



Indiana Association of School Business Officials

Indiana's Fiscal Condition: How We Got Here and Where We Are Going

December 8, 2004

by

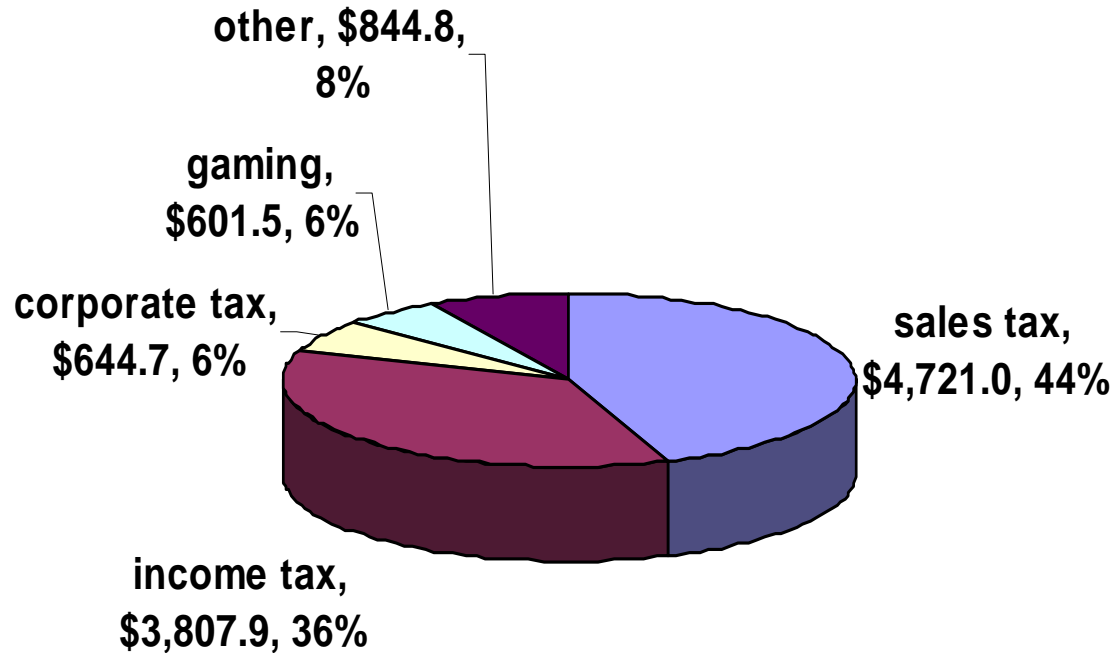
**Steven R. Johnson, President
Indiana Fiscal Policy Institute**



