

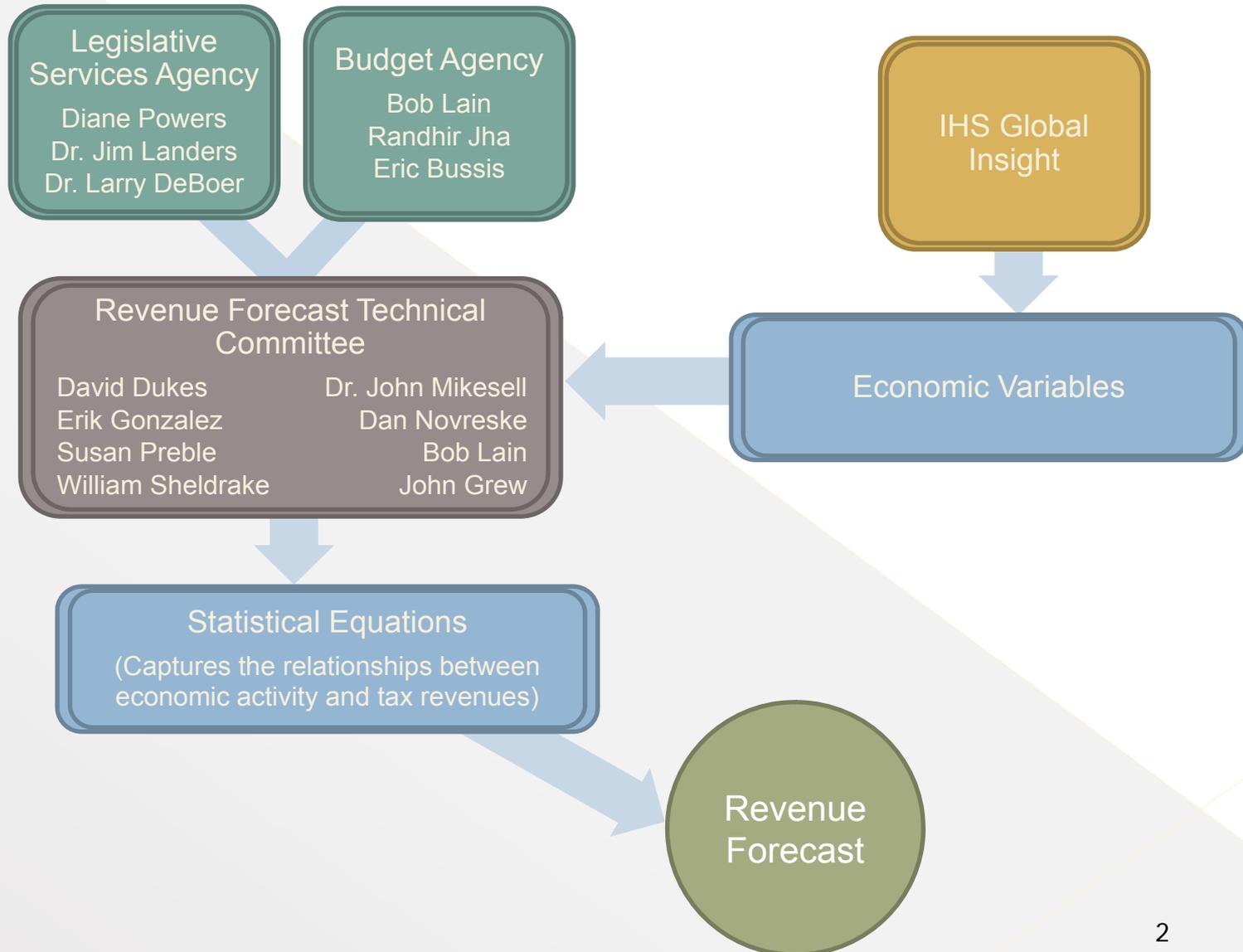
# General Fund Revenue Forecast Update

**Revenue Forecast Technical Committee**

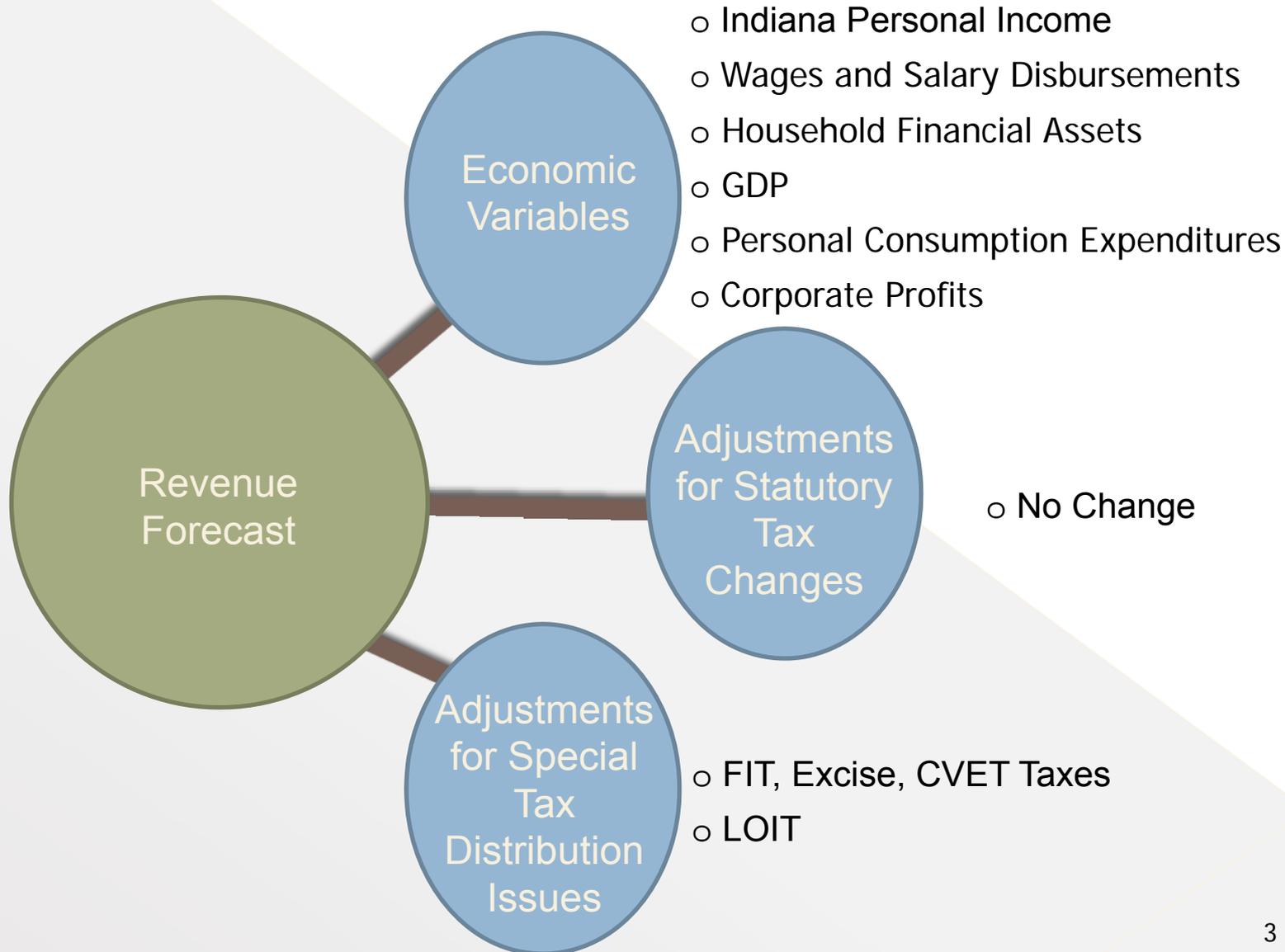
Presented to the State Budget Committee

May 27, 2009

# Revenue Forecast Process



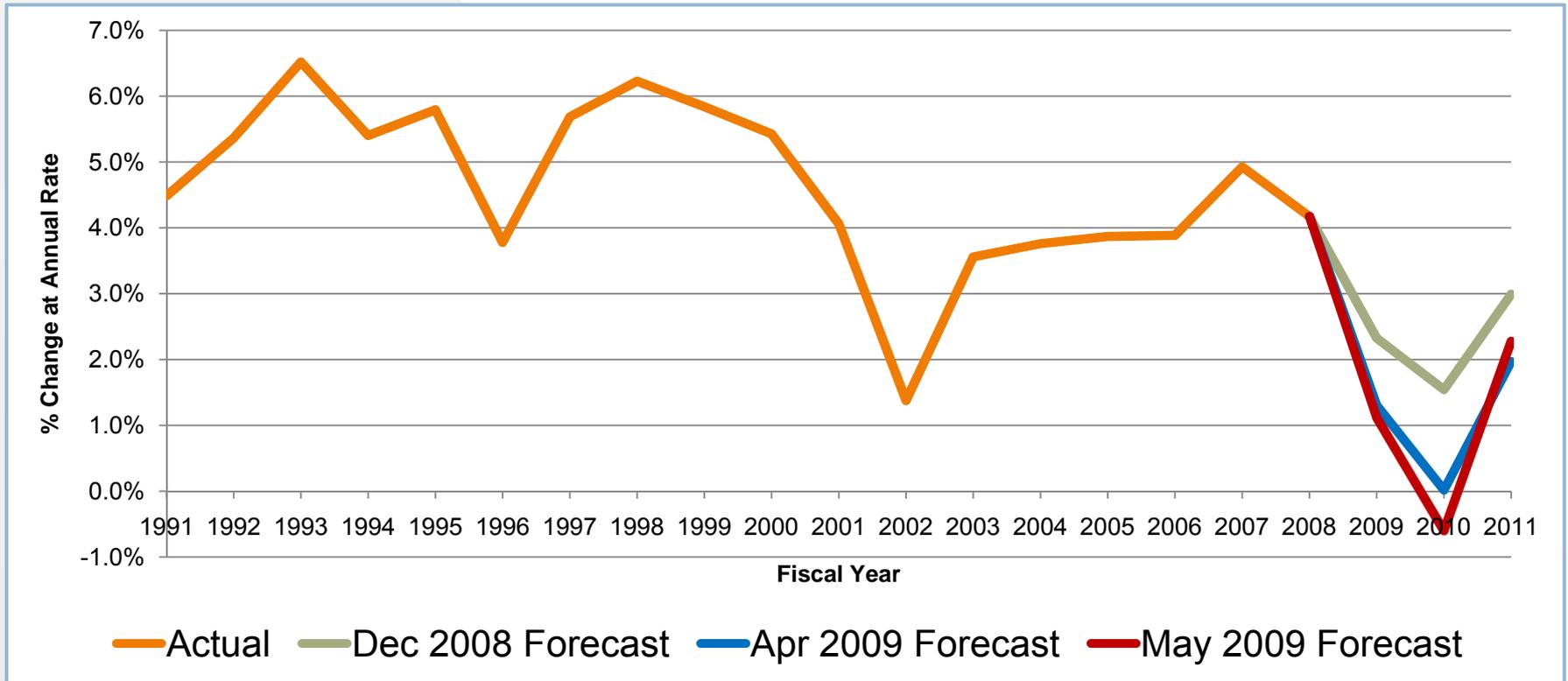
