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Truth and Integrity in State Budgeting: Mobilizing Public Universities to Help Effect Fiscal Change

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The mission of the Volcker Alliance is to advance effective management of government to achieve results that matter to citizens.

We envision a *public sector workforce* with the experience, preparation and commitment to ensure government—local, state and federal—delivers with excellence.

The Volcker Alliance, in collaboration with universities and other partners, uses three primary methods to catalyze change:

Research



- Surface and disseminate effective models
- Develop or codify promising practices
- Introduce incisive facts and evidence into the discourse

Networks



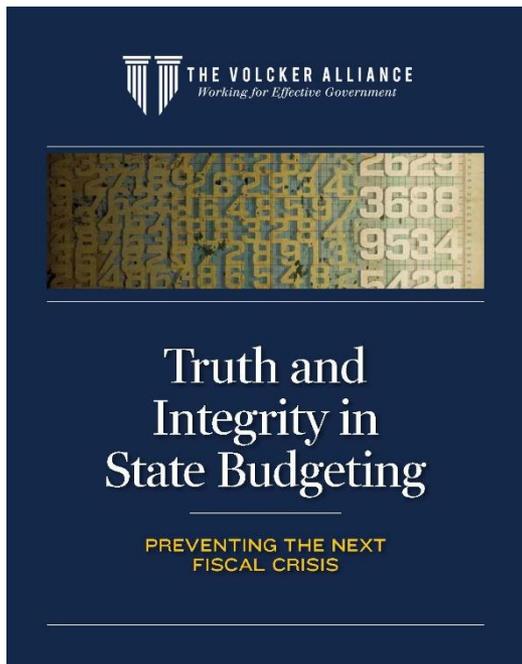
- Fortify university and government partnerships
- Provide professional development and peer networking opportunities
- Pursue public/private partnerships
- Engage with professional associations

Structural Reform

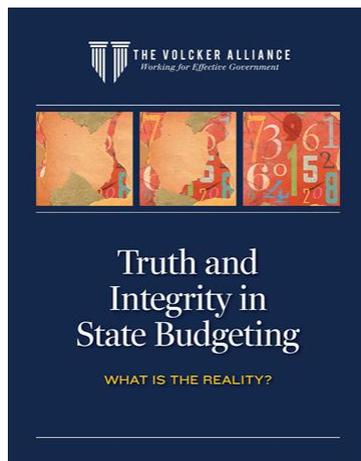


- Advance adoption of curricula that prepare students to be effective in government
- Advocate for legislative change
- Market public service mission
- Modernize civil service laws

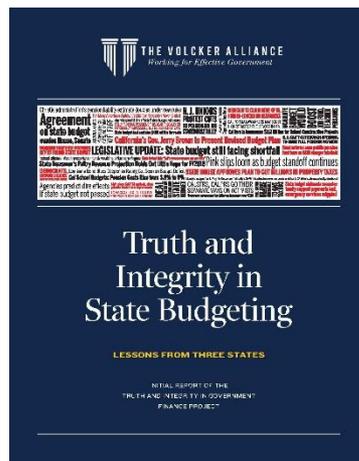
History of Truth and Integrity in State Budgeting



2018



2017



2015

INDIANA Budget Report Card

INDIANA RECEIVED TOP GRADES from the Volcker Alliance in 2015 and 2016 in the categories of reserve funds and budget maneuvers. The state retained the A in reserves in 2017 but fell to a B in budget maneuvers as it turned to financing the budget via a financing measure known as "coop and tow" which uses the proceeds of a new bond issue to pay off maturing bonds while shifting expenses to future years.

For example, the Indiana Finance Authority's official statement for fiscal year 2017 for an issue of highway revenue refunding bonds showed that the agency pushed near-term principal payments to 2020.

