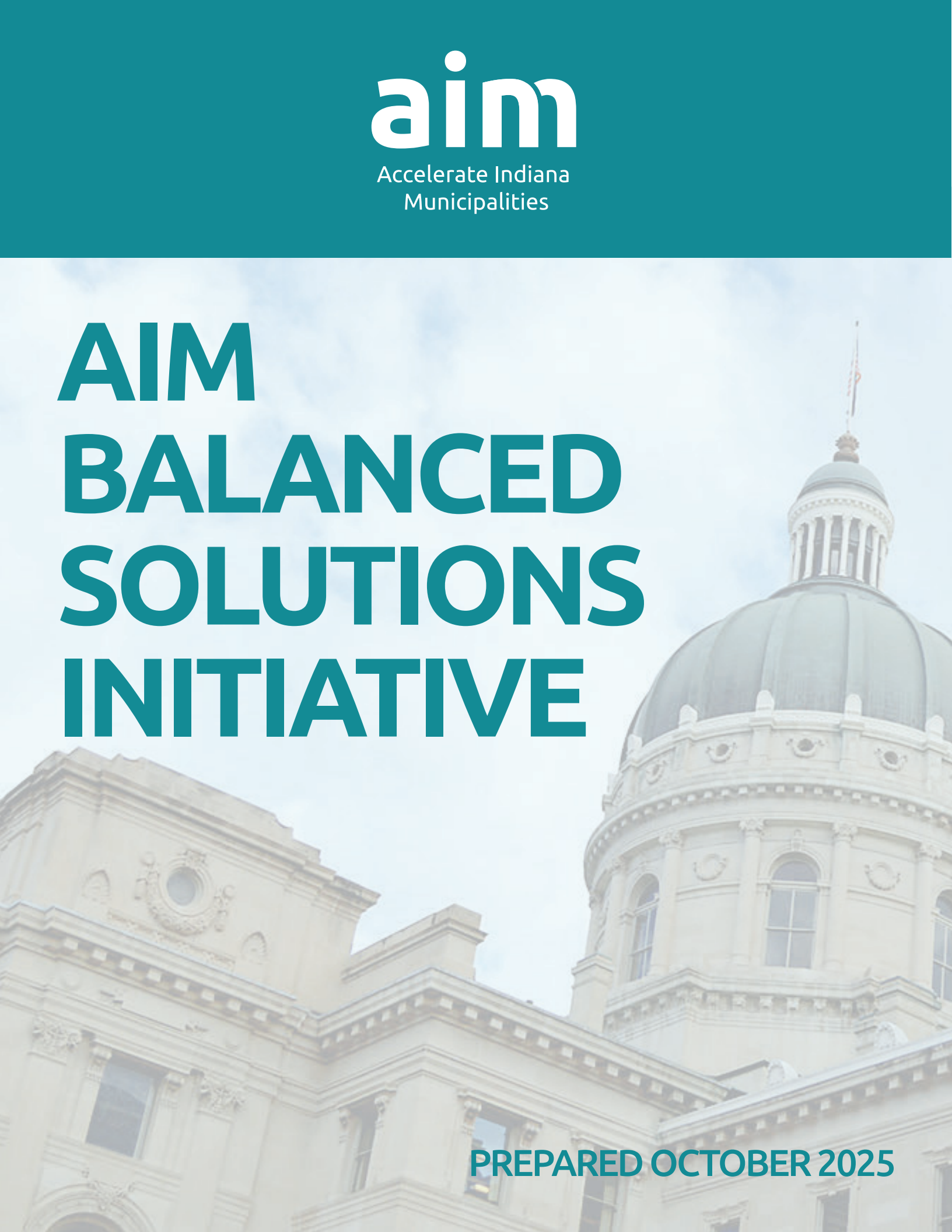


The logo for AIM (Accelerate Indiana Municipalities) features the lowercase letters 'aim' in a bold, white, sans-serif font. The 'i' has a dot, and the 'm' has a distinctive shape with a small gap at the top.

aim

Accelerate Indiana
Municipalities

The background of the slide is a photograph of the Indiana State Capitol building. The image is faded and serves as a backdrop for the text. The dome of the capitol is prominent on the right side, and the classical architectural details of the building are visible across the bottom and left.

