



# Local Government Budget Streamlining

**Courtney L. Schaafsma, CGFM**

**Commissioner**

**April 2016**



# Senate Enrolled Act 321-2016

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- Cooperative effort between the General Assembly, local government officials and their associations, the Department and the Office of Management and Budget (OMB).
- Many months of work went into the preparation of SEA 321, which resulted in a bill that consistently had full support of the General Assembly.



# High-Level Process

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- Property Assessments
- Maximum Levy Calculations
- Circuit Breaker Calculations
- Miscellaneous Revenues
- County Council Review
- Budget Adoption Process
- Department Budget Review



# Property Assessments

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Ratio  
Studies

Personal  
Property  
Reporting

Roll Values to  
Auditor

Certified Net  
Assessed  
Values



# March 1 – Ratio Study Submissions

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- Starts in 2017 for Budget Year 2018.
- A county shall submit its annual ratio study to the Department no later than March 1. (IC 6-1.1-14-12)
  - Currently, there is no official deadline for ratio study submission, though the Department has requested submission by March 1.
- Earlier submission of ratio studies allows for other steps of the property taxation process to occur in a more timely manner.



# Property Assessments

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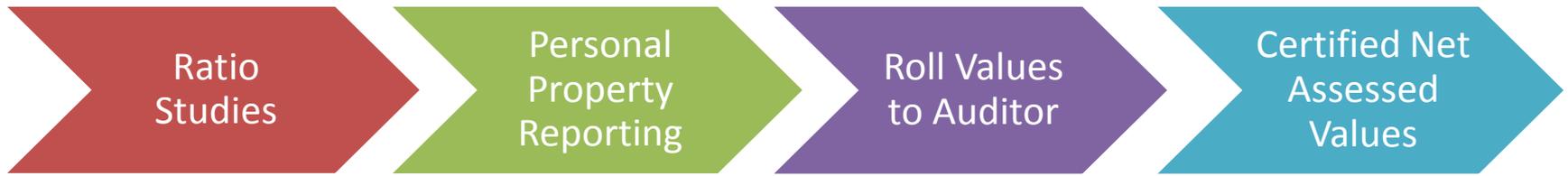


- 2017: March 1, 2016  
(Recommended)
- 2018: March 1, 2017
- 2019: March 1, 2018



# Property Assessments

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- 2017: March 1, 2016 (Recommended)
- 2018: March 1, 2017
- 2019: March 1, 2018
- 2017: May 15, 2016
- 2018: May 15, 2017
- 2019: May 15, 2018



# Property Assessments

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- 2017: March 1, 2016 (Recommended)
- 2018: March 1, 2017
- 2019: March 1, 2018

- 2017: May 15, 2016
- 2018: May 15, 2017
- 2019: May 15, 2018

- 2017: July 1, 2016
- 2018: June 1, 2017 (real)
- 2018: June 15, 2017 (personal)
- 2019: June 1, 2018 (real)
- 2019: June 15, 2018 (personal)



## August 1 – Certification of Net Assessed Values

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- Starts in 2016 for Budget Year 2017.
- On or before August 1, the county auditor shall submit a certified statement of assessed value to the Department in the manner prescribed by the Department. (IC 6-1.1-17-1)
  - This is the same deadline as currently exists.
- The Department shall make the certified net assessed values available on Gateway.



## August 1 – Certification of Net Assessed Values

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- Starts in 2018 for Budget Year 2019.
- The county auditor shall submit to the Department parcel-level data of certified net assessed values. (IC 6-1.1-17-1(f))
  - Currently this data requirement does not exist. The Department will work with the software vendors to develop this data submission.
- This data requirement is designed to improve the accuracy of the Department's circuit breaker analysis.



# Property Assessments

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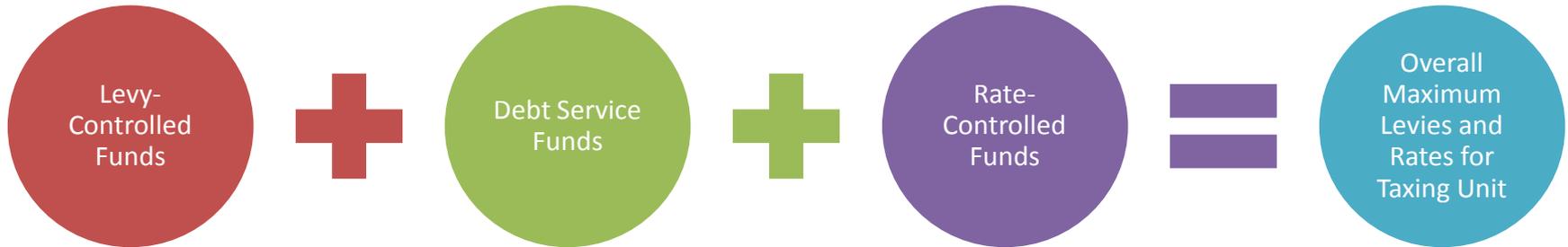


