



## State of Indiana

State Budget Agency  
State House Room 212  
Indianapolis, IN 46204

Eric J. Holcomb, Governor

Joseph M. Habig, Acting Director

May 1, 2024

Dear Colleagues,

Indiana positions itself again in an enviable fiscal position – AAA credit rating, an honestly balanced budget, prudent reserve levels, significantly reduced debt levels, and lower income tax rates. These results have become a hallmark of the “Indiana Model”, to quote a phrase from Governor Holcomb’s 2024 State of the State address, and the outcomes remain our fiscal policy goals for this upcoming budget. We all share responsibility in maintaining this strong fiscal position so we can continue to fund Indiana’s priorities today and tomorrow.

As strong as our position is today, the next biennium will present fiscal challenges. The significant revenue collections of 2021-2022 have returned to historical, moderate growth patterns. Federal funding is also expected to be reduced in the coming biennium. At the same time, the costs of the State’s major programs have increased and are being sustained by persistent inflation. Providing good government service at a great value requires heightened attention on how to efficiently use the resources of which we are entrusted. Improving public trust through higher standards of internal controls is a theme you’ll notice in these instructions and in the various financial management circulars our office has published in the last few years. Building an internal control culture requires continued vigilance, deliberate discipline, and faithful stewardship of our fellow Hoosiers’ dollars.

In early January 2025, the Indiana General Assembly will reconvene with its primary responsibility of passing a state biennial budget for Fiscal Years 2026 and 2027. The quality of work you do in budget development will be a key factor in assisting the General Assembly and new Governor in ensuring Hoosier priorities are funded.

The attached instructions will walk you and your staff through the process of submitting your budget requests for the next biennium. As authorized by IC 4-12-1-7, these instructions, our budget development system (Hyperion), the agency overview letter and fund narratives, change package and capital project questionnaires, and other required documents outlined in these instructions represent the forms required for the preparation of the biennial budget.

For budget development purposes, your “Base” budget for FY 2026 and FY 2027 should be equal to your appropriations for FY 2025. Shifting of the Base between appropriations, even if net neutral, should be submitted as offsetting change packages. If you believe an exception is warranted, State Budget Agency (SBA) may consider requests on a case-by-case basis.

Please note that all proposed change packages are considered part of the deliberative process and will be ranked with other proposals in the context of the revenue forecast and the Governor’s

priorities. It is expected that no outside communication on these proposals will occur unless and until the SBA approves them as part of the final submitted budget.

Additionally, SBA will disseminate guidance in a future memo on how to plan for potential central service cost increases such as the employer share of benefit premiums, human resources seat charges, technology product and service rates, and mid-biennium compensation adjustments.

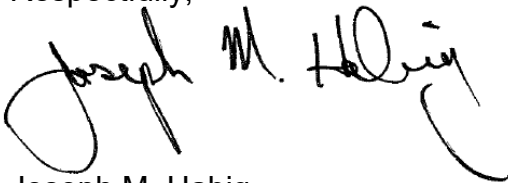
The final deadline for budget submission is Monday, August 26, 2024 – six days before the statutory deadline of September 1<sup>st</sup>. The key documents and deadlines necessary for each agency's operating budget submission are fully described in the instructions below and summarized in the table in Section VIII.

SBA continues to make changes this biennium to improve the budget development process. Some examples include:

1. Offering agencies the option to have SBA provide direct entry into Hyperion,
2. Generating Hyperion reports for agency review, approval, and signature earlier in the process,
3. Requiring new internal control assurances to raise the level of accountability for public funds,
4. Requiring federal assistance and state match/MOE estimates to ensure the State's budget is designed in the context of federal grant opportunities.

SBA staff and I are available to assist and answer any questions that you have about these instructions and the budget development process.

Respectfully,



Joseph M. Habig  
Acting State Budget Director

cc: Eric J. Holcomb, Governor  
Cristopher R. Johnston, OMB Director

## OPERATING BUDGET SUBMITTAL

These instructions focus on budget preparation and submission policy. Within this document you will find descriptions of the documentation and information needed to develop, request, and justify operating funding for FY 2026 and FY 2027. All state agencies, including executive, legislative, judicial, and other entities that receive appropriations (including separately elected offices), must submit proposed budgets to the SBA. Budget information must be submitted for all funds that receive appropriations from the General Assembly and all funds that had, or will have, activity in any of the years from FY 2023 through FY 2027.

To ensure compliance with the statutory deadline, your agency's budget must be submitted electronically by Monday, August 26<sup>th</sup>. A summary of key deadlines can be found in Section VIII (Budget Submission Deadlines).

