

General Fund Revenue Forecast

Fiscal Years 2016-2017
Revenue Forecast Technical Committee

Presented to the State Budget Committee
December 17, 2015

Indiana Revenue Forecast



Performance of Major Revenue Sources Year-To-Date Through November 30th

Sales Tax	-3.3% Below Apr 15 Forecast Target -0.4% Below Same Period in FY 2015	
	5.3% Above Apr 15 Forecast Target 3.3% Above Same Period in FY 2015	Income Tax
Corporate Tax	-18.8% Below Apr 15 Forecast Target -18.3% Below Same Period in FY 2015	
	1.8% Above Apr 15 Forecast Target 0.7% Above Same Period in FY 2015	Gaming Taxes

Forecast Overview

Economic Forecast

- Remains stable but still showing effects of slow recovery in wages
- Indiana unemployment rate at mid 4% level

Revenue Forecast

- Sales Tax and Corporate Tax Models modified
- Individual Income, Gaming, Cigarette, and Alcohol Tax Models unchanged

Incorporation of Impacts of Recent Legislative Changes

- Ongoing FIT rate reduction
 - 7.5% in CY 2015 to 6.5% in CY 2017
- Ongoing Corporate Tax rate reduction
 - 7.0% in FY 2015 to 6.25% in FY 2017
- Individual Income Tax rate reduction
 - 3.3% in CY 2015 to 3.23% in CY 2017
- Free Play Deduction for casino/racino increased to \$7 M and made permanent
- Lower casino Wagering Tax rate for smaller casinos ongoing
- Racino wagering tax base set at 88% of AGR.

Changes in the Sales Tax Model

Sales Tax Revenue Estimators

April 2015

Indiana Personal Income
Net of Transfer Payments

Pct. Indiana Adult
Population Employed

December 2015

Indiana Personal
Income

Total Indiana Private
Housing Starts

Indiana Population
65 Years and Older

Changes in the Corporate Tax Model

Corporate Tax Revenue Estimators

April 2015

U.S. Corporate Profits

December 2015

Lagged U.S.
Corporate Profits

Indiana Employment in
Manufacturing Sector

General Uncertainty

Strong payroll growth,
still uncertain wage
growth

Current recovery
exceeding historic
average recovery period

Stabilizing stock market,
improvement in
household finances

Continued uncertainty
relating to federal
budget policy

Low gasoline prices,
recovering housing
market

December 2015 Forecast Results

Total Tax Revenue Estimates

December 17, 2015, Revenue Forecast

Sales Tax (in millions)				
Fiscal Year	Apr-15 Forecast	Dec-15 Forecast	Difference (\$) Apr 2015 to Dec 2015	Difference (%) Apr 2015 to Dec 2015
2016	\$7,504.7	\$7,345.6	-\$159.1	-2.1%
2017	\$7,839.6	\$7,665.3	-\$174.4	-2.2%

Individual Income Tax (in millions)				
Fiscal Year	Apr-15 Forecast	Dec-15 Forecast	Difference (\$) Apr 2015 to Dec 2015	Difference (%) Apr 2015 to Dec 2015
2016	\$5,121.8	\$5,250.1	\$128.3	2.5%
2017	\$5,283.1	\$5,372.1	\$89.0	1.7%

Corporate Income Tax (in millions)				
Fiscal Year	Apr-15 Forecast	Dec-15 Forecast	Difference (\$) Apr 2015 to Dec 2015	Difference (%) Apr 2015 to Dec 2015
2016	\$984.7	\$979.2	-\$5.5	-0.6%
2017	\$994.4	\$966.3	-\$28.2	-2.8%

Total Tax Revenue Estimates

December 17, 2015, Revenue Forecast

Gaming Taxes (in millions)				
Fiscal Year	Apr-15 Forecast	Dec-15 Forecast	Difference (\$) Apr 2015 to Dec 2015	Difference (%) Apr 2015 to Dec 2015
2016	\$430.0	\$422.9	-\$7.1	-1.7%
2017	\$427.5	\$408.9	-\$18.6	-4.4%

Other Taxes (Includes Excise, CVET Recapture) (in millions)				
Fiscal Year	Apr-15 Forecast	Dec-15 Forecast	Difference (\$) Apr 2015 to Dec 2015	Difference (%) Apr 2015 to Dec 2015
2016	\$929.8	\$933.3	\$3.5	0.4%
2017	\$933.7	\$930.8	-\$2.9	-0.3%

