

# FY16/17 Budget

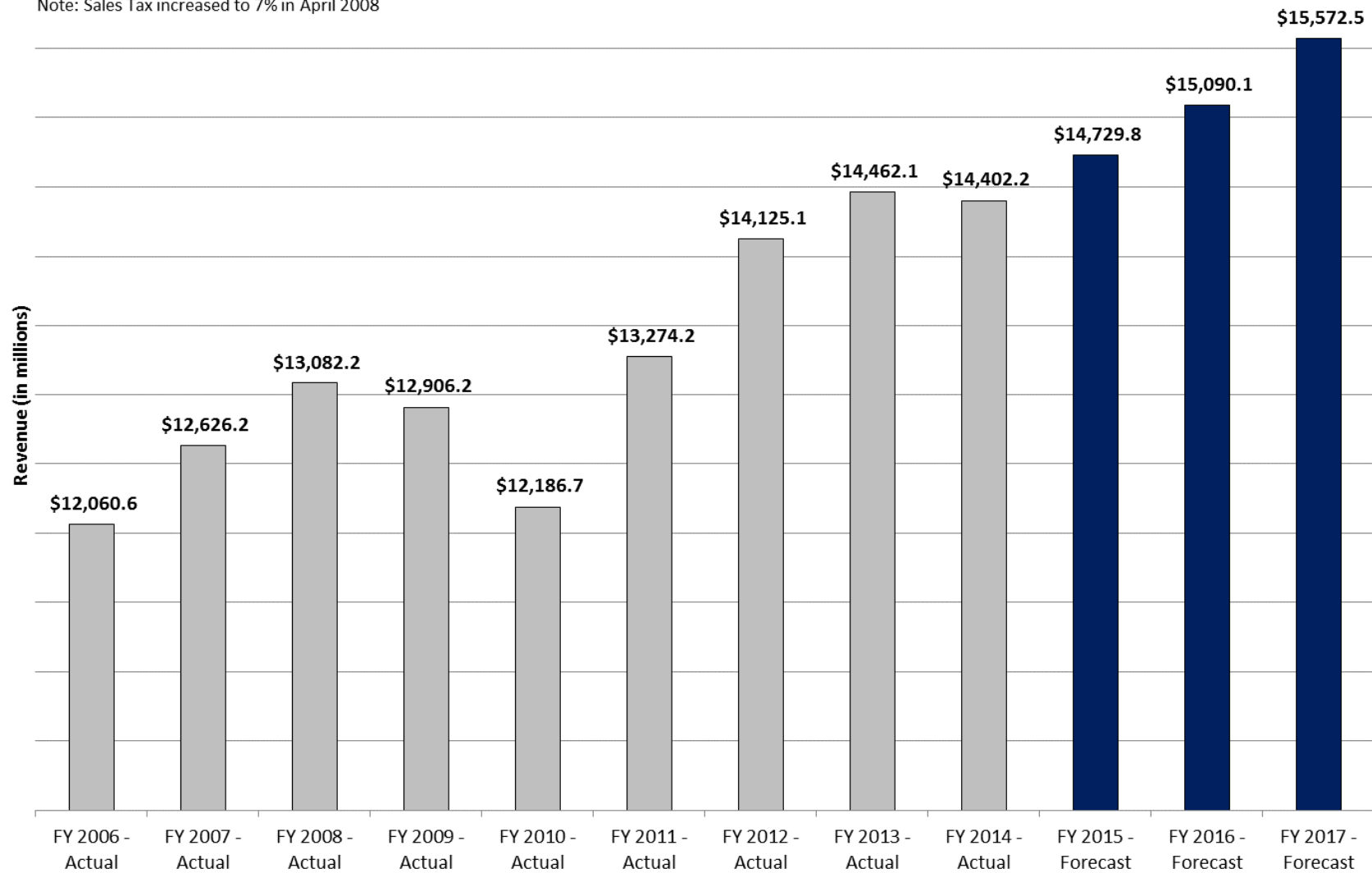
House Passed Budget

Rep. Tim Brown, M.D.

