

BAKER & DANIELS

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Local Government Finance After the 2008 Legislative Session

A Host of Challenges

Well before the 2008 legislative session began, most knowledgeable observers predicted that property tax reform would likely result both in significant losses of revenue to local governments and new restrictions on spending and management of local finances and projects. The public finance and government services groups at Baker & Daniels LLP have been watching these issues all session and working with clients to prepare to address whatever legislative challenges were to arise.

At the end of January, as the session was just getting into gear, Baker & Daniels released an electronic bulletin entitled, "*Legislative Proposals Likely to Slash Local Revenues: Not too soon for local governments to consider options.*" In it, we summarized legislative proposals regarding circuit breakers, tax increment financing, program funding shifts, and referenda on capital projects. We also provided a list of ideas that local governments could consider to soften the blow of the likely decrease in revenues to come.

Now, it is apparent that the observers were right. However laudable and necessary the effort to reduce property taxes for Hoosiers, the reductions will come largely at the expense of local government and school budgets. The Legislative Services Agency estimates, for example, that in 2010 the aggregate cost to local governments and schools of the circuit breakers in HEA 1001 is \$524 million. As the Executive Director of the Indiana Association of Cities and Towns has said of the legislation: "The circuit breakers . . . [and] the costly and time consuming referendum requirements and the constraints that they placed on our ability to maintain and create jobs by restricting our ability to use tax increment financing, will all have serious consequences for local government."

Key provisions affecting local government spending include the phasing in of circuit breaker caps on gross assessed value to 1% for homesteads, 2% for non-homestead residential property and 3% for non-residential real and personal property by 2010. The maximum terms of bonds will be reduced to 20 years for most property tax-backed financings and 25 years for most tax increment revenue financings. Additionally, school and local government capital projects costing in excess of certain threshold amounts will be subject to referendum requirements.

Against this challenging backdrop and the enacted legislation, Baker & Daniels has revised its list of ideas that local governments may consider implementing to cut costs, increase revenues, and otherwise cope with revenue reductions and new restrictions they face under the new law. Not every item on our list will be the right choice for every

community, but most communities will need to consider ideas like these in the coming months.

COMPREHENSIVE SUMMARY OF HOUSE ENROLLED ACT 1001

I. CHANGES TO TIF LAWS (EFFECTIVE JULY 1, 2008)

A. **COMPOSITION OF REDEVELOPMENT COMMISSIONS:** Mayor, Town Council President or County Commissioners (as appropriate) must appoint an additional non-voting Redevelopment Commission member, who must be a local school board member.

- This additional new member must be appointed by July 1, 2008.
- This member's term is to be for two years, beginning July 1, 2008, and until a successor is appointed.
- The new member can be replaced without cause.
- The new member must be a member of a school board of a school corporation located partially or totally within the Redevelopment Commission's jurisdictional territory (i.e., the city, the town, or the county, excluding cities and towns in the county that have their own redevelopment commissions), but not necessarily overlapping any particular TIF Area.
- Such a member who goes off the school board would presumably need to be replaced.

B. **APPOINTMENTS OF REDEVELOPMENT COMMISSION MEMBERS IN COUNTIES:** Rather than all appointments being made by the legislative body, two of the five members must be made by the County fiscal body (three members in counties with seven-member Redevelopment Commissions).

- As a practical matter, the County Redevelopment Commission should ensure that the first two members (or three members, on seven-member Redevelopment Commissions) whose terms end (or who resign or are being replaced) are replaced with county fiscal body appointees.

C. **EXPANSIONS OF EXISTING TIF AREAS:** Unless the Redevelopment Commission obtains the prior approval of the Indiana Economic Development Commission, a Redevelopment Commission may not expand an existing TIF Area by any amount without a finding that the

existing TIF Area does not generate sufficient TIF Revenues to meet the financial obligations of the original project.

- Redevelopment Commissions that foresee a need for an expansion should consider completing the expansion prior to July 1, 2008.
- In considering whether to approve an expansion of a TIF Area, the Indiana Economic Development Commission is required to consider whether the expansion will "(1) lead to increased investment in Indiana; (2) have a positive impact on the unit in which the redevelopment project area is located; or (3) otherwise benefit the people of Indiana by increasing opportunities for employment in Indiana and strengthening the economy of Indiana."

