


Indiana
Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

Budget 2019 Review / Budget 2020 Preview

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Agenda

1. 2019 Budget Certification Recap
2. State Examiner Directive 2018-2: MVH Funds
3. 2020 Budget Calendar Overview
4. New Legislation

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2019 Budget Certification Recap

SEA 321 – 2016 changed the Department's due dates for Budget Certification.

Budget Year	Certification Date
Budget Year 2017	February 15 th , 2018
Budget Year 2018	February 15 th , 2018
Budget Year 2019 ¹ (Current Year)	December 31, 2018 or January 15 th , 2019

Note 1: If one unit in a county were to close on debt or file a shortfall appeal in December, the entire county will have a budget certification date of January 15th.

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2019 Budget Certification Recap

Key Metrics for 2019 Budget Certification

Date	Milestone
November 8 th	First 59 units received a 1782
November 19 th	298 units received a 1782
November 20 th	1 st County received Budget Order
December 31 st	73 Counties had Budget Orders
January 10 th	92 nd County received Budget Order

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2019 Budget Certification Recap

Keys to Success for 2019

1. Year long focus on encouraging units to consider taking action earlier
2. Year long focus on the Budget Calendar
 - Year long focus on statutory due dates
3. DLGF software update that allowed us to begin processing adopted budgets earlier
4. Distribution of 1782s for individual units

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2019 Budget Certification Recap

Areas of Improvement for 2020

1. Increased emphasis on recommended “Budget Preseason Activities”
2. Proactive Preseason Outreach
3. Increased promotion of DLGF resources
4. Strategic Communication

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State Examiner Directive 2018-2: MVH Funds

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State Examiner Directive - MVH Funds

On December 20, 2018, the State Examiner issued Directive 2018-2 (“SED 2018-2”) regarding the accounting for distributions from the State Motor Vehicle Highway account and the statutory restriction that at least 50 percent be used on construction, reconstruction, or preservation of the local unit’s highway and streets.

The purpose SED 2018-2 is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in HEA 1002-2017 and HEA 1290-2018.

The sub-fund will be referred to throughout the Directive as “MVH Restricted” and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

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State Examiner Directive - MVH Funds

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

SBOA has provided definitions and examples of activities that would be considered during an audit as construction, reconstruction, or preservation and those that would be general unallocated costs or maintenance. These definitions were compiled by a committee chaired by LTAP and will be what we will use for determining compliance with the restrictions on the use of MVH distributions.

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State Examiner Directive - MVH Funds

Link to State Examiner Directives

<https://www.in.gov/sboa/4488.htm>

Link to SED 2018-2

https://www.in.gov/sboa/files/Directive%202018-2%20%2012_20_18%20.pdf


Link to Q&A for SED 2018-2

https://www.in.gov/sboa/files/QandA%20for%20Directive%202018-2%20%2012_20_18.pdf

Link to CRP Definitions and Examples

<https://www.in.gov/sboa/files/MVH%20CRP%20definitions%20ver%20V.pdf>

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State Examiner Directive - MVH Funds

Which funds will be I using for tracking expenditures for SBOA, and which funds will be using for budgeting for DLGF?

<u>SBOA Fund and Sub Fund</u>	<u>DLGF Funds</u>
<p>County Fund Fund 1176 MVH Fund 1173 MVH Restricted</p> <p>City and Town Fund Fund 201 MVH Fund 203 MVH Restricted</p> <p>Note: The new sub-fund should be in use as of January 1, 2019.</p>	<p>County Fund Fund 0702 Highway</p> <p>City Town Fund Fund 0708 MVH</p> <p>Note: No change to the funds certified by DLGF.</p>

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State Examiner Directive - MVH Funds

How will SED 2018 – 2 impact by 2019 Budget?

Question 1:
Should I have advertised and adopted a budget for my MVH Sub Fund for 2019?

Answer:
No.

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State Examiner Directive - MVH Funds

How will SED 2018 – 2 impact by 2019 Budget?

Question 2:

Will I need to do an additional appropriation before I begin spending out of the MVH Sub fund for 2019?

Answer:

No.

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State Examiner Directive - MVH Funds

How will SED 2018 – 2 impact by 2019 Budget?

Question 3:

Will I need to do an additional appropriation: **Reduction** to my MVH or Highway funds?

Answer:

No.

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State Examiner Directive - MVH Funds

How will SED 2018 – 2 impact by 2020 Budget?

Question 4:

Will I be advertising or adopting a budget for the MVH sub fund for 2020?

