



# School Finance 101

Department of Local Government Finance  
Brian Bailey, Commissioner

August 31, 2010



# DLGF Divisions

- Assessment
- Budget
- Communications
- Data Analysis
- Legal



# DLGF Responsibilities

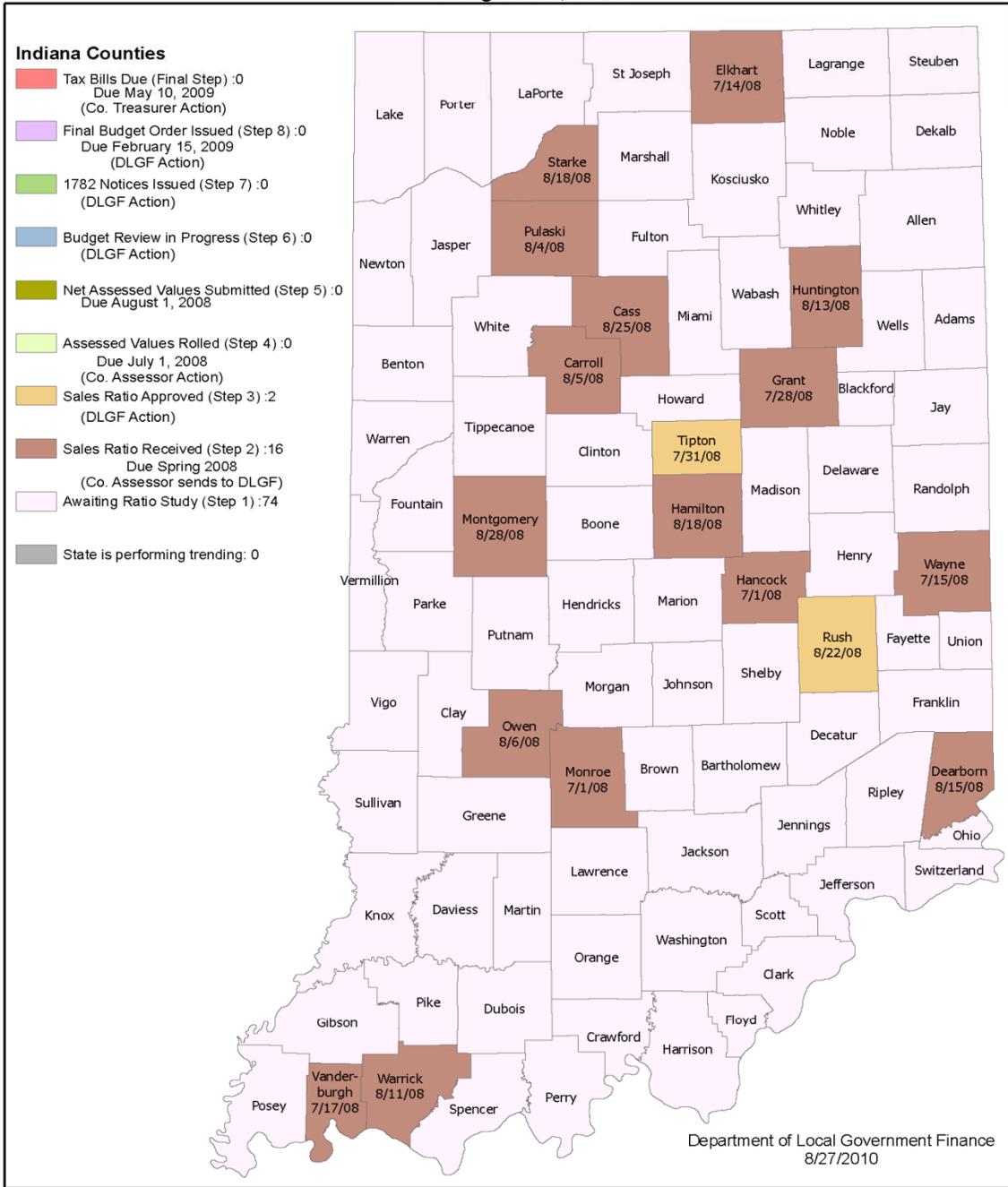
- Top Priority: On-Time Property Tax Bills – a joint effort with local county officials
- Ensures property tax assessment and local government budgeting follow Indiana law
- Publishes property tax assessment rules
- Annually reviews and approves budgets, tax rates and levies



