

2023-2025 Biennial Budget



Governor's Proposed Budget for Fiscal Years 2024 and 2025

January 5, 2023

State Budget Committee

Governor Eric J. Holcomb

Agenda

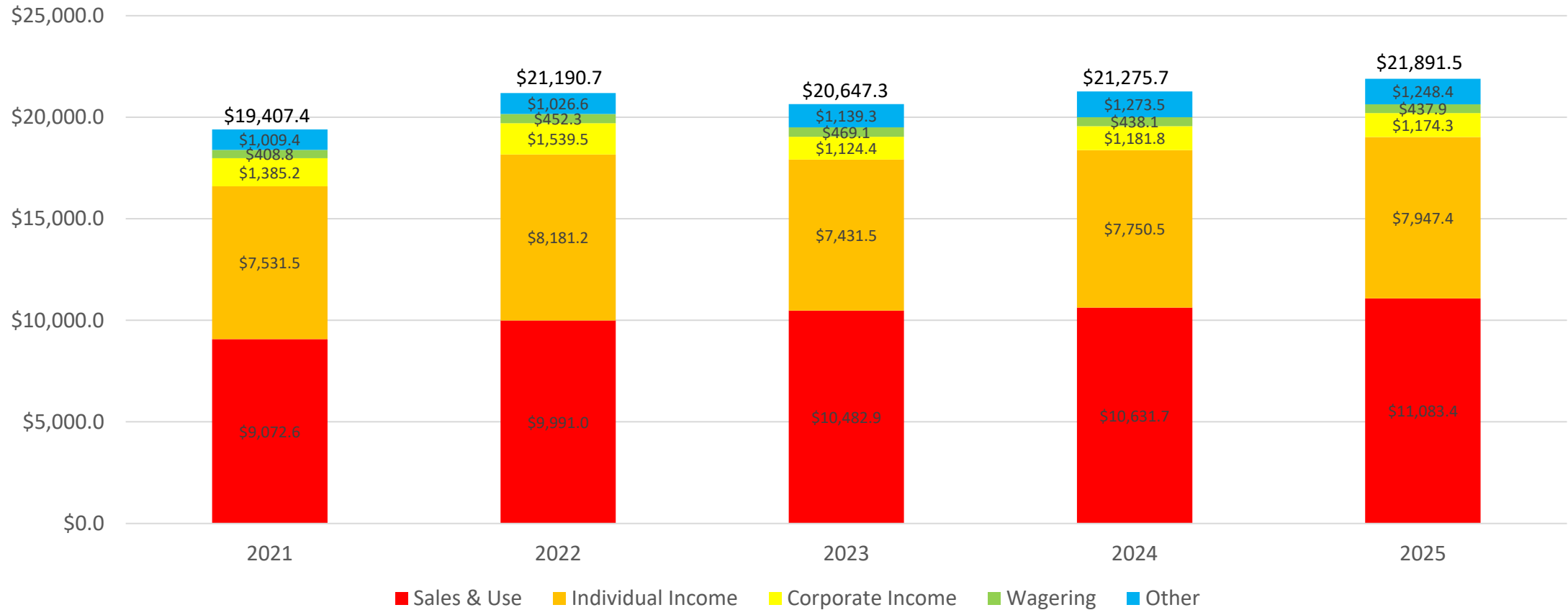
- Financial Overview
- Funding Our Commitments
- Economic and Community Development
- Education
- Adult Education and Workforce Development
- Health and Wellness
- Public Safety
- Good Government
- Conclusion

