

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH  
100 NORTH SENATE AVENUE N1058(B)  
INDIANAPOLIS, IN 46204  
PHONE (317) 232-3777  
FAX (317) 974-1629

## IASBO REGION II DISTRICT MEETING March 25, 2015

### DISCUSSION OUTLINE

#### I. General Budget Information

##### a. Budget Guidance

- i. On June 24, 2014, the Department released seven budget guidance documents based on the type of unit. One of the guidance documents was specific to schools.
- ii. Did you use this resource? Was it helpful? How could the Department have done better?

##### b. Budget Notices

- i. Budget 2015 was the first year for required submission of the Form 3 on Gateway. What was your experience with this process?
- ii. For Budget 2016, under current statute, the Form 3 Notice to Taxpayers is not required to be published in the newspaper. The Form 3 is only required to be submitted on Gateway.
- iii. Capital Projects Fund ("CPF") Notice to Taxpayers, CPF Notice of Adoption and Bus Replacement Fund Notice to Taxpayers are required to be published in the newspaper for Budget 2016.
  1. For CPF Notice to Taxpayers and Bus Replacement Fund Notice to Taxpayers, IC 5-3-1-2(b) controls the publication requirement. The CPF Notice to Taxpayers and Bus Replacement Fund Notice to Taxpayers must be published one time at least 10 days before the public hearing.

- c. Submission of Information
  - i. Each year, the Department provides a checklist of information to be submitted to the Department to assist with budget review.
  - ii. The checklist identifies what information is to be submitted via Gateway or U.S. mail. Do you have suggestions for how we could streamline this process?
  - iii. Receiving the requested information earlier allows the budget field representatives to do pre-work on your unit, which allows budget review to go more quickly. Please submit the requested information as soon as possible.
- d. Specific Resolutions
  - i. Resolution authorizing Line 2 cuts
  - ii. Resolution authorizing a specific individual to respond to the 1782 Notice and make needed changes
  - iii. Do you do these resolutions? Are they helpful to you?
- e. Budget Workshops
  - i. Do you attend your budget workshop? Are they helpful? How could they be improved?

## **II. Circuit Breaker**

- a. Circuit Breaker Reports
  - i. The Department is currently working on preparing the circuit breaker reports based on the approved abstracts. We are planning to have the reports for the Pay 2015 tax year available on our webpage no later than April 10, 2015.
  - ii. You may receive a circuit breaker report from your county auditor. The Department's report should be relied upon as the official circuit breaker calculation.
  - iii. Exempt referendum funds are subject to the Over 65 circuit breaker.

b. Protected Taxes

- i. The Pay 2014 tax year was the first year for protected taxes.
- ii. Protected taxes means that debt service funds (including pension debt funds) are not to be reduced due to application of the 1%/2%/3% circuit breakers.
  1. Debt funds are still subject to circuit breaker losses due to the application of the Over 65 credit.
- iii. Other “unprotected” funds must absorb the circuit breaker loss that would have been applied to the debt service funds.
- iv. Distributions from the county auditor will be calculated based on protected taxes. If you receive a waiver from protected taxes or choose to reallocate your circuit breaker losses, those changes are made locally after receiving the tax distribution from the county auditor.

c. Waiver from Protected Taxes

- i. For the Pay 2014, Pay 2015 and Pay 2016 tax years, school corporations with a circuit breaker loss in their transportation fund that is at least 10% of their certified levy may apply to receive a waiver from protected taxes.
- ii. The waiver allows the debt funds to be reduced due to the circuit breaker.
- iii. Circuit breaker losses are spread proportionally among the funds, based on tax rate. A unit does not get to select where the circuit breaker losses should occur under the waiver program.
- iv. The Department will be providing the waiver application at the same time that the circuit breaker reports are made available in early April.
- v. Applications must be received by the Department by May 1.
- vi. The Department has until June 1 to review the applications and determine if the school corporation qualifies for the waiver.
- vii. School corporations approved for the waiver will receive an updated circuit breaker report from the Department to reflect the circuit breakers being spread proportionally.
- viii. School corporations approved for the waiver will also receive a workbook to assist the school corporation in determining the transfers that need to be made after receipt of the tax distribution and to assist with planning for the next budget year.
  1. **Transfers must be completed by the school corporation after receipt of the tax distribution.**
  2. **The waiver applies to both the June and the December settlements equally, so transfers must be made after both the June and the December tax distributions are received.**
- ix. The waiver isn't for everyone. Just because you qualify does not mean you should absolutely do the waiver. You need to review your situation to determine if it makes sense for your school corporation financially.

