



# STATE OF INDIANA

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Governor

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The monthly revenue report of January, 2009 state tax collections was released today.

## Results

- Sales tax collections totaled \$497 million for the month, 7% below collections for the same period last year. This is the third consecutive month of lower collections compared to prior year, which has only occurred two other times since 1978. Year to date collections are 1.4% below last year.
- Individual income tax collections totaled \$466 million for the month, 17% below collections for the same period last year. Year to date collections are 5% below prior year.
- Total revenue collections were \$1.1 billion, 11% below total collections for the same period last year. Total collections were \$142 million below the December 2008 forecast amount. Year to date collections are 3.1% below prior year.

## Commentary

Actual tax collections in January increase our belief in the accuracy of the Governor's prior warning that revenues for the current state fiscal year will be worse than the updated projections made just two months ago. For the two months since the revised forecast, tax collections are \$175 million below the revised forecast. If the trend in actual tax collections of the prior two months continues for the remainder of the state fiscal year an additional shortfall of approximately \$300 million to \$400 million in revenue is likely.

The December 2008 forecast reduced expected revenue collections for the current state fiscal year by over \$720 million from prior forecast. Over fifty items on the contingency plan totaling \$763 million were activated to maintain a balanced budget for the current year.

Given the possibility of further revenue shortfalls, the Governor has directed us to assemble options for additional contingency measures. These generally include additional reductions in base spending, transferring unused balances in dedicated funds to the general fund, and renegotiating contracts and leases to generate cost savings. The Family and Social Services Administration has been asked to continue to generate other cost savings ideas in both Medicaid and other welfare programs they operate while preserving services.

Despite the persistent downward pressure on state revenue collections, the goal remains the same—to finish state fiscal year 2009 with the state's combined balances (rainy day funds and reserves) intact.