Reassessment Fund

Barry Wood
Assessment Division Director
March 2018
Overview

• Budgeting Basics
• Fund Structure (or Fund Types)
• Reassessment Fund
• Preparing Your Budget
• Managing Your Budget
• Budget Revisions and Amendments
Budgeting Terms

• Definition of “Budget”
  • A budget is a financial plan that includes both revenues and expenditures for a specified period of time. It’s a legally binding financial plan.

• Purpose of Budgeting
  • A budget allocates financial resources within a government to fund the operating and capital needs. The budget should be a communications device for officials to openly discuss with the public the operations, priorities, and costs.
Budgeting Terms

- **Definition of Appropriation:**
  - The legal authority from a fiscal body to spend or enter into obligations. That authority is within certain controls, such as the amount within a fund, the amount by a department, and a limited amount within an allowed type of expense.
Budgeting Terms

- Property Tax Rate – A quotient of the tax levy and the net assessed value. The tax rate multiplied times the assessed value (per $100) results in the amount of taxes the unit will charge (levy).

Levy = Tax Rate X (Net Assessed Value/$100) or Tax Rate = Levy/(Assessed value/100)
Budgeting Terms

• Property Tax Levy –
  1. The amount of tax a government charges property owners or,
  2. The amount of tax revenue generated for government from taxable property.
Budgeting Terms

• Maximum Property Tax Levy or “Max Levy”:
  • Property tax levies to local governments are allowed to increase no more than the 6 year average increase in non-farm personal income. This increase is usually between 2% and 4%.
  • Also referred to as the “frozen levy” or “controlled levy.”
• Excludes debt service funds or voter approved referenda.
Basics of Budgeting

- **Budget Controls**
  - State level of control is by fund and total for tax supported funds.
  - Control at the local level is established by ordinance or resolution and at the fund, department, and major classification level.
- **Penalties – IC 6-1.1-18-10**
  - If the proper officer makes an excessive appropriation they are guilty of malfeasance in office and liable for 125% of the amount.
Funds

• A fund is a separate account for specific revenues and expense.
  • Intent is to separate dedicated fees and charges and use only for intended purpose.

• Types of Funds
  • General Fund
    • Includes all operating costs and revenues not required to be included in another fund.
    • This fund is for the general provision of government services and not designated for specific purposes.
    • Funds most activities of the government.
Funds

• **Special Revenue Funds**
  • Used to account for revenues reserved or designated for specific purposes.
  • By definition: Reassessment is a Special Revenue fund.
  • Special Revenue also includes User Fee Funds.
  • Ex: Accident Report, Gun Permit, and Law Enforcement Training Funds.
Funds

• **Capital Funds**
  • Primarily used for acquisition or construction of fixed assets or equipment including fleet.
  • Construction Fund from bond proceeds.
  • Cumulative Capital Funds can be used to accumulate cash for future planned expense. Also may be used to purchase equipment, vehicles, land, and buildings.

• **Debt Service Funds**
  • Used to make principal and interest payments.
  • Usually supported by property tax or income tax.
IC 6-1.1-4-27.5 Establishing and Increasing Levy

Sec. 27.5. (a) The auditor of each county shall establish a property reassessment fund. The county treasurer shall deposit all collections resulting from the property taxes that the county levies for the county's property reassessment fund.

(b) With respect to a reassessment of real property under a county's reassessment plan under section 4.2 of this chapter, the county council of each county shall, for property taxes due each year, levy against all the taxable property in the county an amount equal to the estimated costs of the reassessment under section 28.5 of this chapter for the group of parcels to be reassessed in that year.
IC 6-1.1-4-27.5 Increasing Levy (Continued)

(c) The county assessor may petition the county fiscal body to increase the levy under subsection (b) to pay for the costs of:

(1) a reassessment of one (1) or more groups of parcels under a county's reassessment plan prepared under section 4.2 of this chapter;

(2) verification under 50 IAC 27-4-7 of sales disclosure forms forwarded to the county assessor under IC 6-1.1-5.5-3; or

(3) processing annual adjustments under section 4.5 of this chapter.

The assessor must document the needs and reasons for the increased funding.

(d) If the county fiscal body denies a petition under subsection (c), the county assessor may appeal to the department of local government finance. The department of local government finance shall:

(1) hear the appeal; and

(2) determine whether the additional levy is necessary.
IC 6-1.1-4-28.5 Property reassessment funds; use of money; soil maps

Sec. 28.5. (a) Money assigned to a property reassessment fund under section 27.5 of this chapter may be used only to pay the costs of:

1. the general reassessment of real property under section 4 of this chapter or reassessment of one (1) or more groups of parcels under a county's reassessment plan prepared under section 4.2 of this chapter, including the computerization of assessment records;
2. payments to assessing officials and hearing officers for county property tax assessment boards of appeals under IC 6-1.1-35.2;
3. the development or updating of detailed soil survey data by the United States Department of Agriculture or its successor agency;
Reassessment Fund

