

SENATE BILL No. 190

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-10-13; IC 4-12-1-9; IC 5-11-1; IC 21-37-2.5; IC 36-1-8.

Synopsis: Accrual accounting required. Requires, after December 31, 2013, that state agencies, state educational institutions, and political subdivisions maintain accounts on an accrual basis and, after December 31, 2014, include information prepared on an accrual basis in budgets and financial reports. Requires that the state board of accounts prescribe a plan for state agencies, state educational institutions, and political subdivisions to follow to convert to an accrual basis of accounting in budgets and financial reports. Specifies that this plan must be prescribed before October 1, 2013.

Effective: July 1, 2013.

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January 7, 2013, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 118th General Assembly (2013)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2012 Regular Session of the General Assembly.

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SENATE BILL No. 190



A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 4-10-13-2, AS AMENDED BY P.L.146-2008,
- 2 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 3 JULY 1, 2013]: Sec. 2. (a) The auditor of state shall prepare and
- 4 publish each year the following financial reports:
- 5 (1) A report showing receipts by source of revenue and by type of
- 6 fund disbursements as they relate to each agency, department, and
- 7 fund of the state government. This report shall include a recital of
- 8 disbursements made by the following functions of state
- 9 government:
- 10 (A) Education.
- 11 (B) Welfare.
- 12 (C) Highway.
- 13 (D) Health.
- 14 (E) Natural resources.
- 15 (F) Public safety.
- 16 (G) General governmental.
- 17 (H) Hospital and state institutions.



- 1 (I) Correction, parole, and probation.
- 2 (2) A report containing the following property tax data by
- 3 counties:
- 4 (A) A report showing:
 - 5 (i) the total amount of tax delinquencies;
 - 6 (ii) the total amount of the administrative costs of the offices
 - 7 of township assessors (if any), county assessors, the offices
 - 8 of county auditors, and the offices of county treasurers; and
 - 9 (iii) the total amount of other local taxes collected.
- 10 (B) An abstract of taxable real and personal property, which
- 11 must include a recital of the number and the total amount of
- 12 tax exemptions, including mortgage exemptions, veterans'
- 13 exemptions, exemptions granted to blind persons, exemptions
- 14 granted to persons over sixty-five (65) years of age, and any
- 15 and all other exemptions granted to any person under the
- 16 Constitution and the laws of the state.
- 17 (b) The reports described in this section shall be made available for
- 18 inspection as soon as they are prepared and shall be published in the
- 19 manner provided in section 7 of this chapter by the auditor of state not
- 20 later than December 31 following the end of each fiscal year.
- 21 (c) **The reports described in this section must include**
- 22 **information prepared on an accrual basis (as defined in**
- 23 **IC 5-11-1-16) as required by section 2.5 of this chapter.**
- 24 SECTION 2. IC 4-10-13-2.5 IS ADDED TO THE INDIANA CODE
- 25 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
- 26 1, 2013]: **Sec. 2.5. An annual financial report required under**
- 27 **IC 5-11-1-4 and other financial statements issued by the auditor of**
- 28 **state, another state agency, or a public officer must include**
- 29 **information prepared on an accrual basis, in the manner and form**
- 30 **specified by the state board of accounts, and showing the resources,**
- 31 **liabilities, and costs of operations of the state, including the net cost**
- 32 **of operations that do not generate or use resources in the reporting**
- 33 **period covered by the financial report or statement. The costs that**
- 34 **must be attributed to a reporting period include allowances for**
- 35 **unfunded future health, pension, or other post-employment**
- 36 **benefits that are earned, or earned on a contingent basis, by**
- 37 **employees performing services for the governmental entity in the**
- 38 **reporting period.**
- 39 SECTION 3. IC 4-12-1-9 IS AMENDED TO READ AS FOLLOWS
- 40 [EFFECTIVE JULY 1, 2013]: Sec. 9. (a) The budget agency shall
- 41 assist the budget committee in the preparation of the budget report and
- 42 the budget bill, using the recommendations and estimates prepared by

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1 the budget agency and the information obtained through investigation
 2 and presented at hearings. The budget committee shall consider the
 3 data, information, recommendations and estimates before it and, to the
 4 extent that there is agreement on items, matters and amounts between
 5 the budget agency and a majority of the members of the budget
 6 committee, the committee shall organize and assemble a budget report
 7 and a budget bill or budget bills. In the event the budget agency and a
 8 majority of the members of the budget committee shall differ upon any
 9 item, matter, or amount to be included in such report and bills, the
 10 recommendation of the budget agency shall be included in the budget
 11 bill or bills, and the particular item, matter or amount, and the extent
 12 of and reasons for the differences between the budget agency and the
 13 budget committee shall be stated fully in the budget report. Before the
 14 second Monday of January, in the year immediately after preparation,
 15 the budget report and the budget bill or bills shall be submitted to the
 16 governor by the budget committee. The governor shall deliver to the
 17 house members of the budget committee such bill or bills for
 18 introduction into the house of representatives.

