
HOUSE BILL No. 1376

DIGEST OF INTRODUCED BILL

Citations Affected: IC 2-2-1; IC 4-13-2-18; IC 4-10-21.

Synopsis: State spending cap. Provides a control on state expenditures based on the change in gross Indiana nonfarm personal income as reported by the United States Department of Commerce, Bureau of Economic Analysis. Requires the budget agency to determine and publish the Indiana nonfarm personal income growth quotient (the IPI growth quotient) in the Indiana Register. Provides for emergency expenditures. Provides for mandatory reductions in expenditures. Requires that the digest of a budget bill or a conference committee report on a budget bill must contain certain information concerning state appropriations and expenditures. Repeals the law concerning business cycle state spending controls.

Effective: July 1, 2006.

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January 12, 2006, read first time and referred to Committee on Ways and Means.

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Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

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HOUSE BILL No. 1376



A BILL FOR AN ACT to amend the Indiana Code concerning state fiscal administration.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 2-2.1-4 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2006]:

4 **Chapter 4. General Expenditure Controls**

5 **Sec. 1. As used in this chapter, "budget period" means the**
6 **biennium beginning July 1 of an odd-numbered year.**

7 **Sec. 2. As used in this chapter, "controlled state fund" refers to**
8 **one (1) of the following:**

- 9 (1) **The state general fund.**
- 10 (2) **The property tax replacement fund.**
- 11 (3) **The counter-cyclical revenue and economic stabilization**
12 **fund.**

13 **Sec. 3. (a) As used in this chapter, "expenditure" refers to an**
14 **expenditure from a controlled state fund in a state fiscal year.**

15 **(b) The term does not include the following:**

- 16 (1) **A payment of a tax refund or refundable tax credit related**
17 **to a state tax liability.**



- 1 (2) A transfer between controlled state funds or accounts
- 2 within a controlled state fund.
- 3 (3) The costs of capital construction and repair except for fee
- 4 replacement, debt service, and lease rental payments.
- 5 (4) The costs of judgments and settlements.
- 6 (5) The costs of providing property tax replacement credits
- 7 and homestead credits.
- 8 (6) The costs of making motor vehicle excise tax replacement
- 9 payments.
- 10 (7) A distribution or an allocation of state tax revenues to a
- 11 unit of local government under IC 36-7-13, IC 36-7-26,
- 12 IC 36-7-27, IC 36-7-31, or IC 36-7-31.3.
- 13 (8) A distribution of state tax revenues collected under IC 7.1
- 14 that is payable to a city or town.
- 15 (9) The costs of providing supplemental distributions under
- 16 IC 4-33-13-5 to replace riverboat admissions taxes.
- 17 (10) A transfer from the property tax replacement fund to the
- 18 build Indiana fund required under IC 4-33-13-5(d).
- 19 (11) A distribution of state tax revenues collected under any
- 20 other statute that is:
- 21 (A) deposited in a controlled state fund; and
- 22 (B) payable to a unit of local government.
- 23 Sec. 4. As used in this chapter, "state spending cap" for a state
- 24 fiscal year refers to the limit on expenditures under section 7 of this
- 25 chapter.
- 26 Sec. 5. (a) The budget agency shall determine the Indiana
- 27 nonfarm personal income growth quotient (IPI growth quotient)
- 28 in each even-numbered year. The IPI growth quotient applies to
- 29 each year of the two (2) year state budget period beginning in each
- 30 odd-numbered year. The IPI growth quotient is the amount
- 31 determined under STEP FOUR of the following formula:
- 32 STEP ONE: For each of the six (6) calendar years
- 33 immediately preceding the first state fiscal year in the budget
- 34 period, divide the Indiana nonfarm personal income for the
- 35 calendar year by the Indiana nonfarm personal income for
- 36 the calendar year immediately preceding that calendar year.
- 37 STEP TWO: Determine the sum of the STEP ONE results.
- 38 STEP THREE: Divide the STEP TWO result by six (6).
- 39 STEP FOUR: Determine the lesser of the following:
- 40 (A) The STEP THREE quotient.
- 41 (B) One and six-hundredths (1.06).
- 42 (b) The budget agency shall publish the IPI growth quotient

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1 determined under this chapter for a particular budget period in the
 2 Indiana Register not later than January 15 of each odd-numbered
 3 year. In addition, the budget agency shall publish historic IPI
 4 growth quotient data in the Indiana Register not later than July 1
 5 of each odd-numbered year.

