



# STATE OF INDIANA

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**DATE:** May 20, 2022  
**TO:** Agency Leaders and Staff  
**FROM:** Zachary Q. Jackson, State Budget Director *ZQJ*  
**RE:** FY 2023 Reserve Policy, Budget Development Meetings, and Upcoming Rates

If we have talked or exchanged emails lately, you have probably heard me use the word “unprecedented” to describe many aspects of this fiscal year. Whether the conversation has been about construction price inflation, State revenues, General Fund balances, or the magnitude of stimulus funding, FY 2022 has been truly unprecedented. As always, I want to thank you for your continued fiscal discipline during these unprecedented times.

As we start to transition into FY 2023 and begin to develop the Governor’s budget for FY 2024 and FY 2025, I want to pass along some information that will assist with your planning and budgeting.

## Reserve Policy for FY 2023

You will recall that we broadly applied a 2% management reserve for FY 2022. Unlike a traditional reserve where the goal is to increase reversions (often to the General Fund), the purpose of a management reserve is to set aside a small amount of funding at each agency for unplanned expenses and unforeseen needs. During FY 2022, we released portions of some agencies’ management reserves as necessary, and spending plans were updated accordingly throughout the fiscal year.

As a starting point, your spending plan for FY 2023 should be equal to your spending plan for FY 2022. When building your spending plan for FY 2023, you may want to consider factors such as vacancy rates, the annualized impact of the recent General Salary Adjustment (GSA), fuel prices, as well as the updated SPD and IOT rates reflected later in this document.

As a reminder, your spending plan for FY 2023 is also used as the Current Year Estimate (CYE) in Hyperion for budget development purposes.

We understand some programs and/or agencies will receive exemptions from the reserve targets, but any exceptions must be submitted to the SBA in writing (email) and will only be approved by SBA in writing (email). Exception requests should be submitted to your Budget Analyst by email at least one week prior to the Budget Development Meeting referenced in the next section of this memo.

SBA will again be using the Spending Plan, Expense, & Encumbrance Dashboard (SPEED) to evaluate spending plans and monthly spending. All spending plans should be submitted in SPEED by July 30, 2022. Agency spending plans will be considered dynamic and may be adjusted mid-year for enterprise-wide changes or individual agency needs.

While these reserve requirements apply only to executive branch agencies and do not apply to legislative agencies, judicial agencies, or separately elected officials, we respectfully request those agencies to participate voluntarily by reserving their appropriations as outlined above and submitting a spending plan in SPEED.

Budget Development Meetings

During the months of June and July, SBA will meet individually with each agency to discuss the following information:

1. FY 2023 Spending Plans (which will be the CYE as noted in the previous section).
2. The “Base” budget for FY 2024 and FY 2025 (equal to the FY 2023 appropriation as mentioned in [the March 31, 2022 operating budget instructions](#)).
3. Any proposed change packages that you intend to submit (preliminary estimates are sufficient). This will also include a separate conversation on any change packages necessary to comply with the Internal Audit requirements established in [FMC 6.3 – January 1, 2022](#).
4. Any proposed capital requests that you intend to submit (preliminary estimates are sufficient).
5. The status of Internal Control Standards certification as discussed in the last section of this document.

SBA will start scheduling these meetings soon.

Updated SPD Rates

The State Personnel Department (SPD) has not increased their HR Seat Charge rate since the current rate became effective in July 2018. SBA has authorized SPD to increase their seat charges by 8% annually beginning in FY 2023. As the table below shows, agencies should expect those rates to continue to grow by 8% for both FY 2024 and FY 2025.

	Current	FY 2023	FY 2024	FY 2025
Rate Increase Per Year		8%	8%	8%
Annual Full-Time Rate	\$347.40	\$375.20	\$405.20	\$437.60
Annual Part-Time Rate	\$65.40	\$70.60	76.30	\$82.40

As a reminder, agencies are billed based upon the number of positions on their staffing table.

While no decisions have been made regarding the actual health, dental, and vision (HDV) insurance rates for 2023, 2024, or 2025 at this time, the spending trend appears to indicate that year-over-year

costs are increasing. Therefore, we believe it would be prudent to assume that the State's (employer's) share for HDV rates will be increasing by 5% annually. The table below reflects the State's current rates for Single, Family, and Blended HDV plans, and the rates for FY 2023, FY 2024, and FY 2025, assuming 5% annual growth. I will acknowledge that these are imperfect estimates as HDV rates are set by calendar year, yet we budget by fiscal year.

	Current	FY 2023	FY 2024	FY 2025
Rate Increase Per Year		5%	5%	5%
Single	\$7,424.04	\$7,795.24	\$8,185.00	\$8,594.25
Family	\$20,961.72	\$22,009.81	\$23,110.30	\$24,265.82
Blended	\$14,655.93	\$15,388.73	\$16,158.16	\$16,966.07

### Updated IOT Rates

The State's new 3-year contract for Microsoft 365 is pushing the IOT seat charge up significantly for FY 2023 before it levels out for FY 2024 and FY 2025. As the table below shows, the IOT seat charge (Product ID 1001) is growing by 27% from \$60.95 in FY 2022 to \$77.16 in FY 2023. Overall IOT charges for their entire list of products are expected to have more modest increases for FY 2023, FY 2024, and FY 2025 as shown in the bottom row of the table below. Keep in mind that the rate increases associated with overall IOT charges assume both that product utilization remains flat at FY 2022 levels and that no products are added to or removed from the IOT Product Catalog. If utilization increases or decreases, or if products are added or removed, rates could change.

	Current	FY 2023	FY 2024	FY 2025
Seat Charges				
Rate Increase Per Year		27%	5%	3%
Actual Rate	\$60.95	\$77.16	\$81.10	\$83.72
Overall IOT Charges				
Rate Increase Per Year		6%	2%	0%

Additional information will be forthcoming from IOT regarding the specific rates for each product and the estimated impact by agency.

### Updated SBA Centralized Accounting Rates

Several agencies use SBA's Centralized Accounting Division for a variety of accounting functions - ranging from procurement to payroll to meeting internal control standards. Agencies utilizing SBA's Centralized Accounting Division are charged a fee based on the number of transactions conducted by those agencies. The fees charged to each agency are significantly less than the cost of maintaining the necessary staff, computers, training, etc., that would be necessary to conduct these transactions on their own.

As the table below shows, agencies should expect Centralized Accounting rates to grow by 8% for FY 2023, FY 2024, and FY 2025.

	Current	FY 2023	FY 2024	FY 2025
Rate Increase Per Year		8%	8%	8%

We will work with Centralized Accounting agencies to develop budget requests that accommodate these increases.

### Internal Control Standards

As a reminder, [FMC 6.1 – January 1, 2022](#) on Internal Control Standards requires each agency head to submit an internal control certification as part of the agency’s biennial budget submission. A sample certification is included at the end of the FMC.

Unlike most of the other FMC reissuances in January, the Internal Control FMCs (6.1, 6.2, and 6.3) are new but very important to the State’s financial management. Because of that, it is not expected that all agencies will satisfy each element of the certification. Agencies’ responses will be used to establish a baseline for the collective improvement in the internal control environment.

Agency certifications shall include a report describing areas of non-compliance including identified material weaknesses in the system of internal control and the plans and schedule for correcting the weaknesses, or a statement of the reasons why the weaknesses cannot be corrected or if assistance is needed. The report should include an update on existing corrective actions plans still in progress.