19 (b) Whenever during the period beginning thirty (30) days prior to
 20 a regular session of the general assembly the budget report and budget
 21 bill or bills have been completed and printed and are available for
 22 distribution, upon the request of a member of the general assembly an
 23 informal distribution of one (1) copy of each such document shall be
 24 made by the budget committee to such members. During business
 25 hours, and as may be otherwise required during sessions of the general
 26 assembly, the budget agency shall make available to the members of
 27 the general assembly so much as they shall require of its accumulated
 28 staff information, analyses and reports concerning the fiscal affairs of
 29 the state and the current budget report and budget bill or bills.

30 (c) The budget report shall include at least the following ~~five (5)~~ **six**
 31 **(6)** parts:

32 (1) A statement of budget policy, including but not limited to
 33 recommendations with reference to the fiscal policy of the state
 34 for the coming budget period, and describing the important
 35 features of the budget.

36 (2) A general budget summary setting forth the aggregate figures
 37 of the budget to show the total proposed expenditures and the
 38 total anticipated income, and the surplus or deficit.

39 (3) The detailed data on actual receipts and expenditures for the
 40 previous fiscal year or two (2) fiscal years depending upon the
 41 length of the budget period for which the budget bill or bills is
 42 proposed, the estimated receipts and expenditures for the current

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1 year, and for the ensuing budget period, and the anticipated
 2 balances at the end of the current fiscal year and the ensuing
 3 budget period. Such data shall be supplemented with necessary
 4 explanatory schedules and statements, including a statement of
 5 any differences between the recommendations of the budget
 6 agency and of the budget committee.

7 (4) A description of the capital improvement program for the state
 8 and an explanation of its relation to the budget.

9 (5) The budget bills.

10 **(6) For budget reports submitted after December 31, 2013,**
 11 **supplemental information, prepared on an accrual basis (as**
 12 **defined in IC 5-11-1-16), showing the full cost of operations**
 13 **for the affected budget period, including the net cost of**
 14 **operations that do not generate or use resources in the**
 15 **reporting period covered by the budget or supplemental**
 16 **budget. The costs that must be attributed to a reporting**
 17 **period include allowances for unfunded future health,**
 18 **pension, or other post-employment benefits that are earned,**
 19 **or earned on a contingent basis, by employees performing**
 20 **services for the governmental entity in the reporting period.**

21 (d) The budget report shall cover and include all special and
 22 dedicated revenue funds as well as the general revenue fund and shall
 23 include the estimated amounts of federal aids, for whatever purpose
 24 provided, together with estimated expenditures therefrom.

25 (e) The budget agency shall furnish the governor with any further
 26 information required concerning the budget, and upon request shall
 27 attend hearings of committees of the general assembly on the budget
 28 bills.

29 SECTION 4. IC 5-11-1-1.5 IS ADDED TO THE INDIANA CODE
 30 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 31 1, 2013]: **Sec. 1.5. To assist in including cost based information in**
 32 **budgets and financial reports, each agency or instrumentality of**
 33 **the state and each political subdivision and instrumentality of a**
 34 **political subdivision shall, for budget years beginning after**
 35 **December 31, 2013, maintain accounts on an accrual basis to show**
 36 **the resources, liabilities, and costs of operations of the**
 37 **governmental entity that are attributable to the reporting period,**
 38 **including the net cost of operations that do not generate or use**
 39 **resources in the reporting period. The costs that must be attributed**
 40 **to a reporting period include allowances for unfunded future**
 41 **health, pension, or other post-employment benefits that are earned,**
 42 **or earned on a contingent basis, by employees performing services**

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1 **for the governmental entity in the reporting period. The**
 2 **accounting system must be consistent with the principles and**
 3 **standards prescribed by the state board of accounts and must**
 4 **include monetary property accounting records.**

5 SECTION 5. IC 5-11-1-16 IS AMENDED TO READ AS
 6 FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 16. (a) As used in this
 7 article, "municipality" means any county, township, city, town, school
 8 corporation, special taxing district, or other political subdivision of
 9 Indiana.

10 (b) As used in this article, "state" means any board, commission,
 11 department, division, bureau, committee, agency, governmental
 12 subdivision, military body, authority, or other instrumentality of the
 13 state, but does not include a municipality.

14 (c) As used in this article, "public office" means the office of any
 15 and every individual who for or on behalf of the state or any
 16 municipality or any public hospital holds, receives, disburses, or keeps
 17 the accounts of the receipts and disbursements of any public funds.

18 (d) As used in this article, "public officer" means any individual
 19 who holds, receives, disburses, or is required by law to keep any
 20 account of public funds or other funds for which the individual is
 21 accountable by virtue of the individual's public office.