6 Sec. 6. (a) The maximum total expenditure allowed from
 7 controlled state funds for a budget period is the sum of the
 8 maximum total expenditures allowed from controlled state funds
 9 for each state fiscal year of the budget period.

10 (b) The maximum total expenditure allowed from controlled
 11 state funds for the first state fiscal year of a budget period
 12 beginning on July 1 of an odd-numbered year is the amount
 13 determined under STEP SEVEN of the following formula:

14 STEP ONE: Determine the maximum total expenditure
 15 allowed from controlled state funds for the state fiscal year
 16 beginning on July 1 of the immediately preceding
 17 even-numbered year.

18 STEP TWO: Determine the IPI growth quotient for the
 19 budget period.

20 STEP THREE: This STEP applies only to state fiscal years
 21 beginning after June 30, 2009. This STEP, together with
 22 STEPS FOUR, FIVE, and SIX, calculates an adjustment
 23 factor to compensate for the difference between the IPI
 24 growth quotient applied to the second state fiscal year of the
 25 immediately preceding budget period and the true IPI growth
 26 quotient for the second state fiscal year of the immediately
 27 preceding budget period, which was unknown at the
 28 beginning of the immediately preceding budget period. For
 29 each of the six (6) calendar years immediately preceding the
 30 second state fiscal year in the immediately preceding budget
 31 period, divide the Indiana nonfarm personal income for the
 32 calendar year by the Indiana nonfarm personal income for
 33 the calendar year immediately preceding that calendar year.

34 STEP FOUR: This STEP applies only to state fiscal years
 35 beginning after June 30, 2009. Determine the sum of the STEP
 36 THREE results.

37 STEP FIVE: This STEP applies only to state fiscal years
 38 beginning after June 30, 2009. Divide the STEP FOUR result
 39 by six (6).

40 STEP SIX: The result of this STEP is:

41 (A) for the state fiscal year beginning July 1, 2007, one (1);

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1 (B) for state fiscal years beginning after June 30, 2009, the
 2 quotient of the STEP FIVE result divided by the IPI
 3 growth quotient for the immediately preceding budget
 4 period.

5 STEP SEVEN: Multiply the STEP ONE, STEP TWO, and
 6 STEP SIX results.

7 (c) The maximum total expenditure allowed from controlled
 8 state funds for the second state fiscal year of a budget period
 9 beginning on July 1 of an even-numbered year is the amount
 10 determined under STEP THREE of the following formula:

11 STEP ONE: Determine the subsection (b) STEP SEVEN
 12 result for the first state fiscal year of the budget period.

13 STEP TWO: Determine the IPI growth quotient for the
 14 budget period.

15 STEP THREE: Multiply the STEP ONE result by the STEP
 16 TWO result.

17 (d) The budget agency shall publish the maximum total
 18 expenditure amounts determined under subsections (a), (b), and (c)
 19 for a particular budget period in the Indiana Register not later
 20 than January 31 of each odd-numbered year. Except for revision
 21 to correct calculation errors, the maximum total expenditure
 22 amounts published under this subsection remain in effect for the
 23 duration of the corresponding budget period.

24 Sec. 7. Except as provided in sections 8, 9, and 12 of this chapter,
 25 the state spending cap for a state fiscal year equals the amount of
 26 the maximum total expenditure determined under section 6(b) or
 27 6(c) of this chapter. The general assembly shall not appropriate,
 28 and the budget director may not allot, a total sum of expenditures
 29 in a state fiscal year that exceeds the state spending cap.

