

2019-21 Biennial Budget



Governor's Proposed Budget Fiscal Year 2020 and 2021

January 10, 2019

State Budget Committee

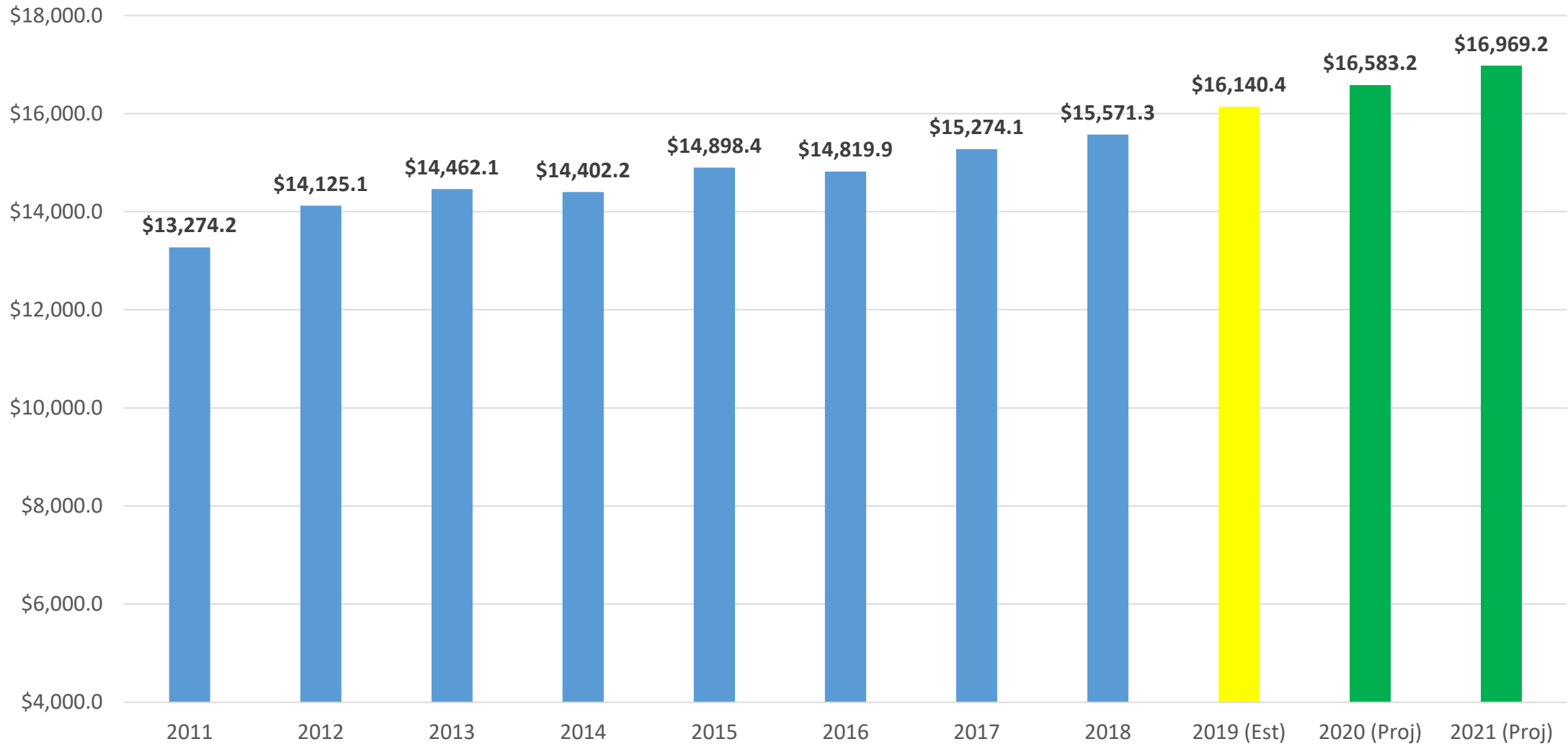
Governor Eric J. Holcomb

Strong Fiscal Discipline and Balanced Budget

- **Honestly balanced budget**

