Indiana makes available much information about its state budget, but it is scattered in several documents. To provide an overview of state finances, it is useful to pull the figures together on a single page. This requires that decisions be made about how to treat balances, revenues, appropriations, and budget adjustments—all from different documents—in a way that remains consistent over the decades.

The budget summaries for fiscal years 2009, 2010 and 2011 are particularly challenging to compile, because of the enormous changes made in the budget by the 2008 property tax reform, because of the added revenue from the American Reinvestment and Recovery Act (ARRA), and because of the havoc that revenue shortfalls have created for reversions and fund balances. This paper offers the details for how the summary was compiled. The details for these three years also may give readers a sense for how the summaries were compiled in earlier years.

In July each year Indiana’s State Budget Agency releases the closeout documents, offering information about Indiana’s state budget updated through the recently ended fiscal year. In particular, the documents show the state’s combined balances—the money in the bank—for the state’s operating funds. Occasionally the Budget Agency issues a mid-year update of balances. Such an update was provided in December 2009. These figures provide the main check on the budget summary. The budget summary is right only when the summary balances are the same as those in the balance statement.

Table 1 shows the budget summaries for 2009 through 2011.

2009

*Start of Year Balances.* These are the end of year balances from the previous fiscal year, available in the Budget Agency’s balance statement from the closeout document for fiscal 2008. The Medicaid Reserve, Tuition Reserve and Rainy Day Fund balances from the end of fiscal 2008 summed to $821 million. The balance statement for 2009 has “Working Balance at July 1” of $593 million. This is the general fund balance. The total is $1,413 million, shown in the budget summary. All summary dollar figures are rounded to the nearest million.

*Revenues.* The state revenue forecast issued on December 15, 2009, provides the actual 2009 general fund revenue figures. The sales, individual income and corporate income tax revenues from this statement are used in the budget summary. Gaming revenues in the summary are the sum of the riverboat wagering, racino wagering and riverboat admissions revenues in the forecast statement. The admissions figure is included in other revenue in the forecast.

Other revenue in the forecast statement includes taxes on tobacco, alcohol, inheritance, and insurance, plus interest earnings, the motor vehicle excise, commercial vehicle excise and financial institutions tax recapture, and a miscellaneous category, as well as the riverboat admissions tax. The forecast statement sum for other revenues is 992.0 million. Less the 12.8 million in riverboat admissions (included in gaming revenue in the budget summary), the sum is 979.2 million.
### Table 1. Indiana Budget Summary, 2009-11
Dec. 2009 revenue forecast and reserve statement