Chairman, House Ways & Means Committee

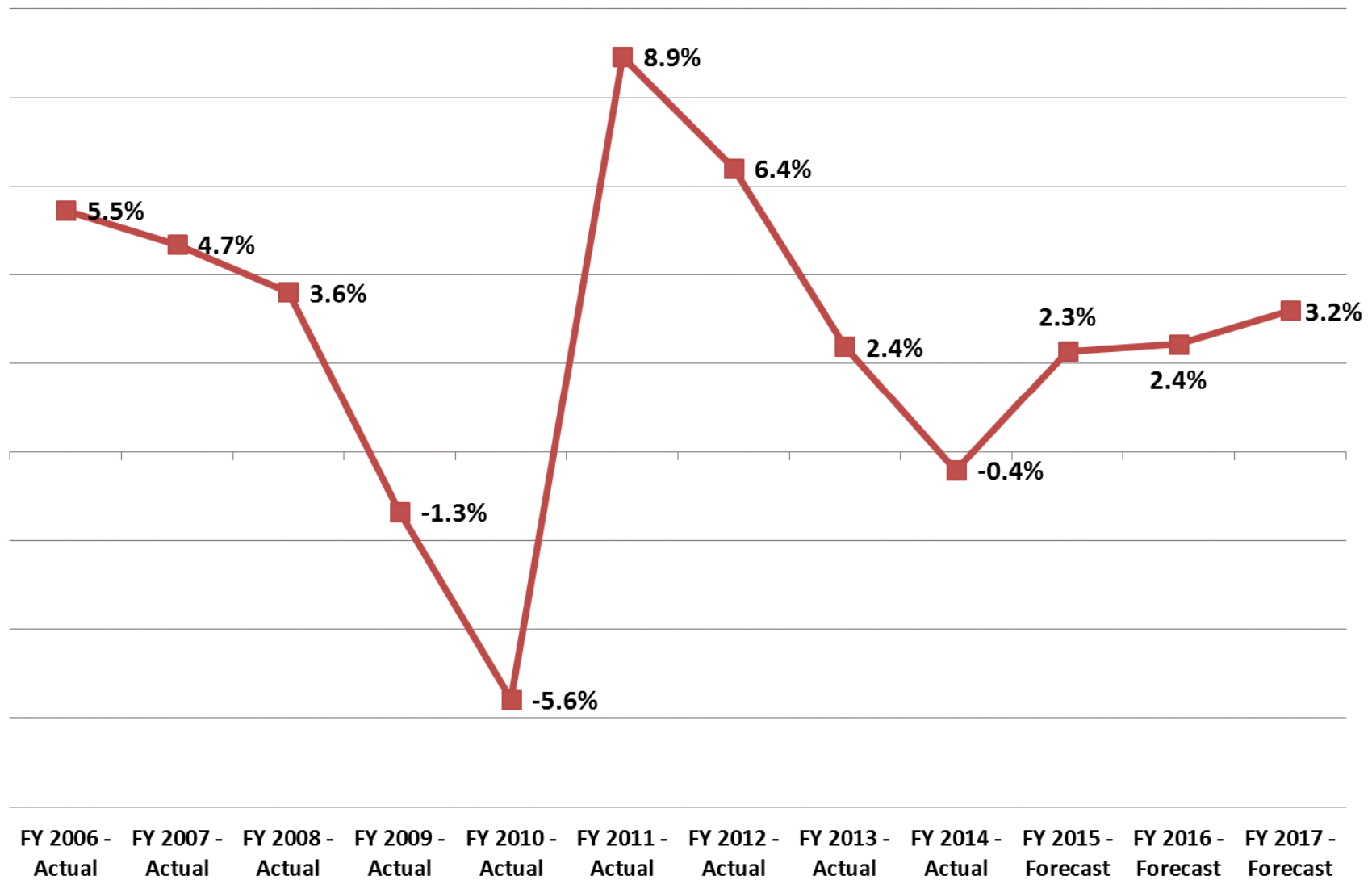
## Actual and Forecasted General Fund Revenue (in millions)

Note: Sales Tax increased to 7% in April 2008



## Year-over-year Percentage Change in State Tax Revenue

(Actual Unadjusted Revenue)