How We Got Here

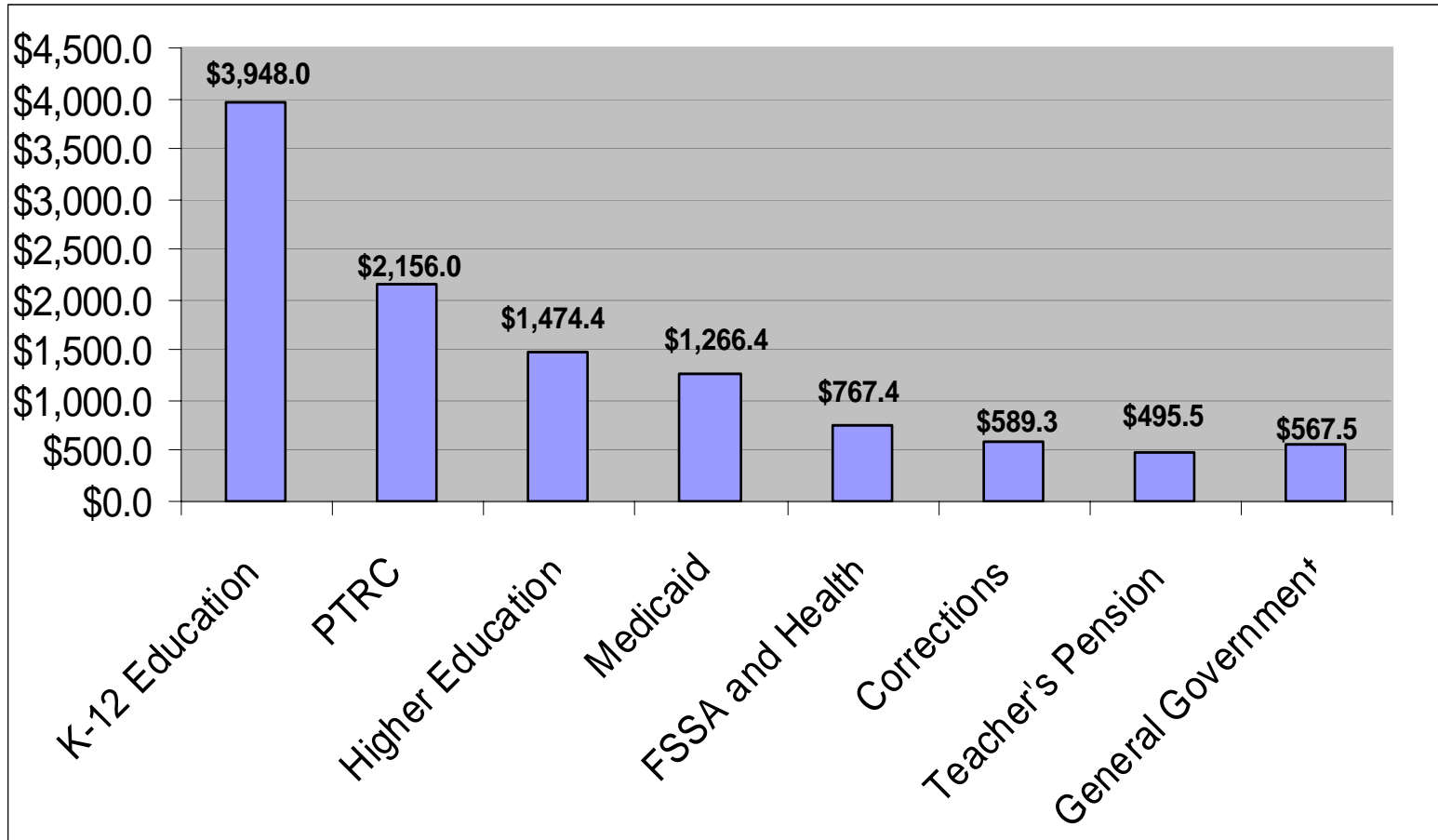
- FY 2004 tax revenues
- FY 2004 appropriations
- Impact of the recession

