Executive Summary

The Indiana Project for
EFFICIENT LOCAL GOVERNMENT

the next generation of the '99 COMPETE study

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Snapshots of Indiana in 1851 and early in the 21st century offer a glimpse of the evolutions and trends that have taken place.

In 1851, Indiana was one of 31 states. Joseph A. Wright was the 13th governor. Joseph E. Kernan is currently serving as the state's 48th governor.

Indiana: Then and Now

Indiana	1851	2002
Price of a gallon of milk	13 cents	$2.85
Price of a loaf of bread	9 cents	$2.00
Population	less than 1 million	more than 6 million
Number of farms	144,000	63,000

An agricultural-based economy gave way to the Industrial Revolution, which is being moved to the background by the age of information and innovation. The number of life-changing technological advancements is too numerous to mention.

Yet, 153 years later, what hasn't kept up with the times is Indiana's local government structure. It doesn't look dramatically different than when it was created by the 1851 Indiana Constitution, when local government was accessible by a day's horseback ride to the county seat. The original directives on county, municipal and township administration are still largely being carried out across the state today.

The structure was established during an agricultural age in which county uniformity was commonplace. The one-size-fits-all approach is far from applicable today. The diversity in regions, counties, cities and towns within the state calls for flexible alternatives and local solutions.

A 19th century organizational system must be adapted to fit 21st century needs. Cost savings are a byproduct. Government that eliminates duplication, moves quicker, adapts to changing priorities and serves its citizens in the most efficient manner is not only a desire, but a necessity.

Original Report

The effort to review local government structure began in 1997. Elected officials, business leaders, association representatives and academicians initiated a project titled COMPETE (Coalition on Monitoring Public Efficiency and Tax Expenditures). The premise was that local government could not continue to meet the growing demand for services by increasing the tax burden on citizens and existing businesses, while trying to attract new residential, commercial and industrial investment.

Local Government Units

	Indiana	U.S. avg.
Counties*	92	63
Cities/towns	566	385
Townships**	1,008	833

**48 states have counties*
***20 states have townships*

In-depth study of six counties – Franklin, Hancock, Monroe, Porter, Vanderburgh and Whitley – led to a 1999 report that included 32 recommendations. They were based on five tenets of how local government might be organized if it was being established anew. The tenets:

- Local government structure should reflect clear lines of accountability
- Where practical, those who benefit from public services provided should bear the cost of those services
- Neighboring units of government should work with one another to achieve economies of scale
- Fiscal responsibility in local government should be encouraged and rewarded
- Elected offices requiring specific skills should be held by individuals possessing the training and qualifications necessary to carry out the functions of those offices

Few could dispute the idea of increased government efficiency. None, however, were motivated enough to lead the way in advocating and implementing change. The conservative, "let-others-try-it-first" approach that serves Indiana well in many cases was a factor in the failure to embrace innovative change.

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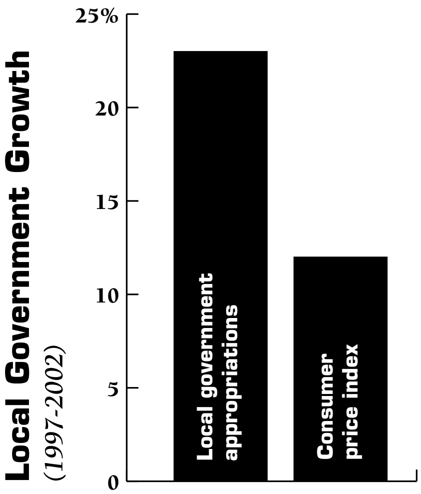
Phase II Study



Local government efficiency became a more intriguing prospect as economic conditions impacted the fiscal outlook at all levels. The Indiana Chamber Foundation organized a coalition of statewide partners to revisit the 1999 study, maintain the focus on efficiency and expand the research to include quantitative calculations and estimates of potential monetary savings. Research and technical expertise, as in the original report, were provided by Crowe Chizek. The effort was renamed the Indiana Project for Efficient Local Government.

The methods needed to achieve efficient and effective government operations vary by location. "One-size-fits-all" solutions do not apply in today's diverse economy. Local governments should be allowed to determine how they can best deliver services through responible use of taxpayer dollars.

