Financial State of the States

September 2015

Truth in Accounting

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EXECUTIVE SUMMARY

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 conditions. Despite an improvement in the economy and financial markets, the amount of bills accumulated by the states has not significantly decreased. States still have almost **$1.3 trillion** of unfunded debt, accumulated despite balanced budget requirements in 49 of the 50 states.

Thirty-nine states have dug financial holes, thus creating a "**Taxpayer Burden**," which is 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 exist.

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

	Taxpayer Burden 2014
New Jersey	-$52,300
Connecticut	-$48,600
Illinois	-$45,000
Kentucky	-$32,600
Massachusetts	-$27,400

	Taxpayer Surplus 2014
Alaska	$52,300
North Dakota	$28,400
Wyoming	$22,600
Utah	$4,200
South Dakota	$4,000

TIA also identified the top five "**Sunshine**" states. These states have a "**Taxpayer Surplus**," meaning these states have enough **assets** available to pay their bills, including **pension and retirees' heath care benefits** owed.

Nationwide, more than **$956 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, TIA 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

6th *year the Financial State of the States is released*

$1.3 trillion *of state debt in 2014*

$628 billion of unfunded pension debt

39 *states in debt at the end of the 2014 Fiscal Year*

$956 Billion *of undisclosed retirement liabilities*

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

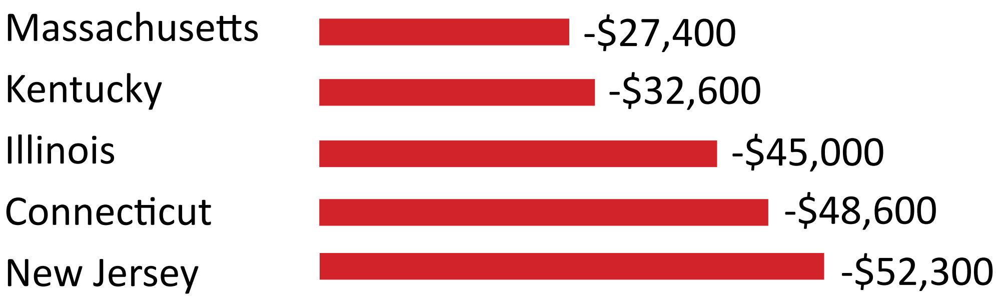
2. Bills (including retirement liabilities) **−** Available Assets (excluding buildings, roads, land) **=** **Money Needed**

3. Money Needed **÷** Number of State Taxpayers **=** **Taxpayer Burden**

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.

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**.

SINKHOLE STATES: 5 WORST TAXPAYER BURDENS

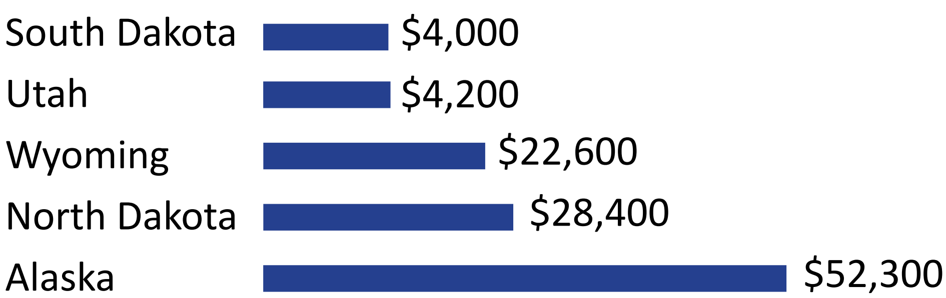


TAXPAYER BURDEN:

A state's debt divided among state taxpayers.

TIA categorizes states with the a Taxpayer Surplus, or each taxpayer's share of the state's surplus, as a **Sunshine State**.

SUNSHINE STATES: 5 BEST TAXPAYER SURPLUSES



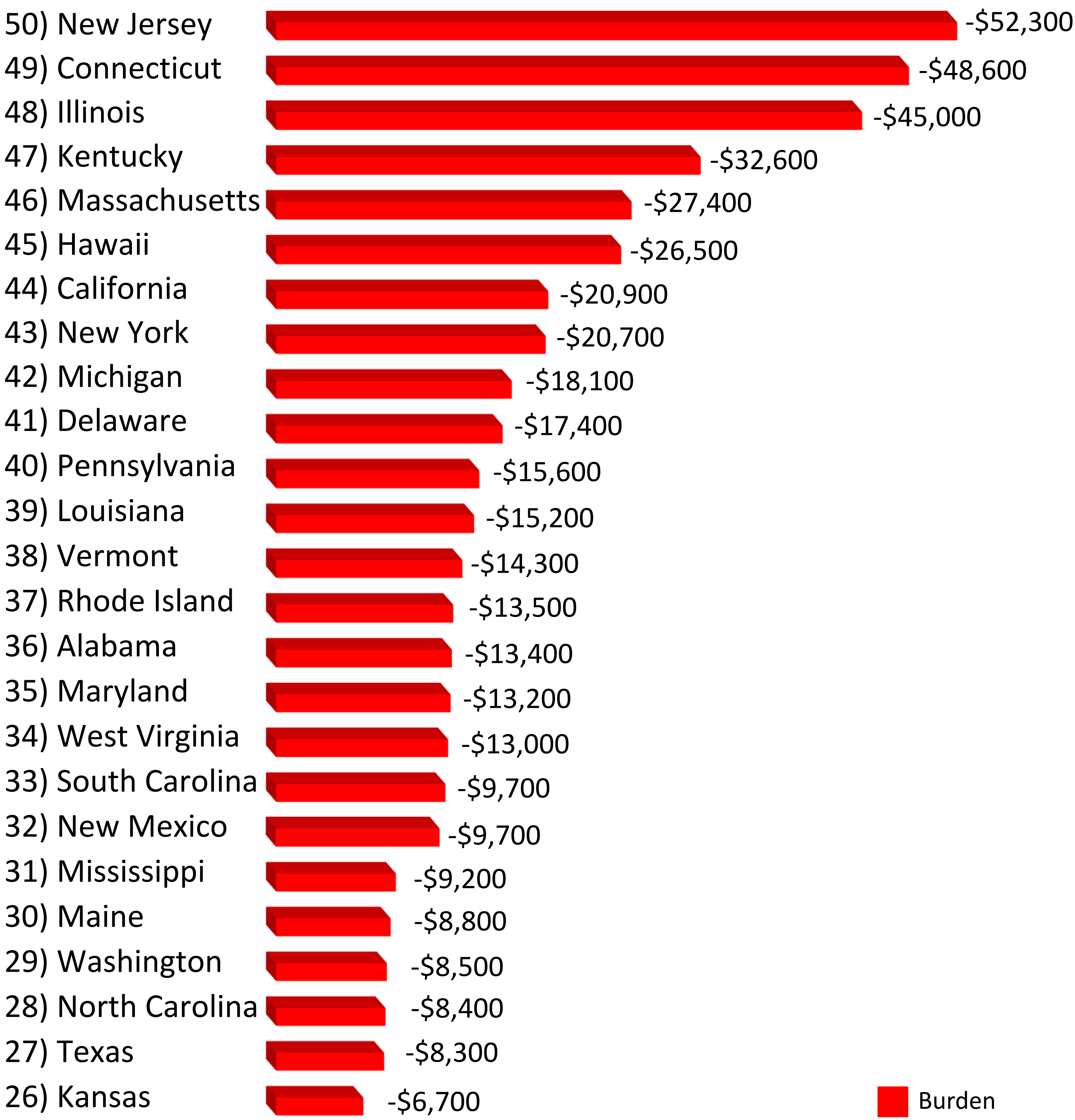
TAXPAYER SURPLUS:

A state's surplus divided among state taxpayers.

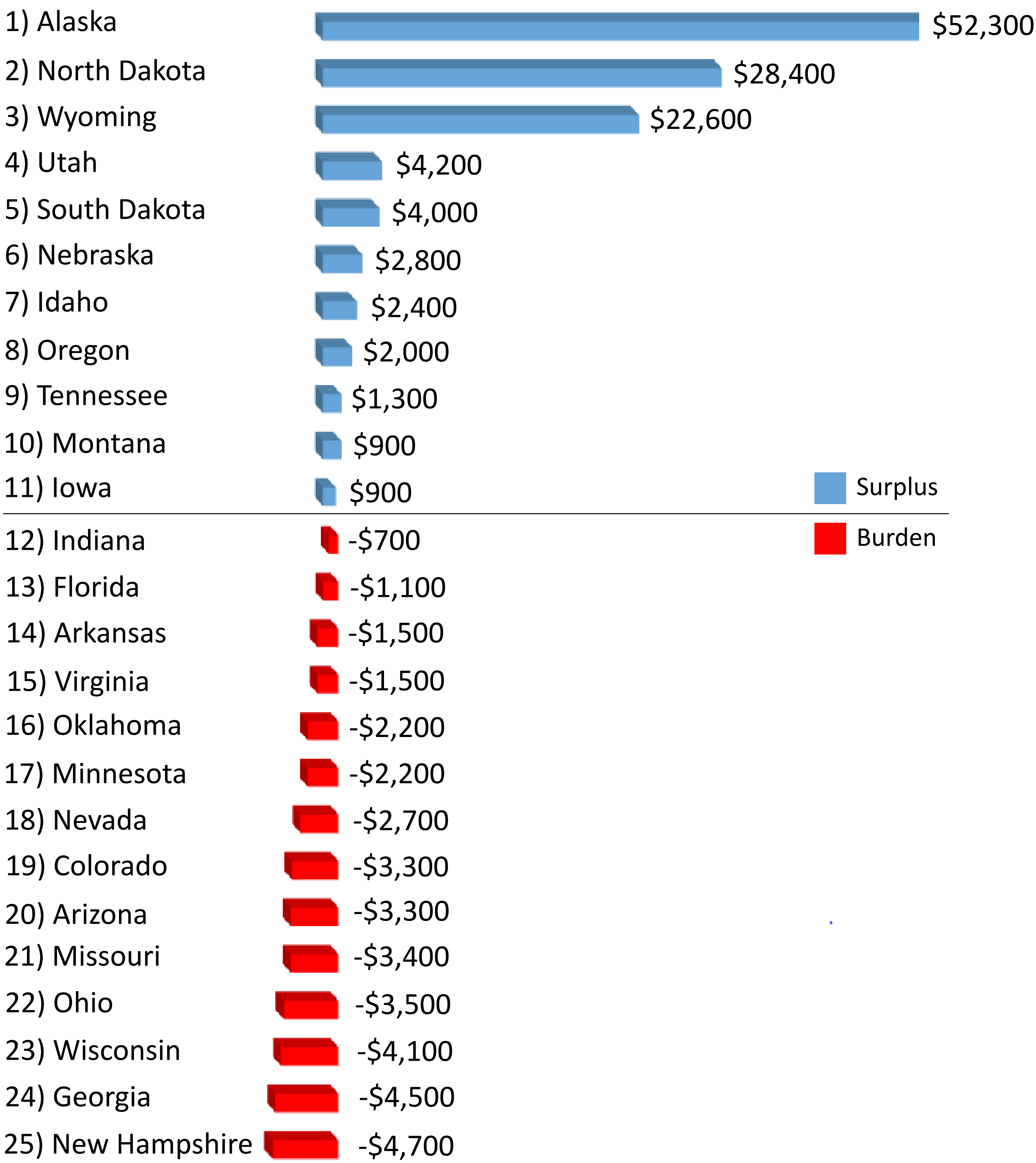
NEW MEXICO AWARDED TORTOISE AWARD

The Tortoise Award is presented to the last state to file its **Comprehensive Annual Financial Report (CAFR)**. For the second year in a row, New Mexico received TIA's the Tortoise Award. New Mexico state officials took **407 days** to produce its 2014 financial report. The report was published on August 11th, 2015.

States with the Highest Taxpayer Burden



States with the Lowest Taxpayer Burden



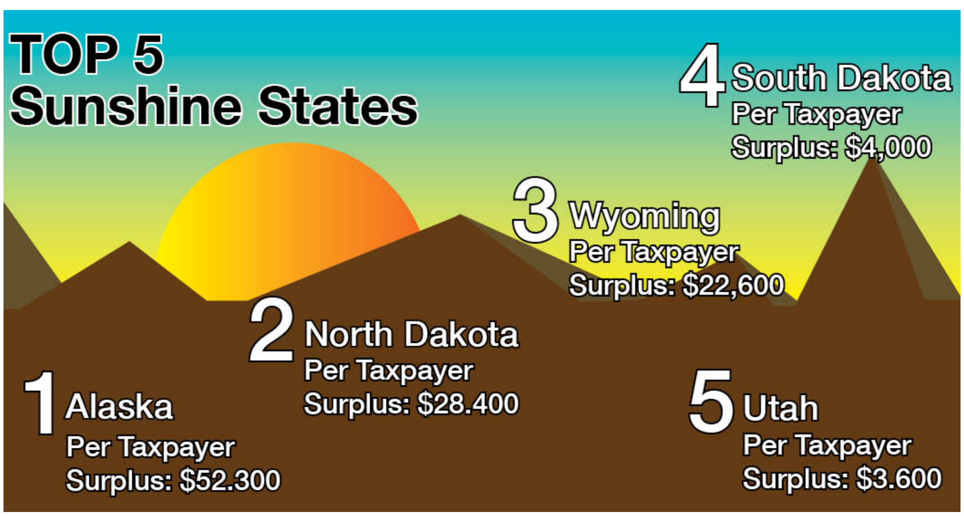
TIA RECOGNIZES SINKHOLE AND SUNSHINE STATES

Bottom Five Sinkhole States

TIA ranks states by calculating each state's **Taxpayer Burden**, which is each taxpayer's share of the **money the state needs to pay its outstanding bills**, including pensions.

While the financial condition of most states appears to have improved as a result of a **change in how unfunded pension debt** is calculated, the financial condition of four of the five worst states, identified as "**Sinkhole States**" (New Jersey, Connecticut, Illinois, and Kentucky), continued to deteriorate. Massachusetts is the only **sinkhole state** that improved from its 2013 **Taxpayer Burden** during 2014, but only by a modest $600 per taxpayer.

Top Five Sunshine States



TIA recognizes Alaska, North Dakota, Wyoming, Utah, and South Dakota as the top five **Sunshine States**. These states have **assets** in excess of **bills**, even when unfunded promises to state retirees are included.

WHY DID NEW JERSEY'S TAXPAYER BURDEN INCREASE FROM -$36,000 TO -$52,300?

In 2014, New Jersey became the state with the worst Taxpayer Burden because of a dramatic upsurge in its unfunded pension liabilities, which resulted in the state's financial condition's deterioration. This increase was a result of the application of the new pension standard, which takes into account that the state's major pension plans will run out of assets before all promised benefits are paid. Therefore the state will be liable to pay more pension contributions to offset the foregone investment income.

Kentucky was the only other state whose unfunded pension liability significantly increased due to the application of the new pension standard.

HOW CAN STATES BALANCE THEIR BUDGETS AND GO INTO DEBT AT THE SAME TIME?

All states except Vermont have balanced budget requirements, yet states have accumulated almost **$1.3 trillion** of **unfunded debt**. How can states accumulate debt and balance their budgets at the same time? It all depends on how states count.

State budgets are calculated using accounting tricks, such as

- Borrowing money to balance the budget
- Delaying the payment of current bills until the start of the upcoming fiscal year
- Inflating revenue assumptions

The biggest accounting trick states use is to hide a large portion of their employee compensation. Employee compensation packages including benefits such as health care, life insurance, and other retirement benefits. States become obligation to pay these benefits as employees earn them.

Although these retirement benefits will not be paid out until state employees retire, these are still current compensation costs. If states didn't offer employees pensions and Other Post-Employment Benefits (OPEB), they would have to compensate with higher salaries.

To maintain accountability, these earned benefits should be funded in the years the employees earn these benefits. But elected officials have chosen to use some of the money that should be put into the pension funds elsewhere in the budget. Similar to how charges are put on a credit card, these earned benefits have been "charged" to future taxpayers. By shifting the payment of employee benefits onto future taxpayers, it allows the budget to look balanced.

WHAT ARE STATES HIDING?

States compare how many assets they have in their pension plans versus the amount of promises made to retirees in order to determine their unfunded balance. Using this **unfunded retirement debt** as calculated by the states, TIA researchers found states have accumulated **pension and OPEB liabilities** totaling nearly **$1.2 trillion**. Only **$232 billion**, or **20%,** of these **liabilities** are currently reported on state balance sheets.

With the new accounting standard, **GASB 68**, the **pension liabilities** will be reported on state balance sheets. This is a step in the right direction.

MANY STATE FINANCIAL REPORTS ARE TARDY

Timely information is crucial during government decision processes like budgeting. However, most states issue their **Comprehensive Annual Financial Reports (CAFR)** long after their fiscal year's end. The national average for states publishing their financial reports is **192 days** after the fiscal year's end; this is twelve days past the deadline of **180 days**.

Most corporate financial reports are issued within 45 days of their respective fiscal year ends. Many question why states cannot meet his goal. There are internal difficulties and obstacles for states to reach this standard; however, timely financial information is critical so citizens and legislators to be knowledgeable participants in crucial decision making processes. The most important decision making process is budgeting. Unfortunately, most CAFRs are issued long after the states' budget processes are completed.

In 2014, **seven states** did not publish their reports until over **250 days after the fiscal year end.** In 2013, only four states did not publish their reports until over 250 days after the fiscal year. New Mexico wins the 2014 Tortoise Award for publishing its 2014 financial report on August 11th, **407 days** after its fiscal year end. For a full breakdown of the states' financial reporting timeliness, read Appendix IV.

Seven States Excessively Tardy (Over 250 Days)	Days to Release
Arizona	252
Illinois	255
California	269
West Virginia	274
New Jersey	276
Montana	336
New Mexico	407

WHY IS TRUTHFUL, TIMELY, AND TRANSPARENT FINANCIAL DATA IMPORTANT?

An informed electorate is essential to a representative system of government, and citizens have not received the financial information needed to be knowledgeable participants in their government.

Lack of transparency leads to big problems:

- Accounting tricks allow elected officials to claim balanced budgets, giving citizens a false sense of security, while states sink further into debt
- Citizens do not know the true cost of their state government, and elected officials have spent amounts greater than state revenue
- Complex pension schemes (that citizens and even their elected officials cannot understand) have racked up state debt even further
- Voters have re-elected leaders based on claims that budgets were balanced
- Legislators have created new programs and increased services without knowing the true cost of current and future government spending
- Our representative form of government is being undermined because citizens have become cynical and mistrust their governments

Responsible budgeting requires accurate and timely data. Accurate accounting requires all real and certain expenses be reported in the state's budget and financial statements when incurred, not when paid. Truthful budgetary accounting must incorporate all current **compensation costs**, including the portion of retirement benefits employees earn every year.

To be informed participants in their governments, citizens must be provided with truthful and transparent information. States' efforts to begin climbing out from their current financial holes must start with honest government accounting. Only then can responsible alternatives to place the state on solid financial footing be developed and debated.

NEW PENSION STANDARD BRINGS GREATER PENSION DEBT TRANSPARENCY

On June 25, 2012, TIA's Founder and CEO, Sheila Weinberg and others gave testimony before the **Government Accounting Standards Board (GASB)**, which impacted **GASB** to approve new accounting standards[1] for pensions.

New Standards

Under **GASB Statement No. 67,** (effective in the 2014 fiscal year) state pension plans were required to report their **"Net Pension Liability" (NPL)**. This **NPL** is the difference between **Total Pension Liability (TPL**) and **Fiduciary Net Position (FNP)** (i.e. **market value of assets**).

Once a pension plan is projected to run out of **assets**, the **pension liabilities** must be valued using a **"blended" discount rate,** which is lower than the historical rate. NJ, IL and KY estimated their pension plans will run out of assets therefore the actuaries used the blended discount rate to calculate their plans' unfunded liabilities. All of the other states were not dramatically affected by the new standard, because they assume their plans will not run out of assets.

GASB Statement No. 68 (effective in the 2015 fiscal year) will require states to report the full amount of their unfunded pension liabilities on the face of their balance sheet. This will represent a major change in the reporting requirements because the vast majority of these liabilities were previously excluded from states' financial statements. By including $546 billions of off balance sheet pension debt, this study calculated state financial conditions as if this standard was in effect.

[1] **GASB Statement No. 67** – *Financial Reporting for Pension Plans*. An amendment of GASB Statement No. 25 Reporting for pension plans is effective for fiscal years beginning after 6/15/2013. **GASB Statement No. 68** – *Accounting and Financial Reporting for Pensions*. An amendment of GASB Statement No. 27 Reporting for employers is effective for fiscal years beginning after 6/15/2014.

RECOMMENDATIONS

Recommendations to Elected Officials:

Healthy accounting practices require reporting all debts, and accounting for expenses as they are incurred – not only when they are paid. Therefore politicians should:

1. Determine the true debt of the state, including all **post-employment benefit programs**
2. Recognize balanced budget requirements are intended to promote **intergenerational equity**, meaning that politicians should not put off expenses into the future, placing a larger debt onto incoming generations
3. Retrieve the most accurate **asset** and **liability** values
4. Provide state financial information to taxpayers in a more timely fashion
5. Enact the Truth in Accounting Act, which would require the use of FACT-based budgeting

Recommendations to Citizens

1. Demand that your elected officials take accountability for your state's financial burden
2. Encourage your politicians to truthfully and accurately report state financial conditions
3. Advocate for the implementation of the Truth in Accounting Act
4. Be proactive, and learn about your state's finances. You can view our resources on StateDataLab.org and read about your state's financial condition to learn more.

Truth in Accounting Act

The Truth in Accounting Act would require governments to prepare their budgets using **FACT-based budgeting.**

Benefits include:

- Knowing long-term effects of current decisions
- Politicians would stop hiding costs and finances would be transparent
- Accurate, timely information would be available to all

Why is FACT-based budgeting important?

FACT-based budgeting requires governments to include expenses in their budgets when they are incurred, regardless of when they are paid. **FACT-based budgeting** allows states to have complete knowledge of the financial health of the government. **Fact-based budgeting** also helps to ensure that future taxpayers are not left with the bill for services that they never received.

ABOUT TIA AND THIS REPORT

Sheila Weinberg founded TIA in 2002 to encourage the federal government to issue financial information in a manner that allows citizens and their elected officials to make informed and knowledgeable financial decisions. TIA believes that recognizing both short and long-term financial consequences of public decisions leads to a more sustainable government.

In 2005, TIA supporters encouraged the organization to analyze budgeting and accounting practices in its home state of Illinois. This study exposed a cumulative spending deficit (of then $20 billion, despite the state's constitutional requirement to balance the budget. TIA researchers also discovered that Illinois did not report all **liabilities** for public employees' pensions or **OPEB** such as retirees' health and dental care. When those **liabilities** were included, TIA's analysis showed that in 2005 the state was actually more than $70 billion in debt. To make matters worse, Illinois continually delayed issuance of its year-end financial report until after the next fiscal year's budget process had been completed. Late reporting prevented citizens and public officials from having the current information needed to make critical decisions, resulting in uninformed decisions.

These findings called for a similar study of all 50 states' budgeting and accounting practices. This project investigated both the methods that states used to calculate their budgets and the accounting principles they used to create their **CAFRs**. Results from this study were published in February 2009 in "The Truth about Balanced Budgets – A Fifty State Study." TIA researchers found every state except Vermont had a balanced budget requirement, yet almost all ran annual deficits in the millions, and some cases, billions of dollars.

TIA researchers found that states use deficient budgetary and accounting rules, which tend to overstate revenues and understate expenses. States systematically ignored costs incurred in the current budget year, but not paid until a later date. In addition, accounting principles available to states actually allowed them to omit some direct **liabilities** from their balance sheets. (In government, a balance sheet is called a "Statement of Net Position.")

Among the questionable budgeting and accounting techniques was treatment of pensions and **OPEB**, such as **retiree health care benefits**. Budgets, and associated financial accounting, actively ignored the true costs of compensating public sector workers. The retirement portion of compensation costs was not considered nor reported in the states' primary accounting statements. TIA's study found under these principles, states report balanced budgets while accumulating large debts and deferred **liabilities**.

Since 2009, TIA has released its annual "Financial State of the States" study, exposing the truth about each state's financial position.

As the **Association of Government Accountants** has stated,
" . . . 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." (Association of Government Accountants, 2008)

Since all levels of government derive their just powers from the consent of the governed, government officials are responsible to report their actions and the results in ways that are truthful and comprehensible to the electorate. Providing accurate, useful, and timely information to citizens, the news media, and other government officials is an essential part of government responsibility. The lack of transparency in financial information, state budgets, and financial reports makes it difficult for state governments to meet this responsibility.

This is the motivation and foundation for the non-partisan mission of TIA: To educate and empower citizens with understandable, reliable, and transparent government financial information. TIA is a non-profit, politically unaffiliated organization composed of business, governmental, and academic leaders interested in improving financial reporting. TIA makes no policy recommendations beyond improvements to budgeting and accounting practices that will enhance the public's understanding of their governments' financial matters.

HOW IS MY STATE DOING?

Each state has a two page summary report, which includes details related to the state's finances. These reports can be found by choosing your state from the map on StateDataLab.org.

01 | ALASKA

RANKING

ALASKA

"Sunshine State"
AK has enough assets to cover its debt

Taxpayer Surplus
AK has largest surplus of all 50 states at ***$52,300*** per taxpayer

Taxpayer Surplus
is ***99%*** of an average citizen's personal income of ***$52,901***

 |

THE FINANCIAL STATE OF ALASKA

The State's Assets Exceed Its Bills	
Assets	$100,736,126,000
Minus: Capital Assets	$11,259,508,000
Restricted Assets	$49,053,430,000
Assets Available to Pay Bills	$40,423,188,000
Minus: Bills	$25,985,378,000
Money Available to Pay Future Bills	$14,437,810,000
Each Taxpayer's Share of Surplus	**$52,300**

Alaska has $100.7 billion in assets, but most of these assets are not available to pay state bills.

The $11.3 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $49.1 billion of the assets is restricted by law or contract.

That leaves $40.4 billion of state's assets available to pay $26 billion of bills as they come due.

Alaska's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $52,300

Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

www.TruthInAccounting.org

www.StateDataLab.org

The Bills Alaska Has Accumulated	
Bonds	$5,588,226,000
Other Liabilities	$4,970,355,000
Minus: Debt Related to Capital Assets	$2,177,339,000
Unfunded Pension Benefits	$7,746,780,000
Unfunded Retirees' Health Care Benefits	$9,857,356,000
Bills	**$25,985,378,000**

The state has accumulated bonds of $5.6 billion and other liabilities of $5 billion. The calculation of assets available to pay bills does not include capital assets, so $2.2 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 68% of state bills. These unfunded liabilities have accumulated because state employees have been promised $7.7 billion of pension benefits and $9.9 billion of retirees' health care benefits. Unlike most states, Alaska has the assets needed to pay these liabilities.

Alaska's elected officials seem to promise only the amount of benefits they can afford to pay.

Alaska should be commended for having the largest state surplus of all the states. However, this accomplishment does not pardon the state of its responsibility to truthfully report all of its assets and liabilities.

None of the State's Retirement Liabilities are Reported	
Unreported Retirement Liabilities	**$17,604,136,000**

A detailed study of Alaska's actuaries' schedules found retirement benefits totaling $17.6 billion have been promised, but not funded. A review of the state's balance sheet determined that none these liabilities are reported.

Data is derived from the state of Alaska's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

02 RANKING

NORTH DAKOTA

Truth in Accounting estimates **$28,400** in **Taxpayer Surplus** for 2014.

ND has **$14 Billion** in available assets to pay off **$6 Billion** in bills.

Taxpayer Surplus has **increased** by **$6,100** from 2013 to 2014.

THE FINANCIAL STATE OF NORTH DAKOTA

The State's Assets Exceed Its Bills	
Assets	$23,399,393,000
Minus: Capital Assets	$3,755,132,000
Restricted Assets	$5,990,909,000
Assets Available to Pay Bills	$13,653,352,000
Minus: Bills	$5,576,539,000
Money Available to Pay Future Bills	$8,076,813,000
Each Taxpayer's Share of Surplus	**$28,400**

North Dakota has $23.4 billion in assets, but most of these assets are not available to pay state bills.

The $3.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $6 billion of the assets is restricted by law or contract.

That leaves $13.7 billion of state's assets available to pay $5.6 billion of bills as they come due.

North Dakota's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $28,400

Truth in Accounting

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We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

www.TruthInAccounting.org

www.StateDataLab.org

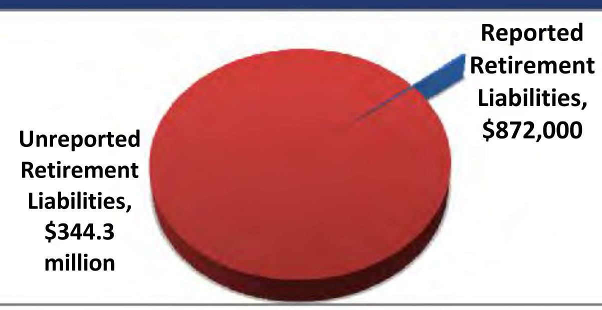
The Bills North Dakota Has Accumulated	
Bonds	$1,403,189,000
Other Liabilities	$4,236,621,000
Minus: Debt Related to Capital Assets	$408,473,000
Unfunded Pension Benefits	$301,970,000
Unfunded Retirees' Health Care Benefits	$43,232,000
Bills	**$5,576,539,000**

The state has accumulated bonds of $1.4 billion and other liabilities of $4.2 billion. The calculation of assets available to pay bills does not include capital assets, so $408.5 million of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 6% of state bills. These unfunded liabilities have accumulated because state employees have been promised $302 million of pension benefits and $43.2 million of retirees' health care benefits. Unlike most states, North Dakota has the assets needed to pay these liabilities.

North Dakota's elected officials seem to promise only the amount of benefits they can afford to pay.

Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of North Dakota's actuaries' schedules found retirement benefits totaling $345.2 million have been promised, but not funded. A review of the state's balance sheet determined only $872,000 of these liabilities are reported. This means the state does not report $344.3 million of retirement liabilities on its balance sheet.

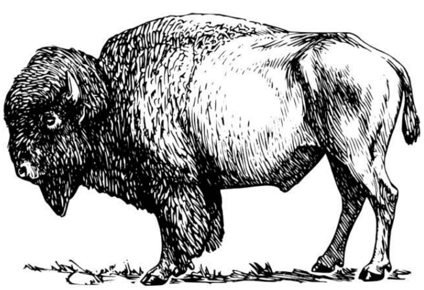
Data is derived from the state of North Dakota's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

03 WYOMING

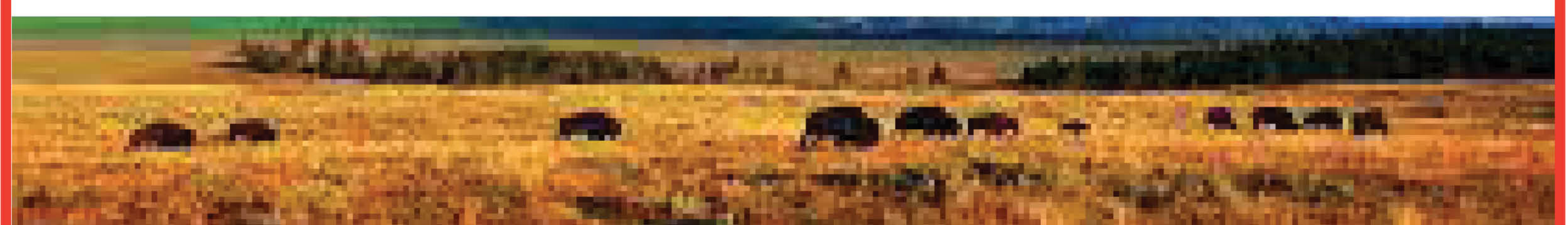
RANKING

State forecasters reported $22,600 in Taxpayer Surplus for 2014.



WY has $13 Billion in available assets to pay off $8 Billion in bills.

Taxpayer Surplus has increased by $2,400 from 2013 to 2014.



THE FINANCIAL STATE OF WYOMING

The State's Assets Exceed Its Bills	
Assets	$34,025,049,000
Minus: Capital Assets	$7,224,895,000
Restricted Assets	$13,540,061,000
Assets Available to Pay Bills	$13,260,093,000
Minus: Bills	$8,380,862,000
Money Available to Pay Future Bills	$4,879,231,000
Each Taxpayer's Share of Surplus	**$22,600**

Wyoming has $34 billion in assets, but most of these assets are not available to pay state bills.

