

Members

Sen. Brandt Hershman, Chairperson
Sen. Greg Walker
Sen. Timothy Skinner
Rep. Peggy Welch
Rep. Eric Turner



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: October 13, 2009
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St., 431
Meeting City: Indianapolis, Indiana
Meeting Number: 4

Members Present: Sen. Brandt Hershman, Chairperson; Sen. Greg Walker; Sen. Timothy Skinner; Rep. Peggy Welch; Rep. Eric Turner.

Members Absent: None.

Chairperson Sen. Hershman called the meeting to order at 10:00 a.m. He noted that the draft of the final report had been distributed to the Commission members, and that there were no recommendations or findings from the Commission. Sen. Hershman requested that the Commission members review the report and inform him of any concerns that they may have.

(1) Credit Card Companies and Interest Rate Issues

Rep. Grubb was recognized to testify regarding credit card companies and interest rate issues (Exhibit A). He showed a brief video about credit card customers dealing with drastic changes to their interest rates. He explained that many of the provisions in the recent federal legislation that provides restrictions on credit card companies are not effective until February 2010. Rep. Grubb recommended that a letter be written by the Commission to the United States Congress to express concern regarding the actions of credit card companies, and that legislation be endorsed that clearly states that the state may bring an action when the federal law is violated. The Commission also discussed state usury rates, credit ratings and credit-rating agencies, credit card companies domiciled in other states, and consumer protection.

Dan Paliganoff, staff attorney, Legislative Services Agency, presented a memorandum that

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summarized the Credit CARD Act of 2009 (Exhibit B). He also provided additional information on the federal National Bank Act.

Ted Nowacki, Bose, McKinney & Evans, provided further testimony on the Credit CARD Act of 2009. He explained that even if the state were to propose legislation, it would not be effective until after the federal legislation becomes effective. He also questioned how much impact a state could have on what is essentially a national market.

Amber Van Til, Indiana Bankers Association, reported that the Congress is considering the establishment of a consumer credit protection agency which would also address credit-rating agencies. Ms. Van Til will provide a list of state-chartered banks to the Commission.

David Miller, Attorney General's Office, provided information regarding a Supreme Court case, *Cuomo v. Clearing House Association, LLC*, in which a state Attorney General requested nonpublic information from federal banks regarding their lending practices. Mr. Miller reported that this case has opened the door to state regulation in federal enforcement of fraud provisions.

(2) Community College Funding

Bernard Hannon, Indiana Commission for Higher Education, was recognized to speak on funding for Indiana Community Colleges (Exhibit C). Mr. Hannon reported that Ivy Tech Community College's enrollment has doubled over the last 10 years, and that the growth in appropriations per student has stagnated because of the increased enrollment. Mr. Hannon also described for the Commission a number of charts measuring the appropriation and expenditure levels for higher education. The Commission requested more information on the amount of student support from fundraising efforts for public and private universities.

Thomas Snyder, President, Ivy Tech Community College, was recognized to speak (Exhibit D). President Snyder discussed changes in enrollment and funding at Ivy Tech, and he described student demographics and the need for remediation or "refresher" courses. President Snyder recommended that the PSAT or another test designed to assess a student's aptitude for college-level courses be administered early in high school. The school may be able to address deficiencies in certain areas and better prepare students for college-level study. He also stated that about 15,000 students enroll in remedial courses each year at Ivy Tech. President Snyder also reported that Ivy Tech is pursuing grant money and considering more distance education opportunities to bring in more funding. President Snyder said that he would provide information on how many new graduates from high school need remediation at Ivy Tech, and the percentage of Ivy Tech students that opted out of Indiana Core 40 with parental permission.

Dr. Dick Helton, President, Vincennes University, testified concerning Vincennes University's enrollment growth and state funding. He stated that Vincennes University is different from typical community colleges, and that early college opportunities are available. For the dual-credit program, the cost is \$25 per credit hour, and it is free for students participating in the Free and Reduced Lunch program. Additionally, the dual-credit program is offered in 135 high schools and career centers.

