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Insights

Take Five: 5 Things You Need to Know About Indiana Government - July 2024

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1. Indiana Statewide Contests Set for November

While news about the Democratic Presidential ticket is changing quickly after President Joe Biden's announcement that he will not seek the Democratic nomination this year, Indiana Democrats met earlier this month to finalize their nominees for statewide offices for the November election. Delegates to the state convention nominated former state representative Terry Goodin for Lieutenant Governor, joining Dr. Jennifer McCormick on that ticket after she was nominated as the gubernatorial candidate in the May primary. The two will run against current US Senator Mike Braun and activist Micah Beckwith in an uphill battle where McCormick and Goodin hope to appeal to their rural roots to win back those voters. The delegates also nominated Destiny Wells for the Attorney General position after a convention race against former Marion County Clerk Beth White. Wells earned almost 70% of the votes at convention and will face incumbent Attorney General Todd Rokita in November.

2. New Laws in Indiana as of July 1

After new laws took effect on July 1st, Hoosier adults will again enjoy Happy Hour discounts at their favorite bars and restaurants, but students won't be able to use their cell phones during class at school.

More than 700 bills were introduced during the 2024 legislative session, but only 172 were passed by the General Assembly and signed into law by the Governor. While some new laws take effect immediately upon passage or at some date in the future, most laws take effect on July 1st.

This year, the legislature enacted HEA 1086, which allows bars and restaurants to offer reduced prices on alcohol for up to four hours each day. Happy Hours had been prohibited in Indiana since 1985. HEA 1086 also allows Hoosiers to purchase carryout alcohol from bars and restaurants.

The legislature also enacted SEA 185, which requires school corporations to adopt a cell phone policy that prohibits a student from using the device during class time. The bill does allow for the use of the cell phone if necessary for an educational or emergency purpose, so the student could still have the phone in the classroom. But this bill is an attempt to otherwise remove the distraction caused by cell phones and other communication devices.

Lawmakers attempted to restrict access to adult-oriented online content with the passage of SEA 17, but a federal judge prevented the law from taking effect pending a lawsuit filed by the Free Speech Coalition. The legislation required websites that displayed material harmful to minors to verify the customers' ages, but Federal Judge Richard Young said the law likely violates the First Amendment and thus issued a stay pending

a full hearing and ruling on the legal challenge.

For a complete list of laws enacted by the General Assembly this year, click here.

3. Indiana's Fiscal Year Closeout

Indiana ended its fiscal year on June 30, 2024, with an annual surplus of 2.6 billion dollars, or 11.9 percent of the state's current year's expenditures. This is slightly lower than FY2023's surplus amount of 2.9 billion dollars. This closeout was impacted by a Medicaid forecast deficit of nearly 1 billion dollars that was announced by the Indiana Family and Social Services Administration (FSSA) and the Office of Medicaid Policy and Planning (OMPP) in December of 2023, alarming members of the State Budget Committee, legislative fiscal leaders, and Medicaid beneficiaries just before the 2024 legislative session started. At that time, budget writers appropriated an additional 255 million dollars in FY2024 and 458 million dollars in FY2025 from the general fund to cover the deficit, in addition to 271 million dollars from a Medicaid reserve account. State Senator and Appropriation Chair Ryan Mishler (R-Mishawaka) released a statement praising the strong fiscal conservatism of the state's efforts, but implied that additional measures would be needed in next year's budget session: "As we look forward to the 2025 legislative session, we should consider using the upcoming budget session to regroup and ensure our state is on a sustainable financial path as we go forward." Additional information regarding the fiscal year closeout can be found on the Indiana State Budget Agency's website.

4. Indiana Medicaid Update

After the announcement of the nearly $1 billion shortfall in Indiana's Medicaid budget in December of 2023, state officials announced a raft of policies intended to curtail Medicaid spending, including restricting individuals authorized to provide attendant care services, pausing a planned 2% Medicaid rate indexing/increase for certain providers, and instituting a waitlist for elderly and disabled individuals seeking home and community-based services (HCBS) under Medicaid waivers. These changes have drawn the collective ire of both Medicaid beneficiaries, Medicaid providers, and patient advocates. While FSSA recently announced an end to the waitlist for those seeking HCBS, they are only inviting 800 individuals per month to come off the waitlist (which currently includes over 9,000 individuals), meaning that thousands of Hoosiers seeking services will be waitlisted for an indeterminate time.

Further complicating Indiana's Medicaid landscape is a recent Federal Court decision that revoked the Federal government's approval of Indiana's Section 1115 Medicaid waiver, which approved Indiana's unique Healthy Indiana Plan (including its required POWER account contributions, intended to encourage beneficiaries to become health care consumers) and Indiana's Hospital Assessment Fee, which is leveraged to draw down significant federal funding for the Medicaid program at no cost to the state. An FSSA press release on the topic stated that the court ruling "creates considerable uncertainty" for the HIP program and, as a result, FSSA has appealed the decision and filed a motion to stay the implementation of the decision pending appeal.

With all of these factors taken together, we expect that the next budget session will be heavily focused on balancing the provision of services to Medicaid recipients with the desire from legislative fiscal leaders to right-size the Medicaid budget and ensure its stability into the future.

5. Braun Releases Property Tax Proposal

Republican gubernatorial nominee Mike Braun released a property tax proposal last Friday that seeks to provide relief for homeowners, especially low-income Hoosier seniors. The plan includes an increase in the homestead deduction and a freeze on annual property tax increases. Local units would be able to generate additional tax dollars through referenda, though the Braun plan calls for changes to that process as well. Braun said the impact would be to freeze property taxes at 2021 levels. The full proposal can be found here.

Details on how local budgets would be impacted by the proposed changes were not provided.

Property tax relief is one of many policy items that will be discussed during interim study committees in the coming months now that leaders have made legislative appointments. Other topics include student absenteeism, trends in criminal behavior, and the growing use and concern surrounding artificial intelligence. One committee that will garner significant attention is the Healthcare Cost Oversight Task Force, once again chaired by Senator Chris Garten, that will continue to examine policies to lower Indiana's healthcare costs. The committees have the option to submit recommendations at the end of the interim based on their discussions for policies that can turn into legislation during the 2025 session. A full list of interim committees and their legislative appointments can be found here.

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