

# Insights

## Take Five: 2025 Legislative Session Wrap-Up

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### 1. State Budget

Early Friday morning, state lawmakers approved Indiana's two-year budget- a task that was made much more difficult by the recent revenue forecast that predicted \$2 billion less tax revenue over the biennium than was originally anticipated. The \$44 billion spending plan, which represents a balanced budget based on the new revenue forecast, includes a \$2-per-pack increase on the cigarette tax and a 5% cut in appropriations for most state agencies. The budget was the last measure to pass the General Assembly before lawmakers adjourned for the year.

House Speaker Todd Huston (R- Fishers) defended the budget for protecting K-12 education despite the dismal revenue forecast, while Democrats criticized the plan for prioritizing wealthy families over those that rely on Medicaid and child-care programs, specifically pointing to the provision that eliminates the income limitations for the school voucher program starting with the 2026-2027 school year. HB 1001 ultimately passed the Senate 39-11 and the House 66-27 on largely party-line votes.

Notable provisions in HB 1001 include:

- Reduces the state's Rainy Day reserve fund from 13 percent to roughly 10 percent of the annual budget
- Increases K-12 tuition support by 5% over the next two years
- Reduces funding for local public health agencies from \$100 million per year to \$40 million per year
- Maintains the two previously enacted income tax cuts for 2026 and 2027
- Cuts the full \$7 million line-item for Indiana's 17 public television and radio stations
- Provides Governor Braun with the authority to appoint all nine members of the Indiana University Board of Trustees
- Gives the General Assembly more oversight of the Secretary of State's budget and spending

### 2. Property Tax Relief

Earlier this month, Governor Mike Braun signed into law SEA 1, a measure that will provide property tax relief to Hoosier homeowners and businesses but will also create funding issues for schools and local government units. As property owners have experienced double-digit property tax increases in the last couple of years, lawmakers made it a priority to provide relief, especially for seniors and those on a fixed income. But critics say

that that the bill may actually hurt Hoosiers in the long run, as local units may be forced to impose or increase local option income taxes to fill the funding gap.

Republican leaders lauded the passage of SEA 1 as providing meaningful property tax relief for Hoosier homeowners, to the tune of \$1.3 billion over the next three years. Estimates show that nearly two-thirds of homeowners will see a lower tax bill in 2026 than their current bill. The measure also benefits seniors, certain veterans, and the blind and disabled by providing tax credits as opposed to deductions to ensure that all those populations see relief.

Businesses will also benefit under the legislation, as the personal property tax exemption will expand to include any business with less than \$1 million in personal property. And for personal property placed in service after January 1st, 2025, the bill removes the existing 30% depreciation floor.

But the \$1.3 billion in tax relief also means less money for local government units, with school districts hit especially hard. The bill's fiscal analysis shows that school corporations across the state will receive nearly \$800 million less in funding over the next three years than they otherwise would have received.

And while the bill also reduces the overall local income tax ability for local units, it does provide units with the ability to impose an income tax to make up for any lost revenue. One interesting wrinkle - starting in 2031, a local unit must annually vote on their local income tax rate instead of allowing rates to continue indefinitely.

Other provisions in the bill include:

- Requires local referenda to be held during general elections to align with higher turnout
- Adjusts the agricultural land assessment formula for two years, thus reducing the assessed value of farmland and saving farmers \$116 million
- Institutes a "cooling off period" for certain local government debt, so that taxpayers will see a reduction in property taxes for at least one year before new debt is taken on

For a link to the bill's fiscal note, [click here](#).

### **3. Trio of Health Bills Shape Future Indiana Healthcare Debates**

A trio of Republican caucus agenda bills focused on the cost of healthcare and Medicaid have set up the future of discussions regarding healthcare in Indiana for years to come.

The cost of healthcare in Indiana inspired HB 1003, which is focused on transparency for patients. Specifically, the bill clarifies the authority of the Medicaid Fraud Control Unit housed in the Attorney General's office to investigate and pursue Medicaid fraud, updates timelines related to when providers must provide patients with good faith estimates upon request, requires labs and diagnostic imaging facilities to post prices for certain shoppable services, and requires insurers to provisionally credential physicians who change employers to ensure continuity of care. Perhaps most impactful are provisions included in the bill that are intended to clarify how "site of service" requirements enacted in 2023, which require office settings to bill on provider forms and not institutional forms, are to be implemented.

HB 1004 focuses on driving down costs for patients by setting pricing targets for the "Big 5"—Indiana's large nonprofit health systems. First, the bill requires the office of management and budget to conduct a study to determine Indiana's average hospital prices. Then, beginning in 2029, the bill requires the Big 5 to bring their prices in line with that target or face a one-year revocation of their state nonprofit status. To help offset this reduction in commercial prices for hospitals, the bill also redesigns Indiana's Hospital Assessment Fee (HAF)

and institutes a Managed Care Assessment Fee (MCAF), both of which are mechanisms to draw down additional federal dollars to support reimbursement rates for hospitals and other providers.

