

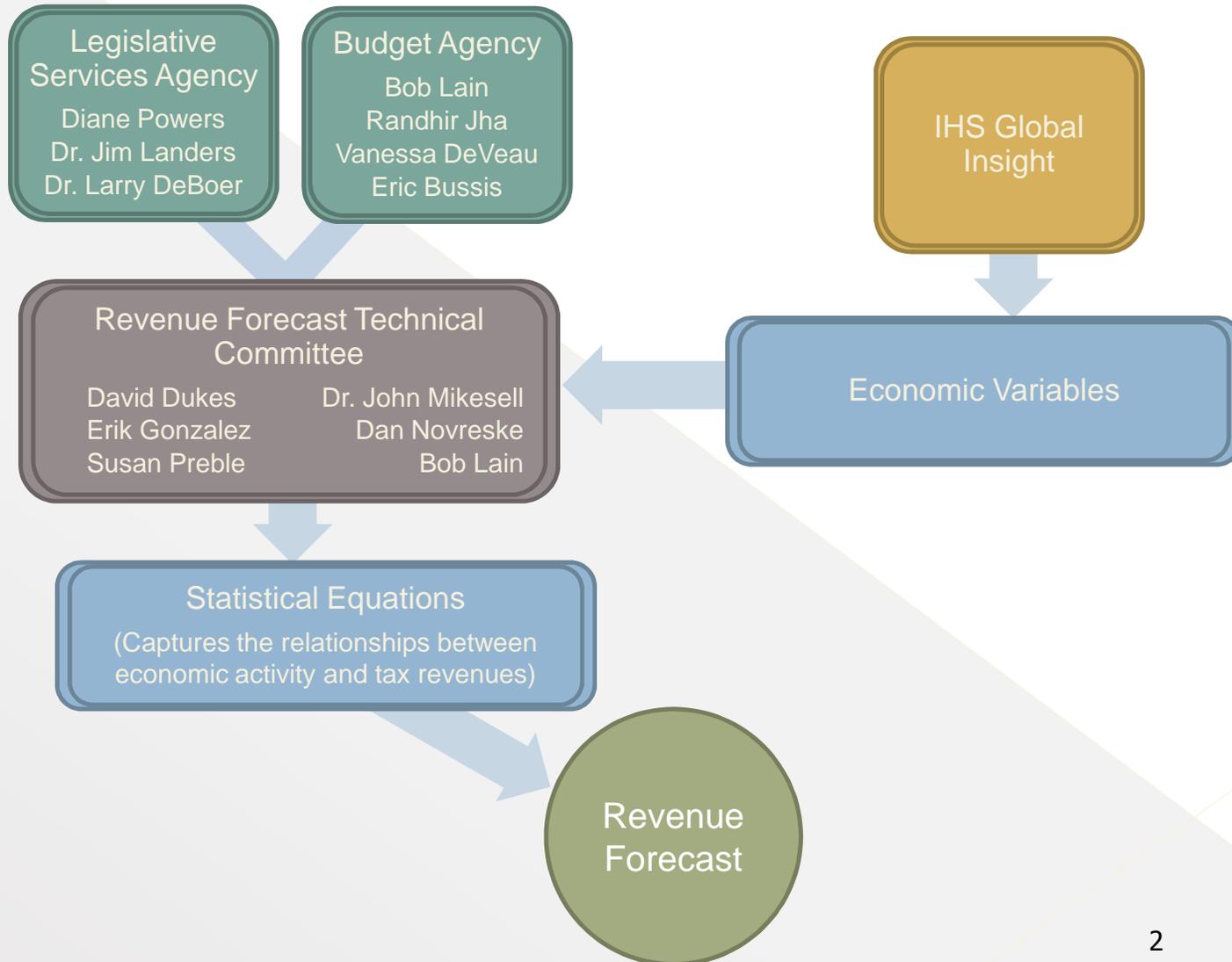
General Fund Revenue Forecast Update

Revenue Forecast Technical Committee

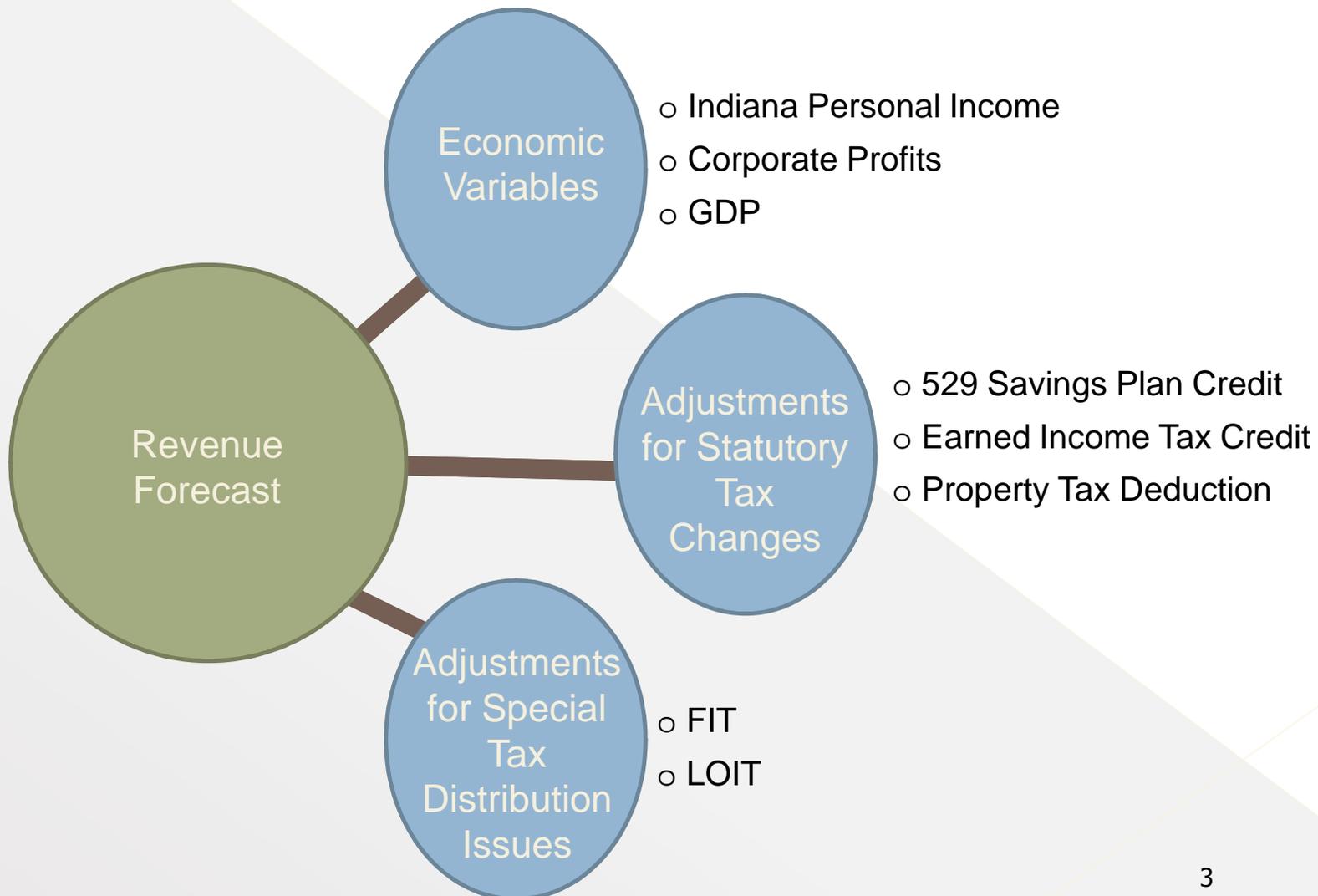
Presented to the State Budget Committee

April 17, 2009

Revenue Forecast Process

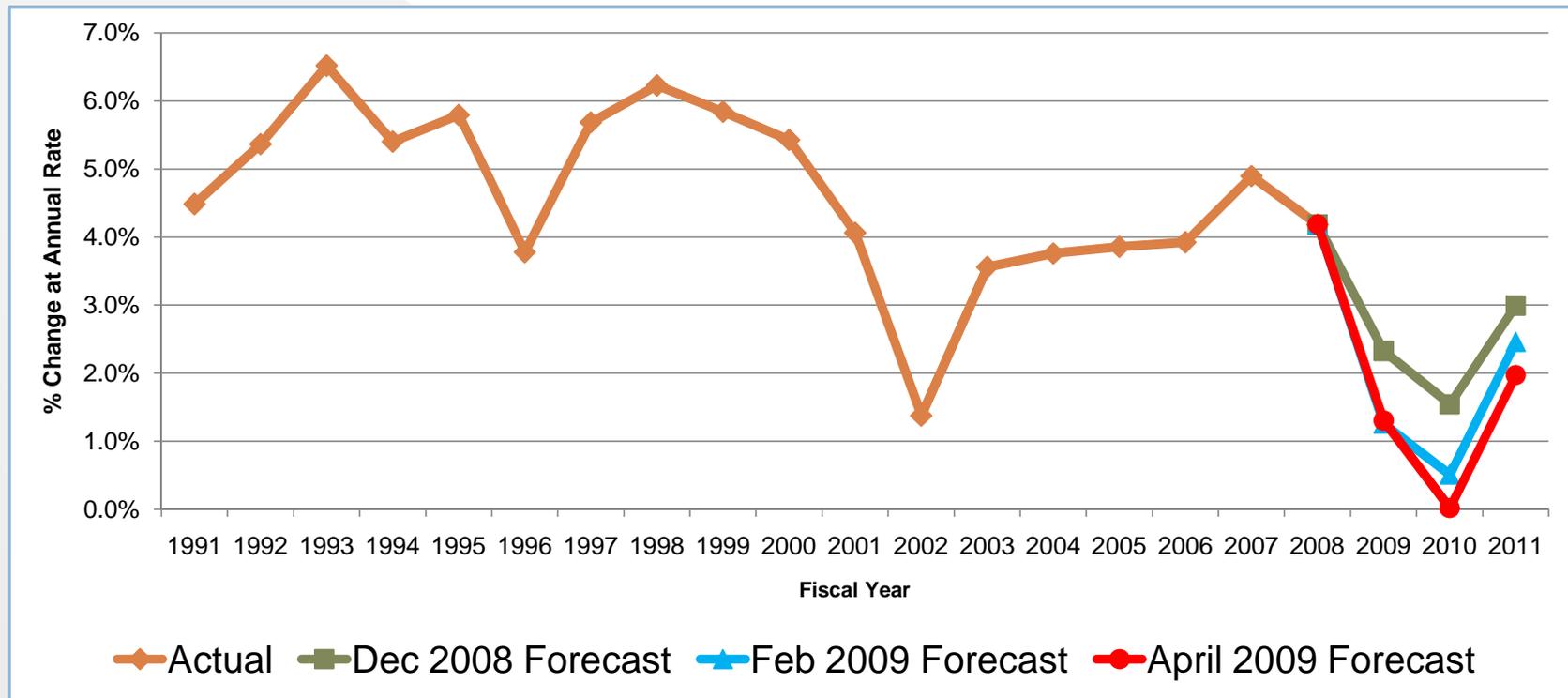


