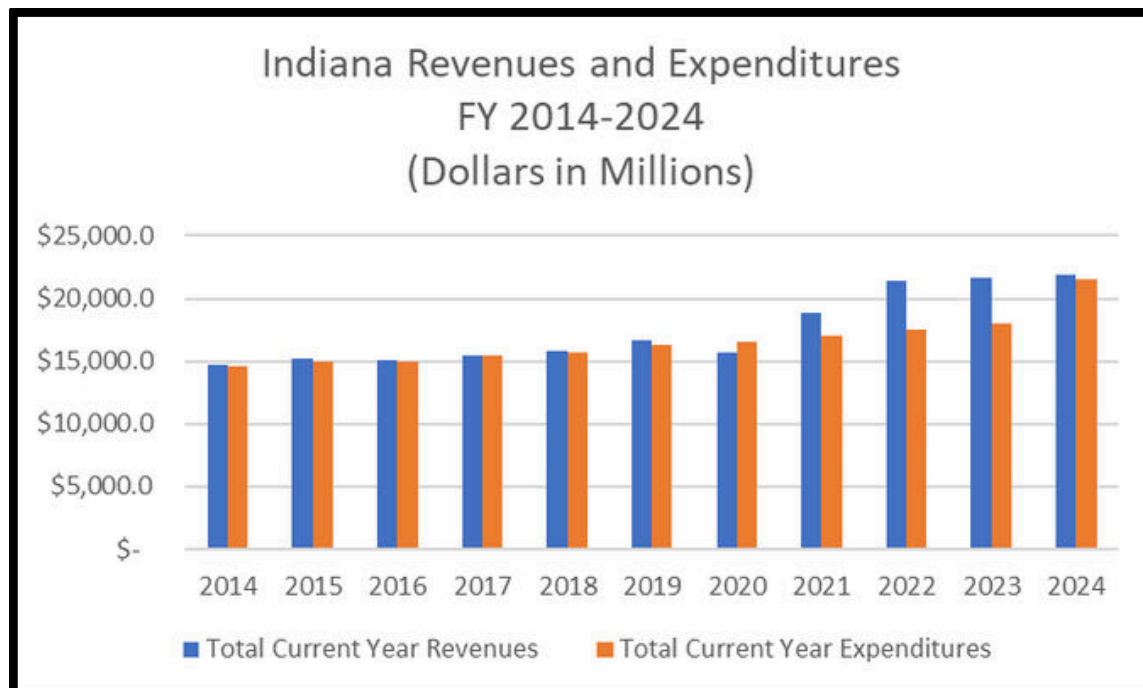


State Closes Out Year With \$2.5 Billion In Reserves, Expenditure Increases

Indiana Comptroller Elise Nieshalla and state budget leaders released the [close-out report](#) for Fiscal Year 2024 (ending June 30, 2023) on July 23, 2024.

As with last year, the increased consumer spending that spiked revenues in 2022 have returned to historical, moderate growth patterns. Also, federal funding is expected to continue reductions from Covid-era federal transfers to states.

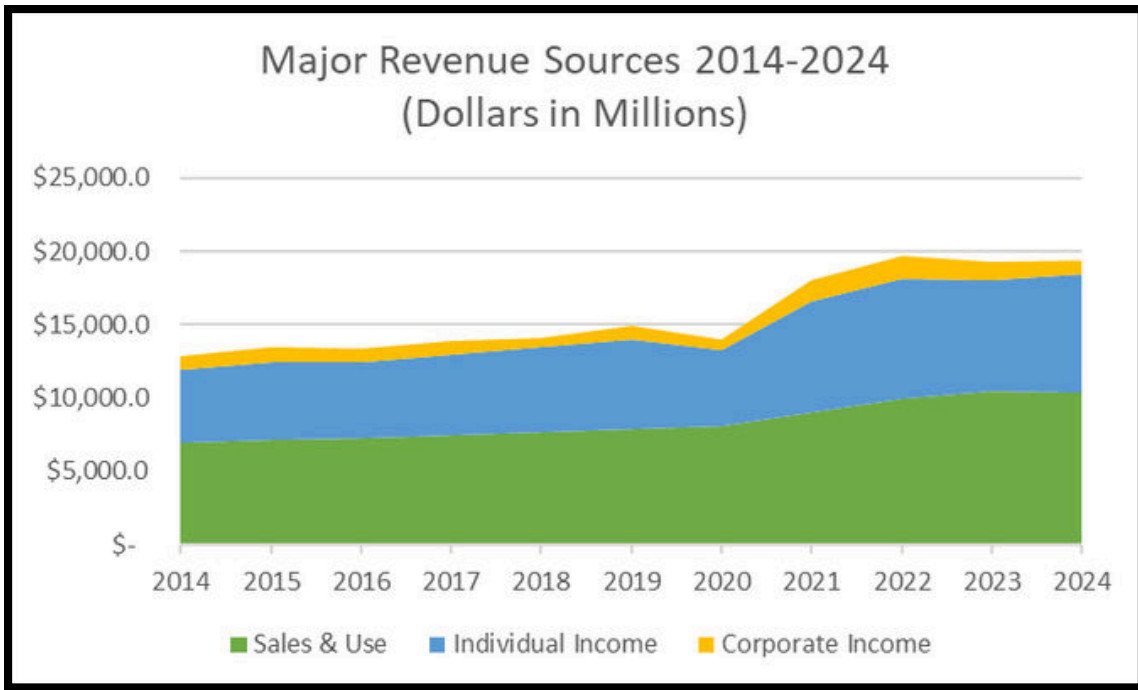
Indiana raised \$21.9 billion in revenues in the fiscal year, which is a modest 1.49% growth over revenues for the fiscal year 2023. However, spending totaled \$21.5 billion, a substantial increase of 19.4% over the previous year.



