

# THE FINANCIAL STATE OF WEST VIRGINIA

## Why did West Virginia's reported pension debt increase by \$3.6 billion this year?

Because of a new accounting rule, West Virginia now has to report its pension debt on its balance sheet. As a result, the state's reported pension debt grew from \$0 in 2014 to \$3.6 billion in 2015. However, the state is still hiding \$166.8 million of pension debt from taxpayers.

For years, Truth in Accounting has called for this financial reporting change, and we welcome the shift towards more transparent accounting.

### The state's bills exceed its assets

Assets	\$24,949,243,000
<i>Minus: Capital assets</i>	-\$13,145,894,000
<i>Restricted assets</i>	-\$3,331,779,000
Assets available to pay bills	\$8,471,570,000
<i>Minus: Bills</i>	-\$13,941,934,000
Money needed to pay bills	-\$5,470,364,000
<b>Each taxpayer's share of this debt</b>	<b>-\$10,500</b>

West Virginia has \$24.9 billion in assets, but most of these assets are not available to pay state bills.

The \$13.1 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 \$8.5 billion of the state's assets available to pay \$13.9 billion of bills as they come due.

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



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

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

## Key findings

- West Virginia has only \$8.5 billion available to pay \$13.9 billion worth of bills. Therefore, the state has a -\$5.5 billion financial hole.
- West Virginia has a taxpayer burden of -\$10,500, which is each taxpayer's share of the state's unfunded debt.
- Despite reporting most of its pension debt, the state still continues to hide most of its retiree health care debt. The state's total hidden debt is \$639.7 million.

### The bills West Virginia has accumulated

Bonds	\$4,615,472,000
Other liabilities	\$4,940,648,000
<i>Minus: Debt related to capital assets</i>	-\$1,625,010,000
Unfunded pension benefits	\$3,737,951,000
Unfunded retiree health care benefits	\$2,272,873,000
<b>Bills</b>	<b>\$13,941,934,000</b>

Despite the balanced budget requirement, the state has accumulated bonded debt of \$4.6 billion and other liabilities of \$4.9 billion. The calculation of assets available to pay bills does not include capital assets, so \$1.6 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 43% of state bills. These unfunded liabilities have accumulated because state employees have been promised \$3.7 billion of pension benefits and \$2.3 billion of retiree health care benefits, but the state has not adequately funded them.

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

Data is derived from the state of West Virginia's June 30, 2015 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

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

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