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FISCAL IMPACT STATEMENT

LS 7470

BILL NUMBER: HB 1001

NOTE PREPARED: Apr 7, 2013

BILL AMENDED: Apr 4, 2013

SUBJECT: Biennial Budget.

FIRST AUTHOR: Rep. Brown T

FIRST SPONSOR: Sen. Kenley

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill does the following.

State Budget: This bill appropriates money for capital expenditures, the operation of the state, the delivery of Medicaid and other services, and various other distributions and purposes. It also makes numerous changes to the administration of state programs.

School Funding Formula: The bill provides a school funding formula. It also provides for the distribution of school funding on a state fiscal year basis rather than a calendar year basis, beginning July 1, 2013. It also provides to a qualifying school corporation (including a charter school) a performance grant that is in addition to state tuition support.

State Reserves: The bill provides that if the provisions concerning use of excess state reserves are triggered in CY 2013, 100% of the excess shall be transferred to the Pension Stabilization Fund.

Tax Provisions-

Adjusted Gross Income Tax: This bill decreases the state adjusted gross income tax rate on noncorporate taxpayers from 3.4% to 3.3% for taxable years beginning in 2015 and thereafter.

Gaming: The bill provides that the racino slot machine wagering tax is imposed on 91.5% of adjusted gross receipts (AGR). It also specifies that AGR includes the 15% distribution from racinos.

Estate and Transfer Taxes: The bill provides that the inheritance tax expires on January 1, 2013, rather than on January 1, 2022. It also specifies that a county is not entitled to an inheritance tax replacement amount for a state fiscal year beginning after June 30, 2013. It also repeals the Indiana estate tax and Indiana generation-skipping transfer tax.

HAF/QAF: The bill authorizes a hospital assessment fee (HAF) through June 30, 2017, and extends the health facility quality assessment fee (QAF) through June 30, 2017.

Primary Care Physician Services Tax Credit: The bill provides an individual adjusted gross income tax credit to an individual who receives the primary practice scholarship and then practices primary care in a primary care shortage area after the end of the individual's practice agreement. The bill provides that the credit percentage is 10% of the taxpayer's adjusted gross income and increases by 10% for each three-year period the taxpayer continues to practice in a primary care shortage area.

Transportation Funding Provisions-

MVHA Distributions (Including Sales Tax, Motor Vehicle Excise Tax, and Wheel Tax Provisions): This bill allocates 1% of state sales tax to the Motor Vehicle Highway Account (MVHA). The bill also removes State Police expenses from MVHA distributions.

The bill provides that MVHA distributions to a county and cities and towns in the county are frozen at the FY 2013 level unless the county has adopted a county motor vehicle excise surtax and wheel tax and the county motor vehicle excise surtax is adopted at a rate that is at least 50% of the maximum rate. The bill also permits a county income tax council to impose a motor vehicle excise surtax and a wheel tax for a county. (Current law permits the county council to impose these taxes.) The bill also specifies that the body that initially imposes the excise surtax and wheel tax is the body that is empowered to increase, decrease, or rescind the excise surtax and wheel tax.

Major Moves 2020 Trust Fund: The bill also establishes the Major Moves 2020 Trust Fund and specifies that money is to be used exclusively for major highway expansion projects that enhance the ability to transport goods in and through Indiana, upon appropriation by the General Assembly. The bill provides that the fund is considered a trust fund, and that money may not be transferred, assigned, or otherwise removed from the fund by the State Board of Finance, the Budget Agency, or any other state agency. The bill also provides that, on July 1, 2013, and on July 1, 2014, the Auditor of State shall transfer \$200,000,000 to the fund from the state General Fund.

Department of Correction Provisions: The bill specifies that when the Department of Correction or a county is responsible for payment for health care services provided to a person who is: (1) committed to the department; and (2) eligible to participate in the federal Medicaid program; the department or the county (as appropriate) shall take the actions necessary to receive reimbursement from the federal Medicaid program for the cost of the health care services provided to the person. It also provides that the provision specifying that the Department of Correction or a county that is responsible for payment for health care services provided to a person who is committed to the department shall reimburse medical providers for the cost of health care service at the federal Medicare reimbursement rate plus 4% does not apply in the case of a person who is

eligible to participate in the federal Medicaid program.

Other Education Provisions-

Turnaround Academy Tuition Support Repayments: The bill provides that if the State Board of Education determines that the Indianapolis Public School Corporation or any other school corporation is entitled to a distribution to correct the amount that was withheld during July through December 2012 from state tuition support and federal funds otherwise to be distributed to the school corporation under the turnaround academy statute, the State Board receives an appropriation of \$7,405,892 to make corrected distributions. The bill requires the recipient school corporation to dismiss and not pursue any claims against the state, the special management team, or the turnaround academy with regard to distributions.

Application Forms: The bill requires a new application form to be used to apply for financial assistance for textbook fees or for a Choice Scholarship. It requires schools to submit the individual applications to the Department of Education. It also requires the Department of Education to submit 25% of the applications each year to the Department of State Revenue for income verification.

Common School Fund Loans: The bill requires the Auditor of State to transfer from the state General Fund to the Common School Fund the amount necessary to repay all of the outstanding principal and interest on any advances made to charter schools from the Charter School Advancement Account established within the Common School Fund. It also provides that the obligation of a charter school to repay any outstanding principal and interest on such an advance made to the charter school is canceled.

Scholarship Programs: The bill creates a scholarship program for medical students attending a medical school in Indiana who commit to serving as a licensed physician, including an osteopathic physician, in a primary care shortage area upon graduating from medical school.

The bill repeals the nursing scholarship and scholarships for special education, occupational therapy, and physical therapy students.

Medicaid Provisions-

Healthy Indiana Plan (HIP) Savings Account Provisions: The bill establishes the HIP Savings Account. It provides that the HIP Savings Account is considered a trust fund, and that money may not be transferred, assigned, or otherwise removed from the account by the State Board of Finance, the Budget Agency, or any other state agency. It specifies that money in the HIP Savings Account may be used only for: (1) paying expenses incurred under amendments to the state Medicaid plan or any Medicaid waivers; and (2) establishing a block grant system for providing services under the Medicaid program. The bill provides that the Auditor of State shall transfer \$234,200,000 to the HIP Savings Account from the state General Fund before July 1, 2013. It authorizes the Office of the Secretary of Family and Social Services (FSSA) to negotiate with the United States Department of Health and Human Services for amendments to the state Medicaid plan or for any Medicaid waivers necessary to establish a block grant system for providing services under the Medicaid program.

