



Indiana Association of
Cities and Towns

LEGISLATIVE SUMMARY



FEBRUARY 19, 2016

With only three weeks left in the 2016 Legislative session, we are entering the final week for bills to pass out of committee. The pressure is on for many bills to stay alive. Check out this week's [tracking list](#) of additional bills of interest or concern to municipal government to see where the bills are currently sitting.

The session isn't over yet, but mark your calendar for the [2016 IACT Legislative Session Recap Webinar](#) on Wednesday, March 23. This [free](#) webinar will help IACT members better understand what is slated to become law in the weeks and months ahead and how it can impact cities and towns of all sizes. Registration is free for IACT members and available now.

THIS WEEK: THE TOP **5** THINGS YOU NEED TO KNOW

Road Funding

- As we enter the final week for bills to pass out of committee, the pressure is on leadership to keep the road funding discussion alive. Communication with your legislators in support of additional local road funding is vital.
- IACT is supportive of both the Senate and House road funding plans, however the long term funding increases in HB 1001 are critical for the future of local infrastructure and will provide the resources we need to once again make Indiana the Crossroads of America.
- The road funding debate is the number one issue this session and it will likely be the last bill to pass on Sine Die March 10. That leaves 18 days for legislators to negotiate the details on what may be one of the most comprehensive state road funding proposals in our nation over the last decade.
- [Click for more](#)

Annexation

- Two bad annexation amendments were added to the IACT initiative annexation bill, HB 1298. No public testimony was permitted on the amendments during committee.
- Committee Chairman, Senator Randy Head, vowed that the amendments would be removed from HB 1298 at conference committee time. However, we know that once the language passes the Senate, it is live language that can go into another bill.
- The bad amendments remove the economic development exception that IACT worked hard to get last year and makes all annexations voluntary annexations (51% of the property owners must agree to be annexed).
- [Click for more](#)



Mixed Property Tax Bills

- SB 308 was heard in the House Ways and Means Committee this week. IACT testified in support of the levy growth language (an IACT initiative).
- SB 308 also contains concerning language to reduce farmland assessed value, which affects all units in a county because of tax caps. [Click here](#) to see how much your unit is projected to lose.
- The bill also contains a measure to help address the "dark store" problem where big box retailers challenge their tax assessments on the basis that their buildings should be compared in value to a vacant box store.
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Extension of Sewer Lines

- HB 1075 prevents a municipality that is extending sanitary sewer service outside of its municipal boundaries from requiring a property owner to join the sewer service if they provide documentation of a functioning septic or wetland system.
- HB 1075 is a far-reaching bill to regulate local utility operations by restricting local decision making as well as mandating additional requirements without municipal input.
- IACT will be opposing this bill in committee and will continue to fight the bill for the remainder of the session as it will likely be a threat until Sine Die.
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Payment in Lieu of Taxes

- HB 1180 prohibits the charge of PILOTs on tax-exempt properties that are drawn into a TIF area.
- The bill came out of the House only addressing PILOTs for churches and religious schools, this week, it was amended in committee to include all tax-exempt properties.
- We know of a few TIF areas that will be negatively affected and we are working on amended language to address these concerns.

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After a Week of Playing Chicken, It's Time to Buckle Up

[SB 67](#) Supplemental Distribution of Local Income Tax (Hershman, R-Buck Creek)

[HB 1001](#) Road Funding (Soliday R-Valparaiso)

After a relatively quiet week in regards to road funding we are preparing for the final days of committee hearings where Senate and House leadership will likely make major adjustments to the current road funding bills. SB 67, which provides a onetime distribution, was heard in House Ways and Means on Wednesday where testimony was heard in support of the bill, however, Chairman Brown did not call a vote and the bill was held until a later date. HB 1001, which provides a long term fundamental change in infrastructure funding was heard last week in Senate Appropriations, however the bill was not scheduled for a second hearing this week. We are currently in a waiting game as both sides are stalling to see how the other will proceed. The clock is running out and we anticipate committees will actually meet next Friday before the committee report deadlines.

On Thursday of this week the political dynamics on this issue increased as the House Republicans doubled down on their stance and announced the bill funding the third region for the Regional Cities program does not have the support to pass out of committee. Speaker Bosma announced it would likely take support from the Governor and Senate Republicans on the House road funding plan to give the bill enough momentum to move forward. We have heard leadership on all sides mention compromise and negotiations yet the public perception is that the House and Senate are digging in for a huge debate in conference committee. The top priority for the final three weeks is to protect as much local authority and control as possible while also working to expand the current language in the bills. We will work diligently to ensure locals are in a great position moving into the 2017 session where the road funding debate will likely continue.

IACT's Position or Proposed Position: Supportive of increased local road funding

Tricky Work in Senate Committee – Will Bad Annexation Provisions Ultimately be Passed Without Public Input?

[HB 1298](#) Annexation (Negele, R-Attica)

HB 1298 is IACT's initiative annexation bill to make clean-up changes to the statute after the passage of last year's comprehensive annexation reform legislation, SEA 330-2015. HB 1298 was heard in the Senate Local Government Committee on Wednesday of this week and two very bad amendments were added.

When the amendments were added to the bill, the Chairman of the Committee explained that he did not intend for the amendments to stay in the bill. Rather, he was just trying to make a point and the amendments would be removed at conference committee time, so the bill could be returned to its original form. The Chairman did not allow any public testimony on the amendments.

