

April 2023 Minutes

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State Budget Committee Minutes
April 19, 2023, 9:00 AM EST
Indiana Statehouse
Senate Appropriations Committee Room 431
200 W. Washington Street, Indianapolis, IN 46204

Members:

Senator Ryan Mishler, Chair
Representative Jeff Thompson
Senator Eddie Melton
Representative Gregory Porter
Zachary Jackson, State Budget Director

Alternate Members:

Senator Chris Garten
Senator Fady Qaddoura
Representative Bob Cherry
Representative Edward Delaney
Joe Habig, Deputy State Budget Director
Lisa Acobert, Deputy State Budget Director

Chairman Ryan Mishler called the meeting to order at 10:06 AM EST.

Chairman Mishler introduced the minutes and the agendas of the January 2023 meeting and March 2023 meeting.

The minutes and agendas were adopted by the Budget Committee.

Medicaid Forecast

Chairman Mishler introduced Allison Taylor, State Medicaid Director, Jeremy Palmer, Principal and Consulting Actuary of Milliman, and Paul Bowling, Chief Financial Officer for Family and Social Services Administration (FSSA) who presented the April 2023 Medicaid Forecast. Ms. Taylor announced that the Public Health Emergency will end on May 31, 2023, and that there will be changes to the Medicaid eligibility requirements.

Several Budget Committee members had questions regarding the Medicaid surplus and reversion. Mr. Zachary Jackson confirmed that there is currently \$429 million in the Medicaid reserve account, \$188 million remaining from fiscal 2022, which will revert this fiscal year, and approximately \$569 million in forecasted excess (which will be known after quarter one of FY23) of which \$525 million is projected to be reverted. Mr. Jackson explained that it could be either reverted to the General Fund or Medicaid reserve. Chairman Mishler asked if we can use excess reserve to help pay for non-forecasted payment rates, in which Mr. Jackson replied that the formula works well in the 1st year of the biennium but will have a hard barrier to overcome in the 2nd year of the biennium.

Representative Edward Delaney had questions regarding what would happen to the 400,000 individuals taken off the Medicaid eligibility. Ms. Taylor confirmed that the agency is proactively reaching out to all those individuals, whose eligibility will lapse, and that Indiana was one of the few states that did not have the Centers for Medicare & Medicaid Services come back with a mitigation plan and that Indiana's

return to normal operations plan covered all the bases. Ms. Taylor also confirmed that there is a grace period for individuals that have an medical incident, FSSA is partnering with local community partners to help individuals phased out of eligibility, and that there will be natural attrition of individuals currently in Medicaid as well. Senator Eddie Melton had questions regarding if the 400,000 individuals had a county-by-county breakdown and if there were any toolkits that could be given to legislators if individuals had questions. Ms. Taylor replied that FSSA does have toolkits that they can give out to the public and that they can give out the county breakdown at a later time. Ms. Taylor confirmed that FSSA is doing many different strategies to inform individuals of healthcare, including but not limited to flyers, local medical stakeholders' meetings, community engagements, updating the website, and proactively contacting individuals through phone or emails.

Economic Forecast

Following the Medicaid forecast presentation, the Chairman introduced Mr. Tom Jackson, Principal Economist at S&P Global Market Intelligence who presented an updated Indiana Economic Forecast from the December 2022 Forecast.

Representative Gregory Porter had questions about the recession being pushed back and the inflation percentage drop from 9% to 6%. Mr. Jackson explained that there is currently no projection of recession in Indiana but there will be periods of zero growth. Also, the major contributors to inflation are housing and shelter costs, like mortgage and rents, and those costs will not drastically increase or decrease.

Senator Melton asked about the supply chain issues and the negative import growth. Mr. Jackson replied that most sectors have stabilized and addressed most of the supply chain issues, especially the retail sectors and that the reason for the negative import growth rate was due to just trying to catch up on current supply chain needs.

Representative Delaney asked about the bidding process for large companies with other states. Mr. Jackson explained that it is not only the dollar amounts that matter; but other factors, like site preparedness, educated workers, and housing needs, that also in the competitions.

Revenue Forecast

Krista Ricci, Senior Fiscal Analyst of the Senate Majority Caucus, and Hari Razafindramanana, Assistant Director State Budget Agency, presented the updated revenue for fiscal year 2023, and the updated revenue forecasts for fiscal years 2024 and 2025.

Indiana Next Level Fund

Following the Indiana Next Level Fund presentation by Indiana State Treasurer Daniel Elliot, Aaron Gilliam, and David Watkins, Representative Gregory Porter inquired about the breakdown for the 26% of the minority invested funds and ask for it to be sent the Budget Agency and the Budget Committee. Mr. Gilliam replied that they would provide that list and breakdown to the State Budget Agency as soon as possible.