Total General Fund Taxes (in millions)				
Fiscal Year	Apr-15 Forecast	Dec-15 Forecast	Difference (\$) Apr 2015 to Dec 2015	Difference (%) Apr 2015 to Dec 2015
2016	\$14,971.1	\$14,931.1	-\$39.9	-0.3%
2017	\$15,478.3	\$15,343.3	-\$135.0	-0.9%

December 2015 Forecast Compared to Budget Plan

(In Millions of Dollars)

Fiscal Year	April 2015 Forecast	2015 Session Legislative Changes	Budget Plan Revenues	December 2015 Forecast	Difference (\$) Budget Plan to December 2015 Forecast	Difference (%) Budget Plan to December 2015 Forecast
2016	\$14,971.1	(\$45.7)	\$14,925.4	\$14,931.1	\$5.7	0.04%
2017	\$15,478.3	(\$56.6)	\$15,421.7	\$15,343.3	(\$78.4)	-0.51%

Total General Fund Revenue Forecast

Fiscal Years 2016 & 2017

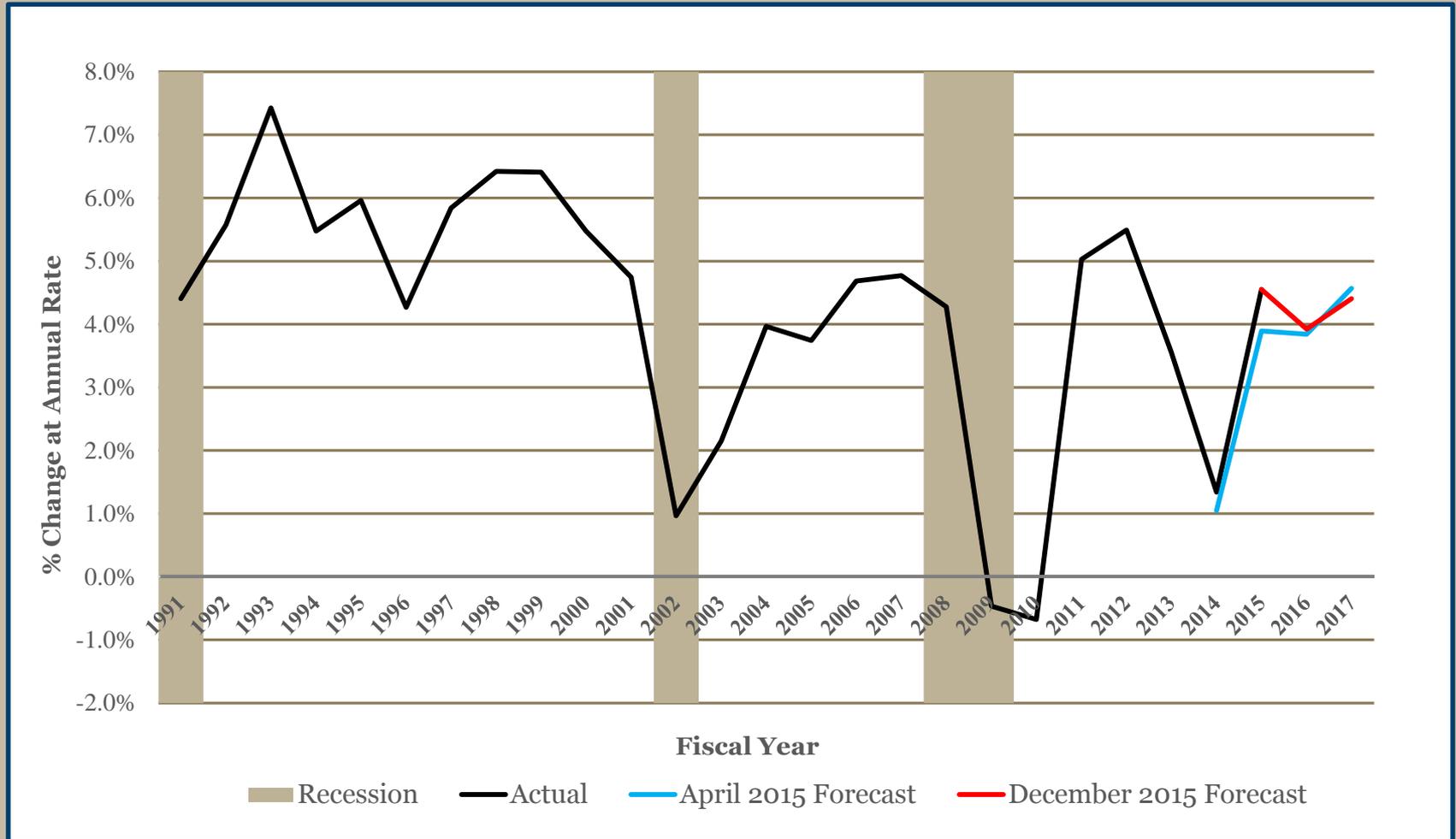
December 17, 2015

(In Millions of Dollars)

	Actual 2015	Apr. 2015 Forecast 2016	Updated Forecast 2016	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2015	Apr. 2015 Forecast 2017	Updated Forecast 2017	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2016
<u>Major Taxes</u>											
Sales & Use	7,194.8	7,504.7	7,345.6	-159.1	-2.1%	2.1%	7,839.6	7,665.3	-174.4	-2.2%	4.4%
Individual Income	5,233.0	5,121.8	5,250.1	128.3	2.5%	0.3%	5,283.1	5,372.1	89.0	1.7%	2.3%
