

2001 Indiana Program Budget Book



**Frank O'Bannon
Governor**

**Betty Cockrum
State Budget Director**

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Letter from the Governor

GREETINGS!


I am delighted that you are reading this debut edition of the Indiana Program Budget Book. Compiled by the State Budget Agency, it represents a great step forward in helping all Hoosiers better understand how their state government works.

While many of us have a basic understanding of how Hoosiers' tax and user fee dollars are spent, this book clearly shows where those funds are invested and how they positively affect the people served by the dozens of programs overseen by state government.

I am certain that each of us – from citizens who are focused on how our public schools are funded or for programs that help the elderly to those of us who work together to develop the state's two-year budget – will learn a great deal from reviewing the material contained in these pages.

A tremendous amount of work went into making complex state government finances appear so simple. I commend the State Budget Agency and the agency budget analysts who put aside their traditional approach to create a document that shows the people behind the balance sheets.

Sincerely,



Frank O'Bannon



Governor
Frank O'Bannon

Introduction

The **2001 Indiana Program Budget Book** is a new publication produced by the State Budget Agency. It is intended to fulfill one of the Budget Agency's central missions: to provide accurate, meaningful, understandable information regarding the Indiana budget to the Governor, General Assembly, and the public at large. To that end, we have tried to categorize and assemble a wealth of information regarding state government activities, programs, and expenditures, in a way that is readable, concise, and clear. This approach involved moving beyond traditional methods of examining state government that focus on budget line items and state agency organizations, and instead focus on collections of state appropriations that are dedicated to common purposes. It is our hope that this approach will provide additional insight and understanding to both the policymakers who will determine the state budget and the citizens ultimately served by that budget.

The information contained in this book represents both historical data and recommendations for state fiscal years 2002 and 2003. These recommendations posed a more serious challenge than we have seen in recent budget development cycles. For the first time since the recession of 1990-1991 (and the years immediately following), the state is faced with shrinking, rather than growing, revenue growth expectations. At the same time, the state has many long-standing commitments to its citizens, and expectations for increased funding in programs funded by state general funds are very high. Our most vulnerable citizens – the disabled, the very young, the elderly – are clearly in need of assistance. The Governor made K-12 education his highest priority, and it continues to be. We must find a way to honor those commitments.

As required by the conditions in our economy and our Constitution, these recommendations are the result of difficult choices. They are intended to be the best “starting point” available to us, given that changes will be made by the General Assembly as the budget moves from here to enactment. It is not meant to be the ending point, but it does contain our best recommendation in many areas.

This book represents the best efforts of many persons across state government. I would particularly like to thank the members of the Budget Agency's Program Budget Book development team: Kevin Carey, Ann Hornick, Dan Stickney, Dhiann Kinsworthy, and Ray Pratt. It is our hope that the 2001 Indiana Program Budget Book serves our customers well in providing timely and informative budget information.



Betty Cockrum
State Budget Director

Reader's Guide to the Program Budget Book

The first question that is usually asked about a program budget report is: “What is a *program*? Is it an appropriation? A state agency? A group of people? A mission statement? A goal? What does ‘program budget book’ *mean*?”

In this document, a program is a group of state appropriations or budget items that have a common purpose. Those appropriations may be in different amounts, they may be administered by different state agencies, and they may vary in the exact manner in which they are utilized. But they are all dedicated to a particular, identifiable area. Program budget reports add up each of those individual appropriations and calculate their sum.

The **2001 Indiana Program Budget Book** organizes the entire Indiana State Budget into approximately 80 program budget categories. All state programs, whether they are funded through state, federal, or other revenue sources, are represented. The book is then divided into two sections.

The first section, “Program Budget Narratives,” shows the total amount of money that has been appropriated and spent in each program category over the last three state fiscal years, along with recommendations for the next two fiscal years, and narrative information describing what the program is for and how the money is used. The second section, “Program Budget Detail” shows in detail exactly which state appropriations comprise the totals that are presented in the first section.

In some cases, a single appropriation may be allocated to more than one program. For example, a program category has been developed for “Vocational Education”. Another has been developed for “Education for Special Populations”. Since the state appropriation line item for local school tuition support contains funding for both vocational and special education, a percentage of that appropriation has been allocated to each.

It is important to note that the program budget categories that have been developed for this document have no specific legal meaning relative to the state budget. They are presented here for organizational and informational purposes only.

The following three pages show sample versions of the two sections of this document, along with explanatory information.

Additional copies of this report can be obtained by contacting the State Budget Agency at (317) 232-5610, or can be downloaded in electronic format from the State Budget Agency website, www.state.in.us/sba.

Ocean Safety

The **Mission** answers the question: "What is the purpose of the program? What benefits will it produce?"

Mission

To promote and preserve a coastal aquatic environment that is safe for all commercial and recreational pursuits.

Summary of Activities

The Indiana Ocean Safety program is comprised of three main divisions: enforcement, search and rescue, and public education.

The **Summary of Activities** answers the question: "What does the State of Indiana do to accomplish the mission?"

4 vessels and 75 officers, patrolling enforces the regulations and laws of boating safety, recreation, pollution,



The search and rescue division provides rapid emergency response services to all seagoing vessels in the Indiana Ocean. It employs six vessels and 30 officers. Search and rescue personnel are on call 24 hours per day, 365 days per year, and have the capacity to respond to distressed vessels ranging from one-person sailboats to international-class shipping frigates.

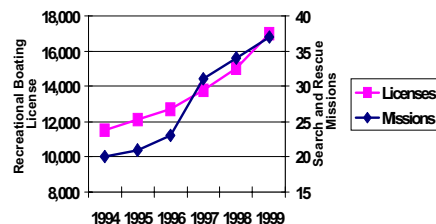
The public education division increases public materials, and the annual "Ocean Safety Jam" giving ocean safety presentations to school owners, and contracts with an outside vendor

External Factors represent demographic trends, outside funding sources, and other factors that the state must accommodate and respond to in order to effectively accomplish the mission.

ars, presentations, educational schools throughout the state ty manuals to all licensed boat es.

External Factors

The most significant external factor affecting Ocean Safety is the continuing increase in the use of the Indiana Ocean for recreational purposes. The growth in the use of pleasure craft, particularly by inexperienced users, has resulted in a corresponding upturn in the number of search and rescue missions conducted, and a need for increased boater safety enforcement. It has also increased the occurrence of simultaneous rescue missions, straining the capacity of the search and rescue division.



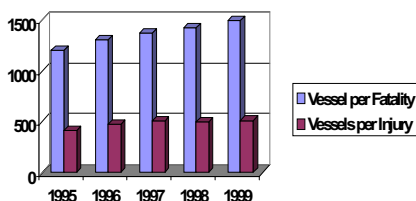
Increases in commercial activity and stricter environmental standards for ocean water quality have also contributed to a greater need for enhanced enforcement activities. The state is required to bring the water quality index to a level of 6.8 by the end of calendar year 2002. The rate at the end of 1999 was 6.1.

Evaluation and Accomplishments

Despite an increase in the number of sea-going vessels, the safety of the years. The ratio of vessels to fatalities has increased every year since increased in four of the last five

The **Evaluation and Accomplishments** section answers the question: "To what extent has the State succeeded in carrying out the mission?"

Increasing Ocean Safety



is attributable to an enhanced focus on patrolling ocean areas that have been the site of a disproportionate number of accidents, and to a decreased average response time for the search and rescue unit.

The public education division has also expanded the scope of information provided to public recently. In 1999 it met its goal of visiting every secondary school in the state, meeting schoolchildren and providing educators with ocean safety curriculum materials.

Plans for the Biennium

The Ocean Safety Program has identified three primary

The **Plans for the Biennium** outline major initiatives and goals for carrying out the mission during the next two state fiscal years.

1) Continue to refine and improve the use of the Ocean Accident Prevention System (OAPS), allowing concentrated enforcement and rescue activities in targeted areas, which will decrease personal injuries and fatalities.

Special Initiatives represent new or expanded services that require additional funding.

Federal ocean water quality standards established for 2002.

A new boating safety education program to be rolled out in the Spring of 2001, targeting first-time boat owners. These owners are, on average, 68% more likely to be involved in accidents than owners with at least five years of boating experience.

“The Indiana Ocean is a public resource that we must all work together to preserve.”

- Admiral Harding

Special Initiatives

The Ocean Safety program is proposing a two-year initiative for improving enforcement and upgrading search and rescue

Appropriations indicate the amount of money authorized to be spent. In the case of federal and dedicated funds, appropriations may vary from actual expenditures, because those revenues may vary from the amount originally anticipated. Capital expenditures can also be made over multiple fiscal years.

l safety equipment currently being used are badly out of date. In addition, recent it provide an opportunity to significantly enhance patrol effectiveness. Two existing and one new cruiser will be purchased. New pollut er quality standards will be obtained.

Expenditures indicate the amount of money that was actually spent. The amount shown for FY 2001 is estimated.

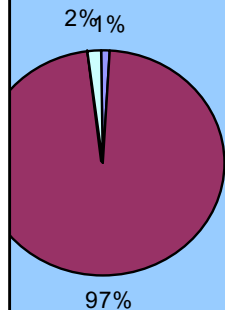
FY 2001 = State Fiscal Year 2001. State appropriations are made on a fiscal year basis. Fiscal years begin on July 1st, and end on June 30th. FY 2001 will end on June 30th, 2001.

well above the minimum federal standard that has been established.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	280,845,334	300,887,227	301,325,823	349,934,505	372,170,180
Expenditures	331,605,694	320,406,787	327,058,109		

Sources of Funds FY 97-98 (Actual)

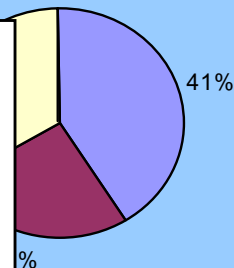
Legend: General (blue), Dedicated (red), Other (yellow)



Sources of Funds indicate the kind of funding used to support the program. **General** funds come primarily from state income and sales taxes. **Dedicated** funds come from other, specific state taxes and fees. **Federal** funds come from a variety of federal government sources.

Uses of Funds FY 97-98 (Actual)

Legend: Personal Services (blue), Grants (red), Capital (yellow), Other (white)



Uses of funds indicate the kind of expenditures made for the program. **Personal services** are used for employees salaries. **Grants** are distributions of money to local units of government and other entities. **Capital** expenditures are for buildings and land.

APPENDIX

This represents the name of the appropriation, and for general and dedicated fund corresponds to a line item found in the state budget bill.

Category 0000 K-12 Education

Program 0000 General Support for Local Schools

700 DEPARTMENT OF EDUCATION

1000/100770 Fort Wayne Desegregation Court Order
 1000/107010 Transfer Tuition I (State Employees' Children)
 1000/107120 Distressed Schools Distribution
 1000/109040 Tuition Support Distribution
 1000/109050 Transportation Distribution
 1000/109150 ADA Flat Grant Distribution
 1000/121080 Superintendent's Office
 1000/121090 Center for Administration and Financial Management
 Superintendent's Office
 County Desegregation Court Order

Appropriation FY 98-99 Appropriation FY 99-00 **Appropriation FY 00-01** Appropriation FY 01-02

Appropriations in the appendix are organized by **State Agency**.

740 TEACHERS RETIREMENT FUND

1000/107430 Cost of Living Pension
 1000/107450 Teachers' Retirement Fund Distribution
 6510/174000 Teachers' Retirement Fund-Administration

\$2,400,000	100.0%	\$2,400,000	100.0%	\$600,000	100.0%	
\$230,000	100.0%	\$0	0.0%	\$0	0.0%	
\$50,000	100.0%	\$50,000	100.0%	\$50,000	100.0%	\$50,000
\$2,459,588,867	86.1%	\$2,541,158,287	84.4%	\$2,681,570,352	83.0%	\$2,782,976,000
\$30,525,000	100.0%	\$27,398,255	100.0%	\$26,966,826	100.0%	\$25,690,000
\$35,725,000	100.0%	\$35,609,520	100.0%	\$35,718,840	100.0%	\$35,761,000
\$768,285	45.0%	\$829,736	45.0%	\$919,736	45.0%	\$1,138,900
\$1,038,604	45.0%	\$1,092,620	45.0%	\$1,092,620	45.0%	\$1,183,940
\$292,964	45.0%	\$263,158	45.0%	\$263,158	45.0%	\$271,627
\$43,100,000	100.0%	\$43,100,000	100.0%	\$43,100,000	100.0%	\$52,518,355
\$2,573,718,720		\$2,651,901,576		\$2,681,570,352		\$2,782,976,000

All numbers listed are **Appropriations** in a given **Fiscal Year (FY)**, indicating the total amount authorized by the General Assembly to be spent.

This number represents the percent of the fund/center that is allocated to the program. For example, the total Tuition Support Distribution appropriation for FY 1999 was \$2,855,400,000. 86.1% of that amount was used for General Support for Local Schools. 86.1% of \$2,855,400,000 is \$2,459,588,867, the amount shown here.

This is the **Fund/Center number**, which is used to track appropriations within the state accounting system.

057 BUDGET AGENCY
 1000/101070 Core 40 Support
 3880/389960 Indiana Technology Fund

\$0	0.0%	\$0	0.0%			
\$0		\$0				
\$88,700,000	100.0%	\$84,300,000	100.0%			
\$296,000,000	100.0%	\$330,000,000	100.0%			
\$2,098,186	100.0%	\$4,892,888	100.0%			
\$386,798,186		\$419,192,888		\$454,792,888		\$435,400,000
\$2,960,516,906		\$3,071,094,464		\$3,245,074,420		\$3,335,049,347

Program Subtotal

505 EDUC EMPLOYMENT RELATION BD
 1000/125050 Education Employment Relations Board

\$3,400,000	100.0%	\$4,738,000	100.0%	\$4,150,000	100.0%	
\$3,400,000		\$4,738,000		\$4,150,000		
\$8,000,000	100.0%	\$500,000	100.0%	\$500,000	100.0%	
\$18,000,000	89.0%	\$34,000,000	89.0%	\$34,000,000	89.0%	
\$18,800,000		\$34,500,000		\$34,500,000		
\$762,057	100.0%	\$762,057	100.0%	\$762,057	100.0%	\$779,334
\$762,057		\$762,057		\$762,057		\$779,334

The **Agency Subtotal** represents the total amount of money appropriated within the program for each agency. Other agency appropriations may be listed under other programs in the appendix.

The **Program Subtotal** represents the total amount of money appropriated within the program for all agencies. These are the same amounts shown in the program narratives discussed on the previous page.

Description of the Indiana Budget Process

The process of developing a comprehensive state budget involves the participation of numerous parties and stakeholders over an extended time period. The State of Indiana has a biennial budget, meaning that each budget contains appropriations for two fiscal years. Fiscal years in Indiana begin on July 1st and end on June 30th of the following year. The budget process is comprised of a number of individual phases, which are summarized as follows:

Phase 1: Preparation

Budget Request Submission

The budget process begins during even-numbered years with the State Budget Agency issuing Biennial Budget Instructions to state agencies. The instructions provide guidance to state agencies in submitting requests for funding. Each state agency prepares and submits a budget request, which includes a Current Services Budget, representing the cost of maintaining agency services at current levels. The budget submission may also contain New Services Requests, covering proposed increases, Capital Project Requests, covering one-time expenditures for the construction and maintenance of state facilities. In addition, the budget submission may include internal reallocations and budget reductions.

Budget Agency Review

The Budget Agency reviews the submitted budget requests and formulates recommendations. Budget review includes a detailed analysis of agency programs, operational performance, changes in population and cost trends, and other factors related to the efficient, effective use of public resources. The Budget Director discusses the analyses and recommendations, including any variances, with the Governor. The requests are adjusted as approved by the Governor, and then presented to the Budget Committee.

The Budget Committee

The Budget Committee is composed of four legislators – one Democrat and one Republican from both the House of Representatives and the Senate – and the Budget Director. The Budget Committee holds public hearings with state agencies to outline their budget requests. After the hearings are completed and future revenue estimates are presented via the Revenue Forecast, the Budget Agency presents a recommended version of the state budget to the Budget Committee.

The Revenue Forecast

State revenue forecasts are made annually in December, prior to the convening of legislative sessions. During “long” sessions of the General Assembly, an updated forecast is provided in April, prior to final legislative approval and enactment of appropriations. Economic forecasts are prepared by the Indiana Economic Forum and the Revenue Forecast Technical Committee. The Forum forecasts the economic outlook for the biennium for the state. The Technical Committee, which operates independently from the Economic Forum and represents both political parties and the executive and legislative branches, uses the economic forecast to produce specific projections of revenue from sales tax, income tax, and other sources.

The Budget Report

The Budget Agency uses the budget recommendation to create an itemized budget report and an initial draft of the budget bill. The report and bill show the recommended operating and construction budgets, separately itemized, for each state agency, office, board, commission, and department.

Phase 2: Adoption

The second phase of the budget process is the aspect of budget development that is most visible to the general public. The Indiana General Assembly debates the proposed budgets contained in the budget bill and determines the amounts and purposes for which tax dollars may be spent.

House Action

The legislative budget process begins in the House of Representatives, when the Speaker of the House assigns the budget bill to the House Ways and Means Committee. This committee considers the proposed legislation and holds hearings. These hearings provide an opportunity for agency representatives and the public to be heard on various aspects of the proposed budget. The Committee may amend the bill by majority vote. When deliberations are completed, the Ways and Means Committee reports the bill out for consideration by the entire House, usually in amended form. Next, the bill is considered by the House acting as Committee of the Whole, before it is placed on the floor for second reading. The bill may be further amended at this point. On second reading, the House may vote to consider the bill on third reading or to return the bill to committee for further consideration. Once the bill passes second reading it moves to third reading for approval as amended. Once passed by a majority vote, the bill is sent to the Senate for consideration.

Senate Action

In the Senate, the Finance Committee has primary responsibility for budget bill deliberations. In a similar manner to the House Ways and Means Committee, the Senate Finance Committee conducts public hearings with selected agencies before issuing committee recommendations. Again, the bill may be amended in committee by a majority vote. After the bill is passed out of the committee, it goes through the second and third reading process, just as in the House. Once passed, the budget bill goes to conference committee to resolve differences between the House and Senate versions, unless the Senate passes the exact House version of the budget bill (a rare occurrence).

Conference Committee

The budget conference committee is composed of four legislators and four alternates. The bill must be approved unanimously by these legislative conferees before it can be reported back to either house. While the conferees generally represent both political parties in the House and Senate, the majority legislative parties ultimately have the authority to appoint conferees. Conference committee negotiations represent the final stage of the budget deliberation, involving compromises by all parties prior to adoption and reporting of a recommended revised budget. When the conference committee reports out a revised recommended budget, each house adopts or rejects it. If rejected by either house, the conference committee must reconvene and renew negotiations.

Other Bills

Although the budget bill is the principal vehicle for authorizing a state spending plan, other spending bills are sometimes adopted as well. They typically involve relatively small appropriations, but can, on occasion, be very significant. These bills must be taken into account at each stage of the appropriations process in order to assure that the total of all appropriations will not exceed available resources. Recent practice has been to remove these appropriations from non-budget bills and amend them into the budget bill during conference.

Gubernatorial Approval

After the budget bill has been adopted by both houses, it goes to the Governor for his signature or veto. The Governor must sign the bill or veto it in its entirety. A gubernatorial veto may be overridden by a majority vote in both the House and Senate. Once signed, the appropriation act becomes the State of Indiana budget for the subsequent biennium, and

the process of budget implementation begins.

Off-year Budget Actions

Although sessions in odd-numbered years are the focus of the bulk of budgetary action by the General Assembly, sessions in even-numbered years may see some level of budgetary activity. New spending decisions may be required by changing economic and revenue projections. This may take the form of either additions to or reductions of current programs, or it may involve entire new programs or capital projects.

Phase 3: Implementation

Budget implementation involves the establishment of accounts; the adoption of allotment schedules to govern the timing of expenditures; the monitoring and control of expenditures, and the adjustment of appropriations, as conditions warrant, through transfers and supplemental appropriations.

Budget Committee Role

The Budget Committee provides continuing legislative oversight of budget implementation. The Budget Committee meets each month during the interim between legislative sessions. Many appropriations contained in the Budget require Budget Committee review before any funds may be allotted or spent. In addition, the Budget Committee must review all construction projects that have a cost greater than \$100,000 prior to proceeding with construction.

Establishment of Accounts

Within 45 days of the adjournment of each regular session of the General Assembly, the Budget Agency prepares a list of all appropriations made by law for the upcoming budget period. The Budget Agency works with the Auditor of State to establish the accounts needed to execute the budget during each fiscal year. Appropriations establish overall spending limits for each account.

Allotments

Allotments are used to control spending. An allotment limits the amount of an appropriation that may be expended during a given time period. Appropriations are not available for expenditure until allotted by the Budget Agency. The Budget Agency generally develops a quarterly allotment schedule for each account, to ensure that sufficient funds are available throughout the year and that expenditures do not exceed revenues. The Budget Agency may hold a small percentage of agency funds in reserve, to ensure adequate fund balances. The allotment schedule may be adjusted over the course of the fiscal year as conditions change.

Reporting

The Auditor of State provides daily allotment and trial balances, and other accounting and exception reports, to keep agencies informed of their account balances. The Budget Agency publishes each revenue forecast, as well as annual reports on specific sources and uses of funds.

Transfers

Budgets are financial plans based on hopes and predictions made as much as thirty months in advance, so some variances are bound to occur as events unfold. Most budget variances are minor and are handled in the ordinary course of business by the agencies. When this is not the case, financial adjustments or transfers of appropriation authority may be necessary. Statute authorizes the Budget Director to transfer, assign, or reassign appropriations within a state agency. Such transfers must be at the request and with the consent of the agency whose appropriations are involved. The Budget Director is also authorized to make transfers from contingency or emergency appropriations for purposes authorized by law. The Budget Director may also reduce allotments to prevent a deficit if revenues fall short of forecast levels.

The State Budget Agency may also make intra-agency transfers with the approval of the State Board of Finance. The State Board of Finance is composed of the Governor, Treasurer, and Auditor of State, and has wide statutory authority to make transfers of appropriations between funds and entities of the State.

Oversight

The Budget Agency works in collaboration with state agencies throughout the year to ensure that expenditures are made within appropriation levels, in a manner that fulfills legislative intent and ensures maximum effectiveness in providing services to Indiana citizens.

Phase 4: Audit

The State Board of Accounts provides separate annual financial and compliance audits in accordance with generally accepted auditing standards for each state agency, including issuing opinions on the general purpose financial statements prepared by the Auditor of State. The audits verify the status, accounting, and disposition of all funds for which the State has responsibility. (Additionally, the State Board of Accounts performs annual audits of local government in Indiana.)

Summary of Revenues and Expenditures

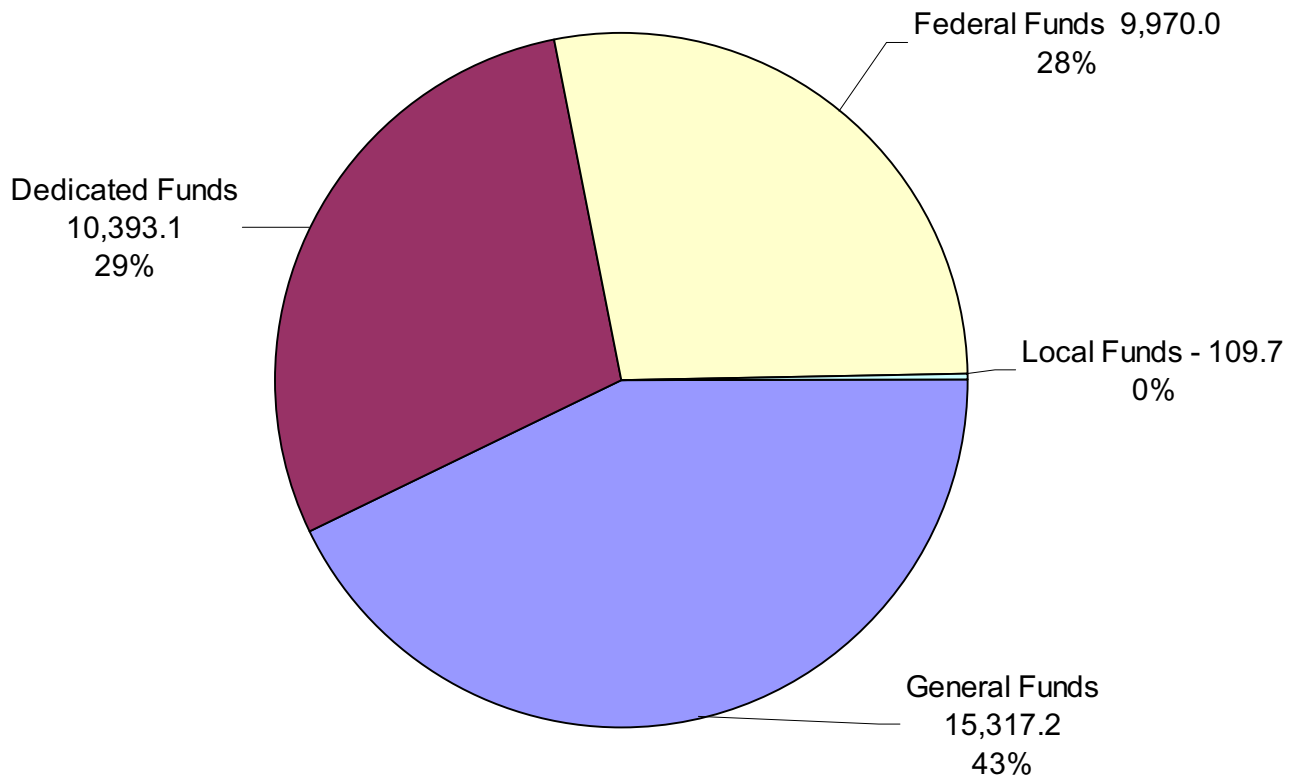
The table below shows the total amount of money appropriated by the General Assembly in FY 2001, organized by program category. The first column shows all funds (General, Property Tax Replacement, Federal, and Dedicated), while the second column shows only General and Property Tax Replacement funds.

	FY 2001 Appropriation (All Funds)		FY 2001 Appropriation (General & PTRF)	
		%		%
K-12 Education	\$4,369,443,587	100.0%	\$4,012,336,039	100.0%
General Support for Local Schools	\$3,245,074,420	74.3%	\$3,213,181,532	80.1%
Targeted Support for Local Schools	\$432,589,804	9.9%	\$261,151,278	6.5%
Education for Special Populations	\$532,089,609	12.2%	\$427,952,123	10.7%
Vocational Education	\$91,717,572	2.1%	\$64,877,893	1.6%
K-12 Quality Improvement	\$21,530,658	0.5%	\$12,594,355	0.3%
K-12 Evaluation	\$22,360,481	0.5%	\$17,466,718	0.4%
Adult Education	\$24,081,043	0.6%	\$15,112,140	0.4%
Higher Education	\$1,483,195,566	100.0%	\$1,464,567,099	100.0%
Undergraduate Education	\$949,353,073	64.0%	\$943,110,320	64.4%
Graduate Education	\$160,215,359	10.8%	\$159,001,665	10.9%
Professional Education	\$113,972,358	7.7%	\$113,897,358	7.8%
Higher Education Research	\$39,296,253	2.6%	\$38,354,266	2.6%
Higher Education Public Service	\$42,884,972	2.9%	\$41,311,837	2.8%
Higher Education Student Assistance	\$162,170,994	10.9%	\$158,433,214	10.8%
Higher Education Coordination	\$15,302,557	1.0%	\$10,458,439	0.7%
Economic Development	\$650,800,095	100.0%	\$95,247,850	100.0%
Agriculture	\$18,534,636	2.8%	\$12,425,061	13.0%
Business Development	\$61,424,882	9.4%	\$36,050,083	37.8%
Community Development	\$98,576,015	15.1%	\$9,496,765	10.0%
Tourism Promotion	\$5,883,160	0.9%	\$5,883,160	6.2%
Worker Education and Training	\$176,381,402	27.1%	\$31,392,781	33.0%
Unemployment Insurance	\$290,000,000	44.6%	\$0	0.0%
Human Services	\$5,087,211,244	100.0%	\$1,835,084,499	100.0%
Medical Assistance	\$2,320,937,228	45.6%	\$781,774,137	42.6%
Income Assistance	\$141,205,635	2.8%	\$66,778,645	3.6%
Food Assistance	\$283,905,412	5.6%	\$32,787,339	1.8%
Shelter Assistance	\$63,574,405	1.2%	\$793,755	0.0%
Child Care	\$174,892,889	3.4%	\$36,719,401	2.0%
Child Welfare	\$157,572,747	3.1%	\$46,138,162	2.5%
Substance Abuse Prevention & Treatment	\$73,968,732	1.5%	\$10,522,644	0.6%
Community Mental Health Services	\$120,897,237	2.4%	\$102,810,252	5.6%
State Mental Health Hospitals	\$173,518,866	3.4%	\$129,174,766	7.0%
Health & Community Services for Aged Persons	\$843,758,579	16.6%	\$304,596,823	16.6%
Employment Services for People with Disabilities	\$104,974,729	2.1%	\$19,132,477	1.0%
State Developmental Centers	\$134,763,039	2.6%	\$63,720,578	3.5%
Health & Comm. Services for People w/ Disabilities	\$414,443,995	8.1%	\$195,193,599	10.6%
Public Health Education	\$12,134,239	0.2%	\$6,820,423	0.4%
Public Health Surveillance & Reporting	\$11,531,689	0.2%	\$7,057,908	0.4%
Community-Based Health Services	\$16,339,852	0.3%	\$12,655,544	0.7%
Health Standards Compliance	\$15,697,007	0.3%	\$7,209,001	0.4%
Veterans Services	\$23,094,964	0.5%	\$11,199,043	0.6%

	FY 2001		FY 2001	
	Appropriation	%	Appropriation	%
	(All Funds)		(General & PTRF)	
Public Safety	\$830,137,099	100.00%	\$670,451,906	100.0%
Law Enforcement Patrol	\$96,147,820	11.58%	\$50,295,735	7.5%
Law Enforcement Investigation	\$75,187,906	9.06%	\$36,148,191	5.4%
Corrections Offender Housing	\$436,346,100	52.56%	\$423,178,638	63.1%
Corrections Offender Programs	\$44,424,046	5.35%	\$42,071,443	6.3%
Juvenile Corrections	\$78,695,468	9.48%	\$76,255,607	11.4%
Prison Industries and Farms	\$34,139,554	4.11%	\$389,286	0.1%
Community Corrections	\$20,754,626	2.50%	\$20,754,626	3.1%
Parole and Probation	\$6,153,863	0.74%	\$6,153,863	0.9%
Emergency Management and Public Safety	\$38,287,716	4.61%	\$15,204,517	2.3%
Justice	\$108,658,209	100.00%	\$90,917,607	100.0%
Courts	\$80,587,015	74.17%	\$78,893,814	86.8%
Judicial Programs and Services	\$5,568,453	5.12%	\$5,169,453	5.7%
Public Defense	\$9,406,947	8.66%	\$6,854,340	7.5%
Victim Assistance	\$13,095,794	12.05%	\$0	0.0%
Environment	\$275,256,729	100.00%	\$110,339,002	100.0%
Parks and Recreation	\$56,692,416	20.60%	\$41,130,880	37.3%
Conservation	\$77,091,333	28.01%	\$30,069,471	27.3%
Water Quality	\$46,675,636	16.96%	\$12,709,073	11.5%
Air Quality	\$27,907,544	10.14%	\$9,464,061	8.6%
Land Quality	\$65,257,481	23.71%	\$16,113,246	14.6%
Energy Policy	\$1,632,319	0.59%	\$852,271	0.8%
Transportation	\$1,803,147,712	100.00%	\$106,917,683	100.0%
Highway Construction & Maintenance	\$930,515,096	51.61%	\$41,494	0.0%
Transportation Planning & Research	\$126,334,216	7.01%	\$591,189	0.6%
Local Roads and Streets	\$630,270,331	34.95%	\$100,000,000	93.5%
Commercial Transportation	\$14,148,462	0.78%	\$4,255,000	4.0%
Public Transportation	\$40,846,292	2.27%	\$1,530,000	1.4%
Motor Vehicle Regulation and Safety	\$61,033,315	3.38%	\$500,000	0.5%
Cultural and Information Resources	\$43,317,893	100.00%	\$27,071,108	100.0%
Historical Resources	\$14,324,786	33.07%	\$13,299,103	49.1%
Arts Resources	\$6,292,110	14.53%	\$5,609,110	20.7%
Library and Public Information Services	\$22,700,997	52.41%	\$8,162,895	30.2%
General Government	\$223,599,758	100.00%	\$201,938,448	100.0%
Legislature	\$31,389,856	14.04%	\$31,389,856	15.5%
Support & Operations	\$104,018,822	46.52%	\$86,795,806	43.0%
State Financial Management	\$24,832,223	11.11%	\$24,584,275	12.2%
State Tax Collection & Administration	\$56,136,333	25.11%	\$51,965,787	25.7%
Local Tax Administration and Budgeting	\$2,029,362	0.91%	\$2,029,362	1.0%
Property Tax Assessment	\$4,197,386	1.88%	\$4,197,386	2.1%
Elections	\$995,776	0.45%	\$975,976	0.5%
Regulation	\$72,005,534	100.00%	\$22,696,910	100.0%
Labor Standards, Health, & Safety	\$13,559,567	18.83%	\$9,434,732	41.6%
Regulation of Commerce	\$25,084,489	34.84%	\$5,365,047	23.6%
Licensing and Registration	\$17,226,127	23.92%	\$7,892,131	34.8%
Regulation of Utilities	\$10,318,480	14.33%	\$5,000	0.0%

2001-2003 Biennium Sources of Funds

\$35,790,034,143

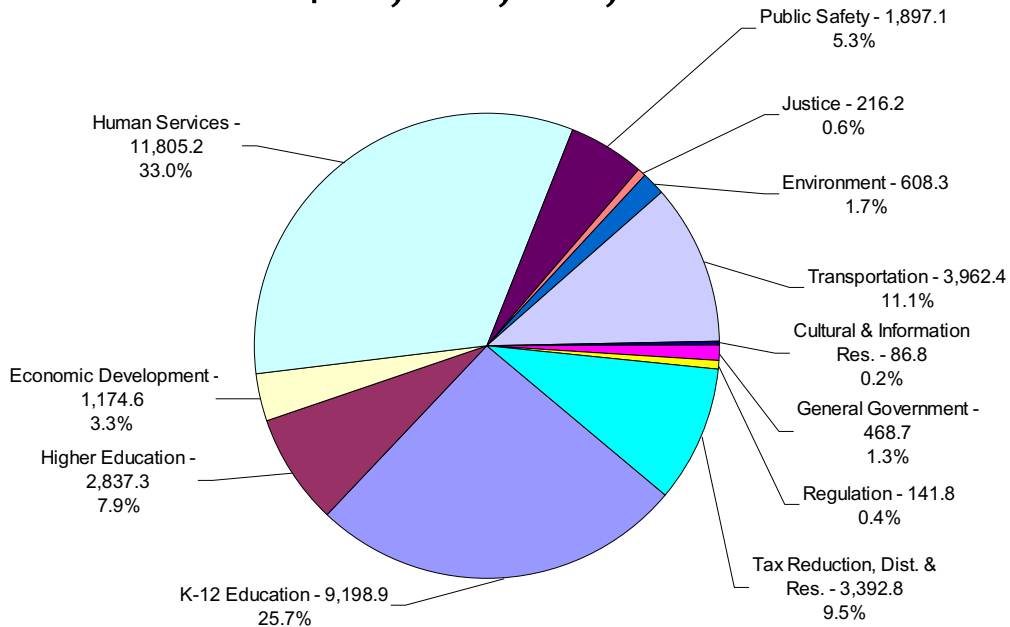


Sector Values in Millions of Dollars
Source: Indiana State Budget Agency

Recommended Appropriations 2001-2003 Biennium

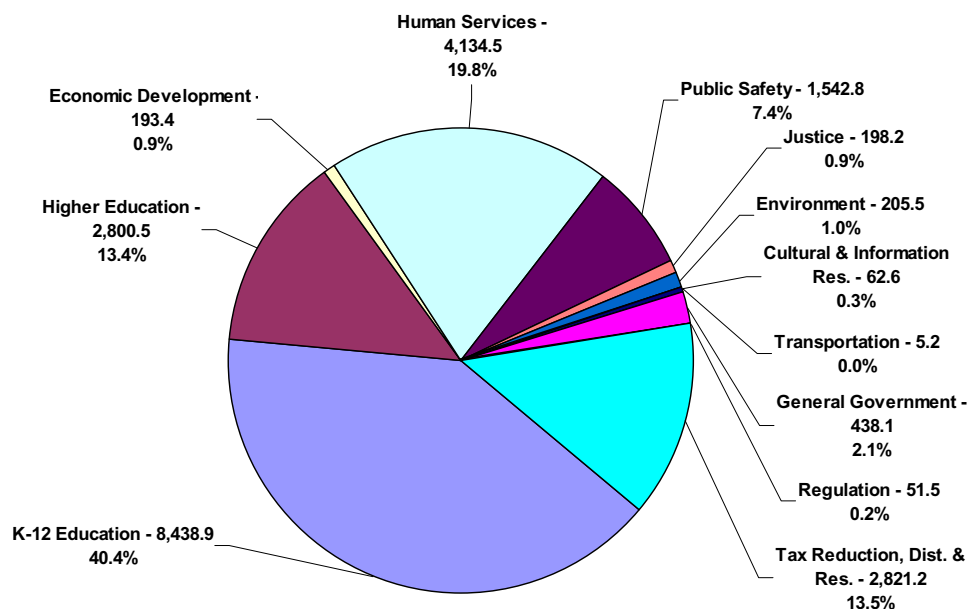
Grand Total All Funds

\$35,790,034,143



General Fund and PTRF

\$20,892,396,636



**Sector Values in Millions of Dollars
Source: Indiana State Budget Agency**

Program Budget Narratives

General Support for Local Schools

Mission

To provide for and advance a free and world-class education for all of Indiana's children through financial support of local schools.

Summary of Activities

Over 70% of all operating funding for local schools comes from the state, comprising the largest single item in the state budget. Most of those funds are distributed on a per-student basis via the state tuition support formula, which also sets local property tax rates for school general fund property tax levies. Almost one million children enrolled in public schools in Indiana for the 2000 - 2001 school year.

State funds help maintain 1,946 school buildings in a safe and healthful condition in 293 school corporations, providing salary and benefits for 58,759 full-time teachers, 9,728 administrators, 19,227 instructional support personnel, and 37,392 non-certified personnel. Nearly twelve thousand school buses in Indiana transport students to public schools on a daily basis, having amassed a total of 77,753,813 route miles for school year 1999 - 2000. Other state programs provide the funds by which schools meet federal and state mandates for desegregation, and defray the costs of capital projects.



Dr. Suellen Reed
Superintendent of
Public Instruction

While schools are managed by locally-elected school boards, Indiana also has a **State Board of Education**, appointed by the Governor, and a state **Department of Education (DOE)**, which is overseen by the elected Superintendent of Public Instruction. Recently, a bipartisan Education Roundtable that includes public and private stakeholders was created and has been working to implement a world-class system of rigorous standards and accountability for Indiana.

The **Teachers' Retirement Fund (TRF)** provides pension benefits to over 30,000 retired teachers and information to an additional 85,000 active teachers. TRF manages an investment portfolio of over \$5 billion. Pension benefits for teachers hired prior to 1996 are paid from annual state appropriations; benefits for teachers hired after 1996 are actuarially funded from contributions made by local school corporations.

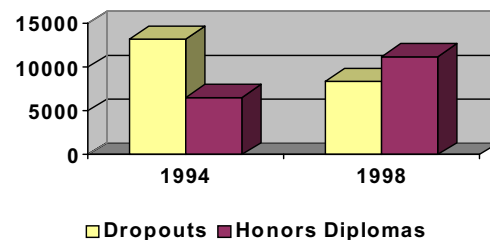
External Factors

The cost of public education is in large part a function of the number of students who enroll in school each year. In Indiana, that number continues to climb -- the state experienced a total of 2% enrollment growth over the last five years. DOE projections indicate that enrollment will rise by 15,000 students over the next five years. Due in part to rising fuel prices, transportation costs have risen by \$37.45 per pupil from 1997 to 1999. Public demands and expectations of Indiana's public education system continue to increase yearly.

Evaluation and Accomplishments

All Hoosier students are expected to meet rigorous yet attainable academic standards. Improvements in academic results during the past biennium have been significant. Attendance and graduation rates are at an all-time high-- 95.6 and 89.4 percent respectively. Expectations have been raised and have resulted in an increase in the number of graduates following the "Core 40" college preparatory curriculum, from 13,956 in 1998 (the first year Core 40 diplomas were available) to 16,184 in 1999—a gain of 16 percent in one year.

Fewer Dropouts, More Honors Diplomas



The number of Academic Honors Diploma recipients has risen from 6,586 in 1994 to 11,241 in 1998, to 12,576 in 1999—a gain of 91 percent. Dropouts have declined from 13,307 students in 1994-95 to 8,427 students in 1998-99—a decrease of 37 percent.

Indiana's ACT scores continue to be above the national average (21.2 to 21.0 in 1999, and 21.4 to 21.0 in 2000). SAT scores have risen six points since 1995-1996, while the national average rose only three points.

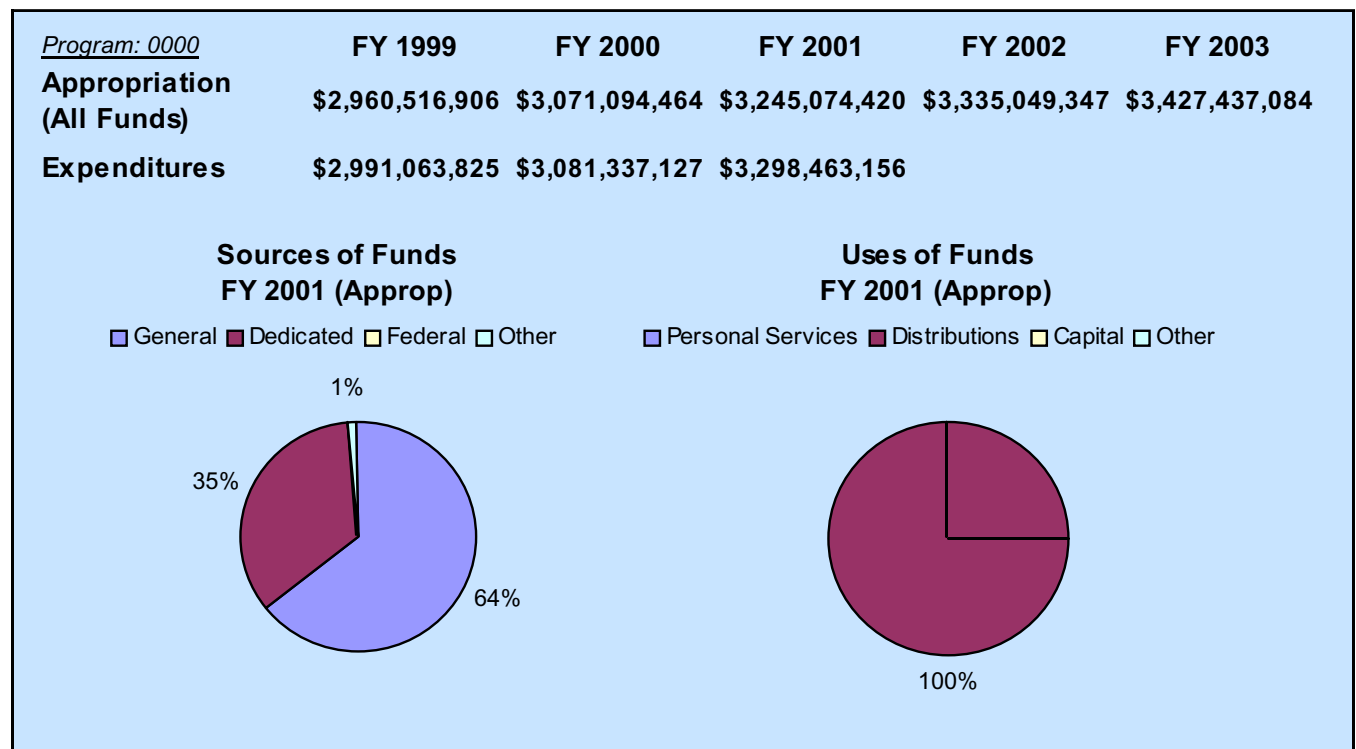
A recent study by the Indiana University Education Policy Center indicates that Indiana has made significant progress over the last eight years in improving funding for local schools. Among the findings:



- ◆ Per-student funding has increased by 18% in inflation-adjusted dollars.
- ◆ The percentage of school funding that comes from local property taxes has been reduced.
- ◆ The percentage of school funding directed to economically disadvantaged students has increased.
- ◆ The percentage of variation between school corporations in per-student funding that can be attributed to differences in local property wealth has dropped from 23% in 1993 to 5% in 2001.
- ◆ The difference in funding between the highest-funded and lowest-funded school corporations has been reduced.
- ◆ The difference in local tax rate between the highest and lowest taxed school corporations has been reduced.

Plans for the Biennium

After oversight by the Education Roundtable and rule adoption by the State Board of Education, the DOE will implement Indiana's new accountability system for K-12 schools effective July 1, 2001. In addition, Standards 2000 in English and mathematics, followed closely by science and social studies standards, will be distributed, added to lesson plans, and aligned with the state's statewide testing system for implementation beginning in fall 2002.



Targeted Support for Local Schools

Mission

To provide students, parents, and school corporations with specific assistance to ensure that children and schools with particular educational needs and circumstances have the opportunity for success in education.

Summary of Activities

Indiana provides targeted support to local schools through a number of programs administered by the **Department of Education** (DOE) that focus resources on students with specific additional educational needs. For example, over 52,000 students in early grades who are at-risk of not learning to read and write have received specific assistance in the area of reading through an early intervention program, while 347 teachers have been trained in these teaching skills during the 1999-2001 biennium. Over 860,000 new library books have been added to local school libraries, increasing circulation of books per student by 15 percent. Gifted and talented funds provide enrichment programs for 90,434 students.



The state tuition support appropriation provides significant funding for programs that target children in socio-economic circumstances that are statistically correlated to a higher risk of academic failure. A formula is used that provides additional funds based on the percentage of at-risk students. Other targeted programs provide funding for school safety training and safe schools, honors students, summer school programs, Japanese / Chinese language instruction, school performance awards, and support of the Education Employment Relations Board and its contribution to fair labor practices in schools for certified personnel.

The Indiana Technology Fund provides funds for computer technology in all 294 school corporations, as well as training for over 6,000 educators and technology coordinators. Other technology funds bring computers into early-grade classrooms. School corporations receive funding both to reduce the cost of Internet access and to install internal wiring and connectivity. Other targeted programs help prepare students for college. Last year over 65,000 students participated in the Core 40 program, which provides a standard college-preparatory curricula and diploma. Funding is also provided to pay for the cost of the pre-SAT exam, and for Advanced Placement tests that allow students to take college-level courses while in high school, and receive college credit.

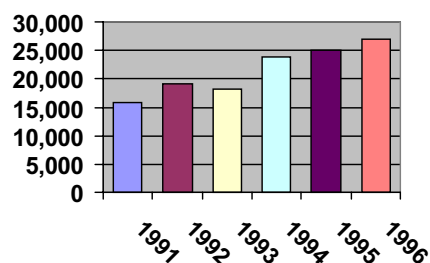
Local schools receive funding to provide additional, specific instruction to students who have not passed the ISTEP exam. Particular emphasis is given to high school students who have not passed the Graduation Qualifying Exam.

External Factors

The specific educational needs that drive Indiana's targeted education programs are constantly changing. For example, Indiana has recently experienced an increase in the number of residents originating from foreign countries. These students bring a new and challenging set of needs. Since 1990, the number of English language minority students in Indiana has almost doubled, from 15,769 students to 29,990 students in 2000. The number of Limited English Proficient (LEP) students has tripled during that same time period. The number of different native languages spoken in Indiana schools has increased from 170 in 1990 to 210 in 2000. Higher enrollment of LEP students is anticipated in future years.

Local schools also serve students who face increasing challenges due to poverty, medical conditions, and economic status, requiring a variety of different support services. As these conditions change, the need for targeted support changes as well.

Language Minority Students



Evaluation and Accomplishments

In 1997, when the Class of 2000 first took the Graduation Qualifying Exam (GQE), 54 percent passed both parts of the test. After the expenditure of remediation dollars targeted toward this class, at the end of the school year 1999-00, 86 percent of members of the Class of 2000 had passed the GQE .

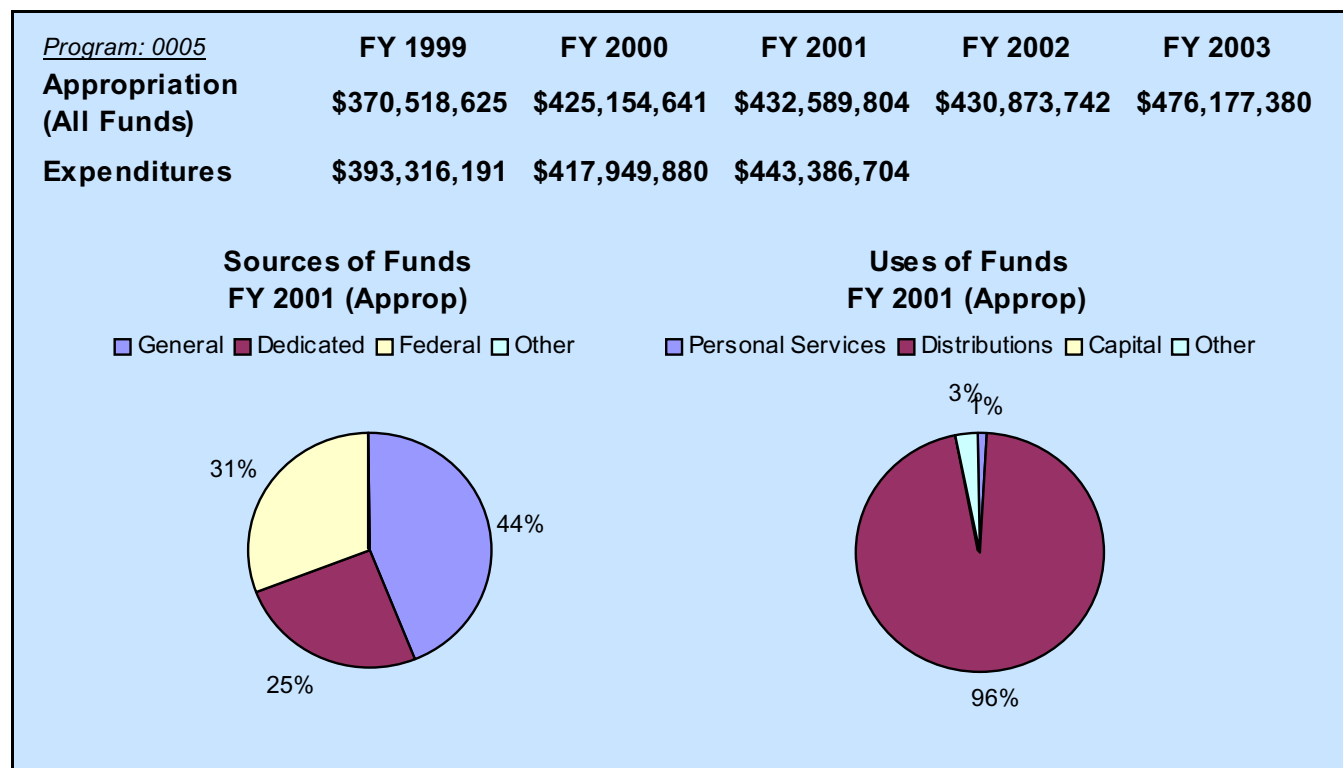
In the area of early intervention, over 1,500 teachers have been trained to be specialists in reading instruction for students in first grade. Over 21,000 pre-school through Grade 2 students will be served during the 1999-2001 biennium through 133 grants made to schools offering reading and literacy programs. Grant requests by school districts exceeded by three times the available grant dollars.

Special Initiatives

Governor O'Bannon has proposed an Education Improvement Plan that provides new funds for local schools. Based on the knowledge that investments in the crucial early learning years will pay dividends throughout a child's educational life, the School Readiness-Early Education Grant program will provide \$50 million over the FY 02/03 biennium. Local schools will have significant flexibility to utilize these funds in ways that best fit the educational needs of their students. Options include full-day kindergarten, transitional kindergarten, Head Start, and expanding kindergarten for younger children by changing minimum entrance age requirements.

The Education Improvement Plan also includes reading and math readiness programs that will help children master fundamental learning skills. Early Reading grants will be available to provide reading diagnostic services for 1st and 2nd graders, after-school enrichment, and one-on-one tutoring, focusing on students who are not reading at the appropriate level by grade 3. This grant is proposed at \$13 million in FY 02 and \$14 million in FY 03. Similarly, a \$4 million Math Readiness grant is proposed to provide intensive instruction to students in grades 6 - 8 who are not meeting math standards.

A special \$1 million reward program is proposed to benefit high-performing schools, providing incentives to ensure that all 3rd graders are reading at grade level and all 8th graders have the mathematics fundamentals needed to move on to algebra, trigonometry, and calculus. A \$2 million Indiana Book Club will be created to provide take-home reading books to lower-income children.



Education for Special Populations

Mission

To provide specific educational services to students with disabilities and students who are hospitalized, neglected, delinquent, and/or homeless, to give them the best possible opportunities to live, learn, work, and play in their communities.

Summary of Activities

Education services for special populations are provided by the state in two ways: through additional funding to local school corporations, and through the maintenance of special residential facilities.

State tuition support grants from the **Department of Education** (DOE) provide the bulk of state special education funding, through a formula that generates dollars based on the nature of each student's disability. The state also pays the full cost of educating special education children who cannot be served in a school environment, and provides funding to defray a portion of additional special education transportation costs. Special education and human services programs are coordinated to provide wrap-around services to connect children to medical, social, and mental health services in their local communities.



Federal funds provide for the administration of the Individuals with Disabilities Education Act (IDEA). Federal funds are also provided for educational support to the children of migrant workers, and to homeless, neglected, and delinquent youth. At the local level, all of these dollars are used to provide a range of services to children, including audiological services, occupational therapy, physical therapy, and school health service. Such services supplement regular classroom instruction.

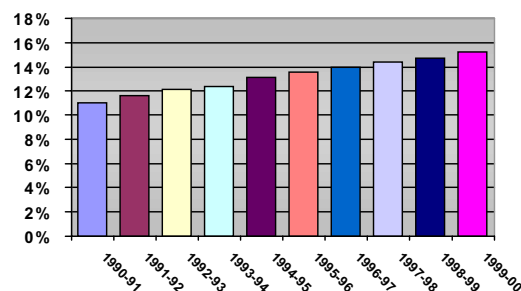
Indiana maintains a **School for the Deaf** and a **School for the Blind**; both are full-service residential facilities located in Indianapolis. Of the approximately 1,000 blind or visually impaired students in Indiana, the School for the Blind provides on-campus services to 200 students and outreach programs to another 120 students. Both schools also provide outreach services to local school corporations to assist in educating other students with disabilities related to vision and audiology. The **Soldiers' and Sailors' Children's Home**, located in Knightstown, provides residential education to children who are at-risk due to social, academic, or emotional problems, including children living in unstable home environments and children who have exhibited behaviors which have prevented them from receiving appropriate education in their school systems.

External Factors

Both the number of students and the percentage of students identified as needing special education services has risen steadily over the last ten years, requiring increased levels of funding. Federal mandates can dictate the type and amount of services that must be provided, while the ever-evolving needs of students with disabilities present another set of challenges.

New brain research, new teaching methodologies, and new instructional practice, including the mandate for alternative assessment systems, have driven change in serving students with special education needs.

Percent of K-12 Students Identified as Needing Special Education



Evaluation and Accomplishments

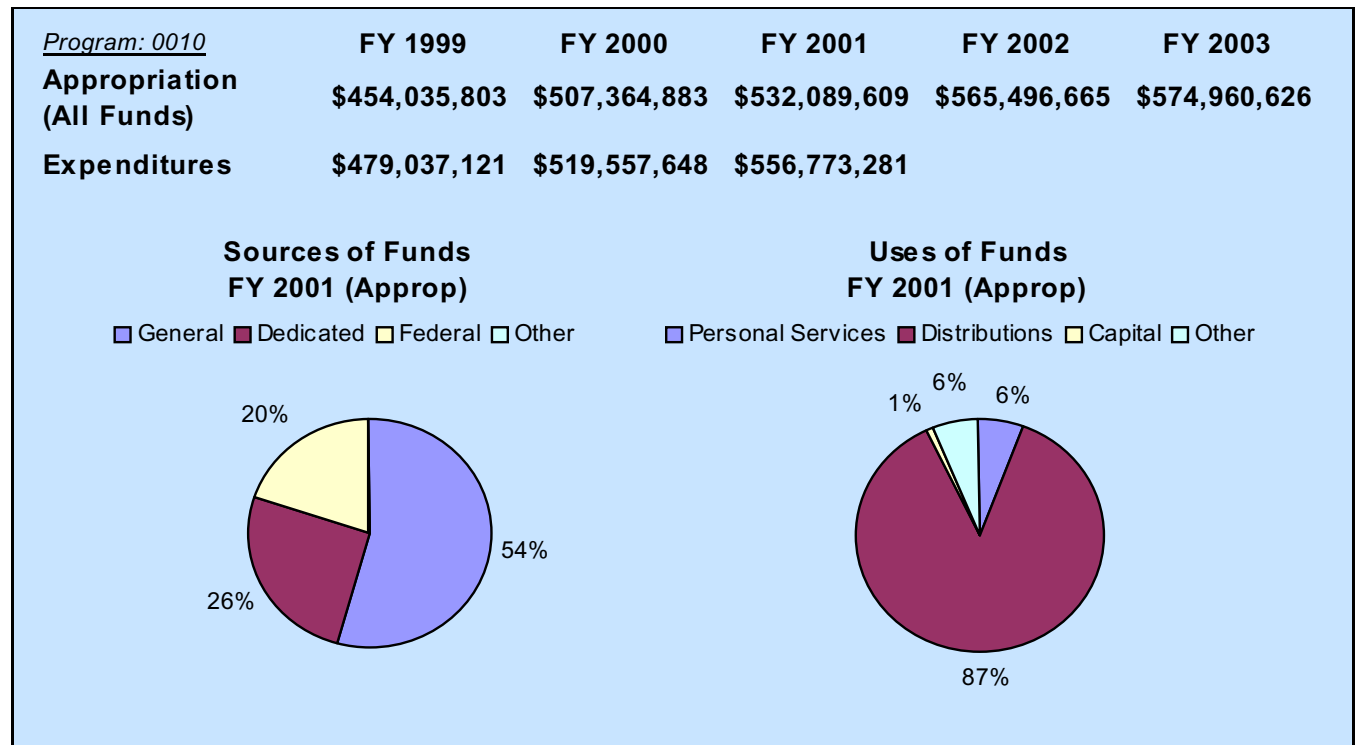
The DOE has provided clear-cut procedures for providing the least restrictive educational environment for students with disabilities by utilizing wrap-around services available to children in their local communities. This has allowed schools to serve more children more appropriately and closer to home, while creating an infrastructure for enhanced services. This is evidenced by the 1998-1999 Special Education Post-School Follow-up Study, in which 77.7% of the respondents who had received special education services were employed four years after graduation. Indiana is also participating in a nationwide comprehensive study of special education spending. The DOE will be able to determine average special education and general education expenditures per student receiving special education, demonstrating how those expenditures vary by type of student, school, placement, and district.



The School for the Deaf has participated in the establishment of the Universal Newborn Hearing Screening (UNHS) Act, the Deaf-Blind Project, and partnered with the DOE Division of Special Education to provide distance learning parent workshops. 91% of School for the Blind students passed both sections of the ISTEP+ graduation exam, well above the state average. 53% of 2000 School for the Blind graduates were college-bound, while 20% were projected to attend technical schools, and 27% planned on entering the workforce.

Plans for the Biennium

The DOE will fully implement, as required by IDEA, alternate assessments for students with disabilities for whom ISTEP+ is not appropriate. The assessment measures students' skills along a continuum, from basic self-care through Indiana's K-12 Academic Standards. Individualized education programs (IEPs) will be developed for all students who qualify for special education services. An IEP identifies the student's disability and needs, describes annual goals to address those needs, and identifies the services to be provided to help the student achieve the goals. The DOE provides model IEP forms, as well as guidelines for developing IEPs, to local schools to help ensure that all students are exposed to academic standards that will best serve them when they leave their K - 12 educational experiences to live, learn, and work in their local communities.



Vocational Education

Mission

To provide services that prepare Indiana students for employment and further training in high skill, high wage careers.

Summary of Activities

Vocational education in Indiana is provided through a comprehensive system of education, training, and employment. The Indiana Commission on Vocational and Technical Education has responsibility for setting policy and developing and overseeing a long-range state plan for vocational and technical education, which is implemented by the **Department of Workforce Development (DWD)** and the **Department of Education (DOE)**.



State funds are distributed to local schools through the school tuition support appropriation, with schools receiving supplemental funds based on vocational course offerings and enrollment. The DWD distributes federal vocational education funds under the Carl D. Perkins Vocational and Technical Education Act. The DOE Office of Career and Technical Education provides support to other workforce development initiatives, such as state and federal Technical Preparation (Tech Prep) programs, technology-based instructional programs, and partnerships with local businesses that provide work-based learning opportunities for students planning to enter the workforce directly after high school and for those interested in pursuing further education and training programs. Tech Prep is a sequence of courses in career fields that consists of two years or more of higher education or an apprenticeship program.

Schools use funds from this range of sources to support programs in agriculture education, business and marketing education, counseling and career guidance activities, family and consumer sciences, trade and industrial education, and health occupations, among others. A variety of technical assistance activities, particularly in the areas of curricula and staff development, are provided for vocational teachers and administrators.

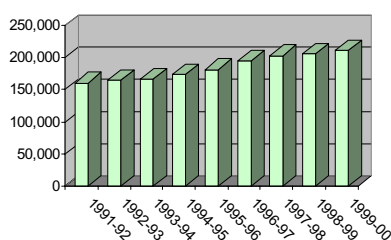
External Factors

Technological advances in the workplace and in higher education present constantly changing goals and expectations for students who graduate from Indiana high schools. These advances require frequent updates to vocational education curriculum and classroom strategies. The workplace demands more today than a strong back and a good work ethic—it demands critical thinkers capable of applying technical knowledge.

Evaluation and Accomplishments

CISCO Academy is a new, school-based program that offers high-tech training to high school students. Of the 750 CISCO Academy sites in the nation, Indiana has 146. Programs offered through state support of vocational education prepare high school students for the demands of the workplace and for the demands of two- and four-year postsecondary institutions. In particular, one program called High Schools That Work has programs at 21 sites that challenge teachers to “teach the rest what we teach the best”, resulting in higher academic attainment for students and higher pay as they enter the workforce.

Vocational Education Enrollment



Fifty-six teachers have been trained through the Microsoft Office User Specialist (MOUS) program. This will result in Indiana high schools becoming certification sites that allow students to qualify for MOUS certification. This will allow students to leave high school with both a diploma and a highly portable MOUS Certification in Word, Access, Powerpoint, and Excel, all valued programs in the workplace.

2,680 secondary students have been awarded Certificates of Technical Achievement -- portable, updatable professional certifications developed collaboratively by the DWD, employers, and educators for both students and workers. 1,170 students updated their CTAs, while 493 incumbent workers received CTAs and 157 updated existing certificates.

Plans for the Biennium

Four Strategies provide the framework for the Five-Year State Plan for Vocational and Technical Educational over the period from July 1, 1999 through June 30, 2004 (FY00 – 04):

- ◆ Provide career awareness and career preparation for all learners.
- ◆ Develop, implement and utilize state-recognized skill standards and other approved systems of certification.
- ◆ Provide professional and curricular development, including:
 - Teaching the way students learn;
 - Integrating occupational, employability and academic skills based on business and industry identified skill standards;
 - Reducing gender bias and stereotyping;
- ◆ Provide a quality improvement system for vocational and technical education.



The number of High Schools That Work sites statewide will be expanded so that vocational and technical students can complete both a sequence of rigorous academic courses and occupational training. To sustain and improve existing programs, technical assistance and professional development support will be provided to local programs. Current Tech Prep programs will be incorporated as a part of each high school's improvement plan and build upon the professional linkages that exist with employers in health, agriculture, and technical fields.

Vocational education stakeholders continue to develop an improved method for distributing state vocational education funding that will provide incentives to local schools to offer education in vocational areas that correspond to high-demand, high-wage jobs in the new economy. Indiana has recently joined the Marketing Education Consortium, which will be a part of curriculum development activities that teach students about E-commerce. This program will result in students attaining skills in web design, marketing, and retailing.

<i>Program: 0015</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$87,366,387	\$88,907,684	\$91,717,572	\$93,147,375	\$94,318,638
Expenditures	\$84,872,759	\$88,314,198	\$93,009,672		

**Sources of Funds
FY 2001 (Approp)**

■ General ■ Dedicated ■ Federal ■ Other

Category	Percentage
General	45%
Dedicated	26%
Federal	29%
Other	0%

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services ■ Distributions ■ Capital ■ Other

Category	Percentage
Personal Services	97%
Distributions	1%
Capital	2%
Other	0%

K-12 Quality Improvement

Mission

To enhance the professional skills of Indiana's teachers and administrators so that they can provide the best possible instruction to Indiana's students, while utilizing research-based programs and strategies that apply the most up-to-date technological advances effectively and efficiently.

Summary of Activities

Education quality improvement programs administered by the **Department of Education** (DOE) for local schools include the following:

- ◆ Professional development grants to local schools help teachers update their skills and knowledge.
- ◆ The Indiana Principals Leadership Academy (IPLA) has provided leadership training to 2,400 elementary, middle, and high school principals. The training increased their effectiveness as administrators in 732 school buildings that serve over 430,000 of Indiana's students.
- ◆ Innovative School Improvement funds provided professional development opportunities in 41 schools serving over 35,000 students. Grant awards ranged from just over \$6,000 to over \$167,000.
- ◆ "Project Set" funds are used to encourage minority, male, and physically challenged students to enter the teaching profession. During the biennium, 3,212 students participated in the program.
- ◆ Service America grants were allocated to 101 school districts, buildings, and classrooms over the biennium. Service learning activities blend community service and academic activities. These activities are diverse; examples include peer-tutoring, interaction with senior citizens, and community needs assessments. All activities provide students with enhanced awareness of the needs of others, opportunities for intellectual growth, and models by which to be exemplary citizens.
- ◆ The AIDS education program provides training to 5,178 educators and school nurses throughout the state as well as providing connectivity through the DOE web site and listserv to support the exchange of information at the local and state levels.

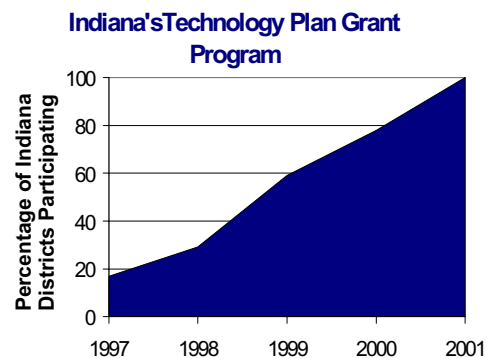
Support for the continued integration of technology in the classroom is provided through the Indiana Technology Plan Grant program. The funds support the transmittal of expertise in using technology for education to schools by providing advice, counsel, training, and resources. Nearly 5,000 educators participated in technology-based training activities during the biennium.

Nine regional Education Service Centers provide a variety of services to 90 percent of Indiana school corporations, including 667,512 students and 40,700 educators. The centers provide cooperative purchasing, serve as regional professional development sites for educators, provide technology integration and training services, and serve as distribution centers for DOE materials.

External Factors

The most current academic and field research indicates that for professional development activities to be effective, they must be ongoing and sustained. New accountability and standards legislation requires professional development activities to be part of comprehensive school improvement plans. When the goals and aims of the Education Roundtable and the **State Board of Education** are finalized, state and local professional development programs will be aligned and consistent.

Changing educational tools and methods require an ongoing investment in teacher training. For example, as computer technology becomes a more important part of the education system, teachers will require additional training to utilize those tools effectively.



Evaluation and Accomplishments

IPLA has been recognized nationally as an effective instructional leader, and has leveraged the success of its past practices through collaborative efforts with federal Title I programs, special education, higher education, and Education Service Centers. Paoli Senior High School has been selected as a 2000 National Service-Learning Leadership School, joining West Vigo High School as an Indiana representative at the national level. From July 1998 – July 2000, 40% of students served in Project Set entered college. The DOE competed for and was designated as one of only seven Milken Teacher Quality Policy Focus States. This designation gives Indiana a forum for examining factors related to: reinventing teacher preparation; overhauling teacher recruitment, including compensation issues; offering multiple career paths with expanded roles for teachers to serve as instructional leaders or mentors; encouraging and rewarding knowledge and skill; and creating schools that are organized for teacher and student success.

