
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All Township Officials, Fire Protection District Board Members, and County Council Members

FROM: Wesley R. Bennett, Commissioner

RE: Legislation Affecting Township and Fire Funding Matters

DATE: June 11, 2020

The Department of Local Government Finance (“Department”) issues this memorandum to describe legislative changes made in the 2020 General Session related to township and fire protection matters. This memorandum is for informational purposes only and is not a substitute for reading the law.

I. Township Fund Transfers

Section 79 of House Enrolled Act 1113-2020 (“HEA 1113”), signed by Governor Eric Holcomb on March 21, 2020, amended IC 36-6-6-16 so that when a township transfers the excess balance of one fund into another fund of the township, the amount transferred will not be treated as part of the township’s ad valorem property tax levy for the same calendar year in which the township plans to spend the transferred money. In effect, the property tax levy of the township will not be reduced as a result of the transfer.

Section 79 also extends the deadline for a township to transfer excess balances to September 1, 2021.

This section is effective retroactive to January 1, 2020.

II. Township Board Members Conflicts of Interest

Section 80 of HEA 1113-2020 adds IC 36-6-6-17 as a new statute, effective July 1, 2020. Indiana Code 36-6-6-17 imposes conflict of interest provisions for township board members. It applies to all townships except townships in Marion County.

Under this new conflict of interest law, a member of the township board may not vote on the township’s budget and tax levy if the member is also an immediate family member of the township trustee.

“Immediate family member” refers only to the following relations:

- A parent.

- A sibling.
- A spouse.
- A child.

It also includes relations by adoption, half-blood, marriage, or remarriage.

If a majority of the township board is disqualified from voting on the township’s budget and levy, the township trustee may petition the county fiscal body for an increase in the township’s budget, levy, or to approve an additional appropriation. If the trustee does not submit a petition to the county fiscal body, the township’s budget is continued for the ensuing year.

If the trustee submits a petition to the county fiscal body to increase the township’s budget and levy, the county fiscal body may increase the township’s budget and levy. The county fiscal body may grant or deny the petition only after conducting a public hearing on the petition.

If the trustee submits a petition to the county fiscal body to approve an additional appropriation, the county fiscal body may adopt an additional appropriation by ordinance before the department of local government finance may approve the additional appropriation. This provision only applies to additional appropriations required to be approved by the Department under IC 6-1.1-18-5.

This new statute will be effective for the 2021 budget adoption and for any additional appropriations for the 2020 budget year after June 30, 2020.

III. Property Tax Rate Increase for Fire Protection Funding

Sections 5 and 6 of House Enrolled Act 1065-2020 (“HEA 1065”), signed by Governor Eric Holcomb on March 21, 2020, adds IC 6-1.1-18-28 and IC 6-1.1-18-29, respectively. Both statutes are effective upon passage.

Both statutes provide for a township (under IC 6-1.1-18-28) and a fire protection district (IC 6-1.1-18-29) to petition the Department to increase the property tax rate for the township firefighting fund or a fire protection district operating fund (as applicable). The increase in the rate is based on the following formula:

- STEP ONE: Determine the percentage increase in population within the fire protection and emergency services area during the ten (10) year period immediately preceding the year in which the petition is submitted. The most recently available population data issued by the Census Bureau during the ten (10) year period may be used.
- STEP TWO: Subtract the STEP ONE amount by six percent (6%). If the result is greater than zero (0), use the result for STEP THREE. Otherwise, use zero (0).
- STEP THREE: Take the lesser of the STEP TWO result or fifteen-hundredths (0.15).

STEP FOUR: If the rate was increased under IC 6-1.1-12-28 or IC 6-1.1-12-29 for the township or district, as applicable, within the immediately preceding ten (10) year period, the STEP THREE result is further reduced by the sum of the rate increases made in the immediately preceding ten (10) year period.

The rate increase is then applied to the certified net assessed value of the township or district, which results in an increase to the levy that is then added to the maximum levy of the township or district. This is a permanent increase. The examples below will illustrate how the formula is expected to work.

Example #1: Township applies for an increase in its firefighting fund rate for the 2020-pay-2021 budget cycle. In 2010, the population of Township was 10,000. In 2019, the Township's population was 11,500. Its 2020-pay-2021 CNAV is \$10,000,000.

STEP ONE: Percentage increase of population during the immediately preceding ten (10) year period:

$$(11,500 - 10,000) / 10,000 = 0.15 \text{ or } 15\%$$

STEP TWO: Greater of zero (0) or STEP ONE result minus 6%:

$$15\% - 6\% = 9\%$$

$$9\% > 0$$

$$9\% = 0.09$$

Use 0.09.

STEP THREE: Lesser of STEP TWO result or fifteen-hundredths (0.15):

$$0.09 < 0.15$$

Use 0.09.

STEP FOUR: Reduce the STEP THREE result by the rate increase for the Township during the immediately preceding ten (10) year period.

The Township did not submit a petition in the immediately preceding ten (10) year period.

Therefore, the Township shall receive a 9% increase in its firefighting fund rate. Applied to the Township's 2020-pay-2021 CNAV, the Township rate increase will result in a \$9,000 increase to its firefighting fund levy:

$$(\$10,000,000 / \$100) * 0.09 = \$9,000$$

Example #2: The Township in Example #1 submitted another petition for the 2021-pay-2022 budget cycle. The Township/ will have a population of 12,000 in 2020. In 2011, its population was 10,100. Its 2021-pay-2022 CNAV is \$10,100,000.

STEP ONE: Percentage increase of population during the immediately preceding ten (10) year period:

$$(12,000 - 10,100) / 10,100 = 0.189 \text{ or } 18.9\%$$

STEP TWO: Greater of zero (0) or STEP ONE result minus 6%:

$$18.9\% - 6\% = 12.9\%$$

$$12.9\% > 0$$

$$12.9\% = 0.129$$

Use 0.129.

STEP THREE: Lesser of STEP TWO result or fifteen-hundredths (0.15):

$$0.129 < 0.15$$

Use 0.129.

STEP FOUR: Reduce the STEP THREE result by the rate increase for the Township during the immediately preceding ten (10) year period.

In the previous year, the Township received a rate increase of 0.09 (see Example #1, above). Therefore, the STEP THREE result will be reduced by 0.09:

$$0.129 - 0.09 = 0.039$$

Therefore, the Township shall receive a 9% increase in its firefighting fund rate. Applied to the Township's 2021-pay-2022 CNAV, the Township rate increase will result in a \$3,034 increase to its firefighting fund levy:

$$(\$10,100,000 / \$100) * 0.039 = \$3,034$$

For the budget year 2021, the petition for an increase under IC 6-1.1-12-28 or IC 6-1.1-12-29 must be submitted to the Department no later than July 31, 2020. For the budget year 2022 and thereafter, the petition must be submitted no later than March 31 of the immediately preceding year.

The Department will be providing additional guidance later this year on how to submit the petition.

Contact Information

Questions may be directed to David Marusarz, Deputy General Counsel, at (317) 233-6770 or dmarusarz@dlgf.in.gov.