Revenues Remain Flat

State sales tax again accounted for 48% of all revenue brought in by the state at close to \$10.4 billion.

Income taxes, which include individual and corporate tax, totaled \$9 billion, or 42.5% of total revenue. This was an increase of 2023's \$8.8 billion collected, despite income tax cuts [codified](#) in the most recent state budget passed in Spring 2023. However, it is still down from 2022, when \$9.7 billion was collected from income tax.



INDIANA INDIVIDUAL INCOME TAX RATE CUTS – 2023 THROUGH 2027

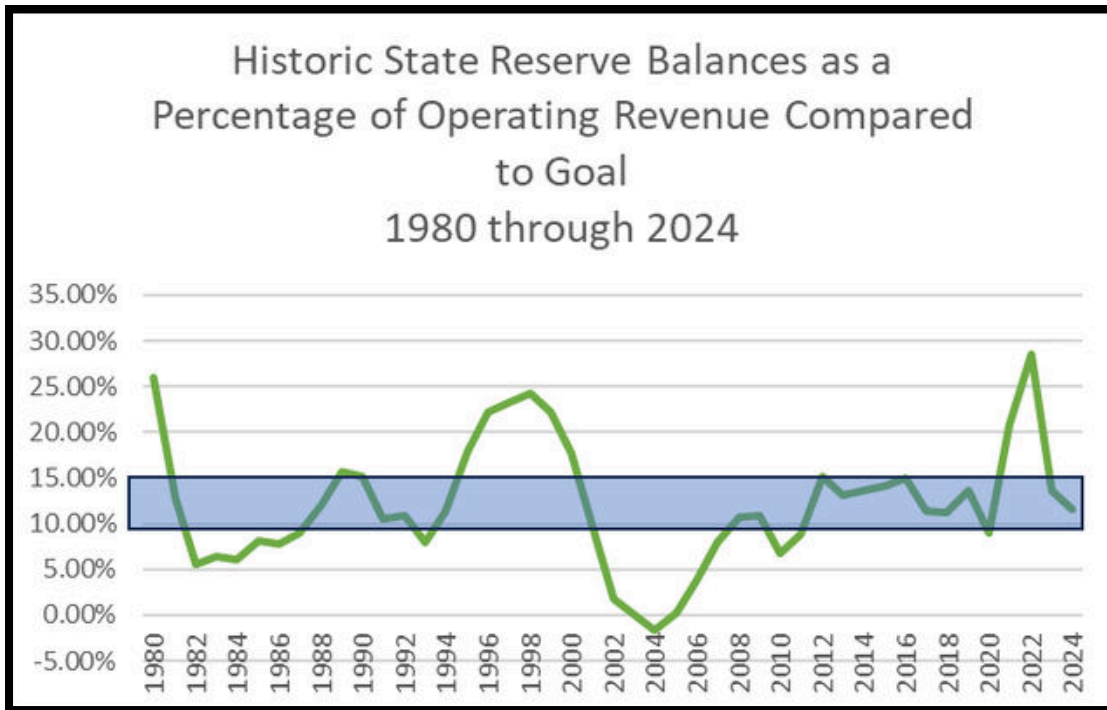


Lawmakers have spent the last year [studying the state’s tax system](#). As a new budget season approaches and a new governor assumes the executive, it appears that these state level taxes may again not be the center of focus, as policy leaders focus on addressing Indiana’s property tax system, which primarily funds local government services.

State of Indiana’s Reserves

Indiana ended the fiscal year with \$2.5 billion in reserves, representing a decrease from previous years. The current reserve represents 11% of the year’s revenues.

