



# AUDITOR OF STATE

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## PRESS RELEASE

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## **SPENDING REDUCTIONS KEEP INDIANA IN THE BLACK**

For the first time in modern history Indiana spent less money during the most recent fiscal year than for the prior year, allowing Indiana to preserve cash reserves. Tim Berry, Indiana State Auditor today announced that, despite a drop in revenues of 12.3% over the past two years the state has been able to maintain strong reserves by showing fiscal responsibility and living within its means. Revenue for fiscal year 2010 came in \$957 million less than budgeted, yet the state was able to preserve more than half of its reserve funds through agency spending reductions. On average state agencies reduced their spending and reverted 9.7% of their allocations for the fiscal year ending June 30. Indiana reserve balances stand at just over \$830 million at the close of the 2010 fiscal year, down from \$1.329 billion at the close of last year. The remaining reserves represent 6.1% of annual expenditures.

“In the wake of declining revenues resulting from the national recession, Indiana has maintained its fiscal sanity and has refused to raise taxes or spend money it just doesn’t have,” stated Auditor Berry. “Governor Daniels’ responsible approach to governing sets our state apart from most of the country.”

While the current balance remains healthy, it is estimated that, even after cuts already announced in agency spending, Indiana’s reserve balance will dip to just above \$188 million by the close of fiscal year 2011. This is largely the result of the further elimination of federal stimulus dollars and a slow recovery in state revenues. State revenues for fiscal year 2010 were less than those for fiscal year 2005. The budget forecasts revenues to grow by 5.3% in fiscal year 2011 back to 2009 levels. Any growth short of that rate would reduce reserves to near zero.

2010 marked the first year for Indiana to close its books utilizing its new financial system. The fully integrated system has provided for more detailed reporting in this initial financial close. The Encompass Peoplesoft system unifies all state agencies into a single financial system, and allows for greater controls and fine-tuned data enabling better management decision making.

“I am proud of the successful deployment of the largest system implementation in state history,” remarked Berry. “Throughout the process payments were made timely, internal controls have been tightened and we have maintained our financial integrity by reporting timely. This will provide for greater disclosure and transparency going forward.”

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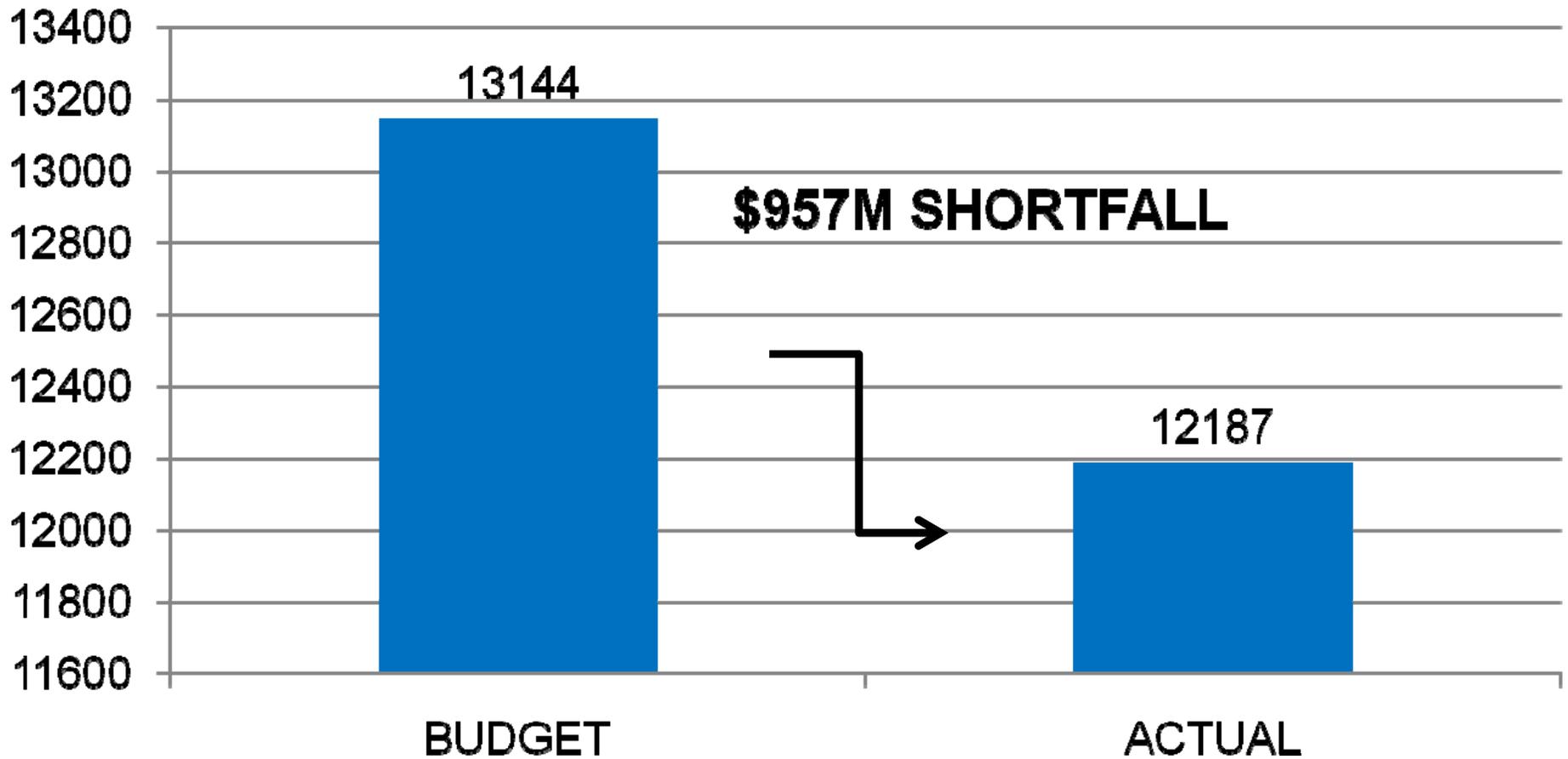
# Indiana State Government Living Within its Means

Tim Berry  
Indiana State Auditor

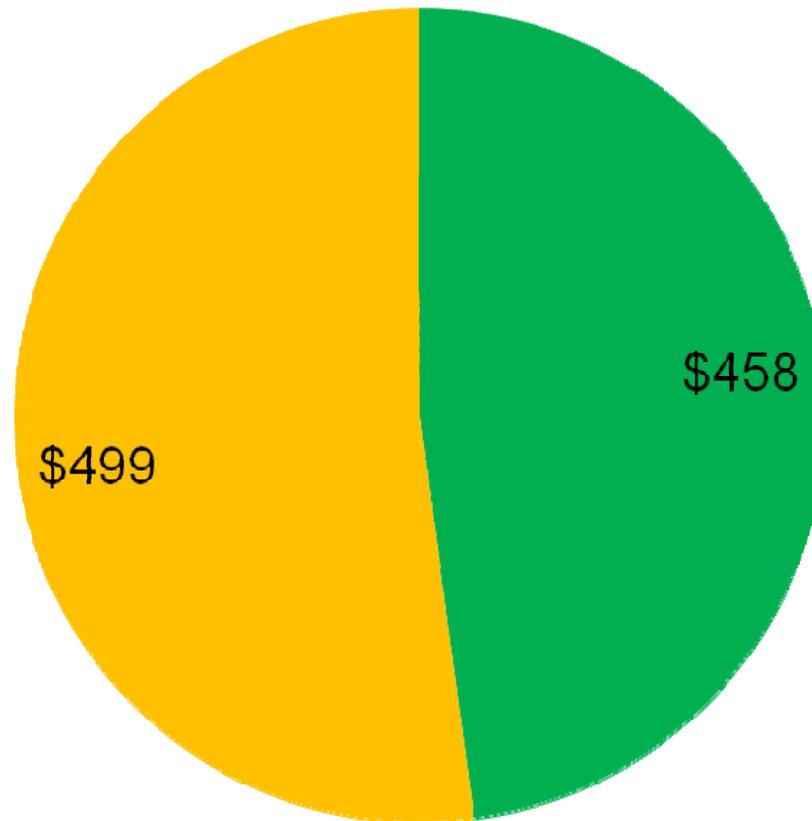
# REVENUE OVERVIEW

- **Total revenue is down \$957 million or 7.3% from as passed revenue forecast – May 2009**
- **Total revenue is down 5.6% or \$ 719 million from 2009 levels**
  - **These levels are larger than shortfalls in 2002 – then the state didn't reduce spending in time and reserve balances were gone - delayed payments were implemented along with raid of the teachers retirement fund**
- **Total Revenue is down 12.3% in last two years – less than Fiscal Year 2005 revenue collections**

