
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

TO: Units with Special Exempt Debt Funds in their 2019 Certified Budgets

FROM: Fred Van Dorp, Budget Division Director

SUBJECT: Transition from Exempt Debt

DATE: July 19, 2019

Article 10, Section 1(h) of the Indiana Constitution states that the General Assembly may provide by law that an eligible county, identified by the General Assembly in 2008 to have its property tax cap impact be at least 20% of its aggregate 2010 property tax revenue, cannot have the property tax caps applied to its levies for debt service (including bond issues and lease rentals) made before July 1, 2008 (“pre-July 2008 debt”). Such a law cannot apply after December 31, 2019.

Hence, by virtue of IC 6-1.1-20.6-0.3 and IC 6-1.1-20.6-7.5(c), Lake and St. Joseph Counties are counties for which their debt service levies for pre-July 2008 debt are “exempt” from the property tax caps. However, since the Constitution prohibits this exemption after December 31, 2019, the exemption from the property tax caps for Lake and St. Joseph Counties’ pre-July 2008 debt will therefore sunset at the end of 2019.

The purpose of this statute was to mitigate the impact of property tax caps for the taxing units in Lake and Saint Joseph counties. By allowing units in these two counties to adopt budgets for specific debts that were “not considered for purposes of calculating a person's [circuit breaker] credits,” taxpayers in these communities have had a higher circuit breaker caps than they would have otherwise had. This elevated cap increased the amount of taxes that can be billed, collected, and distributed to the taxing units. With the expiration of these statutes, taxpayers will see a lower circuit breaker caps. The lower cap will reduce the amount of taxes that can be billed, collected, and distributed to the taxing units. **While units will still levy for the same debt payments in a manner similar to previous years, the Department will anticipate units will see an increase in their circuit breaker loss compared to previous years.**

To facilitate tracking which debts were and were not considered for the purposes of calculating a person's circuit breaker credits, the Department created ten “exempt debt” funds. In 2019, there were 43 units that adopted a budget, levy, or rate in at least one exempt debt funds. With the expiration of IC 6-1.1-20.6-0.3 and IC 6-1.1-20.6-7.5(c), these funds will unavailable for the upcoming 2020 budget. Each unit that adopted an exempt debt fund in 2019 for an active debt will need to transition to a new DLGF debt fund for budgeting purposes.

The table below contains a listing of the 10 exempt debt service funds that were certified in 2019 and the Department's recommended debt service fund to be used for the 2020 budget cycle.

2019 Fund Code	Fund Description	2020 Fund Code	Fund Description
0188	EXEMPT DEBT - LAKE AND ST. JOSEPH COUNTIES ONLY	0180	DEBT SERVICE
0189	EXEMPT PENSION DEBT - LAKE AND ST. JOSEPH COUNTIES	0186	SCHOOL PENSION DEBT
0286	LEASE RENTAL PAYMENT EXEMPT FROM CIRCUIT BREAKERS	0283	LEASE RENTAL PAYMENT
0987	STORM SEWER BOND EXEMPT FROM CIRCUIT BREAKERS	0986	STORM SEWER BOND
1386	PARK BOND EXEMPT FROM CIRCUIT BREAKERS	1380	PARK BOND
1387	PARK BOND #2 EXEMPT FROM CIRCUIT BREAKERS	1381	PARK BOND #2
2487	REDEVELOPMENT BOND EXEMPT FROM CIRCUIT BREAKERS	2482	REDEVELOPMENT BOND
6285	SEWER BOND EXEMPT FROM CIRCUIT BREAKERS	6280	SEWER BOND
8284	SPECL SANITARY DEBT SERVICE EXEMPT FROM CIRCUIT BK	8280	SPECL SANITARY DEBT SERVICE
8384	WATER DISTRICT DEBT SERVICE EXEMPT FROM CIRCUIT BK	8383	WATER DISTRICT DEBT SERVICE

If you have any questions about this transition, please contact your [Budget Field Representative](#).