Financial Overview – Guiding Principles

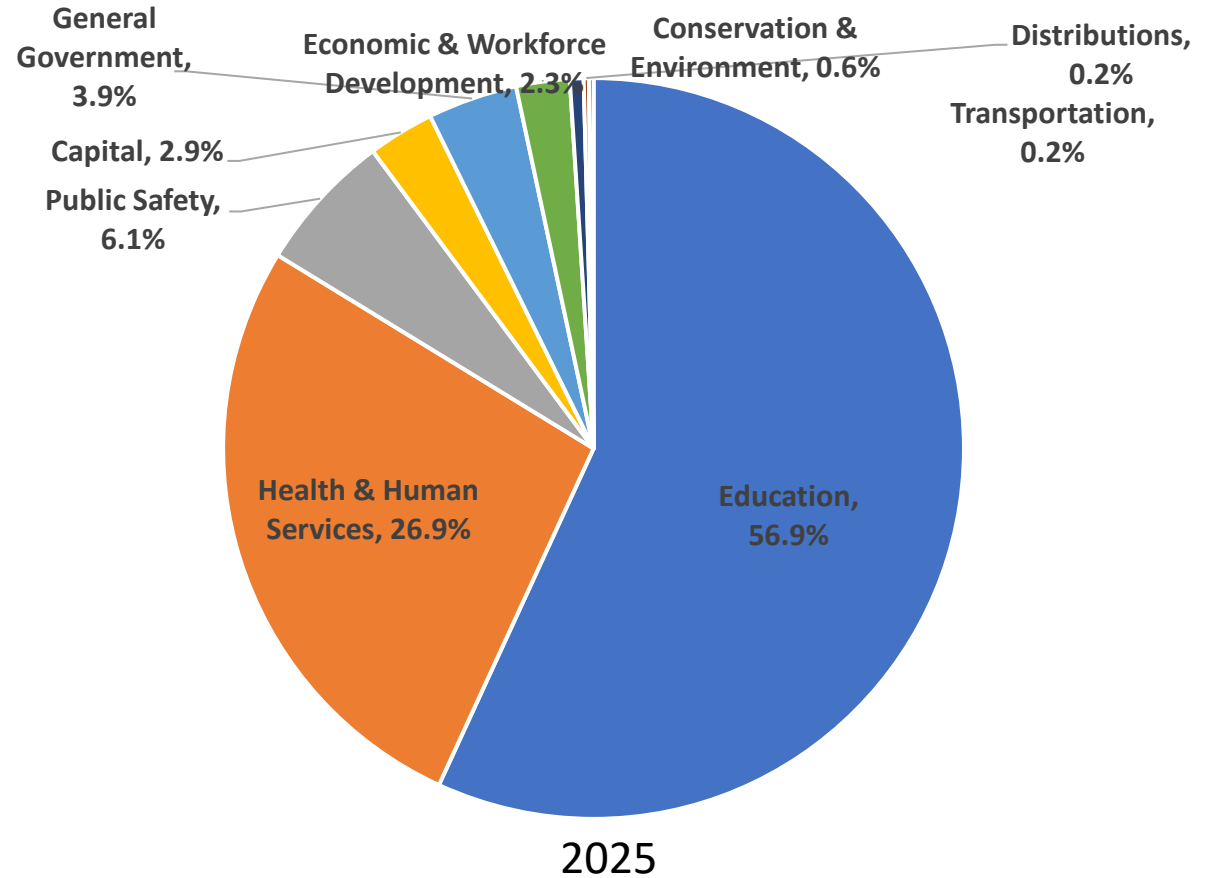
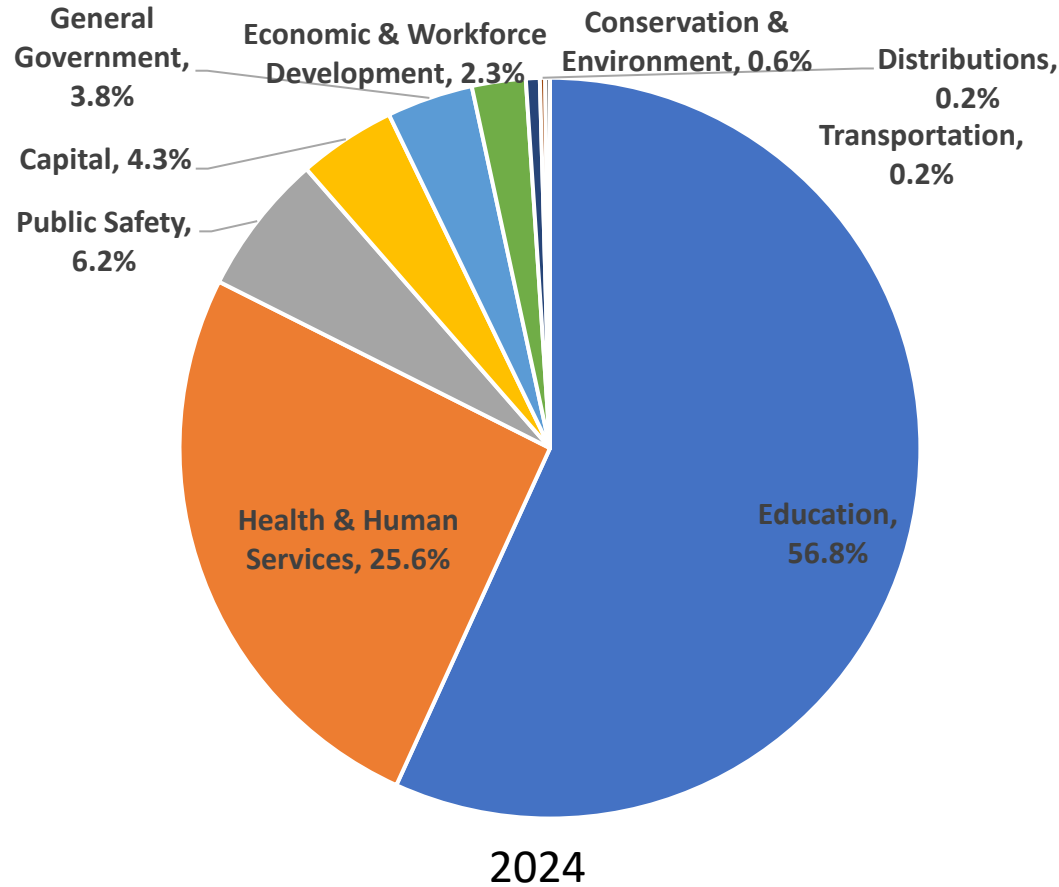
- **Balanced Budget**
 - With a Structural Surplus each year
- **Funds Critical Services to Hoosiers**
 - Provides increases to many components
- **Maintains Prudent Level of Reserves**
- **Maintain AAA Credit Rating**

