An Indiana Library Director's Guide to the Budget

By Sandy Petrie, Noble County Public Library - last updated May 2025

Disclaimer: This document was put together as a guide to help Directors and Boards understand and navigate the complicated world of the library budget. This is a living/breathing document that can never be definitive because of the constantly changing legislation and Indiana Code and the interpretations of that code. I want to emphasize that this is a GUIDE only and that all information contained herein is my understanding or interpretation of the crazy Indiana budget process and though I tried to include everything I could think of, it is doubtfully all inclusive. The entire ILF budget tactical team has helped with the update this year since we are all struggling along with you! When it conflicts with Indiana Code or guidance from DLGF, SBOA, or the State Library, well….you are all well aware of which takes precedence. If you see errors or inconsistencies, please let me know so I can improve this document. Here we go!

Recent legislation:

2025 legislation:

SB1: Just wow. None of us saw this 355 page bill coming and it changed absolutely everything any of us understood about the budget process. There is no way to summarize this in a single paragraph so instead, you will see the significant changes reflected throughout this document. In other words shred any previous guides you might have because they are basically scratch paper now. Some of the changes will take effect this budget cycle and some later which will be noted in the explanations. With hard work and luck, amendments will hopefully be made over the next year or two to minimize the damage done to libraries, schools, and local government by this bill.
Note: Some of the duties and dates of DLGF information may not be accurate due to the complications of this bill. I will correct those as it becomes more clear and DLGF is actually able to comply with the changes. The State Budget Agency (SBA) and local fiscal body duties and timelines are also changing. For the most part, this 2026 budget cycle process is not a whole lot different than the 2025 cycle.

Older legislation that still applies:

SB410 in 2020 (see IC 6-1.1-17-20.4) clarified some of the confusing language of HEA 1343 from 2019. It states that if the December 31 cash balance of all funds of the public library derived from tax revenue (most funds except gift/philanthropic) reported in the SBOA's Annual Financial Report is greater than 150% of the public library's proposed certified budget for the ensuing year, the fiscal body MAY require a binding review of the library budget if a public hearing and resolution is passed by July 1 of the budget planning year. This binding review requirement would remain in effect each year until the December 31st cash balance falls below the 150% that would trigger such a review.

SEA 332 in 2021 concerns **public notices**. If you are required to publish a notice twice, only the first one needs to be through news media. The second one can be on your own website etc. See IC 5-3-1 for most current and accurate information on publishing notices.

What you will find in the following pages:

1. Basic terms
2. Types of funds
3. Sources of Revenue
4. Forms and Reports
5. Budget Calendar (what to do when)
6. Cash Flow
7. Tips & Thoughts
8. Contact information for key agencies

1. Basic Terms:

DLGF-http://www.in.gov/dlgf - Dept. of Local Govt. Finance
(State Dept. that controls government budgets) At their website you will find all memoranda that have been released and spreadsheets containing valuable information about your county and service areas. You can often find information needed for your budget through this website ahead of what your Field Representatives may send you. Go into "county specific information" from the menu on the left. There is also a LOT of information below the county listings so be sure to scroll down and check those out too. If information is not in the county section yet, you might find it in the statewide reports by scrolling through the main documents that include all the counties.

SBOA- http://www.in.gov/sboa - State Board of Accounts
(State Dept. tied to finance law, audits, and internal controls). The most current accounting manual can be found at this website. The SBOA is responsible for our audits (every two years if you have debt). It is very possible that you will get a third party (contracted by SBOA) audit, especially if you don't have any write-ups from a previous audit. There is just not enough SBOA staff to cover all the required audit deadlines.

Gateway https://gateway.ifionline.org – Online reporting system for budgets/debt reports/and the Annual Financial Report (AFR). You will also report your 100R info, Debt, and will upload Conflict of Interest forms, and significant Contracts through Gateway. (Contracts that are the lessor of 10% of your property tax levy or $50,000 need to be uploaded in Gateway within 60 days (Use the "File Transmission" Link under the DLGF section). More information on Contracts is found at IC 5-14-3.8-3.5. Gateway is also where you will upload your SBOA monthly documents (minutes, fund report, and bank reconciliations) as well as annual uploads of more detailed documents from your accounting systems. In 2020 DLGF added a place to report requests for additional appropriations. All gateway reports have "HELP" where you can find the instruction manuals for each type of report.

Contract upload note: We now have to attest this annually even if you have no contracts to upload (see reports section). If not completed, your budget and/or additional appropriations will not be approved.

Budget note: Lynn Hobbs (budget tactical team) is working with DLGF on changes for the 2027 budget platform in Gateway that may preload much of the data that we usually have to find or wait for.

SBOA Note: Due to storage space, all monthly and annual uploads for SBOA will soon be deleted for years that have been audited. Gateway is not considered an acceptable storage location for purposes of document retention.

MLGQ- Max Levy Growth Quotient determined by the State Budget Agency and provided to DLGF from the average growth over six years for the entire State. DLGF will provide this to units by July 1st.

