



Budget 2019 Review / Budget 2020 Preview

Fred Van Dorp
Budget Division Director
May 21, 2019



Agenda

1. 2019 Budget Certification Recap
2. State Examiner Directive 2018-2: MVH Funds
3. 2020 Budget Calendar Overview



2019 Budget Certification Recap

- SEA 321 – 2016 changed the Department’s due dates for Budget Certification.

Budget Year	Certification Date
Budget Year 2017	February 15, 2018
Budget Year 2018	February 15, 2018
Budget Year 2019 ¹ (Current Year)	December 31, 2018 or January 15, 2019

- Note 1: If one unit in a county were to close on debt or file a shortfall appeal in December, the entire county will have a budget certification date of January 15.



2019 Budget Certification Recap

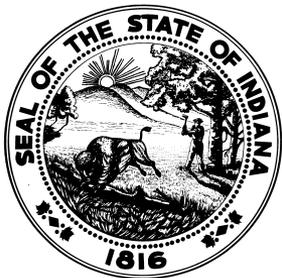
- Key Metrics for 2019 Budget Certification

Date	Milestone
November 8	First 59 units received a 1782
November 19	298 units received a 1782
November 20	1 st County received Budget Order
December 31	73 Counties had Budget Orders
January 10	92 nd County received Budget Order



2019 Budget Certification Recap

- Keys to Success for 2019
 1. Year long focus on encouraging units to consider taking action earlier.
 2. Year long focus on the Budget Calendar.
 - Year long focus on statutory due dates.
 3. Department software update that allowed us to begin processing adopted budgets earlier.
 4. Distribution of 1782s for individual units.



2019 Budget Certification Recap

- Areas of Improvement for 2020
 1. Increased emphasis on recommended “Budget Preseason Activities.”
 2. Proactive Preseason Outreach.
 3. Increased Promotion of Department resources.
 4. Strategic Communication.



State Examiner Directive 2018-2: MVH Funds



State Examiner Directive - MVH Funds

- On December 20, 2018, the State Examiner issued Directive 2018-2 (“SED 2018-2”) regarding the accounting for distributions from the State Motor Vehicle Highway account and the statutory restriction that at least 50 percent be used on construction, reconstruction, or preservation of the local unit’s highway and streets.
- The purpose SED 2018-2 is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in HEA 1002-2017 and HEA 1290-2018.
- The sub-fund will be referred to throughout the Directive as “MVH Restricted” and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.



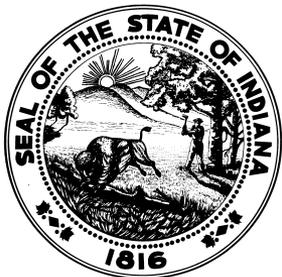
State Examiner Directive - MVH Funds

- Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.
- SBOA has provided definitions and examples of activities that would be considered during an audit as construction, reconstruction, or preservation and those that would be general unallocated costs or maintenance. These definitions were compiled by a committee chaired by LTAP and will be what we will use for determining compliance with the restrictions on the use of MVH distributions.



State Examiner Directive - MVH Funds

- Link to State Examiner Directives
 - <https://www.in.gov/sboa/4488.htm>
- Link to SED 2018-2
 - <https://www.in.gov/sboa/files/Directive%202018-2%20%2012%2018%20.pdf>
- Link to Q&A for SED 2018-2
 - <https://www.in.gov/sboa/files/QandA%20for%20Directive%202018-2%20%2012%2018.pdf>
- Link to CRP Definitions and Examples
 - <https://www.in.gov/sboa/files/MVH%20CRP%20definitions%20ver%20V.pdf>



State Examiner Directive - MVH Funds

Which funds will be I using for tracking expenditures for SBOA, and which funds will be using for budgeting for Department?

SBOA Fund and Sub Fund

County Fund

Fund 1176 MVH
Fund 1173 MVH Restricted

City and Town Fund

Fund 201 MVH
Fund 203 MVH Restricted

Note: The new sub-fund should be in use as of January 1, 2019.

Department Funds

County Fund

Fund 0702 Highway

City Town Fund

Fund 0708 MVH

Note: No change to the funds certified by Department.



State Examiner Directive - MVH Funds

- How will SED 2018 – 2 impact by 2019 Budget?
- *Question 1: Should I have advertised and adopted a budget for my MVH Sub Fund for 2019?*
- Answer: No.



