



Indiana Department of Revenue

Mike Braun, Governor
Kevin Gulley, Commissioner

Indiana Government Center
100 N. Senate Ave.
Indianapolis, IN 46204-2253

June 30, 2025

Mr. Chad Ranney
Budget Director
Indiana State Budget Agency
200 W. Washington Street, Suite 212
Indianapolis, IN. 46204

Director Ranney,

In response to your memo dated June 2, 2025, titled *FY 26 Spending Plans & Strategic Spending Reduction Plans Aligned to FY 26 Budgets*, please find attached our strategic plan for FY 26. The plan specifically addresses how the Department of Revenue (DOR) will navigate a 5% budget cut from FY 25 appropriations and a 5% reserve in FY 2026. Additionally, we have submitted our spending plan as required in the SPEED system.

We are an agency of 640 servants dedicated to our mission to serve Indiana by administering tax laws in a fair, secure and efficient manner. We have proudly developed a culture along with a vision and set of core values that we live out daily which has led to wonderful relationships with our customers and constituents, dramatic improvement in our organizational capability and service levels and a workplace that has been recognized as a Top Workplace for the retention and attraction of talent.

We acknowledge that we are facing significant economic challenges due to declining revenue growth, increased spending pressures, and uncertainty surrounding federal funding and tariffs. We also value our experience working in a state government that is resilient and fiscally disciplined. DOR has consistently done its part to assist during difficult times, and this instance is no exception.

Our Strategic Plan discloses how our agency will manage our staffing and other expenses to meet the 5% budget cut and the 5% reserve for FY 2026. Our three funds which are subject to these spending reductions are our General Fund 10850 (GF), Outside Collections Fund 10920 (GF) and our Dedicated Fund 32810, which is also known as Motor Carrier Services (MCS). Going forward, these three funds will collectively be referred to as our “operating funds.”

The impact of the budget cut and reserve will require us to reduce our operating funds budget by \$8.3M. Personnel costs are our single largest cost, comprising roughly 75% of our operating funds. Currently we have 640 FTEs and approximately 60 contractors. Our plan provides that \$6.1M or 73% of the required reduction will come from labor-related actions including not backfilling non-

essential positions and shifting Motor Carrier employees from the general fund to the dedicated Motor Carrier Fund. We have included a schedule of our staffing that bridges from our FY 2025 budgeted staffing to our current staffing level that will support the achievement of our strategic plan.

FY 26 will also benefit from some of DOR's intentional savings efforts. Namely, DOR plans to terminate targeted operational contracts effective by the end of February 2026 for an estimated savings of approximately \$460,000. Additionally, DOR has decided to defer a Motor Carrier Services project for a one-time savings of \$200,000. Finally, DOR anticipates shifting additional Motor Carrier SPD and IOT costs that are currently being paid by the general fund to the Motor Carrier fund.

The final component of our strategic plan for FY 2026 is an augmentation request for our Motor Carrier Services fund of approximately \$2.1 M. This request is necessary due to the anticipated additional spending that DOR Motor Carrier Services will incur to meet the additional workload that DOR absorbed from the Bureau of Motor Vehicles (BMV). The revenue to support this request is being transferred from the BMV to DOR moving forward, pursuant to SB 453. This additional funding will right size the Motor Carrier Services budget and is in alignment with Financial Management Circular (FMC) 1.1 and the June 2, 2025, memo directing agencies to prioritize dedicated funding sources to reduce the need for general fund resources.

Agency Compliance with Financial Management Circulars

DOR is currently in compliance with all published Financial Management Circulars. As a leader in the implementation of internal controls in state government, DOR regularly reviews and updates its internal control framework and documentation. DOR has an internal audit team and an audit committee that regularly review audit reports, findings, and ensure findings are being resolved or mitigated. DOR is also audited by the State Board of Accounts annually and has had 0 written or discussion comments on its last three ACFR audits.

Potential Cost Savings

DOR has identified several areas of potential cost savings. The first and greatest opportunity is our printing and postage expenses. DOR spends approximately \$3.5 M on mailing related costs per fiscal year. We have a continuous improvement project ongoing that we expect may save up to \$400,000 per fiscal year by eliminating unnecessary and duplicative mailings. We intend to propose legislation that could dramatically reduce mailing requirements by limiting the number of attempts to post office return addresses and by giving our customers / taxpayers the ability to opt-into e-notices. Depending upon the acceptance rate and corresponding volume reduction, we could see savings in printing and postage approaching \$1.75 M per fiscal year.