Answer:

No.

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State Examiner Directive - MVH Funds

How will SED 2018 – 2 impact by 2020 Budget?

Question 5:

Will I see any changes to my 2020 budget?

Answer:

Yes. During the 2020 budget certification process, the Department will need to know the sum of the all cash and expenditures from MVH and MVH restricted fund, but **the Department will continue to certify a budget for a single fund.**

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2020 Budget Calendar Overview

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2020 Budget Calendar Overview

Preliminary 2019 Budget Calendar

<https://www.in.gov/dlgf/files/pdf/190212%20-%20Van%20Dorp%20Memo%20-%202019%20-%202020%20Budget%20Calendar.pdf>

Annually the Department releases a Budget Calendar bulletin that lists some of the key events for all units during the year related to budgets.

The calendar is often amended after the legislative cycle ends.

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2020 Budget Calendar Overview

Date	Description
May 1	Last day for State Budget Agency to provide the amount of the supplemental Local Income Tax distribution to Department and qualifying counties. (IC 6-3.6-9-15)
May 15	Last day for the Department to provide unit level Supplemental LIT distribution reports qualifying counties. (IC 6-3.6-9-15) https://www.in.gov/dlgf/files/2019%20Supplemental%20LIT%20Calculation%20(2019-03-19).pdf
May 31	Last day for county auditor to distribute to each taxing unit the amount of the supplemental distribution that is allocated to the taxing unit under subdivision. (IC 6-3.6-9-15)

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LIT Supplemental Distribution

County qualification for the supplemental distribution is based on IC 6-3.6-9-15(a):

- (a) If the budget agency determines that the balance in a county trust account exceeds fifteen percent (15%) of the certified distributions to be made to the county in the **determination year**, the budget agency shall make a supplemental distribution to the county from the county's trust account. The budget agency shall use the **trust account balance** as of December 31 of the year that precedes the determination year by two (2) years...

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LIT Supplemental Distribution

Determination Year (“DY”):

- The most recent (calendar) year’s certified distribution.
- The “DY” for May 21, 2019 is 2019.

Trust Account Balance Year (“TAY”):

- For the purpose of the Supplemental Distribution, the TAY for 2017.

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LIT Supplemental Distribution

SBA Conceptual Calculation

Determination Year (“DY”) =
2019

Trust Account Year (“TAY”) =
2017

Is TAY > 15% of DY?

How much supplement will the
county receive?

Example County #1

DY = \$100

TAY = \$10

No.

**Supplemental Distribution =
\$0.00**

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LIT Supplemental Distribution

SBA Conceptual Calculation

Determination Year ("DY") =
2019

Trust Account Year ("TAY") =
2017

Is TAY > 15% of DY?

How much supplement will the
county receive?

Example County #2

DY = \$100

TAY = \$20

Yes.

**Supplemental Distribution =
\$5**

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LIT Supplemental Distribution

- SBA County Informational Reports:
<https://www.in.gov/sba/2588.htm>
- IC 6-3.6-9-15 bases the Supplemental Distribution eligibility on the trust account balance on **December 31**.
- IC 6-3.6-9-14 requires the Budget Agency to submit a report with the county trust account balance on **November 2**.

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LIT Supplemental Distribution

The DLGF will calculate the unit level breakdown for the supplemental distribution based on IC 6-3.6-9-15(d)(2)(A)&(B).

- (2) The department of local government finance shall determine for the county and each taxing unit within the county:
- (A) the amount and allocation of the supplemental distribution attributable to the taxes that were imposed as of December 31 of the trust account balance year, including any specific distributions for that year; and
 - (B) the amount of the allocation for each of the purposes set forth in this article, using the allocation percentages in effect in the trust account balance year.

The Department calculates the unit level breakdown for each recipient county based on the 2017 configuration, levies, and rates.

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LIT Supplemental Distribution

Is the Supplemental LIT required to be deposited in the Rainy Day Fund?

IC 6-3.5-1.1-21.1, 6-3.5-1.1-17.3, and 6-3.5-7-17.3 had wording similar to this: *“The civil taxing unit receiving the money shall deposit the money in the civil taxing unit's rainy day fund established under IC 36-1-8-5.1,”* which required the money to go to the rainy day fund. When those statutes were repealed, the new language in IC 6-3.6-9-15 does not require it go to Rainy Day, but IC 36-1-8-5.1(b)(2) indicates that this distribution *may* be a source of funding for the Rainy Day Fund.