Financial Overview - Revenue

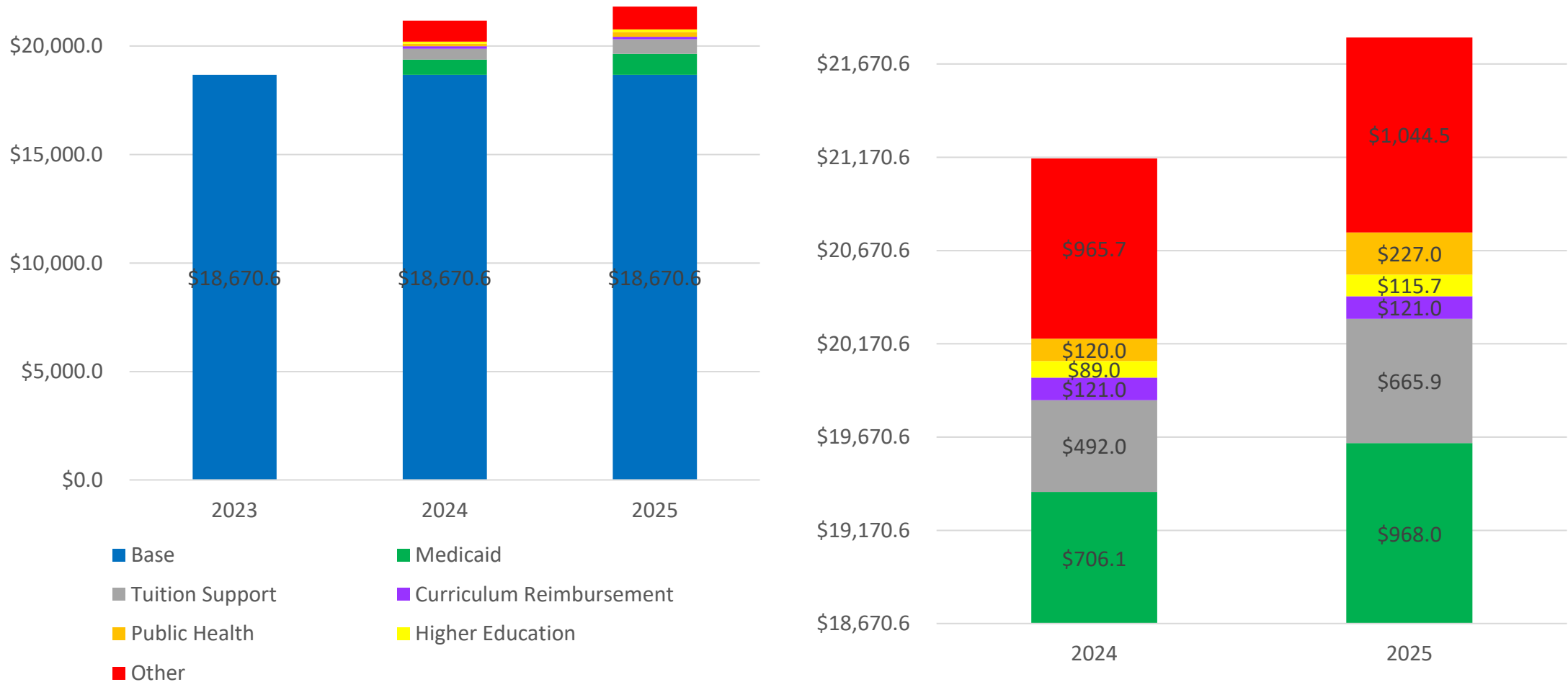
Forecasted Revenue by Fiscal Year (in millions)



