THE FINANCIAL **STATE OF THE STATES**

(Second Edition)

Data for this report is derived from states' fiscal year ended 2010 financial reports and related actuarial reports.

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Dedicated to the memory of Ralf Seiffe, who always provided us with steady encouragement and support. He was fundamental in the research for and writing of this report. Ralf is irreplaceable, but we know he would want us to go on and so to honor him we will.

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EXECUTIVE SUMMARY

Because of the lack of truth and transparency in budget processes the public has not been aware that states have been accumulating debt. But the accumulation of almost $1.2 trillion of debt has occurred despite the existence of a balanced budget requirement in 49 of the 50 states. As a result 46 states have dug financial holes for current and future taxpayers.

What now exists is a “taxpayer’s burden” representing the amount each taxpayer would have to send to their state’s treasury to fill in their state’s financial hole. If state budgets had truly balanced no taxpayer's burden would have accumulated. Taxpayer burdens exist because costs, including those for employees' retirement benefits, were incurred by states in prior years but responsibility for paying these costs has been shifted onto future taxpayers.

The Institute for Truth in Accounting (IFTA) has identified the top five “Sinkhole” states, those that have the highest per taxpayer burdens. Connecticut’s taxpayer’s burden is $49,000, New Jersey - $35,800, Hawaii - $32,700, Illinois - $31,600, and Kentucky - $23,500. In contrast, the IFTA identified the top five “Sunshine” states. Alaska, Nebraska, North Dakota, Utah and Wyoming have a per taxpayer surplus because they have more than adequate assets available to pay their obligations. South Dakota is the only other “Sunshine” state. Data for this report is derived from states’ 2010 financial reports and related retirement plans’ actuarial reports.

The principal reason for the creation of taxpayer’s burdens is the outdated accounting policies used to calculate state budgets and financial reports.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 have the proper tools to balance their budgets. In fact every year most states go even deeper into debt.

More than $900 billion of promised retirement benefits are not reported on the state balance sheets which create the scary headlines we read every day about enormous pension shortfalls. The problem is that states are not properly accounting for these promised benefits over the long-term. They only focus on what is payable in the current year, so setting money aside to pay for future benefits is not required in the states' budget planning. This pushes current costs onto to future taxpayers.

The lack of truth and transparency in state government budgeting and accounting makes it as realistically impossible for even the most sophisticated user of such reporting to independently determine and judge a public sector entity’s financial condition. The assumptions used to calculate retirement benefits, like the rate of return earned on invested money or how long payments will need to be made to each pension participant, are unrealistic and hide the true financial obligations and contributions that are necessary to pay promised benefits.

To bring truth and greater transparency to state budget processes the Institute 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.

May 25, 2012

SUMMARY OF 2010 FINDINGS

Bottom 5 Sinkhole States

State	Each Taxpayer's Financial Burden 2010	Each Taxpayer's Financial Burden 2009	Increase (Decrease) In Each Taxpayer's Burden	Days Until State Released Its Financial Report	Largest Unfunded Retirees' Healthcare Plan's Liability As a Percentage of Payroll
Connecticut	$49,000	$41,200	$7,800	212	807%
New Jersey	$35,800	$34,600	$1,200	154	284%
Hawaii	$32,700	$25,000	$7,700	469	805%
Illinois	$31,600	$26,800	$4,800	365	382%
Kentucky	$23,500	$23,800	($300)	170	226%

1. "Each taxpayer's burden" increased significantly since 2009 in three of the top sinkhole states due to increases in unfunded retirement liabilities and reported spending deficits.

Top 5 Sunshine States

State	Each Taxpayer's Financial Surplus 2010	Each Taxpayer's Financial Surplus (Burden) 2009	Increase (Decrease) In Each Taxpayer's Surplus	Days Until State Released Its Financial	Largest Unfunded Retirees' Healthcare Plan's Liability As a Percentage of Payroll
Alaska	$21,200	($1,400)	$22,600	168	291%
Wyoming	$20,200	$15,100	$5,100	183	29%
North Dakota	$9,500	$6,400	$3,100	168	7%
Utah	$2,600	$2,200	$400	141	44%
Nebraska	$2,400	$2,500	($100)	182	0%

2. Three sunshine states increased their "each taxpayer's surplus" considerably since 2009. In 2010 Wyoming and North Dakota each reported current spending surpluses of more than $1 billion. Alaska catapulted to the top of the sunshine states by increasing the discount rate used by its retirees' healthcare plans resulting in a $5.6 billion reduction in unfunded liabilities.
3. Texas and Montana held pension contributions down by not paying anything to decrease the prior underfunding.
4. In twelve states the unfunded liability of their largest healthcare plan was more than twice the amount of covered payroll. To pay down their plans' unfunded liabilities Connecticut and Hawaii would have to lay off all of the covered employees for eight years and divert those payroll dollars to the plans.
5. The states of Hawaii, Illinois and South Dakota were found to be" excessively tardy". These states took more than 300 days to issue their financial reports. Twenty four states' financial reports were classified as tardy as they released their reports more than 180 days after their fiscal year ends. Twenty three states released their financial reports on a timely basis, while Michigan and Utah were the timeliest with a release date of 141 days after their fiscal year ends.

See detailed discussions of these findings starting on page 20 of this report.

THE FINANCIAL **STATE OF THE STATES**

Institute for Truth in Accounting

TOP 5
Sunshine States

1 Alaska
Assets Left After Bills Are Funded:
$6,385,594,000
Each Taxpayer's Surplus: **$21,200**

2 Wyoming
Assets Left After Bills Are Funded:
$3,816,524,000
Each Taxpayer's Surplus: **$20,200**

3 North Dakota
Assets Left After Bills Are Funded:
$2,189,461,000
Each Taxpayer's Surplus: **$9,500**

4 Utah
Assets Left After Bills Are Funded:
$1,769,934,000
Each Taxpayer's Surplus: **$2,600**

5 Nebraska
Assets Left After Bills Are Funded:
$1,361,350,000
Each Taxpayer's Surplus: **$2,400**

BOTTOM 5
Sinkhole States

46 Kentucky
Money Needed To Pay Bills:
$27,273,752,000
Each Taxpayer's Burden: **$23,500**

47 Illinois
Money Needed To Pay Bills:
$130,348,890,000
Each Taxpayer's Burden: **$31,600**

48 Hawaii
Money Needed To Pay Bills:
$15,853,423,000
Each Taxpayer's Burden: **$32,700**

49 New Jersey
Money Needed To Pay Bills:
$105,962,658,000.
Each Taxpayer's Burden: **$35,800**

50 Connecticut
Money Needed To Pay Bills:
$63,540,708,000
Each Taxpayer's Burden: **$49,000**

For comparative purposes data in this report represents fiscal year 2010, because all of the states have not issued their 2011 financial reports as of the issuance date of this report.

01 ALASKA

Sunshine State

FINANCIAL STATE OF ALASKA AS OF JUNE 30, 2010

Institute for Truth in Accounting

ALASKA IS IN THE BEST FINANCIAL POSITION OF ALL 50 STATES

Alaska has $73.9 billion worth of assets but most of these assets are not available to meet the state's obligations. More than $9.5 billion of these assets are infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $35 billion of the assets is also restricted by law or contract. The state has $29.4 billion in assets available to pay $23 billion of bills as they come due. This leaves Alaska with almost $6.4 billion after its bills are paid.

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

During these tough economic times, citizens need to be vigilant to make sure legislators do not use budgeting tactics that have put other states in financial crisis. These tactics include: borrowing money to pay current bills, charging current bills to the state's "credit card" by delaying payment, and hiding current payroll costs by offering state employees benefits without providing adequate funding.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.Alaska.StateBudgetWatch.org

THIS STATE HAS THE MONEY TO PAY ITS BILLS	
Assets	$73,887,783,000
Less: Capital Assets	$9,531,669,000
Restricted Assets	$35,001,189,000
Assets Available to Pay Bills	**$29,354,925,000**
Less: Bills	$22,969,331,000
Assets Left After Bills are Funded	**6,385,594,000**
Each Taxpayer's* Surplus	**$21,200**

All Liabilities Are Not Clearly Disclosed

Reported Retirement Liabilities	$2,387,000
Total Retirement Liabilities	$12,943,679,000
Retirement Liabilities Not Clearly Disclosed	**$12,941,292,000**

THE BILLS THE STATE HAS ACCUMULATED	
State Bonds	$1,477,276,000
Other Liabilities	$10,543,236,000
Less: Debt Related to Capital Assets	$1,994,860,000
Unfunded Pension Benefits	$6,718,250,000
Unfunded Pension Health Care Benefits	$6,225,429,000
Bills	**$22,969,331,000**

Data is derived from the state of Alaska's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

02 WYOMING

Sunshine State

FINANCIAL STATE OF WYOMING AS OF JUNE 30, 2010

Institute for Truth in Accounting

WYOMING IS IN THE SECOND BEST FINANCIAL POSITION OF ALL 50 STATES

Wyoming has $26.9 billion worth of assets but most of these assets are not available to meet the state's obligations. $6.5 billion of these assets are infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $8.3 billion of the assets is also restricted by law or contract. The state has $12.1 billion in assets available to pay $8.3 billion of bills as they come due. This leaves Wyoming with more than $3.8 billion after its bills are paid.

Unlike most states, Wyoming has the money to pay the state employees' retirement benefits and other costs. Wyoming is in good financial shape because the legislators and governors have only promised citizens what they can afford to deliver.

During these tough economic times, citizens need to be vigilant to make sure legislators do not use budgeting tactics that have put other states in financial crisis. These tactics include: borrowing money to pay current bills, charging current bills to the state's "credit card" by delaying payment, and hiding current payroll costs by offering state employees benefits without providing adequate funding.

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www.Wyoming.StateBudgetWatch.org

THIS STATE HAS THE MONEY TO PAY ITS BILLS	
Assets	$26,939,195,000
Less: Capital Assets	$6,540,177,000
Restricted Assets	$8,272,824,000
Assets Available to Pay Bills	**$12,126,194,000**
Less: Bills	$8,309,670,000
Assets Left After Bills are Funded	**$3,816,524,000**
Each Taxpayer's* Surplus	**$20,200**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities	$39,313,000
Total Retirement Liabilities	$479,819,000
Retirement Liabilities Not Clearly Disclosed	**$440,506,000**

THE BILLS THE STATE HAS ACCUMULATED	
State Bonds	$1,548,061,000
Other Liabilities	$6,358,322,000
Less: Debt Related to Capital Assets	$76,532,000
Unfunded Pension Benefits	$218,274,000
Unfunded Pension Health Care Benefits	$261,545,000
Bills	**$8,309,670,000**

Data is derived from the state of Wyoming's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

03 NORTH DAKOTA

Sunshine State

Institute for Truth in Accounting

FINANCIAL STATE OF NORTH DAKOTA AS OF JUNE 30, 2010

NORTH DAKOTA IS IN THE THIRD BEST FINANCIAL POSITION OF ALL 50 STATES

North Dakota has $13.1 billion worth of assets but most of these assets are not available to meet the state's obligations. More than $2.7 billion of these assets are infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $1.4 billion of the assets is also restricted by law or contract. The state has $9.1 billion in assets available to pay $6.9 billion of bills as they come due. This leaves North Dakota with $2.2 billion after its bills are paid.

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

During these tough economic times, citizens need to be vigilant to make sure legislators do not use budgeting tactics that have put other states in financial crisis. These tactics include: borrowing money to pay current bills, charging current bills to the state's "credit card" by delaying payment, and hiding current payroll costs by offering state employees benefits without providing adequate funding.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.Northdakota.StateBudgetWatch.org

THIS STATE HAS THE MONEY TO PAY ITS BILLS	
Assets	$13,138,467,000
Less: Capital Assets	$2,706,876,000
Restricted Assets	$1,350,855,000
Assets Available to Pay Bills	**$9,080,736,000**
Less: Bills	$6,891,275,000
Assets Left After Bills are Funded	**$2,189,461,000**
Each Taxpayer's* Surplus	**$9,500**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities*	[$2,074,000]
Total Retirement Liabilities	$382,668,000
Retirement Liabilities Not Clearly Disclosed	**$384,742,000**

* A negative represents a net reported retirement asset

THE BILLS THE STATE HAS ACCUMULATED	
State Bonds	$1,778,627,000
Other Liabilities	$5,230,578,000
Less: Debt Related to Capital Assets	$500,598,000
Unfunded Pension Benefits	$320,051,000
Unfunded Pension Health Care Benefits	$62,617,000
Bills	**$6,891,275,000**

Data is derived from the state of North Dakota's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

 www.truthinaccounting.org

04 UTAH

Sunshine State

FINANCIAL STATE OF UTAH AS OF JUNE 30, 2010

Institute for Truth in Accounting

UTAH IS IN THE FOURTH BEST FINANCIAL POSITION OF ALL 50 STATES

Utah has $32.5 billion worth of assets but most of these assets are not available to meet the state's obligations. $17.4 billion of these assets are infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $5 billion of the assets is also restricted by law or contract. The state has $10.2 billion in assets available to pay $8.4 billion of bills as they come due. This leaves Utah with almost $1.8 billion after its bills are paid.

Unlike most states, Utah has the money to pay the state employees' retirement benefits and other costs. Utah is in good financial shape because the legislators and governors have only promised citizens what they can afford to deliver.

During these tough economic times, citizens need to be vigilant to make sure legislators do not use budgeting tactics that have put other states in financial crisis. These tactics include: borrowing money to pay current bills, charging current bills to the state's "credit card" by delaying payment, and hiding current payroll costs by offering state employees benefits without providing adequate funding.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.Utah.StateBudgetWatch.org

THIS STATE HAS THE MONEY TO PAY ITS BILLS	
Assets	$32,521,090,000
Less: Capital Assets	$17,362,486,000
Restricted Assets	$4,966,399,000
Assets Available to Pay Bills	**$10,192,205,000**
Less: Bills	$8,422,271,000
Assets Left After Bills are Funded	**$1,769,934,000**
Each Taxpayer's* Surplus	**$2,600**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities	$5,693,000
Total Retirement Liabilities	$1,450,298,000
Retirement Liabilities Not Clearly Disclosed	**$1,444,605,000**

THE BILLS THE STATE HAS ACCUMULATED	
State Bonds	$6,530,757,000
Other Liabilities	$3,119,969,000
Less: Debt Related to Capital Assets	$2,678,753,000
Unfunded Pension Benefits	$1,030,231,000
Unfunded Pension Health Care Benefits	$420,067,000
Bills	**$8,422,271,000**

Data is derived from the state of Utah's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

05 NEBRASKA

Sunshine State

FINANCIAL STATE OF NEBRASKA AS OF JUNE 30, 2010

Institute for Truth in Accounting

NEBRASKA IS IN THE FIFTH BEST FINANCIAL POSITION OF ALL 50 STATES

Nebraska has $17.3 billion worth of assets but most of these assets are not available to meet the state's obligations. More than $9.7 billion of these assets are infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $4 billion of the assets is also restricted by law or contract. The state has $3.6 billion in assets available to pay $2.3 billion of bills as they come due. This leaves Nebraska with almost $1.4 billion after its bills are paid.

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

During these tough economic times, citizens need to be vigilant to make sure legislators do not use budgeting tactics that have put other states in financial crisis. These tactics include: borrowing money to pay current bills, charging current bills to the state's "credit card" by delaying payment, and hiding current payroll costs by offering state employees benefits without providing adequate funding.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.Nebraska.StateBudgetWatch.org

THIS STATE'S BILLS GREATLY EXCEED ITS ASSETS	
Assets	$17,340,914,000
Less: Capital Assets	$9,735,063,000
Restricted Assets	$3,967,102,000
Assets Available to Pay Bills	**$3,638,749,000**
Less: Bills	$2,277,399,000
Assets Left After Bills are Funded	**$1,361,350,000**
Each Taxpayer's* Surplus	**$2,400**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities	$0
Total Retirement Liabilities	$302,484,000
Retirement Liabilities Not Clearly Disclosed	**$302,484,000**

THE BILLS THE STATE HAS ACCUMULATED	
State Bonds	$737,115,000
Other Liabilities	$2,086,637,000
Less: Debt Related to Capital Assets	$848,837,000
Unfunded Pension Benefits	$302,484,000
Unfunded Pension Health Care Benefits	$0
Bills	**$2,277,399,000**

Data is derived from the state of Nebraska's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

www.truthinaccounting.org

46 Sinkhole State

KENTUCKY

FINANCIAL STATE OF KENTUCKY AS OF JUNE 30, 2010

Institute for Truth in Accounting

KENTUCKY IS IN THE 46th WORST FINANCIAL POSITION OF ALL 50 STATES

Kentucky has $44.1 billion worth of assets but most of these assets are not available to meet the state's obligations. More than $26.9 billion of these assets is infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $4.2 billion of the assets is also restricted by law or contract. $13 billion of the state's assets are available to pay $40.3 billion of bills as they come due.

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. Additional problematic accounting methods include recording loan proceeds as revenues and delaying the payment of bills.

Almost $27.3 billion of state employees' retirement and other costs have been pushed into the future. Each taxpayer's share of the financial burden is $23,500.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.Kentucky.StateBudgetWatch.org

THIS STATE'S BILLS GREATLY EXCEED ITS ASSETS

Assets	$44,108,851,000
Less: Capital Assets	$26,922,394,000
Restricted Assets	$4,205,978,000
Assets Available to Pay Bills	**$12,980,479,000**
Less: Bills	$40,254,231,000
Money Needed to Pay Bills	**$27,273,752,000**
Each Taxpayer's* Burden	**$23,500**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities	$3,935,409,000
Total Retirement Liabilities	$24,843,061,000
Retirement Liabilities Not Clearly Disclosed	**$20,907,652,000**

THE BILLS THE STATE HAS ACCUMULATED

State Bonds	$10,220,601,000
Other Liabilities	$9,914,134,000
Less: Debt Related to Capital Assets	$4,723,565,000
Unfunded Pension Benefits	$16,903,976,000
Unfunded Pension Health Care Benefits	$7,939,085,000
Bills	**$40,254,231,000**

Data is derived from the state of Kentucky's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

47 Sinkhole State

ILLINOIS

FINANCIAL STATE OF ILLINOIS AS OF JUNE 30, 2010

Institute for Truth in Accounting

ILLINOIS IS IN THE 47th WORST FINANCIAL POSITION OF ALL 50 STATES

Illinois has $61.1 billion worth of assets but most of these assets are not available to meet the state's obligations. More than $30.4 billion of these assets is infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $6.5 billion of the assets is also restricted by law or contract. $24.1 billion of the state's assets are available to pay $154 billion of bills as they come due.

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' financial condition. Since employee retirement benefits are not immediately payable in cash, the related compensation costs have been ignored when calculating balanced budgets. Additional problematic accounting methods include recording loan proceeds as revenues and delaying the payment of bills.

More than $130.3 billion of state employees' retirement and other costs have been pushed into the future. Each taxpayer's share of the financial burden is $31,600.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.Illinois.StateBudgetWatch.org

THIS STATE'S BILLS GREATLY EXCEED ITS ASSETS

Assets	$61,053,605,000
Less: Capital Assets	$30,439,723,000
Restricted Assets	$6,472,975,000
Assets Available to Pay Bills	**$24,140,907,000**
Less: Bills	$154,489,797,000
Money Needed to Pay Bills	**$130,348,890,000**
Each Taxpayer's* Burden	**$31,600**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities	$26,142,063,000
Total Retirement Liabilities	$102,864,950,000
Retirement Liabilities Not Clearly Disclosed	**$76,722,887,000**

THE BILLS THE STATE HAS ACCUMULATED

State Bonds	$35,706,267,000
Other Liabilities	$26,996,932,000
Less: Debt Related to Capital Assets	$11,078,352,000
Unfunded Pension Benefits	$75,740,889,000
Unfunded Pension Health Care Benefits	$27,124,061,000
Bills	**$154,489,797,000**

Data is derived from the state of Illinois' June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

48 HAWAII

Sinkhole State

FINANCIAL STATE OF HAWAII AS OF JUNE 30, 2010

Institute for Truth in Accounting

HAWAII IS IN THE 48th WORST FINANCIAL POSITION OF ALL 50 STATES

Hawaii has $20.3 billion worth of assets but most of these assets are not available to meet the state's obligations. $13.6 billion of these assets is infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $2.6 billion of the assets is also restricted by law or contract. Only $4 billion of the state's assets are available to pay $19.9 billion of bills as they come due.

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. Additional problematic accounting methods include recording loan proceeds as revenues and delaying the payment of bills.

Almost $15.9 billion of state employees' retirement and other costs have been pushed into the future. Each taxpayer's share of the financial burden is $32,700.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.Hawaii.StateBudgetWatch.org

THIS STATE'S BILLS GREATLY EXCEED ITS ASSETS	
Assets	$20,316,141,000
Less: Capital Assets	$13,589,686,000
Restricted Assets	$2,643,491,000
Assets Available to Pay Bills	**$4,082,964,000**
Less: Bills	$19,936,387,000
Money Needed to Pay Bills	**$15,853,423,000**
Each Taxpayer's* Burden	**$32,700**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities	$1,686,406,000
Total Retirement Liabilities	$17,032,386,000
Retirement Liabilities Not Clearly Disclosed	**$15,345,980,000**

THE BILLS THE STATE HAS ACCUMULATED	
State Bonds	$7,687,356,000
Other Liabilities	$2,435,283,000
Less: Debt Related to Capital Assets	$7,218,638,000
Unfunded Pension Benefits	$5,139,432,000
Unfunded Pension Health Care Benefits	$11,892,954,000
Bills	**$19,936,387,000**

Data is derived from the state of Hawaii's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

49 NEW JERSEY

Sinkhole State

FINANCIAL STATE OF NEW JERSEY AS OF JUNE 30, 2010

Institute for Truth in Accounting

NEW JERSEY IS IN THE 49th WORST FINANCIAL POSITION OF ALL 50 STATES

New Jersey has $78.4 billion worth of assets but most of these assets are not available to meet the state's obligations. $42.2 billion of these assets is infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $9.9 billion of the assets is also restricted by law or contract. Less than $26.3 billion of the state's assets are available to pay $132.3 billion of bills as they come due.

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. Additional problematic accounting methods include recording loan proceeds as revenues and delaying the payment of bills.

$106 billion of state employees' retirement and other costs have been pushed into the future. Each taxpayer's share of the financial burden is $35,800.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.NewJersey.StateBudgetWatch.org

THIS STATE'S BILLS GREATLY EXCEED ITS ASSETS

Assets	$78,350,079,000
Less: Capital Assets	$42,200,715,000
Restricted Assets	$9,851,992,000
Assets Available to Pay Bills	**$26,297,372,000**
Less: Bills	$132,260,030,000
Money Needed to Pay Bills	**$105,962,658,000**
Each Taxpayer's* Burden	**$35,800**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities	$18,864,389,000
Total Retirement Liabilities	$87,009,153,000
Retirement Liabilities Not Clearly Disclosed	**$68,144,764,000**

THE BILLS THE STATE HAS ACCUMULATED

State Bonds	$41,553,929,000
Other Liabilities	$30,513,268,000
Less: Debt Related to Capital Assets	$26,816,320,000
Unfunded Pension Benefits	$25,957,887,000
Unfunded Pension Health Care Benefits	$61,051,266,000
Bills	**$132,260,030,000**

Data is derived from the state of New Jersey's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

50 Sinkhole State

CONNECTICUT

FINANCIAL STATE OF CONNECTICUT AS OF JUNE 30, 2010

Institute for Truth in Accounting

CONNECTICUT IS IN THE WORST FINANCIAL POSITION OF ALL 50 STATES

Connecticut has $29.7 billion worth of assets but most of these assets are not available to meet the state's obligations. $14.4 billion of these assets is infrastructure like roads, bridges and parks which cannot realistically be used to pay bills. The use of $4.3 billion of the assets is also restricted by law or contract. Only $11 billion of the state's assets are available to pay $74.5 billion of bills as they come due.

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. Additional problematic accounting methods include recording loan proceeds as revenues and delaying the payment of bills.

$63.5 billion of state employees' retirement and other costs have been pushed into the future. Each taxpayer's share of the financial burden is $49,000.