Corporate - AGI, URT, USUT, FIT	1,093.7	984.7	979.2	-5.5	-0.6%	-10.5%	994.4	966.3	-28.2	-2.8%	-1.3%
Riverboat Wagering	336.2	320.5	318.5	-2.0	-0.6%	-5.3%	319.0	307.3	-11.7	-3.7%	-3.5%
Racino Wagering	<u>110.5</u>	<u>109.6</u>	<u>104.4</u>	<u>-5.2</u>	<u>-4.7%</u>	<u>-5.6%</u>	<u>108.5</u>	<u>101.6</u>	<u>-6.9</u>	<u>-6.4%</u>	<u>-2.7%</u>
Subtotal Major Taxes	13,968.3	14,041.2	13,997.8	-43.4	-0.3%	0.2%	14,544.7	14,412.5	-132.2	-0.9%	3.0%
<u>Other Revenue</u>											
Cigarette	252.2	250.2	252.1	1.9	0.8%	0.0%	247.4	248.2	0.8	0.3%	-1.5%
Insurance	216.3	227.6	220.2	-7.4	-3.3%	1.8%	232.3	224.1	-8.2	-3.5%	1.8%
Inheritance	3.2	0.0	0.0	0.0	N/A	N/A	0.0	0.0	0.0	N/A	N/A
Alcoholic Beverages	17.5	17.7	18.1	0.4	2.3%	3.6%	18.9	19.4	0.5	2.6%	7.2%
Riverboat Admissions	11.5	11.3	11.3	0.0	0.0%	-1.8%	11.3	11.3	0.0	0.0%	0.0%
Interest	17.2	18.1	17.7	-0.4	-2.4%	2.7%	18.9	18.2	-0.7	-3.6%	2.7%
Motor & Commercial Vehicle Excise	236.3	229.3	236.1	6.8	3.0%	-0.1%	229.3	236.1	6.8	3.0%	0.0%
Miscellaneous Revenue	176.0	<u>175.6</u>	<u>177.9</u>	<u>2.3</u>	<u>1.3%</u>	1.1%	<u>175.6</u>	<u>173.5</u>	<u>-2.1</u>	<u>-1.2%</u>	<u>-2.5%</u>
Subtotal Other Revenue	930.1	929.8	933.3	3.5	0.4%	0.3%	933.7	930.8	-2.9	-0.3%	-0.3%
Total General Fund	14,898.4	14,971.1	14,931.1	-39.9	-0.3%	0.2%	15,478.3	15,343.3	-135.0	-0.9%	2.8%