*****MLGQ Note:** The MLGQ for 2026 is again 4% even though calculations are closer to 5.6%. It is anticipated that a new formula for MLGQ will be put in place for the 2027 budget and beyond.

Tax Levy-property taxes raised to fund the budget (less and less of it as time goes on). We know that for 2026 the MLGQ is has been limited to 4% so you can estimate the max levy yourself by applying the 4% to your current max levy from your 1782 Notice (not your certified levy, use your normal max levy) to get a head start on planning. The levy is an actual dollar amount.

*****Levy Note:** Beginning with the 2029 (IC 6-1.1-17-23) budget, your advertised/adopted levy may not exceed the previous year's levy without an additional public hearing and approved resolution by your fiscal body that takes place a minimum of 15 days before your budget public hearing. I am guessing that you would still be held to the MLGQ cap if requesting this.

AV- Assessed Valuation of taxable property within each taxing district.
Auditor should provide an estimated AV by June 1 and the certified AV by Aug 1.

Note: With all the changes these deadlines will doubtfully be met. Changes to business property calculations and more will change AVs significantly so take this into account but depending on how we look at the calculations it could go significantly up or significantly down. See the Form 4B section for specific things to consider.

Tax Rate= (tax levy/AV) x 100 note: tax levy is on line 11 of Form 4B in Gateway which will be adjusted by DLGF in your 1782 to establish the certified tax rate released on your budget order.

Total Budget – Total of ALL allocated/appropriated funds (General, Debt, LIRF, Capital Projects, Rainy Day). This does NOT include Gift funds, only funds created from tax dollars. *This is the total of line 1's from each fund on your Form 1's in Gateway. DLGF only considers the NET total* *budget (line 1's) when determining if you exceed the MLGQ (property tax caps do not affect this determination).*

Fiscal Body - This is the elected body that must approve some financial requests of the library. It is often the county or city council and if you are unsure the State Library has that information for your library. I highly recommend you start attending your fiscal body meetings if you aren't already. They need to get to know you and you need to get to know them and how they think. The trajectory of legislation is pushing us toward much more fiscal body approval.

Binding Review – Fiscal Body review of the budget if the budget requested exceeds the previous year's budget plus the MLGQ minus $1. *Please note that if you go for additional appropriations during the budget year, fiscal body approval will be required if the additional appropriations will increase that year's budget above the MLGQ. See SB 410 at the beginning of this document for the 150% rule. (Actually, read* IC 6-1.1-17-20.4 *for exact language*.)

Binding Review Additional Notes: Access to Gateway switches to Fiscal Body September 1. I highly recommend you have ALL forms completed before that date and get the public hearing and adoption dates/times/locations from the fiscal body so that you can even publish (submit) the Form 3 before that date. You should also load the members of the fiscal body into your form 4 so that it is ready. The fiscal body will be responsible for holding your public hearing and adoption and submitting your forms. If the fiscal body fails to submit your forms on time, both the library AND the fiscal body will get their current year budgets recertified. Also note that a binding review resets your levy for the ensuing year. Make sure you see this through to the end of the process even if it is out of your hands to ensure it gets done.

Appropriations-authority via budget forms to expend funds. Also known as *allocations*. This is what you estimate you will spend and the maximum amount you can spend without going through the additional appropriations process (not including gift funds and grants).

Additional Appropriations-used when you need to request to spend more than you appropriated in your approved budget. You would have the funds on hand, but not the authority to spend them without "additional" appropriations approval. Keep in mind that if your additional appropriations would put you over the triggers for a binding review, you will need fiscal body approval. Gateway now has a portal for the Additional Appropriations process. Note: If you ask for and are approved for additional appropriations (even if you need fiscal body approval) this does NOT change your ensuing years "budget totals" that your MLGQ will be applied to. You would use the numbers on your budget order. Additional appropriation approvals do NOT reset your levy for the following year.

Expenditures – Actual monies spent

Circuit Breaker – SB1 has significantly changed caps on taxes for home owners, business personal property, elderly, veterans, and more. These changes reduce revenues, sometimes by a huge amount, to libraries, schools, and local government. DLGF is required to provide circuit breaker impact by August 1st (might happen for this year?).

Operating Balance – Cash balance (including investments) of the General Fund. Ideally you would have 50% of your annual expenditures as an operating balance at the end of the year to ensure you have sufficient funds available to pay for the first six months of the ensuing year's expenses until the June settlement comes in. *This is an important point to make with your fiscal body. For those with strong reserves, you will actually save taxpayers money by not having to "borrow" and pay interest during times of low revenues.*

ILF- https://ilfonline.org – Indiana Library Federation

Organization that leads, educates, and advocates for Indiana Libraries. ILF fights for us at the Statehouse when harmful bills are introduced that could significantly impact library revenues and rules. The ILF advocacy team and lobbyists work hard through testifying and engaging with legislators to kill or soften devastating bills and to ensure libraries are protected or included when needed.