# Preparation of the Forecast



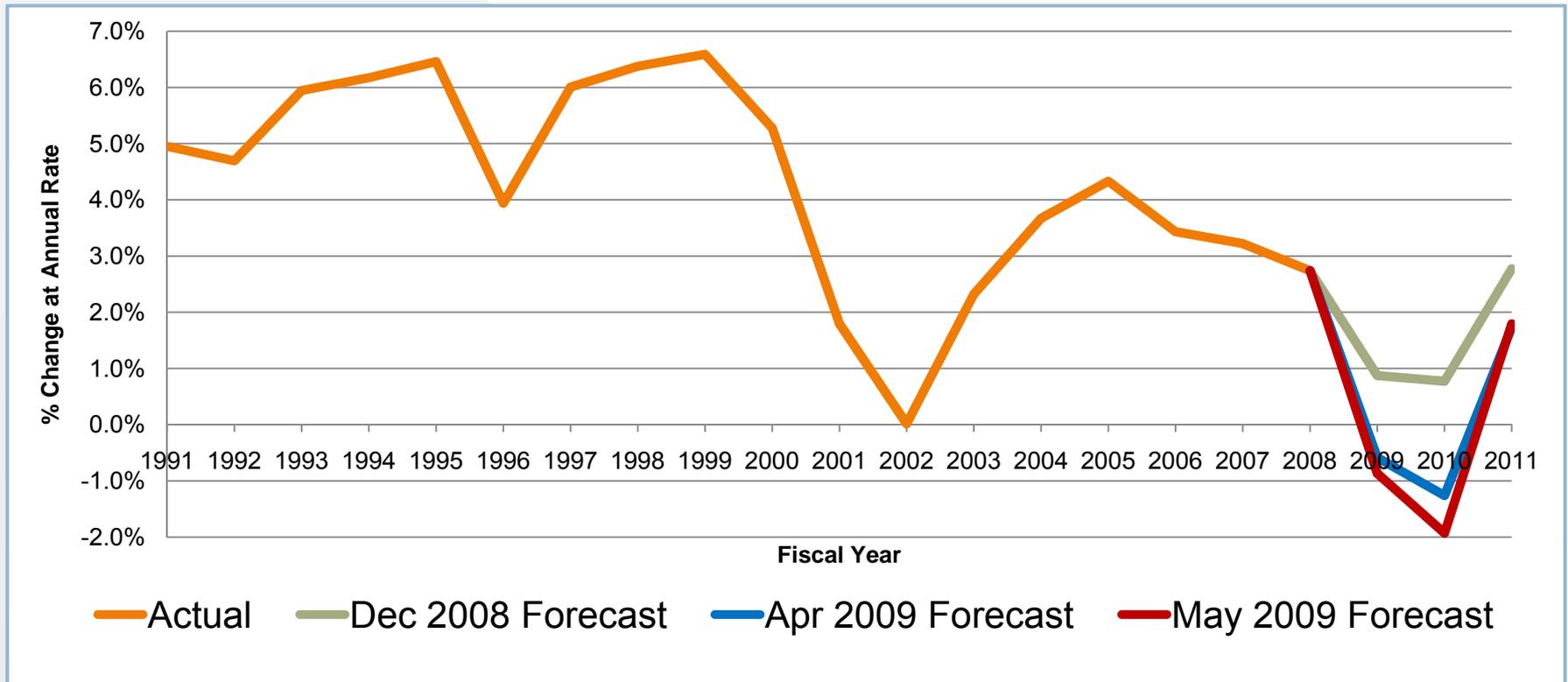
# Economic Issues and Variables

- Indiana Personal Income
- Wage and Salary Disbursements
- Household Financial Assets
- GDP
- Personal Consumption Expenditures
- Corporate Profits

