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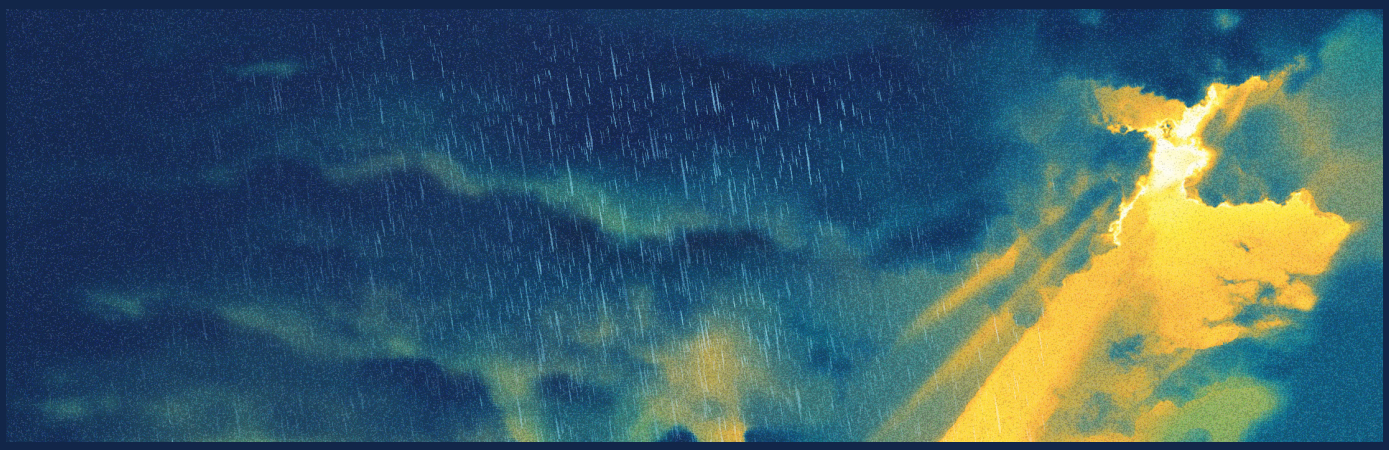

Truth and Integrity in State Budgeting

PREPARING FOR THE STORM

Five-Year Review: Fiscal 2015–19

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NEW YORK • 2021

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THE VOLCKER ALLIANCE is a nonprofit founded by former Federal Reserve Board Chairman Paul A. Volcker dedicated to advancing his vision of an empowered public sector workforce. Our work supports current and aspiring public servants by strengthening public service education, championing public service values, and providing strategies to help them deliver better results. We build partnerships with government and universities, promote innovation in public service education, drive research on effective government, and inspire others with the story of Mr. Volcker's commitment to public service. Our mission is to empower the public sector workforce to solve the challenges facing our nation.

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Don Besom, art director; **Michele Arboit**, copy editor; **Stuart Briers**, cover illustration.

PREFACE

THIS REPORT MARKS the Volcker Alliance's fourth comprehensive assessment of the budget practices of the fifty US states and provides an analysis of fiscal actions from fiscal 2015 through 2019. During the period, many states took advantage of a record-long economic recovery and growing tax revenues to strengthen their budget processes as well as their rainy day funds and other emergency cash reserves. While no one could have foreseen the public health, economic, and fiscal stresses caused by the onset in 2020 of the COVID-19 pandemic, actions taken by states during the boom times for employment and gross domestic product left many better prepared for hard times than they were only a few years earlier.

Like *Truth and Integrity in State Budgeting* reports published in 2017, 2018, and 2020, this study grades states' success in pursuing transparent and fiscally sustainable procedures as they attempt to keep revenues and expenditures in balance from the beginning to the end of each year. And as we did in the three previous reports, we gave states grades of A to D-minus, the lowest possible mark, for their practices in five building blocks of budgeting:

- Budget forecasting, in which we evaluate how and whether states estimate revenues and expenditures for the coming fiscal year and the long term;
- Budget maneuvers, in which dependence on one-time actions to offset recurring expenditures is measured;
- Legacy costs, in which we assess how well states are funding promises made to public employees to cover retirement costs, including pensions and retiree health care;
- Reserve funds, in which the condition of general fund reserves as well as rainy day funds and rules governing their use and replenishment are scrutinized; and
- Budget transparency, in which we examine the disclosure of budget information, including debts, tax expenditures, and the estimated cost of deferred infrastructure maintenance.

In this report, we also provide states' annual budgetary grades for each of the five years covered and provide individual report cards for each state across the five budget categories.

CONTENTS

INTRODUCTION 1
CONCLUSIONS 4
AREAS OF ANALYSIS 9
- Budget Forecasting 10
- Budget Maneuvers 14
- Legacy Costs 18
- Reserve Funds 23
- Transparency 27

FIFTY STATE REPORT CARDS 30
APPENDIX A: Glossary 131
APPENDIX B: Research Methodology 137

About the Truth and Integrity in Government Finance Team 140
University Research Network 143
Related Research Initiatives 146
Acknowledgments 149
Staff of the Volcker Alliance 153
Endnotes 154

INTRODUCTION

THIS STUDY AND ACCOMPANYING state report cards are the result of comprehensive research on state budgets from fiscal 2015 through 2019. In the following pages, we review how successful states were in creating more sustainable budgetary practices in the wake of the Great Recession. One encouraging sign is that, on average, states showed steady increases in their annual grades in all five fundamental categories identified by the Volcker Alliance: budget forecasting, budget maneuvers, reserve funds, legacy costs, and transparency. While some of those gains will inevitably be surrendered as states face the exigencies caused by the COVID-19 pandemic (see box), many of the improvements in budgetary practices have been enshrined in statutes and should prove more durable over the long haul. These budgetary foundations that states laid out in eleven years of economic growth will in no small measure help support their eventual recovery.

We published our initial examination of budgetary practices in 2015, *Truth and Integrity in State Budgeting: Lessons from Three States*, tracking California, New Jersey, and Virginia. We then began our scrutiny of all fifty states in 2017 in *Truth and Integrity in State Budgeting: What Is the Reality?* In that study and two subsequent studies, *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* (2018) and *Truth and Integrity in State Budgeting: The Balancing Act* (2020), we drew attention to prevailing budgetary practices, identifying the strongest and weakest, and encouraged efforts to raise standards for all states. In this summation of five years of research, we continue to follow the mission we laid out in 2017: It is to highlight states with "practices that should be followed nationwide as much as it is to criticize those that fall short."[1]

This report shows in greater detail the progress achieved over the entire study period, as well as areas that will need improvement when the pandemic retreats and the economy returns to a more normal trajectory. In the following chapters, we review states' grades and trends in the five budgeting categories cited above. We also briefly review fiscal actions that states took in 2020 to close budgetary shortfalls caused by the pandemic, and present a set of state report cards containing budget grades and explanations of our assessments spanning fiscal 2015–19. In documenting which states met or exceeded best-practice standards in the period and which fell short, we provide a baseline for future research that will examine how states are reacting to an environment that is far more difficult than the one they enjoyed little more than a year ago.

The COVID-19 Shock and States' Path Forward

ON JULY 1, 2019, the day fiscal 2020 began for 46 states,[2] little did governors and legislators know what bad news awaited them just down the road. Most states had closed fiscal 2019 with rainy day funds at record high levels,[3] and revenues were projected to grow by 3 percent in the coming twelve months.[4] Then, COVID-19 arrived in the US, bringing the longest economic recovery since 1857 to a sudden halt and creating revenue shortfalls from coast to coast.

With the US economy in free fall as businesses and schools were forced to close, the National Association of State Budget Officers reported that thirty-five states were failing to meet projections for fiscal 2020 general fund revenues, despite three quarters of strong growth before the pandemic. Meanwhile, with COVID-19 infections and deaths rising, fiscal 2021 was forecast to show a 4.4 percent decline in general fund revenues, in spite of almost $3 trillion in federal stimulus funds.[5]

According to S&P Global Ratings, nine states saw their credit outlook deteriorate in the fourth quarter of fiscal 2020.[6] Two more, Wyoming and Alaska, experienced rating downgrades because of lower oil prices.[7] To help shore up their finances, at least twenty-one states closed budget gaps for fiscal 2020 and 2021 by withdrawing money from rainy day funds; those states include Nevada and New Jersey, which emptied their reserves. Particularly hard hit were states reliant on taxes on meals, entertainment, and travel. Soon after the pandemic struck, conventions and conferences were canceled and airplane travel fell dramatically, with carriers' losses estimated at over $35 billion in 2020.[8] The damage was particularly severe in Nevada and Hawaii, where about 16 percent and 11 percent of gross state product, respectively, comes from the tourism, entertainment, and leisure industries, compared with 4 percent for the US as a whole.[9] Both states were among the nine whose credit outlook declined in the last quarter of fiscal 2020.

Some states fared better. Those with graduated income tax rates, for example, found it easier to fund services in the pandemic because higher-income earners could work from home.[10] But the other major source of state revenues—sales taxes—was less resilient. Sales tax collections plunged 17.3 percent in the fourth quarter of fiscal 2020 year over year though the three prior robust quarters kept total sales tax collections for the year, roughly the same as they were

in fiscal 2019.[11] Three states that tax groceries—Alabama, Mississippi, and South Dakota—were more protected than others. For example, Alabama's revenue from sales taxes rose 4 percent in fiscal 2020 from 2019.[12]

States' economic and fiscal pain was eased by the $2.2 trillion Coronavirus Aid, Relief and Economic Security Act, passed in March 2020,[13] and the $900 billion for COVID-19-related spending in the Consolidated Appropriations Act, passed in December.[14] Together they injected the equivalent of almost 15 percent of US gross domestic product into the economy in less than a year. The infusions of cash, along with a booming stock market and low interest rates, helped support consumer spending and sales and income tax revenues in some states and were partially responsible for overall collections, which beat projections made partway into the budget year in states including California[15] and New York.[16]

States went into the COVID-19 crisis buttressed by a decade of growth in rainy day funds and budget repairs that the recovery enabled. How they will fare in the next few years may depend on the impact of the $1.9 trillion American Rescue Plan Act of 2021, as well as on successes in conquering the disease and a recovery in jobs and the US economy. In the recovery from the Great Recession, many states failed to heed budgeting best practices, including making actuarially determined contributions for pensions and retiree health care and limiting one-time budget actions that paper over current shortfalls at the expense of future generations. As states recover from the COVID-19-induced recession, they should pay close attention to the principles detailed in this report.

CONCLUSIONS

AS IN PREVIOUS EDITIONS of *Truth and Integrity in State Budgeting*, we have graded states in five fundamental categories that are critical to their ability to maintain budgetary balance for the long term and for each year evaluated. For fiscal 2015 through 2019, states were graded on a scale of A to D-minus. (The Alliance does not issue an F mark; even the most fiscally challenged states have some budget practices worth emulating.) The areas of evaluation and principles underlying our assessments include the following:

Budget forecasting. States should adopt binding consensus estimates for revenues and make predictions about both revenues and expenditures for more than the next fiscal year. A one-year estimate does little to reveal structural deficits that may burden subsequent budgets. States should provide explanatory details to support forecasts of revenue growth. The average grade in the category was C.

Budget maneuvers. To avoid creating long-term structural deficits that burden future budgets, states should pay for expenditures with recurring revenues earned the same year. Budget maneuvers are states' major tool for moving budgeted costs to the future or bringing expected revenues into the current year. By their very nature, such one-time actions may not be sustainable year to year, although some particularly challenged states, including Illinois, Kansas, New Jersey, New York, and Pennsylvania, consistently used maneuvers to balance budgets in the five fiscal years studied. The category average was B, with the use of one-time actions decreasing slightly nationwide amid the economic recovery.

Legacy costs. States should consistently make contributions that actuaries recommend for public employee pension and retiree health care benefits. Those failing to make such contributions for long-term benefits are likely to see increasing pressure on budgets as the costs of paying off their long-term liabilities rise and crowd out spending for essential services. Grades in this category depended on states' success in providing actuarially determined pension and other postemployment benefits (OPEB) contributions, as well as on how adequately their pensions were funded. The average mark was C, with thirty-three states at that level or below.

Reserve funds. States should enact clear policies for rainy day fund deposits and withdrawals and adjust fund levels for the historical volatility of their revenues. The average grade was B.

Transparency. States should provide the data that public officials and citizens need to

understand budgets. This includes online disclosure of budgetary information; public reporting of the scope and cost of tax expenditures, such as exemptions, credits, and abatements; and reporting of the cost of deferred infrastructure maintenance. The average grade was B.

In 2015, Paul Volcker, the former Federal Reserve chairman and founder of the Volcker Alliance, observed that fiscal pressures on many states had encouraged them to "shift current costs onto future generations and push off the need to make hard choices on spending priorities and revenue practices."[17] While many states were able to strengthen budgetary practices during the record-breaking US economic recovery that ended in 2020, shifting the cost of providing current services to the next year or decade remains as pressing a concern as ever.

As described in this and other studies published by the Volcker Alliance, the at least

THE TOP-GRADED STATES (2015–19 Average)

BUDGET FORECASTING

STATE	GRADE
Connecticut	A
Florida	A
Hawaii	A
Maryland	A
New York	A
North Carolina	A
Rhode Island	A
South Carolina	A
Virginia	A
Washington	A

BUDGET MANEUVERS

STATE	GRADE
Arkansas	A
California	A
Delaware	A
Georgia	A
Hawaii	A
Idaho	A
Indiana	A
Iowa	A
Minnesota	A
Mississippi	A
Missouri	A
Nebraska	A
Oregon	A
South Carolina	A
South Dakota	A
Tennessee	A
Utah	A

LEGACY COSTS

STATE	GRADE
Idaho	A
Iowa	A
Nebraska	A
Oklahoma	A
South Dakota	A
Utah	A
Wisconsin	A

RESERVE FUNDS

STATE	GRADE
Alaska	A
Arizona	A
California	A
Hawaii	A
Idaho	A
Indiana	A
Louisiana	A
Massachusetts	A
Michigan	A
Minnesota	A
North Dakota	A
Oklahoma	A
Tennessee	A
Texas	A
Utah	A
Virginia	A
Washington	A

TRANSPARENCY

STATE	GRADE
Alaska	A
California	A
Tennessee	A

THE LOWEST-GRADED STATES (2015–19 Average)

BUDGET FORECASTING

STATE	GRADE
Alabama	D-
Missouri	D-
North Dakota	D-

BUDGET MANEUVERS

STATE	GRADE
Pennsylvania	D-

LEGACY COSTS

STATE	GRADE
Hawaii	D-
Illinois	D-
Massachusetts	D-
New Jersey	D-
New Mexico	D-
Texas	D-
Wyoming	D-

RESERVE FUNDS

STATE	GRADE
Illinois	D
Kansas	D

TRANSPARENCY

STATE	GRADE
Arkansas	D

$1.3 trillion in states' unfunded liabilities for pension benefits for public workers is perhaps the largest example of such deferrals, as is the estimated $1 trillion worth of deferred maintenance on publicly owned infrastructure.[18] Pressure to maintain budgetary balance in the face of fiscal burdens resulting from the COVID-19 pandemic may only accentuate states' desire to engage in the cost-shifting practices that Mr. Volcker described.

In previous reports, we have maintained that it would be easier for states to balance budgets transparently if they were to adopt the modified accrual form of budgetary accounting instead of the cash-based method in general use. Because cash accounting recognizes budgetary expenditures only when bills are paid, governments can commit to spending yet declare budgets balanced by deferring cash outflows until checks are cut. Modified accrual accounting is more conservative. Used most notably by New York City after 1975, when it nearly declared bankruptcy, the technique requires recognition of promised payments when liabilities are incurred. The method is recommended by the Governmental Accounting Standards Board for municipal financial statements, including comprehensive annual financial reports. Adoption of modified accrual for budgeting would eliminate many one-time maneuvers and lead to genuinely balanced budgets.