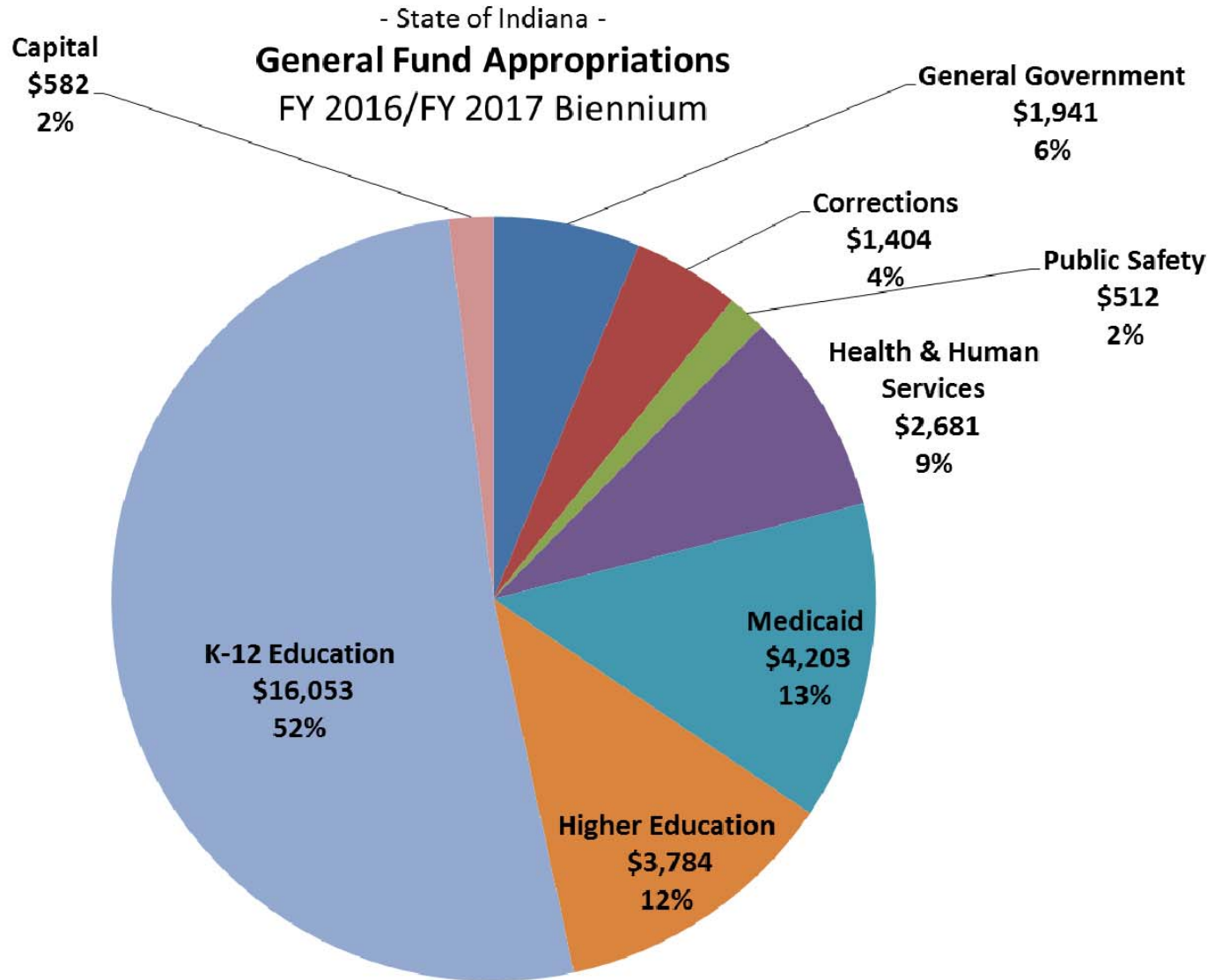
# Guiding Principles

The FY16/17 budget must protect Hoosier taxpayers, increase funding for education, enhance public safety, and maintain the stable fiscal environment necessary to grow the Hoosier economy.

All of this must be accomplished while holding firm to our proven commitment to **fiscal integrity**.

# FY16/17 Budget Priorities

- Focus on fiscal integrity
  - Protect taxpayers by maintaining healthy reserves and living within our means
- Invest in education
  - Most dollars ever for K-12 education
- Prioritize public safety
  - Commit more resources to protecting the public



Focus on fiscal integrity...

## Honestly balance the budget

- Budget lives within our means
  - Budget is structurally balanced in both years of the biennium
    - Balanced budgets protect Indiana's AAA credit rating and provide a financial cushion in the event of revenue shortfalls
  - Budget does not rely on tax increases or budgetary gimmicks
- Spending levels are sustainable into the future
  - 2017 General Assembly will inherit opportunities not deficits
- Budget accounts for fiscal impacts of outside acts, including a \$200 tax credit for teachers