# 2010 REVENUE COLLECTIONS



# CLOSING THE \$957 MILLION REVENUE SHORTFALL



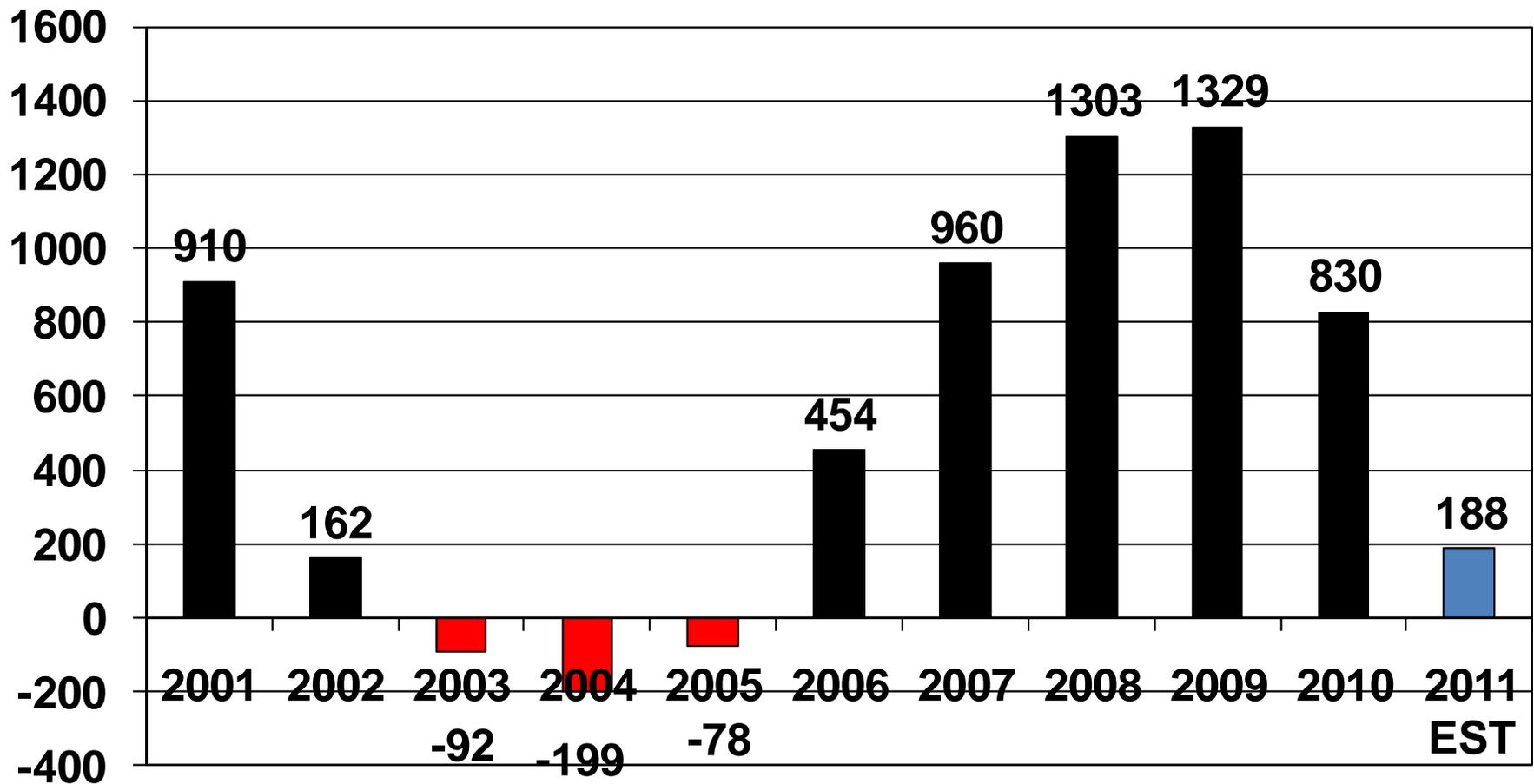
■ **Spending cuts & dedicated funds since June budget passage (\$458)**

■ **Use of Reserves (\$499)**

# General Fund Balances

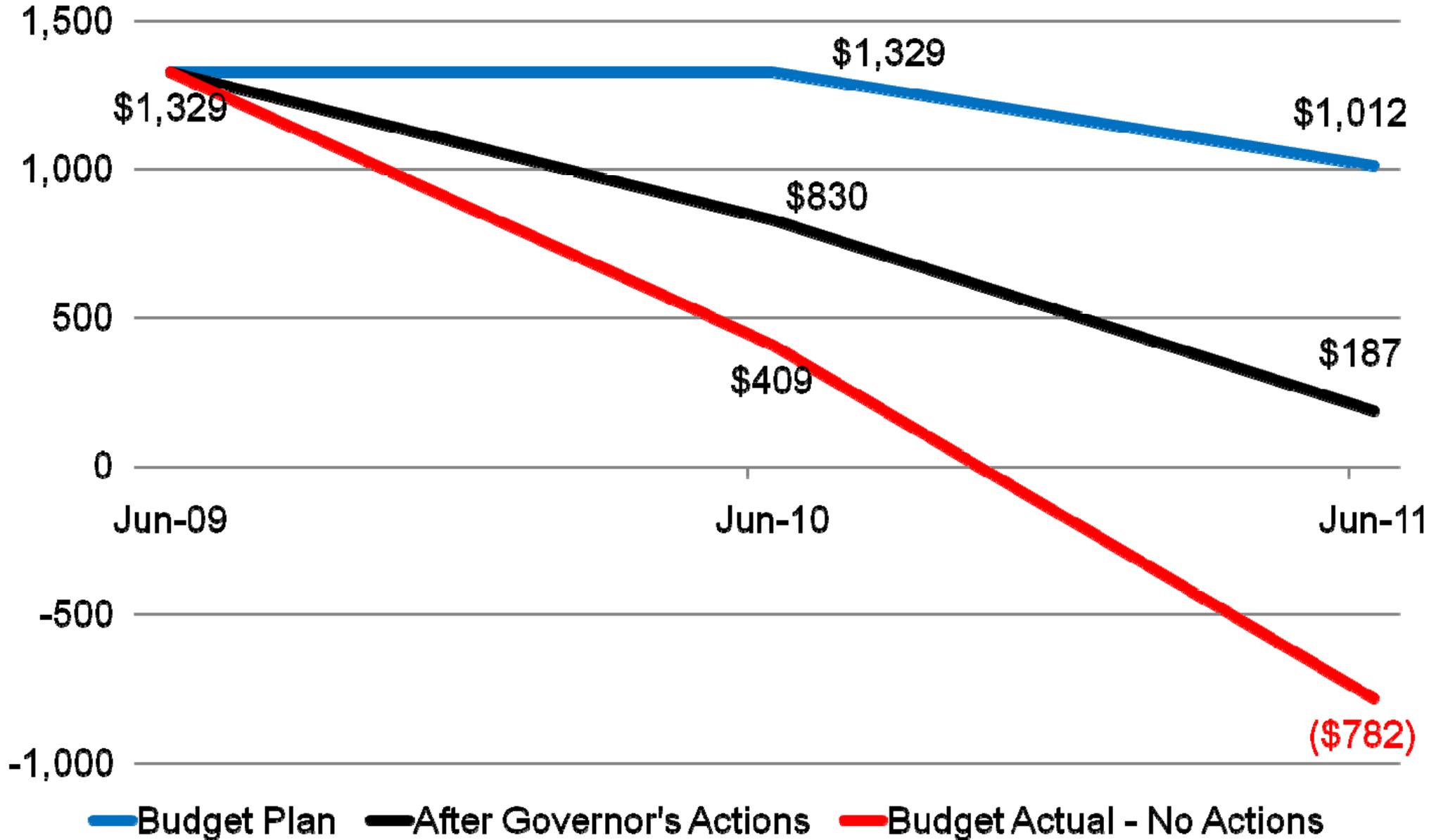
	Actual FY 09	Actual FY 10	Est. FY 11
Beg. Balance	1,303	1,329	830
Revenue	12,935	12,187	12,836
Misc.	116	230	75
<b>TOTAL RESOURCES</b>	<b>14,354</b>	<b>13,746</b>	<b>13,742</b>
Appropriations	14,582	13,697	14,190
Other	-143	4	-38
Reversions	-422	-785	-597
ARRA	-992		
<b>TOTAL USES</b>	<b>13,025</b>	<b>12,916</b>	<b>13,555</b>
<b>RESERVE BALANCE</b>	<b>1,329</b>	<b>830</b>	<b>188</b>