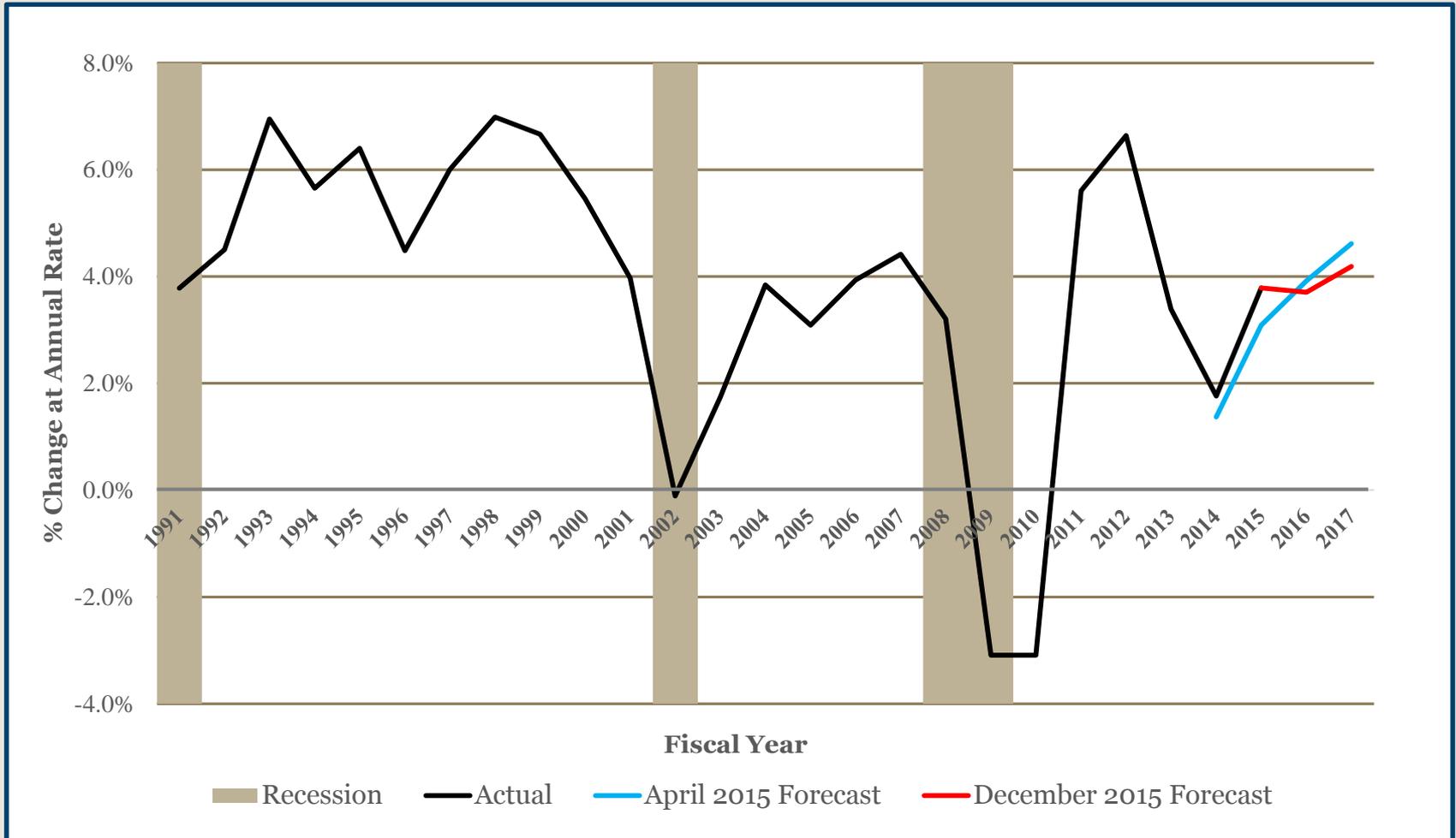
Appendices for
December 2015 Revenue Forecast

Indiana Personal Income (IPI)



