



Kentucky Worsened in 2022

Financial State of Kentucky

Kentucky's financial condition worsened in 2022, leaving the state with insufficient money to pay its bills. The shortfall amounted to \$27.1 billion. Based upon the state's latest audited financial report for fiscal year 2022, it had a Taxpayer Burden™ of \$20,700, earning it an "F" grade from Truth in Accounting.

Like many states, Kentucky's economic condition improved due to federal funding for COVID relief and increased tax collections attributed to taxpayers' pent-up tourism and purchasing demands. However, unfunded retirement obligations continue to plague Kentucky's ability to pay its bills.

Over the last two years, the value of Kentucky's pension investments has been subject to the volatility of the markets. In 2021 financial markets improved and the state's pension investments reported significant gains. Unfortunately, market conditions turned negative during fiscal year 2022, resulting in significant unrealized investment losses which in turn caused the amount of unfunded promised pension benefits to increase. This volatility highlights the risk to pension systems and taxpayers of fixed benefits that are partially funded by earnings from erratic markets.

The data included in this report is derived from Kentucky's 2022 audited Annual Comprehensive Financial Report and retirement plans' reports. To compare prior years and other states' financial, demographic, and economic information, go to Data-Z.org.

Kentucky's Financial Breakdown

- Kentucky had \$21 billion available to pay \$48.1 billion worth of bills.
- The outcome was a \$27.1 billion shortfall, which breaks down to a burden of \$20,700 per taxpayer.
- After reporting greater than 20% investment gains on the investments in 2021, the Teachers Retirement System reportedly lost more than 10% on its investments in 2022. These poor results caused an increase in the state's unfunded pension benefits.

The State's Bills Exceeded Its Assets

Total Assets	\$66,810,316,000
Minus: Capital Assets	-\$37,228,877,000
Restricted Assets	-\$8,598,542,000
Assets Available to Pay Bills	\$20,982,897,000
Minus: Total Bills*	\$48,131,865,000
Money needed to pay bills	\$27,148,968,000
Each taxpayer's share of this burden	\$20,700

*Breakdown of Total Bills

Bonds	\$9,231,398,000
Other Liabilities	\$11,203,115,000
Minus: Debt Related to Capital Assets	-\$5,326,506,000
Unfunded Pension Benefits	\$29,877,551,000
Unfunded Retiree Health Care Benefits	\$3,146,307,000
Total Bills	\$48,131,865,000

Grade:

F

Bottom line: Kentucky would need \$20,700 from each of its taxpayers to pay all of its outstanding bills and received an "F" grade for its finances. According to Truth in Accounting's grading scale, any government with a Taxpayer Burden greater than \$20,000 is given an "F" grade.

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