AIM BALANCED SOLUTIONS INITIATIVE

PREPARED OCTOBER 2025

Aim conducted a detailed fiscal and operational review of SEA 1 and identified technical and policy amendments to protect municipal financial stability. Through collaboration with municipal leaders, financial advisors, and legal experts, Aim analyzed Local Income Tax and property tax provisions to pinpoint areas requiring legislative clarification or adjustment. The following pages outline the committee's technical findings and proposed recommendations for legislative consideration.

SEA 1 LIT Structure - CURRENT

	County Services	Fire / EMS	Non-Municipal Units	Municipal Services (Under 3,500 up to 7,000 population)	Municipal Services (Over 3,500 population)
Maximum Rate	1.2%	0.4%	0.2% (Max 0.05% per unit type)	1.2% (Up to 75% can be allocated to county services if the county services rate is at its max)	1.2%
Adopting Body	County Council	County Council	County Council	County Council	City/Town Council
Distribution Method	Directly to county	50% weighted by population 50% weighted by 20 x service area to all units that provide fire protection (municipalities, fire territories, fire districts, township fire departments (optional))	Distributed by population of the unit divided by the population of all units in the county of that type	Distributed by population of the municipality divided by the population of all municipalities in the county-wide rate	Directly to municipality
Tax Base	Entire County	Entire County	Entire County	Entire County except for the municipalities that have adopted their own tax rate	Incorporated boundaries of the municipality

SEA 1 LIT Structure - **PROPOSED STRUCTURE**

	County Services	Fire / EMS	Non-Municipal Units	Municipal Services (Under 2,000 up to 34,000 population)	Municipal Services (Over 2,000 population)
Maximum Rate	0.7%	0.2%	0.2% (Discretion to split up among unit types)	1.9% (Up to 75% can be allocated to county services if the county services rate is at its max)	1.9%
Adopting Body	County Council	County Council	County Council	LIT council comprised of the county council (apportioned votes based on the size of the unincorporated area) and all municipalities that have not adopted their own rate (apportioned votes based on population)	City/Town Council
Distribution Method	Directly to county	50% weighted by population 50% weighted by service area to all units that provide fire protection (fire territories, fire districts, township fire departments (optional))	Distributed by population of the unit divided by the population of all units in the county of that type	Distributed by population of the municipality divided by the population of all municipalities in the county-wide rate	Directly to municipality
Tax Base	Entire County	Entire County	Entire County	Entire County except for the municipalities that have adopted their own tax rate	Incorporated boundaries of the municipality

Explanation of Changes

Rate Split

BACKGROUND:

- With a current municipal services rate cap of 1.2%, around 50% of municipalities with populations above 3,500 could not raise sufficient revenue to replace the revenue they currently receive from all three current municipal expenditure rate categories (certified shares, public safety, and economic development).
- More communities could replace existing revenue with distributions from the Fire/EMS rate. But, that is not controlled by the municipality and they cannot be certain the county council will set a rate that is high enough to meet their service needs.
- Currently, the average county government needs a county services rate of just about 0.7% to replace the revenue currently generated by the non special purpose expenditure rates in the county.
- Only 7 counties need greater than the 1.2% county services rate to replace their existing non special purpose expenditure rate revenue.
- In SEA 1, if a county government has adopted their maximum county services rate, they can keep up to 75% of the municipal services rate for units that are in the county-wide municipal services rate category, meaning their functional maximum county services rate under SEA 1 is 1.2% on the entire county tax base plus 0.9% on the entire county tax base minus the tax base in municipalities adopting their own rate.

RECOMMENDATION:

Reduce the county services rate cap from 1.2% to 0.7% and reallocate 0.5% of the rate cap to the municipal services rate.

- This change will significantly increase the amount of revenue available to municipalities.
- The average county will still be able to adopt a county services LIT rate high enough to replace their current revenue.
- For those counties that will need something in excess of 0.7% to replace their current revenue, they will continue to have the option of retaining up to 75% of the municipal services rate on the unincorporated areas and smaller municipalities.
- This will also incentivize more counties to at least adopt some amount on the rate for smaller municipalities making it more likely that those smaller units will get funded as well.
- Most counties do not need a very large rate to replace the revenue for municipalities that are opted into the county-wide rate as smaller towns often don't receive very much LIT revenue currently. Even 25% of the rate the county uses to balance its own revenue will often be sufficient especially in the rural counties that are most likely to need a county services rate in excess of 0.7%.
- With this reallocation combined with the reallocation of the Fire/EMS rate, the combined municipal services rate will be 1.9%, reducing the proportion of municipalities that cannot replace their current LIT revenue from 50% to 15%.

