

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** All Taxing Units

**FROM:** Fred Van Dorp, Director, Budget Division

**RE:** Additional Appropriation and Transfer Procedures  
(IC 6-1.1-18-5; IC 6-1.1-18-6)

**DATE:** February 28, 2019

The Department of Local Government Finance (“Department”) issues this memorandum, which applies to the Additional Appropriation and Transfer Procedures as outlined in IC 6-1.1-18-5 and IC 6-1.1-18-6, and which supersedes all previous memoranda on the subject. This memo does not take the place of Indiana law. The Department and all local units of government are bound to due dates and responsibilities as outlined in law. In the event any part of this memorandum conflicts with Indiana law, Indiana law governs.

The additional appropriation process is used to appropriate money in excess of the Department’s certified appropriations for a unit for the current budget year. Although the fiscal body of a unit must and the Department must act on all additional appropriations, approval by the Department is only required for (this is not a complete list, only a sample):

1. Funds that receive revenue from property taxes levied under IC 6-1.1
2. Motor Vehicle Highway (“MVH”) Fund (IC 8-14-1-1)
3. Local Road and Street (“LRS”) Fund (IC 8-14-2-4)
4. Library Improvement Reserve Fund (“LIRF”) (IC 36-12-3)
5. School Education Fund IC 20-40-2
6. Rainy Day Fund (IC 36-1-8-5.1)

For the purposes of additional appropriation requests, all other funds are classified as “reporting-only funds”. For reporting only funds, the Department must acknowledge the receipt of the additional appropriation request.

All additional appropriations must be submitted to the Department in a timely manner. The deadline for additional appropriation submissions for the 2019 Budget is December 16, 2019. Email the documents to the [AdditionalAppropriationRequests@dlgf.IN.gov](mailto:AdditionalAppropriationRequests@dlgf.IN.gov).

If you have any questions, please email [AdditionalAppropriationRequests@dlgf.IN.gov](mailto:AdditionalAppropriationRequests@dlgf.IN.gov) or contact your Budget Field Representative. Contact information can be found at: [www.in.gov/dlgf/2338.htm#BudgetFld](http://www.in.gov/dlgf/2338.htm#BudgetFld).

The following steps represent an overview of the additional appropriation process including both the State Board of Accounts (“SBOA”) prerequisite submissions and the steps that a unit will need to perform to advertise, adopt, and submit an additional appropriation to the Department.

### **ADDITIONAL APPROPRIATION PREREQUISITE 1: SBOA REPORTING**

Under IC 5-11-1-4, the Department may approve an additional appropriation requests for a political subdivision (“unit”) only if it has electronically filed with the State Board of Accounts (“SBOA”) the Annual Financial Report (“AFR”) and the Annual Personnel Report (“100R”) according to IC 5-11-1-4 and IC 5-11-13-1. The 100R must indicate whether the unit offers a health plan, a pension, and other benefits to full-time and part-time employees. According to IC 5-11-13-1.1, cities, towns, counties, and townships must implement an anti-nepotism policy and contracting policy and submit with the 100R a statement by the executive certifying that such policies have been implemented before the Department can certify a budget or an additional appropriation for the unit.

The anti-nepotism and contracting policies are not submitted to the Department. These policies should be made available to SBOA during its examination. SBOA will notify the Department if a unit has not adopted an anti-nepotism or contracting policy.

### **STEP 1: PUBLIC NOTICE**

The proper fiscal body of a unit must give public notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice should include each fund name and number, a categorical breakdown of the proposed additional appropriation for each fund, and the total of the proposed additional appropriation for each fund. The notice shall be published one time in two newspapers published in the unit’s jurisdiction. If only one newspaper is published in the jurisdiction, publication in that paper is sufficient. In accordance with IC 5-3-1-2(b), the publication must occur not less than ten calendar days before the public hearing on the proposal.

### **STEP 2: PUBLIC HEARING**

The proper fiscal body of the unit shall hold the public hearing on the proposal as advertised. At the public hearing, action shall be taken to approve, modify, or disapprove the proposed additional appropriation as advertised. If the unit’s fiscal body postpones action on the request until the following meeting, the additional appropriation does not have to be re-advertised provided the postponement of the request is stated publicly and included in the minutes of the correctly-advertised meeting, and all requirements of the Open Door Law are satisfied. The fiscal body shall not adopt appropriations exceeding the amount advertised.

