

INDIANA Budget Report Card



INDIANA EARNED AN AVERAGE of B in transparency for 2017 through 2019, up from a C in the previous assessment. The improvement stemmed from its resumption in 2018 of disclosure of its tax expenditures, such as credits, exemptions, and other types of breaks. The state’s comprehensive report describes specific tax expenditures, gives their legislative basis, and estimates their use in fiscal 2018–21. Indiana’s one remaining shortcoming in transparency was an absence of deferred infrastructure maintenance costs.

Its avoidance of budget maneuvers—one-time actions—to achieve balance earned Indiana an A average in the category, though the state averaged only a C in budget forecasting. It does not develop multiyear revenue forecasts of at least three years in its budget documents but releases estimates covering only the remainder of

the current fiscal year and the upcoming biennium. Indiana also fails to provide multiyear expenditure estimates.

The state’s A average in reserve funds reflects its use of volatility measures in setting rainy day fund targets. Contributions are tied to personal income tax growth under a law that requires money to be set aside when personal income grows more than 2 percent from the previous year. This and other Indiana rainy day fund policies follow best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.


EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	D-	D-	D	B
Indiana	C	A	B	A	B
Michigan	B	A	C	A	B
Ohio	D	C	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	B	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: The Balancing Act* at VolckerAlliance.org.


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BUDGET FORECASTING				
	2017	2018	2019	
	CATEGORY GRADE	C	C	C
	Consensus Revenue Forecasts	✓	✓	✓
	Multiyear Expenditure Forecasts	✗	✗	✗
	Multiyear Revenue Forecasts	✗	✗	✗
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE		C	3-YEAR TREND —	

BUDGET MANEUVERS				
	2017	2018	2019	
	CATEGORY GRADE	B	A	A
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	✓	✓	✓
	Funding Recurring Expenditures with Debt	✗	✓	✓
	Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE		A	3-YEAR TREND ↗	

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	B	B	B
	Public Employee OPEB Funding	✓	✓	✓
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	65%	67%	67%
3-YEAR AVERAGE		B	3-YEAR TREND —	

RESERVE FUNDS				
	2017	2018	2019	
	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				
	2017	2018	2019	
	CATEGORY GRADE	C	B	B
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
	Discloses Tax Expenditures	✗	✓	✓
3-YEAR AVERAGE		B	3-YEAR TREND ↗	

KEY

✓	Followed best practice
✗	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; 2018 data also used for 2019.

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