1782 Notice – this is the notice of final budget recommendations and numbers from DLGF. A unit has 10 days to respond to errors or provide changes before the Budget Order is finalized. The 1782 is much more detailed than the final Budget Order. This only comes electronically now, not in the mail. It is VERY important that you review this and ensure that there are no errors.

Budget Order – The actual "approved" and certified budget numbers, levies, and AV. Again, these can be found on the DLGF website. DLGF will provide this by Dec 31st.

See "Sources of Revenue" for explanations of LIT, FIT, Excise, etc.

<u>**2. Types of Funds:**</u>

General Fund - Operating fund, day to day expenses including payroll.

Debt Service Fund - Fund for revenue and expenses related to bond principal and interest payments or leasing corporation payments (if this is how your debt was set up). This also includes any bank trustee fees associated with bond management (you should include these fees on your debt worksheet unless they are built into your amortization schedule). For a new bond, your amortization schedule will be uploaded into Gateway by you or possibly by your financial or bond counsel if you have authorized them through Gateway procedures. Google the following for how to add someone for this limited authority: 230414-LDA-User-Guide

Note: SB1 changed parameters for bonding. Under $0.05 is still uncontrolled (with fiscal body approval) but $0.05-$0.10 is petition remonstrance process and $0.10 and above is referendum.

LIRF - Library Improvement Reserve Fund- used to accumulate balances in advance for capital improvements. No direct tax rate – funds are allocated in the General fund and then transferred to LIRF at the end of year. With the Rainy Day fund being more flexible and able to accomplish LIRF goals, this fund is becoming obsolete. I recommend spending it down to zero and pursuing Rainy Day only going forward. Because of the restrictiveness of LIRF, you are NOT allowed to let it go dormant and transfer it to Rainy Day which is more lenient. *Note: One advantage of LIRF is that you are not limited how much you can <u>allocate</u> to transfer into this fund from your General Fund. Just know that LIRF can ONLY be used for Capital Expenses.*

Rainy Day Fund - Fund where budget surpluses can, and sometimes must, be placed to stabilize future revenue disruptions. This fund, by resolution, can be appropriated in the same way that the General fund can. You can transfer up to 10% of your "Total Budget" from the operating balance, or dormant funds into the Rainy Day fund each year and at any time of the year. Many libraries wait until the end of the year to see if cash flow allows for this. *Note: Make sure you send a copy of the resolution transferring funds into Rainy Day to your DLGF field rep when you do so or at least by early December so it can be factored into your 1782.*

CPF-Capital Projects Fund - Originally funded with a separate tax rate that allowed the library to generate funds for real estate, repairs, building maintenance, and technology. Though still a legitimate fund, this fund is virtually obsolete since a single levy was established in 2009. Again, Rainy Day is much more flexible.

Construction Fund- Fund for bond proceeds and appropriations for major capital projects. You will be working with a financial advisor such as BakerTilly (previously Umbaugh) and bond counsel such as ICE Miller, before establishing this type of fund for any bond proceeds. You should establish a separate bank account for this fund to better track interest income and the expenses. It keeps things clean.

Unemployment Fund – Fund established for unemployment payments should the library choose to keep this function "in house".

Gift Fund – Fund to manage donations made directly to the library.

Grant Funds - Federal grant funds must be their own individual funds. Some libraries create individual funds for all grants, but I put private grant funds as sub-funds within my Gift fund to avoid having tons of funds that have to be individually reported in the AFR. Most of those private grants are small and one-time awards.

State Broadband Connectivity Grant Fund (Previously State Technology Fund)– Can be within the General Fund, Gift Fund etc. or its own separate fund. It is set aside to manage reimbursements from the State (and payments for connectivity). This line was cut on the State Budget for next year with HEA 1001. I am unsure if the State Library will try to find funds for this but I would count on getting zero reimbursements and ensure your budget allows for full connectivity payments. This was always the advice, but now it is critical. If we get some funds, then yay us.

Miscellaneous Funds - Your library may have miscellaneous funds that are on your financial reports and in your accounting system: These would be something like PLAC, Evergreen and similar. My personal philosophy is to not have a ton of individual funds because these are all reported in your AFR. I have sub-funds within my gift fund for memorials, pass-thru, etc. See grant funds above for additional thoughts.

3. Sources of Revenue:

Property taxes – received in June and December (well…most of the time!)

LIT (Local Income Tax) – As of 2017 this replaced CAGIT, CEDIT, COIT, LOIT as a single tax. It is a little more complicated than that but for our purposes here, you just need to know that LIT is collected with income taxes and then distributed back to local units in the form of "***Certified Distributions***" (for libraries, this was formerly our "Certified Shares" and "PTRC" payments). Not all libraries receive this currently. A unit's percentage of LIT is calculated based on budget levy (not including debt levy unless it is pre 2005). This means that you no longer need to worry about wrapping debt to ensure your share of LIT remains as high as possible.

Note: SB1 changes LIT and we believe that for the most part it will stay similar to how it has been for budget years 2026-2027. Beginning in the fall of 2027, county councils will be required to set LIT for the ensuing year and libraries will not only need to request LIT each and every year, but the maximum that the county council can approve is 0.05% which has to be shared with all the library systems in the county. We hope this is something that can be amended over the next couple of years.

