Insights

Take Five: 5 Things You Need to Know About Indiana Government - December 2021

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1. 1001 Hearing

Last week, the House Committee on Employment, Labor, and Pensions heard testimony on **HB 1001**. The bill remains largely the same as the preliminary draft discussed at the last hearing in November. It contains language that allows the state to continue receiving enhanced Medicaid and SNAP funding and would allow the Health Commissioner to issue a standing order for the administration of vaccines to children. Governor Holcomb has stated that the passage of these three provisions would allow him to responsibly end the public health emergency.

The bill also contains provisions regarding employer vaccine mandates, which remain highly contentious. The committee heard testimony from numerous citizens in opposition to employer vaccine mandates. Many cited examples of their unvaccinated status jeopardizing their employment. Several expressed an opinion that HB 1001 should be expanded to prohibit any vaccination mandate instituted by an employer.

Several prominent statewide organizations and associations rose in opposition to the legislation similar to the hearing on November 23, 2021. The Indiana Chamber of Commerce and the Indiana Manufacturers' Association expressed concerns with the bill and stated their belief that employers should have the right to determine the right policies for their employees and their workplaces. They oppose governmental mandates at the federal level requiring employees to get vaccines and oppose any state intervention regarding a business' ability to institute a vaccination mandate. The medical community also rose in opposition, including the Indiana State Medical Association. Physician testimony reported rising hospitalizations related to COVID-19 and expressed concerns that HB 1001 sends a message that vaccinations are not beneficial.

Rep. Lehman, the author of HB 1001, stated that the House Republicans are discussing four additional measures that may be added to the bill to:

- Add language to specify that businesses subject to federal requirements applicable to federal contractors are exempt from the vaccine mandate provisions included in HB 1001.
- Extend the temporary COVID-19 health care provider registry that allows out-of-state licensed practitioners to practice in Indiana.
- Specify that the cost of COVID-19 testing that employers are required to provide in lieu of getting a vaccine only includes the cost of testing and not ancillary expenses (such as travel) that will accrue to affected employees.

- Apply penalties to businesses for non-compliance (although the exact approach is not clear, House Republicans are considering increasing unemployment insurance taxes on businesses who violate the employer mandate provisions of HB 1001).

In closing, Rep. Lehman stated that this is a bill that will be taken up on the first day of session.

2. Revenue Forecast

State revenue will continue to outpace the estimates used to craft the current biennial budget, leaving lawmakers with decisions to make on how and when to use the additional dollars. In a presentation to the State Budget Committee last week, the Revenue Forecast Technical Committee predicted an additional $3.3 billion in tax revenue over the biennium as compared to the forecast provided to the General Assembly last April. Sales tax collections will exceed the April forecast by a total of $1.4 billion over the current budget cycle, while individual income taxes and corporate income taxes will exceed the April expectations by $1 billion and $680 million, respectively. Based on the new forecast, the state would have $5.1 billion in reserves at the end of Fiscal Year '22 (29% of the total budget), and $4.1 billion in reserve at the end of Fiscal Year '23 (22% of the budget). House Speaker Todd Huston (R- Fishers) and Ways and Means Chairman Tim Brown (R-Crawfordsville) have advocated for "responsible and prudent tax cuts" during the upcoming legislative session, with a potential cut to or outright elimination of the business personal property tax. Speaker Huston has referred to the business personal property tax as "the last bad business tax on the books in Indiana." Complicating the issue is the fact that revenue from the business personal property tax funds local government units and not the state, meaning lawmakers would need to replace that lost revenue to municipalities, counties, and other local units. Meanwhile, Senate Appropriations Chairman Ryan Mishler (R-Bremen) has argued that any tax and spending decisions should wait until the 2023 budget session to ensure that revenues continue to meet expectations. Senator Mishler cautioned against setting the precedent of basically turning every session into a budget year.

3. Medicaid Forecast

Allison Taylor, Director of the Office of Medicaid Policy and Planning at the Family and Social Services Administration, presented the **Medicaid forecast** with Rob Danler of Milliman at the December 16, 2021 meeting of the State Budget Committee. The data in their presentation was predicated on the federal public health emergency's current end date of January 18, 2022, although that date may be extended in additional 90-day increments. Once the public health emergency ends, the maintenance of effort (MOE) requirements that require Indiana to retain Hoosiers in the Medicaid program except under specific circumstances will end at the end of the quarter after the public health emergency ends, which is currently calculated at March 31, 2021.

Due to MOE requirements, enrollment growth in the Healthy Indiana Plan (HIP) has grown by about 300,000 lives since before the pandemic. The Hoosier Care Connect program has experienced a growth of 10,000 lives and the Hoosier Healthwise program has experienced growth of about 200,000 lives. Overall, Medicaid covered just under 1.5 million lives pre-pandemic, and they expect to reach a peak at about 2 million lives, and decrease with the end of the public health emergency to 1.8 million lives.

State and federal Medicaid expenditures are expected to grow 6.6% over FY2021 levels in FY2022 to $16.428 billion, and grow 0.2% over FY2022 levels in FY2023 to $16.457 billion. The state general fund assistance need is projected at $2.382 billion for FY2022 and $2.935 billion in FY2023.

4. READI Grants

Governor Holcomb and the Indiana Economic Development Corporation recently announced the results of the

most recent round of Regional Economic Acceleration and Development Initiative (READI) grants. All 92 counties had joined one of the various regional coalitions competing for $500 million in potential funds. The board decided to award funds to each of the applicants, with awards ranging from $5 million to $50 million. Five regions received the maximum $50 million grant, including Northeast Indiana RDA, Our Southern Indiana RDA, Northern Indiana RDA, Southwest Indiana RDA (SWIRDA), and Northwest Indiana Forum. During the IEDC meeting where the grants were awarded, Governor Holcomb stated, “We throw the word ‘unprecedented’ around quite a bit, but there were some unprecedented relationships that were built throughout this process and that is going to serve us well, not just over the course of the next year, two, three years, but really over the course of the next decade”. The Governor announced he plans to seek additional funding for the program in the next legislative budget session in 2023. You may access the list of projects from the Governor's web site **here**.

5. Federal Update

Senator Joe Manchin (D-W.Va.) is the lone democrat promising to vote against Biden’s Build Back Better legislation. Manchin shared his concerns of inflation and its acceleration. It is anticipated for the bill to pass, all 50 democratic senators are needed to vote in favor. With Manchin doubling down on his desire to vote no on Biden’s broad social and climate bill, it appears to be failing. President Biden is also planning to address the nation this week regarding recent COVID-19 outbreaks throughout the country.

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