
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

TO: All Political Subdivisions
FROM: Courtney L. Schaafsma, Commissioner
RE: Budget Streamlining
DATE: March 30, 2016

On March 24, 2016, Governor Pence signed into law Senate Enrolled Act 321-2016 (“SEA 321-2016”), which introduces significant legislative changes concerning the budgeting process for local units of government. This memorandum addresses these changes. **Please note that many of these changes will take place in future years. The effective start date for each change is identified below to allow for quick reference.** Over the next couple of years, the Department of Local Government Finance (“Department”) will issue additional guidance and conduct training sessions to ensure that local government officials have the information they need to accommodate these legislative changes. Please also note that this memorandum is intended to be an informative bulletin; it is not a substitute for reading the law.

Ratio Studies – Starts in 2017

SEA 321-2016 amends IC 6-1.1-14-12 so that starting in 2017, each county must submit its ratio study and coefficient of dispersion study to the Department by March 1.

Cumulative Fund Establishment – Starts in 2018

SEA 321-2016 amends IC 6-1.1-17-16.7 so that beginning in 2018, a petition for the establishment or re-establishment of a cumulative fund must be submitted to the Department before May 1 (rather than before August 2). **The Department emphasizes that this means a unit seeking to establish or re-establish a cumulative fund must complete the process from start to finish after January 1 and submit the petition to the Department before May 1 starting in 2018.** As is the case under current law, the remonstrance period can extend past the April 30 submission deadline and the auditor’s certificate of no remonstrance can likewise be submitted after April 30.

Debt Service Estimate Reporting – Starts in 2018

SEA 321-2016 adds IC 6-1.1-17-0.7 so that before May 1 of each year after 2017, political subdivisions must report to the Department an estimate of the total debt service obligations that will be due in the last six months of the current budget year and throughout the ensuing budget year. The estimate will be important for defining estimated maximum property tax rates for debt service funds.

Local Option Income Tax Distribution Amounts – Starts in 2018

SEA 321-2016 amends IC 6-3.6-9-5 so that beginning in 2018, the State Budget Agency (“SBA”) must provide to the Department and the county auditor of each adopting county an estimate of the certified local income tax distribution before June 1. The Department must calculate the amount that will be distributed at the taxing district level and provide that total to county auditors by July 1. For 2016 and 2017, SBA must provide the figures by August 1, and the Department must provide its figures not later than 15 days after receipt from SBA.

Assessed Value Growth Quotient and Maximum Rates – Starts in 2016

SEA 321-2016 modifies IC 6-1.1-18.5-2 to require SBA to provide the Assessed Value Growth Quotient (“AVGQ”) to civil taxing units, school corporations, and the Department before July 1. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Maximum Rate Estimates – Starts in 2018

Indiana Code 6-1.1-17-0.7 also provides that before July 15 of each year after 2017, the Department must furnish an estimate of the maximum property tax rate that may be imposed for cumulative funds, debt service funds, and any other funds for which a maximum property tax rate is established by law.

Maximum Rate for Cumulative Capital Development Funds – Starts in 2016

SEA 321-2016 amends IC 6-1.1-18.5-9.8 so that before July 15, the Department must provide to each county, city, and town an estimate of the maximum cumulative capital development fund (“CCD”) tax rate that the county, city, or town may impose for the ensuing year. Moreover, the statute has been amended so that the CCD fund levy is outside a unit’s maximum levy. SEA 321-2016 removed from IC 6-1.1-18.5-9.8 the previous comparison of existing cumulative fund levies to the unit’s 1984 cumulative levies as a determining factor in the amount of the CCD levy that would be treated as outside the maximum levy.

Maximum Levy Estimates – Starts in 2016

SEA 321-2016 introduces IC 6-1.1-18.5-24, which requires the Department to provide to each taxing unit before July 15 an estimate of its maximum permissible property tax levy for the ensuing year. The Department’s estimates must, as necessary, provide guidance on calculating allowable adjustments to the maximum levy. The Department’s estimate is not binding for the purposes of budget adoption by a taxing unit. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Circuit Breaker Estimates and Reporting Responsibilities – Starts in 2016

SEA 321-2016 adds IC 6-1.1-20.6-11.1, which requires the Department to provide before August 1 to each taxing unit that levies property taxes an estimate of the amount by which the unit’s distribution of property taxes will be reduced in the upcoming budget year due to circuit breakers.