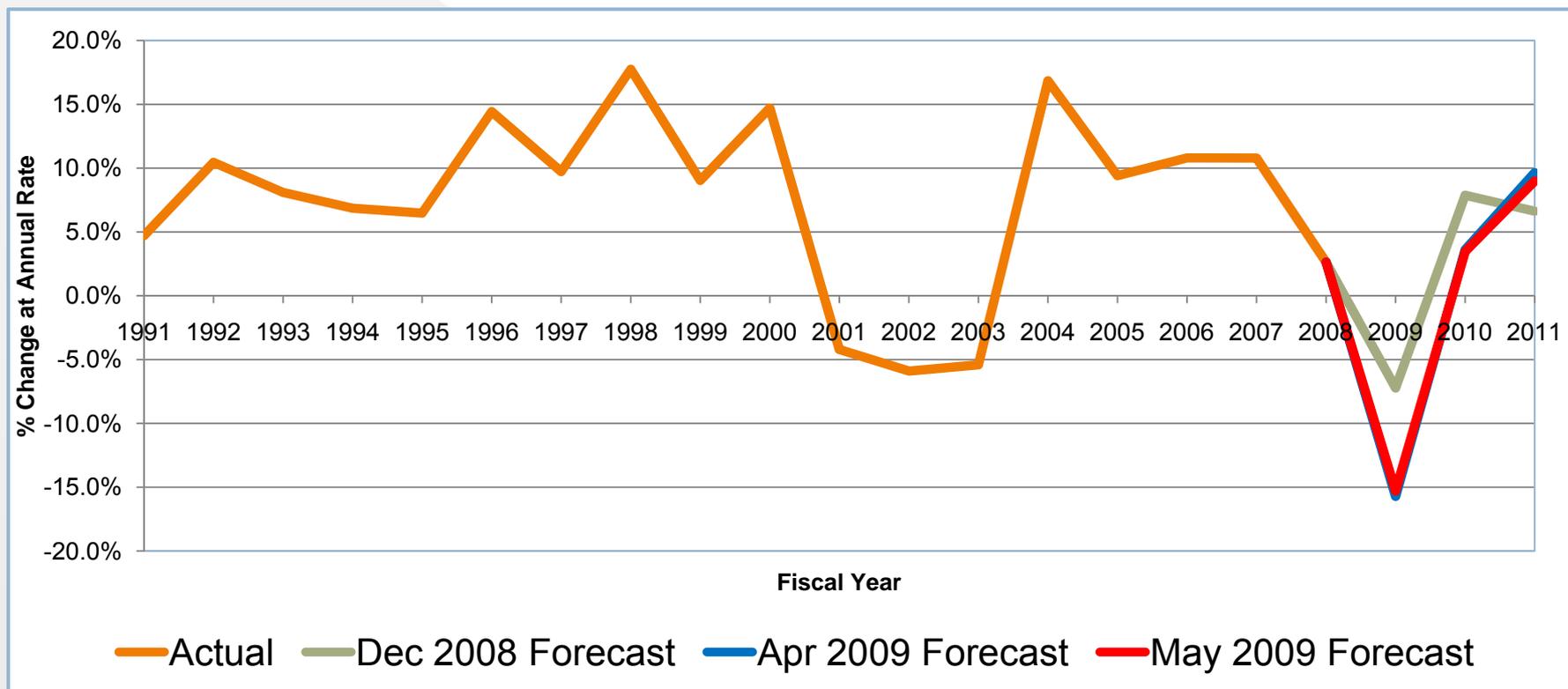
# Indiana Nominal Personal Income



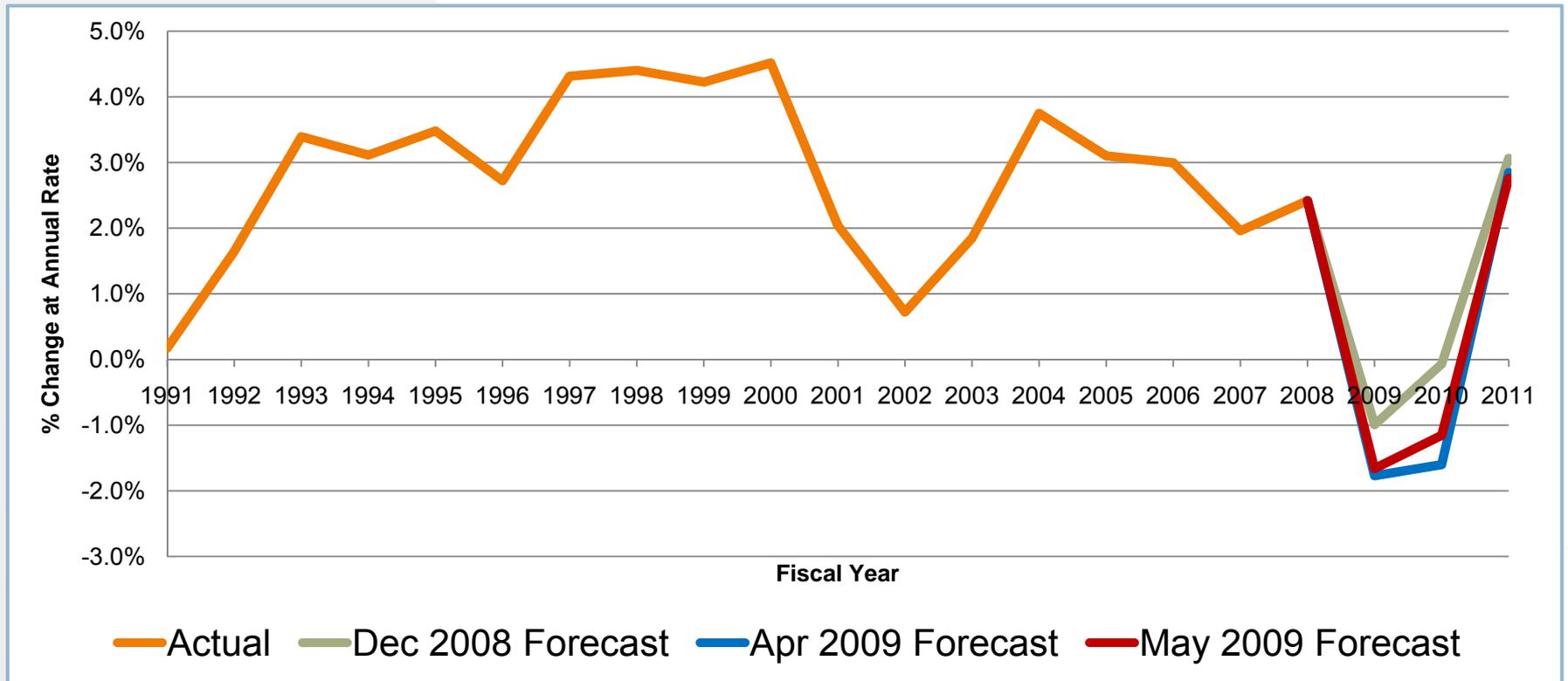
# Nominal Indiana Wage and Salary Disbursements Growth Rate