SBOA’s audit position has been that they would recommend the supplemental distribution be deposited to the local unit’s General Fund or Rainy Day Fund unless otherwise directed.

If the distribution includes economic development and/or public safety portions, those amounts should be deposited into the LIT Economic Development (EDIT) and LIT Public Safety funds.

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LIT Supplemental Distribution

Will there be restrictions as to the use of the supplemental LIT distribution?

There are no specific restrictions to excess distributions under IC 6-3.6-9-15. Their use would only be restricted to the uses of the fund into which they are received.

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2020 Budget Calendar Overview

Date	Description
June	The Department will be hosting nine Gateway Budget Training Sessions throughout the State.
	Similar to the training sessions held last year, the training sessions will be a lecture style training.
	Budget Field Representatives and Gateway support staff will be available to answer questions specific to individual units both during and at the conclusion of the presentations.

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2020 Budget Calendar Overview

Each training session is scheduled to last three hours and will feature two presentations:

1. Introduction to DLGF and Budgeting 101

Key terms and terminology, examination of DLGF Resources, and overview of the Department's budget review and certification procedures.

2. Introduction to Gateway

Walkthrough of several Gateway Applications, Overview of Gateway user policies

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2020 Budget Calendar Overview

Below is a listing of the dates and locations for the Department's 2019 Gateway and Budget Training Sessions:

1. June 5, 2019: Steuben County Events Center (Steuben Co.)
2. June 6, 2019: Ivy Tech Marion (Grant County)
3. June 13, 2019: Ivy Tech Madison (Jefferson County)
4. June 14, 2019: Ivy Tech Batesville (Ripley County)
5. June 19, 2019: Zionsville Community Schools Ed. Center (Boone Co.)
6. June 20, 2019: Ivy Tech Evansville (Vanderburgh County)
7. June 21, 2019: Ivy Tech Bloomington (Monroe County)
8. June 25, 2019: Crown Point CSC Learning Center (Lake County)
9. June 26, 2019: Ivy Tech Monticello (White County)

Electronic registration is required:

https://docs.google.com/forms/d/e/1FAIpQLSeHlaFSUUzJr5Pb8ur6RJZxbat0OYKxJG_wbWpZdff8aUlg/viewform

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2020 Budget Calendar Overview

For more experienced users that are interested in a budget refresher. The 2018 Gateway Budget Training Video (61 minutes) and 2018 Gateway Budget Demo (38 minutes) are both available online.

Training Videos

<https://www.in.gov/dlcf/8945.htm>

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2020 Budget Calendar Overview

Date	Description
June 30	<p>Due date for county auditors to report annexations to the Department.</p> <p>In 2019, the County will be reporting annexations effective from January 2, 2018 and January 1, 2019.</p> <p>The annexation report submitted to the Department must show:</p> <ol style="list-style-type: none"> 1.) Both the annexing and annexed taxing districts 2.) A total NAV change of \$0.00 <p>The information is used to reconcile the County CNAV submission in DECAF and to identify new taxing districts within the county.</p> <p>2019 memo to be released before June 1.</p>

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2020 Budget Calendar Overview

The concept of the “precensus” year refers to the year the annexation is effective and not the year that the annexation is being reported.

IC 36-4-3-7(b)

Pub. of adopted ord.; effectiveness; fire protection districts

(b) An ordinance described in subsection (d) or adopted under section 3, 4, 5, or 5.1 of this chapter may not take effect during the year preceding a year in which a federal decennial census is conducted. **An ordinance that would otherwise take effect during the year preceding a year in which a federal decennial census is conducted takes effect January 1 of the year in which a federal decennial census is conducted.**

In 2020, as part of the 2021 budget cycle, the Department will release updated guidance on how annexations effective from January 2, 2019 to January 1, 2020 will be handled.

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2020 Budget Calendar Overview

Date	Description
June 30	Deadline for State Budget Agency (“SBA”) to provide Assessed Value Growth Quotient (“AVGQ”) to civil taxing units, school corporations, and Department. (IC 6-1.1-18.5-2(c))
July 15	Department provides each taxing unit an estimate of the maximum permissible property tax levy for the ensuing year and guidance on calculating allowable adjustments to the maximum levy. The report will be posted on Department website. (IC 6-1.1-18.5-24)
July 15	Department provides to all units an estimate of the maximum Cumulative Fund tax rate for the ensuing year. The report will be posted on Department website. (IC 6-1.1-18.5-9.8(b))

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2020 Budget Calendar Overview