FY 2004 State Revenues



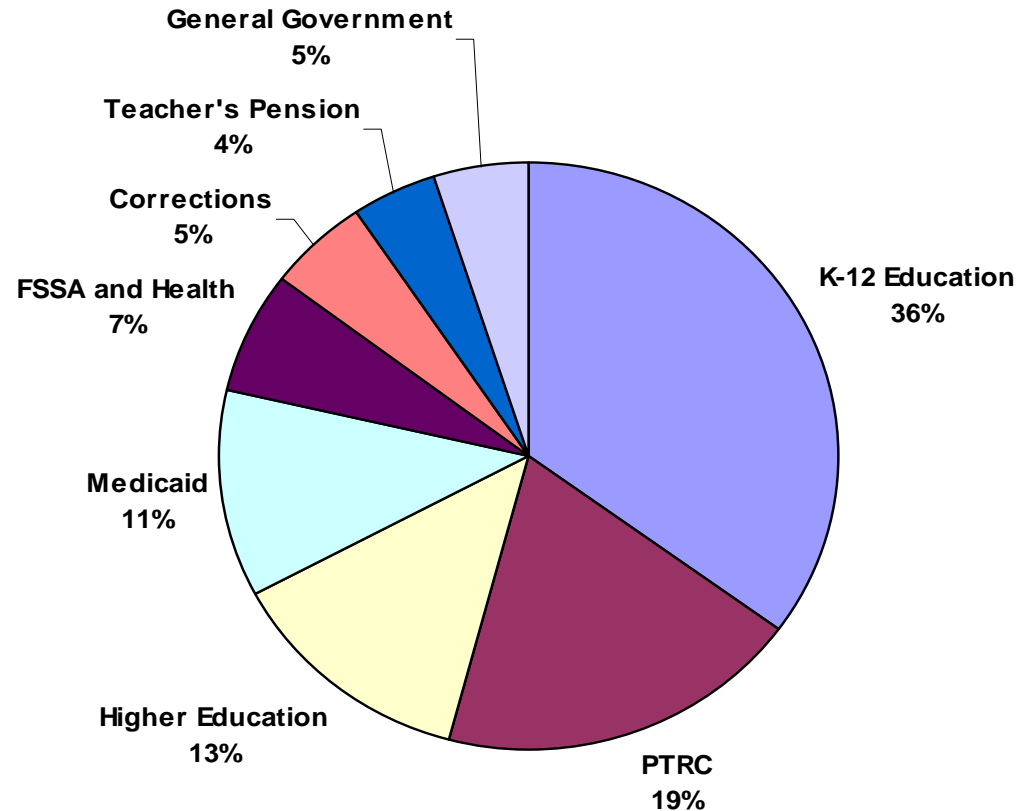


FY 2004 Appropriations





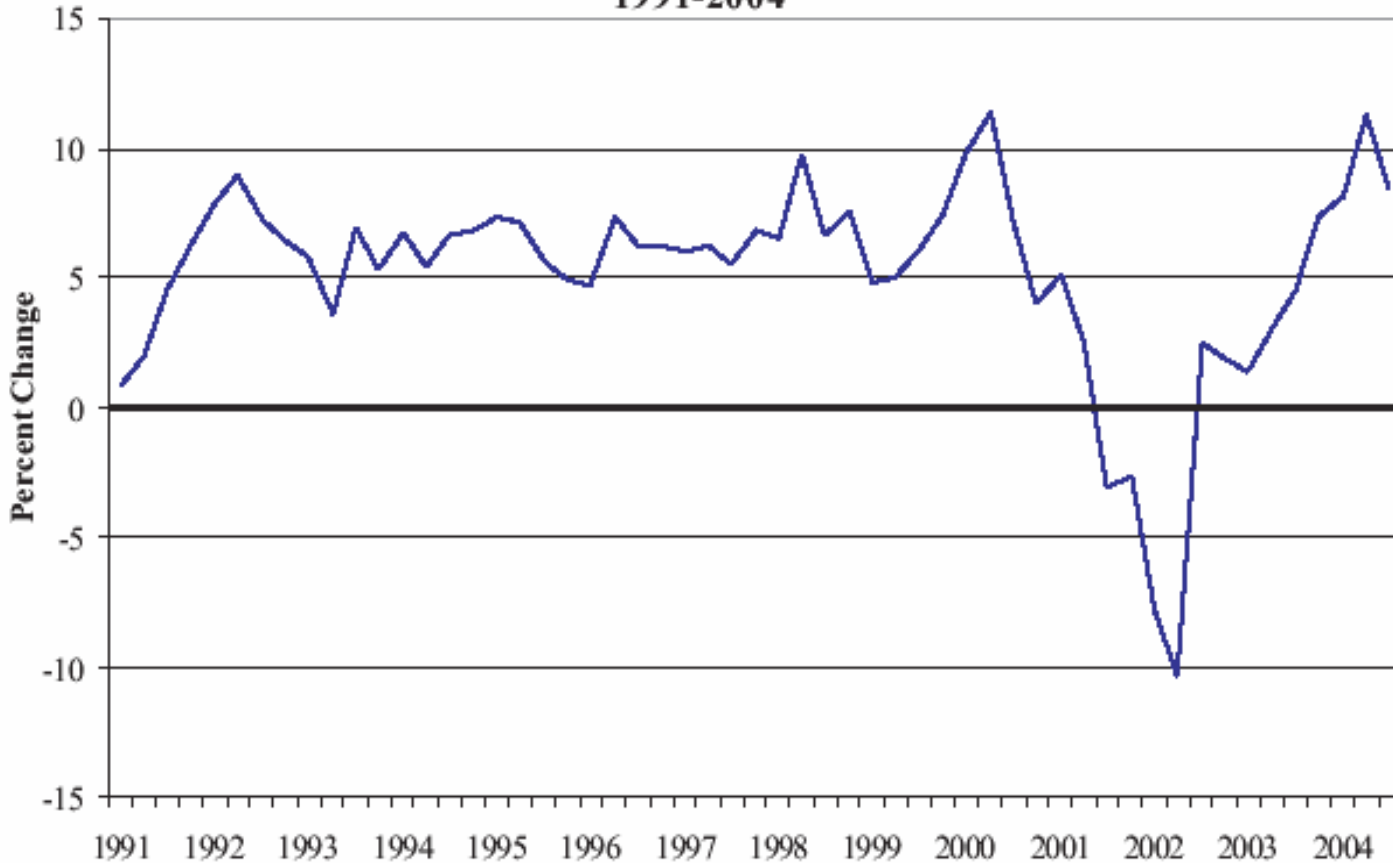
FY 2004 Appropriations