Indiana Code 6-1.1-20.6-11.1 permits the Department to require taxing units to provide information on proposed debt issuance, excess levy appeals, and fund establishments that may impact the ensuing year’s tax levies and tax rates. The Department will prescribe a format and

submission methodology for the information, along with a deadline that may be set no later than June 30 of each year. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Net Revenue Estimates – Starts in 2016

Indiana Code 6-1.1-17-0.7 also provides that before August 1 of each year after 2017, the Department must provide to each political subdivision an estimate of the maximum net property tax and miscellaneous revenues that the political subdivision will receive after application of any circuit breaker credits granted under IC 6-1.1-20.6. **While this change statutorily starts in 2018, in order to accomplish other objectives of SEA 321-2016, the Department anticipates providing these estimates starting in 2016 for the 2016 pay 2017 budgets.**

Notice of Assessed Value Withholding – Starts in 2016

SEA 321-2016 amends IC 6-1.1-17-0.5 so that county auditors must provide notice of their assessed value withholding to the Department and each political subdivision in the county not later than July 31 (rather than December 31). **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Auditor’s Certificate and Certified Net Assessed Values Submission – Starts in 2016

SEA 321-2016 amends IC 6-1.1-17-1 to remove the requirement that county auditors send a certificate of net assessed values to each political subdivision. Auditors must, however, submit certified net assessed valuation (“CNAV”) data to the Department by August 1 in the manner prescribed by the Department. The Department must make certified assessed values visible to political subdivisions through Gateway. **This change is effective July 1, 2016, and thus impacts reporting in 2016.**

SEA 321-2016 also amends IC 6-1.1-17-1 to remove the requirement that county auditors provide estimates of revenue to each political subdivision (commonly referred to as the “Auditor’s Certificate”). Instead, the Department will provide this information to each political subdivision (see above). **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Parcel-Level Data on Certified Net Assessed Values – Starts in 2018

Beginning in calendar year 2018, the CNAV data submitted by county auditors must be parcel-level data. Parcel-level CNAV data is expected to improve the accuracy of net revenue estimates produced by the Department.

Budget Formulation – Starts in 2016

SEA 321-2016 amends IC 6-1.1-17-3 to state that, when formulating estimated budgets, political subdivisions must consider the **net** property tax revenue that will be collected in reliance on the Department’s estimates of circuit breaker impact and maximum net tax and miscellaneous revenues for the unit. This change is intended to ensure that budget figures that are advertised and adopted provide taxpayers with a better picture of what the actual budgets for the unit will be after considering circuit breaker impact. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Budget Notices – Starts in 2016

Indiana Code 6-1.1-17-3, as amended by SEA 321-2016, provides that a unit’s Budget Notice to Taxpayers (“Form 3”) must include the estimated maximum levy and estimated circuit breaker impact as provided to the unit by the Department. Moreover, the Form 3 is no longer required to be posted to Gateway by September 13. Rather, Form 3 must be submitted through Gateway at least 10 days before the unit’s public hearing (an amended Form 3 must likewise be posted at least 10 days before the hearing). **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.** References to newspaper budget notices have been deleted.

Non-Binding Review (County Fiscal Body Recommendations) – Starts in 2016

SEA 321-2016 repeals IC 6-1.1-17-3.5 and thus eliminates the current county council review process. SEA 321-2016 adds IC 6-1.1-17-3.6 to establish a new process for county fiscal body reviews and non-binding recommendations.

Specifically, at the county fiscal body’s first meeting in August, the county fiscal body will review estimated levy limits and estimated circuit breaker impacts provided by the Department to the political subdivisions in the county. The county fiscal body may request that representatives from the taxing units attend the meeting, and must allow those who do attend to comment on their proposed budgets, levies, and rates for the ensuing year. Finally, the county fiscal body may issue a written recommendation for taxing units in the county. If the county fiscal body does not issue a recommendation, the auditor must distribute a copy of the minutes from the meeting to the county’s taxing units once the minutes are approved. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Pilot Program for More Thorough Non-Binding Review – Starts in 2016

SEA 321-2016 repeals IC 6-1.1-17-3.7, thereby eliminating the “pilot program” for more thorough nonbinding review of proposed budgets, levies, and rates.

