



Truth in Accounting

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 Truth in Accounting

“AGA believes that it is difficult to overstate how efficient reporting of government financial information contributes to a healthy democracy. Without accurate fiscal information, delivered regularly, in an easily understandable format, citizens lack the knowledge they need to interact with—and cast informed votes for—their leaders. In this regard, a lack of government accountability and transparency undermines democracy and gives rise to cynicism and mistrust.”



“Politicians should not have the pleasure of spending (getting votes) without the pain of taxing (losing votes).”

-Frank Cavanaugh, former US Treasury official

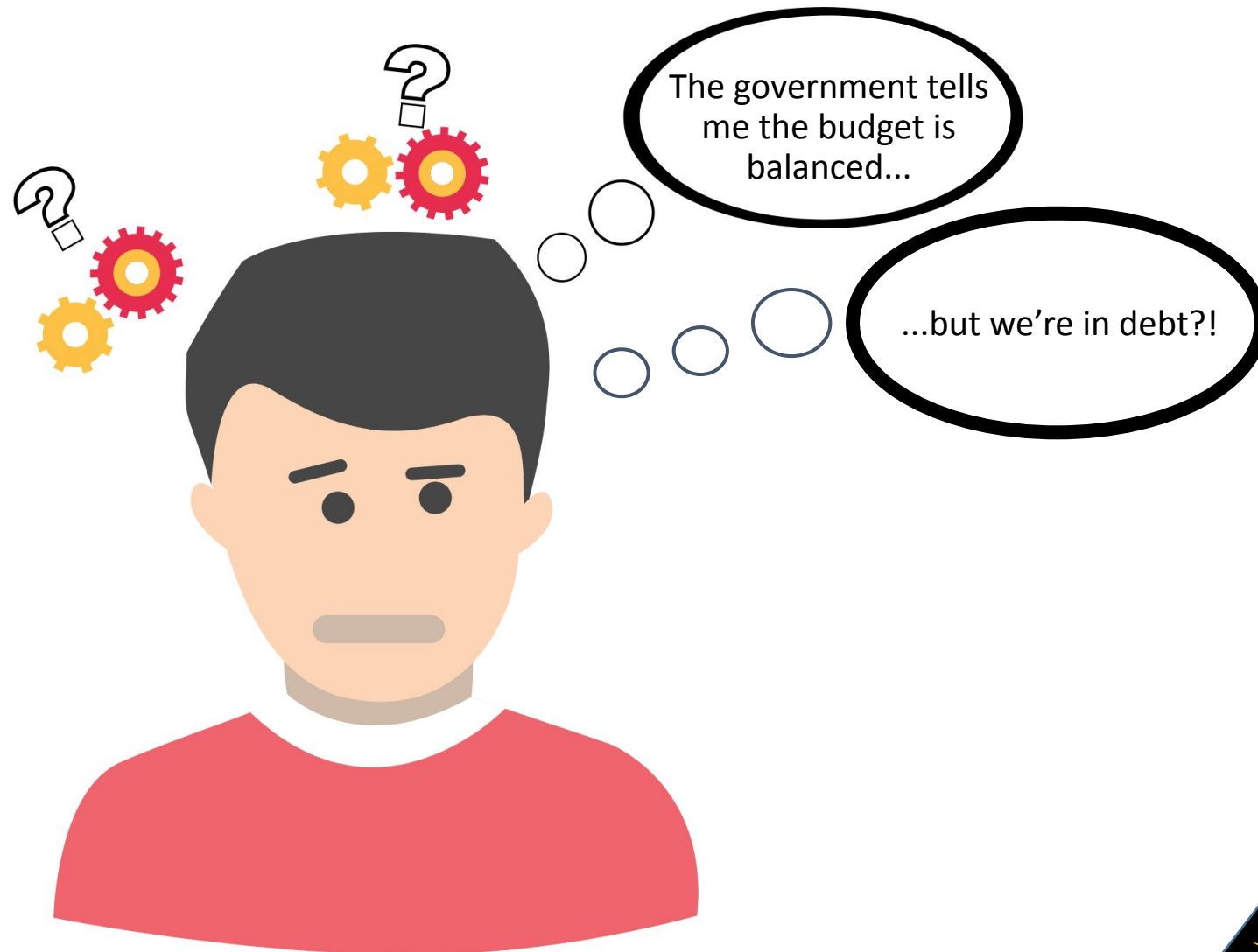


Audience Question

Why do most states and local governments have balanced budget requirements?

1. To avoid unsustainable debt.
2. To hold elected officials accountable for their spending.
3. It's a fun math game.
4. Answers 1 and 2





In 1984, you had debt of \$5,000. Since that time, you have balanced your budgets. How much debt do you have now?



