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## The Truth in Accounting Act

### One Page Summary

Most state and local governments have balanced budget requirements. For decades elected officials have used accounting shenanigans to claim that they have met this requirement. As a result most state and local governments are millions, if not billions of dollars in debt, including enormous retirement promises.

**It all depends on how you count.** When calculating a balanced budget elected officials often misidentify loan proceeds as revenue; create revenue by moving money from one fund to another; and overestimate revenues and underestimate expenses.

Most governmental budgets are calculated on a cash basis. This basis is good for keeping track of cash and works well for incumbents who fail to plan beyond the next election. Cash budgeting allows them to promise expensive programs without identifying how to pay for them. The full cost of future benefits, especially those promised employees, is ignored.

To promote financial transparency and to provide the public and elected officials with a comprehensive picture the total activity of government and the long-term effects of current policy, the Truth in Accounting Act would require governments to prepare their budgets using F.A.C.T. (Full Accrual Calculations and Techniques).

#### The benefits of FACT based budgeting are:

- **The long term effects of current decisions would be illuminated;**
- **Elected officials' ability to expand programs and services by hiding costs would be limited;**
- **All costs and all legitimate revenues regardless of when money is paid or received would be recognized;**
- **Full costing information, including government employees' retirement benefits would be recognized;**
- **Information necessary for accurate performance measurements would be supplied;**
- **A complete picture of your governments' financial conditions, especially long term commitments would be presented; and**
- **The public's ability to understand the government's budget process would be enhanced, because this is the type of accounting system used by most corporations.**

Most important this legislation would strengthen the elected officials' ability to determine compliance with the intent of their balanced budget requirement, which is to **preserve intergenerational equity**. The public could determine if the budget imposes undue burdens for past and current year services upon future taxpayers, including unborn residents and residents who, at the time a budget is enacted into law, are too young to vote.

The Truth in Accounting Act would also require the production of the government's Comprehensive Annual Financial Report within ninety days after the government's fiscal year end.