In 1997, appropriations for local government (counties, municipalities and townships) operations totaled $3.44 billion. Just five years later, the total had grown to $4.24 billion, a 23% increase. The consumer price index had increased by only 12% during that same time period. Government growth at nearly twice the rate of inflation was a recipe for disaster.

A review of the initial recommendations found that just one – allowing cities and towns to use their motor vehicle highway distributions for debt service – had been implemented statewide. A fiscal analysis revealed recommendations that would have a quantifiable impact that could be estimated on a statewide basis. Those are grouped into eight categories, with **total annual savings estimated between $64.2 and $122.4 million.**

Total Appropriations by Level of Government, 2002

Level of Government	2002 Appropriations	Percent of Total Appropriations
County	$2,043,955,444	48.2%
Township	283,974,141	6.7
Municipality	1,913,813,360	45.1
TOTAL	$4,241,742,945	100.0%

In all but the poor relief recommendation, cost savings are based primarily on personnel levels. There was little consideration given to anticipated, but more difficult to quantify, additional savings that could be generated through coordination of service delivery. For example, in the area of multi-county jails, total taxpayer savings would increase through consolidation of jail maintenance, combined administration expenses and bulk purchasing of supplies. Each consolidation would produce different levels of savings, making it problematical to establish a statewide total.

In addition, many recommendations are only applied to appropriate counties. County reorganization savings are primarily estimated for 42 urban and mixed urban-rural counties. Multi-county jail savings are closely associated with the 50 mostly rural counties.

Limiting the application of the recommendations to particular counties recognizes that no one solution will work for all 92 counties. Unique challenges and resources call for flexibility. Allowing local units of government to develop and implement their own strategies for improving efficiency in serving its residents will create the greatest cost savings.

Estimated Annual Efficiency Savings *(rounded to $1,000)*

Recommendation	Minimum	Maximum
Centralization of poor relief	$26,057,000	
Department of Finance and Administrative Services*	$14,125,000	$45,134,000
Department of Highways and Infrastructure**	$12,777,000	$17,473,000
General fund of townships largely incorporated		$13,985,000
Multi-county correctional facilities	$5,400,000	$10,523,000
Joint purchasing	$4,242,000	$7,635,000
Integrating municipal health departments	$1,047,000	
Selected second-class cities' city clerks	$557,000	
TOTAL	$64,205,000 to $122,411,000	

*Proposal for new, consolidated department. See Page 6. Savings include centralization of property assessment.
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Poor Relief

Helping those less fortunate is a longstanding principle that must be maintained. Poor relief, a function of townships in Indiana, typically includes emergency assistance and reimbursement programs such as:

- **Burial assistance**
- **Food assistance**
- **Housing assistance**
- **Medical program reimbursement**
- **Utility assistance**
- **Estate reimbursement**
- **Health care assistance**
- **Household reimbursement**
- **Recipient reimbursement**

The importance of continuing these services was recognized in the original COMPETE study and in this follow-up analysis. The recommendation: "**The 'safety net' concept inherent in the provision of poor relief services shall be maintained regardless of which unit of local government implements the function.**"

The only question is how to most effectively deliver the services. Indiana is one of only three states that administers its poor relief program at a sub-county level of government. The numbers say that there has to be a better system.

In 2002, 64,233 Indiana households received assistance. While townships appropriated more than $61.6 million for poor relief, those in need received only $32.3 million (approximately 53%). More than $29.2 million (47%) was used for administrative purposes.

For every $1 in assistance, approximately 90 cents was appropriated for administrative costs. In 31 townships, more money was spent on administration than assistance. For example:

- Dudley Township in Henry County appropriated $2,800 to give $500 in assistance – an internal cost of $5.60 for every $1 of external aid
- For Union Township in Randolph County, the numbers are $12,000 in administration for $3,000 in assistance – a 4/1 ratio
- The four townships with the largest poor relief appropriations are also high on the list. The top two – Center Township in Marion County and Calumet Township in Lake County – appropriated nearly $16 million combined on administration costs to deliver $7.7 million in assistance, or $2.08 to administer each $1 of assistance

2002 Poor Relief Appropriations *(Ten Largest Townships)*

Township	County	Appropriations	Administration per $1 of Assistance
Center	Marion	$12,622,056	$2.35
Calumet	Lake	$11,044,546	$1.81
North	Lake	$3,880,345	$1.07
Wayne	Allen	$2,840,930	$1.55
Center	Delaware	$1,482,160	$0.75
Pigeon	Vanderburgh	$1,274,424	$0.60
Wayne	Marion	$1,080,175	$0.41
Wayne	Wayne	$1,057,594	$0.71
Center	Howard	$1,000,000	$0.39
Jeffersonville	Clark	$933,614	$1.06

In comparison, United Way programs across the country generated an estimated $5 billion during the 2001-2002 campaign year. With administrative expenses of approximately 13%, more than $4.35 billion was used to help communities address important needs. Under the Indiana local poor relief program model (and its 47% administrative costs), less than $2.7 billion would have been available for assistance.

