



STATE OF INDIANA

Mitchell E. Daniels, Jr.
Governor

STATE BUDGET AGENCY
212 State House
Indianapolis, Indiana 46204-2796
317/232-5610

Christopher A. Ruhl
Director

REVENUE FORECASTING METHODOLOGY

Technical Committee:

David Dukes
Erik Gonzalez
Bob Lain
Prof. John Mikesell
Dan Novreske
Susan Preble

December 11, 2008

Discussion of the forecast

Supported by strong individual income tax collections in April 2008, total revenues increased by 2.4% in FY 2008. Through November, revenues were \$70.0M (1.4%) below the December 13, 2007 forecast. Excluding the increased sales tax revenues attributable to the rate increase from 6% to 7% in April 2008, total revenues through November were 0.4% below the same five month period in FY 2008.

The U.S. economy officially entered a recession in December 2007. The economic forecast underlying this December 11, 2008 revenue forecast projects that Indiana personal income will increase by 2.2% in FY 2009, 1.6% in FY 2010, and 3.0% in FY 2011. Real U.S. Gross Domestic Product is projected to decrease by 1.0% in FY 2009, 0.1% in FY 2010, and increase by 3.1% in FY 2011. Corporate profits are projected to decline by 11.1% in FY 2009 and increase by 3.9% in FY 2010 and 7.9% in FY 2011 though the increases in the last two years will not translate into significant corporate income tax growth as businesses utilize net operating loss deductions accumulated during the recession.

Discussion of the equations used in the forecast

Sales Tax

The Committee adopted a new equation for Sales Tax. This equation regresses the natural log of the sales tax base on the natural log of fiscal year nominal Indiana Personal Income (FY_IPI), the natural log of the sales tax rate, and the percentage change in real GDP to account for changes in business spending on taxable items and changes to consumers spending patterns during recessions. The model used by the Committee is replicated as Equation (1) below. Since this is a model that uses sales tax in its log form, it was converted to level by taking the exponential and multiplying it by an adjustment factor.

$$\text{Equation (1) Sales Tax Base} = (1.00229377 * (\text{EXP} (-0.723731 + (0.959122 * \text{LN} (\text{FY_IPI})) - (0.131812 * \text{LN} (\text{Tax Rate})) + (0.688010 * \% \text{ Chg RGDP}))) + \text{Adjs.}$$

Individual Income Tax

The Committee retained the equation it first used in December, 2004, but uses fiscal year nominal Indiana Personal Income (FY_IPI) instead of fiscal year nominal Indiana Nonfarm Personal Income. The equation is replicated as Equation (2) below.

Income taxes imposed by counties in Indiana are collected by the State and distributed back to the imposing counties. The collection and distribution mechanisms result in a material lag between the time local income taxes are collected and the time the State is able to segregate those taxes for distribution to the appropriate counties. As a result, local income taxes collected in prior years are distributed from current income tax collections. The Committee found that the collection and distribution mechanisms in place result in a material impact on current State income tax revenues reported during the forecast period. The results from Equation (2) were adjusted to account for this impact.

$$\text{Equation (2) Individual Income Tax} = -141.11187 + 0.02374 (\text{FY_IPI}) + \text{Adjs.}$$

Corporate Income Tax

The Committee adopted an equation for forecast corporate adjusted gross income taxes that uses corporate profits as reported in the National Income and Product Accounts, the difference between the effective state corporate adjusted gross income tax rate and the effective state individual income tax rate, slope variables to account for periods when growth in corporate income tax collections was stronger than growth in corporate profits, and a dummy variable to account for the first-year impacts of implementing the Financial Institutions Tax. The equation employed by the Committee is replicated as equation (3) below. Revenues from the Utilities Receipts Tax, the Utility Services Use Tax, and the Financial Institutions Tax were forecasted separately and the results of equation (3) adjusted accordingly.

$$\begin{aligned} \text{Equation (3) Corporate Adjusted Gross Income} &= 6,851.478749 + \\ &1.18331907 * (\text{Corp. Profits}) - 24,151.18344 * (\text{Rate Differential}) \\ &+ 2.540632224 * (\text{D1}) + 0.700500993 * (\text{D2}) + 1,129.224225 * (\text{D3}) \\ &+ \text{Utility Receipts Tax} + \text{Utility Service Use Tax} + \text{Financial Institutions Tax} + \text{Adj.} \end{aligned}$$