Supplemental LIT – Any distribution of this nature should be received into the local fund in accordance with how the funds were originally generated. In other words, if the supplemental LIT distribution is from certified shares, it should go into the fund you currently receipt your certified shares. DLGF is pretty good about providing memos explaining all of this when supplemental LIT is issued. (This normally goes into the General Fund for most of us). Under the new legislation this won't exist in 2028 and beyond.

License Excise tax (vehicles)

CVET (Commercial Vehicle Tax)

FIT (Financial Institution Tax)

Miscellaneous Revenues: Fines, Fees, refunds, Interest, etc.

Gifts/grants - These are revenues from donations, grants, gifts, estates. etc.

4. Forms & Reports

Forms: (in the order I do them which mostly follows the flow chart in Gateway)

Note: The Budget is completed in Gateway which I feel improves each year. See the "tips" section for thoughts on establishing your numbers for the total budget and each fund within the budget. Forms 1, 2, 4b, and the Current Year Financial Worksheet can be downloaded in Excel format if you want to work on them before entering in Gateway.

Debt Worksheet: This form is for any bonds you may have out. You now fill this out with the Pre-Budget worksheet (in Gateway) that DLGF requires to be completed by June 30th. If you have your amortization schedules loaded in Gateway this is fairly easy. I still cross check from the actual amortization schedules and ensure that my fees are noted. Another thing to remember is that many of us might have payments due in January that we actually make in December. For the worksheets you want to include the January payment as if it were December so double check those dates and make sure you are using the correct lines. *NOTE: If you have "Leasing Bonds" you will also need a "Lease Rental Affidavit" from your managing bank. This is required by DLGF and states that there are not sufficient funds to pay off the debt in full.*

Current Year Financial Worksheet (Line 2 Worksheet): This form allows you to work through all your budgets and determine the number that will go on lines 1, 2, 5 and 6 of your 4B. This is an important form to print out for the overall picture. This helps me decide if I need to reduce a current year budget etc. when I see everything in one place. This form is where you can show that you will reduce a budget, transfer into another fund etc. This information will be pulled into Form 4B. When calculating the last line (16) property tax to be collected, you will want to use the worksheet that DLGF provides for this. Use the third number "starting levy for line 2" to subtract your June distribution from. This number accounts for circuit breaker loss and corrected AV. This is one of those things that may actually pre-populate for us in the future (but not 2026).

Form 1 (Budget Estimate): This is the form for your "allocations" for the year. My technique is to provide the board (at the June meeting) with a Form 1 for the General fund that has the current year numbers in one column and the proposed allocations in another column so they can see where we are increasing, decreasing, or staying the same and I explain my reasoning. I just pull up the previous year's form 1 on Gateway and download it into an excel format so that I can manipulate the last two columns to be current year and proposed year. I do this in July (June if going to non-binding review) so that the rest of the process is smooth as they actually begin approving things. This way if there is a problem or they disagree with something, I have ample time to adjust before big deadlines. Property Tax Cap: This used to go into Form 1 but since 2021 it is now part of Form 4B and easier for us.

Note: Many people will actually set Form 1 numbers to what they actually intend to spend, but if your balances are strong, I personally recommend that your Form 1 numbers are higher than you need to give you wiggle room for unforeseen circumstances. An example would be a new hire, higher insurance, etc. This may prevent you from having to seek additional appropriations. I use my cash flow spreadsheet to actually work my budget during the year. All of that may be out the window as our budgets get tighter, but still potentially sound advice.

Form 2 (Miscellaneous Revenues): This form is used to determine non-levy revenues. Historically, I have recommended to estimate these revenues lower than projected**,** however, with recent changes, you truly need to understand the impact of misc. revenues to know how to manipulate these numbers to ensure the best results for the Form 4B. DLGF has been providing fairly accurate numbers for ensuing year revenues of FIT, CVET, etc., but for your misc. revenue (copies, fees, interest) estimate low. You also need to estimate your certified shares/LIT low if you get LIT. Mine dropped significantly in 2025 from 2024 and I anticipate they will keep dropping until they go to possibly zero if our county doesn't approve them in 2028. If you estimate too high, this could hurt your numbers on the 4B. The Form 2 numbers are what you can adjust to ensure you have a positive operating balance. Do NOT sacrifice your Levy to get a positive operating balance! Especially now! You are entitled to your max levy which is one of the most controlled and capped things in legislation.

