COUNTY GOVERNMENT STUDY COMMISSION

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

MEETING MINUTES[1]

Meeting Date:	**October 3, 2002**
Meeting Time:	**10:00 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 233**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**2**

Members Present: **Rep. Peggy Welch, Chairperson; Rep. Thomas Saunders; Sen. Becky Skillman; Sen. Mark Blade; Sen. Rose Antich; Frank Fritch; Richard Jones; Vernon Jewell; Garland Ferrell; Kelly M. Thompson; Timothy Skinner; William Mansard; Otis Cox; Dave Niezgodski; John Rooda.**

Members Absent: **Rep. Tiny Adams; Rep. Matthew Whetstone; Sen. Steve Johnson; Thomas Rethlake; Doug Lechner; Raymond Lueken; Jean Lushin; Al Dillon; John Catey.**

<u>Correction to September 5th minutes:</u> Testimony offered by Barry Wood was incorrectly attributed to Barry Woodard.

<u>Call to Order:</u>

At 10:05 AM, October 3, 2002, Chairperson Peggy Welch called the second meeting of the County Government Study Commission to order.

<u>County Sheriff Meal Allowances:</u>

---

[1] Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is http://www.ai.org/legislative/. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Chairperson Welch described to the Commission a letter received by Vice Chairperson Becky Skillman from a constituent regarding county sheriff meal allowances. Chairperson Welch recognized Bruce Hartman and Tammy White from State Board of Accounts to testify on this matter.

Mr. Bruce Hartman, State Board of Accounts (SBA), described the methods for sheriffs' compensation in Indiana. Mr. Hartman also described the ways in which a sheriff can be held accountable for the expenses made, including vendor names on bank checks and detailed ledgers maintained by the sheriff. He pointed out that it is difficult to hold a sheriff accountable if a ledger is not properly maintained. Ms. Tammy White, SBA, agreed that expenses should be recorded in detail, otherwise it is difficult to know what transactions have occurred. Mr. Hartman stated that even if a ledger had detailed entries, there is no way to determine the exact items purchased. Current practice, according to Mr. Hartman is for the SBA to stress itemization and encourage sheriffs to submit a report of expenses.

Mr. Hartman testified that the SBA cannot audit money once it enters a sheriff's personal bank account.

Mr. William Mansard, member, stated that in his county the leftover money from the meal allowance goes back to the county auditor.

Mr. Hartman said that Mr. Mansard's situation is an example of a county accountable plan. Unused money from the meal allowance is returned by the sheriff to the county. With an accountable plan, the county will know how much of the meal allowance was spent. Since the unused money was returned to the county, it is not recorded on the sheriff's W-2. This plan has two effects: less taxes withheld on the W-2 and a lower pension base than with a un-accountable plan.

Further, under a county un-accountable plan, the sheriff must declare meals as a personal business expense for tax purposes. Earnings reported on a W-2 would include the total amount paid for meal allowances. Counties often base the sheriff's pension to their W-2 earnings. A sheriff with leftover meal allowance under a un-accountable plan would have higher wages reported on their W-2, which would result in an increase to the pension calculation.

Indiana counties may use either an accountable and un-accountable plan.

Chairperson Welch asked Commission member Mr. Frank Fritsch, Tipton County Sheriff, for his comments. He stated that he preferred an accountable plan where the county and the sheriff reached a contract agreement, where the sheriff knows what he will be paid and keeps track of his expenses. Otherwise, sheriffs generally have to pay out-of-pocket to make up the difference in expenses required to feed inmates. He said that many smaller counties do not like to contract with their sheriffs.

Carolyn Elliot representing the Indiana Sheriff's Association agreed with Mr. Fritsch, and expressed the willingness of the Sheriff's Association to work on this issue.

Following discussion by Commission members, Chairperson Welch requested Legislative Services Agency work with the SBA and the Indiana Sheriff's Association to draft legislation for review by the Commission. She also asked the SBA to keep the Commission advised on this matter.

<u>Notification of Tax Changes (PD 3529):</u>

Chairperson Welch summarized prior testimony heard on the complications to county government presented by HEA 1001-2002(ss) Section 210 regarding the notification to taxpayers of the changes to their personal property taxes. She said that county officials are not able to produce the two different tax rates as required by HEA 1001-2002(ss). Senator Skillman indicated that the Senate leadership still wished to see the property tax differences resulting from HEA 1001-2002(ss) mailed to households. She suggested sending notices through the Department of Local Government Finance, if the county officials are not able to comply.

Legislative Services Agency staff reviewed PD 3529 for the members of the Commission (Exhibit A.)

Senator Mark Blade, member, said that printing a one-time-only notification in the newspapers, would not inform large numbers of taxpayers of the differences, since 30% of the people of his district read the newspapers. He stated that he is concerned that county assessors may receive many phone calls by taxpayers as a result.

Mr. Garland Ferrell, member, stated that the current notification process in HEA 1001-2002(ss) would result in enormous cost.

Mr. David Bottorff, Association of Indiana Counties, testified that the county assessors did not have the resources or time to take a snapshot of the reassessment in the case that HEA 1001-2002(ss) had not passed. Instead, they focused all of their efforts on the changes from HEA 1001-2002(ss). Mr. Bottorff shared his concern that great expense would be incurred in order to present each taxpayer with the difference in their individual property taxes. He continued that counties are not equipped to handle the calculation of two rates with existing technology.

