
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All Political Subdivision

FROM: Wesley R. Bennett, Commissioner

RE: Changes to the Law Governing Local Budget Matters, HEA 1113-2020

DATE: June 12, 2020

On March 21, 2020, Governor Eric Holcomb signed House Enrolled Act 1113-2020 (“HEA 1113”). HEA 1113 provides for several amendments to the laws respecting local budgeting matters. The Department of Local Government Finance (“Department”) issues this memorandum summarizing these changes. This memorandum is for informational purposes only and is not a substitute for reading the law.

I. Reporting of Bonds and Leases

Section 1 of HEA 1113 amends the deadline for reporting new bonds or leases to the Department under IC 5-1-18-6, as follows:

- If a bond is issued or a lease is executed before October 1, the report is due to the Department one (1) month after the date of issuance or execution.
- If a bond is issued or a lease is executed after September 30, the report is due to the Department five (5) business days after the date of issuance or execution.

For example, Unit A issues a bond on September 14, and Unit B executes a lease on October 23. Unit A must report the bond to the Department within thirty (30) days after September 13, or by October 14. Unit B must report the lease within five (5) business days after October 23, or by October 30.

This amendment is effective July 1, 2020, and first applies for the pay-2021 budget cycle.

II. AVGQ to MLGQ

House Enrolled Act 1113 also changes the Indiana Code so that the “assessed value growth quotient” described in IC 6-1.1-18.5-2 will now be referred to as the “maximum levy growth quotient.” This will not change how the quotient is calculated according to IC 6-1.1-18.5-2 or how the quotient is applied in IC 6-1.1-18.5-3, IC 6-1.1-17-20.3, and other statutes that use the maximum levy growth quotient.

III. Reporting of Debt Estimates

Section 21 of HEA 1113, effective July 1, 2020, amends IC 6-1.1-17-0.7 to change the date in which the fiscal officer of a political subdivision provides to the Department an estimate of the political subdivision's total debt obligations over the last six (6) months of the current year and in the ensuing year. Currently, this report is due on May 1. This report will be due on June 15, starting with the pay-2022 budget cycle. The report will remain due on May 1 for the pay-2021 budget year.

IV. Budget Notices

Section 22 of HEA 1113 amends IC 6-1.1-17-3 so that the budget notice (i.e., the Form 3) must also include the date, time, and place of the final adoption of the budget, tax rate, and levy. In effect, the Form 3 must also include the date of the final adoption meeting. In addition, if the date, time, or place of the final adoption subsequently changes, the political subdivision shall update the information submitted to Gateway. This amendment is effective July 1, 2020, and first applies for the pay-2021 budget cycle.

V. December Debt & Shortfall Appeals

Sections 23 and 24 of HEA 1113 amends IC 6-1.1-17-5 and IC 6-1.1-17-16, respectively, so that a political subdivision must indicate on its budget ordinance (i.e., the Form 4) whether it intends to (1) issue debt after December 1; or (2) file a shortfall appeal. If the political subdivision intends to do either and indicates it on the Form 4, the deadline for certification of the budget, rates, and levies for the county in which the political subdivision resides is January 15 rather than December 31. In other words, whether the budget certification deadline will move from December 31 to January 15 will depend on the political subdivision indicating its intent to file a timely shortfall appeal or issue debt in December, not whether it has actually done so.

These changes are effective July 1, 2020, and first, apply for the pay-2021 budget cycle. The Department will revise the Form 4 in accordance with these changes.

VI. Budget Submissions

Section 24 of HEA 1113 also amends IC 6-1.1-17-16 so that the Department may not consider any adjustment suggested by a political subdivision made in response to the 1782 Notice if the suggested adjustment was communicated to the Department more than ten (10) days after the 1782 Notice was sent to the political subdivision. This amendment is effective July 1, 2020, and first applies for the pay-2021 budget cycle.

VII. Additional Appropriations

Section 27 of HEA 1113 amends IC 6-1.1-18-5 so that a political subdivision that adopts an additional appropriation must submit that additional appropriation to the Department no later than fifteen (15) days after the adoption. If the additional appropriation is not submitted to the Department within fifteen (15) days after adoption, the Department may require the political

subdivision to conduct a readoption hearing. This deadline applies to additional appropriations that are either reporting-only or require Department approval. This section is effective July 1, 2020.

VIII. Initial Max Levies

Section 32 of HEA 1113 amends IC 6-1.1-18.5-7 regarding requests for an initial maximum levy for a political subdivision or fire protection territory. A request for an initial maximum levy must be submitted to the Department no later than June 30 of the year before the first year the political subdivision or fire protection territory intends to impose a property tax levy.

For example, on September 1, 2020, county commissioners form a fire protection district in the county, to begin operations on January 1, 2021. The fire protection district would first be eligible for a property tax levy in the pay-2022 budget cycle. The district must submit its proposed initial maximum levy to the Department no later than June 30, 2021.

In addition, in determining the initial maximum levy for a civil taxing unit (i.e., a political subdivision except for a school corporation), the Department must consider the effect of a property tax levy on a local income tax distribution to the civil taxing unit under IC 6-3.6-6. This does not apply to a request for an initial maximum levy for a fire protection territory.

The amendments made by section 32 are effective July 1, 2020. Executive Order 20-12, paragraph 5.A, extends the deadline for establishing a fire protection territory to be June 30, 2020, for a territory that will begin operations on January 1, 2021. The Department will accept an initial max levy request for a fire protection territory established on or before June 30, 2020, that the Department receives after July 1, 2020, because at the time of the establishment the amendment by HEA 1113 had not gone into effect.

IX. 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.

X. Operating Referendum Certification

Section 62 of HEA 1113 amends IC 20-29-6-12.5 so that a school corporation is no longer required to request from the Department a certification of the amount of the operating referendum tax levy under IC 20-46-1 or a school safety referendum tax levy under IC 20-46-9 before the conclusion of collective bargaining. This provision is effective July 1, 2020.

Contact Information

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