



2025 LEGISLATIVE SESSION

Budget & Fiscal Updates

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INDIANA COMMISSION for
HIGHER EDUCATION

HEA 1001-2025

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CHE BUDGET PRIORITIES

- ▶ Maintain key financial aid programs
- ▶ Maintain outcome-based performance funding (OBPF)
- ▶ Maintain dual credit funding
- ▶ Maintain repair and rehabilitation (R&R) funding

CHE FISCAL IMPACT

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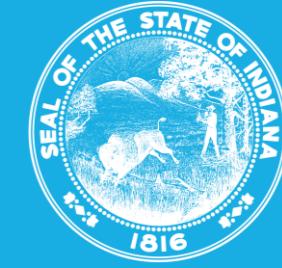
CHE ADMINISTERED PROGRAMS



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- ▶ The **21st Century Scholars** and **Frank O'Bannon Grant (FOB)** appropriations were **held flat** from FY25.
 - ▶ This is the **most important outcome** for the Commission and is a **win** for students, higher education, and Hoosier businesses.
- ▶ Most other scholarships and grants received a **5 percent reduction**.
 - ▶ **CVO** held flat.

FRANK O'BANNON GRANT (FOB)



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- ▶ Converts FOB to a **reverting fund**.
- ▶ Requires the **SBA** by June 30, 2025, to **transfer any balance** in the FOB fund to the General Fund that is not being used for scholarships by the transfer deadline.
- ▶ **Allows** the Commission to transfer FOB funding to another program under 21-12 beginning FY26. There is **no statutory cap**.

APPROPRIATION WITHHOLDING

- ▶ Requires the **State Budget Director** to **withhold 5 percent** of state agency funds for **FY26 and FY27** predominantly used for:
 - ▶ **Salaries** of state agency employees; and
 - ▶ **General operating expenses** of the state agency.

SEI FISCAL IMPACTS

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SEI OPERATING FUNDS

- ▶ FY25 earned **OBPF** is added to base.
 - ▶ OBPF maintained in statute
- ▶ 5 percent reductions to **operating funds and line items.**

DUAL CREDIT FUNDING

- ▶ Funding for **dual credit** frozen at **FY25 levels** and **then reduced by 5%**.
- ▶ This means per credit funding is **different per institution**.

CAPITAL FUNDING

- ▶ Existing student **fee replacement** debt obligations are met.
 - ▶ No new fee replacement funding.
- ▶ **R&R reduced by 5%** from Senate version.
 - ▶ All appropriations moved to **FY26**.
- ▶ Purdue and IU received **deferred maintenance** appropriations for regional campuses.

APPROPRIATION WITHHOLDING

- ▶ Requires the **State Budget Director** to **withhold 5 percent** of state educational institution funds for **FY26 and FY27** predominantly used for:
 - ▶ **Salaries** of state educational institution employees; and
 - ▶ **General operating expenses** of the educational institution.

SEA 5-2025

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INDIANA COMMISSION for
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SEA 5

STATE FISCAL AND CONTRACTING MATTERS



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Section 2 – Federal Funds Request

- ▶ Requires a **state agency** to submit **quarterly reports** to SBC in which new **federal funds requests** are detailed since the last submission by the state agency.
- ▶ A state agency **may not** accept federal funds **prior to SBC review** of a report submitted by the state agency **if acceptance of funding requires:**
 - ▶ A state match;
 - ▶ Additional permanent full-time employees; or
 - ▶ New requirements of the state as a condition of acceptance.

SEA 5

STATE FISCAL AND CONTRACTING MATTERS



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Section 6 – Reporting Requirements

- ▶ Requires a **state agency** to submit quarterly reports to the SBC for **active contracts** not less than **\$500,000**.
- ▶ The **report** must include certain criteria, including:
 - ▶ Current expenditures compared to the maximum allowable amount;
 - ▶ Any changes to the contract, including amendments, since the submission of the previous report; and
 - ▶ The metrics used to determine success and performance of the contract.

SEA 5

STATE FISCAL AND CONTRACTING MATTERS



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Section 6 – Reversion of Appropriations

- ▶ Beginning FY26, any **funds appropriated to a state agency** from the IGA for an **expense related to a contract** that remain unused **ninety (90) days** after the end of the contract:
 - ▶ Must be **unallotted by the SBA** and no longer available for use;
 - ▶ **Revert to the fund** from which they were appropriated by June 30.