Any additional appropriations by a unit whose annual tax levy must be adopted by a city, town, or county fiscal body under IC 6-1.1-17-20 or by a legislative or fiscal body under IC 36-3-6-9, collectively referred to as binding units, must be adopted by the same fiscal or legislative body by ordinance before the Department may approve the additional appropriation.

Libraries whose additional appropriations would increase their budgets by a percentage greater than the assessed value growth quotient for the current year must have their additional

appropriations approved by the city, town, or county fiscal body described in IC 6-1.1-17-20.3(c).

### **STEP 3: SUBMISSION TO DEPARTMENT**

After the public hearing, the proper fiscal officer of the unit must complete and submit a Certified Copy of Additional Appropriations Form (SF 55819, available at <https://forms.in.gov/Download.aspx?id=12270>) to the Department using the most recently revised version. The requested amount of additional appropriation shown on the Certified Copy must not exceed the amount advertised or adopted by the fiscal body.

Additional appropriation requests may be emailed, faxed, or mailed to the Department.

Email Address: [AdditionalAppropriationRequests@dlgf.in.gov](mailto:AdditionalAppropriationRequests@dlgf.in.gov)  
Fax Number: (317) 974-1629  
Mailing Address: Department of Local Government Finance  
Attention: Budget Division - Additional Appropriations  
100 North Senate Avenue - IGCN Room N1058  
Indianapolis, IN 46204

During the review, the Department will validate the miscellaneous revenue amount reported on Line 5 of the Certified Copy using Line 8B of the Fund Report from the Current Year's 1782 Notice. If the amount on Line 5 of the submission exceeds that amount, a revised Form 2 (Estimate of Miscellaneous Revenue) must be submitted that shows the line item increase. The revised Form 2 must show the new total amount of Miscellaneous Revenues in Column B including any additional amounts available to be appropriated. If a revised Form 2 is not submitted, the unit's request will be processed using the miscellaneous revenue amount on Line 8B. The Form 2 – Misc. Revenue can be found with the 1782 Notice reports.

The Department will also validate the circuit breaker amount reported on Line 8 of the Certified Copy using the Department's actual circuit breaker calculated amount posted on the Department's website (<http://in.gov/dlgf/8225.htm>). If a unit does not populate this line on its request, the Department will populate the line during the review so as not to approve an additional appropriation for which the unit will not have adequate funding.

When a school corporation requests an additional appropriation for the Operations fund, a brief explanation of the purpose of the request and the accounts affected will facilitate the processing of the request. In some cases, an amendment to the Capital Project or Bus Replacement plans may be required. Units should consult the appropriate memoranda and statutes for more information.

### **STEP 4: DEPARTMENT REVIEW & RESPONSE**

When the Department receives a Certified Copy for a proposed additional appropriation that requires its approval, the Department will determine whether sufficient funds are available during the calendar year for the proposal and whether the proper procedures have been followed. The Department will limit the amount of the additional appropriation to the amount of funds available or to be made available and that have not been previously appropriated.

For all requests the Department will provide a written determination within 15 days of receipt of the proposal. If a form has been returned for correction, the 15 days will begin when a complete and corrected form is re-submitted. A unit may request reconsideration of the Department's denial or modification of a proposal by filing a written request with the Department within 15 days of receipt of the determination. A request for reconsideration must state with reasonable specificity the reason for the request for reconsideration. The Department must act upon a request for reconsideration within 15 days of receipt.

The final section of the memo contains frequently asked questions for additional appropriations related to specific units, funds, and/or transfer procedures.

### **TRANSFER OF APPROPRIATIONS BETWEEN MAJOR CLASSIFICATIONS**

IC 6-1.1-18-6 does not apply to units with departmentalized budgets seeking to transfer appropriations from one department to another. Those units should follow the additional appropriation procedures and appropriation reduction procedures for such transfers.

The proper fiscal body of a political subdivision may transfer appropriations from one major budget classification to another within the same fund and department or office if:

1. They determine that the transfer is necessary;
2. The transfer does not require the expenditure of more money than the total amount set out in the budget for that fund as finally determined under IC 6-1.1; and
3. The transfer is made at a regular public meeting and by proper ordinance or resolution.