22 (e) As used in this article, "entity" means any provider of goods,
 23 services, or other benefits that is:

- 24 (1) maintained in whole or in part at public expense; or
- 25 (2) supported in whole or in part by appropriations or public funds
- 26 or by taxation.

27 The term does not include the state or a municipality (as defined in this
 28 section).

29 (f) As used in this article, a "public hospital" means either of the
 30 following:

- 31 (1) An institution licensed under IC 16-21 and which is owned by
- 32 the state or an agency of the state or one which is a municipal
- 33 corporation. A hospital is a municipal corporation if its governing
- 34 board members are appointed by elected officials of a
- 35 municipality.
- 36 (2) A state institution (as defined in IC 12-7-2-184).

37 (g) As used in this article, "political subdivision" has the
 38 meaning set forth in IC 36-1-2-13.

39 (h) As used in this article, "accrual basis" means a basis of
 40 accounting in which revenue is recognized when earned and
 41 expenses are recognized in the period incurred, regardless of when
 42 cash is received or paid. The term does not include modified

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1 **accrual accounting.**

2 SECTION 6. IC 21-37-2.5 IS ADDED TO THE INDIANA CODE
3 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
4 JULY 1, 2013]:

5 **Chapter 2.5. Accrual Accounting**

6 **Sec. 1. The accounting system of a state educational institution**
7 **must comply with the requirements of IC 5-11-1.5.**

8 **Sec. 2. An annual financial report required under IC 5-11-1-4**
9 **and other financial statements issued by a state educational**
10 **institution must include information prepared on an accrual basis,**
11 **in the manner and form specified by the state board of accounts,**
12 **and showing the resources, liabilities, and costs of operations of the**
13 **state educational institution, including the net cost of operations**
14 **that do not generate or use resources in the reporting period**
15 **covered by the financial report or statement. The costs that must**
16 **be attributed to a reporting period include allowances for**
17 **unfunded future health, pension, or other post-employment**
18 **benefits that are earned, or earned on a contingent basis, by**
19 **employees performing services for the governmental entity in the**
20 **reporting period.**

21 **Sec. 3. For budget periods beginning after December 31, 2014,**
22 **a budget or supplemental budget of a state educational institution**
23 **must include supplemental information, prepared on an accrual**
24 **basis, showing the full cost of operations for the affected budget**
25 **period, including the net cost of operations that do not generate or**
26 **use resources in the reporting period covered by the budget or**
27 **supplemental budget. The costs that must be attributed to a**
28 **reporting period include allowances for unfunded future health,**
29 **pension, or other post-employment benefits that are earned, or**
30 **earned on a contingent basis, by employees performing services for**
31 **the state educational institution in the reporting period.**

32 SECTION 7. IC 36-1-8-18 IS ADDED TO THE INDIANA CODE
33 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
34 1, 2013]: **Sec. 18. For budget periods beginning after December 31,**
35 **2014, a budget or supplemental budget of a political subdivision**
36 **must include supplemental information, prepared on an accrual**
37 **basis (as defined in IC 5-11-1-16), and showing the full cost of**
38 **operations for the affected budget period, including the net cost of**
39 **operations that do not generate or use resources in the reporting**
40 **period covered by the budget or supplemental budget. The costs**
41 **that must be attributed to a reporting period include allowances**
42 **for unfunded future health, pension, or other post-employment**

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1 **benefits that are earned, or earned on a contingent basis, by**
 2 **employees performing services for the governmental entity in the**
 3 **reporting period.**

4 SECTION 8. IC 36-1-8-19 IS ADDED TO THE INDIANA CODE
 5 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 6 1, 2013]: **Sec. 19. For reporting periods beginning after December**
 7 **31, 2013, an annual financial report required under IC 5-11-1-4**
 8 **and other financial statements issued by a political subdivision**
 9 **must include information prepared on an accrual basis (as defined**
 10 **in IC 5-11-1-16), in the manner and form specified by the state**
 11 **board of accounts, and showing the resources, liabilities, and costs**
 12 **of operations of the political subdivision, including the net cost of**
 13 **operations that do not generate or use resources in the reporting**
 14 **period covered by the financial report or statement. The costs that**
 15 **must be attributed to a reporting period include allowances for**
 16 **unfunded future health, pension, or other post-employment**
 17 **benefits that are earned, or earned on a contingent basis, by**
 18 **employees performing services for the governmental entity in the**
 19 **reporting period.**

20 SECTION 9. [EFFECTIVE JULY 1, 2013] (a) **Before October 1,**
 21 **2013, the state board of accounts shall prescribe a plan for state**
 22 **agencies, state educational institutions, and political subdivisions**
 23 **to follow to maintain accounts and to include information prepared**
 24 **on an accrual basis in budgets and financial reports, as required by**
 25 **this act.**

26 (b) **This SECTION expires July 1, 2014.**

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