- 2017: March 1, 2016 (Recommended)
  - 2018: March 1, 2017
  - 2019: March 1, 2018
- 2017: May 15, 2016
  - 2018: May 15, 2017
  - 2019: May 15, 2018
- 2017: July 1, 2016
  - 2018: June 1, 2017 (real)
  - 2018: June 15, 2017 (personal)
  - 2019: June 1, 2018 (real)
  - 2019: June 15, 2018 (personal)
- 2017: August 1, 2016
  - 2018: August 1, 2017
  - 2019: August 1, 2018 (includes parcel-level data submission)



# Maximum Levy Calculations

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# June 30 – Data Reporting

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- Officially starts in 2017 for Budget Year 2018.
- The Department may require taxing units to provide information on proposed debt issuance, excess levy appeals, and cumulative fund establishments that would impact the ensuing year. (IC 6-1.1-20.6-11.1(c))
- The requested information shall be collected in a manner prescribed by the Department and by the deadline established by the Department, but not later than June 30.



## July 14 – Estimate of Maximum Levies

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- Starts in 2016 for Budget Year 2017.
- Before July 15, the Department shall provide to each taxing unit an estimate of the unit's maximum permissible property tax levies for the ensuing year. (IC 6-1.1-18.5-24)
- The Department's estimates shall provide guidance on calculating allowable levy adjustments.



# Maximum Levy Calculation

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## Budget Year 2016

Prior Year Maximum Levy

PLUS: Prior Year CAGIT PTRC

TIMES: AVGQ

LESS: Budget Year CAGIT PTRC

EQUALS: Budget Year Maximum Levy

PLUS: Levy Adjustments

PLUS: Financial Institutions Adjustment

EQUALS: Working Maximum Levy

## Budget Year 2017

Prior Year Maximum Levy

PLUS: Financial Institutions Adjustment  
(one-time adjustment)

TIMES: AVGQ

EQUALS: Budget Year Maximum Levy

PLUS: Levy Adjustments

EQUALS: Working Maximum Levy



# Uncouple Maximum Levies and LOITs

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- HEA 1485-2015 uncoupled the maximum levy calculation from local option income taxes.
- CAGIT PTRC is no longer a part of the maximum levy formula.
- This change allows the Department to compute maximum levies earlier in the year as CAGIT PTRC previously was not officially known until October.



## June 30 – Assessed Value Growth Quotient

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- Starts in 2017 for Budget Year 2018.
- The State Budget Agency shall provide the assessed value growth quotient (AVGQ) for the ensuing year before July 1.
  - Currently, no statutory deadline exists, though State Budget Agency typically provides this figure prior to the end of June.



## July 14 – Cumulative Fund Adjustment

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- Starts in 2016 for Budget Year 2017.
- The cumulative fund levy adjustment for counties, cities and towns has been modified to consider only the levy for the unit's cumulative capital development (CCD) fund.
  - (IC 6-1.1-18.5-9.8(a))
  - Previously, the levy adjustment required the comparison between the unit's CCD fund levy and the excess property taxes imposed by a unit in certain cumulative funds above what the unit imposed in 1984.



## July 14 – Cumulative Fund Adjustment

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- Starts in 2016 for Budget Year 2017.
- Before July 15, the Department shall provide to each county, city and town an estimate of the maximum permissible property tax rate for the ensuing year for their cumulative capital development fund. (IC 6-1.1-18.5-9.8(b))



## July 14 – Mental Health Levy Adjustment

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- Starts in 2016 for Budget Year 2017.
- Before July 15, the Department shall provide to each county an estimate of the maximum amount of property taxes imposed for community mental health centers that are exempt from levy limits for the ensuing year.  
(IC 6-1.1-18.5-10(d))



# Mental Health Levy Adjustment

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- Starts for Budget Year 2017.
- The maximum allowable levy adjustment is equal to the prior year's maximum allowable levy adjustment times AVGQ. (IC 12-29-2-2)
  - This formula is essentially the same as the calculation the Department has been performing.



# Mental Health Levy Adjustment

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- The statute was clarified to relate the calculation of the maximum allowable amounts back to the base year of 2004 without regard for what was actually levied in any given year.