To be knowledgeable participants in the state's budget process, citizens need to be provided with truthful and transparent financial information.

www.Connecticut.StateBudgetWatch.org

THIS STATE'S BILLS GREATLY EXCEED ITS ASSETS

Assets	$29,683,933,000
Less: Capital Assets	$14,380,029,000
Restricted Assets	$4,320,698,000
Assets Available to Pay Bills	**$10,983,206,000**
Less: Bills	$74,523,914,000
Money Needed to Pay Bills	**$63,540,708,000**
Each Taxpayer's* Burden	**$49,000**

ALL LIABILITIES ARE NOT CLEARLY DISCLOSED

Reported Retirement Liabilities	$6,702,923,000
Total Retirement Liabilities	$50,465,229,000
Retirement Liabilities Not Clearly Disclosed	**$43,762,306,000**

THE BILLS THE STATE HAS ACCUMULATED

State Bonds	$23,178,652,000
Other Liabilities	$7,392,392,000
Less: Debt Related to Capital Assets	$6,512,359,000
Unfunded Pension Benefits	$20,867,429,000
Unfunded Pension Health Care Benefits	$29,597,800,000
Bills	**$74,523,914,000**

Data is derived from the state of Connecticut's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

*Based on the number of federal tax filers with a tax liability. This approximates the number of households in the state.

INTRODUCTION AND BACKGROUND

The Institute for Truth in Accounting (IFTA) was formed in 2002 to encourage the federal government to issue financial information in a manner that allows the public and elected officials to make informed and knowledgeable policy decisions. The IFTA determined that recognizing the short term and long term financial consequences of public decisions would lead to a more sustainable government.

In 2005 IFTA supporters encouraged the organization to analyze budgeting and accounting practices in its home state of Illinois. Despite the state's constitutional requirement to balance the budget this study exposed a reported cumulative spending deficit of $20 billion. IFTA researchers also discovered that Illinois does not report all liabilities for public employees' pension and other post-employment benefits such as health care. When those liabilities were included IFTA's analysis showed the state was really more than $70 billion in the hole. To make matters worse, Illinois habitually delays issuing its year-end financial report until after the next fiscal year's budget process has been completed. This prevents citizens and public officials from having important information leading to uninformed public 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 use to calculate their budgets and the accounting principles they use 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". IFTA researchers determined that every state except Vermont has a balanced budget requirement, but almost all run annual deficits in the millions and some cases billions of dollars.

IFTA researchers found deficient budgetary and accounting rules which in general overstated revenues and understated expenses. Budgets systematically ignored some costs that were incurred in the budget year but will not be paid until a later date. It was also determined that the accounting principles available to states allowed omission of some direct liabilities from their balance sheets.[i]

Among the catalog of questionable budgeting and accounting techniques was the treatment of pensions and other post-employment benefits, such as retirees' health care benefits. Budgets, and the associated financial accounting, actively ignored the true costs of compensating public sector workers. The reason these costs were not considered or reported in the states' primary accounting statements is because state officials use antiquated accounting principles to calculate state budgets. IFTA's study found that under these principles states report balanced budgets while very large debts and deferred liabilities were accumulated.

All levels of government derive their just powers from the consent of the governed. This imposes a special duty on government officials to report their actions and the results of those actions in ways that are truthful and understandable by the electorate. Providing accurate, useful and timely information to citizens, the news media and other governmental officials is an essential part of governmental responsibility.

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

The opaqueness of the financial information reported in state budgets and financial reports make it difficult for state governments to meet this responsibility. Our Fifty State projects which include research done for "The Truth about Balanced Budgets" and this study have confirmed that view and confirmed the necessity of further investigation and analysis of the states' fiscal conditions.

This is the motivation and foundation for the non-partisan mission of the IFTA: To compel governments to produce financial reports that are understandable, reliable, transparent and correct. The IFTA is a non-profit, politically unaffiliated organization composed of business, governmental and academic leaders interested in improving public and private sector financial reporting. The IFTA makes no policy recommendations beyond improvements to budgeting and accounting practices that will enhance the public's understanding of their government's financial matters.

FINDINGS

SUMMARY OF FINDINGS

Faulty Budgeting and Accounting Principles Are the Primary Cause of States' Financial Distress

- Connecticut, Hawaii and Illinois, three sinkhole states, increased their "each taxpayer's burden" significantly since 2009.
- Wyoming, North Dakota and Alaska, three sunshine states, increased their "each taxpayer's surplus" considerably since 2009.
- Texas and Montana changed the amortization period of prior underfunded pension liabilities to infinity allowing contributions that only covered current costs.
- Twelve states' unfunded retirees' healthcare liabilities as percentages of covered payroll are alarming.
- Accounting rules have not kept up with growing state missions and associated costs.
- Antiquated budgeting rules and accounting standards are used to calculate balanced budgets.
- Hundreds of billions of dollars of unfunded retirement systems' liabilities are not reported on the face of states' balance sheets.[ii]
- The accounting standard requiring states to disclose their amount of contributions into multi-employer, cost-sharing pension plans; which include state and local governments, is being interpreted differently in various states.
- Current compensation costs are shifted to future taxpayers.
- The use of unrealistic assumptions results in the understatement of retirement systems' liabilities and the contributions needed to fund promised benefits.
- The financial information for state organizations, known as "component units", is not clearly disclosed in the financial reports of states.
- Financial and actuarial data is not available in a timely manner.

[ii] In governmental accounting a balance sheet is called a "Statement of Net Assets".

Three Sinkhole States' Each Taxpayer's Burden Increased Dramatically

Since 2009 each taxpayer's burden increased dramatically in Connecticut, Hawaii and Illinois.

Each Connecticut Taxpayer's Burden Increases by $7,800 to $49,000

The major reason for the significant increase in each Connecticut taxpayer's burden is that despite its balanced budget requirement the State's 2010 income statement[iii] reported a current spending deficit of $5.9 billion.

Unfunded liabilities of Connecticut's pension plans also increased by $5 billion and the unfunded liability of the State's Employee and Teachers' other post employment benefits plans increased by $3.6 billion. Because these plans' actuarial valuations were not done annually, these increases span a two year time-frame.

Each Hawaii Taxpayer's Burden Increases by $7,700 to $32,700

The major reasons for the dramatic jump in each Hawaii taxpayer's burden is the State's share of the unfunded liability of the Employer-Union Health Benefits Trust Fund increased $2.1 billion and the State's share of the unfunded liability of the State Teachers' Association Voluntary Employees Beneficiary Association Trust increased by $888 million. These amounts are based upon the plans' latest actuarial valuations dated July 1, 2009. The state of Hawaii's share of the Employees' Retirement System unfunded pension liability also increased by $1.2 billion. These increases span a two year time-frame.

In addition, despite its balanced budget requirement, Hawaii's 2010 income statement reported a current spending deficit of $1 billion.

Each Illinois Taxpayer's Burden Increases by $4,800 to $31,600

Each Illinois taxpayer's burden increased significantly. While the value of assets in Illinois' pension plans remained constant from 2009 to 2010, the accrued benefits increased by $12.35 billion. The unfunded liability for retirees' healthcare benefits did not change, because a new actuarial valuation report was not done.

Another reason for the major increase is that despite its balanced budget requirement the State's income statement reported an **unprecedented spending deficit of $10 billion**.

[iii] In governmental accounting an income statement is called a "Statement of Net Activities".

Three Sunshine States' Each Taxpayer's Surplus Increased Significantly

Since 2009 each taxpayer's surplus increased significantly in Wyoming, North Dakota and Alaska.

Each Wyoming Taxpayer's Surplus Increased by $5,100 to $20,200

Each Wyoming taxpayer's surplus increased due to a reported $1.6 billion surplus. The State's financial report indicated the surplus was a result of better than expected investment income and revenues from the sale of commodities. In addition the governor's budget included a $205 million spending reduction plan. (1)

Each North Dakota Taxpayer's Surplus Increased by $3,100 to $9,500

Each North Dakota taxpayer's surplus increased due to a reported $1 billion surplus. The State's financial report explained the largest dollar increases in revenues were primarily from increased federal funding through the American Recovery and Reinvestment Act, the increased level of oil and gas production in the state and a doubling of mineral lease royalty income.

Each Alaska Taxpayer's Burden Switched to a $21,200 Surplus

The state of Alaska catapulted to number one in the IFTA ranking, but their financial condition has not changed significantly. Their improved numbers are due to a change in the actuarial assumptions used to value unfunded retirees' healthcare liabilities.

In prior years Alaska's Public Employees' Retirement Systems (PERS) and Teachers' Retirement System (TRS) accrued benefits were valued using a discount rate of 4.5%. In 2010 the State changed the rates to 7.48% for PERS and 8% for TRS. As a result the amounts of unfunded liabilities were reduced dramatically. PERS June 30, 2009 unfunded liability was reported to be $8.6 billion. The use of the higher rate resulted in a $4 billion decrease to $4.6 billion. As of June 30, 2010 the amount was $4.6 billion. TRS unfunded liability decreased from $3.2 billion to $1.6 billion.

A reporter in Alaska attempted to research that was responsible for increasing the discount rate which reduced Alaska's unfunded OPEB liability by $5.6 billion. The Alaska Retirement Management Board's (ARMB) staff indicated the Board did not make this change and deferred to the plans' actuaries. The actuaries indicated the change was "entirely driven" by standards set by the Governmental Accounting Standard Board (GASB).

GASB has indicated that the standards do not identify a specific rate of return. The standards direct governments to use rates of return that are consistent with the investment earnings that are expected from the type of assets that are set aside to finance benefits. If a government has invested assets in a trust fund then a rate of return related to expected yield on long-term investments might be appropriate whereas a government funding benefits on a pay-as-you-go basis should use a lower rate related to the expected yield on short-term and intermediate investments.

[2] Most states use lower rates of return ranging 3.5%-5% to calculate their OPEB plans' accrued benefits because little assets, if any, have been sent aside to pay benefits.

The good news is Alaska does have some assets set aside in trust funds to pay the future benefits therefore GASB standards allow the use of the higher rate of return rate. As of June 30, 2010 PERS had enough assets to fund 50% of promised retirees' healthcare benefits while TRS had 48%. This was the reason cited for increasing the rate from 4.5% to 7.48% for the PERS plan and 8% for the TRS plan, but the Alaskan reporter could not identify the person(s) in Alaska who believes the plans' investments will earn such high rates of return. As mentioned later in this report these estimated yields seem high considering the yields that assets have been receiving recently.

Eight states use rates of return ranging from 7.5% to 8% to calculate the unfunded liability for their OPEB plans. As mentioned if some assets have been accumulated then the higher rate is permitted. If a state has a policy in place that mandates the annual required contributions, calculated using GASB standards, be put into a trust within 5 years, then it can also use the higher rate. IFTA's researchers found that some of the states had very small amounts of assets set aside to fund the OPEB benefits but were still permitted to use the higher rate. The following is a list of the states that used the higher rates and the percentages of assets they have set aside to pay promised benefits: Arizona, 68%, Colorado-10%, Kentucky-14%, Missouri-3.5%, North Dakota-29%, Ohio-35%, Oregon-18% and Virginia-23%. The University of Texas System Employee Group Insurance Plan used a 7% rate of return even though no assets have been set aside to fund benefits.

Alaska's change in rate of return, and resulting $5.6 billion reduction in unfunded OPEB liabilities, highlights how slight changes in actuarial assumptions drastically change retirement plans' accrued benefit amounts and states' financial conditions. An important principle of accounting is comparability. The use of different rates of return makes a meaningful comparison of the states' financial conditions difficult.

Texas and Montana Change Pension Amortization Period to Infinity

As noted in the Employees Retirement System of Texas Actuarial Certification Letter, GASB standards require unfunded pension liabilities to be amortized over a maximum of 30 years. This requirement is also mandated in the Montana constitution. But three of Montana's pension plans and two of Texas' pension plans did not meet these requirements (including the largest pension plan in each state).

In both states the statutory contribution rates are not sufficient to amortize any of the unfunded actuarial accrued liability. Essentially the amortization period is infinite and the (30 year) funding objective is not currently being realized. This is equivalent to your minimum monthly credit card payments being so low that you will never pay off the balance.

Actuarial assumptions, such as the amortization period and rates of return, can be manipulated to maintain desired employer and employees' contributions rates instead of calculating contributions needed to pay off current and prior unfunded liabilities.

Retirees' Healthcare Liabilities Alarmingly High

Included in the required disclosure of state pension and retirees' healthcare plans is the Unfunded Actuarial Accrued Liability (UAAL) as a Percentage of Covered Payroll. The percentage highlights the magnitude of unfunded liability by comparing it with annual payroll. The greater this percentage is the weaker the plan.

This percentage was alarmingly high in some state retirees' healthcare plans. In twelve states the unfunded liability of their largest healthcare plan was more than twice the amount of covered payroll. To pay down their largest healthcare plans' unfunded liability Connecticut and Hawaii would have to lay off all of the covered employees for eight years and divert those payroll dollars to the plans.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plans' progress toward accumulating sufficient assets to pay benefits in the future.

State	Plan Name	Unfunded Liability As a Percentage of Covered Payroll
Alaska	Public Employees' Retirement Systems-OPEB	291%
Connecticut	State Employee OPEB Plan	807%
Delaware	Delaware OPEB Trust	321%
Hawaii	Employer-Union Health Benefits Trust Fund	805%
Michigan	State Employees' Retirement System	425%
Louisiana	Office of Group Benefit Plan Primary Government	355%
Maryland	Other Post-Employment Benefits Plan	344%
Massachusetts	State Retiree Benefits Trust Fund	315%
New Jersey	State & School Employees' Health Benefits Programs	284%
Maine	State Employees OPEB Plan	245%
West Virginia	Retiree Health Benefit Trust Fund	228%
Texas	State Retiree Health Plan	214%

Accounting Rules Have Not Kept Up with Growing State Missions

The assumed missions of state governments continue to expand over time to embrace a wide array of programs and other forms of commitments that attempt to provide direct assistance to their constituents and to their own employees. That is not only has the scope of the services state governments attempted to provide greatly expanded so too has public sector employment. As a result states now commit themselves to a myriad of nearly open-ended liabilities including permanent commitments obliging them to pay benefits to employees and to eligible recipients regardless of the amounts that may be available in any fund originally established to pay for them.

Therefore spending commitments being made now have ramifications far out into the future. Unfortunately how state governments are reporting these future obligations has not, in IFTA's view, kept up with these ever expanding mission changes. In fact IFTA's 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.

Unfortunately the method to calculate state budgets has not evolved. Fund, or cash basis, accounting was appropriate for state missions as they were a century ago. Created in the nineteenth century as the standard accounting method for public entities this 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. This method allowed only the money in the designated fund to be used for that project and only to the extent that the fund had a positive balance. This effectively controlled the purpose and the amount devoted to any project. When a bridge or road was to be built the associated costs were determined before the first shovel was turned and the total cost was finite. Knowing this 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 self-liquidating feature created self-enforcing controls on spending and gave rise to the notion that the executive branch could not spend more than the "funds available".

States Are Using Antiquated Budgeting Rules

As documented in IFTA's "The Truth about Balanced Budgets" last study, and referenced above, states continue to use historical cash-based fund accounting. For those functions that do not relate to a specific project with an associated fund states have established a "General Fund" which typically has become the primary focus of state budgets. The budgets of the General Fund and specific projects are primarily created using "checkbook" accounting. The 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. IFTA's "The Truth about Balanced Budgets" study outlines the budget techniques used under this system. (3)

Some of these budgetary tactics include:

- Reporting loan proceeds as "funds available". Case in point Illinois sold bonds in 2003 and used part of the proceeds to make pension fund contributions. California supposedly balanced its 2009 budget by borrowing from future lottery earnings.
- "Sweeping" funds from accounts with specified purposes into the General Fund. Using this tactic Illinois claims additional budgeted funds are available when money is transferred from trust funds to the General Fund to pay bills and claims.
- Selective use of accrual accounting. Illinois used this ploy when the state refinanced their pension debt at a lower rate and immediately recognized the 20 years' interest savings as

budgeted funds available while some current compensation costs will be included in future budgets when the related retirement benefit checks are written.

- Selling or leasing state property which provides an instant infusion of cash used to plug budget holes at the expense of a long term revenue stream. Some people would have a positive view about selling state property because if the property is in the hands of the private sector then property taxes could be charged. But the financial impact over time is not being truthfully reported.
- Tobacco settlement securitization in which states sold securities based on the expected future value of payments from the tobacco settlement. Because securities proceeds were used to pay current bills states sacrificed longer term revenue streams and accounted for them as current funds available.
- Simply not paying bills if money is not available in the checking account by the last day of the fiscal year. For most states this is June 30.

Cash accounting is an antiquated accounting method. It is simply inappropriate for state governments with expanding educational, health and welfare missions because 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 will show.

On the other hand accrual accounting recognizes expenses when incurred regardless of when paid and revenues when earned regardless of when received. The use of accrual accounting principles in the budget process would acknowledge the political and economic realities of the twenty-first century.

Current Compensation Costs Have Been Shifted to Future Taxpayers

The largest annual cost incurred by states is employees' compensation. Included in employees' compensation packages are benefits such as health care, life insurance and retirement benefits; such as pension and Other Post Employment Benefits (OPEB). 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 demands that the value of this liability be estimated, and assets provided, to make sure the payments can be made when they come due.

Because of the historical use of cash basis accounting, with its focus on checks written today, most retirement benefits that will be paid in the future have been ignored in budget calculations. Some ask, "Those payments won't have to be made for 30 years so why worry about them now?"

One way to think about this is to compare it to a credit card balance. When one uses a credit card the product or service bought is consumed in the present with the promise that the cost will be paid sometime in the future. When the bill from the credit card company arrives the cardholder has the choice to pay off the balance or to pay only some portion of the balance. If the cardholder 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 more gratifying than paying debt. But because the cardholder makes the decision to pay the balance in the future it 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 then the cardholder makes an implicit decision 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 the time it is paid. Imagine what would happen to the balance on the card if the cardholder began to pay less than the minimum payments or even skipped payments in some months—or even for several years? Then the cardholder will be penalized having 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 they provide current services to the state, the salary portion of the compensation cost is being paid in the current payroll period while the retirement benefits' portion is being 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". 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 that citizens may view more favorably than paying money into the retirement plans. But because the state makes the decision to pay the balance in the future it does not negate the fact that the retirement benefits' portion of the compensation cost was incurred when the employees earned them.

To the extent the retirement plans are not funded, the state makes an implicit decision to devote some future taxes to pay the balance and the interest that will 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) and a few states have skipped their 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.

This is in direct conflict with the reason for state balanced budget requirements---to maintain inter-generational equity.

What's worse, in the case of pensions and other post employment benefits, is that current accounting rules have allowed states to ignore the total amount of the liabilities associated with most of these accumulating costs. That's like your credit card company sending you a statement without a balance and telling you all you need to only focus on are your minimum payments. The effect is to create the illusion—for individuals and states—that they can continue to spend and they don't need to worry about their credit card balances as long as they have enough to pay their minimum payments or contributions.

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, costs for future medical care and a host of other cost drivers. In addition actuaries estimate the future earning power of assets and calculate what investments must be made today to have the money available to pay promised benefits in the future.

Actuarial assumptions are used to calculate the value of assets retirement plans have on hand to pay benefits. IFTA researchers found that some plans use what is called "smoothing" to calculate this value and the contributions needed to adequately fund future benefits. Smoothing calculates the value of a retirement plan's 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 recent market crash, this method may result in assets being valued in excess of current market values.

There is a great deal of risk involved in offering employees' retirement benefits especially under defined benefit plans. One of the largest risks is the fluctuation in the market value of plan assets. The use of 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.

IFTA researchers discovered legislatures may manipulate assumptions to make plan funding appear better. For example in Illinois after the severe downtown in the markets, legislation was passed requiring the state's five retirement systems to change valuation methods to begin smoothing market gains and losses on investments over a five-year period beginning with the valuation for the year ended June 30, 2009. With this change the June 30, 2009 funding ratio of the Teachers' Retirement System was reported as 52.1 percent. Without this change the funded ratio would have been reported as 39.1 percent. [(4)]

Another example of the impact of smoothing versus market value can be found in the annual valuation of the Teachers' and State Employees' Retirement System of North Carolina. As of December 31, 2009 the pension fund asset value was assumed to be over $55.8 billion, using smoothing, while the actual market value was $50.4 billion. [(5)] This is more than 10% difference.

Actuaries also use what is known as 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 and results in 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 and increases the estimate of the liability. Most state pension plans use a rate of return of more than 7%. Many argue that this rate of return is too high, especially considering the recent downturn in the economy and the market value of plan assets.

Some state plans' administrators are beginning to express their concerns about the reasonableness of the assumed rates of return. The executive director and the president of Montana's Public

Employees Retirement System commented, "The economic outlook of the plans is based primarily upon investment earnings. For fiscal year 2009, the PERS-DBRP experienced a negative 20.69 percent rate of return; for the last three years an average annualized rate of return of negative 3.80 percent; for the last five years an average annualized rate of return of 0.98 percent; and for the last ten years an average annualized rate of return of 1.89 percent. These longer term returns are below the annual actuarial return assumption of 8.00 percent and act to erode the funded status of the plan." (6)

Like many states the Colorado Public Employees' Retirement Association uses an 8% rate of return assumption to calculate its unfunded liability and funding requirements. In the Management's Discussion and Analysis section of the system's CAFR the following observations are made, "For the year ended December 31, 2009, the total fund had a rate of return of 17.4 percent on a market value basis. Colorado PERA's annualized net rate of return over the last three years was negative 1.5 percent, over the last five years it was 3.9 percent, and over the last 10 years it was 3.3 percent." (7)

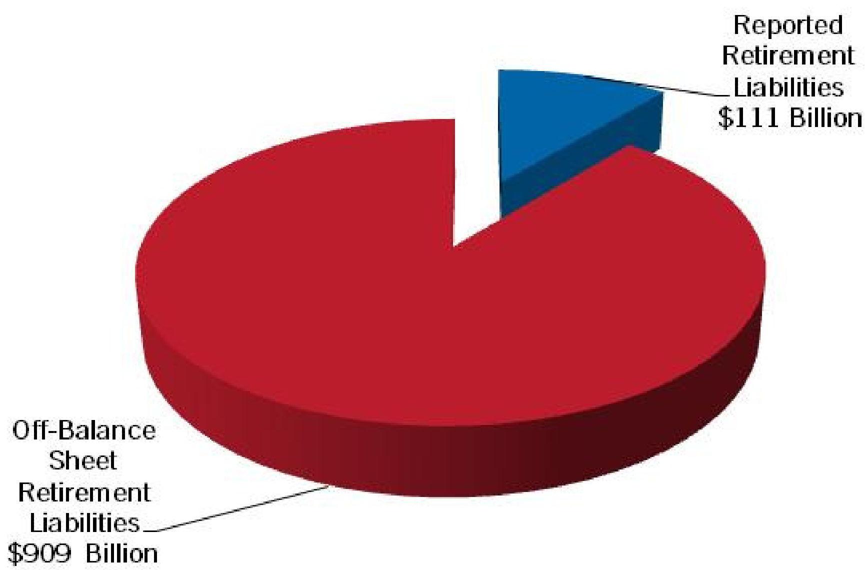
The state of Alaska provides greater transparency in this area by showing amounts of unfunded liabilities based upon two rates of return. A schedule in the PERS 2010 actuarial report disclosed that if the OPEB plan's accrued benefits were valued using a discount rate of 8.25% then the unfunded liability was $3.6 billion. If the plan used a discount rate of 4.5% return then the unfunded liability would increase to more than $10.5 billion. (8) The latter rate is in line with a current "risk free" interest rate which some believe is more responsible for retirement plans. As noted above Alaska increased the rate of return used to value the PERS accrued benefits from 4.7% in 2009 to 7.48% in 2010 resulting in a $4 billion decrease in the unfunded liability.

A 2007 United States Government Accountability Office study highlighted the magnitude that various rates of return have on the pension plan contributions that state and local governments would have to make to fully fund their pension obligations on an ongoing basis. Their "higher return" scenario (6% rate of return) required contributions of 5% of salaries per year. Their "base case" (5% rate of return) required contributions of 9.3% of salaries per year. Their "lower-return" scenario (4% rate of return) required contributions of 13.9% of salaries per year and their "risk-free" scenario (3% rate of return) required contributions of 18.6% of salaries per year. What may appear to be small differences in interest rates generates significant differences in contributions required to fully fund plans. The study noted that "real returns on various investment instruments over the last 40 years" was 5%. (9)

A great deal of discussion is currently underway involving the appropriate discount rate. Considering the current market the rate of return used by most states is fraught with risk. The number of impending "baby boom" retirees exacerbates this problem potentially requiring fund payouts before the market fully recovers.

