



State of Indiana

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Chad Ranney, Director

**TO:** Cabinet Secretaries, Agency Heads, Chief Financial Officers, Controllers  
**FROM:** Chad E. Ranney, State Budget Director  
**DATE:** June 26, 2026  
**RE:** **FY 2027 Spending Plans & Reserve Policy**

### **FY 2027 SPENDING PLANS & RESERVE POLICY**

As we look back on this past year and head into fiscal year close, I want to thank the Cabinet Secretaries and agency teams for your hard work and commitment to staying within your budget while also attempting to meet reserve targets. Despite the obvious challenges associated with working through budget cuts and shifting priorities, agencies rose to the occasion, adapted as necessary, and found solutions to ensure Hoosiers continued receiving services without interruption. We truly appreciate the collaboration, flexibility, and effort you have shown throughout the last fiscal year.

Looking ahead, the State Budget Agency (SBA) is again asking all agencies to develop and submit a FY 2027 Spending Plan. Plans should include the mandatory 5% reserve and incorporate the updated Indiana Office of Technology (IOT) charges, as well as the projected future fringe benefit costs described in more detail below. FY 2027 will require the same level of focus, collaboration, and thoughtful planning that agencies have demonstrated throughout FY 2026. It is important for agencies to continue identifying efficiencies within their operations to help offset increased IT and health insurance costs.

SBA will continue using the Spending Plan, Expense, & Encumbrance Dashboard (SPEED) to review Spending Plans, and we are currently developing a new PeopleSoft tool to help track Spending Plans in relation to actual expenditures. The rollout for this tool is anticipated in the first half of FY 2027, but until then, SPEED will remain the primary system for Spending Plan approval.

To ensure all agencies are on track to successfully implement their FY 2027 budgets, spending plans **must** be submitted in SPEED **no later than 11:59 p.m. on July 24, 2026**. As a reminder, the approved FY 2027 spending plan will be used in budget development as Current Year Estimates (CYE).

Spending Plans are dynamic in nature and should be updated as necessary to account for things like unplanned expenses and unforeseen agency needs. For additional policy guidance on Spending Plans, agencies should refer to [Financial Management Circular 1.2 - Fiscal Spending Plans](#). If questions arise as agencies prepare their FY 2027 Spending Plan, please reach out to the assigned SBA fiscal analyst.

Ensuring Indiana's priorities are funded today and tomorrow.

## **FY 2027 Reserve**

As referenced in last year's Spending Plan guidance, reserve requirements will be established and enforced in accordance with Ind. Code § 4-13-2-30, as added by HEA 1001 (P.L.213-2025), SEC. 53. Under this law, the Budget Director is required to withhold not less than 5% from each appropriation made to a state agency that is predominantly used, as determined by the Budget Director, for salaries and other wages or general operating expenses.

SBA has completed its analysis of agency appropriations, and a list of appropriations predominantly used for salaries and other wages or general operating expenses can be found in Appendix A – General and Dedicated Operating Reserves. Consistent with Ind. Code § 4-13-2-30, 5% will be withheld from each appropriation included on the list. It is imperative that agencies account for this 5% mandatory reserve in their FY 2027 spending plans, as **the amounts withheld are unlikely to be released**. In rare instances, an exemption from the mandatory reserve may be considered.

While the reserve requirements apply only to appropriations made to “state agencies,” as defined in Ind. Code § 4-13-2-30(b), SBA respectfully requests that all taxpayer-funded agencies across state government demonstrate their commitment to fiscal responsibility and budget discipline by voluntarily reserving a portion of their appropriations and submitting an FY 2027 spending plan in SPEED.

## **State Personnel Department (SPD) Rates**

The State Personnel Department (SPD) HR seat charge rate will remain unchanged from FY 2026 and is set at \$567.28 for full-time rate PCNs and \$106.82 for part-time PCNs.

## **Indiana Office of Technology (IOT) Rates**

In last year's reserve guidance, I shared that IOT seat charges would be held flat over the biennium. Unfortunately, that will not be the case. To maintain a balanced cost-recovery model and ensure the continued delivery of critical IT services to agencies, IOT must increase the FY 2027 seat charge. The seat charge (Product ID 1001) for FY 2027 will increase from \$80.75 to \$87.77. Further, IOT charges for all listed products reflect an 18% average statewide increase. The estimated impact to agencies associated with these rate increases can be found in Appendix B – Estimated IOT Rates for FY 2027.

Multiple factors have contributed to these cost increases:

- Several expiring contracts must be renewed at higher prices, reflecting broader inflationary trends within the technology market.
- Service volumes have declined in several key areas, while their overall costs remain largely unchanged due to existing contractual obligations. As these costs do not decrease in proportion to reduced activity, the cost assigned to each individual service has increased.

- IOT continues making targeted investments in critical platforms and software that are essential to maintaining a secure and modern infrastructure. The costs for three new products were absorbed by IOT in FY 2026 but will be charged to agencies in FY 2027. These products include support application performance monitoring (1237), the statewide helpdesk system (1233), and system integration needs (1236).

IOT remains committed to responsible resource management and continues to prioritize investments in essential platforms, tools, and cybersecurity capabilities. These efforts help ensure agencies receive stable, modern, and cost-effective IT services that meet statewide operational needs.

Should you need assistance or have questions about IOT billing, we encourage you to reach out to IOT.

### **Fringe Benefit Rates**

In addition to the 5% reserve and IOT rate increase, the cost of fringe benefits should be incorporated into your Spending Plan. Calendar Year 2026 rates are posted on SBA's website [here](#). These rates should be used when calculating the cost of salary and fringe benefit expenditure levels for the first half of FY 2027. Health insurance rates are projected to increase by 11% in the second half of FY 2027, and expenditure levels should be adjusted accordingly. Actual rates for Calendar Year 2027 will be released in November.

### **27th Pay Period**

Approximately every ten years, the State encounters a fiscal year with 27 pay periods, and FY 2027 is one of those years. Agencies should plan to absorb the cost of the 27th pay period, to the extent possible, within their existing resources. Funding may be available to cover the additional pay period for positions supported by the General Fund.

Please note that the estimated cost of the 27th pay period was calculated using agency staffing levels at the time of budget development. Agencies that have increased staffing in FY 2026 and/or FY 2027 will need to prioritize funding to cover the additional cost.