



STATE OF INDIANA

Eric J. Holcomb
Governor

STATE BUDGET AGENCY
212 State House
Indianapolis, Indiana 46204-2796
317/232-5610

Zachary Q. Jackson
Director

June 24, 2020

Dear Colleagues,

Thanks to your hard work and Indiana's history of fiscal discipline, we started this biennium with almost \$2.3 billion in the General Fund reserves; however, COVID-19 is having a profound impact on the way that we manage the State's finances for FY 2020 and FY 2021. With revenue estimates on track to miss our official General Fund forecast by approximately 10% for FY 2020, we expect that our reserves will be significantly lower as we enter FY 2021.

As you know, we have instituted several cost saving measures for FY 2021 in order to ensure that the General Fund does not run out of funding and so that we can continue to pay for the most critical government services. While the 15% reduction for state agencies and 7% reduction for state universities will not be easy, those funding reductions would have likely been much higher had we not entered this crisis with healthy General Fund reserves.

In early January 2021, the Indiana General Assembly will reconvene with the goal of passing a biennial budget for Fiscal Years 2022 and 2023. It is now time for us to prepare the Governor's recommended budget for those years. At this time, we envision that many of the cost saving measures and budget reductions implemented for FY 2021 may need to continue into FY 2022 and FY 2023.

Normally, these budget instructions would indicate how agencies should be calculating their "Base" budgets for the upcoming biennium, and that number is usually a variation of the current year's spending or appropriation. However, at this time, I am not ready to commit to a "Base" calculation – we simply need more revenue data in order to know the magnitude of spending reductions that will be necessary for FY 2022 and FY 2023.

The attached instructions will walk you and your staff through the process of submitting your budget request for the next biennium. Our budget development system (Hyperion) is open and ready to go, and system training information will be sent out next week. In Hyperion, your agency can start cleaning up its historical expenditures and staffing tables and begin loading current year (FY 2021) estimates. I will commit to providing you with a "Base" calculation by August 1st. This will give us time to close the books for FY 2020 and see the results from the shifting of this year's tax day to July 15th. As a placeholder until the official "Base" calculation is made, you may want to assume that your "Base" numbers for FY 2022 and FY 2023 are equal to your FY 2021 appropriations minus 15%.

The final deadline for budget submission this year will coincide with the statutory deadline of September 1st. As shown more fully on the next page with corresponding milestones and deadlines, there are additional documents and information that your agencies must submit.

The instructions on the following pages are the forms and directives of the State Budget Agency for preparation of the biennial budget as authorized by Ind. Code 4-12-1-7. The general approach to

developing and submitting budget requests will be familiar to your staff, but there are some notable exceptions:

1. Instructions on how to calculate the “Base”, are forthcoming in a subsequent set of instructions.
2. We anticipate that “change package” requests for expanded services and/or new programs (additional funding on top of the base) will be rare. All proposed change packages are considered part of the deliberative process and will be ranked with other proposals in light of the revenue forecast and the Governor’s funding priorities. It is expected that no outside communication or lobbying on these proposals will occur unless and until the Governor approves them as part of his final submitted budget.
3. **All vehicle purchases for the FY 2022 and FY 2023 biennium will continue to be made by the Department of Administration.** Agency budget requests should not include expenditures to purchase new fleet vehicles. Due to the State’s financial situation as a result of COVID-19, resources available for fleet purchases will be substantially less than previous biennia. Fleet needs assessments will only be considered after agencies evaluate their vehicle usage, consider operational changes to limit travel, and evaluate alternative options. If after a thorough review, an agency still needs a replacement vehicle for critical operations, please submit your needs assessment for vehicle purchases to IDOA Fleet Services via email (fleetservicesva@idoa.in.gov) by Thursday, July 9, 2020. Agencies should still include the maintenance costs associated with their vehicles in their budget request for the FY 2022 and FY 2023 biennium.

