Vanessa Summers

Indiana State Representative, District 99

How did we get here?

A brief history of Indiana's finances

Gov. Frank O'Bannon called a special legislative session this year to deal with escalating problems in the state budget. Indiana used to have a budget surplus. What has changed?

After the longest economic expansion on record in the 1990s, Indiana's coffers were full to overflowing. Legislators opted to cut taxes rather than keep such a large surplus, and returned over $1.5 billion in taxes since 1996. Those cuts aided homeowners, renters, the working poor, senior citizens, and others in our state.

By January of 2000, though, the national economy was slowing. Within a few months it was clear that our country's finances were taking a turn for the worse. With Medicaid spending on the rise, 17 states faced budget shortfalls by Fiscal Year 01, Indiana among them. Last July Gov. O'Bannon ordered $113 million in one-time cuts in an effort to address the growing budget deficit.

Imagine if your paycheck was 14% smaller this month.

The terrorist attacks last September only exacerbated the situation. Consumers spent less. Business slowed, cutting production and cutting jobs. That meant less money flowed into the state accounts from sales taxes, individual and corporate income taxes.

In May of this year, Indiana revenue collections were 14.7 percent below expectation. Imagine if your paycheck was 14 percent smaller this month. You would find ways to cut back, and then you would re-evaluate your situation.

Gov. O'Bannon made a total of $949 million in spending cuts in Fiscal Year 02, but our state was still in the red. The legislature met to re-evaluate. House Bill 1001 is the result.

Special session ends

Summers cannot support tax, budget plan; votes no

Summer, 2002

Dear Friend:

While the news is dominated by the passage of House Bill 1001 and the end of the 2002 Special Session, I must tell you that I voted "no" on the bill and that I continue to have serious reservations about it.

If I had to identify something positive that came out of the special session, it would be the fact that it gave citizens the chance to make known their positions on tax restructuring and the wide range of issues associated with the state budget. What I heard loud and clear over the course of the special session helped me cast my final no vote on June 22.

The product of the special session was a piece of legislation that failed to achieve the goals outlined by my neighbors in District 99: to provide real relief to Indiana families while addressing the long-term fiscal needs of our citizens. I did not oppose every element of the bill, but it did not provide the kinds of responsible, long-term solutions needed.

What I heard. . . helped me cast my final no vote on June 22.

I voted against HB 1001 because it seemed to provide significant tax relief to businesses at the expense of homeowners, family farmers and other "little guys." Indeed, one report claimed that individuals' tax burdens would *increase* approximately $713 million while businesses' tax burdens would be *cut* by $725 million. I hope it turns out that kind of analysis was wrong—but that is certainly not the approach I had hoped to see in the final version of the tax restructuring bill, particularly in these tight economic times.

Rep. Summers discusses legislation with her colleagues in the House Chamber.

HB 1001 incorporated a poor approach to the long-term fiscal problem. We cannot be certain that it will provide all of the funding necessary to prevent teacher layoffs and cuts in public safety funding past the end of the current budget year. It is this kind of security for the future that I sought in the General Assembly's final legislative proposal.

I believe that the solutions touted in this bill are of such short-term consequence that they might as well not exist at all. If things do not improve for Indiana's economy, the Indiana General Assembly will be back here in January talking about many of the very same issues.

I voted against the final version of HB 1001 because I sincerely felt we could do much better: better for Indiana workers, for homeowners, for the poor, and for education.

I look forward to hearing your comments and concerns about state government.

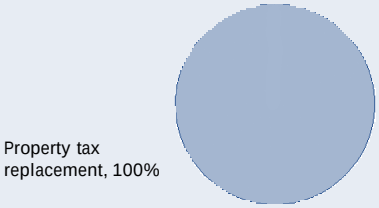
Sincerely,

Vanessa Summers

Distribution of the new tax increases

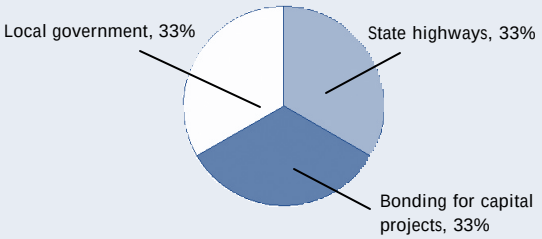
Sales tax

1% increase effective 12/1/02



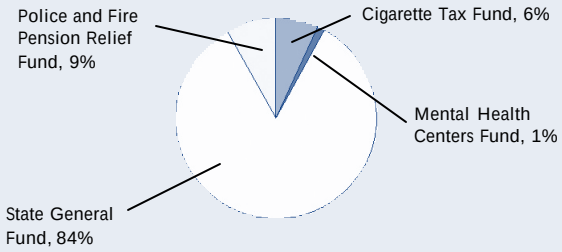
Gas tax

3 cent increase effective 1/1/03

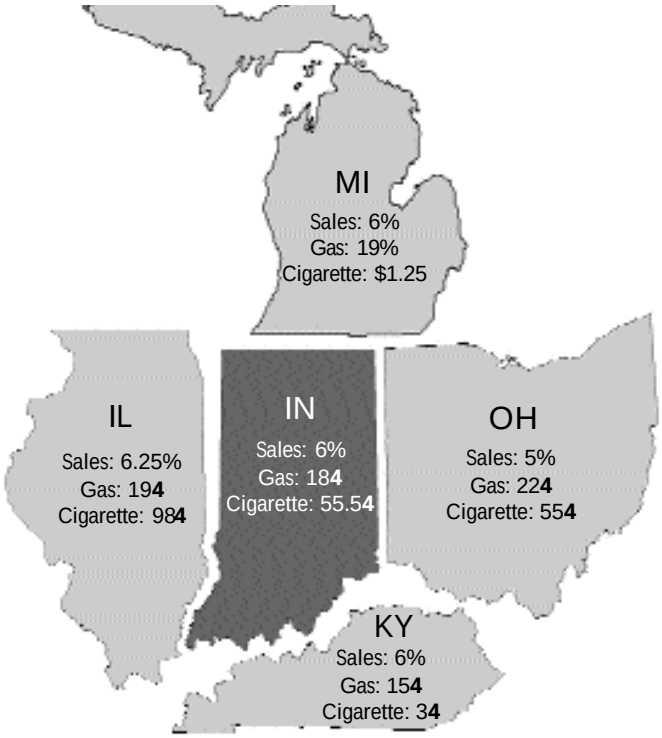


Cigarette tax

40 cent per pack increase effective 7/1/02



How does Indiana rank with its neighbors?



Data from the Federation of Tax Administrators

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