## July 14 – Developmental Disabilities Levy Adjustment

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- Starts in 2016 for Budget Year 2017.
- Before July 15, the Department shall provide to each county an estimate of the maximum amount of property taxes imposed for developmental disabilities centers that are exempt from levy limits for the ensuing year.  
(IC 6-1.1-18.5-10(d) and IC 12-29-1-3.5)



# Developmental Disabilities Levy Adjustment

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- Starts for Budget Year 2017.
- The maximum allowable levy adjustment is equal to the prior year's maximum allowable levy adjustment times AVGQ. (IC 12-29-1-1)
  - Previously, the maximum allowable levy adjustment was based on the levy that could be generated by a \$0.0333 tax rate on the assessed value in the county.
- This change allows for the computation of this adjustment earlier in the process as it is no longer dependent on NAVs.



# Financial Institutions One-Time Levy Adjustment

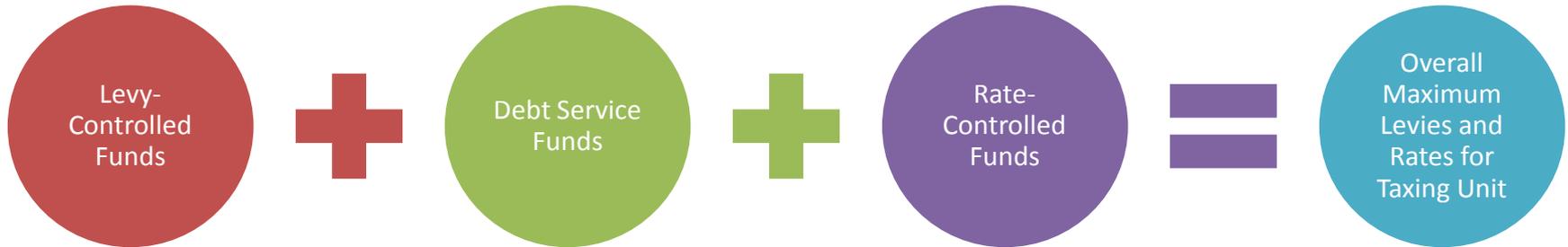
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- Occurs in 2016 for Budget Year 2017.
- For Budget Year 2017, the Department shall make a one-time permanent adjustment to the maximum levies in an amount equal to financial institutions tax adjustment for Budget Year 2016. (IC 6-1.1-18.5-19.1)
- Previously, the financial institutions tax adjustment was not known until the Department did its budget review.



# Maximum Levy Calculations

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By July 14, the Department provides an estimate of the maximum levy and applicable levy adjustments.



# April 30 – Debt Reporting

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- Start in 2018 for Budget Year 2019.
- The fiscal officer of a political subdivision shall provide the Department with an estimate of the total amount of the political subdivision's debt service obligations that will be due in the last half of the current year and in the next year.
- (IC 6-1.1-17-0.7(a))
  - Currently not required until budget forms are submitted in the fall.



# July 14 – Estimate of Debt Levies

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- Officially starts in 2018 for Budget Year 2019.
- Before July 15, the Department shall provide each political subdivision with an estimate of the property tax rates that would be imposed by the political subdivision in the budget year for debt service. (IC 6-1.1-17-0.7(b)(2))
  - Currently not provided in advance of budget review.
- Actual tax rates will be computed during budget review.



# Maximum Levy Calculations

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By July 14, the Department provides an estimate of the maximum levy and applicable levy adjustments.

By July 14, the Department provides an estimate of property tax levies needed for debt service funds.



## April 30 – Cumulative Fund Deadlines

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- Starts in 2018 for Budget Year 2019.
- Deadline for cumulative fund establishment or re-establishment moves to before May 1. (IC 6-1.1-17-16.7 and IC 6-1.1-41-4)
  - Currently, establishment requests must be submitted before August 2.



## July 14 – Estimate of Cumulative Fund Rates

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- Officially starts in 2018 for Budget Year 2019.
- Before July 15, the Department shall provide each political subdivision with an estimate of the property tax rate that could be imposed by the political subdivision in the budget year for each cumulative fund or fund for which a maximum tax rate is established. (IC 6-1.1-17-0.7(b)(1))
  - Currently not provided in advance of budget review.
- Actual tax rates will be computed during budget review.



# Maximum Levy Calculations

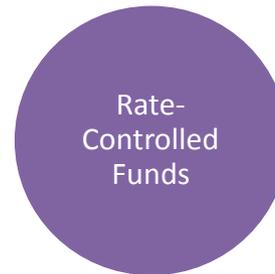
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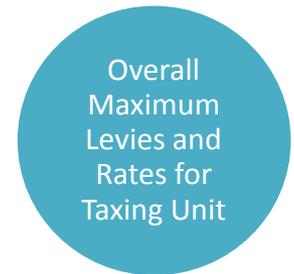
By July 14, the Department provides an estimate of the maximum levy and applicable levy adjustments.



