

Financial State of the States

September 2015



For the sixth consecutive year, Truth in Accounting (TIA) has completed a comprehensive review of the financial reports of all 50 states to provide citizens with a clear picture of their governments' financial condition. Despite an improvement in the economy, the amount of bills accumulated by the states has not significantly decreased. States still have almost **\$1.3 trillion** of debt, accumulated despite balanced budget requirements in 49 of the 50 states. As a result, 39 states have dug financial holes for current and future taxpayers.

These 39 states have created a "Taxpayer Burden," representing the amount each taxpayer would have to send to their state's treasury in order for the state to be debt free. If state budgets had been truly balanced, no Taxpayer Burden would have been created.

Truth in Accounting has again identified the worst five "Sinkhole" states, those with the highest Taxpayer Burdens.

State	2014 Taxpayer Burden
1. New Jersey	- \$52,300
2. Connecticut	- \$48,600
3. Illinois	- \$45,000
4. Kentucky	- \$32,600
5. Massachusetts	- \$27,400

Taxpayer Burden is driven by state governments' use of out-dated accounting policies to calculate budgets and financial reports. States are not held to the same accounting standards as most businesses and publicly traded companies. Therefore states do not use the proper tools to balance their budgets. In fact, every year many states go even deeper into debt.

TIA also identified the top five "Sunshine" states. Alaska, North Dakota, Wyoming, Utah and South Dakota have a "Taxpayer Surplus." This means these states have enough assets available to pay their bills, including pension and retirees' health care benefits owed.

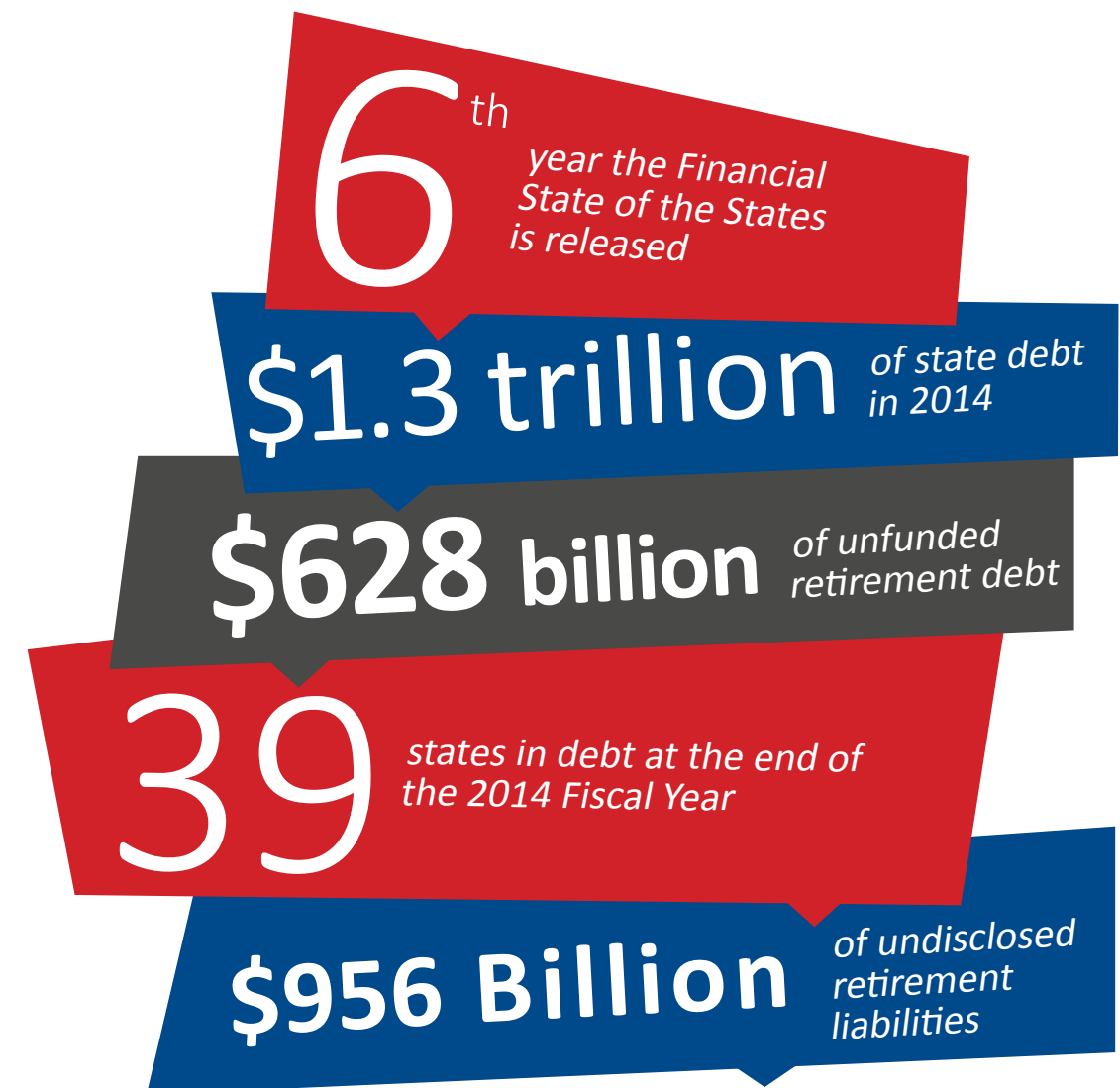
Nationwide, more than **\$958 billion** of promised retirement benefits are not reported on state balance sheets due to out-dated accounting standards.

