CHECKLIST OF LOCAL GOVERNMENT FUNDING SOURCES FOR INDIANA CITIES, TOWNS, AND COUNTIES

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The purpose of this paper is to summarize, in checklist form, some of the ways that cities, towns, and counties in Indiana may be able to maximize their local government funding sources.

A. PROPERTY TAXES. To maximize property tax revenues, the following should be considered:

1. **Maximum levy.** The amount of tax revenues permitted to be levied in the case of levy-limited funds is capped based on average growth of non-farm personal income for the prior six years. Is your governmental unit taking full advantage of its maximum levy?

2. **Cumulative funds.** Has your governmental unit taken full advantage of its ability to established cumulative funds? There is a limit on the rate, but these funds do not count against the levy limit.

3. **Identification of missed parcels.** A careful review may enable local governmental units to identify properties that should be on the tax rolls but are not.

4. **Improved collection rates.** Improved collection practices include offering flexible payment methods (and publicizing them), careful recordkeeping, and use of form documents and letters. Your local government unit may also benefit from engaging a private company to increase revenues from tax collections, as well as unpaid debts and fines.

5. **Attraction of new assessed value.** The judicious use of tax abatement and tax increment financing districts can help bring new assessed value to a city, town, or county. Although it is often argued that TIF districts take away assessed value from taxing units, a statistical analysis of the data does not support that position.

6. **Bonding for capital costs.** Since tax levies to pay debt service on general obligation bonds do not count against a local governmental unit's tax levy limit, local governmental units may find it increasingly necessary to resort to issuing general obligation bonds to pay for capital costs that were previously paid for on a "pay as you go" basis from annual property tax revenues.

B. LOCAL INCOME TAXES

1. The Indiana General Assembly enacted legislation (IC 6-3.6, effective January 1, 2017) to streamline and unify the previously separate local income taxes (CAGIT, COIT, and CEDIT).

2. As part of the unification of the local income taxes, the Indiana General Assembly significantly **increased** the permissible maximum local income tax rate over what the maximum combined rates had been prior to the enactment of IC 6-3.6. In some counties, only the County Council has the ability to increase the local income tax rate; in other counties, the "local income tax council" (consisting of the fiscal bodies of the cities, towns, and county unit, which are allocated a share of a total of 100 votes usually based on relative tax collections, and with a majority of votes required to increase the local income tax rate) is the governing body for such purpose.

C. OTHER LOCAL TAXES

1. **Food and beverage taxes.** This tax must be specifically authorized for a particular county by state law, and it is usually tied to a particular use.

2. **Innkeeper's taxes.** Most Indiana counties have an Innkeeper's Tax. All Indiana counties have the authority to impose it.

3. **Motor vehicle excise surtax and wheel tax.** Has your county (or your city or town, if it has a population of at least 10,000) imposed these taxes? If so, were they imposed at the maximum rates?

D. BEST PRACTICES FOR TIF DISTRICTS

1. **Monitoring of TIF calculations.** Annual reviews can reveal inadvertently excluded parcels and may lead to other corrections.

2. **"Pruning" of TIF districts.** The TIF district can be amended to remove material "decrements," which are losses in TIF revenues caused by parcels in the TIF district that have lost assessed value.

3. **Personal property TIF.** Not available for retail, commercial, or residential assessed value. May be more significant than real property TIF in some TIF districts.

4. **Monitoring effect of reassessment and trending.** Make sure it is correctly done, or your governmental unit could be caused significant loss by errors.

5. **Refinancing of existing debt**. Redevelopment Commissions that want to reduce annual debt service payments may be able to refinance the existing debt to lengthen the term of the debt in order to reduce the amount of annual debt payments. By putting a property

tax back-up behind the debt as part of a re-financing, it may be possible in some cases to reduce the interest rate on the refinanced debt.

6. **Clawbacks in economic development agreements.** Consider including "clawback" provisions in economic development agreements so that all or part of an incentive to a private developer must be repaid if the developer fails to meet job creation or capital investment commitments.

7. **Maximizing uses of TIF revenues.**

   a. **Permissible uses of TIF revenues.** In situations where a proposed use can be determined in good faith by the Redevelopment Commission to be in furtherance of the redevelopment or economic development purposes of the related economic development area (or area needing redevelopment), and the use is for a publicly owned capital improvement, it is usually the case that the use of TIF revenues for such purposes is permissible.

   b. **Supervisory expenses.** Supervisory expenses related to redevelopment projects in the allocation area that are paid to individuals retained by the Redevelopment Commission to supervise such projects (including employees of the Redevelopment Commission or other local government employees) qualify as expenditures for which reimbursement from TIF revenues can be made. Records of time actually spent relating to the project need to be carefully kept.

