



IASBO Region 2 Meeting

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Commissioner

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Agenda

- Budget Process
- Local Income Taxes
- New Legislation
- Feedback



Budget Process



Budget Changes for 2016

- SEA 321-2016 modifies the budget adoption process for local governments.
- Main goals:
 - To provide local governments with more information in advance of adoptions to allow for more accurate budget advertisings and adoptions.
 - To provide more local control over the adoption process and the Department's review process.



Budget Changes - Data

- By July 15, the Department will provide estimates of maximum levies for all taxing units.
- By August 1, the Department will provide estimates of circuit breaker impacts for each unit.
 - In order to do this, the Department will be contacting taxing units to get information on existing and potential debt, potential appeals and other changes that could impact the tax rates.



Budget Changes - Revenue

- The Department will start to provide taxing units with estimates of miscellaneous revenues in 2016 for the 2017 budgets.
- While this change statutorily starts in 2018, in order to accomplish other goals of SEA 321, the Department will begin this process in 2016.



Budget Changes – County Council Review

- The County Council Review process has been modified.
- Local units will no longer have to submit the County Council Review Worksheet.
- At its first meeting in August, the county council will review the information prepared by the Department in regard to the maximum levies and the circuit breaker impacts.



Budget Changes – County Council Review

- The county council can request that representatives of other taxing units attend the meeting.
- The county council must allow taxing unit representatives to comment.
- The county council may issue a written recommendation to taxing units. If the county does not provide a written recommendation, the minutes of the meeting shall be distributed to all taxing units.



Budget Changes – Form 3

- The September 13 deadline for submission of the Form 3 Notice to Taxpayers has been removed.
- The Form 3 must still be submitted in Gateway and published on budgetnotices.in.gov at least 10 days prior to the public hearing.
- If a unit needs to restart the process, the unit can resubmit the Form 3 and hold a new public hearing at least 10 days after the submission of the new Form 3.



Capital Projects Fund Notices

- SCHOOLS ARE STILL REQUIRED TO PUBLISH **IN THE NEWSPAPER** THE NOTICE OF HEARING ON THE CPF PLAN AND THE NOTICE OF ADOPTION.
 - Notice of hearing must be published one time at least 10 days before the public hearing. IC 5-3-1-2(b)
 - Notice of adoption should be published within 30 days of adoption.



Capital Projects Fund

- The Department reviews five data points for the CPF levy:
 - Form 3 Notice to Taxpayers
 - CPF Notice of Hearing
 - CPF Notice of Adoption
 - CPF Plan Summary
 - Form 4 Budget Ordinance
- Please ensure the levy is the same across all of these data points.



Bus Replacement Fund Notice

- SCHOOLS ARE STILL REQUIRED TO PUBLISH **IN THE NEWSPAPER** THE NOTICE OF HEARING ON THE BUS REPLACEMENT PLAN.
- Notice of hearing must be published one time at least 10 days before the public hearing. IC 5-3-1-2(b)



Bus Replacement Fund

- The Department reviews three data points for the Bus Replacement Fund levy:
 - Form 3 Notice to Taxpayers
 - Bus Replacement Notice of Hearing
 - Form 4 Budget Ordinance
- Please ensure the levy is the same across all of these data points.



Budget Changes - Adoption

- A taxing unit is expected to adopt a budget amount which considers the impact of the circuit breakers.



Budget Changes - Adoption

- For most funds, a taxing unit can control the level of review completed by the Department.
- This does not apply to debt service funds or the capital projects fund (need-driven).
- Three prong test:
 - If a taxing unit adopts over the Department's estimated maximum levy, the Department will complete its existing level of budget review.



Budget Changes - Adoption

- Three prong test:
 - If a taxing unit adopts within the Department's estimated maximum levy but the budget adopted is not fundable with this levy, the Department will complete its existing level of budget review.
 - If the taxing unit adopts a fundable budget within the Department's estimated maximum levy, the Department will conduct a shortened budget review.



Budget Changes - Adoption

- Shortened budget review:
 - The Department will verify that the adopted levies are within the estimated maximum levies.
 - The Department will calculate the certified tax rate.
 - The Department will accept the adopted budgets and estimated revenues as provided by the taxing unit.



Budget Changes – Department Deadline

- Starting for Budget Year 2019, the Department's deadline for budget order certification moves from February 15 of the budget year to December 31 of the year prior to the budget year.
- Exception: In a county where a taxing unit is issuing debt in December or plans to apply for a shortfall appeal, the Department's deadline is January 15 of the budget year.



Budget Changes - Training

- The Department will be preparing and presenting a number of trainings on these changes in the coming months.
 - IASBO Annual Conference
 - Gateway-Budget Trainings in May and June
 - Budget Workshops



Adoption Deadlines

- Form 4 Budget Ordinance
 - At least 10 days after the public hearing but no later than November 1.
- Capital Projects Fund Plan
 - Any time after public hearing but no later than November 1.
- Bus Replacement Fund Plan
 - Any time after public hearing but no later than November 1.



Schools Subject to Binding Adoption

- Hearing and Adoption by Appropriate Fiscal Body:
 - Form 4 Budget Ordinance
- Hearing and Adoption by School Board:
 - Capital Projects Fund Plan
 - Bus Replacement Fund Plan



Required Information

- Submit all required information to the Department (as detailed on the School Checklist) as soon as possible.
 - More information can be uploaded through Gateway
- During September and October, field representatives have more time to review submitted information and prep for reviews. Timely submission will make the budget review easier and quicker.