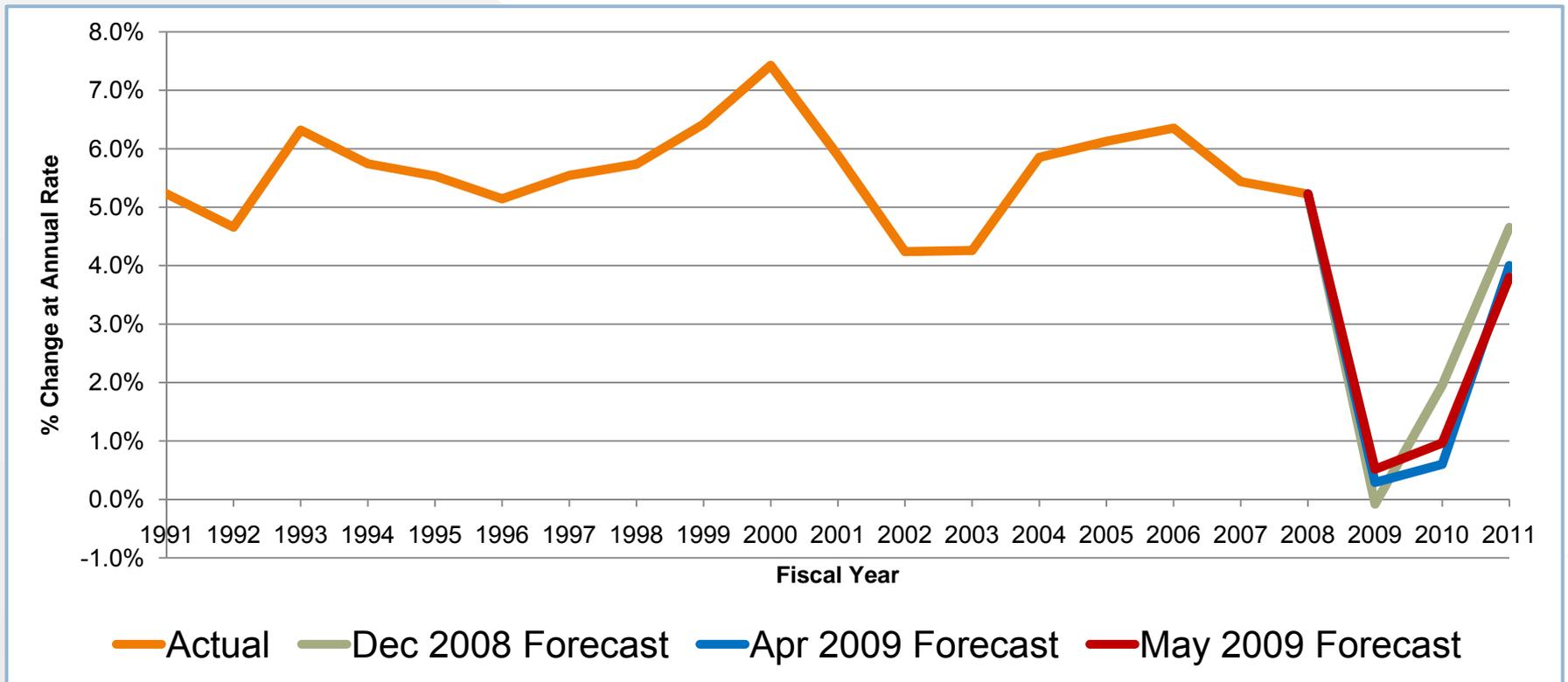
# U.S. Household Financial Asset Values



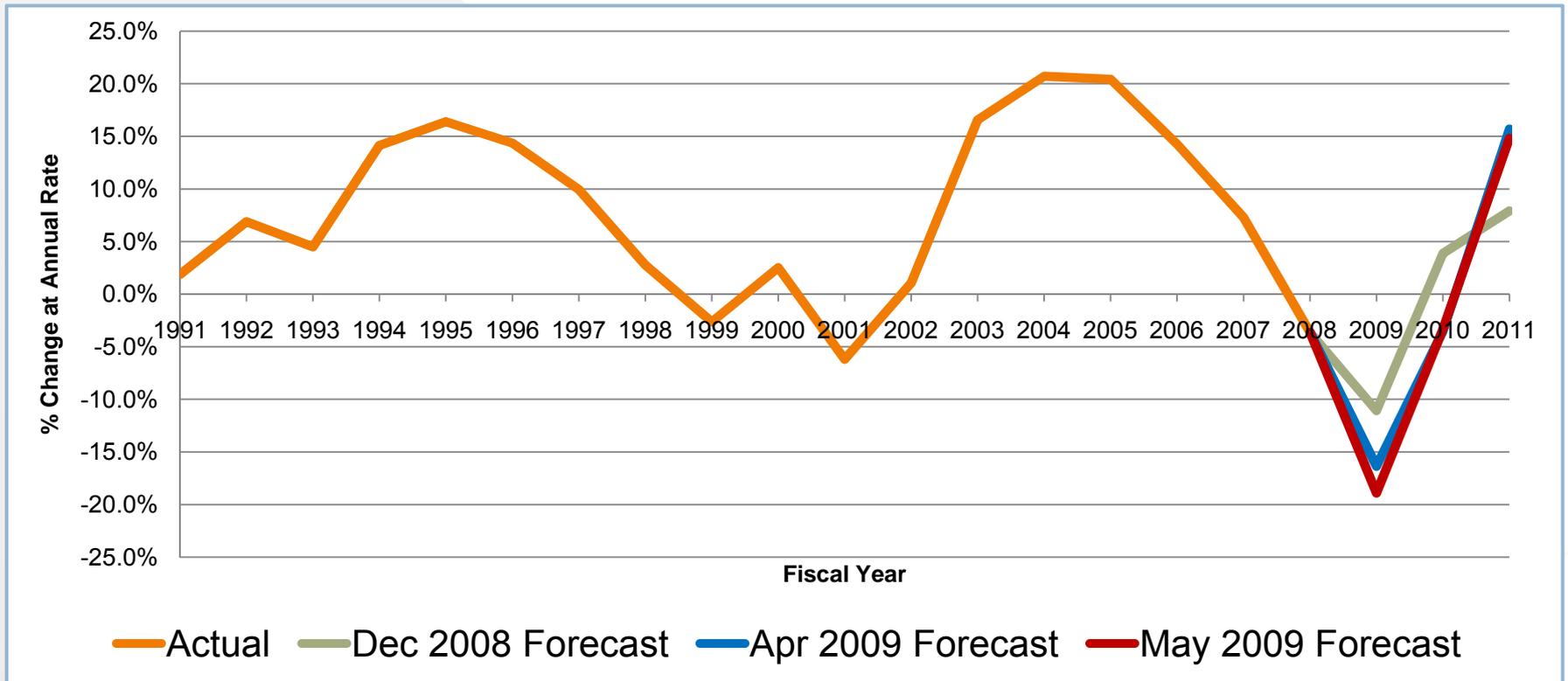
# Real U.S. GDP Growth Rate



# U.S. Personal Consumption Expenditures



# U.S. Corporate Profits Growth



# Changes in Economic Variables - April to May

Indiana Nominal Personal Income (in millions)					
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	May 2009 Forecast	Difference Apr 09 to May 09	Difference Dec 08 to May 09
2009	\$219,483	\$217,434	\$217,039	-0.18%	-1.11%
2010	\$223,013	\$217,471	\$215,734	-0.80%	-3.26%
2011	\$229,682	\$221,752	\$220,647	-0.50%	-3.93%

Nominal Indiana Wage and Salary Disbursements (in millions)					
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	May 2009 Forecast	Difference Apr 09 to May 09	Difference Dec 08 to May 09
2009	\$116,674	\$114,818	\$114,489	-0.29%	-1.87%
2010	\$117,574	\$113,370	\$112,277	-0.96%	-4.51%
2011	\$120,836	\$115,333	\$114,289	-0.91%	-5.42%

U. S. Household Financial Assets (in billions)					
Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	May 2009 Forecast	Difference Apr 09 to May 09	Difference Dec 08 to May 09
2009	\$34,742	\$34,171	\$34,340	0.49%	-1.16%
2010	\$37,479	\$35,404	\$35,530	0.36%	-5.20%
2011	\$39,962	\$38,817	\$38,724	-0.24%	-3.10%

# Changes in Economic Variables - April to May

## Nominal U. S. Personal Consumption Expenditures (in billions)

Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	May 2009 Forecast	Difference Apr 09 to May 09	Difference Dec 08 to May 09
2009	\$9,942	\$9,979	\$10,001	0.22%	0.60%
2010	\$10,136	\$10,039	\$10,097	0.59%	-0.38%
2011	\$10,608	\$10,440	\$10,481	0.39%	-1.19%

## Real U.S. GDP (in billions)

Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	May 2009 Forecast	Difference Apr 09 to May 09	Difference Dec 08 to May 09
2009	\$11,539	\$11,449	\$11,461	0.11%	-0.67%
2010	\$11,531	\$11,265	\$11,329	0.56%	-1.75%
2011	\$11,884	\$11,586	\$11,641	0.47%	-2.05%