# Maintaining State Reserves (Cash Balance – Liabilities)

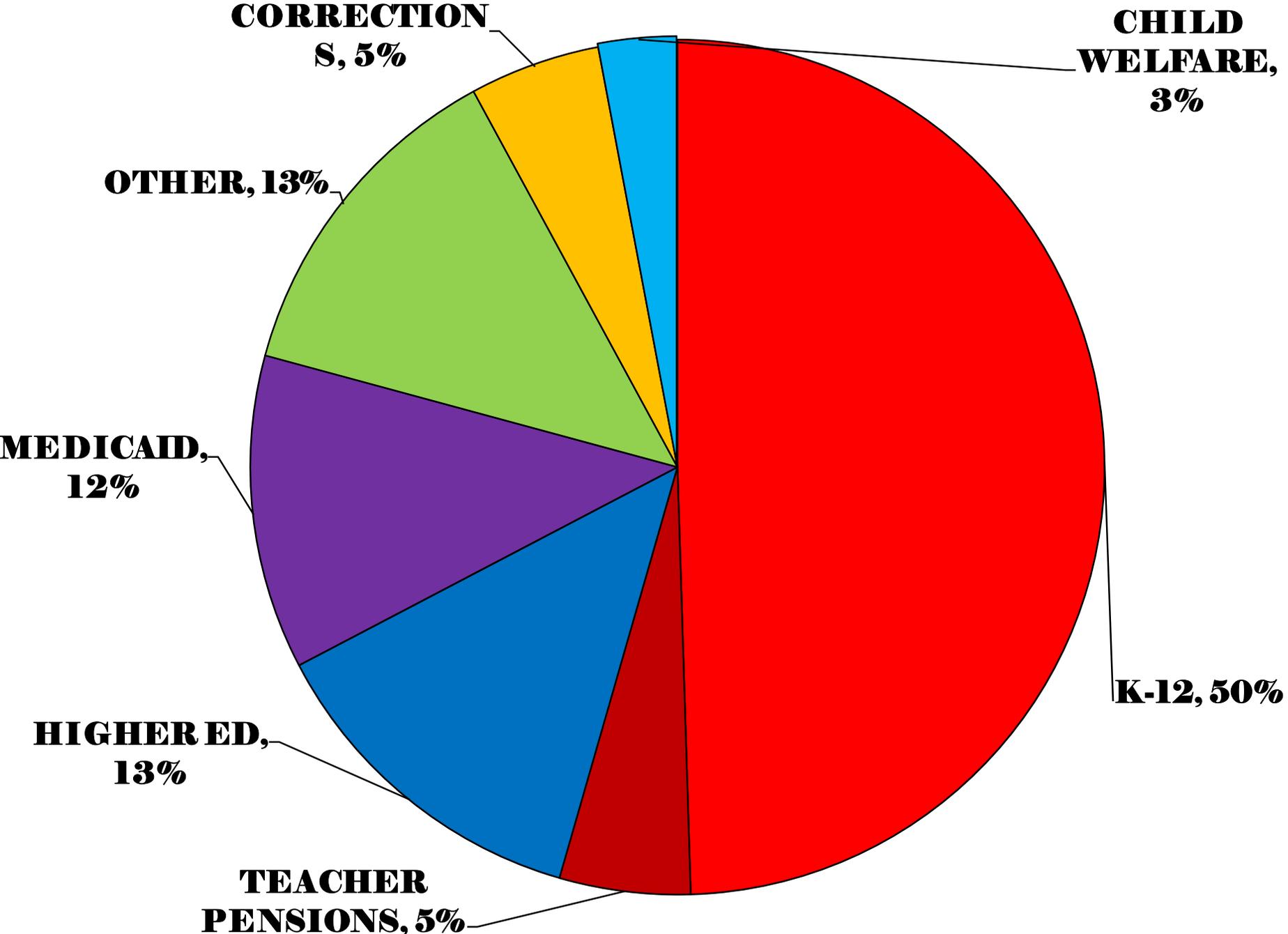


# Total State Reserves

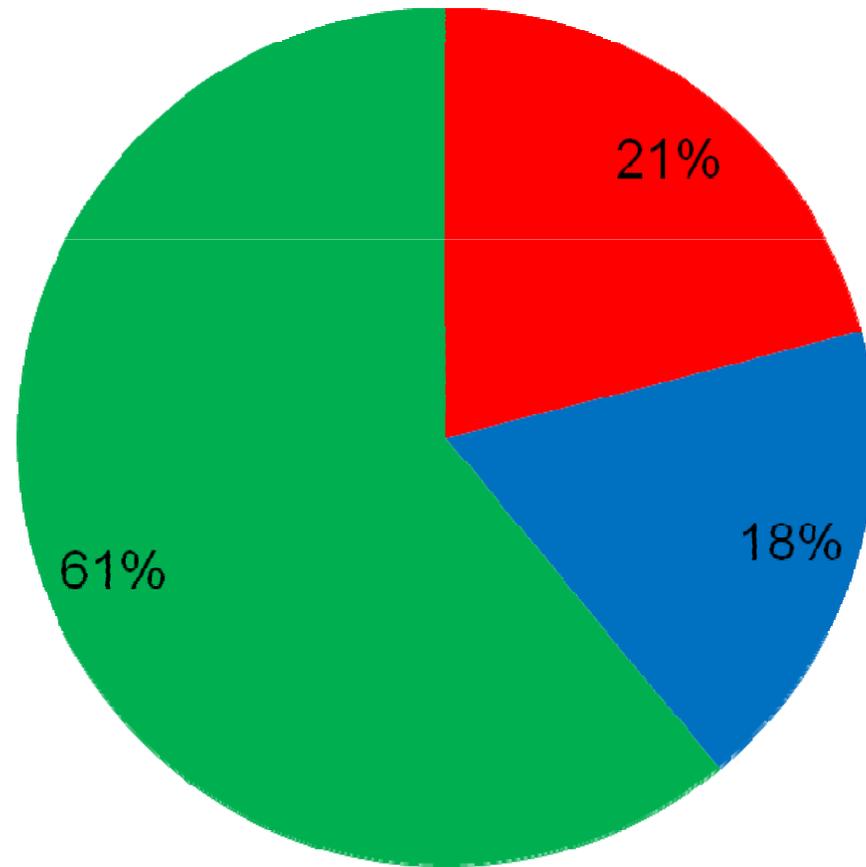
in Millions



# GENERAL FUND EXPENDITURES



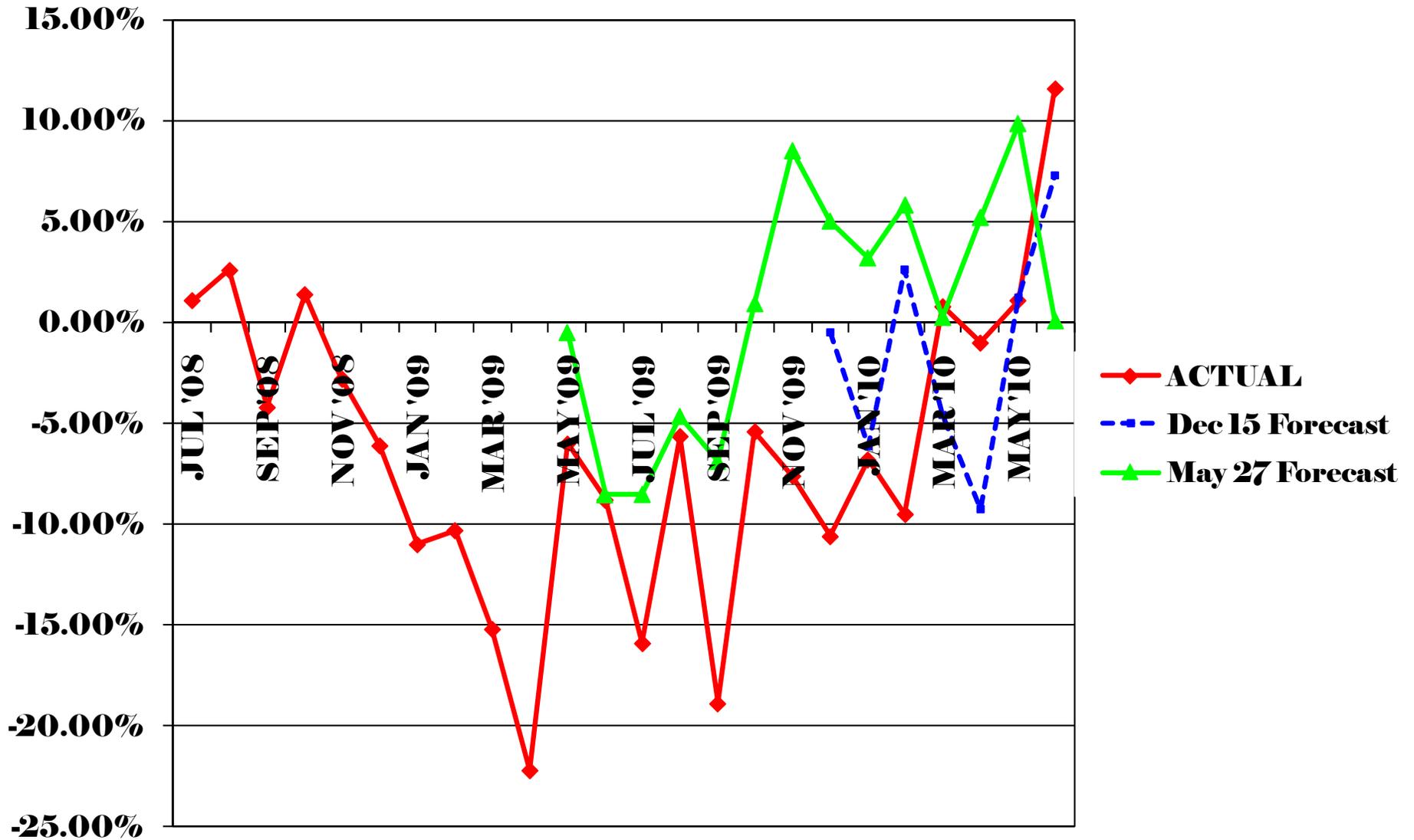
