



INDIANA UNIVERSITY PUBLIC POLICY INSTITUTE



**SCHOOL OF PUBLIC AND
ENVIRONMENTAL AFFAIRS**

INDIANA UNIVERSITY
IUPUI

Topic:

Fiscal Benchmarking for Local Government

Presented to:

Indiana Advisory Commission on Intergovernmental Relations

Presented by:

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I. Context

The laws governing how Indiana's local governments operate and how they raise the revenue to fund those operations have changed significantly in the last 10 years. Constitutional limits on the rate of taxing property and an increasing reliance on local option income taxes may be moving local government revenues away from stable sources of revenue and toward sources that are more volatile. The ability of local government to provide services that support economies, protect citizens, and provide a social safety net may become less reliable.

A gap current exists in research that assesses the fiscal health of local governments in a comparative and comprehensive manner. Elected officials, members of the private and non-profit sectors, and citizens would benefit from a comprehensive analysis of the fiscal health of local governments. State leaders should have timely and comprehensive indicators of revenue capacity, spending demands, debt service, and investments for local governments. Local leaders should know how similar units around the state are fairing and how they are (or are not) meeting the promises of public services being made to its citizens.

While each government has circumstances unique to its locality, a comparative assessment of how similar units are dealing with these circumstances would be a valuable contribution. Lessons learned from assessing the fiscal health of Indiana's 92 counties, 568 cities and towns, and 1,006 townships would inform the policy debate on areas of concern, the reasons for fiscal stress, and best practices for how localities are adapting to their new fiscal environment.

II. Scope and Intent of Work

The Indiana University Public Policy Institute (PPI), an applied research organization and subunit to the Indiana University School of Public and Environmental Affairs (SPEA), will use government-reported data on revenues, spending, debt, and investments to construct a series of fiscal indicators that indicate the level of fiscal health for each reporting unit.

With guidance from an advisory committee comprised of practitioners and academics with expertise in public finance, PPI staff and interns will produce an **annual series of issue briefs that address particular topics relevant to local government finance in the state**. In addition, the team will produce a **comprehensive annual report** that, for each local government, measures the financial condition and level of fiscal distress through a series of fiscal indicators based on data reported by governments. In addition to data on local government finance, the analysis will include **relevant economic and sociodemographic indicators that provide context on the future expectations and revenue-raising potential for these governments**. In particular, these data will help assess changes in the taxable base for local governments and provide proxies of their ability to service the needs of their constituents.

To supplement the quantitative analysis, project staff will **communicate with and survey local government leaders to better understand the challenges and unique circumstances** that the financial data may not convey. These discussions will be incorporated into the reporting process to provide context to what the numbers indicate about their respective areas.

In sum, the project will (1) provide **objective** and **non-partisan** analyses of local government finance for each unit, (2) put the data in **context** with **anecdotal reports** on conditions facing governments, (3) act as an **authoritative reference** for policy makers to assess how legislation impacts local government, and



(4) provide a tool for **comparative analyses** of similar governmental units across an array of fiscal indicators.

The work is not merely an academic exercise, but rather a means to incorporate rigorous academic thought with practical analysis that is usable for key stakeholders to improve decision making abilities at both the local and state levels.

The project will initially analyze data for **county** and **city/town** units, with the potential for analysis of townships, school districts, and special districts in the future.

III. Deliverables

The project team will produce the following each year:

1. Annual compendium of indicators for each unit of government analyzed
2. Three to four issue briefs that discuss particular topics of interest (e.g., circuit breakers, debt service, economic conditions, etc.)

The reports will be available electronically on the internet and also in hard copy form.

The project team hopes to make the data publicly accessible via a web portal, whereby interested parties can select the information for particular units and make comparisons on their own.

IV. Data sources

The data used for the analysis will come primarily from the following sources:

1. County auditor abstracts
2. Gateway for Local Governments database
3. LOGODABA
4. Legislative Services Agency reports
5. Department of Local Government Finance
6. US Census Bureau
7. US Bureau of Economic Analysis
8. US Bureau of Labor Statistics
9. Key informant interviews

V. Timeline

The advisory committee and PPI staff will develop a final set of metrics and data sources for analysis by Fall, 2012. Staff will analyze data and produce the issue briefs and annual report in early 2013, with an official release of documents by Spring, 2013.

Note that this timeline is subject to change.



VI. Project staffing and advisory committee membership

The advisory committee for the project is comprised of current and former fiscal officers for local government in Indiana and public finance faculty from SPEA Bloomington and SPEA IUPUI. The committee will provide guidance to research efforts, review and contribute to publications, and help present and disseminate research findings. The committee includes the following individuals:

Craig Johnson (Committee Chairman)

Associate Professor of Public Finance
School of Public and Environmental Affairs
Indiana University, Bloomington

Seth Payton

Assistant Professor of Public Finance
School of Public and Environmental Affairs
Indiana University Purdue University Indianapolis

Justin Ross

Assistant Professor of Public Finance
School of Public and Environmental Affairs
Indiana University, Bloomington

Michael Fowler

Director of Finance, Business Affairs and Human Resources
School of Public and Environmental Affairs
Indiana University, Bloomington

Michael Griffin

Clerk-Treasurer
Town of Highland, Indiana

Barbara Hackman

County Auditor
Bartholomew County, Indiana

James (Jim) Steele

Former Controller for the Cities of Anderson and Indianapolis
CFO for City-County Council and financial advisor for local units of government

Project Staff

Matthew (Matt) Nagle (Project coordinator and lead research staff)

Senior Policy Analyst and Associate Faculty of Statistics
Indiana University Public Policy Institute

Sarah Larsen (Intern)

Candidate for PhD in Public Finance
School of Public and Environmental Affairs
Indiana University, Bloomington



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About the Indiana University Public Policy Institute

In 2008, Indiana University established the IU Public Policy Institute, a collaborative, multidisciplinary research institute within the Indiana University School of Public and Environmental Affairs. John L. Krauss, director of the Institute, leads a team of experienced faculty and staff with expertise in policy analysis, program evaluation, facilitation, and planning. Our research provides a neutral voice to dialogues among political and community leaders who need to understand the long-term effects of policy decisions. The Institute serves as an umbrella organization for research centers affiliated with SPEA, including the Center for Urban Policy and the Environment and the Center for Criminal Justice Research. The Institute also supports the Office of International Community Development and the Indiana Advisory Commission on Intergovernmental Relations (IACIR).

<http://policyinstitute.iu.edu/>

About the Indiana University School of Public and Environmental Affairs

Indiana University's School of Public and Environmental Affairs was created to address complex issues in public policy and environmental science. Faculty are diverse and committed to high quality research; the winner of the 2009 Nobel Prize in Economic Sciences, Dr. Elinor Ostrom, is a professor at the School. Research is funded from multiple sources, such as the World Bank, the Environmental Protection Agency, the National Institutes of Health, the National Science Foundation, and the National Endowment for the Arts. Faculty frequently work in more than one research area, and often collaborate across disciplines. The School hosts four major journals under the editorial direction of faculty, including the *Journal of Policy Analysis and Management*, *Public Administration Review*, *Public Budgeting and Finance*, and *Small Business Economics*.

<http://spea.iu.edu/>