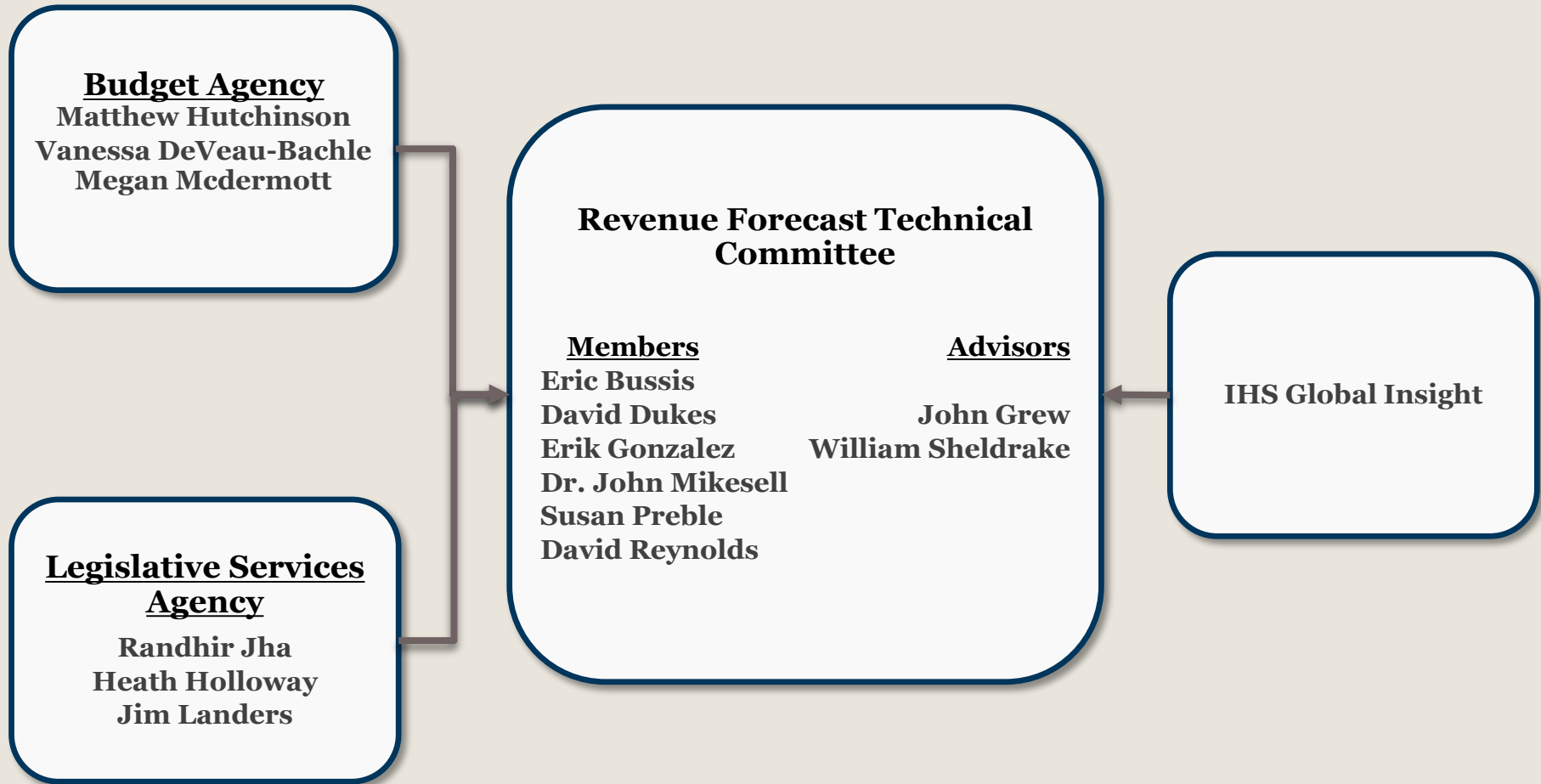


General Fund Revenue Forecast

Fiscal Years 2015-2017
Revenue Forecast Technical Committee

Presented to the State Budget Committee
April 16, 2015

Indiana Revenue Forecast



Performance of Major Revenue Sources Year-To-Date Through March 31st

| | | |
|---------------|--|--------------|
| Sales Tax | 0.1% Below Dec 14 Forecast Target 5.5% Above Same Period in FY 2014 | |
| | 3.7% Below Dec 14 Forecast Target 4.0% Above Same Period in FY 2014 | Income Tax |
| Corporate Tax | 7.4% Above Dec 14 Forecast Target 1.2% Below Same Period in FY 2014 | |
| | 0.3% Above Dec 14 Forecast Target 7.7% Below Same Period in FY 2014 | Gaming Taxes |