<table>
<thead>
<tr>
<th></th>
<th>Actual 2009</th>
<th>Budget 2010</th>
<th>Budget 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Start of Year Balances</strong></td>
<td>1,413</td>
<td>1,420</td>
<td>538</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>6,153</td>
<td>5,932</td>
<td>6,169</td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>4,314</td>
<td>3,776</td>
<td>4,121</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>839</td>
<td>547</td>
<td>733</td>
</tr>
<tr>
<td>Gaming</td>
<td>621</td>
<td>688</td>
<td>714</td>
</tr>
<tr>
<td>All Other</td>
<td>1,125</td>
<td>1,245</td>
<td>1,189</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,052</td>
<td>12,188</td>
<td>12,925</td>
</tr>
<tr>
<td><strong>Appropriations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K-12 Education</td>
<td>6,169</td>
<td>7,579</td>
<td>7,669</td>
</tr>
<tr>
<td>Higher Education</td>
<td>1,744</td>
<td>1,725</td>
<td>1,755</td>
</tr>
<tr>
<td>Medicaid</td>
<td>1,664</td>
<td>1,821</td>
<td>1,874</td>
</tr>
<tr>
<td>Property Tax Relief</td>
<td>1,699</td>
<td>90</td>
<td>-</td>
</tr>
<tr>
<td>Health &amp; Social Services</td>
<td>1,237</td>
<td>1,354</td>
<td>1,354</td>
</tr>
<tr>
<td>Public Safety</td>
<td>801</td>
<td>781</td>
<td>796</td>
</tr>
<tr>
<td>All Other</td>
<td>1,122</td>
<td>981</td>
<td>1,029</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,436</td>
<td>14,331</td>
<td>14,476</td>
</tr>
<tr>
<td><strong>Current Year Surplus/Deficit</strong></td>
<td>(1,384)</td>
<td>(2,143)</td>
<td>(1,551)</td>
</tr>
<tr>
<td>ARRA Medicaid</td>
<td>405</td>
<td>549</td>
<td>289</td>
</tr>
<tr>
<td>ARRA Fiscal Stabilization</td>
<td>587</td>
<td>129</td>
<td>85</td>
</tr>
<tr>
<td><strong>ARRA Total</strong></td>
<td>992</td>
<td>678</td>
<td>374</td>
</tr>
<tr>
<td>Transfers from (to) Other Funds</td>
<td>73</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Reversions</td>
<td>357</td>
<td>578</td>
<td>305</td>
</tr>
<tr>
<td>Payment Delays (Reversals)</td>
<td>(31)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Adjustments</strong></td>
<td>399</td>
<td>584</td>
<td>312</td>
</tr>
<tr>
<td><strong>End of Year Balances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>55</td>
<td>146</td>
<td>(327)</td>
</tr>
<tr>
<td>Tuition Reserve</td>
<td>942</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Medicaid Reserve</td>
<td>58</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td>Rainy Day Fund</td>
<td>365</td>
<td>369</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,420</td>
<td>538</td>
<td>(327)</td>
</tr>
<tr>
<td><strong>Total Balances % of Revenue</strong></td>
<td>10.9%</td>
<td>4.4%</td>
<td>-2.5%</td>
</tr>
</tbody>
</table>
The December 2009 forecast statement adjusted tobacco revenues downward by 29.1 million from the July closeout statement and the December balance statement, to make the figures comparable to the 2010 and 2011 tobacco revenues. This accounts for a change in the tobacco tax distribution. The 29.1 million must be added back to 2009 other revenues.

Each year the closeout statement combined balance table shows revenues in addition to the “actual forecasted revenue.” In 2009 these are Disproportionate Share Hospital (DSH) at 60.1 million, Quality Assessment Fee at 34.4 million, and Miscellaneous Revenue at 21.8 million. Total added revenues are 116.3 million. The other revenue total of 992.0 million in the forecast statement, less the 12.8 million in riverboat admissions, plus the 29.1 million tobacco tax adjustment, plus the 116.3 million in added revenues, equals 1,125 million, shown in the budget summary.

The sum of the summary revenues is 13,052, which matches total current year resources in the July 2009 closeout statement.

**Appropriations.** The December 2009 balance statement lists Budgeted Appropriations (excluding HEA 1001) at 13,427.1 million. This figure matches the total for operating and construction for the General and Property Tax Replacement Funds functional budget published in 2007, for the 2009 budget. The appropriation breakdown from that document is used for the budget summary.

K-12 Education includes Education Administration, Tuition Support-general Fund, Tuition Support-PTR Funds, Social Security-Teachers, Teachers Retirement, Other Local Schools and Other Education. These add up to 5,047.8 million.

HEA 1001 has the state take over several education property tax levies, which will increase state education appropriations beyond what was originally budgeted. The HEA 1001-2008 Sources and Uses table in the 2008 closeout statement provide spending estimates. Added are the Tuition Support Levy, the Pre-School Special Education Levy, the School Circuit Breaker Replacement Credits, and the increased Tuition Support for New Facilities Appeals. These sum to 1,121.4 million. This figure plus the original budget figure sum to the budget summary figure, 6,169 million.