D. 25-YEAR LIMIT FOR DEBT: TIF financings completed after June 30, 2008 (including TIF-backed economic development revenue bonds) will be limited to 25 years.

- The limitation will also apply to refinancings completed after June 30, 2008.
- An exception is provided to allow a 30-year term for certain coal gasification power plant projects.
- The limitation is tied to the date of issuance of the bonds, not the expiration date of the underlying TIF Area.
- For lease financings, the new 25-year limit will apply unless the lease is entered into before July 1, 2008 (whether or not the financing is completed by that date).

E. 25-YEAR TERM LIMITS FOR TIF AREAS: Maximum term for TIF Areas reduced from 30 years to 25 years.

- The new limitation applies to TIF Areas created (or expansions completed) after June 30, 2008.
- In addition, all TIF Areas created (or expansions completed) before July 1, 2008, are assigned a maximum 30-year expiration date (including those created before July 1, 1995, which have no expiration date under current law), unless bonds or leases are issued or entered into before July 1, 2008 (in which case the TIF Area does not expire until the final maturity date of the bonds or lease financing).

F. "PHYSICAL CONNECTION" RULE: The "in or serving" rule of existing law, relating to use of TIF proceeds, is changed to require that TIF-financed projects must be "physically located in or physically connected to" the TIF Area.

- Whether a "physical connection" is present may not always be entirely clear. As long as the portion of the project that creates the connection is undertaken in good faith, the rule should probably be deemed to be satisfied.
- Although the law is not entirely clear, presumably, TIF can still be used to repay bonds issued before July 1, 2008, for projects that are not physically connected to the TIF Area.

G. LEGISLATIVE BODY (OR FISCAL BODY) APPROVALS: Various Redevelopment Commission actions will now require legislative or fiscal body approval.

- These will include:
 - (1) Issuance of bonds, or entering into a lease, for any amount after June 30, 2008;
 - (2) The exercise of the eminent domain power;
 - (3) Agreements for financial assistance from the federal government;
 - (4) Approval of a tax abatement in a TIF Area; and
 - (5) Approval of tax increment replacement levy (under prior law, the legislative body effectively had approval rights, but now the legislative body must affirmatively approve the tax increment replacement levy).

H. REFUNDING BOND RESTRICTIONS:

1. NO EXTENSION OF FINAL MATURITY DATE: Prohibits refunding bonds from having a later final maturity date than original bonds.
2. LIMITS USE OF SAVINGS: Prohibits use of savings for additional projects; limits permissible uses to funding debt service reserves, reducing levies or reducing debt.

I. SURPLUS BOND PROCEEDS: Prohibits use for additional projects; limits permissible uses to funding debt service reserves, reducing levies or reducing debt.

J. **REQUIREMENT OF SUBSTANTIALLY EQUAL ANNUAL DEBT SERVICE:** Generally requires substantially equal annual debt service, with exceptions.

- Issuers can allow for different payment schedules (i) to account for capitalized interest, (ii) to provide for the payment of principal sooner than would normally be required to be paid, (iii) to factor in other outstanding bonds payable from the same source of funds (to achieve level debt service with respect to a particular revenue source), or (iv) with respect to tax increment revenue bonds, to account for the varying amounts of tax increment available.

K. **RELIEF PROVISIONS WHERE CIRCUIT BREAKER CREDITS AND OTHER LAW CHANGES REDUCE TIF NEEDED FOR EXISTING OBLIGATIONS:** Provides for certain relief provisions where State law changes reduces ability to pay outstanding TIF obligations.

