

Indiana Political Update May 29, 2009

Revised revenue forecast shows \$1 billion drop

As legislators prepare for the upcoming special session, the Revenue Forecast Technical Committee released on Wednesday a revised forecast that shows Indiana receiving \$1 billion less in revenue than was predicted just one month ago.

To better guide lawmakers as they attempt to craft the state's biennial budget, the State Budget Committee took the unusual step of ordering a new revenue forecast only one month after the April forecast painted a rather optimistic fiscal climate over the next two years. This updated forecast took into consideration additional factors that were not previously examined to more accurately predict future state revenues during these uncertain and volatile economic times. The result was a forecast that showed the state taking in \$444 million less in the current fiscal year, \$331 million less in FY '10, and \$316 million less in FY '11. That adds up to more than \$1 billion less in state revenue over the next two-plus years than was forecast just last month.

Governor Mitch Daniels said that the revised numbers support his contention that the failed budget did indeed spend too much money and would have left Indiana with a budget deficit at the end of the next biennium. Rep. Scott Pelath (D-Michigan City), Vice Chair of the Ways and Means Committee, responded by saying, "Certainly if you do the forecast enough times you end up getting the answer that you want. We've always had a lot of faith in the forecast process, but the administration started undermining the credibility of it. Now we have a revised forecast that seems to be giving them the answers they want, and naturally we're going to wonder about how those answers were arrived at."

Senator Luke Kenley (R-Noblesville), Chair of the Appropriations Committee, tried to put a positive spin on the updated numbers, arguing that lawmakers could flatline the budget and use \$2 million in federal stimulus money to avoid making deep cuts to important programs. Rep. Bill Crawford (D-Indianapolis), Ways and Means Chair, said that the updated numbers needed to be further analyzed for accuracy and suggested that investments in education and infrastructure may outweigh the need to protect the state's surplus at current levels.

The Governor is set to unveil his budget, complete with a school funding formula, to the State Budget Committee next Tuesday, June 2nd. A subcommittee will hold hearings over the next couple of weeks on the Governor's proposal before the entire General Assembly is reconvened for special session, expected to begin around June 15th.

Also of note, Senate President Pro Tempore David Long (R-Fort Wayne) stated yesterday that gambling issues were off-limits during special session, claiming that these issues would only detract from the overriding concern of passing a state budget. He went so far

as to say that the Senate will only consider the budget bill and would kill any other pieces of legislation, and that the Senate would not vote on a budget that includes gaming provisions. Instead he called for a summer study committee to examine any gaming issues and to make recommendations for the 2010 session.

Governor Daniels agreed with Senator Long's comments that gaming and other special interest issues would have to wait, but said that his budget proposal would include a bailout of the Marion County Capital Improvements Board. House Speaker Pat Bauer (D-South Bend) said that eliminating gaming issues from special session would make life easier, but he did not know if it was possible. He also said that if issues such as the CIB bailout were included in the budget, it is hard to argue that other economic issues like gaming should be left out.

Campaign update

The list of challengers to incumbent U.S. Representative Dan Burton in next year's CD 05 Republican primary grew this week when State Rep. Mike Murphy formally announced his intentions to run for the seat. Rep. Murphy joins '08 challenger John McGoff, former state representative and former GOP State Chair Luke Messer, and Brose McVey in the race.

Hammond Mayor Tom McDermott (D) said this week that he is not announcing his intention to run for Governor in 2012 but he is "looking into it". He joins Evansville Mayor Jonathan Weinzapfel (D) and Lake County Sheriff Roy Dominguez (D) as potential candidates.

Finally, though he continues to proclaim that this will be his final elected office, Governor Daniels continues to receive attention from the national media. This week the Governor finds himself on the cover of *National Review* with the headline "Governor Mitch Daniels- Indiana's exemplary conservative reformer." The Governor is also giving the national GOP radio address this weekend, discussing energy issues and the federal cap and trade proposal (this comes on the heels of his appearance at a forum in Indianapolis this week with GOP Congressional leaders, including Rep. Mike Pence (R-IN) and his column in the Wall Street Journal last week on the same issue).