Higher Education is a single category in the functional budget, listed at 1,775.2 million. Section 182 of the budget bill included 62.1 million to reverse past payment delays to higher education. Half was to be distributed in fiscal 2008 and half in 2009. The budget summary lists reversal of payment delays as a separate category, so this appropriation must be subtracted from the higher education appropriation. In order to count the payment delays in its own category, then, 31.1 million is subtracted from the higher education appropriation, leaving the 1,744.1 figure in the budget summary.

Medicaid has a single line in the functional budget. The figure there, 1,663.7, is used in the summary.

Property tax relief starts with one line in the functional budget, PTR and Homestead Credits, 2,302.3 million. The closeout statement lists PTRC and Homestead Credit Adjustments at -23.5 million, which reduces total credits. The closeout statement also lists Accelerated Reversal of Payment Delays at -105.5 million, a negative number. This part of the appropriation in the budget bill for reversal of property tax relief payment delays is not needed in 2009 because of the accelerated payment in 2008. That appropriation was 136.6 million, according to closeout statement footnote 2. Of that amount, 31.1 million was to reverse higher education payment delays, leaving 105.5 million in property tax relief. This amount is subtracted from property tax relief in the budget summary.

HEA 1001 has a major impact on property tax relief. The higher sales tax will funded added homestead credits in calendar year 2008, which includes the first half of fiscal 2009. The portion in fiscal 2009 is
540.3 million, according to the HEA 1001-2008 Sources and Uses table in the closeout statement. This amount is added to property tax relief in the budget summary.

Starting in calendar 2009, the state will no longer pay property tax replacement credits or homestead credits to local governments. This covers the second half of fiscal 2009. The HEA 1001-2008 Sources and Uses table shows Revoke PTRC and HSC as a positive number, at 1,014.3. In the budget summary it is subtracted from property tax relief. The total adjustment to property tax relief as a result of HEA 1001-2008 is to subtract 474.0 million.

The original appropriation for property tax relief, 2,302.3 million, minus closeout statement adjustments of 23.5 and 105.5 million, minus the net impact of HEA 1001-2008, 474 million, equals 1,699 million, which is listed in the budget summary for property tax relief.

Health and Social Services starts with the sum of several categories in the functional budget: Mental Health, Public Health, Family and Children, and Social Services and Veterans. The sum from the function budget is 956.2 million. HEA 1001-2008 increases this amount, due to the state takeovers of county welfare levies. These takeovers are listed in the HEA 1001-2008 Sources and Uses table, in the lines labeled Family and Children Levy, Child Psych Levy, the MAW Levy, CSHCN Levy, HCI Levy, and Marion County Health and Hospital Corp. The sum is 280.8 million, so the health and social services line in the budget summary is 1,237.

Public Safety starts with the sum of Corrections and Other Public Safety in the functional budget, 740.9 million. The HEA 1001-2008 Sources and Uses table shows added appropriations for Public Safety Pension and Juvenile Incarceration Costs totaling 60.0 million. The sum of these two, 801 million, is the amount in the budget summary.

All Other appropriations starts with the sum of the remaining functional budget categories: General Government, Conservation and Environment, Economic Development, Transportation, Distributions-General Fund, Post-Budget Adjustments, and Total Construction. The sum is 941.1 million. Figures from the closeout statement also are added to All Other. These are Judgments and Settlements, 5.3 million, Enrolled Acts-2008 (excluding HEA 1001), 4.9 million, Adjustments to Appropriations, 27.7 million, and local option income tax (LOIT) distribution, 8.7 million. The total of these four is 46.6 million.

The closeout statement and the December balance statement show HEA 1001-2008 appropriations at 1,122.4 million. The sum of the HEA 1001 adjustments to the appropriations categories is 988.2 million, leaving 134.2 million. Some but not all of these appropriations are detailed in the HEA 1001-2008 Sources and Uses table. An additional 134.2 million is added to all other in the budget summary.