Preparation of the Forecast

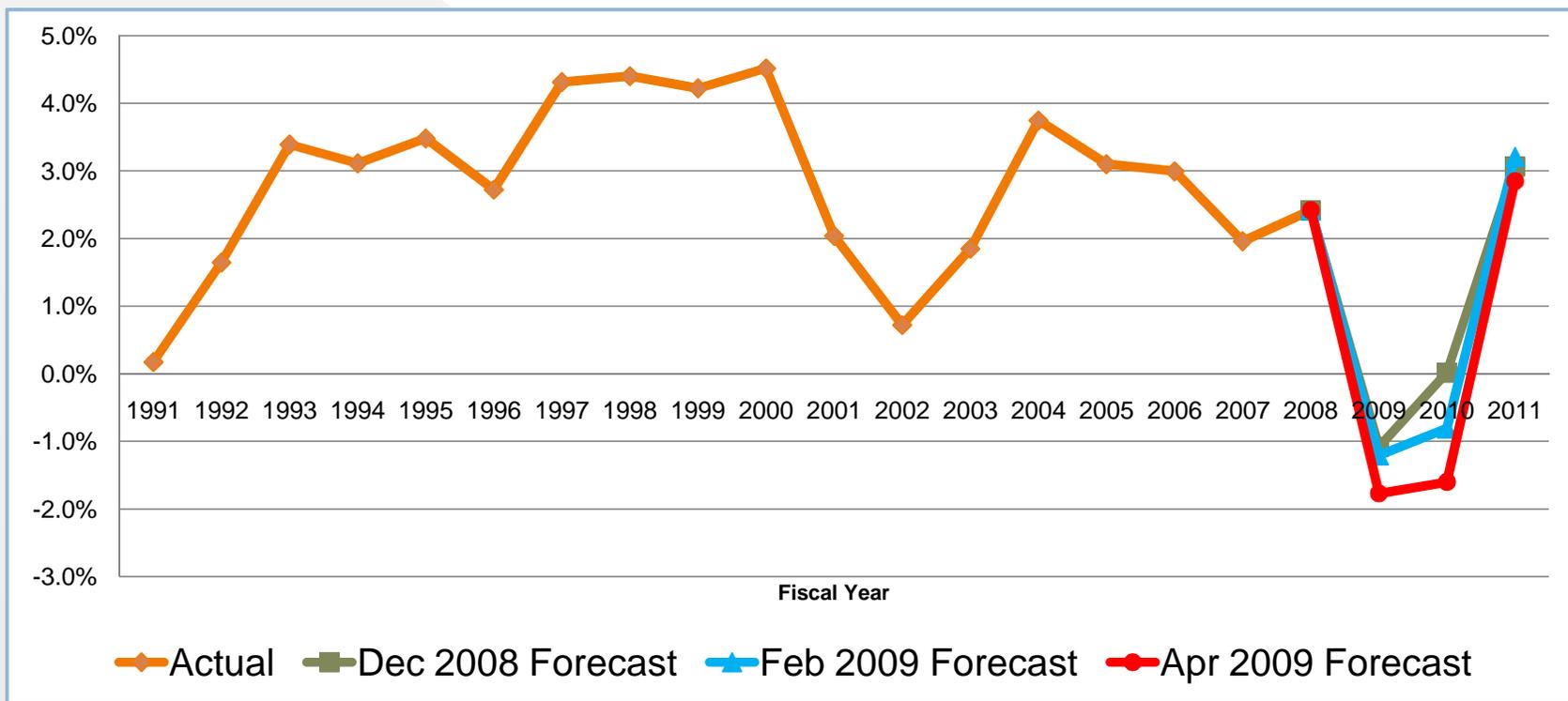


Economic Issues and Variables

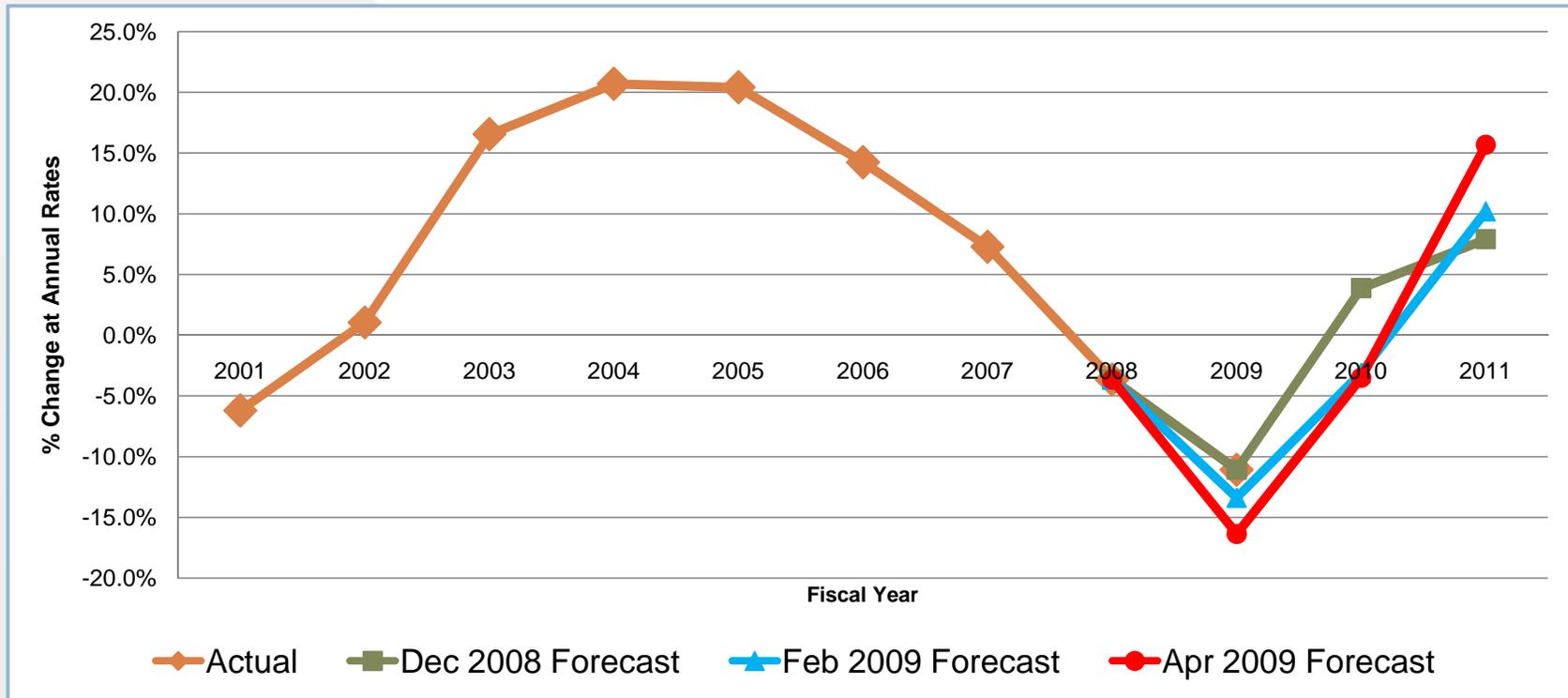
Indiana Nominal Personal Income



Real U.S. GDP Growth Rate



U.S. Corporate Profits Growth



Indiana Nominal Personal Income
(in millions)

Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to Apr 09
2009	\$219,483	\$217,434	-1.00%
2010	\$223,013	\$217,471	-2.49%
2011	\$229,682	\$221,752	-3.45%

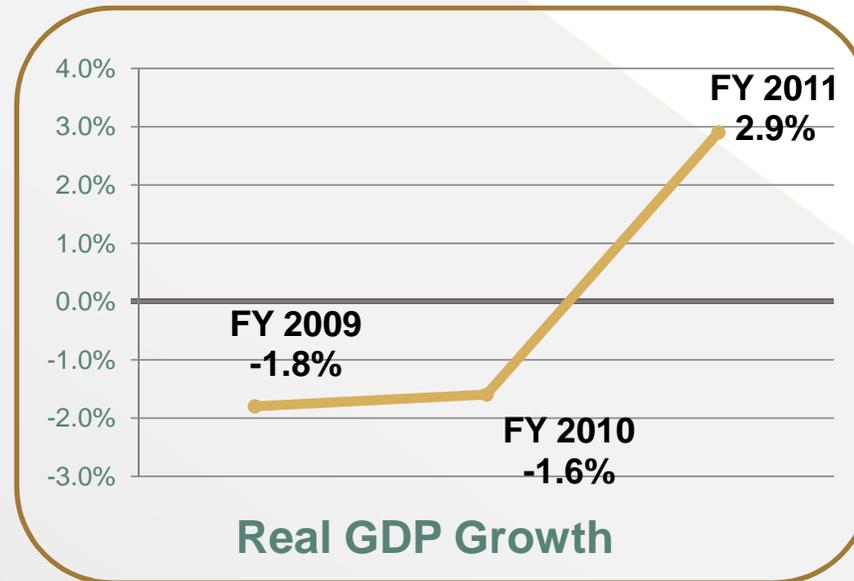
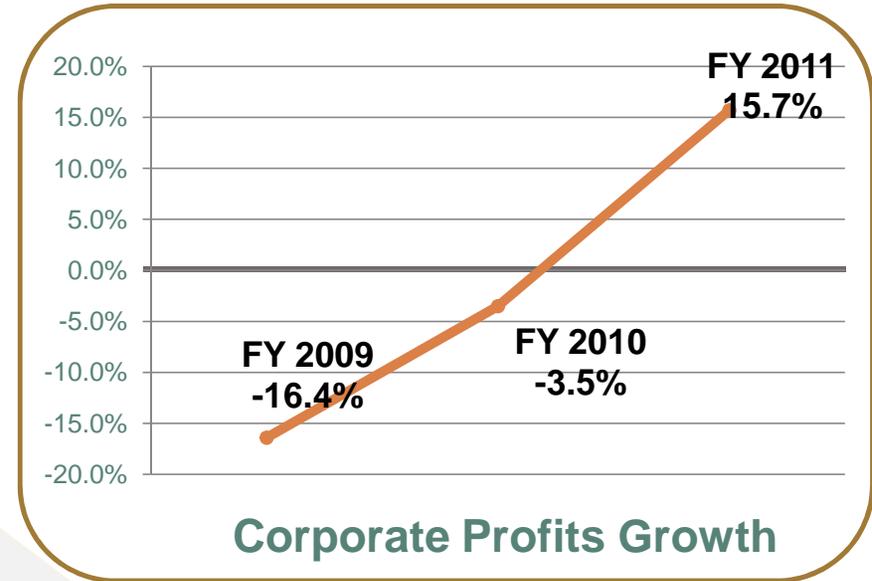
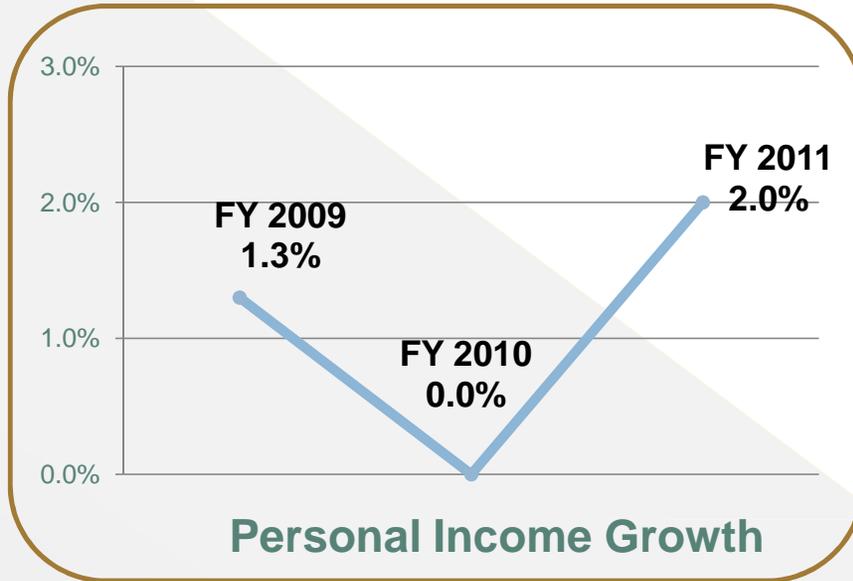
Real U.S. GDP
(in billions)

Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to April 09
2009	\$11,529	\$11,449	-0.70%
2010	\$11,531	\$11,265	-2.30%
2011	\$11,884	\$11,586	-2.51%

U.S. Corporate Profits
(in billions)

Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to April 09
2009	\$1,424	\$1,339	-5.95%
2010	\$1,479	\$1,292	-12.63%
2011	\$1,596	\$1,495	-6.34%

The Economic Forecast



Statutory Tax Changes

Statutory Tax Changes

Sales Tax Adjustments

- RV Exemption
- Vendor Allowance
- Motion Picture Equipment Exemption
- LIHEAP Energy Purchases

Individual Income Tax Adjustments

- Dependent Deduction
- Earned Income Tax Credit
- Renter's Deduction
- Property Tax Deduction
- 529 Plan Credit
- IRC Update
- Elderly & Renter's Deductions
- Media Production Credit

Corporate Taxes

- Single-Sales-Factor Apportionment
- R & E Expense
- IRC Update
- Utility Use Tax

Special Tax Distribution Issues

- **One-Time Distribution
Financial Institutions Tax (FIT)**
- **Local Option Income Tax Distributions (LOIT)**

Special Tax Distribution Issues

*MBNA America Bank, N.A. & Affiliates v.
Indiana Department of State Revenue*

\$53.1 M Deposited To Date in FY 2009

- Accounts for 3 years of tax liability (2005, 2006, 2007) from multiple credit card companies

Importance for Revenue Forecast

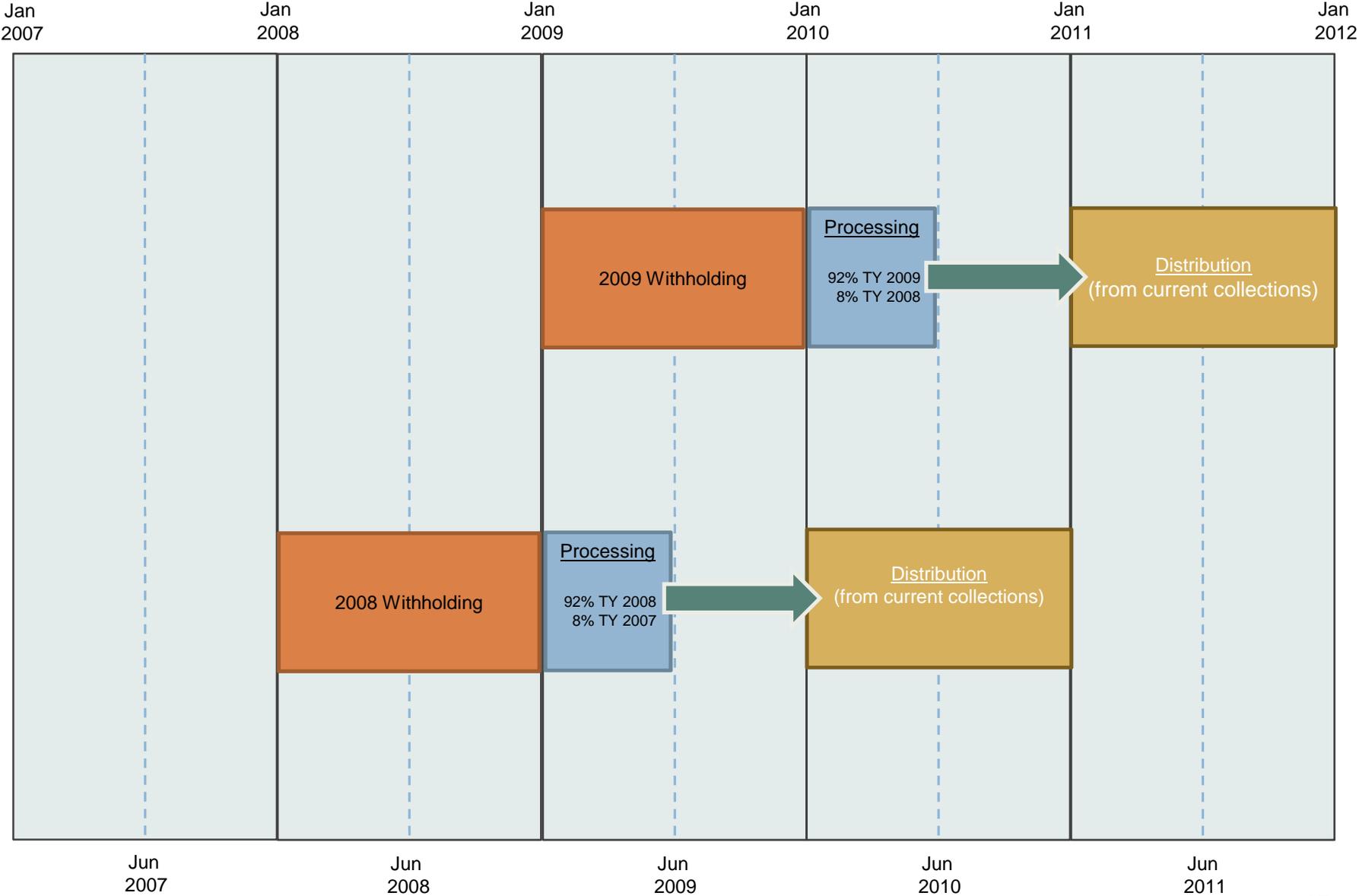
- Additional corporate revenue reduces decline in revenue from FY 2008 to FY 2009
 - Current forecast: -7.2%
 - Without additional revenue: -13.1%
- Increases the future base slightly