State Examiner Directive - MVH Funds

- How will SED 2018 – 2 impact by 2019 Budget?
- *Question 2: Will I need to do an additional appropriation before I begin spending out of the MVH Sub fund for 2019?*
- Answer: No.



State Examiner Directive - MVH Funds

- How will SED 2018 – 2 impact by 2019 Budget?
- *Question 3: Will I need to do an additional appropriation: **Reduction** to my MVH or Highway funds?*
- Answer: No.



State Examiner Directive - MVH Funds

- How will SED 2018 – 2 impact by 2020 Budget?
- *Question 4: Will I be advertising or adopting a budget for the MVH sub fund for 2020?*
- Answer: No.



State Examiner Directive - MVH Funds

- How will SED 2018 – 2 impact by 2020 Budget?
- *Question 5: Will I see any changes to my 2020 budget?*
- Answer: Yes. During the 2020 budget certification process, the Department will need to know the sum of the all cash and expenditures from MVH and MVH restricted fund, but the Department will continue to certify a budget for a single fund.



2020 Budget Calendar Overview



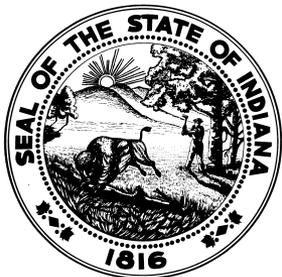
2020 Budget Calendar Overview

- Preliminary 2019 Budget Calendar
- <https://www.in.gov/dlhf/files/pdf/190212%20-%20Van%20Dorp%20Memo%20-%202019%20-%202020%20Budget%20Calendar.pdf>
- Annually the Department releases a Budget Calendar bulletin that lists some of the key events for all units during the year related to budgets.
- The calendar is often amended after the legislative cycle ends.



2020 Budget Calendar Overview

Date	Description
May 1	Last day for State Budget Agency to provide the amount of the supplemental Local Income Tax distribution to Department and qualifying counties. (IC 6-3.6-9-15)
May 15	Last day for the Department to provide unit level Supplemental LIT distribution reports qualifying counties. (IC 6-3.6-9-15) https://www.in.gov/dlgf/files/2019%20Supplemental%20LIT%20Calculation%20(2019-03-19).pdf
May 31	Last day for county auditor to distribute to each taxing unit the amount of the supplemental distribution that is allocated to the taxing unit under subdivision. (IC 6-3.6-9-15)



LIT Supplemental Distribution

County qualification for the supplemental distribution is based on IC 6-3.6-9-15(a):

- (a) If the budget agency determines that the balance in a county trust account exceeds fifteen percent (15%) of the certified distributions to be made to the county in the **determination year**, the budget agency shall make a supplemental distribution to the county from the county's trust account. The budget agency shall use the **trust account balance** as of December 31 of the year that precedes the determination year by two (2) years...



LIT Supplemental Distribution

- Determination Year (“DY”):
 - The most recent (calendar) year’s certified distribution.
 - The “DY” for May 21, 2019 is 2019.
- Trust Account Balance Year (“TAY”):
 - For the purpose of the Supplemental Distribution, the TAY for 2017.



LIT Supplemental Distribution

SBA Conceptual Calculation

Determination Year (“DY”) =
2019

Trust Account Year (“TAY”) =
2017

Is TAY > 15% of DY?

How much supplement will the
county receive?

Example County #1

DY = \$100

TAY = \$10

No.

**Supplemental Distribution =
\$0.00**



LIT Supplemental Distribution

SBA Conceptual Calculation

Determination Year (“DY”) =
2019

Trust Account Year (“TAY”) =
2017

Is TAY > 15% of DY?

How much supplement will the
county receive?

Example County #2

DY = \$100

TAY = \$20

Yes.

**Supplemental Distribution =
\$5**



LIT Supplemental Distribution

- SBA County Informational Reports:
<https://www.in.gov/sba/2588.htm>
- IC 6-3.6-9-15 bases the Supplemental Distribution eligibility on the trust account balance on **December 31**.
- IC 6-3.6-9-14 requires the Budget Agency to submit a report with the county trust account balance on **November 2**.