Contrasting expenses for services similar to that of poor relief also elicits striking numbers. A study of more than 160,000 nonprofits found administration expenses averaging between 13.5% and 18%, compared to the 47% average for local poor relief. An even greater comparison comes through analysis of the Indiana Family and Social Services Administration (FSSA), the state welfare provider. FSSA operates within a range of 7.5% to 13% for administrative purposes.

The recommendation: "**The funding and provision of poor relief services to be shifted to county government. Local ports of delivery should be maintained where possible.**" Implementing this recommendation and adhering to an FSSA standard of 10% would reduce administration expenses by $26 million each year.

Property Assessment

Indiana has a minimum of 1,100 people (1,008 at the township level and 92 county assessors) involved in the assessment process. Article 10, Section 1 of the Indiana Constitution calls for: "a uniform and equal rate of property assessment and taxation … and regulations to secure a just valuation for taxation of all property." Court-ordered changes in Indiana's assessment system call for assessment based on fair market value.

Fulfilling the requirements of both the Constitution and the Indiana Tax Court require subjective decisions. What are the chances of 1,100 people making similar interpretations of the assessment manuals?

The recommendation: "**Consistency is the key to successful real property assessment. Property assessment should be removed as a township function and assigned to the county. Counties should then have the ability to coordinate with other counties to have property assessment occur on a regional basis.**"

Only 148 of Indiana's 1,008 townships have a population in excess of 8,000, which requires the election of an assessing official. For the remaining 860 townships, the township trustee serves as the assessor. In many cases, particularly in rural areas, these trustees hold full-time jobs outside of their township duties. The level of professionalism in the assessment function is nearly certain to suffer.

The state annually appropriates more than $25 million for expenses related to the township assessing function – assessing new construction and renovations. This does not account for expenses related to reassessment, with the most recent effort costing taxpayers hundreds of millions of dollars.

The current assessing structure includes a number of supervisory levels in many township offices. Consolidating assessment at the county level would eliminate redundancies and allow for a more efficient operation. In the evaluation of one metropolitan county, the following savings would be realized by the centralization of services:

- **Payroll –** $493,529 in savings
- **Benefits/insurance –** $71,666
- **Training –** $8,500
- **Supplies –** $1,880
- **Other services and supplies (including rent and utilities) –** $30,737
- **Total –** $606,312 (a 36.5% reduction). A second evaluation of a metropolitan county budget resulted in a 35.5% reduction in the property assessment costs

Statewide costs savings were estimated by considering property assessment appropriations for 42 (19 urban and 23 mixed urban-rural) counties. The estimated savings total $11.6 million. (The inclusion of rural counties, which in most cases have considerably different property-assessing structures, would increase the statewide estimate to $13.1 million annually).

Incorporated Areas Within Townships

The recommendation: "**Where a municipality completely envelops the full geographic area of a township, the township should be dissolved and the municipality and/or county should assume the remaining functions of the subsumed township.**"

This report already calls for transfer of the property assessment and poor relief functions from the township level to the county. The remaining township responsibility is fire protection, primarily in unincorporated areas. Municipal fire departments typically serve incorporated areas.

Fully-incorporated Townships

North Township, Lake County
Anderson Township, Madison County
Union Township, Tippecanoe County
Harrison Township, Vigo County

Outside of Marion County, 128 townships are more than two-thirds incorporated. General fund appropriations, which totaled $13.9 million, would decrease considerably if property assessment and poor relief functions were shifted, and most, if not all, fire protection responsibilities fell to municipalities.

Of the 20 states with townships, only Indiana does not have a provision for the dissolution of fully incorporated townships.

County Government Organization

The 1999 COMPETE report found that Indiana has the highest number of separately elected county officials in the entire country.

