

GET IN-VOLVED

Budgets, Ballots, &
Better Communities

WEEK 5:
REVENUES,
RESERVES,
AND
REFUNDS,
OH MY!

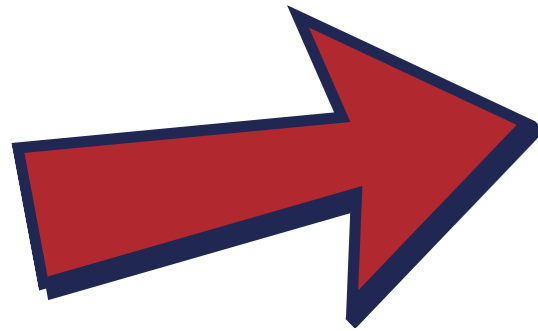


INDIANA
COMMUNITY ACTION
POVERTY INSTITUTE
Research and Public Policy

AGENDA

- **Revenues vs Reserves vs Surplus**
- **Automatic taxpayer refunds?**
- **Impacts from everything else – Gas Tax Holiday, restoring prior budget cuts, property tax relief?**

Non-profit, non-partisan
Indiana-based
organization that looks at
the state budget, revenue
reports, and the impact of
tax policy across the state



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PUBLICATIONS

IFPI publications are archived and available to all our investors and subscribers.

2026

September 2026 Quarterly State Revenue Update

As of August 2026, fiscal year 2027 year-to-date revenues totaled \$3,477.5 million, which is \$46.3 million (1.4%) above the December 2025 revenue forecast and \$309.8 million (9.8%) above revenues at the same date a year prior. Sales and use tax remains the primary source of state revenue, accounting for 56.6% of total revenues to date for the current fiscal year. In second place is individual income taxes, at 33.8% of all state revenue collected. Already in the first two months of the fiscal year, revenue collections have exceeded forecast projections. A positive (growth) revenue forecast in December 2026 could push the state's structural surplus past even the existing FY 2027 reserve projections of \$5 billion.

Download the report [here](#).

Indiana College Readiness and Postsecondary Transition Trends Report

This report presents a five-year analysis (2020–2024) of college enrollment rates among Indiana's high school graduates, using county-level data from the Indiana Commission for Higher Education. This includes enrollment in 2- and 4-year colleges and universities. This analysis shows that enrollment declined from 51.2% (class of 2020) to 49.1% (class of 2024), with urban counties seeing the smallest drop echoing a pattern consistent with a 15-year national decline in college-going rates. This analysis found most students enrolled full-time, stayed in Indiana, and enrolled in an Indiana Public college or university. Female graduates enrolled in college at nearly one-and-a-half times the rate of male graduates.

Download the report [here](#).

Indiana's Subsidized Childcare System - Impact of Expansion and Lessons from Other States

This second report in our childcare series discusses potential funding and service delivery models that might be considered as a long-term and sustainable solution, to meet the needs of working parents in Indiana. Specifically, we look at innovations and funding models in Indiana and other states to expand access to childcare to improve workforce outcomes and labor force participation. We discuss the impact of subsidized childcare on Indiana's labor force participation levels.

Download the report [here](#).

State of Indiana Fiscal Year 2026 Close-Out Summary

On July 15, 2026, the State of Indiana released the close-out report for Fiscal Year (FY) 2026 (ending June 30, 2026). Total state revenue