# 2008 pay 2009 Budget Certification Status Map

As of August 30, 2008

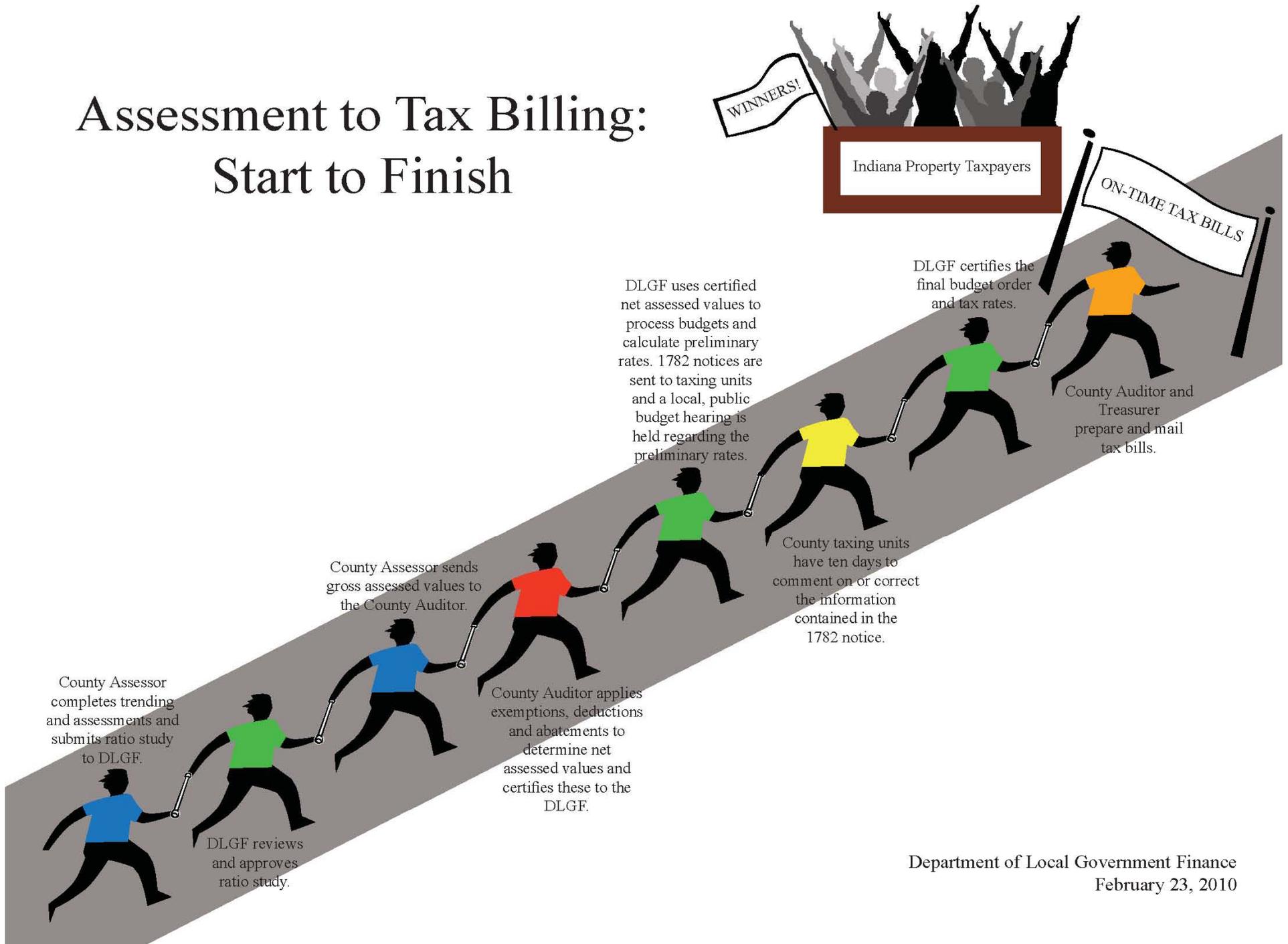
**Progress:**  
**2009 Billing**  
 As of  
**August 30, 2008**