(3) Historic Rehabilitation Tax Credit

Amy Flack and Jon Anderson of Krieg DeVault, representing the Historic Landmarks Foundation, were recognized to testify on the Historic Rehabilitation Tax Credit (Exhibit E). Mr. Anderson provided information on the requirements for receiving the tax credit, and he stated that historic rehabilitation is an economic development issue. He also explained that the tax credit is not achieving its intended purpose because of the \$450,000 statewide annual cap on

awards and the \$100,000 cap per project. Mr. Anderson reported that these caps have created a 15-year wait to claim the credit on tax returns for approved projects. He also recommended that the credit be made assignable.

Jason Shelley, American Institute of Architects, Indiana Chapter, testified that he supports an expansion of the Historic Rehabilitation Tax Credit, and that historic buildings play an important role in achieving environmentally sustainable communities.

(4) Follow-Up Discussion on LOITS and Circuit Breakers

Bob Lain, State Budget Agency, provided testimony on LOIT administration in Indiana (Exhibit F). Mr. Lain explained that adjustments to certified distributions are made to correct for over-distributions in prior years. Also, adjustments are made to certified distributions for rate increases, and the additional revenue is distributed in the following calendar year. He stated that certified distributions may be exceeding collection amounts, but is not sure of the extent. If this is occurring, additional adjustments will need to be made and certified distributions will be reduced as necessary.

Andrew Berger, Association of Indiana Counties, was recognized to comment on the possibility of declining certified distribution amounts to localities. He reported that he is collecting information on county rainy day fund balances and can provide more information on this to the Commission.

Jim Landers, senior fiscal analyst, Legislative Services Agency, provided more information on the percentage changes in CAGIT and COIT tax bases from CY 2009 distributions to CY 2010 distributions (Exhibit G). He reported that the effects from the economic decline in CY 2009 will not be evident until certified distributions for CY 2011.

Bob Sigalow, senior fiscal analyst, Legislative Services Agency, provided an updated report on CAGIT or COIT certified shares for all counties, excluding Marion County. The report indicates a decline in county shares from 2008 to 2009.

Dr. Larry DeBoer, Purdue University, provided 12 county property tax reports to the Commission, and reported that the additional county reports should be available within the next few weeks.

(5) Fire Protection Territories and Districts

Rep. Cherry was recognized to speak on fire protection territories, and he provided a map that shows where they are located in Indiana (Exhibit I). Rep. Cherry reported that a new fire protection territory has been formed in Hancock County. Prior to the formation of the fire protection territory, the area was provided fire protection through an interlocal agreement with the city of Greenfield. He recommended a ballot approval for the unincorporated area because they were not a part of the decision-making process, although their property taxes have increased as a result of the formation of the fire protection territory. He also recommended that a moratorium be placed on fire protection territories until problems can be addressed.

Micah Vincent and Dan Jones, Department of Local Government Finance (DLGF), were recognized to testify on fire protection territories and districts. Mr. Vincent reported that there are 19 fire protection territories currently, and that they are not a separate unit of government. Fire protection districts are civil taxing units, and there are currently about 50 of these districts. Fire protection districts do not receive funds from the public safety LOIT, but fire protection territories may receive public safety LOIT funds indirectly if a municipality or county receiving the funds allocates a portion to fire protection territories. Mr. Vincent also stated that fire

protection territories are required to have operating balances that do not exceed their budgeted expenses by 20%.

Mr. Jones explained how levies are established by fire protection districts, and he described the role that DLGF plays in the process. He reported that the process to establish a levy for fire protection districts takes from about 90 days to 6 months.

Sen. Hershman announced that this would likely be the last meeting of the Commission because they had completed their charge, and he adjourned the meeting at approximately 3:45 p.m.