Whatever accounting method states use, budgetary decisions should be informed by a broad array of data about the budget process and guidelines for sustainable fiscal practices. The five building blocks detailed in this report, as well as its predecessors, are a starting point for this informed analysis.

STATE GRADES TABLE

	BUDGET FORECASTING					BUDGET MANEUVERS					LEGACY COSTS					RESERVE FUNDS					TRANSPARENCY				
US 5-YR AVERAGE (GRADE | TREND)	C				IMPROVED	B				IMPROVED	C				IMPROVED	B				IMPROVED	B				IMPROVED
	FISCAL YEAR					FISCAL YEAR					FISCAL YEAR					FISCAL YEAR					FISCAL YEAR				
STATE	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19
Alabama	D-	D-	D-	D-	D-	B	B	C	B	A	D	D	C	C	D	B	B	B	B	B	C	C	B	B	B
Alaska	B	B	B	B	B	B	C	C	C	B	B	B	B	B	B	A	A	A	A	A	A	A	A	A	A
Arizona	B	B	B	B	B	C	C	C	C	C	A	D	D	D	D	A	A	A	A	A	B	B	B	B	B
Arkansas	D	D	D	D	D	A	A	B	A	B	C	C	C	C	C	C	C	C	C	C	D	D	D	C	C
California	B	B	B	B	B	A	A	A	A	A	C	C	D	D-	D-	B	A	A	A	A	A	A	A	A	A
Colorado	C	C	C	C	C	C	C	C	B	A	D	D	D	D	D	B	B	B	B	B	B	B	B	B	B
Connecticut	A	A	A	A	A	C	C	C	C	D	D	D	D	D	D	B	B	B	A	A	B	B	B	B	B
Delaware	B	B	B	A	A	A	A	A	A	A	C	C	C	C	C	B	B	B	B	B	B	B	B	B	B
Florida	A	A	A	A	A	B	B	B	B	B	C	C	C	C	C	B	B	B	B	B	B	B	B	B	B
Georgia	C	C	C	C	C	A	A	A	A	A	C	C	A	A	A	B	B	B	B	B	B	B	B	B	B
Hawaii	A	A	A	A	A	A	A	B	A	B	D-	D-	D-	D-	D	A	A	A	A	A	C	C	B	A	A
Idaho	D	D	D	D	D	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	B	B	B	B	B
Illinois	B	D-	D-	B	B	D	D	D	D-	D-	D-	D-	D-	D-	D-	C	C	D	D	D	B	B	B	B	A
Indiana	C	C	C	C	C	A	A	B	A	A	B	B	B	B	B	A	A	A	A	A	C	C	C	B	B
Iowa	C	C	C	C	C	A	A	B	A	A	A	A	A	A	A	B	B	B	B	B	C	C	C	C	C
Kansas	D	D	D	D	D	D-	D	D	C	C	D	D	D	D	C	D	D	D	D	D	B	B	B	B	B
Kentucky	B	B	B	B	B	C	C	C	C	C	D	D	B	B	B	C	C	C	C	C	B	B	B	B	B
Louisiana	B	B	B	B	B	C	D	D	B	B	D	D	D	D	D	A	A	A	A	A	B	B	B	B	B
Maine	B	B	B	B	B	C	B	B	B	B	C	C	A	A	A	B	B	B	B	B	B	B	B	B	B
Maryland	A	A	A	A	A	C	C	C	D	D	D-	D	D	A	C	C	C	C	C	C	B	B	B	B	B
Massachusetts	C	C	C	C	C	D	C	D	C	C	D-	D-	D-	D-	D-	A	A	A	A	A	B	B	B	B	B
Michigan	B	B	B	B	B	C	B	B	A	A	B	D	B	D	B	A	A	A	A	A	B	B	B	B	B
Minnesota	B	B	B	B	B	A	A	A	A	A	C	D	D	C	A	A	A	A	A	A	B	B	B	B	B
Mississippi	C	C	C	C	C	A	B	B	A	A	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B
Missouri	D-	D	D-	D-	D	B	A	A	A	A	C	C	C	C	C	B	B	B	B	B	C	C	C	C	C
US AVERAGE	C	C	C	B	B	B	B	B	B	B	C	C	C	C	C	B	B	B	B	B	B	B	B	B	B

STATE GRADES TABLE

	BUDGET FORECASTING					BUDGET MANEUVERS					LEGACY COSTS					RESERVE FUNDS					TRANSPARENCY				
US 5-YR AVERAGE (GRADE | TREND)	C			IMPROVED		B			IMPROVED		C			IMPROVED		B			IMPROVED		B			IMPROVED	
	FISCAL YEAR					FISCAL YEAR					FISCAL YEAR					FISCAL YEAR					FISCAL YEAR				
STATE	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19
Montana	D	D	D	D	D	A	B	B	B	A	C	C	C	C	C	D	D	D	B	B	B	B	B	B	B
Nebraska	B	B	B	A	A	A	A	A	B	B	A	A	A	A	A	C	C	C	C	C	B	B	B	B	B
Nevada	C	C	C	C	C	B	B	B	B	B	D-	C	C	C	C	B	B	B	B	B	B	B	B	B	B
New Hampshire	D	D	D	D-	D-	B	A	A	B	B	D	D	D	D	D	B	B	B	B	B	B	B	B	B	B
New Jersey	D	D	D	D	D	D	D	D	D	B	D-	D-	D-	D-	D-	B	B	B	B	B	B	B	B	B	B
New Mexico	B	B	B	B	B	B	B	D	D	C	D-	D-	D-	D	D-	B	B	B	B	A	B	B	B	B	B
New York	A	A	A	A	A	C	D	D	D-	D-	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B
North Carolina	A	A	A	A	A	B	B	A	B	A	B	C	B	C	C	C	C	C	A	A	B	B	B	B	B
North Dakota	D-	D-	D-	D-	D-	A	B	B	B	B	C	D	D	D	C	A	A	A	A	A	C	C	C	C	C
Ohio	D	D	D	D	D	B	B	B	D	A	C	C	C	C	C	C	C	C	C	C	B	B	B	B	B
Oklahoma	C	B	B	B	B	B	B	B	B	A	A	A	A	A	A	B	B	A	A	A	B	B	B	B	B
Oregon	C	C	C	C	C	A	A	B	A	A	B	A	A	A	A	B	B	B	B	B	B	B	B	B	B
Pennsylvania	B	B	B	B	B	D	D	D-	D-	D-	D-	D-	D	D	D	B	B	C	C	C	B	B	B	B	B
Rhode Island	A	A	A	A	A	C	C	C	C	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B
South Carolina	A	A	A	A	A	A	A	A	A	A	D	D	D	D	D	B	B	B	B	B	C	C	C	C	C
South Dakota	D	B	B	B	B	A	A	B	A	A	A	A	A	A	A	B	B	B	B	B	B	B	B	B	B
Tennessee	C	C	C	C	C	A	A	A	A	A	B	B	B	B	B	A	A	A	A	A	B	B	A	A	A
Texas	D	D	D	B	B	A	B	B	D	C	D-	D-	D-	D-	D-	A	A	A	A	A	B	B	B	B	B
Utah	C	C	C	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	C	C	C	C	C
Vermont	C	B	B	B	B	B	A	B	B	A	D	D	D	D	D	B	B	B	B	B	B	B	B	B	B
Virginia	B	A	A	A	B	D-	D	C	C	B	D-	D-	D-	C	A	A	A	A	A	A	C	C	C	C	C
Washington	A	A	A	A	A	B	C	B	A	A	C	D-	D	D	B	A	A	A	A	A	B	B	B	B	C
West Virginia	B	B	B	B	B	C	B	C	B	A	C	C	C	A	A	B	B	B	B	B	B	B	B	B	B
Wisconsin	D	D	D	D	D	C	B	B	B	B	A	A	A	A	A	B	B	B	B	B	B	B	B	B	B
Wyoming	B	B	B	B	B	A	B	B	B	A	D-	D-	D-	D-	D-	D	D	C	C	C	C	C	C	C	C
US AVERAGE	C	C	C	B	B	B	B	B	B	B	C	C	C	C	C	B	B	B	B	B	B	B	B	B	B

AREAS OF ANALYSIS

GRADES ASSIGNED TO STATES in each of the five budgetary categories reflect their annual and five-year average performances for fiscal 2015 through 2019. On average, states were graded B in three areas and C in the other two. These are the categories in which the all-state average was B:

Budget maneuvers. While the overall mark was B, the record economic recovery buoyed tax revenues in the five-year study period and enabled seventeen states to achieve top A averages by largely avoiding the use of one-time actions to achieve balance. Only one state, Pennsylvania, was given the lowest grade possible, D-minus, for the study period.

Reserve funds. The recovery also helped many states strengthen rainy day funds and other emergency reserves. Seventeen won A averages and only two—Illinois and Kansas—averaged Ds because of policy deficiencies. None was graded D-minus.

Transparency. A lack of reporting on deferred infrastructure maintenance costs held down states' overall performance, with only three—Alaska, California, and Tennessee—averaging A marks for the period. Arkansas, which was penalized for its lack of comprehensive online budgetary disclosure, was the lowest-graded state, with a D average.

These are the categories in which the all-state average was C:

Budget forecasting. Grades were restrained by a lack of estimates prepared jointly by governors and legislators, as well as by an absence of long-term revenues or expenditures in many states during the study period. Only ten states averaged As, while three, Alabama, Missouri, and North Dakota, posted D-minus marks.

Legacy costs. Trillions of dollars in funding shortfalls in public worker pensions and OPEB, mainly health care, weighed heavily on the category. Only seven states merited A averages. Seven received D-minus marks, the most in any category.

Following is a discussion of the results in each of the evaluated budget categories.

Budget Forecasting

Whether enacted annually or every other year, budgets should ensure that state governments maintain balance between the amount coming into the general fund and the amount going out. (Thirty-one states have annual budgets; nineteen use biennial ones.)[19]

Preserving budgetary balance can be difficult when states lack strong processes for forecasting revenues and expenditures in the coming year or biennium and, ideally, for multiple future years. Inaccurate forecasts can force states to cut spending or increase taxes unexpectedly or to resort to one-time actions to return the budget to balance.

Though forecasting sometimes refers to revenues exclusively, estimating the spending part of the equation is equally important. For example, understanding the affordability of tax cuts, without depending on borrowing or one-time revenues to finance them, is contingent on the state's ability to estimate and control expenditures. Equally important is being able to estimate the impact of changes in the nation's economy on state finances.

With these considerations in mind, the Volcker Alliance sought answers to four questions about the way states estimate future revenues and expenditures. The average five-year grade for the states in this category was C.

BUDGET FORECASTING BASICS When assessing a state's budget forecasting procedures, Volcker Alliance researchers considered these questions:

RESEARCH QUESTIONS	WHY IT'S IMPORTANT
Does the state utilize a consensus revenue estimate for the forthcoming fiscal year or biennium in budget and planning documents?	Consensus revenue estimates are a projection of revenues developed in agreement between the executive and legislative branches, sometimes with input from outside economists or business groups. While this method may not produce forecasts that are more accurate than ones produced solely by the governor's office, it reduces the risk of revenue forecasts being politically manipulated; focuses budgeting on a single, agreed-on revenue figure; and helps policymakers concentrate on spending decisions.
Does the state provide a reasonable, detailed rationale to support revenue growth projections at time of the initial budget?	To help determine the validity of revenue estimates, it is important for states to disclose the methodology used in calculating the figures. For example, without knowing that estimates in energy-producing states such as Wyoming largely depend on severance taxes, the reasoning behind the forecasts is lost.
Does the state utilize multiyear revenue forecasts for at least three full fiscal years in budget and planning documents?	Revenues come mainly from taxes, fees, federal aid, fines, legal settlements, and returns on investment. It is only through a multiyear forecast that a budget shows users how stable the state's revenues are. Such a forecast will indicate gaps that may appear when the current year's budget is based on temporary revenue sources. A multiyear forecast will also reveal the impact of changes in tax law.
Does the state utilize multiyear expenditure forecasts for at least three full fiscal years in budget and planning documents?	States should carefully examine possible contributors to expanding or declining expenditures in future years. A long-term estimate, for example, might consider evidence that a slowing economy could lead to increases in Medicaid caseloads and strain a state's fiscal stability. Such a scenario might suggest a need for spending cuts or tax increases to close future budget deficits.

States that showed improvements in this category include Texas. Since fiscal 2018, the Legislative Budget Board has been required to provide the information necessary to make ten-year forecasts for revenues and expenditures, a somewhat longer period than in most other states.[20] Whether similar long-term projections continue will depend on the legislature's evaluation of the new process.

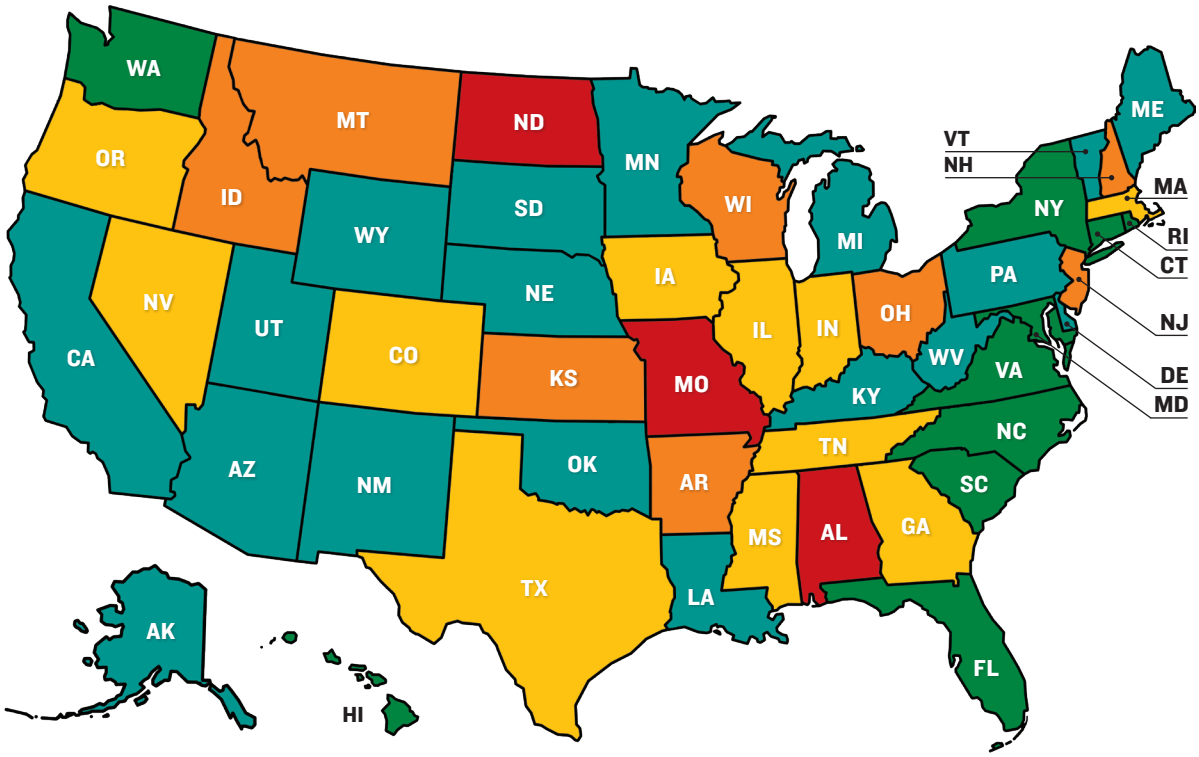
As a result of changes like this, the annual average in this category for all fifty states rose from a C in 2015, 2016, and 2017 to a B in 2018 and 2019.

