

AT THE STATEHOUSE: 2006 GENERAL ASSEMBLY

Committee members leave to protest speedy vote

By JASON MICHAEL WHITE
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Vote or get out, a chairman told his committee's Democratic members.

So they did. But not because of political grandstanding, they said.

House Ways and Means Committee members who walked out of a meeting Thursday said they had legitimate concerns about the lack of financial information to go

with a property tax proposal.

The bill is touted by House Republicans as a substantial relief to property taxpayers, but no information is available about how much, if any, it would save property taxpayers, except for a one-time property tax credit this year only.

Democrats wanted to delay voting until Tuesday so they could learn more about the bill's impact on property taxpayers. This would not have delayed the bill making it to the full floor for a vote, said John Schorg, a spokes-

man for the House Democrats.

"I don't understand the necessity of voting on this today," Rep. Bill Crawford said at the meeting. "I want a fiscal analysis."

Chairman Jeff Espich turned his chair toward Crawford and the Democrats.

"I too would like to know the exact cost," he said, "but the (Legislative Services Agency) does not do a fiscal analysis on a proposed amendment. Property tax is a top issue, and we're under a time crunch to get this legislation passed."

But a Democrat asked, how would the bill benefit property owners if it is passed? And what is the cost for the state to pick up child welfare?

"The LSA does not do a fiscal analysis on a proposed amendment," Espich said again. "It's not their policy."

Rep. Dennis Avery countered. "Do we set their policies, or do they? They work for us, don't they?"

One by one, Democrats abstained from voting on Espich's addi-

tions to the bill, which sparked a response from the chairman.

"I'm disappointed. You are violating the rules," Espich said. "I don't want you to leave, but frankly, it would make this a little simpler. We wouldn't have a list of Democratic amendments to sit here and go through."

He told committee members he would allow them to abstain, but only for that amendment, and never again.

"You have to vote or you have to leave," he said.

Crawford was the first to take Espich up on his offer. He walked out instead of voting on another amendment to the bill.

"I am being asked to vote with a lack of knowledge or to leave," he said.

So he left. Democrats followed his lead when it came time to pass the bill in its entirety, saying they did not want to vote on a piece of legislation without knowing what financial impact it would have on cities, counties, towns and taxpayers.

Up in smoke



Lt. Gov. Becky Skillman, right, introduces Indiana Gov. Mitch Daniels before he delivers the State of the State address Wednesday. During the speech, Daniels proposed increasing the tax on cigarettes by 25 cents per pack.

Cigarette tax proposal already facing rocky road

AT A GLANCE

What's smokin'?: Gov. Mitch Daniels proposed cigarette tax increase of 25 cents per pack. He says it would reduce smoking, but many lawmakers are balking at it.

The details: Plan would increase per-pack tax from 55.5 cents to 80.5 cents. Administration estimates it would raise between \$115 million to \$150 million in new revenue.

Its prospects: They seem slim, especially in the closely divided House in an election year.

By MIKE SMITH
THE ASSOCIATED PRESS

INDIANAPOLIS

Gov. Mitch Daniels promoted his proposed cigarette tax increase as a way to reduce smoking and said Thursday it could pass even in an election year, but many lawmakers are casting serious doubts on its chances.

Daniels asked the General Assembly during his State of the State speech Wednesday to raise the tax by 25 cents per pack. Lawmakers raised it from 15.5 cents per pack to 55.5 cents in 2002 to help shore up the state's finances.

The governor said in his speech that Indiana was one of the most unhealthy states,

and reducing smoking, especially among youth, was the biggest step to improve wellness. He reiterated the stand Thursday.

"This is a health matter. It's not about money or taxation," the Republican governor said. "There are a lot of things we can do to try to do to persuade young people, in particular, to not take up cigarette smoking."

House Speaker Brian Bosma, R-Indianapolis, and Senate President Pro Tem Robert Garton, R-Columbus, did not dismiss the proposal but stopped short of endorsing it. Several lawmakers, however, said its chances of passing were slim.

Republican Rep. Jeff Espich of Uniondale added that election-year politics would make a tax increase difficult to pass.

Schools fear bill would make growing harder

By JASON MICHAEL WHITE
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Local educators fear a proposed state law would make it more difficult to build new schools for their growing enrollments.

House Bill 1001 would require any public building project costing more than \$10 million to be put to a referendum, meaning voters would decide whether to approve the project.

The state House Ways and Means Committee Thursday voted 17 to 7 in favor of making the referendum process a part of the bill, which now goes to the full House for a vote.

Supporters say the bill will help limit the millions of property tax dollars that are needlessly spent on building projects in Indiana and make local govern-

ments and school districts more accountable to taxpayers.

But opponents say safeguards already are in place to give taxpayers a voice in whether building projects are approved and putting a \$10 million limit on the bill could adversely affect school building projects.

Locally, Clark-Pleasant is filling up schools faster than they can be built, with plans for a \$20 million school in 2007 and another in 2008.

Center Grove is building an \$18 million elementary school and plans to expand the high school before considering another new elementary school.

Franklin is building one of the most expensive high schools in the state, with a project cost of \$103 million. The Franklin school district is planning to spend another \$33 million to turn the

current high school into a middle school.

A building project is a local issue that costs local property tax dollars, not state money, said J.T. Coopman, Clark-Pleasant superintendent. He is against the proposed changes to how building projects are approved.