The Indiana Constitution (enacted in 1851) calls for election of a county clerk, auditor, treasurer, recorder, sheriff, coroner and surveyor. In addition, the Indiana Code requires an elected county assessor. The prosecutor is the ninth elected county official. Their duties are:
- **Auditor –** fiscal officer
- **Treasurer –** collects, keeps and disburses public funds
- **Clerk –** files, records and maintains order relating to civil, juvenile and criminal matters
- **Recorder –** produces authentic record of legal documents, including deeds, mortgages, leases and articles of incorporation
- **Assessor –** assesses real and personal property and works with township assessors
- **Sheriff –** chief law enforcement officer
- **Prosecutor –** prosecutes criminal actions
- **Coroner –** investigates violent deaths or ones with unusual circumstances
- **Surveyor –** manages land measurement and drainage functions

Counties also elect a Board of Commissioners (serving as the county executive) and County Council (legislative body in most counties). The large number of elected officials, however, often prevents either of these groups from effectively directing government functions.

Are nine elected officials truly necessary today? Recommendations related to county government organization include:

- "**Technological and communication advancements today allow for combining of recorder, clerk, treasurer and auditor functions.**" This study calls for creation of a Department of Finance and Administrative Services. Three divisions within this department would include:

  Property management – combining assessing and property tax administration duties of the assessor and auditor with some property recordkeeping functions of the recorder.

  Fiscal management – combining financial responsibilities of the auditor and treasurer. Technological advancements and auditing standards allow these functions to be performed within the same office.

  Administration – a new division designed to improve both internal and external efficiencies. Addition of a public information officer and coordination of a technological network will provide more effective service to the public.

  The consolidation of the auditor, assessor, recorder and treasurer into one department is estimated to result in $11.8 million to $32 million in savings in addition to those associated with centralizing property assessment ($11.6 million to $13.1 million). The public information function described above carries an estimated cost of $9.3 to $17.9 million. Overall, the Department of Finance and Administrative Service yields potential annual savings of $14.1 million to $45.1 million.

- "**The office of county surveyor should be eliminated.**" Originally responsible for constructing and maintaining county roads and highways, the primary duty for surveyors today is drainage. Such duties can easily be absorbed by another agency within county government.

  The proposed Department of Highways and Infrastructure primarily combines the current highway department and the surveyor's drainage duties. Cost savings are estimated at $12.2 million to $17.4 million annually.

- "**Counties should be permitted to implement the form of government that best serves their needs.**" The singular approach of 1851 cannot be applied across the board today. The challenges of Lake County are far different than Ohio County. The same goes for Allen County and Spencer County.

  The three-member board of commissioners is the most common form of county government. Alternatives include a council-elected executive (a single elected official, similar to a mayor, with executive authority) or a council-manager (a professional manager as chief executive hired by the elected board).

Multi-county Jails

One county, one jail. It's a tradition carried out in Indiana with just two exceptions (no jail in Ohio County and a privately operated jail in Marion County in addition to the county facility). But it doesn't have to be that way. Crime doesn't stop at county lines. Neither should incarceration of criminals or efficient operation of jail facilities.

In 2002, $119 million was appropriated for county jail and debt associated with such facilities. The recommendation: "**Counties should be permitted and encouraged to share in the capital and operating costs of a multi-county correctional facility. By allowing counties to build, operate and maintain a multi-county correctional facility, counties may explore innovative ways of lessening the burgeoning costs correctional facilities place on county budgets.**"

Utilizing 2003 information on total expenditures, personnel expenses, number of jailers and prison counts, it was determined that the statewide average number of prisoners per jailer was 7/1. Many urban and mixed urban-rural counties reach average staffing levels on their own. In the 50 rural counties, however, a number of combinations could produce personnel, operational and capital expense savings, as well as increased efficiency.

For example:
- In LaGrange and Steuben counties, the current prisoner to jailer ratio is 3.37/1. A single facility serving both would result in a potential reduction of 26 jailers, personnel savings of $650,000 and a more acceptable 6.73/1 ratio of prisoners to jailers
- In Pike, Spencer and Warrick counties, the average number of prisoners a day is 106, with 30 jailers in the three counties. A single facility results in $375,000 in personnel savings and a change in the prisoner to jailer ratio from 3.53/1 to 7.07/1

Seven possible prison combinations, including 17 counties, were calculated with an estimated $1.8 million in personnel savings. Projecting those numbers across 50 rural counties brings the estimate to $5.4 million each year in personnel services alone ($10.5 million if all counties are included). Operational and capital expenses are not part of the calculation and would undoubtedly produce significant additional savings.

