
INTRODUCTION

BACKGROUND OF THE FIFTY STATE STUDY

The Institute for Truth in Accounting (IFTA) was formed in 2002 to encourage the federal government to issue financial information in a manner that allows the public and elected officials to make informed and knowledgeable policy decisions. This information must include the short term and the long term financial consequences of such decisions.

In 2005, our supporters encouraged the IFTA to expand its mission to include the budgeting and accounting practices of the state of Illinois, where the IFTA is based. Our investigation found the following problems:

- The Illinois constitution requires a balanced *budget*¹. Despite this, Illinois' *financial reports* have shown deficits that have accumulated to more than \$20 billion over the last twenty years.
- While the Illinois financial statements admit to a cumulative deficit of \$20 billion, they do not report all of the liabilities for public employees' post-employment benefits. If they did, these more truthful reports would show the state is really more than \$70 billion in the hole.
- Illinois does not issue its financial report until after the **next year's** budget process has been completed. Because it is issued so far after its *fiscal year end*, this practice keeps important information from public officials and structurally prohibits them from making informed policy decisions.
- The long term consequences of budget decisions are not available to the public and their elected officials.

These shortcomings in Illinois financial reporting have the effect of obscuring the state's true financial condition, and therefore making possible the creation of fiscally unsustainable public policy. The initial purpose of this Study was to determine if these issues also exist in other states.

THE INSTITUTE FOR TRUTH IN ACCOUNTING

Thomas Jefferson stated, "An informed electorate is the basis of a sound democracy." This Founder's wisdom means citizens must be given the information they need to be knowledgeable participants in their units of government. It also recognizes that governments have a special responsibility to fairly present their policies to their citizens and to report the short and long term financial consequences of their elected officials' decisions.

The Institute for Truth in Accounting was created by distinguished financial and public policy experts concerned with the quality of public and private organizations' financial reporting. The IFTA believes that *truthful* information is not always forthcoming from our institutions and that accounting and reporting deficiencies largely contribute to the problem. It is, therefore, the mission of the IFTA to inform the public of the importance of truthful accounting and to encourage private and public entities to produce financial reports that are comprehensive, comprehensible, timely, and transparent.

¹ A glossary term is italicized the first time it is used in this document. This does not include terms used in the executive summary.

The IFTA is a non-partisan, non-profit, public interest group that does not advocate public policy beyond better and more truthful accounting. We are dedicated to promoting accurate and transparent accounting at all levels of government and private industry. The IFTA strives to expose accounting deficiencies and to promote better and more accessible delivery of accurate government financial data. The IFTA encourages more effective accounting standards. The Institute also computes and publishes accurate government financial information for policymakers, pundits and citizens.

The Institute actively seeks association with other public interest groups that recognize the need to improve financial reporting or want to better understand the financial effects of current budgeting and accounting practices.

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