Purdue Cooperative Extension Service

On Local Government

Indiana's Property Tax, 2008

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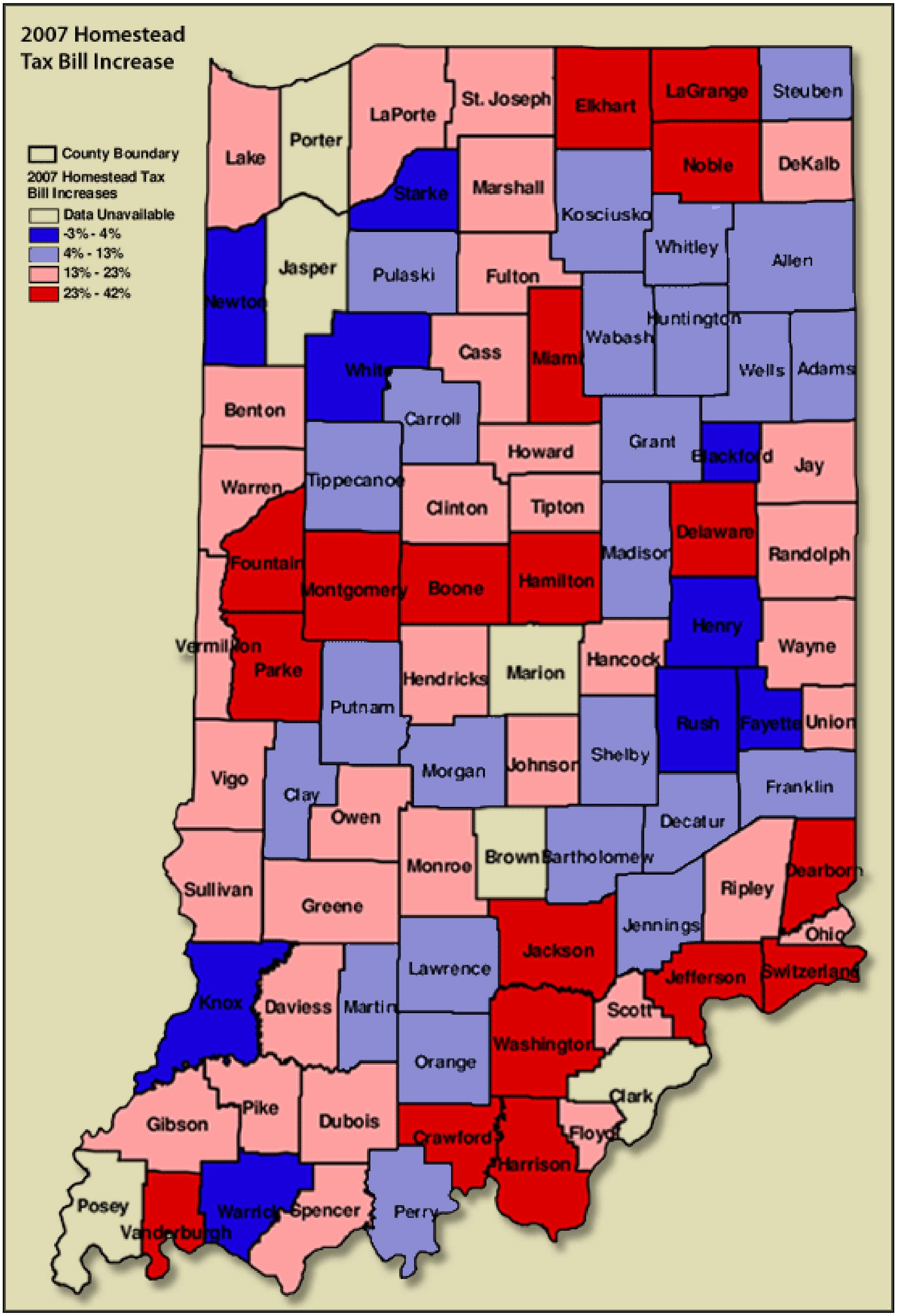
For more information

DeBoer's Indiana Local Government Information Website:
www.agecon.purdue.edu/crd/Localgov



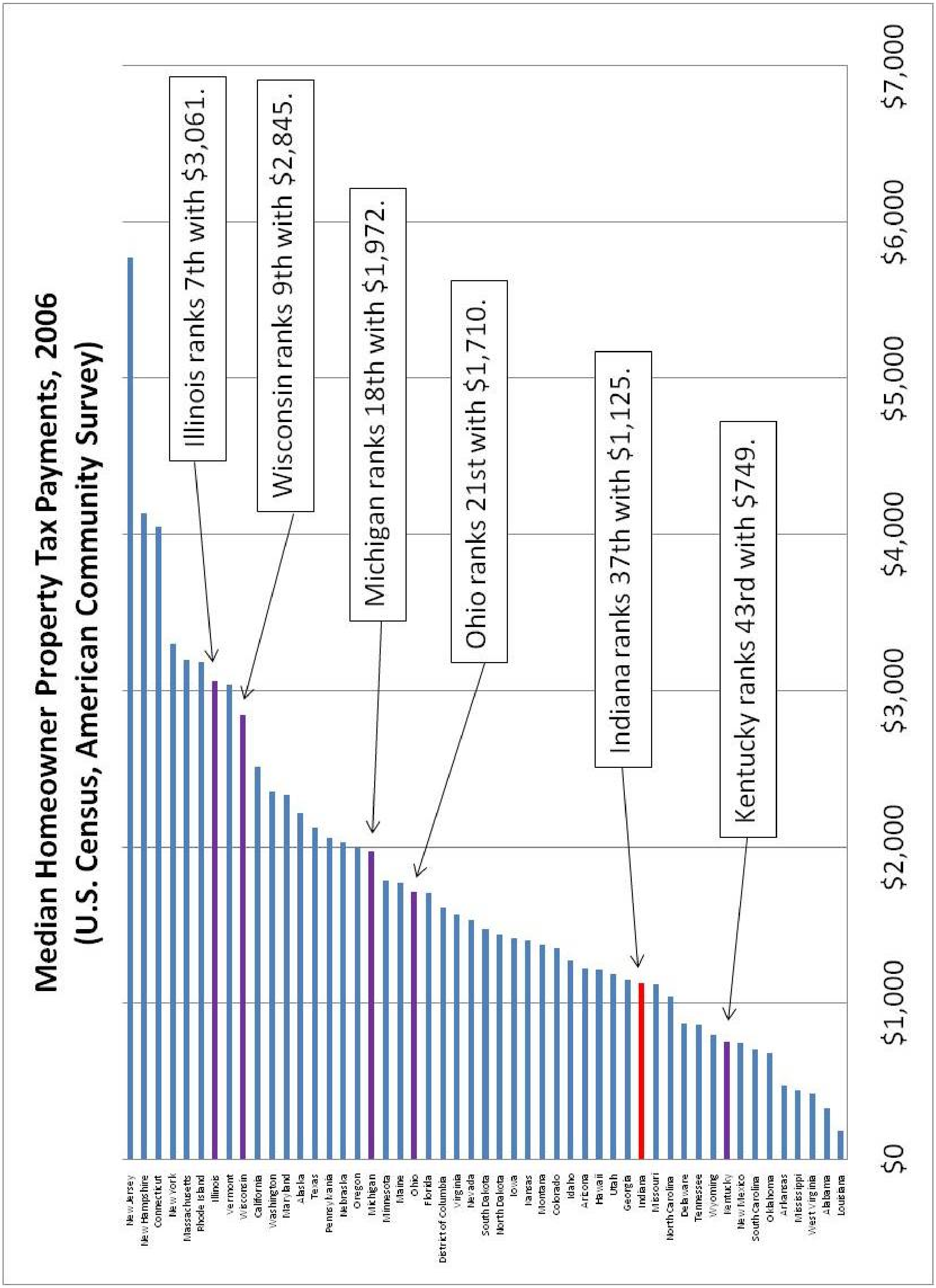
Source: Department of Local Government Finance, www.in.gov/dlgf/local/homestead-increase.html

