

FY 2010-2011 Budget Recommendation Presentation To The Special Legislative Committee on the Budget

Governor Mitch Daniels

State Budget Agency

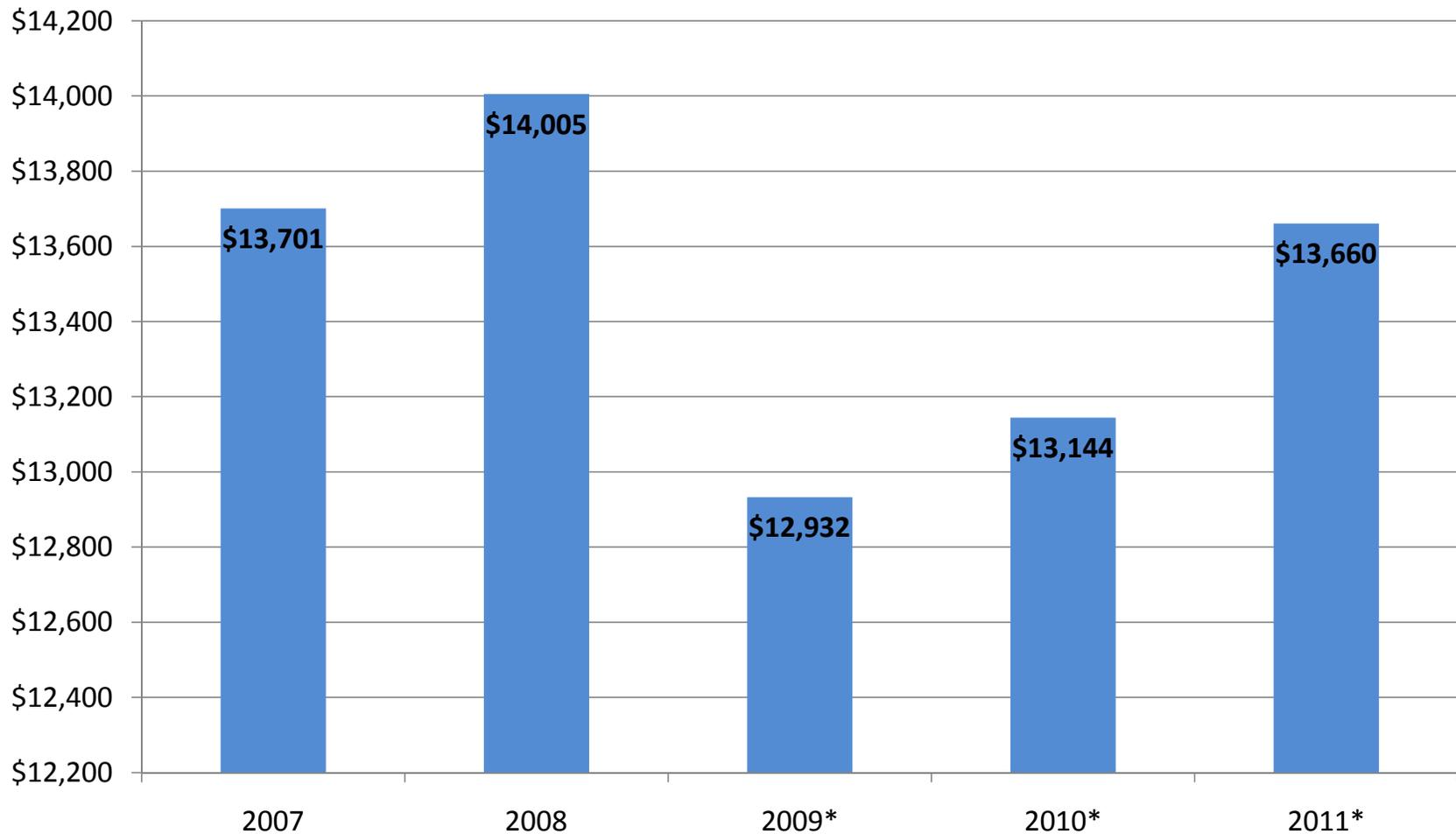
June 2, 2009

Guiding Principles

- Protect Hoosiers from a tax increase
- As revenues decline, so must spending
- No “Cliff” entering next budget
- A prudent level of reserves to protect against further economic deterioration
- One time stimulus funds used for one time purposes
- Preserve Indiana’s schools as the luckiest in America—
increase for schools and additional education spending
trigger if revenues exceed forecast