# 2010 Spending Reductions



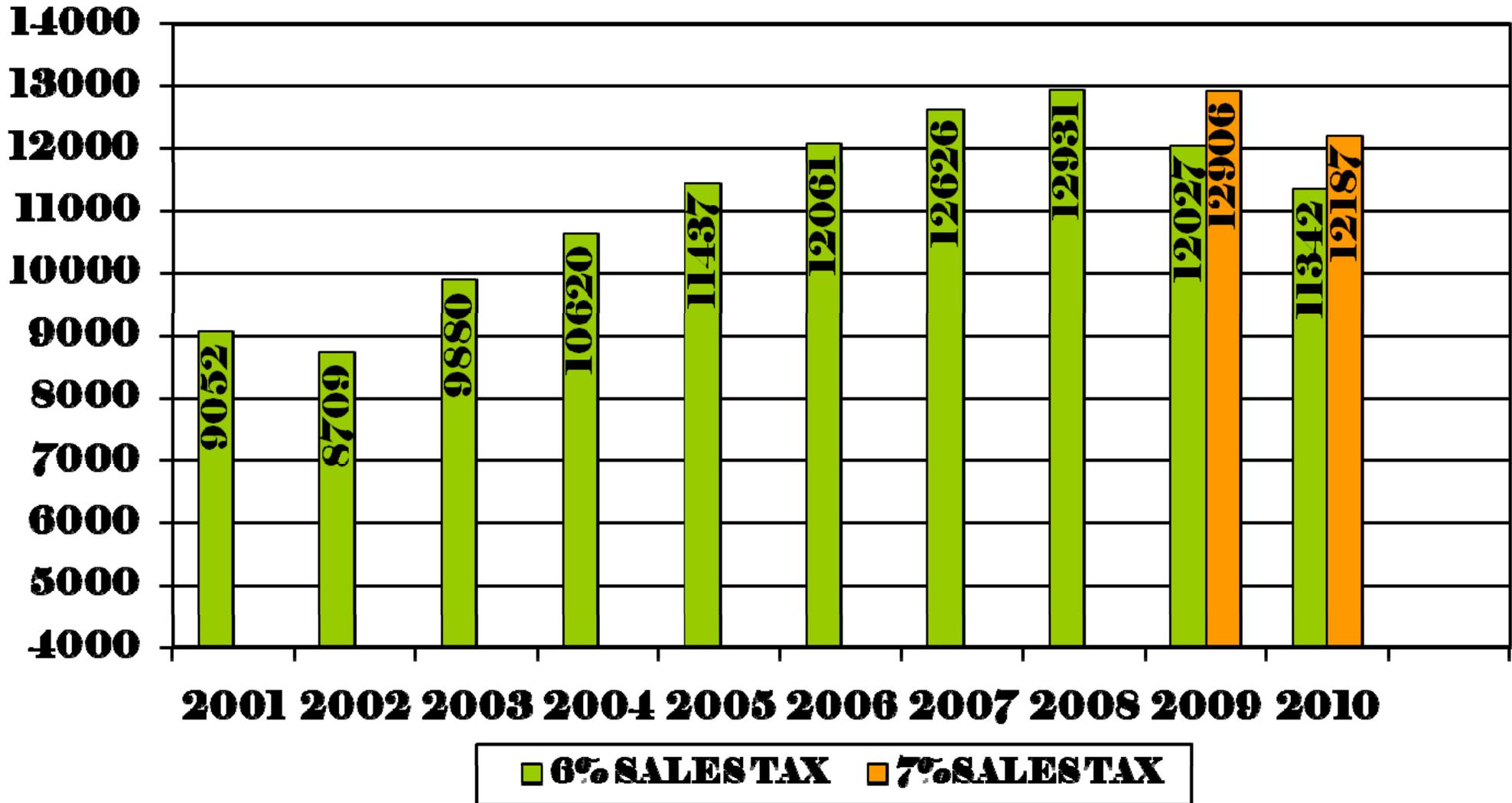
**■ k-12 Education ■ Higher Education ■ State Agencies & Other Branches**

# YEAR TO YEAR REVENUE

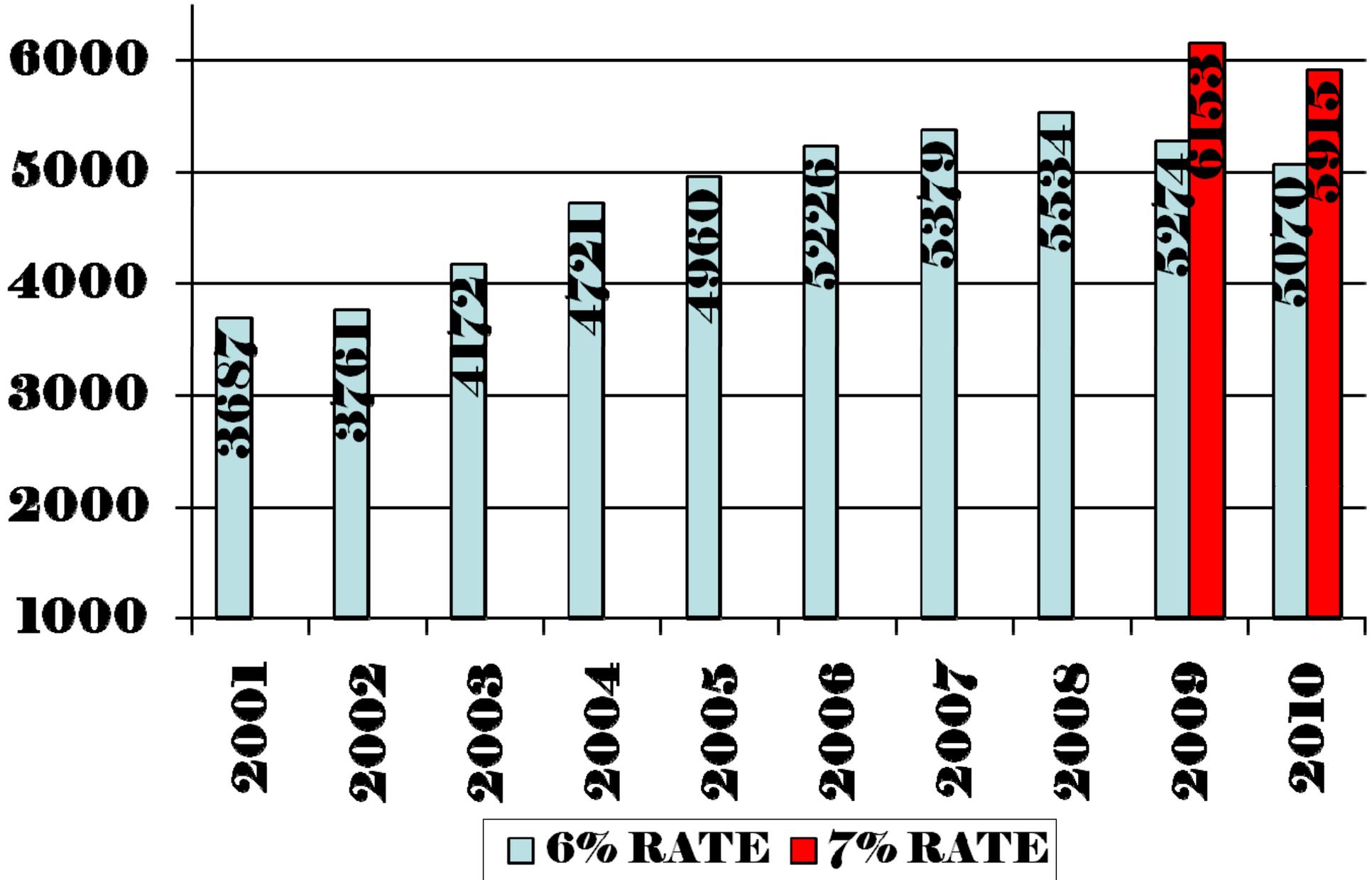
## 17 OF PAST 20 MONTHS SHOW NEGATIVE REVENUE COLLECTIONS



