

**A COMPARISON OF THE AMOUNT
(AND PERCENTAGE) OF EXPENDITURES/DISTRIBUTIONS
BY THE STATE OF INDIANA IN NORTHEAST INDIANA
TO THE AMOUNT (AND PERCENTAGE) OF PAYMENTS
FROM NORTHEAST INDIANA TO THE STATE
FOR THE YEARS 1994—1996**

by

Thomas L. Guthrie, Ph.D.
George W.M. Bullion, Ph.D.
William G. Ludwin, D.P.A.
and Valerie A. Richardson, M.B.A.

of the

Community Research Institute
Indiana University Purdue University at Fort Wayne

October 1998

TABLE OF CONTENTS

INTRODUCTION	1
STATE GOVERNMENT REVENUE ANALYSIS	1
Overview	1
Sources of Revenue Generated Directly by the State.....	2
Amount and Percent of Direct State Revenue from Northeast Indiana	3
Federal Revenue	4
Population	4
STATE GOVERNMENT OPERATING EXPENDITURE ANALYSIS.....	6
Overview	6
Education	7
Overview	7
Analysis.....	7
K-12 Education	7
Scope of Analysis.....	9
Higher Education.....	9
Scope of Analysis.....	14
Health & Human Services.....	15
Overview	15
Analysis.....	15
Scope of Analysis.....	17
Transportation.....	17
Overview	17
Analysis.....	17
Scope of Analysis.....	19
Economic Development	19
Overview	19
Analysis.....	20
Scope of Analysis.....	21
Infrastructure Development: Build Indiana Fund—local projects	21
Miscellaneous	23
Overview	23
Analysis.....	23
SUMMARY & DISCUSSION	25
Summary	25
Discussion of Shortfall.....	26
Education	26
Health & Human Services.....	26
Remaining Shortfall	26
Reasons for the Shortfall.....	27
“Formula” Funds	27
“Discretionary” Funds.....	27
Appendix A. Detailed Revenue Data.....	27
Appendix B. Detailed K-12 School Data by Individual School District	27
Appendix C. Methodology for Analyzing Higher Education Data	27
Appendix D. Detailed Higher Education Data.....	27
Appendix E. Detailed Transportation Expenditure Data.....	27

PREFACE

Without the contributions of numerous individuals, this report would not have been possible. Foremost are those agencies/individuals in State government who provided much of the data upon which this report is based. Despite the risk of omitting some, the authors do want to recognize specific agencies/individuals:

Auditor (of State)

Dan Bastin, Deputy Auditor

Commerce Department

Susan Borries, Community Planning Specialist, Community Development Services

Cheryl DeVol, Energy Policy Division

Leslie Richardson, Deputy Director, Research

Education (Department of)

Patty S. Bond, Director of Division of School Finance and Educational Information

Laura J. Taylor, Education Consultant

Family and Social Services Administration

David Webster, Reports and Statistics, Division of Family and Children

Higher Education (Commission for)

Robert W. Ruble, Associate Commissioner for Facilities and Financial Affairs

Jeff Weber, Manager of Information and Research

Legislative Services Agency

Bernadette Bartlett, Senior Budget Analyst, Office of Fiscal and Management Analysis

James D. Mundt, Director, Office of Fiscal and Management Analysis

Lottery (Hoosier)

Diane Balk, Researcher/Editor

Motor Vehicles (Department of)

Jane Morrill

Transportation (Department of)

Christopher Kubik, Economist, Policy and Budget Division

Richard C. Whitney, Chief, Division of Policy and Budget

Obviously, the results and views expressed in this report are those of the authors and do not reflect the position of any state agency/employee.

Thomas L. Guthrie, Director
Community Research Institute

INTRODUCTION

Northeast Indiana (NEI) residents and businesses are required to pay a variety of taxes and permit, license, and other fees to the State.¹ NEI residents and businesses also pay indirectly to the State when they pay federal taxes and fees, portions of which are transferred to the State.

In turn, the State spends directly for various products (e.g., state highways) and services (e.g., K-12 education) for the benefit of residents and businesses located in NEI. Additionally, the State distributes funds directly (e.g., training funds to businesses) and indirectly (through governmental subdivisions and agencies) for the benefit of residents and businesses located in NEI.

This report contains an estimate of the dollar (and percentage) payments NEI residents and businesses make to the State coffer, and the dollar (and percentage) expenditures/distributions the State makes to benefit directly NEI residents and businesses. Four major expenditure categories are analyzed: health and human services, education, transportation, and economic development. Also, the Build Indiana Fund and a group of miscellaneous distributions are analyzed.

Three years—1994, 1995, and 1996—are analyzed.² Extending the analysis to three years gives a more accurate view by minimizing distortions caused by atypical payments or expenditures/distributions. Also, it allows additional opportunities for checking the accuracy and consistency of reported data.

STATE GOVERNMENT REVENUE ANALYSIS

Overview

In fiscal year 1996, total state revenue was \$13.494 billion.³

FY 1996 Total State Revenue (in \$ bil.)

State taxes*	\$8.446	62.6%
Other state revenue**	1.670	12.4%
Federal transfers***	3.378	25.0%
TOTAL	\$13.494	100.0%

*The major sales taxes are the (5%) sales tax, the individual income tax, corporate income taxes, and the motor fuels tax.

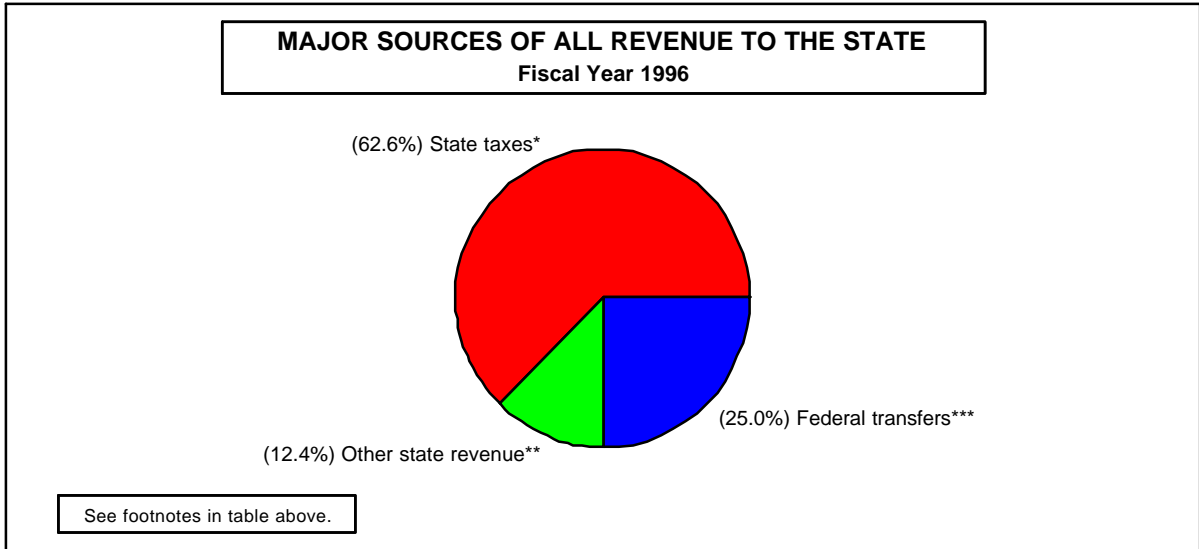
**Examples of “other” include permits, vehicle and other license fees, lottery “profits,” and individual support payments.

*** This is 1997 federal transfers figure from the *Indiana Handbook of Taxes, Revenues and Appropriations*. Figure shown (\$1.646) for 1996 in the *Handbook* obviously is in error. It did not include public welfare transfers.

¹ Northeast Indiana includes Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wells, and Whitley counties.

² In most cases, the state fiscal year—July 1 to June 30—is applicable; however, in some cases relevant data were available only on a calendar year basis and/or for other time periods. Exceptions are noted.

³ Throughout the report, 1996 was chosen for illustrative purposes because it was the most recent year included in the study. With respect to sources of revenue, there were no material differences between 1996 and the other two years included in the study—1994 and 1995.



