THE 2013 FINANCIAL STATE OF THE STATES

Truth in Accounting

TOP 5 Sunshine States

1 Alaska
Per Taxpayer
Surplus: $46,900

2 North Dakota
Per Taxpayer
Surplus: $22,300

3 Wyoming
Per Taxpayer
Surplus: $20,200

4 Utah
Per Taxpayer
Surplus: $2,700

5 South Dakota
Per Taxpayer
Surplus: $2,700

BOTTOM 5 Sinkhole States

46 Hawaii
Per Taxpayer
Burden: $27,000

47 Massachusetts
Per Taxpayer
Burden: $28,000

48 New Jersey
Per Taxpayer
Burden: $36,000

49 Illinois
Per Taxpayer
Burden: $43,400

50 Connecticut
Per Taxpayer
Burden: $48,100

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SUMMARY OF 2013 FINDINGS

- By circumventing the intent of balanced budget requirements, elected officials have accumulated $1.2 trillion in state debt. As a result 41 states have dug financial holes for current and future taxpayers.

- Over $933 billion of unfunded retirement systems' liabilities are not reported on the face of state balance sheets.

- For the fifth year Truth in Accounting identifies the worst five "Sinkhole" states. These states have the highest Taxpayer Burden. "Taxpayer Burden" represents the amount each taxpayer would have to send to their state's treasury to fill its current financial hole. Massachusetts joined the ranks of the five worst states, while Kentucky dropped out.

WORST 5 SINKHOLE STATES

State	Taxpayer Burden
Connecticut	$48,100
Illinois	$43,400
New Jersey	$36,000
Massachusetts	$28,000
Hawaii	$27,000

TOP 5 SUNSHINE STATES

State	Taxpayer Surplus
Alaska	$46,900
North Dakota	$22,300
Wyoming	$20,200
Utah	$2,700
South Dakota	$2,700

- On the positive side Truth in Accounting recognizes the top five "Sunshine" states, those states that have the highest "Taxpayer Surplus." A Taxpayer Surplus exists because these states have assets available to pay their bills. Elected officials in these states tend to not use accounting tricks to balance their budgets.

- Once again New Mexico receives Truth in Accounting's "Tortoise Award". As of September 20, 2014 the state had not issued its financial report for its fiscal year end June 30, 2013.

Truth in Accounting, September 2014

EXECUTIVE SUMMARY

For the fifth year Truth in Accounting has completed a comprehensive review of the financial reports of all states to provide citizens with a clear picture of their government's financial condition. Despite an improvement in the economy, the amount of bills accumulated by the states has not significantly decreased. States still have more than $1.2 trillion of debt, accumulated despite balanced budget requirements in 49 of the 50 states. As a result, 41 states have dug financial holes for current and future taxpayers.

These 41 states have created a “Taxpayer Burden,” representing the amount each taxpayer would have to send to their state’s treasury to pay their state's accumulated debt beyond its assets available. If state budgets had been truly balanced, no Taxpayer Burden would have accumulated.

Truth in Accounting has again identified the worst five “Sinkhole” states, those with the highest Taxpayer Burdens. Connecticut’s Taxpayer Burden is $48,100, Illinois - $43,400, New Jersey - $36,000, Massachusetts - $28,000 and Hawaii - $27,000.

Truth in Accounting also identified the top five “Sunshine” states. Alaska, North Dakota, Wyoming, Utah and South Dakota have a "Taxpayer Surplus". These states have assets available to pay their bills. For the most part these states fund pension costs in the year the employees earn the benefits and money is set aside to pay them.

The principal driver of Taxpayer Burdens is outdated accounting policies used to calculate state 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.

More than $933 billion of promised retirement benefits is not reported on state balance sheets due to outdated accounting standards.

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

Data for this report was derived from states’ 2013 financial reports and related retirement plans’ actuarial reports.

INTRODUCTION AND BACKGROUND

Truth in Accounting (TIA) was formed 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 policy decisions. TIA determined that recognizing both the short term and long term financial consequences of public decisions would lead 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 other post-employment benefits such as health and dental care. When those liabilities were included, Truth in Accounting'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 policy 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 Comprehensive Annual Financial Report (CAFR). 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 are 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.[i]

Among the questionable budgeting and accounting techniques was treatment of pensions and other post-employment benefits, 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

[i] In state government accounting a "balance sheet" is called a "Statement of Net Assets."

not considered nor reported in the states' primary accounting statements because state officials use antiquated accounting principles to calculate state budgets and financial reports. Truth in Accounting's study found under these principles states report balanced budgets while accumulating large debts and deferred liabilities.

Having determined state financial statements do not report all of each state's liabilities, TIA realized elected officials and citizens were making financial decisions without knowing the true financial condition of their state. Lack of truth and transparency in state government accounting prevents even the most sophisticated user of state financial documents from understanding and judging a public sector entity's financial condition.

At this point Truth in Accounting felt compelled to provide an honest accounting of each state's financial condition. TIA developed a sophisticated model to analyze all assets and liabilities of all 50 states, including unreported liabilities. Yearly since 2009, TIA has released its "Financial State of the States" study, showing 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 governmental officials is an essential part of government responsibility. Because of the lack of transparency for 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 Truth in Accounting: To educate and empower citizens with understandable, reliable, and transparent government financial information. Truth in Accounting is a non-profit, politically unaffiliated organization composed of business, governmental and academic leaders interested in improving public and private sector financial reporting. Truth in Accounting makes no policy recommendations beyond improvements to budgeting and accounting practices that will enhance the public's understanding of their government's financial matters.

2013 FINDINGS

Bottom 5 Sinkhole States

State	Taxpayer Burden 2013	Taxpayer Burden 2012	Increase (Decrease) In Taxpayer Burden
Connecticut	$48,100	$46,000	$2,100
Illinois	$43,400	$42,200	$1,200
New Jersey	$36,000	$34,200	$1,800
Massachusetts	$28,000	$25,500	$2,500
Hawaii	$27,000	$41,300	($14,300)

While the financial condition of most states improved as a result of an improving economy, the financial condition 4 of the 5 states, Truth in Accounting identifies as worst "Sinkhole States" (Connecticut, Illinois, New Jersey and Massachusetts), continued to deteriorate.

The key reason Connecticut's taxpayer burden increased is a more than $1.6 billion increase in state employees' retiree health care plan unfunded liability. This increase is over a two year period, because the state did not have an actuarial valuation done in 2012. The unfunded liability for this plan is now more than 500% of covered payroll. This means that the state would have to lay off all the employees who are covered by this plan and divert those funds into the plan for more than five years just to pay off the retirees' health care promises that were not funded when they were made.

In 2013 growing unfunded pension and retiree health care promises continued to worsen the financial conditions of New Jersey and Illinois.

Massachusetts joined the worst five states with a $2,500 increase in its Taxpayer Burden to $28,000. The decline in the state's financial condition was mostly a result of increases in its unfunded pension liabilities. The $3 billion increase in the state's pension plans' assets was dramatically offset by a $9 billion increase in the plans' promised benefits.

While Kentucky's Taxpayer Burden did not significantly decrease since 2012, Massachusetts' entry into the worst five Sinkhole States moved Kentucky into the sixth worst state position.

Top 5 Sunshine States

State	Taxpayer Surplus 2013	Taxpayer Surplus 2012	Increase (Decrease) In Taxpayer Surplus
Alaska	$46,900	$35,300	$11,600
Wyoming	$22,300	$22,600	($300)
North Dakota	$20,200	$16,100	$4,100
Utah	$2,700	$2,500	$200
South Dakota	$2,700	$1,700	$700

Alaska's financial condition improved dramatically in 2013. As noted in the state's financial report, "Although the governmental activities experienced a significant decrease ($2.6 billion) in petroleum related revenue (taxes and rents and royalties), the decrease was offset by an increase in interest and investment gains ($4.9 billion)." Unlike most states, Alaska has assets set aside to pay its bills and during 2013 these assets provided significant investment income.(Alaska Department of Administration-Division of Finance 2013, 5)

The increase in North Dakota's financial condition is a result of the taxes collected exceeding the expenses of the state. Oil, gas and coal tax revenues increased dramatically in 2013.(North Dakota Office of Management and Budget-Fiscal Management Division. 2013, 27)

Truth in Accounting recognizes four other Sunshine States. These states have assets in excess of bills, including unfunded promises to state retirees. These states are Nebraska, Montana, Tennessee and Iowa.

Montana Joins the Sunshine States

For the first time Montana became a Sunshine State with a Taxpayer Surplus of $1,400. The state reported 2013 revenue exceeded expenses by almost $9.5 billion. Like Alaska and North Dakota, Montana's revenues are tied to petroleum related revenues, which have increased over the last few years.

State Data Lab Adds Context to Taxpayer Burden

While Truth in Accounting ranks the states' financial conditions with a measure of the Taxpayer Burden or Surplus, those figures become more meaningful when viewed in context with external economic, demographic and state financial data. To enable citizens to compare their state to others, Truth in Accounting developed State Data Lab (StateDataLab.org). The site provides a simple graphic tool allow easy access to TIA asset and liability analysis as well as selected external data. Users may print, link, or save graphs they create, as well as share them on social media. For additional information see Appendix VIII.

Accounting Rules Have Not Kept Up with Growing State Missions

State government missions continue to expand to include a wide array of programs and commitments providing direct assistance to constituents and state employees. As the scope of state government services expands so does public sector employment. Therefore states assume a myriad of open-ended liabilities including permanent obligations to pay benefits to employees and eligible recipients, regardless of the amounts available in any fund established to pay for them.

Today's commitments have ramifications far out into the future. Unfortunately, the way state governments report future obligations has not kept up with their mission changes. TIA research shows that state and local governments are making more and more financial commitments using data that does not accurately account for or recognize the true costs of the commitments being made.

State budget calculations are still based on cash-basis fund accounting. Created in the nineteenth century as the standard accounting method for public entities, the cash-basis system establishes separate *funds* to track and pay for various state functions.

Legislatures used this technique to control spending on bridges, roads and other projects by appropriating money into a specific fund for each project. Only the money in the designated fund could be used for that project and only to the extent that the fund had a positive balance. The purpose and the amount devoted to any project were thus controlled. When a bridge or road was planned, the associated costs were determined before the first shovel was turned and the total cost was finite. The legislature could then appropriate money to a project and let it proceed. If the money ran out before the bridge was complete, work would stop until new funds were appropriated. This selfliquidating feature created controls on spending and the concept that the executive branch could not spend more than the “funds available”.

Cash accounting is an antiquated accounting method, inappropriate for today’s state governments with expanding educational, health and welfare missions promising future benefits. It does not achieve accounting’s most basic mission of matching revenues and costs. State budgeting using short-term cash basis numbers when making long-term commitments is a recipe for financial disaster as the evidence in this report shows.

More appropriate is accrual accounting, recognizing expenses, including total compensation costs, when incurred regardless of when paid and revenues when earned regardless of when received. Yearly budgets should include accrual accounting principles, to acknowledge the political and economic realities of the twenty-first century.

States "Balance" Budgets and Accumulate Debt at the Same Time

So exactly **how can states accumulate debt and balance their budgets at the same time?** It all depends on **how you count**. State budgets are calculated using budget shenanigans. These include delaying writing checks for current bills.

Despite promises such as pensions and other benefits, to be paid in the future, states continue to use cash-based fund accounting for current year expenses. In addition to specific project funds, most states have established a “General Fund," typically the primary focus of state budgets. Budgets for the General Fund and specific projects are primarily created using “checkbook” accounting for current year expenses. Calculations used to verify a “balanced budget” often include only the checks that will be written and the funds that may be deposited in the state’s General Fund during the budget year.

Current Compensation Costs Have Been Shifted to Future Taxpayers

The most significant trick is to neglect including millions, if not billions, of dollars of current compensation costs in the budget.

States’ largest annual cost is employee compensation. Employee compensation packages include benefits such as health care, life insurance and retirement benefits including pension and Other Post-Employment Benefits (OPEB). Just like salary, these benefits are earned each day an employee works and the cost of these benefits accumulates every day as well. As these benefits are promised and have been earned, a liability is created that will be paid sometime in the future. Prudent management requires the value of this liability be estimated, and assets provided, to ensure payments can be made when they come due.

Use of antiquated cash basis accounting, focusing on checks written today, ignores most retirement benefits to be paid in the future in budget calculations. 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 then the money that would have paid the entire balance can be spent on something more gratifying than paying debt. But the cardholder decision to pay the balance in the future does not negate the fact that the product or service was consumed when the 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 cost to the retirement plans' "credit card." When employees work, providing current services to the state, the salary portion of the compensation cost 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 time. The balance is called the "Unfunded Actuarial Accrued Liability" (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 it does not change the fact that the retirement benefits' portion of the compensation cost was incurred when the employees earned them.

To the extent retirement plans are not fully funded, the state makes an implicit decision to devote future taxes to pay the balance and interest that accumulate between the time the compensation cost was incurred and the time the benefits are paid. But most states do not even pay their minimum contributions (Annual Required Contributions, or ARC) and a few states skip 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 inter-generational equity.

Even worse, accounting rules allow states to hide from public view the total amount of the liabilities accumulated for pensions and other post-employment benefits. 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 or contributions.

2013 Budget Gimmicks Used to "Balance" State Budgets

State Budget Solutions (SBS) researched and documented some of the worst state budget gimmicks of 2013. (Luppino-Esposito 2014) Truth in Accounting appreciates their efforts to highlight this problem.

State Budget Solutions has been keeping an eye on the bag of tricks employed by legislators and other budget officials. These budget gimmicks hide the true cost of government and set up states for fiscal calamity down the road. In 2013, not much has changed, though some states have attempted to fix gimmicks they employed in the past. For examples of a few of the most "popular" gimmicks SBS come across in 2013 see Appendix X.

Below are excerpts from SBS's article that outlines a few of the worst state budget gimmicks of 2013 they identified:

Underfunding pension contributions

An underfunded state pension plan has more liabilities than assets. By continually underfunding pensions, pension accounts become less stable, and there is less assurance that the state can effectively cover distribution amounts when pension benefits become due.

Moving money from dedicated funds: "fund shifts"

"Fund shifts" occur when lawmakers sweep money from one internal state fund and use it in another fund, often in an attempt to demonstrate a more balanced budget.

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.

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.

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.

One-time sale of assets or other non-recurring funds

A one-time sale of state-owned assets helps to close budget gaps, but the expenditures including the sale do not decrease in following fiscal years despite the absence of the sale of the asset, effectively creating larger future deficits. Other types of non-recurring funding may include money from legal victories or settlements or the refinancing of state bonds.

Inadequately funding other state programs

State lawmakers will underfund programs such as education and Medicaid, justified by failing to include realistic projections for costs (such as increased student enrollment) or revenues (from Medicaid-related provider taxes or fees).

Improper use of mortgage settlement funds

As part of the National Mortgage Settlement in February 2012, the states split $2.5 billion intended to provide a measure of restitution on behalf of homeowners who lost equity in the market collapse or lost their homes in the "robo-signing" foreclosure scandal. Six states - Missouri, California, South Carolina, Georgia, Alabama and New Jersey - ignored the agreed-upon uses for the money entirely by directing nothing for housing-related activities. Fourteen others, including Idaho and Illinois, are using less than half of their funds for the intended purposes.

Retirement Liabilities Are Calculated Using Unrealistic Assumptions

States use professional actuaries to estimate the pension and retirees' health care liabilities, and the contributions needed to fund promised benefits. These actuaries use a number of opinions about future events to make their estimations. Taken together these opinions are known as the actuarial assumptions. Actuarial assumptions integrate 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. In addition actuaries 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.

TIA researchers found that some retirement plans use what is called "smoothing" to calculate the value of plan assets and contributions needed to adequately fund future benefits. Smoothing calculates the value of a retirement plan assets at the average market value over a period of time, usually 5 years, attempting to adjust for severe market gains and losses. Because of the periodic market crash, this method may result in assets being valued in excess of current market crashes, thus smaller contributions are required.

A great deal of risk is involved in offering employees' retirement benefits under these "defined benefit" plans.

- One of the largest risks is the fluctuation in the market value of plan assets.
- Using smoothing techniques to determine the actuarial value of plan assets masks this risk.
- This risk should be highlighted, not hidden, from the public.
- A drop in the market value of plan assets may result in the government having to provide additional resources to adequately fund guaranteed benefits.

- Taxpayers will be responsible to provide these additional resources, therefore they must be informed of this possibility in the most transparent way possible by requiring states to use the current market value of assets.

Actuaries use a “present value” calculation to estimate a plan’s future benefits and the contributions that will be needed to pay those benefits.

- 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.
- A higher rate of return requires smaller contributions from the employer, due to the estimation of a lower liability.
- Conversely a lower rate of return requires the state to contribute more into the plan to pay promised benefits due to a higher estimate of liability.

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 valuating and funding a pension plan.

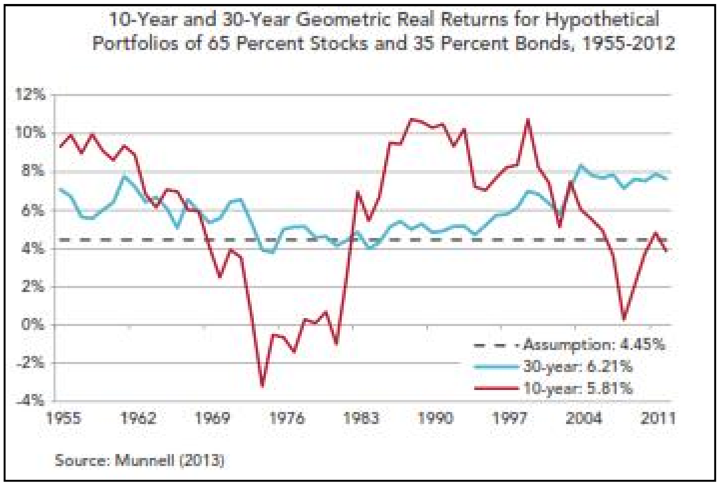
Small differences in interest rates generate significant differences in contributions required to fully fund retirement plans. A 2007 United States Government Accountability Office study highlighted significant differences various rates of return have on the pension plan contributions.

- 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.(Govermental Accounting Standards Board 2011, 28)

The study noted **“real returns on various investment instruments over the last 40 years” was 5%.**(Ibid, 33)

Most state pension actuaries use a rate of return of more than 7%. Pension plan administrators take 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 pointing to periodic downturn in markets where some plan assets had a double digit negative return on investments. A study done at the

Center for Retirement Research at Boston College (CRBC) indicates that both sides point of view are valid.(Munnell, Aubry and Hurwtiz 2013)

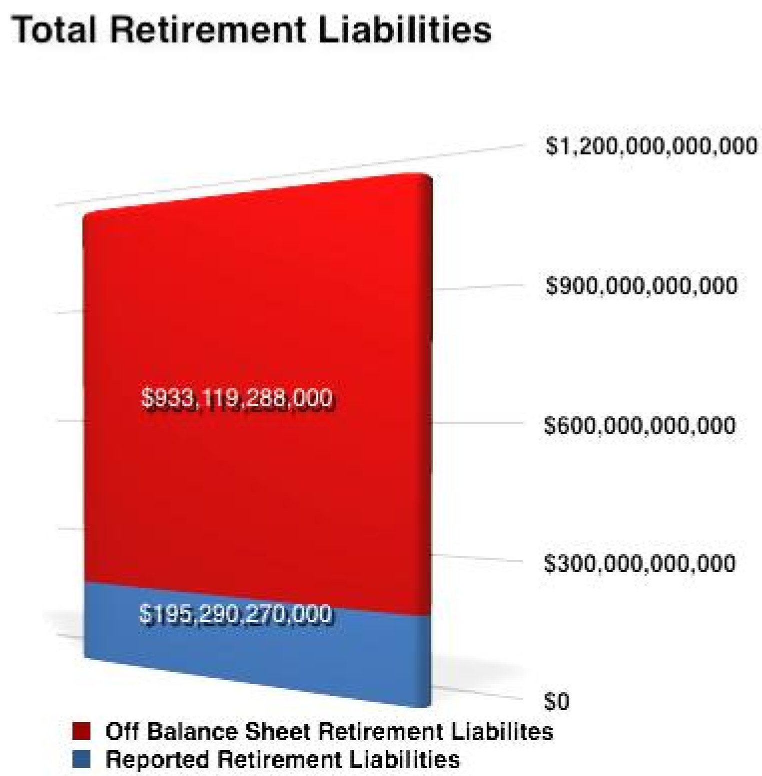


The Society of Actuaries commissioned a "Blue Ribbon Panel on Public Pension Plan Funding" to prepare a report. In this report the panel points out, "Return experience does not readily suggest that return assumptions currently in use have been inconsistent with prior experience. Trailing 10-year real returns for a 65 percent/35 percent equity/bond portfolio fell precipitously beginning in 2001. Returns have remained below the assumed real return assumption ever since. Yet 30-year real returns remain above plans' average assumed rate of return."(Blue Ribbon Panel on Public Pension Plan Funding 2014, 16)

However the Blue Ribbon Panel recommends the rate of return assumption be based upon a forward looking, rather than historical, technique. The panel's report states, "This rate of return would be based on current long-term risk-free rates plus a margin representing risk premia earned over risk-free rates."(Ibid, 24) "Risk premia" takes into account the risk associated with the assets held in the plan. In February 2014, the time the panel's report was issued, that rate was estimated to be 6.4 percent. (Ibid, 24)

Billions of Dollars of Liabilities Are Maintained Off-Balance Sheet

Beyond optimistic actuarial assumptions used by states to calculate their unfunded retirement liabilities, Truth in Accounting researchers found states have accumulated pension and OPEB liabilities totaling more than $1.1 trillion. This study determined only $195 billion of these liabilities are reported on state balance sheets. More than $933 billion of these retirement liabilities are maintained off-balance sheet.[ii]



This lack of transparency is due to reporting requirements established by the GASB.

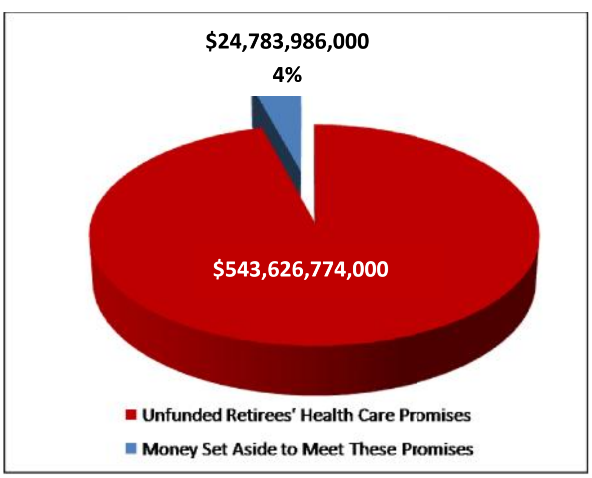
- Until 1997 states were not required to disclose their unfunded pension liabilities.
- That year GASB instituted an accounting standard that required states to disclose some unfunded pension liabilities.
- States were then required to show unfunded liabilities on their balance sheets – but slowly, over 40 years.

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

- The standard allowed states to amortize pension benefit enhancements made after 1997, also slowly added to the balance sheet over a 30 year period.

The GASB standard also required states to include on their income statements, as "pension expense," the cost of retirement benefits employees earn each year. Also included in pension expense is 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 Annual Required Contribution (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.** Truth in Accounting researchers found that <u>pension related liabilities of $521 billion do not appear on state balance sheets,</u> or 89% of the total.

In addition to pension benefits most states provide employees with Other Post-Employment Benefits (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 OPEB liability, 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 <u>OPEB related liabilities of almost $412 billion do not appear on state balance sheets,</u> or 75% 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. Truth in Accounting's analysis of all 50 states found **only 4 cents has been set aside to fund each dollar of the promised retirees' healthcare benefits.**

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 because 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 contacted state financial report preparers and/or plan administrators. TIA researchers were astonished when these government officials said they did not know their state's share of the pension liability. In one instance one plan administrator, who will not be identified states, "We do not break out UAAL (Unfunded Actuarial Accrued Liability) 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 to TIA researchers in determining each state's share of their multi-employer, cost-sharing plans, they analyzed each individual pension and OPEB plan and included applicable unfunded liabilities in calculating each state's financial condition.

More detail is provided in the Methodology section below.

Soon the Full Pension Liability Will Be on State Balance Sheets

On June 25, 2012, Truth in Accounting's CEO and founder, Sheila Weinberg, and others gave testimony before GASB which resulted in GASB approving amendments to accounting for pensions by employers. Soon states will be required to report their total "Net Pension Liability" on their balance sheets. The Net Pension Liability (NPL) will equal the total amount of accrued benefits net of the fair market value of the pension plans' assets. States are required to implement these amendments in their 2015 fiscal year financial statements. Therefore most states will not report their states' Net Pension Liability until December 2016.

States could choose to adopt these statements earlier. Truth in Accounting strongly urges states to implement these amendments as soon as possible.

The amendments are based upon the principle that "[P]ensions are a form of compensation, like salaries, which governments provide in return for work." (Govermental Accounting Standards Board 2011, 54) GASB concluded from that observation that pension obligations should be recorded when earned, not when paid.

In the past most studies of states' unfunded retirement liabilities and financial conditions allocated to each state all of the liabilities related to multi-employer, cost-sharing plans. GASB's amendments follow Truth in Accounting's lead in requiring states to calculate and record on their balance sheets only their share of liabilities related to these plans.

As noted above, Net Pension Liability (NPL) will be based upon fair market value of pension plans assets. Some are concerned about NPL volatility due to fluctuation of market value of plans assets from year to year. However, this volatility will reflect reality. Fair market value of pension plans assets will provide citizens and policy makers with information about risks involved in financial markets and instruments used to fund their retirement plans.

Previously many states determined their contributions based upon the annual required contributions calculated according to GASB's pension standard. Whether states paid these annual contributions or not was the largest factor used in judging if states were adequately funding their pension plans.

Under the amended standards, no annual required contribution 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.** (Govermental Accounting Standards Board 2011, vii)

Additional requirements of these statements include the following:

- The use of The American Academy of Actuarial Standards of Practice, which will likely mandate use of more realistic 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 for the unfunded portion of the Net Pension Liability
- 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.

On May 28, 2014 GASB issued an exposure draft "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Proposed changes would bring reporting of state and local government OPEB liability in line with the new pension standard. Until now these liabilities have been hidden in notes to government financial statements. If this exposure draft is approved and implemented, unfunded OPEB liabilities of state and local governments would be reported on the face of their balance sheets.

On September 11, 2014 during her testimony before GASB, Sheila Weinberg, TIA CEO, emphasized, "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." The proposed changes would provide much needed transparency. Unfortunately changes would not be visible on balance sheets of most states until 2017.

Financial Data Is Not Released in a Timely Manner

Timely information is crucial during decision making processes such as the budget process. However, most states issue their Comprehensive Annual Financial Reports (CAFR) long after their fiscal year ends. As of September 20, 2014, New Mexico had not published its June 30, 2013 financial report on the internet.

Two States Excessively Tardy	Days to Release
California	295
New Mexico	***

***** Not issued as of September 20, 2014**

Five Most Timely States	Days to Release
Michigan	**82**
Utah	115
Washington	131
North Carolina	148
New York	156

A complete ranking of the timeliness of the release of state financial reports can be found in Appendix VI-Schedule of Timeliness of Financial Report Release.

Eighteen states are "tardy" because their 2013 reports were issued over 180 days after fiscal year end. Thirty states issued their 2013 financial reports within 180 days of fiscal year end. According to the Government Financial Officers Association (GFOA) a government's financial report is considered timely if it is issued within 180 days of the fiscal year end. TIA considers California to be "excessively tardy", because the state did not issue its 2013 report until almost 300 days after its fiscal year end. New Mexico is also in that category, because as of September 20, 2014 New Mexico has not issued its 2013 financial report.

Michigan was the timeliest state, issuing its 2013 reports 82 days after its fiscal year end. According to its Office of Financial Management, the Michigan CAFR is required, by statue, to be issued within 180 days of the fiscal year end. The state seems able to exceed this goal for two reasons. First, the state's governors—notably of both political parties—maintained strong commitment to this goal. Second, Michigan has a centralized accounting system.

The practice of quickly issuing the state's financial report began when John M. Engler was Michigan's governor from 1991 to 2003. Gov. Engler requested the CAFR for fiscally year ended (FYE) September 30, 2002 be issued before he left office on December 31 or approximately ninety days after the FYE. The governor's goal was achieved despite his "lame duck" status, as he was about to be succeeded by a new governor of the opposite political party. His successor, Governor Jennifer Granholm, encouraged state agencies to continue to issue the CAFR within ninety days.

Uniform use of the same accounting system by all state agencies, and re-engineering of financial management processes enabled the Michigan Office of the State Budget to meet the governor's request for timeliness. Timely issuance provides Michigan's legislators with current information from the CAFR during the budget process.

Our previous studies identified four factors predicting a timely CAFR:

- Commitment of governmental officials;
- Capacity of accounting systems;
- Desire to receive the GFOA certificate, and
- Adequate resources, including personnel;

Commitment of Government Officials

The most important factor is commitment to report to the state citizens on a timely basis. In the absence of a legal requirement for the issuance of the CAFR by a certain date, commitment of a state governor and legislature for timely CAFR issue is critical. To achieve the goal of issuing a report within 180 days after the FYE, the government officials and staff who are involved in the process of preparing the CAFR need to understand the importance of a timely CAFR.

One particular impediment to a timely reporting occurs in states where the agency or department preparing the CAFR does not have compelling authority over executive branch agencies. This is problematic because agency directors accumulate and submit the financial data needed to complete the CAFR. 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. Because agency directors are part of the executive branch and report directly to the governor, the comptroller can only request that the agencies provide him with the necessary data on a timely basis. In these situations, the governor must exert authority to ensure the agencies produce and transmit data to the right parties in time to meet the GFOA 180-day timeline.

Capacity of Accounting Systems

In some states antiquated financial systems are budgetary-focused or lack flexibility for GAAP reporting capabilities. Such systems require manual adjustment of entries.

Adequate information management capacity and tools are prerequisites for timely and accurate CAFR reporting. A well-managed, centrally controlled computer system provides capability to generate dependable data and maintain it in compatible formats. This, in turn, streamlines production and presentation of year-end financial data.

Desire to Receive the GFOA Certificate

The Government Finance Officers Association (GFOA) awards Certificate of Achievement for Excellence in Financial Reporting to states that issue CAFRs within six months of their FYEs. Earning this certificate is a coveted professional distinction and the GFOA has done an excellent job of using certificates to encourage states and their officials to issue their annual reports on a timely basis. Measured by this 180-day benchmark, our analysis shows 30 states are eligible to earn this important distinction. Sixteen of the states, who issued their 2013 CAFRs after the 180-day benchmark, still received the Certificate of Achievement.

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 forty-five days of their respective fiscal year-ends (FYEs). Many question why states cannot meet this goal. Our interviews with people who have state government accounting experience reveal that most believe it would be impossible to prepare a state CAFR in less than ninety days, much less forty-five days. Besides the internal difficulties of accumulating and auditing the necessary financial information, obstacles outside the CAFR preparer's control may exist.

One obstacle is federal government time lag to reimburse state Medicaid costs, causing difficulty in determining the amount owed medical providers at FYE. Michigan uses estimates to circumvent these issues. In other cases, proposed legislation may affect the FYE financial data, forcing CAFR preparers to wait until the legislation is signed (or not signed) into law before the CAFR may be completed.

Timely release of state CAFR data is critical to provide citizens, legislators and other officials the opportunity to review past financial performance as they prepare future budgets. Prior year financial reports provide citizens and elected officials with essential information needed to be knowledgeable participants in this crucial decision making process. Michigan and Utah, releasing their CAFR's much sooner than the 180-day goal, establish a benchmark other states could emulate.

Timely Actuarial Data Is Not Available

Among the most important information included in the CAFRs are financial conditions of retirement plans, because related unfunded liabilities are, in most states, their largest obligations. Calculation of these retirement plans' unfunded liabilities are based on actuarial valuations that are usually even more severely out of date than the financial report. The Governmental Accounting Standards Board (GASB) standard permit states to obtain an actuarial valuation of their retirees' health care plans every other year. The 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.

2013 RESULTS

Critical Decisions are Being Made with Inadequate Data

Truth in Accounting's research determined that elected officials and citizens make critical financial decisions using data that is woefully inadequate in two ways:

- The data in state financial reports and budgets **does not accurately recognize all the costs and liabilities associated with pensions and retirees' health care benefits**. Citizens cannot independently judge their state's true financial condition and elected officials' balanced budget claims.
- **Prior year financial results are often reported too late to be used in current budget cycles**. This study found that twenty states' annual reports were not published until over six months after the fiscal year end. As of September 20, 2014 New Mexico has not published its fiscal year end 2013 report on the internet.

BALANCED BUDGETS RESULT IN BILLS IN EXCESS OF ASSETS BY ALMOST $1.2 TRILLION

This study determined that as of the 2013 fiscal year end states did not have the assets necessary to pay $1.1 trillion of their bills as they come due. As Appendix III indicates states have less than $1 trillion of assets available to pay nearly $2.2 trillion of bills as they come due. Though states reported only $195 billion of retirement liabilities on their balance sheets, a detailed review of actuarial reports and other documents revealed states' unfunded retirement liabilities totaled $1.1 trillion and more than $933 billion of these liabilities were maintained off-balance sheet.

Taxpayer Burdens Exists in Forty One States

Balanced budget requirements should prevent state governments from shifting the payment burden for current-year services to future-year taxpayers. True balanced budget accountability reduces the elected officials' ability to incur costs without recognizing them in current budget calculations. Truth in Accounting's study found forty one states have created Taxpayer Burdens that will be the responsibility of future taxpayers, by not truly balancing their budgets.

The main reason for these Taxpayer Burdens 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 IV, we identified $585 billion of unfunded pension and $544 billion of unfunded retirees' health care liabilities. But as indicated in Appendix V, only $195 billion of these liabilities were reported on the face of state balance sheets. Collectively more than $933 billion of the costs of pension and health care benefits earned and promised have not been included in prior state budgets and financial statements.[3] 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 citizens in Bridgeport, Connecticut; using the same methodology, our calculations show that amount to be $927,700 per taxpayer. Every Bridgeport taxpayer would have to write a check to their city for $29,600, to their state for $48,100 and to the U.S. Treasury for $850,000[4] to cover government promises already made on their behalf.

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[3] See Appendix IV - Schedule of Accumulated Bills and Appendix V - Schedule of Retirement Liabilities Not Clearly Disclosed for detail by state.

[4] The "Truth" (true national debt) according to TruthinAccounting.org Debt Clock is more than $82 trillion. The amount cited is derived by dividing the true national debt amount by the number of personal federal returns filed with a tax liability.

Top 5 Sunshine States and Bottom 5 Sinkhole States Identified

In this report Truth in Accounting identifies the "Top 5 Sunshine States" as Alaska, North Dakota, Wyoming, Utah and South Dakota. "Sunshine States" are those with a taxpayer Surplus, representing each taxpayer's share of assets their state has available after bills, including retirement obligations, are paid. Four other states have earned this recognition: Nebraska, Montana, Tennessee, and Iowa and with Montana joining the group for the first time in 2013.

