Accelerate Indiana Municipalities

2021 OPERATIONAL INITIATIVES

ELECTRONIC MEETINGS

Effects of COVID-19 Restrictions

During the COVID-19 pandemic, the Governor has allowed, by executive order, public hearings and meetings to be conducted remotely by electronic means in order to protect the health of the local leaders and the public. Electronic public meetings and hearings have been going forward successfully in communities throughout the state to ensure that essential government operations continue.

Public Access Benefits

This model can be effective going forward even after the public health crisis has ended. Local leaders may still have reasons, health related or otherwise, that they cannot always be physically present at public meetings. A legal framework that allows them to attend and vote remotely will decrease the likelihood of absences by public officials.

Likewise, members of the public who may be unwilling or unable to physically go to city or town hall to participate in public meetings or hearings may be able to more easily engage with local leaders via electronic meetings. This could increase public access and engagement so that local governments are more responsive to the people.

Aim Initiatives:

Allow all Governing Bodies to Meet Remotely (IC 5-14-1.5-3.6)

There is currently a framework in code that allows certain governing bodies meet remotely if they choose to and adopt their own policies governing electronic meetings (this includes airport boards, charter schools, and certain other state instrumentalities). This legal framework was used by Governor Holcomb's executive order (EO 20-09) to allow remote public meetings during the public health crisis. We support extending this statute to all governing bodies in statute so that remote meetings may continue after the emergency order expires.

Electronic Signatures (IC 5-1-14-18)

If official business is being conducted remotely, it is also necessary for official documents to be signed by members of governing bodies and their clerks remotely. Electronic signatures are already widely used throughout local government operations, including official council action, but statutory authorization is unclear. This leads certain bond underwriters to require physical signatures on bond ordinances to reduce risk of legal challenge. We propose specifically enabling electronic signatures in statute to allow more convenient and secure procedures that accommodate the bond market.

FLEXIBILITY WITH MVH FUNDS

21st Century Infrastructure

Local roads and streets make up the majority of the road miles in Indiana. The state distribution of MVH funds is essential for continuing to improve local road and street infrastructure. The 2017 road funding package brought new money to local governments, but it also came with new restrictions. Under current law, 50% of MVH money must be used for the construction, reconstruction, or preservation of local roads, streets, and bridges (MVH Restricted). The other 50% may be used for other statutorily-defined uses related to road and street maintenance and highway safety (MVH Unrestricted).

Effects of COVID-19 Restrictions

When the stay at home order was issued to combat the spread of COVID-19, road travel was reduced by up to 40%. Though travel has since increased, this reduction has had a significant negative impact on MVH revenues. Local governments can expect to see reductions of 10-15% of their MVH revenue in 2020.

To make up for the shortfall, local governments can delay or cancel capital projects paid for with Restricted MVH revenue. However, other road/street maintenance expenses paid for out of MVH Unrestricted largely remain the same, even as the amount of Unrestricted MVH funds that can fund these other uses is reduced proportionally. These costs include items such as filling potholes, snow removal, weed and tree cutting, the operation and maintenance of traffic signs and signals, repairing guardrails, and road striping (among others).

The reduction in revenue and concurrent restrictions create fiscal constraints on operations funds for local street departments that need to maintain service throughout the pandemic and economic downturn. If MVH funds can't be used for these purposes because it throws the 50% balance off, cities and towns will have to fund necessary road and street expenses from the General Fund. We know that the hardest hit to local government General Funds will be in 2022, so the reliance on MVH for road infrastructure and maintenance is going to become even greater.

In light of the pandemic, we think it is time to reevaluate the 50% restriction.

Potential Solutions:

Reduce the MVH restriction percentage (IC 8-14-1-5)

Reducing the portion of the MVH funds that are restricted will give local road and street departments more flexibility to prioritize operational/maintenance funding when they are experiencing revenue losses. When to prioritize capital projects and when to prioritize maintaining service will be a local decision that reflects the needs of each community.

Multi-year Funding Plan

Currently, the SBOA have interpreted the 50% MVH restriction to be considered on an annual basis. That is, 50% of your distribution each year needs to be used on construction, reconstruction, and preservation.

Allowing a time horizon of several years for calculating the 50% restriction would allow for local governments to prioritize operations/maintenance in years they are experiencing revenue losses and make up for the deferred capital projects in years where revenue is more robust.

In order to avoid complex rolling calculations or local governments indefinitely deferring capital projects, local governments would need to adopt a public, multi-year plan that requires them to spend 50% of their MVH funds on construction, reconstruction, or preservation over the life of that plan.

This is a tool for smoothing over revenue fluctuations while still meeting the policy goal of putting more pavement on the ground of local roads, streets and bridges. The same amount of capital spending will take place over the life of the plan, but it is easier to account for revenue uncertainty.

FUND FLEXIBILITY

Effects of COVID-19 Restrictions/Closures

The economic damage of the COVID-19 pandemic is already being felt by local governments in Indiana, and the worst is yet to come as the biggest hit to local income tax revenue streams won't be fully realized until 2022[1]. There also is still a cloud of uncertainty around how fast the economy will recover, and whether there will be drastic hits to property tax revenue. The reality is, Indiana's cities and towns will see budget shortfalls for years, even after the public health crisis is largely behind us.

Instead of asking for revenue increases in a time of economic hardship, we are looking for more flexibility to use the funding sources we already have to weather the fiscal damage caused by the weakened economy.

Aim Initiatives:

Remove Rainy Day Fund Restrictions (IC 36-1-8-5 and 5.1)

Currently, no more than 10% of a local unit's annual budget may be placed into the rainy day fund. We propose removing this restriction so that local units that are currently not seeing a significant budget shortfall can prepare for losses that are still to come, especially local income tax losses.

Interfund Transfer Restrictions (IC 36-1-8-4)

Currently, local units can transfer money between funds for temporary cash flow shortfalls. The money has to be paid back into its original fund by the end of the fiscal year (with an option for a 6 month extension). We propose allowing a process to make these loans forgivable up to a set amount set in code; or allowing the interfund loan to be paid back over a period of up to 5 years

[1] Local income taxes are on a delayed distribution system – income generated during 2020 and the income taxes paid on this income will form the basis for the 2022 income tax distribution to local units.