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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO: All Taxing Units**

**FROM: Fred Van Dorp, Director, Budget Division**

**DATE: February 4, 2022**

**RE: Additional Appropriation Submission, Department Review Procedures, and Other Related Topics (IC 6-1.1-18-5; IC 6-1.1-18-6)**

The Department of Local Government Finance (“Department”) issues this memorandum, which applies to the Additional Appropriation and Transfer Procedures as outlined in Ind. Code § 6-1.1-18-5 and Ind. Code § 6-1.1-18-6, and which supersedes all previous memoranda on the subject. This memo does not take the place of Indiana law. The Department and all local units of government are bound to due dates and responsibilities as outlined in the law. In the event any part of this memorandum conflicts with Indiana law, Indiana law governs.

The Department has transitioned the additional appropriation submission process from using a template and email to using an application in Gateway to process the submissions. This application has been loaded with data from the 2022 budget cycle and is now available for use. The Gateway application represents the Department’s prescribed submission method. **Any submissions that are mailed, emailed, or faxed to the Department will be returned.**

Any questions about the additional appropriation process or the status of a specific additional appropriation should be routed directly to your [Budget Field Representative](#).

The following steps represent an overview of the additional appropriation process including both the State Board of Accounts (“SBOA”) prerequisite submissions and the steps that a unit will need to perform to advertise, adopt, and submit an additional appropriation to the Department.

## **PREREQUISITE STEP: SBOA REPORTING**

Under Ind. Code § 5-11-1-4, the Department may approve an additional appropriation request for a political subdivision (“unit”) only if it has electronically filed with SBOA the following reports:

1. Annual Financial Report (“AFR”) Ind. Code § 5-11-1-4
2. Annual Personnel Report (“100R”) Ind. Code § 5-11-13-1
3. Nepotism Policy Ind. Code § 5-11-13-1.1
4. Contracting Policy Ind. Code § 5-11-13-1.1

If any of the four reports or policies are not submitted to SBOA, the Department will not consider any petition submitted for review.

### **STEP 1: PUBLIC NOTICE**

The proper fiscal body of a unit must give public notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice should include:

1. Each fund name and number.
2. Categorical breakdown of the proposed additional appropriation for each fund.
3. The total of the proposed additional appropriation for each fund.

The notice shall be published one time in two newspapers published in the unit's jurisdiction. If only one newspaper is published in the jurisdiction, publication in that paper is sufficient. In accordance with Ind. Code § 5-3-1-2(b), the publication must occur not less than ten calendar days before the public hearing on the proposal.

### **STEP 2: PUBLIC HEARING**

The proper fiscal body of the unit shall hold the public hearing on the proposal as advertised. At the public hearing, an action shall be taken to approve, modify, or disapprove the proposed additional appropriation as advertised. The fiscal body shall not adopt appropriations exceeding the amount advertised. If the unit's fiscal body postpones action on the request, the additional appropriation does not have to be re-advertised provided the postponement of the request is stated publicly and included in the minutes of the correctly advertised meeting, and all requirements of the Open-Door Law (Ind. Code § 5-14-1.5) are satisfied.

Any additional appropriations by a unit whose annual tax levy must be adopted by a city, town, or county fiscal body under Ind. Code § 6-1.1-17-20 or by a legislative or fiscal body under Ind. Code § 36-3-6-9, collectively referred to as binding units, must be adopted by the same fiscal or legislative body by ordinance before the Department may approve the additional appropriation.

Libraries whose additional appropriations would increase their budgets by a percentage greater than the maximum levy value growth quotient for the current year must have their additional approved by the city, town, or county fiscal body described in Ind. Code § 6-1.1-17-20.3(c).

### **STEP 3: SUBMISSION TO DEPARTMENT**

After the public hearing, the unit will enter advertisement dates, adoption dates, funds, and approved additional appropriation amounts into Gateway for the Department to review.

### **STEP 4: DEPARTMENT REVIEW & RESPONSE**

When an additional appropriation is submitted, the Department will determine whether sufficient funds are available during the calendar year for the proposal and whether the proper procedures have been followed. The Department will limit the amount of the additional appropriation to the amount of funds available or to be made available and that have not been previously appropriated. To make this determination, the Department will use the same data used during the budget certification to validate the fundability of the additional appropriation for each fund. This will include reviewing the estimated cash balance (Form 4B - Line 18), the miscellaneous revenue (Form 4B - Line 3, Form 4B - Line 13, Form 2), and the circuit breaker (Form 4B - Line 12).

Occasionally, an additional appropriation is fundable due to the addition of a new revenue source or an increase in existing miscellaneous revenue in excess of what was originally submitted during budget certification. If a unit needs to revise its miscellaneous revenue estimate, the updated amount for each specific miscellaneous revenue can be entered into the Additional Appropriation application in Gateway. This update will not impact what was originally submitted in the Budget Application but will be used to validate additional appropriations submitted throughout the budget year.

The Department will use two different values for the circuit breaker while reviewing a petition. From February 1 – April 15, the Department will use the same circuit breaker estimate for each fund that was reported on Form 4 - Line 12. From April 16 – December 31, the Department will use the actual circuit breaker amounts reported to the Department by the county auditor during the Abstract certification process. The Department will post the actual circuit breaker amounts on the Department's website and load the totals for each fund into Gateway.