Estimated Property Tax Bill Changes
2007-2008

	Agricultural	All Residential	Residential Homestead	Commercial	Industrial	Utility	All Property	Average Homestead **
Baseline	3.8%	5.3%	5.2%	4.6%	4.8%	4.2%	4.9%	3.0%
Effects of Individual Policy Changes, added to baseline								
Assessment, Deduction and Exemption Changes								
Homestead Deduction to $35,000 in 2008	-2.6%	4.0%	8.5%	-5.0%	-4.9%	-5.3%	-0.8%	5.3%
Farmland base rate, $880 to $1,140 in 2007-08	8.3%	-0.8%	-0.7%	-0.4%	-0.7%	-1.2%	0.0%	-0.5%
Trending	-0.6%	0.9%	1.2%	-1.0%	-1.2%	-2.5%	0.0%	1.1%
Levy and Credit Changes								
State Property Tax Relief Cap	2.6%	1.8%	1.4%	2.3%	1.9%	1.4%	2.0%	1.3%
Total Change, Prior to 2007 Session	**11.5%**	**9.2%**	**11.3%**	**2.2%**	**1.7%**	**-1.3%**	**6.5%**	**10.6%**
State Policy Changes, 2007 session								
$250 Million Homestead Credit	0.9%	2.4%	3.8%	0.0%	0.0%	0.0%	1.2%	3.9%
Homestead Deduction remains at $45,000	1.2%	-1.4%	-2.8%	2.3%	2.2%	2.2%	0.2%	-6.5%
Total Change, After 2007 session	**13.7%**	**10.4%**	**12.2%**	**4.5%**	**3.9%**	**0.9%**	**8.0%**	**7.8%**
Changes with New Local Option Income Taxes, Average County								
Fund Civil Operating Increase with Income Tax	-2.1%	-2.3%	-2.2%	-2.4%	-2.5%	-2.3%	-2.3%	-2.0%
1% Income Tax for Property Tax Relief								
Distributed to All Taxpayers	-24.1%	-24.0%	-25.8%	-16.7%	-13.8%	-10.1%	-20.4%	-24.1%
Distributed to Homeowners only	-14.0%	-37.7%	-54.1%	0.0%	0.0%	0.0%	-20.4%	-55.0%
Distributed to Homeowners and Rental Owners	-10.4%	-36.2%	-38.8%	-4.1%	0.0%	0.0%	-20.4%	-37.0%

***** Individual policy effects may not add to total changes because of interactions among policies

****** Average homestead with market value of $122,000 in 2006 and $156,000 in 2008, after trending. Assumes mortgage and standard deductions only. Results differ from Residential Homestead column because average homestead does not include effects of new construction, nor the effects of other residential deductions.


Median Homeowner Property Tax Payments, 2006
(U.S. Census, American Community Survey)
Illinois ranks 7th with $3,061.
Wisconsin ranks 9th with $2,845.
Michigan ranks 18th with $1,972.
Ohio ranks 21st with $1,710.
Indiana ranks 37th with $1,125.
Kentucky ranks 43rd with $749.
$0
$1,000
$2,000
$3,000
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$6,000
$7,000
New Jersey
New Hampshire
Connecticut
New York
Massachusetts
Rhode Island
Illinois
Vermont
Wisconsin
California
Washington
Maryland
Alaska
Texas
Pennsylvania
Nebraska
Oregon
Michigan
Minnesota
Maine
Ohio
Florida
District of Columbia
Virginia
Nevada
South Dakota
North Dakota
Iowa
Kansas
Montana
Colorado
Idaho
Arizona
Hawaii
Utah
Georgia
Indiana
Missouri
North Carolina
Delaware
Tennessee
Wyoming
Kentucky
New Mexico
South Carolina
Oklahoma
Arkansas
Mississippi
West Virginia
Alabama
Louisiana

Tax Plans in the 2008 Session of the Indiana General Assembly

	Current System	Governor Daniels	House Bill 1001 Passed 1/24/08
Levy Takeovers by State	Property taxes support a fraction of school general fund, transportation operating and county welfare funds	State takes over school general fund, transportation operating and counties welfare levies	Passed the House; added takeover juvenile incarceration levy
Credits and Deductions	Property Tax Replacement Credits and Homestead Credits up to $2.1 billion; extra $550 million in homestead credits in 2007-08	Property Tax Replacement Credits and Homestead Credits used for levy takeovers; credits eliminated	Passed the House
	$45,000 homestead deduction phases to $40,000 deduction by 2013	Added 35% homestead deduction	Added 35% up to AV of $200,000; smaller percentages for more valuable homes
Replacement Revenue	Sales tax is 6%	Increase sales tax 1 point to 7%	Passed the House
	Indiana income tax renters deduction capped at $2,500		Raises renters deduction cap to $5,000
	Indiana Earned Income Credit is 6% of federal credit		Increases Indiana Earned Income Credit to 9% of federal credit
	Three new local option income taxes to reduce property taxes and add to public safety funding		One local opton income tax to reduce property taxes or replaced revenue lost to circuit breakers

