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AUDITOR BERRY CLOSSES BOOKS ON FISCAL YEAR 2007 **Daniels Controls Spending – Achieves Balanced Budget...Again**

Indianapolis (July 16, 2007) – Indiana has achieved the first back-to-back balanced budget in eight years, without a state tax increase. State Auditor Tim Berry announced that for the fiscal year ending June 30 revenue exceeded expenditures by \$473.8 million.

Much of the progress in erasing the deficit that Governor Daniels inherited was achieved through effective fiscal management and constraining spending. In the eight years prior to Governor Daniels' administration spending grew at a average rate of 5.88%, whereas since 2005 Governor Daniels has limited spending growth to just under 2.5%.

"Indiana has shown that if you control spending and grow the economy, it is possible to balance a budget without increasing taxes," said Auditor Berry. "Taxpayers expect government to do more with less, and under Governor Daniels leadership, Indiana is doing just that."

The General Fund/Property Tax Replacement Fund (GF/PTRF) combined balance, net of payment delays, now stands at \$1 Billion dollars. This balance represents 7.9% of available annual revenues, still less than a 10-12% prudent surplus range. The state still has \$285.5 million in payment delay obligations, which are scheduled to be paid during the current biennial budget. During the past year Indiana paid \$336.6 million back in delayed payments.

Factors that contributed to Indiana's financial success:

- Revenue increased a total of 4.8% over 2006 and 2.4% above forecast. Individual Income up 6.8%, Corporate Income increasing 6.7% and Sales Tax increasing 2.9%;

- The increase in revenue is coming from a growing economy with both individual and corporate income tax gains combining for a 6.8% increase to 2006 and 4% over forecast. Sales tax saw a 2.9% over 2006 and only a 0.7% over forecast;
- In 2005, Indiana's General Assembly passed the first balanced budget in eight years.

"As we close the financial books on this year, we will be able to pay off the remainder of the outstanding payment delays to our local governments and universities," stated Berry.

Berry continued, "We must remain dedicated to controlling our expenditures, so that we do not return to the same deficit situation we were in just a few short years ago. I am pleased to report that Indiana's financial health is strong."