# TOTAL REVENUE BY FISCAL YEAR DOWN 12.3% FROM 2008 LESS THAN FY 2005 LEVELS

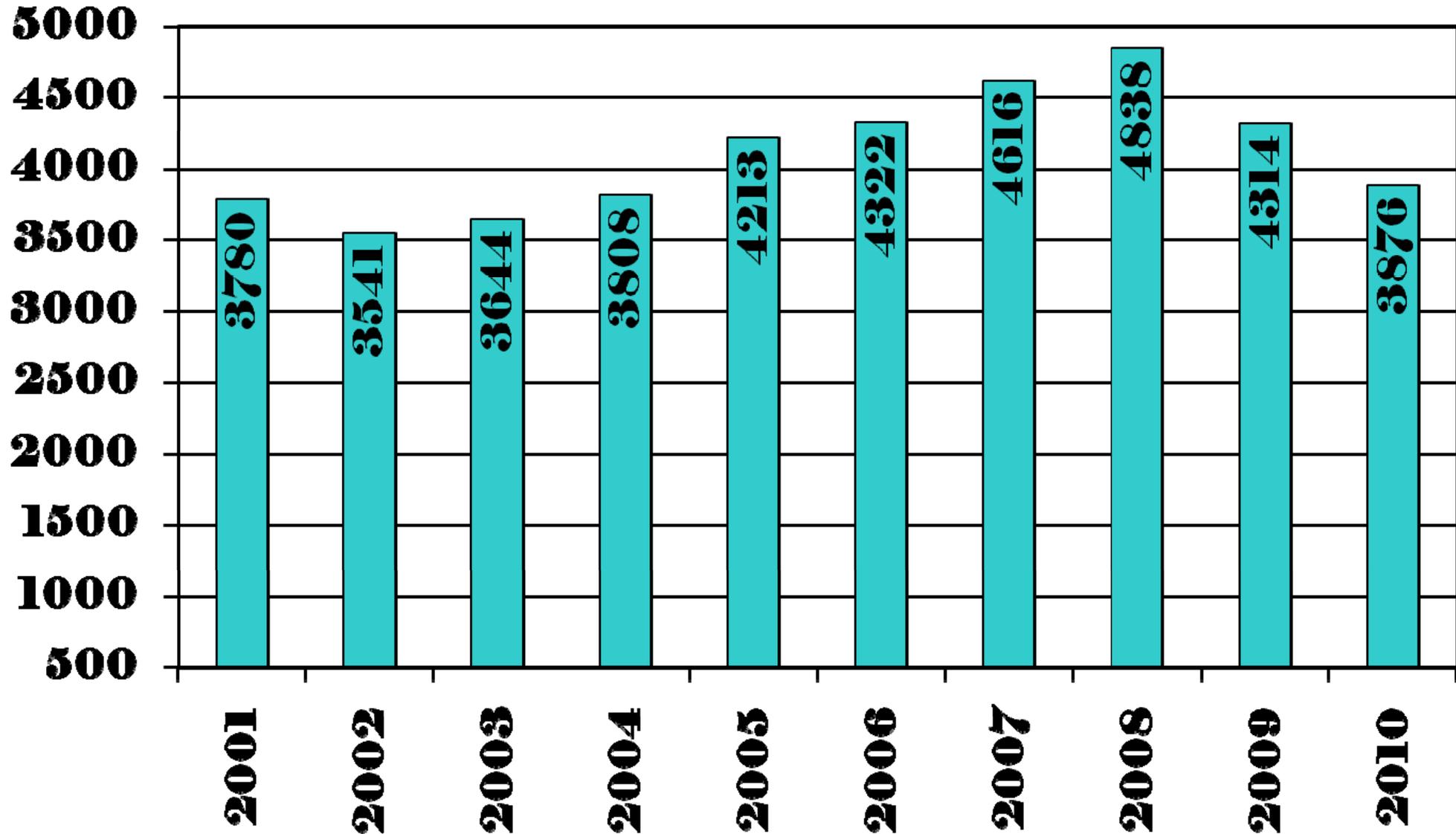


**SALES TAX  
THROUGH EACH FISCAL YEAR  
DOWN 8.4% SINCE 2008 HIGH**

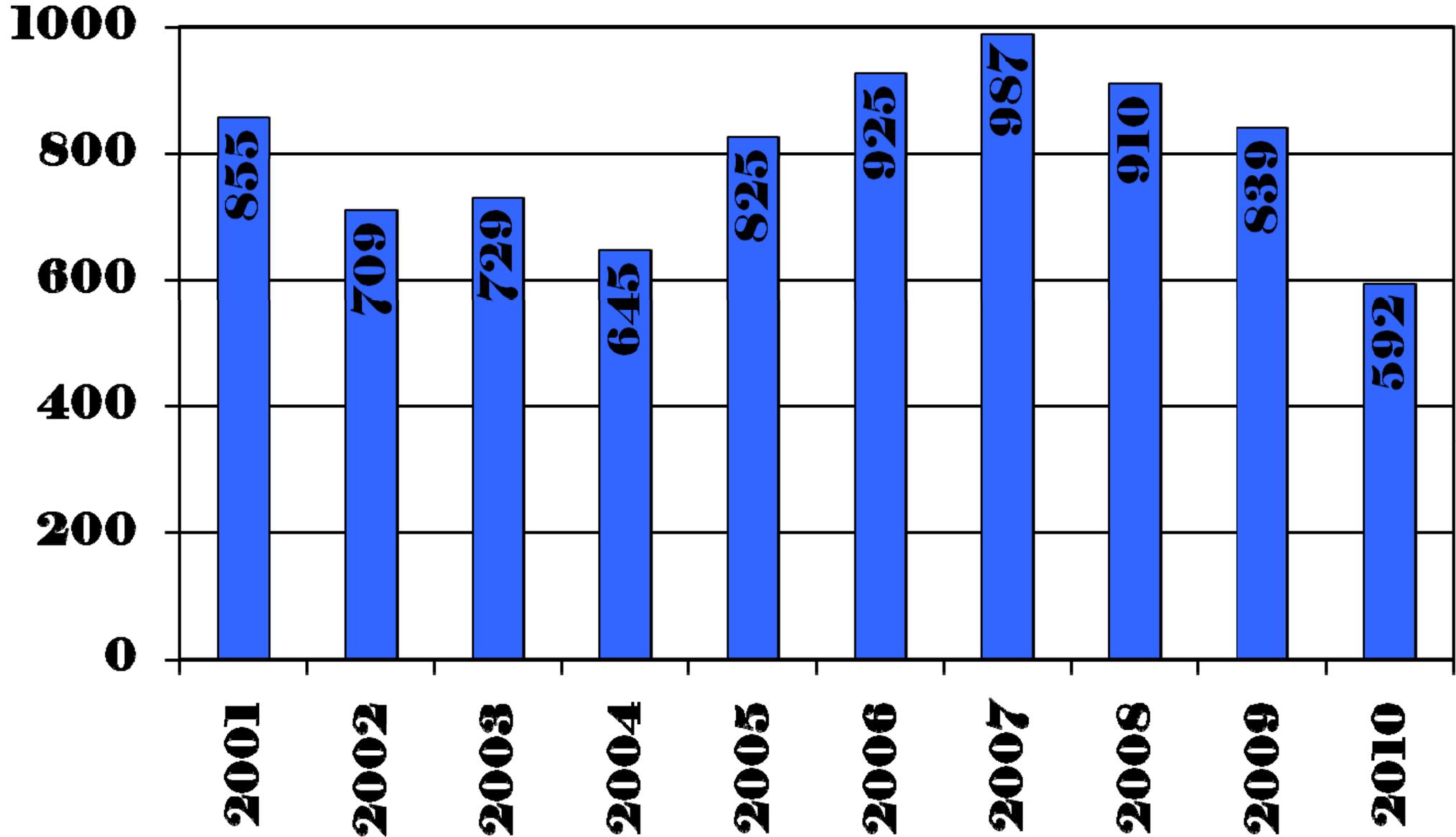


# INDIVIDUAL INCOME TAX BY FISCAL YEAR

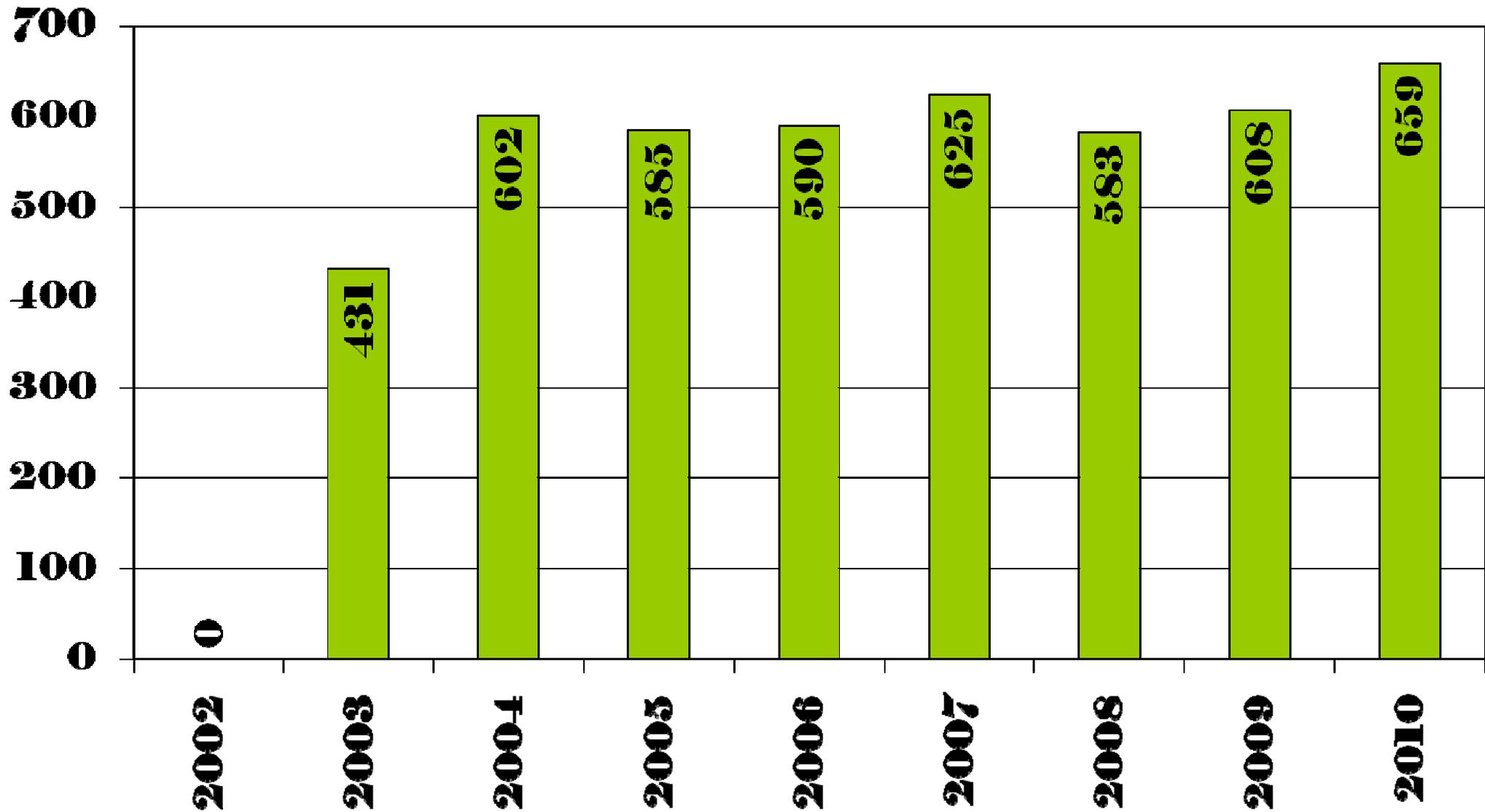
