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Indiana closes out fiscal year with $2.15 billion cash on hand

Auditor says state is 'a model of fiscal responsibility'

By Eric Bradner

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INDIANAPOLIS — After weathering three years of economic turbulence that forced spending cuts and lean budgets, Indiana now has $2.15 billion in the bank — enough to trigger automatic tax credits, as well as a new round of debates over what they state should spend.

It's money that comes largely from tax collections that improved by 6.5 percent over the last year, beating projections that state lawmakers used to develop Indiana's current two-yearbudget.

It's also due to $316 million being budgeted but not spent, and about $200 million gained through accounting snafus that were discovered in recent months at the Indiana Department of Revenue.

Republicans heralded the news. State Auditor Tim Berry announced the figure Thursday as he closed the books on Fiscal Year 2012, which ended June 30. He said it demonstrates that Indiana is "a model of fiscal responsibility."

Democrats, meanwhile, were blasting the Daniels administration for the spending cuts that built part of the surplus, and saying some of that money should be spent enhancing state services instead of providing tax credits.

"This surplus has been built by an administration devoted to hoarding your tax dollars instead of spending them on programs and services for the people of this state," said Indiana House Minority Leader B. Patrick Bauer, D-South Bend.

"The impact will be felt by families across this state, who will have to ask themselves whether a $2 billion state surplus means much when you have to pay a bunch of fees to make sure your children get a proper education or if you get put on hold when you call a hotline to report suspicions of child abuse."

The $2.15 billion is enough to keep 10 percent of the nearly $14 billion the state spends per year in the bank as a cushion, and still split up the remaining $721 million.

Half of that will be used to bolster Indiana's public pension funds. The other half will go to tax credits — the "automatic taxpayer refund" that Daniels fought to have state lawmakers include in the budget.

For individual income tax filers, those credits will be worth at least $100 when they file in the spring of 2013. For joint filers, the credits will be worth at least $200.

Beyond those credits, the surplus means state legislative budget writers and Indiana's next governor — Republican Mike Pence, Democrat John Gregg or Libertarian Rupert Boneham — will face a new set of challenges.

"The new governor and legislators still will certainly have a tough time balancing the budget, but this time it will be in the form of resisting temptation to spend instead of identifying ways to cut expenses," said John Ketzenberger, president of the nonpartisan Indiana Fiscal Policy Institute.

"There will likely be pent-up demand among many constituents for new or additional spending and it is harder for policymakers to say no to them when there are surplus funds."

In recent years, Daniels has ordered state agencies to curb their spending as the recession pounded Indiana's top two sources of revenue — sales taxes and income taxes.

However, in the current two-year budget — the first year of which just ended — agencies had already felt the squeeze, and their budgets were lowered to begin with. That meant lower amounts of "reversions," or money that was budgeted but not spent.

For the 2012 fiscal year, which ran July 1, 2011 to June 30, 2012, state agencies reverted $129 million, and an additional $138 million came through reconciling other funds, such as seed money that had been given to the state's technology office.

The largest reversion by dollar amount at a state agency came from the Indiana Family and Social Services Administration, which returned $47.6 million of its $782 million budget, or 6.1 percent, to the general fund.

Second-largest was the Indiana Department of Correction, which left $26.3 million, or 4 percent, unspent. Then came the Indiana Department of Child Services, which did not spend $16.4 million, or 3.1 percent of its budgeted amount.
