

**FINAL REPORT
OF THE
LOCAL GOVERNMENT EFFICIENCY AND
FINANCING STUDY COMMISSION**



**Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204**

October, 2005

INDIANA LEGISLATIVE COUNCIL
2005

Senator Robert Garton
Chairman
Columbus

Speaker Brian Bosma
Vice-Chairman
Indianapolis

Senator Richard Young
Milltown

Representative B. Patrick Bauer
South Bend

Senator James Merritt, Jr.
Indianapolis

Representative William Friend
Macy

Senator Patricia Miller
Indianapolis

Representative Kathy Richardson
Noblesville

Senator Thomas Wyss
Fort Wayne

Representative Timothy Brown
Crawfordsville

Senator David Long
Fort Wayne

Representative P. Eric Turner
Marion

Senator James Lewis
Charlestown

Representative Dale Grubb
Covington

Senator Earline Rogers
Gary

Representative Russell Stilwell
Boonville

Philip J. Sachtleben
Executive Director
Legislative Services Agency

LOCAL GOVERNMENT EFFICIENCY AND FINANCING STUDY COMMISSION

Membership Roster

Representatives

Phil Hinkle, Chairperson
Indianapolis

Thomas Saunders
Lewisville

Robert Kuzman
Crown Point

Win Moses
Fort Wayne

Phil R. Stiver
Goshen

Jean P. Lushin
Kokomo

Ann Devore
Columbus

Darren Vogt
Fort Wayne

Judy Sharp
Bloomington

Senators

Marvin Riegsecker, Vice-Chairperson
Goshen

David Long
Fort Wayne

Timothy Lanane
Anderson

Frank Mrvan
Hammond

Sam Talarico, Jr.
Fort Wayne

Paul Ricketts
Indianapolis

Chris Ruhl
Indianapolis

Ron Spencer
Milltown

Mayor James Garner
New Albany

Laymembers

Staff

Ross Hooten
Attorney for the Committee
Valerie Ruda
Fiscal Analyst for the Committee
Chuck Mayfield
Fiscal Analyst for the Committee

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at <http://www.in.gov/legislative/>.

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted P.L. 64-2004 establishing the Commission and directing the Commission to study the following:

- (1) Local government financing, structure, and methods of providing necessary services to the public to determine the most appropriate and efficient means of providing services.
- (2) Merger and consolidation of municipal corporations and the sharing of services among municipal corporations to improve the efficiency of local government.
- (3) Creation of local charter governments and the restructuring of municipal corporations, including a review of Senate Bill 225-2004, which proposed allowing local governments to establish charter governments.
- (4) The efforts of Fort Wayne and Allen County to restructure municipal and county government.
- (5) The ongoing study conducted by Vanderburgh County concerning the restructuring of local government.
- (6) The efforts of other states to consolidate local government.
- (7) Any other issue as determined by the commission.

In addition to the responsibilities set forth in P.L. 64-2004, the Legislative Council assigned the following study topics to the Commission for the 2005 interim:

- (1) Replacing all property taxes with substitute funding.
- (2) Administration of personal property tax collection.
- (3) Smart growth and local planning issues.
- (4) Fiscal impact of public lands on local government units.

II. INTRODUCTION AND REASONS FOR STUDY

The Commission was established in 2004 to study a variety of issues relating to the structure, financing, and operations of local government. The commission met four times in the 2004 interim without adopting any specific findings or recommendations. The Commission's 2004 meeting minutes and the final report summarizing the Commission's 2004 activity can be accessed at <http://www.in.gov/legislative/interim/committee/2004/committees/lgef.html>.

The study topics assigned to the Commission by the Legislative Council for the 2005 interim were raised in the following bills and resolutions during the 2005 session of the General Assembly:

- (1) Property tax replacement (HB 1723 and HB 1616).
- (2) Personal property tax collection (SB 171).
- (3) Smart growth (HB 1602).
- (4) Fiscal impact of public lands (HR 84).

III. SUMMARY OF WORK PROGRAM

The Commission met four times during the 2005 interim. All four meetings were held at the State House in Indianapolis.

The first meeting was held on August 23, 2005. The Commission considered smart growth and the fiscal impact of public lands on local government units.

The second meeting was held on September 13, 2005. The Commission heard testimony on government mergers, consolidations, and cooperation, including the ongoing efforts to obtain legislative approval to merge governments in the City of Fort Wayne and Allen County.

The third meeting was held on October 4, 2005. The meeting addressed the following issues:

- (1) Government consolidation in Vanderburgh County.
- (2) Consolidations of 911 public service answering points.
- (3) Municipal finance.

The fourth meeting was held on October 25, 2005 to consider this report.

IV. SUMMARY OF TESTIMONY

Smart Growth

Rep. Ryan Dvorak urged the General Assembly and local governments to plan for community growth in ways that reduce sprawl. Rep. Dvorak also described some of the planning strategies utilized in other states.

The Fiscal Impact of Public Lands on Local Governments

Rep. Eric Koch urged the General Assembly to consider the adverse effect that an abundance of public lands may have on local government finances. The Commission heard testimony from numerous officials representing Brown County, Monroe County, and Union County describing the burdens that the officials believe the presence of public lands within their counties places on their county budgets. The Commission also heard testimony on the positive impacts that the presence of public lands has on communities.

Government Consolidation Generally

Witnesses urged the Commission to promote the use of interlocal agreements and other collaborative efforts between local governments that do not require changes to the present structure of local government. The Indiana Township Association and the Institute for Family and Social Responsibility at Indiana University presented to the Commission a study of township government. The Institute's study looked at the job that the townships do in providing township

assistance, fire protection, and property tax assessment. Witnesses urged the Commission to refrain from recommending the transfer of the assessment duties of township trustee-assessors to county assessors.