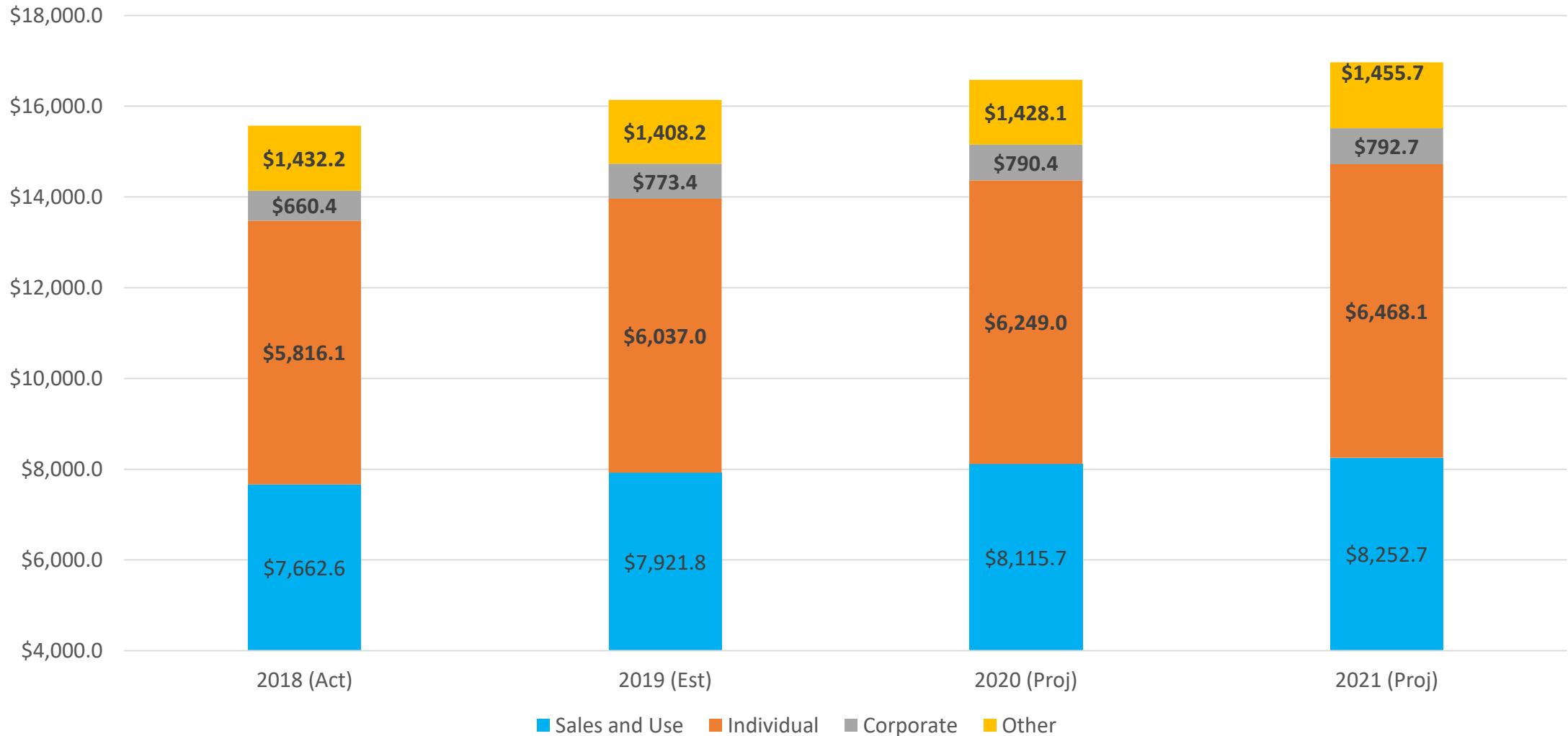
- On-going annual revenues meet or exceed on-going annual operating expenses
- Maintain AAA credit rating from the big three rating agencies
- Maintain at least 11 percent in reserves
- End the 2019-21 biennium with approximately \$1.8 billion in reserves

