2019-21 Biennial Budget

Governor’s Proposed Budget Fiscal Year 2020 and 2021
January 10, 2019
State Budget Committee
Governor Eric J. Holcomb
Strong Fiscal Discipline and Balanced Budget

• Honestly balanced budget
  • On-going annual revenues meet or exceed on-going annual operating expenses

• Maintain AAA credit rating from the big three rating agencies

• Maintain at least 11 percent in reserves

• End the 2019-21 biennium with approximately $1.8 billion in reserves
Historic and Projected General Fund Forecasted Revenue

$13,274.2 $14,125.1 $14,462.1 $14,402.2 $14,898.4 $14,819.9 $15,274.1 $15,571.3 $16,140.4 $16,583.2 $16,969.2


Source: Indiana State Budget Agency Revenue Reports
General Fund Revenue Forecast 2019 - 2021

Source: Indiana State Budget Agency Dec. 2018 Revenue Forecast
2019-21 General Fund Revenue Summary

Percentage of General Fund Biennial Budget

Source: Indiana State Budget Agency Dec. 2018 Revenue Forecast
2019-21 General Fund Expenditure Summary

Percentage of General Fund Biennial Budget

- Medicaid: 15.2%
- Other Health & Human Services: 11.8%
- Higher Education Operating: 9.3%
- K-12 Education/Teacher Retirement/Other Education: 50.1%
- Public Safety (6.2%)
- General Government (3.6%)
- Construction (2.0%)
- Economic Development (0.8%)
- Conservation and Environment (0.5%)
- Transportation (0.3%)
- Distributions (0.4%)
INPRS Historical & Proposed Appropriations

$'s in millions


$835.7 $870.1 $963.1 $948.9 $1,003.2 $1,032.6 $1,012.3 $1,057.1 $1,071.3 $1,079.5 $1,107.7
Since June of 2005, Indiana has reduced its state debt by 69% through June of 2019.
AAA Credit Rating – Strong Position

• Indiana continues to have strong standing in the rating agency community

• AAA credit rating from all three major rating agencies
  • Fitch Ratings
  • Moody’s
  • Standard and Poor’s

• One of 13 states with all three at AAA rating status

• High ratings saves the state and school corporations money, serves as a recruitment tool to business and talent that know our financial future is secure
State General Obligation Ratings as of December 10th

Source: Indiana Finance Authority and Citi Group Global Markets
Surplus and Reserve Balances General Fund

Governor’s Proposed 2019-21 Budget ($’s in millions)

• Annual Operating Surplus

• Annual Reserve Balance
Investing in Indiana’s Economy

• Update the Industrial Recovery Tax Credit (DINO), limit to $5M in state funds and create a loan program for support above $5M
• Move Indiana to a Market-based sourcing state
• Make the Venture Capital Investment Tax Credit transferable
• Update the Hoosier Business Investment Tax Credit by changing “qualified investments” and to address more modern purchases
• $1.5M per year for innovation grants to small business to purchase research expertise at Indiana’s public higher education research institutions
• Update the Headquarter Relocation Tax Credit for smaller businesses with high growth potential
• Exempt military retirement and pension income from Indiana individual income tax, phase in over four years
Capital Improvements

• Continue to support the West Lake Corridor and South Shore Double Track projects, $12M per year in state funding

• $150M of one-time funding from the general fund for major repair and renovation work on state-owned facilities to get ahead of the curve on building condition

• $12M for a third State Police lab/post

• $3.5M in FY21 for state support debt financing of a new Swine Barn at the State Fairgrounds
  • $2.5M in FY20 for design and engineering support for new barn

• $16.7M for updated and new fish hatchery facilities operated by DNR
Workforce, Education and Career Training

• Increase K-12 Tuition Support by 2% each year
  • $143M in FY20 and $146M in FY21, total $432M over biennium
  • Shift $20M per year to Tuition Support from Teacher Appreciation Grants

• Increase the number of children served by On My Way Pre-K by 500 children

• Increase the state school supplies tax credit from $100 to $500
  • Directly impacts teachers and funded through shifting current resources

• $3M per year for Next Level Computer Science training

• Increased funding for Workforce Ready Grants, $2M per year

• $2M each year for High School Career Counseling, supporting by the IN Workforce Cabinet

• $1.8M over the biennium for the Office of Work-based Learning and Apprenticeship

• Move HIRE program from DWD to DoC
Historical Funding of K-12 Tuition Support

$'s in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding (in millions)</th>
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<tbody>
<tr>
<td>2012</td>
<td>$6,262.8</td>
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<tr>
<td>2013</td>
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<td>2014</td>
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<tr>
<td>2021 Proj</td>
<td>$7,469.3</td>
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</tbody>
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Public Health & Attacking the Drug Epidemic

• Continue to fund Secured School Safety Grants at $14M per year and implement the August 2018 School Safety Report

• Support DCS by budgeted at FY18 spending levels, $286M more to DCS versus FY19 appropriation.

• $3.3M per year for OB Navigator Program to address infant mortality

• $1.1M per year for Youth Based Risk Behavior studies across all Indiana schools

• Continued support or Safety PIN and Nurse Family Partnership

• Medicaid forecast fully funded with new funding:
  • $84M increase in FY20 and an additional $123.1M in FY21

• Funds the CHIP plan based on new state matching rates set by the federal government
Good Government

• 3.3% adjustment to base budgets to account for pay for performance and health insurance change in personnel costs
• $3.25M for DLGF to modernize technology to provide more efficient services, accurate report and online personal property tax system
• $41.7M for DOR to continue to implement the new Integrated Tax System
• Fully funds county felon costs at the county level for Level 6 offenders, $6.1M more per year
• $10M of capital funding to support voter system upgrades by the Secretary of State
• $1M per year for Lt. Governor’s Next Level Veterans initiative
• Funds required state contributions to pension and OPEB plans
• Eliminates the Build Indiana Fund program and adjusts revenues and appropriations to flow through the General Fund