

**Indiana Advisory Commission on Intergovernmental Relations
August 12, 2004 Meeting, 1:30 P.M.**

Indiana State Teachers Association Conference Center

150 W. Market St., Second Floor

Indianapolis, Indiana

MINUTES

CALL TO ORDER/WELCOME

Vice-chair Beverly Gard called the meeting to order at approximately 1:40 P.M. She thanked the commission for their attendance (Attachment A) and asked them to introduce themselves. She also asked the members of the audience to introduce themselves.

Chair Sheila Klinker also welcomed the group.

MEETING AGENDA

- Call to Order Chair Sheila J. Klinker
- Approval of Minutes of December 15, 2003 Chair Sheila J. Klinker
- Project Updates John L. Krauss
 - 2003 and 2004 Survey of Local Governments Jamie L. Palmer
 - Water Infrastructure Funding Jamie L. Palmer
Amy Worgan
 - Local Government Restructuring John L. Krauss
Alfred Ho
 - Enterprise Zones and Other Local Economic Development Tools Chair Sheila Klinker
John Krauss
LeAnh Long, IEDC
Jim Landers, LSA
- Other Efforts and Announcements Chair Sheila J. Klinker
- Adjournment Chair Sheila J. Klinker

APPROVAL OF MINUTES OF DECEMBER 15, 2004

Upon reaching a quorum, Representative Klinker called for the commission to review the minutes of the previous meeting.

The minutes were adopted by consent.

PROJECT UPDATES

John Krauss drew attention to one of the handouts comprised of a series of articles about other places and groups around the country that are working on similar issues (Attachment B).

2003 AND 2004 SURVEY OF LOCAL GOVERNMENTS

Jamie Palmer indicated that the 2003 survey report had been distributed in May. She distributed the draft questionnaire for the 2004 survey (Attachment C) and explained that the survey would be administered beginning in September. The report would be completed by early January 2005.

WATER INFRASTRUCTURE FUNDING

Jamie Palmer distributed the work plan for the water infrastructure funding study (Attachment D) that had been provided previously. She indicated that the timing had been moved back.

Senator Gard confirmed that the study would address all the categories of infrastructure in the first study.

Ms. Palmer indicated that it would.

LOCAL GOVERNMENT RESTRUCTURING

Mr. Krauss explained a series of handouts about current restructuring work in Indiana, including an issue brief produced by the Center for Urban Policy and the Environment (Attachment E) and interim reports from the Property Tax Replacement Study Commission (Attachment F) and the Local Government Efficiency and Financing Study Commission (Attachment G).

Mr. Krauss introduced Dr. Alfred Ho, Assistant Professor from the Indiana University School of Public and Environmental Affairs. Dr. Ho was a PhD student who did policy work at the Center for Urban Policy and the Environment prior to joining the University of Iowa. He had recently returned to Indiana.

Dr. Ho presented issues to consider when approaching local government restructuring (Attachment H). The presentation was similar to the testimony Dr. Ho gave at a Local Government Efficiency and Financing Study Commission early in the summer.

Mayor Stephen Luecke, a member of the Local Government Efficiency and Financing Study Commission, asked about what factors might account for the differences in own-source revenues among neighboring states. He asked whether some of the difference could be that state funding of local services varies.

Dr. Ho explained that this issue is one reason that combined state and local funding data are useful. The combined number helps to account for the differences in how services are funded.

Mr. Krauss explained that the commission staff has offered to assist the Property Tax Replacement Study Commission and the Local Government Efficiency and Financing Study Commission. He explained that Jamie Palmer had testified before the Local Government Efficiency and Financing Study Commission earlier in the summer.

Senator Joseph Zakas asked about the reaction to the testimony.

Jamie Palmer directed the commission to a copy of her testimony (Attachment I). She indicated that the testimony seemed to be well received. Member of the study commission asked a number of questions, many requesting additional detail on the data presented.

Senator Glen Howard indicated that Unigov is an example of consolidation that did not fully unify government. Many significant problems still exist in Center Township, including jail space and high taxes. The consolidation did not deal well with the high proportion of tax exempt properties in Center Township and the large number of in-commuters who only support Marion County services through food and beverage taxes.

John Krauss indicated that certain compromises to political sensibilities were made when Unigov was passed. Local government finances have not kept up.

Mayor Luecke explained that the study commission has been formed in response to the COMPETE study. The study has engendered significant opposition to particular recommendations. He confirmed that the IACIR's testimony was helpful.

He continued by suggesting that local government structures often don't match the boundaries of local economies. Finding structures that will support strong state and local economies are critical. Tax sharing may be one option. Currently, a local factory that locates just outside of South Bend and is dependent on the investments made by city government does not have to support it.