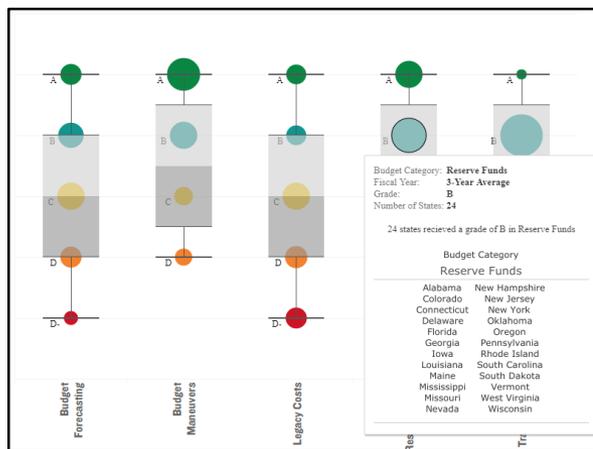
Indiana received average grades of C in budget forecasting and transparency over the three years studied. The state's weaknesses in budget forecasting include an absence of multiyear expenditures and multiyear revenue estimates.

The state's transparency grade suffered from a lack of disclosure of tax expenditures. In addition, like all but two states (Alaska and California), Indiana tied to disclose deferred infrastructure replacement costs.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grade, 2015-17

STATE	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	BUDGET FINES	TRANSPARENCY
Illinois	D	D	D	C	C
Indiana	C	A	C	C	C
Michigan	C	C	C	C	C
Ohio	D	C	C	C	C
Wisconsin	D	C	C	C	C
US AVERAGE	C	B	C	B	B

State Report Cards



State Data Lab

National Sources for State Fiscal Research

NATIONAL ASSOCIATIONS OF ELECTED AND APPOINTED OFFICIALS

The following organizations cover state budget, finance, and policy issues from a national or multistate perspective.

AMERICAN LEGISLATIVE EXCHANGE COUNCIL

Based in Arlington, Virginia, this membership organization is dedicated to limited government and free market policies. It includes about 25 percent of the members of state and federal legislatures, as well as corporate and foundation members. The council works on model legislation that has been adopted in many states. Its website includes budget, tax reports, and pension reform sections.

► <http://www.alex.org>

THE COUNCIL OF STATE GOVERNMENTS

This is the state organization that serves all 50 states plus the state government. Policy coverage and analysis is provided at the Legislative, Executive, and Judicial levels. The Washington, DC office, and four regional offices, and include budget, tax, and economic topics. The council's annual Book of the States contains a data-rich section on state finance.

► <http://www.csg.org>

FEDERATION OF TAX ADMINISTRATORS

The federation serves as a research and information exchange for state tax administrators, and as a vehicle to promote uniformity and improve state policies at the national level. The Washington, DC-based organization provides useful comparative data on state tax rates, tax burdens, and tax burdens and amnesty programs, as well as information on revenue estimates. Its website refers links to state tax and revenue departments, revenue reports and research, the work of tax study groups, and tax-related publications in each state.

► <http://www.taxadmin.org>

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA

This is a Chicago-based organization of 17 and Canadian federal, state, provincial, and local government finance officers who prepare and monitor budgets, financial statements, official statements, bond offerings, and pensions. The website includes best practices and other useful information for the industry. The group publishes a weekly newsletter and regular research reports.

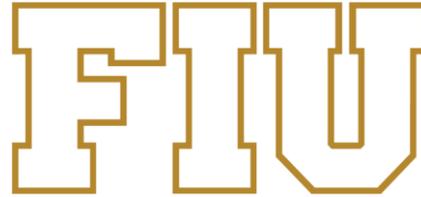
► <http://www.gfoa.org>

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS (NASBO)

Membership is limited to employees in executive branch budget offices, and staff in Washington, DC. NASBO's broad array of the states, referred to the spring and the fall, reports on prepared and released budgets, with data from all 50 states. The association's website tracks and curates links to prepared annual budget for states, territories, and the District of Columbia. Its annual State Expenditure Report examines spending across budget categories such as education, Medicaid, corrections, and transportation. NASBO also publishes issue briefs and has a resources section that includes reports from other sources. It produces the weekly Washington Report and a weekly e-newsletter.