Budget Forecasting

This table contains assessments of the scope and quality of states' budgetary forecasting for fiscal 2015 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, based on whether they used consensus revenue estimates for the coming year or biennium in budget documents; provided a reasonable, detailed rationale to support revenue growth projections at the time of the initial budget; utilized multiyear revenue forecasts for at least three full fiscal years in budget and planning documents; and utilized multiyear expenditure forecasts for at least three full fiscal years in budget and planning documents.

KEY

GRADE (5-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%



BUDGET FORECASTING

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Connecticut	A	
Florida	A	
Hawaii	A	
Maryland	A	
New York	A	
North Carolina	A	
Rhode Island	A	
South Carolina	A	
Virginia	A	
Washington	A	
Alaska	B	
Arizona	B	
California	B	
Delaware	B	
Kentucky	B	
Louisiana	B	
Maine	B	
Michigan	B	
Minnesota	B	
Nebraska	B	
New Mexico	B	
Oklahoma	B	
Pennsylvania	B	
South Dakota	B	
Utah	B	
Vermont	B	
West Virginia	B	
Wyoming	B	
Colorado	C	
Georgia	C	
Illinois	C	
Indiana	C	
Iowa	C	
Massachusetts	C	
Mississippi	C	
Nevada	C	
Oregon	C	
Tennessee	C	
Texas	C	
Arkansas	D	
Idaho	D	
Kansas	D	
Montana	D	
New Hampshire	D	
New Jersey	D	
Ohio	D	
Wisconsin	D	
Alabama	D-	
Missouri	D-	
North Dakota	D-	
US AVERAGE	C	

Budget Maneuvers

A basic principle of successful budgeting is to pay for annual operating expenditures with revenues generated in the same year. Statutes or constitutional requirements in forty-nine states mandate that budgets must be balanced, while Vermont does so by long-standing tradition. But the ebb and flow of states' economic and budget cycles may push them to use budget maneuvers, or one-time measures, to cover shortfalls.

When revenues lag or expenditures grow unexpectedly, for instance, states may balance budgets by delaying the payment of recurring expenditures into future years or using debt to cover operating costs. One commonly used budget maneuver involves transferring cash from special funds into the general fund. Forty states used this technique in at least one of the fiscal years studied from 2015 through 2019.

The Volcker Alliance posed twelve questions to gauge whether and how states used budget maneuvers. The average category grade for all states was B, with the use of one-time actions decreasing slightly amid the eleven-year economic recovery.

For example, Colorado, which averaged a B in the category, deferred expenditures in 2015–17 but weaned itself from the practice in the following two years. Louisiana, with an average of C, also showed improvements. In 2017, it used several tactics, including spending proceeds of a bond refinancing, to cover operating expenses. The state did not cover operating expenditures with debt in 2018–19.

BUDGET MANEUVERS BASICS **When assessing a state's budget maneuvers, Volcker Alliance researchers considered these questions:**

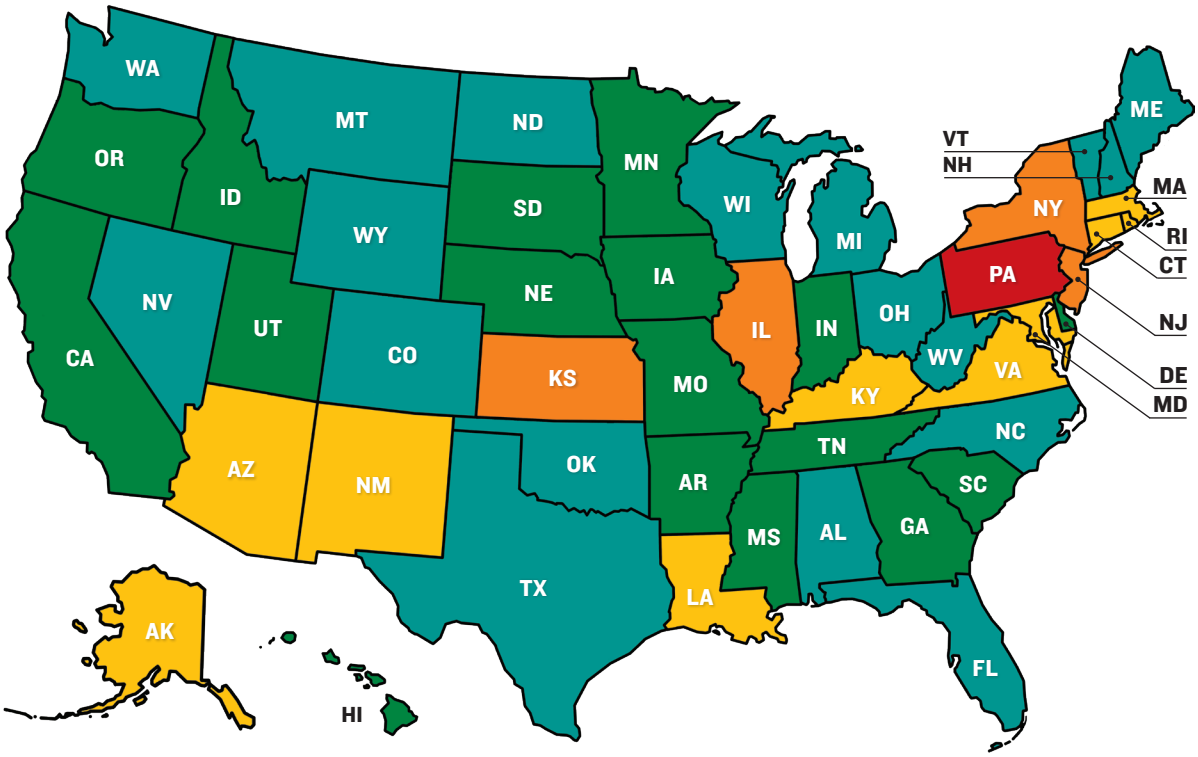
RESEARCH QUESTIONS	WHY IT'S IMPORTANT
Did the state successfully avoid deferring recurring expenditures, excluding those for capital projects, into future fiscal years from the current year?	The high costs of bridges, buildings, and other capital projects suggest that their expense should be spread over assets' useful life by financing them with long-term bonds. But putting off recurring operating expenditures to a future year will only shift them to future budgets, making budgets ever more difficult to balance.
Did the state successfully avoid temporarily shifting costs to counties, municipalities, school districts, or other governments or agencies, or avoid upstreaming cash from any such entity to the state if such shifting or upstreaming is not part of a regular agreement or process? **Did the state successfully avoid utilizing one-time transfers into the general fund from special funds to pay for recurring expenditures?** **Did the state successfully avoid drawing down the rainy day or other budget stabilization reserve funds to pay for recurring expenditures?** **Did the state successfully avoid drawing down the general fund reserve on a budgetary basis to pay for recurring expenditures?**	Temporarily shifting costs from the general fund to other governments or agencies balances the budget but still leaves taxpayers footing the bill. One-time transfers into the general fund from special funds may be impossible to sustain, especially if the special funds are drained.
Did the state successfully avoid utilizing the proceeds of borrowing to pay for recurring expenditures? Are such proceeds counted as revenue for balancing the budget? **Did the state successfully avoid utilizing scoop-and-toss refinancing to raise funds for any current expenditures, including debt service?** **Did the state successfully avoid diverting bond premiums (or other up-front cash flows generated during sales of bonds or other financial transactions) into the general fund or other general revenue account?** **Did the state successfully avoid utilizing pension bond proceeds to make the annual required or actuarially determined contribution to any pension?**	States should avoid using bond premiums, a form of borrowed money, for the general fund or using bonds to make pension payments. Other practices, hazardous for the same reasons, include using up-front funds derived from refinancings to balance current budgets or pushing debt costs into the future to free up revenues to pay current bills.
Did the state successfully avoid utilizing proceeds from material, nonrecurring asset sales (excluding routine disposals of surplus or outdated property) to fund recurring expenditures? **Did the state successfully avoid utilizing up-front proceeds or deferral of up-front costs on financial transactions to fund recurring expenditures?** **Did the state successfully avoid accelerating tax or other revenues from a future year into the current fiscal year to fund recurring expenditures?**	While assets can be sold to pay for recurring expenditures, there is no assurance that other assets will be available for such spending in future years. For example, government buildings that are sold may have to be leased back at taxpayer expense, or tolls may be raised if roads are sold through privatization. Paying for ongoing costs by accelerating revenues or using similar techniques can stress future budgets.

Budget Maneuvers

This table contains assessment of states' use of a range of one-time actions to balance budgets for fiscal 2015 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on their successful avoidance of such techniques. They include deferring recurring expenditures (excluding those for capital projects) into future fiscal years; transfers from special funds to the general fund to cover recurring expenditures; temporarily shifting costs to other governments or agencies, or upstreaming cash from such entities that is not part of a regular process; using proceeds of borrowings, scoop-and-toss refinancings, diverting bond premiums into the general fund, or using bonds to make pension contributions; or using asset sales or other up-front cash flows from financial transactions to the general fund or similar accounts.

KEY

GRADE (5-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%



BUDGET MANEUVERS

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Arkansas	A	
California	A	
Delaware	A	
Georgia	A	
Hawaii	A	
Idaho	A	
Indiana	A	
Iowa	A	
Minnesota	A	
Mississippi	A	
Missouri	A	
Nebraska	A	
Oregon	A	
South Carolina	A	
South Dakota	A	
Tennessee	A	
Utah	A	

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Alabama	B	
Colorado	B	
Florida	B	
Maine	B	
Michigan	B	
Montana	B	
Nevada	B	
New Hampshire	B	
North Carolina	B	
North Dakota	B	
Ohio	B	
Oklahoma	B	
Texas	B	
Vermont	B	
Washington	B	
West Virginia	B	
Wisconsin	B	

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Wyoming	B	
Alaska	C	
Arizona	C	
Connecticut	C	
Kentucky	C	
Louisiana	C	
Maryland	C	
Massachusetts	C	
New Mexico	C	
Rhode Island	C	
Virginia	C	
Illinois	D	
Kansas	D	
New Jersey	D	
New York	D	
Pennsylvania	D-	
US AVERAGE	B	

Legacy Costs

As growing revenues helped bolster revenues, the biggest fiscal issue that continued to confront states' budgetary stability was the $1.3 trillion in unfunded liabilities that they had accumulated in public employee pension systems,[21] in addition to over $600 billion in obligations for other postemployment benefits (OPEB), primarily health care.[22]

Even though the stock market's robust gains from 2016 to 2019 also assisted in increasing funding for retirement plans, any significant market retrenchment will inevitably produce more funding challenges. That is of special concern to states ranking low in the Volcker Alliance's assessment of how governments are dealing with legacy costs when they attempt to balance their budgets.

State and local governments have traditionally offered pension and other retiree benefits to attract and retain employees long term. Yet in weighing the need to fully fund pensions and OPEB against the need to maintain general fund spending on roads, schools, universities, and health care, states may end up taking shortcuts to achieve budgetary balance. When they decide not to pay the full amount that actuaries deem necessary to fund the promised retirement costs of current workers, along with liabilities run up for past underfunding, states push those costs—plus interest—onto future generations.

With these considerations in mind, the Volcker Alliance sought answers to three questions about the way states manage their legacy costs. The average grade for the states in the category was a C.

Some states have made progress. In 2017, for example, Georgia began funding its OPEB in

LEGACY COST BASICS When assessing a state's legacy costs, Volcker Alliance researchers considered these questions:

RESEARCH QUESTIONS	WHY IT'S IMPORTANT
Was the contribution to public employee pension funds effectively 100 percent of the actuarially required or determined (ARC or ADC) amount?	State pension actuaries determine how much each government employer needs to set aside every year to ensure that sufficient assets are available to cover future pension benefits. If a state deposits less than the amount actuaries recommend, future government contributions are likely to rise, limiting states' capacity to pay for essential services.
Was the contribution to public employee other postemployment benefits (OPEB) effectively 100 percent of the ARC or ADC amount?	States have over $600 billion in unfunded OPEB retirement liabilities. These largely stem from promised health care benefits for retired public workers. While states are required to report OPEB liabilities, most pay for retiree health costs, when coverage is offered, on a pay-as-you-go basis. The result is that unfunded liabilities will grow along with the ranks of retired workers.
Was the state's pension funded ratio above 90 percent (for full credit) or above 70 percent (for half credit)?	Even though states may be making the ARC or ADC for pensions, many still have large unfunded liabilities built up from past years. A large accrued debt necessitates spending more on amortization each year.

line with actuarially defined contributions. In 2018, Minnesota benefited from an agreement with retired teachers and local government employees that helped cut the state's unfunded pension liability by $3.4 billion.[23] That helped bring its funding ratio from 63 percent in 2017 to 82 percent in 2018.

THE STATE OF STATE PENSIONS

STATE	UNFUNDED LIABILITY (MILLIONS)*	PENSION FUNDED RATIO 2019
Alabama	$16,993	69%
Alaska	7,394	67
Arizona†	27,467	64
Arkansas	7,144	80
California†	256,523	69
Colorado	25,394	65
Connecticut	36,196	46
Delaware	2,028	83
Florida	46,446	78
Georgia	25,912	79
Hawaii	14,169	55
Idaho	1,017	95
Illinois	145,322	39
Indiana	14,108	69
Iowa	5,963	85
Kansas	8,901	70
Kentucky	29,743	45
Louisiana	18,412	67
Maine	2,809	84
Maryland	21,558	72
Massachusetts	39,848	59
Michigan	41,413	61
Minnesota	15,309	82
Mississippi	17,771	62
Missouri	17,100	78
Montana	4,509	73
Nebraska	$1,187	93%
Nevada	13,649	76
New Hampshire	4,856	66
New Jersey	124,830	40
New Mexico	14,199	67
New York	8,762	96
North Carolina	13,243	88
North Dakota	2,544	70
Ohio	54,833	78
Oklahoma	7,920	81
Oregon	17,298	80
Pennsylvania	64,961	58
Rhode Island	5,558	56
South Carolina	26,005	55
South Dakota	−11	100
Tennessee†	2,857	94
Texas	83,854	69
Utah	3,198	92
Vermont	2,575	64
Virginia	23,555	77
Washington	3,839	96
West Virginia	3,189	84
Wisconsin	−3,224	103
Wyoming	2,770	77
US TOTAL	**$1,331,898**	**71%**
US MEDIAN	**$14,139**	**72%**

*Net pension liability, 2019.

†Pension funded ratio is based on Governmental Accounting Standards Board (GASB) Statement No. 25; those not noted are based on GASB Statement No. 67.