While it is good to know that there is a promise by the Chairman that the bad amendments will later be removed from HB 1298, the reality is that once the language passes the Senate, it is eligible to be amended into another bill during conference committee time. Therefore, it is possible that a major policy change on annexation could occur in Indiana without any public input allowed in a standing committee.

As for the amendments added that IACT opposes, the first removes the economic development exception that IACT worked so hard to get last year. Under the current law, if 65% of the property owners in the annexation territory (or 75% of the owners of the assessed value) object to the annexation, then the annexation is blocked and can go no further. The economic development exception allows the proposed annexation to proceed to court, even when there is the objection, when an economic development project that meets certain criteria is at stake. Without the economic development exception, it would be possible for one taxpayer whose property lies between the municipality and the project site to block the entire project from happening. The second amendment requires a municipality to get consent of 51% of the taxpayers in the annexation territory before a municipally-initiated annexation can occur, therefore, making all annexations voluntary annexations.

Please talk to your legislators, especially your Senators, and let them know you oppose the bad amendments and if annexation policy is to be changed in Indiana, you would like to have input!

IACT's Position or Proposed Position: Support original contents of HB 1298 – an IACT Initiative Bill; Oppose amendments added in committee

Omnibus Property Tax Bill Receives Hearing in House Committee

[SB 308](#) Property Tax Matters (Hershman, R-Buck Creek)

Testimony was taken on SB 308 in the House Ways & Means Committee this week. SB 308 is home for various local property tax matters – some are good and some are bad for IACT members. We will discuss four of the important ones. 1) TIF: The bill contains language regarding TIF and tax abatements. If a property in a TIF area was receiving a tax abatement before the TIF area is created, a local unit is not allowed to capture the increment due to the abatement rolling off. This assessed value must return to the base. 2) Levy Growth: The bill contains language which allows levy increases for fast growing communities. 3) Agricultural Assessments: The bill makes changes to the way farmland is assessed. It is projected that the new calculation will result in a reduction of farmland assessments of \$4.2 Billion for taxes payable in 2018 and \$8.9 Billion for taxes payable in 2019. (Click [here](#) to see how your unit may be affected.) 4) Dark Stores: The bill contains language on market segmentation to address the problems with assessments of big box retail stores.

IACT testified on the bill in regard to the Levy Growth provision. We explained that this provision was an IACT initiative for 2016 and it would greatly help cities and towns that are experiencing extreme growth and demand for services.

IACT's Position or Proposed Position: 1) Neutral on TIF language; 2) Support levy growth language (an IACT initiative); 3) Oppose farmland assessment language; 4) Support dark store language.

Sewer Extension Bill to Be Heard Monday

[HB 1075 Sewage Fees and Municipal Sanitary Sewer \(Beumer, R-Modoc\)](#)

HB 1075 authored by Representative Beumer and sponsored by Senator Becker will be heard in the Senate Environmental Committee Monday morning. HB 1075 will prevent a municipality that extends their sewer service line outside of the municipal boundary from requiring property owners to connect as long as they have a functioning sanitary system. There are several concerns with this bill that will have negative impacts on local utilities. If a request has been made from a business or builder to extend our service lines, we will often do everything possible to attract that growth to our communities. At the same time, extension of sanitary sewers can be an expensive process and challenging to plan for with the limitations we have on our current systems. By allowing property owners the option to connect over a 20 year time frame we are now forced to reserve plant capacity, bond for projects without guaranteed revenue and provide our services at the users discretion. Those additional challenges will all but assure local utilities will no longer provide these services outside their municipal boundaries or they may look at annexation as an option first.

There are also no protections in this bill from an IDEM mandate, which means IDEM could require a utility to extend their service line only to have individual property owners be exempt from connecting. This means municipal utilities may very well be forced to extend services as an unfunded mandate and then allow potential users of the system to access the system at their discretion without having paid for the infrastructure. HB 1075 drastically reduces local control of our utilities and places municipalities in a difficult position moving forward that may require local governments to turn away development.

IACT's Position or Proposed Position: Oppose restrictions and mandates on local decision making for utility service.

Bill Prohibits PILOTs for Tax Exempt Prosperities in TIF Areas

[HB 1180 Local Government Finance \(Burton, R-Greenwood\)](#)

HB 1180 passed out of the House as a bill that prohibited local units from charging Payments in Lieu of Taxes (PILOTs) to a church or a religious school that is drawn into a new TIF area. The bill allowed, however, the charge of PILOTs to a church or religious school when the church or school chooses to locate in an existing TIF area. There is an exception for property that is later donated for a church or religious school. (Because of the investment and incurrence of debt that a city or town makes in a TIF area to create shovel sites, some cities and towns have passed ordinances to prohibit non-taxpayers from entering certain TIF areas without paying a PILOT.)

This week in the Senate Tax and Fiscal Policy Committee, the bill was amended to apply not just to churches and religious schools, but also to all tax-exempt property. It gives tax-exempt properties protections from the charge of PILOTs if they are drawn into a TIF area (however, not if they enter the TIF area after it is created with the exception of land that is donated).

With the expansion to all tax-exempt properties, we are aware of a few TIF areas that may be negatively affected. We are working on amendments to the bill to address these situations.

IACT's Position or Proposed Position: Neutral – However, the bill needs to be amendment to address concerns with certain TIF areas dependent on PILOTs.

[Click for More Bills of Interest](#)

Upcoming Indiana House & Senate Deadlines:

- February 25: Senate Committee Report Deadline
- February 29: House Committee Report Deadline

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