Fire/EMS Rate

BACKGROUND:

- The Fire/EMS rate is mostly in place to provide revenue for taxing units that provide fire protection but do not have any native ability to raise their own LIT revenue. Mainly, this includes: fire territories, fire districts, and some township/volunteer fire departments.
- Currently, the formula for distribution includes all of these taxing units plus municipalities despite the fact that municipalities have native taxing authority under the municipal services rate.
- The 20x multiplier on service territory size creates a funding preference for larger, rural fire territories or districts and a funding penalty for more compact but population dense fire protection areas like municipalities.

RECOMMENDATIONS:

Option 1: Reallocate 0.2% from the Fire/EMS rate to the municipal services rate and remove municipalities from the Fire/EMS distribution.

- This change will allow municipalities to raise the revenue they would otherwise rely on the county council to provide themselves.
- The service territory multiplier will no longer be a concern as that rate would only be applied township/volunteer departments and special fire protection taxing units.

Option 2: Reduce the 20x multiplier on service territory to a 1x multiplier.

- This would reduce funding discrepancies between municipal and rural fire departments.
- There would still be the concern that there is no obvious or uniform way to measure service territory.

Municipal Rate Population Thresholds

BACKGROUND:

- The current population threshold for allowing municipalities to adopt their own LIT rate is 3,500, a number that comes from the election code under which units can stagger their council elections.
- The maximum population threshold for being allowed to opt into the county-wide municipal services rate is 7,000.

RECOMMENDATIONS:

Decrease the minimum population threshold from 3,500 to 2,000.

- This would allow all cities and towns eligible for status as a Class 3 city to have the option to adopt their own LIT rate.
- This would ensure that more municipalities that have had difficult LIT negotiations with the county in the past to adopt their own rate and not have to enter contentious negotiations once again.

Increase the maximum population threshold from 7,000 to 34,000.

- This would allow all Class 3 cities the option of opting into the single county-wide municipal services rate.
- Many Class 3 cities are the commercial centers of their counties but do not have the population base to produce LIT revenue equivalent to what they get through the current county-wide system. This change would allow them the option to work with their county council and other units in the county to adopt a county-wide rate that can ensure they can continue to offer services and amenities.

- With this change, all but two of the municipalities over 3,500 that would not have the ability to replace their current revenue with a rate of 1.9% would have the option of working with the entire county for a regional solution to their revenue needs.

Procedure for Adopting the County-Wide Municipal Services Rate

BACKGROUND:

- SEA 1 gives the county council the sole authority to determine the county-wide municipal services rate for those municipalities who have not opted to adopt their own LIT rate.
- Municipalities under 3,500 or those that choose to opt into this rate are required to submit a petition requesting distributions to the county council and appear in a public hearing before the county council to make their request.
- The county council may then adopt a municipal services rate and distribute it by population either to all the eligible units in the county or all the eligible units in the county that completed the petition process.
- Municipalities under 3,500 are totally reliant on the county council to adopt their LIT rate and, unlike current law where most times the county raises LIT revenue itself it automatically has to distribute some to the municipalities in the county, this process requires a separate affirmative vote to raise taxes for revenue the county usually doesn't receive any part of.

RECOMMENDATION:

Create a modified Local Income Tax council only for the purposes of adopting the county-wide municipal services rate with votes apportioned by population to the county council (for the unincorporated area of the county) and to all the municipalities that have opted into the rate.

- This would give the smaller municipalities meaningful, voting input on the LIT rate earmarked for their services.
- The taxpayers in the unincorporated areas who pay this tax would still be represented by the county council.
- In most rural counties where the county council may need higher than their maximum county service rate for their own revenue needs, they have high enough population proportion in the unincorporated areas (once the larger municipalities have been removed from the calculation) to control the LIT council and will be able to control that rate anyway.
- For other counties where there are more municipalities or where small or midsized cities will need a county-wide municipal services LIT rate to get the revenue they need for their current services, the collection of municipalities will have a meaningful voice in setting the rate.
- This approach would balance using the county-wide municipal services rate as an additional revenue option for county government with the ability to use it as a core revenue source for municipal services and allow a more flexible system that is responsive to the population demographics of many different counties.

Non-Municipal Rate

BACKGROUND:

- Most counties have only two unit types that qualify for the non-municipal rate, townships and libraries, making the functional cap only 0.1%.