- The available remedies include:
 - (1) Imposing a special assessment on property owners in the TIF Area.
 - (2) Imposing a tax on all taxable property in the District. (Presumably, such tax is subject to circuit breaker caps, since no exception has been provided for, unlike debt approved by a voter referendum, which the legislature has determined will not count towards the circuit breaker caps.)
 - (3) Lowering the base assessed value of the property of the TIF Area.
- The Redevelopment Commission should consult with bond counsel to ensure that such actions will not have an adverse effect on the tax-exempt status of bonds.
- These remedies amend the current tax increment replacement levy law. Under previous law, the tax increment replacement levy was intended to replace lost increment due to the reduction of the school general fund levy under 2001 legislation. The tax increment replacement levy is now amended to permit the replacement of tax increment lost due to any laws enacted by the general assembly (or actions taken by the DLGF) after the establishment of the TIF Area. However, only the amount of tax increment needed to service existing bonds or other obligations payable from tax increment (or to maintain debt service coverage ratios required by the bond or other documents) may be replaced.

(In other words, tax increment for "pay-as-you-go" projects is no longer eligible for replacement.)

- To obtain the remedies, the governing body must first hold a public hearing and must then submit the proposed special assessment or tax levy to the legislative body that established the TIF Area, which may then determine to reduce, increase or decide no special assessment or property tax is necessary.

L. **ANNUAL REPORTING OF EXCESS ASSESSED VALUE:** Redevelopment Commissions must, by July 15 of each year, beginning July 15, 2008, file annual notice of "excess" assessed value with County auditor, fiscal body of applicable local unit, and fiscal officers of overlapping taxing units.

M. **ELIMINATION OF "SHORT-FORM" AMENDMENTS:** All TIF Area expansions (regardless of size or scope) and amendments to a Declaratory Resolution or Plan are required to be approved in the same manner as the original establishment of the TIF Area.

- Redevelopment Commissions that foresee a need to expand an area by 20% or less, or to make other amendments to Declaratory Resolutions or Plans, should consider completing the amendments prior to July 1, 2008.

N. **NOTE:** Elimination of certain funds from local levies (as described in Section II below) and homestead deductions and credits (see Section IX below) will have the effect of reducing TIF collections. On the other hand, elimination of property tax replacement credits (see Section VII below) should have a positive impact on TIF collections.

O. **NOTE:** Voter referendum laws and petition-remonstrance laws are NOT applicable to pure TIF financings (including those that benefit from a property tax back-up if there is a reasonable expectation that TIF revenues will be sufficient to repay the debt without the property tax levy).

II. **ELIMINATION OF CERTAIN FUNDS FROM LOCAL LEVIES:** The following local levies are to be eliminated:

- A. **SCHOOL CORPORATION GENERAL FUND** levy (with corresponding increase in state distribution)
- B. After 2008: special education pre-school property tax levy (State Department of Education to distribute \$2,750 per affected child)
- C. Medical assistance to wards fund

- D. Family and children's services fund
- E. Children's psychiatric residential treatment services fund
- F. Children with special health care needs county fund
- G. Hospital care for the indigent fund
- H. Portion of Marion County health and hospital corporation levy
- I. State forestry fund
- J. State Fair fund
- K. DLGF data base management fund
- L. Child welfare services fund
- M. Fund for incarcerating delinquent children in a department of correction facility
 - These provisions are designed to provide property tax relief. The State will take charge of funding for these matters from other sources (including the increase in the state sales tax rate).
 - The elimination of these rates will reduce TIF revenues (all other things being equal).
 - The elimination of these rates will presumably make it easier for governmental units to stay below the circuit breaker caps.

III. CHANGES TO GENERAL PUBLIC FINANCING LAWS (EFFECTIVE JULY 1, 2008)

- A. REFERENDUM REQUIREMENTS: If demanded by 100 voters or taxpayers, the following projects are subject to voter referendum approval:
 1. K-8 school buildings costing more than \$10 million
 2. Grade 9-12 school buildings costing more than \$20 million
 3. Other controlled projects costing more than the lesser of \$12 million or 1 percent of assessed value (except that the referendum requirements will in no event apply to projects that cost less than \$1 million).

NOTE: Petition-remonstrance procedures will still apply if no sufficient demand is made for application of referendum process.

