Budget Streamlining: Year 2

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Budget Streamlining Overview

- Senate Enrolled Act 321-2016 introduced a variety of updates to the budget process.
- Notable changes:
  - Shortened review for many taxing units.
  - Simplified maximum levy calculations.
  - Property tax caps are considered with budgets.
- December 31/January 15 budget certification deadline beginning with 2019 budgets.
Budget Streamlining Overview

- SEA 321-2016 had a variety of goals:
  - Improved transparency for taxpayers.
  - Better information for taxing units.
  - Earlier budget certification.
A three year process

• Budget streamlining is a three year process:
  • 2017: Introduce the updates.
  • 2018: Improve the process, prepare for earlier certifications.
  • 2019: Fully updated budget process.
Shortened Budget Review

• Shortened budget review is designed to give more control to local governments.
• Units qualify for shortened review if:
  • Levies are at or below maximum.
  • Budgets are fundable.
• Debt and cumulative funds automatically go through full review.
Shortened Budget Review

- The Department certified 2464 budgets in 2017.
- Of the 2464 budgets, 1031 (nearly 42%) were reviewed using the shortened budget process.
Budget 2017

• 2017 in review:
  • Tax bills for all 92 counties out by statutory deadline (fourth straight year!)
  • Budget orders for all 92 counties certified by statutory deadline (third straight year!)
Budget 2018

• 2018 is year two of the three year budget streamlining cycle.
• Relative to 2017 and 2019, changes for 2018 are light.
• One of the biggest updates: pre-budget information collection.
Pre-Budget Worksheet

- Data collected includes:
  - Excess levy appeal
  - Cumulative fund reestablishment
  - Adopting/Fiscal bodies
  - New debt
  - Debt Worksheet
  - Estimated 6/30 cash balance for debt fund(s)
  - County mental health and developmental disability estimates
Key dates in July for estimates

- **July 14:**
  - Maximum levies.
  - Debt service levies.
  - Cumulative fund levies.

- **July 31:**
  - Property tax cap credit impact.
  - Miscellaneous revenue.
Maximum Levy Estimates

- Maximum Levy Estimates
  - Civil
  - Township Fire
  - Fire Territory
  - School Transportation
  - School Bus Replacement
### County Civil Maximum Levy Estimates

<table>
<thead>
<tr>
<th>Sample County Maximum Levy Equation (simplified)</th>
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</thead>
<tbody>
<tr>
<td>2017 Max Levy</td>
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<tr>
<td>x AVGQ</td>
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<tr>
<td><strong>Initial 2018 Max Levy</strong></td>
</tr>
<tr>
<td>+ CCD Adjustment</td>
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<tr>
<td>+ Mental Health Adjustment</td>
</tr>
<tr>
<td>+ Developmental Disabilities Adjustment</td>
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<tr>
<td><strong>Estimated 2018 Maximum Levy</strong></td>
</tr>
</tbody>
</table>
Maximum Levy Estimates

- The simplified equation on the prior slide does not include appeal adjustments.
- The 2017 maximum levy was permanently adjusted upward for the FIT adjustment. The FIT adjustment is no longer part of the maximum levy equation.
Maximum Levy Estimates

- Assessed Value Growth Quotient
  - Nonfarm personal income growth over the last six years.
  - AVGQ for 2017: 1.038.
- State Budget Agency will release the AVGQ for 2018 before July 1, 2017.
Maximum Levy Estimates

• CCD Adjustment
  • Available to counties, cities, and towns.
  • Only the CCD fund is eligible.

• Mental Health and Developmental Disabilities
  • Only available to county units.
  • Max levy adjustment = prior max * AVGQ.
Property Tax Cap Estimates

• Also called “Circuit Breakers.”
• Property taxes are capped at 1% (homestead), 2% (non-homestead residential, farmland, and others), and 3% (commercial) of their Gross AV less exemptions.
• If a taxpayer’s gross taxes are higher than their cap, the bill is reduced to the cap.
• As a result, taxing units see a loss from circuit breakers relative to gross taxes.
Property Tax Cap Estimates

- Must be released before August 1.
- Budget 2018 is the second year for the estimates.
Property Tax Cap Estimates

- Pre-budget data collection is going to play a significant role.
- Data newly submitted for 2017:
  - June 30 cash balances for debt funds.
  - County levy adjustment estimates.
  - Updated debt service payment estimates.
The Department computes its estimates using 2017 parcel-level tax bill data and estimated 2018 levies. Estimates are initially computed on a parcel basis. Parcel tax cap credits are then summed to compute tax district totals. Finally, credits are allocated among taxing units and max levy types within the district.
Property Tax Cap Estimates

• Internal budget forms (Forms 1, 4A, and 4B) will contain estimates of property tax cap credits.