Tax Plans in the 2008 Session of the Indiana General Assembly

	Current System	Governor Daniels	House Bill 1001 Passed 1/24/08
Tax Bill Limits	2% circuit breaker limit for homeowners in 2008; 3% limit for all other property in 2010; school levies excluded	Constitutional amendment to limit tax bills to 1% of assessed value for homeowners, 2% for owners of rental housing, 3% for business property	Adds 2% limit for agricultural property; freezes taxes for lower income homeowners 65 and over; Constitutional joint resolution not yet passed
Levy Limits	Civil operating levy increases limited to 6-year state personal income growth	Total revenue increases limited to 6-year county personal income growth; reviewed by new local board	Passed the House; budgets reviewed by county council
	Petition-remonstrance process for capital projects; referenda for added school levies	Referenda required for larger capital projects and excess levy increases	Referenda required for large school sports facilities; remonstrance process remains for other capital projects
	Current review by DLGF; County capital projects review board starts in 2009	County review board must approve budgets and capital projects	Passed the House
Assessment Practice	Combination of 92 county assessors, 1008 township elected and trustee assessors, private contractors	Eliminate township elected and trustee assessors; consolidate duties with appointed county assessor	Eliminate township elected and trustee assessors; consolidate duties with elected county assessor

Prepared by Larry DeBoer, Purdue University, January 2008
For more detail, see the HB1001 fiscal note, at
http://www.in.gov/apps/lsa/session/billwatch/billinfo (type in "1001")

Estimated Impact of HB 1001 (Governor's Proposal) on Property Tax Payments, 2010

	Homesteads	Non-Homestead Residential	Commercial Apartments	Other Real Property	Personal Property	Total
Change from Taxes Under Current Law due to:						
Levy Takeovers, 35% Homestead Deduction	-31.4%	0.1%	3.8%	1.2%	-10.2%	-13.9%
Circuit Breaker 1/2/3 Limits	-6.0%	-18.2%	-21.5%	-5.2%	-5.5%	-8.1%
Total	-37.4%	-18.1%	-17.7%	-4.0%	-15.7%	-22.0%

Source: Legislative Services Agency, "Estimated Impact on Net Property Tax, HB1001 (2008) as Introduced", January 14, 2008.

Indiana Home Values and Household Incomes, and Renters and Household Incomes, 2006

Number of Households in each Home Value/Income category

U.S. Bureau of Census, American Community Survey

	Household Income								Percent of
	<$10,000	$10-19,999	$20-34,999	$35-49,999	$50-74,999	$75-99,999	$100,000 up	Total	Households
Home Value									
Value less than $10,000	4,543	7,843	8,355	5,236	4,434	796	629	31,836	1.3%
Value $10,000 to $19,999	3,761	5,943	7,554	4,430	3,779	830	549	26,846	1.1%
Value $20,000 to $29,999	3,444	6,819	8,980	3,501	2,890	1,082	635	27,351	1.1%
Value $30,000 to $39,999	2,387	6,611	9,583	5,198	4,672	1,207	981	30,639	1.3%
Value $40,000 to $49,999	3,709	7,342	13,475	7,124	6,716	1,763	678	40,807	1.7%
Value $50,000 to $59,999	3,629	11,587	16,198	11,730	11,365	3,101	1,436	59,046	2.4%
Value $60,000 to $69,999	4,960	12,557	21,355	18,752	17,280	5,283	2,060	82,247	3.4%
Value $70,000 to $79,999	5,486	13,478	26,931	23,835	26,123	7,765	3,213	106,831	4.4%
Value $80,000 to $89,999	5,910	13,914	29,786	26,919	32,595	14,714	5,887	129,725	5.3%
Value $90,000 to $99,999	3,619	11,500	25,485	27,956	34,210	15,209	8,160	126,139	5.2%
Value $100,000 to $199,999	18,066	34,528	98,702	123,496	226,258	157,693	126,772	785,515	32.3%
Value $200,000 to $249,999	2,204	3,622	7,939	13,332	26,615	30,723	47,672	132,107	5.4%
Value $250,000 to $499,999	1,938	3,357	7,578	11,622	21,931	23,566	73,230	143,222	5.9%
Value $500,000 or more	549	818	1,683	1,968	3,711	2,781	22,507	34,017	1.4%
Total Homeowners	64,205	139,919	283,604	285,099	422,579	266,513	294,409	1,756,328	72.1%
Total Renters	128,114	144,160	174,859	106,209	84,017	25,373	16,214	678,946	27.9%
All Households	192,319	284,079	458,463	391,308	506,596	291,886	310,623	2,435,274	100.0%
Percent of Households	7.9%	11.7%	18.8%	16.1%	20.8%	12.0%	12.8%	100.0%	

Source: 2006 American Community Survey, "Household Income in past 12 months, by value, owner occupied housing units.
www.census.gov/acs/www/ (click on "American Factfinder", American Community Survey "get data", "Detailed Tables")

