



JANUARY 29, 2016

This week's state house pace accelerated as committee action in the house of origin came to a close. There was much action to report on road funding, annexation and many other bills that impact cities and towns. Don't forget to check out this week's [25 most watched bills](#) and the Top 5 Things You Need to Know!

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

### Road Funding

- Local infrastructure needs must be met in the short term with a large allocation of funding this session so we can get to work addressing our areas of highest necessity. There also needs to be a long term funding mechanism change that will allow us to improve our infrastructure and maintain it at a level that meets our constituent's needs.
- As the discussion continues on determining the right choice to address our infrastructure funding needs, it is vital that we provide our legislators with support for making difficult choices. Local officials understand how challenging it is to address major issues like this and showing continued support to legislators goes a long way.
- Six weeks may not seem like a long time to address a massive issue like road funding, however, we anticipate there will be high level maneuvering during the last days of session when a final outcome will be decided. Be prepared for the next six weeks to resemble the World Series of Poker tournament with a few ups and downs.
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### Omnibus Tax Bill

- SB 308 is an omnibus local government finance bill with several complex provisions, some of which IACT opposes and supports. The most favorable language in the bill is an IACT initiative which is intended to allow levy growth for fast-growing communities. However, there is other language in the bill that still needs work, including market segmentation language to help address the dark stores appeals problem.
- When one bill contains so many subject matters, it becomes impossible to fully support or oppose the bill in its entirety. IACT will be working with stakeholders over the coming weeks to express our concerns about language harmful to cities and towns while also continuing to support our initiative language.
- This bill likely will be one of the last bills to reach its final form this legislative session, so IACT will be updating you on the progress weekly.
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### Annexation



- IACT's initiative annexation bill, HB 1298 passed out of the House by a 93-0 vote.
- Senator Bray of Martinsville will be the Senate Sponsor of HB 1298. We expect the bill to be assigned to the Senate Local Government Committee.
- The "bad" annexation bills that IACT was tracking did not receive hearings in the Senate. They are dead for now, but legislators could try to amend their language into another bill during the second half of session.
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### LOIT Reserves

- Under current law, the threshold for triggering a supplemental distribution from a county's local income trust account is 50% of the distributions to be made to the county in the following year. HB 1110 lowers this triggering threshold to 15%, and also provides a one-time special distribution that will result in an immediate \$440 million cash infusion for local units.
- HB 1110 is welcome legislation. In addition to giving locals an immediate cash infusion (with no restrictions on how the money can be used), it also lowers the currently too-high threshold for supplemental distributions going forward, allowing more locals the opportunity to use their money instead of seeing it sit in a pot they can't touch.
- HB 1110 passed out of the House Ways and Means Committee unanimously. It will now be debated by the full House and will hopefully be sent to the Senate for consideration there next week.
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### Sanitary Sewer Extensions

- HB 1075 prevents a municipality that is extending sanitary sewer service outside of its municipal boundaries to require an individual to join the sewer service if they meet certain certifications. The bill will make it more difficult for municipalities to place liens on community rental properties for sewer service and may increase costs of service..
- Continued demand for local utilities outside of our corporate boundaries and increased restrictions on our ability to conduct an annexation have placed municipalities in a very difficult position. HB 1075 will further reduce incentives to provide services for economic development purposes.
- HB 1075 cleared the House Environmental Committee and heads to the House floor early next week.
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## Local Road Funding Bills Are Moving Right Along

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

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

As the fourth week of session comes to a conclusion the local road funding bills have both made it out of committee unscathed and the Senate Republican Road Funding plan has been voted out of the Senate 49-1 making a strong statement. HB1001 passed out of Ways and Means on Thursday morning 14-7, with the vote staying on party lines. This was not a surprise though there was some concern there may be a few Republican members not supportive of the revenue enhancements in the bill. HB 1001 that provides a multitude of local options as well as increased long term funding mechanisms will be heard next week on the House floor and will include some powerful discussion on how we fund infrastructure in the future and if the revenue changes in this bill are the most suitable options available. Perhaps the most interesting change this week in regards to road funding was a bill that is not even addressing road funding. HB 1110, highlighted in this week's legislative summary, was a huge development in the discussion of SB 67 and HB 1001. We anticipate HB 1001 will be up for 2nd reading on Monday where there will be many amendments offered and the bill may see some impactful changes. The third reading deadline is February 3rd so things will move rather quickly next week. Then we can buckle up for a crazy ride as the Senate will work on HB 1001 and the House will work on SB 67.