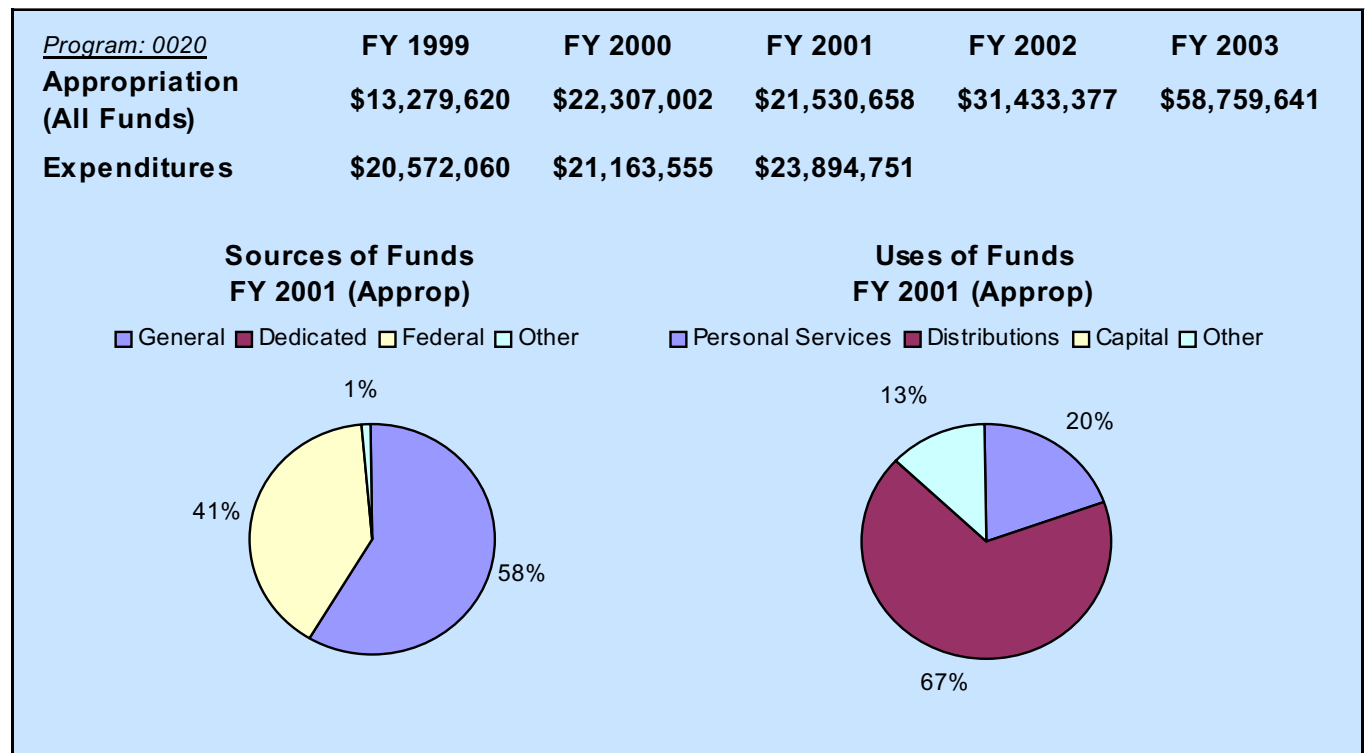
Plans for the Biennium

In a competitive call for proposals, the DOE was awarded a \$1.8 million grant to participate in *IndianaNext*, sponsored by the Bill and Melinda Gates Foundation. This grant will help provide leadership and technology training for Indiana school leaders.

Special Initiatives

Recognizing that high-performing teachers are the backbone of Indiana's education system, Governor O'Bannon Education Improvement Plan includes the following proposals:

- ◆ Beginning in FY 03, \$30 million dollars for professional development block grants for schools to use in providing professional development and continuing education opportunities for teachers. Teachers will have increased opportunities to renew their skills and be exposed to cutting-edge educational techniques and practices.
- ◆ \$4 million to provide five hundred Master Teachers with training to help newer teachers learn best-practice educational techniques and receive valuable mentoring and professional support.
- ◆ \$1 million dollars to provide Indiana's education service centers with the capacity to provide teachers with the latest reading and math resources.



K-12 Evaluation

Mission

To provide feedback to parents, educators, and policymakers on the quality of educational services being provided to students, to provide research-based direction to state policymakers, and to provide clear directives to local school officials on the extent to which their efforts are increasing the academic achievement of Indiana students.

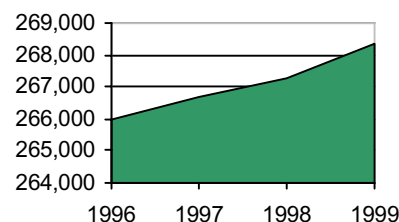
Summary of Activities

The most prominent component of K-12 Evaluation is Indiana's large-scale assessment program, Indiana Statewide Testing for Educational Progress-Plus (ISTEP+). Administered by the **Department of Education** (DOE) and local schools, this evaluation provides the basis for program evaluation through the identification of strengths and weaknesses in meeting Indiana's academic standards. This identification occurs at the student, school, corporation, and state levels, and provides the basis for Indiana's Performance-Based Accreditation system. The 10th grade ISTEP test serves as a Graduation Qualifying Exam (GQE), measuring a standard which students must meet in order to be eligible to receive a high school diploma.



During the current biennium, evaluation has focused policymakers' attention on the need for concise, jargon-free, world-class academic standards. The bipartisan, public/private Education Roundtable recommended new, more rigorous standards in English/ language arts, mathematics, and science to the **State Board of Education** for adoption. The State Board of Education adopted new English standards in June 2000, new mathematics standards in September, and new science standards in November. Indiana's English / language arts, mathematics, and science standards have been given "A's" by the Fordham Foundation and rank 1st, 2nd, and 4th in the nation respectively in terms of rigor and quality.

Number of Students Tested Through the State ISTEP+ Program



Evaluation funding is also provided for school improvement initiatives in high poverty school corporations where low student achievement exists. Over 65 training workshops and multiple onsite technical assistance programs have been provided to over 2,000 administrators and teachers across Indiana.

External Factors

The demand for high standards and accountability has increased the use and scrutiny of large-scale assessment programs. High-stakes graduation tests increase the public profile of large-scale assessments such as ISTEP. At the national level, the increased demand for large-scale assessment programs has resulted in demand pushing supply limits. Test publishers struggle to supply and meet the increased demand for quality and timely evaluation programs. The DOE works to offer the most current and effective form of assessments for students, and recent action by the Indiana State Board of Education allows local schools to have more evaluation options at the local level for the administration of ISTEP+. These options have resulted in alternate large-scale assessments being designated by the Indiana State Board of Education to compare Indiana students to students in other states and the nation (National Education Assessment for Education Progress (NAEP)) and to students worldwide (Third International Mathematics and Science Study (TIMSS)).

Evaluation and Accomplishments

The Class of 2000, the first class of students required to meet the standard tested on the GQE, experienced a 32 percent recovery rate from the 54 percent passing in 1996 to 86 percent passing by the end of their senior year in 2000. The test gave educators specific information that identified students' strengths and weaknesses. In this way, weaknesses could be addressed and students could gain mastery of essential skills. Through evaluation, students, teachers, parents, and the business community can be assured of the value of an Indiana high school diploma. Well over 100,000 students have received additional instructional opportunities based upon the results of ISTEP+. Independent reviews of Indiana's

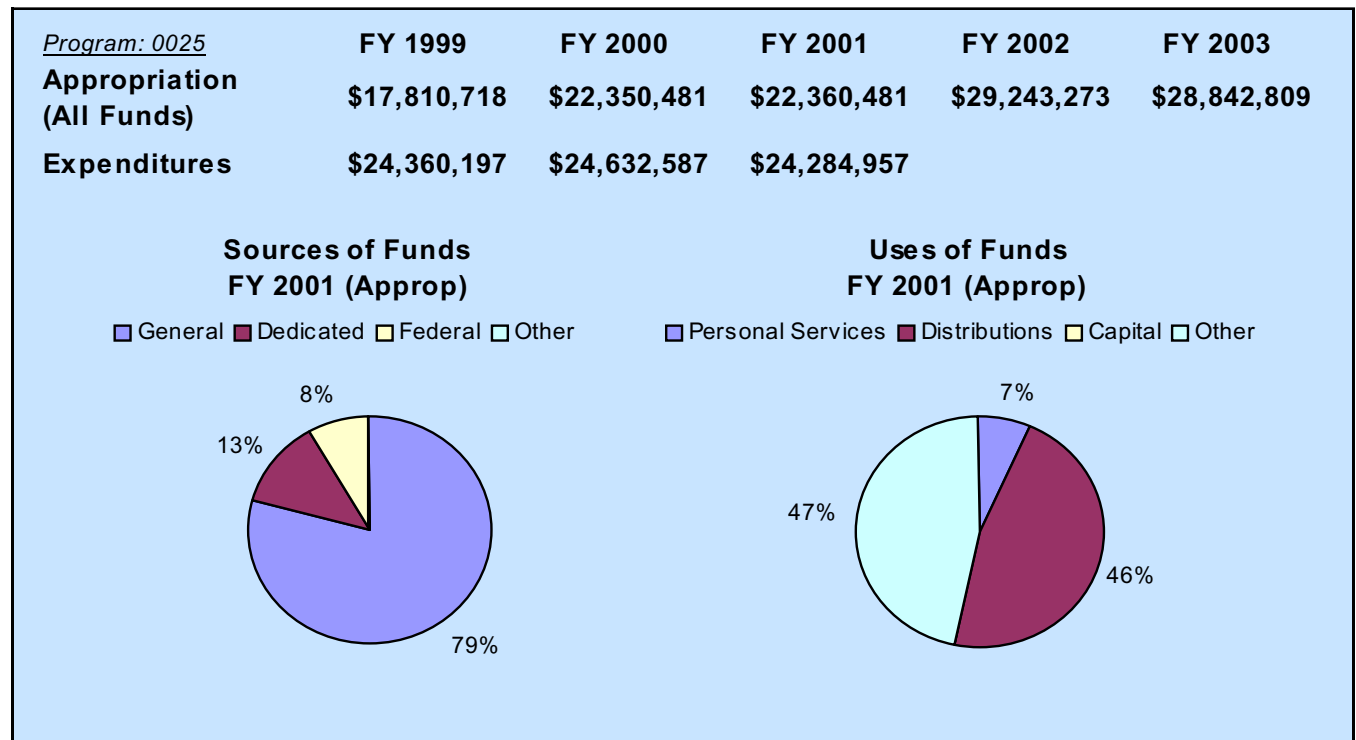
evaluation processes have been conducted by the International Center for Education Excellence (ICEE), Achieve, Inc., KPMG^{LLP}, and Dr. Anthony Nitko, among the first such reviews of a large-scale assessment program in the world. Findings confirmed that Indiana's test measures what is taught (ICEE and Achieve, Inc.), test results are accurate and valid, and the GQE is used appropriately (KPMG and Dr. Nitko). As students, teachers, and parents become increasingly familiar with the more rigorous standards and students understand the importance of a productive high school education, the forecast looks even brighter. A RAND study released in July 2000 confirms these reviews. The report ranked Indiana among the top four states in the nation in gains made in math scores on the National Assessment for Education Progress (NAEP) and recognized Indiana as improving in mathematics at twice the rate of the nation as a whole.



Plans for the Biennium

Classroom instruction consistent with Indiana's new academic standards will begin immediately. Indiana's new academic standards for English/language arts, mathematics, science and social studies will be distributed by grade-level to all parents and students at the beginning of each school year. Complete sets of the K-12 standards for each content area will be distributed to parents, educators and administrators.

Statewide assessment of the more rigorous language arts and mathematics standards will be phased-in for students in Grades 3, 6, and 8 beginning in 2002 and for Grade 10 in 2004. Assessment of the new science standards will begin in 2002 for students in Grade 5. New social studies standards are currently being written and scheduled for adoption in 2001. Assessment of social studies is scheduled to begin in 2003, and it is anticipated that testing will be phased-in for students in Grade 5. Item development for future assessments aligned to the new standards will continue in English/language arts and mathematics and will begin in 2001 for science and social studies. The adoption of new standards in the four content areas tested will require the alignment of curriculum (including textbook adoptions) and instruction. To provide teachers with support in their implementation of the new, more rigorous standards, curriculum frameworks will be developed and distributed. The frameworks will provide a blueprint for standards-based instruction, diagnostic materials, suggestions for classroom activities that foster skills needed to achieve the standards, lists of additional resources, etc.



Adult Education

Mission

To promote lifelong learning opportunities for Indiana's adult population that help assure Indiana's continued economic growth and strength in the global marketplace.

Summary of Activities

Adult education funds support many activities outside of traditional school settings for adults who are at least 16 years of age, not enrolled in school, and who lack a secondary credential or equivalent skills. The state is served by 43 comprehensive programs that provide a wide range of services and are supported by local, state, and federal funds. The comprehensive programs are administered by the **Department of Education (DOE)**, local school corporations, **Vincennes University**, and the **Department of Correction (DOC)**. A total of 80 school corporations receive state funding for their communities.

The Adult Basic Education program addresses the needs of adult learners, which range from literacy challenges to GED preparation. Outreach programs provide adult education/literacy instruction and related services to adults residing in under-served geographical areas, and to members of under-served target populations who are educationally disadvantaged.



The GED-on-TV program, which provides educational services via public television, has enrolled 14,731 adult learners since 1990, of which 5,691 earned a diploma.

The Even Start family literacy program helps break the cycle of poverty and illiteracy, improving the educational opportunities of low-income families by integrating early childhood education, adult literacy, adult basic education, and parenting education into a unified family literacy program. The ten Even Start programs are supported by federal, local, and state funds. Additionally, the funds support adult learners who wish to go back and earn high school credit that will result in them earning their high school diploma.

External Factors

One significant external factor deals with the state unemployment rate. In general, as the unemployment rate decreases, the number of students enrolled in adult education classes decreases. Conversely, as the unemployment rate increases, a rise in adult education course enrollment is seen. Demand for adult education services is a function of both the availability of jobs and the changing requirements for employment.

Adult education program enrollment has remained stable for the past four years. In the 1999 - 2000 program year, 58 percent of the enrollees were unemployed. This population includes many of the state's former public assistance recipients. A low level of basic skills inhibits their ability to get or maintain a job and earn a livable wage.

Adult education in Indiana has been serving a high percentage of younger individuals. When program enrollments for the 1997-98 program year were compared nationally, Indiana had the second highest percentage of 16- to 18-year-old participants in the country. Fifty-nine percent of the 1999 - 2000 enrollees were 16 to 24 years of age.

As the non-English speaking population increases, enrollment in English literacy instruction also increases. The portion of all adult education enrollees receiving English literacy instruction in 1999 - 2000 was 17 percent, compared with 9 percent in the 1994-95 program year. Employers are increasingly requesting assistance in helping their non-English speaking workers learn English.

Evaluation and Accomplishments

In 1999, 12,799 adults received their GED, many of whom participated in state-supported adult education programs. Nearly one-half (48 percent) of the 41,760 program participants in 1999 - 2000 improved their basic skills, a 3 percent increase in two years. Twenty-nine percent gained employment or received a job promotion by upgrading their skills. Additional participant achievements included leaving public assistance, attending post-secondary education programs such as higher education and skilled trades, and receiving U.S. citizenship. The total number of positive student outcomes increased by 27 percent in two years.

Plans for the Biennium

Adult education programs will support eligible adults in their roles as workers, parents, and citizens. Programs will focus on meeting the demand for adult education services in their communities, particularly those related to the workforce, and increasing student outcomes to achieve the state's performance measures under the Adult Education and Family Literacy Act.



A new Workplace Essential Skills (WES) program will provide pre-GED level communication, workplace reading, writing, and math skills, in addition to job readiness skills. Twenty-five videos, four workbooks, and an on-line component will be utilized together to enhance students' chances of getting and keeping a job as they move toward GED-level study. It is projected that an additional 300 to 500 learners will take advantage of this program.

<i>Program: 0030</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$23,581,411	\$24,071,043	\$24,081,043	\$26,746,060	\$26,419,311
Expenditures	\$23,470,929	\$24,244,823	\$26,692,161		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

Undergraduate Education

Mission

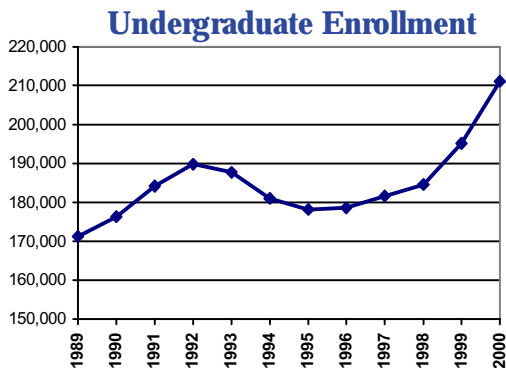
To provide Indiana residents with the opportunity to enhance their lives through access to a comprehensive, affordable, world-class system of higher education.

Summary of Activities

Indiana has seven public colleges and universities. They include six universities, one of which offers only two-year degrees, and a technical college. **Indiana University** manages seven campuses, including the flagship campus in Bloomington and the joint IU-Purdue campus in Indianapolis. **Purdue University** is Indiana's land grant institution. It manages four campuses, including a joint IU-Purdue campus in Fort Wayne. **Ivy Tech State College** offers courses and degree programs on 23 campuses and at additional instructional centers. **Vincennes University** maintains a branch campus in Jasper and several instructional sites in Indianapolis. The other universities are **Ball State University**, **Indiana State University**, and the **University of Southern Indiana**. Indiana is also home to 32 independent colleges and universities.



In 1998-99, the public institutions enrolled 275,753 undergraduate students. Eighty-eight percent were Hoosiers. Minority enrollment accounted for 12.8 percent of undergraduate enrollment – 8.1 percent African-American and 4.7 percent other minority students.



Thirty-two percent of the undergraduates were 25 or older. In 1998-99, the public institutions conferred 20,097 four-year degrees and 7,158 two-year degrees. The three largest fields of undergraduate study at the baccalaureate level were business, education, and health-related programs. At the associate level, the largest fields were health-related and business-related programs.

In 1999-2000 average in-state, undergraduate tuition and required fees were \$3,642 at the public four-year campuses and \$2,098 at the public two-year campuses.

External Factors

Indiana's higher education institutions are responsive to concerns about the state's ability to attract and retain firms that offer high-paying jobs. Members of the state's workforce over the age of 25 rank behind other states in educational attainment. Striving to address this problem and increase educational levels among adults places high demands on Indiana's public colleges and universities. They also face competition from out-of-state institutions that focus on educating at a distance. Finally, demand for particular degree programs does not always live up to expectations. The institutions, along with the Commission for Higher Education, face the problem of deciding when these programs should continue to be offered.

Evaluation and Accomplishments

In 1999, Governor O'Bannon announced a partnership called the Community College of Indiana (CCI). The partnership links Indiana's two-year institutions: Vincennes University and Ivy Tech State College. It will provide a fully transferable Associate of Arts curriculum at each of Ivy Tech's 23 campuses. Each institution will remain separate and independent. The trustees of both institutions support the partnership. CCI began offering classes in four locations in Fall 2000. In support of the CCI initiative, the 1999 Indiana General Assembly provided funds to allow the two institutions to freeze tuition and fees for two years (1999-00 and 2000-01) at 1998-99 rates.

Another milestone has been the continuing collaboration among the institutions to provide distance education opportunities, known as the Indiana Partnership for Statewide Education. The Partnership markets itself to prospective students as the Indiana College Network (ICN). In 1998-99, ICN institutions offered 428 undergraduate credit courses, an increase of 52 percent over 1997-98. More than 70 percent of 12,694 total credit enrollments were undergraduate. A special aspect of Partnership activity involves Indiana State University, which has begun providing distance-delivered baccalaureate completion programs, called DegreeLink, to Ivy Tech and Vincennes University locations.

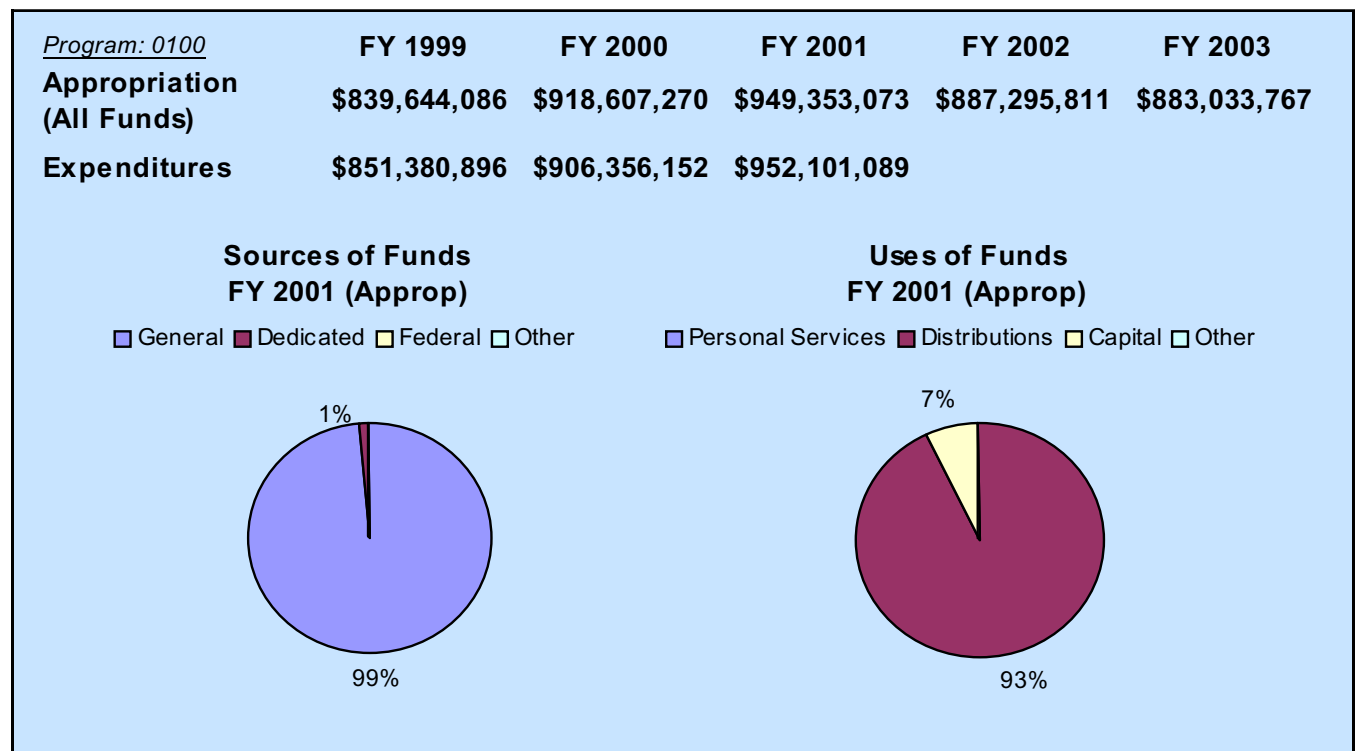


A third milestone has been the emergence of widespread community interest in obtaining better access to post-high school education. Much of this is traceable to local satisfaction with two projects, College Cooperative Southeast and the South Central Indiana Educational Alliance. Each relies on a regional network of community learning centers that bring educational opportunities and student services to geographic areas that are not served by traditional institutions.

Plans for the Biennium

Attention to the implementation of CCI will continue. A unified marketing campaign was begun in April 2000. That same month, the Commission for Higher Education approved Vincennes University Associate of Arts and Associate of Science degrees to be offered at the CCI pilot sites. Graduates holding these degrees will be able to transfer credits to public four-year campuses, enrolling with junior status. In addition to the four sites that began offering classes in Fall 2000, additional sites will be added in Fall 2001. The four first-year sites are Gary, Lafayette, Indianapolis, and Evansville.

For years the universities have supported efforts to encourage high school students to take a rigorous curriculum, including the Core 40 college preparatory curriculum and the Academic Honors Diploma. They have also supported the Education Roundtable's work on K-12 academic standards. Universities will be aligning their teacher education programs and professional development opportunities to these standards and curricula, so that teachers bring about the desired levels of student learning.



Graduate Education

Mission

To prepare students for specific careers and to help people advance within their chosen occupations.

Summary of Activities

In Indiana, five public universities offer graduate education leading to master's and doctoral degrees: **Ball State University, Indiana State University, Indiana University** (all campuses), **Purdue University** (all campuses), and the **University of Southern Indiana**. The breadth and depth of graduate education is strongest at IU Bloomington and Purdue - West Lafayette.



Many public campuses, including IU and Purdue regional campuses and the University of Southern Indiana, offer master's degrees for adults employed in such fields as business, education, and public administration. Just five campuses – IU Bloomington, IUPUI, Purdue West Lafayette, Ball State and Indiana State universities – offer doctoral degrees, predominantly Ph.Ds. In 1998-99, the public universities enrolled 45,111 students in graduate programs and conferred 5,421 master's and 953 doctoral degrees. The largest number of master's degrees were awarded in education and business. The largest number of doctoral degrees were awarded in education and engineering.

External Factors

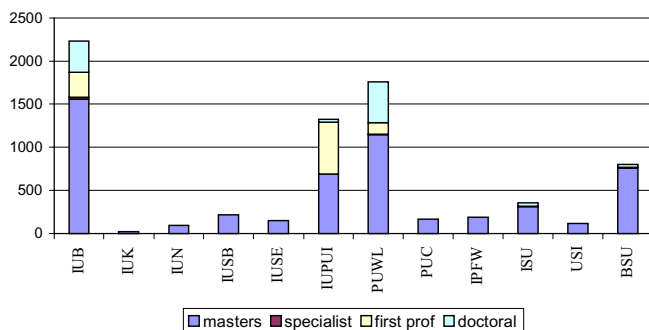
Especially at the doctoral level, the universities produce degree recipients for a national, even international, market. Because some Ph.D. graduates find no jobs waiting for them, however, discussion has arisen nationally about how much graduate education is enough. At the other end of the career ladder, many faculty members in Indiana universities will soon retire. Campuses will have to plan for their replacement, including the possible reallocation of faculty from lower to higher performing academic units or programs.

Master's degrees are sought after by employers, employees, and campuses alike. The existence of the Community College of Indiana may increase demand for these degrees as the regional campuses are encouraged to focus more on junior- and senior-level courses. Since every community provides schools, human services, health care and public safety, there is always strong local demand for master's degree programs in these areas.

Evaluation and Accomplishments

Purdue University is known above all for its engineering programs. The School of Engineering is ranked ninth nationally – fifth among public universities – by *U.S. News and World Report*. Corporate recruiters rank it third. The School of Engineering provides a significant distance education program, Continuing Engineering Education (CEE). Through CEE, baccalaureate-trained engineers may pursue masters' degrees or attend an array of non-credit workshops.

Graduate Degrees Awarded, By Campus and Level, 1998-99



Indiana University is perhaps most famous for its School of Music programs. A reputational survey by U.S. News and World Report ranked IU's Master of Music program second in the nation. Music school deans and faculty members have ranked IU number one. The school emphasizes musical performance and presents about 1,000 public programs each year. It is also home to a Center for Electronic and Computer Music.

A Selection of Ranked Graduate Programs (National Ranking)

IU Bloomington

Botany (15)
 Business Administration, EMBA (5)
 Business Administration, MBA (11)
 Business Administration, Doctoral (8)
 Clinical Psychology (7)
 Drama/Theatre (7)
 Education (5)
 English (18)
 German (8)
 History (12)
 Journalism (10)
 Library Science (3)
 Optometry (3)

Political Science (21)
 Psychology (13)
 Public Administration (3)
 Radio/Television/Film (5)
 Slavic Languages (3)
 Speech Pathology/Audiology (7)

PU West Lafayette

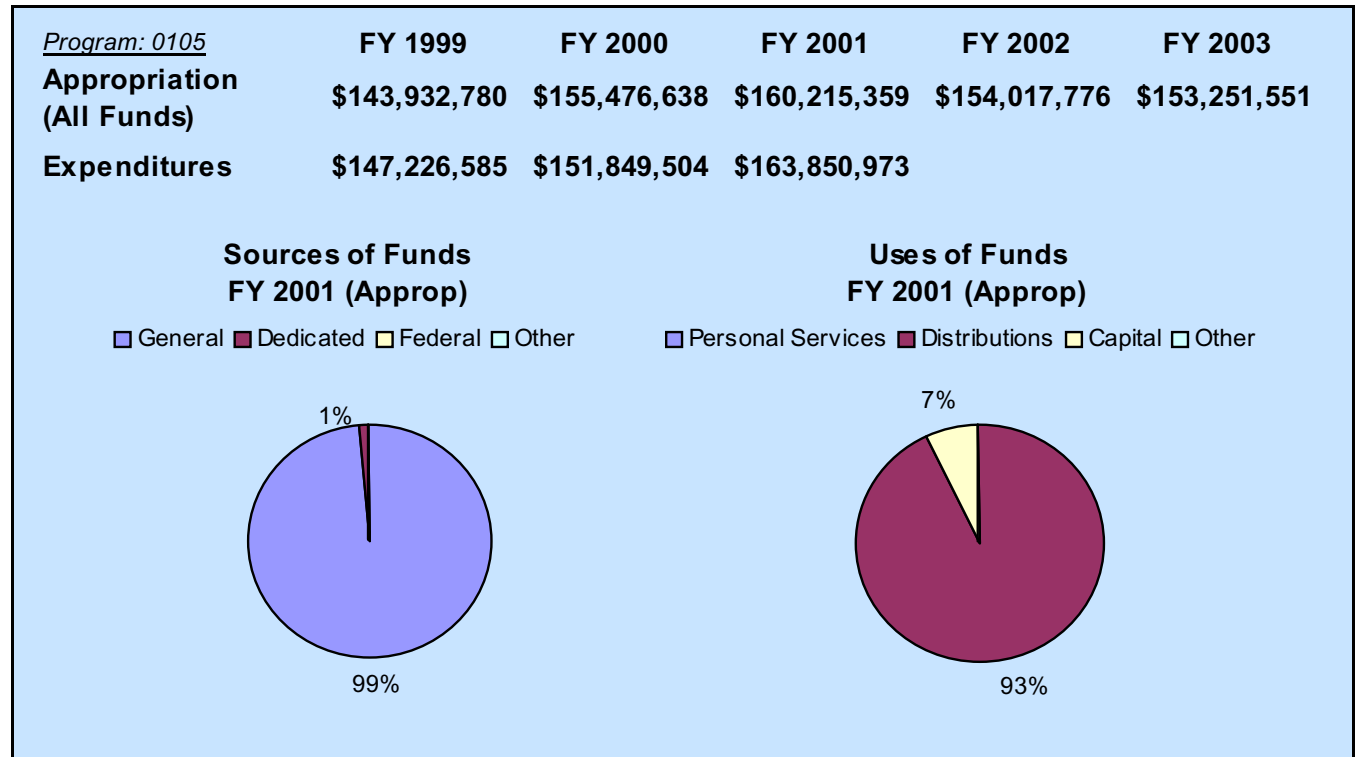
Aerospace Engineering (7)
 Agricultural Economics (6)
 Agricultural Engineering (5)
 Agricultural Sciences (4)
 Agronomy/Soil Sciences (9)

Business Management, EMBA (12)
 Chemical Engineering (15)
 Civil Engineering (11)
 Electrical Engineering (8)
 Entomology (8)
 Industrial Engineering (3)
 Inorganic Chemistry (4)
 Mechanical Engineering (10)
 Nuclear Engineering (11)
 Nutrition (7)
 Organic Chemistry (2)
 Physical Chemistry (6)
 Plant Pathology (2)
 Speech Pathology/Audiology (6)
 Veterinary Medicine/Sciences (9)

Plans for the Biennium

Indiana University's highest priority for 2001-03 is obtaining funds for its new School of Informatics. Focused on the art, science, and human dimension of information, the School will offer one undergraduate and four master's degree programs. The School will open initially in Bloomington and at Indianapolis, but it is expected eventually to extend to all Indiana University campuses.

Purdue University's chief priority within graduate education is to enhance its "research environment" in the fields of genomics and biotechnology. Accomplishing this would foster the application of life-science technologies to agriculture and the health fields. It would also support graduate education in many fields. Purdue also intends to strengthen its programs in biomedical engineering and computational science. While doing this will not add graduate degrees, it will greatly enhance the university's research capabilities in these fields. This can only enrich existing graduate programs.



Professional Education

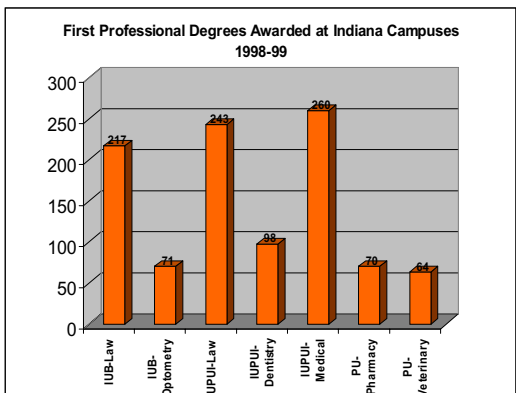
Mission

To provide world-class educational services to students seeking professional careers.

Summary of Activities

Indiana University (IU) and **Purdue University** offer professional education leading to what are called “first professional” degrees. These degree programs are offered in Bloomington, West Lafayette, and Indianapolis. Indiana University is home to the state’s two publicly funded law schools (in Bloomington and Indianapolis) and the Schools of Medicine, Dentistry (both housed in Indianapolis) and Optometry (Bloomington). Purdue University offers professional degrees in Pharmacy and Veterinary Medicine. Both are located in West Lafayette.

Indiana University’s School of Medicine is part of the IU Medical Center in Indianapolis. IU opened its first hospital in Indianapolis in 1914. Today’s Medical Center includes several teaching hospitals, some of which are administered by Clarian Health Partners. The School of Medicine also manages patient care under contract at Wishard Health Services, serving Marion County, and has cooperative arrangements with the Richard L. Roudebush Veterans Administration Medical Center and Larue D. Carter Memorial Hospital. The university maintains instructional and research activities at all these institutions. They are settings for clinical studies by nationally and internationally recognized research institutes and by School of Medicine centers. The School of Medicine also operates statewide by means of eight regional medical centers. The centers provide only the first two years of medical education; students must complete their study at IUPUI. Internships and residencies for IU medical students are overseen by the Medical Education Board, a state agency administered by IU.



IU’s School of Dentistry is the state’s only dental school. It began as the Indiana Dental College in 1879 and was purchased by IU in 1925. An on-campus Comprehensive Care Clinic serves some 17,000 patients per year. The school also provides treatment at several other patient care facilities, including the pediatric dentistry clinic at IU’s James Whitcomb Riley Hospital for Children, the oral and maxillofacial surgery clinics at University and Wishard Memorial hospitals, and two community clinics, Cottage Grove and Grassy Creek. Much of the school’s research occurs at its Oral Health Research Institute, built with

royalties from the sale of Crest toothpaste, itself an early research success of the School.

IU’s optometry program was established in Bloomington in 1951 and conferred its first professional degrees in 1956. The School operates the Atwater Eye Care Center on campus, the Community Eye Care Center on the west side of Bloomington, and the Indianapolis Eye Care Center. Other clinical facilities are located in Veterans Administration and military hospitals and community care centers in other cities.

Purdue’s School of Veterinary Medicine is one of only 27 in North America and the only veterinary college in Indiana. Since the graduation of its first class in 1963, the school has produced nearly 2,000 veterinarians who now practice in all 50 states. The faculty of Veterinary Medicine pursue research into such subjects as spinal injuries, infectious diseases, neuroscience, herd management, animal welfare, equine sports medicine, and flow cytometry. The School also provides service to animal owners and the greater community through the Veterinary Teaching Hospital (a consultation and referral center for practicing veterinarians), the Purdue Equine Sports Medicine Center, and the PetSafe program (short-term emergency housing for pets owned by individuals or families in crisis).

The Indiana University School of Law in Bloomington has prepared students to practice law for more than 150 years. Its specialized programs include business and commercial law, environmental law, global legal studies, information and communications law, law and society, and legal writing and advocacy. The IU School of Law in Indianapolis is the largest law school in Indiana, and the only one to offer both part- and full-time legal education. Joint degrees in law and

other fields are available, as is the opportunity to earn a concentration in Health Law through the School's nationally recognized Center for Law and Health. Other specializations include a program in International Human Rights and a program on Law and State Government.

In 1998-99, the professional schools enrolled a total of 4,210 students. The law schools conferred 460 degrees and the health profession schools, 563.

External Factors

In all fields of medicine, practitioners are challenged to constantly update their knowledge based on rapidly changing information about illness and its treatment. This obliges schools of medicine, pharmacy, etc., not only to continually update curricula, but to also continually rethink the professional development opportunities they provide.

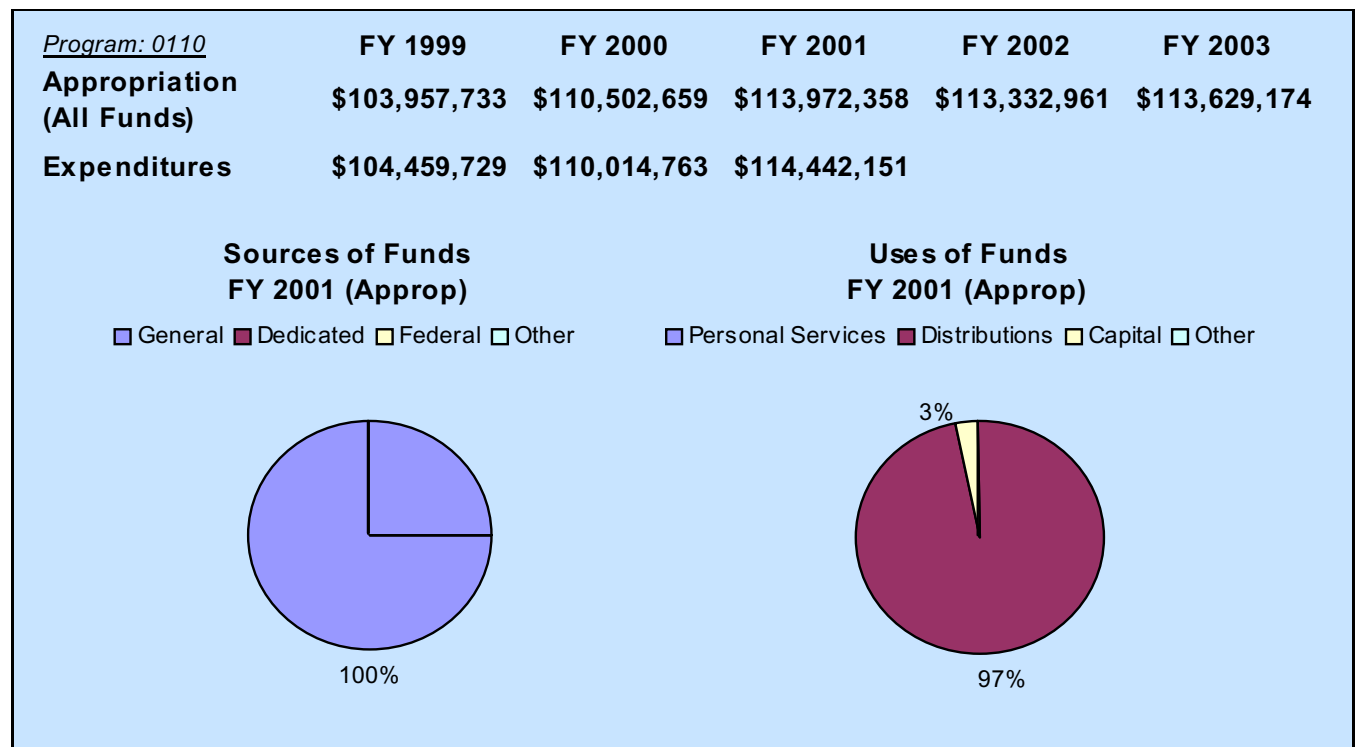
Evaluation and Accomplishments

Recent pass rates for licensure or certification examinations in professional fields are as follows:

Dentistry	88 percent
Law (IUB)	97 percent
Law (IUPUI)	94 percent
Medicine	99 percent
Optometry	100 percent
Pharmacy	96 percent
Veterinary Medicine	77-90 percent (two assessments)

Plans for the Biennium

In May 2001, the IU School of Law in Indianapolis will move into its new home, Lawrence W. Inlow Hall, now under construction just two blocks from the State House.



Higher Education Research

Mission

To create and disseminate knowledge across all academic disciplines.

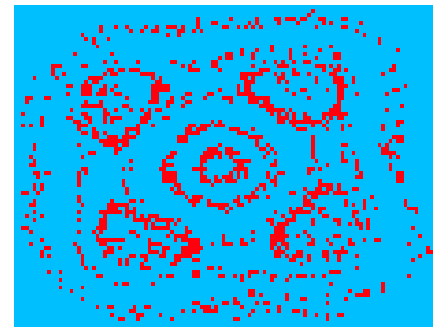
Summary of Activities

Indiana's public universities are engaged in a vast array of research activities across all fields of inquiry. Some research is sponsored directly by the universities or their academic departments, while other research is funded by the state, agencies of the federal government, foundations, or corporations. Indiana is relatively unique among states with similar population size in that it supports two major public research universities as well as a major medical school. Together, **Indiana University** and **Purdue University** received over \$450 million in external research support in FY 2000.

In addition to research funded in a general sense through state operating appropriations to the universities, the state funds a number of specific research activities directly. These state-supported activities are directed at issues with immediate application to the health and welfare of the citizens of Indiana and often include a substantial public service component. Among these activities are spinal cord and paralysis research, the work of the Indiana Geological Survey, veterinary research, support for Internet2, and support for the Indiana Institute on Disability and Community.

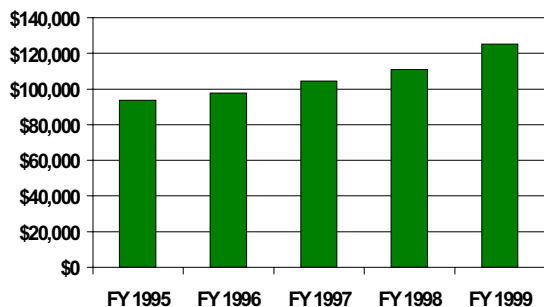
External Factors

The most significant external factors affecting research at universities are the recent growth in federal funding for health-related research and the competitive environment for research dollars nationwide. For example, National Institute of Health support for Indiana institutions increased from \$93.6 million in FY 1995 to \$125.3 million in FY 1999.



Chaos and resonances in dynamical systems: Longitudinal and Transverse beam dynamics

NIH Support to Indiana Institutions

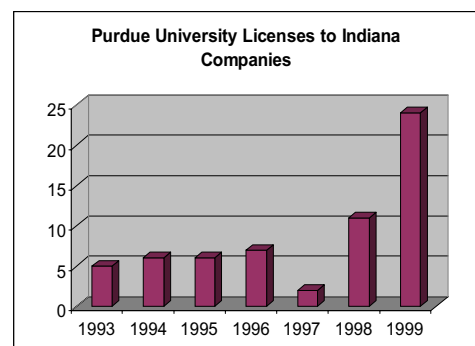


While growth in funding has presented universities with new opportunities, competition for research funding has also increased nationwide. To ensure that Indiana institutions can compete effectively for external grant funding, Governor O'Bannon proposed the creation of the 21st Century Research and Technology Fund in 1999. The fund, which received a \$50 million appropriation from the 1999 General Assembly, leverages external funding opportunities and encourages collaboration between Indiana's universities and the private sector.

Evaluation and Accomplishments

While much research may be "pure" in the sense that it is undertaken to extend the boundaries of knowledge alone, a great deal of research conducted at Indiana universities is "applied" -- its results have direct applications in improving Hoosiers' quality of life and developing Indiana's economy. For example, research at Purdue University often leads to inventions and processes that are ultimately licensed for commercial use, and Purdue has been active in licensing to Indiana companies and start-ups in the state. Some of the new companies resulting from research at Purdue include SSCI; Endocyte, Inc.; Cook Biotech, Inc.; Optolynx, Inc.; SpectraCode; and Advanced Process Combinatorics.

Purdue University Licenses to Indiana Companies



In a similar vein, Indiana University's Advanced Research and Technology Institute (ARTI) and Information Technology organizations foster technology business development and infrastructure. Among the companies facilitated by ARTI are WisdomTools, which creates customizable web-based learning tools for corporate training and higher education, and CyberLearning Labs, which provides course management and Internet portal solutions to the distance learning community.

The economic benefits of research extend beyond new products and services; Indiana University estimates that its 1999-00 level of research and development spending supported over 9,000 jobs. Indiana University's total sponsored research increased from \$205.1 million in fiscal year 1997 to \$309 million in fiscal year 2000.

Plans for the Biennium

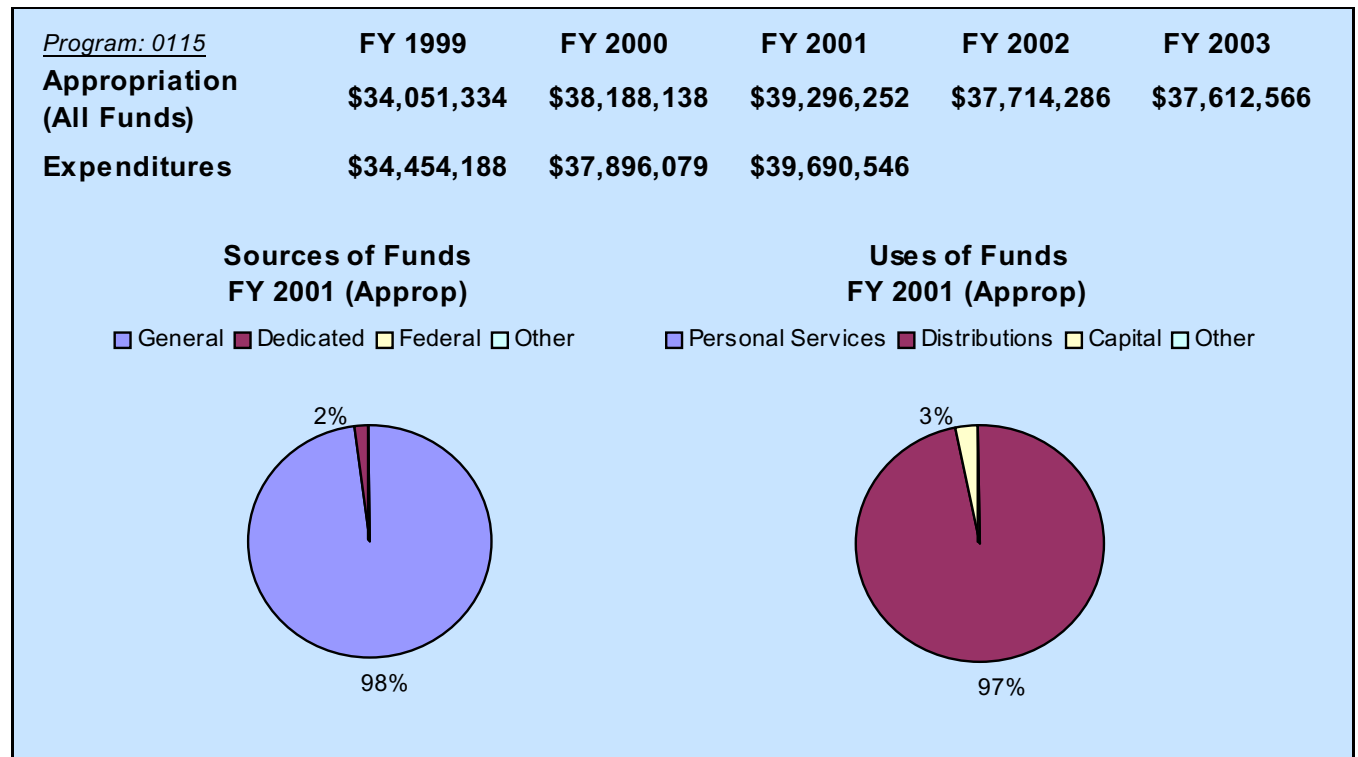
- ◆ Spinal cord stem cell research and research on treating injured spinal cords and peripheral nerves with Polyethylene glycol and Ryanodine at the Indiana University Neurosurgery Spinal Cord and Head Injury Research Center.

- ◆ Development, trial, and demonstration of next-generation operational and quality of service networking capabilities at the Abilene Network Operations Center.

- ◆ The Indiana Geological Survey is working with the Department of Energy in collaboration with the Laboratory for Computational Geodynamics to model fractured natural gas reservoirs basins and to develop "Next General Fracture Detection Technologies."



- ◆ Indiana University's Indiana Pervasive Computing Research Initiative—funded by a \$29 million grant from the Lilly Endowment—will pursue research in some of the key software and advanced telecommunications technologies that will underpin the pervasive computing environment of the future. The IPCRS will create new technologies and stimulate the growth of new technology ventures within the State of Indiana.



Higher Education Public Service

Mission

To improve the quality of life of Indiana's citizens and develop Indiana's economy through the dissemination of knowledge and provision of expert services.

Summary of Activities

Indiana's public colleges and universities engage in a wide variety of public service activities, including public radio and television broadcasting, training activities for local units of government, laboratory schools, business development assistance, in-service training for human services professionals, cooperative extension services, and historic preservation.

Public service activities at colleges and universities are often closely tied to research activities. For example, research carried out at **Purdue University's** agricultural experiment stations may be disseminated to the agriculture industry through county extension educators, and research carried out by the Indiana Institute on Disability and Community may be disseminated through workshops with families that include members with developmental disabilities.



In addition to public service activities funded in a general sense through state operating appropriations to the universities, the state funds a number of specific public service activities directly. Among these direct appropriations are forensic lab services through the **Indiana University (IU)** Chemical Test Training Program; business assistance through the IU Industrial Research Liaison Program; technical assistance to industry through the Purdue University Technical Assistance Program; historic preservation and interpretation services at New Harmony through the **University of Southern Indiana**; advanced high school education through the Indiana Academy for Science, Mathematics, and Humanities at **Ball State University**; and college and career planning

assistance through the Indiana Career and Postsecondary Advancement Center.

External Factors

Because the public service activities of the state's colleges and universities are varied, the external factors affecting them are also varied. For example, public broadcasting stations face the challenge of converting their transmission equipment to support digital broadcasts, and the cooperative extension service has been adapting to diminished federal support for over a decade. One factor that affects most public service activities is the increasing demand for such services, particularly those that offer technical assistance to businesses and industry.

Evaluation and Accomplishments

The variety of public service activities carried out by Indiana's public colleges and universities produce an equally broad set of accomplishments, which include the following:

- ◆ The Indiana Academy for Science, Mathematics, and Humanities has impacted over 1.6 million students nationwide through its teacher development workshops, school visits, conferences, and seminars, curriculum dissemination, and electronic field trips.
- ◆ Purdue University's Technical Assistance Program has performed 4,472 assistance projects, placed 566 summer interns in Indiana, performed 4,159 information searches, delivered 129,042 documents, and held two high-tech job fairs in Indiana since its establishment in 1986. During the same period, the program reports that it has added or saved over 3,721 jobs, supported over \$43 million in capital investments, reduced manufacturing costs by over \$16.5 million, and helped increase sales by \$277 million.

The Indiana Institute on Disability and Community has played a leading role in developing inclusive education, integrated employment, and community living policies and programs for developmentally disabled Hoosiers. The Institute also provides training for nearly 30,000 professionals, government employees, consumers, parents, and members of the general public every year.

Plans for the Biennium

Institutional plans for the 2001-03 biennium include maintaining current levels of public service activities and expanding activities to benefit the citizens of Indiana. Plans to expand activities are usually accompanied by requests for additional state funds. Specific institutional requests include:

- ◆ Expanding the Technical Assistance Program statewide.
- ◆ Creating a 500-seat distance-learning classroom at the Indiana Academy.
- ◆ Increasing the staff of the Industrial Research Liaison Program to permit the program to serve Indiana businesses more efficiently.
- ◆ Expanding Ivy Tech State College's workforce certification program at selected campuses. Begun in Fall 2000, workforce certification centers provide short-term training programs that prepare people for nationally recognized certifications. Initial emphasis is on certifications in the information services area – Novell, Cisco, Microsoft, and similar products.



- ◆ Continuing Ivy Tech's Pathways to College program. Supported by Lilly Endowment funding, the program places technical education coordinators in high schools to help students successfully complete high school and then enroll in college. Students taking technical rather than college prep courses are a special focus of the program.

<i>Program: 0120</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$36,707,473	\$41,654,106	\$42,884,973	\$41,832,720	\$42,008,347
Expenditures	\$33,296,711	\$41,985,214	\$42,625,926		

**Sources of Funds
FY 2001 (Approp)**

■ General ■ Dedicated ■ Federal ■ Other

97%
2%
1%

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services ■ Distributions ■ Capital ■ Other

96%
4%

Higher Education Student Assistance

Mission

To make college affordable, to allow students more choice in selecting a college, and to increase college preparation.

Summary of Activities

Student financial assistance provided by the state includes both programs administered by the **State Student Assistance Commission of Indiana** (SSACI) and the portion of institutional financial aid derived from general operating appropriations to the public colleges and universities.

SSACI has three main areas of concentration: Grants and Scholarships, Early Intervention / Education Programs, and Technology, Research and Analysis. Grants and scholarships administered by SSACI include the Higher Education Award, Freedom of Choice grant, Twenty-first Century Scholarship, National Guard Supplemental grant, Part-Time Grant, Special Program grants for nurses, working students, minority students, and Fee Remission Grants for children of disabled veterans and similar students. Students who receive Core 40 and Academic Honors diplomas in high school are eligible for higher levels of assistance.



SSACI also conducts early intervention programs for Twenty-first Century Scholars and education and outreach programs for all students, parents, high school counselors, and financial aid professionals. It conducts research to better understand the needs of Hoosier students and families.

Institutional aid appropriated directly to public universities includes statutory and non-statutory tuition and fee waivers and institutional grants and scholarships. Statutory tuition and fee waivers administered by universities include senior citizen fee waivers and county scholarships. Non-statutory waivers may be granted at the discretion of institutional trustees to a variety of students including faculty and staff and their spouses and dependents, graduate and undergraduate teaching and research assistants, and students with specific talents or abilities. Other institutional aid includes need-based grants and merit scholarships.

External Factors

The primary factors affecting student assistance are the continuously rising cost of attending college; the increasing number of high school graduates going to college; the increasing number of graduates earning Core 40 and Academic Honors diplomas; the growing number of students who attend college part-time; the increasing reliance of students on loans to finance their education; and the slow growth in federal student assistance programs.

Evaluation and Accomplishments

In 1998-99, Indiana's need-based aid programs administered by SSACI ranked seventh nationally in estimated grant dollars per resident population, ninth in estimated grant dollars per resident college-age population, and sixth in estimated grant dollars to undergraduates per full-time undergraduate enrollment. In 1999-2000, 61% of students used their Higher Education Awards and 68% used their Freedom of Choice grants; SSACI funded \$90,185,104 in major grants alone to over 41,000 students, and over \$8 million in Twenty-First Century Scholarships and other special program grants to over 8,000 students.

Through the efforts of the Office of Twenty-First Century Scholars, Indiana was the recipient of a \$25 million five year federal grant for improving its early intervention programs: GEARUP, *Gaining Early Awareness and Readiness for Undergraduate Programs*.

SSACI expanded its programs to meet the needs of more students during the 1999-2001 biennium. Beginning in the academic year 2000-2001, funding was provided to expand the Higher Education Award Program to include students at proprietary institutions. The 1999 General Assembly also created the Indiana National Guard Supplemental Grant to pay the tuition of active Indiana National Guard members attending public colleges.

In 1999-2000, SSACI introduced two online systems: **eGRADS** and **CHIPS**. **eGRADS**, a real-time online **Grant Report and Delivery System**, was made available to financial aid professionals in nearly 100 colleges and universities around the state. This system enables staff in those offices to check on the eligibility and awards for any of their enrolled students. **CHIPS**, the **Core 40 and Honors Internet uPdate System**, was developed as a Web-based Internet application that allows high school counselors to list pertinent data on their Honors and Core 40 graduates. Working with high school counselors is crucial to the success of the supplemental grant program. **CHIPS** reduces the workload on counselors and staff while increasing the accuracy and timeliness of the data.

To maximize the benefits of the SSACI's college work study program for both students and employers, the Web-based internet application **WERRS-Work Experience Resume and Referral System** was put on-line in July of 2000. This system will allow SSACI to match students with particular skills, as described in their on-line resumes, to employers needing those skills.

“I wanted to take a moment to personally thank you for awarding me scholarship money. I'm sure that these scholarship awards may begin to only seem like names, but they are real people with real needs. Thank you very much for helping with my financial needs. Your help is truly appreciated.”

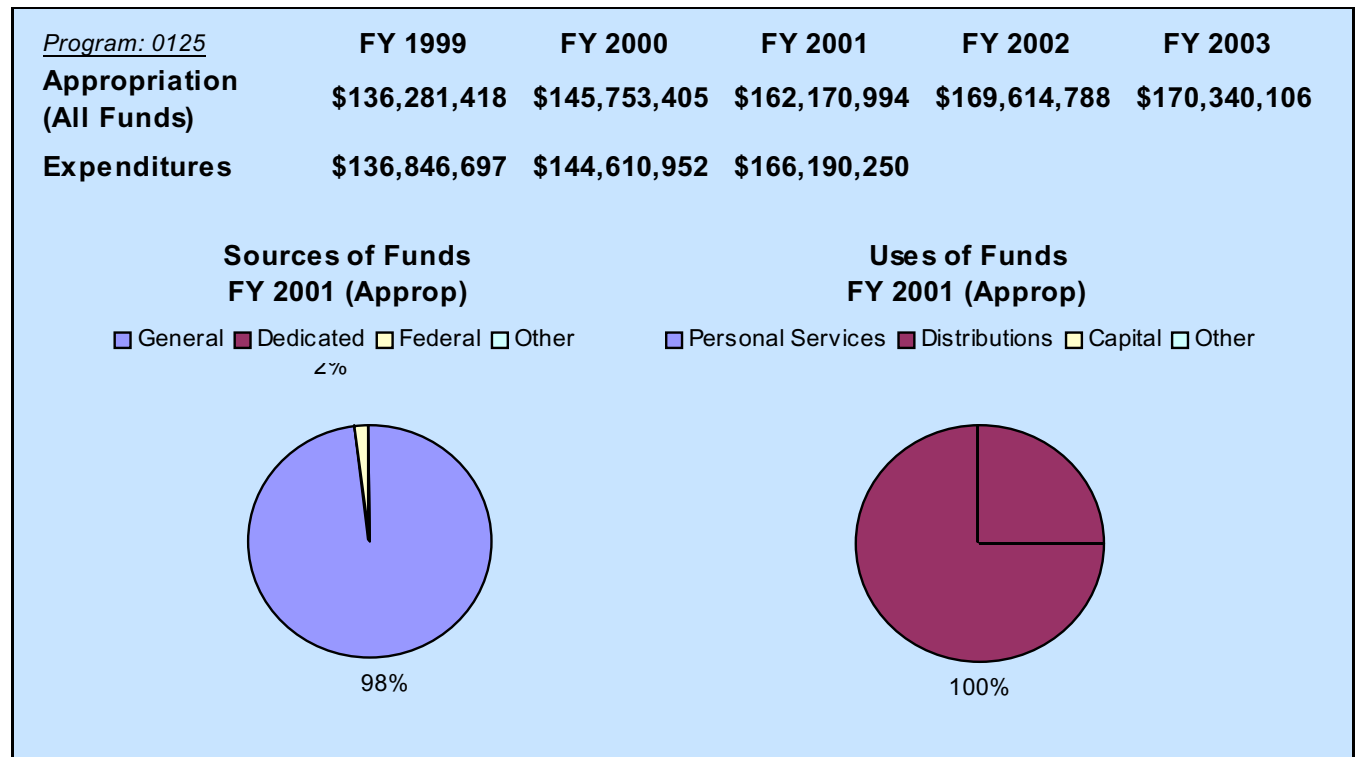
- A high school senior

Plans for the Biennium

SSACI plans to maintain its national leadership position in financial aid by meeting the financial needs of Hoosier families; to increase the number of students eligible for part-time grants; to increase the range and depth of early intervention programs for Scholars and parents; to improve its outreach and education counselors, and financial aid professionals.

programs for students, parents, high school

SSACI will introduce in 2001-2002 **eGRADS II**, its on-line real-time system that enables students to examine their awards and change those awards from one college to another. In any given year, over 22,000 students change their first college choice right up to and after the start of classes; **eGRADS II** will enable SSACI to respond in a rapid and timely manner to the change requests.



Higher Education Coordination & Infrastructure

Mission

To collectively provide higher education services that meet citizens' needs, are flexible in response to changing needs, and do not duplicate services except where appropriate.

Summary of Activities

Indiana's system of public higher education is planned and coordinated by the **Commission for Higher Education** (CHE). It does this in cooperation with the **Commission on Proprietary Education** (COPE), the **Indiana Higher Education Telecommunications System** (IHETS), and the Independent Colleges of Indiana.

The chief responsibilities of the CHE are to define institutional missions; approve new campuses or extension centers; approve new degree programs; review established degree programs; and review both operating and capital budget requests from the institutions and from the **State Student Assistance Commission**. The review of budget requests culminates in recommendations to the Governor and the General Assembly regarding public funding for Indiana higher education.



INDIANA COMMISSION
for
HIGHER EDUCATION

COPE is charged with regulating privately owned, postsecondary career schools. It seeks to maintain and improve career schools' quality and vocational effectiveness. It is responsible for guarding against any fraudulent activity on the part of career school operators.

IHETS was created by the General Assembly in 1967 to facilitate the distribution of educational resources via communications technologies. IHETS maintains voice, video, and data networks and coordinates campus- and community-based learning centers that permit the delivery of courses across the state. Its members are Indiana's colleges and universities. Partners include K-12 schools, public libraries, state government, and public broadcasting. IHETS and its distance education component, the Indiana College Network, are managed jointly by the higher education institutions.

The state and the institutions are also members of the Midwestern Higher Education Commission (MHEC). This is a consortium of nine states that seeks to assist higher education in member states through joint procurement policies, the evaluation of courseware products, and the like.

External Factors

Constantly changing demands for postsecondary access and for specific degree programs require a coordinated statewide response. For example, economic development concerns and the need for flexible, low-cost, non-traditional educational services led to the introduction of the Community College of Indiana. The rapid spread and advancement of instructional technology challenge IHETS and the public institutions to maintain Indiana's world-class reputation. Affording essential technology improvements will be an issue throughout the foreseeable future.

Evaluation and Accomplishments

An ongoing success has been the continuing collaboration among the institutions in providing technology linkages. In addition to providing phone and data service for all Indiana campuses, IHETS provides multiple technologies for delivering access and student support through a network of 60 campus- and community-based learning centers. The technologies most used for this purpose are the Internet and a four-channel satellite television network; IHETS installs and maintains the equipment needed for both. IHETS also provides technology access and student support. The programmatic side of IHETS is overseen by the voluntary association known as the Indiana Partnership for Statewide Education (IPSE).

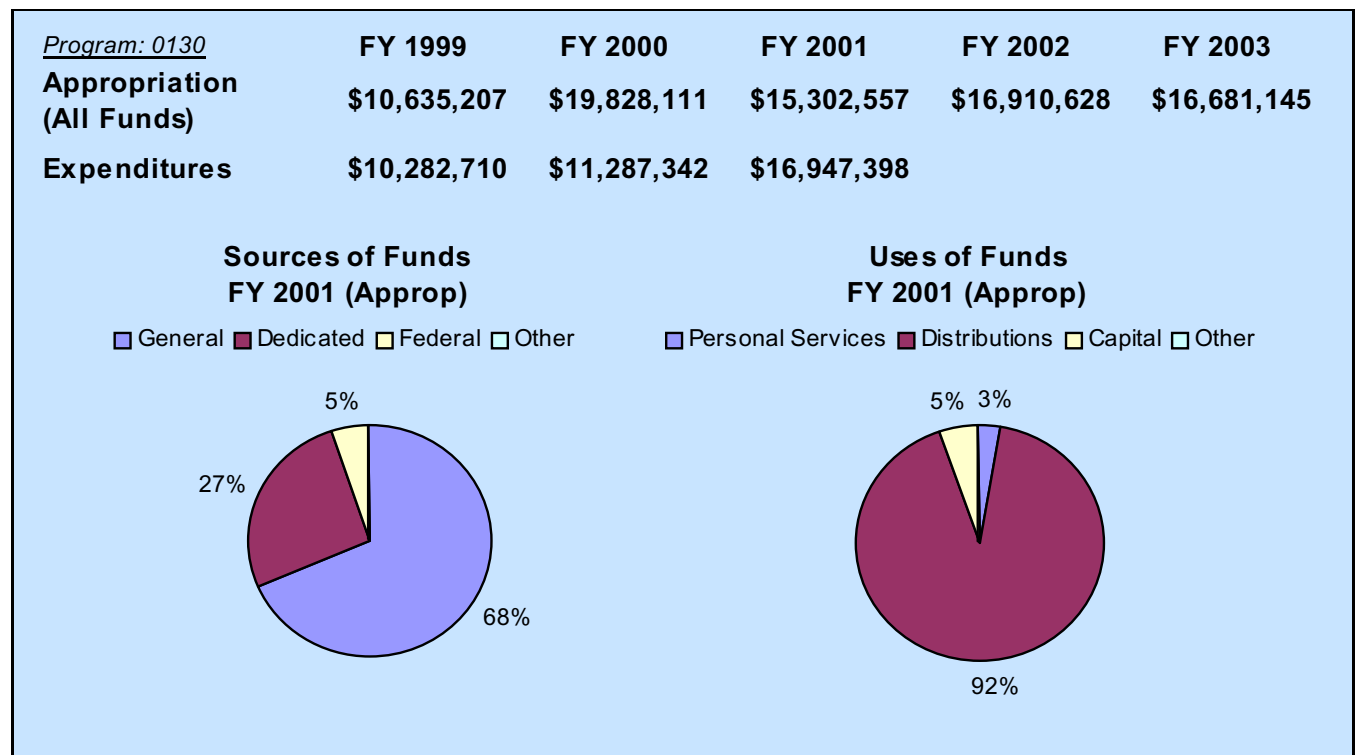
Another accomplishment has been the completion of a collaborative effort to close degree programs that produce few or no graduates. In 1999 CHE staff undertook a degree-production analysis of all degree programs offered by the public institutions. This produced a finding that 453 programs did not meet the threshold for adequate degree production. In December 1999, the Commission accepted a report on actions taken by six of the institutions. Together they have eliminated 135 of the 282 programs that had been identified at these institutions as having few graduates. Subsequently the seventh institution reported eliminating 23 of 171 programs with few graduates.



Plans for the Biennium

IHETS will use the Access Indiana State Network (AISN) to upgrade the distance education delivery system known as Indiana College Network (ICN). The intent is to provide a learner-centered portal, the *Digital Learning Space*, where IHETS member institutions can compete more effectively to improve learning opportunities for Indiana residents. This will include adding more medium capacity (T1) links to AISN and installing redundant equipment and circuits to make the network more reliable. IHETS will also improve and update ICN Web services with the specific intention of improved student service and satisfaction.

The CHE expects to continue the review of programs with few graduates, and to urge the institutions to close programs that show little or no degree production. Indiana's Articulation and Transfer initiative, facilitated by the Commission for Higher Education, is expected to significantly improve transfer and articulation options for students at all of the state's public postsecondary institutions. This is essential for the effective operation of Community College of Indiana, which must assure students of articulation opportunities with four-year programs, but it is pertinent also to course transfer options within multi-campus university systems. Enhancing transfer and articulation options has long been a CHE goal. It was given impetus by a December 1997 study, which found that 18 percent of beginning freshmen from Fall 1990 had transferred to another institution within six years.



Agriculture

Mission

To promote agriculture, rural development, and sustainable communities, while protecting public health through the regulation and inspection of food production and the prevention, control and eradication of animal diseases.

Summary of Activities



Lt. Governor
Joseph E. Kernan
Commissioner of
Agriculture

Indiana has a long and rich tradition as a leader in the field of agriculture. There are over 50,000 farms in Indiana, utilizing over 15 million acres of land, and selling over \$5 billion worth of products. The Lieutenant Governor serves as Indiana's Commissioner of Agriculture. The **Office of the Commissioner of Agriculture (OCA)** promotes agriculture and rural development, administering four grant programs. The Federal State Marketing Improvement Program provides matching funds to states to explore new marketing opportunities. The Livestock Promotion and Development Fund provides grants to help fund livestock and poultry shows, sales, and exhibitions. The Rural Rehabilitation Grant Program provides assistance to farm youth for post-secondary education or training. The Value-Added Grant Program funds research to find innovative uses for agricultural commodities.

The OCA also provides administrative support for a number of agricultural support programs: The Indiana Commission for Agriculture & Rural Development (ICARD) advises the Governor, Lieutenant Governor and Legislature on agricultural issues. The Indiana Rural Development Council (IRDC) supports rural communities. The Indiana Land Resources Council (ILRC) addresses land use issues. The Indiana Grain Buyers & Warehouse Licensing Agency (IGBWLA) regulates grain storage and grain buyers. The Indiana Grain Indemnity Corporation (IGIC) insures producers against financial failures in the grain industry. The Farm Counseling Project provides free legal and financial counseling to financially troubled farmers.

The **Board of Animal Health (BOAH)** is an independent agency responsible for promoting public health and safety through the regulation of animal health. The BOAH licenses livestock dealers, regulates the meat, poultry, and dairy industries, and manages programs for the prevention, suppression, control and eradication of infectious diseases affecting livestock and pets.

External Factors

The effective promotion of agriculture requires rapid response to changes in market conditions. A financial crisis in 1998 and 1999 caused agricultural commodity and livestock market prices to fall below the cost of production over an 18-month period. Pork prices fell to the lowest level in 60 years.

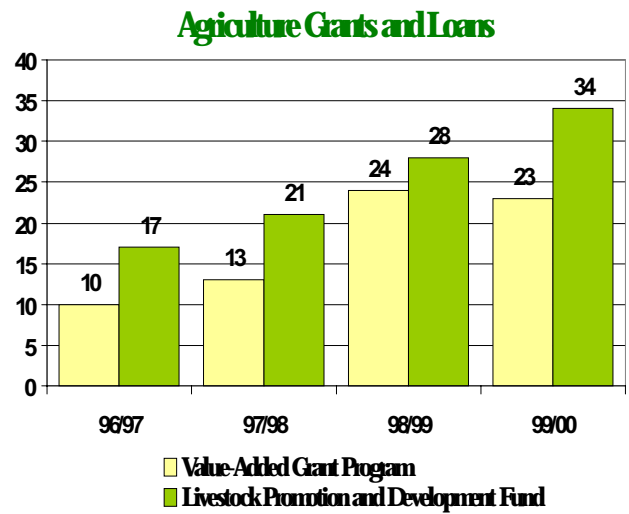
Agriculture production methods are also constantly changing. New, large dairy operations that far exceed the historical average herd size are challenging the BOAH to develop appropriate inspection methodologies. The U.S. Department of Agriculture has reemphasized the requirement for all state-inspected plants to meet or exceed federal inspection standards. Changes in federal legislation or regulation can have significant impacts upon inspection workload, methodology and standards.



Evaluation and Accomplishments

In response to the 1998 financial crisis, the Commissioner of Agriculture convened a 50-member group representing government, producers, agribusiness, universities, banking, and commodity and farm organizations. The group developed a recovery plan of state and federal initiatives to provide farmers with financial assistance and marketing initiatives, including the IDFA Aggie Bonds program and the reinstatement of the Treasurer's Agricultural Loan Program.