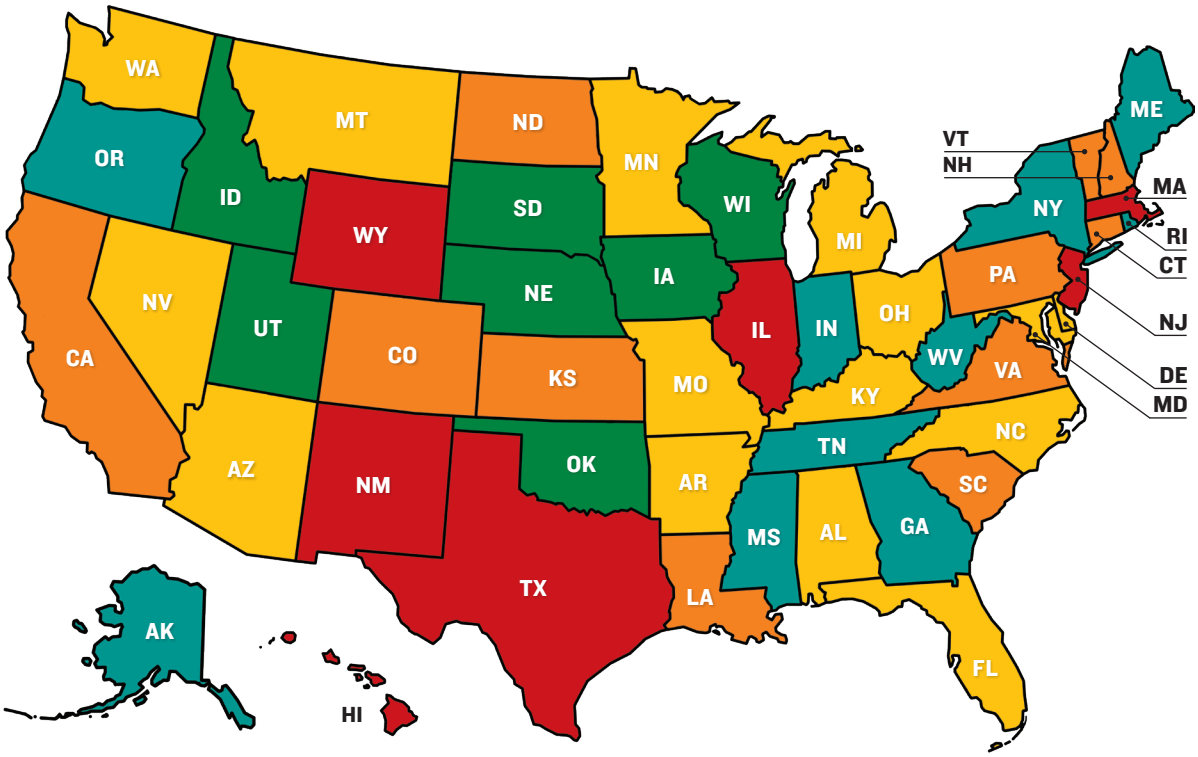
SOURCE Bloomberg.

Legacy Costs

This table contains assessments of states' ability to meet promises made to public employees for pensions and other retirement costs for fiscal 2015 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on whether their contributions to public employee pension funds were effectively 100 percent of the actuarially required or determined contributions (ARC or ADC), adjusted for any unfunded liabilities; and whether their contributions to any public employee other postemployment benefit (OPEB) plans were effectively 100 percent of the ARC or ADC.

KEY

GRADE (5-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%



LEGACY COSTS

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Idaho	A	
Iowa	A	
Nebraska	A	
Oklahoma	A	
South Dakota	A	
Utah	A	
Wisconsin	A	
Alaska	B	
Georgia	B	
Indiana	B	
Maine	B	
Mississippi	B	
New York	B	
Oregon	B	
Rhode Island	B	
Tennessee	B	
West Virginia	B	

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Alabama	C	
Arizona	C	
Arkansas	C	
Delaware	C	
Florida	C	
Kentucky	C	
Maryland	C	
Michigan	C	
Minnesota	C	
Missouri	C	
Montana	C	
Nevada	C	
North Carolina	C	
Ohio	C	
Washington	C	
California	D	
Colorado	D	

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Connecticut	D	
Kansas	D	
Louisiana	D	
New Hampshire	D	
North Dakota	D	
Pennsylvania	D	
South Carolina	D	
Vermont	D	
Virginia	D	
Hawaii	D-	
Illinois	D-	
Massachusetts	D-	
New Jersey	D-	
New Mexico	D-	
Texas	D-	
Wyoming	D-	
US AVERAGE	C	

Reserve Funds

Rainy day funds—sometimes called budget stabilization funds—are an essential tool to help states weather the ups and downs of the fiscal cycle. Like positive general fund balances at the beginning of each fiscal year, rainy day funds contain cash purposefully set aside for states to turn to in fiscal or other emergencies. From 2015 through 2019, many states poured cash into these funds, putting them at an all-time high of $79 billion.[24]

The existence of a rainy day fund isn't enough to ensure that it will be available to use when necessary, though. Setting conditions for withdrawals helps prevent elected officials from using these dollars to finance the politically popular program of the moment. Statutes or other rules about replenishing rainy day funds help ensure that they are refilled after they are tapped and that they keep growing until needed again.

It's also helpful for states to tie rainy day fund deposits and balances to measures of revenue volatility. States that see wild swings in income are somewhat more likely to find themselves requiring extra dollars to help them when they are hit by nearly inevitable downturns in revenues.

RAINY DAY FUND BASICS When assessing a state's rainy day funds and budgetary reserves, Volcker Alliance researchers considered these questions:

RESEARCH QUESTIONS	WHY IT'S IMPORTANT
Were state reserve funds greater than $0 on the first day of the fiscal year?	Particularly in economic downturns, raising taxes or cutting programs can be politically and economically perilous. One alternative is to fill the gap temporarily with money retained in a general fund balance or rainy day fund. Doing so might allow a state to avoid even less sustainable one-time solutions.
Does the state have a policy (set by constitution, referendum, statute, or other formal rule) for the use of rainy day funds?	Without a clear policy governing the use of reserves, they can turn into slush funds to be spent at legislators' whim. States should have policies governing when and how reserves can be tapped for natural disasters and when the economy slumps, tax revenues drop, and rising unemployment creates higher demand for state services.
Does the state have a policy (set by constitution, referendum, statute, or other formal rule) for the replenishment of rainy day funds?	If rainy day funds are used to help deal with emergencies, unexpected expenses, or revenue shortfalls, states need to follow guidelines to ensure that the cash is replaced. Without replenishment policies, states risk facing the next economic downturn with minimal financial cushion to help sustain operations.
Is the state's targeted rainy day fund balance specifically tied to the historical trend of revenue volatility? **Are deposits into the state's rainy day fund specifically tied to the historical trend of revenue volatility?**	States with less volatile revenues can sensibly establish smaller reserves than those in which revenue fluctuations are more frequent and more dramatic.

With these considerations in mind, the Volcker Alliance sought answers to a series of questions about the way states manage their rainy day funds. The average five-year grade for the states in this category was a B.

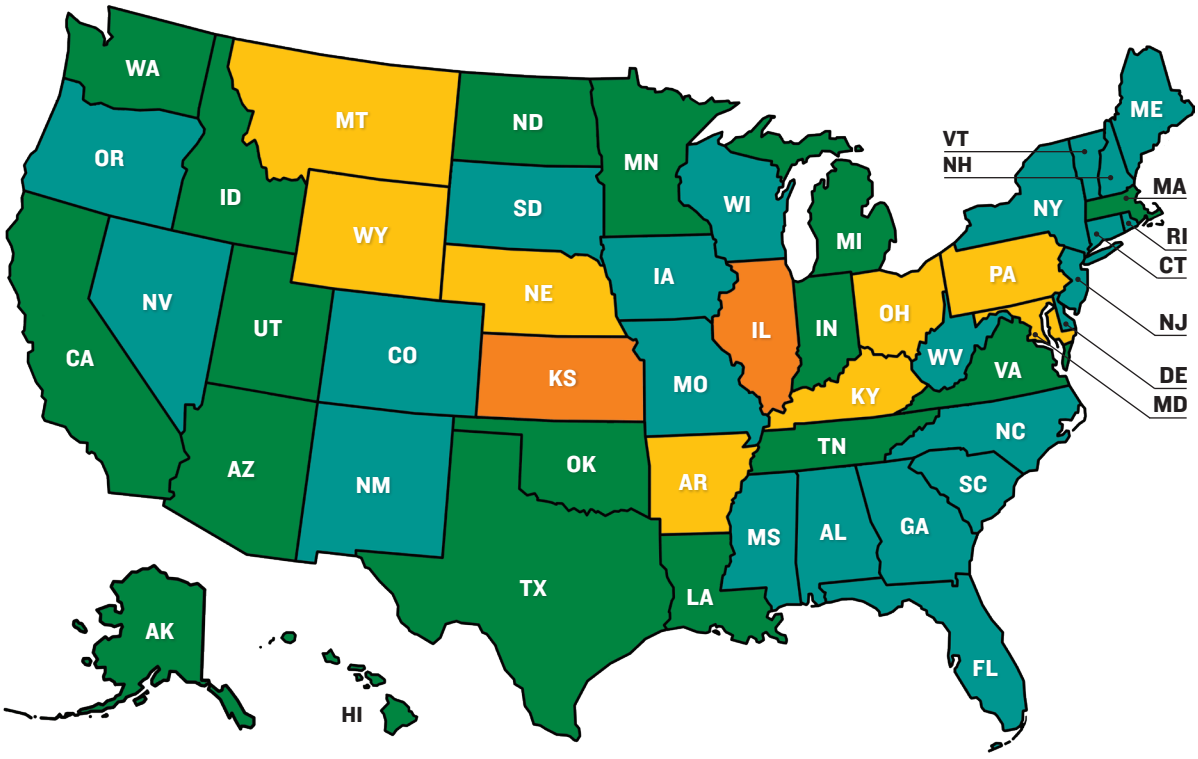
North Carolina, with a five-year B average in this category, showed some of the most dramatic improvement. In 2018, it began to provide guidance for withdrawing money from its Savings Reserve Account, in addition to tying rainy day fund deposits to revenue volatility.[25] As a result, its grade rose to an A in 2018 and 2019 from a C in each of the previous three years.

RESERVE FUNDS

This table contains assessments of states' balances and policies for reserve funds for fiscal 2015 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on whether they had policies (set by constitution, referendum, statute, or other formal rule) for the use and replenishment of rainy day funds; whether the rainy day fund balance (or contribution) was specifically tied to the historical trend of revenue volatility; and whether the rainy day fund or general fund balances were greater than zero on the first day of the fiscal year.

KEY

GRADE (5-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%



RESERVE FUNDS

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Alaska	A	
Arizona	A	
California	A	
Hawaii	A	
Idaho	A	
Indiana	A	
Louisiana	A	
Massachusetts	A	
Michigan	A	
Minnesota	A	
North Dakota	A	
Oklahoma	A	
Tennessee	A	
Texas	A	
Utah	A	
Virginia	A	
Washington	A	

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Alabama	B	
Colorado	B	
Connecticut	B	
Delaware	B	
Florida	B	
Georgia	B	
Iowa	B	
Maine	B	
Mississippi	B	
Missouri	B	
Nevada	B	
New Hampshire	B	
New Jersey	B	
New Mexico	B	
New York	B	
North Carolina	B	
Oregon	B	

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Rhode Island	B	
South Carolina	B	
South Dakota	B	
Vermont	B	
West Virginia	B	
Wisconsin	B	
Arkansas	C	
Kentucky	C	
Maryland	C	
Montana	C	
Nebraska	C	
Ohio	C	
Pennsylvania	C	
Wyoming	C	
Illinois	D	
Kansas	D	
US AVERAGE	B	

Transparency

States must disclose more than revenues and expenditures for policymakers, advocates, and citizens to understand the risks to fiscal stability that states may face in years to come. Consolidated websites containing an array of disclosures are perhaps the most important way a state can offer a full range of data necessary to interpret budgets. Arkansas is the lone state lacking this vital communication platform. But while states averaged a B in transparency for fiscal 2015 through 2019, many still have room to improve the quantity and quality of budgetary information provided to the public. To measure states' commitment to budgetary transparency, the Volcker Alliance sought answers to four questions.

Among transparency actions investigated were tax expenditures. While they are often used to attract new businesses or exempt items such as food or clothing from state levies, tax exemptions, abatements, or credits may deprive a state of revenues that may be needed currently or in the future. While states should comprehensively disclose the nature and value of tax expenditures in budget or related documents, eight fail to do so regularly.

Omitting deferred costs of maintaining infrastructure such as roads, bridges, and buildings is another significant shortcoming. While every state provides tables to show how much has been borrowed, often for infrastructure projects, only five provided data on accumulated deferred maintenance costs as of 2019: Alaska, California, Hawaii, Illinois, and Tennessee.

BUDGET TRANSPARENCY BASICS When assessing a state's transparency, Volcker Alliance researchers considered these questions:

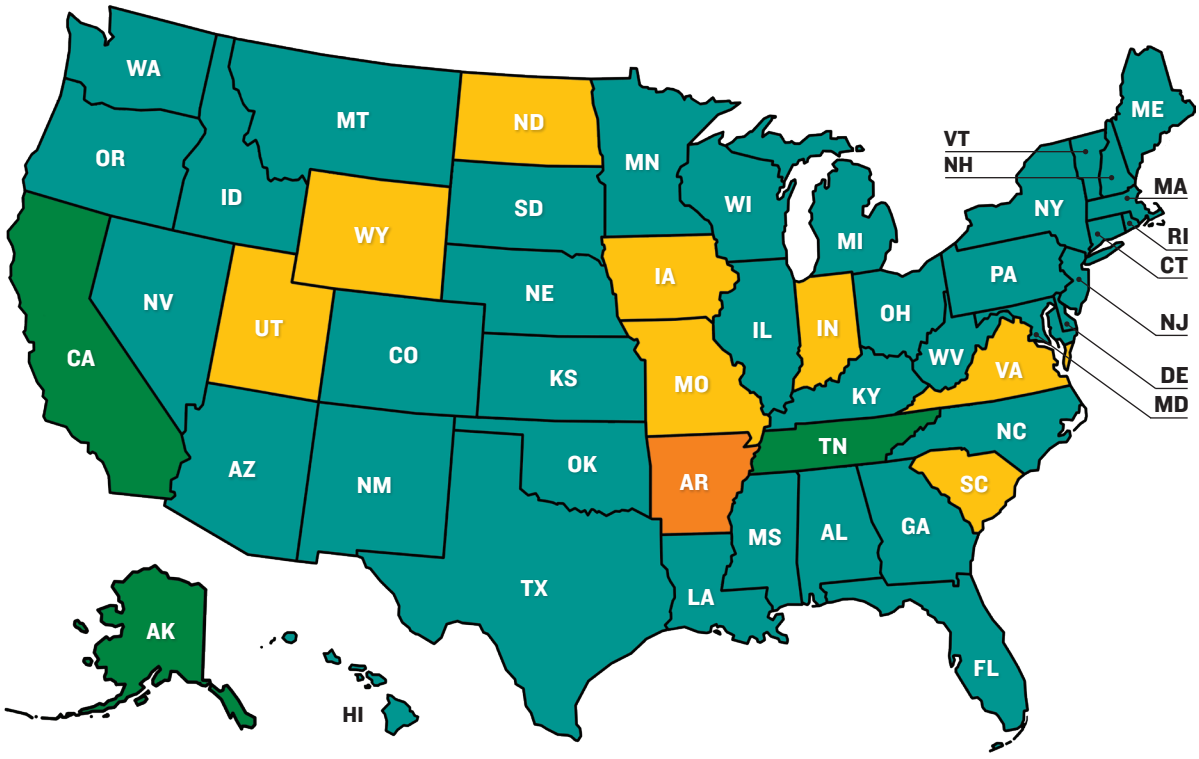
RESEARCH QUESTIONS	WHY IT'S IMPORTANT
Does the state have a consolidated website or set of related sites that provide budget and supplemental data?	Complete and useful information about a state's budget and budgetary processes is critical for policymakers, policy advocates, and citizens. Much of this information is now available on government websites.
Does the state provide tables listing outstanding debt and debt service costs, as well as provide information on any legal debt limits?	Clear disclosure of the amount of a state's debt is essential to understanding its fiscal health and the burden that borrowing may place on the budget. Excessive debt levels increase principal and interest payments, may lead to lower credit ratings, and squeeze the government's ability to spend on education, infrastructure, or other needs.
Is the estimated cost of the deferred infrastructure maintenance liability for all the state's capital assets disclosed in budget and planning documents?	Most states fail to disclose the estimated cost of deferred infrastructure maintenance. This is a liability like underfunded pension costs. While many governors have acknowledged the importance of spending more on infrastructure, it is difficult to persuade taxpayers and legislators that this is a critical issue as long as basic cost data are not included in budgetary or related documents.
Does the state provide an annual or biennial tax expenditure budget (or similar description) of the cost of any tax exemptions, credits, and abatements?	Many states use tax exemptions, credits, and abatements to attract or retain economic development and jobs; harmonize state and federal tax codes; or lower the cost of food, clothing, or other basic consumer goods. A dearth of data on such expenditures makes it difficult for policymakers to consider their benefits versus their costs.