- x. Did your school corporation do the waiver? What was your experience with it? How can the process be improved?

d. Reallocation of Circuit Breaker Losses

- i. Units that do not go through the waiver program are allowed to reallocate their circuit breaker losses among their unprotected funds.
- ii. Over 65 circuit breaker credits cannot be reallocated.
- iii. The Department also imposes limits on the amount of circuit breaker that can be reallocated by fund in order to ensure that circuit breaker losses are not being shifted among taxing districts and to preserve the decisions made during the budget adoption process.
- iv. In May 2015, the Department will provide unit-specific reallocation limits for each eligible taxing unit (any unit that did not receive a waiver from protected taxes).
- v. Units interested in reallocating circuit breaker losses must complete the required form and submit to the Department for approval.
- vi. Upon approval, the Department will provide a workbook to assist the unit in determining the transfers that need to be made after receipt of the tax distribution and to assist with planning for the next budget year.
  - 1. **Transfers must be completed by the unit after receipt of the tax distribution.**
  - 2. **The reallocation applies to both the June and the December settlements equally, so transfers must be made after both the June and the December tax distributions are received.**
- vii. Did your school corporation do the reallocation? What was your experience with it? How can the process be improved?

**III. Debt Funds**

- a. Operating Balance (Line 11)
  - i. The Pay 2015 budget year was the first year for the new operating balance restrictions under IC 6-1.1-17-22.

- ii. Three main questions were raised on this new statute and the Department's implementation of the statute.
  - 1. Is operating balance computed by debt or by fund?
  - 2. For the purposes of the percentage calculation, what is the "ensuing year"?
  - 3. Why did the Department restrict the operating balance below the 50% or 15% that was in statute?
- iii. An amendment was made to HB 1388 yesterday to address these questions. This amendment was prepared in cooperation with IASBO and should help to address these concerns moving forward.

b. Qualified School Construction Bonds

- i. Since the Federal sequester, many schools have chosen to budget and levy based on the gross amount of the payment due rather than including the Federal credit in the calculation. This is acceptable. The Department asks that documentation be provided to verify the gross payments that are being requested.

**IV. Capital Projects Fund**

a. Templates

- i. The Department will provide an Excel template for the Capital Projects Plan, the CPF Notice to Taxpayers and the CPF Notice of Adoption.
- ii. Do you use these templates? What is the preferred timing on the release of these templates? Are there changes needed?

b. Property Tax Revenue

- i. When reviewing CPF, the Department looks for the property tax levy identified in five different locations.
  - 1. Form 3 Notice to Taxpayers
  - 2. CPF Notice to Taxpayers
  - 3. CPF Notice of Adoption
  - 4. CPF Plan Summary
  - 5. Form 4 Budget Ordinance
- ii. It is highly important that these five amounts correspond.

- iii. There are options available to correct errors on some of these values, but it is much easier and less time-consuming to ensure these figures are correct prior to submitting the budget information to the Department.
- c. Allocations for Future Projects
  - i. The CPF Notice to Taxpayers, CPF Notice of Adoption and CPF Plan all include a field for Allocations for Future Projects.
  - ii. Allocations for future projects should be site-specific and reflected in the detail of the CPF Plan.
  - iii. The values entered in these fields determine the amount of operating balance (Line 11) that can be provided in CPF.

## **V. Transportation Fund**

- a. Maximum Levy
  - i. Transportation is a levy-controlled fund.
  - ii. The maximum levy is increased each year by the assessed value growth quotient (AVGQ). The AVGQ is released by the State Budget Agency at the end of June.
  - iii. This factor is applied to the prior year's maximum levy to determine the new maximum levy.
- b. Available Appeal
  - i. A School Transportation Excess Levy Appeal is available under certain circumstances:
    - 1. A fuel expense increase.
    - 2. A significant increase in the number of students enrolled in the school corporation who need transportation or a significant increase in the mileage traveled by the school corporation's buses.
    - 3. A significant increase in the number of students enrolled in special education who need transportation or a significant increase in the mileage traveled by the school corporation's buses due to students enrolled in special education.
    - 4. Increased transportation costs due to compliance with a court ordered desegregation plan.
    - 5. Closure of a school building that results in a significant increase in the distances that students must be transported.
  - ii. The school corporation must also establish that it will be unable to provide transportation services without an increase.
  - iii. Schools interested in applying for this excess levy appeal must advertise it on their Form 3 Notice to Taxpayers.
  - iv. Schools must submit the required information and petition no later than October 20.
  - v. The Department's most recent memo on this appeal was on July 10, 2013.

