STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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TO: **All Political Subdivisions**

FROM: **Jason Cockerill, Commissioner**

DATE: **July 17, 2026**

SUBJECT: **Legislation Affecting Local Budgeting Matters**

Introduction

The Department of Local Government Finance ("Department") issues this memorandum to inform the public and local government officials about legislation passed by the Indiana General Assembly in the 2026 Regular Session concerning local government budgeting matters. In particular, the following:

- House Enrolled Act 1200 ("HEA 1200"), signed into law by Governor Mike Braun on March 12, 2026.
- House Enrolled Act 1210 ("HEA 1210"), signed into law on March 12, 2026.
- House Enrolled Act 1406 ("HEA 1406"), signed into law on March 12, 2026.
- Senate Enrolled Act 4 ("SEA 4"), signed on March 5, 2026.

This memorandum is being issued for informative purposes only and is not to be construed as providing legal advice or a conclusive interpretation of law, or as a substitute for reading the law.

I. Legislation Affecting Townships

A. Brief Note on Senate Enrolled Act 270

Senate Enrolled Act 270 ("SEA 270"), signed into law by Governor Braun on March 5, 2026, creates a process whereby qualifying townships must consolidate with a municipality or one or more other townships, as applicable. The Department will be issuing a separate guidance memorandum on SEA 270 at a later date. However, SEA 270 will be referenced in this memorandum as relevant to other legislation affecting townships, below.

B. Township Capital Improvement Plans, Sections 28 through 31 of HEA 1200

Sections 28 through 31 of HEA 1200 make several changes to the implementation of the township capital improvement plan ("CIP") requirements imposed in the 2025 session by House Enrolled Act 1461-2025. These changes are effective July 1, 2026.

1. Delay of annual adoption of plan, Ind. Code § 36-6-9-12

Under current law, all townships are required to adopt a CIP on an annual basis, starting on July 1, 2025. HEA 1200 amends Ind. Code § 36-6-9-12 and provides that the start date for the annual adoption of a capital improvement plan is **January 1, 2028**.

Because Ind. Code § 36-6-9-12 originally imposed this requirement on July 1, 2025, there will be townships that have adopted CIPs in compliance with this statute for the 2026 budget year. This change in start date is not expected to invalidate the townships' actions or otherwise affect the townships that adopted CIPs. HEA 1200 does not state what effect this has on townships that did not adopt CIPs for budget year 2026. Indiana Code § 36-6-9-8 states that a township may not collect property taxes for capital improvement funds in the following year if a CIP has not been adopted that meets the requirements of Ind. Code § 36-6-9.

Please note that, before January 1, 2028, townships with capital improvement funds exceeding 150% of the annual budget or $200,000 are still required to adopt a CIP no later than September 30 of each calendar year. The Department will be issuing a workbook that assists townships in determining whether they meet this criteria and thus must adopt a capital improvement plan before September 30, 2026.

2. Applicability to Consolidating Townships, Ind. Code § 36-6-9-5

Section 28 amends Ind. Code § 36-6-9-5 so that, after **December 31, 2027**, all townships are required to adopt a CIP, including townships that have merged under Ind. Code § 36-6-1.5 or reorganized under Ind. Code § 36-1.5. Indiana Code § 36-6-1.5 governs the voluntary merging of township governments, whereas Ind. Code § 36-1.5 governs, among other things, both the voluntary reorganization of townships with another political subdivision or the involuntary reorganization with a municipality as enacted under SEA 270. As amended, Ind. Code § 36-6-9-5 does not mention townships required to merge under Ind. Code § 36-6-1.7 as enacted by SEA 270, but presumably a new merged township would also be required to adopt a CIP after December 31, 2027.

Under SEA 270, townships that are reorganized under Ind. Code § 36-1.5-4.1 will dissolve on **January 1, 2029**. Therefore, a township reorganizing under that process will be required under Ind. Code § 36-6-9-5 to adopt a CIP in 2028.