Forecast Overview

Economic Forecast

- Revised downward somewhat
- Remains stable but still showing effects of slow recovery in employment and wages

Revenue Forecast

- Income Tax Model modified slightly
- Sales, Corporate, Gaming, Cigarette, and Alcohol Tax Models unchanged

Incorporation of Impacts of Recent Legislative Changes

- Ongoing FIT rate reduction
 - 7.5% in CY 2015 to 6.5% in CY 2017
- Ongoing Corporate Tax rate reduction
 - 7.0% in FY 2015 to 6.25% in FY 2017
- Individual Income Tax rate reduction
 - 3.3% in CY 2015 to 3.23% in CY 2017
- Free Play Deduction for casino/racino Wagering Taxes through FY 2016
- Lower casino Wagering Tax rate for smaller casinos ongoing
- Racino wagering tax base change ongoing

Changes in the Individual Income Tax Model

Total Income Tax Estimators

December 2014

Estimated Tax Payments

| | |
|--------------------|----------------------------------|
| Proprietors Income | 1-Year Lag of Estimated Payments |
|--------------------|----------------------------------|

Withholdings

| | |
|------------------|---------------------|
| Wages & Salaries | Gross State Product |
|------------------|---------------------|

Extra Pay Period in Quarter

Reconciliations

Fiscal Year Average

April 2015

Estimated Tax Payments

| | |
|--------------------|----------------------------------|
| Proprietors Income | 1-Year Lag of Estimated Payments |
|--------------------|----------------------------------|

Withholdings

Wages & Salaries

Extra Pay Period in Quarter

Reconciliations

Fiscal Year Average

Shifting Sands

Moderate employment growth, still uncertain wage growth

Current recovery exceeding historic average recovery period

Loosening of credit markets/improvement in household finances

Continued uncertainty relating to federal budget policy

Energy price decline ends, potential for inflation begins

April 2015
Forecast Results

Total Tax Revenue Estimates

April 16, 2015, Revenue Forecast

| Sales Tax (in millions) | | | | |
|-----------------------------------|------------------------|------------------------|---|--|
| Fiscal Year | Dec-14 Forecast | Apr-15 Forecast | Difference (\$) Dec 2014 to Apr-15 | Difference (%) Dec 2014 to Apr-15 |
| 2015 | \$7,256.7 | \$7,226.3 | -\$30.4 | -0.4% |
| 2016 | \$7,551.4 | \$7,504.7 | -\$46.7 | -0.6% |
| 2017 | \$7,904.6 | \$7,839.6 | -\$65.0 | -0.8% |

| Individual Income Tax (in millions) | | | | |
|---|------------------------|------------------------|---|--|
| Fiscal Year | Dec-14 Forecast | Apr-15 Forecast | Difference (\$) Dec 2014 to Apr-15 | Difference (%) Dec 2014 to Apr-15 |
| 2015 | \$5,121.2 | \$5,048.7 | -\$72.6 | -1.4% |
| 2016 | \$5,173.2 | \$5,121.8 | -\$51.4 | -1.0% |
| 2017 | \$5,314.8 | \$5,283.1 | -\$31.8 | -0.6% |

| Corporate Income Tax (in millions) | | | | |
|--|------------------------|------------------------|---|--|
| Fiscal Year | Dec-14 Forecast | Apr-15 Forecast | Difference (\$) Dec 2014 to Apr-15 | Difference (%) Dec 2014 to Apr-15 |
| 2015 | \$977.8 | \$973.7 | -\$4.0 | -0.4% |
| 2016 | \$1,008.7 | \$984.7 | -\$24.0 | -2.4% |
| 2017 | \$992.5 | \$994.4 | \$2.0 | 0.2% |