Effect of HB 1001 as Introduced on Representative Taxpayers

	Renter	Homeowners			Median	Property Rich	Property Poor
	Low Income	**Low Income**	**Mid Income**	**High Income**	**Homeowner**	**Income Poor**	**Income Rich**
Home Value	Renter	60,000	150,000	375,000	120,700	150,000	60,000
Income	27,500	27,500	62,500	150,000	55,634	27,500	87,500
	Current	Current	Current	Current	Current	Current	Current
Taxable AV	0	27,000	102,000	327,000	72,700	102,000	27,000
Taxable Income	18,000	19,979	53,531	140,500	44,729	18,531	79,979
Taxable Sales	16,905	17,131	23,126	36,846	22,328	16,823	27,959
Property Tax	-	521	1,969	6,313	1,403	1,969	521
State/County Income Tax	636	723	2,355	6,182	1,968	660	3,519
Sales Tax	957	970	1,309	2,086	1,264	952	1,583
Federal Income Tax	(2,595)	(2,595)	2,410	20,463	74	(2,595)	6,014
All Other Taxes	3,722	3,721	6,595	9,290	6,039	3,718	8,192
Total Tax Payment	2,721	3,340	14,639	44,333	10,748	4,704	19,829
	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed
Taxable AV	0	16,500	65,250	211,500	46,205	65,250	16,500
Taxable Income	18,000	20,156	54,140	140,500	45,169	19,140	80,156
Taxable Sales	16,905	17,168	23,236	37,273	22,407	16,952	27,991
Property Tax	-	344	1,360	3,750	963	1,360	344
State/County Income Tax	636	731	2,382	6,182	1,987	686	3,527
Sales Tax	1,106	1,123	1,520	2,438	1,466	1,109	1,831
Federal Income Tax	(2,595)	(2,595)	2,497	21,104	138	(2,595)	6,040
All Other Taxes	3,722	3,721	6,596	9,294	6,039	3,719	8,192
Total Tax Payment	2,870	3,325	14,356	42,768	10,594	4,280	19,934
	Change	Change	Change	Change	Change	Change	Change
Taxable AV	0	(10,500)	(36,750)	(115,500)	(26,495)	(36,750)	(10,500)
Taxable Income	0	177	609	0	440	609	177
Taxable Sales	0	38	110	427	79	129	32
Property Tax	0	(177)	(609)	(2,563)	(440)	(609)	(177)
State/County Income Tax	0	8	27	0	19	27	8
Sales Tax	149	154	211	353	202	157	249
Federal Income Tax	0	0	87	641	63	0	25
All Other Taxes	0	0	1	4	1	1	0
Total Tax Payment	149	(16)	(283)	(1,566)	(155)	(424)	105
	Pct. Chng.	Pct. Chng.	Pct. Chng.	Pct. Chng.	Pct. Chng.	Pct. Chng.	Pct. Chng.
Taxable AV		-38.9%	-36.0%	-35.3%	-36.4%	-36.0%	-38.9%
Taxable Income	0.0%	0.9%	1.1%	0.0%	1.0%	3.3%	0.2%
Taxable Sales	0.0%	0.2%	0.5%	1.2%	0.4%	0.8%	0.1%
Property Tax		-34.0%	-30.9%	-40.6%	-31.4%	-30.9%	-34.0%
State/County Income Tax	0.0%	1.1%	1.1%	0.0%	1.0%	4.1%	0.2%
Sales Tax	15.6%	15.8%	16.1%	16.9%	16.0%	16.5%	15.7%
Federal Income Tax	0.0%	0.0%	3.6%	3.1%	84.7%	0.0%	0.4%
All Other Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Tax Payment	5.5%	-0.5%	-1.9%	-3.5%	-1.4%	-9.0%	0.5%

Households are assumed to be families of four under age 65.
Statewide average property tax, PTRC and homestead credit rates are used.
Estimates of taxable sales derived from U.S. Dept. of Labor, Consumer Expenditure Survey (stats.bls.gov/cex/home.htm)
All Other Taxes include state and federal tobacco, alcohol and motor fuel taxes, Indiana motor vehicle excise tax, and Federal Social Security Tax.

Tax Changes in Dollars for 60 Representative Households

		Household Income					
		15,000	**27,500**	**42,500**	**62,500**	**87,500**	**150,000**
Home	**Renter**	130	149	172	204	243	327
Value	**15,000**	88	107	130	169	209	300
	40,000	20	39	62	111	151	249
	60,000	(35)	(16)	7	65	105	208
	75,000	(75)	(56)	(34)	30	70	178
	85,000	(103)	(84)	(61)	7	47	157
	95,000	(144)	(124)	(102)	(28)	12	127
	150,000	(443)	(424)	(401)	(283)	(242)	(98)
	225,000	(1,010)	(991)	(969)	(765)	(725)	(524)
	375,000	(2,400)	(2,381)	(2,358)	(1,946)	(1,906)	(1,566)

HB 1001 as Introduced.
Households are families of four under age 65.
Property, PTRC and homestead rates set a state average.
Taxes include property, sales, state and local income, excise, Federal income, social security and excise.

Effect of 1-2-3 Circuit Breaker on Representative Taxpayers in a High Tax Rate County

	Renter		Homeowners		Median	Property Rich	Property Poor
	Low Income	Low Income	Mid Income	High Income	Homeowner	Income Poor	Income Rich
Home Value	Renter	60,000	150,000	375,000	120,700	150,000	60,000
Income	27,500	27,500	62,500	150,000	55,634	27,500	87,500
Taxable AV	0	27,000	102,000	327,000	72,700	102,000	27,000
Property Tax	-	743	2,806	8,105	2,000	2,806	743
Taxable AV	0	16,500	65,250	211,500	46,205	65,250	16,500
1% Circuit Breaker credit	-	(297)	(1,306)	(4,355)	(793)	(1,306)	(297)
Property Tax	-	446	1,500	3,750	1,207	1,500	446
Percent Change		-39.9%	-46.5%	-53.7%	-39.7%	-46.5%	-39.9%

Households are assumed to be families of four under age 65.
Average property tax, PTRC and homestead credit rates for St. Joseph County are used.

Estimated Circuit Breaker Tax Credits, Current Law and HB 1001 as Introduced

	Current 2%/3% Circuit Breaker			Proposed 1%/2%/3% Circuit Breaker					Change in Total Credits		
	Total Credits			Total Credits			2010 Credit as % of				
	2008	2009	2010	2008	2009	2010	Budget	Levy	2008	2009	2010
Counties	1,956,053	4,280,697	33,768,952	569,080	94,371,768	92,587,556	3.9%	6.9%	-1,386,973	90,091,071	58,818,604
Townships	478,234	1,032,026	7,164,301	79,237	22,392,340	21,694,678	4.6%	8.5%	-398,997	21,360,314	14,530,377
Cities and Towns	5,030,074	9,778,447	90,177,004	1,563,899	228,796,209	230,517,027	8.6%	15.4%	-3,466,175	219,017,762	140,340,023
School Corporations	2,783,642	6,002,994	44,681,156	827,747	157,065,854	153,661,375	5.0%	6.9%	-1,955,895	151,062,860	108,980,219
Libraries	559,817	1,115,124	9,529,265	170,505	28,130,154	27,904,547	6.1%	9.3%	-389,312	27,015,030	18,375,282
Special Districts	1,398,140	2,888,071	21,020,698	418,598	66,513,352	64,788,300	6.1%	13.5%	-979,542	63,625,281	43,767,602
Redevelopment Comm.	11,460	32,062	249,111	1,639	1,342,438	1,308,905	8.0%	8.0%	-9,821	1,310,376	1,059,794
State Unit	5,088	11,609	87,366	1,427	0	0			-3,661	-11,609	-87,366
Total	12,222,508	25,141,030	206,677,853	3,632,132	598,612,115	592,462,388	5.8%	9.7%	-8,590,376	573,471,085	385,784,535
Counties Most Affected											
Blackford	4,135	8,328	13,365	2,732	1,071,864	1,105,246	6.0%	10.3%	-1,403	1,063,536	1,091,881
Cass	16,362	43,766	2,200,133	10,960	5,047,665	5,141,835	9.0%	14.9%	-5,402	5,003,899	2,941,702
Delaware	58,994	230,973	7,968,861	30,871	18,167,082	18,794,223	11.2%	17.1%	-28,123	17,936,109	10,825,362
Huntington	3,530	16,994	45,139	2,750	3,586,641	3,739,304	7.5%	11.7%	-780	3,569,647	3,694,165
Knox	11,747	83,560	643,550	4,885	3,402,969	3,573,347	6.4%	12.5%	-6,862	3,319,409	2,929,797
Lake	10,776,669	19,687,717	162,245,129	3,336,389	252,027,849	247,340,695	24.2%	32.1%	-7,440,280	232,340,132	85,095,566
Madison	9,346	21,364	934,877	4,597	11,979,653	12,162,532	6.6%	11.7%	-4,749	11,958,289	11,227,655
Marion	828,241	2,712,688	3,801,875	81,091	103,952,859	96,942,068	5.2%	9.1%	-747,150	101,240,171	93,140,193
Miami	7,349	7,902	294,565	7,198	2,247,154	2,277,281	6.0%	10.4%	-151	2,239,252	1,982,716
St. Joseph	255,016	1,504,587	23,546,121	39,325	62,687,549	64,409,674	15.2%	22.6%	-215,691	61,182,962	40,863,553
Vigo	10,161	101,878	301,046	6,901	10,306,323	10,959,879	6.8%	11.2%	-3,260	10,204,445	10,658,833
Total, 11 Counties	11,981,550	24,419,757	201,994,661	3,527,699	474,477,608	466,446,084			-8,453,851	450,057,851	264,451,423
All Other Counties	240,958	721,273	4,683,192	104,433	124,134,507	126,016,304			-136,525	123,413,234	121,333,112