The All Other appropriations in the original budget, 941.1 million, plus the added appropriations from the closeout statement, 46.6 million, plus the additional HEA 1001-2008 amount of 134.2 million, is the figure in the budget summary for all other, 1,122 million.

The closeout document lists Total Appropriations and Expenditures as 14,473.3 million. Total Appropriations are 14,436.0 million in the budget summary, a difference of 37.3 million. The differences are the removal of the 31.1 million in higher education budgeted payment delays, and 6.2 million in Rainy Day Fund Loans, which are not counted as appropriations in the budget summary (see below for an explanation).
Current Year Surplus/Deficit. This figure, negative 1,384 million, is simply the difference between the summary’s 2009 revenues and 2009 appropriations. It is one way to measure the current year budget balance. The budget was balanced when it was written in April 2007—expected revenues exceeded appropriations—so this large negative number is a measure of the recession’s effect on state finances.

American Recovery and Reinvestment Act. These are the ARRA entries in the budget summary, the result of the federal stimulus bill enacted in February 2009. In 2010 and 2011 the ARRA revenues are shown explicitly in the closeout statement. This is not so in 2009, however.

In 2009 the budget agency has counted ARRA funds as part of reversions. This accounts for the very large reversion figure in the closeout statement—more than $1.4 billion—more than four times the previous high in fiscal 2003. Reversions are an appropriate way to account for ARRA funds. They replaced state funds, allowing those funds to revert to balances. Since this source of funds is so unusual, and since it will disappear after the 2010-11 biennium, and since ARRA funds are shown separately in 2010 and 2011, it is useful to account for them separately in the budget summary.

The closeout documents include a detailed statement of general fund reversions. The category “Medicaid—Current Obligations” shows 404.8 million. This is very likely the change in the “FMAP” brought about by the ARRA bill. The FMAP is the share of Medicaid spending that is funded by the Federal Government. ARRA increased this share. The closeout balance statement counts these funds as revenues in the 2010 and 2011 fiscal years. For consistency, they are counted as revenues in 2009.

The Legislative Services Agency’s analysis of the school funding formula lists $610.0 million in ARRA money used to fund school aid in 2009. On the reversion list, $587.0 million is listed under “Distribution for Tuition Support.” This smaller amount is shown as ARRA Education in the budget summary.

The total ARRA in the 2009 budget summary is the sum of these two figures, 992 million.

Transfers from (to) Other Funds. The combined balances are the sum of the General Fund, the Medicaid Reserve Fund, the Tuition Reserve Fund, and the Rainy Day Fund. Transfers between these funds set up offsetting entries in the combined funds.

The Rainy Day and Tuition Reserve funds are shown separately in the closeout statement. The Rainy Day Fund earned 8.4 million in interest, and received 1.7 million in loan repayments. New loans of 7.9 million were made out of the fund. The net change in the Rainy Day Fund was 2.2 million.

The Tuition Reserve Fund earned 5.4 million in interest. In addition, $536.4 million was transferred from the General Fund to the Tuition Reserve Fund. This is an “inside transfer,” from one fund to another within total balances, so it has no net effect in the budget summary. The net change in the Rainy Day fund of 2.2 million, plus the interest earnings of the Tuition Reserve Fund, total 7.6 million.

Footnote 5 to the closeout balance statement shows that of total reversions, $44 million is a “Transfer from Build Indiana Fund to General Fund,” $10 million is “Transfer from Financial Responsibility Compliance Verification Fund to General Fund,” $10 million is “Transfer from State License Branch Fund to General Fund,” and $1 million is “Other Adjustments and Transfers.” The total transfer is $65 million. In past years these have been counted as fund transfers, not reversions, so they are counted as transfers here. This 65 million, plus the above 7.6 million, sums to the 73 million figure shown under transfers in the budget summary.
Reversions. The closeout balance statement lists reversions at 1,414.2 million (1.4 billion), a truly enormous number. It includes ARRA funds, and some transfers, which are included in the budget summary in those categories. Reversions are reduced by the ARRA amount, 992 million, and by the transfer amount, 65 million, leaving 357 million, a figure much more in line with reversions during past recessions.