The bill also reallocates certain cigarette tax revenues. After December 31, 2013, the part of cigarette taxes

currently deposited in the Indiana Check-up Plan Trust Fund shall instead be deposited in the HIP Savings Account.

The bill also requires the Auditor of State to transfer the balance in the Indiana Check-up Plan Trust Fund to the HIP Savings Account on the later of: (1) June 30, 2014; or (2) the date that the Budget Agency certifies that there are no outstanding claims to be paid from the Indiana Check-up Plan Trust Fund.

Miscellaneous Provisions-

Indiana Horse Racing Commission: The bill requires the Indiana Horse Racing Commission (IHRC) to enter into a contract for an independent study concerning the economic impact of horse racing in Indiana. The bill also requires each person that holds a permit to conduct a horse racing meeting to pay to the IHRC a total of \$50,000 over two years for each track for which the person holds a permit.

Committee Provisions: The bill abolishes the Health Finance Advisory Committee, the Health Policy Advisory Committee, and the Select Joint Commission on Medicaid Oversight, and transfers their duties to the Health Finance Commission.

Pension Provisions: The bill specifies that a retirement fund administered by the Indiana Public Retirement System (INPRS) may not enter into a supplemental annuity contract with a member or retired member of the retirement fund.

Post Employment Benefits: The bill requires political subdivisions to annually report certain information concerning other post employment benefits (OPEB) to the Department of Local Government Finance.

Fund Transfer Restrictions: The bill prohibits the State Board of Finance from transferring money in a dedicated fund if the money is attributable to a fee that was credited to the dedicated fund. This bill also restricts the Budget Agency's power to transfer money from a dedicated fund to another dedicated fund or the state General Fund.

County Recorder's Records Perpetuation Fund Restrictions: The bill specifies that money in the county recorder's records perpetuation fund may not be used to pay any salary or other compensation of a county officer or employee.

Lewis and Clark Bicentennial: The bill repeals the Lewis and Clark Bicentennial license plate and abolishes the Lewis and Clark Bicentennial Commission. It provides that on June 30, 2013, the Auditor of State shall transfer the balance in the Lewis and Clark Bicentennial Fund to the state General Fund.

Effective Date: (Amended) Upon passage; January 1, 2013 (Retroactive); June 1, 2013; June 30, 2013; July 1, 2013; January 1, 2014.

Explanation of State Expenditures: (Revised) The bill has the following state expenditure impacts.

State Appropriations: The following summary is for state appropriations that are provided in this bill for FY 2014 and FY 2015.

Appropriations by Function (SEC 1-36)	FY 2014	FY 2015	For the Biennium
General Government	\$523,581,717	\$553,903,767	\$136,396,865
Corrections	675,711,305	681,913,528	
Other Public Safety	150,193,376	241,396,644	20,245,372
Conservation and Environment	75,820,919	75,447,172	
Economic Development	60,689,161	60,753,467	53,932,964
Transportation	42,581,051	42,581,051	
FSSA Administration	15,764,735	15,764,735	
Medicaid	2,019,203,064	2,170,703,064	
Mental Health and Addictions	256,536,070	256,536,070	
Family Resources	172,444,503	172,444,503	
Aging Services	65,553,385	65,553,385	
Disability and Rehabilitative Services	124,747,172	124,747,172	
Department of Child Services	546,067,286	546,067,286	
Public Health	32,584,164	33,584,164	
Other Health and Human Services	29,928,432	29,849,232	20,000
State Student Assistance Commission	323,082,470	308,311,259	
Other Higher Education	1,489,115,379	1,486,150,260	
Education Administration	25,618,763	16,618,763	
Tuition Support	6,632,900,000	6,701,800,000	
Other Local Schools	185,551,657	213,301,657	
Teacher Retirement	788,916,000	792,705,000	
Other Education	7,207,197	7,207,197	20,980
Distributions **	110,000,000	72,600,000	
Total Operating	\$14,353,797,806	\$14,669,939,376	\$210,616,181
Construction - Higher Ed			\$266,335,893
Construction - Other			\$485,049,970
Total Construction	\$0	\$0	\$751,385,863
Total GF (Operating + Construction)	\$14,353,797,806	\$14,669,939,376	\$962,002,044
Lottery and Gaming Surplus; BIF	\$10,652,823	\$10,652,823	\$8,564,500
Other Dedicated - Operating	1,229,175,130	1,128,292,021	55,522,528
Other Dedicated - Construction			73,755,918
Tobacco Settlement	117,230,576	117,230,576	24,454,692
Federal	919,900,000	865,899,999	
Total (Dedicated and Federal)	\$2,276,958,529	\$2,122,075,419	\$162,297,638
Total - All *	\$16,630,756,335	\$16,792,014,795	\$1,124,299,682
* Retroactive Appropriations: FY 2013: \$300,000 to Indiana Charter School Board (for operating expenses) and \$9,257,365 to Department of Education (for turnaround school settlement charges).			
** Distributions total does not include \$8.1 M in each year of the biennium for the Alcoholic Beverage Commission Gallonage Tax, which is appropriated in current statute, but is not in this bill.			

Education-

K-12 Education: The bill establishes a school formula for FY 2014 and FY 2015.

The basic changes in the school formula from the current 2013 formula are the following.

