LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7567 | **NOTE PREPARED:** Feb 23, 2009
BILL NUMBER: SB 512 | **BILL AMENDED:** Feb 23, 2009

SUBJECT: Township Government Provisions.

FIRST AUTHOR: Sen. Lawson C | **BILL STATUS:** 2nd Reading - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill has the following provisions.

County Fiscal Body: It specifies that after December 31, 2012, in a county not having a consolidated city:
(1) the county fiscal body is the fiscal body and legislative body of each township in the county; and
(2) the county fiscal body shall exercise the legislative and 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.

Government Modernization Statute Reorganization: The bill provides an exception for a township that is involved in a reorganization under the government modernization statutes. It specifies that in such a township:
(1) the township board remains in existence and retains its powers and duties until the effective date of the reorganization plan is approved;
(2) if the township board adopts a resolution declining to participate in the proposed reorganization or if the reorganization is otherwise terminated, the township board is abolished on the later of January 1, 2013, or January 1 of the year following the year in which resolution declining to participate is adopted or the reorganization is otherwise terminated; and
(3) if the proposed reorganization is not completed before January 1, 2017, the township board is abolished on that day.

Excess Balance: It provides that when formulating an annual budget, a township must consider:

(1) the ending balance that will remain in each township fund relative to the budgeted expenditures from the fund; and
(2) whether the part of the balance in excess of 10% of budgeted expenditures should be used instead of imposing additional property taxes for the ensuing year.

Department of Local Government Finance: It requires the Department of Local Government Finance to consider those factors when reviewing a township's budget, tax rate, and tax levy.

Nepotism: The bill prohibits a relative of a township officer or employee from being employed by the township in a position that would put the relative in a direct supervisory or subordinate relationship with the officer or employee. It provides that a township employee who marries another township employee may not continue in the same position if the employee would have a direct supervisory or subordinate relationship with the employee's spouse. It also specifies that until January 1, 2011, a township employee is not required by these provisions to be terminated or reassigned from any position held by that individual before July 1, 2009.

State Board of Accounts: It requires the State Board of Accounts 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 Office: It 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.

Public Meetings: The bill provides that a public meeting or a public hearing of a township official or governing body may not be held in a private residence.

Reimbursement for Use of Personal Property: It 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 personal property for public business, including any reimbursements made for the use of a private residence, personal telephone, or personal vehicle for public business.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of Local Government Finance:* 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 whether a balance in excess of 10% should be used.

(Revised) *State Board of Accounts:* The bill may increase costs for the State Board of Accounts (SBA) to prepare township reports by requiring additional information in an annual report. The increased costs will depend on the additional time an auditor must spend verifying and preparing information provided by the township and any additional time required by auditor to obtain the information. Townships will prepare any information required by the report and not currently reported on the schedule established by the SBA.

(Revised) *Background - State Board of Accounts:* Currently, the SBA prepares an Examination Report of the townships that consists of the following:

1. The name and term of township trustee and board members.
2. An independent accountant's report.

3. Schedules of receipts, disbursements, and cash and investment balances for all governmental fund types.
4. Notes to the financial information.
5. Examination results and comments.
6. Exit conference discussion.

The existing reports, located on the SBA website, range in number of pages from 8 - 12, on average. The recent reports cover a two year period, mostly from January 1, 2006 to December 31, 2007.

Under the bill, the annual report would be prepared for the preceding calendar year and include:

- 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.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The bill will increase costs for counties (except Marion County) by making the county fiscal body the township fiscal and legislative body. On average, most counties have 11 townships, but the range is from 4 to 21 townships. County councils may require additional meeting time to establish budgets and consider resolutions.

However, costs savings could result by dissolution of the three-member township boards in counties other than Marion County. The compensation of all township officials is set by the township board. [For all counties but Marion County, in total, the township general fund certified property tax levy for 2008 (2007 in a few counties) was $25.8 M. Thirty-three townships had no general fund levy for 2008. For those townships with a levy, the levy ranged from about $461 to $1.7 M, with the average general fund property tax levy of $25,800 per township. The township trustee position would not be affected by the bill.]

Minimal increased costs for township reporting may also occur. Under current law, the township trustee provides fund information to the SBA. The bill would require additional information collection such as the township population, as well as a separate listing of reimbursement to the township executive for use of personal property such as a private residence, telephone, or vehicle. The bill would disallow use of a private residence for a township meeting.

Additionally, the bill could increase costs to townships that have to make changes in personnel due to familial relationships or marriages.

Explanation of Local Revenues: (Revised) Under this proposal, townships and the DLGF must consider the ending balance for a fund when setting budgets, rates, and levies. The county fiscal body and DLGF must determine whether the part of the fund balance that exceeds 10% of the budget for that fund should be used to reduce the levy. A review of township budget data from 2008 indicates that 916 townships have projected balances exceeding 10% of the budget appropriation, and the portion of those projected balances that exceeds 10% of the budget appropriation may be as much as $128.6 M. This amount does not include the school nor child welfare funds that will be eliminated in 2009. However, a portion of these fund balances are contained in cumulative and capital projects funds which would normally show a balance until spent on a project. The table below lists these amounts by fund type.

Budgeted Fund Operating Balances Over 10% of Budget By Fund Type				
	Cumulative/Capital	**Debt**	**Other**	**Total**
Townships	$26,693,117	$3,448,102	$98,424,915	$128,566,133

State Agencies Affected: DLGF; SBA.

Local Agencies Affected: Counties and townships.

Information Sources:

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