By July 14, the Department provides an estimate of property tax levies needed for debt service funds.



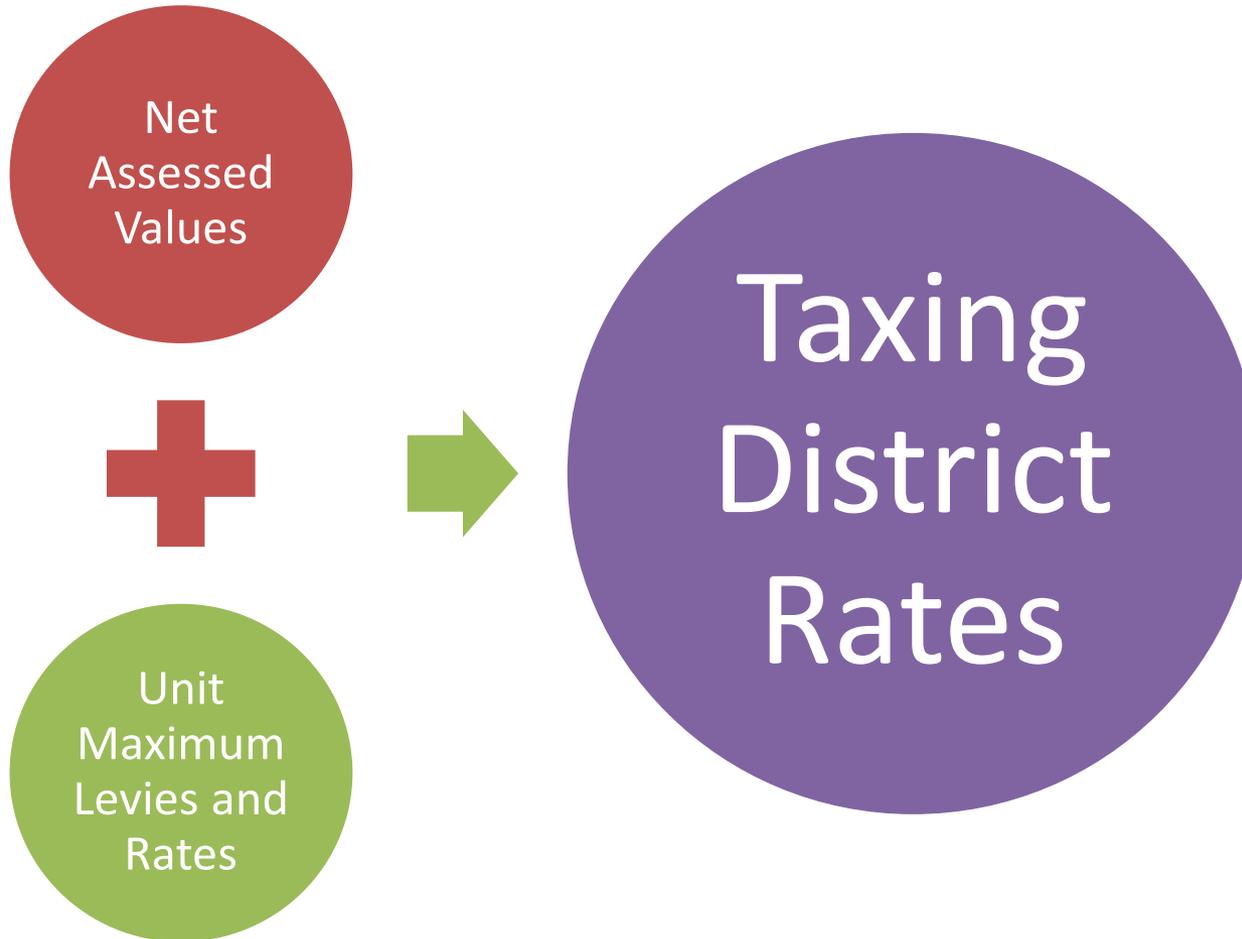
By July 14, the Department provides an estimate of maximum property tax rates for cumulative funds.





