

***Presentation to The Indiana  
House of Representatives  
Ways and Means Committee  
by***

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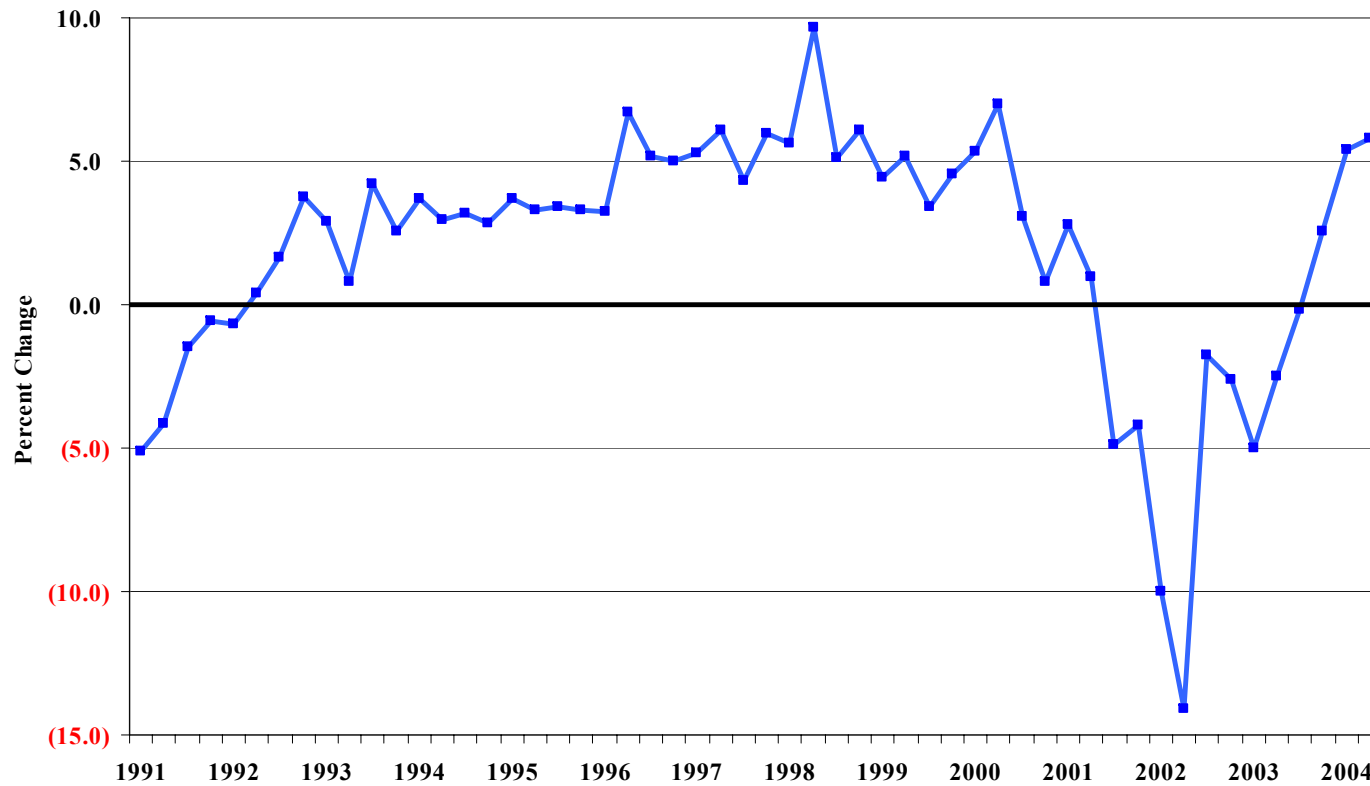
***January 5, 2005***

# *Topics*

- **2001 Recession Impact on the 50 States.**
- **How Did Indiana Get Here?**
- **The Budget Gap.**
- **Questions and Answers.**

# States' Total Tax Collections

Year-Over-Year Change in State Tax Collections,  
Adjusted for Legislation and Inflation



Rockefeller Institute of Government

Indiana Fiscal Policy Institute and Policy Analytics, LLC

# ***National Impact on States***

## **Tax Increases**

| <b>State Fiscal<br/>Year</b> | <b>Number of<br/>States</b> | <b>\$ Amount in<br/>Billions</b> |
|------------------------------|-----------------------------|----------------------------------|
| 2003                         | 23                          | 8.0                              |
| 2004                         | 36                          | 9.6                              |
| 2005                         | 24                          | 3.5                              |

Source: National Association of State Budget Officers, Fiscal Surveys of the States

# ***National Impact on States***

## **Cuts From Enacted Budgets**

| <b>State Fiscal<br/>Year</b> | <b>Number of<br/>States</b> | <b>\$ Amount in<br/>Billions</b> |
|------------------------------|-----------------------------|----------------------------------|
| 2001                         | 19                          | 1.9                              |
| 2002                         | 38                          | 13.7                             |
| 2003                         | 40                          | 11.8                             |
| 2004                         | 15                          | 2.2                              |

Source: National Association of State Budget Officers, Fiscal Surveys of the States