Sources of Revenue Generated Directly by the State

As shown above, the State generated \$10.116 billion (75.0%) of its revenue in fiscal year 1996. The major sources--\$8.446 billion in taxes and \$1.670 billion in other revenue--breakdown as follows:

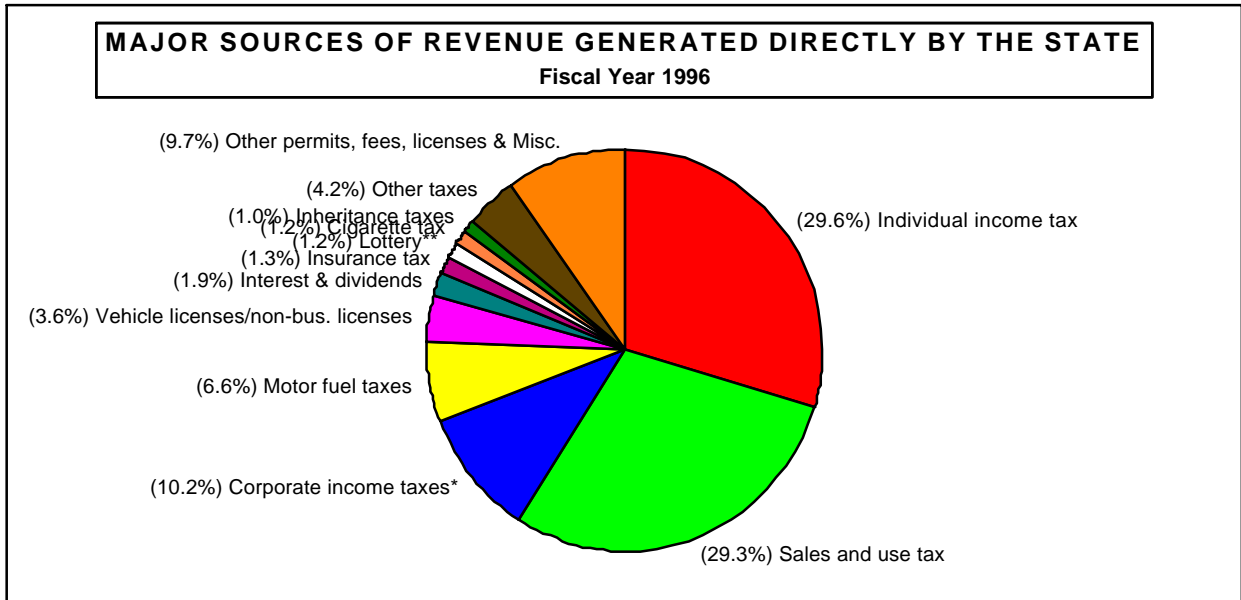
Fiscal 1996 Revenue Generated Directly By the State (In \$ Mil)

Individual income tax	\$2,996.3	29.6%
Sales and use tax	2,966.2	29.3%
Corporate income taxes*	1,033.7	10.2%
Motor fuel taxes	664.4	6.6%
Vehicle licenses/non-bus. licenses	365.8	3.6%
Interest & dividends	196.3	1.9%
Insurance tax	135.1	1.3%
Lottery**	124.5	1.2%
Cigarette tax	123.7	1.2%
Inheritance taxes	98.2	1.0%
Other taxes	428.7	4.2%
Other permits, fees, licenses & Misc.	983.1	9.7%
TOTAL	\$10,116.0	100.0%

* Includes corporate gross income tax, corporate adjusted gross income tax, corporate supplemental net income tax, and financial institutions' tax.

** This is the amount that was remitted to the state treasury, not the gross sales. It is the amount remaining after winnings, advertising, and administration were paid.

Also, it does not include \$30 million transferred to the Indiana State Teachers' Retirement Fund and \$10 million transferred to the Pension Relief Fund in 1996.



As shown above, taxes are the major source of revenue generated directly by the State. The (5%) sales and use tax and the individual income tax combined generated 58.9 percent of all revenue in fiscal 1996. Four corporate income taxes provided an additional 10.2 percent.⁴ Motor fuel taxes provided an additional 6.6 percent. In summary, these four sources provided slightly more than three of every four dollars of revenue generated directly by the State.

Amount and Percent of Direct State Revenue from Northeast Indiana

Payment by county was ascertained/estimated for all four major tax sources of direct state revenue and eight other revenue sources:

- (5%) General sales and use tax
- Individual income tax
- Corporate income taxes—gross income, adjusted gross income, supplemental net income, and financial institutions)⁵
- Motor fuel taxes⁶
- Vehicle registration and title fees
- Department of Natural Resources (DNR) licenses
- Alcoholic Beverage Commission (ABC) taxes
- Charity Gaming licenses—e.g., bingo, raffles, and tip boards
- Inheritance tax
- Property tax⁷
- Lottery Commission

⁴ Gross income, adjusted gross income, supplemental net income, and financial institutions' taxes.

⁵ Corporate income tax payments data by county were not available; therefore, the various corporate income taxes paid were distributed among counties according to the total payroll generated by each county for the comparable time period. The assumption is that payroll by county and corporate income (which is the item taxed) by county are highly correlated.

⁶ See "Estimates of Indiana Motor Fuel Tax Revenues by County for 1997," Legislative Services Agency, Office of Fiscal and Management Analysis, Indianapolis, IN, February 1998.

⁷ There is a one cent per \$100 assessed valuation State property tax.

Hazardous waste land disposal tax

These twelve revenue sources accounted for 80.4 percent of the revenue generated directly by the State in 1996.⁸

The twelve sources were used to estimate the amount and percent of state revenues derived from NEI residents and businesses. (See Appendix A.) Summary results are shown in Table 1. For the three years analyzed, NEI residents and businesses paid an estimated average of 9.95 percent of revenue generated directly by the State from the 12 revenue sources. This equated to an estimated average annual state-tax bill (for the three years analyzed) of \$770.2 million for NEI residents and businesses for the twelve revenue sources analyzed.

Federal Revenue

In 1996, twenty-five percent of the State's revenue came from the federal government. For analysis purposes, it was assumed that the portion of federal revenues contributed indirectly by NEI residents and businesses to the State was the same percentage (9.95%) as their direct revenue contribution.

Population

Without the benefit of the direct analysis of revenue sources, one may be inclined to use population as a proxy of the percentage revenue contribution to the State's coffer of different geographical areas in the State. Accordingly, note that the nine counties in NEI contained 9.84 percent of Indiana's population according to estimates for 1996.

<u>Area</u>	<u>1996 Population Estimate*</u>	<u>Percent of State</u>
Adams	32,686	0.56%
Allen	310,803	5.32%
DeKalb	38,272	0.66%
Huntington	37,024	0.63%
LaGrange	32,103	0.55%
Noble	41,449	0.71%
Steuben	30,831	0.53%
Wells	26,651	0.46%
Whitley	25,081	0.43%
Northeast IN	574,900	9.84%
Indiana	5,840,528	100.00%

- U.S. Bureau of the Census

⁸ Note that a breakdown by county of some revenue sources is not possible (e.g., interest and dividends); therefore, the portion of "allocable" revenue analyzed is greater than 80.4 percent.

TABLE 1. AVERAGE FISCAL YEAR 1994-1996 INDIANA STATE GOVERNMENT REVENUE BY SOURCE BY NORTHEAST INDIANA COUNTY AND TOTAL

SOURCE	COUNTY										TOTAL NEI	STATE	% STATE
	ADAMS	ALLEN	DEKALB	HTON	LAGRANGE	NORLE	STELUBEN	WELLS	WHITLEY				
General Sales	10,743,002	182,766,585	14,579,815	10,805,869	10,868,452	10,194,258	13,917,611	6,789,775	9,831,348	270,266,535	2,829,723,499	9.55%	
Individual Income	13,088,742	164,946,190	17,364,333	15,645,504	12,215,933	17,996,695	13,854,171	11,949,154	13,588,953	280,670,675	2,758,634,636	40.17%	
Corporation Income (2)	2,325,448	38,117,465	3,824,781	2,875,525	2,214,723	3,649,342	2,837,893	1,869,027	2,156,570	59,870,773	538,787,808	11.11%	
Gross Income	1,134,412	18,614,494	1,893,448	1,407,679	1,083,454	1,793,027	1,385,709	916,308	1,054,480	29,273,010	263,397,696	11.11%	
Supplemental Net Income	385,988	6,329,757	643,017	478,814	366,049	611,454	471,692	312,310	359,689	9,959,579	89,628,855	11.11%	
Adjusted Gross Income	475,582	7,794,916	785,940	588,568	451,980	748,687	580,880	383,178	441,996	12,251,718	110,260,510	11.11%	
Financial Institutions													
Selective Sales	3,165,000	30,200,667	4,578,000	4,256,667	3,498,000	4,648,000	5,896,000	2,624,667	3,627,333	62,295,333	648,215,422	9.61%	
Motor Fuels (3)		1,507,171								1,507,171	2,647,885	56.82%	
Hazardous Waste													
Miscellaneous General Revenue													
Licenses:													
Motor Vehicle	920,969	9,045,770	1,278,150	1,169,327	1,039,020	1,266,470	1,093,074	901,578	953,445	17,667,202	183,114,120	9.65%	
DNR	68,717	417,357	109,976	162,790	148,940	208,035	272,283	63,600	131,172	1,603,670	13,873,278	11.56%	
ABC (4)	12,912	248,892	20,110	22,643	12,911	25,037	34,524	9,463	16,227	402,719	3,983,107	10.11%	
Charity Gaming	2,242	147,725	10,287	15,292	208	16,833	61,033	767	2,942	257,308	3,152,418	8.18%	
Inheritance	510,533	4,731,362	480,746	512,738	976,712	338,250	407,447	417,032	539,814	8,914,654	108,869,002	8.19%	
Property (5)	24,709	263,256	29,484	25,726	24,563	29,655	32,494	20,286	22,774	472,947	4,458,056	10.61%	
Lottery Commission	683,119	8,187,563	1,044,636	944,977	663,184	801,381	1,160,813	449,629	686,649	14,722,149	178,787,439	8.23%	
REVENUE - AVG 1994-96	33,560,784	473,319,189	46,652,703	38,911,928	33,354,929	42,429,324	41,805,423	26,706,773	33,414,592	770,155,644	7,737,533,532	9.95%	