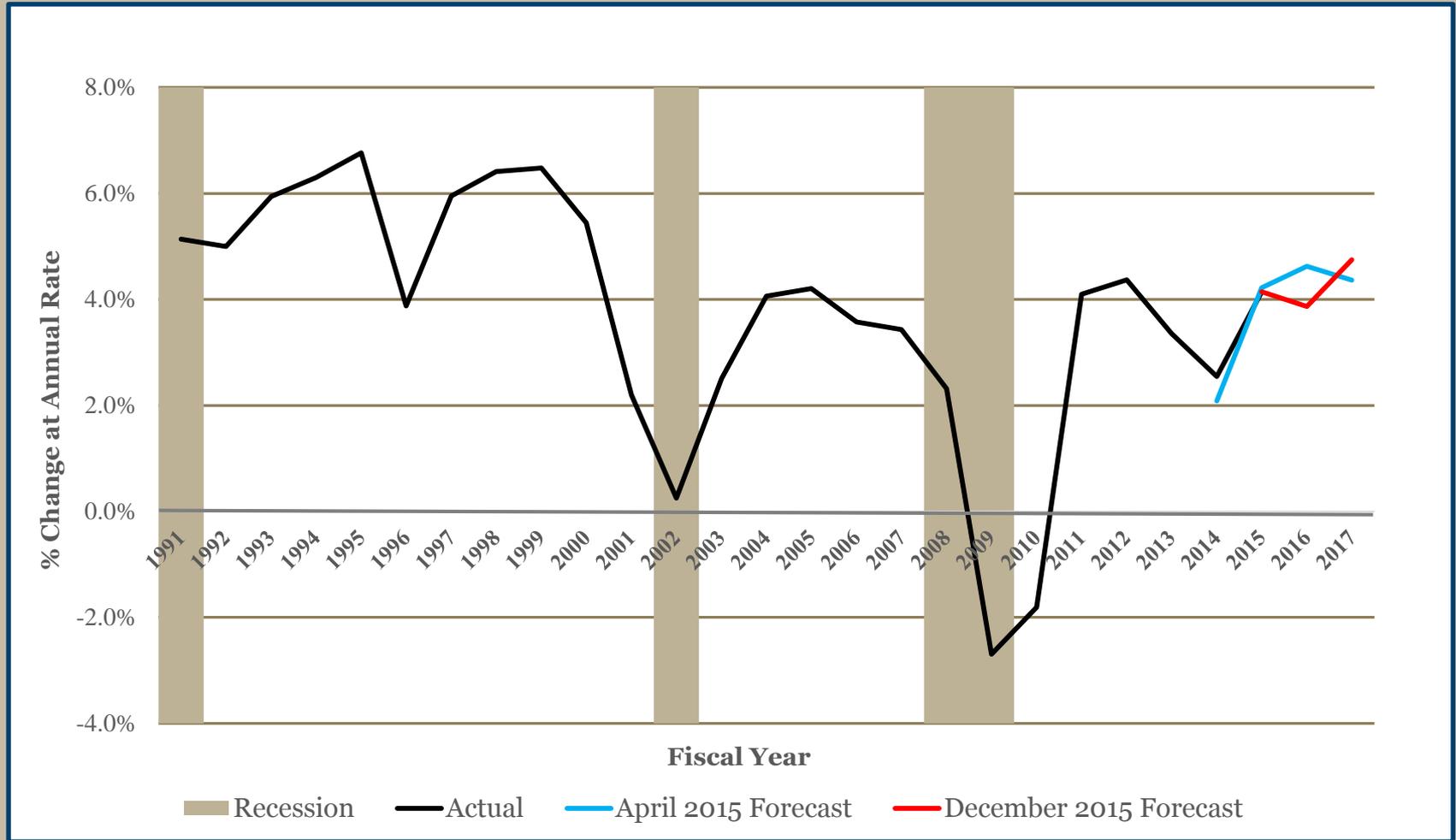
Data Source: IHS Global Insight

Indiana Personal Income Net of Transfer Payments



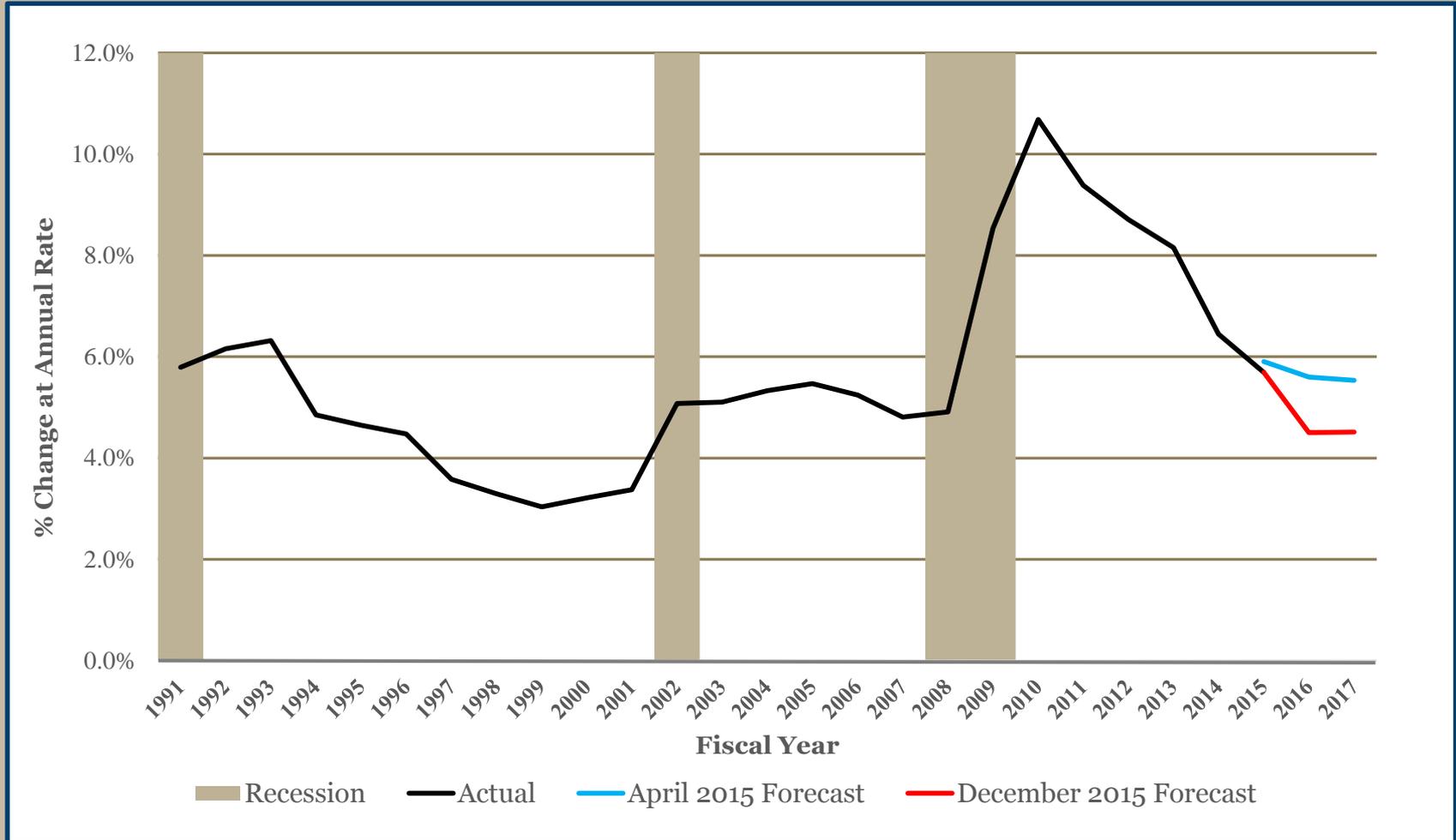
Data Source: IHS Global Insight

Indiana Wages & Salary



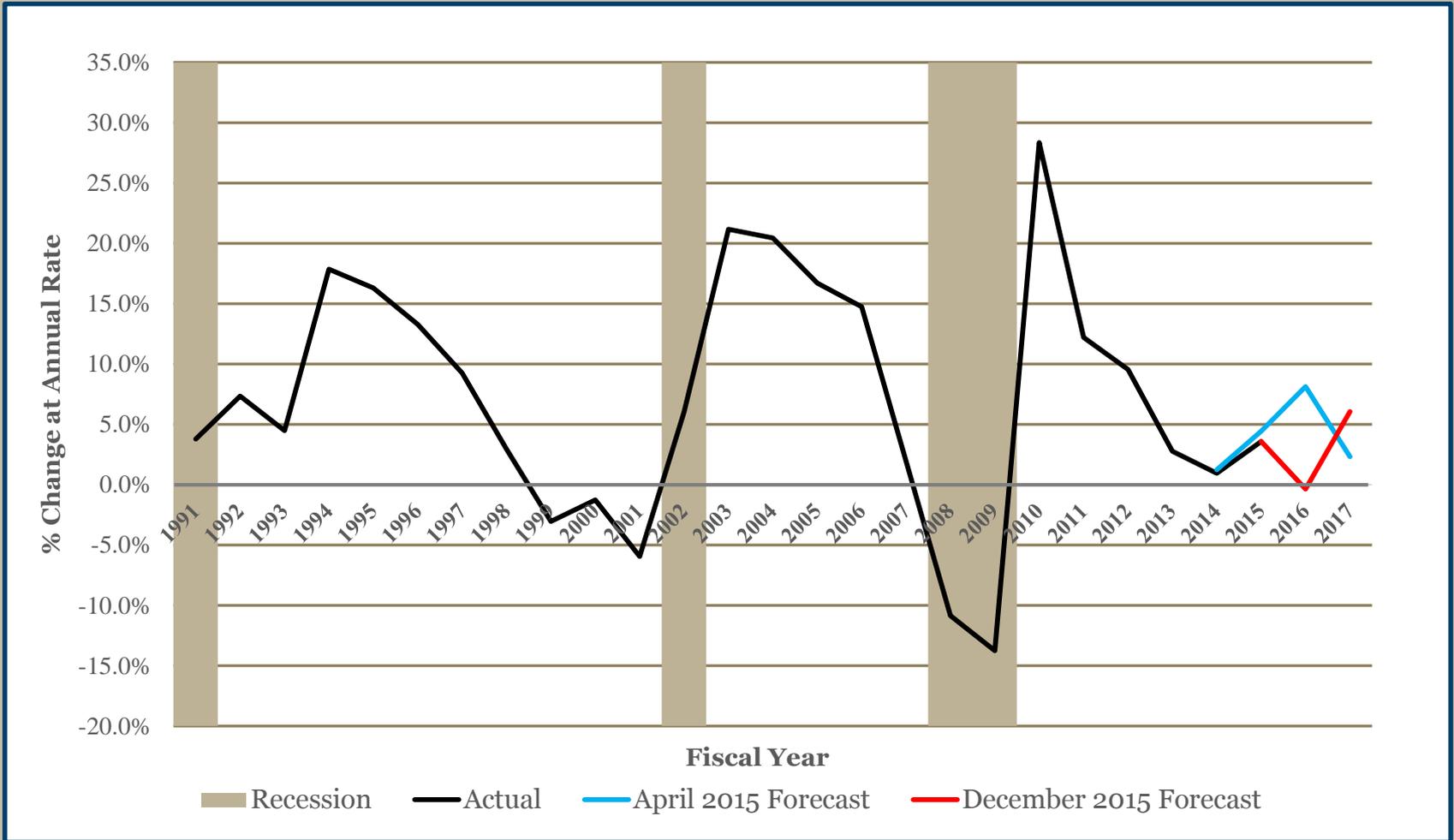
Data Source: IHS Global Insight

Indiana Unemployment Rate



Data Source: IHS Global Insight

U.S. Corporate Profits



Data Source: IHS Global Insight

Economic Variables

FY 2015, FY 2016, FY 2017

Indicator	Estimate Fiscal Year	April 2015 Forecast*	December 2015 Forecast*		Difference (%) Apr 2015 to Dec 2015
Nominal Indiana Personal Income (in millions)	2015	265,512	266,219	actual	0.27%
	2016	275,712	276,668		0.35%
	2017	288,307	288,851		0.19%
Nominal Indiana Personal Income Net of Transfer Payments (in millions)	2015	212,292	212,764	actual	0.22%
	2016	220,611	220,651		0.02%
	2017	230,793	229,897		-0.39%
Nominal Indiana Wages & Salary (in millions)	2015	134,569	134,829	actual	0.19%
	2016	140,797	140,044		-0.54%
	2017	146,943	146,693		-0.17%
Indiana Unemployment Rate	2015	5.9%	5.7%	actual	-3.39%
	2016	5.6%	4.5%		-19.64%
	2017	5.5%	4.5%		-18.18%
U.S. Corporate Profits (in billions)	2015	2,176	2,098	actual	-3.58%
	2016	2,352	2,091		-11.12%
	2017	2,407	2,217		-7.89%