Request

- Please double-check all forms, plans, adoptions, and information prior to submitting. Many issues can be resolved, but the sooner the Department knows about them, the better.
- Please contact your budget field representative if you have any questions on the process or potential issues.
 - <http://www.in.gov/dlhf/2338.htm>



Local Income Taxes



Local Income Taxes

- HEA 1485-2015 consolidates the three LOITs (CAGIT, COIT, CEDIT) into one local income tax starting in 2017.
- Schools in current CAGIT counties will continue to receive a distribution of local income taxes.
- The revenue will be considered to be a part of the “expenditure rate”.
- To Be Determined: How these dollars will be accounted for?



Local Income Taxes

- SEA 67-2016 will distribute the existing trust account balances held by the State Budget Agency in May 2016.
- Schools in CAGIT counties will receive a portion of this special distribution.
- More details to come on the amounts to be distributed in April.
- SEA 67-2016 also modifies the supplemental distribution threshold for future distributions.



New Legislation



Referendum Language

- SEA 279-2016 adds IC 20-46-1-10.1 which includes language for use by school corporations that are extending an operating referendum.
- A resolution to extend a referendum must be adopted by the governing body of the school corporation and approved through a referendum before December 31 of the final calendar year of the prior referendum.
- The extended referendum may not exceed the number of years for which the prior referendum tax levy was imposed.



Referendum Language

“For the ___ (insert number) calendar year or years immediately following the holding of the referendum, shall the school corporation continue to impose a property tax rate that does not exceed ___ (insert amount) cents (\$0.___) on each one hundred dollars (\$100) of assessed valuation and for the purpose of funding _____ (insert short description of purposes)?

The tax rate requested in this referendum was originally approved by the voters in the _____ (insert name of the school corporation) in _____ (insert the year in which the referendum tax levy was approved).”



Protected Taxes Waiver

- HEA 1109-2016 extends the protected taxes waiver two additional years (2017 and 2018).
- In addition to the 10% circuit breaker impact to transportation fund requirement, if:
 - A school corporation in 2017 or 2018 issues new bonds or enters into new leases (other than refundings and referenda); and
 - The school corporation's total debt service levy in 2017 or 2018 is greater than the debt service levy in 2016;
 - The school corporation is not eligible for the waiver.



Capital Projects Fund

- HEA 1109-2016 extends the utilities and insurance adjustment for the capital projects fund until January 1, 2018.



Transparency

- SEA 126-2016 requires the Department to prepare a summary report of data provided by taxing units.
- The report is to be published on Gateway starting in 2017.
- A taxing unit that has a webpage must display a link to the report on its webpage.



Transparency

- Information to be included:
 - Expenditure data
 - Revenue data
 - Fund balances
 - Operating budget
 - Approximate number of employees
 - Outstanding debt and interest paid on the debt
 - Assessed value and tax rates
 - SCHOOL ONLY: Educational performance data



Transparency

- SEA 327-2016 requires a taxing unit to upload certain contracts to Gateway.
- The contracts must be uploaded during each year for which the contract amount exceeds the lesser of:
 - 10% of the unit's property tax levy for the year;
 - \$50,000.
- The contract is to be uploaded not later than 60 days after contract execution.
- The unit is responsible for protecting confidential information.



Ag Land Assessment

- SEA 308-2016 modifies the formula used to compute the agricultural land base rate.
- While the Department has not yet completed any projections on the ag base rate over time, the Legislative Services Agency indicates that the projected ag base rate will decrease from the current rate over the next few years.



Market Segmentation

- HEA 1290-2016 introduces “market segmentation” for property tax assessments.
- Market segmentation requires that sales of properties purported to be similar to the subject property can be used to value that subject property only if they hail from the same market or submarket as the subject property.
- The Department is also instructed to update its Real Property Assessment manual to address market segmentation.



Property Tax Appeals

- SEA 308-2016 allows a county fiscal body to adopt an ordinance to capture taxes from all taxing units within a taxing district when there is an appeal that is uncommon and infrequent.
- The ordinance must specify the appeals and why they are uncommon and infrequent, a detailed list of expenses incurred by fund and by parcel number, and that the county auditor will deduct the expenses in the ordinance from the property tax receipts collected in the taxing district before apportioning the tax receipts for the next semi annual settlement.



Property Tax Appeals

- HEA 1273-2016 modifies IC 6-1.1-15-10.5, which was added in the 2015 legislative session to allow a taxing unit to establish an assessment appeals fund.
- HEA 1273 changes the language to specify that property tax receipts are transferred into the appeals fund but may not be transferred from a debt service fund.
- Levy excess may not be transferred into this fund.



Feedback



Further Improvements

- What suggestions do you have for further legislative or administrative changes?
 - Budget process
 - Tax levies
 - Reporting requirements
 - Interactions with or between State agencies



Fiscal Health

- What measures do you look at when you are considering the fiscal health of your school corporation?
- Are there things the State could be doing to identify concerning financial circumstances earlier?
- How could the State help these school corporations?



Contact the Department

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 - “Contact Us”: www.in.gov/dlgf/2338.htm