3. Submission to the Department, Ind. Code § 36-6-9-7

Section 29 amends Ind. Code § 36-6-6-9-7 to require that a CIP must be filed with the Department no later than five (5) business days after a budget is adopted under Ind. Code § 6-1.1-17-5(a), in the manner prescribed by the Department. For the 2026 Pay 2027 budget process, November 2, 2026, is the deadline for all taxing units to adopt 2027 budgets, tax rates, and tax levies. As such, November 9, 2026, is the last day that a township may submit their 2027 budgets, tax rates, and tax levies, as well as capital improvement plan, to the Department through Gateway.

4. Consideration of the CIP by the County Fiscal Body, Ind. Code § 36-6-9-11

Section 30 amends Ind. Code § 36-6-9-11 to specify that the CIP adopted in the prior year, rather than the one adopted in the current year, is to be considered by the county fiscal body during its non-binding review of a township budget under Ind. Code § 6-1.1-17-3.6. This resolves a conflict in law; specifically, Ind. Code § 36-6-9-7 required the township to adopt a CIP by September 30, which is after the fiscal body's meeting held in August under Ind. Code § 6-1.1-17-3.6(a) for non-binding review. With this amendment, the county fiscal body must therefore review the CIP adopted in the prior year.

II. Legislation Affecting Cumulative Funds, HEA 1210

A. Department Certification of Cumulative Fund Rate, Ind. Code § 6-1.1-41-4

Section 93 of HEA 1210 amends Ind. Code § 6-1.1-41-4 to provide that the Department shall certify the tax rate established or re-established for a cumulative fund as part of the Department's review of the political subdivision's budget under Ind. Code § 6-1.1-17-16 for the upcoming budget year. In other words, the Department will no longer issue a separate certification whether the established or re-established rate exceeds the maximum allowed tax rate. This does not change the Department's approval or disapproval of a cumulative fund tax rate, under Ind. Code § 6-1.1-41-9, pursuant to a taxpayer objection to the cumulative fund. **This also does not change the local process to establish or re-establish a cumulative fund under Ind. Code § 6-1.1-41.**

This change is effective July 1, 2026, and will first apply to cumulative fund tax rates for the established or re-established for the Pay 2027 budget year.

B. Cumulative Capital Development Fund Tax Rate, Ind. Code § 6-1.1-18.5-9.8

Section 71 of HEA 1210 amends Ind. Code § 6-1.1-18.5-9.8 to change how the cumulative capital development ("CCD") fund levy is treated for purposes of a unit's maximum levy. Under prior law, a county or municipality's CCD adjustment to the maximum levy was based off the calculated CCD fund rate cap, instead of the certified rate under Ind. Code § 36-9-14.5 or § 36-9-15.5. This created situations in which a unit received an adjustment to the maximum levy equal to the CCD fund rate cap, even when the unit certified a lower CCD fund rate.

HEA 1210 closes this gap by providing a CCD levy adjustment equal to the levy generated by the certified tax rate, regardless of whether that rate is at the statutory maximum. Under the revised statute, the amount of levy treated as outside the maximum levy will now equal the certified CCD rate × CNAV divided by 100, rather than the maximum permissible rate × CNAV divided by 100. This ensures that the outside-the-maximum-levy calculation reflects the levy the unit is certifying, aligning the adjustment with the certified rate rather than the rate cap.

This change is effective July 1, 2026.

III. Legislation Affecting CNAV Submissions, HEA 1210

Section 64 of HEA 1210 amends Ind. Code § 6-1.1-17-1 to make the following changes to the certified net assessed valuation ("CNAV") process. These changes are effective retroactive to January 1, 2026, and will affect the Pay 2027 budget process.

A. Written Notice of a CNAV Amendment

Before the county auditor makes an amendment to the CNAV, the county auditor must provide written notice to the county fiscal body, the Department, and the fiscal officers of the affected taxing units within the county. If the amendment is the result of information provided by the county assessor, written notice must also be provided to the county assessor.