The $7.2 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $13.5 billion of the assets is restricted by law or contract.

That leaves $13.3 billion of state's assets available to pay $8.4 billion of bills as they come due.

Wyoming's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $22,600

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To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

www.TruthInAccounting.org

www.StateDataLab.org

The Bills Wyoming Has Accumulated	
Bonds	$931,509,000
Other Liabilities	$6,368,716,000
Minus: Debt Related to Capital Assets	$169,157,000
Unfunded Pension Benefits	$981,603,000
Unfunded Retirees' Health Care Benefits	$268,191,000
Bills	**$8,380,862,000**

The state has accumulated bonds of $931.5 million and other liabilities of $6.4 billion. The calculation of assets available to pay bills does not include capital assets, so $169.2 million of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 15% of state bills. These unfunded liabilities have accumulated because state employees have been promised $981.6 million of pension benefits and $268.2 million of retirees' health care benefits. Unlike most states, Wyoming has the assets needed to pay these liabilities.

Wyoming's elected officials seem to promise only the amount of benefits they can afford to pay.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Wyoming's actuaries' schedules found retirement benefits totaling $1.25 billion have been promised, but not funded. A review of the state's balance sheet determined only $79.47 million of these liabilities are reported. This means the state does not report the vast majority of retirement liabilities on its balance sheet.

Data is derived from the state of Wyoming's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

04 RANKING | UTAH

THE FINANCIAL STATE OF UTAH

The State's Assets Exceed Its Bills

Assets	$39,168,407,000
Minus: Capital Assets	$21,722,078,000
Restricted Assets	$7,399,217,000
Assets Available to Pay Bills	$10,047,112,000
Minus: Bills	$6,782,917,000
Money Available to Pay Future Bills	$3,264,195,000
Each Taxpayer's Share of Surplus	$4,200

Utah has $39.2 billion in assets, but most of these assets are not available to pay state bills.

The $21.7 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $7.4 billion of the assets is restricted by law or contract.

That leaves $10 billion of state's assets available to pay $6.8 billion of bills as they come due.

Utah's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $4,200

The Bills Utah Has Accumulated

Bonds	$6,855,759,000
Other Liabilities	$2,761,293,000
Minus: Debt Related to Capital Assets	$4,301,651,000
Unfunded Pension Benefits	$1,199,422,000
Unfunded Retirees' Health Care Benefits	$268,094,000
Bills	$6,782,917,000

The state has accumulated bonds of $6.9 billion and other liabilities of $2.8 billion. The calculation of assets available to pay bills does not include capital assets, so $4.3 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 22% of state bills. These unfunded liabilities have accumulated because state employees have been promised $1.2 billion of pension benefits and $268.1 million of retirees' health care benefits. Unlike most states, Utah has the assets needed to pay these liabilities.

Utah's elected officials seem to promise only the amount of benefits they can afford to pay.

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None of the State's Retirement Liabilities are Reported

Unreported Retirement Liabilities	**$1,467,516,000**

A detailed study of Utah's actuaries' schedules found retirement benefits totaling $1.5 billion have been promised, but not funded. A review of the state's balance sheet determined that none of these liabilities are reported.

Data is derived from the state of Utah's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

South Dakota

THE FINANCIAL STATE OF SOUTH DAKOTA

The State's Assets Exceed Its Bills	
Assets	$10,608,132,000
Minus: Capital Assets	$4,829,955,000
Restricted Assets	$2,470,165,000
Assets Available to Pay Bills	$3,308,012,000
Minus: Bills	$2,136,752,000
Money Available to Pay Future Bills	$1,171,260,000
Each Taxpayer's Share of Surplus	**$4,000**

South Dakota has $10.6 billion in assets, but most of these assets are not available to pay state bills.

The $4.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $2.5 billion of the assets is restricted by law or contract.

That leaves $3.3 billion of state's assets available to pay $2.1 billion of bills as they come due.

South Dakota's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $4,000

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The Bills South Dakota Has Accumulated	
Bonds	$2,101,781,000
Other Liabilities	$855,062,000
Minus: Debt Related to Capital Assets	$559,924,000
Unfunded Pension Benefits	($260,167,000)
Unfunded Retirees' Health Care Benefits	$0
Bills	**$2,136,752,000**

The state has accumulated bonds of $2.1 billion and other liabilities of $855.1 million. The calculation of assets available to pay bills does not include capital assets, so $559.9 million of related debt is removed from the calculation of State bills.

According to state actuaries, South Dakota has more than enough assets to pay its pension promises. While the state has accumulated $2.1 billion in bills, South Dakota has more than enough assets to pay these bills.

South Dakota's finances are in good shape. Elected officials have avoided the budget gimmicks that have put other states in financial crisis. Citizens should be vigilant that the elected officials don't start to promise pension and retirres' health care benefits without providing funding for these benefits.

South Dakota's Retirement Funds are Overfunded By:	**$260,167,000**

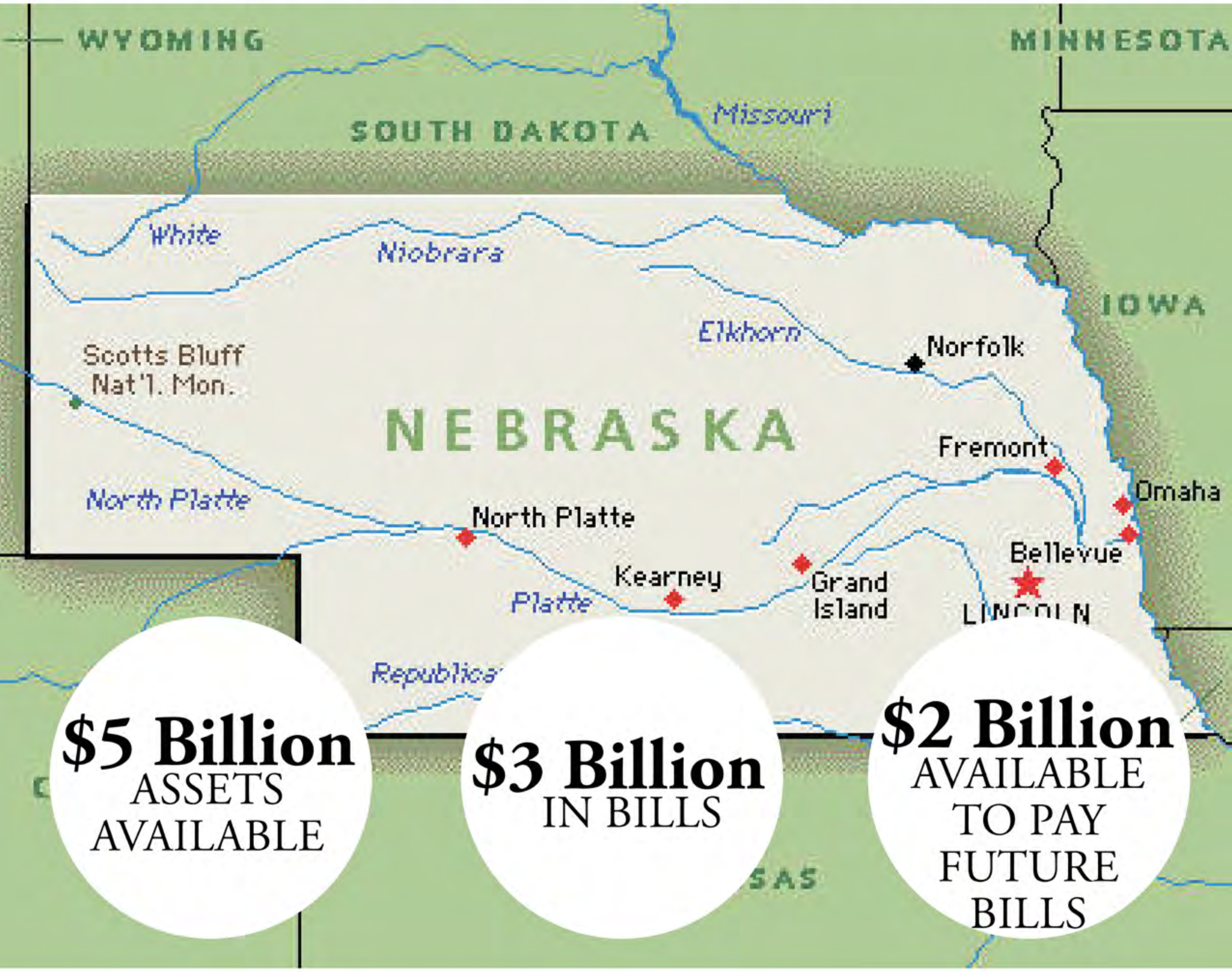
South Dakota is one of the few states that has overfunded its retirement funds. It is also the *only* state that has not hidden any unfunded pension or retirees' health care liabilities from its balance sheet. This is because it has none to hide!

Data is derived from the state of South Dakota's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

06 | NEBRASKA
RANKING

Nebraska



$5 Billion
ASSETS AVAILABLE

$3 Billion
IN BILLS

$2 Billion
AVAILABLE TO PAY FUTURE BILLS

THE FINANCIAL STATE OF NEBRASKA

The State's Assets Exceed Its Bills	
Assets	$21,163,198,000
Minus: Capital Assets	$10,876,298,000
Restricted Assets	$5,690,974,000
Assets Available to Pay Bills	$4,595,926,000
Minus: Bills	$2,844,294,000
Money Available to Pay Future Bills	$1,751,632,000
Each Taxpayer's Share of Surplus	**$2,800**

Nebraska has $21.2 billion in assets, but most of these assets are not available to pay state bills.

The $10.9 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $5.7 billion of the assets is restricted by law or contract.

That leaves $4.6 billion of state's assets available to pay $2.8 billion of bills as they come due.

Nebraska's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $2,800

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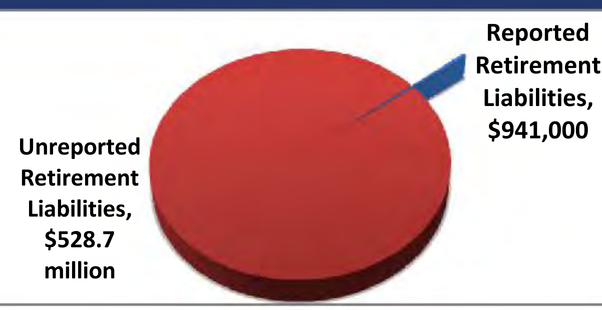
The Bills Nebraska Has Accumulated	
Bonds	$813,247,000
Other Liabilities	$2,099,597,000
Minus: Debt Related to Capital Assets	$598,147,000
Unfunded Pension Benefits	$529,597,000
Unfunded Retirees' Health Care Benefits	$0
Bills	**$2,844,294,000**

The state has accumulated bonds of $813.2 million and other liabilities of $2.1 billion. The calculation of assets available to pay bills does not include capital assets, so $598.1 million of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 19% of state bills. These unfunded liabilities have accumulated because state employees have been promised $529.6 million of pension benefits. Unlike most states, Nebraska has the assets needed to pay these liabilities.

Nebraska's elected officials seem to promise only the amount of benefits they can afford to pay.

Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of Nebraska's actuaries' schedules found retirement benefits totaling $529.6 million have been promised, but not funded. A review of the state's balance sheet determined only $941,000 of these liabilities are reported. This means the state does not report $528.7 million of retirement liabilities on its balance sheet.

Data is derived from the state of Nebraska's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

07 | IDAHO
RANKING

Idaho

Proud To Serve
GROWN IN
IDAHO
The First Name In Potatoes™

$1 Billion
ASSETS AVAILABLE

$2400
TAXPAYER SURPLUS

Truth in Accounting

THE FINANCIAL STATE OF IDAHO

The State's Assets Exceed Its Bills	
Assets	$16,746,924,000
Minus: Capital Assets	$7,535,903,000
Restricted Assets	$4,426,325,000
Assets Available to Pay Bills	$4,784,696,000
Minus: Bills	$3,750,840,000
Money Available to Pay Future Bills	$1,033,856,000
Each Taxpayer's Share of Surplus	**$2,400**

Idaho has $16.7 billion in assets, but most of these assets are not available to pay state bills.

The $7.5 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $4.4 billion of the assets is restricted by law or contract.

That leaves $4.8 billion of state's assets available to pay $3.8 billion of bills as they come due.

Idaho's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $2,400

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The Bills Idaho Has Accumulated	
Bonds	$2,651,900,000
Other Liabilities	$2,033,800,000
Minus: Debt Related to Capital Assets	$1,257,878,000
Unfunded Pension Benefits	$216,309,000
Unfunded Retirees' Health Care Benefits	$106,709,000
Bills	**$3,750,840,000**

The state has accumulated bonds of $2.7 billion and other liabilities of $2 billion. The calculation of assets available to pay bills does not include capital assets, so $1.3 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 9% of state bills. These unfunded liabilities have accumulated because state employees have been promised $216.3 million of pension benefits and $106.7 million of retirees' health care benefits. Unlike most states, Idaho has the assets needed to pay these liabilities.

Idaho's elected officials seem to promise only the amount of benefits they can afford to pay.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Idaho's actuaries' schedules found retirement benefits totaling $323 million have been promised, but not funded. A review of the state's balance sheet determined only $55.2 million of these liabilities are reported. This means the state does not report $267.8 million of retirement liabilities on its balance sheet.

Data is derived from the state of Idaho's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

08 RANKING | OREGON

Oregon

ASSETS EXCEED BILLS

$18 Billion
IN ASSETS

$15 Billion
IN BILLS

THE FINANCIAL STATE OF OREGON

The State's Assets Exceed Its Bills

Assets	$43,444,262,000
Minus: Capital Assets	$17,877,285,000
Restricted Assets	$7,656,900,000
Assets Available to Pay Bills	$17,910,077,000
Minus: Bills	$15,424,614,000
Money Available to Pay Future Bills	$2,485,463,000
Each Taxpayer's Share of Surplus	**$2,000**

Oregon has $43.4 billion in assets, but most of these assets are not available to pay state bills.

The $17.9 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $7.7 billion of the assets is restricted by law or contract.

That leaves $17.9 billion of state's assets available to pay $15.4 billion of bills as they come due.

Oregon's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $2,000

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The Bills Oregon Has Accumulated

Bonds	$11,913,437,000
Other Liabilities	$9,565,424,000
Minus: Debt Related to Capital Assets	$5,633,591,000
Unfunded Pension Benefits	($657,343,000)
Unfunded Retirees' Health Care Benefits	$236,687,000
Bills	**$15,424,614,000**

The state has accumulated bonds of $11.9 billion and other liabilities of $9.6 billion. The calculation of assets available to pay bills does not include capital assets, so $5.6 billion of related debt is removed from the calculation of State bills.

According to state actuaries, Oregon has more than enough assets to pay its pension promises. The state has underfunded its retirees' health care obligations by $236.7 million, but unlike most states, it has the assets needed to pay for these liabilities.

Oregon's elected officials seem to promise only the amount of benefits they can afford to pay.

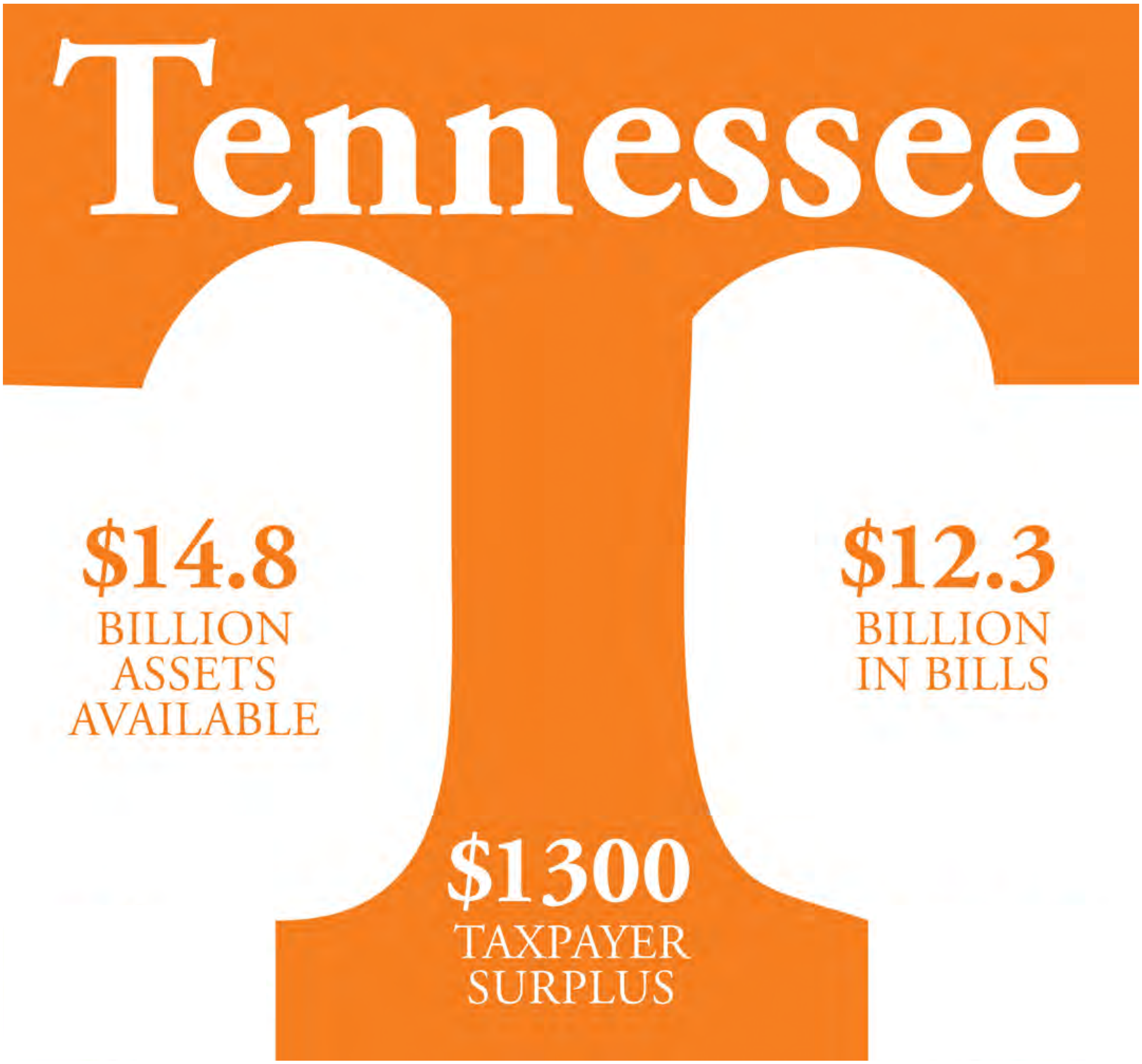
Confusing Accounting Rules Result in Overstated Assets and Understated Liabilities

The assets reported on Oregon's balance sheet are overstated by $821.1 million. The state reported that its pension plans are overfunded by $1.5 billion, but a detailed study of Oregon's actuaries' schedules found the plans were actually overfunded by $657.3 million. On the other hand, this study found retirees' health care benefits totaling $236.7 million have been promised, but not funded. Instead of reporting all of this debt on the state's balance, Oregon reports only $89.1 million. This means the state does not report $147.6 million of the retirees' health care debt on its balance sheet.

Data is derived from the state of Oregon's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

09 RANKING | TENNESSEE



THE FINANCIAL STATE OF TENNESSEE

The State's Assets Exceed Its Bills	
Assets	$50,640,376,000
Minus: Capital Assets	$32,271,353,000
Restricted Assets	$3,597,451,000
Assets Available to Pay Bills	$14,771,572,000
Minus: Bills	$12,331,674,000
Money Available to Pay Future Bills	$2,439,898,000
Each Taxpayer's Share of Surplus	**$1,300**

Tennessee has $50.6 billion in assets, but most of these assets are not available to pay state bills.

The $32.3 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3.6 billion of the assets is restricted by law or contract.

That leaves $14.8 billion of state's assets available to pay $12.3 billion of bills as they come due.

Tennessee's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $1,300

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The Bills Tennessee Has Accumulated	
Bonds	$5,766,988,000
Other Liabilities	$5,398,938,000
Minus: Debt Related to Capital Assets	$2,111,930,000
Unfunded Pension Benefits	$1,466,000,000
Unfunded Retirees' Health Care Benefits	$1,811,678,000
Bills	**$12,331,674,000**

The state has accumulated bonds of $5.8 billion and other liabilities of $5.4 billion. The calculation of assets available to pay bills does not include capital assets, so $2.1 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 27% of state bills. These unfunded liabilities have accumulated because state employees have been promised $1.5 billion of pension benefits and $1.8 billion of retirees' health care benefits. Unlike most states, Tennessee has the assets needed to pay these liabilities.

Tennessee's elected officials seem to promise only the amount of benefits they can afford to pay.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Tennessee's actuaries' schedules found retirement benefits totaling $3.3 billion have been promised, but not funded. A review of the state's balance sheet determined only $763.6 million of these liabilities are reported. This means the state does not report $2.5 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Tennessee's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

10 | MONTANA

RANKING

2014 | Montana

$900

TAXPAYER SURPLUS

$310 Million

AVAILABLE TO PAY BILLS

Truth in Accounting

THE FINANCIAL STATE OF MONTANA

The State's Assets Exceed Its Bills

Assets	$15,096,852,000
Minus: Capital Assets	$6,031,026,000
Restricted Assets	$3,637,924,000
Assets Available to Pay Bills	$5,427,902,000
Minus: Bills	$5,118,133,000
Money Available to Pay Future Bills	$309,769,000
Each Taxpayer's Share of Surplus	**$900**

Montana has $15.1 billion in assets, but most of these assets are not available to pay state bills.

The $6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3.6 billion of the assets is restricted by law or contract.

That leaves $5.4 billion of state's assets available to pay $5.1 billion of bills as they come due.

Montana's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $900

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www.StateDataLab.org

The Bills Montana Has Accumulated

Bonds	$1,089,604,000
Other Liabilities	$2,991,963,000
Minus: Debt Related to Capital Assets	$438,023,000
Unfunded Pension Benefits	$1,007,603,000
Unfunded Retirees' Health Care Benefits	$466,986,000
Bills	**$5,118,133,000**

The state has accumulated bonds of $1.1 billion and other liabilities of $3 billion. The calculation of assets available to pay bills does not include capital assets, so $438 million of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 29% of state bills. These unfunded liabilities have accumulated because state employees have been promised $1 billion of pension benefits and $467 million of retirees' health care benefits. Unlike most states, Montana has the assets needed to pay these liabilities.

Montana's elected officials seem to promise only the amount of benefits they can afford to pay.

Not All Retirement Liabilities Are Clearly Disclosed

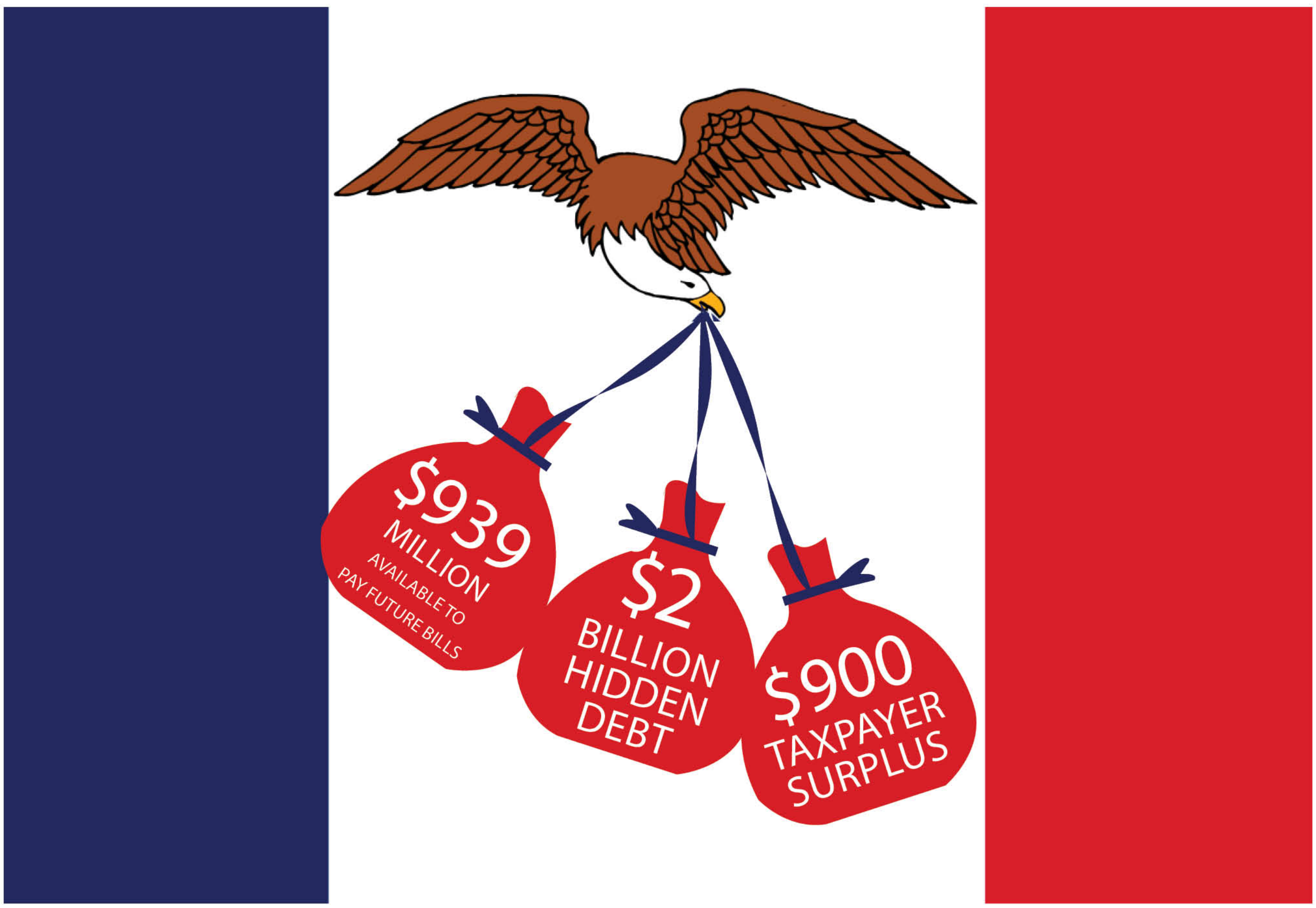
A detailed study of Montana's actuaries' schedules found retirement benefits totaling $1.5 billion have been promised, but not funded. A review of the state's balance sheet determined only $319 million of these liabilities are reported. This means the state does not report $1.2 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Montana's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

11 RANKING | IOWA

What is Iowa hiding?



Truth in Accounting

THE FINANCIAL STATE OF IOWA

The State's Assets Exceed Its Bills	
Assets	$28,189,237,000
Minus: Capital Assets	$12,988,019,000
Restricted Assets	$5,957,725,000
Assets Available to Pay Bills	$9,243,493,000
Minus: Bills	$8,304,951,000
Money Available to Pay Future Bills	$938,542,000
Each Taxpayer's Share of Surplus	**$900**

Iowa has $28.2 billion in assets, but most of these assets are not available to pay state bills.

The $13 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $6 billion of the assets is restricted by law or contract.

That leaves $9.2 billion of state's assets available to pay $8.3 billion of bills as they come due.

Iowa's elected officials seem to promise only the amount of benefits they can afford to pay.

Each Taxpayer's Share of the Financial Surplus is $900

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The Bills Iowa Has Accumulated	
Bonds	$5,005,422,000
Other Liabilities	$3,399,000,000
Minus: Debt Related to Capital Assets	$2,011,497,000
Unfunded Pension Benefits	$1,267,917,000
Unfunded Retirees' Health Care Benefits	$644,109,000
Bills	**$8,304,951,000**

The state has accumulated bonds of $5 billion and other liabilities of $3.4 billion. The calculation of assets available to pay bills does not include capital assets, so $2 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 23% of state bills. These unfunded liabilities have accumulated because state employees have been promised $1.3 billion of pension benefits and $644.1 million of retirees' health care benefits. Unlike most states, Iowa has the assets needed to pay these liabilities.

Iowa's elected officials seem to promise only the amount of benefits they can afford to pay.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Iowa's actuaries' schedules found retirement benefits totaling $1.9 billion have been promised, but not funded. A review of the state's balance sheet determined only $286.2 million of these liabilities are reported. This means the state does not report $1.6 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Iowa's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

12 | INDIANA

RANKING

Indiana's Unfunded Debt

$24.4 Billion
ASSETS AVAILABLE

$25.8 Billion
IN BILLS

$1.3 Billion
NEEDED TO PAY BILLS

THE FINANCIAL STATE OF INDIANA

The State's Bills Exceed Its Assets

Assets	$55,583,582,000
Minus: Capital Assets	$23,155,150,000
Restricted Assets	$7,988,865,000
Assets Available to Pay Bills	$24,439,567,000
Minus: Bills	$25,785,808,000
Money Needed to Pay Bills	-$1,346,241,000
Each Taxpayer's Share of This Debt	-$700

Indiana has $55.6 billion in assets, but most of these assets are not available to pay state bills.

The $23.2 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $8 billion of the assets is restricted by law or contract.

That leaves $24.4 billion of state's assets available to pay $25.8 billion of bills as they come due.

The -$1.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Indiana's Debt:
-$700

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www.StateDataLab.org

The Bills Indiana Has Accumulated

Bonds	$9,600,000,000
Other Liabilities	$8,194,154,000
Minus: Debt Related to Capital Assets	$4,874,590,000
Unfunded Pension Benefits	$12,033,841,000
Unfunded Retirees' Health Care Benefits	$832,403,000
Bills	$25,785,808,000

Despite the balanced budget requirement, the state has accumulated bonds of $9.6 billion and other liabilities of $8.2 billion. The calculation of assets available to pay bills does not include capital assets, so $4.9 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 50% of state bills. These unfunded liabilities have accumulated because state employees have been promised $12 billion of pension benefits and $832.4 million of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Indiana's actuaries' schedules found retirement benefits totaling nearly $12.9 billion have been promised, but not funded. A review of the state's balance sheet determined only $1.2 billion of these liabilities are reported. This means the state does not report $11.6 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Indiana's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

13 RANKING | FLORIDA

What is Florida Hiding?

BILLS EXCEED ASSETS

$63 Billion IN ASSETS < **$70 Billion** IN BILLS

THE FINANCIAL STATE OF FLORIDA

The State's Bills Exceed Its Assets	
Assets	$197,901,419,000
Minus: Capital Assets	$100,180,114,000
Restricted Assets	$34,305,662,000
Assets Available to Pay Bills	$63,415,643,000
Minus: Bills	$69,834,623,000
Money Needed to Pay Bills	-$6,418,980,000
Each Taxpayer's Share of This Debt	**-$1,100**

Florida has $197.9 billion in assets, but most of these assets are not available to pay state bills.

The $100.2 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $34.3 billion of the assets is restricted by law or contract.

That leaves $63.4 billion of state's assets available to pay $69.8 billion of bills as they come due.

