



INDIANA COMMUNITY ACTION POVERTY INSTITUTE

Research and Public Policy

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Contact: Olivia Smith | osmith@incap.org

Institute Responds to Revenue Forecast, State Budget Choices

Indianapolis, IN – Today, the State Budget Agency presented its updated revenue forecast to the legislature's Budget Committee, which sets the final budget amount to be used when the legislature finalizes its two-year budget by April 25th.

The updated forecast is less optimistic about economic growth, wages, and tax revenues than the December 2024 results, which set the benchmark for all budget bill discussions thus far. Now, with the nearly \$2 billion downward adjustment in expected General Fund revenues over the biennium, legislators must reduce the already tight baseline budget amount by 4.2% for FY 2026 and 4.3% for FY 2027.

However, the revenue forecast does not exist in a vacuum - in this tight budget climate, the legislature has also passed bills this session that would further reduce revenue in the years ahead. SB 1, for example, is an enormous property tax reform bill that, while billed as tax relief, shifts the county-level tax burden away from some homeowners and businesses in the form of reduced property taxes, and toward all local residents through potentially higher local income taxes. Other tax credits and income tax reductions are being considered as well.

"Ultimately, Indiana's budget is a reflection of our state's priorities. We hope legislators stay committed to funding important investments in Indiana, including housing, nutrition, health care, training programs, and supports for young families," said Erin Macey, Director of the Indiana Community Action Poverty Institute. "Earlier this session, we joined advocates to urge lawmakers to focus on babies in the budget through paid leave and a newborn tax credit. These priorities are still important to Hoosier families."

“At the end of the day, when faced with a bleak revenue forecast, we have two options: we can cut funding and pass the pain along to Hoosiers or we can responsibly bring in more resources to fund the programs and services Hoosiers need,” shared Olivia Smith, Tax and Budget Policy Analyst with the Indiana Community Action Poverty Institute. “Despite how the revenue discussion is often framed, Indiana’s budget is never inherently a zero-sum game. When faced with shrinking revenue expectations, legislators should choose to prioritize tax and budget decisions that help everyday Hoosier families and not further shrink the pie to provide benefits to those who need them least.”

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About the Indiana Community Action Poverty Institute

The Indiana Community Action Poverty Institute engages in research and promotes public policies to help Hoosier families achieve and maintain financial well-being. We believe that when Hoosiers are financially stable, they can achieve their full potential and better contribute to their communities. The Institute is a program of the Indiana Community Action Association.