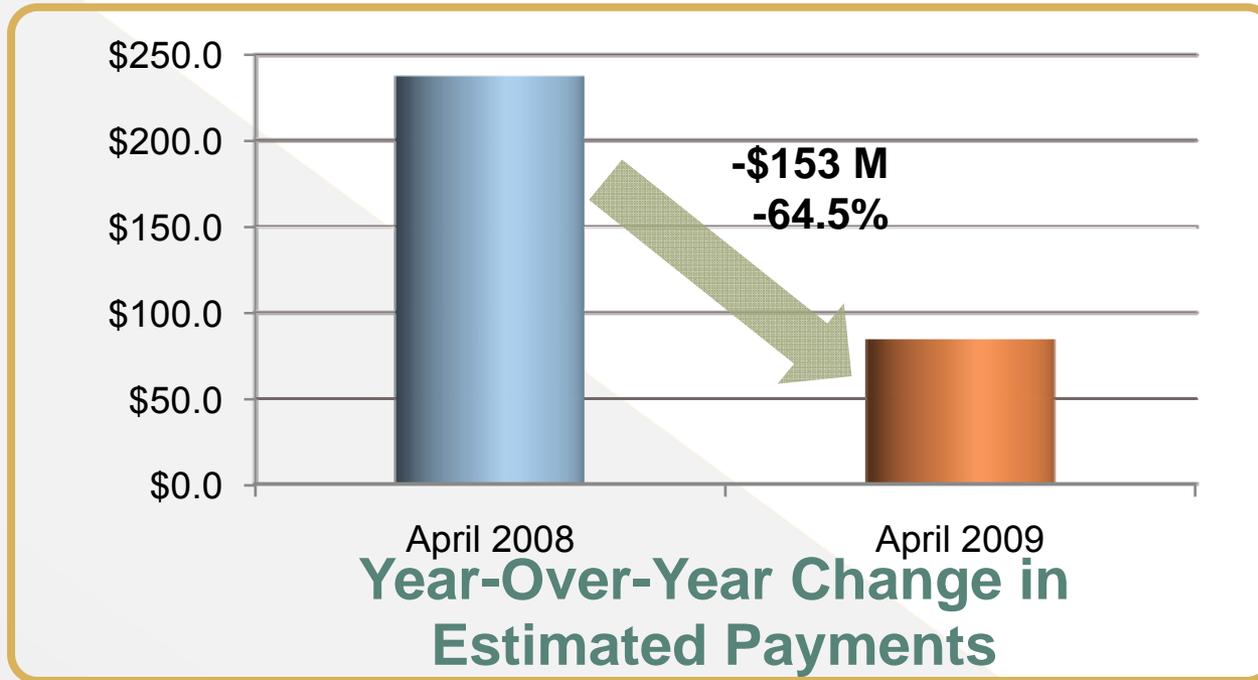
## U.S. Corporate Profits (in billions)

Fiscal Year	Dec 2008 Forecast	Apr 2009 Forecast	May 2009 Forecast	Difference Apr 09 to May 09	Difference Dec 08 to May 09
2009	\$1,424	\$1,339	\$1,299	-3.04%	-8.81%
2010	\$1,479	\$1,292	\$1,255	-2.86%	-15.14%
2011	\$1,596	\$1,495	\$1,441	-3.60%	-9.71%

# Special Issues

- Significant Decline in 1<sup>st</sup> Quarter Estimated Payments for Individual Income Tax Revenue
- Continued Decline in Monthly Sales Tax Collections
- 2009 Property Tax Billing Delays Slowed FIT and Excise Tax Recapture to the State
- Adjustments