# *National Impact on States*

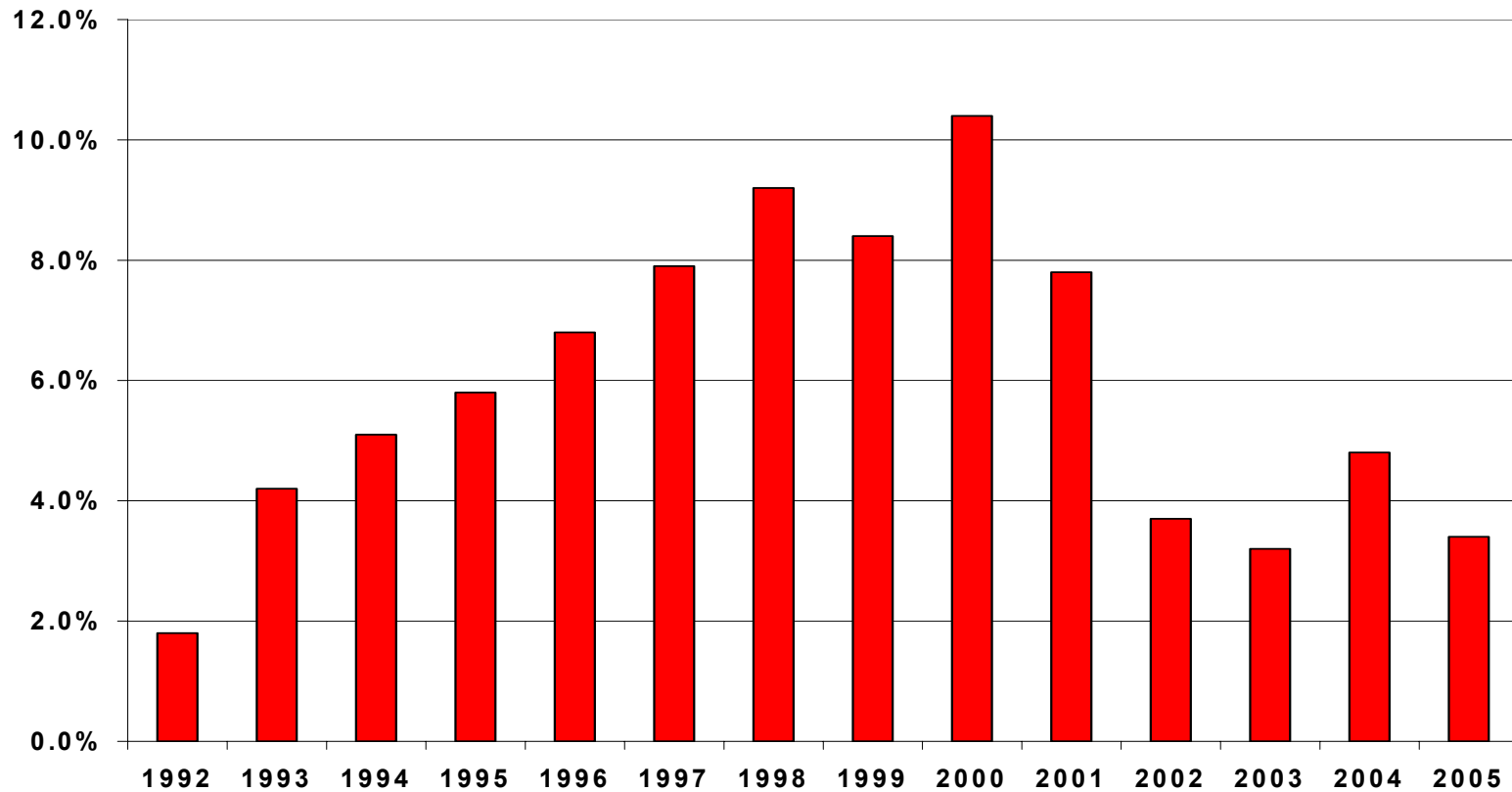
## **Other Budget Management Strategies**

### **Number of States**

| <b>State Fiscal<br/>Year</b> | <b>Rainy Day<br/>Fund</b> | <b>Layoffs</b> | <b>Other</b> |
|------------------------------|---------------------------|----------------|--------------|
| 2002                         | 26                        | 15             | 32           |
| 2003                         | 25                        | 16             | 29           |
| 2004                         | 4                         | 3              | 17           |