- vi. Have you applied for this appeal? What has been your experience? What changes are needed to this appeal?

**VI. Bus Replacement Fund**

a. Templates

- i. The Department will provide an Excel template for the Bus Replacement Plan and the Bus Replacement Notice to Taxpayers.
- ii. Do you use these templates? What is the preferred timing on the release of these templates? Are there changes needed?

- iii. The Bus Replacement Notice to Taxpayers changed last year to better categorize contract costs. Was this helpful?

b. Maximum Levy

- i. The Bus Replacement Fund is a levy-controlled fund.
- ii. The maximum levy is increased each year by the AVGQ.
- iii. This factor is applied to the prior year's maximum levy to determine the new maximum levy.

c. Available Petition

- i. It is possible to petition the Department for an increase to the Bus Replacement Fund maximum levy.
- ii. The school corporation must demonstrate that the existing maximum levy is insufficient for its needs.
- iii. While the end result is similar to an excess levy appeal, the process is different.
- iv. No specific format is required for the petition. However, the petition should be separate from the typical budget adoption forms or 1782 responses.
- v. The Department requests that these petitions be provided by the end of August to allow sufficient time for review.

- vi. The Department's most recent memo on this process was on April 15, 2013.
- vii. Have you submitted a petition? What has been your experience? How can this process be improved?

**VII. Other Discussion Items**

**THANK YOU FOR YOUR INPUT AND ATTENTION!**

If you need additional information,  
please contact me at [cschaafsma@dlgf.in.gov](mailto:cschaafsma@dlgf.in.gov) or 317-234-5720.

# PROPOSED AMENDMENT

## HB 1388 # 14

### DIGEST

Debt service fund. Clarifies that the calculation of the amount of the levy for a debt service fund is based on a budget year (instead of an ensuing year under current law). Specifies that the maximum amount allowed for an operating balance in a debt service fund is the sum of the maximum allowable operating balance for each debt included in the debt service fund. Specifies the calculation of the maximum allowable operating balance for an individual debt.

---

- 1           Page 26, between lines 6 and 7, begin a new paragraph and insert:  
2           "SECTION 16. IC 6-1.1-17-22, AS ADDED BY P.L.120-2014,  
3           SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
4           UPON PASSAGE]: Sec. 22. (a) In determining the amount of the levy  
5           for a debt service fund for **an ensuing a budget** year, the maximum  
6           amount allowed for an operating balance in the debt service fund is the  
7           sum of  
8           (1) ~~fifteen percent (15%)~~ of the budget estimate for the debt  
9           service fund for the ensuing year for debt originally incurred after  
10           ~~June 30, 2014; plus~~  
11           (2) ~~fifty percent (50%)~~ of the budget estimate for the debt service  
12           fund for the ensuing year for debt originally incurred before July  
13           ~~1, 2014.~~  
14           **the maximum allowable operating balance for each debt included**  
15           **in the debt service fund. The maximum allowable operating**  
16           **balance for an individual debt shall be calculated as follows:**  
17           (1) For debt originally incurred after June 30, 2014, the lesser  
18           of:  
19           (A) **fifteen percent (15%)** of the budget estimate for the  
20           debt for the year after the budget year; or  
21           (B) **the debt payment to be made in the first six (6) months**  
22           **of the year after the budget year.**  
23           (2) For debt originally incurred before July 1, 2014, the lesser  
24           of:  
25           (A) **fifty percent (50%)** of the budget estimate for the debt

1                   **for the year after the budget year; or**  
2                   **(B) the debt payment to be made in the first six (6) months**  
3                   **of the year after the budget year.**

4           If debt is refinanced, the date the refinanced debt was originally  
5           incurred, and not the date that the refinancing is closed, is the date to  
6           be used for purposes of this subsection.

7           (b) For purposes of IC 6-1.1-20.6-9.5, the property taxes allowed for  
8           an operating balance in the debt service fund under this section may  
9           not be construed as an increase in a political subdivision's property tax  
10          levy to make up for a reduction in property tax collections resulting  
11          from the application of credits under IC 6-1.1-20.6."

12          Renumber all SECTIONS consecutively.  
              (Reference is to HB 1388 as printed February 17, 2015.)