Where D1= (1* Corp Profits) if year > 1994 and < 2001

Where D2= (1*Corp Profits) if year > 2005 and < 2008

Where D3 = 1 if year = 1990

Cigarette & Tobacco Products Tax

The Committee adopted two equations to estimate the Cigarette Tax and Tobacco Products Tax. Cigarette Sales, measured in packs of 20, depend upon fiscal year real Indiana Personal Income (RFY_IPI), an estimate of the sum of the four surrounding states real prices (RALLPRICE), the real Indiana price (RINPRICE), the real cigarette excise tax rate (CIGRATE), and a trend variable equal to the fiscal year forecasted minus 1965 (TREND). Tobacco Product sales are

estimated based on fiscal year real Indiana Personal Income (RFY_IPI), a price index for tobacco products (PRICE), the excise tax on tobacco products (TOBRATE), and the trend variable (TREND). The sales, income, price, and tobacco product excise tax variables are expressed in natural logarithms.

$$\text{Equation (4)} \quad \text{Cigarette Sales} = -4.352 + 1.011 (\text{RFY_IPI}) + .204 (\text{ALLPRICE}) - 0.862(\text{RINPRICE}) - 0.092 (\text{CIGRATE}) - 0.033 (\text{TREND})$$

$$\text{Equation 4(a)} \quad \text{Cigarette Tax} = 0.995 (\text{Cigarette Sales})$$

$$\text{Equation (5)} \quad \text{Tobacco Product Sales} = -16.732 + 1.784 (\text{RFY_NFIP}) - 0.229 (\text{PRICE}) - 0.369 (\text{TOBRATE}) + 0.029 (\text{TREND}).$$

$$\text{Equation (5a)} \quad \text{Tobacco Products Tax} = 0.24 (\text{Tobacco Products Sales})$$

Alcoholic Beverage Taxes

The alcoholic beverage tax model includes three equations: one for beer, one for liquor, and one for wine. All three equations include fiscal year real Indiana Personal Income (RFY_IPI), the real beverage price (BPRICE, LPRICE, WPRICE) and the lagged sales of the beverage in gallons (BLAGSALE, LLAGSALE, WLAGSALE). The beer equation has a trend variable (TREND). The liquor equation includes a trend variable (TREND), a dummy variable for 1991 and years after (D91), and a variable which takes the trend variable multiplied by D91 (TREND91). The wine equation includes a dummy variable for 1987 and years after multiplied by the log of real Indiana Personal Income (D87_RFY_IPI). For all equations, the income and price variables were adjusted by the Gross Domestic Product price deflator. The sales, income and price variables are expressed in terms of natural logarithms.

$$\text{Equation (6)} \quad \text{Beer sales} = -0.443 + 0.900(\text{LAGSALE}) + 0.173(\text{RFY_IPI}) - 0.190(\text{BPRICE}) - 0.005(\text{TREND})$$

$$\text{Equation (6a)} \quad \text{Beer tax} = 0.115(\text{Beer sales})$$

$$\text{Equation (7)} \quad \text{Liquor sales} = 0.080 + 0.663(\text{LAGSALE}) + 0.373 (\text{RFY_IPI}) - 0.448(\text{LPRICE}) - 0.020(\text{TREND}) - 0.519(\text{D91}) + 0.019 (\text{TREND91})$$

$$\text{Equation (7a)} \quad \text{Liquor tax} = 2.68(\text{Liquor sales})$$

$$\text{Equation (8)} \quad \text{Wine sales} = -0.501 + 0.847 (\text{LAGSALE}) + 0.199 (\text{RFY_IPI}) - 0.296 (\text{WPRICE}) - 0.009 (\text{D87_RFY_IPI})$$

$$\text{Equation (8a)} \quad \text{Wine tax} = 0.47(\text{Wine sales})$$

Gaming Taxes

The Committee adopted separate procedures to estimate the yield from the riverboat wagering tax paid by the state's 11 riverboat casinos and from the slot machine wagering tax paid by the state's two racetrack slot machine facilities.