Joint Purchasing

Bulk purchasing has been a proven business practice for many years. Governments have utilized the procedure to some extent, but there is substantial room for improvement. Joint purchasing in the areas of insurance, equipment, facilities, supplies and vehicles could lead to significant savings. In addition to reduced item costs, lower administration expenses are likely by reducing research and bid writing processes.

The recommendation: "**In executing police and fire safety functions, both police and fire administrators should engage in joint purchasing with other police and fire units in the area.**"

The original COMPETE study took the potential savings a step further by encouraging collaboration with the Indiana Department of Administration to develop a Quantity Purchase Award (QPA) program. The Department of Administration currently operates a QPA program for state agencies. A vendor, guaranteed sales for a particular time frame, can often provide the goods or supplies at a reduced rate.

In one example, 19 police vehicles purchased for $733,000 could have been obtained for $422,000 under the state's QPA program. The QPA price was not the lowest in all examples studied, but it gives local governments another option in the effort to provide cost effective services.

The recommendation: "**Because adequate fire and police protection requires a substantial investment in equipment, local firefighters and police officials representing all types of jurisdictions shall collaborate with the appropriate agencies, including the Indiana Department of Administration, to develop standards for the creation of a Quantity Purchase Award program for fire and police protection and emergency services equipment.**"

A sample of six purchases yielded 18% savings if QPA had been used. Applying this percentage to statewide equipment and vehicle purchases equals $7.64 million in savings. A more conservative estimate of 10% average savings would still yield $4.24 million in savings.

City/Town Government Operations

Similar to county government, changes in duties and operating procedures call for revisions to the current structure. These areas include:

- "**Local units of government should be encouraged to institute the use of administrators and/or managers to streamline administrative and clerical functions.**" This would allow executives to focus on government policy
- "**City and town clerk-treasurers should be an appointment of the executive and not an elected office.**" Mayors of second-class cities appoint a controller to manage finances; executive of third-class cities and towns should be able to do the same
- "**In a second-class city with no court, city clerk functions are primarily limited to recordkeeping and clerical duties. An elected official is not required. These duties should be reassigned to other departments**"

Estimated cost savings with the final recommendation are $557,276 per year. Greater benefits include streamlining city government and creating more coordination within and between offices.

Fire Protection Districts

Two of the three primary functions of townships – poor relief and property tax assessment – overlap with other levels of government. The third area of township responsibility is fire protection.

The quality of fire services is of paramount importance. Specialized – and expensive – equipment is required to maintain proper protection. The equipment costs drive up the fire protection tax rate, particularly for smaller cities, towns and townships.

Two options – fire protection districts and territories – are in place to create larger fire protection areas and potentially reduce costs. These can be consolidations of township and municipal fire departments, or combinations of multiple townships. Indiana has 54 districts and territories in place in 24 counties. Twelve of the counties account for 42 of the existing fire protection districts.

Encouragement of additional fire protections districts and territories within Indiana – while maintaining superior quality of service – could be achieved through establishment of fire coverage standards. The recommendation: "**To promote savings in the provision of fire services, the state fire marshall shall establish standards for acceptable fire coverage (e.g. standard response time). Local fire departments shall create fire service territories to meet the state fire marshall's standards for coverage.**"

Although difficult to quantify due to the unique geographic circumstances in each county, cost savings would be substantial due to the extremely expensive equipment costs.

Moving Forward

The Indiana Project for Efficient Local Government reaffirms several important concepts:

- Indiana's local government structure, established in 1851, needs to be updated. Diversity within the state requires the ability to formulate, approve and implement local solutions
- Duplication of services and unproductive operations harm productivity and unnecessarily increase property tax rates
- Poor relief services are a model of inefficiency with approximately 90 cents appropriated to deliver $1 of assistance
- Centralizing property assessment, establishing multi-county correctional facilities and reorganizing county offices and duties will also improve effectiveness and produce costs savings
- Additional recommendations carry harder to quantify savings, but deliver a significant impact in helping residents receive the best, most efficient services for their money

Indiana citizens deserve no less.

Full report available at www.indianachamber.com
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