Source: Legislative Services Agency, "Potential Circuit Breaker Tax Credits - HB 1001 (Introduced), January 14, 2008.

RESEARCH

Indiana Property-Tax-Backed Debt; General Obligation; General Obligation Equivalent Security

Publication date:	24-May-2006
Primary Credit Analyst:	Eden Perry, New York (1) 212-438-7967; eden_perry@standardandpoors.com
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OUTLOOK: NEGATIVE

Rationale

Standard & Poor's Ratings Services revised its outlook on nine Indiana credits to negative from stable as a result of legislation recently enacted by the General Assembly of Indiana mandating the application of a 2% "circuit breaker" property tax credit to all real and personal property throughout the state.

Standard & Poor's believes that the new legislation has effectively changed the security on property-tax-backed debt (GO bonds and lease revenue bonds for which there is no appropriation risk) to limited tax from unlimited tax.

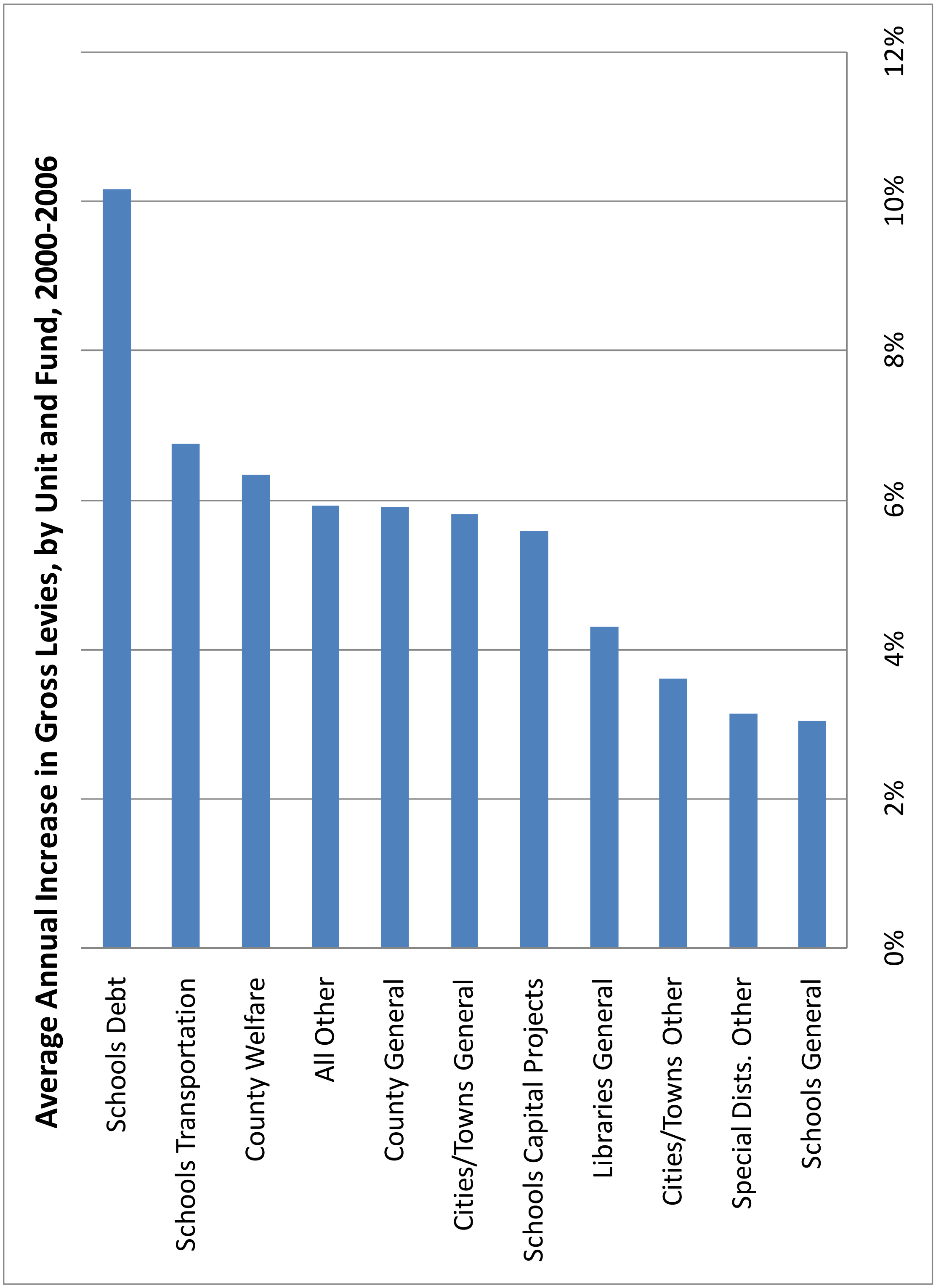
It is our understanding that local units of government are likely to seek legislative changes to mitigate the effects of the cap before it takes effect, which may mitigate the effects of the circuit breaker legislation. However, until subsequent legislation is adopted, Standard & Poor's will apply its limited tax criteria to the GO-backed debt and to lease-revenue-backed debt within the state.