30 Sec. 8. (a) An increase in the state spending cap, other than by
 31 an application of the IPI growth quotient, may occur only if at least
 32 one (1) of the following occurs:

33 (1) A spending responsibility has shifted from another level of
 34 government to a controlled state fund.

35 (2) A spending responsibility has shifted from a fund not
 36 limited by this chapter to a fund limited by this chapter.

37 (3) There has been:

38 (A) an expansion of:

39 (i) state services; and

40 (ii) state spending; and

41 (B) a tax increase enacted to finance the additional state
 42 services and spending.

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1 **(b) An increase in the state spending cap for spending described**
 2 **in subsection (a) requires the approval of a two-thirds (2/3)**
 3 **majority of the house of representatives and a two-thirds (2/3)**
 4 **majority of the senate.**

5 **Sec. 9. The general assembly, in a regular session, may authorize**
 6 **an emergency appropriation by enacting a supplemental**
 7 **appropriations act and a joint resolution that contains all the**
 8 **statements described in section 10 of this chapter. A supplemental**
 9 **appropriations act must be approved by a two-thirds (2/3)**
 10 **majority of the house of representatives and a two-thirds (2/3)**
 11 **majority of the senate.**

12 **Sec. 10. A joint resolution described in section 9 of this chapter**
 13 **must contain the following:**

14 **(1) A statement that all spending authorized in the act exceeds**
 15 **the limit of the state spending cap.**

16 **(2) A description of the amount of emergency expenditures**
 17 **and an explanation of the specific circumstances that created**
 18 **the need for a supplemental appropriation.**

19 **Sec. 11. Except as allowed in an emergency appropriation under**
 20 **section 9 of this chapter, all appropriations for expenditures for a**
 21 **state fiscal year, including continuing appropriations, are void if**
 22 **the total amount appropriated for expenditures exceeds the**
 23 **amount allowed by the state spending cap for the state fiscal year**
 24 **under this chapter. If the appropriations for a state fiscal year are**
 25 **voided under this section, the general assembly in a regular or**
 26 **special session may reappropriate an amount that does not exceed**
 27 **the amount allowed by the state spending cap under this chapter.**

28 **Sec. 12. (a) Subject to subsection (c), reductions in the state**
 29 **spending cap are mandatory in each year when spending**
 30 **responsibility is:**

31 **(1) shifted from a controlled state fund or to another level of**
 32 **government; or**

33 **(2) transferred from a controlled state fund to a fund that is**
 34 **not limited by this chapter.**

35 **The state spending cap must be decreased by the amount of the**
 36 **shift or transfer.**

37 **(b) The amount of the state spending cap reduction shall be**
 38 **determined by the budget agency upon the recommendation of the**
 39 **budget committee by a simple majority vote.**

40 **(c) If the budget agency determines that:**

41 **(1) the amount of a state spending cap reduction required**
 42 **under subsection (a) is less than one-tenth of one percent**

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1 **(0.1%); or**
 2 **(2) there is a need to waive the mandatory downward**
 3 **adjustment;**
 4 **the state spending cap reduction must receive a unanimous**
 5 **recommendation from the budget committee to take effect.**

6 SECTION 2. IC 2-2.1-5 IS ADDED TO THE INDIANA CODE AS
 7 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
 8 1, 2006]:

9 **Chapter 5. Budget Bill Requirements**

10 **Sec. 1. As used in this chapter, "controlled state fund" has the**
 11 **meaning set forth in IC 2-2.1-4-2.**

12 **Sec. 2. As used in this chapter, "digest" refers to the description**
 13 **of the contents of a bill or a conference committee report that is**
 14 **located on:**

- 15 **(1) the cover page of a bill; or**
- 16 **(2) the first page of a conference committee report.**