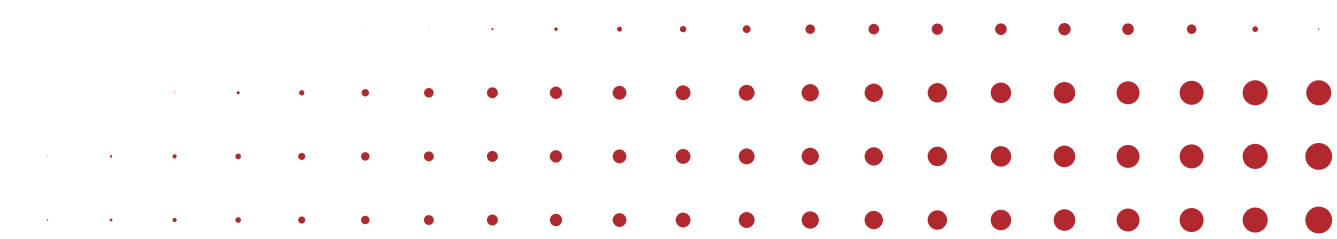
COMMENTARY

Understanding Indiana’s reserves



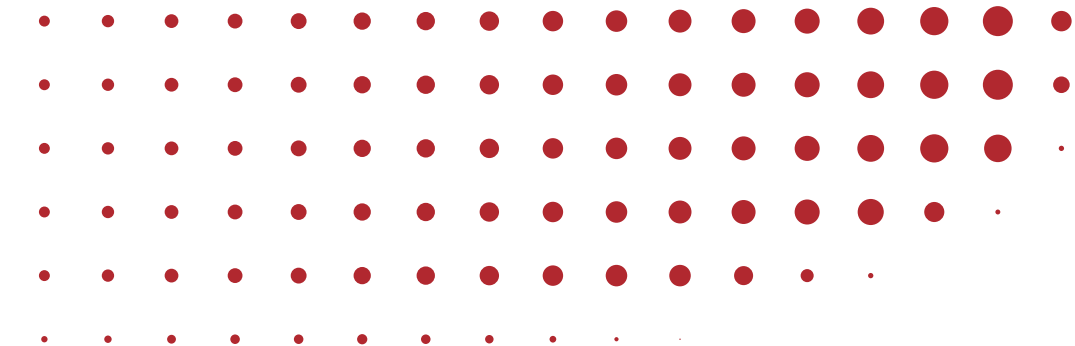
STEPHANIE WELLS

SEPTEMBER 28, 2026 5:00 AM



WHERE WE STAND NOW

- Indiana closed the books on FY 2026 (June 30th, 2026) with nearly \$4 billion in reserves
- At that same time, the state estimated reserve levels for FY 2027 — this projection assumes flat revenue growth and projects \$5.3 billion in reserves by June 30, 2027, or 22% of revenues
- Just two months in FY 2027, revenue collections have exceeded forecast projections. A positive revenue forecast in December 2026 could push the state's structural surplus past even the existing FY 2027 reserve projections



Revenue / Surplus / Reserve

General Fund Revenue

Money collected by the state through taxes, fees, etc.

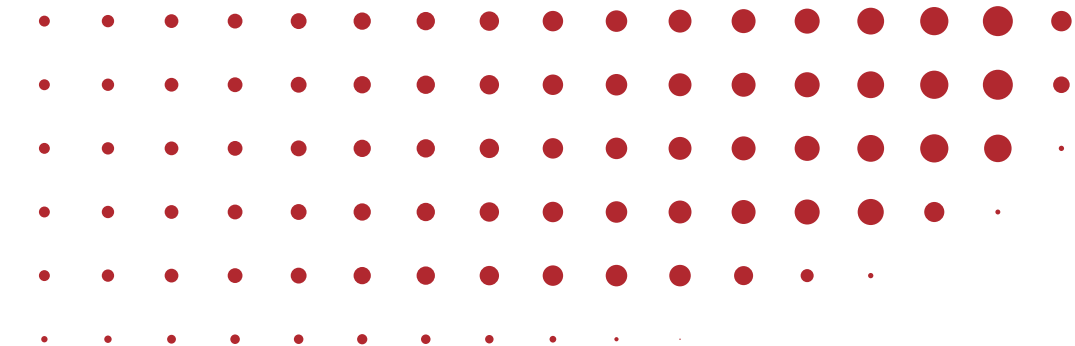
General Fund Surplus

Amount of GF Revenue that exceeds expenditures each year

Reserves (a.k.a. Combined Balances)