Also in Truth in Accounting's 2013 analysis, the "Bottom 5 Sinkhole States" are Connecticut, Illinois, New Jersey, Massachusetts and Hawaii. These states are sinking in debts summarized by their Taxpayer Burden, the money required from each taxpayer to pay their state's outstanding bills, primarily retirement obligations, after available assets are tapped.

A two page summary of each state's Financial State of the State is located in Appendix VII-Roll-Out of the States.

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 an honest accounting of their true fiscal condition. 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:

- Use StateDataLab.org to develop a better understanding of their state's finances and to create graphs and charts to assist in educating their constituents.
- Require early implementation of the GASB amendments to the pension standard; by including all unfunded pension liabilities on the face of the state balance sheet.
- Take the first step to 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" in Appendix VII-Roll-Out of the States.
- 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 to future period taxpayers. Simple equity says it is simply unfair for one generation to burden a future generation with costs for which no services or benefits are received.
- Recognize that responsible budgeting requires truthful data based upon sound accounting principles.
- Institute Full Accrual Accounting Calculations and Techniques (FACT) based budgeting to include all costs when incurred, not when paid. See the features of FACT based budgeting later in this document.
- Include in budget calculations all costs and obligations associated with pensions and retirees' health care benefits which, like salaries, are a form of current compensation.
- Leave actuarial assumptions to professional actuaries.
- Create no additional Taxpayer Burden and reduce the burden you have inherited as quickly as possible.

- Mandate issuance of the state CAFR no more than 180 days after 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.
- Require pension and retirees' health care plans' actuarial valuations be prepared using the same fiscal year end as the state CAFR and issued annually before the CAFR.
- For states that participate in multi-employer, cost-sharing plans, require plan actuaries to calculate and disclose each employer's share of the Unfunded Actuarially Accrued Liabilities and mandate the state CAFR preparer to include this information in the financial report's notes. The CAFR of the Wisconsin Department of Employee Trust Funds for the year ended December 31, 2009 provides a good example of such disclosure. (Wisconsin Department of Employee Trust Funds 2012, 137)

Recommendations to State Financial Report Preparers

- Encourage early implementation of GASB's new pension standard.
- Maintain a record of the contributions the state, as an employer, makes into each retirement plan.
- To comply with GASB 27 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.
- Include the Unfunded Actuarially Accrued Liabilities of all pension and OPEB plans in the state CAFR footnotes.
- 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.

Recommendations for 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.

- Standardize pension and OPEB documents, exhibits and notes for all states and component units.
- Include in the state CAFR links to all of the state's pension and OPEB plans' websites and related actuarial reports.
- Include in the state CAFR links to component units' financial reports, retirement plans and related actuarial reports.
- In the CAFRs or Actuarial Valuation Reports of multi-employer, cost-sharing retirement plans disclose each employer's share of the unfunded actuarially accrued liability, including that of the state. Wisconsin and a few other states have done this. Others should follow suit by directing their actuaries to reveal this level of detail in their reports.
- All exhibits should have columns and rows totaled to the extent they are additive.

Recommendations for the Electronic Version of CAFR

- 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 software'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 Accounting Standards Setters

Many of Truth in Accounting's concerns about pension liabilities reporting will be addressed when states implement GASB's amendments to pension reporting. Statements No. 67, Financial Reporting for Pension Plans, and No. 68, Accounting and Financial Reporting for Pensions, will improve accounting financial reporting of pension information by state and local governments and pension plans. GASB should approve the extension of the provisions of the pension amendments to include disclosure and reporting requirements for Other Post-Employment Benefits.

Additional recommendations include:

- Require plan asset value to be calculated using current market value, not using a smoothing technique.
- Call for each employer's share of Unfunded Actuarially Accrued Liabilities to be included in multi-employer, cost-sharing retirement plans' CAFRs.
- Format the current government-wide Statement of Net Assets and Statement of Activities to include an additional column for "Total Government", which adds the "Primary Government" column to the "Component Units" column.
- 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.
- Require the disclosure of information about component units' retirement plans in the state's CAFR.
- Issue clarification of the GASB 25 and GASB 27 disclosure requirements for contributions into multi-employer, cost-sharing plans. Of special note should be that GASB 27 requires disclosure in the state CAFR notes *only the state contributions* into each multi-employer, cost-sharing plan. However, GASB 25 requires disclosure in a "Schedule of Employers' Contributions" of the *contributions made by all employers*.

Recommendations to the 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 truthfully balancing the budget.
- 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 pension reporting requirements.
- Encourage GASB's approval of the improvements to retirees' health care liabilities standards.
- Until those changes are made, 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 Comprehensive Annual Financial Report including all notes about retirement systems. To find a link to your state's financial report click 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 2013 Financial State of the State is available in Appendix VII and via the state page on StateDataLab.org.
- 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 governmental 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 XI, and a pro forma Truth in Accounting Act for Illinois is included in the 2010 Financial State of the States report, available via the 'Reports' section on TruthinAccounting.org .

METHODOLOGY

A Comprehensive Approach to Analyzing State Financial Conditions

To determine a state's financial condition TIA researchers created a thorough, detailed approach comparing all of a state's bills, including those related to retirement systems, to all of a state's assets available to pay these liabilities. The results of that comparison are presented in the following "Financial State of the State" presentations.[5]

TIA believes merely 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 analysis, enhancing public knowledge of state finances, is 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 Comprehensive Annual Financial Reports and related retirement plans' actuarial reports. Specifically TIA researchers began reviewing the Statement of Net Position and identifying all assets, including capital assets (buildings, roads, bridges, parks, etc.) and other assets (cash, investment and money in fund accounts, etc.). Some of these assets are available to pay a state's bills or liabilities 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. TIA removed Capital assets from calculation of assets available to pay a state's bills or liabilities since they cannot be easily converted to cash. "Assets Available

5 The electronic version of each state's Financial State of the State can be found at: StateDataLab.org

to Pay Bills" are then calculated by subtracting capital assets and those restricted by law or contract from total assets.

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 t the State, or its relations ship 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. 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 "Each Taxpayer's Financial Burden." This financial burden represents, on a per taxpayer basis[6] and in today's value, bills a state has chosen to fund as they come due rather than when they were incurred. Forty one states have created an unfavorable financial burden representing the amount needed to pay the state's obligations per taxpayer. Only nine 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 financial 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". The Money Needed to Pay Bills reported on each state's Financial State of the State is calculated by subtracting from Unrestricted Assets reported on the state government-wide Statement of Net Assets the additional unfunded retirement liabilities TIA researchers found have already been incurred.

[6] Each state's taxpayers are based on the number of that state's federal tax return filers with a tax liability. See methodology section for more details.

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[7]. 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 multi-employer, 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 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.

TIA asserts that the methods developed and used to complete this analysis have produced precise estimates that are currently available of every state's actual assets and liabilities.

Each state's "Money Needed to Pay Bills" amount reported in Appendix III is an approximation of the Unrestricted Assets each state would have reported on their 2013 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.

[7] After reviewing selected school districts' financial information, if it was determined that the state provided more than 75% of school districts' funding, then the school districts' share of the retirement plan's liability was allocated to the state.

Description of Each State's Financial State of The State

Each state's Financial State of the State[8] is summarized on a page containing three major charts.

The first chart, titled "This State's Bills Exceed Its Assets,"[9] summarizes the TIA's comprehensive assessment of all state assets that could be used to pay state bills.

- **"Assets"** are those reported on the state's balance sheet, except Net Pension Assets.[10]
- **"Capital Assets"** include infrastructure like buildings, roads, bridges and parks that realistically cannot be used to pay bills.
- "**Restricted Assets"** are those assets that are restricted by law or contract. See a detailed definition in the Methodology section of this report.
- **"Assets Available to Pay Bills"** is the remaining amount after subtracting Capital Assets and Restricted Assets from Assets.
- **"Bills"** is the amount of accumulated debt and unfunded retirement promises the state has made per the third chart, as described below.
- **"Money Needed to Pay Bills"**[11] is calculated by subtracting Bills from Assets Available to Pay Bills.
- **"Each Taxpayer's Financial Burden"** is the Money Needed to Pay Bills divided by the number of state taxpayers. The number of each state's taxpayers is based on the number of federal filers who paid federal taxes.(Internal Revenue Service 2011) The last available data from the Internal Revenue Service is for 2011, so the number was increased by the percentage of increase in the estimated population accounting to the Census Department.(U.S. Census Bureau 2013)

The second chart, titled "All Liabilities Are Not Clearly Disclosed," highlights a state's retirement obligations by showing accumulated compensation costs that were not included in prior budgets or financial statements.

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[8] Each state's detailed Financial State of the State can be found in Appendix VII - "Roll Out of the State."

[9] The wording on the charts for Sunshine States (Alaska, Wyoming, North Dakota, Utah, Nebraska, South Dakota, Iowa, Tennessee and Montana) will be different because they have assets to pay their bills. The title of this chart in those states is "The State's Assets Exceed Bills."

[10] Reported assets are adjusted for Net Pension Assets and Net OPEB Assets and the receivables between the Primary Government and its Discretely Presented Component Units.

[11] The Sunshine States have "Money Available to Pay Bills".

- **"Reported Retirement Liabilities"** is the reported Net Pension Obligation and Net Other Post-Employment Benefits (OPEB) Obligation offset by the reported Net Pension Assets and Net OPEB Assets, all of which are included in the state's Statement of Net Assets.
- **"Total Retirement Obligations** are the Unfunded Actuarial Accrued Pension and OPEB Liabilities found in the state's CAFR notes and required supplemental information and/or in the state's retirement plans' financial reports or valuation reports.
- **"Retirement Liabilities Not Clearly Disclosed"** is derived by subtracting the items above from each other. These are liabilities not reported on the state's Statement of Net Assets. In some state's retirement liabilities are reported in CAFR notes and required supplemental information. In other states the state's retirement liabilities are only in retirement plans' financial report or valuation reports.

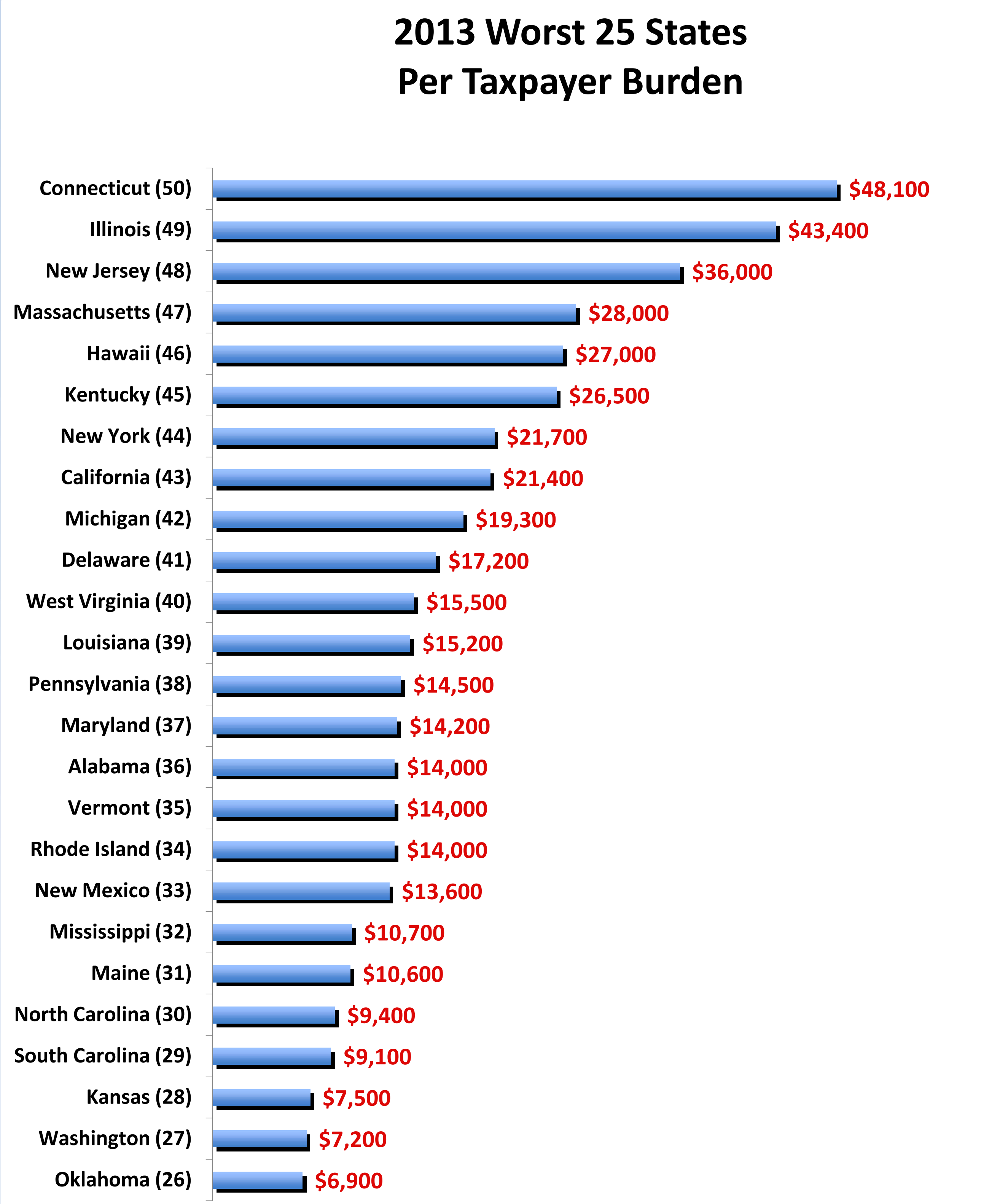
The third chart titled, "The Bills the State Has Accumulated" includes:

- **"State Bonds"** are found in the state CAFR.
- "**Other Liabilities"** include accounts payable and other liabilities reported on the Statement of Net Assets.[12]
- **"Less: Debt Related to Capital Assets"** subtracts capital assets to determine assets available to pay state bills.
- **"Unfunded Pension Benefits"** represents unfunded pension liabilities calculated as described in the Methodology section of this study. This amount includes unfunded pension liabilities disclosed in the state CAFR notes and required supplemental information, and the state's component units' unfunded pension liability, and the state's share of the unfunded pension liabilities of multi-employer, cost-sharing pension plans.
- **"Unfunded Retirees' Health Care Benefits"** represents the OPEB liabilities calculated as described in the Methodology section of this study. This amount includes the unfunded OPEB liabilities disclosed in the state CAFRs notes and required supplemental information, and the state's component units' unfunded OPEB liability, and the state's share of the unfunded OPEB liabilities of multi-employer, cost-sharing pension plans.
- **"Bills"** is the total of the State Bonds, Other Liabilities, Unfunded Pension Benefits and Unfunded Retirees' Health Care Benefits less Debt Related to Capital Assets.

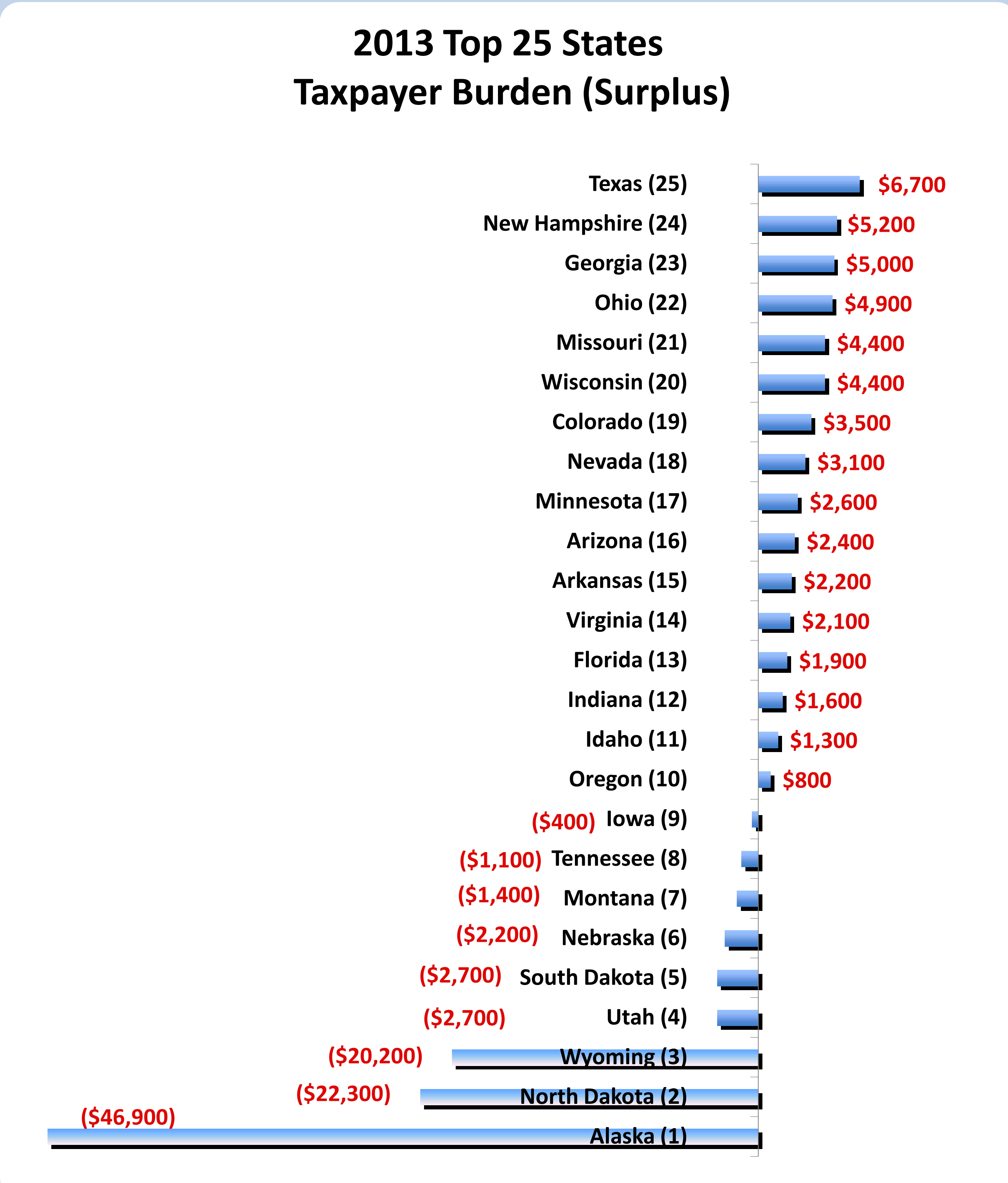
[12] Other liabilities are reduced for Net Pension Obligations and Net OPEB Obligations and payables between the Primary Government and its Discretely Presented Component Units.

APPENDICES

Appendix I - Graph of Worst 25 States' Taxpayer Burden



Appendix II - Graph of Top 25 States' Taxpayer Burden (Surplus)



Appendix III

THE FINANCIAL STATE OF THE STATES

Ranking	State	Reported Assets* (in Billions)	Less Capital Assets	Less Assets Restricted By Law or Contract	Assets Available to Pay Bills	Less Bills	Money Need to Pay (Available) Bills	Each Taxpayer Financial Burden (Surplus)
36	Alabama	$48.7	$28.8	$10.7	$9.3	$27.0	$17.8	$14,000
1	Alaska	$95.8	$10.9	$44.4	$40.6	$27.1	($13.5)	($46,900)
16	Arizona	$45.5	$26.1	$8.5	$10.9	$15.1	$4.2	$2,400
15	Arkansas	$25.2	$14.0	$3.6	$7.5	$9.2	$1.7	$2,200
43	California	$280.5	$146.0	$45.9	$88.6	$324.5	$235.9	$21,400
19	Colorado	$36.2	$18.4	$6.7	$11.1	$17.0	$6.0	$3,500
50	Connecticut	$31.3	$16.2	$4.8	$10.3	$71.7	$61.4	$48,100
41	Delaware	$13.4	$8.5	$1.0	$3.9	$9.2	$5.3	$17,200
13	Florida	$189.3	$97.7	$28.5	$63.1	$74.6	$11.5	$1,900
23	Georgia	$56.7	$33.1	$7.9	$15.7	$29.4	$13.8	$5,000
46	Hawaii	$23.0	$14.6	$3.0	$5.3	$17.8	$12.5	$27,000
11	Idaho	$15.7	$7.4	$3.8	$4.5	$5.0	$0.6	$1,300
49	Illinois	$73.2	$32.6	$12.3	$28.4	$204.1	$175.7	$43,400
12	Indiana	$53.8	$22.6	$7.2	$23.9	$27.0	$3.1	$1,600
9	Iowa	$27.3	$12.3	$5.6	$9.4	$9.0	($0.4)	($400)
28	Kansas	$23.9	$15.1	$4.2	$4.5	$11.2	$6.7	$7,500
45	Kentucky	$45.5	$28.9	$4.9	$11.7	$44.0	$32.3	$26,500
39	Louisiana	$42.1	$21.4	$8.1	$12.6	$31.7	$19.1	$15,200
31	Maine	$15.6	$7.0	$2.1	$6.4	$11.1	$4.7	$10,600
37	Maryland	$51.1	$31.4	$3.8	$15.9	$45.3	$29.4	$14,200
47	Massachusetts	$69.3	$42.3	$6.0	$21.0	$89.0	$68.0	$28,000
42	Michigan	$59.3	$26.1	$10.6	$22.6	$81.0	$58.3	$19,300
17	Minnesota	$51.0	$22.1	$12.2	$16.8	$21.7	$4.9	$2,600
32	Mississippi	$28.3	$18.1	$5.3	$4.9	$12.7	$7.7	$10,700
21	Missouri	$49.5	$36.8	$5.3	$7.4	$15.4	$7.9	$4,400
7	Montana	$14.4	$5.7	$3.2	$5.5	$5.1	($0.4)	($1,400)

Numbers may not sum to total due to rounding.

THE FINANCIAL STATE OF THE STATES
(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 Need to Pay (Available) Bills	Each Taxpayer Financial Burden (Surplus)
6	Nebraska	$20.1	$10.7	$5.1	$4.3	$3.0	($1.3)	($2,200)
18	Nevada	$14.7	$7.8	$2.0	$4.8	$7.5	$2.7	$3,100
24	New Hampshire	$8.0	$4.8	$1.3	$1.9	$4.5	$2.6	$5,200
48	New Jersey	$84.3	$48.5	$10.7	$25.1	$135.4	$110.3	$36,000
33	New Mexico **	$27.1	$10.9	$7.8	$8.5	$16.1	$7.7	$13,600
44	New York	$310.4	$172.1	$19.1	$119.1	$256.0	$136.9	$21,700
30	North Carolina	$91.5	$59.3	$7.0	$25.2	$50.8	$25.6	$9,400
2	North Dakota	$20.2	$3.5	$4.8	$11.9	$5.9	($6.0)	($22,300)
22	Ohio	$100.7	$37.6	$17.2	$46.0	$64.4	$18.4	$4,900
26	Oklahoma	$39.7	$18.1	$8.9	$12.6	$19.9	$7.3	$6,900
10	Oregon	$40.9	$17.3	$6.8	$16.8	$17.8	$1.0	$800
38	Pennsylvania	$89.7	$41.9	$8.9	$38.9	$100.9	$62.0	$14,500
34	Rhode Island	$10.8	$5.5	$1.2	$4.1	$9.1	$5.0	$14,000
29	South Carolina	$47.2	$26.8	$8.2	$12.2	$24.3	$12.0	$9,100
5	South Dakota	$10.2	$4.6	$2.2	$3.4	$2.6	($0.8)	($2,700)
8	Tennessee	$49.8	$31.4	$3.4	$15.1	$13.0	($2.1)	($1,100)
25	Texas	$241.3	$107.9	$65.9	$67.5	$116.6	$49.1	$6,700
4	Utah	$37.3	$21.2	$6.7	$9.5	$7.4	($2.0)	($2,700)
35	Vermont	$8.3	$2.8	$1.4	$4.1	$7.2	$3.1	$14,000
14	Virginia	$90.8	$42.7	$13.9	$34.2	$39.9	$5.7	$2,100
27	Washington	$80.8	$38.5	$10.0	$32.3	$49.2	$16.9	$7,200
40	West Virginia	$24.6	$12.6	$3.3	$8.7	$16.9	$8.2	$15,500
20	Wisconsin	$47.8	$26.7	$7.9	$13.1	$21.5	$8.4	$4,400
3	Wyoming	$30.4	$7.1	$11.9	$11.4	$7.1	($4.3)	($20,200)

All States	$2,992.2	$1,504.1	$495.4	$992.7	$2,233.0	$1,240.3

* Net of Reported Pension Assets and OPEB Assets

** All state data is for fiscal year 2013, except New Mexico who has not issued its 2013 financial report
Numbers may not sum to total due to rounding.

Appendix IV - Schedule of Accumulated Bills

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	$9.2	$4.8	$4.5	$6.4	$11.2	$27.0
Alaska	$5.8	$7.4	$2.2	$8.2	$7.9	$27.1
Arizona	$8.1	$10.9	$7.0	$3.0	$0.1	$15.1
Arkansas	$3.9	$3.8	$2.4	$1.8	$2.2	$9.2
California	$129.0	$102.0	$46.9	$59.4	$80.9	$324.5
Colorado	$5.2	$6.6	$4.5	$8.7	$1.1	$17.0
Connecticut	$24.4	$6.4	$6.9	$25.3	$22.6	$71.7
Delaware	$3.8	$1.5	$3.1	$1.1	$5.9	$9.2
Florida	$37.0	$36.8	$13.2	$7.5	$6.6	$74.6
Georgia	$15.0	$11.6	$11.5	$7.0	$7.4	$29.4
Hawaii	$8.8	$2.2	$7.9	$6.1	$8.5	$17.8
Idaho	$2.8	$1.9	$1.3	$1.5	$0.1	$5.0
Illinois	$40.7	$28.9	$12.7	$100.5	$46.8	$204.1
Indiana	$10.4	$7.7	$4.9	$13.0	$0.9	$27.0
Iowa	$5.1	$3.4	$1.9	$1.9	$0.6	$9.0
Kansas	$4.4	$2.9	$4.1	$7.8	$0.2	$11.2
Kentucky	$10.0	$9.9	$4.5	$23.5	$5.1	$44.0
Louisiana	$11.7	$8.8	$5.6	$8.2	$8.6	$31.7
Maine	$6.4	$1.0	$1.3	$3.0	$1.9	$11.1
Maryland	$18.0	$8.0	$10.5	$21.0	$8.8	$45.3
Massachusetts	$41.2	$15.2	$15.1	$30.3	$17.4	$89.0
Michigan	$20.0	$10.2	$4.1	$31.2	$23.7	$81.0
Minnesota	$12.6	$11.1	$6.2	$3.1	$1.0	$21.7
Mississippi	$5.1	$4.1	$2.2	$5.0	$0.7	$12.7
Missouri	$5.9	$5.9	$5.4	$5.8	$3.2	$15.4
Montana	$1.1	$3.1	$0.5	$0.9	$0.4	$5.1

*Does not include Net Pension and OPEB Obligations.
Numbers may not sum to total due to rounding.

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	$0.7	$2.1	$0.6	$0.8	$0.0	$3.0
Nevada	$3.8	$2.8	$2.0	$1.7	$1.2	$7.5
New Hampshire	$2.1	$1.0	$1.6	$1.0	$2.1	$4.5
New Jersey	$21.7	$54.2	$31.7	$37.6	$53.5	$135.4
New Mexico	$6.3	$2.8	$2.8	$7.3	$2.5	$16.1
New York	$84.5	$138.7	$75.3	$17.0	$91.1	$256.0
North Carolina	$12.8	$18.4	$7.5	$3.8	$23.2	$50.8
North Dakota	$1.4	$4.3	$0.4	$0.6	$0.1	$5.9
Ohio	$19.7	$41.5	$8.6	$8.9	$2.8	$64.4
Oklahoma	$7.7	$5.9	$5.3	$11.4	$0.2	$19.9
Oregon	$11.6	$8.8	$4.5	$1.6	$0.3	$17.8
Pennsylvania	$27.7	$31.2	$11.7	$34.0	$19.8	$100.9
Rhode Island	$4.9	$2.3	$2.0	$3.0	$0.9	$9.1
South Carolina	$11.1	$8.7	$10.6	$5.3	$9.8	$24.3
South Dakota	$2.3	$0.8	$0.5	$0.0	$0.1	$2.6
Tennessee	$7.7	$3.6	$1.9	$1.6	$2.1	$13.0
Texas	$41.0	$28.4	$33.4	$35.9	$44.7	$116.6
Utah	$6.8	$2.8	$4.4	$1.9	$0.3	$7.4
Vermont	$3.6	$1.0	$0.8	$1.5	$2.1	$7.2
Virginia	$26.7	$15.1	$13.2	$8.5	$2.9	$39.9
Washington	$22.4	$33.1	$17.8	$4.4	$7.0	$49.2
West Virginia	$4.7	$6.8	$1.8	$5.1	$2.1	$16.9
Wisconsin	$15.9	$10.4	$5.9	$0.0	$1.1	$21.5
Wyoming	$1.0	$5.1	$0.1	$0.9	$0.2	$7.1
All States	$793.8	$745.7	$434.9	$584.8	$543.6	$2,233.0

*Does not include Net Pension and OPEB Obligations.
Numbers may not sum to total due to rounding.

Appendix V

SCHEDULE OF REPORTED VS. UNREPORTED RETIREMENT LIABILITIES

	(in Billions)		
State	Total Reported Retirement Liabilities*	Unreported Retirement Liabilities	Total Unfunded Retirement Liabilities
Alabama	$0.9	$16.7	$17.5
Alaska	$0.0	$16.1	$16.1
Arizona	$0.0	$3.1	$3.2
Arkansas	$0.9	$3.1	$4.0
California	$27.1	$113.2	$140.3
Colorado	$0.2	$9.6	$9.8
Connecticut	$9.2	$38.6	$47.8
Delaware	$2.0	$4.9	$7.0
Florida	$1.4	$12.7	$14.1
Georgia	$1.6	$12.8	$14.3
Hawaii	$3.9	$10.7	$14.6
Idaho	$0.1	$1.6	$1.6
Illinois	$37.0	$110.4	$147.3
Indiana	$1.2	$12.7	$13.9
Iowa	$0.3	$2.2	$2.4
Kansas	$0.1	$7.9	$8.0
Kentucky	$5.9	$22.7	$28.6
Louisiana	$4.1	$12.7	$16.8
Maine	$0.3	$4.6	$4.9
Maryland	$6.9	$22.9	$29.8
Massachusetts	$6.8	$40.9	$47.7
Michigan	$3.8	$51.1	$54.9
Minnesota	$0.5	$3.6	$4.1
Mississippi	$0.1	$5.5	$5.7
Missouri	$0.8	$8.1	$9.0
Montana	$0.4	$1.0	$1.4

Numbers may not sum to total due to rounding.

SCHEDULE OF REPORTED VS. UNREPORTED RETIREMENT LIABILITIES
(Continued)

	(in Billions)		
State	Total Reported Retirement Liabilities*	Unreported Retirement Liabilities	Total Unfunded Retirement Liabilities
Nebraska	$0.0	$0.8	$0.8
Nevada	$0.0	$2.9	$2.9
New Hampshire	$0.8	$2.2	$3.0
New Jersey	$35.6	$55.6	$91.1
New Mexico	$0.0	$9.8	$9.8
New York	$24.5	$83.6	$108.1
North Carolina	$0.0	$27.0	$27.0
North Dakota	$0.0	$0.6	$0.6
Ohio	$0.1	$11.6	$11.7
Oklahoma	$0.2	$11.4	$11.6
Oregon	($1.4)	$3.4	$1.9
Pennsylvania	$3.3	$50.5	$53.8
Rhode Island	$0.1	$3.9	$3.9
South Carolina	$0.0	$15.0	$15.1
South Dakota	$0.0	$0.0	$0.1
Tennessee	$0.7	$2.9	$3.6
Texas	$7.8	$72.7	$80.5
Utah	$0.0	$2.1	$2.1
Vermont	$0.9	$2.6	$3.5
Virginia	$4.0	$7.3	$11.3
Washington	$3.4	$8.1	$11.5
West Virginia	($0.7)	$8.0	$7.2
Wisconsin	$0.5	$0.6	$1.1
Wyoming	$0.1	$1.0	$1.1
All States	$195.4	$933.0	$1,128.4

*A negative amount represents a reported pension and/or OPEB asset(s).
Numbers may not sum to total due to rounding.

Appendix VI

TIMELINESS OF FINANCIAL REPORT RELEASE

30 States Timely	Days to Release
Michigan	82
Utah	115
Washington	131
North Carolina	148
New York	156
Wisconsin	164
Alaska	166
Colorado	166
Iowa	166
Kentucky	166
Maryland	166
Pennsylvania	166
Tennessee	166
Virginia	166
Nevada	170
North Dakota	170
Minnesota	171
Vermont	171
Mississippi	172
Rhode Island	172
Kansas	173
Louisiana	173
Massachusetts	173
Ohio	173
Wyoming	173
Texas	174
Arkansas	176
Idaho	176
Maine	176
New Hampshire	176

18 States Tardy	Days to Release
Alabama	182
Arizona	183
Indiana	183
Georgia	184
Nebraska	184
Oklahoma	184
Missouri	194
Hawaii	211
Oregon	212
Montana	213
Delaware	221
West Virginia	228
South Carolina	229
Florida	236
Connecticut	243
Illinois	243
New Jersey	255
South Dakota	257

Two States Excessively Tardy	Days to Release
California	295
New Mexico	***

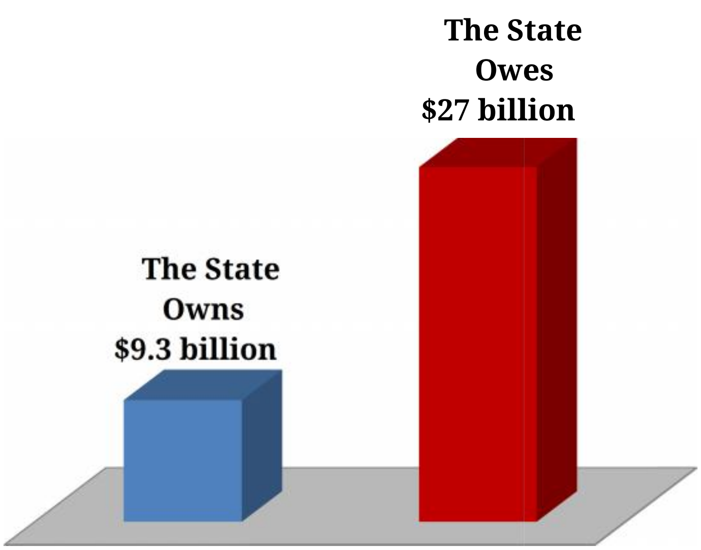
*** Not issued as of September 20, 2014

Appendix VII – Roll-Out of the States

Each State's Financial State of the State Can Be Found on the Following Pages

THE 15th WORST STATE

ALABAMA IS A
SINKHOLE STATE



THE STATE'S BILLS
EXCEED ITS ASSETS

The state of Alabama is sinking in debt. The State's $17.8 billion shortfall represents compensation and other costs that have been pushed into the future.