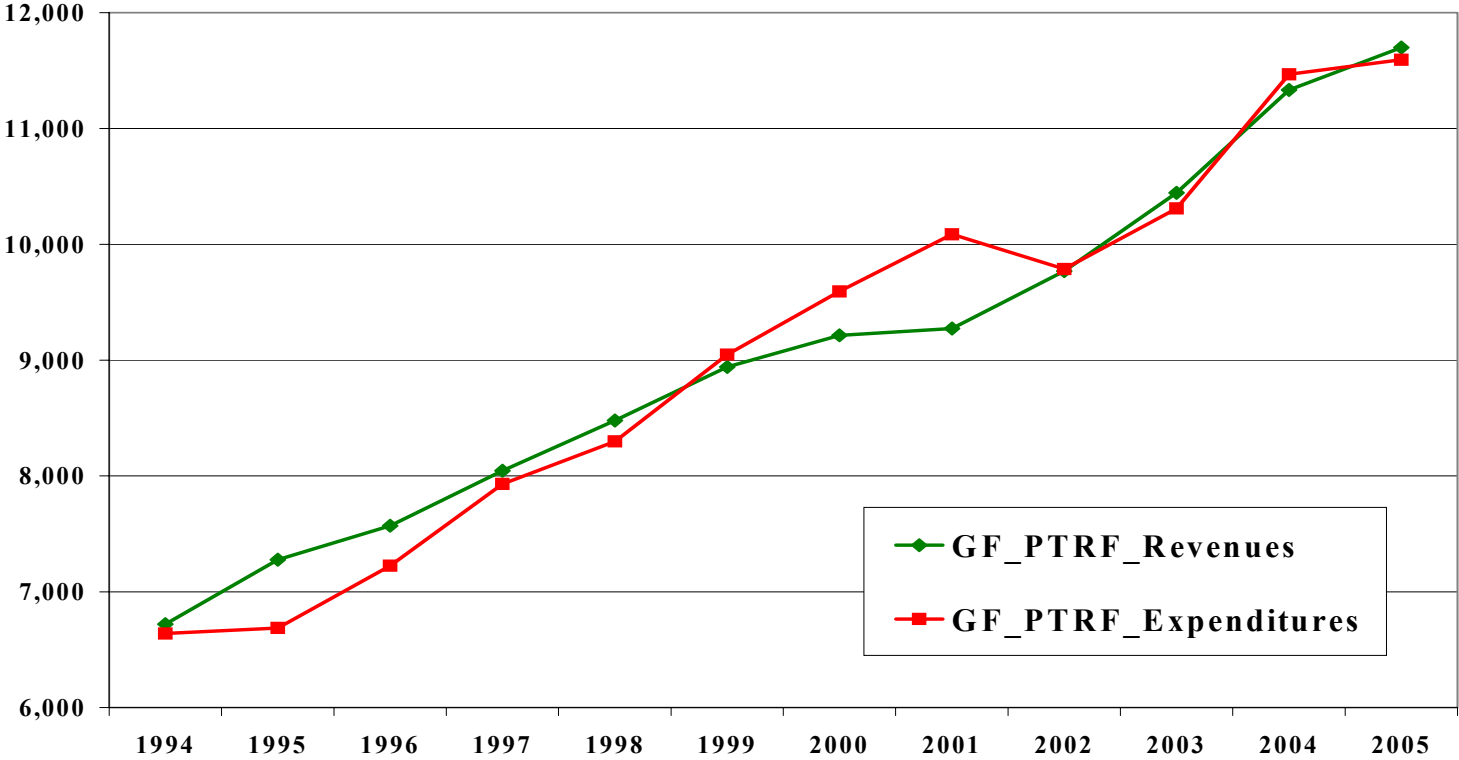
Source: National Association of State Budget Officers, Fiscal Surveys of the States

# *Total State General Fund Balances as Percent of Expenditures*



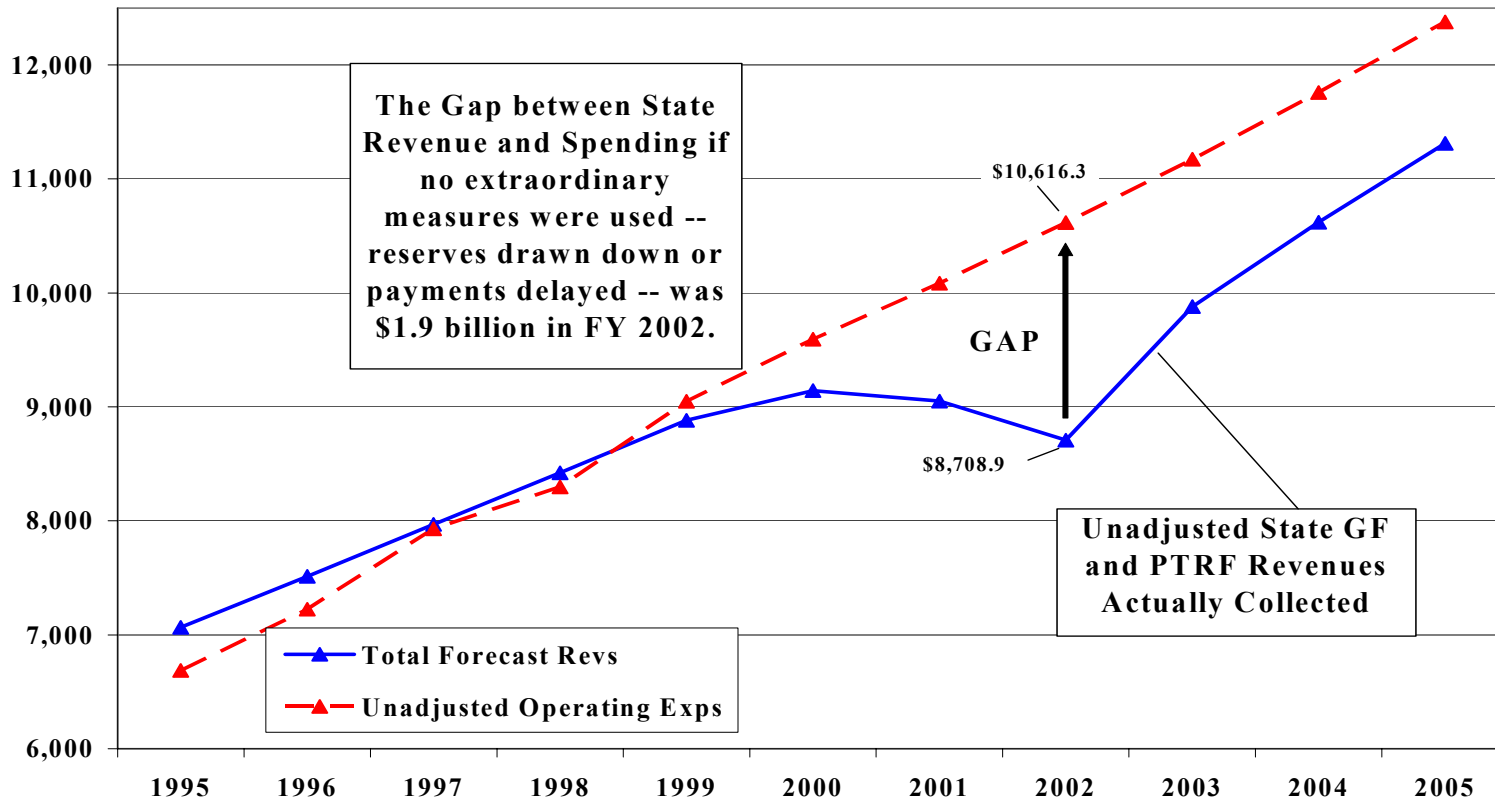
Source: National Association of State Budget Officers