Standard & Poor's criteria for unlimited- and limited-tax debt is such that we do not make any rating distinction between unlimited- and limited-tax-secured debt that is in the 'A' category or above. We do make rating distinctions for credits that are in the 'BBB' category (or below) on a case-by-case basis, based on an entity's financial flexibility and financial position.

Standard & Poor's will review any subsequent legislation to determine its effect on our ratings and the impact of that legislation on the nature of the security of property-tax-backed obligations.

Outlook

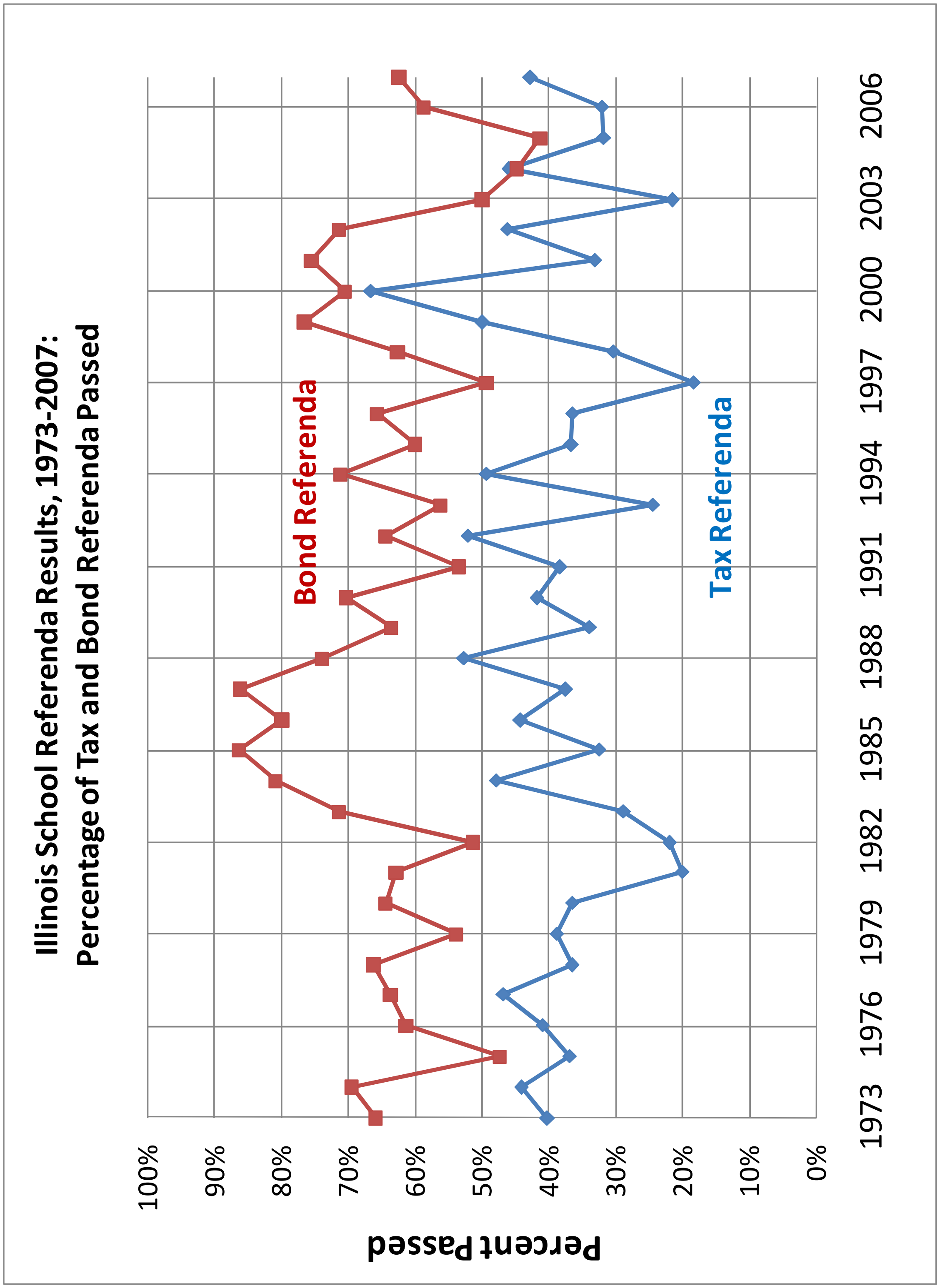
The revision from stable to negative outlook reflects the new circuit breaker legislation that was adopted in Indiana. Since the tax cap does not go into effect for the majority of issuers in the state until 2010, and the actual impact of the cap is difficult to gauge until that time, Standard & Poor's will place all GO and lease-backed credits that are in the 'BBB' category on negative outlook.


Average Annual Increase in Gross Levies, by Unit and Fund, 2000-2006
Schools Debt
Schools Transportation
County Welfare
All Other
County General
Cities/Towns General
Schools Capital Projects
Libraries General
Cities/Towns Other
Special Dists. Other
Schools General
0%
2%
4%
6%
8%
10%
12%

Bond Issue Approval Procedures in the United States, 2007

		Referendum Characteristics						
	Petition/ Remonstrance	Constitutional Referendum Provision	Citizen Action Required	Automatic Referendum	Simple Majority	Super Majority	Town Meeting Approval	No Voter Role
Total Number	1	32	8	40	36	11	2	2
Alabama		x		x	x			
Alaska		x		x	x			
Arizona		x		x	x			
Arkansas		x		x	x			
California		x		x		x 55% civil; 2/3 school		
Colorado		x		x	x			
Connecticut								x
Delaware				x	x			
Florida		x		x	x			
Georgia		x		x	x			
Hawaii								x
Idaho		x		x		x 2/3		
Illinois			x		x			
Indiana	x		x					
Iowa			x			x 60%		
Kansas		x		x	x			
Kentucky		x		x	x			
Louisiana		x		x	x			
Maine		x		x	x			
Maryland		x		x	x			
Massachusetts				x	x			
Michigan		x		x	x			
Minnesota				x	x			
Mississippi				x		x 60%		
Missouri		x		x		x 4/7 general elections; 2/3 special elections		
Montana			x			x based on voter turnout		
Nebraska		x		x	x			
Nevada				x	x			
New Hampshire				x		x 2/3	x	
New Jersey				x	x			
New Mexico		x		x	x			
New York		x		x	x			
North Carolina		x		x	x			
North Dakota		x		x		x 2/3		
Ohio				x	x			
Oklahoma		x		x		x 3/5		
Oregon		x		x	x			
Pennsylvania		x		x	x			
Rhode Island				x	x			
South Carolina		x	x		x			
South Dakota		x	x		x	x 60%		
Tennessee			x		x			
Texas		x		x		x 2/3		
Utah		x		x	x			
Vermont				x	x			
Virginia		x		x	x			
Washington		x		x		x 3/4		
West Virginia		x		x	x			
Wisconsin			x		x		x	
Wyoming		x		x	x			