(4) the updating of plat books;
(5) payments for the salary of permanent staff or for the contractual services of temporary staff who are necessary to assist assessing officials;
(6) making annual adjustments under section 4.5 of this chapter; and
(7) the verification under 50 IAC 27-4-7 of sales disclosure forms forwarded to:
   (A) the county assessor; or
   (B) township assessors (if any);
under IC 6-1.1-5.5-3.
IC 6-1.1-4-28.5 Property reassessment funds; use of money; soil maps
Money in a property tax reassessment fund may not be transferred or reassigned to any other fund and may not be used for any purposes other than those set forth in this section.
(b) All counties shall use modern, detailed soil maps in the reassessment of agricultural land.
IC 6-1.1-4-28.5 Property reassessment funds; use of money; soil maps

(c) The county treasurer of each county shall, in accordance with IC 5-13-9, invest any money accumulated in the property reassessment fund. Any interest received from investment of the money shall be paid into the property reassessment fund.

(d) An appropriation under this section must be approved by the fiscal body of the county after the review and recommendation of the county assessor. However, in a county with a township assessor in every township, the county assessor does not review an appropriation under this section, and only the fiscal body must approve an appropriation under this section.
Reassessment Fund

- Relationship with the General Fund
  - Both funds are within the same maximum levy control;
    - If county is at the maximum levy, then increasing one funds levy will decrease the other;
  - Expenses not allowed in the Reassessment Fund are posted to the General Fund;
  - Fund balance in Reassessment Fund is not allowed to be transferred to another fund.
Reassessment Fund

- Reassessment budget and levy may be adopted by fiscal body as presented or it may be reduced. Reasons for change may be:
  - County funds are over the maximum levy;
  - May determine funding is sufficient at a different level;
  - More funding may be needed in general fund for other purposes.
Reassessment Fund

- Possible reactions to modifications to reassessment budget could include:
  - Accept the changes;
  - Work with the auditor and council for an alternative;
  - Seek additional funding from the general fund; or
  - Appeal to DLGF for reinstatement.
Preparring Your Budget (TIPS)

• Assessors may appropriate from the general fund or the reassessment fund;
  • Reassessment fund may be used for:
    • Reassessment of one or more parcels;
    • Verification of sales disclosure forms; and
    • Processing of annual adjustments (IC 6-1.1-4-27.5)
• General fund may be used for any governmental purpose not required to be accounted for in another fund.
Preparing Your Budget (TIPS)

- Budget covers 18 months of cash flow so you can reduce spending this year to supplement next year's budget.
- Review contractual obligation for benefits.
- Compare Y-T-D spending levels to budget.
- Look for areas of under spending and over spending – if necessary force under spending.
- Under spending can be saved or transferred to other areas.
- Transfers may require an ordinance or resolution.
Managing Your Budget

• Review the type of reports you receive from your fiscal officer at least monthly;
• Review spending in each category;
• Annualize spending levels either month to date or quarter to date and compare to annual budget;
• Realize some spending is not in regular intervals, i.e. rent or capital purchases;
• Anticipate inflation and allow for contingencies.
Managing Your Budget

• Items With Variable Spending Patterns:
  • Wages (varies with staffing levels and hours worked)
  • Over-time
  • Fuel (varies by gallons used and price)
  • Travel
  • Supplies
  • Legal Fees
  • Equipment
Budget Revisions

• Officials can amend budgets by adopting ordinances or resolutions that may:
  • Increase or decrease appropriations,
  • Transfer appropriations from one classification to another. (For example: transfer budget dollars from supplies to capital.)
  • Increases, decreases, and transfers require passage of a resolution or an ordinance by fiscal body in a public meeting.
• Very few provisions in Indiana Code allow for the transfer of cash from one fund to another.
Budget Revisions

- Budget revisions may increase appropriations;
- Limited to available funding;
- Additional appropriations from tax supported funds, MVH, LR & S, and rainy day funds also require DLGF approval;
- Requires a public notice, hearing, and passage of an ordinance or resolution;
- Occasionally, budgets need to be reduced to reflect reduced amounts of resources;
- For instance, a town may only receive 90% of the property tax they anticipated.
• Appropriation transfers;
• Transfers within the same fund and department, but between major classifications:
  • Transfers do not change the amount appropriated within a fund and department.
• Requires a public notice and hearing.
• These transfers do not require approval by the DLGF.
• Appropriation transfers within the same department, fund, and major classification do not require fiscal body action.

• Examples:
  • Transfer from health insurance premiums to pension contribution, or
  • Transfer from part-time wages to full-time.
Fund transfers:
- Defined as a transfer of cash from one fund to another.
- Cities, towns, and counties are allowed to pass ordinances or resolutions allowing transfers of funds from rainy day fund to other appropriated funds.
- Transfer of funds are reported to the DLGF.
- Once the funds are transferred they still require an appropriation in order to spend.
- Transfers from Reassessment Fund are NOT allowed.
For More Information

- Barry Wood, Assessment Division Director
  - Phone: (317) 232-3762
  - Email: bwood@dlgf.in.gov
- News releases from the DLGF
  - www.in.gov/dlgf
- Contact the DLGF
  - (317) 232-3777