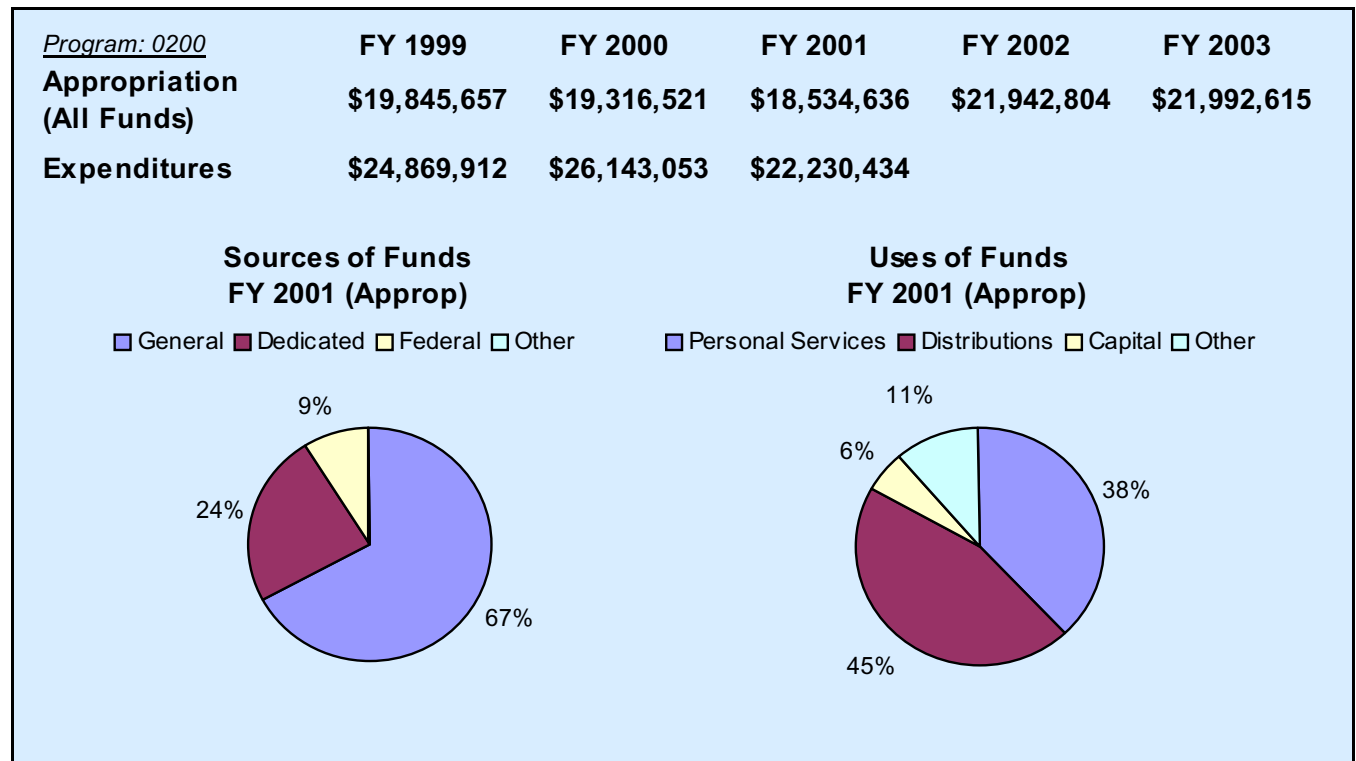
OCA awarded \$220,600 in FY 2000 from the Livestock Promotion and Development Fund, and provided \$436,632 in Value Added Research Grants to find innovative uses for agricultural commodities. A plan was developed for allocating funds from the National Tobacco Settlement to tobacco growers, while the Farm Counseling Project provided assistance to 240 farmers. The BOAH pseudorabies eradication program has been highly successful, reducing the number of quarantined swine herds from 181 in January 1999 to seven in June 2000.



Plans for the Biennium

The OCA will continue efforts to expand Indiana agricultural exports, participate in Indiana's drought preparedness planning, and provide financial assistance to farmers. The OCA will also host the 2001 convention of the Midwest Association of State Departments of Agriculture.

The BOAH plans to strengthen livestock monitoring and surveillance programs, pursue additional specialized training opportunities for veterinarians and field staff, broaden the information available to the public, and continue evaluation of all inspection programs to ensure public health, safety and welfare.



Business Development

Mission

To improve the quality of life for Hoosiers by encouraging the diversification of Indiana's economy, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry, and the promotion of the State of Indiana.

Summary of Activities

The **Office of the Lieutenant Governor** promotes business development through the **Department of Commerce** (DOC) and three quasi-governmental agencies: the Indiana Development Finance Authority (IDFA); the Indiana Small Business Development Corporation (ISBDC); and the Indiana Economic Development Council (IEDC).

The DOC facilitates business attraction, retention, and expansion through its International Trade, Business Development and e-Commerce divisions. The DOC Industrial Development Grant Fund provides assistance to local units of government for the installation and extension of public infrastructure to support new and expanding industries. The DOC promotes the sale of Indiana products overseas through an export assistance program and the maintenance of foreign trade offices in 13 countries on five continents.



IDFA administers the state's Industrial Revenue Bonding program and manages capital access and loan guaranty programs. ISBDC administers programs which provide financial and technical assistance to small and minority businesses statewide. Initiatives include the Government Marketing Assistance Group (GMAG), the Minority Business Development Program, NX Level Entrepreneurial Program, Small Business Development Center (SBDC) network, and the Small Business Incubator Program.

The 21st Century Research and Technology Fund was established in 1999 to support the expansion of the high technology sector of Indiana's economy. The Fund seeks to increase the capacity of universities, businesses, and nonprofit corporations and other organizations to compete successfully for federal or private research and development funding, stimulate the transfer of research and technology into marketable products, assist with diversifying Indiana's economy by focusing investment in biomedical research and biotechnology, information technology, and other high technology industry clusters requiring high-skill, high-wage employees, and encourage an environment of innovation and cooperation among universities and businesses to promote research activity.

External Factors

The principal factors affecting business development are the availability of a skilled workforce, the impact of the "new economy" on Indiana's manufacturing and service sectors, energy availability and cost, regional and interstate competition for companies, and the level of federal funding.

Evaluation and Accomplishments

◆ Indiana ranks 1st in the nation in the share of middle income jobs, 10th in the per-capita number of new corporate facilities and expansions, 11th in the overall business success rate, and 11th in business retention. The state was ranked as the 13th best place to start and grow a business, and 14th for best overall business climate.

◆ Six hundred eighty Indiana businesses received \$41.4 million in workforce training assistance for 31,800 new and 156,300 existing jobs, leveraging \$7.2 billion in private capital investment.

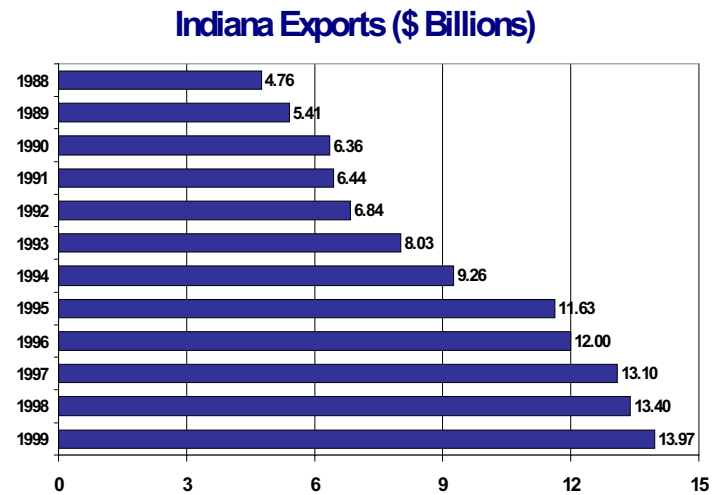
◆ 106 infrastructure grants were awarded to 76 Indiana communities in 56 counties to support projects that produced 12,475 new jobs and leveraged \$3.14 billion in new, private capital investment.

◆ 192 export development grants totaling \$790,000 were awarded to Indiana businesses, benefiting over 20,500 workers and leveraging \$1.32 million in private investment.

◆ \$522 million in industrial revenue bonds were issued to assist 147 Indiana manufacturers in 53 counties, leveraging \$3.62 billion in private capital investment and creating nearly 10,000 new jobs.

◆ IDFA's Capital Access Program leveraged over \$47 million in private funds from 32 participating lenders. The present private-to-public capital access leverage ratio is approximately \$24 to \$1.

◆ In 1999, Indiana businesses exported approximately \$14 billion in goods worldwide, compared to \$4.76 billion in 1988.



Plans for the Biennium

The DOC will expand e-commerce and technology sector initiatives, continue investment in research and technology projects, and continue expanding high-tech, high-wage business. Integration of regional business development resources will be improved, while funding will be set aside from existing assistance programs to promote worker skills enhancement in information technology. Financial assistance programs will be further focused on attraction, retention, and expansion of high-tech and advanced manufacturing businesses that account for major capital investments and provide high-wage jobs.



<i>Program: 0205</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$35,864,338	\$61,056,094	\$61,424,882	\$63,059,857	\$63,443,735
Expenditures	\$34,677,983	\$40,527,106	\$58,852,750		

**Sources of Funds
FY 2001 (Approp)**

Legend: General (Blue), Dedicated (Red), Federal (Yellow), Other (White)

**Uses of Funds
FY 2001 (Approp)**

Legend: Personal Services (Blue), Distributions (Red), Capital (Yellow), Other (White)

Community Development

Mission

To provide technical assistance and funding opportunities to local communities to preserve and improve the quality of life for Indiana's residents.

Summary of Activities

The **Department of Commerce** (DOC) manages a range of programs that help local communities improve economic development and quality of life for Hoosiers. Those programs include the Community Development Action Grant program (CDAG), the Enterprise Zone program, the Neighborhood Assistance Program (NAP) and the Community Promotion/Planning Fund (CPF). CDAG helps expand the administrative and program development capacity of local not-for-profit organizations whose purposes include economic development. The Enterprise Zone program strives to improve the quality of life in distressed urban areas through community development and business development initiatives and incentives. NAP encourages investment in projects that benefit residents in economically distressed urban and rural areas by allowing local not-for-profit organizations to leverage private contributions through the allocation of state income tax credits to program investors. CPF is a grant program designed to encourage long-range community planning by local governments and not-for-profit organizations.



The largest DOC grant program is the Community Focus Fund (CFF), which is funded with federal Community Development Block Grant (CDBG) dollars and provides technical assistance grants of up to \$500,000 to small cities, towns, and counties across the state. Local CFF projects include fire protection, child care, downtown revitalization, wetlands management, historic preservation, environmental assessment, utilities, senior and community centers, and infrastructure. In addition, the DOC administers the Indiana Main Street program, which is focused on the revitalization and prosperity of downtown areas in communities across the state. Main Street staff act as a resource to communities and organizations that are working to improve their downtowns and provides training opportunities, a lending library, an annual conference and technical assistance on various topics and projects.

The **Commission on Community Service and Volunteerism** (CCSV) is the central coordinating office for Indiana's community service and volunteer sectors. It promotes a comprehensive state plan supporting volunteer organizations and local community programs in need of technical assistance or funding.

The Build Indiana Fund also provides direct legislative appropriations to local communities for a variety of infrastructure and community development projects, including roads, sewers, community centers, parks, museums, fairgrounds, libraries, memorials, and fire trucks.

External Factors

State Community Development grants require local communities to provide matching funds from private, not-for-profit or other government sources. To the extent that local governments and not-for-profit organizations are unable to raise matching funds locally, the state's ability to engage in community development partnerships is limited. Technological advancements and environmental concerns continue to challenge local governments, particularly in providing and maintaining adequate water and sewer infrastructure. It is anticipated that these needs will continue to place a great demand on funding as existing systems continue to age.

Evaluation and Accomplishments

In 1999, the DOC assisted 167 communities and organizations through the CDAG, NAP, CPF and Enterprise Zone programs, leveraging many additional dollars for local projects. In addition to individual community assistance, the DOC has provided the public with information about community development programs and initiatives through a series of conferences and workshops. Indiana Main Street held its statewide conference in October 1999, while the Community Development Division presented five regional workshops across the state in Spring 2000. Education and outreach activities are critical to the success of community development programs in improving communities across the state. These efforts educate local government officials, increase awareness of assistance programs, and lead to projects that enhance the quality of life in Indiana's communities. In addition, 430 Americorps students and more than 4,300 volunteers developed and implemented programs throughout the state that provided tutoring for at-risk students, drug and alcohol abuse prevention, and home restoration for seniors.

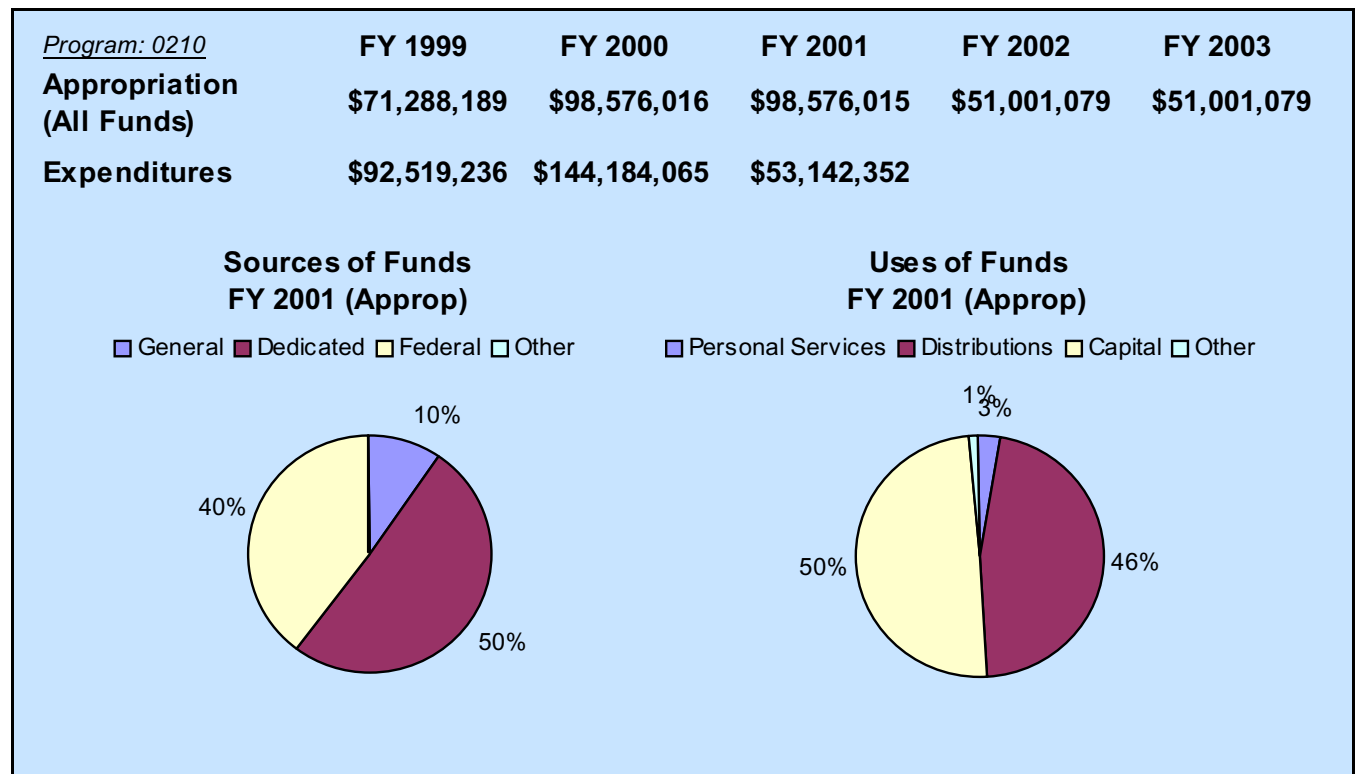
"The state's community development programs assist projects that will make Hoosier communities even better places to live. These programs help make Indiana stronger, healthier and better prepared for the future."

- Lieutenant Governor
Joseph E. Kernan

Plans for the Biennium

The DOC will continue its efforts to promote livable communities and improve the quality of life for Indiana residents by providing financial assistance to eligible communities through the CDBG Program. CDBG monies can be used for local planning activities and for the direct costs of environmental infrastructure (waste and sewer) improvements, housing assistance to low- and moderate-income families, special purpose facilities such as daycare centers, job training assistance to upgrade the skills of low- and moderate-income workers, and brownfield remediation activities.

The Department will also assist in providing local services to needy citizens through the department's Neighborhood Assistance Program. In addition, with continued funding by the General Assembly, the department's Individual Development Account program will further assist low-income Hoosiers by helping them establish saving accounts for home purchases, educational and training expenses, and the start-up or purchase of their own business.



Tourism Promotion

Mission

To promote the state's history, heritage, and culture through the development and marketing of quality travel experiences in Indiana.

Summary of Activities

The **Department of Commerce** (DOC) promotes Indiana as a travel destination to residents and out-of-state travelers and provides development programs for Indiana's tourism professionals.

The DOC marketing strategy includes multimedia advertising campaigns, the www.enjoyindiana.com web site, publication and distribution of more than 6 million travel guidebooks, inbound telemarketing and trained travel counselors, public relations activities, sales to the domestic and international trade, eight staffed Welcome Centers, and regional marketing cooperatives.

Tourism professionals benefit from the Tourism Information and Promotion Fund, the www.indianatourism.com web site, marketing cooperatives, trade research, literature distribution through the state's Welcome Centers, tourism development programs, attraction signage support, technical assistance, and educational workshops.

External Factors

Research shows that Indiana is not perceived as a destination state – an image challenge that will require a concerted effort to overcome.

Consumer needs and expectations are changing rapidly with demographic shifts in the population and technological innovation. People are taking more frequent, shorter trips, and are looking for travel experiences that offer collective activities and family togetherness. The accessibility and affordability of long-haul travel means that destinations that could once rely on proven geographic markets for business must now compete with destinations half a world away. Indiana is no longer competing with only Ohio, Michigan, Kentucky and Illinois, it is competing with Florida, Australia and France.

Evaluation and Accomplishments

The DOC employs independent research studies to measure the economic impact of visitor spending, travel volume and market share. It also tracks numbers of consumer inquiries and the percentage of advertising respondents who convert into actual travelers. The DOC has determined that Indiana's 53 million visitors spend \$5.9 billion in Indiana every year, and the travel and tourism industry provides 120,000 FTE (Full Time Equivalent) jobs for Hoosiers.

According to the 1998 D.K. Shifflet Domestic Travel Report, Indiana's share of all U.S. travel is 1.8 percent, and ranks 22nd among all states. When compared to our competitive set of six states (Michigan, Ohio, Wisconsin, Illinois, Indiana and Kentucky), Indiana ranks fifth in market share, with Kentucky ranking last. Looking at specific trip types among the same competitive set, Indiana enjoys an above-average share of travel for special and sporting events, gaming, and festivals. Our opportunities for growth are the outdoor recreational visitor, cultural visitor and getaway weekend visitor.



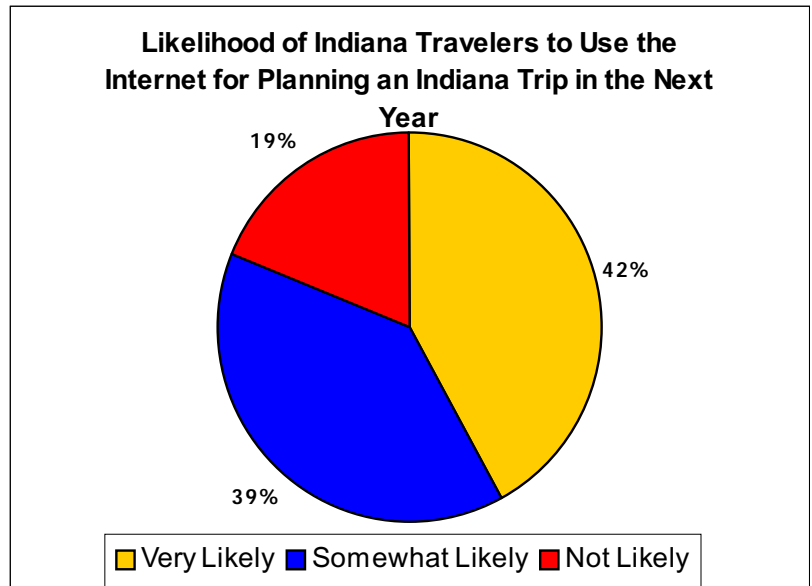
The first State Capitol, in Corydon, Indiana

The percentage of advertising respondents who become travelers to Indiana has increased from 31.5 percent with a net economic impact of \$36.5 million in 1994 to 55 percent with an economic impact of \$112 million in 1999.

Local and private-sector investment in Indiana's tourism programs is crucial for success. In the past five years, the DOC has seen private-sector investment in its programs grow from approximately \$500,000 to nearly \$3 million in calendar year 2000.

The DOC has created several model public/private marketing partnerships over the past few years. The state covers 20 percent of the overall marketing program expense, while local and private organizations invest 80 percent.

For example, the current magazine advertising cooperative, a \$750,000 program, reaches more than 30 million households annually. This produces tens of thousands of sales leads for local tourism organizations and results in a 41 percent overnight conversion rate and a \$23-to-\$1 return on investment.



Plans for the Biennium

The future of tourism marketing lies in information marketing and management. The goal of the DOC for the coming biennium is to become the most sophisticated and complete source of information for traveling consumers and tourism industry professionals. The DOC has worked to create a single-source product database that is the basis for all marketing communications. The goal is to increase the number of industry participants by 50 percent, creating a more comprehensive set of information for consumers. In addition, the plan calls for integrating this system beyond the current web site into call-center, customer relations management and wireless communications applications.

<i>Program: 0215</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$6,302,635	\$5,883,160	\$5,883,160	\$6,018,396	\$6,018,396
Expenditures	\$6,123,972	\$5,809,979	\$6,149,784		

**Sources of Funds
FY 2001 (Approp)**

100%

**Uses of Funds
FY 2001 (Approp)**

76%

21%

Worker Education and Training

Mission

To provide Hoosiers the lifelong learning and training resources they need to improve their skills, employment, quality of life, and standard of living, while providing employers with the highly skilled workforce they need to compete in the modern economy.

Summary of Activities

Worker education and training programs benefit people who are either unemployed or looking for a better job, as well as workers seeking education, training or career information. Employers who need workers, labor market information, or job training funds also benefit.

The **Department of Commerce** (DOC) Training 2000 program has provided funds for new and existing businesses to train and retrain Hoosier workers in basic, transferable, and company-specific skills. Over the past 10 years, over 80 percent of these training funds have been invested in the expansion of existing Indiana companies and retraining existing workers in new technologies.

The **Department of Workforce Development** (DWD) helps both workers and employers. By registering with the Customer Self Service System (CS3), either on the Internet or through a network of local workforce centers, job seekers have access to job listings, education, training, skills assessment, and career planning and counseling. Employers have access to the same network of information, helping them attract and recruit qualified job seekers, access training resources, connect with local schools, and meet affirmative action goals. Small businesses are eligible to receive grants for customized, on-site, job-specific training services for their employees.

DWD personnel are trained to provide readjustment programs to workers who are dislocated by sudden downsizing and plant closings, providing specifically-designed job training and career counseling services. On average, 12,000 to 14,000 workers per year are affected by major dislocation events across the state. DWD also researches and publishes extensive labor market information, identifying a variety of employment trends and statistics.

The IMPACT program administered by the **Family and Social Services Administration** (FSSA) is a welfare-to-work initiative that helps recipients of food stamps and income assistance achieve economic self-sufficiency through education, training, job search, and job training services. IMPACT is designed to address a broad range of barriers to employment, utilizing case managers to develop individualized employment plans, and providing supportive services such as transportation and child care.

External Factors

◆ The local worker training and education system is almost entirely federally funded, and federal resources have recently declined. Reduced resources threaten the ability to maintain services and improve technology to make those services more accessible. The majority of federal funding is contained in categorical programs that can only be used for people who meet narrow eligibility requirements. Some individuals may be served by more than one program. This makes it more difficult to focus resources on local needs.

◆ Each federal program has a unique set of data collection and performance standards and measures, making comprehensive measures difficult to achieve.



- ◆ Welfare rolls have declined dramatically over the last five years. However, those persons remaining on welfare often have the most significant challenges and barriers to gainful employment, requiring a more intensive package of services to achieve lasting self-sufficiency.
- ◆ The record low unemployment rate and resulting worker shortage will be keenly felt by businesses, as a large percentage of workers will reach retirement age in the next 5-10 years.
- ◆ The labor shortage requires employers to focus on upgrading and retaining their current workforce, but relatively little funding is currently available for incumbent worker training.
- ◆ Indiana's immigrant population is growing rapidly, creating a growing need for training in workplace diversity for employers and workers. Many new immigrants would also benefit from education and training ranging from basic English proficiency to the advanced skills needed to obtain high skill, high wage jobs.

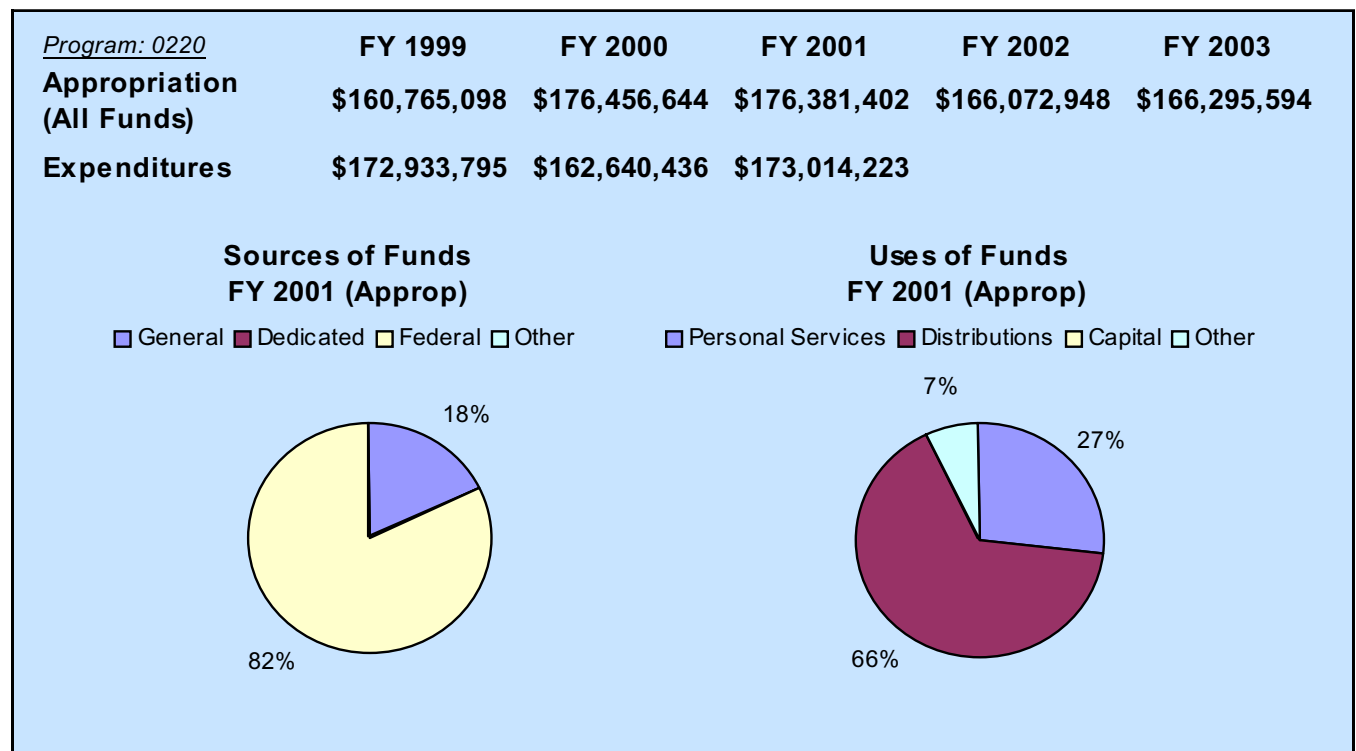
Evaluation and Accomplishments



- ◆ Approximately 56,000 individuals who were registered in CS3 last year secured new or better employment.
- ◆ The number of job placements through IMPACT increased from 3,982 in 1993 to 27,349 in 1997.
- ◆ The *Advance Indiana* initiative makes funding available from four sources (3 state, 1 federal) to businesses to match their investments in training their incumbent workforce. DWD is currently conducting "Return on Investment" analyses to determine the value of this investment.

Plans for the Biennium

The O'Bannon-Kernan Administration will create the "Skills 2016" workforce development program, a joint partnership between the DOC and the DWD. This initiative will reallocate existing state and federal workforce training dollars as well as include new legislation that results in additional training dollars for DWD's portion of the Skills 2016 training fund. Three programs will make up Skills 2016. The Skills 2016 Grant Fund, administered by the DOC, will focus training investments primarily in high-skill, high growth occupations. The Skills 2016 Tech Fund, also managed by the DOC, will provide training for employees in the information technology sector. The Skills 2016 Advance Indiana Fund, administered by DWD, will place an emphasis on training that results in skill credentials and productivity enhancements.



Unemployment Insurance

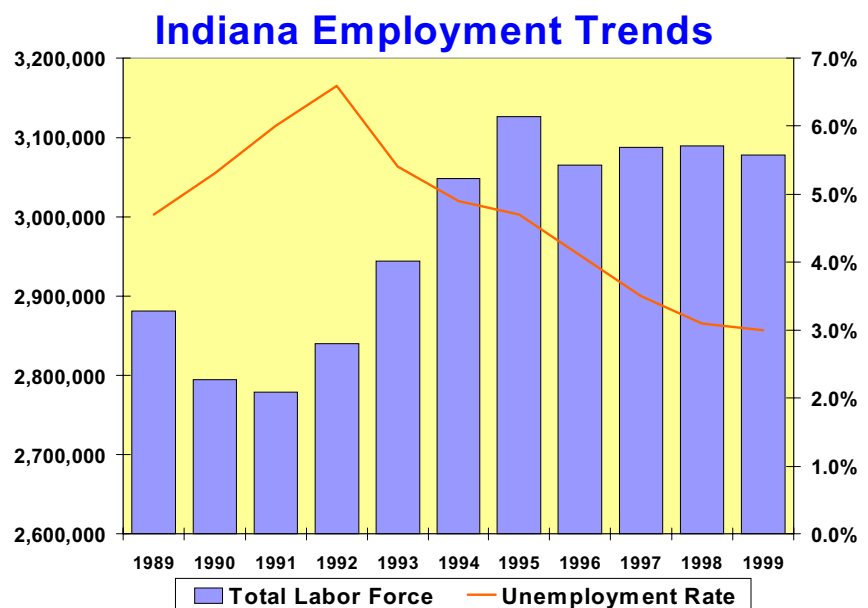
Mission

To provide income maintenance to individuals unemployed through no fault of their own, helping them bridge the gap between becoming unemployed and returning to work.

Summary of Activities

Unemployment insurance programs are administered by the **Department of Workforce Development (DWD)** and overseen by the Unemployment Insurance (UI) Board. The Board is also responsible for presenting an annual report to the Governor regarding the program and the status of three Unemployment Insurance Funds: the Unemployment Insurance Trust Fund, the Employment and Training Services Administration Fund, and the Special Employment and Training Services Fund.

The amount of UI benefits an individual is eligible to receive is determined by the amount of wages earned during their “base period”, which is comprised of the first four of the last five previous calendar quarters. A minimum of \$2,750 must have been earned during the base period to qualify for benefits. The benefit amount is calculated by multiplying the highest wages earned in any one of the four quarters in the base period by two separate but specific percentages. No more than \$6,700 of wages may be counted per quarter. A worker may receive benefits for a maximum of 26 weeks, but the benefits may be received during a 52-week period if the worker finds employment but is then laid off again.



The UI system is financed by the State Unemployment Tax (SUTA), which is collected from Indiana employers. The SUTA tax rate is determined by a statutory schedule, and varies depending on the balance of the UI Trust Fund, the balance of the employer's account, and the amount of unemployment charges to the employer. The DWD collects all SUTA taxes from employers and distributes all UI benefits to workers.

The Special Employment and Training Services Fund is derived from penalties and interest collected on employers' delinquent Indiana unemployment insurance taxes. The UI Board may use this fund for administrative costs and unemployment prevention programs.

External Factors

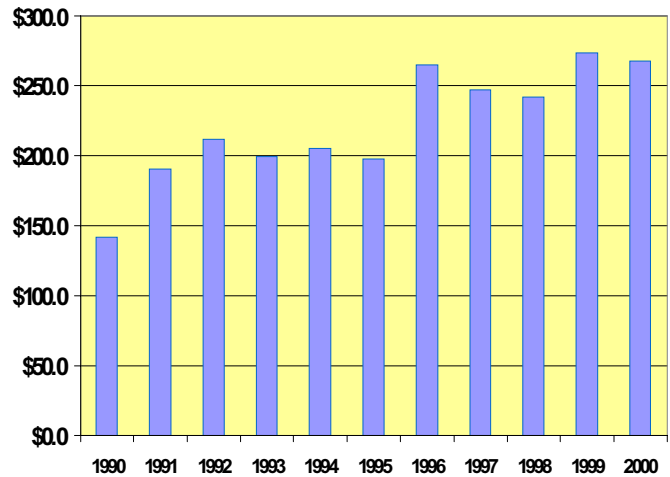
Unemployment insurance expenditures are highly dependant on changes in economic conditions and the overall health of the national economy. Because Indiana's unemployment rate is at a historically low level, the Unemployment Insurance Trust Fund balance is substantial. As a result, increased worker benefits and reduced employer tax rates have been put in effect for Calendar Year 2000 and 2001.

Despite the high balances, delinquent unemployment insurance taxes remain a serious concern. Delinquent liabilities totaling \$5,570,388 were canceled in 1999. The Board works very closely with the DWD to identify and collect delinquent unemployment insurance taxes, and to prosecute fraudulent UI claims.

Evaluation and Accomplishments

- ◆ A new reimbursable account collection process was placed into production in February, 1999. This system has been quite successful in reducing outstanding balances.
- ◆ A new remittance and document tracking system was implemented to improve customer service to employers. This system provides an audit trail of completed and in-process employer account activities.
- ◆ The UI Board approved funding for the Advance Indiana incumbent worker training initiative and high-tech training funds, in cooperation with the Department of Commerce.
- ◆ The Department of Workforce Development has met or exceeded the Desired Levels of Achievement established by the U.S. Department of Labor.

Unemployment Insurance Benefits Paid
(Billions)



Plans for the Biennium

The DWD will implement the increases in unemployment insurance benefits and unemployment insurance tax cuts mandated by a law passed during the 2000 session of the Indiana General Assembly. The DWD will increase the number of employers utilizing telephone reporting to submit quarterly unemployment tax reports and tax payments, and continue to meet or exceed U.S. Department of Labor Desired Achievement Levels. The agency will also test and implement new software to assist in locating delinquent employers, allowing more timely and efficient collection of delinquent liabilities, as well as increasing the amount collected.

<i>Program: 0225</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$380,000,000	\$290,000,000	\$290,000,000	\$278,900,000	\$278,900,000
Expenditures	\$292,184,832	\$270,291,536	\$278,700,000		

<p>Sources of Funds FY 2001 (Approp)</p> <p> <input type="checkbox"/> General <input type="checkbox"/> Dedicated <input type="checkbox"/> Federal <input type="checkbox"/> Other </p> <p style="text-align: center;">100%</p>	<p>Uses of Funds FY 2001 (Approp)</p> <p> <input type="checkbox"/> Personal Services <input type="checkbox"/> Distributions <input type="checkbox"/> Capital <input type="checkbox"/> Other </p> <p style="text-align: center;">100%</p>
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Medical Assistance

Mission

To provide cost-effective health care services for low-income Hoosiers, and to promote and protect public health.

Summary of Activities

Medical assistance programs provide access to health care for underinsured and uninsured individuals. Those services include physician services, drug assistance, durable medical goods, and public education and outreach. The **Family and Social Services Administration (FSSA)** oversees the Medicaid program, which provides health insurance to low-income persons. The Hoosier Healthwise program, a component of Medicaid, provides free and low-cost comprehensive health care services to children, pregnant women, and low-income adults. The coverage includes primary, preventive, and specialty medical care. In June 1999, 376,000 people received healthcare coverage through Hoosier Healthwise, of which 315,000 (84%) were children. Medicaid also provides a wide range of health care services to non-institutionalized aged, blind, and disabled persons. The programs include home health services, prescription drugs, hospital stays, and other important health care benefits. In FY 1999, Medicaid spent \$1.6 billion on non-institutional health care services, which were provided to 551,507 Medicaid and Hoosier Healthwise members.



FSSA collaborates with the **Indiana State Department of Health (ISDH)** to administer the First Steps program, which provides services to infants and toddlers under age three who have medical conditions resulting in or caused by developmental delays. In FY 1999, First Steps served 9,943 children. The ISDH is also responsible for providing training and information to health professionals in control of communicable diseases, sexually transmitted diseases and HIV prevention, tuberculosis control and intravenous drug user counseling programs. The Children's Special Health Care Services (CSHCS) program provides primary care, treatment, rehabilitation, and care coordination services to children who are financially and medically in need of care as a result of a chronic illness or disability. The ISDH also coordinates the Breast and Cervical Cancer program to promote the early detection of cancer. This program brings critical services to underserved women, particularly low income, racial/ethnic minorities, and older women.



External Factors

A strong economy and Indiana's successful welfare reform efforts resulted in declining Medicaid enrollments in the mid-to-late 1990's. Passage of Children's Health Insurance Program (CHIP) legislation and intensive outreach efforts have resulted in a reversal of this trend, creating budgetary pressures. Prescription drug expenditures also continue to rise 15% to 18% per person annually. In addition, people with serious illnesses such as HIV/AIDS are living longer and enrollments in various health care programs are increasing.

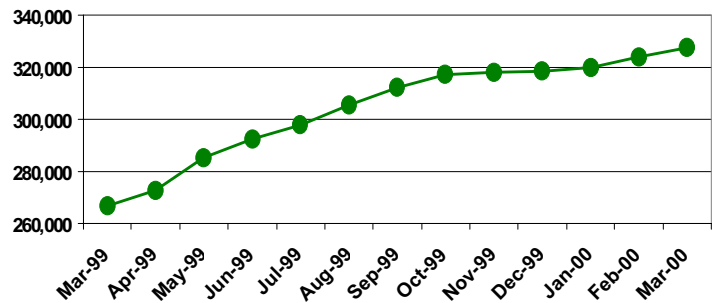
Evaluation and Accomplishments

Over the last four years, over 150,000 low-income children without health insurance were enrolled in the CHIP and Medicaid programs. FSSA and ISDH have joined forces to coordinate and maximize outreach resources, and promote high quality health care and services for the children and families of Indiana. FSSA has implemented sweeping changes that have simplified enrollment and improved outreach for the Hoosier Healthwise program, including a simplified Medicaid application, the establishment of over 400 enrollment centers, and the publication of various marketing materials promoting Hoosier Healthwise for children. Hoosier Healthwise customer satisfaction surveys continue to show a high satisfaction rate. In the 2000 survey, 84% of those surveyed rated the program as "good" or "very good."

Both the HIV claims system and the CSHCS system have been redesigned to allow analysis of client services. This system was created to evaluate effectiveness of provided services and to identify other opportunities to enhance client information.

Passage of the 1998 and 1999 CHIP legislation expanded Hoosier Healthwise eligibility to uninsured children in households with incomes up to 200% of the federal poverty level. The state also launched an aggressive outreach campaign in the late 1990s. Thanks to CHIP, more than 34,000 uninsured children have enrolled in Hoosier Healthwise, and it is expected that up to 16,000 additional uninsured children will enroll by December 2000. Also, more than 85,000 previously eligible but unenrolled children are now receiving healthcare through Hoosier Healthwise.

Hoosier Healthwise Child Enrollees



Plans for the Biennium

New legislation approved during the 2000 session of the Indiana General Assembly will help FSSA and ISDH to improve and enhance medical assistance services in the 2001-2002 biennium. Effective January 1, 2001, individuals with disabilities who have severe medical conditions that are expected to last for four years or more and prohibit the individuals from working will be eligible for Medicaid insurance. The previous law provided benefits only to people whose disabling conditions were expected to last a lifetime. Other legislation has committed \$112.5 million from the national tobacco settlement for health-related purposes, such as smoking prevention programs and enhanced healthcare services to medically underserved rural and inner-city areas. FSSA and ISDH will continue to work together to increase pediatric and dental provider access for Hoosier Healthwise enrollees, and to improve vaccination and lead screening rates for children. Further, all medical assistance programs will be evaluated to assure that primary health care access is available to uninsured and underinsured people, to build healthier communities.

Special Initiatives

In response to the rising cost of prescription drugs and the burden of those costs on low-income senior citizens, the General Assembly passed Senate Enrolled Act 108 at Governor O'Bannon's request, authorizing \$20 million annually from tobacco settlement funds to support a prescription drug program for low-income seniors. The state's new Hoosier Rx program was created and is already providing relief to seniors in need.

<i>Program: 0300</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$1,783,926,793	\$2,170,735,484	\$2,320,937,228	\$2,675,210,090	\$2,958,158,485
Expenditures	\$1,912,331,227	\$2,202,828,480	\$2,358,660,928		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

Income Assistance

Mission

To provide temporary financial assistance to low-income families with dependent children in concert with appropriate social services to encourage and support the child's parent or caretaker to achieve greater financial independence through employment and child support collections.

Summary of Activities

The principal form of direct income assistance provided in Indiana is the federal / state Temporary Assistance for Needy Families (TANF) program, administered by the **Family and Social Services Administration (FSSA)**, Division of Family and Children (DFC). TANF assistance is available for the support of a dependent child under the age of 18 who lives with a parent or relative. Eligibility requirements include income and asset limitations, pursuit of employment by the parent, immunization of minor children, the children's attendance at school, a prohibition of controlled substance use by the parent, and the parent's maintenance of a safe and secure home environment for their children. Parents who are able-bodied are limited to receiving assistance for a period of 24 months. The parents and/or caretakers of the families receiving assistance are also provided case management, employment and training support services, and child support enforcement. For a family of three to be eligible for TANF, they must have a monthly income that is less than \$592. Eligibility is also restricted to families with total assets of less than \$1,000. The maximum monthly benefit for which a family of three is eligible is \$288. In 1999, TANF assistance was provided to an average of 36,741 families per month.

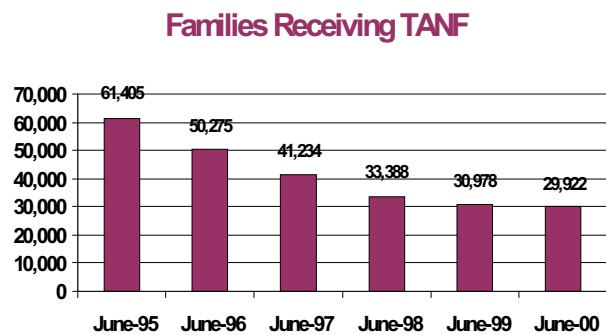
Custodial parents receive assistance in ensuring appropriate establishment and enforcement of child support payment through the Child Support program. The program also provides non-custodial parents with a fair and accurate accounting of their child support obligations. Child support services are generally accessed through the local County Prosecutor's Office.

Income assistance is also provided to low-income Hoosiers through the Individual Development Account (IDA) program, administered by the **Department of Commerce**. The IDA program provides low-income Hoosiers with the opportunity to invest money in a savings account. For every \$1 invested by a qualifying individual at a participating financial institution, a state match of \$3 is provided – up to a maximum of \$900 per year. The funds accrued in the account may be used for one of four purposes: attending an institution of higher education, pursuing accredited training, buying a home, or starting or buying a business. In FY 2000, matching funds were paid to 976 individuals, for a total of approximately \$685,000.

External Factors

The factors that currently influence the number of families served by income assistance programs include the success of the economy and the prevalence of social problems. Due to a successful economy, Indiana has been able to help the parents and/or caretakers of low-income children to acquire employment and leave the assistance rolls. Indiana has experienced a caseload decline of 44% from 1995, when the State first implemented its welfare reforms, to 1999. Although changes in eligibility policy contributed significantly to this decline, the decline would not have been as pronounced without the support of a strong economy.

The DFC is beginning to see a decrease in the number of income assistance recipients who are able to acquire and keep jobs. DFC caseworkers are continuously discussing the challenges in providing effective services to those families remaining on assistance. Substance abuse, chemical addiction, and domestic violence are reported as common problems among those parents remaining on assistance. Additional concerns are expressed regarding the low education and skill levels of the parents in addition to health, behavioral, and educational issues affecting the children in these families.



Evaluation and Accomplishments

The DFC evaluates the progress of its income assistance programs through a third-party evaluator, Abt Associates. To date, the agency has learned that the welfare reform eligibility requirements described above have been successful in reducing families' dependence on assistance. However, the income of these families is only enough to replace the assistance payments they had received previously. Consequently, many families remain financially vulnerable and are returning to assistance with the first financial crisis they face. Based upon this information, the DFC has made program improvements to better serve those receiving assistance. Key changes are anticipated to increase the financial stability of eligible families and enhance job retention.

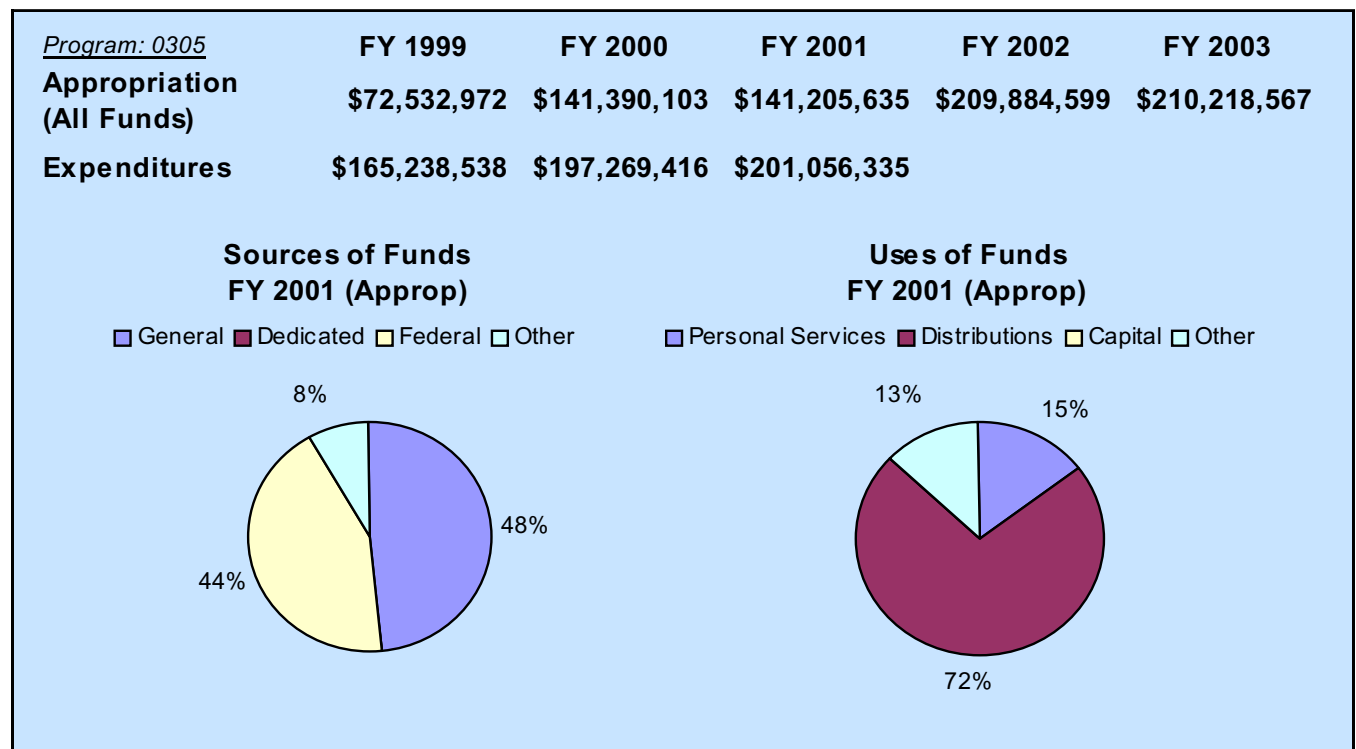
The DFC has responded to the changes in the needs of those remaining on assistance by offering services that address the special needs of families in a customized and comprehensive manner. The DFC's response is demonstrated through initiatives such as expansion of programs and program services, implementation of performance-based contracts for employment & training service providers, implementation of competency-based training program for staff, policy changes that encourage and support participation in employment, and a 325% increase in child support collections distributed since 1989.

Plans for the Biennium

Over the next biennium, the DFC plans to continue to enhance service delivery to low income families by improving the quality of income assistance services available to families through customer service training, surveys administered to participants, and strategies based on survey outcome. The type and scope of services available to families who continue to receive benefits under the cash assistance program will be expanded, with special attention to the development of services to the families who have been victimized by domestic violence.



The FaithWorks Indiana program will encourage faith-based institutions to help Indiana's working poor achieve a better life for themselves and their families. The Indiana Father and Families program will support community-based efforts to provide emotional and financial support to fathers and their children.



Food Assistance

Mission

To eliminate hunger and malnutrition for low-income children and families in Indiana.

Summary of Activities

The Emergency Food Assistance Program (TEFAP), administered by the **Family and Social Services Administration** (FSSA), is operated contractually with 17 emergency feeding organizations, which in turn contract with approximately 508 food pantries, 154 soup kitchens and 57 separate outlets that provide food to low-income individuals. The soup kitchens and food pantries serve 284,576 meals and 81,500 households each month. Indiana receives food commodities through the U.S. Department of Agriculture (USDA). USDA products include fruits, juices, cereals, grains, meat, and vegetables. TEFAP pantries provide this food, as well as paper products, cleaning supplies, health products, diapers, baby food, and other items for household use. There is at least one food pantry in every Indiana county. Volunteers maintain and operate the pantries, which are open to households with an annual income at or below 125% of the federal poverty level.



FSSA Division of Family and Children (DFC) offices in each county administer the Food Stamp program, which is designed to raise the nutritional level of low-income households by supplementing their available food purchasing dollars with coupons that may be used to purchase food. During the past two years, Indiana's food stamp participation has stabilized at approximately 125,000 families, who receive an average monthly benefit of \$170 or \$72 per person. In addition to these benefits, job training and nutrition education programs are available to food stamp recipients. Some food stamp clients also receive supportive services such as transportation and child care.

The **Indiana State Department of Health** (ISDH) administers the federal Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), a short-term intervention program designed to influence lifetime nutrition and health behaviors in a targeted, high-risk population. WIC provides quality nutrition education, breastfeeding education and support, monthly supplemental nutritious foods, and health care and other social service referrals. WIC targets women (pregnant, breastfeeding, or postpartum), infants, and children under the age of six who are at nutritional risk and have incomes at or below 185% of the federal poverty level. The ISDH contracts with 175 clinics to serve 125,000 participants per month.

The **Department of Education** administers the USDA School Lunch program, which subsidizes the cost of providing free and reduced-price breakfast and lunch to lower-income children. Every public school corporation and over 240 private schools and residential institutions participate in the program. During the school year, approximately 580,000 lunches and 105,000 breakfasts are served under this program every day. In addition, the federal Child Adult Care Food program provides meals to 35,000 lower-income children in child care and after-school programs, through 800 child care centers and over 2,200 home child care providers.

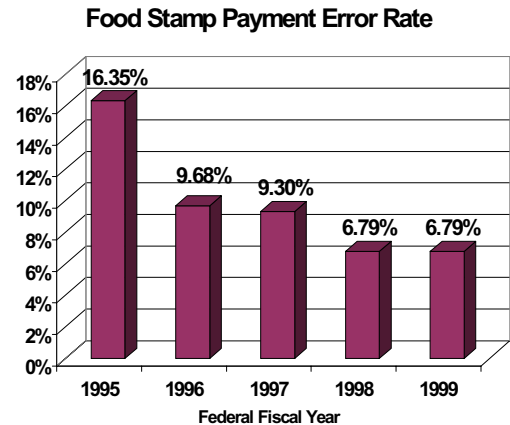
External Factors

TEFAP is primarily dependent on the volunteer force to dispense food items. It is estimated that 10,000 volunteers are needed for TEFAP to function effectively. The food stamp program is subject to ongoing policy and rule revisions by the USDA, which often result in additional state costs for hiring and training staff, software development, and the printing of forms and notices. Because food stamps are an entitlement under federal law, the DFC must process and provide benefits to all eligible families according to federal guidelines.

Evaluation and Accomplishments

Indiana has experienced significant growth in TEFAP, which has gone from a statewide one-day distribution with cheese as the only product to pantries with extensive product choices available to clients. Educators working with food nutrition programs based in county extension offices throughout the state provide cooking demonstrations and one-on-one education in cooking, food safety, and housekeeping skills.

Recently, the food stamp participation rate has dropped faster than the poverty rate, leading to the conclusion that many eligible food stamp recipients are not utilizing the program. To address this problem, the DFC held public meetings to identify barriers to participation and designed a food stamp education plan for low-income families and senior citizens. As a result of this and other initiatives, an increase of 3% to 5% in the number of eligible families is expected in the 2001-2002 biennium.



In a few short years, the food stamp program in Indiana has increased payment accuracy from less than 85% to nearly 94%. Increased training and attention to program improvements has led to national recognition of the DFC as a leader in food stamp administration. The goal for 2001 is an error rate of less than 5%.

Plans for the Biennium

The state will continue to enhance the cooperation among food banks, Community Action Agencies, faith based organizations, and other local service providers in the delivery of USDA food products and non-USDA food and non-food items. The initiative to increase participation among eligible families will also continue.

With the increased need for food and non-food items in the outlets, the state will continue to expand and make changes that will augment the program, including the elimination of very small outlets across Indiana, which will allow remaining emergency food organizations to provide more extensive and comprehensive services to their clients.

<i>Program: 0310</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$255,227,221	\$285,630,362	\$283,905,412	\$311,941,190	\$313,027,164
Expenditures	\$281,403,449	\$288,041,222	\$296,089,994		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

86% 12% 2%

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

77% 12% 11%

Shelter Assistance

Mission

To assist families striving for self-sufficiency and adequate shelter by maintaining a network of housing-related programs that includes emergency shelters, transitional housing facilities, rental housing, home ownership, and heating/cooling assistance.

Summary of Activities

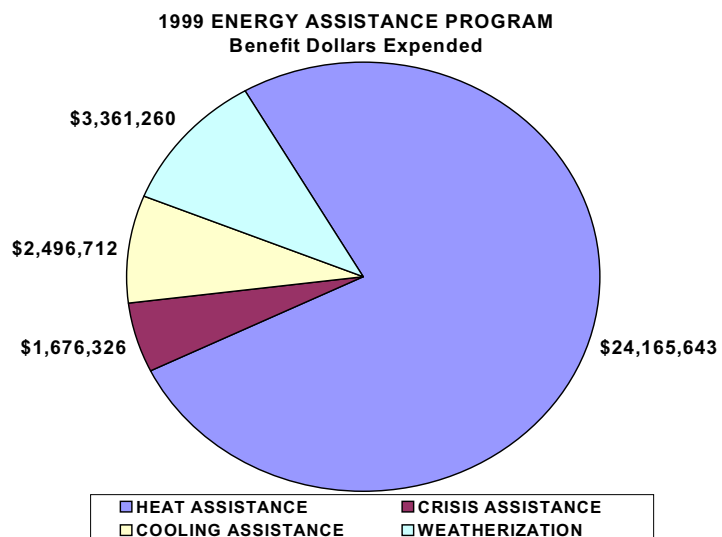
The **Family and Social Services Administration (FSSA)** provides various shelter assistance programs to families and individuals. Housing assistance is available on several levels to assist families who are in a housing crisis, to prevent a crisis from developing, and to transition families into stable living circumstances.

On a crisis level, the Emergency Shelter Grant (ESG) program provides services to families and individuals who do not have a fixed, regular, safe place to live, or who are in immediate danger of becoming homeless. Grants to homeless shelters support the maintenance and operation of facilities to provide basic shelter, as well as services pertaining to employment, health, education, permanent housing, childcare, and job training. ESG funds also serve to prevent homelessness with such assistance as security deposits, first month's rent, utility arrearages, and mediation programs for landlord-tenant disputes.

In some instances, a family may not be in crisis but may be in need of help with shelter expenses in order to prevent falling into a crisis situation. The Section 8 rental assistance program helps very low income families and individuals maintain a safe and stable residence by paying a portion of the household rental expenses each month.

As a component of Section 8 services, the Family Self-Sufficiency program utilizes public and private sector services and resources to help residents of subsidized housing achieve economic independence. By stabilizing housing and offering case management, this program permits families to invest their energy into other efforts, including education and job training necessary to achieve self-sufficiency. Participants in the program are provided with an opportunity to save for the future through an interest-bearing escrow account. After a family successfully completes the program, they can withdraw the balance to be used in any manner.

To further stabilize shelter costs, the Energy Assistance Program provides assistance to low-income households to maintain utility service and promote energy conservation. Households can apply for assistance with home heating or cooling expenses or for services to increase home energy efficiency. Maintenance of utility services leads to a more stable living environment, reduced energy costs, and the prevention of health problems related to loss of utility services.



External Factors

Shelter assistance programs are impacted by changing market rates for housing. The federal Housing and Urban Development agency conducts an annual Fair Market Rent analysis to determine nationwide market rental rates. When appropriate, FSSA adjusts its rental rates to accommodate this analysis. The energy assistance programs are also impacted by fluctuations in energy prices and extreme weather conditions. For example, in 1999 the federal government made approximately \$7.1 million in additional funding available to Indiana to address cooling needs during the extremely hot summer. In 2000, a total of \$14.9 million in additional funding was released to Indiana by the federal government to help low income families faced with the dual difficulties of a particularly cold winter and high natural gas prices.

There are inherent difficulties in obtaining a true picture of the homeless population in Indiana. Many of the families and individuals that could benefit from these programs seek housing assistance from family and friends. They are unaware that agencies, facilities, and supportive services are available to assist them in becoming self-sufficient. Most agencies that provide comprehensive services are located in urban areas leaving those families in rural counties few options when seeking assistance.

Evaluation and Accomplishments

FSSA has responded to the needs of those needing assistance by promoting the development of shelter and supportive services, especially in rural areas. The number of emergency shelters in the state has increased by 15. Nearly 100,000 households are assisted each year with utility assistance. Thousands of victims of domestic violence have been helped by emergency shelter services, and hundreds of families have been helped to overcome shelter problems to become self-sufficient.



FSSA has also collaborated with other agencies, blending funding to enhance programs. During fiscal year 2000, the number of beds available in shelters was increased by 381, and 42,352 people were served at an average cost of \$38.73 per person. An initial data analysis indicates that there are more beds available around the state and more dollars were spent per individual than in past program years.

Plans for the Biennium

The Division of Family and Children will work to further enhance the Family Development Program, which identifies eleven family lifestyle areas and aids Family Development Specialists (FDS) in measuring a family's progress toward self sufficiency in those areas. Forty-four families have been enrolled in the FDS program as of July 1, 2000, with a goal of serving 315 families by September 30, 2001. Eight Community Action Agencies are participating in this program serving 35 counties currently, with a goal of expanding the FDS program to all counties statewide. Blending funds from existing programs, including the Community Services Block Grant, will provide housing stability to families while also assisting them in reaching independence and self sufficiency.

<i>Program: 0315</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$50,931,314	\$63,649,647	\$63,574,405	\$61,765,773	\$61,821,435
Expenditures	\$53,431,084	\$59,518,713	\$59,650,082		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

97% 2% 1%

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

96% 3% 1%

Child Care

Mission

To improve developmental outcomes for all children and to help families reach and maintain economic independence by encouraging accessibility to quality child care.

Summary of Activities

To further this mission, the **Family and Social Services Administration** (FSSA) Division of Family and Children (DFC) focuses on four main areas: child care subsidies, child care quality improvement initiatives, licensing of child care providers, and registration of child care ministries.



Low-income families receive child care subsidies through a statewide child care voucher system. DFC contracts with a community agency in each county to administer the program. Parents can choose from any available licensed or legally license-exempt child care provider, including centers, homes, ministries, school-age care sites, in-home or relative care. The provider selected by the parent is reimbursed directly by the local agency. In 1999, almost 85,000 children were served through this program. Eligible families with an annual income greater than the federally established poverty level are required to pay a portion of child care costs, based on a sliding fee schedule.

The DFC administers the Child Care Development Fund, which assists counties in improving the quality and accessibility and increasing the capacity of early childhood programs. Each county annually submits a quality plan based on local needs that supports the following goals: increase public/private/business/parent awareness of community child care needs, expand and maintain licensed, accredited child care capacity, increase the competency of child care professionals through education, training and credentialing, decrease high turnover rates among child care providers, and support the implementation of minimum quality standards for child care providers who accept vouchers. In addition, there are a number of statewide quality initiatives such as the Business Partnership Specialist project to build successful partnerships with the private sector, TEACH (Teacher Education and Compensation Helps) Early Childhood INDIANA scholarships to increase the early childhood development knowledge and skills of child care providers, and Child Care Resource and Referral Services to connect families with child care in their community.

“It simply makes sense to prepare child care teachers with the knowledge and skills to give Hoosier children what they need.”

- Governor Frank O'Bannon

The DFC licenses child care homes and centers and is responsible for complaint investigation of child care providers. The child care licensing process provides assurance to working parents that their children are in a safe, healthy, and appropriate environment when in out-of-home care. In addition to licensing child care homes and centers, DFC also registers child care ministries. Inspections are conducted at all centers, ministries, and residential facilities to ensure compliance with health and sanitation standards. DFC also works in partnership with the **Indiana Development Finance Authority** to assist child care providers in accessing loans to construct, expand, and improve their facilities.

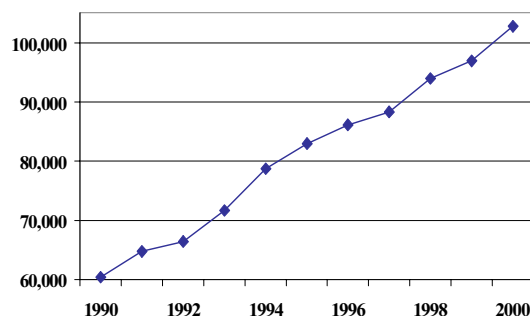
External Factors

Three major trends have had a significant impact on the need for care and early education services among families. The first trend has been the long-term increase of women entering the workforce. The second trend has been Indiana's low unemployment rate (2.4% for November 2000). This trend has signified a strong job market and equally strong demand for more parents to join the workforce. The third major trend has been recent welfare-to-work reforms that limit assistance and encourage economic self-sufficiency. Together, these societal trends indicate that the need for child care is likely to increase over time. U.S. Census figures for Indiana estimate there are 340,868 children under the age of five and 337,067 school-age children who currently need child care.

Evaluation and Accomplishments

Savings generated by welfare reform have been invested in increasing funding to provide subsidized child care for low-income families by \$248 million since 1997. Since 1995, the number of licensed child care centers has increased by 9%. Registered ministries have increased by 35%. Licensed homes have also seen a rapid growth of 68% since 1995. The TEACH Early Childhood program has awarded over 500 scholarships in over 70 counties to child care workers working toward credentials and degrees in early childhood development. These scholarships provide child care workers with early childhood development knowledge and skills, resulting in higher quality child care. Indiana's public-private partnership initiatives have seen an increase in corporate awareness and support for employee child care needs, from five corporations investing in such partnerships in 1995 to 24 in 2000. The Indiana Business Partnership Specialist initiative supports local community efforts to build successful partnerships with the private sector to enhance the quality and increase availability and accessibility of high-quality care for working families.

Licensed Child Care Capacity in Indiana



Plans for the Biennium

Over the next biennium, the child care and development system will:

- 1) Increase licensed capacity by 15% each year; implement financial incentives for licensed providers to seek accreditation; and initiate financial incentives and technical assistance to encourage voluntary certification within the child care ministry community.
- 2) Develop a Child Care Interactive Information web site to offer parents access and the opportunity to select the highest quality of care for their children.
- 3) Develop a web-based learning environment for child care providers statewide, encouraging providers in rural areas to access quality early childhood training.
- 4) Create a "one-stop shopping" approach for all child care licensing services in order to streamline the licensing process for child care centers and improve customer service.

<i>Program: 0320</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$227,614,759	\$168,099,033	\$174,892,889	\$173,390,958	\$173,446,620
Expenditures	\$184,099,354	\$194,760,774	\$166,921,195		

**Sources of Funds
FY 2001 (Approp)**

■ General ■ Dedicated ■ Federal ■ Other

79% 21%

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services ■ Distributions ■ Capital ■ Other

97% 1% 2%

Child Welfare

Mission

To insure the safety, health, and well-being of all children in Indiana, through development of prevention services and investigation of child maltreatment allegations.

Summary of Activities

The **Family and Social Services Administration (FSSA)** protects children through the local offices of the Division of Family and Children (DFC) in each county. Child protective services (CPS) family case managers investigate abuse and neglect complaints on a 24 hour / 7 day basis. Through collaborative local decision-making, family case managers help determine how best to protect a child and how to provide the services needed to strengthen the child's family.

On the basis of substantiated abuse or neglect, a local court can determine that a child is a Child in Need of Services (CHINS). A child who falls under this definition may remain in the home of his or her parents, or may be placed out-of-home, depending upon the circumstances that lead to the CHINS determination. If family reunification is deemed to be in the best interest of the child, services such as home-based counseling and parenting classes are available to assist the family.



Services for CHINS are supported through a combination of state funds and local property tax levies. Expenditures for child welfare services have increased steadily over the past ten years, from \$85 million in 1990 to almost \$300 million in 1999. This increase is a result of more children being identified as maltreated or as posing a danger to themselves or others as a result of their maltreatment.

The focus of child welfare has shifted in recent years to reflect an increased emphasis on prevention. Through identification of risk factors, local DFC staff provide services to families in an effort to prevent or reduce instances of abuse or neglect. By consistently focusing on what is in the child's best interest, removing children from their home is sometimes avoided in favor of family preservation or reunification. In those instances where a child must be separated from his or her parents for safety reasons, every effort is made to ensure that a child is placed with a family member whenever possible. In cases where a court determines that reunification is not in a child's best interest, a child may be faced with special needs – age, health challenges, member of a sibling group, or member of a minority group. The Special Needs Adoption Program places these children with families who will provide a safe and secure environment for them.

A number of innovative and successful programs have been initiated in recent years to specifically target child abuse prevention. Healthy Families Indiana (HFI) is a home visitation program that provides families with services that promote healthy parent-child interaction, better family health, and enhanced child development. Step Ahead is a collaborative process through which local decision-makers conduct long-range strategic planning to combat local child welfare issues. Step Ahead facilitates the identification of common areas of concern and the pooling of local resources to address these problems. Local Youth Service Bureaus function as local outlets where youths can grow and develop through innovative educational, recreational, and civic programs.

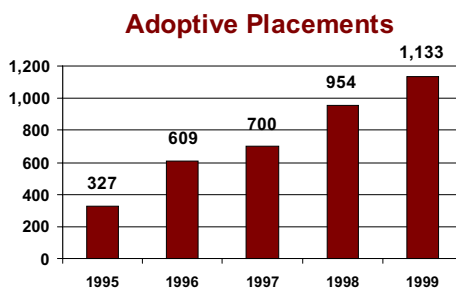
External Factors

The Adoption and Safe Families Act (ASFA), a series of state and federal initiatives, increased the emphasis of child welfare services on the specific best interests of each individual child. Under ASFA, families are given shorter periods of time to improve the conditions that led to the removal of a child, so that the child can be placed in a permanent family environment more quickly. This can take the form of either reunification with birth parents, or adoption by another family.

Evaluation and Accomplishments

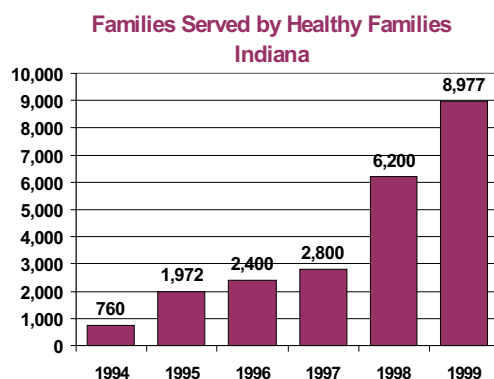
Due to increased public awareness of child maltreatment and improved staff resources, the percentage of abuse and neglect allegation that are positively confirmed has increased over the past three years, while the total number of allegations has decreased during the same period.

The number of special needs adoptive placements has increased sharply over the last ten years. In 1990, the first year of the program, 277 children were placed. In 1999, 1,133 children were placed, and approximately 1,200 placements are expected in 2000. Another measure of success can be seen in the average length of time that CHINS live in out-of-home care. In June 1999, the average length of time in care was 23.7 months. By June 2000, time in care had decreased to 18.96 months.



Plans for the Biennium

The Healthy Families Indiana program will be expanded. The immediate goal is to reach 60% of pregnant mothers with prenatal services by 2002. Currently less than 30% of pregnant mothers are served by the program. Other plans will focus on average length of stay in care for children, and the number of children placed for adoption. The average length of stay in care has continued to fall below the 22-month mark. The next goal is an average of 15 months in out-of-home care. Indiana's implementation of the Adoption and Safe Families Act continues to create improvements in this area.



In the area of adoption, it is anticipated that the high mark of 1,133 children adopted in 1999 will be exceeded in future years. Projections indicate a goal of at least 1,200. At some point, as the number of children available for adoption continues to decrease due to the progress currently being made, the number of actual children placed may also drop. However, a primary goal will continue to be placement of 100% of the children available for adoption.

<i>Program: 0325</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$153,089,837	\$154,381,793	\$157,572,747	\$167,631,408	\$169,158,132
Expenditures	\$149,965,045	\$174,152,518	\$174,555,031		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

Substance Abuse Prevention & Treatment

Mission

To prevent the abuse of illegal and addictive substances through a coordinated process of prevention, education, treatment, and law enforcement.

Summary of Activities

Substance abuse prevention activities are coordinated by the **Governor's Commission for a Drug Free Indiana**, which works with local coordinating groups in each county to address identified substance abuse problems in their communities. Indiana's substance abuse prevention efforts are summarized as follows:

Education and Prevention: The **Department of Education (DOE)** distributes federal funds to public and non-public schools that provide drug prevention education and early intervention services to students. The **Family and Social Services Administration (FSSA)**, Division of Mental Health implements a targeted prevention program that serves over 14,000 children per year in after-school programs in every county in the state. The **Indiana State Department of Health (ISDH)** administers programs designed to prevent substance abuse by pregnant women and persons infected with HIV / AIDS.

Treatment: The Division of Mental Health's addiction treatment programs serve more than 19,000 people per year through a system of managed care providers who are under contract to provide a continuum of treatment services. Services are targeted to individuals and situations where the impact of the addictions has the most negative consequences. This includes treatment services to the chronically addicted, and addicted women with dependent children. The **Health Professions Bureau** administers programs that provide treatment to impaired nurses and impaired pharmacists.

The **Department of Correction** also provides substance abuse treatment to its offenders, 85% of which have a significant history of substance abuse. In 1999, over 65,000 hours of direct clinical treatment were provided, and over 3,000 offenders successfully completed programs.