State Budget Sources

State Budget Research Network



How the Volcker Alliance Grades the States

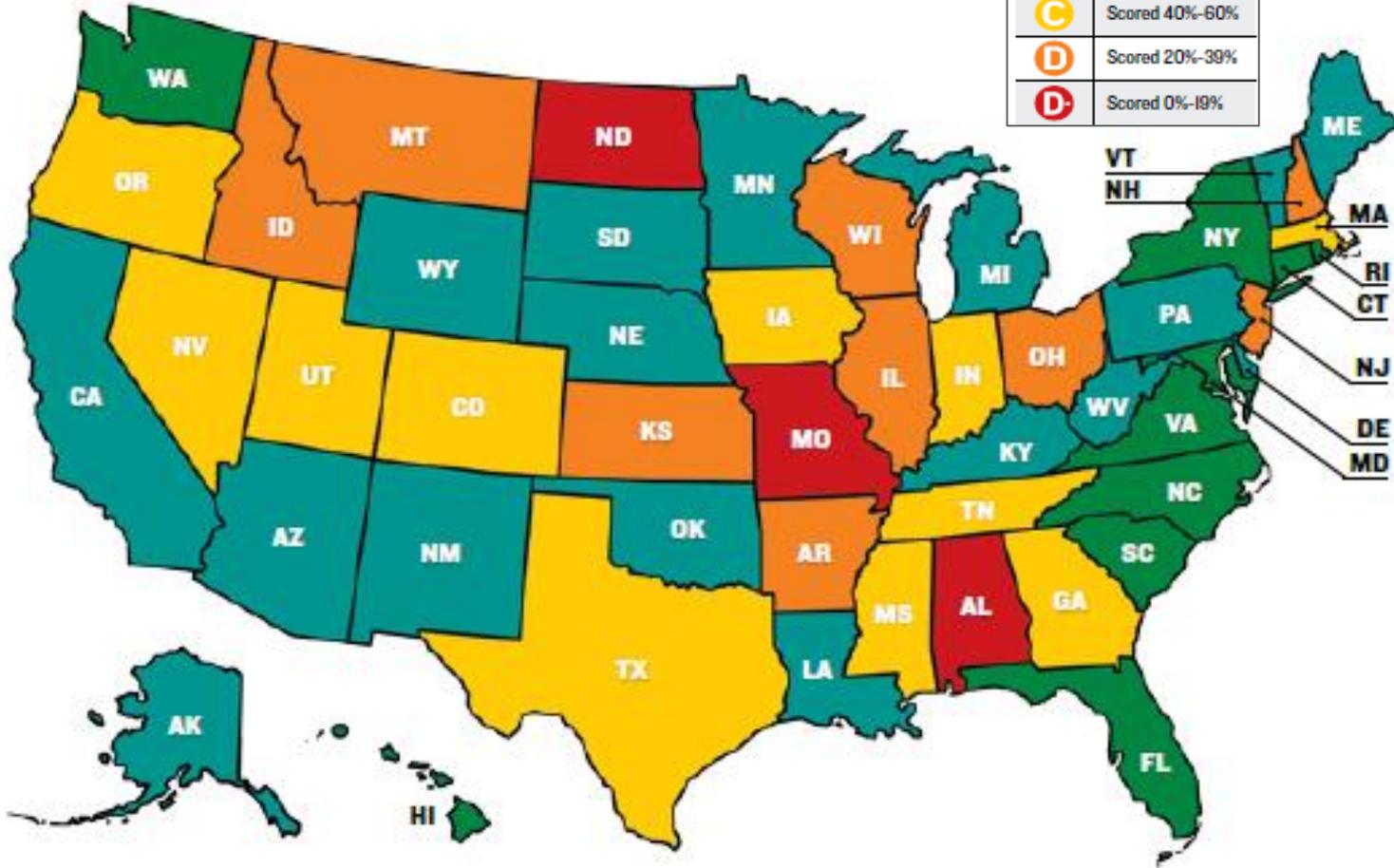
States received average FY 2016-18 grades of A to D-minus, plus annual grades for each year, in five areas:

1. **Budget forecasting**—how and whether states estimate revenues and expenditures for the coming fiscal year and the long term;
2. **Budget maneuvers**—dependence on one-time revenues to offset recurring expenditures;
3. **Legacy costs**—how well states fund promises made to public employees for pensions and retiree health care;
4. **Reserve funds**—the condition of general fund reserves and rainy day funds as well as rules governing their use and replenishment;
5. **Budget transparency**—disclosure of budget information, including debt, tax expenditures, estimated cost of deferred infrastructure maintenance.