Once the petition is submitted and validated by the Department, depending on the fund, the unit will immediately be able to print off their approval or their proof of submission documentation for their records.

The final section of the memo summarizes the Department's position on various other additional appropriation topics.

### **TRANSFER OF APPROPRIATIONS BETWEEN MAJOR CLASSIFICATIONS**

Ind. Code § 6-1.1-18-6 does not apply to units with departmentalized budgets seeking to transfer appropriations from one department to another. Those units should follow the additional appropriation procedures and appropriation reduction procedures for such transfers.

The proper fiscal body of a political subdivision may transfer appropriations from one major budget classification to another within the same fund and department or office if:

1. They determine that the transfer is necessary;
2. The transfer does not require the expenditure of more money than the total amount set out in the budget for that fund as finally determined under Ind. Code § 6-1.1; and
3. The transfer is made at a regular public meeting and by proper ordinance or resolution.

A transfer may be made under Ind. Code § 6-1.1-18-6 without notice and without the approval of the Department. For those units that are not departmentalized, it is not necessary to file documentation with the Department on transfers from one major budget classification to another.

### **RAINY DAY FUND**

The Rainy Day Fund is subject to the same appropriation process as other funds that receive property or income tax money.

Under Ind. Code § 36-1-8-5.1, a county, city, or town may at any time, by ordinance or resolution, transfer to its General Fund or any other appropriated funds money that has been deposited in its Rainy Day Fund. Transfers to or from the Rainy Day Fund must be reported to the Department. Units must submit to the Department the resolution/ordinance from the fiscal body approving the transfer. The resolution/ordinance must include the name of each fund and

the amount being transferred out of each fund to the Rainy Day Fund. The Department may not reduce the actual or maximum permissible levy of a unit as a result of a balance in the Rainy Day Fund of the unit.

A taxing unit can transfer unused and unencumbered funds from its General Fund or other property tax levy funds (excluding debt service and other dedicated funds) to the Rainy Day Fund. In addition, other unobligated cash balances from any fiscal year (excluding debt service and other dedicated funds) may also be transferred to the Rainy Day Fund pursuant to an ordinance or resolution that authorizes and identifies the amount. As described in the Department's June 23, 2021, memorandum entitled "Legislative Changes Concerning Local Budgeting Matters," from January 1, 2021, through December 31, 2024, this amount cannot exceed 15% of the taxing unit's total annual budget for that fiscal year.

SBOA has advised that transfers to the Rainy Day Fund are prohibited from funds receiving dedicated revenues for specific projects or purposes, such as Motor Vehicle Highway ("MVH") and Local Road and Street ("LRS"). Moreover, a balance in a cumulative fund may be transferred to the Rainy Day Fund only if the purpose of the cumulative fund has been fulfilled. In an audit, SBOA would expect the unit to be able to show that the cumulative fund's purpose has been fulfilled. A unit's transfer of funds from a cumulative fund to its Rainy Day Fund would indicate to the Department that the property tax rate for that cumulative fund was no longer needed. Before making an appropriation from the Rainy Day Fund, the fiscal body shall make a finding that the proposed use of the Rainy Day Fund is consistent with the expressed intent of the fund.

### **APPROPRIATION REDUCTIONS**

Appropriation reductions in the current year have the effect of increasing fund balances available in the ensuing year by officially reducing the appropriation in the current year. Reductions may be handled in two ways.

Option 1: Reductions may be handled in the same manner as additional appropriations as outlined herein. The unit will go through the steps listed above but populate Line D of the Certified Copy. The Certified Copy would still be submitted to the Department as outlined in Step 3.

Option 2: Reductions may also be handled via ordinance or resolution by the appropriate fiscal body. If a unit's fiscal body approves a reduction ordinance or resolution, the ordinance or resolution must be submitted to the Department via upload into the Budget Application in Gateway.

### **GRANT PROCEEDS**

Grant monies must be expended in accordance with the grant and may require the unit to submit an additional appropriation request.

If grant monies are receipted into a previously established fund requiring appropriation approval by the Department, the unit must follow the additional appropriation procedures for that fund as outlined herein.

If the grant monies are provided by the state or federal government as a reimbursement of an expense made by the unit and receipt/disbursement activity for the grant is reflected in a separate fund, the political subdivision may appropriate the monies without using the additional appropriation procedures or report to the Department in order to make expenditures (Ind. Code § 6-1.1-18-7.5).

### **LOAN AND BOND PROCEEDS**

Bond and loan monies must be expended in accordance with the bond budget and purpose but may require the unit to submit an additional appropriation request. If the proceeds from a loan or bond are received into a previously established fund requiring appropriation approval by the Department, the unit must follow the additional appropriation procedures for that fund as outlined herein.

For the purposes of additional appropriation requests, loan and bond proceeds would be considered reporting only funds and will be acknowledged, but not approved by the Department.

In compliance with Ind. Code § 5-1-18-7 and Ind. Code § 5-1-18-8, the Department may not certify an appropriation or property tax levy associated with a debt (including a lease) if a debt issuance report has not been submitted to the Department via the Debt Management application in Gateway. The Department will not review an additional appropriation for a debt unless this report has been submitted.

The Department reminds local officials that units are required under Ind. Code § 5-1-18-6 to report a new debt as it is incurred. Units must complete a report in Gateway Debt Management no later than one month after the date on which the bonds are issued, the loan is closed, or the lease is executed.