Payment Delays (Reversals). When revenues are tight, the state sometimes delays payments to local governments, school corporations and universities. This occurred in fiscal 2002 and 2003. In subsequent years the state worked to reverse these delays, moving payments forward to an earlier fiscal year.

The state completed the reversal of the 2002-03 payment delays in 2009, with a 31.1 million repayment of higher education appropriations. This is the difference between the amount appropriated in the budget for payment reversals, 136.6 million (footnote 2 in the closeout statement), and the Accelerated Reversal of Payment Delays amount in the closeout balance statement, -105.5 million. The 31 million enters the budget summary as a negative number, since it is an added expenditure during the fiscal year, and so subtracts from combined balances.

Total Adjustments. Total Adjustments are the sum of transfers, reversions and payment delays or reversals. In 2009 this sum was 399 million. This amount is added to total balances.

End of Year Balances. The combined balance of 1,420 million is the sum of the start of year balances, 1,413 million, less the current deficit, 1,384 million, plus ARRA revenues, 992 million, plus adjustments, 399 million. But for a small rounding error, this figure matches the total combined balances for fiscal 2009 shown in the closeout statement. Balances were virtually unchanged in fiscal 2009, because a 1.4 billion current deficit was offset by 1.4 billion in federal revenues and adjustments, mostly reversions.

Tuition Reserve balances increased from 400 million to 941.7 million in fiscal 2009. This was a result of the 2008 property tax reform, HEA 1001-2008, which added to these balances to support the state takeover of the local school general funds. The state transferred 536.4 million from the general fund to the tuition reserve fund, and the fund earned 5.4 million in interest.

The Rainy Day Fund balances rose by 2.2 million, from 363 million to 365.2 million in fiscal 2009. As noted above, the fund earned 8.4 million in interest, received 1.7 million in loan repayments, and made 7.9 million in new loans.

Medicaid Reserve Fund balances were unchanged in fiscal 2009, at 57.6 million. They are not given a separate accounting in the closeout document.

General fund balances dropped from 592.5 million to 54.9 million in fiscal 2009, a drop of 537.6 million. In the closeout balance statement, total current resources at 13,051.6 million, and total net uses are 13,059.1 million, and overall current deficit of 7.5 million. The state transferred 536.4 million out of the general fund to the tuition reserve fund. These two figures sum to 543.9 million, which is 6.3 million more than the general fund balance drop.

The closeout balance statement shows rainy day fund net loans at 6.2 million. This is counted in the change in rainy day fund balances—7.9 million in new loans less 1.7 million in loan repayments. It appears redundant to count it as part of general fund balances as well. If this amount is excluded, net uses would be 13,052.9, and the overall current deficit would be 1.3 million. Added to the money transferred out of the general fund gives 537.7 million, equal to the change in general fund balances with a 0.1
million rounding error. For this reason, the 6.2 million in rainy day fund net loans is not included in the all other appropriations category.

2010-11

**Start of Year Balances.** Start-of-year balances for 2010 equal end-of-year balances for 2009, of course. The figure is 1,420 million. Balances are expected to drop to 723 million by the start of 2011.

**Revenues.** Revenues for 2010 and 2011 are based on the revised state revenue forecast, released on December 15, 2009. Sales tax, individual income tax and corporate income tax revenues in the budget summary are the same as the figures shown in the forecast. Gaming revenues in the summary equal the sum of riverboat wagering, racino wagering and riverboat admissions revenues in the forecast.

All other revenues equal the other revenue total from the forecast (less riverboat admissions), plus disproportionate share hospital revenue, the quality assessment fee and (in 2010) miscellaneous revenue, all from the balance statement of December 15, 2009.