If you take out a loan to pay your current bills, would you consider your budget balanced?



If you decide not to pay your utilities and other bills,
would you consider your budget balanced?



Your credit card companies say your minimum monthly payments are \$1,300, but you decide to pay only \$900 per month. If you pay \$900 per month, did you fully fund the amount you are supposed to pay?



For years you have hired people to do work around your house. Instead of paying them in full every year, you use the money to buy holiday gifts, so that you are popular with your friends. Each year you tell your household workers that your children will pay the balance you owe, when they grow up. Have your budgets been truly balanced?



Audience Question

The State of Illinois had \$5 billion of debt in 1984. Since that time, the state's budget has been "balanced." Based upon these facts, how much debt does the state have now?

1. Zero
2. \$5 billion
3. \$5 billion plus interest
4. More



THE STATE'S BILLS EXCEEDED ITS ASSETS

Total assets	\$83,075,955,000
Minus: Capital assets	-\$38,123,626,000
Restricted assets	-\$16,432,467,000
Assets available to pay bills	\$28,519,862,000
Minus: Total bills	-\$254,494,475,000
Money available (needed) to pay bills	-\$225,974,613,000
Each taxpayer's share of this debt	-\$52,000

BILLS THE STATE ACCUMULATED

Bonds	\$41,730,511,000
Other liabilities	\$27,499,944,000
Minus: Debt related to capital assets	-\$15,033,868,000
Unfunded pension benefits	\$144,161,681,000
Unfunded retiree health care benefits	\$56,136,207,000
Total bills	\$254,494,475,000



If the state has to take out loans to pay its current bills,
would you consider its budget balanced?



- Article VIII, Section 2 of the Illinois Constitution:

“The General Assembly by law shall make appropriations for all **expenditures** of public funds by the State.

Appropriations for a fiscal year shall not exceed **funds** estimated by the General Assembly to be **available** during that year.”



If legislators decide not to pay the state's bills and during the year the amount of unpaid bills increases, would you consider the state's budget balanced?



- Article VIII, Section 2 of the Illinois Constitution:

“The General Assembly by law shall make appropriations for all **expenditures** of public funds by the State.

Appropriations for a fiscal year shall not exceed **funds** estimated by the General Assembly to be **available** during that year.”



Audience Question

Illinois' constitution considers the budget balanced if expenditures equal funds available? Which one of these would you consider to be an expenditure?

1. The amount a state vendor billed the state one month before the fiscal year end.
2. The amount a state vendor billed the state eleven months before the fiscal year end.
3. The amount of pension benefits earned by a state worker during the fiscal year.
4. None of the above.



As of 8:00 AM
**MAR 17
2021**

ESTIMATED GENERAL FUNDS PAYABLE BACKLOG

The backlog includes General Funds liabilities currently at the Illinois Office of Comptroller and the estimated \$473 million reported by state agencies. It does not include \$4.168 billion in short-term borrowing and emergency borrowing that is required to be repaid.*

\$5,244,188,930.39

VOUCHERS BACKLOGGED

Includes vouchers and transfers to other state funds.

56,450

For 2020 the pension plans' actuarially determined contribution was calculated to be \$13.3 billion, but years ago the state set up its own funding schedule which indicated only \$9.1 billion should be contributed. If the state plans to pay only \$9.1 billion in 2020, would you say the state is fully funding the pension plans?



Audience Question

For decades the state has not had enough money to pay employees' total compensation. The employees have been promised retirement benefits which will have to be paid by future taxpayers. Have past budgets been truly balanced?

1. Yes
2. No
3. It depends on how you count.
4. Are you kidding me?



Vendor refuses to sell ammo to Illinois because of unpaid bills

By Chris Essig | chris.essig@lee.net Apr 6, 2010  0

SPRINGFIELD -- The Illinois Department of Corrections was forced to make an emergency purchase of ammunition last month because of the state's inability to pay its bills.

The purchase happened after one of the state's ammunition vendors, Shore Galleries Inc., refused to ship bullets unless the company was paid up front. The state owes the Lincolnwood firm \$6,000.





Nonprofits bear burden of Illinois' unpaid bills

October 17, 2011 at 2:54 PM CDT

CHICAGO (AP) - As Illinois' budget crisis worsens and the state lags further behind in paying bills, those that serve the state's neediest are forced to make dire decisions and at-times heroic sacrifices to pick up the slack.

The owner of a southern Illinois child care center borrowed money from family when he didn't get the state funding he was promised on time and faced laying off employees and cutting service.

Other employees of the thousands of charities, nonprofits and community groups have taken pay cuts, unpaid furloughs and increased workloads.