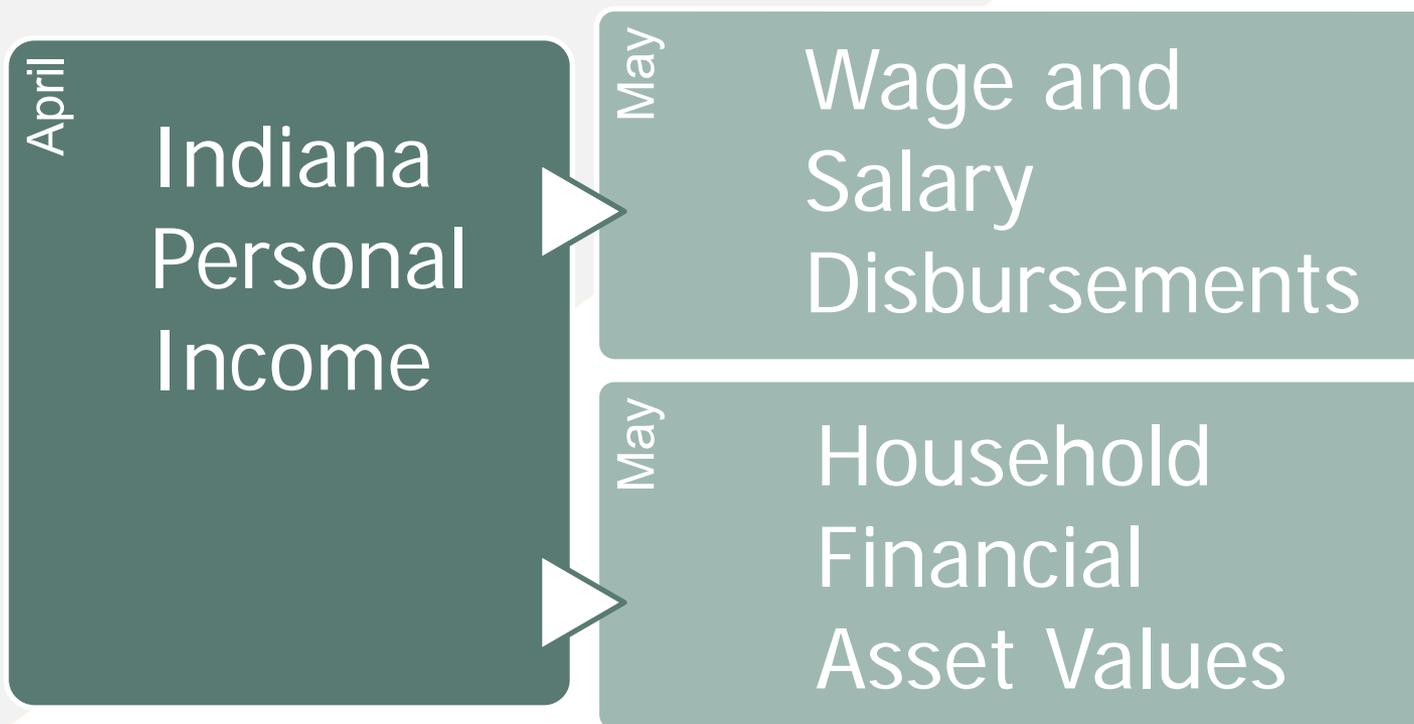
# April Estimated Payments



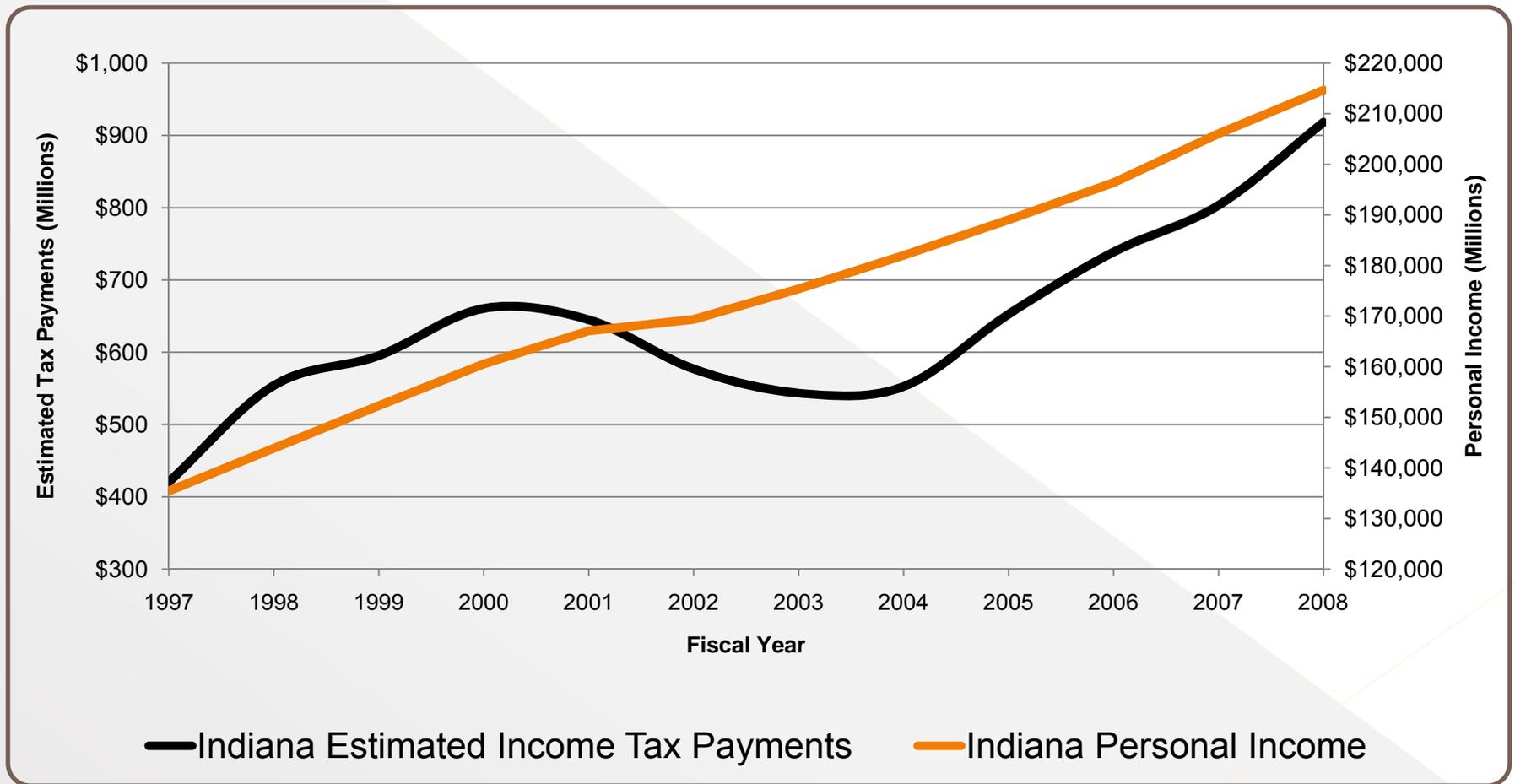
## Revenue Forecast Effect

The personal income variable used in the April Forecast does not adequately measure the impact of business cycle changes.

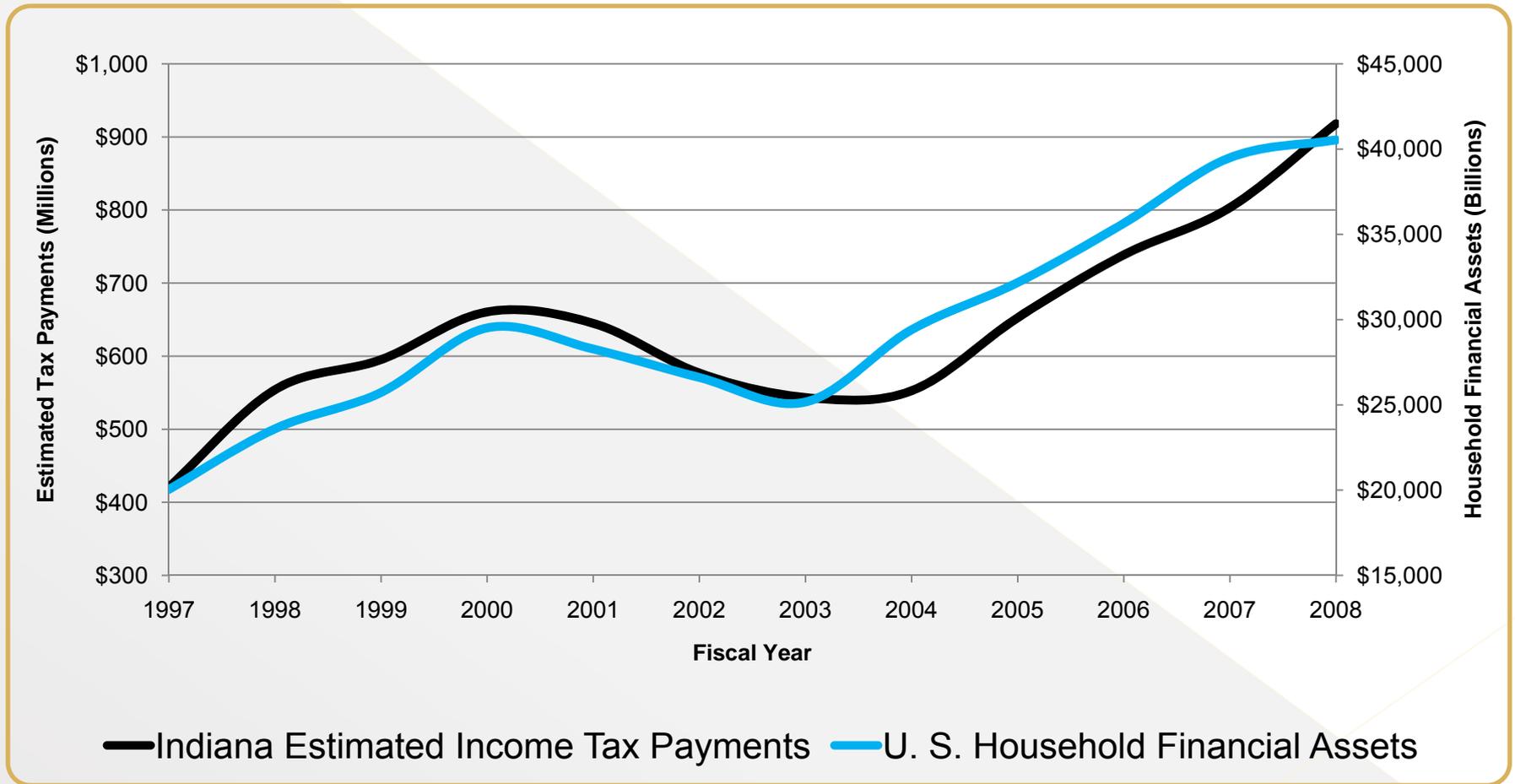
# Changes in the Individual Income Tax Model