1. The formula has been changed from a calendar year basis to a fiscal year basis.
2. The foundation grant is increased from \$4,405 in CY 2013 to \$4,560 in FY 2014 and \$4,582 for FY 2015. The added premium that was awarded schools with an ADM of 500 and above has been discontinued.
3. The free and reduced lunch percentage used in the formula is updated to the 2012 school year's percentage of students eligible for free or reduced lunch. Additionally, it is only used in the FY 2014 formula. In the FY 2015 formula, it is replaced by the percentage of students receiving free textbooks. The free and reduced lunch funding level in the complexity index is increased from \$2,190 in CY 2013 to \$2,280 for FY 2014. The free textbook funding level is \$2,291 for FY 2015. As a percentage of the foundation grants, the funding level in FY 2014 and FY 2015 has increased slightly from approximately 49.74% to 50%.
4. The funding associated with the complexity index is computed as a separate Complexity Grant in FY 2014 and FY 2015. The second tier calculation of the complexity index is increased from 1.31 in CY 2013 to 1.33 in FY 2014 and 1.35 in FY 2015.
5. The ADM counts are currently taken twice a year, in February and September, but only the September count is used for funding purposes. Starting in FY 2014, the September count will be used for July-December funding distributions and the February count for January-June funding distributions. Schools will submit an estimated count that will be used until the September count is finalized. Starting in FY 2014, for the purposes of computing tuition support, the current count cannot be less than 90% of the previous count.
6. Previous Year Revenue for FY 2014 is the equivalent Previous Year Revenue for FY 2013 plus the FY 2013 Prime Time Grant minus the funding in the formula for the complexity index.
7. The transition-to-foundation computation is changed for schools transitioning down to foundation. Schools would transition down to foundation over four years in FY 2014 and three years in FY 2015. The previous starting point for the transition down to foundation in CY 2013, the lesser of 120% of target revenue or Previous Year Revenue per ADM, has been deleted. In FY 2014 and FY 2015, the starting point is Target Revenue or the Previous Year Revenue per ADM. For FY 2014, if a school is transitioning down to foundation, the methodology used depends on how much the decrease is from the Previous Year's Revenue per ADM. If the amount is greater than the FY 2013 Prime Time Grant per ADM, the school would transition to foundation over four years. If the amount is greater than or equal to the FY 2013 Prime Time Grant per ADM, the school would transition over one year.
8. The one-year transition for schools moving up to foundation is continued.
9. The Prime Time calculation has been discontinued in FY 2014 and FY 2015. The funds previously distributed in FY 2013 are added to the definition of Previous Year Revenue.
10. The Special Education, Career and Technical Education grants are funded at the same level as CY 2013. However, the Honors grant is increased from \$900 to \$1,000 per student.
11. Full-day kindergarten is funded in the formula for FY 2014 (\$2,448 per eligible student) and FY 2015 (\$2,472 per eligible student).
12. The funding for virtual charter schools remains the same at 87.5% of the school foundation amount multiplied by the current ADM. In addition to Special Education grants, virtual charters would also be eligible for Career and Technical Education, Honors, Complexity, and Full-Day Kindergarten

grants.

13. Charter schools that provide education services to adult learners during the school day are removed from the school formula calculations. They have a separate appropriation in the budget bill.

The following table outlines the increase over current CY 2013 funding levels.

	CY 2013 (Current)	FY 2014	FY 2015
Transition-to-Foundation	4,502,343,826	4,629,783,083	4,649,132,988
Complexity	1,056,795,685	1,150,863,988	1,183,675,374
Full-Day Kindergarten	189,864,000	196,968,528	202,686,696
Special Education	508,057,510	513,597,537	517,012,122
Career and Technical	98,052,563	102,329,303	105,435,552
Prime Time	117,486,068		
Honors	18,075,600	20,671,500	21,427,000
Total	6,490,675,252	6,614,213,939	6,679,369,732

ADM Count: The bill also makes various changes to clarify if the spring or fall ADM count is to be used in calculations. (Currently, there is only one ADM count taken in the fall that is used for the following calendar year.) The provision should have minor impact.

Performance Awards: The bill establishes two performance awards. Based on 2011 and 2012 data, approximately 289 school corporations would qualify for awards totaling about \$25.7 M.

The first award is based on the percentage of ISTEP and end-of-course assessment tests with passing scores. Schools with either a 72.5% passing rate or a 5% increase in their passing rate from the previous year would qualify for a grant. A school with a passing rate of more than 90% or growth of more than 5% in their passing rate would receive \$50 for each passing test. If a school's passing rate is between 72.5% and 95%, the school would receive \$25 for each passing test.

The second award is based on the school corporation nonwaiver graduation rate. A school with a nonwaiver graduation rate over 75% or with over a 5% increase in their nonwaiver graduation rate would qualify for a grant. A school with a nonwaiver graduation rate of over 90% or with over a 5% increase would receive \$144 for each nonwaiver graduate. A school with a nonwaiver graduation rate of between 75% and 90% would receive \$72 for each nonwaiver graduate.

Charter School Loans: The state would repay the Common School Fund loans made to charter schools for the first six months of operation before the school received tuition support funding. As of June 30, 2013, there were about 194 outstanding loans totaling about \$74.3 M.

Minority Student Teaching Scholarship Program -The bill would create the Minority Student Teaching Scholarship Program in place of the Minority Teacher or Special Education Services Scholarship Program. On June 30, 2012, the Minority Teacher or Special Education Services Scholarship Fund had assets of about \$33,030 and awarded scholarships of \$328,383 to 151 students. The annual General Fund appropriation was \$415,919 to the Minority Teacher or Special Education Services Scholarship Fund.

Nursing Scholarship Program: The Nursing Scholarship Program is terminated. The Nursing Scholarship Fund is repealed, and the balance in the fund on June 30, 2013, is to be transferred to the state General Fund. On June 30, 2012, the Nursing Scholarship Fund has assets of about \$172,926 and awarded scholarships of about \$326,501 to 313 nurses. The annual General Fund appropriation to the Nursing Scholarship Fund was \$377,179.

Primary Care Shortage Area Scholarship: The bill establishes the Primary Care Shortage Area Scholarship, to be administered by the Indiana State Department of Health (ISDH). The maximum scholarship amount is \$20,000 per school year for a maximum of four school years. For each year an individual receives a scholarship, the individual must commit to serve an area with a primary care shortage for at least 12 months. It is not known how many individuals will apply for the scholarship. The maximum budgeted amount for these scholarships under the bill is \$1 M in FY 2014 and \$2 M in FY 2015. This budgeted amount can provide a minimum of 50 scholarships in FY 2014 and 100 scholarships in FY 2015.

Turnaround Schools: The bill appropriates \$7,405,892 from the state General Fund to the State Board of Education to make distributions to the Indianapolis Public School Corporation and any other school corporation of amounts that were withheld from state tuition support and federal funds during 2012.

Tax Provisions-

Inheritance Tax: The bill eliminates replacement payments from the state General Fund beginning in FY 2015. Current law phases out these payments by FY 2024. (See *Explanation of Local Revenues.*)

Independent Economic Impact Study: The bill requires the Indiana Horse Racing Commission (IHRC) to enter into a contract for an independent study concerning the economic impact of horse racing in Indiana including a determination of whether the reinvestment by the racinos in the horse racing industry is better as a statutory distribution or from negotiation between the racinos and horsemen. It requires each person that holds a permit to conduct a horse racing meeting to pay out of the racetracks' purse accounts to the IHRC \$50,000 over two years for each track for which the person holds a permit (for a total amount to the IHRC of \$100,000). It requires the IHRC to present the results of the independent study to the Budget Committee and submit the results of the independent study to the Governor and the Legislative Council before November 1, 2014.

Department of State Revenue (DOR): The Department of State Revenue will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes made by the bill. The DOR's current level of resources should be sufficient to implement these changes.