Illinois budget backlog is giving health care providers, patients a headache



Betty La France, NIU

By Dawn Rhodes - Chicago Tribune - July 27, 2017

Betty La France found a way to deal with a doctor who demanded she **pay her entire bill upfront** because the state could not be counted on to pay insurance reimbursement: She stopped going.

"I'm doing my job. I'm paying my bills. But the state is not doing their job, and they're certainly not paying their bills," said La France, a Northern Illinois University communications professor who lives in Sycamore. Her doctor, she added, "is irritated because she's not getting paid, and I'm irritated because she's trying to squeeze blood out of a turnip."

At public universities, officials and workers say some doctors and dentists, particularly those outside an insurance plan's provider network, **increasingly asked patients to pick up the state's tab** during the impasse. Some physicians, like La France's, required full payment in advance.



39 states did not have enough money to pay their bills



When states do not have enough money to pay their bills, TIA takes the money needed to pay bills and divides it by the estimated number of state taxpayers. We call the resulting number a Taxpayer Burden (or Surplus) and rank the states based on this number.

States with a Taxpayer Burden are shown in red; states with a Taxpayer Surplus are shown in black.



\$1.4 trillion in debt



In total, debt among the states was more than \$1.4 trillion at the end of the 2019 fiscal year.

**\$855 billion in pension debt &
\$617 billion in OPEB debt**



Top 5 Sunshine States

1.	Alaska:	\$77,400	●
2.	North Dakota:	\$37,700	●
3.	Wyoming:	\$19,600	●
4.	Utah:	\$5,500	●
5.	Tennessee:	\$3,400	↑



Top 5 Sinkhole States

50.	New Jersey:	-\$57,900	●
49.	Illinois:	-\$52,000	●
48.	Connecticut:	-\$50,700	●
47.	Hawaii:	-\$31,700	↓
46.	Massachusetts:	-\$30,100	↑



Audience Question

Which of the following are accounting gimmicks states use to balance their budgets?

1. Claiming borrowed money is revenue.
2. Delay paying their bills.
3. Promising pension and retiree health care liabilities, but not funding them.
4. All of the above



www.Data-Z.org



Nobody is breaking the rules. The rules themselves are the source of deception.





Audience Question

GASB is proposing to change the basis of accounting for the general and other governmental funds from the current financial resources measurement focus and modified accrual basis. Which basis of accounting do you believe should be used to prepare the general and other governmental funds statements?

1. The economic resources measurement focus and accrual basis of accounting, which is the same basis used to prepare the government wide and proprietary funds statements use.
2. Short-term financial resources measurement focus and accrual basis of accounting.
3. They should just leave it the way it is.
4. Financial resources measurement focus and accrual basis of accounting.



Missouri General Fund Statements (2020)

- Missouri's general fund reported a positive fund balance of \$2.7 billion.
- Missouri's general fund reported a unassigned positive fund balance of \$1.3 billion, which is the amount not restricted, committed or assigned.
- My experience is that elected officials believe that this is the amount available to spend.



Missouri Government-Wide Statements (2020)

- Net position - \$29.1 billion
- Negative unrestricted net position - \$7.3 billion
- This is the amount of bills that have been passed onto future taxpayers despite the state's balanced budget requirement.



The solution

- In addition to having a statement of inflows and outflows GASB is proposing
- A balance sheet and statement of revenues and expenses should be prepared using
- The financial resources measurement focus and accrual basis of accounting.
- Similar to how the governments report their consolidated statements.



Audience Question

Why is good government accounting important?

1. It provides citizens with the information they need to be knowledgeable participants in their governments.
2. Voters have the information they need to cast informed votes.
3. It facilitates government accountability and transparency.
4. All of the above.



Good accounting leads to good decisions

- Our governments would be healthier as cynicism and mistrust decreased.
- Decisions would be based upon good accounting -
The FACTS



Truth in Accounting Resources

- Websites
 - www.truthinaccounting.org
 - www.data-z.org
- Monthly webinars - “Ask the Experts”
- Daily newsletter “Morning Call”
- Defense Department Audit Report Card



What can you do?

- To increase citizens' trust and confidence in their governments encourage the publication of accurate fiscal information delivered regularly in an easily understandable format.
- To strengthen our representative form of government promote accountability and transparency.



What can you do?

- Sign up for our daily Morning Call email.
- Use Data-Z as a resource for you and others.
- Follow us on social media.
- Encourage other groups to have me as a speaker.



Audience Question

Which part of the presentation did you find the most valuable?

1. Learning how Illinois “balances” its budget.
2. The demonstration of Data-Z.
3. The discussion of government-wide statements versus general fund statements.
4. Understanding the importance of accurate fiscal information, delivered regularly, in an easily understandable format.





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For more information, please visit:

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