Financial Overview – Appropriations



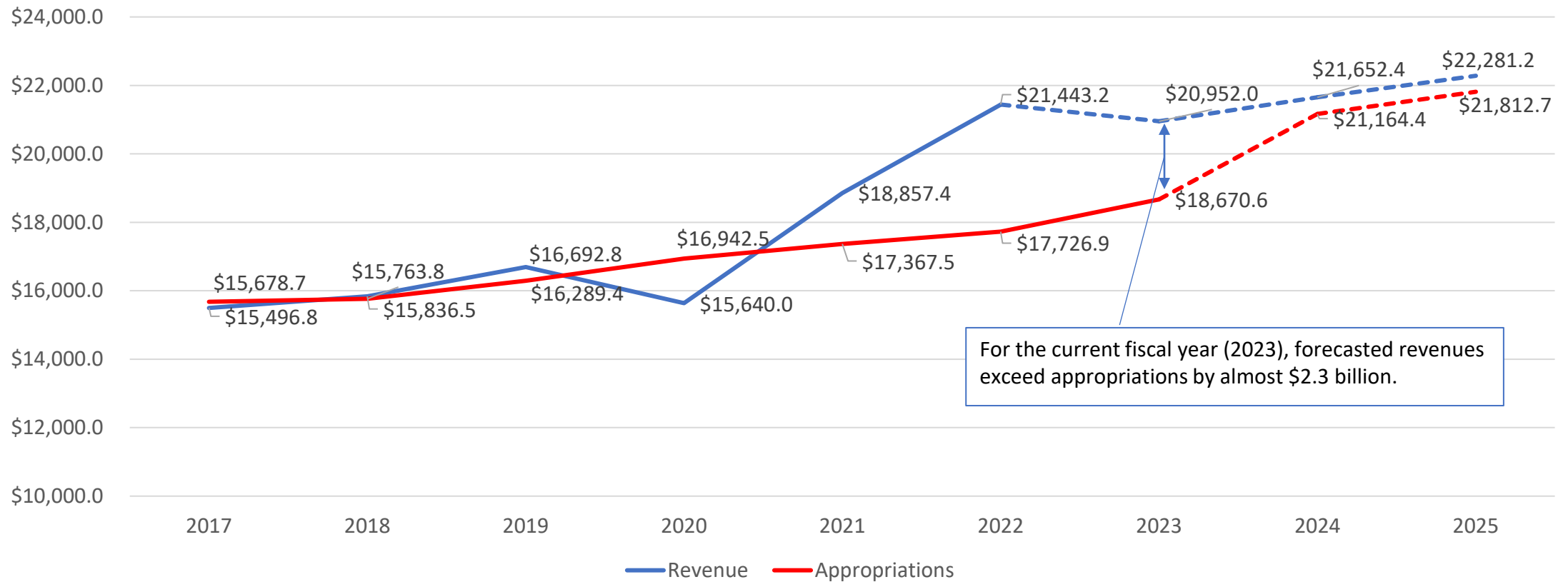
Financial Overview – Appropriation Growth



Overall appropriation growth is 5.2% when excluding Medicaid, K-12, Higher Education, and GPHC increases.

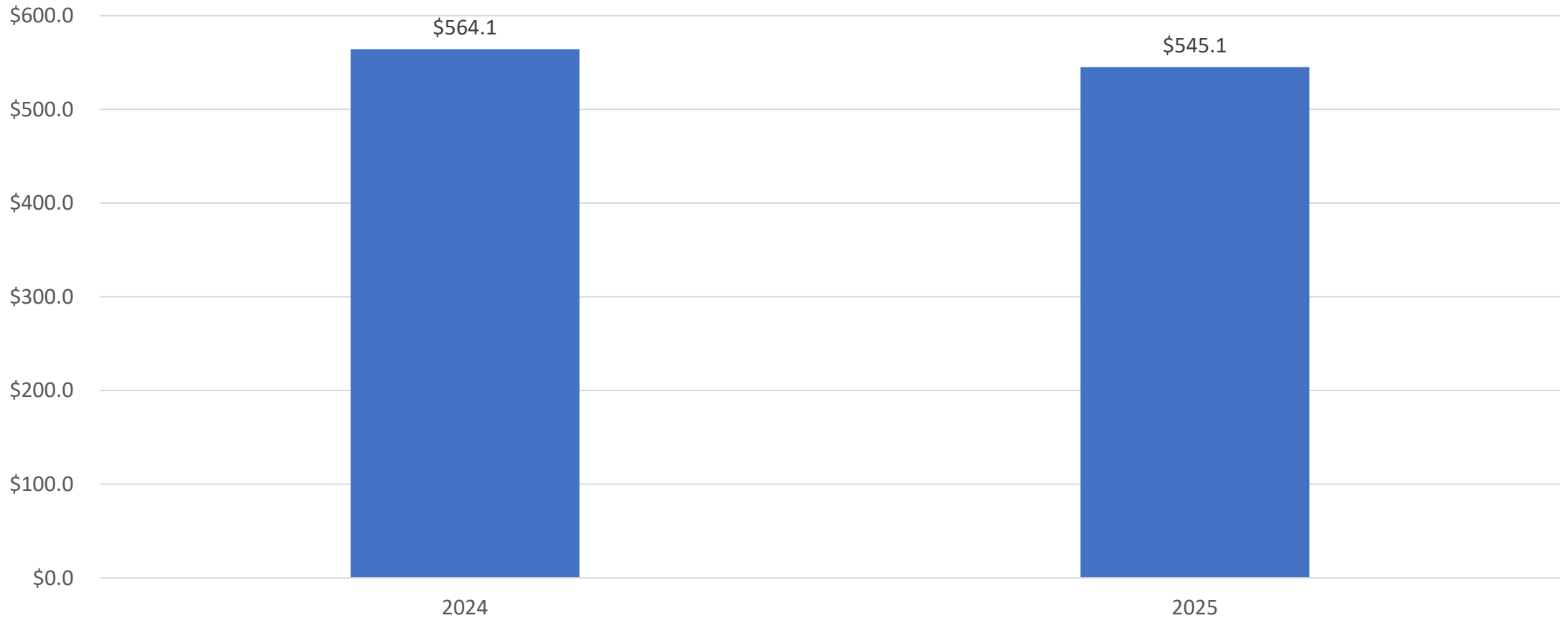
Financial Overview – Revenue vs Appropriations

Revenue vs. Recurring Appropriations (in millions)