This written notice replaces the required public hearing on the proposed CNAV amendment. This does not prohibit the county auditor from conducting a public hearing on the CNAV amendment, however.

B. Exclusion of Assessed Values Attributable to an Appeal

Prior to HEA 1210, the county auditor was required to exclude from the CNAV submission the amount of assessed value for any property located in the county for which there was a pending appeal under Ind. Code § 6-1.1-15. This requirement has been removed. Therefore, for the 2026 Pay 2027 CNAV submissions, the county auditor should include the amount of assessed value for any property located in the county for which there is a pending appeal. Please note that this change does not prevent the county auditor from excluding certain assessed value (CNAV withholding up to 2%) pursuant to Ind. Code § 6-1.1-17-0.5 or appealing to the Department for additional exclusion (in excess of 2% withholding) pursuant to Ind. Code § 6-1.1-17-8.5.

C. Notice for Failure to Submit CNAVs by August 1

A county auditor who fails to complete the CNAV submission by August 1 must provide electronic notice to

(1) the county fiscal body;
(2) the Department; and
(3) each political subdivision subject to budget certification under Ind. Code § 6-1.1-17-16.

This notice must be provided by August 1, must include a written statement acknowledging noncompliance, and must detail the reasons why the CNAV submission was not made by August 1.

The Department must submit a report of the counties that failed to meet the August 1 CNAV submission deadline to the legislative services agency and legislative council by February 1 of each year, starting in 2027.

IV. Legislation Affecting Initial Maximum Levy Certifications, HEA 1210

Section 70 of HEA 1210 amends Ind. Code § 6-1.1-18.5-7 regarding new maximum levy requests for civil taxing units, which exclude schools. These changes are effectively retroactive to January 1, 2026, and will therefore apply beginning with Pay 2027 taxes.

A. Eligibility for a New Maximum Levy, Ind. Code § 6-1.1-18.5-7(a)

Prior to HEA 1210, a civil taxing unit would not be subject to the maximum levy limits imposed by Ind. Code § 6-1.1-18.5-3 for a budget year if it did not adopt a property tax levy in the immediately preceding calendar year. As amended, a civil taxing unit would not be subject to the maximum levy limit for a budget year if it did not exist as of January 1 in the calendar year that immediately precedes the ensuing calendar year (that is, the budget year). Therefore, to be eligible for a new maximum levy under Ind. Code § 6-1.1-18.5-7, the civil taxing unit has to be able to impose property taxes for the upcoming budget year; specifically, by having (1) existed as of January 1 of the immediately preceding year; and (2) a certified net assessed value assigned to it for the upcoming budget year by the county auditor.

B. Process for Receiving a New Maximum Levy, Ind. Code § 6-1.1-18.5-7(b)

Prior to HEA 1210, a civil taxing unit seeking a new maximum levy must have submitted a request to the Department before June 30 in the year it adopts the budget for the upcoming year. As amended, the civil taxing unit will no longer submit this request. The civil taxing unit will instead (1) adopt its budget, levy, and rate as required by Ind. Code § 6-1.1-17-5; and (2) file the budget, levy, and rate with the Department. The Department will review the submitted levy to ensure the adopted budget is fundable based on the civil taxing unit's adopted levy and estimates of available revenues. The Department will certify the adopted levy, which will then become the unit's maximum levy, pursuant to Step One of Ind. Code § 6-1.1-18.5-3(a).

In other words, the process for setting a new maximum levy for a civil taxing unit will be folded into the budget certification process, rather than be a separate process. Note that this will not apply to levies for fire protection territories. The process for setting those levies is governed by Ind. Code § 6-1.1-18.5-10.5.

V. Legislation Affecting Public Library Budgeting, HEA 1406

Section 6 of HEA 1406 amends Ind. Code § 6-1.1-17-20.3 to make two changes regarding binding review of a public library's proposed budget. These changes are effective July 1, 2026.