Special Tax Distribution Issues

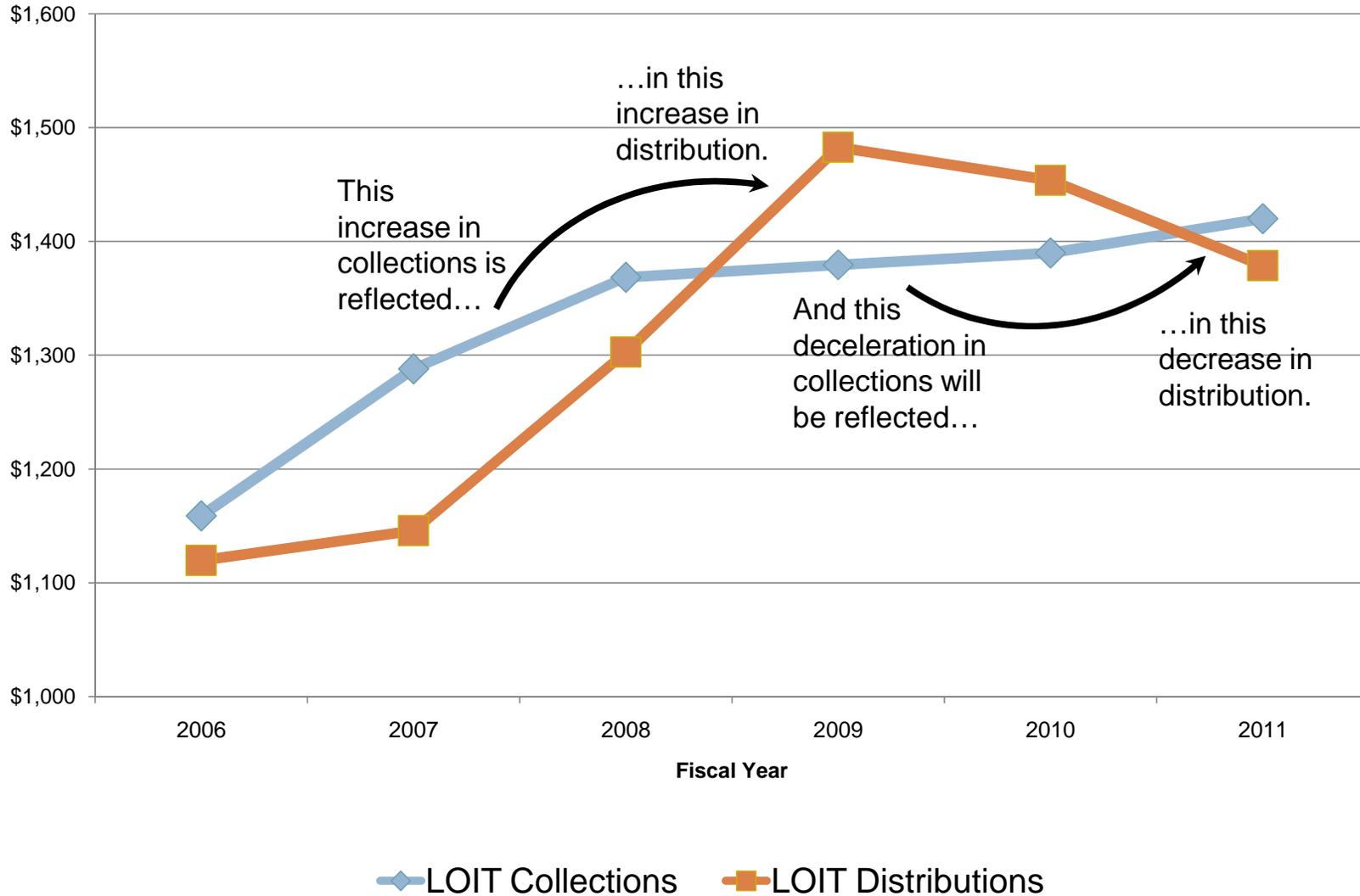
LOIT

- Statutory requirement for timing of collection and distribution of local tax revenue
- Affects state revenue reports and forecasts

Statutory Collection and Distribution of LOIT

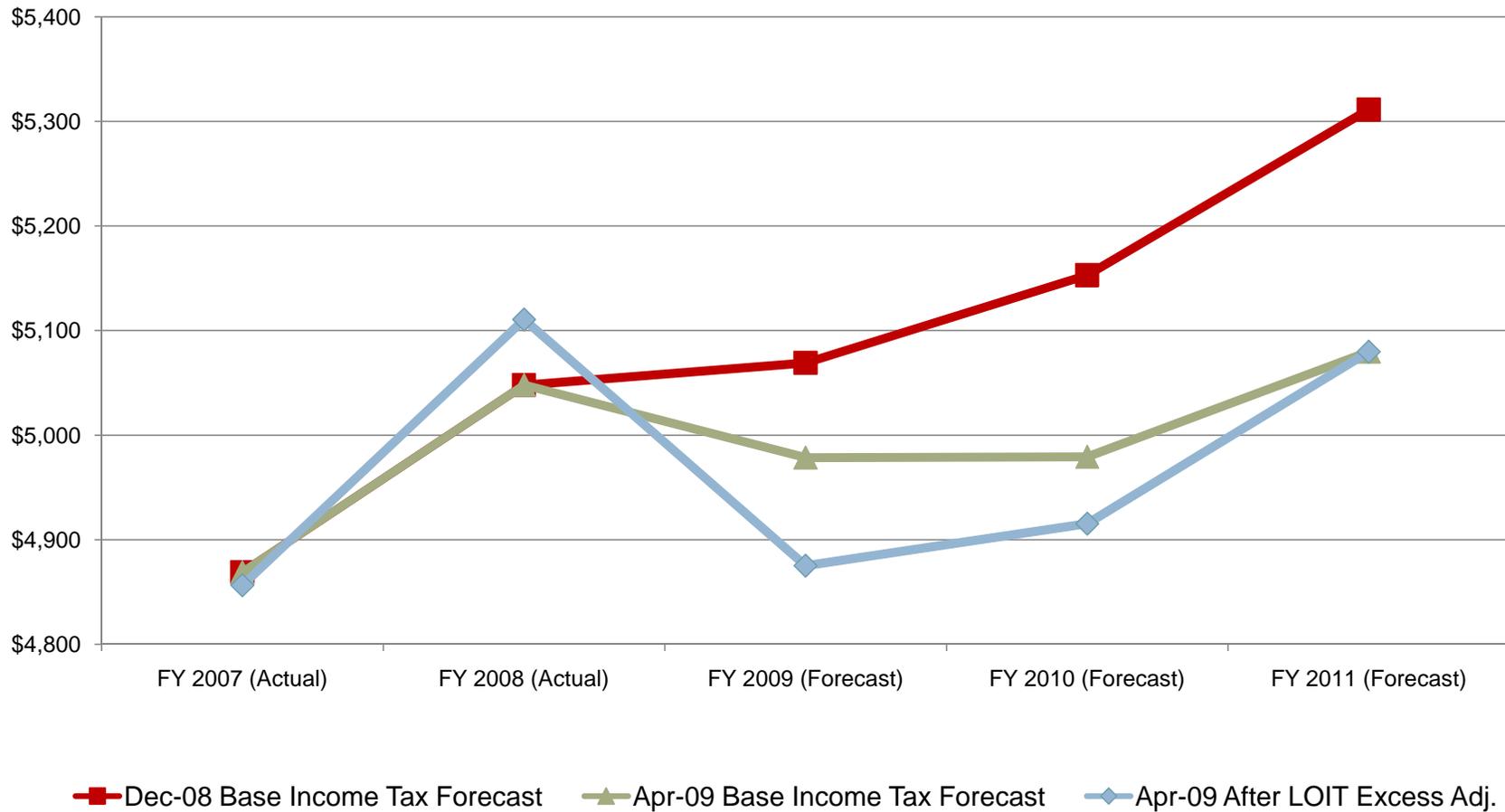


LOIT Distribution Lag (In Millions)