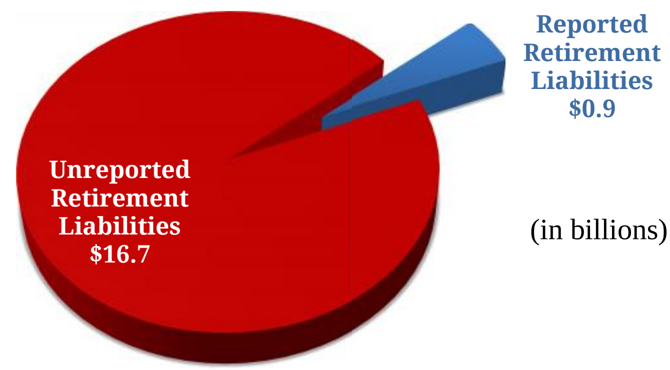
Each Taxpayer's Share of This Financial Burden is $14,000

Alabama statutes require the legislature to pass a balanced budget. One of the reasons Alabama is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Alabama's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Alabama federal tax filers with a tax liability.

95% OF RETIREMENT LIABILITIES
ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $17.5 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $863.6 million of these liabilities are reported on Alabama's balance sheet.



- Truth in Accounting is 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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of Alabama's September 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of Alabama
As of September 30, 2013

The State's Bills Exceed Its Assets

Assets	$48,748,547,000
Less: Capital Assets	$28,761,965,000
Restricted Assets	$10,717,636,000
Assets Available to Pay Bills	$9,268,946,000
Less: Bills	$27,034,145,000
Money Needed to Pay Bills	**$17,765,199,000**
Each Taxpayer's* Burden	**$14,000**

The state of Alabama has $48.7 billion in assets, but most of these assets are not available to pay State bills.

The $28.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $10.7 billion of the assets is restricted by law or contract.

That leaves $9.3 billion of State's assets available to pay $27 billion of bills as they come due.

The $17.8 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.

Today Each Taxpayer Owes $14,000

Number of taxpayers is based on the number of Alabama federal tax filers with a tax liability.

Data is derived from the state of Alabama's September 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$9,181,790,000
Other Liabilities	$4,833,819,000
Less: Debt Related to Capital Assets	$4,514,775,000
Unfunded Pension Benefits	$6,353,249,000
Unfunded Retirees' Health Care Benefits	$11,180,062,000
Bills	**$27,034,145,000**

Despite the balanced budget requirement, the State has accumulated bonds of $9.2 billion and other liabilities of $4.8 billion. The calculation of assets available to pay bills does not include capital assets, so $4.5 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 $6.4 billion of pension benefits and $11.2 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.

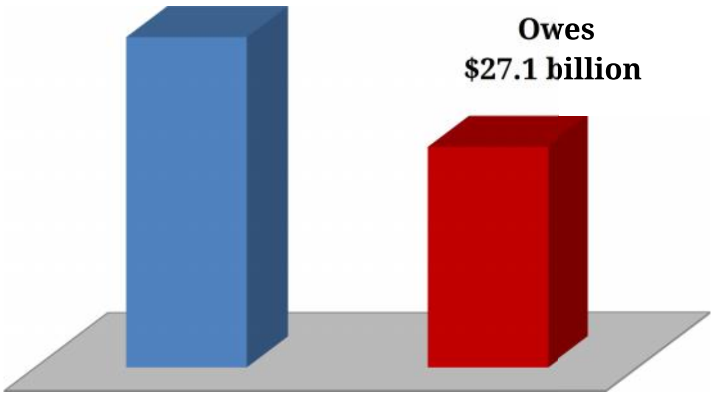
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$863,626,000
Unreported Retirement Liabilities	$16,669,685,000
Total Retirement Liabilities	**$17,533,311,000**

A detailed study of Alabama's actuaries' schedules found retirement benefits totaling $17.5 billion have been promised, but not funded. A review of the State's balance sheet determined only $863.6 million of these liabilities are reported. This means the State does not report $16.7 billion of retirement liabilities on its balance sheet.

THE BEST STATE

ALASKA IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

The state of Alaska is a sunshine state because it has assets above its outstanding bills. The State has a $13.5 billion financial surplus.

Each Taxpayer's Share of This Financial Surplus is $46,900

Unlike most states, Alaska has the money needed to fund State employees' retirement benefits and other outstanding bills. Alaska is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

Number of taxpayers is based on the number of Alaska federal tax filers with a tax liability.

RETIREMENT LIABILITIES ARE MASSIVELY UNDERSTATED

The State Reported It had Extra Money to Pay Retirement Benefits	**$2,883,000**
Retirement Promises Not Reported	**$16,112,743,000**

Truth in Accounting's detailed analysis discovered a total of $16.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting Alaska's balance sheet reported an excess funds of $2.9 million are available to pay retirement promises.

- Truth in Accounting is 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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of Alaska's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Alaska
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$95,812,650,000
Less: Capital Assets	$10,854,445,000
Restricted Assets	$44,396,514,000
Assets Available to Pay Bills	$40,561,691,000
Less: Bills	$27,085,104,000
Money Available to Pay Bills	**$13,476,587,000**
Each Taxpayer's Surplus	$46,900

The state of Alaska has $95.8 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 $44.4 billion of the assets is restricted by law or contract.

That leaves $40.6 billion of State's assets available to pay $27.1 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 $46,900

Number of taxpayers is based on the number of Alaska federal tax filers with a tax liability.

Data is derived from the state of Alaska's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$5,802,142,000
Other Liabilities	$7,410,529,000
Less: Debt Related to Capital Assets	$2,240,310,000
Unfunded Pension Benefits	$8,208,509,000
Unfunded Retirees' Health Care Benefits	$7,904,234,000
Bills	**$27,085,104,000**

The State has accumulated bonds of $5.8 billion and other liabilities of $7.4 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 59% of State bills. These unfunded liabilities have accumulated because State employees have been promised $8.2 billion of pension benefits and $7.9 billion of retirees' health care benefits. Unlike most states, Alaska has the assets needed to pay these liabilities.

Alaska elected officials seem to promise only what they can afford.

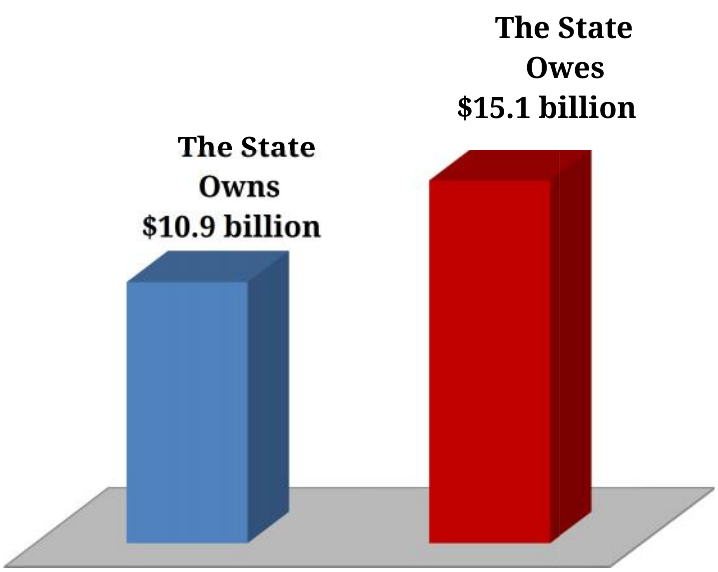
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Assets	**$2,883,000**
Actual Retirement Liabilities	**$16,112,743,000**

A detailed study of Alaska's actuaries' schedules found retirement benefits totaling $16.1 billion have been promised, but not funded. A review of the State's balance sheet determined no liability is reported, instead a net pension asset of $2.9 million is reported.

THE 35th WORST STATE

ARIZONA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Arizona is sinking in debt. The State's $4.2 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $2,400

Arizona statutes require the legislature to pass a balanced budget. One of the reasons Arizona is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Arizona's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Arizona federal tax filers with a tax liability.

Truth in Accounting

RETIREMENT LIABILITIES ARE MASSIVELY UNDERSTATED

Reported Retirement Liabilities	**$38,098,000**
Actual Retirement Liabilities	**$3,173,771,000**

Truth in Accounting's detailed analysis discovered a total of $3.2 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $38.1 million of these liabilities are reported on Arizona's balance sheet.

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The Financial State of Arizona
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$45,463,799,000
Less: Capital Assets	$26,110,819,000
Restricted Assets	$8,450,686,000
Assets Available to Pay Bills	$10,902,294,000
Less: Bills	$15,149,146,000
Money Needed to Pay Bills	**$4,246,852,000**
Each Taxpayer's* Burden	**$2,400**

The state of Arizona has $45.5 billion in assets, but most of these assets are not available to pay State bills.

The $26.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $8.5 billion of the assets is restricted by law or contract.

That leaves $10.9 billion of State's assets available to pay $15.1 billion of bills as they come due.

The $4.2 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.

Today Each Taxpayer Owes $2,400

Number of taxpayers is based on the number of Arizona federal tax filers with a tax liability.

Data is derived from the state of Arizona's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$8,112,748,000
Other Liabilities	$10,911,918,000
Less: Debt Related to Capital Assets	$7,049,291,000
Unfunded Pension Benefits	$3,039,964,000
Unfunded Retirees' Health Care Benefits	$133,807,000
Bills	**$15,149,146,000**

Despite the balanced budget requirement, the State has accumulated bonds of $8.1 billion and other liabilities of $10.9 billion. The calculation of assets available to pay bills does not include capital assets, so $7 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 21% of State bills. These unfunded liabilities have accumulated because State employees have been promised $3 billion of pension benefits and $133.8 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.

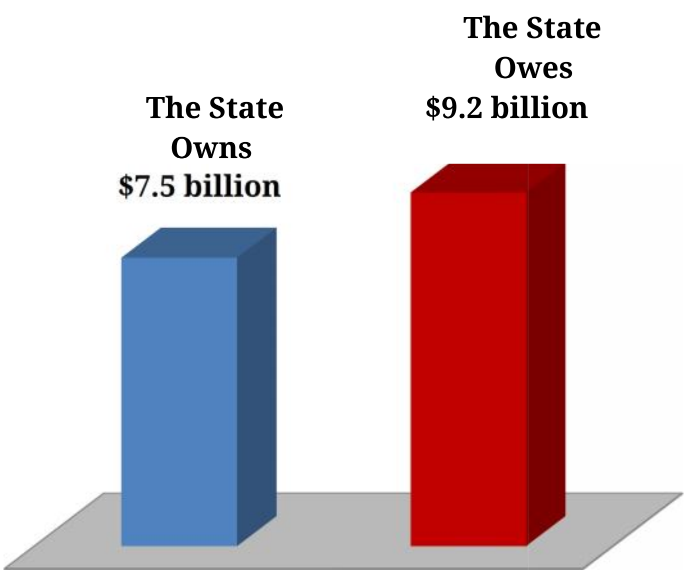
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$38,098,000
Unreported Retirement Liabilities	$3,135,673,000
Total Retirement Liabilities	**$3,173,771,000**

A detailed study of Arizona's actuaries' schedules found retirement benefits totaling $3.2 billion have been promised, but not funded. A review of the State's balance sheet determined only $38.1 million of these liabilities are reported. This means 21% of the State's liabilities are not reported on the State's balance sheet.

THE 36th WORST STATE

ARKANSAS IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Arkansas is sinking in debt. The State's $1.7 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $2,200

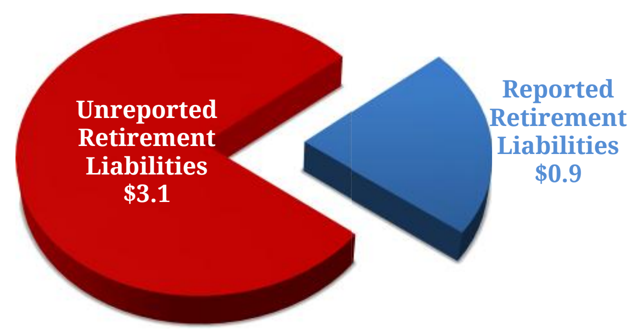
Arkansas statutes require the legislature to pass a balanced budget. One of the reasons Arkansas is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Arkansas's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Arkansas federal tax filers with a tax liability.

Truth in Accounting

78% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $4 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $858.3 million of these liabilities are reported on Arkansas's balance sheet.



(in billions)

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www.truthinaccounting.org
www.statedatalab.org

The Financial State of Arkansas
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$25,202,572,000
Less: Capital Assets	$14,029,173,000
Restricted Assets	$3,636,465,000
Assets Available to Pay Bills	$7,536,934,000
Less: Bills	$9,243,065,000
Money Needed to Pay Bills	**$1,706,131,000**
Each Taxpayer's* Burden	**$2,200**

The state of Arkansas has $25.2 billion in assets, but most of these assets are not available to pay State bills.

The $14 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 $7.5 billion of State's assets available to pay $9.2 billion of bills as they come due.

The $1.7 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.

Today Each Taxpayer Owes $2,200

Number of taxpayers is based on the number of Arkansas federal tax filers with a tax liability.

Data is derived from the state of Arkansas's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$3,877,067,000
Other Liabilities	$3,776,425,000
Less: Debt Related to Capital Assets	$2,382,173,000
Unfunded Pension Benefits	$1,820,880,000
Unfunded Retirees' Health Care Benefits	$2,150,866,000
Bills	**$9,243,065,000**

Despite the balanced budget requirement, the State has accumulated bonds of $3.9 billion and other liabilities of $3.8 billion. The calculation of assets available to pay bills does not include capital assets, so $2.4 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 $1.8 billion of pension benefits and $2.2 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.

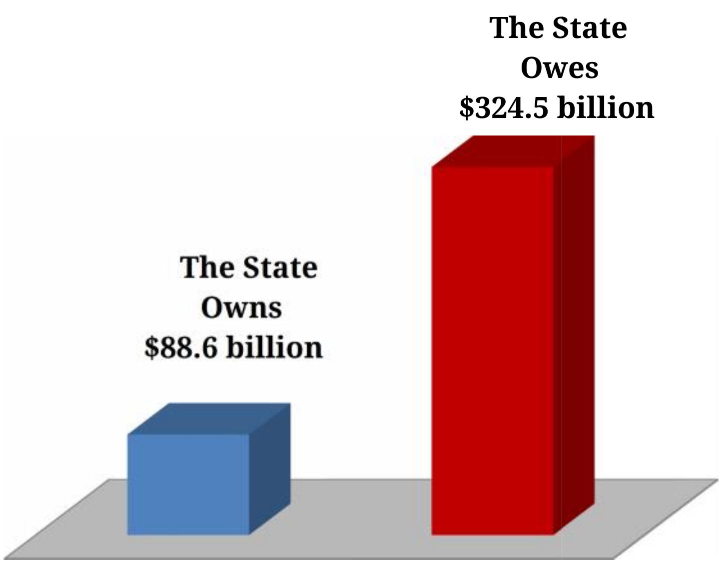
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$858,332,000
Unreported Retirement Liabilities	$3,113,414,000
Total Retirement Liabilities	**$3,971,746,000**

A detailed study of Arkansas'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 $858.3 million of these liabilities are reported. This means the State does not report $3.1 billion of retirement liabilities on its balance sheet.

THE 8th WORST STATE

CALIFORNIA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of California is sinking in debt. The State's $235.9 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $21,400

California statutes require the legislature to pass a balanced budget. One of the reasons California is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report California's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of California federal tax filers with a tax liability.

Truth in Accounting

81% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $140.3 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $27.1 billion of these liabilities are reported on California's balance sheet.

(in billions)

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www.truthinaccounting.org
www.statedatalab.org

The Financial State of California
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$280,475,416,000
Less: Capital Assets	$146,008,910,000
Restricted Assets	$45,870,552,000
Assets Available to Pay Bills	$88,595,954,000
Less: Bills	$324,471,707,000
Money Needed to Pay Bills	**$235,875,753,000**
Each Taxpayer's* Burden	**$21,400**

The state of California has $280.5 billion in assets, but most of these assets are not available to pay State bills.

The $146 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $45.9 billion of the assets is restricted by law or contract.

That leaves $88.6 billion of State's assets available to pay $324.5 billion of bills as they come due.

The $235.9 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.

Today Each Taxpayer Owes $21,400

Number of taxpayers is based on the number of California federal tax filers with a tax liability.

Data is derived from the state of California's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$129,040,767,000
Other Liabilities	$101,970,486,000
Less: Debt Related to Capital Assets	$46,881,327,000
Unfunded Pension Benefits	$59,426,495,000
Unfunded Retirees' Health Care Benefits	$80,915,286,000
Bills	**$324,471,707,000**

Despite the balanced budget requirement, the State has accumulated bonds of $129 billion and other liabilities of $102 billion. The calculation of assets available to pay bills does not include capital assets, so $46.9 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 $59.4 billion of pension benefits and $80.9 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.

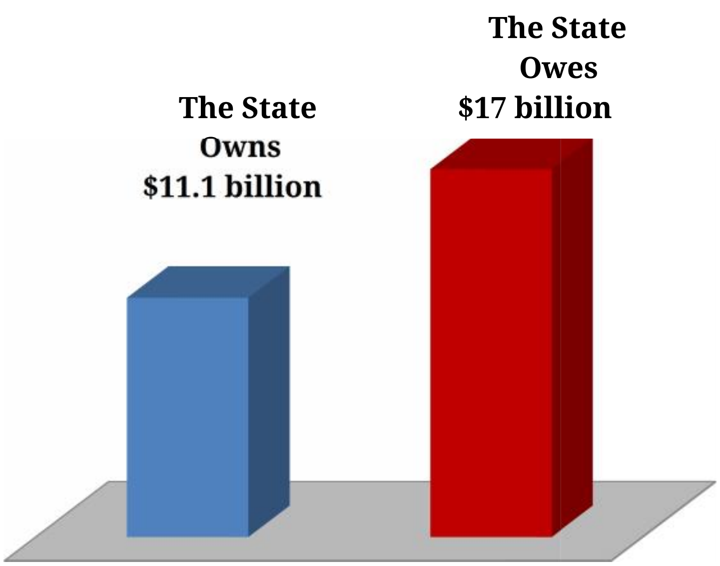
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$27,145,863,000
Unreported Retirement Liabilities	$113,195,918,000
Total Retirement Liabilities	**$140,341,781,000**

A detailed study of California's actuaries' schedules found retirement benefits totaling $140.3 billion have been promised, but not funded. A review of the State's balance sheet determined only $27.1 billion of these liabilities are reported. This means the State does not report $113.2 billion of retirement liabilities on its balance sheet.

THE 32nd WORST STATE

COLORADO IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Colorado is sinking in debt. The State's $6 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $3,500

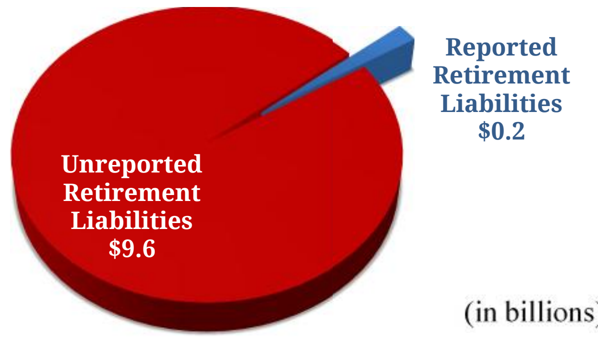
Colorado statutes require the legislature to pass a balanced budget. One of the reasons Colorado is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Colorado's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Colorado federal tax filers with a tax liability.

Truth in Accounting

98% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $9.8 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $194.2 million of these liabilities are reported on Colorado's balance sheet.



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www.truthinaccounting.org
www.statedatalab.org

The Financial State of Colorado
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$36,178,965,000
Less: Capital Assets	$18,360,304,000
Restricted Assets	$6,738,322,000
Assets Available to Pay Bills	$11,080,339,000
Less: Bills	$17,033,960,000
Money Needed to Pay Bills	**$5,953,621,000**
Each Taxpayer's* Burden	**$3,500**

The state of Colorado has $36.2 billion in assets, but most of these assets are not available to pay State bills.

The $18.4 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 $11.1 billion of State's assets available to pay $17 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.

Today Each Taxpayer Owes $3,500

Number of taxpayers is based on the number of Colorado federal tax filers with a tax liability.

Data is derived from the state of Colorado's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$5,175,946,000
Other Liabilities	$6,554,027,000
Less: Debt Related to Capital Assets	$4,499,614,000
Unfunded Pension Benefits	$8,740,910,000
Unfunded Retirees' Health Care Benefits	$1,062,691,000
Bills	**$17,033,960,000**

Despite the balanced budget requirement, the State has accumulated bonds of $5.2 billion and other liabilities of $6.6 billion. The calculation of assets available to pay bills does not include capital assets, so $4.5 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 58% of State bills. These unfunded liabilities have accumulated because State employees have been promised $8.7 billion of pension benefits and $1.1 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.

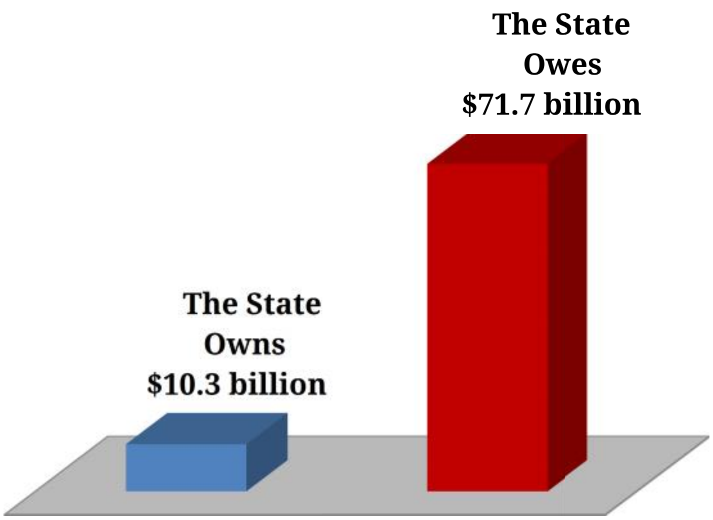
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$194,228,000
Unreported Retirement Liabilities	$9,609,373,000
Total Retirement Liabilities	**$9,803,601,000**

A detailed study of Colorado's actuaries' schedules found retirement benefits totaling $9.8 billion have been promised, but not funded. A review of the State's balance sheet determined only $194.2 million of these liabilities are reported. This means the State does not report $9.6 billion of retirement liabilities on its balance sheet.

THE WORST STATE

CONNECTICUT IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Connecticut is sinking in debt. The State's $61.4 billion shortfall represents compensation and other costs that have been pushed into the future.

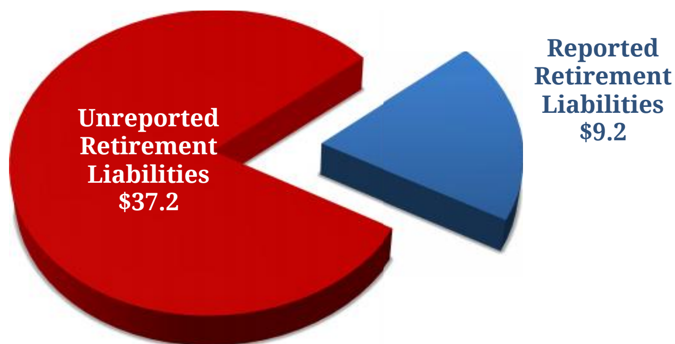
Each Taxpayer's Share of This Financial Burden is $48,100

Connecticut statutes require the legislature to pass a balanced budget. One of the reasons Connecticut is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Connecticut's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Connecticut federal tax filers with a tax liability.

81% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $47.8 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $9.2 billion of these liabilities are reported on Connecticut's balance sheet.



(in billions)

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www.truthinaccounting.org
www.statedatalab.org

The Financial State of Connecticut
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$31,304,560,000
Less: Capital Assets	$16,195,729,000
Restricted Assets	$4,779,624,000
Assets Available to Pay Bills	$10,329,207,000
Less: Bills	$71,690,974,000
Money Needed to Pay Bills	**$61,361,767,000**
Each Taxpayer's* Burden	**$48,100**

The state of Connecticut has $31.3 billion in assets, but most of these assets are not available to pay State bills.

The $16.2 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $4.8 billion of the assets is restricted by law or contract.

That leaves $10.3 billion of State's assets available to pay $71.7 billion of bills as they come due.

The $61.4 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.

Today Each Taxpayer Owes $48,100

Number of taxpayers is based on the number of Connecticut federal tax filers with a tax liability.

Data is derived from the state of Connecticut's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$24,446,231,000
Other Liabilities	$6,357,704,000
Less: Debt Related to Capital Assets	$6,949,652,000
Unfunded Pension Benefits	$25,255,891,000
Unfunded Retirees' Health Care Benefits	$22,580,800,000
Bills	**$71,690,974,000**

Despite the balanced budget requirement, the State has accumulated bonds of $24.4 billion and other liabilities of $6.4 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 67% of State bills. These unfunded liabilities have accumulated because State employees have been promised $25.3 billion of pension benefits and $22.6 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.

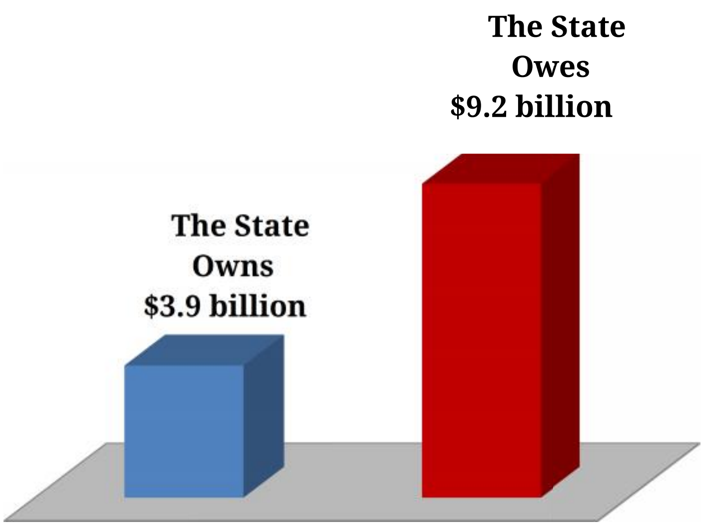
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$9,215,562,000
Unreported Retirement Liabilities	$38,621,129,000
Total Retirement Liabilities	**$47,836,691,000**

A detailed study of Connecticut's actuaries' schedules found retirement benefits totaling $47.8 billion have been promised, but not funded. A review of the State's balance sheet determined only $9.2 billion of these liabilities are reported. This means the State does not report $38.6 billion of retirement liabilities on its balance sheet.

THE 10th WORST STATE

DELAWARE IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Delaware is sinking in debt. The State's $5.3 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $17,200

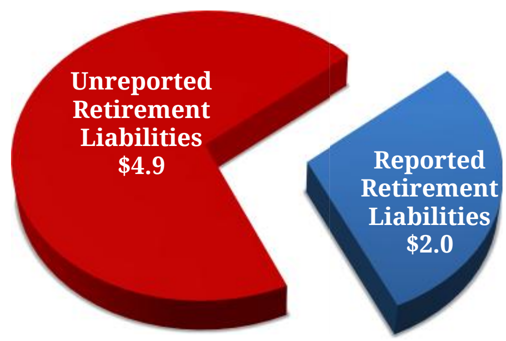
Delaware statutes require the legislature to pass a balanced budget. One of the reasons Delaware is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Delaware's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Delaware federal tax filers with a tax liability.

Truth in Accounting

71% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $7 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $2 billion of these liabilities are reported on Delaware's balance sheet.



(in billions)

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www.truthinaccounting.org
www.statedatalab.org

The Financial State of Delaware
As of June 30, 2013

The State's Bills Exceed Its Assets	
Assets	$13,351,865,000
Less: Capital Assets	$8,516,600,000
Restricted Assets	$953,389,000
Assets Available to Pay Bills	$3,881,876,000
Less: Bills	$9,218,052,000
Money Needed to Pay Bills	**$5,336,176,000**
Each Taxpayer's* Burden	**$17,200**

The state of Delaware has $13.4 billion in assets, but most of these assets are not available to pay State bills.

The $8.5 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $953.4 million of the assets is restricted by law or contract.

That leaves $3.9 billion of State's assets available to pay $9.2 billion of bills as they come due.

The $5.3 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.

Today Each Taxpayer Owes $17,200

Number of taxpayers is based on the number of Delaware federal tax filers with a tax liability.

Data is derived from the state of Delaware's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated	
State Bonds	$3,810,561,000
Other Liabilities	$1,510,085,000
Less: Debt Related to Capital Assets	$3,079,781,000
Unfunded Pension Benefits	$1,088,054,000
Unfunded Retirees' Health Care Benefits	$5,889,133,000
Bills	**$9,218,052,000**

Despite the balanced budget requirement, the State has accumulated bonds of $3.8 billion and other liabilities of $1.5 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 76% of State bills. These unfunded liabilities have accumulated because State employees have been promised $1.1 billion of pension benefits and $5.9 billion of retirees' health care benefits, but the State has not adequately funded them.

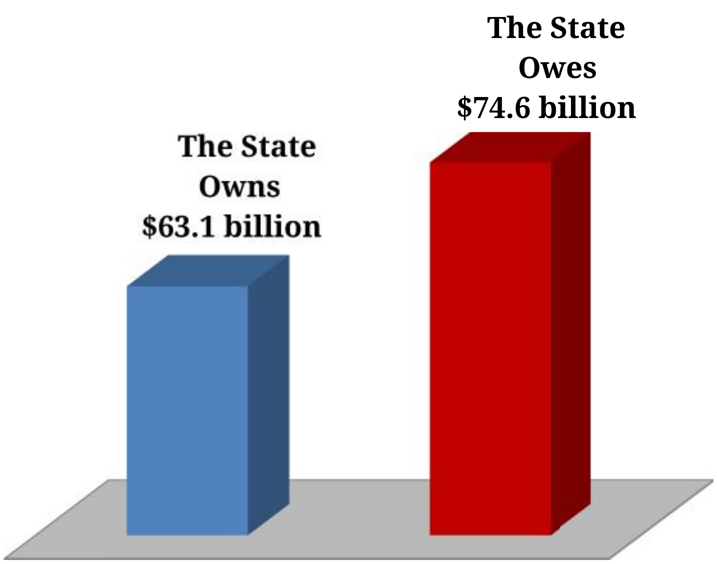
Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

All Retirement Liabilities Are Not Clearly Disclosed	
Reported Retirement Liabilities	$2,044,171,000
Unreported Retirement Liabilities	$4,933,016,000
Total Retirement Liabilities	**$6,977,187,000**

A detailed study of Delaware's actuaries' schedules found retirement benefits totaling $7 billion have been promised, but not funded. A review of the State's balance sheet determined only $2 billion of these liabilities are reported. This means the State does not report $4.9 billion of retirement liabilities on its balance sheet.

THE 38th WORST STATE

FLORIDA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Florida is sinking in debt. The State's $11.5 billion shortfall represents compensation and other costs that have been pushed into the future.

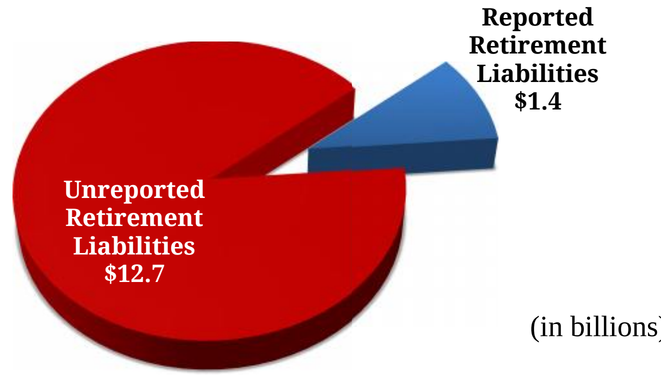
Each Taxpayer's Share of This Financial Burden is $1,900

Florida statutes require the legislature to pass a balanced budget. One of the reasons Florida is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Florida's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Florida federal tax filers with a tax liability.

90% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $14.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $1.4 billion of these liabilities are reported on Florida's balance sheet.



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

The Financial State of Florida
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$189,344,304,000
Less: Capital Assets	$97,695,515,000
Restricted Assets	$28,548,170,000
Assets Available to Pay Bills	$63,100,619,000
Less: Bills	$74,587,793,000
Money Needed to Pay Bills	**$11,487,174,000**
Each Taxpayer's* Burden	**$1,900**

The state of Florida has $189.3 billion in assets, but most of these assets are not available to pay State bills.

The $97.7 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $28.5 billion of the assets is restricted by law or contract.

That leaves $63.1 billion of State's assets available to pay $74.6 billion of bills as they come due.

The $11.5 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.

Today Each Taxpayer Owes $1,900

Number of taxpayers is based on the number of Florida federal tax filers with a tax liability.

Data is derived from the state of Florida's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$37,021,027,000
Other Liabilities	$36,751,069,000
Less: Debt Related to Capital Assets	$13,242,176,000
Unfunded Pension Benefits	$7,498,430,000
Unfunded Retirees' Health Care Benefits	$6,559,443,000
Bills	**$74,587,793,000**

Despite the balanced budget requirement, the State has accumulated bonds of $37 billion and other liabilities of $36.8 billion. The calculation of assets available to pay bills does not include capital assets, so $13.2 billion 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 $7.5 billion of pension benefits and $6.6 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.

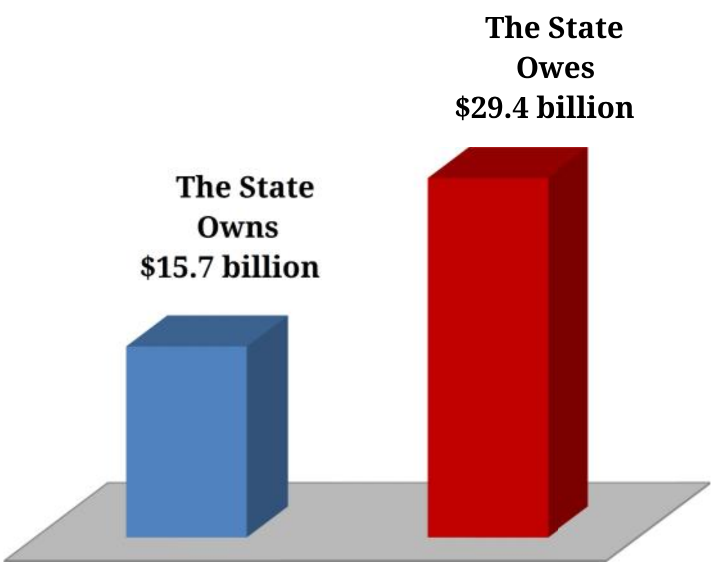
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$1,378,773,000
Unreported Retirement Liabilities	$12,679,100,000
Total Retirement Liabilities	**$14,057,873,000**

A detailed study of Florida's actuaries' schedules found retirement benefits totaling $14.1 billion have been promised, but not funded. A review of the State's balance sheet determined only $1.4 billion of these liabilities are reported. This means the State does not report $12.7 billion of retirement liabilities on its balance sheet.

