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FISCAL BENCHMARKING

for Indiana's Local Governments

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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

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Agencies

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State Budget Agency
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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

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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.

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Background on Fiscal Benchmarking

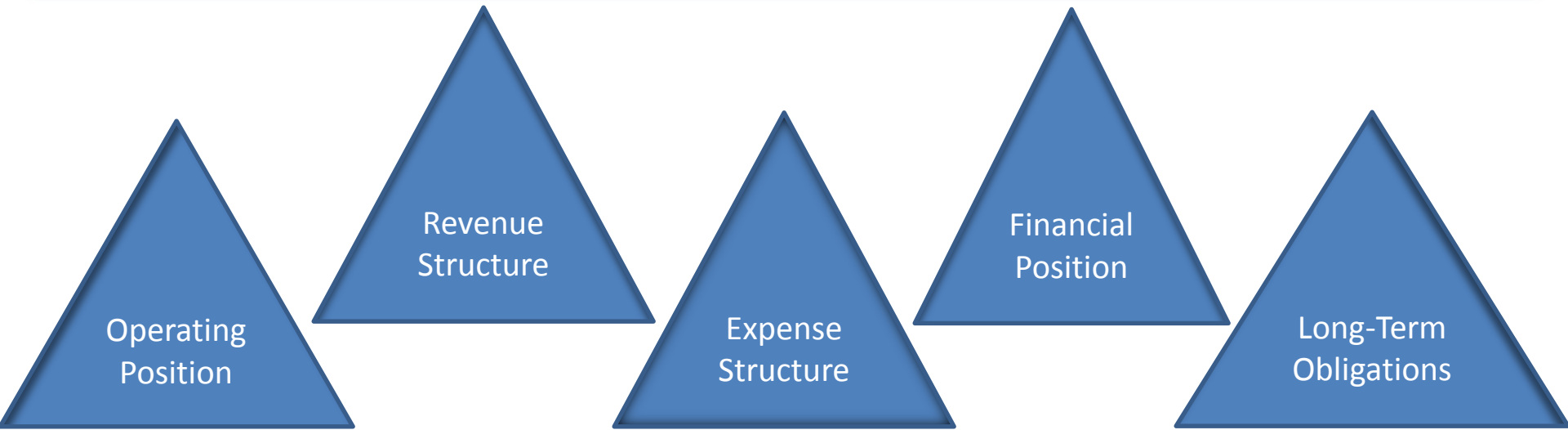
- Fiscal benchmarking is the assessment of the financial conditions of a local government based on its social and economic attributes.
- Typically accomplished by comparing the financial situation of similar governments in a state or region using standardized financial and economic indicators.
- There is no single indicator of fiscal health!

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Background on Fiscal Benchmarking



Factors Affecting Fiscal Condition



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2011-12 Annual Report

- 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.

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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

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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)

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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.

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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.

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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.

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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.

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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)

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Percentage Change in Selected Spending Indicators for Indiana Local Governments

Indicator	Counties	Townships	Cities & Towns
Total Units	92	1,006	568
Median Total Spending per Capita	-	-5.0% ↓	5.2% ↑
	-	0.7% ↑	-4.9% ↓
Operating Position (Ratio of receipts to disbursements)	-	3.8% ↑	0.2% ↑

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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

Indicator	Counties	Townships	Cities & Towns
Total Units	92	1,006	568
Median Total Revenue per Capita	-	5.1%↑	6.0%↑
	-	0.3%↑	-1.1%↓
Median General Revenue	-	0.1%↑	1.4%↑
Median Intergovernmental Revenue	-	0.5%↑	-0.6%↓
Median Elastic Revenue	-	2.7%↑	1.4%↑

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Revenue by Source, Indiana Local Governments, CY 2012

Revenue Source	Counties	Townships	Cities & Towns
Statewide Total	\$8.85 bil	\$319.7 mil	\$7.66 bil
Property Taxes	37.8%	64.1%	19.2%
Income Taxes	12.7%	22.2%	8.4%
Local Excise Taxes	3.2%	4.7%	1.6%
Other Tax Distributions	8.8%	2.5%	7.6%
Program Distributions	3.7%	0.2%	8.0%
Licenses & Permits	0.2%	0.0%	0.6%
Charges for Services	4.5%	1.9%	38.0%
Fines, Forfeitures, and Fees	1.9%	0.1%	0.8%
Other Receipts	27.3%	4.4%	15.7%

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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)

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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)

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

Indicator	County	Townships	Cities & Towns
Total Units	92	1,006	568
Median Taxable Assessed Value	2.5%↑	5.3%↑	-0.7%↓
Median Property Tax Rate (per \$100 AV)	-0.1%↓	-5.5%↓	2.5%↑
Median Net Tax Levy	3.3%↑	-3.3%↓	3.9%↑

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Tax Cap Losses for Indiana Local Governments

Indicator	County	Townships	Cities & Towns
Total Units	92	1,006	568
Percent with Tax Cap Losses in 2012	100.0%	95.2%	94.4%
Statewide Tax Cap Losses	6.0%↑	-1.0%↓	6.7%↑
as a Share of Gross Levy	0.1%↑	-0.1%↓	0.7%↑
Median Tax Cap Losses	-4.9%↓	-31.4%↓	-3.7%↓
as a Share of Gross Levy	-0.2%↓	-0.1%↓	-0.2%↓

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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)

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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

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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.

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Concluding Remarks

- We would appreciate your feedback!
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