# Assessment to Tax Billing: Start to Finish



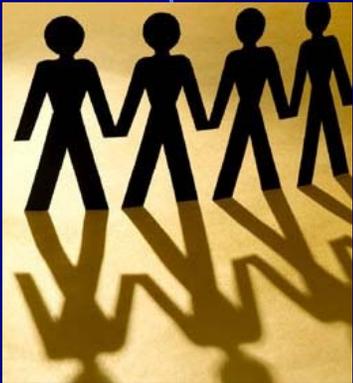


## Assessed Value/Tax Rate Relationship

- If spending stays the same....
  - When the assessed value of the district goes up, the tax rate will go down.
  - When the assessed value of the district goes down, the tax rate will go up.



# Example 1 – AV Goes Up



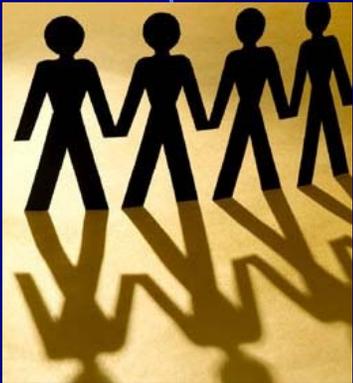
Each contributes  
25%



Each contributes  
20%



# Example 1 – AV Goes Down



Each contributes  
25%



Each contributes  
33.3%



# School Referenda

- School Operating Referendum
  - Seven (7) years
  - Money goes to “Referendum Fund” -- can be used for operating expenses
  - Allowances:
    - Cannot, in a calendar year, carry out its public educational duty
    - Imposed to replace property tax relief to taxpayers through application of the circuit breaker credit
- Construction (or Capital Project) Referendum
  - Number of years determined by bond
  - Money goes to “Debt Service”



# School Referenda: Three Keys

- The project description, tax rate, and estimated cost are three key components of a clear and accurate description:

"Shall ABC School Corporation enter into a lease to finance the renovation of and improvements to the ABC Junior-Senior High School building (the "Project"), which Project is estimated to cost not more than \$6,000,000 and is estimated to increase the property tax rate for debt service by a maximum of \$0.1632 per \$100 of assessed value?"



# School Referenda: A less clear question

- Less clear question:
  - "Shall XYZ Schools issue bonds or enter into a lease or leases to finance the tax neutral Maintaining Excellence project which includes the conversion of XYZ Junior High into an XYZ High School Freshman Center, building a new Junior High School and building a new elementary school all for the important purpose of maintaining reasonable class sizes at all grade levels and to alleviate the need for excessive use of portable classrooms, which is estimated to cost not more than \$62,000,000 and is estimated to increase the property tax rate for debt service by \$0.0870 per \$100 of assessed value, which will be offset by the XYZ Schools' repayment of current obligations such that there is not anticipated to be any increase in the debt service fund tax rate during the repayment of the proposed financing?"

### Referendum Impact Calculator

**Property taxes that are approved by voters in a referendum are not subject to the property tax caps. Therefore, any referendum may result in a property tax bill that exceeds the caps (1% of assessed value for homesteads (owner-occupied residence), 2% for other residential properties and farmland, and 3% for all other property).**

**To Calculate an Estimated Referendum Impact:** Select the unit of government imposing the referendum from the dropdown box at the top of the form. Enter an assessed value for the property. Next select any deductions that may apply to the parcel by either clicking on the checkboxes, or entering an amount in the 'Other Deductions' text box. Finally, click on the 'Estimate Referendum Impact' button for details.

The figures provided by this tool are estimates only and should not be taken as a statement of true tax liability. This analysis assumes that in a certain year, all properties increase or decrease by the same percentage. For example, assessments for all properties in the area increase by 1% from 2012 to 2013 (as opposed to one home's assessment increasing 1% and another's increasing 5%).

Select a county:

Allen ▼

Select a referendum:

East Allen Couty Schools ▼

Assessed Value - Land and Improvements:

\$100000

To look up your assessed value, click here: <http://www.in.gov/dlgf/4931.htm> and find the value labeled "Assessed Value Total Land and Improvements". This value will be highlighted in yellow.

