IC 4-10-21
Chapter 21. Business Cycle State Spending Controls

IC 4-10-21-1
"State spending cap" defined

Sec. 1. As used in this chapter, "state spending cap" refers to the state spending cap determined under section 2 of this chapter.
As added by P.L.192-2002(ss), SEC.4.

IC 4-10-21-2
State spending cap formula

Sec. 2. (a) For the state fiscal year beginning July 1, 2003, and ending June 30, 2004, the state spending cap is equal to the result determined under STEP THREE of the following formula:

STEP ONE: Determine the sum of the total of the appropriations made from the state general fund and the property tax replacement fund (including continuing appropriations) for the state fiscal year beginning July 1, 2002, and ending June 30, 2003.

STEP TWO: Subtract from the STEP ONE result two hundred forty-three million dollars ($243,000,000), which is the amount of certain reversions made by state agencies.

STEP THREE: Multiply the STEP TWO result by one and thirty-five thousandths (1.035).

(b) For the state fiscal year beginning July 1, 2004, and ending June 30, 2005, the state spending cap is equal to the product of the result determined under subsection (a) multiplied by one and thirty-five thousandths (1.035).

(c) The state spending cap for a state fiscal year beginning after June 30, 2005, is equal to the product of the state spending growth quotient for the state fiscal year determined under section 3 of this chapter multiplied by the state spending cap for the immediately preceding state fiscal year.

(d) The state spending cap imposed under this section is increased in the initial state fiscal year in which the state receives additional revenue for deposit in the state general fund as a result of the enactment of a law that:

(1) establishes a new tax or fee after June 30, 2002;
(2) increases the rate of a previously enacted tax or fee after June 30, 2002; or
(3) reduces or eliminates an exemption, a deduction, or a credit against a previously enacted tax or fee after June 30, 2002.

The amount of the increase is equal to the average revenue that the budget agency estimates will be raised by the legislative action in the initial two (2) full state fiscal years in which the legislative change is in effect.

(e) The state spending cap imposed under this section is decreased in the initial state fiscal year in which the state is affected by a decrease in revenue deposited in the state general fund as the result of the enactment of a law that:

(1) eliminates a tax or fee after June 30, 2002;
(2) eliminates any part of a tax rate or fee after June 30, 2002; or
(3) establishes or increases an exemption, a deduction, or a credit against a tax or fee after June 30, 2002.

The amount of the decrease is equal to the average revenue that the budget agency estimates will be lost as a result of the legislative action in the initial two (2) full state fiscal years in which the legislative change is in effect.
As added by P.L.192-2002(ss), SEC.4. Amended by P.L.146-2008, SEC.10.

IC 4-10-21-3
State spending growth quotient; calculation by budget agency

Sec. 3. The budget agency shall compute a new state spending growth quotient under this section before December 31 in 2004 and each even-numbered year thereafter. The state spending growth quotient determined under this section applies to each of the state fiscal years in the immediately following biennial budget period. The state spending growth quotient to be used in the biennial budget period is the amount determined under STEP FOUR of the following formula:

STEP ONE: For each of the six (6) calendar years immediately preceding the beginning of the first state fiscal year in a biennial budget period, divide the Indiana nonfarm personal income for the calendar year by the Indiana nonfarm personal income for the calendar year immediately preceding that calendar year.
STEP TWO: Determine the sum of the STEP ONE results.
STEP THREE: Divide the STEP TWO result by six (6).
STEP FOUR: Determine the lesser of the following:
(A) The STEP THREE quotient.
(B) One and six-hundredths (1.06).

As added by P.L.192-2002(ss), SEC.4.

IC 4-10-21-4
Determination of Indiana nonfarm personal income

Sec. 4. For purposes of section 3 of this chapter, Indiana nonfarm personal income is the estimate of total nonfarm personal income for Indiana in a calendar year as computed by the federal Bureau of Economic Analysis before December 31 immediately preceding the beginning of the first state fiscal year in a biennial budget period, using any:
(1) actual data available for the calendar year; and
(2) estimated data for the calendar year whenever actual data is not available.

As added by P.L.192-2002(ss), SEC.4.