Form 4B (Financial Statement): This is your bread and butter form. This form has changed a lot in the last couple of years but I can't stress enough how critical it is to get right. Make sure to double and triple check this form for all funds because your levy will be determined by the information on it. **There are three numbers that are critical. The DLGF can <u>NOT</u> give you more than the <u>tax rate</u> you ask for (bottom of form), more than the <u>levy</u> (line 11) you ask for, nor more than the <u>total budget estimate</u> (line 15) you ask for**. So if these numbers are not HIGH enough, you could end up receiving less money than you would have been allowed. So how do you ensure you get every dime possible? The first step is establishing your estimated AV: Estimate LOW! With the new tax reforms we don't have a clue what AV's are going to look like but no matter what, estimate low (maybe even 70% of your current year AV) We are supposed to get certified AVs by August 1st from the auditor but if you are like me, your budget process is well under way by then and estimating lower is always safer (you are NOT required to use provided DLGF numbers). You need to understand and be able to explain to your board and the public that the resulting tax rate that is proposed will be much higher than the actual tax rate you get but since you can't get more than you ask for and AV's are unknown, this is best practice to ensure you are funded. The next step is to ensure your requested levy is high enough. DLGF provides this in July, but if you calculate it yourself, you will want to apply the MLGQ to the bottom number of the Max Levy Report of your current year 1782. Do NOT use the certified levy on your budget order for this because it is NOT what DLGF will use and will be lower than the max levy you can receive. I physically put in the levy I want, and let Gateway calculate numbers around it. Just know that in doing this, your tax rate will be determined by the AV and Levy and WILL be high compared to what you will actually end up getting. Note: (It doesn't matter if your levy on this form is actually higher than the MLGQ increase, levy doesn't affect binding review, but know that DLGF will reduce your levy to the amount allowed by law) It is important to educate your board on why you are doing this (to get the max levy possible) because this tax rate and levy are what you will be advertising even though the reality is the levy and tax rate you actually get will be much less. Some of you may have boards that don't believe in asking for the max, but let me say from experience, once you lose it, you will NEVER have the ability to get it back. Our board (before my time) went for twenty years without going for the max levy and as a result we now receive about $300,000 less per year than we would have. That money would have gone a long way toward keeping our buildings maintained. As it is now, we will likely end up paying much more through bonds to correct issues gone too long unattended. One final note of importance is that **you want line 18 to be a positive number.** This means that you might have to adjust numbers elsewhere to ensure this is not negative. Options are: 1) adjust miscellaneous revenues; 2) reduce line 15 by reducing Form 1's operating budget (add to other funds to ensure you are still requesting full MLGQ across your total budget) ; 3) reduce your current year's budget to compensate (this takes resolution which you need to provide to DLGF). In any case, be ready and know where you can reduce your budget should this be required by DLGF. You can avoid all of this with a strong operating balance. Starting in 2021, the circuit breaker tax cap was added to this form (line 12). DLGF provides estimated tax cap numbers, but I recommend that you look at past circuit breaker numbers before just using the number they provide. The number you use can even be zero if your circuit breaker impact is minimal.

BIG NOTE: All of the above is even more important for the next couple of years because once our levies freeze you won't be able to even get the MLGQ increase without fiscal body approval each year so getting your levy as high as possible before that happens is imperative.

Form 3 (Notice to Taxpayers): This is the advertising form. **MAKE SURE NUMBERS ARE ACCURATE** because once again, you will NOT be able to get more than you ask for!

Form 4 (Ordinance/Resolution): This is the actual budget "approval" form. This is the one that will be uploaded in Gateway with signatures. **Remember, you MUST move proposed numbers into the approved column BEFORE your board actually signs this form** at your board meeting. It seems counter-intuitive, but it is the only way to populate the form correctly for signatures. **They must also manually check the box that aligns in with their vote** (Maybe this will be fixed in future platforms so we can't mess this up).

Reports:

Gateway is the reporting portal where you will submit reports for both DLGF and SBOA. You will login at https://gateway.ifionline.org/login.aspx

100 R (SBOA): A Gateway Report. Due by January 31. This is a public document so it is important to use the library address for your employees, NOT their home address. More info at https://gateway.ifionline.org/userguides/100Rguide

Annual Report (State Library): This is not a Gateway Report. This report uses separate software and is found at: https://collectconnect.baker-taylor.com/login.aspx Guidance will come from the State Library. I list it here because it will contain financial information that you will also be using for your SBOA financial reports. This report is due by Mar 1st.

Pre-Budget Worksheet (DLGF): This is required to be completed in Gateway by June 30th.

Debt Report (DLGF): A Gateway Report. Due Late February. Once you put in your amortization schedules, this is a very easy report to complete. *Please note that any new bonds/debt you get after September 30, 2020 must be uploaded into Gateway within 5 business days of date of issuance or execution*. *Your financial councel (such as BakerTilly, Ice Miller) will likely do this for you if you have given them permissions to get into Gateway for this purpose.*

Annual Financial Report or AFR (SBOA): A Gateway Report. Due March 1st. This is actually much easier than the old methods of reporting and SBOA is working to improve and simplify every year. *Unlike your budget, this report (Combined Cash and Investment Statement) MUST be advertised in your newspapers by March 1st so your **due date is actually around mid-February** in order to ensure you get it to the papers.(IC 5-3-1-3.5)*

Economic Development Reporting: A Gateway report to say whether you got EDC funds or not. Typically libraries don't get these funds but we are still required to answer a basic yes or no question. Due by September 30 each year.