1) County specific data provided by Legislative Services Agency except where otherwise noted. Special thanks to Bernadette Barlett, Senior Budget Analyst, and James D. Mural, Director, Office of Fiscal and Management Analysis, Legislative Services Agency.
 2) Estimated as a percent of July 1994-June 1997 county payroll to classified state payroll.
 3) Estimated by Legislative Services Agency, Office of Fiscal and Management Analysis Reference Agency Research Report titled "Estimate of Indiana Motor Fuel Tax Revenues by County for 1997" February 1998.
 4) Permit fees
 5) One percent tax rate per each \$100 assessed valuation in each county. Amounts calculated from assessed values reported in the Indiana Handbook of Taxes, Revenues, and Appropriations.

STATE GOVERNMENT OPERATING EXPENDITURE ANALYSIS

Overview

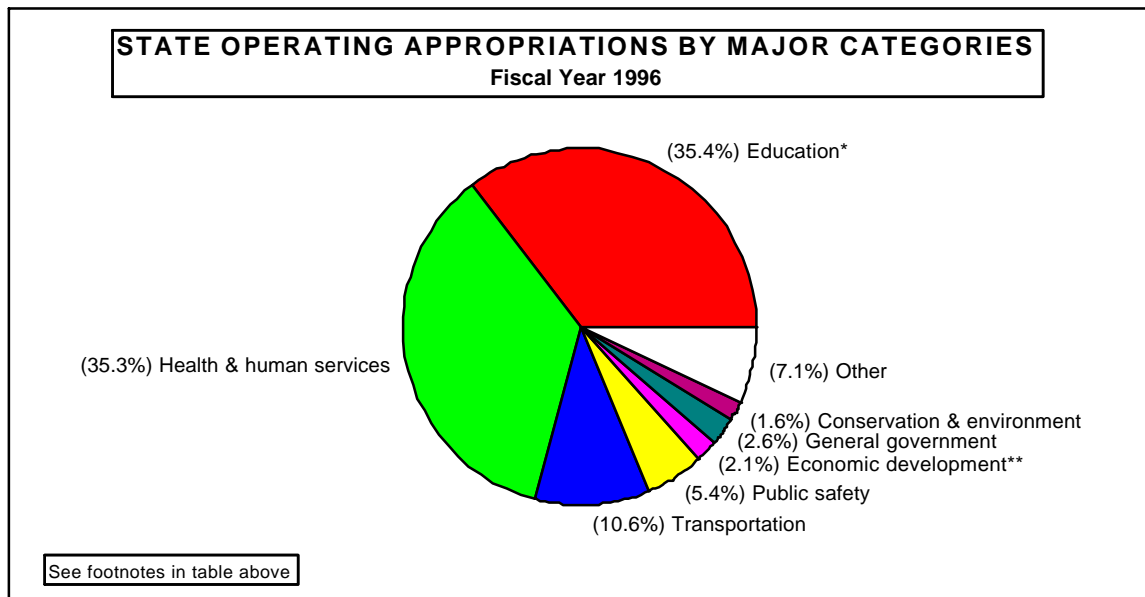
In fiscal year 1996, the total state operating appropriation—after two adjustments—was \$11.7 billion.⁹

Fiscal 1996 State Appropriations (in \$ million)

Education*	\$4,143.1	35.4%
Health & human services	4,136.2	35.3%
Transportation	1,239.4	10.6%
Public safety	626.8	5.4%
Economic development**	243.6	2.1%
General government	300.3	2.6%
Conservation & environment	184.9	1.6%
Other	827.7	7.1%
TOTAL	\$11,701.9	100.0%

* \$4,408.7 minus a special allocation of \$265.6 to the teacher pension fund.

** \$549.8 minus \$306.2 for unemployment compensation. Unemployment compensation is really an income maintenance program, not an economic development program. More importantly, it is self-financed by employers and the revenues are not part of the revenue analysis above.



In 1996, more than four of every five dollars (81.3% of appropriations) were in three categories: education (35.4%), health and human services (35.3%), and transportation (10.6%).

⁹ Throughout the report, 1996 was chosen for illustrative purposes because it was the most recent year included in the study. With respect to appropriations, there are no material differences between 1996 and the other two years included in the study—1994 and 1995.

Education

Overview

Fiscal 1996 education appropriations are shown below. Approximately three of every four dollars (75%) expended for education go to K-12 education, and the remaining dollar (25%) goes to higher education. "Other education" includes the Indiana State Library, the Indiana Arts Commission, and the Historical Bureau.

Fiscal 1996 State Operating Appropriations **For the Three Major Areas in Education (in \$ million)**

K-12 education*	\$3,024.0	73.0%
Higher education	1,101.7	26.6%
Other education	17.4	0.4%
TOTAL	\$4,143.1	100.0%

*Excludes a \$265.6 million payment to the teacher pension fund.

Analysis

K-12 Education

Essentially all of the funds appropriated to K-12 education get allocated to the numerous local school districts. The funds get distributed through numerous "programs." Table 2 shows average annual expenditures (as contrasted with appropriations) by program by NEI county for the three years analyzed. (Appendix B contains detailed annual data by individual school district.)

NEI schools received an average of 9.17 percent of K-12 education expenditures analyzed. This equated to an average annual expenditure of \$253.8 million.¹⁰

For the three years analyzed, NEI school districts needed an additional \$21.584 million annually to equal the percentage of revenues (9.95%) that NEI residents and businesses pay to the State.

A simplistic assumption of school funding by geographical area is that it is the same as enrollment by geographical area. Based on this assumption, NEI fared even worse in funding. NEI schools had 10.30 percent of the enrollments during the three years studied:

School Year*	NEI	State	Pct
93-94	99,418	964,462	10.31%
94-95	99,686	968,357	10.29%
95-96	100,662	976,585	10.31%
AVERAGE	99,922	969,801	10.30%

* Enrollments are determined as of September of each "school year."

Source: Indiana Department of Education

¹⁰ Both the expenditures and enrollments shown above include all of Whitko School Corporation. Approximately 60 percent of Whitko's students are from Kosciusko County rather than Whitley County. Kosciusko County is not part of NEI as defined herein.

TABLE 2. PRIMARY/SECONDARY AVERAGE EDUCATION EXPENDITURES IN NORTHEAST INDIANA BY STATE GOVERNMENT
 AVERAGE OF 1994-96 FY, IN THOUSAND DOLLARS