Law Enforcement: The **Indiana State Police** assists in substance abuse prevention through two enforcement initiatives: marijuana eradication and drug interdiction. Marijuana eradication is federally funded and is supported by the State Police air division, which in

1999 flew 1,502 hours of patrol, locating 1,041 cultivated outdoor marijuana plots, resulting in the eradication of 22,336 plants and the arrest of 109 individuals. Drug interdiction efforts resulted in 4,349 criminal charges in 1999. Detectives purchased or seized 2,440 pounds of marijuana, 56.1 pounds of cocaine, and 98,390 dosage units of various other controlled substances. The **Criminal Justice Institute** administers a series of federal drug and narcotics control grant programs, while the **Prosecuting Attorney's Council** provides training and assistance to local law enforcement officials in prosecuting drug crimes.

External Factors

The most prominent external factor affecting substance abuse prevention is the changing nature of the illegal use of controlled substances. For example, many Midwestern states have recently experienced a dramatic increase in the use of



Indiana State Police

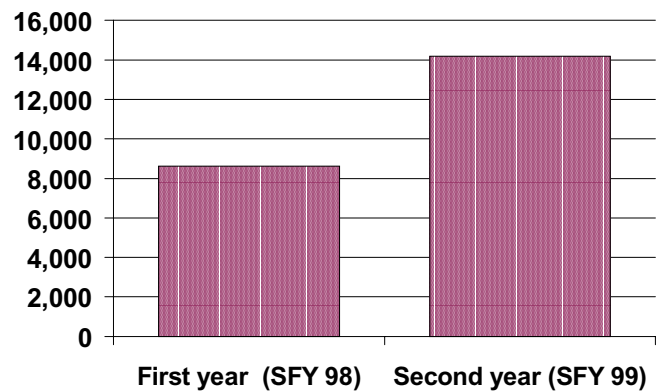
methamphetamine, an inexpensive and highly addictive drug that can be manufactured in small quantities using common household chemicals. In 1998, forty-three clandestine labs were eradicated. That number rose to 128 in 1999, and is expected to rise to over 300 in 2000. This phenomenon strains the resources available for both law enforcement and treatment. It also requires the adoption of new or revised prevention and education strategies.

Evaluation and Accomplishments

The incidence of substance abuse among Hoosiers is the primary factor to consider in evaluating the success of Indiana's substance abuse prevention programs. Many signs are encouraging. The Indiana University Prevention Resource Center reports that the use of marijuana, alcohol, and tobacco among students in grades 6 through 12 has declined for three consecutive years. Use of inhalants by 8th graders dropped almost by half from 1997 to 2000. The rate of decline in marijuana use has exceeded the national average, suggesting that Indiana's state-specific prevention efforts are effective.

Progress has been most significant at the middle school level, following Governor O'Bannon's decision in 1997 to redirect resources toward those students, based on research indicating that early drug experimentation often begins at that grade level. As a result, the decline in drug use since 1997 among middle school students has been twice that of other grades.

Children Served in After School Addictions Prevention Program



Plans for the Biennium

The Division of Mental Health will be implementing a new consumer education program, while enhancing its addictions prevention data collection system, and implementing tobacco enforcement and tobacco vendor education programs designed to decrease the sale of tobacco to youth under the age of 18.

<i>Program: 0330</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$61,459,070	\$76,414,362	\$73,968,732	\$68,742,167	\$69,054,681
Expenditures	\$68,901,960	\$78,421,796	\$69,245,738		

**Sources of Funds
FY 2001 (Approp)**

Legend: General (Blue), Dedicated (Red), Federal (Yellow), Other (White)

Source	Percentage
Federal	75%
General	14%
Dedicated	11%

**Uses of Funds
FY 2001 (Approp)**

Legend: Personal Services (Blue), Distributions (Red), Capital (Yellow), Other (White)

Use	Percentage
Distributions	94%
Personal Services	3%
Capital	3%

Community Mental Health Services

Mission

To help people with mental illness become more self-sufficient and move toward recovery.

Summary of Activities

The **Family and Social Services Administration** (FSSA), Division of Mental Health (DMH) provides or purchases mental health services for individuals most in need of mental health treatment. It assures the delivery of community mental health services for other citizens in need of services. DMH contracts with a system of managed care providers that are responsible for a full range of services. Each provider provides counseling to persons who are depressed and/or mentally ill, hospitalization to people in severe crisis, and long-term rehabilitation for people with psychiatric disabilities.

Community Mental Health Centers (CMHCs) are the cornerstone of this treatment system. In FY 1999, DMH supported services to over 35,000 adults with serious mental illness and over 17,000 children and adolescents with serious emotional disorders. These activities are coordinated closely with other divisions of FSSA. For example, DMH funding has leveraged over \$5 million in federal vocational rehabilitation funds since 1995 to provide employment and training services to persons with serious mental illness. DMH funding also provided matching funds to leverage over \$75 million annually in federal Medicaid dollars for community mental health services.

“Mental illness, including suicide, ranks second in the burden of disease in established market economies such as the United States.”

- U.S. Department of Health and Human Services.
Mental Health: A Report of the Surgeon General - Executive Summary

CMHCs have historically been the backbone of Indiana's community mental health system. In recent years, these centers have been expanding and forming alliances, both with each other and with those who provide related services such as addiction treatment, health care, and children's services, giving consumers more treatment choices and offering the state stronger and more diversified contractors. Direct state DMH funding now accounts for less than 40% of total funding for Indiana's CMHC network, with the balance provided via Medicaid, commercial insurance, grants, and other contracts. Further, DMH now contracts with six providers that are not community mental health centers but who serve children with serious emotional disorders. These include general hospitals with strong psychiatric services and traditional child care and child placement agencies. In FY 2001, DMH is contracting for the first time with a psychiatric hospital that is not a community mental health center for services to adults with serious mental illness.

External Factors

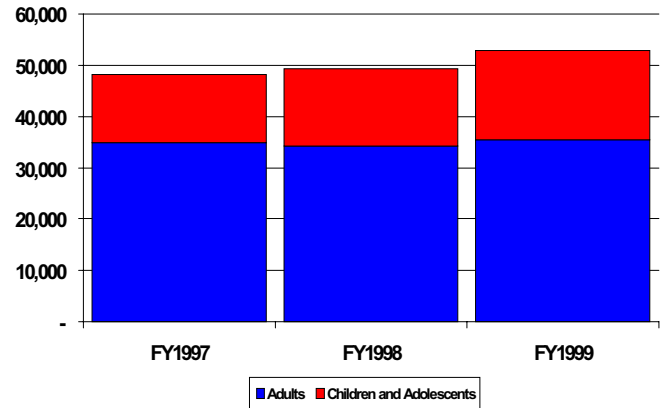
The field of psychiatry has changed significantly over the past few years. Recent pharmacological advancements have enabled thousands of people suffering with mental illness to be served in the community, rather than in institutions. In addition, there is increasing emphasis at the federal level on moving people out of institutions and group homes and into community and home-based care. In the summer of 1999, the United States Supreme Court determined in *Olmstead v L.C. and E.W.* that states must allow institutionalized individuals who could benefit from community placement, and who do not object to moving from the institution, the opportunity to receive services in the community, subject to the resources available in the state to meet the demand for these services. Indiana plans to continue to deinstitutionalize persons from its state facilities and other congregate settings in the next several years.

Evaluation and Accomplishments

DMH has developed a new data system that provides the ability to monitor the quality of community mental health services in very specific ways. Citizens of every county now are able to make informed choices among different providers based on the data that are available. The DMH has also initiated several new innovative projects with neighborhood

centers, the Division of Family and Children's welfare-to-work IMPACT program, and the **Department of Workforce Development** to more effectively serve individuals with mental illness. DMH only contracts with organizations that are accredited by the Joint Commission on the Accreditation of Health Care Organizations, the Council on the Accreditation of Rehabilitation Facilities, or the Council on Accreditation. This is a higher standard for care than is used by most states. DMH also uses internal quality assurance processes, including measuring and reporting on clinical outcomes, consumer perspective on outcomes, consumer satisfaction, and service patterns. Annual clinical audits examine the quality of the data reported by providers. On these measures, the system has shown annual improvement.

Individuals Treated in Community Mental Health System



Indiana's public mental health system is improving and coming closer to meeting the total need for services. However, total estimated need significantly exceeds the number currently served. DMH's most recent analysis of the prevalence of serious mental illness estimated that over 78,000 adults in Indiana and almost 29,000 children qualify for publicly funded mental health services. Just over half of those estimated to be eligible are currently receiving treatment.

Plans for the Biennium

During the SFY 2002-2003 biennium, DMH will be increasing consumer involvement and continuing to move toward a state-of-the-art system based on best practices in treatment. Among the best practices to be encouraged are systems of care centered on teams of staff with shared caseloads providing services assertively outside of a standard office environment. These programs providing comprehensive wrap-around services have been documented in national research to be effective ways to treat individuals with serious mental illness. In addition, community services are expected to grow in proportion to reductions in institutional care.

<i>Program: 0335</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$124,873,320	\$117,897,237	\$120,897,237	\$125,475,566	\$129,475,566
Expenditures	\$116,307,000	\$115,269,271	\$123,209,320		

<p>Sources of Funds FY 2001 (Approp)</p> <p> <input type="checkbox"/> General <input type="checkbox"/> Dedicated <input type="checkbox"/> Federal <input type="checkbox"/> Other </p>	<p>Uses of Funds FY 2001 (Approp)</p> <p> <input type="checkbox"/> Personal Services <input type="checkbox"/> Distributions <input type="checkbox"/> Capital <input type="checkbox"/> Other </p>
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State Mental Health Hospitals

Mission

To facilitate care for the most seriously mentally ill by providing a safe environment for rehabilitation and the start of recovery, where the goal is to return the individual to the community as soon as possible.

Summary of Activities

Some individuals with mental illness do not respond to short-term medical intervention. These individuals may need an intensive level of care for an extended period of time. To serve such individuals, the Division of Mental Health (DMH) of the **Family and Social Services Administration (FSSA)** manages six state mental health hospitals: Logansport State Hospital, Evansville State Hospital, Richmond State Hospital, Madison State Hospital, Larue Carter Hospital, and Evansville Children's Psychiatric Center. Three of these (Evansville, Madison, and Logansport) include intermediate care facilities for the mentally retarded. These programs are certified and funded by the federal Medicaid program to serve persons with developmental disabilities. All facilities are accredited by the Joint Commission on the Accreditation of Health Care Organizations (JCAHO).



The hospitals work closely with Community Mental Health Centers (CMHCs) on admission and discharge planning to assure the most appropriate service for each individual. Persons who do not respond to community-based intervention within a reasonable time-frame are referred to the appropriate state hospital for longer term care. Individuals may voluntarily enter a state mental health hospital only through a CMHC. Involuntary commitment may be sought through the CMHC by a friend, relative, or law enforcement representative. No one is denied admission because of lack of financial resources.

Indiana's state mental health hospitals served a total of 2,441 individuals in 1999, with an enrollment at the end of the year of 1,460. There were 943 admissions and 970 discharges during the year. Of those served, 51% had a primary diagnosis of psychoses (schizophrenia and other types); 26% affective disorders (major depression, bipolar disorder, and other types); 12% developmental disability (mental retardation, autism, and related disorders); 7% substance abuse; and 4% children with conduct and attention disorders. The most predominate treatment model applied at the state mental health hospitals is psychosocial rehabilitation, using state-of-the-art medication treatment combined with extensive rehabilitative therapy. The overall average length of stay for recent admissions is approximately seven months.

External Factors

In the landmark decision *Olmstead v. L.C. and E.W.* (1999), the United State Supreme Court determined that states must allow those institutionalized individuals who could benefit from community placement and who do not object to moving from the institution the opportunity to receive services in the community, subject to the resources available in the state to meet the demand for these services. Indiana will be challenged to deinstitutionalize persons from state operated facilities, such as the mental health hospitals and other congregate settings, in the next several years. It is projected that the statewide census of persons in state hospitals will decline over the next three years, as new policies are implemented.

In September 1999, the Council on State-Operated Care Facilities was established to study the six state psychiatric hospitals along with other state institutions to look for common solutions to common issues and to help create a comprehensive state plan for future services.

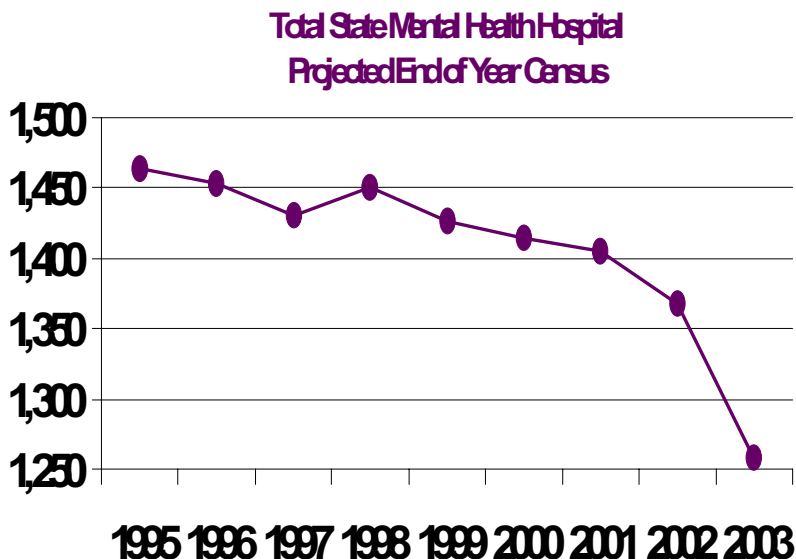
Evaluation and Accomplishments

All six mental health hospitals in Indiana recently maintained JCAHO accreditation. Two hospitals received accreditation with commendation, an honor given to a very small number of hospitals throughout the country. Each facility successfully submitted performance indicator data to JCAHO and is now receiving reports comparing performance to other state hospitals in Indiana and other states. As an example, the use of seclusion and restraint techniques has decreased dramatically in all facilities.

Plans for the Biennium

Evansville State Hospital will move into its new, more efficient facility toward the end of the biennium. The new facility will provide better services to clients, as well as long-term cost savings for the state.

Plans and projections developed through the Council on State-Operated Care Facilities suggest that the census in state mental health hospitals will decrease by around 150 over the course of the biennium. This decrease is the result of new community-based initiatives to move long term patients out of the hospitals and an initiative to divert potential new admissions. It is believed that this will result in more patients being served in less restrictive, community-based environments.



<i>Program: 0340</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$140,817,886	\$172,503,284	\$173,518,866	\$197,418,599	\$196,539,855
Expenditures	\$161,767,295	\$175,657,383	\$200,002,277		

**Sources of Funds
FY 2001 (Approp)**

Legend: General (Blue), Dedicated (Red), Federal (Yellow), Other (White)

Source	Percentage
General	74%
Dedicated	14%
Federal	12%
Other	0%

**Uses of Funds
FY 2001 (Approp)**

Legend: Personal Services (Blue), Distributions (Red), Capital (Yellow), Other (White)

Use	Percentage
Personal Services	62%
Distributions	19%
Capital	7%
Other	12%

Health & Community Services for Aged Persons

Mission

To provide leadership, stewardship, and collaboration necessary to ensure delivery of a broad array of services for older adults, based upon the principles of independence, quality, dignity, privacy, and personal choice.

Summary of Activities

Through the Division of Disability, Aging, and Rehabilitative Services (DDARS) at the **Family and Social Services Administration (FSSA)**, the Bureau of Aging and In-Home Services (BAIHS) provides a broad array of services to older Hoosiers.

In-home services are funded through the CHOICE (Community and Home Options to Institutional Care for the Elderly and disabled) program and include homemaker, attendant care, respite care, home health services and supplies, transportation, adult day care, home-delivered meals, and other appropriate services such as minor home modification and adaptive aids and devices. The statewide In-Home Services Program is nationally recognized for its single point of entry system that works in concert with the 16 local Area Agencies on Aging (AAA). This program provides a comprehensive and coordinated alternative to institutional placement. The system is customer-friendly and the local offices are “close to home” – an important concern for a person in need of assistance.

BAIHS also provides an additional range of community-based services including: congregate meals, information and referral, legal services, preventive health services, adult guardianship, adult protective services, ombudsman, senior employment, pre-admission screening and annual resident review, assisted living through the Room and Board Assistance (RBA) and Assistance to Residents in County Homes programs, and money management and representative payee programs.

Residential services for the aged also include services provided in nursing facilities, the cost of which is supplemented for lower-income Hoosiers through the federal / state Medicaid program. In 1999, Indiana provided services to 52,526 individuals in nursing homes. This compares with 9,431 served through the CHOICE program and 2,498 served in the community through Medicaid. State and federal funding for individuals served in nursing facilities totaled \$761.5 million in FY 1999, compared to \$49.3 million for CHOICE and the Medicaid community services combined. However, the number of individuals served through CHOICE and the Medicaid community services has increased by over 50% since 1994, growing from 7,791 clients for both programs in 1994 to 11,929 in 1999.

External Factors

Through changes in technology, increased experience with community settings, and increased demand for independence, more elderly individuals are able to live at home. As a result, staff and service providers are focusing on delivery of services outside of institutions in less restrictive and safer environments.

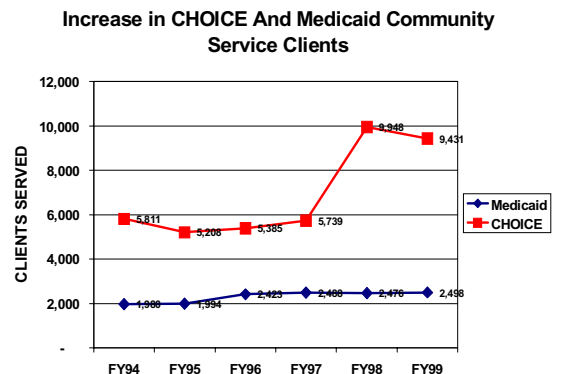
The trend in costs for in-home services for the elderly is upward as CHOICE appropriations and expenditures have risen since its statewide inception on July 1, 1992. The numbers of individuals served has also risen. The potential for increase is much greater than current resources can meet. Additional providers are also needed to provide the services.



Evaluation and Accomplishments

FSSA uses a quality improvement process (QIP) tool to evaluate the effectiveness of DDARS in providing community and residential services to older adults. QIP, a consumer feedback report, measures client satisfaction for the services delivered. The majority of QIP scores are satisfactory or above.

Consumers access services through a single point of entry in their local community at the nearest AAA. BAIHS maintains a single phone number that will direct callers to their local AAA. BAIHS is in the final stages of implementing an updated data system that links the AAA's and the central office and will allow for data entry at the local level.

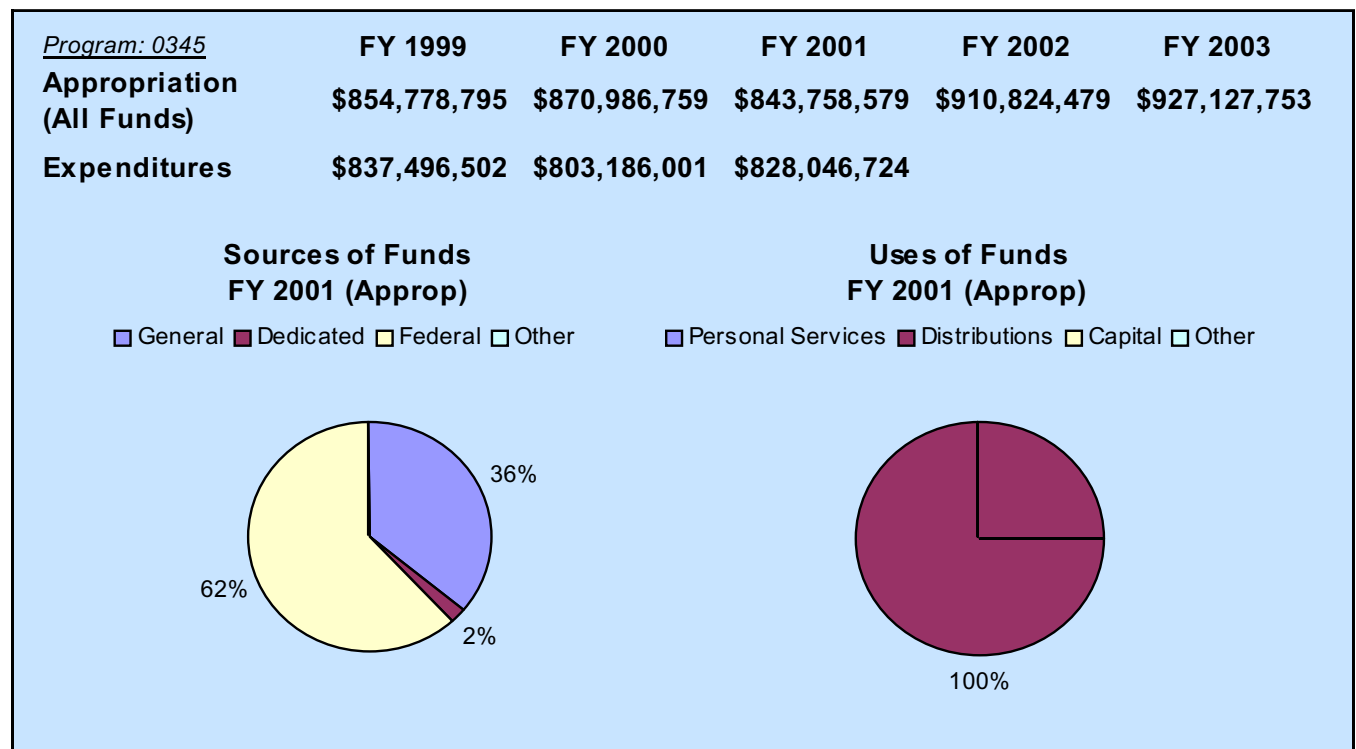


Funding increases in CHOICE, the Medicaid waiver, and the personal needs allowance have enhanced opportunities to serve more people. Community and in-home services have been provided to thousands of individuals in order for them to remain in their own homes and communities.

Plans for the Biennium

Over the next biennium, BAIHS plans to increase the number of individuals receiving services based on resources available. Essential to this effort is strengthening quality assurance to integrate customer satisfaction surveys, enhancing protective services for adults, expanding the adult guardianship program statewide, and increasing ombudsman services for long-term care facilities and in-home services. BAIHS also plans to implement the electronic data exchange between the central office and the AAAs.

The Governor's Long-Term Care Task Force is exploring other community-based service alternatives including a Medicaid waiver for assisted living and adult foster care.



Employment Services for People with Disabilities

Mission

To assist people with disabilities in achieving economic self-sufficiency, integration, and full inclusion in the mainstream of American society through employment.

Summary of Activities

The Vocational Rehabilitation Services (VRS) program of the **Family and Social Services Administration (FSSA)**, assists people with disabilities to obtain essential employment-related services which will empower them to achieve equality of opportunity, gainful employment, independent living skills, economic and social self-sufficiency, and full inclusion in society. Vocational rehabilitation services help individuals prepare for, enter, and retain or regain an employment goal of the individual's own informed choice. Services provided by VRS include: counseling and guidance, referrals to vocational/community supported employment agencies, job skills training, restoration services, and job placement assistance. Services are initiated in the individual's home community whenever possible, through partnerships with local agencies, rehabilitation programs, and employers.



Eligibility is based upon whether an individual with a physical or mental impairment which resulted in a substantial impediment to employment would benefit from or require vocational rehabilitation services to achieve an employment goal.

VR Services are coordinated through 28 local offices, which assisted 31,039 individuals in 1999. Service providers include health care providers, state-supported colleges and universities and other training programs, community rehabilitation programs, employers, and numerous other resources. In 1999, the VR program purchased services on behalf of its customers from 18,883 such vendors statewide. Services provided include the Randolph Shepard Blind Vending Program, independent living centers, and supported employment for the developmentally disabled, deaf and hard of hearing. Two additional independent living centers are being established, making a total of seven across the state.

Eligibility for both VR services and federal Social Security disability benefits is determined by the FSSA Disability Determination Bureau, which adjudicates approximately 74,000 applications for Social Security benefits each year, including both Social Security Disability Insurance and Supplemental Security Income disability claims. The value of this function is critical in assisting those who qualify to maintain a source of income necessary to sustain themselves and their families.

External Factors

Recent federal legislation has focused on integrated community employment, with a resulting emphasis in state plans. More people with disabilities are considering small business and self-employment as a viable employment outcome. The federal Ticket to Work and Work Incentive Improvement Act (TWWIIA), passed by Congress in 1999, will allow individuals with disabilities to get job-related training and placement assistance from an approved provider of their choice, and expands health care coverage. Implementation of TWWIIA will start on a pilot basis with 12 states beginning in January 2001. Although Indiana is not one of the pilot states, identifying implementation issues and developing preliminary plans are underway.

In contrast with other state employment programs, economic upturns do not usually decrease the numbers of VR applicants and program participants. The number of individuals served by the VR program has actually grown during the last few years, rising from 28,801 in 1996 to 31,039 in 1999, at the very height of the current economic expansion and its high rate of new job creation. On the other hand, economic downturns and high unemployment rates do tend to increase the numbers of applicants and program participants, while also increasing the difficulty of placing them in jobs.

Evaluation and Accomplishments

The number of customers achieving employment through services provided by VRS has increased from 3,844 in 1997 to 4,825 in 2000. A successful rehabilitation is defined as meeting the following conditions: the customer has obtained and retained employment for a minimum of 90 days, the job is stable, and both the individual and VRS are satisfied that the employment achieved is appropriate.

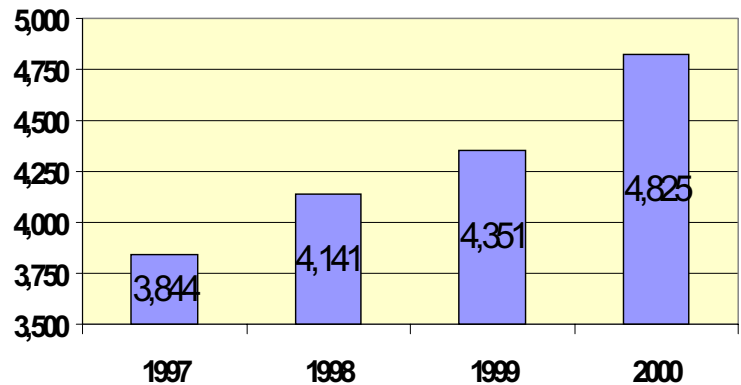
The Blind and Visually Impaired Services program had nine individuals graduate from training and eight start new training in 1999. The program also continues to serve 70 licensed Blind Vendors across the state who operate vending concession businesses in government and commercial locations. Deaf and Hard of Hearing

Services served approximately 3,613 people in 1999, provided approximately 2,000 information and referral contacts, and provided interpreters and case management services for over 1,600 deaf persons. Interpreter standards have been developed to ensure that qualified interpreters are available to effectively communicate on behalf of deaf persons.

Plans for the Biennium

Community employment will continue to be an integral part of Vocational Rehabilitation. Partnerships and closer working relationships with the **Department of Workforce Development**, the fuller utilization of One-Stop Centers, and coordination of services and placement for people with disabilities into employment will be pursued. The focus will be a seamless system, where choice and self-determination are key components for the customer. An automated case management system will be brought on line to meet growing VR case management needs.

Employment Placements by VRS

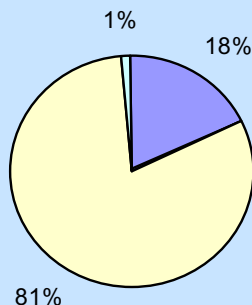


Program: 0350

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$101,414,061	\$109,764,528	\$104,974,729	\$121,270,802	\$125,125,926
Expenditures	\$98,981,080	\$112,938,864	\$118,602,647		

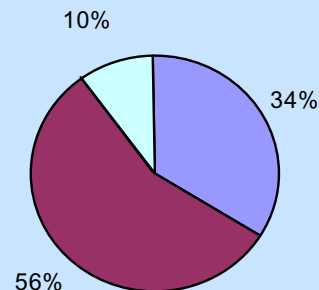
Sources of Funds
FY 2001 (Approp)

Legend: General (blue), Dedicated (red), Federal (yellow), Other (white)



Uses of Funds
FY 2001 (Approp)

Legend: Personal Services (blue), Distributions (red), Capital (yellow), Other (white)



State Developmental Centers

Mission

To provide quality institutional services to individuals with developmental disabilities to ensure each individual develops and lives to their greatest potential.

Summary of Activities

The **Family and Social Services Administration (FSSA)**, Bureau of Developmental Disability Services (BDDS) provides direction and oversight to the Fort Wayne State Developmental Center and the Muscatatuck State Developmental Center.



These two state developmental centers (SDCs) serve approximately 630 adults with developmental disabilities. The residents are severely or profoundly mentally retarded, or have severe anti-social behavior that is considered to be dangerous to themselves or others. The residents also typically have secondary disabilities such as mental illness, cerebral palsy, epilepsy, visual impairments, and hearing impairments. Only eight individuals have been placed in the SDCs since January 1999, while 183 have moved to community settings. The residents receive long-term services at the SDCs. Some individuals have called one of the state developmental centers their home for more than 50 years.

The SDCs work closely with the BDDS field services staff in conducting person-centered planning meetings with consumers, families, and advocates to ensure

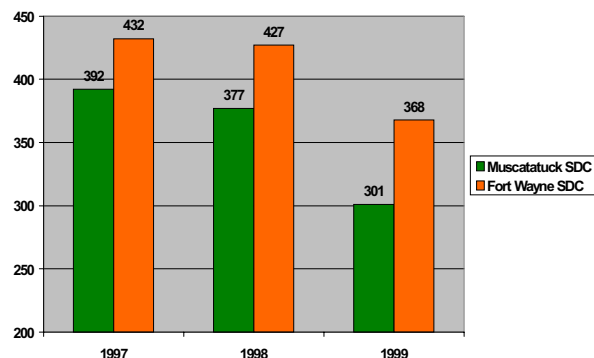
appropriate services are provided as well as effective conversion/transition processes are in place to address planned moves to community-based settings and institutional admissions.

Individuals with developmental disabilities should have the same rights and opportunities as all individuals. Individuals with developmental disabilities need support and assistance to experience life in a safe and enjoyable manner and to increase their skills and independence in the most integrated setting possible. Until cost-efficient and effective services are available in the community to meet the unique and challenging needs of this segment of the developmental disabilities population the services provided at the state developmental centers will continue to be needed.

External Factors

The emphasis of federal funding and oversight has shifted to ensure that meaningful, continuous treatment is provided for each client served at an SDC, and that health and safety standards are met. There is also evidence of increased federal focus on deinstitutionalization. Approximately every six months a large congregate facility closes in the United States. Implementation of these priorities requires expert planning and design, as well as appropriate resources to ensure compliance and meet federal expectations. This federal oversight coincides with the state's commitment to assure quality services are provided to the developmentally disabled. Since June 1994, over 700 individuals with developmental disabilities have moved from large intermediate care facilities for the mentally retarded (ICFMRs) into more individualized, integrated, community-based settings where they have an opportunity to experience a greater quality of life.

Number of Residents at Muscatatuck and Ft. Wayne State Developmental Centers



Evaluation and Accomplishments

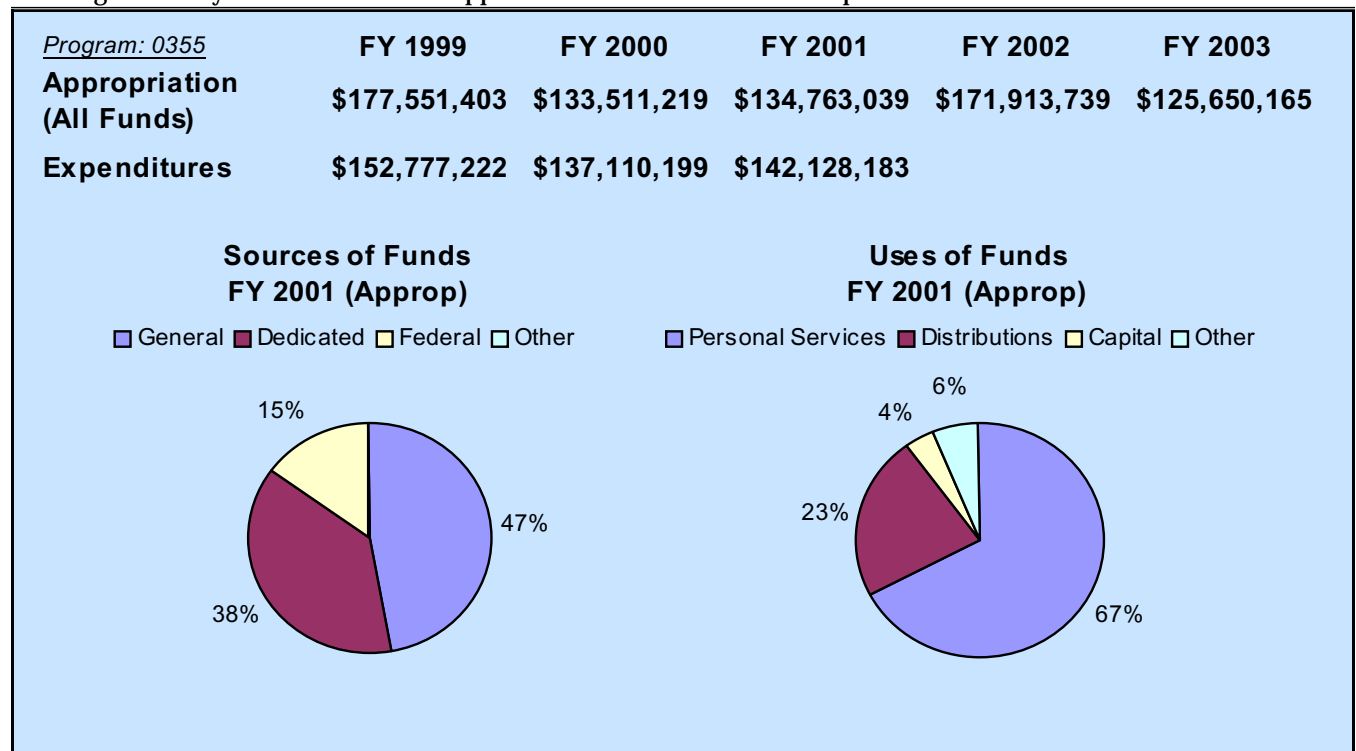
With the closing of New Castle State Developmental Center and Northern Indiana State Developmental Center in 1998, over 200 people successfully entered community settings. In addition, 183 individuals have transitioned into community settings from Muscatatuck and Fort Wayne Developmental Centers since January 1999. At Muscatatuck, the entire service delivery system has been overhauled to address federal certification issues. This has resulted in a restoration of approximately \$1,445,846 in monthly Medicaid funding as of December 2000. The additional buildings are targeted for recertification as they become ready, which will result in the return of full Medicaid funding. This phased approach has enabled Muscatatuck to stratify improvement efforts to address the diverse needs of the consumers.

The Governor's Council on State-Operated Care Facilities issued a long-range plan in December 2000 to recommend a direction that will assure quality services are provided to persons living in and treated by Indiana's state-operated facilities.

Plans for the Biennium

A comprehensive plan for both state developmental centers has been initiated. It will be in process during the biennium to establish consistent operational practices at both state developmental centers to insure the aggressive provision of training to develop the skills and abilities of residents and to protect their health and safety. Person-centered planning, service plan development, behavior management, inclusion, medical services, and adaptive equipment are factors addressed in the plan.

Muscatatuck State Developmental Center was decertified from participation in the Medicaid reimbursement program in March 1999. As of November 2000, three out of the four phases have been recertified and are again receiving federal Medicaid funds. Efforts are underway to establish entirely new operational systems and service processes at Muscatatuck. New procedures ensure resident safety and have eliminated the use of mechanical restraints. Model training techniques emphasize best practices in behavior management, training, and skill development. Through this intense redesign, consumers benefit from a better quality of life that targets their involvement in continuous active treatment including training in personal skills essential for independence and privacy such as toilet training, personal hygiene, self-feeding, bathing, dressing, grooming, and communication of basic needs. This active treatment ensures the individual is involved in meaningful activity that increases their opportunities to reach their fullest potential.



Health & Community Services for People with Disabilities

Mission

To assist persons with developmental disabilities in accessing services and to work with service providers and communities to develop a system of community-based supports based on the needs and desires of these individuals to help them reach their full potential.

Summary of Activities

The Bureau of Developmental Disability Services (BDDS) at the **Family and Social Services Administration (FSSA)** provides assistance to individuals with developmental disabilities that is directed toward enabling them to reach their fullest potential. BDDS works with service providers and communities to develop and provide a system of community-based supports based on person-centered plans that meet the individual's needs and desires. BDDS encompasses nine district offices, which collectively serve people in all 92 counties.



Services provided by BDDS include: diagnosis and evaluation, day services (life skills, community, and vocational), supported employment, epilepsy support, and residential programs. Home and community based residential options include supervised group living, semi-independent living, supported living services, respite care, and emergency support services. The Medicaid program allows Indiana to provide a variety of home and community-based services to individuals who would otherwise require the level of care provided in an intermediate care facility for the mentally retarded (ICFMR). This program is known as the "ICFMR waiver."

Multiple funding streams finance community and residential services for individuals with developmental disabilities, including Medicaid, the federal Social Services Block Grant, and various state line item appropriations. In 1999, 5,187 individuals with disabilities received community, residential, and other non-institutional services through these programs. In addition, 4,164 individuals were served in group homes and 1,163 received services in large private ICFMRs. Assistance is also provided to family members and guardians in the form of respite services, which provide relief to stressed caregivers and divert possible moves toward institutional services for persons with developmental disabilities.

FSSA is committed to assuring that persons with developmental disabilities are supported in a manner that protects them from harm and ensures that they reach their fullest potential. Thus, a major priority is quality assurance, which includes: 1) On-site quality monitoring statewide to identify "red flags" and evaluate residential community settings; 2) Annual **Indiana State Department of Health** surveys of group homes and private ICFMRs; 3) Standardized quality tracking of individuals affected by facility closings and downsizing efforts; and 4) Case management functions which are shared by the local BDDS offices and case managers. A number of additional initiatives are in the formative stages, including:

- ◆ Development of rules, policies and procedures which will establish a legal framework that will be enforced to ensure that individuals served are safe and engaged in meaningful activity.
- ◆ Development of quality indicators, which will be used to monitor the extent to which program elements are operating effectively and efficiently as well as achieving the desired person-centered and program outcomes.
- ◆ Review and assessment of the current service delivery system to streamline eligibility and service determination processes to serve people as quickly as possible.

External Factors

Community and residential services for individuals with developmental disabilities have changed dramatically over the years. With the closure of the New Castle and Northern Indiana State Developmental Centers, and the implementation of recent legislation, there has been increased emphasis on ensuring that individuals with developmental disabilities and their families are being provided with choices about community living and community activities.

This shift to community-based services has had a positive impact on the lives of many individuals.

The Department of Justice and the federal Health Care Financing Administration (HCFA) are overseeing states' compliance with the Americans with Disabilities Act (ADA). ADA-related lawsuits across the country have focused national attention on these issues. Specific attention is being focused on ensuring that individuals reside in the least restrictive environment and that choice is being provided to individuals.

Evaluation and Accomplishments

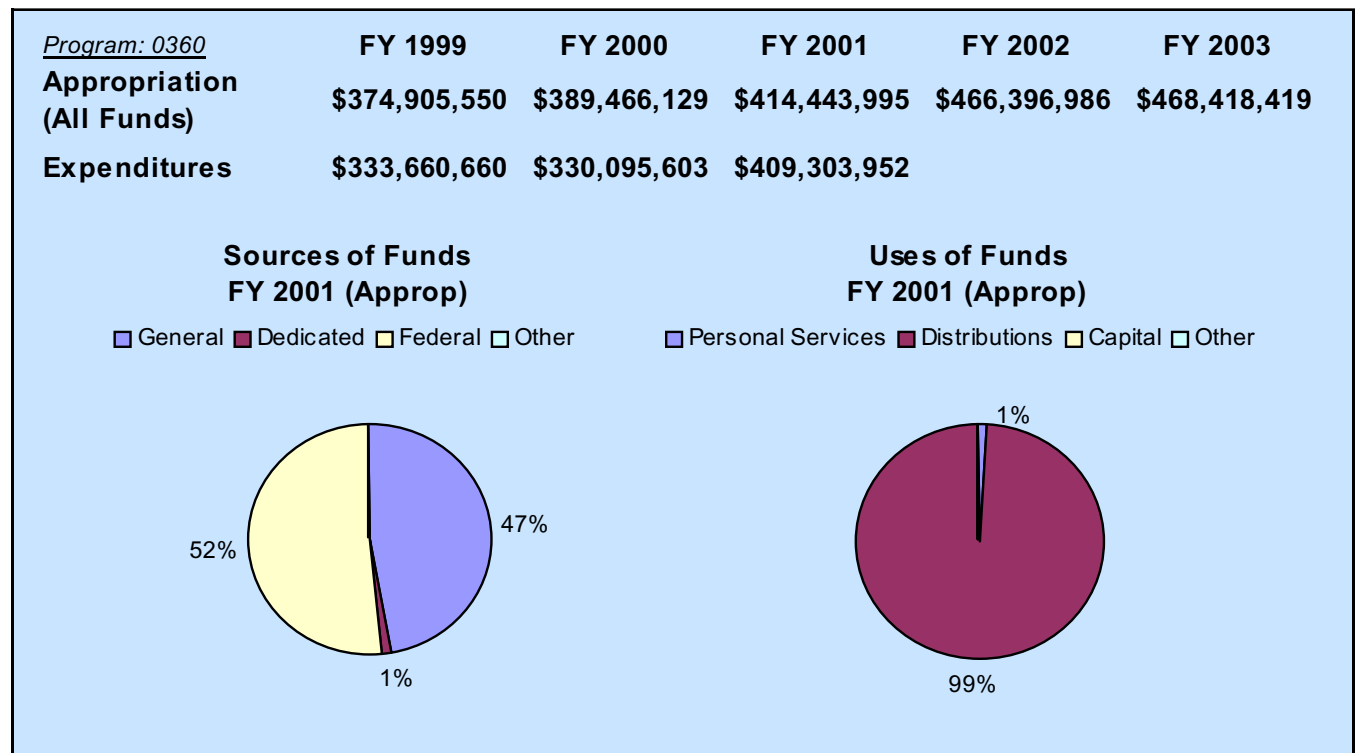
Since 1997, over 1,500 people with developmental disabilities have either moved into or are targeted to soon begin receiving services in the community. The number of individuals enrolled in the ICFMR waiver program increased by over 165% between 1995 and 1999, from 627 in 1995 to 1,676 in 1999. A Quality of Life unit has also been created within BDDS to provide overall oversight of programs dedicated to people with developmental disabilities.



FSSA is committed to assuring that individuals with developmental disabilities reside in the least restrictive environment with the first alternative being community-based services. Community-based services allow for opportunities that reflect the individual's unlimited value and capacity to grow and contribute to the community in which they reside. Staff have been added to the programs serving persons with disabilities to conduct the tasks necessary to support all field functions and assure that quality assurance mechanisms are in place to evaluate and monitor the health and safety of individuals residing in the community.

Plans for the Biennium

Over the next biennium, state programs for people with disabilities will continue to look toward providing the least restrictive living arrangements. In addition, BDDS will refine programs and processes to further ensure the health and safety and improve the quality of life of each individual with a disability.



Public Health Education

Mission

To provide information and services that result in a more informed public and healthier children, adults, and families.

Summary of Activities

The **Indiana State Department of Health (ISDH)** provides public health education focused on prevention of unhealthy behavior and changing or abating existing unhealthy behavior. Public health programs supported by the ISDH include the Minority Health Initiative, Childhood Hazards Education & Prevention, AIDS Education & Prevention, and the Governor's Council of Fitness & Sports.

The ISDH Maternal and Child Health Services division is responsible for improving the health of women, infants, children, and adolescents by providing education and prevention services throughout the state. The division works with the Indiana Perinatal Network, an alliance of private- and public-sector individuals and organizations committed to improving health care for all mothers and babies in Indiana. They provide seminars, workshops, and other education and prevention activities in each county in Indiana.



*Indiana Osteoporosis
Prevention Initiative*
Growing Strong Bones

Other ISDH public health education efforts include “Project RESPECT”, which is funded in part by a federal Abstinence Education Block Grant. Project RESPECT funds are distributed to community groups to support abstinence education in regard to the sexual behavior of adolescents and teens. Project RESPECT efforts feature the slogan “Sex Can Wait.”

The ISDH Office of Tobacco and Health (OTAH) works to prevent Indiana's youth from using tobacco, as well as to decrease current tobacco use through education, prevention, and cessation efforts. The OTAH assists tobacco control community groups

and conducts public relations campaigns. School-based OTAH programs such as “Tar Wars” have involved over 300 schools and 14,000 youth.

The **Coroners' Training Board** also provides public health education by establishing statewide standards for death investigation procedures and providing appropriate training to county coroners and their deputies.

External Factors

Indiana was one of forty states to enter a November 1998 settlement to resolve a class action lawsuit filed by states against the tobacco industry to recover the costs of providing health services to persons suffering from the adverse effects of smoking. Indiana has chosen to utilize funds received from the tobacco industry settlement for health care purposes and programs. This new funding source has allowed an expansion of tobacco education and smoking cessation projects, and has provided funding for innovation in addressing other public health concerns.

Public health education programs must be designed to respond to new and emerging public health threats with programs and activities that help inform the public, and assist with changing behaviors that may result in avoidable negative health consequences.

Indiana's elected coroners have a diverse set of experience and skills, requiring the Coroner's Training Board to provide flexible and responsive education and training regarding death investigation procedures.

Evaluation and Accomplishments

The ISDH Office of Tobacco and Health launched the Comprehensive Tobacco Communication Campaign, which has shown significant success. A study of 3,000 youth in grades 5-9, conducted both before and after the campaign, yielded the following:

- ◆ 83% report seeing the anti-smoking commercials sponsored by the campaign, which feature “Gaspin the dog”.
- ◆ 26% report that it is now harder to obtain cigarettes.
- ◆ Smoking rates of student in grades 7-9 have dropped.
- ◆ Television is the best avenue to reach the target population to affect attitudes and behaviors.



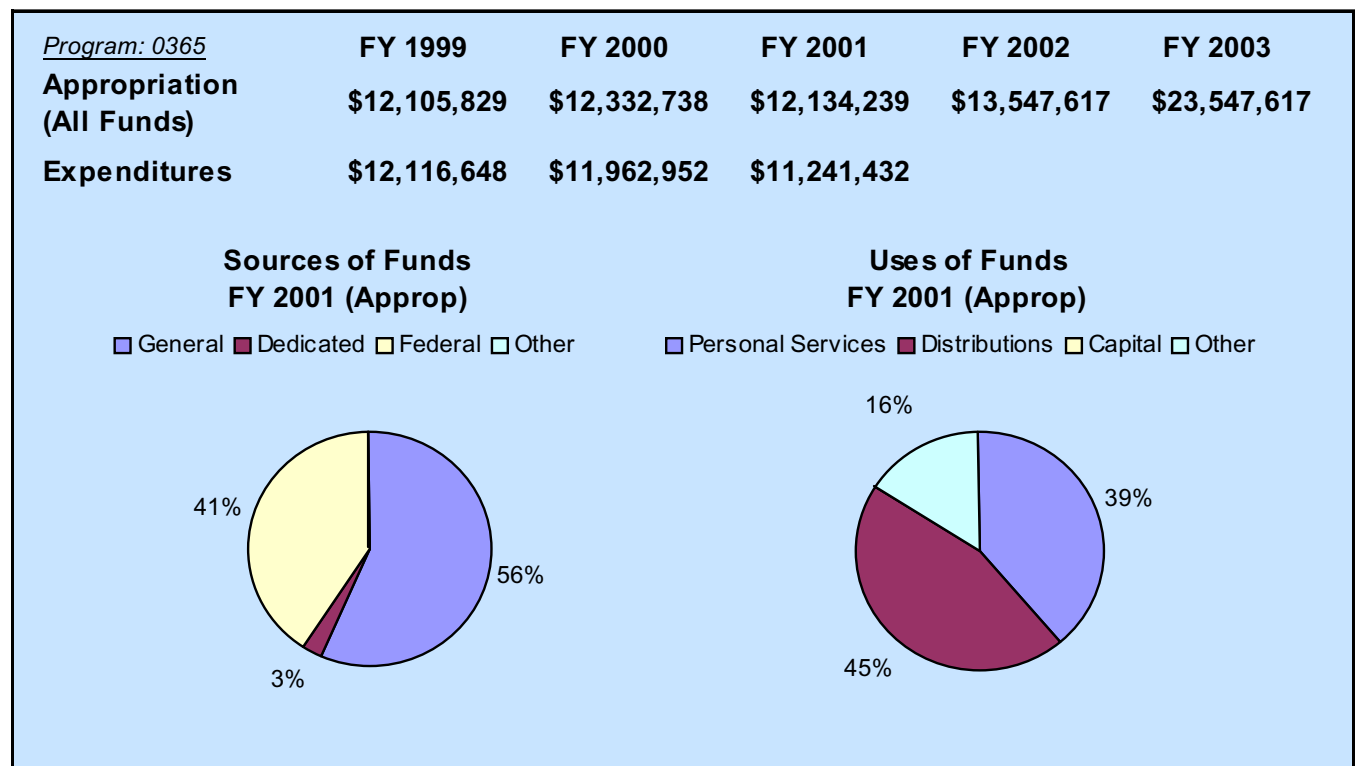
“Gaspin the Dog”

The ISDH has initiated a Nicotine Replacement Program in which 27 state-funded community health centers distribute free nicotine patches to clients in need of smoking cessation services. Individual and group support services are also available through this program.

The Coroners Training Board launched its first ever state-wide training and certification program, which included approximately 300 coroners and deputy coroners. Indiana is the first state in the nation to carry out such a training and certification program.

Plans for the Biennium

Public health education plans for the ISDH include expansion of successful campaigns, activities and programs using the funds from the tobacco settlement as well as additional federal dollars. Maternal and Child Health Services funding will continue to be used for education and prevention activities and programs for improving the health of women, infants, children, and adolescents.



Public Health Surveillance & Reporting

Mission

To protect and promote human health in Indiana by identifying and tracking important diseases, investigating disease outbreaks, and providing high quality data to public health institutions.

Summary of Activities

The **Indiana State Department of Health (ISDH)** is primarily responsible for public health surveillance and reporting. One of the essential services provided by the ISDH is the gathering of information on the occurrence of diseases and other health events (e.g., births and deaths). Physicians, hospitals, and laboratories are among the health care professionals that ISDH relies upon for the surveillance portion of this function. These populations submit reports and data to the ISDH, which is then aggregated with other data sources to provide a comprehensive picture of health events in Indiana.

In addition to reports received from others, the ISDH also conducts surveys to obtain health information. The most prominent survey is the Behavioral Risk Factor Surveillance System, which gathers data on obesity, exercise, diabetes, and other key health behaviors.

The ISDH maintains an extensive collection of public health information on its website at www.state.in.us/isdh. It includes an annual report on the prevalence of diseases of public interest, reports on cancer incidence, and mortality statistics.



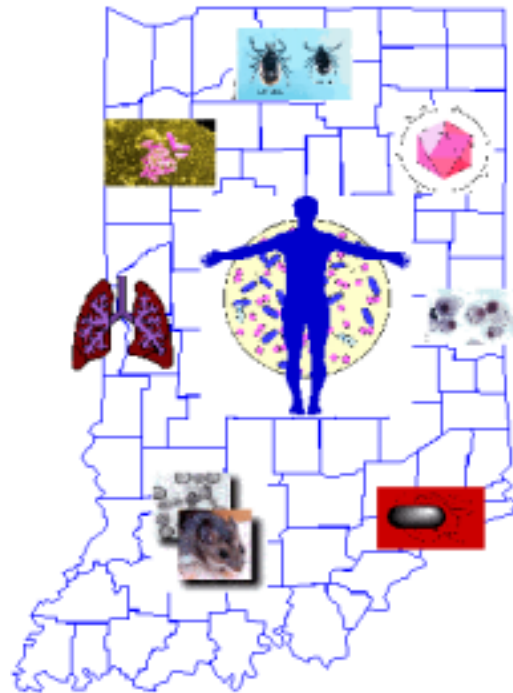
The ISDH uses Geographic Information System (GIS) methodology to analyze state and local mortality and morbidity data across ISDH programs. GIS uses computer technology to provide a visual map of specifically defined populations represented in geographic areas. By comparing and coupling geographic population data with local health indicators and local health resources, the ISDH has a powerful tool to more appropriately target resources and funding.

The ISDH produces several reports on health events and disease occurrence in Indiana. Some typical reports include the Indiana Mortality Report, Indiana Cancer Mortality Report, Behavioral Risk Factor Report, Indiana Natality Report, Indiana Hospital Consumer Guide, and Indiana Terminated Pregnancy Report. The ISDH responds to thousands of requests for information each year from other health agencies, health organizations, businesses, and members of the public.

External Factors

Effective public health surveillance is dependant on an active partnerships with doctors, hospitals, and community health organizations. Non-reporting, late reporting, and incomplete reporting of data by health care professionals has limited the effectiveness of the public health surveillance system.

The surveillance system must be responsive to the changing nature and prevalence of infectious diseases. Emerging and re-emerging infectious diseases -- those that are either new to medicine or were once thought to have been conquered - must be added to the surveillance system, and reporting parties must be made aware of their existence.



Evaluation and Accomplishments

Despite increasing demands on surveillance services, the ISDH continues to provide timely and accurate surveillance for diseases of public health interest, investigate disease outbreaks, and track the human health effects of environmental contaminants.

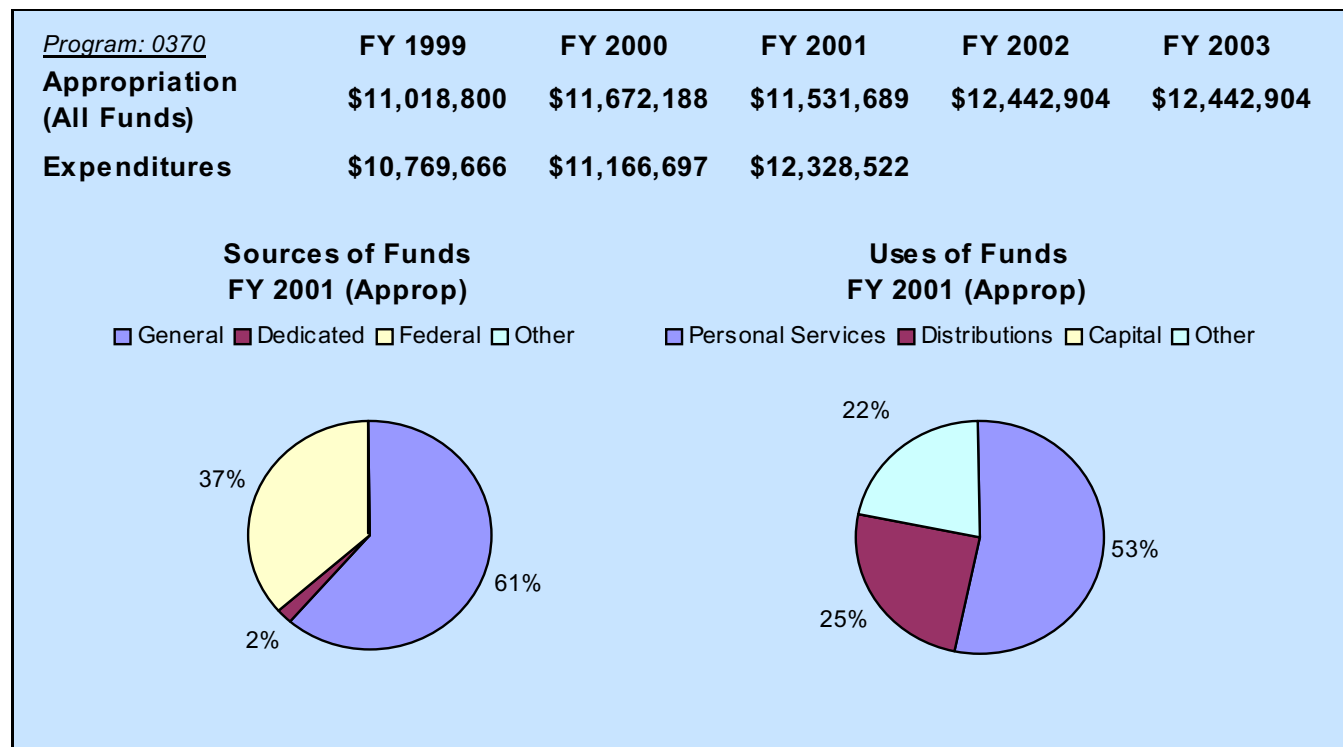
The Indiana Childhood Lead Poisoning Prevention Program demonstrated the significant benefits of the GIS reporting system. By comparing computer maps of high environmental lead concentrations with maps of high levels of childhood lead poisoning, the ISDH was able to adopt screening policies and procedures that focus on the most at-risk neighborhoods throughout Indiana. Similarly, the use of GIS to identify specific at-risk locations for infant mortality and other adverse health outcomes has fostered discussions with local health officials on how to improve health outcomes in those areas.

Summary of Trends in Reportable Diseases
Five-Year Totals: Indiana, 1995 - 1999

Disease	1995	1996	1997	1998	1999	Five year Mean	Five year Median
AIDS	481	602	502	476	356	483	481
Campylobacteriosis	655	693	571	605	511	607	605
Chlamydia	9,464	10,100	9,979	11,267	11,884	10,539	10,100
Cryptosporidiosis	113	59	49	58	47	65	58
E. coli O157: H7	63	83	75	91	107	84	83
Giardiasis	908	874	718	736	654	778	736
Gonorrhea	9,224	6,425	6,383	6,643	6,154	6,966	6,425
Hepatitis A	188	366	327	156	105	228	188
Hepatitis B	223	148	89	101	77	128	101
Histoplasmosis	125	88	94	97	75	96	94
Legionellosis	50	23	46	71	53	49	50
Listeriosis	19	19	11	17	12	16	17
Lyme Disease	14	16	16	22	13	16	16
Malaria	20	16	17	9	22	17	17
Measles	0	0	0	3	2	1	0
Meningococcal Disease	56	63	55	70	76	64	63
Mumps	10	8	15	7	5	9	8
Pertussis	76	128	104	185	90	117	104
Rabies, Animal	24	9	13	12	13	14	13
Rocky Mt. Spotted Fever	9	7	1	2	10	6	7
Saimonellosis	700	590	586	649	572	619	590
Shigellosis	395	161	94	159	368	235	161
P&S Syphilis	335	207	148	212	449	270	212
Tuberculosis	199	202	168	188	150	181	188
Typhoid Fever	3	4	3	2	6	4	3
Yersiniosis	9	13	10	16	19	13	13

Plans for the Biennium

- 1) Chronic diseases kill more Indiana residents than all other causes combined. The ISDH will develop a chronic disease epidemiology program to support the parallel development of chronic disease prevention programs.
- 2) The ISDH will increase the use of GIS to support policy development, program planning, epidemiologic studies, and presentation of data to the public through the ISDH web site.
- 3) The ISDH will continue to be heavily involved in providing training to local health departments, often in cooperation with the **Indiana University** School of Medicine's Department of Public Health.



Community-Based Health Services

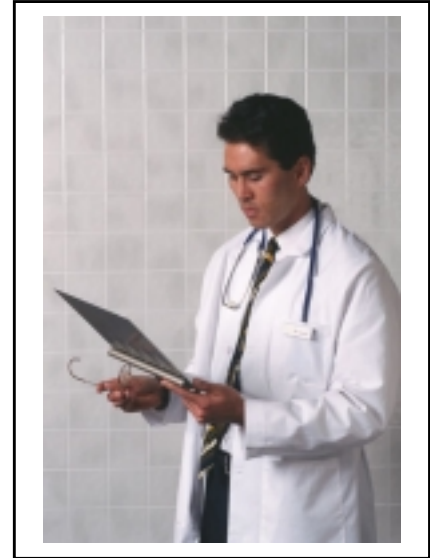
Mission

To provide effective, community-based health services that address the health needs and concerns of specific individuals and populations in all areas of need.

Summary of Activities

The **Indiana State Department of Health (ISDH)** administers a variety of programs that promote health care services in local communities. Services provided include physician services, nurse practitioner services, health education, drug assistance, counseling, supportive services, case management, nutrition education, and immunization, as well as comprehensive primary and preventive health care services for all age groups. Community-based health services are focused on *primary* rather than institutional or acute care. Much of this care is provided by nurses and physicians' assistants under the supervision and guidance of a physician.

ISDH funds help support 24 community health centers (CHCs) across the state. CHCs are often located in rural and other communities that lack access to primary care health services. They focus on providing health care access and improving the health status of uninsured, low-income working persons, as well as other underserved populations. Other ISDH funds help local health departments provide public health services.



The ISDH works to eradicate or reduce the number of cases of Vaccine Preventable Diseases (VPDs), such as measles, mumps, rubella, diphtheria, tetanus, influenza, and hepatitis, by providing vaccine to immunization providers, and by conducting outbreak control activities when such diseases are reported.

The HIV Care Coordination program provides specialized case management and coordination services to ensure continuity of care and enhanced quality of life for persons living with HIV, while the HIV/AIDS Prevention Program administers counseling, testing, referral, and partner notification services. The ISDH laboratory also performs blood screening for HIV.

Other community-based health programs administered by the ISDH involve maternal and child health, medical nursing, prevention of childhood exposure to lead, breast and cervical cancer, primary health care, water fluoridation, sexually transmitted disease prevention, nurse-managed clinics/primary health care clinics, and critical access hospitals.

External Factors

Community-based health services are closely linked to the local community in which the program services are provided. This requires ongoing promotion of consumer awareness and community support & collaboration.

The long-term viability and sustainability of community health programs are impacted by communities' ability to identify needs, locate and secure funding sources, participate in governance, and actively utilize ISDH programs and services. Collaboration among federal, state, and local agencies is a key component for successful and effective management of these programs.

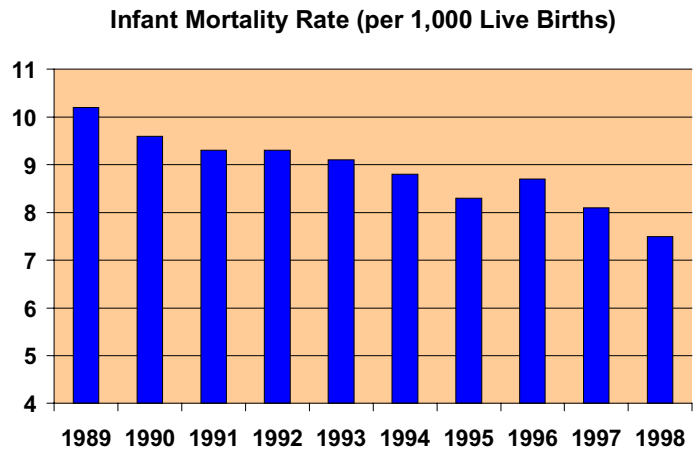
The majority of providers at the local level are able to use a variety of sources of funding as revenue to sustain operations. This revenue may include federal sources, more than one state or local source, some local private foundation sources, and possibly the use of such funds to leverage donations or gifts from members of the community.

Health services change as new treatments and medications are developed. For example, “Prevnar” is the newest vaccine on the market. It is 98% effective against streptococcus pneumoniae which causes pneumonia, meningitis and bacteremia. Infants and small children are especially at risk in contracting these diseases.

Evaluation and Accomplishments

The health of Indiana citizens has improved, and health care access has greatly improved. This has been accomplished through the establishment of additional medical homes throughout Indiana, as well as expanded services from established agencies and clinics that address local health needs. Other positive health indicators include:

- ◆ The immunization rate of 2-year olds increased from 72% in 1994 to 78% in 1998.
- ◆ Teenage suicides declined from 11.5 per 100,000 in 1989 to 8.1 per 100,000 in 1998.
- ◆ Deaths from Sudden Infant Death Syndrome declined from 143 in 1989 to 63 in 1998.
- ◆ Child mortality, ages 1-14, declined from 33.6 per 100,00 in 1989 to 26.2 in 1998.



Plans for the Biennium

The ISDH will continue to collaborate with communities throughout Indiana to assure appropriate health care access and identify local needs and health concerns. Particular focus will be given to improving the health status of specific populations, such as the uninsured, the homeless, pregnant women, and those with HIV/AIDS.

<i>Program: 0375</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$16,983,719	\$16,452,251	\$16,339,852	\$31,813,484	\$46,813,484
Expenditures	\$17,865,440	\$16,937,654	\$44,956,802		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

78% 22%

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

63% 25% 12%

Health Standards Compliance

Mission

To ensure that health services providers and establishments comply with health and safety regulations, providing safe, clean and healthy services for Hoosiers.

Summary of Activities

Health standards compliance activities are overseen by the **Indiana State Department of Health (ISDH)**, by way of the Health Care Regulatory Services Commission. This commission is comprised of five divisions. The Acute Care and Long Term Care divisions are responsible for the licensure and certification of 5,022 acute care and 625 long-term care providers, respectively. These divisions provide directories, pamphlets, profiles, reports, and other reference information relating to acute care and long-term care issues such as nursing homes, hospitals, hospices, home health agencies, and blood centers. They also evaluate complaints regarding hospitals, nursing homes, home health care providers, or hospice care providers, conducting investigations when necessary.

The Food Protection division is charged with ensuring the safety and sanitation of food, the accurate representation of regulated products, and the compliance of food and food products with state laws and regulations. This division works with the retail and wholesale food industry to ensure that food provided to the consumer is safe and does not become a vehicle in a disease outbreak or in the transmission of communicable disease.



The Indoor and Radiological Health division regulates all sources of radiation in Indiana, providing guidance and assistance regarding radiation and indoor air quality. Technical assistance is provided on radiological emergency response, proper use of radioactive materials, and X-ray and radon machine training and compliance.



The Weights and Measures division regulates commercial weighting and measuring instruments, ensuring the accuracy of weights and measures in the distribution and sale of necessities such as food and fuel.

External Factors

A number of significant external factors affect health standards compliance:



- ◆ A growing senior citizen population has increased the number of acute and long term care facilities that require licensure and certification.
- ◆ Many acute and long-term care providers are consolidating services to reduce overall operating costs, which may result in fewer options for those in need of care.
- ◆ Acute or long-term care providers are faced with decreased reimbursement rates and labor shortages, which places financial constraints on these care facilities.
- ◆ New certification laws for retail food handlers were adopted to increase the safety level of retail food consumers

Evaluation and Accomplishments

The ISDH Acute Care division has experienced a 22% increase in the number of surveys and complaint investigations since 1998. These investigations have been focusing on patient outcomes and enforcement criteria that can include both fines and the denial or suspension of licenses. In addition, the Acute Care division implemented the Critical Access Hospital (CAH) application process with the initial certification of four CAH hospitals in Indiana.

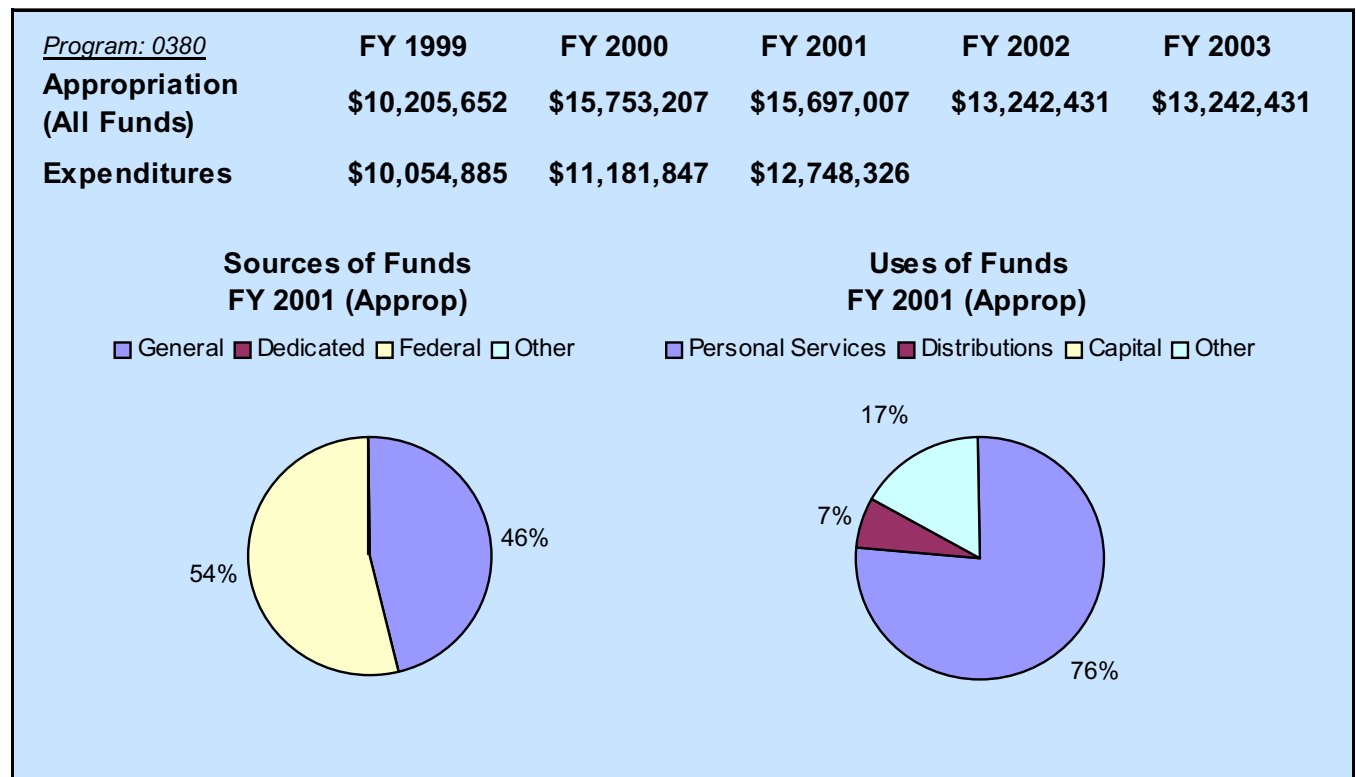


The Long Term Care division recently implemented the federal Health Care Financing Administration enforcement system, which includes the imposition of civil monetary penalties, denial of payment for new admissions, directed in-service, and directed plan of corrections. The division also revised its complaint intake and survey system to include a toll-free telephone number, hired professional intake staff and survey staff, formalized complaint handling protocols, and improved the process that provides notification to the person who filed the complaint.

The Food Protection Division established an enforcement policy to address critical food violations. The division also provided training and technical assistance to local health departments on implementing the revised food protection rules.

Plans for the Biennium

ISDH will expand the consumer information available at the ISDH website, www.state.in.us/isdh. Information now available on the web site includes data regarding inpatient and outpatient providers, food protection, sanitary engineering, and weights and measures.



Veterans' Services

Mission

To provide needed assistance to Hoosier veterans, their dependents, spouses, and service personnel.