Historic and Projected General Fund Forecasted Revenue



Source: Indiana State Budget Agency Revenue Reports

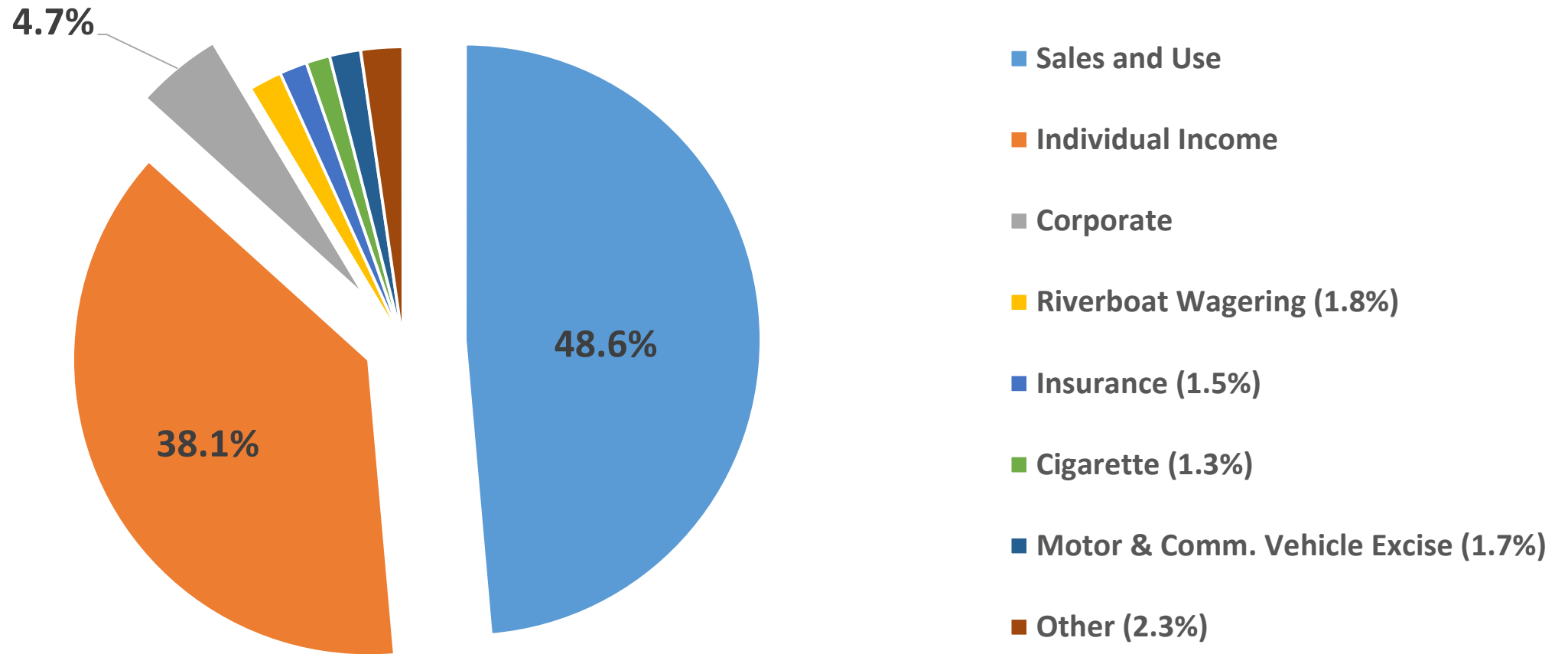
General Fund Revenue Forecast 2019 - 2021