## DOWN 19.9% SINCE 2008



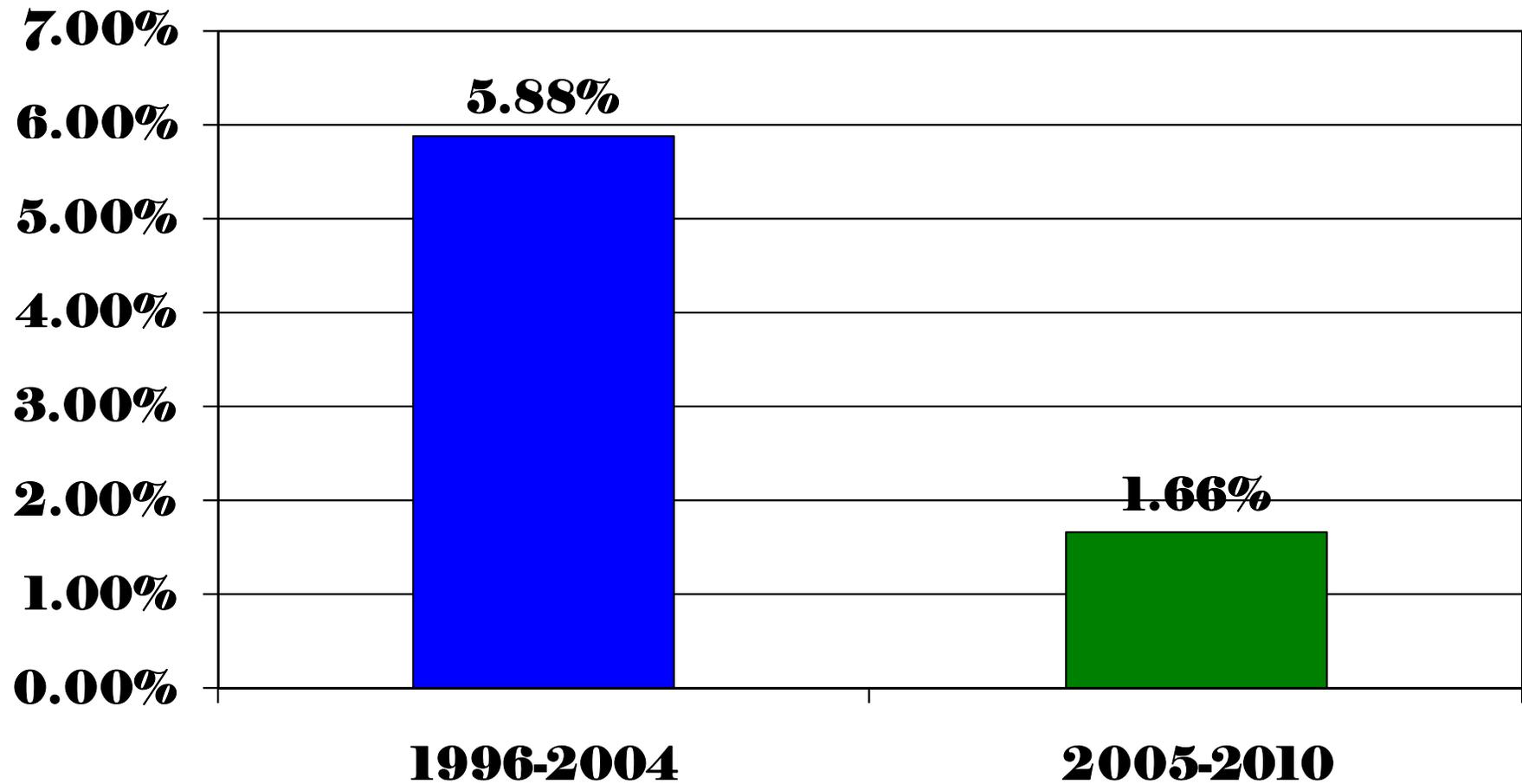
**CORPORATE INCOME TAX  
THROUGH EACH FISCAL YEAR  
DOWN 40.0% FROM 2007 HIGH**



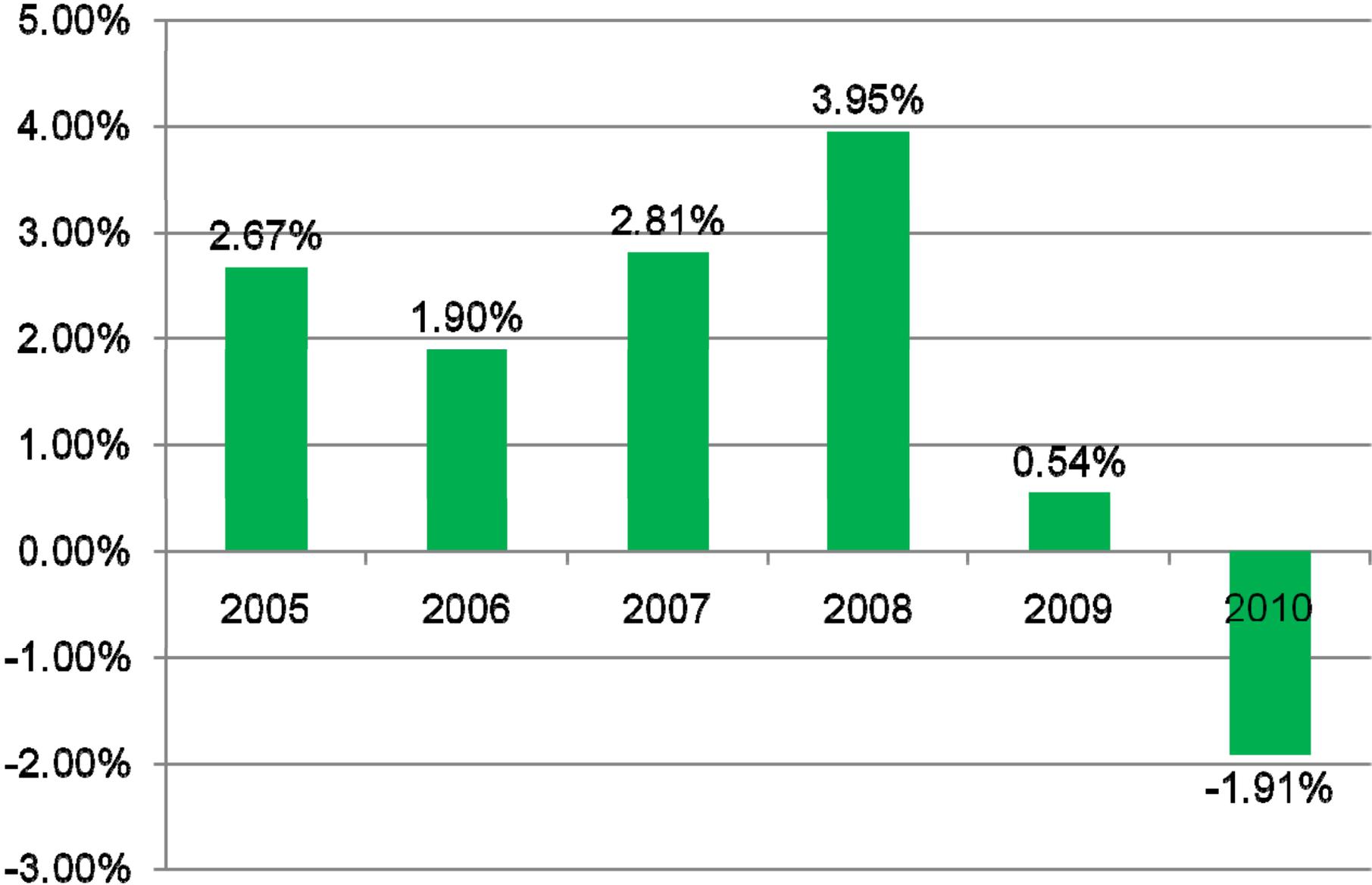
**GAMING REVENUE**  
**FLAT THROUGH FISCAL YEAR**  
**\$53 MILLION NEW RACINO MONEY**



