

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7072

BILL NUMBER: SB 405

NOTE PREPARED: Feb 21, 2011

BILL AMENDED: Feb 21, 2011

SUBJECT: Township Government.

FIRST AUTHOR: Sen. Lawson C

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

County Fiscal Body: It specifies that in Marion County after December 31, 2011, and in all other counties after December 31, 2012: (1) the county fiscal body is the fiscal body of each township in the county and shall exercise the fiscal powers assigned in the Indiana Code to township boards, including the authority to adopt the township's annual budget and to levy township property taxes for township funds; and (2) the county legislative body is the legislative body of each township in the county and shall exercise the legislative powers assigned in the Indiana Code to township boards.

Township Boards Abolished: It provides that on January 1, 2013 in Marion County, and on January 1, 2015 in all other counties, township boards are abolished. The bill provides that after December 31, 2011 in Marion County, and after December 31, 2012 in all other counties: (1) the township board's only responsibility is to formulate a proposed annual budget, levies, and rate for submission to the county fiscal body; and (2) the county fiscal body may reduce and modify but not increase the budget submitted by the township board in formulating the final proposed township budget, levies, and rate.

Annual Township Budget: The bill requires in formulating an annual township budget that consideration be given to the ending balance that will remain in each township fund relative to: (1) the budgeted expenditures from the fund; (2) the fund balance that must be maintained by the township due to delayed property tax collections; and (3) the amount of tax anticipation notes or warrants or other obligations incurred by the township due to delayed property tax collections.

Excessive Funds: The bill provides in: (1) Marion County if the township board (before January 1, 2012) or

the county fiscal body (after December 31, 2011); or (2) in all other counties the township board (before January 1, 2013) or the county fiscal body (after December 31, 2012) determines that the ending balance in a township fund is excessive (after considering certain specified factors), the township board or county fiscal body shall transfer the excessive amount to the township's levy excess fund.

Township Budget Limits: It specifies that for township budgets adopted for 2012 for Marion County, and 2012 and 2013 for all other counties, the total amount appropriated for a particular year may not exceed the result of: (1) the total amount appropriated for the previous year; multiplied by (2) the assessed value growth quotient applicable to the township for the particular year. The bill also provides that if a township board or (after December 31, 2012) a county fiscal body determines after a public hearing that the township cannot carry out its governmental functions for a year under these appropriation limitations, the county fiscal body may appeal to the Department of Local Government Finance (DLGF) for relief from the appropriation limitations for the year.

Capital Improvement: After December 31, 2012, the bill requires the county fiscal body to consider with regard to a cumulative building fund or capital improvement fund, the township's capital improvement plan. It requires the DLGF to consider those issues when reviewing a township's budget, tax rate, and tax levy. It also provides that after December 31, 2011 in Marion County and after December 31, 2012 in all other counties, a township may only collect property taxes for a capital improvement fund in a particular year, if the township trustee prepares and the county fiscal body approves a proposed or amended capital improvement plan in the immediately preceding year.

Reorganizing Townships: The bill provides that if a township reorganizes with at least one other township, and the resulting new political subdivision is not a city or town, after December 31, 2012, the county fiscal body is the fiscal body of the new political subdivision.

Township Assistance Planning Board: The bill establishes a township assistance planning board (board) in each county to prepare a county plan (plan) for creating countywide township assistance standards. It provides that the board annually reviews and updates the county's township assistance standards. It requires the plan and township assistance standards to be adopted by the county legislative body.

Township Claims: It provides that the county executive has the authority to allow and pay township claims in the same manner that county claims are allowed and paid.

Office of Management and Budget: The bill requires the Office of Management and Budget (OMB) to annually prepare a report that includes certain information regarding each township. It requires the report to be submitted to the Executive Director of the Legislative Services Agency and to county councils.

Township Offices: The bill specifies that each township office must include the address, phone number, and regular office hours (if any) of the township office in at least one local telephone directory.

Township Assistance Standards: The bill requires the county legislative body after December 31, 2012, to adopt township assistance standards for all townships in the county.

Township Meetings and Hearings: It requires a public meeting or a public hearing of a township official or governing body to be held in a public place.

Township Trustee's Annual Report: The bill requires a township trustee's annual report to list separately each

expenditure that is made to reimburse the township trustee for the township trustee's use of tangible property (real and personal property) for public business, including any reimbursements made for the use of a private residence, personal telephone, or personal vehicle for public business.

Township Assistance Applications: It provides that if a trustee does not: (1) accept a completed application for township assistance; or (2) grant or deny a completed application for township assistance within the period required by statute; the application is considered denied, and the denial may be appealed to the board of county commissioners.

Township Budget Approval: It provides that the DLGF may not approve the budget or any additional appropriations of a township that fails to file: (1) an annual fiscal report; or (2) a personnel report; for the preceding year.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Department of Local Government Finance (DLGF):* The bill is expected to have minimal fiscal impact for the DLGF when reviewing township budgets, tax rates, and tax levies in order to consider the ending balance, and to receive appeals from townships.

Office of Management and Budget (OMB): The bill may increase costs for the OMB to prepare and report on township annual reports with additional information. Under current law, the township provides information on fund balances to the SBOA. This information is compiled into a report at the SBOA main office using support staff. Under the bill, a township is to prepare any information required by the report and not currently reported on the schedule established by the SBOA.