- B. **DEFINITION OF "CONTROLLED PROJECT" FOR PURPOSES OF APPLICATION OF PETITION-REMONSTRANCE PROCEDURES:** Changes cost threshold of "controlled projects" for property tax-based project financings from current-law \$2 million to an amount equal to the lesser of \$2 million and 1 percent of the unit's assessed value (except that the petition-remonstrance procedures will in no event apply to projects that cost less than \$1 million).
- Pure TIF financings are NOT within the definition of a "controlled project." In addition, tax-backed TIF financings are, as under current law, excluded from the definition of "controlled project" to the extent TIF is reasonably expected to be sufficient to pay debt service on the bonds.
- C. **20-YEAR TERM LIMIT FOR PROPERTY TAX-BASED FINANCINGS:** Generally limits property-tax based financings to a term of 20 years.
- D. **REFUNDING BOND RESTRICTIONS FOR PROPERTY TAX-BASED REFINANCINGS:**
1. **NO EXTENSION OF FINAL MATURITY DATE:** Prohibits refunding bonds from having a later final maturity date than original bonds.
 2. **LIMITS USE OF SAVINGS:** Prohibits use of savings for additional projects; limits permissible uses to funding debt service reserves, reducing levies or reducing debt.
- E. **SURPLUS BOND PROCEEDS:** Prohibits use for additional projects; limits permissible uses to funding debt service reserves, reducing levies or reducing debt.
- F. **REQUIREMENT OF SUBSTANTIALLY EQUAL ANNUAL DEBT SERVICE:** Generally requires substantially equal annual debt service, with exceptions.
- G. **ELECTED BODY APPROVAL OF FINANCINGS:** Requires elected fiscal body approval for property tax-backed financings by appointed boards.
- H. **FIRST PRIORITY OF DEBT PAYMENTS:** Requires political subdivisions to allocate tax revenues to fully fund tax-based debt, regardless of tax revenue shortfalls.
- I. **ELIMINATION OF COUNTY BOARDS OF TAX AND CAPITAL PROJECTS REVIEW:** These bodies, which were to be created by January 1, 2009 (and were to consist of nine members with capital project and budget oversight duties), have been eliminated from the law.

- J. **ELIMINATION OF DLGF APPROVAL FOR FINANCINGS AND CAPITAL PROJECTS:** Beginning July 1, 2008, no DLGF approval will be required for financings or capital projects.

IV. CIRCUIT BREAKER CAPS ON GROSS ASSESSED VALUE

- A. **FOR PAY 2009,** caps will be as follows:
1. 1.5% for homesteads
 2. 2.5% for non-homestead residential property, agricultural land, and long-term care property
 3. 3.5% for non-residential real property and for personal property
- B. **FOR PAY 2010 AND THEREAFTER,** caps will be as follows:
1. 1.0% for homesteads
 2. 2.0% for non-homestead residential property, agricultural land, and long-term care property
 3. 3.0% for non-residential real property and for personal property
- C. **EXCEPTION FOR LAKE AND ST. JOSEPH COUNTIES:** In Lake and St. Joseph Counties, until 2020, caps will not include property taxes to pay debt service on bonds issued (or leases entered into) before July 1, 2008.
- D. **DEBT APPROVED BY VOTER REFERENDUM:** Debt does not count against circuit breaker limit only if approved by voter referendum.
- 2007 legislation provided for a two percent (2%) circuit breaker for homesteads for pay 2008 and thereafter, and a three percent (3%) circuit breaker for all non-homestead property, beginning in pay 2010.
 - The expected impact of the circuit breaker for particular taxing units can be found by [clicking here](#).
 - Shortfalls cannot be made up by setting higher rates or by borrowing.

V. LAW CHANGES SPECIFIC TO SCHOOL CORPORATIONS

- A. **TEMPORARY STATE RELIEF FOR CERTAIN SCHOOLS:** Authorizes grants for 2009 (not exceeding \$50 million state-wide aggregate) and 2010 (not exceeding \$70 million state-wide aggregate) for lost revenues due to

application of circuit breaker, if school corporation expects to lose more than 2 percent of its property tax revenues in that year.

