
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All Political Subdivisions

FROM: Wesley R. Bennett, Commissioner

RE: Legislative Changes Concerning Local Budgeting Matters

DATE: June 23, 2021

The Department of Local Government Finance (“Department”) issues this memorandum to describe the changes to the law concerning local budgeting matters effected by House Enrolled Act 1271-2021 (“HEA 1271”), signed by Governor Eric J. Holcomb on April 8, 2021. Except as otherwise stated, the provisions are effective July 1, 2021.

This memorandum is being issued for informative purposes only and is not a substitute for reading the law.

I. Annexation Reporting

Section 24 of HEA 1271 amends Ind. Code § 6-1.1-17-0.7 to state that the fiscal officer of each political subdivision shall provide the DLGF with a report of any annexations that took place within the previous calendar year no later than June 15. In addition, Sections 83 and 84 amend Ind. Code § 36-4-3-19 and Ind. Code § 36-4-3-22, respectively, requires that the county auditor forward to the Department a copy of any annexation or disannexation ordinances filed with the county. The county auditor shall forward the ordinances no later than August 1 in the manner prescribed by the Department.

For 2021, county auditors who have not yet submitted an annexation report (State Form 56707) as of July 1 should forward ordinances along with the annexation report. After July 1, budget division field representatives will reach out to those county auditors who have submitted an annexation report before July 1 to obtain any annexation ordinances not yet forwarded.

II. Additional Appropriations

Section 30 of HEA 1271 amends Ind. Code § 6-1.1-18-5, the statute regulating additional appropriations, in two ways. The first change amends subsection (b) to state that an additional appropriation must be reported to the Department in the manner prescribed by the Department. All additional appropriations must be reported using Gateway Additional Appropriations. The Department issued a memorandum explaining this application: [Additional Appropriation Submission, Department Review Procedures, and Other Related Topics \(IC 6-1.1-18-5; IC 6-1.1-18-6\), February 5, 2021](#).

The second change adds subsection (l). This new subsection applies only to an appropriation for which the underlying purpose is a bond issue. The unit issuing the bond shall include the appropriation for the bond proceeds in the budget of the unit for the ensuing year. If the unit does not include the appropriation for bond proceeds, the unit shall comply with the additional appropriations procedures required by Ind. Code § 6-1.1-18-5 in the year in which the bond proceeds are received but may not make an additional appropriation in a year before the year the bond proceeds are received. In other words, a unit that issues a bond and does not appropriate the bond proceeds for the immediately ensuing budget year will have to comply with the additional appropriations process in the year in which the bond proceeds are received.

III. Cumulative Funds

Sections 38 through 44 of HEA 1271 make the following changes to the cumulative fund adoption process found in Ind. Code § 6-1.1-41.

- Moves the deadline for submission of proposed cumulative funds from April 30 to May 31. The Department notes that the amended provision, Ind. Code § 6-1.1-41-4(a)(2), will state that the due date is “before June 1 of that year, for years after 2017.” Because this change will not go into effect until July 1, 2021, submissions of cumulative fund proposals on or before June 30, 2021, will be subject to the previous May 1 due date.
- A unit shall use a notice to taxpayers of a public hearing in the form prescribed by the Department. Currently, only the notice of adoption had to be in a form prescribed by the Department.
- Amends Ind. Code § 6-1.1-41-6 to make the number of taxpayers required to remonstrate against a cumulative fund proposal twenty-five (25), regardless of the type of cumulative fund. Currently, the statute lists a different number of taxpayers required to remonstrate based on the kind of cumulative fund being objected to.
- Following the adoption of the cumulative fund, except in the case of a remonstrance, the unit shall submit the proposed cumulative fund to the Department for certification that the adopted rate does not exceed the statutory maximum. Currently, the Department must approve, deny, or modify the proposed cumulative fund. In the event of a taxpayer remonstrance against the proposed cumulative fund, the Department shall review the proposal to verify whether the unit complied with procedural requirements during the adoption process.
- States that the Department is not required to hold a public hearing on a remonstrance unless the remonstrance alleges by reasonable statements of fact that procedural defects occurred during the adoption process. The public hearing may be held through electronic means.

The changes to the cumulative fund process will apply for cumulative fund establishments or re-establishments for the 2022-pay-2023 budget cycle.

IV. Rainy Day Fund Transfer Limits

Section 79 of HEA 1271 amends Ind. Code § 36-1-8-5.1 to raise the amount of unobligated cash balances a local unit can transfer to its rainy day fund. Starting on January 1, 2021, and until

December 31, 2024, a local unit can transfer up to fifteen percent (15%) of its unobligated cash balances to its rainy day fund. Starting on January 1, 2025, the transfer amount is lowered to ten percent (10%). Section 79 is effective retroactive to January 1, 2021.

V. TIF Excess AV Allocation

Sections 88 through 90 of HEA 1271 amend Ind. Code § 36-7-14-39, Ind. Code § 36-7-14-48, and Ind. Code § 36-7-14-52, respectively, requires the county auditor (rather than the redevelopment commission) to report the notice of TIF excess AV allocations to the Department. This report must be forwarded no later than June 15 of each year.

Contact Information

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