THE 28th WORST STATE

GEORGIA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Georgia is sinking in debt. The State's $13.8 billion shortfall represents compensation and other costs that have been pushed into the future.

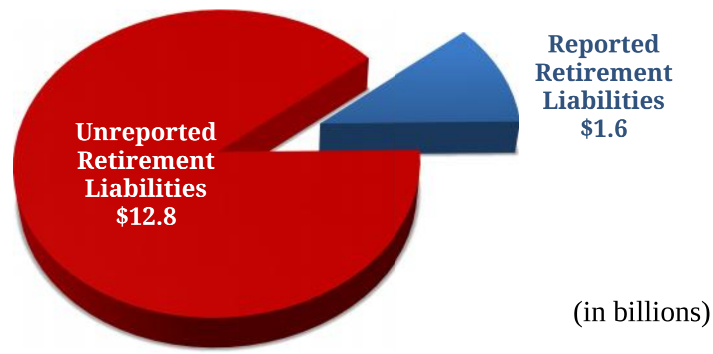
Each Taxpayer's Share of This Financial Burden is $5,000

Georgia statutes require the legislature to pass a balanced budget. One of the reasons Georgia is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Georgia's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Georgia federal tax filers with a tax liability.

89% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $14.3 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $1.6 billion of these liabilities are reported on Georgia's balance sheet.



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Data is derived from the state of Georgia's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of Georgia
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$56,656,467,000
Less: Capital Assets	$33,122,677,000
Restricted Assets	$7,882,406,000
Assets Available to Pay Bills	$15,651,384,000
Less: Bills	$29,442,119,000
Money Needed to Pay Bills	**$13,790,735,000**
Each Taxpayer's* Burden	**$5,000**

The state of Georgia has $56.7 billion in assets, but most of these assets are not available to pay State bills.

The $33.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $7.9 billion of the assets is restricted by law or contract.

That leaves $15.7 billion of State's assets available to pay $29.4 billion of bills as they come due.

The $13.8 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.

Today Each Taxpayer Owes $5,000

Number of taxpayers is based on the number of Georgia federal tax filers with a tax liability.

Data is derived from the state of Georgia's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$15,016,653,000
Other Liabilities	$11,563,141,000
Less: Debt Related to Capital Assets	$11,473,365,000
Unfunded Pension Benefits	$6,966,699,000
Unfunded Retirees' Health Care Benefits	$7,368,991,000
Bills	**$29,442,119,000**

Despite the balanced budget requirement, the State has accumulated bonds of $15 billion and other liabilities of $11.6 billion. The calculation of assets available to pay bills does not include capital assets, so $11.5 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 49% of State bills. These unfunded liabilities have accumulated because State employees have been promised $7 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.

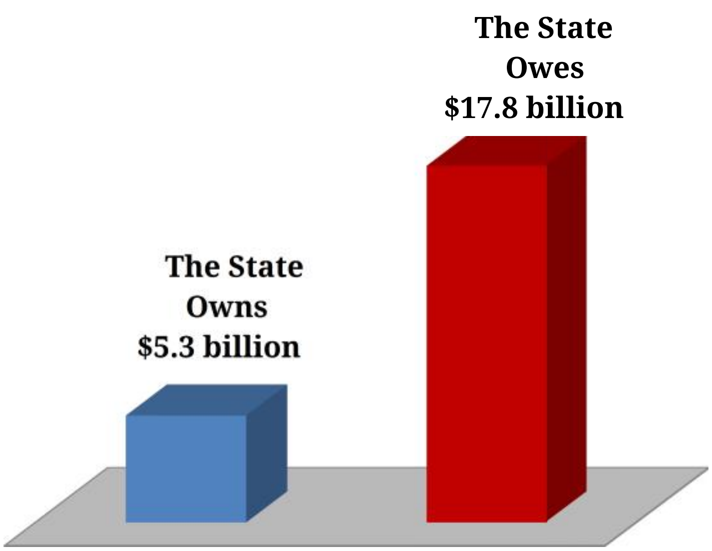
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$1,562,542,000
Unreported Retirement Liabilities	$12,773,148,000
Total Retirement Liabilities	**$14,335,690,000**

A detailed study of Georgia's actuaries' schedules found retirement benefits totaling $14.3 billion have been promised, but not funded. A review of the State's balance sheet determined only $1.6 billion of these liabilities are reported. This means the State does not report $12.8 billion of retirement liabilities on its balance sheet.

THE 5th WORST STATE

HAWAII IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Hawaii is sinking in debt. The State's $12.5 billion shortfall represents compensation and other costs that have been pushed into the future.

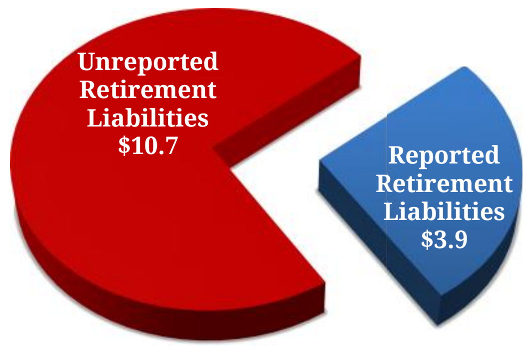
Each Taxpayer's Share of This Financial Burden is $27,000

Hawaii statutes require the legislature to pass a balanced budget. One of the reasons Hawaii is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Hawaii's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Hawaii federal tax filers with a tax liability.

73% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $14.6 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $3.9 billion of these liabilities are reported on Hawaii's balance sheet.



(in billions)

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Data is derived from the state of Hawaii's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Hawaii
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$22,972,370,000
Less: Capital Assets	$14,601,030,000
Restricted Assets	$3,035,823,000
Assets Available to Pay Bills	$5,335,517,000
Less: Bills	$17,798,462,000
Money Needed to Pay Bills	**$12,462,945,000**
Each Taxpayer's* Burden	**$27,000**

The state of Hawaii has $23 billion in assets, but most of these assets are not available to pay State bills.

The $14.6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3 billion of the assets is restricted by law or contract.

That leaves $5.3 billion of State's assets available to pay $17.8 billion of bills as they come due.

The $12.5 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.

Today Each Taxpayer Owes $27,000

Number of taxpayers is based on the number of Hawaii federal tax filers with a tax liability.

Data is derived from the state of Hawaii's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$8,835,440,000
Other Liabilities	$2,204,691,000
Less: Debt Related to Capital Assets	$7,887,497,000
Unfunded Pension Benefits	$6,116,328,000
Unfunded Retirees' Health Care Benefits	$8,529,500,000
Bills	**$17,798,462,000**

Despite the balanced budget requirement, the State has accumulated bonds of $8.8 billion and other liabilities of $2.2 billion. The calculation of assets available to pay bills does not include capital assets, so $7.9 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 $6.1 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.

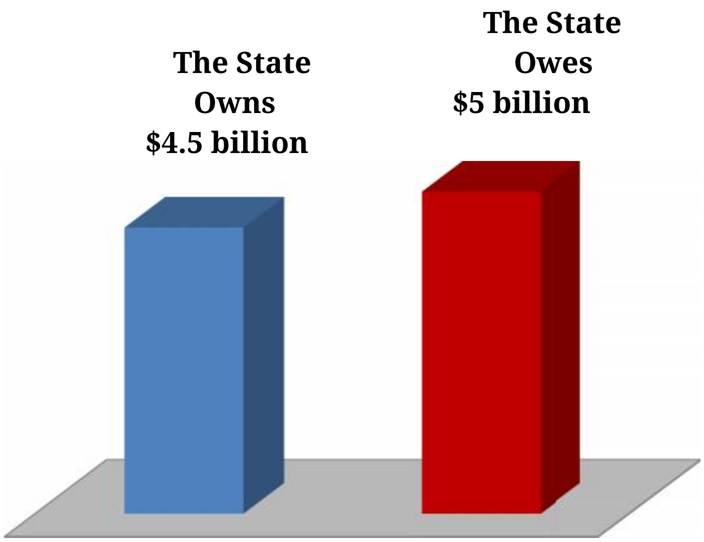
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$3,935,218,000
Unreported Retirement Liabilities	$10,710,610,000
Total Retirement Liabilities	**$14,645,828,000**

A detailed study of Hawaii's actuaries' schedules found retirement benefits totaling $14.6 billion have been promised, but not funded. A review of the State's balance sheet determined only $3.9 billion of these liabilities are reported. This means the State does not report $10.7 billion of retirement liabilities on its balance sheet.

THE 40th WORST STATE

IDAHO IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Idaho is sinking in debt. The State's $561.5 million shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $1,300

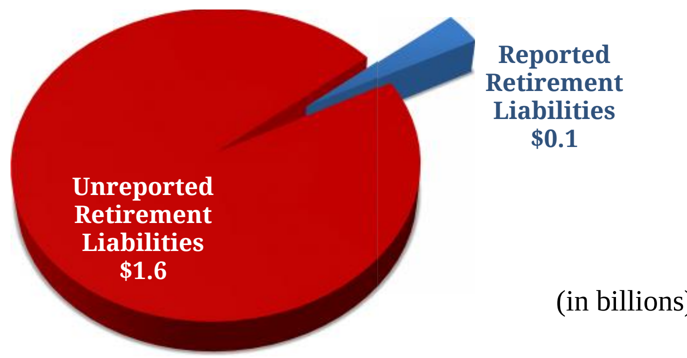
Idaho statutes require the legislature to pass a balanced budget. One of the reasons Idaho is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Idaho’s financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Idaho federal tax filers with a tax liability.

Truth in Accounting

97% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $1.6 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $52.6 million of these liabilities are reported on Idaho's balance sheet.



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Data is derived from the state of Idaho's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Idaho
As of June 30, 2013

The State's Bills Exceed Its Assets	
Assets	$15,696,930,000
Less: Capital Assets	$7,402,131,000
Restricted Assets	$3,816,600,000
Assets Available to Pay Bills	$4,478,199,000
Less: Bills	$5,039,738,000
Money Needed to Pay Bills	**$561,539,000**
Each Taxpayer's* Burden	**$1,300**

The state of Idaho has $15.7 billion in assets, but most of these assets are not available to pay State bills.

The $7.4 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3.8 billion of the assets is restricted by law or contract.

That leaves $4.5 billion of State's assets available to pay $5 billion of bills as they come due.

The $561.5 million 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.

Today Each Taxpayer Owes $1,300

Number of taxpayers is based on the number of Idaho federal tax filers with a tax liability.

Data is derived from the state of Idaho's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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www.truthinaccounting.org

The Bills the State Has Accumulated	
State Bonds	$2,804,414,000
Other Liabilities	$1,893,309,000
Less: Debt Related to Capital Assets	$1,267,249,000
Unfunded Pension Benefits	$1,497,251,000
Unfunded Retirees' Health Care Benefits	$112,013,000
Bills	**$5,039,738,000**

Despite the balanced budget requirement, the State has accumulated bonds of $2.8 billion and other liabilities of $1.9 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 32% of State bills. These unfunded liabilities have accumulated because State employees have been promised $1.5 billion of pension benefits and $112 million of retirees' health care benefits, but the State has not adequately funded them.

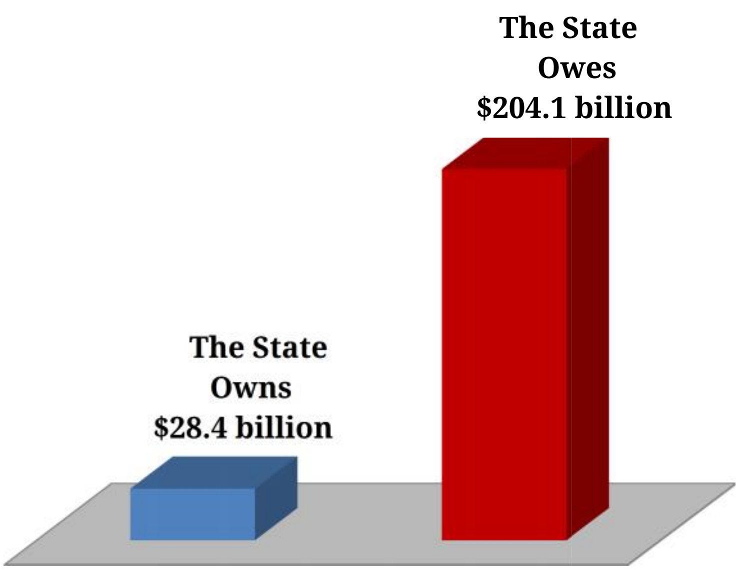
Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

All Retirement Liabilities Are Not Clearly Disclosed	
Reported Retirement Liabilities	$52,567,000
Unreported Retirement Liabilities	$1,556,697,000
Total Retirement Liabilities	**$1,609,264,000**

A detailed study of Idaho's actuaries' schedules found retirement benefits totaling $1.6 billion have been promised, but not funded. A review of the State's balance sheet determined only $52.6 million of these liabilities are reported. This means the State does not report $1.6 billion of retirement liabilities on its balance sheet.

THE 2nd WORST STATE

ILLINOIS IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Illinois is sinking in debt. The State's $175.7 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $43,400

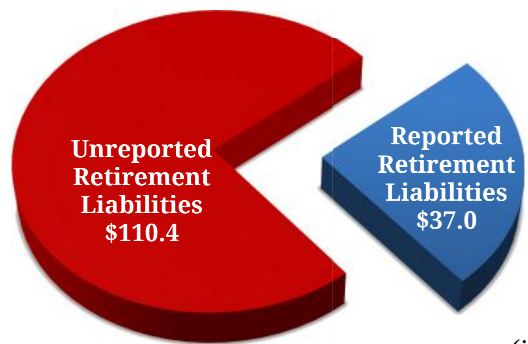
Illinois statutes require the legislature to pass a balanced budget. One of the reasons Illinois is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Illinois's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Illinois federal tax filers with a tax liability.

Truth in Accounting

75% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $147.3 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $37 billion of these liabilities are reported on Illinois's balance sheet.



(in billions)

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www.truthinaccounting.org
www.statedatalab.org

The Financial State of Illinois
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$73,221,624,000
Less: Capital Assets	$32,556,530,000
Restricted Assets	$12,254,554,000
Assets Available to Pay Bills	$28,410,540,000
Less: Bills	$204,101,295,000
Money Needed to Pay Bills	**$175,690,755,000**
Each Taxpayer's* Burden	**$43,400**

The state of Illinois has $73.2 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 $12.3 billion of the assets is restricted by law or contract.

That leaves $28.4 billion of State's assets available to pay $204.1 billion of bills as they come due.

The $175.7 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.

Today Each Taxpayer Owes $43,400

Number of taxpayers is based on the number of Illinois federal tax filers with a tax liability.

Data is derived from the state of Illinois's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$40,658,437,000
Other Liabilities	$28,859,325,000
Less: Debt Related to Capital Assets	$12,741,051,000
Unfunded Pension Benefits	$100,501,127,000
Unfunded Retirees' Health Care Benefits	$46,823,457,000
Bills	**$204,101,295,000**

Despite the balanced budget requirement, the State has accumulated bonds of $40.7 billion and other liabilities of $28.9 billion. The calculation of assets available to pay bills does not include capital assets, so $12.7 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 72% of State bills. These unfunded liabilities have accumulated because State employees have been promised $100.5 billion of pension benefits and $46.8 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.

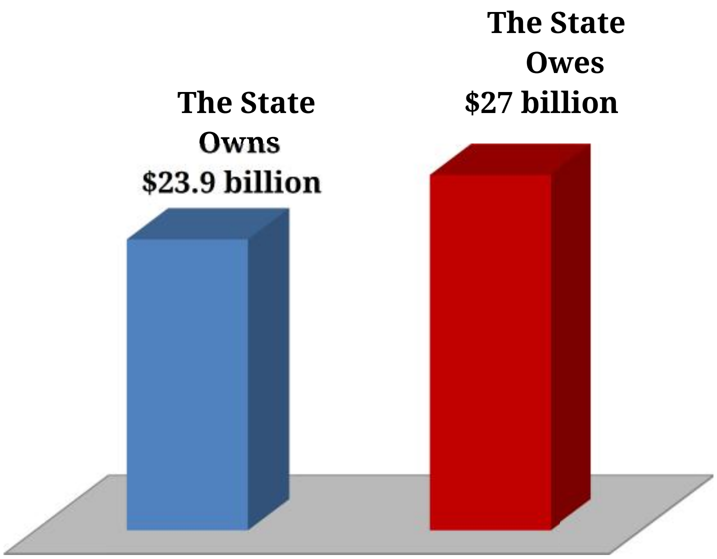
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$36,956,822,000
Unreported Retirement Liabilities	$110,367,762,000
Total Retirement Liabilities	**$147,324,584,000**

A detailed study of Illinois's actuaries' schedules found retirement benefits totaling $147.3 billion have been promised, but not funded. A review of the State's balance sheet determined only $37 billion of these liabilities are reported. This means the State does not report $110.4 billion of retirement liabilities on its balance sheet.

THE 39th WORST STATE

INDIANA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Indiana is sinking in debt. The State's $3.1 billion shortfall represents compensation and other costs that have been pushed into the future.

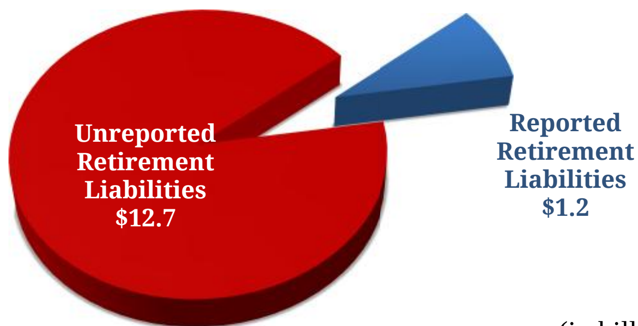
Each Taxpayer's Share of This Financial Burden is $1,600

Indiana statutes require the legislature to pass a balanced budget. One of the reasons Indiana is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Indiana's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Indiana federal tax filers with a tax liability.

91% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $13.9 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $1.2 billion of these liabilities are reported on Indiana's balance sheet.



(in billions)

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The Financial State of Indiana
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$53,778,407,000
Less: Capital Assets	$22,611,617,000
Restricted Assets	$7,245,135,000
Assets Available to Pay Bills	$23,921,655,000
Less: Bills	$27,006,298,000
Money Needed to Pay Bills	**$3,080,752,000**
Each Taxpayer's* Burden	**$1,600**

The state of Indiana has $53.8 billion in assets, but most of these assets are not available to pay State bills.

The $22.6 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 $23.9 billion of State's assets available to pay $27 billion of bills as they come due.

The $3.1 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.

Today Each Taxpayer Owes $1,600

Number of taxpayers is based on the number of Indiana federal tax filers with a tax liability.

The Bills the State Has Accumulated

State Bonds	$10,400,000,000
Other Liabilities	$7,666,874,000
Less: Debt Related to Capital Assets	$4,943,139,000
Unfunded Pension Benefits	$12,973,255,000
Unfunded Retirees' Health Care Benefits	$909,308,000
Bills	**$27,006,298,000**

Despite the balanced budget requirement, the State has accumulated bonds of $10.4 billion and other liabilities of $7.7 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 51% of State bills. These unfunded liabilities have accumulated because State employees have been promised $13 billion of pension benefits and $909.3 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.

All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$1,186,351,000
Unreported Retirement Liabilities	$12,696,212,000
Total Retirement Liabilities	**$13,882,563,000**

A detailed study of Indiana's actuaries' schedules found retirement benefits totaling $13.9 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 $12.7 billion of retirement liabilities on its balance sheet.

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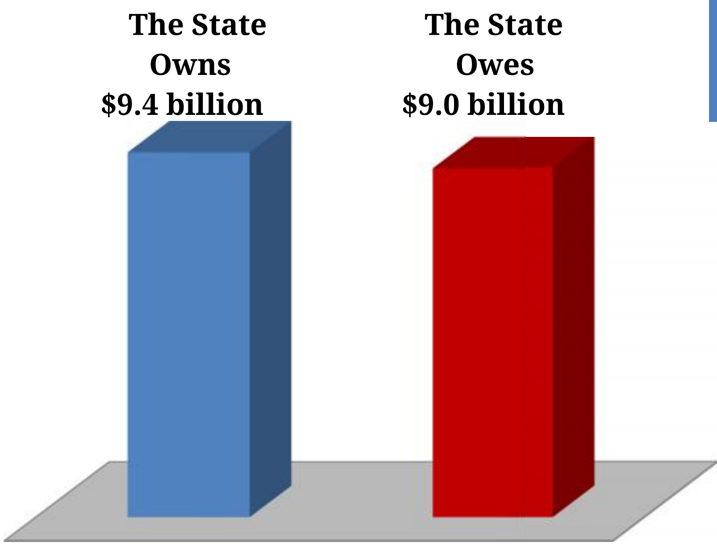
THE 9th WORST STATE

IOWA IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

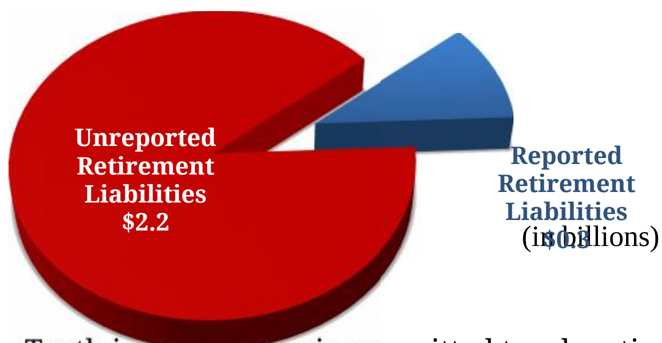
The state of Iowa is a sunshine state because it has assets above its outstanding bills. The State has a $408.7 million financial surplus.

Each Taxpayer's Share of This Financial Surplus is $400

Unlike most states, Iowa has the money needed to fund State employees' retirement benefits and other outstanding bills. Iowa is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

90% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $2.4 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $253.4 million of these liabilities are reported on Iowa's balance sheet.



- 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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Number of taxpayers is based on the number of Iowa federal tax filers with a tax liability.

Data is derived from the state of Iowa's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Iowa
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$27,264,001,000
Less: Capital Assets	$12,285,552,000
Restricted Assets	$5,586,717,000
Assets Available to Pay Bills	$9,391,732,000
Less: Bills	$8,983,039,000
Money Available to Pay Bills	**$408,693,000**
Each Taxpayer's Surplus	**$400**

The state of Iowa has $27.3 billion in assets, but most of these assets are not available to pay State bills.

The $12.3 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 $9.4 billion of State's assets available to pay $9.0 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 $400

Number of taxpayers is based on the number of Iowa federal tax filers with a tax liability.

Data is derived from the state of Iowa's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$5,062,577,000
Other Liabilities	$3,401,135,000
Less: Debt Related to Capital Assets	$1,912,290,000
Unfunded Pension Benefits	$1,850,828,000
Unfunded Retirees' Health Care Benefits	$580,789,000
Bills	**$8,983,039,000**

The State has accumulated bonds of $5.1 billion and other liabilities of $3.4 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 27% of State bills. These unfunded liabilities have accumulated because State employees have been promised $1.9 billion of pension benefits and $580.8 million of retirees' health care benefits. Unlike most states, Iowa has the assets needed to pay these liabilities.

Iowa elected officials seem to promise only what they can afford.

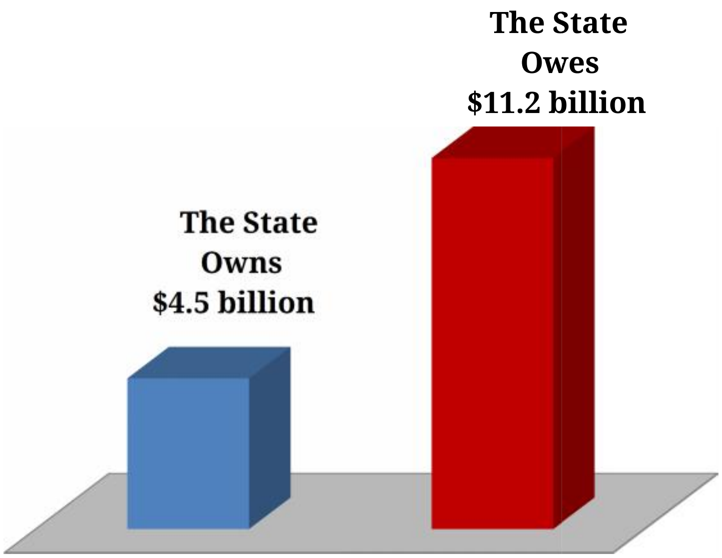
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$253,407,000
Unreported Retirement Liabilities	$2,178,210,000
Total Retirement Liabilities	**$2,431,617,000**

A detailed study of Iowa's actuaries' schedules found retirement benefits totaling $2.4 billion have been promised, but not funded. A review of the State's balance sheet determined only $253.4 million of these liabilities are reported. This means the State does not report $2.2 billion of retirement liabilities on its balance sheet.

THE 23rd WORST STATE

KANSAS IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Kansas is sinking in debt. The State's $6.7 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $7,500

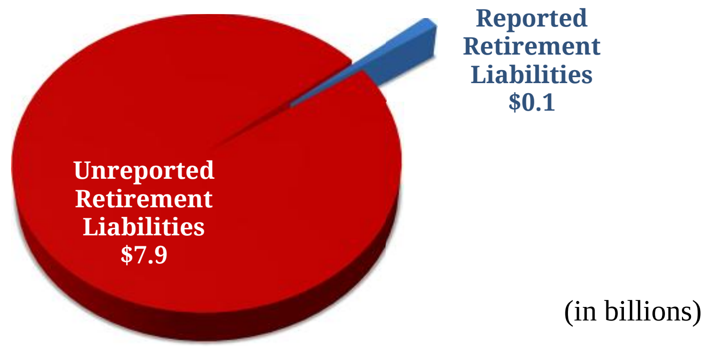
Kansas statutes require the legislature to pass a balanced budget. One of the reasons Kansas is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Kansas's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Kansas federal tax filers with a tax liability.

Truth in Accounting

99% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $8 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $111.9 million of these liabilities are reported on Kansas's balance sheet.



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The Financial State of Kansas
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$23,856,364,000
Less: Capital Assets	$15,082,133,000
Restricted Assets	$4,224,591,000
Assets Available to Pay Bills	$4,549,640,000
Less: Bills	$11,201,573,000
Money Needed to Pay Bills	**$6,651,933,000**
Each Taxpayer's* Burden	**$7,500**

The state of Kansas has $23.9 billion in assets, but most of these assets are not available to pay State bills.

The $15.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $4.2 billion of the assets is restricted by law or contract.

That leaves $4.5 billion of State's assets available to pay $11.2 billion of bills as they come due.

The $6.7 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.

Today Each Taxpayer Owes $7,500

Number of taxpayers is based on the number of Kansas federal tax filers with a tax liability.

Data is derived from the state of Kansas's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

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The Bills the State Has Accumulated

State Bonds	$4,366,147,000
Other Liabilities	$2,910,341,000
Less: Debt Related to Capital Assets	$4,078,540,000
Unfunded Pension Benefits	$7,792,229,000
Unfunded Retirees' Health Care Benefits	$211,396,000
Bills	**$11,201,573,000**

Despite the balanced budget requirement, the State has accumulated bonds of $4.4 billion and other liabilities of $2.9 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 71% of State bills. These unfunded liabilities have accumulated because State employees have been promised $7.8 billion of pension benefits and $211.4 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.

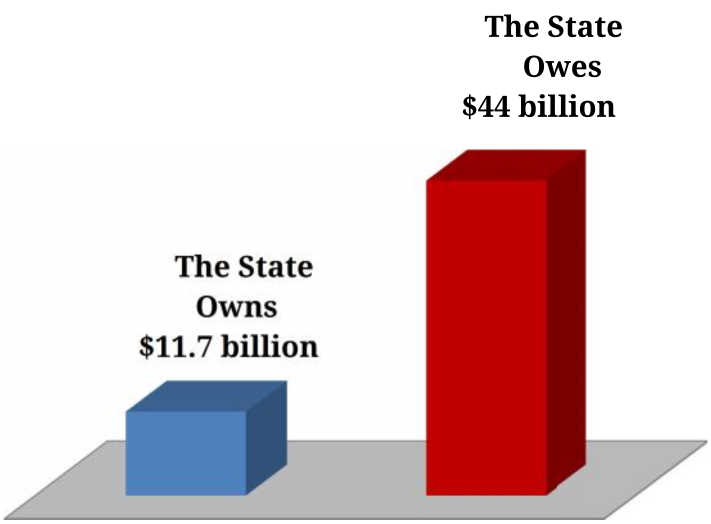
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$111,872,000
Unreported Retirement Liabilities	$7,891,753,000
Total Retirement Liabilities	**$8,003,625,000**

A detailed study of Kansas's actuaries' schedules found retirement benefits totaling $8 billion have been promised, but not funded. A review of the State's balance sheet determined only $111.9 million of these liabilities are reported. This means the State does not report $7.9 billion of retirement liabilities on its balance sheet.

THE 6th WORST STATE

KENTUCKY IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Kentucky is sinking in debt. The State's $32.3 billion shortfall represents compensation and other costs that have been pushed into the future.

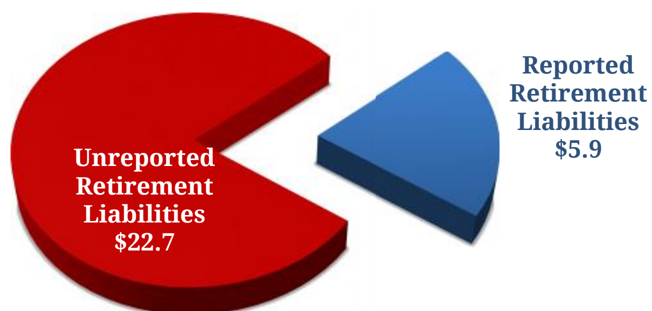
Each Taxpayer's Share of This Financial Burden is $26,500

Kentucky statutes require the legislature to pass a balanced budget. One of the reasons Kentucky is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Kentucky's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Kentucky federal tax filers with a tax liability.

79% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $28.6 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $5.9 billion of these liabilities are reported on Kentucky's balance sheet.



(in billions)

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Data is derived from the state of Kentucky's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

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The Financial State of Kentucky
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$45,460,541,000
Less: Capital Assets	$28,871,764,000
Restricted Assets	$4,873,549,000
Assets Available to Pay Bills	$11,715,228,000
Less: Bills	$43,974,966,000
Money Needed to Pay Bills	**$32,259,738,000**
Each Taxpayer's* Burden	**$26,500**

The state of Kentucky has $45.5 billion in assets, but most of these assets are not available to pay State bills.

The $28.9 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $4.9 billion of the assets is restricted by law or contract.

That leaves $11.7 billion of State's assets available to pay $44 billion of bills as they come due.

The $32.3 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.

Today Each Taxpayer Owes $26,500

Number of taxpayers is based on the number of Kentucky federal tax filers with a tax liability.

Data is derived from the state of Kentucky's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Bills the State Has Accumulated

State Bonds	$9,986,534,000
Other Liabilities	$9,896,681,000
Less: Debt Related to Capital Assets	$4,494,386,000
Unfunded Pension Benefits	$23,471,386,000
Unfunded Retirees' Health Care Benefits	$5,114,751,000
Bills	**$43,974,966,000**

Despite the balanced budget requirement, the State has accumulated bonds of $10 billion and other liabilities of $9.9 billion. The calculation of assets available to pay bills does not include capital assets, so $4.5 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 $23.5 billion of pension benefits and $5.1 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.

All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$5,924,787,000
Unreported Retirement Liabilities	$22,661,350,000
Total Retirement Liabilities	**$28,586,137,000**

A detailed study of Kentucky's actuaries' schedules found retirement benefits totaling $28.6 billion have been promised, but not funded. A review of the State's balance sheet determined only $5.9 billion of these liabilities are reported. This means the State does not report $22.7 billion of retirement liabilities on its balance sheet.

Truth in Accounting

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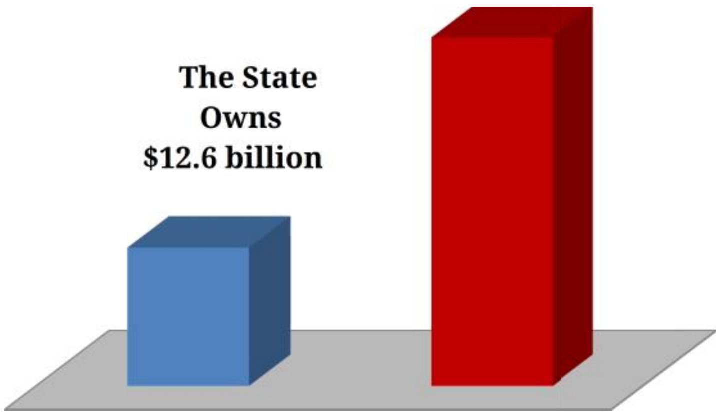
THE 12th WORST STATE

LOUISIANA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Louisiana is sinking in debt. The State's $19.1 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $15,200

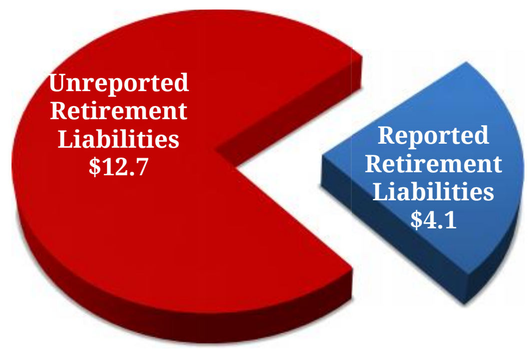
Louisiana statutes require the legislature to pass a balanced budget. One of the reasons Louisiana is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Louisiana's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Louisiana federal tax filers with a tax liability.

Truth in Accounting

76% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $16.8 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $4.1 billion of these liabilities are reported on Louisiana's balance sheet.



(in billions)

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Data is derived from the state of Louisiana's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

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The Financial State of Louisiana
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$42,095,603,000
Less: Capital Assets	$21,387,261,000
Restricted Assets	$8,127,821,000
Assets Available to Pay Bills	$12,580,521,000
Less: Bills	$31,712,666,000
Money Needed to Pay Bills	**$19,132,145,000**
Each Taxpayer's* Burden	$15,200

The state of Louisiana has $42.1 billion in assets, but most of these assets are not available to pay State bills.

The $21.4 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 $12.6 billion of State's assets available to pay $31.7 billion of bills as they come due.

The $19.1 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.

Today Each Taxpayer Owes $15,200

Number of taxpayers is based on the number of Louisiana federal tax filers with a tax liability.

Data is derived from the state of Louisiana's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

The Bills the State Has Accumulated

State Bonds	$11,653,163,000
Other Liabilities	$8,801,107,000
Less: Debt Related to Capital Assets	$5,570,776,000
Unfunded Pension Benefits	$8,240,233,000
Unfunded Retirees' Health Care Benefits	$8,588,939,000
Bills	**$31,712,666,000**

Despite the balanced budget requirement, the State has accumulated bonds of $11.7 billion and other liabilities of $8.8 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.