Another initiative we are working on is a rigorous review of our contract terms and conditions to pursue opportunities to reduce contract costs and / or improve terms. We also intend to reduce all non-essential travel and cancel our annual audit conference which brings over 100 auditors together from across the country. We expect to save a total of \$125,000 per fiscal year. Finally, we intend to

eliminate employee engagement related spending on apparel, food, and similar items and reduce the scope of our internship program for an estimated annual savings of \$100,000.

The final cost savings initiative that we would like to highlight is our paper check scanning partnership with the Department of Child Services (DCS). DOR anticipates that we will be able to take over paper check scanning operations from DCS' current vendor by the time the contract expires in November 2025. We are pleased to note that by leveraging our resources, expertise, and available capacity, we will be able to save DCS between \$200,000 and \$300,000 annually.

Federal Grant Opportunities

DOR is not a recipient of federal funding; therefore, this section is not applicable.

Analysis of Open Contracts and Anticipated Procurement Needs

As part of DOR's analysis of open contracts, we met with the Indiana Department of Administration to discuss our future procurement strategy. A direct outcome of that meeting is that we are looking to utilize Quantity Purchase Agreements (QPA) and General Services Administration (GSA) options to lower costs. As part of this venture, we have already transitioned three of our FY 2025 contracts to QPA vendors. In addition to this open contract review, DOR Procurement and Legal hold joint quarterly check-in meetings with each contract owner. These meetings ensure that the vendor is in compliance with the terms of the contract and any issues are addressed.

As for FY 2026, DOR does not anticipate any new technological needs or new contractual partnerships.

Potential Risks to our Plan

A potential risk to our plan is the timing of expenses related to the implementation of the Tax Amnesty program. DOR was authorized by the General Assembly to conduct a Tax Amnesty program before December 31, 2026, during the recently completed legislative session. Consequently, on June 18, 2025, we submitted a notice via email, as required in the *FY26 Spending Plans and Strategic Spending Reductions Plans aligned with FY26*, to request an exemption from the mandatory reserve policy to fund this program. For context, the cost of the 2015 Tax Amnesty program was \$6 million, which resulted in collections totaling \$188 million.

An additional risk to our plan is the opportunity for DOR to take on the administrative responsibilities for the Child Support Bureau (CSB). This is currently under evaluation, and we are still undergoing due diligence efforts as we explore this possibility. Should we accept this additional administrative workload, there is the potential for additional unforeseen expenses as we transition CSB to DOR. The impact if any on FY 26 operations of this broader initiative to potentially absorb

all administrative functions of the CSB will likely be lessened by the time needed to complete the due diligence to ensure a positive outcome for both agencies.

In conclusion, we believe that our strategic plan summarized above and documented in the attached schedules clearly demonstrates how we intend to meet the 5% budget cut and the heightened reserve rate of 5% for our three operating funds. We realize that it is not about equal giving but equal sacrifice across our great state government agencies because we are “*#INThisTogether.*” We appreciate the partnership with the State Budget Agency and understand the monumental task that has been thrust upon you to provide the necessary guidance that will ultimately help stabilize our state government’s finances.

Sincerely,

Indiana Department of Revenue

Attention: Finance Division

100 N. Senate Avenue

Indianapolis, IN. 46204

317-232-2177

Budget Plan to Meet FY 2026 Reserve Target

	DOR Operating (G) 10850	Outside Collections (G) 10920	Motor Carrier Services (D) 32810	Total Operating Budget	Assumptions
FY 2025 Budget (Appropriation Less Reserve)	\$ 80,614,450	\$ 4,585,887	\$ 9,828,987	\$ 95,029,324	2% reserve for MCS, \$300K reserve for 10850, no reserve for 10920.
FY 2026 Budget (Appropriation Less Reserve)	\$ 73,025,291	\$ 4,138,763	\$ 9,528,100	\$ 86,692,154	5% reserve
Budget Reduction	\$ 7,589,159	\$ 447,124	\$ 300,887	\$ 8,337,170	