-30-

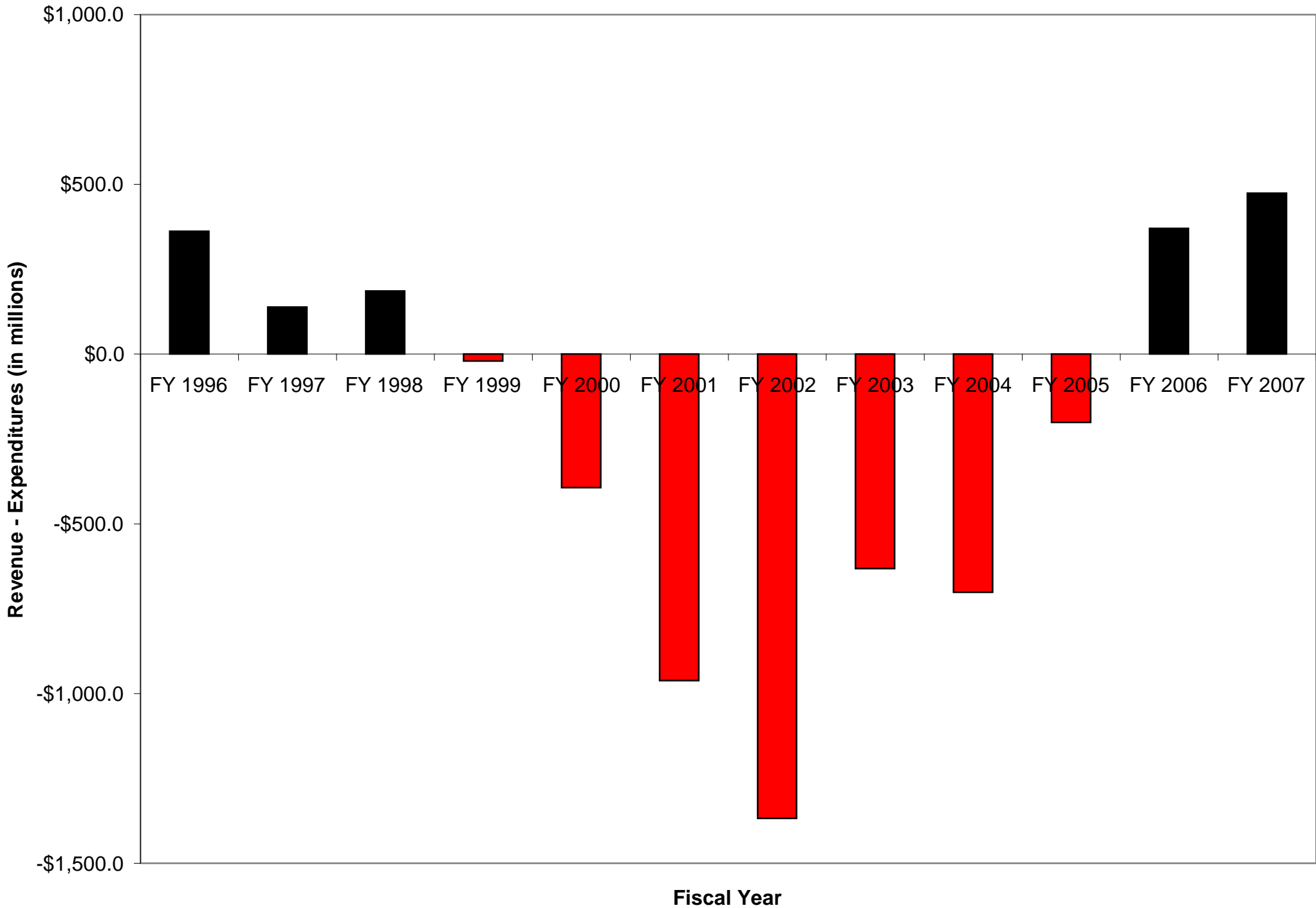
Summary of FY07 Close Out

	Actual FY07	Estimated	
		FY08	FY09
Beginning Balance	1,089.3	1,285.7	1,199.8
Total Forecast, DSH, QAF, & RDF Int.	12,720.6	12,917.1	13,481.5
Gen. Assembly Actions	-	22.6	14.0
Total Current Resources	12,720.6	12,939.7	13,495.5
As-passed Appropriations	12,246.0	13,001.9	13,427.1
less repayment of payment delays		(145.1)	(136.6)
Total Reversions	(118.6)	(25.0)	(25.0)
Adjustments to Appropriations:	108.0		
Judgments and Settlements	11.4	8.0	8.0
Total Net Expenditures	12,246.8	12,839.8	13,273.5
<i>Annual Rate of Change</i>		4.8%	3.4%
Surplus/(Deficit)	473.8	99.9	222.0
<u>Other Sources and (Uses) of Cash:</u>			
Reduce Payment Delay Liabilities:			
Higher Education	(40.0)	(31.1)	(31.1)
Tuition Support	(160.1)		
Local Units	(136.5)	(114.0)	(105.5)
LOIT Distribution	(35.2)		
Transfer to Medicaid Reserve	53.6		
PTRF Adjust for Abstracts	40.7	(40.7)	
Total Combined Balances	1,285.7 ⁽¹⁾	1,199.8 ⁽²⁾	1,285.2
<i>As Percent of Revenue</i>	10.11%	9.29%	9.53%