- The unit-type cap of 0.05% is not always sufficient to replace the current revenue for those unit types.

RECOMMENDATION:

Remove the unit-type cap of 0.05% for the non-municipal rate.

- This would give counties the flexibility to meet the different makeups of their local governments.
 - This would allow all counties to use the entire non-municipal rate cap if they choose.
-

Local Income Tax (LIT) Procedures

Annual Adoption

BACKGROUND:

- Under the current LIT system, LIT rates continue from year to year unless affirmatively changed by the adopting body.
- Under SEA 1, LIT rates must be readopted each year or the rate defaults back to zero for the upcoming year.
- This creates a significant amount of risk in the LIT system as even procedural errors like failing to properly advertise a meeting could send LIT rates to zero for an entire year.
- This risk is reflected in the treatment of LIT bonds in the capital markets as the change to annual adoption downgrades LIT bonds from “revenue bonds” to “appropriation backed bonds.”
- Several communities have been told by bond counsel and rating agencies that their debt is being downgraded or failing to be upgraded because of this change.
- See the bond buyer article: bondbuyer.com/news/indiana-law-raises-questions-about-income-tax-backed-bonds.
- See S&P comments: bondbuyer.com/news/s-p-indiana-property-tax-law-creates-uncertainty-for-bonds.

RECOMMENDATION:

If an adopting body does not affirmatively change the LIT rate in any year, the prior year's rate continues.

- This would align local income tax policy with state income tax policy as the state does not affirmatively readopt the state income tax during each budget cycle.
- This would protect bond ratings and lower the overall cost of projects to taxpayers.
- This would create more certainty in the LIT system and create far less revenue volatility.

Debt Protection During Transition

BACKGROUND:

- SEA 1 states that cities, towns, and counties must adopt LIT under the new LIT structure sufficient to cover outstanding debt obligations.
- The language in SEA 1 protecting LIT debt may not be enforceable if a unit either chooses not to or fails to adopt a LIT rate high enough to cover their outstanding debt.

- o It is reasonably enforceable to block the action of an adopting body that would threaten to impair debt with a LIT rate change decision.
- o It would not reasonably be enforceable to require an elected body to affirmatively raise a rate to cover outstanding debt.
- The entity that has the outstanding debt may not be able to unilaterally raise the LIT necessary to pay it and may rely on the county council to adopt the rate on their behalf.

RECOMMENDATION:

Option 1: Create a county-wide special purpose rate in each county that is dedicated to covering outstanding bonds at 125% until they expire.

- This would maintain the same tax base on which the bonds are currently pledged, minimizing risk.
- This would guarantee the bonds would be covered regardless of the political decisions or procedural errors of any of the units.
- It would be simple and outside the new LIT structure.

Option 2: Calculate the minimum rates in each of the new expenditure rate categories necessary to cover all the bonds at 125% for the units in each of those categories and make them automatically adopted at least at that level in statute.

- This would guarantee the bonds would be covered regardless of the political decisions or procedural errors of any of the units.
- It would fold the debt coverage into the new expenditure rate system.

Debt Protection Going Forward

BACKGROUND:

- Current law prevents any LIT change that would reduce debt coverage below 125% for any of the taxing units that receive LIT distributions.
- The new LIT system in SEA 1 does not offer a similar protection and, with required annual adoption, cannot easily accommodate a guarantee for bondholders like what exists in current law.

RECOMMENDATION:

Along with eliminating annual adoption, carry over this provision to the new LIT structure so that no rate can be reduced if it would bring debt coverage below 125%.

- This would increase confidence from the bond market going forward.
- This is a long-standing and legally enforceable provision.

25% LIT Pledge Limit

BACKGROUND:

- SEA 1 prohibits new LIT bond pledges that would result in over 25% of LIT revenue being pledged to bonds for the next two years during the transition to the new LIT system.
- This restriction is designed to prevent units from taking out large amounts of debt to tie the hands of the new LIT system when it comes into effect.
- The uncertainty of how debt coverage and annual adoption will work in the new system has created more uncertainty in the bond market than this provision and most new LIT bonds have been paused regardless of this law.

- Some counties are under federal requirements to issue debt for jail upgrades which this could prevent if there is already too much outstanding debt.
- Bond issuers can capitalize two years of interest to avoid this restriction, still tying the hands of the new system but increasing the costs to taxpayers.

RECOMMENDATION:

Repeal the 25% LIT pledge limit.