The Committee adopted an equation to estimate the adjusted gross wagering receipts of the 11 riverboat casinos which serves as the tax base for the riverboat wagering tax. This tax base estimate is adjusted to account for observed displacement of business at three casinos by the racetrack slot machine facilities. The adjusted tax base estimate is then used to compute estimated wagering tax collections from the riverboat casinos. Amounts are subtracted from this result to account for annual distributions to the Indiana Gaming Commission, the Indiana Economic Development Corporation, the West Baden Springs Historic Hotel Preservation and Maintenance Fund, local revenue sharing, and riverboat communities.

The adjusted gross wagering receipts equation uses quarterly adjusted gross wagering receipts (AGR) generated at the riverboat casinos, quarterly nominal Indiana Personal Income (Q_NIPI), and the quarterly turnstile count (Q_TURNSTILE) at the riverboat casinos to account for the impact of market and capacity factors on the wagering tax base. The equation contains a dummy variable (D_FRLICK) to account for the addition of the French Lick Casino and its impact on the wagering tax base. The equation includes a dummy variable (D_FRWINDS) to account for the competitive impact of the Four Winds Casino on the wagering tax base. The Four Winds Casino is a tribal casino located in New Buffalo, Michigan, about 20 miles from the Blue Chip Casino in Michigan City, Indiana. It also includes quarterly dummy variables (D_Q2, D_Q3, and D_Q4) to account for seasonal variation in adjusted gross wagering receipts. The equation chosen is replicated as Equation (9) below.

$$\begin{aligned} \text{Equation (9)} \quad Q_AGR &= -6.697 + 0.662(Q_NIPI) + 0.619(Q_TURNSTILE) + \\ & 0.027(D_FRLICK) - 0.041(D_FRWINDS) - 0.026(D_Q2) - \\ & 0.023(D_Q3) - 0.035(D_Q4). \end{aligned}$$

Where Q_TURNSTILE is the actual quarterly turnstile count for the casinos through the 3rd Quarter of 2008 and thereafter is assumed to experience year-over-year decline of 8% during the remainder of FY 2009, year-over-year decline of 4% during FY 2010, and no year-over-year change during FY 2011.

Where D_FRLICK = 1 if calendar quarter = 4th Quarter 2006 or after.

Where D_FRWINDS = 1 if calendar quarter = 3rd Quarter 2007 or after.

Where D_Q2 = 1 during the 2nd calendar quarter of a year.

Where D_Q3 = 1 during the 3rd calendar quarter of a year.

Where D_Q4 = 1 during the 4th calendar quarter of a year.

The Committee also adopted an estimate of the yield from the slot machine wagering tax paid by the state's two horse racetracks. This estimate is based on the adjusted gross wagering receipts generated at the two racetrack slot machine facilities from June 2008 to October 2008, with the five-month total annualized. The annualized totals for each facility are then used to compute the yield of the slot machine wagering tax.

SPECIFIC METHODOLOGY (December 11, 2008)

Sales Tax:

For Each Fiscal Year to be Forecasted

1. Multiply 0.959122 by the natural logarithm of the fiscal year Indiana Personal Income.
2. Subtract 0.723731 from the results of Step 1.
3. Multiply -0.131812 by the logarithm of the fiscal year sales tax rate (7%).
4. Multiply 0.688010 by the percent change in fiscal year US Real GDP.
5. Add the results of Step 2, Step 3, and Step 4.
6. Compute the exponential of the result of Step 6. Multiply the results by 1.00229 to obtain the total fiscal year sales tax base.
7. Multiply the results of Step 6 by the sales tax rate (7%).
8. Add 13.0 in FY 2009, 19.7 in FY 2010, and 20.8 in FY 2011 to the result of Step 7 to account for the impact of tax measures enacted in 2004, 2005, 2006, 2007, and 2008.
9. Multiply the results of Step 8 by 0.99178 to account for the percentage of sales taxes deposited in the General Fund under HEA 1001- 2008.

Individual Income Tax:

For Each Fiscal Year to be Forecasted

1. Multiply 0.02374 times fiscal year Indiana Personal Income.
2. Subtract 141.11187 from the results of Step 1.
3. Subtract 280.0 for FY 2009, 318.1 for FY 2010, and 318.9 for FY 2011 from the results of Step 2 to account for tax measures enacted in 1997, 1999, 2002, 2005, 2006, 2007, and 2008.