States' Total Tax Collections

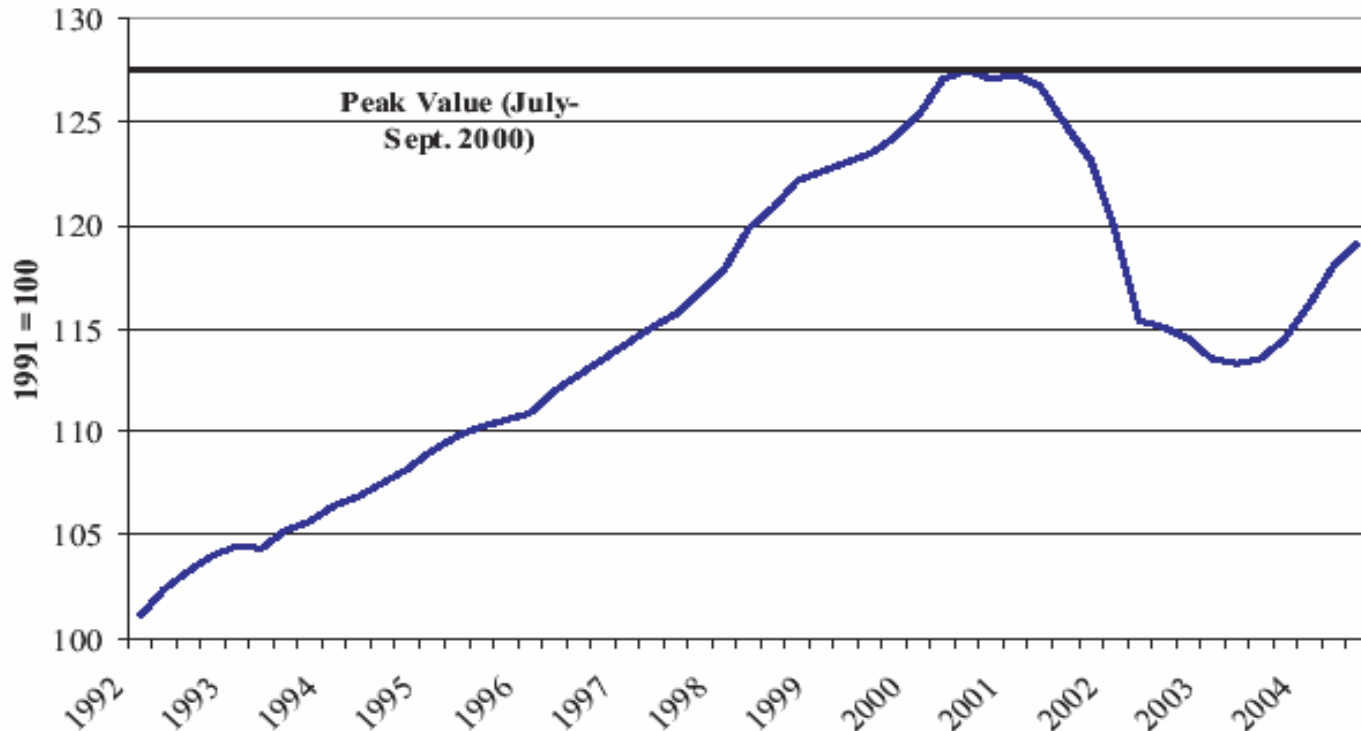
Year-Over-Year Quarterly Change in Total State Tax Collections,
1991-2004