# Indiana Personal Income and Estimated Payments



# U.S. Household Financial Asset Values and Estimated Payments



# Changes in the Sales Tax Model

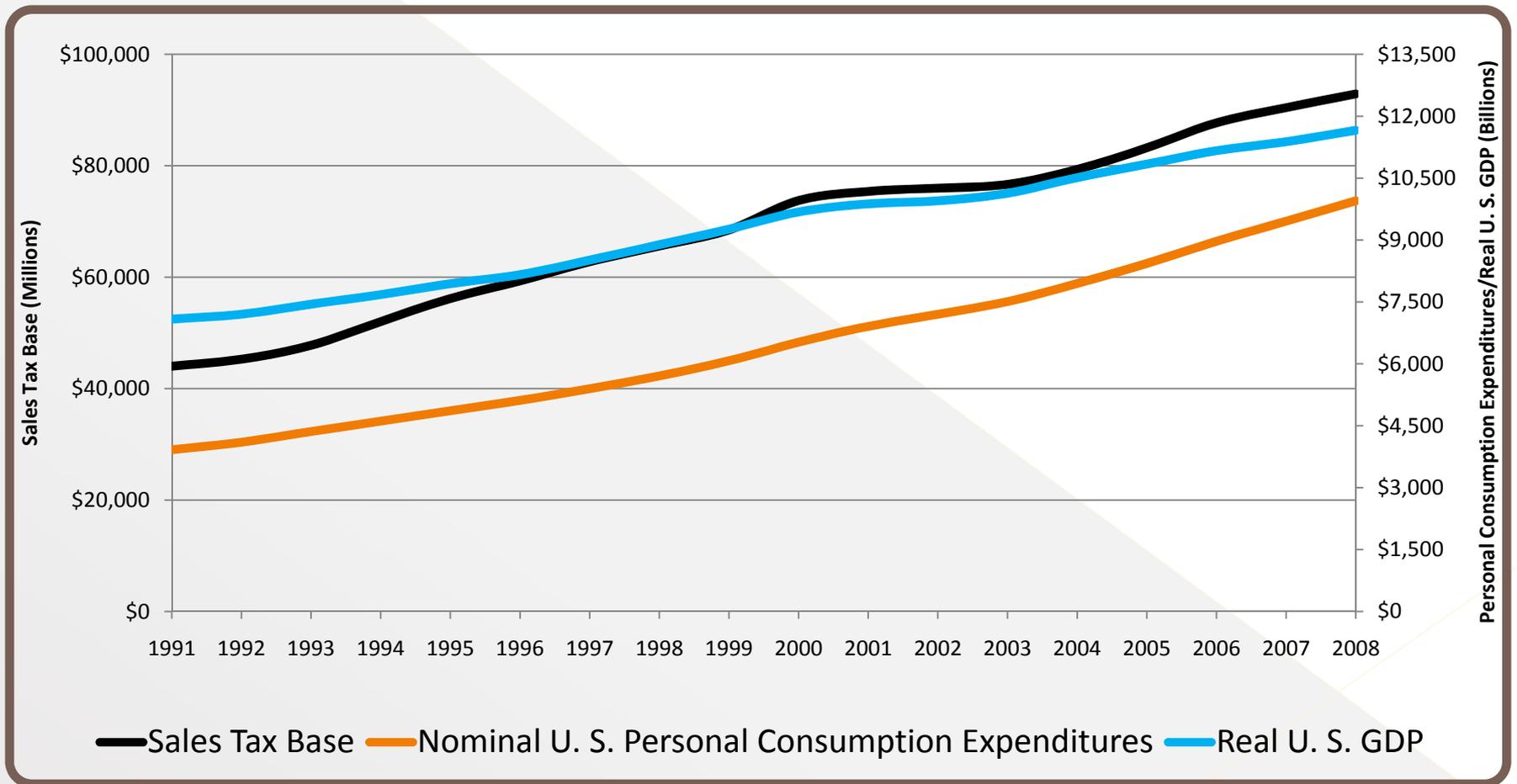
April

Gross  
Domestic  
Product

May

Personal  
Consumption  
Expenditures

# GDP and Personal Consumption Expenditures in Comparison to Sales Tax Base



# May 2009 Forecast Results

# Change from April to May Total General Fund Revenue Forecast

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

FY 2009

\$12,932.1 M

Change from  
April 2009  
Forecast:

↓ 3.3% or  
(\$444.3 M)

FY 2010

\$13,143.6 M

Change from  
April 2009  
Forecast:

↓ 2.5% or  
(\$331.7 M)

FY 2011

\$13,660.3 M

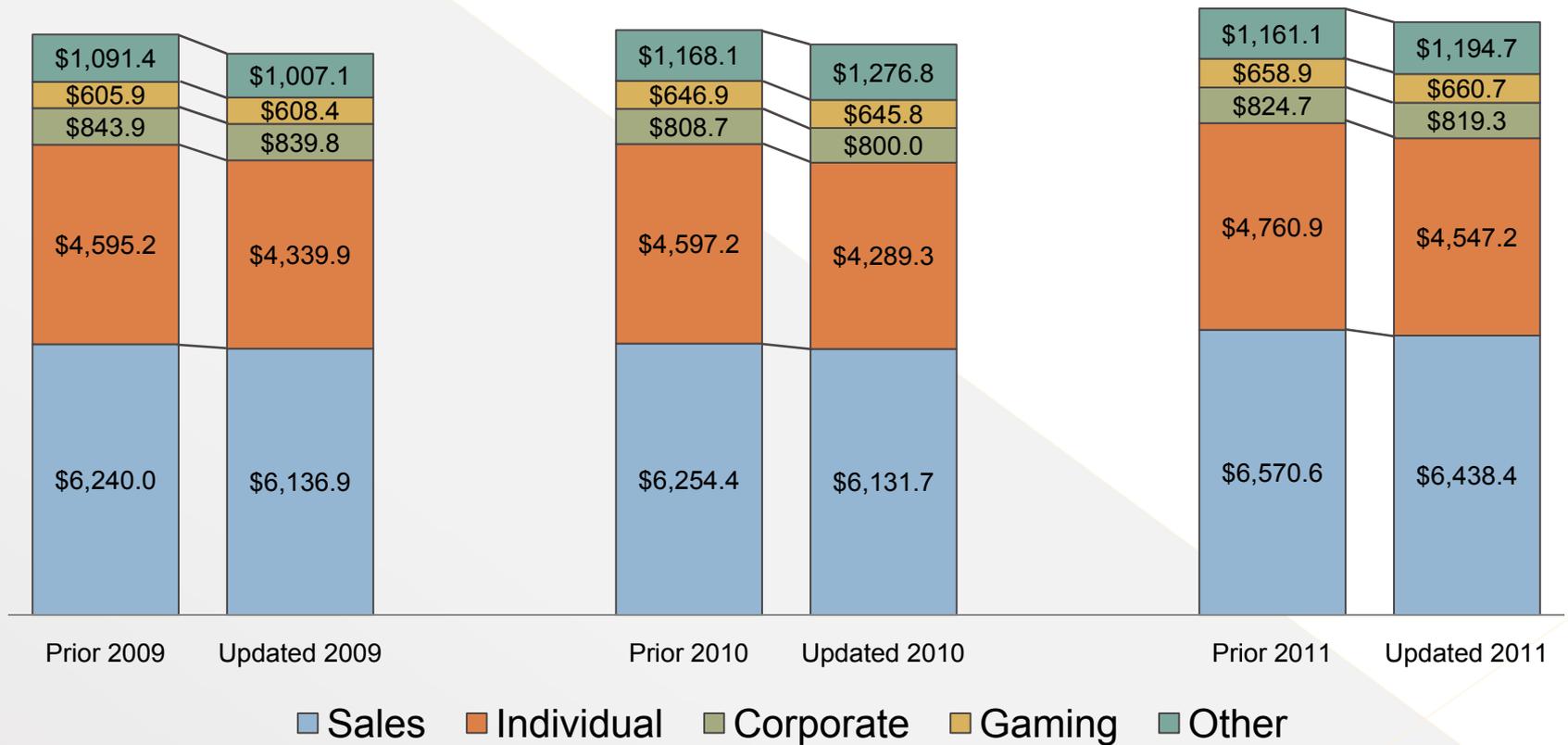
Change from  
April 2009  
Forecast:

↓ 2.3% or  
(\$316.0 M)

**\$1,092.0 M Decrease Over Three Years**

# Total Tax Revenue Estimates

## Changes from April to May Forecasts



# Total Tax Revenue Estimates

## Sales Tax (in millions)

Fiscal Year	Apr 2009 Forecast	May 2009 Forecast	Difference (\$) April to May	Difference (%) April to May
2009	\$6,240.0	\$6,136.9	(\$103.1)	-1.7%
2010	\$6,254.4	\$6,131.7	(\$122.7)	-2.0%
2011	\$6,570.6	\$6,438.4	(\$132.2)	-2.0%

## Individual Income Tax (in millions)

Fiscal Year	Apr 2009 Forecast	May 2009 Forecast	Difference (\$) April to May	Difference (%) April to May
2009	\$4,595.2	\$4,339.9	(\$255.3)	-5.6%
2010	\$4,597.2	\$4,289.3	(\$307.9)	-6.7%
2011	\$4,760.9	\$4,547.2	(\$213.7)	-4.5%

## Corporate Taxes (in millions)

Fiscal Year	Apr 2009 Forecast	May 2009 Forecast	Difference (\$) April to May	Difference (%) April to May
2009	\$843.9	\$839.8	(\$4.1)	-0.5%
2010	\$808.7	\$800.0	(\$8.7)	-1.1%
2011	\$824.7	\$819.3	(\$5.4)	-0.7%

# Total Tax Revenue Estimates

<b>Gaming Taxes</b> (in millions)				
<b>Fiscal Year</b>	<b>Apr 2009 Forecast</b>	<b>May 2009 Forecast</b>	<b>Difference (\$) April to May</b>	<b>Difference (%) April to May</b>
2009	\$605.9	\$608.4	\$2.5	0.4%
2010	\$646.9	\$645.8	(\$1.1)	-0.2%
2011	\$658.9	\$660.7	\$1.8	0.3%

<b>Other Taxes (Includes FIT, Excise, CVET Transfer) *</b> (in millions)				
<b>Fiscal Year</b>	<b>Apr 2009 Forecast</b>	<b>May 2009 Forecast</b>	<b>Difference (\$) April to May</b>	<b>Difference (%) April to May</b>
2009	\$1,091.4	\$1,007.1	(\$84.3)	-7.7%
2010	\$1,168.1	\$1,276.8	\$108.7	9.3%
2011	\$1,161.1	\$1,194.7	\$33.5	2.9%

<b>Total General Fund Taxes*</b> (in millions)				
<b>Fiscal Year</b>	<b>Apr 2009 Forecast</b>	<b>May 2009 Forecast</b>	<b>Difference (\$) April to May</b>	<b>Difference (%) April to May</b>
2009	\$13,376.4	\$12,932.1	(\$444.3)	-3.3%
2010	\$13,475.3	\$13,143.6	(\$331.7)	-2.5%
2011	\$13,976.2	\$13,660.3	(\$316.0)	-2.3%

\*Tables may not add due to rounding.