Source: Indiana State Budget Agency Dec. 2018 Revenue Forecast

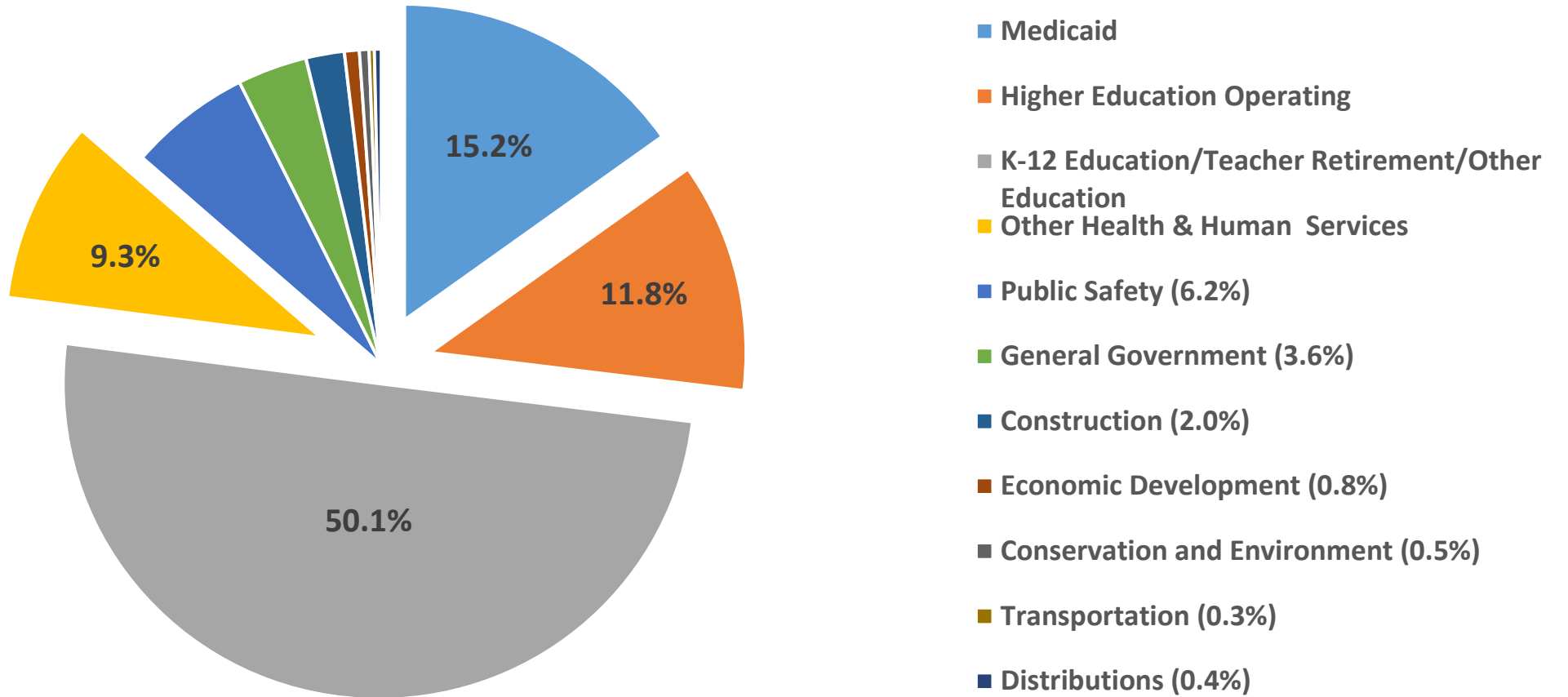
2019-21 General Fund Revenue Summary

Percentage of General Fund Biennial Budget



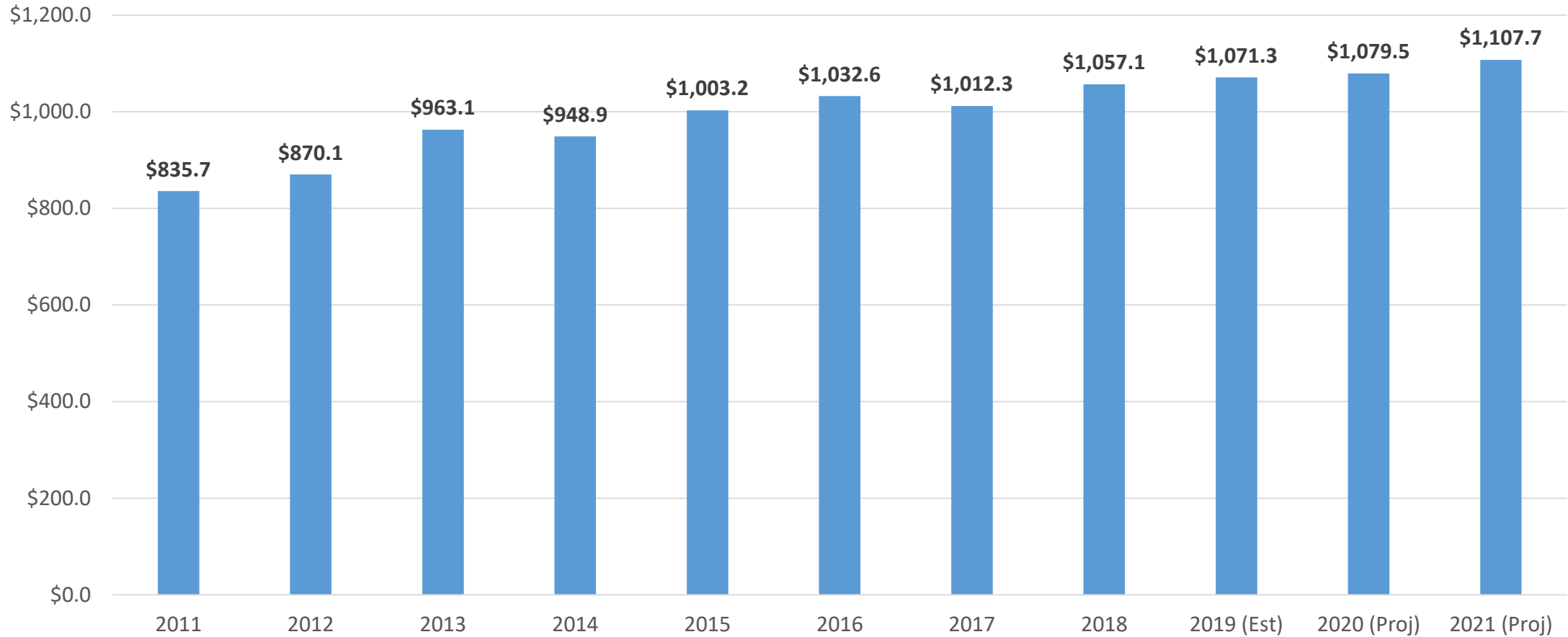
2019-21 General Fund Expenditure Summary