- B. **REFERENDUM TO EXCEED CIRCUIT BREAKER LIMIT:** A school corporation may hold a referendum on whether a tax levy should be imposed to replace property tax revenue losses due to the circuit breaker caps. The taxpayers must approve the amount of the levy and the number of years the levy will remain in place.
- A school corporation may also hold a referendum if the school board determines that it cannot, in a calendar year, carry out its public educational duties.
 - Voters may not approve such a referendum tax levy for a period of more than 7 years; however, such a referendum tax levy may be reimposed or extended by going through the referendum process again.
- C. **NEW FACILITY ADJUSTMENT:** Allows a school corporation to appeal to the DLGF for an increased tuition support distribution for the following year to pay increased costs to open (i) a new school facility or (ii) an existing facility that has not been used for at least three years.
- D. **SCHOOL DESIGN AND SITE SELECTION:** State Board of Education is required to adopt administrative rules for school design and site selection and to establish a central clearinghouse containing prototype designs for school facilities. School Corporations are required to consider the guidelines and to submit proposed plans and specifications to the Department of Education. The Department of Education will provide written recommendations to the school corporation. Requires school corporations to hold public hearings on the plans and specifications.
- E. **SCHOOL BUDGET YEAR:** Changed to run from July 1 to June 30, beginning in 2010.
- F. **SHORTFALL LEVY APPEAL:** Permits a school corporation to apply to the DLGF in 2008 to make up a shortfall in a tuition support levy (for a year prior to 2009) that resulted from either (i) erroneous assessed value figures or tax rate calculations or (ii) the payment of refunds due to property tax appeals under IC 6-1.1 and IC 6-1.5.
- G. **UTILITY AND INSURANCE COSTS:** Deletes expiration of provision in IC 20-40-8-19 authorizing a school corporation to use money in its capital projects fund to pay for utility services and property or casualty insurance (this provision had previously been set to expire at the end of 2009).
- H. **STATE TUITION RESERVE FUND:** Creates the state tuition reserve fund and abolishes the tuition support account in the state general fund.

The state tuition support fund will be a reserve fund used to fund tuition support distributions when the state general fund cash balances are not sufficient.

- I. NOTE: See Sections II, III and IV of this outline for other law changes that also affect school corporations.

- VI. **STATE SALES TAX INCREASE FROM 6% TO 7%:** The State sales and use tax will increase from 6% to 7% beginning April 1, 2008. According to LSA's Fiscal Impact Statement prepared on March 20, 2008, this sale tax increase is expected to generate an additional \$937.1 million of annual revenues to the State in 2009, and \$960.0 million in 2010.
 - Some critics of tax reform maintain that sales tax revenues are particularly vulnerable to economic downturns and disproportionately impact low-income taxpayers.

- VII. **PROPERTY TAX REPLACEMENT CREDITS:** Eliminated beginning in 2009.

- VIII. **DISTRESSED UNIT APPEAL BOARD:** Changes name of Circuit Breaker Relief Board; makes changes to composition of Board and availability of relief.

- IX. **HOMESTEAD DEDUCTIONS AND CREDITS**
 - A. Caps maximum STANDARD DEDUCTION at lesser of \$45,000 or 60 percent (rather than current law 50 percent) of assessed value for 2009 and thereafter.

 - B. Creates an ADDITIONAL SUPPLEMENTAL STANDARD DEDUCTION FOR HOMESTEADS: After standard deduction, next \$600,000 of assessed value will receive 35 percent deduction, with additional 25 percent deduction for remaining assessed value over \$600,000.

 - C. Caps at 2 percent the annual increase in property taxes for homesteads with gross assessed value less than \$160,000 owned by homeowners with adjusted gross income of less than \$30,000 (for single return) or \$40,000 (for a joint return).

 - D. TEMPORARY STATE RELIEF:
 1. FOR 2008: State will provide \$620 million of additional homestead credits