Billion of Dollars of Liabilities Are Maintained Off-Balance Sheet

Even applying the unrealistic assumptions used by states to calculate their unfunded retirement liabilities, IFTA researchers found the states have accumulated pension and OPEB liabilities totaling more than $1 trillion. This study determined only $111 billion of these liabilities had been reported on state balance sheets. More than $909 billion of these retirement liabilities are maintained off-balance sheet.[iv] This lack of transparency is due to the reporting requirements established by the Governmental Accounting Standards Board (GASB).[v]



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 are required to slowly (over 40 years) add the unfunded liabilities onto their balance sheets. The standard allows the unfunded liabilities incurred by pension benefit enhancements to be added over as many as 30 years.

In addition the standard required states to include on their income statements,[vi] 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[vii] for the year. If a state government habitually makes contributions into its pension plan in the amount of its ARC, it will eventually fully fund promised pension benefits. If it makes a

[iv] See Appendix V – Schedule of Retirement Liabilities Not Clearly Disclosed for detail by state.

[v] Like FASB does for corporations, GASB sets Generally Accepted Accounting Principles for state and local governments.

[vi] In state government accounting an "Income Statement" is called a "Statement of Activities".

[vii] This is the "entire required contribution" states are mandated by GASB to report on their Income Statements, not necessarily the amount that would be required to adequately fund the pension benefits according to sound actuarially calculations.

contribution which is 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 the 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. IFTA researchers found that pension related liabilities of $422.7 billion do not appear on state balance sheets.

An even larger liability is the states' obligations for Other Post-Employment Benefits, the majority of which are retirees' health care benefits. It was not until 2008 that GASB instituted reporting requirements for this liability. Until that time most states did not even calculated their liability, which represents the future health care benefits their employees had *already* earned as a part of compensation. Like the pension liabilities, rather than putting the OPEB liabilities on state balance sheets at one time, states can amortize the pre-1998 unfunded OPEB liabilities 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 found that OPEB related liabilities of almost $486.4 billion do not appear on state balance sheets.

For the most part, states have not set aside money to pay these OPEB benefits relying on a "pay-as-you-go" system. **IFTA's analysis of all 50 states found less than 6% of the promised retirees' healthcare benefits have assets set aside to cover them.**

To calculate each state's financial condition this study addresses the pension and OPEB under-reporting problems by considering the total unfunded liabilities that actuaries have calculated states owe to date. In governmental accounting these liabilities are called "Unfunded Actuarial Accrued Liabilities".

Determining the state retirement liabilities was often difficult due to the opacity of the financial and actuarial reports for retirement plans of the states and their component units. Moreover calculation of some states' retirement liabilities is made even more difficult, if not impossible, because the state is involved in a multi-employer, cost-sharing retirement system. Under such a system a number of employers; which may include municipalities, universities, colleges, school districts and state agencies, have created one system that combines 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.

While IFTA researchers often had difficulty determining each state's share of their multi-employer, cost-sharing plans they persevered and analyzed each pension and OPEB plan and included the applicable unfunded liabilities in the calculation of each state's financial condition.

More detail is provided in the Methodology section below.

Pension Contributions Disclosure Is Unclear

Accounting for Pensions by State and Local Governmental Employers (GASB 27) requires a state that participates in a multi-employer, cost-sharing plan to disclose certain information in notes to the state's financial statements. Among these disclosures are the state's contractually required contributions (CRC's) to the plan and the percentage of the state's CRC actually contributed for the reported year and for the two preceding years. According to GASB 27 these contribution amounts should only include the state contributions, not any contributions made by other employers in the plan.

In a few states IFTA researchers found the state's contributions were not disclosed as required by GASB 27 so the researchers attempted to obtain the information from the state's CAFR preparer. It is perhaps shocking, to say the least, to be told (as IFTA staff was) by some financial statement preparers that they did not know how much the state's share of the unfunded liability was, nor did they know how much the state contributed as an employer. Perhaps even more remarkable was when IFTA researchers attempted to obtain this information from the staff of the retirement plan's administrators; we learned that even they did not have the amounts readily retrievable. Explained one state pension plan's finance manager, "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."

To say that the plan does not break out contributions by employer seems to be essentially admitting that the plan administrator does not know the amount of money received by the plan and from which employer.

The IFTA believes some states were not in compliance with GASB 27 because of confusion between the disclosure requirements of GASB 27, which requires the state as an employer to disclose of the *state's* contributions, and GASB 25 which requires disclosure of the contributions made by all the plan's employers.

According to GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, a state has an additional disclosure requirement when a state handles a multi-employer, cost-sharing plan as a state trust fund. In this case a "Schedule of Employer Contributions" may be required in the state CAFRs Required Supplemental Information (RSI). The RSI Schedule of Employer Contributions should include contributions from all employers. This requirement is waived if the RSI information is included in a publicly available stand-alone financial report of the plan.

Component Units' Disclosure Requirements Are Confusing

For financial reporting purposes state governments distinguish between "Primary Government" and "Component Units". Component units are legally separate, financially accountable entities that include such organizations as colleges, universities, toll roads and financing authorities. GASB defines a component unit as one in which state officials appoint a voting majority of an organizations governing body; a state is able to impose its will on that organization; or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Primary Government. [8]

Balance sheets and income statements in state CAFRs have a column for the "Primary Government" and a separate column for "Component Units", but there is no column that adds these columns together. Discretely Presented Component Units, while legally separate from the state, are required to be included in the state financial statements because, as indicated by GASB, "the nature and significance of their relationship with the Primary Government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete."[10] The reporting of Primary Government and the component units is confusing and deters transparency.

Part of this confusion is the fact that the account balances and transactions of all component units are not incorporated in the Component Units column. Some component units, despite being legally separate from the Primary Government, are so intertwined with the Primary Government that they are, in substance, the same as the Primary Government and are reported as part of the Primary Government. Therefore the account balances and transactions of "Blended Component Units" are not included in the Component Units column. Rather the account balances and transactions of Blended Component Units are "blended" into the Primary Government column. [9]

To calculate each state government's financial condition, IFTA researchers combined the Primary Government's and Component Units' balance sheet accounts. This made it necessary to remove the inter-fund (Due to/Due from) balances so assets and liabilities would not be overstated. During this process IFTA researchers determined that the schedules of inter-fund balances and transactions for component units in the notes to the CAFR included Discretely Presented Component Units as well as Blended Component Units. This made it very difficult for even a seasoned accountant to reconcile the inter-fund receivables and payables reported in the Primary Government column and in the (Discretely Presented) Component Units column. For example, a schedule of "Due to Primary Government" may include $12 million owed by component units. While on the face of the balance sheet in the "Component Units" column the "Due to Primary Government" would be $5 million which represents only the amount owed by the Discretely Presented Component Units. The other $7 million owed by the Blended Component Units is not included in the Component Units column because the Blended Component Units accounts balances are included in the Primary Government account balances. To further complicate this reconciliation, some component units' fiscal year ends may not match that of their state creating a mismatch in fiscal year funds transfers.

IFTA researchers also reviewed the summary balance sheets and income statements found in the front of state financial reports. These summarizes are included in the Management's Discussion and Analysis (MD&A) sections, which according to the GASB, "should introduce the basic financial statements and provide an analytical overview of the government's financial activities". [11] As mentioned above the GASB considers the exclusion of Discretely Present Component Units to be "misleading or incomplete". [10] Yet the summary schedules included in the MD&A "analytical overview(s)" did not incorporate the Discretely Presented Component Units' financial data.

IFTA researchers also found that critical information for Discretely Presented Component Units' pension and retirees' health care plans are not usually included in the notes of state CAFRs.

Financial Data Is Not Available In a Timely Manner

Despite the need for timely information during decision making processes, such as the budget process, most states issue their financial reports long after their fiscal year ends. 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.

Hawaii, Illinois and South Dakota are classified as "excessively tardy" because their financial reports were issued more than nine months after their fiscal year ends. The last state to report their June 30, 2010 CAFR was Hawaii. It was issued on October 12, 2011, 469 days after the state's fiscal year end.

Twenty four states are classified as "tardy" because their reports were issued after 180 days. Twenty three states issued their financial reports within 180 days of their fiscal year end which in governmental accounting is considered "timely". The timeliest issued financial reports were Michigan and Utah's who issued their 2010 reports 141 days after their fiscal year ends.

Three States Excessively Tardy	Days to Release
Hawaii	469
Illinois	365
South Dakota	324

Five Most Timely States	Days to Release
Michigan	141
Utah	141
Washington	153
New Jersey	154
New York	154

The Government Financial Officer's Association (GFOA) has set a six month standard for the issuance of state annual reports. This association's members include treasurers and comptrollers who produce their state's annual reports. Even under this rather lax standard less than half of the states (only 23) issued their 2010 annual reports within this standard.

As previously stated, the State of Michigan is one of the two states who produce the nation's most timely CAFR. 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. This is possible for two reasons. First, the state's governors—notably of both political parties—have had a sustained commitment to meet this goal. Second, Michigan has a centralized accounting system.

John M. Engler was Michigan's governor from 1991 to 2003. Gov. Engler requested that 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 the fact that he was a "lame duck" and would 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. The uniform use of the same accounting system by all state agencies, and the re-engineering of some financial management processes enabled the Michigan Office of the State

Budget to meet the governor's request for timeliness. As a result of this timely issuance Michigan's legislators were able to use the important information included in the CAFR as they engage in the budget process.

Our study identified the following four main factors that are predictive of a timely CAFR:

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

Commitment of Government Officials

The most important factor is the commitment to report to the states citizens on a timely basis. In the absence of a legal requirement for the issuance of the CAFR by a certain date, the commitment of a state governor and legislature to timely issue the CAFR is important. To achieve the goal of issuing a report within 180 days after the FYE, the government officials 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 the executive branch agencies. This is problematic because the 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 the 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 his/her 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 adjusting entries.

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

The Desire to Receive the GFOA Certificate

The Government Finance Officers Association (GFOA) awards its Certificate of Achievement for states that issue CAFRs within six months of their FYEs. Earning this certificate is a worthwhile professional distinction and the GFOA has done an excellent job of using the certificates to encourage states and their officials to issue their annual reports on a timely basis. Using this 180-day benchmark, our analysis shows that less than half the states are eligible to earn this important distinction, but most still received the Certificate of Achievement.

Adequate Resources, Including Personnel

A great deal of staff time and effort in a condensed period of time is needed to produce the CAFR on a timely basis. Therefore the office that prepares 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 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.

For example the federal government is slow at reimbursing state Medicaid costs. This makes it difficult to determine the amount the state owes its medical providers at FYE. The state of Michigan uses estimates to work around these types of issues. In other cases, proposed legislation may affect the FYE financial data forcing the CAFR preparers to wait until the legislation is signed (or not signed) into law before the CAFR may be completed.

It is critical for each state to release its CAFR timely so citizens, legislators and other officials have the opportunity to review the state's past financial performance as they prepare future budgets. The ability to review prior years' financial reports before the next year's budget process begins provides citizens and their elected officials with critical financial information needed to be knowledgeable participants in this crucial decision making process.

In states, like Connecticut and Hawaii, where their retirement plans unfunded liabilities increased by $8.6 billion and $4.2 billion respectively over a two year time frame, annual actuarial valuations would be useful in the effective management of these plans.

Actuarial Data Is Not Available In A Timely Manner

Among the most important information included in the CAFRs are the financial conditions of retirement plans because the related unfunded liabilities are, in most states, their largest obligations. The 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. Many states, like Connecticut and Hawaii, do not obtain annual actuarial valuations of their retirement plans. The Governmental Accounting Standards Board (GASB) standard permit states to obtain an actuarial valuation of their retirees' health care plans every other year.

In today's volatile marketplace the use of outdated retirement plan data is potentially very harmful. Estimates of current retirement plan balances, calculated using "smoothing" as discussed above, are artificially high given the current market conditions. Therefore current funding requirements, based on these overly optimistic balance estimates, will most likely be insufficient to cover future promises.

In states like Connecticut and Hawaii where the unfunded retirement liabilities increased by $7.9 billion and $5.3 billion respectively over a two year timeframe annual actuarial valuations would be helpful in the effective management of the states' retirement plans.

RESULTS

UNINFORMED DECISIONS ARE BEING MADE WITH OUT-OF-DATE DATA

The IFTA's research determined that states 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. This means users 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. The IFTA's prior study found that most states' annual reports were not published until more than six months after the fiscal year end with three states publishing annual reports more than 300 days after after the fiscal year end.

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

This study determined that as of the fiscal year end 2010 states did not have the assets necessary to pay $1,180.9 billion of their bills as they come due. As Appendix III indicates states have only $988.3 billion of assets available to pay $2,169.2 billion of bills as they come due. At that time states had reported only $111.3 billion of retirement liabilities on their balance sheets. A detailed review of actuarial reports and other documents revealed the states' unfunded retirement liabilities totaled $1,020.4 billion which indicated that an additional $909.1 billion of unfunded retirement liabilities were maintained off-balance sheet.

A TAXPAYERS' BURDEN EXIST IN FORTY FOUR STATES

A major intention of balanced budget laws is that state governments should not be able to shift the burden of paying for current-year services and benefits to future-year taxpayers. This is a significant part of accountability because it reduces the state's ability to incur costs without having an impact on the state's current budget calculations. Yet the IFTA's study found that forty four states have created future taxpayers' burdens.

The main reason for these taxpayers' burdens is that all compensation costs, especially related to earned retirement benefits, have not been included in prior budgets and the money that should have been put aside to provide for these costs was spent elsewhere. As a consequence, future taxpayers will have to pay taxes for services and benefits that were received by prior taxpayers.

Evidence of these practices is illuminated in state annual financial reports. As indicated in Appendix V we identified $1,020.4 billion of unfunded retirement obligations. This amount represents $467.5 billion of unfunded pension and $552.9 of unfunded retirees' health care liabilities. But only $111.3 billion of these liabilities were reported on the face of state balance sheets. Collectively $909.1 billion of the costs of pension and health care benefits earned and promised have not been included in prior state budgets and financial statements.[viii] 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 $626,100 per taxpayer. Bridgeport taxpayers would have to write a check to their city for $27,100, to their state for $49,000 and to the U.S. Treasury for $550,000 [(12)] to cover government promises already made on their behalf.

TOP 5 SUNSHINE STATES AND BOTTOM 5 SINKHOLE STATES IDENTIFIED

The IFTA has identified the "Top 5 Sunshine States": Alaska, Wyoming, North Dakota, Utah and Nebraska. "Sunshine States" were identified as such because these states had an "Each Taxpayer's Surplus" which represents each taxpayer's share of the assets the state had available to cover bills, including retirement obligations. South Dakota is also a "Sunshine State". Each of the Top 5 Sunshine States' "Financial State of the State" can be found in the front of this document.[ix]

The IFTA also identified the "Bottom 5 Sinkhole States": Connecticut, New Jersey, Hawaii, Illinois and Kentucky. These states are sinking in debt as summarized by "Each Taxpayer's Burden", the money required from each taxpayer to pay the state's bills, including retirement obligations. Each of the Bottom 5 Sinkhole State's "Financial State of the State" is also in the front of this document.

All of the state's detailed Financial State of the State is located in Appendix VII-Roll Out of the States.[x]

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

[ix] The electronic version of this document the graphically enhanced versions of the Financial State of the State for each of the "Sunshine States" and "Sinkhole States" can be found at: www.truthinaccounting.org.

[x] The electronic version of this document and of each state's detailed Financial State of the State can be found at: www.StateBudgetWatch.org.

RECOMMENDATIONS

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

RECOMMENDATIONS TO ELECTED OFFICIALS

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

- Take the first step to sound financial planning: determine the true financial condition of their state. We have demonstrated how to do this in each state's "Financial State of the State". See Appendix VII-Roll Out of the States.[xi]
- Start to follow the intent of your state's balanced budget requirement. Balanced budget requirements exist in state constitutions and/or statutes to prevent current legislatures and governors from passing current period costs onto future period taxpayers. This is a matter of equity; it is simply not fair 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 which would include all costs when incurred not when paid. See Appendix VIII for features of FACT based budgeting.
- Include in budget calculations the costs and obligations associated with pensions and retirees' health care benefits which, like salaries, are a form of compensation.
- Leave actuarial assumptions to professional actuaries.
- Create no additional taxpayers' financial burden and reduce the burden you have inherited as quickly as possible.
- Mandate the issuance of the state CAFR no more than 180 days after fiscal year end.
- Provide the resources, including personnel and the centralized computer system, needed to prepare the CAFR within 180 days.
- Require retirement 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 the plans' 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

[xi] The electronic version of this document and of each state's detailed Financial State of the State can be found at: www.StateBudgetWatch.org.

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 a disclosure. (13)

RECOMMENDATIONS TO STATE FINANCIAL REPORT PREPARERS

Key Recommendations

- 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 or millions.
- 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 IFTA's concerns are being addressed in GASB current exposure drafts - *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*(14) and its companion *Financial Reporting for Pension Plans--an amendment of GASB Statement No. 25.* (14) In these proposals GASB has concluded that there have been significant changes in government-wide accrual accounting since the current standards were created in 1994 and that users of financial reports need standardized presentations. In addition GASB is especially interested in developing "concepts regarding what constitutes a liability and an outflow of resources". The IFTA urges the implementation of these amendments as soon as possible.

Among the major specific proposals in the exposure drafts are:

- That "[P]ensions are a form of compensation, like salaries, which governments provide in return for work." (15) GASB concludes from that observation that pension obligations should be recorded when earned, not when paid. This would change public sector pension accounting from a form of cash basis accounting to accrual basis accounting.
- The pension benefits earned by employees shall be defined as the *total pension liability.* The presumption is that employers will provide some assets to fund the future payment of pensions. To the extent these are actuarially under-funded; the amendments would define the shortfall as the employer's *net pension liability.*
- Contributions due but not paid would be reported separately, presumably as a payable.
- The IFTA believes that the proposed amendments would require that all pension liabilities be reported on the face of the balance sheet including:
  - The Total Pension Liability
  - The Net Pension Liability, i.e. the plan's total Unfunded Actuarial Accrued Liability.
  - The state's share of the liability related to multi-employer, cost-sharing plans.
  - All component unit plans and their share of multi-employer, cost-sharing plans.
- Use of *The American Academy of Actuarial Standards of Practice* would mostly likely mandate the use of more realistic discount rates to calculate retirement plans' accrued benefits and required contributions. Additionally the choice of methods to calculate accrued benefits would be standardized.
- 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.

In addition to the pension related changes proposed by GASB, IFTA further recommends that GASB adopt the following improvements:

- Extend the disclosure and reporting requirements outlined in the Pension Accounting and Financial Reporting exposure drafts to Other Post-Employment Benefits.
- Require the value of plan assets 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 a state and its component units. This would eliminate timing differences within inter-fund accounts. This is in line with private sector corporations and subsidiaries being required to use the same fiscal year end.
- Call for the 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 a state's CAFR.
- Issue a 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 a 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

- 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 taxpayers' burden not be increased and be reduced as quickly as possible.
- Voice your support for the GASB's amendments to pension reporting proposals.
- Advocate for state and local units of government to support GASB's amendments to pension reporting proposals and for those governmental units to voluntarily adopt the recommended improvements in the interim.
- Until those changes are made, keep in mind that the liabilities reported on your state's balance sheet (Statement of Net Assets) does not necessarily include all of the state's pension and retirees' 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 on your state on the map at www.StateBudgetWatch.org.

- Understand the financial condition of your state by reviewing its Financial State of the State. A link to your state's 2010 Financial State of the State can found at www.StateBudgetWatch.org. Each state's 2011 Financial State of the State will be available at www.StateBudgetWatch.org when it is completed.
- Demand that state actuarial reports be 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 the assumptions used to calculate your state's retirement plans' unfunded liabilities and needed contributions and the employees' 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 pro forma Truth in Accounting Act for Illinois is included in Appendix VIX of this document.

METHODOLOGY

A COMPREHENSIVE APPROACH TO ANALYZING STATE FINANCIAL CONDITIONS

To determine a state's financial condition IFTA researchers used 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.[xii]

The IFTA determined that a comparison of a state's unfunded retirement plans' liabilities without consideration of other liabilities and obligations and the assets available to fund all liabilities would be incomplete. Evaluating a state's unfunded pension and OPEB liabilities without analyzing the state's assets would be similar to judging a person's finances by only looking at their $10,000 credit card balance without consideration that they have more than $20,000 in the bank to pay off this balance. Also assessing a state's unfunded pension liabilities without considering other debt does not provide an accurate analysis because some states have issued pension bonds and other debt to fund plans' contributions. In those cases funding of the pension plans improves, but this improvement is offset by increases in other state debt.

A key feature of the analysis, and one the IFTA believes advances the body of public knowledge regarding state finances, is the assessment of each state's share of unfunded liabilities related to multi-employer, cost-sharing pension and OPEB plans.

Specifically IFTA researchers began by 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 are restricted by law or contract and are not available to pay bills. These restrictions include external constraints imposed by creditors, grantors, contributors or other governments as well as internal legal or constitutional provisions. Capital assets were removed from IFTA's calculation of the assets available to pay a state's bills or liabilities because they cannot be easily converted to cash. Researchers then calculated "Assets Available to Pay Bills" by subtracting capital assets and those restricted by law or contract from total assets.

In the calculation of each state's financial condition the assets and liabilities of the Primary Government and its "Discretely Presented Component Units" were included. These units include entities such as state colleges, universities, financing authorities and toll-ways. As indicated in the Kansas CAFR, "Discretely Presented Component Units are entities that are legally separate from the state, but are financially accountable to the state, or whose relationships with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete." (17)

[xii] The electronic version of this document and of each state's detailed Financial State of the State can be found at: www.StateBudgetWatch.org.

In most states the 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 IFTA staff removed these receivables and payables.

IFTA researchers then identified "State Bills" which include liabilities disclosed in a state's financial report such as accounts payable, bonded indebtedness, as well as pension and OPEB obligations found in the state CAFR, retirement systems' CAFRs and actuarial valuation reports. Only the liabilities incurred to date were included. Then IFTA researchers derived the "Money Needed to Pay Bills" by subtracting the State Bills from the "Assets Available to Pay Bills".

The result of IFTA's analysis is expressed as "Each Taxpayer's Financial Burden". This financial burden represents, on a per taxpayer basis and in today's value, the bills a state has elected to fund as they come due rather than when they were incurred. Forty four states have created an unfavorable financial burden representing the amount needed to pay the state's obligations per taxpayer. Only six states have an "Each Taxpayer's Surplus" which represents, on a per taxpayer basis, an excess of funds available to be used to meet a state's obligations to citizens, employees and creditors.

A financial burden accumulates 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 can be calculated by subtracting from the Unrestricted Assets reported on the state government-wide Statement of Net Assets the additional unfunded retirement liabilities IFTA researchers found have already been incurred.

In the analysis of retirement systems IFTA researchers found many states administer multi-employer, cost-sharing plans that cover employees from more than the state and local government related employers. For example these employers can include different state agencies, counties, cities, universities, colleges and school districts[xiii]. In analyzing these types of 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 an allocation, many states do not provide such transparency of their multi-employer, cost-sharing plans. In many states IFTA researchers found it necessary to estimate the state's liability based upon the state's share of historical contributions. Some states did not disclose an allocation of plans' liabilities *or* the state's 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.

IFTA researchers reviewed other studies of state retirement systems and found that some allocate the total unfunded liabilities of multi-employer, cost-sharing plans to the states. These 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 unfunded liability related to the Public School Retirement System of Missouri was a state liability. IFTA'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 IFTA's calculation of State Bills.

[xiii] 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.

The IFTA believes that the methods developed and used to complete this report have produced the most 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 2010 Statement of Net Assets if the proposed amendments to pension reporting were in place and extended to OPEB reporting. This approximation does not take into consideration the amendment's provisions regarding the assumptions used to calculate the actuarial value of assets or actuarial accrued liabilities.

DESCRIPTION OF EACH STATE'S FINANCIAL STATE OF THE STATE

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

The first chart, titled "This State's Bills Exceed Its Assets,"[xv] summarizes the IFTA'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.[xvi]
- **"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 from subtracting Capital Assets and Restricted Assets from Assets.
- **"Bills"** is the amount of accumulated debt and unfunded promises the state has made per the third chart, as described below.
- **"Money Needed to Pay Bills"**[xvii] 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. [(18)] This amount approximates the number of households per state.

[xiv] Each state's detailed Financial State of the State can be found in Appendix VII - "Roll Out of the State." If this is an electronic version of this document, then each state's detailed Financial State of the State can be found at: www.StateBudgetWatch.org.