# Annual Expenditure Growth



# Annual Expenditure Growth



# Closing the FY 11 \$1.2 Billion Revenue Gap

**Forecast Revenue vs. As-Passed Budget**



- **Announced Spending Cuts & Dedicated Funds (\$597)**
- **Use of Reserves (\$644)**

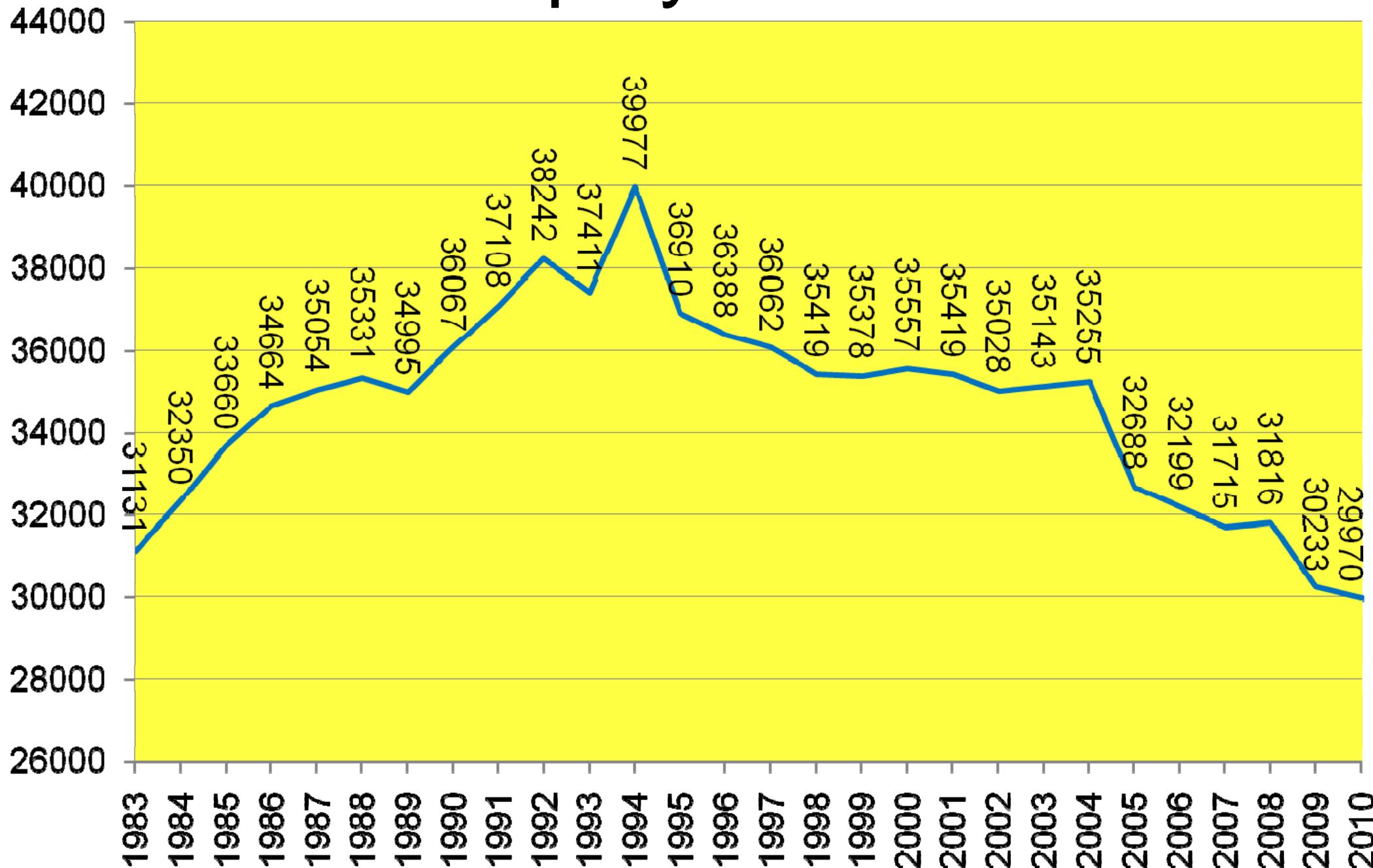
# **GOVERNOR DANIELS IMPOSED MEASURES TO OFFSET REVENUE SHORTFALLS**

- **ALL STATE AGENCIES WILL REDUCE SPENDING:**
  - **10% CUT FROM 2010 BUDGET ALLOCATION**
  - **15% CUT FROM 2011 BUDGET ALLOCATION**
- **NO RAISES FOR STATE EMPLOYEES**
  - **SAME AS LAST YEAR**
  - **LAST TIME BACK-TO-BACK YEARS WITHOUT RAISES OCCURRED IN 2002 AND 2003**
- **STATE AGENCY CAPITAL PROJECTS DEFERRED**
- **GENERAL FUND SUPPORT TO PUBLIC COLLEGES AND UNIVERSITIES REDUCED \$150 MILLION – 6% OF OPERATING EXPENSES**
- **\$297 REDUCED FROM K-12 ALLOCATIONS – 3.5%**
- **STATE MATCHING CONTRIBUTION TO EMPLOYEES DEFERRED COMPENSATION RETIREMENT PLAN SUSPENDED**
- **MEDICAID REIMBURSEMENTS TO PROVIDERS REDUCED**
- **TOTAL COSTS SAVINGS FROM ACTIONS TAKEN AMOUNT APPROXIMATELY 1.05 BILLION OVER THE BIENNIUM**

# State Payroll at Lowest Level Since 1976

AGENCY	DEC '07 HEADCOUNT	MARCH '10 HEADCOUNT	% CHANGE IN EMPLOYEES
War Memorial Commission	23	15	-34.8%
Dept of Agriculture	73	52	-28.8%
Comm. Proprietary Education	7	5	-28.6%
Veterans Home	376	279	-25.8%
Historical Bureau	8	6	-25.0%
Dept of Administration	262	197	-24.8%
BMV	365	275	-24.7%
Department of Education	307	235	-23.5%
Education Emp Relations Board	9	7	-22.2%
DLGF	84	69	-17.9%
Lt Governor	73	61	-16.4%
Civil Rights Comm.	34	29	-14.7%
IEDC	80	70	-12.5%
Inspector General	17	15	-11.76
Auditor	64	57	-10.9%
Horse Racing	30	27	-10.0%

# State Employment Trends



**GENERAL FUND**  
**COMBINED STATEMENT OF ACTUAL AND ESTIMATED UNAPPROPRIATED RESERVE**

(Millions of Dollars)