Source: The Nelson A. Rockefeller Institute of Government.

States' Per Capita Tax Revenue

**Real Per-Capita State Tax Revenue, Indexed to 1991
Four-Quarter Moving Average**



Source: The Nelson A. Rockefeller Institute of Government. Inflation measured by the Bureau of Economic Analysis' State and Local Government Price Index; population increases are from Bureau of the Census estimates.



State's Tax Revenue by Region

Percent Change in Quarterly Total Tax Revenue by Region*				
	4th Quarter FY 03 to FY 04		1st Quarter FY 04 to FY 05**	
Southwest	6.9		7.6	
Far West	10.9		7.1	
Mid Atlantic	9.6		4.9	
United States	6.7		4.5	
Southeast	5.4		4.4	
New England	6.7		3.6	
Great Lakes	1.3		2.5	
Plains	2.9		0.8	
Rocky Mountains	6.1		0.5	
* adjusted for inflation as measured by BEA state and local government index				
** preliminary estimate				
Source: The Nelson A. Rockefeller Institute of Government				



Indiana's Fiscal Condition

	2004	2005
Revenue	\$10,684.1	\$11,092.8
Revenue Enhancements	\$559.7	\$285.9
Total Resources	\$11,243.8	\$11,378.7
Expenditures	\$11,308.2	\$11,683.1
Expenditure Reductions	(\$63.4)	(\$301.3)
Total Net Expenditures	\$11,244.8	\$11,381.8
Combined Ending Balance	\$532.8	\$337.1
General Fund Balance	\$0.2	\$0.8
Tuition Reserve	\$290.5	\$290.5
Rainy Day Fund	\$242.2	\$45.8



Indiana's Fiscal Condition

Baseline Budget - FY 2005

Baseline Revenue	\$11,092.8
(forecast, DSH, 2003-2004 Acts)	
Baseline Expenditures	\$11,657.0
(appropriations, Medicaid Shortfall, 2004 Acts)	
Dedicated funds used for GF Obligations	
Pension Stabilization Fund	\$190.0
Tobacco Settlement Fund	\$35.0
State Capital and Higher Ed R&R	\$60.0
Subtotal	\$285.0
Baseline Reversions	(\$25.0)
Total Net Expenditures	\$11,917.0
Structural Deficit	(\$824.2)



Indiana's Fiscal Condition

Structural Deficit	(\$824.2)
Payment Delays to Schools and Local Govt	(\$717.0)
Maintaining Priorities @ 3.7% Increase	(\$440.0)
Total Shortfall	(\$1,981.2)



Where Are We Going?

- Approaching historic average halfway point between trough and peak of economic cycle
- Maintain the core priorities funding levels?
- Reverse the payment delays to schools and local government?
- Rebuild reserves; ie. The Rainy Day Fund?
- Tap other funds one more time?
- “Restructure” taxes again?



Where Are We Going?

Governor-elect Daniels administration

- Attack the structural deficit?
- Restructure state government?
- Restructure core priorities spending?
- Economic development initiatives?



Where Are We Going?

Republican controlled General Assembly

- Daniels administration priorities?
- Restructure taxes again?
- Increase or decrease expenditures in the core priorities?
- Revamp the school funding formula?
- Changes to Public Law 217?



What's Next? Important Dates

- Revenue forecast December 14
- Draft budget presentation in December?
- Daniels budget presentation in mid-January
- Bills must pass first House by early March
- Bills must pass second House by mid-April
- General Assembly must adjourn by April 29



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