Senator Melton had questions regarding the financial impacts and any prospects for further expansion to other parts of the state. Mr. Watkins and Mr. Gillum replied that the financial return was similar to other states, the average admin costs is about 1% of the \$250 million investment, and that the pipeline is very strong for start-ups and that the fund managers are working with other partners, like Purdue Northwest, in opportunities for more funding opportunities.

Agency Projects

Following Indiana Finance Authority presentation by Dan Huge and Mike Noland, Senator Melton asked about the effects of the passage of Senate Bill 434 on the Gary Metro Station. Mr. Noland confirmed that the passing of SB434 will help get a structure for the possibility of applying for additional federal funding for the Gary Metro Station remodel.

After the Indiana Department of Transportation presentation by Steve McAvoy, Representative Porter asked about the situations of rebuilding and repairing all the salt building in Indiana. Mr. McAvoy stated that there are a total of 110 salt buildings in the state with 60 still needed to be renovated and that INDOT does 1 renovation per year.

University Projects

Following the Indiana University presentation by Tom Morrison, Representative Porter asked if the Indiana University Indianapolis campus was only renovating the space or will they add to the program as well. Mr. Morrison confirmed that the nursing program is going to expand the program and increase staff from gift funds as well.

After all the discussion items, agency projects, university projects, and review items had been presented, Representative Porter moved to adopt the agenda and Representative Thompson seconded the motion.

The agenda has been adopted by the Committee.

Following no further business, the meeting adjourned at 11:04 AM EST.

I. Minutes

1. January 2023 Minutes
2. March 2023 Minutes – Items independently considered by members of the State Budget Committee.

II. Discussion Items

1. Medicaid Forecast
2. Economic Forecast
3. Revenue Forecast
4. Indiana Next Level Fund Semi-Annual Report (IC 8-14-15.1-16)

III. Agency Projects

1. **Department of Corrections (680)** \$ 550,000
Westville Correctional Asbestos Abatement

The Department of Correction (DOC) requests funding to perform mandatory abatement of asbestos of three buildings at the Westville Correctional Facility scheduled for

demolition. Abatement prior to demolition is required for compliance with Occupational Safety and Health Administration, Environmental Protection Agency, and the Indiana Department of Environmental Management standards. The three buildings were identified by an environmental consultant as having asbestos, and abatement must be completed by properly licensed and trained companies to ensure safety to staff, incarcerated individuals, and contracted workers. The three buildings in question have reached the end of their useful life and are no longer viable to support the mission of the DOC.

Funding: HEA 1001: 2021 General Fund
(Department of Correction Line Item 19755 - 2023)

2. **Indiana Finance Authority (261)** \$ 54,000,000
South Shore Projects and Funding

The Indiana Finance Authority (IFA) requests funding for the South Shore Rail Projects located in Northwest Indiana. The South Shore Projects consist of the West Lake Corridor and the Double Track Project. These critical infrastructure projects total over \$1.5 billion of construction costs, with approximately a third being paid for by federal grants and the remaining funds coming from a mixture of the Northwest Regional Development Authority (NWRDA), local units of government, the Northern Indiana Commuter Transportation District (NICTD), and contributions by the State of Indiana through the IFA. The request is consistent with IC 36-7.5-3-5 and funding will be utilized to help continue the construction for the South Shore Projects.

Funding: HEA 1001: 2015 General Fund \$ 12,000,000
(2015 General Fund Leases Construction 19614 - 2023)
HEA 1001: 2017 General Fund \$ 18,000,000
(General Fund Leases Construction 19701 – 2023)
HEA 1001: 2019 General Fund \$ 24,000,000
(General Fund Leases Construction 19720 – 2023)

3. **Indiana Department of Transportation (800)** \$ 10,045,227
Construction of the Mishawaka Unit and Salt Buildings

The Indiana Department of Transportation (INDOT) requests additional funding for the construction of the Mishawaka unit and salt buildings due to higher-than-expected project bids. This project was previously reviewed by the Budget Committee in December 2022. The existing Mishawaka unit and salt buildings were built in 1967 and have various structural and operational deficiencies that impede INDOT business. The new Mishawaka unit building will be a 7,012 sq. ft. facility whereas the new Mishawaka salt building will be 15,475 sq/ft. The costs estimate to construct the Mishawaka unit and salt account for builder's risk insurance, permits, site excavation, soil remediation, fill and seeding, asphalt paving, landscaping, and fencing. Further, they include costs for building materials that include but are not limited to concrete block, grout, and masonry reinforcing steel, doors, hardware, paint, furniture, and fixtures. INDOT will also install mechanical, electrical, and plumbing infrastructure in both buildings. The estimates include remediation allowances

and contingency for the project. Once the buildings are completed, the existing Mishawaka site will be sold.