However, there could also be a savings to the DOR from a reduction in staff of the Inheritance Tax Section. The April 1, 2013, state staffing table indicates that the Inheritance Tax Division has eight full-time employees with an annual salary of about \$318,000. Current law provides for a phaseout of the Inheritance Tax by CY 2022, which could also result in savings from a reduction in staff over time.

Social Services Provisions-

Hospital Assessment Fee (HAF): This bill codifies the existing Hospital Assessment Fee program and extends it until June 30, 2017, or for the time period that the fee is being assessed. The 2012 annual assessment was

for \$646 M, leveraging total expenditures of \$1.958 B. The federal share of funds would be \$1.312 B. The assessment is to be used to increase Medicaid hospital rates, replace Disproportionate Share Hospital (DSH) distributions made to the state and private psychiatric facilities (approximately \$70 M), and to provide additional state match dollars for use within the Medicaid program (approximately \$112 M).

Quality Assessment Fee (QAF): The bill also extends until June 30, 2017, the existing Health Facility Quality Assessment Fee providing authorization for the required increase in Medicaid nursing facility reimbursement and the collection of the QAF after July 31, 2014. Extending the QAF would authorize an estimated total annual collection of about \$166.3 M. The state share would be \$48.9 M for FY 2015, FY 2016, and FY 2017, if nursing facility days remain constant.

FSSA Emergency Rule Extension: The bill would extend until December 31, 2013, the provisions of emergency rules concerning a 5% reimbursement reduction for podiatric, chiropractic, and dental services and for emergency transportation services. The rules also provide for a 10% reduction in reimbursement for nonemergency transportation services. This provision would extend the savings realized by the reimbursement reductions for an additional six months beyond the expiration date. The extent of the savings is not known at this time.

Healthy Indiana Plan Savings Account / Medicaid Expansion Provisions: The bill establishes the nonreverting Healthy Indiana Plan Savings Account (HIP Savings Account) as a trust fund to be administered by the Office of Management and Budget (OMB). The HIP Savings Account is to be comprised of: (1) all money transferred from the Indiana Check-Up Plan Trust Fund no later than June 30, 2014 (The balance is \$225.3 M as of April 4, 2013.); (2) after January 1, 2014, cigarette tax funds previously transferred to the Indiana Check-Up Plan Trust Fund (approximately \$110 M annually); (3) interest accruing on investments of money in the account; and (4) appropriations made by the General Assembly. The bill appropriates \$234.2 M in General funds for FY 2013. The bill may potentially eliminate the funding for the FY 2015 \$11 M appropriation to the Indiana State Department of Health for Indiana Check-Up Plan Immunizations since the cigarette tax funds are directed to the HIP Savings Account after December 31, 2013, and the balance of the Indiana Check-Up Plan Trust Fund is to be transferred to the new HIP Savings Account by June 30, 2014, or the date the Budget Agency certifies there are no outstanding claims to be paid from the fund. If the certification date falls before the end of FY 2014, no funds would remain to provide for the immunization appropriation made elsewhere in the bill.

While the bill specifies the purposes for which money in the HIP Savings Account may be used, it further specifies that money in the account may not be expended without an appropriation by the General Assembly.

Authority to Negotiate Medicaid Block Grant Including an Expansion: The bill authorizes the FSSA to negotiate with the U.S. Department of Health and Human Services to establish a Medicaid block grant system for providing Medicaid services to recipients, including those individuals described as the expansion population in the ACA. The bill would authorize any State Plan amendments or Medicaid waivers necessary to establish a program funded by a federal block grant. The bill specifies concerns and issues that must be included in any waiver or State Plan amendment that might be negotiated. The bill specifies that the FSSA may not implement a waiver or State Plan amendment until a sustainable financing plan has been developed and reviewed by the State Budget Committee. It further requires that any negotiated agreement must allow the state to withdraw from a negotiated program at any time. The fiscal impact of this provision is indeterminate. The authority granted is broad and applies to the entire Medicaid program, including a possible expansion population. Any fiscal impact would depend on the authority for the U.S. Department of Health & Human Services to implement a block grant and the outcome of the authorized negotiations.

Department of Corrections (DOC) Medicaid Provision: The bill would eliminate the requirement that DOC offenders who are also eligible for Medicaid have health care services reimbursed at the Medicare rate plus 4%. The bill does not specify another reimbursement rate for these offenders. The bill further requires the DOC to take the necessary actions to receive reimbursement from Medicaid for the cost of health care services provided to the offenders who are also eligible for Medicaid. The provision applies to all health care services provided to an offender; however, the only Medicaid reimburseable service involves inpatient hospital or medical facility stays of greater than 24 hours. The Division of Family Resources would need to establish Medicaid eligibility for DOC offenders in order to exclude them from the population that is to have health care services reimbursed at the Medicare plus 4% rate. The Office of Medicaid Policy and Planning would also need to establish an administrative billing and reimbursement procedure.

Currently, the Medicaid Act provides an exception to the inmate prohibition for federal matching funds when a resident of a state institution or inmate becomes an inpatient in a medical institution. CMS has clarified that federal matching funds would be available when a resident or inmate is admitted as an inpatient to a hospital, nursing facility, juvenile psychiatric facility, or ICF-MR, provided that they have been admitted for longer than 24 hours and meet any additional criteria for the services such as income eligibility or level-of-care requirements for long-term care. Current Indiana Medicaid eligibility is not available generally to nondisabled adults without dependent children. The inmate exception could result in an undetermined level of savings with regard to inmates or residents who are currently eligible for Medicaid who require inpatient services. Examples would be inpatient labor and delivery services for pregnant women or juvenile offenders admitted to private inpatient psychiatric facilities. The level of savings available would depend on the extent of inpatient services currently provided that could qualify for Medicaid federal financial participation. However, there are no data available at this time regarding the extent of acute inpatient care paid for residents of state facilities. The State Budget Agency currently administers an annual General Fund appropriation of \$25 M specifically for payment for medically necessary services provided outside the institutions. The extent to which these services include inpatient services would determine the potential level of savings available. Initial savings may be offset by administrative expenses necessary for OMPP to implement a program and coordinate with the affected agencies.

If Indiana Medicaid would be expanded under the provisions of the Affordable Care Act to include adults under the age of 65 with incomes below 138% of the federal poverty level, this exception might provide for the possibility to realize increased savings on inpatient medical expenses incurred for residents of state-run institutions and inmates of correctional facilities. Members of a newly eligible adult group would further be eligible for 100% federal matching reimbursement for the period of time between January 1, 2014, through January 1, 2017.

TANF Funeral and Cemetery Expenses: The bill doubles payments made for the funeral and cemetery expenses for individuals who were recipients of Temporary Assistance for Needy Families (TANF) and Supplemental Assistance payments to \$1,200 and \$800, respectively. FSSA reports the increased payments will increase state expenditures by approximately \$1 M.

