



STATE OF INDIANA

Eric J. Holcomb
Governor

STATE BUDGET AGENCY
212 State House
Indianapolis, Indiana 46204-2796
317/232-5610

Zachary Q. Jackson
Director

TO: All State Agencies

CC: Governor Holcomb, Lieutenant Governor Crouch

FROM: Zac Jackson, State Budget Director *ZQJ*

SUBJECT: Fiscal Year 2021 Reserve Policy

DATE: May 21, 2020

The Coronavirus (COVID-19) is impacting the way that Hoosiers live, work, and spend; and as a result, we must now reevaluate our planned spending for FY21.

Earlier this month, the State Budget Agency published the General Fund revenue report for the month of April. Based on the December 2019 revenue forecast, we had estimated that April revenues would be almost \$2.2 billion; however, actual revenues were closer to \$1.2 billion - a difference of almost \$1 billion. Unfortunately, we expect to continue to miss our revenue forecast for the remaining 14 months of this biennium (May 2020 through June 2021). This projected loss of revenue puts a significant strain on the State's financial resources.

In order to ensure the State has sufficient funding to maintain its most critical programs, the State Budget Agency is directing all agencies to create a FY21 spending plan which includes a reserve of 15%. This 15% holdback should be applied to all functions of your agency (including grants and distributions) and to both General Fund and dedicated fund appropriations.

On April 20th, we published FMC #2020-2 (<https://www.in.gov/sba/2512.htm>). This Financial Management Circular established several Cost Saving Measures for State agencies. Furthermore, Section 7 of the FMC requested that each agency submit a Strategic Plan for FY21. Your plan should explain how your agency will manage its staffing and other expenses in order to meet the 15% reserve. As noted in the FMC, these plans were due by June 1st; however, we are extending this deadline to June 8, 2020. To aid in your planning, the State Budget Agency has worked with SPD and IOT to ensure that HR seat charges and IOT seat charges will stay flat for FY21.

Please note that the Strategic Hiring Committee will not be approving requests to post/fill vacant positions until your strategic plan has been submitted and approved.

The SBA will again be using the Spending Plan, Expense, & Encumbrance Dashboard (SPEED) to evaluate spending plans and monthly spending. All spending plans should be submitted in SPEED by July 30, 2020. Agency spending plans will be considered dynamic and may be adjusted for enterprise-wide changes or individual agency needs.

Thank you for your hard work and assistance. I know these budget reductions will not be easy.

If you have any questions, please contact your Budget Analyst.