[xv] The wording on the charts for the Sunshine States (Alaska, Wyoming, North Dakota, Utah, Nebraska and South Dakota) will be different because they have assets to pay their bills. The title of this chart in those states is "This State Has the Money to Pay Its Bills."

[xvi] 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.

[xvii] The Sunshine States, including South Dakota, have "Assets Left after Bills are Funded".

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.

- "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 were 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 the CAFR notes and required supplemental information. In other states the state's retirement liabilities are only in retirement plans' financial report or valuation reports.

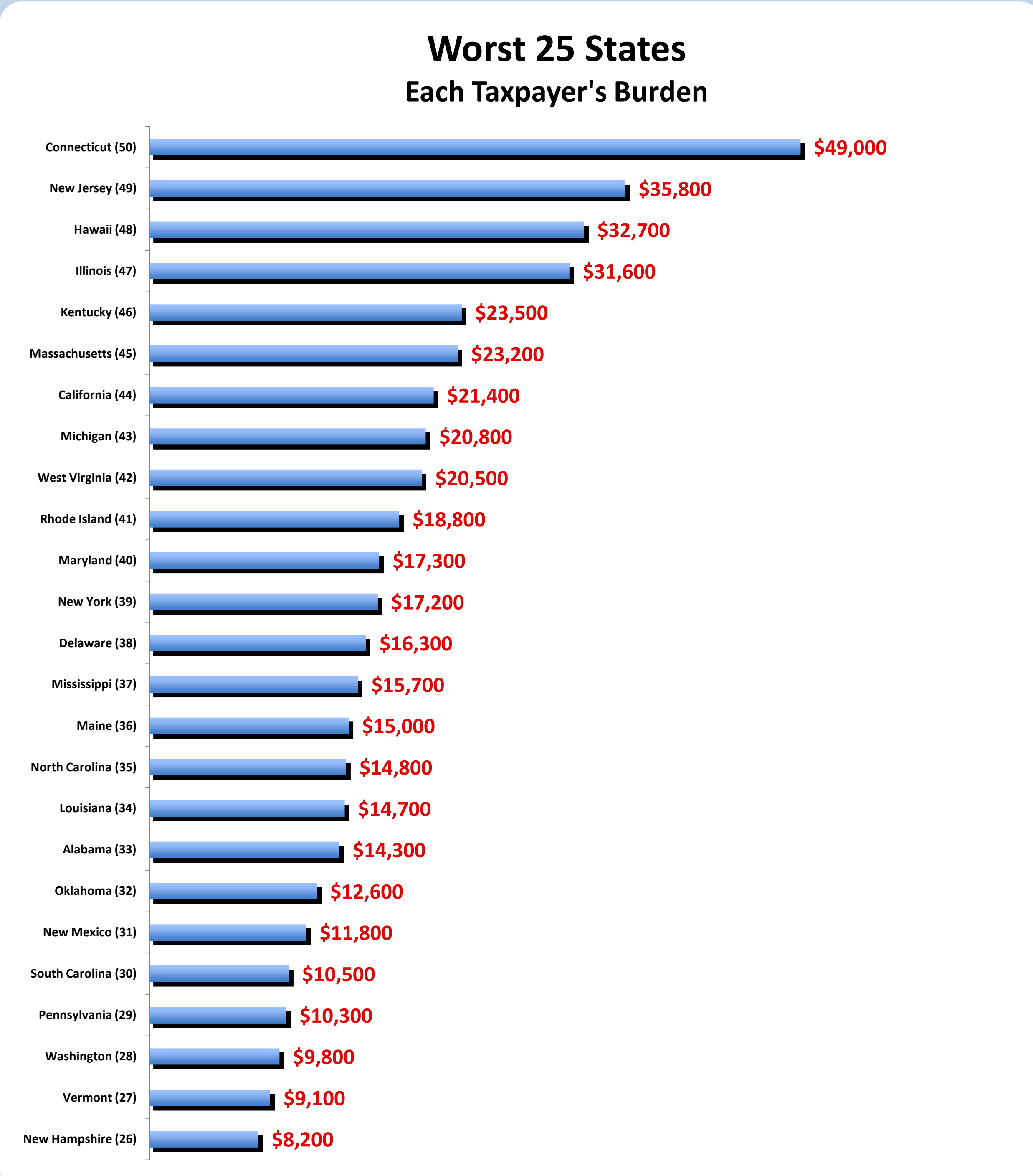
The third chart titled, "The Bills the State Has Accumulated" includes:

- "State Bonds" found in the state CAFR.
- "Other Liabilities" include accounts payable and other liabilities reported on the Statement of Net Assets.[xviii]
- "Less: Debt Related to Capital Assets" is subtracted because in determining assets available to pay state bills capital assets were not included.
- "Unfunded Pension Benefits" represents the unfunded pension liabilities calculated as described in the Methodology section of this study. This amount includes the unfunded pension liabilities disclosed in the state CAFRs 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 mutli-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 mutli-employer, cost-sharing pension plans.
- "Bills" is the total of the State Bonds, Other Liabilities, Unfunded Pension Benefits and Unfunded Retirees' Health Care Benefits minus the Debt Related to Capital Assets.

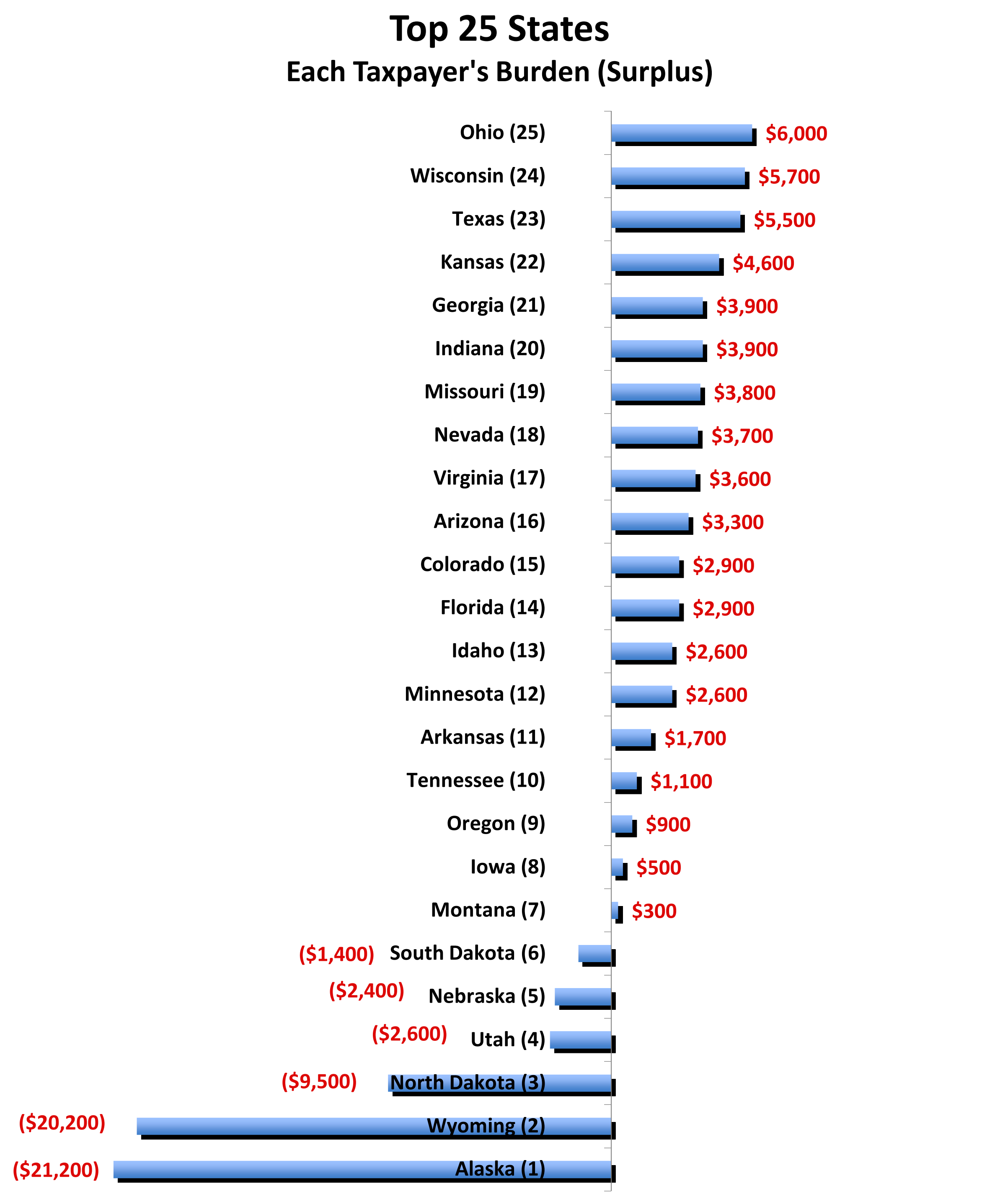
[xviii] Other liabilities are adjusted for Net Pension Obligations and Net OPEB Obligations and payables between the Primary Government and its Discretely Presented Component Units.

APPENDICES

APPENDIX I


Worst 25 States
Each Taxpayer's Burden
Connecticut (50)
$49,000
New Jersey (49)
$35,800
Hawaii (48)
$32,700
Illinois (47)
$31,600
Kentucky (46)
$23,500
Massachusetts (45)
$23,200
California (44)
$21,400
Michigan (43)
$20,800
West Virginia (42)
$20,500
Rhode Island (41)
$18,800
Maryland (40)
$17,300
New York (39)
$17,200
Delaware (38)
$16,300
Mississippi (37)
$15,700
Maine (36)
$15,000
North Carolina (35)
$14,800
Louisiana (34)
$14,700
Alabama (33)
$14,300
Oklahoma (32)
$12,600
New Mexico (31)
$11,800
South Carolina (30)
$10,500
Pennsylvania (29)
$10,300
Washington (28)
$9,800
Vermont (27)
$9,100
New Hampshire (26)
$8,200

APPENDIX II



Top 25 States
Each Taxpayer's Burden (Surplus)
Ohio (25)
$6,000
Wisconsin (24)
$5,700
Texas (23)
$5,500
Kansas (22)
$4,600
Georgia (21)
$3,900
Indiana (20)
$3,900
Missouri (19)
$3,800
Nevada (18)
$3,700
Virginia (17)
$3,600
Arizona (16)
$3,300
Colorado (15)
$2,900
Florida (14)
$2,900
Idaho (13)
$2,600
Minnesota (12)
$2,600
Arkansas (11)
$1,700
Tennessee (10)
$1,100
Oregon (9)
$900
Iowa (8)
$500
Montana (7)
$300
($1,400)
South Dakota (6)
($2,400)
Nebraska (5)
($2,600)
Utah (4)
($9,500)
North Dakota (3)
($20,200)
Wyoming (2)
($21,200)
Alaska (1)

APPENDIX III

THE FINANCIAL STATE OF THE STATES

Ranking	State	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's Financial Burden (Surplus)
		(in Billions)						
33	Alabama	$44.3	$25.9	$7.8	$10.6	$28.5	$17.9	$14,300
1	Alaska	$73.9	$9.5	$35.0	$29.4	$22.9	($6.5)	($21,200)
16	Arizona	$38.1	$23.5	$6.4	$8.2	$14.3	$6.1	$3,300
11	Arkansas	$23.1	$12.7	$2.2	$8.2	$9.5	$1.3	$1,700
43	California	$284.2	$129.8	$37.7	$116.7	$351.9	$235.2	$21,400
15	Colorado	$32.7	$17.2	$4.8	$10.7	$15.3	$4.6	$2,900
50	Connecticut	$29.7	$14.4	$4.3	$11.0	$74.6	$63.6	$49,000
38	Delaware	$12.3	$7.9	$0.7	$3.7	$8.8	$5.1	$16,300
14	Florida	$161.3	$88.3	$18.2	$54.8	$70.3	$15.5	$2,900
21	Georgia	$52.6	$31.1	$4.9	$16.6	$26.6	$10.0	$3,900
48	Hawaii	$20.3	$13.6	$2.6	$4.1	$19.9	$15.8	$32,700
13	Idaho	$14.6	$6.7	$2.8	$5.1	$6.3	$1.2	$2,600
47	Illinois	$61.1	$30.4	$6.5	$24.2	$154.4	$130.2	$31,600
20	Indiana	$51.4	$19.7	$5.3	$26.4	$34.3	$7.9	$3,900
8	Iowa	$23.5	$10.6	$4.6	$8.3	$9.0	$0.7	$500
22	Kansas	$21.7	$14.7	$1.8	$5.2	$9.4	$4.2	$4,600
45	Kentucky	$44.1	$26.9	$4.2	$13.0	$40.2	$27.2	$23,500
34	Louisiana	$45.4	$22.9	$7.9	$14.6	$33.1	$18.5	$14,700
36	Maine	$14.5	$5.6	$1.7	$7.2	$13.8	$6.6	$15,000
40	Maryland	$46.3	$27.9	$3.6	$14.8	$50.1	$35.3	$17,300
44	Massachusetts	$64.3	$39.0	$4.9	$20.4	$73.9	$53.5	$23,200
46	Michigan	$52.4	$24.1	$6.1	$22.2	$84.9	$62.7	$20,800
12	Minnesota	$42.7	$19.0	$8.4	$15.3	$20.1	$4.8	$2,600
37	Mississippi	$24.8	$15.7	$2.1	$7.0	$18.4	$11.4	$15,700
19	Missouri	$46.6	$34.4	$5.7	$6.5	$13.5	$7.0	$3,800
7	Montana	$13.1	$4.9	$2.6	$5.6	$5.7	$0.1	$300

* Net of Reported Pension Assets and OPEB Assets

THE FINANCIAL STATE OF THE STATES

(Continued)

		(in Billions)						
Ranking	State	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's Financial Burden (Surplus)
5	Nebraska	$17.3	$9.7	$4.0	$3.6	$2.3	($1.3)	($2,400)
18	Nevada	$13.8	$7.4	$1.8	$4.6	$7.9	$3.3	$3,700
26	New Hampshire	$6.7	$4.2	$0.7	$1.8	$5.9	$4.1	$8,200
49	New Jersey	$78.4	$42.2	$9.9	$26.3	$132.4	$106.1	$35,800
31	New Mexico	$25.7	$10.6	$7.1	$8.0	$14.6	$6.6	$11,800
39	New York	$285.9	$156.4	$16.5	$113.0	$217.1	$104.1	$17,200
35	North Carolina	$80.3	$50.3	$6.8	$23.2	$60.7	$37.5	$14,800
3	North Dakota	$13.1	$2.7	$1.4	$9.0	$6.9	($2.1)	($9,500)
32	Oklahoma	$33.3	$16.0	$5.8	$11.5	$24.3	$12.8	$12,600
25	Ohio	$93.2	$35.3	$11.3	$46.6	$68.3	$21.7	$6,000
9	Oregon	$37.4	$14.8	$4.5	$18.1	$19.1	$1.0	$900
29	Pennsylvania	$85.3	$35.7	$9.5	$40.1	$82.2	$42.1	$10,300
41	Rhode Island	$13.2	$5.4	$1.3	$6.5	$12.9	$6.4	$18,800
30	South Carolina	$41.3	$24.2	$5.5	$11.6	$24.5	$12.9	$10,500
6	South Dakota	$9.7	$4.1	$1.9	$3.7	$3.4	($0.3)	($1,400)
10	Tennessee	$43.6	$27.7	$4.1	$11.8	$13.6	$1.8	$1,100
23	Texas	$211.6	$94.0	$48.5	$69.1	$105.4	$36.3	$5,500
4	Utah	$32.5	$17.4	$5.0	$10.1	$8.3	($1.8)	($2,600)
27	Vermont	$8.5	$2.4	$0.8	$5.3	$7.2	$1.9	$9,100
17	Virginia	$76.2	$34.1	$11.0	$31.1	$40.5	$9.4	$3,600
28	Washington	$73.0	$33.9	$8.2	$30.9	$52.5	$21.6	$9,800
42	West Virginia	$22.5	$11.5	$2.7	$8.3	$18.6	$10.3	$20,500
24	Wisconsin	$41.4	$22.9	$6.3	$12.2	$22.6	$10.4	$5,700
2	Wyoming	$26.9	$6.5	$8.3	$12.1	$8.3	($3.8)	($20,200)

All States	$2,709.8	$1,345.8	$375.7	$988.3	$2,169.2	$1,180.9

* Net of Reported Pension Assets and OPEB Assets

Appendix IV

Accumulated Bills

	(in Billions)					
State	State Bonds	Other Liabilities*	Less Debt Related to Capital Assets	Unfunded Pension Benefits	Unfunded Retirees' Health Care Benefits	Total Bills
Alabama	$8.3	$5.1	$3.6	$3.7	$15.0	**$28.5**
Alaska	$1.5	$10.5	$2.0	$6.7	$6.2	**$22.9**
Arizona	$7.2	$10.5	$6.0	$2.4	$0.2	**$14.3**
Arkansas	$4.1	$4.0	$2.1	$1.6	$1.9	**$9.5**
California	$130.2	$109.3	$33.8	$69.4	$76.8	**$351.9**
Colorado	$6.0	$5.7	$4.0	$6.7	$0.9	**$15.3**
Connecticut	$23.2	$7.4	$6.5	$20.9	$29.6	**$74.6**
Delaware	$3.9	$1.3	$2.9	$0.6	$5.9	**$8.8**
Florida	$38.5	$30.3	$9.5	$6.2	$4.8	**$70.3**
Georgia	$14.5	$11.5	$11.9	$4.6	$7.9	**$26.6**
Hawaii	$7.7	$2.4	$7.2	$5.1	$11.9	**$19.9**
Idaho	$3.3	$2.1	$1.1	$1.9	$0.1	**$6.3**
Illinois	$35.7	$27.0	$11.1	$75.7	$27.1	**$154.4**
Indiana	$13.1	$11.8	$5.2	$13.5	$1.1	**$34.3**
Iowa	$4.8	$3.5	$1.3	$1.2	$0.8	**$9.0**
Kansas	$4.5	$2.7	$3.9	$5.9	$0.2	**$9.4**
Kentucky	$10.2	$9.9	$4.7	$16.9	$7.9	**$40.2**
Louisiana	$10.0	$9.8	$4.8	$8.0	$10.1	**$33.1**
Maine	$0.5	$7.3	$0.9	$4.3	$2.6	**$13.8**
Maryland	$16.1	$8.0	$9.0	$18.7	$16.3	**$50.1**
Massachusetts	$33.3	$19.3	$14.0	$18.9	$16.4	**$73.9**
Michigan	$19.7	$12.8	$5.3	$15.4	$42.3	**$84.9**
Minnesota	$11.8	$10.8	$5.5	$1.8	$1.2	**$20.1**
Mississippi	$4.2	$4.0	$1.9	$11.4	$0.7	**$18.4**
Missouri	$6.4	$5.8	$5.9	$4.1	$3.1	**$13.5**
Montana	$1.5	$3.0	$0.5	$1.2	$0.5	**$5.7**

*Does not include Net Pension and OPEB Obligations

Accumulated Bills
(Continued)

	(in Billions)					
State	State Bonds	Other Liabilities*	Less Debt Related to Capital Assets	Unfunded Pension Benefits	Unfunded Retirees' Health Care Benefits	Total Bills
Nebraska	$0.7	$2.1	$0.8	$0.3	$0.0	**$2.3**
Nevada	$4.6	$2.4	$2.3	$1.3	$1.9	**$7.9**
New Hampshire	$1.7	$1.0	$1.7	$2.0	$2.9	**$5.9**
New Jersey	$41.6	$30.5	$26.8	$26.0	$61.1	**$132.4**
New Mexico	$6.6	$2.9	$2.2	$5.0	$2.3	**$14.6**
New York	$89.3	$117.2	$67.3	$5.0	$72.9	**$217.1**
North Carolina	$15.0	$16.1	$5.8	$2.5	$32.9	**$60.7**
North Dakota	$1.8	$5.2	$0.5	$0.3	$0.1	**$6.9**
Oklahoma	$7.1	$6.0	$5.2	$16.1	$0.3	**$24.3**
Ohio	$23.6	$37.0	$7.0	$7.1	$7.6	**$68.3**
Oregon	$12.1	$9.5	$4.6	$1.8	$0.3	**$19.1**
Pennsylvania	$24.3	$32.9	$9.6	$16.4	$18.2	**$82.2**
Rhode Island	$7.0	$2.9	$2.2	$4.3	$0.9	**$12.9**
South Carolina	$12.5	$8.2	$10.0	$4.6	$9.2	**$24.5**
South Dakota	$2.8	$0.8	$0.4	$0.1	$0.1	**$3.4**
Tennessee	$4.2	$6.4	$1.8	$2.7	$2.1	**$13.6**
Texas	$36.1	$39.5	$25.2	$27.4	$27.6	**$105.4**
Utah	$6.5	$3.1	$2.7	$1.0	$0.4	**$8.3**
Vermont	$4.3	$1.3	$0.8	$0.4	$2.0	**$7.2**
Virginia	$23.3	$15.2	$9.1	$6.0	$5.1	**$40.5**
Washington	$18.8	$36.6	$14.4	$4.3	$7.2	**$52.5**
West Virginia	$4.4	$5.6	$1.9	$5.9	$4.6	**$18.6**
Wisconsin	$15.2	$10.9	$4.9	$0.0	$1.4	**$22.6**
Wyoming	$1.5	$6.4	$0.1	$0.2	$0.3	**$8.3**
All States	**$785.2**	**$735.5**	**$371.9**	**$467.5**	**$552.9**	**$2,169.2**

*Does not include Net Pension and OPEB Obligations

Appendix V

SCHEDULE OF RETIREMENT LIABILITIES NOT CLEARLY DISCLOSED

	(in Billions)		
State	Total Reported Retirement Liabilities*	Total Unfunded Retirement Benefits	Retirement Liabilities Not Clearly Disclosed
Alabama	$0.4	$18.7	$18.3
Alaska	$0.0	$12.9	$12.9
Arizona	$0.0	$2.6	$2.6
Arkansas	$0.4	$3.5	$3.1
California	$15.8	$146.2	$130.4
Colorado	$0.0	$7.6	$7.6
Connecticut	$6.7	$50.5	$43.8
Delaware	$1.1	$6.5	$5.4
Florida	$0.5	$11.0	$10.5
Georgia	$0.7	$12.5	$11.8
Hawaii	$1.7	$17.0	$15.3
Idaho	$0.0	$2.0	$2.0
Illinois	$26.1	$102.8	$76.7
Indiana	$1.0	$14.6	$13.6
Iowa	$0.1	$2.0	$1.9
Kansas	$0.1	$6.1	$6.0
Kentucky	$3.9	$24.8	$20.9
Louisiana	$2.7	$18.1	$15.4
Maine	$0.1	$6.9	$6.8
Maryland	$3.7	$35.0	$31.3
Massachusetts	$3.5	$35.3	$31.8
Michigan	$2.3	$57.7	$55.4
Minnesota	$0.2	$3.0	$2.8
Mississippi	$0.0	$12.1	$12.1
Missouri	$0.5	$7.2	$6.7
Montana	$0.2	$1.7	$1.5

*A negative amount represents a reported Net Pension and/or OPEB asset(s).

SCHEDULE OF RETIREMENT LIABILITIES NOT CLEARLY DISCLOSED
(Continued)

	(in Billions)		
State	Total Reported Retirement Liabilities*	Total Unfunded Retirement Benefits	Retirement Liabilities Not Clearly Disclosed
Nebraska	$0.0	$0.3	$0.3
Nevada	$0.0	$3.2	$3.2
New Hampshire	$0.5	$4.9	$4.4
New Jersey	$18.9	$87.1	$68.2
New Mexico	$0.0	$7.3	$7.3
New York	$13.6	$77.9	$64.3
North Carolina	$0.0	$35.4	$35.4
North Dakota	$0.0	$0.4	$0.4
Oklahoma	$0.1	$16.4	$16.3
Ohio	$0.0	$14.7	$14.7
Oregon	($1.7)	$2.1	$3.8
Pennsylvania	$1.7	$34.6	$32.9
Rhode Island	$0.1	$5.2	$5.1
South Carolina	$0.0	$13.8	$13.8
South Dakota	$0.0	$0.2	$0.2
Tennessee	$0.4	$4.8	$4.4
Texas	$2.8	$55.0	$52.2
Utah	$0.0	$1.4	$1.4
Vermont	$0.6	$2.4	$1.8
Virginia	$2.1	$11.1	$9.0
Washington	$1.0	$11.5	$10.5
West Virginia	($0.8)	$10.5	$11.3
Wisconsin	$0.3	$1.4	$1.1
Wyoming	$0.0	$0.5	$0.5
All States	$111.3	$1,020.4	$909.1

*A negative amount represents a reported pension and/or OPEB asset(s).

