Executive Order 25-12 | Budget Discipline | Annual Report

State of Indiana Executive Order 25-12 Implementation

TO: Governor Mike Braun and Legislative Council
FROM: Office of Management and Budget, Secretary Lisa Hershman
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INTRODUCTION

Executive Order 25-12 established comprehensive directives for state agencies to instill budget discipline and sound fiscal management through strategic cost management, efficiency improvements, and targeted reforms. The Office of Management and Budget coordinated agency responses to identify and track cost-saving measures, streamline operations, and enhance service delivery across state government.

This executive summary reflects the substantial progress made by Executive Branch state agencies in advancing fiscal responsibility and operational excellence during calendar year 2025. The below report describes some of the combined efforts that have resulted in significant savings as well as projected reductions in spending and efficiencies.

CY 2025 Savings **$ 276,710,000**

Considerations:

- Savings were generated across multiple fund types, not just the General fund.
- The primary goal for agencies in 2025 has been to reduce spending to ensure they're operating within their revised appropriation levels, many of which were reduced as part of statewide cost-containment efforts.
- Savings reported by agencies reflect their success in managing operations within their appropriated budgets, not necessarily funds reverted to the General Fund.
- The administration's disciplined approach to budget management demonstrates a strong commitment to fiscal responsibility and efficient service delivery, even under constrained financial conditions.

2025 ACCOMPLISHMENTS

1. **Workforce Optimization Cost Reductions**
   State agencies collectively reduced headcount by approximately 1,400 positions through attrition and targeted reductions in force, generating substantial savings in personnel costs

while maintaining service delivery. Major reductions occurred across the Department of Health ($4.8M), Indiana Office of Technology ($4M+), Indiana State Library ($1.4M), and numerous other agencies. Additionally, agencies eliminated approximately 800 vacant positions.

2. **Infrastructure and Capital Project Evaluations**
   Agencies conducted rigorous reviews of capital projects, deferring or canceling initiatives that did not meet essential health, safety, or compliance requirements. The Indiana Finance Authority executed strategic bond prepayments generating $76.6 million savings in future interest obligation—$67.5 million for Lucas Oil Stadium and $9.1 million for the Convention Center.

   This disciplined capital stewardship directly supports Indiana's AAA credit rating—the highest possible—maintained from all three major credit-rating agencies since 2010. Only 14 states hold top marks from all three agencies. The AAA rating enables lower borrowing costs, saving taxpayer dollars while strengthening Indiana's competitive edge in attracting business investment.

3. **Program Consolidation and Reviews**
   Agencies evaluated and identified non-statutorily required programs, contracts, and services with opportunities for improvement. The Indiana Family and Social Services Administration's (FSSA) strategic changes to Medicaid eligibility redetermination procedures, including a ban on Medicaid advertising, resulted in enrollment declines that project $465.9 million in state General Fund savings over the FY 2026-2027 biennium. Additional initiatives include enhancing promotional programs, reduction of discretionary outreach activities, and consolidation of overlapping functions across programs and services. These actions removed administrative burden while ensuring ongoing operations align with statutory mandates and state priorities.

4. **Enhancing Public-Private Partnerships**
   Agencies expanded partnerships with private entities, nonprofits, and federal partners to deliver services more efficiently while reducing state fiscal exposure. The Indiana Department of Education partnered with Lilly Endowment Inc. on a combined $75 million investment, $40 million from Lilly Endowment leveraged with $35 million in state funding, to accelerate literacy initiatives, expand summer learning, strengthen STEM pathways, and sustain digital learning tools for Hoosier students. The Department of Natural Resources leveraged volunteer labor valued at over $4M+. Numerous additional agencies utilized philanthropic support and federal grants to sustain critical programs without proportional increases in state appropriations.

Recommendations

OMB recommends that executive state agencies continue to focus on:

- Enhancing constituent services by improving operational efficiencies through continuous process improvements
- Uphold the public's expectations for fiscal responsibility through eliminating waste and consolidating resources
- Enhance their budget efficiency to obtain the highest value for every taxpayer dollar spent