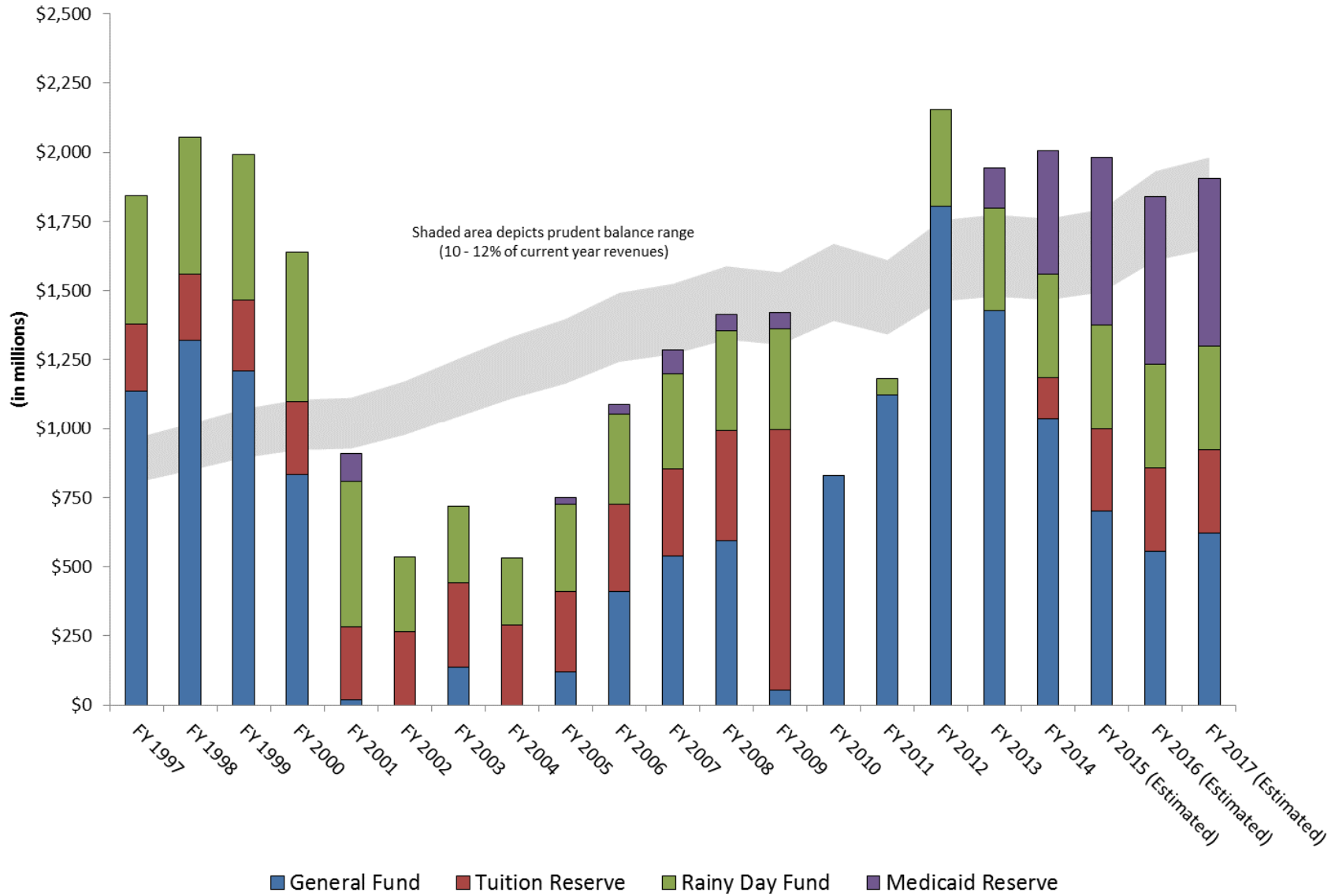
Focus on fiscal integrity...

## Maintain healthy reserves

- Budget maintains healthy reserves in both years of the biennium
  - Healthy reserves protect taxpayers and essential government services in the event of an economic downturn and are a critical element in maintaining Indiana's AAA credit rating
- Healthy reserves protect education funding and services provided to Hoosiers in need
  - Tuition reserve fund protects state payments to K-12 schools
  - Medicaid reserve fund protects Medicaid recipients and providers if costs exceed expectations



### Total Combined Reserve Balances



Focus on fiscal integrity...

## Fund our obligations to retirees

- Budget fully funds actuarially required contributions (ARC) for all state pension plans
- Budget increases General Fund contribution to the Pre-1996 Teacher's Retirement Account by 3% in FY16 and 7.6% in FY17 to account for a cost of living increase (HB 1481)
- Budget funds the State Retiree Health Program (SEA 501 Plan) at actuarially sound levels
- Budget fully funds the ARC for other post-employment benefit (OPEB) liabilities incurred by the DNR, the ATC, and the State Police

Invest in education...

## K-12 funding formula

- Total increase over biennium = **\$469M** or **4.7%**
  - FY15 Est. Distribution = \$6.67 billion
  - FY16 Appropriation = \$6.83 billion
    - +\$156M or 2.3% vs. FY15
  - FY17 Appropriation = \$6.98 billion
    - +\$157M or 2.3% vs. FY16
    - +\$313M or 4.7% vs. FY15
  - Total new dollars vs. FY15 base funding:
    - \$156M + \$313M = \$469M
- Increases foundation (i.e., basic grant for every student) by 8.7% in FY16 and 3% in FY17
  - FY15 Per Student Foundation = \$4,583
  - FY16 Per Student Foundation = \$4,984 (+8.7%)
  - FY17 Per Student Foundation = \$5,105 (+3.0%)
    - Total increase over biennium = \$522 or 11.4%