EXPENDITURE TYPE	COUNTY											TOTAL STATE	NEI %
	Adams	Allen	DeKalb	H'ton	Lagrange	Noble	Steuben	Wells	Whitley	TOTAL NEI	TOTAL STATE		
Basic Grant	11,652	100,478	16,170	16,220	13,597	18,638	9,122	12,298	18,345	216,520	2,323,356	9.32%	
Common School	241	46	69	22	2	111	256	447	352	1,546	32,945	4.69%	
Summer School	111	1,128	62	111	58	121	18	63	121	1,793	14,667	12.22%	
Adult/Evening	12	566	0	12	0	0	0	6	0	597	10,064	5.93%	
Transportation	191	1,084	196	502	241	349	52	380	520	3,515	38,569	9.11%	
Vocational	2	18	0	0	23	0	2	6	1	51	2,665	1.91%	
Transfer Tuition	0	0	0	0	5	0	20	3	0	28	1,708	1.63%	
Prime Time	359	4,552	437	250	719	889	685	418	705	9,014	79,993	11.27%	
ADA Flat Grant	191	1,728	158	245	224	276	172	190	252	3,435	34,500	9.96%	
Gifted & Talented	45	139	49	63	34	42	40	45	49	506	5,189	9.76%	
Lunch (not Fed)	34	250	49	43	270	77	78	42	50	893	7,809	11.43%	
Textbook Reimbursement	20	360	18	32	20	35	21	16	18	539	8,411	6.41%	
Vets Memorial	0	0	0	0	0	0	0	0	0	0	982	0.00%	
PL 874 & 815	0	0	0	0	0	0	0	0	0	0	1,478	0.00%	
Other	103	1,950	11	232	139	210	177	15	35	2,872	11,281	25.46%	
Vocational (Fed)	177	21	10	0	14	28	11	18	6	285	6,425	4.43%	
Desegregation	0	1,225	0	0	0	0	0	0	0	1,225	45,685	2.68%	
PL 94-142	0	1,634	818	364	0	0	10	0	0	2,826	50,397	5.61%	
PL 94-313	0	79	19	8	0	0	0	0	0	105	1,730	6.10%	
PL 99-457	0	240	103	77	0	0	0	0	0	420	6,487	6.47%	
Adult Ed	48	125	92	166	2	0	0	2	6	441	6,595	6.68%	
Job Training	57	10	0	50	5	2	0	0	22	146	1,687	8.64%	
School Lunch (Fed)	279	4,372	403	372	264	453	270	262	400	7,076	74,493	9.50%	
AVERAGE, 1994-96	13,520	120,008	18,663	18,768	15,616	21,230	10,932	14,213	20,883	253,834	2,767,116	9.17%	

NEI schools needed an additional \$31.268 million annually in allocations to equal the percentage of students enrolled in NEI schools.

The major funding programs are “formula driven”; therefore, the rationale for the shortfall of funding in NEI lies in the “formulas.” This report includes no analysis of the “formulas.”

Scope of Analysis

The \$2,892 million of 1996 allocable expenditures analyzed constituted 95.6 percent of the total appropriation for K-12 education in 1996.¹¹ There were no material differences between 1996 and the other two years included in the study.

Higher Education

Essentially all of the funds appropriated to higher education go to the 16 public institutions located throughout the State. The Indiana University (IU) and Purdue University (PU) regional campuses are funded separately; therefore, they are considered to be separate institutions for purposes of analysis.¹² Also, Ivy Tech is considered to be one institution although it has numerous “campuses.”

The Commission for Higher Education makes appropriation recommendations for each of the 16 institutions. The recommendations are primarily “formula driven.”

Based on detailed expenditure and enrollment data provided by the Commission for Higher Education, average per student state subsidies for both full-time and part-time students were determined for each institution for each of the three fiscal years analyzed.¹³ (The methodology is explained in Appendix C and the results are shown in Appendix D.) Table 3 shows a breakout of average full-time and part-time enrollments by institution by NEI county, and Table 4 shows the average portion of each institution’s state appropriation going to students from NEI.

For the three fiscal years analyzed, students from NEI received an annual average of 7.81 percent of the allocable expenditures going to higher education; however, 9.38 percent of all enrollments were from NEI.

Students from NEI needed an additional \$18.134 million annually in state subsidies to equal the percentage of revenues (9.95%) that NEI residents and businesses pay to the State. They would have needed an additional \$12.623 million annually in subsidies to equal the percentage of enrolled students from NEI (9.38%).

The primary reason that students from NEI receive less subsidy than other students is that the overwhelming majority of them attend IPFW, and IPFW is under-funded relative to most other institutions. For example, in 1995-1996 IPFW ranked 12th out of the 16 institutions:

¹¹ It should be noted that appropriations are for fiscal years and the data analyzed were for calendar years; therefore the actual percentage of the appropriation analyzed probably differs slightly.

¹² Although the campuses are funded separately, the funding requests of the “regional” campuses are “funneled” through the two “main” campuses.

¹³ State policy is to have out-of-state students pay the “full cost” of their education (at whatever campus they attend); therefore, out-of-state students can be removed from the analysis. They are not subsidized by the State.

TABLE 3. AVERAGE ANNUAL NUMBER OF STUDENTS ATTENDING INDIANA POST SECONDARY INSTITUTIONS, FY 1994-95

	Adams		Allen		DeKalb		Hton		Lagrange		TOTAL			
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT				
BALL STATE	96	51	147	394	1,078	101	33	134	103	74	177	47	17	64
SOUTHERN IN	0	0	0	4	7	0	1	1	1	0	2	2	0	3
IU-BLOOMINGTON	49	22	71	947	1,352	101	29	130	85	31	116	28	12	41
IU-EAST	0	0	1	0	1	0	0	0	0	0	0	0	0	0
IUPU-FORT WAYNE	160	335	495	2,617	9,920	195	570	765	137	419	556	39	98	137
IUPUI	9	4	13	107	196	8	6	14	11	11	22	3	4	6
IU KOKOMO	0	0	0	0	3	0	0	0	0	1	1	0	0	0
IU-NORTHWEST	0	0	0	0	2	0	0	0	0	0	0	0	0	0
IU-SOUTH BEND	0	1	1	0	13	1	2	3	0	2	2	7	25	32
IU-SOUTHEAST	0	0	0	0	2	0	1	1	0	0	0	0	0	0
PU-WEST LAFAYETTE	77	18	95	824	1,091	107	51	158	124	35	159	50	15	66
PU-NORTH CENTRAL	0	0	0	1	2	0	0	0	0	0.3	1	0	0	0
PU-CALUMET	0	1	1	1	3	0	0	0	0	0	0	0	0	0
VINCENNES	17	6	23	74	133	9	7	16	14	15	29	4	3	7
INDIANA STATE	12	6	18	77	138	10	6	16	9	4	13	14	6	20
IVTC-TOTAL	31	187.78	219	410	3,332	28	352	380	40	489	529	6	78	84
TOTAL	453	632	1,085	5,746	11,526	17,272	560	1,618	523	1,084	1,607	201	259	460

Table continued on following page

TABLE 3, Continued

	Noble			Steuben			Wells			Whitley		
	FT	PT	TOTAL	FT	PT	TOTAL	FT	PT	TOTAL	FT	PT	TOTAL
BALL STATE	95	38	133	52	29	81	70	54	124	58	25	83
SOUTHERN IN	0	0	0	0	0	0	0	0	0	0	0	0
IU-BLOOMINGTON	79	32	110	76	26	102	37	16	53	51	27	78
IU-EAST	0	0	0	0	0	0	0	0	0	0	0	0
IUPU-FORT WAYNE	117	336	453	75	226	300	118	237	355	150	404	554
IUPUI	8	4	12	9	4	13	8	6	14	7	3	10
IU KOKOMO	0	0	0	0	0	0	0	0	0	0	0	0
IU-NORTHWEST	0	0	0	0	0	0	0	0	0	0	0	0
IU-SOUTH BEND	2	12	14	2	6	9	0	0	0	0	4	5
IU-SOUTHEAST	0	0	0	0	0	0	0	0	0	0	0	1
PU-WEST LAFAYETTE	79	28	107	63	20	83	66	20	87	62	25	87
PU-NORTH CENTRAL	0	0	0	0	0	0	0	0	0	0	0	0
PU-CALUMET	0	0	0	0	0	0	0	0	0	0	0	0
VINCENNES	16	6	22	13	7	20	13	6	19	11	11	22
INDIANA STATE	13	5	18	11	10	21	16	5	21	9	8	17
IVTC-TOTAL	25	290	316	16	188	204	22	153	176	31	327	358
TOTAL	433	753	1,186	318	516	834	351	499	850	381	836	1,217

Table continued on following page

TABLE 3, Continued

	NEI			STATE			%NEI
	FT	PT	TOTAL	FT	PT	TOTAL	
BALL STATE	1,307	716	2,024	13,337	9,659	22,996	8.80%
SOUTHERN IN	8	5	13	3,317	5,267	8,584	0.15%
IU-BLOOMINGTON	1,454	600	2,054	18,440	10,865	29,305	7.01%
IU-EAST	0	2	2	747	2,405	3,152	0.06%
IUPU-FORT WAYNE	3,606	9,929	13,535	3,866	10,721	14,587	92.79%
IUPUI	169	132	301	10,211	24,763	34,974	0.86%
IU KOKOMO	0	4	4	835	3,987	4,822	0.09%
IU-NORTHWEST	0	0	0	2,233	5,206	7,439	0.00%
IU-SOUTH BEND	12	66	78	2,171	8,233	10,404	0.75%
IU-SOUTHEAST	0	4	5	2,081	5,057	7,138	0.06%
PU-WEST LAFAYETTE	1,451	479	1,930	17,666	10,105	27,771	6.95%
PU-NORTH CENTRAL	1	1	3	984	3,512	4,496	0.06%
PU-CALUMET	1	3	4	3,180	8,057	11,237	0.04%
VINCENNES	171	120	291	4,549	7,383	11,932	2.44%
INDIANA STATE	173	110	283	6,588	6,694	13,282	2.13%
IVTC-TOTAL	61	4,882	4,943	7,259	52,187	59,446	8.31%
TOTAL	8,415	17,054	25,469	97,465	174,100	271,565	9.38%