**Appropriations.** Appropriations detail start with the Budget Agency’s General Fund Functional Category Summary (Traditional Format), issued in July 2009. K-12 education in the budget summary are the six functional categories used in 2009, not including Tuition Support-PTR funds, which are property tax replacement funds which have been discontinued in 2010, as a result of the March 2008 property tax reforms. Added to this sum are the ARRA education stabilization funds, listed separately in the balance statement. The ARRA figures are 128.8 million in 2010 and 84.5 million in 2011.

Higher education appropriations in the budget summary are the same as in the functional category list. Medicaid appropriations are the sum of the functional category amount and the separate ARRA Medicaid amounts in the balance statement. State property tax relief appropriations disappeared from the functional category list in fiscal 2010, as a result of the 2008 property tax reform. However, there is a PTRC and homestead credit adjustment of 90 million in the balance statement for 2010. This is shown in the budget summary. Health and social services and public safety in the budget summary are sums of the appropriate figures from the functional category list.

All other appropriations in the budget summary are the sum of the remaining functional category figures, plus items from the balance statement. These are adjustments to appropriations, adjustment for stadium/convention center appropriation, and judgments and settlements. As in 2009, rainy day fund net loans and repayments are ignored.

**Current Year Surplus/Deficit.** This is the difference between the current revenues and current appropriations for 2010 and 2011. Both years show very large deficits.

**American Recovery and Reinvestment Act.** The December balance statement shows explicit entries for ARRA revenues for 2010 and 2011. These are entered in the ARRA categories in the budget summary. In the balance statement, ARRA amounts enter equally as resources and uses.

The budget agency changed its accounting of ARRA between the July closeout and the December statement. In July, a third category of ARRA funds was included in resources for 2010 and 2011, general purpose stabilization funds. These amounts were not listed under uses, but must have been included in as-passed appropriations. These extra ARRA amounts are not listed in the December statement, and in as-passed appropriations were lower by exactly those ARRA amounts. Balances are not affected by this change.
Transfers from (to) Other Funds. Complete information about fund transfers is not available for the December balance statement for 2010 and 2011. Such information is available from the July closeout, but the treatment of balances has changed considerably since then because of the revised revenue forecast. Fund transfers can be inferred from the information in the balance statement, however.

The reserve statement lists the rainy day fund net loans at -2.0 million in 2010. The fund is expected to see repayments exceed new loans by 2 million in 2010. Since the Rainy Day Fund increases by 3.3 million in fiscal 2010, it must earn 1.3 million in interest that year.

The balance statement lists a transfer to the state tuition reserve of 73.6 million for 2010, and a transfer from the state tuition reserve of 1,017.5 million. The net transfer from the tuition reserve to the general fund is 943.9 million. The state tuition reserve decreases from 941.7 million to zero in fiscal 2010. The difference, 2.2 million, must be interest earnings shifted to the general fund.

The balance statement shows a 34.1 million transfer from the Medicaid Reserve to the general fund. The Medicaid Reserve falls by that amount during 2010, so no interest earnings are assumed.

Transfers for 2010 are the sum of net loan repayments to the Rainy Day Fund, plus interest earnings to this fund and the tuition reserve fund. The total is 5.5 million, rounded to 6 million in the budget summary.

All non-general fund balances drop to zero in fiscal 2011. The transfer from the rainy day fund is listed as 375.5 million, but this fund falls from 368.5 million to zero in 2011. Loan repayments exceed new loans by 5.2 million, according to the balance statement. Interest earnings must be 1.8 million.

The full Medicaid Reserve is shifted to the general fund, with no interest earnings assumed. Since the state tuition reserve starts 2011 at zero, it earns no interest either.

Transfers for 2011 are the net loan repayment plus interest earnings from the Rainy Day Fund, which is 7 million in the budget summary.

Reversions. Reversions are listed at 578.0 million for fiscal 2010 and 305.0 million for fiscal 2011 in the balance statement. These figures are used in the budget summary. (See below for further information about reversions.)

