Fiscal Prudence Measures (FMC 1.1 – January 1, 2024)

Section 1 – Budget Management:

1. Spending – When possible, agencies should prioritize the use of federal then dedicated funds in order to maximize General Fund reversions.

2. Federal Funds – Consistent with FMC 4.1, Agencies receiving federal funds must be mindful that the uses of federal funds must be necessary, reasonable, and allocable; conform to federal law and grant terms including the Cash Management Improvement Act (CMIA), if applicable; consistent with State policies; and consistently treated. Expenditures of federal funds must be necessary to meet the goals and objectives of the federal award. Agencies should consider how federal funds can best be leveraged across state agencies. Additionally, agencies should make certain they are drawing federal funds in a timely manner.

3. State Match Requirements – New federal funding opportunities that require expenditure of additional state matching funds or require a maintenance of effort will be strictly evaluated for cost-benefit to the State by the State Budget Agency (SBA).

4. Avoiding Funding Cliffs – Federal stimulus funding should be used for one-time spending. Federal stimulus funding should not be used for new, ongoing expenses that would need to be supported by State funding once the federal stimulus funding is no longer available, unless specifically approved by SBA.

5. Provider Rates – Agencies may not increase provider reimbursement rates unless it is necessary for continuation of essential services. Prior to increasing any provider reimbursement rates, the agency shall work with SBA to plan for budget impacts and evaluate cost effective solutions that do not result in increased ongoing expenses.

Section 2 – Personnel:

1. Personnel Actions – Certain personnel actions are required to be reviewed consistent with FMC 2.2.

2. New Positions – Any request to create new positions must include significant justification and will be highly scrutinized.

3. Temporary Staffing – State agencies must obtain signed approval from their CFO before completing a job posting questionnaire or renewing a staffing engagement with a temporary staffing agency. State agencies should not utilize contracted staffing services to avoid oversight, or to fill positions denied, under FMC 2.2.

4. Salary Increases – Salary increases should only be provided through the annual pay for performance review process, a general salary adjustment (GSA), or as determined to be necessary in accordance with state pay policies and with FMC 2.2.

5. Bonuses – Spot bonus programs do not require approval under FMC 2.2 if they meet the following stipulations:

a) No individual spot bonus should be greater than $1,000; and
b) No individual may receive more than $2,000 in a calendar year;

Each fiscal year, an agency utilizing this program successfully may generally spend up to its number of full-time equivalents (FTE) multiplied by $200.

Any other type of bonus program must be reviewed and approved in accordance with FMC 2.2. The limits above exclude any bonus awarded from the Governor's Public Service Achievement Awards.

6. Overtime – Agencies should carefully monitor overtime expenses, especially where employees are working considerably more than 37.5 hours per week. Agencies should work with SBA to identify ways to reduce or eliminate overtime that results in savings to the agency and State. For example, agencies can explore opportunities to reduce overtime expenditures by offering compensatory time.

7. Talent Acquisition – Agencies should minimize talent acquisition expenses to the greatest extent possible. Individual agencies should not utilize paid recruiters or job sites without prior approval from the State Personnel Department (SPD). Agencies considering paying for license or credential fees, relocation expenses, or expenses for obtaining necessary visas or work authorizations for a job applicant will need prior authorization from SPD based on a demonstrated need from the agency.

8. Training and Professional Development – Before paying for external speakers, trainers, or training materials, sending employees to external development or training programs/events, or utilizing internal staff to develop new training, agencies should verify whether low-cost alternatives are already available within state government. There are several training options available to agencies for no-cost, including online learning through LinkedIn Learning or instructor-led training in the Government Center. In the event agencies need to pay for external speakers, trainers, or training materials, they should consult with SPD to determine if other agencies could also benefit from the same training and costs can be pooled and reduced. Approval documentation should be submitted to IDOA with the procurement documents.

Recognizing that agencies may also invest in employees' individual professional development through the State's Education Reimbursement and Tuition Assistance policy, agencies shall limit the amount spent on any one individual's professional development to not more than $5,250 in any calendar year. This is inclusive of any amount paid through the State's Education Reimbursement and Tuition Assistance policy. Any exceptions must be approved by both SPD and SBA.