TRANSPARENCY

This table contains assessments of states' actions to promote greater transparency of their budget and related information for fiscal 2015 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on whether they had a consolidated website or set of related sites providing budget and supplemental data; provided tables listing outstanding debt, debt service costs, and information on any legal debt limits; disclosed the estimated cost of the deferred infrastructure maintenance liability for all capital assets as part of budget and planning documents; and provided an annual or biennial tax expenditure report in budget documents or through other agencies.

KEY

GRADE (5-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%



TRANSPARENCY

STATE	GRADE	TREND
	5-YEAR AVERAGE	FISCAL YEAR '15 '16 '17 '18 '19
Alaska	A	
California	A	
Tennessee	A	
Alabama	B	
Arizona	B	
Colorado	B	
Connecticut	B	
Delaware	B	
Florida	B	
Georgia	B	
Hawaii	B	
Idaho	B	
Illinois	B	
Kansas	B	
Kentucky	B	
Louisiana	B	
Maine	B	
Maryland	B	
Massachusetts	B	
Michigan	B	
Minnesota	B	
Mississippi	B	
Montana	B	
Nebraska	B	
Nevada	B	
New Hampshire	B	
New Jersey	B	
New Mexico	B	
New York	B	
North Carolina	B	
Ohio	B	
Oklahoma	B	
Oregon	B	
Pennsylvania	B	
Rhode Island	B	
South Dakota	B	
Texas	B	
Vermont	B	
Washington	B	
West Virginia	B	
Wisconsin	B	
Indiana	C	
Iowa	C	
Missouri	C	
North Dakota	C	
South Carolina	C	
Utah	C	
Virginia	C	
Wyoming	C	
Arkansas	D	
US AVERAGE	B	

FIFTY STATE REPORT CARDS

THE REPORT CARDS THAT FOLLOW contain each state's average grades in all five budgetary categories for fiscal 2015 through 2019, along with their annual marks. The report cards also contain explanations of the principal drivers of each state's grades, as well as comparisons with results in neighboring states.

ALABAMA Budget Report Card

ALABAMA'S EFFORTS TO AVOID deficit spending helped it win B averages for fiscal 2015 through 2019 in budget maneuvers, reserve funds, and transparency, but did not prevent the state from earning lower grades in two other categories.

Alabama is among a handful of states that use two separately financed budgets for operating expenditures, a practice established in 1927. Its general fund is relatively small, supporting programs such as Medicaid, public health, and courts, and receiving about 20 percent of state tax revenue from sources including levies on oil and gas production and on cigarettes. Income and sales taxes flow into an education fund, which is over three times the size of the general fund. When revenues fall short of estimates in either area, the governor must cut spending in affected funds.

Over the five years studied, Alabama's use of budget maneuvers—or one-time revenue or expenditure decisions—was modest for the education and general funds. The state's B average in the category resulted from revenue shifts in 2015–18, including $146 million borrowed in 2015 from the Alabama Trust Fund, which captures revenues from sales of offshore drilling rights and royalties on natural gas production.

The state's education rainy day and budget stabilization funds and its General Fund Rainy Day Account have disbursement and replenishment policies. The combined reserve totaled $848 million in 2019, equivalent to 9.7 percent of combined general fund and education expenditures. Even with the cash cushion, Alabama averaged a B in reserve funds, missing an A because it does not connect funding policies with historical revenue volatility.

In budget forecasting, Alabama was one of only three states averaging a D-minus, the lowest possible grade. The governor and legislature do not use the consensus method to establish revenue estimates; projections for revenues or expenditures fail to extend beyond the current budget; and information to explain revenue forecasts is lacking in budget documents.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	C	B	B
Kentucky	B	C	C	C	B
Mississippi	C	A	B	B	B
Tennessee	C	A	B	A	A
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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ALABAMA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D-	D-					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✗	✗	✗	✗	✗					
5-YEAR AVERAGE D-						●	●	●	●	●

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	C	B	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					●
Revenue and Cost Shifting	✗	✗	✗	✓	✓	●	●		●	
Funding Recurring Expenditures with Debt	✓	✓	✗	✗	✓			●		
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	C	C	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓			●	●	
Public Employee Pension Funded Ratio*	67%	67%	71%	72%	69%	●	●			●
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓			●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●			
Discloses Tax Expenditures	✗	✗	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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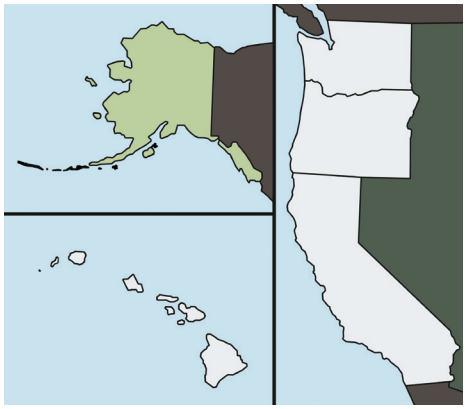
ALASKA Budget Report Card



TAXES AND ROYALTIES on crude oil production generate as much as 90 percent of Alaska's unrestricted general fund revenues. The uncertainty of oil prices upon which it depends gives the state one of the nation's most volatile income streams. During the study period, from fiscal 2015 through 2019, crude prices nearly doubled, to $73 per barrel, before starting a long slide that lasted well into 2020. The wild price swings have made budgeting difficult in Alaska, which has no personal income or sales taxes to offset energy price dips.

The volatility has led Alaska to rely on budget maneuvers to achieve balance when times are tight; its use of those one-time actions has garnered the state a C average in the category. Among tactics used in 2019 were delaying Medicaid reimbursements and disbursements of tax credits for oil and gas exploration.

Its top A average for reserve funds reflects the flush coffers that enabled the state to finance budget maneuvers. Though the combined balance in Alaska's Statutory Budget Reserve and Constitutional Budget Reserve declined from $10.4 billion in 2015 to $2.3 billion in 2019, the total was still far higher than other states' reserves, representing 46.8 percent of general fund expenditures. The state also boasts strong policies for governing the disbursement and replenishment of reserve funds, and it considers historical revenue volatility in managing reserves.

Alaska averaged a B in budget forecasting. It does not use the consensus method of revenue estimation, but it has an unusually long financial period—ten years—for expenditure and revenue forecasts. While volatility makes it difficult to produce accurate projections, the long-term outlook provides important information for budgetary options in a volatile revenue environment. Alaska won an A in transparency and was one of only five states to report deferred infrastructure maintenance costs in 2019.

PACIFIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	C	B	A	A
California	B	A	D	A	A
Hawaii	A	A	D-	A	B
Oregon	C	A	B	B	B
Washington	A	B	C	A	B
US AVERAGE	C	B	C	B	B

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ALASKA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	C	C	C	B					
Deferring Recurring Expenditures	✓	✗	✗	✗	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗	●				●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓		●	●	●	
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE C										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	67%	63%	67%	68%	67%					
5-YEAR AVERAGE B										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consolidated Budget Website	✓	✓	✓	✓	✓	●	●	●	●	●
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✓	✓	✓	✓	✓					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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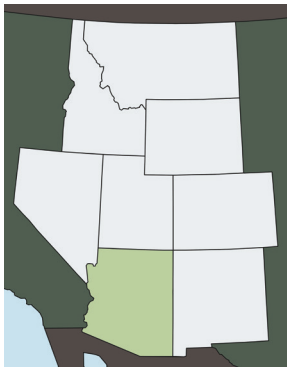
ARIZONA Budget Report Card



ARIZONA'S C AVERAGE in budget maneuvers for fiscal 2015 through 2019 shows that the state has failed to wean itself from practices that push recurring expenditures into the future to achieve balance. The state began rolling over payments to school districts about a dozen years ago and did not cease doing so in the study period, which contributed to its C average in budget maneuvers. The maneuver shifted about $931 million of scheduled spending from fiscal 2018 into fiscal 2019 and deferred the same amount again from 2019 to 2020. Another frequently used maneuver: shifting revenues from special funds to the general fund to maintain balance. In 2019, Arizona made $204 million of such transfers.

The state also posted a C average in legacy costs, which includes funding of public worker pensions and other postemployment benefits (OPEB), primarily health care. Over the five years studied, Arizona made an actuarially determined OPEB contribution only once, in 2015. Its 2019 pension funding ratio was 64 percent, 7 points below the total for all states.

In contrast, solid reserve fund policies earned Arizona its sole top A average. It is one of twenty states to consider revenue volatility in the policies that guide its Budget Stabilization Fund. Arizona's two B averages were in budget forecasting and transparency. In the former, it failed to use the consensus method of revenue forecasting: Although the state's Joint Legislative Budget Committee produces revenue projections, the governor and legislature are not required to accept them.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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ARIZONA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Deferring Recurring Expenditures	✗	✗	✗	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	●	●	●	●	●
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	C									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	D	D	D	D					
Public Employee OPEB Funding	✓	✗	✗	✗	✗	●				
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	70%	68%	63%	64%	64%		●	●	●	●
5-YEAR AVERAGE	C									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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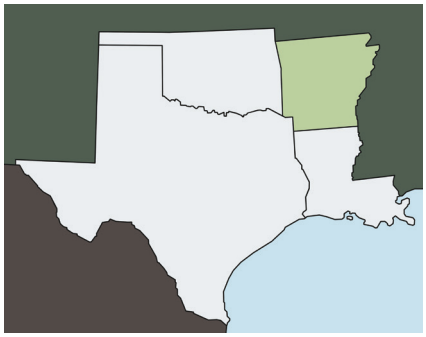
ARKANSAS Budget Report Card



ARKANSAS STANDS APART from most states in its poor grades for budget transparency in fiscal 2015 through 2019. Its category average of D, the second-lowest mark, reflects its position as the only state that fails to present budgetary material on a consolidated website. The shortcoming deprives legislators, residents, and other interested parties of the clear display of budgetary information needed to guide decision-making. The transparency grade was tempered slightly by Arkansas's effort to report on tax expenditures beginning in 2018, when it first provided information about business incentives and credits. The next year, a new state law required biennial reporting of the costs of any income or sales and use tax exemptions, discounts, credits, and deductions.

Another category in which Arkansas is nearly alone is reserve funds, because it lacks policies for replenishing its rainy day account after drawdowns. Only Kansas has the same shortcoming. This deficiency limited Arkansas's average grade for reserve funds to a C. It is also one of only six states to have had less than $200 million in its rainy day account in 2019, and the Long Term Reserve Fund was empty in 2015 and 2016.

Like twenty-six other states, Arkansas failed to make actuarially determined annual contributions for other postemployment benefits (OPEB), mostly health care. As a result, although its public worker pensions were funded at 80 percent in 2019, 9 percentage points above the total for all states, Arkansas averaged a C in legacy costs.

The state's sole top A average was in budget maneuvers. While it shifted rainy day fund assets into its highway fund in 2019—a one-time action designed to help the account get federal matching dollars—the maneuver was not large enough to diminish its average.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	A	C	C	D
Louisiana	B	C	D	A	B
Oklahoma	B	B	A	A	B
Texas	C	B	D-	A	B
US AVERAGE	C	B	C	B	B

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ARKANSAS Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE	D									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	
Revenue and Cost Shifting	✓	✓	✗	✓	✗			●		●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	82%	74%	77%	81%	80%	●	●	●	●	●
5-YEAR AVERAGE	C									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✗	✗	✗	✗	✗	●	●	●	●	●
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	C									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	C	C					
Consolidated Budget Website	✗	✗	✗	✗	✗					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗				●	●
Discloses Tax Expenditures	✗	✗	✗	✓	✓	●	●	●		
5-YEAR AVERAGE	D									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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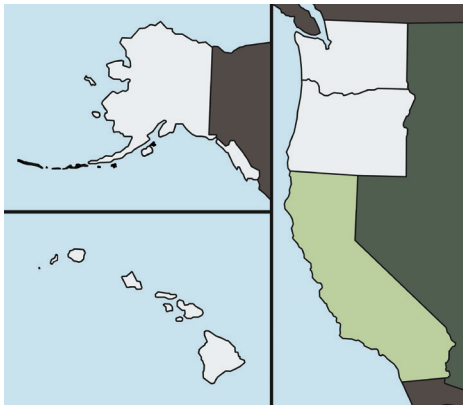
CALIFORNIA Budget Report Card



CALIFORNIA BEGAN A MASSIVE fiscal turnaround in 2015, when it paid off the last of the $15 billion in bonds it issued in 2004 to help cover a $35 billion budget shortfall. The improvement helped the nation's most-populous state achieve A or B budgetary averages in all but one category for 2015 through 2019.

In reserve funds, California was among seventeen states winning A averages. The state was first credited with linking revenue volatility to reserve fund policies in 2016, after voters approved a constitutional requirement to set aside deposits equal to 1.5 percent of general fund revenues plus any capital gains tax proceeds exceeding 8 percent of general revenues. As of fiscal 2019, the state had $21 billion in its reserve funds, equivalent to 15 percent of general fund expenditures—potentially enough to weather a recession with minimal program cuts.

California was also one of seventeen states scoring an A average in budget maneuvers. From 2015 through 2019, it avoided common measures of masking budgetary imbalances, such as deferring expenditures, shifting revenues or costs, using debt to cover operating costs, or tapping other one-time revenues to support ongoing spending.

The one exception to its high marks was the legacy costs category, in which California averaged a D despite a decade of economic recovery. In 2018–19, the state failed to pay the actuarially determined contributions for public employee pension plans and other postemployment benefits (OPEB), primarily health care. Its pension funding ratio was 69 percent in 2019, 2 percentage points below the total for all states.

PACIFIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	C	B	A	A
California	B	A	D	A	A
Hawaii	A	A	D-	A	B
Oregon	C	A	B	B	B
Washington	A	B	C	A	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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CALIFORNIA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	D	D	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✗	✗	●	●			
Public Employee Pension Funded Ratio*	74%	70%	67%	68%	69%			●		
5-YEAR AVERAGE	D								●	●

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓		●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●				
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consolidated Budget Website	✓	✓	✓	✓	✓	●	●	●	●	●
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✓	✓	✓	✓	✓					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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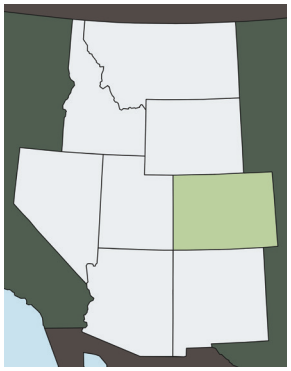
COLORADO Budget Report Card



TWENTY YEARS AGO, Colorado's state worker pension was 99 percent funded. But in following years the funding ratio slipped below 60 percent as benefits were increased, investment returns did not hit expected levels, and the state's annual contributions fell short of those recommended by actuaries.

These practices contributed to Colorado's below-average pension funding ratio and to its D average in legacy costs for fiscal 2015 through 2019. But legislators set the stage for improvement in 2018, when they began to phase in hikes in the retirement age for future retirees, increases in annual contributions for employers and workers, and reductions in cost-of-living benefit raises. These steps helped raise the pension funding ratio from 59 percent in 2018 to 65 percent in 2019. What saved Colorado from a bottom-dwelling D-minus average was its funding of other postemployment benefits (OPEB), primarily health care, in line with actuarial recommendations in all five years studied.

While Colorado failed to receive an A average in any area, it took Bs in budget maneuvers, reserve funds, and transparency. In budget maneuvers, the state lessened use of one-time actions to achieve balance. For example, in 2018, its university system stopped relying on a one-day shift in payroll obligations from one fiscal year to the next, the practice followed in 2015–17.