Category	DOR Operating (G) 10850	Outside Collections (G) 10920	Motor Carrier Services (D) 32810	Total Operating Budget	% of Budget Reduction	Notes:
Hiring Freeze	\$ 5,586,857	\$ -	\$ 487,180	\$ 6,074,037		72.9% Assume staffing remains at current level of 641 full-time employees.
Move 20 MCS Staff to Dedicated Funding	\$ 2,299,929	\$ -	\$ (2,299,929)	\$ -		0.0% Transfer 20 MCS staff currently paid by general funds to the dedicated fund.
Augmentation related to Revenue Transfer from BMV (SB 453)	\$ -	\$ -	\$ 2,156,612	\$ 2,156,612		25.9% MCS assumed work from the BMV without additional funding. This will compensate DOR for unbudgeted additional expenses that we have been incurring.
Termination of Targeted Operational Contracts (February 2026)	\$ -	\$ 459,964	\$ -	\$ 459,964		5.5% Terminate targeted operational contracts effective at the end of February 2026.
Defer MCS Project	\$ -	\$ -	\$ 200,000	\$ 200,000		2.4% Project deferred indefinitely.
Allocate SPD / IOT Fees to Dedicated Funding	\$ 159,931	\$ -	\$ (159,931)	\$ -		0.0% Allocate MCS costs from general to dedicated funding.
Estimated Health Insurance Increase & Other Projected Cost Increases	\$ (457,557)	\$ (12,840)	\$ (83,044)	\$ (553,442)		-6.6% Projected increased health insurance expenses and other projected cost increases.
Total Identified Savings	\$ 7,589,159	\$ 447,124	\$ 300,887	\$ 8,337,170	100%	

Staffing Plan to Meet FY 26 Budget Reserve Target

Division	Current Staffing /			Funding Source	Notes
	FY 25 Target	FY 26 Budget	Attrition		
Agency & Business Systems Support	44	43	-1	GF	1 FTE transferred to MCS
Audit Operations	125	105	-20	GF	16 FTE transferred to MCS
Commissioner	3	3	0	GF	
Customer Compliance & Corporate Tax Operations	62	60	-2	GF	
Customer Experience Management	46	37	-9	GF	
Customer Service	116	102	-14	GF	
Finance	20	16	-4	GF	1 FTE transferred to MCS
IT	61	55	-6	GF	
Legal	35	34	-1	GF	2 FTE transferred to MCS
Motor Carrier Services (MCS)	71	84	13	D	20 FTE transferred from GF.
Returns Processing Operations	112	97	-15	GF	
Defer MCS Project	5	4	-1	GF	
Total	700	640	(60)		

Notes:

Attrition Savings - General Fund	\$ 5,586,857
Attrition Savings - Motor Carrier Services	\$ 487,180
Move 20 MCS Staff to Dedicated Funding	\$ 2,299,929

Savings Opportunity	Expected Savings	Notes:
Printing / Postage	\$ 400,000	DOR has an active project seeking to eliminate unnecessary / duplicative mailings. It is expected that this project could save up to \$400,000 annually. These savings have not been achieved / validated yet. Printing / Postage savings could be much more significant if paper mailing mandates were eliminated in the Indiana Code see next page for details.
Travel Reductions	\$ 125,000	DOR expects to achieve an estimated savings of \$125,000 / fiscal year by eliminating non-essential / discretionary travel and conferences.
Employee Engagement / Intern Program	\$ 100,000	DOR expects to achieve an estimated savings of \$100,000 / fiscal year by eliminating employee engagement spending and reducing the scope of our internship program.
Total Potential Savings	\$ 625,000	

Estimated Savings from Changes to Legislation to Eliminate Mailing Requirement / Ability for Taxpayers to Opt-into E-Notices

	Estimated Annual Cost	Volume Reduction					
		10%	20%	25%	30%	40%	50%
Printing	\$ 750,000	\$ (75,000)	\$ (150,000)	\$ (187,500)	\$ (225,000)	\$ (300,000)	\$ (375,000)
Postage	\$ 2,750,000	\$ (275,000)	\$ (550,000)	\$ (687,500)	\$ (825,000)	\$ (1,100,000)	\$ (1,375,000)
Total	\$ 3,500,000	\$ (350,000)	\$ (700,000)	\$ (875,000)	\$ (1,050,000)	\$ (1,400,000)	\$ (1,750,000)

Note:

The majority of mailings are related to collections activity.



State of Indiana

State Budget Agency
State House #212
Indianapolis, IN 46204
317-232-5610

Mike Braun, Governor
Chad Ranney, Director

Approved Fiscal Year 2026 Strategic Spending Reduction Plan

Agency Name: Department of Revenue

Pursuant to applicable state budgeting and financial management guidelines, the undersigned hereby affirm that the Fiscal Year 2026 Strategic Spending Reduction Plan submitted for the above-named agency has been reviewed and is approved for implementation. This approval signifies the plan submitted is in alignment with agency priorities, applicable legal requirements, and available funding levels.

Chad E. Ranney

Chad E. Ranney
State Budget Director
Date: 8/27/25

Lisa Hershman

Lisa Hershman
Secretary of Office of Management & Budget
Date: 8/27/25

M. Kevin Gulley

M. Kevin Gulley
Commissioner
Date: 8/27/2025

Ensuring that Indiana's priorities are funded today and tomorrow.