4. Subtract 63.1 for FY 2009, 60.8 in FY 2010, and 68.1 for FY 2011 from the results of Step 3 to account for the impacts of local income tax distributions as explained in the section of this document describing the individual income tax equation.

Corporate Income Tax:

For Each Fiscal Year to be Forecasted

1. Multiply 1.183319 times fiscal year U.S. Corporate Profits.
2. Add 6,851.478749 to the results of Step 1.
3. Multiply -24,151.18344 times 0.0511 and add the result to the results of Step 2 to account for the impact of a differential between the corporate income tax rate and the individual income tax rate.
4. Multiply the results of Step 3 by the statutory corporate income tax rate of 0.085.
5. Subtract 31.5 from the results of Step 4 to account for the impact of changes to the Research and Development Expense Credit contained in HEA 1001-2002ss.
6. Add 215.3 to the results of Step 5 to account for the revenues from the Utility Receipts Tax.
7. Add 12.9 to the results of Step 6 to account for the revenues from the Utility Service Use Tax.
8. Subtract 10.0 in FY 2009 and FY 2010 to the results of Step 6 to account for General Fund revenue loss from the Financial Institutions Tax.
9. Add 3.49 for FY 2009, 3.23 for FY 2009, and -11.4 for FY 2010 to the results of Step 8 to account for tax measures enacted in 2005, 2006, 2007, and 2008.
10. Add 11.4 for FY 2009, 11.2 for FY 2010, and 11.5 for FY2011 to the results of Step 9 to account for the ongoing impact of *Azstar Indiana Gaming Corporation vs. the Indiana Department of State Revenue*.

Cigarette Tax:

For Each Fiscal Year to be Forecasted

1. Multiply 1.011 by the logarithm of fiscal year real Indiana Personal Income.
2. Subtract 4.352 to the result of step 1.

3. Multiply 0.204 by the logarithm of the sum of the real cigarette prices in the four surrounding states.
4. Add the result of step 3 to the result of step 2.
5. Multiply -0.862 by the logarithm of the real cigarette price in Indiana.
6. Add the result of step 5 to the result of step 4.
7. Multiply -0.092 by the logarithm of the real cigarette excise tax rate.
8. Add the result of step 7 to the result of step 6.
9. Subtract 1965 from the fiscal year forecasted.
10. Multiply the result of step 9 by -0.033.
11. Add the result of step 10 to the result of step 8.
12. Take the exponential of step 11, to get sales.
13. Multiply the result of step 12 by 0.988 to get total revenue.
14. Multiply the result of step 13 by 0.627 to get General Fund revenue.

Tobacco Products Tax:

1. Multiply 1.784 by the logarithm of fiscal year real Indiana Personal Income.
2. Subtract 16.732 from the result of step 1.
3. Multiply 0.229 by the logarithm of the of the real tobacco product price.
4. Subtract the result of step 3 to the result of step 2.
5. Multiply 100 by the tobacco products excise tax rate.
6. Multiply -0.369 by the logarithm of the result of step 5.
7. Add the result of step 6 to the result of step 4.
8. Subtract 1965 from the fiscal year forecasted.
9. Multiply the result of step 9 by 0.029.
10. Add the result of step 9 to the result of step 7

11. Take the exponential of step 10, to get sales.
12. Multiply the result of step 11 by 0.24 to get total revenue.
13. Multiply the result of step 12 by .75.
14. Multiply the result of step 13 by 0.627 to get General Fund revenue.

Alcoholic Beverage Tax - Beer:

For Each Fiscal Year to be Forecasted

1. Multiply 0.900 by the logarithm of beer sales, lagged one year.
2. Subtract 0.443 from the result of step 1.
3. Multiply 0.173 by the logarithm of fiscal year real Indiana Personal Income.
4. Add the result of step 3 to the result of step 2.
5. Multiply -0.190 by the logarithm of the real beer price.
6. Add the result of step 5 to the result of step 4.
7. Multiply -0.005 by the trend term.
8. Add the result of step 7 to the result of step 6.
9. Take the exponential of the result of step 8 to get sales.
10. Multiply the result of step 9 by 0.115, to get total revenue; multiply the result of step 9 by .04 to get General Fund revenue.