Although Colorado does not have an official rainy day fund, it has policies similar to those in other states for using and replenishing general fund balance. It does not consider revenue volatility in policies governing the fund balance, however, a shortcoming shared by twenty-nine other states.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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COLORADO Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	C									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	B	A					
Deferring Recurring Expenditures	✗	✗	✗	✓	✓					●
Revenue and Cost Shifting	✗	✗	✗	✗	✓				●	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	●	●	●		
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	60%	46%	47%	59%	65%	●	●	●	●	●
5-YEAR AVERAGE	D									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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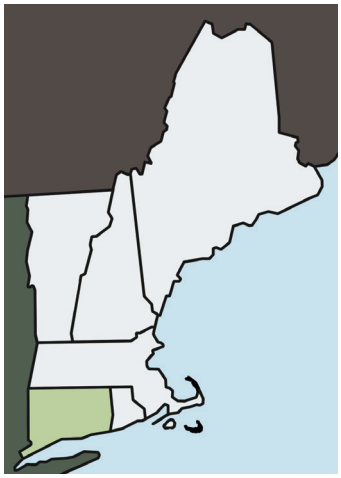
CONNECTICUT Budget Report Card



CONNECTICUT'S ROBUST budget forecasting procedures for fiscal 2015 through 2019 merited an A average, making it one of only ten states to achieve the top mark in the category.

The state's consensus revenue estimating process requires the governor and legislature to agree on projections and the reasoning behind them each November, with updates, if necessary, in January and April. The executive branch supports the estimates with analyses of economic indicators and sectors prepared by the Office of Policy and Management. This information is included in the state's biennial budget. Connecticut also provides revenue and expenditure projections for three years beyond the current budget, a best practice.

The state's average mark in reserve funds was a B, reflecting 2017 legislation that added consideration of revenue volatility to rainy day fund policy. The law provides that personal income tax collections over a certain amount be deposited into the Budget Reserve Fund, with a cap set at $3.1 billion for fiscal 2019. Its reserves are particularly important, as Connecticut has a volatile revenue structure due to its progressive income tax.

In contrast to its budget forecasting and reserve fund marks, Connecticut averaged a D, the second-lowest mark, in legacy costs. These include public worker pensions and other postemployment benefits (OPEB), primarily health care. Its 2019 pension funding level was 46 percent, 25 percentage points below the total for all states. Only Illinois, Kentucky, and New Jersey had lower funding levels. Connecticut finances OPEB on a pay-as-you-go basis rather than making actuarially determined contributions to finance benefits.

NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	B	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	B	D	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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CONNECTICUT Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	D					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✗	✗	✗	✗	✗	●	●	●	●	
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✗					●
5-YEAR AVERAGE C										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	50%	44%	44%	46%	46%	●	●	●	●	●
5-YEAR AVERAGE D										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓				●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●		
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✓	✓					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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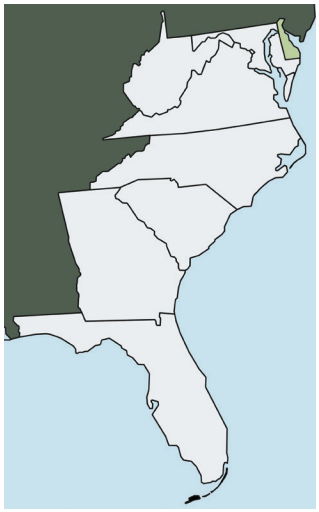
DELAWARE Budget Report Card



DELAWARE'S REVENUE RECOVERY trailed those of many other states in the later years of the recovery from the Great Recession. In fiscal 2019, for example, revenues rose by 4.5 percent versus the national average of 6.3 percent. Unlike some neighbors, however, Delaware was not tempted into using budget maneuvers to achieve balance. As a result, it was one of seventeen states to win a top A average in the category from fiscal 2015 through 2019.

Its avoidance of maneuvers was buttressed by the addition in 2018 of multiyear expenditure forecasts to budget documents, giving it a B average in budget forecasting. Its lowest average grade was a C in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care. The mark reflected the state's practice of funding OPEB annually on a pay-as-you-go basis and not according to an actuarially determined amount. In contrast, Delaware's pension was consistently funded in line with actuarial recommendations.

Delaware posted B averages in reserve funds and transparency. Its policies for using and replenishing the Budget Reserve Account helped the fund grow by small amounts in each year from 2015 through 2019, when it totaled $240 million, equivalent to 5.5 percent of general fund expenditures. Its shortcoming was a failure to link the fund to historical revenue volatility, an element also missing in twenty-nine other states. The transparency grade resulted from Delaware's failure to report deferred infrastructure maintenance costs in budget documents, a shortcoming shared by forty-four other states.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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DELAWARE Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓				●	●
Multiyear Expenditure Forecasts	✗	✗	✗	✓	✓	●	●	●		
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	89%	81%	83%	85%	83%	●	●	●	●	●
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

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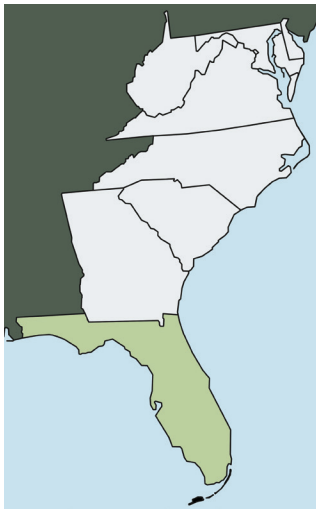
FLORIDA Budget Report Card



FLORIDA WAS A MODEL of consistency, with solid average grades in four of the five budget categories studied in fiscal 2015 through 2019.

The state's top A average in budget forecasting was buoyed by a long-standing process for consensus revenue estimating that includes the executive branch and representatives from both legislative chambers. Its expenditure forecasting is particularly detailed, with the Office of Economic and Demographic Research providing five-year projections of costs for social services, Medicaid, corrections, and other expenditures. Longer-range financial projections are also used to map out critical needs, forecast risks, and budget drivers.

Florida scored B averages in budget maneuvers, reserve funds, and transparency. The state eschewed most budget maneuvers—one-time actions to achieve balance—with the exception of shifting trust fund money into the general fund. In the reserve funds category, policies for withdrawing from the Budget Stabilization Fund and keeping it stocked are defined by law. Like twenty-nine other states, Florida does not consider revenue volatility in reserve policies. In legacy costs, including public worker pensions and other postemployment benefits (OPEB), primarily health care, the state averaged a C. Florida was among thirty states with annual funding in line with actuarial recommendations for pensions each year from 2015 through 2019. The pension funding ratio in fiscal 2019 was 78 percent, 7 percentage points above the total for all states. The state does not fund OPEB on an actuarial basis.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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FLORIDA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗	●	●	●	●	●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	86%	79%	79%	80%	78%	●	●	●	●	●
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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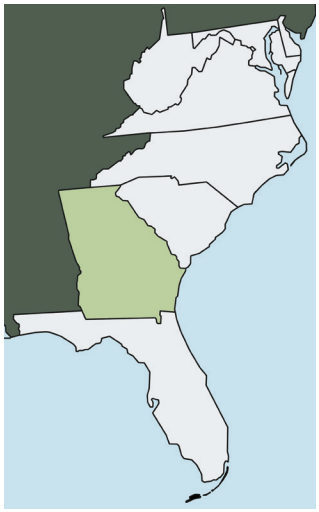
GEORGIA Budget Report Card



GEORGIA RECEIVED AVERAGE GRADES of B or higher for fiscal 2015 through 2019 in four of the five categories covered. The one exception was its C in budget forecasting. Unlike twenty-nine states that use the consensus method of revenue forecasting, Georgia's estimates are produced by the state fiscal economist, who is appointed by the governor. Budgets built on the economist's estimates offer no information about how they were calculated.

The best showing in Georgia's report card was its top A average in budget maneuvers. With a healthy economy and diversified tax structure, the state avoided common actions to achieve balance, such as shifting money from special funds into the general fund, deferring expenditures, or using other one-time revenues for recurring expenditures.

The state averaged a B in legacy costs, including funding of public worker pensions and other postemployment benefits (OPEB), primarily health care. It provided annual pension contributions in line with actuarial recommendations in all years studied but applied the same standard to OPEB only in 2017–19. Its pension was 79 percent funded in 2019, 8 percentage points above the total for all states.

Georgia, which has withdrawal and replenishment policies for its Revenue Shortfall Reserve, averaged a B in the reserve funds category. Any general fund surplus at the end of the fiscal year must be added to the reserve, which held $2.8 billion, or 11 percent of expenditures, in 2019. Georgia does not consider historical revenue volatility in reserve fund policies.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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GEORGIA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue Growth Projections	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	C									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	A	A	A					
Public Employee OPEB Funding	✗	✗	✓	✓	✓			●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	81%	76%	79%	80%	79%	●	●			
5-YEAR AVERAGE	B									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

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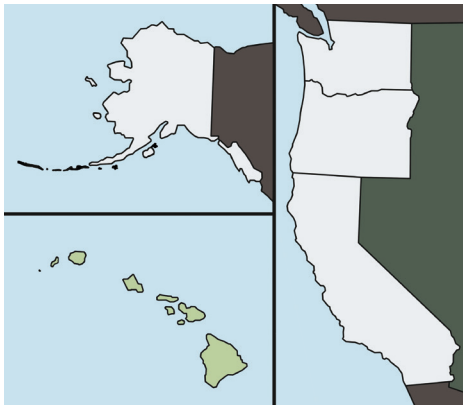
HAWAII Budget Report Card



HAWAII WON TOP A average grades for fiscal 2015 through 2019 in three categories: budget forecasting, budget maneuvers, and reserve funds. It joined California, Idaho, Tennessee, and Utah as the only states to collect three A averages.

In reserve funds, Hawaii was notable for clear statutes that govern the replenishment of its emergency and budget reserve fund. For example, at year-end, 5 percent of the state's general fund balance must be transferred to the reserve when general fund revenues for two consecutive years exceed the previous year's general fund revenues by that amount. This policy helped Hawaii amass a $378 million rainy day fund balance at the end of fiscal 2019, equivalent to 4.8 percent of general fund expenditures—up significantly from 2015, when the fund held $90 million or 1.4 percent of expenditures.

Hawaii was one of seventeen states to earn an A average in budget maneuvers by avoiding one-time revenue and expenditure tactics to achieve balance. The state also received an A in budget forecasting. Consensus revenue estimates are produced by a panel whose members are chosen by the governor and legislative leaders. Revenue and expenditure projections cover six years.

In legacy costs, Hawaii received the lowest grade possible, a D-minus. That reflects pension contributions for public workers that trailed actuarial requirements, as well as a 55 percent funding level as of 2019. The state accelerated contributions for other postemployment benefits (OPEB), primarily health care, to 100 percent of actuaries' recommendations in 2019 under a law passed six years earlier. Its B average in transparency reflected the inception of reports on deferred infrastructure maintenance costs in 2017 and on tax expenditures in 2018. While tax expenditure reports are common, only four other states—Alaska, California, Illinois, and Tennessee—publish similar infrastructure data.

PACIFIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	C	B	A	A
California	B	A	D	A	A
Hawaii	A	A	D-	A	B
Oregon	C	A	B	B	B
Washington	A	B	C	A	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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HAWAII Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	
Revenue and Cost Shifting	✓	✓	✗	✓	✗			●		●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✓					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	62%	51%	55%	55%	55%					●
5-YEAR AVERAGE D						●	●	●	●	

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	B	A	A					
Consolidated Budget Website	✓	✓	✓	✓	✓				●	●
Provides Debt Tables	✓	✓	✓	✓	✓			●		
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✓	✓	✓	●	●			
Discloses Tax Expenditures	✗	✗	✗	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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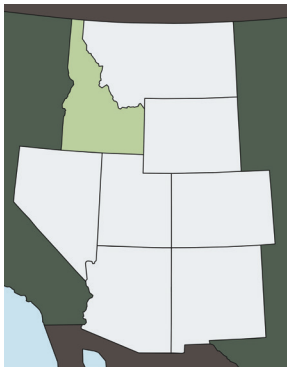
IDAHO Budget Report Card



IDAHO IS A MODEL of budgetary conservatism. It was one of only two states—along with neighboring Utah—to win top A averages for fiscal 2015 through 2019 in budget maneuvers, legacy costs, and reserve funds.

The budget maneuvers grade reflects Idaho's avoidance of one-time revenue or expenditure tactics to achieve balance. In reserve funds, the state has clear rules for tapping its budget reserve account, and the replenishment policy includes revenue volatility in calculating deposits. Idaho automatically places up to 1 percent of general fund collections into its rainy day fund whenever revenues rise by over 4 percent from the prior year. Its reserve fund was $378 million in 2019, equivalent to 11 percent of general fund expenditures, up from 8.3 percent in 2015.

Idaho's legacy costs mark stemmed from its paying actuarially recommended annual contributions for public worker pension plans, which in 2019 had a 95 percent funded ratio, 24 percentage points above the total for all states. Since the state has minimal obligations for other postemployment benefits (OPEB), primarily health care, it is a reasonable budgeting practice for Idaho to pay benefits out of operating revenues rather than build reserves.

The one exception to Idaho's outstanding performance is budget forecasting, in which the state posted a D average. Idaho eschews a consensus revenue forecasting process and relies instead on projections from the Department of Finance, with no legislative involvement. The state also confines its outlook for revenues and expenditures to the upcoming fiscal year.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

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IDAHO Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE	D									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	92%	88%	91%	92%	95%					
5-YEAR AVERAGE	A									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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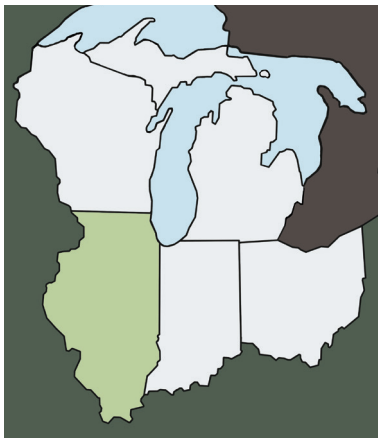
ILLINOIS Budget Report Card



ILLINOIS WAS ONE of only two states—Kansas was the other—to receive average grades of D or below in budget maneuvers, legacy costs, and reserve funds for fiscal 2015 through 2019. Illinois posted D averages in budget maneuvers and reserve funds but a D-minus, the worst grade possible, in legacy costs, which includes public employee pensions and other postemployment benefits (OPEB), mainly health care. At 39 percent, Illinois's pension funding ratio in 2019 was 32 percentage points below the total for all states and the lowest of the fifty. Illinois also failed to provide adequate OPEB funding. With a liability of $54.5 billion at the end of fiscal 2019, it delivers these benefits on a pay-as-you-go basis.

The state, which failed to enact a budget in 2016 and 2017, also consistently used one-time measures to pay for recurring operating expenditures. They included deferring payment of vendor bills to future years, issuing bonds to pay down the bill backlog, and including assumed proceeds from a planned asset sale as revenues. In reserve funds, their D average reflects deficits in general fund balances, minimal rainy day fund balances, and a failure to link reserves to revenue volatility.