Unfunded employees' retirement benefits represent 53% of State bills. These unfunded liabilities have accumulated because State employees have been promised $8.2 billion of pension benefits and $8.6 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.

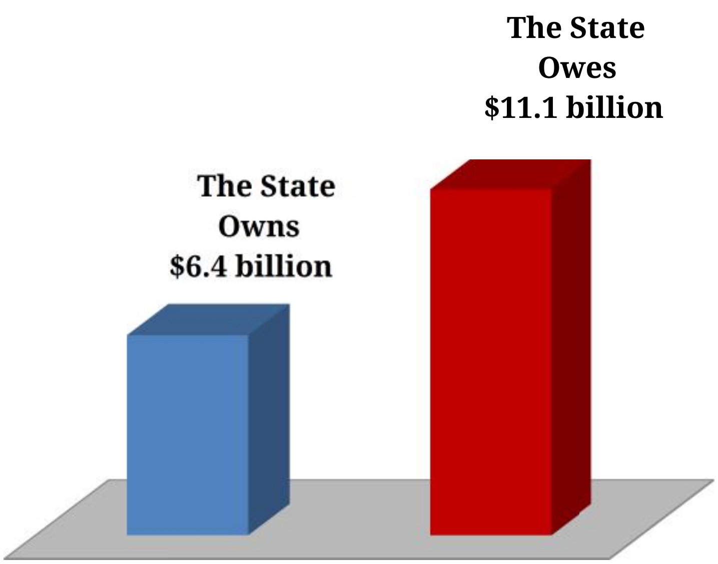
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$4,096,570,000
Unreported Retirement Liabilities	$12,732,602,000
Total Retirement Liabilities	**$16,829,172,000**

A detailed study of Louisiana's actuaries' schedules found retirement benefits totaling $16.8 billion have been promised, but not funded. A review of the State's balance sheet determined only $4.1 billion of these liabilities are reported. This means the State does not report $12.7 billion of retirement liabilities on its balance sheet.

THE 20th WORST STATE

MAINE IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Maine is sinking in debt. The State's $4.7 billion shortfall represents compensation and other costs that have been pushed into the future.

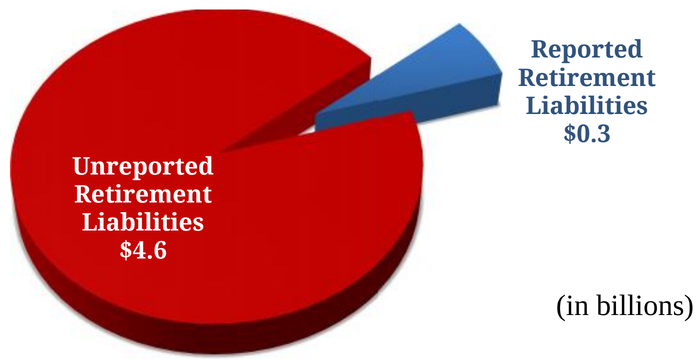
Each Taxpayer's Share of This Financial Burden is $10,600

Maine statutes require the legislature to pass a balanced budget. One of the reasons Maine is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Maine's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Maine federal tax filers with a tax liability.

94% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $4.9 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $317.3 million of these liabilities are reported on Maine's balance sheet.



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The Financial State of Maine
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$15,572,458,000
Less: Capital Assets	$7,049,279,000
Restricted Assets	$2,112,126,000
Assets Available to Pay Bills	$6,411,053,000
Less: Bills	$11,090,015,000
Money Needed to Pay Bills	**$4,678,962,000**
Each Taxpayer's* Burden	**$10,600**

The state of Maine has $15.6 billion in assets, but most of these assets are not available to pay State bills.

The $7 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $2.1 billion of the assets is restricted by law or contract.

That leaves $6.4 billion of State's assets available to pay $11.1 billion of bills as they come due.

The $4.7 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.

Today Each Taxpayer Owes $10,600

Number of taxpayers is based on the number of Maine federal tax filers with a tax liability.

Data is derived from the state of Maine's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$6,447,881,000
Other Liabilities	$1,001,006,000
Less: Debt Related to Capital Assets	$1,274,230,000
Unfunded Pension Benefits	$2,978,193,000
Unfunded Retirees' Health Care Benefits	$1,937,165,000
Bills	**$11,090,015,000**

Despite the balanced budget requirement, the State has accumulated bonds of $6.4 billion and other liabilities of $1 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 44% of State bills. These unfunded liabilities have accumulated because State employees have been promised $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.

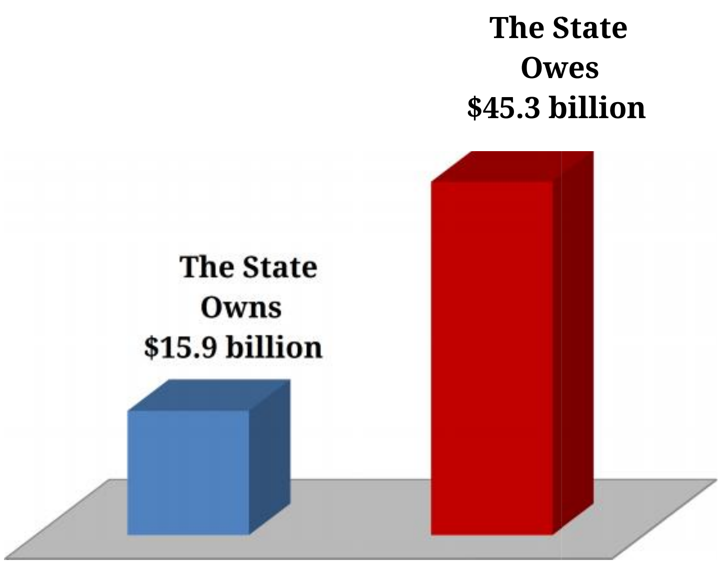
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$317,327,000
Unreported Retirement Liabilities	$4,598,031,000
Total Retirement Liabilities	**$4,915,358,000**

A detailed study of Maine's actuaries' schedules found retirement benefits totaling $4.9 billion have been promised, but not funded. A review of the State's balance sheet determined only $317.3 million of these liabilities are reported. This means the State does not report $4.6 billion of retirement liabilities on its balance sheet.

THE 14th WORST STATE

MARYLAND IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Maryland is sinking in debt. The State's $29.4 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $14,200

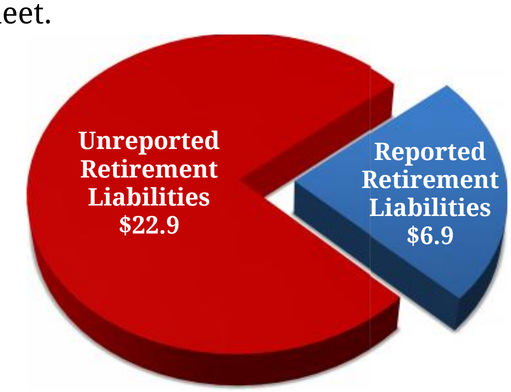
Maryland statutes require the legislature to pass a balanced budget. One of the reasons Maryland is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Maryland's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Maryland federal tax filers with a tax liability.

Truth in Accounting

77% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $29.8 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $6.9 billion of these liabilities are reported on Maryland's balance sheet.



(in billions)

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The Financial State of Maryland
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$51,134,509,000
Less: Capital Assets	$31,416,064,000
Restricted Assets	$3,807,008,000
Assets Available to Pay Bills	$15,911,437,000
Less: Bills	$45,268,782,000
Money Needed to Pay Bills	**$29,357,345,000**
Each Taxpayer's* Burden	**$14,200**

The state of Maryland has $51.1 billion in assets, but most of these assets are not available to pay State bills.

The $31.4 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $3.8 billion of the assets is restricted by law or contract.

That leaves $15.9 billion of State's assets available to pay $45.3 billion of bills as they come due.

The $29.4 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.

Today Each Taxpayer Owes $14,200

Number of taxpayers is based on the number of Maryland federal tax filers with a tax liability.

Data is derived from the state of Maryland's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

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The Bills the State Has Accumulated

State Bonds	$18,032,146,000
Other Liabilities	$7,950,471,000
Less: Debt Related to Capital Assets	$10,499,176,000
Unfunded Pension Benefits	$20,993,485,000
Unfunded Retirees' Health Care Benefits	$8,791,856,000
Bills	**$45,268,782,000**

Despite the balanced budget requirement, the State has accumulated bonds of $18 billion and other liabilities of $8 billion. The calculation of assets available to pay bills does not include capital assets, so $10.5 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 $21 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.

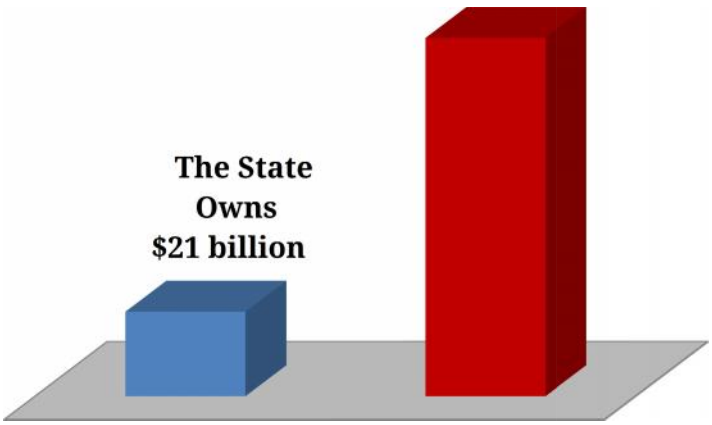
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$6,922,854,000
Unreported Retirement Liabilities	$22,862,487,000
Total Retirement Liabilities	**$29,785,341,000**

A detailed study of Maryland's actuaries' schedules found retirement benefits totaling $29.8 billion have been promised, but not funded. A review of the State's balance sheet determined only $6.9 billion of these liabilities are reported. This means the State does not report $22.9 billion of retirement liabilities on its balance sheet.

THE 4th WORST STATE

MASSACHUSETTS IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Massachusetts is sinking in debt. The State's $68 billion shortfall represents compensation and other costs that have been pushed into the future.

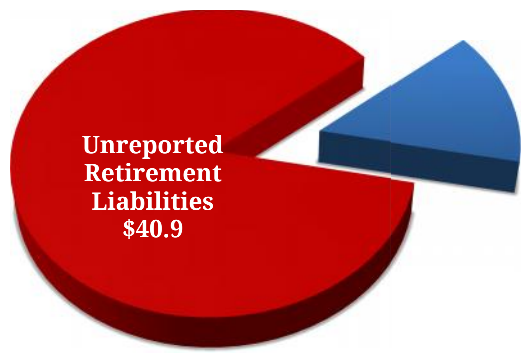
Each Taxpayer's Share of This Financial Burden is $28,000

Massachusetts statutes require the legislature to pass a balanced budget. One of the reasons Massachusetts is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Massachusetts's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Massachusetts federal tax filers with a tax liability.

86% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $47.7 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $6.8 billion of these liabilities are reported on Massachusetts's balance sheet.



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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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of Massachusetts's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of Massachusetts
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$69,303,434,000
Less: Capital Assets	$42,261,316,000
Restricted Assets	$6,049,601,000
Assets Available to Pay Bills	$20,992,517,000
Less: Bills	$89,028,395,000
Money Needed to Pay Bills	**$68,035,878,000**
Each Taxpayer's* Burden	**$28,000**

The state of Massachusetts has $69.3 billion in assets, but most of these assets are not available to pay State bills.

The $42.3 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 $21 billion of State's assets available to pay $89 billion of bills as they come due.

The $68 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.

Today Each Taxpayer Owes $28,000

Number of taxpayers is based on the number of Massachusetts federal tax filers with a tax liability.

Data is derived from the state of Massachusetts's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$41,241,742,000
Other Liabilities	$15,202,252,000
Less: Debt Related to Capital Assets	$15,077,354,000
Unfunded Pension Benefits	$30,257,702,000
Unfunded Retirees' Health Care Benefits	$17,404,053,000
Bills	**$89,028,395,000**

Despite the balanced budget requirement, the State has accumulated bonds of $41.2 billion and other liabilities of $15.2 billion. The calculation of assets available to pay bills does not include capital assets, so $15.1 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 $30.3 billion of pension benefits and $17.4 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.

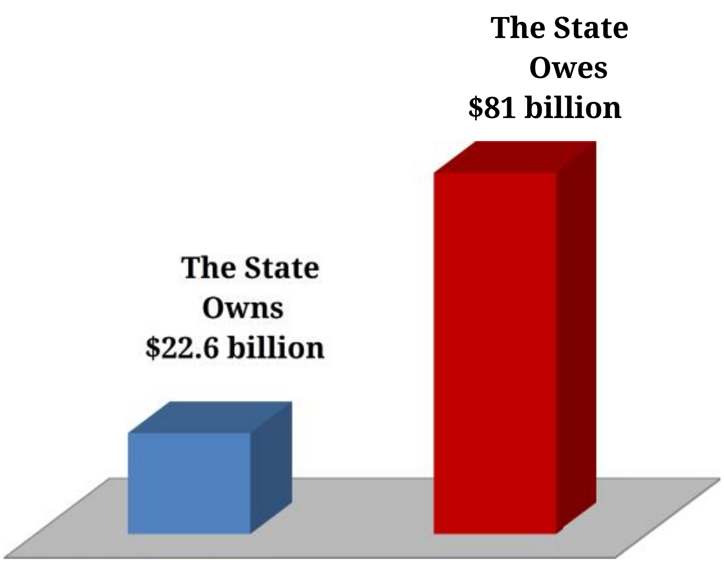
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$6,800,060,000
Unreported Retirement Liabilities	$40,861,695,000
Total Retirement Liabilities	**$47,661,755,000**

A detailed study of Massachusetts's actuaries' schedules found retirement benefits totaling $47.7 billion have been promised, but not funded. A review of the State's balance sheet determined only $6.8 billion of these liabilities are reported. This means the State does not report $40.9 billion of retirement liabilities on its balance sheet.

THE 9th WORST STATE

MICHIGAN IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Michigan is sinking in debt. The State's $58.3 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $19,300

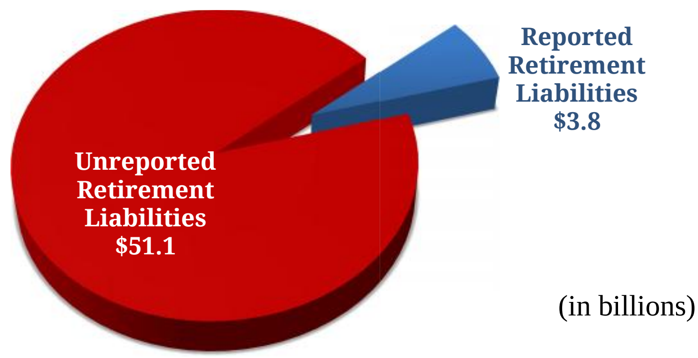
Michigan statutes require the legislature to pass a balanced budget. One of the reasons Michigan is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Michigan's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Michigan federal tax filers with a tax liability.

Truth in Accounting

93% OF RETIREMENT LIABILITIES

Truth in Accounting's detailed analysis discovered a total of $54.9 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $3.8 billion of these liabilities are reported on Michigan's balance sheet.



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Data is derived from the state of Michigan's September 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of Michigan
As of September 30, 2013

The State's Bills Exceed Its Assets

Assets	$59,276,157,000
Less: Capital Assets	$26,052,164,000
Restricted Assets	$10,599,068,000
Assets Available to Pay Bills	$22,624,925,000
Less: Bills	$80,967,586,000
Money Needed to Pay Bills	**$58,342,661,000**
Each Taxpayer's* Burden	**$19,300**

The state of Michigan has $59.3 billion in assets, but most of these assets are not available to pay State bills.

The $26.1 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 $22.6 billion of State's assets available to pay $81 billion of bills as they come due.

The $58.3 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.

Today Each Taxpayer Owes $19,300

Number of taxpayers is based on the number of Michigan federal tax filers with a tax liability.

Data is derived from the state of Michigan's September 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$20,031,600,000
Other Liabilities	$10,179,753,000
Less: Debt Related to Capital Assets	$4,140,654,000
Unfunded Pension Benefits	$31,199,600,000
Unfunded Retirees' Health Care Benefits	$23,697,287,000
Bills	**$80,967,586,000**

Despite the balanced budget requirement, the State has accumulated bonds of $20 billion and other liabilities of $10.2 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 $31.2 billion of pension benefits and $23.7 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.

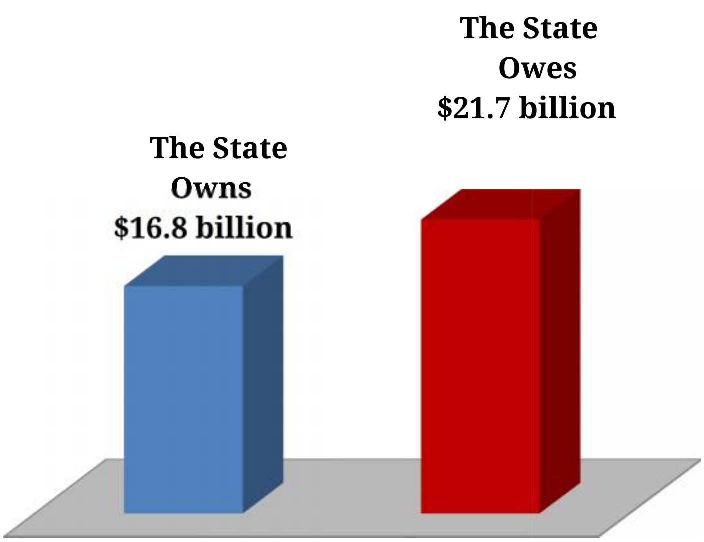
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$3,759,139,000
Unreported Retirement Liabilities	$51,137,748,000
Total Retirement Liabilities	**$54,896,887,000**

A detailed study of Michigan's actuaries' schedules found retirement benefits totaling $54.9 billion have been promised, but not funded. A review of the State's balance sheet determined only $3.8 billion of these liabilities are reported. This means the State does not report $51.1 billion of retirement liabilities on its balance sheet.

THE 34th WORST STATE

MINNESOTA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Minnesota is sinking in debt. The State's $4.9 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $2,600

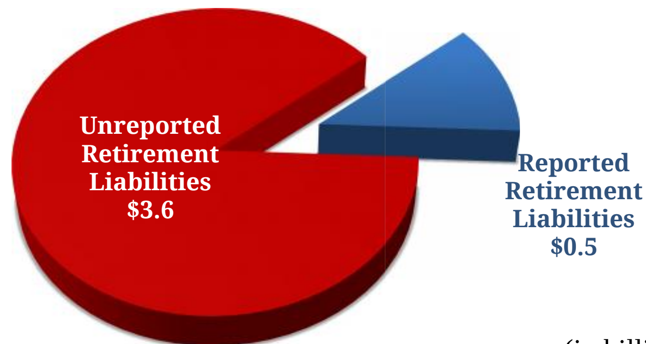
Minnesota statutes require the legislature to pass a balanced budget. One of the reasons Minnesota is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Minnesota's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Minnesota federal tax filers with a tax liability.

Truth in Accounting

88% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $4.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $488.6 million of these liabilities are reported on Minnesota's balance sheet.



(in billions)

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www.truthinaccounting.org
www.statedatalab.org

The Financial State of Minnesota
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$51,049,055,000
Less: Capital Assets	$22,075,138,000
Restricted Assets	$12,195,640,000
Assets Available to Pay Bills	$16,778,277,000
Less: Bills	$21,680,518,000
Money Needed to Pay Bills	**$4,902,241,000**
Each Taxpayer's* Burden	**$2,600**

The state of Minnesota has $51 billion in assets, but most of these assets are not available to pay State bills.

The $22.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $12.2 billion of the assets is restricted by law or contract.

That leaves $16.8 billion of State's assets available to pay $21.7 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.

Today Each Taxpayer Owes $2,600

Number of taxpayers is based on the number of Minnesota federal tax filers with a tax liability.

Data is derived from the state of Minnesota's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$12,574,830,000
Other Liabilities	$11,142,672,000
Less: Debt Related to Capital Assets	$6,171,006,000
Unfunded Pension Benefits	$3,125,878,000
Unfunded Retirees' Health Care Benefits	$1,008,144,000
Bills	**$21,680,518,000**

Despite the balanced budget requirement, the State has accumulated bonds of $12.6 billion and other liabilities of $11.1 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 19% of State bills. These unfunded liabilities have accumulated because State employees have been promised $3.1 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.

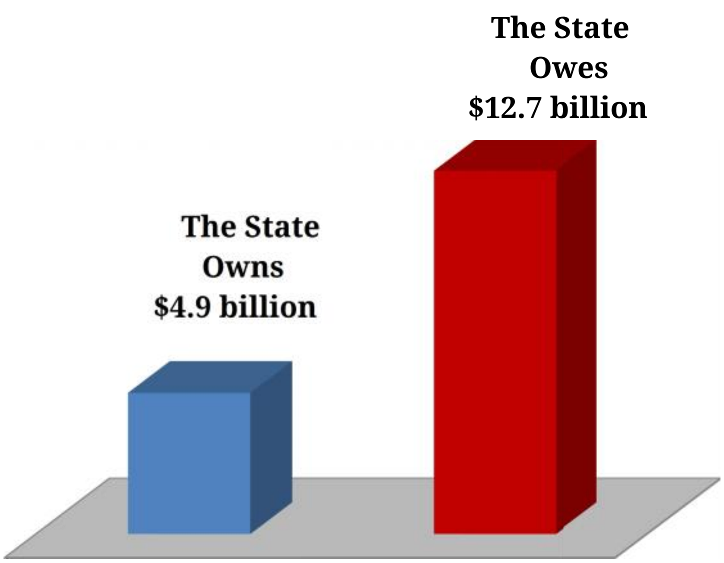
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$488,579,000
Unreported Retirement Liabilities	$3,645,443,000
Total Retirement Liabilities	**$4,134,022,000**

A detailed study of Minnesota's actuaries' schedules found retirement benefits totaling $4.1 billion have been promised, but not funded. A review of the State's balance sheet determined only $488.6 million of these liabilities are reported. This means the State does not report $3.6 billion of retirement liabilities on its balance sheet.

THE 19th WORST STATE

MISSISSIPPI IS A SINKHOLE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

The state of Mississippi is sinking in debt. The State's $7.7 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $10,700

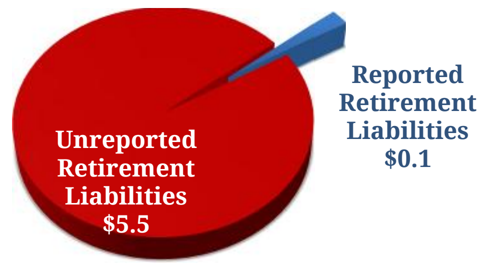
Mississippi statutes require the legislature to pass a balanced budget. One of the reasons Mississippi is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Mississippi's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Mississippi federal tax filers with a tax liability.

Truth in Accounting

98% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $5.7 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $125.2 million of these liabilities are reported on Mississippi's balance sheet.



(in billions)

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www.truthinaccounting.org
www.statedatalab.org

The Financial State of Mississippi
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$28,332,610,000
Less: Capital Assets	$18,082,360,000
Restricted Assets	$5,326,923,000
Assets Available to Pay Bills	$4,923,327,000
Less: Bills	$12,670,060,000
Money Needed to Pay Bills	**$7,746,733,000**
Each Taxpayer's* Burden	**$10,700**

The state of Mississippi has $28.3 billion in assets, but most of these assets are not available to pay State bills.

The $18.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $5.3 billion of the assets is restricted by law or contract.

That leaves $4.9 billion of State's assets available to pay $12.7 billion of bills as they come due.

The $7.7 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.

Today Each Taxpayer Owes $10,700

Number of taxpayers is based on the number of Mississippi federal tax filers with a tax liability.

Data is derived from the state of Mississippi's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$5,148,027,000
Other Liabilities	$4,065,570,000
Less: Debt Related to Capital Assets	$2,217,511,000
Unfunded Pension Benefits	$4,983,635,000
Unfunded Retirees' Health Care Benefits	$690,339,000
Bills	**$12,670,060,000**

Despite the balanced budget requirement, the State has accumulated bonds of $5.1 billion and other liabilities of $4.1 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 45% of State bills. These unfunded liabilities have accumulated because State employees have been promised $5 billion of pension benefits and $690.3 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.

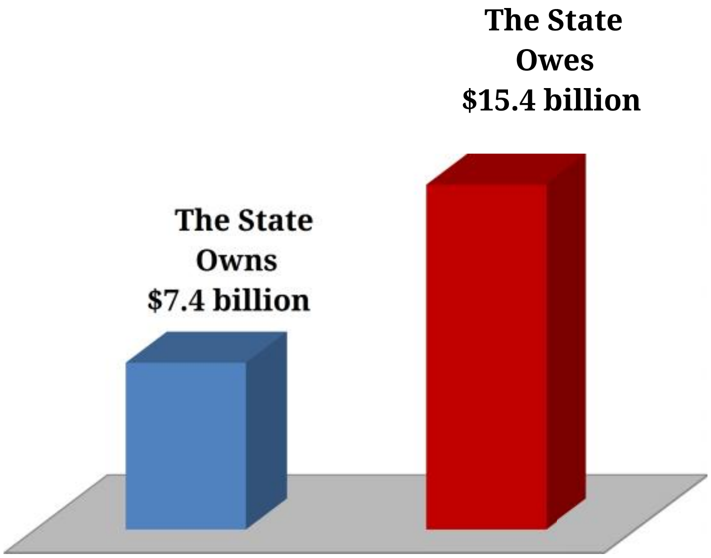
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$125,193,000
Unreported Retirement Liabilities	$5,548,781,000
Total Retirement Liabilities	**$5,673,974,000**

A detailed study of Mississippi's actuaries' schedules found retirement benefits totaling $5.7 billion have been promised, but not funded. A review of the State's balance sheet determined only $125.2 million of these liabilities are reported. This means the State does not report $5.5 billion of retirement liabilities on its balance sheet.

THE 30st WORST STATE

MISSOURI IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Missouri is sinking in debt. The State's $7.9 billion shortfall represents compensation and other costs that have been pushed into the future.

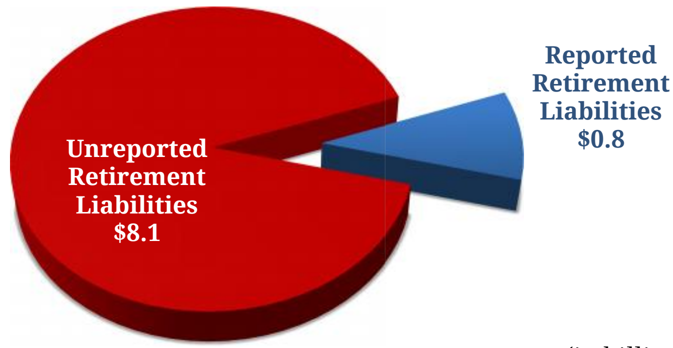
Each Taxpayer's Share of This Financial Burden is $4,400

Missouri statutes require the legislature to pass a balanced budget. One of the reasons Missouri is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Missouri's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Missouri federal tax filers with a tax liability.

91% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $9 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $848.2 million of these liabilities are reported on Missouri's balance sheet.



(in billions)

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Data is derived from the state of Missouri's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Missouri
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$49,528,676,000
Less: Capital Assets	$36,787,888,000
Restricted Assets	$5,291,272,000
Assets Available to Pay Bills	$7,449,516,000
Less: Bills	$15,397,019,000
Money Needed to Pay Bills	**$7,947,503,000**
Each Taxpayer's* Burden	**$4,400**

The state of Missouri has $49.5 billion in assets, but most of these assets are not available to pay State bills.

The $36.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $5.3 billion of the assets is restricted by law or contract.

That leaves $7.4 billion of State's assets available to pay $15.4 billion of bills as they come due.

The $7.9 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.

Today Each Taxpayer Owes $4,400

Number of taxpayers is based on the number of Missouri federal tax filers with a tax liability.

Data is derived from the state of Missouri's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$5,915,959,000
Other Liabilities	$5,891,686,000
Less: Debt Related to Capital Assets	$5,405,008,000
Unfunded Pension Benefits	$5,807,357,000
Unfunded Retirees' Health Care Benefits	$3,187,025,000
Bills	**$15,397,019,000**

Despite the balanced budget requirement, the State has accumulated bonds of $5.9 billion and other liabilities of $5.9 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 58% of State bills. These unfunded liabilities have accumulated because State employees have been promised $5.8 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.

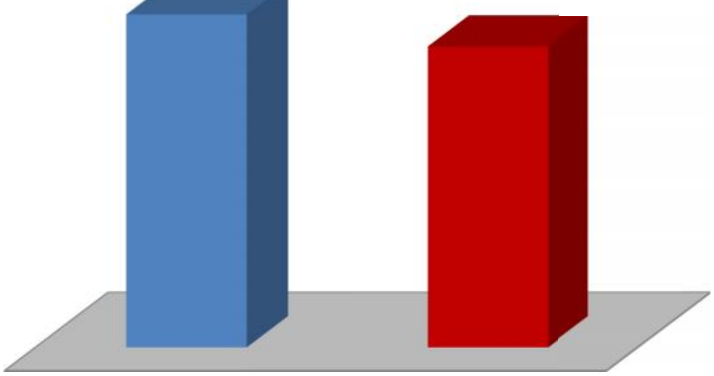
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$848,164,000
Unreported Retirement Liabilities	$8,146,218,000
Total Retirement Liabilities	**$8,994,382,000**

A detailed study of Missouri's actuaries' schedules found retirement benefits totaling $9 billion have been promised, but not funded. A review of the State's balance sheet determined only $848.2 million of these liabilities are reported. This means the State does not report $8.1 billion of retirement liabilities on its balance sheet.

THE 7th BEST STATE

MONTANA IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

The state of Montana is a sunshine state because it has assets above its outstanding bills. The State has a $433.9 million financial surplus.

Each Taxpayer's Share of This Financial Surplus is $1,400

Unlike most states, Montana has the money needed to fund State employees' retirement benefits and other outstanding bills. Montana is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

Number of taxpayers is based on the number of Montana federal tax filers with a tax liability.

Truth in Accounting

74% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $1.4 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $352.3 million of these liabilities are reported on Montana's balance sheet.

(in billions)

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The Financial State of Montana
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$14,370,712,000
Less: Capital Assets	$5,678,761,000
Restricted Assets	$3,181,062,000
Assets Available to Pay Bills	$5,510,889,000
Less: Bills	$5,077,024,000
Money Available to Pay Bills	**$433,865,000**
Each Taxpayer's Surplus	**$1,400**

The state of Montana has $14.4 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 $3.2 billion of the assets is restricted by law or contract.

That leaves $5.5 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 $1,400

Number of taxpayers is based on the number of Montana federal tax filers with a tax liability.

Data is derived from the state of Montana's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$1,052,462,000
Other Liabilities	$3,118,876,000
Less: Debt Related to Capital Assets	$457,065,000
Unfunded Pension Benefits	$915,646,000
Unfunded Retirees' Health Care Benefits	$447,105,000
Bills	**$5,077,024,000**

The State has accumulated bonds of $1.1 billion and other liabilities of $3.1 billion. The calculation of assets available to pay bills does not include capital assets, so $457.1 million 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 $915.6 million of pension benefits and $447.1 million of retirees' health care benefits. Unlike most states, Montana has the assets needed to pay these liabilities.

Montana elected officials seem to promise only what they can afford.

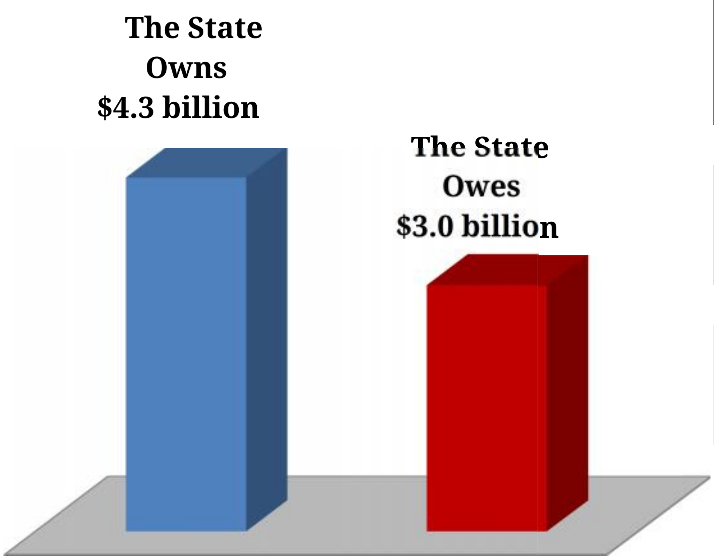
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$352,285,000
Unreported Retirement Liabilities	$1,010,466,000
Total Retirement Liabilities	**$1,362,751,000**

A detailed study of Montana's actuaries' schedules found retirement benefits totaling $1.4 billion have been promised, but not funded. A review of the State's balance sheet determined only $352.3 million of these liabilities are reported. This means the State does not report $1 billion of retirement liabilities on its balance sheet.

THE 6th BEST STATE

NEBRASKA IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

The state of Nebraska is a sunshine state because it has assets above its outstanding bills. The State has a $1.3 billion financial surplus.

Each Taxpayer's Share of This Financial Surplus is $2,200

Unlike most states, Nebraska has the money needed to fund State employees' retirement benefits and other outstanding bills. Nebraska is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

Truth in Accounting

RETIREMENT LIABILITIES ARE MASSIVELY UNDERSTATED

Reported Retirement Liabilities	**$1,060,000**
Actual Retirement Liabilities	**$772,495,000**

Truth in Accounting's detailed analysis discovered a total of $772.5 million of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $1.1 million of these liabilities are reported on Nebraska's balance sheet.

- 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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of Nebraska's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Nebraska
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$20,087,822,000
Less: Capital Assets	$10,657,141,000
Restricted Assets	$5,113,304,000
Assets Available to Pay Bills	$4,317,377,000
Less: Bills	$3,004,136,000
Money Available to Pay Bills	**$1,313,241,000**
Each Taxpayer's Surplus	$2,200

The state of Nebraska has $20.1 billion in assets, but most of these assets are not available to pay State bills.

The $10.7 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 $4.3 billion of State's assets available to pay $3.0 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 $2,200

Number of taxpayers is based on the number of Nebraska federal tax filers with a tax liability.

Data is derived from the state of Nebraska's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$729,923,000
Other Liabilities	$2,147,247,000
Less: Debt Related to Capital Assets	$645,529,000
Unfunded Pension Benefits	$772,495,000
Bills	**$3,004,136,000**

The State has accumulated bonds of $729.9 million and other liabilities of $2.1 billion. The calculation of assets available to pay bills does not include capital assets, so $645.5 million 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 $772.5 million of pension benefits. Unlike most states, Nebraska has the assets needed to pay these liabilities.

Nebraska elected officials seem to promise only what they can afford.