Source: Roscoe Hooten, *Letter to Senator Kenley*, Commission on State Tax and Financing Policy, August 9, 2007.
Prepared by Larry DeBoer, Purdue University, November 2007


Illinois School Referenda Results, 1973-2007:
Percentage of Tax and Bond Referenda Passed
Percent Passed
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1973
1976
1979
1982
1985
1988
1991
1994
1997
2000
2003
2006
Bond Referenda
Tax Referenda

Six Studies of School Referenda Results

Variable	**California** school district bond referenda, 1995-2000 (Balsdon)	**Michigan** school district bond referenda, voter survey data, 1987 (Brokaw)	**New York State** school district budget referenda, 1969-99 (Ehrenberg)	**New York State** School district budget referenda, 1976-77 (Romer)	**Oregon** school district spending per pupil, 1981-86 (Stevens)	**Florida** school district bond referendum, voter survey data, 1996 (Tedin)	Summary: Studies Using Indicator	Summary: Positive Effect on Spending	Summary: Negative Effect on Spending
Tax Price *Measured as the cost to a typical taxpayer of added school spending*	Negative	Negative		Negative	Negative	Negative	**5**	**0**	**5**
Per Capita Income or Income Growth	Positive	No Effect	Positive	Positive	No Effect	No Effect	**6**	**3**	**0**
Education of District Population	Positive		Positive		Negative	No Effect	**3**	**2**	**1**
Over-65 Population	No Effect	Negative	Negative	Negative	Negative	Negative	**6**	**0**	**5**
Other Variables with Positive Effects on Spending	Enrollment Growth	Middle-Aged Voter; Says that Existing Buildings are Obsolete; Views Superintendent Favorably	Suburban District; Poverty Level in District	Size of School District Enrollment; Private School Enrollment		Renter, not homeowner; Has child in school district; New school will be in own neighborhood; Favorable attitude toward school district			
Other Variables with Negative Effects on Spending	Urban District; Size of Existing Capital Stock		Private School Enrollment		Voter Turnout	Greater distrust of government			

Balsdon, et.al., Journal of Urban Economics, 2003.
Brokaw, et al., National Tax Journal, 1990.
Ehrenberg, et al., Cornell University, 2003.
Stevens, Public Choice, 1996
Tedin et al., Journal of Politics, 2001.
Romer, et al., Journal of Public Economics, 1992.

Policy to Improve Assessment Practice, and Research Results

Policy Category	Policy Recommendations	Research Results	Indiana Current Practice	Proposed Policy Changes
Legitimacy	Assessment at 100% of market value	*Strong support*: Most studies show that higher assessment ratios contribute to assessment uniformity	Full value assessment since 2001 (previous: assessment was 1/3 of appraisal)	
	More frequent reassessment	*Weak support:* Some studies show that more recent assessment contributes to assessment uniformity	Reassessments are infrequent; trending adjusts values between reassessments	
Openness	Information easily available on assessed values, tax rates and levies; convenient and inexpensive means for appeals	*Weak support*: assessments are more uniform where tax rates are higher, implies that benefit cost ratio of assessment appeals matters, could be improved by lower cost appeals	DLGF posting more informaton about assessments, rates and levies; appeal process varies by county	Kenley Commission: Taxpayer bill of rights defines appeal process
Technical Proficiency	Consolidation to large assessing units	*No support* from research studies	Townships are basic assessing unit	Consolidate assessment to counties
	Full-time assessors	*Stong support:* assessments are more uniform where full-time assessors perform the work	County and elected township assessors are full-time; township trustee assessors are part-time	Remove part-time trustee assessors from the assessment process; also removes full-time elected township assessors
	Appointed assessors	*No support* from research studies	All assessors are elected	Governor's proposal requires appointed assessors
	More assessor training	*Weak support:* a few studies show that more training and experience improve assessment uniformity	Assessor certificaton required as of July 2008	Certified assessors and staff are required
	Assessing tools such as tax maps, building permits and computer assisted mass assessment	*Strong support:* use of advanced tools improves assessment uniformity	Tools are used in some jurisdictions, not in others	Advanced tools implied by consolidated assessment units and certified assessors
Compassion	Circuit breakers to limit taxes for high property value/low income taxpayers	*Weak support:* circuit breakers associated with more uniformity in some studies	No income-based circuit breaker; 2% limit on tax bills as share of assessed value for homeowners (2008); 3% limit for other property (2010)	No income-based circuit breaker proposed; Governor's proposal has 1%/2%/3% limits for homeowners, rental owners and other property owners
Costs	Consolidation to large assessing units to reduce costs by exploiting economies of scale	*Strong support:* Average costs per assessed parcel reduced as number of parcels increases	Townships are basic assessing unit; Counties and private contractors assess property in many counties	Consolidate assessment to counties
	Improved assessment uniformity requires added expenditure on personnel and equipment	Strong support: Average costs per assessed parcel increase as uniformity improves		

Source for Research Results: Bownman and Mikesell, "Assessment Uniformity: The Standard and Its Attainment," *Property Tax Journal* (Dec. 1990); Walker and Sjoquist, "Economies of Scale in Property Tax Assessment," National Tax Journal (June 1999).
Prepared by Larry DeBoer, Purdue University, November 2007

Indiana State Budget Summary, FY 1998-07, and the Budgets for 2008-09

(millions of dollars, updated through December 2007 revenue forecast, July 2007 closeout and as-passed budgets for 2008-09)