# Circuit Breaker Calculations

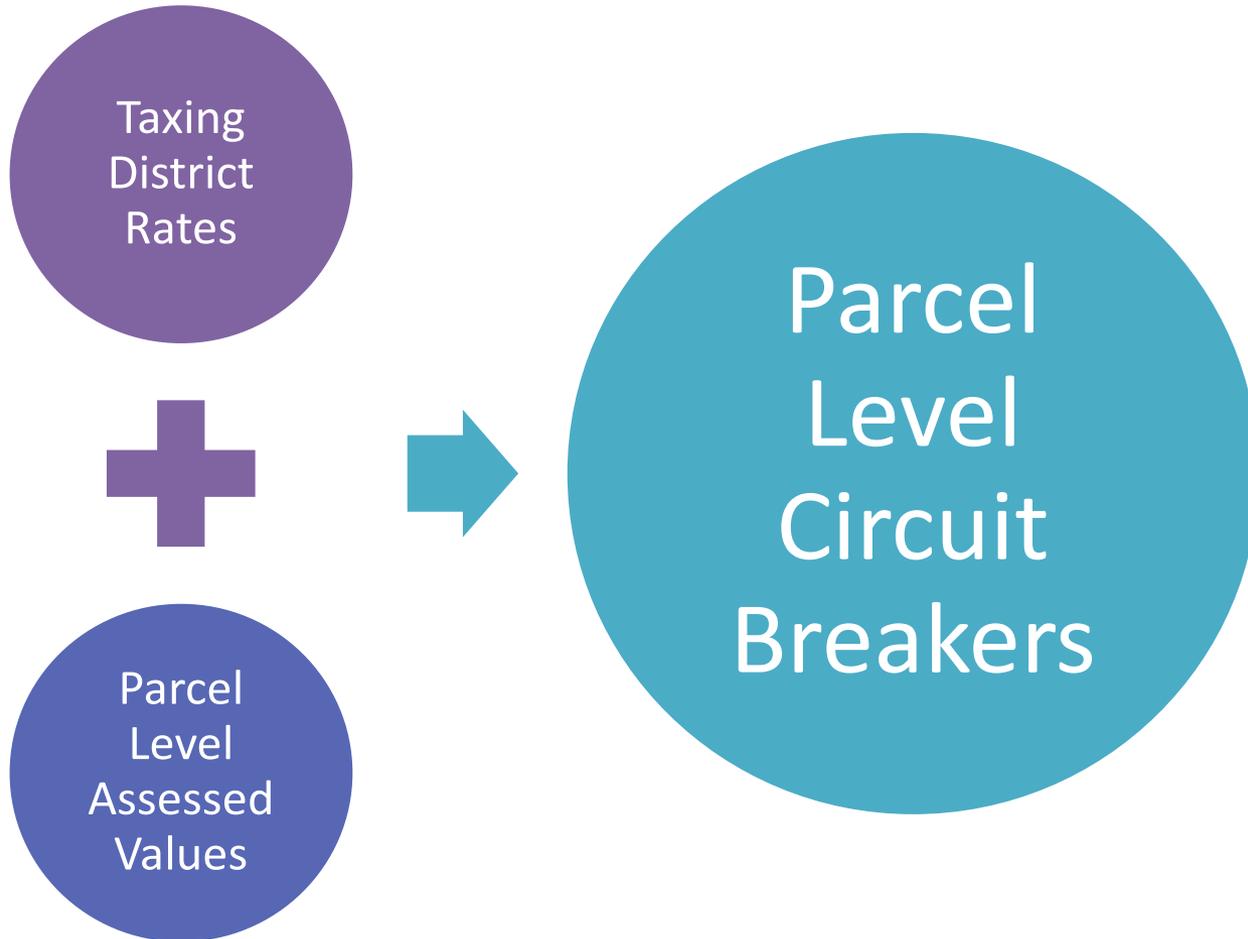
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# Circuit Breaker Calculations