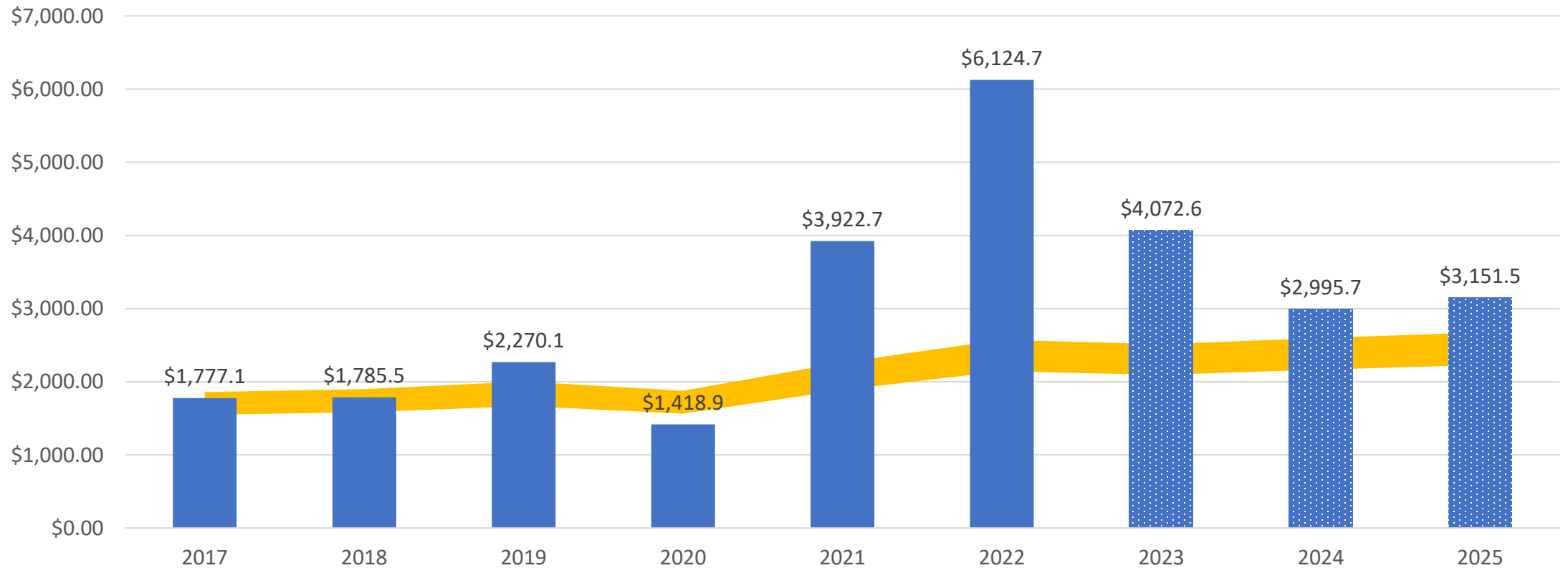
Financial Overview – Structural Surplus

Annual Surplus (in millions)



Financial Reserves – Reserves vs Revenues

Reserves Exceed the Prudent Range of 10-12% of Annual Revenues



Financial Overview – Budget Development

- Operating Budget Instructions were sent out to agencies on March 31st (3 months earlier than usual)
 - Established that “Base” budgets for FY24 and FY25 would be the FY23 appropriations.
- Capital Budget Instructions were sent out to agencies on April 22nd
- SBA met with every agency, separately elected office, and judicial branch entity in July to review progress and provide initial feedback.
- Budget submissions were due on August 22nd
 - The statutory deadline is on or before September 1st per IC 4-12-1-7.

Financial Overview – Budget Bill and Report

- IC 4-12-1-9 requires the following deliverables by the 2nd Monday in January for budget development:
 - A budget report with:
 - A statement of budget/fiscal policy,
 - A budget summary of expenditures, revenues, and surpluses/deficits (surplus statement),
 - 2 years of historical spending, current year spending and revenue, and proposed spending and revenue for the new biennium,
 - A description of the capital improvement program,
 - The budget bill,
 - The tax expenditure report, and
 - A summary and justification for workforce related programs in the recommended budget.
 - The budget report must include General Fund, dedicated funds, and federal funds
 - The complete budget report is available on SBA's website