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

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## Omnibus Property Tax Bill Contains Good and Bad Measures

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

SB 308 is home for all sorts of local property tax matters. We will discuss five of the important ones. 1) TIF: The bill was amended with language from SB 340. 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) AVGQ: The assessed value growth quotient that will be applied to a unit will be the current calculation or a county-wide calculation, whichever is less. 3) Levy Growth: The bill contains language from SB 303 which allows levy increases for fast growing communities. 4) Agricultural Assessments: The bill makes changes to the way farm land 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. 5) Dark Stores: The bill contains language on market segmentation to address the problems with assessments of big box retail stores (note: HB 1290 which is also moving contains market segmentation language as well).

**IACT's Position or Proposed Position:** 1) Concerns about TIF language; 2) Oppose AVGQ language; 3) Support levy growth language; 4) Oppose farmland assessment language; 5) Support dark store language.

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## IACT Initiative Annexation Bill Heads to the Senate

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

IACT's initiative bill, HB 1298, passed the House this week by a 93-0 vote. The bill makes clean-up changes that are needed following the passage of SEA 330-2015. IACT worked with the Indiana Farm Bureau and the Association of Indiana Counties to reach an agreement on the language in the bill. The bill was amended in the House committee to also allow the town of Syracuse to annex its non-contiguous industrial park. The "bad" annexation bills that IACT was tracking, SB 143 and SB 298, did not receive hearings in the Senate, however, we will keep a close watch in the second half of session to be sure the language from the bills are not amended into another bill.

**IACT's Position or Proposed Position:** Support HB 1298 – An IACT Initiative Bill

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## Rethinking Local Income Tax Supplemental Distributions

[HB 1110 Local Income Tax Distributions \(Huston, R-Fishers\)](#)

HB 1110 provides for a one-time special distribution from a county's local income tax trust account equal to 88% of the balance in the account on December 31, 2014. This distribution will send \$440M to local governments, with no requirement that local units spend the money for particular purposes.

After this one-time distribution, the triggering threshold for a supplemental distribution going forward will be lowered from 50% to 15% under the current version of HB 1110. It is estimated that this will send an additional \$110M to locals over the next four years.

A similar bill has passed the Senate, SB 67. With this bill, counties, cities and towns would also receive the one-time cash infusion, but at least 75% of the distribution must be used for infrastructure projects or deposited in a rainy day fund. SB 67 also lowers the supplemental distribution threshold, but it lowers it to 25% (not 15%, as proposed by HB 1110).

SB 67 passed the Senate 49-1 and has been sent to the House for consideration. HB 1110 passed out of the House Ways and Means Committee unanimously and will be considered by the full House in the coming week.

**IACT's Position or Proposed Position:** Support

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## Bill Clogs Sewer Line Extensions

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

HB 1075 authored by Representative Beumer and Co-Authored by Representative Bacon will greatly impact a municipality who is making an accommodation to nonresidents by providing sewer utility service without forcing the property owners to be annexed into the municipality. A common reason to extend service in this manner is a new business or residential area desires to locate outside of the corporate boundaries and the municipality realizes this may be the best option to attract that economic development. HB 1075 will now restrict a municipality from requiring properties along the service area from hooking on to the system if the property meets certain requirements. If a property owner can provide certifications that they have a functioning septic system, they will be exempt from connecting for up to 20 years. There was also language added to this bill in committee that will require changes for a municipality that currently charges a flat user rate for sewer service to a community rental property. Upon the next rate study or rate increase a sewer utility is required to transition community rental properties over to consumption based billing. This may result in increased expenses for the municipal utility as well as increasing the difficulty for municipalities to place liens on these properties.

**IACI's Position or Proposed Position:** Oppose restrictions on local decision making for utility service.

[Click for More Bills of Interest](#)



**IACI LEGISLATIVE DAY**  
IS FEBRUARY 17, 2016

Indiana Association of  
Cities and Towns

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#### Upcoming Indiana House & Senate Deadlines:

- February 2: House & Senate 2nd Reading Deadline
- February 3: House & Senate 3rd Reading Deadline
- February 25: Senate Committee Report Deadline

#### Legislative Summary Sponsors