A transfer may be made under IC 6-1.1-18-6 without notice and without the approval of the Department. For those units that are not departmentalized, it is not necessary to file documentation with the Department on transfers from one major budget classification to another.

### **RAINY DAY FUND**

The Rainy Day Fund is subject to the same appropriation process as other funds that receive property or income tax money.

Under IC 36-1-8-5.1, a county, city, or town may at any time, by ordinance or resolution, transfer to its General Fund or any other appropriated funds money that has been deposited in its Rainy Day Fund. Transfers to or from the Rainy Day Fund must be reported to the Department. Units must submit to the Department the resolution/ordinance from the fiscal body approving the transfer. The resolution/ordinance must include the name of each fund and the amount being transferred out of each fund to the Rainy Day Fund. The Department may not reduce the actual or maximum permissible levy of a unit as a result of a balance in the Rainy Day Fund of the unit.

A taxing unit can transfer unused and unencumbered funds from its General Fund or other property tax levy funds (excluding debt service and other dedicated funds) to the Rainy Day Fund. In addition, other unobligated cash balances from any fiscal year (excluding debt service and other dedicated funds) may also be transferred to the Rainy Day Fund pursuant to an ordinance or resolution that authorizes and identifies the amount, which cannot exceed 10% of the taxing unit's total annual budget for that fiscal year.

SBOA has advised that transfers to the Rainy Day Fund are prohibited from funds receiving dedicated revenues for specific projects or purposes, such as MVH and LRS. Moreover, a balance in a cumulative fund may be transferred to the Rainy Day Fund only if the purpose of the cumulative fund has been fulfilled. In an audit, SBOA would expect the unit to be able to show that the cumulative fund's purpose has been fulfilled. A unit's transfer of funds from a cumulative fund to its Rainy Day Fund would indicate to the Department that the property tax rate for that cumulative fund was no longer needed. Before making an appropriation from the Rainy Day Fund, the fiscal body shall make a finding that the proposed use of the Rainy Day Fund is consistent with the expressed intent of the fund.

### **APPROPRIATION REDUCTIONS**

Appropriation reductions in the current year have the effect of increasing fund balances available in the ensuing year by official reducing the appropriation in the current year. Reductions may be handled in two ways.

Option 1: Reductions may be handled in the same manner as additional appropriations as outlined herein. The unit will go through the steps listed above, but populate Line D of the Certified Copy. The Certified Copy would still be submitted to the Department as outlined in Step 3.

Option 2: Reductions may also be handled via ordinance or resolution by the appropriate fiscal body. If a unit's fiscal body approves a reduction ordinance or resolution, the ordinance or resolution must be submitted to the Department via upload the into the Budget application in Gateway.

### **GRANT PROCEEDS**

Grant monies must be expended in accordance with the grant and may require the unit to submit an additional appropriation request.

If grant monies are receipted into a previously-established fund requiring appropriation approval by the Department, the unit must follow the additional appropriation procedures for that fund as outlined herein.

If the grant monies are provided by the state or federal government as a reimbursement of an expense made by the unit and receipt/disbursement activity for the grant is reflected in a separate fund, the political subdivision may appropriate the monies without using the additional appropriation procedures or report to the Department in order to make expenditures (IC 6-1.1-18-7.5).

### **LOAN AND BOND PROCEEDS**

Bond and loan monies must be expended in accordance with the bond budget and purpose, but may require the unit to submit an additional appropriation request. If the proceeds from a loan or bond are receipted into a previously-established fund requiring appropriation approval by the Department, the unit must follow the additional appropriation procedures for that fund as outlined herein.

For the purposes of additional appropriation requests, loan and bond proceeds would be considered reporting only funds and will be acknowledged, but not approved by the Department.

In compliance with IC 5-1-18-7 and IC 5-1-18-8, may not certify an appropriation or property tax levy associated with a debt (including a lease) if a debt issuance report has not been submitted to the Department via the Debt Management application in Gateway. The Department will not review an additional appropriation for a debt unless this report has been submitted.

The Department reminds local officials that units are required under IC 5-1-18-6 to report new debt as it is incurred. Units must complete a report in Gateway Debt Management no later than one month after the date on which the bonds are issued, the loan is closed, or the lease is executed.