Funding Our Commitments – Pensions/OPEB

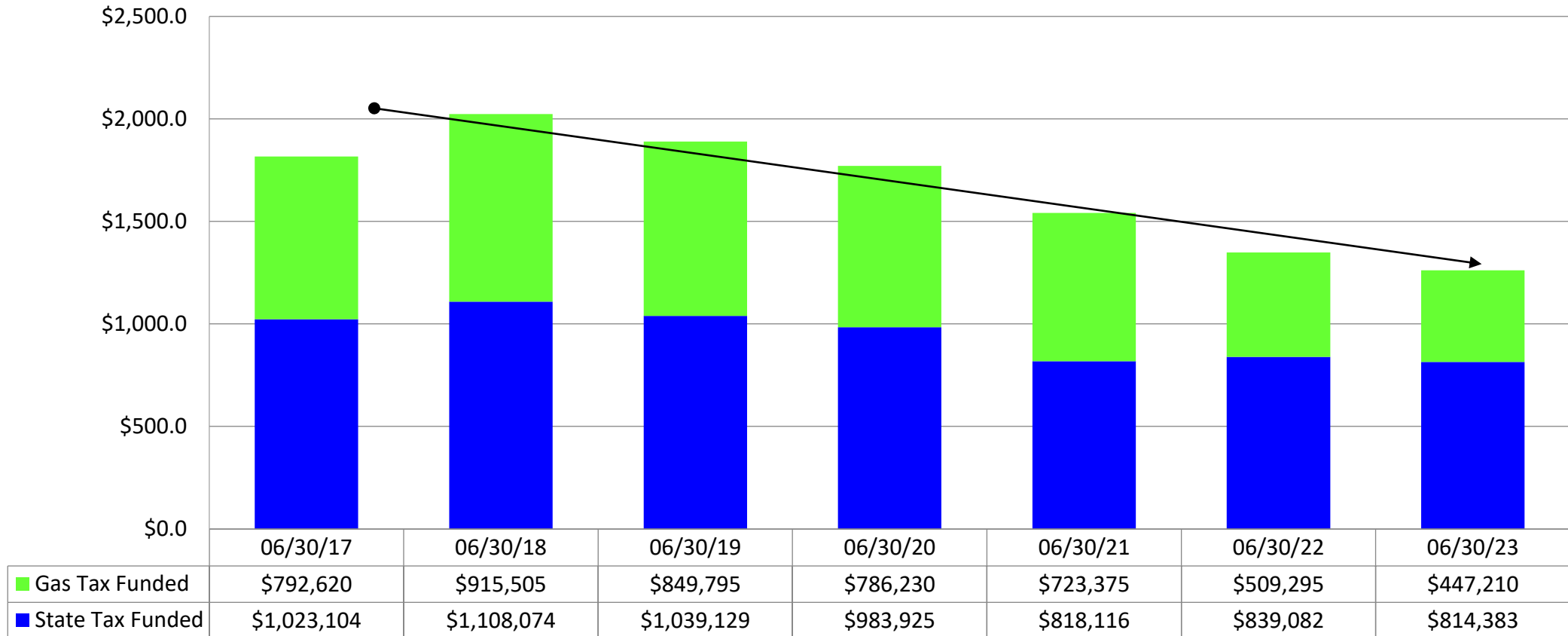
- Fully funds the Actuarial Determined Contribution (ADC) rates for State funded plans
- Leaves room in the budget for the General Assembly to fund a 13th check or COLA through the SRAs or General Fund
- Requires the transfer of \$1 billion from the General Fund to Pre-96 Teachers Pension Fund following the end of FY 2023
 - Compared to current law that says up to \$1 billion

Funding Our Commitments – Debt Service

- Appropriates required annual amounts to cover appropriation-backed debt:
 - Transportation Finance Authority (State Highway Fund)
 - Public University / Fee-Replaced (General Fund)
 - Stadium and Convention Center (General Fund backed)
 - State Office Building Commission (General Fund)
 - Indiana Motorsports Commission (General Fund)
 - EEC TIFIA Refunding (SHF/tolls)

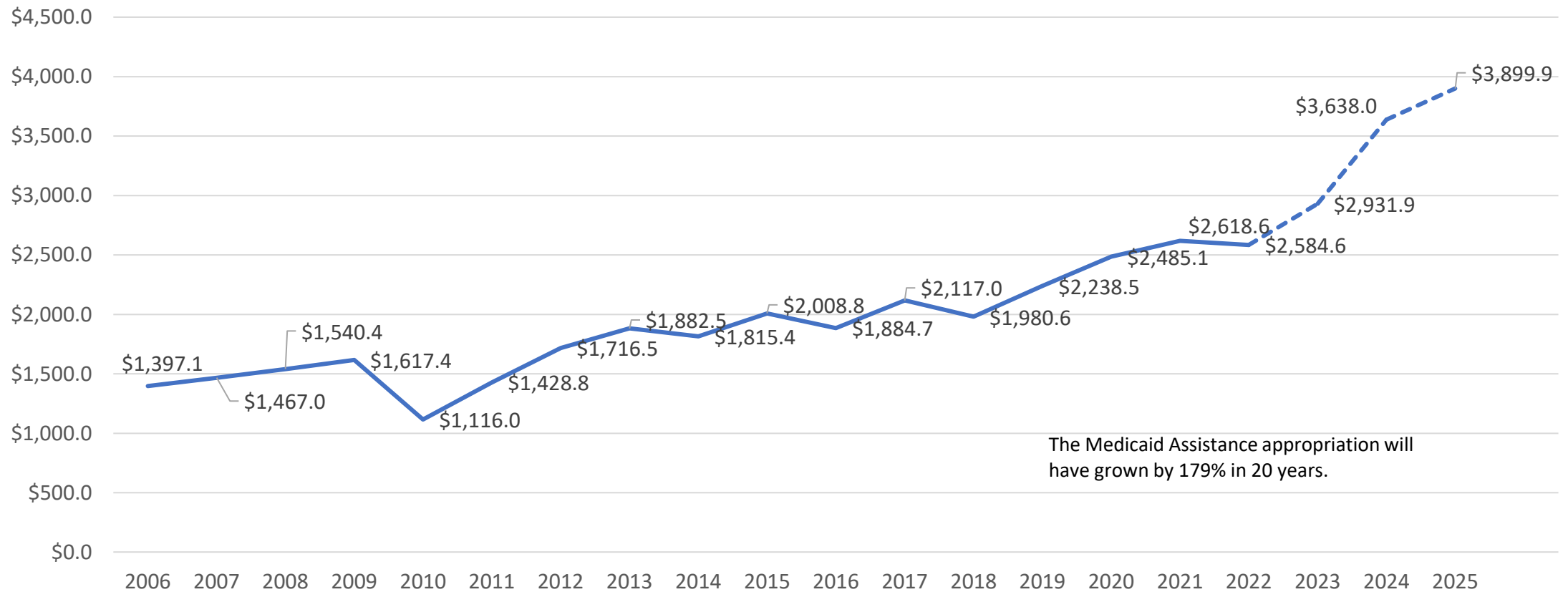
Funding Our Commitments – Paying Down Debt