Percentage of General Fund Biennial Budget

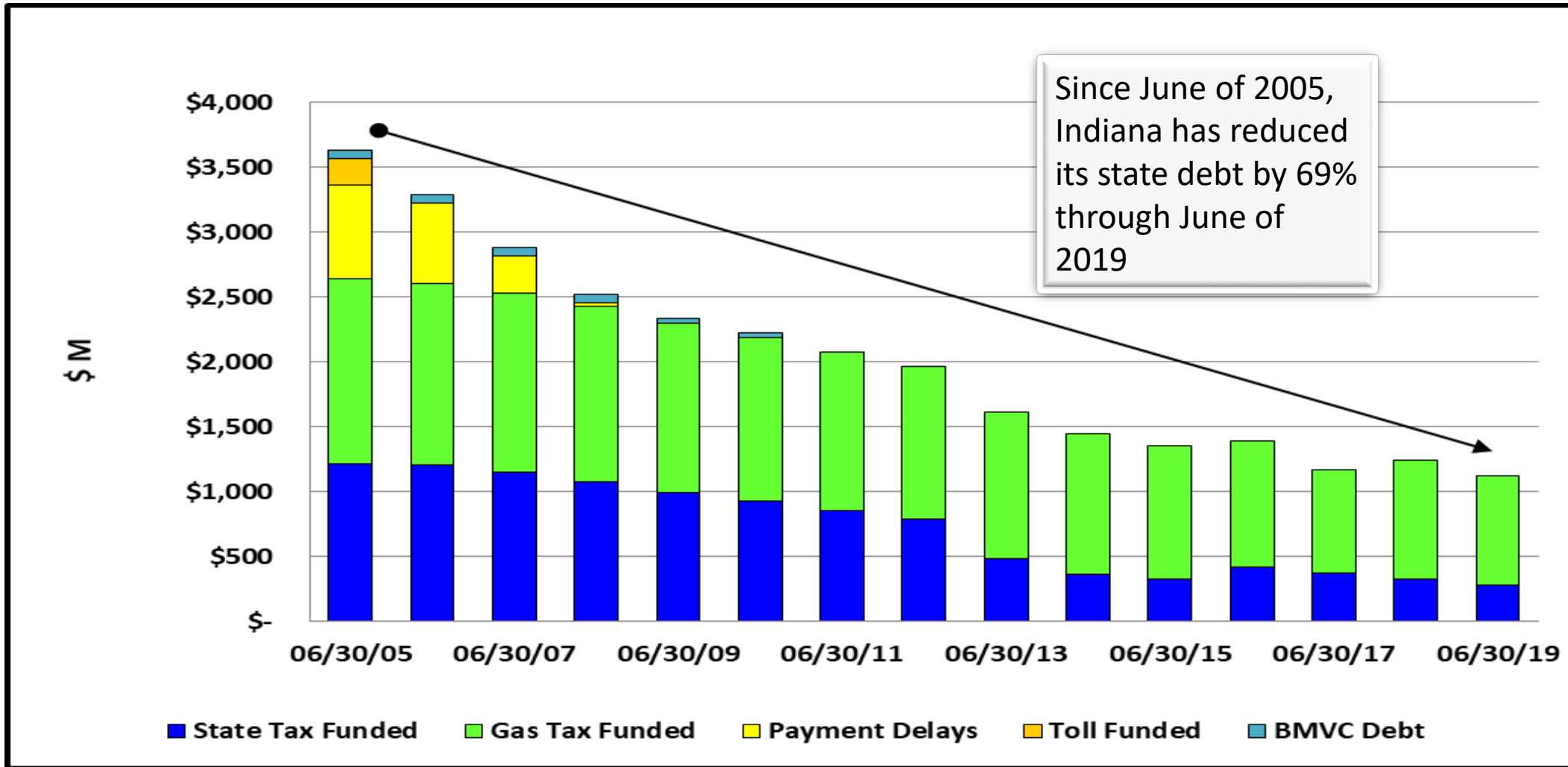


INPRS Historical & Proposed Appropriations

\$'s in millions



State of Indiana - Debt Outstanding

