

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** All Unit Officials  
**FROM:** Karen Large, Budget Division Director *KL*  
**RE:** Circuit Breaker and Debt Service  
**DATE:** April 6, 2010

Below is guidance from Interim Commissioner Brian Bailey in response to requests for clarification of the circuit breaker credit and its impact on debt service.

1. The term "Exempt from Circuit Breaker" does not mean that the levy is exempt from Circuit Breaker effects. (This includes referendum debt, school referendum operating levies, and pre-July 1, 2008 debt service in Lake and St. Joseph counties.)
2. The term "Exempt" means that the rate is exempt from the taxpayer's cap levy. If, in a given taxing district, there are "exempt" rates, the exempt rate is multiplied by the net assessed value (AV) and is added to the base cap levy for the taxpayer. The base cap levy is the gross AV multiplied by the percent of the cap (1%, 2%, or 3%).

The attached spreadsheet details the simplified calculation for all cap levels.

3. The circuit breaker credits are proportionately distributed to ALL funds on the basis of their certified tax rate. No levy or fund is protected. This is consistent with the guidance of the Auditor of State and the State Board of Accounts.
4. Most units (especially schools) have sufficient operating balances in their debt funds to cover the effects of any circuit breaker credits. Those units that lose operating balance due to Circuit Breaker and should have sufficient monies to meet their debt obligations. (There will be some exceptions to this statement.)
5. Units are not permitted to transfer money to a debt fund to meet their budget. If they do not have sufficient funds to fulfill their debt obligations, they must appropriate monies from another fund and actually pay the shortage out of that fund. As a last resort, the State is permitted to withhold sufficient funds from the unit, including CAGIT/COIT/CEDIT shares, to fulfill the debt obligation. **To reiterate, units may not transfer money to the debt fund to cover the effects of the Circuit Breaker.**

If you have questions, please contact the Budget Division at 317-233-9239 or 317-234-3937.