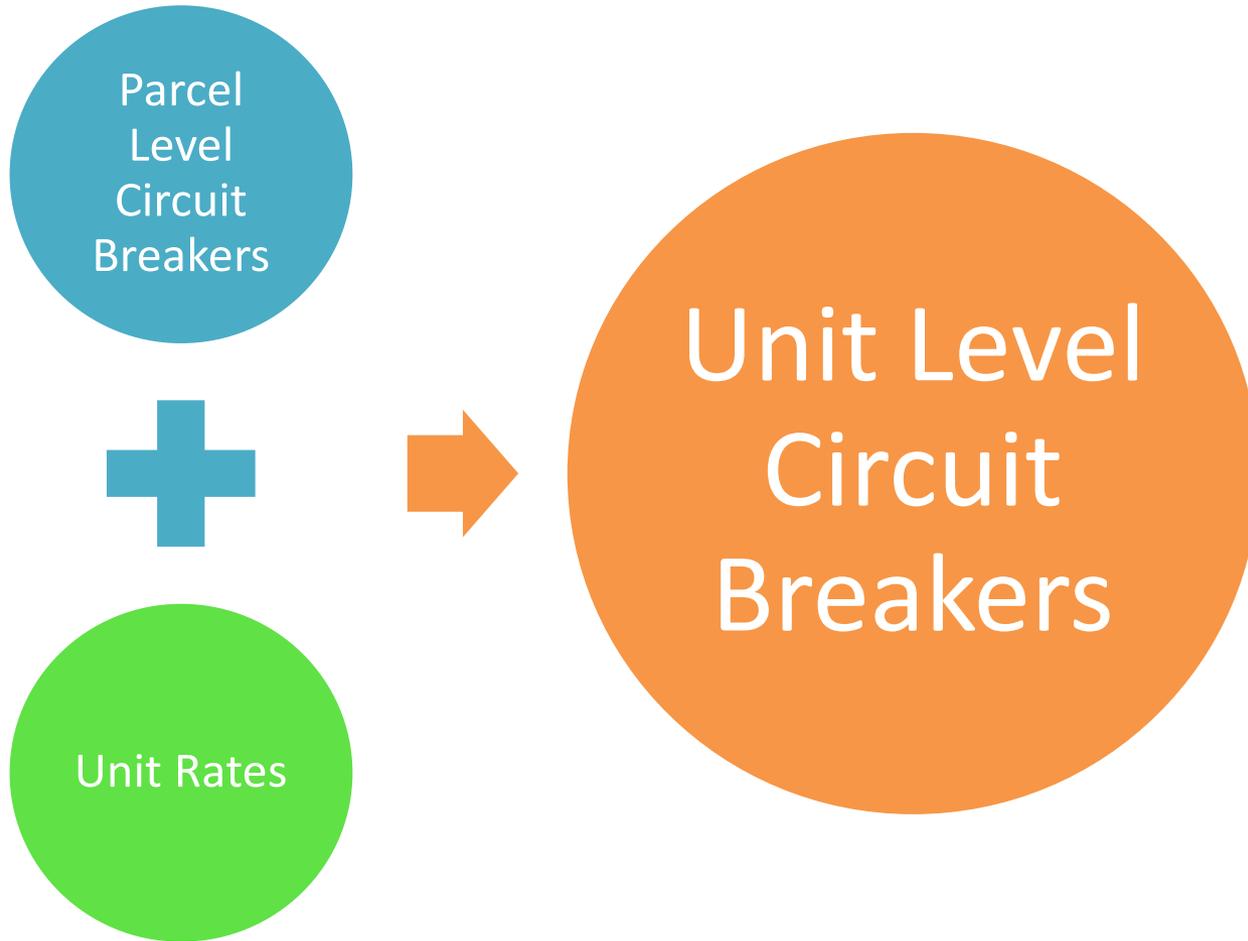
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# Circuit Breaker Calculations

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# July 31 – Circuit Breaker Estimates

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- Starts in 2016 for Budget Year 2017.
- Before August 1, the Department shall provide each taxing unit an estimate of the amount by which the taxing unit's property tax distribution will be reduced by circuit breaker credits in the ensuing year. (IC 6-1.1-20.6-11.1)
- The Department shall use the best available assessed value data and maximum levy estimates.