9. Offender Labor – When practical, agencies should work with the Department of Correction to identify opportunities to utilize offender labor (mowing, painting, capital work, etc.) in order to reduce costs whenever possible. An MOU should outline the terms of the agreement.

Section 3 – Procurement:

1. Contract – Agencies should carefully scrutinize contracts. Agencies should evaluate their continued use of contractors and alternatives to the structure of these relationships measured against program priorities, effectiveness, and critical services. Opportunities to renegotiate more favorable terms should be negotiated in consultation with the Indiana Department of Administration (IDOA). Contracts primarily funded by federal assistance should not extend beyond the existing federal grant agreement or without approval by the SBA.

2. Media / Advertising – Agencies should minimize media and advertising expenses to the greatest extent possible. Requests for expenses should be justified, including an explanation of how it remains necessary and appropriate. Spending on media and advertising requires prior approval from the Governor's Office Communications team. Requests should be sent to IndianaStateBudgetAgency@sba.IN.gov. with the subject line "Media Request" and agency name. Agencies should also work with IDOA to identify ways to consolidate media and advertising spend in a way that meets the needs of agencies and reduces costs to the State overall. Unless an exception is approved in writing by the Governor's Office Communications team, agencies should not pay for:

a) News clips services
b) Listserv tools
c) Sponsorships
d) Promotional items such as gifts and mementos,
e) Printing of public-facing promotional materials or posters
f) Media campaigns, or
g) Images, PR, or messaging consulting services

3. Travel –

a) Agencies should limit travel expenses by:
   i. Out-of-state travel – will be handled through the normal IDOA protocol.
   ii. Car Pooling – State employees should make reasonable efforts to carpool when travel is deemed essential. IDOA can assist agencies with rental cars or pool cars that can be used when travel is necessary.
   iii. Overnights – Overnight stays should be limited to out-of-state travel deemed essential. In-state travel should rarely require an overnight stay.
   iv. Alternatives to travel, such as teleconferences and webinars, should be considered in all cases.
b) Travel for contractors and vendors will only be reimbursed if specifically allowed in the contract or purchase order. Reimbursement is to be in accordance with the State travel policy and rates.

c) In lieu of having travel policies set through the financial management circular system, agencies should follow the IDOA travel policies, which have been approved by SBA per IC 4-12-1-13(e).

4. Refreshments and Meal Expenses – SBA policy is to permit a State agency head to authorize the expenditure of State funds at State functions for "simple" refreshments and "light" meal expenses when appropriate and within budget. The standard to use for gauging the appropriateness is whether the provision of simple refreshments and light meals is *reasonable* and *necessary* in the due course of transacting legitimate State business for the purpose of furthering the State's mission to provide high quality services efficiently and effectively to Indiana citizens. There is a high burden of proof to show that paying for food/meals with federal funds is necessary to meet the goals and objectives of the award.

With prior written approval from the SBA, an agency may utilize State funds for employee recognition events.

The following list contains examples of circumstances where the purchase of simple refreshments or light meals with State funds is not appropriate. This is not an exhaustive list:

- Birthday and holiday parties as these are not direct transactions of State business.
- Office refreshments, except for coffee, tea, and water for common use.
- Meals during job interviews, other than those that qualify as travel expenses.

State funds may never be spent on alcoholic beverages. Agencies unsure of a situation should reach out to your SBA budget analyst to inquire with further details.

5. Agency Associations / Memberships – Agencies should only belong to organizations or associations that directly relate to the agency's mission and responsibilities. Memberships that do not permit multiple staff participation should be avoided.

6. Employee Licenses / Memberships – Agencies should only pay for fees on behalf of an employee for licenses or memberships that directly relate to the employee's responsibilities. Agencies should not pay association or professional organization membership fees on behalf of employees unless required for the performance of the employee's responsibilities.

7. Subscriptions – Agencies should analyze their subscriptions to periodicals and journals and reduce or eliminate the number of subscriptions wherever possible. This applies to both digital and print paid subscriptions.

8. Fleet Purchases – All fleet purchases are reviewed in the context of the overall State inventory of vehicles and utilization. Agencies must work with IDOA to identify underutilized vehicles across State government that can be reassigned, when possible, in lieu of purchasing new vehicles.