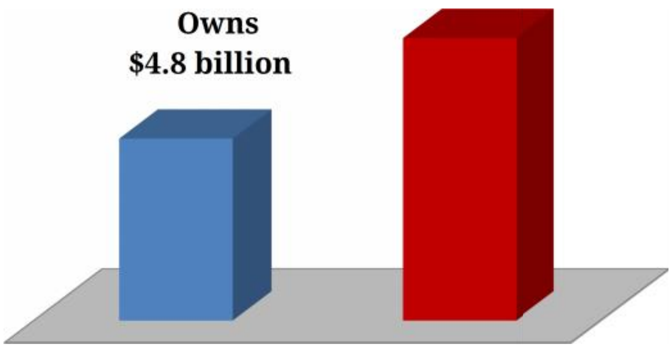
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$1,060,000
Unreported Retirement Liabilities	$771,435,000
Total Retirement Liabilities	**$772,495,000**

A detailed study of Nebraska's actuaries' schedules found retirement benefits totaling $772.5 million have been promised, but not funded. A review of the State's balance sheet determined only $1.1 million of these liabilities are reported. This means 26% of the State's liabilities are not reported on the State's balance sheet.

THE 33rd WORST STATE

NEVADA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Nevada is sinking in debt. The State's $2.7 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $3,100

Nevada statutes require the legislature to pass a balanced budget. One of the reasons Nevada is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Nevada's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Truth in Accounting

RETIREMENT LIABILITIES ARE MASSIVELY UNDERSTATED

Reported Retirement Liabilities	**($268,000)**
Actual Retirement Liabilities	**$2,885,378,000**

Truth in Accounting's detailed analysis discovered a total of $2.9 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $-268000 of these liabilities are reported on Nevada's balance sheet.

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

Number of taxpayers is based on the number of Nevada federal tax filers with a tax liability.

Data is derived from the state of Nevada's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Nevada
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$14,679,369,000
Less: Capital Assets	$7,806,817,000
Restricted Assets	$2,045,162,000
Assets Available to Pay Bills	$4,827,390,000
Less: Bills	$7,494,620,000
Money Needed to Pay Bills	**$2,667,230,000**
Each Taxpayer's* Burden	$3,100

The state of Nevada has $14.7 billion in assets, but most of these assets are not available to pay State bills.

The $7.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $2 billion of the assets is restricted by law or contract.

That leaves $4.8 billion of State's assets available to pay $7.5 billion of bills as they come due.

The $2.7 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.

Today Each Taxpayer Owes $3,100

Number of taxpayers is based on the number of Nevada federal tax filers with a tax liability.

Data is derived from the state of Nevada's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

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The Bills the State Has Accumulated

State Bonds	$3,778,332,000
Other Liabilities	$2,800,914,000
Less: Debt Related to Capital Assets	$1,970,004,000
Unfunded Pension Benefits	$1,703,890,000
Unfunded Retirees' Health Care Benefits	$1,181,488,000
Bills	**$7,494,620,000**

Despite the balanced budget requirement, the State has accumulated bonds of $3.8 billion and other liabilities of $2.8 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 38% of State bills. These unfunded liabilities have accumulated because State employees have been promised $1.7 billion of pension benefits and $1.2 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.

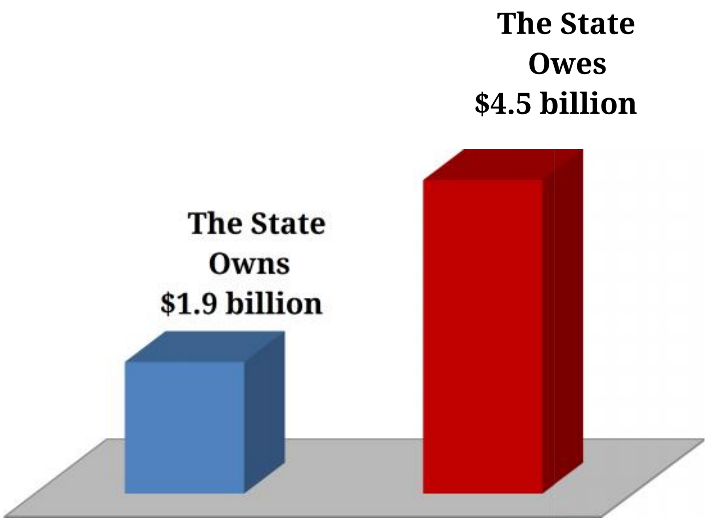
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	($268,000)
Unreported Retirement Liabilities	$2,885,646,000
Total Retirement Liabilities	**$2,885,378,000**

A detailed study of Nevada's actuaries' schedules found retirement benefits totaling $2.9 billion have been promised, but not funded. A review of the State's balance sheet determined only $-268000 of these liabilities are reported. This means 38% of the State's liabilities are not reported on the State's balance sheet.

THE 27th WORST STATE

NEW HAMPSHIRE IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of New Hampshire is sinking in debt. The State's $2.6 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $5,200

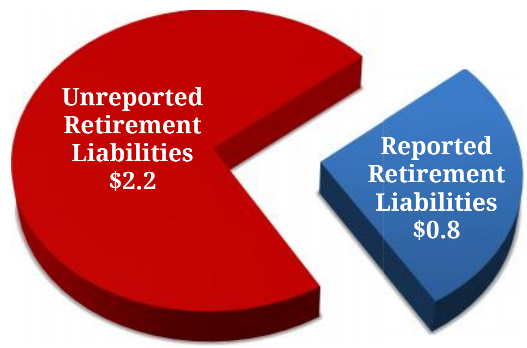
New Hampshire statutes require the legislature to pass a balanced budget. One of the reasons New Hampshire is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report New Hampshire's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of New Hampshire federal tax filers with a tax liability.

Truth in Accounting

73% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $3 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $826.2 million of these liabilities are reported on New Hampshire's balance sheet.



(in billions)

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

Data is derived from the state of Nevada's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

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The Financial State of New Hampshire
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$7,965,153,000
Less: Capital Assets	$4,750,646,000
Restricted Assets	$1,335,557,000
Assets Available to Pay Bills	$1,878,950,000
Less: Bills	$4,476,082,000
Money Needed to Pay Bills	**$2,597,132,000**
Each Taxpayer's* Burden	**$5,200**

The state of New Hampshire has $8 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 $1.3 billion of the assets is restricted by law or contract.

That leaves $1.9 billion of State's assets available to pay $4.5 billion of bills as they come due.

The $2.6 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.

Today Each Taxpayer Owes $5,200

Number of taxpayers is based on the number of New Hampshire federal tax filers with a tax liability.

Data is derived from the state of New Hampshire's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$2,092,537,000
Other Liabilities	$959,082,000
Less: Debt Related to Capital Assets	$1,585,989,000
Unfunded Pension Benefits	$957,275,000
Unfunded Retirees' Health Care Benefits	$2,053,177,000
Bills	**$4,476,082,000**

Despite the balanced budget requirement, the State has accumulated bonds of $2.1 billion and other liabilities of $959.1 million. 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 67% of State bills. These unfunded liabilities have accumulated because State employees have been promised $957.3 million of pension benefits and $2.1 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.

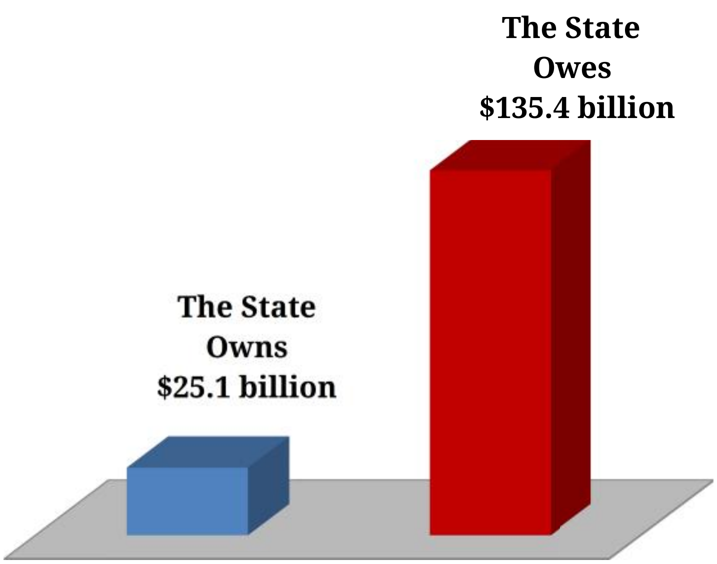
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$826,230,000
Unreported Retirement Liabilities	$2,184,222,000
Total Retirement Liabilities	**$3,010,452,000**

A detailed study of New Hampshire's actuaries' schedules found retirement benefits totaling $3 billion have been promised, but not funded. A review of the State's balance sheet determined only $826.2 million of these liabilities are reported. This means the State does not report $2.2 billion of retirement liabilities on its balance sheet.

THE 3rd WORST STATE

NEW JERSEY IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of New Jersey is sinking in debt. The State's $110.3 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $36,000

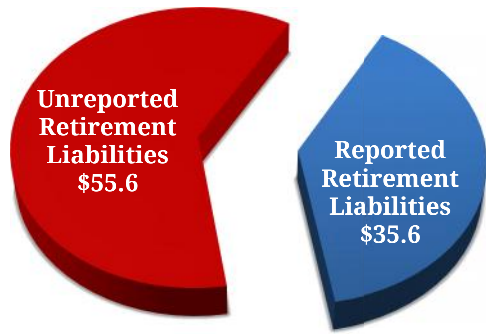
New Jersey statutes require the legislature to pass a balanced budget. One of the reasons New Jersey is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report New Jersey's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of New Jersey federal tax filers with a tax liability.

Truth in Accounting

61% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $91.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $35.6 billion of these liabilities are reported on New Jersey's balance sheet.



(in billions)

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Data is derived from the state of New Jersey's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of New Jersey
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$84,324,704,000
Less: Capital Assets	$48,539,683,000
Restricted Assets	$10,690,758,000
Assets Available to Pay Bills	$25,094,263,000
Less: Bills	$135,419,877,000
Money Needed to Pay Bills	**$110,325,614,000**
Each Taxpayer's* Burden	**$36,000**

The state of New Jersey has $84.3 billion in assets, but most of these assets are not available to pay State bills.

The $48.5 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $10.7 billion of the assets is restricted by law or contract.

That leaves $25.1 billion of State's assets available to pay $135.4 billion of bills as they come due.

The $110.3 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.

Today Each Taxpayer Owes $36,000

Number of taxpayers is based on the number of New Jersey federal tax filers with a tax liability.

Data is derived from the state of New Jersey's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

The Bills the State Has Accumulated

State Bonds	$21,735,400,000
Other Liabilities	$54,197,733,000
Less: Debt Related to Capital Assets	$31,650,114,000
Unfunded Pension Benefits	$37,629,413,000
Unfunded Retirees' Health Care Benefits	$53,507,445,000
Bills	**$135,419,877,000**

Despite the balanced budget requirement, the State has accumulated bonds of $21.7 billion and other liabilities of $54.2 billion. The calculation of assets available to pay bills does not include capital assets, so $31.7 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 $37.6 billion of pension benefits and $53.5 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.

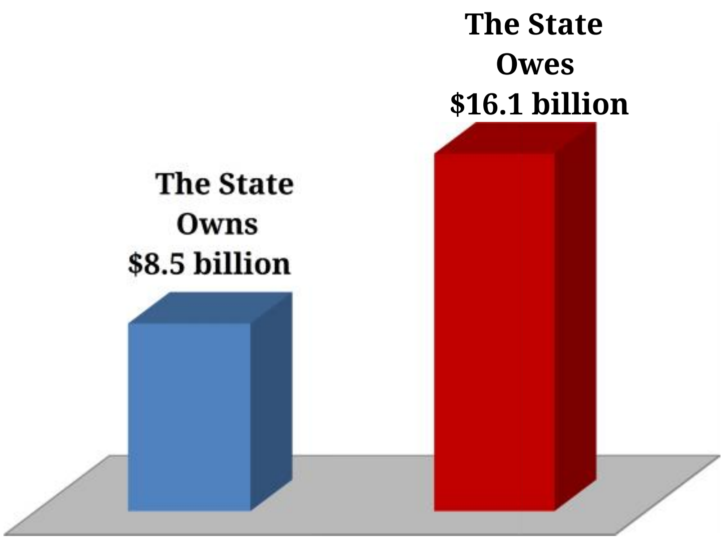
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$35,586,482,000
Unreported Retirement Liabilities	$55,550,376,000
Total Retirement Liabilities	**$91,136,858,000**

A detailed study of New Jersey's 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 $35.6 billion of these liabilities are reported. This means the State does not report $55.6 billion of retirement liabilities on its balance sheet.

THE 18th WORST STATE

NEW MEXICO IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of New Mexico is sinking in debt. The State's $7.7 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $13,600

New Mexico statutes require the legislature to pass a balanced budget. One of the reasons New Mexico is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report New Mexico's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of New Mexico federal tax filers with a tax liability.

THE STATE REPORTED NO RETIREMENT LIABILITIES	
Reported Retirement Liability	**$0**
Actual Retirement Liabilities	**$9,788,257,000**

Truth in Accounting's detailed analysis discovered a total of $9.8 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, none of these liabilities are reported on New Mexico's balance sheet.

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The Financial State of New Mexico
As of June 30, 2012

The State's Bills Exceed Its Assets

Assets	$27,082,383,000
Less: Capital Assets	$10,851,704,000
Restricted Assets	$7,778,466,000
Assets Available to Pay Bills	$8,452,213,000
Less: Bills	$16,108,655,000
Money Needed to Pay Bills	**$7,656,442,000**
Each Taxpayer's* Burden	**$13,600**

The state of New Mexico has $27.1 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 $7.8 billion of the assets is restricted by law or contract.

That leaves $8.5 billion of State's assets available to pay $16.1 billion of bills as they come due.

The $7.7 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.

Today Each Taxpayer Owes $13,600

Number of taxpayers is based on the number of New Mexico federal tax filers with a tax liability.

Data is derived from the state of New Mexico's June 30, 2012 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

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The Bills the State Has Accumulated

State Bonds	$6,288,094,000
Other Liabilities	$2,838,387,000
Less: Debt Related to Capital Assets	$2,806,083,000
Unfunded Pension Benefits	$7,280,671,000
Unfunded Retirees' Health Care Benefits	$2,507,586,000
Bills	**$16,108,655,000**

Despite the balanced budget requirement, the State has accumulated bonds of $6.3 billion and other liabilities of $2.8 billion. The calculation of assets available to pay bills does not include capital assets, so $2.8 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 61% of State bills. These unfunded liabilities have accumulated because State employees have been promised $7.3 billion of pension benefits and $2.5 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.

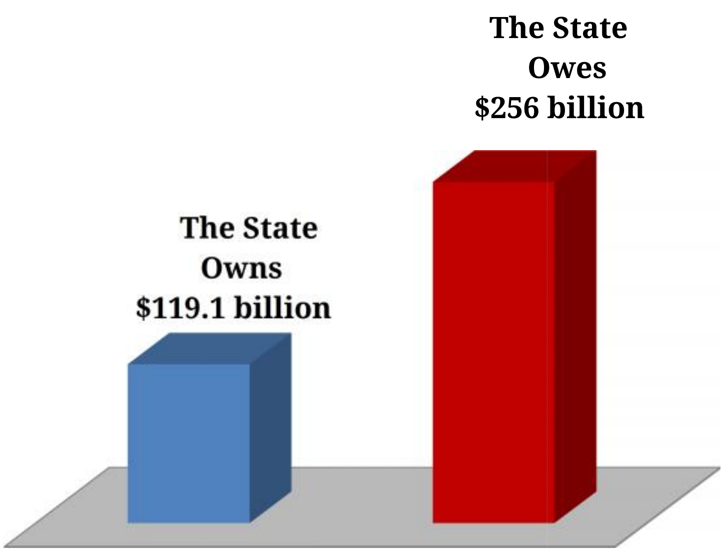
No Retirement Liabilities Are Reported on the State's Balance Sheet

Reported Retirement Liabilities	$0
Total Retirement Liabilities	**$9,788,257,000**

A detailed study of New Mexico's actuaries' schedules found retirement benefits totaling $9.8 billion have been promised, but not funded. A review of the State's balance sheet determined none of these liabilities are reported. This means 61% of the State's liabilities are not reported on the New Mexico's balance sheet.

THE 7th WORST STATE

NEW YORK IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of New York is sinking in debt. The State's $136.9 billion shortfall represents compensation and other costs that have been pushed into the future.

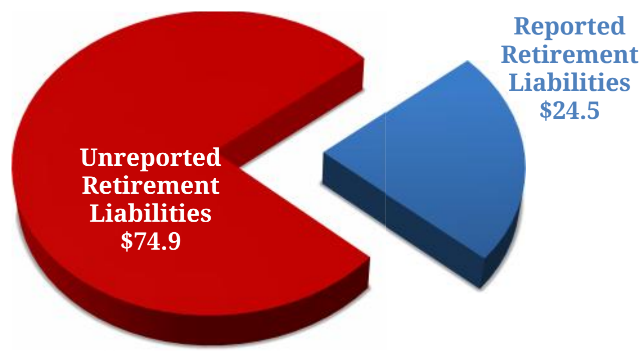
Each Taxpayer's Share of This Financial Burden is $21,700

New York statutes require the legislature to pass a balanced budget. One of the reasons New York is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report New York's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of New York federal tax filers with a tax liability.

77% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $108.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $24.5 billion of these liabilities are reported on New York's balance sheet.



(in billions)

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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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of New York's March 31, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of New York
As of March 31, 2013

The State's Bills Exceed Its Assets	
Assets	$310,380,600,000
Less: Capital Assets	$172,136,000,000
Restricted Assets	$19,130,000,000
Assets Available to Pay Bills	$119,114,600,000
Less: Bills	$255,985,789,000
Money Needed to Pay Bills	**$136,871,189,000**
Each Taxpayer's* Burden	**$21,700**

The state of New York has $310.4 billion in assets, but most of these assets are not available to pay State bills.

The $172.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $19.1 billion of the assets is restricted by law or contract.

That leaves $119.1 billion of State's assets available to pay $256 billion of bills as they come due.

The $136.9 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.

Today Each Taxpayer Owes $21,700

Number of taxpayers is based on the number of New York federal tax filers with a tax liability.

Data is derived from the state of New York's March 31, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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www.truthinaccounting.org

The Bills the State Has Accumulated	
State Bonds	$84,471,000,000
Other Liabilities	$138,701,324,000
Less: Debt Related to Capital Assets	$75,272,000,000
Unfunded Pension Benefits	$16,990,789,000
Unfunded Retirees' Health Care Benefits	$91,094,676,000
Bills	**$255,985,789,000**

Despite the balanced budget requirement, the State has accumulated bonds of $84.5 billion and other liabilities of $138.7 billion. The calculation of assets available to pay bills does not include capital assets, so $75.3 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 $17 billion of pension benefits and $91.1 billion of retirees' health care benefits, but the State has not adequately funded them.

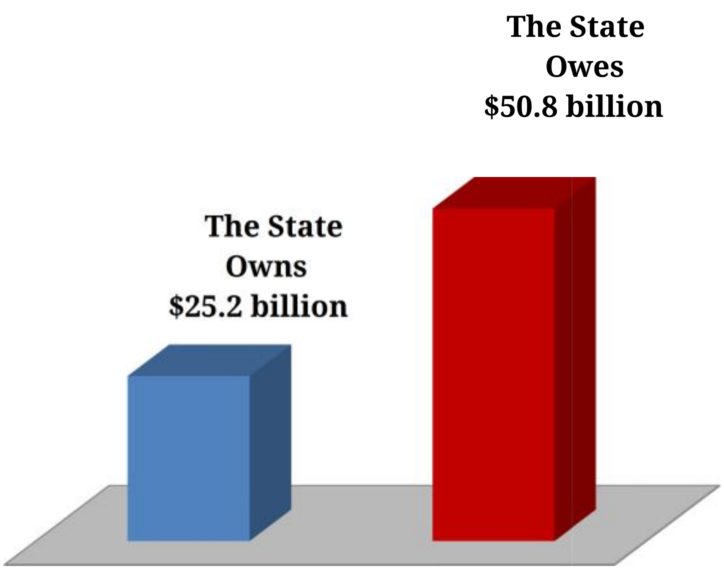
Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

All Retirement Liabilities Are Not Clearly Disclosed	
Reported Retirement Liabilities	$24,483,276,000
Unreported Retirement Liabilities	$83,602,189,000
Total Retirement Liabilities	**$108,085,465,000**

A detailed study of New York's actuaries' schedules found retirement benefits totaling $108.1 billion have been promised, but not funded. A review of the State's balance sheet determined only $24.5 billion of these liabilities are reported. This means the State does not report $83.6 billion of retirement liabilities on its balance sheet.

THE 21st WORST STATE

NORTH CAROLINA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of North Carolina is sinking in debt. The State's $25.6 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $9,400

North Carolina statutes require the legislature to pass a balanced budget. One of the reasons North Carolina is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report North Carolina’s financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of North Carolina federal tax filers with a tax liability.

Truth in Accounting

THE STATE REPORTS RETIREMENT ASSETS INSTEAD OF RETIREMENT LIABILITIES

Reported Retirement Assets	$3,604,000
Actual Retirement Liabilities	$3,837,758,000

Truth in Accounting's detailed analysis discovered a total of $3.8 billion of pension benefits have been promised but not funded. Because of the confusing way the State does its accounting, a pension asset of $3.6 million is reported on North Carolina's balance sheet.

- Truth in Accounting is 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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of North Carolina's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of North Carolina
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$91,512,612,000
Less: Capital Assets	$59,273,206,000
Restricted Assets	$7,036,493,000
Assets Available to Pay Bills	$25,202,913,000
Less: Bills	$50,775,459,000
Money Needed to Pay Bills	**$25,572,546,000**
Each Taxpayer's* Burden	$9,400

The state of North Carolina has $91.5 billion in assets, but most of these assets are not available to pay State bills.

The $59.3 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $7 billion of the assets is restricted by law or contract.

That leaves $25.2 billion of State's assets available to pay $50.8 billion of bills as they come due.

The $25.6 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.

Today Each Taxpayer Owes $9,400

Number of taxpayers is based on the number of North Carolina federal tax filers with a tax liability.

Data is derived from the state of North Carolina's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$12,761,036,000
Other Liabilities	$18,449,182,000
Less: Debt Related to Capital Assets	$7,460,321,000
Unfunded Pension Benefits	$3,837,758,000
Unfunded Retirees' Health Care Benefits	$23,187,804,000
Bills	**$50,775,459,000**

Despite the balanced budget requirement, the State has accumulated bonds of $12.8 billion and other liabilities of $18.4 billion. The calculation of assets available to pay bills does not include capital assets, so $7.5 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 $3.8 billion of pension benefits and $23.2 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.

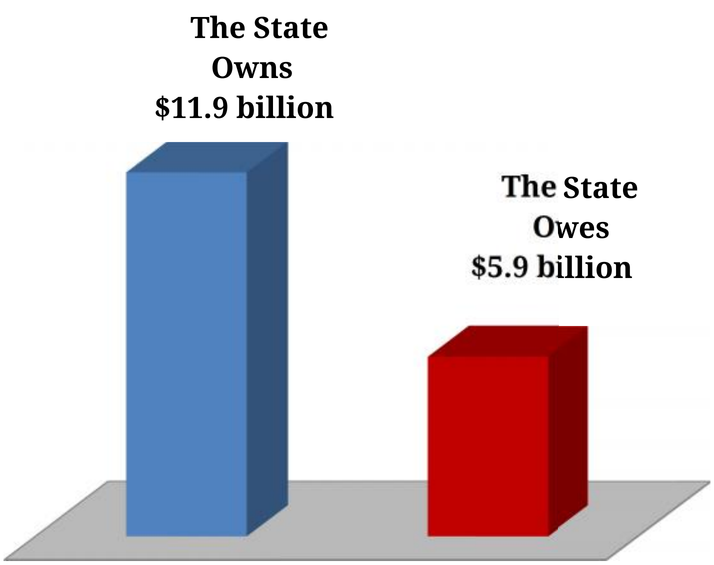
The State Reports Retirement Assets Instead of the True Liability

Reported Retirement Assets	**$3,604,000**
Unfunded Pension Benefits	$3,837,758,000
Unfunded Retirees' Health Care Benefits	$23,187,804,000
Retirement Plans' Liabilities	**$27,025,562,000**

A detailed study of North Carolina's actuaries' schedules found retirement benefits totaling $27 billion have been promised, but not funded. A review of the State's balance sheet determined no liability is reported, instead a net pension asset of $3.6 million is reported.

THE 2nd BEST STATE

NORTH DAKOTA IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

The state of North Dakota is a sunshine state because it has assets above its outstanding bills. The State has a $6 billion financial surplus.

Each Taxpayer's Share of This Financial Surplus is $22,300

Unlike most states, North Dakota has the money needed to fund State employees' retirement benefits and other outstanding bills. North Dakota is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

Number of taxpayers is based on the number of North Dakota federal tax filers with a tax liability.

Truth in Accounting

RETIREMENT LIABILITIES ARE MASSIVELY UNDERSTATED

Reported Retirement Liabilities	$212,000
Actual Retirement Plans' Liabilities	$614,509,000

Truth in Accounting's detailed analysis discovered a total of $614.5 million of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, a net retirement asset of $212,000 is reported on North Dakota's balance sheet.

- Truth in Accounting is 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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of North Dakota's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of North Dakota
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$20,245,114,000
Less: Capital Assets	$3,542,762,000
Restricted Assets	$4,821,784,000
Assets Available to Pay Bills	$11,880,568,000
Less: Bills	$5,861,091,000
Money Available to Pay Bills	**$6,019,477,000**
Each Taxpayer's Surplus	$22,300

The state of North Dakota has $20.2 billion in assets, but most of these assets are not available to pay State bills.

The $3.5 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $4.8 billion of the assets is restricted by law or contract.

That leaves $11.9 billion of State's assets available to pay $5.9 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 $22,300

Number of taxpayers is based on the number of North Dakota federal tax filers with a tax liability.

Data is derived from the state of North Dakota's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$1,402,506,000
Other Liabilities	$4,263,538,000
Less: Debt Related to Capital Assets	$419,462,000
Unfunded Pension Benefits	$550,020,000
Unfunded Retirees' Health Care Benefits	$64,489,000
Bills	**$5,861,091,000**

The State has accumulated bonds of $1.4 billion and other liabilities of $4.3 billion. The calculation of assets available to pay bills does not include capital assets, so $419.5 million of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 10% of State bills. These unfunded liabilities have accumulated because State employees have been promised $550 million of pension benefits and $64.5 million of retirees' health care benefits. Unlike most states, North Dakota has the assets needed to pay these liabilities.

North Dakota elected officials seem to promise only what they can afford.

The State Reports A Retirement Plan Asset Instead of the True Liability

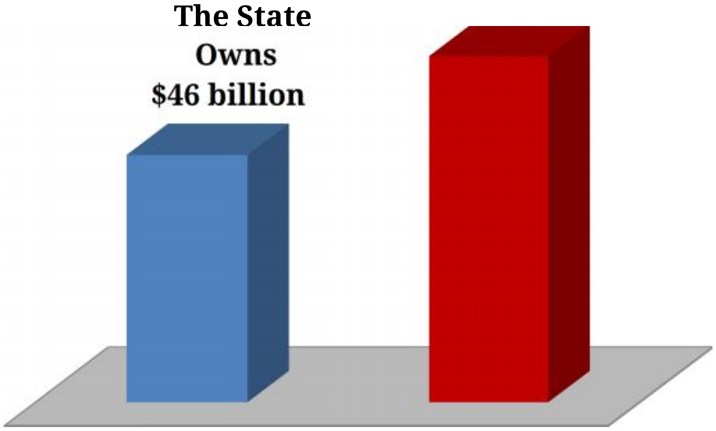
Reported Retirement Plan Asset	**($212,000)**

Unfunded Pension Benefits	$550,020,000
Unfunded Retirees' Health Care Benefits	$64,489,000
Retirement Plans' Liabilities	**$614,509,000**

A detailed study of North Dakota's actuaries' schedules found retirement benefits totaling $614.5 million have been promised, but not funded. A review of the State's balance sheet determined a net asset related to the State's retirement plans of $212,000 is reported.

THE 29th WORST STATE

OHIO IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Ohio is sinking in debt. The State's $18.4 billion shortfall represents compensation and other costs that have been pushed into the future.

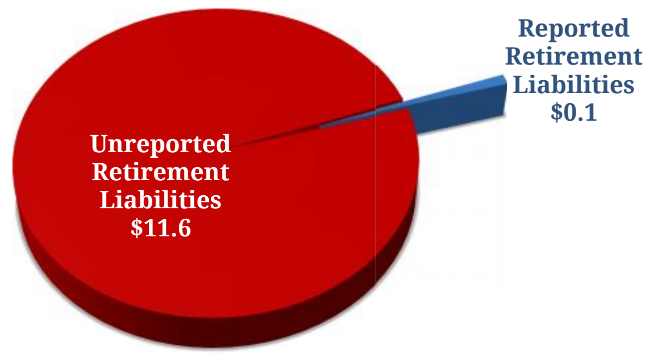
Each Taxpayer's Share of This Financial Burden is $4,900

Ohio statutes require the legislature to pass a balanced budget. One of the reasons Ohio is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Ohio's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Ohio federal tax filers with a tax liability.

Truth in Accounting

RETIREMENT LIABILITIES ARE MASSIVELY UNDERSTATED



Truth in Accounting's detailed analysis discovered a total of $ of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $ of these liabilities are reported on Ohio's balance sheet.

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

Data is derived from the state of Ohio's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of Ohio
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$100,723,703,000
Less: Capital Assets	$37,557,149,000
Restricted Assets	$17,181,411,000
Assets Available to Pay Bills	**$45,985,143,000**
Less: Bills	**$64,366,175,000**
Money Needed to Pay Bills	**$18,381,032,000**
Each Taxpayer's* Burden	$4,900

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

The $37.6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $17.2 billion of the assets is restricted by law or contract.

That leaves $46 billion of State's assets available to pay $64.4 billion of bills as they come due.

The $18.4 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.

Today Each Taxpayer Owes $4,900

Number of taxpayers is based on the number of Ohio federal tax filers with a tax liability.

Data is derived from the state of Ohio's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$19,741,563,000
Other Liabilities	$41,494,160,000
Less: Debt Related to Capital Assets	$8,561,402,000
Unfunded Pension Benefits	$8,935,992,000
Unfunded Retirees' Health Care Benefits	$2,755,862,000
Bills	**$64,366,175,000**

Despite the balanced budget requirement, the State has accumulated bonds of $19.7 billion and other liabilities of $41.5 billion. The calculation of assets available to pay bills does not include capital assets, so $8.6 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 $8.9 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.

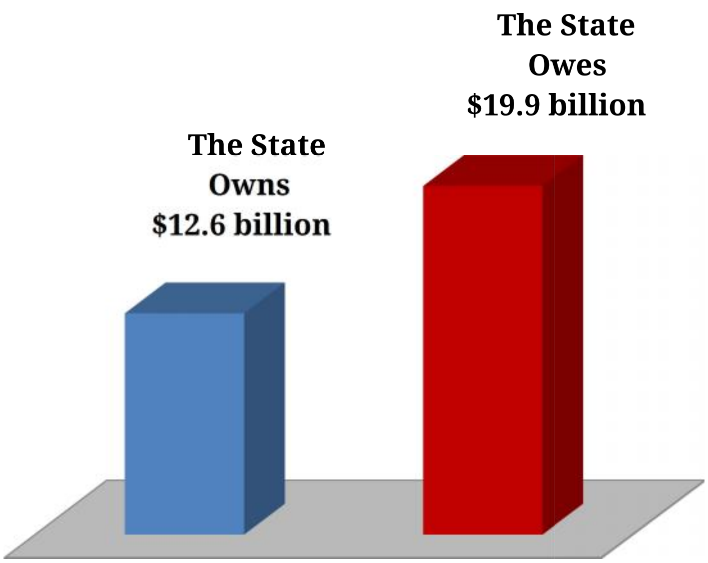
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$121,992,000
Unreported Retirement Liabilities	$11,569,862,000
Total Retirement Liabilities	**$11,691,854,000**

A detailed study of Ohio's actuaries' schedules found retirement benefits totaling $11.7 billion have been promised, but not funded. A review of the State's balance sheet determined only $122 million of these liabilities are reported. This means 18% of the State's liabilities are not reported on the State's balance sheet.

THE 25th WORST STATE

OKLAHOMA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Oklahoma is sinking in debt. The State's $7.3 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $6,900

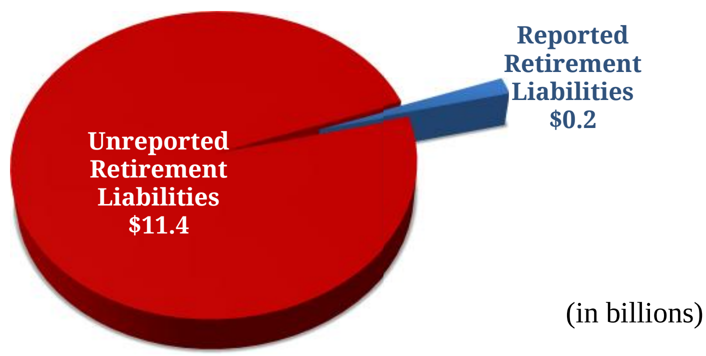
Oklahoma statutes require the legislature to pass a balanced budget. One of the reasons Oklahoma is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Oklahoma's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Oklahoma federal tax filers with a tax liability.

Truth in Accounting

98% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $11.6 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $201 million of these liabilities are reported on Oklahoma's balance sheet.



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The Financial State of Oklahoma
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$39,659,548,000
Less: Capital Assets	$18,114,245,000
Restricted Assets	$8,895,910,000
Assets Available to Pay Bills	$12,649,393,000
Less: Bills	$19,931,966,000
Money Needed to Pay Bills	**$7,282,573,000**
Each Taxpayer's* Burden	**$6,900**

The state of Oklahoma has $39.7 billion in assets, but most of these assets are not available to pay State bills.

The $18.1 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 $12.6 billion of State's assets available to pay $19.9 billion of bills as they come due.

The $7.3 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.

Today Each Taxpayer Owes $6,900

Number of taxpayers is based on the number of Oklahoma federal tax filers with a tax liability.

Data is derived from the state of Oklahoma's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$7,720,157,000
Other Liabilities	$5,894,364,000
Less: Debt Related to Capital Assets	$5,326,105,000
Unfunded Pension Benefits	$11,427,220,000
Unfunded Retirees' Health Care Benefits	$216,330,000
Bills	**$19,931,966,000**

Despite the balanced budget requirement, the State has accumulated bonds of $7.7 billion and other liabilities of $5.9 billion. The calculation of assets available to pay bills does not include capital assets, so $5.3 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 58% of State bills. These unfunded liabilities have accumulated because State employees have been promised $11.4 billion of pension benefits and $216.3 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.