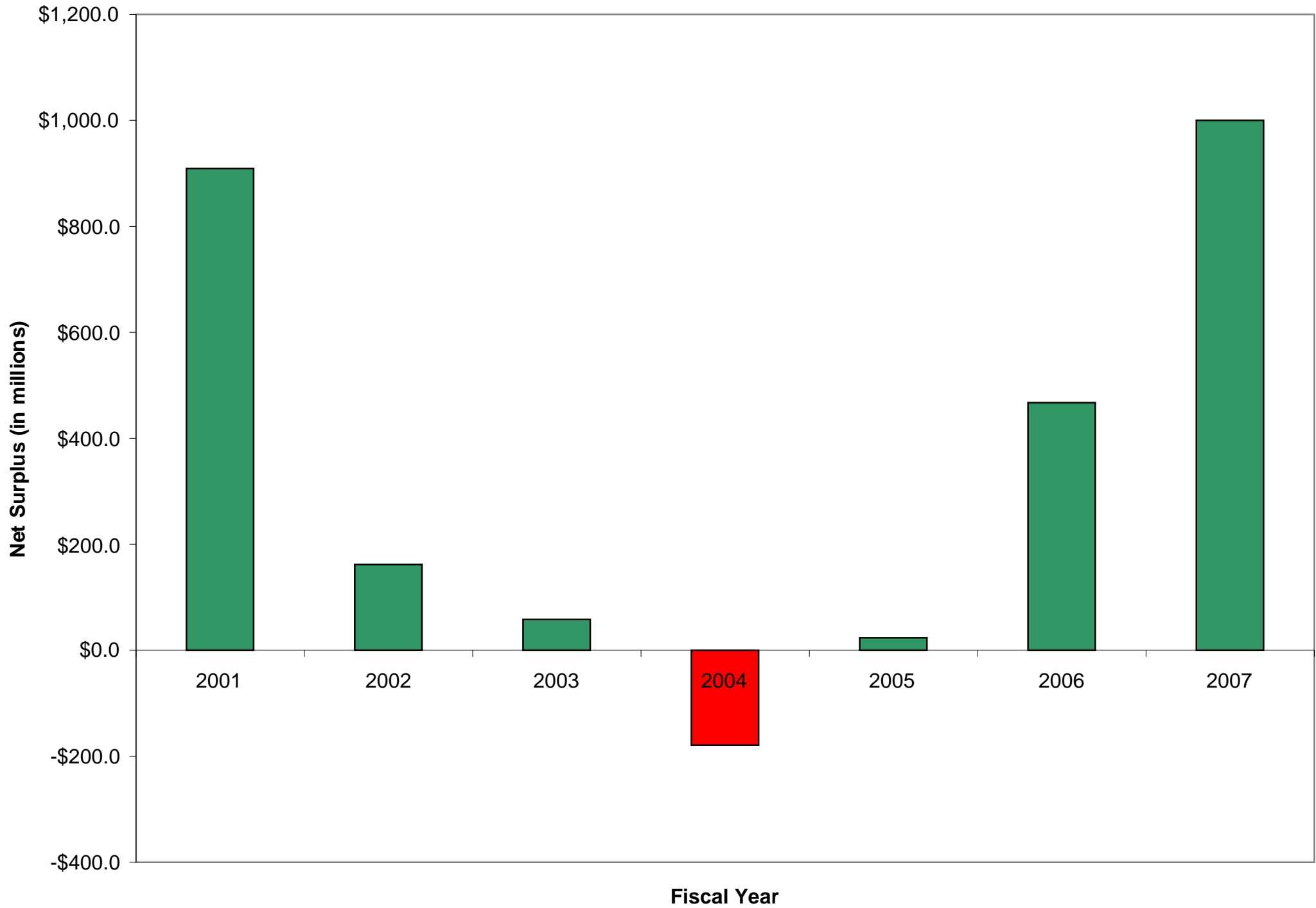
(1) Excludes remaining payment delays of \$285.5 million. Total combined balance after payment delays is \$1,000.2 billion.

(2) Excludes remaining payment delays of \$136.6 million. Total combined balance after payment delays is \$1,063.2 billion.