17 **Sec. 3. As used in this chapter, "expenditure" has the meaning**
 18 **set forth in IC 2-2.1-4-3.**

19 **Sec. 4. The digest of a budget bill or a conference committee**
 20 **report on a budget bill must contain the following information:**

- 21 **(1) The total amount of appropriations from controlled state**
 22 **funds.**
- 23 **(2) The total amount of appropriations for expenditures**
 24 **subject to IC 2-2.1-4 from controlled state funds.**
- 25 **(3) The expenditure limit for controlled state funds**
 26 **established under IC 2-2.1-4.**

27 SECTION 3. IC 4-13-2-18 IS AMENDED TO READ AS
 28 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 18. (a) For the purpose
 29 of the administration of the allotment system provided by this section,
 30 each fiscal year shall be divided into four (4) quarterly allotment
 31 periods, beginning respectively on the first day of July, October,
 32 January, and April. However, in any case where the quarterly allotment
 33 period is impracticable, the state budget director may prescribe a
 34 different period suited to the circumstances but not extending beyond
 35 the end of any fiscal year.

36 (b) Except as otherwise expressly provided in this section, the
 37 provisions of this chapter relating to the allotment system and to the
 38 encumbering of funds shall apply to appropriations and funds of all
 39 kinds, including standing or annual appropriations and dedicated funds,
 40 from which expenditures are to be made from time to time by or under
 41 the authority of any state agency. However, the provisions relating to
 42 the allotment system shall not apply to moneys made available for the

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1 purpose of conducting a post-audit of financial transactions of any state
 2 agency. Likewise, appropriations for construction or for the acquisition
 3 of real estate for public purposes may be exempted from the allotment
 4 system by the state budget director, but in such cases ~~he~~ **the state**
 5 **budget director** shall prescribe such regulations as will insure the
 6 proper application and encumbering of funds.

7 (c) No appropriation to any state agency shall become available for
 8 expenditure until:

9 (1) such state agency shall have submitted to the ~~state~~ budget
 10 agency a request for allotment, such request for allotment to
 11 consist of an estimate of the amount required for each activity and
 12 each purpose for which money is to be expended during the
 13 applicable allotment period; and

14 (2) such estimate contained in the request for allotment shall have
 15 been approved, increased, or decreased by the state budget
 16 director and funds allotted therefor as hereinafter provided.

17 The form of a request for allotment, including a request by hand, mail,
 18 facsimile transmission, or other electronic transmission, shall be
 19 prescribed by the ~~state~~ budget agency with the approval of the auditor
 20 of state and shall be submitted to them at least twenty-five (25) days
 21 prior to the beginning of the allotment period.

22 (d) Each request for allotment shall be reviewed by the ~~state~~ budget
 23 agency and respective amounts therein shall be allotted for expenditure
 24 if:

25 (1) the estimate therein is within the terms of the appropriation as
 26 to amount and purpose, having due regard for the probable future
 27 needs of the state agency for the remainder of the fiscal year or
 28 other term for which the appropriation was made; and

29 (2) the agency contemplates expenditure of the allotment during
 30 the period.

31 Otherwise, the ~~state~~ budget agency shall modify the estimate so as to
 32 conform with the terms of the appropriation and the prospective needs
 33 of the state agency and shall reduce the amount to be allotted
 34 accordingly. The ~~state~~ budget agency shall act promptly upon all
 35 requests for allotment and shall notify every state agency of its
 36 allotments at least five (5) days before the beginning of each allotment
 37 period. The total amount allotted to any agency for the fiscal year or
 38 other term for which the appropriation was made shall not exceed the
 39 amount appropriated for such year or term.

40 (e) The state budget director shall also have authority at any time to
 41 modify or amend any allotment previously made by ~~him~~ **the state**
 42 **budget director**.

