



## **Budget Streamlining: Year 2**

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**Deputy Commissioner**  
**May 24, 2017**



# Budget Streamlining Overview

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- 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

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



# A three year process

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- 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

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- 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

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



# Budget 2017

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- 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

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- 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

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- 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

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- July 14:
  - Maximum levies.
  - Debt service levies.
  - Cumulative fund levies.
- July 31:
  - Property tax cap credit impact.
  - Miscellaneous revenue.



# Maximum Levy Estimates

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



# Maximum Levy Estimates

- County Civil Maximum Levy Estimates

Sample County Maximum Levy Equation (simplified)	
2017 Max Levy	4,000,000
x AVGQ	1.038
<b>Initial 2018 Max Levy</b>	<b>4,152,000</b>
+ CCD Adjustment	100,000
+ Mental Health Adjustment	150,000
+ Developmental Disabilities Adjustment	98,000
<b>Estimated 2018 Maximum Levy</b>	<b>4,500,000</b>



# Maximum Levy Estimates

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- 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

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- 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

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- 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

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- 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

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



# Property Tax Cap Estimates

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- 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.



# Property Tax Cap Estimates

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- The Auditor's Certificate was eliminated for 2017 budgets.
- It remains eliminated for 2018 budgets and moving forward.



# Upcoming Date Changes

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- 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

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- 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

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- 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

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- 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

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## 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

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- 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

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- 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>.



# Form 3

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- 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

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- The Department and AOS are partnering to build a new Abstract tool through Gateway.
- The tool is available for testing today.
- URL: <http://in-ibrc-vtest.ads.iu.edu/login.aspx>.



# Gateway Abstract

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- 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

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- 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

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- 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

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- The Form 22 data collection tool is open and available through Gateway DECAF.
- County tax & bill software can export Form 22 to flat files that are uploaded to Gateway.



# Form 22

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- 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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