Economic and LOIT Impacts on Individual Income Tax Revenue Forecast

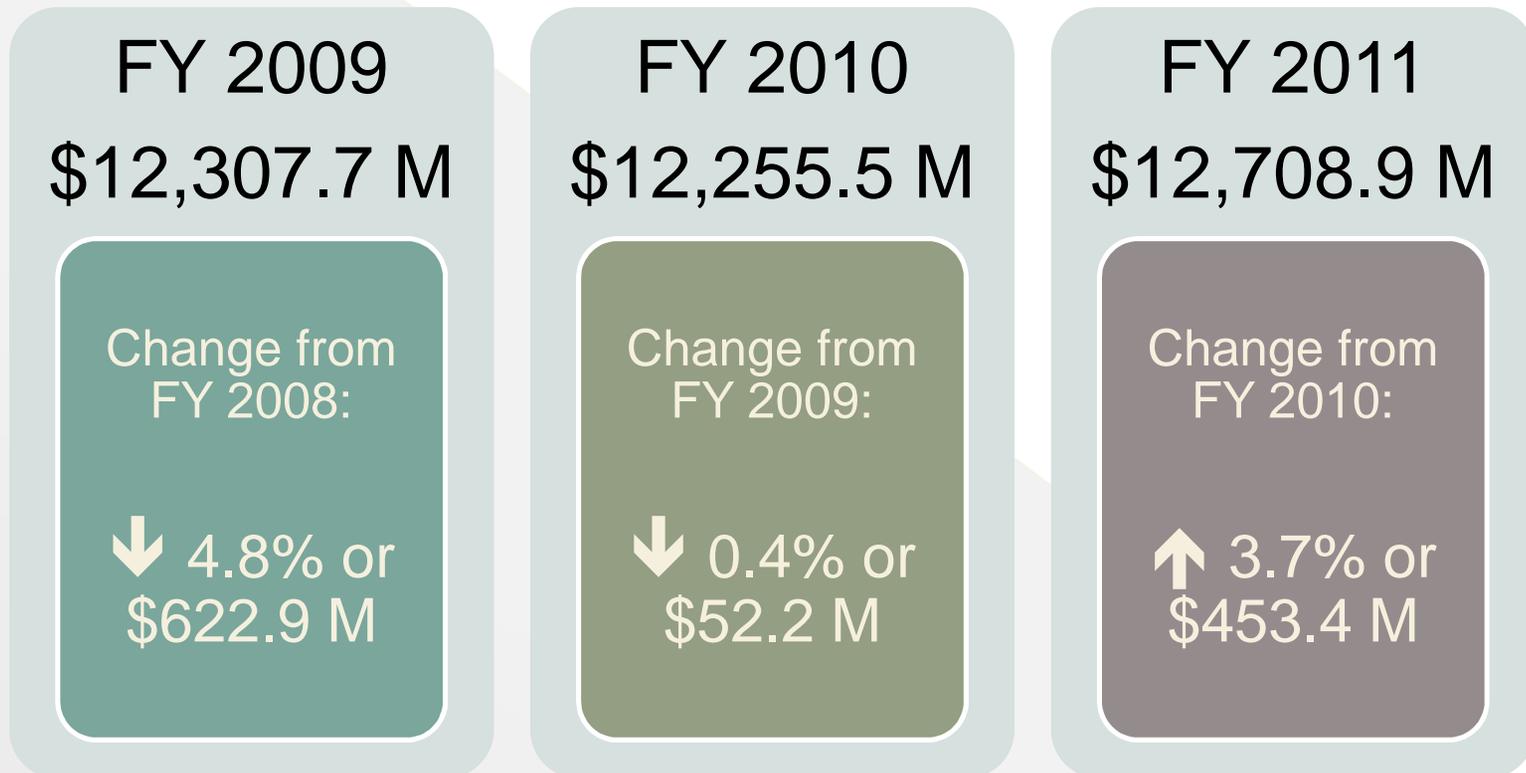
(In Millions)



April 2009 Forecast Results

Base Case General Fund Revenue Forecast

Excludes Revenue Measures from HEA 1001-2008 and HEA 1835-2007



HEA 1001-2008 and HEA 1835-2007 Measures Adjusted for Forecast

Increased sales tax rate from 6% to 7%

- FY 2009 = \$891.2M
- FY 2010 = \$893.2M
- FY 2011 = \$938.4M

Eliminated county payments for juvenile incarceration

- FY 2009 = (\$11.4M)
- FY 2010 = (\$22.8M)
- FY 2011 = (\$22.8M)

Captured FIT, MVET, and CVET related to state-assumed levies

- FY 2009 = \$115.2M
- FY 2010 = \$231.2M
- FY 2011 = \$232.8M

Replaced \$0.65 admissions tax going to support the horse racing industry

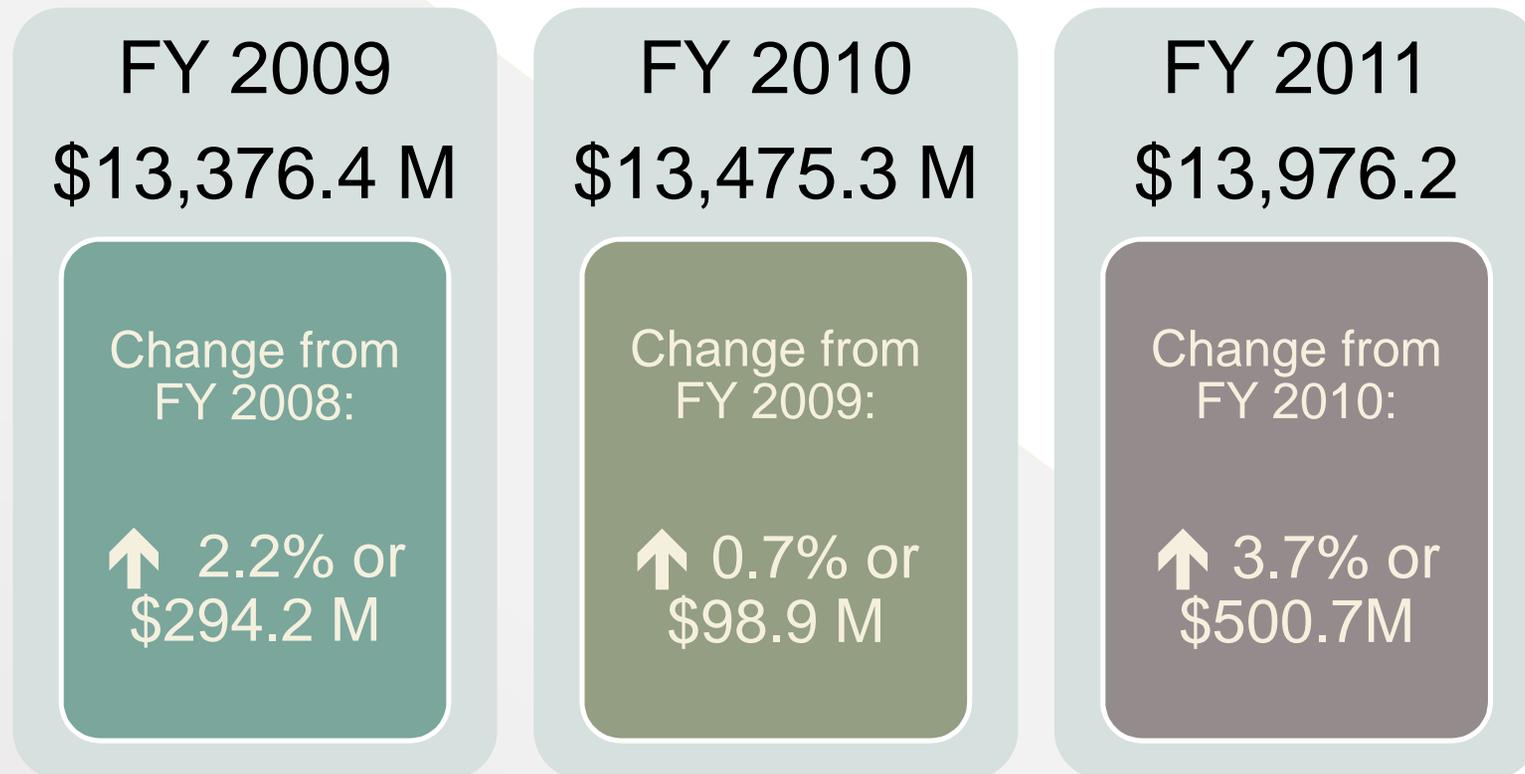
- FY 2009 = \$15.9M
- FY 2010 = \$15.7M
- FY 2011 = \$15.7M