Transportation Provisions-

Shifting State Police Expenses from MVH to Other Funds: The bill removes the requirement that the MVH pay one-half of the amount appropriated to the State Police Department for its operations. Shifting the responsibility for payment of net State Police expenses from the MVH to other funds would result in

approximately \$90 M in additional MVH funding available for distribution to INDOT, counties, and cities and towns each year, depending upon the amount of revenues into the MVH for the biennium. General Fund expenditures will be affected by a corresponding amount.

The bill phases out over the course of the biennium the payment of various expenditures that have historically been paid out of the MVH. These include expenses for the State Police, BMV, DOR, and the Criminal Justice Institute. Additionally, the bill diverts 1% of gross sales tax revenues to the MVH in each of FY 2014 and FY 2015. The MVH is distributed to INDOT via the State Highway Fund (53%) and to counties, cities, and towns (47%).

According to the bill, the State Highway Fund will directly receive an additional \$43.1 M in FY 2014 and \$107.4 M in FY 2015.

Specific to the local MVH distribution, the bill freezes MVH distributions to counties, cities, and towns at FY 2013 levels unless the county has adopted a county motor vehicle excise surtax and wheel tax and the county motor vehicle excise surtax is adopted at a rate that is at least 50% of the maximum rate. Those counties (and cities and towns within those counties) that have implemented a surtax and wheel tax will receive a portion in excess of the FY 2013 amounts, based upon the adoption rate of their existing surtax. Local units in a county that has adopted 100% of the surtax rate will receive their full share of additional MVH funds, based on the existing MVH distribution formula. Any remaining excess not distributed to local units will be transferred to the State Highway Fund. Excess local distributions according to the bill are \$38.2 M in FY 2014 and \$95.3 M in FY 2015. A breakout of the new distribution formula for these excess amounts is below.

Estimated Baseline and Biennium Excess Local Motor Vehicle Highway Distributions			
	<i>FY 2013- Baseline</i>	<i>FY 2014</i>	<i>FY 2015</i>
Cities/Towns and Counties	\$288 M	\$302.9 M	\$325.3 M
INDOT	N/A	\$22.8 M	\$57.4 M

Major Moves 2020 Trust Fund: The bill creates a trust fund to be administered by INDOT and to solely be used for major highway expansion projects in Indiana. In each year of the biennium \$200 M is to be placed in this trust fund, for a total transfer of \$400 M from the General Fund over the course of the biennium.

The Treasurer of State is to invest the money in the fund not currently needed to meet the obligations of the fund. The money in the nonreverting fund may not be transferred, assigned, or otherwise removed. The administration of this new trust fund falls within INDOT’s routine administrative functions.

Repeal of Committees-

Repeal of the Select Joint Commission on Medicaid Oversight: State expenditures will be minimally reduced due to the repeal of the 12-member Select Joint Commission on Medicaid Oversight. The Commission met twice during the 2012 interim and had expenses of about \$3,800 out of a total budget of \$9,500. The specific expenditure reduction will depend upon whether the Health Finance Commission has additional meetings in order to incorporate the duties currently assigned to the Select Joint Commission on Medicaid Oversight.

Repeal of the Health Finance Advisory and Health Policy Advisory Committees: This bill also repeals the Health Finance Advisory and Health Policy Advisory Committees within the Health Finance Commission. The Health Finance Advisory Committee has not met since the 2003 interim, and the Health Policy Advisory Committee has not met since the 2006 interim. Because these committees have not met recently, repealing them should have minimal fiscal impact.

Repeal of the Lewis & Clark Bicentennial Commission: The bill repeals the authority for the 19-member Lewis & Clark Bicentennial Commission. Currently, members of the Commission are eligible for per diem and travel reimbursement for meeting attendance. The Commission and the Indiana Lewis and Clark Foundation last met November 16, 2012. The bill also repeals the Lewis and Clark license plate and the Lewis and Clark Bicentennial Fund. A total of 486 Lewis and Clark license plates were issued in FY 2012, netting approximately \$12,150 in revenue for the Bicentennial Fund. The bill allows for the transfer of the balance in the Bicentennial Fund to the General Fund on June 30, 2013. As of April 1, 2013, the Bicentennial Fund had a balance of \$11,450. The actual amount of the transfer would depend on actions of the Commission prior to the end of the year since the Commission is authorized to transfer these funds to the Lewis and Clark Foundation in the existing statute.

Repeal of the Illiana Expressway Proposal Review Committee: The bill repeals the Illiana Expressway Proposal Review Committee. This eight-member committee operates under the policies governing study committees adopted by the Legislative Council, including a budget of \$9,500 per year. The committee is provided with staff support by the Legislative Services Agency. The elimination of the committee would make available the personnel and budget resources currently dedicated to the committee.

Other Provisions-

Leave Conversion Pilot Program: This bill extends the leave conversion pilot program for legislative and judicial branch state employees through June 30, 2016. The fiscal impact will depend on legislative and judicial branch actions and appropriations. Annual expenditures since FY 2006 for the current leave conversion pilot program are reported in the table below.

Fiscal Year Expenditures	
2006	\$426,560
2007	\$376,687
2008	\$389,956
2009	\$381,505
2010	\$257,488
2011	\$287,277
2012	\$223,269

The current leave conversion pilot program allows legislative and judicial branch state employees to annually convert excess vacation leave hours and sick leave hours to cash that is deposited into a 401(a) retirement savings account. The conversion rate is 60% of an employee’s hourly pay rate. The number of vacation leave or sick leave hours an employee can convert each year depends on the employee’s balance of vacation leave

and sick leave hours.

Transfer to and from Rainy Day Fund: The bill changes the calculations that are made to establish the annual appropriation to and from the state General Fund and the Counter-Cyclical Revenue and Economic Stabilization Fund (Rainy Day Fund). It defines “current reporting period” as the most recent reporting period for which the following information is published by the Bureau of Economic Analysis: (1) the Implicit Price Deflator for the Gross Domestic Product and (2) State Personal Income. It replaces the references to ‘calendar year’ to ‘reporting period’ and ‘Gross National Product’ to ‘Gross Domestic Product’.