TABLE 4. AVERAGE ANNUAL STATE EXPENDITURE FOR NEI COUNTIES' HIGHER ED STUDENTS, Average of FY 1994-96

	Adams	Allen	DeKalb	Hton	Lagrange	Noble	Steuben	Wells	Whitley	NEI	STATE APPR.	%NEI
BALL STATE	675,779	4,849,612	671,016	757,420	313,637	645,543	367,518	523,989	398,255	9,202,768	98,260,558	9.37%
SOUTHERN IN	0	14,735	1,929	5,088	8,617	0	0	1,176	1,178	32,718	17,640,999	0.19%
IU-BLOOMINGTON	387,343	7,392,884	764,369	651,321	221,957	609,686	583,249	290,234	409,765	11,310,807	148,805,780	7.60%
IU-EAST	1,482	1,076	0	359	0	0	0	0	0	2,917	5,104,314	0.06%
IUPUI-FORT WAYNE	854,759	15,901,833	1,211,561	871,442	225,357	721,430	471,941	619,925	897,498	21,775,746	23,421,753	92.97%
IUPUI	80,756	1,055,430	78,122	109,993	29,590	70,903	80,754	78,121	61,795	1,645,464	137,676,513	1.20%
IU KOKOMO	391	4,501	0	1,174	0	0	0	0	391	6,457	8,116,426	0.08%
IU-NORTHWEST	0	2,023	0	0	0	0	405	0	0	4,067	14,518,734	0.03%
IU-SOUTH BEND	2,970	14,631	6,909	1,943	70,707	23,590	22,399	324	6,531	150,003	23,099,409	0.63%
IU-SOUTHEAST	359	2,158	719	358	0	0	359	0	1,513	4,675	11,773,710	0.04%
PU-WEST LAFAYETTE	554,658	6,062,060	819,796	900,852	368,688	584,031	460,222	486,136	465,556	10,702,090	139,231,423	7.69%
PU-NORTH CENTRAL	0	998	0	333	0	0	0	0	0	1,330	6,400,757	0.02%
PU-CALUMET	759	5,148	0	0	0	380	0	0	380	6,667	19,504,575	0.03%
VINCENNES	70,387	338,200	42,267	66,533	19,378	66,918	56,180	54,877	52,501	767,242	24,439,928	3.14%
INDIANA STATE	104,500	710,426	87,823	78,452	119,440	105,527	106,545	131,142	84,739	1,528,597	63,791,729	2.40%
IVTC-TOTAL	239,814	3,496,270	355,051	420,119	79,220	299,020	193,881	186,405	345,842	5,615,623	62,255,056	9.02%
AVERAGE 1994-96	2,973,957	39,851,987	4,039,562	3,865,388	1,456,592	3,127,028	2,343,453	2,372,330	2,725,942	62,757,062	804,041,663	7.81%

1995--1996 Per Student Subsidy for Full-time, In-State Students*

Institution	FTE Enrollment**	Actual Per FTE Appropriation
Indiana State	8,341	\$7,794
IU-Bloomington	21,378	\$7,111
Purdue-West Lafayette***	21,901	\$6,497
Ball State	16,188	\$6,193
IU-Kokomo	1,767	\$4,713
IUPU-Indianapolis (general academic only)	14,256	\$4,239
Vincennes	6,238	\$4,126
IU-Northwest	3,625	\$4,114
IU-East	1,455	\$3,850
PU-Calumet	5,445	\$3,709
IU-South Bend	4,374	\$3,652
IUPU-Fort Wayne	6,599	\$3,618
U. of Southern Indiana	5,274	\$3,599
PU--North Central	1,904	\$3,553
IU-Southeast	3,503	\$3,422
Ivy Tech.-all campuses	19,488	\$3,388
WEIGHTED AVERAGE		\$5,210

* Data are from Appendix D.

** FTE student defined by the Higher Education Commission to be 30 hours per academic year.

*** Excludes Agricultural Experiment Station and Cooperative Extension Service.

If IPFW had received the weighted average FTE funding of all 16 institutions for its 6,599 FTE students in 1995-1996, its appropriation would have needed to be increased \$10.5 million annually —(((\$5,210-\$3,618) X 6,599 FTE students). This explains most of the \$12.623 million annual shortfall associated with all the students from NEI enrolled in higher education during the three-year period studied. This would have increased the 1995-1996 IPFW appropriation 44.0 percent.

Recently, the Budgetary Affairs Subcommittee of the IPFW faculty Senate released a report indicating an approximately \$7million shortfall relative to its peer institutions. The approximately \$5.6 million difference between the \$12.623 million shortfall noted above and the \$7 million shortfall reported by the Subcommittee is accounted for by the fact that the Subcommittee did not include the two residential campuses of IU and PU in its group of peers.

Scope of Analysis

The \$859 million of allocable expenditures analyzed in 1995-1996 constituted 78.0 percent of the total appropriation for higher education.¹⁴ An additional 10 percent of higher education expenditures is devoted to special programs (rather than institutions)—e.g., Hoosier Scholar program. These expenditures were not analyzed. There were no material differences between 1996 and the other two years included in the study.

¹⁴ It should be noted that appropriations are for fiscal years and the data analyzed are expenditures for calendar years; therefore, the actual percentage of the appropriation analyzed undoubtedly differs slightly.

Health & Human Services

Overview

Health and human services operating appropriations are to three state agencies: family and social services, public health, and veterans' affairs. The Division of Family and Social Services receives the preponderant share of the appropriations. For example, in fiscal 1996 it received 94.3 percent—or \$3.9 billion.

Fiscal 1996 State Operating Appropriations for the Three Agencies in Health & Human Services (in \$ million)

Family & social services	\$3,900.8	94.3%
Public health	234.8	5.7%
Veterans' affairs	0.5	0.0%
TOTAL	\$4,136.2	100.0%

Analysis

The Family and Social Services Agency administers several programs. In fiscal 1996, actual expenditures (as contrasted with appropriations) by major program areas were as follows:

Fiscal 1996 ACTUAL Expenditures by Family & Social Services (in \$ million)

Medicaid	\$2,483.3	69.7%
Food stamps	334.6	9.4%
Child welfare	241.4	6.8%
TANF*	160.6	4.5%
Hospital care for indigents	16.7	0.5%
Miscellaneous	83.5	2.3%
Administration	240.6	6.8%
TOTAL	\$3,560.9	100.0%

*TANF (Temporary Assistance for Needy Families) is temporary assistance for low-income families with children. It was previously known as Aid to Families with Dependent Children (AFDC).

Allocable expenditures by county were obtained for three of the programs—Medicaid, food stamps, and TANF. They are shown in Table 5. For the three fiscal years analyzed, NEI residents received an average 8.75 percent of the allocable expenditures analyzed during the three-year period.

NEI residents needed an additional \$34.121 million annually in payments in the three programs analyzed to equal the percentage of revenues (9.95%) they pay to the State.