# State Revenue and Spending Trends FY 1994 to FY 2005; FY 2005 Estimated



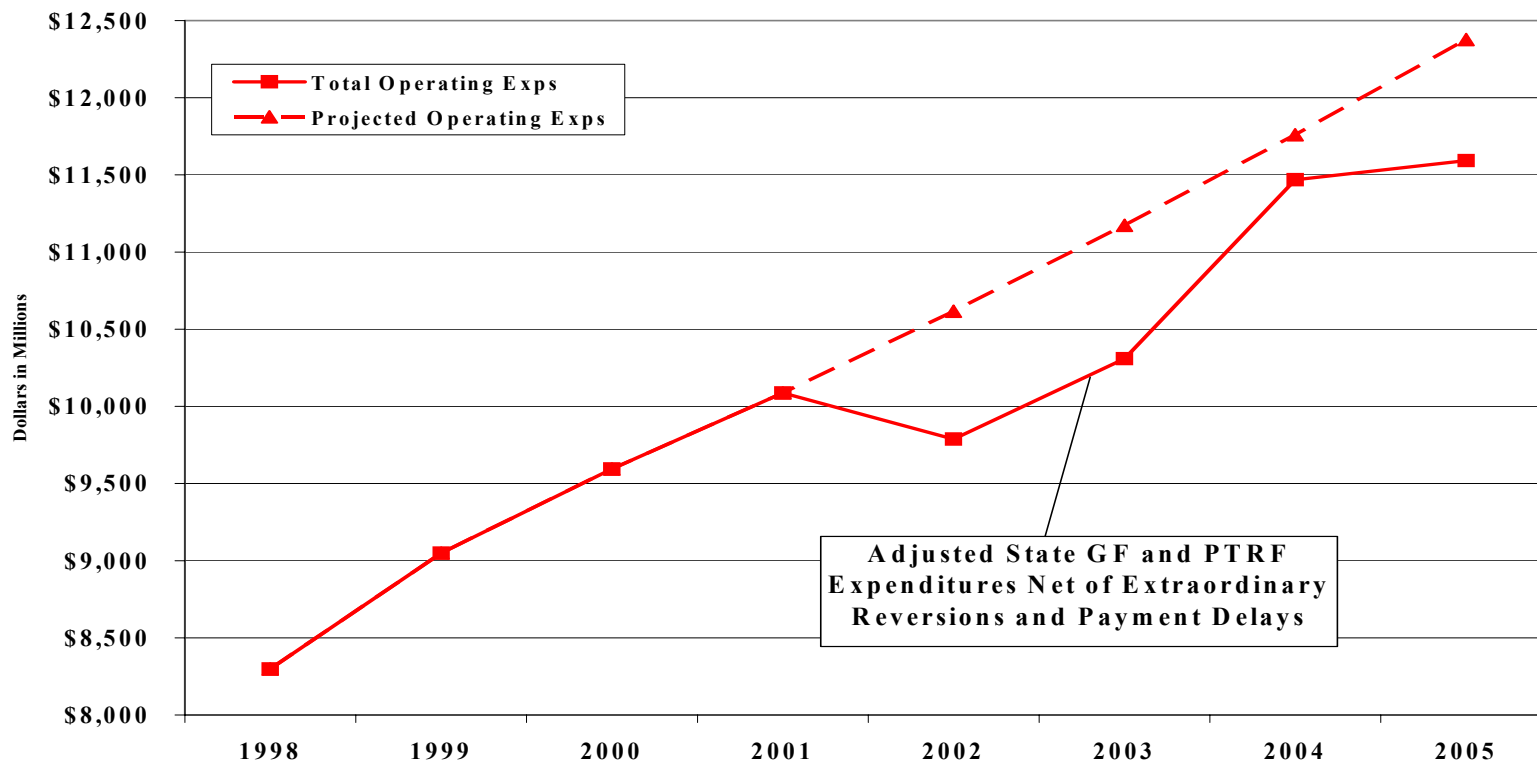
Source: Indiana State Budget Agency

# Comparison of Forecast Revenues and Projected Expenditures FY 1995-2005



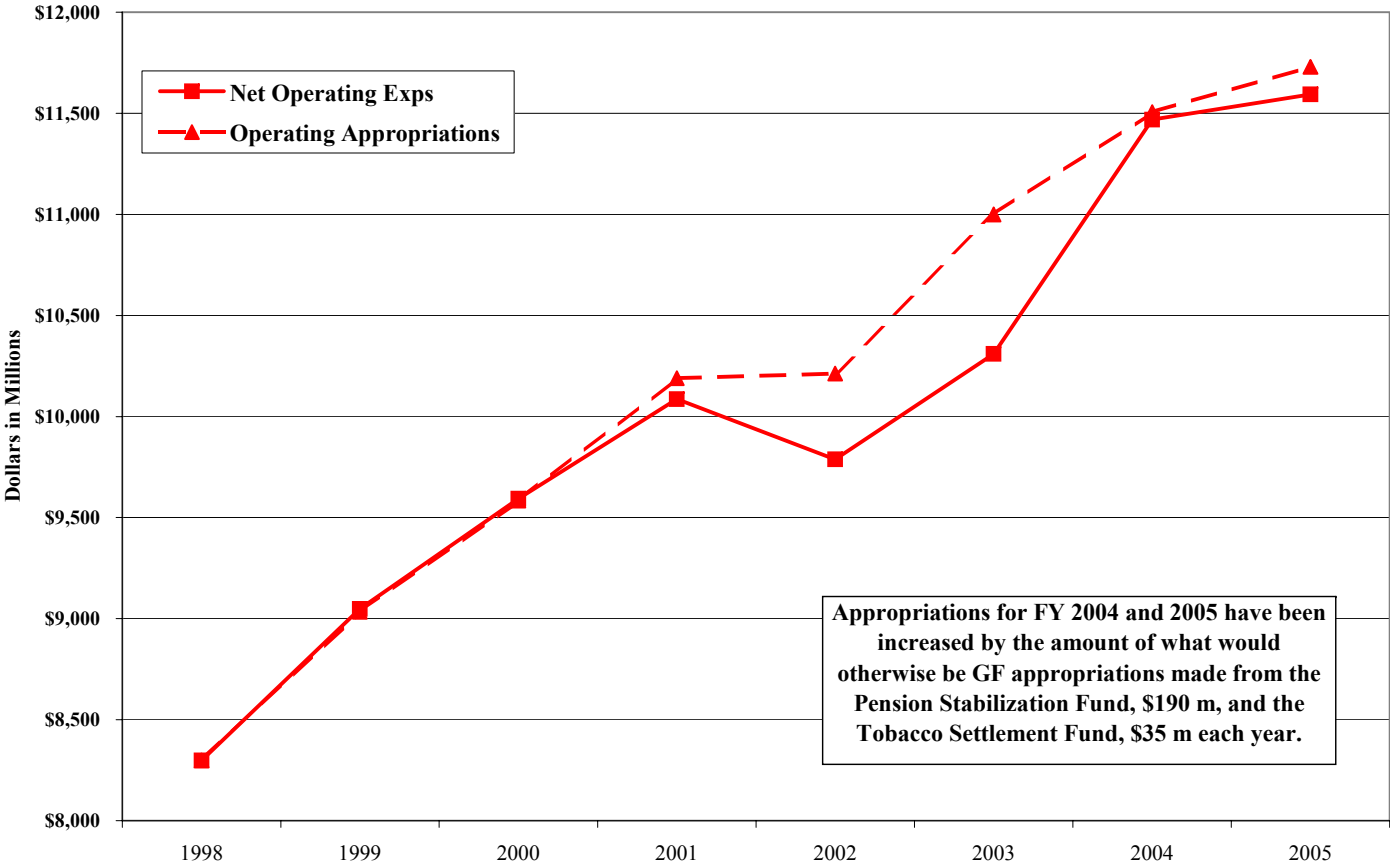
Source: Indiana State Budget Agency

# Comparison of Total Net Expenditures and Projected Expenditures FY 1998-2005



Source: Indiana State Budget Agency

# Comparison of Total Appropriations and Net Expenditures; FY 1998-2005

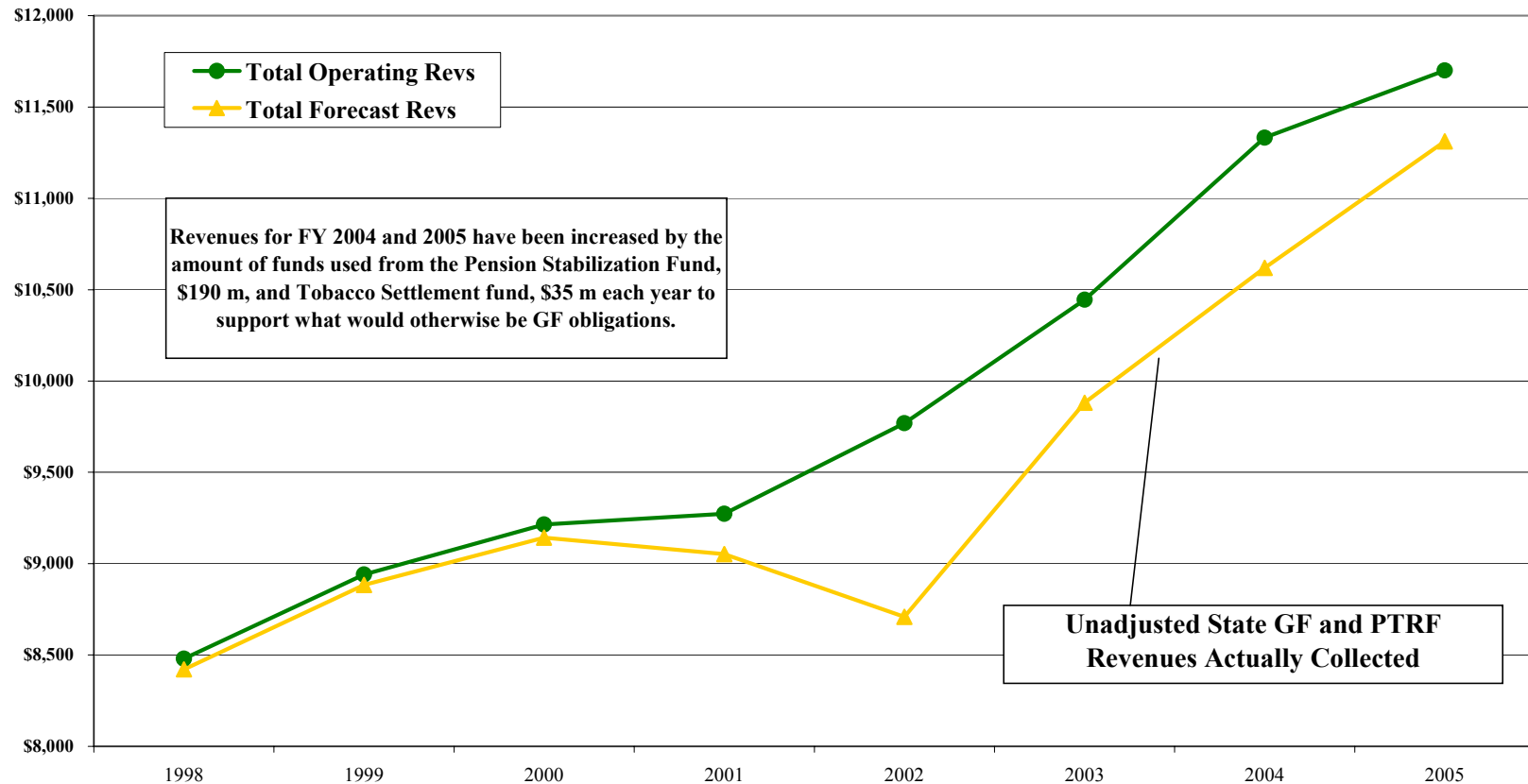


# *Budget Gap Closing Mechanisms: Expenditures*

| <b>General Fund Expenditure Reductions/Delays</b>  | <b>2001</b>    | <b>2002</b>    | <b>2003</b>    | <b>2004</b>   | <b>2005</b>    | <b>Total</b>   |
|--|----------------|----------------|----------------|---------------|----------------|----------------|
| <b>Adjustments and Deappropriations</b>            | (15.7)         |                | (148.1)        |               |                | (163.8)        |
| <b>Payment Delays</b>                              |                | (373.7)        | (336.7)        | (2.8)         | (3.7)          | (716.9)        |
| <b>Undistributed PTR and Homestead Credits</b>     |                |                | (101.1)        | (25.5)        |                | (126.6)        |
| <b>TRF Payouts from Pension Stabilization Fund</b> |                |                |                | (190.0)       | (190.0)        | (380.0)        |
| <b>Dept. of Health from Tobacco Settlement</b>     |                |                |                | (35.0)        | (35.0)         | (70.0)         |
| <b>Reversions</b>                                  | <u>(102.9)</u> | <u>(145.1)</u> | <u>(323.4)</u> | <u>(63.4)</u> | <u>(301.3)</u> | <u>(936.1)</u> |
|  |                |                |                |               |                | -              |
| <b>Total</b>                                       | (118.6)        | (518.8)        | (909.3)        | (316.7)       | (530.0)        | (2,393.4)      |
| <b>Total Spending Reduction/Delaying Actions</b>   | (2,393.4)      |                |                |               |                |                |