A. Modification of Binding Review Threshold

First, Ind. Code § 6-1.1-17-20.3 states that a public library is subject to binding review if its proposed upcoming year's budget is increased by a certain percentage compared to the previous year's budget. Under current law, this percentage is the maximum levy growth quotient

("MLGQ") minus one (1). As amended by HEA 1406, the threshold is the percent increase that is equal to or more than the result of:

the MLGQ, rounded to the nearest thousandth (0.001);

minus one (1);

multiplied by five-tenths (0.5).

For example, assume that for the upcoming budget year, the MLGQ is 1.04. Following the order of operations above, the percent increase that would determine whether a public library's budget is subject to binding review is **0.02 or 2%.**

$$(1.04 - 1) = 0.04;\ 0.04 * 0.5 = \mathbf{0.02}$$

As such, in this scenario, a library's proposed budget percentage increase would need to be less than 2% to be non-binding.

Note that, in certain documents, such as the State Budget Agency's announcement under Ind. Code § 6-1.1-18.5-2, the MLGQ may be represented as a percentage. For example, an MLGQ of 1.04 would be represented as 4%. In such cases, the one (1) has already been subtracted from the MLGQ.

B. Modification of Max Levy Adjustment for Failure to Submit Proposed Budget

HEA 1406 also amends Ind. Code § 6-1.1-17-20.3 to modify the maximum levy adjustment that must be applied if a public library subject to binding review fails to submit its proposed budget on or before September 1 to the appropriate fiscal body. Under current law, for the upcoming budget year, the public library's maximum levy would be adjusted so that, rather than increasing the maximum levy by the MLGQ, it can only be increased by 80% of the MLGQ.

For example, taking the MLGQ of 1.04, above, and assuming a public library failed to submit its proposed budget as required by Ind. Code § 6-1.1-17-20.3, the MLGQ for the public library would be 1.032, or 80% of 1.04.

$$(1.04 - 1) \times 0.8 = 0.032;\ 0.032 + 1 = 1.032$$

HEA 1406 changes this adjustment factor from 80% to **49%**. Therefore, using the above example, the public library's MLGQ for the upcoming budget year is

$$(1.04 - 1) \times 0.49 = 0.0196;\ 0.0196 + 1 = 1.0196$$

Note that this amendment does not require rounding to the nearest thousandth (0.001), as would otherwise be required for the MLGQ under Ind. Code § 6-1.1-18.5-2.

HEA 1406 does not change the temporary nature of this adjustment. The public library's maximum levy for subsequent budget years will continue to grow by the MLGQ **as unadjusted**

under this statute, so long as the filing requirements under Ind. Code § 6-1.1-17-20.3 are satisfied in those years.

VI. Legislation Affecting Contract Uploads, HEA 1210

A. Municipal Advisor Contracts, Ind. Code § 5-1-14-19

Section 19 of HEA 1210 adds Ind. Code § 5-1-14-19 as a new section, effective upon passage, regarding contracts between a municipal entity and municipal advisors.

1. Definitions

"Municipal entity" refers to any of the following:

(1) A county.
(2) A township.
(3) A city.
(4) A town.
(5) A school corporation.
(6) A special taxing district.
(7) An instrumentality of any of the above listed entities.
(8) Any other entity required to sell bonds pursuant to Ind. Code § 5-1-11.

"Municipal advisor" is defined as a person who is not an employee of the municipal entity who does either of the following:

(1) Provides advice to or on behalf of a municipal entity or obligated person concerning financial issues, including advice related to

(A) municipal financial products or the issuance of municipal securities, including with respect to structure, timing, and terms; or

(B) budgeting and long-term financial planning.

(2) Undertakes a solicitation of a municipal entity or obligated person.

"Municipal financial products" means municipal derivatives, guaranteed investment contracts, and investment strategies.

"Obligated person" means any person who is committed under a contract or another arrangement to support the payment of all or part of the obligations on municipal securities to be sold in an offering.