 2. FOR 2009: State will provide \$140 million of additional homestead credits

- 3. FOR 2010: State will provide \$80 million of additional homestead credits
- E. Increased deduction amount and income threshold for SENIOR CITIZENS, the BLIND and the DISABLED
- X. **RENTER'S DEDUCTION:** Maximum increased from \$2,500 to \$3,000
- XI. **STATE EARNED INCOME TAX CREDIT:** Repeals the expiration date.
- XII. **ASSESSORS**
 - A. Transfers assessment duties of township assessors to county assessor in TOWNSHIPS WITH TRUSTEE-ASSESSOR and TOWNSHIPS WITH FEWER THAN 15,000 PARCELS.
 - B. For TOWNSHIPS WITH 15,000 PARCELS OR MORE, REFERENDUM will be required in 2008 general election as to whether to transfer duties to county assessor.
 - C. Phase in of CERTIFICATION STANDARDS.
- XIII. **LEVY APPEALS:** Makes various changes to the rules.
- XIV. **PENSION RELIEF:** Provides for 100 percent (rather than current law 50 percent) of pre-1977 pension obligations for police and firefighters to be funded by State beginning in 2009.
 - A. NOTE: Under current law, the local unit pays 50 percent of the cost of pre-1977 police and fire pension payments. The local unit's property tax levy will be reduced to take into account the assumption by the State of this cost, whether or not the local unit had been funding its pension obligations from property taxes (or from some other source). The reduction in levy would presumably be equal to the amount of the cost taken over by the State; however, the law is unclear on this point and therefore the reduction in levy may be in an amount greater than the 50 percent that the local unit was responsible for paying.
- XV. **LAKE COUNTY LOIT:** Provides alternative distribution options for LOIT for property tax replacement.
- XVI. **OTHER MATTERS OF INTEREST**
 - A. ANNEXATION: Current law procedures not impacted by 2008 legislative sessions.
 - B. LOCAL OPTION INCOME TAX MEASURES: The 2007 legislative changes remain in place, including the following:

1. Additional CAGIT and COIT rates are authorized for:
 - (a) Replacement of portion of levy growth (up to 1% rate).
 - (b) Property tax relief (in the form of property tax replacement credits, homestead credits or general property tax replacement relief for all taxpayers) (up to 1% rate).
 - (c) Public safety expenditures (including fire and police pension funds) (up to 0.25% rate; only permitted if tax rate also adopted for property tax relief (see b. above) and for replacement of levy growth (see a. above)).
2. In CAGIT counties, the County Council may increase CAGIT rate for specified purposes. County Income Tax Council acts in CAGIT counties. (Exception: County Council acts in Lake County for either CAGIT or COIT.)

IMMEDIATE IMPACTS ON LOCAL GOVERNMENTS

The impact of House Enrolled Act 1001 and other legislation coming out of the 2008 session of the General Assembly has been discussed in other parts of this legislative bulletin. The following are some of the more immediate impacts:

A. Estimated Loss of Revenue

Local governments will be affected differently by the circuit breaker. Legislative Services Agency has estimated the amount of money that each local government will lose as a result of the circuit breaker credits. You may look at the LSA estimates by [clicking here](#). The columns under "Proposed Circuit Breaker Estimates" show the estimated total circuit breaker tax credits for each local government for the years 2008, 2009 and 2010, respectively. Please note that these are estimates and that there are many factors that will affect what the actual circuit breaker impact will be for each unit of local government.

B. Impact on Borrowing Flexibility and Capacity

- **Practical Effects of the Circuit Breaker:** The impact of the circuit breaker legislation may raise practical concerns for many local governments that want to issue debt secured by property taxes. Local governments with levies that are at or near the circuit breaker caps may not have the capacity to increase their levies for the purpose of paying debt service on bonds.
- **Impact on TIF Financings:** It may also be more difficult to issue TIF bonds in many areas. As noted above, the additional homestead deduction and credits and the elimination of certain funds from local levies will have the effect of reducing TIF revenues. For existing obligations or pledges of TIF revenues, a tax increment replacement levy may be an option; however, future planned projects and financings may need to be reduced in scope or eliminated due to the loss of TIF revenues.
- **Referenda:** The new referendum process means that projects that are subject to the referendum laws will in most cases be more difficult and will take longer to approve.

C. Other Unintended Consequences

- **Pension Liability:** Presumably, the DLGF will clarify that the reduction of a unit's maximum levy will be limited to the additional amount of pre-1977 police and firefighter pension payments that the State will be assuming, not the entire State contribution. However, the law is unclear on this point, and therefore the reduction in levy may be in an amount greater than the 50 percent that the local unit was responsible for paying.

- Presumably, tax increment revenues may still be used to pay debt service on previously issued bonds for projects that serve the allocation area but are not "physically connected" to the area, but the law is not entirely clear on this point.