Select a property type from the list below\*:

Homestead (Owner-occupied residence) ▼

Homestead Deduction  \$45000

Suppl. Hstd Deduction  \$19250

Mortgage Deduction

65 or Over Deduction

Disabled Veteran's Deduction

Other Deductions \$

Estimate Referendum Impact

Clear All

#### Estimated Referendum Impact

<b>Annual Tax Increase Due to Referendum</b>	<b>\$123 per year</b>
<b>Total Taxes to be Paid for Referendum in Future</b>	<b>\$861</b>
Gross Assessed Value You Entered	\$100,000
Length of Referendum (in years)	7
Taxing Districts Affected by Referendum**	039,040,041,042,043,045,046,047,050,051,052,053,054,055,056,061,062,070,077,082,097

If you would like to know more about how this money will be spent if approved, click here: <http://www.in.gov/dlgf/8083.htm> for construction-related projects and <http://www.in.gov/dlgf/8490.htm> for school tax levy (a.k.a. "operating" or "General Fund") referendum.

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# Possible Funds in School Budget

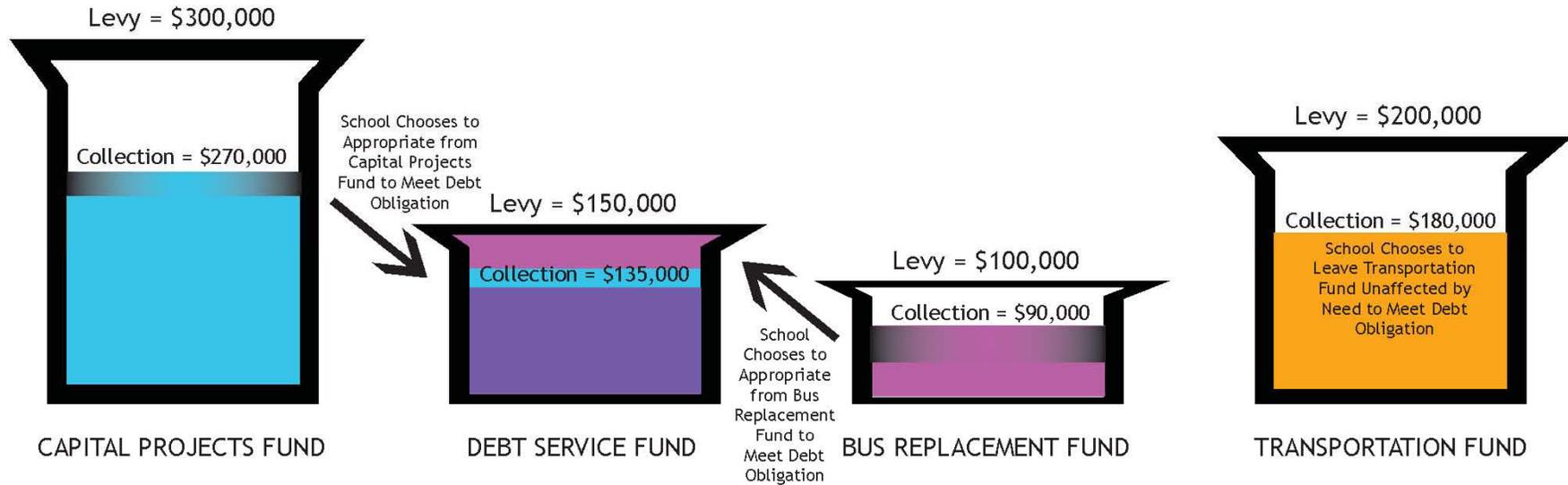
- General (Operating)
- Debt
- Pension Debt
- Capital Projects Fund
- Transportation Fund
- Bus Replacement
- Referendum Funds
  - Exempt Operating or Debt Exempt Capital
- Rainy Day