Unprecedented Revenue Decline

Revenue Collections—May Forecast (in millions)

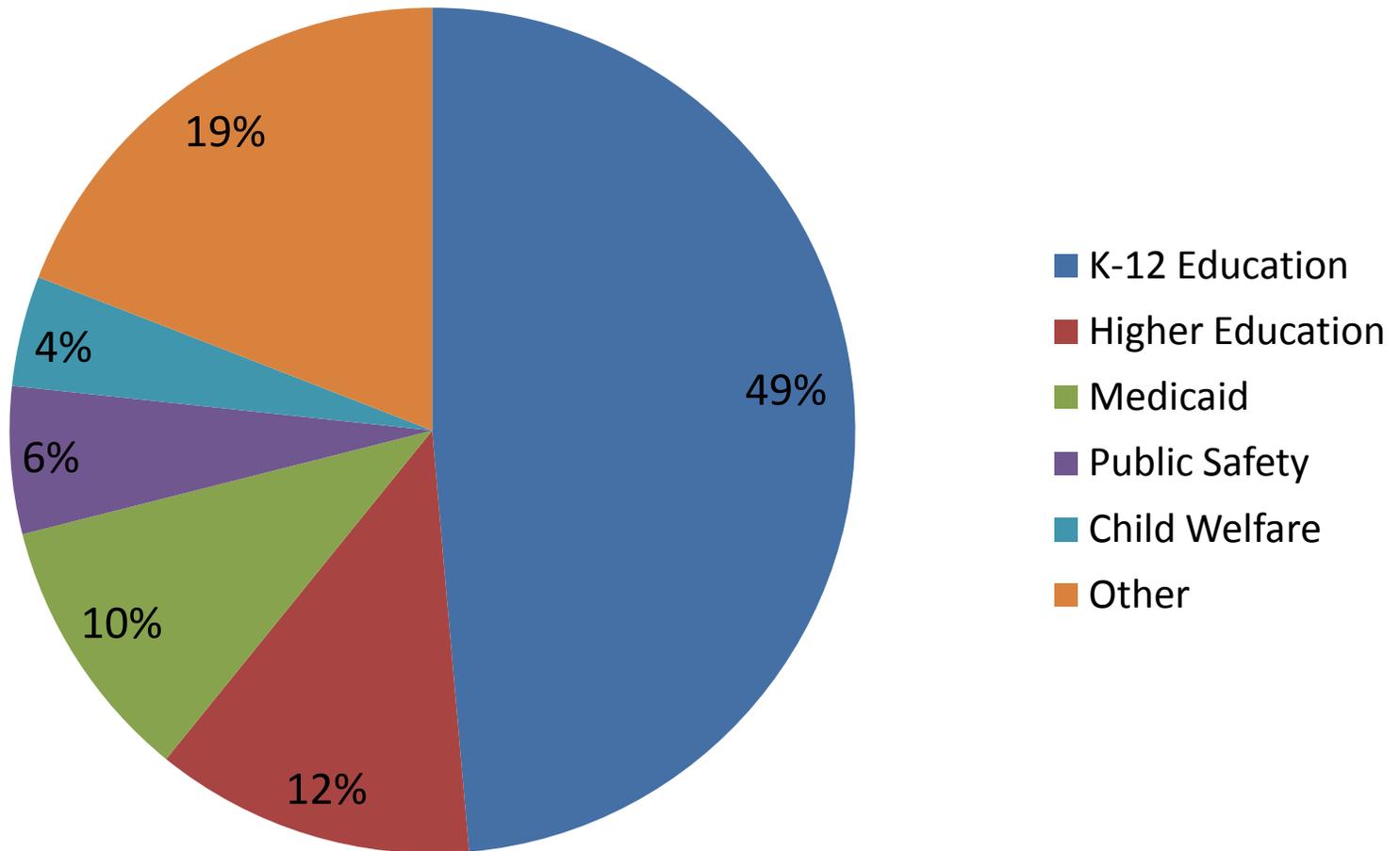


* Projected based on May 2009 forecast

FY 2010-2011 Biennial Budget

- Total Revenue: \$28.179 billion
 - Assumes May 27, 2009 revenue forecast is met
 - Assumes Federal Stimulus Funds
- Total General Fund Spending: \$27.546 billion.
2.5% below current budget
- Total Spending With Stimulus: \$28.553 billion
\$1 billion less than budget considered in April
- Total Combined Balances as of June 30, 2011:
\$1 billion

General Fund Expenses FY 2010-2011



Economic Development

- Job creation and retention tool #1– a budget with no tax increases
- \$465 million in university buildings and R&R
- \$14 million to construct flood control levies for the Little Calumet River project
- \$10 million to secure research and development partnership between Purdue, Notre Dame and industry (MIND)
- \$1.5 billion in Major Moves and federal transportation stimulus

K-12 Education

- New funding for schools of \$497 million (4%) for 2010 and 2011. Includes state tuition support increases and federal stimulus funds
- All schools receive an **increase** on a per student basis
- All schools receive **at least the same amount** of state tuition support funds on a per student basis
- Additional funds for schools if revenues exceed forecast. Every \$2 above forecast = \$1 for schools