All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$200,996,000
Unreported Retirement Liabilities	$11,442,554,000
Total Retirement Liabilities	**$11,643,550,000**

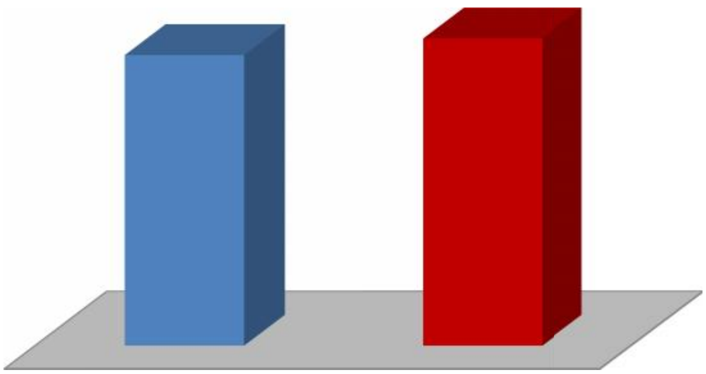
A detailed study of Oklahoma's actuaries' schedules found retirement benefits totaling $11.6 billion have been promised, but not funded. A review of the State's balance sheet determined only $201 million of these liabilities are reported. This means the State does not report $11.4 billion of retirement liabilities on its balance sheet.

THE 10th BEST STATE

OREGON IS A SINKHOLE STATE

The State Owns $16.8 billion

The State Owes $17.8 billion



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Oregon is sinking in debt. The State's $959.4 million shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $800

Oregon statutes require the legislature to pass a balanced budget. One of the reasons Oregon is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Oregon’s financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Oregon federal tax filers with a tax liability.

THE STATE REPORTS RETIREMENT ASSETS INSTEAD OF RETIREMENT LIABILITIES

Reported Retirement Assets	**$1,446,839,000**
Actual Retirement Liabilities	**$1,630,119,000**

Truth in Accounting's detailed analysis discovered a total of $1.6 billion of pension benefits have been promised but not funded. Because of the confusing way the State does its accounting, a pension asset of $1.4 billion is reported on Oregon's balance sheet.

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www.truthinaccounting.org
www.statedatalab.org

The Financial State of Oregon
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$40,905,796,000
Less: Capital Assets	$17,260,684,000
Restricted Assets	$6,802,303,000
Assets Available to Pay Bills	$16,842,809,000
Less: Bills	$17,802,230,000
Money Needed to Pay Bills	**$959,421,000**
Each Taxpayer's* Burden	$800

The state of Oregon has $40.9 billion in assets, but most of these assets are not available to pay State bills.

The $17.3 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $6.8 billion of the assets is restricted by law or contract.

That leaves $16.8 billion of State's assets available to pay $17.8 billion of bills as they come due.

The $959.4 million 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.

Today Each Taxpayer Owes $800

Number of taxpayers is based on the number of Oregon federal tax filers with a tax liability.

Data is derived from the state of Oregon's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$11,599,308,000
Other Liabilities	$8,759,578,000
Less: Debt Related to Capital Assets	$4,503,046,000
Unfunded Pension Benefits	$1,630,119,000
Unfunded Retirees' Health Care Benefits	$316,271,000
Bills	**$17,802,230,000**

Despite the balanced budget requirement, the State has accumulated bonds of $11.6 billion and other liabilities of $8.8 billion. The calculation of assets available to pay bills does not include capital assets, so $4.5 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 11% of State bills. These unfunded liabilities have accumulated because State employees have been promised $1.6 billion of pension benefits and $316.3 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.

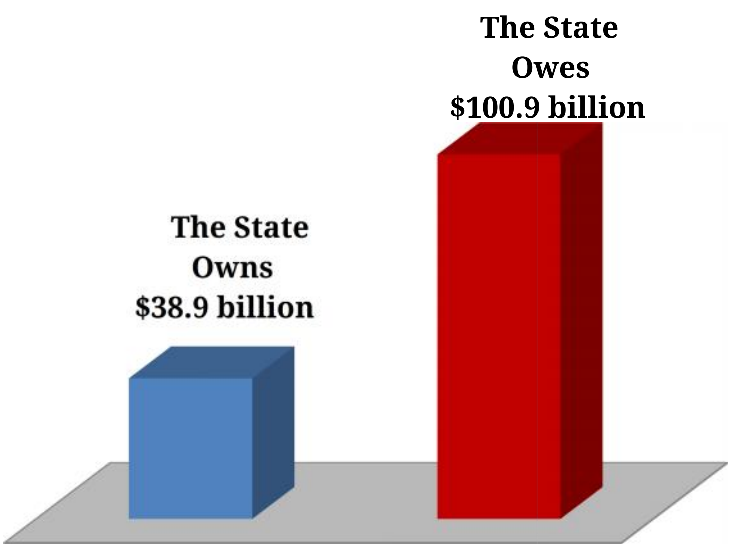
The State Reports Retirement Assets Instead of the True Liability

Reported Retirement Assets	**$1,446,839,000**
Unfunded Pension Benefits	$1,630,119,000
Unfunded Retirees' Health Care Benefits	$316,271,000
Retirement Plans' Liabilities	**$1,946,390,000**

A detailed study of Oregon's actuaries' schedules found retirement benefits totaling $316.3 million have been promised, but not funded. A review of the State's balance sheet determined only $1.6 billion of these liabilities are reported. A pension asset of $1.4 billion is also reported on the balance sheet.

THE 13th WORST STATE

PENNSYLVANIA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Pennsylvania is sinking in debt. The State's $62 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $14,500

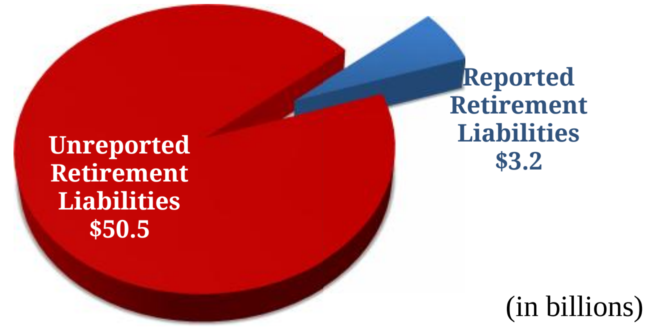
Pennsylvania statutes require the legislature to pass a balanced budget. One of the reasons Pennsylvania is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Pennsylvania's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Pennsylvania federal tax filers with a tax liability.

Truth in Accounting

94% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $53.8 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $3.2 billion of these liabilities are reported on Pennsylvania's balance sheet.



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The Financial State of Pennsylvania
As of June 30, 2013

The State's Bills Exceed Its Assets	
Assets	$89,740,920,000
Less: Capital Assets	$41,923,708,000
Restricted Assets	$8,892,773,000
Assets Available to Pay Bills	$38,924,439,000
Less: Bills	$100,939,492,000
Money Needed to Pay Bills	**$62,015,053,000**
Each Taxpayer's* Burden	**$14,500**

The state of Pennsylvania has $89.7 billion in assets, but most of these assets are not available to pay State bills.

The $41.9 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 $38.9 billion of State's assets available to pay $100.9 billion of bills as they come due.

The $62 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.

Today Each Taxpayer Owes $14,500

Number of taxpayers is based on the number of Pennsylvania federal tax filers with a tax liability.

Data is derived from the state of Pennsylvania's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated	
State Bonds	$27,669,832,000
Other Liabilities	$31,218,762,000
Less: Debt Related to Capital Assets	$11,728,949,000
Unfunded Pension Benefits	$34,015,589,000
Unfunded Retirees' Health Care Benefits	$19,764,258,000
Bills	**$100,939,492,000**

Despite the balanced budget requirement, the State has accumulated bonds of $27.7 billion and other liabilities of $31.2 billion. The calculation of assets available to pay bills does not include capital assets, so $11.7 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 $34 billion of pension benefits and $19.8 billion of retirees' health care benefits, but the State has not adequately funded them.

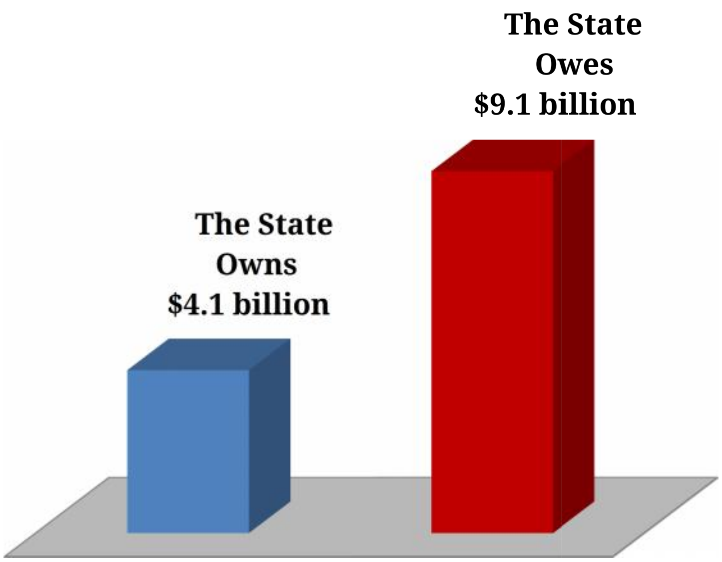
Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

All Retirement Liabilities Are Not Clearly Disclosed	
Reported Retirement Liabilities	$3,242,315,000
Unreported Retirement Liabilities	$50,537,532,000
Total Retirement Liabilities	**$53,779,847,000**

A detailed study of Pennsylvania's actuaries' schedules found retirement benefits totaling $53.8 billion have been promised, but not funded. A review of the State's balance sheet determined only $3.2 billion of these liabilities are reported. This means the State does not report $50.5 billion of retirement liabilities on its balance sheet.

THE 17th WORST STATE

RHODE ISLAND IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Rhode Island is sinking in debt. The State's $5 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $14,000

Rhode Island statutes require the legislature to pass a balanced budget. One of the reasons Rhode Island is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Rhode Island's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Rhode Island federal tax filers with a tax liability.

Truth in Accounting

RETIREMENT LIABILITIES ARE MASSIVELY UNDERSTATED

Reported Retirement Liabilities	$61,362,000
Actual Retirement Plans' Liabilities	$3,918,754,000

Truth in Accounting's detailed analysis discovered a total of $3.9 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, a net retirement asset of $61.4 million is reported on Rhode Island's balance sheet.

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

Data is derived from the state of Rhode Island's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Rhode Island
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$10,810,055,000
Less: Capital Assets	$5,495,409,000
Restricted Assets	$1,204,664,000
Assets Available to Pay Bills	$4,109,982,000
Less: Bills	$9,130,930,000
Money Needed to Pay Bills	**$5,020,948,000**
Each Taxpayer's* Burden	**$14,000**

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

The $5.5 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $1.2 billion of the assets is restricted by law or contract.

That leaves $4.1 billion of State's assets available to pay $9.1 billion of bills as they come due.

The $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.

Today Each Taxpayer Owes $14,000

Number of taxpayers is based on the number of Rhode Island federal tax filers with a tax liability.

Data is derived from the state of Rhode Island's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

The Bills the State Has Accumulated

State Bonds	$4,912,591,000
Other Liabilities	$2,251,513,000
Less: Debt Related to Capital Assets	$1,951,928,000
Unfunded Pension Benefits	$2,976,873,000
Unfunded Retirees' Health Care Benefits	$941,881,000
Bills	**$9,130,930,000**

Despite the balanced budget requirement, the State has accumulated bonds of $4.9 billion and other liabilities of $2.3 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 43% of State bills. These unfunded liabilities have accumulated because State employees have been promised $3 billion of pension benefits and $941.9 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.

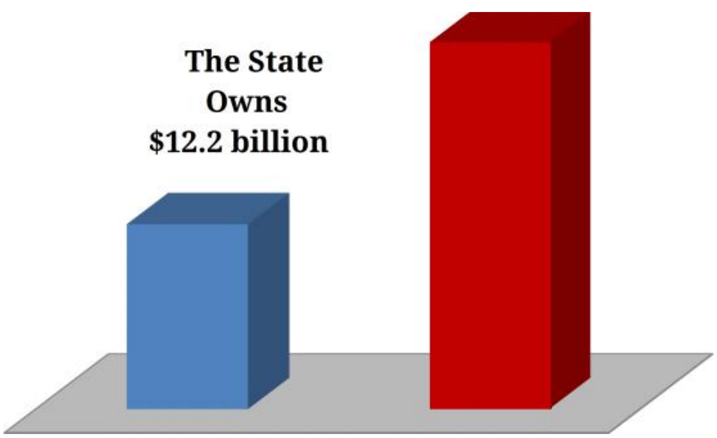
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$61,362,000
Unreported Retirement Liabilities	$3,857,392,000
Total Retirement Liabilities	**$3,918,754,000**

A detailed study of Rhode Island's actuaries' schedules found retirement benefits totaling $3.9 billion have been promised, but not funded. A review of the State's balance sheet determined only $61.4 million of these liabilities are reported. This means the State does not report $3.9 billion of retirement liabilities on its balance sheet.

THE 22nd WORST STATE

SOUTH CAROLINA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of South Carolina is sinking in debt. The State's $12 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $9,100

South Carolina statutes require the legislature to pass a balanced budget. One of the reasons South Carolina is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report South Carolina's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of South Carolina federal tax filers with a tax liability.

Truth in Accounting

RETIREMENT LIABILITIES ARE MASSIVELY UNDERSTATED

Reported Retirement Liabilities	$14,974,000
Actual Retirement Liabilities	$15,062,803,000

Truth in Accounting's detailed analysis discovered a total of $15.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $15 million of these liabilities are reported on South Carolina's balance sheet.

- Truth in Accounting is 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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of South Carolina's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of South Carolina
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$47,190,791,000
Less: Capital Assets	$26,765,185,000
Restricted Assets	$8,202,965,000
Assets Available to Pay Bills	$12,222,641,000
Less: Bills	$24,254,743,000
Money Needed to Pay Bills	**$12,032,102,000**
Each Taxpayer's* Burden	**$9,100**

The state of South Carolina has $47.2 billion in assets, but most of these assets are not available to pay State bills.

The $26.8 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 $12.2 billion of State's assets available to pay $24.3 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.

Today Each Taxpayer Owes $9,100

Number of taxpayers is based on the number of South Carolina federal tax filers with a tax liability.

Data is derived from the state of South Carolina's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$11,084,228,000
Other Liabilities	$8,742,784,000
Less: Debt Related to Capital Assets	$10,635,072,000
Unfunded Pension Benefits	$5,300,457,000
Unfunded Retirees' Health Care Benefits	$9,762,346,000
Bills	**$24,254,743,000**

Despite the balanced budget requirement, the State has accumulated bonds of $11.1 billion and other liabilities of $8.7 billion. The calculation of assets available to pay bills does not include capital assets, so $10.6 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 $5.3 billion of pension benefits and $9.8 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.

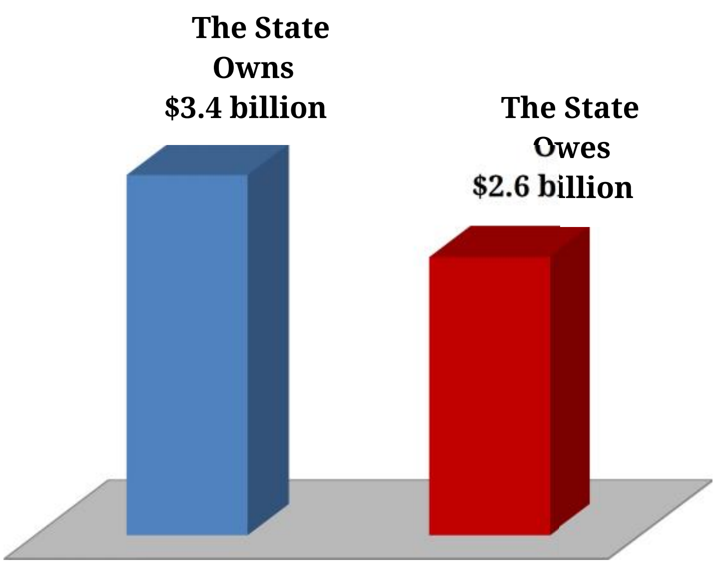
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$14,974,000
Unreported Retirement Liabilities	$15,047,829,000
Total Retirement Liabilities	**$15,062,803,000**

A detailed study of South Carolina's actuaries' schedules found retirement benefits totaling $15.1 billion have been promised, but not funded. A review of the State's balance sheet determined only $15 million of these liabilities are reported. This means 62% of the State's liabilities are not reported on the State's balance sheet.

THE 5th BEST STATE

SOUTH DAKOTA IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

The state of South Dakota is a sunshine state because it has assets above its outstanding bills. The State has a $764.5 million financial surplus.

Each Taxpayer's Share of This Financial Surplus is $2,700

Unlike most states, South Dakota has the money needed to fund State employees' retirement benefits and other outstanding bills. South Dakota is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

Number of taxpayers is based on the number of South Dakota federal tax filers with a tax liability.

Truth in Accounting

63% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $74.5 million of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $27.5 million of these liabilities are reported on South Dakota's balance sheet.

(in millions)

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

Data is derived from the state of South Dakota's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of South Dakota
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$10,229,880,000
Less: Capital Assets	$4,637,319,000
Restricted Assets	$2,239,374,000
Assets Available to Pay Bills	$3,353,187,000
Less: Bills	$2,588,664,000
Money Available to Pay Bills	**$764,523,000**
Each Taxpayer's Surplus	$2,700

The state of South Dakota has $10.2 billion in assets, but most of these assets are not available to pay State bills.

The $4.6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $2.2 billion of the assets is restricted by law or contract.

That leaves $3.4 billion of State's assets available to pay $2.6 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 $2,700

Number of taxpayers is based on the number of South Dakota federal tax filers with a tax liability.

Data is derived from the state of South Dakota's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated

State Bonds	$2,271,514,000
Other Liabilities	$791,782,000
Less: Debt Related to Capital Assets	$549,128,000
Unfunded Pension Benefits	$6,722,000
Unfunded Retirees' Health Care Benefits	$67,774,000
Bills	**$2,588,664,000**

The State has accumulated bonds of $2.3 billion and other liabilities of $791.8 million. The calculation of assets available to pay bills does not include capital assets, so $549.1 million of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 03% of State bills. These unfunded liabilities have accumulated because State employees have been promised $6.7 million of pension benefits and $67.8 million of retirees' health care benefits. Unlike most states, South Dakota has the assets needed to pay these liabilities.

South Dakota elected officials seem to promise only what they can afford.

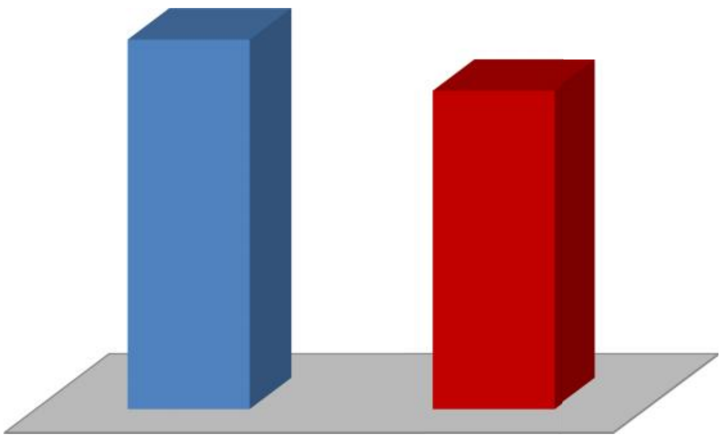
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$27,530,000
Unreported Retirement Liabilities	$46,966,000
Total Retirement Liabilities	**$74,496,000**

A detailed study of South Dakota's actuaries' schedules found retirement benefits totaling $74.5 million have been promised, but not funded. A review of the State's balance sheet determined only $27.5 million of these liabilities are reported. This means the State does not report $47 million of retirement liabilities on its balance sheet.

THE 8th BEST STATE

TENNESSEE IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

The state of Tennessee is a sunshine state because it has assets above its outstanding bills. The State has a $2.1 billion financial surplus.

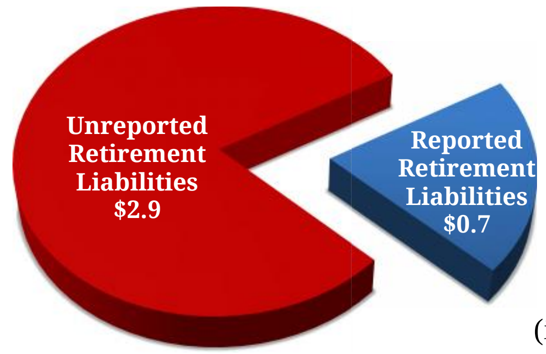
Each Taxpayer's Share of This Financial Surplus is $1,100

Unlike most states, Tennessee has the money needed to fund State employees' retirement benefits and other outstanding bills. Tennessee is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

Number of taxpayers is based on the number of Tennessee federal tax filers with a tax liability.

80% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $3.6 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $734.4 million of these liabilities are reported on Tennessee's balance sheet.



(in billions)

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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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

The Financial State of Tennessee
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$49,840,597,000
Less: Capital Assets	$31,374,907,000
Restricted Assets	$3,370,728,000
Assets Available to Pay Bills	$15,094,962,000
Less: Bills	$13,005,633,000
Money Available to Pay Bills	**$2,089,329,000**
Each Taxpayer's Surplus	**$1,100**

The state of Tennessee has $49.8 billion in assets, but most of these assets are not available to pay State bills.

The $31.4 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 $15.1 billion of State's assets available to pay $13 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 $1,100

Number of taxpayers is based on the number of Tennessee federal tax filers with a tax liability.

Data is derived from the state of Tennessee's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$7,738,434,000
Other Liabilities	$3,574,699,000
Less: Debt Related to Capital Assets	$1,937,780,000
Unfunded Pension Benefits	$1,553,668,000
Unfunded Retirees' Health Care Benefits	$2,076,612,000
Bills	**$13,005,633,000**

The State has accumulated bonds of $7.7 billion and other liabilities of $3.6 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 28% of State bills. These unfunded liabilities have accumulated because State employees have been promised $1.6 billion of pension benefits and $2.1 billion of retirees' health care benefits. Unlike most states, Tennessee has the assets needed to pay these liabilities.

Tennessee elected officials seem to promise only what they can afford.

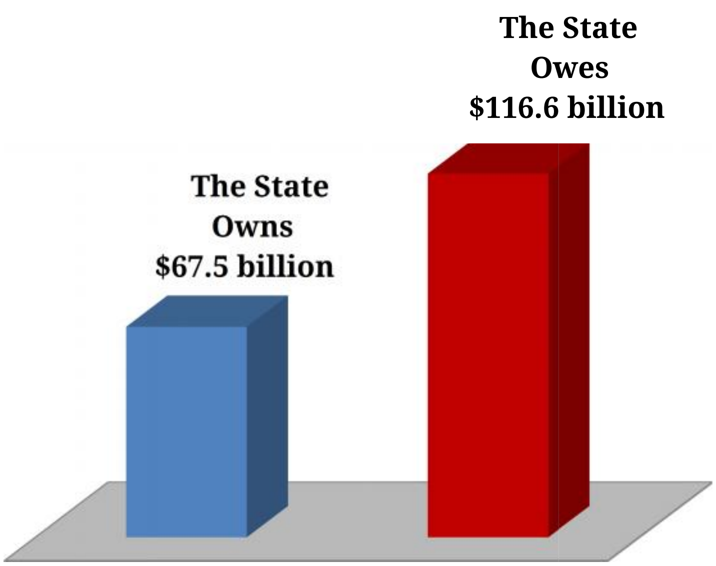
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$734,438,000
Unreported Retirement Liabilities	$2,895,842,000
Total Retirement Liabilities	**$3,630,280,000**

A detailed study of Tennessee'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 $734.4 million of these liabilities are reported. This means the State does not report $2.9 billion of retirement liabilities on its balance sheet.

THE 26th WORST STATE

TEXAS IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Texas is sinking in debt. The State's $49.1 billion shortfall represents compensation and other costs that have been pushed into the future.

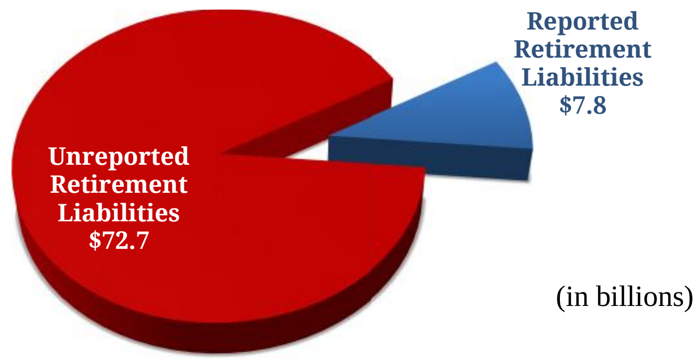
Each Taxpayer's Share of This Financial Burden is $6,700

Texas statutes require the legislature to pass a balanced budget. One of the reasons Texas is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Texas's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Texas federal tax filers with a tax liability.

90% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $80.5 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $7.8 billion of these liabilities are reported on Texas's balance sheet.



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

Data is derived from the state of Texas's August 31, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Texas
As of August 31, 2013

The State's Bills Exceed Its Assets

Assets	$241,312,246,000
Less: Capital Assets	$107,881,550,000
Restricted Assets	$65,947,232,000
Assets Available to Pay Bills	$67,483,464,000
Less: Bills	$116,569,146,000
Money Needed to Pay Bills	**$49,085,682,000**
Each Taxpayer's* Burden	**$6,700**

The state of Texas has $241.3 billion in assets, but most of these assets are not available to pay State bills.

The $107.9 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $65.9 billion of the assets is restricted by law or contract.

That leaves $67.5 billion of State's assets available to pay $116.6 billion of bills as they come due.

The $49.1 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.

Today Each Taxpayer Owes $6,700

Number of taxpayers is based on the number of Texas federal tax filers with a tax liability.

Data is derived from the state of Texas's August 31, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$41,017,245,000
Other Liabilities	$28,421,493,000
Less: Debt Related to Capital Assets	$33,383,462,000
Unfunded Pension Benefits	$35,862,359,000
Unfunded Retirees' Health Care Benefits	$44,651,511,000
Bills	**$116,569,146,000**

Despite the balanced budget requirement, the State has accumulated bonds of $41 billion and other liabilities of $28.4 billion. The calculation of assets available to pay bills does not include capital assets, so $33.4 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 69% of State bills. These unfunded liabilities have accumulated because State employees have been promised $35.9 billion of pension benefits and $44.7 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.

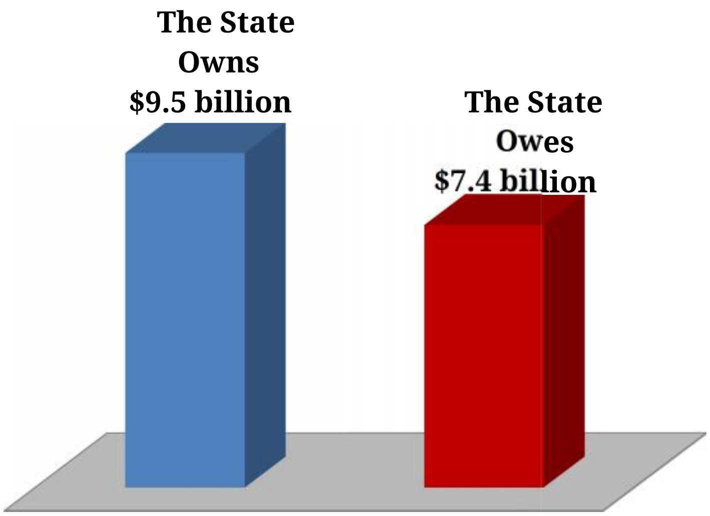
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$7,814,095,000
Unreported Retirement Liabilities	$72,699,775,000
Total Retirement Liabilities	**$80,513,870,000**

A detailed study of Texas's actuaries' schedules found retirement benefits totaling $80.5 billion have been promised, but not funded. A review of the State's balance sheet determined only $7.8 billion of these liabilities are reported. This means the State does not report $72.7 billion of retirement liabilities on its balance sheet.

THE 4th BEST STATE

UTAH IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

The state of Utah is a sunshine state because it has assets above its outstanding bills. The State has a $2 billion financial surplus.

Each Taxpayer's Share of This Financial Surplus is $2,700

Unlike most states, Utah has the money needed to fund State employees' retirement benefits and other outstanding bills. Utah is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

Number of taxpayers is based on the number of Utah federal tax filers with a tax liability.

THE STATE REPORTS RETIREMENT PLAN ASSET, INSTEAD OF ITS RETIREMENT PLANS' LIABILITIES

Reported Retirement Plan Asset	**$841,000**
Actual Retirement Plans' Liabilities	**$2,130,805,000**

Truth in Accounting's detailed analysis discovered a total of $2.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, a net retirement asset of $841,000 is reported on Utah's balance sheet.

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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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

The Financial State of Utah
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$37,324,986,000
Less: Capital Assets	$21,196,412,000
Restricted Assets	$6,654,470,000
Assets Available to Pay Bills	$9,474,104,000
Less: Bills	$7,436,382,000
Money Available to Pay Bills	**$2,037,722,000**
Each Taxpayer's Surplus	$2,700

The state of Utah has $37.3 billion in assets, but most of these assets are not available to pay State bills.

The $21.2 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 $9.5 billion of State's assets available to pay $7.4 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 $2,700

Number of taxpayers is based on the number of Utah federal tax filers with a tax liability.

Data is derived from the state of Utah's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$6,836,044,000
Other Liabilities	$2,849,278,000
Less: Debt Related to Capital Assets	$4,379,745,000
Unfunded Pension Benefits	$1,860,094,000
Unfunded Retirees' Health Care Benefits	$270,711,000
Bills	**$7,436,382,000**

The State has accumulated bonds of $6.8 billion and other liabilities of $2.8 billion. The calculation of assets available to pay bills does not include capital assets, so $4.4 billion 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 $1.9 billion of pension benefits and $270.7 million of retirees' health care benefits. Unlike most states, Utah has the assets needed to pay these liabilities.

Utah elected officials seem to promise only what they can afford.

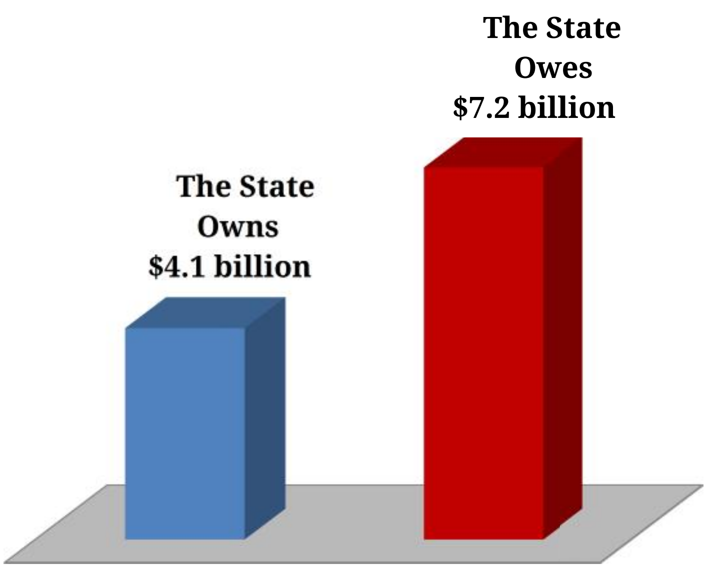
The State Reports A Retirement Plan Asset Instead of the True Liability

Reported Retirement Plan Asset	**$841,000**
Unfunded Pension Benefits	$1,860,094,000
Unfunded Retirees' Health Care Benefits	$270,711,000
Retirement Plans' Liabilities	**$2,130,805,000**

A detailed study of Utah's actuaries' schedules found retirement benefits totaling $2.1 billion have been promised, but not funded. A review of the State's balance sheet determined a net asset related to the State's retirees' health care plan of $841,000 is reported.

THE 16th WORST STATE

VERMONT IS A
SINKHOLE STATE



THE STATE'S BILLS
EXCEED ITS ASSETS

The state of Vermont is sinking in debt. The State's $3.1 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $14,000

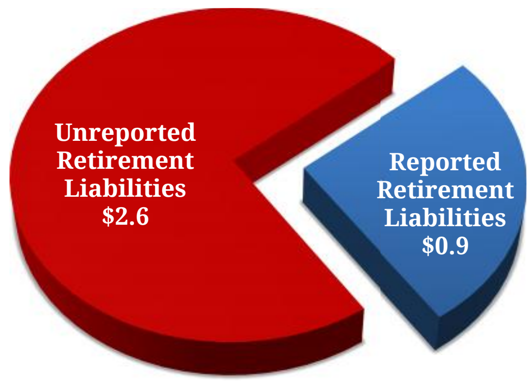
One of the reasons Vermont is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Vermont's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating budgets.

Number of taxpayers is based on the number of Vermont federal tax filers with a tax liability.

Truth in Accounting

73% OF RETIREMENT LIABILITIES
ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $3.5 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $938.6 million of these liabilities are reported on Vermont's balance sheet.



(in billions)

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

Data is derived from the state of Vermont's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of Vermont
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$8,333,874,000
Less: Capital Assets	$2,780,834,000
Restricted Assets	$1,442,619,000
Assets Available to Pay Bills	$4,110,421,000
Less: Bills	$7,235,998,000
Money Needed to Pay Bills	**$3,125,577,000**
Each Taxpayer's* Burden	**$14,000**

The state of Vermont has $8.3 billion in assets, but most of these assets are not available to pay State bills.

The $2.8 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $1.4 billion of the assets is restricted by law or contract.

That leaves $4.1 billion of State's assets available to pay $7.2 billion of bills as they come due.

The $3.1 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.

Today Each Taxpayer Owes $14,000

Number of taxpayers is based on the number of Vermont federal tax filers with a tax liability.

Data is derived from the state of Vermont's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$3,562,106,000
Other Liabilities	$977,541,000
Less: Debt Related to Capital Assets	$825,754,000
Unfunded Pension Benefits	$1,459,040,000
Unfunded Retirees' Health Care Benefits	$2,063,065,000
Bills	**$7,235,998,000**

The State has accumulated bonds of $3.6 billion and other liabilities of $977.5 million. The calculation of assets available to pay bills does not include capital assets, so $825.8 million of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 49% of State bills. These unfunded liabilities have accumulated because State employees have been promised $1.5 billion of pension benefits and $2.1 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.

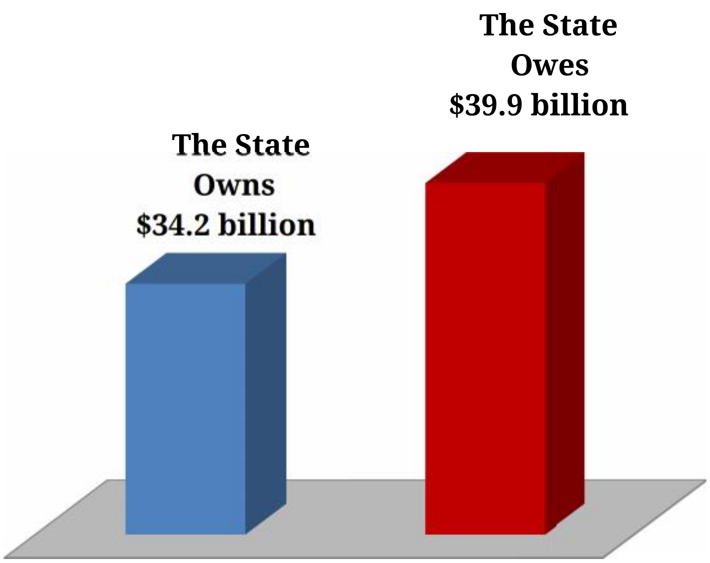
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$938,645,000
Unreported Retirement Liabilities	$2,583,460,000
Total Retirement Liabilities	**$3,522,105,000**

A detailed study of Vermont's actuaries' schedules found retirement benefits totaling $3.5 billion have been promised, but not funded. A review of the State's balance sheet determined only $938.6 million of these liabilities are reported. This means the State does not report $2.6 billion of retirement liabilities on its balance sheet.