Source: Indiana State Budget Agency

# Comparison of Forecast and Adjusted Revenues FY 1998-2005



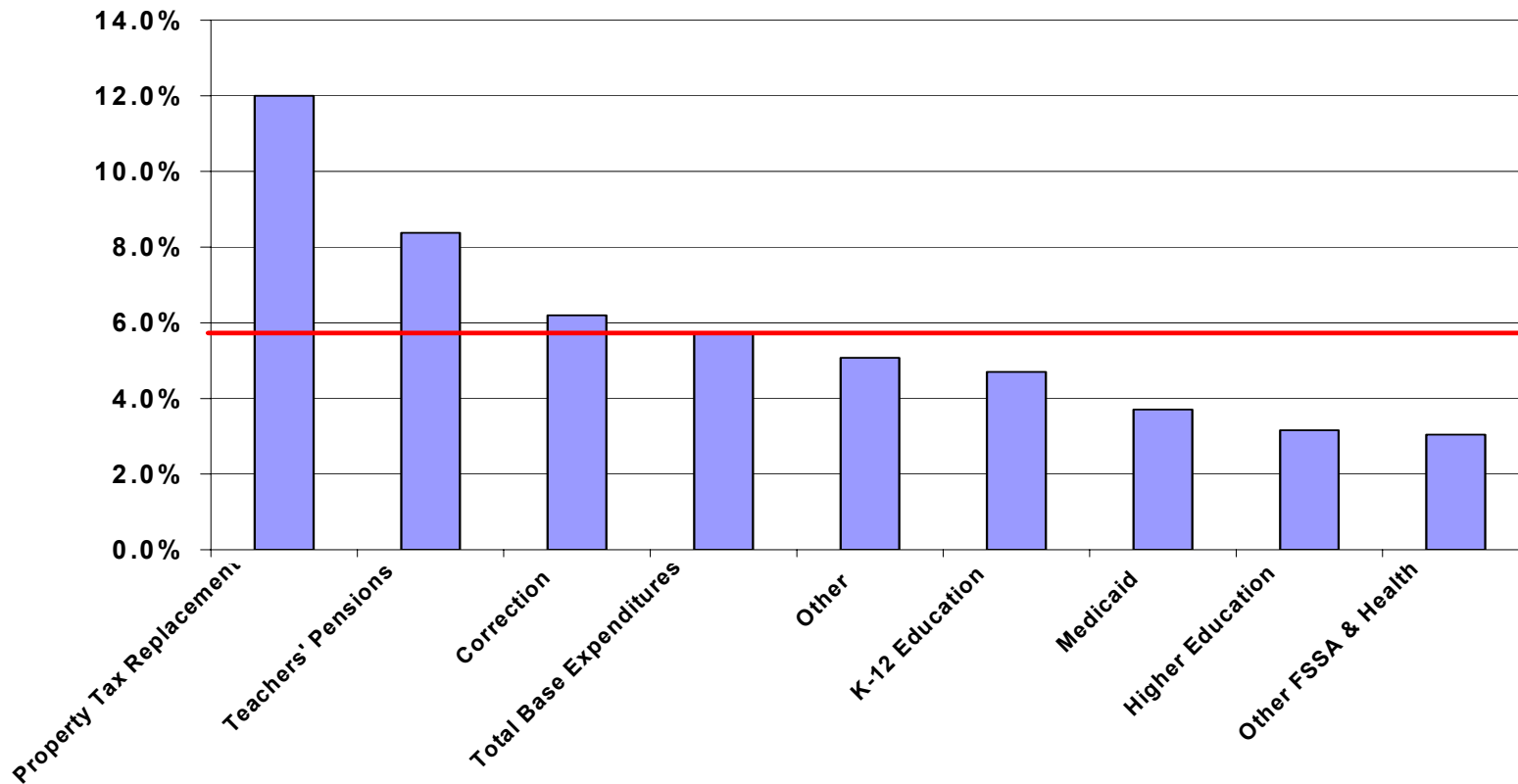
Source: Indiana State Budget Agency

# ***Budget Gap Closing Mechanisms: Revenues***

| <b>General Fund Revenue Subsidies</b>              | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>Total</b> |
|--|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>Dedicated Fund Balances</b>                     |             | 396.3       | 222.0       | 130.2       | 85.9        | 834.4        |
| <b>Rainy Day Fund</b>                              | 46.3        | 277.1       |             | 44.3        |             | 367.7        |
| <b>Tuition Reserve</b>                             |             |             |             | 14.5        |             | 14.5         |
| <b>Federal Govt. Jobs &amp; Growth Act of 2003</b> |             |             | 103.4       | 234.3       |             | 337.7        |