Alcoholic Beverage Tax - Liquor:

For Each Fiscal Year to be Forecasted

1. Multiply 0.663 by the logarithm of liquor sales, lagged one year.
2. Subtract 0.080 to the result of step 1.
3. Multiply 0.373 by the logarithm of fiscal year real Indiana Personal Income.
4. Add the result of step 3 to the result of step 2.
5. Multiply -0.448 by the logarithm of the real liquor price.

6. Add the result of step 5 to the result of step 4.
7. Multiply -0.020 by the trend term.
8. Add the result of step 7 to the result of step 6.
9. Multiply -0.519 by a dummy for 1991.
10. Add the result of step 9 to the result of step 8.
11. Multiply 0.019 by the trend term multiplied by the dummy for 1991.
12. Add the result of step 11 to the result of step 10.
13. Take the exponential of the result of step 12 to get sales.
14. Multiply the result of step 13 by 2.68, to get total revenue; multiply the result of step 13 by 1.00 to get General Fund revenue.

Alcoholic Beverage Tax - Wine:

For Each Fiscal Year to be Forecasted

1. Multiply 0.847 by the logarithm of wine sales, lagged one year.
2. Subtract 0.501 from the result of step 1.
3. Multiply 0.199 by the logarithm of fiscal year real Indiana Personal Income.
4. Add the result of step 3 to the result of step 2.
5. Multiply -0.296 by the logarithm of the real wine price.
6. Add the result of step 5 to the result of step 4.
7. Multiply -0.009 by the dummy for 1987 multiplied by the logarithm fiscal year real Indiana Personal Income.
8. Add the result of step 7 to the result of step 6.
9. Take the exponential of the result of step 8 to get sales.
10. Multiply the result of step 9 by 0.47, to get total revenue; multiply the result of step 9 by 0.20 to get General Fund revenue.

Gaming Taxes:

For Each Fiscal Year to be Forecasted

1. Multiply 0.662 by the natural logarithm of quarterly nominal Indiana Personal Income.
2. Subtract 6.697 from the result of Step 1.
3. Multiply 0.619 by the natural logarithm of the quarterly casino turnstile count and add the result to the result of Step 2.
4. Add 0.027 to the result of Step 3 for the 4th Quarter of 2006 and each calendar quarter thereafter.
5. Subtract 0.041 from the result of Step 4 for the 3rd Quarter of 2007 and each calendar quarter thereafter.
6. Subtract 0.026 from the result of Step 5 if the calendar quarter is the 2nd Quarter; subtract 0.023 from the result of Step 5 if the calendar quarter is the 3rd Quarter; or subtract 0.035 from the result of Step 5 if the calendar quarter is the 4th Quarter.
7. Compute the exponential of the result of Step 6 to obtain the total quarterly adjusted gross wagering receipts of the riverboat casinos.
8. Sum the quarterly totals from Step 7 for the fiscal year to obtain the total fiscal year adjusted gross wagering receipts of the riverboat casinos.
9. Divide the total fiscal year adjusted gross receipts from Step 8 between the 11 riverboat casinos based on the actual FY 2008 percentage distribution of adjusted gross wagering receipts by riverboat casino.
10. Reduce the fiscal year adjusted gross wagering receipts estimates from Step 9 for Argosy Casino, Belterra Casino, and Grand Victoria Casino by 12%, 7%, and 15%, respectively; and make no such adjustment relating to the other riverboat casinos.
11. Use the fiscal year adjusted gross wagering receipts totals by riverboat casino from Step 10 to compute the fiscal year wagering tax for each riverboat casino.
12. Sum the fiscal year wagering tax totals for each riverboat casino from Step 11 to obtain the fiscal year total wagering tax collections from the 11 riverboat casinos.
13. Subtract from the Step 12 result, 3,824,922 each year to account for reimbursement to the Indiana Gaming Commission for administrative expenses; 33,000,000 each year to account for local revenue sharing; and 95,046,641 each year to account for wagering tax distributions to riverboat communities.