The -$6.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Florida's Debt:
-$1,100

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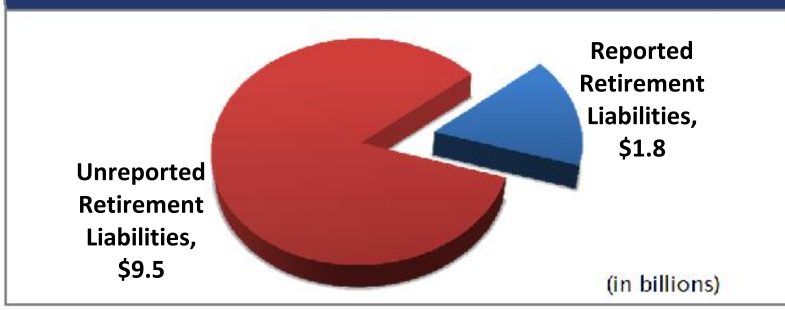
The Bills Florida Has Accumulated	
Bonds	$34,530,278,000
Other Liabilities	$36,899,644,000
Minus: Debt Related to Capital Assets	$12,941,524,000
Unfunded Pension Benefits	$3,708,412,000
Unfunded Retirees' Health Care Benefits	$7,637,813,000
Bills	**$69,834,623,000**

Despite the balanced budget requirement, the state has accumulated bonds of $34.5 billion and other liabilities of $36.9 billion. The calculation of assets available to pay bills does not include capital assets, so $12.9 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 16% of state bills. These unfunded liabilities have accumulated because state employees have been promised $3.7 billion of pension benefits and $7.6 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed



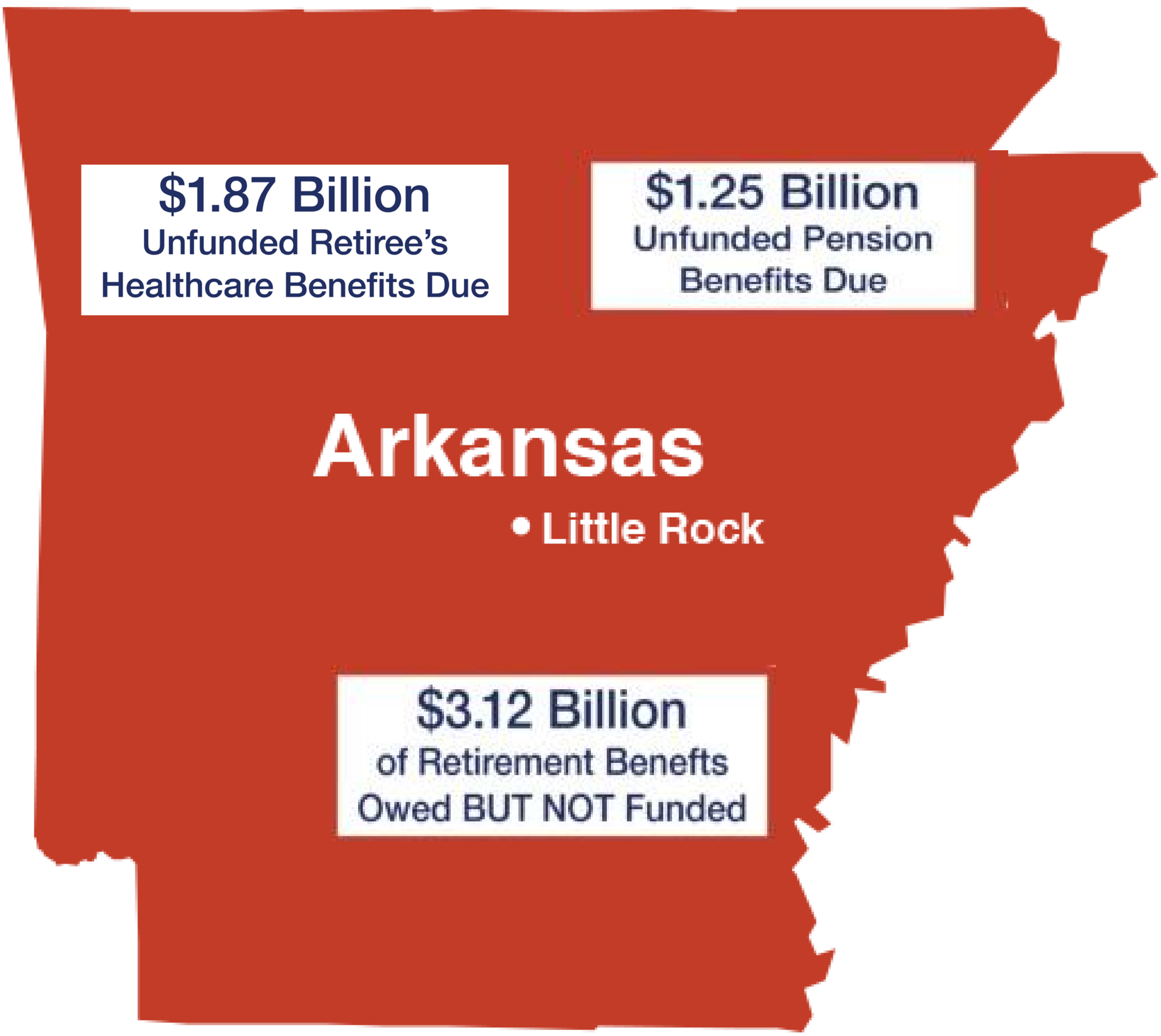
A detailed study of Florida's actuaries' schedules found retirement benefits totaling $11.3 billion have been promised, but not funded. A review of the state's balance sheet determined only $1.8 billion of these liabilities are reported. This means the state does not report $9.5 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Florida's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

14 RANKING | ARKANSAS

ARKANSAS



THE FINANCIAL STATE OF ARKANSAS

The State's Bills Exceed Its Assets	
Assets	$25,130,227,000
Minus: Capital Assets	$14,466,208,000
Restricted Assets	$3,375,693,000
Assets Available to Pay Bills	$7,288,326,000
Minus: Bills	$8,420,374,000
Money Needed to Pay Bills	-$1,132,048,000
Each Taxpayer's Share of This Debt	**-$1,500**

Arkansas has $25.1 billion in assets, but most of these assets are not available to pay state bills.

The $14.5 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3.4 billion of the assets is restricted by law or contract.

That leaves $7.3 billion of state's assets available to pay $8.4 billion of bills as they come due.

The -$1.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Arkansas' Debt:
-$1,500

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The Bills Arkansas Has Accumulated	
Bonds	$4,525,666,000
Other Liabilities	$3,829,017,000
Minus: Debt Related to Capital Assets	$3,055,740,000
Unfunded Pension Benefits	$1,250,136,000
Unfunded Retirees' Health Care Benefits	$1,871,295,000
Bills	**$8,420,374,000**

Despite the balanced budget requirement, the state has accumulated bonds of $4.5 billion and other liabilities of $3.8 billion. The calculation of assets available to pay bills does not include capital assets, so $3.1 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 37% of state bills. These unfunded liabilities have accumulated because state employees have been promised $1.3 billion of pension benefits and $1.9 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Arkansas' actuaries' schedules found retirement benefits totaling $3.1 billion have been promised, but not funded. A review of the state's balance sheet determined only $1 billion of these liabilities are reported. This means the state does not report $2.1 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Arkansas' June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

VIRGINIA

Virginia Unfunded Debt

THE FINANCIAL STATE OF VIRGINIA

The State's Bills Exceed Its Assets	
Assets	$93,742,552,000
Minus: Capital Assets	$44,366,822,000
Restricted Assets	$15,457,439,000
Assets Available to Pay Bills	$33,918,291,000
Minus: Bills	$38,216,441,000
Money Needed to Pay Bills	-$4,298,150,000
Each Taxpayer's Share of This Debt	**-$1,500**

Virginia has $93.7 billion in assets, but most of these assets are not available to pay state bills.

The $44.4 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $15.5 billion of the assets is restricted by law or contract.

That leaves $33.9 billion of state's assets available to pay $38.2 billion of bills as they come due.

The -$4.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Virginia's Debt:
-$1,500

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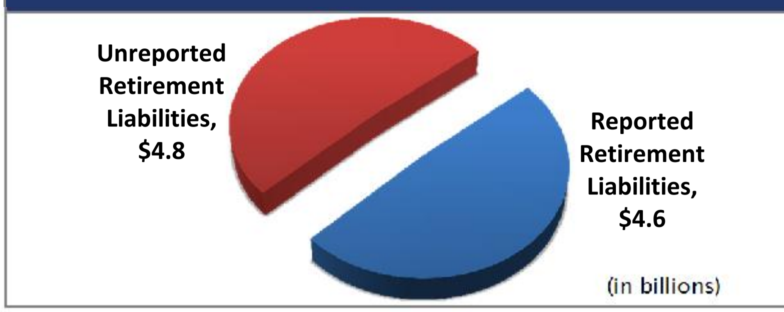
The Bills Virginia Has Accumulated	
Bonds	$26,815,120,000
Other Liabilities	$14,534,443,000
Minus: Debt Related to Capital Assets	$12,527,483,000
Unfunded Pension Benefits	$6,629,453,000
Unfunded Retirees' Health Care Benefits	$2,764,908,000
Bills	**$38,216,441,000**

Despite the balanced budget requirement, the state has accumulated bonds of $26.8 billion and other liabilities of $14.5 billion. The calculation of assets available to pay bills does not include capital assets, so $12.5 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 25% of state bills. These unfunded liabilities have accumulated because state employees have been promised $6.6 billion of pension benefits and $2.8 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of Virginia's actuaries' schedules found retirement benefits totaling $9.4 billion have been promised, but not funded. A review of the state's balance sheet determined only $4.6 billion of these liabilities are reported. This means the state does not report $4.8 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Virginia's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

16 | OKLAHOMA
RANKING

2014 | Oklahoma's UNFUNDED DEBT

$2,200
TAXPAYER BURDEN

$6.7 Billion
UNREPORTED LIABILITIES DUE

THE FINANCIAL STATE OF OKLAHOMA

The State's Bills Exceed Its Assets

Assets	$40,970,770,000
Minus: Capital Assets	$18,751,692,000
Restricted Assets	$9,963,166,000
Assets Available to Pay Bills	$12,255,912,000
Minus: Bills	$14,660,631,000
Money Needed to Pay Bills	-$2,404,719,000
Each Taxpayer's Share of This Debt	**-$2,200**

Oklahoma has $41 billion in assets, but most of these assets are not available to pay state bills.

The $18.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $10 billion of the assets is restricted by law or contract.

That leaves $12.3 billion of state's assets available to pay $14.7 billion of bills as they come due.

The -$2.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Oklahoma's Debt:
-$2,200

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The Bills Oklahoma Has Accumulated

Bonds	$7,453,441,000
Other Liabilities	$5,766,603,000
Minus: Debt Related to Capital Assets	$5,428,999,000
Unfunded Pension Benefits	$6,656,455,000
Unfunded Retirees' Health Care Benefits	$213,131,000
Bills	**$14,660,631,000**

Despite the balanced budget requirement, the state has accumulated bonds of $7.5 billion and other liabilities of $5.8 billion. The calculation of assets available to pay bills does not include capital assets, so $5.4 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 47% of state bills. These unfunded liabilities have accumulated because state employees have been promised $6.7 billion of pension benefits and $213.1 million of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Oklahoma's actuaries' schedules found retirement benefits totaling $6.9 billion have been promised, but not funded. A review of the state's balance sheet determined only $212.3 million of these liabilities are reported. This means the state does not report $6.7 billion of retirement liabilities on its balance sheet.

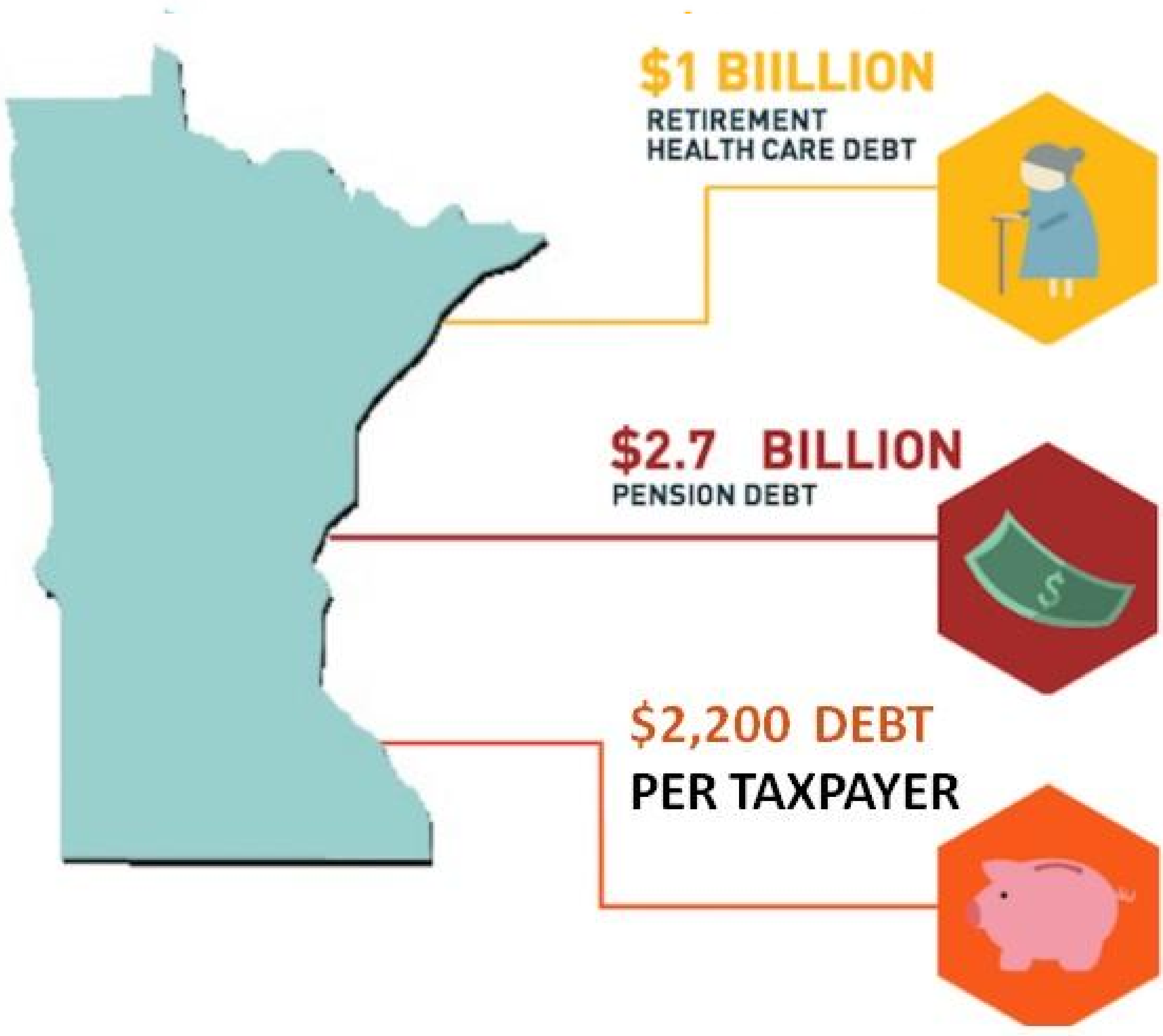
Data is derived from the state of Oklahoma's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

17 MINNESOTA

RANKING

2014 MINNESOTA'S UNFUNDED DEBT



THE FINANCIAL STATE OF MINNESOTA

The State's Bills Exceed Its Assets	
Assets	$54,455,953,000
Minus: Capital Assets	$23,138,374,000
Restricted Assets	$14,437,847,000
Assets Available to Pay Bills	$16,879,732,000
Minus: Bills	$21,163,084,000
Money Needed to Pay Bills	-$4,283,352,000
Each Taxpayer's Share of This Debt	**-$2,200**

Minnesota has $54.5 billion in assets, but most of these assets are not available to pay state bills.

The $23.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $14.4 billion of the assets is restricted by law or contract.

That leaves $16.9 billion of state's assets available to pay $21.2 billion of bills as they come due.

The -$4.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Minnesota's Debt: -$2,200

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The Bills Minnesota Has Accumulated	
Bonds	$13,342,791,000
Other Liabilities	$10,249,534,000
Minus: Debt Related to Capital Assets	$6,194,151,000
Unfunded Pension Benefits	$2,735,581,000
Unfunded Retirees' Health Care Benefits	$1,029,329,000
Bills	**$21,163,084,000**

Despite the balanced budget requirement, the state has accumulated bonds of $13.3 billion and other liabilities of $10.2 billion. The calculation of assets available to pay bills does not include capital assets, so $6.2 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 18% of state bills. These unfunded liabilities have accumulated because state employees have been promised $2.7 billion of pension benefits and $1 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Minnesota's actuaries' schedules found retirement benefits totaling $3.8 billion have been promised, but not funded. A review of the state's balance sheet determined only $577.9 million of these liabilities are reported. This means the state does not report $3.2 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Minnesota's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

18 NEVADA
RANKING

Nevada | UNFUNDED DEBT | 2014

$2.4 Billion
MONEY NEEDED TO PAY BILLS

$2,700
TAXPAYER BURDEN

Truth in Accounting

THE FINANCIAL STATE OF NEVADA

The State's Bills Exceed Its Assets

Assets	$15,415,467,000
Minus: Capital Assets	$7,983,063,000
Restricted Assets	$2,322,484,000
Assets Available to Pay Bills	$5,109,920,000
Minus: Bills	$7,468,830,000
Money Needed to Pay Bills	-$2,358,910,000
Each Taxpayer's Share of This Debt	**-$2,700**

Nevada has $15.4 billion in assets, but most of these assets are not available to pay state bills.

The $8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $2.3 billion of the assets is restricted by law or contract.

That leaves $5.1 billion of state's assets available to pay $7.5 billion of bills as they come due.

The -$2.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Nevada's Debt:
-$2,700

The Bills Nevada Has Accumulated

Bonds	$4,290,417,000
Other Liabilities	$2,373,897,000
Minus: Debt Related to Capital Assets	$1,844,664,000
Unfunded Pension Benefits	$1,378,489,000
Unfunded Retirees' Health Care Benefits	$1,270,691,000
Bills	**$7,468,830,000**

Despite the balanced budget requirement, the state has accumulated bonds of $4.3 billion and other liabilities of $2.4 billion. The calculation of assets available to pay bills does not include capital assets, so $1.8 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 35% of state bills. These unfunded liabilities have accumulated because state employees have been promised $1.4 billion of pension benefits and $1.3 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

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None of the State's Retirement Liabilities are Reported

Unreported Retirement Liabilities	**$2,649,180,000**

A detailed study of Nevada's actuaries' schedules found retirement benefits totaling $2.6 billion have been promised, but not funded. A review of the state's balance sheet determined that none of these liabilities are reported.

Data is derived from the state of Nevada's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

19 RANKING | COLORADO

COLORADO

- To fill its **$6 Billion** FINANCIAL HOLE, EACH TAXPAYER would have to send **$3,300** to the state
- **$3,300** TAXPAYER BURDEN is **7%** of an AVERAGE citizen's PERSONAL INCOME of **$48,730**

THE FINANCIAL STATE OF COLORADO

The State's Bills Exceed Its Assets	
Assets	$38,191,474,000
Minus: Capital Assets	$18,969,349,000
Restricted Assets	$7,241,529,000
Assets Available to Pay Bills	$11,980,596,000
Minus: Bills	$17,785,142,000
Money Needed to Pay Bills	-$5,804,546,000
Each Taxpayer's Share of This Debt	**-$3,300**

Colorado has $38.2 billion in assets, but most of these assets are not available to pay state bills.

The $19 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $7.2 billion of the assets is restricted by law or contract.

That leaves $12 billion of state's assets available to pay $17.8 billion of bills as they come due.

The -$5.8 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Colorado's Debt: -$3,300

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www.StateDataLab.org

The Bills Colorado Has Accumulated	
Bonds	$5,179,312,000
Other Liabilities	$7,125,094,000
Minus: Debt Related to Capital Assets	$5,000,443,000
Unfunded Pension Benefits	$9,544,868,000
Unfunded Retirees' Health Care Benefits	$936,311,000
Bills	**$17,785,142,000**

Despite the balanced budget requirement, the state has accumulated bonds of $5.2 billion and other liabilities of $7.1 billion. The calculation of assets available to pay bills does not include capital assets, so $5 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 59% of state bills. These unfunded liabilities have accumulated because state employees have been promised $9.5 billion of pension benefits and $936.3 million of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

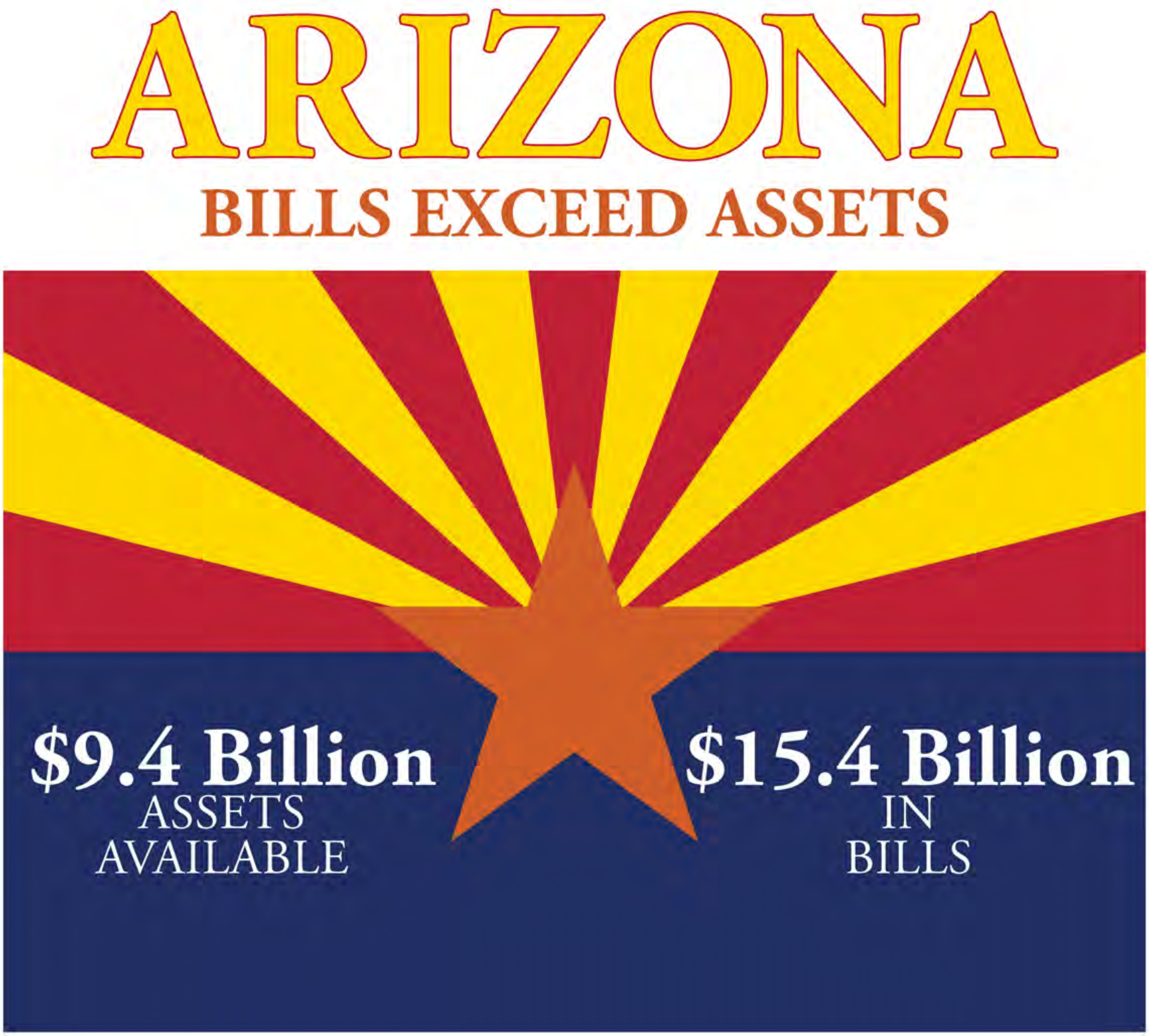
Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Colorado's actuaries' schedules found retirement benefits totaling $10.5 billion have been promised, but not funded. A review of the state's balance sheet determined only $195.6 million of these liabilities are reported. This means the state does not report $10.3 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Colorado's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

20 RANKING | ARIZONA



THE FINANCIAL STATE OF ARIZONA

The State's Bills Exceed Its Assets

Assets	$44,194,232,000
Minus: Capital Assets	$26,573,143,000
Restricted Assets	$8,190,761,000
Assets Available to Pay Bills	$9,430,328,000
Minus: Bills	$15,430,861,000
Money Needed to Pay Bills	-$6,000,533,000
Each Taxpayer's Share of This Debt	**-$3,300**

Arizona has $44.2 billion in assets, but most of these assets are not available to pay state bills.

The $26.6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $8.2 billion of the assets is restricted by law or contract.

That leaves $9.4 billion of state's assets available to pay $15.4 billion of bills as they come due.

The -$6 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Arizona's Debt:
-$3,300

The Bills Arizona Has Accumulated

Bonds	$7,437,557,000
Other Liabilities	$10,177,707,000
Minus: Debt Related to Capital Assets	$6,857,148,000
Unfunded Pension Benefits	$4,657,987,000
Unfunded Retirees' Health Care Benefits	$14,758,000
Bills	**$15,430,861,000**

Despite the balanced budget requirement, the state has accumulated bonds of $7.4 billion and other liabilities of $10.2 billion. The calculation of assets available to pay bills does not include capital assets, so $6.9 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 30% of state bills. These unfunded liabilities have accumulated because state employees have been promised $4.7 billion of pension benefits and $14.8 million of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

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None of the State's Retirement Liabilities are Reported

Unreported Retirement Liabilities	**$4,672,745,000**

A detailed study of Arizona's actuaries' schedules found retirement benefits totaling $4.7 billion have been promised, but not funded. A review of the state's balance sheet determined that none of these liabilities are reported.

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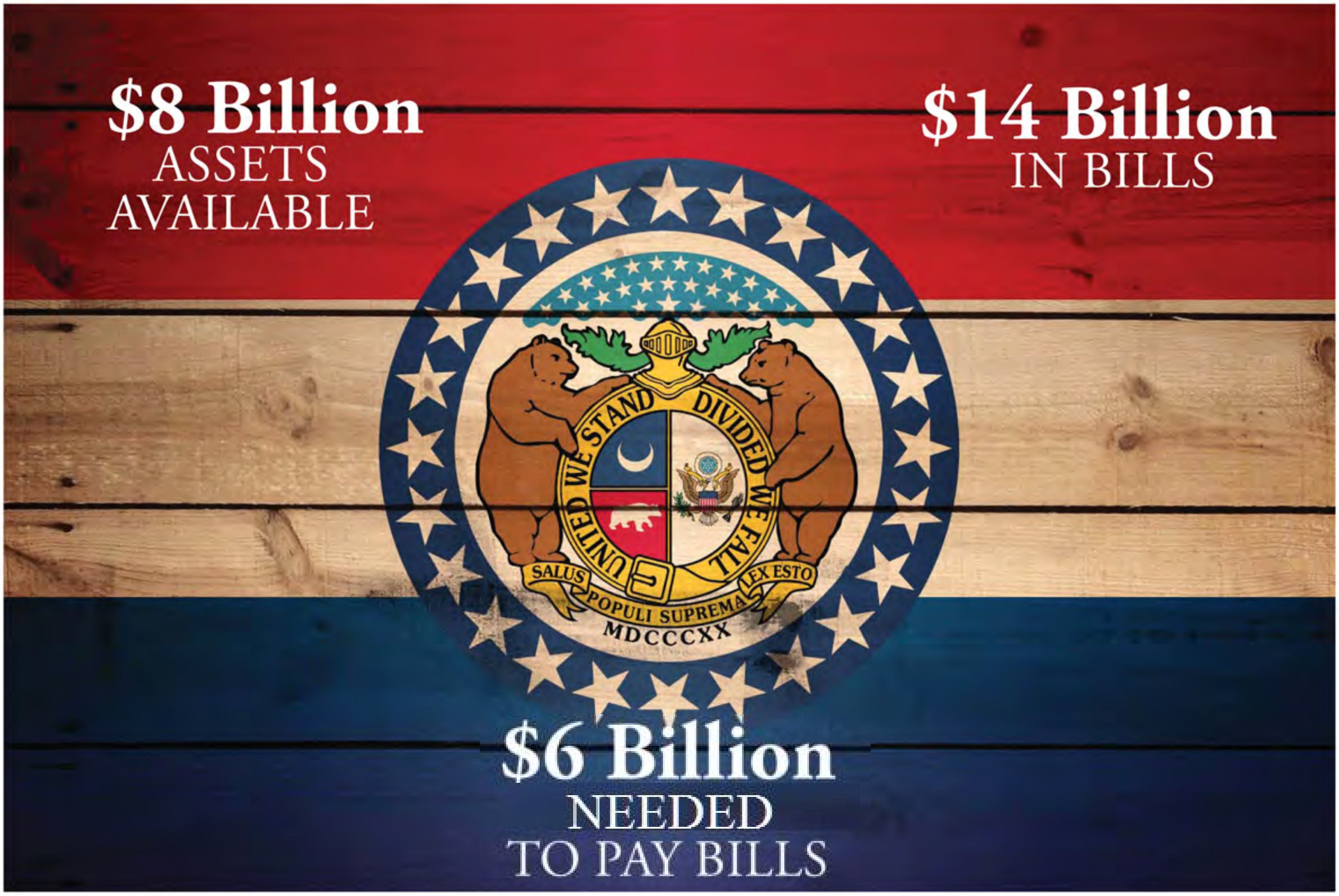
Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

Missouri's Unfunded Debt



THE FINANCIAL STATE OF MISSOURI

The State's Bills Exceed Its Assets	
Assets	$50,223,488,000
Minus: Capital Assets	$37,137,356,000
Restricted Assets	$5,472,176,000
Assets Available to Pay Bills	$7,613,956,000
Minus: Bills	$13,890,596,000
Money Needed to Pay Bills	-$6,276,640,000
Each Taxpayer's Share of This Debt	**-$3,400**

Missouri has $50.2 billion in assets, but most of these assets are not available to pay state bills.

The $37.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $5.5 billion of the assets is restricted by law or contract.

That leaves $7.6 billion of state's assets available to pay $13.9 billion of bills as they come due.

The -$6.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Missouri's Debt:
-$3,400

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www.StateDataLab.org

The Bills Missouri Has Accumulated	
Bonds	$6,050,545,000
Other Liabilities	$5,737,285,000
Minus: Debt Related to Capital Assets	$5,742,247,000
Unfunded Pension Benefits	$4,634,070,000
Unfunded Retirees' Health Care Benefits	$3,210,943,000
Bills	**$13,890,596,000**

Despite the balanced budget requirement, the state has accumulated bonds of $6.1 billion and other liabilities of $5.7 billion. The calculation of assets available to pay bills does not include capital assets, so $5.7 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 56% of state bills. These unfunded liabilities have accumulated because state employees have been promised $4.6 billion of pension benefits and $3.2 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Missouri's actuaries' schedules found retirement benefits totaling $7.8 billion have been promised, but not funded. A review of the state's balance sheet determined only $1.1 billion of these liabilities are reported. This means the state does not report $6.7 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Missouri's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

22 | OHIO
RANKING

Ohio || UNFUNDED DEBT || 2014

$3,500
TAXPAYER BURDEN

$9.5 Billion
RETIREMENT BENEFITS DUE

THE FINANCIAL STATE OF OHIO

The State's Bills Exceed Its Assets	
Assets	$110,023,154,000
Minus: Capital Assets	$39,833,851,000
Restricted Assets	$20,572,240,000
Assets Available to Pay Bills	$49,617,063,000
Minus: Bills	$63,075,079,000
Money Needed to Pay Bills	-$13,458,016,000
Each Taxpayer's Share of This Debt	**-$3,500**

Ohio has $110 billion in assets, but most of these assets are not available to pay state bills.

The $39.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $20.6 billion of the assets is restricted by law or contract.

That leaves $49.6 billion of state's assets available to pay $63.1 billion of bills as they come due.