The one bright spot for Illinois was its B in transparency. The grade was buoyed in 2019 by the disclosure, for the first time, of at least $25 billion in deferred infrastructure maintenance costs for buildings, universities, roads, bridges, and schools. Only four other states make similar disclosures.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	D	D-	D	B
Indiana	C	A	B	A	C
Michigan	B	B	C	A	B
Ohio	D	B	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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ILLINOIS Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	D-	D-	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✗	✗	✓	✓	●			●	●
Multiyear Revenue Forecasts	✓	✗	✗	✓	✓					
Revenue Growth Projections	✓	✗	✗	✓	✓					
5-YEAR AVERAGE	C						●	●		

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D-	D-					
Deferring Recurring Expenditures	✗	✗	✗	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✗	✗	✗	✗	✗					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✗	✗	●	●	●		
5-YEAR AVERAGE	D								●	●

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D-	D-					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	40%	36%	38%	39%	39%					
5-YEAR AVERAGE	D-					●	●	●	●	●

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	D	D	D					
Positive Reserve or General Fund Balance	✓	✓	✗	✗	✗					
Reserve Funds Disbursement Policy	✗	✗	✗	✗	✗					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	●	●			
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗			●	●	●
5-YEAR AVERAGE	D									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	A					
Consolidated Budget Website	✓	✓	✓	✓	✓					●
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✓					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

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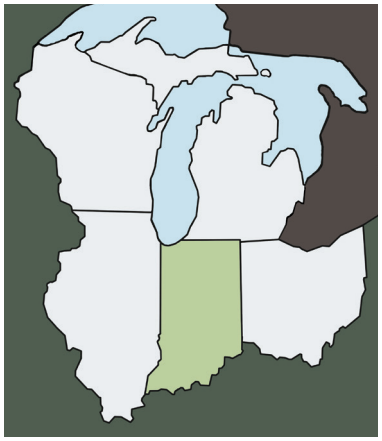
INDIANA Budget Report Card



INDIANA'S STRONG POLICIES for its Counter-Cyclical Revenue and Economic Stabilization Fund, which acts as a buffer against downturns, helped earn the state a top A average grade in reserve funds for fiscal 2015 through 2019. The stabilization account is driven by a formula that calls for deposits when personal income in the state grows by over 2 percent in a year and that permits withdrawals when such income declines by the same amount. Indiana is also one of twenty states recognizing revenue volatility in rainy day fund policies.

The fund is not the only cushion. Indiana's State Tuition Reserve protects school funding, and the Medicaid Contingency and Reserve Account assures payment of claims for health care. Balances in the three funds in fiscal 2019 totaled $1.4 billion, equivalent to 8.8 percent of general fund expenditures.

Cautious budgeting practices also have largely protected the state from turning to expenditure deferrals, revenue or cost shifts, or other one-time methods of masking budgetary shortfalls. These practices helped Indiana win an A in budget maneuvers, despite a refunding of highway revenue bonds in fiscal 2017 that postponed near-term principal payments until 2020.

Indiana's two lowest averages were Cs, in budget forecasting and transparency. The forecasting grade was held down by multiyear forecasts that extend only through the upcoming biennial budget rather than the outlook of three years or longer considered a best practice. The transparency grade suffered from a lack of comprehensive, regular reporting on tax expenditures in 2015–17. Indiana also failed to report on deferred infrastructure maintenance costs. While its public worker pension funding ratio was 69 percent in fiscal 2019, 2 percentage points below the total for all states, its grade in legacy costs—where it averaged a B—benefited from actuarially based pension contributions and minimal other postemployment benefits (OPEB), principally health care.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	D	D-	D	B
Indiana	C	A	B	A	C
Michigan	B	B	C	A	B
Ohio	D	B	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	C	B	C	B	B

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INDIANA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE C										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓			●		
Funding Recurring Expenditures with Debt	✓	✓	✗	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	65%	59%	61%	67%	69%					
5-YEAR AVERAGE B										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓				●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●	●		
Discloses Tax Expenditures	✗	✗	✗	✓	✓					
5-YEAR AVERAGE C										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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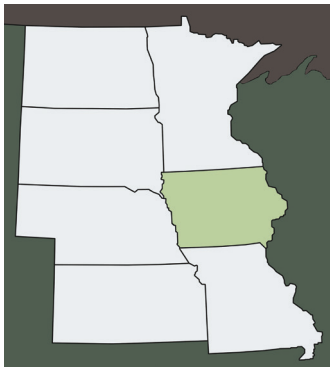
IOWA Budget Report Card



IOWA'S CONSERVATIVE BUDGETING practices helped it achieve top A average grades for fiscal 2015 through 2019 in budget maneuvers and legacy costs. In four of the five years studied, the state had an unblemished record in avoiding any of the one-time maneuvers—such as special fund transfers or deferring expenditures—that many states have used to achieve balance. Only in 2017 did Iowa slip slightly: When the state faced a projected gap between revenues and expenditures, it enacted $25.1 million in special fund transfers to the general fund as part of that year's budget.

In legacy costs, Iowa's annual contributions to its public worker pension were aligned consistently with actuarial recommendations; in 2019, its pension funding ratio was 85 percent, 14 percentage points above the total for all states. Iowa's minimal retiree health care offerings mean that its liability for other postemployment benefits (OPEB), primarily health care, was too small to factor into its grade in the category.

Iowa's C average in transparency reflected a failure to report on tax expenditures annually or biennially—something forty-two other states do. The most recent tax expenditure report was dated 2015. Its C in budget forecasting stemmed from its short horizon for revenue forecasts, which cover only two years. Thirty-two states have projections that look ahead for three years or more. Iowa budget documents also lack explanations to support projections of revenue growth.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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IOWA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Revenue Growth Projections	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	C									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	●
Revenue and Cost Shifting	✓	✓	✗	✓	✓			●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	85%	82%	82%	84%	85%					
5-YEAR AVERAGE	A									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●	●	●	●
Discloses Tax Expenditures	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	C									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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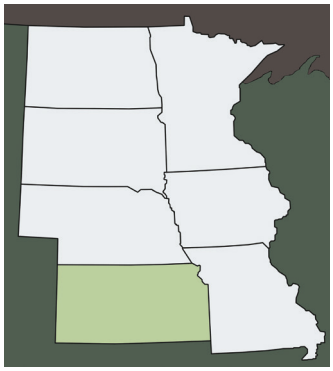
KANSAS Budget Report Card



KANSAS WAS THE ONLY STATE to receive D averages for fiscal 2015 through 2019 in four out of five budgetary categories covered. Its best mark—B in transparency—reflected generally good practices save for a lack of disclosure of deferred infrastructure maintenance costs.

Kansas was penalized in evaluations of budget forecasting for its lack of disclosure of long-term revenue and expenditure forecasts. Instead, the state provides estimates only for the year covered by the budget. In reserve funds, Kansas showed good intentions, but a lack of follow-through hurt its grade. The state established a Budget Stabilization Fund in 2016, with a launch set for the beginning of fiscal 2019. But it had yet to deposit anything into the new rainy day account by the end of the year. Moreover, as of 2019, Kansas was the only state that had not set guidelines for fund use or replenishment.

While its D average in legacy costs reflected years of annual public employee pension contributions below actuarially recommended levels, Kansas did show some improvement in its pension funding ratio: It rose to 70 percent in 2019, 1 percentage point below the total for all states that year. In contrast, its 65 percent funding ratio in 2015 was 7 percentage points below that year's total. The legacy costs category includes other postemployment benefits (OPEB), primarily health care. Since Kansas has minimal obligations for such for them, however, it is a reasonable budgeting practice for it to pay benefits out of operating revenues rather than build reserves.

Kansas's D average in budget maneuvers reflected a recovering economy, and revenues that helped the state lessen the use of one-time actions to achieve balance.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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KANSAS Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✗	✗	✗	✗	✗	●	●	●	●	●
5-YEAR AVERAGE D										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D	D	C	C					
Deferring Recurring Expenditures	✗	✗	✗	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✗	✓	✓	✓	✓				●	●
Using Asset Sales and Up-Front Revenues	✗	✗	✗	✓	✓		●	●		
5-YEAR AVERAGE D						●				

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	C					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	65%	65%	67%	69%	70%	●	●	●	●	
5-YEAR AVERAGE D										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✗	✗	✗	✗	✗					
Reserve Funds Replenishment Policy	✗	✗	✗	✗	✗					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗	●	●	●	●	●
5-YEAR AVERAGE D										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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KENTUCKY Budget Report Card

KENTUCKY WAS TIED with New Jersey in 2016 for having the worst-funded state pension, with only 31 percent of assets needed to meet obligations. By 2019, Kentucky's funding level had risen to 45 percent, allowing the state to overtake New Jersey and Illinois at the bottom of the pack. Its progress resulted from reforms that pushed the state into aligning total annual contributions for five plans that make up the Kentucky Retirement Systems–as well as that for the separate Kentucky Teachers' Retirement System—with actuaries' recommended contributions. The improvements helped Kentucky achieve a C average in legacy costs for fiscal 2015 through 2019. Even as it worked to lessen pension underfunding, the state consistently contributed to other postemployment benefits (OPEB), primarily health care, on an actuarially recommended basis.

Kentucky's C average in budget maneuvers reflects frequent deferrals of recurring expenditures to achieve balance. Since 2012, the state has moved a portion of its payroll into the next fiscal year. It has also used money from special funds to shore up the general fund, as in a transfer of $310 million from the Kentucky Employees' Health Plan to the general fund in the biennium that included fiscal 2019.

The state's average grade of C in reserve funds resulted from a lack of clear policies to guide when and how money set aside in its Budget Reserve Trust Fund can be used. Although Kentucky has a policy to replenish the account, it has limited its deposits and had just 1.1 percent of general fund expenditures in the rainy day fund in fiscal 2019. This left the state with the fourth-lowest percentage of expenditures in a rainy day fund among all states.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	C	B	B
Kentucky	B	C	C	C	B
Mississippi	C	A	B	B	B
Tennessee	C	A	B	A	A
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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KENTUCKY Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Deferring Recurring Expenditures	✗	✗	✗	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	●	●	●	●	●
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	C									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	B	B	B					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funding	✗	✗	✓	✓	✓			●	●	●
Public Employee Pension Funded Ratio*	38%	31%	34%	45%	45%	●	●			
5-YEAR AVERAGE	C									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✗	✗	✗	✗	✗					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	C									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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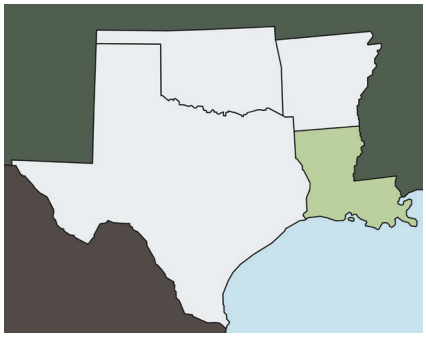
LOUISIANA Budget Report Card



WHILE LOUISIANA FREQUENTLY resorted to budget maneuvers to achieve balance for fiscal 2015 through 2019, a lessening of reliance on one-time measures in the later years of the study period buoyed its performance enough to leave the state with a C average for the category. An increase in sales tax rates, combined with deep cuts in agency spending, helped reduce Louisiana's use of maneuvers.

Still, in 2017 alone, Louisiana deferred $152 million of Medicaid reimbursements to future years; used cash generated from a bond refinancing to cover operating expenses; and transferred money to the general fund from other funds. Over the next two years, the state continued to push Medicaid reimbursements into the future.

Louisiana scored worse in legacy costs, averaging a D. While it provided annual funding for pensions in line with actuarial recommendations, its pension funding ratio of 67 percent in 2019 was 4 percentage points below the total for all states. Louisiana also failed to make annual actuarially recommended contributions for other postemployment benefits (OPEB), primarily health care.

In contrast, Louisiana earned a top A average in reserve funds. As part of an effort to protect itself from the revenue swings that afflict states producing oil and natural gas, it has established solid policies for its Budget Stabilization Fund, including rules for disbursements and replenishments. The state also takes revenue volatility into account by tying deposits to the rainy day fund to excess revenues from severance taxes.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	A	C	C	D
Louisiana	B	C	D	A	B
Oklahoma	B	B	A	A	B
Texas	C	B	D-	A	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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LOUISIANA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	D	D	B	B					
Deferring Recurring Expenditures	✗	✗	✗	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✓	✓				●	●
Funding Recurring Expenditures with Debt	✓	✗	✗	✓	✓	●				
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓		●	●		
5-YEAR AVERAGE C										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	64%	60%	66%	68%	67%	●	●	●	●	●
5-YEAR AVERAGE D										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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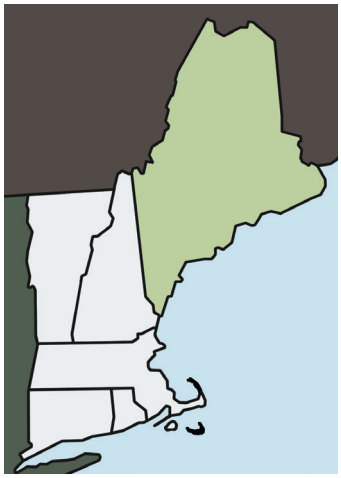
MAINE Budget Report Card



MAINE EARNED B AVERAGES for fiscal 2015 through 2019 in all five budget categories. Its most notable improvement over the period was in legacy costs, which includes public worker pensions and other postemployment benefits (OPEB), primarily health care. Maine started making actuarially determined OPEB contributions in 2017 and exceeded the actuarial sum by $9.4 million in 2018. The actions contrast with the twenty-seven states that failed to provide actuarial OPEB funding. Also helping the grade was Maine's 84 percent pension funding ratio in 2019, 13 percentage points above the total for all states.

The budget forecasting grade was buoyed by the state's use of a consensus revenue forecasting process, multiyear revenue forecasts, and detailed explanations of revenue growth projections. It missed a top A mark by failing to provide multiyear expenditure forecasts.

The B average for reserve funds reflected the disbursement and replenishment policies for Maine's Budget Stabilization Fund. The account grew steadily over the study period and contained $309 million in 2019, equivalent to 8.3 percent of general fund expenditures. The state missed getting an A because it did not tie its reserves to revenue volatility, a practice followed by twenty states.

NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	B	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	B	D	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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MAINE Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	B	B	B	B					
Deferring Recurring Expenditures	✗	✓	✓	✓	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗		●	●	●	●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	●				
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	A	A	A					
Public Employee OPEB Funding	✗	✗	✓	✓	✓			●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	83%	77%	82%	85%	84%	●	●			
5-YEAR AVERAGE B										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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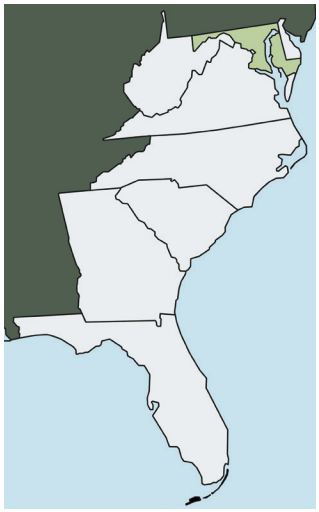
MARYLAND Budget Report Card



MARYLAND IS ONE OF TWELVE states to enjoy a top AAA bond rating from the three leading US credit rating companies. The rating indicates that the risk of default on the state's general obligation debt is deemed to be low. Yet like its eleven peers, Maryland has weaknesses in its budget procedures that may leave it vulnerable to fiscal shocks caused by recessions.

For example, in budget maneuvers—the use of one-time actions to plug gaps and achieve balance—Maryland received a C average grade for fiscal 2015 through 2019. In 2015–17 it used several maneuvers, including paying operating expenses with debt, and in 2018 it began to defer some recurring expenditures to future years. In 2019, the state put off a mandated $15 million expense for its Program Open Space, which provides assistance to localities for development of recreational areas.

In legacy costs, which include public employee pensions and other postemployment benefits (OPEB), principally health care, the state also averaged a C. In the five years studied, Maryland funded OPEB in line with actuarial recommendations only once, in 2018. By contrast, the state made actuarially determined pension contributions every year from 2016 through 2019; its 2019 pension funding ratio of 72 percent was 1 percentage point above the total for all states. In 2016 its pensions were 65 percent funded.