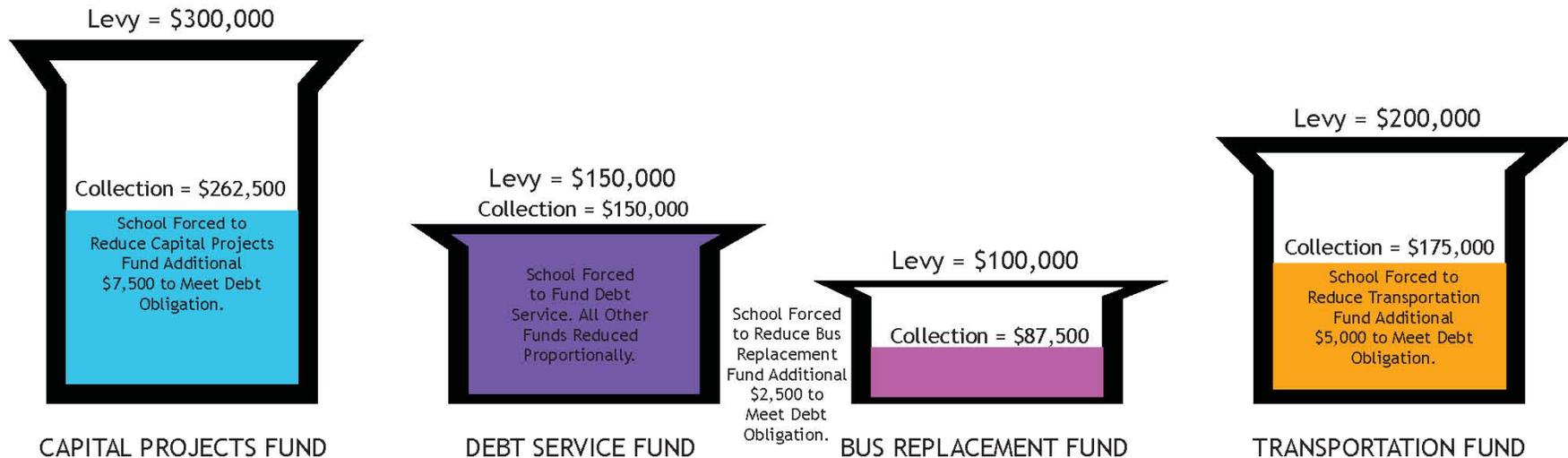
# Circuit Breaker

- Debt Fund
- Exempt Debt Fund
- Referendum Fund
- Referendum Debt Fund

## Debt Service Revenue Reduced by Circuit Breaker



## Debt Service Revenue Not Reduced by Circuit Breaker



\*This graphic not meant to authorize units to transfer funds to meet debt obligation. Debt obligations may be funded by approved appropriations from other funds. Although the School General Fund is not funded with property tax revenue, the school corporation may choose to appropriate revenue from this fund to meet its debt obligation.



# Helpful Questions

- How much money is in Rainy Day, and where does it come from? (transfers from what funds?)
- May I get a copy of the Form 9 Report? (Filed with DOE)
  - Shows transfers, cash balances, etc.



# Helpful Questions

- What capital projects are still considered open?
  - Do we still plan on spending this money or can we lower our appropriation?
- In our Debt Service Fund, are we taking out any levy for temporary loans, and if so, how realistic is that loan figure?



# Helpful Questions

- May I participate in budget development for the next budget year?
- What are all the sources of revenue to the school?



# Stay Updated

- Website for DLGF Memoranda and Presentations
  - <http://www.in.gov/dlgf/2444.htm>
- Join a listserv





# Contact The Department

- Brian Bailey, Commissioner
  - E-mail: [bbailey@dlgf.in.gov](mailto:bbailey@dlgf.in.gov)
  - Telephone: 317.232.3777
- Mary Jane Michalak, Chief of Staff
  - E-mail: [mmichalak@dlgf.in.gov](mailto:mmichalak@dlgf.in.gov)
  - Telephone: 317.232.3785
- Web site: [www.in.gov/dlgf](http://www.in.gov/dlgf)
  - “Contact Us”: [www.in.gov/dlgf/2338.htm](http://www.in.gov/dlgf/2338.htm)



# Contact The Department

- Karen Large, Budget Division Director
  - E-mail: [klarge@dlgf.in.gov](mailto:klarge@dlgf.in.gov)
  - Telephone: 317.234.3937
- Linda Lessaris, Budget Division Supervisor
  - E-mail: [llessaris@dlgf.in.gov](mailto:llessaris@dlgf.in.gov)
  - Telephone: 317.233.9239