



State of Indiana

State Budget Agency
State House #212
Indianapolis, IN 46204
317-232-5610

Mike Braun, Governor

Chad Ranney, Director

June 2, 2025

TO: Cabinet Secretaries
Agency Heads
Chief Financial Officers
Controllers

FROM: Chad E. Ranney, State Budget Director

**RE: FY26 SPENDING PLANS & STRATEGIC SPENDING REDUCTION PLANS
ALIGNED TO FY26 BUDGETS**

I. FY26 SPEND PLANS & RESERVE POLICY

With the 2025 legislative session behind us and the end of FY25 quickly approaching, we must now redirect our attention and efforts to FY26. Each budget presents its own unique challenges as well as its own unique opportunities, and the state's biennial budget for FY26 and FY27 is no exception.

For the first time in recent memory, nearly every agency across all 3 branches of government finds itself entering the first year of a new biennium with fewer resources than it had the year before. At the same time, the costs of the state's major programs continue to increase at unsustainable rates. Overcoming these challenges will require each of us to place a renewed focus on fiscal responsibility as well as a collective commitment to budget discipline.

To that end, the State Budget Agency (SBA) is asking all agencies to develop and submit an FY26 spending plan that accounts for the 5% mandatory reserve and changes to agencies' State Personnel Department (SPD) and Indiana Office of Technology (IOT) charges, all of which are discussed in greater detail below. SBA will again be using the Spending Plan, Expense, & Encumbrance Dashboard (SPEED) to evaluate agencies' spending plans and track monthly spending. To ensure all agencies are on track to successfully implement their FY26 budgets, spending plans **must** be submitted in SPEED **no later than 11:59 p.m. on June 30, 2025.**

Spending plans are dynamic in nature and should be updated as necessary to account for things like unplanned expenses and unforeseen agency needs. For additional policy guidance on spending plans, please refer to [Financial Management Circular 1.2 - Fiscal Spending Plans](#).

Ensuring that Indiana's priorities are funded today and tomorrow.



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A. FY26 Mandatory Reserve Policy

For FY26 and FY27, reserves requirements will be established and applied in accordance with IC 4-13-2-30, as added by P.L.213-2025, SEC. 53. Under the provisions of the new law, the Budget Director is required to withhold not less than 5% from each appropriation made to a state agency that is predominantly used, as determined by the budget director, for salaries and other wages or agencies' general operating expenses.

SBA has completed its analysis of agency appropriations, and a list of appropriations predominantly used for salaries and other wages or agencies' general operating expenses can be found in Appendix A. Consistent with IC 4-13-2-30, **5% will be withheld from each appropriation included on the list.** It is imperative that agencies account for this 5% mandatory reserve in their FY26 spending plans, as **the amounts withheld are unlikely to be released.** In rare instances, an exemption from the mandatory reserve may be warranted. Agencies seeking an exemption for one or more of their appropriations may do so by receiving confirmation from their Secretary and submitting a written request to have their reserves released to the Budget Director. Agencies must submit the exemption request to their Budget Analyst via email **no later than 5 p.m. on Friday, June 20, 2025.**

While the reserve requirements apply only to appropriations made to "state agencies," as defined in IC 4-13-2-30(b), SBA respectfully requests that all taxpayer funded agencies across state government demonstrate their commitment to fiscal responsibility and budget discipline by voluntarily reserving a portion of their appropriations and submitting an FY26 spending plan in SPEED as outlined above.

B. State Personnel Department (SPD) Rates

The State Personnel Department (SPD) HR seat charge rate will remain unchanged from FY25 set at \$567.28 for full-time rate PCNs and \$106.82 for part-time PCNs in FY26 and FY27.

C. Indiana Office of Technology (IOT) Rates

The Indiana Office of Technology seat charge (Product ID 1001) will remain flat over the biennium at \$80.75. This is a slight increase from FY25. IOT charges for all listed products will see a 2.0% statewide average increase in FY26, a reduction from prior year estimates of 8.0%. Agency-specific estimates for FY26 can be found in Appendix B.

There are opportunities to reduce technology consumption and thereby lower your IOT bill in the aggregate. If you need assistance in understanding your IOT bill or ideas on where to start, please work with your assigned fiscal analyst.



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II. FY26 STRATEGIC SPENDING REDUCTION PLANS

A. Requirements

As a result of the average 5% budget cuts from FY25 appropriations and a 5% reserve on operating funds, agencies will need to implement a strategic reduction in expenditures for FY26, aimed at optimizing resources without compromising essential public services. Agencies should evaluate and identify areas where cost savings can be achieved through operational changes or efficiencies as these are ideal targets for maximizing reversions.

As part of this effort, agencies are required to submit a strategic plan to SBA **no later than June 30, 2025** that demonstrates their ability to meet the reserve target and spending plan for FY26. The Secretary, Agency Head, and Chief Financial Officer must approve the strategic plan prior to submission.

B. Recommendations

The strategic plan should address:

1. How the spending plan will achieve the reserve target.
2. The agency's plan to comply with the policies in the FMC.
3. Any cost savings identified by the agency.
4. Any opportunities to prioritize federal spending rather than state funding.
5. Anticipated federal grant opportunities or renewals through June 30, 2026, which include a state match component.
6. The agency's staffing plan.
7. An analysis of open contracts.
8. The agency's anticipated procurement and technology needs through June 30, 2026, including any anticipated new procurements or contract renewals.
9. An analysis of the agency's capital plans, if applicable.
10. Any anticipated exceptions to FMCs or state policies, along with the justification for the requested exception.

Strategic plans will be reviewed with each agency and revised as necessary as circumstances dictate. The strategic plan will be reviewed in conjunction with proposed agency expenses (for example Compensation and Classification Review (CCR), procurement, or federal grant requests) to ensure they coincide with the plan. If a request is submitted that is outside of the submitted plan, the agency must provide justification for the deviation.



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III. OTHER BUDGET RELATED INFO

- A. FY26/FY27 Capital Funding Plan** –Capital instructions are being finalized, and we plan to have information released prior to fiscal year end.
- B. Recognition & Incentive Programs to Encourage Fiscal Responsibility – EO 25-12** – SBA is working with OMB and SPD to finalize details. Agencies should expect more information to come in the first quarter of FY26.
- C. Future FMC Updates**
 - i. As necessary to align policy and implement relevant Executive Orders (EO).
 - ii. Likely to start with FMC 1.1 (Fiscal Prudence Measures) and FMC 1.2 (Fiscal Spending Plans).
 - iii. Updates to FMC's re: personnel management, contracts, MOU's, MOA's, and grants management to follow.
- D. SB 5 Guidance/Information** – SBA is working with IDOA and plans to have information released soon.