- This would ensure no federal consent decrees are impacted by the change.
- There is unlikely to be a large increase in LIT debt regardless of this provision due to the current uncertainty.
- If LIT bond deals still need to go forward in the next two years for important public projects, the total cost to taxpayers can be reduced through more flexible bonding options.

Trust Accounts

BACKGROUND:

- Current state LIT distribution procedures are issued through certified distributions, or guaranteed amounts certified per year that local units can budget for local income taxes.
- Guaranteed certified distributions are helpful for local government budgeting as concrete numbers can be budgeted for LIT just like property taxes.
- Because the LIT certification process takes around 18 months, 15% of LIT revenue is held in reserve to account for temporary mismatches between LIT revenue being collected and certified distributions going out.

RECOMMENDATIONS:

Create new trust accounts for each entity that adopts LIT rates. The amount of the reserve should be sufficient to cover the increased volatility of municipal LIT rates.

- This will ensure that the process of certified distributions can continue to go forward.
- Municipal LIT rates that are only levied on a single city or town may be more volatile than county-wide rates so higher reserves may be required for those units.

Empty the current LIT trust accounts through a final special distribution in 2027 and then hold back additional revenue for the first few years of the new system to build back up the reserve.

- All LIT rates are currently county-wide. As a result, there is no clear way to split up the reserve accounts between the county and the cities and towns that will now have the ability to adopt their own rates.
- Issuing a special distribution as the old LIT system is phased out will ensure that all the revenue raised through the old system will be distributed through the old system without complicated calculations on how to pro-rate the reserve to the new taxing units.
- An extra special distribution may smooth out some revenue uncertainty during the transition to the new LIT system.

Population Estimates

BACKGROUND:

- SEA 1 LIT allocations and cutoffs for the ability to control your own rate are based on the most recent census.

- City and town populations can change a lot in 10 years and this will not be reflected in real time.

RECOMMENDATION:

Allow for population estimates currently used by State Comptroller for other population-based distributions to be used for LIT allocation and cutoff numbers.

- These population estimates are already used for the distribution of state revenues through funds like MVH and LRS.
- These estimates are updated when units order a special census.

Choosing a Municipal LIT Rate or Participating in the County-Wide LIT Rate

BACKGROUND:

- Currently, opting into or out of controlling your own municipal services rate is done once and is an irrevocable decision.

RECOMMENDATION:

Allow each unit inside the population parameters to opt into or out of their own municipal LIT rate once per census or once per five years.

- By limiting the change to once every five or ten years, it creates a relatively stable tax base for determining the county-wide municipal LIT rate.
- As communities grow and change, many will want to change their decision to account for current needs and political circumstances.

Effective Dates

BACKGROUND:

- The way the bill is written now, the effective dates are unclear as to when the municipalities under 3,500 in population will petition for distributions of the rate.

RECOMMENDATION:

- Ensure that the petition process to determine the needs is effective before adopting the county-wide municipal services rate.

Order of Adoption

BACKGROUND:

- A municipality may not know how much of the Fire/EMS rate they are receiving until after they adopt their LIT rate.
- This uncertainty could affect rate decisions.

RECOMMENDATION:

Set the county deadline for adopting the LIT rate a month before the municipal deadline.

- This would ensure that the municipality knows what the aggregate tax rate will be when they set their rate.

- This would ensure the municipality knows how much of the Fire/EMS rate they are getting before setting their own municipal services rate.
- Note: If the Fire/EMS rate is split up so that municipalities control their portion, this concern is reduced.

Alternative LIT Reform Proposal

STRUCTURE:

- Maintain current county-wide LIT rates and adoption procedures:
 - Could maintain current distributions; or
 - Change distribution method to a population basis
- Add a new, optional, municipal LIT only on citizens inside of municipal boundaries that can exceed the county wide rate but not exceed the cap of 2.9%
- New municipal LIT could experiment with real-time distribution instead of certified distributions and trust accounts or could involve individual trust accounts for the participating municipalities.
- Maintain the repeal of the property tax replacement rates and the change of the expenditure rate cap to 2.9%.

RATIONALE:

- This would solve all of the issues with handing off from the old LIT rates to the new LIT rates because the old LIT rates would continue as they are now.
- This could be piloted only in counties where municipal level LIT data is ready for implementation.
- This provides revenue flexibility to municipalities without upending the entire LIT system.

