



STATE OF INDIANA

Eric J. Holcomb
Governor

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

Zachary Q. Jackson
Director

March 31, 2022

Dear Colleagues,

In early January 2023, the Indiana General Assembly will reconvene with the goal of passing a biennial budget for Fiscal Years 2024 and 2025. It is now time for us to prepare the Governor's recommended budget for those years.

The State's financial outlook has changed significantly in the last two years. Our budget instructions in 2020 reflected our concerns regarding the anticipated impact that COVID-19 would have on General Fund revenues and reserves, and as a result, we requested that State agencies trim their budgets significantly.

Two years later, we have not only rebuilt our General Fund reserves, but we are also in a position to reduce individual income taxes and utility taxes and make an unprecedented one-time transfer of \$2.5 billion to reduce our unfunded teachers' pension liabilities.

As the Governor's Budget Director, I have a cautiously optimistic outlook. At the same time, we must acknowledge that these financial plans are based upon revenue *forecasts* and that the executive branch must manage to actual revenues collected. The COVID-19 pandemic, supply chain issues, the war in Ukraine, changing interest rates, and inflation rates not seen since the early 1980s could all adversely impact the economy and General Fund revenues. Therefore, it is imperative that we continue to build budgets that Indiana taxpayers have come to expect – that taxes paid are used for necessary services and programs. As such, requests for additional funding (change packages) will be heavily scrutinized by the State Budget Agency and Governor's Office. Our review process for "grading" change packages allows us to prioritize these requests based upon their merits in terms of need and the probability of success for delivering the stated outcomes. I suggest that you take the Change Package Questionnaire form seriously and are precise and detailed in your justification.

Regarding change packages, agencies may seek additional funding for the following areas if they cannot be absorbed within the agency's "base" budget:

1. IOT and SPD rate increases. We anticipate having estimated rates for IOT's and SPD's services for FY 2023, FY 2024, and FY 2025 before the end of June 2022,
2. The annualized costs of the January 2022 General Salary Adjustment (GSA) increases. Please work with your Budget Analyst to determine the impact of the January 2022 GSA increase. However, do not request funding for future GSA or Pay for Performance (P4P) increases at this time. The SBA will budget for future salary increases separately,
3. Tuition Reimbursement and Referral Bonuses as part of the Next Level State Work initiative. I would recommend that you only ask for additional funding for this purpose if you have a high

degree of certainty about the fiscal impact. Even if you do not request a change package for these costs, the SBA will reimburse your agency, if necessary, in FY 2024 and FY 2025 from our contingency fund, and

4. Costs related to performing risk assessments and developing an internal audit function, if necessary. Additional information will be forthcoming from the SBA and OMB on this topic.

The attached instructions will walk you and your staff through the process of submitting your budget request for the next biennium. As authorized by IC 4-12-1-7, these instructions, our budget development system (Hyperion), and the Change Package Questionnaire represent the forms required for the preparation of the biennial budget. Hyperion will be ready to go in the coming months, and system training information will be sent out at that time.

For budget development purposes, your “base” budget for FY 2024 and FY 2025 should be equal to your appropriations for FY 2023. Contrary to previous years, base reallocations (shifting the base between appropriations) will not be permitted. Reallocations should be submitted as offsetting change packages.

We are making several changes this biennium in order to improve the budget development process. This includes:

1. Sending out these budget development instructions three months earlier than usual in order to allow more time for planning and discussions,
2. Removing non-value added steps from budget development. Most notably, agency “base” budgets will be pre-loaded in Hyperion along with historical expenditures and funding,
3. Meeting with every agency this coming Summer in order to:
 - a. Establish spending plans for FY 2023 (which is referred to as the Current Year Estimate or CYE later in these instructions), and
 - b. Discuss your potential change packages and capital requests, if applicable.

Please note that 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 State Budget Agency approves them as part of the final submitted budget.

All vehicle purchases for the FY 2024 and FY 2025 biennium will continue to be made by the Department of Administration. Agency budget requests should not include expenditures to purchase new fleet vehicles. 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) and to your assigned budget analyst by Thursday, July 7, 2022. Agencies should still include the maintenance costs associated with their vehicles in their budget request for the FY 2024 and FY 2025 biennium.

The final deadline for budget submission this year will be Monday, August 22nd (ten days before the statutory deadline of September 1st). The following key documents and deadlines necessary for each agency’s operating budget submission are fully described below:

Deadline	Task	Format/Method
Thursday, July 7	Submit Fleet Needs Assessment to IDOA and your Budget Analyst	Excel document
Friday, July 22	Establish agreed-upon Current Year Estimates (CYE) for FY 2023 with your Budget Analyst	E-mail confirmation from SBA on agreed-upon CYE
Monday, August 22	Submit Agency Overview (Transmittal Letter) and Fund Narratives to your Budget Analyst	Word documents
Monday, August 22	Submit Change Package Questionnaire(s)	https://fnow.sba.in.gov/BudgetAgencyForms/Home
Monday, August 22	Electronic submission of FY 2024 and FY 2025 agency budgets	Hyperion

Lastly, Capital Budget instructions will be sent before the end of April.