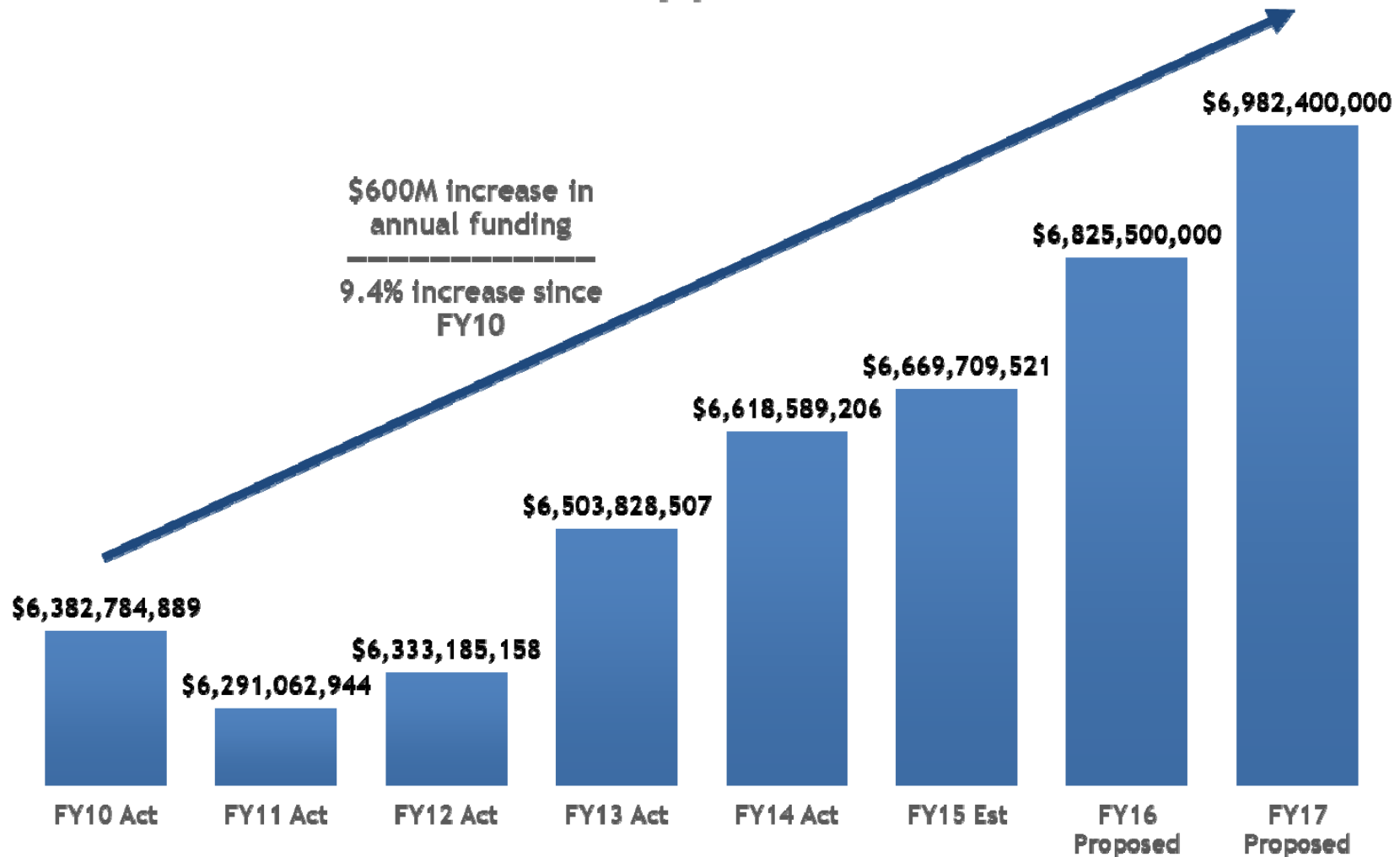
Invest in education...

## K-12 funding formula, cont.

- “Transition to foundation” will be complete for all schools in FY16
- Complexity grants
  - Index is based upon the number of students eligible for the federal free lunch program
    - Over 60% of free lunch eligible students have been certified as eligible by another state or federal program
- Special education grants
  - Increases the per student severe disabilities grant to \$8,800 (+5.4%) and the moderate disabilities grant to \$2,300 (+1.5%)
- All kindergarten students counted as a full student within the tuition support formula