THE 37th WORST STATE

VIRGINIA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Virginia is sinking in debt. The State's $5.7 billion shortfall represents compensation and other costs that have been pushed into the future.

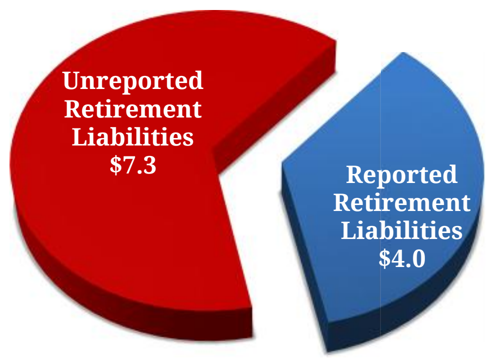
Each Taxpayer's Share of This Financial Burden is $2,100

Virginia statutes require the legislature to pass a balanced budget. One of the reasons Virginia is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Virginia's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Virginia federal tax filers with a tax liability.

64% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $11.3 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $4 billion of these liabilities are reported on Virginia's balance sheet.



(in billions)

- Truth in Accounting is 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 State government and its budget process, citizens need to be provided with truthful and transparent financial information.

Data is derived from the state of Virginia's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of Virginia
As of June 30, 2013

The State's Bills Exceed Its Assets	
Assets	$90,791,304,000
Less: Capital Assets	$42,696,596,000
Restricted Assets	$13,874,190,000
Assets Available to Pay Bills	$34,220,518,000
Less: Bills	$39,932,692,000
Money Needed to Pay Bills	**$5,712,174,000**
Each Taxpayer's* Burden	**$2,100**

The state of Virginia has $90.8 billion in assets, but most of these assets are not available to pay State bills.

The $42.7 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $13.9 billion of the assets is restricted by law or contract.

That leaves $34.2 billion of State's assets available to pay $39.9 billion of bills as they come due.

The $5.7 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.

Today Each Taxpayer Owes $2,100

Number of taxpayers is based on the number of Virginia federal tax filers with a tax liability.

Data is derived from the state of Virginia's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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The Bills the State Has Accumulated	
State Bonds	$26,697,905,000
Other Liabilities	$15,133,564,000
Less: Debt Related to Capital Assets	$13,246,498,000
Unfunded Pension Benefits	$8,460,890,000
Unfunded Retirees' Health Care Benefits	$2,886,831,000
Bills	**$39,932,692,000**

Despite the balanced budget requirement, the State has accumulated bonds of $26.7 billion and other liabilities of $15.1 billion. The calculation of assets available to pay bills does not include capital assets, so $13.2 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 28% of State bills. These unfunded liabilities have accumulated because State employees have been promised $8.5 billion of pension benefits and $2.9 billion of retirees' health care benefits, but the State has not adequately funded them.

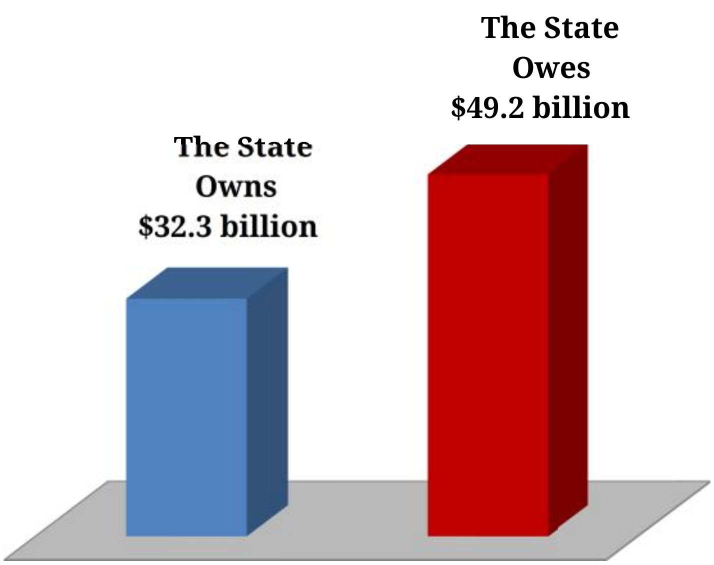
Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

All Retirement Liabilities Are Not Clearly Disclosed	
Reported Retirement Liabilities	$4,031,653,000
Unreported Retirement Liabilities	$7,316,068,000
Total Retirement Liabilities	**$11,347,721,000**

A detailed study of Virginia'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 $4 billion of these liabilities are reported. This means the State does not report $7.3 billion of retirement liabilities on its balance sheet.

THE 24th WORST STATE

WASHINGTON IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Washington is sinking in debt. The State's $16.9 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $7,200

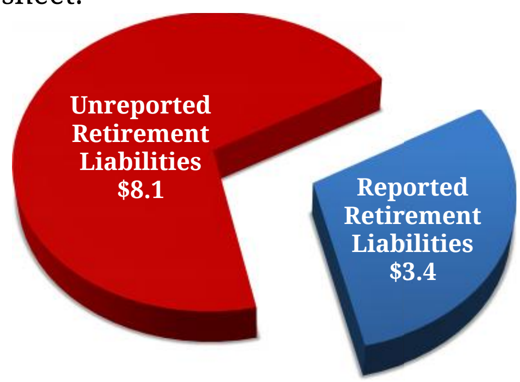
Washington statutes require the legislature to pass a balanced budget. One of the reasons Washington is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Washington's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Washington federal tax filers with a tax liability.

Truth in Accounting

70% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $11.5 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $3.4 billion of these liabilities are reported on Washington's balance sheet.



(in billions)

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Data is derived from the state of Washington's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Washington
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$80,844,333,000
Less: Capital Assets	$38,532,659,000
Restricted Assets	$10,006,502,000
Assets Available to Pay Bills	$32,305,172,000
Less: Bills	$49,198,157,000
Money Needed to Pay Bills	**$16,892,985,000**
Each Taxpayer's* Burden	**$7,200**

The state of Washington has $80.8 billion in assets, but most of these assets are not available to pay State bills.

The $38.5 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 $32.3 billion of State's assets available to pay $49.2 billion of bills as they come due.

The $16.9 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.

Today Each Taxpayer Owes $7,200

Number of taxpayers is based on the number of Washington federal tax filers with a tax liability.

Data is derived from the state of Washington's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

The Bills the State Has Accumulated

State Bonds	$22,386,229,000
Other Liabilities	$33,108,787,000
Less: Debt Related to Capital Assets	$17,766,437,000
Unfunded Pension Benefits	$4,429,500,000
Unfunded Retirees' Health Care Benefits	$7,040,078,000
Bills	**$49,198,157,000**

Despite the balanced budget requirement, the State has accumulated bonds of $22.4 billion and other liabilities of $33.1 billion. The calculation of assets available to pay bills does not include capital assets, so $17.8 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 $4.4 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.

All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$3,417,729,000
Unreported Retirement Liabilities	$8,051,849,000
Total Retirement Liabilities	**$11,469,578,000**

A detailed study of Washington's actuaries' schedules found retirement benefits totaling $11.5 billion have been promised, but not funded. A review of the State's balance sheet determined only $3.4 billion of these liabilities are reported. This means the State does not report $8.1 billion of retirement liabilities on its balance sheet.

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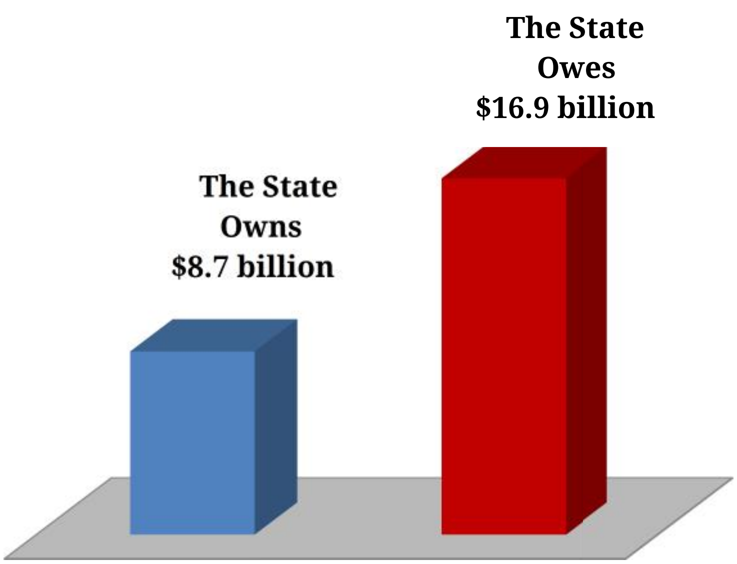
THE 11th WORST STATE

WEST VIRGINIA IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of West Virginia is sinking in debt. The State's $8.2 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $15,500

West Virginia statutes require the legislature to pass a balanced budget. One of the reasons West Virginia is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report West Virginia's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of West Virginia federal tax filers with a tax liability.

Truth in Accounting

THE STATE REPORTS A PENSION ASSET INSTEAD OF PENSION LIABILITY

Reported Net Pension Asset	**$785,130,000**
Actual Pension Liabilities	**$5,149,721,000**

Truth in Accounting's detailed analysis discovered a total of $5.1 billion of pension benefits have been promised but not funded. Because of the confusing way the State does its accounting, a pension asset of $785.1 million is reported on West Virginia's balance sheet.

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Data is derived from the state of West Virginia's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of West Virginia
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$24,585,639,000
Less: Capital Assets	$12,639,440,000
Restricted Assets	$3,261,142,000
Assets Available to Pay Bills	$8,685,057,000
Less: Bills	$16,891,800,000
Money Needed to Pay Bills	**$8,206,743,000**
Each Taxpayer's* Burden	**$15,500**

The state of West Virginia has $24.6 billion in assets, but most of these assets are not available to pay State bills.

The $12.6 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 $8.7 billion of State's assets available to pay $16.9 billion of bills as they come due.

The $8.2 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.

Today Each Taxpayer Owes $15,500

Number of taxpayers is based on the number of West Virginia federal tax filers with a tax liability.

Data is derived from the state of West Virginia's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$4,703,220,000
Other Liabilities	$6,787,593,000
Less: Debt Related to Capital Assets	$1,842,700,000
Unfunded Pension Benefits	$5,149,721,000
Unfunded Retirees' Health Care Benefits	$2,093,966,000
Bills	**$16,891,800,000**

Despite the balanced budget requirement, the State has accumulated bonds of $4.7 billion and other liabilities of $6.8 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 43% of State bills. These unfunded liabilities have accumulated because State employees have been promised $5.1 billion of pension benefits and $2.1 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.

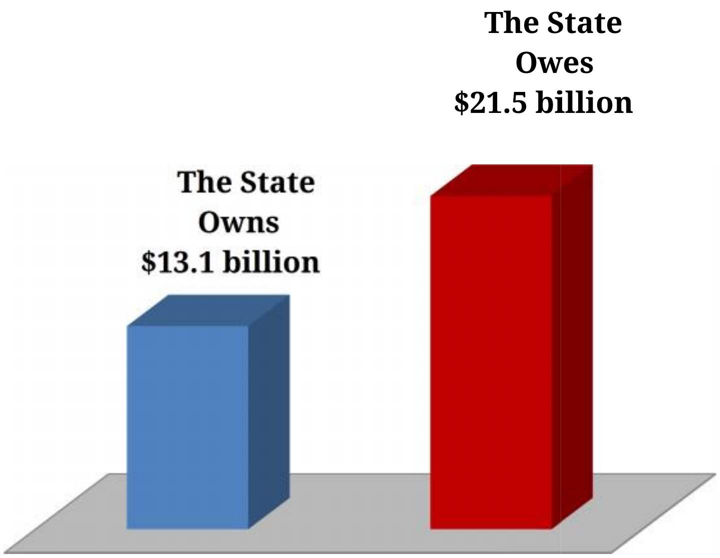
The State Reports A Pension Asset Instead of Retirement Plans' Liabilities

Reported Net Pension Asset	**$785,130,000**
Unfunded Pension Benefits	$5,149,721,000
Unfunded Retirees' Health Care Benefits	$2,093,966,000
Retirement Plans' Liabilities	**$7,243,687,000**

A detailed study of West Virginia's actuaries' schedules found retirement benefits totaling $7.2 billion have been promised, but not funded. A review of the State's balance sheet determined no liability is reported, instead a net pension asset of $785.1 million is reported.

THE 31th WORST STATE

WISCONSIN IS A SINKHOLE STATE



THE STATE'S BILLS EXCEED ITS ASSETS

The state of Wisconsin is sinking in debt. The State's $8.4 billion shortfall represents compensation and other costs that have been pushed into the future.

Each Taxpayer's Share of This Financial Burden is $4,400

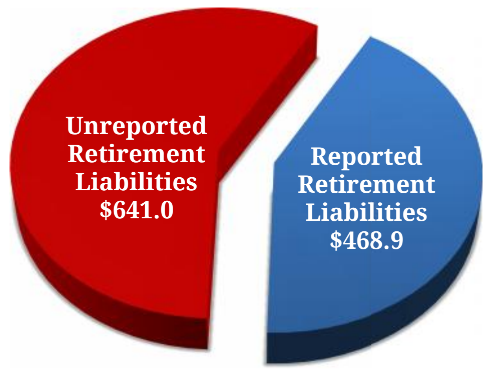
Wisconsin statutes require the legislature to pass a balanced budget. One of the reasons Wisconsin is in this precarious financial position is state officials use antiquated budgeting and accounting rules to report Wisconsin's financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets.

Number of taxpayers is based on the number of Wisconsin federal tax filers with a tax liability.

Truth in Accounting

58% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $1.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $468.9 million of these liabilities are reported on Wisconsin's balance sheet.



(in millions)

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Data is derived from the state of Wisconsin's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.truthinaccounting.org
www.statedatalab.org

The Financial State of Wisconsin
As of June 30, 2013

The State's Bills Exceed Its Assets

Assets	$47,787,746,000
Less: Capital Assets	$26,738,546,000
Restricted Assets	$7,934,061,000
Assets Available to Pay Bills	$13,115,139,000
Less: Bills	$21,512,500,000
Money Needed to Pay Bills	**$8,397,361,000**
Each Taxpayer's* Burden	**$4,400**

The state of Wisconsin has $47.8 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 $7.9 billion of the assets is restricted by law or contract.

That leaves $13.1 billion of State's assets available to pay $21.5 billion of bills as they come due.

The $8.4 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.

Today Each Taxpayer Owes $4,400

Number of taxpayers is based on the number of Wisconsin federal tax filers with a tax liability.

Data is derived from the state of Wisconsin's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Truth in Accounting

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www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$15,895,650,000
Other Liabilities	$10,363,004,000
Less: Debt Related to Capital Assets	$5,856,092,000
Unfunded Pension Benefits	$8,962,000
Unfunded Retirees' Health Care Benefits	$1,100,976,000
Bills	**$21,512,500,000**

Despite the balanced budget requirement, the State has accumulated bonds of $15.9 billion and other liabilities of $10.4 billion. The calculation of assets available to pay bills does not include capital assets, so $5.9 billion of related debt is removed from the calculation of State bills.

Unfunded employees' retirement benefits represent 05% of State bills. These unfunded liabilities have accumulated because State employees have been promised $9 million of pension benefits and $1.1 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.

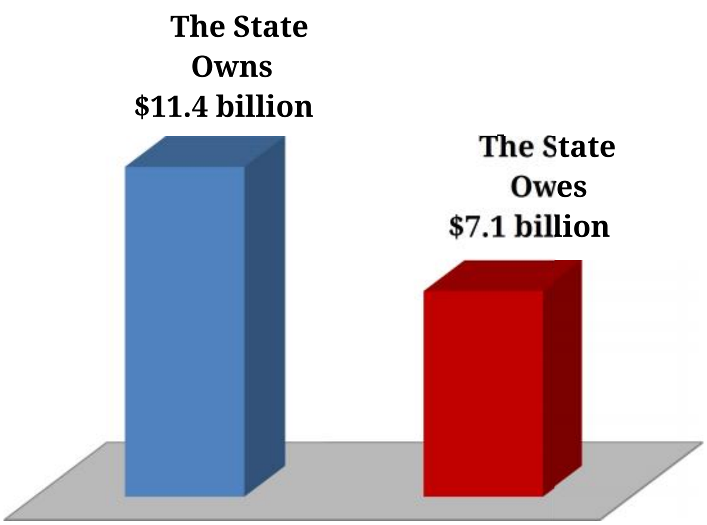
All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$468,929,000
Unreported Retirement Liabilities	$641,009,000
Total Retirement Liabilities	**$1,109,938,000**

A detailed study of Wisconsin's actuaries' schedules found retirement benefits totaling $1.1 billion have been promised, but not funded. A review of the State's balance sheet determined only $468.9 million of these liabilities are reported. This means the State does not report $641 million of retirement liabilities on its balance sheet.

THE 3rd BEST STATE

WYOMING IS A SUNSHINE STATE



THE STATE'S ASSETS EXCEED ITS BILLS

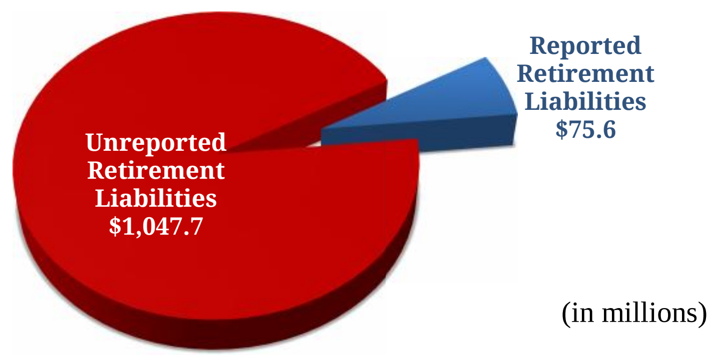
The state of Wyoming is a sunshine state because it has assets above its outstanding bills. The State has a $4.3 billion financial surplus.

Each Taxpayer's Share of This Financial Surplus is $20,200

Unlike most states, Wyoming has the money needed to fund State employees' retirement benefits and other outstanding bills. Wyoming is in good financial shape because the legislators and governors have only promised citizens and employees what they can afford to deliver.

93% OF RETIREMENT LIABILITIES ARE NOT CLEARLY DISCLOSED

Truth in Accounting's detailed analysis discovered a total of $1.1 billion of retirement benefits have been promised but not funded. Because of the confusing way the State does its accounting, only $75.6 million of these liabilities are reported on Wyoming's balance sheet.



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Number of taxpayers is based on the number of Wyoming federal tax filers with a tax liability.

Data is derived from the state of Wyoming's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

The Financial State of Wyoming
As of June 30, 2013

The State's Assets Exceed Its Bills

Assets	$30,382,050,000
Less: Capital Assets	$7,074,149,000
Restricted Assets	$11,861,220,000
Assets Available to Pay Bills	$11,446,681,000
Less: Bills	$7,135,954,000
Money Available to Pay Bills	**$4,310,727,000**
Each Taxpayer's Surplus	**$20,200**

The state of Wyoming has $30.4 billion in assets, but most of these assets are not available to pay State bills.

The $7.1 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $11.9 billion of the assets is restricted by law or contract.

That leaves $11.4 billion of State's assets available to pay $7.1 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 $20,200

Number of taxpayers is based on the number of Wyoming federal tax filers with a tax liability.

Data is derived from the state of Wyoming's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

www.statedatalab.org
www.truthinaccounting.org

The Bills the State Has Accumulated

State Bonds	$1,022,755,000
Other Liabilities	$5,115,698,000
Less: Debt Related to Capital Assets	$125,749,000
Unfunded Pension Benefits	$880,053,000
Unfunded Retirees' Health Care Benefits	$243,197,000
Bills	**$7,135,954,000**

The State has accumulated bonds of $1 billion and other liabilities of $5.1 billion. The calculation of assets available to pay bills does not include capital assets, so $125.7 million 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 $880.1 million of pension benefits and $243.2 million of retirees' health care benefits. Unlike most states, Wyoming has the assets needed to pay these liabilities.

Wyoming elected officials seem to promise only what they can afford.

All Retirement Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$75,553,000
Unreported Retirement Liabilities	$1,047,697,000
Total Retirement Liabilities	**$1,123,250,000**

A detailed study of Wyoming's actuaries' schedules found retirement benefits totaling $1.1 billion have been promised, but not funded. A review of the State's balance sheet determined only $75.6 million of these liabilities are reported. This means the State does not report $1 billion of retirement liabilities on its balance sheet.

Appendix VIII –State Data Lab

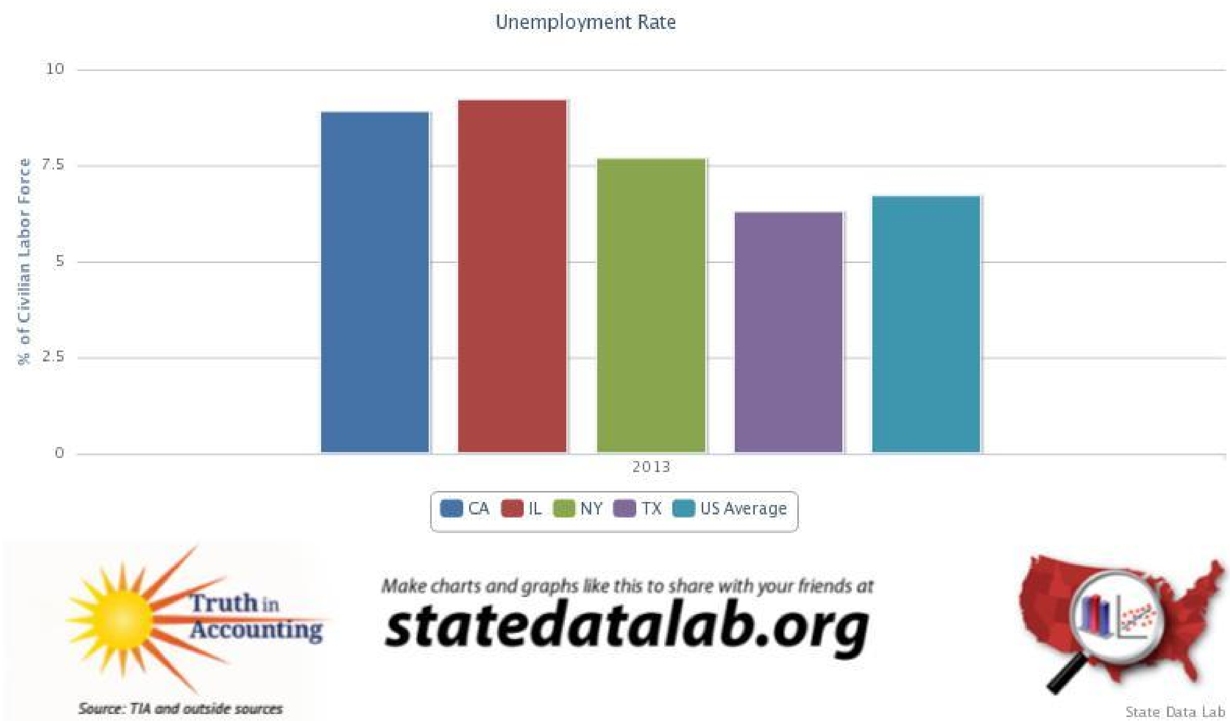
StateDataLab.org

State Data Lab (StateDataLab.org) was developed by TIA to allow users to view TIA analysis in context with external financial, economic and demographic data. This website also gives users the ability to compare states and share their findings with others.

The most powerful feature of the website is the capability to quickly create easy-to-read graphs and charts of selected financial, economic, and demographic data for all 50 states. State Data Lab also offers weekly analysis, commentary and the ability to download raw data in Excel format from sources including the U.S. Census, Bureau of Economic Affairs, United Van Lines and Truth in Accounting. Each state page on the site contains a simple introduction to TIA analysis and selected items of interest, such as United Van Lines' "Moving Van Index."

State Data Lab is the best source for TIA figures on each state's assets and liabilities, including unfunded retiree pension and health care obligations, not available anywhere else. State Data Lab offers this data along with data from a number of government and private sources. State Data Lab provides reporters and researchers with valuable data and chart snapshots to include in their articles. The website also supplies legislators, think tanks and other political decision makers with information needed to develop policy solutions to budget and debt issues.

Below is an example of easy-to-generate graphics users can create on State Data Lab.



Appendix IX – FACT Based Accounting and Budgeting

Full Accrual Calculations and Techniques

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 decisions.
- 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 X –The Worst State Budget Gimmicks of 2013 (SBS)

State Budget Solutions | by Joe Luppino-Esposito | January 3, 2014

State Budget Solutions has been keeping an eye on the bag of tricks employed by legislators and other budget officials. These budget gimmicks hide the true cost of government and set up states for fiscal calamity down the road. In 2013, not much has changed, though some states have attempted to fix gimmicks they employed in the past. Below are examples of a few of the most "popular" gimmicks (and even some solutions to the gimmicks) that SBS came across in 2013.

(Excerpts of Examples)

Underfunding pension contributions

- *California has a newfound "surplus" thanks to outrageous budget gimmicks that simply ignore state debt. Rather than making the necessary payments into the state pension fund, California, as well as many other states, skip this step and claim to have a balanced budget. Manhattan Institute: Public Sector Inc., May 30, 2013.*
- *New York's state budget deal includes a minimum wage hike, $350 rebates for middle class families and pension gimmicks. Governor Cuomo said his plan to offer local government the choice to finance future pension payments would be a part of the budget, with Comptroller Thomas DiNapoli's support. DiNapoli had expressed reservations about the plan, which allows cities and other governments to pay lower pension payments in the short-term in exchange for making higher payments more than a decade from now. Post-Standard, March 21, 2013.*
- *New York Comptroller criticizes Governor's plan to cut pension costs because of its potential impact on the funding levels of the state pension system. Governor Cuomo proposed allowing municipal governments to defer a portion of their pension costs by choosing a fixed contribution rate below the current rate. The plan comes on top of another pension deferment plan approved in 2010 (backed by the Comptroller) that allows municipalities to borrow from the pension fund to pay their pension costs. New York Times, January 28, 2013.*

Moving money from dedicated funds: "fund shifts"

- *A Louisiana state judge ruled that the governor and legislature should not have taken funds from the probation and parole officers' retirement fund in order to balance the state's general operating budget. Some state officials fear that if the ruling is upheld, other groups that have been subject to these "fund sweeps" will also pursue legal action against the state to regain the lost money. Baton Rouge Advocate, November 13, 2013.*
- *The administration of Louisiana Gov. Bobby Jindal moved funding from ongoing construction projects to fund new projects—even though the budget did not consider these new projects priorities based on the funding allocations. WWLTV.com, November 13, 2013.*
- *Money collected by Texas to fund the 911 emergency system is not being spent inappropriately, it just is not being spent at all. By never spending these funds, but still counting them towards the total state budget, it allows the state budget to look balanced. KXAN, October 25, 2013.*

- *The Texas Legislature passed House Bill 7, which ends the practice of shifting Dedicated Funds into the General Budget and will instead return unused fees to the taxpayers. Texas Public Policy Foundation, May 21, 2013.*

Delaying payments until the upcoming fiscal year

- *California's current budget is attempting to close a major gap in public school funding created by a decade-plus-long practice of delaying funds into the next fiscal year. Charter schools have been disproportionately affected by this scheme, as they have been forced to take out bridge loans, and in turn, incurring larger interest payments. Gov. Jerry Brown's 2013-2014 budget proposes repaying $1.8 billion in deferrals-but from 2009-2011, the state added $6.3 billion in delayed payments. The program began with a $1.1 billion deferrals in 2001-2002. Los Angeles Times, April 16, 2013.*
- *Illinois has stopped paying its bills on time, and even non-profit groups are feeling the pain. The Illinois Comptroller established committee that aims to help non-profits that have to deal with delayed payments. Journal Star, August 11, 2013.*
- *Minnesota state schools are finally receiving funding that was already allocated but was delayed, a budget gimmick that helped the state legislature balance the budget. Minnesota's surplus allowed the state to send the catch-up payments, and a state law passed in June made it a priority for schools to be paid back for the delays. Minneapolis Star Tribune, October 17, 2013.*
- *Texas tries transparency, for a change, and the reform process exposed some major problems, including $4 billion in underfunding Medicaid and a practice of "backfilling" funds years after a budget has been approved. Texas Public Policy Foundation, August 19, 2013.*

Borrowing money to balance the budget

- *Connecticut Governor Dannel Malloy's "Budget Deficit Roadmap" borrows $10 million to pay this year's installment in the $100 million, ten-year Stem Cell Initiative, and will put the $10 million it saves by borrowing into the General Fund to cover the deficit. Wait, What? (blog), December 10, 2012.*
- *Maryland Governor Martin O'Malley's budget proposal squeezed extra spending out of state revenue in part by shifting funding from special accounts-such as a tax collected on housing transactions and earmarked for environmental work-to the state's general fund. Again, he proposed funding some of those projects with borrowed bond money, to be repaid over the next 15 years. The FY2013 budget year beginning in July will mark the first time under O'Malley that the state must dip into the general fund revenue to pay for debt service on increased borrowing. Washington Post, January 16, 2013.*

Inflating revenue assumptions or savings projections

- *The budget shell game continues in Sacramento, where Gov. Jerry Brown and state legislators have heralded their plans to keep more conservative revenue estimates in this year's budget—only to shift other funding predictions. Those include estimating greater receipts from property taxes ($300 million); lower estimates on implementing the Affordable Care Act ($80 million); and reducing the amount that will be repaid to schools by $650 million. Los Angeles Times, June 11, 2013.*
- *Gov. Mark Dayton was forced to reduce his advertised "spending cuts" by $58 million when state lawmakers determined that those funds were merely reallocated to other state agencies or programs. Actual spending reductions amount to only $167 million. Associated Press, January 28, 2013.*

One-time sale of assets or other non-recurring funds

- *California taxpayers may be paying even more for a budget gimmick gone wrong. In order to make up for a budget shortfall, the state contracted to sell 11 buildings to a private group, and then have the group lease back the buildings for continued government use. But Governor Jerry Brown canceled the deal when he came into office, citing the cost to taxpayers. A judge has now allowed a lawsuit by the private group against the state to go forward. Press-Enterprise, July 28, 2013.*
- *The administration of Louisiana Gov. Bobby Jindal presented a $24.7 billion spending plan to legislators on February 22, 2013. Commissioner of Administration Kristy Nichols said the budget relies on more than $400 million in non-recurring funding, which she said would prevent a 19 percent drop in funding for the state's public colleges and universities. The one-time money sources include refinancing the state's tobacco bonds, pharmaceutical company settlements, federal dollars, and unspecified property sales. The use of the money is certain to trigger opposition from a faction of Republican house members who want to limit the use of one-time, or non-recurring, money in the state budget for the 2013 FY. The Advocate, February 25, 2013.*

Inadequately funding other state programs

State lawmakers will underfund programs such as education and Medicaid, justified by failing to include realistic projections for costs (such as increased student enrollment) or revenues (from Medicaid-related provider taxes or fees).

- *The New Hampshire House Ways and Means Committee, with approval from both parties, estimated a two percent increase in revenue from the Medicaid Enhancement Tax (MET) over the next two bienniums. These funds are currently used, in order, for provider payments, then uncompensated care, and the surplus is left for the general fund. But the budget bill changes that. The House Finance Committee projected a 17 percent increase in the first biennium and an eight percent increase in the following biennium for MET revenue, while also rearranging the order of payment priorities so that the general fund payments come before paying hospitals for uncompensated care. Finally, Republicans contest that revenue estimates are too high. Seacoast Online, April 23, 2013.*

Improper use of mortgage settlement funds

As part of the National Mortgage Settlement in February 2012, the states split $2.5 billion intended to provide a measure of restitution on behalf of homeowners who lost equity in the market collapse or lost their homes in the "robo-signing" foreclosure scandal. Six states - Missouri, California, South Carolina, Georgia, Alabama and New Jersey - ignored the agreed-upon uses for the money entirely by directing nothing for housing-related activities. Fourteen others, including Idaho and Illinois, are using less than half of their funds for the intended purposes.

- *Arizona is applying settlement funds from a mortgage lawsuit support the general fund. The money was intended to help homeowners avoid foreclosure. Phoenix Business Journal , September 24, 2013.*

Improper use of tobacco settlement funds *46 states entered into the Tobacco Settlement Master Agreement in 1998 with some of the nation's largest tobacco companies after the* *states sued to recover tax dollars spent dealing with tobacco related health costs. The tobacco companies agreed to pay the states nearly $200 billion over a 20-year period. Since then, states have issued billions in tobacco settlement backed debt. They frequently shift yearly payments between funds, along with forward and backward in the fiscal calendar, to meet their annual budgetary needs.*

- *Over 300 dedicated funds have been targeted for funds shifts into the general fund in New Hampshire. Tobacco settlement funds, due on April 17, have been put into the next biennium budget, rather than being put towards the rainy-day fund for FY2013. The latter is proper because of the expected payment of the fund and the relative uncertainty of payment. Seacoast Online, April 23, 2013.*
- *Please also read the State Budget Solutions special report "Tobacco Settlement Fund Gimmicks Alive and Well."*

The best of the worst

We came across a few unique gimmicks this year that deserved their own category.

- *Governor Chris Christie has not shied away from budget gimmicks in his first term, despite his criticisms of his predecessor for doing the same. These gimmicks include diverting funds to balance the budget or to fund projects that the money was not originally allocated to support; delaying property tax rebates; relying on one-time payments; and increased borrowing. New York Times, October 29, 2013.*
- *"Over the last twelve years, just 59 percent of deficits have been tackled directly through expenditure reductions or revenue increases. Temporary gimmicks have instead addressed the remaining 41 percent. These include increased debt (16 percent), fund shifts or transfers (12 percent), accelerated revenues (4 percent), expenditure deferrals (4 percent), federal stimulus funds (4 percent), and accounting changes (4 percent)." California State Auditor, October 7, 2013.*
- *In order to raise the state's spending cap, Gov. Dannel Malloy could have gotten the required three-fifths majority vote in the legislature to do so. Instead, the budget circumvents the cap by moving the funding out of the budget that will be reimbursed by the federal government for Medicaid. Wall Street Journal, June 3, 2013.*

Read more: http://www.statebudgetsolutions.org/publications/detail/the-worst-state-budget-gimmicks-of-2013#ixzz36yZXBdj5

Appendix XI - 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; and
- The public's ability to understand the government's budget process would be enhanced, because this is the type of accounting system used by most corporations.

Most important, this legislation would strengthen 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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