

Purdue Cooperative Extension Service

The Outlook for Indiana's State Budget, 2009-2011

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For more information

State Budget Agency:

www.in.gov/sba/budget

DeBoer's Indiana Local Government Information Website:

www.agecon.purdue.edu/crd/Localgov

Indiana State Budget Summary, FY 1998-09

(millions of dollars, updated through December 2008 revenue forecast)

	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Avg. Ann. Change 2000-07	2007-09
Start of Year Balances	1,991	1,638	910	534	720	533	750	1,089	1,286	1,413		
Revenues												
Sales Tax	3,651	3,687	3,761	4,172	4,721	4,960	5,226	5,379	5,686	6,330	5.7%	8.5%
Individual Income Tax	3,753	3,780	3,541	3,644	3,808	4,213	4,322	4,616	4,838	4,726	3.0%	1.2%
Corporate Income Tax	985	855	709	729	645	825	925	987	910	822	0.0%	-8.7%
Gaming	-	-	-	431	602	585	590	625	583	576		-4.0%
All Other	810	801	784	1,072	1,143	905	1,370	1,096	1,187	1,143	4.4%	2.1%
Total	9,200	9,123	8,796	10,049	10,918	11,489	12,434	12,703	13,203	13,598	4.7%	3.5%
Appropriations												
K-12 Education	3,905	4,182	4,185	4,380	4,247	4,512	4,582	4,647	4,830	6,169	2.5%	15.2%
Higher Education	1,331	1,390	1,411	1,440	1,474	1,528	1,544	1,588	1,654	1,744	2.6%	4.8%
Medicaid	1,042	1,144	1,171	1,249	1,266	1,383	1,455	1,525	1,587	1,664	5.6%	4.4%
Property Tax Relief	1,057	1,154	1,180	1,157	2,097	2,143	2,153	2,189	2,308	1,802	11.0%	-9.3%
Health & Social Services	757	774	858	855	767	768	836	860	943	1,237	1.9%	19.9%
Public Safety	621	623	678	681	695	697	718	718	721	801	2.1%	5.6%
All Other	1,005	923	824	1,136	763	719	787	831	943	1,086	-2.7%	14.3%
Total	9,718	10,190	10,307	10,898	11,310	11,750	12,075	12,359	12,986	14,502	3.5%	8.3%
Current Year Surplus/Deficit	(518)	(1,067)	(1,511)	(850)	(392)	(262)	359	345	217	(904)		
Transfers from (to) Other Funds	30	236	617	376	138	257	12	70	19	13		
Reversions	134	103	145	323	63	222	125	119	133	91		
Payment Delays (Reversals)	-	-	374	337	3	-	(156)	(337)	(241)	(31)		
Total Adjustments	165	339	1,135	1,036	204	479	(20)	(148)	(89)	73		
End of Year Balances												
General Fund	833	19	0	137	0	119	411	537	593	(252)		
Tuition Reserve	265	265	265	305	291	291	317	317	400	400		
Medicaid Reserve	-	100	-	-	-	24	34	88	58	58		
Rainy Day Fund	540	526	269	279	242	317	328	344	363	376		
Total	1,638	910	534	720	533	750	1,089	1,286	1,413	1,413		
Total Balances % of Revenue	17.8%	10.0%	6.1%	7.2%	4.9%	6.5%	8.8%	10.1%	10.7%	4.3%		
Payment Delay Liability	-	-	372	711	712	726	622	286	31	-		

Prepared by Larry DeBoer, Department of Agricultural Economics, Purdue University and Purdue Cooperative Extension Service, December 2008

Indiana Revenue Projections and Actual Revenues, 1996-2011

Fiscal Year	April Forecast		December Forecast		Actual Revenue		
	Year	Forecast Revenue	Year	Forecast Revenue	Actual Revenue	Difference from April Forecast	Pct. Chng. From Previous
1996	1995	7,099.1	1995	7,469.1	7,513.0	413.9	6.3%
1997	1995	7,426.6	1995	7,788.1	7,970.2	543.6	6.1%
1998	1997	8,124.5	1997	8,244.9	8,421.4	296.9	5.7%
1999	1997	8,441.8	1997	8,647.2	8,883.2	441.4	5.5%
2000	1999	9,301.6	1999	9,178.3	9,142.7	(158.9)	2.9%
2001	1999	9,773.3	1999	9,641.7	9,052.0	(721.3)	-1.0%
2002	2001	9,545.4	2001	9,005.5	8,708.9	(836.5)	-3.8%
2003(1)	2001	9,987.0	2002	9,249.5		(737.5)	
2003(2)	2002	10,251.1			9,880.1	(371.0)	13.4%
2004	2003	10,692.5	2003	10,561.5	10,619.9	(72.6)	7.5%
2005	2003	11,192.3	2003	11,001.8	11,436.5	244.2	7.7%
2006	2005	11,757.4	2005	11,712.7	12,060.7	303.3	5.5%
2007	2005	12,378.3	2005	12,348.9	12,626.2	247.9	4.7%
2008	2007	12,817.6	2007	12,851.5	13,082.2	264.6	3.6%
Fiscal Years Not Yet Completed							
2009(1)	2007	13,377.0	2008	12,442.0		(935.0)	
2009(2)			2008	13,516.3			3.3%
2010			2008	13,821.2			2.3%
2011			2008	14,321.9			3.6%