Budget Forecasting Average Grades, FY 2016-18

Trend ↗ : 10 Get an A but 12 are D or D-

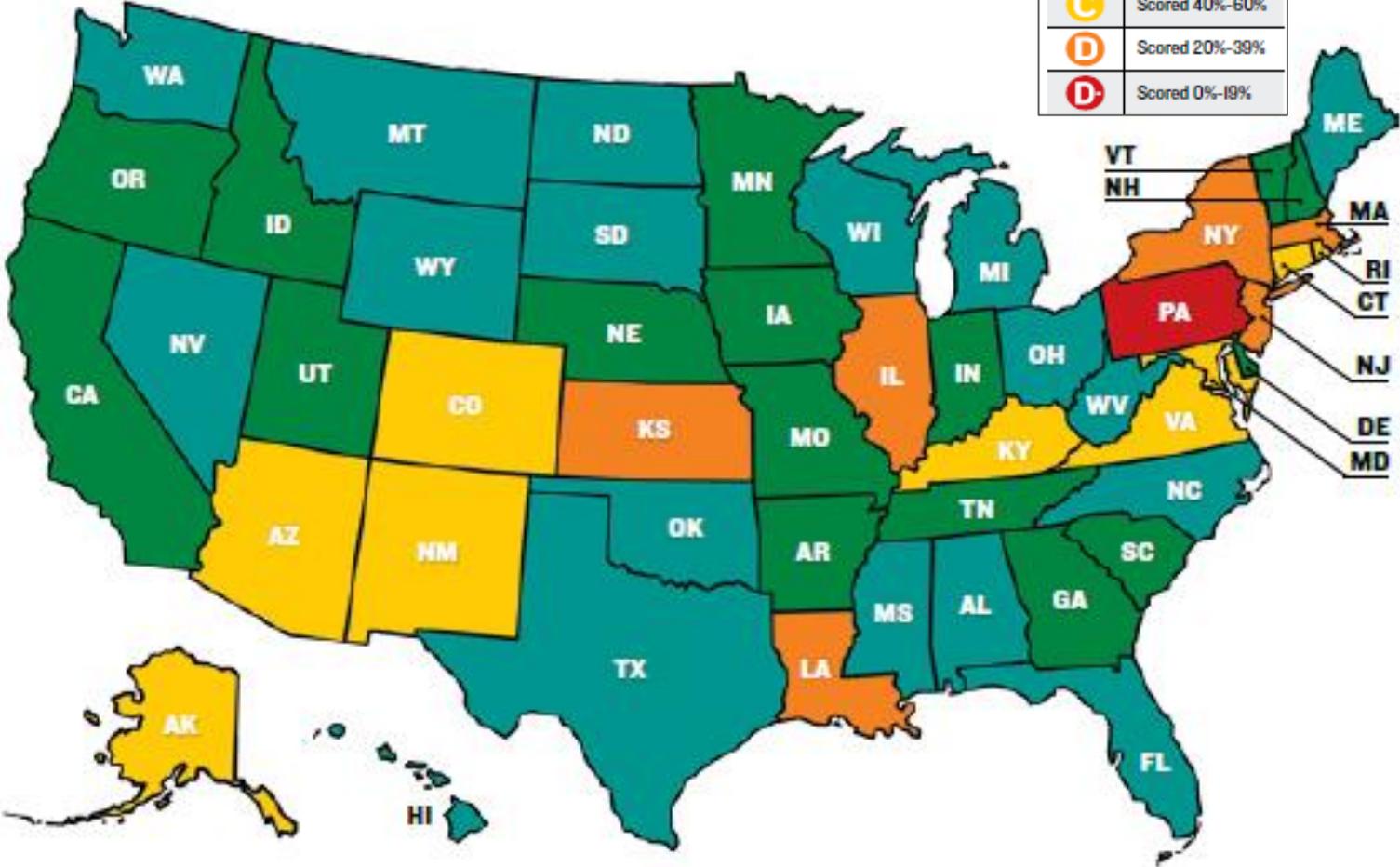
GRADE (3-YEAR AVERAGE)	
A	Scored 81%-100%
B	Scored 61%-80%
C	Scored 40%-60%
D	Scored 20%-39%
D-	Scored 0%-19%



