Indiana Advisory Commission on Intergovernmental Relations

Thursday, October 2, 2008
9:30 – 12:00 P.M.
Indiana State Teachers Association Conference Center
150 W. Market St., Second Floor
Indianapolis, Indiana

MINUTES

CALL TO ORDER/WELCOME
Chair Win Moses called the meeting to order at approximately 9:30 A.M. He welcomed the group (see Attachment A).

Senator Beverly Gard provided a brief tribute to Senator Marvin Riegsecker. Riegsecker started his political career in local government as a county commissioner and coroner. He worked on many local government issues as a committee chair in the Senate. He was a great public servant and friend to many. His death is a tremendous loss.

MEETING AGENDA

• Call to Order	Chair Win Moses
• Welcome	Chair Win Moses
• Approval of Minutes of September 2, 2008	Chair Win Moses
• Presentations and Testimony Regarding Local Fiscal Review Responsibilities Established in HEA 1001(2008)	Various
• Discussion of Findings for HEA 1362 (2006)	Chair Win Moses Jamie Palmer Commission Membership
○ Update: 2008 Survey of Local Elected Officials	Jamie Palmer
• Next Meeting	Chair Win Moses
• Adjournment	Chair Win Moses

APPROVAL OF MINUTES OF SEPTEMBER 2, 2008
Representative Moses asked the commission to review the minutes from the previous meeting.

Sue Paris moved to approve the minutes of September 2, 2008. The motion was seconded by Senator Phil Boots. The motion carried by unanimous vote.

PRESENTATION: LOCAL FISCAL REVIEW RESPONSIBILITIES - HEA 1001 (2008)
Representative Moses provided a bit of background on HEA 1001 (2008) and the local fiscal review responsibilities contained within it. He introduced Dan Jones from the Department of Local Government Finance (DLGF) to present a primer on the new local fiscal review responsibilities.

Mr. Jones presented the details of the new legislation addressing local fiscal review, with focus on Section 148 of HEA 1001 (see Attachment B).

Joyce Poling asked about whether redevelopment commissions are included in requirements for fiscal review.

Mr. Jones indicated that the answer is not clear, but that DLGF recommends that they be included.

Senator Gard inquired about whether some reporting of the review would be required.

Mr. Jones indicated that DLGF will expect a report on the completion of review activities.

Ms. Paris indicated that the County Council affiliate group to the Association of Indiana Counties met at the annual conference to discuss the new responsibilities. 21 counties were represented directly at that meeting. She summarized the discussion and agreements of that group. County councils accept the new responsibilities. Councils are widely representative of the broad community as each voter is able to select a majority of council members (1 district member and 3 at-large members). Members would like to see the review become binding. They are encouraged that the DLGF will take the review into consideration when approving levies and tax rates. The group was concerned, however, that the time frame allowed for local review was inadequate.

Mr. Jones agreed that 15 days is a very short time frame.

Senator Gard asked about whether counties have enough staff to complete the new responsibilities. She suggested that the IACIR would be a good group to track progress through the periodic survey of local elected officials.

Mr. Jones indicated that many counties are relying on the county auditor to staff the new responsibilities. Those offices are typically overwhelmed during budget season and these new responsibilities add new pressure. There is anecdotal information that one county has hired a budget analyst specifically to staff the review.

Mayor Norm Yoder asked about the purpose of the new review responsibilities were from the perspective of the DLGF. Previously this same responsibility would have fallen to the tax adjustment board. Only Allen County still has such a board. He acknowledged that there is a need for better coordination, particularly in light of the new property tax circuit breakers.

Senator Gard suggested that no body is tasked with looking at the big picture. The new review provides a way to get local governments talking to each other.

John Krauss indicated that the Commission on Local Government Reform had made several specific recommendations about ensuring that decisionmaking about taxes and debt was aligned with elected officials. In addition, they recognized the need for review of the decisions of individual local governments from the perspective of the overall burden on taxpayers.

Mayor Yoder indicated that he supports aligning tax and debt policy under elected bodies. He believes that the new circuit breakers will take care of local collaboration. He suggested that, as the reviewing body, counties will not face the same scrutiny as other local governments. Schools must be included in review for it to be effective.

Mayor James Fleck asked about the selection of county government as the arbiter, rather than cities. Cities typically have more economic impact. County governments do not have direct experience with a number of services provided by municipalities.