Appendix VI

TIMELINESS OF FINANCIAL REPORT RELEASE

23 States Timely	Days to Release
Alaska	168
Arkansas	175
Colorado	170
Idaho	156
Iowa	168
Kentucky	170
Maine	174
Maryland	164
Michigan	141
Minnesota	173
Nevada	173
New Jersey	154
New York	154
North Carolina	161
North Dakota	168
Oregon	175
Pennsylvania	175
South Carolina	170
Utah	141
Vermont	173
Virginia	167
Washington	153
Wisconsin	163

24 States Tardy	Days to Release
Alabama	182
Arizona	247
California	261
Connecticut	212
Delaware	182
Florida	243
Georgia	191
Indiana	240
Kansas	184
Louisiana	183
Massachusetts	202
Mississippi	209
Missouri	209
Montana	190
Nebraska	182
New Hampshire	182
New Mexico	258
Ohio	183
Oklahoma	205
Rhode Island	183
Tennessee	272
Texas	181
West Virginia	243
Wyoming	183

3 States Excessively Tardy	Days to Release
Hawaii	469
Illinois	365
South Dakota	324

Appendix VII – Roll Out of the States

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

The electronic version of this document and each state's Financial State of the State can be found at: www.StateBudgetWatch.org.

The Financial State of Alabama

As of September 30, 2010

The State's Bills Exceed Its Assets

Assets	$44,266,702,000
Less: Capital Assets	$25,918,432,000
Restricted Assets	$7,771,064,000
Assets Available to Pay Bills	**$10,577,206,000**
Less: Bills	$28,470,563,000
Money Needed to Pay Bills	**$17,893,357,000**
Each Taxpayer's Burden*	$14,300

The state of Alabama has $44.3 billion in assets but most of these assets are not available to meet the State's bills.

The $25.9 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 $10.6 billion of State assets available to pay a total of $28.5 billion of bills as they come due.

The $17.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $14,300

All Liabilities Not Clearly Disclosed

Reported Retirement Liabilities	$433,612,000
Total Retirement Obligations	$18,699,714,000
Retirement Liabilities Not Clearly Disclosed	**$18,266,102,000**

The state of Alabama reported retirement liabilities of $433.6 million. The Institute for Truth in Accounting's detailed analysis discovered that $18.7 billion of additional retirement benefits that have been promised but not reported on the State's balance sheet. This means retirement liabilities of $18.3 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 33 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated

State Bonds	$8,302,796,000
Other Liabilities	$5,092,545,000
Less: Debt Related to Capital Assets	$3,624,492,000
Unfunded Pension Benefits	$3,739,766,000
Unfunded Retirees' Health Care Benefits	$14,959,948,000
Bills	**$28,470,563,000**

Despite its balanced budget requirement the State has accumulated bonds of $8.3 billion and other liabilities of $5.1 billion. The calculation of assets available to pay bills does not include capital assets so $3.6 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 66% of the State's bills. This unfunded liability has accumulated because State employees have been promised $3.7 billion of pension benefits and $15.0 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Alabama's September 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Alabama federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Alaska

As of June 30, 2010

The State's Assets Exceed Its Bills	
Assets	$73,887,783,000
Less: Capital Assets	$9,531,669,000
Restricted Assets	$35,001,189,000
Assets Available to Pay Bills	**$29,354,925,000**
Less: Bills	$22,969,331,000
Assets Left After Bills Are Funded	**$6,385,594,000**
Each Taxpayer's Surplus*	$21,200

The state of Alaska has $73.9 billion in assets but most of these assets are not available to meet the State's bills.

The $9.5 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $35.0 billion of the assets is restricted by law or contract.

That leaves $29.4 billion of State assets available to pay a total of $23.0 billion of bills as they come due.

The $6.4 billion surplus is available to pay future bills. Unlike most states, Alaska has the money needed to pay State employees' retirement benefits and other costs.

Each Taxpayer's* Share of the
Financial Surplus $21,200

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$2,387,000
Total Retirement Obligations	$12,943,679,000
Retirement Liabilities Not Clearly Disclosed	**$12,941,292,000**

The state of Alaska reported retirement liabilities of $2.4 million. The Institute for Truth in Accounting's detailed analysis discovered that $12.9 billion of additional retirement benefits that have been promised but not reported on the State's balance sheet. This means retirement liabilities of $12.9 billion are not clearly disclosed.

State statutes require the legislature to pass a balanced budget. The Alaska legislatures, unlike those in most other states, have lived up to the intent of these statutes. But during these tough economic times, citizens need to be vigilant to make sure legislators do not start to use the budgeting tactics that other states use.

These budget tactics include:
- Hiding current payroll costs by offering pension and state retirees' health care benefits without providing adequate funding;
- Borrowing money to pay current bills; and
- Charging current bills to the State's "credit card" by delaying the payment of bills.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$1,477,276,000
Other Liabilities	$10,543,236,000
Less: Debt Related to Capital Assets	$1,994,860,000
Unfunded Pension Benefits	$6,718,250,000
Unfunded Retirees' Health Care Benefits	$6,225,429,000
Bills	**$22,969,331,000**

The State has accumulated bonds of $1.5 billion and other liabilities of $10.5 billion. The calculation of assets available to pay bills does not include capital assets so $2.0 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 56% of the State's bills. Unfunded pension benefits total $6.7 billion and unfunded retirees' health care benefits total $6.2 billion. But unlike most states Alaska has other assets available to pay these liabilities.

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

Data is derived from the state of Alaska's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Alaska federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Arizona

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$38,149,636,000
Less: Capital Assets	$23,457,410,000
Restricted Assets	$6,383,023,000
Assets Available to Pay Bills	**$8,309,203,000**
Less: Bills	$14,232,005,000
Money Needed to Pay Bills	**$5,922,802,000**
Each Taxpayer's Burden*	$3,300

The state of Arizona has $38.1 billion in assets but most of these assets are not available to meet the State's bills.

The $23.5 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $6.4 billion of the assets is restricted by law or contract.

That leaves $8.3 billion of State assets available to pay a total of $14.2 billion of bills as they come due.

The $5.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $3,300

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$8,643,000
Total Retirement Obligations	$2,537,853,000
Retirement Liabilities Not Clearly Disclosed	**$2,529,210,000**

The state of Arizona reported retirement liabilities of $8.6 million. The Institute for Truth in Accounting's detailed analysis discovered that $2.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $2.5 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 76 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$7,190,403,000
Other Liabilities	$10,510,692,000
Less: Debt Related to Capital Assets	$6,006,943,000
Unfunded Pension Benefits	$2,375,977,000
Unfunded Retirees' Health Care Benefits	$161,876,000
Bills	**$14,232,005,000**

Despite its balanced budget requirement the State has accumulated bonds of $7.2 billion and other liabilities of $10.5 billion. The calculation of assets available to pay bills does not include capital assets so $6.0 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 18% of the State's bills. This unfunded liability has accumulated because State employees have been promised $2.4 billion of pension benefits and $161.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Arizona's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Arizona federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Arkansas
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$23,107,270,000
Less: Capital Assets	$12,705,357,000
Restricted Assets	$2,186,796,000
Assets Available to Pay Bills	**$8,215,117,000**
Less: Bills	$9,510,286,000
Money Needed to Pay Bills	**$1,295,169,000**
Each Taxpayer's Burden*	$1,700

The state of Arkansas has $23.1 billion in assets but most of these assets are not available to meet the State's bills.

The $12.7 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 $8.2 billion of State assets available to pay a total of $9.5 billion of bills as they come due.

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

Each Taxpayer's* Share of the Financial Burden is $1,700

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$416,225,000
Total Retirement Obligations	$3,483,791,000
Retirement Liabilities Not Clearly Disclosed	**$3,067,566,000**

The state of Arkansas reported retirement liabilities of $416.2 million. The Institute for Truth in Accounting's detailed analysis discovered that $3.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $3.1 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

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This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 62 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$4,096,928,000
Other Liabilities	$3,996,310,000
Less: Debt Related to Capital Assets	$2,066,743,000
Unfunded Pension Benefits	$1,617,712,000
Unfunded Retirees' Health Care Benefits	$1,866,079,000
Bills	**$9,510,286,000**

Despite its balanced budget requirement the State has accumulated bonds of $4.1 billion and other liabilities of $4.0 billion. The calculation of assets available to pay bills does not include capital assets so $2.1 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 37% of the State's bills. This unfunded liability has accumulated because State employees have been promised $1.6 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Arkansas's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Arkansas federal tax filers with a tax liability. This approximates the number of households in the state.*

truthinaccounting.org

The Financial State of California

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$284,222,334,000
Less: Capital Assets	$129,776,660,000
Restricted Assets	$37,748,923,000
Assets Available to Pay Bills	**$116,696,751,000**
Less: Bills	$351,821,901,000
Money Needed to Pay Bills	**$235,125,150,000**
Each Taxpayer's Burden*	**$21,400**

The state of California has $284.2 billion in assets but most of these assets are not available to meet the State's bills.

The $129.8 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $37.7 billion of the assets is restricted by law or contract.

That leaves $116.7 billion of State assets available to pay a total of $351.8 billion of bills as they come due.

The $235.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

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

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$15,755,265,000
Total Retirement Obligations	$146,214,883,000
Retirement Liabilities Not Clearly Disclosed	**$130,459,618,000**

The state of California reported retirement liabilities of $15.8 billion. The Institute for Truth in Accounting's detailed analysis discovered that $146.2 billion of additional retirement benefits that have been promised but not reported on the State's balance sheet. This means retirement liabilities of $130.5 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 69 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$130,171,768,000
Other Liabilities	$109,275,465,000
Less: Debt Related to Capital Assets	$33,840,215,000
Unfunded Pension Benefits	$69,409,591,000
Unfunded Retirees' Health Care Benefits	$76,805,292,000
Bills	**$351,821,901,000**

Despite its balanced budget requirement the State has accumulated bonds of $130.2 billion and other liabilities of $109.3 billion. The calculation of assets available to pay bills does not include capital assets so $33.8 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 42% of the State's bills. This unfunded liability has accumulated because State employees have been promised $69.4 billion of pension benefits and $76.8 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of California's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of California federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Colorado

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$32,654,070,000
Less: Capital Assets	$17,164,534,000
Restricted Assets	$4,772,965,000
Assets Available to Pay Bills	**$10,716,571,000**
Less: Bills	$15,282,237,000
Money Needed to Pay Bills	**$4,565,666,000**
Each Taxpayer's Burden*	$2,900

The state of Colorado has $32.7 billion in assets but most of these assets are not available to meet the State's bills.

The $17.2 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 $10.7 billion of State assets available to pay a total of $15.3 billion of bills as they come due.

The $4.6 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $2,900

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$40,337,000
Total Retirement Obligations	$7,544,387,000
Retirement Liabilities Not Clearly Disclosed	**$7,504,050,000**

The state of Colorado reported retirement liabilities of $40.3 million. The Institute for Truth in Accounting's detailed analysis discovered that $7.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $7.5 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 65 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$5,978,305,000
Other Liabilities	$5,735,666,000
Less: Debt Related to Capital Assets	$3,976,121,000
Unfunded Pension Benefits	$6,661,463,000
Unfunded Retirees' Health Care Benefits	$882,924,000
Bills	**$15,282,237,000**

Despite its balanced budget requirement the State has accumulated bonds of $6.0 billion and other liabilities of $5.7 billion. The calculation of assets available to pay bills does not include capital assets so $4.0 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 49% of the State's bills. This unfunded liability has accumulated because State employees have been promised $6.7 billion of pension benefits and $882.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Colorado's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Colorado federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Connecticut

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$29,683,933,000
Less: Capital Assets	$14,380,029,000
Restricted Assets	$4,320,698,000
Assets Available to Pay Bills	**$10,983,206,000**
Less: Bills	$74,523,914,000
Money Needed to Pay Bills	**$63,540,708,000**
Each Taxpayer's Burden*	**$49,000**

The state of Connecticut has $29.7 billion in assets but most of these assets are not available to meet the State's bills.

The $14.4 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $4.3 billion of the assets is restricted by law or contract.

That leaves $11.0 billion of State assets available to pay a total of $74.5 billion of bills as they come due.

The $63.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $49,000

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$6,702,923,000
Total Retirement Obligations	$50,465,229,000
Retirement Liabilities Not Clearly Disclosed	**$43,762,306,000**

The state of Connecticut reported retirement liabilities of $6.7 billion. The Institute for Truth in Accounting's detailed analysis discovered that $50.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $43.8 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 33 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$23,178,652,000
Other Liabilities	$7,392,392,000
Less: Debt Related to Capital Assets	$6,512,359,000
Unfunded Pension Benefits	$20,867,429,000
Unfunded Retirees' Health Care Benefits	$29,597,800,000
Bills	**$74,523,914,000**

Despite its balanced budget requirement the State has accumulated bonds of $23.2 billion and other liabilities of $7.4 billion. The calculation of assets available to pay bills does not include capital assets so $6.5 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 68% of the State's bills. This unfunded liability has accumulated because State employees have been promised $20.9 billion of pension benefits and $29.6 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Connecticut's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Connecticut federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Delaware

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$12,288,237,000
Less: Capital Assets	$7,910,103,000
Restricted Assets	$654,825,000
Assets Available to Pay Bills	**$3,723,309,000**
Less: Bills	$8,784,671,000
Money Needed to Pay Bills	**$5,061,362,000**
Each Taxpayer's Burden*	$16,300

The state of Delaware has $12.3 billion in assets but most of these assets are not available to meet the State's bills.

The $7.9 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $654.8 million of the assets is restricted by law or contract.

That leaves $3.7 billion of State assets available to pay a total of $8.8 billion of bills as they come due.

The $5.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $16,300

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$1,102,437,000
Total Retirement Obligations	$6,492,688,000
Retirement Liabilities Not Clearly Disclosed	**$5,390,251,000**

The state of Delaware reported retirement liabilities of $1.1 billion. The Institute for Truth in Accounting's detailed analysis discovered that $6.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $5.4 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 53 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$3,887,000,000
Other Liabilities	$1,321,183,000
Less: Debt Related to Capital Assets	$2,916,200,000
Unfunded Pension Benefits	$625,945,000
Unfunded Retirees' Health Care Benefits	$5,866,743,000
Bills	**$8,784,671,000**

Despite its balanced budget requirement the State has accumulated bonds of $3.9 billion and other liabilities of $1.3 billion. The calculation of assets available to pay bills does not include capital assets so $2.9 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 74% of the State's bills. This unfunded liability has accumulated because State employees have been promised $625.9 million 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Delaware's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Delaware federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Florida

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$161,315,437,000
Less: Capital Assets	$88,258,301,000
Restricted Assets	$18,240,925,000
Assets Available to Pay Bills	**$54,816,211,000**
Less: Bills	$70,276,790,000
Money Needed to Pay Bills	**$15,460,579,000**
Each Taxpayer's Burden*	$2,900

The state of Florida has $161.3 billion in assets but most of these assets are not available to meet the State's bills.

The $88.3 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $18.2 billion of the assets is restricted by law or contract.

That leaves $54.8 billion of State assets available to pay a total of $70.3 billion of bills as they come due.

The $15.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $2,900

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$460,395,000
Total Retirement Obligations	$10,951,706,000
Retirement Liabilities Not Clearly Disclosed	**$10,491,311,000**

The state of Florida reported retirement liabilities of $460.4 million. The Institute for Truth in Accounting's detailed analysis discovered that $11.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $10.5 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 72 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$38,527,557,000
Other Liabilities	$30,307,775,000
Less: Debt Related to Capital Assets	$9,510,248,000
Unfunded Pension Benefits	$6,186,030,000
Unfunded Retirees' Health Care Benefits	$4,765,676,000
Bills	**$70,276,790,000**

Despite its balanced budget requirement the State has accumulated bonds of $38.5 billion and other liabilities of $30.3 billion. The calculation of assets available to pay bills does not include capital assets so $9.5 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 16% of the State's bills. This unfunded liability has accumulated because State employees have been promised $6.2 billion of pension benefits and $4.8 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Florida's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Florida federal tax filers with a tax liability. This approximates the number of households in the state.*

truthinaccounting.org

The Financial State of Georgia

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$52,640,625,000
Less: Capital Assets	$31,064,012,000
Restricted Assets	$4,926,945,000
Assets Available to Pay Bills	**$16,649,668,000**
Less: Bills	$26,539,669,000
Money Needed to Pay Bills	**$9,890,001,000**
Each Taxpayer's Burden*	$3,900

The state of Georgia has $52.6 billion in assets but most of these assets are not available to meet the State's bills.

The $31.1 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 $16.6 billion of State assets available to pay a total of $26.5 billion of bills as they come due.

The $9.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $3,900

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$699,938,000
Total Retirement Obligations	$12,454,573,000
Retirement Liabilities Not Clearly Disclosed	**$11,754,635,000**

The state of Georgia reported retirement liabilities of $699.9 million. The Institute for Truth in Accounting's detailed analysis discovered that $12.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $11.8 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 65 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$14,531,856,000
Other Liabilities	$11,467,588,000
Less: Debt Related to Capital Assets	$11,914,348,000
Unfunded Pension Benefits	$4,581,636,000
Unfunded Retirees' Health Care Benefits	$7,872,937,000
Bills	**$26,539,669,000**

Despite its balanced budget requirement the State has accumulated bonds of $14.5 billion and other liabilities of $11.5 billion. The calculation of assets available to pay bills does not include capital assets so $11.9 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 47% of the State's bills. This unfunded liability has accumulated because State employees have been promised $4.6 billion of pension benefits and $7.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Georgia's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Georgia federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of Hawaii
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$20,316,141,000
Less: Capital Assets	$13,589,686,000
Restricted Assets	$2,643,491,000
Assets Available to Pay Bills	**$4,082,964,000**
Less: Bills	$19,936,387,000
Money Needed to Pay Bills	**$15,853,423,000**
Each Taxpayer's Burden*	$32,700

The state of Hawaii has $20.3 billion in assets but most of these assets are not available to meet the State's bills.

The $13.6 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $2.6 billion of the assets is restricted by law or contract.

That leaves $4.1 billion of State assets available to pay a total of $19.9 billion of bills as they come due.

The $15.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $32,700

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$1,686,406,000
Total Retirement Obligations	$17,032,386,000
Retirement Liabilities Not Clearly Disclosed	**$15,345,980,000**

The state of Hawaii reported retirement liabilities of $1.7 billion. The Institute for Truth in Accounting's detailed analysis discovered that $17.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $15.3 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 33 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$7,687,356,000
Other Liabilities	$2,435,283,000
Less: Debt Related to Capital Assets	$7,218,638,000
Unfunded Pension Benefits	$5,139,432,000
Unfunded Retirees' Health Care Benefits	$11,892,954,000
Bills	**$19,936,387,000**

Despite its balanced budget requirement the State has accumulated bonds of $7.7 billion and other liabilities of $2.4 billion. The calculation of assets available to pay bills does not include capital assets so $7.2 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 85% of the State's bills. This unfunded liability has accumulated because State employees have been promised $5.1 billion of pension benefits and $11.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Hawaii's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Hawaii federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of Idaho
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$14,647,549,000
Less: Capital Assets	$6,709,350,000
Restricted Assets	$2,837,109,000
Assets Available to Pay Bills	**$5,101,090,000**
Less: Bills	$6,218,813,000
Money Needed to Pay Bills	**$1,117,723,000**
Each Taxpayer's Burden*	$2,600

The state of Idaho has $14.6 billion in assets but most of these assets are not available to meet the State's bills.

The $6.7 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $2.8 billion of the assets is restricted by law or contract.

That leaves $5.1 billion of State assets available to pay a total of $6.2 billion of bills as they come due.

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

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

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$42,979,000
Total Retirement Obligations	$2,004,331,000
Retirement Liabilities Not Clearly Disclosed	**$1,961,352,000**

The state of Idaho reported retirement liabilities of $43.0 million. The Institute for Truth in Accounting's detailed analysis discovered that $2.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $2.0 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 78 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$3,280,979,000
Other Liabilities	$2,057,458,000
Less: Debt Related to Capital Assets	$1,123,955,000
Unfunded Pension Benefits	$1,862,909,000
Unfunded Retirees' Health Care Benefits	$141,422,000
Bills	**$6,218,813,000**

Despite its balanced budget requirement the State has accumulated bonds of $3.3 billion and other liabilities of $2.1 billion. The calculation of assets available to pay bills does not include capital assets so $1.1 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 32% of the State's bills. This unfunded liability has accumulated because State employees have been promised $1.9 billion of pension benefits and $141.4 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Idaho's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Idaho federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Illinois
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$61,053,605,000
Less: Capital Assets	$30,439,723,000
Restricted Assets	$6,472,975,000
Assets Available to Pay Bills	**$24,140,907,000**
Less: Bills	$154,489,797,000
Money Needed to Pay Bills	**$130,348,890,000**
Each Taxpayer's Burden*	$31,600

The state of Illinois has $61.1 billion in assets but most of these assets are not available to meet the State's bills.

The $30.4 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $6.5 billion of the assets is restricted by law or contract.

That leaves $24.1 billion of State assets available to pay a total of $154.5 billion of bills as they come due.

The $130.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $31,600

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$26,142,063,000
Total Retirement Obligations	$102,864,950,000
Retirement Liabilities Not Clearly Disclosed	**$76,722,887,000**

The state of Illinois reported retirement liabilities of $26.1 billion. The Institute for Truth in Accounting's detailed analysis discovered that $102.9 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $76.7 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 39 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$35,706,267,000
Other Liabilities	$26,996,932,000
Less: Debt Related to Capital Assets	$11,078,352,000
Unfunded Pension Benefits	$75,740,889,000
Unfunded Retirees' Health Care Benefits	$27,124,061,000
Bills	**$154,489,797,000**

Despite its balanced budget requirement the State has accumulated bonds of $35.7 billion and other liabilities of $27.0 billion. The calculation of assets available to pay bills does not include capital assets so $11.1 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 67% of the State's bills. This unfunded liability has accumulated because State employees have been promised $75.7 billion of pension benefits and $27.1 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Illinois's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Illinois federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Indiana
As of June 30, 2010

Institute for Truth in Accounting

The State's Bills Exceed Its Assets	
Assets	$51,385,972,000
Less: Capital Assets	$19,654,218,000
Restricted Assets	$5,337,517,000
Assets Available to Pay Bills	**$26,394,237,000**
Less: Bills	$34,206,376,000
Money Needed to Pay Bills	**$7,812,139,000**
Each Taxpayer's Burden*	**$3,900**

The state of Indiana has $51.4 billion in assets but most of these assets are not available to meet the State's bills.

The $19.7 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 $26.4 billion of State assets available to pay a total of $34.2 billion of bills as they come due.

The $7.8 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $3,900

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$998,060,000
Total Retirement Obligations	$14,605,895,000
Retirement Liabilities Not Clearly Disclosed	**$13,607,835,000**

The state of Indiana reported retirement liabilities of $998.1 million. The Institute for Truth in Accounting's detailed analysis discovered that $14.6 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $13.6 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 61 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$13,055,738,000
Other Liabilities	$11,786,423,000
Less: Debt Related to Capital Assets	$5,241,680,000
Unfunded Pension Benefits	$13,510,568,000
Unfunded Retirees' Health Care Benefits	$1,095,327,000
Bills	**$34,206,376,000**

Despite its balanced budget requirement the State has accumulated bonds of $13.1 billion and other liabilities of $11.8 billion. The calculation of assets available to pay bills does not include capital assets so $5.2 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 43% of the State's bills. This unfunded liability has accumulated because State employees have been promised $13.5 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Indiana's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Indiana federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Iowa
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$23,476,292,000
Less: Capital Assets	$10,562,851,000
Restricted Assets	$4,563,033,000
Assets Available to Pay Bills	**$8,350,408,000**
Less: Bills	$8,878,218,000
Money Needed to Pay Bills	**$527,810,000**
Each Taxpayer's Burden*	$500

The state of Iowa has $23.5 billion in assets but most of these assets are not available to meet the State's bills.

The $10.6 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $4.6 billion of the assets is restricted by law or contract.