## July 31 – Estimate of Net Property Taxes

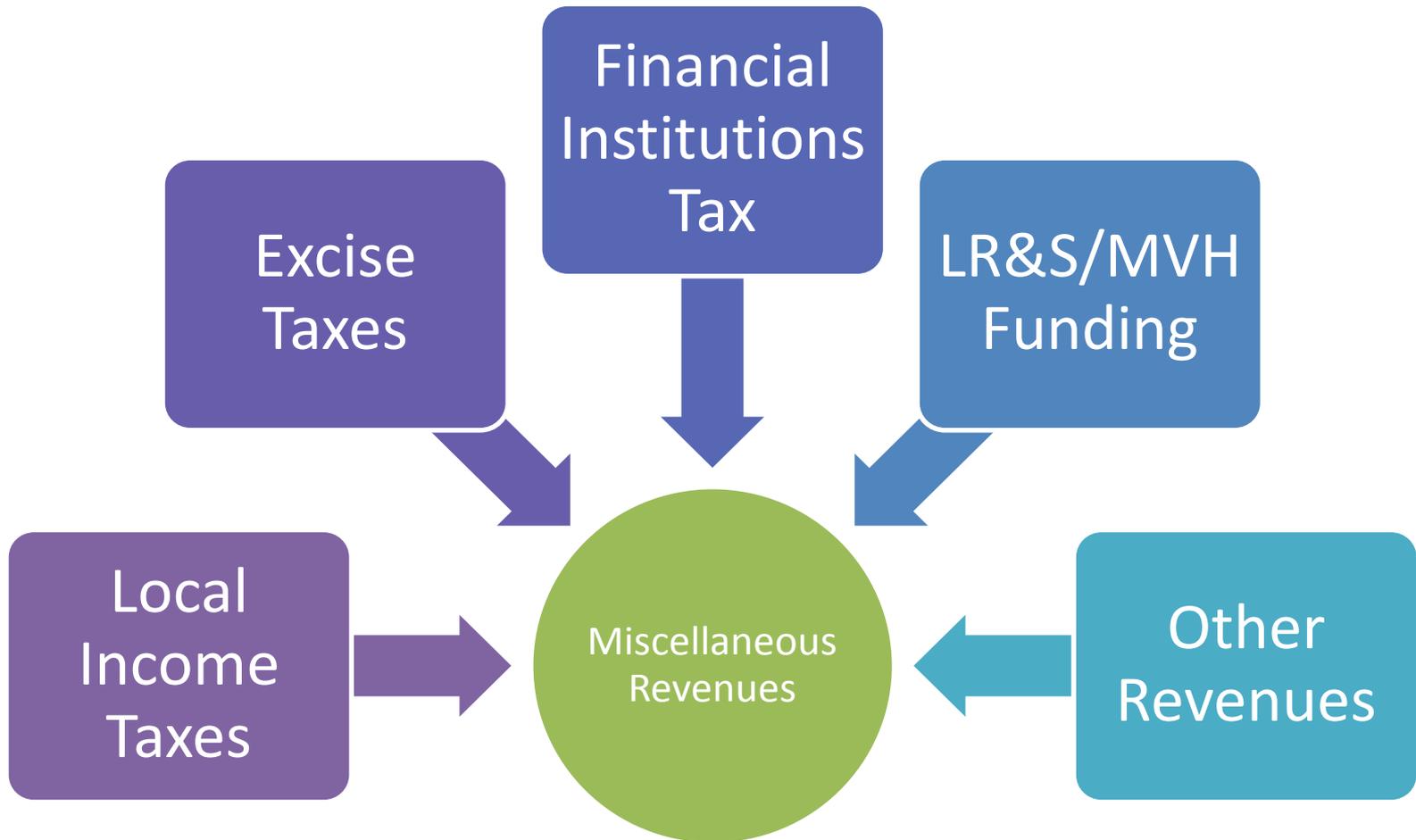
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- Starts in 2018 for Budget Year 2019.
- Before August 1, the Department shall provide to each political subdivision an estimate of the net property tax revenue that the political subdivision will receive in the ensuing year if the political subdivision imposed its rates and levies at their maximums. (IC 6-1.1-17-0.7(c))
- Net property tax revenue = post-circuit breaker revenue.



# Miscellaneous Revenues

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## July 31 – Estimate of Miscellaneous Revenues

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- Officially starts in 2018 for Budget Year 2019.
- Before August 1, the Department shall provide to each political subdivision an estimate of the miscellaneous revenue that the political subdivision will receive in the ensuing year if the political subdivision imposed its rates and levies at their maximums. (IC 6-1.1-17-0.7(c))



## July 31 – Estimate of Miscellaneous Revenues

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- Estimate of miscellaneous revenues will include at least the following revenue types:
  - Local income taxes (timeline changes)
  - Excise taxes – license excise and commercial vehicle excise (CVET)
  - Financial institutions tax
  - Local road & street
  - Motor vehicle highway
  - Cigarette tax
  - Riverboat



# August 1 – Auditor’s Certificate

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- Starts in 2016 for Budget Year 2017.
- SEA 321-2016 eliminated the requirement for the county auditor to provide to each taxing unit in the county an “Auditor’s Certificate”.
  - The Auditor’s Certificate provided taxing units with estimates of miscellaneous revenues.
  - These estimates will now be provided by the Department instead of the county auditor.



# County Council Review

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Unit  
Levies and  
Rates

Unit Level  
Circuit  
Breakers

County  
Council  
Review



# County Council Review

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- Starts in 2016 for Budget Year 2017.
- The previously existing version of County Council Review has been eliminated.
  - Includes elimination of penalties associated with failure to submit to the county council or failure of the county council to correctly complete the review process.



# County Council Review

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- Starts in 2016 for Budget Year 2017.
- At the first meeting of the county fiscal body in August, the county fiscal body shall review the estimated levy limits and estimated circuit breaker impacts provided by the Department. (IC 6-1.1-17-3.6(a))
- The county fiscal body may request that representatives from the taxing units in the county attend the meeting. (IC 6-1.1-17-3.6(b))



# County Council Review

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- The county fiscal body must allow a representative of a taxing unit to comment on the taxing unit's proposed budgets, levies and tax rates. (IC 6-1.1-17-3.6(c))
- After the meeting, the county fiscal body may prepare and distribute written recommendations to the county's taxing units. If written recommendations are not prepared, the minutes of the meeting shall be distributed by the county auditor. (IC 6-1.1-17-3.6(d))



# Budget Adoption Process

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Notice to  
Taxpayers

Public  
Hearing

Budget  
Adoption



# Notice to Taxpayers (Form 3)

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- Starts in 2016 for Budget Year 2017.
- At least 10 days before the public hearing, the political subdivision shall submit its Notice to Taxpayers on Gateway. (IC 6-1.1-17-3(a))
  - SEA 321-2016 eliminates the requirement that the Notice to Taxpayers be submitted before September 14.
- Local units will have more control over their budget adoption process due to elimination of arbitrary deadline.