Excess State Reserves: The bill makes changes to the current law as it relates to the use of excess state reserves. Under current law, after the end of each odd-numbered state fiscal year, the OMB is required to establish the amount of excess reserves. Current law specifies that: (1) if the amount of the excess reserves, including any carryover amounts, are less than \$50 M, the excess reserves shall be carried over to the next year; and (2) if the excess reserves are \$50 M or more, 50% of the excess reserves shall be transferred to Pension Stabilization Fund and 50% of the excess reserves shall be used for the purposes of providing an automatic taxpayer refund. The bill requires 100% of the excess reserves in FY 2014 to be transferred to the Pension Stabilization Fund. This provision could potentially eliminate the amount of excess reserves available for the automatic taxpayer refund in FY 2014. The bill does not make any changes to the use of excess reserves beyond FY 2014.

INPRS Supplemental Annuity Contracts: The bill prohibits the Indiana Public Retirement System (INPRS) from entering into supplemental annuity contracts with a member or retired member of any fund administered by INPRS. Specifically, this will affect members of PERF and 1996 TRF. Currently, PERF and TRF members participate in a hybrid pension system, consisting of both a typical pension benefit and an annuity savings account (ASA). Members may annuitize the ASA at retirement by taking the ASA amount in combination with the pension as a lifetime monthly payment. Or, members may choose to receive a distribution of the ASA funds, either at retirement or at a later date. The bill would prohibit these members from receiving the ASA as an annuity administered by INPRS. This provision may result in significant administrative savings to INPRS over time.

Local OPEB Liability Reporting - the bill requires that local units must report annually (by February 1st of each year) to the Department of Local Government Finance (DLGF) on the state of their other postemployment benefits (OPEB). Specifically, they must provide information on OPEB liabilities, OPEB unfunded liabilities, OPEB assets, OPEB contributions, and OPEB expenditures for the preceding year.

According to SEA 249-2013, local units must also report annually to the State Board of Accounts (SBOA) on the liabilities of their pension plans and will do so through the Indiana Transparency Portal (ITP). The ITP is a joint collaboration between the OMB, DLGF, and SBOA. If the OPEB liability of the units is to be reported in the same manner as in SEA 249-2013, then the additional data collection falls within DLGF’s routine administrative functions, and the agency should be able to implement the provisions of the bill with no additional appropriations, assuming near customary agency staffing and resource levels.

Local political subdivisions regularly report information to DLGF via the ITP. However, some political subdivisions may incur additional costs to provide the required data for their OPEB plans, particularly if the political subdivisions do not currently have actuarial reports on those plans.

[OPEB are benefits *other than pensions*. OPEB generally take the form of health insurance and dental, vision,

prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. It may also include some types of life insurance, legal services, and other benefits.]

State Personnel Study: The State Personnel Department is to study the employee benefits provided to state employees and report their findings and any recommendations to the Budget Committee prior to December 1, 2013. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Pension Management Oversight Commission (PMOC): PMOC is required to study issues related to the retiree health benefit system of the Indiana State Police and report to the Legislative Council on their findings concerning this topic prior to November 1, 2013. If PMOC were to hold additional meetings to address this topic, there would be additional expenditures for legislator per diem and travel reimbursement for the committee members. Any additional expenditures must be within the committee's budget, which is established by the Legislative Council.

Retroactive Appropriations: For FY 2013 the bill retroactively appropriates \$1.9 M from the state General Fund to the Preneed Consumer Protection Fund and \$10 M from the Mine Subsidence Fund to the state General Fund.

Explanation of State Revenues: (Revised) The bill has the following state revenue impacts.

Tax Provisions-

Income Tax Rate Cut: The bill decreases the Individual Adjusted Gross Income (AGI) Tax rate from 3.4% to 3.3% starting in tax year 2015. The bill will result in a revenue loss to the state General Fund. The revenue loss from the rate reduction is estimated to begin in FY 2015 and is outlined in the table below.

Fiscal Year	State General Fund Impact (in Millions)	Percent Reduction in Tax Revenues
2014	\$0	0%
2015	- \$71.4	-1.4%
2016	- \$148.4	-2.7%
2017	- \$152.4	-2.7%
2018	- \$159.9	-2.7%

The analysis assumes that the individual income tax filers will change their quarterly estimated payments and income tax withholding payments based on the reduced tax rates. These adjustments will occur starting January 1, 2015, for tax year 2015. Since the fiscal year begins on July 1, any change in the tax rate beginning January 1 will lead to the fiscal year having two different tax rates. The average of the two different tax rates occurring in FY 2015 was calculated and used to estimate the revenue loss in that year. The full rate cut of will be effective starting in FY 2016. The Revenue Technical Committee forecasted (December 17, 2012) individual income tax revenue of \$5,213.1 M in FY 2015. Income tax revenues for FY 2016 and FY 2017 were estimated using FY 2015 as the base year and applying the historical compound average annual growth rate. Results from empirical literature on taxable income elasticity along with the proposed decrement in tax rate were used to

calculate the impact of rate change on taxable income for each fiscal year. The fiscal impact will continue to result in an estimated revenue loss of 2.7% of the income tax collections at the current tax rate in years thereafter. The state individual income tax revenues are deposited in the state General Fund.

Distribution of Sales and Use Taxes: The bill changes the distribution of Sales and Use Taxes, but will not affect the total amount collected. It reduces the amount deposited in the state General Fund and deposits a portion of Sales and Use Tax revenue in the Motor Vehicle Highway Account (MVHA) (see *Explanation of State Expenditures*, above). Under current statute, 99.848% of revenue is deposited in the General Fund, 0.123% is deposited in the Commuter Rail Service Fund (CSRF), and 0.029% is deposited in the Industrial Rail Service Fund (IRSF). The new distribution will not affect the Commuter Rail Service Fund or the Industrial Rail Service Fund, but will allocate 98.848% to the General Fund and 1% to the Motor Vehicle Highway Account. The table below shows estimated Sales and Use Tax revenue under the current and proposed distributions.

Fund	Current (in millions)			Proposed (in millions)		
	Distribution	FY 2014	FY 2015	Distribution	FY 2014	FY 2015
General Fund	99.848%	\$7,144.7	\$7,434.2	98.848%	\$7,073.1	\$7,359.7
MVHA	0.000%	0.0	0.0	1.000%	71.6	74.5
CSRF	0.123%	8.8	9.2	0.123%	8.8	9.2
IRSF	0.029%	2.1	2.2	0.029%	2.1	2.2
Total	100.000%	\$7,155.6	\$7,445.5	100.000%	\$7,155.6	\$7,445.5

Distribution of Cigarette Tax Revenue: The bill changes the distribution of Cigarette Tax revenue starting in FY 2014. The bill increases the state General Fund distribution from 54.5% to 56.24%, and it reduces the distribution to the State Retiree Health Benefit Trust Fund from 5.74% to 4.00%. Beginning January 1, 2014, the 27.05% that is currently distributed to the Indiana Check-Up Plan Trust Fund will instead be deposited in the Healthy Indiana Plan Savings Account. The table below shows the estimated Cigarette Tax revenue under the current and proposed distributions.