That leaves $8.4 billion of State assets available to pay a total of $8.9 billion of bills as they come due.

The $527.8 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.

Each Taxpayer's* Share of the Financial Burden is $500

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$134,476,000
Total Retirement Obligations	$1,969,957,000
Retirement Liabilities Not Clearly Disclosed	**$1,835,481,000**

The state of Iowa reported retirement liabilities of $134.5 million. The Institute for Truth in Accounting's detailed analysis discovered that $2.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $1.8 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 71 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$4,766,442,000
Other Liabilities	$3,474,545,000
Less: Debt Related to Capital Assets	$1,332,726,000
Unfunded Pension Benefits	$1,185,648,000
Unfunded Retirees' Health Care Benefits	$784,309,000
Bills	**$8,878,218,000**

Despite its balanced budget requirement the State has accumulated bonds of $4.8 billion and other liabilities of $3.5 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 the State's bills.

Unfunded employees' retirement benefits represent 22% of the State's bills. This unfunded liability has accumulated because State employees have been promised $1.2 billion of pension benefits and $784.3 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Iowa's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Iowa federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Kansas

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$21,670,507,000
Less: Capital Assets	$14,713,205,000
Restricted Assets	$1,809,615,000
Assets Available to Pay Bills	**$5,147,687,000**
Less: Bills	$9,423,417,000
Money Needed to Pay Bills	**$4,275,730,000**
Each Taxpayer's Burden*	$4,600

The state of Kansas has $21.7 billion in assets but most of these assets are not available to meet the State's bills.

The $14.7 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $1.8 billion of the assets is restricted by law or contract.

That leaves $5.1 billion of State assets available to pay a total of $9.4 billion of bills as they come due.

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

Each Taxpayer's* Share of the Financial Burden is $4,600

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$67,081,000
Total Retirement Obligations	$6,095,814,000
Retirement Liabilities Not Clearly Disclosed	**$6,028,733,000**

The state of Kansas reported retirement liabilities of $67.1 million. The Institute for Truth in Accounting's detailed analysis discovered that $6.1 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $6.0 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 62 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$4,520,059,000
Other Liabilities	$2,708,699,000
Less: Debt Related to Capital Assets	$3,901,155,000
Unfunded Pension Benefits	$5,884,235,000
Unfunded Retirees' Health Care Benefits	$211,579,000
Bills	**$9,423,417,000**

Despite its balanced budget requirement the State has accumulated bonds of $4.5 billion and other liabilities of $2.7 billion. The calculation of assets available to pay bills does not include capital assets so $3.9 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 65% of the State's bills. This unfunded liability has accumulated because State employees have been promised $5.9 billion of pension benefits and $211.6 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Kansas's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Kansas federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Kentucky
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$44,108,851,000
Less: Capital Assets	$26,922,394,000
Restricted Assets	$4,205,978,000
Assets Available to Pay Bills	**$12,980,479,000**
Less: Bills	$40,254,231,000
Money Needed to Pay Bills	**$27,273,752,000**
Each Taxpayer's Burden*	$23,500

The state of Kentucky has $44.1 billion in assets but most of these assets are not available to meet the State's bills.

The $26.9 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 $13.0 billion of State assets available to pay a total of $40.3 billion of bills as they come due.

The $27.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $23,500

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$3,935,409,000
Total Retirement Obligations	$24,843,061,000
Retirement Liabilities Not Clearly Disclosed	**$20,907,652,000**

The state of Kentucky reported retirement liabilities of $3.9 billion. The Institute for Truth in Accounting's detailed analysis discovered that $24.8 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $20.9 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 47 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$10,220,601,000
Other Liabilities	$9,914,134,000
Less: Debt Related to Capital Assets	$4,723,565,000
Unfunded Pension Benefits	$16,903,976,000
Unfunded Retirees' Health Care Benefits	$7,939,085,000
Bills	**$40,254,231,000**

Despite its balanced budget requirement the State has accumulated bonds of $10.2 billion and other liabilities of $9.9 billion. The calculation of assets available to pay bills does not include capital assets so $4.7 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 62% of the State's bills. This unfunded liability has accumulated because State employees have been promised $16.9 billion of pension benefits and $7.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Kentucky's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Kentucky federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of Louisiana

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$45,429,609,000
Less: Capital Assets	$22,936,696,000
Restricted Assets	$7,876,251,000
Assets Available to Pay Bills	**$14,616,662,000**
Less: Bills	$33,033,878,000
Money Needed to Pay Bills	**$18,417,216,000**
Each Taxpayer's Burden*	$14,700

The state of Louisiana has $45.4 billion in assets but most of these assets are not available to meet the State's bills.

The $22.9 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 $14.6 billion of State assets available to pay a total of $33.0 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.

Each Taxpayer's* Share of the Financial Burden is $14,700

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$2,656,902,000
Total Retirement Obligations	$18,045,704,000
Retirement Liabilities Not Clearly Disclosed	**$15,388,802,000**

The state of Louisiana reported retirement liabilities of $2.7 billion. The Institute for Truth in Accounting's detailed analysis discovered that $18.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $15.4 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 37 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$10,008,161,000
Other Liabilities	$9,783,222,000
Less: Debt Related to Capital Assets	$4,803,209,000
Unfunded Pension Benefits	$7,969,516,000
Unfunded Retirees' Health Care Benefits	$10,076,188,000
Bills	**$33,033,878,000**

Despite its balanced budget requirement the State has accumulated bonds of $10.0 billion and other liabilities of $9.8 billion. The calculation of assets available to pay bills does not include capital assets so $4.8 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 55% of the State's bills. This unfunded liability has accumulated because State employees have been promised $8.0 billion of pension benefits and $10.1 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Louisiana's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Louisiana federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Maine

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$14,503,732,000
Less: Capital Assets	$5,588,728,000
Restricted Assets	$1,683,699,000
Assets Available to Pay Bills	**$7,231,305,000**
Less: Bills	$13,891,397,000
Money Needed to Pay Bills	**$6,660,092,000**
Each Taxpayer's Burden*	$15,000

The state of Maine has $14.5 billion in assets but most of these assets are not available to meet the State's bills.

The $5.6 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $1.7 billion of the assets is restricted by law or contract.

That leaves $7.2 billion of State assets available to pay a total of $13.9 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.

Each Taxpayer's* Share of the Financial Burden is $15,000

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$141,334,000
Total Retirement Obligations	$6,949,701,000
Retirement Liabilities Not Clearly Disclosed	**$6,808,367,000**

The state of Maine reported retirement liabilities of $141.3 million. The Institute for Truth in Accounting's detailed analysis discovered that $6.9 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $6.8 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 56 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$500,100,000
Other Liabilities	$7,348,726,000
Less: Debt Related to Capital Assets	$907,130,000
Unfunded Pension Benefits	$4,336,618,000
Unfunded Retirees' Health Care Benefits	$2,613,083,000
Bills	**$13,891,397,000**

Despite its balanced budget requirement the State has accumulated bonds of $500.1 million and other liabilities of $7.3 billion. The calculation of assets available to pay bills does not include capital assets so $907.1 million of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 50% of the State's bills. This unfunded liability has accumulated because State employees have been promised $4.3 billion of pension benefits and $2.6 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Maine's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Maine federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Maryland

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$46,257,077,000
Less: Capital Assets	$27,938,121,000
Restricted Assets	$3,585,460,000
Assets Available to Pay Bills	**$14,733,496,000**
Less: Bills	$50,186,024,000
Money Needed to Pay Bills	**$35,452,528,000**
Each Taxpayer's Burden*	$17,300

The state of Maryland has $46.3 billion in assets but most of these assets are not available to meet the State's bills.

The $27.9 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $3.6 billion of the assets is restricted by law or contract.

That leaves $14.7 billion of State assets available to pay a total of $50.2 billion of bills as they come due.

The $35.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $17,300

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$3,656,539,000
Total Retirement Obligations	$35,026,865,000
Retirement Liabilities Not Clearly Disclosed	**$31,370,326,000**

The state of Maryland reported retirement liabilities of $3.7 billion. The Institute for Truth in Accounting's detailed analysis discovered that $35.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $31.4 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 48 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$16,148,474,000
Other Liabilities	$7,990,124,000
Less: Debt Related to Capital Assets	$8,979,439,000
Unfunded Pension Benefits	$18,680,151,000
Unfunded Retirees' Health Care Benefits	$16,346,714,000
Bills	**$50,186,024,000**

Despite its balanced budget requirement the State has accumulated bonds of $16.1 billion and other liabilities of $8.0 billion. The calculation of assets available to pay bills does not include capital assets so $9.0 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 70% of the State's bills. This unfunded liability has accumulated because State employees have been promised $18.7 billion of pension benefits and $16.3 billion of retirees' health care benefits but the State has not adequately funded them.

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

Data is derived from the state of Maryland's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Maryland federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of Massachusetts

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$64,322,404,000
Less: Capital Assets	$39,043,892,000
Restricted Assets	$4,855,432,000
Assets Available to Pay Bills	**$20,423,080,000**
Less: Bills	$73,886,737,000
Money Needed to Pay Bills	**$53,463,657,000**
Each Taxpayer's Burden*	**$23,200**

The state of Massachusetts has $64.3 billion in assets but most of these assets are not available to meet the State's bills.

The $39.0 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 $20.4 billion of State assets available to pay a total of $73.9 billion of bills as they come due.

The $53.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $23,200

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$3,507,768,000
Total Retirement Obligations	$35,358,538,000
Retirement Liabilities Not Clearly Disclosed	**$31,850,770,000**

The state of Massachusetts reported retirement liabilities of $3.5 billion. The Institute for Truth in Accounting's detailed analysis discovered that $35.4 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $31.9 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 55 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$33,265,055,000
Other Liabilities	$19,271,683,000
Less: Debt Related to Capital Assets	$14,008,539,000
Unfunded Pension Benefits	$18,934,737,000
Unfunded Retirees' Health Care Benefits	$16,423,801,000
Bills	**$73,886,737,000**

Despite its balanced budget requirement the State has accumulated bonds of $33.3 billion and other liabilities of $19.3 billion. The calculation of assets available to pay bills does not include capital assets so $14.0 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 48% of the State's bills. This unfunded liability has accumulated because State employees have been promised $18.9 billion of pension benefits and $16.4 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Massachusetts's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Massachusetts federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Michigan

As of September 30, 2010

The State's Bills Exceed Its Assets	
Assets	$52,386,257,000
Less: Capital Assets	$24,137,474,000
Restricted Assets	$6,136,552,000
Assets Available to Pay Bills	**$22,112,231,000**
Less: Bills	$85,074,001,000
Money Needed to Pay Bills	**$62,961,770,000**
Each Taxpayer's Burden*	$20,800

The state of Michigan has $52.4 billion in assets but most of these assets are not available to meet the State's bills.

The $24.1 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $6.1 billion of the assets is restricted by law or contract.

That leaves $22.1 billion of State assets available to pay a total of $85.1 billion of bills as they come due.

The $63.0 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $20,800

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$2,344,000,000
Total Retirement Obligations	$57,767,953,000
Retirement Liabilities Not Clearly Disclosed	**$55,423,953,000**

The state of Michigan reported retirement liabilities of $2.3 billion. The Institute for Truth in Accounting's detailed analysis discovered that $57.8 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $55.4 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 51 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$19,747,807,000
Other Liabilities	$12,831,313,000
Less: Debt Related to Capital Assets	$5,273,072,000
Unfunded Pension Benefits	$15,427,900,000
Unfunded Retirees' Health Care Benefits	$42,340,053,000
Bills	**$85,074,001,000**

Despite its balanced budget requirement the State has accumulated bonds of $19.7 billion and other liabilities of $12.8 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 the State's bills.

Unfunded employees' retirement benefits represent 68% of the State's bills. This unfunded liability has accumulated because State employees have been promised $15.4 billion of pension benefits and $42.3 billion of retirees' health care benefits but the State has not adequately funded them.

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

Data is derived from the state of Michigan's September 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Michigan federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Minnesota
As of June 30, 2010

Institute for Truth in Accounting

The State's Bills Exceed Its Assets	
Assets	$42,711,914,000
Less: Capital Assets	$18,976,080,000
Restricted Assets	$8,447,614,000
Assets Available to Pay Bills	**$15,288,220,000**
Less: Bills	$20,144,883,000
Money Needed to Pay Bills	**$4,856,663,000**
Each Taxpayer's Burden*	$2,600

The state of Minnesota has $42.7 billion in assets but most of these assets are not available to meet the State's bills.

The $19.0 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $8.4 billion of the assets is restricted by law or contract.

That leaves $15.3 billion of State assets available to pay a total of $20.1 billion of bills as they come due.

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

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

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$240,535,000
Total Retirement Obligations	$3,029,000,000
Retirement Liabilities Not Clearly Disclosed	**$2,788,465,000**

The state of Minnesota reported retirement liabilities of $240.5 million. The Institute for Truth in Accounting's detailed analysis discovered that $3.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $2.8 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 78 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$11,823,656,000
Other Liabilities	$10,751,591,000
Less: Debt Related to Capital Assets	$5,459,364,000
Unfunded Pension Benefits	$1,828,843,000
Unfunded Retirees' Health Care Benefits	$1,200,157,000
Bills	**$20,144,883,000**

Despite its balanced budget requirement the State has accumulated bonds of $11.8 billion and other liabilities of $10.8 billion. The calculation of assets available to pay bills does not include capital assets so $5.5 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 15% of the State's bills. This unfunded liability has accumulated because State employees have been promised $1.8 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Minnesota's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Minnesota federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Mississippi
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$24,777,047,000
Less: Capital Assets	$15,719,717,000
Restricted Assets	$2,071,522,000
Assets Available to Pay Bills	**$6,985,808,000**
Less: Bills	$18,368,290,000
Money Needed to Pay Bills	**$11,382,482,000**
Each Taxpayer's Burden*	$15,700

The state of Mississippi has $24.8 billion in assets but most of these assets are not available to meet the State's bills.

The $15.7 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 $7.0 billion of State assets available to pay a total of $18.4 billion of bills as they come due.

The $11.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $15,700

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$48,335,000
Total Retirement Obligations	$12,118,302,000
Retirement Liabilities Not Clearly Disclosed	**$12,069,967,000**

The state of Mississippi reported retirement liabilities of $48.3 million. The Institute for Truth in Accounting's detailed analysis discovered that $12.1 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $12.1 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 63 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$4,198,520,000
Other Liabilities	$3,956,226,000
Less: Debt Related to Capital Assets	$1,904,758,000
Unfunded Pension Benefits	$11,390,591,000
Unfunded Retirees' Health Care Benefits	$727,711,000
Bills	**$18,368,290,000**

Despite its balanced budget requirement the State has accumulated bonds of $4.2 billion and other liabilities of $4.0 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 the State's bills.

Unfunded employees' retirement benefits represent 66% of the State's bills. This unfunded liability has accumulated because State employees have been promised $11.4 billion of pension benefits and $727.7 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Mississippi's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Mississippi federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Missouri
As of June 30, 2010

Institute for Truth in Accounting

The State's Bills Exceed Its Assets	
Assets	$46,615,147,000
Less: Capital Assets	$34,370,718,000
Restricted Assets	$5,675,588,000
Assets Available to Pay Bills	**$6,568,841,000**
Less: Bills	$13,543,611,000
Money Needed to Pay Bills	**$6,974,770,000**
Each Taxpayer's Burden*	$3,800

The state of Missouri has $46.6 billion in assets but most of these assets are not available to meet the State's bills.

The $34.4 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $5.7 billion of the assets is restricted by law or contract.

That leaves $6.6 billion of State assets available to pay a total of $13.5 billion of bills as they come due.

The $7.0 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the
Financial Burden is $3,800

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$498,353,000
Total Retirement Obligations	$7,165,295,000
Retirement Liabilities Not Clearly Disclosed	**$6,666,942,000**

The state of Missouri reported retirement liabilities of $498.4 million. The Institute for Truth in Accounting's detailed analysis discovered that $7.2 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $6.7 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 64 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$6,420,590,000
Other Liabilities	$5,817,157,000
Less: Debt Related to Capital Assets	$5,859,431,000
Unfunded Pension Benefits	$4,081,938,000
Unfunded Retirees' Health Care Benefits	$3,083,357,000
Bills	**$13,543,611,000**

Despite its balanced budget requirement the State has accumulated bonds of $6.4 billion and other liabilities of $5.8 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 the State's bills.

Unfunded employees' retirement benefits represent 53% of the State's bills. This unfunded liability has accumulated because State employees have been promised $4.1 billion of pension benefits and $3.1 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Missouri's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Missouri federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Montana
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$13,067,102,000
Less: Capital Assets	$4,910,730,000
Restricted Assets	$2,640,499,000
Assets Available to Pay Bills	**$5,515,873,000**
Less: Bills	$5,604,815,000
Money Needed to Pay Bills	**$88,942,000**
Each Taxpayer's Burden*	$300

The state of Montana has $13.1 billion in assets but most of these assets are not available to meet the State's bills.

The $4.9 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $2.6 billion of the assets is restricted by law or contract.

That leaves $5.5 billion of State assets available to pay a total of $5.6 billion of bills as they come due.

The $88.9 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.

Each Taxpayer's* Share of the Financial Burden is $300

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$178,658,000
Total Retirement Obligations	$1,695,069,000
Retirement Liabilities Not Clearly Disclosed	**$1,516,411,000**

The state of Montana reported retirement liabilities of $178.7 million. The Institute for Truth in Accounting's detailed analysis discovered that $1.7 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $1.5 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 64 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$1,468,217,000
Other Liabilities	$2,972,518,000
Less: Debt Related to Capital Assets	$530,989,000
Unfunded Pension Benefits	$1,153,702,000
Unfunded Retirees' Health Care Benefits	$541,367,000
Bills	**$5,604,815,000**

Despite its balanced budget requirement the State has accumulated bonds of $1.5 billion and other liabilities of $3.0 billion. The calculation of assets available to pay bills does not include capital assets so $531.0 million of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 30% of the State's bills. This unfunded liability has accumulated because State employees have been promised $1.2 billion of pension benefits and $541.4 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Montana's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Montana federal tax filers with a tax liability. This approximates the number of households in the state.*

truthinaccounting.org

The Financial State of Nebraska

As of June 30, 2010

Institute for Truth in Accounting

The State's Assets Exceed Its Bills	
Assets	$17,340,914,000
Less: Capital Assets	$9,735,063,000
Restricted Assets	$3,967,102,000
Assets Available to Pay Bills	**$3,638,749,000**
Less: Bills	$2,277,399,000
Assets Left After Bills Are Funded	**$1,361,350,000**
Each Taxpayer's Surplus*	**$2,400**

The state of Nebraska has $17.3 billion in assets but most of these assets are not available to meet the State's bills.

The $9.7 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $4.0 billion of the assets is restricted by law or contract.

That leaves $3.6 billion of State assets available to pay a total of $2.3 billion of bills as they come due.

The $1.4 billion surplus is available to pay future bills. Unlike most states, Nebraska has the money needed to pay State employees' retirement benefits and other costs.

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

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities*	$0
Total Retirement Obligations	$302,484,000
Retirement Liabilities Not Clearly Disclosed	**$302,484,000**

The state of Nebraska reported no retirement liabilities. The Institute for Truth in Accounting's detailed analysis discovered that $302.5 million of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $302.5 million are not clearly disclosed.

State statutes require the legislature to pass a balanced budget. The Nebraska legislatures, unlike those in most other states, have lived up to the intent of these statutes. But during these tough economic times, citizens need to be vigilant to make sure legislators do not start to use the budgeting tactics that other states use.

Institute for Truth in Accounting

These budget tactics include:

- Hiding current payroll costs by offering pension and state retirees' health care benefits without providing adequate funding;
- Borrowing money to pay current bills; and
- Charging current bills to the State's "credit card" by delaying the payment of bills.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$737,115,000
Other Liabilities	$2,086,637,000
Less: Debt Related to Capital Assets	$848,837,000
Unfunded Pension Benefits	$302,484,000
Bills	**$2,277,399,000**

The State has accumulated bonds of $737.1 million and other liabilities of $2.1 billion. The calculation of assets available to pay bills does not include capital assets so $848.8 million of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 13% of the State's bills. Unfunded pension benefits total $302.5 million. But unlike most states, Nebraska has other assets available to pay these liabilities.

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

Data is derived from the state of Nebraska's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Nebraska federal tax filers with a tax liability. This approximates the number of households in the state.*

truthinaccounting.org

The Financial State of Nevada

As of June 30, 2010

Institute for Truth in Accounting

The State's Bills Exceed Its Assets

Assets	$13,792,083,000
Less: Capital Assets	$7,367,712,000
Restricted Assets	$1,772,367,000
Assets Available to Pay Bills	**$4,652,004,000**
Less: Bills	$7,936,695,000
Money Needed to Pay Bills	**$3,284,691,000**
Each Taxpayer's Burden*	**$3,700**

The state of Nevada has $13.8 billion in assets but most of these assets are not available to meet the State's bills.

The $7.4 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $1.8 billion of the assets is restricted by law or contract.

That leaves $4.7 billion of State assets available to pay a total of $7.9 billion of bills as they come due.

The $3.3 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $3,700

All Liabilities Not Clearly Disclosed

Reported Retirement Liabilities*	$0
Total Retirement Obligations	$3,197,312,000
Retirement Liabilities Not Clearly Disclosed	**$3,197,312,000**

The state of Nevada reported no retirement liabilities. The Institute for Truth in Accounting's detailed analysis discovered $3.2 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $3.2 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 51 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated

State Bonds	$4,603,936,000
Other Liabilities	$2,428,106,000
Less: Debt Related to Capital Assets	$2,292,659,000
Unfunded Pension Benefits	$1,346,843,000
Unfunded Retirees' Health Care Benefits	$1,850,469,000
Bills	**$7,936,695,000**

Despite its balanced budget requirement the State has accumulated bonds of $4.6 billion and other liabilities of $2.4 billion. The calculation of assets available to pay bills does not include capital assets so $2.3 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 40% of the State's bills. This unfunded liability has accumulated because State employees have been promised $1.3 billion of pension benefits and $1.9 billion of retirees' health care benefits but the State has not adequately funded them.

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

Data is derived from the state of Nevada's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Nevada federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of New Hampshire
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$6,684,354,000
Less: Capital Assets	$4,169,030,000
Restricted Assets	$723,470,000
Assets Available to Pay Bills	**$1,791,854,000**
Less: Bills	$5,848,936,000
Money Needed to Pay Bills	**$4,057,082,000**
Each Taxpayer's Burden*	$8,200

The state of New Hampshire has $6.7 billion in assets but most of these assets are not available to meet the State's bills.

The $4.2 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $723.5 million of the assets is restricted by law or contract.

That leaves $1.8 billion of State assets available to pay a total of $5.8 billion of bills as they come due.

The $4.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $8,200

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$497,916,000
Total Retirement Obligations	$4,889,433,000
Retirement Liabilities Not Clearly Disclosed	**$4,391,517,000**

The state of New Hampshire reported retirement liabilities of $497.9 million. The Institute for Truth in Accounting's detailed analysis discovered that $4.9 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $4.4 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 38 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$1,684,724,000
Other Liabilities	$984,121,000
Less: Debt Related to Capital Assets	$1,709,342,000
Unfunded Pension Benefits	$2,013,180,000
Unfunded Retirees' Health Care Benefits	$2,876,253,000
Bills	**$5,848,936,000**

Despite its balanced budget requirement the State has accumulated bonds of $1.7 billion and other liabilities of $984.1 million. The calculation of assets available to pay bills does not include capital assets so $1.7 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 84% of the State's bills. This unfunded liability has accumulated because State employees have been promised $2.0 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of New Hampshire's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of New Hampshire federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of New Jersey

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$78,350,079,000
Less: Capital Assets	$42,200,715,000
Restricted Assets	$9,851,992,000
Assets Available to Pay Bills	**$26,297,372,000**
Less: Bills	$132,260,030,000
Money Needed to Pay Bills	**$105,962,658,000**
Each Taxpayer's Burden*	**$35,800**

The state of New Jersey has $78.4 billion in assets but most of these assets are not available to meet the State's bills.

The $42.2 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $9.9 billion of the assets is restricted by law or contract.

That leaves $26.3 billion of State assets available to pay a total of $132.3 billion of bills as they come due.