# Notice to Taxpayers (Form 3)

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- The Notice to Taxpayers must include:
  - Estimated budget.
  - Estimated maximum permissible levy, as provided by the Department.
  - Current and proposed levies for each fund.
  - Estimated amount of circuit breaker impact, as provided by the Department.
  - Amount of excessive levy appeals to be requested.
  - Date, time, and place for public hearing.



# Notice to Taxpayers (Form 3)

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- Upon submission of the Notice to Taxpayers, the Notice is immediately made available on [BudgetNotices.in.gov](http://BudgetNotices.in.gov).
- Taxpayers can search for budget notices by address or by county.
- Email subscription is also available.



# November 1 – Budget Adoption

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- Starts in 2016 for Budget Year 2017.
- In formulating a political subdivision's estimated budget, the political subdivision must consider the net property tax revenue that will be collected during the ensuing year, after taking into account the Department's estimates of circuit breaker impacts. (IC 6-1.1-17-3(a))
  - Currently, most units adopt budgets without acknowledging the impact of circuit breakers.



# November 1 – Budget Adoption

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- Taxing units will start to adopt “net budgets” or “post-circuit breaker budgets”.
- The amount fundable by the net property tax levy and other miscellaneous revenues.
- In the long-term, the Department intends to redo its current Fund Report (Form 4B or 16-Line Statement) to account for this change.
- For Budget Year 2017, the Department will provide guidance to units on how to accomplish this.



# Department Budget Review

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Department  
Review of  
Budgets, Levies  
and Rates

1782 Notice  
Period

Certified  
Budget Order



# Department Budget Review

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- Starts in 2016 for Budget Year 2017.
- For debt service funds and rate-controlled funds (cumulative funds), the Department will complete a similar level of budget review as currently exists.
- For levy-controlled funds, the Department's level of review will be contingent on the budgets and levies adopted by the local governments.
- IC 6-1.1-17-16



# Department Budget Review

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- Three-prong test:
  - Adopted levies exceed estimated maximum levies.
    - Same level of budget review as currently exists (budgets, revenues, levies, rates).
  - Adopted levies are within estimated maximum levies, BUT budgets are not fundable.
    - Same level of budget review as currently exists.
  - Adopted levies are within estimated maximum levies AND budgets are fundable.
    - Shortened budget review (levies and rates).
    - Adopted budgets and revenues accepted.



# Department Budget Review

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Department  
Review of  
Budgets, Levies,  
and Rates

1782 Notice  
Period

Certified Budget  
Order

- Level of detail of review dependent on local unit adoptions.



# Department Budget Review

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Department  
Review of  
Budgets, Levies,  
and Rates

- Level of detail of review dependent on local unit adoptions.

1782 Notice  
Period

- 10 calendar days to review and respond to preliminary budget order.

Certified Budget  
Order



# Department Budget Review Deadline

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- Budget Year 2017 and 2018: February 15 of the budget year
- Starting for Budget Year 2019:
  - December 31 of the year prior to the budget year; or
  - January 15 of the budget year if a unit in the county is issuing debt in December or is filing a shortfall appeal in December
- Change in Department deadline makes it more important for local units to take ownership over their budget process.



# Department Budget Review

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Department  
Review of  
Budgets, Levies  
and Rates

- Level of detail of review dependent on local unit adoptions.

1782 Notice  
Period

- 10 calendar days to review and respond to preliminary budget order.

Certified Budget  
Order

- 2017: February 15
- 2018: February 15
- 2019: December 31 or January 15



# Considerations

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- Short-Term:
  - Reporting formats for required Department calculations and reports
  - Training on new process
  - How to implement new requirements within existing budget form framework
- Long-Term:
  - Modifications to budget forms to account for this new process



# Contact the Department

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- Courtney L. Schaafsma, Commissioner
  - Telephone: 317.234.5720
  - Email: [cschaafsma@dlgf.in.gov](mailto:cschaafsma@dlgf.in.gov)
- Website: [www.in.gov/dlgf](http://www.in.gov/dlgf)
  - “Contact Us”: [www.in.gov/dlgf/2338.htm](http://www.in.gov/dlgf/2338.htm)