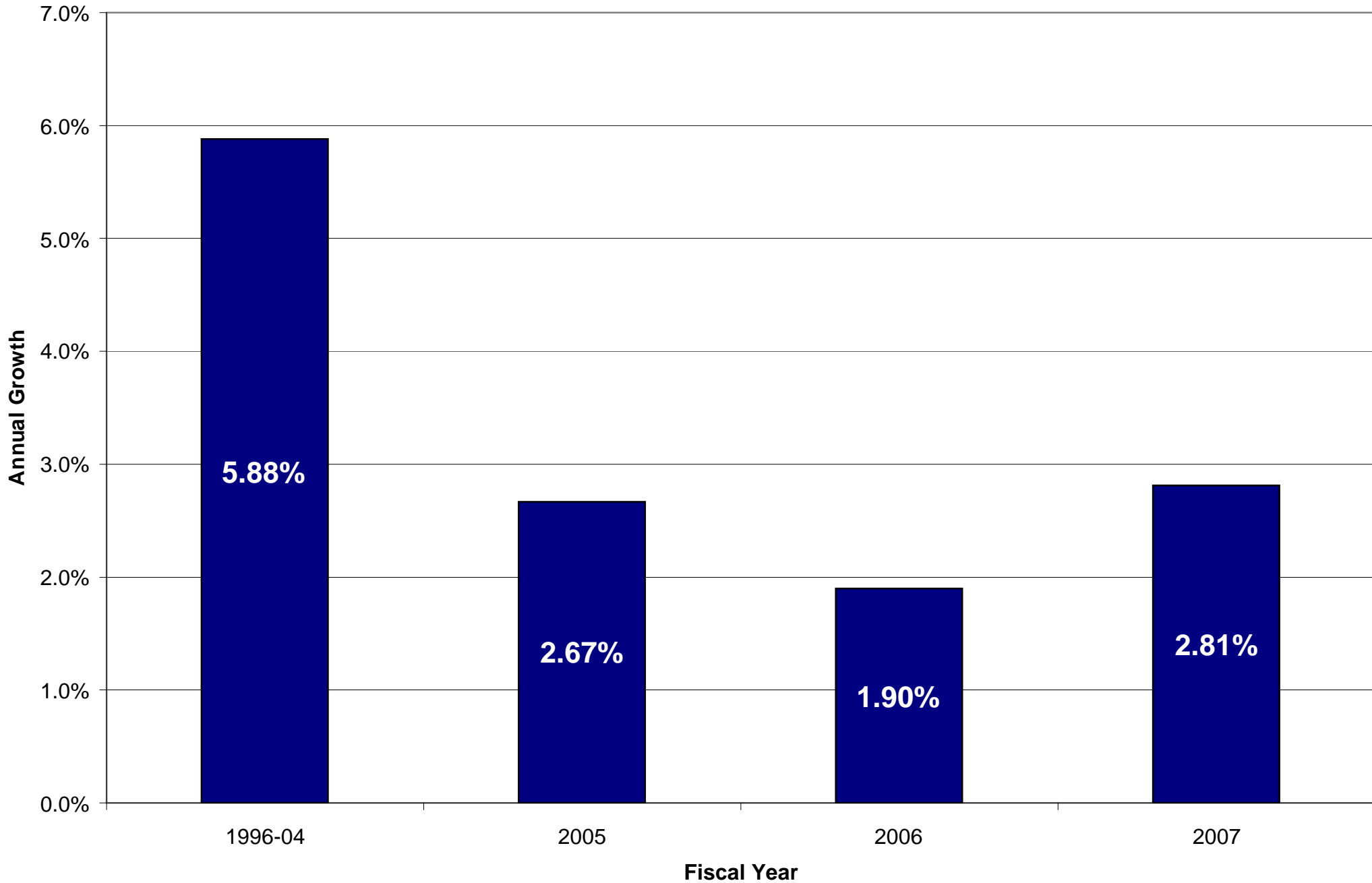
First Back-to-Back Balanced Budget in Eight Years



Growing State Surplus (Cash Balance - Liabilities)