The following are key documents and deadlines necessary for each agency’s **operating** budget submission and are fully described below:

Deadline	Task	Format/Method
Thursday, July 9	Submit Fleet Needs Assessment to IDOA	Excel document
Friday, July 17	Establish agreed-upon Current Year Estimates (CYE) for FY 2021 with your Budget Analyst	E-mail confirmation from SBA on agreed-upon CYE
Friday, August 7	Establish agreed-upon “Base” with your Budget Analyst – SEPARATE INSTRUCTIONS FORTHCOMING	E-mail confirmation from SBA on agreed-upon CYE and Base
Tuesday, September 1	Submit Agency Overview and Fund Narratives to your Budget Analyst	Word document
Tuesday, September 1	Electronic submission of FY 2022 and FY 2023 agency budgets	Hyperion

Please note, additional instructions are being sent on for **capital** budgeting. Key deadlines associated with capital budgeting are:

- Wednesday, July 1** Request that the Division of Public Works develop a master plan (if you do not have a master plan)
- Friday, July 31** Master plans submitted to your Budget Analyst
- Tuesday, September 1** Capital forecast submitted to your Budget Analyst
- Tuesday, September 1** Inventory of deferred maintenance submitted to your Budget Analyst
- Tuesday, September 1** FY 2022 and FY 2023 PM (preventive maintenance) spending plan and Capital Transmittal/Overview Letter submitted to your Budget Analyst
- Tuesday, September 1** Electronic submission of FY 2022 and FY 2023 agency budget

My staff and I are available to assist and answer any questions that you have about these instructions and the budget development process.

Sincerely,



Zachary Q. Jackson
State Budget Director

cc: Governor Eric J. Holcomb

I. BUDGET SUBMITTAL

This set of instructions focuses on budget preparation policy. It explains how to develop, request, and justify all operating funding for FY 2022 and FY 2023. All state agencies, including executive, legislative, judicial, and other entities that receive appropriations (including separately elected offices), must submit proposed budgets to the Budget Agency. Budget information must be submitted for all funds that receive appropriations from the General Assembly and all funds that had activity, or will have activity, in any of the years from FY 2019 through FY 2023.

Your budget must be submitted electronically by Tuesday, September 1st. A summary of key deadlines can be found in Section IX (Budget Submission).

Please read these instructions carefully before starting to prepare your budget. Documents that are not submitted through Hyperion are:

- Agency Spending Plan (SPEED Application)
- Current Year Estimates (CYE) for FY 2021 and Base calculations
- Change Package Questionnaire responses
- Agency Overview letter
- Fleet Needs Assessment
- Fund Narratives

As indicated below, some of these documents have deadlines earlier than September 1st.

For agencies that have an MOU with the State Budget Agency for accounting services, please work with your budget analyst to complete the following steps so that your budget request is entered into Hyperion by Tuesday, September 1st:

- Submit the Agency Overview (see Section II) and Fund Narratives (see Section VI)
- Revenue Estimates (see Section VII) should be sent in a spreadsheet format.
- Budget requests should also be in a spreadsheet format and follow the outline for Current Services Requests and Special Initiatives explained in Sections III and IV, respectively.

Separate instructions have been developed for Capital Budget requests. Please call your Budget Analyst if you have questions.

II. AGENCY OVERVIEW (TRANSMITTAL LETTER)

An Agency Overview must be prepared in conjunction with your proposed budget. This is a Word document that should be electronically submitted to your Budget Analyst separately from loading actual budget data via Hyperion. The purpose of the overview is to summarize the agency's total budget request. It should reflect your plan to allocate the resources available to you to provide the best services to taxpayers at the lowest cost possible.

You will want to include in your overview:

1. A brief description of your agency's programs and functions (by department or division, as appropriate), prioritized from most to least important
2. Accomplishments and challenges over the last two years
3. Your agency's key performance indicators identified by the Management Performance Hub
4. An organizational chart
5. Any programs to be reduced, eliminated, and/or replaced by other programs (these should be described in some detail)

If there are any major challenges anticipated that could affect the operating budgets of the agency, recommendations on how to address these challenges should be included.

The Agency Overview is an integral part of the budget submission and should be prepared with particular care. The letter, which will be provided to the Governor and members of the Budget Committee, the House Ways and Means Committee, and the Senate Appropriations Committee, should demonstrate the agency's mission, purpose, and effectiveness as reflected in the budget. It is the primary document the Governor and members of the General Assembly will use to understand and assess your budget request.

Please work with your Budget Analyst to develop this information and submit your Agency Overview to your Budget Analyst by September 1st.

III. CURRENT SERVICES REQUEST

Hyperion allows agencies to classify sources of transferred funding as two different types. These transfer types should be used as necessary to explain expenditures and funding for FY 2019, FY 2020, CYE (FY 2021), the Base, and the Request for FY 2022 and FY 2023. If you have any questions on which type is appropriate, please ask your budget analyst.