E. **UTILITY-RELATED REVENUES.** Such rates must be nondiscriminatory, just, and reasonable.

1. Sewer
2. Water
3. Electric
4. Gas
5. Stormwater. An increasingly common source of revenues as costs associated with combined sewer overflow ("CSO") mandates skyrocket.
6. Utility payments in lieu of taxes
7. Conversion of hydrant rental to user fees
8. Allocation of shared utility expenses
9. Return on municipal equity interest in utilities
10. For the operation of a particular utility, consider whether a public-private partnership for the operation of the asset might be beneficial.
11. Would the local government unit benefit from selling a utility?

F. **OTHER USER FEES, LICENSE AND PERMIT FEES, AND FINES AND FORFEITURES.** Local governments will benefit from reviewing their current practices relating to user fees, license and permit fees, and fines and forfeitures (subject to statutory requirements and limits on such fees). Examples include the following:

1. Trash collection fees
2. Franchise fees (e.g., cable TV)
3. EMS fees
4. Fire contracts
5. Police and fire reports
6. Court docket fees
7. Parks and recreation
    a. Pool admission fees
    b. Green fees
    c. Shelter rental fees
    d. Concession rentals
    e. Program fees
    f. Park rental charges
8. Parking fees and parking meter receipts
9. Community building rental
10. Other rental fees
11. Other charges for service
12. Street cut permits
13. Dog licenses
14. Building permits
15. Other licenses and permits
16. Fines and forfeitures
17. Special police patrol fees
18. Payments for special police services at large events
19. Fingerprint fees
20. Accident report fees
21. Bus fares
22. Business licensing fees
23. Filing fees for petitions and hearings by government boards
24. Fees for release of towed vehicles
25. Fees for use of credit or debit cards
26. Fees for copies
27. In setting user fees, recovering the following costs, among others, should be considered: wages and benefits of employees providing the service; costs of supplies; capital depreciation costs; cost of support services; general administration and supervision costs; and associated utility costs

G. STATE GRANTS AND LOANS. Local government units should stay up to date on available grants, loans, and subsidies that may be available from the State of Indiana for various purposes.

H. FEDERAL FUNDS

1. Stay up to date on federal grant opportunities.

2. Consider engaging a lobbyist to monitor opportunities. Millions of dollars can sometimes be accessed.

3. More and more, federal dollars are disbursed through specific line items.

I. OTHER FUNDS

1. **Interest earnings.** Diligent cash management practices can make a big difference.

2. **Refinancing of bonds.** Your local government unit may be sitting on opportunities to reduce interest costs, and in some cases, generate additional funds, without even knowing it. Regular monitoring of refinancing opportunities is important.

3. **Funds from interlocal agreements.** Neighboring or overlapping jurisdictions may be willing to share in the costs of a particular project.

4. **Payments by tax abatement beneficiaries.** In certain circumstances, for property tax abatements first granted after July 1, 2004, a company and a local government that grants the company a tax abatement may agree to direct a portion of the abatement to which the company would otherwise be entitled, to a public or nonprofit entity established to promote economic development in the applicable unit. To determine the annual amount of such payment by the company, the local unit establishes a percentage of up to 15%, which is multiplied by the amount of abated taxes (provided that the payment amount may not exceed $100,000 per year).

5. **Private contributions.** Private generosity is at times found to be more forthcoming than local government units might imagine. Corporations are sometimes willing to make contributions toward the cost of a local government's capital project.

6. **Sale or lease of property.**

7. **Advertising revenues.** Advertising on the sides of buses may be the most common example.

8. **Naming rights.** Local government units may in some circumstances be able to raise additional revenues by selling the naming rights to property owned by the unit.

J. LOCAL GOVERNMENT COLLABORATION AND CONSOLIDATION

1. **Interlocal agreements.** Interlocal agreements among political subdivisions can be used to undertake joint activities in order to create efficiencies and economies of scale, including the ability to maximize purchasing power.

2. **2006 Government Modernization Act.** The purpose of the Act is to grant "broad powers to enable political subdivisions to operate more efficiently by eliminating restrictions under existing law," by permitting the consolidation of political subdivisions.

K. FACTORS TO CONSIDER IN BUDGET CUTTING. The following factors should be considered when making decisions to undertake budget cuts:

1. Instead of constructing new facilities, would it be more cost effective to make repairs or renovations to existing facilities?
2. Is requested equipment necessary?
3. Where have budget cuts been effective in the past?
4. Are there departments where performance appears to be substandard?
5. Consider deferring costs where possible.
6. Are there planned personnel costs and salaries that can be reduced or eliminated?
7. Consult other political subdivisions for ideas on approaches to budget cutting that have been effective.