Budget Maneuvers Average Grades, FY 2016-18

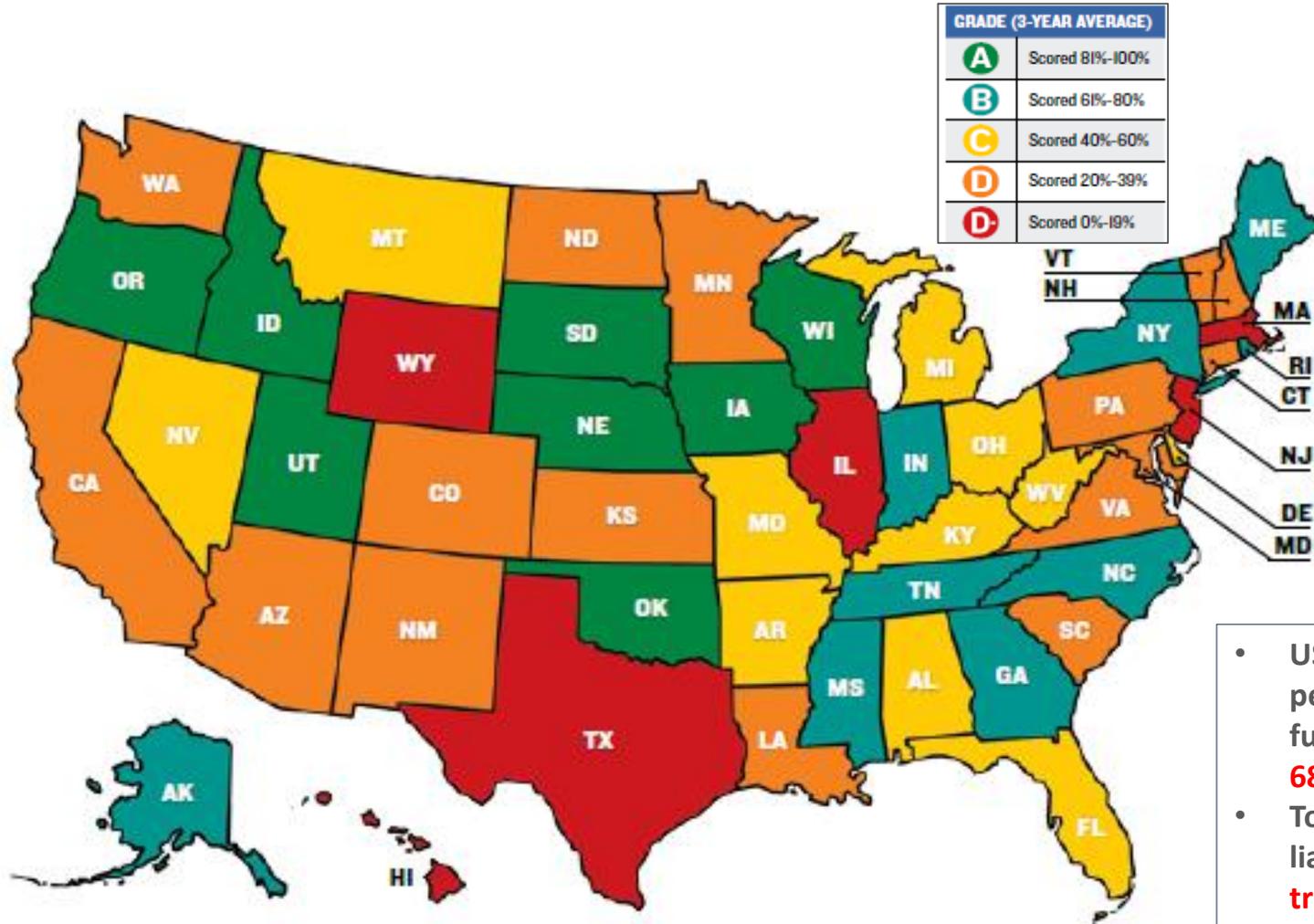
Trend ↘ : 16 get an A but 7 are D or D-

GRADE (3-YEAR AVERAGE)	
A	Scored 81%-100%
B	Scored 61%-80%
C	Scored 40%-60%
D	Scored 20%-39%
D-	Scored 0%-19%