LIT Supplemental Distribution

The Department will calculate the unit level breakdown for the supplemental distribution based on IC 6-3.6-9-15(d)(2)(A)&(B).

- (2) The department of local government finance shall determine for the county and each taxing unit within the county:
 - (A) the amount and allocation of the supplemental distribution attributable to the taxes that were imposed as of December 31 of the trust account balance year, including any specific distributions for that year; and
 - (B) the amount of the allocation for each of the purposes set forth in this article, using the allocation percentages in effect in the trust account balance year.

The Department calculates the unit level breakdown for each recipient county based on the 2017 configuration, levies, and rates.



2020 Budget Calendar Overview

Date	Description
June	<p>The Department will be hosting nine Gateway Budget Training Sessions throughout the State.</p> <p>Similar to the training sessions held last year, the training sessions will be a lecture style training.</p> <p>Budget Field Representatives and Gateway support staff will be available to answer questions specific to individual units both during and at the conclusion of the presentations.</p>



2020 Budget Calendar Overview

- Each training session is scheduled to last three hours and will feature two presentations:
- Introduction to the Department and Budgeting 101
 - Key terms and terminology, examination of Department Resources, and overview of the Department's budget review and certification procedures.
- Introduction to Gateway
 - Walkthrough of several Gateway Applications, Overview of Gateway user policies.



2020 Budget Calendar Overview

- For more experienced users that are interested in a budget refresher. The 2018 Gateway Budget Training Video (61 minutes) and 2018 Gateway Budget Demo (38 minutes) are both available online.
- Training Videos
- <https://www.in.gov/dlgf/8945.htm>



2020 Budget Calendar Overview

- Below is a listing of the dates and locations for the Department's 2019 Gateway and Budget Training Sessions:
- June 5, 2019: Steuben County Events Center (Steuben Co.)
- June 6, 2019: Ivy Tech Marion (Grant County)
- June 13, 2019: Ivy Tech Madison (Jefferson County)
- June 14, 2019: Ivy Tech Batesville (Ripley County)
- June 19, 2019: Zionsville Community Schools Ed. Center (Boone Co.)
- June 20, 2019: Ivy Tech Evansville (Vanderburgh County)
- June 21, 2019: Ivy Tech Bloomington (Monroe County)
- June 25, 2019: Crown Point CSC Learning Center (Lake County)
- June 26, 2019: Ivy Tech Monticello (White County)
- Electronic registration is required:
https://docs.google.com/forms/d/e/1FAIpQLSeHlaFSUUzJr5Pb8ur6RJZxbxat00YKxJG_wbWpZdff8aUlg/viewform



2020 Budget Calendar Overview

Date	Description
June 30	<p>Due date for county auditors to report annexations to the Department.</p> <p>In 2019, the county will be reporting annexations effective from January 2, 2018 and January 1, 2019.</p> <p>The annexation report submitted to the Department must show:</p> <ul style="list-style-type: none">1.) Both the annexing and annexed taxing districts2.) A total NAV change of \$0.00 <p>The information is used to reconcile the County CNAV submission in DECAF and to identify new taxing districts within the county.</p> <p>2019 memo to be released before June 1.</p>



2020 Budget Calendar Overview

The concept of the “precensus” year refers to the year the annexation is effective and not the year that the annexation is being reported.

IC 36-4-3-7(b)

Pub. of adopted ord.; effectiveness; fire protection districts

(b) An ordinance described in subsection (d) or adopted under section 3, 4, 5, or 5.1 of this chapter may not take effect during the year preceding a year in which a federal decennial census is conducted. **An ordinance that would otherwise take effect during the year preceding a year in which a federal decennial census is conducted takes effect January 1 of the year in which a federal decennial census is conducted.**

In 2020, as part of the 2021 budget cycle, the Department will release updated guidance on how annexations effective from January 2, 2019 to January 1, 2020 will be handled.