GF Surplus + three other funds that get lumped into the total reserve

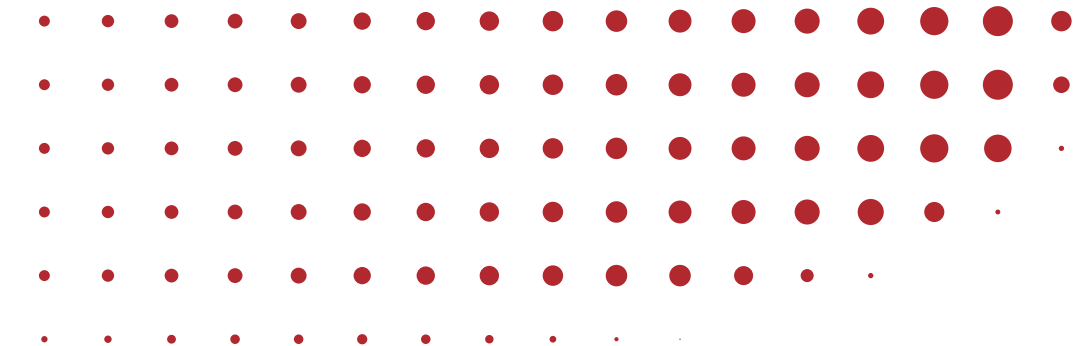
- Medicaid Contingency & Reserve Fund
- State Tuition Reserve
- Rainy Day Fund



RESERVES BY THE NUMBERS

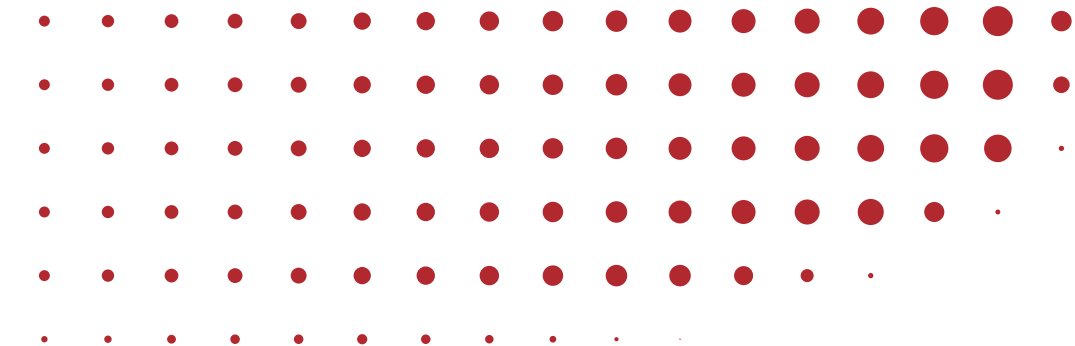
State Reserves at the end of FY 2026, by individual fund balance

- General Fund Surplus = \$1.855 billion
- Medicaid Contingency & Reserve Fund = \$274.7 million
- State Tuition Reserve = \$793.6 million
- Rainy Day Fund = \$1.12 billion