- **Transfer Funding In** – This option should be used to properly reflect funding in instances when a fund received a transfer through mechanisms such as administrative action, Board of Finance, the state match transfer list, or a federal subgrant transfer. It should not be used in instances where the transfer was required as an intended source per the Budget Bill.
- **Transfer Expense Out** – This option should be used to properly reflect planned expense allocations to other funds via GL journal. This should not be used to reflect appropriation/funding transfers.

The current services budget has the following components:

A. Historical Expenditures

All expenditures made in FY 2019 and FY 2020 will be provided for you in Hyperion. These historical figures have been transferred electronically from the Auditor's records to your budget file. FY 2020 expenditures will be updated to reflect expenditures as of June 30, 2020, along with any adjustments made during fiscal year close-out. You should review these numbers to verify their accuracy. If there is a material error, please contact your Budget Analyst.

Although historical expenditure data has been loaded from the Auditor’s records, you will need to identify the funding sources for these expenditures.

Transfer accounts (i.e. 75xxxx accounts) are included in the actual expenditure data for FY 2019 and FY 2020. If an agency transferred dollars from a fund in FY 2019 or FY 2020, it will be reflected as an expenditure in that fund in Hyperion. However, in order to avoid double counting expenditures, agencies will need to identify the fund to which the transfer was made and ensure that the amount transferred into the fund is reflected as “Transfer Funding In”. Situations in which funds are transferred out of a fund (and therefore treated as an expenditure) can be identified by locating 75xxxx accounts in PeopleSoft. Situations in which funds are transferred into a fund (and therefore treated as transferred funds) can be identified by locating 74xxxx accounts in PeopleSoft. Your budget analyst can help you identify these transfers.

B. Staffing Table Position Control Records

Staffing Table Position Control Records (PCRs) have already been loaded into Hyperion from the State Personnel Department’s database (PeopleSoft) to reflect the most recent and accurate data available. This data is used to calculate salary and fringe benefits expenditure levels for your budget submission. It is critical that this information be reviewed and updated as necessary.

The following two subsections (C and D) set limits for your agency’s Current Year Estimate and Base. To stay within these limits, it may be necessary for PCRs to be flagged as inactive.

For your information the Fringe Benefits are calculated as follows:

	FY 2021	Base	FY 2022	FY 2023
The following are calculated as a percentage of salary:				
Life Insurance	0.13%	0.13%	0.13%	0.13%
Social Security	7.65%	7.65%	7.65%	7.65%
PERF-State Share	11.20%	11.20%	11.20%	11.20%
PERF-Employee Share Paid by State	3.00%	3.00%	3.00%	3.00%
Disability Insurance	1.33%	1.33%	1.33%	1.33%
Total % of Payroll	23.31%	23.31%	23.31%	23.31%
Full-Time Employees	23.31%	23.31%	23.31%	23.31%
Part-Time Employees	21.85%	21.85%	21.85%	21.85%
Intermittent Employees	7.65%	7.65%	7.65%	7.65%

The following are calculated as a flat dollar amount per employee:

Health, Dental, Vision – Single	\$7,068	\$7,068	\$7,068	\$7,068
Health, Dental, Vision – Family	\$19,950	\$19,950	\$19,950	\$19,950
Health, Dental, Vision – Blended	\$14,068	\$14,068	\$14,068	\$14,068
Deferred Comp - State Match	\$344	\$344	\$344	\$344

Note: Part-time employees are not eligible for health, dental, vision, life or disability insurance. In addition, Hyperion uses the blended rate as the default in the fringe benefits calculations. There is the option to use the single or family rate for individual PCRs.

C. Current Year Estimate (CYE) (FY 2021)

You are required to estimate expenditures that will be made in FY 2021 ending June 30, 2021. The CYE, which is to be agreed upon with your Budget Analyst no later than Friday, July 17th, cannot exceed your FY 2021 spending plan. Budget Agency analysts will work with each agency to appropriately calculate the agency's current year estimate.

Similar to the methodology used to explain funding for historical expenditures, if an agency intends to transfer dollars from a fund in FY 2021, it should be reflected as an expenditure in that fund in Hyperion. However, in order to avoid double counting expenditures, agencies will need to identify the fund to which the transfer will be made and ensure that the amount to be transferred into the fund is reflected as "Transfer Funding In".