Total Tax Revenue Estimates

April 16, 2015, Revenue Forecast

| Gaming Taxes (in millions) | | | | |
|--------------------------------------|------------------------|------------------------|---|--|
| Fiscal Year | Dec-14 Forecast | Apr-15 Forecast | Difference (\$) Dec 2014 to Apr-15 | Difference (%) Dec 2014 to Apr-15 |
| 2015 | \$440.5 | \$446.4 | \$5.9 | 1.3% |
| 2016 | \$421.0 | \$430.0 | \$9.0 | 2.1% |
| 2017 | \$417.5 | \$427.5 | \$10.0 | 2.4% |

| Other Taxes (Includes FIT, Excise, CVET Recapture) (in millions) | | | | |
|--|------------------------|------------------------|---|--|
| Fiscal Year | Dec-14 Forecast | Apr-15 Forecast | Difference (\$) Dec 2014 to Apr-15 | Difference (%) Dec 2014 to Apr-15 |
| 2015 | \$933.5 | \$929.8 | -\$3.7 | -0.4% |
| 2016 | \$935.9 | \$929.8 | -\$6.1 | -0.6% |
| 2017 | \$943.1 | \$933.7 | -\$9.4 | -1.0% |

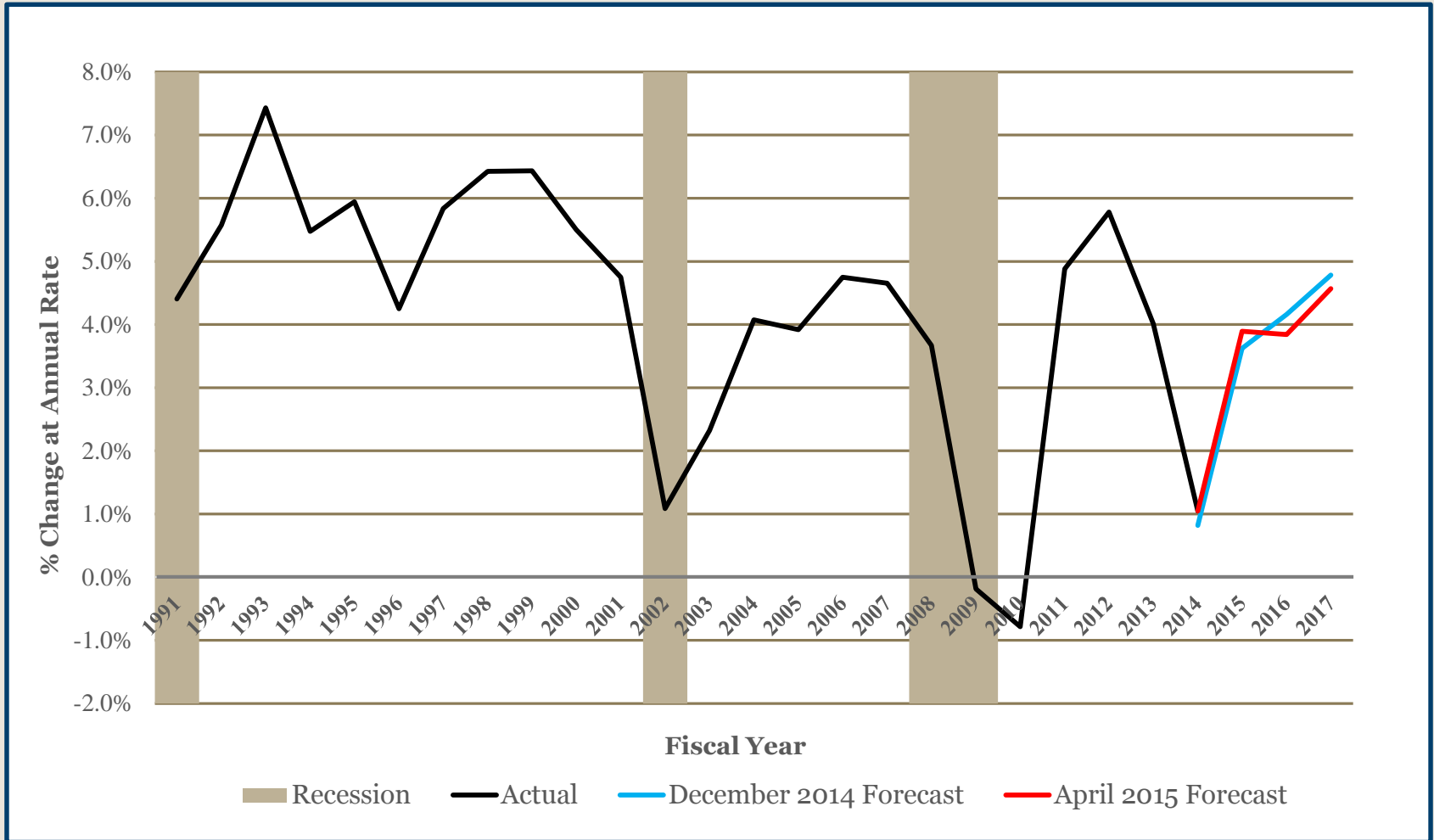
| Total General Fund Taxes (in millions) | | | | |
|--|------------------------|------------------------|---|--|
| Fiscal Year | Dec-14 Forecast | Apr-15 Forecast | Difference (\$) Dec 2014 to Apr-15 | Difference (%) Dec 2014 to Apr-15 |
| 2015 | \$14,729.7 | \$14,624.9 | -\$104.8 | -0.7% |
| 2016 | \$15,090.2 | \$14,971.1 | -\$119.2 | -0.8% |
| 2017 | \$15,572.5 | \$15,478.3 | -\$94.1 | -0.6% |