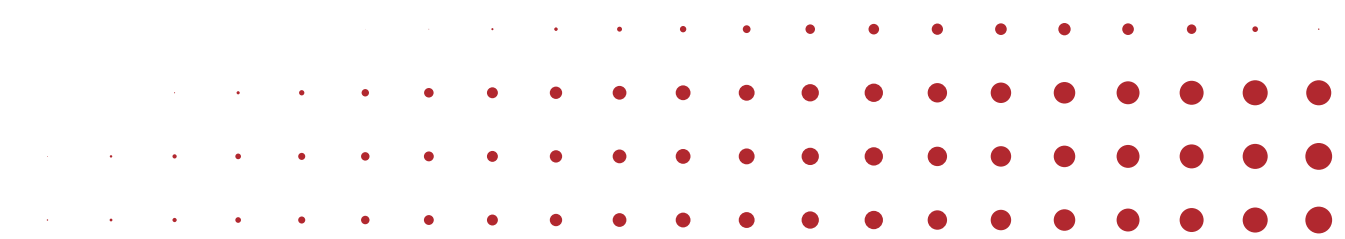


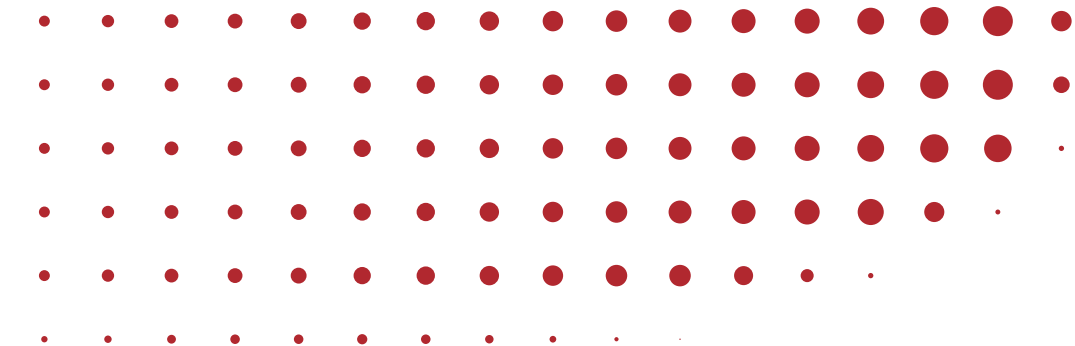
AUTOMATIC TAXPAYER REFUNDS

- In odd numbered years (like 2027) if the state determines that there are “excess reserves” of more than \$50 million, then state law requires an automatic taxpayer refund.
- Excess reserves are defined as reserves that exceed 12.5% of the general revenue appropriation for the current state fiscal year.
 - In FY 2026, combined balances were 17.2% of the following year's appropriations.
- That means that without a change to the Automatic Taxpayer Refund law or spending down reserves, Indiana might realize another refund, such as those in 2021 and 2022.



AND EVERYTHING ELSE...

- **Gas Tax Holiday** - expected to cost \$1.1 billion to pay back the state highway fund for this summer's gas tax suspension
 - **Course Correct from 2025 Budget** - will the legislature want to revisit program cuts and eliminations in light of better revenue?
 - **Property Tax Elimination?** - potential plans for this include using state revenue to make up a portion of the revenue loss to local units from eliminating homestead property taxes
- 



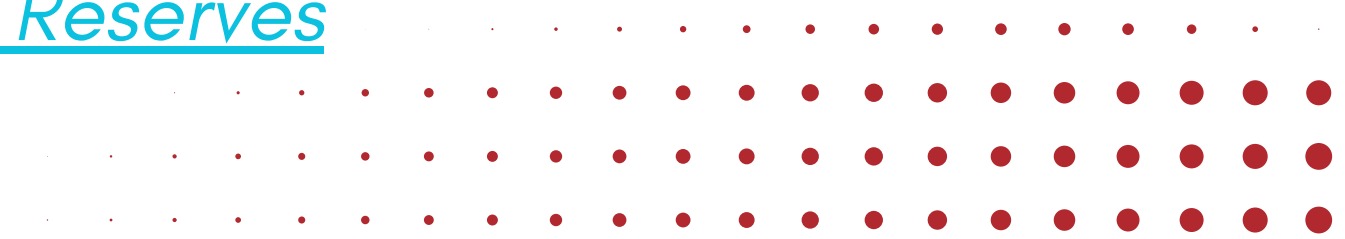
THE ONLY GUARANTEE IS CHANGE

“Budget leaders went into the 2025 budget expecting status quo revenues (based on the December 2024 revenue forecast), when they received an updated revenue forecast in April 2025 that substantially reduced expected revenues.

As a result, budget leaders significantly cut spending and added a cigarette tax increase to balance the budget.

Even though revenue trends look promising now, any downturn in the economy could severely hamper Indiana’s ability to target expected increased revenues and available reserves on spending that will benefit Hoosiers.”

– Stephanie Wells, Commentary: [Understanding Indiana’s Reserves](#)



YOUR CHALLENGE

*DISTINGUISH REVENUE
RESERVES FROM A SURPLUS*

*UNDERSTAND WHEN/WHY IN'S
AUTOMATIC TAXPAYER REFUND
GOES INTO EFFECT*

*IDENTIFY OTHER FACTORS THAT
COULD IMPACT THE 2027 BUDGET*

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Thank
you for
joining
us!



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