To bring truth and greater transparency to state budget processes, Truth in Accounting has developed a budgeting system called "Full Accrual Calculations and Techniques" (FACT-based budgeting). FACT-based budgeting would require governors and legislatures to recognize expenses when incurred regardless of when they are paid.

Data for this report was derived from states' 2014 financial reports and related retirement plans' actuarial reports.

"The lack of truthful, timely, and transparent financial information is increasing cynicism and mistrust and it is a risk for our representative form of government. Citizens do not have the information needed to hold their politicians accountable, much less cast an informed vote."

-Sheila Weinberg, Founder & CEO of Truth in Accounting



OUR METHODOLOGY

TIA researchers use a thorough approach to determine the state of government finances. This approach compares bills – including those related to retirement systems (excluding debt related to capital assets) – to state assets available to pay these liabilities.

See how we calculate a state's Taxpayer Burden below.

OUR METHODOLOGY

1. Analyze the state's 2014 financial reports

$$\begin{array}{l}
 \text{2. Available Assets} \quad - \quad \text{Bills} \quad = \quad \text{Money Needed} \\
 \text{(excluding buildings,} \quad \text{(including retirement} \\
 \text{roads, land)} \quad \quad \quad \text{liabilities)}
 \end{array}$$

$$\text{3. Money Needed} \quad \div \quad \text{Number of State Taxpayers} \quad = \quad \text{Taxpayer Burden} \quad \boxed{\$}$$

Some states may have a Taxpayer Surplus, which is each taxpayer's share of the state surplus. TIA researchers concluded that 11 states had a Taxpayer Surplus in 2014.

SINKHOLE AND SUNSHINE STATES

TIA ranks each state by Taxpayer Burden, or the amount each taxpayer would have to pay the state's Treasury in order for the state to be debt free. The five states with the highest Taxpayer Burden are classified as Sinkhole States. The Sinkhole States include:

SINKHOLE STATES: 5 WORST TAXPAYER BURDENS

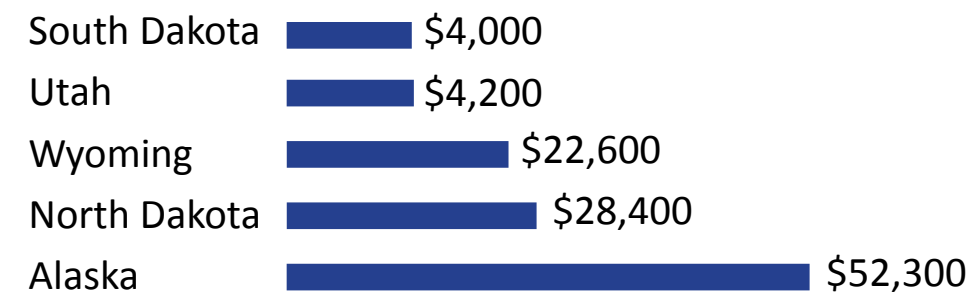


TAXPAYER BURDEN:

A state's debt divided among state taxpayers.

TIA also recognizes the top states with the highest Taxpayer Surplus, or each taxpayer's share of the state's surplus.