# Base Case General Fund Revenue Forecast

## Fiscal Years 2009, 2010, and 2011

May 27, 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
	<b>Sales</b>	\$5,534.4	\$5,348.8	\$5,260.4	-\$88.4	-1.7%	-5.0%	\$5,361.2	\$5,256.0	-\$105.2	-2.0%	-0.1%	\$5,632.2	\$5,518.8	-\$113.4	-2.0%
<b>Individual</b>	4,837.5	\$4,595.2	\$4,339.9	-255.3	-5.6%	-10.3%	\$4,597.2	\$4,289.3	-307.9	-6.7%	-1.2%	\$4,760.9	\$4,547.2	-213.7	-4.5%	6.0%
<b>Corporate</b>	909.5	\$843.9	\$839.8	-4.1	-0.5%	-7.7%	\$808.7	\$800.0	-8.7	-1.1%	-4.7%	\$824.7	\$819.3	-5.4	-0.7%	2.4%
<b>Subtotal "Big Three"</b>	\$11,281.4	\$10,787.9	\$10,440.1	-\$347.8	-3.2%	-7.5%	\$10,767.1	\$10,345.3	-\$421.8	-3.9%	-0.9%	\$11,217.8	\$10,885.3	-\$332.5	-3.0%	5.2%
<b>Gaming</b>	582.9	548.1	548.3	0.2	0.0%	-5.9%	544.4	541.1	-3.3	-0.6%	-1.3%	555.6	554.0	-1.6	-0.3%	2.4%
<b>Cigarette</b>	325.6	321.1	321.1	0.0	0.0%	-1.4%	310.9	311.0	0.1	0.0%	-3.1%	302.3	302.3	0.0	0.0%	-2.8%
<b>AB Taxes</b>	16.4	15.9	15.9	0.0	0.0%	-3.0%	15.9	16.0	0.1	0.6%	0.6%	16.0	16.0	0.0	0.0%	0.0%
<b>Inheritance</b>	165.6	180.0	180.0	0.0	0.0%	8.7%	167.5	167.5	0.0	0.0%	-6.9%	167.5	167.5	0.0	0.0%	0.0%
<b>Insurance</b>	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%
<b>Interest</b>	146.7	65.0	65.0	0.0	0.0%	-55.7%	50.0	50.0	0.0	0.0%	-23.1%	50.0	65.0	15.0	30.0%	30.0%
<b>Other</b>	224.0	212.5	212.5	0.0	0.0%	-5.1%	222.5	222.5	0.0	0.0%	4.7%	222.5	222.5	0.0	0.0%	0.0%
<b>Subtotal</b>	\$1,066.3	\$971.7	\$971.7	\$0.0	0.0%	-8.9%	\$944.0	\$944.2	\$0.2	0.0%	-2.8%	\$935.5	\$950.5	\$15.0	1.6%	0.7%
<b>Grand Total</b>	<b>\$12,930.6</b>	<b>\$12,307.7</b>	<b>\$11,960.1</b>	<b>-\$347.6</b>	<b>-2.8%</b>	<b>-7.5%</b>	<b>\$12,255.5</b>	<b>\$11,830.6</b>	<b>-\$424.9</b>	<b>-3.5%</b>	<b>-1.1%</b>	<b>\$12,708.9</b>	<b>\$12,389.8</b>	<b>-\$319.1</b>	<b>-2.5%</b>	<b>4.7%</b>

# HEA 1001-2008 and HEA 1835-2007

## Measures Adjusted for Forecast

Increased sales tax rate from 6% to 7%

- FY 2009 = \$876.5M
- FY 2010 = \$875.7M
- FY 2011 = \$919.6M

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 = \$30.9M
- FY 2010 = \$339.7M
- FY 2011 = \$251.3M

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 = \$60.1M
- FY 2010 = \$104.7M
- FY 2011 = \$106.7M

# Total General Fund Revenue Forecast

## Incorporates Changes from HEA 1001-2008 and HEA 1835-2007

### Fiscal Years 2009, 2010, and 2011

May 27, 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
<b>Sales</b>	\$5,686.0	\$6,240.0	\$6,136.9	-\$103.1	-1.7%	7.9%	\$6,254.4	\$6,131.7	-\$122.7	-2.0%	-0.1%	\$6,570.6	\$6,438.4	-\$132.2	-2.0%	5.0%
<b>Individual</b>	4,837.5	\$4,595.2	\$4,339.9	-255.3	-5.6%	-10.3%	\$4,597.2	\$4,289.3	-307.9	-6.7%	-1.2%	\$4,760.9	\$4,547.2	-213.7	-4.5%	6.0%
<b>Corporate</b>	909.5	\$843.9	\$839.8	-4.1	-0.5%	-7.7%	\$808.7	\$800.0	-8.7	-1.1%	-4.7%	\$824.7	\$819.3	-5.4	-0.7%	2.4%
<b>Subtotal "Big Three"</b>	\$11,433.0	\$11,679.1	\$11,316.6	-\$362.5	-3.1%	-1.0%	\$11,660.3	\$11,221.0	-\$439.3	-3.8%	-0.8%	\$12,156.2	\$11,804.9	-\$351.3	-2.9%	5.2%
<b>Gaming</b>	582.9	605.9	608.4	2.5	0.4%	4.4%	646.9	645.8	-1.1	-0.2%	6.1%	658.9	660.7	1.8	0.3%	2.3%
<b>Cigarette</b>	325.6	321.1	321.1	0.0	0.0%	-1.4%	310.9	311.0	0.1	0.0%	-3.1%	302.3	302.3	0.0	0.0%	-2.8%
<b>AB Taxes</b>	16.4	15.9	15.9	0.0	0.0%	-3.0%	15.9	16.0	0.1	0.6%	0.6%	16.0	16.0	0.0	0.0%	0.0%
<b>Inheritance</b>	165.6	180.0	180.0	0.0	0.0%	8.7%	167.5	167.5	0.0	0.0%	-6.9%	167.5	167.5	0.0	0.0%	0.0%
<b>Insurance</b>	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%
<b>Interest</b>	146.7	65.0	65.0	0.0	0.0%	-55.7%	50.0	50.0	0.0	0.0%	-23.1%	50.0	65.0	15.0	30.0%	30.0%
<b>Other</b>	224.0	332.2	247.9	-84.3	-25.4%	10.7%	446.6	555.1	108.5	24.3%	123.9%	448.1	466.7	18.5	4.1%	-15.9%
<b>Subtotal</b>	\$1,066.3	\$1,091.4	\$1,007.1	-\$84.3	-7.7%	-5.5%	\$1,168.1	\$1,276.8	\$108.7	9.3%	26.8%	\$1,161.1	\$1,194.7	\$33.5	2.9%	-6.4%
<b>Grand Total</b>	<b>\$13,082.2</b>	<b>\$13,376.4</b>	<b>\$12,932.1</b>	<b>-\$444.3</b>	<b>-3.3%</b>	<b>-1.1%</b>	<b>\$13,475.3</b>	<b>\$13,143.6</b>	<b>-\$331.7</b>	<b>-2.5%</b>	<b>1.6%</b>	<b>\$13,976.2</b>	<b>\$13,660.3</b>	<b>-\$316.0</b>	<b>-2.3%</b>	<b>3.9%</b>

# Significant Factors Affecting the May 2009 Forecast

The economic outlook has continued to deteriorate since the April forecast

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

Significant decrease in April estimated Income Tax payments necessitated using a business cycle measure

Continued declines in Sales Tax required changing to a business cycle measure better reflecting consumer spending