Mr. Krauss indicated that counties were chosen because they represent the citizens in all the included local governments.

Tonya Galbraith suggested that the timing of the review was especially difficult for the current year.

Larry Breese indicated that the new review has been a hot topic with the Clerk-Treasurers affiliate group. The members have reported that there is a lot of variation in awareness among counties about what to do. There remains a need for guidance to local officials.

He continued by indicating that Hancock County has hired a consultant to provide assistance with the new review. He wondered if that is a good use of funds. The 2010 caps will have the effective of making the reviews binding. There is concern among clerk-treasurers that counties could protect their own levies at the expense of local governments.

Representative Moses suggested that there are a number of drawbacks to the structure that was chosen.

Representative Tom Saunders indicated concern about the exclusion of schools from the review as they clearly will affect what happens relative to the circuit breakers.

TESTIMONY: LOCAL FISCAL REVIEW RESPONSIBILITIES - HEA 1001 (2008)
Representative Moses recognized the Association of Indiana Counties (AIC).

David Bottorff, Executive Director, indicated that AIC has been working with the Indiana Association of Cities and Towns (IACT) to accomplish the collaboration among local government that will be necessary with the impending property tax caps. He suggested that AIC would be seeking a better timeline for accomplishing effective review and coordination.

Andrew Berger, Legislative Director, indicated that AIC would be working toward a number of changes to make the process more effective (see Attachment C). First, establish firm dates for submission of budgets to the county council. In 2008, local governments were given extra time to submit levies to DLGF. Budget work has been staggered across local governments as a result. Second, amend the DLGF form to include AV, income, and levy growth. These will make the form more useful. Third, all units must be included for collaboration to be effective.

Senator Gard indicated that a number of legislative discussions over the years have centered on libraries as a provider of a special function in ensuring access to information. There has and will continue to be concern about keeping counties from second guessing acquisitions. Counties already have a tendency to overreach.

One commission member suggested that elections are a good check on that behavior.

Mr. Bottorff indicated that they have been in contact with DLGF about formally and permanently extending the deadline for filing levies with the agency. September is clearly too early. The current deadlines were set prior to the current electronic capabilities.

Representative Moses recognized Darren Vogt, president of the Allen County Council.

Mr. Vogt indicated that until recently Allen County was the only county with the tax adjustment board.

He further testified that without better regular fiscal information, the new review responsibilities will be ineffective. There isn't necessarily agreement on review being binding or not. There is more agreement that the decisions should be binding on non-elected officials. He indicated being supportive of a single county executive and unified legislative body. The exclusion of school boards is unfortunate and could affect the effectiveness of the required review.

Representative Moses indicated that Allen County has worked hard on fulfilling the new review responsibilities.

Representative Klinker asked about how school boards should be incorporated into the process.

Mr. Vogt suggested that without them, it was not possible to set overarching priorities for the citizens of the county.

Mr. Krauss indicated that the Commission on Local Government Reform had recommended including schools in the overarching fiscal review.

Meredith Carter indicated that, in Hamilton County, the Finance Committee of the County Council will review budget information first and present to the full council.

Mayor Yoder asserted that the time allowed for county review was really disproportionate to the amount of time spent by municipalities in setting internal priorities. Budget processes typically start in March with department budget proposals and presentations. Full draft budgets typically are presented in August. He reiterated that other elements of HEA 1001 would force collaboration.

Mr. Vogt agreed that 15 days for review was inadequate. He supported the review process as a methodical way to consider levies and tax rates from a broad perspective. While most county councils respect the work of other local units, he agreed that it could be a slippery slope. It would be a problem if county councils began to use their review authority as a de facto line item veto.

Mayor Fleck asked about what would happen if the review were binding.

Representative Moses indicated that discussions such as this were important to document the effects of the original language. He expected that during the upcoming session, there would be a number of amendments to the review process as well as other elements of HEA 1001 (2008).

Representative Moses recognized Rhonda Cook, Legislative Director of the Indiana Association of Cities and Towns.