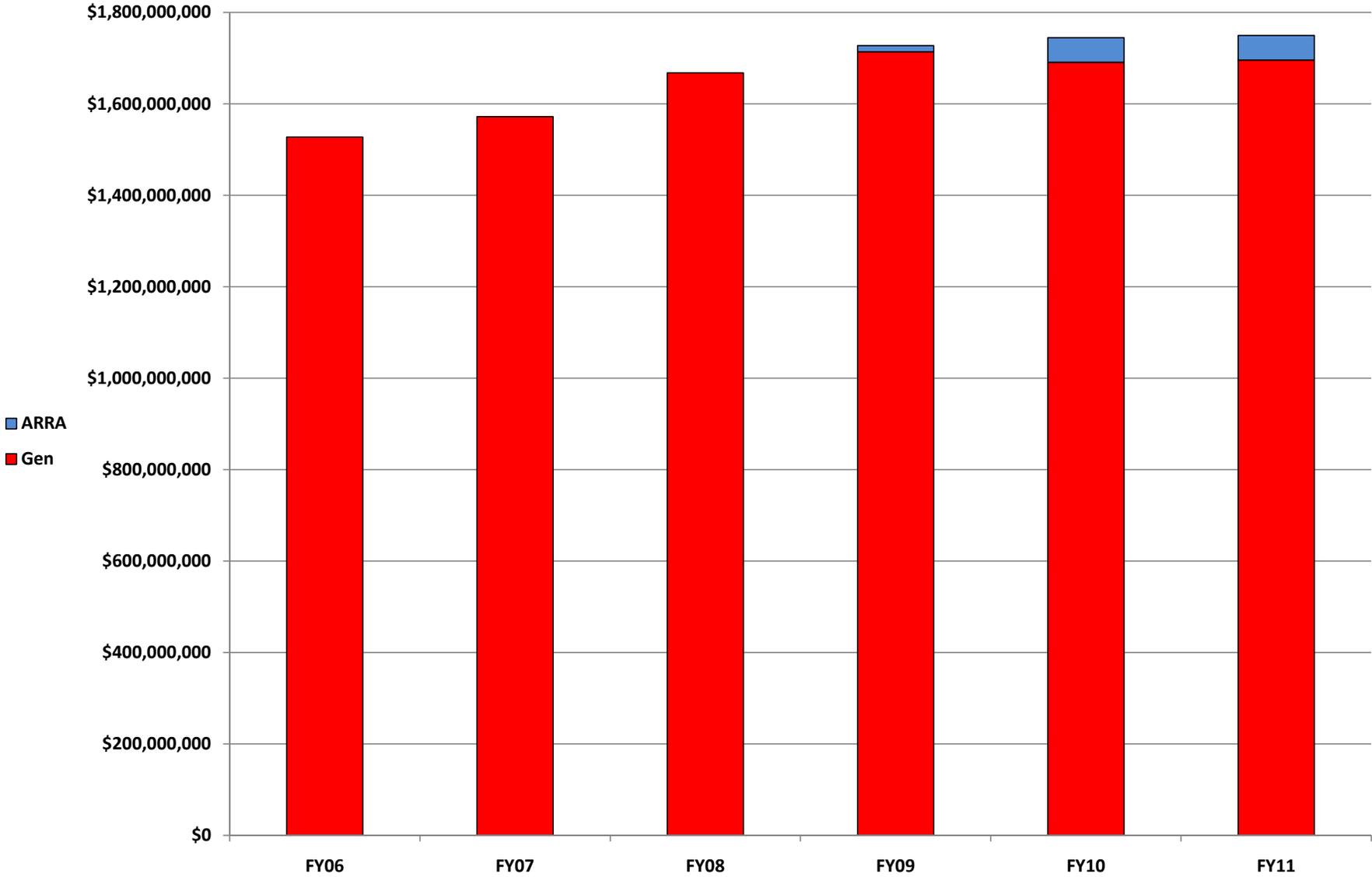
K-12 Education

- Funding Formula:
 - Current funding formula dollars per student
 - Multiplied by each school corporation's enrollment for 2010 and 2011
 - Plus Special Education Preschool (included in the formula at \$2,750 per student)
 - = State Funding
- Circuit breaker replacement grant funded at \$95 million— exact amount appropriated in HB 1001

K-12 Education

- \$10 million for at least 300 new math and science teachers through the Woodrow Wilson Teaching Fellowship Program
- \$5 million matching fund for start-up costs for 25-30 New Tech High Schools
- To preserve federal education funds, no caps on charter schools
- Capital projects fund may be used to fund utilities and insurance at existing statutory rate

Higher Education Appropriations



Note: FY09 adjusted for 1% reserve. Does not include R&R appropriations or capital cash appropriations. Includes all seven state supported universities (operating, line items, and fee replacement), and SSACI.

Higher Education—Universities

- FY 2010 general fund operating appropriation 4% less than FY 2009 appropriation. FY 2011 same as FY 2010
 - Federal stimulus funds restore operating cuts
 - To maximize job creation and to provide lasting infrastructure, stimulus funds directed to be used as one time R&R
- Separate appropriation for R&R funded with federal stimulus funds at \$31 million per year
- = \$213 million of job creating R&R at state universities

Higher Education—Universities

- \$137 million of federal stimulus funds used for ten university construction projects:
 - \$44 million for health and life science laboratories at Purdue, IU Bloomington, IU Indianapolis and Indiana State
 - \$50 million for new Ivy Tech buildings in Warsaw, Bloomington and Anderson. \$4 million in additional funds for Ivy Tech Elkhart
 - \$6 million for medical school renovations at Purdue West Lafayette
 - \$33 million for central campus renovations at Ball State
- To maximize immediate job creation, funds must be obligated within 120 days