Total General Fund Revenue Forecast
Fiscal Years 2015, 2016 & 2017
April 16, 2015
(In Millions of Dollars)

| | Actual 2014 | Dec. 2014 Forecast 2015 | Updated Forecast 2015 | Diff. From Prior Forecast | Dec. 2014 Forecast 2016 | Updated Forecast 2016 | Diff. From Prior Forecast | Dec. 2014 Forecast 2017 | Updated Forecast 2017 | Diff. From Prior Forecast |
|-----------------------------------|-----------------|-------------------------------|-----------------------------|---------------------------------|-------------------------------|-----------------------------|---------------------------------|-------------------------------|-----------------------------|---------------------------------|
| Major Taxes | | | | | | | | | | |
| Sales & Use | 6,925.9 | 7,256.7 | 7,226.3 | -30.4 | 7,551.4 | 7,504.7 | -46.7 | 7,904.6 | 7,839.6 | -65.0 |
| Individual Income | 4,898.8 | 5,121.2 | 5,048.7 | -72.6 | 5,173.2 | 5,121.8 | -51.4 | 5,314.8 | 5,283.1 | -31.8 |
| Corporate - AGI, URT, USUT, FIT | 1,054.4 | 977.8 | 973.7 | -4.0 | 1,008.7 | 984.7 | -24.0 | 992.5 | 994.4 | 2.0 |
| Riverboat Wagering | 363.3 | 329.3 | 334.2 | 5.0 | 312.3 | 320.5 | 8.2 | 309.8 | 319.0 | 9.2 |
| Racino Wagering | <u>110.7</u> | <u>111.2</u> | <u>112.2</u> | <u>1.0</u> | <u>108.7</u> | <u>109.6</u> | <u>0.9</u> | <u>107.7</u> | <u>108.5</u> | <u>0.8</u> |
| Subtotal Major Taxes | 13,353.1 | 13,796.2 | 13,695.1 | -101.1 | 14,154.3 | 14,041.2 | -113.1 | 14,629.4 | 14,544.7 | -84.7 |
| Other Revenue | | | | | | | | | | |
| Cigarette | 257.6 | 252.5 | 254.3 | 1.8 | 248.5 | 250.2 | 1.7 | 246.8 | 247.4 | 0.6 |
| Insurance | 218.5 | 224.8 | 223.0 | -1.8 | 231.2 | 227.6 | -3.6 | 237.9 | 232.3 | -5.6 |
| Inheritance | 87.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Alcoholic Beverages | 17.1 | 17.1 | 17.2 | 0.1 | 17.9 | 17.7 | -0.2 | 19.3 | 18.9 | -0.4 |
| Riverboat Admissions | 12.4 | 11.1 | 11.5 | 0.4 | 10.9 | 11.3 | 0.4 | 11.0 | 11.3 | 0.3 |
| Interest | 16.5 | 17.4 | 17.4 | 0.0 | 18.1 | 18.1 | 0.0 | 18.9 | 18.9 | 0.0 |
| Motor & Commercial Vehicle Excise | 250.6 | 230.8 | 230.8 | 0.0 | 229.3 | 229.3 | 0.0 | 229.3 | 229.3 | 0.0 |
| Miscellaneous Revenue | 188.8 | <u>179.9</u> | <u>175.6</u> | <u>-4.3</u> | <u>179.9</u> | <u>175.6</u> | <u>-4.3</u> | <u>179.9</u> | <u>175.6</u> | <u>-4.3</u> |
| Subtotal Other Revenue | 1,049.1 | 933.5 | 929.8 | -3.7 | 935.9 | 929.8 | -6.1 | 943.1 | 933.7 | -9.4 |
| Total General Fund | 14,402.2 | 14,729.7 | 14,624.9 | -104.8 | 15,090.2 | 14,971.1 | -119.2 | 15,572.5 | 15,478.3 | -94.1 |