The -$13.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Ohio's Debt:
-$3,500

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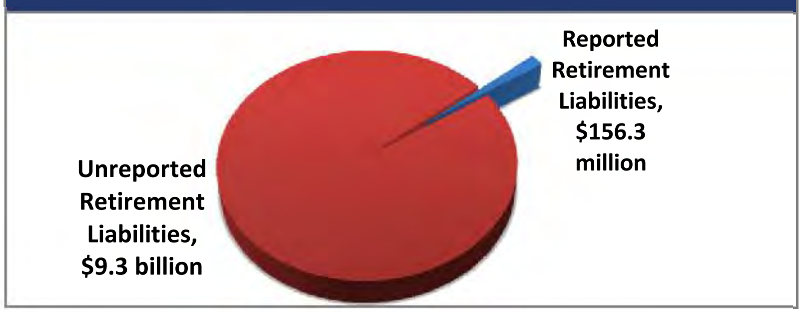
The Bills Ohio Has Accumulated	
Bonds	$20,172,042,000
Other Liabilities	$43,230,313,000
Minus: Debt Related to Capital Assets	$9,825,770,000
Unfunded Pension Benefits	$6,714,180,000
Unfunded Retirees' Health Care Benefits	$2,784,314,000
Bills	**$63,075,079,000**

Despite the balanced budget requirement, the state has accumulated bonds of $20.2 billion and other liabilities of $43.2 billion. The calculation of assets available to pay bills does not include capital assets, so $9.8 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 15% of state bills. These unfunded liabilities have accumulated because state employees have been promised $6.7 billion of pension benefits and $2.8 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of Ohio's actuaries' schedules found retirement benefits totaling $9.5 billion have been promised, but not funded. A review of the state's balance sheet determined only $156.3 million of these liabilities are reported. This means the state does not report $9.3 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Ohio's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

23 RANKING | WISCONSIN

WISCONSIN

Bills EXCEED Assets

$20 billion in bills > $12 billion in assets

Taxpayer Burden

$4,100

THE FINANCIAL STATE OF WISCONSIN

The State's Bills Exceed Its Assets	
Assets	$48,646,051,000
Minus: Capital Assets	$28,030,403,000
Restricted Assets	$8,944,122,000
Assets Available to Pay Bills	$11,671,526,000
Minus: Bills	$19,755,336,000
Money Needed to Pay Bills	-$8,083,810,000
Each Taxpayer's Share of This Debt	**-$4,100**

Wisconsin has $48.6 billion in assets, but most of these assets are not available to pay state bills.

The $28 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $8.9 billion of the assets is restricted by law or contract.

That leaves $11.7 billion of state's assets available to pay $19.8 billion of bills as they come due.

The -$8.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Wisconsin's Debt: -$4,100

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The Bills Wisconsin Has Accumulated	
Bonds	$13,553,122,000
Other Liabilities	$11,162,655,000
Minus: Debt Related to Capital Assets	$5,999,823,000
Unfunded Pension Benefits	$7,500,000
Unfunded Retirees' Health Care Benefits	$1,031,882,000
Bills	**$19,755,336,000**

Despite the balanced budget requirement, the state has accumulated bonds of $13.6 billion and other liabilities of $11.2 billion. The calculation of assets available to pay bills does not include capital assets, so $6 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 5% of state bills. These unfunded liabilities have accumulated because state employees have been promised $7.5 million of pension benefits and $1 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Wisconsin's actuaries' schedules found retirement benefits totaling just over $1 billion have been promised, but not funded. A review of the state's balance sheet determined only $472 million of these liabilities are reported. This means the state does not report $567 million of retirement liabilities on its balance sheet.

Data is derived from the state of Wisconsin's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

24 RANKING | GEORGIA

...To fill its **$12 Billion** FINANCIAL HOLE, EACH Georgia TAXPAYER would have to send **$4,500** to the state

...The **$4,500** TAXPAYER BURDEN is **12%** of an AVERAGE citizen's PERSONAL INCOME of **$39,097**

THE FINANCIAL STATE OF GEORGIA

The State's Bills Exceed Its Assets	
Assets	$57,002,943,000
Minus: Capital Assets	$32,620,240,000
Restricted Assets	$9,215,249,000
Assets Available to Pay Bills	$15,167,454,000
Minus: Bills	$27,145,137,000
Money Needed to Pay Bills	-$11,977,683,000
Each Taxpayer's Share of This Debt	**-$4,500**

Georgia has $57 billion in assets, but most of these assets are not available to pay state bills.

The $32.6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $9.2 billion of the assets is restricted by law or contract.

That leaves $15.2 billion of state's assets available to pay $27.1 billion of bills as they come due.

The -$12 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Georgia's Debt:
-$4,500

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The Bills Georgia Has Accumulated	
Bonds	$15,370,860,000
Other Liabilities	$10,229,707,000
Minus: Debt Related to Capital Assets	$11,289,433,000
Unfunded Pension Benefits	$5,464,292,000
Unfunded Retirees' Health Care Benefits	$7,369,711,000
Bills	**$27,145,137,000**

Despite the balanced budget requirement, the state has accumulated bonds of $15.4 billion and other liabilities of $10.2 billion. The calculation of assets available to pay bills does not include capital assets, so $11.3 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 47% of state bills. These unfunded liabilities have accumulated because state employees have been promised $5.5 billion of pension benefits and $7.4 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Georgia's actuaries' schedules found retirement benefits totaling $12.8 billion have been promised, but not funded. A review of the state's balance sheet determined only $1.8 billion of these liabilities are reported. This means the state does not report $11 billion of retirement liabilities on its balance sheet.

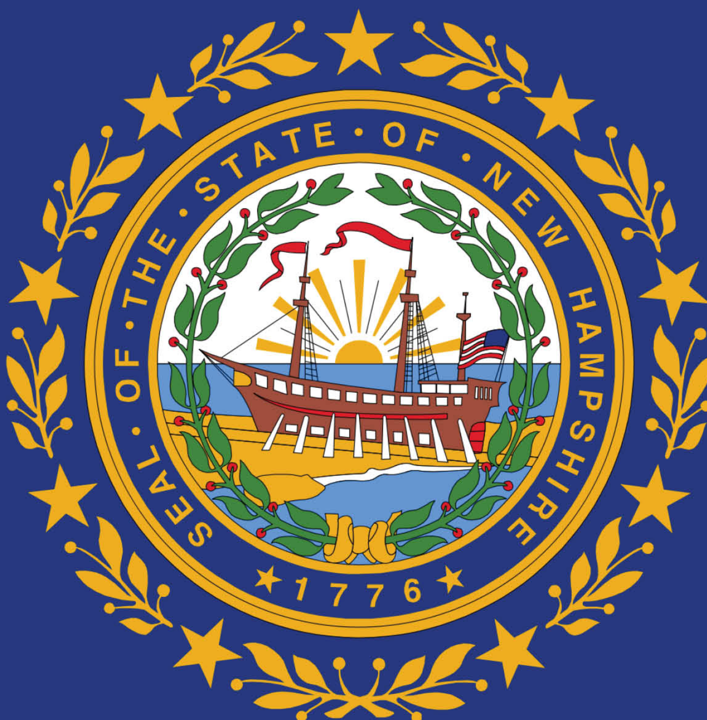
Data is derived from the state of Georgia's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

25
RANKING

NEW HAMPSHIRE

NEW HAMPSHIRE



$4,700
TAXPAYER BURDEN

$2.4 Billion
MONEY NEEDED TO PAY BILLS

Truth in Accounting

THE FINANCIAL STATE OF NEW HAMPSHIRE

The State's Bills Exceed Its Assets	
Assets	$8,271,246,000
Minus: Capital Assets	$4,841,219,000
Restricted Assets	$1,482,867,000
Assets Available to Pay Bills	$1,947,160,000
Minus: Bills	$4,314,645,000
Money Needed to Pay Bills	-$2,367,485,000
Each Taxpayer's Share of This Debt	**-$4,700**

New Hampshire has $8.3 billion in assets, but most of these assets are not available to pay state bills.

The $4.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $1.5 billion of the assets is restricted by law or contract.

That leaves $1.9 billion of state's assets available to pay $4.3 billion of bills as they come due.

The -$2.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of New Hampshire's Debt: -$4,700

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The Bills New Hampshire Has Accumulated	
Bonds	$2,054,412,000
Other Liabilities	$1,047,593,000
Minus: Debt Related to Capital Assets	$1,625,137,000
Unfunded Pension Benefits	$789,454,000
Unfunded Retirees' Health Care Benefits	$2,048,323,000
Bills	**$4,314,645,000**

Despite the balanced budget requirement, the state has accumulated bonds of $2.1 billion and other liabilities of $1 billion. The calculation of assets available to pay bills does not include capital assets, so $1.6 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 66% of state bills. These unfunded liabilities have accumulated because state employees have been promised $789.5 million of pension benefits and $2 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of New Hampshire's actuaries' schedules found retirement benefits totaling $2.8 billion have been promised, but not funded. A review of the state's balance sheet determined only $910.8 million of these liabilities are reported. This means the state does not report $1.9 billion of retirement liabilities on its balance sheet.

Data is derived from the state of New Hampshire's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

26 RANKING | KANSAS

THE STATE OWNS
$4.2 BILLION

$$$
STATE BILLS EXCEED STATE ASSETS

THE STATE OWES
$10.2 BILLION

HOW IS KS DOING FINANCIALLY?

98%
OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

THE FINANCIAL STATE OF KANSAS

The State's Bills Exceed Its Assets

Assets	$25,304,777,000
Minus: Capital Assets	$15,987,456,000
Restricted Assets	$5,142,117,000
Assets Available to Pay Bills	$4,175,204,000
Minus: Bills	$10,194,148,000
Money Needed to Pay Bills	-$6,018,944,000
Each Taxpayer's Share of This Debt	**-$6,700**

Kansas has $25.3 billion in assets, but most of these assets are not available to pay state bills.

The $16 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $5.1 billion of the assets is restricted by law or contract.

That leaves $4.2 billion of state's assets available to pay $10.2 billion of bills as they come due.

The -$6 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Kansas' Debt:
-$6,700

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The Bills Kansas Has Accumulated

Bonds	$4,048,080,000
Other Liabilities	$3,547,704,000
Minus: Debt Related to Capital Assets	$4,154,339,000
Unfunded Pension Benefits	$6,301,763,000
Unfunded Retirees' Health Care Benefits	$450,940,000
Bills	**$10,194,148,000**

Despite the balanced budget requirement, the state has accumulated bonds of $4 billion and other liabilities of $3.5 billion. The calculation of assets available to pay bills does not include capital assets, so $4.2 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 66% of state bills. These unfunded liabilities have accumulated because state employees have been promised $6.3 billion of pension benefits and $450.9 million of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

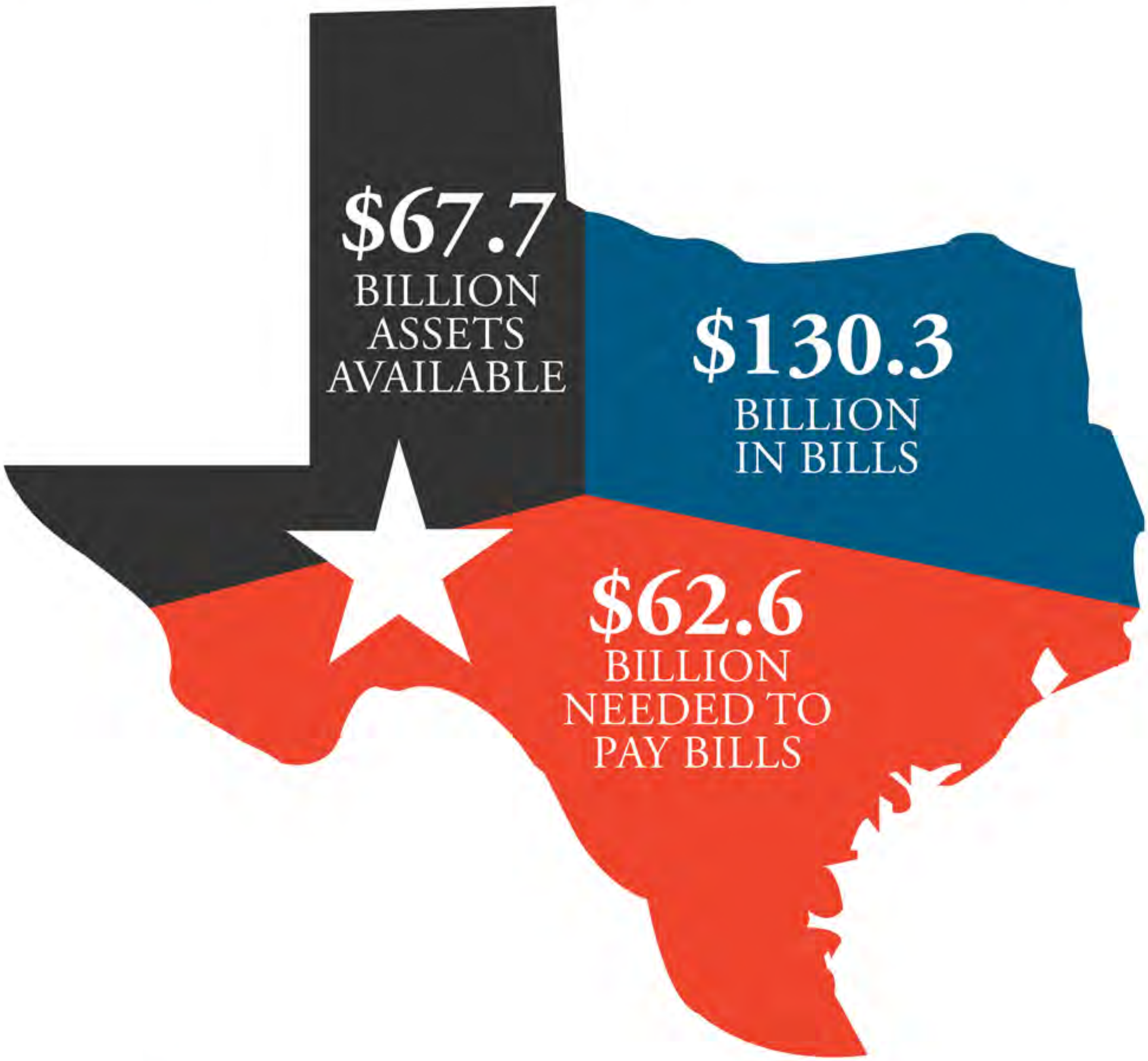
Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Kansas' actuaries' schedules found retirement benefits totaling $6.8 billion have been promised, but not funded. A review of the state's balance sheet determined only $124 million of these liabilities are reported. This means the state does not report $6.6 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Kansas' June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

Texas's Bills Exceed its Assets



THE FINANCIAL STATE OF TEXAS

The State's Bills Exceed Its Assets	
Assets	$262,599,424,000
Minus: Capital Assets	$112,879,309,000
Restricted Assets	$82,000,179,000
Assets Available to Pay Bills	$67,719,936,000
Minus: Bills	$130,308,330,000
Money Needed to Pay Bills	-$62,588,394,000
Each Taxpayer's Share of This Debt	**-$8,300**

Texas has $262.6 billion in assets, but most of these assets are not available to pay state bills.

The $112.9 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $82 billion of the assets is restricted by law or contract.

That leaves $67.7 billion of state's assets available to pay $130.3 billion of bills as they come due.

The -$62.6 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Texas' Debt:
-$8,300

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The Bills Texas Has Accumulated	
Bonds	$41,032,613,000
Other Liabilities	$31,229,491,000
Minus: Debt Related to Capital Assets	$33,057,225,000
Unfunded Pension Benefits	$42,208,048,000
Unfunded Retirees' Health Care Benefits	$48,895,403,000
Bills	**$130,308,330,000**

Despite the balanced budget requirement, the state has accumulated bonds of $41 billion and other liabilities of $31.2 billion. The calculation of assets available to pay bills does not include capital assets, so $33.1 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 70% of state bills. These unfunded liabilities have accumulated because state employees have been promised $42.2 billion of pension benefits and $48.9 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Texas' actuaries' schedules found retirement benefits totaling $91.1 billion have been promised, but not funded. A review of the state's balance sheet determined only $9.6 billion of these liabilities are reported. This means the state does not report $81.5 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Texas' August 31, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

28 NORTH CAROLINA

RANKING

NORTH CAROLINA

THE FINANCIAL STATE OF NORTH CAROLINA

The State's Bills Exceed Its Assets

Assets	$93,868,290,000
Minus: Capital Assets	$61,352,820,000
Restricted Assets	$8,135,219,000
Assets Available to Pay Bills	$24,380,251,000
Minus: Bills	$47,709,309,000
Money Needed to Pay Bills	-$23,329,058,000
Each Taxpayer's Share of This Debt	

North Carolina has $93.9 billion in assets, but most of these assets are not available to pay state bills.

The $61.4 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $8.1 billion of the assets is restricted by law or contract.

That leaves $24.4 billion of state's assets available to pay $47.7 billion of bills as they come due.

The -$23.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

The Bills North Carolina Has Accumulated

Bonds	$12,418,445,000
Other Liabilities	$16,273,050,000
Minus: Debt Related to Capital Assets	$7,820,029,000
Unfunded Pension Benefits	$1,227,913,000
Unfunded Retirees' Health Care Benefits	$25,609,930,000
Bills	

Despite the balanced budget requirement, the state has accumulated bonds of $12.4 billion and other liabilities of $16.3 billion. The calculation of assets available to pay bills does not include capital assets, so $7.8 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 56% of state bills. These unfunded liabilities have accumulated because state employees have been promised $1.2 billion of pension benefits and $25.6 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

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A detailed study of North Carolina's actuaries' schedules found retirement benefits totaling $26.8 billion have been promised, but not funded. A review of the state's balance sheet determined that none of these liabilities are reported.

Data is derived from the state of North Carolina's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

29 WASHINGTON

RANKING

WASHINGTON

$20.1 BILLION
MONEY NEEDED TO PAY BILLS

$7 BILLION
UNFUNDED RETIREE'S HEALTH CARE BENEFITS DUE

$8 BILLION
UNFUNDED PENSION BENEFITS DUE

THE FINANCIAL STATE OF WASHINGTON

The State's Bills Exceed Its Assets	
Assets	$86,533,522,000
Minus: Capital Assets	$40,065,147,000
Restricted Assets	$10,425,559,000
Assets Available to Pay Bills	$36,042,816,000
Minus: Bills	$56,172,651,000
Money Needed to Pay Bills	-$20,129,835,000
Each Taxpayer's Share of This Debt	**-$8,500**

Washington has $86.5 billion in assets, but most of these assets are not available to pay state bills.

The $40.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $10.4 billion of the assets is restricted by law or contract.

That leaves $36 billion of state's assets available to pay $56.2 billion of bills as they come due.

The -$20.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Washington's Debt: -$8,500

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The Bills Washington Has Accumulated	
Bonds	$23,508,702,000
Other Liabilities	$37,020,593,000
Minus: Debt Related to Capital Assets	$19,204,009,000
Unfunded Pension Benefits	$7,807,287,000
Unfunded Retirees' Health Care Benefits	$7,040,078,000
Bills	**$56,172,651,000**

Despite the balanced budget requirement, the state has accumulated bonds of $23.5 billion and other liabilities of $37 billion. The calculation of assets available to pay bills does not include capital assets, so $19.2 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 26% of state bills. These unfunded liabilities have accumulated because state employees have been promised $7.8 billion of pension benefits and $7 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Washington's actuaries' schedules found retirement benefits totaling $14.85 billion have been promised, but not funded. A review of the state's balance sheet determined only $2.28 billion of these liabilities are reported. This means the state does not report $12.57 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Washington's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

30 | MAINE
RANKING

MAINE

2014 DATA

$8,800
TAXPAYER BURDEN

$3.9 Billion
RETIREMENT BENEFITS DUE

THE FINANCIAL STATE OF MAINE

The State's Bills Exceed Its Assets

Assets	$13,538,611,000
Minus: Capital Assets	$5,645,424,000
Restricted Assets	$2,297,761,000
Assets Available to Pay Bills	$5,595,426,000
Minus: Bills	$9,489,617,000
Money Needed to Pay Bills	-$3,894,191,000
Each Taxpayer's Share of This Debt	**-$8,800**

Maine has $13.5 billion in assets, but most of these assets are not available to pay state bills.

The $5.6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $2.3 billion of the assets is restricted by law or contract.

That leaves $5.6 billion of state's assets available to pay $9.5 billion of bills as they come due.

The -$3.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Maine's Debt:
-$8,800

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The Bills Maine Has Accumulated

Bonds	$6,083,356,000
Other Liabilities	$719,434,000
Minus: Debt Related to Capital Assets	$1,266,078,000
Unfunded Pension Benefits	$2,012,169,000
Unfunded Retirees' Health Care Benefits	$1,940,736,000
Bills	**$9,489,617,000**

Despite the balanced budget requirement, the state has accumulated bonds of $6.1 billion and other liabilities of $719.4 million. The calculation of assets available to pay bills does not include capital assets, so $1.3 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 42% of state bills. These unfunded liabilities have accumulated because state employees have been promised $2 billion of pension benefits and $1.9 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Maine's actuaries' schedules found retirement benefits totaling $4 billion have been promised, but not funded. A review of the state's balance sheet determined only $355.5 million of these liabilities are reported. This means the state does not report $3.6 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Maine's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

31
RANKING

MISSISSIPPI

MISSISSIPPI'S 2014 DEBT

THE FINANCIAL STATE OF MISSISSIPPI

The State's Bills Exceed Its Assets	
Assets	$29,347,881,000
Minus: Capital Assets	$18,816,586,000
Restricted Assets	$5,557,182,000
Assets Available to Pay Bills	$4,974,113,000
Minus: Bills	$11,614,499,000
Money Needed to Pay Bills	-$6,640,386,000
Each Taxpayer's Share of This Debt	**-$9,200**

Mississippi has $29.3 billion in assets, but most of these assets are not available to pay state bills.

The $18.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $5.6 billion of the assets is restricted by law or contract.

That leaves $5 billion of state's assets available to pay $11.6 billion of bills as they come due.

The -$6.6 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Mississippi's Debt:
-$9,200

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The Bills Mississippi Has Accumulated	
Bonds	$5,315,636,000
Other Liabilities	$4,023,701,000
Minus: Debt Related to Capital Assets	$2,494,987,000
Unfunded Pension Benefits	$4,007,791,000
Unfunded Retirees' Health Care Benefits	$762,358,000
Bills	**$11,614,499,000**

Despite the balanced budget requirement, the state has accumulated bonds of $5.3 billion and other liabilities of $4 billion. The calculation of assets available to pay bills does not include capital assets, so $2.5 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 41% of state bills. These unfunded liabilities have accumulated because state employees have been promised $4 billion of pension benefits and $762.4 million of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Mississippi's actuaries' schedules found retirement benefits totaling $4.8 billion have been promised, but not funded. A review of the state's balance sheet determined only $139.9 million of these liabilities are reported. This means the state does not report $4.6 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Mississippi's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

32
RANKING

NEW MEXICO

NEW MEXICO

$9,700
TAXPAYER BURDEN

$5.5 Billion
NEEDED TO PAY BILLS

THE FINANCIAL STATE OF NEW MEXICO

The State's Bills Exceed Its Assets	
Assets	$28,016,345,000
Minus: Capital Assets	$10,483,549,000
Restricted Assets	$10,554,597,000
Assets Available to Pay Bills	$6,978,199,000
Minus: Bills	$12,463,894,000
Money Needed to Pay Bills	-$5,485,695,000
Each Taxpayer's Share of This Debt	**-$9,700**

New Mexico has $28 billion in assets, but most of these assets are not available to pay state bills.

The $10.5 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $10.6 billion of the assets is restricted by law or contract.

That leaves $7 billion of state's assets available to pay $12.5 billion of bills as they come due.

The -$5.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of New Mexico's Debt: -$9,700

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The Bills New Mexico Has Accumulated	
Bonds	$5,690,304,000
Other Liabilities	$3,012,734,000
Minus: Debt Related to Capital Assets	$3,753,324,000
Unfunded Pension Benefits	$5,260,781,000
Unfunded Retirees' Health Care Benefits	$2,253,399,000
Bills	**$12,463,894,000**

Despite the balanced budget requirement, the state has accumulated bonds of $5.7 billion and other liabilities of $3 billion. The calculation of assets available to pay bills does not include capital assets, so $3.8 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 60% of state bills. These unfunded liabilities have accumulated because state employees have been promised $5.3 billion of pension benefits and $2.3 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of New Mexico's actuaries' schedules found retirement benefits totaling $7.51 billion have been promised, but not funded. A review of the state's balance sheet determined only $58.57 million of these liabilities are reported. This means the state does not report the vast majority of retirement liabilities on its balance sheet.

Data is derived from the state of New Mexico's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

33 RANKING | SOUTH CAROLINA

THE FINANCIAL STATE OF SOUTH CAROLINA

The State's Bills Exceed Its Assets	
Assets	$49,277,583,000
Minus: Capital Assets	$27,767,214,000
Restricted Assets	$8,832,560,000
Assets Available to Pay Bills	$12,677,809,000
Minus: Bills	$25,643,341,000
Money Needed to Pay Bills	-$12,965,532,000
Each Taxpayer's Share of This Debt	**-$9,700**

South Carolina has $49.3 billion in assets, but most of these assets are not available to pay state bills.

The $27.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $8.8 billion of the assets is restricted by law or contract.

That leaves $12.7 billion of state's assets available to pay $25.6 billion of bills as they come due.

The -$13 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of South Carolina's Debt:
-$9,700

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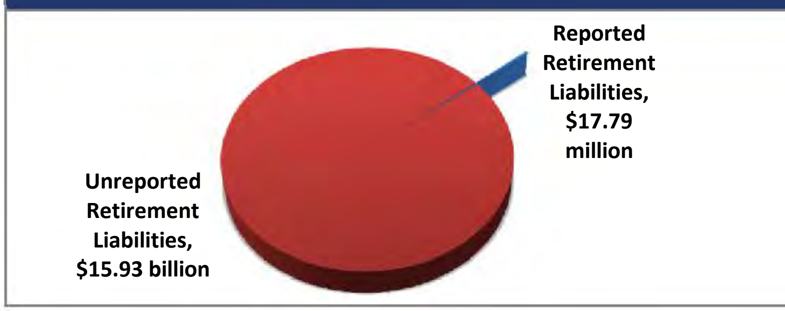
The Bills South Carolina Has Accumulated	
Bonds	$11,911,195,000
Other Liabilities	$8,772,503,000
Minus: Debt Related to Capital Assets	$10,987,129,000
Unfunded Pension Benefits	$6,510,228,000
Unfunded Retirees' Health Care Benefits	$9,436,544,000
Bills	**$25,643,341,000**

Despite the balanced budget requirement, the state has accumulated bonds of $11.9 billion and other liabilities of $8.8 billion. The calculation of assets available to pay bills does not include capital assets, so $11 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 62% of state bills. These unfunded liabilities have accumulated because state employees have been promised $6.5 billion of pension benefits and $9.4 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of South Carolina's actuaries' schedules found retirement benefits totaling $15.95 billion have been promised, but not funded. A review of the state's balance sheet determined only $17.79 million of these liabilities are reported. This means the state does not report the vast majority of retirement liabilities on its balance sheet.

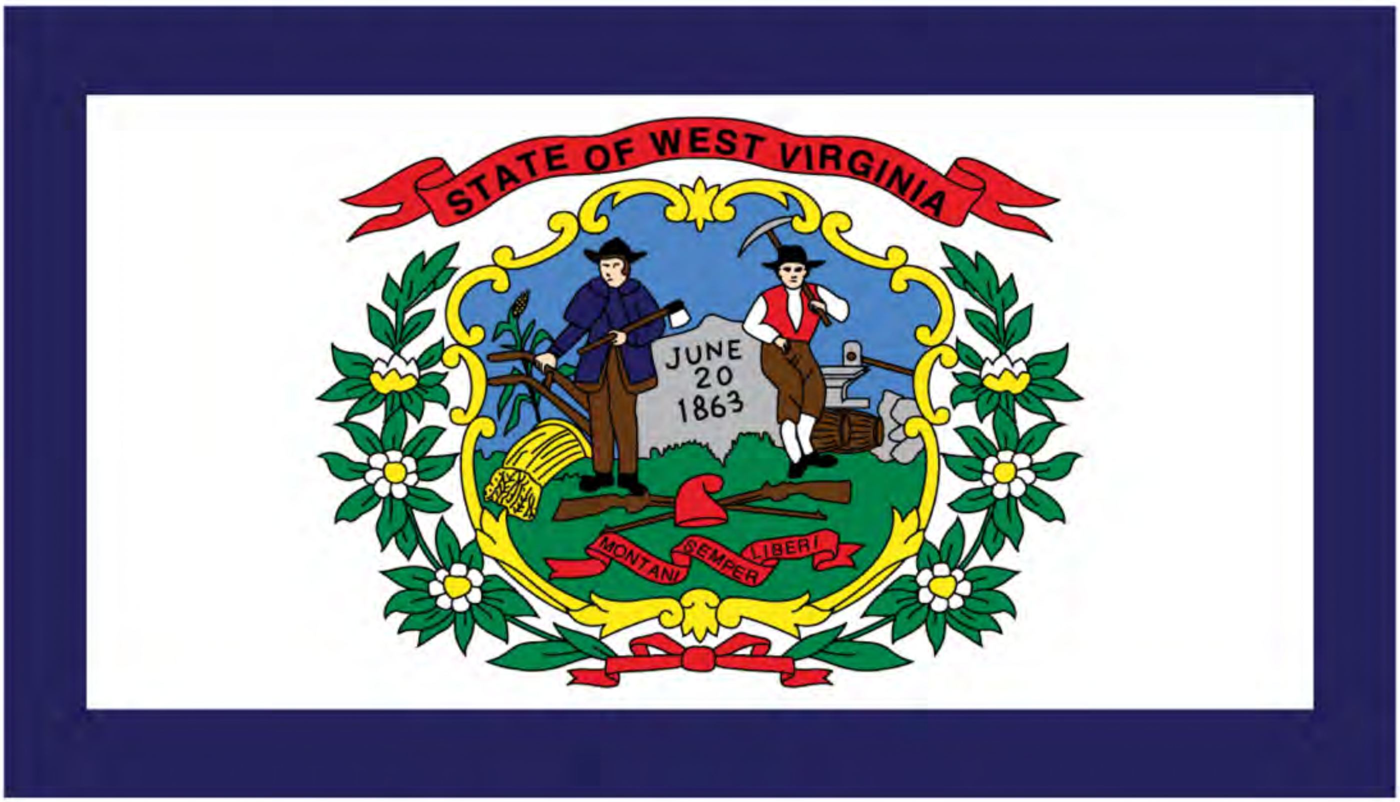
Data is derived from the state of South Carolina's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

34
RANKING

WEST VIRGINIA

WEST VIRGINIA



Bills EXCEED Assets

$15.5 billion in bills > $8.6 billion in assets

Taxpayer Burden

$13,000

THE FINANCIAL STATE OF WEST VIRGINIA

The State's Bills Exceed Its Assets

Assets	$24,773,118,000
Minus: Capital Assets	$12,899,009,000
Restricted Assets	$3,287,065,000
Assets Available to Pay Bills	$8,587,044,000
Minus: Bills	$15,481,752,000
Money Needed to Pay Bills	-$6,894,708,000
Each Taxpayer's Share of This Debt	**-$13,000**

West Virginia has $24.8 billion in assets, but most of these assets are not available to pay state bills.

The $12.9 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3.3 billion of the assets is restricted by law or contract.

That leaves $8.6 billion of state's assets available to pay $15.5 billion of bills as they come due.

The -$6.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of West Virginia's Debt:
-$13,000

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The Bills West Virginia Has Accumulated

Bonds	$4,527,830,000
Other Liabilities	$6,790,561,000
Minus: Debt Related to Capital Assets	$1,877,332,000
Unfunded Pension Benefits	$3,714,373,000
Unfunded Retirees' Health Care Benefits	$2,326,320,000
Bills	**$15,481,752,000**

Despite the balanced budget requirement, the state has accumulated bonds of $4.5 billion and other liabilities of $6.8 billion. The calculation of assets available to pay bills does not include capital assets, so $1.9 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 39% of state bills. These unfunded liabilities have accumulated because state employees have been promised $3.7 billion of pension benefits and $2.3 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Confusing Accounting Rules Result in Overstated Assets and Understated Liabilities

Of the state's $3.7 billion unfunded pension liability, only $114.5 million is disclosed on the balance sheet. Furthermore, the state reports a *net pension asset* of $898.8 million.

In addition to the hidden pension liabilities, the state also failed to report the $2.3 billion of retirees' health care benefits that it owes. Because the state uses confusing, outdated accounting methods, a pension asset is reported on its financial statement while a vast majority of retirement liabilities are excluded.

Data is derived from the state of West Virginia's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

35 RANKING | MARYLAND

MARYLAND

$16 BILLION
AVAILABLE ASSETS

$44 BILLION
IN STATE BILLS

THE FINANCIAL STATE OF MARYLAND

The State's Bills Exceed Its Assets

Assets	$52,377,027,000
Minus: Capital Assets	$32,596,803,000
Restricted Assets	$3,696,771,000
Assets Available to Pay Bills	$16,083,453,000
Minus: Bills	$43,756,067,000
Money Needed to Pay Bills	-$27,672,614,000
Each Taxpayer's Share of This Debt	**-$13,200**

Maryland has $52.4 billion in assets, but most of these assets are not available to pay state bills.