State Tax Funded and Gas Tax Funded Debt has Decreased by 31% (in millions)



Funding Our Commitments - Medicaid

Medicaid Assistance Appropriations
(in millions)



Funding Our Commitments – Capital Projects

- Appropriates \$1.25 billion in FY23 to fund the remaining capital projects that were initiated in the 2021 budget bill:
 - \$97 million for the State Archives building
 - \$100 million for the Potato Creek State Park lodge
 - \$253 million for the co-location of Deaf School and Blind/Visually Impaired School
 - \$800 million for the Westville Correctional Facility Reconstruction
- Appropriates \$300 million over the biennium for Deferred Maintenance
- Creates the Demolition Fund at IDOA (\$5 million)
- A copy of SBA's Capital Budget Policy is available on our website

Economic and Community Development - IEDC

- Funds READI 2.0 at \$500 million over the biennium
- Creates the IEDC Deal Closing Fund - \$300 million annually
- Provides greater flexibility for IEDC's tax credits
 - Provides a release valve to exceed the \$300 million cap and \$300 million for Deal Closing Fund via Budget Committee review
- Creates a \$150 million revolving fund for Site Acquisition
- Doubles funding for the Manufacturing Readiness Grants - \$40 million over the biennium

Economic and Community Development

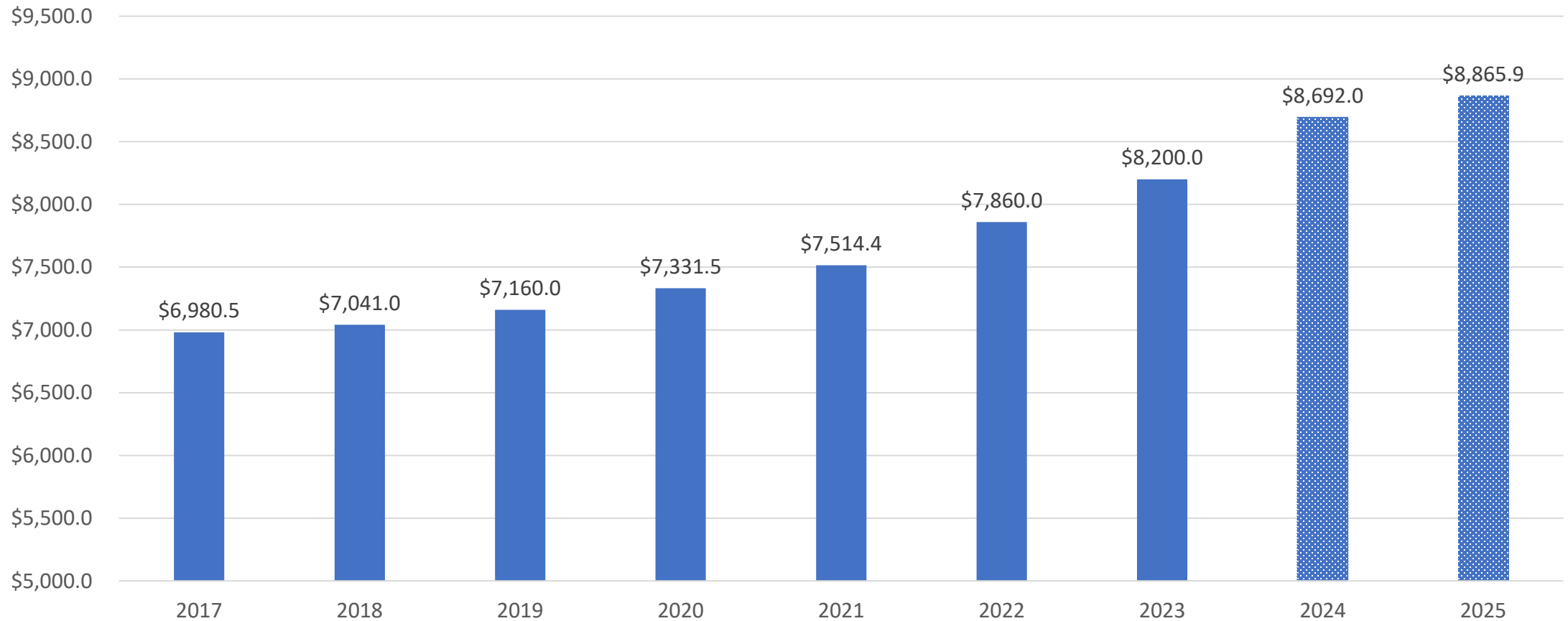
- Increases IDDC/Tourism funding by \$10 million annually
- Funds the Statewide Sports Bid Fund at \$5 million annually
- Provides \$50 million more for Next Level Trails
- Provides \$25 million for Land Conservation
- Supports Gary Airport's Cargo Development Projects at \$9.82 million
- Doubles Food Bank funding (\$2 million annually)