The following documents and method of submission are explained in further detail in the sections below:

- Section I - Agency Overview
- Section II - Fund Narratives
- Section III - FY 2025 Spending Plan or CYE
- Section IV - Change Package Submissions and Fleet Needs Assessment
- Section V - Federal Assistance Estimates and Match/MOE Sources
- Section VI - Dedicated Fund Revenue Estimates
- Section VII - Internal Control Certification and Risk Assessment
- Section VIII - Submission Deadlines

**NEW:** For efficiency and quality control improvement reasons, SBA is allowing all agencies the option to *not use Hyperion* for their change package submissions. This means your agency may choose to forego direct entry into Hyperion and instead rely on your SBA budget analyst for data entry and report generation. Prior to final submission for all agencies, SBA will run an agency operating account summary report (001A), a change package report (017A), and a capital project report (024A) for agency review and CFO approval signature. Many smaller-sized agencies have been doing this in the past, so they may not notice a change. Keep in mind that the historical expenditures, CYE, and Base, will be pre-loaded by SBA into Hyperion, so the only processes you may use Hyperion for direct entry are change package submissions and version scenarios. If your agency chooses to opt out of direct entry into Hyperion, you must inform your budget analyst by July 12 so SBA can adequately prepare.

Even without agency direct entry into Hyperion, all agencies will still be required to complete a change package and capital project (if applicable) questionnaire through SBA's online portal. This will be our main repository for collecting relevant information regarding changes to agencies' Base budgets in the requested years of FY 2026 and FY 2027.

## I. AGENCY OVERVIEW (Transmittal Letter)

An Agency Overview must be prepared in conjunction with your proposed budget. Submit this electronically as a Word document to your budget analyst separately from loading actual budget data into Hyperion. The purpose of the overview is to summarize the agency's total budget request. It should reflect your plan to allocate the resources available to you to provide the best services to taxpayers at the lowest cost possible. Please limit the number of pages in the Agency Overview to seven (7) or fewer.

You will want to include in your overview:

- A summary of your agency's programs and functions,
- Major accomplishments and challenges within the current biennium,
- Funding priorities over the next biennium and how your agency measures performance to successfully meet priorities, and
- A separate appendix explaining in narrative the agency's submitted change package(s), prioritized with justification.

If there are any major challenges anticipated that could affect the operating budget of your agency, include recommendations on how to address these challenges.

The Agency Overview is an integral part of the budget submission and should be prepared with particular care. The letter, which will be provided to the Governor and likely members of the Budget Committee, the House Ways and Means Committee, and the Senate Appropriations Committee, should demonstrate the agency's mission, purpose, and effectiveness as reflected in the budget. It is one of the primary documents the Governor and members of the General Assembly will use to understand and assess your budget request.

## II. FUND NARRATIVES

Fund narratives are a written summary of the purposes for each budgeted fund. These narratives will form the main knowledge repository for information about how the budgeted funds relate to your agency's mission. These narratives allow you to go into a granular level of detail on the uses of each fund. Like the Agency Overview, Fund Narratives should be emailed as a Word document to your budget analyst by the submission date listed in Section VIII. SBA will supply you with a template soon.

Provide the following information for each Fund:

- Fund Number and Name,
- Indiana Code Citation (statutory authority for fund or program),
- A summary of program(s) or purpose of the fund, including any recent or planned changes,
- Constituency/population served,
- If applicable, revenue sources and trends,
- New initiatives if applicable, and
- Other relevant information to the budget request

### III. BUDGET REPORT

Indiana Code IC 4-12-1-9 requires the budget report to have the following components:

#### A. Historical Expenditures

All expenditures made in FY 2023 and FY 2024 will be provided for you in Hyperion. These historical figures have been uploaded electronically from the financial system of record. FY 2024 expenditures will be updated in early July to reflect expenditures as of June 30, 2024, along with any adjustments made during fiscal year close-out. Review these numbers and the sources of funding to verify their accuracy. If there is an error, please contact your budget analyst.

A detailed methodology of how historical expenditures were calculated is available upon request.

#### B. Staffing Table Position Control Records

Staffing Table Position Control Records (PCRs) will be loaded into Hyperion from the State Personnel Department’s database to provide a snapshot of the agency’s positions, salaries, and benefits. This data will be helpful in calculating estimated salary and fringe benefit expenditure levels for your FY 2026 and FY 2027 budget submission. Expect further communication in the next few months from SBA regarding estimates to use for CY 2025, 2026, and 2027 benefit costs.