Legacy Cost Average Grades, FY 2016-18

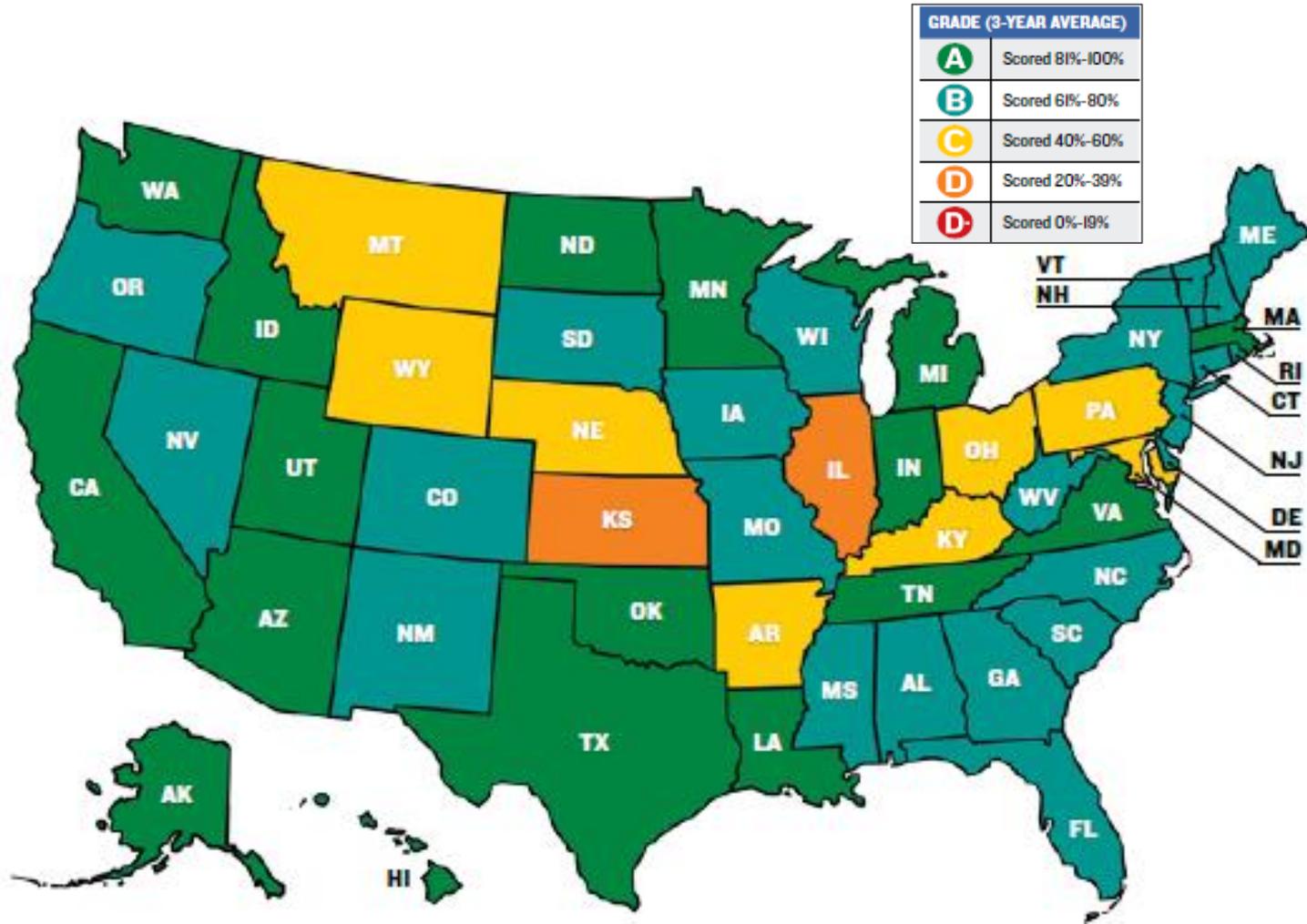
Trend ↗ : Only 8 get an A; 33 are C or Worse and 6 are D-