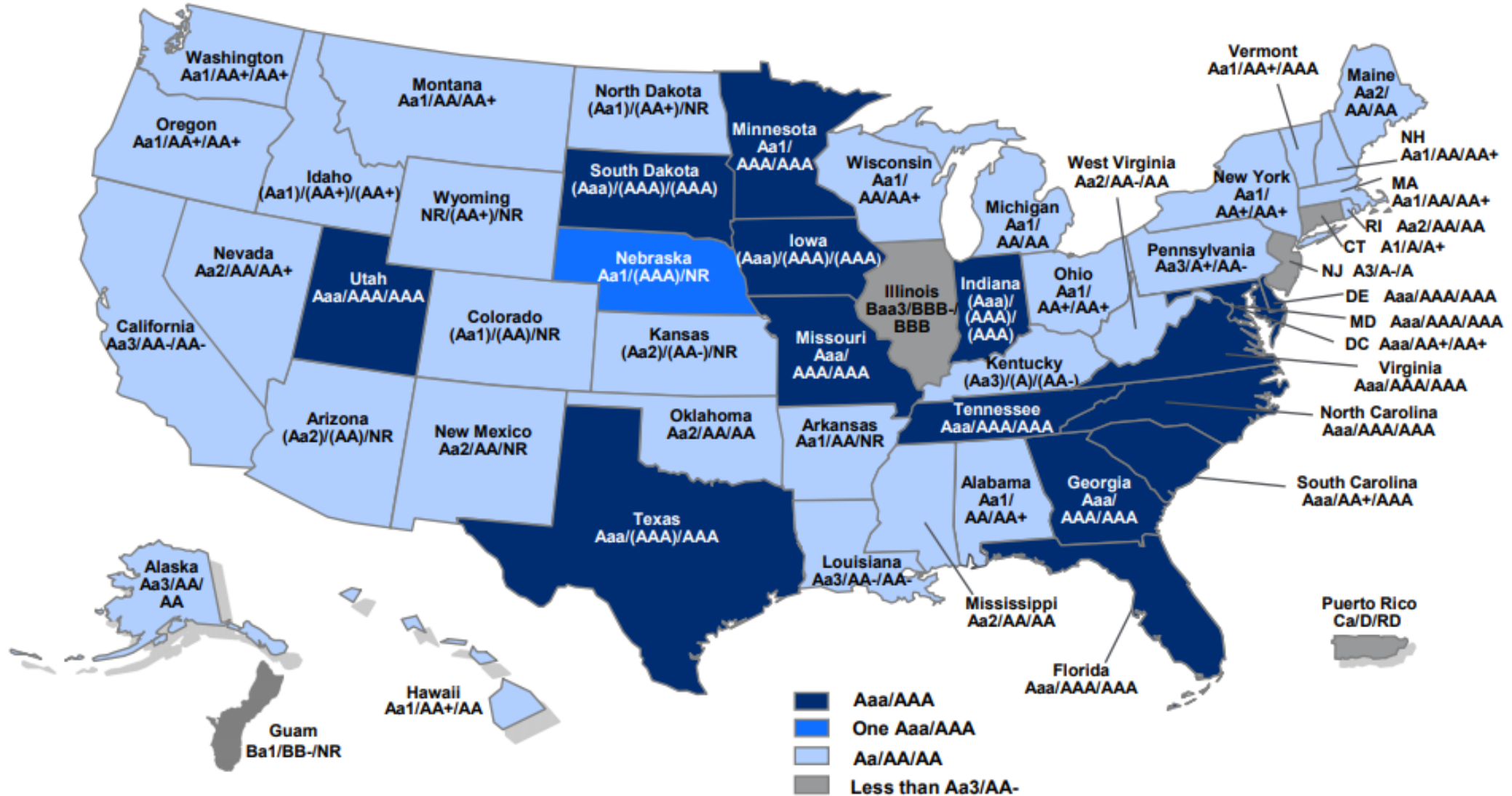


Source: Indiana Finance Authority

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