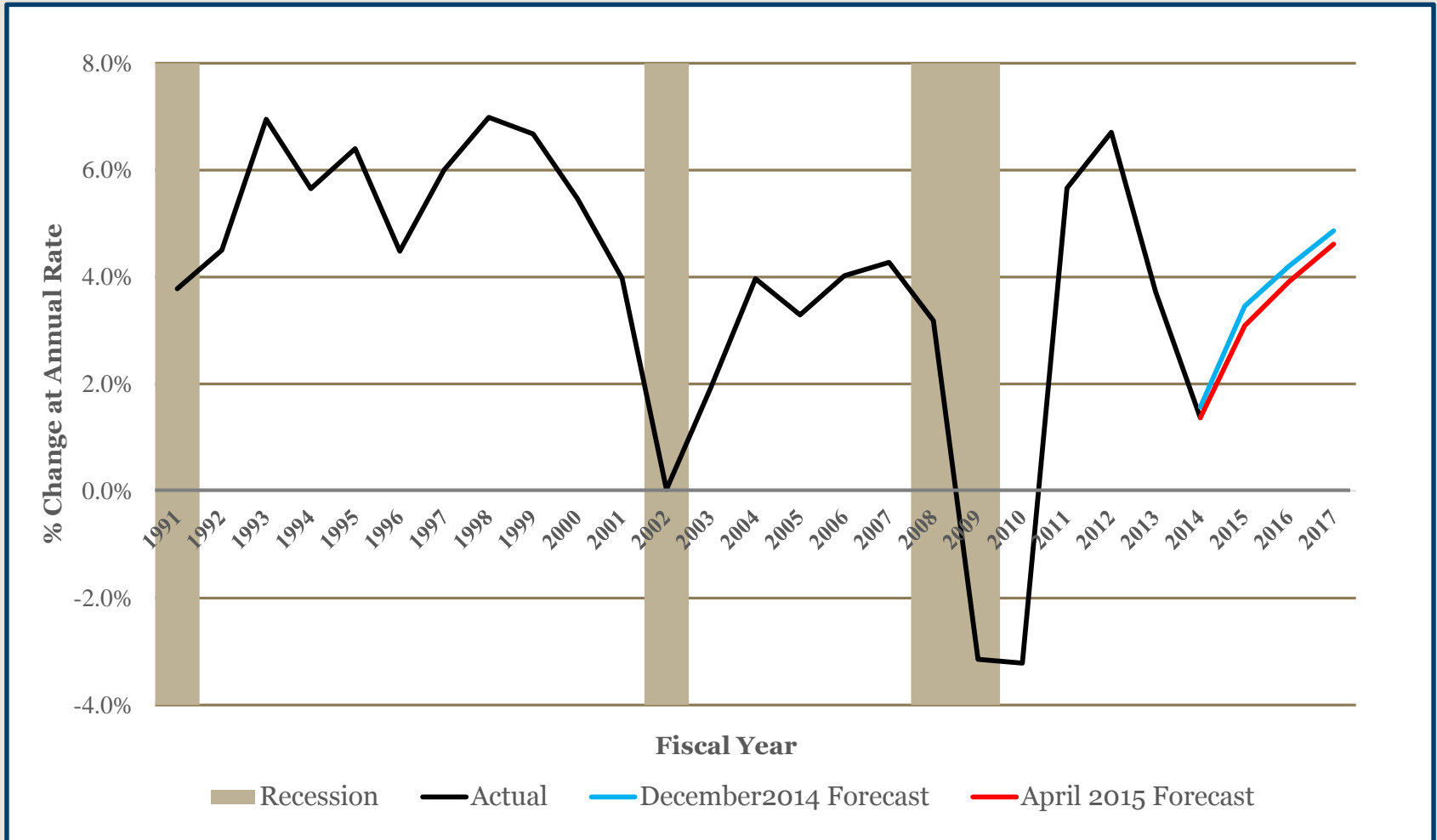
Appendices for
April 2015 Revenue Forecast

Indiana Personal Income (IPI)