SEA 5

STATE FISCAL AND CONTRACTING MATTERS



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Section 6 – Mandatory Contract Terms

- ▶ Requires a **contract** between a **state agency** and a contractor entered into, renewed, or amended after **June 30, 2026**, that is **\$500,000 or more** to contain the following provisions:
 - ▶ To the extent practicable, clearly defined **scopes** and success **metrics**;
 - ▶ **Liquidated damages** or other **remedies** for missed deadlines or overages; and
 - ▶ A third-party review or other appropriate method verifying the parties performed their obligations under and in compliance with the contract.

SEA 5

STATE FISCAL AND CONTRACTING MATTERS



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Section 6 – Review of Amendments

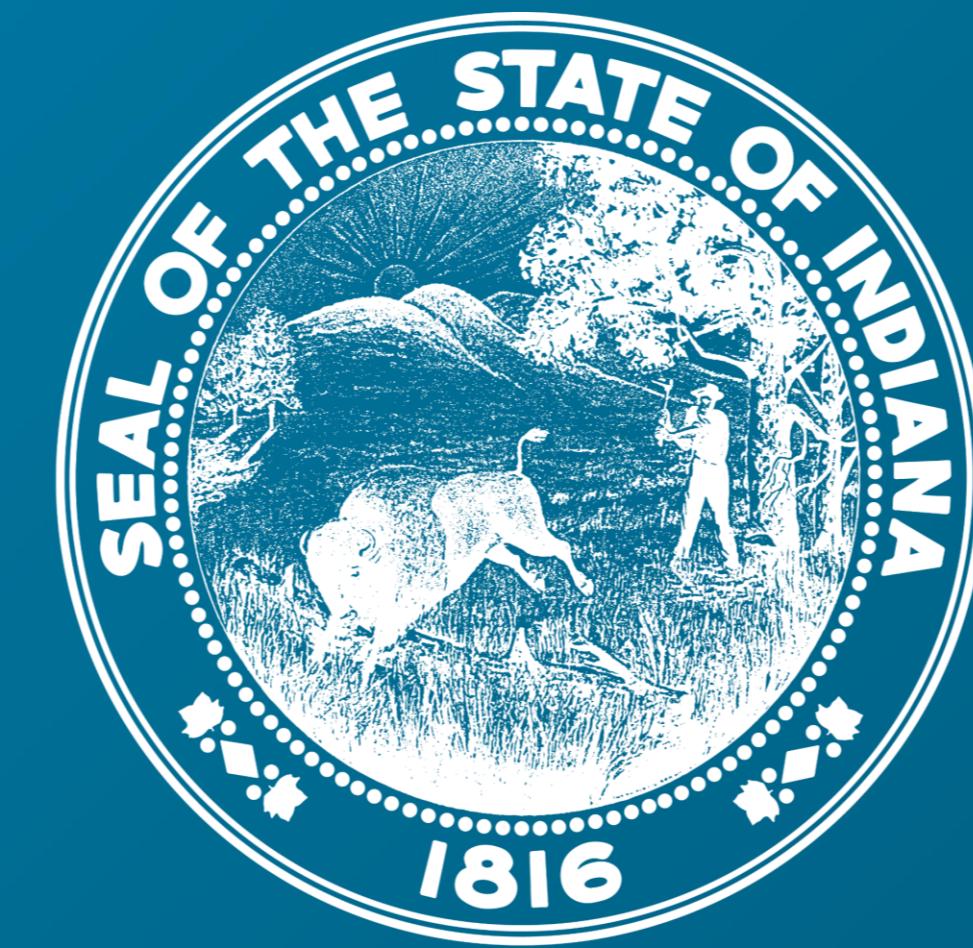
- ▶ After June 30, 2025, a **state agency** must submit **quarterly reports** to the SBC detailing **any contract amendment** that would meet **one of the following**:
 - ▶ **Increase the amount of any contract** by \$500,000 or more; or
 - ▶ **Extend a contract for 6 months or more** whose original amount was at least \$500,000.

QUESTIONS / DISCUSSION

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