IC 4-10-21-5
Prohibition on spending exceeding state spending cap

Sec. 5. (a) The maximum total amount that may be expended in a state fiscal year from the state general fund and the counter-cyclical revenue and economic stabilization fund is the least of the following:

(1) Subject to sections 6 and 7 of this chapter, the state spending cap for the state fiscal year.

(2) The amount appropriated by the general assembly from the state general fund and the counter-cyclical revenue and economic stabilization fund.

(3) The amount of money available in the state general fund and the counter-cyclical revenue and economic stabilization fund to pay expenditures.

(b) Subject to sections 6 and 7 of this chapter, if the state spending cap for the state fiscal year is less than the amount appropriated by the general assembly in the state fiscal year from the state general fund and the counter-cyclical revenue and economic stabilization fund, the budget agency shall reduce the amounts available for expenditure from the state general fund and the counter-cyclical revenue and economic stabilization fund in the state fiscal year by using the procedures in IC 4-13-2-18.

As added by P.L.192-2002(ss), SEC.4. Amended by P.L.146-2008, SEC.11.

IC 4-10-21-6

Exclusions from state spending cap

Sec. 6. The following expenditures that would otherwise be subject to this chapter shall be excluded from all computations and determinations related to a state spending cap:

(1) Expenditures derived from money deposited in the state general fund and the counter-cyclical revenue and economic stabilization fund from any of the following:

(A) Gifts.

(B) Federal funds.

(C) Dedicated funds.

(D) Intergovernmental transfers.

(E) Damage awards.

(F) Property sales.

(2) Expenditures for any of the following:

(A) Transfers of money among the state general fund and the counter-cyclical revenue and economic stabilization fund.

(B) Reserve fund deposits.

(C) Refunds of intergovernmental transfers.

(D) Payment of judgments against the state and settlement payments made to avoid a judgment against the state, other than a judgment or settlement payment for failure to pay a contractual obligation or a personnel expenditure.

(E) Distributions or allocations of state tax revenues to a unit of local government under IC 36-7-13, IC 36-7-26, IC 36-7-27, IC 36-7-31, or IC 36-7-31.3.

(F) Motor vehicle excise tax replacement payments that are derived from amounts transferred to the state general fund from the lottery and gaming surplus account of the build Indiana fund.

(G) Distributions of state tax revenues collected under IC 7.1 that are payable to cities and towns.

As added by P.L.192-2002(ss), SEC.4. Amended by P.L.146-2008, SEC.12.

IC 4-10-21-7

Exemptions by action of general assembly

Sec. 7. (a) An appropriation otherwise subject to the state spending cap limitation imposed by section 5 of this chapter shall be treated as exempt from the state spending cap limitation only if the general assembly specifically exempts the appropriation from the state spending cap in clear and unambiguous language contained in the bill making the appropriation.

(b) The following language shall be treated as meeting the requirements of subsection (a):

"The general assembly waives the state spending cap limitation imposed by IC 4-10-21-5 for the state fiscal year beginning July 1, (insert the applicable year), and ending June 30, (insert the applicable year), for the following appropriation: (insert the language of the appropriation). Notwithstanding IC 4-10-21-5(a)(1), the budget agency may allot appropriations for the appropriation without making any reduction under IC 4-10-21-5(b).".

(c) Language in a bill such as "Notwithstanding IC 4-10-21" or "IC 4-10-21 does not apply to this appropriation" shall not be treated as meeting the requirements of subsection (a). The budget agency may consider the language described in this subsection or other language that does not meet the requirements of subsection (a) only in determining which appropriations to make available for expenditure under section 5(b) of this chapter.

As added by P.L.192-2002(ss), SEC.4.

IC 4-10-21-8

Annual report; budget agency

Sec. 8. Not earlier than December 1 and not later than the first session day of the general assembly after December 31 of each even-numbered year, the budget agency shall submit a report in an electronic format under IC 5-14-6 to the executive director of the legislative services agency that includes at least the following information:

(1) The state spending cap for each of the state fiscal years in the immediately following biennial budget period.

(2) The supporting data and calculations necessary for a person to independently verify the manner in which the state spending caps described in subdivision (1) were determined.

As added by P.L.192-2002(ss), SEC.4. Amended by P.L.28-2004, SEC.34.