	Actual FY 2010	Estimated FY 2011
<b><u>Resources:</u></b>		
Working Balance at July 1	54.9	830.7
<b>Current Year Resources</b>		
Actual Forecasted Revenue	12,186.7	12,835.7
Disproportionate Share Hospital (DSH)	57.9	58.0
Quality Assessment Fee	33.3	25.0
Miscellaneous Revenue (1)	38.7	
Enrolled Acts - 2010 (2)		(8.2)
Transfer from Medicaid Reserve	57.6	
Transfer from Rainy Day Fund	370.9	
Transfer to State Tuition Reserve	(73.6)	
Transfer from State Tuition Reserve	1,019.3	
<b>Total Current Year Resources</b>	<b>13,690.8</b>	<b>12,910.5</b>
<b>Total Resources</b>	13,745.7	13,741.1
<b><u>Uses: Appropriations, Expenditures, and Reversions:</u></b>		
<b>Appropriations</b>		
HEA 1001(ss) FY10-11 As-Passed Appropriations	13,571.4	14,113.0
Enrolled Acts - 2010 (2)		5.6
Adjustments to Appropriations (3)	125.8	71.6
<b>Total Appropriations</b>	<b>13,697.2</b>	<b>14,190.2</b>
<b>Other Expenditures and Transfers</b>		
PTRC and Homestead Credit Adjustments	26.2	0.6
Stadium/Convention Center Appropriation Reversion	(40.0)	(42.0)
LOIT Distribution	11.6	
Judgments and Settlements	4.7	8.0
<b>Total Appropriations and Expenditures</b>	13,699.7	14,156.8
<b>Reversions</b>	<b>(784.7)</b>	<b>(597.2)</b>
<b>Total Net Uses</b>	12,915.0	13,559.6
<b>General Fund Reserve Balance at June 30</b>	830.7	181.5
<b><u>Reserved Balances:</u></b>		
Medicaid Reserve	0.0	0.0
State Tuition Reserve	0.0	0.0
Rainy Day Fund (4)	0.0	6.5
<b>Total Combined Balances</b>	<b>830.7</b>	<b>188.0</b>
Property Tax Replacement Fund (PTRF) and Homestead Credit Liability	(0.6)	0.0
<b>Total Combined Balances Net of PTRF and Homestead Credit Liability</b>	<b>830.1</b>	<b>188.0</b>
<i>Net Combined Balance as a Percent of Operating Revenue</i>	6.1%	1.5%
<i>Net Combined Balance as a Percent of the Following Year's Budgeted Appropriations</i>	5.9%	

Totals may not add due to rounding

# General Fund Reversions by Agency

<u>Agency #</u>	<u>Agency Name</u>	<u>FY10 GF Appropriation*</u>	<u>FY10 GF Reversion</u>	<u>Reversion Percentage</u>
3	House of Representatives	\$19,023,063	\$2,189,414	11.5%
4	Senate	\$13,537,636	\$1,885,165	13.9%
15	Lobby Registration Commission	\$271,910	\$2,070	0.8%
17	Legislative Services Agency	\$12,210,381	\$974,576	8.0%
<b>Legislative Total</b>		<b>\$45,042,990</b>	<b>\$5,051,225</b>	<b>11.2%</b>
22	Supreme Court	\$28,791,303	\$824,001	2.9%
23	Court of Appeals	\$10,166,741	\$146,095	1.4%
26	Indiana Judicial Center	\$3,121,182	\$159,765	5.1%
28	Indiana Tax Court	\$673,013	\$89,907	13.4%
39	Prosecuting Attorney's Council	\$1,215,276	\$38,753	3.2%
605	Public Defenders Office	\$6,664,916	\$276,915	4.2%
610	Public Defender Council	\$1,364,097	\$225,633	16.5%
<b>Judicial Total</b>		<b>\$51,996,528</b>	<b>\$1,761,069</b>	<b>3.4%</b>
40	Secretary of State	\$2,348,158	\$262,704	11.2%
46	Attorney General	\$15,958,758	\$109,261	0.7%
48	Treasurer of State	\$870,106	\$113,737	13.1%
50	Auditor of State	\$6,116,096	\$706,964	11.6%
63	Election Division	\$1,410,252	\$107,658	7.6%
30/34	Governor's Office	\$2,777,487	\$456,934	16.5%
32	Indiana Criminal Justice Institute	\$5,080,783	\$1,822,623	35.9%
36	Department of Agriculture	\$3,186,671	\$1,063,427	33.4%
38	Lieutenant Governor's Office	\$2,650,743	\$629,101	23.7%
38	Tourism	\$4,406,684	\$2,624,014	59.5%
55	Office of Management and Budget	\$1,153,322	\$157,242	13.6%
56	Office of Federal Grants and Procurement	\$95,039	\$12,461	13.1%
57	State Budget Agency	\$3,422,266	\$637,382	18.6%
57	Innovation Alliance	\$10,000,000	\$10,000,000	100.0%
57	Shoreline Development Commission	\$1,000,000	\$1,000,000	100.0%
57	Stadium/Convention Center Appropriation	\$40,000,000	\$40,000,000	100.0%
61	Department of Administration	\$26,568,962	\$2,561,947	9.6%
62	Commission on Public Records	\$1,466,666	\$0	0.0%
64	Public Access Counselor	\$156,729	\$15,475	9.9%
70	State Personnel Department	\$3,725,886	\$714,886	19.2%
74	State Employees Appeals Commission	\$179,739	\$16,327	9.1%
75	Office of Inspector General	\$1,450,836	\$129,400	8.9%
80	State Board of Accounts	\$21,760,200	\$1,420,675	6.5%
90	Department of Revenue	\$53,331,936	\$5,288,506	9.9%
100	Indiana State Police	\$49,398,547	\$4,839,675	9.8%
103	Law Enforcement Training Board	\$2,190,933	\$242,350	11.1%
110	Adjutant General's Office	\$13,881,758	\$1,694,705	12.2%
160	Department of Veterans Affairs	\$629,052	\$186,129	29.6%
195	Indiana Department of Gaming Research	\$224,706	\$3,790	1.7%
215	Department of Local Government Finance	\$4,670,918	\$570,118	12.2%
217	Board of Tax Review	\$1,272,529	\$159,224	12.5%
220	Workers' Compensation Board	\$1,918,782	\$67,362	3.5%
225	Department of Labor	\$5,219,227	\$2,427,894	46.5%
250	Professional Licensing Agency	\$5,536,642	\$488,556	8.8%

# General Fund Reversions by Agency

<u>Agency #</u>	<u>Agency Name</u>	<u>FY10 GF Appropriation*</u>	<u>FY10 GF Reversion</u>	<u>Reversion Percentage</u>
258	Civil Rights Commission	\$2,206,930	\$274,947	12.5%
260	Indiana Economic Development Corporation	\$36,852,342	\$3,433,138	9.3%
261	Indiana Finance Authority	\$500,000	\$300,000	60.0%
263	Housing and Community Development Authority	\$1,000,000	\$1,000,000	100.0%
300	Department of Natural Resources	\$55,885,995	\$8,208,278	14.7%
310	White River State Park Commission	\$998,999	\$184,554	18.5%
315	World War Memorial Commission	\$1,037,818	\$113,705	11.0%
322	Maumee River Basin Commission	\$67,658	\$6,767	10.0%
325	St. Joseph River Basin Commission	\$58,751	\$6,766	11.5%
330	Kankakee River Basin Commission	\$58,751	\$5,875	10.0%
351	Board of Animal Health	\$6,775,684	\$671,129	9.9%
385	Indiana Department of Homeland Security	\$969,253	\$93,939	9.7%
400	Indiana State Department of Health	\$36,383,765	\$5,375,883	14.8%
405	Family and Social Services Administration	\$754,901,036	\$165,771,957	22.0%
503	Medicaid Assistance	\$1,116,000,000	\$0	0.0%
495	Indiana Department of Environmental Management	\$28,671,669	\$3,093,779	10.8%
496	Office of Environmental Adjudication	\$368,250	\$40,429	11.0%
502	Department of Child Services	\$626,037,098	\$45,665,450	7.3%
505	Indiana Education Employment Relations Board	\$640,408	\$171,752	26.8%
510	Department of Workforce Development	\$1,188,445	\$112,547	9.5%
550	Indiana School for the Blind and Visually Impaired	\$11,554,039	\$1,281,668	11.1%
560	Indiana School for the Deaf	\$18,776,731	\$39,334	0.2%
570	Indiana Veterans' Home	\$12,815,594	\$4,816,970	37.6%
615	Department of Correction	\$644,959,581	\$24,433,597	3.8%
703	Commission on Proprietary Education	\$321,823	\$62,544	19.4%
705	Indiana Arts Commission	\$3,202,368	\$309,420	9.7%
715	State Student Assistance Commission	\$34,605,061	\$5,241,760	15.1%
719	Commission for Higher Education	\$2,121,028	\$279,274	13.2%
720	Office of Faith-Based and Community Initiatives	\$290,552	\$31,711	10.9%
730	Indiana State Library	\$5,079,018	\$667,255	13.1%
735	Historical Bureau	\$384,256	\$70,355	18.3%
878	State Fair Commission	\$2,119,124	\$1,519,124	71.7%
<b>Executive Branch Total</b>		<b>\$3,674,189,070</b>	<b>\$352,514,110</b>	<b>9.6%</b>
<b>Other</b>			<b>\$643,124</b>	
<b>Higher Education (Public Universities)**</b>		<b>\$1,723,531,116</b>	<b>\$142,034,770</b>	<b>8.2%</b>
700	<b>K-12 Education / Department of Education***</b>	<b>\$6,763,684,156</b>	<b>\$166,232,789</b>	<b>2.5%</b>
<b>TOTAL</b>			<b><u>\$669,537,411</u></b>	

\* Excludes pension obligations, biennial appropriations, non-reverting appropriations, need-based student financial aid, and distributions (\$1.59B in total)

\*\* Higher Education reflects FY 2010 portion of \$150 million (6%) biennial reduction, unspent debt service funds, and reversions from higher education line item appropriations

\*\*\* K-12 Education includes January-June tuition support reductions (approx \$150 million), Department of Education operating budget reductions, and K-12 line item reversions