- US total state pension plan funding level: **68.6%**
 - Total unfunded liability: **\$1.35 trillion**
- Source: Bloomberg

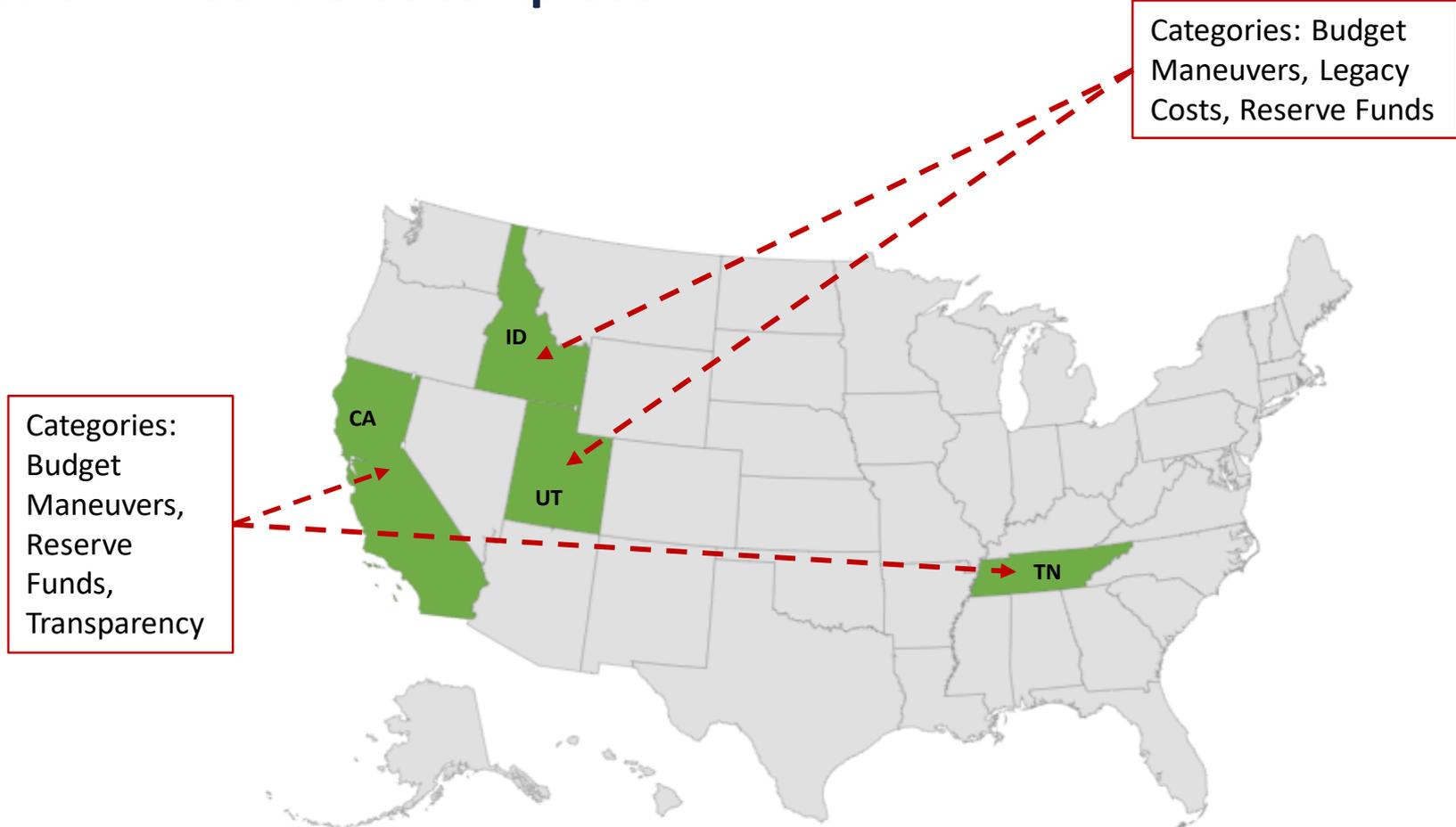
Reserve Funds Average Grades, FY 2016-18