Summary of Activities

Hoosier veterans are served by the **Indiana Department of Veterans' Affairs (IDVA)** and the **Indiana Veterans' Home (IVH)** at West Lafayette, Indiana. The IDVA provides certification of eligibility for a variety of veteran's benefits, including free college tuition for the children of disabled veterans, tax abatements, and veteran license plates. It also approves all public educational and training programs within the state for veterans that have GI Bill education benefits. IDVA staff monitor the activities of each County Veterans Services Officer (CVSO) office, providing training to newly-appointed CVSOs.

The IDVA administers the 110-acre Indiana Veterans' Memorial Cemetery, located in Madison, Indiana. Staff are responsible for all aspects of the cemetery, including scheduling, maintenance, visitation, and burial. The cemetery was opened on December 1, 1999.

The IVH provides comprehensive and skilled nursing care for 264 residents with high acuity levels, major disabilities, and multiple chronic conditions associated with the aging process. It provides assisted living care for 55 residents who require 24-hour observation and medication administration, but do not require around-the-clock licensed nursing care. IVH also provides self-care rooms for 38 residents who can care for themselves but have conditions or disabilities that negate normal employment, or have serious financial situations.



The Indiana Veteran's Home

The IVH staff (428 employees and 11 contractual staff) includes two full-time doctors, two respiratory therapists, and three clinical pharmacists, as well as physical and occupational therapy; audiology and speech pathology; a part-time dentist, podiatrist, and optometrist; consulting physician specialists; and extensive nursing, social work, and recreation staff.

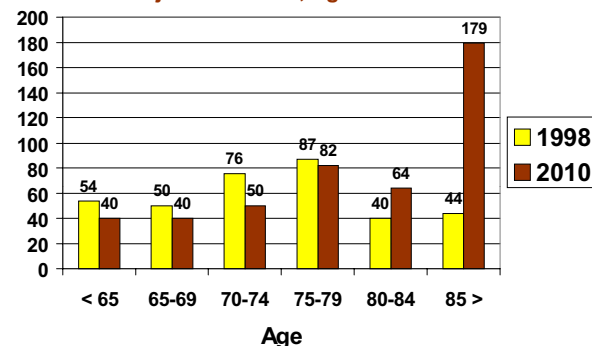
External Factors

The IVH and the **Indiana State Department of Health** conducted a needs assessment study in 1999, based on Veterans' Administration (VA) demographic projections of World War II veterans. The study showed that a significant increase in the number of veterans age 85 years and older will result in a need for a greater bed capacity at the IVH. The IVH will also have to accommodate a growing nationwide shortage of certified nurse aides.

The recent passage of the Veteran's Millennium Healthcare and Benefits Act mandates more regional, community-based veteran's services, such as home health care, adult day services, and community mental health services. This will require greater integration of IVH and VA services.

Burial rates at the Veterans' Memorial Cemetery are expected to increase significantly as the facility is completed and more veterans become aware of the benefit.

Indiana Veterans' Home - Current vs. Projected Census, Age of Residents



Evaluation and Accomplishments

In coordination with the **Office of the Lieutenant Governor**, the American Legion, and the U.S. Department of Veterans Affairs, the IDVA conducted an extensive outreach effort to provide veterans with information about the benefits to which they are entitled.

IDVA efforts resulted in additional federal funding for the Veterans Memorial Cemetery, as well as successful planning, procurement and operation of cemetery construction.

State long-term care surveys of the IVH in 1999 and 2000 produced no finding of deficiency in care. Only five percent of all nursing homes meet this standard, indicating the quality of care being provided to Hoosier veterans. No state survey or VA inspection has identified any serious care-related finding since 1994. Resident and family surveys, conducted by an external organization in 1999, reflected a very high rate of customer satisfaction



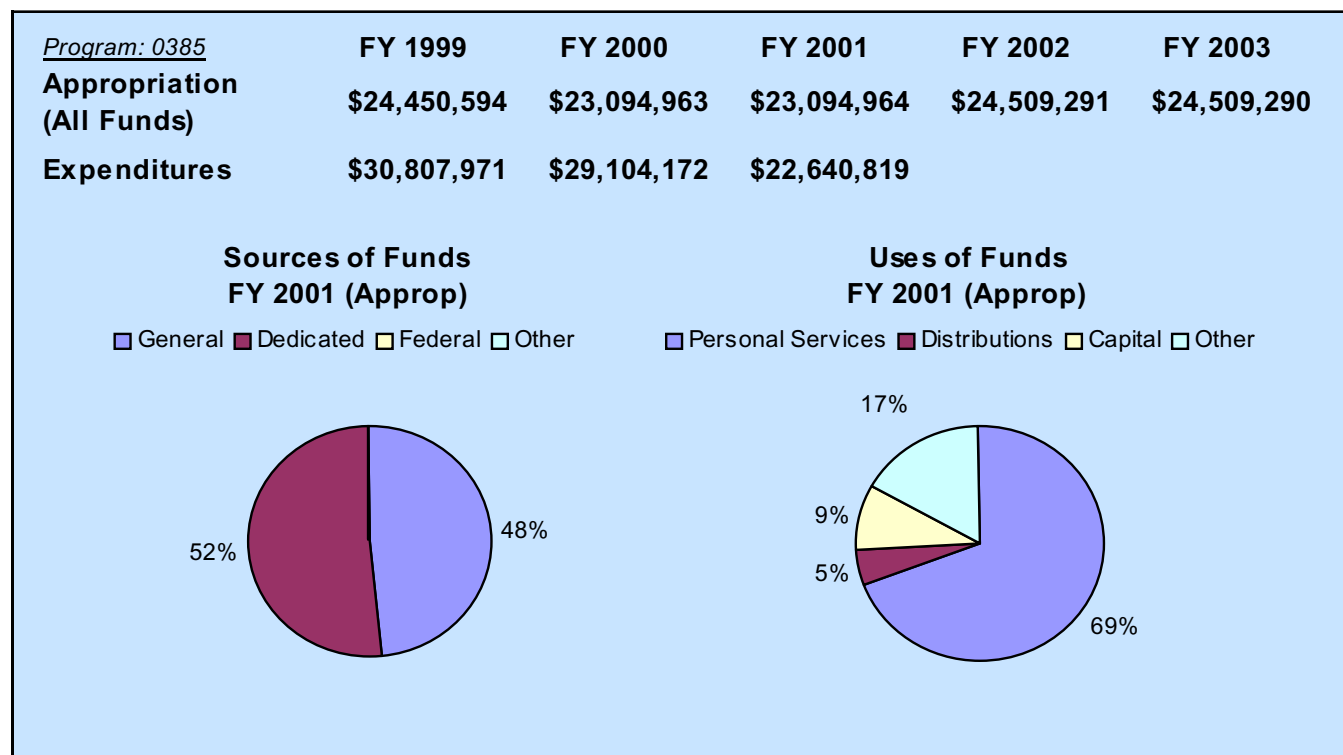
The Indiana Veterans' Memorial Cemetery

Plans for the Biennium

The IVH Applied Strategic Performance Planning process has identified the following primary objectives:

1. Maintain and enhance the quality of resident care.
2. Optimize utilization of available resources.
3. Maintain and train sufficient staff to meet all resident care needs.
4. Acquire and maintain appropriate equipment, and maintain a safe, effective facility.
5. Create a proactive partnership with the VA to better integrate veteran's health care services.

The IDVA will continue to perform outreach to Hoosier veterans to ensure that they receive a full range of educational, health, and other benefits.



Law Enforcement Patrol

Mission

To create a safe environment for Indiana citizens by enforcing state and federal laws.

Summary of Activities

Law enforcement patrol activities implemented by the **Indiana State Police** include many facets of operation, including the enforcement of traffic laws, commercial vehicle enforcement and training.

In 1999, 653 state troopers were deployed. They patrolled a total of 39,926,200 miles, with the following results:

- ◆ DUI Arrests -- 5,213
- ◆ Written warnings – 321,928
- ◆ Truck arrests – 78,545
- ◆ Criminal arrests – 23,974
- ◆ Felony arrests – 8,787

The State Police also utilize aircraft in patrol activities. In 1999, pilots flew 3,591 flight hours in support of traffic enforcement, fugitive search, victim search and rescue, criminal surveillance, aerial photography, and disaster assistance. These activities contributed to 4,641 traffic contacts.



The **Department of Natural Resources** (DNR) Conservation Officers enforce natural resource laws and rules through fish and wildlife law enforcement patrols, boating law enforcement patrols, patrols of DNR property for criminal, traffic and natural resource law violations.

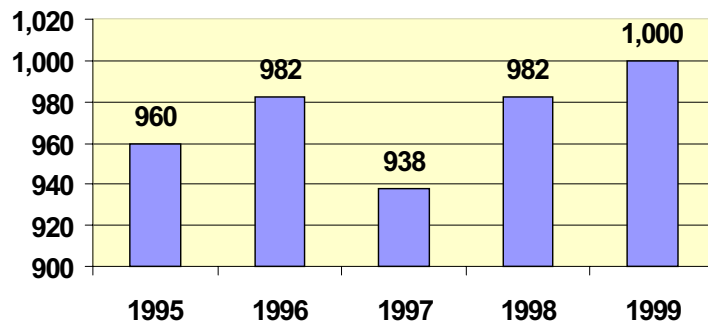
External Factors

External factors that influence law enforcement patrol activities include vehicle miles traveled, safety belt compliance, impaired driving, and weather conditions. Increased use of DNR recreational opportunities increases the need for expanded law enforcement patrols. Higher use requires an evident law enforcement presence necessary to reduce recreational accidents and curb more traditional criminal activity.

Evaluation and Accomplishments

A total of 654,341 traffic related staff-hours were worked by the State Police in 1999. Traffic fatalities increased slightly while vehicle miles traveled also increased. Traffic arrests, moving arrests, truck arrests, trucks measured and police services all increased from the previous year.. Officers working on federally funded grant projects produced 20,131 traffic arrests and 527 driving-under-the-influence arrests. A total of 4,159 citations were written for seat belt violations and 113 for child restraint violations. Department aircraft provided assistance in controlling the flow of vehicles and pedestrians into and out of the Indianapolis Motor Speedway for the Indianapolis 500 and the Brickyard 400, and for state university football games. The Aviation Section worked 187 traffic deaths.

Traffic Fatalities

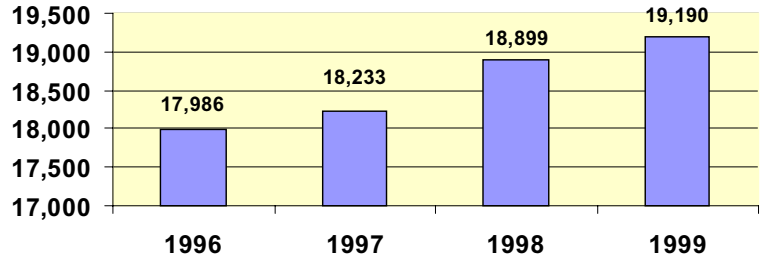


Plans for the Biennium

The State Police have identified these patrol-related goals for the next biennium:

- ◆ To continue with the procurement of a new voice/data communication system.
- ◆ To decrease the total number of miles driven over the life of a patrol car.
- ◆ To continue the enhancement and utilization of information technology department-wide.

Vehicle Miles Traveled
(in millions)



Special Initiatives

The State Police propose to lead the implementation of Project Hoosier SAFE-T, an integrated, statewide, wireless voice and data communications system for public safety officers. Wireless public safety communications in Indiana currently use a variety of different and often incompatible platforms. As a result, law enforcement officers at the state, county, and municipal levels are unable to communicate with each other when they respond to public safety emergencies.



Project Hoosier SAFE-T will utilize a network of communications towers placed across the state to provide direct, statewide communications among state, county, and local public safety workers to facilitate multi-agency emergency response. The Hoosier SAFE-T system will be available to all state agencies and any county or locality electing to join, enabling them to communicate with each other in the event of a crisis or disaster. The system will also allow communities statewide to take advantage of the latest data communications technology.

<i>Program: 0400</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$96,201,598	\$106,387,155	\$96,147,820	\$103,886,827	\$103,926,043
Expenditures	\$94,354,422	\$104,547,427	\$106,741,193		

<p>Sources of Funds FY 2001 (Approp)</p> <p> ■ General ■ Dedicated ■ Federal ■ Other </p>	<p>Uses of Funds FY 2001 (Approp)</p> <p> ■ Personal Services ■ Distributions ■ Capital ■ Other </p>
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Law Enforcement Investigation

Mission

To create a safe environment for the State of Indiana through the identification and suppression of criminal activity.

Summary of Activities

Law enforcement investigation activities implemented by the **Indiana State Police** include criminal investigations, crash investigations, odometer fraud, and training. The State Police Bureau of Criminal Investigation provides a direct approach to investigating crimes through the use of specialized investigative procedures and the use of advanced technology. These resources are made available to local and county law enforcement officials. Specific areas of targeted investigation include violent crimes, drug interdiction, vehicle crimes, white collar crimes, crimes against children, and “cyber-crimes”.



White collar crime investigations include political corruption, internal thefts, fraud and crimes involving complex financial schemes. The White Collar Crime Unit of the State Police works closely with the **Department of Revenue, Department of Insurance, State Board of Accounts** and the **Office of the Secretary of State**.

The Laboratory Division of the State Police provides investigative services to all Indiana law enforcement agencies. Personnel conduct DNA analysis, polygraph examinations, fingerprint comparisons and ballistics imaging.

The State Police also maintains a missing children clearinghouse that serves as a central repository for all information relating to missing children in Indiana, including a newsletter and toll-free number (1-800-831-8953).

The **Alcoholic Beverage Commission** (ABC) excise police serve both as law enforcement to local communities and regulators of the alcoholic beverage industry. They serve on local alcoholic beverages boards and help coordinate hearings and assist laypersons in a complex process. Excise officers also provide educational programs to the public, sister law enforcement agencies and permit holders, including server training, “Cops in Shops,” and recognizing fake driver’s licenses.

External Factors

State Police Bureau of Criminal Investigations activities are driven by allegations of criminal activity reported by citizens and assistance requested in city, county and local law enforcement investigations.

The number of ABC Excise officer investigations, which are coordinated with community leaders and local law enforcement, are a function of the number of public nuisances related to alcohol sales. The ABC applies the foundations of community policing to keep neighborhoods from sliding into despair. The legislature has also delegated the enforcement of underage tobacco laws to the excise police.

The growth of the gaming industry increases the need for law enforcement investigation in and around riverboat casinos. As the number of visitors to the riverboats continues to increase, it is necessary to assume that violations of criminal law will also continue to rise. Consequently, the presence of comprehensive law enforcement investigation will be a continuing need.

Evaluation and Accomplishments

The State Police Vehicle Crimes Unit made 64 felony arrests and recovered 187 stolen vehicles with a value estimated at over \$2 million. The Crimes Against Children Unit continues to utilize technology in pursuing individuals who prey on children. Detectives have received 41 referrals from Internet providers and computer related industries, generating 15 search warrants and 98 felony charges.

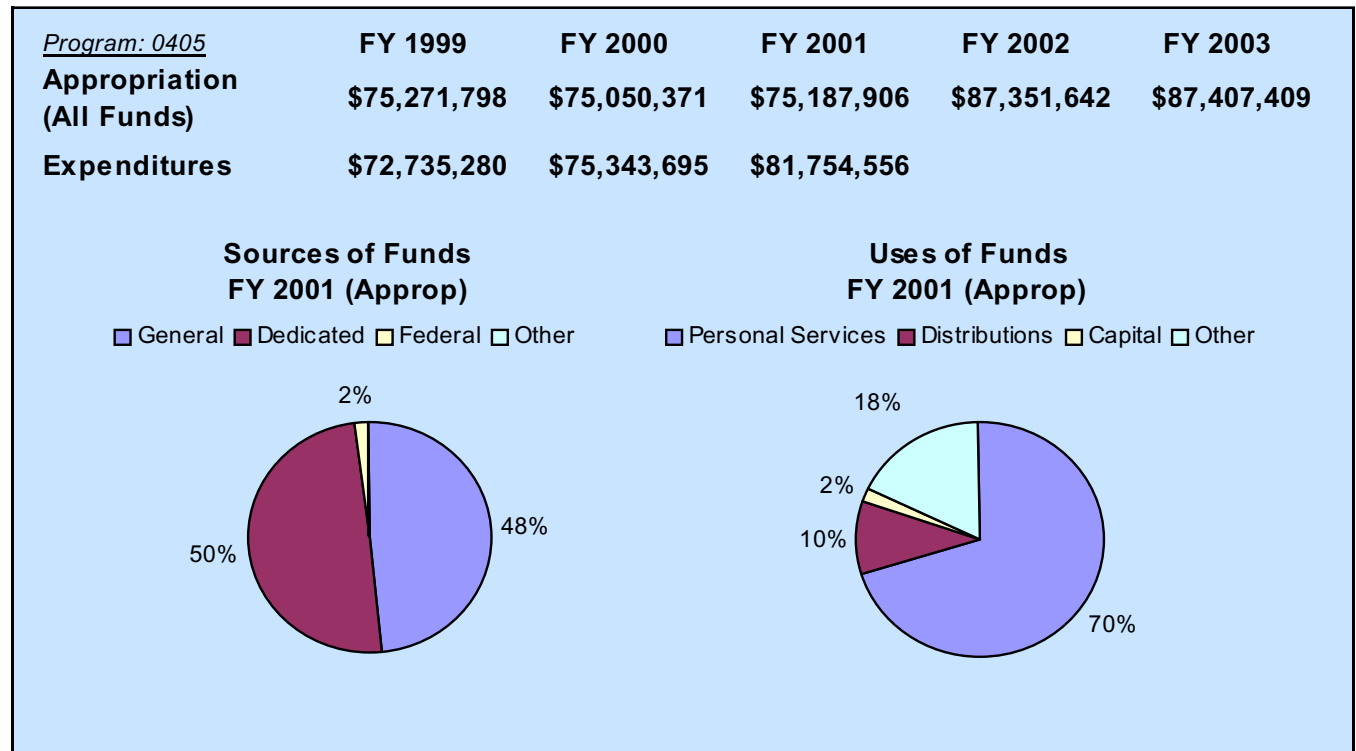
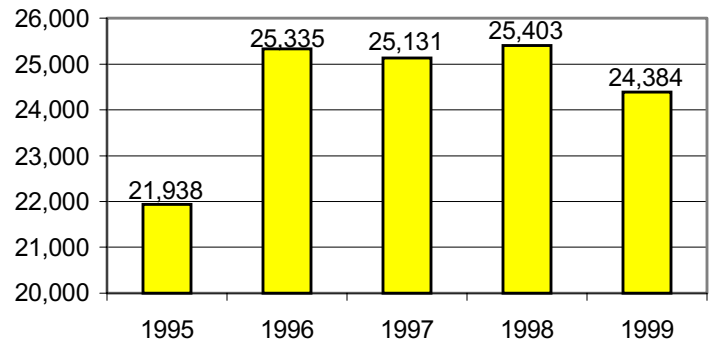
The Cyber Crime Unit was created to forensically examine computer systems for criminal justice agencies. Detectives responded to 57 calls for assistance and have been successful in recovering deleted and covert files from systems that have been instrumental in charging and convicting defendants. Evidence has ranged from child pornography to counterfeit currency.

The analytical personnel of the Laboratory Division reported the analysis of more than 54,745 specimens. Additionally, division employees conducted over 830 polygraph examinations, printed over 323,000 color photographs and identified 425 latent fingerprints. Approximately 80% of analytical services and 55% of field services provided were in support of county and municipal police agency investigations.

Plans for the Biennium

Indiana's law enforcement investigation activities will continue to target the most significant criminal activities and work diligently toward addressing them.

Total Number of Criminal Arrests



Corrections Offender Housing

Mission

To protect public safety and promote offender rehabilitation through the maintenance of safe, secure correctional facilities.

Summary of Activities

The **Department of Correction (DOC)** currently houses 18,401 adult male felons. Of these offenders, 16,682 are housed in one of 24 prison facilities located around the state. Another 953 are housed on a contractual basis in out-of-state private sector prison beds, while 1,166 are in county jails. Counties are reimbursed for the cost of housing state prisoners, at a rate of \$35 per day. The adult female population is 1,271, of which 66 are in county jails.

40% of adult offenders are incarcerated for crimes against other persons. 23% have been convicted of property crimes, with another 19% incarcerated for substance abuse violations. 20% of offenders are housed in maximum security prisons, 70% in medium security, and 10% in minimum security facilities. Indiana also maintains a “super-maximum” facility for the most violent offenders.



At their time of incarceration, 29% of offenders have sentences with lengths of 1-2 years, 19% at 2-5 years, 29% at 5-10 years, 7% at 10-15 years, 9% at 15-20 years, and 20% at 20 years and over. There are currently 44 offenders assigned to Indiana Death Row. There are also currently 61 males under the age of 18 housed in adult facilities. The average age of an adult male offender is 33 years.

The DOC Central Office provides a number of coordinating services for Indiana’s correctional system. It is responsible for assigning offenders to the most appropriate facility and program, as well as maintaining offender records and scheduling offender release. Offenders are placed in the least restrictive appropriate security levels for the protection of the public and offenders. Using modern equipment, technology, and techniques, DOC staff are prepared for handling disturbances, high-risk offenders, and the care of staff in high-stress situations. Through the efficient transfer and movement of offenders, the DOC ensures that housing facility resources are maximized.

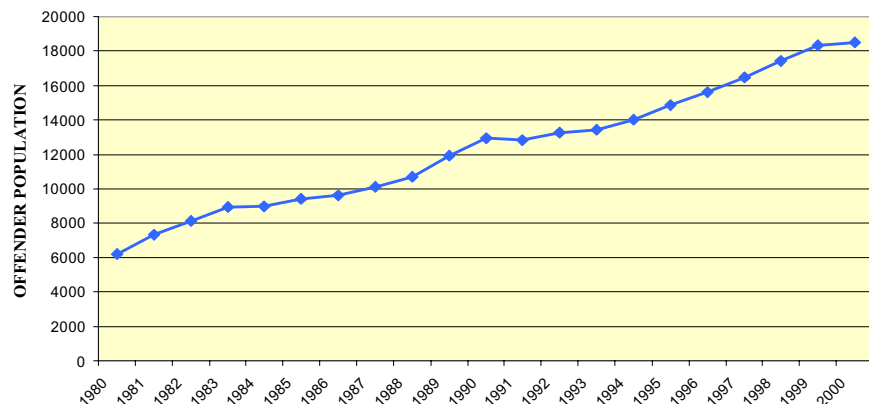
External Factors

The number of adult offenders housed by the DOC has increased from 6,426 in 1980 to 19,874 today, an increase of 209%. As these trends continue, greater expenditures are required to build new prisons and provide guards and other prison personnel. The most recent long-term population forecast indicates by July 1, 2009, population levels will be:

Adult Males 23,170
(3,042 over rated capacity)
Adult Females 1,645
(522 over rated capacity)

Contributing factors to this increase include better law enforcement techniques, longer statutory prison sentences, and an increased emphasis on incarceration for persons convicted of certain crimes.

ADULT MALE INCARCERATED POPULATION ON JULY 1
(Includes Offenders Held in Jail and Contract Beds Due to Overcrowding)



Evaluation and Accomplishments

Despite the ever increasing offender population, the DOC has been able achieve great success in maintaining the safety of the public, staff, and offenders. It has maintained a low number of escapes and a low number of major disturbances. In fact, the Special Emergency Response Team (SERT) has not been activated for a major disturbance in the current biennium. The DOC is working to establish performance measurements regarding the safety of offenders and staff.

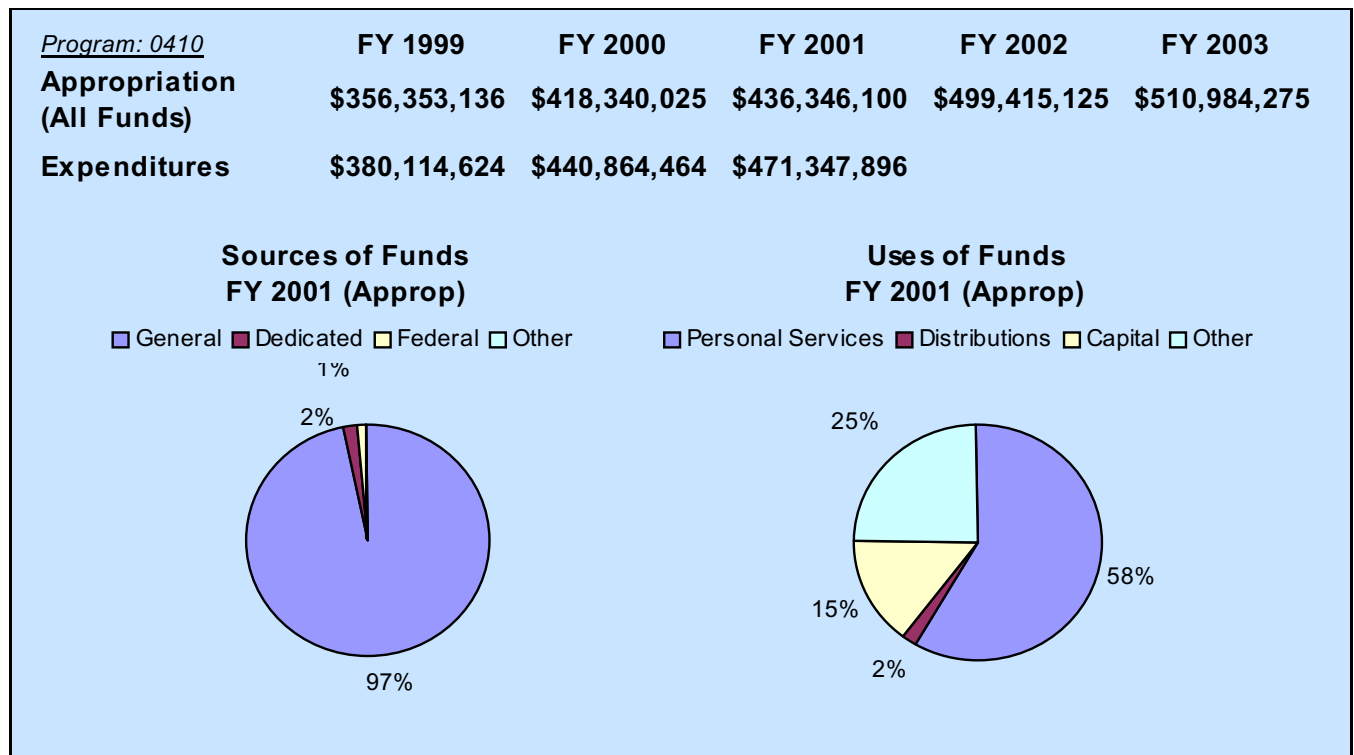
Plans for the Biennium

1. Implement a new pay scale for adult offenders.
2. Continue to employ private sector companies to supplement DOC bed count.
3. Classify offenders to the proper security levels in order to maximize public safety.
4. Research the feasibility of private sector alternatives to transport offenders.
5. Continue to train and prepare emergency response teams.
6. Identify a facility at each classification level to implement a Youth Incarcerated as Adults Program. Identified facilities will create a plan to separate affected population for programming and housing.

Special Initiatives

Miami Correctional Facility Phase II, \$26.6 million annually. The completion of the Miami Correctional Facility will add 1,632 beds to the DOC for the incarceration of adult males. The total cost of operations, including Phase I, will be approximately \$53 million. Average daily per-offender costs will be \$47.52, less than comparable private correctional facility costs of \$48.21 (CCA Marion County). The staffing ratio will be maintained at 3:1.

New Castle Correctional Facility, \$34.1 million annually. The DOC is building an intensive treatment facility that will house 1,868 offenders and create a therapeutic substance abuse community. It will contain elements of the Department's Sex Offender management and Monitoring Program, and also house the Department's Special Needs (assisted living, hospice, infirmary, and mental health) populations.



Corrections Offender Programs

Mission

To promote and operate a continuum of programs that enhance security and safety and foster the integration of the offending individual into the community.

Summary of Activities

The **Department of Correction** (DOC) Division of Programs and Community Services offers a variety of programs for offenders. They include educational opportunities in academic (literacy, adult basic, GED, high school/secondary and post-secondary/college) and twenty vocational programs. On-site and correspondence courses are provided through agreements with Indiana colleges. Two facilities offer post-secondary vocational programs through contracts. A total of 9,283 students participated in FY99.

Health services and clinical services at facilities include general and specialty outpatient, dental, nursing coverage, chronic care, intake and screening, mental health care (residential and outpatient), infirmary, dialysis and emergency care. Hospital care is provided off-site. With the exception of nursing care, most health services are provided by contractual providers.

Community involvement and religious services include religious worship, instruction, and spiritual care consistent with an offender's preferred faith. The DOC also assists victims and witnesses by notifying them regarding releases and other changes in offender status and providing other supportive services.

Holistic substance abuse programs focus on accountability and correcting "think errors" (cognitive restructuring). The programs use incentives and sanctions. Drug testing is an integral part of these programs. Traditional twelve-step programs are also offered. During 1999, approximately 65,000 hours of clinical services were provided to 7,000 offenders, with more than 3,000 successful completions.

Recreation programs provide opportunities for structured recreational activities. There are gymnasiums in the major facilities where 150 full-time recreation staff deliver both active and passive activities including basketball and arts and crafts. Programs for juvenile offenders include field trips, swimming, and camping. Adaptive activities for offenders with physical or mental disabilities are provided.

A transition program provides all adult offenders who are nearing the end of their term of incarceration with information and skills designed to aid successful reintegration into work, family and community life. 3,821 offenders completed the standard program (SPOP), offering eighty hours of instruction at seventeen facilities, in 1999. Another 2,815 received an abbreviated program (IPOP).

The SOMM Program is a research-based, three-phase approach to managing and monitoring adult sex offenders. Phase I consists of a mandatory, fifteen-hour awareness program in which offenders are challenged to take responsibility for their actions. Phase II occurs during incarceration at one of six facilities and includes risk assessment and a cognitive-behavioral program. The purpose is to increase staff and offender understanding of the offender's sex offense cycle, allowing for development of relapse prevention and community supervision plans. Phase III is the community component where offenders released to parole or probation participate in treatment and are subject to intensive supervision and polygraph exams. Treatment is focused on community safety and the needs of victims, rather than the needs of the offender-client. The DOC currently has about 3,200 sex offenders incarcerated and 400 under parole supervision.

External Factors

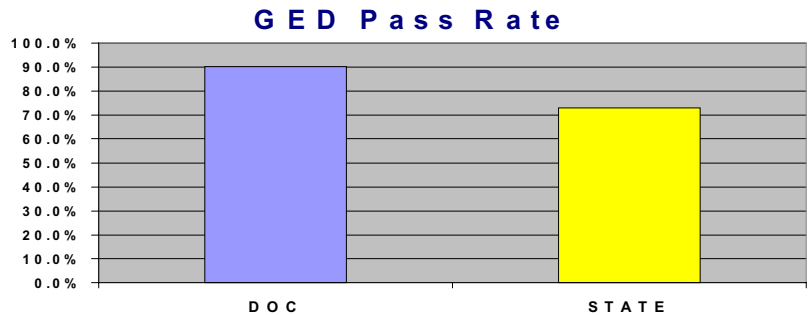
Most of the increase in offender programs spending has been due to the rapid increase in the number of prisoners. Several factors influence the type of programming offered. For example, 85% of DOC offenders have a significant history of substance abuse. Also, rising public concern about sex offenders has led to statutes developing a sex offender registry, requiring sex offender registration, mandating DNA sample collection, and placing restrictions on where sex offenders may reside in relation to schools and day care centers.

Evaluation and Accomplishments

In FY99, educational program participation grew by 4 % and completions grew by 8%. GED completions increased by 17%. FY 00 figures are expected to show a continuation of this trend.

During FY 00, there were 174,090 bed days of credit time earned as a result of offenders successfully completing substance abuse programs.

All DOC facilities have received accreditation from the National Commission on Correctional Health Care (NCCHC). The Residential Treatment Unit (mental health) at Wabash Valley Correctional Facility was named the NCCHC's national "Program of the Year" for 1999.



Plans for the Biennium

- ◆ A special education cooperative will be developed to serve identified special education students in juvenile and adult facilities by making optimum use of certified teachers.
- ◆ Work with other criminal justice stakeholders to increase the number of polygraph and community treatment providers and fully implement the Sex offender Management and Monitoring Program.
- ◆ Reduce waiting lists for eligible offenders to receive substance abuse programs.
- ◆ Initiate a restorative justice program that will benefit both victims and offenders. Programs to explore include victim awareness, impact panels, family group conferencing, service-restitution, and mediation.

<i>Program: 0415</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$36,875,987	\$43,579,788	\$44,424,046	\$51,538,791	\$51,495,232
Expenditures	\$37,198,680	\$41,019,919	\$45,639,713		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

95% 5%

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

72% 20% 8%

Juvenile Correction

Mission

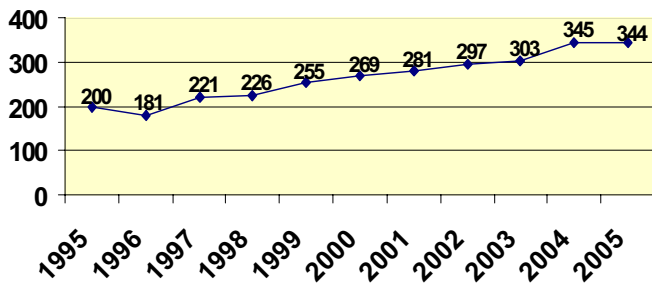
To provide safe, secure incarceration of juvenile offenders while promoting treatment and rehabilitation.

Summary of Activities

The **Department of Correction** (DOC) Division of Juvenile Services is responsible for providing quality rehabilitative treatment opportunities to youth who have violated the law and have been committed to the DOC. With the opening of the 360 bed Pendleton Juvenile Facility in July 2000, the DOC will operate 10 juvenile facilities -- 2 for females, and 8 for males, including an intake facility in Logansport.

Female Juvenile Population

(Average Daily Population)



In addition to the 10 facilities operated by the DOC, the state also contracts with 8 private companies to provide residential treatment services to juvenile males and females who have been committed to the DOC but for whom space is not available in a state facility. As of May 2000, there were 1,384 juveniles in the DOC -- 311 females, 1073 males; 1123 in a state facility, 261 in private placement.

While in custody, juvenile offenders participate in a variety of programming opportunities to address their various needs. Education and special education, anger management, recreation, sex offense treatment, substance abuse treatment, individual and group counseling, conflict resolution and community programming are among the programs offered. Upon release from a facility, the majority of the juveniles are placed on aftercare supervision, which can consist of supervision by a Youth Service Coordinator or parole agent and involve intervention from a variety of community service providers.

Foster or group home placement is available for those youth who cannot return to their homes. The DOC contracts for electronic monitoring and intensive family preservation/wrap-around services for those juveniles on an as needed basis.

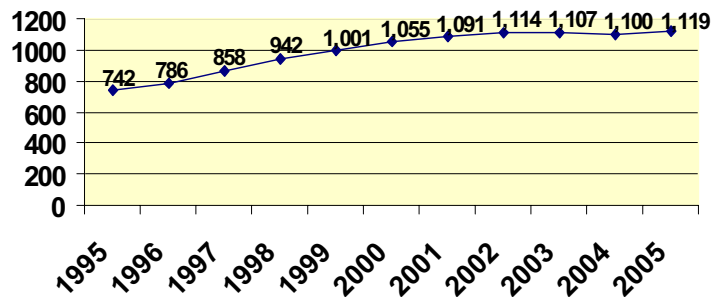
The **Criminal Justice Institute** administers federal juvenile justice delinquency prevention grant funds to promote, facilitate and coordinate the efforts of juvenile programs throughout the state. An example is a program known as Community Systemwide Response (CSR). Operated through **Purdue University's** 4H Extension Office, CSR encourages members of communities who have an interest in youth or who administer youth services to come together to develop strategies to prevent and reduce delinquency.

External Factors

The rate of commitments to the DOC Juvenile Services Division of both males and females has been steadily increasing. Recent projections indicate that they will continue in an upward direction. This will ultimately require increased state expenditures for facilities and personnel.

Male Juvenile Population

(Average Daily Population)



Evaluation and Accomplishments

The DOC has undertaken the task of reviewing service delivery and the manner in which programs are offered within state facilities and in the community. Consultants from the National Council on Crime and Delinquency (NCCD) were hired to perform an evaluation of the DOC juvenile offender classification system, which was first implemented in 1992. Along with the work of NCCD, various work groups were established to begin the process of developing a case management system for juvenile offenders. The system will offer a clear and consistent method of providing services within juvenile facilities. NCCD will develop a format to conduct a case load analysis to determine the number of Youth Services Officers needed to provide the levels of supervision identified by the case management system.



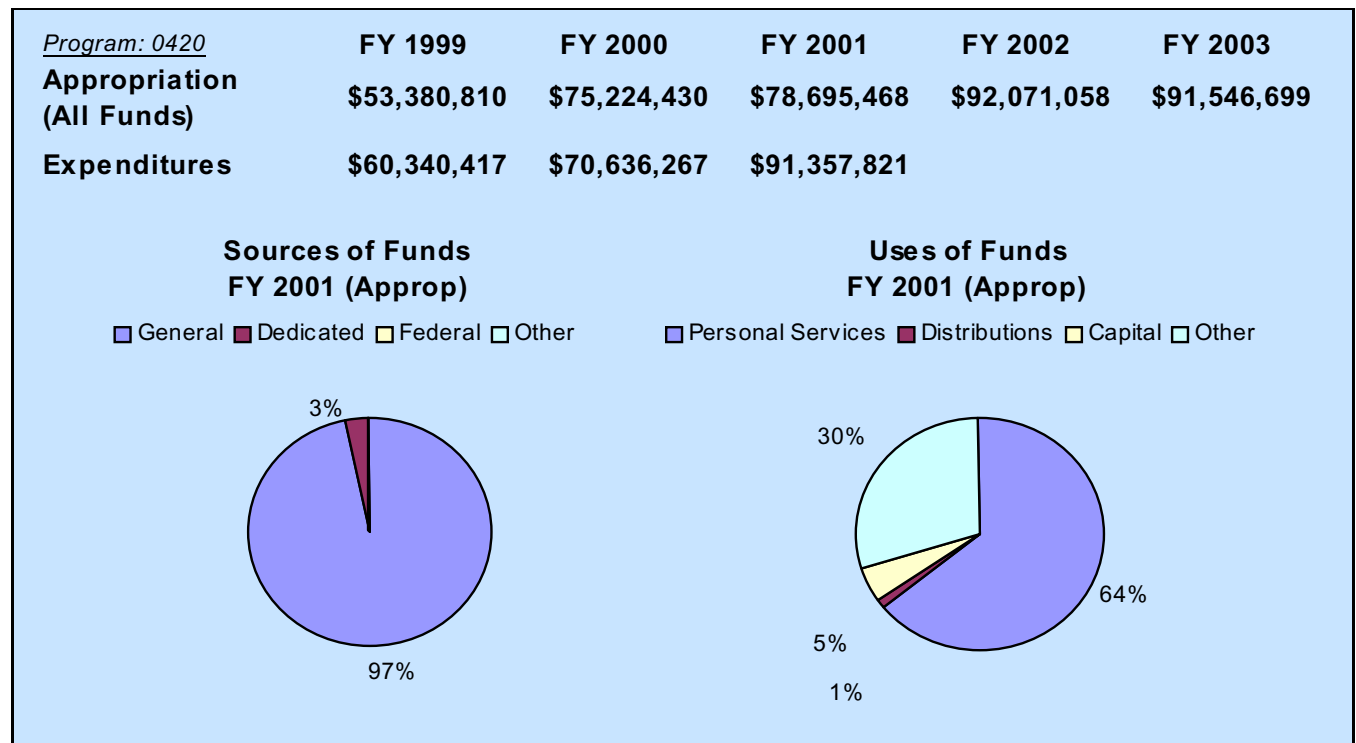
Pendleton Juvenile Correctional Facility

The Superintendents of Logansport Intake and Diagnostic Facility and Fort Wayne Juvenile Facility have developed survey instruments that are sent to various stakeholders in the juvenile offender system. Survey results will be used to ensure that programs are providing maximum effectiveness and efficiency.

Plans for the Biennium

The DOC will begin new construction of a 150-bed unit at the Indianapolis Juvenile Correctional Facility with funding provided under a federal grant. As shown by the graph of the female population on the previous page, this population is expected to increase in the foreseeable future, and the Indianapolis Juvenile Facility is already over capacity.

The DOC will also develop a uniform, competency-based educational system for all facilities. The DOC currently offers educational services at all juvenile facilities.



Prison Industries and Farms

Mission

To establish and operate a business that employs offenders in meaningful occupations in self-sustaining enterprises in a manner that maintains a commitment to excellence.

Summary of Activities

PEN Products operates twelve manufacturing locations and two farm operations in twelve **Department of Correction** (DOC) facilities located across the state. PEN Products operating expenses are funded by a revolving fund (PEN Product revenues), with no operating money coming from the state general fund. The inmates employed in these operations work in meaningful positions, learning job skills and a work ethic. Offender employment reduces inmate idleness in DOC facilities. PEN Products employs 234 staff to manage these operations. PEN Products is broken down into four areas: traditional industries, a food group, private sector/joint ventures, and a central office.

Traditional industries is the largest area, with 948 inmates employed. These industries produce license plates, metal furniture, offender clothing, janitorial products, office furniture, mattresses, printing, corrugated boxes, highway signs, park furniture, picnic tables and shelter houses. These products are sold to various state agencies, cities and counties. Traditional industries represent 60.5% of PEN Products' revenue. The business in the traditional industries is generally stable.



Beef Cattle are raised at both the Indiana State Prison Farm and the Pendleton Correctional Facility Farm

The food group is the second largest area with 297 inmates employed. The food group area is organized in three sections: 1) Farming operations, which produce grain, vegetables, beef cattle, and timber, 2) Food processing, which produces baked goods, cottage cheese, frozen beef, pork, poultry products, frozen fruits and vegetables, milk, and flavored drinks, and 3) A food service operation. These products are sold primarily to DOC, city, and county jails. The food group represents 36.8% of PEN Products revenue. The business in the food group is growing and is expected to continue to grow in the future.

Private sector/joint ventures, with 353 inmates employed, include commercial laundry, pallet repair, coil assembly, electronic component assembly, data conversion-Geographic Information Systems (GIS), sewing, hickory furniture, re-manufactured automotive parts and duck decoys. These products are sold to the private sector, either through the federal prison industry's enhancement program, or as services. Private sector/joint ventures represent only 2.7% of PEN Products revenue. However, this area is the fastest growing, with many newly-started joint ventures employing a large number of inmates. The PEN Products central office provides support services such as sales, marketing, operations, engineering, warehousing, delivery, data processing, and accounting. It also provides the overall management and strategic planning.

External Factors

There are three primary external factors affecting PEN Products: inmate population growth, state use law changes, and other state agency policy changes. The most significant is the growth of the inmate population. From 1996 to 1999, the inmate population grew 6% per year. PEN must continually find either new industries or grow current industries to provide additional inmate jobs.

Changes in the procurement use law have an impact on PEN Products. For example, the last change required products to be sold at a fair market price. In response, PEN Products reviewed the pricing structure of products sold, as well as the product lines themselves, to ensure that products are being sold at a fair market price, and that the product production is financially self-sustaining. This caused the elimination of some product lines. While in the short term this had a negative impact on offender employment, in the long term it helped focus PEN inmate employment in more meaningful occupations.



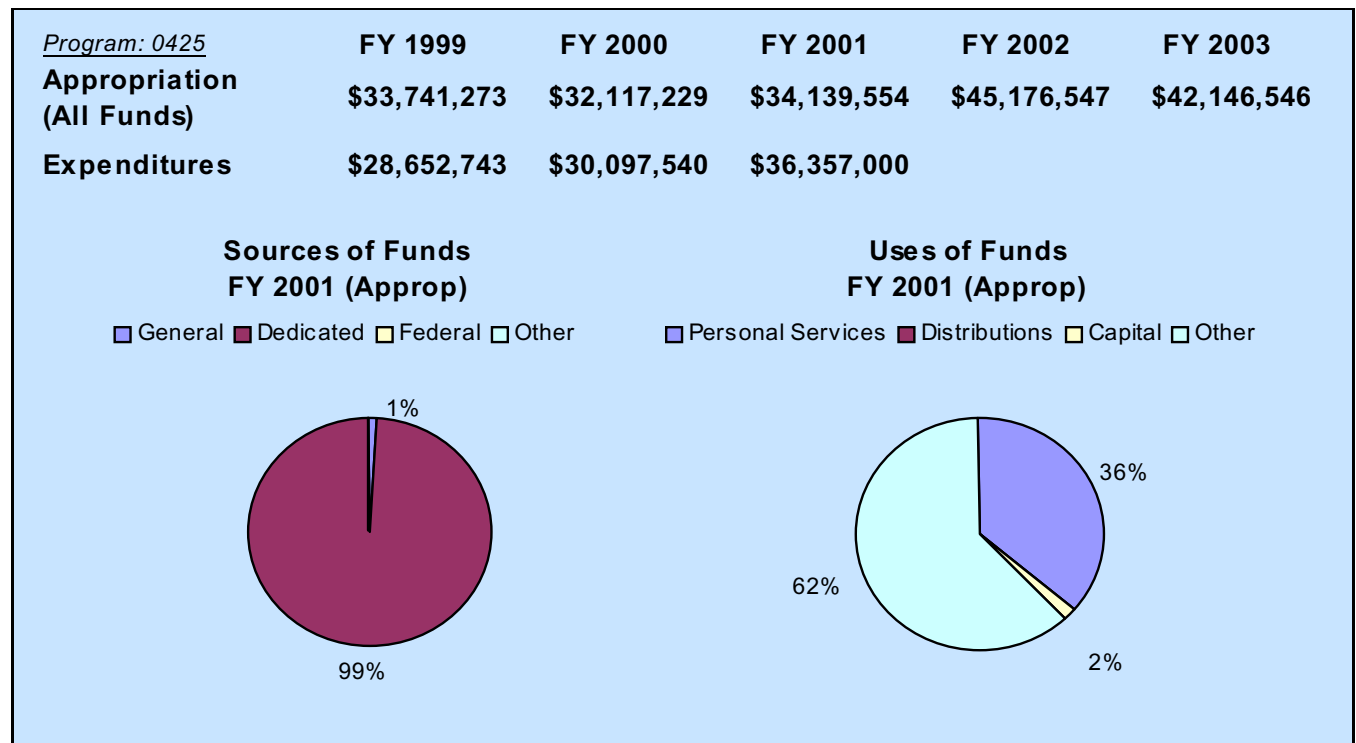
Changes in agency policies through legislation impact PEN Products. A good example can be seen in license plate production. Ten years ago, plates were replaced every year. This changed to a three-year cycle, then five. This impacted inmate employment significantly in non-plate production years. A change of this kind also impacts PEN Products' ability to maintain self-sufficiency.

Evaluation and Accomplishments

The continued growth in inmate population requires a corresponding increase in the availability of inmate jobs. During 1999-2000, 134 inmate jobs were added, a 9.2% increase that exceeded the overall growth rate of the inmate population. The number of joint ventures with the private sector increased, as did the food group through increased vertical integration and additional products. New offender operating procedures were implemented that place real, business-world expectations on offender workers to be productive, meet job quality and timeliness standards, and incur consequences for absenteeism. These standards have been implemented at three of the major institutions. PEN continues to fund current operations from revenues raised through the sales of products, without an appropriation from the state general fund.

Plans for the Biennium

PEN Products has three primary objectives for the biennium: 1) Institute the new offender operating procedures in the remaining four major institutions; 2) Increase employment by 9% in each year of the biennium by continuing vertical integration in PEN's food group, growth in joint ventures with the private sector, and the introduction of new products in PEN's traditional industries; 3) Continue to fund PEN's operations, including growth, without a general fund appropriation.



Community Corrections

Mission

To foster the development and operation of programs and advisory boards that enhance coordination of the local criminal and juvenile justice systems and diversion of non-violent offenders from incarceration.

Summary of Activities

Community corrections programs offer an intermediate level of sanction for criminal offenders, between full incarceration and release. Programs in Indiana are implemented at the county level, with state administration provided by the **Department of Correction (DOC)**. There are currently sixty-two counties with community corrections programs.

Local programs are operated as independent county agencies by not-for-profit agencies under contract to the county, or as a division of the local probation or sheriff's department. Common components of local programs include house arrest with electronic monitoring, work release, community and restitution service, road crew work detail, day reporting, and victim / offender mediation. Counties, or a combination of counties, are the only local entities that are eligible to receive state funding for community corrections programs. Participating counties must establish a community corrections advisory board. The board's main duty is to formulate the local community corrections plan, the basis for receiving funding from the state, and to apply for financial aid from the DOC. The board also reports annually to the county fiscal body with an evaluation of the effectiveness of the program and recommends improvement, modification, or discontinuance.

The DOC is required to adopt rules concerning the content of community corrections plans, the distribution of funds, and minimum standards for program operation. The DOC is also responsible for providing consultation and technical assistance, training for corrections personnel and advisory board members, informing counties of money appropriated, and providing an approved training curriculum for community corrections field officers.

External Factors

Statutory sentencing limitations are a significant external factor affecting community corrections, because they limit the discretion of judges to direct offenders toward more cost-effective community corrections programs. As additional "mandatory minimum" prison sentences are established for certain offences, such as DUI and sex crimes, the pool of offenders eligible for community corrections programs is reduced.

Evaluation and Accomplishments

The number of counties participating in community corrections programs has increased from 19 in 1986 to 65 today. As a result, offenders served a total of 1,395,035 days in community corrections programs in 1999, instead of in DOC facilities. Because the per-offender cost of community corrections programs is substantially lower than the cost of incarceration in a state prison, the state realized an approximate savings of \$64.3 million.

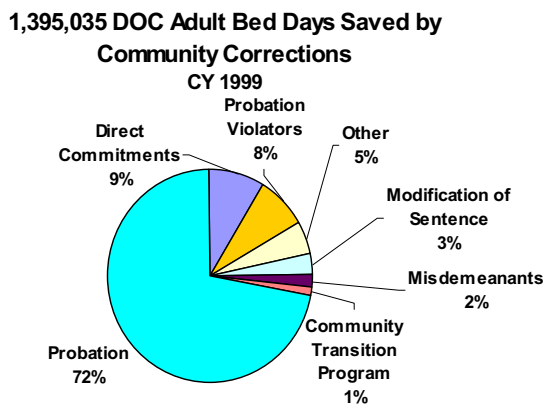
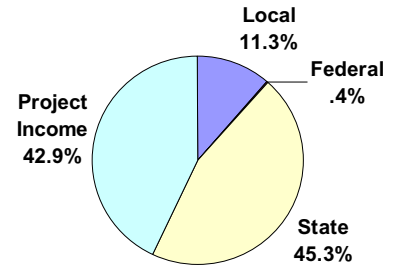


Figure 1

Figure 1 indicates the manner in which adult offenders were placed in Community Corrections programs. In addition, at the beginning of 2000 there were 1,390 juveniles being served, 61% of which fall into the "target" population. The target population for juvenile Community Corrections programs is nonviolent youthful offenders who have been determined by a judge to be delinquent for an offense that if committed by an adult, would be a felony or class "A" misdemeanor.

There are 3,822 DOC prison beds saved every day by community corrections programs, at a cost to the state of only \$13.9 million annually, with the balance of \$16.8 million coming from user fees and local appropriations (**Figure 2**). A comparison of costs for community corrections components and DOC facilities is noted in **Figure 3**. Please note that this is the total daily cost for operation of the programs and that 54% is paid by the offenders or through local appropriations. The DOC is developing performance standards for all local community corrections programs, in an attempt to facilitate consistency and efficiency among the various county programs.

Source of Community Corrections Funding -- FY 1999



**Community Corrections vs. State Prisons
Average Cost Per Day**

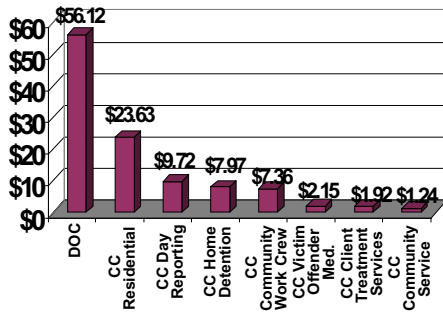


Figure 3

In order to save state costs for prison facilities, the DOC is implementing a new Technical Rule Violation Center. This center will fill a gap in the continuum of sanctions by allowing technical rule violators to be served/rehabilitated in a short-term (90 to 180 day) residential facility complete with intensive cognitive programming, rather than being re-incarcerated. The DOC is also initiating an independent evaluation of the effectiveness and efficiency of the entire community corrections program.

Plans for the Biennium

- 1) Implement only those program components that have been found through research to be effective, such as Day Reporting.
- 2) Provide assessment and case management for offenders and emphasize treatment of offender needs rather than surveillance.
- 3) Target those populations at greatest risk for incarceration and provide preventive and intervention services.

<i>Program: 0430</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$12,608,580	\$20,670,104	\$20,754,626	\$23,362,138	\$23,359,881
Expenditures	\$12,996,443	\$14,504,258	\$21,020,496		

<p>Sources of Funds FY 2001 (Approp)</p> <p> <input type="checkbox"/> General <input type="checkbox"/> Dedicated <input type="checkbox"/> Federal <input type="checkbox"/> Other </p> <p>100%</p>	<p>Uses of Funds FY 2001 (Approp)</p> <p> <input type="checkbox"/> Personal Services <input type="checkbox"/> Distributions <input type="checkbox"/> Capital <input type="checkbox"/> Other </p> <p>98%</p>
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Parole and Probation

Mission

To provide supervision of paroled and probationary offenders in a manner that allows for the protection of the public and the successful reintegration of the offender into society.

Summary of Activities

The **Department of Correction** (DOC) employs 75 parole officers and casework managers to supervise over 6,000 adult and juvenile offenders who have been released from a state correctional facility. Parole officers ensure that offenders meet the requirements necessary for successful reintegration into society.

The DOC has recently participated in several program enhancements aimed at improving supervision of paroled offenders. In July of 1999, baseline drug testing for parolees was initiated at local parole districts.

In addition to random, follow-up, and probable cause drug tests, offenders are now tested for substance abuse during the first week of their supervision. In 1999, a total of 6,415 drug tests were administered to paroled offenders. From 1999 to the present, there has been a reduction in positive test rates. It is believed that the baseline testing has been a major reason for this reduction. The DOC is working to develop treatment and intervention alternatives for offenders with substance abuse problems. All local parole districts have at least one component of a “Zero Tolerance Program” in place. This program combines electronic monitoring, day reporting, and residential placement as a sanction for drug use while on parole. In conjunction with these measures, parole staff are working closely with community-based substance abuse treatment providers to provide education, counseling and support for offenders who are willing to take steps to overcome their addiction.

The DOC is implementing a Sex Offender Management Plan, to identify offenders in need of enhanced supervision and mandatory sex offender treatment. The DOC has also concentrated on enhancing staff expertise in supervising sex offenders. One parole agent is presently being trained in administering and interpreting polygraph tests. These tests will be critical in measuring offender compliance with the stipulations of parole supervision. The DOC is also developing collaborative projects with other agencies in corrections and the criminal justice system. These include over two years of participation in the Indianapolis Violence Reduction Partnership sponsored by the United States Attorney’s Office. In addition to the sharing of intelligence information, this project has led to probation and parole curfew and compliance sweeps where participating agencies and law enforcement visit offenders at their residence during evening hours.

While parole officers are employed by the state, probation officers are county employees who supervise offenders who have not been remanded to state correctional facilities, because of alternative sentencing or incarceration in local jails. The **Indiana Judicial Center** assists the local courts in developing and improving probation services. It conducts testing and certification of probation officers, and sets statewide standards for the operation of probation services. The Center conducts education and training programs for probation officers, and administers the interstate compact regarding the transfer of probationers in and out of Indiana.

The DOC is working to develop treatment and intervention alternatives for offenders with substance abuse problems. All local parole districts have at least one component of a “Zero Tolerance Program” in place. This program combines electronic monitoring, day reporting, and residential placement as a sanction for drug use while on parole. In conjunction with these measures, parole staff are working closely with community-based substance abuse treatment providers to provide education, counseling and support for offenders who are willing to take steps to overcome their addiction.

External Factors

Indiana’s parole system is challenged by the continued increase in the number of offenders on parole. During the past five years, the number of paroled adult offenders has increased significantly, with little adjustment in the number of field employees. The average caseload for parole officers has increased from sixty to eighty offenders. Many officers are now supervising over one hundred offenders. The DOC and public overall have stressed offender accountability as a means of enhancing public safety. Duties such as drug testing, use of electronic monitoring, and closer supervision of sex offenders have all become significant factors in a parole officer’s workday. The probation system is also experiencing increased caseloads, as more judges sentence offenders to “split sentences”, in which the first part of the sentence is served in a state facility, and the second part consists of probation, instead of parole.

Indiana Parolees	
Men	4,818
Women	449
Boys	794
Girls	249

Evaluation and Accomplishments

Despite large caseloads, the DOC has been able to enhance the level of supervision required of offenders and develop measures to implement appropriate sanctions when violations occur. Increased emphasis on drug testing and intervention resulted in a 4% reduction in positive drug tests by paroled offenders. During the past year, a total of 474 offenders participated in the Zero Tolerance Program. This was an increase of 6% from the previous year.

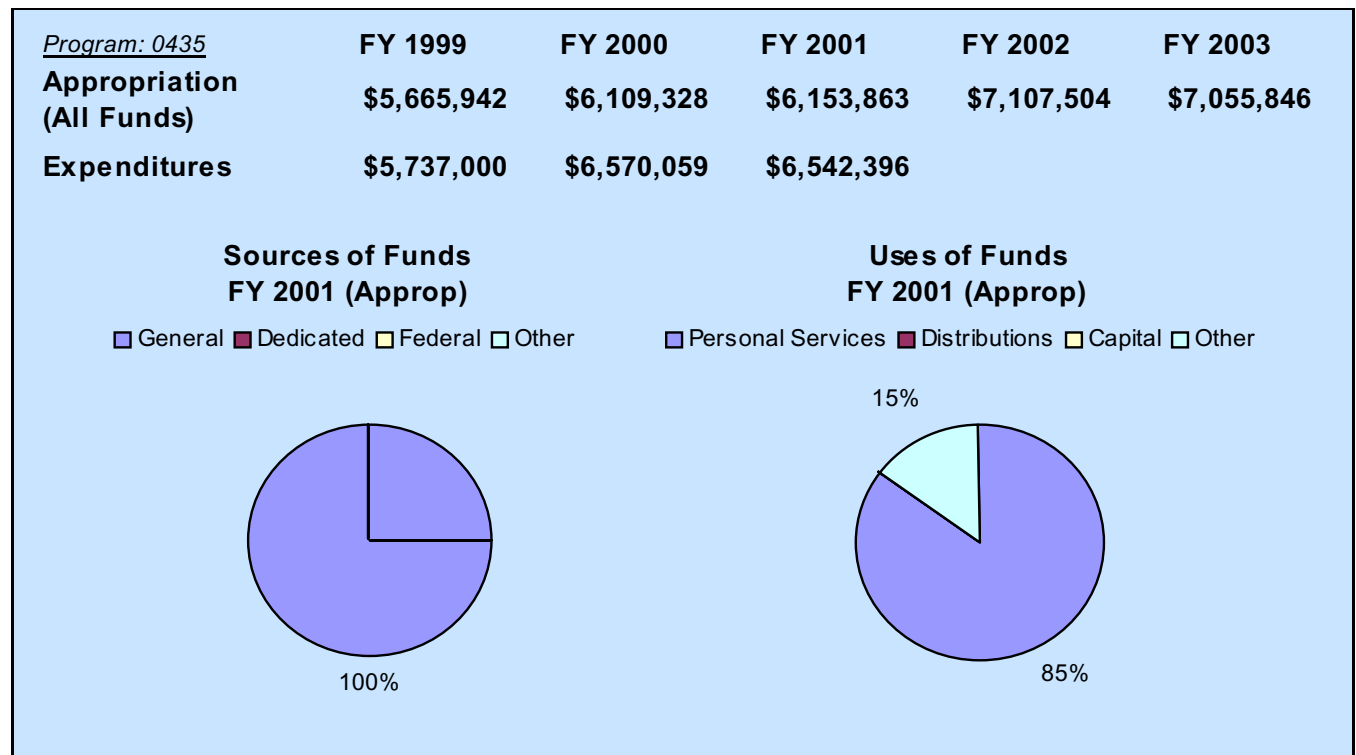
The Indiana Parole Board is in the process of implementing special stipulations for sex offenders that will be applied to approximately 400 offenders on parole supervision. These stipulations have been studied by the Judicial Center, which is considering implementing similar standards for local probation departments.

The Judicial Center provided probation officers with 31 days of instruction last year; total attendance was 2,813. The Center facilitated the transfer of 3,354 probationers out of state and 2,821 probationers into the state. Safety and security training for probation officers was expanded to include judicial officers and other courthouse employees. The Center helped direct and coordinate a national conference on gangs that drew 750 attendees.

Plans for the Biennium

During the past two years, the number of technical parole violators returned to custody has contributed to the overall population growth for the DOC. Many of these offenders remain in DOC facilities for a relatively brief period of time before being continued or reinstated to parole by the Indiana Parole Board. Because of these time constraints, it is difficult for the offenders to take advantage of DOC programs that could help them make a better adjustment when they are again released. Several states have implemented development of Technical Parole Violation Centers as a means of providing intermediate sanctions for paroled offenders and providing them with programming designed to address their behavior, such as cognitive programs and alcohol and drug abuse education. Implementing such a program for Indiana would be a significant enhancement of intermediate sanctions, and would also keep this population from returning to secure confinement in larger institutions.

The DOC plans to review the feasibility of using one of the existing Level 1 facilities for this purpose. Since it would not require additional staff or major renovation, the funding could be primarily supported by the existing budget of the targeted facility.



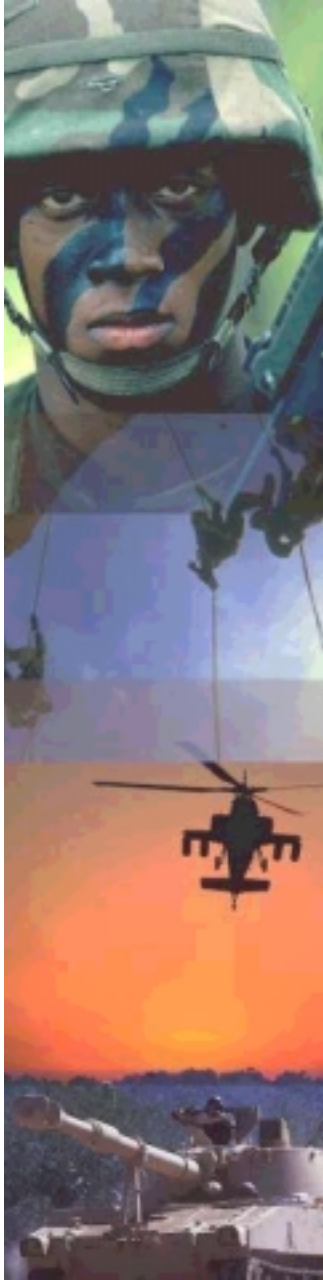
Emergency Management & Public Safety

Mission

To protect the public health and safety and to preserve the lives and property of the people of the State of Indiana.

Summary of Activities

The **Adjutant General** is responsible for the overall management of the Indiana Army and Air National Guard, comprised of 14,000 Indiana citizens located in sixty nine armories and two air bases statewide. Guardsmen must be prepared to respond to state emergencies and maintain federal readiness standards. The Indiana National Guard serves the citizens of the state and the nation in peace and in war.



The **State Emergency Management Agency (SEMA)** is responsible for the maintenance of a level of operational readiness (personnel, equipment, facilities and supplies) to respond to any contingency that may threaten or occur within the state. This includes the coordination of all state resources on behalf of the Governor.

The Emergency Medical Services Division within SEMA is responsible for the development, promotion and maintenance of an effective system of emergency medical services. This responsibility includes the regulation, inspection and certification of services, facilities and personnel engaged in providing emergency medical services.

The **Department of Fire and Building Services**, which houses the Office of the State Building Commissioner, is tasked with the enforcement of the adopted building code requirements for site-built structures other than one- and two-family dwellings. As well as the periodic inspection on all lifting devices throughout the state to ensure compliance with the Elevator Safety Code, the Department is responsible for inspecting amusement devices for compliance with the Amusement Device Code.

The **Office of the State Fire Marshal** is responsible for fire safety inspection of approximately 40,000 occupied buildings throughout Indiana, with the exception of one- and two-family homes and manufactured housing units. The Fire Marshal also assists local fire departments in determining the causes and origins of fires, and conducts investigations into crimes involving fire. The Fire Marshal provides assistance to local fire departments and emergency response units with hazardous material incidents. It also promotes the development and delivery of training and education to ensure that individual and groups with key emergency management responsibilities have the knowledge, skills and abilities to perform their jobs effectively.

External Factors

The most significant external factor affecting the Indiana National Guard is the ability to recruit and retain citizen-soldiers to meet federal mandates. The level of federal funding that goes to the Indiana National Guard is tied to the number of its citizen-soldiers. This translates to jobs for Indiana citizens and \$250,000,000 in federal funds coming into Indiana communities.

SEMA activities are highly subject to unpredictable weather and natural disasters. Extreme weather conditions such as heavy rains leading to flooding along the Ohio River can dramatically increase the need for emergency management services on a sudden basis.

Evaluation and Accomplishments

The Indiana National Guard has been very successful maintaining its strength, currently ranked 7th in the nation. The 76th Infantry Brigade (Separate) recently completed a very successful exercise at the Joint Readiness Training Center at Fort Polk, Louisiana. This involved several years of rigorous training to test the proficiency of every soldier, leader, procedure, and system. The Brigade moved its equipment by barge, rail, and plane. 7,434 76th Infantry Brigade (Separate) and 38th Infantry Division soldiers were involved. Indiana is one of only two states that have both an Enhanced Brigade and an Infantry Division. Indiana is the only state with a major National Guard training site and two Air Gunnery ranges.



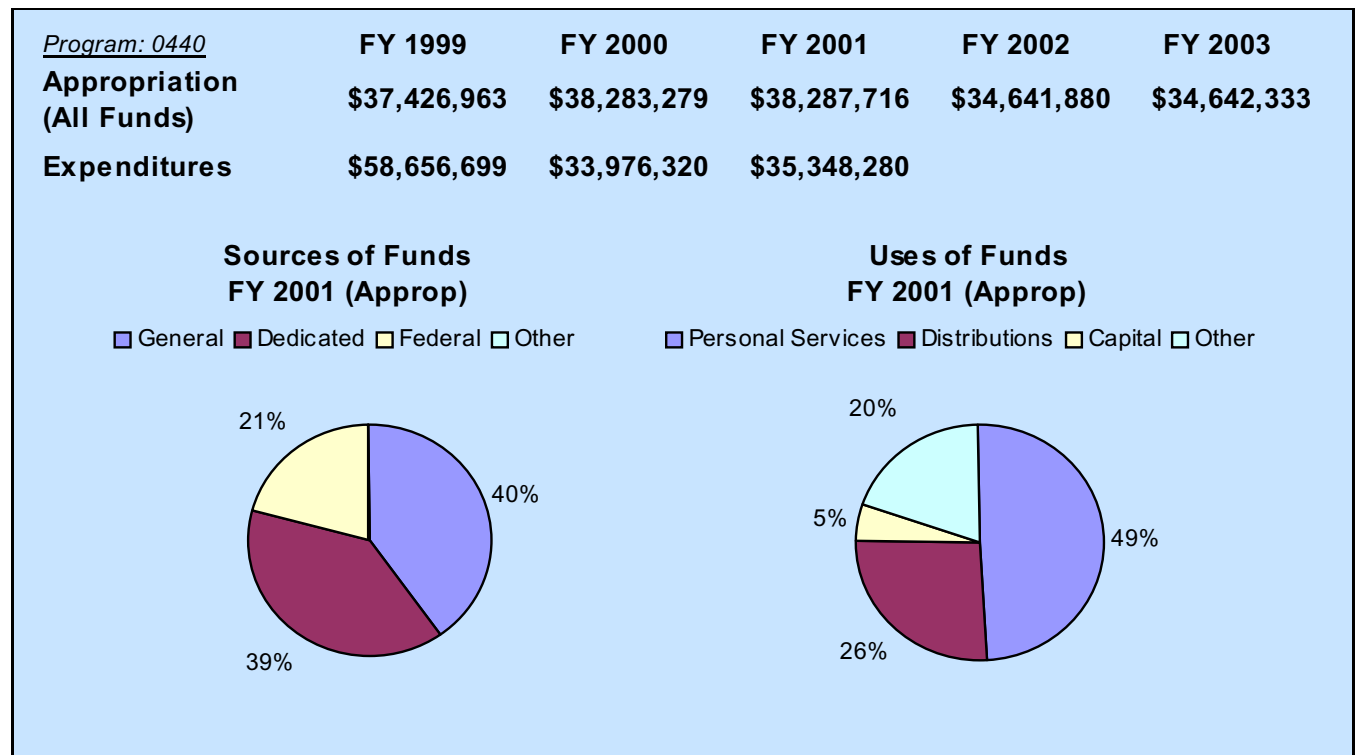
The SEMA Mobile Command Center

Over the past 10 years, SEMA has responded to and administered 13 Major Disaster/Emergency Declarations by the President of the United States, as well as numerous other emergency/disaster situations that were not of sufficient magnitude to receive federal assistance. In total, SEMA has administered over \$100 million in state/federal disaster assistance during the past ten years. SEMA has also provided training for 235 state and local jurisdictions in various aspects of emergency management.

By streamlining the review process, the State Building Commissioner has reduced the turnaround time for reviewing building plans from 45-60 days to less than one week. The National Association of Amusement Ride Safety Officials recognized Indiana's amusement safety program as the national model. The State Fire Marshal has initiated a program on college and university dorm fire safety that has been presented to 12 institutions of higher education and is scheduled for numerous additional locations. This program emphasizes the need for fire safety in college student living environments.

Plans for the Biennium

All of the agencies that contribute to emergency management and public safety plan to continue the maintenance of a level of operational readiness to respond to any contingency that may threaten/occur within the state.



Courts

Mission

To manage the operation of the Indiana justice system, decide cases and appeals, and regulate the practice of law.

Summary of Activities

Three separate courts – the Supreme Court, the Court of Appeals, and the Tax Court – are part of the appellate court system. The system also includes the elected Clerk of Courts.