Date	Description
July 15	Department provides to each county an estimate of the maximum allowable appropriation and maximum amount of property taxes that may be imposed for community mental health centers or community intellectual disability and other developmental disabilities centers that are exempt from property tax levy limits for the ensuing year. The report will be posted on Department website. (IC 12-29-1-3.5)
July 15	Department provides to each county, city, and town an estimate of several miscellaneous revenue sources, including FIT, CVET, MVH, and Local Road and Street.
July 31	Department provides to each taxing unit that levies a property tax an estimate of the amount by which property tax distributions will be reduced in the ensuing year due to circuit breaker credits . (IC 6-1.1-20.6-11.1)

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2020 Budget Calendar Overview

Date	Description
Oct. 11	Last day to post notice to taxpayers of proposed 2020 budgets and net tax levies and public hearing (Budget Form 3) to Gateway. (IC 6-1.1-17-3)
Oct. 21	Last possible day for taxing units to hold a public hearing on their 2020 budgets. Public hearing must be held at least ten days before budget is adopted. (IC 6-1.1-17-5) Note: This deadline is subject to scheduling of the public hearing.
Nov. 1	Deadline for all taxing units to adopt 2020 budgets, tax rates, and tax levies. (IC 6-1.1-17-5(a)) Note: This deadline is subject to scheduling of the public hearing.
Nov. 4	Last day for units to submit their 2020 budgets, tax rates, and tax levies to the Department through Gateway as prescribed by the Department.

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New Legislation

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New Legislation

During each legislative session, the Department tracks a number of bills that impact local government.

HEA 1427

SEA 127

HEA 1177

SEA 566

HEA 1021

SEA 603

HEA 1397

HEA 1343

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New Legislation

The Department's Legal division has begun the process of creating a series of memos covering the updates from the last legislative cycle. The new memos will replace all previous memos written, distributed, and published by the Department.

While the memo is no substitute for reading and understand all of the nuances of the new law, they will summarize the key points.

The memos will be released in June 2019.

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New Legislation HEA 1343-2019

- Under current law, a library is subject to binding adoption (i.e., is a "binding unit") if (1) its board is comprised of a majority of appointed members; and (2) its proposed budget increases by more than the AVGQ for the budget year.
- Beginning in July 1, 2019, HEA 1343 adds IC 6-1.1-17-20.4, a library board
 - (1) with a majority of its members being appointed;
 - (2) that does not increase its proposed budget by more than the AVGQ; and
 - (3) has cash on hand plus expected revenues over one hundred and fifty percent (150%) of the library's proposed budget;

may still be considered a binding unit if the fiscal body of the unit that created the library adopts a resolution to make the library a binding unit.

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New Legislation HEA 1427-2019

The additional appropriation (“AA”) process is used to appropriate money in excess of the Department’s certified appropriations for a unit for the current budget year. All units must submit all AAs for all funds to the Department.

Relevant Statute: IC 6-1.1-18

DLGF Memo:

<https://www.in.gov/dlgf/files/pdf/190228%20-%20Van%20Dorp%20Memo%20-%20Additional%20Appropriation%20and%20Transfer%20Procedures.pdf>

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New Legislation HEA 1427-2019

Currently, if fund submitted meet one of the 6 criteria below:

1. Funds with Property taxes levied under IC 6-1.1
2. Motor Vehicle Highway (“MVH”) Fund
3. Local Road and Street (“LRS”) Fund
4. Library Improvement Reserve Fund (“LIRF”)
5. School Education Fund
6. Rainy Day Fund

The Department shall determine whether sufficient funds are available during the calendar year for the proposal.

Funds not meeting the criteria above will be acknowledged in writing by the Department with reviewing available funds.

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New Legislation HEA 1427-2019

Effective **July 1, 2019**, under IC 6-1.1-18, if the fund meets the criteria below:

The budget, rate, or levy is certified by the Department finance under IC 6-1.1-17-16,

The Department shall determine whether sufficient funds are available during the calendar year for the proposal.

While all other funds must still be submitted to the Department, the Department is no longer required to acknowledge the submission of these funds.

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Questions?

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Contact the DLGF

Website: www.in.gov/dlgf
 "Contact Us": www.in.gov/dlgf/2338.htm
 Telephone: (317) 232-3777

Gateway Support: gateway@dlgf.in.gov

Additional Appropriation email:
AdditionalAppropriationRequests@dlgf.in.gov

Budget Field Representative Map:
http://www.in.gov/dlgf/files/Field_Rep_Map_-_Budget.pdf



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