The $106.0 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $35,800

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$18,864,389,000
Total Retirement Obligations	$87,009,153,000
Retirement Liabilities Not Clearly Disclosed	**$68,144,764,000**

The state of New Jersey reported retirement liabilities of $18.9 billion. The Institute for Truth in Accounting's detailed analysis discovered that $87.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $68.1 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 37 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$41,553,929,000
Other Liabilities	$30,513,268,000
Less: Debt Related to Capital Assets	$26,816,320,000
Unfunded Pension Benefits	$25,957,887,000
Unfunded Retirees' Health Care Benefits	$61,051,266,000
Bills	**$132,260,030,000**

Despite its balanced budget requirement the State has accumulated bonds of $41.6 billion and other liabilities of $30.5 billion. The calculation of assets available to pay bills does not include capital assets so $26.8 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 66% of the State's bills. This unfunded liability has accumulated because State employees have been promised $26.0 billion of pension benefits and $61.1 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of New Jersey's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of New Jersey federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of New Mexico

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$25,741,577,000
Less: Capital Assets	$10,565,179,000
Restricted Assets	$7,130,475,000
Assets Available to Pay Bills	**$8,045,923,000**
Less: Bills	$14,542,482,000
Money Needed to Pay Bills	**$6,496,559,000**
Each Taxpayer's Burden*	$11,800

The state of New Mexico has $25.7 billion in assets but most of these assets are not available to meet the State's bills.

The $10.6 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $7.1 billion of the assets is restricted by law or contract.

That leaves $8.0 billion of State assets available to pay a total of $14.5 billion of bills as they come due.

The $6.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $11,800

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities*	$0
Total Retirement Obligations	$7,244,946,000
Retirement Liabilities Not Clearly Disclosed	**$7,244,946,000**

The state of New Mexico reported no retirement liabilities. The Institute for Truth in Accounting's detailed analysis discovered that $7.2 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $7.2 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 64 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$6,637,769,000
Other Liabilities	$2,864,886,000
Less: Debt Related to Capital Assets	$2,205,119,000
Unfunded Pension Benefits	$4,969,162,000
Unfunded Retirees' Health Care Benefits	$2,275,784,000
Bills	**$14,542,482,000**

Despite its balanced budget requirement the State has accumulated bonds of $6.6 billion and other liabilities of $2.9 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 the State's bills.

Unfunded employees' retirement benefits represent 50% of the State's bills. This unfunded liability has accumulated because State employees have been promised $5.0 billion of pension benefits and $2.3 billion of retirees' health care benefits but the State has not adequately funded them.

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

Data is derived from the state of New Mexico's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of New Mexico federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of New York

As of March 31, 2010

The State's Bills Exceed Its Assets	
Assets	$285,874,614,000
Less: Capital Assets	$156,389,000,000
Restricted Assets	$16,455,000,000
Assets Available to Pay Bills	**$113,030,614,000**
Less: Bills	$217,023,445,000
Money Needed to Pay Bills	**$103,992,831,000**
Each Taxpayer's Burden*	$17,200

The state of New York has $285.9 billion in assets but most of these assets are not available to meet the State's bills.

The $156.4 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $16.5 billion of the assets is restricted by law or contract.

That leaves $113.0 billion of State assets available to pay a total of $217.0 billion of bills as they come due.

The $104.0 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

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

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$13,552,292,000
Total Retirement Obligations	$77,894,123,000
Retirement Liabilities Not Clearly Disclosed	**$64,341,831,000**

The state of New York reported retirement liabilities of $13.6 billion. The Institute for Truth in Accounting's detailed analysis discovered that $77.9 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $64.3 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 49 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$89,310,113,000
Other Liabilities	$117,151,209,000
Less: Debt Related to Capital Assets	$67,332,000,000
Unfunded Pension Benefits	$4,976,939,000
Unfunded Retirees' Health Care Benefits	$72,917,184,000
Bills	**$217,023,445,000**

Despite its balanced budget requirement the State has accumulated bonds of $89.3 billion and other liabilities of $117.2 billion. The calculation of assets available to pay bills does not include capital assets so $67.3 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 36% of the State's bills. This unfunded liability has accumulated because State employees have been promised $5.0 billion of pension benefits and $72.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of New York's March 31, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of New York federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of North Carolina

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$80,285,034,000
Less: Capital Assets	$50,346,452,000
Restricted Assets	$6,829,099,000
Assets Available to Pay Bills	**$23,109,483,000**
Less: Bills	$60,749,749,000
Money Needed to Pay Bills	**$37,640,266,000**
Each Taxpayer's Burden*	$14,800

The state of North Carolina has $80.3 billion in assets but most of these assets are not available to meet the State's bills.

The $50.3 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 $23.1 billion of State assets available to pay a total of $60.7 billion of bills as they come due.

The $37.6 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $14,800

All Liabilities Not Clearly Disclosed	
Reported Retirement Assets	$4,092,000
Total Retirement Obligations	$35,386,885,000
State Assets are Overstated & Liabilities are Understated by	**$35,390,977,000**

The state of North Carolina reported retirement assets of $4.1 million. The Institute for Truth in Accounting's detailed analysis discovered instead of retirement assets, the State actually has retirement obligations of $35.4 billion. These liabilities are not reported on the State's balance sheet. This means the State's assets are overstated and retirement liabilities are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 62 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$15,024,409,000
Other Liabilities	$16,136,923,000
Less: Debt Related to Capital Assets	$5,798,468,000
Unfunded Pension Benefits	$2,481,301,000
Unfunded Retirees' Health Care Benefits	$32,905,584,000
Bills	**$60,749,749,000**

Despite its balanced budget requirement the State has accumulated bonds of $15.0 billion and other liabilities of $16.1 billion. The calculation of assets available to pay bills does not include capital assets so $5.8 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 58% of the State's bills. This unfunded liability has accumulated because State employees have been promised $2.5 billion of pension benefits and $32.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of North Carolina's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of North Carolina federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of North Dakota
As of June 30, 2010

The State's Assets Exceed Its Bills	
Assets	$13,138,467,000
Less: Capital Assets	$2,706,876,000
Restricted Assets	$1,350,855,000
Assets Available to Pay Bills	**$9,080,736,000**
Less: Bills	$6,891,275,000
Assets Left After Bills Are Funded	**$2,189,461,000**
Each Taxpayer's Surplus*	$9,500

The state of North Dakota has $13.1 billion in assets but most of these assets are not available to meet the State's bills.

The $2.7 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 $9.1 billion of State assets available to pay a total of $6.9 billion of bills as they come due.

The $2.2 billion surplus is available to pay future bills. Unlike most states, North Dakota has the money needed to pay State employees' retirement benefits and other costs.

Each Taxpayer's* Share of the
Financial Surplus $9,500

Retirement Liabilities Not Clearly Disclosed	
Reported Retirement Assets	$2,074,000
Total Retirement Obligations	$382,668,000
Retirement Liabilities Not Clearly Disclosed	**$384,742,000**

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The state of North Dakota reported retirement assets of $2.1 million. The Institute for Truth in Accounting's detailed analysis discovered instead of retirement assets the State actually has retirement obligations of $382.7 million. These liabilities are not reported on the State's balance sheet. This means the State's assets are overstated and retirement liabilities are not clearly disclosed.

State statutes require the legislature to pass a balanced budget. The North Dakota legislatures, unlike those in most other states, have lived up to the intent of these statutes. But during these tough economic times, citizens need to be vigilant to make sure legislators do not start to use the budgeting tactics that other states use.

These budget tactics include:
- Hiding current payroll costs by offering pension and state retirees' health care benefits without providing adequate funding;
- Borrowing money to pay current bills; and
- Charging current bills to the State's "credit card" by Delaying the payment of bills.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$1,778,627,000
Other Liabilities	$5,230,578,000
Less: Debt Related to Capital Assets	$500,598,000
Unfunded Pension Benefits	$320,051,000
Unfunded Retirees' Health Care Benefits	$62,617,000
Bills	**$6,891,275,000**

The State has accumulated bonds of $1.8 billion and other liabilities of $5.2 billion. The calculation of assets available to pay bills does not include capital assets so $500.6 million of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 6% of the State's bills. Unfunded pension benefits total $320.1 million and unfunded retirees' health care benefits total $62.6 million. But unlike most states North Dakota has other assets available to pay these liabilities.

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

Data is derived from the state of North Dakota's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of North Dakota federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Oklahoma

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$33,342,894,000
Less: Capital Assets	$16,013,589,000
Restricted Assets	$5,776,473,000
Assets Available to Pay Bills	**$11,552,832,000**
Less: Bills	$24,155,523,000
Money Needed to Pay Bills	**$12,602,691,000**
Each Taxpayer's Burden*	$12,600

The state of Oklahoma has $33.3 billion in assets but most of these assets are not available to meet the State's bills.

The $16.0 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $5.8 billion of the assets is restricted by law or contract.

That leaves $11.6 billion of State assets available to pay a total of $24.2 billion of bills as they come due.

The $12.6 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $12,600

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$93,851,000
Total Retirement Obligations	$16,338,697,000
Retirement Liabilities Not Clearly Disclosed	**$16,244,846,000**

The state of Oklahoma reported retirement liabilities of $93.9 million. The Institute for Truth in Accounting's detailed analysis discovered that $16.3 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $16.2 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 64 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$7,088,387,000
Other Liabilities	$5,974,123,000
Less: Debt Related to Capital Assets	$5,245,684,000
Unfunded Pension Benefits	$16,083,624,000
Unfunded Retirees' Health Care Benefits	$255,073,000
Bills	**$24,155,523,000**

Despite its balanced budget requirement the State has accumulated bonds of $7.1 billion and other liabilities of $6.0 billion. The calculation of assets available to pay bills does not include capital assets so $5.2 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 68% of the State's bills. This unfunded liability has accumulated because State employees have been promised $16.1 billion of pension benefits and $255.1 million of retirees' health care benefits but the State has not adequately funded them.

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

Data is derived from the state of Oklahoma's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Oklahoma federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Ohio

As of June 30, 2010

The State's Bills Exceed Its Assets

Assets	$93,220,302,000
Less: Capital Assets	$35,283,220,000
Restricted Assets	$11,264,780,000
Assets Available to Pay Bills	**$46,672,302,000**
Less: Bills	$68,362,704,000
Money Needed to Pay Bills	**$21,690,402,000**
Each Taxpayer's Burden*	$6,000

The state of Ohio has $93.2 billion in assets but most of these assets are not available to meet the State's bills.

The $35.3 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $11.3 billion of the assets is restricted by law or contract.

That leaves $46.7 billion of State assets available to pay a total of $68.4 billion of bills as they come due.

The $21.7 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $6,000

All Liabilities Not Clearly Disclosed

Reported Retirement Liabilities*	$0
Total Retirement Obligations	$14,743,843,000
Retirement Liabilities Not Clearly Disclosed	**$14,743,843,000**

The state of Ohio reported no retirement liabilities. The Institute for Truth in Accounting's detailed analysis discovered that $14.7 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $14.7 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 64 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated

State Bonds	$23,629,017,000
Other Liabilities	$36,953,206,000
Less: Debt Related to Capital Assets	$6,963,362,000
Unfunded Pension Benefits	$7,133,088,000
Unfunded Retirees' Health Care Benefits	$7,610,755,000
Bills	**$68,362,704,000**

Despite its balanced budget requirement the State has accumulated bonds of $23.6 billion and other liabilities of $37.0 billion. The calculation of assets available to pay bills does not include capital assets so $7.0 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 22% of the State's bills. This unfunded liability has accumulated because State employees have been promised $7.1 billion of pension benefits and $7.6 billion of retirees' health care benefits but the State has not adequately funded them.

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

Data is derived from the state of Ohio's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Ohio federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Oregon

As of June 30, 2010

The State's Bills Exceed Its Assets

Assets	$37,403,944,000
Less: Capital Assets	$14,847,053,000
Restricted Assets	$4,484,886,000
Assets Available to Pay Bills	**$18,072,005,000**
Less: Bills	$19,044,794,000
Money Needed to Pay Bills	**$972,789,000**
Each Taxpayer's Burden*	**$900**

The state of Oregon has $37.4 billion in assets but most of these assets are not available to meet the State's bills.

The $14.8 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $4.5 billion of the assets is restricted by law or contract.

That leaves $18.1 billion of State assets available to pay a total of $19.0 billion of bills as they come due.

The $972.8 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.

Each Taxpayer's* Share of the Financial Burden is $900

All Liabilities Not Clearly Disclosed

Reported Retirement Assets	$1,683,293,000
Total Retirement Obligations	$2,043,991,000

The state of Oregon reported retirement assets of $1.7 billion. The Institute for Truth in Accounting's detailed analysis discovered that instead of retirement assets the State actually has retirement obligations of $2.0 billion. These liabilities are not reported on the State's balance sheet. This means the State's assets are overstated and retirement liabilities are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 93 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated

State Bonds	$12,085,868,000
Other Liabilities	$9,540,775,000
Less: Debt Related to Capital Assets	$4,625,840,000
Unfunded Pension Benefits	$1,757,051,000
Unfunded Retirees' Health Care Benefits	$286,940,000
Bills	**$19,044,794,000**

Despite its balanced budget requirement the State has accumulated bonds of $12.1 billion and other liabilities of $9.5 billion. The calculation of assets available to pay bills does not include capital assets so $4.6 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 11% of the State's bills. This unfunded liability has accumulated because State employees have been promised $1.8 billion of pension benefits and $286.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Oregon's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Oregon federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Pennsylvania

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$85,347,240,000
Less: Capital Assets	$35,726,686,000
Restricted Assets	$9,472,638,000
Assets Available to Pay Bills	**$40,147,916,000**
Less: Bills	$82,168,916,000
Money Needed to Pay Bills	**$42,021,000,000**
Each Taxpayer's Burden*	$10,300

The state of Pennsylvania has $85.3 billion in assets but most of these assets are not available to meet the State's bills.

The $35.7 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $9.5 billion of the assets is restricted by law or contract.

That leaves $40.1 billion of State assets available to pay a total of $82.2 billion of bills as they come due.

The $42.0 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $10,300

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$1,701,272,000
Total Retirement Obligations	$34,669,442,000
Retirement Liabilities Not Clearly Disclosed	**$32,968,170,000**

The state of Pennsylvania reported retirement liabilities of $1.7 billion. The Institute for Truth in Accounting's detailed analysis discovered that $34.7 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $33.0 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 65 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$24,279,915,000
Other Liabilities	$32,859,498,000
Less: Debt Related to Capital Assets	$9,639,939,000
Unfunded Pension Benefits	$16,443,240,000
Unfunded Retirees' Health Care Benefits	$18,226,202,000
Bills	**$82,168,916,000**

Despite its balanced budget requirement the State has accumulated bonds of $24.3 billion and other liabilities of $32.9 billion. The calculation of assets available to pay bills does not include capital assets so $9.6 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 42% of the State's bills. This unfunded liability has accumulated because State employees have been promised $16.4 billion of pension benefits and $18.2 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Pennsylvania's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Pennsylvania federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of Rhode Island

As of June 30, 2010

Institute for Truth in Accounting

The State's Bills Exceed Its Assets	
Assets	$13,217,801,000
Less: Capital Assets	$5,440,762,000
Restricted Assets	$1,326,722,000
Assets Available to Pay Bills	**$6,450,317,000**
Less: Bills	$12,953,193,000
Money Needed to Pay Bills	**$6,502,876,000**
Each Taxpayer's Burden*	**$18,800**

The state of Rhode Island has $13.2 billion in assets but most of these assets are not available to meet the State's bills.

The $5.4 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 $6.5 billion of State assets available to pay a total of $13.0 billion of bills as they come due.

The $6.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $18,800

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$69,248,000
Total Retirement Obligations	$5,220,777,000
Retirement Liabilities Not Clearly Disclosed	**$5,151,529,000**

The state of Rhode Island reported retirement liabilities of $69.2 million. The Institute for Truth in Accounting's detailed analysis discovered that $5.2 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $5.2 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 45 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$6,985,104,000
Other Liabilities	$2,930,284,000
Less: Debt Related to Capital Assets	$2,182,972,000
Unfunded Pension Benefits	$4,346,897,000
Unfunded Retirees' Health Care Benefits	$873,880,000
Bills	**$12,953,193,000**

Despite its balanced budget requirement the State has accumulated bonds of $7.0 billion and other liabilities of $2.9 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 the State's bills.

Unfunded employees' retirement benefits represent 40% of the State's bills. This unfunded liability has accumulated because State employees have been promised $4.3 billion of pension benefits and $873.9 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Rhode Island's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Rhode Island federal tax filers with a tax liability. This approximates the number of households in the state.*

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The State's Bills Exceed Its Assets

Assets	$41,322,037,000
Less: Capital Assets	$24,176,463,000
Restricted Assets	$5,502,677,000
Assets Available to Pay Bills	**$11,642,897,000**
Less: Bills	$24,381,146,000
Money Needed to Pay Bills	**$12,738,249,000**
Each Taxpayer's Burden*	$10,500

The state of South Carolina has $41.3 billion in assets but most of these assets are not available to meet the State's bills.

The $24.2 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $5.5 billion of the assets is restricted by law or contract.

That leaves $11.6 billion of State assets available to pay a total of $24.4 billion of bills as they come due.

The $12.7 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $10,500

All Liabilities Not Clearly Disclosed

Reported Retirement Liabilities	$13,182,000
Total Retirement Obligations	$13,727,518,000
Retirement Liabilities Not Clearly Disclosed	**$13,714,336,000**

The state of South Carolina reported retirement liabilities of $13.2 million. The Institute for Truth in Accounting's detailed analysis discovered that $13.7 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $13.7 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 42 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated

State Bonds	$12,478,278,000
Other Liabilities	$8,183,063,000
Less: Debt Related to Capital Assets	$10,007,713,000
Unfunded Pension Benefits	$4,565,553,000
Unfunded Retirees' Health Care Benefits	$9,161,965,000
Bills	**$24,381,146,000**

Despite its balanced budget requirement the State has accumulated bonds of $12.5 billion and other liabilities of $8.2 billion. The calculation of assets available to pay bills does not include capital assets so $10.0 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 56% of the State's bills. This unfunded liability has accumulated because State employees have been promised $4.6 billion of pension benefits and $9.2 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of South Carolina's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of South Carolina federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of South Dakota
As of June 30, 2010

Institute for Truth in Accounting

The State's Assets Exceed Its Bills	
Assets	$9,742,285,000
Less: Capital Assets	$4,071,319,000
Restricted Assets	$1,870,726,000
Assets Available to Pay Bills	**$3,800,240,000**
Less: Bills	$3,452,252,000
Assets Left After Bills Are Funded	**$347,988,000**
Each Taxpayer's Surplus*	**$1,400**

The state of South Dakota has $9.7 billion in assets but most of these assets are not available to meet the State's bills.

The $4.1 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $1.9 billion of the assets is restricted by law or contract.

That leaves $3.8 billion of State assets available to pay a total of $3.5 billion of bills as they come due.

The $348 million surplus is available to pay future bills. Unlike most states, South Dakota has the money needed to pay State employees' retirement benefits and other costs.

Each Taxpayer's* Share of the
Financial Surplus $1,400

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$15,218,000
Total Retirement Obligations	$187,341,000
Retirement Liabilities Not Clearly Disclosed	**$172,123,000**

The state of South Dakota reported retirement liabilities of $15.2 million. The Institute for Truth in Accounting's detailed analysis discovered that $187.3 million of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $172.1 million are not clearly disclosed.

State statutes require the legislature to pass a balanced budget. The South Dakota legislatures, unlike those in other states, have lived up to the intent of these statutes. But during these tough economic times, citizens need to be vigilant to make sure legislators do not start to use the budgeting tactics that other states use.

Institute for Truth in Accounting

These budget tactics include:
- Hiding current payroll costs by offering pension and state retirees' health care benefits without providing adequate funding;
- Borrowing money to pay current bills; and
- Charging current bills to the State's "credit card" by delaying the payment of bills.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$2,835,008,000
Other Liabilities	$789,526,000
Less: Debt Related to Capital Assets	$359,623,000
Unfunded Pension Benefits	$116,793,000
Unfunded Retirees' Health Care Benefits	$70,548,000
Bills	**$3,452,252,000**

The State has accumulated bonds of $2.8 billion and other liabilities of $789.5 million. The calculation of assets available to pay bills does not include capital assets so $359.6 million of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 5% of the State's bills. Unfunded pension benefits total $116.8 million and unfunded retirees' health care benefits total $70.5 million . But unlike most states, South Dakota has other assets available to pay these liabilities.

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

Data is derived from the state of South Dakota's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of South Dakota federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of Tennessee

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$43,563,229,000
Less: Capital Assets	$27,738,987,000
Restricted Assets	$4,118,355,000
Assets Available to Pay Bills	**$11,705,887,000**
Less: Bills	$13,567,429,000
Money Needed to Pay Bills	**$1,861,542,000**
Each Taxpayer's Burden*	**$1,100**

The state of Tennessee has $43.6 billion in assets but most of these assets are not available to meet the State's bills.

The $27.7 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $4.1 billion of the assets is restricted by law or contract.

That leaves $11.7 billion of State assets available to pay a total of $13.6 billion of bills as they come due.

The $1.9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $1,100

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$426,191,000
Total Retirement Obligations	$4,800,139,000
Retirement Liabilities Not Clearly Disclosed	**$4,373,948,000**

The state of Tennessee reported retirement liabilities of $426.2 million. The Institute for Truth in Accounting's detailed analysis discovered that $4.8 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $4.4 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 85 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$4,246,958,000
Other Liabilities	$6,356,550,000
Less: Debt Related to Capital Assets	$1,836,218,000
Unfunded Pension Benefits	$2,720,508,000
Unfunded Retirees' Health Care Benefits	$2,079,631,000
Bills	**$13,567,429,000**

Despite its balanced budget requirement the State has accumulated bonds of $4.2 billion and other liabilities of $6.4 billion. The calculation of assets available to pay bills does not include capital assets so $1.8 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 35% of the State's bills. This unfunded liability has accumulated because State employees have been promised $2.7 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Tennessee's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Tennessee federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Texas
As of August 31, 2010

The State's Bills Exceed Its Assets	
Assets	$211,565,885,000
Less: Capital Assets	$93,960,430,000
Restricted Assets	$48,463,975,000
Assets Available to Pay Bills	**$69,141,480,000**
Less: Bills	$105,315,090,000
Money Needed to Pay Bills	**$36,173,610,000**
Each Taxpayer's Burden*	$5,500

The state of Texas has $211.6 billion in assets but most of these assets are not available to meet the State's bills.

The $94.0 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $48.5 billion of the assets is restricted by law or contract.

That leaves $69.1 billion of State assets available to pay a total of $105.3 billion of bills as they come due.

The $36.2 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $5,500

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$2,813,291,000
Total Retirement Obligations	$54,993,371,000
Retirement Liabilities Not Clearly Disclosed	**$52,180,080,000**

The state of Texas reported retirement liabilities of $2.8 billion. The Institute for Truth in Accounting's detailed analysis discovered that $55.0 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $52.2 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 72 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$36,054,135,000
Other Liabilities	$39,497,018,000
Less: Debt Related to Capital Assets	$25,229,434,000
Unfunded Pension Benefits	$27,365,213,000
Unfunded Retirees' Health Care Benefits	$27,628,158,000
Bills	**$105,315,090,000**

Despite its balanced budget requirement the State has accumulated bonds of $36.1 billion and other liabilities of $39.5 billion. The calculation of assets available to pay bills does not include capital assets so $25.2 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 52% of the State's bills. This unfunded liability has accumulated because State employees have been promised $27.4 billion of pension benefits and $27.6 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Texas's August 31, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Texas federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Utah

As of June 30, 2010

The State's Assets Exceed Its Bills	
Assets	$32,521,090,000
Less: Capital Assets	$17,362,486,000
Restricted Assets	$4,966,399,000
Assets Available to Pay Bills	**$10,192,205,000**
Less: Bills	$8,422,271,000
Assets Left After Bills Are Funded	**$1,769,934,000**
Each Taxpayer's Surplus*	**$2,600**

The state of Utah has $32.5 billion in assets but most of these assets are not available to meet the State's bills.

The $17.4 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $5.0 billion of the assets is restricted by law or contract.

That leaves $10.2 billion of State assets available to pay a total of $8.4 billion of bills as they come due.

The $1.8 billion surplus is available to pay future bills. Unlike most states, Utah has the money needed to pay State employees' retirement benefits and other costs.