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 2024 and FY 2025. 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 2021 through FY 2025.

Your budget must be submitted electronically by Monday, August 22nd. 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 FY 2023 Spending Plan (SPEED Application),
- Change Package Questionnaire responses,
- Agency Overview letter,
- Fleet Needs Assessment, and
- Fund Narratives.

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 Monday, August 22nd:

- 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, and
- 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. Submit this electronically as a Word document to your Budget Analyst separately from loading actual budget data into 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. Please attempt limiting the pages in the Agency Overview to five or fewer.

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),
 2. Accomplishments and challenges over the last two years,
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3. An organizational chart, and
4. A single paragraph for each requested change package.

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 by Monday, August 22nd.

III. CURRENT SERVICES REQUEST

The current services budget has the following components:

A. Historical Expenditures

All expenditures made in FY 2021 and FY 2022 will be provided for you in Hyperion. These historical figures have been transferred electronically from the Auditor's records to your budget file. FY 2022 expenditures will be updated to reflect expenditures as of June 30, 2022, along with any adjustments made during fiscal year close-out. You should review these numbers to verify their accuracy. If there is an error, please contact your Budget Analyst.

Although historical expenditure data will be loaded from the Auditor's records, your Budget Analyst will work to identify sources of funding for those historical expenditures. Please verify the accuracy of funding sources for the expenditures.

Transfer accounts (i.e. 75xxxx accounts) are included in the actual expenditure data for FY 2021 and FY 2022. If an agency transferred dollars from a fund in FY 2021 or FY 2022, 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". These can be identified by locating 74xxxx accounts in PeopleSoft. 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. Reference the transfer options below or ask your budget analyst to help identify the appropriate source.

- **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.
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- 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.

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 may be helpful in calculating salary and fringe benefit expenditure levels for your FY 2024 and FY 2025 budget submission.

For your information the Fringe Benefits are calculated as follows:

	FY 2023	Base	FY 2024	FY 2025
The following are calculated as a percentage of salary:				
Life Insurance	0.13%	0.13%	0.13%	0.13%
Social Security/FICA	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	1.00%	1.00%	1.00%	1.00%
Total % of Payroll	22.98%	22.98%	22.98%	22.98%
Full-Time Employees	22.98%	22.98%	22.98%	22.98%
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	\$13,958	\$13,958	\$13,958	\$13,958
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 benefits calculations. There is the option to use the single or family rate for individual PCRs. At the moment, it is unclear how the payroll modernization project will impact the transfer of benefits data into Hyperion.

C. Current Year Estimate (CYE)

You are required to estimate expenditures that will be made in FY 2023 ending June 30, 2023. The CYE, which is to be agreed upon with your Budget Analyst no later than Friday, July 22nd, cannot exceed your FY 2023 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 2023, 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

Agencies’ Base budgets will be equal to their FY 2023 appropriations. This will be applied to both General Fund and dedicated fund appropriations. For efficiency purposes, and to encourage greater agency effort toward analyzing operational needs, SBA will have agency Base budgets pre-loaded in Hyperion. If an error or discrepancy in the Base preloaded by the State Budget Agency is identified, agencies may submit an adjustment to the Base with prior review and approval from the Budget Agency.

As previously mentioned, base reallocations (shifting the base between appropriations) will not be permitted. Reallocations should be submitted as offsetting change packages.

For dedicated funds, even though the Base is equal to FY 2023 appropriations, revenue estimates will be taken into consideration and could necessitate a change package to lower future year requests.

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 (fund). The submitted request should utilize the newly-created budgeting level along with a New Services change package.

Additionally, any change package request submitted in Hyperion must be accompanied by a completed Change Package Questionnaire. Responses to the questionnaire must be submitted by August 22nd using the online form on SBA’s intranet site (<https://fnow.sba.in.gov/BudgetAgencyForms/Home>).

Note: A new Position Control Record (PCR) must be established for any new positions requested due to new programs. Please work directly with your Budget Analyst if you have questions about what level to fund new positions. Fringe benefit amounts will be calculated automatically for you. Requests for new positions will be closely analyzed for need.

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 expired federal funds or reinstate terminated federal programs. Agencies should document the fiscal impact and service reductions resulting from 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 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 Monday, August 22nd.

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, and
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 non-General Fund revenue sources need to be reported in their respective funds of deposit. These revenues may be derived from fines, fees, settlements, grants, or interest earned. Most agencies receive revenue of some kind.

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 dedicated legal fund balances.

IX. BUDGET SUBMISSION

Your budget must be electronically submitted by Monday, August 22nd.

Key Deadlines for Operating Budgets:

Deadline	Task	Format/Method
Thursday, July 7	Submit Fleet Needs Assessment to IDOA and your Budget Analyst	Excel document
Friday, July 22	Establish agreed-upon Current Year Estimates (CYE) for FY 2023 with your Budget Analyst	E-mail confirmation from SBA on agreed-upon CYE
Monday, August 22	Submit Agency Overview (Transmittal Letter) and Fund Narratives to your Budget Analyst	Word documents
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