

INDIANA Budget Report Card



INDIANA NOTCHED A averages in budget maneuvers and reserve funds for fiscal 2016 through 2018.

The state’s A in budget maneuvers resulted from its ceasing the use of debt in 2018 to fund recurring expenditures, a strategy it employed the year before. The A for reserve funds reflected Indiana’s policies for withdrawals and replenishments of cash as well as consideration of revenue volatility. The state’s transparency grade rose to a B in 2018 from C in 2017, thanks to significant improvements in the disclosure of tax expenditure information. Two 2015 laws require consistent and detailed reporting on tax expenditures from the state budget office and the Legislative Services Agency, which provides fiscal and management analysis for lawmakers. Although the initial set of required reports was published in late 2016, the first year the reports could be used in budget preparation was fiscal 2018.

Indiana received a three-year average grade of B in legacy costs. Although it funded pensions at the level recommended by actuaries, the state set aside only 65 percent of the assets needed to meet obligations to retired workers as of 2017—versus 78.5 percent in neighboring Ohio. Indiana came close to meeting its actuarially recommended funding level for other postemployment benefits. With retiree health care benefits that are significantly more modest than those in many other states, Indiana does not face fiscally draining long-term costs in this area.

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EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	D	D	D-	D	B
Indiana	C	A	B	A	C
Michigan	B	B	C	A	B
Ohio	D	B	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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BUDGET FORECASTING			
	2016	2017	2018
 CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS			
	2016	2017	2018
 CATEGORY GRADE	A	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	X	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2016	2017	2018
 CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	63%	65%	65%
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS			
	2016	2017	2018
 CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY			
	2016	2017	2018
 CATEGORY GRADE	C	C	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	X	✓
3-YEAR AVERAGE C		3-YEAR TREND ↗	

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* SOURCE Bloomberg; 2017 data also used for 2018.