Property Taxes

TIF Neutralization

BACKGROUND:

- There will be significant TIF impacts from the new 2% deduction (for normal TIFs) and from the new homestead deductions and credits (for residential TIFs).
- It is important to have a process in place to protect bondholders.
- The current language in SEA 1 is vague and it is not clear how it could be practically applied.

RECOMMENDATIONS:

Change the language in SEA 1 from protecting TIF bonds from tax rate changes to protecting TIF bonds from changes in deductions, credits, and exemptions.

- All tax rate pressures in SEA 1 are positive and could not impair LIT bonds.
- The increased deductions, exemptions, and credits could trigger a bond impairment so the language of the statute should clearly state that these are the factors that could trigger a review by DLGF.

Outline a process for local units to request a review of their TIF from DLGF if they have credible data projecting that the new deductions, credits, and exemptions could place their bonds into jeopardy.

- It is very unlikely that DLGF will be able to actively monitor all the TIFs in Indiana for potential bond impairment. This process will have to be initiated by the local unit that manages the TIF.
- Because the TIF neutralization process helps establish the base and therefore precedes certification of net assessed value and the establishment of the tax rate, the process for requesting an adjustment must begin before the tax rate is definitively known.
- This will mean that DLGF will need to consider estimates and projections when deciding whether to allow an adjustment under this provision during the neutralization process.
- This process may be very difficult to implement even with these changes. However, these changes would make it much clearer.

Protected Taxes

BACKGROUND:

- Under current law, debt service levies are protected from the effects of circuit breaker credits.
- The new homestead credit and the other tax credits for seniors and the disabled were not added to the protected taxes statute.

RECOMMENDATION:

Amend the protected taxes statute to include the new tax credits to be applied retroactively to the extent practical.

- If these credits affect debt service levies, general obligation bonds could be put in peril.
- If the existence of these credits is treated like protected taxes waivers, where local units can overlevy their debt service levy to account for the credits, this would increase the debt service tax rate in direct opposition to a core goal of SEA 1 to reduce debt service levies statewide.

Controlled Project Threshold

BACKGROUND:

- SEA 1 establishes new cutoff tax rates of 0.25% and 0.4% that trigger the controlled projects statutes for the remonstrance and referendum processes respectively for municipalities.
- These are nominal tax rates well above where most municipalities are throughout the state.
- As the new deductions and exemptions in SEA 1 are phased in over time, nominal tax rates may increase even as many taxpayers pay less in property taxes.
- As nominal tax rates increase, it is more likely that municipalities will hit these rate triggers even if their debt levies do not change.

RECOMMENDATION:

Phase in increases to the cutoff tax rates commensurate with the increases in deductions and exemptions.

- This would ensure that the policy goal of limiting debt service levy growth is maintained without penalizing units for tax rate increases that are not associated with issuance of new debt.

Remove the cost-based triggers in the controlled projects statute.

- Since SEA 1 now controls debt service levies through rate triggers, the cost-based triggers in current law may not be necessary.
- The cost-based triggers in current law are very complicated for the public to understand and for units and DLGF to implement.

- Consolidating to only being governed by the rate limits would increase administrative efficiency at the state and local levels.

GO Bond Capacity

BACKGROUND:

- IC 36-1-15 was put into place to control the GO bond capacity when the new assessment system came into place after the Town of St. John case moved Indiana to market based assessment by cutting the GO bond capacity down by 2/3.
- The new tax deductions and tax exemptions in SEA 1 will also constrict net AV and significantly reduce GO bond capacity once again.

RECOMMENDATION:

Repeal IC 36-1-15.

- The new exemptions and deductions will serve to reduce GO bond capacity.
- As the new exemptions and deductions roll out, some units may be pushed over the limit set in 36-1-15 and its repeal would obviate legal difficulties for local units.

Extra Budget Hearing

BACKGROUND:

- SEA 1 requires an additional budget hearing that is focused on only the tax rate increases from the prior year.
- Tax rate increases are already covered at currently required budget hearings.

RECOMMENDATION:

Eliminate this additional budget hearing requirement.

- Because SEA 1 requires tax rates to trend up over time due to new deductions being phased in this requirement could be confusing for the public as it indicates a policy change at the local level when really it simply reflects the statewide policy change.
- Many local units will show a nominal tax rate increase year over year while the actual tax burden of homeowners is being reduced year over year making this requirement unclear to the public.