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- 1 (f) In case the state budget director shall discover at any time that:
- 2 (1) the probable receipts from taxes or other sources for any fund
- 3 will be less than were anticipated; and
- 4 (2) as a consequence the amount available for the remainder of
- 5 the term of the appropriation or for any allotment period will be
- 6 less than the amount estimated or allotted therefor;

7 ~~fr~~ **the state budget director** shall, with the approval of the governor,
 8 and after notice to the state agency or agencies concerned, reduce the
 9 amount or amounts allotted or to be allotted so as to prevent a deficit.

10 **(g) The definitions in IC 2-2.1-4 apply throughout this**
 11 **subsection. Allotments for a state fiscal year that exceed the state**
 12 **spending cap are void. The budget agency shall allot money for an**
 13 **appropriation, including an appropriation that is not made in a**
 14 **specific amount, to provide that the total allotment for**
 15 **expenditures from a controlled state fund in a state fiscal year does**
 16 **not exceed the state spending cap. If the state budget director**
 17 **discovers that the probable expenditures for the remainder of a**
 18 **state fiscal year will exceed the state spending cap, the state budget**
 19 **director shall, with the approval of the governor and after notice**
 20 **to the state agency or agencies concerned, reduce the amount or**
 21 **amounts allotted or to be allotted to prevent a total allotment that**
 22 **exceeds the state spending cap.**

23 ~~(g)~~ **(h)** The ~~state~~ budget agency shall promptly transmit records of
 24 all allotments and modifications thereof to the auditor of state.

25 ~~(h)~~ **(i)** The auditor of state shall maintain as a part of the central
 26 accounting system for the state, as hereinbefore provided, records
 27 showing at all times, by funds, accounts, and other pertinent
 28 classifications, the amounts appropriated, the estimated revenues, the
 29 actual revenues or receipts, the amounts allotted and available for
 30 expenditure, the total expenditures, the unliquidated obligations, actual
 31 balances on hand, and the unencumbered balances of the allotments for
 32 each state agency.

33 ~~(i)~~ **(j)** No payment shall be made from any fund, allotment, or
 34 appropriation unless the auditor of state shall first certify that there is
 35 a sufficient unencumbered balance in such fund, allotment, or
 36 appropriation after taking into consideration all previous expenditures
 37 to meet the same. In the case of an obligation to be paid from federal
 38 funds, a notice of federal grant award shall be considered an
 39 appropriation against which obligations may be incurred, funds may be
 40 allotted, and encumbrances may be made.

41 ~~(j)~~ **(k)** Every expenditure or obligation authorized or incurred in
 42 violation of the provisions of this chapter shall be void. Every payment

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1 made in violation of the provisions of this chapter shall be illegal, and
 2 every official authorizing or making such payment, or taking part
 3 therein, and every person receiving such payment, or any part thereof,
 4 shall be jointly and severally liable to the state for the full amount so
 5 paid or received. If any appointive officer or employee of the state shall
 6 knowingly incur any obligation or shall authorize or make any
 7 expenditure in violation of the provisions of this chapter, or take any
 8 part therein, it shall be ground for ~~his~~ **the officer's or employee's**
 9 removal by the officer appointing ~~him~~; **the officer or employee**, and
 10 if the appointing officer be other than the governor and shall fail to
 11 remove such officer or employee, the governor may exercise such
 12 power of removal after giving notice of the charges and opportunity for
 13 hearing thereon to the accused officer or employee and to the officer
 14 appointing ~~him~~; **the officer or employee**.

15 SECTION 4. IC 4-10-21 IS REPEALED [EFFECTIVE JULY 1,
 16 2006].

17 SECTION 5. [EFFECTIVE JULY 1, 2006] **(a) IC 2-2.1-4, as added**
 18 **by this act, applies only to appropriations and allotments for state**
 19 **fiscal years that begin after June 30, 2007.**

20 **(b) IC 2-2.1-5, as added by this act, applies to a regular session**
 21 **of the general assembly that begins after June 30, 2006.**

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