

## Indiana

From 2002 to 2008, Indiana's spending increased the most in the debt service (143%), welfare (57%), and parks and recreation (51%) categories. The increase in debt service spending was the fourth-highest in the nation in terms of percentage. The spending categories that saw the least growth were corrections (+6%), natural resources (+3%), administration (-17%), and hospitals (-26%). The decline in administration spending was the second-greatest in the nation. The state's overall general spending increase of 38% put it slightly above the state average, ranking 21<sup>st</sup>-highest, and its 46% increase in direct spending, over which the legislature has the most control, was 10<sup>th</sup>-highest. One per-capita basis, Indiana ranked 25<sup>th</sup> or lower in all 12 spending categories in 2008.

Indiana's total overall revenue growth of 45% ranked 25<sup>th</sup> for the period, and its total tax revenue growth of 46% ranked 22<sup>nd</sup>. While most states saw the greatest increase in tax revenues in the corporate income tax category, Indiana's corporate income tax revenue grew only 28% (42<sup>nd</sup>-highest), while its general sales tax revenue increased 51% (sixth).

<b>Spending</b> (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	640,711	38	676,633	45	-7	6%	48
Education	7,930,896	34	10,616,678	36	-2	34%	37
Government Administration	767,851	33	638,989	46	-13	-17%	49
Health	557,640	44	627,263	46	-2	12%	37
Highways	1,569,976	41	1,996,582	39	+2	27%	20
Hospitals	268,447	42	198,120	46	-4	-26%	47
Interest on Debt	397,443	40	967,653	25	+15	143%	4
Natural Resources	285,590	37	293,931	42	-5	3%	42
Parks and Recreation	47,645	45	71,753	42	+3	51%	20
Police Protection	200,006	29	254,012	30	-1	27%	26
Public Welfare	5,124,522	34	8,034,079	27	+7	57%	15
Salaries and Wages	3,125,020	43	3,742,390	45	-2	20%	37
Direct Expenditures	14,027,938	46	20,448,300	35	+11	46%	10
General Expenditures	20,584,712	41	28,417,734	39	+2	38%	21
Total Expenditures	22,205,168	45	30,783,257	40	+5	39%	21

<b>Taxes</b> (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax <sup>1</sup>	3,540,819	30	4,837,524	33	-3	37%	33
General Sales Tax <sup>2</sup>	3,798,490	24	5,738,829	14	+10	51%	6
Corporate Income Tax <sup>3</sup>	709,412	10	909,494	22	-12	28%	42
Total Taxes	10,200,590	35	14,916,295	33	+2	46%	22
Total Revenue	20,116,042	41	29,114,836	38	+3	45%	25

<sup>1</sup> Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

<sup>2</sup> General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

<sup>3</sup> Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

**Comparison to Baseline Growth**

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and Indiana’s population increased by 4%. This yields a “baseline” growth of 24% for the period. The figure below compares the difference in Indiana’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