14. Subtract from the Step 13 result, 14,422,789 in FY 2009, 14,143,490 in FY 2010, and 14,513,304 in FY 2011 to account for distributions of wagering tax from the French Lick Casino to the Indiana Economic Development Corporation, the West Baden Springs Historic Hotel Preservation and Maintenance Fund, and area communities.
15. Add to the Step 14 result, 51,000,000 in FY 2009, 96,000,000 in FY 2010, and 98,800,000 in FY 2011 to account for revenue yield from the slot machine wagering tax paid by the racetrack slot machine facilities.

FORECAST DATA
NOMINAL AND REAL GROSS DOMESTIC PRODUCT
(BILLIONS OF DOLLAR)
December 11, 2008

		Gross Domestic Product		GDP Implicit Price Deflator 2000=100	Percent Change at Annual Rates		
		Billions of \$			Real GDP	Nominal GDP	GDP Implicit Price Deflator
		Real	Nominal				
<i>Actual:</i>							
2004	Q1	10,543.6	11,405.5	108.17	2.96%	6.80%	3.73%
	Q2	10,634.2	11,610.3	109.18	3.48%	7.38%	3.77%
	Q3	10,728.7	11,779.4	109.79	3.60%	5.95%	2.27%
	Q4	10,796.4	11,948.5	110.67	2.55%	5.87%	3.24%
2005	Q1	10,875.8	12,155.4	111.77	2.97%	7.11%	4.01%
	Q2	10,946.1	12,297.5	112.35	2.61%	4.76%	2.09%
	Q3	11,050.0	12,538.2	113.47	3.85%	8.06%	4.05%
	Q4	11,086.1	12,696.4	114.53	1.31%	5.14%	3.78%
2006	Q1	11,217.3	12,959.6	115.53	4.82%	8.55%	3.56%
	Q2	11,291.7	13,134.1	116.32	2.68%	5.50%	2.74%
	Q3	11,314.1	13,249.6	117.11	0.80%	3.56%	2.75%
	Q4	11,356.4	13,370.1	117.73	1.50%	3.69%	2.15%
2007	Q1	11,357.8	13,510.9	118.96	0.05%	4.28%	4.23%
	Q2	11,491.4	13,737.5	119.55	4.79%	6.88%	1.99%
	Q3	11,625.7	13,950.6	120.00	4.76%	6.35%	1.52%
	Q4	11,620.7	14,031.2	120.74	-0.17%	2.33%	2.51%
2008	Q1	11,646.0	14,150.8	121.51	0.87%	3.45%	2.56%
	Q2	11,727.4	14,294.5	121.89	2.83%	4.12%	1.26%
	Q3	11,712.3	14,420.5	123.12	-0.51%	3.57%	4.11%
<i>Projections:</i>							
2008	Q4	11,562.7	14,282.8	123.52	-5.01%	-3.77%	1.31%
2009	Q1	11,449.9	14,201.0	124.03	-3.85%	-2.27%	1.64%
	Q2	11,431.1	14,171.1	123.97	-0.66%	-0.84%	-0.18%
	Q3	11,451.2	14,252.3	124.46	0.71%	2.31%	1.59%
	Q4	11,490.1	14,337.9	124.78	1.37%	2.43%	1.05%
2010	Q1	11,543.8	14,456.7	125.23	1.88%	3.36%	1.45%
	Q2	11,637.9	14,628.4	125.70	3.30%	4.84%	1.48%
	Q3	11,744.4	14,822.7	126.21	3.71%	5.42%	1.65%
	Q4	11,842.9	15,003.2	126.69	3.40%	4.96%	1.51%
2011	Q1	11,932.0	15,187.4	127.28	3.04%	5.00%	1.90%
	Q2	12,017.7	15,354.9	127.77	2.91%	4.49%	1.54%
<i>Calendar Year</i>							
2004		10,675.7	11,685.9	109.46			
2005		10,989.5	12,421.9	113.03	2.94%	6.30%	3.26%
2006		11,294.9	13,178.4	116.68	2.78%	6.09%	3.22%
2007		11,523.9	13,807.6	119.82	2.03%	4.77%	2.69%
2008		11,662.1	14,287.1	122.51	1.20%	3.47%	2.25%
2009		11,455.6	14,240.6	124.31	-1.77%	-0.33%	1.47%
2010		11,692.2	14,727.8	125.96	2.07%	3.42%	1.33%
<i>Fiscal Year</i>							
2005		10,836.8	12,045.2	111.15			
2006		11,161.3	12,832.1	114.97	2.99%	6.53%	3.44%
2007		11,379.9	13,467.0	118.34	1.96%	4.95%	2.93%
2008		11,655.0	14,106.8	121.04	2.42%	4.75%	2.28%
2009		11,539.0	14,268.8	123.66	-1.00%	1.15%	2.17%
2010		11,530.7	14,418.8	125.05	-0.07%	1.05%	1.12%
2011		11,884.2	15,092.0	126.99	3.07%	4.67%	1.56%