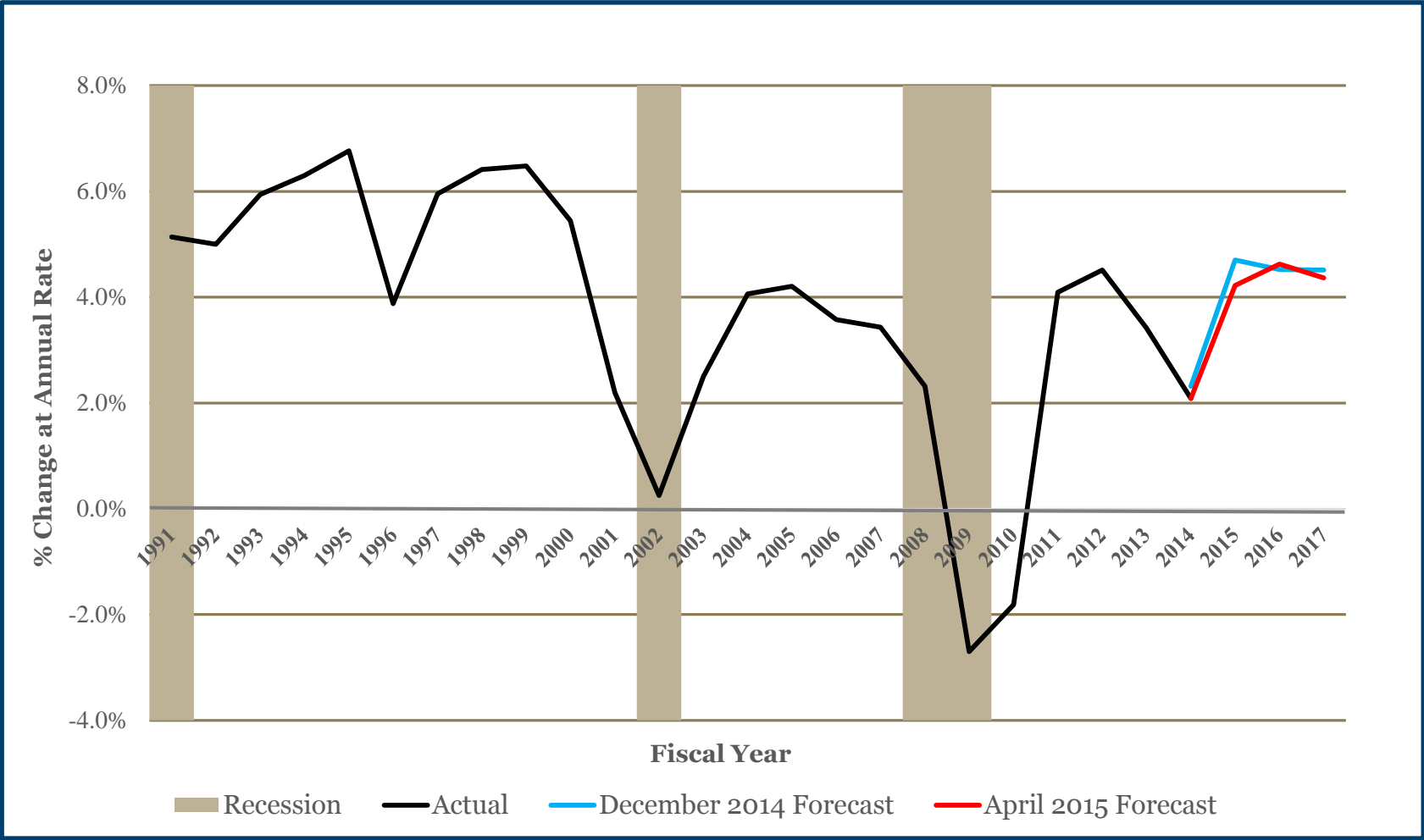
Data Source: IHS Global Insight

Indiana Personal Income Net of Transfer Payments



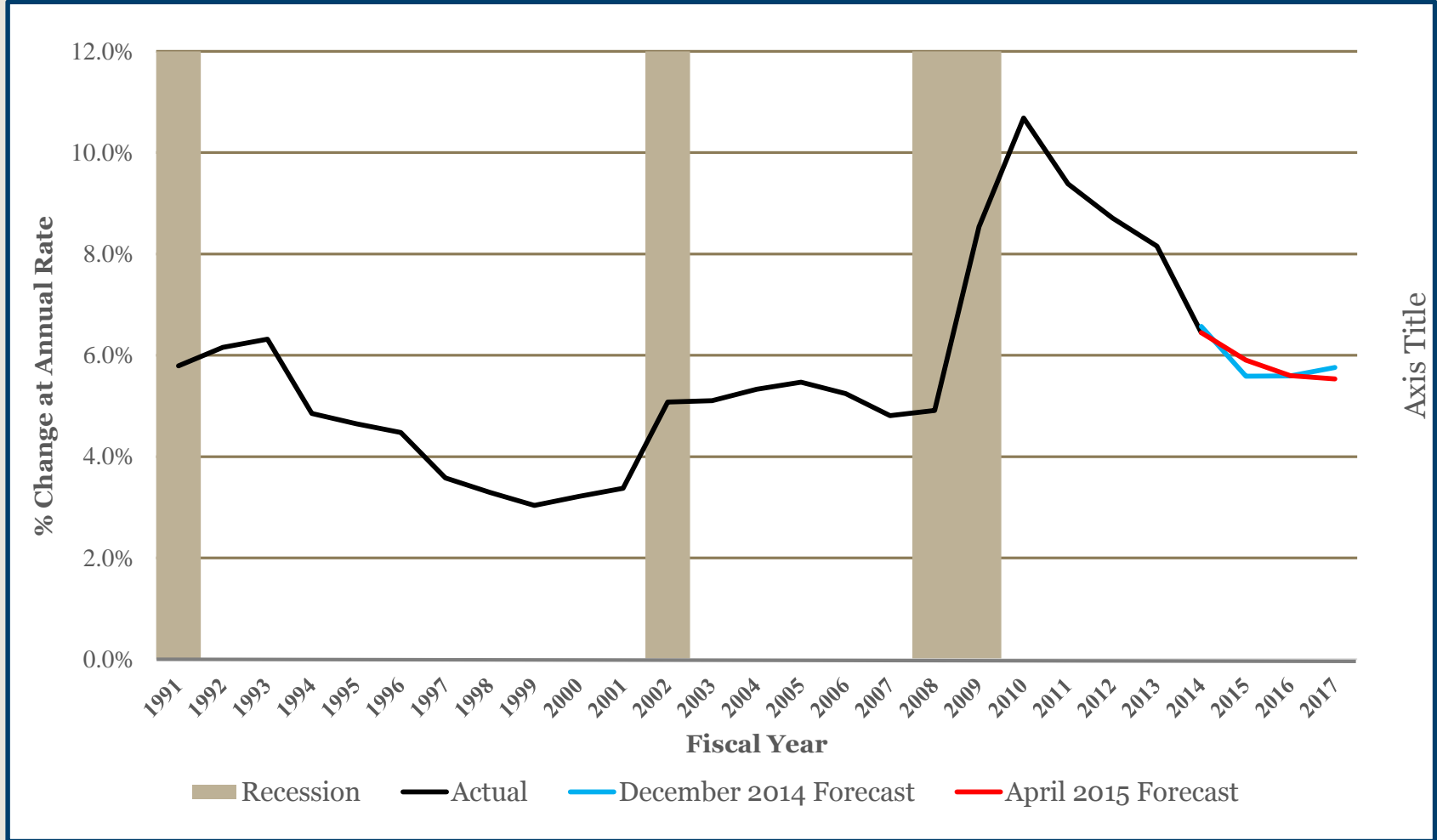
Data Source: IHS Global Insight

Indiana Wages & Salary



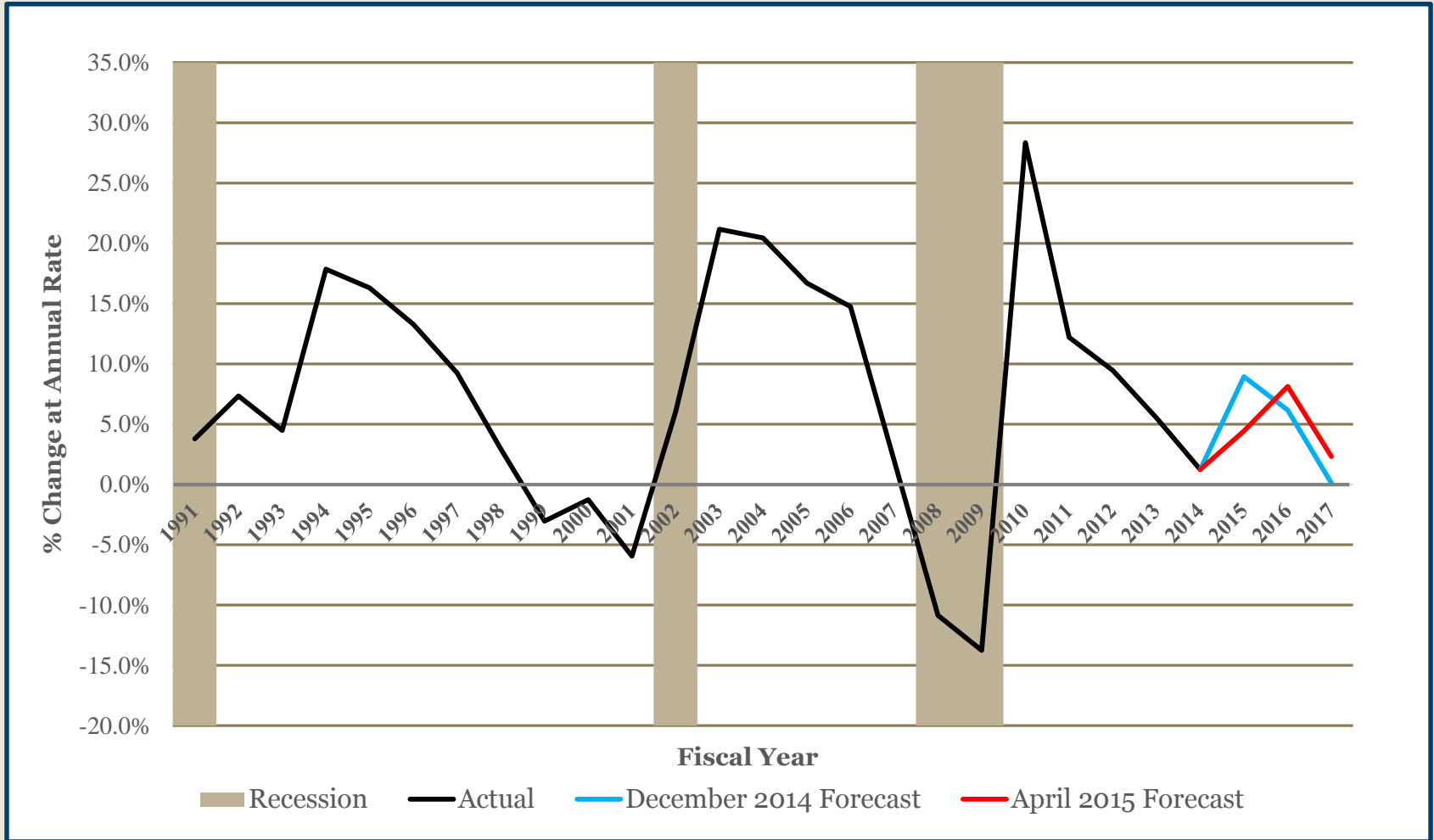
Data Source: IHS Global Insight

Indiana Unemployment Rate



Data Source: IHS Global Insight

U.S. Corporate Profits



Data Source: IHS Global Insight

Economic Variables

FY 2014, FY 2015, FY 2016, FY 2017

| Indicator | Estimate Year | December 2014 Forecast* | April 2015 Forecast* | | Difference (%) Dec 2014 to Apr 2015 |