The $32.6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3.7 billion of the assets is restricted by law or contract.

That leaves $16.1 billion of state's assets available to pay $43.8 billion of bills as they come due.

The -$27.7 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Maryland's Debt:
-$13,200

The Bills Maryland Has Accumulated

Bonds	$18,634,945,000
Other Liabilities	$8,329,166,000
Minus: Debt Related to Capital Assets	$10,969,832,000
Unfunded Pension Benefits	$18,376,779,000
Unfunded Retirees' Health Care Benefits	$9,385,009,000
Bills	**$43,756,067,000**

Despite the balanced budget requirement, the state has accumulated bonds of $18.6 billion and other liabilities of $8.3 billion. The calculation of assets available to pay bills does not include capital assets, so $11 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 63% of state bills. These unfunded liabilities have accumulated because state employees have been promised $18.4 billion of pension benefits and $9.4 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Maryland's actuaries' schedules found retirement benefits totaling $27.76 billion have been promised, but not funded. A review of the state's balance sheet determined only $7.74 billion of these liabilities are reported. This means the state does not report $20.02 billion of retirement liabilities on its balance sheet.

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36 | ALABAMA

RANKING

ALABAMA

$13,400
TAXPAYER BURDEN

$16 Billion
HIDDEN DEBT

$17.1 Billion
MONEY NEEDED TO PAY BILLS

THE FINANCIAL STATE OF ALABAMA

The State's Bills Exceed Its Assets	
Assets	$49,954,917,000
Minus: Capital Assets	$29,360,915,000
Restricted Assets	$10,758,228,000
Assets Available to Pay Bills	$9,835,774,000
Minus: Bills	$26,919,517,000
Money Needed to Pay Bills	-$17,083,743,000
Each Taxpayer's Share of This Debt	**-$13,400**

Alabama has $50 billion in assets, but most of these assets are not available to pay state bills.

The $29.4 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $10.8 billion of the assets is restricted by law or contract.

That leaves $9.8 billion of state's assets available to pay $26.9 billion of bills as they come due.

The -$17.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Alabama's Debt:
-$13,400

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The Bills Alabama Has Accumulated	
Bonds	$9,133,777,000
Other Liabilities	$5,138,579,000
Minus: Debt Related to Capital Assets	$4,776,657,000
Unfunded Pension Benefits	$6,111,044,000
Unfunded Retirees' Health Care Benefits	$11,312,774,000
Bills	**$26,919,517,000**

Despite the balanced budget requirement, the state has accumulated bonds of $9.1 billion and other liabilities of $5.1 billion. The calculation of assets available to pay bills does not include capital assets, so $4.8 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 65% of state bills. These unfunded liabilities have accumulated because state employees have been promised $6.1 billion of pension benefits and $11.3 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Alabama's actuaries' schedules found retirement benefits totaling $17.4 billion have been promised, but not funded. A review of the state's balance sheet determined only $1 billion of these liabilities are reported. This means the state does not report $16.4 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Alabama's September 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

RHODE ISLAND

$5 Billion
NEEDED TO PAY FUTURE BILLS

$4 Billion
HIDDEN DEBT

$13,500
TAXPAYER BURDEN

Truth in Accounting

THE FINANCIAL STATE OF RHODE ISLAND

The State's Bills Exceed Its Assets	
Assets	$10,808,210,000
Minus: Capital Assets	$5,737,805,000
Restricted Assets	$1,339,588,000
Assets Available to Pay Bills	$3,730,817,000
Minus: Bills	$8,606,518,000
Money Needed to Pay Bills	-$4,875,701,000
Each Taxpayer's Share of This Debt	**-$13,500**

Rhode Island has $10.8 billion in assets, but most of these assets are not available to pay state bills.

The $5.7 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $1.3 billion of the assets is restricted by law or contract.

That leaves $3.7 billion of state's assets available to pay $8.6 billion of bills as they come due.

The -$4.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Rhode Island's Debt: -$13,500

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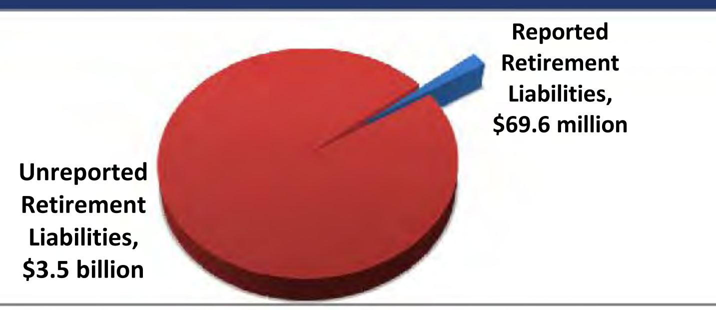
The Bills Rhode Island Has Accumulated	
Bonds	$4,717,400,000
Other Liabilities	$2,176,121,000
Minus: Debt Related to Capital Assets	$1,885,851,000
Unfunded Pension Benefits	$2,802,726,000
Unfunded Retirees' Health Care Benefits	$796,122,000
Bills	**$8,606,518,000**

Despite the balanced budget requirement, the state has accumulated bonds of $4.7 billion and other liabilities of $2.2 billion. The calculation of assets available to pay bills does not include capital assets, so $1.9 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 42% of state bills. These unfunded liabilities have accumulated because state employees have been promised $2.8 billion of pension benefits and $796.1 million of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of Rhode Island's actuaries' schedules found retirement benefits totaling $3.6 billion have been promised, but not funded. A review of the state's balance sheet determined only $69.6 million of these liabilities are reported. This means the state does not report $3.5 billion of retirement liabilities on its balance sheet.

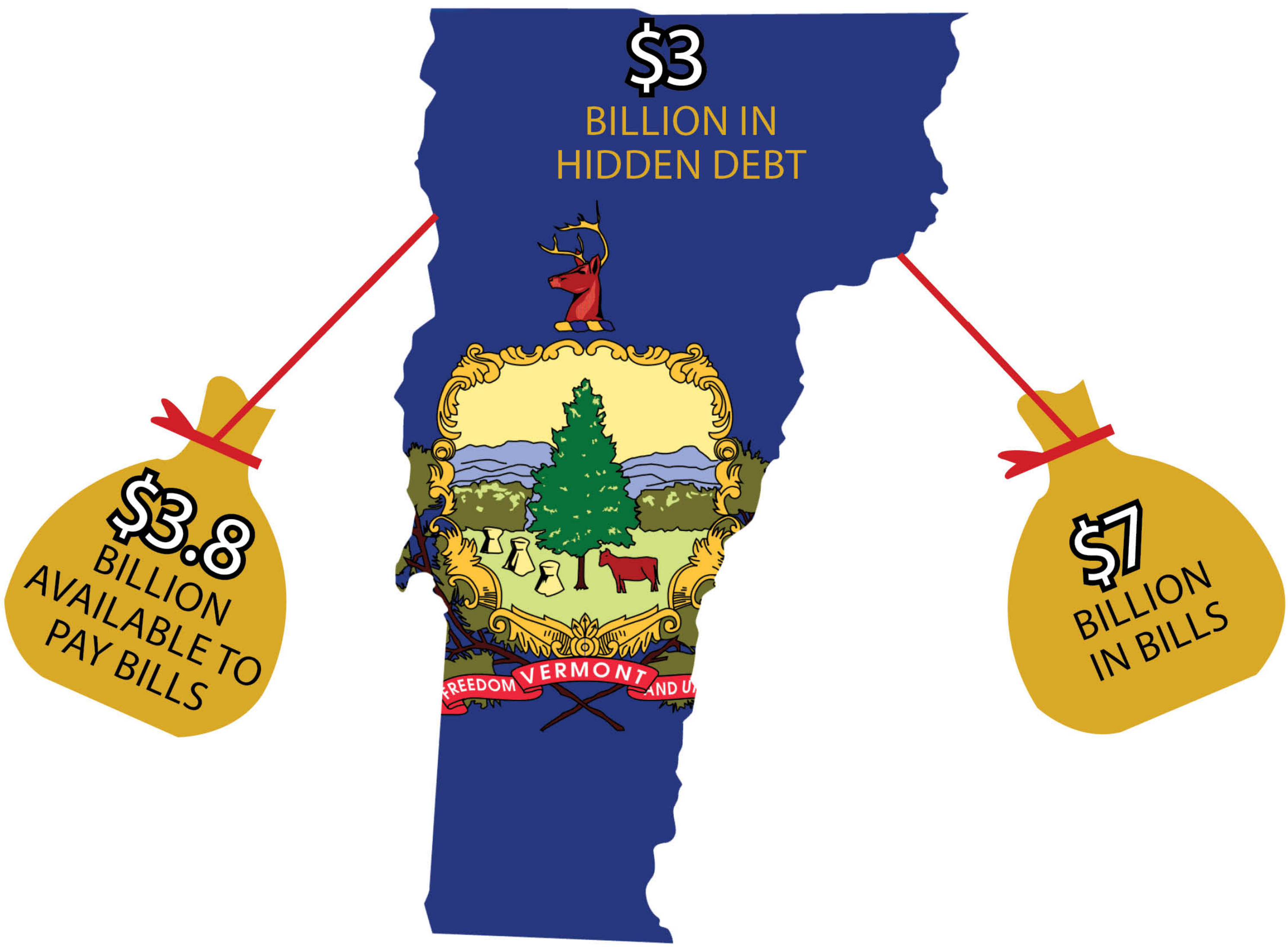
Data is derived from the state of Rhode Island's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

38
RANKING

VERMONT

VERMONT



THE FINANCIAL STATE OF VERMONT

The State's Bills Exceed Its Assets	
Assets	$8,399,487,000
Minus: Capital Assets	$3,048,595,000
Restricted Assets	$1,539,876,000
Assets Available to Pay Bills	$3,811,016,000
Minus: Bills	$7,047,165,000
Money Needed to Pay Bills	-$3,236,149,000
Each Taxpayer's Share of This Debt	**-$14,300**

Vermont has $8.4 billion in assets, but most of these assets are not available to pay state bills.

The $3 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $1.5 billion of the assets is restricted by law or contract.

That leaves $3.8 billion of state's assets available to pay $7 billion of bills as they come due.

The -$3.2 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Vermont's Debt:
-$14,300

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The Bills Vermont Has Accumulated	
Bonds	$3,363,351,000
Other Liabilities	$964,232,000
Minus: Debt Related to Capital Assets	$873,469,000
Unfunded Pension Benefits	$1,310,079,000
Unfunded Retirees' Health Care Benefits	$2,282,972,000
Bills	**$7,047,165,000**

Despite the balanced budget requirement, the state has accumulated bonds of $3.4 billion and other liabilities of $964.2 million. The calculation of assets available to pay bills does not include capital assets, so $873.5 million of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 51% of state bills. These unfunded liabilities have accumulated because state employees have been promised $1.3 billion of pension benefits and $2.3 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

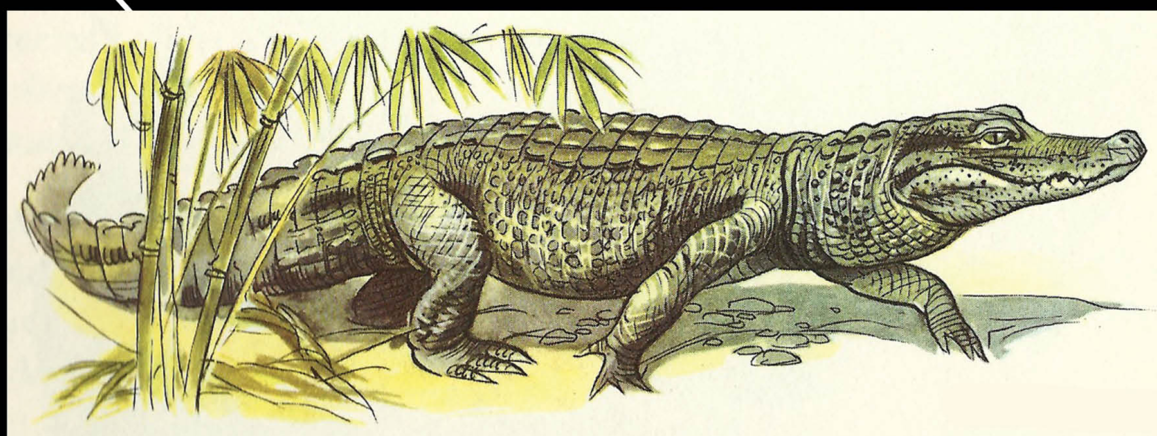
A detailed study of Vermont's actuaries' schedules found retirement benefits totaling $3.6 billion have been promised, but not funded. A review of the state's balance sheet determined only $1 billion of these liabilities are reported. This means the state does not report $2.6 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Vermont's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

39 LOUISIANA
RANKING

$15,200
Each Taxpayer's Share of the State's Debt



LOUISIANA

$9 Billion
Unfunded Retiree's Healthcare Benefits

ONLY has $12 billion of the state's assets to pay $31 billion of bills

THE FINANCIAL STATE OF LOUISIANA

The State's Bills Exceed Its Assets	
Assets	$41,037,802,000
Minus: Capital Assets	$21,275,770,000
Restricted Assets	$8,137,754,000
Assets Available to Pay Bills	$11,624,278,000
Minus: Bills	$31,152,382,000
Money Needed to Pay Bills	-$19,528,104,000
Each Taxpayer's Share of This Debt	**-$15,200**

Louisiana has $41 billion in assets, but most of these assets are not available to pay state bills.

The $21.3 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $8.1 billion of the assets is restricted by law or contract.

That leaves $11.6 billion of state's assets available to pay $31.2 billion of bills as they come due.

The -$19.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Louisiana's Debt:
-$15,200

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www.StateDataLab.org

The Bills Louisiana Has Accumulated	
Bonds	$11,967,727,000
Other Liabilities	$8,302,078,000
Minus: Debt Related to Capital Assets	$5,745,677,000
Unfunded Pension Benefits	$7,798,768,000
Unfunded Retirees' Health Care Benefits	$8,829,486,000
Bills	**$31,152,382,000**

Despite the balanced budget requirement, the state has accumulated bonds of $12 billion and other liabilities of $8.3 billion. The calculation of assets available to pay bills does not include capital assets, so $5.7 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 53% of state bills. These unfunded liabilities have accumulated because state employees have been promised $7.8 billion of pension benefits and $8.8 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Louisiana's actuaries' schedules found retirement benefits totaling $16.6 billion have been promised, but not funded. A review of the state's balance sheet determined only $4.4 billion of these liabilities are reported. This means the state does not report $12.2 billion of retirement liabilities on its balance sheet.

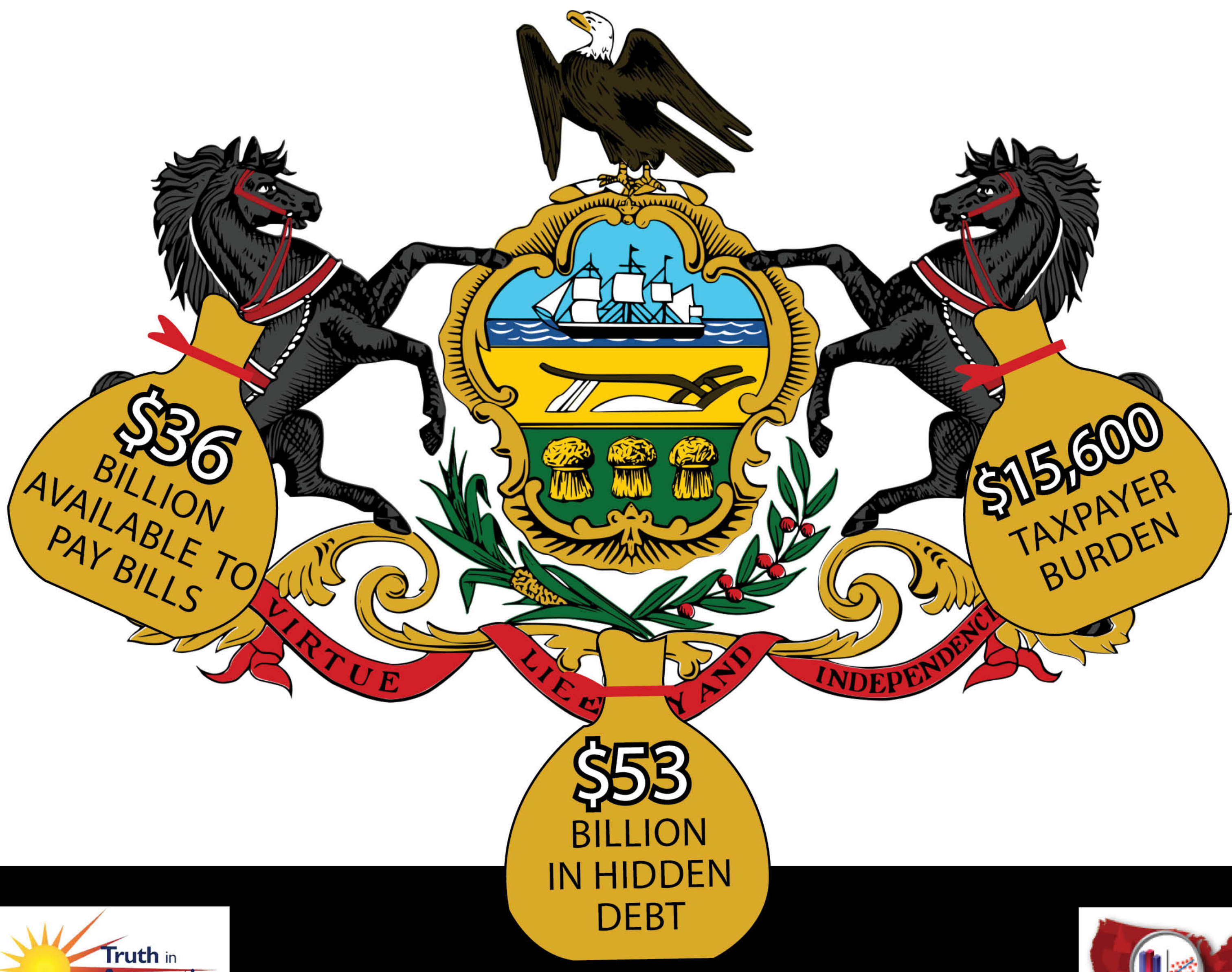
Data is derived from the state of Louisiana's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

40
RANKING

PENNSYLVANIA

Pennsylvania



 |

THE FINANCIAL STATE OF PENNSYLVANIA

The State's Bills Exceed Its Assets	
Assets	$89,564,723,000
Minus: Capital Assets	$42,844,555,000
Restricted Assets	$8,988,094,000
Assets Available to Pay Bills	$37,732,074,000
Minus: Bills	$103,941,485,000
Money Needed to Pay Bills	-$66,209,411,000
Each Taxpayer's Share of This Debt	**-$15,600**

Pennsylvania has $89.6 billion in assets, but most of these assets are not available to pay state bills.

The $42.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $9 billion of the assets is restricted by law or contract.

That leaves $37.7 billion of state's assets available to pay $103.9 billion of bills as they come due.

The -$66.2 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Pennsylvania's Debt: -$15,600

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www.StateDataLab.org

The Bills Pennsylvania Has Accumulated	
Bonds	$34,247,283,000
Other Liabilities	$25,470,342,000
Minus: Debt Related to Capital Assets	$12,204,351,000
Unfunded Pension Benefits	$36,643,034,000
Unfunded Retirees' Health Care Benefits	$19,785,177,000
Bills	**$103,941,485,000**

Despite the balanced budget requirement, the state has accumulated bonds of $34.2 billion and other liabilities of $25.5 billion. The calculation of assets available to pay bills does not include capital assets, so $12.2 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 54% of state bills. These unfunded liabilities have accumulated because state employees have been promised $36.6 billion of pension benefits and $19.8 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

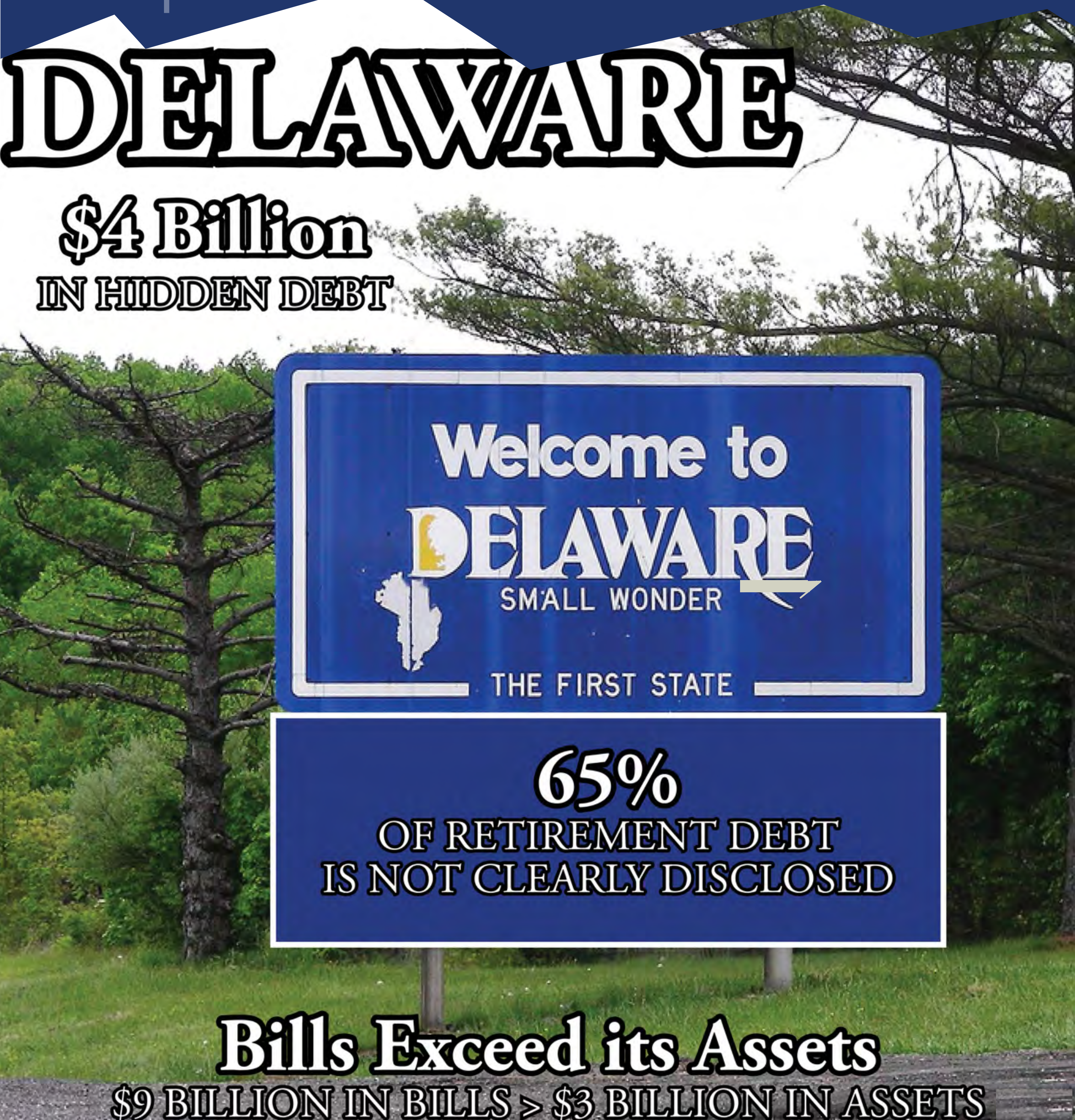
Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Pennsylvania's actuaries' schedules found retirement benefits totaling $56.4 billion have been promised, but not funded. A review of the state's balance sheet determined only $3.7 billion of these liabilities are reported. This means the state does not report $52.7 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Pennsylvania's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

41 | DELAWARE
RANKING



DELAWARE

$4 Billion
IN HIDDEN DEBT

65%
OF RETIREMENT DEBT
IS NOT CLEARLY DISCLOSED

Bills Exceed its Assets
$9 BILLION IN BILLS > $3 BILLION IN ASSETS

THE FINANCIAL STATE OF DELAWARE

The State's Bills Exceed Its Assets

Assets	$13,265,934,000
Minus: Capital Assets	$8,853,351,000
Restricted Assets	$1,317,112,000
Assets Available to Pay Bills	$3,095,471,000
Minus: Bills	$8,521,004,000
Money Needed to Pay Bills	-$5,425,533,000
Each Taxpayer's Share of This Debt	**-$17,400**

Delaware has $13.3 billion in assets, but most of these assets are not available to pay state bills.

The $8.9 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $1.3 billion of the assets is restricted by law or contract.

That leaves $3.1 billion of state's assets available to pay $8.5 billion of bills as they come due.

The -$5.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Delaware's Debt: -$17,400

Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

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The Bills Delaware Has Accumulated

Bonds	$3,651,966,000
Other Liabilities	$1,485,763,000
Minus: Debt Related to Capital Assets	$3,178,835,000
Unfunded Pension Benefits	$769,364,000
Unfunded Retirees' Health Care Benefits	$5,792,746,000
Bills	**$8,521,004,000**

Despite the balanced budget requirement, the state has accumulated bonds of $3.7 billion and other liabilities of $1.5 billion. The calculation of assets available to pay bills does not include capital assets, so $3.2 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 77% of state bills. These unfunded liabilities have accumulated because state employees have been promised $769.4 million of pension benefits and $5.8 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Delaware's actuaries' schedules found retirement benefits totaling $6.6 billion have been promised, but not funded. A review of the state's balance sheet determined only $2.3 billion of these liabilities are reported. This means the state does not report $4.3 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Delaware's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

42 MICHIGAN

RANKING

$23 Billion
Unfunded Retiree's Healthcare Benefits

$28 Billion
Unfunded Pension Benefits Due

ONLY has **$23 billion** of state assets **to pay $78 billion** of **bills** as they become due

$47 Billion
in Hidden Debt

$18,100
Taxpayer Burden

THE FINANCIAL STATE OF MICHIGAN

The State's Bills Exceed Its Assets	
Assets	$61,907,350,000
Minus: Capital Assets	$26,659,647,000
Restricted Assets	$11,788,990,000
Assets Available to Pay Bills	$23,458,713,000
Minus: Bills	$78,497,974,000
Money Needed to Pay Bills	-$55,039,261,000
Each Taxpayer's Share of This Debt	**-$18,100**

Michigan has $61.9 billion in assets, but most of these assets are not available to pay state bills.

The $26.7 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $11.8 billion of the assets is restricted by law or contract.

That leaves $23.5 billion of state's assets available to pay $78.5 billion of bills as they come due.

The -$55 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Michigan's Debt:
-$18,100

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The Bills Michigan Has Accumulated	
Bonds	$20,818,500,000
Other Liabilities	$10,604,294,000
Minus: Debt Related to Capital Assets	$4,015,443,000
Unfunded Pension Benefits	$28,226,369,000
Unfunded Retirees' Health Care Benefits	$22,864,254,000
Bills	**$78,497,974,000**

Despite the balanced budget requirement, the state has accumulated bonds of $20.8 billion and other liabilities of $10.6 billion. The calculation of assets available to pay bills does not include capital assets, so $4 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 65% of state bills. These unfunded liabilities have accumulated because state employees have been promised $28.2 billion of pension benefits and $22.9 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

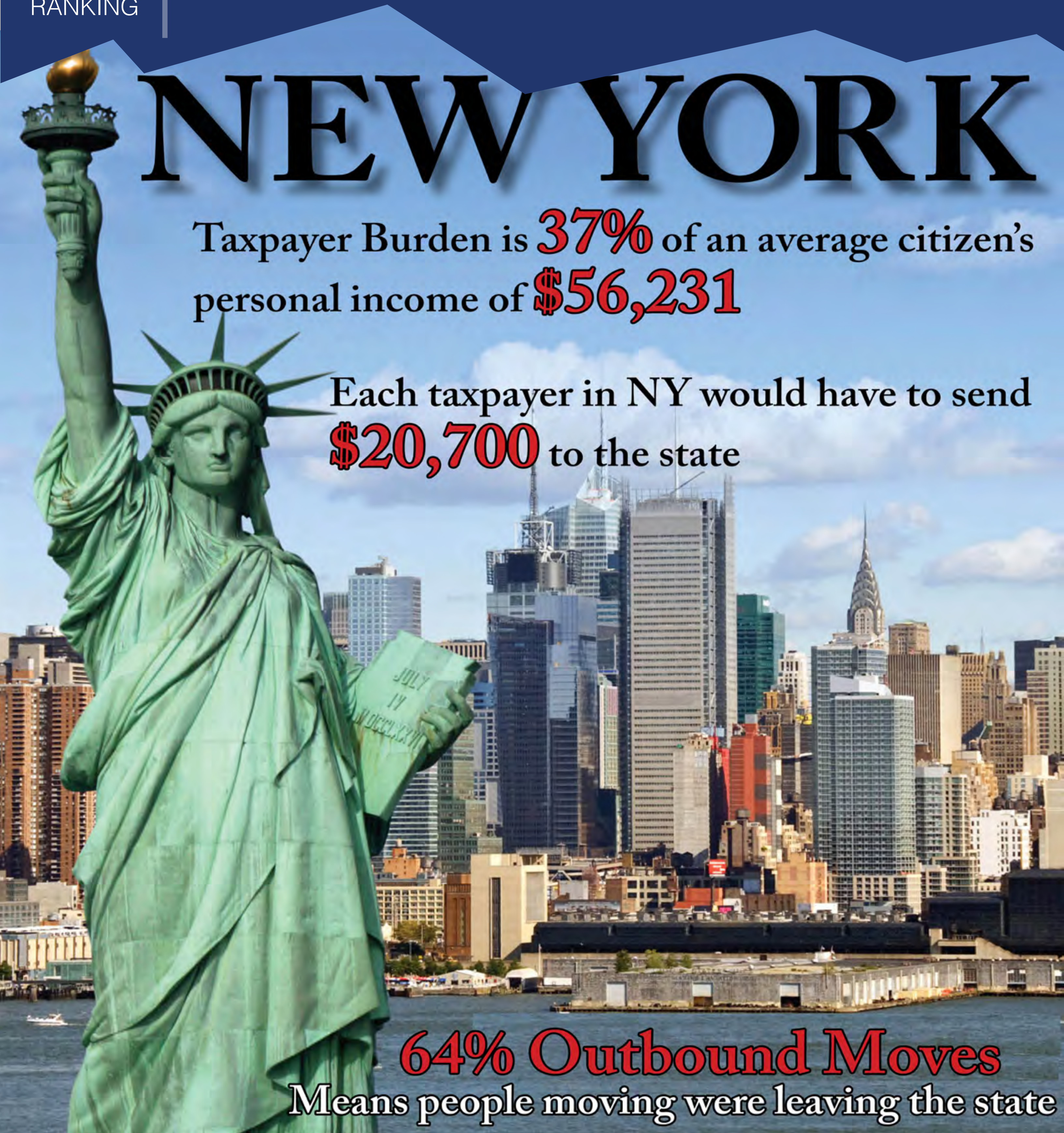
A detailed study of Michigan's actuaries' schedules found retirement benefits totaling $51.1 billion have been promised, but not funded. A review of the state's balance sheet determined only $3.6 billion of these liabilities are reported. This means the state does not report $47.5 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Michigan's September 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

43
RANKING

NEW YORK



THE FINANCIAL STATE OF NEW YORK

The State's Bills Exceed Its Assets	
Assets	$322,744,282,000
Minus: Capital Assets	$178,452,000,000
Restricted Assets	$20,599,000,000
Assets Available to Pay Bills	$123,693,282,000
Minus: Bills	$254,684,251,000
Money Needed to Pay Bills	-$130,990,969,000
Each Taxpayer's Share of This Debt	**-$20,700**

New York has $322.7 billion in assets, but most of these assets are not available to pay state bills.

The $178.5 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $20.6 billion of the assets is restricted by law or contract.

That leaves $123.7 billion of state's assets available to pay $254.7 billion of bills as they come due.