A petition process currently in place lets taxpayers support or defeat plans for public building projects. Coopman and Center Grove Superintendent Candace Milhon-Baer question why that process needs to change.

"My first question is, why do we need a referendum?" Coopman said. "We have a process in place. Anyone in a local school district can support or not support a building project, so why change that? It has proven to work."

Coopman is an active member of the Coalition of Growing and

Suburban Schools, which is lobbying against the bill.

Central Indiana communities such as Center Grove, Clark-Pleasant, Franklin, Greenfield and Franklin Township in Marion County are growing communities that need new building projects to support rising student enrollments, Coopman said. Having their plans defeated in a referendum would be detrimental.

Many legislators who voted in favor of the legislation want to raise the \$10 million mark because they think it is too low.

Rep. Troy Woodruff, R-Vincennes, author of the building project amendment, plans to propose an adjustment to the \$10 million mark that would be different for each school district, depending on its size.

He will present that adjustment to the full House.

• Taxing

(CONTINUED FROM PAGE ONE)

On Thursday, Espich pushed forward his changes to House Bill 1001, despite passive opposition from House Ways and Means Committee members who wanted information about the financial impact of the bill.

Questions include: How will property taxes be affected by local 3 percent caps? What would happen to local governments' budgets? Where would the state get \$150 million to apply a proposed one-time tax credit to Indiana homeowners? How much, if anything, would property owners save if the state picked up the cost of child welfare from counties? And how can the state afford to pick up that cost?

Nearly half the committee abstained from voting without information about how the bill's amendments would affect property owners and local governments. Now the bill goes to the full House for a vote.

The bill proposes a one-time tax break for homeowners statewide. The state would factor the tax credit into property tax bills due in May and November this year only.

The problem is the proposed tax credit is temporary, meaning nothing will stop tax bills from going up again in 2007.

Tax bills could go up this year, too, even with the proposed 12 percent credit, which is why the average savings for a homeowner is only estimated at 7 percent. Different homeowners will be affected in different ways because the tax credit does not apply to every part of every property tax bill.

One of Espich's amendments calls for a 3 percent cap on the amount of residential property taxes a municipality or school is allowed to collect. But the cap does not apply to debt services funds, which is the fund used to pay for major building projects.

For example, the Franklin school district's debt service tax rate nearly doubled this year because of a \$103 million high school project.

State law already limits the amount of yearly property tax increases that counties, cities and towns are allowed to impose. Most municipalities cannot raise tax rates by more than a few cents a year for their general funds, which act as checking accounts to fund salaries and daily expenses for local governments.

The bill would hurt cities and towns, said Andrea Johnson, a spokeswoman with the Indiana Association of Cities and Towns. The association is an influential lobbying group for municipalities in Indiana.

Capping property tax dollars could mean fewer police officers and crumbling roads unless local governments get alternative sources of revenue, she said.

For instance, Franklin is in a budget crunch and cannot afford to hire new firefighters and police officers or build a new fire station. The city has a fixed amount of property tax dollars it can collect.

HOUSE BILL 1001

Tax credit

A 12 percent tax credit would apply to homeowners' property tax bills, the same way a homestead credit works.

It would not apply to certain items affecting a property tax bill, such as debt-service rates and rates caused by a municipality getting state permission to exceed the limit of property taxes it can collect. This means some property tax bills would go up. Others would go down.

An average property tax bill would decrease 7 percent on tax bills due this year in May and November. The credit would not apply in 2007.

Freezing

The state next year plans to freeze the amount of property taxes that a county collects for child welfare services. Any growth in child welfare funding will then be paid for by the state. Applying the credit will cost the state about \$150 million.

Cap

The state would put a 3 percent cap on how much a municipality can collect in additional property taxes from year to year. The state would not cap debt service funds or school general funds.

The limit would apply to taxes collected from residential properties only and would not make much difference for most property tax bills across the state, according to the representative who proposed it.

On the ballot

Public building projects costing more than \$10 million would be put on a referendum for voters to approve or deny, if the lesser of 5 percent of property taxpayers or 500 property owners petition against the project.

What is a property tax rate?

The state sets the limit for how much property tax money a school or local government can collect.

As more businesses and homes move into a municipality, its value goes up. The higher a city's assessed valuation, the lower the property tax rate, because the cost is spread across more taxpayers.

If the state wants to lower property taxes, that's fine, Franklin Mayor Brenda Jones-Matthews and Greenwood Mayor Charles Henderson said. But legislators need to give local governments new options to raise money in place of property tax increases, they said.

Gov. Mitch Daniels is pushing legislators to give local governments more funding options, and several proposals are on the table.

Henderson is one of 13 mayors who worked with the association of cities and towns on new methods of funding local governments. The association's plan would give local governments the option to impose sales, income, hotel or food-and-beverage taxes.

Part of the revenue from new taxes would go toward property tax relief. Any yearly growth in a county, city or town's budget would be funded by new tax revenue completely instead of property tax increases.

Special taxes are more fair than property taxes because people are paying directly for what they use, Henderson said. This gives residents more control over how much tax they pay. For example, people who do not want to pay a food-and-beverage tax do not have to eat out as much.

Property taxes are unfair because they don't reflect an individual's income or ability to pay, Henderson said. However, property taxes are a stable source of revenue less subject to economic downturns that can affect sales or income tax monies.

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