Fund	Current (in millions)			Proposed (in millions)		
	Distribution	FY 2014	FY 2015	Distribution	FY 2014	FY 2015
General Fund	54.50%	\$251.5	\$252.3	56.24%	\$259.5	\$260.3
Indiana Check-Up Plan Trust Fund*	27.05%	124.8	125.2	27.05%	62.4	0.0
Healthy Indiana Plan Savings Account*	0.00%	0.0	0.0	27.05%	62.4	125.2
State Retiree Health Benefit Trust Fund	5.74%	26.5	26.6	4.00%	18.5	18.6
Pension Relief Fund	5.43%	25.1	25.1	5.43%	25.1	25.1
Cigarette Tax Fund	4.22%	19.5	19.5	4.22%	19.5	19.5
General Fund-Medicaid	2.46%	11.4	11.4	2.46%	11.4	11.4
Mental Health Centers Fund	0.60%	2.8	2.8	0.60%	2.8	2.8
Total**	100.00%	\$461.5	\$462.9	100.00%	\$461.5	\$462.9
<p>* The bill provides that 27.05% will continue to be allocated to the Indiana Check-Up Plan Trust Fund for the first half of FY 2014 (through December 31, 2013). Starting January 1, 2014, this amount will be allocated to the Healthy Indiana Plan Savings Account.</p> <p>** Items in the table may not add to totals due to rounding.</p>						

Money in the Indiana Check-Up Plan Trust Fund, the Healthy Indiana Plan Savings Account, the Pension Relief Fund, the Cigarette Tax Fund, and the Mental Health Centers Fund does not revert to the General Fund at the end of a fiscal year.

Tobacco Products Tax - The bill requires a person selling tobacco products through the Internet to collect the Tobacco Products Tax. This provision would increase the number of taxpayers and result in increased tax revenue, as well as increased revenue from license fees. The amount of the increase could be approximately \$827,000, but will depend on the extent to which Indiana residents purchase tobacco products online.

The estimated revenue increase is based on national economic data. A portion of the national estimate is allocated to Indiana based on the state's GDP relative to total U.S. GDP. According to the 2007 Economic Census, total sales of tobacco products in the U.S. were about \$4.24 B. Census Bureau e-commerce data indicates that about 4.4% of all retail sales are attributed to Internet sales.

The Tobacco Products Tax rate is 24% of the wholesale price of tobacco products other than moist snuff, which is taxed at \$0.40 per ounce. Total Tobacco Products Tax revenue was about \$35.1 M in FY 2012. One-fourth of the revenue is distributed to the Affordable Housing and Community Development Fund, and the remaining 75% is allocated to the following funds: state General Fund, State Retiree Health Benefit Trust Fund, Cigarette Tax Fund, Mental Health Centers Fund, Pension Relief Fund, and Indiana Check-Up Plan Trust Fund.

The bill also requires Internet sellers of tobacco products to obtain a license before distributing tobacco

products in Indiana. The annual license fee is \$25, in addition to a \$1,000 bond issued by a surety company approved by the Department of State Revenue. The total revenue increase from license fees will depend on the number of Internet distributors that distribute tobacco products in Indiana.

Primary Care Physician Services Tax Credit: Recipients of the Primary Care Shortage Area Scholarship who fulfill their scholarship obligation and continue to practice in a primary care shortage area is eligible for this income tax credit. The credit equals 10% of the adjusted gross income earned as a primary care physician. The credit is increased by 10% for each three consecutive years the individual practices in a primary care shortage area. The bill limits the credit to 100% of the taxpayer’s tax liability. The credit goes into effect on January 1, 2014. However due to the requirements of the credit, the fiscal impact will likely begin in FY 2018. The state revenue loss is estimated to be about \$24,000 in FY 2018 and \$92,000 in FY 2019. The cost of the credit will increase as more scholarship recipients fulfill their requirements.

The credit is nonrefundable and may be used to offset Individual Adjusted Gross Income Tax liabilities. Unused credit balances may be carried forward but not carried back. Revenue collected by these taxes is deposited in the state General Fund.

Elimination of the Inheritance Tax: This bill eliminates the Inheritance Tax beginning with deaths that occur after December 31, 2012. The revenue loss attributable to this bill would decline after FY 2015 due to current law which provides for a phaseout of the Inheritance Tax through CY 2022. Estimates are provided in the table below.

Fiscal Year Impact	Inheritance Tax Revenue Loss
FY 2014	(\$64.3 M)
FY 2015	(\$115.0 M)

SEA 293-12 provided for a phaseout of the Inheritance Tax beginning with decedents whose deaths occur during CY 2013. The Inheritance Tax will no longer apply to property interests transferred by decedents whose deaths occur after December 31, 2021. The Inheritance Tax must be paid within 12 months after the decedent’s death (within 9 months to receive the 5% early discount).

Repeal of the Indiana Estate Tax and Indiana Generation Skipping Transfer Tax: The bill provides that the Indiana Estate Tax and the Indiana Generation Skipping Transfer Tax do not apply after June 30, 2013. The Indiana Estate Tax is permanently inoperative and will not generate any revenue due to provisions of the American Taxpayer Relief Act of 2012 (P.L. 112-240), signed into law on January 2, 2013. This Act permanently repealed the state death tax credit under the Federal Estate Tax which was the basis for the Indiana Estate Tax.

Any potential future revenue loss from the elimination of the Generation Skipping Transfer Tax would be minimal. The tax has generated revenue in only two years since FY 1993: FY 2004 (\$31,254) and FY 2005 (\$3,637).

Gaming Provisions-

Racino Taxes: The bill clarifies that starting January 1, 2013, the definition of adjusted gross revenue (AGR) from the racino slot machine operations includes 15% of AGR distributed to the Tobacco Master Settlement Fund, Gaming Integrity Fund, and for horse racing purposes. Starting in FY 2014, the bill further reduces the racino slot machine wagering tax base from 99.0% to 91.5% of AGR generated at a racino. The provision changing the definition of AGR will increase the taxable base for slot machine wagering tax from 84.15% to 99.0 % retroactively starting January 1, 2013. The bill will increase taxable AGR from 84.15% to 91.5% starting in FY 2014. These two provisions will result in a net positive impact of \$9.5 M in FY 2013, \$10.5 M in FY 2014, and \$10.0 M in FY 2015. The slot machine wagering tax is deposited in the state General Fund.

