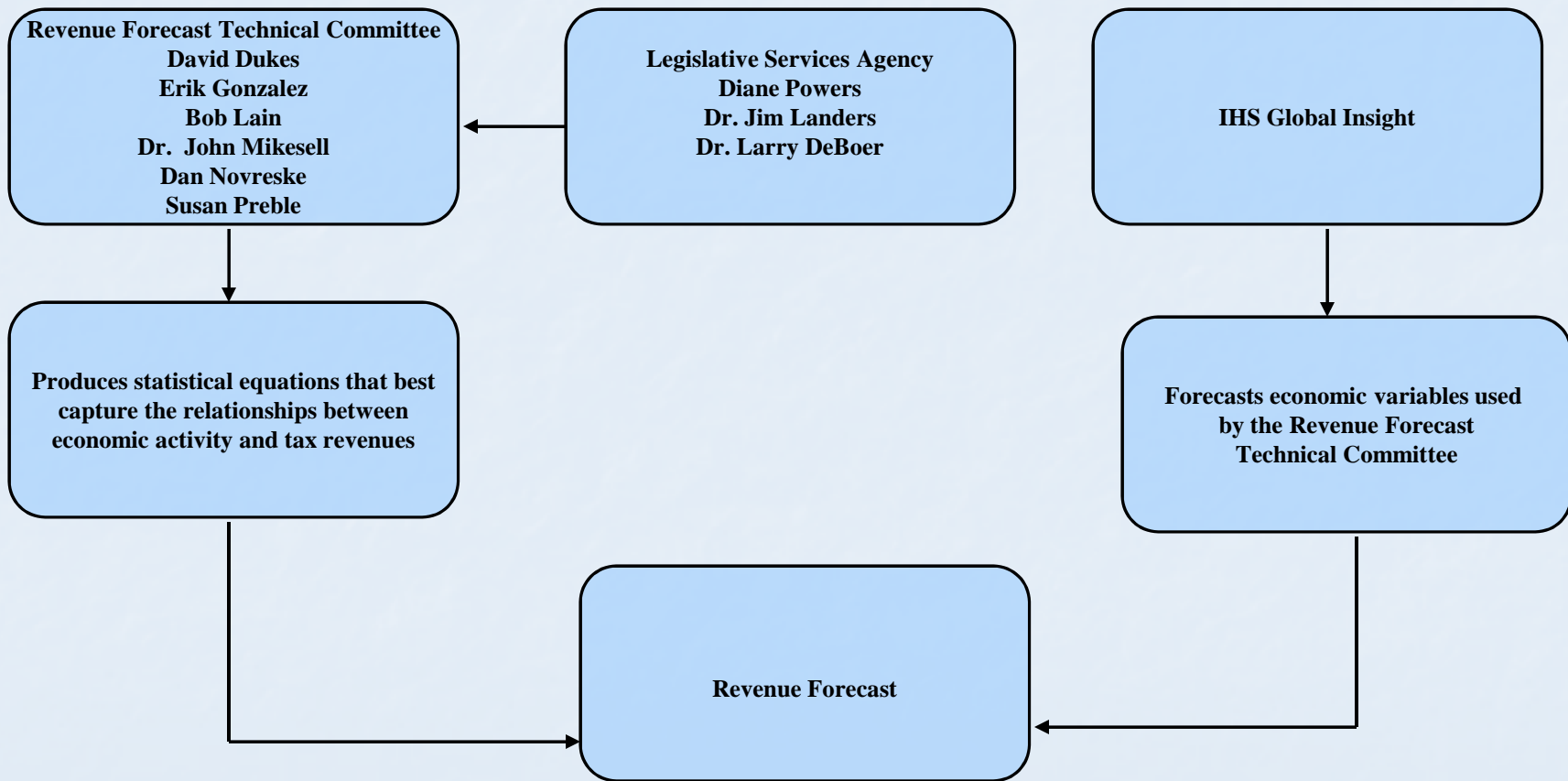


**GENERAL FUND AND PROPERTY TAX REPLACEMENT FUND
REVENUE FORECAST UPDATE**

**REVENUE FORECAST TECHNICAL COMMITTEE
DECEMBER 11, 2008**

GENERAL FUND AND PROPERTY TAX REPLACEMENT FUND REVENUE FORECAST PROCESS



FACTORS WEIGHING ON THE FORECAST

- The U.S. economy officially entered a recession in December 2007.
- Personal income growth in Indiana is forecasted to slow from 4.2% in FY 2008 to 2.2% in FY 2009.
- Increasing the sales tax rate will reduce the tax base by an estimated 2% .
- Consumer confidence has fallen to extremely low levels.
- The stock market as measured by the Dow Jones Wilshire 500 Index has fallen by nearly 30% since July.
- Corporate profits are declining.
- Admissions to the riverboats has declined by 6% compared to last year.
- Interest rates have fallen to near zero and will remain low through most of the forecast period.

