STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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MEMORANDUM

TO: All Library Directors and Financial Officers

CC: County Auditors and County Councils

FROM: Cheryl A.W. Musgrave, Commissioner CWM

SUBJECT: Library Budgetary Matters and HEA 1001

DATE: May 1, 2008

1. The purpose of this memorandum is to provide an interpretation from the Department of Local Government Finance of House Enrolled Act (HEA) 1001 as it pertains to public libraries in Indiana; particularly, the capital projects fund (CPF) maximum levy calculation and budget review process.

2. Library CPF and Maximum Levy Limits.

a. HEA 1001, Section 176 amended IC 6-1.1-18.5-10.3, **effective on January 1, 2009**. The amendment, which will apply to property taxes first due and payable in 2009, applies the property tax levy limits imposed by Indiana Code section 6-1.1-18.5-3 to the property taxes imposed by a library board for a CPF under Indiana Code chapter 36-12-12. Formerly, the property tax levy limits did not apply to property taxes imposed for a CPF. However, beginning with property taxes first due and payable in 2009, for purposes of computing the maximum property tax levy limit imposed on a library board, the property tax levy will now include the CPF.

b. Therefore, as a result of the aforementioned changes to Indiana Code section 6-1.1-18.5-10.3, in order to calculate the maximum levy for the 2009 library budget, **the Department will add the library's 2008 certified levy for the CPF to the 2008 maximum property tax levy for the library. These 2008 certified levies -- added together -- will serve as the base by which the assessed value growth quotient will be applied to determine the library's maximum property tax levy for 2009**.

3. Proposed Property Tax Levy; Approval.

a. HEA 1001, Section 163 amended Indiana Code section 6-1.1-17-20, effective as of March 19, 2008. This amendment made changes that subjects appointed library boards to greater budgetary scrutiny. **Indiana Code section 6-1.1-17-20 applies to each governing body of a taxing unit that is *not* comprised of a majority of officials who are elected to serve on the governing body** (i.e., unelected board); ***and*** if the percentage increase in the **proposed budget** for the taxing unit for the following calendar year is more than the result of:

(1) **the assessed value growth quotient determined under Indiana Code section 6-1.1-18.5-2 for the following calendar year; minus**

(2) **one (1).**

b. **Indiana Code section 6-1.1-17-20(c)** applies to a taxing unit (**public libraries are still excluded**) and states that if the taxing unit's assessed valuation is entirely contained within a city or town; or the assessed valuation of a taxing unit is not entirely contained within a city or town but the taxing unit was originally established by the city or town, the governing body of that taxing unit must submit its proposed budget and property tax levy to the city or town fiscal body. The proposed budget and levy must be submitted at least fourteen (14) days before the city or town fiscal body is required to hold budget approval hearings.

c. However, in Indiana Code section 6-1.1-17-20(d), **the sentence that previously excluded public libraries from the provision was removed by HEA 1001**. Thus, for a **public library** and for taxing units that do not meet the criteria in section 20(c) above (e.g., assessed value is not entirely within a city or town; nor was the taxing unit originally established by a city or town), the governing body of the taxing unit (e.g., library board) must submit its proposed budget and property tax levy to the county fiscal body in the county where the taxing unit has the most assessed valuation. **The proposed budget and levy must be submitted at least fourteen (14) days before the county fiscal body is required to hold budget approval hearings**.

d. Indiana Code sections 6-1.1-17-20(e) and (g) were deleted by HEA 1001.

e. New Indiana Code section 6-1.1-17-20(e), which was formerly section (f), states that the fiscal body of the city, town, or county (whichever applies) must review each budget and proposed tax levy and adopt a final budget and tax levy for the taxing unit. The fiscal body may reduce or modify but not increase the proposed budget or tax levy. **This section applies to appointed library boards**.

4. New Restrictions on Unelected, or Appointed, Boards.

a. HEA 1001, Section 164 added a new section to the Indiana Code, IC 6-1.1-17-20.5, effective on July 1, 2008. **This new section applies to the governing body of a taxing unit unless a majority of the governing body is comprised of officials who are elected to serve on the governing body** (i.e., non-elected boards). **This new section of the Indiana Code applies to appointed library boards**.

b. Indiana Code section 6-1.1-17-20.5 does not apply to taxing units whose tax levies are subject to review and modification by a city-county council under IC 36-3-6-9 (e.g., airport authority operating under IC 8-22-3 (local airport authority)).

c. If:

(1) the assessed valuation of a taxing unit is entirely contained within a city or town; or

(2) the assessed valuation of a taxing unit is not entirely contained within a city or town but the taxing unit was originally established by the city or town;

-- **the governing body of the taxing unit may *not* issue bonds or enter into a lease payable in whole or in part from property taxes unless it obtains the approval of the city or town fiscal body.**

d. **For those mostly unelected governing bodies of taxing units that do not meet the aforementioned criteria** (e.g., assessed value is not entirely within a city or town; nor was the taxing unit originally established by a city or town), such bodies **may *not* issue bonds or enter into a lease payable in whole or in part from property taxes unless it obtains the approval of the county fiscal body** in the county where the taxing unit has the most net assessed valuation.

5. Review of Budgets of Appointed Boards Chapter Repealed.

HEA 1001, Section 815 repealed Indiana Code chapter 36-12-14, effective upon passage, March 19, 2008. This chapter pertained specifically to appointed library boards and review by the appropriate fiscal body. This chapter was repealed because the new Indiana Code section 6-1.1-17-20 now addresses what was covered in Indiana Code chapter 36-12-14 with regards to increases in the library's proposed budget.

6. If you have questions or comments about this memorandum or HEA 1001, please feel free to contact your budget field representative. If you do not know your budget field representative, please visit http://www.in.gov/dlgf/files/Budget_Field_Staff_Assignments_and_Numbers.pdf for that information, or contact Dan Jones, Assistant Budget Division Director, at (317) 232-3773.