2020 Budget Calendar Overview

Date	Description
June 30	Deadline for State Budget Agency (“SBA”) to provide Assessed Value Growth Quotient (“AVGQ”) to civil taxing units, school corporations, and Department. (IC 6-1.1-18.5-2(c))
July 15	Department provides each taxing unit an estimate of the maximum permissible property tax levy for the ensuing year and guidance on calculating allowable adjustments to the maximum levy. The report will be posted on Department website. (IC 6-1.1-18.5-24)
July 15	Department provides to all units an estimate of the maximum Cumulative Fund tax rate for the ensuing year. The report will be posted on Department website. (IC 6-1.1-18.5-9.8(b))



2020 Budget Calendar Overview

Date	Description
July 15	Department provides to each county an estimate of the maximum allowable appropriation and maximum amount of property taxes that may be imposed for community mental health centers or community intellectual disability and other developmental disabilities centers that are exempt from property tax levy limits for the ensuing year. The report will be posted on Department website. (IC 12-29-1-3.5)
July 15	Department provides to each county, city, and town an estimate of several miscellaneous revenue sources, including FIT, CVET, MVH, and Local Road and Street.
July 31	Department provides to each taxing unit that levies a property tax an <u>estimate</u> of the amount by which property tax distributions will be reduced in the ensuing year due to <u>circuit breaker credits</u> . (IC 6-1.1-20.6-11.1)



2020 Budget Calendar Overview

Date	Description
August 1	<p>Last day for county auditor to certify net assessed values to the Department. The Department will make values visible to political subdivisions via Gateway. (IC 6-1.1-17-1)</p> <p>On time AV certification will continue to be a priority for the Department. We will continue to work with the county auditor and county assessor to make sure that all 92 counties meet this statutory due date.</p> <p>In 2019, only 20% (19 of 92) counties submitted before the due date.</p>



2019 Assessor's Tracking Sheet

- The Department's Assessment Director has been giving similar presentations about the importance of remaining on time directly to the county assessors.
- The initial progress reports have been extremely positive.



2019 Assessor's Tracking Sheet

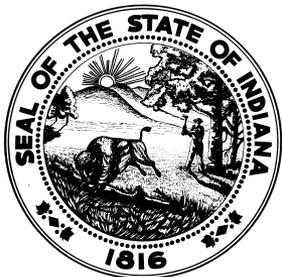
Metric	Number of Counties
Sales Data Submitted On Time (Feb. 1)	74
Compliance Reports Returned by Feb. 28, 2019	92
Compliance Reports Returned by Feb. 28, 2018	82

- This shows the progress that the assessors, auditors, and the Department made in compliance reporting this year.
- The information on the left was included in the Commissioner's Email from May 6.



2019 Assessor's Tracking Sheet

Assessment Metric	Number of Counties
Ratio Study Submitted On Time (March 1)	70
Ratio Study Submitted Earlier than 2018	71
Ratio Study Submitted a minimum of 30 days earlier than 2018	10
Ratio Study Submitted a minimum of 60 days earlier than 2018	3
Total Number of Days Improved Statewide	1091
Ratio Study Approved Earlier than 2018	70
Ratio Study Approved a minimum of 30 days earlier than 2018	15
Ratio Study Approved a minimum of 60 days earlier than 2018	1
Total Number of Days Improved Statewide	1126



2019 CNAV Submission

County auditor's will submit their AV information via the DECAF module in Gateway by uploading the four text files below:

- CNAV1:** Will provide a list of taxing districts, comprised of the taxing district codes and names
- CNAV2:** Contains data on the relationships between funds and taxing districts.
- TAXCNAV¹:** Contains the assessed values used in the DECAF application. While the end user will see the assessed value information populated on the screen by tax district, the TAXCNAV file contains the assessed value information at the individual parcel level.
- TAXADJ¹:** contains a list of exemptions and deductions and their respective amounts, associated with each parcel in the TAXCNAV file. Additionally, the TAXADJ file provides information regarding Annexation AV, Withholding AV, and TIF Pass-through AV.

Note 1: Neither the TAXCNAV and TAXADJ will contain records pertaining to annually assessed mobile homes.



2019 CNAV Clarification

Annexation information will be reported at the parcel level based on the information included on the TAXCNAV and TAXADJ files.

While the Department accepts annexation reporting at the parcel or the taxing district level, we will validate the annexation information reported in DECAF at the taxing district level based on the annexation report submitted to by June 30.

CNAV Upload Specifications (Page 8)

<https://www.in.gov/dlgs/files/180702%20-%20Gateway%20CNAV%20Upload%20Specifications%20Revised%202018.pdf>



2019 CNAV Changes

- In 2018, the CNAV was validated in a two phase approach.
- Phase 1: Gateway Validation
 - Assessed value for a taxing district increases or decreases by 10% compared to prior year.
- Phase 2: Department Field Representative (“FR”) Validation
 - After the submission was accepted by Gateway, the FRs reviewed the submission, and asked follow up question based on specific increases, decreases, changes, or responses provided by the county.



