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**STRONGER INDIANA ECONOMY, CURRENT BUDGET TALKS ARE
REASONS FOR OPTIMISM**

INDIANAPOLIS, IN (April 14, 2011) – Indiana is poised to work its way out of the worst economic crisis to hit the state since the recession of 1981-82 hammered the manufacturing sector. As Legislators consider a new two-year budget there is reason to be cautiously optimistic about the state’s fiscal health for the first time since 2008.

One reason for optimism is the recent trend in Indiana’s revenue reports. The state’s revenue from taxes exceeded revised expectations for the 5th straight month in March. Better yet, growth in the year-over-year comparison of the three major categories is strong. Sales taxes are up 5 percent over last year while individual income tax collections are up 16 percent and corporate income taxes are up 41 percent.

The General Assembly’s sober approach to the new two-year budget also is another reason for optimism. The House of Representatives sent the Senate a budget that held the line on spending and did not increase taxes. The House budget would eliminate the state’s structural deficit and is expected to produce \$600 million in surplus funds by the end of FY 2013.

“We’re talking cautious optimism here, but after the brutal recession and the havoc it wrought, it’s good to be at this point,” said John Ketzenberger, president of the Indiana Fiscal Policy Institute.

Still, there are reasons to be wary. The economy remains unsettled. Fuel prices are climbing and natural disasters shake confidence. Meanwhile the budget battles in Congress may produce new unfunded mandates for states, especially in Medicaid.

Another problem looming for Indiana: unfunded liability for a couple of prominent scholarship programs started when times were better in the economy. One estimate pegs the liability in seven years at \$450 million for the 21st Century Scholars Program and the Children of Disabled Veterans Fund. Meanwhile, general education spending remains flat.

“Legislators will have to balance popular scholarship programs against overall spending in education, and that’s not an easy task,” Ketzenberger said.

The April 15 revenue forecast will guide budget consideration as it moves through the Senate and then the conference committee process. If the economy continues its modest recovery and the General Assembly's final budget resembles current proposals, then Indiana will be in the black by the time lawmakers reconvene in 2013 to consider the state's next budget.

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ABOUT THE INDIANA FISCAL POLICY INSTITUTE

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