Mr. Krauss indicated that the IACIR has long suggested that successful restructuring of local government will require a bi-partisan effort and a long-term view.

Representative Ron Herrell indicated that discussions about consolidation of services often deteriorate to turf battles. Everyone thinks that they can do it better. He wondered what would get people together short of forcing them. Cooperative efforts to provide services might be better accepted.

Senator Allie Craycraft agreed that these efforts often become turf battles. Cost of service issues are not simple. An issue like this will take a lot of time for good study. Significant changes are not likely to happen in the next session.

Mr. Krauss suggested that the IACIR was designed to deal with issues like these.

Linda Williams asked for clarification about what role the IACIR would have. She expressed concern about duplicating previous efforts.

Mr. Krauss indicated that the IACIR could serve as a bridge across various discussions and produce additional complementary research. Forums, such as those hosted for annexation and reassessment, might be useful in forwarding the issues and mitigating turf battles.

Ms. Williams indicated that it was important to include poor relief in discussions about the services provided by townships.

Representative Tom Saunders indicated that the study commission was going to meet only three times in 2004. The legislature may be pressured to propose some kind of action, particularly in light of the Indianapolis restructuring proposal. He reiterated his interest in addressing tax-exempt properties and local service provision.

ENTERPRISE ZONES AND OTHER LOCAL ECONOMIC DEVELOPMENT TOOLS

Representative Klinker introduced LeAnh Long of the Indiana Economic Development Council (IEDC) to update the group on the State Economic Development Plan.

LeAnh Long explained that the economic development plan is done on a five-year cycle and was last completed in 1999 under Graham Toft. Each of the 12 Department of Commerce regions also is required to produce a plan. IEDC had held its first strategic meeting recently.

She indicated that a number of themes have been identified, including global competition, regional thinking, business innovation, infrastructure investment, and smart government. The group has talked about ways that state and local government can better interface on issues of economic development. Discussions indicate that the Department of Commerce regional system seems to be working and provides the state a mechanism to better address regional differences. A large data collection effort is underway including preliminary cluster analyses for the state and its regions and demographic analyses.

Representative Klinker indicated that the DOC regional office in her area had moved from downtown to the Purdue Research Park. She felt that was a good strategic move. She further indicated that the regional offices allow DOC to specialize services and activities to the needs of the region.

Ms. Long closed by asking the commission members to provide input into the strategic plan at www.indianaplans.org.

Representative Klinker introduced Dennis Carson to provide a brief presentation on urban enterprise zones (UEZs).

Dennis Carson explained that urban enterprise zones are an important economic development tool that is now in jeopardy as a result of the recent tax restructuring. Prior to the change, businesses in these zones received a gross income tax exemption. Some of the exemption was tithed back to the zones managing organization for administration. He further explained that new incentives are needed to replace the ones rendered ineffective by restructuring.

Representative Klinker asked Mr. Carson to indicate how many zones there are as well as the types of replacement options that have been considered by the Enterprise Zone Study Commission.

Mr. Carson explained that there are 25 zones and 3 military bases that have been designated. The Enterprise Zone Study Commission has considered a number of options for replacement, including investment credits, job creation credits, reduced sales taxes, job training credits, and other property tax breaks. The current investment cost credit needs to be revamped to be most effective.

Senator Howard suggested that the Fort Harrison UEZ has been critical to the successful redevelopment of that area. Keystone Industrial Park also has been designated in Indianapolis.

Mayor Luecke indicated that the UEZ in South Bend has been important to development. The UEZ includes an incubator and has been critical to creating new jobs and retaining existing businesses. He further suggested that the reauthorizations of tax increment financing (TIF) and tax abatement also are critical to local economic development.

Representative Klinker introduced Jim Landers of the Legislative Service Agency to share the work done on the fiscal impact of UEZs.

Jim Landers presented briefly the work that has been done to collect the data necessary for legislative fiscal impact analysis and the challenges of that effort (Attachment J).

Representative Herrell asked about the source of employment statistics. He also asked about whether UEZs collect data on economic growth.

Mr. Landers explained that his effort used Census of Population information rather than state unemployment figures. He explained that LSA needs a neutral source of data for growth, rather than self-reported data.

Representative Klinker that getting data to document the benefits of UEZs is made difficult by privacy issues. Successful firms tend to be forthcoming. Other firms are more guarded.

Mr. Landers indicated that the staff did a survey of UEZ businesses, but got an extremely low response. He suspected that is because much of the information is proprietary.

NEXT MEETING

The commission will hold one additional meeting prior to the legislative session.

ADJOURNMENT

Representative Klinker closed the meeting at approximately 3:30 P.M.

ACCEPTANCE OF MINUTES

Minutes were accepted by the membership of the IACIR on December 14, 2004.