TABLE 5. PUBLIC WELFARE EXPENDITURES IN NORTHEAST INDIANA, FY 1994 - FY 1996

	Adams	Allen	DeKalb	Hton	Lagrange	Noble	Steuben	Wells	Whitley	NEI TOTAL	STATE	NEI %
FY 1994												
AFDC	647,917	13,211,548	443,419	525,004	248,488	490,663	484,901	332,190	270,612	16,654,722	232,305,701	7.17%
FOOD STAMPS	1,427,068	23,095,551	1,130,661	1,336,548	646,667	1,094,651	1,328,386	783,210	698,119	31,540,861	416,723,778	7.57%
MEDICAID	8,051,833	134,765,889	11,918,743	11,231,282	6,978,226	11,052,779	8,855,804	9,512,300	8,069,247	210,435,863	2,338,501,028	9.00%
afdc	558,398	12,742,993	442,439	503,706	218,140	438,251	444,629	287,118	248,327		216,912,742	
afdc-up	89,519	468,555	980	21,298	30,328	52,412	40,272	45,072	22,285		15,392,959	
FY 1995												
AFDC	549,472	13,702,564	363,755	496,490	206,939	422,792	459,396	312,507	269,939	16,783,854	243,775,235	6.88%
FOOD STAMPS	1,196,859	22,119,354	955,020	1,103,573	446,619	940,830	1,210,921	657,603	534,515	29,265,294	397,981,448	7.35%
MEDICAID	7,732,065	120,067,374	11,499,856	10,754,947	6,088,174	9,285,926	8,219,354	8,014,866	8,334,213	189,996,805	2,000,685,473	9.50%
afdc	430,322	11,280,557	322,408	436,708	166,523	369,328	365,842	264,468	219,104		199,867,065	
afdc-up	40,013	287,246	1,531	16,758	8,692	27,709	38,761	28,333	29,794		10,131,315	
tcc	38,517	833,042	20,476	10,935	20,568	7,709	29,068	6,944	12,686		11,207,158	
goc	40,620	1,301,719	19,340	32,089	11,156	18,046	25,625	12,762	8,355		22,569,697	
FY 1996												
TANF*	383,514	10,962,759	237,505	374,009	132,650	260,029	324,615	208,189	194,277	13,077,547	197,344,129	6.63%
FOOD STAMPS	922,873	18,790,575	673,579	828,852	316,053	589,701	927,017	486,917	500,842	24,036,409	334,601,472	7.18%
MEDICAID	9,855,486	130,044,761	13,329,829	12,590,644	6,548,206	12,281,181	9,961,850	9,975,582	9,317,984	213,903,523	2,361,272,421	9.06%
tanf	324,248	8,609,062	221,664	289,948	104,281	239,057	257,275	173,613	148,781		156,319,332	
tanf-up	19,808	164,551	0	9,249	11,563	2,091	25,954	14,311	15,933		5,354,729	
tcc	16,510	1,016,689	6,223	43,771	9,174	607	27,391	11,994	16,659		15,973,020	
goc	22,948	1,172,457	9,618	31,041	7,632	18,274	13,995	8,271	12,904		196,970,48	
AVG, 1994-1996												
TANF*										\$15,505,374	\$224,475,022	6.91%
FOOD STAMPS										\$28,280,855	\$383,102,232	7.38%
MEDICAID										\$204,778,737	\$2,233,486,307	9.17%
TOTAL										\$248,564,966	\$2,841,063,561	8.75%

*TANF is Temporary Assistance for Needy Families. It replaced AFDC--Assistance to Families with Dependent Children

Scope of Analysis

The \$2,893 million of expenditures analyzed in 1996 constituted 87.1 percent of total expenditures (minus administration)¹⁵ by the Family and Social Services Agency. It constituted 69.9 percent of the total 1996 appropriation to health and human services.¹⁶ There were no material differences between 1996 and the other two years included in the study.

Transportation

Overview

The majority (63.3% in 1996) of transportation appropriations go to state highway maintenance and construction—called “highway operations.”¹⁷ Also, funds received from the federal government and some transportation dedicated taxes collected by the State are administered (distributed) by the Indiana Department of Transportation (IDOT). Examples of “other” transportation appropriations are public mass transit and airports. Fiscal 1996 appropriations are shown below:

Fiscal 1996 State Operating Appropriations For Transportation (in \$ million)

Highway operations*	\$784.8	63.3%
Distributions to local government**	414.5	33.4%
Other	40.1	3.2%
TOTAL	\$1,239.4	100.0%

* Operations include construction.

** Note that the “distribution” of some funds is actually determined by IDOT. These funds are used as “local match” for projects that also use federal funds. For example, the 1996 appropriation shows \$101.25 million of federal funds being distributed to local units of government.

Analysis

Average annual expenditures and distributions by county for nine funds administered by the IDOT are shown in Table 6. (Appendix E contains detailed annual data.) For the three fiscal years analyzed, 9.50 percent of the transportation expenditures and distributions from the nine funds were made in NEI.

NEI would have needed an additional \$4.083 million annually in expenditures and distributions to equal the percentage of revenues (9.95%) that its residents and businesses pay to the State.

¹⁵ In 1996, identified administration costs constituted \$240.6 million, or 6.8 percent. See **Annual Report**, p.255.

¹⁶ Probably as a result of welfare reform legislation, the amount spent for family and social services (\$3.5 million) was approximately \$400 million less than what was appropriated (\$3.9 million).

¹⁷ This study is an analysis of operating appropriations as distinguished from construction appropriations. (There is a separate appropriation for construction projects—e.g., a new government building.) However, “construction” funds for highways and other modes of transportation are part of the operating budget of the agency; therefore, they are included in this report.

TABLE 6. TRANSPORTATION EXPENDITURES AND DISTRIBUTIONS TO NORTHEAST INDIANA COUNTIES, AVERAGE OF 1984 - 1986 FY

	BY COUNTY:											
	ADAMS	ALLEN	DEKALB	HTON	LAGRANGE	NOBLE	STEUBEN	WELLS	WHITLEY	TOTAL NEI	STATE	% STATE
IDOT Construction--federal	437,000	14,375,000	1,232,667	6,584,000	181,667	1,541,667	1,329,000	498,667	1,842,333	28,002,000	312,674,667	8.96%
IDOT Construction--state	2,938,000	6,215,667	2,672,667	1,904,000	1,017,667	1,330,333	976,000	877,000	1,474,000	19,405,333	196,171,333	9.89%
Motor Vehicle Highway	1,714,547	9,347,026	2,028,202	1,931,228	1,627,278	2,051,398	1,538,227	1,342,567	1,538,183	23,120,656	228,491,882	10.12%
County Engineer	20,779	24,631	13,333	0	20,000	20,000	20,000	13,333	20,000	152,076	903,356	16.83%
Local Road and Street	375,909	4,370,260	515,423	470,226	301,808	511,515	402,374	224,533	383,253	7,555,300	75,338,488	10.03%
Covered Bridge	1,250	0	1,250	0	0	0	0	0	0	2,500	96,083	2.60%
Accel. Motor Vehicle Highway #1	74,860	870,521	101,646	93,606	59,799	102,100	80,567	69,782	75,767	1,528,648	15,000,000	10.19%
Accel. Motor Vehicle Highway #2	112,533	615,744	133,187	126,760	107,034	134,745	101,234	112,559	101,120	1,544,917	15,000,000	10.30%
Transit Funds (PMTF, Sect. 9 & 16)	0	2,208,312	15,155	7,971	0	33,370	43,854	31,421	0	2,339,883	38,943,281	6.01%
Airport (FAA grant & state match)	0	2,421,033	43,521	119,067	0	0	0	0	0	2,583,620	24,774,817	10.43%
AVERAGE 1984-86	\$5,674,878	\$40,446,194	\$6,757,050	\$11,216,857	\$3,315,252	\$5,725,129	\$4,487,056	\$3,169,862	\$5,435,657	\$86,234,934	\$907,393,907	9.50%

During the 1994-1996 period, substantial funding for the I-469 bypass (around Fort Wayne) occurred. Of the average annual expenditures of \$86.2 million in NEI, approximately 11 percent (\$9.5 million annually) was allocated to the I-469 project.¹⁸ Stated differently, it took a highway project of the magnitude of I-469 in order for NEI to even approach equity in transportation funding.

Scope of Analysis

The \$1,001.4 million of allocable expenditures analyzed in 1996 constituted 80.8 percent of the total appropriation. The expenditures not analyzed were primarily \$200 million for the general maintenance of federal/state highways. There were no material differences between 1996 and the other two years included in the study.

Economic Development

Overview

Fiscal 1996 economic development appropriations are shown below:

Fiscal 1996 State Operating Appropriations For Economic Development **(in \$ million)**

Workforce Development*	\$141.5	58.1%
Commerce	100.2	41.1%
Other	1.9	0.8%
TOTAL	\$243.6	100.0%

* \$549.8 minus \$306.2 for unemployment compensation. Unemployment compensation is really an income maintenance program, not an economic development program. Qualification for receipt of unemployment compensation is based on a combination of federal and state rules. More importantly, it is self-financed by employers, and the revenues are not part of the revenue analysis above.

As noted in the table, the two agencies associated with economic development are Workforce Development and Commerce.

It should be noted that \$15.2 million of the \$100.2 million appropriation to Commerce in fiscal 1996 was a line-item appropriation to support the United Airlines maintenance facility lease in Indianapolis.

¹⁸ Most of the funding occurred in calendar 1994.

Analysis

The Commerce Department administers numerous programs. Allocable expenditures/credits by county were obtained for the following programs:

Economic Development for a Growing Economy (EDGE)—provides state-tax credits based on payroll.

Training 2000 (BIRT and TFP)—state-funded grants for reimbursement of training costs.

Industrial Development Grant Fund (IDGF)—state-funded grants to local units of government for off-site infrastructure projects in support of new business development.