End of Year Balances. In the budget summary for fiscal 2010, the combined balance of 538 million is the sum of the start of year balances, 1,420 million, less the current deficit, 2,143 million, plus ARRA revenues, 678 million, plus adjustments, 584 million. This figure matches the total combined balances for fiscal 2010 shown in the balance statement, but for a rounding error.

Tuition Reserve balances are expected to decrease from 941.7 million to zero in fiscal 2010. The state expects to transfer 943.9 million from the tuition reserve fund to the general fund, and the fund is expected to earn 2.2 million in interest.

Rainy Day Fund balances are expected to rise by 3.3 million in fiscal 2010. As noted above, the fund is expected to earn 1.3 million in interest, and see 2 million more in loan repayments than in new loans.

Medicaid Reserve Fund balances are expected to drop by 34.1 million fiscal 2010, which is the full amount to be transferred to the general fund.
General fund balances are expected to rise from 54.9 million to 146.6 million in fiscal 2010, a rise of 91.7 million. In the December balance statement, total current resources are 13,844.3 million, and total net uses are 13,750.6 million, and overall current surplus of 93.7 million. The difference is again the rainy day fund net loans of -2 million in the balance statement under other expenditures and transfers. If this amount is ignored, total net uses are 13,752.6 million, and the current surplus is 91.7 million, matching the change in general fund balances.

In the budget summary for fiscal 2011, the combined balance is a negative number, -327. It is the sum of the start of year balances, 538 million, less the current deficit, 1,551 million, plus ARRA revenues, 374 million, plus adjustments, 312 million. This figure matches the total combined balances for fiscal 2011 shown in the balance statement, except for a rounding error. Of course, negative balances are not allowed by the Indiana Constitution, so the December balance statement implies that actions will be taken to increase resources or reduce uses.

All non-general fund balances drop to zero in 2011. General fund balances are expected to fall from 146.6 million to -326.4 million in fiscal 2011, a fall of 473.0 million. In the December balance statement, total current resources are 13,698.0 million, and total net uses are 14,165.7 million, and overall current deficit of 467.7 million. The difference is once again the rainy day fund net loans of -5.2 million in the balance statement under other expenditures and transfers. If this amount is ignored, total net uses are 14,170.9 million, and the current deficit is 472.9 million, within a rounding error the change in general fund balances.

**Additional Information on Reversions.** The July closeout balance statement listed reversions at 363.0 million for fiscal 2010, and 50 million for fiscal 2011. This was partly the result of an order by Governor Daniels for state agencies to spend 5% less than their appropriations. Since then revenues have fallen short of forecasts, and the December forecast revisions reduced expected revenue for the biennium by 1.8 billion. The Governor has made three announcements of reversions. On November 6 he ordered agencies to reduce spending by 10%, and asked for other savings. It was expected that spending would be reduced by 300 to 400 million dollars. On December 4 he ordered the state’s colleges and universities to reduce their spending by 150 million dollars. And on December 15, he ordered local school corporations to reduce their spending by 300 million dollars. Total reversions from these three orders are 750 to 850 million.

In the December 15 balance statement, reversions for 2010 were listed at 578 million and 2011 at 305 million. This is 470 million more than the total reversions listed in the closeout statement. This implies that there are 280 to 380 million in reversions to come.

The negative balance of 326.4 million in the December balance statement falls squarely in the middle of this range. Enough reversions have been ordered so far to bring end-of-biennium balances approximately to zero.

Of course, the state cannot run its balances to zero. More reversions may be expected.
Sources

Start of Year Combined Balances for Fiscal 2009:

Combined Balance Statement for 2009-2011, July closeout:

Combined Balance Statement for 2009-2011, December forecast revision:

Appropriations by Function for 2009 Budget:

Appropriations by Function for 2010-11 Budgets (traditional format):

Revenue Forecasts for Fiscal 2010-11, (with actual revenues for 2009), December 2009 revision: