Indiana Advisory Commission on Intergovernmental Relations (IACIR) 
September 26, 2014
Fiscal Benchmarking for Indiana’s Local Governments

Outline for today

1. Introductions
2. Background and Fiscal Indicators
3. Data Sources and Data Issues
4. Presentation of Selected 2011-12 Indicators
5. Fiscal Benchmarking Q-A
Fiscal Benchmarking for Indiana’s Local Governments

Project Team

Academic Advisors
- Craig Johnson
  Associate Professor (Committee Chair), SPEA-Bloomington
- Seth Payton
  Assistant Professor, SPEA-IUPUI
- Justin Ross
  Associate Professor, SPEA-Bloomington

Practitioner Advisors
- Deborah Driskell
  Delaware Township Trustee, Hamilton County
- Mike Fowler
  Former School Financial Officer
- Michael Griffin
  Clerk-Treasurer, Town of Highland
- Barb Hackman
  Auditor, Bartholomew County
- Jim Steele
  Former CFO and current advisor to local government
- Carol O. Rogers
  Deputy Director, Indiana Business Research Center

PPI Staff
- Jamie Palmer
  Senior Policy Analyst, IU PPI (staff project lead)
- Sue Burow
  Senior Policy Analyst, IU PPI (data)

Graduate Students
- Caitlin Cheek
  MPA candidate, SPEA-Bloomington
- Sian Mughan
  PhD student, SPEA-Bloomington
- Luke Spreen
  PhD student, SPEA-Bloomington

Agencies
- Office of the State Auditor
- Department of Local Government Finance
- State Board of Accounts
- State Budget Agency
- Legislative Services Agency
- Indiana Business Research Center

IACIR Presentation, 9/26/14
Fiscal Benchmarking for Indiana’s Local Governments

Project Objectives

• To inform policy discussions
• To understand environmental impacts on fiscal conditions
  – Federal and state laws
  – Economic conditions
  – Demographic trends
• To highlight best practices in fiscal operations
• To identify stress points and concerns
• To facilitate comparisons across local governments
Fiscal Benchmarking for Indiana’s Local Governments

Project Deliverables

• Annual Comprehensive Report
  – 36 fiscal and economic indicators with analysis by level of government.
  – 2011-12 report presents data for Indiana county, township, and city and town governments.
  – Data for school and special districts planned for 2012-13 report.

• Issue Briefs
  – Concise, data-driven examinations of statewide legislation and trends affecting the finances of Indiana’s local governments
  – Published periodically; 2-3 planned per year
  – Upcoming issue brief topics include analysis of property tax caps, local option income taxes, and local government financial reporting.
Fiscal Benchmarking is the assessment of the financial conditions of a local government based on its social and economic attributes.

Typically accomplished by comparing the financial situation of similar governments in a state or region using standardized financial and economic indicators.

There is no single indicator of fiscal health!
Fiscal Benchmarking for Indiana’s Local Governments

Background on Fiscal Benchmarking

Factors Affecting Fiscal Condition

Demographic Trends

Economic Trends

Operating Position

Revenue Structure

Expense Structure

Financial Position

Long-Term Obligations
The project team selected fiscal benchmarks in consultation with the academic and practitioner advisory boards. Some benchmarks are common among other state fiscal benchmarking programs (Operating position, debt service ratio, spending/revenue/debt per capita). Others are Indiana-specific (property tax cap losses). Plans to incorporate new indicators in future annual reports, e.g. general fund balance.
Fiscal Benchmarking for Indiana’s Local Governments
2011-12 Annual Report

• Available on project website:
  http://policyinstitute.iu.edu/fiscalbenchmarking

• Table of Contents
  • Introduction
  • Approach to Benchmarking
  • Fiscal Benchmarks
  • Interpreting the Data
  • Data Summary and Analysis
  • Fiscal Indicators - Counties
  • Fiscal Indicators - Townships
  • Fiscal Indicators - Cities and Towns
  • Technical Documentation
    • Appendix A: Enterprises by Local Government
    • Appendix B: Borrowing Proceeds Other Than Tax Anticipation Warrants
Data Sources

- Data are drawn from four major sources:
  - Annual Financial Reports (State Board of Accounts)
    - Receipts, Disbursements
  - County Property Tax Abstracts (State Auditor)
    - Assessed Value, Levy, Tax Cap Losses, LOIT Property Tax Replacement Credits
  - Debt Reporting (Dept. of Local Government Finance)
    - Outstanding Debt-Related Obligations
  - Local Option Income Tax Rates (State Budget Agency)
Fiscal Benchmarking for Indiana’s Local Governments

**General Data Issues**

- Making sense of these data is a painstaking process.
- Reporting on Gateway is relatively new.
- Mandatory reporting of some data also is relatively new, e.g., debt.
- Reporting is done on a cash basis; very few units produce CAFRs.
Fiscal Benchmarking for Indiana’s Local Governments

General Data Issues

- No coordinated location where full local government budgets are reported. No budget indicators this time.
- Financial data associated with enterprise operations is treated differently across datasets. Our financial indicators include business activities in addition to governmental activities.
- We wanted to exclude trust accounts, pass through revenue, and double counting. We were only able to resolve the double counting issue.
Fiscal Benchmarking for Indiana’s Local Governments

General Data Issues

• Revenue and spending indicators do not include debt proceeds. We excluded proceeds from borrowing other than the interest of tax anticipation warrants for all units.

• “Other-other” problem (unclassified receipts and disbursements).

• Only debt-related obligations with terms of 1 year or greater are required to be reported.

• Due to changes in the county AFR coding system, 2011 and 2012 data are not comparable.
Fiscal Benchmarking for Indiana’s Local Governments

How the Fiscal Benchmarks Can Be Used

- The indicators are used for comparison across units and over time.
- Use them to compare the fiscal situation of your local governments relative to others in your area.
- Compare your local government to similar units across the state. Population and Assessed Value may be useful for identifying similar units.
- Consult the technical documentation for information about how indicators are computed.
Fiscal Benchmarking for Indiana’s Local Governments

Spending Indicators

- Total Spending
- Spending per Capita
- Program Sustainability (Share of services financed through user charges and state and federal grants)
- Operating Position (Ratio of receipts to disbursements)
- Operating Balance (Difference between receipts and disbursements)
### Percentage Change in Selected Spending Indicators for Indiana Local Governments

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Counties</th>
<th>Townships</th>
<th>Cities &amp; Towns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units</td>
<td>92</td>
<td>1,006</td>
<td>568</td>
</tr>
<tr>
<td>Median Total Spending per Capita</td>
<td>-</td>
<td>-5.0% ↓</td>
<td>5.2% ↑</td>
</tr>
<tr>
<td>Operating Position (Ratio of receipts to disbursements)</td>
<td>-</td>
<td>3.8% ↑</td>
<td>0.2% ↑</td>
</tr>
</tbody>
</table>
Fiscal Benchmarking for Indiana’s Local Governments

Revenue Indicators

• Total Revenue
• Revenue per Capita
• Revenue by Source (9 sources)
• General Revenue Ratio
• Intergovernmental Revenue Ratio (Share of total revenue raised through the state and federal government)
• Own-source General Revenue per Capita (Share of total revenue raised through taxes levied directly by the local government)
• Elastic Revenues (Share of total revenue raised through sales and income taxes)
• Program Autonomy (Share of total program revenue raised through charges for services, licenses, fines, forfeitures, and fees)
Fiscal Benchmarking for Indiana’s Local Governments

Percentage Change in Selected Revenue Indicators for Indiana Local Governments

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Counties</th>
<th>Townships</th>
<th>Cities &amp; Towns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units</td>
<td>92</td>
<td>1,006</td>
<td>568</td>
</tr>
<tr>
<td>Median Total Revenue per Capita</td>
<td>-</td>
<td>5.1%↑</td>
<td>6.0%↑</td>
</tr>
<tr>
<td>Median General Revenue</td>
<td>-</td>
<td>0.1%↑</td>
<td>1.4%↑</td>
</tr>
<tr>
<td>Median Intergovernmental Revenue</td>
<td>-</td>
<td>0.5%↑</td>
<td>-0.6%↓</td>
</tr>
<tr>
<td>Median Elastic Revenue</td>
<td>-</td>
<td>2.7%↑</td>
<td>1.4%↑</td>
</tr>
</tbody>
</table>
### Fiscal Benchmarking for Indiana’s Local Governments

**Revenue by Source, Indiana Local Governments, CY 2012**

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Counties</th>
<th>Townships</th>
<th>Cities &amp; Towns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide Total</td>
<td>$8.85 bil</td>
<td>$319.7 mil</td>
<td>$7.66 bil</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>37.8%</td>
<td>64.1%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>12.7%</td>
<td>22.2%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Local Excise Taxes</td>
<td>3.2%</td>
<td>4.7%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Other Tax Distributions</td>
<td>8.8%</td>
<td>2.5%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Program Distributions</td>
<td>3.7%</td>
<td>0.2%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>0.2%</td>
<td>0.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>4.5%</td>
<td>1.9%</td>
<td>38.0%</td>
</tr>
<tr>
<td>Fines, Forfeitures, and Fees</td>
<td>1.9%</td>
<td>0.1%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Other Receipts</td>
<td>27.3%</td>
<td>4.4%</td>
<td>15.7%</td>
</tr>
</tbody>
</table>
Fiscal Benchmarking for Indiana’s Local Governments

Property Tax Base Indicators

• Gross Assessed Value (Total value of property before assessed value deductions)
• Homestead Standard Deduction
• Homestead Supplemental Deduction
• Total Non-Homestead Assessed Value Deduction
• Taxable Assessed Value (Total assessed value of property after assessed value deductions)
Fiscal Benchmarking for Indiana’s Local Governments

Property Levy Indicators

• Gross Tax Levy (Property tax levy before losses to property tax circuit breakers)
• Property Tax Replacement Credits by Source (3 sources)
• Property Tax Replacement Credits as a Share of Gross Tax Levy (Share of the gross tax levy raised through local option income tax property tax replacement credits) (3 sources)
• Tax Cap Losses by Circuit Breaker Class (4 classes)
• Tax Cap Losses
• Net Tax Levy (Property Tax Levy after losses to property tax circuit breakers)
### Fiscal Benchmarking for Indiana’s Local Governments

#### Percentage Change in Selected Property Tax Base and Levy Indicators for Indiana Local Governments

<table>
<thead>
<tr>
<th>Indicator</th>
<th>County</th>
<th>Townships</th>
<th>Cities &amp; Towns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units</td>
<td>92</td>
<td>1,006</td>
<td>568</td>
</tr>
<tr>
<td>Median Taxable Assessed Value</td>
<td>2.5%↑</td>
<td>5.3%↑</td>
<td>-0.7%↓</td>
</tr>
<tr>
<td>Median Property Tax Rate (per $100 AV)</td>
<td>-0.1%↓</td>
<td>-5.5%↓</td>
<td>2.5%↑</td>
</tr>
<tr>
<td>Median Net Tax Levy</td>
<td>3.3%↑</td>
<td>-3.3%↓</td>
<td>3.9%↑</td>
</tr>
</tbody>
</table>
## Fiscal Benchmarking for Indiana’s Local Governments

### Tax Cap Losses for Indiana Local Governments

<table>
<thead>
<tr>
<th>Indicator</th>
<th>County</th>
<th>Townships</th>
<th>Cities &amp; Towns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units</td>
<td>92</td>
<td>1,006</td>
<td>568</td>
</tr>
<tr>
<td>Percent with Tax Cap Losses in 2012</td>
<td>100.0%</td>
<td>95.2%</td>
<td>94.4%</td>
</tr>
<tr>
<td>Statewide Tax Cap Losses</td>
<td>6.0%↑</td>
<td>-1.0%↓</td>
<td>6.7%↑</td>
</tr>
<tr>
<td>as a Share of Gross Levy</td>
<td>0.1%↑</td>
<td>-0.1%↓</td>
<td>0.7%↑</td>
</tr>
<tr>
<td>Median Tax Cap Losses</td>
<td>-4.9%↓</td>
<td>-31.4%↓</td>
<td>-3.7%↓</td>
</tr>
<tr>
<td>as a Share of Gross Levy</td>
<td>-0.2%↓</td>
<td>-0.1%↓</td>
<td>-0.2%↓</td>
</tr>
</tbody>
</table>
Fiscal Benchmarking for Indiana’s Local Governments

Local Option Income Tax (LOIT) Indicators

• Adopted LOITs (county only)
• LOIT Rate (county only)
• LOIT Rate Utilization (county only)
• LOIT Revenue (included with Revenue by Source)
Fiscal Benchmarking for Indiana’s Local Governments

Debt-Related Obligations Indicators

- Total Debt-Related Obligations
- Tax-supported Debt-Related Obligations (2012 only)
- Total Debt-Related Obligations per Capita
- Tax-supported Debt-Related Obligations per Capita (2012 only)
- Total Debt-Related Obligations per $100 Assessed Value
- Tax-supported Debt-Related Obligations per $100 Assessed Value (2012 only)
- Debt Service Ratio
Fiscal Benchmarking for Indiana’s Local Governments

Concluding Remarks

- Benchmarking is a time intensive endeavor
- Next steps
  - After action analysis.
  - Feedback on current indicators and consideration of new indicators.
  - Develop website in coordination with IBRC.
  - 2013 Annual report for counties, townships, and cities and towns. Introduce data for schools and special districts.
  - Release issue briefs.
  - Leverage additional resources.
We would appreciate your feedback!

Contact Information:
- Jamie Palmer
- Phone: 317-261-3046
- Email: fiscalb@iu.edu
- Website: http://policyinstitute.iu.edu/fiscalbenchmarking