Finally, SB 2 has been characterized as a redesign of Indiana's Medicaid programs intended to control enrollment and ensure responsible Medicaid spending. The bill requires Indiana to apply to the federal government for a waiver to institute work/volunteer requirements for Medicaid recipients, directs FSSA to complete frequent eligibility redeterminations, and prohibits advertising of Indiana's Medicaid program. Finally, the bill also regulates Indiana's presumptive eligibility process that hospitals use to enroll individuals in Medicaid while their eligibility is finalized.

In conclusion, HB 1003, HB 1004, and SB 2 address issues in the healthcare industry that will continue to be discussed in the Indiana General Assembly for years to come. As these bills are implemented, providers can expect Indiana to continue to focus on healthcare cost issues and Medicaid enrollment.

#### **4. Other Bills in the News**

As the legislative session comes to a close, a variety of proposals have already landed on or are headed to the desk of Governor Braun for his signature.

- Taking over Illinois counties: HB 1008 creates the Indiana-Illinois boundary adjustment commission to discuss Indiana absorbing 33 Illinois counties who voted to secede from that state. While the idea is novel and helps market Indiana's lower taxes and balanced budgets, the Illinois legislature and Congress would have to agree to any plan in order to redraw state borders, and earlier this year Illinois Governor J.B. Pritzker classified the legislation as "a stunt".
- New rules for state contracts: SB 5 advanced to the Governor's desk as various media reports spotlighted elected officials who allegedly awarded friends or supporters no-bid contracts from their offices. With certain narrow exceptions, this law forbids no-bid contracting in state government going forward. The law requires all state agencies to post all eligible contracts as requests for proposals on their websites for at least thirty days before awarding the contract to anyone.
- Student IDs not sufficient for voting: SB 10 specifies that identification documents issued by educational institutions will no longer be valid for proving eligibility to vote. Now that the Governor has signed this bill into law, high school and college students old enough to cast their ballots will have to go to the polls with a state issued ID, such as a driver's license.
- Partisan school board races: SB 287 also garnered significant media coverage this year. The bill requires candidates for school boards to declare their party affiliations or specify that they are not associated with any political party. Critics decry the injection of party politics into decisions concerning how best to educate our kids, while proponents argue that publicizing party identification will help voters better understand the candidates and their ideas.

#### **5. Topics for Future Sessions**

Most bills that are filed each session die at some point during the process. Here are some highlighted bills that did not pass this year, but may reappear in the future:

- Energy siting: HB1628 would have preempted the local government regulation of the siting, construction, or deployment of any multi-jurisdictional utility project. The bill would have prohibited the requirement for a

multi-jurisdictional infrastructure project to obtain a permit, or any other land use or zoning approval, with respect to the siting, construction, or deployment of the project. This would have included the transmission, distribution, or storage of electricity, gases or fluids, or water – an all of the above energy/utility statewide or multi-county project. The bill failed to make it out of the committee process.

- **Legalization of marijuana:** All attempts to make marijuana legal in Indiana failed again this session. HB 1145 would have set a minimum threshold of at least two ounces (about 57 grams) for criminal prosecution, legalizing all smaller amounts. Meanwhile, legislators did pass HB 1390 which bans any advertising of marijuana products in Indiana.
- **iGaming and iLottery:** HB 1432 would have allowed the Indiana Lottery Commission to operate the sale of draw games and electronic instant games over the internet, and would have required the commission to develop a payment program to directly compensate retailers that participated in the promotion and success of digital lottery games. The bill also sought to authorize virtual casino games, thereby allowing Hoosiers to play craps, blackjack, and virtual slot machines on their mobile devices. The bill made it out of the House Public Policy committee but did not receive a hearing in the House Ways and Means committee.
- **Immigration:** A variety of proposals on the issue of immigration were introduced this session, including SB 342 and HB 1399. SB 342 would have created a registry for unlawful aliens with penalties ranging from a Class A misdemeanor for a first offense to a Level 6 felony for subsequent offenses. HB 1399 would have created the crime of unlawful presence in Indiana by an alien, a Class A misdemeanor. Neither bill received a committee hearing.
- **Education:** HB 1136 provided that, if more than 50% of students who have legal residence in a school corporation's district were enrolled in a different school corporation (largely a charter school), then the entire school system would be dissolved and reconstituted as a charter school. The bill would have impacted five school corporations, including Indianapolis Public Schools, but failed to move forward this session.

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