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funding for education and most state agencies by 1 percent.

Jan. 16, 2013

On his second day in office, Indiana Governor Mike Pence presented legislators with a two-year budget plan that reduces the personal income tax rate and increases funding for education and most state agencies by 1 percent.

"Gov. Pence instructed me to build a budget that held the line on spending, funded our priorities and reduced taxes for Hoosiers, and that's what this document accomplishes," said Chris Atkins, the state budget director.

The centerpiece of Pence's budget is a 10 percent reduction in the income tax rate, currently 3.4 percent.

Pence's proposal would reduce the rate to 3.23 percent starting July 1, which is the first day of the 2014 budget year, and to 3.06 percent on July 1, 2014.

The tax cut would shrink state revenue by \$772 million during the 2014-15 budget period. However, Atkins said Indiana still would have budget surpluses of \$268 million in 2014 and \$237 million in 2015, even after implementing Pence's spending plans.

Those plans include a 1 percent increase (\$63 million) in elementary and high school education funding for 2014.

An additional 1 percent increase in school funding would be available in 2015, but distributed only to schools rated "A" or "B," schools with a 90 percent graduation rate or a 90 percent pass rate on third-grade reading tests.

State colleges and universities also would see their funding increase by 1 percent over the two-year budget period. Pence's proposed Indiana Works Councils would get \$6

million, and \$18 million would be spent on workforce improvement training

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Roads and bridges under Pence's plan.

Atkins said funding increases for other state agencies had to be kept at 1.4 percent or less, well below the 2.5 percent inflation rate, because of increases in the state's Medicaid costs.

Thousands of currently eligible Hoosiers are expected enroll in Medicaid in 2014 once they realize federal law requires them to be insured.

Pence's budget does not include funds to expand Medicaid eligibility to about 300,000 additional low-income Hoosiers as envisioned by the Affordable Care Act, also known as Obamacare. Pence voted against Obamacare as a member of Congress.

State Rep. Charlie Brown, D-Gary, the top Democrat on the House Public Health Committee, said failing to expand Medicaid eligibility is unwise.

"Without a doubt, this is something worthy of pursuing," Brown said. "It's going to cost us one way or the other, so why not go ahead and take care of those persons and add additional persons to the program, rather than wait until the cost of their health care will be three or four times as much."

State Sen. Karen Tallian, D-Ogden Dunes, was dissatisfied with most of the governor's budget, pointing out that new spending on education is less than 10 percent of the value of Pence's proposed tax cut.

"I think this is outrageous. Nobody is calling for another \$50 tax refund," Tallian said. "We have years of cuts to make up for, and people are saying they want to fully fund education and infrastructure."

The powerful chairman of Senate Appropriations Committee, state Sen. Luke Kenley, R-Noblesville, said he's concerned that Pence's school funding plan makes it more difficult for state education money to follow the child. He also believes the

Legislature needs to consider Medicaid expansion and other options for

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That proposal, after passing the House and Senate again, will go to the governor for his signature or veto.

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