SUMMARY OF OTHER LEGISLATION FROM 2008 LEGISLATIVE SESSION

Bills passed

SJR1 (Property Taxes). First passage of constitutional amendment to embed 1-2-3% circuit breakers in Indiana Constitution effective for taxes first due and payable in 2012. (Requires passage next session as well.)

SEA 51 (Public Employment). Reduces the waiting period for a public retiree (PERF recipient) to re-employ from 90 days to 30.

SEA 81 (Transfer on death conveyances and prohibition of certain fees). Contains a prohibition on cities and towns or local law enforcement agencies of cities and towns from imposing or collecting an accident response service fee on or from the driver of a motor vehicle or any other person involved in a motor vehicle accident.

SEA 208 (Property Taxes). Allows a county to authorize the payment of property taxes via automatic deduction and/or installment payments.

HEA 1071 (Elections). Funding for voting system replacement; vote center pilot counties. Requires that any Help America Vote Act (HAVA) money received after December 31, 2007, must be allocated to reimburse Boone, Cass, Parke, and Randolph counties. Requires the secretary of state (secretary) to petition the federal Election Assistance Commission for authority to use HAVA money to reimburse the counties listed above. Extends the vote center pilot program through 2010. Allows the secretary to designate not later than April 1, 2008, one additional county as a vote center pilot county.

HEA 1125. (Municipal Riverfront Development Projects). Prior law applied only to cities, but may now be utilized by towns to gain additional liquor permits, after meeting criteria established under IC 7.1-3-20-16.1, to set up various economic development, redevelopment projects, urban renewal areas or community revitalization enhancement districts along rivers for the purpose of economic development. State and local dollars must be utilized as part of the criteria that must be met.

HEA 1162 (Legislative body and youth advisors). Presiding officer of a legislative body of a municipality may appoint an individual not more than 18 years of age to serve as an advisor to the municipal legislative body on matters affecting youth in the community.

HEA 1204 (Emergency Communications). Establishes an advisory commission to study methods to adequately fund emergency communications via 911 fees, including the imposition of 911 fees on wireless phones 911 fees, and provides that voice over Internet users also have to pay 911 fees in the same amount as wire lines. Provides that by 2014 a county cannot have more than two Public Safety Answering Points (PSAPs).

HOW CAN (OR IN SOME INSTANCES *MUST*) LOCAL GOVERNMENTS RESPOND TO FUNDING CHALLENGES CREATED BY PROPERTY TAX REFORM PASSED IN THE 2008 LEGISLATIVE SESSION?

- NOTE: Local governments need to review which requirements they may need to satisfy and/or which opportunities they may have to complete activities prior to the effective date of the 2008 legislation (see especially the "Comprehensive Summary of House Enrolled Act 1001" for a description of certain actions to be taken or considered prior to July 1, 2008).
- Tax and fiscal policy
 - Provide greater property tax oversight
 - Enact Local Option Income Tax
 - Consider adoption of additional local fees and charges
 - Review existing TIF Areas
 - Refinance existing debt to preserve operating revenues
- Prepare for referendum requirements
 - Townships with more than 15,000 parcels
 - School construction projects
 - "Controlled" projects
 - Excess circuit breaker replacement
- Consolidation and collaboration
 - Merge township assessors into the county assessor or trustee-assessor as appropriate
 - Utilize the 2006 Government Modernization Act to consolidate other units or functions
 - Use interlocal agreement statute to combine functions of various units or create purchasing cooperatives
- Outsourcing, privatization, and procurement
 - Public-private partnerships to operate large assets such as utilities, wastewater treatment, solid waste disposal, transportation
 - Greater use of competitive operating/service contracts
 - Employ private vendors to increase revenues from bad debts owed, fines, and tax collections
 - Sale or lease of certain assets
- Public Safety
 - Review effect of pre-1997 pension relief on budgets and levies

- Consolidate emergency communications in accord with PSAP reduction requirements of HEA 1204
- Review emergency medical service/ambulance transport for maximum funding opportunities
- Maximize grant opportunities
- Management and Innovation
 - Reduce expenses through efficiency audits
 - Consider adding efficiency measures such as performance-based compensation and energy efficiency/green