Current Fringe Benefits costs for most state employees are as follows:

	CY 2025
The following are calculated as a percentage of Salary:	
Life Insurance	0.005%
Social Security/FICA	7.65%
PERF-State Share	11.20%
PERF-Employee Share Paid by State	3.00%
Disability Insurance	1.00%
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Aggregated Fringe % by Employment Status	
Full-Time Employees	22.85%
Part-Time Employees	21.84%
Intermittent Employees	7.65%

The following are calculated as a flat dollar amount per employee:

Health, Dental, Vision – Single	\$8,567.52
Health, Dental, Vision – Family	\$24,204.96
Health, Dental, Vision – Blended	\$16,846.16
Deferred Comp – State Match	\$344

Note: Part-time employees are not eligible for health, dental, vision, life, or disability insurance. For budgeting purposes, SBA uses the blended rate as the default in the Hyperion benefits calculation.

### **C. Current Year Estimate (CYE)**

Budget analysts will work with each assigned agency to appropriately calculate the agency's current year (FY 2025) expenditure and funding estimate by Friday, July 12<sup>th</sup>. The CYE should not exceed your FY 2025 spending plan.

### **D. The Base**

An agency's Base budget will be equal to its FY 2025 appropriations. This will be applied to both general fund and dedicated fund appropriations. For efficiency purposes, and to encourage greater agency effort towards analyzing operational needs, SBA will have the Base budget pre-loaded in Hyperion.

Base reallocations (shifting the Base between appropriations) will not be permitted without prior SBA approval. Reallocations generally should be submitted as offsetting change packages.

For dedicated funds, even though the Base is equal to FY 2025 appropriations, revenue estimates will be taken into consideration for future year requests.

## **IV. CHANGE PACKAGES**

Any change from the Base to the request years of FY 2026 and FY 2027 can only be accomplished through the submission of a change package (either Current Services or New Services).

*Current Services* change packages should be used to accurately reflect the size and scope of an existing function already managed by the agency, but where the costs to maintain the same size/scope have changed from Base appropriation levels. A supplemental memo will be forthcoming regarding estimated cost increases that agencies should plan for in the budget development process.

*New Services* change packages are used to request appropriations that represent an expansion of an existing function or funding for a new function that the agency is not currently performing. If the requested change package submitted by the agency represents a one-time use of resources, SBA will enter it into Hyperion as a New Services change package or possibly as a capital project using a new budgeting level (fund).

All change package requests must be submitted through SBA's online questionnaire portal at the following website: <https://fnow.sba.in.gov/BudgetAgencyForms/Home>. Submission through this portal will be the agency's primary means of communicating intended change package requests and will be used by SBA to upload the change package into Hyperion. Additional change package justification and narrative explanation should be included in an appendix to the Agency Overview.

Since funding is always finite, each change package should be ranked by agency priority – with "1" representing the highest agency priority.

Responses to the questionnaire must be submitted by Friday, August 9<sup>th</sup> to allow sufficient time for SBA to upload into Hyperion and produce a report for the agency's review.

## **Vehicle Purchases**

All Vehicle purchases for the FY 2026 and FY 2027 biennium will continue to be made by the Department of Administration. Agency budget requests should not include change packages to purchase new fleet vehicles. Fleet needs assessments will only be considered after agencies evaluate their vehicle usage, consider operational changes to limit travel, and evaluate alternative options. If, after a thorough review, an agency still assesses a need for a vehicle for critical operations, please submit your needs assessment for vehicle purchases to IDOA Fleet Services via email ([fleetservicesva@idoa.in.gov](mailto:fleetservicesva@idoa.in.gov)) and to your assigned budget analyst by Friday, July 5, 2024. A fleet needs assessment template can be provided by your budget analyst.

## **V. FEDERAL FUNDS**

As a growing proportion of the State's overall funding sources, federal grants must be taken into consideration during the budget development process. Anticipating federal assistance amounts and non-federal share requirements is essential to strategically allocating resources to meet the State's priorities in the most efficient manner.

**NEW:** To assist our office in anticipating future funding opportunities and state match requirements, SBA is requiring agencies to submit a list of anticipated federal grants and estimated annual award amounts to their budget analyst. To the extent those anticipated federal grants have state match or maintenance of effort (MOE) requirements, those should be estimated, and the source appropriation or statutorily-appropriated dedicated fund identified that will be used to meet those non-federal share requirements as well as the federal fund where the match will be used.