Mr. Bottorff said that offering of a one time public notification in newspapers would save tremendous cost to taxpayers, because counties would realize a large savings from mailings.

Chairperson Welch asked if a detailed calculation by tax brackets could be done as an alternative.

Mr. Bottorff stated that many taxpayers elect to have their property tax statement sent to their mortgage companies. Often, the bills are sent electronically from the auditors' office to mortgage companies. Mr. Bottorff estimated 40-50% of tax bills are sent directly to mortgage companies. He also described the difficulty of adding additional lines to the self-mailers that counties send out. Some vendors would not be able to affix the statement from the General Assembly as required by Sec. 210 of HEA 1001-2002(ss) without alterations to the form.

Representative Thomas Saunders, member, stated that probably 95% of counties used self-sealing statements. Counties cannot add additional information to this type of statement. He said that taxpayers want to know the dollar amount that they owe, and are not as concerned with the calculation of their tax rates.

Mr. Bottorff said that using one or two hypothetical examples in a newspaper would not help some taxpayers understand the rate calculation.

Next, Chairperson Welch recognized Mr. Greg Jordan, president of the Indiana County Treasurers Association to testify.

Mr. Jordan presented the results of a survey taken by the Association and sent to all ninety-two counties concerning the impact of Sec 210 of HEA 1001-2002(ss) (Exhibit B.)

Mr. Jordan also presented sample calculations that he had made of the changes in property tax payments (Exhibit C.)

Responding to a question from Mr. Mansard on the intent of Sec 210 of HEA 1001-2002(ss), Chairperson Welch said that in order to lower property taxes, the General Assembly raised sales taxes by one percent. This was to save homeowners from the increase in property tax that would occur otherwise.

Senator Rose Antich, member, said that almost every year the General Assembly lowers taxes through deductions and credits. Even though the state may provide a 2-3% property tax break, local units can still raise property tax by 5%per year.

Representative Saunders said that the state has put local governments into this situation where they need to raise the maximum levy. If a local unit does not take all of their maximum levy allowance now, they will not be able to later, when they really need it. He expressed concern over sending out the property tax notices with the General Assembly language from Sec. 210 of HEA 1001-2002(ss) included, as he was unsure that property taxes will necessarily decrease.

Mr. Robert Lee, Allen County Treasurer was called to testify. Mr. Lee testified that at 150,000 parcels, his cost would be $18,000 for the additional mailings to taxpayers due to Sec. 210. He estimated the cost for mailing in Marion County at $24,000.

Mr. Richard Jones, member, added that the costs described by Mr. Lee do not include computer programing costs that would also be required to comply.

Ms. Nancy Marsh, Hendricks County Auditor was also recognized to testify. Ms. Marsh said that she felt it was impossible to comply with Sec. 210 of HEA 1001-2002(ss). She said her county does not have the tools to do the job, and cannot program the computers to compute two tax rates. She stated that she would like to see this section repealed, and that she believed placing an example of a typical property in the newspapers was a better alternative.

Mr. Jones stated that if county auditors and treasurers are not able to comply with Sec. 210, the SBA could write up these officials for non-compliance. He added there is no place to add the statements required by law to the forms and that he personally did not know about Sec. 210 until after it went into law.

Ms. Katrina Hall, representing the Indiana Farm Bureau, was called to testify. Ms. Hall said that the Department of Local Government Finance (DLGF) should have the information on hand to present a meaningful breakdown of property taxes by taxing district.

Mr. Steve Key, Hoosier State Press Association, spoke on the effectiveness of public notices as a means to make taxpayers aware of the property tax changes.

Chairperson Welch asked the members of the Commission to comment briefly on their thoughts on what direction to take on the issue.

The following members favored repeal of Sec 210.: Senator Blade, Representative Saunders, Mr. Jones, Mr. Ferrell, Mr. Mansard, Mr. Fritsch, Mr. Skinner, Ms. Thompson, Mr. Niezgodski, Mr. Jewell, and Mr. Cox.

Representative Saunders, Mr. Jones, and Mr. Jewell also favored newspaper publication of the information as a means of meeting the requirements of Section 210 if a repeal is not a viable option.

Senator Skillman said that she was not supportive of complete repeal of Sec. 210, unless an alternative was in place to notify taxpayers of the impact of HEA 1001-2002(ss).

Mr. Rooda indicated that there is not a typical property in his county. It would be difficult to understand the differences based on a few examples.

Chairperson Welch proposed that Legislative Services Agency prepare new drafts to reflect the changes mentioned by the Commission, and that the Commission could then vote to recommend these drafts to the General Assembly.

Wagering Revenue Sharing Limitations (PD 3419)

At the Chair's direction, Legislative Services Agency staff reviewed PD 3419. (Exhibit D.)

Senator Skillman noted that the distribution of wagering revenue does not, in most cases, generate large sums of money for local units of government.

Ms. Connie Lomay with the Marion County Auditor's office spoke briefly about the distribution of wagering revenue in Marion County.

Chairperson Welch asked the members of the Commission to review PD 3419 for the consideration at the next scheduled meeting. She also informed the Commission that they would take action on the Holdover Offices resolution at the next meeting.

The next meeting of the County Government Study Commission was set for 1:00 PM on October 22, 2002.

Chairperson Welch adjourned the meeting at 12:13 PM, October 3, 2002.