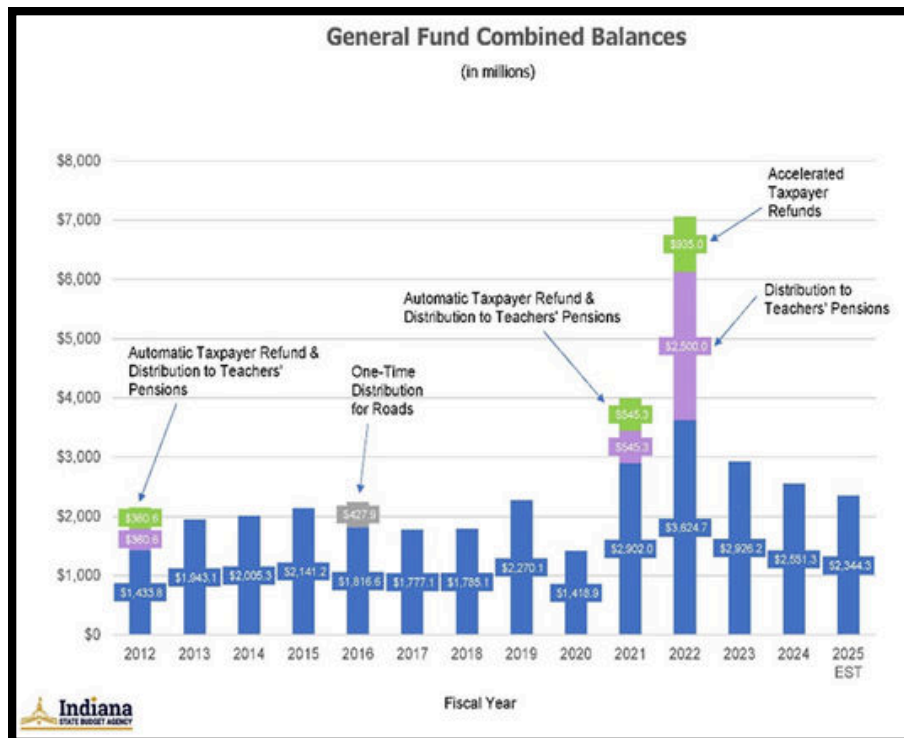
Generally, fiscal leaders believe that an appropriate number of reserves is somewhere between 10% and 15% of a state’s expected revenues. Indiana’s current reserves, leaving the amount of reserves at a responsible level, given current attitudes about reserve sufficiency.



What is Included in the Reserves?

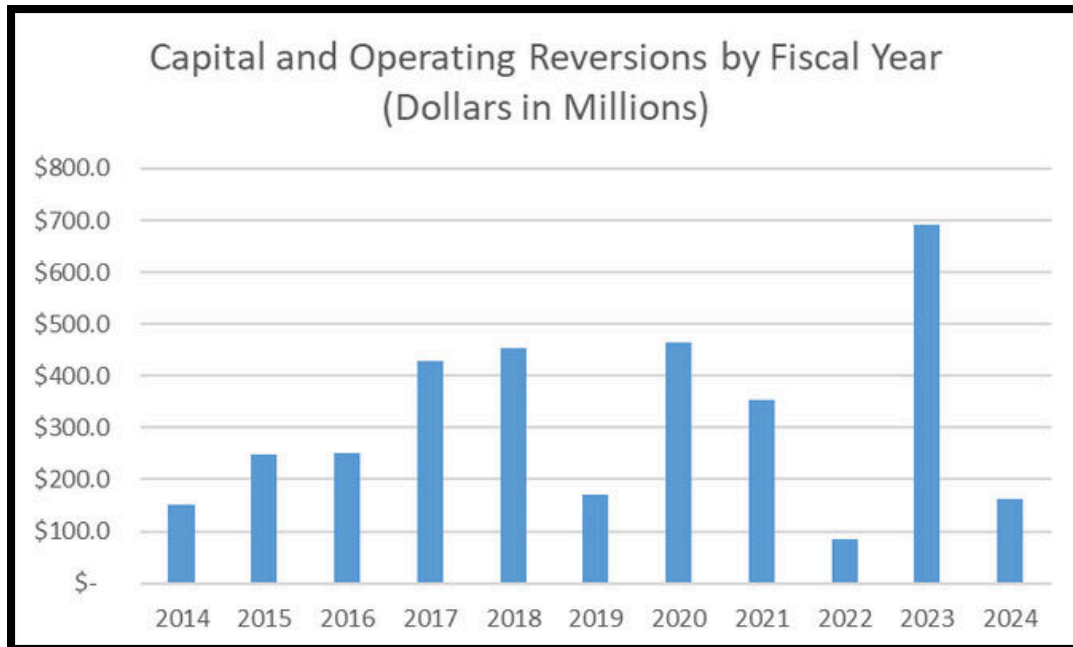
Indiana has several funds that we lump into the larger \$2.5 billion reserves. Here are their balances as of FY 2024 Close-Out:

- General Fund Balance: \$665.1 million
- Medicaid Contingency & Reserve Fund: \$181.0 million
- State Tuition Reserve: \$672.3 million
- Rainy Day Fund: \$1.03 billion



Don't Forget About Reversions

Indiana has a long history of responsible fiscal stewardship and generally ask state agencies to hold back a percentage (often 2%) of their appropriation as a reserve, which reverts at the end of each fiscal year. Sometimes these reversions are used as available cash the following year, if needed by budget leaders. This is a simple snapshot of reversions by fiscal year, to understand the impact that this policy has on the spending power of the State.



Summary

While revenues have flattened since the pandemic and reserves remain strong, state expenses ballooned by 19.4% from the previous year, sustained by persistent inflation and growing Medicaid costs. As policy makers meet during the interim to study state taxation, Medicaid, and road funding, reigning in spending increases will likely be top of mind.