The -$131 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of New York's Debt: -$20,700

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The Bills New York Has Accumulated	
Bonds	$88,351,000,000
Other Liabilities	$138,051,000,000
Minus: Debt Related to Capital Assets	$80,024,000,000
Unfunded Pension Benefits	$15,479,522,000
Unfunded Retirees' Health Care Benefits	$92,826,729,000
Bills	**$254,684,251,000**

Despite the balanced budget requirement, the state has accumulated bonds of $88.4 billion and other liabilities of $138.1 billion. The calculation of assets available to pay bills does not include capital assets, so $80 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 43% of state bills. These unfunded liabilities have accumulated because state employees have been promised $15.5 billion of pension benefits and $92.8 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of New York's actuaries' schedules found retirement benefits totaling $108.3 billion have been promised, but not funded. A review of the state's balance sheet determined only $30.9 billion of these liabilities are reported. This means the state does not report $77.4 billion of retirement liabilities on its balance sheet.

Data is derived from the state of New York's March 31, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

44 | CALIFORNIA

RANKING

$20,900
Each Taxpayer's Share of the State's Debt

Only has **$94 billion** of the state's assets to pay **$328 billion** of bills

$111 Billion
Hidden Retirement Obligations

THE FINANCIAL STATE OF CALIFORNIA

The State's Bills Exceed Its Assets	
Assets	$296,289,270,000
Minus: Capital Assets	$153,957,038,000
Restricted Assets	$48,560,721,000
Assets Available to Pay Bills	$93,771,511,000
Minus: Bills	$328,316,981,000
Money Needed to Pay Bills	-$234,545,470,000
Each Taxpayer's Share of This Debt	**-$20,900**

California has $296.3 billion in assets, but most of these assets are not available to pay state bills.

The $154 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $48.6 billion of the assets is restricted by law or contract.

That leaves $93.8 billion of state's assets available to pay $328.3 billion of bills as they come due.

The -$234.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of California's Debt: -$20,900

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The Bills California Has Accumulated	
Bonds	$129,432,890,000
Other Liabilities	$94,000,466,000
Minus: Debt Related to Capital Assets	$45,206,866,000
Unfunded Pension Benefits	$63,245,544,000
Unfunded Retirees' Health Care Benefits	$86,844,947,000
Bills	**$328,316,981,000**

Despite the balanced budget requirement, the state has accumulated bonds of $129.4 billion and other liabilities of $94 billion. The calculation of assets available to pay bills does not include capital assets, so $45.2 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 46% of state bills. These unfunded liabilities have accumulated because state employees have been promised $63.2 billion of pension benefits and $86.8 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

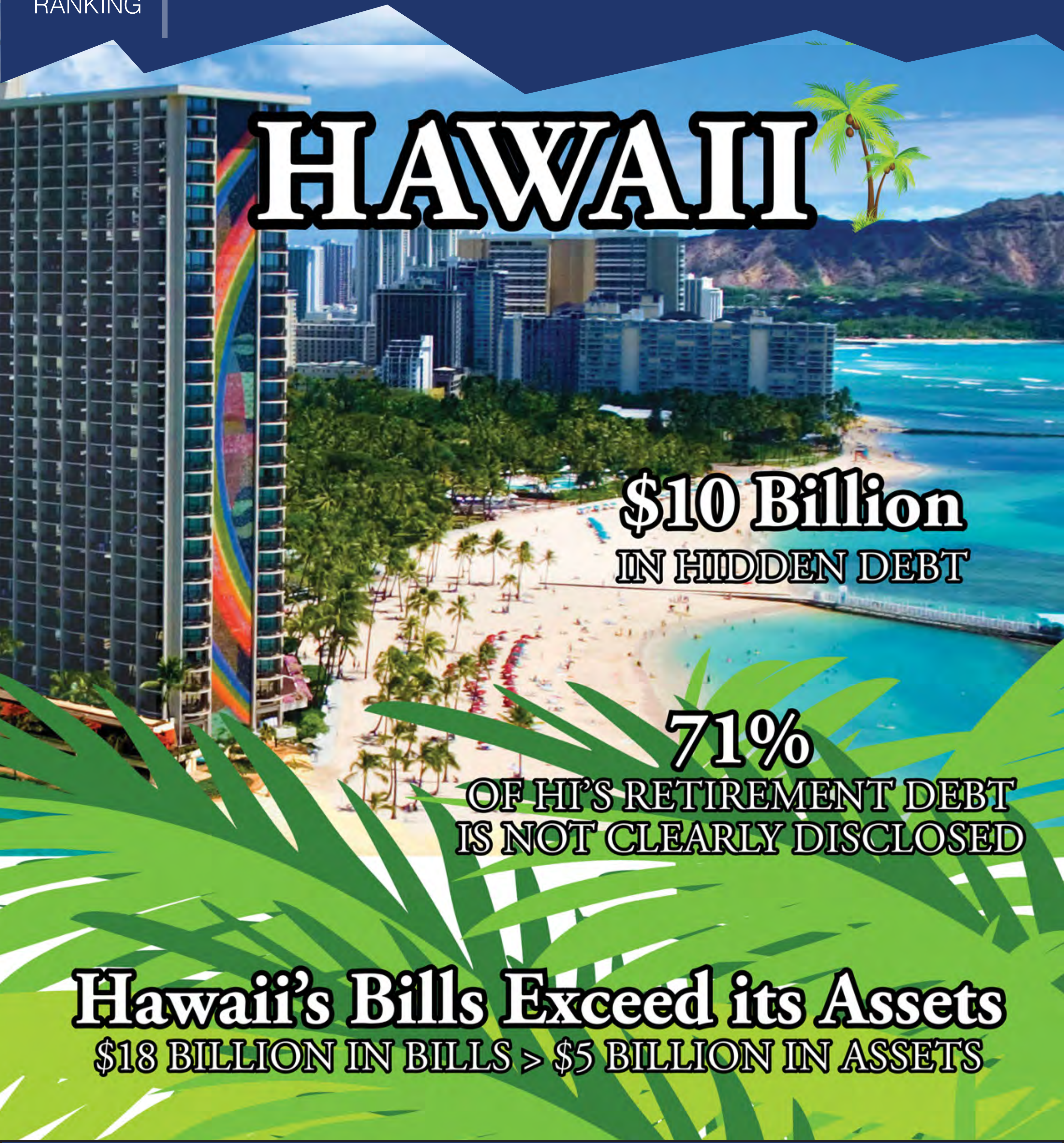
A detailed study of California's actuaries' schedules found retirement benefits totaling $150.1 billion have been promised, but not funded. A review of the state's balance sheet determined only $38.8 billion of these liabilities are reported. This means the state does not report $111.3 billion of retirement liabilities on its balance sheet.

Data is derived from the state of California's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

45 HAWAII

RANKING



THE FINANCIAL STATE OF HAWAII

The State's Bills Exceed Its Assets	
Assets	$23,528,535,000
Minus: Capital Assets	$14,850,129,000
Restricted Assets	$3,283,277,000
Assets Available to Pay Bills	$5,395,129,000
Minus: Bills	$17,844,203,000
Money Needed to Pay Bills	-$12,449,074,000
Each Taxpayer's Share of This Debt	**-$26,500**

Hawaii has $23.5 billion in assets, but most of these assets are not available to pay state bills.

The $14.9 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3.3 billion of the assets is restricted by law or contract.

That leaves $5.4 billion of state's assets available to pay $17.8 billion of bills as they come due.

The -$12.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Hawaii's Debt:
-$26,500

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The Bills Hawaii Has Accumulated	
Bonds	$8,949,804,000
Other Liabilities	$2,294,291,000
Minus: Debt Related to Capital Assets	$8,105,768,000
Unfunded Pension Benefits	$6,176,376,000
Unfunded Retirees' Health Care Benefits	$8,529,500,000
Bills	**$17,844,203,000**

Despite the balanced budget requirement, the state has accumulated bonds of $8.9 billion and other liabilities of $2.3 billion. The calculation of assets available to pay bills does not include capital assets, so $8.1 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 82% of state bills. These unfunded liabilities have accumulated because state employees have been promised $6.2 billion of pension benefits and $8.5 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Hawaii's actuaries' schedules found retirement benefits totaling $14.7 billion have been promised, but not funded. A review of the state's balance sheet determined only $4.3 billion of these liabilities are reported. This means the state does not report $10.4 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Hawaii's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

46 | MASSACHUSETTS
RANKING

$67 Billion
FINANCIAL HOLE

THE FINANCIAL STATE OF MASSACHUSETTS

The State's Bills Exceed Its Assets	
Assets	$70,770,219,000
Minus: Capital Assets	$43,825,420,000
Restricted Assets	$6,713,768,000
Assets Available to Pay Bills	$20,231,031,000
Minus: Bills	$87,384,606,000
Money Needed to Pay Bills	-$67,153,575,000
Each Taxpayer's Share of This Debt	**-$27,400**

Massachusetts has $70.8 billion in assets, but most of these assets are not available to pay state bills.

The $43.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $6.7 billion of the assets is restricted by law or contract.

That leaves $20.2 billion of state's assets available to pay $87.4 billion of bills as they come due.

The -$67.2 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Massachusetts' Debt: -$27,400

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The Bills Massachusetts Has Accumulated	
Bonds	$42,738,697,000
Other Liabilities	$15,221,712,000
Minus: Debt Related to Capital Assets	$15,427,312,000
Unfunded Pension Benefits	$27,817,571,000
Unfunded Retirees' Health Care Benefits	$17,033,938,000
Bills	**$87,384,606,000**

Despite the balanced budget requirement, the state has accumulated bonds of $42.7 billion and other liabilities of $15.2 billion. The calculation of assets available to pay bills does not include capital assets, so $15.4 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 51% of state bills. These unfunded liabilities have accumulated because state employees have been promised $27.8 billion of pension benefits and $17 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Massachusetts' actuaries' schedules found retirement benefits totaling $44.9 billion have been promised, but not funded. A review of the state's balance sheet determined only $8.1 billion of these liabilities are reported. This means the state does not report $36.8 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Massachusetts' June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

47 | KENTUCKY

RANKING

KENTUCKY

$53 BILLION IN STATE BILLS

THE FINANCIAL STATE OF KENTUCKY

The State's Bills Exceed Its Assets	
Assets	$47,978,471,000
Minus: Capital Assets	$29,752,983,000
Restricted Assets	$5,139,701,000
Assets Available to Pay Bills	$13,085,787,000
Minus: Bills	$53,157,206,000
Money Needed to Pay Bills	-$40,071,419,000
Each Taxpayer's Share of This Debt	**-$32,600**

Kentucky has $48 billion in assets, but most of these assets are not available to pay state bills.

The $29.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $5.1 billion of the assets is restricted by law or contract.

That leaves $13.1 billion of state's assets available to pay $53.2 billion of bills as they come due.

The -$40.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Kentucky's Debt:
-$32,600

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The Bills Kentucky Has Accumulated	
Bonds	$10,551,977,000
Other Liabilities	$10,670,123,000
Minus: Debt Related to Capital Assets	$4,073,596,000
Unfunded Pension Benefits	$31,397,328,000
Unfunded Retirees' Health Care Benefits	$4,611,374,000
Bills	**$53,157,206,000**

Despite the balanced budget requirement, the state has accumulated bonds of $10.6 billion and other liabilities of $10.7 billion. The calculation of assets available to pay bills does not include capital assets, so $4.1 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 68% of state bills. These unfunded liabilities have accumulated because state employees have been promised $31.4 billion of pension benefits and $4.6 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

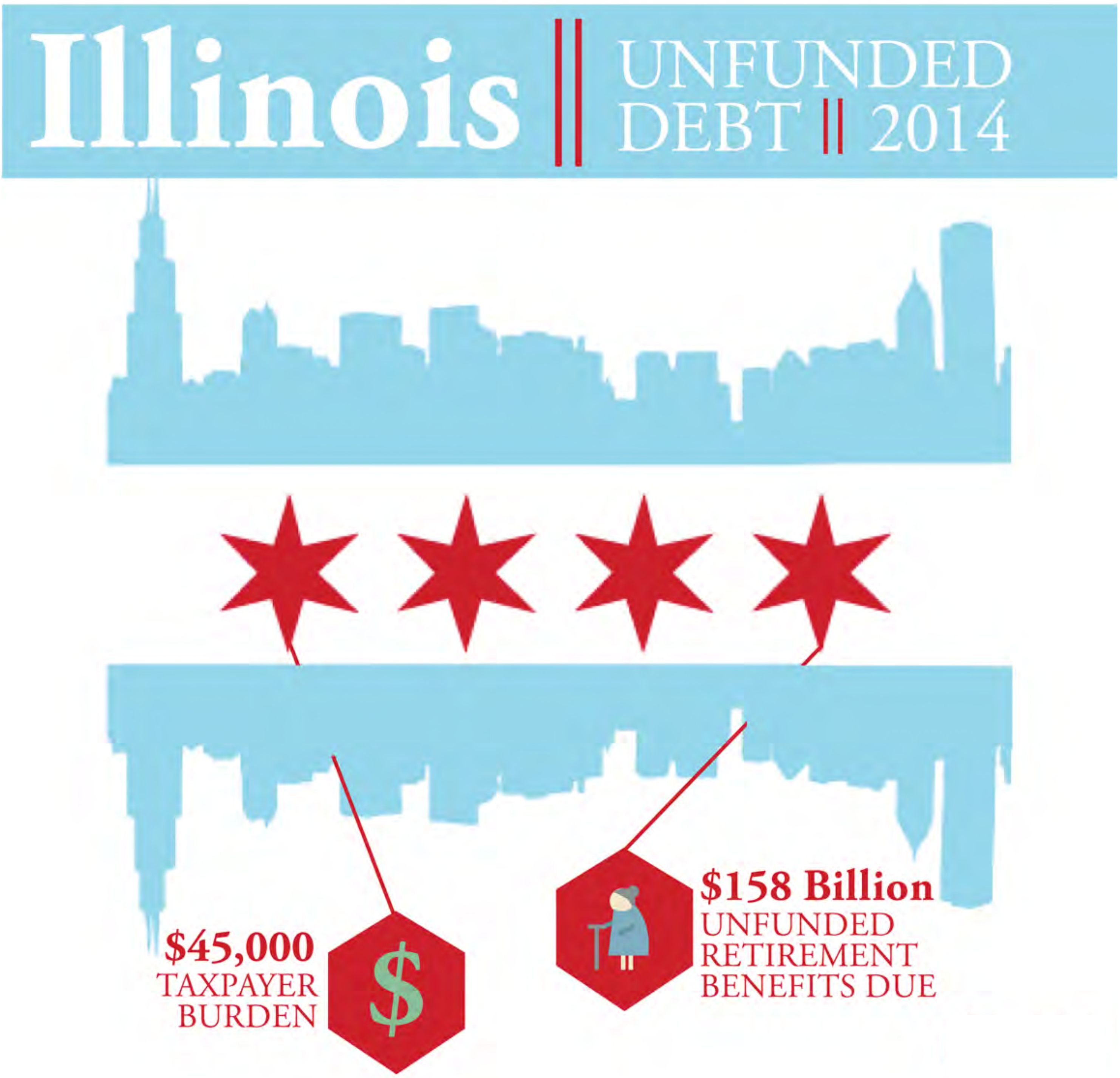
Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Kentucky's actuaries' schedules found retirement benefits totaling $36 billion have been promised, but not funded. A review of the state's balance sheet determined only $6.6 billion of these liabilities are reported. This means the state does not report $29.4 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Kentucky's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

48 | ILLINOIS
RANKING



THE FINANCIAL STATE OF ILLINOIS

The State's Bills Exceed Its Assets	
Assets	$76,555,011,000
Minus: Capital Assets	$33,380,545,000
Restricted Assets	$13,653,395,000
Assets Available to Pay Bills	$29,521,071,000
Minus: Bills	$213,785,269,000
Money Needed to Pay Bills	-$184,264,198,000
Each Taxpayer's Share of This Debt	**-$45,000**

Illinois has $76.6 billion in assets, but most of these assets are not available to pay state bills.

The $33.4 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $13.7 billion of the assets is restricted by law or contract.

That leaves $29.5 billion of state's assets available to pay $213.8 billion of bills as they come due.

The -$184.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Illinois' Debt:
-$45,000

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The Bills Illinois Has Accumulated	
Bonds	$43,207,801,000
Other Liabilities	$26,482,295,000
Minus: Debt Related to Capital Assets	$13,441,836,000
Unfunded Pension Benefits	$111,548,927,000
Unfunded Retirees' Health Care Benefits	$45,988,082,000
Bills	**$213,785,269,000**

Despite the balanced budget requirement, the state has accumulated bonds of $43.2 billion and other liabilities of $26.5 billion. The calculation of assets available to pay bills does not include capital assets, so $13.4 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 74% of state bills. These unfunded liabilities have accumulated because state employees have been promised $111.5 billion of pension benefits and $46 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

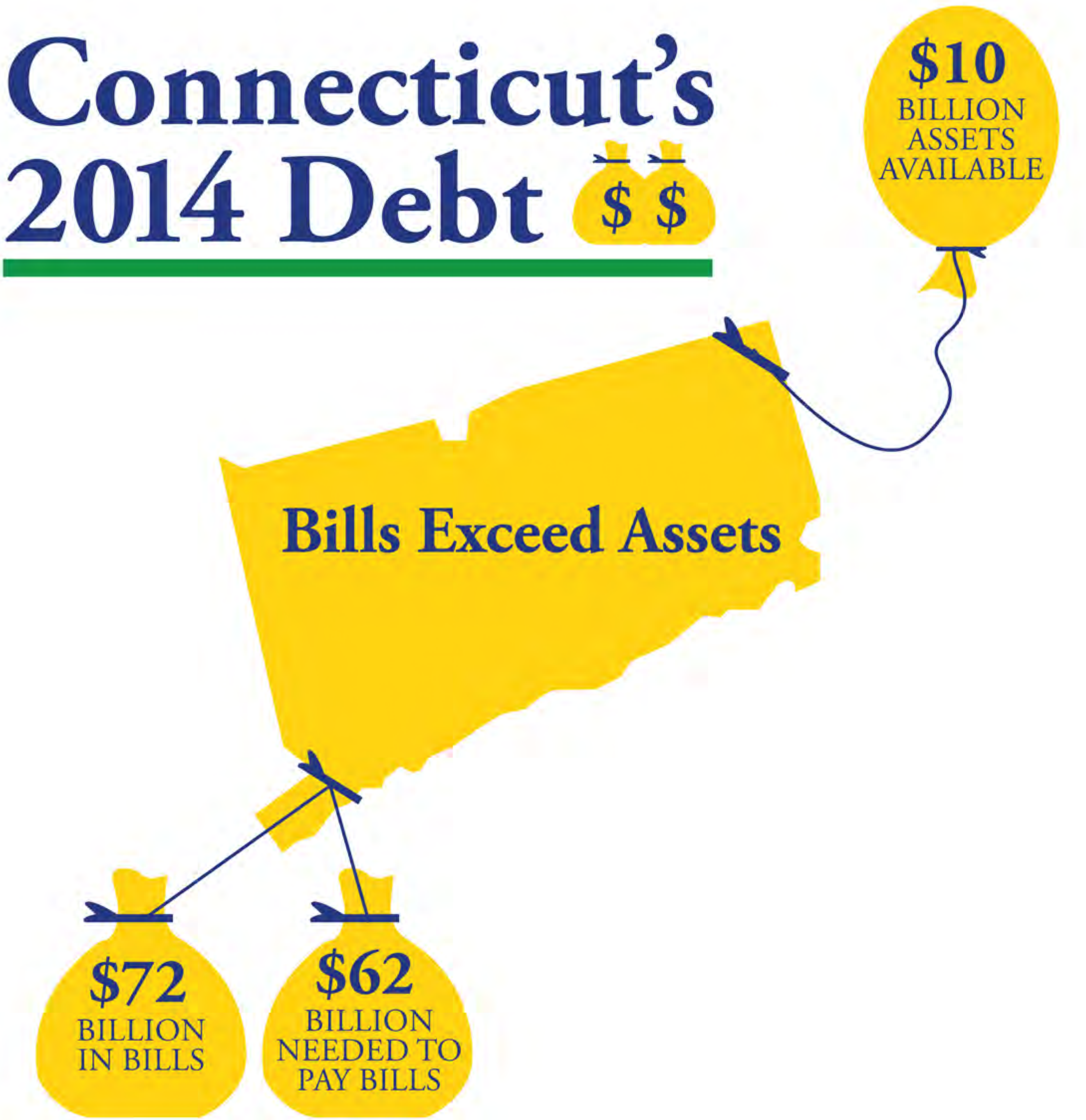
A detailed study of Illinois' actuaries' schedules found retirement benefits totaling $157.54 billion have been promised, but not funded. A review of the state's balance sheet determined only $39.77 billion of these liabilities are reported. This means the state does not report $117.77 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Illinois' June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

49 CONNECTICUT

RANKING



THE FINANCIAL STATE OF CONNECTICUT

The State's Bills Exceed Its Assets	
Assets	$31,629,965,000
Minus: Capital Assets	$17,072,185,000
Restricted Assets	$4,452,432,000
Assets Available to Pay Bills	$10,105,348,000
Minus: Bills	$72,211,473,000
Money Needed to Pay Bills	-$62,106,125,000
Each Taxpayer's Share of This Debt	**-$48,600**

Connecticut has $31.6 billion in assets, but most of these assets are not available to pay state bills.

The $17.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $4.5 billion of the assets is restricted by law or contract.

That leaves $10.1 billion of state's assets available to pay $72.2 billion of bills as they come due.

The -$62.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of Connecticut's Debt:
-$48,600

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The Bills Connecticut Has Accumulated	
Bonds	$25,487,250,000
Other Liabilities	$6,120,454,000
Minus: Debt Related to Capital Assets	$7,668,410,000
Unfunded Pension Benefits	$26,306,679,000
Unfunded Retirees' Health Care Benefits	$21,965,500,000
Bills	**$72,211,473,000**

Despite the balanced budget requirement, the state has accumulated bonds of $25.5 billion and other liabilities of $6.1 billion. The calculation of assets available to pay bills does not include capital assets, so $7.7 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 67% of state bills. These unfunded liabilities have accumulated because state employees have been promised $26.3 billion of pension benefits and $22 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of Connecticut's actuaries' schedules found retirement benefits totaling $48.3 billion have been promised, but not funded. A review of the state's balance sheet determined only $10.5 billion of these liabilities are reported. This means the state does not report $37.8 billion of retirement liabilities on its balance sheet.

Data is derived from the state of Connecticut's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

50 RANKING | NEW JERSEY

NEW JERSEY

$52,300
TAXPAYER BURDEN

$161 Billion
NEEDED TO PAY BILLS

$140 Billion
RETIREMENT BENEFITS DUE

$186 Billion
IN BILLS

THE FINANCIAL STATE OF NEW JERSEY

The State's Bills Exceed Its Assets	
Assets	$87,984,659,000
Minus: Capital Assets	$51,128,667,000
Restricted Assets	$12,014,971,000
Assets Available to Pay Bills	$24,841,021,000
Minus: Bills	$185,597,383,000
Money Needed to Pay Bills	-$160,756,362,000
Each Taxpayer's Share of This Debt	**-$52,300**

New Jersey has $88 billion in assets, but most of these assets are not available to pay state bills.

The $51.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $12 billion of the assets is restricted by law or contract.

That leaves $24.8 billion of state's assets available to pay $185.6 billion of bills as they come due.

The -$160.8 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's Share of New Jersey's Debt: -$52,300

Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

www.TruthInAccounting.org

www.StateDataLab.org

The Bills New Jersey Has Accumulated	
Bonds	$23,358,200,000
Other Liabilities	$55,421,311,000
Minus: Debt Related to Capital Assets	$33,229,318,000
Unfunded Pension Benefits	$84,997,738,000
Unfunded Retirees' Health Care Benefits	$55,049,452,000
Bills	**$185,597,383,000**

Despite the balanced budget requirement, the state has accumulated bonds of $23.4 billion and other liabilities of $55.4 billion. The calculation of assets available to pay bills does not include capital assets, so $33.2 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 75% of state bills. These unfunded liabilities have accumulated because state employees have been promised $85 billion of pension benefits and $55 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Not All Retirement Liabilities Are Clearly Disclosed

A detailed study of New Jersey's actuaries' schedules found retirement benefits totaling just over $140 billion have been promised, but not funded. A review of the state's balance sheet determined only $40.5 billion of these liabilities are reported. This means the state does not report $99.6 billion of retirement liabilities on its balance sheet.

Data is derived from the state of New Jersey's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.

TIA'S IN DEPTH ANALYSIS

TIA RECOGNIZES SINKHOLE AND SUNSHINE STATES

Five Sinkhole States Analysis

In 2014, New Jersey became the state with the worst financial condition due to a dramatic rise in its unfunded pension liabilities. Applying the new pension accounting standard required actuaries to use a "blended" discount rate for valuing the state's major pension plans' liabilities, because the plans' assets are estimated to be depleted before all promised benefits will be paid. The use of this discount rate, which is lower than the historic rate, lead to the sharp increase the present values for liabilities.

	Taxpayer Burden 2014	Taxpayer Burden 2013	Increase (Decrease) In Taxpayer Burden
New Jersey	-$52,300	-$36,000	$16,300
Connecticut	-$48,600	-$48,100	$500
Illinois	-$45,000	-$43,400	$1,600
Kentucky	-$32,600	-$26,500	$6,100
Massachusetts	-$27,400	-$28,000	-$600

Kentucky moved back into the bottom five **sinkhole states** because it was also greatly affected by the new pension standards. While its Employees Retirement System was able to claim it won't run out of assets, its Teachers' Retirement System's **unfunded liability** increased because additional state contributions will need to be made when plan assets are expected to be depleted.

Illinois was not as adversely affected by the new pension standard because its two pension plans are not projected to run out of assets for 50 years. Furthermore, Connecticut and Massachusetts' pension plans are not expected to run out of assets before all benefits are paid. These projections don't seem very realistic in light of the fact that these states have some of the most underfunded pensions in the country, with Illinois actually being the worst.

Five Sunshine States Analysis

Alaska's financial condition continued to improve in 2014. As shown in its financial statement, the state's total **net position** rose by **$7 billion**, primarily due to an increase of **$3.1 billion** in interest and investment income (Alaska Department of Administration - Division of Finance, 2014). While Alaska's pension funds are not well-funded, the state does have more than enough **unrestricted assets** available to pay accrued pension benefits and all of its other bills.

	Taxpayer Surplus 2014	Taxpayer Surplus 2013	Increase (Decrease) In Taxpayer Surplus
Alaska	$52,300	$46,900	$5,400
North Dakota	$28,400	$22,300	$6,100
Wyoming	$22,600	$20,200	$2,400
Utah	$4,200	$2,700	$1,500
South Dakota	$4,000	$2,700	$1,300

The improvement in North Dakota's financial condition is largely due to the implementation of **GASB Statement No. 67**, which allows the state to revalue its pension plan assets using **market value**. As a result, these **assets** increased in value by an average of **29%** over the state's four pension plans. Significant increases in tax revenues during the year also contributed to North Dakota's prosperity (North Dakota OMB - Fiscal Management Division, 2014).

TIA recognizes six other **Sunshine States**. These states have **assets in excess of bills**, including **unfunded promises to state retirees**. These states include Nebraska, Idaho, Oregon, Tennessee, Iowa, and Montana.

Taxpayer Burden Exists in 39 States

Balanced budget requirements should prevent state governments from shifting the financial burden for current-year services onto future-year taxpayers. True balanced budget accountability reduces elected officials' ability to incur costs without including them in current budget calculations. TIA's study found 39 states have created **Taxpayer Burdens** through not truly balancing their budgets. Unless retirement promises are modified, these burdens will be the responsibility of future taxpayers.

The main reason for the creation of **Taxpayer Burden** is that full compensation costs, especially related to earned retirement benefits, were not included in prior budgets. Money that should have been set aside to provide for these costs was spent elsewhere. Therefore future taxpayers will have to pay for services and benefits that were received by prior taxpayers.

Evidence of these practices appears in state annual financial reports. As indicated in Appendix II, nationwide TIA identified **$628 billion** of unfunded pension and **$559 billion** of **unfunded retirees' health care liabilities**. As indicated in Appendix III, only **$232 billion** of these liabilities were reported on the face of state balance sheets. Collectively more than **$956 billion** of earned pension and health care benefits earned have not been included in prior state budgets and financial statements. Future taxpayers are responsible for **all unfunded liabilities** whether they appear on their state's balance sheet or not.

Taxpayers are also ultimately responsible for unfunded promises on the part of the federal and local governments. For example, using the same methodology, citizens in Chicago have a **Taxpayer Burden** of **$941,000** per taxpayer. Every Chicago taxpayer would have to write a check to their city for **$28,200**, to their school board for **$12,700**, to Cook County for **$5,100**, to their state for **$45,000**, and to the U.S. Treasury for **$850,000** to cover government promises already made on their behalf.

HOW CAN STATES BALANCE THEIR BUDGETS AND GO INTO DEBT AT THE SAME TIME?

Current Compensation Costs Have Been Shifted to Future Taxpayers

The most significant accounting trick that states use to claim their budgets are balanced, while going into debt at the same time, is to exclude millions, if not billions, of dollars of current compensation costs in the budget.

Employee compensation is the largest cost for states each year. **Employee compensation** packages include benefits like health care, life insurance and retirement benefits. Just like a salary, these benefits are earned each day an employee works, and the cost of these benefits accumulates every day. As these benefits are earned, a **liability** is created that will be paid sometime in the future. Prudent management requires the value of this **liability** to be estimated, and **assets** set aside, to ensure payments can be made when they come due.

The use of antiquated cash-basis accounting in budget calculations, which focuses on checks written today, ignores most retirement benefits that will be paid in the future. Planners feel those payments won't have to be made for years, so why worry about them now?

Deferred pension and retirees' health care liabilities are akin to credit card balances. A credit card charge for a product or service bought and consumed today is a promise that the cost will be paid sometime in the future. When the bill from the credit card company arrives, the cardholder chooses to pay off the balance or only some portion of the balance. If the cardholder pays only a portion of the balance, it does not negate the fact that the product or service was consumed when the entire charge was made.

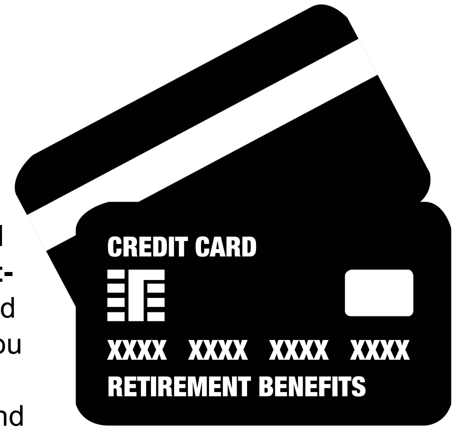
If a balance is left on the card, the cardholder has decided to devote some future portion of his earnings to pay the balance and the interest that will accumulate between the time of the purchase and payment. Consider what would happen to the card balance if the cardholder paid less than the minimum payments or even skipped payments in some months—or even for several years. Then the cardholder would be obligated to pay the original amount of the item purchased, plus interest and penalties.

In a similar way, states are "charging" some current compensation costs to the retirement plans' "credit card." When employees work, providing current services to the state, the salary portion of the compensation is paid in the current payroll period, while the retirement benefits portion is charged to the state's "credit card." Actuaries determine the state retirement plans' "credit card" balance and calculate the minimum payments or contributions necessary to pay off the balance over a designated period of time.

The balance is called the **NPL** or **UAAL**. If the state chooses to pay only a portion of the balance, then the money that would have gone to pay the entire balance can be spent on something else citizens enjoy today. But the state's decision to pay the balance in the future does not change the fact that the retirement benefits' portion of the compensation cost was incurred when the employees earned them, and will need to be paid by future taxpayers- whether or not they received these services.

But many states do not even pay their minimum contributions and a few states have skipped retirement plan contributions altogether. Future taxpayers will be burdened with paying the unfunded retirement promises plus interest without receiving any services for those tax dollars.

The decision to not fully fund pensions when earned directly conflicts with the reason for state balanced budget requirements: to maintain intergenerational equity. This means that one generation is receiving the benefit of government programs by imposing costs on future generations.



Even worse, accounting rules have allowed states to hide the total amount of the **liabilities** accumulated for pensions and other **post-employment benefits** from public view. That's like your credit card company sending your statement without a balance, requesting you pay only your minimum payments. The effect is to create the illusion—for individuals and states—that they can continue to spend without concern about their credit card balances, as long as they pay their minimum payments.

Additional Budget Gimmicks Used to "Balance" State Budgets

State Budget Solutions (SBS) researched and documented some of the worst state budget gimmicks (Luppino-Esposito, 2014). These budget gimmicks hide the true cost of government and set up states for fiscal calamity down the road.