Higher Education—Student Aid

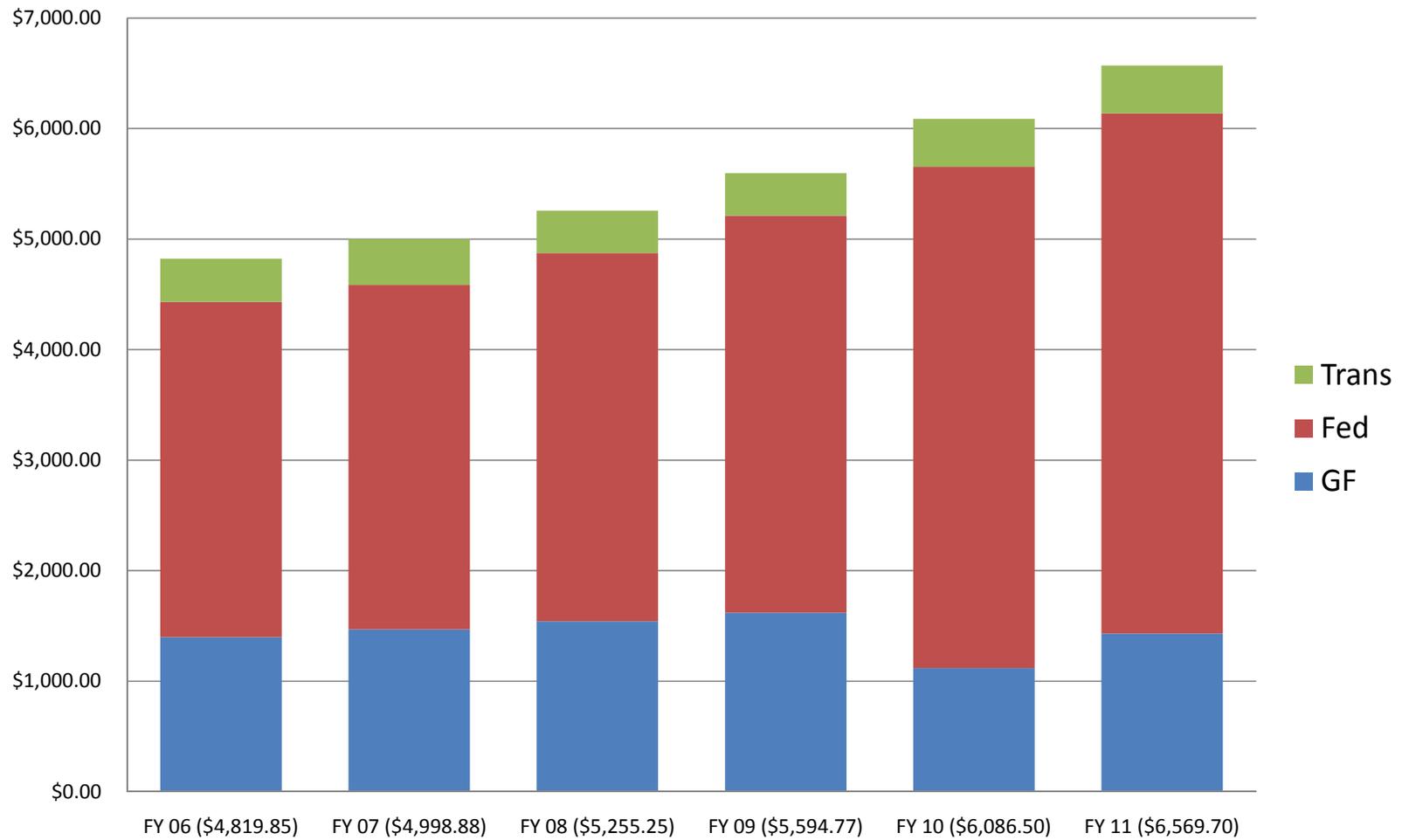
- 3% increase in state funding per year
- New tools to enable SSACI to maximize state funds
- Federal Workforce Investment Act stimulus funds of \$20 million to supplement student aid at 2 year and proprietary schools
- = 5% overall increase
- Goal is no to low impact on existing caps