Funding: HEA 1001: 'Previously Approved' 2021 State Highway Fund \$7,100,000
(New Building and Grounds Fund 30515 – 2023)
HEA 1001: 'Change of Use' 2021 State Highway Fund \$ 2,945,227
(New Building and Grounds Fund 30515 – 2023)

4. **Indiana Department of Transportation (800)** \$ 380,400
Architecture and Engineering Fee for renovation of the Bluffton Subdistrict Building

The Indiana Department of Transportation (INDOT) requests additional funding for the architecture and engineering fees for the renovation of the Bluffton Subdistrict Building. The 24-year-old Bluffton Subdistrict Building is experiencing structural and operational defects. The additional fees are needed due to a change in scope of the original project. The original scope of the project only addressed the need to remove and replace the existing pre-cast concrete. The new scope of the project now also includes renovating the buildings administration area, extending a garage bay, and adding on additional rooms. The architecture and design fees were originally released in October 2020 and the construction funding was originally released in October 2021.

Funding: HEA 1001: 'Previously Approved' 2019 State Highway Fund \$210,000
(New Building and Grounds Fund 30515 – 2023)
Funding: HEA 1001: 'Change of Use' 2019 State Highway Fund \$170,400
(New Building and Grounds Fund 30515 – 2023)

IV. **University Projects**

1. **Purdue University – West Lafayette (760)** \$ 25,000,000
Mechanical Engineering Building Renovation
Project No. B-1-23-2-14

The Purdue University Board of Trustees requests authorization to proceed with renovating approximately 41,000 gross square feet of existing space on the West Lafayette campus within the Mechanical Engineering Building. This project includes the relocation of instructional labs and classrooms to the ground and first floors to allow for further enrollment growth. Current staff and faculty offices in the building will be converted into new labs and student study space. Mechanical, electrical, and plumbing systems will all be upgraded, including the addition of a new elevator. A new stairway will be added to connect the Mechanical Engineering Building to the Gatewood addition. The project is \$25,000,000 and will be funded with Gift Funds.

Funding: Gift Funds
CHE Review: January 12, 2023

2. **Indiana University (750)** \$ 7,700,000
IUPUI Nursing Skills and Simulation Lab Renovations
Project No. A-2-23-2-06

The Indiana University Board of Trustees requests authorization to proceed with the renovation of 31,000 gross square feet of the first, second, and third floors of the Nursing building located on the IUPUI campus. The project includes additional lab space, four simulation rooms, ten debrief rooms, and seven practice exam rooms. This project will double existing teaching and simulation capacity and allow IU to grow undergraduate nursing enrollment. The total cost of this project is \$7,700,000 and will be paid for using \$5,200,000 in Gift Funds and \$2,500,000 from Operating Reserves.

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| Funding: | Gift Funds | \$5,200,000 |
| | Operating Reserves | \$2,500,000 |
| CHE Review: | March 9, 2023 | |

Cost Summary

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|---|---------------------|
| 2015 General Fund | \$12,000,000 |
| 2017 General Fund | \$18,000,000 |
| 2019 General Fund | \$24,000,000 |
| 'Previously Approved' 2019 State Highway Fund | \$210,000 |
| 'Change of Use' 2019 State Highway Fund | \$170,400 |
| 2021 General Fund | \$550,000 |
| 'Previously Approved' 2021 State Highway Fund | \$7,100,000 |
| 'Change of Use' 2021 State Highway Fund | \$2,945,227 |
| Gift Funds | \$30,200,000 |
| University Operating Reserves | \$2,500,000 |
| TOTAL | \$97,675,627 |


V. Review Items

1. Medicaid State Plan Amendments (SPA) and Waivers – *Family and Social Services Administration*
 - i. *School-based Services*
 - ii. *Comprehensive Rehabilitative Management Needs Facility*
 - iii. *Structured Family Caregiving*
 - iv. *Out-of-State Children's Hospital*
2. Medicaid Out of State Children's Hospital Reimbursements - *Family and Social Services Administration*

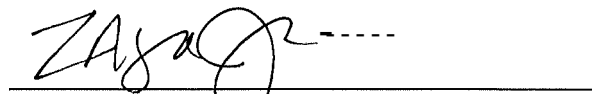
VI. Reports Received

1. Annual Report, IC 5-33-5-11 – *Indiana Destination Development Corporation* (03/27/2023)
2. Issuance on Waiver of Medicaid Provisions, IC 12-8-1.5-7.5 (b)–*Family and Social Services Administration* (02/16/2023)

State Budget Committee
Meeting Minutes
April 2023



Senator Ryan Mishler, Chairman



Zachary Jackson, State Budget Director