| <b>Build Indiana Fund</b>                          |             | 200.0       | 175.0       |             |             | 375.0        |
| <b>Medicaid Reserve</b>                            | 103.4       | 100.0       | -           | -           | -           | 203.4        |
| <b>TRF Payouts from Pension Stabilization Fund</b> |             |             |             | 190.0       | 190.0       | 380.0        |
| <b>Dept. of Health from Tobacco Settlement</b>     |             |             |             | 35.0        | 35.0        | 70.0         |
| <b>Total</b>                                       | 149.7       | 973.4       | 500.4       | 648.3       | 310.9       | 2,582.7      |
| <b>Total Revenue Subsidies</b>                     | 2,582.7     |             |             |             |             |              |

Source: Indiana State Budget Agency

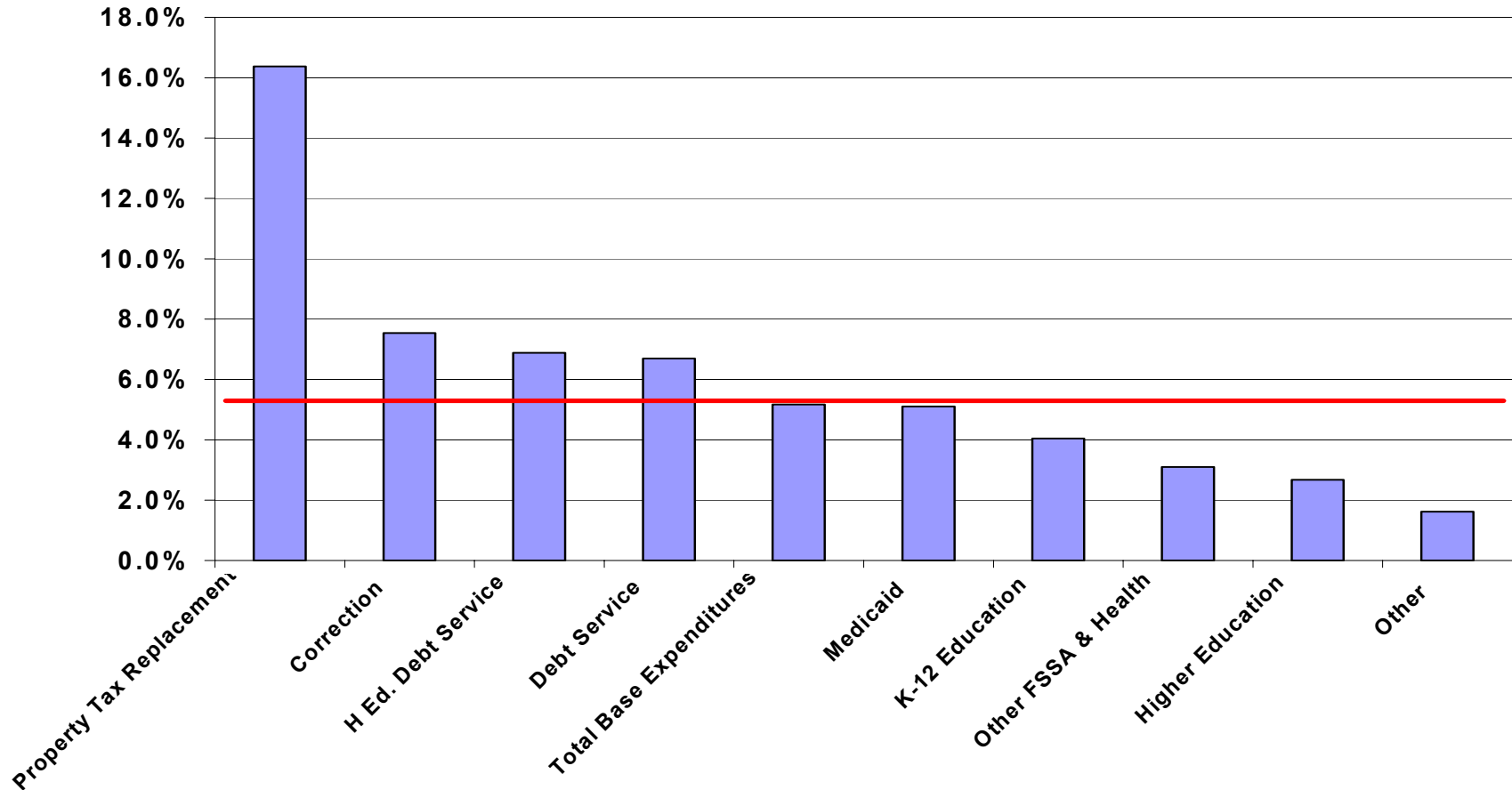
# Compound Average Annual Percentage Growth by Appropriation Category FY 1994 - 2004