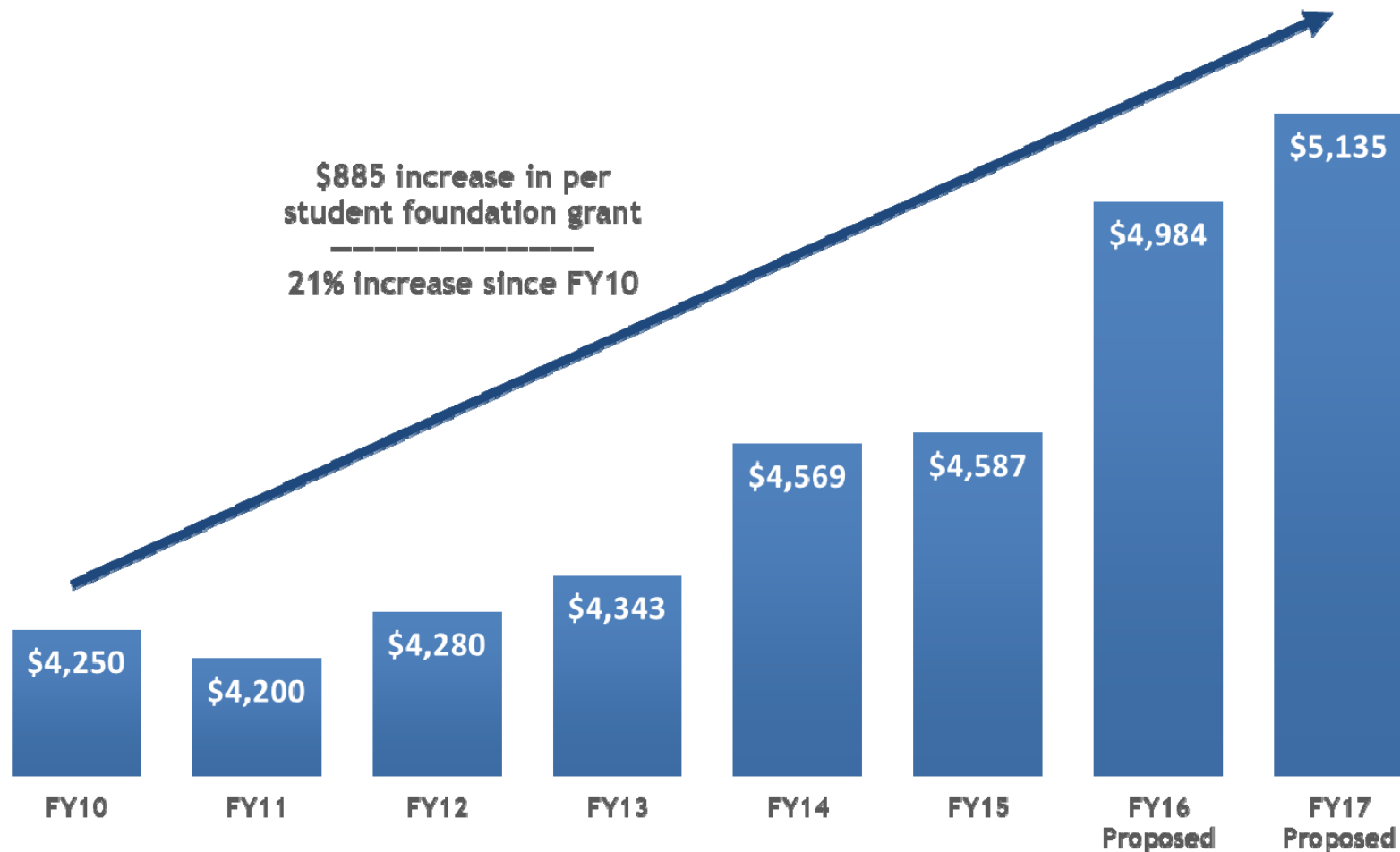
# Invest in education...