D. The Base

Additional instructions are forthcoming on August 1st regarding how an agency is to calculate the Base budget for FY 2022 and FY 2023.

IV. CHANGE PACKAGES (New/Expanded Services)

Any change from the Base to the request years can only be accomplished through the submission of a change package (either Current Services or New Services). Current Services change packages should be used to accurately reflect the size and scope of an existing function already being implemented by an agency such as a request to right size the funding of a program. New Services change packages should be used to request the expansion of an existing function or to request funding for a new function that the agency is not currently performing. All Change Packages should be ranked - starting with 1 as your highest priority.

If the requested New Services or Current Services change package being submitted by the agency represents a one-time use of resources, the agency must request the creation of a new budgeting level. The submitted request should utilize the newly-created budgeting level along with a New Services or Current Services change package.

Additionally, any change package request submitted in Hyperion must be accompanied by a completed Change Package Questionnaire. This year, responses to the questionnaire must be submitted by September 1st in a new online form from the State Budget Agency. When we send out the official "Base" calculation on August 1st, those instructions will also include a link to this online form.

Note: A new Position Control Record (PCR) must be established for any new positions requested due to new programs. Remember, when developing the budgets for new initiatives, new position requests should be budgeted at the middle of the established salary level currently in effect. Please work directly with your Budget Analyst if you have questions about what level to fund

new positions classified as Executive Broadband. Fringe benefit amounts will be calculated automatically for you. Requests for new positions will be closely scrutinized.

V. FEDERAL FUNDS

Agencies should keep in mind that in circumstances where federal funding for regulatory mandates is being reduced or terminated by the federal government, it should not be assumed that the State will be able to replace the lost federal funds or reinstate terminated federal programs. Agencies should document the fiscal impact and service reductions resulting from the federal funding cutbacks. Agencies that distribute federal funds to local units will also need to assess the impact of federal revenue reductions and describe them in the fund narrative.

Be sure to update anticipated budgets for all federal funds. For federal funds that receive state matching funds, include amounts in anticipated state match transfers and use the “Transfer Funding In” funding type with the appropriate state fund identified.

VI. FUND NARRATIVES

The Fund Narrative is an overview or summary of each budgeted fund. It is an important part of the budget request for each fund and presents key information that decision-makers use in determining the importance of the budget request. Like the Agency Overview, Fund Narratives should be developed as Word documents and e-mailed to your Budget Analyst by **Tuesday, September 1st**.

Provide the following information for each Fund:

1. A summary of the program(s) or purpose of the fund
2. Specific statutory authority for the program(s)
3. Number and profile of the population served
4. Major changes in the scope of the program(s)
5. New initiatives
6. Other relevant information

VII. REVENUE ESTIMATES

It is important that agencies provide revenue estimates in Hyperion for the next biennium when the budget request is submitted. Any outside revenue sources need to be reported. These revenues may be derived from fines, fees, settlements, grants, or interest earned. In this context, “outside” includes transfers from other legal funds as well as federal receipts. Most agencies receive revenue of some kind.

Agencies are also required to provide revenue estimates for each of their dedicated funds in Hyperion. Revenue estimates must include fee revenue and interest earned, as well as federal amounts transferred in to support expenditures from the dedicated fund. The redemption of investments should NOT be included in your revenue estimates. These assets were included in the beginning balance.

Current and future federal fund revenue/reimbursement must also be estimated and entered in Hyperion.

VIII. DEDICATED FUNDS

Programs funded partially with General Fund and other dedicated funds must demonstrate that they are using their dedicated funding sources to the fullest extent while maintaining the integrity of the legal fund. Please contact your Budget Analyst if you have questions regarding your legal fund balances.

IX. BUDGET SUBMISSION

Your budget must be electronically submitted by **Tuesday, September 1st**. An electronic copy of the Agency Overview letter, Fund Narratives, and Performance Metrics information should also have been submitted by this date to your Budget Analyst.

Key Deadlines for Operating Budgets:

Deadline	Task	Format/Method
Thursday, July 9	Submit Fleet Needs Assessment to IDOA	Excel document
Friday, July 17	Establish agreed-upon Current Year Estimates (CYE) for FY 2021 with your Budget Analyst	E-mail confirmation from SBA on agreed-upon CYE
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