MLGQ

BACKGROUND:

- Excess levy growth appeals were repealed and MLGQ was capped at 4%, giving fast growing communities no escape valve for matching revenues with rising service costs from growth.
- This means that fast growing communities will have to rely on LIT to capture growth and keep up with service costs. However, the current LIT structure needs a lot of work to be able to adequately accomplish that goal and won't be implemented until 2028 at the earliest.

RECOMMENDATIONS:

Reform MLGQ or the property tax system so that fast growing communities automatically capture some or all of their AV growth.

Create a new process to appeal for excess growth.

Townships

BACKGROUND:

- Cities, towns and counties are general purpose local governments.
- Essential government services are best provided by general purpose local governments, as they are closest to their residents.
- In recent years, numerous limited purpose local governmental entities have been created or authorized to deliver certain limited local government services, increasing costs to local residents due to the overlapping delivery of services and additional layers of government creating complexity.

APPLICATION AND SUPPORT:

- IC 36-1-2 apply to this chapter.
- The purpose of this chapter is to afford general purpose local governments maximum flexibility to determine:
 1. What services the residents of their communities expect from their local government;
 2. How to provide those services;
 3. How to assimilate the overlapping delivery of services; and
 4. How to deliver services effectively without unduly increasing the costs of government services to residents. The purposes of this chapter are remedial, and its provisions are to be liberally construed to carry out its policy.

Restructuring

BACKGROUND:

- The current Government Modernization Act process requires several steps in the approval process and after years of opportunity, many units have not utilized the process.

RECOMMENDATIONS:

Make the process for restructuring streamlined with a definitive path.

- Restructuring of the township shall be as follows:
 1. A municipality located in a township in which at least fifty percent (50%) of the population resides within the municipality or eighty (80%) coterminous in its boundaries shall lead the restructure the delivery of services throughout the community.
 - (a) A service rate will be set for any geographical area outside the municipal boundaries by the legislative body of the municipality.
 2. For all other townships that do not follow the structure outlined in 1, the township shall prepare a plan as outlined below.

The township board, with the assistance of the township trustee shall prepare a plan that:

 - (a) Describes the geographic area in which essential government services will be restructured;
 - (b) Identifies the services currently provided in the geographic area including any services currently provided by another local entity in addition to the unit;
 - (c) Develop restructuring services for the geographical area, including information concerning the assimilation absorption or termination of providers or employees of overlapping or duplicative services and provisions for addressing long term contracts, outstanding bonds, leases or other obligations;

- (d) Identifies the costs and savings to the residents of the unit and the geographic area in which services are to be restructured; and
- (e) Provides right of first refusal for providing services, including fire services, to the municipality. If the municipality determines an inability to provide the services by a written refusal filed with the clerk of the county, the services shall be provided by the county in which the township is located.
- (f) Any previous township elected officials may be retained by the absorbing municipality as an appointed employee without a conflict.
- (g) Any agreements existing regarding planning and zoning prior to January 1 2026, will remain valid and enforceable unless and until the restructuring units present a new petition to the municipal plan commission, and if approved, a resolution to the municipal legislative body outlining any amendments to the terms. Any changes must be filed with the county recorder.
- (h) Adding all provisions to protect impairment for outstanding obligations bonds, leases.

Fire Services

BACKGROUND:

- Fire services are part of township government and should restructuring efforts occur, usually become an issue due to current service areas, costs, and equipment.

RECOMMENDATIONS:

All fire territories and districts existing prior to Jan 1, 2026 are not impacted by this chapter and remain in service until a petition for modification of services is filed with the legislative body of the unit to which services were transferred.

- Any fire services in a geographical area that determine the ability to deliver services independently will transfer to a special taxing unit under binding review with oversight from the county legislative body of the geographical area.
- Except as outlined in section (a) any other fire services:
 1. In a geographical area within a municipality transfer to the municipality.
 2. In a geographical area outside the municipality, in which the municipality has determined it cannot serve, transfer to the county.

APPLICATION:

- IC 36-8-13, elimination with protection for any impairment.
- IC 36-8-4, potential amendment for interlocal agreements.
- IC 36-3, fire service and fiscal structure distribution for Indianapolis and included local government units.

Notice and Publication

BACKGROUND:

- The process for local government restructure notice and publication requires additional approvals that will halt the ability for consolidation.

RECOMMENDATIONS:

The township shall publish notice of the adoption and substance of the proposed restructuring and notice of a public hearing on the proposed restructuring.