Imposed wagering taxes on racinos

- FY 2009 = \$57.8M
- FY 2010 = \$102.4M
- FY 2011 = \$103.3M

Total General Fund Revenue Forecast

Includes Revenue Measures from HEA 1001-2008 and HEA 1835-2007



Total Tax Revenue Estimates

Sales Tax (in millions)			
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to Apr 09
2009	\$6,329.9	\$6,240.0	-1.4%
2010	\$6,474.8	\$6,254.4	-3.4%
2011	\$6,805.8	\$6,570.6	-3.5%

Individual Income Tax (in millions)			
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to April 09
2009	\$4,726.0	\$4,595.2	-2.8%
2010	\$4,774.1	\$4,597.2	-3.7%
2011	\$4,924.2	\$4,760.9	-3.3%

Corporate Taxes (in millions)			
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to April 09
2009	\$822.4	\$843.9	2.6%
2010	\$827.5	\$808.7	-2.3%
2011	\$834.9	\$824.7	-1.2%

Total Tax Revenue Estimates

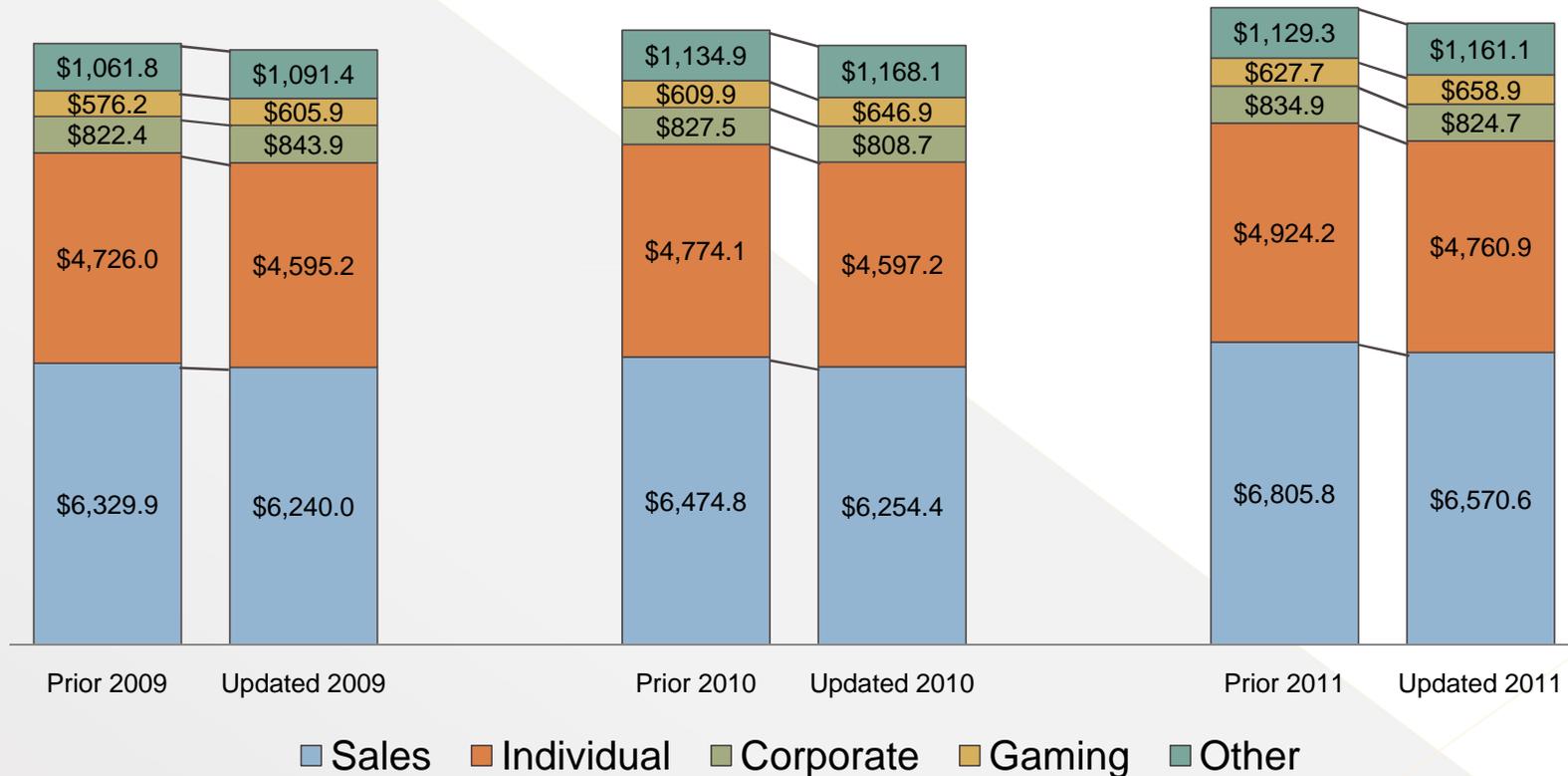
Gaming Taxes (in millions)			
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to Apr 09
2009	\$576.2	\$605.9	5.1%
2010	\$609.9	\$646.9	6.1%
2011	\$627.7	\$658.9	5.0%

Other Taxes (in millions)			
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to April 09
2009	\$1,061.8	\$1,091.4	2.8%
2010	\$1,134.9	\$1,168.1	2.9%
2011	\$1,129.3	\$1,161.1	2.8%

Total General Fund Taxes (in millions)			
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	Difference Dec 08 to April 09
2009	\$13,516.3	\$13,376.4	-1.0%
2010	\$13,821.2	\$13,475.3	-2.5%
2011	\$14,321.9	\$13,976.2	-2.4%