Each Taxpayer's* Share of the Financial Surplus $2,600

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$5,693,000
Total Retirement Obligations	$1,450,298,000
Retirement Liabilities Not Clearly Disclosed	**$1,444,605,000**

The state of Utah reported retirement liabilities of $5.7 million. The Institute for Truth in Accounting's detailed analysis discovered that $1.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $1.4 billion are not clearly disclosed.

State statutes require the legislature to pass a balanced budget. The Utah legislatures, unlike those in most other states, have lived up to the intent of these statutes. But during these tough economic times, citizens need to be vigilant to make sure legislators do not start to use the budgeting tactics that other states use.

These budget tactics include:
- Hiding current payroll costs by offering pension and state retirees' health care benefits without providing adequate funding;
- Borrowing money to pay current bills; and
- Charging current bills to the State's "credit card" by delaying the payment of bills.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$6,530,757,000
Other Liabilities	$3,119,969,000
Less: Debt Related to Capital Assets	$2,678,753,000
Unfunded Pension Benefits	$1,030,231,000
Unfunded Retirees' Health Care Benefits	$420,067,000
Bills	**$8,422,271,000**

The State has accumulated bonds of $6.5 billion and other liabilities of $3.1 billion. The calculation of assets available to pay bills does not include capital assets so $2.7 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 17% of the State's bills. Unfunded pension benefits total $1.0 billion and unfunded retirees' health care benefits total $420.1 million . But unlike most states, Utah has other assets available to pay these liabilities.

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

Data is derived from the state of Utah's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Utah federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

truthinaccounting.org

The Financial State of Vermont

As of June 30, 2010

Institute for Truth in Accounting

The State's Bills Exceed Its Assets	
Assets	$8,520,716,000
Less: Capital Assets	$2,391,835,000
Restricted Assets	$847,062,000
Assets Available to Pay Bills	**$5,281,819,000**
Less: Bills	$7,252,437,000
Money Needed to Pay Bills	**$1,970,618,000**
Each Taxpayer's Burden*	$9,100

The state of Vermont has $8.5 billion in assets but most of these assets are not available to meet the State's bills.

The $2.4 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $847.1 million of the assets is restricted by law or contract.

That leaves $5.3 billion of State assets available to pay a total of $7.3 billion of bills as they come due.

The $2.0 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

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

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$611,185,000
Total Retirement Obligations	$2,460,430,000
Retirement Liabilities Not Clearly Disclosed	**$1,849,245,000**

The state of Vermont reported retirement liabilities of $611.2 million. The Institute for Truth in Accounting's detailed analysis discovered that $2.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $1.8 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 52 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$4,274,073,000
Other Liabilities	$1,312,356,000
Less: Debt Related to Capital Assets	$794,422,000
Unfunded Pension Benefits	$432,064,000
Unfunded Retirees' Health Care Benefits	$2,028,366,000
Bills	**$7,252,437,000**

The State has accumulated bonds of $4.3 billion and other liabilities of $1.3 billion. The calculation of assets available to pay bills does not include capital assets so $794.4 million of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 34% of the State's bills. This unfunded liability has accumulated because State employees have been promised $432.1 million of pension benefits and $2.0 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Vermont's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Vermont federal tax filers with a tax liability. This approximates the number of households in the state.*

Institute for Truth in Accounting

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The Financial State of Virginia

As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$76,185,029,000
Less: Capital Assets	$34,087,827,000
Restricted Assets	$11,013,588,000
Assets Available to Pay Bills	**$31,083,614,000**
Less: Bills	$40,457,786,000
Money Needed to Pay Bills	**$9,374,172,000**
Each Taxpayer's Burden*	$3,600

The state of Virginia has $76.2 billion in assets but most of these assets are not available to meet the State's bills.

The $34.1 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $11.0 billion of the assets is restricted by law or contract.

That leaves $31.1 billion of State assets available to pay a total of $40.5 billion of bills as they come due.

The $9.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $3,600

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$2,109,819,000
Total Retirement Obligations	$11,095,442,000
Retirement Liabilities Not Clearly Disclosed	**$8,985,623,000**

The state of Virginia reported retirement liabilities of $2.1 billion. The Institute for Truth in Accounting's detailed analysis discovered that $11.1 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $9.0 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 60 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$23,303,108,000
Other Liabilities	$15,151,108,000
Less: Debt Related to Capital Assets	$9,091,872,000
Unfunded Pension Benefits	$5,982,190,000
Unfunded Retirees' Health Care Benefits	$5,113,252,000
Bills	**$40,457,786,000**

Despite its balanced budget requirement the State has accumulated bonds of $23.3 billion and other liabilities of $15.2 billion. The calculation of assets available to pay bills does not include capital assets so $9.1 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 27% of the State's bills. This unfunded liability has accumulated because State employees have been promised $6.0 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Virginia's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Virginia federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of Washington
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$73,018,785,000
Less: Capital Assets	$33,874,217,000
Restricted Assets	$8,165,753,000
Assets Available to Pay Bills	**$30,978,815,000**
Less: Bills	$52,471,344,000
Money Needed to Pay Bills	**$21,492,529,000**
Each Taxpayer's Burden	$9,800

The state of Washington has $73.0 billion in assets but most of these assets are not available to meet the State's bills.

The $33.9 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 $31.0 billion of State assets available to pay a total of $52.5 billion of bills as they come due.

The $21.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $9,800

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$956,761,000
Total Retirement Obligations	$11,463,318,000
Retirement Liabilities Not Clearly Disclosed	**$10,506,557,000**

The state of Washington reported retirement liabilities of $956.8 million. The Institute for Truth in Accounting's detailed analysis discovered that $11.5 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $10.5 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 77 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$18,830,770,000
Other Liabilities	$36,594,322,000
Less: Debt Related to Capital Assets	$14,417,066,000
Unfunded Pension Benefits	$4,306,136,000
Unfunded Retirees' Health Care Benefits	$7,157,182,000
Bills	**$52,471,344,000**

Despite its balanced budget requirement the State has accumulated bonds of $18.8 billion and other liabilities of $36.6 billion. The calculation of assets available to pay bills does not include capital assets so $14.4 billion of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 22% of the State's bills. This unfunded liability has accumulated because State employees have been promised $4.3 billion of pension benefits and $7.2 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Washington's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Washington federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of West Virginia

As of June 30, 2010

The State's Bills Exceed Its Assets

Assets	$22,470,968,000
Less: Capital Assets	$11,515,751,000
Restricted Assets	$2,739,456,000
Assets Available to Pay Bills	**$8,215,761,000**
Less: Bills	$18,596,954,000
Money Needed to Pay Bills	**$10,381,193,000**
Each Taxpayer's Burden*	**$20,500**

The state of West Virginia has $22.5 billion in assets but most of these assets are not available to meet the State's bills. The $11.5 billion of capital assets, such as roads, Buildings and land, should not be sold to pay bills. The use of $2.7 billion of the assets is restricted by law or contract.

That leaves $8.2 billion of State assets available to pay a total of $18.6 billion of bills as they come due.

The $10.4 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $20,500

All Liabilities Not Clearly Disclosed

Reported Retirement Assets	$795,875,000
Total Retirement Obligations	$10,480,514,000
State Assets are Overstated & Liabilities are Understated by	**$11,276,389,000**

The state of West Virginia reported retirement assets of $795.9 million. The Institute for Truth in Accounting's detailed analysis discovered instead of retirement assets, the State actually has retirement obligations of $10.5 billion. These liabilities are not reported on the State's balance sheet. This means the State's assets are overstated and retirement liabilities are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 65 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated

State Bonds	$4,396,305,000
Other Liabilities	$5,618,849,000
Less: Debt Related to Capital Assets	$1,898,714,000
Unfunded Pension Benefits	$5,902,542,000
Unfunded Retirees' Health Care Benefits	$4,577,972,000
Bills	**$18,596,954,000**

Despite its balanced budget requirement the State has accumulated bonds of $4.4 billion and other liabilities of $5.6 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 the State's bills.

Unfunded employees' retirement benefits represent 56% of the State's bills. This unfunded liability has accumulated because State employees have been promised $5.9 billion of pension benefits and $4.6 billion of retirees' health care benefits but the State has not adequately funded them.

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

Data is derived from the state of West Virginia's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of West Virginia federal tax filers with a tax liability. This approximates the number of households in the state.*

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The Financial State of Wisconsin
As of June 30, 2010

The State's Bills Exceed Its Assets	
Assets	$41,361,471,000
Less: Capital Assets	$22,902,946,000
Restricted Assets	$6,300,279,000
Assets Available to Pay Bills	**$12,158,246,000**
Less: Bills	$22,623,521,000
Money Needed to Pay Bills	**$10,465,275,000**
Each Taxpayer's Burden*	$5,700

The state of Wisconsin has $41.4 billion in assets but most of these assets are not available to meet the State's bills.

The $22.9 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $6.3 billion of the assets is restricted by law or contract.

That leaves $12.2 billion of State assets available to pay a total of $22.6 billion of bills as they come due.

The $10.5 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's* Share of the Financial Burden is $5,700

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$303,220,000
Total Retirement Obligations	$1,418,781,000
Retirement Liabilities Not Clearly Disclosed	**$1,115,561,000**

The state of Wisconsin reported retirement liabilities of $303.2 million. The Institute for Truth in Accounting's detailed analysis discovered that $1.4 billion of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $1.1 billion are not clearly disclosed.

To knowledgeably interact with—and cast informed votes for—their leaders, citizens need transparency and accurate financial information. The antiquated ways the State budget and financial report are calculated do not provide citizens with the financial information needed to determine government accountability.

Institute for Truth in Accounting

This is especially true in relation to employee compensation costs which include retirement benefits. Because pension and other retirement benefits are not immediately payable in cash most of these compensation costs were ignored when calculating balanced budgets. Furthermore, the State has set aside only 85 cents to pay for each dollar of retirement benefits promised.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$15,213,378,000
Other Liabilities	$10,886,251,000
Less: Debt Related to Capital Assets	$4,894,889,000
Unfunded Pension Benefits	$17,354,000
Unfunded Retirees' Health Care Benefits	$1,401,427,000
Bills	**$22,623,521,000**

Despite its balanced budget requirement the State has accumulated bonds of $15.2 billion and other liabilities of $10.9 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 the State's bills.

Unfunded employees' retirement benefits represent 6% of the State's bills. This unfunded liability has accumulated because State employees have been promised $17.4 million of pension benefits and $1.4 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 them without receiving any corresponding government services or benefits.

Data is derived from the state of Wisconsin's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Wisconsin federal tax filers with a tax liability. This approximates the number of households in the state.*

truthinaccounting.org

The Financial State of Wyoming

As of June 30, 2010

The State's Assets Exceed Its Bills	
Assets	$26,939,195,000
Less: Capital Assets	$6,540,177,000
Restricted Assets	$8,272,824,000
Assets Available to Pay Bills	**$12,126,194,000**
Less: Bills	$8,309,670,000
Assets Left After Bills Are Funded	**$3,816,524,000**
Each Taxpayer's Surplus*	**$20,200**

The state of Wyoming has $26.9 billion in assets but most of these assets are not available to meet the State's bills.

The $6.5 billion of capital assets, such as roads, buildings and land, should not be sold to pay bills. The use of $8.3 billion of the assets is restricted by law or contract.

That leaves $12.1 billion of State assets available to pay a total of $8.3 billion of bills as they come due.

The $3.8 billion surplus is available to pay future bills. Unlike most states, Wyoming has the money needed to pay State employees' retirement benefits and other costs.

Each Taxpayer's* Share of the Financial Surplus $20,200

All Liabilities Not Clearly Disclosed	
Reported Retirement Liabilities	$39,313,000
Total Retirement Obligations	$479,819,000
Retirement Liabilities Not Clearly Disclosed	**$440,506,000**

The state of Wyoming reported retirement liabilities of $39.3 million. The Institute for Truth in Accounting's detailed analysis discovered that $479.8 million of additional retirement benefits have been promised but not reported on the State's balance sheet. This means retirement liabilities of $440.5 million are not clearly disclosed.

State statutes require the legislature to pass a balanced budget. The Wyoming legislatures, unlike those in most other states, have lived up to the intent of these statutes. But during these tough economic times, citizens need to be vigilant to make sure legislators do not start to use the budgeting tactics that other states use.

These budget tactics include:
- Hiding current payroll costs by offering pension and state retirees' health care benefits without providing adequate funding;
- Borrowing money to pay current bills; and
- Charging current bills to the State's "credit card" by delaying the payment of bills.

Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation costs every year they work.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when incurred not when paid.

The Bills the State Has Accumulated	
State Bonds	$1,548,061,000
Other Liabilities	$6,358,322,000
Less: Debt Related to Capital Assets	$76,532,000
Unfunded Pension Benefits	$218,274,000
Unfunded Retirees' Health Care Benefits	$261,545,000
Bills	**$8,309,670,000**

The State has accumulated bonds of $1.5 billion and other liabilities of $6.4 billion. The calculation of assets available to pay bills does not include capital assets so $76.5 million of related debt is removed from the calculation of the State's bills.

Unfunded employees' retirement benefits represent 06% of the State's bills. Unfunded pension benefits total $218.3 million and unfunded retirees' health care benefits total $261.5 million . But unlike most states, Wyoming has other assets available to pay these liabilities.

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

Data is derived from the state of Wyoming's June 30, 2010 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

**Based on the number of Wyoming federal tax filers with a tax liability. This approximates the number of households in the state.*

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APPENDIX VIII

F.A.C.T. 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.

F.A.C.T. 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 VIX

Pro Forma Truth in Accounting Act

Legislative intent. It is the intent of this Act to develop a State budget process that:

(1) Permits the State government, which derives it just powers from the consent of the governed, to fulfill its special responsibility to report on its actions and results of those actions.
(2) Establishes the State's duty to report the best estimate of its own financial condition.
(3) Provides financial transparency.
(4) Presents a comprehensive indication of the total activity of government and the long-term effects of current policy.
(5) Highlights the long-term financial implications of the budgetary process.
(6) Provides full costing information to determine accountability and performance measurements.
(7) Strengthens the governor's and the general assembly's ability to determine compliance with the intent of Section 8 Article 2 of the Illinois Constitution requirement to preserve intergenerational equity promulgated by the Governmental Accounting Standards Board (GASB).
(8) Emphasizes the budget's imposition of undue burdens for past and current year services upon future taxpayers, including unborn Illinois residents and Illinois residents who, at the time a budget is enacted into law, are too young to vote.
(9) Allows the governor, legislators and the public to determine if future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due.
(10) Recognizes revenues when earned and costs when incurred rather than when they are paid.
(11) Reflects the principle that inter-period borrowing to fund operating expenses violates the intent of Section 8 Article 2 of the Illinois Constitution.
(12) Defines "trust funds" as those with a fiduciary component.
(13) Requires production of the State's Comprehensive Annual Financial Report within 90 days after the State's fiscal year end.

Effective the beginning of the next fiscal year the financial accounting and reporting standards to be used by all State government and State agencies shall be in compliance with accounting standards as prescribed by the Governmental Accounting Standards Board (GASB).

Definitions.

(1) "Capital Assets" and "Fiduciary funds" shall be defined using GASB concepts outlined in Governmental Accounting Standards Board Statement 34.
(2) "Net Pension Obligation (Asset)", "Net Other Post Employment Obligation (Asset)", "Actuarial Value of Assets", "Actuarial Accrued Liability" and "Unfunded Actuarial Accrued Liability (UAAL)" "Actuarial Present Value of Total Projected Benefits" shall be defined using GASB concepts outlined in GASB Statement 45, GASB Statement 25 and GASB Statement 27 as amended by GASB 50.
(3) "Government-Wide Generally Accepted Accounting Principles (Government Wide GAAP)" shall be the accounting standards used in the preparation of the State's

government-wide financial statements using GASB concepts outlined in the Governmental Accounting Standards Board Statement 34. While the Governmental Accounting Standards Board does not prescribe standards for preparing governmental budgets the accounting standards' concepts shall be applied to the budget documents prepared under this section.

(4) "Estimated Balance Sheet" shall be the estimated Statement of Net Assets prepared using the GASB concepts outlined in GASB 34.

(5) "Capital Assets" shall be defined using GASB concepts outlined in GASB Statement 34.

(6) "The State Pension Plans" are the State's Single-Employer pension plans and the portion of Agent Multiple-Employer pension plans attributed to the State.

(7) "The State OPEB Plans" are the State's Single-Employer Other Post Employment Benefit (OPEB) plans and the portion of Agent Multiple-Employer OPEB plans attributed to the State.

(8) "Off Balance Sheet Pension Liabilities" shall be the difference between the State pension plans' Estimated UAAL and the estimated Net Pension Obligation (Asset) included in the estimated Balance Sheet.

(9) "Off Balance Sheet OPEB Liabilities" shall be the difference between the State OPEB plans' Estimated UAAL and the estimated Net OPEB Obligation (Asset) included in the estimated Balance Sheet.

(10) "Benefit Enhancements" is defined as the Actuarial Present Value of Total Projected Benefits attributed to the estimated increase in the benefits of retirees or beneficiaries granted by the proposed budget or, proposed or enacted changes to the State Pension Law. The benefit enhancements that result from plan members' expected future service amount may be reduced by the amount of specified revenue sources enacted into law.

(11) "Estimated Retirement Plans' Assets Gain or Loss" is defined as the change in the Actuarial Value of Assets at the beginning of the budget period and the Actuarial Value of Assets at the end of the budget period.

(12) "Increase (Decrease) in Pension Benefits" shall be the change in the State's pension plans' estimated Actuarial Accrued Liability at the beginning of the budget period and the sum of each pension plan's estimated Actuarial Accrued Liability at the end of the budget period.

(13) Increase (Decrease) in OPEB Benefits shall be the change in the State's OPEB plans' estimated Actuarial Accrued Liability at the beginning of the budget period and the State's OPEB plans' estimated Actuarial Accrued Liability at the end of the budget period.

(14) Amounts Due Pension Funds shall be defined as the UAAL for the State Pension Plans including the portion of Multiple-employer plans attributed to the State.

(15) Retirees' Health Care Benefits (OPEB) shall be defined as the UAAL for the State OPEB Plans, including the portion of Multiple-employer plans attributed to the State.

(16) "Fiscal Budget Documents" shall be the estimated Balance Sheet, the estimated Statement of Activities, the estimated Statement of Cash Flow, the estimated Statement of Fiscal Balance, the estimated Statement of Fiscal Deficit and the estimated Financial State of the State.

The General Assembly shall publish, by means of the Internet on a web page controlled by the General Assembly, the text of all appropriations bills. Each publication shall include embedded time reading until at least 72 hours after the time of electronic publication. No amendment to an appropriation bill shall be considered on second reading until at least 72 hours after the amendment has been published electronically.

The Comptroller shall publish the Comprehensive Annual Financial Report (CAFR) no more than 90 days after the end of each State fiscal year. The CAFR shall be prepared in accordance with the principles of full accrual accounting. The Report shall include explanations of any variance that exists between the estimates adopted by the General Assembly for each year and the actual numbers reported. The Comptroller shall, by administrative rule, determine a time line and protocol for the publication of this Report. The governmental units and components units shall submit their financial information to the Comptroller's office no more than 60 days after the end of the State fiscal year.

The General Assembly shall not enact any bill to appropriate funds within any fiscal year prior to their adoption of the joint resolution reflecting the estimate for that fiscal year.

Section 25 – All State funds shall be fiduciary funds unless explicitly provided otherwise by law.

Commission on Government Forecasting and Accountability Act (25 ILCS 155)

[25 ILCS 155/4(a)—[existing law]

Commission on Government Forecasting and Accountability Act

Section 4 (a)

Definitions. "All applicable revenue sources" and "any other funds to be obtained from all applicable revenue sources"

1. "All applicable revenues "shall be defined as only of "own source" revenues including:
    - a. Personal Income Tax
    - b. Corporate Income Tax
    - c. Corporate Personal Property Replacement Tax
    - d. Sales Tax retained by the state
    - e. Excise Taxes (e.g. alcohol, gasoline, energy)
    - f. User Fees
    - g. Fines and Penalties
    - h. Gaming Taxes
    - e Excise Taxes (e.g. alcohol, gasoline, energy)
    - j. Unencumbered funds provided by other governmental units
    - k. Or any other revenue source for which the state has no ongoing or unfulfilled obligation to any other party.

2. "Other Funds Available" shall be defined as:
    - a. Funds which result from the actions of another entity or government;
    - b. Funds received that are held in trust or have a fiduciary element;

c. Pass-through funds or funds received by the state when acting as an agent or collector for another entity;
d. Pension contributions made by state employees not used to pay pensions or used to purchase assets for the state's pension funds;
e. That portion of sales tax collections which retailers pay to the state but which will be remitted to home rule and local governments;
f. Court-ordered collections of child support;
g. Inter-period borrowings;
h. Prepaid tuition plans
i. Any other source of funds for which the state has an unfulfilled or ongoing obligation.

Sec. 4. (a) The Commission shall publish, at the convening of each regular session of the General Assembly, a report that:

a. Estimates "All Applicable Revenues" as defined in Section 1 above;
b. Estimates "Other Funds Available" as defined in Section 2 above;
c. The report shall clearly separate and distinguish All Applicable Revenues and Other Funds Available when estimating the funds estimated to be available for purposes of calculating funds estimated to be available as required under Article 8 Section 2(b) of the Illinois Constitution.

25 ILCS 155/4(a-5) [new]: The annual March estimates issued by the Commission shall include an estimated Balance Sheet, an estimated Statement of Activities, and an estimated Statement of Cash Flow. The March estimates shall include a variance report of the ongoing fiscal year's budget and appropriations.

25 ILCS 155/4(a-6) [new]: The Commission shall also prepare:

1) The Statement of Fiscal Balance [see Exhibit 1] which shall include:
   a) The columns used in the estimated Balance Sheet
   b) The Total Net Assets as determined in the estimated Balance Sheet
   c) The Off- Balance Sheet Pension Liability
   d) The Off Balance Sheet OPEB Liability
   e) The resulting Fiscal Balance.
2) The Statement of Fiscal Deficit [see Exhibit 2] which shall include:
   a) The columns used in the estimated Statement of Activities
   b) The change in net assets, as determined in the estimated Statement of Activities
   c) Benefit Enhancements
   d) Retirement Plans' Assets Gain or Loss
   e) Increase (Decrease) in Pension Benefits
   f) Increase (Decrease) in OPEB Benefits
   g) The resulting Fiscal Deficit.
3) The estimated Financial State of the State [see Exhibit 3] which shall include:
   a) Amounts reported on the State's Comprehensive Annual Financial Report (CAFR) for the State's fiscal year two years prior to the current budget year
   b) The estimated values from last period's budget
   c) The estimated values from the current budget period
   d) What we own:
      i) Capital Assets

   - ii) Other Assets which is derived from the Total Assets reported on the Statement of Net Assets/Balance Sheet minus Capital Assets
   - iii) Our Assets shall equal the Total Assets
- e) What we owe:
   - i) The amount of State bonds, including but not limited to, General Obligation Bonds and Special Revenue Bonds
   - ii) Amounts Due Pension Funds
   - iii) Retirees' Health Care Benefits (OPEB)
   - iv) Other Liabilities which is derived by subtracting the State bonds, the Net Pension Obligation and the Net OPEB Obligation from the Total Liabilities reported on the Statement of Net Assets/Balance Sheet
   - v) Bills which is the sum of (g)-(j).
- f) Where we stand:
   - i) Illinois' Financial Position
   - ii) Each Illinois Family's Share, which is derived by dividing Illinois' Financial Position divided by the Illinois population estimate as determined by the U.S. Census Bureau divided by national average size of a family as determined by the U.S. Census Bureau

25 ILCS 155/4(a-10) [new]": The Commission shall publish the fiscal budget statements outlined in 25 ILCS 155/4(a-5) in concert with Government Wide-GAAP. The fiscal budget statements should display information about the State as a whole. The fiscal budget statements should include the Primary Government and its component units, except for the fiduciary funds of the Primary Government and component units that are fiduciary in nature. The fiscal budget statements should be prepared using the economic resources measurement focus and the accrual basis of accounting. The fiscal budget statements should not be presented using the current financial resources measurement focus and the modified accrual basis of accounting, which are used to prepare the State's governmental funds financial statements. The Commission shall work with each of the State's pension and OPEB plans' actuaries to determine the pension and OPEB amounts needed to prepare the fiscal budget statements.

25 ILCS 155/4 (d) [new]: For each fiscal year, the General Assembly shall adopt a joint resolution accepting the amounts reported on the fiscal budget documents.

Effective date. Immediate effect date.

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