Section 4 – Communications:

1. Mail – Agencies should only mail information, notices, and documentation to each other as a last resort, unless otherwise prescribed by law. Information should be sent via email or interoffice mail at no charge or moved via SharePoint and other cloud computing services as approved by IOT.

2. Printing – Agencies should strive to reduce printing where possible. This includes but is not limited to the following:

a) If paper copies are required, print double-sided.
b) Color copies should only be used when necessary.
c) Paper publications should be eliminated wherever possible. Annual reports and other information can be posted to agencies' websites and/or distributed electronically in most instances.

3. Publications and Reports – Agencies should evaluate the need to create publications and reports that are not required by Indiana law or federal law. Any reports or publications that are done outside of legal requirements should be reviewed by the agency to determine if the report adds value to the agency, State, etc. and the amount of time and resources committed to reports and publications could not be used elsewhere to benefit the agency and State. This applies to both digital and printed reports.

Section 5 – Physical Space:

1. Meeting Space – Agencies should minimize their costs for internal and external meetings including agency-hosted trainings. This includes:

a) Agencies should not pay for meeting spaces. Agencies should utilize existing meeting space in the government center as well as State facilities with meeting space, State universities, etc. before seeking to use space that will result in additional State spending. For instance, the Department of Natural Resources can host off-site meetings at locations such as the Fort Harrison State Park Inn.
b) Agencies should utilize web videoconferencing and webinar tools when available and appropriate for meetings and agency-hosted training.

2. Hosted Conferences – Agencies should minimize costs for conferences, including limiting the number of conferences that agencies host to the extent possible. This includes but is not limited to the following:

a) Before planning a conference, an agency must demonstrate to the Governor's Office and SBA a strong need for the conference due to the substantial benefit it brings to the State or citizens of Indiana.
b) Sponsorship and registration fees should be used to cover expenses for any conferences, rather than State funds, to the extent they are legally permissible and consistent with State ethics rules.
c) Contracting for conference hosting services, event planners, or catering for hosted events is subject to approval by the Governor's Office and SBA.

d) Agencies should not pay for lodging expenses for conference attendees, unless the attendees are agency employees and attendance in-person is required for the performance of the employee's responsibilities.

3. Office Space –Agencies should carefully review their office space expenditures and work with IDOA to identify appropriate savings, such as consolidation of space within the Government Center or elimination of leases or satellite locations. Agencies that must renovate space should coordinate with IDOA to maximize space utilization and reduce renovation costs.

4. Furniture –Agencies should consult with IDOA to determine if surplus furniture will meet their needs. IDOA can assist agencies with recycling used furniture through the State Surplus program.

Section 6 – Operational Cost Savings:

1. Operational Efficiencies –Agencies should evaluate all of their operations to identify areas where cost savings can be achieved through operational changes or efficiencies. Agencies interested in assistance with these efforts can utilize SBA's Agency and Programs Continuous Improvement team. Requests for assistance can be sent to IndianaStateBudgetAgency@sba.in.gov.

2. Minimal Value Activities – Agencies are asked to evaluate their current operations and identify any activities that can be targeted for elimination. Such activities include programs, reports, licenses, permits, or other actions by an agency that no longer serve an active constituency or the current constituency is greatly reduced from when the activity was first implemented. For example, an agency continues to administer a permit program even though there are no longer any active permits. Agencies should send any identified activities to IndianaStateBudgetAgency@sba.in.gov.

3. Cost of Administration Outweighs the Benefits – Agencies are asked to evaluate their current operations and identify any areas where the revenue received, or community benefits obtained from a particular program are outweighed by the cost of enforcement and administration of the program. Agencies should send any identified activities to IndianaStateBudgetAgency@sba.in.gov.

4. Operational Efficiencies Through Legislation – Agencies are asked to identify areas where significant cost savings or operational efficiencies could be obtained through changes to the Indiana Code. Agencies should send any potential identified legislative items to IndianaStateBudgetAgency@sba.in.gov and the Governor's Legislative team.

5. Office Supplies Inventory – Agencies should develop policies to minimize excess inventories of office supplies, including printer paper, letterhead, pens, binder clips, business cards. To the maximum extent possible, these purchases should be coordinated through your agency's centralized procurement staff to eliminate duplicative or unnecessary purchases within an agency.

Section 6 – Exceptions: Exceptions to the above policies can only be approved by the SBA Director or the OMB Director.

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