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Insights

Take Five: 5 Things You Need to Know About Indiana Government - June 2025

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1. Legislative Council assigns study committee topics

The Indiana General Assembly's Legislative Council convened on Thursday to announce topics that will be considered by interim study committees over the next several months. "Interim study committees provide a venue outside of the legislative session for members to take an in-depth look at issues facing Indiana," stated Senator President Pro Tempore Rod Bray (R- Martinsville). "The work done by these committees will help provide a baseline for the 2026 legislative session."

Topics assigned for study include the impact of medical debt on Hoosiers, how to better integrate maternal postpartum mental health screens into pediatric visits, and issues related to artificial intelligence. Study committees generally must issue a report by November 1st. Legislative appointments to each of the committees will be announced in the next several weeks. A complete list of topics can be found here.

2. Braun overhauls IEDC

Indiana Governor Mike Braun announced wholesale changes to the Indiana Economic Development Corporation's board this week, as all eight members of the previous board were let go in favor of nine new members. The IEDC, which is organized as a public-private partnership, serves as the state's main economic development organization. During the campaign last year, Governor Braun frequently criticized the perceived lack of transparency from the agency and questioned its focus on high-profile projects like the Limitless Exploration/Advanced Pace (LEAP) District in Lebanon over Main Street entrepreneurial efforts. Earlier this year, Governor Braun launched an independent audit of IEDC's financial and accounting practices after questions arose regarding some aspects of their economic development efforts.

In announcing the new appointees, the Governor referenced his own business experience and said that, "having an entrepreneurial, high-energy team in your corner makes all the difference" and that the new board members embody his Freedom and Opportunity Agenda due to their own experience in growing wages and creating job opportunities for Hoosiers. New members include former Democrat Speaker of the House John Gregg and Director of the Indiana State Department of Agriculture Don Lamb. For a full list of board members, click here.

3. State agencies forced to trim budgets further

Most state agencies will be expected to deliver services to Hoosiers with even less funding after Governor Braun directed his departments to trim an additional 5% from their recent appropriations. This comes on the heels of the recently-enacted state budget and an initial directive to agencies to cut 5% from their original spending plans. Those initial cost cutting measures were made necessary by the dismal revenue forecast issued in April, which predicted that Indiana will bring in $2 billion less in state revenue over the next two years than what was originally anticipated.

The State Budget Agency claims this is the first time in recent years that agencies will begin a new budget cycle with less money than they had the year before. These cuts seem unlikely to be reimbursed, meaning that state government will need to get and stay leaner for the immediate future. State agencies were directed to "implement a strategic reduction in expenditures…aimed at optimizing resources without compromising essential public services." Agencies are required to submit a strategic plan to the State Budget Agency no later than June 30th.

4. One Big Beautiful Bill Act (H.R. 1 of the 119th Congress)

H.R. 1 is the federal budget reconciliation bill passed by the U.S. House of Representatives on May 22, 2025, in a largely party-line vote of 215–214–1. It is known as a reconciliation bill because it includes legislation submitted by 11 House committees pursuant to provisions in the FY2025 congressional budget resolution. Reconciliation bills are considered by Congress using expedited legislative procedures that prevent a filibuster and restrict amendments in the Senate. Below are some of the key provisions included in the bill as passed by the House:

Tax Cuts and Reforms:

- Extends and Modifies TCJA Provisions: The bill would extend and modify some provisions of the 2017 Tax Cuts and Jobs Act (TCJA), most of which are set to expire at the end of 2025. This includes provisions related to the Qualified Business Income (QBI) deduction, the State and Local Tax (SALT) cap, the standard deduction, the Child Tax Credit, bonus depreciation, Section 179 expensing, and the Excess Business Loss (EBL) limitation. Specific proposals vary between the House and Senate versions.
- New Tax Reductions: The House version proposes eliminating taxes on tips and overtime pay, a temporary increase in the standard deduction for seniors, and a deduction for interest on car loans for US-made cars. The bill also introduces "Trump Accounts," a new savings vehicle with a potential baby bonus.
- Estate and Gift Tax: Both versions propose increasing the estate and gift tax exemption starting in 2026.