Strategic Development Fund (SDF)—state-funded grant program designed to foster cooperation among Indiana businesses by emphasizing an industry-wide or sector-based approach to business assistance.

Community Development Action Grant (CDAG)—state-funded grant program that supports community-based redevelopment and development strategies.

Community Focus Fund (CFF)—a federally funded grant program available to small cities, towns, and counties for construction projects to benefit low-to-moderate-income individuals or to eliminate blight in communities. Administered by the State.

Community Planning Fund (CPF)—state-funded grant program designed to encourage long-range planning in cities, towns, counties and not-for-profit organizations.

Neighborhood Assistance Program (NAP)—a state-tax credit program designed to encourage public-private partnerships for neighborhood-based projects and to benefit economically disadvantaged individuals and areas.

Energy Policy Division Programs

Alternative Energy Systems (AES)

Alternative Fuel Vehicle Program (AFV)

Biomass Grant Program (BGP)

Coal Research Grant (CRG)

Crumb Rubber Modified Asphalt Grant (CRMAG)

Institutional Conservation Program (ICP)

Industrial Energy Efficiency Fund (IEEF)

Industrial Energy Efficiency Program (IEEP)

National Industrial Competitiveness through Energy, Economics, and the Environment (NICE3)

Playground Protective Resurfacing Grant (PPRG)

Residential Energy Code Grant (RECG)

Recycling Promotion and Assistance Fund (RPAF)

Special Projects (SP)

Urban Enterprise Zone Energy Grant Program (UEZ)

Table 7 shows the average annual allocable expenditures by program.¹⁹ For the three fiscal years analyzed, NEI residents and businesses received an average of 7.15 percent of the expenditures.

The EDGE program was not included in the analysis of expenditures because it is a tax credit, not an “expenditure.” It is not part of the state appropriation. It is included below.

Scope of Analysis

Approximately 29 percent of the 1996 appropriation for economic development was analyzed.²⁰ None of the Workforce Development appropriation was analyzed, and approximately 70 percent of the Commerce Department appropriation was analyzed.²¹

Infrastructure Development: Build Indiana Fund—local projects

A portion of lottery and gaming revenues often has been allocated to a “Build Indiana Fund.”²² Specific projects are funded by name in the biennial appropriation. No projects were funded during the 1993 session of the general assembly. The 1995 session funded \$46.4 million of local projects (for the biennium) of which \$33.4 million can be identified geographically in the appropriation.²³ The projects funded in NEI were as follows:

Adjutant General—Fort Wayne Dalman Project	\$ 500,000
Allen County—Science Central	1,000,000
Allen County—Leo-Cedarville Community Park	50,000
Indiana DNR—Sylvan Lake Dam Repairs	1,750,000
Town of Ashley—City Park	50,000
<u>Town of Auburn—Reike Park</u>	<u>50,000</u>
TOTAL	\$3,400,000

The \$3.4 million of funded projects constituted 10.2 percent of the \$33.4 million allocated by project name.

¹⁹ Data for Training 2000, IDGF, SDF and all the Energy Policy Division programs and grants were not provided on an annual basis but were provided for the three calendar/fiscal year period.

²⁰ This is excluding \$306.2 million in unemployment compensation from the Workforce Development budget.

²¹ Commerce Department data on Training 2000, IDGF, and SDF were provided for the three-year period analyzed, but it was not broken down by year. Accordingly, identifying the exact percent of the 1996 appropriation analyzed—as done with other expenditure areas—was not possible.

²² This study is an analysis of operating appropriations as distinguished from construction appropriations. (For further discussion, see footnote 16.) The Build Indiana Fund is part of the construction appropriation; however, it was included in the analysis because (1) it is relatively high profile and (2) it is easy to analyze—allocate geographically.

²³ Note that 1997 was included in the analysis. (Remember that the planned period of analysis is fiscal years 1994, 1995, and 1996.) The appropriation is impossible to subdivide between the two fiscal years.

Note that appropriations, not expenditures, were analyzed. Appropriations better capture the intended distribution of the monies. No analysis of deviations between expenditures and appropriations was done.

TABLE 7. COMMERCE DEPARTMENT EXPENDITURES IN NORTHEAST INDIANA, 1994-1996 CY

	Adams	Allien	DeKalb	Hton	Lagrange	Noble	Steuben	Wells	Whitley	NEI TOTAL	STATE	NEI %
1994 CY												
CDAG--local		55,810								55,810	1,098,431	5.08%
CFF--local	445,730	500,000			478,000	782,794				2,206,524	28,740,681	7.66%
CPF--local					10,000					10,000	258,378	3.87%
NAP--local		87,500		20,000						107,500	2,068,675	5.20%
PL--local	37,687									37,687	234,765	16.05%
United Airlines facility lease											6,343,393	0.00%
TOTAL	483,417	643,310	0	20,000	0	488,000	782,794	0	0	2,417,521	38,744,323	6.24%
1995 CY												
CDAG--local		19,189								19,189	1,335,412	1.44%
CFF--local			500,000			401,500	500,000	500,000	500,000	1,901,500	30,957,523	8.14%
CPF--local			5,000		10,000				3,000	18,000	309,639	5.81%
NAP--local										0	1,947,875	0.00%
PL--local				24,500						24,500	938,140	2.61%
United Airlines facility lease											15,198,191	0.00%
TOTAL	0	19,189	505,000	24,500	10,000	401,500	500,000	503,000	1,963,189	50,686,780		3.87%
1996 CY												
CDAG--local										0		?
CFF--local				500,000					98,200	500,000	1,098,200	?
CPF--local							6,000			16,000		?
NAP--local		10,000								10,000		?
PL--local										0		?
United Airlines facility lease											15,485,326	0.00%
TOTAL	0	20,000	0	500,000	0	6,000	98,200	500,000	1,124,200	46,204,643		2.43%
Average 1994-96 CY												
CDAG--local	0	25,000	0	0	0	0	0	0	0	25,000		?
CFF--local	148,577	166,667	166,667	166,667	0	159,333	394,765	199,400	333,333	1,735,408		?
CPF--local	0	3,333	1,667	0	3,333	2,000	0	0	1,000	14,667		?
NAP--local	0	32,500	0	6,667	0	0	0	0	0	39,167		?
PL--local	12,562	0	0	8,167	0	0	0	0	0	20,729		?
United Airlines facility lease	0	0	0	0	0	0	0	0	0	0	12,342,303	0.00%
Training 2000 (BIRT & TFP)*	114,914	852,209	339,155	119,819	103,333	212,130	212,662	67,378	40,374	2,081,975	14,681,671	14.04%
IDGF*	79,667	94,923	124,188	12,187	19,000	127,400	38,272	23,335	16,867	535,639	5,176,587	10.35%
SDF*	21,867	27,242	500,000	17,262	2,000	44,621	0	0	0	812,991	4,504,638	13.61%
Energy Policy Division*	377,587	1,201,873	1,131,676	330,768	127,667	546,818	647,699	290,114	391,374	5,045,576	70,026,611	7.21%
TOTAL												
* Data provided for these four programs were not broken out by year.												
? In data provided, the State total for 1996 was not broken out by program.												
1994 EDGE Program*												
										0	291,025	0.00%
1995 EDGE Program*												
										509,850	1,447,114	36.23%
1996 EDGE Program*												
										530,244	2,724,447	19.46%
Avg. for EDGE Program*										346,668	1,487,529	23.31%

Miscellaneous

Overview

Some of the taxes the State collects are distributed to local units of government. Some of these appear as part of the appropriation of a particular agency (e.g., some auto and fuel taxes appear in the analysis of Transportation above). Others do not “flow through” a particular state agency. Seven of these distributions are analyzed in this section. As shown below, the seven distributions were appropriated \$829.6 million in 1996, of which over 90 percent was for property tax “relief.”

Fiscal 1996 State Operating Appropriations For Miscellaneous Distributions **(in \$ million)**

Property Tax Replacement & Homestead Credit	\$748.1	90.1%
Financial Institutions' Tax*	51.7	6.2%
Cigarette Tax Cum Capital Improvement	13.6	1.6%
Cigarette Tax General Fund	4.1	0.5%
ABC Gallonage	8.1	1.0%
ABC Excise	3.9	0.5%
Hazardous Waste Land Disposal Tax*	0.4	0.0%
<hr/> TOTAL	<hr/> \$829.9	<hr/> 100.0%

*Actual, not appropriation.

Property tax “relief” is funded almost exclusively from the general sales and use tax. The tax sources for the other funds are self-evident from the name.

Analysis

Average annual distributions (not appropriations) by county for the seven funds are shown in Table 8. For the three fiscal years analyzed, NEI received an annual average of 9.38 percent of the distributions from the seven funds.

