



STATE OF INDIANA

Eric J. Holcomb
Governor

STATE BUDGET AGENCY

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Zachary Q. Jackson
Director

MEMORANDUM

DATE: June 8, 2020

TO: Indiana State Budget Committee Members and Staff

FROM: Zac Jackson, State Budget Director *ZQJ*

SUBJECT: Special Transportation Flexibility Fund

IC 4-12-16.5-2(f) requires the State Budget Agency to transfer the revenue collected in the Special Transportation Flexibility Fund (“Flexibility Fund”) to the State Highway Fund (“SHF”) every 6 months unless a determination is made by the Governor to reallocate the revenue for other programs as permitted in statute.

IC 4-12-16.5-2(g) provides that the Governor may determine that the transfer of money from the Flexibility Fund to the SHF should not occur. Upon notification by the Governor and review by the State Budget Committee, the money in the Flexibility Fund can be reallocated and used for K-12 education, health care, or child services, if the Governor determines that federal or state revenues are insufficient to support those programs.

Due to declining revenues as a result of the COVID-19 pandemic, a determination has been made by the Governor that the State Budget Agency should transfer the revenue collected between January 1, 2020 and June 30, 2020 in the Flexibility Fund to the General Fund to support K-12 education.

Currently, K-12 Education and the Pre-1996 Teacher Pensions funding both combined constitute 50.2% of the biennial General Fund appropriation. The loss of almost \$1.2 billion so far in General Fund revenue as a result of the pandemic has made it necessary to transfer the revenue in the Flexibility Fund to the General Fund to support the State’s obligation to K-12 education.

As of June 1, 2020, the balance in the Flexibility Fund was approximately \$11.6M. With one month left in FY 2020, we would expect approximately \$2M more to be deposited. Our intent would be to transfer the entire balance of approximately \$13.6M on June 30, 2020 to the General Fund.

Please note that a determination regarding future transfers of revenue from the Flexibility Fund will be evaluated every 6 months. Any additional transfers from the Flexibility Fund to the General Fund would require review by the State Budget Committee.