- HEA 1243 required training for county surveyors and recorders
- HEA 1372 allowed library services authorities to merge with another authority or non profit corporation. The resulting organization would be classified as a nonprofit corporation. This legislation was proposed by INCOLSA
- HEA 1514 gave the State Board of Accounts (SBOA) more tools to take action for misuse of funds and allowed SBOA to move to e-reporting
- HEA 1650 allows joint purchasing contracts for road salt

John Krauss indicated that the Center for Urban Policy and the Environment has gotten a number of calls asking for technical assistance for voluntary consolidation.

Senator Phil Boots ask whether anyone has explored making the changes identified by the IACIR for 2006 HEA 1362 to make the process less cumbersome and easier to implement.

Mr. Krauss suggested that the IACIR could do further work on the issue if there was interest in amending the legislation.

Representative Klinker asked about whether referenda were required to accomplish consolidation. She suggested that there had been mixed results with the referenda for township assessors and for school building projects.

Representative Moses indicated that perhaps other options might be available.

Sara Arnold suggested that funding for referenda needs some attention.

Linda Williams indicated that the phrasing of referenda should be revisited.

PRESENTATION: 2008 SURVEY OF LOCAL OFFICIALS

Ms. Palmer presented the results of the IACIR survey (Attachment E).

Commission members discussed local government health insurance. One option suggested was to provide employees with money to buy health insurance on their own.

Senator Bob Deig is concerned that taxing units do not pay health insurance but may offer \$5,000 for an employee to get it cheaper outside the group policy.

Representative Moses indicated that it is a balanced pool that provides reasonable pricing. There is a local government pool hosted by state government. It is an option, but has some issues. The pool is often more expensive than plans that local government can access independently.

Senator Boots indicated that schools are required to come to the state pool unless they can find a less expensive policy.

Larry Breese indicated that IACT is working on a health insurance trust.

Mayor Jim Fleck indicated that healthcare is increasing 12% annually. A trust could limit the increases to 6%. IACT is trying to establish options for communities.

Ms. Williams indicated that trustees are eligible to participate in the state pool for local governments, but typically do not because it is very expensive.

David Bottorff, of the Association of Indiana Counties, clarified that the state local government pool was separate from the state employee pool. The pool varies widely because the local governments covered change. AIC has investigated how to make the state local government pool more effective. A longer term commitment by participating local governments, of at least 3 years, could help to make the pool more affordable.

RESEARCH PRIORITIES FOR 2009

Representative Moses asked for comments on the list of potential topics for the 2009/10 work plan.

Senator Gard asked about what services special districts provide. Many deal with rural drinking water and wastewater. She indicated the Environmental Quality Service Council would be addressing regional sewer districts in the interim session, in part, as a result of a few controversial districts that have worked to replace failing septic systems in watersheds around local lakes.

Ms. Palmer indicated that some initial work has been done to document the number and nature of special districts. Staff has created a database for the units that the U.S. Census has identified as independent special districts. For each type of unit, the database includes information on enabling legislation, the governing body, whether the unit has the ability to tax and/or hold debt, and how many exist. She further said that school building corporations are the most prolific type of special district.

Ms. Palmer indicated that the staff is looking for external funding to update the commission's previous report on the financial needs for water infrastructure. The estimates are now a bit dated.

Mayor Fleck suggested that water infrastructure is a big issue for small communities. As communities are required to extend service, there are significant funding issues.

Representative Moses suggested that there are many water infrastructure needs across the state. Communities both large and small are struggling with combined sewer overflow regulations.

Sue Paris indicated a concern among counties about how to deal with stormwater quality regulations (Rule 15 in the Clean Water Act) including options for funding the programming and improvements required.

Senator Gard suggested that local governments are able to adopt fees to fund these activities.

Ms. Paris suggested greening government through reduced reliance on paper records was a possible issue. Many issues must be addressed about record retention, software, technology, and funding.

Mr. Breese indicated that Greenfield has moved to a paperless payroll process. They began with direct deposit of wages. Next, they provided pay stubs online. Greenfield has about 200 employees. These changes have saved the city the expense of processing.

Ms. Paris said that Bartholomew County also had gone to electronic payroll. Further work, however, would be needed to make the courts and other county offices paperless.

Senator Gard suggested that she would like to explore the effects of the stimulus funds on Indiana.

Senator Boots reiterated his suggestion that the commission consider legislation to encourage further government consolidation under 2006 HEA 1362.

Representative Saunders suggested the study of the effects of expanded homestead credit. More information is needed about the shift of the property tax burden to non-homestead properties (commercial, agriculture, etc.). He also suggested study of the property tax caps.

Ms. Paris indicated that the local governments in Bartholomew County got together to discuss how the caps would affect their local governments. The county has not yet adopted county economic development income tax (CEDIT) or LOIT. They agreed on a shared study of the potential for LOIT. Among those local governments, there is no confidence in the permanence of the tax caps. The group decided to move forward with CEDIT but not to pursue LOIT. The school superintendent favored CEDIT (even though the schools would see no money).

Senator Boots indicated that Montgomery County has a 1% LOIT and a 1.1% CEDIT. Eighty percent of the property tax relief from those taxes accrues to homesteads and 20% to other properties. Homesteads will not benefit from the circuit breakers. Montgomery County is a COIT County so the decisions are made by the tax council.

One member suggested that some small counties could eliminate property taxes on homesteads all together. In Wabash County there were a lot of homes with no property tax liability.

Ms. Williams suggested that small businesses have been hit hard by the tax caps.

APPOINTMENTS

Ms. Palmer provided the commission with a list of member terms (Attachment F). She indicated that about half of the commission's appointments would expire on June 30. She recommended that members wishing to remain on the commission contact the appropriate appointing body to express interest.

ADJOURNMENT

Representative Moses adjourned the meeting at approximately 3:30 p.m.

ADOPTION

These minutes were adopted by the commission on November 16, 2009.