THE ECONOMIC FORECAST

- Forecasted Indiana Personal Income Growth
 - FY 2009 – 2.2%
 - FY 2010 – 1.6%
 - FY 2011 – 3.0%
- Forecasted Real GDP Growth
 - FY 2009 – (1.0%)
 - FY 2010 – (0.1%)
 - FY 2011 – 3.1%
- Forecasted Nominal GDP Growth
 - FY 2009 – 1.2%
 - FY 2010 – 1.1%
 - FY 2011 – 4.7%
- Forecasted Corporate Profits Growth
 - FY 2009 – (11.1%)
 - FY 2010 – 3.9%
 - FY 2011 - 7.9%

BASE CASE REVENUE FORECAST

EXCLUDES REVENUE MEASURES FROM HEA 1001-2002 AND HEA 1835-1007

- FY 2009
 - Total Forecast = \$12,442.0M
 - Down 3.8% from FY 2008
 - Down \$488.6M from FY 2008

- FY 2010
 - Total Forecast = \$12,577.4M
 - Up 1.1% from FY 2009
 - Up \$135.4M from FY 2009

- FY 2011
 - Total Forecast = \$13,026.6M
 - Up 3.6% from FY 2010
 - Up \$449.2M from FY 2010

HEA 1001-2008 AND HEA 1835-2007 REVENUE MEASURES

- Increased sales tax rate from 6% to 7%
 - FY 2009 = \$904.1M
 - FY 2010 = \$924.8M
 - FY 2011 = \$972.0M

- Eliminated county payments related to juvenile incarceration
 - FY 2009 = (\$11.4M)
 - FY 2010 = (\$22.8M)
 - FY 2011 = (\$22.8M)

- Capture of FIT, MVET, and CVET related to state assumed levies
 - FY 2009 = \$115.2M
 - FY 2010 = \$231.2M
 - FY 2011 = \$232.8M

- Replace \$0.65 admissions tax going to support the horseracing industry
 - FY 2009 = \$15.4M
 - FY 2010 = \$14.6M
 - FY 2011 = \$14.5M

- Wagering taxes from horseracing facilities
 - FY 2009 = \$51.0M
 - FY 2010 = \$96.0M
 - FY 2011 = \$98.2M

TOTAL FORECAST

INCLUDES REVENUE MEASURES FROM HEA 1001-2008 AND HEA 1835-2007

- FY 2009
 - Total Forecast = \$13,516.3M
 - Up 3.3% from FY 2008
 - Up \$434.0M from FY 2008

- FY 2010
 - Total Forecast = \$13,821.2M
 - Up 2.3% from FY 2009
 - Up \$304.9M from FY 2009

- FY 2011
 - Total Forecast = \$14,321.9M
 - Up 3.6% from FY 2010
 - Up \$500.7M from FY 2010

STATE REVENUE FORECAST

BASE CASE

Does not incorporate additional revenue resulting from HEA 1001-2008 and HEA 1835-2007

Combined General Fund and Property Tax Replacement Fund

Fiscal Years 2009, 2010, and 2011

December 11, 2008

(in millions)