The **Supreme Court** is the court of last resort in Indiana. As such, it is the final voice on the interpretation of the laws of the state. Cases coming before the Indiana Supreme Court are decided by a panel of five Justices. In addition to having jurisdiction over all capital cases, the Supreme Court has exclusive jurisdiction over the admission and discipline of attorneys and the supervision and discipline of judges. The Court also manages the operation of the state's trial court systems, consisting of 299 trial court judges, 67 magistrates, and 201 prosecutors and deputy prosecutors. The Legislature and the Court have established various divisions, agencies, boards, commissions, and committees to assist the Court with its broad responsibilities, including: the Divisions of State Court and Supreme Court Administration, the Disciplinary Commission, the Judicial Center, the Board of Law Examiners, the Continuing Legal Education Commission, the Judicial Nominating and Qualifications Commission, the Judges and Lawyers Assistance Program, the Race and Gender Fairness Commission, and the Judicial Technology and Automation Committee. Appropriations administered by the Supreme Court pay for the salaries of local judges and county prosecutors.



The Indiana Supreme Court

Back Row: Justice Frank Sullivan, Jr., Chief Justice of Indiana Randall T. Shepard, Justice Brent E. Dickson

Front Row: Justice Robert D. Rucker, Justice Theodore R. Boehm

The **Court of Appeals** is an intermediate appellate court with initial general jurisdiction over almost all appeals arising in the trial courts of Indiana, as well as appeals from the **Worker's Compensation Board**, the **Department of Workforce Development**, the **Utility Regulatory Commission**, and the **Civil Rights Commission**. The Court of Appeals is composed of fifteen Judges with cases decided by rotating panels of three Judges.

The **Tax Court** has jurisdiction over appeals from final determinations of the **State Department of Revenue** and the **State Board of Tax Commissioners**.

The **Clerk of Courts** is responsible for receiving all filings for the Supreme Court, Court of Appeals, and Tax Court, and transmitting those filings to the appropriate court. The Clerk maintains the dockets for all cases, transmits all orders and opinions handed down by the three appellate courts, and is responsible for maintaining, safekeeping, and archiving closed cases. The Clerk of Courts also maintains the roll of attorneys in Indiana, collects attorney registration fees, and swears-in new attorneys. Brian Bishop is currently Indiana's Clerk of Courts.

External Factors

The court system is externally affected by the number of civil law suits filed, the number of criminal prosecutions commenced, and the number of appeals taken by litigants. All these activities have steadily increased over time. This is reflected in the rising caseload of the Supreme Court and Court of Appeals. During FY 2000 the Supreme Court adjudicated 1,260 cases, more than at any other time in its history. In 1999 the Court of Appeals received 2053 briefed cases, up from 1,779 cases in 1991. On a long-term basis, this caseload increase is reflective of a substantial increase in the number of persons entering the criminal justice system.

Evaluation and Accomplishments

Despite the growing caseloads, cases continue to be decided promptly. In 1999, the Supreme Court disposed of more cases than at any time in its history, and issued the most written opinions on Indiana law since 1991. Despite an increase in caseload, the Court of Appeals reduced the number of cases pending before it as well as the time it takes to render a decision. Indiana's trial courts saw growth in their caseload as well, receiving 1,452,439 new filings in 1999, and disposing of 1,527,448 cases.

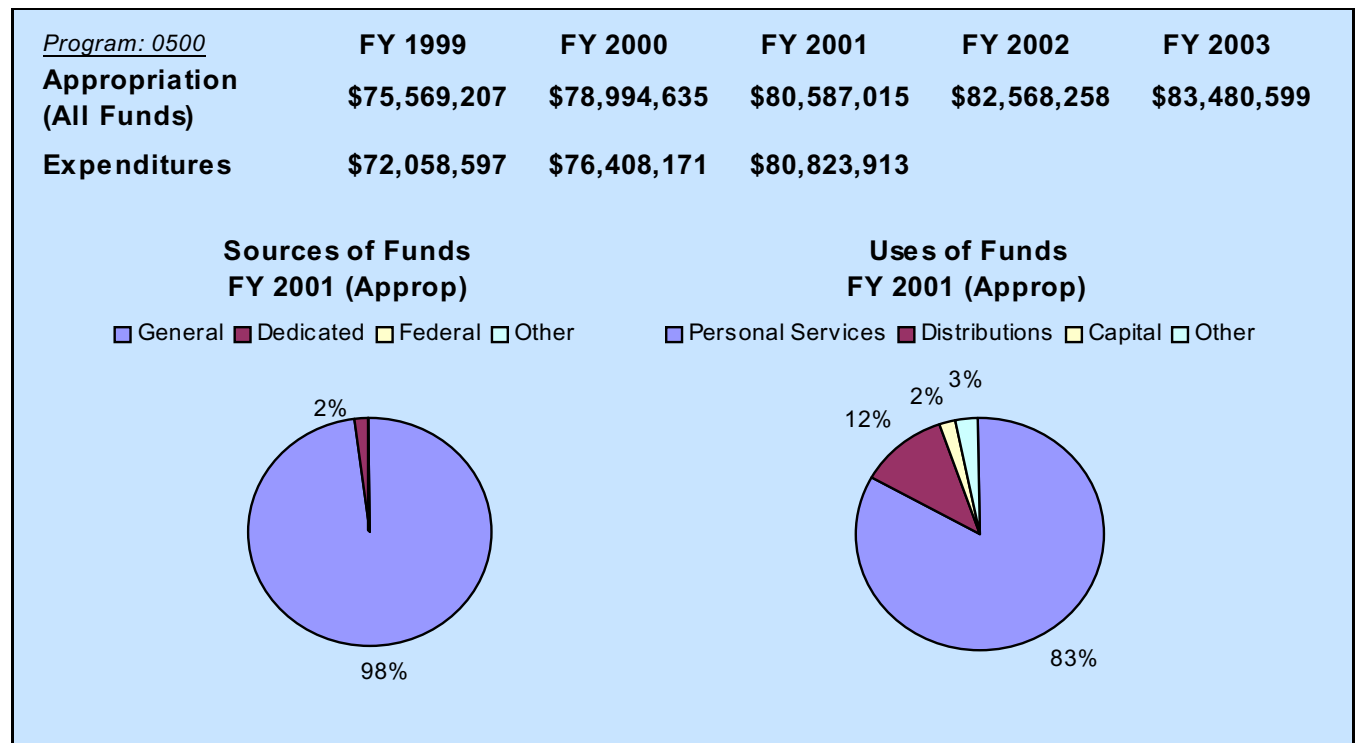
In November 2000, the citizens of Indiana voted to approve an amendment to the state Constitution which would allow the appeals of persons receiving sentences for a fixed term of years to all be adjudicated by the Court of Appeals before being reviewed by the Supreme Court. This amendment was supported by the Courts and will more effectively distribute caseloads.

With the help of the Board of Law Examiners, the Supreme Court implemented the most sweeping changes in the bar examination in fifty years. Central to these changes is the adoption of a new test that focuses on a bar applicant's ability to act as a problem-solver, as distinct from the applicant's knowledge of substantive legal rules.

Plans for the Biennium

The court system will seek to keep pace with the expanding demand for Court services through the use of technology and, when necessary, by the addition of staff. The Court of Appeals plans to keep the time it takes to decide appeals at its current low level, despite increasing case loads. One of the most important ongoing initiatives of the court system is the integration of the use of technology in the trial courts throughout the state. The Judicial Technology and Automation Committee (JTAC) has been formed to address that issue. JTAC has developed a comprehensive plan to improve trial court computerized case management systems and the sharing of electronic data with and among (1) trial and appellate courts and those courts' clerks, (2) county-base and statewide agencies and organizations that provide information to and receive information from courts and court clerks, (3) the general public, and (4) the General Assembly and other state policymakers.

The Supreme Court is also very concerned with ensuring gender and racial equity. The Race and Gender Fairness Committee will be assisting the court system in that regard.



Judicial Programs and Services

Mission

To provide support to the courts and court personnel to make their efforts more effective.

Summary of Activities

The **Supreme Court** of Indiana, through its judicial programs and services, seeks to enhance the public's access to justice by implementing programs aimed to increase the efficiency of the state's court system.

The Office of Guardian Ad Litem/Court Appointed Special Advocates administers partial State funding to eighty counties to provide services to victims of child abuse and neglect. In three counties, the Court has instituted Family Courts pilot projects, the goal of which is to integrate all legal proceedings involving the family before a single judge.

The Conference for Legal Education Opportunity, which the Court administers, provides minority and disadvantaged law students with assistance in their transition to and completion of law school. Each year the program admits 30 students.



The Court is seeking to improve the public's access to information about the courts. The Court is now in Phase III of the Automated Information Management System (AIMS) which is intended to provide a blueprint for connectivity of information flow between trial courts of different jurisdictions and outside third parties. By regulating the legal profession through the Disciplinary Commission and the Commission on Judicial Qualifications, the Court encourages attorneys' and judges' compliance with ethical codes of conduct. Finally, the Court ensures that the state's judicial officials are working where they are needed most by using "weighted caseload measures" to apportion the shortage of judicial officials among existing judicial officers. The Commission for Continuing Legal Education accredits educational programs for Indiana attorneys and makes sure that all attorneys in Indiana have complied with their obligation to stay current in their legal educations. The Indiana Disciplinary Commission, financed entirely by attorney's licensing fees, investigates and prosecutes attorneys for violations of their ethical obligations.

The Indiana Judicial Conference, through the **Indiana Judicial Center**, provides a variety of services for judicial officers, court personnel, and the public. The Conference provides continuing legal education for the State's judges, trains probation officers, administers a drug and alcohol abuse program, and maintains a roster of juvenile residential placement facilities. The Conference assists the Supreme Court in the formulation of policies on judicial administration, juvenile justice, drafts books to assist trial judges, prepares legal guidelines, and in cooperation with the Indiana Judges Association, publishes the pattern jury instructions in use in Indiana.

The **Prosecuting Attorneys Council** further assists state judicial officials by providing legal research, training, information technology assistance, and legislative liaison functions to county prosecuting attorneys and their deputies.

External Factors

Judicial services and programs are externally affected by the number of civil laws suits filed and by the number of criminal prosecutions commenced in Indiana. Each new case filed may, for example, directly or indirectly increase the amount of pauper funding needed, the level of resources needed for regulation of the legal profession, or the number of citizens seeking access to or information about the courts. All activities associated with meeting these demands have steadily increased over time.

Growing caseloads have resulted in increased demand for services provided by the Court. For example, total pauper funding has steadily increased over the years, as has guardian ad litem matching funds. Similarly, the senior judge program continues to expand, with senior judges now providing about 2,000 days of judicial service per year.

Evaluation and Accomplishments

The Supreme Court completed an energetic year on lawyer discipline. Eight-seven complaints of ethical violations were examined, with some form of disciplinary sanction imposed in eighty-one cases, the greatest number of sanctions in any single year since the Disciplinary Commission was established. The Court also issued forty disciplinary opinions to help guide Indiana's attorneys.

As a result of the Court's encouragement of alternative dispute resolution to resolve legal disputes without litigation, the number of registered mediators has grown from 345 in 1997 to a current level of 1,055. The registry of mediators will soon be available over the Internet.

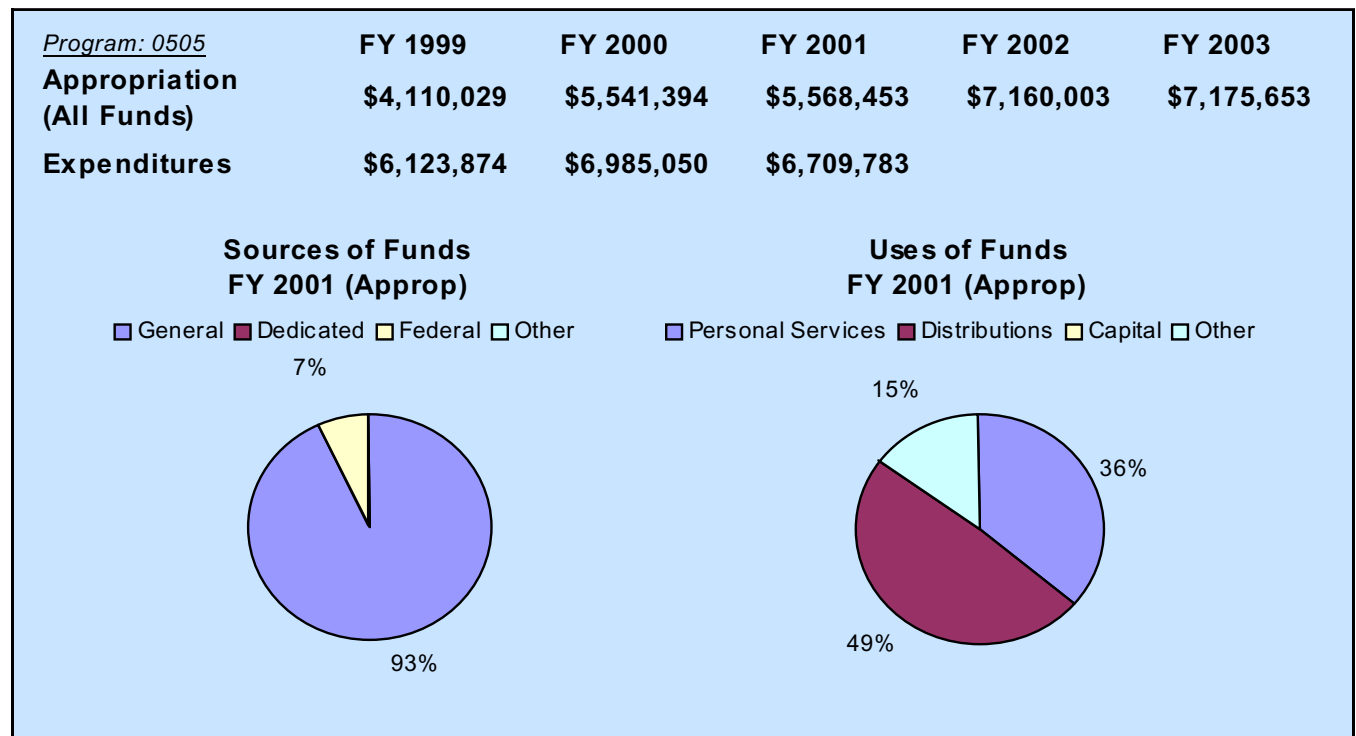


The Lake County Courthouse

Plans for the Biennium

The Court seeks to integrate the use of technology in the State's trial courts. It recognizes the need to make the courts accessible to all litigants, even those not represented by attorneys. The existing procedures for seeking, obtaining, and maintaining protective orders will also be examined in detail to explore ways to streamline and improve the process. The Court also seeks to expand its training of court personnel.

Another initiative is an attempt to integrate the use of technology in all the State's courts through the implementation of a uniform Automated Information Management System (AIMS). The Court is seeking provisions for counties that have extraordinary cases which burden local judicial resources. Family Courts will begin to be replicated statewide using the information derived from the three Family Court pilot projects.



Public Defense

Mission

To assure fundamental fairness in criminal and juvenile cases resulting in incarceration by providing factual and legal investigation in all capital cases and in juvenile and non-capital cases at the indigent inmate's request, and representation at hearing and on appeal when the post conviction action has arguable merit, at state expense. To provide competent counsel for trial and direct appeal at county expense, when local counsel cannot represent the indigent defendant.

Summary of Activities

Legal services for indigent defendants are provided by counties at the trial and direct appeal level, at county expense. The **Public Defender of Indiana** provides counsel at the post-conviction level. The **Indiana Public Defender Council** provides training and research support to public defenders across the state. The **Public Defender Commission** promulgates and assures compliance with standards for 1) all capital defense, reimbursing counties for 50% of capital defense costs, and 2) all felony and juvenile cases, reimbursing participating counties 40% of felony and juvenile defense costs.

These agencies constitute an integral part of Indiana's system for guaranteeing the fairness of criminal proceedings resulting in loss of life or liberty. Indiana has a long history of recognizing and respecting the right of any individual accused of a crime to the assistance of counsel. Indiana's Constitution explicitly establishes the right to counsel for the accused at trial and guarantees the right to appeal, with the assistance of counsel, in all criminal cases. The Public Defender's clients are indigents sentenced to death whose sentences have been affirmed by the Indiana Supreme Court on direct appeal, and all others serving sentences in the **Department of Correction** who file petitions seeking relief.

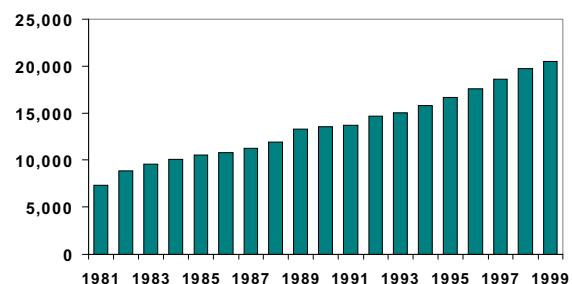
Indiana afforded publicly paid counsel to those accused of crimes and financially unable to hire an attorney long before this was required by the United States Supreme Court -- *Webb v. Baird*, 6 Ind. 13 (1854). Indiana was one of the first states in this nation to provide for review in criminal cases where no direct appeal was available, in *Sanders v. State*, 85 Ind. 318 (1883), where the accused pled guilty to avoid imminent lynching by a mob. Post-conviction relief in Indiana is available to those who plead guilty or who have appealed without being able to raise all challenges to their convictions or sentences on direct appeal. The Public Defender of Indiana represents all those sentenced to death who cannot hire counsel and investigates the cases of other indigent inmates who seek review, advising them as to the merit of their cases and litigating those with merit. The Public Defender Commission assists counties financially by providing partial reimbursement for public defense costs from the Public Defense Fund. All counties are eligible for reimbursement of capital expenses. Counties must establish programs with standards for delivery of defense services to receive 40% reimbursement of defense costs in felony and juvenile cases.

External Factors

The primary factors affecting the Public Defender Council and the Public Defender Commission are overall crime rates and charging decisions made by prosecutors, particularly when prosecutors seek the death penalty. The Commission and Defense Fund are also affected by the number of counties qualifying for 40% reimbursement of non-capital defense costs. A factor that affects the Public Defender is the steadily increasing population of the **Indiana Department of Correction**. The population of the Indiana Department of Correction has increased from under 8,000 in 1981 to 21,185 in May, 2000. The Public Defender is also affected by federal law regarding habeas corpus actions.



Indiana Department of Correction
Population

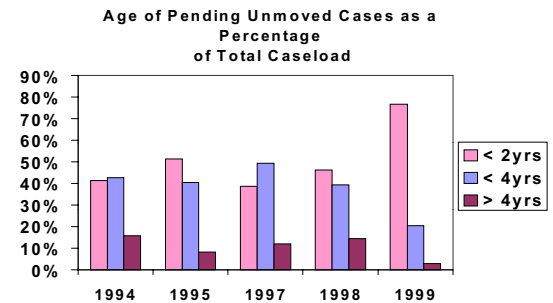


Evaluation and Accomplishments

While the Public Defender's caseload has grown as a result of the number of inmates filing petitions for post-conviction relief (322 such petitions were received in non-capital cases in 1996 and 460 in 1999), the office is striving to provide timely case review and competent representation in meritorious cases. Since receiving the discretion to refuse to litigate — after full factual and legal investigation — cases without arguable merit in 1991, 1,604 cases have been closed as without merit. Capital cases have been expeditiously investigated and litigated pursuant to Supreme Court order and there has been less delay in non-capital case evaluation and litigation. In April, 1994, there were 392 cases which had not been fully evaluated and had been pending three years or longer; in December, 1999, only 66 such cases were pending.

This work has resulted in significant relief for a number of clients. Thirteen capital clients have been permanently removed from death row through the efforts of the capital deputies. In 1999, 11.5% of the non-capital clients received relief of some kind (1998 — 11%; 1997 — 13%; 1996 — 14.3%; 1995 — 17.5%).

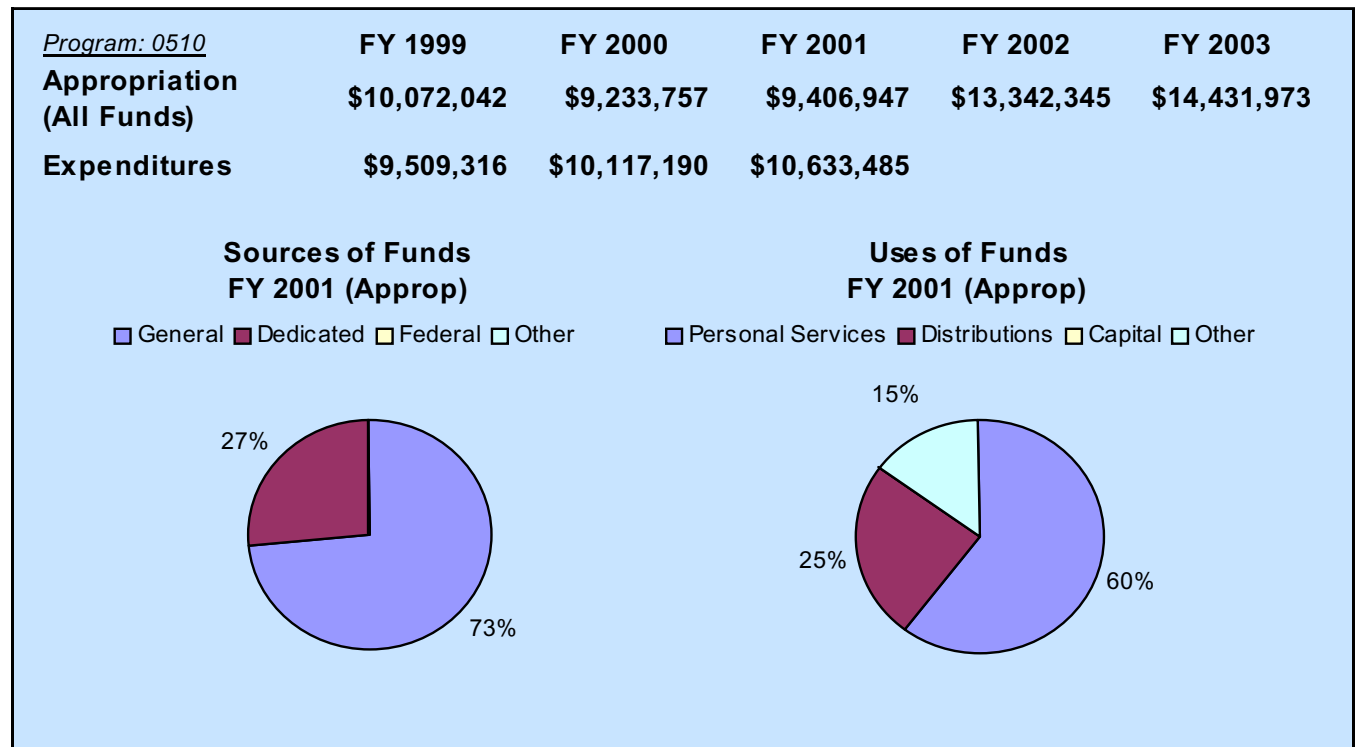
Most importantly, investigation and representation have directly resulted in the release of at least three totally innocent individuals: one who was sentenced to death in 1983, one who was incarcerated eight years for rape, and one who served seventeen years for a murder he had not committed.



The number of counties participating in the Public Defense fund program has increased from 13 in January 1999 to 42 today. Reimbursements have more than doubled since 1990. By September 2000, counties had received \$4.28 million in capital case reimbursements and \$8.85 million in non-capital case reimbursement.

Plans for the Biennium

The Supreme Court has proposed additional funding for the Public Defender Commission, in order to accommodate current and future projected increase in the of counties participating in the Public Defense Fund assistance program. It is projected that the number of participating counties will increase to 60 by the end of 2001 and 85 by the end of 2002.



Victim Assistance

Mission

To assist victims and witnesses, and their family members, to treat them with dignity and respect, to keep them informed of adult and juvenile offenders release, or potential release, to ease the burden of crime victims, and to encourage their participation in the criminal justice process.

Summary of Activities

Each year the **Criminal Justice Institute** (CJI) awards millions of state and federal grant dollars to programs that provide services to crime victims. Federal and state victim assistance funds administered by the CJI are funded by fines and fees collected from federal and state criminal defendants.



Grants may be used by public agencies and not-for-profit organizations to provide direct assistance to crime victims. Services that are provided to crime victims include crisis intervention, shelter, counseling, victim notification and assistance through the court system.

Federal and state funds also provide financial assistance to violent crime victims and their families who have suffered financial losses associated with a crime and who have no other financial means with which to pay crime-related costs. Approximately 3,000 individuals and families received this assistance last year. Claims may be for a maximum of \$15,000, to assist crime victims and their families with crime-related costs such as funerals, hospital bills and lost wages.



The **Department of Correction** (DOC) Victim & Witness Services Program notifies victims and witnesses when the individual who committed the crime against them is: (1) scheduled to be discharged, (2) paroled both in and out of state or to go on probation, (3) scheduled for a parole or clemency hearing, (4) being considered for work release or a community transition program, (5) transferred to a minimum security level or a DOC transition unit, or (6) escapes or dies. The program also provides other services to crime victims, witnesses, and potential victims, such as crisis counseling, in-person and telephone

contact, providing post-sentencing reports, providing support and assistance in the filing of temporary restraining and other protective orders, and assisting crime victims in filing claims to obtaining compensation.

External Factors

Many crimes still carry a very deep-seated social stigma - especially crimes involving family violence and sexual assault. Victims of these crimes often are reluctant to come forward and take advantage of the services available. For victims of all types of crimes, services can be fragmented and in the most rural areas may not be available at all. Additionally, because money for both the assistance and compensation funds comes primarily from assessments against offenders, the level of funding can be extremely erratic. Federal grant funds are also variable, having changed from \$2 million to \$8.5 million to \$5 million in successive years. This instability makes victim service programs planning more difficult.

External factors affecting and influencing the DOC program include: (1) communication between County Probation Departments and DOC forwarding of victim information, (2) court decisions to modify sentences to time served, and (3) failure to notify DOC of an offender's release by county courts or jails.

Evaluation and Accomplishments

In 1999, approximately 4,700 victims and witnesses were enrolled in the DOC program, and approximately 1,722 victims and witnesses received official notification. There are no national or regional studies or research data available to show a correlation between notification and a decrease in the offender recidivism rate, or a decrease in re-victimization

of victims. However, based on DOC Victim & Witness Program data, less than one percent (1%) of victims enrolled in the DOC Victim Notification Program have reported re-victimization after the offender's release.

The CJI has been administering victim service programs since 1986. In that time there has been tremendous growth in the interest and commitment to victim services. The CJI believes that even with all the research, programs and legislation that now surround victim services, there is still lacking a solid assessment of whether the services provided for crime victims match the needs that crime victims have. In an attempt to answer this question for Indiana, CJI has contracted with **Indiana University** to conduct a statewide audit of victim services and assessment of victim needs.

Plans for the Biennium

The DOC Victim & Witness Services Program plans to expand services to include a Support Unit for victims and their family members. In addition, plans will be developed to expand the Victim-Offender Dialogue Program incorporating the restorative justice philosophy.

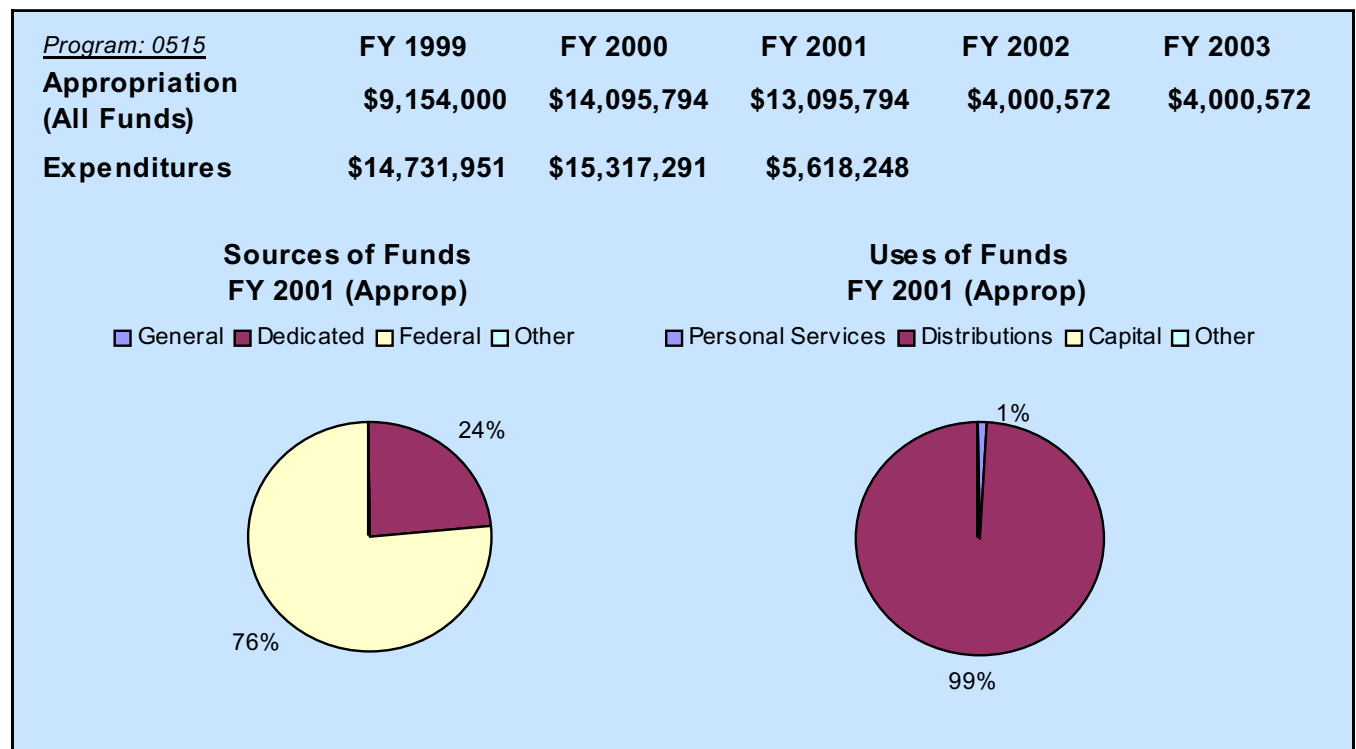
A recent telephone poll indicated that few Hoosiers are aware of the Victim Compensation Fund. In order to make the information more available; CJI has embarked on a sophisticated public awareness campaign. CJI will also continue administering victim assistance grant funds and providing training and technical assistance for victim service professionals throughout the state.

CJI is in the final stages of implementing a new data base management system for the state's victim compensation program. As that project becomes complete, CJI will conduct a business assessment of the program to find ways to continue streamlining the process of evaluating compensation claims and making payments to and on behalf of crime victims. With the development of the new database to administer this program, the CJI has worked closely with the Office of the **Auditor of State**, successfully connecting to their database that provides the most current identifying information for most service providers.

Crime Victims' Rights
Week 2001



April 22-28



Parks and Recreation

Mission

To manage and interpret Indiana's unique natural, wildlife, and cultural resources, provide for compatible recreational opportunities, and sustain the integrity of these resources for future generations.

Summary of Activities

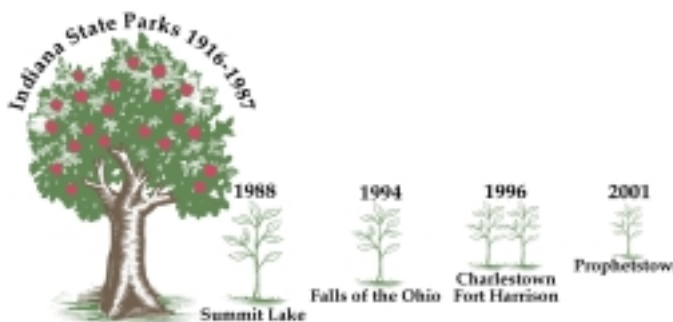
The **Department of Natural Resources** (DNR) manages Indiana's system of 32 state parks and reservoirs. The 23 state parks comprise 62,322 acres across Indiana. The nine reservoirs include eight properties built by the Army Corp of Engineers for flood control, covering 114,7213 acres. The DNR is responsible for protecting Indiana's natural resources, providing recreational opportunities, maintaining the state's natural capital assets and infrastructure, and educating visitors and the general public about the environment and the importance of environmental protection. The experiences offered at Indiana state parks and reservoirs are diverse. Seven parks have inns where visitors can stay in indoor accommodations, while others offer camping, fishing, hiking, boating, and access to a variety of natural environments.

In promoting outdoor recreation, the DNR manages a Statewide Trails program and a Natural and Scenic Rivers program. Two hundred eleven miles of snowmobile trails are maintained via cooperative agreements with five local snowmobile clubs. Indiana's longest hiking trail, the Knobstone Trail, is 58 miles long. Indiana has 3 designated scenic streams that protect nearly 108 miles of river corridor: Wildcat Creek, the Blue River and Cedar Creek. DNR matching grant programs currently fund 53 local recreation development and acquisition projects, allowing local governmental agencies to acquire and develop recreational facilities.

External Factors

Indiana's success in providing high-quality state parks and recreational opportunities has increased the demand for these services. Public demand for more comfortable and modern recreational services (full hookup camp sites, cable television in DNR inns, etc.) continues to increase. Providing and maintaining these increased service levels is a challenge. The DNR is also operating under increased requirements for sewage testing, treatment and disposal, trash removal and disposal, and employee testing. Indiana's low unemployment rate impacts employee recruitment, particularly in the summer months. As more private land is restricted from use by hunters, public lands come under increasing pressure to provide places for hunters to recreate.

Evaluation and Accomplishments



boundaries and improve management. Since 1988, acreage managed as state parks has increased by roughly 10%. Park visitations at pre-1988 parks have increased by 7.6% over that time. From an annual visitation of 33,600 in 1919, Indiana's state parks now have nearly 20 million visitor days per year.

Since 1988, five new state park properties have been opened: Summit Lake, Falls of the Ohio, Charlestown, Ft. Harrison, and Prophetstown. The DNR continues to acquire new land at Prophetstown to complete the new park there, and to acquire lands at other existing parks to complete



Visitation at reservoir properties has increased by approximately 33% since 1980, with more than 60,000 hunting opportunities taking place each year. Approximately 200,000 walleye fry are stocked annually, while wild turkeys have been successfully reintroduced in Salamonie, Mississinewa, and Huntington.



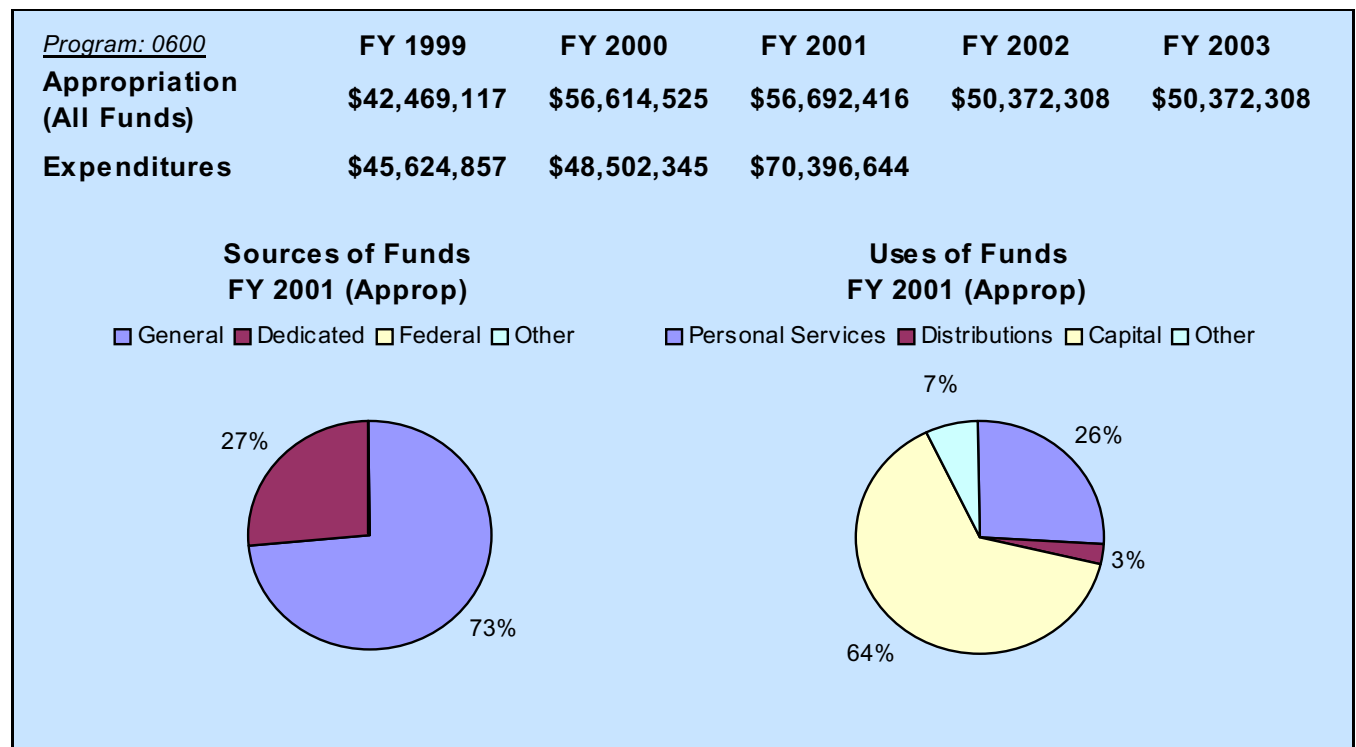
The DNR has improved services to customers by upgrading campgrounds, comfort stations, nature centers, and inns. Water and wastewater operations have been improved, while energy use audits were performed to reduce energy consumption. The state's commitment to its cultural heritage has been strengthened by engaging in a cooperative agreement with the National Park Service, and training staff in historic preservation maintenance techniques. DNR natural resource stewardship activities have been enhanced by aggressively seeking out and controlling invasive exotic species expanding on state properties.

“...we have set aside forever a part of the original domain. That by leaving it in its natural condition we have made the past intelligible to our and to coming generations.”
 – Richard Lieber

Two new nature centers are currently being designed for Mounds State Park and Salamonie Reservoir. A new nature center was opened at Ft. Harrison State Park, and exhibits at many current state properties are being updated. In addition, the DNR continues to offer increased opportunities for children and visitors to participate in interactive programs on state properties which teach environmental ethics while providing entertainment and fun.

Plans for the Biennium

At Prophetstown State Park, the DNR will continue to acquire new land for park completion, finish basic infrastructure design and construction, build basic public use facilities such as picnic areas, and begin general operations. The DNR also expects to acquire additional land at Charlestown State Park. Efforts will continue to build and reclaim wetland areas. The DNR will improve customer service at state park inns, campgrounds, and other facilities through repaired and reconstructed facilities. The Outdoor Recreation division will respond to the increased demand for services, especially through the federal Land and Water Conservation Fund program, greenway initiatives, and expansion of both on-road and off-road bicycling opportunities.



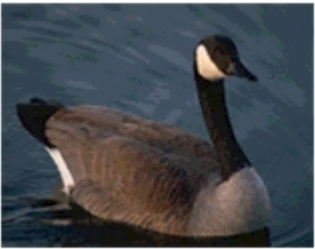
Conservation

Mission

To ensure the protection, careful management, and enhancement of Indiana's natural resources.

Summary of Activities

The **Department of Natural Resources** (DNR) is responsible for the conservation of Indiana's natural resources, including forests, water, soil, plants, fish, and wildlife. The DNR also promotes the responsible development of oil and natural gas resources and regulates the operation and reclamation of coal mines.



The DNR Division of Nature Preserves uses funds from the Indiana Heritage Trust program to acquire and dedicate as state nature preserves the best natural areas in Indiana. DNR ecologists care for 178 preserves, installing trails, monitoring rare species, conducting controlled burns, and controlling invasive species. The Division of Forestry operates two tree nurseries that annually sell four to six million seedlings to the public for timber, windbreaks, wildlife food and habitat, watershed and soil protection, reclamation, and education. The Division also provides leadership and support regarding fire management, forest health, and forest product conversion, and administers 13 state forest properties covering 150,000 acres.



The Division of Fish and Wildlife manages fishery resources on public waters and provides wildlife management services and assistance to state properties, national forests, and private landowners. The Entomology and Plant Pathology Division manages plant and apiary pests to ensure the preservation and protection of cultivated land and natural resources. Every year, the division inspects and certifies some 500 plant nurseries, 50 greenhouses, and nearly 3,500 dealers of nursery stock statewide. DNR inspectors also provide compliance certifications for state and federal quarantines of species such as the gypsy moth and pine shoot beetle.



The Division of Water assists local communities with flood hazard mitigation planning activities related to the National Flood Insurance Program. It also assists in regulating construction activities along the state's waterways, protecting lives and property from flood hazards, and ensuring access to public waters. Hydraulic engineers, geotechnical personnel, and surveyors are responsible for the inspection of over 1,200 dams, maintaining the state's floodplain mapping and waterway programs, and assisting the **State Emergency Management Agency** (SEMA) in the event of dam or levee emergencies. Division of Soil Conservation employees implement programs for lake and river enhancement, stormwater and sediment control, and agricultural conservation.

The Division of Oil and Gas works with oil and gas operators to ensure that construction plans protect the environment. The Division of Reclamation protects citizens, property, and resources from the adverse effects of coal mines. Prior to 1977, more than 100,000 acres of land in Indiana were mined and then abandoned, leaving behind exposed toxic materials. The Abandoned Mine Land program works to restore land disturbed by coal mines.

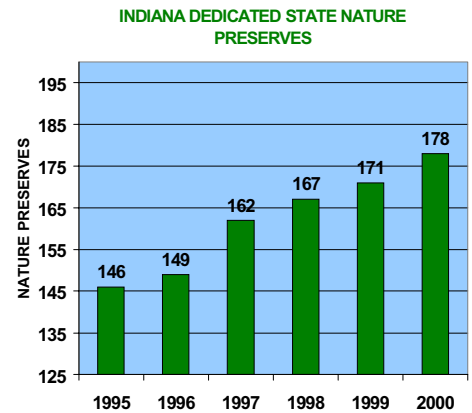
External Factors

Indiana has a relatively small amount of publicly-owned land, creating pressure to accommodate increasing consumer demand for nature-based activities. Continued economic development creates the need for targeted, effective conservation programs that ensure the protection of natural resources. Land use changes resulting from the fragmentation or liquidation of forest resources present a challenge to sustainable forest management. Public demand for a wide diversity of native fish and wildlife species may result in new federal legislation providing funds for wildlife diversity, conservation, and education. These funds could then be utilized for conservation activities.

Evaluation and Accomplishments

During the last four years, the state has protected more than 20,000 acres of land for parks, wetlands, trails, and nature preserves. The DNR brought back 194 river otters, an indigenous Indiana creature that had become extinct in this state. It protected peregrine falcons and bald eagles from a similar fate, nurturing nearly 200 of these birds from birth to adulthood. Over 500,000 fish were introduced to the White River after the contamination event of December 1999. The state also launched the Indiana Forest Legacy program to conserve important forests in rapidly developing areas.

Since 1990, the DNR has regulated a cumulative total of 51 counties for pine shoot beetles, five counties for gypsy moths (two additional counties are pending), and several production nurseries and greenhouses for Japanese beetle or other regulated pests. From 1997 to 1999, DNR field employees assisted 28,996 individuals with conservation planning for 61,959 acres of land and provided engineering assistance on 8,727 occasions. DNR assistance prevented about 326,400 tons of soil from eroding and polluting rivers, lakes, or streams—enough soil to fill 16,320 dump trucks—a line 77 miles long. Meanwhile, the number of nature preserves has increased by 22% over the last five years.



Plans for the Biennium



The Forest Legacy Program will be expanded to increase the amount of acreage that can be protected. The DNR will continue to use funds from the Indiana Heritage Trust Program to acquire and dedicate the best remaining natural areas in Indiana, insuring that the full array of Indiana's wild, living heritage is protected. This includes new nature preserves in counties where there are currently none. The Division of Forestry will work to increase the use of sustainable forest management occurring on private forestlands, while the Division of Fish and Wildlife will develop and initiate a management plan to

protect and enhance wildlife diversity. Containment of gypsy moth outbreaks will be a priority, as will helping landusers adopt new technologies and methods of managing soil and water resources.

<u>Program: 0605</u>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$73,041,977	\$77,015,906	\$77,091,333	\$87,053,051	\$87,055,650
Expenditures	\$79,614,822	\$83,358,410	\$90,988,230		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

Water Quality

Mission

To ensure that Indiana's water is safe for Hoosiers to drink, swim in, and fish.

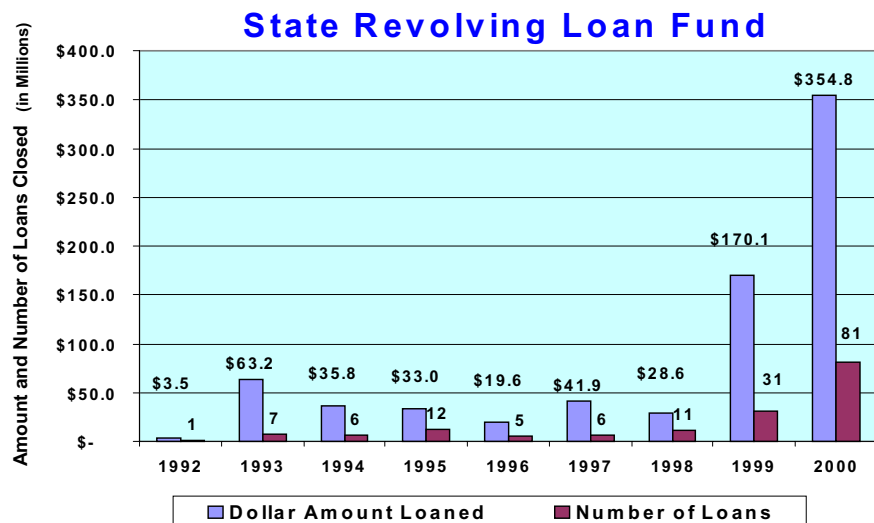
Summary of Activities



The **Indiana Department of Environmental Management (IDEM)** Office of Water Management is comprised of five branches which work to achieve the water quality goals of “drinkable, swimmable, fishable” waters for Indiana’s 36,000 river and stream miles, 575 lakes and reservoirs, and Lake Michigan. The five areas of the water program are Assessment, Planning & Restoration, Permits, Compliance, and Drinking Water.

The Assessment Branch monitors the quality of surface water to determine if the waters support all uses for drinking, swimming, and fishing. This monitoring occurs throughout the year at 160 fixed station locations on major waterways and a major basin monitoring effort, through intensive field sampling of water quality for physical, chemical, and biological indicators. Those waters that are determined to not meet quality standards are then reviewed by the Planning and Restoration Branch to develop restoration plans to achieve Indiana’s water quality goals through implementation projects within the affected watershed.

In support of the federal Clean Water Act, the Permits and Compliance Branches focus on limiting the discharge of pollutants into Indiana waterways. Permits are issued to dischargers that limit the amount of water pollution to a level that will not reduce water quality below the drinking, swimming, and fishing standard. There are approximately 1,600 organizations with discharge permits across the state whose performance must be inspected and reviewed by the Compliance Branch to assure that discharge limits are not exceeded.



In support of the federal Safe Drinking Water Act, the Drinking Water Branch reviews the performance of 4,500 public water supplies to assure compliance with the safe drinking water requirements. Nearly two-thirds of Indiana residents drink groundwater. The Drinking Water Branch works with local, state, and federal agencies to protect Indiana’s abundant groundwater supply, assuring safe drinking water for Hoosiers both now and in the future.

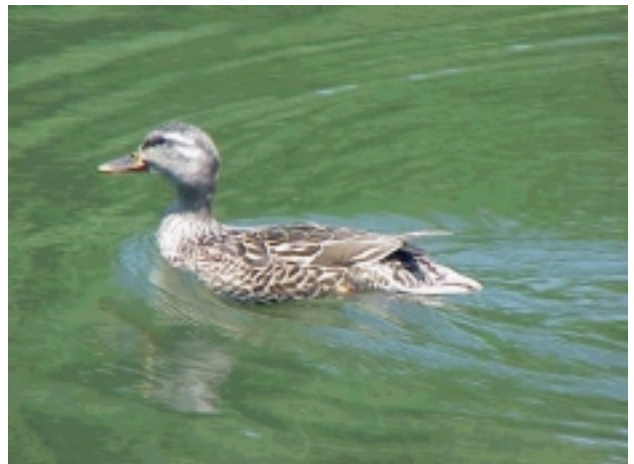
The State Revolving Loan Fund (SRLF), administered by IDEM and the **State Budget Agency**, provides low-interest loans to local communities for the purposes of financing infrastructure improvements that support clean drinking water and sewage treatment. Low-interest SRLF loans improve water quality and save money for utility ratepayers.

External Factors

External factors threatening Indiana’s rich freshwater include combined sewer overflows, stormwater runoff from agriculture and urban surfaces, and the destruction of wetlands. Combined sewer overflow problems stem from sewer construction practices utilized when urban areas were developed approximately 100 years ago. Rainwater and sewage drains were combined into a single system -- if heavy rains exceed the system’s drainage capacity, sewage is forced into rivers and streams, causing bacterial contamination.

Runoff from agriculture and urban areas can also contaminate water sources with bacteria, as well as pesticides, oils and other contaminants which are washed off of roads. Wetlands are critical to providing flood control, water quality improvements, and habitat for fish and other wildlife. Indiana has lost 87% of its original wetlands over the past two centuries.

Severe and unpredictable water pollution events such as the recent contamination of the White River require corresponding intensive use of IDEM response and mitigation resources. The agency must also respond to changing water quality standards.



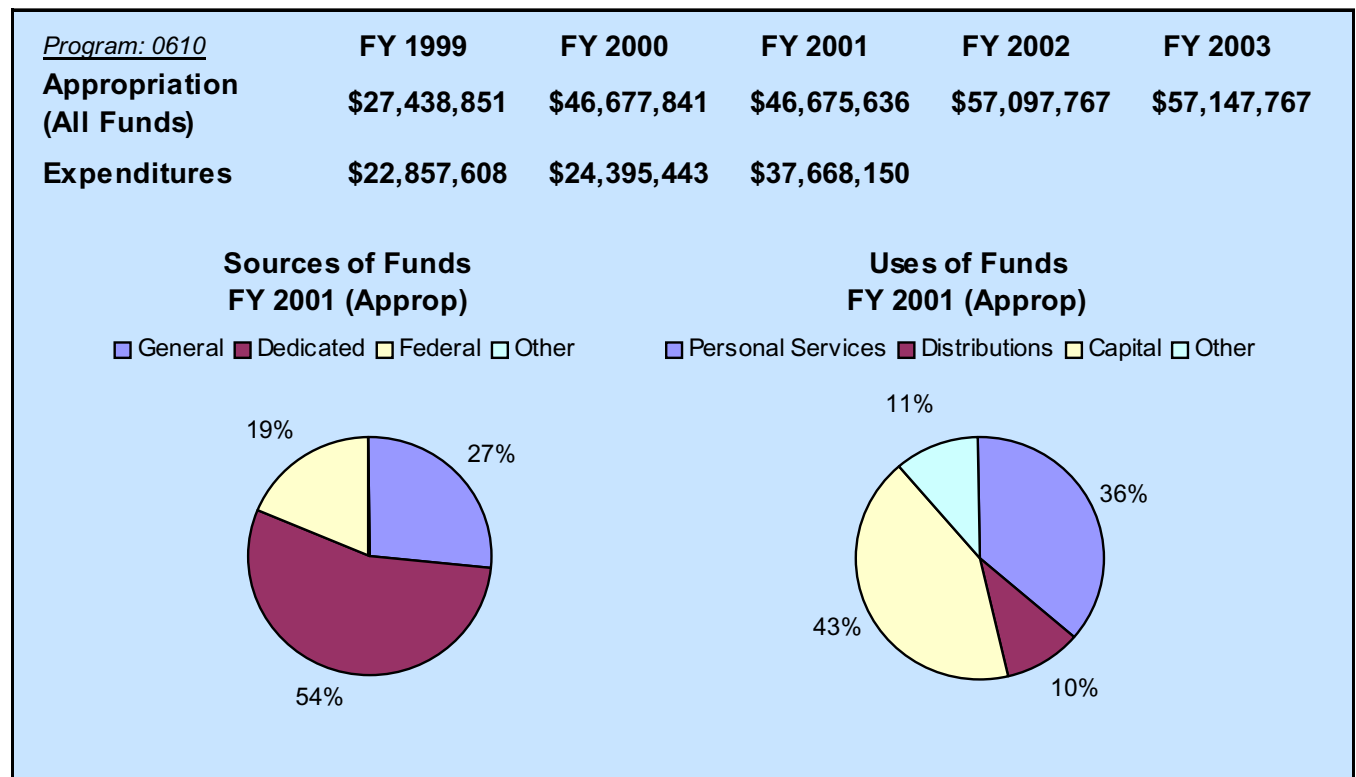
Evaluation and Accomplishments

The number of major wastewater treatment facilities (typically those facilities with average design flows of more than one million gallons per day) with significant violations was reduced to 16 percent. The number of minor facilities with significant violations was reduced to 26 percent. IDEM completed water quality samples at its 153 fixed stations; 48 more fixed stations than existed two years ago.

Over the last two years, IDEM and the State Budget Agency have made 112 low-interest State Revolving Loans worth over \$524 million to utilities across the state to make local wastewater and drinking water infrastructure improvements.

Plans for the Biennium

IDEM will continue to search for innovative solutions to growing federal water quality regulations to assist communities and businesses in addressing the costs of these programs. The Office of Water Management will develop partnerships with local communities to restore state watersheds in ways that will achieve Indiana's water quality goals for drinking, swimming, and fishing.



Air Quality

Mission

To attain and maintain clean and breathable air throughout the state; air that meets or exceeds all health-based standards.

Summary of Activities

The **Indiana Department of Environmental Management (IDEM)** implements a variety of state and federal programs to ensure air quality. It improves and safeguards the quality of Indiana's air through the following activities:

- ◆ Evaluating and issuing permits for construction and operation. In recent years, there have been several hundred applications for new or modified air emitting sources filed with IDEM each year. There are approximately 750 "sources", such as steel mills, chemical plants, power plants, and automotive manufacturing facilities, that are considered major emitters and require comprehensive operating permits.
- ◆ Inspecting and providing compliance assistance to regulated businesses. IDEM air inspectors annually inspect the most significant sources and provide them with targeted assistance, especially when new air quality rules need to be implemented.
- ◆ Developing state rules to reduce emissions. New rules include incorporating federal requirements as they are issued, as well as developing rules specifically needed to address Indiana's air pollution problems.
- ◆ Monitoring Indiana's air quality. Indiana maintains an extensive network of permanent monitors that measure the levels of a variety of pollutants, including ozone, carbon monoxide, sulfur dioxide, particulate matter (dust and soot), air toxics and lead. Temporary monitors can also be located to assess specific situations.

External Factors

Ozone sources: Motor vehicles, manufacturing, industrial and everyday activities emit nitrogen oxides and volatile organic compounds that react in sunlight to form ozone. Pollutants that cause ozone include gasoline vapors, chemical solvents and combustible fuels. Certain emissions can cause ozone at greater distances. Emissions of nitrogen oxides from tall sources, such as smokestacks, are more likely than sources near ground level to travel downwind and increase ozone levels in surrounding urban and rural areas.

Vehicle miles traveled: Cars and trucks are significant sources of carbon monoxide, nitrogen oxides, particulate matter, and volatile organic compound emissions. IDEM uses studies of total vehicle miles traveled to estimate emissions of these pollutants. In 1998, Hoosiers drove 68 million miles annually, an average of 188,000 miles per day. From 1991 to 1998, annual vehicle miles traveled increased by 21%; Indiana's population increased by about 7% during the same period. The increasing rate of vehicle miles traveled reduces the air quality benefits from cleaner vehicles and fuels, as well as increasing traffic congestion and creating a need for additional road construction and maintenance.



Sulfur Dioxide: Populations particularly sensitive to sulfur dioxide include children, older adults, asthmatics, and people with chronic lung and cardiovascular disease. Sulfur dioxide is a primary component of acid rain, and sulfur dioxide levels in Indiana's air have decreased dramatically. All areas of Indiana currently meet state and federal health standards for sulfur dioxide, as measured by air quality monitors. Many Indiana power plants have greatly reduced sulfur dioxide emissions by using low-sulfur coal, increasing use of lower polluting boilers, and investing in air pollution control equipment such as scrubbers.

Dust & Soot: "Particulates" are small pieces of aerosol mists, dust, dirt and soot emitted by sources such as cars, trucks, construction projects, factories, unpaved roads, fireplaces, and wood stoves. Older adults, children, and people with chronic lung disease are especially sensitive to particulates. Recent studies indicate that the smallest particulates pose the most serious health threat, because they can be inhaled more deeply into the lungs and are more difficult to exhale.

Airborne toxic and other organic compounds: Many chemicals in the air affect human health and the environment. Some chemicals occur naturally. Others are released by a variety of human activities such as manufacturing, driving, cleaning or painting.

Evaluation and Accomplishments

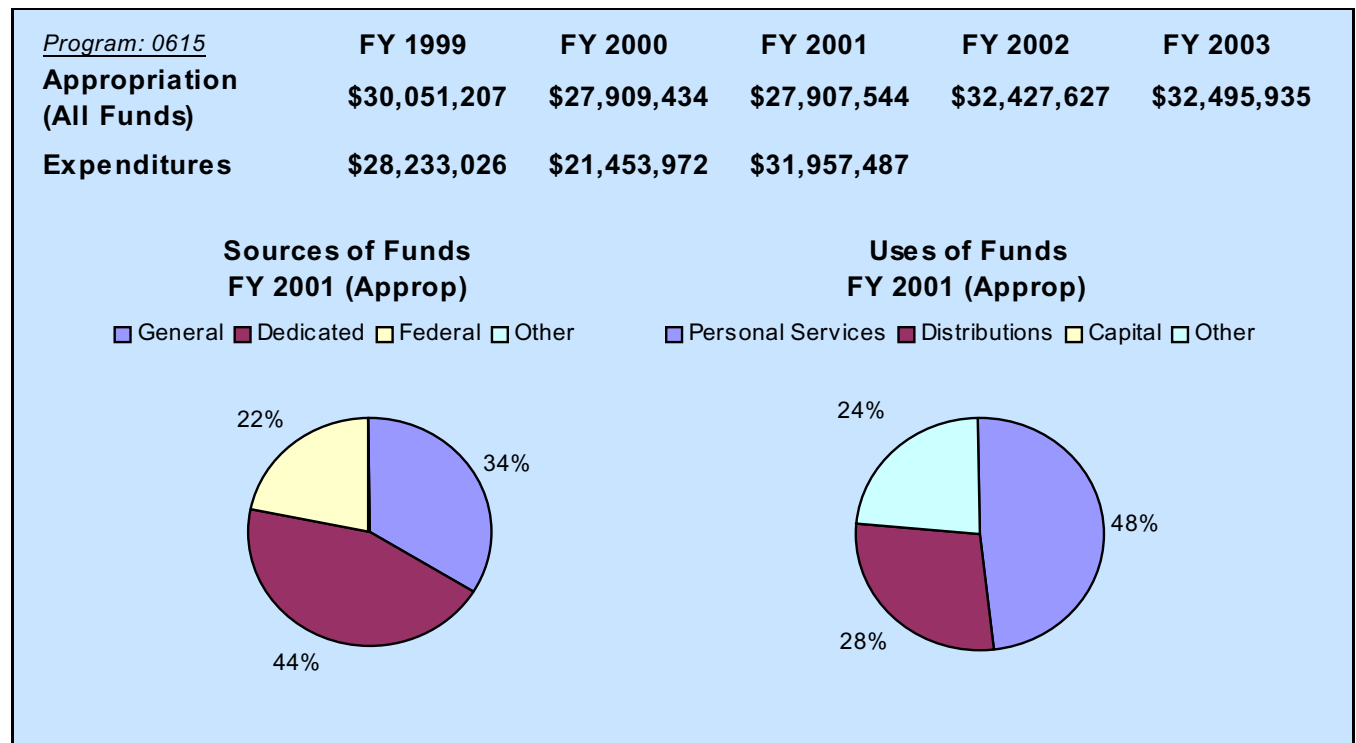
All areas of Indiana currently meet state and federal air quality health standards for carbon monoxide, large particulates, sulfur dioxide, and lead. Ozone levels have decreased everywhere in Indiana, but still remain a health concern, especially in larger urban areas. With improved monitoring and research into the source of emissions, more is understood about the types and levels of many toxic chemicals for which there are no promulgated health standards.

IDEM issued more than 300 Title V permits and began processing more than 700 such permits. To ensure that air pollution sources are in compliance with state and federal laws, IDEM has inspected 650 of 900 major air pollution sources and provided significant oversight to sources using continuous emissions monitors or periodic stack tests. From July 1998 through June 1999, IDEM performed 240 inspections of dry-cleaners and chrome electroplaters. It created and posted data on a TOXWATCH Web page -- www.state.in.us/idem/oam/toxwatch -- in the fall of 1999, including real time ozone information and data. IDEM also enhanced its ability to monitor for toxics in Northwest Indiana by establishing two new monitoring sites in Lake County using funds from enforcement settlements with companies in northwest Indiana.



Plans for the Biennium

IDEM will continue to issue all current permits on a timely basis. It will complete issuance of 750 Title V permits, and continue to collect and analyze air samples and emissions. The agency will promulgate and implement a rule to reduce emissions of nitrogen oxides from power plants, industrial boilers and other sources significantly by 2003. It will continue to inspect sources for compliance with current requirements and work with Indiana businesses to implement new rules to reduce emissions of toxic chemicals from hazardous waste combustors, shipbuilding, flexible foam manufacturing, and a number of other industries. IDEM will also increase its understanding of the risk posed by chemicals present in Indiana's ambient air.



Land Quality

Mission

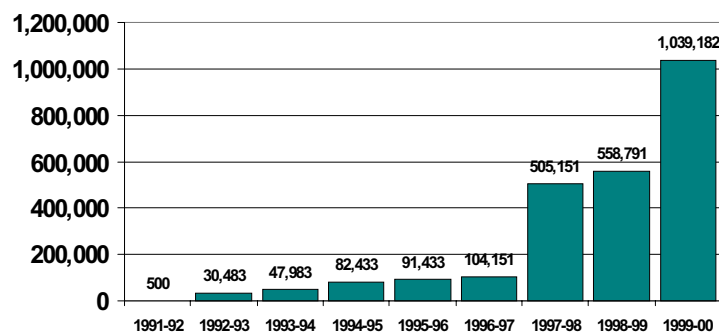
To protect the public health and the environment by ensuring proper handling and disposal of wastes.

Summary of Activities

The **Indiana Department of Environmental Management (IDEM)** Office of Land Quality focuses on prevention of environmental problems. This is accomplished through thorough review and permitting of facilities that manage waste materials and through stringent compliance inspections. IDEM also focuses on industrial waste landfills and farming operations involving large numbers of animals. As of March 1999, all 32 solid waste facilities accepting special waste in Indiana were in compliance with the significant requirements of established special waste rules.

IDEM issues hazardous waste permits to help ensure safe waste management practices at major industrial facilities that treat, store or dispose of hazardous waste. These permits also function to prevent releases of hazardous chemicals into the environment. Eleven hazardous waste permits were issued in 1999. IDEM also registers and inspects waste tire transporters, processing facilities, and storage sites.

Tons of Materials Diverted from Landfills as a Result of IDEM Projects



In addition to permitting and inspection, IDEM oversees short-term and long-term environmental cleanup projects. The Voluntary Remediation Program (VRP) provides current and prospective contaminated property owners with a mechanism to clean up the property with IDEM oversight and assistance. There are currently 286 active VRP projects. As a partner with the federal Environmental Protection Agency (EPA), IDEM conducts and oversees the cleanup of the most contaminated sites identified by the federal government on their "Superfund" list. The IDEM Site Cleanup Program funds, oversees, and manages the cleanup of sites that do not qualify for the Superfund program.

The IDEM Defense Environmental Restoration Program (DERP) assists the U.S. Department of Defense, in cooperation with the EPA, in the investigation and cleanup of active and closing military bases at which hazardous substances were used, stored or disposed. IDEM also oversees the cleanup of releases from regulated underground storage tanks. The redevelopment of "brownfields" -- abandoned or underused industrial or commercial sites where development is complicated by actual or perceived environmental contamination -- links economic vitality and jobs with environmental protection. During 1999, 64 Indiana communities identified 70 sites to be redeveloped and returned to productive economic reuse. Eighteen sites were identified as requiring some type of cleanup.

IDEM emergency response personnel are on call 24 hours a day, 365 days a year to respond to environmental emergencies. When necessary, state funds can be used to control and cleanup oil spills, hazardous material accidents and releases of other objectionable substances.

External Factors

Indiana covers an area of 36,300 square miles, requiring broad monitoring and enforcement of land quality. Past waste management practices have caused many significant problems that the state must continue to address, including contaminated sites, leaking underground storage tanks, spills, landfills, and open dumps that can contaminate ground water. Thousands of contaminated Indiana properties require remediation. Many are actively under investigation or cleanup, while others are yet to be discovered. Prospective purchasers of brownfields may be reluctant to purchase the property because of concerns about legal liability from potential contamination at the site.

Evaluation and Accomplishments

Over the last four years, the state helped the cleanup / redevelopment of two major superfund sites, Continental Steel in Kokomo and the Westinghouse/CBS site in Bloomington. It worked with more than 178 sites across the state to clean up and redevelop brownfields, and cleaned up more than 3 million waste tires from over 50 illegal tire dumps. More than \$677,000 was given to property owners for the removal of 274 underground storage tanks. In total, IDEM evaluated over 600 sites last year to determine their level of contamination, identify hazards to human health or the environment, and review proposed cleanup plans.



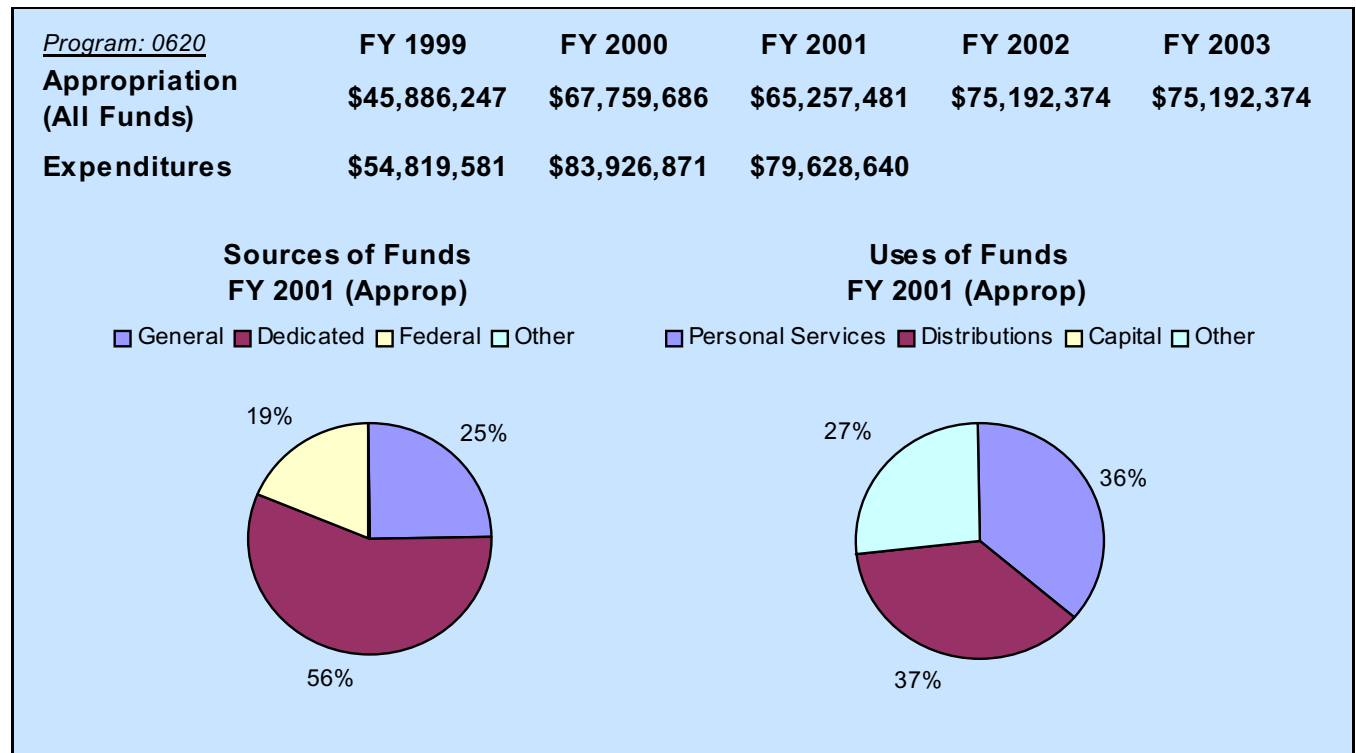
The IDEM Emergency Response team responded to this 1998 chlorine gas train derailment in Greencastle, Indiana.

IDEM issued 99% of all permit applications within required timeframes and inspected over 2,300 waste material management facilities with the potential for adversely impacting the environment if not managed properly.

Plans for the Biennium

IDEM will continue to issue permits on a timely basis and conduct compliance inspections to assure that waste materials are being managed properly. Inspections will be targeted to give the highest priority to sites which represent the greatest threat to public health. A standardized guidance document, which assesses the risk of harm to individuals from contaminated sites, will be developed. This document will help assure consistency among multiple remediation programs in setting the level of cleanup which must be conducted to assure protection of human health and the environment.

IDEM will also continue its partnership with the Department of Defense as that agency permits, constructs, and operates a facility to destroy VX poison nerve gas stored at the Newport Army Chemical Depot. The agency will continue to assist communities with brownfield redevelopment so that properties may be returned to the tax rolls and productive use. Assistance will also be provided to the agricultural community as IDEM implements rules regulating confined animal feeding facilities, which will help prevent the discharge of animal wastes into surface waters.



Energy Policy

Mission

To facilitate a clean environment and sustainable economic development by promoting energy reliability, energy efficiency and the use of alternative energy resources.

Summary of Activities

The **Department of Commerce** (DOC) Energy Policy Division (EPD) operates primarily in three areas: fossil fuels, alternative fuels, and energy-efficiency programs.

Fossil-fuel activities include the gathering and maintenance of data on coal, natural gas, petroleum fuels, and electricity. Communication with other state and federal agencies, fuel producers and electric utilities helps maintain reliable supplies of fuel and electricity for Indiana consumers. The promotion of Indiana coal is also a component of EPD's fossil-fuel activities.