TABLE 8. SELECTED STATE DISTRIBUTIONS TO NORTHEAST INDIANA, 1994-1996 FY

	ADAMS	ALLEN	DEKALB	H'TON	LAGRANGE	NOBLE	STEUBEN	WELLS	WHITLEY	TOTAL NEI	STATE	% STATE
Property Tax Replacement & Homestead Credit	3,602,193	40,889,873	4,032,672	4,089,715	2,862,772	4,318,101	3,851,210	2,677,035	3,272,695	69,616,266	744,527,534	9.35%
Financial Institutions' Tax	200,565	2,604,124	193,468	267,402	139,003	193,210	184,974	178,678	244,922	4,206,347	46,566,812	9.03%
Cigarette Tax Cum Capital Improvement	64,665	908,468	94,434	96,549	21,293	72,917	41,311	57,703	42,401	1,399,760	14,647,465	9.56%
Cigarette Tax General Fund	17,774	249,485	25,950	26,529	5,851	20,035	11,352	15,855	11,504	384,336	4,027,020	9.54%
ABC Gallonage	27,428	378,513	40,051	40,940	12,967	30,919	17,480	24,421	17,754	590,472	6,199,980	9.52%
ABC Excise	12,914	248,860	21,113	22,687	43,742	24,215	34,155	9,504	16,230	433,430	3,983,108	10.88%
Hazardous Waste Land Disposal Tax	0	376,793	0	0	0	0	0	0	0	376,793	662,055	56.91%
TOTAL	3,925,558	45,856,115	4,407,688	4,543,832	3,105,628	4,659,398	4,140,482	2,963,197	3,605,506	77,007,404	820,612,974	9.38%

SUMMARY & DISCUSSION

Summary

An annual average of approximately \$8.2 billion of state appropriations/expenditures was analyzed for the three years studied.

Average Annual Allocable Appropriations/Expenditures Analyzed And Average Annual Northeast Indiana Shortfall (in \$ thousands)

<u>Appropriation/Expenditure Category</u>	<u>For the State Total</u>	<u>For Northeast Indiana Total</u>	<u>Pct. of State</u>	<u>\$ Shortfall for NEI</u>
K-12 Education	\$2,767,116	\$253,834	9.17%	(\$21,583.5)
Higher Education	843,428	65,784	7.80%	(\$18,133.7)
Health & Human Services	2,841,064	248,565	8.75%	(\$34,120.9)
Transportation	907,393	86,235	9.50%	(\$4,082.8)
Economic Development	70,027	5,046	7.21%	(\$1,922.1)
Infrastructure Development--Build Indiana	33,404	3,400	10.18%	\$83.5
Miscellaneous Distributions	820,613	77,007	9.38%	(\$5,002.3)
TOTAL	\$8,283,043	\$739,871	8.93%	(\$84,761.7)
EDGE Program Tax Credit	1,488	347	23.31%	\$198.7
TOTAL with EDGE Program	\$8,284,531	\$740,218	8.93%	(\$84,563.1)

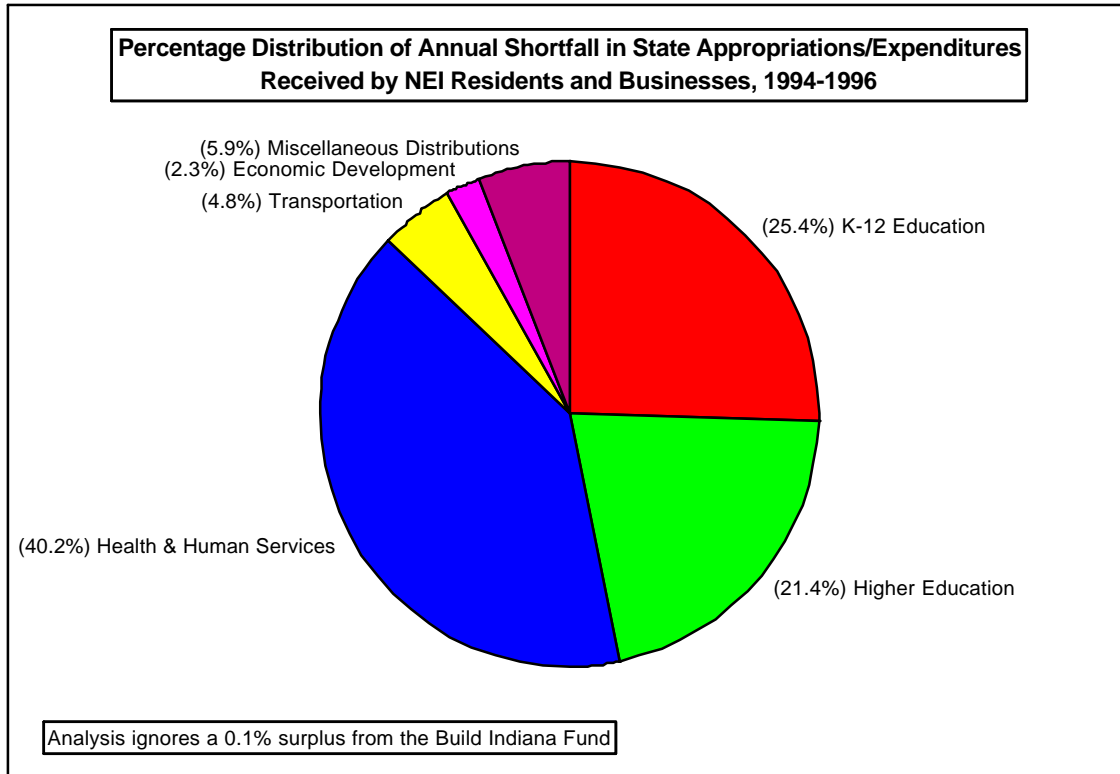
This is 70.5 percent of the of the 1996 state operating appropriation of \$11.7 billion. (See page 6.) Ignoring general administrative expenses (which cannot be allocated geographically), at least 75 percent of the state budget was analyzed. Stated differently, at least three of every four dollars of the state-operating budget were analyzed.

NEI received an average of 8.93 percent of the appropriations/expenditures analyzed. Given that NEI residents and businesses contributed an estimated 9.95 percent of state revenues during the comparable three years, the average annual shortfall was 1.02 percent. This equates to an average annual shortfall of \$84.8 million in appropriations/expenditures for the residents and businesses of NEI. The annual dollar shortfall/surplus by major program is shown in the last column of the table above.

The Economic Development for a Growing Economy (EDGE) program administered by the Department of Commerce provides tax credits to new/expanding businesses. Given that it is a tax credit, it is not part of the state appropriation. Accordingly, it is not part of the summary above; however, the impact of the program on the shortfall is shown in the table above. The impact is minimal. The annual shortfall is reduced by approximately \$200,000.

Discussion of Shortfall

The distribution among major spending categories of the \$84.8 million annual shortfall in NEI is shown below:



Education

The largest portion of the shortfall in NEI—46.8%—is in education expenditures. Although K-12 education receives approximately three of every four dollars of the education appropriation, the dollar shortfall in NEI was approximately equally divided between K-12 education—\$21.6 million—and higher education—\$18.1 million. This occurs because the percentage shortfall in higher education is much greater than the percentage shortfall in K-12 education.

Health & Human Services

The second largest shortfall in NEI—\$34.1 million or 40.2%—is in Health and Human Services. Assuming the various social welfare programs of the Family & Social Services Agency are administered comparably across the state, then to have a shortfall is desirable. Given the assumption, the shortfall is an indicator of the relative economic health of residents in NEI compared to the remainder of the State.

Remaining Shortfall

The remaining portion of the shortfall—13.0%—occurred among transportation, economic development and miscellaneous distributions.

Reasons for the Shortfall

The question naturally arises as to why NEI residents and businesses experienced such a large shortfall in state funds during the 1994 –1996 period. To even begin to answer that question, one needs to distinguish between “formula” funding and “discretionary” funding.

“Formula” Funds

Some funds are distributed on the basis of formula—higher education and the “basic grant” portion of K-12 education being prime examples. (The basic grant constitutes over 80 percent of the state funding for K-12 education.) Any relative underfunding in “formula” driven funds obviously is a result of the “formula.” No analysis of funding “formulas” was conducted.

“Discretionary” Funds

Some funds are distributed based upon applications—the various commerce department programs being good examples. In order to receive funds, there must be (1) an application and (2) an approval of the application. Accordingly, differences in relative funding could result from differences in application rates among geographical areas and/or differences in the rates of approval among geographical areas. No analyses were conducted of either of these potential sources of the shortfall in funding experienced in NEI.