SBA will supply your agency with a spreadsheet template for you to detail the estimated federal awards and non-federal share requirements with expected sources. This spreadsheet must be emailed to your budget analyst with your budget submission by the date specified in Section VIII. If you need help in estimating these amounts, your budget analyst can connect you with a liaison from our grants management team.

Agencies should keep in mind that in circumstances where federal funding is being reduced or eliminated, it should not be assumed that the State will be able to replace the federal funds. Agencies should document the fiscal impacts and service impacts resulting from federal funding reductions. Agencies that pass through federal funds to local units and other entities will also need to assess the impact of federal revenue reductions and describe them in the Agency Overview.

## **VI. REVENUE ESTIMATES**

It is important that agencies provide dedicated fund revenue estimates to their budget analysts for the FY 2026 and FY 2027 biennium when its budget request is submitted. Any non-general fund revenue sources need to be reported in their respective funds of deposit. SBA will supply your agency with a spreadsheet template for you to fill out and email to your budget analyst by the deadline specified in Section VIII. SBA will load dedicated revenues reported into Hyperion. These revenues may be derived from fines, fees, settlements, grants, or interest earned. Most agencies receive revenue of some kind.

Programs funded partially with general fund and other dedicated funds must demonstrate that they are fully using their dedicated funding sources while maintaining the sustainability of the dedicated fund. Please contact your Budget Analyst if you have questions regarding your dedicated legal fund balances.

## VII. INTERNAL CONTROLS

**NEW:** Effective systems of internal control provide the foundation upon which a structure of public accountability can be built. Active oversight processes, including regular and ongoing monitoring processes, for the prevention and early detection of fraud and errors in program administration are vital to public confidence and the appropriate and efficient use of public resources. The Office of Management and Budget (OMB) will be communicating directly with agencies on details for this section on internal controls.

### A. Internal Control Officer Designation

OMB requires each agency to designate an internal control officer within its agency. This individual will serve as the primary point-of-contact for all internal control questions, liaise with OMB/SBA regarding risk assessments and corrective action plans for audit findings, and communicate with and assist financial/program staff in the implementation of internal control processes. The designated internal control officer must have the support of agency leadership to be successful in meeting objectives.

### B. Internal Control Certification

As required by Financial Management Circular (FMC) 6.1 which was published January 1, 2022, each agency head shall certify to OMB with their biennial budget submission the following:

- 1) The agency's internal control standards and procedures fully comply with the requirements of FMC 6.1;
- 2) All personnel, who are not otherwise on leave status, have received training on the system of internal controls as required by Section 6; and
- 3) No material weaknesses or significant deficiencies in the agency's system of internal controls have been identified.

If the internal control standards and procedures do not fully comply with the requirements of FMC 6.1, the certification shall include a report describing any 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. A templated format for the certification can be found at the end of FMC 6.1.

### C. Biennial Risk Assessment

As required in FMC 6.2, each agency shall submit a risk assessment to OMB by September 1 of each even-numbered year. The submission shall include the following:

- 1) The top three risks identified by the agency along with proposed plans to mitigate or eliminate each risk;



- 2) Audit or review findings from SBOA, federal agencies, or other internal or external auditors received for the preceding state fiscal year along with proposed plans to resolve each finding; and
- 3) A progress report on the resolution of audit findings and top risks previously reported to OMB.

**VIII. BUDGET SUBMISSION DEADLINES**

Deadline Date	Task	Format/Method
Friday, May 17	Internal Control Officer Designation	Agency Head emails designee’s contact info to OMB
Friday, July 5	Fleet Needs Assessment	Excel Document emailed to IDOA and Budget Analyst
Friday, July 12	Agreed-upon Current Year Estimates (CYE) for FY 2025, and if applicable, capital master plan	E-mail confirmation from SBA
Friday, August 9	Change Package and Capital Budget Questionnaire(s)	<a href="#">Questionnaire link</a>
Friday, August 9	Federal assistance estimates and an inventory of all state match and MOE sources and amounts	E-mail spreadsheet to Budget Analyst
Friday, August 16	Agency Overview (Transmittal Letter) and Fund Narratives	Word documents on agency letterhead emailed to Budget Analyst
Friday, August 16	Dedicated fund revenue estimates for FY 2026/2027, and if applicable, PM spending plan	E-mail spreadsheet to Budget Analyst
Monday, August 26	Final electronic submission of FY 2026 and FY 2027 agency budgets	Agency Operating Summary and Change Package Reports signed off by CFO and emailed to Budget Analyst
Monday, August 26	Internal Control Certification	Uploaded to OMB portal using template from FMC 6.1
Friday, August 30	Risk Assessment	Entered to OMB portal