Alternative-fuel activities include the promotion of alternative fuels (such as natural gas, ethanol, electricity, and propane) for motor vehicles. The Alternative Fuel Transportation program provides grants of up to \$10,000 to cover the incremental cost of alternative fuel vehicles or fuel. The new Alternative Fuel Infrastructure program provides up to \$30,000 for the building of alternative fuel vehicle refueling facilities. The EPD is active in the Clean Cities program, a federal public/private partnership program that promotes alternative fuel vehicles. The EPD also offers Alternative Power and Energy grants of up to \$10,000 for non-transportation alternative fuels; such as wind, solar, geothermal and waste-to-energy projects; and offers a limited number of Renewable Energy Demonstration Grants for projects that are highly visible and demonstrate to the public novel applications of renewable energy technologies. The Biomass Grant Program funds research into finding new ways to derive energy from biologically based materials.



Energy-efficiency activities are aimed at saving money for Indiana consumers and businesses through the reduction of energy consumption. Energy efficiency also creates environmental benefits by preventing emissions. DOC activities include the free testing of vehicles for fuel efficiency, grant and loan funds for industrial energy efficiency, building renovations, and the implementation of energy-efficiency measures in public institutions.

In all of these areas, the DOC Energy Policy Division acts as a clearinghouse for a wide variety of energy issues, providing expertise to the public, Indiana businesses, and other agencies of state government.

External Factors

The Energy Policy Division's programs are highly dependent on federal funding through the State Energy Program administered by the U.S. Department of Energy. The state receives approximately \$800,000 in federal funds each year, and State Energy Program funds are subject to fluctuations in annual federal appropriations.

The success of EPD programs is often dependent on volatile energy markets. When market prices for energy or for specific fuels are high, the ability of the division to identify solid, cost-effective projects improves. High fossil-fuel prices also tend to increase interest in alternative fuels among both businesses and the public. However, high prices also tend to be accompanied by restricted supplies of energy products, making it more difficult to ensure availability. Therefore, the type and intensity of EPD activities tend to change with fluctuations in the global energy markets.

Evaluation and Accomplishments

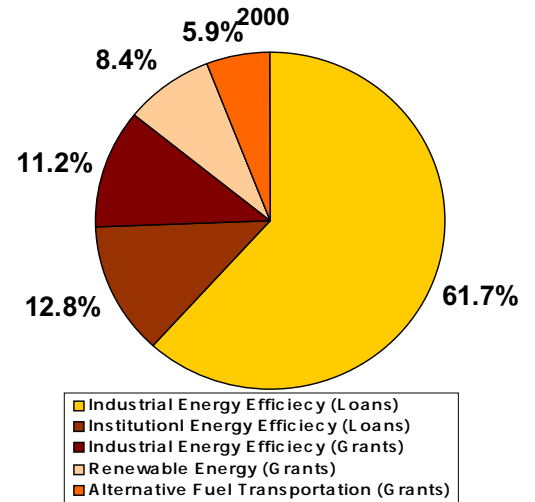
During a period (1999-2000) that saw rapid increases in energy costs, the EPD provided 20 projects with a total of \$1,560,477 - - \$1,155,999 in loans and \$404,478 in grants -- with loan funds being used for energy-efficiency projects and grants for efficiency, renewable energy, and alternative-fuel vehicle projects. Projects funded included loans and grants for the purchase of energy-efficient or alternative-fuel equipment, grants for research and development, and grants for the promotion of alternative and renewable fuels. Funds provided for the purchase and installation of equipment totaled \$1,243,757. The estimated energy savings to the Indiana businesses and institutions that received these funds was \$1,078,251 per year, a substantial investment payback for wise energy decisions. In addition, free testing helped 3,863 Hoosier motorists determine the fuel efficiency of their vehicles

Examples of EPD projects include Tiny Timbers, a small specialty lumber operation in Jefferson County. They received a \$10,000 grant to install a wood waste boiler to heat their shop and wood-drying kiln. In the year and a half that the boiler has been operating, Tiny Timbers has saved approximately \$645 per month, or over \$7,700 per year. EPD also granted \$10,000 to the Indianapolis Airport to help build a compressed natural gas refueling site for three parking lot shuttle buses. Each bus drives 50,000 miles per year, and would consume 5,000 gallons of diesel fuel. Instead, they run on natural gas, saving the airport over \$6,000 per year while helping to improve Indianapolis' air quality. Three more natural gas buses have since been added to the fleet.

Plans for the Biennium

EPD plans to continue promoting energy reliability, energy efficiency and the use of alternative energy resources. As recent events have shown the need for greater conservation of petroleum products and electricity, emphasis will be placed on industrial and institutional energy-efficiency programs. By conserving energy, Indiana businesses and institutions can continue to grow while helping mitigate energy-supply problems. Renewable energy efforts will also be emphasized.

Energy Policy Financial Aid by Area, FY 1999-2000



<i>Program: 0630</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$1,755,071	\$1,632,319	\$1,632,319	\$1,943,635	\$1,943,635
Expenditures	\$1,802,752	\$1,771,981	\$1,924,673		

<p>Sources of Funds FY 2001 (Approp)</p> <p>■ General ■ Dedicated ■ Federal ■ Other</p>	<p>Uses of Funds FY 2001 (Approp)</p> <p>■ Personal Services ■ Distributions ■ Capital ■ Other</p>
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Highway Construction & Maintenance

Mission

To construct and maintain a safe, efficient, high-quality transportation network.

Summary of Activities

The **Indiana Department of Transportation** (INDOT) operates and maintains a transportation system with an asset value of \$18 billion. The highway system includes assets ranging from small culverts and pavement markers to major bridges and interstate interchanges. The Department maintains a physical inventory of all its assets. The inventory includes 11,000 miles of state roads, 5,620 bridges, 16 double sided and 6 single sided rest areas, weigh stations, 3200 traffic signals and thousands of small structures. INDOT also operates the Indiana Toll Road under a lease with the **Indiana Transportation Finance Authority**. INDOT funds new and innovative programs such as “rails-to-trails” and state-of-the-art electronic traffic management systems.



INDOT matches available funding sources to the needs of the highway network. It conducts regular inspections of all roads and structures and uses this information to prioritize projects. Local input, traffic volumes, safety statistics, agency priorities and transportation planning studies also play a significant factor in determining which projects receive available funding.

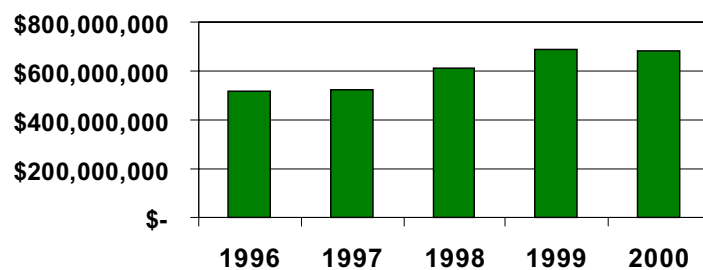
All highway maintenance is funded by the state. INDOT performs both preventive and emergency maintenance activities, including snow removal, line painting, sign maintenance, signals and highway lighting, pothole patching, mowing, rest area and weigh station maintenance, litter pick-up, and other activities to preserve and increase pavement life and increase the safety of the motoring public. INDOT maintains a network of local offices, vehicle repair garages, testing labs, salt storage buildings, dump trucks, plows, transportation vehicles, paint trucks and mowers to facilitate road maintenance.

External Factors

New construction and major rehabilitation are funded both with state and federal dollars; therefore, the level of federal funding is a significant factor affecting the amount of highway construction that can be funded in any year. A typical state/federal highway project will use 80% in federal funding and 20% in state funding. Federal funds can also be used for design and acquisition of right of ways. The Department also uses bond proceeds to fund new road construction. Other factors that can affect highway construction are regional shifts in population, legislative initiatives, and an increase in a particular mode of transportation.

The weather is the greatest external factor affecting highway maintenance. The most important activity performed is snow and ice removal. Winter weather not only affects snow and ice removal activities; it can have a tremendous impact on road deterioration in the spring. Excessive rain can also have an adverse impact on non-winter activities such as line painting. Increased truck traffic and increased truck weights place a greater burden on highways. This causes faster deterioration of the highways and increases the need for maintenance.

INDOT Highway Program



Evaluation and Accomplishments

Indiana has invested a record \$2 billion dollars in its transportation network over the past four years, in addition to the investment local units of government have made to the overall statewide network. A slight downward trend of this level of funding is planned for the next biennium due to the conclusion of the current bonding program. Major construction completed or ongoing during the current biennium include:

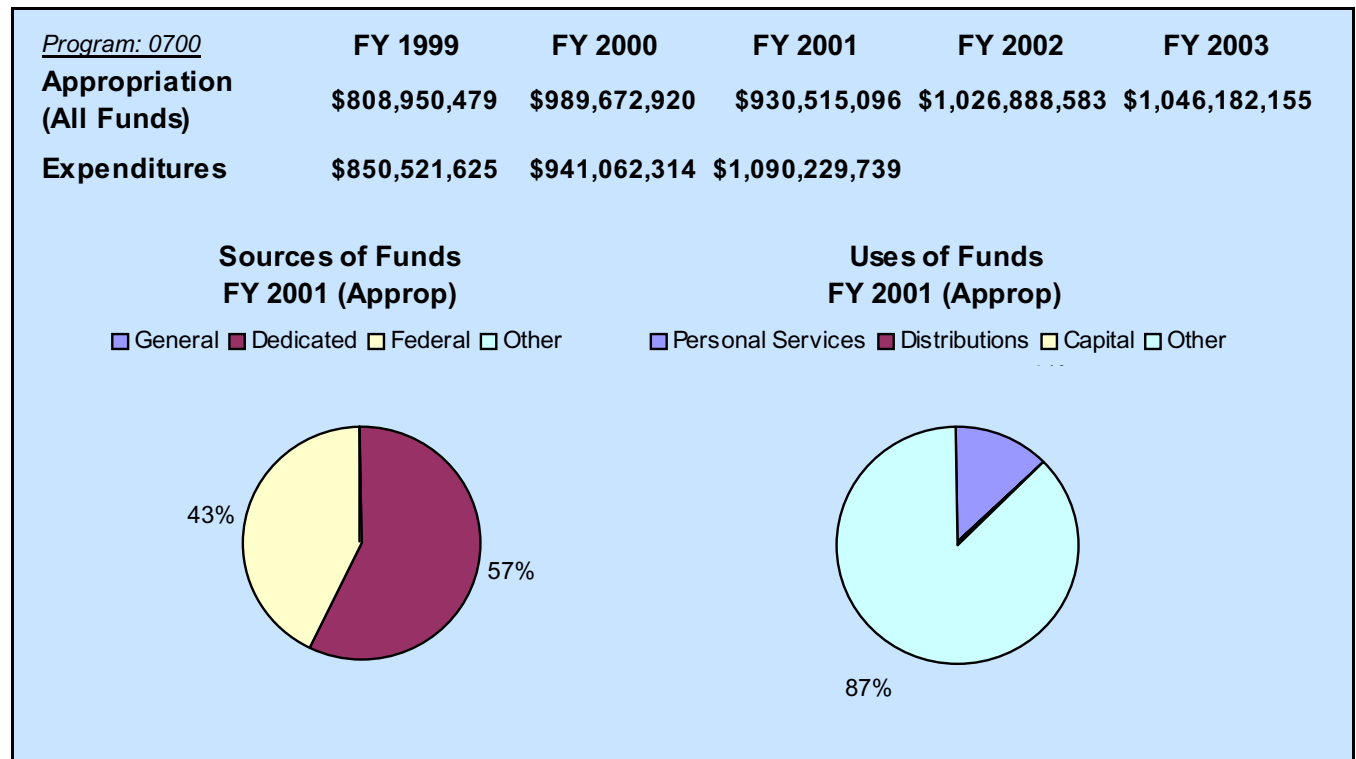
- ◆ Road replacement on I-65 through Northern Marion County for \$88.9 million.
- ◆ New road construction on SR 46 in Monroe County for \$33 million.
- ◆ Road rehabilitation on I-70 in Wayne County for \$62.7 million.
- ◆ An new interchange on I-65 in Johnson County for \$15.5 million.
- ◆ Major interchange modifications on I-465 at 56th street in Marion County for \$45.8 million and on I-80 at SR 912 in Lake County for \$15.3 million.

INDOT also opened the long-awaited Hoosier Heartland Highway from Ft. Wayne to Logansport with an investment to date of \$139.5 million.

Plans for the Biennium

The \$630 million Crossroads 2000 bonding program will be used to cash-fund several major projects and will be used for a match for several additional major projects. Crossroads 2000 targets several high priority projects in each of the six INDOT districts across the state. INDOT has been preparing for construction by conducting environmental studies, performing engineering activities, and acquiring the necessary rights of way. The final Crossroads bonds are expected to be sold late in FY 02 or early FY 03. Plans for maintenance activities include the continued review and implementation of new technology in snow and ice removal, and replacement of many local facilities. INDOT will complete removal of all underground storage tanks, and implement a major repair contract for the Wabash Memorial Bridge.

INDOT will continue to implement the TrafficWise Intelligent Transportation System (ITS), which uses technology to detect highway congestion as it occurs and determines the reasons for it. The system then speeds information to the people who need it - drivers, dispatchers and emergency responders. This rapid flow of information means that roadside assistance, such as that offered by INDOT's Hoosier Helpers and emergency aid, can arrive more quickly. Tools used in implementing TrafficWise include changeable message signs, sensors, closed-circuit cameras, highway advisory radio, pagers, and the Internet.



Transportation Planning & Research

Mission

To develop highway construction and multimodal projects that create a safe, cost-effective and environmentally sound transportation system.

Summary of Activities

The **Indiana Department of Transportation (INDOT)** has planning, design, engineering, and research responsibilities for all state transportation projects.

Planning utilizes a 25-year horizon, and includes long range planning, environmental assessment, engineering assessment and needs assessment. The INDOT Research Division implements a State Planning and Research (SPR) program using a combination of federal and state funds to satisfy the requirements of the Federal Highway Administration, assuring continued receipt of Federal approvals for items such as road and street improvement projects, maintenance of records, and multimodal transportation plan. Pre-construction consulting services complete various phases of INDOT's Capital Improvement Program. Consultants are contracted for various duties, including engineering and environmental assessments.



Design and engineering of highway projects are done both in-house and contracted out to consultants. Preliminary engineering activities include: field survey, road and bridge design, signing and signal design, landscape design, utility coordination, and sub-surface utility engineering.

The research portion of the SPR program is administered in conjunction with the Joint Transportation Research Program Board (consisting of senior INDOT personnel, Indiana universities, Federal Highway Administration (FHWA), and Indiana transportation industry associations). The program funds and oversees research and implementation projects (currently over 112 ongoing projects) impacting all transportation areas, including construction/geotechnical, environment, intermodal/planning/financing, traffic/safety/intelligent transportation systems, pavement/materials, structures/hydraulics, and policy. Research and technology transfer products include specification development and testing protocols, improved materials / performance/methods, and new technology.

The Transportation Corridor Planning Board (TCPB) provides a process for the selection of alternative transportation corridors along abandoned railroad property. Appointed by the Governor, the board is charged with determining if the state has an interest in purchasing abandoned railroad property and converting it to an alternative transportation use.

External Factors

Demand on the transportation infrastructure continues to increase, due to escalating traffic volumes, increased truck traffic and the demand for the system to support heavier loads. Federal and state funding for transportation construction increased significantly as a result of federal transportation legislation (TEA-21) and state initiatives (the Crossroads 2000 program), raising construction levels to record heights. These factors, plus an increase in consulting fees due to the high demand for and shortage of civil engineers, have led to an increase in the cost of using consultants.

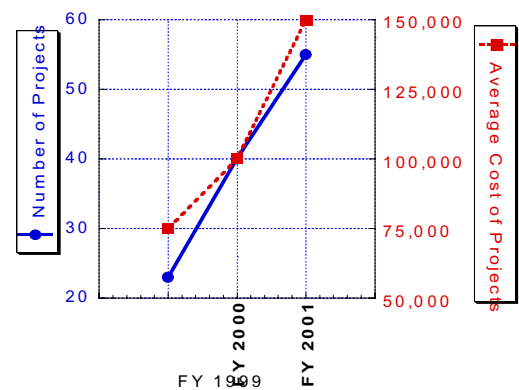
The Environmental Protection Agency and the **Indiana Department of Environmental Management** have recently implemented stricter environmental regulations for groundwater, surface water, air quality and wetland development, impacting congestion mitigation, construction activities and runoff from INDOT facilities. Environmental and industry groups are both challenging and promoting the reuse of waste materials in transportation. Federal mandates link receipt of federal funds to various programs including the use, evaluation and performance of new materials and products.

Evaluation and Accomplishments

INDOT is completing a 25-year transportation plan that includes specific major projects. This will allow INDOT to determine planning and budgetary needs for both consulting and in-house services in future years.

As a result of the increased demand for information, research and technical assistance projects have increased 74% in FY 2000 and a record 140% in FY 2001. In a coordinated effort to address these needs, the research program initiated recommendations from a recent peer review, including fast-track research, information and technology investments, implementation assistance program, utilization of focus groups, etc. A three-year Long-Range Research Plan (LRRP) for FY 2001-2003 has been finalized. A detailed economic review of implemented research products indicated an average benefit-cost ratio of 53:1 with a range of 5:1 to 89:1 for FY 2000 projects. Forty-seven projects are in active implementation status.

Number of Projects and Cost of Projects by Fiscal Year



Plans for the Biennium

INDOT will continue to work with other public or quasi-agencies, educational institutions, private industries, and consultants to accomplish the objectives of the SPR program. Planning functions will continue to provide the most up-to-date assessment data possible to provide cost feasibility and design details in determining which projects best meet the needs for the citizenry of Indiana. The TCPB will initiate a Corridor Preservation and Development plan that will be used to guide future actions and continue to fulfill its obligations as established by statute. The Research Program will fully implement and evaluate the recommendations of the recent peer review. This will provide fast-track research capabilities, assist in knowledge management, and result in a better-trained, safer workforce, designed to address customer needs.

<i>Program: 0705</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$85,422,505	\$125,370,281	\$126,334,216	\$138,202,827	\$143,438,774
Expenditures	\$112,697,007	\$131,979,355	\$147,596,930		

**Sources of Funds
FY 2001 (Approp)**

■ General ■ Dedicated ■ Federal ■ Other

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services ■ Distributions ■ Capital ■ Other

Local Roads and Streets

Mission

To provide funding to local units of government for the construction and maintenance of local roads and streets.

Summary of Activities

The majority of the roads in Indiana are under the jurisdiction of local governments. 87.89% of Indiana's roads are built and maintained under the administration of municipal and county governments. Local units of government are responsible for 61,491 miles of roads and 12,502 bridges.

There are a number of programs that distribute funding to local units of governments for the purposes of assisting them in the building and maintenance of roads and streets. The sources of revenue for these programs are the state gasoline tax, the special fuels tax, vehicle license fees, state court fees and several smaller sources of revenue. Approximately 50% of all state revenue collected for the purposes of funding transportation is distributed to local units of government. Local governments receive funding from the Motor Vehicle Highway Fund, the Highway, Road, and Street Fund, and the Special Distribution Account. These funds are distributed by the **Auditor of State**.



Each of these funds has a distribution formula that determines how much revenue each local unit of government receives. Money from the Motor Vehicle Highway Fund is allocated based on population, the number of motor vehicle registrations, and the number of miles of local road. The Highway, Road, and Street Fund is distributed based on the number of passenger car (but not truck) registrations. Depending on the size of the county, various weights are also given to the size of the population and the ratio of city and town street mileage to county road mileage. The Special Distribution Account uses both formulas weighted equally.

Local units of government also receive federal funding, primarily from the federal gas tax. Historically, local units of government have received 25% of the federal funds received by the state. The passage of the federal Transportation Equity Act for the 21st Century (TEA-21), enacted June 9, 1998, provides a 6-year surface transportation plan with which to finance federally-funded highway programs. TEA-21 sets the ground rules under which Indiana's program can operate. These rules include the amount of funds available to the program for each fiscal year, a description of how those funds are to be distributed; the length of time during which the funds may be used, and a listing of eligible activities.

Rather than trying to maintain separate relationships with every city, town and county transportation agency nationwide, the Federal Highway Administration (FHWA) works through the **Indiana Department of Transportation (INDOT)** on all local agency projects. There is a special appropriation created to account for federal participation on local-federal projects.

External Factors

There are a number of external factors which could affect funding of the local road and street programs. The passage of the six-year TEA-21 gives some stability as to the amount of federal funds that will be received during the biennium, as

well as the guidelines in spending the revenue. There are ways in which spending levels can be increased or decreased. The guaranteed spending level is adjusted each year due to revenue projections for the coming year being different than the revenues estimated for the year stated in TEA-21. Another would be that Congress could, but rarely does, pass legislation to rescind previously authorized funds. In such a case, the amounts rescinded, or eliminated, are not available to the states in future years.

The level of both federal funding and the majority of state funds for local roads and streets is dependent on the sale of fuel. An economic downturn or a disruption in fuel availability could affect the amount of tax revenue collected and as a result reduce the amount of funds available to local units of government.

Evaluation and Accomplishments

During the FY 2000 / 2001 biennium, the state provided \$200 million in additional state general fund distributions to local units of government, increasing the quality of local infrastructure and decreasing the local property tax burden.

According to INDOT, 70% of all local bridges in Indiana are at or above standards for construction and safety. This compares with the national average of 66%.



Covered Bridges of Parke County, Indiana

<i>Program: 0710</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$504,196,266	\$611,098,364	\$630,270,331	\$607,629,183	\$628,288,944
Expenditures	\$635,479,662	\$770,926,510	\$686,413,308		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

Commercial Transportation

Mission

To promote and provide the infrastructure and transportation resources necessary for strong economic development.

Summary of Activities

A number of dedicated funding sources and authorities promote commercial transportation in Indiana. Administered by the **Indiana Department of Transportation**, (INDOT), the High Speed Rail Fund provides funding for the purpose of promoting and developing high-speed rail travel in Indiana. The Industrial Rail Service Fund, a state fund that receives 0.04% of the state sales tax revenues, supports a loan program that enables railroads to purchase and/or rehabilitate rail lines in order to provide rail transportation services, as well as a grant program for Port Authorities operating as railroads.



The Northern Indiana Commuter Transportation District (NICTD) was created in 1977 to maintain and improve rail passenger service on the South Shore Line between South Bend and Chicago. The Electric Rail Service Fund receives property taxes paid by the Chicago South Shore and South Bend Railroad. These funds go to NICTD to help pay its share of general operations. The Public Utility Tax (Commuter Rail Service Fund), which also goes to NICTD, receives 0.17% of the state sales tax, to help pay for its share of capital and general operating costs.

There are three public ports in Indiana: the International Port at Portage, Southwind Maritime Centre at Mt. Vernon, and Clark Maritime Centre at Jeffersonville. All are administered by the **Port Commission**, which promotes the agricultural, industrial and commercial development of Indiana. The Commission is also working on the development of a statewide network of Foreign Trade Zones, as required by the U.S. Department of Commerce.

The **Department of Revenue** (DOR) Motor Carrier Services Division administers the registration, licensing and tax collection of motor carriers in Indiana, licensing 11,900 carriers and collecting \$105.2 million in revenue. The DOR maintains a database of 220,000 Indiana commercial driver's license accounts and participates in a national program to monitor driver's records. It also provides special permits for those motor carriers that transport loads that exceed regular weight limits on the state's roads and bridges.

External Factors

In 1998, 20% of Indiana's shortline railroads were operating on the lowest standard of trackage allowable. After substantial financial investments in 1999, that amount has been reduced to 10%. The implications of substandard infrastructure are that valuable freight corridors are vulnerable to costly delays. In addition, these same corridors face the coming challenge of accommodating new, large 286,000-pound rail cars.

Increasing use of Indiana's highway transportation infrastructure can bring increased air pollution, traffic congestion and highway maintenance costs. Alternate modes of transportation and the improvement of rail infrastructure can help reduce these problems and save on infrastructure repair. The maritime industry in Indiana continues to evolve in the face of economic change and industry consolidation. The market's need for port services, the role of private investors, and the labor market are all factors considered by the Port Commission.

Evaluation and Accomplishments

INDOT recently provided over \$3.9 million dollars in loans and grants for regional railroad infrastructure improvements. This investment will bring 49% of shortline trackage up to minimum operating standards. The Chicago-Indianapolis-Cincinnati corridor was declared a federally designated high-speed rail corridor. This designation makes that passenger

rail route eligible for federal funding.

A study by the **Indiana University** Center for Urban Policy and the Environment found that the economic impact of Indiana's Ports is substantial, resulting in an annual average of \$587 million in economic activity and 5,771 jobs at an average salary of \$25,634. In 1995 the ports contributed more than \$12 million in state and local taxes to the state (\$9 million in state taxes and more than \$3 million in local property taxes).

Year	Class 1 Railroads	Other Railroads	Car Companies and Shippers	Total
1939	1,650,031.00	30,488.00	281,186.00	1,961,705.00
1975	1,359,459.00	29,407.00	334,739.00	1,723,605.00
1990	658,902.00	103,527.00	449,832.00	1,212,261.00
1996	570,865.00	87,364.00	582,344.00	1,240,573.00

Source: Assc of American Railroads

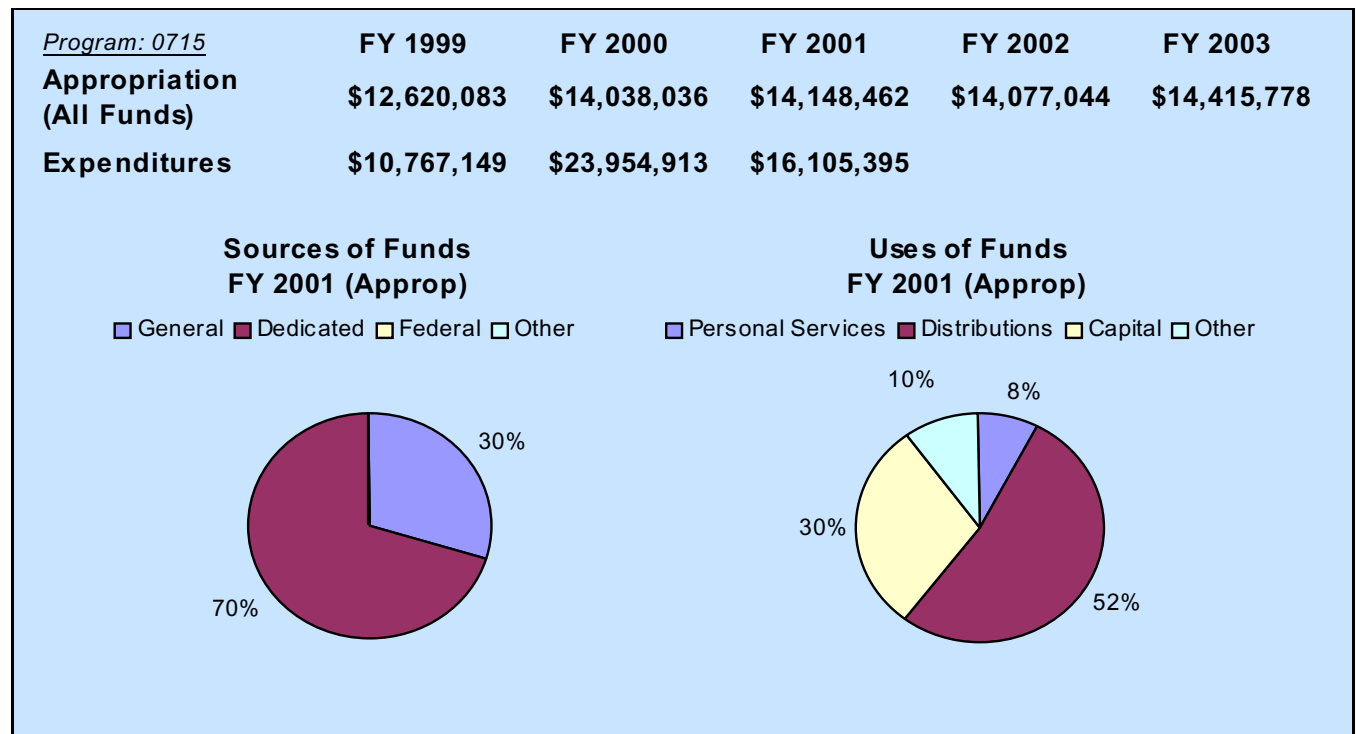
An additional \$1 million will be generated in local property taxes as tax abatements expire. Federal, state and local governments collectively have invested \$127 million in creating the public port system. Through 1995, the private sector invested \$8.82 in private funds in the ports for every \$1.00 in public funding.

Plans for the Biennium

INDOT will continue rail development efforts, facilitating the development of a viable alternative transportation mode for the citizens of the state of Indiana, while addressing traffic congestion, air pollution and highway maintenance costs. INDOT will also continue to assist rail companies in the development of their railroad operations, leading to increased economic development.



The DOR will continue to improve their databases, resulting in a reduction in motor carriers' paperwork and faster issuance of credentials. The DOR will also continue support of law enforcement through cooperative efforts that ensure a fair economic environment in which trucking companies can operate. Safer highways will be promoted by committing to national information exchanges that identify and monitor the high-risk motor carriers.



Public Transportation

Mission

To improve personal mobility and the quality of life of individuals through the preservation and enhancement of passenger transportation systems.

Summary of Activities

The state's role in public transportation, administered by the **Indiana Department of Transportation (INDOT)**, is comprised of four main grant programs: the Public Mass Transportation Fund, the Rural Transportation Program, the Specialized Transportation Program, and the Transportation Planning Program.

The Public Mass Transportation Fund (PMTF) receives 0.76 % of the state sales tax revenue. These funds are allocated to local public transportation systems, using a performance-based formula. The funds may be used to match federal and/or local funding for capital projects (buses, shelters, radios, etc.) and operating expenses (salaries, fuel, maintenance, etc.).

The Rural Transportation Program is available to all areas with a population of under 50,000 for public transportation needs. These funds are allocated to both new and existing public transit systems. Other funding is available specifically for Intercity Bus Transportation projects. The funds are used for capital projects and operating expenses.

The Specialized Transportation Program provides assistance to private non-profit corporations and eligible public bodies that deliver special transportation service to persons who are elderly and/or disabled. Funding provides capital assistance (vehicles and related equipment) on a discretionary basis for urban and rural areas. **Figure 1** is a photograph of the 1000th Transit Vehicle purchased through the Specialized Transportation Program, which is used by a social service agency in southern Indiana.

The Transportation Planning Program provides financial assistance to Metropolitan Planning Organizations (MPOs) for the planning, engineering, design and evaluation of transportation projects and other related technical studies. The funds are distributed to MPOs by a formula allocation based on the population of the urbanized area.

External Factors



The demand for public transportation is influenced by the accessibility and convenience of travelling in personal vehicles. The cost of vehicles and fuel, as well as travel times and traffic congestion, affect the extent to which people choose to utilize public transportation. Other factors include the availability of parking and the proximity of residential housing to retail and commercial employment.

Funding allocation decisions made by the federal government have a great influence on the amount and quality of public transportation services provided in Indiana. Since 1991, federal transit funding has nearly doubled nationwide. This increase has prompted many Indiana counties, cities, and regional areas to look at public transportation to help solve local mobility challenges, and to diversify their transportation options.



Figure 1

Evaluation and Accomplishments

Since 1997, the INDOT Public Transit Section has added six new local public transportation systems. These systems provide over 500,000 Hoosiers access to public transportation in seventeen counties. The PMTF has grown from \$19 million to \$27 million over the past five years, and the federal transit grant programs have grown from \$12 million to over \$16 million during the same time period. A performance-based allocation formula that rewards cost-efficient transit systems was created. **Figure 2** shows the growth of the state funds from 1981 to 1999.

In the last two years, the Public Transportation Program has undergone two management reviews by the Federal Transit Administration (FTA) in which Indiana was named one of the top states in the nation administering FTA grant programs. The Public Transportation Program also created a compliance program for grant recipients, which include on-site compliance reviews, program manuals, and technical assistance to all grantees. The technical assistance that is provided to grantees includes workshops, program manuals, marketing materials, feasibility grants and other related assistance.

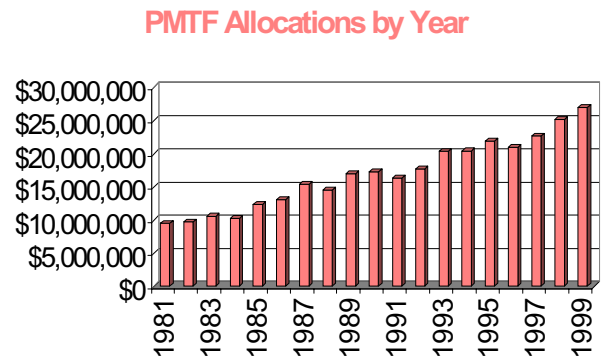


Figure 2

INDOT has also completed a *Statewide Public Transportation Needs Assessment Study* that documents on a per-county basis the unmet demand for public transportation in Indiana. It also received over \$19 million in federal funds, which helped local public transportation systems implement major capital improvements.

Plans for the Biennium

INDOT will continue to work with communities on starting new or expanding existing public transit systems. In 2001 Indiana will have ten additional counties offering public transportation. In 2002 the Rural Transportation Program will have 20 potential countywide feasibility study requests.

<i>Program: 0720</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$35,337,107	\$39,562,076	\$40,846,292	\$40,834,497	\$42,654,635
Expenditures	\$37,347,681	\$37,012,923	\$35,044,298		

**Sources of Funds
FY 2001 (Approp)**

Legend: General (Blue), Dedicated (Red), Federal (Yellow), Other (White)

77%
18%
4%
1%

**Uses of Funds
FY 2001 (Approp)**

Legend: Personal Services (Blue), Distributions (Red), Capital (Yellow), Other (White)

82%
12%
6%

Motor Vehicle Regulation and Safety

Mission

To provide safe transportation in Indiana through traffic safety education, motor vehicle licensing and registration, driver licensing, and the management of all records pertaining to registrations, titles, and licenses.

Summary of Activities

The **Bureau of Motor Vehicles** (BMV) operates 167 license branches, where it provides the licensing of drivers as well as the titling and registration of all motor vehicles (including watercraft). Last year the BMV was responsible for 6,621,532 vehicle and watercraft registrations and 2,200,036 vehicle and watercraft titles. 1,728,751 regular driver's licenses and 56,039 commercial driver's licenses were issued and amended. 29,764 requests for driving records were answered.

In addition to performing standard transportation-related transactions, the BMV also processed 229,658 voter registrations, and 28,870 organ/tissue donation applications. There are six driver's license reinstatement centers across the state, as well as a central office that is responsible for providing support to the license branches and ensuring the proper distribution of all taxes and fees collected in the process of licensing, titling and registering vehicles.

Indiana has developed an aggressive public information campaign designed to reduce impaired and dangerous driving. The **Criminal Justice Institute** Office of Traffic Safety provides grants to local units of government to implement highway safety programs. The **Indiana Department of Transportation** (INDOT) administers programs for railroad crossing improvements and school bus safety. The **Indiana State Police** uses federal grants to increase patrols in construction work zones in an attempt to provide visual incentives and act as a reminder to motorists to reduce their speeds.

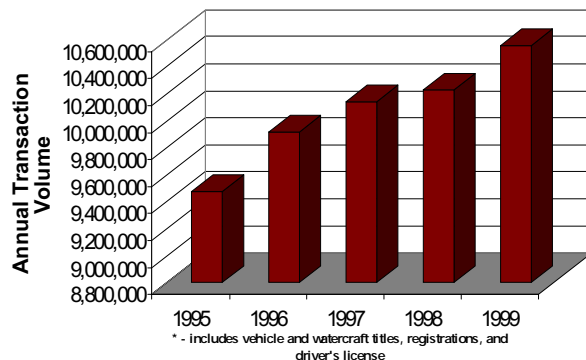
External Factors

Demographic shifts in the state's population create a strain on the license branch system, as the need for services decreases in one area and increase in another. Increasing traffic volume on the state roads and highways creates new challenges for maintaining traffic safety.

Evaluation and Accomplishments

The ultimate goal of transportation safety programs is to reduce the number of accidents and injuries experienced by Hoosier travellers. The number of vehicle accidents has dropped 2.5% between 1989 and 1998, with a 24% decrease in alcohol-related fatalities. The number of railroad crossing accidents dropped from 196 in 1998 to 182 in 1999, which is an all-time low.

The chart at right indicates that the number of transactions processed by the BMV is growing steadily. To provide more convenience and choice to its customers, the BMV has implemented several new automated vehicle registration



renewal systems, including the BMV Express Self Service Terminals, Internet Rapid Renewal Service, and Touch-Tone Renewal. These are all available 24 hours a day, seven days a week. A new driver's manual was issued with more up-to-date instruction for Indiana motorists. A new Driver Evaluation Task Force was created with the goal of establishing basic and fair standards for drive test criteria. Approximately 35,000 cases of abandoned vehicles were resolved, and a new driver awareness program was initiated to provide alternatives to defensive driving participants.



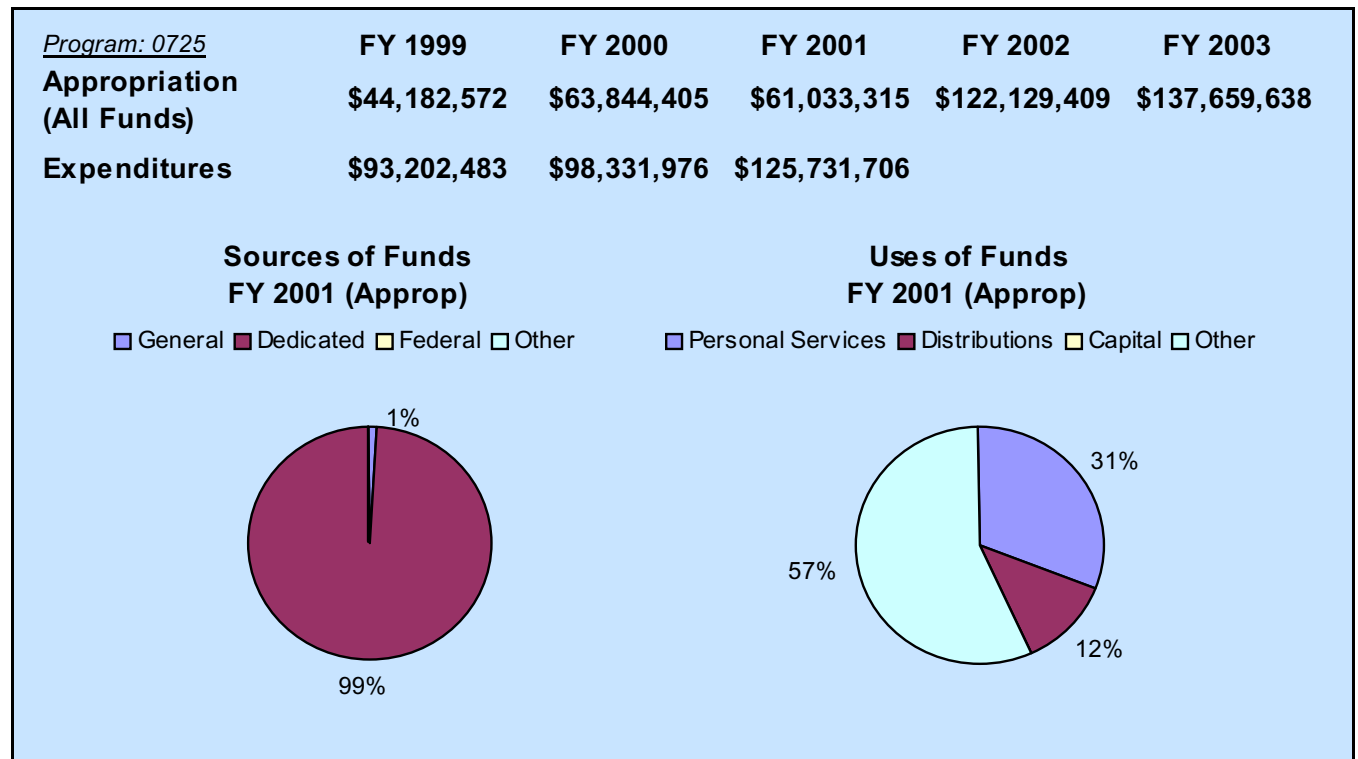
A phone survey has indicated a minor downward shift in customer satisfaction levels with the BMV; however, the survey indicated that 91% of the 767 respondents felt that services are above average or very good. The BMV is in the process of unveiling a new Customer Service Survey whereby the results can be quantified and eventually linked to performance measurements. This format will assist the BMV in determining the agency's strengths and weaknesses as it relates to training and performance issues.

With the help of the State Police, INDOT has used Highway Safety Grant funds to enhance the mobility of the motoring public under adverse safety conditions by reducing the potential for accidents and providing a safer environment for motorists traveling through a construction work zone.

Plans for the Biennium

The Governor's Council on Impaired and Dangerous Driving has set the following goals for 2000 - 2005:

- ◆ Decrease the state fatality rate per 100 million motor vehicle miles traveled (MMVMT) from a baseline of 1.5 in 1996 to 1.06 in 2002, and 0.92 in 2005 with progress demonstrated on an annual basis.
- ◆ Decrease the state injury rate per 100 MMVMT from 117 in 1996 to 103 in 2002 and 95.7 in 2005.
- ◆ Decrease alcohol-related fatal crashes from 0.32 per 100 MMVMT in 1996 to 0.20 in 2002 and 0.167 in 2005.
- ◆ Increase seat belt usage from 65% in 1998 to 90% by 2005.
- ◆ Reduce fatal crashes by drivers age 16 - 19 from 0.79 per 1,000 licensed drivers in 1996 to 0.592 in 2005.



Historical Resources

Mission

To promote, preserve and make accessible Indiana's historical artifacts, papers, properties, photographs and legal records of government.

Summary of Activities

Historical Resources programs are managed by the Historical Bureau, the Commission on Public Records, the Department of Natural Resources, and the War Memorials Commission.

Historical Bureau activities promoting public awareness of Indiana's history include coordinating special events and preserving and marking historic places and buildings. The Bureau collects, preserves and makes accessible books, papers, photographs, pamphlets, published state documents, and newspapers related to the history of Indiana. It edits and publishes Indiana history books, pamphlets and articles; coordinates an annual Indiana History Day and Archeology Week; develops public education materials; celebrates special events such as the Indiana Territory Bicentennial; administers grant programs for these purposes, and shares coordination of county historians and the Junior Historical Society with the private Indiana Historical Society.

The **Commission on Public Records** manages the birth-to-death life cycle of all government records, preserving the most valuable legal and historical records in the State Archives, the holdings of which include government records dating from the territorial period of the 1790s. The Archives include over 25,000 square feet of records, including 100,000 aerial photographs.

The **Department of Natural Resources (DNR)** Division of Museums and Historic Sites includes sixteen historic properties throughout the state. The Division identifies, collects, preserves and interprets the natural and cultural history of Indiana. Through on-site interpretive tours, programs, and special events, the historic sites collectively strive to educate the visiting public about the state.

The **War Memorials Commission** manages the War Memorial Plaza and Soldiers and Sailors Monument in downtown Indianapolis, including the Military Museum and Colonel Eli Lilly Civil War Museum.

External Factors

Indiana's success in preserving and promoting its historical resources has led to increasing demands created by an increasing number of visitors and researchers, coupled with an additional need for research material and increasing numbers of historic places, markers and buildings. For example, the new State Museum expects a 300 percent increase in visitation, while the DNR division of Historic Artifacts and Places reported a 40 percent increase in attendance over the past six years.

The Commission on Public Records is confronting the rapid deterioration and disappearance of 19th and 20th century legal records, brittle paper records and the ever-changing technology of late 20th century electronic records, while reporting nearly 250,000 monthly accesses to its web site this year.

Use of the War Memorials has necessitated extensive renovations, which are currently being completed. In addition, the opening of the private Indiana Historical Society's new building in 1999 highlighted its contributions and mission to collect, preserve and disseminate all Indiana history with a primary concentration on research materials and education and a secondary role for exhibits.

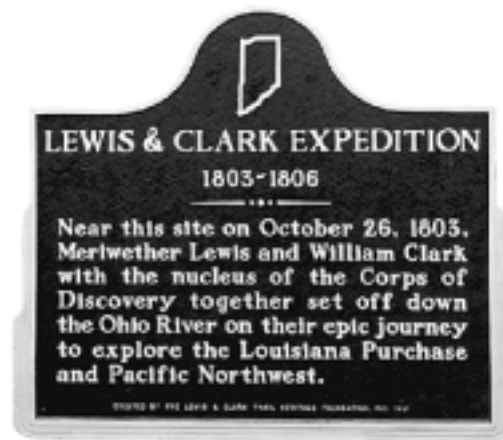


Jonathan Jennings, First Governor of Indiana

Evaluation and Accomplishments

Despite an increasing number of visitors and researchers, improved physical and staff services are provided each year. Public Records patrons have increased more than 100 percent since the early 1990s, while a smaller staff handles a more than 200 percent increase in the number of legal records created, preserved and made accessible. The 1816 and 1851 Constitutions were restored and placed on public display in the State House

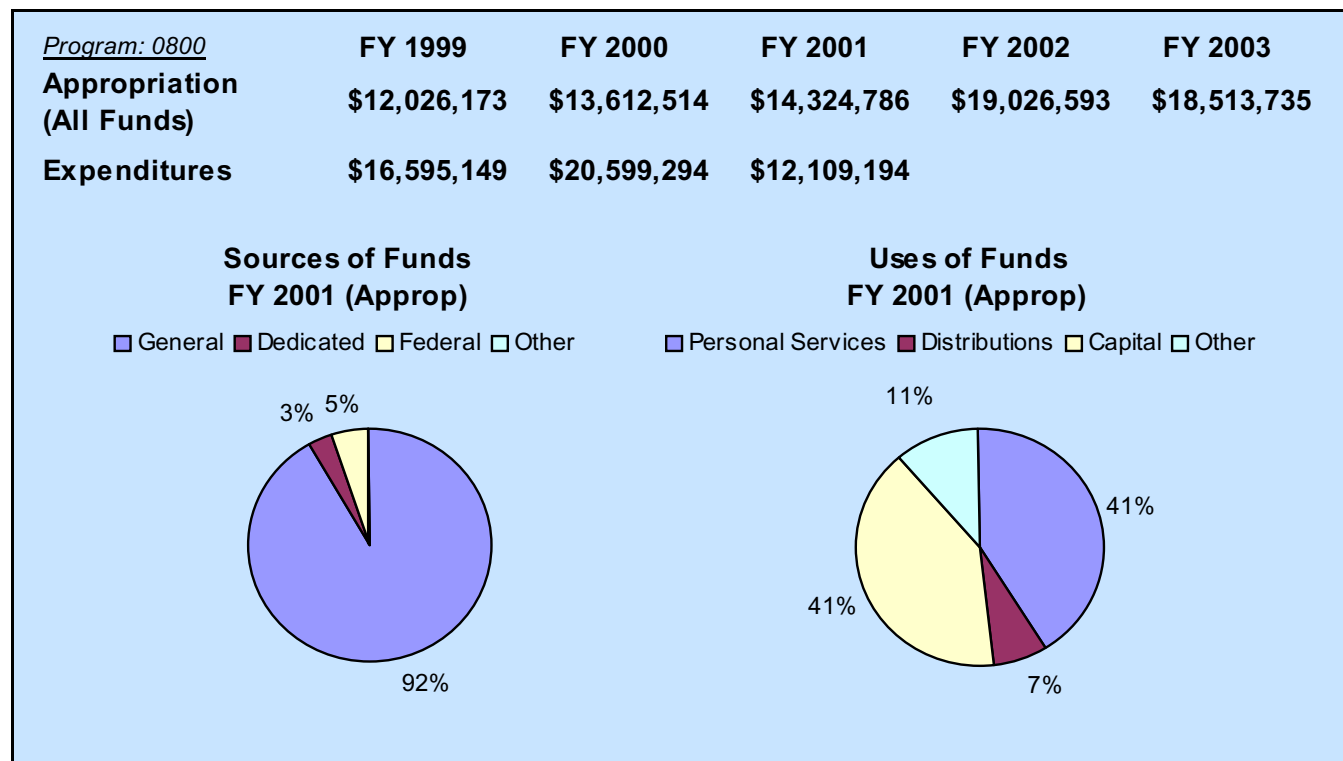
The Historical Bureau added 19 historical markers, distributed quarterly publications to 3,600 institutions, encouraged 2,200 students to participate in Indiana History Day, completed 60 grant projects, and surveyed three historic buildings in three counties. The War Memorials Commission hosted over twenty major events involving a half million attendees.



Plans for the Biennium

The Commission Public Records staff will work with volunteers to place all indexes to records on the Internet after microfilming the original records. There will be a major effort to collect legal public records that are inaccessible, organize them, and make them accessible to the public. On-line use of public records at the State Archives is expected to top 500,000 accesses per month.

The DNR will add three new interpretive programs, create a cemetery database, open a full operation at Mansfield Mill, collaborate with public broadcasting stations for a series on historic sites, develop a program for historic trails, and prepare a comprehensive study of recommended improvements to historic sites. The new State Museum will offer greatly increased public access to a variety of historical exhibits and artifacts.



Arts Resources

Mission

To enrich the lives of Indiana's citizens and visitors by encouraging, educating, and promoting participation in the arts; by collecting, preserving and interpreting the state's artistic contribution to a wider public, and by providing resources to educators to encourage the study and appreciation of the arts in Indiana.

Summary of Activities

The **Indiana Arts Commission (IAC)** provides programs and services to arts providers (artists, arts organizations, community-based agencies, and schools and universities) in five key areas: community development, organizational development, artist development, arts education, and non-grant services (marketing, research and development, information technology, evaluation, cultural needs assessment and planning, and training). The IAC promotes and supports visual arts and crafts, literature, media and performing arts.

The IAC created a Regional Partnership Initiative (RPI) in 1997 to leverage the resources of 12 private, non-profit agencies to assist the IAC with the decentralization of the IAC's programs and services to reach communities in all 92 counties. The RPI has increased the number of grants to arts providers and has improved service delivery at the regional level.

The IAC has partnered with the **Indiana University** Folklore Institute to create "Traditional Arts Indiana", and surveyed more than 200 folk artists in 50 counties in two years. The IAC's collaborations with the Indiana Humanities Council, the **Department of Commerce** Tourism Division, and the State Museum to develop new arts initiatives will provide increased access to and information about cultural opportunities in Indiana to Indiana's citizens and visitors.

The **Department of Natural Resources (DNR)** Division of State Museums and Historic Sites provides a range of services to citizens. The DNR administers the Indiana State Museum (ISM), where its collection of Indiana art, including many works by the Hoosier Group (T.C. Steele, et. al.) of impressionist artists, is stored, preserved and exhibited. The collection has been assembled through the generosity of donors and through the Division's Artifact Acquisition Fund. The ISM also develops public exhibitions, special events, and programs to help visitors learn more about Indiana's cultural history. The development of the exhibition series is dependent upon loans of artwork, corporate and individual support, and IAC grants.

Recognizing the role of the arts in each student's total education, the **State Board of Education** requires the inclusion of music and visual art in a balanced curriculum in grades K-8. High school students pursuing the Academic Honors Diploma must earn two credits in fine arts courses. The **Department of Education (DOE)** assists schools and educators to meet these requirements by providing curricular guidelines, academic standards, and course descriptions for classroom instruction in the fine arts (visual arts, theater, dance, and music) for grades K-12. The DOE provides professional development services for arts educators by offering or collaborating in presenting seminars in arts assessment, integration of the arts into other subjects, licensing reforms, and support for first-year teachers.

External Factors

Federal funding from the National Endowment for the Arts has been reduced by almost 40% over the last four years, resulting in fewer education and artist grants, as well as a reduction in staff at the Indiana Arts Commission.



T.C. Steele, *Selma in the Garden*, c. 1910, oil on canvas

Evaluation and Accomplishments

People benefitted from the IAC-supported programs on 19 million occasions, including 4 million occasions for school-age children and 2.5 million older adults. The IAC provided \$3.6 million in over 370 grants to the Regional Partnership Initiative, arts providers, and individual artists.

The DNR State Museums and Historic Sites division has a notable collections of Indiana paintings, Amish quilts and Indiana coverlets. Each year about 200 pieces from the collection are loaned to other exhibits. Paintings from the Hoosier Group were included in an Indianapolis Museum of Art exhibit in Germany.

Plans for the Biennium

Governor O'Bannon will establish the Indiana Heritage and Culture Council, composed of public and private agencies, to ensure the state is efficiently and thoroughly protecting, preserving and nurturing its historical and cultural resources.

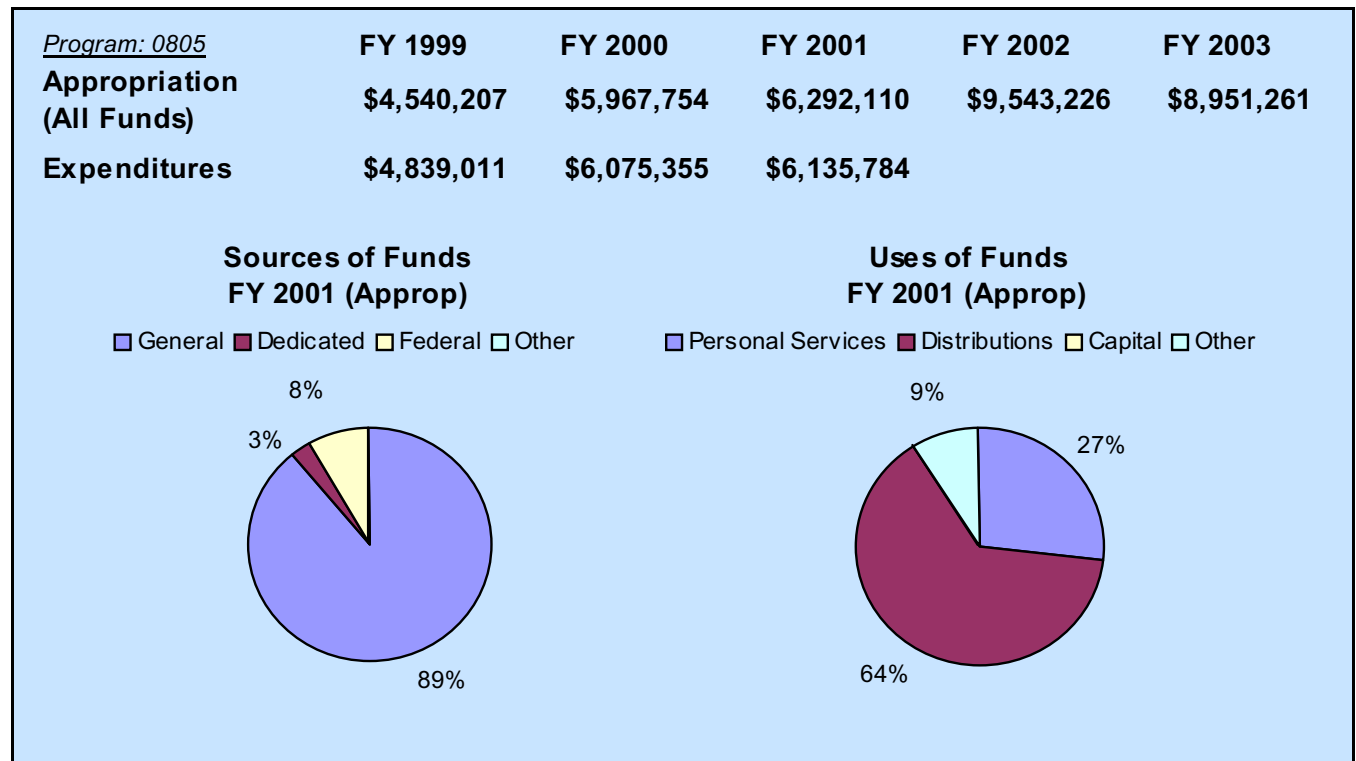
The current IAC strategic plan for 2001 - 2004 is focused on: developing the capacity of the Regional Partners, developing a statewide cooperative arts marketing plan, strengthening the delivery and quality of arts education, and increasing public and private investment in the arts.



Artist's rendering of the new Indiana State Museum

Special Initiatives

DNR staff resources will be directed toward preparing to move to the new Indiana State Museum in White River State Park in 2002. This effort will include research and development of permanent exhibits and shows, which will be in the permanent fine arts hall and the gallery for temporary exhibits. The new Indiana State Museum will provide new public programs, educational opportunities, and rotating temporary exhibits. The DNR will be using various means to acquaint Hoosiers with this new resource and its expanded services. It is anticipated that public visitations will increase 300% over the present State Museum.



Library & Public Information Services

Mission

To provide information resources to Indiana citizens.

Summary of Activities

The **Indiana State Library** was established in 1825, and was charged with providing library services to Indiana's government and citizens. It also provides specialized services not available at local libraries, and strengthens and supports the library profession. The State Library has a reference division that serves as a repository for all federal and state documents, a loan division that includes the only general circulation Braille library in the state, and an Indiana division, which includes a large section devoted to genealogical research. Indiana contains 239 public libraries, 380 school corporation media centers, 194 special libraries, and 76 academic libraries.

The State Library also facilitates electronic access to information. It administers the INSPIRE program, Indiana's "virtual library". In conjunction with the academic, public, school and special libraries of Indiana, INSPIRE offers access to a full range of commercial databases and other electronic resources to support the educational, cultural, personal and economic interests of Hoosiers from their homes, offices, libraries, schools and businesses in Indiana.

The **Commission on Public Records** manages the birth-to-death life cycle of all government records, preserving and making accessible the most valuable legal and historical records in the State Archives. The Commission provides advice, guidance, and retention schedules regarding public records for all local and county governments. It maintains a public records center that provides state agencies with off-site storage for inactive records.

The **Public Access Counselor** provides advice, assistance, opinions and training on the state's public access to records and meeting laws.

The **Access Indiana Information Network** (AIIN) is an Internet-based interactive communication and transaction system designed to make communication of information quicker and more convenient for residents and businesses throughout Indiana. The AIIN web site provides links to local governments, business and professional resources, associations, and other public information. Currently there are approximately 100,000 pages of content covering more than 75 state agencies, departments, and commissions, the judiciary system of Indiana, and the legislative branch, including elected officials and the Indiana Code and Administrative Code. AIIN uses the most successful network model in the country - no state or federal tax money is used to develop electronic access to information. 90% of all information available on the Network is available to the public at no cost. The remaining content is public information deemed "commercially valuable" such as Driver's Records, Vehicle Titles and Liens, **Secretary of State** Records, and Health Professionals' Licenses. For an annual subscription fee and a modest per transaction charge, users can immediately access the most up-to-date state agency information available. Fees generated from commercially valuable information support the development of the Network's free content.

External Factors

A significant external factor affecting library and public information services is the growing demand for legal records and information, and the increasing number of commercial databases that contain information needed for business and government to carry out planning and decision making. The cost to make these services available continues to rise each year along with the demand. Authentication issues related to new electronic record formats will also need to be addressed. In addition, a federal mandate to convert all television broadcasting to a digital format has resulted in a need for significant investments in new equipment at Indiana's public television stations.



Map of Indiana by A. von
Steinwehr, A. M.
H. Chandler, Engraver. 1876

Evaluation and Accomplishments

◆ With over 5 million electronic accesses, the State Library doubled use of all electronic resources from 1996-1997 to 1999-2000.

◆ Commission on Public Records services to patrons of the State Archives increased over 100% in the 1990's, excluding the 2.5 million website accesses. The cubic feet of legal records in its custody and care also increased over 100%.

◆ AAIN provided the public with access to free applications, including a searchable database of licensed child care providers, state college grant and scholarship information, state emergency management information, a searchable version of the Indiana Code, Department of Natural Resources water quality databases, and a sex offender registry. New information is continually being added. AAIN receives over 5 million web "hits" per month.

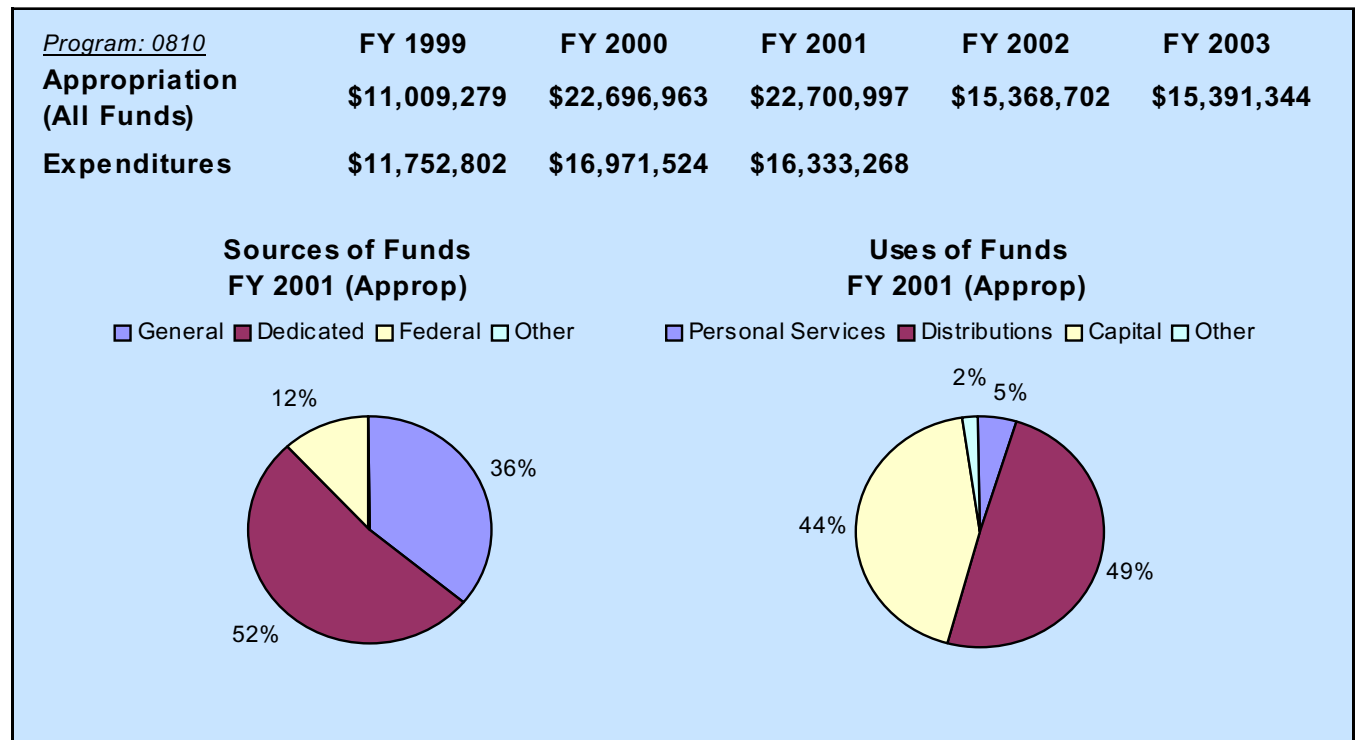
◆ Last year the Public Access Counselor office received more than 1,600 contacts, issued 42 written advisory opinions, and conducted 68 educational and training presentations.



Plans for the Biennium

The Commission on Public Records will move the State Archives to improve storage conditions and extend the useful life of valuable, one-of-a-kind legal public records; create new retention schedules and procedures for handling electronic records to insure authenticity; increase online access to public records by 100%; expand service hours for archives patrons; decrease expenditures by state agencies for off-site storage of data and records with the opening of a new vault; and digitize records in the archives.

The State Library will restore and remodel all its current space except the book stacks; expand into the 45,000 additional square feet created by the relocation of the Indiana Historical Society; improve customer service by combining research information resources and making additional resources available two evenings and Saturdays; and develop a supplementary on-line catalog. Indiana's public television stations will complete the conversion of their broadcast facilities so that they may broadcast a digital signal, as required by federal law.



Legislature

Mission

To perform each of the duties and to exercise all of the legislative functions granted or ordered by the Constitution of Indiana.

Summary of Activities



The first branch of state government established by the Constitution of the State of Indiana is the Indiana General Assembly (Article IV). The General Assembly is comprised of a **House of Representatives** and a **Senate**. The Constitution fixes the maximum number of Senators at 50, while the House can include up to 100 members.

The Constitution makes each chamber of the General Assembly a fully autonomous and independently organized body. The General Assembly is the only branch of government that is permitted to change the laws of the state. Holding the purse strings of government is a very important power of the General Assembly -- no money may be drawn from the State Treasury except by an appropriation made by the Legislature. Each chamber elects its own officers and has its own rules of procedure. However, the Lieutenant Governor serves as the President of the Senate by virtue of his or her office.

In the absence of the Lieutenant Governor, the President Pro Tempore presides over the Senate. Senator Robert D. Garton of Columbus was elected by the Senate to serve as the President Pro Tempore for the 112th General Assembly. His leadership counterpart in the House of Representatives is Speaker John R. Gregg of Sandborn.

Each General Assembly meets for a two-year term. The term begins after each general election held in November of even-numbered years. The first session is referred to as the "long session." It meets until April 29 of each odd-numbered year. The "short" session runs during even-numbered years and must conclude by March 14. The primary difference between the sessions is that the biennial budget is adopted during the long session.

The House of Representatives and the Senate have formed about three dozen standing committees to study legislation introduced by the members. During a "long" session approximately 2,200 bills are introduced. About 900 to 1000 bills are introduced during a "short" session. The committee chairpersons decide which introduced bills are "heard" or considered. If the committee favors a bill, it "reports" the bill back to the full chamber.

The Senate, or House, may attempt to amend the bill during the "second reading" of the bill. After debate, a bill is eligible to be placed on the "third" reading calendar. A bill on third reading is voted "yea" or "nay" by the full body. If a bill receives at least 51 House votes, or 26 Senate votes, it is sent to the other chamber where it must once again pass through three readings in order to progress to the Governor's desk for his or her signature or veto.

After completing its session work, the General Assembly adjourns until the following year, unless the Governor calls a special session. Special sessions are generally called to deal with budgetary matters, but in rare instances have been used to deal with other substantive and time-sensitive legislation.

While the General Assembly is adjourned, the Legislative Council manages the day-to-day operations of the organization. The Council includes the leaders of the four caucuses and twelve other legislative leaders. The Council meets in May or June to establish "interim" study committees, which are assigned a number of topics to study in depth.



John R. Gregg
Speaker of the House of
Representatives

Most interim study committees draft legislation and a final report to recommend to the full General Assembly.

A small partisan staff serves each caucus. The Principal Secretary of the Senate manages the Senate, while the House elects a Principal Clerk.

Each caucus has professional fiscal analysts who advise the caucus members of the fiscal impact of the biennial budget bill and other bills. In addition, persons who assist with constituent services and media relations serve each caucus.



Robert D. Garton
President Pro Tempore
of the Senate

In addition to partisan support staff, the **Legislative Services Agency (LSA)** serves as the nonpartisan administrative agency for the entire Indiana General Assembly. LSA is composed of three main offices. The Office of Bill Drafting and Research

consists of one director, one deputy director, and 19 full-time attorneys. The legal staff drafts bills, conducts research, and staffs all session and many interim legislative committees. The Office of Code Revision consists of one director, two deputy directors, three full-time proofreaders, seven temporary session proofreaders, three full-time printing staff, six session staff, and two administrative assistants. The office implements revisions to, publishes, and distributes the Indiana Code, the Acts of Indiana, and the Indiana Administrative Code and Register. Collectively these publications contain all of the current laws and all of the administrative rules of state government. The Office of Fiscal and Management Analysis consists of one director, one deputy, and 12 fiscal analysts. The office conducts fiscal and management research and analysis.

In addition to the above offices, LSA is responsible for providing paper or electronic copies of all legislative bills, amendments, resolutions and other legislative documents to the public. It also maintains the computer network for the House, Senate and LSA, serves as Indiana's liaison with the United States Bureau of the Census for the Block Boundary and other redistricting-related programs, and publishes all legislative bills for distribution to the General Assembly. LSA also compiles, prints and distributes the annual Indiana Handbook of Taxes, Revenues, and Appropriations.

<i>Program: 0900</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$29,991,373	\$28,775,861	\$31,389,856	\$29,320,514	\$31,734,233
Expenditures	\$26,555,883	\$26,445,596	\$30,655,596		

**Sources of Funds
FY 2001 (Approp)**

General
 Dedicated
 Federal
 Other

100%

**Uses of Funds
FY 2001 (Approp)**

Personal Services
 Distributions
 Capital
 Other

69%
30%
1%

Support and Operations

Mission

To provide administrative and support services to all state operations in a manner that allows state agencies to serve the citizens of Indiana in an effective, responsive, and efficient manner.

Summary of Activities

A variety of state agencies, boards, and commissions provide essential support services to state agencies. They include:

The **Indiana Department of Administration** (IDOA) manages state construction projects, administers procurement and service contract procedures, manages and maintains state-owned facilities, oversees compliance with state and federal laws regarding minority, disadvantaged, and women business enterprises, and provides general services including the state motor pool, printing, mail distribution, recycling and travel. The recycling division of IDOA manages the continuing development and implementation of Indiana's Greening the Government Program. The procurement division has duties that include vendor registration, bid solicitation, vendor selection, contract compliance, and procurement of goods and services. IDOA provides maintenance and police security for the Indiana Government Center Complex in Indiana, which includes state office buildings and the Statehouse.



The IDOA Division of Information Technology (DoIT) provides fee-based technology services to state government, including a full range of voice and data network services; mainframe, midrange and local area network services; and quality, innovative, cost-effective and timely information technology services. The **Data Processing Oversight Commission** (DPOC) reviews and oversees technology projects pursued by state agencies.



Stephen Carter
Attorney General

The **Office of the Attorney General** represents the State of Indiana in legal matters. The **State Ethics Commission** promotes ethical conduct of state officers and employees through training, advising and enforcement of the standards of conduct.

The **State Personnel Department** provides human resource services to state agencies including maintenance of state employee information, establishment and maintenance of a position classification and compensation system, management of employee benefits, provision of high quality professional training and development courses, developing state personnel policy, leading negotiations with the two state unions and administering the resulting settlements. The **State Employees' Appeals Commission** reviews complaints filed by state employees and sets evidentiary hearings for appropriate cases.

The **Public Employees' Retirement Fund** (PERF) provides pensions and pension services to most state employees, the legislature, the judiciary, and employees of participating municipal units. PERF manages over \$11 billion in combined assets.

External Factors

With a wide variety of agencies providing support and operations services, there are many external factors affecting the services they provide. Some of those factors include the rising cost of fuel and materials, low rates of unemployment, shortage of skilled labor, changing technology, increasing use of electronic records, and economic changes.

Evaluation and Accomplishments

IDOA implemented in-house design services for small construction projects, resulting in decreased response time and quicker completion of these projects. It also continued to streamline the state's procurement process, resulting in faster, more responsive services for state agencies. All "Y2K" computer conversions were completed successfully. The state's Business Owner Guide was translated into Spanish, and a bilingual information counselor was added at the State Information Center.