Consolidation in Fort Wayne and Allen County

Senator David Long and a number of officials from Fort Wayne and Allen County briefed the Commission on the ongoing discussions to unify the city and county governments. The witnesses supported the consolidation effort which Sen. Long assured the Commission would ultimately protect the autonomy of the smaller cities and towns in Allen County.

Consolidation in Evansville and Vanderburgh County

Representatives of the Evansville-Vanderburgh County Unification Study Committee outlined the Committee's proposal for unifying the city and county governments with a single legislative body and a mayor elected by the entire county. The witnesses described the Committee's plans to win public support for the proposal.

911 Public Safety Answering Points

The Commission heard testimony on nationwide efforts to consolidate 911 public safety answering points. State Treasurer Tim Berry described wireless 911 funding in Indiana. The Commission was urged not to recommend unfunded mandatory consolidations. The Commission was also urged not to focus entirely on the costs of providing 911 public safety answering points as the personnel staffing a call center may very well serve law enforcement in other capacities.

Municipal Financing

The Indiana Association of Cities and Towns (IACT) briefed the Commission on the progress of an ongoing study entitled "A Proposal to Reinvent Municipal Fiscal Management and to Foster Efficiency in Indiana's Cities and Towns". The association has been looking at several representative communities and the effect that adopting local taxes that are currently unavailable to local governments would have on municipal finances in those communities. The study analyzes the adoption of a new tax in conjunction with a reduction in each community's municipal property tax levy. IACT expects to finalize the study and any legislative proposals related to the study later this year.

The Commission considered reallocating approximately \$600,000,000 that is currently spent on property tax replacement credits for property taxes raised on levies other than school general funds. The Commission discussed the following spending alternatives for the money:

- (1) Paying the welfare and court costs currently paid by county governments.
- (2) Increasing the percentage of property tax replacement credit allowed for school general fund levies.

V. COMMISSION RECOMMENDATIONS

The Commission made the following recommendations:

(1) The Commission urges the General Assembly to continue to investigate and analyze the elimination or reduction of the state's obligation to provide property tax relief credits. Any legislation enacted by the General Assembly that reduces the state's property tax replacement credit obligation should also reallocate the money currently spent on property tax relief credits in a manner that achieves revenue neutrality for at least two-thirds (2/3) of the Indiana counties.

(2) The Commission urges the General Assembly to authorize local units of government to initiate their own property tax replacement programs and exercise more control over their local finances. The General Assembly should enact legislation that enables local units to choose from a variety of funding options that must be used to reduce the units' reliance on the property tax. The Commission recommends that the enabling legislation foster local control. The Commission recommends that the enabling legislation include the establishment in each county of a locally based budget review board having authority to review the budgets of each unit in the county.

(3) The Commission recommends that the General Assembly refrain from transferring assessment duties from the trustee-assessors until it has a chance to evaluate the effectiveness of Senate Enrolled Act 308-2005.

(4) With respect to the number of 911 public safety answering points in Indiana, the Commission recommends that:

- (1) the number of centers be limited to one (1) per county as of July 1, 2009;
- (2) local levy limits should not be adversely affected as a result of any savings realized from call center consolidations;
- (3) the State should assist in funding needed changes; and
- (4) adjacent counties should be authorized to consolidate 911 call centers as a means to create additional efficiencies on a regional basis.

(5) The Commission commends the public officials in the City of Evansville and Vanderburgh County, the Evansville-Vanderburgh County Unification Study Committee, and others who are leading the consolidation effort for their hard work. The Commission urges the General Assembly to separately consider any consolidation legislation affecting governments in Allen County or Vanderburgh County so that each proposal may succeed or fail on its own merits.

WITNESS LIST

Ms. Karen Arland, Ice Miller
State Treasurer Tim Berry
Ms. Angie Bixler, Association of Indiana Counties
Mr. Paul Black
Ms. Linda Bloom, Allen County Board of Commissioners
Dr. Phil Borst, DVM, Marion County City-County Council
Mr. David Bottorff, Association of Indiana Counties
Mr. Steve Buschmann, Indiana Township Association
Dr. Katharine Byers, Phd., Institute for Family and Social Responsibility,
Mr. Ed Charbonneau, Northwest Indiana Local Government Academy
Mr. David Critser, Brown County Council
Mr. Mike Cunegin, Allen County Council
Lynn Dennis, Nature Conservancy
Ms. Deborah Driskell, Indiana Township Association
Representative Ryan Dvorak
Representative Jeff Espich
Dr. Phillip Fisher
Ms. Pat Gentry, Union County Council
Mr. Matthew Greller, Indiana Association of Cities and Towns
Ms. Katrina Hall, Indiana Farm Bureau
Mr. Steve Johnson, Indiana Fiscal Policy Institute
Mr. Drew Klacik, Center for Urban Policy and the Environment
Representative Eric Koch
Senator David Long
Mr. Gary Malone, Umbaugh & Associates
Mr. Tim Maloney, Hoosier Environmental Council
Chief Joe Patrick, Greenwood Police Department
Ms. Joyce Poling, Monroe County Board of Commissioners
Mr. Steve Schaefer, Metropolitan Evansville Chamber of Commerce
Mr. William Sheldrake, Policy Analytics, LLC
Mr. Les Shively
Ms. Sue Swayze, Greater Indianapolis Chamber of Commerce
Mr. Sam Talarico, Fort Wayne City Council
Mr. Darren Vogt, Allen County Council
Captain Harold Williams, Jasper County Sheriff's Department
Ms. Linda Williams, Adams Township Trustee, Hamilton County
Mr. Lloyd Winnecke, Vanderburgh County Council