Trend ↗ : 17 get an A, only 10 graded C or worse



Most 3-Yr Average A Grades, FY 2016-18

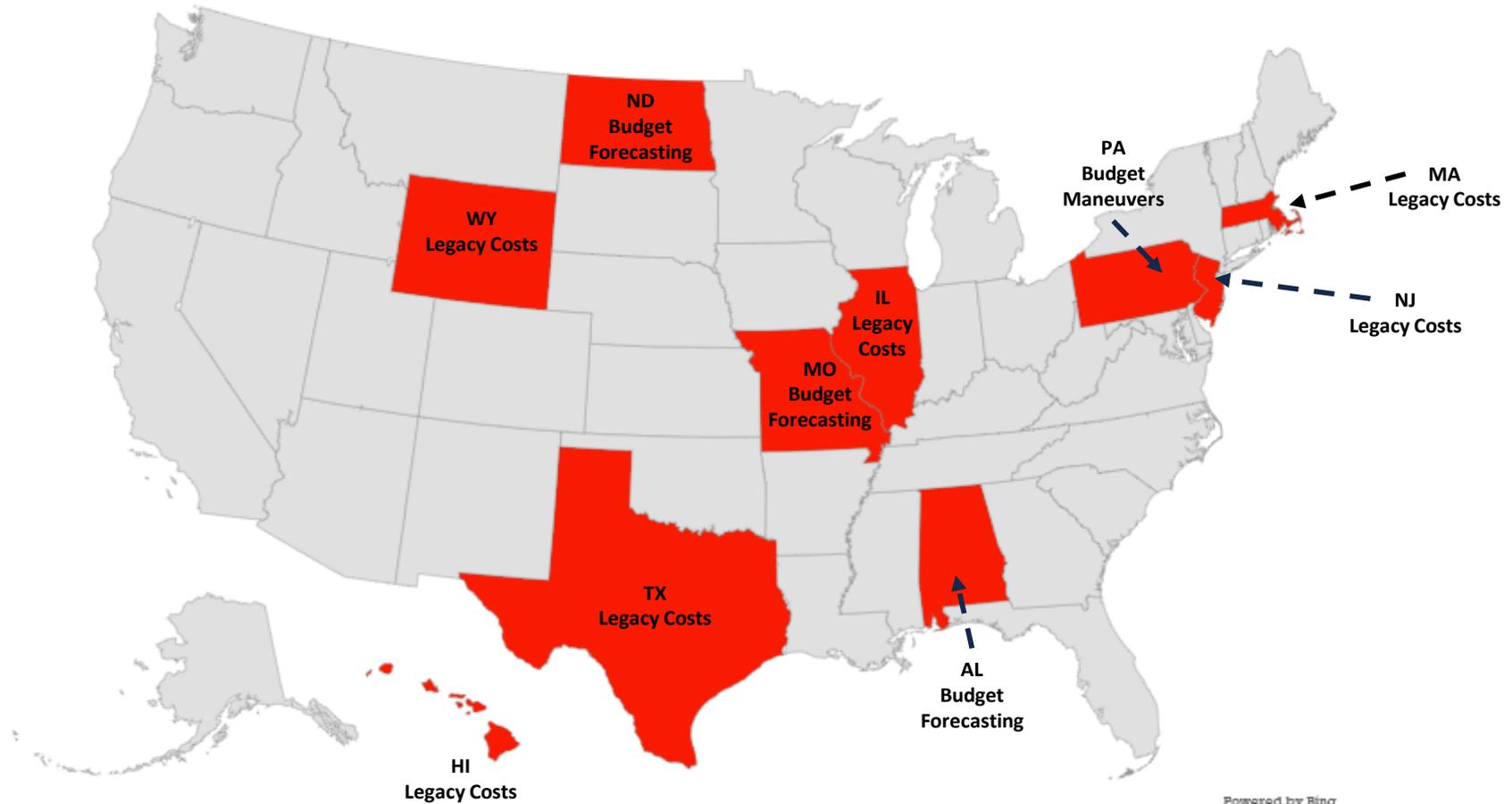
California, Idaho, Tennessee, and Utah Are the Only States With Three A Grades Apiece



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States With Average D- Grades, FY 2016-18

Legacy Costs Weigh Down 6 States, 4 Trail in Other Categories



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Questions?

Contact Information

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