LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6911 | **NOTE PREPARED:** Jan 3, 2010
BILL NUMBER: SB 240 | **BILL AMENDED:**

SUBJECT: Township Government.

FIRST AUTHOR: Sen. Lawson C | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: This bill has the following provisions:

County Fiscal Body: The bill specifies that in each county after December 31, 2012: (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.

Excess Balance: It provides that when formulating an annual budget, a township or (after December 31, 2012) the county fiscal body, must consider 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.

It also requires the township or (after December 31, 2012) the county fiscal body to consider whether the part of the balance that exceeds 10% of budgeted expenditures plus any balances required because of delayed property tax collections and borrowing necessitated by delayed property tax collections should be used instead of imposing additional property taxes for the ensuing year.

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 Department of Local Government Finance to consider those issues when reviewing a township's budget, tax rate, and tax levy.

The bill provides that after December 31, 2012, 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.

Nepotism: It prohibits a relative of a township officer or employee from being employed by the township, and it provides that a township employee who marries another township employee or officer may not continue to be employed by the township. The bill specifies that until January 1, 2012, a township employee is not required by these provisions to be terminated or reassigned from any position held by that individual before July 1, 2010.

The bill also prohibits a township from entering into a contract or renewing a contract with: (1) an individual to provide goods or services to the township if the individual is a relative of the township trustee; or (2) a business entity to provide goods or services, if a relative of the township trustee has an ownership interest in the business entity.

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 Offices: 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 the 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, 2010.

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 whether a balance in excess of 10% should be used.

State Board of Accounts: The bill may increase costs minimally for the State Board of Accounts (SBOA) to prepare 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 SBA 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. The SBOA also prepares a biennial examination report of the townships.

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

The bill's requirements are within the SBOA's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures: 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 2009 (2007 in one county) was $26.7 M. Thirty-six townships had no general fund levy. For those townships with a levy, the levy ranged from about $419 to $1.8 M, with the average general fund property tax levy of $27,760 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 SBOA. 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: 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 908 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 $148 M. 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	$24.3 M	$4.5 M	$119.2 M	$148.0 M

Capital Improvement Plan: Beginning in CY 2013 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; SBOA.

Local Agencies Affected: Counties and townships.

Information Sources: Local Government Database, DLGF.

Fiscal Analyst: Karen Firestone, 317-234-2106; Bob Sigalow, 317-232-9859.