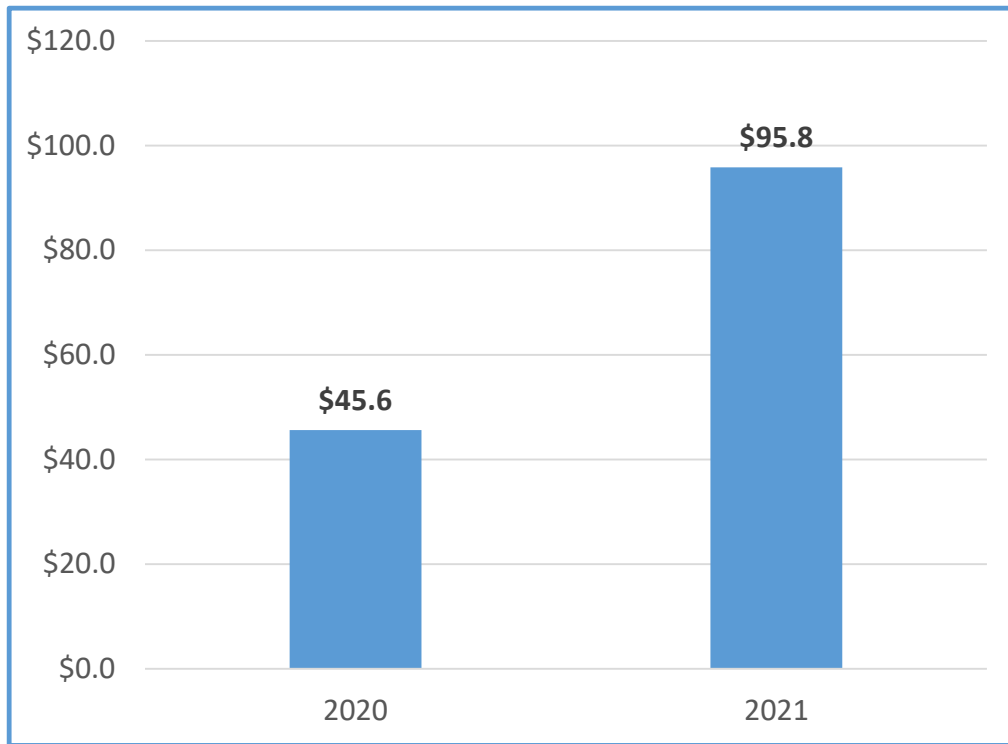


Source: Indiana Finance Authority and Citi Group Global Markets

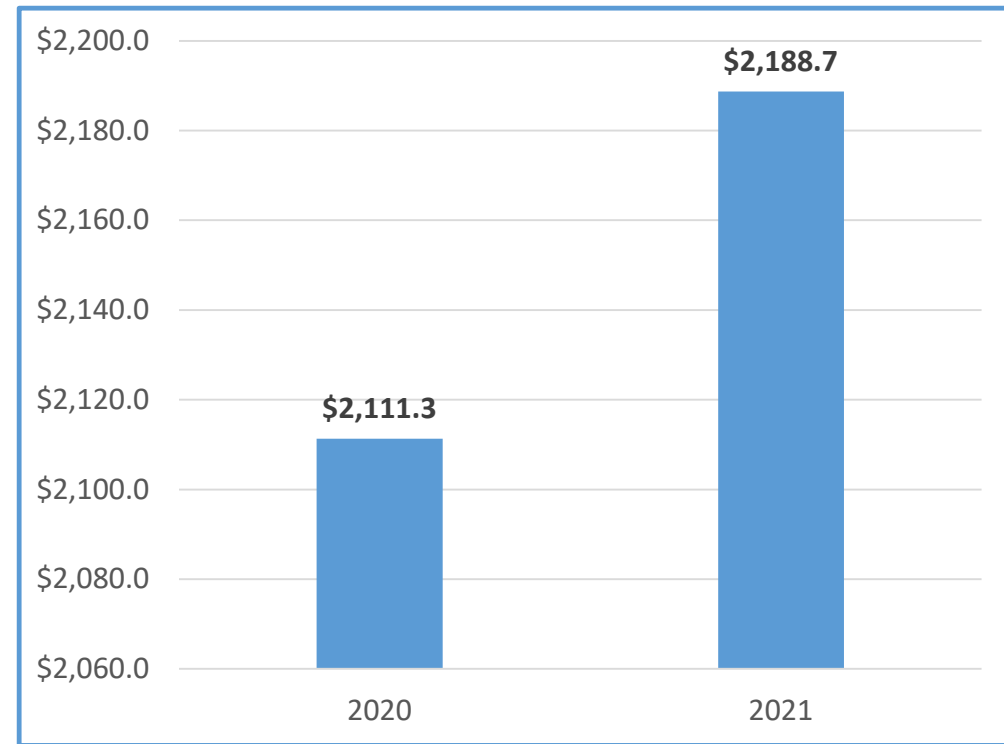
Surplus and Reserve Balances General Fund