"Solicitation of a municipal entity or obligated person" has the meaning set forth in 15 U.S.C. 78o-4(e)(9).

2. Requirements After Hiring or Retaining a Municipal Advisor

Under Ind. Code § 5-1-14-19, a municipality that hires or retains a municipal advisor must do the following:

(1) Publish the contract in a prominent location on the municipal entity's website.

(2) Upload the contract onto Gateway.

A municipal entity shall publish the contract by the following deadlines:

(1) If the contract was executed before March 1, 2026, or at least in effect on January 1, 2026, by **April 15, 2026.**

(2) If the contract was executed on or after March 1, 2026, no later **than thirty (30) days** after the contract is executed.

B. Annual Affirmation of Contract Uploads, Ind. Code § 6-1.1-17-5.4

Section 65 of HEA 1210, effective July 1, 2026, amends Ind. Code § 6-1.1-17-5.4 to expand the annual affirmation of contract uploads to include all of a political subdivision's contracts with a total cost of fifty-thousand dollars ($50,000). Previously, this statute only required affirmation of contracts entered into that are related to the provision of fire protection or emergency medical services. The latter requirement is not changed by this amendment.

Therefore, no later than March 2 of each year, the political subdivision's fiscal officer must submit an affirmation to the Department attesting that the political subdivision uploaded, pursuant to Ind. Code § 5-14-3.8-3.5(c), any contract entered into during the previous calendar year with a total cost of at least fifty-thousand dollars ($50,000). As with current law, the Department is statutorily prohibited from approving the political subdivision's budget or additional appropriation until the affirmation is submitted.

C. Guaranteed Energy Savings Contracts, Ind. Code § 36-1-12.5

Sections 227 and 228 of HEA 1210 amend Ind. Code § 36-1-12.5-10 and -12, respectively, regarding guaranteed energy savings contracts ("GESC"). These changes are effective July 1, 2026.

Under these changes, the governing body of a political subdivision shall upload onto Gateway information listed in Ind. Code 36-1-12.5-10 concerning the GESC, rather than provide it to the Department through other means. The governing body also does not need to make an annual report to the Department on the savings realized from a GESC or utility efficiency program in the previous year.

In addition, Ind. Code § 36-1-12.5-12 is amended to remove the requirement to report to the Department information related to improvements not causally connected to a conservation measure but included in a GESC.

VII. Legislation Regarding Community Mental Health Center Funding, SEA 4

Section 5 of SEA 4 amends Ind. Code § 12-29-2-2 to provide that a county may meet the funding requirements for community mental health centers (CMHCs) in lieu of or in combination with property taxes but excluding federal funds. In other words, while this statute requires a county to meet a certain level of funding for a CMHC based on the formula in Ind. Code § 12-29-2-2(b), this funding requirement can be met with any funding source or combination of funding sources, though not with federal funds. The Department will still provide the maximum appropriation under this statute in its July estimates.

Please be aware that the effective date for this change is **July 1, 2028**. Also be aware that this section in SEA 4 makes other changes to Ind. Code § 12-29-2-2 but these additional changes are outside the scope of this memorandum because they do not involve the maximum appropriation of CMHCs.

VIII. Legislation Affecting Property Tax Billing, HEA 1406

Section 7 of HEA 1406 amends Ind. Code § 6-1.1-22-8.1 to make two (2) changes regarding property tax bills.

First, for counties that use the tax bill as the notice of assessment under Ind. Code § 6-1.1-4-22 (i.e., in lieu of the Form 11), the county treasurer must send a property tax bill to all property owners regardless of whether the property has any property tax liability.

Second, for **taxes due and payable in 2027 only**, the county treasurer shall indicate on the tax bill whether the tax liability for Pay 2027 is less than the tax liability for Pay 2026, including the amount, if applicable.

These changes are effective July 1, 2026.

Contact Information

Questions may be directed to Anna Culy, Budget Division Director, at aculy@dlgf.in.gov.