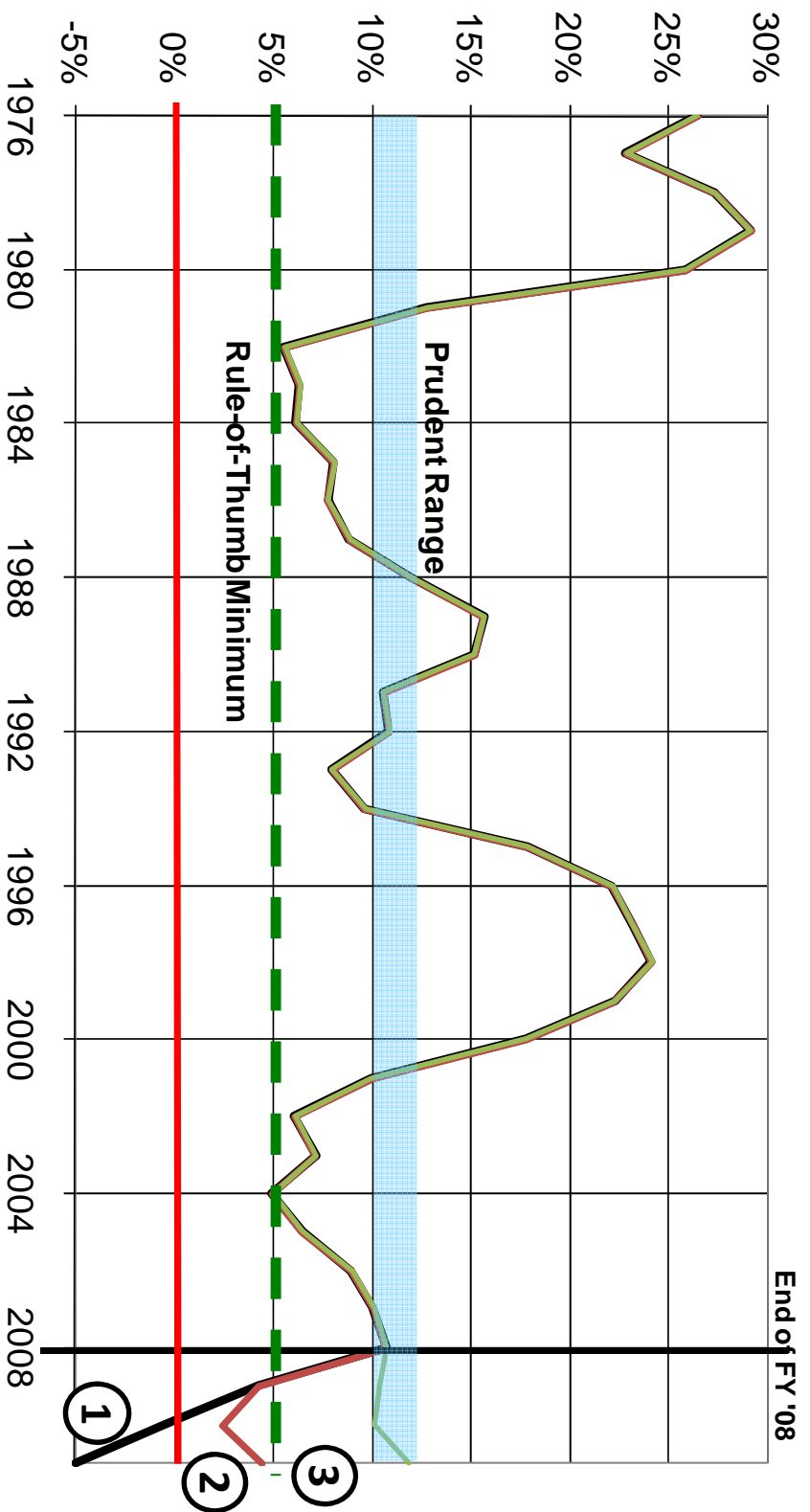
Notes:

2003(1) refers to forecasts prior to tax reforms of June 2002, which included a sales tax increase.
 2003(2) "April" Forecast is the estimate of revenues done in June 2002, after tax reforms.
 December '03 forecast was actually released in January '04.
 2009(1) refers to forecasts prior to tax reforms of March 2008, which included a sales tax increase.
 2009(1) December 2008 forecast is Budget Agency estimate not including tax reforms.
 Percent Change from Previous for 2009(2), 2010 and 2011 are based on December 2008 forecast.