Background - State Board of Accounts: Currently, the SBOA prepares an annual report concerning the townships using information provided to the SBOA by the township trustee. However, the SBOA indicates that 100 townships (10%) did not file the required 2009 report. The SBOA also prepares a biennial examination report of the townships. The SBOA would continue to receive the information and OMB would prepare the annual report for the preceding calendar year, including the current information and the following:

- The population of the township.
- The budget, property tax levels, and property tax rates.
- The assessed valuation.
- The balance in each township fund.
- A summary of township assistance information.
- A summary of any statutory compliance issues or exceptions.
- A description of any interlocal agreements.
- A description of any resolutions or petitions concerning the township.
- A description of the property owned or leased by the township.

Also, the bill prohibits the DLGF from approving the budget or additional appropriation of a township that fails to file an SBOA report or that fails to certify to SBOA that the township is in compliance with provisions concerning the employment of relatives and contracting with relatives.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill will increase costs for counties by making the county fiscal body the township fiscal and legislative body. County councils may require additional meeting time to establish budgets, consider resolutions, and adopt plans for capital improvements. However, cost savings may result from the elimination of the three-member township boards (in counties outside of Marion County) or seven-member township boards (in Marion County). [Note: Township trustees would remain in place.]

Additionally, the county executive of each county will appoint a nine-member township assistance planning board to adopt county-wide standards for township assistance that meet at least the minimum standards set in statute. The county fiscal body will determine the compensation of the board members, and the board is considered a public body for Open Door Law and access to public records purposes.

Minimal increased costs for township reporting may also occur for the township trustee to collect and report to the OMP additional information such as the township population, as well as a separate listing of reimbursement to the township executive for use of tangible property such as a private residence, telephone, or vehicle. The bill requires a public meeting or hearing of a township official or governing body to be held in a public place, which would disallow use of a private residence for township meetings. This, in certain circumstances, may increase costs.

(Revised) *Township Budgets:* Under current law, the levy for a controlled fund may grow at the rate of the income-based assessed value growth quotient (AVGQ). Budget appropriations, however, are only limited to the total funding that is available. Beginning in CY 2012 (CY 2011 in Marion County) under the bill, the county would hold the public hearings on township budgets and would adopt the township budgets, levies, and tax rates as part of the county budget.

A township's total budget appropriation (including additional appropriations) for CY 2012 and CY 2013 (CY 2012 only, in Marion County), would be limited to the previous year's appropriation plus growth equal to the AVGQ. Current estimates for the AVGQ are 2.8% in both CY 2012 and CY 2013. A township (before January 1, 2013) or the county (after December 31, 2012) may appeal to the DLGF for relief if a township that cannot function under the appropriation limitations imposed by the bill. In Marion County, a township (before January 1, 2012) or the county (after December 31, 2011) may make the appeal to the DLGF.

Also, if the required information for SBOA and OMB is not reported, the DLGF may not approve the township budget.

Total CY 2010 appropriations in all township funds were \$415 M in 91 counties with available data (excluding LaPorte County). The average annual increase in budget appropriations from CY 2005 to CY 2010 was 1.57%. There were 524 townships with growth above 2.8%. This provision could reduce the appropriations in some townships as compared to the appropriations under current law.

Background: There are a total of 1,006 townships in Indiana, with 9 townships in Marion County having seven-member township boards and 997 outside of Marion County having three-member township boards. The number of townships per county varies between 4 and 21, with the largest number of counties having 12 townships.

There are an estimated 3,054 township board members statewide. Currently, the township board is the legislative body of the township, and the township trustee is the township executive. The legislative body of a township fixes the salaries for the members of the township board. There is no single, statewide repository of township board member salaries. However, township board compensation for 556 townships

was available for review. The salaries range from \$100 to \$46,533 per year, with the statewide median salary being \$550. Since most townships have three township board members, the savings per township would be on average \$1,650. Statewide savings, based on the calculation of township board members and median compensation, would be \$1.7 M.

While savings will accrue to township residents, the county fiscal body, which fixes the compensation of officers, may increase compensation for county legislative and fiscal bodies that undertake additional responsibilities from the township boards.

(Revised) The compensation of the township assistance planning board will be set by the county fiscal body, as well. The nine-member board will include two trustees, one person each employed by human services agency faith-based, government-funded, and nonprofit human services, two citizen members, one member of the county fiscal body, and one member of the fiscal body of the municipality with the largest population.

Explanation of Local Revenues: (Revised) *Excess Balance:* Under this proposal, the township board or the county fiscal body must determine whether a fund balance is excessive based on the budgeted expenditures from the fund; balances needed on account of actual or anticipated delayed property tax billing, collection, or distribution; and the amount needed for tax anticipation notes, warrants, or other obligations incurred on account of delayed property tax billing, collection, or distribution. Beginning in CY 2013 (CY 2012 in Marion County), excess fund balances contained in cumulative and capital projects funds would be based on the capital improvement plan. Any excessive amount is transferred to the township's levy excess fund. [With certain exceptions, the money in a levy excess fund may be used for any lawful purpose for which money from other township funds may be used, provided it is included in the township's budget.]

(Revised) *Capital Improvement Plan:* Beginning in CY 2012 in Marion County and CY 2013 for all other counties, under this provision, townships would be required to prepare a capital improvement plan that would estimate expenditures from, and revenues to, the various township cumulative funds for at least three years after the plan is adopted. Townships would not be able to collect property taxes for a cumulative fund without an approved plan.

State Agencies Affected: DLGF; OMB, SBOA.

Local Agencies Affected: Counties and townships.

Information Sources: Local Government Database, DLGF.

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