SUNSHINE STATES: 5 BEST TAXPAYER SURPLUSES



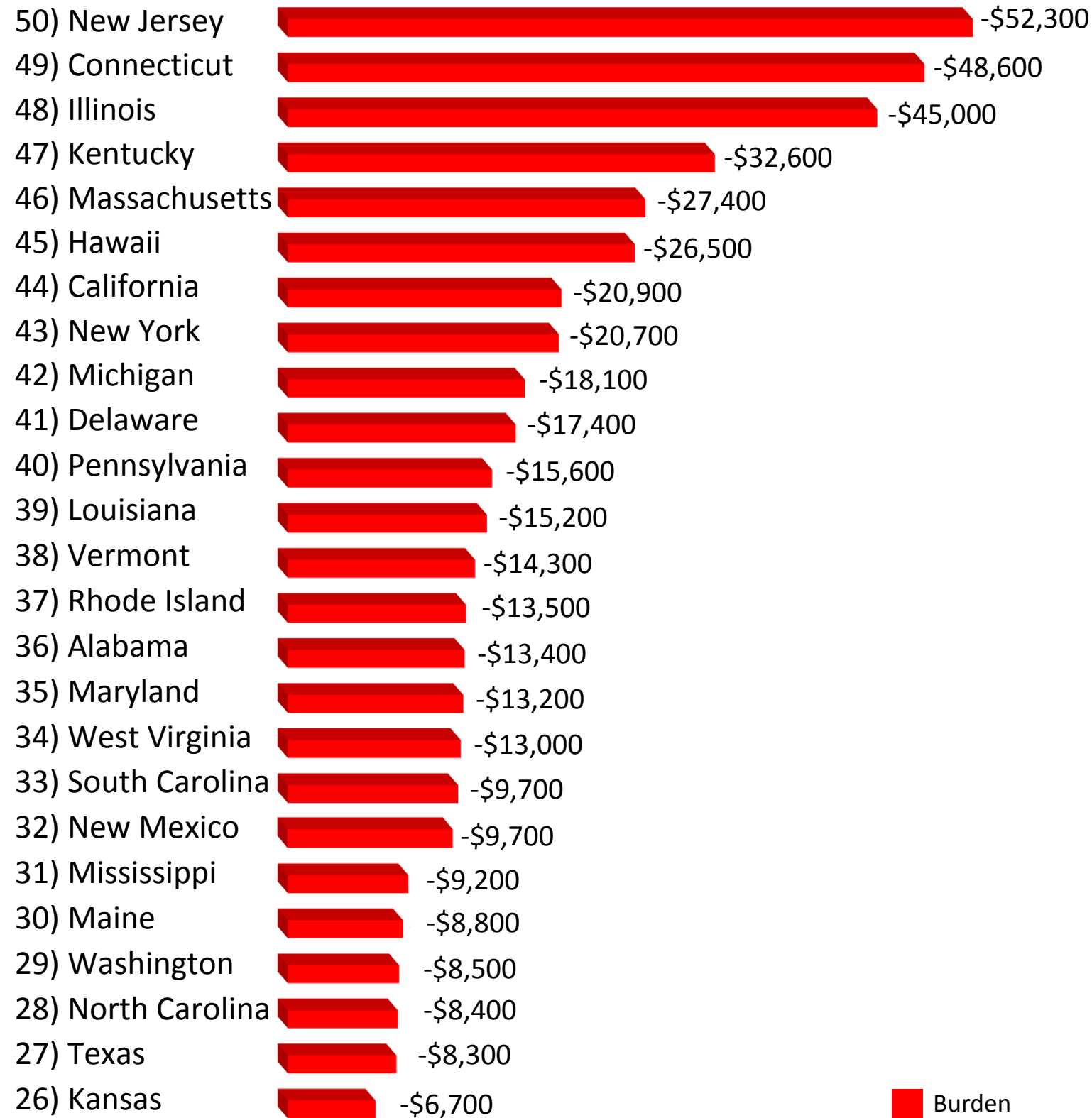
TAXPAYER SURPLUS:

A state's surplus divided among state taxpayers.

NEW MEXICO AWARDED TORTOISE AWARD

The Tortoise Award is presented to the last state to file its Comprehensive Annual Financial Report. For the second year in a row, New Mexico is awarded the Tortoise Award. New Mexico state officials took 411 days to produce their 2014 financial report. The report was filed on August 11th, 2015.

States with the Highest Taxpayer Burden



States with the Lowest Taxpayer Burden