Source: Indiana State Budget Agency, IFPI Calculations

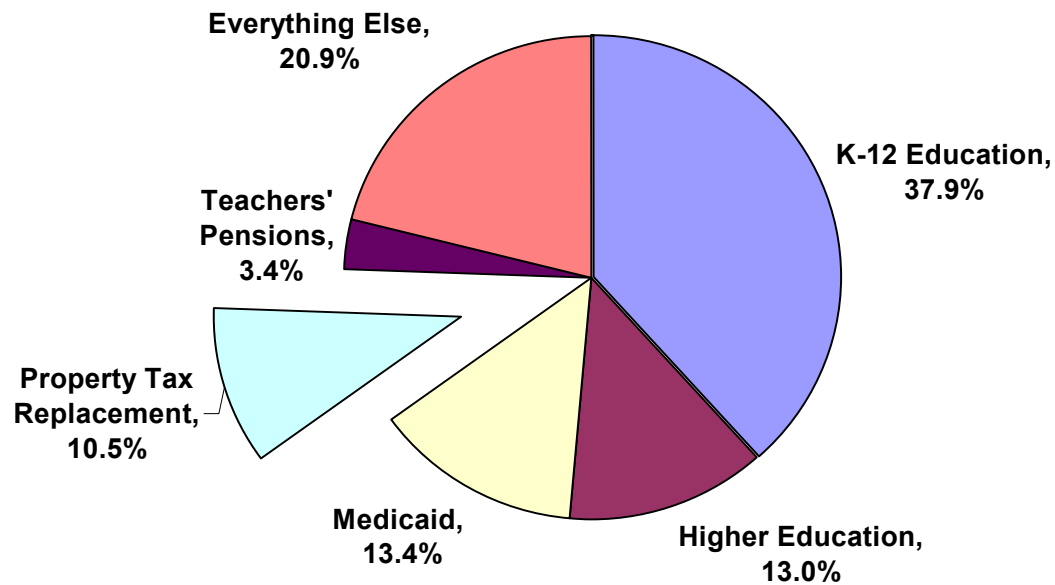
# Compound Average Annual Percentage Growth

## by Appropriation Category FY 1999 - 2004



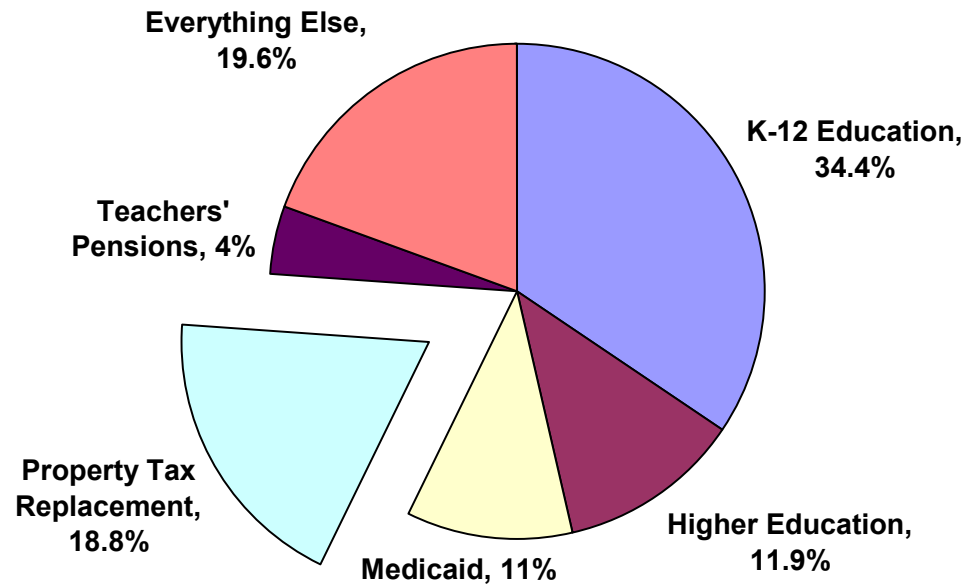
Source: Indiana State Budget Agency, IFPI Calculations

# ***Selected Budget Categories Percent Share of Budget - Fiscal Year 1994***



Source: Indiana State Budget Agency, IFPI Calculations

# ***Selected Budget Categories Percent Share of Budget - Fiscal Year 2004***



Source: Indiana State Budget Agency, IFPI Calculations

# Everything Else Includes:

- All other FSSA / Health
- Capital and Debt Service
- “The Bureaucracy”
- The Judicial Branch
- All Elected Officials  
(Governor, Lt. Governor,  
Treasurer, Auditor,  
Secretary of State)
- The General Assembly
- Correction
- State Police
- Tax Collection
- Natural Resources
- Environmental  
Management
- Economic Development