Education – K-12

- Increase K-12 Tuition Support (+6% / +2%) for a total of 8% (by \$1.157 billion over the biennium)
- Eliminate Textbook Fees for Hoosier Families (\$121 more million annually on top of current \$39 million annually)
- Increases English Language Learner funding to \$50 million annually
- Ensure High-Quality STEM Curriculum (DOE)
- Increase School Safety Grant Funding by 30% (DHS)
- Literacy Initiatives
- Restore JAG Funding to pre-pandemic levels (back to \$8M per year)

Education – K-12 Tuition Support

Tuition Support (in millions)



Education – Higher Education

- Significantly increase Higher Education Funding (+6%, +2%) total of \$184 million over the biennium
- 100% commits to CHE's new outcomes-based performance funding focused on retaining graduating students in Indiana
- Increases R&R funding by \$10.3 million annually
- Funds CHE's recommendations for Dual Credit
- Financially support Martin University, Indiana's only "Predominantly Black Institution" serving many first-generation college and low-income minority students (\$10 million for operating or capital)

Adult Education and Workforce Development

- Expand Excel Centers across the state to expand adult learning
 - Increase of \$3 million in FY 2024 and \$11 million FY 2025
- Increase funding for Graduation Alliance for adults to earn diploma or credential online (\$1.5 million annually)
- Increase funding for Adult Education Programs
 - Increase of \$4 million in FY 2024 and \$8 million in FY 2025
- Increase funding for Next Level Jobs
 - Workforce Ready Grants at DWD (\$6 million annually)
 - Employer Training Grants (\$17.1 million annually)
 - High Value Workforce Ready Credit Bearing Grants (\$6.1 million annually)
- Pilot Program to incentivize UI recipients to obtain HS diploma (\$4.4 million annually)
- \$7.5 million annually to GWC for workforce initiatives as approved by the Governor

Health and Wellness

- Funds the Governor's Public Health Commissions recommendations
 - \$120 million in FY 2024 and \$227 million in FY 2025
 - Up to \$100 million in FY 2024 and \$200 million in FY 2025 will be distributed to local health departments
- Medicaid Assistance (increase of \$706.1 million in FY 2024 and \$968.0 million in FY 2025)
 - Forecast (+\$586.9 million in FY 2024 and +\$793.5 million in FY 2025)
 - Provider Rate Increases (+\$121.4 million in FY 2024 and +\$161.2 million in FY 2025)
 - Other Policy Adjustments (-\$2.2 million in FY 2025 and +\$13.5 million in FY 2025)
- DCS Provider Rates (increase of \$19 million annually)
- Veterans
 - Relocation Assistance at IDDC (\$2 million annually)
 - Suicide Prevention (\$1 million annually)

Public Safety

- Indiana State Police (ISP) – Allocates funding to increase the starting pay for Troopers to \$70,000 (currently \$53,690).
 - This will be highest starting pay for police officers in Indiana.
 - Shortens the matrix from 20 years to 15 years.
 - Provides funding for other agencies that use the same matrix (DNR, Excise, Gaming).
- Department of Correction (DOC) – Fund contractual costs increases (largely in medical contract expenses)
- Department of Homeland Security (DHS) – Complete Regional Firefighter Training (Hub & Spoke) Infrastructure by enhancing 14 sites, building 16 new sites and investing in mobile equipment
- Fully funds the Supreme Court's request to upgrade data and technology and expand key problem-solving courts

Good Government

- Comprehensive Overhaul of the State Employee Payplan
 - First since 1970s
 - Overall cost of \$253 million
 - General fund share of \$160 million
 - SPD and SBA have worked with separately elected officials and the judicial branch to crosswalk classifications and fund similar adjustments for their employees
- Carves out a portion of the Agency Settlement Fund into the Opioid Settlement Fund
- Adds \$500k for BMV system study

Conclusion

- It uses one-time dollars in FY 2023 to complete the capital projects that were prioritized by the General Assembly in 2021 budget bill.
- This budget is balanced in both years and provides flexibility in both years for the General Assembly to fund the Governor's priorities and add in their priorities.
- Includes historic increases for K-12, Higher Education, and Medicaid and completely funds the Governor's Public Health Commission's recommendations.