Sources: Indiana State Budget Agency, Revenue Forecast Statements and Fiscal Year Closeouts, 1995-2008, (www.in.gov/sba).

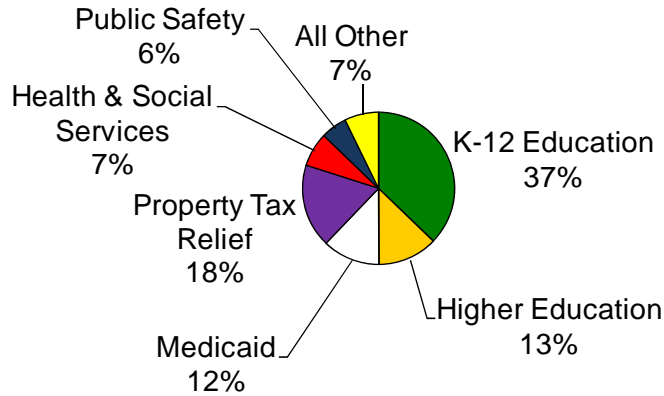
Compiled by Larry DeBoer, Purdue University, December 2008.

Indiana State Fund Balances as Share of Operating Revenues, FY 1976-2008 and Three Scenarios for 2009-11



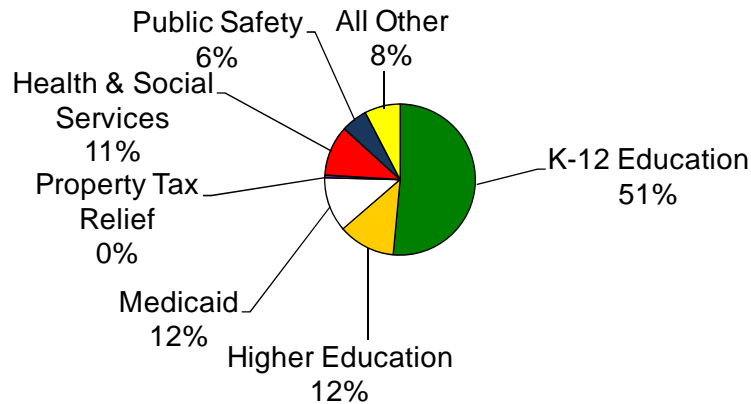
Indiana State Budget Appropriations, FY2008

Dollar Amounts in Millions
Total General and related Fund Appropriations: \$13,203



Indiana State Budget Appropriations, Flat Line Scenario, FY2011

Total General and related Fund Appropriations: \$14,230 million



Scenario 1: Average Appropriation Growth, and Property Tax Reform

Scenario 2: Flat-lined Appropriation Growth, and Property Tax Reform

Scenario 3: Flat-lined Appropriation Growth, Constant Balances & Property Tax Reform