	Actual	Prior	Updated	Diff. From	Percent	Percent		Percent		Percent
	2008	Forecast	Forecast	Prior	Diff. From	Growth	Forecast	Growth	Forecast	Growth
	2008	2009	2009	Forecast	Forecast	Over	2010	Over	2011	Over
	2008	2009	2009	Forecast	Forecast	2008	2010	2009	2011	2010
<u>General & PTR Funds</u>										
Sales	5,534.4	5,737.7	5,425.8	-311.9	-5.4%	-2.0%	5,550.0	2.3%	5,833.8	5.1%
Individual	4,837.5	4,781.0	4,726.0	-55.0	-1.2%	-2.3%	4,774.1	1.0%	4,924.2	3.1%
Corporate	909.5	969.8	822.4	-147.4	-15.2%	-9.6%	827.5	0.6%	834.9	0.9%
Subtotal "Big Three"	11,281.4	11,488.4	10,974.2	-514.2	-4.5%	-2.7%	11,151.6	1.6%	11,592.9	4.0%
Gaming	582.9	634.7	525.2	-109.5	-17.3%	-9.9%	513.9	-2.2%	528.9	2.9%
Cigarette	325.6	356.9	324.4	-32.5	-9.1%	-0.4%	318.6	-1.8%	311.4	-2.3%
AB Taxes	16.4	15.4	16.0	0.6	3.9%	-2.7%	16.1	0.6%	16.2	0.6%
Inheritance	165.6	147.5	147.5	0.0	0.0%	-10.9%	147.5	0.0%	147.5	0.0%
Insurance	188.0	177.2	177.2	0.0	0.0%	-5.8%	177.2	0.0%	177.2	0.0%
Interest	146.7	130.6	65.0	-65.6	-50.2%	-55.7%	40.0	-38.5%	40.0	0.0%
Other	224.0	212.5	212.5	0.0	0.0%	-5.1%	212.5	0.0%	212.5	0.0%
Subtotal	1,066.4	1,040.1	942.6	-97.5	-9.4%	-11.6%	911.9	-3.3%	904.8	-0.8%
<u>Total General & PTR Funds</u>	12,930.6	13,163.2	12,442.0	-721.2	-5.5%	-3.8%	12,577.4	1.1%	13,026.6	3.6%

STATE REVENUE FORECAST
Incorporates changes from HEA 1001-2008 and HEA 1835-2007
Combined General Fund and Property Tax Replacement Fund
Fiscal Years 2009, 2010, and 2011
December 11, 2008
(in millions)

	Actual	Prior	Updated	Diff. From	Percent	Percent		Percent		Percent
	2008	Forecast	Forecast	Prior	Diff. From	Growth	Forecast	Growth	Forecast	Growth
		2009	2009	Forecast	Forecast	Over	2010	Over	2011	Over
						2008		2009		2010
<u>General & PTR Funds</u>										
Sales	5,686.0	5,737.7	6,329.9	592.2	10.3%	11.3%	6,474.8	2.3%	6,805.8	5.1%
Individual	4,837.5	4,781.0	4,726.0	-55.0	-1.2%	-2.3%	4,774.1	1.0%	4,924.2	3.1%
Corporate	909.5	969.8	822.4	-147.4	-15.2%	-9.6%	827.5	0.6%	834.9	0.9%
Subtotal "Big Three"	11,433.0	11,488.4	11,878.3	389.9	3.4%	3.9%	12,076.4	1.7%	12,564.9	4.0%
Gaming	582.9	634.7	576.2	-58.5	-9.2%	-1.1%	609.9	5.8%	627.7	2.9%
Cigarette	325.6	356.9	324.4	-32.5	-9.1%	-0.4%	318.6	-1.8%	311.4	-2.3%
AB Taxes	16.4	15.4	16.0	0.6	3.9%	-2.7%	16.1	0.6%	16.2	0.6%
Inheritance	165.6	147.5	147.5	0.0	0.0%	-10.9%	147.5	0.0%	147.5	0.0%
Insurance	188.0	177.2	177.2	0.0	0.0%	-5.8%	177.2	0.0%	177.2	0.0%
Interest	146.7	130.6	65.0	-65.6	-50.2%	-55.7%	40.0	-38.5%	40.0	0.0%
Other	224.0	212.5	331.7	119.2	56.1%	48.1%	435.5	31.3%	437.0	0.3%
Subtotal	1,066.4	1,040.1	1,061.8	21.7	2.1%	-0.4%	1,134.9	6.9%	1,129.3	-0.5%
<u>Total General & PTR Funds</u>	13,082.3	13,163.2	13,516.3	353.0	2.7%	3.3%	13,821.2	2.3%	14,321.9	3.6%

While the Revenue Forecast Technical Committee strives to produce the best possible forecasts for each revenue source, it is unlikely each component of this forecast will prove to be completely accurate. The Committee believes that in total it has produced a realistic and responsible forecast.