Spending Cuts and Changes:

- Reduced Non-Military Government Spending: The bill aims to reduce non-military government spending.
- Medicaid Reforms: The bill includes stricter eligibility and work requirements for certain Medicaid enrollees.
- SNAP Reforms: Reforms are added to the Supplemental Nutrition Assistance Program (SNAP), including work requirements and potentially shifting costs to states. (The Senate version has removed this section).

- Scaling back Inflation Reduction Act (IRA) Green Energy Tax Credits: Many clean energy tax credits in the IRA would be scaled back or eliminated.

Other Provisions:

- Increased Defense Spending: The bill allocates additional funds for defense spending.
- Border Security: The bill includes provisions for border security and welfare reform.
- Savings Accounts: The bill creates savings accounts for newborns.
- Low-Income Housing Tax Credit: The bill expands the Low-Income Housing Tax Credit.
- Opportunity Zones: The bill renews the Opportunity Zone program.
- Artificial Intelligence (AI): Language would prevent local and state governments from regulating AI for the next decade if those jurisdictions want to receive money from a $500 million fund.

Impact and Concerns:

- Increase in National Debt: The Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT) reported that the bill will increase the primary deficit by $2.4 trillion over the 2025-2034 period. The bill would increase interest rates, which would boost interest payments on the baseline projection of federal debt by $441 billion. Inflation would increase by a small amount through 2030.
- Loss of Health Insurance Coverage: The CBO also estimated that the bill could cause millions of Americans to lose health insurance coverage.
- Impacts on healthcare: The bill's changes to Medicaid and SNAP have drawn criticism. In addition, the bill would have significant policy impacts on health system finances. (*For a more detailed look at Indiana Medicaid impacts, see below*).

The bill is now before the U.S. Senate, and changes will likely be made as it moves through the legislative process. This is a work in progress and Congress may struggle to get the bill across the finish line before their self-imposed deadline – before next week's holiday recess.

5. Indiana Medicaid and the One Big Beautiful Bill

The financing for Indiana's Medicaid programs is heavily reliant on a mechanism known as provider taxes, which utilize fees collected from health care providers to finance the non-federal share of a variety of Medicaid expenditures. Specifically, a portion of the Hospital Assessment Fee (HAF) finances the vast majority of Indiana's Healthy Indiana Plan, which is Medicaid coverage available to able-bodied adults below a certain income level. During the 2025 legislative session of the Indiana General Assembly, legislators addressed provider taxes by redesigning the HAF to increase the provider tax to the full extent permitted by federal law and instituting a new Managed Care Assessment Fee (MCAF) to be levied on health insurance companies to further increase funding available to Indiana's Medicaid programs. According to the Secretary of the Family and Social Services Administration (FSSA), Mitch Roob, the necessary filings with the federal government have been completed to begin to implement these changes.

However, the One Big Beautiful Bill (OBBB) may significantly curtail the use of provider taxes and therefore limit Indiana's ability to use non-state resources to help finance the non-federal share of Medicaid expenditures as anticipated by the aforementioned state legislation. For instance, the Senate version of the OBBB institutes caps on provider taxes, which could potentially *reduce* or limit Indiana's use of non-state resources to fund part of the Medicaid program, thereby necessitating that Indiana either fund the program through additional general fund appropriations or scale back its Medicaid program through methods such as reducing reimbursement levels to providers or narrowing the scope of coverage for beneficiaries. The Senate OBBB also prohibits the implementation of new provider taxes moving forward, casting doubt on whether Indiana's HAF redesign will be allowed to be implemented. These potential implications of the OBBB led Secretary Roob to publicly state at a recent meeting of the State Budget Committee that he was "not optimistic" that the federal government would approve Indiana's request to implement an MCAF, although he remained optimistic that a path forward remains for the HAF redesign. Either way, Secretary Roob stated that he and Governor Braun have asked that Indiana's Congressional delegation provide flexibility in the OBBB to adjust eligibility for Medicaid programs should Congressional changes result in reduced non-federal funding, and therefore federal funding, to states for Medicaid.

While several Congressional Republicans have voiced concerns about the OBBB's potential cuts to Medicaid included in the Senate version, Indiana's use of provider taxes to ensure Indiana's Medicaid program provides appropriate access and quality of care for participating Indiana residents means that any changes made at the federal level could have a disproportionate impact on Indiana's Medicaid programs.