[Under current statute, the racinos are required to pay 15% of AGR generated during the fiscal year for the following purposes: (2) the Tobacco Master Settlement Fund; (2) the state Gaming Integrity Fund; (3) the state Breed Development Funds; (4) private horsemen's associations; (5) horse racing purses; and (6) the state General Fund. Under *In re Indianapolis Downs, LLC., et al.*, Case No. 11-11046 (BLS) (Bankr. D.DE 2011), the Court heard a motion by Indianapolis Downs (owner of the Indy Live racino) for a determination of the legality of the slot machine wagering tax being imposed on all AGR amounts generated by the racinos, including the 15% of AGR distributed to various horse racing purposes and the state General Fund. The court ruled that the tax not be imposed on this 15% AGR distribution. In addition, the court granted a request by Hoosier Park (involved in a bankruptcy proceeding in the same Court) to join Indianapolis Downs' position. Consequently, the Court's ruling applies to both racinos. P.L 172-2011 changed the tax base from 100% of AGR to 99 % of AGR beginning July 1, 2012. The two Indiana racinos also reduced their remittance to 85% of the tax base as a result of the court ruling. The reduced remittances by the racinos began in November 2011 (Indy Live on November 1st and Hoosier Park on November 9th). The state revenue forecast for slot machine wagering tax was reduced to account for the revenue impact of the court ruling and the actions by both racinos to begin remitting the wagering tax based on 85% of AGR in accordance with the Court ruling. Currently the racinos are paying slot machine wagering taxes on 84.15% of their AGR (99% of AGR * 85%).]

Transportation Funding- Summary: The shifting of State Police expenses from the MVH to other funds and the Sales and Use Tax distribution provision are estimated to result in additional distributions to INDOT estimated to total from \$99.2 M to \$104.5 M in FY 2014 and \$101.6 M to \$106.9 M in FY 2015. [See *Explanation of State Expenditures* for details.]

Other Provisions-

Securities Division Enforcement Account: The bill changes the allocation of revenue collected by the Securities Enforcement Division of the Security of State. This bill would allow 50% of the amount recovered in a settlement or awarded in a judgment to be deposited in the Security Division Enforcement Account. The remainder of the settlement or judgment awarded would be deposited in the state General Fund. However, grants and donations received, costs of investigations, and civil penalties recovered will continue to be fully deposited in the Securities Division Enforcement Account. This provision is effective beginning July 1, 2013. This provision will likely have no fiscal impact. The money recovered in a settlement or awarded in a judgment by the Securities Division are traditionally civil penalties, and the bill did not change the treatment of civil penalties.

Explanation of Local Expenditures: (Revised) *County Records' Records Perpetuation Funds:* Under current law, the money in the county records perpetuation fund may not be deposited or transferred into the

county general fund and does not revert to the county general fund at the end of the fiscal year. This bill also prohibits proceeds from the fund to be used to pay any salary or other compensation of a county officer or employee. Current law authorizes the county recorder to use any money in the fund without appropriation for the preservation of records and the improvement of record keeping systems and equipment.

Explanation of Local Revenues: (Revised) The bill has the following local revenue impacts.

Tobacco Products Tax: Local revenue will increase to the extent that a local unit receives funds from Tobacco Products Tax revenue. Cities and towns receive two-thirds of the money in the Cigarette Tax Fund, allocated based on population. Local units of government also receive money from the Pension Relief Fund.

Elimination of the Inheritance Tax: This bill would reduce revenue to counties beginning in FY 2014. The revenue loss attributable to this bill would decline after FY 2015 due to current law which provides for a phaseout of the Inheritance Tax through CY 2022. Counties retain 8% of the Inheritance Tax collected on transfers made by Indiana residents. Estimates are provided in the table below.

Fiscal Year Impact	Inheritance Tax Revenue Loss
FY 2014	(\$5.5 M)
FY 2015	(\$9.9 M)

The bill also eliminates replacement payments from the state General Fund beginning in FY 2015 resulting in a minimal reduction in local revenue. Current law phases out these payments by FY 2024.

Financial Institutions Tax (FIT): The bill removes the provision in current law requiring a supplemental distribution of Financial Institutions Tax to Indiana counties. Current law requires the Auditor of State to make a supplemental distribution if the FIT collections meet a certain statutory threshold in a year. The provision could potentially decrease revenues to Indiana counties.

The bill provides that the decrease in distribution of FIT to local units would be proportionate to the decrease in FIT tax rate in the preceding year from what it is in under current law. Since the bill does not change the FIT rate, it would not have any impact on local distributions.

Transportation Funding-

Surtax/Wheel Tax Adoption: Forty-five counties have not adopted the excise surtax and wheel tax. These counties could raise an estimated \$72.9 M if they adopt the taxes at the maximum rates. This bill could result in additional counties adopting the taxes. The actual impact would depend on actions taken by county income tax boards.

[Under current law, only the county council may adopt or make changes to the motor vehicle excise surtax and wheel tax. The surtax and wheel tax must be adopted together. In addition to the county council, this bill would also permit the county income tax council to adopt the surtax and wheel tax. Only the entity that adopted the tax would be permitted to modify or rescind the tax. The county income tax council currently exists in COIT-

adopting counties and is comprised of the county and municipalities in the county. The votes on the income tax council are apportioned based on population where the county gets credit for the population in the unincorporated areas of the county. This bill would permit the same membership to adopt the surtax and wheel tax in all counties that have not yet imposed the taxes, even if a county is not a COIT-adopting county. Money in the excise surtax and wheel tax funds is allocated to each city, town, and the county based on the formula for the Local Road and Street Account. The revenue is used to construct, reconstruct, repair, or maintain streets and roads. In CY 2013, the 47 currently adopting counties will generate an estimated \$62.7 M from the excise surtax and \$7.7 M from the wheel tax, for a total of \$70.4 M.]

See *Explanation of State Expenditures* for additional information on the local share of transportation funding resulting from the shifting of State Police expenses from the Motor Vehicle Highway Account to other funds and the redistribution of 1% of the state sales and use tax revenue to the MVHA.

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: OFMA Inheritance Tax Database; Revenue Technical Committee, State Revenue Forecast, Fiscal Year 2015, December 17, 2012; Quarterly Inheritance Tax Reports, FY 1997- FY 2012; Michelle Marshel, DWD, mmarshel@dwd.in.gov; Revenue Forecast Technical Committee Presentation to the State Budget Committee, General Fund Revenue Forecast: Fiscal Years 2013-2015, December 17, 2012; FY 2013-2015 Revenue Forecast Cigarette Tax model; 2007 Economic Census, Census Bureau 2010 E-Stats, Bureau of Economic Analysis.

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