|--|---------------|-------------------------|----------------------|--------|-------------------------------------|
| Nominal Indiana Personal Income (in millions) | 2014 | 254,993 | 255,564 | actual | 0.22% |
| | 2015 | 264,227 | 265,512 | | 0.49% |
| | 2016 | 275,218 | 275,712 | | 0.18% |
| | 2017 | 288,384 | 288,307 | | -0.03% |
| Nominal Indiana Personal Income Net of Transfer Payments (in millions) | 2014 | 206,332 | 205,932 | actual | -0.19% |
| | 2015 | 213,464 | 212,292 | | -0.55% |
| | 2016 | 222,450 | 220,611 | | -0.83% |
| | 2017 | 233,268 | 230,793 | | -1.06% |
| Nominal Indiana Wages & Salary (in millions) | 2014 | 129,409 | 129,118 | actual | -0.23% |
| | 2015 | 135,497 | 134,569 | | -0.68% |
| | 2016 | 141,624 | 140,797 | | -0.58% |
| | 2017 | 148,014 | 146,943 | | -0.72% |
| Indiana Unemployment Rate | 2014 | 6.6% | 6.4% | actual | -1.82% |
| | 2015 | 5.6% | 5.9% | | 5.60% |
| | 2016 | 5.6% | 5.6% | | 0.07% |
| | 2017 | 5.8% | 5.5% | | -3.90% |
| U.S. Corporate Profits (in billions) | 2014 | 2,083 | 2,083 | actual | 0.00% |
| | 2015 | 2,269 | 2,176 | | -4.13% |
| | 2016 | 2,409 | 2,352 | | -2.36% |
| | 2017 | 2,412 | 2,407 | | -0.20% |