Budget Review Procedures – Starts in 2016

SEA 321-2016 amends the Department’s budget review procedures under IC 6-1.1-17-16. For non-debt and non-cumulative funds:

- **If the unit’s adopted levy exceeds the estimated maximum levy as provided by the Department:** The Department will conduct its traditional full review of the unit’s budget and levies.
- **If the unit’s adopted levy is less than the estimated maximum levy as provided by the Department:**
 - If the budget is fundable based on the adopted levy and estimated revenues, the Department will conduct a shortened review, focusing on the certification of levies and tax rates. The adopted budgets will be accepted as the unit’s official budgets for the budget year.
 - If the budget is not fundable based on the adopted levy and estimated revenues, the Department will conduct its traditional full review of the unit’s budget and levies.

Because political subdivisions are required to consider the estimated maximum levy and circuit breaker impacts, the Department anticipates that this change to statute will result in a quicker budget review for many taxing units.

The Department will certify a budget for all funds not subject to levy limits, including debt service and cumulative funds. The Department must certify the tax rates and tax levies for all funds of political subdivisions subject to the Department's review. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Budget Order Deadline – Starts in 2018

SEA 321-2016 amends IC 6-1.1-17-16 so that beginning for budget year 2019, the Department must certify budgets for all political subdivisions by December 31, unless a taxing unit in a county issues debt after December 1 or intends to file a shortfall appeal under IC 6-1.1-18.5-16. In that situation, the Department must certify budgets for the taxing units in the county by January 15 of the budget year.

County Maximum Levy Exemptions – Starts in 2016

SEA 321-2016 modifies IC 6-1.1-18.5-10 to require the Department to provide before July 15 an estimate of the maximum amount of property taxes imposed for community mental health centers or community intellectual disability and other developmental disabilities centers that are exempt from levy limits for the ensuing year. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Intellectual Disabilities Center Funding – Starts in 2016

SEA 321-2016 amends IC 12-29-1-1, IC 12-29-1-2, and IC 12-29-1-3 so that beginning with the 2017 budget year, the maximum allowable appropriation for community intellectual disability and other developmental disabilities centers that is eligible to be exempt from the county's maximum levy limits is equal to the previous year's appropriations multiplied by the AVGQ.

The Department will provide to counties an estimate of the maximum allowable appropriation that is eligible to be exempt from the county's maximum levy limits under these statutes before July 15.

Community Mental Health Center Funding – Starts in 2016

Similarly, SEA 321-2016 amends IC 12-29-2-2 so that beginning with the 2017 budget year, the maximum amount of county funding for community mental health center operations that is eligible to be exempt from the county's maximum levy limits is equal to the prior year's maximum amount multiplied by the AVGQ. The maximum amounts benchmark back to a base amount determined in 2004, growing each year by AVGQ.

Juror Fees – Starts in 2016

SEA 321-2016 repeals IC 6-1.1-18.5-10.1, which had excluded juror fees from a unit's maximum levy. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Bank Personal Property – Starts in 2016

SEA 321-2016 amends IC 6-1.1-18.5-19.1 so that for the 2017 budget year, the Department must make a one-time, permanent adjustment to a unit's maximum levy limits in an amount equal to the excluded bank personal property levy for budget year 2016. **This change is effective July 1, 2016, and thus impacts budget adoption in 2016 for Pay 2017.**

Release of Excess Assessed Value from Tax Increment Financing District – Starts in 2016

SEA 321 amends IC 36-7-14-39, IC 36-7-14-48, IC 36-7-14-52, IC 36-7-15.1-26, IC 36-7-15.1-35, IC 36-7-15.1-53, and IC 36-7-15.1-62 so that redevelopment commissions must report to the Department before June 15, rather than before July 1, the amount of excess Tax Increment Financing ("TIF") assessed value that will be released to taxing units in the taxing district. **This change is effective upon passage, and thus impacts budget adoption in 2016 for Pay 2017.**

Contact Information

Questions may be directed to Deputy Commissioner Matthew Parkinson at (317) 232-3759 or MParkinson@dlgf.in.gov.