- The notice must:
 1. Be published in accordance with IC 5-3-1 one time, at fifteen (15) days prior to the public hearing;
 2. State that a map and a preliminary plan of the restructuring have been prepared and can be inspected at the office of the unit's clerk; and
 3. Name a date when the legislative body will receive and hear feedback from persons affected by the proceedings pertaining to the plan for the proposed restructuring.
 4. After restructuring plan is finalized, present to executive, legislative body, [fiscal body if a county] require public hearing on final plan. At conclusion of hearing, legislative body may approve the final plan or reject the plan.
- The restructure is effective immediately and all of the property, equipment, records, rights, and contracts, except those outlined in Section 3 are:
 1. Transferred to; or
 2. Assumed by;The county or municipality on the effective date of the restructure.
- The county or municipality shall assume all agreements with labor organizations that:
 1. Are in effect on the effective date of the restructure; and
 2. Apply to employees of the department restructured who become employees of the county or municipality.

Incentive to Restructure

BACKGROUND:

- There is no urgency for utilization of the current Government Modernization Act, however, there is a recognized need.

RECOMMENDATIONS:

Create an incentive to restructure through an additional levy.

- If the ordinance is adopted BEFORE January 31, 2028:
 - o For property taxes first due and payable in the year in which the restructure is effective the levy amount is reset and may be increased for the county or municipality by an amount equal to or above the maximum permissible ad valorem property tax levy in the year preceding the year in which the restructure is effective for newly provided services.
- If the ordinance is adopted AFTER January 31, 2028:
 - o For property taxes first due and payable in the year in which the restructure is effective the levy amount is reset for the county or municipality by an amount not to exceed the maximum permissible ad valorem property tax levy in the year preceding the year in which the restructure is effective for newly provided services.

APPLICATION AND SUPPORT:

- This allows communities that restructure to have an incentive through additional levy if they take action prior to 2028.
- IC 6 will be amended to address distribution of CVET, financial institutions, taxes, and all other state distributed funds for DLGF to review and approve restructure.

Additional Recommendations

Municipal Fees

BACKGROUND:

- Local government is charged with running effective government and generating the revenue necessary to keep services at a standard that Hoosiers expect however several “not to exceed limits” are placed on local government throughout the state code and not updated or reviewed regularly to meet current costs.

RECOMMENDATIONS:

Removal of not to exceed limits on municipal fees by:

Review and adjust all not to exceed for today’s financial standards

Set a standard going forward that fees will be reviewed and adjusted for rate of inflation.

- Establish a committee of local officials and state departments could review the current state code to identify the restrictions.

APPLICATION AND SUPPORT:

- Review of Indiana Code Titles 5, 6, 8, 9, 10,14,32, and 36 revealed several not to exceed restrictions.

Reporting Requirements

BACKGROUND:

- Local government units of all sizes are required to generate numerous reports and upload to Gateway or display at the local government level at times duplicating information in different reports at different times impacting efficiency and access.

RECOMMENDATIONS:

Review reporting requirements and adjust requirements according to population size and/or make standardized and modernized reports.

Recruiting Qualified Candidates

BACKGROUND:

- Local government units are struggling to find qualified candidates for the role of Clerk-Treasurer and Clerk.
- Clerk-Treasurers in towns have expanded duties beyond those outlined in statute.

RECOMMENDATIONS:

Expand current state code that allows towns to utilize a contract employee when a Clerk-Treasurer position cannot be filled by caucus to cities.

Allow for additional support or pay when Clerk-Treasurer role is expanded.

If a city or town has a Clerk or Clerk-Treasurer vacancy for one year and no candidates have been identified, the city or town legislative body may by ordinance hire for the position administratively.

- This ordinance must be passed unanimously.
- If a candidate wishes to file to run for either office in the following election cycle the legislative body must determine by unanimous vote if the position should revert to an elected position.
- Under any circumstances where an elected position is reinstated the salary for the reinstated position is reset by the legislative body.

Appraisal Thresholds

BACKGROUND:

- In order to purchase property municipalities must secure two appraisals to determine the value. The threshold for appraisals is low requiring two appraisals on almost all property purchased which can cost the municipality.

RECOMMENDATIONS:

Raise the threshold for when an appraisal is necessary for a municipality to purchase property.

TOWNSHIP RESTRUCTURE BY 2030

Township government shall restructure prior to the 2030 election
Township elected officials shall be removed for the 2030 election