Contract Attestation: Done in Gateway under DLGF section, File Transmission Menu "Local Government Contracts". Due by March 2nd each year. (IC 6-1.1-17-5.4) You would also upload required contracts here. Contracts in excess of $50,000 must be uploaded with 60 days of execution per IC 5-14-3.8-3.5.

Monthly and Annual Engagement Uploads: SBOA requires the following to be uploaded monthly (within 45 days of the end of the month you are uploading): · Bank Reconcilements · Approved Board Minutes · Funds Ledger, Detailing Receipts and Disbursements, by Fund. The following needs to be uploaded annually (by March 1st): Year end investment statements, Detail of receipt activity, Detail of disbursement activity, Current year salary schedule and amendments, Annual Vendor History, Annual Funds Ledger, Annual Payroll History (without SSN#). The user guide for these uploads can be found at:
https://gateway.ifionline.org/userguides/engagementguide#nav_AnnualUploads

5. Budget Calendar:

- Budget is "calendar" year
- Tax revenues received June & December (in a good year) driving an 18 month budget plan.
- The budget planning process goes from June through October

Note: County Council binding reviews take place at their 1st public meeting in August. The County Auditor should contact you if information is required from you. If you need a binding review, you have to have things ready earlier than this timeline. Work with your DLGF representative to ensure you are on track. I am not sure how city councils or other fiscal agencies work.

- The following "dates" are a basic guideline for those not needing a binding review I have recently joined the opinion that adopting in September is wisest. This gives you time to start over if you make mistakes or don't have a quorum at a critical meeting:
    - June: begin estimating needs (more insurance, adding staff, etc.)
    - July: once your June reports are complete and you have the MLGQ, it's time to get busy! at the minimum prepare a draft General Fund Form 1 for your board's July meeting using current year numbers for comparison. My recommendation is to have enough of your budget complete to also have them approve your Form 3 for publishing which you may have to do even before you meet with your DLGF representative depending on when your public hearing is. Submit the **Form 3** via Gateway (this serves as your advertising – no longer required to advertise in the papers). Make SURE that the public hearing dates and physical locations are correct and **once again, triple check the numbers because DLGF can NOT approve more than you advertise for.** The Form 3 must be submitted in Gateway at least 10 calendar days prior to your public hearing.
    - July (maybe August): you will meet with your DLGF rep and go over budget. Though only minimal information is required for this, I go in with my entire budget complete and just have DLGF confirm numbers and highlight any errors. For the last couple of years, my DLGF meeting has taken place after I wanted to advertise my budget or very close to it. That is why I need to go into this meeting with my budget complete in Gateway already. Take all the required paperwork as well as "Lease Rental Affidavit" if it applies (which you will get from your bond management bank).
    - August board meeting: you will likely hold your public hearing at your regular board meeting (but no later than Oct 23). Just ensure that you note the time you opened the public hearing and closed it within your minutes. The public hearing must be at least 10 calendar days before the budget adoption. You must have a quorum to open the meeting. This is why you want to build a calendar cushion.
    - September board meeting: You will likely have your board adopt the budget at a regular meeting (But no later than November 1). Board members must be present to vote on the budget, they are not allowed to attend or vote electronically for this.

- o Day after September board meeting (Adoption): Submit budget to DLGF via Gateway. Don't forget to upload the Form 4 with signatures. The budget MUST be submitted within 5 business days of adoption.
- **IMPORTANT:** If mistakes are made, such as no numbers on the Form 4 which would result in a zero budget, you would want enough time for a re-do. Consider having special meetings in lieu of holding hearing and adoption a month apart at your regular meetings. This can all be avoided if you ensure your Form 3 and Form 4 are correct!
- **2029 (we think) budget and beyond:** An additional public hearing will be required by your fiscal body 15 days before your budget public hearing if you will be asking for a higher levy and tax rate than the previous year. Again, at this point I believe you will still be limited to the MLGQ cap but who knows what that will be since a new formula is likely to be in place next year.

6. Cash Flow: (You can email me for a template) This is not a mandatory form (but should be!) You will likely be in trouble if you ever spend your entire allocated budget (there are always exceptions, of course). Because of the uncertainty of legislation, AVs, income revenue, etc. your official Gateway budget should always have wiggle room and a strong operating balance that would allow you to spend all your appropriations in an emergency situation. If you are in a situation where you not only spend all your appropriations, but also go for additional appropriations later in the year, that just costs the taxpayers more advertising money and more of your time. So…this is where the cash flow worksheet comes in. This is what you will actually use to determine what you can and should spend each year and allows you to adjust as actual expenses and revenues come in. Things to consider:

- You will start the year with expected revenues and expenses and change those to actual numbers as you close each month.
- Plan for the circuit breaker credits to reduce your revenues. With new legislation, even libraries that didn't see much of an impact will be seeing significant impacts moving forward. **Note:** Using the 4/9/25 Legislative Services Agency unit by unit estimates is a good starting point but even those estimates may be high since most of us on the tactical team can't reconcile those numbers with our own calculations.
- Worst case: As we adjust to lower revenues, you may have to dip into reserves and plan cash flow expenses to be higher than the "unknown" but best guess revenues over the next couple of years as our revenues significantly decrease. What I mean is, you might need to take mini steps to change how you do things or wait for attrition in staff etc. This is only possible if you have strong reserves.
- Good case: Is planning cash flow so estimated expenses and estimated revenues are the same. If you are conservative in your revenue estimates, you may still end up in the black which will allow you to keep or add to your reserves.
- Best case: Plan expenses to be less than conservative revenue estimates to build up weak reserves.
- Know which months have higher expenses than others and build these in (example, months with 3 pay periods, months where your building insurance premium is due, etc.) this will help you know how long you can truly go without a tax settlement. For those of you who were around several years ago when we got just one settlement late in the year, you know how important this is.
- If you see you will be negative in a future month – begin planning how you will deal with this. Whether borrowing from other funds, getting a loan, etc. These things take time and you do NOT want to be caught unprepared.

7. Tips & Thoughts (summary):

Assessed Values (AV): Jury is out on what these will look like for 2026 and beyond but the concept of estimating low for budget purposes and lower than the previously suggested 85% of your current AV is strongly recommended. I feel that you may want to go to 75% but be prepared to

explain that this makes your advertised rate higher than what you will get. This is because we have no idea what AV is really going to look like. Remember you can't get a higher rate than you ask for. If AV is lower than you predict, your rate will not be high enough to get your needed levy.
Circuit Breaker (CB) impact: There is NO doubt that the property tax reforms of SB1 will reduce revenue for all of us. This means that even if we ask for everything we are allowed to ask for, and even if our fiscal bodies approve our requests, we still won't get it all. Again, this is why you need to ask for everything you legally can because you definitely won't get more than you ask for.
LIT: For libraries that currently get LIT it will definitely decrease (possibly to zero). There is a small possibility that libraries who do not currently get LIT may have an opportunity to get it in the future (2028 and on). Unless we can get this amended this must be asked for by the library each year starting in 2027 for pay 2028 (If only one library system in the county asks for this, it is still possible for the other system to share it if the county council chooses, we think). Max LIT for a county to even approve is 2.9%. The 0.2% cap for non-municipal is realistically only 0.1% since the total of county, fire/ems, and non-municipal can't exceed 1.7% and the first two will most likely go for the max of 1.6%. The most libraries can get is 0.05% which is shared by all the library systems in the county. For the majority of libraries, even if the 0.05% is approved it is still significantly lower than what is currently received.
Levy: There is some confusion over whether this is 2028 or pushed to 2031 but plan on the levy staying at the current year certified levy starting in 2028 (I think whatever levy we have in 2028 will be where we stay) unless your fiscal body approves an increase which will likely not be able to exceed the MLGQ. None of us know what kind of new formula to expect in calculating MLGQ during next year's legislation.
Tax Rate: We are still trying to understand the language on this and how it is tied to the levy freeze. My personal thought is that we focus on the levy and the AV will dictate the rate, but it is possible that legislative language might be interpreted as the levy and rate both freeze for 2028 (2031?) to the benefit of the taxpayer (the "lessor of" kind of scenario). 2026 and 2027 should be normal(ish).

<u>And even with changes in revenues these things are still true:</u>
DLGF encourages libraries to pursue max levy for several reasons
- Laws change (SB1 is proof). If you have been pursuing your max levy all along, you are in a better position when the levy freezes in 2029 without fiscal body approval to raise it.
- Operating balance may be needed to handle disruptions in revenue (like COVID-19 or delayed tax settlements, or need I say again - SB1)
- Allows funds to be built for capital expenditures (vs. bonding which is getting more difficult)
- Once behind in ability to generate revenue, always behind
- Operating cash loans cost taxpayers money that is NOT used for services and may be difficult to pay back.

Staff are the largest part of library service and the budget should reflect this
- Typically 65%-70% of operating budget for all personnel related costs (pay, health insurance, PERF, payroll taxes), but as the role of the library evolves, staff are becoming ever more critical as interactive service and programs take precedence over circulation and reference. 70%-75% is not unreasonable in light of this, especially if you have more than one location.
- Health Care costs etc. is driving personnel costs ever upward (if we even can offer it at all).
- May be cheaper & more cost effective to hire than to contract (ie. Computer tech, janitor) which makes Category 1 (personnel expenses) increase.
- More buildings = more staff needed (for those of you with branches)
- As library services evolve, greater and more diverse skills are needed. To get those skills in our library staff and retain quality employees, we must be competitive in our compensations and benefits. Side note: I do have a pay formula plan that I used for over 20 years that accounts for both experience and library education if you are interested in a copy.

Technology is critical to library service

- Technology is pervasive in all aspects of our lives
- In rural counties especially, patrons look to the library for required technology services such as unemployment, registering vehicles, posting resumes, etc.
- Technology is not cheap.
- Technology is changing and evolving rapidly and the old rule of thumb to upgrade every 3-5 years is decreasing to 1-3 years depending on the device.
- The new makerspace revolution is increasing demand for this type of service.