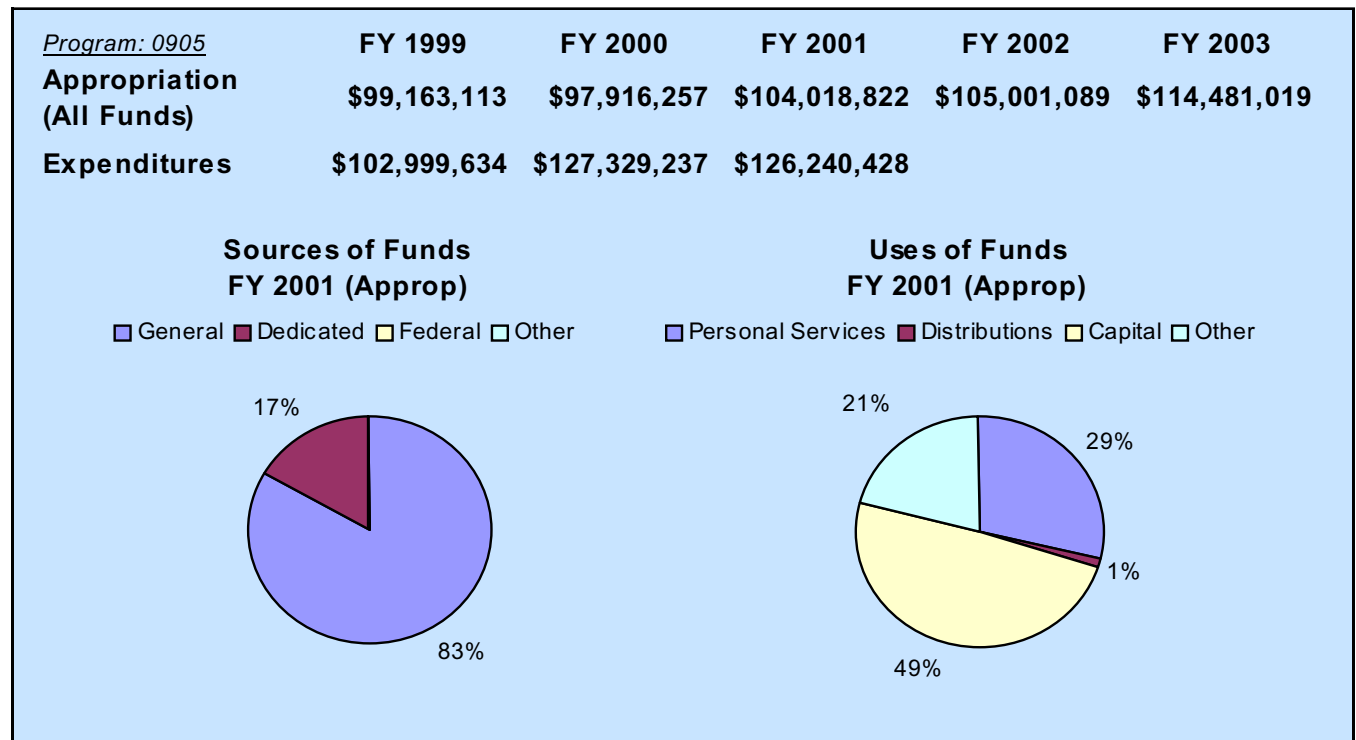
The State Personnel Department implemented a new job applicant and employee information retrieval computer system. It streamlined the personnel management process and implemented salary adjustments to attract and maintain quality employees. It also redesigned the state's health care insurance benefit program to provide high quality benefits for state employees. PERF was reconstituted by the General Assembly as a "separate body corporate and politic", allowing it to employ the best practices of both the public and private sectors. A 1996 amendment to the Indiana Constitution allowing equity investment has allowed PERF to diversify its investment portfolio into a mix of stocks and bonds, and allows member to direct the investment of a portion of their retirement account in annuities.

Plans for the Biennium

IDOA will continue its "eProcurement" effort by establishing a pilot program for a purchasing card system and posting all bids for services on its web site, which will reduce postage and paper costs. The facilities management division will focus on energy efficiency and compliance with the Americans with Disabilities Act, while the Greening the Government program will work to coordinate recycling efforts with local governments. DoIT and DPOC will work to increase citizen access and government service via the Internet.

Special Initiatives

The completion and opening of the new State Museum will mean that IDOA will become responsible for the maintenance and security of the museum. This will require additional funds for staff.



State Financial Management

Mission

To provide safe, efficient, and proper budgeting and management of public funds.

Summary of Activities

The **Auditor of State** maintains and oversees the financial records of the State of Indiana, as directed by appropriate accounting standards and the Indiana Code. The Auditor of State's office also provides services to other agencies and branches of government regarding financial issues and analysis. The Auditor of State's office pays the state's bills and manages the state's payroll.



Connie Kay Nass
Auditor of State



Tim Berry
Treasurer of State

The **Treasurer of State** is responsible for the safekeeping and investment of monies paid into the State Treasury. The Treasurer's office invests and accounts for over \$5 billion, including the state general fund and over 70 trust funds, and manages and invests the Public Deposit Insurance Fund.

The **State Budget Agency** oversees the development, enactment, and implementation of the state budget. As part of this process, the Budget Agency develops a comprehensive recommendation that is submitted to the General Assembly. The Budget Agency also uses its allotment and accounting management responsibilities to ensure that the state budget is implemented in accordance with the appropriations act and the Governor's fiscal priorities. In addition, the Budget Agency provides ongoing fiscal and policy analysis to the Governor and the General Assembly on policy issues and proposals. The Budget Agency is a major part of the state's revenue forecasting process, provides forecasts of a variety of revenue sources that aid in budget development.

The **State Board of Accounts** audits the financial statements of all governmental units within the state, including cities, towns, utilities, schools, counties, license branches, state agencies, hospitals, libraries, townships, state colleges and universities. Investigatory audits are performed to reveal fraud or noncompliance with local, state and federal statutes. The Board of Accounts also prescribes forms and uniform accounting systems, provides training for public officials and employees, publishes manuals, newsletters and technical bulletins, and offers consulting services to officials at the state and local levels.

External Factors

State financial management can be strongly affected by differences between forecast and actual revenue collections, and between expenditure pressures and budgeted appropriations. Budgets are developed and enacted 24 to 36 months prior to the end of the budget period. The state's – and the nation's – economy can change drastically during that period of time. As a result, both the amount of state revenue and the need for state services can change as well.

The Treasurer's ability to maximize state interest earnings is affected by changing interest rates and financial markets, while changes in accounting standards affect the audit practices of the State Board of Accounts and, thereby, all state and local units of government. The technology, staffing, and equipment needs of the Auditor of State are determined by the requirements imposed upon it by the General Assembly, state agencies, and local governmental units.

Evaluation and Accomplishments

The strong performance of the organizations charged with state financial management has resulted in Indiana's excellent fiscal condition, as evidenced by strong reserve balances and enhanced investments in schools, roads, and public safety. The state's shadow bond rating has been upgraded to AA1 / AA+, the highest level in the history of the state and only one level below AAA, the highest rate possible. In FY 1999, the Treasurer generated interest earnings on the state's

investment portfolio of over \$270 million. Tighter federal audit requirements have been met and local government audit reports have been streamlined. By developing both technical resources and computer applications, financial transactions can be processed faster and financial information can be made available to state agencies and local political subdivisions in a more timely and efficient manner.

Plans for the Biennium

The State Budget Agency will continue its efforts to provide better information, analysis, and forecasting to the Governor and the General Assembly. Financial management agencies will continue to improve support to state and local governments, allowing them to be more efficient, effective, and responsive to the changing needs of Hoosiers. The Treasurer will continue to improve upon the state's investment performance.

The State Budget Agency will create a program evaluation process by which program functions will be measured against benchmarks of success. The Budget Agency and the Office of High Performance Government will jointly implement the initiative. The evaluation process will provide state agencies, the Governor, and the General Assembly with information and analysis that will lead to better budget allocation decisions.

Special Initiatives

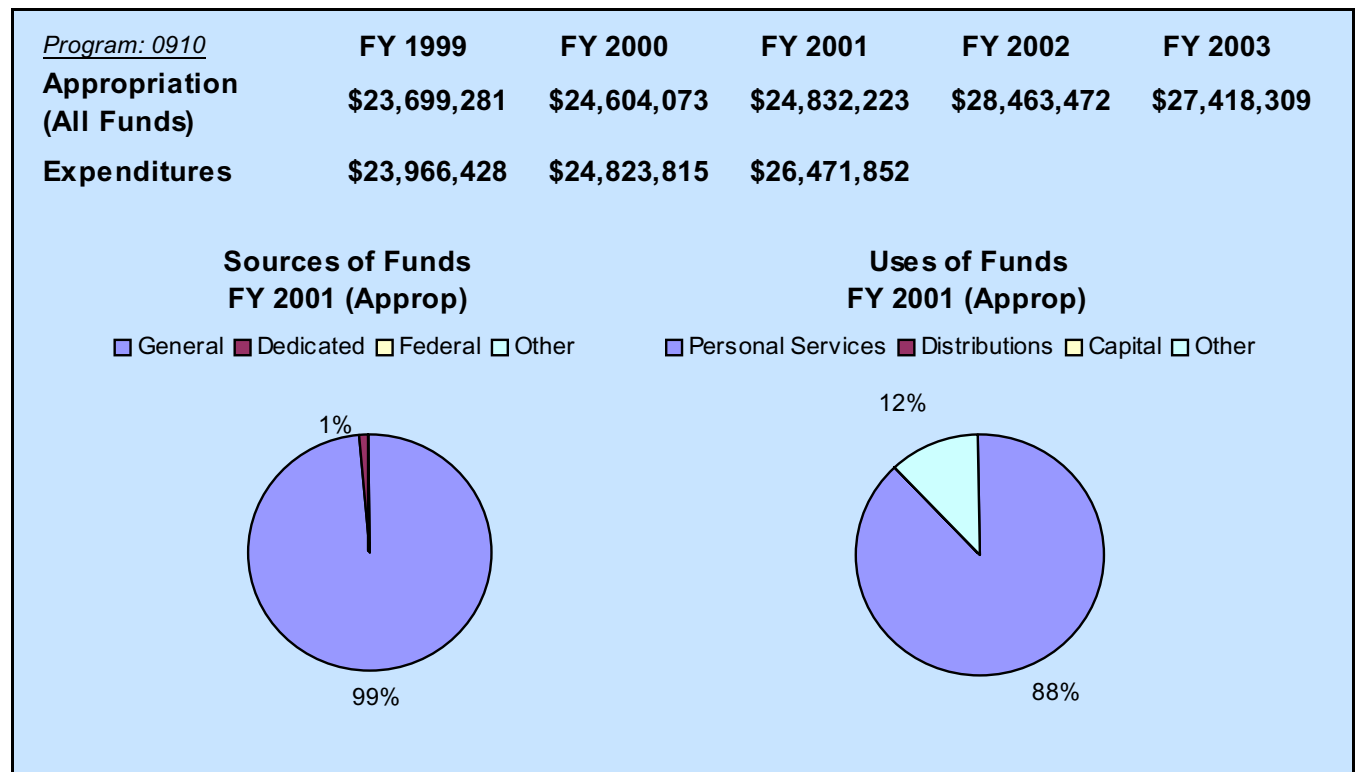
The State Board of Accounts has proposed a "Paperless Audit Project" that will provide laptop computers to field examiners. The project will increase the speed and efficiency of audits of local units of government, increasing responsiveness and reducing audit time.

Indiana's budget process provides strong security...

Sizeable reserve levels provide a financial cushion...

Indiana's reserve levels rank among the highest of the 50 states...

- Moody's Analysis, April 2000



State Tax Collection & Administration

Mission

To administer the tax laws of Indiana in an equitable and courteous manner and to promote the highest degree of public trust and voluntary compliance.

Summary of Activities

The **Department of Revenue** (DOR) serves as the state's primary administrator for tax laws, collecting over 40 taxes and fees from taxpayers. The DOR closed out FY 2000 with collections exceeding \$10.9 billion.

The total tax filing population consists of 2.8 million individual income tax returns -- 96,000 corporate, 180,000 sales and use tax, 155,000 withholding tax, 55,000 fiduciary, 14,500 inheritance tax, 800 financial institutions tax, 50,000 motor carriers, 36,000 insurance and authority carriers, 250 various other motor fuel filers along with alcoholic beverage and tobacco filers. Also included as customers are approximately 1,000 annual charity gaming (bingo) license holders and 30,000 International Registration Plan permit holders.

The Audit Division of the DOR promotes voluntary tax compliance throughout the state and country in all tax areas through quality examinations. The Audit Division is divided into two sections, Income / Sales and Special Taxes. The DOR Criminal Investigation Division works closely with the auditors regarding enforcement.

External Factors

The Department of Revenue is impacted by growth in the total number of tax filers, increasing costs for traditional forms of communication such as printing and postage, and the rapid emergence of new technologies. These factors present both challenges and opportunities for the. While traditional methods of communicating with tax filers cannot be abandoned in the foreseeable future, information technology tools can be used to supplement traditional methods, and, to some extent, offset their increasing costs.

Evaluation and Accomplishments

The new "I-File" program implemented in 2000 allows Hoosiers to file their IT-40, IT-40EZ and IT-40PNR tax forms at no additional charge directly through the Internet via the DOR web site. Partial or total tax payments may be made using

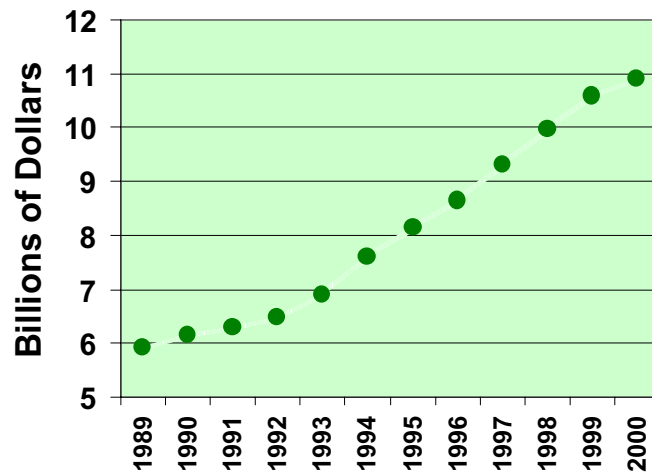
American Express, Discover, MasterCard, or Visa. Taxpayers may also use I-File to prepare their returns, print them at home, and submit them via U.S. Mail.



INDIANA DEPARTMENT OF REVENUE

INTERNET TAX FILING

Indiana Department of Revenue Tax Collections

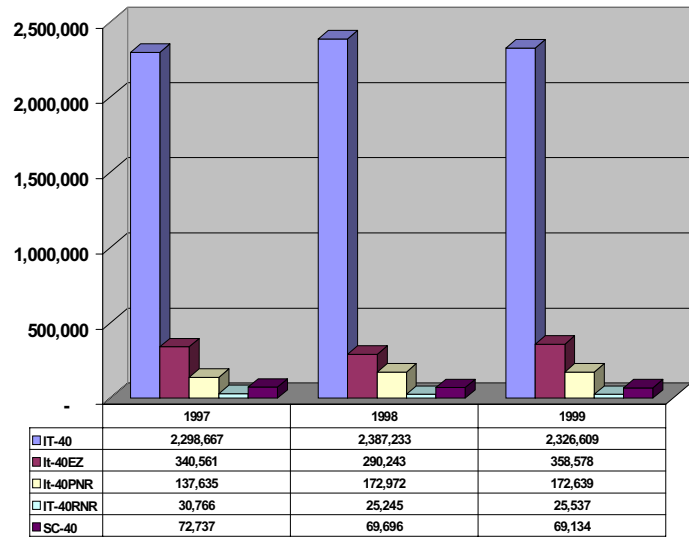


Indiana is also the first state in the nation to utilize bar-coding technology for tax returns, through a cooperative arrangement with H&R Block that produces faster, more accurate processing of tax filings. This program reduces the cost of processing by \$.69 to \$.79 per return.

Upgrades to DOR tax return processing computer equipment have increased the speed and efficiency of deposits of quarterly tax payments, resulting in greater interest earnings for the state.

The DOR also implemented a "One Stop Shop" program for motor carrier taxpayers, providing comprehensive and streamlined services related to fuel tax filings, license plates, drivers licenses, and permits.

Department of Revenue Individual Returns Processed



A taxpayer satisfaction survey conducted by the DOR quality assurance division following the first year of implementation of the electronic filing system found that 86% of respondents said that the service met or exceeded their expectations, and that most would continue to use it for future filings due to increased efficiency over the traditional paper method.

Plans for the Biennium

The Department of Revenue will continue to develop and implement innovative processes that will enhance customer service, improve efficiency, and create a more reliable, customer-focused revenue system.



<u>Program: 0915</u>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$54,613,881	\$56,136,333	\$56,136,333	\$58,541,077	\$58,476,077
Expenditures	\$68,395,014	\$63,878,808	\$60,174,012		

<p>Sources of Funds FY 2001 (Approp)</p> <p>■ General ■ Dedicated ■ Federal ■ Other</p>	<p>Uses of Funds FY 2001 (Approp)</p> <p>■ Personal Services ■ Distributions ■ Capital ■ Other</p>
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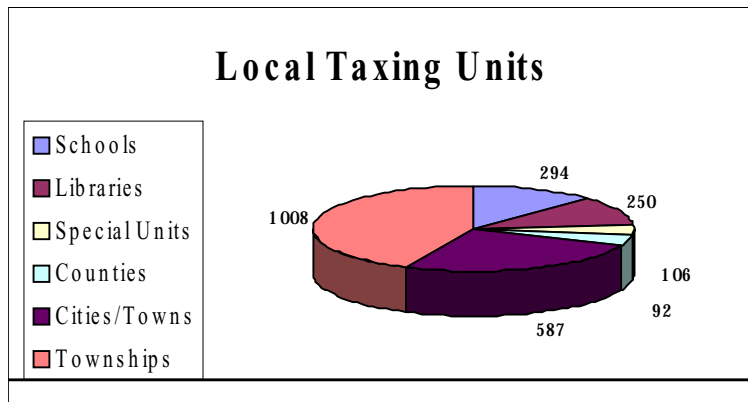
Local Tax Administration & Budgeting

Mission

To oversee and administer Indiana's property tax control laws, including provisions that regulate local government spending and monitor local decision making.

Summary of Activities

The **State Board of Tax Commissioners** is responsible for the review of budgets, excessive levies, and bond issues secured by local property taxes. The primary responsibility for monitoring local government spending is given to the Budget Division of the Tax Board. This division works with the Local Government Tax Control Board to monitor borrowing and budgetary matters, the School Property Tax Control Board for issues related to school borrowing matters, and the three commissioners that oversee the Tax Board for final approval. Their annual certification of tax rates, tax levies, and appropriations provides the formal approval necessary for county treasurers to collect property taxes. In a typical year, the Budget Division reviews approximately 2,300 budgets, 200 bond issues, 200 appeals for levy limitations, and 1,900 requests for additional appropriations affecting 4,000 different levy funds.



The Budget Division contains five staff people in the Indianapolis office and 20 staff people located in field offices across the state. All of these employees are available to meet with locally elected officials and others to discuss questions pertaining to the budget process, review specific issues that arise, and answer general questions about the Tax Board.

The Budget Division offers new official training in the spring and holds individualized sessions with each taxing unit during the summer. Additionally, staff members regularly speak to various associations on the local government budget process.

External Factors

The most significant external factors affecting local tax administration and budgeting are the continuing conflict between the desire for home rule and the legislative requirements for state oversight, new legislation, and changing technology.

Tax Board review of local finances usually results in approval of local decisions, but in some cases, the Tax Board acts as an enforcer of taxpayer protections contained in statutes. Maintaining a balance between monitoring and enforcement is a challenge.

Legislative changes to the budget process and/or rules occur annually. These changes drive the need for continuing training, both for Tax Board and local officials, to ensure compliance with statutory requirements.

Finally, changing technology requires upgrades of budget programs and tools used to support the process. Adapting to change is an effort, but the end result is that more time can be spent analyzing local finance data rather than just collecting and compiling the data.

Evaluation and Accomplishments

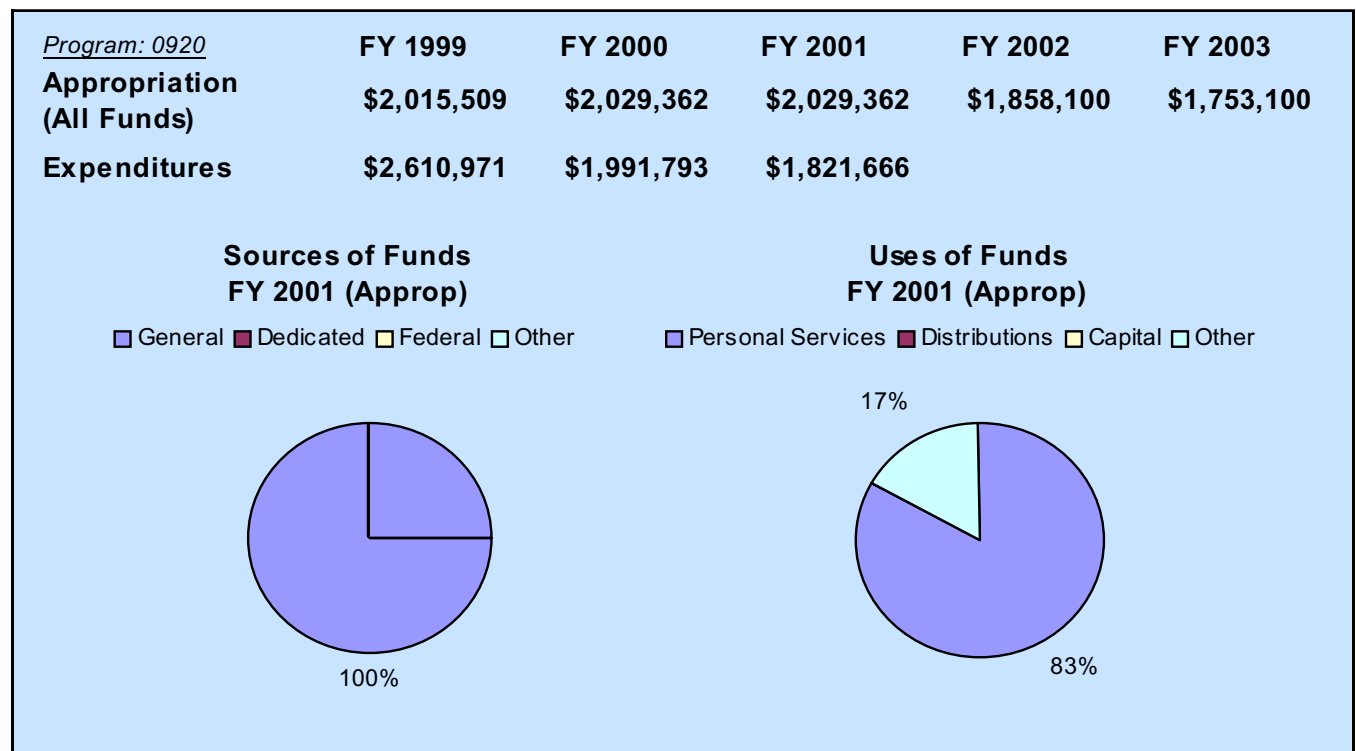
The Budget Division worked toward improving and increasing training opportunities for local officials. Budget manuals were developed for counties, cities and towns, libraries, and townships, and the number of budget workshops was increased. The division currently holds standardized workshops in the spring for each type of unit in the county (i.e., a session for all cities and towns, a session for all townships, a session for all libraries, etc.). During the summer, division staff meet with each taxing unit individually to address unit specific issues and questions. Feedback from local officials on these sessions has been positive. Also, the number of additional appropriation requests at the start of the budget year is decreasing. The decrease is an indication of improving budget quality since additional appropriations are most often requested to correct budgeting errors.

In addition to regular operations, the Budget Division played an important role in the upgrade of the Local Government Database (LOGODABA), a multi-year project completed in 1999. The system supports the Budget Division during the annual local budget certification process and serves as a data warehouse for historical local government finance data. The Tax Board staff provided business process expertise to ensure that statutory requirements were met and calculations were performed correctly. The upgrade accomplished several goals including Y2K compliance, better support of the budget certification process, and increased accessibility to local data and improved data quality. The new system went into production in September 1999, for use during the 2000 budget year.

Plans for the Biennium

The State Tax Board has two objectives for the next biennium in the area of local tax administration:

- 1) Continue to improve training opportunities for local officials. By concentrating on training, the Tax Board hopes to decrease the number of errors and omissions that sometimes occur in the budgeting process and to help local officials do their jobs more effectively.
- 2) Continue to improve the use of technology. The Tax Board is developing a field budget program that will be available to local officials for use during the budget process. The program will ensure that calculations are made correctly and expedite data collection, transfer, and review.



Property Tax Assessment

Mission

To ensure an equitable and uniform application of the property tax laws as administered by local officials.

Summary of Activities

Property tax administration in Indiana is implemented by the **State Board of Tax Commissioners**, in four divisions:

The Assessment Division promotes consistent assessment procedures throughout the state by providing guidance to taxpayers, technical instruction to locally elected officials, and securing compliance with the applicable laws for real and personal property. The division is also responsible for assessing distributable property, reviewing economic revitalization area deduction applications, assisting comparative assessment or equalization studies, and auditing personal property assessments.

The Tax Review Division conducts ongoing research and analysis in all areas of property taxation to ensure that the distribution of the property tax burden is uniform and equitable. This is accomplished through the review of assessment practices, fiscal impact studies, economic data collection, equalization calculations, and other analytical reviews.

The Appeals Division performs administrative reviews of appeals of real and personal property tax assessments, reviews tax exemptions and certain credits and deductions, and adjudicates whether or not determinations have been made in accordance with the laws of Indiana.

The Communications and Public Affairs Division is responsible for media relations, constituent inquiries, and public information requests received from partners, constituents, and other interested parties. This division is also responsible for training 1,100 local assessing officials, their deputies, and third-party vendors that perform assessments across the state.

External Factors

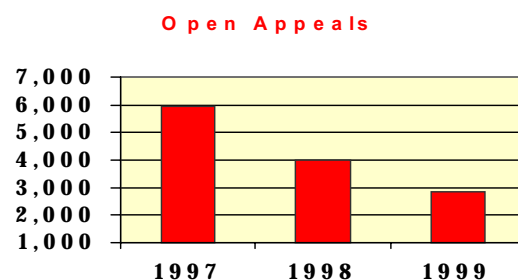
The most significant external factor affecting property tax administration is the latest decision in the case of *Town of St. John vs. State Tax Board*, issued by the Indiana Tax Court on May 31, 2000. This decision requires that a new reassessment manual be completed by June 1, 2001, that the reassessment be effective March 1, 2002, and that the Tax Board submit monthly status reports beginning July 1, 2000, on its progress in adopting and implementing new regulations. Meeting the Tax Court's timeline, not just for completing the manual but also in terms of training local assessors to perform the reassessment, will require much coordination and effort from everyone involved.

Another significant external factor is the amount of appeal and litigation activity. For example, in 1999 the Appeals Division received over 1,500 new appeals. This number of new appeals is unusual at this point in an assessment cycle. Historically, most appeals are received immediately after a reassessment year, and the number of new appeals decreases in subsequent years. The division has also been spending increasing amounts of time addressing the increasing number of cases pending before the Tax Court.

Evaluation and Accomplishments

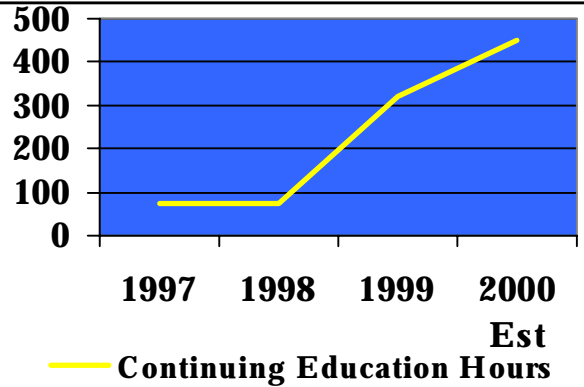
The Appeals Division continued to decrease the total number of outstanding appeals by issuing more decisions than the number of appeals received. The Division also implemented significant improvements in the quality of the decisions and the amount of detail contained in the written explanation of these decisions.

Consequently, the Appeals Division continues to decrease the number of outstanding appeals while simultaneously



providing better communication and public education regarding the decision-making process.

In addition to public information responsibilities, the Communications & Public Affairs Division provided more training opportunities to locally elected officials, made training sessions more applicable to the actual work of assessors, and made the sessions more accessible. The chart at right shows the recent history and planned number of continuing education hours offered by the Tax Board.



Plans for the Biennium

- 1) Establishment of a new property tax appeals board. A modest fee structure is proposed for the Tax Board to provide funding for services to assist local governments.
- 2) Successfully complete the pending reassessment, and improve the level of technical assistance and establish valuation benchmarks for local assessing officials., in light of the magnitude of the change the coming reassessment will bring to the assessment community.
- 3) Continue to decrease the appeals backlog by striving for continuous improvement in the internal appeals processing operations.
- 4) Improve data capture, processing, and retrieval. Adequate and accurate information is essential to determine how well the property tax system is working and to provide feedback to the Assessment Division, the General Assembly, and the public.
- 5) Develop a long-term curriculum and certification program to continually upgrade the skills and increase the independence of assessors. Because of the St. John decision, the Tax Board is also reexamining its classes to emphasize more reliance on market data and market based valuation methodologies. It is also exploring options for computer-based and self-directed class offerings.

<i>Program: 0925</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$4,171,660	\$4,197,386	\$4,197,386	\$4,830,934	\$4,635,934
Expenditures	\$5,223,482	\$3,871,109	\$4,781,945		

**Sources of Funds
FY 2001 (Approp)**

Legend: General (Blue), Dedicated (Red), Federal (Green), Other (White)

100%

**Uses of Funds
FY 2001 (Approp)**

Legend: Personal Services (Blue), Distributions (Red), Capital (Green), Other (White)

74%
26%

Elections

Mission

To govern the fair, legal and orderly conduct of elections in Indiana.

Summary of Activities



Elections in Indiana are regulated and coordinated by the combined activities of the **Indiana Election Commission** and the Election Division of the **Office of the Secretary of State**. Those activities are described below:

Training: One of the most important goals of the Division, this is accomplished through seminars including an annual conference, publications, and website: <http://www.state.in.us/sos/elections>.

Overseeing Voter Registration: The Division and the Commission prescribe voter registration forms, compile and maintain a statewide voter registration file, and oversee day-to-day operation of the state's voter registration.

Enforcing Campaign Finance Law: The Division and the Commission administer the Indiana Campaign Finance Act, serving as the repository for campaign finance data from thousands of committees and offering them for public inspection in the Division office and on www.indianacampaignfinance.com. The Commission is empowered to levy penalties for violations.

Certifying Voting Systems: The Commission must approve all voting systems prior to their purchase by counties or use by voters in Indiana elections.

Maintaining Election Maps: The Division is required to maintain complete legal descriptions and maps for all precincts in the state and approves proposed changes to those precincts.

Serving as Indiana's "Clearinghouse" for Election Law and Procedure: The Commission serves as a clearinghouse of information pertaining to election laws, administrative rules and other data for county election officials, news media, political organizations and the general public.

The Division and Commission are also responsible for printing and distributing the certifications of candidacy and official paper ballots for all federal, state and judicial offices, resolving candidate eligibility challenges, administering polling accessibility standards, and developing a uniform set of election forms for use throughout the State.

External Factors

The number of candidates and political committees filing with the state can drastically affect the amount of mailing and data processing costs the Division incurs during an election cycle. It also impacts the amount of fines incurred when a committee files late or not at all. This makes the income of the campaign finance program unpredictable. However, it is the Division's desire to lessen or even end late campaign finance filings through education and improved filing so the Division never counts on these funds when budget planning.

Several outside organizations conduct voter registration drives as part of their "get-out-the-vote" efforts. It is difficult to predict with any certainty how many of these drives will take place during a cycle and therefore difficult to determine the Division's print orders to provide forms free of charge, as required by law. Increased registrations also come from the **Bureau of Motor Vehicles** and other public service facilities who are required to provide voter registration to their customers.

Evaluation and Accomplishments

Over the last four years the Election Division has undertaken some very different duties. Campaign finance has grown as a portion of the agency's duties, from merely housing files to maintaining a searchable electronic database of campaign finance data that is made available through the Internet. The campaign finance website has become a national model for state campaign finance disclosure, inspiring Maine's new database. The Division, through its education efforts and

prompt customer service, has cut the number of late filings by more than half and the dollar amount of fines imposed on committees by more than one-fifth.

Through greater computerization, candidate tracking has been streamlined and made available for viewing by all interested parties via the Division website.

The Division is distributing voter registration forms and absentee ballot requests in Spanish and providing all election publications as electronic documents available for download through the web.



Plans for the Biennium

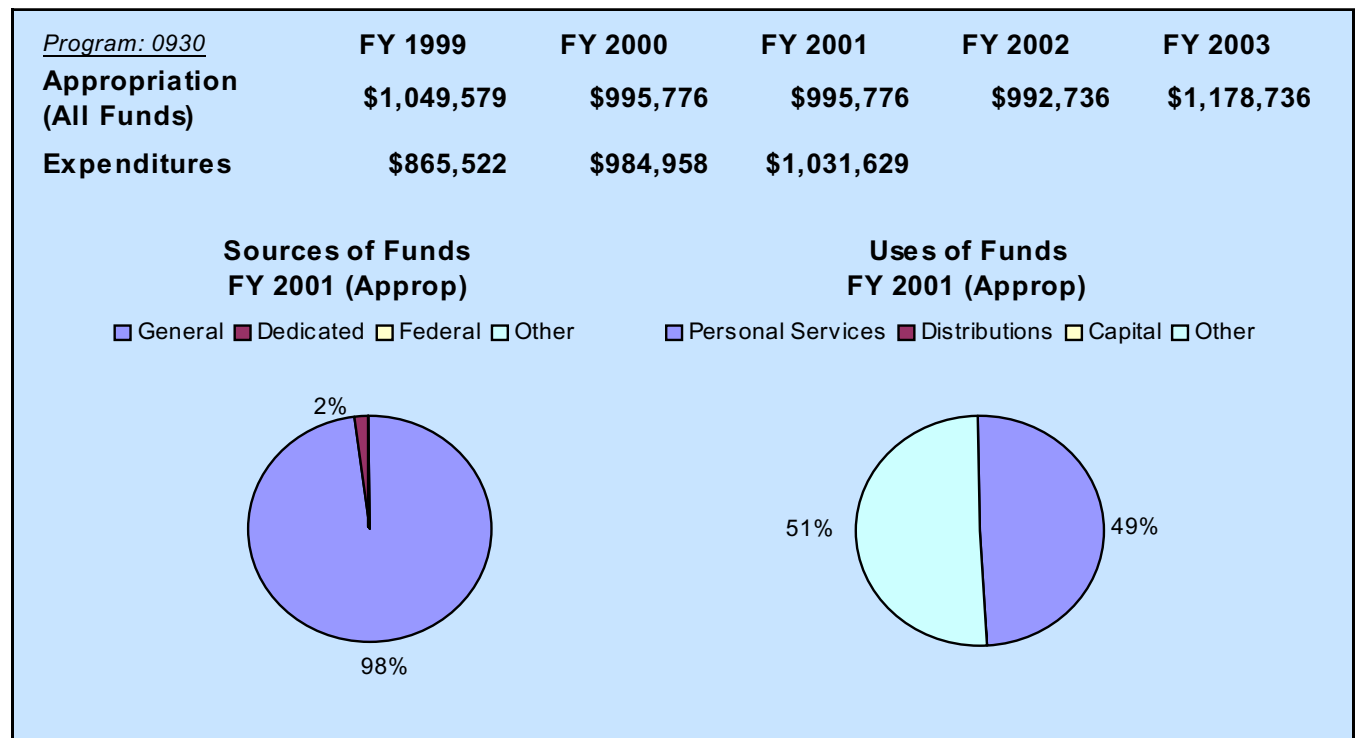
As a result of boundary changes to be mandated by the 2001 session of the General Assembly, the Election Division will be assisting Indiana counties with redrawing their precinct boundaries, and will become the primary clearinghouse for map data to the counties and the public. Cost factors inherent in this process include but are not limited to: mapping software; printing materials and equipment, and possibly one additional staff member.

The administration of campaign finance reporting and public disclosure of those reports continues to grow as a responsibility of the agency. Focuses for this biennium includes: continued compilation of campaign finance data; improving internet disclosure capabilities; and implementation of more user-friendly electronic filing procedures.

At present, there is an ongoing debate about the future of Indiana's voter registration system. Questions being discussed include the issue of whether the General Assembly should enact either the adoption of the last four digits of the social security number as Indiana's voter identification cross-reference or opt to create a statewide interactive voter registration database system that links the



92 county voter registration files. Both options include short-term costs, but could create a savings opportunity that offsets that cost in the long run.



Labor Standards, Health & Safety

Mission

To promote the welfare of Indiana's workforce by administering a variety of educational and compliance programs designed to provide the knowledge and tools necessary to guarantee all workers safe, healthful, positive work environments, and the appropriate compensation for that work.

Summary of Activities

The **Department of Labor (DOL)**, **Civil Rights Commission (CRC)**, and the **Worker's Compensation Board** share responsibility for labor standards, health, and safety. DOL activities include:

- ◆ The Bureau of Safety Education and Training (BuSET) works with Indiana's employers, employees, labor, trade organizations and other entities to ensure workplace safety and health through proactive education and outreach.
- ◆ The Indiana Occupational Safety and Health Administration (IOSHA) is responsible for compliance with Indiana's occupational safety and health regulations, and also conducts safety and health discrimination investigations. IOSHA is divided into three branches: industrial hygiene, industrial safety, and construction safety.
- ◆ The DOL Wage and Hour Division is authorized to promote the arbitration, mediation and conciliation of wage disputes between employers and employees. This division is responsible for enforcing Indiana's minimum wage law, wage payment statutes, and age discrimination law. The Bureau of Child Labor administers and enforces Indiana's child labor laws, which apply to gainfully employed minors aged 14-18.



Civil Rights Commission enforcement activities include the investigation of civil rights complaints, the prosecution of alleged violations of civil rights laws before administrative and judicial tribunals, and the provision of an administrative forum for the adjudication of allegations of unlawful discrimination once probable cause has been found.

The Worker's Compensation Board provides dispute resolution services to injured workers, Indiana businesses and their insurance companies and collects and maintains data on workplace injuries in Indiana.

External Factors

The most significant factor affecting Labor Standards is the longest-lasting economic boom period in the country's history, and the resultant demographic changes in the workforce. Indiana has experienced a marked increase in the number of minors employed, resulting in a corresponding increase in work permits issued to teens and an increase in inspection activity in the DOL Child Labor Division. In addition, traditional industrial and construction market sectors have begun to employ personnel new to those environments, due to skilled labor shortages. The influx of new workers into inherently hazardous environments presents special challenges to both enforcement and consultation in workplace safety and health arenas. This trend is expected to continue despite the economy, due to a rising median age of workers in traditional high-hazard industries.

IOSHA and BuSET have been approved as state plan organizations by the federal Occupational Safety and Health Administration (OSHA). As such, by law they must respond to legal and policy changes made at the federal level. Publicly announced regulatory changes made at that level will significantly impact activity in both BuSET and IOSHA.

It is difficult for the Worker's Compensation Board to predict how much time is necessary for any case to be pending before the Board for resolution. Every case is unique and cannot be subject to one ideal standard. In addition, there was a 10% increase in the number of applications for hearing filed from 1998 to 1999.

Evaluation and Accomplishments

The Civil Rights Commission closed 763 cases in calendar year 1999. In that same period, it received 998 new discrimination complaints. In recent years the CRC has increased its public education and outreach programs in an effort to reduce discrimination and segregation in the areas of housing, employment, public accommodations, and the provision of credit.

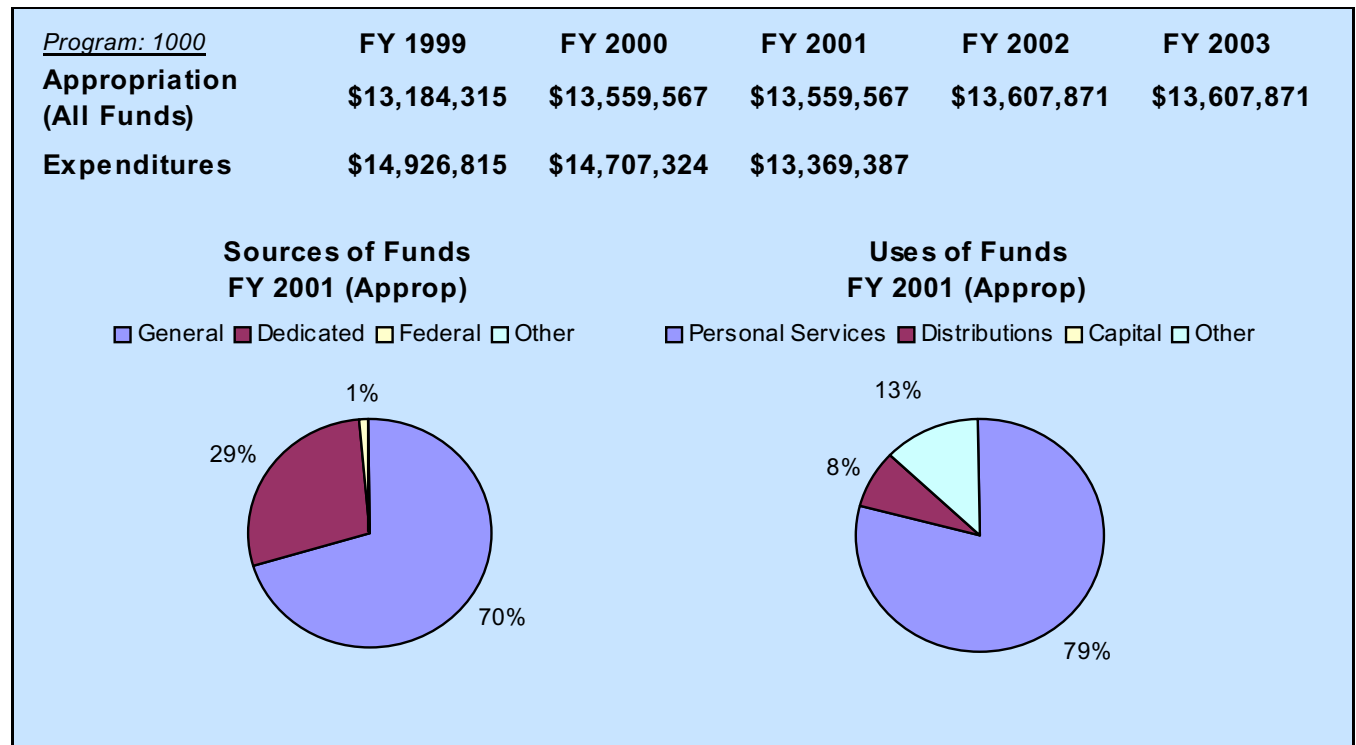
The DOL created three new local emphasis programs for meat processing facilities, grey and ductile iron foundries, and nursing homes, and renewed two existing local emphasis programs for falls and scaffolds in the construction industry. These programs address the high injury and illness rates associated with the identified industries and hazards, and provide for proactive education coupled with enforcement.

BuSET's Voluntary Protection Program (VPP) is designed to recognize and promote exemplary safety and health management programs where management, labor, and the DOL establish a cooperative relationship. Star status is the highest level attainable under the program, and BuSET approved two companies for partnership at this level. In conjunction with the Hoosier Safety Council (HSC), BuSET awarded the second annual Governor's Workplace Safety Awards. These awards recognize companies' commitments to workplace safety and health through proactive innovation, work practices, education, and outreach. Six organizations located in Indiana received these awards in the areas of safety partnerships, education and outreach, and safety innovation. Due to advance preparations currently underway for the third annual awards, BuSET and the HSC are anticipating an even greater turnout next year.

The Bureau of Child Labor experienced a record-breaking year for the issuance of teen work permits. For FY 2000, the Bureau processed 136,820 such permits. This was an 8% increase over FY 1998 and a 124% increase over FY 1992.

Plans for the Biennium

The Bureau of Child Labor developed a CD that contains all of the forms and informational material necessary for the employment of teenagers in Indiana. The *Teen Worker* CD is currently being distributed to all high schools in the state, and a full media campaign, complete with public service announcements and radio spots, has been implemented. The CD is expected to generate awareness of the guidelines surrounding the employment of teens, and ease the burden that has been created on high school guidance counselors by the increasing number of work permits issued to teens.



Regulation of Commerce

Mission

To protect Indiana consumers through regulation and supervision of industry.

Summary of Activities

The Securities Division of the **Office of the Secretary of State** oversees Indiana's securities industry. The division is charged with protecting Hoosier investors by bringing enforcement actions against companies and individuals selling securities in violation of Indiana's securities laws, and by educating Hoosiers about prudent investing. The division also regulates mortgage and loan brokers, and administers Indiana's franchise laws. Investor education information is available on the Internet at <http://www.state.in.us/sos/security/investor.html>.



Sue Anne Gilroy

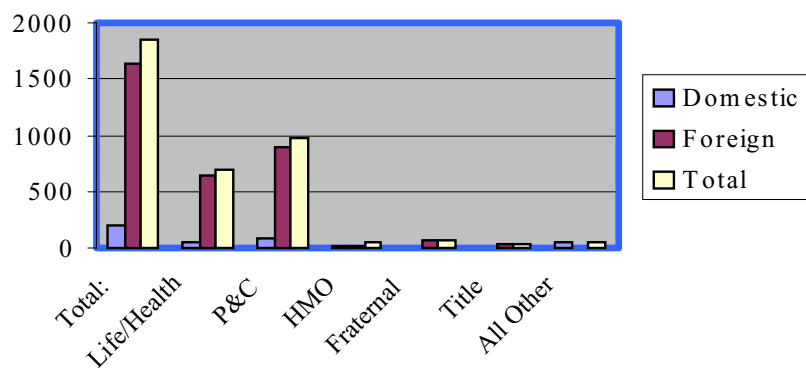
Sue Anne Gilroy
Secretary of State

The **Department of Financial Institutions** (DFI) regulates and supervises state chartered financial institutions in a manner that assures Indiana residents adequate and proper financial services; protects the interest of depositors, borrowers, shareholders, and consumers; and promotes safety and soundness of Indiana financial institutions.

The DFI Depository Division is accountable for maintaining the safety and soundness of all state chartered depository institutions. It regulates and supervises 139 state chartered banks, 61 state-chartered credit unions, and six savings and loan associations. The total assets of these institutions at the end of 1999 totaled \$29.8 billion. A staff of 32 financial institution examiners performs both on-site and remote examination procedures on financial institutions. These examinations are carried out in conjunction with federal regulators through cooperative alternating examination agreements.

The Non-Depository Division is responsible for ensuring compliance with consumer finance laws and regulations for the protection of the consumer borrower. It regulates and examines 457 licensed lenders with 1,006 branches, 86 pawn brokers with 70 branches, 76 rent-to-own companies with 329 branches, 65 check cashers with 126 branches, 25 money transmitters, and three budget service companies. A staff of 18 financial institution examiners ensures that the provisions of the Uniform Consumer Credit Code (UCCC) and five other statutes are followed, providing protection for consumers and borrowers, particularly in the areas of disclosure, rates, collections, repayments, and delinquencies. This division also provides continued consumer-related education in the area of consumer laws, regulations, and policy through the distribution of pamphlets and other educational materials.

Insurance Companies Regulated by the Indiana Department of Insurance - 1999



The **Department of Insurance** (DOI) protects Indiana's insurance consumers by monitoring and regulating the financial and market conduct activities of insurance companies and agents. This work is carried out through the Agent Licensing Division, Consumer Protection Unit, Dedicated Funds Division, and the Financial Services Unit. With a staff of 95, the DOI administers a variety of programs that serve Indiana's insurance consumers, insurance companies (including HMOs, TPAs, and provider networks), insurance agents, and other interested parties.

External Factors

While Indiana's favorable economy in recent years has fueled strong and consistent performance among Indiana banks, DFI examiners are beginning to see signs of some deterioration in the loan portfolios of supervised institutions, indicating a possible weakening in the economy. An economic downturn would likely bring additional challenges to the industry, and require enhanced regulatory oversight by the DFI. The DFI will continue to closely monitor credit quality, and seek to ensure adequate and timely efforts by institution management to remedy any identified weaknesses.

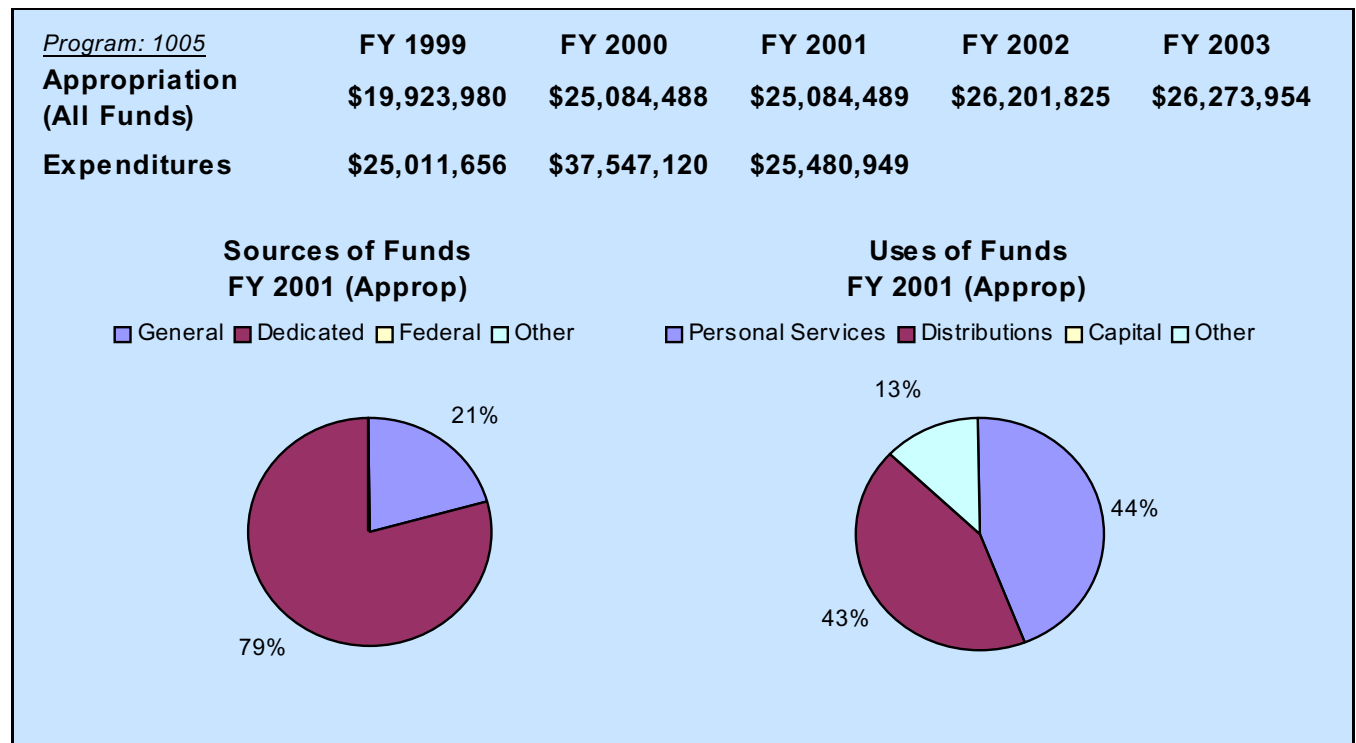
The increased availability and utilization of technology in the financial institutions industry presents new and different challenges for regulation. Internet banking in particular represents a source of both great opportunity and significant regulatory concern. The DFI will continue to require that institutions undertake such initiatives only after adequate security and operational procedures are in place.

In recent years, Indiana financial institutions as well as Indiana insurance companies have identified certain tax benefits that are available to institutions chartered in surrounding states. As a result, some have moved their legal headquarters in order to take advantage of the more favorable tax climate. While some of these issues were addressed by the General Assembly, additional tax disadvantages of an Indiana charter remain.

Evaluation and Accomplishments

Over the last four years, the securities division of the Office of the Secretary of State has imposed a record number of fines and penalties against scam artists preying on unsuspecting Hoosier investors.

The Indiana financial institutions industry remains strong and vibrant and continues to provide the financial resources and services required to maintain a strong state economy. The DFI constantly strives to provide less intrusive regulatory services. DFI's risk-focused examination process has enabled it to more effectively allocate its personnel resources in a manner that is both less intrusive and more effective in addressing the risk factors in every institution. Consumer credit examinations by the DOI continue to result in the identification of insurance and finance charges that entities should have refunded to their customers. These examination findings have resulted in the required payment of refunds to those consumers who were overcharged. The refunds issued in the past three years were, \$1,214,210.00, \$2,184,897, and \$3,058,969, respectively.



Licensing and Registration

Mission

To protect the economic welfare, health, and peace of the people of Indiana through appropriate licensing.

Summary of Activities

The Business Services Division of the **Office of the Secretary of State** administers activities including the chartering of new businesses, the filing of secured transaction liens under the Uniform Commercial Code (UCC), and the issuance of trademarks, notaries public, and summonses.

The **Alcoholic Beverage Commission** regulates the manufacture, sale, possession and use of alcoholic beverages through the licensing and registration of permits. A total of 76 different types of permits are administered. A staff of nine is assigned to process approximately 10,000 retailer and dealer permits and 45,000 employee (bartender) permits each year. In addition, one permit processor and supervisor are dedicated to industry permits, such as out-of-state wineries and temporary catering events.

The **Department of Insurance** monitors and regulates insurance companies and agents through licensing and registration. The Company Records Division processes applications for licensure to conduct business in Indiana, while the Agent Licensing Division is responsible for issuing resident and non-resident agent and agency insurance licenses for issuing resident and non-resident insurance agent and agency insurance licenses.

The **Professional Standards Board** (PSB) certifies the licensure of all K-12 teachers in Indiana. Teachers must obtain a post-secondary degree from an approved higher education curriculum, pass a licensing examination, and pursue continuing education.

The **Gaming Commission** issues licenses in three separate areas: the gambling operation itself (a riverboats owner's license); vendors of gaming equipment and other specialized providers of goods and services (a supplier's license); and all substantial owners, key persons and individuals employed to work on a riverboat or employed in positions that are involved with the revenue obtained from gambling activities or the tax that is to be paid as a result of those activities (an occupational license). Licenses are granted only after background investigations are conducted by the Gaming Enforcement Division of the **Indiana State Police** establishing that the applicant is suitable for the license.

The **Department of Revenue** (DOR) is entrusted with the licensing of charity gaming activities for qualified not-for-profit organizations. These activities include bingo, festivals, charity game nights, raffles and door prizes. DOR is also entrusted with the licensing of manufacturers and distributors who sell materials used by qualified organizations. Motor fuel tax licensing is another function of the DOR. The Motor Fuel Tax Section provides license credentials for various fuel distributors, while the Motor Carrier Services Division regulates the international vehicle registration plan, commercial driver's licensing, oversized & overweight vehicle permitting and safety and insurance registrations.

The **Health Professions Bureau** (HPB) provides administrative support and services for 25 Boards and Committees, including Athletic Trainers, Chiropractors, Dentists, Dietitians, Environmental Health Specialists, Health Facility Administrators, Medical, Nursing, Optometry, Pharmacy, Podiatry, Psychology, Social Language Pathology & Audiology, Veterinary, Hearing Aid Dealers, Hypnotists, Occupational Therapy, Physical Therapy, Physicians' Assistants and Respiratory Care. HPB staff processes all license applications and renewals, and maintains information for verifications of license standing to the health care community and the public. The HPB administers examinations for many of the professions and conducts background research on license applicants.

The **Professional Licensing Agency** (PLA) tests the proficiency of potential licensees, maintains and updates vital information on licensed persons and businesses, and provides regulatory functions for thirteen professions. The PLA oversees the Auctioneer Commission, Boxing Commission, Funeral and Cemetery Service Board, Board of Accountancy, Plumbing Commission, Private Detective Licensing Board, Real Estate Appraiser and Certification Board, Real Estate Commission, Board of Registration for Architects, Board of Barber Examiners, Board of Cosmetology Examiners, Board of Registration for Professional Engineers, and the Board of Registration for Land Surveyors.

External Factors

With the wide variety of licenses and registrations that fall within this program, external factors affecting Licensing and Registration activities are numerous. One consistent factor across all agencies performing these functions is growth. The continued increase in volume of licenses and registrations processed results in increased services provided by the agencies.

Evaluation and Accomplishments

The Office of the Secretary of State enabled citizens and businesses to search databases and print certificates via the Internet.

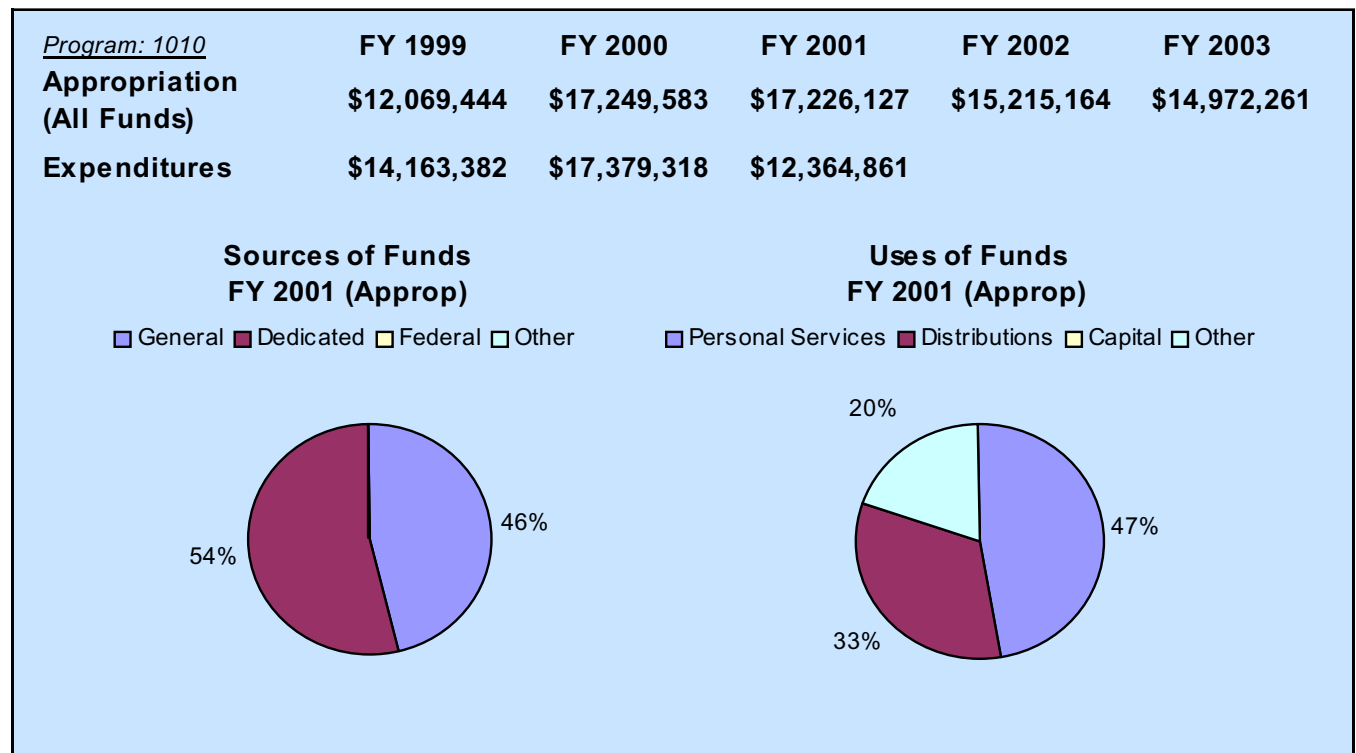
The ABC implemented a new database to process all permits, improved interactions with local regulatory boards, and initiated a host of procedural changes to simplify and improve the permit process.

During the five years of riverboat operation, the Gaming Commission has issued in excess of 35 suppliers' licenses and over 15,000 occupational licenses. The Horse Racing Commission instituted a simplified licensing process that allows owners renewing their licenses to complete the process, including receiving a new photo ID badge through the mail, without visiting the track, and at no cost. In 1999 Indiana was the first and only state in the country to allow this process of licensure. The Professional Standards Board received federal funds for the implementation of a new teacher certification process that will be more aligned with classroom teaching skills, continuing education, and Indiana's new academic standards.

The Health Professions Bureau recently converted its activity to a new computer system that allows for much quicker issuance of license renewals and allows for greater coordination of all activities, including license verifications and the disciplinary process. The Professional Licensing Agency also implemented a new computer software program. With this new system, each PLA employee is able to service more licenses and print licenses on a daily basis, instead of once a week. This allows the licensees to begin working in their chosen profession as quickly as possible.

“The Indiana Racing Commission has come up with another triumph of common sense. First they did away with a state license fee, and now – thanks to full utilization of technology – they have taken licensing to the living room. Everyone in racing should send them a thank you note. This is a dramatic and tremendously significant move likely to impact all licensing of the future.”

– Stanley F. Bergstein, Executive Vice President, Harness Track of America



Regulation of Utilities

Mission

To protect the public interest by assuring that utilities provide safe and reliable service at a reasonable cost.

Summary of Activities

The **Office of Utility Consumer Counselor (OUCC)** represents the interest of all Indiana utility consumers and the public relating to electric, natural gas, telephone, water and sewer services. On consumers' behalf, the OUCC reviews utility requests on rates and other matters, examines utility accounting and financial records, inspects facilities, prepares depreciation and cost of service studies, and requests investigations, when warranted, of utility services or practices.

The **Indiana Utility Regulatory Commission (IURC)** has regulatory authority over more than 800 utilities. The utilities may be investor-owned, not-for-profit, municipal, cooperative organizations, or water conservancy districts. The IURC is also a fact-finding body that hears evidence in utility-related cases filed and makes decisions based on evidence presented in those cases. The IURC is charged with balancing the interests of ratepayers and utilities to ensure reliable utility service at reasonable rates. The IURC Consumer Affairs Division acts as a mediator between the utility and the consumer when customers have questions or complaints about billing, service quality, and other matters. Consumer Affairs uses information gathered in the complaint handling process to alert the Commission to any consumer problems. If the Division discovers a concern, it may request an investigation be conducted by the Commission or suggest to the utility's customers that they circulate a petition requesting a Commission investigation.



External Factors

The utility markets are undergoing various stages of profound transformation. These ongoing changes have resulted in federal government action that, to varying degrees, is introducing or increasing competitive forces in the marketplace. Industry change will continue for the foreseeable future and dramatically alter utility markets in many ways, some of which are still undefined.



Keeping pace in this environment has always been and continues to be a challenge for the OUCC and IURC. Because of recent federal action regarding the regulation of utilities, the workload of the Commission's professional staff is steadily increasing and will continue to increase in the future. This has been particularly acute in the telecommunications area, due to the federal action known as the Telecommunications Act of 1996 (TA96). This initiative imposes a large volume of very complex regulatory tasks on the IURC to be completed within relatively short timeframes.

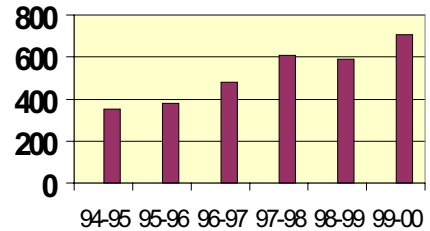
The electric industry may soon undergo competitive change similar to what has occurred over the last few years in the telecommunications area. Several comprehensive bills have been introduced during recent sessions of Congress without success that would have introduced retail competition to the industry. At the state level, electric deregulation has already been introduced in several jurisdictions across the country, including Illinois and Ohio.

Utility regulation can be affected by fluctuations in the market price of natural resources. For example, recent increases in the cost of natural gas has raised concerns about the ability of consumers to affordably heat their homes.

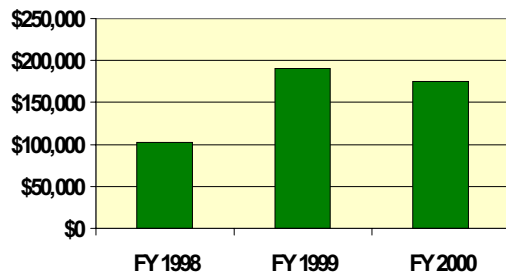
Evaluation and Accomplishments

The IURC has worked diligently in recent years to manage an increased caseload without requiring increases in staffing or other expenditures. Due mainly to the increase of telecommunications work related to TA96, the IURC has experienced an increase in the number of petitions filed for action, from 348 in the 1994-95 fiscal year to over 700 in 1999-00. As a party to each of these cases, the OUCC has also struggled with the increased workload. It has been challenging to absorb this dramatic rise without reductions in service quality. In the coming biennium the IURC plans to improve efficiency and productivity in order to address issues of regulatory lag by instituting measures to improve internal processes.

Petitions Filed



Consumer Bill Adjustments



The IURC Consumer Affairs Division has been able to save Indiana consumers money by mediating bill disputes. Over the course of the past three fiscal years, that amount has nearly doubled from \$102,000 in 1997-98 to an average of approximately \$188,000 over the last two fiscal years. IURC personnel have been able to develop strong relationships with representatives of the various utility companies and consumer groups in order to work collaboratively to resolve disputes before they escalate. During these mediations the IURC and OUCC are also able to educate consumers on their rights as well as their responsibilities in hopes of avoiding future conflict.

Plans for the Biennium

The IURC will take steps to decrease the caseload of individual staff in order to continue to reduce regulatory lag. Over the next two years the IURC will initiate methods for parties to file documents electronically, and promote increased use of the agency web site for timely public information availability.

<i>Program: 1015</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$10,294,297	\$10,318,480	\$10,318,480	\$10,745,695	\$10,745,354
Expenditures	\$8,694,900	\$8,989,024	\$10,455,559		

<p>Sources of Funds FY 2001 (Approp)</p> <p>■ General ■ Dedicated ■ Federal ■ Other</p> <p>100%</p>	<p>Uses of Funds FY 2001 (Approp)</p> <p>■ Personal Services ■ Distributions ■ Capital ■ Other</p> <p>77%</p> <p>23%</p>
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Regulation of Gambling

Mission

To maintain the public's trust in Indiana's gambling and pari-mutuel racing industry through comprehensive law enforcement and supervision and strict regulation of all individuals and business entities involved in those activities.

Summary of Activities

Regulated gambling activities in Indiana include riverboat gambling on Lake Michigan and the Ohio River, pari-mutuel horse racing at Hoosier Park in Anderson, and charitable gambling activities such as bingo.

All riverboat licensees are under the supervision of the **Indiana Gaming Commission (IGC)**, through a system of strict regulation and enforcement. The Audit Division of the IGC is responsible for insuring that the daily payment of the riverboat admissions and wagering taxes is correct through statutory and internal controls with daily oversight. The Legal Division oversees the daily licensing of all occupational licensees, oversees compliance by all licensees in activities such as mergers, acquisitions and financing and monitors riverboat licensee compliance with the Minority and Woman Owned Business goals. The Public Affairs Division



The Glory of Rome

oversees the approval and oversight of promotional activity by the riverboats, conducts thorough reviews of all patron complaints, and monitors legislation which may impact the regulation of riverboat gambling. Other aspects of the day-to-day operations of the riverboats, as well as its confidential long-term plans, are monitored and reviewed by the IGC staff. These activities include long-term financing projects and goals and capital improvements to riverboat operations. Comprehensive law enforcement supervision is provided by the presence of **Indiana State Police** troopers functioning as IGC inspectors and agents at all times the gambling operations are conducted. The IGC spends approximately 75% of its efforts regulating the riverboat casino industry.

The **Indiana Horse Racing Commission** enforces rules that ensure that races are honest, competitive contests, free from manipulation by people or drugs. With the exception of furosemide (lasix) and phenylbutazone (bute) under regulatory restrictions, state law and Commission rules prohibit the presence of any drug in horses racing at a pari-mutuel track. The Commission's drug detection program is one of the nation's most comprehensive, and its laboratory is one of the most respected in the racing industry.

The **Indiana Department of Revenue's** Criminal Investigation Division is responsible for finding irregularities and/or violations of statutes in the conducting of charity gambling events. Violations can result in written citations, fines and/or the revocation of a license.

External Factors

The opening of new casinos and the increase of capacity at existing locations is the primary external factor influencing the cost and nature of the IGC's regulatory activity. As both admissions and casino wins increase, the auditing of the respective taxes and underlying procedures followed to compute the taxes becomes more critical and demanding. Another external factor affecting the IGC's regulatory activity is change in the gambling industries of neighboring states. Such actions could affect Indiana's gambling industry, be it positively or negatively, with a resulting impact on the IGC's activities.

The pari-mutuel horse industry has demonstrated continual growth since Hoosier Park opened in 1994. The number of race days increased from 54 in 1994 to 167 in 1999. This indicates an increase in both the supply of race horses and the demand for racing day meets.

Evaluation and Accomplishments

As of December 31, 1999, IGC's Audit Division had identified adjustments to revenue totaling \$8,831,382. These adjustments resulted in additional taxes and fines totaling \$3,025,352. The IGC has initiated an innovative financial set-aside program for riverboats that fail to meet minority and women-owned business goals. Approximately 120 positions have been added to the roster of the Indiana State Police for staffing of Gaming Enforcement, resulting in less criminal activity in the vicinity of the riverboats than projected, a safe gaming environment, and a strong regulatory presence.



Hoosier Park in Anderson, Indiana

The economic impact of the construction of Hoosier Park brought \$50,810,409 in total output or sales, \$18,469,269 in personal income, and 672 jobs. The success of the Standardbred Breed Development program has resulted in nearly \$5,000,000 paid in purses at Hoosier Park each year, and premium prices received for Indiana Sired yearlings at the Indiana sales.

Plans for the Biennium

The Indiana Gaming Commission has identified two primary objectives for the next biennium:

- 1) Expansion of the Audit, Legal and Information Technology Divisions to keep pace with the increase in number of riverboat casinos and the continued growth of the industry.
- 2) Continued development of computerized systems that streamline and economize existing procedures while providing additional and more efficient audit capabilities.

To further its commitment to continuing breed development, the Indiana Horse Racing Commission will begin the support of a new breed development program for Quarter Horses.

<i>Program: 1020</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Appropriation (All Funds)	\$5,697,311	\$5,817,971	\$5,816,871	\$5,214,851	\$5,214,851
Expenditures	\$3,798,740	\$5,387,815	\$5,027,288		

**Sources of Funds
FY 2001 (Approp)**

■ General
 ■ Dedicated
 ■ Federal
 ■ Other

100%

**Uses of Funds
FY 2001 (Approp)**

■ Personal Services
 ■ Distributions
 ■ Capital
 ■ Other

16%
39%
45%