Borrowing money to balance the budget

States borrow money for the same reasons that individuals borrow money. Typically, when a state borrows money, it is through the issuance of bonds that are backed by the full faith and credit of the state issuer. In exchange for the loan, the state agrees to pay an annual interest rate. It is possible for the state to pay off the bond before it matures (and the interest becomes due), pursuant to a each bond agreement, but typically, a state must pay at least five years of interest on a bond before the option to pay face value owed is viable. Bond sales are closely tied to bond ratings.

Delaying payments until the upcoming fiscal year

Delayed payments effectively shift the burden of debt from one fiscal year until the next, to postpone payment of the debt (and potential political backlash). In the past, states delayed issuing state employee paychecks by one day, which shifted payroll costs to the next year, or postponed sales tax payments.

Inflating revenue assumptions or savings projections

When developing the budget for the upcoming fiscal year, state lawmakers must make assumptions about revenue and expenditures. To demonstrate a balanced budget and justify increasing expenditures, lawmakers will inflate revenue assumptions by projecting overly optimistic revenue growth and rate of return on pension fund assets, and by assuming a lower rate of inflation than is realistic. The parallel accounting trick to accelerating and inflating revenue is inflating savings projections. State lawmakers will assume savings in contract negotiations, on infrastructure costs and repairs, and by predicting no student growth to effectively decrease the amount of expenditures. These savings are unrealistic and rarely mirror projections. Lawmakers may also advertise a reallocation of funds from one agency to another as a "spending cut" to the former agency, leading to projections of greater savings than actually result.

WHAT ARE THE STATES HIDING?

Billions of Dollars of Liabilities are Maintained Off-Balance Sheet

Using states' assumptions to calculate their **unfunded retirement liabilities**, TIA researchers found states have accumulated **pension and OPEB liabilities** totalling nearly **$1.2 trillion**. This study determined only **$232 billion** of these **liabilities** are reported on state balance sheets. More than **$956 billion** of these **retirement liabilities** are maintained off-balance sheet.[2] This lack of transparency is due to reporting requirements established by the **GASB**.

- Until 1997, states were not required to disclose their **unfunded pension liabilities**
- That year **GASB** instituted an accounting standard (GASB Statement No. 27) that required states to disclose some **unfunded pension liabilities**
- States were then required to show **unfunded liabilities** on their balance sheets – but slowly, over 40 years
- The standard allowed states to amortize pension benefit enhancements made after 1997, also slowly added to the balance sheet over a 30-year period

Statement No. 27 also required states to include the cost of retirement benefits employees earn each year on their income statements, as a "pension expense." The pension expense also included the amortization of benefit enhancements and prior costs, including the pre-1997 **liabilities**. The combination of these two elements, plus interest, is known as the **ARC**. With certain adjustments, the **ARC** is the employer's entire required contribution for the year. If a state contributes the **ARC** amount yearly, it will eventually fully fund promised pension benefits. If it contributes less than the **ARC**, this deficiency becomes a **Net Pension Obligation**. The **Net Pension Obligation** is reported on the state's balance sheet and accumulates each year the **ARC** is not fully provided. **But only sophisticated readers of the state CAFR may know that this liability as reported on the balance sheet is not the state's total unfunded pension liability.** TIA researchers found that pension related **liabilities** of **$546 billion** do not appear on state balance sheets, or **87%** of the total.

In addition to pension benefits, most states provide employees with **OPEB**, primarily retiree health care benefits. Not until 2008 did GASB institute reporting requirements for this **liability**. Until then most states did not even calculate their **OPEB liabilities**, representing future health care benefits their employees had already earned as a part of compensation. Like pension **liabilities**, rather than showing **OPEB liabilities** on state balance sheets immediately, states may amortize the pre-1998 **unfunded OPEB liabilities** over up to 30 years. To the extent the state does not contribute the calculated **OPEB** expense to the related plan; a **Net OPEB Obligation** is reported on the state's balanced sheet. This study also found that **OPEB** related liabilities of over **$410 billion** do not appear on state balance sheets, or **73% of the total**.

For the most part, states have not set aside money to pay **OPEB benefits**, relying on a "pay-as-you-go" system. TIA's analysis of all 50 states found **only five cents has been set aside to fund each dollar of the promised retirees' healthcare benefits.**

[2] See Appendix III – Schedule of Reported vs. Unreported Retirement Liabilities for detail by state.

Determining state **retirement liabilities** is difficult due to the opacity of financial and actuarial reports for retirement plans of states and their **component units**. Calculation of some states' **retirement liabilities** is made even more difficult when the state is involved in a multi-employer, cost-sharing retirement system.

- Under such a system, several employers, which may include municipalities, universities, colleges, school districts, and state agencies, have created one system combining their **retirement assets and liabilities**
- Very limited information about the multi-employer, cost-sharing retirement system is required to be included in the state's **CAFR**
- In the vast majority of instances, the state's portion of the **Unfunded Actuarially Accrued Retirement Liability** is not included in the state's **CAFR**

To compensate for limited information about multi-employer, cost-sharing systems, TIA researchers attempted to contact state financial report preparers and/or plan administrators, and government officials told TIA researchers that they did not know their state's share of the **pension liability**. In one instance, one plan administrator stated, "We do not break out **UAAL** or contributions by employer type. Therefore the information you are requesting is not available. You will need to use the state's share of plan active members to calculate the state's share of the **UAAL**."

Despite these challenges in determining each state's share of their multi-employer, cost-sharing plans, TIA researchers analyzed each individual pension and **OPEB plan** and included applicable **unfunded liabilities** in calculating each state's financial condition.

For the most part, TIA calculated the state share of these multi-employer, cost-sharing plans using a percentage of historical contributions.

MANY STATE FINANCIAL REPORTS ARE TARDY

Timely information is crucial during government decision processes like budgeting. However, most states issue their **CAFRs** long after their fiscal year ends. For example, in fiscal year 2014, 49 of the 50 states took an average of **192 days** (over six months) to deliver their annual financial report.(A complete ranking of the timeliness of the release of state financial reports can be found in Appendix IV-Schedule of Timeliness of Financial Report Release.")

States have been improving on this score in recent years, but there is still a lot of room for improvement. In 2014, according to **Government Financial Officer Association (GFOA)** guidelines, **21** states were "tardy" because their reports were issued over **180 days** after the fiscal year end.

This number has been declining since 2009, and so has the average number of days across the states, but government report timeliness remains far below that of the private sector. In fact, TIA believes GFOA guidelines for report timeliness could and should be stricter than they are currently. In comparison to states' 180 day guideline, most corporate financial reports are issued within 45 days of their respective fiscal year ends.

In 2014, seven states were excessively "tardy," as their reports didn't appear until over 250 days after the fiscal year-end – up from four excessively tardy states in 2013. These seven states include New Mexico, Montana, New Jersey, West Virginia, California, Illinois, and Arizona. We note that TIA calculations of **Taxpayer Burden** for those seven states averages about four times higher than the rest of the states, consistent with other work we've done suggesting that states with slow financial reporting generally tend to be in worse financial shape.

At the other end of the timeliness spectrum, Michigan, Utah, Washington, North Carolina, and New York released their most recent **CAFRs** earlier than the **180 day goal**. In recent years, Michigan reduced the number of days to produce its report by almost half compared to previous years. Recent state governors — notably of both political parties — have provided leadership in their commitment to this goal. Also, Michigan's centralized accounting system has been running relatively smoothly. Timely issuance provides Michigan's legislators with current information from the **CAFR** during the budget process, providing a valuable lesson for other states.

TIA has grown more aware and concerned about another possible issue in recent years. To measure timeliness, we have been using the dates on the CAFR "letter of transmittal" as the date for public release of the report, counting the number of days after fiscal year-end for the date on the letter of transmittal. But we've seen a growing number of cases where the CAFR doesn't appear on the website until days or even weeks after the transmittal letter date, even as most of those letters are addressed to citizens of the state. These practices raise some questions about the integrity of the release dates and compliance with relevant laws for timely reporting. They may even point to questions relating to how general or selective the reports are released, in terms of who gets the information first.

Commitment of Government Officials

In the absence of a legal requirement for the issuance of the **CAFR** by a certain date, the commitment of state governors and legislatures to timely **CAFRs** is critical.

One particular impediment to timely reporting can arise in states where the agency or department preparing the **CAFR** does not have sufficient authority over executive branch agencies. Agency directors accumulate and submit the financial data needed to complete the **CAFR**, and some of them are more focused on timely and accurate data than others. For example, the Illinois **CAFR** is prepared by the state comptroller, who is a constitutional officer elected by the citizens and not part of the executive branch. Agency directors are usually in the executive branch and report directly to the governor, and the comptroller may only be allowed to request that the agencies provide data on a timely basis. In these situations, the governor needs to lead the way.

Capacity of Accounting Systems

It may sound obvious, but good information management systems are critical for timely and accurate financial reporting. In some states, antiquated systems remain budget-focused and lack flexibility for GAAP reporting capabilities. Some of these systems require manual adjustment of entries. A well-managed, centrally controlled computer system can help provide dependable data, and maintains and updates it in compatible formats. This, in turn, streamlines production and presentation of year-end financial data.

Desire to Receive the GFOA Certificate

The **GFOA** awards a “Certificate of Achievement for Excellence in Financial Reporting” to states based a variety of criteria, including those that issue **CAFRs** within six months of their fiscal year ends. We note, however, that almost all the states receive these awards every year, raising questions about the award’s integrity if everyone can be “excellent” at the same time. In 2014, 16 states that issued their 2013 **CAFRs** after the 180-day benchmark still received the Certificate of Achievement for Excellence. We also question whether meeting a 180-day guideline is really a high enough bar for “excellence,” in light of practices in the private sector.

Adequate Resources, Including Personnel

Significant staff time and effort in a condensed period of time is needed to produce the **CAFR** on a timely basis. Therefore, the office preparing the **CAFR** must have the resources needed to make this possible. Unfortunately state budget reductions often result in reduced accounting staff.

Is The Corporate Standard of 45 Days Possible?

Most corporate financial reports are issued within 45 days of their respective fiscal year-ends. Many people question why state and local governments cannot meet this goal. In our interviews with people who have state government accounting experience, many believe it would be impossible to prepare a state **CAFR** in less than ninety days, much less 45 days. Besides the internal difficulties of accumulating and auditing the necessary financial information, obstacles outside the **CAFR** preparer's control may exist, and while these may deflect blame from the comptrollers, they are not good excuses for state governments generally.

One obstacle the states can face, however, is federal government timeliness in reimbursing state Medicaid costs. This can make it difficult to determine the amount owed to medical providers at the end of the fiscal year, but these amounts can be reasonably estimated for reporting purposes in many cases.

In other cases, proposed or newly enacted legislation can impact actuarial assumptions and other financial data, forcing **CAFR** preparers to wait until the legislation is signed (or not signed) into law before the **CAFR** may be completed. But making financial reports wait probably isn't the best alternative, especially when those reports are critical for other purposes like budget preparation and the development of legislation that impacts **CAFR** reporting.

The timely release of state **CAFR** data is critical to provide citizens, journalists, legislators, and other officials the opportunity to review past financial performance as the state prepares future budgets. Financial reports provide citizens and elected officials with essential information needed to be knowledgeable participants in this crucial decision making process.

Timely Actuarial Data is not Available

Even for reports that are apparently more "timely" than others, the **CAFRs** rely heavily on actuarial valuations that are usually even more severely out of date than the financial report. For example, in a prominent New York Times story in July 2015, Mary Williams Walsh reported on how a village trustee in Lagrange, Illinois discovered how village **actuaries** were still using mortality tables from 1971 – with assumptions for factors like life expectancy that were far below where they should have been for an accurate report on **retirement benefit obligations.** While this was an especially egregious example, more could be done to help ensure that the appearance of timeliness is more than skin-deep.

Another timeliness issue exists related to **actuarial valuations**. **GASB** standards still permit states to obtain an **actuarial valuation** of their retirees' health care plans every other year. Unfortunately, **unfunded retirement liabilities** can materially increase or decrease over a two-year period. For example, as mentioned previously, Connecticut's unfunded **OPEB liability** increased by **$1.6 billion** from the previous actuarial valuation date of June 30, 2011 to the next valuation done June 30, 2013. State and local governments should consider updating their **actuarial assumptions** at least annually. In addition, to improve accountability, we believe the reporting community should consider making state and local governments produce their own **actuarial assumptions**, instead of paying outside parties to make those calculations. Unfortunately, the appearance is that this can resemble the more egregious examples flowing from issuers paying credit rating firms for their opinions before the financial crisis in 2007-2009.

WHY IS TRUTHFUL, TIMELY, AND TRANSPARENT FINANCIAL DATA IMPORTANT?

TIA's research determined that in total, states have **accumulated bills** of almost **$1.3 trillion** in excess of **assets available to pay those bill**s. Accumulating bills is in direct conflict with balancing a budget. Because of this, most states falsely claim a balanced budget. To avoid tough choices that would be unpopular amongst voters, elected officials hide the true cost of government. To increase their chances for re-election, accounting tricks have been used to alleviate the need to raise taxes or cut services and benefits.

To be informed participants in their governments, citizens must be provided with truthful and transparent information. States' efforts to begin digging out from their current financial holes must start with honest government accounting. Only then can responsible alternatives to place the state on solid financial footing be developed and debated. An informed electorate is essential to a representative system of government, and citizens have not received the financial information needed to be knowledgeable participants in their governments.

Responsible budgeting requires accurate and timely data. Truthful budgetary accounting must incorporate all current compensation costs, including the portion of retirement benefits employees earn every year. Accurate accounting requires all real and certain expenses be reported in the state's budget and financial statements when incurred, not when paid.

- Balanced budget claims have given citizens a false sense of security, while budgets are not truly balanced and states sink further into debt
- Citizens have not reacted while state debt has increased because they have been led to believe everything is fine, because the budgets have been "balanced"
- As a result, citizens do not understand the true cost of their state government
- Complex pension schemes—that citizens and even elected officials—cannot understand are a big part of the problem
- Voters have re-elected leaders based on false claims of balanced budgets, while in reality states have plummeted further into debt

Critical decisions have been made using financial data that is woefully inadequate.

- Voters have chosen candidates
- Citizens have advocated for spending and tax policies
- Legislators have pushed for new programs and services without knowing the true cost of current and future spending
- Elected officials have spent amounts greater than state revenue

Due to inaccurate accounting for **pension and retiree health care benefits**, compensation costs have been massively understated in state budgets. Over the years, budgets have been off-balance by almost **$1.3 trillion.** To balance budgets, elected officials would have had to cut spending and/or raise taxes by almost **$1.3 trillion**.

Would voters have made different decisions if programs had been cut or taxes raised to reflect the real cost of government? Would elected officials have been re-elected if voters had received less state services and benefits and/or if taxes were raised to cover the costs?

NEW ACCOUNTING STANDARDS WILL BRING GREATER TRANSPARENCY TO RETIREMENT DEBT

On June 25, 2012, TIA's CEO and founder, Sheila Weinberg, and others gave testimony before **GASB** which impacted its approval of new accounting standards[3] for pensions by employers.

GASB Statement No. 67 (effective in the 2014 fiscal year) required state pension plans to report their total **NPL**. This **NPL** is the difference between **Total Pension Liability (TPL)** and **Fiduciary Net Position (FNP)** (i.e. market value of assets.

Once a pension plan is projected to run out of **assets**, the **pension liabilities** must be valued using a **"blended" discount rate**. This rate, which is currently lower than the historical rate, will result in significant increases in these **liabilities**.

GASB Statement No. 68 (effective in the 2015 fiscal year will require states to report the full amount of their **unfunded pension liabilities** on the face of their balance sheets. This will represent a major change in the reporting requirements because the vast majority of these **liabilities** were previously excluded from states' financial statements. TIA researchers found $546 billion out of $628 billion (87%) of unfunded pension debt was excluded from states' 2014 balance sheets. Like in TIA's previous studies, each state's financial condition was calculated as if this standard had been implemented.

The amendments are based upon the principle that: "Pensions are a form of compensation, like salaries, which governments provide in return for work" (Governmental Accounting Standards Board 2011, 54. **GASB** concluded from this observation that **pension obligations** should be recorded when earned, not when paid.

Previously, many states determined their pension plan contributions based upon the **annual required contributions (ARC)** calculated according to GASB's pension standard. Whether or not the states paid these annual contributions was the largest factor used in judging if states were adequately funding their pension plans.

Under the amended statements, no **ARC** is required to be disclosed. **The pension expense will not be an annual contribution or funding amount, rather a change in the NPL recognized from one year to the next, except for the change to actuarial assumptions** (Governmental Accounting Standards Board 2011, vii). Determining whether a state is balancing its budget will be difficult with the inclusion of the pension expense on its income statement.

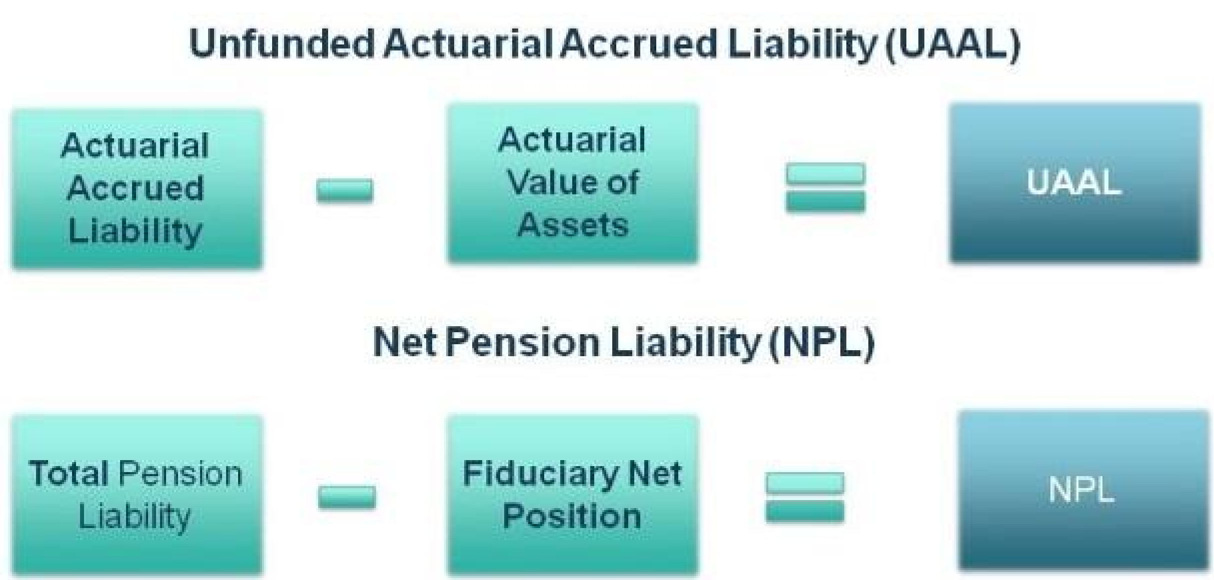
Additional requirements of the new standards include the following:

- The use of The American Academy of Actuarial Standards of Practice, which will likely mandate use of more realisitic discount rates to calculate retirement plans' accrued benefits and required contributions.
- A standardized method to calculate accrued benefits
- A lower discount rate, based on a portfolio rate of municipal securities, should be used once plan assets are expected to deplete.
- A more realistic approach to the amortization of prior service costs that relates these costs to the expected remaining tenure of the employees concerned
- Incorporation and recognition of accrued benefit changes and likely cost of living benefit increases at the time they are created

[3] **GASB Statement No. 67** – *Financial Reporting for Pension Plans*. An amendment of GASB Statement No. 25 Reporting for pension plans is effective for fiscal years beginning after 6/15/2013. **GASB Statement No. 68** - *Accounting and Financial Reporting for Pensions*. An amendment of GASB Statement No. 27 Reporting for employers is effective for fiscal years beginning after 6/15/2014.

Summary of Pension Standards Changes	
Old Pension Standards	**New Pension Standards**
Unfunded pension liability hidden off-balance sheet	**Unfunded pension liability** will be reported on the face of government balance sheets
For multi-employer plans - each government's share of **unfunded pension liability** not calculated	For multi-employer plans - each government's share of **unfunded pension liability** will be calculated and reported on each government's balance sheet
Unfunded pension liability called **"Unfunded Actuarial Accrued Liability" (UAAL)**	**Unfunded Pension Liability** called **"Net Pension Liability" (NPL)**
Plan assets called "**Actuarial Value of Assets" (AVA)**	Plan assets called "**Fiduciary Net Position" (FNP)**
Value of plan assets calculated using the **average market value** over 5 years	Value of plan assets calculated using **current market value**
Plan liability called "**Actuarial Accrued Liability" (AAL)**	Plan liability called **"Total Pension Liability" (TPL)**
Plan liability calculated using the historical rate of return	Plan liability calculated using the **"Blended Rate"**
"Annual Required Contribution": Calculation Required	**"Actuarially Determined Contribution":** Calculation Optional

Net Pension Liability Replaces Unfunded Actuarial Accrued Liability



The calculation of the pension shortfall is very complicated because it relies on the estimations and predictions of the future. States pay professionals, called **actuaries**, to make these estimations and predictions, called **actuarial assumptions.**

Actuarial assumptions relate to unknown, but somewhat predictable events such as employee retirement ages, increases in the benefit structures, life expectancy, costs for future medical care, and a host of other cost drivers. **Actuaries** also estimate the future earning power of retirement fund **assets** and calculate the amount of investments needed today to have money available to pay promised benefits in the future.

The **asset valuation** method is an important **actuarial assumption** that should require serious consideration. Administrators of retirement plans have used what is called "**smoothing**" to calculate the value of their plan assets. **Smoothing** computes the value of retirement plan **assets** at their average **market value** over a period of time (usually five years) attempting to adjust for severe market gains and losses. This approach leads to less volatile reported investment earnings, but it doesn't give the most transparent view of the financial situation. Amidst significant market declines, **smoothing** can result in **assets** being valued in excess of current **market values**, which may induce governments to under-fund plans over the longer term. However, going forward, **Statement No. 67** will eliminate **smoothing** for plans when reporting their **asset** values.

Instead of a **smoothed amount,** the **market value** of **assets** at year end is used to determine the **Fiduciary Net Position**. As previously noted above, we welcome this change, as truthful accounting reflects a world where volatility is a fact of life. Artificially **smoothed "actuarial asset values"** can mask the risks of providing defined benefit plans. A great deal of risk is involved in offering employees' retirement benefits under these plans, and one of the greatest sources of this risk is the fluctuation in the market value of plan assets. This risk should be highlighted, rather than hidden from the public. We are pleased to see governments moving away from **smoothing**. TIA's research found that the change in valuing plan assets using **market value** versus smoothing resulted in most state plans' asset values increasing and **unfunded pension liabilities** decreasing. The smoothed **asset values** were depressed because the valuation period included years of the Great Recession. Comparisons over time will have to be careful not to mix apples and oranges (i.e. funding ratios using "**smoothed**" vs. **current "fair" values**).

Actuaries matter just as much for liability reporting as they do for **asset valuation**. They use **"present value"** calculations to estimate a plan's future benefits, as well as the contributions needed to pay those benefits. Accounting standards use a framework where the present value of the pension and **OPEB liabilities** is the amount that would have to be invested today -- at an assumed rate of return—to ensure money will be available to pay future benefits. The assumed rate of return is the **actuarial assumption** of what plan assets are expected to earn before being used to pay benefits. To calculate the present value, the estimated future payments to retirees must be discounted. Discounting is the calculation of the present value of a payment or series of payments that is to be received in the future. When discounting the future pension benefits, a higher rate of return leads to the assumption that plan assets will earn more and that the state contributions will be less. This results in the estimation of a lower present value of the liability. Conversely, a lower **discount rate** results in a higher estimate of the present value of the **liability**, because the state will be required to contribute more into the plan.

For any government interested in understating future obligations, this understandably could lead to an incentive to assume higher rates of return on investments– and therefore lower **liabilities**. In turn, however, some notable analysts have also concluded that practices like these can prompt higher risk-seeking behavior in investment policies. These analysts make a theoretically defensible argument that **retirement benefit obligations** should be valued with a much lower "risk-free" rate (the rate of return on municipal bonds, which is around 5.0%), particularly in states where benefits are protected by constitutions or statutes. Using these "risk-free" rates would lead to much higher **liabilities** – even higher than those that TIA adds to reported state balance sheets.

The rate of return used to calculate the **assets** that need to be set aside to fund promised benefits is the most important assumption used in valuing and funding a pension plan. Small differences in interest rates generate significant differences in contributions required. A 2007 United States **Government Accountability Office (GAO)** study highlighted significant differences that various rates of return have on the pension plan contributions. The GAO's "higher return" scenario (6% rate of return) required contributions of 5% of salaries per year. The "base case" (5% rate of return) required contributions of 9.3% of salaries per year. The "lower-return" scenario (4% rate of return) required contributions of 13.9% of salaries per year. The "risk-free" scenario (3% rate of return) required contributions of 18.6% of salaries per year (Governmental Accounting Standards Board 2011, 28).

Many pension plan administrators have historically taken the position that **pension assets** are invested over a long period of time and the rate of return should be based upon the long-term return **assets** have historically earned. Others disagree, and debate persists whether these rates should be based on historical or projected returns – including debate over whether projected returns are really historical returns in disguise.

Going forward, however, the rules regarding appropriate discount rates are now changing with the implementation of **GASB Statement No. 67**. Plans that project themselves to remain solvent will use their expected **future of investment return rate** to discount pension obligations, similar to before. However, plans that project themselves to run out of **assets** will have to use a "**blended" rate**. This rate will be an average of a the expected investment return in the period in which assets supporting benefits remain positive, and b a rate based on "high-quality" municipal bond yields for the periods when benefits are promised, but there are no assets projected to stand behind the plan. At current interest rates, assuming projected returns remain in line with recent practice, a **blended rate** will lead to lower rates, and therefore higher **liabilities** for plans that project themselves to run out of **assets**.

Governments will have to determine if and when their retirement plans will run out of **assets** to pay future benefits. Most plans' **actuaries** are assuming plans will not run out of **assets**, thus the lower **blended rates** were not used. Consequently, very few states saw a significant increase in their pension **liabilities** due to the new standard. Arizona used a **blended rate** only for its elected officials' retirement plan. Colorado used a **blended rate** only for the judges' portion (which is relatively small of its major plan. Illinois used a **blended rate** for several of its plans, but also projected that these plans wouldn't run out of **assets** for fifty years. Therefore, the **discount rate** did not change by much, and neither did the **liabilities**.

However, New Jersey actuaries assumed plan assets would run out of **assets** would run out before all benefits will be paid, and used significantly lower **blended discount rates** for all of its pension plans. The impact was dramatic. TIA's calculation of its share of **unfunded pension liabilities** has spiked dramatically under the new standards, climbing from just under **$40 billion** in 2013 to almost **$85 billion** in 2014.

Kentucky actuaries estimated the plans assets of one of its two major pension funds, the Teachers Retirement System (TRS), will be depleted, so blended rate was used to calculate the plan's unfunded liability. The TRS unfunded liability increased by more than 50%, from $13.9 billion in 2013 to $21.6 billion in 2014. This increase caused Kentucky's financial condition to worsen to the point that the state returned to TIA's 5 worst states.

As might be expected, it isn’t always easy for a plan to project itself to run out of **assets**. Because declaring a fund will run out of **assets** means a lower rate of investment and a significantly higher **liability**, obvious incentives exist to understate the probability and timing of shortfalls under the new standard(s). This likely helps explain why so few plans have chosen to project any future shortfall, compared to what we were expecting under **Statement No. 67**.

Soon the full retirees' health care liability will also be reported

On September 11, 2014 during her testimony before **GASB**, Sheila Weinberg, TIA Founder and CEO, said, "TIA wholeheartedly agrees that reflecting **OPEB obligations** as **liabilities** in financial statements is critical to fair presentation of the financial impact of these commitments on citizens and taxpayers." On June 2, 2015 **GASB** officially approved two new accounting statements for improving accounting and financial reporting for **OPEB**: GASB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, and GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. GASB Statement No. 74 will be effective for fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017. The new **OPEB** standards parallel the pension standards in **GASB Statement No. 67** and **GASB Statement No. 68**. Under these standards, unfunded **OPEB liabilities** of state and local governments will be reported on the face of their balance sheets, instead of being hidden in the notes of government financial statements. These new statements should provide much needed transparency. Unfortunately, these changes won’t be visible on balance sheets of most states until 2018.

RECOMMENDATIONS

To be informed participants in their governments, citizens must be provided with truthful, timely and transparent information. State efforts to fill their financial holes must start with honest accounting of states' true fiscal conditions. Only then can sustainable alternatives to place the state on solid financial footing be developed and debated.

Recommendations to Elected Officials

Responsible budgeting requires accurate and timely data. Truthful budgetary accounting must incorporate all current **compensation costs**, including the portion of retirement benefits employees earn every year. Accurate accounting requires all real and certain expenses be reported in the state's budget and financial statements when incurred, not when paid. Therefore elected officials should:

• Take the first step towards sound financial planning: determine the true financial condition of your state. We demonstrate how to do this in each state's "Financial State of the State"- see how is your state doing on page 20 or click on your state on StateDataLab.org.
• Recognize that responsible budgeting requires truthful data based upon sound accounting principles
• Adhere to the intent of your state's balanced budget requirement. Balanced budget requirements exist in state constitutions and/or statutes to prevent current legislatures and governors from passing current-period costs onto future taxpayers. Simple equity says it is unfair for one generation to burden a future generation with costs for which no services or benefits are received
• In budget calculations, include all costs and obligations associated with **pensions and retirees' health care benefits**, which, like salaries, are a form of current compensation
• Institute **FACT-based budgeting**, which includes all costs when incurred, not when paid.
• Leave **actuarial assumptions** to professional **actuaries**, but don't take them for granted.
• Stop creating **Taxpayer Burden** and reduce the burden you have inherited as quickly as possible
• Use StateDataLab.org to develop a better understanding of state finances, and to create graphs and charts to assist in educating constituents
• Mandate issuance of the state **CAFR** no more than 180 days after the fiscal year end and prior to budget negotiations for the next budgetary cycle
• Provide resources, including a centralized computer system and personnel, needed to prepare the **CAFR** within 180 days, and preferably sooner. Look to Michigan and Utah, among other states, for good lessons on how to improve **CAFR** timeliness
• Require the **actuarial valuations** of pension and retirees' health care plans to be prepared using the same fiscal year end as the state **CAFR** and issued annually before the **CAFR**
• Enact legislation that would require the actuaries of all government pension plans in the state to calculate and disclose Actuarially Determined Contribution as described in GASB 67 and 68
• Enact legislation that would require the early adoption of GASB's new retirees' health care liabilities standards

Recommendations to State Financial Report Preparers

- Do not issue the **CAFR** with a **letter of transmittal** dated days, or weeks, before it is issued to the public
- Maintain a record of the contributions the state, as an employer, makes into each retirement plan
- Disclose in the **CAFR** notes the contributions the state, as an employer, made into each retirement plan for the reporting fiscal year and two prior years.
- If a column for **Component Units** is presented in the financial statements, then a column titled "Total Government" should also be included. This column would add the amounts in the **Component Units** column to those of the Primary Government column
- In the notes to the **CAFR** prepare separate inter-fund schedules for the account balances and transactions of the **Blended Component Units** and the **Discretely Presented Component Units**
- **Incorporate Discretely Presented Component Units** in the summarized **Statement of Net Assets** and **Statement of Activities** included in the Management's Discussion and Analysis section of the **CAFR**
- In the **CAFR**, present all numbers in a consistent format throughout the report, including notes, using either thousands (000) or Millions (M) to reduce carrying errors. The number of significant digits should be standardized as well

Recommendations for the Electronic Version of the CAFR

- Standardize pension and **OPEB** documents, exhibits and notes for all states and component units
- In the state **CAFR**, include links to all of the state's pension and **OPEB** plans' websites and related actuarial reports, and links to **component units**' financial reports, retirement plans and related actuarial reports
- All exhibits should have columns and rows totaled to the extent they are additive
- Publish the electronic version of the **CAFR** and related documents in searchable PDF format. Users should be able to select and reprint sections of the **CAFR** of interest to them
- Include bookmarks (or a clickable table of contents) identifying each section of the electronic version of the **CAFR** to provide direct access to various parts of the document
- "Unlock" electronic versions of the **CAFR** and any subsidiary reports, so analysts can copy and embed exhibits in their own reports
- Match the page numbers of the hard copy **CAFR** with the numbers that appear in the PDF's page number box

Most of these suggestions do not require **GASB** action and some states have already begun to make these improvements to their reporting practices. However, **GASB** could promote the process by including these recommendations in their standards.