Annual Expenditure Growth

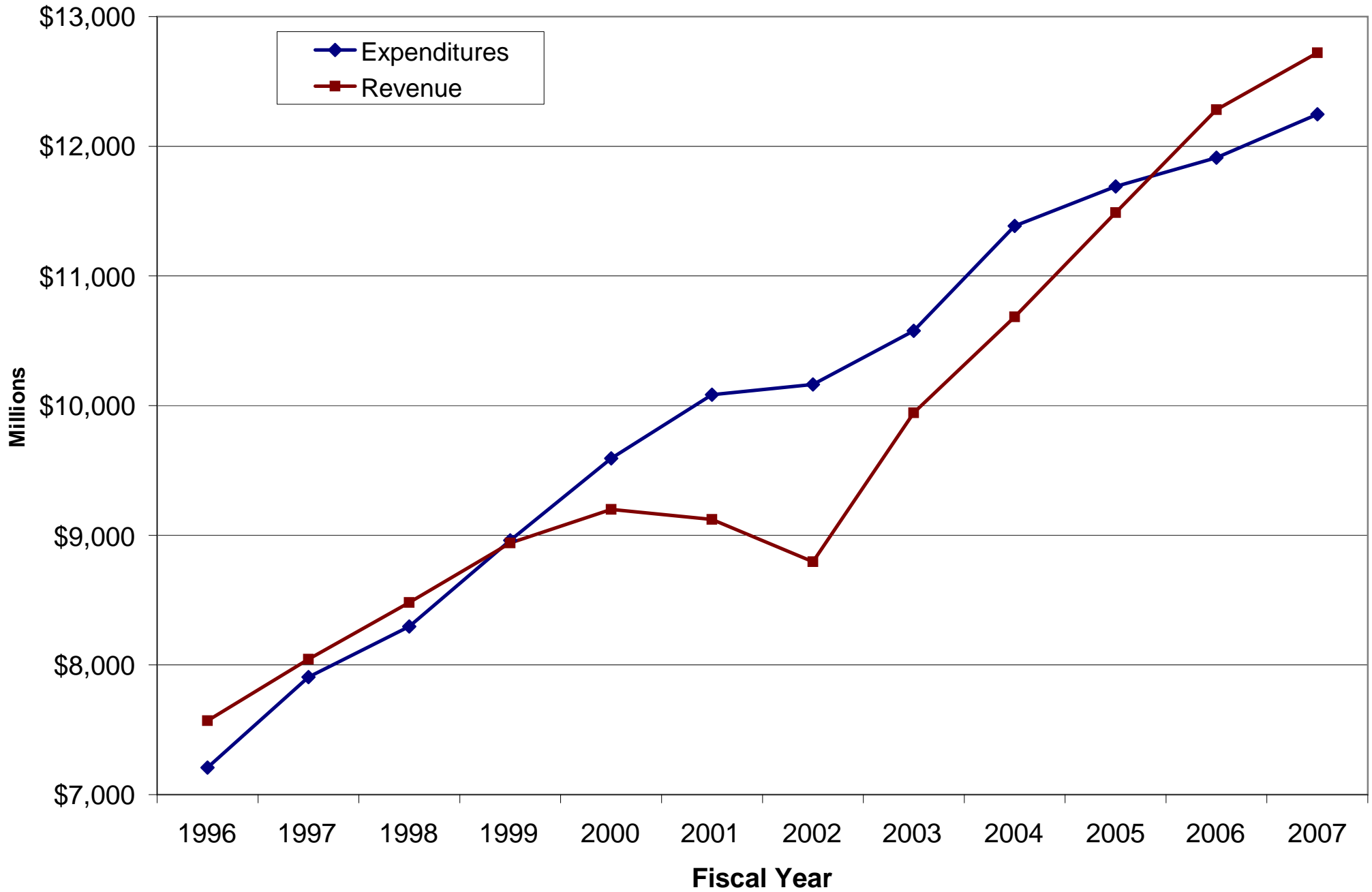


Notes:

General Fund and Property Tax Replacement Fund Expenditures only.

FY02 and after -expenditure growth is adjusted to account for the payment delays and excess reversions.

Annual Revenues and Expenditures



Notes:
General Fund and Property Tax Replacement Fund Expenditures only.
FY02 and after -expenditure growth is adjusted to account for the payment delays and excess reversions.