2019 CNAV Changes

For 2019, the two phase approach is being refined to reduce corrective submissions and to better align the questions being asked during CNAV and Gateway Abstract submissions.

Phase 1: New Validation

1. +/- 10% Change in Real Property for Taxing District
2. +/- 10% Change in Personal Property for Taxing District
3. +/- 10% Change in TIF Real Property for Taxing District
4. +/- 10% Change in TIF Personal Property for Taxing District
5. +/- 10% Change in TIF Passthrough for Taxing District
6. +/- 10% Change in Gross Assessed Value for Conservancies

Phase 1: New Review

7. Fund Combination Review for new and missing Funds

Phase 1: Removed Validation

8. +/- 10% Changed in TD



2019 CNAV Changes

- For 2019, the two phase approach is being refined to reduce corrective submissions and to better align the questions being asked during CNAV and Gateway Abstract submissions.
- Phase 2: Process Update
 - After the submission is accepted by Gateway, the FRs will review the each responses provided in Phase 1.
 - The Department encourages counties to provide as much information as is available to explain the differences. Responses like “trending,” will lead to more follow up questions from the Department.
 - Information will be used for CNAV validation and for Gateway Abstract review and approval.



2020 Budget Calendar Overview

Date	Description
Sept 3	<p>Last day for units with appointed boards (“binding units”), including certain libraries under IC 6-1.1-17-20.3, to submit proposed 2020 budgets, tax rates, and tax levies to county fiscal body or other appropriate fiscal body for adoption.</p> <p>IC 6-1.1-17-20; IC 6-1.1-17-20.3</p>
	<p>The Department will remove the Gateway access for all binding units. The binding unit must compile, complete, and submit all required information in Gateway before midnight on September 3.</p>



2020 Budget Calendar Overview

Date	Description
Oct. 11	Last day to post notice to taxpayers of proposed 2020 budgets and net tax levies and public hearing (Budget Form 3) to Gateway. (IC 6-1.1-17-3)
Oct. 21	Last possible day for taxing units to hold a public hearing on their 2020 budgets. Public hearing must be held at least ten days before budget is adopted. (IC 6-1.1-17-5) Note: This deadline is subject to scheduling of the public hearing.
Nov. 1	Deadline for all taxing units to adopt 2020 budgets, tax rates, and tax levies. (IC 6-1.1-17-5(a)) Note: This deadline is subject to scheduling of the public hearing.
Nov. 4	Last day for units to submit their 2020 budgets, tax rates, and tax levies to the Department through Gateway as prescribed by the Department.



Questions?



Contact the Department

- Website: www.in.gov/dlgf
- “Contact Us”: www.in.gov/dlgf/2338.htm
- Telephone: (317) 232-3777

- Gateway Support: gateway@dlgf.in.gov

- Additional Appropriation email:
AdditionalAppropriationRequests@dlgf.in.gov

- Budget Field Representative Map:
[http://www.in.gov/dlgf/files/Field_Rep_Map -
_Budget.pdf](http://www.in.gov/dlgf/files/Field_Rep_Map_-_Budget.pdf)



Budget Field Staff

Miranda Bucy	317-650-6848	mbucy@dlgf.in.gov
Ryan Burke	317-719-3546	rburke@dlgf.in.gov
Kim Chattin	317-650-6157	kchattin@dlgf.in.gov
George Helton	317-650-5254	ghelton@dlgf.in.gov
Wayne Hudson	317-650-4444	whudson@dlgf.in.gov
Vicky Neeley	317-607-7524	vneeley@dlgf.in.gov
Robert Norris	317-650-3932	robnorris@dlgf.IN.gov
Kurt Ott	317-650-2497	kott@dlgf.in.gov
Tina Market	317-677-4655	tmarket@dlgf.in.gov
Judy Robertson	317-650-2508	jrobertson@dlgf.in.gov
Tammy Byerly	317-409-6436	tbyerly@dlgf.in.gov
Heather Witsman	317-694-3017	hwitsman@dlgf.in.gov