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

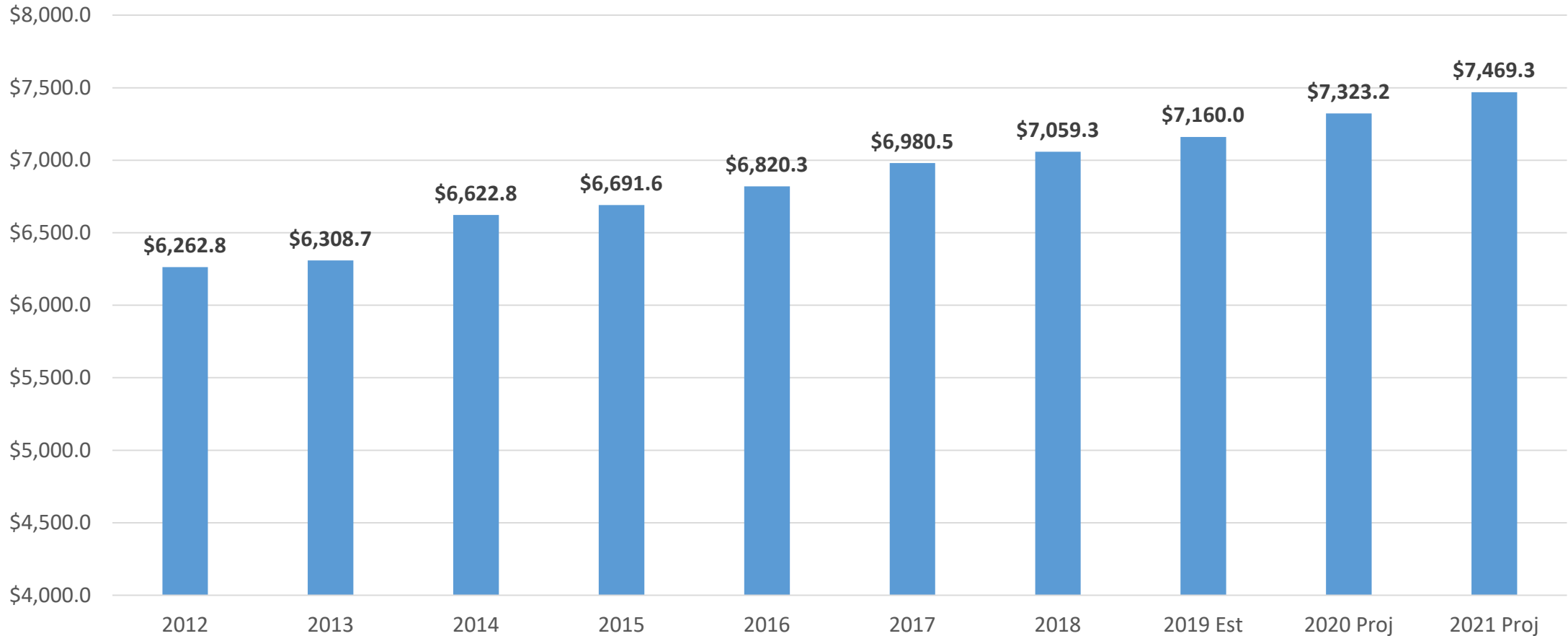
- Continue to support the West Lake Corridor and South Shore Double Track projects, \$12M per year in state funding
- \$150M of one-time funding from the general fund for major repair and renovation work on state-owned facilities to get ahead of the curve on building condition
- \$12M for a third State 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



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 of 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