Source: IHS Global Insight

FORECAST DATA
NOMINAL U.S. CORPORATE PROFITS AND INDIANA PERSONAL INCOME
December 11, 2008

		<u>Percent Change at Annual Rates</u>			
		U.S. Corporate Profits	Indiana Personal Income	U.S. Corporate Profits	Indiana Personal Income
		Billions of \$	Millions of \$	Billions of \$	Millions of \$
<i>Actual:</i>					
2004	Q1	1,184.0	181,790.0	46.34%	-1.34%
	Q2	1,227.4	185,086.0	15.49%	7.45%
2005	Q3	1,218.7	187,256.0	-2.81%	4.77%
	Q4	1,294.8	190,708.0	27.42%	7.58%
	Q1	1,438.2	187,854.0	52.22%	-5.85%
	Q2	1,472.4	190,183.0	9.86%	5.05%
2006	Q3	1,342.6	192,392.0	-30.87%	4.73%
	Q4	1,538.6	194,119.0	72.47%	3.64%
	Q1	1,634.2	198,722.0	27.27%	9.83%
	Q2	1,681.6	200,419.0	12.12%	3.46%
2007	Q3	1,713.8	202,754.0	7.88%	4.74%
	Q4	1,644.5	204,425.0	-15.22%	3.34%
	Q1	1,617.8	207,896.0	-6.34%	6.97%
	Q2	1,672.5	209,038.0	14.23%	2.22%
2008	Q3	1,668.3	211,225.0	-1.00%	4.25%
	Q4	1,611.1	213,276.0	-13.03%	3.94%
	Q1	1,593.5	215,475.0	-4.30%	4.19%
	Q2	1,533.3	218,907.0	-14.28%	6.52%
	Q3	1,518.7	217,853.5	-3.75%	-1.91%
<i>Projections:</i>					
2008	Q4	1,384.7	219,068.8	-30.89%	2.25%
2009	Q1	1,387.6	220,226.7	0.85%	2.13%
	Q2	1,405.4	220,780.8	5.21%	1.01%
	Q3	1,447.0	221,491.9	12.39%	1.29%
	Q4	1,459.4	222,346.7	3.47%	1.55%
2010	Q1	1,473.7	223,290.1	3.97%	1.71%
	Q2	1,536.9	224,924.6	18.29%	2.96%
	Q3	1,582.7	226,656.7	12.49%	3.12%
	Q4	1,598.4	228,418.7	4.02%	3.15%
2011	Q1	1,603.4	230,726.2	1.26%	4.10%
	Q2	1,600.4	232,927.0	-0.75%	3.87%
<i>Calendar Year</i>					
2004		1,231.2	186,210.0		
2005		1,448.0	191,137.0	17.60%	2.65%
2006		1,668.5	201,580.0	15.23%	5.46%
2007		1,642.4	210,358.8	-1.56%	4.35%
2008		1,507.6	217,826.1	-8.21%	3.55%
2009		1,424.9	221,211.6	-5.49%	1.55%
2010		1,547.9	225,822.5	8.64%	2.08%
<i>Fiscal Year</i>					
2005		1,356.0	189,000.3		
2006		1,549.3	196,413.0	14.25%	3.92%
2007		1,662.2	206,028.3	7.29%	4.90%
2008		1,601.6	214,720.8	-3.65%	4.22%
2009		1,424.1	219,482.5	-11.08%	2.22%
2010		1,479.2	223,013.3	3.87%	1.61%
2011		1,596.2	229,682.1	7.91%	2.99%

Source: IHS Global Insight