Ms. Cook indicated that the legislation has sparked a lot of discussion among IACT members and with AIC. IACT and AIC have done joint outreach to educate members and collect input. She identified the following issues:

- Final publication is inflated for publication. It sets limits on the budget unless re-published.
- The new review process does provide a mechanism for collecting information and forcing dialogue about capital projects.
- The review is another unfunded mandate. It costs a minimum of $20K-$25K to complete the review. Much of that burden now falls to the County Auditor.
- Most municipalities have presented and submitted budgets as usual.
- There are structural timing issues. This year the timing is further thrown off by the flexibility provide to local governments by DLGF.
- IACT does not support binding review. Counties do not have the resources to complete a thorough review. They also are not familiar with a number of services provided by municipalities and other local governments, particularly police and fire and pensions. The process includes some inherent conflict of interest. Counties will be reviewing other budgets while worrying about their own. County priorities may conflict with the priorities of other local governments.
- IACT supports the review of non-elected boards.

Representative Moses recognized Matt Norris, speaking on behalf of the Indiana Township Association (ITA).

Mr. Norris indicated that some form of communication among local governments, on budgets, would be critical. ITA is concerned about the length of time provided for review relative to the time taken by townships to set budgets. Townships typically work on budgets for 6 – 12 months. Additionally, there is concern about the indication from DLGF that county review findings will be given significant weight in approving levies and tax rates. He agreed that schools must be included in the process for it to be effective.

Linda Williams asked if budgets amended as a result of county review and local collaboration would have to be republished. She agreed that dialogue is critical, but that the timing of the budget process would need to be adjusted. She cautioned in making generalizations and decisions based on the current year that has been an anomaly.

Mr. Jones indicated that local governments could increase budgets up to the published amount without republishing. Communities typically publish inflated numbers to allow for flexibility during the budget process.

Mr. Breese indicated that the deadlines for salary ordinances were not extended. This limits the utility of extended deadlines to file with the DLGF. Many communities have followed the old schedule. He expects that participating in the new review process and the required data reporting would prove onerous for many small units. He expected that a number of clerk-treasurers may resign as a result.

Mayor Fleck reiterated the inexperience that county government has with a number of municipal services, particularly utilities.

Mayor Yoder suggested that real collaboration is difficult to legislate. Personalities may present impediments in a number of counties across the state.

Representative Sheila Klinker indicated that cities have consistently asked for the ability to adopt local option income taxes, particularly in cases when the county has not chosen to do so. There also is a need to be able to match taxing districts to match service provision.

Mayor Fleck indicated the need for additional local revenue streams and some revenue sharing among local governments.

Ms. Galbraith reiterated the difficulties that arise when municipalities do not have access to local income taxes or the ability to adopt them.

Ms. Poling suggested that legislative fixes need to be thought through in broad terms that address the various circumstances that exist across local governments.

Fred Barkes suggested that local governments already have the ability to charge higher user fees for non-residents. He indicated that the new circuit breakers would create difficulties in providing services such as township assistance. Townships are required to offer the service but face caps in doing so. The new caps do not allow local governments to address disasters such as the summer flooding. Barkes' township was forced to borrow money to keep up with the atypical needs.

Representative Moses suggested that the burdens in those cases would have to be shifted to the county or state government.

Senator Boots suggested that the original legislation did not address all the impacts that have become apparent.

Representative Saunders recommended establishing additional time for review.

Senator Gard indicated that the goals of the original legislation will not change. The first proposal does not seem to be working quite as intended. Some adjustments will likely be made regarding the details. She asked that participants work to keep the lines of communication open between state and local government.

Senator Bob Dieg told the group that he and Representative Van Haaften had proposed a local meeting to discuss the new requirements with local officials. They got little interest.

Mark Lawrance, Indiana Chamber of Commerce, indicated that in Elkhart County there has been an informal group of all local governments that meets on a regular basis to communicate about issues.

Ms. Poling suggested that a system for recording and communicating best practices was needed.

Senator Gard indicated that the IACIR would be a good place to accomplish that.

DISCUSSION OF FINDINGS ON HEA 1362 (2006)
Ms. Palmer provided a summary of the activity under HEA 1362 (2006; IC 36-1.5 Government Modernization) and the issues that have been raised through contact with those communities and analysis (Attachment D).

UPDATE: 2008 SURVEY OF ELECTED OFFICIALS
Jamie Palmer presented a brief update of results from the 2006 survey of local elected officials (see Attachment E).

NEXT MEETING
Ms. Palmer indicated that the next meeting likely would be scheduled for November, following the election.

ADJOURNMENT
Representative Moses closed the meeting at approximately 11:30 A.M.

APPROVAL
These minutes were approved by the commission on November 20, 2008.