Total Tax Revenue Estimates

December and April Forecast Comparison



Base Case General Fund Revenue Forecast Fiscal Years 2009, 2010, and 2011 April 17, 2009 (In Millions)

Revenue Source	Actual 2008	Prior Forecast 2009	Updated Forecast 2009	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2008	Prior Forecast 2010	Updated Forecast 2010	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2009	Prior Forecast 2011	Updated Forecast 2011	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2010
	Sales	\$5,534.4	\$5,425.8	\$5,348.8	-\$77.0	-1.4%	-3.4%	\$5,550.0	\$5,361.2	-\$188.8	-3.4%	0.2%	\$5,833.8	\$5,632.2	-\$201.6	-3.5%
Individual	4,837.5	4,726.0	4,595.2	-130.8	-2.8%	-5.0%	4,774.1	4,597.2	-176.9	-3.7%	0.0%	4,924.2	4,760.9	-163.3	-3.3%	3.6%
Corporate	909.5	822.4	843.9	21.5	2.6%	-7.2%	827.5	808.7	-18.8	-2.3%	-4.2%	834.9	824.7	-10.2	-1.2%	2.0%
Subtotal "Big Three"	\$11,281.4	\$10,974.2	\$10,787.9	-\$186.3	-1.7%	-4.4%	\$11,151.6	\$10,767.1	-\$384.5	-3.4%	-0.2%	\$11,592.9	\$11,217.8	-\$375.1	-3.2%	4.2%
Gaming	582.9	525.2	548.1	22.9	4.4%	-6.0%	513.9	544.4	30.5	5.9%	-0.7%	528.9	555.6	26.7	5.1%	2.1%
Cigarette	325.6	324.4	321.1	-3.3	-1.0%	-1.4%	318.6	310.9	-7.7	-2.4%	-3.2%	311.4	302.3	-9.1	-2.9%	-2.8%
AB Taxes	16.4	16.0	15.9	-0.1	-0.6%	-3.0%	16.1	15.9	-0.2	-1.2%	0.0%	16.2	16.0	-0.2	-1.2%	0.6%
Inheritance	165.6	147.5	180.0	32.5	22.0%	8.7%	147.5	167.5	20.0	13.6%	-6.9%	147.5	167.5	20.0	13.6%	0.0%
Insurance	188.0	177.2	177.2	0.0	0.0%	-5.7%	177.2	177.2	0.0	0.0%	0.0%	177.2	177.2	0.0	0.0%	0.0%
Interest	146.7	65.0	65.0	0.0	0.0%	-55.7%	40.0	50.0	10.0	25.0%	-23.1%	40.0	50.0	10.0	25.0%	0.0%
Other	224.0	212.5	212.5	0.0	0.0%	-5.1%	212.5	222.5	10.0	4.7%	4.7%	212.5	222.5	10.0	4.7%	0.0%
Subtotal	\$1,066.3	\$942.6	\$971.7	\$29.1	3.1%	-8.9%	\$911.9	\$944.0	\$32.1	3.5%	-2.9%	\$904.8	\$935.5	\$30.7	3.4%	-0.9%
Grand Total	\$12,930.6	\$12,442.0	\$12,307.7	-\$134.3	-1.1%	-4.8%	\$12,577.4	\$12,255.5	-\$321.9	-2.6%	-0.4%	\$13,026.6	\$12,708.9	-\$317.7	-2.4%	3.7%

Total General Fund Revenue Forecast

Incorporates changes from HEA 1001-2008 and HEA 1835-2007

Fiscal Years 2009, 2010, and 2011

April 17, 2009

(In Millions)

Revenue Sources	Actual 2008	Prior Forecast 2009	Updated Forecast 2009	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2008	Prior Forecast 2010	Updated Forecast 2010	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2009	Prior Forecast 2011	Updated Forecast 2011	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2010
	Sales	\$5,686.0	\$6,329.9	\$6,240.0	-\$89.9	-1.4%	9.7%	\$6,474.8	\$6,254.4	-\$220.4	-3.4%	0.2%	\$6,805.8	\$6,570.6	-\$235.2	-3.5%
Individual	4,837.5	4,726.0	4,595.2	-130.8	-2.8%	-5.0%	4,774.1	4,597.2	-176.9	-3.7%	0.0%	4,924.2	4,760.9	-163.3	-3.3%	3.6%
Corporate	909.5	822.4	843.9	21.5	2.6%	-7.2%	827.5	808.7	-18.8	-2.3%	-4.2%	834.9	824.7	-10.2	-1.2%	2.0%
Subtotal "Big Three"	\$11,433.0	\$11,878.3	\$11,679.1	-\$199.2	-1.7%	2.2%	\$12,076.4	\$11,660.3	-\$416.1	-3.4%	-0.2%	\$12,564.9	\$12,156.2	-\$408.7	-3.3%	4.3%
Gaming	582.9	576.2	605.9	29.7	5.1%	3.9%	609.9	646.9	37.0	6.1%	6.8%	627.7	658.9	31.2	5.0%	1.9%
Cigarette	325.6	324.4	321.1	-3.3	-1.0%	-1.4%	318.6	310.9	-7.7	-2.4%	-3.2%	311.4	302.3	-9.1	-2.9%	-2.8%
AB Taxes	16.4	16.0	15.9	-0.1	-0.6%	-3.0%	16.1	15.9	-0.2	-1.2%	0.0%	16.2	16.0	-0.2	-1.2%	0.6%
Inheritance	165.6	147.5	180.0	32.5	22.0%	8.7%	147.5	167.5	20.0	13.6%	-6.9%	147.5	167.5	20.0	13.6%	0.0%
Insurance	188.0	177.2	177.2	0.0	0.0%	-5.7%	177.2	177.2	0.0	0.0%	0.0%	177.2	177.2	0.0	0.0%	0.0%
Interest	146.7	65.0	65.0	0.0	0.0%	-55.7%	40.0	50.0	10.0	25.0%	-23.1%	40.0	50.0	10.0	25.0%	0.0%
Other	224.0	331.7	332.2	0.5	0.2%	48.3%	435.5	446.6	11.1	2.5%	34.4%	437.0	448.1	11.2	2.6%	0.4%
Subtotal	\$1,066.3	\$1,061.8	\$1,091.4	\$29.6	2.8%	2.4%	\$1,134.9	\$1,168.1	\$33.2	2.9%	7.0%	\$1,129.3	\$1,161.1	\$31.9	2.8%	-0.6%
Grand Total	\$13,082.2	\$13,516.3	\$13,376.4	-\$139.9	-1.0%	2.2%	\$13,821.2	\$13,475.3	-\$345.9	-2.5%	0.7%	\$14,321.9	\$13,976.2	-\$345.6	-2.4%	3.7%

Significant Factors Affecting the April 2009 Forecast

The economic outlook has deteriorated since the December forecast

Economic conditions and LOIT distributions are reducing current-year state income tax revenues

Tax Court decision regarding nexus for income derived from credit cards will increase corporate income taxes

Rapid fall-off in gaming activity in first part of fiscal year has stabilized with additional racino revenues

While the Revenue Forecast Technical Committee strives to produce the best forecast for each revenue source, it is unlikely each component of this forecast will prove to be completely accurate. The Committee believes that in total it has produced a realistic and responsible forecast.