Operating balance must be strong (This is especially helpful in keeping the line 18 of Form 4b positive!)

- A strong operating balance helps get us through the rough times (LIKE WE FACE NOW!)
- I appropriate more than I intend to spend because going for additional appropriations is a headache, costs money, and much of our budget is guess work since we do it so far in advance (utilities, health care etc.) HOWEVER: if you do not keep cash flow and fully understand how appropriations differ from actual revenues/expenses, I do not recommend over-inflating your budgets/appropriations. You won't be able to inflate it at all without strong reserves.
- When the operating balance reaches 40%-50% of actual annual expenditures and is stable, I recommend transferring surplus funds to the Rainy Day Fund (which may also be appropriated). Remember this transfer is limited to 10% of your total budget.
- By having a strong operating balance these last few years, we were able to ride through some rough times while other libraries struggled with many having to get loans or reduce services.
- S&P 500 and other rating agencies look for strong operating balances and fiscal management when awarding ratings. This is important if you ever intend to bond or have current bonds. They love to see tools like the cash flow worksheets because they indicate that the organization truly understands its financial health.

Maintenance & future expenses must be planned for

- It will continue to become harder to get funds for capital expenses and putting money aside for future expenses should be a priority.
- Expenses to be thinking about are mechanical equipment, painting, building renovations/repairs, roofing, technology, grounds & landscaping, parking lots, etc.
- It is a good idea to create a short term/long term maintenance plan that indicates the life of what you currently have and anticipates when those things may need to be replaced.
- Taking care of your buildings as you go ultimately saves your taxpayers thousands of dollars. Waiting for something to fail limits your ability to shop around for best service and pricing and often results in "emergency" labor costs.

Establishing your total budget/fund numbers (for at least 2026)

- Revenues overall are a big question mark for the next few years, but be ready for the increased impact of things like higher circuit breaker credits to taxpayers and lower LIT funds as well as reduced excise and other taxes. If you don't have very strong reserves to ride out the next few years, be ready to make some hard decisions and start planning ahead.
- For 2026: To get the MAX Total Budget possible without a "binding" review: take your Total Budget (all funds allocated) from the previous year and multiply that number by 100% plus the MLGQ. **Example using the 4% MLGQ we are already aware of**: Previous year budget (General: $101,032 + Debt: $50,024 + LIRF: $25,000 + Rainy Day: $35,000 = Total Budget from previous year of $211,056) and MLGQ for the year = 4% so your new Total Budget figure you want to work with is $211,056 x 104% = $219,498.24 Subtract $1 and any cents which leaves $219,497 which is the statutory number that keeps you non binding. (Remember, you may still be "binding" if you fall into the 150% situation discussed earlier and your fiscal body notifies you of wanting to do a binding review by July 1st).

- It does not matter if you allocate some funds higher than the 4% and some lower than the 4%. All that matters is your total appropriations add up to the number you just came up with for your total budget. If you need more in the General Fund, just allocate less in Rainy Day. Debt is what it is and there is very little room to adjust but don't forget to add in the fees of your debt service bank (where you make the debt payments to) if not included in the amortization schedule.

8. Information for key agencies & resources:

Indiana Code - https://iga.in.gov/laws/current/ic This is the law and very important to learn your way around. Whenever you see something that starts with IC, this is where you go. Library specific codes are in the IC 36-12 section, but other areas of code also apply.
State Library http://www.in.gov/library/libraries.htm :
Hayley Trefun - Public Library Services Consultant – 317-232-1938, htrefun@library.in.gov
Provides general consultation to library staff and trustees, and specific consultation on library finance, and coordinates the Indiana e-rate program.
Gateway support@dlgf.in.gov for all issues relating to DLGF Gateway access and functions.
Gateway annualreport@SBOA.in.gov for all issues relating to SBOA Gateway access and functions.
DLGF http://www.in.gov/dlgf : So many useful State and County reports! The following link is a map showing the districts of the field representatives and has their contact information
https://www.in.gov/dlgf/files/maps/Budget_Field_Reps.pdf
Jamie Bolser is the Director of the Budget Division and can be contacted for issues you do not feel your field rep can help with. (317) 234-3937 JBolser@dlgf.in.gov
SBOA https://www.in.gov/sboa/political-subdivisions/libraries/ this site has compliance guidelines, memos, and directives for libraries.
Mitch Wilson and Beth Goss
(317) 232-2513 libraries@sboa.in.gov
ILF http://ilfonline.org Our voice and our advocates! Membership is important to keep ILF strong.
317-257-2040 x 101 info@ilfonline.org
ILF Budget tactical team: There are several directors throughout Indiana that make up a budget tactical team within ILF to help answer questions and provide one-on-one support and guidance to new directors or seasoned directors with any questions related to the budget. These Directors are listed in the Education (workshops/cohorts) section of the ILF website. USE US!
Sandy Petrie: Noble County Public Library - (260) 636-7197 - spetrie@myncpl.us