	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Budget 2008	Budget 2009	Avg. Ann. Change 2000-05	2005-07	2007-09
Start of Year Balances	1,991	1,638	910	534	720	533	750	1,089	1,286	1,281			
Revenues													
Sales Tax	3,651	3,687	3,761	4,172	4,721	4,960	5,226	5,379	5,601	5,738	6.3%	4.1%	3.3%
Individual Income Tax	3,753	3,780	3,541	3,644	3,808	4,213	4,322	4,616	4,681	4,781	2.3%	4.7%	1.8%
Corporate Income Tax	985	855	709	729	645	825	925	987	957	970	-3.5%	9.4%	-0.9%
Gaming	-	-	-	431	602	585	590	625	619	635		3.4%	0.7%
All Other	810	801	784	1,072	1,143	905	1,370	1,096	1,148	1,139	2.3%	10.0%	1.9%
Total	9,200	9,123	8,796	10,049	10,918	11,489	12,434	12,703	13,005	13,262	4.5%	5.2%	2.2%
Appropriations													
K-12 Education	3,905	4,182	4,185	4,380	4,247	4,512	4,582	4,647	4,830	5,048	2.9%	1.5%	4.2%
Higher Education	1,331	1,390	1,411	1,440	1,474	1,528	1,544	1,588	1,623	1,775	2.8%	2.0%	5.7%
Medicaid	1,042	1,144	1,171	1,249	1,266	1,383	1,455	1,525	1,587	1,664	5.8%	5.0%	4.4%
Property Tax Relief	1,057	1,154	1,180	1,157	2,097	2,143	2,153	2,189	2,265	2,166	15.2%	1.1%	-0.5%
Health & Social Services	757	774	858	855	767	768	836	860	943	956	0.3%	5.9%	5.4%
Public Safety	621	623	678	681	695	697	718	718	721	741	2.3%	1.5%	1.6%
All Other	1,005	923	824	1,136	763	719	787	831	933	949	-6.5%	7.6%	6.8%
Total	9,718	10,190	10,307	10,898	11,310	11,750	12,075	12,359	12,902	13,299	3.9%	2.6%	3.7%
Current Year Surplus/Deficit	(518)	(1,067)	(1,511)	(850)	(392)	(262)	359	345	104	(36)			
Transfers from (to) Other Funds	30	236	617	376	138	257	12	70	16	20			
Reversions	134	103	145	323	63	222	125	119	25	25			
Payment Delays (Reversals)	-	-	374	337	3	-	(156)	(337)	(149)	(137)			
Total Adjustments	165	339	1,135	1,036	204	479	(20)	(148)	(108)	(92)			
End of Year Balances													
General Fund	833	19	0	137	0	119	411	537	547	399			
Tuition Reserve	265	265	265	305	291	291	317	317	317	317			
Medicaid Reserve	-	100	-	-	-	24	34	88	58	58			
Rainy Day Fund	540	526	269	279	242	317	328	344	360	379			
Total	1,638	910	534	720	533	750	1,089	1,286	1,281	1,153			
Total Balances % of Revenue	17.8%	10.0%	6.1%	7.2%	4.9%	6.5%	8.8%	10.1%	9.8%	8.7%			
Payment Delay Liability	-	-	374	711	713	727	622	286	137	-			

Prepared by Larry DeBoer, Department of Agricultural Economics, Purdue University and Purdue Cooperative Extension Service, November 2007

Note: Payment delay reversals removed from property tax relief appropriations to show them explicitly.

Indiana Revenue Projections and Actual Revenues at end of Fiscal Years, 1999-2009

Revenue Projection Year:	End of Fiscal Year: 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 (December)	Change in Projections First to Last	Pct. Chng Actual Rev. *(italics)*
1999	*8,883.2*											
2000	9,301.6	*9,142.7*									(158.9)	*2.9%*
2001	9,773.3	9,641.7	*9,052.0*								(721.3)	*-1.0%*
2002			9,529.0	*8,708.9*							(820.1)	*-3.8%*
2003(1)			9,954.8	9,249.5							(705.3)	
2003(2)				10,251.1	*9,880.1*						(371.0)	*13.4%*
2004					10,692.5	*10,619.9*					(72.6)	*7.5%*
2005					11,192.3	11,001.9	*11,436.5*				244.2	*7.7%*
2006							11,757.4	*12,060.6*			303.2	*5.5%*
2007							12,378.3	12,348.8	*12,626.2*		247.9	4.7%
2008									12,817.6	12,851.5	33.9	1.5%
2009									13,377.0	13,111.9	(265.1)	2.0%

TOTAL 2000-2004: (2,849.2)
TOTAL 2005-2007: 795.3

Read down to see the forecasts at the end of each fiscal year. Read across to see how forecasts changed in successive years.
Numbers in italics are actual revenues for that fiscal year
Numbers in the 2008 column are forecasts made in December 2007. They include new revenue from tobacco tax increases.
2003(1) are projections prior to tax restructuring
2003(2) are projections after tax restructuring, and include the increases in sales, cigarette and gaming taxes.

What's Fiscal Health and
What's the Outlook for this Biennium?

Fiscal Health

- Have balances equal to at least 10% of the budget
  - Cash flow
  - Guard against unexpected shortfalls in revenues
  - 10% is the minimum suggested by the Indiana State Budget Agency
  - 10% of budget will be about $1.35 billion by mid-2009
- Have payment delays reversed
  - School aid and property tax replacement credit payments from state to local governments
  - A monthly payment postponed from one state fiscal year to the next
  - A "fiscal gimmick" that helped balance the budget in 1993 and 2002-2003
  - If we want it available to use, must move a monthly payment forward
  - Payment delay liability was $286 million as of June 2007
  - *State has budgeted a reversal of payment delays by June 2009*
- In total, need to raise about $346 million above spending to achieve fiscal health
  - Starting from balances of $1,286 million in July 2007, 10.1% of the budget
  - Need $60 million to maintain balances at 10% of the budget by mid-2009
  - Need $286 million to reverse payment delays
  - *State plans to reverse payment delays by mid-2009*
  - *With latest revenue forecast, balances are expected to be $174 million short of 10% of the budget by mid-2009*

When's the next recession?

- Nobody knows, but. . .
- The last recession ended in November 2001
  - If this expansion lasts 8 years, like the 1980's expansion, the next recession starts in November 2009
  - If this expansion lasts 10 years, like the 1990's expansion, the next recession starts in November 2011
- The December revenue forecast cut projected Indiana income growth for fiscal '08 and '09 from 4.5% to 3.0% per year

Outlook for the Budget

- Indiana will fall short of fiscal health by the end of the 2007-09 biennium, unless changes are made
  - The shortfall from fiscal health will be $174 million by mid-2009
  - Payment delays are scheduled to be reversed by mid-2009
  - Balances will be 8.7% of the budget, short of 10% minimum by mid-2009
- *The Governor has asked state agencies to cut their spending below appropriations by 5%. In 2005 such "reversions" saved more than $200 million. A $200 million saving in fiscal 2008 would allow Indiana to achieve fiscal health by the end of fiscal 2009. If revenue shortfalls do not grow, Indiana's budget is in good shape.*
- *Between fiscal 2000 and fiscal 2004, Indiana revenues fell short of projections by an average of more than $500 million per year. If 2008 brings recession, Indiana may see more reversions, the cancellation of payment reversals, transfers from other funds, and perhaps spending cuts and tax increases.*