## Most Dollars Ever for K-12 Tuition Support



# Invest in education...

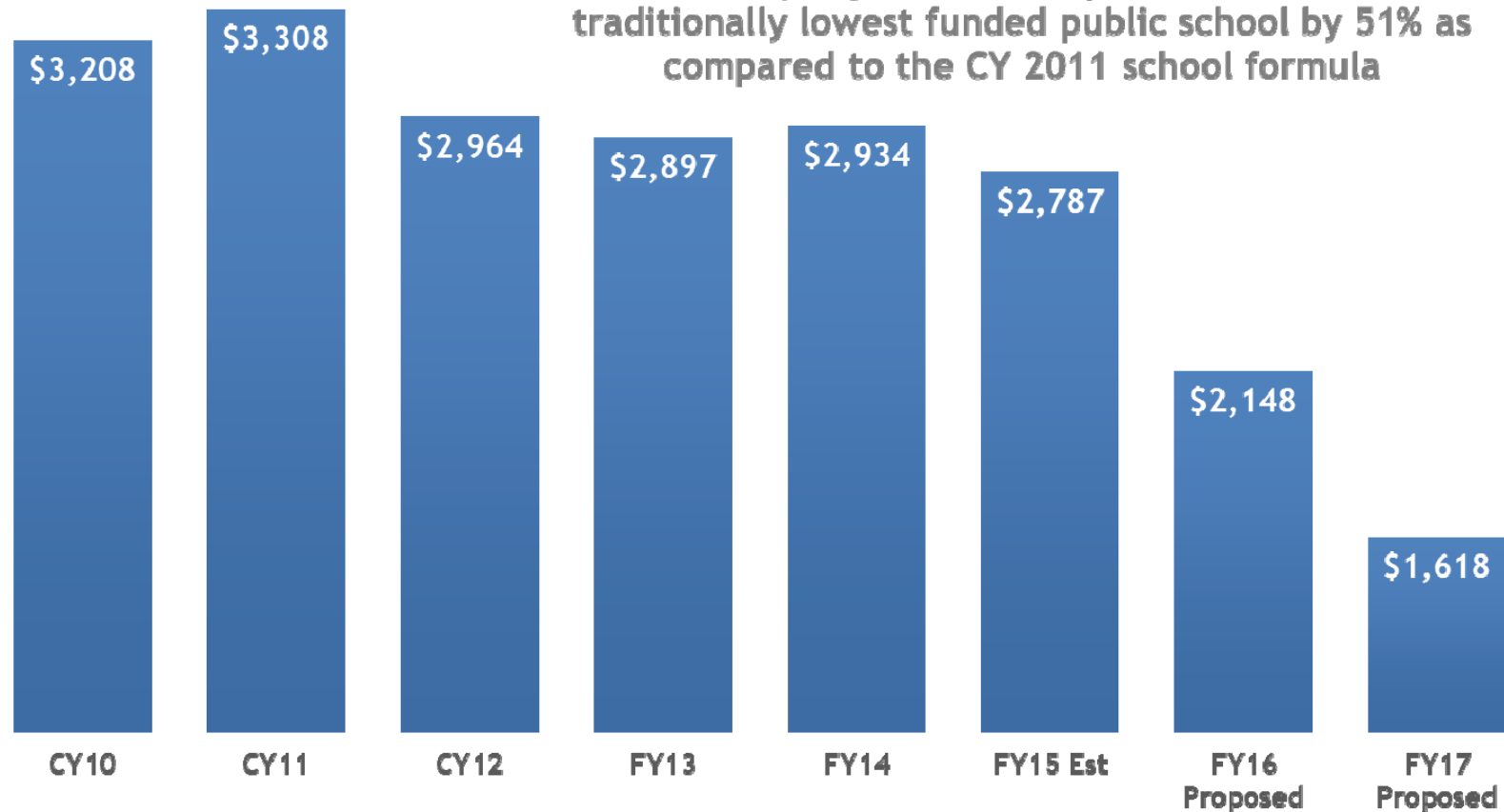
## Substantial Increase to the Foundation



# Invest in education...

## Significantly Reducing the Funding Gap

Proposed budget would reduce the gap in per student funding (total state regular \$) between the traditionally highest funded public school and the traditionally lowest funded public school by 51% as compared to the CY 2011 school formula



Invest in education...

## Reward success

- Honors diploma award equals \$1,000 per diploma or \$1,400 if the honors diploma recipient is an at-risk student
- Teacher Performance Grants
  - \$60M over the biennium distributed to schools based on performance outcomes
  - Performance grant dollars must be used by school corporations to provide bonuses to effective and highly effective teachers and administrators
- Excellence in Performance Awards
  - Allocates \$2M each year to reward effective and highly effective teachers who teach in focus and priority schools



Invest in education...

## Expand educational opportunity

- Career and technical education (CTE)
  - Incentivizes schools to develop stronger and more clear pathways for college and career readiness
  - \$31M over the biennium to expand and improve CTE programs at local schools
- Second chance opportunities for high school dropouts
  - Increases funding for adult high schools by \$2.3M in FY16 and an additional \$2.5M in FY17
- Increases funding for the non-English speaking program by 10% over the biennium
- Eliminates the \$4,800 Choice Scholarship cap for children in grades 1 – 8
- Charter School Capital Grants
  - May be used to renovate existing facilities, acquire new facilities, purchase technology equipment, and provide transportation
  - \$20M per year appropriation with a maximum grant award of \$1,500 per student
- Increases the cap on SGO tax credits to \$12.5M per year

Invest in education...

# Innovation in education

- Freedom to Teach
  - \$2M per year to support the State's freedom to teach initiative (HB 1009)
- Turnaround support
  - \$5M per year to assist struggling schools
- STEM teacher recruitment
  - \$10M over the biennium to place STEM teachers in the schools that need them the most
- School social services
  - Increases funding by \$1.5M over the biennium for the continued deployment of an innovative school social service and counseling program that allows schools to focus on their primary mission – teaching children

Invest in education...