Public Safety

- Department of Correction general fund appropriation recommended at \$679 million in FY 2010 and \$693 million in FY 2011
 - Reduced \$3.7 million from January recommendation
 - Foregoes DOC's \$45 million request for additional capital funds in FY 2011 to increase prison capacity for maximum and medium offenders
- State Police budget for FY 2010 and FY 2011 flat with 2009 appropriation

Medicaid—Funding History

Medicaid Totals (in millions)



Medicaid

- Fully funds the April 17, 2009 Medicaid Forecast
- Gross state share of \$3.38 billion for FY 2010-2011
- Enhanced FMAP rates from federal stimulus reduces gross state share by \$838 million to a net \$2.54 billion
- = State appropriation decrease of 22% compared to current levels. BUT only for two years
- Total expenditures increase 5% in 2010 and 8% in 2011 due to increased enrollment from national recession
- Recommendation maintains services for eligible recipients and provides sufficient resources to meet projected enrollment growth during national recession

Department of Child Services and Family and Children's Fund

- Department of Child Services
 - FY 2010-11 general fund operating budget 3.9% below FY 2009 appropriation. Sufficient funds to maintain existing number of caseworkers
- Family and Children's Fund
 - FY 2009 appropriation for six months was \$238 million
 - DCS will receive enhanced FMAP rates due to federal stimulus
 - Efficiencies have been realized from centralizing a 92 county system
 - DCS continues to pursue substantial opportunities to leverage federal funding for services in lieu of state general fund dollars
 - Therefore, state appropriation is recommended at \$445 million per year
 - Total appropriation of \$460 million per year including federal funds

General Government

- Reductions from January recommendation from state agencies totaling \$135 million:
 - Additional 2% across the board cut
 - Targeted reductions at DOC, FSSA and IEDC
 - Postponement of capital projects
 - Appropriation used for employee raises and health insurance costs reduced
- Majority of agencies are budgeted at 10% less than FY 2009
 - Notable exceptions include the Department of Correction, Indiana State Police and the Department of Child Services, which are areas of priority for the Governor