• Public budget forms (Forms 3 and 4) will not include the property tax cap estimates by fund.

• Form 3 will contain the Department’s estimate by unit.
Property Tax Cap Estimates

- Units will enter property tax cap estimates by fund on Form 1.
- Values may be pulled forward from Form 1 to Form 4A and Form 4B.
- Values may also be pulled from Form 4B to Form 3 and Form 4. In the process, tax cap estimates by fund will be subtracted.
County Council Review

- Taxing units no longer submit the county council review worksheet.
- SEA 321-2016 also eliminated penalties for taxing units not submitting the CCRW and for counties that did not review it.
County Council Review

- At their first meeting in August, county councils review the Department’s estimates of maximum levies and property tax cap credits.
- County council may invite taxing units to attend the first August council meeting.
- If a taxing unit attends, it must be afforded the opportunity to speak.
County Council Review

- Council will issue a non-binding recommendation.
- If the council does not issue a recommendation, meeting minutes should be distributed.
- IC 6-1.1-17-3.6.
Auditor’s Certificate

- The Auditor’s Certificate was eliminated for 2017 budgets.
- It remains eliminated for 2018 budgets and moving forward.
Upcoming Date Changes

• For 2019 budgets:
  • Cumulative Funds
    • Petition must be submitted to Department before May 1 (currently before August 2.)
  • The process to establish/reestablish must be completed before May 1.
  • IC 6-1.1-17-16.7
Upcoming Date Changes

• For 2019 budgets:
  • Debt Service Reporting
    • Taxing units will report their estimated debt service payments before May 1.
    • Payments will be used to compute estimated debt service levies.
    • IC 6-1.1-17-0.7(a).
Upcoming Date Changes

- For 2019 budgets:
  - Parcel-Level CNAV
    - CNAV must be submitted at a parcel level.
  - The Department will release guidance leading up to July 2018.
  - IC 6-1.1-17-1(f)
Upcoming Date Changes

• For 2019 budgets:
  • Budget Order Certification
    • The Department must certify budgets by December 31.
  • If a taxing unit issues debt after December 1 or intends to file a shortfall appeal, the deadline is January 15.
  • IC 6-1.1-17-16(k)
Form 4B

Budgets through 2018
The Form 4B begins with the budget and ends with the levy.

Budgets beginning in 2019
The Department intends to revise Form 4B to begin with the levy and work in the opposite direction.
Form 4B

• The Department welcomes county and taxing unit participation as it drafts a new Form 4B.
• If you have ideas or want to share how your staff formulates your county’s budget, please contact us. Your input is key!
Form 3

- The Form 3: Notice to Taxpayers will not change significantly this year.
- After submission, Form 3 information may be viewed at http://BudgetNotices.in.gov.
Reminders:

- Submit Form 3 online at least 10 days before your public hearing.
- SEA 321-2016 eliminated the former September 14 deadline.
- Schedule at least 10 days between public hearing and adoption meeting.
Gateway Abstract

- The Department and AOS are partnering to build a new Abstract tool through Gateway.
- The tool is available for testing today.
Gateway Abstract

• The Department and AOS anticipate that counties will use Gateway Abstract in 2018.
• We are planning training sessions for this fall. We will release details later this summer.
• Please plan to attend!
CNAV

• The Department will open the CNAV collection tool through the DECAF application this summer.
• CNAV must be submitted by August 1.
• IC 6-1.1-17-1(a).
CNAV

• For 2018, CNAV remains relatively similar to prior years.
• The Department intends to collect some additional information when AVs significantly change.
• Counties already provide details on large AV changes, but often not until later in the fall. This process should lead to fewer resubmissions.
Form 22

- The Form 22 data collection tool is open and available through Gateway DECAFM.
- County tax & bill software can export Form 22 to flat files that are uploaded to Gateway.
• The Department encourages you to submit Form 22 shortly after settlement.
• Budget field representatives will use the Form 22 data immediately. We appreciate timely submissions!
Contact the Department

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