# Early childhood education

- Full day kindergarten (FDK)
  - Eliminates the FDK flat grant in favor of counting all kindergarten students as a full student within the tuition support formula
    - Previous formulas counted kindergarten students as a half student and provided a flat grant to fund the second half of the school day
- Pre-kindergarten
  - Provides \$2M per year to continue the existing early education matching grant program
  - Provides \$10M per year to continue the On My Way Pre-K pilot program enacted in 2014

Invest in education...

## Promote administrative efficiency

- **School Corporation Reorganization Grants**
  - Incentive funds available to school corporations who voluntarily reorganize under the Government Modernization Act (IC 36-1.5-4)
    - Funds may be used to cover reorganization-related expenses or to provide salary bonuses to teachers
  - Grant award is equal to \$500 multiplied by the last official enrollment of the smaller corporation (or corporations if more than two school corporations reorganize)
  - Grant program administered by the Department of Education
- **School Business Officials Leadership Academy**
  - Provides \$150K per year to the Department of Education to conduct a leadership academy for school business officials
  - Goal is to provide a forum for sharing best business practices and expertise
- **Common School Fund Loans**
  - Permits school corporations to receive Common School Fund loans for qualified energy savings projects and building security upgrades

Invest in education...

## Higher education

- **Operating**
  - Allocates dollars using CHE's performance funding formula
  - Increases funding by \$45M (3.5%) over the biennium
- **Line items**
  - \$15M per year to support dual credit programs
- **Capital**
  - Authorizes and provides fee replacement for nine university capital projects, including the Evansville Multi-Institutional Health and Sciences Center
  - Provides cash funding for two additional projects
  - Invests \$32M per year for repair and rehabilitation of existing university infrastructure
- **Financial Aid**
  - Fully funds the 21<sup>st</sup> Century Scholars program at the projected expenditure levels for both fiscal years

Prioritize public safety...

## Resources for criminal justice reform

- \$80M over the biennium for investments in local corrections programming and capacity building
  - Grant program established in HB 1006
- \$13M increase over the biennium for forensic diversion programming
- \$1M per year increase for proven juvenile justice reform initiatives (JDAI)
- \$500K per year increase for probation officer training
- Restored community corrections appropriation to FY15 level
- Budget does not include money for additional cell houses at Wabash Valley and Miami Correctional Facilities

Prioritize public safety...

## Help for Hoosiers in need

- Doubles funding for domestic violence prevention and treatment from \$2.5M per year to \$5M per year
- Provides new state funding for sexual assault victims' assistance of \$1M per year
- Dedicates \$13.5M over the biennium for the Protecting Indiana's Newborns (Safety PIN) grant program aimed at reducing infant mortality rates (HB 1004)
- Appropriates \$2M per year for expanding Call 211 services (HB 1010)

Plan for the future...

## Invest in economic growth

- Transfers \$200M each year to the Major Moves 2020 Fund to fund critical transportation infrastructure needs
  - Funds may be used for any purpose of the Major Moves Construction Fund
- Increases public mass transportation funding by \$6.4M over the biennium
  - Allocates \$3M each year to fund the Hoosier State
- Doubles funding for tourism promotion
- Increases funding for the IEDC's business promotion program and appropriates \$25M over the biennium to the Skills Enhancement worker training fund
- Provides funding to the Secretary of State to implement the Business One Stop website



# Other Budget Highlights

- Increases the civil service annuity deduction from \$2,000 to \$5,000
- Appropriates \$16M to the Department of Natural Resources so that Indiana can join our neighboring states as a full member of the Great Lakes Protection Fund
- Appropriates \$750K to the Hearing Aid Fund, which is used to provide hearing aids to hearing impaired children
- Doubles funding for the Supreme Court's adult guardianship program from \$500K to \$1M per year
- Prohibits FSSA from renewing a cost saving initiative related to the Medicaid reimbursement rate for ICF/MR and CRF facilities for the developmentally disabled
- Appropriates \$250K per year to Riley Hospital to support quality education programs for school-age patients
- Increases funding for Public Broadcasting Stations by \$675K per year
- Restores the appropriation for the INSPIRE program
- Provides \$2M in matching grants for the Indiana State Museum's fundraising initiative
- Restores funding for the State Library's genealogy department
- Increases funding for school and library internet connection by \$875K per year
- Provides \$3M per year to increase graduate medical residency programs

# Bottom Line

HB 1001...

- ✓ Focuses on fiscal integrity
  - Protects Hoosier taxpayers by honestly balancing the budget and living within our means
- ✓ Invests in education
  - Most dollars ever for K-12 education
- ✓ Prioritizes public safety
  - Significant new commitments to better protect the public