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The monthly revenue report of February 2010 state tax collections was released today.

Results

- Total revenue collections were \$637 million, 10% below total collections for the same period last year. Total collections were \$86 million below the December 2009 forecast amount.
- Sales tax collections totaled \$449 million for the month, 4% below collections for the same period last year and \$14 million below the December 2009 forecast amount.
- Individual income tax collections totaled \$110 million for the month, 25% below collections for the same period last year and \$44 million below the December 2009 forecast amount.

Commentary

Revenue collections missed forecast for the seventeenth consecutive month. Compared to the May revenue forecast, which was the basis for the FY 2010 budget, actual collections are \$895 million below projections. For the three months since the most recent forecast, revenue collections have missed the December 2009 forecast by \$166 million. For the current state fiscal year, revenue collections are \$874 million (10.5%) below prior year collections.

As a result, the state continues to draw down its reserve funds more quickly and to a larger degree than previously planned to offset the greater than expected decline in revenues. On the current pace, instead of using \$300 million of the state's reserve funds over the biennium—as planned in the budget bill—all \$1.3 billion in reserves will be required by the end of the cycle.

Figure 1 shows an estimate of the state's combined balances at various points throughout the biennium with and without the spending reductions ordered by the Governor. Without the actions taken by the Governor, reserve funds would have been exhausted by July 2010 and the state would have ended the current budget cycle some \$909 million in debt. While spending has been dramatically reduced from budgeted levels already, more action is needed to address the projected \$142 million deficit. Continued revenue shortfalls will only exacerbate this problem.

The administration proposed a series of additional cost savings measures that require the approval of the General Assembly. The non-partisan Legislative Services Agency estimates these measures would save at least \$65 million over the budget biennium. The Senate, by a collective vote of 143-57, has approved these measures contained in SB 1, SB 35, SB 236 and SB 298.

With another month of below forecast revenue, more action is needed to spend within our means and protect Hoosiers taxpayers. The General Assembly can still act on the four proposed cost savings bills that would ensure solvency and protect taxpayers.

March 2, 2010