	Actual 2008	Budget 2009	Projections 2010	Projections 2011	Avg. Ann. Change 2007-09	Avg. Ann. Change 2009-11	Budget 2009	Projections 2010	Projections 2011	Avg. Ann. Change 2007-09	Avg. Ann. Change 2009-11	Budget 2009	Projections 2010	Projections 2011	Avg. Ann. Change 2007-09	Avg. Ann. Change 2009-11
Start of Year Balances	1,286	1,413	582	(66)			1,413	582	346			1,413	1,413	1,413		
Revenues																
Sales Tax	5,686	6,330	6,475	6,806	8.5%	3.7%	6,330	6,475	6,806	8.5%	3.7%	6,330	6,475	6,806	8.5%	3.7%
Individual Income Tax	4,838	4,726	4,774	4,924	1.2%	2.1%	4,726	4,774	4,924	1.2%	2.1%	4,726	4,774	4,924	1.2%	2.1%
Corporate Income Tax	910	822	828	835	-8.7%	0.8%	822	828	835	-8.7%	0.8%	822	828	835	-8.7%	0.8%
Gaming	583	576	610	628	-4.0%	4.4%	576	610	628	-4.0%	4.4%	576	610	628	-4.0%	4.4%
All Other	1,187	1,143	1,218	1,212	2.1%	3.0%	1,143	1,218	1,212	2.1%	3.0%	1,143	1,218	1,212	2.1%	3.0%
Total	13,203	13,598	13,904	14,405	3.5%	2.9%	13,598	13,904	14,405	3.5%	2.9%	13,598	13,904	14,405	3.5%	2.9%
Appropriations																
K-12 Education	4,830	6,169	7,500	7,763	15.2%	12.2%	6,169	7,321	7,321	15.2%	8.9%	6,169	7,321	7,321	15.2%	8.9%
Higher Education	1,654	1,744	1,809	1,876	4.8%	3.7%	1,744	1,744	1,744	4.8%	0.0%	1,744	1,744	1,744	4.8%	0.0%
Medicaid	1,587	1,664	1,754	1,848	4.4%	5.4%	1,664	1,664	1,664	4.4%	0.0%	1,664	1,664	1,664	4.4%	0.0%
Property Tax Relief	2,308	1,802	110	80	-9.3%	-78.9%	1,802	110	80	-9.3%	-78.9%	1,802	110	80	-9.3%	-78.9%
Health & Social Services	943	1,237	1,567	1,622	19.9%	14.5%	1,237	1,534	1,534	19.9%	11.3%	1,237	1,534	1,534	19.9%	11.3%
Public Safety	721	801	827	853	5.6%	3.2%	801	801	801	5.6%	0.0%	801	801	801	5.6%	0.0%
All Other	943	1,086	1,107	1,128	14.3%	13.9%	1,086	1,086	1,086	14.3%	0.0%	1,086	1,086	1,086	14.3%	0.0%
Total	12,986	14,502	14,673	15,169	8.3%	2.3%	14,502	14,260	14,230	8.3%	-0.9%	14,502	14,260	14,230	8.3%	-0.9%
Current Year Surplus/Deficit	217	(904)	(768)	(764)			(904)	(356)	175			(904)	(356)	175		
Transfers from (to) Other Funds	19	13	20	20			13	20	20			13	20	20		
Reversions	133	91	100	100			91	100	100			922	336	100		
Payment Delays (Reversals)	(241)	(31)	-	-			(31)	-	-			(31)	-	-		
Total Adjustments	(89)	73	120	120			73	120	120			904	356	120		
End of Year Balances																
General Fund	593	(252)	(900)	(1,545)			(252)	(488)	(192)			579	579	875		
Tuition Reserve	400	400	400	400			400	400	400			400	400	400		
Medicaid Reserve	58	58	58	58			58	58	58			58	58	58		
Rainy Day Fund	363	376	376	376			376	376	376			376	376	376		
Total	1,413	582	(66)	(711)			582	346	642			1,413	1,413	1,709		
Total Balances % of Revenue	10.7%	4.3%	-0.5%	-4.9%			4.3%	2.5%	4.5%			10.4%	10.2%	11.9%		
Payment Delay Liability	31	-	-	-			-	-	-			-	-	-		

Budget Assumptions

1. Average Appropriation Growth and Property Tax Reform

Fiscal Year 2009. Appropriations from budget passed in 2007, plus adjustments from July 2008 closeout and LSA's fiscal note for the effects of the 2008 property tax reform.

Fiscal Years 2010-11.

K-12 Education. Non-tuition aid appropriation rises 2.5% in 2010, the average increase over 1998-2009; Tuition support rises 3.8% in 2010, before the 2008 property tax reform, the average increase over 1998-2009. Add in LSA fiscal note estimates for 2009 and 2010. Increase total K-12 appropriation 3.5% in 2011, the average increase over 1998-2009, not including the property tax reform.

Higher Education. 3.7% increase for 2010 and 2011, the average for 1998-2009.

Medicaid. 5.4% increases for 2010 and 2011, the average for 1998-2009.

Property tax relief. \$110 million for fiscal 2010 is half of \$140 million in homestead credits appropriated for calendar 2009, plus half of the \$80 million in homestead credits in calendar 2010. That leaves half of \$80 million for fiscal 2011.

Health and Social Services. 3.5% increase for non-HEA1001 appropriations for 2010, the average for 1998-2009. Add in LSA fiscal note impact for the property tax reform in FY 2010. Increase total Health and Social Services by 3.5% for 2011.

Public Safety. 3.2% increase for non-HEA1001 appropriations for 2010, the average for 1998-2009. Add in LSA fiscal note impact for the property tax reform in FY 2010. Increase total Public Safety by 3.5% for 2011.

All Other. 1.9% increases for 2010 and 2011, average for 1998-2009.

2. Flat-lined Appropriation Growth and Property Tax Reform

Fiscal Year 2009. Same as above.

Fiscal Years 2010-11.

Replace the average percentage increases above with zero percent increases, then add the impacts of the property tax reform.

3. Flat-lined Appropriation Growth, Constant Balances and Property Tax Reform

Fiscal Year 2009-11. Appropriation assumptions are the same as in scenario 2. Balances are held constant at their end-of-FY2008 level (\$1,413 million) by increasing reversions in FY 2009 and FY 2010.