Recommendations to Public and Public Interest Organizations

- Use StateDataLab.org to better understand your state's finances and to create graphs and charts to assist in the education of your fellow citizens
- Encourage your governor and legislators to follow the intent of your state's balanced budget requirement by truly balancing the budget, without using accounting tricks
- Promote accountability of your elected officials by demanding that your state's financial burden not be increased, but be reduced as quickly as possible
- Promote early adoption of **GASB's** new retirees' health care liabilities standards
- Until new pension and OPEB standards are implemented, keep in mind that liabilities reported on your state's balance sheet do not necessarily include all of the state's **pension and retiree health care liabilities**
- With that caveat, read your state's **CAFR** including all notes about retirement systems. To find a link to your state's financial report, select your state on the map at StateDataLab.org
- Understand the financial condition of your state by reviewing its Financial State of the State
- Each state's 2014 Financial State of the State is available on the state page on StateDataLab.org, and in this report beginning on page 21
- Demand that state actuarial reports be readily available to outside analysts. This could be in the form of links in the electronic version of your state's CAFR and a note in the hard copy version. This will increase transparency regarding critical assumptions used to calculate your state's retirement plans' unfunded liabilities and required contributions and employee eligibility requirements
- Let government officials know you expect them to implement the recommendations to **CAFR** preparers outlined above
- Educate legislators on the value of introducing and obtaining sponsors for an act to require truthful accounting in your state and local governments. A summary of benefits of a Truth in Accounting Act may be found in Appendix VII

Additional recommendations include:

- Synchronize the fiscal year of the state and its component units, to eliminate timing differences within inter-fund accounts. Private sector corporations and subsidiaries are required to use the same fiscal year- end, for that reason
- Call for inclusion of **Discretely Presented Component Units** in the summarized **Statement of Net Assets** and **Statement of Activities** included in the Management's Discussion and Analysis section of the **CAFR**

METHODOLOGY

To determine a state's financial condition, TIA researchers created a thorough, detailed approach comparing a state's bills, including those related to retirement systems, to all state **assets** available to pay these **liabilities**. The results of that comparison are presented in the following "Financial State of the State" presentations.

TIA believes analyzing a state's **unfunded pension and OPEB liabilities** without considering other **liabilities** and obligations along with **assets available** to fund **liabilities** would be incomplete. Evaluating only state **retirement liabilities** without considering its **assets** would be similar to judging a person's finances by only looking at their $10,000 credit card balance without considering they have over $20,000 in the bank to pay off this balance. Assessing a state's unfunded pension liabilities without considering other debt may be inaccurate because some states have issued pension bonds and other debt to fund plans contributions. In those cases pension plan funding improves, but this improvement is offset by increases in other state debt.

A key feature of TIA's analysis, enhancing public knowledge of state finances, is a determination of each state's share of **unfunded liabilities** related to multi-employer, cost-sharing **pension and OPEB plans.**

Data for this report was derived from each state's CAFR and related retirement plans' actuarial reports. Specifically, TIA researchers began reviewing the Statement of Net Position and identifying total assets. Some of these assets are available to pay a state's bills, while the use of others is restricted by law or contract, making them unavailable to pay bills. Restrictions include external constraints imposed by creditors, grantors, contributors or other governments, as well as internal legal or constitutional provisions. Capital assets, such as buildings, roads, bridges and parks, cannot be easily converted to cash. Also the sale of capital assets to pay outstanding bills is not recommended, just as selling one's house to pay off credit card bills would not be considered financially prudent. For these reasons restricted assets and capital assets are subtracted from total assets to calculate "Assets Available to Pay Bills."

In calculating each state's financial condition TIA researchers included **assets** and **liabilities** of the Primary Government and its "**Discretely Presented Component Units."** These units include entities such as state colleges, universities, financing authorities and toll-ways. As indicated in the Iowa **CAFR**, "These **component units** are entities which are legally separate from the State, but are financially accountable to the State, or its relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete."(Iowa Department of Administrative Services - State Accounting Enterprise 2013, 59)

In most states, Primary Government and **Discretely Presented Component Units** have balances due from and due to each other. To avoid overstating a state's **assets** and **liabilities**, TIA staff removed these receivables and payables.

TIA researchers analyzed "**State Bills"** including **liabilities** disclosed in a state's financial report such as accounts payable and bonded indebtedness; as well as **pension and OPEB obligations** found in the state **CAFR**, retirement systems' **CAFRs**, and actuarial valuation reports. Only **liabilities** incurred to date were included. Debts related to the financing of **capital assets** were removed from the calculation of the state's bills because these **assets** were excluded from the **"Assets Available to Pay Bills**." Then TIA researchers calculated "**Money Needed to Pay Bills**" by subtracting the **"State Bills**" from the "**Assets Available to Pay Bills"**.

The result of TIA's analysis is expressed as **Taxpayer Burden**. This financial burden represents, on a per taxpayer basis and in today's value, bills a state has chosen to fund as they come due rather than when they were incurred. Thirty nine states have created a financial burden, representing the amount needed to pay the state's obligations per taxpayer. Only eleven states have a "**Taxpayer's Surplus**" representing, on a per taxpayer basis, an excess of funds available to meet a state's obligations to citizens, employees and creditors.

States accumulate a **Taxpayer Burden** when current costs are passed onto future taxpayers. The "**Money Needed to Pay Bills**" is similar to a term used by government accountants called **"Unrestricted Assets"**. Each state's **Money Needed to Pay Bills** value can be calculated by adding the reported "Net Pension Obligations" and the "Net OPEB Obligations" to the reported Unrestricted Assets and subtracting the unfunded pension and OPEB liabilities.

TIA's analysis of retirement systems found many states administer multi-employer, cost sharing plans that cover employees from entities other than the state and local government related employers. These employers may include outside state agencies, counties, cities, universities, colleges and school districts. In analyzing these plans, special care was taken to calculate a state's share of each plan's **unfunded liability**. A few states' **actuarial reports** disclosed each employer's share of the plan's **unfunded liability**, but because current accounting standards do not require such allocation, many states do not provide such transparency for their multi-employer, cost-sharing plans. In many states TIA researchers found it necessary to estimate state **liability** based upon the state's share of historical contributions. Some states did not disclose an allocation of plans' **liabilities** ***or*** state contributions into such plans. In these cases the state's share of multiemployer, cost-sharing plans' **unfunded liabilities** was estimated based on other data available such as the percent of state employees in the plans.

TIA researchers reviewed other studies of state retirement systems and found that some allocate all **unfunded liabilities** of multi-employer, cost-sharing plans to the states. Those studies did not recognize that other employers, such as municipalities and school districts, have and will continue to contribute to such plans. For example one study indicated the entire **unfunded liability** related to the Public School Retirement System of Missouri was a state **liability**. TIA's review of this plan determined the state contributes less than one percent of the plan's total contributions. Therefore the plan's **unfunded liability** was not included in TIA's calculation of **State Bills**.

The methods developed and used to complete this analysis have produced precise estimates of every state's actual **assets** and **liabilities** that are currently available.

Each state's "**Money Needed to Pay Bills"** amount is an approximation of the **Unrestricted Assets** each state would have reported on their 2014 **Statement of Net Assets** if the proposed amendments to pension and **OPEB** reporting were in place. This approximation does not take into consideration the amendment's provisions regarding assumptions used to calculate actuarial value of retirement plan assets or actuarial accrued **liabilities**.

GLOSSARY

Actuarial Assumption: Estimate or projection of uncertain economic, demographic, or financial variables used in actuarial valuations. Examples include mortality, investment returns, and employer and employee contributions to retirement plans.

Assets: Defined by GASB as "resources with present service capacity that the government presently controls." Listed on the statement of net position.

Assets Available to Pay Bills: Assets less capital assets, assets restricted by law or contract, and net pension assets.

Bills: Money owed for goods or services purchased or promised by the government. Excludes debt related to capital assets.

Blended Rate: A single discount rate melding (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is estimated to be sufficient to pay benefits, (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

Capital Assets: Infrastructure assets unavailable to pay bills.

CAFR (Comprehensive Annual Financial Report): an audited annual report including financial statements for state and local governments, prepared under GASB accounting standards.

Debt Related to Capital Assets: Money owed relating to the financing of physical property such as land, roads, or buildings.

Discount Rate: A percentage amount used to convert future values of liabilities to present values. For pension liabilities, debate arises whether assumed investment returns or a risk-free rate is the appropriate rate. The difference in present values for these two methods is very large.

Employee Benefit Contributions: Employer and employee contributions to retirement benefit plans.

Employee Retirement Benefit Plans: Benefits other than salary (such as health insurance or pensions) granted by an employer to its employees.

FACT-Based Budgeting. FACT stands for "Full Accrual Calculations and Techniques," Truth in Accounting's recommended approach to government budgeting. Moves beyond cash-based methods to include accrual of all expenses, a "full-cost" (and more truthful) basis for budgeting.

Fiduciary Net Position: Plan assets less liabilities other than retirement benefit obligations.

GASB: The Governmental Accounting Standards Board, a private not-for-profit organization developing accounting and financial reporting standards for U.S. state and local governments.

GASB Statement No. 67: GASB standard issued June 2012 and applied to government pension plan reporting. Introduces new "Net Pension Liability," representing total pension liability less fiduciary net position. Plan assets valued at current market value instead of smoothed values. Plan liabilities valued using investment return expectations, but applies a lower, blended discount rate for periods where plan assets are projected to be insufficient to fund benefits.

GASB Statement No. 68: GASB standard issued June 2012 and applied to government employers offering pension benefits. Requires employers to report net pension liability on the face of the statement of net position.

Liabilities: Defined by GASB as “present obligations to sacrifice resources that government has little or no discretion to avoid.” Listed on the statement of net position for state and local governments, which will begin to include net pension and OPEB liabilities in coming fiscal years under GASB 68.

Market Value of Assets: The current price of an asset in a readily quotable market place.

Money Available (Needed) To Pay Bills. Assets available to pay bills, less bills.

Net Pension Liability: Per GASB Statement No. 67, total pension liability in excess of Fiduciary net position

Net Pension Obligation/Asset: An artifact of past GASB accounting standards, representing accumulation of past individual year under or over-contributions, if any. GASB 67/68 will eliminate this account over time.

Other Post-Employment Benefits (OPEB): Retirement benefits other than pensions that U.S. state and local governments provide to retired employees, like retiree health care.

Present Value: The current worth of a future sum of money or stream of cash flows given a specified rate of return.
Sinkhole State: A state with a Taxpayer Burden, e.g. assets available to pay bills is smaller than bills.

Smoothing: Asset valuation calculated by averaging market value over a multi-year period (typically the previous five years). Smoothing reduces reported volatility for asset values, relative to reality.

Statement of Activities: The “income statement” for state and local governments. Reports total expenses, expenses net of fees and grants, and general (tax) revenue. General revenue less net expenses leads to the change in net position, or “net revenue.”

Statement of Net Position: The “balance sheet” for state and local governments. Basic structure lists reported assets, subtracts reported liabilities, and the result is the net position.

Sunshine State: A state a Taxpayer Surplus, e.g. assets available to pay bills is larger than bills.

Taxpayer Burden: Assets available to pay bills less bills on a per-taxpayer basis. When negative, this amount is a “Taxpayer Burden.” This is the amount that each taxpayer would have to send to the state to pay of all of the state's unfunded debt.

Taxpayer Surplus: Assets available to pay bills less bills, on a per-taxpayer basis. When positive, this amount is a “Taxpayer Surplus.”

Unfunded Other Post-employment Benefits: Present value of post-employment benefit obligations other than pensions, such as retiree health care in excess of plan assets.

Unfunded Pension Liabilities: Present value of pension liabilities in excess of plan assets.

Unfunded Retirement Liabilities: Unfunded pension liabilities plus unfunded OPEB liabilities

APPENDICES

APPENDIX I – FINANCIAL STATE OF THE STATES SCHEDULE

		(in Billions)						
Ranking	**State**	**Reported Assets***	**Less Capital Assets**	**Less Assets Restricted By Law or Contract**	**Assets Available to Pay Bills**	**Less Bills**	**Money Available (Needed) to Pay Bills**	**Each Taxpayer Financial Surplus (Burden)**
36	**Alabama**	$50.0	($29.4)	($10.8)	$9.8	($26.9)	**($17.1)**	**($13,400)**
1	**Alaska**	$100.7	($11.3)	($49.1)	$40.4	($26.0)	**$14.4**	**$52,300**
20	**Arizona**	$44.2	($26.6)	($8.2)	$9.4	($15.4)	**($6.0)**	**($3,300)**
14	**Arkansas**	$25.1	($14.5)	($3.4)	$7.3	($8.4)	**($1.1)**	**($1,500)**
44	**California**	$296.3	($154.0)	($48.6)	$93.8	($328.3)	**($234.5)**	**($20,900)**
19	**Colorado**	$38.2	($19.0)	($7.2)	$12.0	($17.8)	**($5.8)**	**($3,300)**
49	**Connecticut**	$31.6	($17.1)	($4.5)	$10.1	($72.2)	**($62.1)**	**($48,600)**
41	**Delaware**	$13.3	($8.9)	($1.3)	$3.1	($8.5)	**($5.4)**	**($17,400)**
13	**Florida**	$197.9	($100.2)	($34.3)	$63.4	($69.8)	**($6.4)**	**($1,100)**
24	**Georgia**	$57.0	($32.6)	($9.2)	$15.2	($27.1)	**($12.0)**	**($4,500)**
45	**Hawaii**	$23.5	($14.9)	($3.3)	$5.4	($17.8)	**($12.4)**	**($26,500)**
7	**Idaho**	$16.7	($7.5)	($4.4)	$4.8	($3.8)	**$1.0**	**$2,400**
48	**Illinois**	$76.6	($33.4)	($13.7)	$29.5	($213.8)	**($184.3)**	**($45,000)**
12	**Indiana**	$55.6	($23.2)	($8.0)	$24.4	($25.8)	**($1.3)**	**($700)**
11	**Iowa**	$28.2	($13.0)	($6.0)	$9.2	($8.3)	**$0.9**	**$900**
26	**Kansas**	$25.3	($16.0)	($5.1)	$4.2	($10.2)	**($6.0)**	**($6,700)**
47	**Kentucky**	$48.0	($29.8)	($5.1)	$13.1	($53.2)	**($40.1)**	**($32,600)**
39	**Louisiana**	$41.0	($21.3)	($8.1)	$11.6	($31.2)	**($19.5)**	**($15,200)**
30	**Maine**	$13.5	($5.6)	($2.3)	$5.6	($9.5)	**($3.9)**	**($8,800)**
35	**Maryland**	$52.4	($32.6)	($3.7)	$16.1	($43.8)	**($27.7)**	**($13,200)**
46	**Massachusetts**	$70.8	($43.8)	($6.7)	$20.2	($87.4)	**($67.2)**	**($27,400)**
42	**Michigan**	$61.9	($26.7)	($11.8)	$23.5	($78.5)	**($55.0)**	**($18,100)**
17	**Minnesota**	$54.5	($23.1)	($14.4)	$16.9	($21.2)	**($4.3)**	**($2,200)**
31	**Mississippi**	$29.3	($18.8)	($5.6)	$5.0	($11.6)	**($6.6)**	**($9,200)**
21	**Missouri**	$50.2	($37.1)	($5.5)	$7.6	($13.9)	**($6.3)**	**($3,400)**
10	**Montana**	$15.1	($6.0)	($3.6)	$5.4	($5.1)	**$0.3**	**$900**

* Net of Reported Pension Assets and OPEB Assets

Numbers may not sum to total due to rounding

APPENDIX I – FINANCIAL STATE OF THE STATES SCHEDULE (Continued)

		(in Billions)						
Ranking	**State**	Reported Assets*	Less Capital Assets	Less Assets Restricted By Law or Contract	Assets Available to Pay Bills	Less Bills	**Money Available (Needed) to Pay Bills**	**Each Taxpayer Financial Surplus (Burden)**
6	**Nebraska**	$21.2	($10.9)	($5.7)	$4.6	($2.8)	**$1.8**	**$2,800**
18	**Nevada**	$15.4	($8.0)	($2.3)	$5.1	($7.5)	**($2.4)**	**($2,700)**
25	**New Hampshire**	$8.3	($4.8)	($1.5)	$1.9	($4.3)	**($2.4)**	**($4,700)**
50	**New Jersey**	$88.0	($51.1)	($12.0)	$24.8	($185.6)	**($160.8)**	**($52,300)**
32	**New Mexico**	$28.0	($10.5)	($10.6)	$7.0	($12.5)	**($5.5)**	**($9,700)**
43	**New York**	$322.7	($178.5)	($20.6)	$123.7	($254.7)	**($131.0)**	**($20,700)**
28	**North Carolina**	$93.9	($61.4)	($8.1)	$24.4	($47.7)	**($23.3)**	**($8,400)**
2	**North Dakota**	$23.4	($3.8)	($6.0)	$13.7	($5.6)	**$8.1**	**$28,400**
22	**Ohio**	$110.0	($39.8)	($20.6)	$49.6	($63.1)	**($13.5)**	**($3,500)**
16	**Oklahoma**	$41.0	($18.8)	($10.0)	$12.3	($14.7)	**($2.4)**	**($2,200)**
8	**Oregon**	$43.4	($17.9)	($7.7)	$17.9	($15.4)	**$2.5**	**$2,000**
40	**Pennsylvania**	$89.6	($42.8)	($9.0)	$37.7	($103.9)	**($66.2)**	**($15,600)**
37	**Rhode Island**	$10.8	($5.7)	($1.3)	$3.7	($8.6)	**($4.9)**	**($13,500)**
33	**South Carolina**	$49.3	($27.8)	($8.8)	$12.7	($25.6)	**($13.0)**	**($9,700)**
5	**South Dakota**	$10.6	($4.8)	($2.5)	$3.3	($2.1)	**$1.2**	**$4,000**
9	**Tennessee**	$50.6	($32.3)	($3.6)	$14.8	($12.3)	**$2.4**	**$1,300**
27	**Texas**	$262.6	($112.9)	($82.0)	$67.7	($130.3)	**($62.6)**	**($8,300)**
4	**Utah**	$39.2	($21.7)	($7.4)	$10.0	($6.8)	**$3.3**	**$4,200**
38	**Vermont**	$8.4	($3.0)	($1.5)	$3.8	($7.0)	**($3.2)**	**($14,300)**
15	**Virginia**	$93.7	($44.4)	($15.5)	$33.9	($38.2)	**($4.3)**	**($1,500)**
29	**Washington**	$86.5	($40.1)	($10.4)	$36.0	($56.2)	**($20.1)**	**($8,500)**
34	**West Virginia**	$24.8	($12.9)	($3.3)	$8.6	($15.5)	**($6.9)**	**($13,000)**
23	**Wisconsin**	$48.6	($28.0)	($8.9)	$11.7	($19.8)	**($8.1)**	**($4,100)**
3	**Wyoming**	$34.0	($7.2)	($13.5)	$13.3	($8.4)	**$4.9**	**$22,600**

All States	**$3,121.0**	**($1,555.1)**	**($556.6)**	**$1,009.3**	**($2,284.1)**	**($1,274.8)**

* Net of Reported Pension Assets and OPEB Assets

Numbers may not sum to total due to rounding

APPENDIX II - SCHEDULE OF ACCUMULATED BILLS

	(in Billions)					
State	**State Bonds**	**Other Liabilities***	**Less Debt Related to Capital Assets**	**Unfunded Pension Benefits Due**	**Unfunded Retirees' Health Care Benefits Due**	**Total Bills**
Alabama	$9.1	$5.1	($4.8)	$6.1	$11.3	**$26.9**
Alaska	$5.6	$5.0	($2.2)	$7.7	$9.9	**$26.0**
Arizona	$7.4	$10.2	($6.9)	$4.7	$0.0	**$15.4**
Arkansas	$4.5	$3.8	($3.1)	$1.3	$1.9	**$8.4**
California	$129.4	$94.0	($45.2)	$63.2	$86.8	**$328.3**
Colorado	$5.2	$7.1	($5.0)	$9.5	$0.9	**$17.8**
Connecticut	$25.5	$6.1	($7.7)	$26.3	$22.0	**$72.2**
Delaware	$3.7	$1.5	($3.2)	$0.8	$5.8	**$8.5**
Florida	$34.5	$36.9	($12.9)	$3.7	$7.6	**$69.8**
Georgia	$15.4	$10.2	($11.3)	$5.5	$7.4	**$27.1**
Hawaii	$8.9	$2.3	($8.1)	$6.2	$8.5	**$17.8**
Idaho	$2.7	$2.0	($1.3)	$0.2	$0.1	**$3.8**
Illinois	$43.2	$26.5	($13.4)	$111.5	$46.0	**$213.8**
Indiana	$9.6	$8.2	($4.9)	$12.0	$0.8	**$25.8**
Iowa	$5.0	$3.4	($2.0)	$1.3	$0.6	**$8.3**
Kansas	$4.0	$3.5	($4.2)	$6.3	$0.5	**$10.2**
Kentucky	$10.6	$10.7	($4.1)	$31.4	$4.6	**$53.2**
Louisiana	$12.0	$8.3	($5.7)	$7.8	$8.8	**$31.2**
Maine	$6.1	$0.7	($1.3)	$2.0	$1.9	**$9.5**
Maryland	$18.6	$8.3	($11.0)	$18.4	$9.4	**$43.8**
Massachusetts	$42.7	$15.2	($15.4)	$27.8	$17.0	**$87.4**
Michigan	$20.8	$10.6	($4.0)	$28.2	$22.9	**$78.5**
Minnesota	$13.3	$10.2	($6.2)	$2.7	$1.0	**$21.2**
Mississippi	$5.3	$4.0	($2.5)	$4.0	$0.8	**$11.6**
Missouri	$6.1	$5.7	($5.7)	$4.6	$3.2	**$13.9**
Montana	$1.1	$3.0	($0.4)	$1.0	$0.5	**$5.1**

*Does not include Net Pension and OPEB Obligations

Numbers may not sum to total due to rounding

APPENDIX II - SCHEDULE OF ACCUMULATED BILLS
(Continued)

	(in Billions)					
State	**State Bonds**	**Other Liabilities***	**Less Debt Related to Capital Assets**	**Unfunded Pension Benefits Due**	**Unfunded Retirees' Health Care Benefits Due**	**Total Bills**
Nebraska	$0.8	$2.1	($0.6)	$0.5	$0.0	**$2.8**
Nevada	$4.3	$2.4	($1.8)	$1.4	$1.3	**$7.5**
New Hampshire	$2.1	$1.0	($1.6)	$0.8	$2.0	**$4.3**
New Jersey	$23.4	$55.4	($33.2)	$85.0	$55.0	**$185.6**
New Mexico	$5.7	$3.0	($3.8)	$5.3	$2.3	**$12.5**
New York	$88.4	$138.1	($80.0)	$15.5	$92.8	**$254.7**
North Carolina	$12.4	$16.3	($7.8)	$1.2	$25.6	**$47.7**
North Dakota	$1.4	$4.2	($0.4)	$0.3	$0.0	**$5.6**
Ohio	$20.2	$43.2	($9.8)	$6.7	$2.8	**$63.1**
Oklahoma	$7.5	$5.8	($5.4)	$6.7	$0.2	**$14.7**
Oregon	$11.9	$9.6	($5.6)	($0.7)	$0.2	**$15.4**
Pennsylvania	$34.2	$25.5	($12.2)	$36.6	$19.8	**$103.9**
Rhode Island	$4.7	$2.2	($1.9)	$2.8	$0.8	**$8.6**
South Carolina	$11.9	$8.8	($11.0)	$6.5	$9.4	**$25.6**
South Dakota	$2.1	$0.9	($0.6)	($0.3)	$0.0	**$2.1**
Tennessee	$5.8	$5.4	($2.1)	$1.5	$1.8	**$12.3**
Texas	$41.0	$31.2	($33.1)	$42.2	$48.9	**$130.3**
Utah	$6.9	$2.8	($4.3)	$1.2	$0.3	**$6.8**
Vermont	$3.4	$1.0	($0.9)	$1.3	$2.3	**$7.0**
Virginia	$26.8	$14.5	($12.5)	$6.6	$2.8	**$38.2**
Washington	$23.5	$37.0	($19.2)	$7.8	$7.0	**$56.2**
West Virginia	$4.5	$6.8	($1.9)	$3.7	$2.3	**$15.5**
Wisconsin	$13.6	$11.2	($6.0)	$0.0	$1.0	**$19.8**
Wyoming	$0.9	$6.4	($0.2)	$1.0	$0.3	**$8.4**
All States	**$807.6**	**$737.4**	**($448.3)**	**$628.1**	**$559.3**	**$2,284.1**

*Does not include Net Pension and OPEB Obligations

Numbers may not sum to total due to rounding

APPENDIX III - SCHEDULE OF REPORTED VS. UNREPORTED RETIREMENT LIABILITIES

	(in Billions)		
State	**Total Reported Retirement Liabilities**	**Unreported Retirement Liabilities**	**Total Unfunded Retirement Liabilities**
Alabama	$1.01	$16.42	**$17.42**
Alaska	$0.00	$17.60	**$17.60**
Arizona	$0.00	$4.67	**$4.67**
Arkansas	$1.02	$2.10	**$3.12**
California	$38.79	$111.30	**$150.09**
Colorado	$0.20	$10.29	**$10.48**
Connecticut	$10.45	$37.82	**$48.27**
Delaware	$2.29	$4.27	**$6.56**
Florida	$1.81	$9.54	**$11.35**
Georgia	$1.84	$10.99	**$12.83**
Hawaii	$4.31	$10.39	**$14.71**
Idaho	$0.06	$0.27	**$0.32**
Illinois	$39.77	$117.77	**$157.54**
Indiana	$1.23	$11.63	**$12.87**
Iowa	$0.29	$1.63	**$1.91**
Kansas	$0.12	$6.63	**$6.75**
Kentucky	$6.65	$29.36	**$36.01**
Louisiana	$4.42	$12.21	**$16.63**
Maine	$0.36	$3.60	**$3.95**
Maryland	$7.74	$20.02	**$27.76**
Massachusetts	$8.05	$36.80	**$44.85**
Michigan	$3.62	$47.47	**$51.09**
Minnesota	$0.58	$3.19	**$3.76**
Mississippi	$0.14	$4.63	**$4.77**
Missouri	$1.13	$6.72	**$7.85**
Montana	$0.32	$1.16	**$1.47**

Numbers may not sum to total due to rounding

APPENDIX III - SCHEDULE OF REPORTED VS. UNREPORTED RETIREMENT LIABILITIES (Continued)

	(in Billions)		
State	**Total Reported Retirement Liabilities**	**Unreported Retirement Liabilities**	**Total Unfunded Retirement Liabilities**
Nebraska	$0.00	$0.53	**$0.53**
Nevada	$0.00	$2.65	**$2.65**
New Hampshire	$0.91	$1.93	**$2.84**
New Jersey	$40.46	$99.58	**$140.05**
New Mexico	$0.06	$7.46	**$7.51**
New York	$30.88	$77.43	**$108.31**
North Carolina	$0.00	$26.84	**$26.84**
North Dakota	$0.00	$0.34	**$0.35**
Ohio	$0.16	$9.34	**$9.50**
Oklahoma	$0.21	$6.66	**$6.87**
Oregon	$0.00	($0.42)	**($0.42)**
Pennsylvania	$3.71	$52.72	**$56.43**
Rhode Island	$0.07	$3.53	**$3.60**
South Carolina	$0.02	$15.93	**$15.95**
South Dakota	$0.00	($0.26)	**($0.26)**
Tennessee	$0.76	$2.51	**$3.28**
Texas	$9.64	$81.46	**$91.10**
Utah	$0.00	$1.47	**$1.47**
Vermont	$1.03	$2.56	**$3.59**
Virginia	$4.62	$4.78	**$9.39**
Washington	$2.28	$12.57	**$14.85**
West Virginia	$0.00	$6.04	**$6.04**
Wisconsin	$0.47	$0.57	**$1.04**
Wyoming	$0.08	$1.17	**$1.25**
All States	**$231.55**	**$955.85**	**$1,187.40**

Numbers may not sum to total due to rounding

APPENDIX IV- TIMELINESS OF FINANCIAL REPORT RELEASE

29 States Timely	Days to Release
Michigan	90
Washington	123
Utah	127
New York	155
North Carolina	155
Colorado	165
Iowa	165
Minnesota	165
Wisconsin	165
Alaska	168
Kansas	168
Kentucky	168
Virginia	168
Maryland	170
Nebraska	170
North Dakota	170
Rhode Island	171
Vermont	171
Delaware	172
Louisiana	172
Pennsylvania	172
Tennessee	172
Wyoming	172
Nevada	173
Ohio	175
South Carolina	175
Idaho	176
Massachusetts	176
Texas	180

14 States Tardy (Over 180 Days)	Days to Release
Alabama	182
Indiana	183
Oregon	183
Arkansas	184
Georgia	184
Hawaii	184
Maine	184
New Hampshire	184
Oklahoma	184
Missouri	196
Mississippi	227
South Dakota	240
Florida	242
Connecticut	243

Seven States Excessively Tardy (Over 250 Days)	Days to Release
Arizona	252
Illinois	255
California	269
West Virginia	274
New Jersey	276
Montana	336
New Mexico	407

APPENDIX V- FULL ACCRUAL CALCULATIONS AND TECHNIQUES BUDGETING

Governments have evolved from being in the business of funding/building infrastructure and operating the rather limited machinery of the state's internal operations to being concerned with the health, welfare and lifestyle of its citizens. These changes involve committing to citizens and employees programs, services and benefits not just for the current period but for years to come. Full Accrual Calculations and Techniques
(FACT) will allow governments' accounting and budgeting systems to evolve to provide a comprehensive indication of the total activity of Government and the long-term effects of currently policy.

Accrual-based measurement records revenues and expenses in the period the activity generating revenues, increasing liabilities or consuming resources occurs, regardless of when associated cash is actually received or paid. Accrual measurement is useful in budgeting and accounting for situations where transactions are not completed in one period.

By recording accounts payable and receivable, and thus the change in value of the assets and liabilities, FACT accounting keeps a running tally of what a government owns and owes in economic terms. If a government promises pension benefits in the current period and must pay retirement claims in future periods, the liability and expense is recorded when the event occurred. When the cash is actually paid, the liability is removed.

FACT Based Accounting and Budgeting:

- Presents a complete picture of your governments' financial conditions, especially long-term commitments
- Illuminates the long term effects of current decision
- Limits elected officials' ability to expand programs and services by deferring the payment of current costs
- Recognizes all costs and all legitimate revenues regardless of when money is paid or received
- Provides full costing information, including government employees' retirement benefits.
- Supplies information necessary for accurate performance measurements
- Adopts the use of a consolidating budget documents to facilitate the public's ability to understand governmental financial consequences of the budget
- Produces corporate style balance sheets and income statements, which is the format more citizens understand
- Facilitates the evaluation of budgeted amounts versus the actual revenues earned and costs incurred because budget documents are presented in the same format as the government's financial statements
- Promotes accountability
- Produces financial information that is comprehensive, comparable and consistent
- Provides information necessary to evaluate intergenerational fairness
- Provides better information for decision making

APPENDIX VII- SUMMARY OF TRUTH IN ACCOUNTING ACT

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 without truly doing so. As a result most state and local governments are millions, if not billions of dollars in debt, including enormous retirement promises. Headlines about spending pressures and bankruptcies are today's result.

The difference is in 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 government budgets are calculated on a cash basis. Cash basis is good for keeping track of current receipts and expenditures. This works well for incumbents who dislike planning 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 promised to current employees is ignored.

To promote financial transparency and to provide the public and elected officials with a truthful, complete picture of government activity and the long-term effects of current policy, the Truth in Accounting Act would require governments to prepare their budgets using FACT based budgeting. The benefits of FACT based budgeting are:

· 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 governments' financial conditions, especially long term commitments, would be presented
· 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 importantly, this legislation would strengthen elected officials' ability to determine compliance with the intent of balanced budget requirement, which is to preserve intergenerational equity. The public could see 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, similar to standards expected of businesses.

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