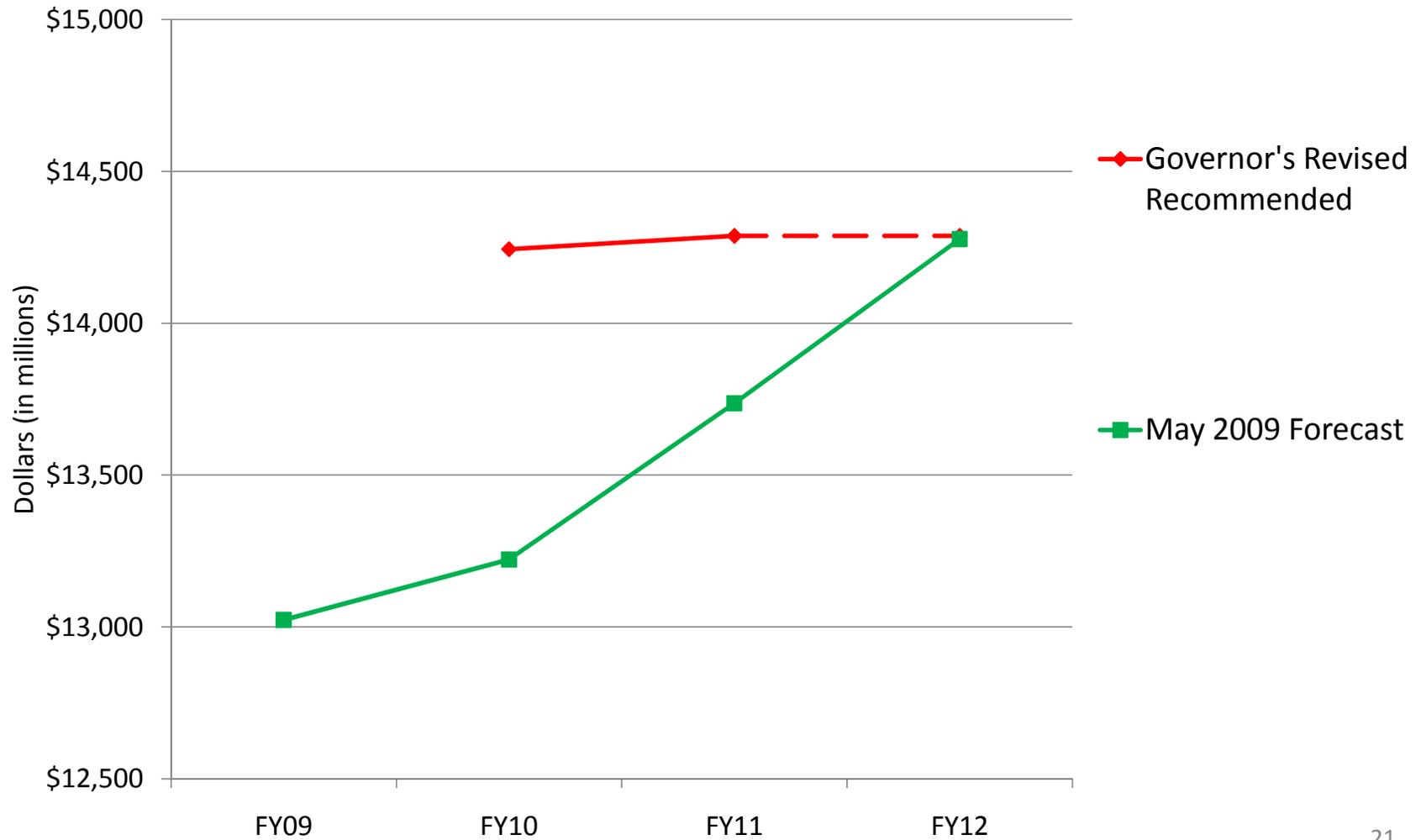
Federal Stimulus

- Education Fiscal Stabilization Fund (\$823 million)
 - \$579 million to schools for CY 2009 to restore reduction in state general funds. \$536 million distributed June 1. \$43 million to be distributed in July
 - \$213 million to universities to restore reduction in state general funds. Used for R&R in FY 2010-11
 - \$31 million to schools through Title I formula for CY 2010 and CY 2011
- General Purpose Fiscal Stabilization Fund (\$183 million)
 - \$137 million for ten university construction projects
 - \$31 million for key state infrastructure projects
 - \$15 million for K-12 education infrastructure
- 100% used for one time purposes and General Purpose funds spent in FY 2010 to stimulate economy

Federal Stimulus

- \$413 million of Title I and Special Education distributed to schools to support 2010 and 2011 budgets
- Medicaid (\$838 million)
 - \$214 million to fund projected enrollment increases due to recession
 - \$624 million to support state budget
- Transportation
 - \$460 million. Used conference report language
 - In addition to over \$1 billion from Major Moves

Cliff Eliminated



Estimated Combined Balances (in millions)

	Estimated FY 2009	Estimated FY 2010	Estimated FY 2011
Working Balance at July 1	\$592.5	\$16.2	\$85.2
General Fund Reserve Balance at June 30	16.2	85.2	143.6
<u>Reserved Balances:</u>			
Medicaid Reserve	57.6	57.6	57.6
Tuition Reserve	940.0	705.0	423.0
<u>Rainy Day Fund</u>	<u>370.2</u>	<u>377.7</u>	<u>385.2</u>
TOTAL COMBINED BALANCES:	\$1,384.0	\$1,225.5	\$1,009.4

Boundary Conditions for Special Committee

- NO tax increases
- Spend a dollar = Cut a dollar
- Reserves cannot be below \$1 billion at June 30, 2011
- No Cliff entering FY 2012
- General purpose stimulus funds must be used for one time purposes with an emphasis on job creation and leaving behind permanent assets
- No gimmicks like unfunded debt service or raids of the Pension Stabilization Fund