The state fared best in budget forecasting, with a top A average. It produces multiyear forecasts for expenditures and revenues, has a consensus revenue forecasting process, and provides explanations for revenue growth projections, including information about assumptions that went into the estimates.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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MARYLAND Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	D	D					
Deferring Recurring Expenditures	✓	✓	✓	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✗	✗	✗	✗	✗	●	●	●		
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE C									●	●

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	A	C					
Public Employee OPEB Funding	✗	✗	✗	✓	✗				●	
Public Employee Pension Funding	✗	✓	✓	✓	✓					●
Public Employee Pension Funded Ratio*	68%	65%	69%	70%	72%		●	●		
5-YEAR AVERAGE C						●				

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✗	✗	✗	✗	✗					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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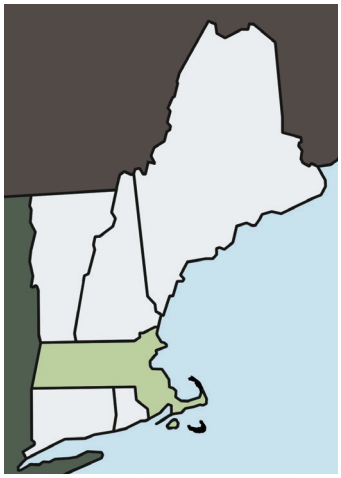
MASSACHUSETTS Budget Report Card



IN ITS $41.3 BILLION budget for fiscal 2019, as well as in the four prior spending plans studied, Massachusetts relied on budget maneuvers—one-time measures—to achieve balance, which resulted in the state's earning a C average in the category.

For example, the state used bond refunding transactions in fiscal 2019, structured with new repayment schedules that allowed it to forgo principal payments due in fiscal 2019 and 2020. The largest transaction refinanced $225 million in bonds maturing in 2019–20 and amortized them through 2027, with no principal due until fiscal 2021 and the bulk owed after 2023.

The state also relied on other maneuvers, including expenditure deferrals, the transfer of special fund dollars to the general fund, and asset disposals to generate revenue. In fiscal 2017, the sale of the vacant Edward J. Sullivan Courthouse in Cambridge netted $30 million for operating expenditures. Massachusetts also failed to make actuarially determined contributions to its public employee pension plans in all years studied, which led to an average of D-minus, the lowest grade possible, in legacy costs. In 2018 and 2019, Massachusetts funded the state workers' and teachers' retirement systems at 73 percent and 75 percent, respectively, of actuarial recommendations. The state's pension overall funded ratio was 59 percent in 2019, 12 percentage points below the total for all states. Massachusetts also failed to provide actuarially recommended annual contributions for its other postemployment benefits (OPEB), largely health care, for all five years.

The state fared best in the reserve funds category. Its funding policies were linked to revenue volatility, a practice deployed in nineteen other states, which earned Massachusetts a top A average.

NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	B	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	B	D	B	B
US AVERAGE	C	B	C	B	B

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MASSACHUSETTS Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE C										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	C	D	C	C					
Deferring Recurring Expenditures	✗	✗	✗	✓	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✗		●		●	●
Using Asset Sales and Up-Front Revenues	✗	✓	✗	✗	✓	●		●		
5-YEAR AVERAGE C										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D-	D-					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	62%	58%	60%	61%	59%					
5-YEAR AVERAGE D-						●	●	●	●	●

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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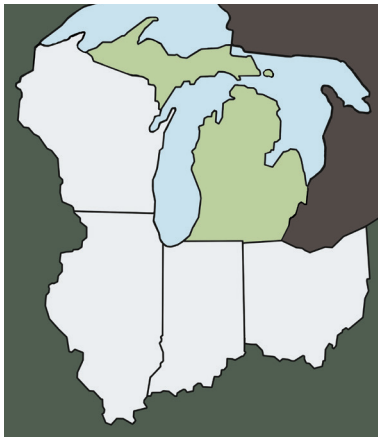
MICHIGAN Budget Report Card



MICHIGAN'S IMPROVING FINANCES from fiscal 2015 through 2019 were reflected in a decline in the use of budget maneuvers, or one-time actions, to achieve balance. By 2018–19, the state had ceased practices such as shifting money into the general fund from the unemployment fund, as it had done in 2017. Michigan averaged a B in the category over the five years.

The state earned its highest grade—a top A average—in reserve funds. Its policies for disbursement from and replenishment of the Counter Cyclical Budget and Economic Stabilization Fund are spelled out in statute. Michigan is also among twenty states that incorporate revenue volatility in reserve fund policies. The state bases deposits into the fund on fluctuations in personal income, a broad measure of economic well-being that captures total earnings from wages, investment interest, and other sources. Using this measure allowed Michigan to build up its rainy day fund from $498 million in fiscal 2015 to $1.1 billion in fiscal 2019. The sum was equivalent to 11 percent of general fund expenditures.

The state's C in legacy funds reflects contributions for public worker pensions and other postemployment benefits (OPEB), primarily health care, which each fell below actuarially recommended sums in one of the five years studied. At 61 percent in 2019, the pension funding ratio was 10 percentage points below the total for all states.

In budget forecasting, Michigan earned an average of B. Its only shortcoming was its failure to forecast expenditures for more than one year.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	D	D-	D	B
Indiana	C	A	B	A	C
Michigan	B	B	C	A	B
Ohio	D	B	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	C	B	C	B	B

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MICHIGAN Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	B	B	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓				●	●
Revenue and Cost Shifting	✗	✓	✗	✓	✓		●	●		
Funding Recurring Expenditures with Debt	✗	✗	✓	✓	✓	●				
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	D	B	D	B					
Public Employee OPEB Funding	✓	✓	✓	✗	✓					
Public Employee Pension Funding	✓	✗	✓	✓	✓	●		●		●
Public Employee Pension Funded Ratio*	64%	64%	65%	63%	61%		●		●	
5-YEAR AVERAGE	C									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

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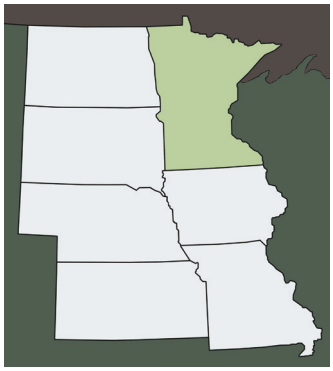
MINNESOTA Budget Report Card



UNTIL 2019, Minnesota did not fund state worker pensions in line with actuarial recommendations—a failure that kept it to a C average in legacy costs from fiscal 2015 through 2019. But that grade masks several improvements the state made in the last two years of the period.

In 2019, annual pension funding was aligned with the actuarially determined contribution for the first time. In addition, a 2018 agreement with retired teachers and local government employees to reduce certain benefits helped cut Minnesota's unfunded pension liability by $3.4 billion. While the state's pension funding ratio was 63 percent in 2017, it rose to 82 percent in 2018 and stayed at that level in 2019, 11 percentage points above the total for all states. The state has only a modest liability for other postemployment benefits (OPEB), primarily health care, and can safely fund them on a pay-as-you-go basis.

Despite shortchanging annual pension contributions before 2019, Minnesota did not defer current costs into the future in each of the years studied. By consistently avoiding a variety of one-time measures that other states routinely use to achieve balance, the state earned a top A average in budget maneuvers.

Minnesota also averaged an A in reserve funds, with solid policies concerning disbursements and replenishments for its budget reserve and cash flow accounts. Like nineteen other states, Minnesota links historical revenue volatility and reserve fund policies. It had $2.5 billion in rainy day savings in 2019, an amount equivalent to 10.7 percent of general fund expenditures.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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MINNESOTA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	D	D	C	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					●
Public Employee Pension Funding	✗	✗	✗	✗	✓					
Public Employee Pension Funded Ratio*	80%	53%	63%	82%	82%	●	●	●	●	
5-YEAR AVERAGE	C									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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MISSISSIPPI Budget Report Card

MISSISSIPPI'S MOST PROMINENT budgetary weakness is its lack of multiyear forecasting. Instead, the state estimates revenues and expenditures only for the upcoming budget year. The shortcoming left Mississippi with a C average in budget forecasting for fiscal 2015 through 2019. In contrast, it won a top A average in budget maneuvers because it shunned most one-time measures to achieve balance. It engaged in such measures only in 2016 and 2017, when it withdrew $69.9 million and $82.3 million, respectively, from its rainy day fund to support general fund spending.

Known as the Working Cash-Stabilization Reserve Fund, the rainy day account held $350 million in 2019—up from $295 million the year before. Mississippi has clear policies for fund withdrawals and replenishments but does not take revenue volatility into account when determining balances. That held Mississippi to a B average in reserve funds.

The state also received B averages in transparency and legacy costs. In the transparency category, Mississippi produces an annual report on tax expenditures, provides comprehensive budget information through a consolidated website, and, like other states, publishes tables that show outstanding debt. It missed an A mark because it does not report deferred infrastructure maintenance costs in its budget documents, a shortcoming shared with forty-four other states. While Mississippi's pension funding ratio was 62 percent in 2019, 9 percentage points below the total for all states, the state has consistently provided actuarial determined contributions to pensions and other postemployment benefits (OPEB), primarily health care.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	C	B	B
Kentucky	B	C	C	C	B
Mississippi	C	A	B	B	B
Tennessee	C	A	B	A	A
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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MISSISSIPPI Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE C										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	B	B	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●			●	●
Revenue and Cost Shifting	✓	✗	✗	✓	✓		●	●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	62%	58%	62%	63%	62%					
5-YEAR AVERAGE B										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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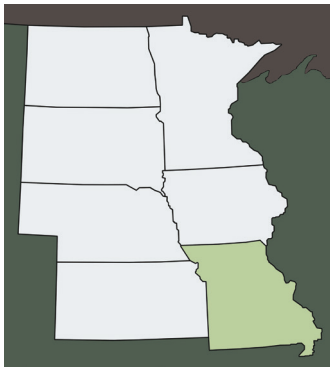
MISSOURI Budget Report Card



MISSOURI IS A STUDY in contrasts. Though it got the lowest possible average grade of D-minus in budget forecasting for fiscal 2015 through 2019, it also earned a top A average in budget maneuvers by avoiding the use of one-time measures to achieve balance. It is the only state to have such an extreme gap in grades in these two categories.

Only two other states—Alabama and North Dakota—did as poorly as Missouri in budget forecasting. While it produced revenue forecasts via the consensus method in 2016 and 2019, it failed to do so in the other years studied. In 2017 and 2018, for example, the governor and legislature declined to accept figures produced by executive and legislative branch experts and University of Missouri representatives. The state also consistently failed to issue long-term revenue and expenditure estimates, with projections covering only one fiscal year beyond the budget period.

The state scored a B average in reserve funds, missing an A because its rainy day fund policies failed to consider the volatility of the state's revenues, a practice that was in place in twenty states in 2019. Missouri added small amounts to its Budget Reserve Fund each year. It held $651 million in 2019, equivalent to 6.8 percent of general fund expenditures.

Missouri averaged a C in legacy costs, a category including public worker pensions and other postemployment benefits (OPEB), primarily health care. The mark reflected a failure to fund OPEB in line with actuarially determined contributions. The state has steadily provided annual contributions for pensions in line with actuaries' determinations, however, and its pension funding ratio was 78 percent in 2019, 7 percentage points above the total for all states.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	A	B	B
US AVERAGE	C	B	C	B	B

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MISSOURI Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D	D-	D-	D					
Consensus Revenue Forecasts	✗	✓	✗	✗	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✗	✗	✗	✗	✗		●			●
5-YEAR AVERAGE D-						●		●	●	

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓		●	●	●	●
Revenue and Cost Shifting	✗	✓	✓	✓	✓	●				
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	81%	77%	78%	78%	78%	●	●	●	●	●
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●	●	●	●
Discloses Tax Expenditures	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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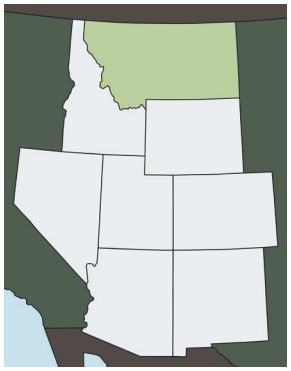
MONTANA Budget Report Card



MONTANA'S ESTABLISHMENT in fiscal 2017 of the Budget Stabilization Reserve Fund—a critical buffer for a state dependent on volatile revenues from oil, gas, and coal production—helped overcome earlier underperformance in the reserve funds category and allowed it to earn a C average for 2015 through 2019. The legislation that established the fund includes procedures for replenishment when revenues exceed estimates and for withdrawals, primarily for revenue shortfalls. The fund held $60 million in 2019, equivalent to 2.5 percent of general fund expenditures.

Montana's lowest average grade was D, the second-lowest mark, in budget forecasting. The state does not use a consensus revenue forecast, depending instead on estimates prepared by the legislature's bipartisan Revenue Interim Committee. Montana's budget projections extend only two years beyond the biennial budget, not the three considered a best practice in revenue estimating.

In legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care, the state averaged a C. Montana provides funding for its pension in line with the actuarially determined amount, and its 73 percent funding ratio was 2 percentage points above the total for all states in 2019. But the state does not fund OPEB in line with actuaries' recommendations, paying for it instead on a pay-as-you-go basis.

Montana received B averages in budget maneuvers and transparency. It mostly avoided one-time measures to achieve balance, although it did depend on savings in its general fund balance and use a limited number of special fund transfers to support general fund spending in 2016–18.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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MONTANA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE D										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	B	B	B	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●				●
Revenue and Cost Shifting	✓	✗	✗	✗	✓		●	●	●	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	75%	71%	73%	73%	73%	●	●	●	●	●
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✗	✗	✗	✓	✓				●	●
Reserve Funds Replenishment Policy	✗	✗	✗	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗	●	●	●		
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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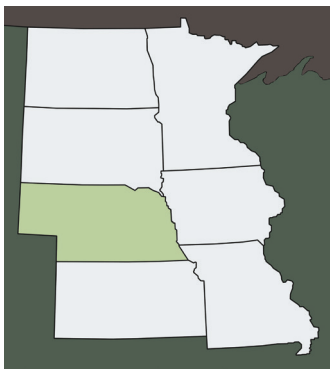
NEBRASKA Budget Report Card



WITH NO STATE GENERAL OBLIGATION or revenue debt outstanding, Nebraska has taken a cautious approach to its public purse that has won it mostly high average budgetary grades for fiscal 2015 through 2019.

In legacy costs, Nebraska's 93 percent pension funding level as of 2019 and its consistent use of actuarially determined contributions helped the state earn a top A average for the period. Nebraska was one of only eight states with a pension funding level over 90 percent. To ensure adequate contributions, Nebraska rules require that any annual appropriation less than the actuarial recommendation be made up the following year. The state's minimal retiree health coverage has left it with zero unfunded other postemployment benefit (OPEB) liabilities. While it allows retirees under the age of 65 to remain in the state health plan, it does not offer health benefits to retirees over that age.

The state also averaged an A in budget maneuvers because of its general avoidance of one-time actions to achieve balance. It did, however, move about $50 million from special funds, including the Department of Insurance Cash Fund, into the general fund in 2018 and 2019. Along with cuts in appropriations, the cash shifts were made in the face of unexpectedly low revenue growth rates.

Nebraska's lowest grade was a C average in reserve funds. While state policy keeps its reserve replenished by requiring that revenues exceeding a certified estimate be deposited in the Cash Reserve Fund Nebraska lacks similar formal policies for disbursing reserve dollars. It did dip into the account in 2018 and 2019 to close revenue shortfalls.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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NEBRASKA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓				●	●
Multiyear Expenditure Forecasts	✗	✗	✗	✓	✓	●	●	●		
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	B	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●		
Revenue and Cost Shifting	✓	✓	✓	✗	✗				●	●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	91%	89%	90%	90%	93%					
5-YEAR AVERAGE A										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✗	✗	✗	✗	✗					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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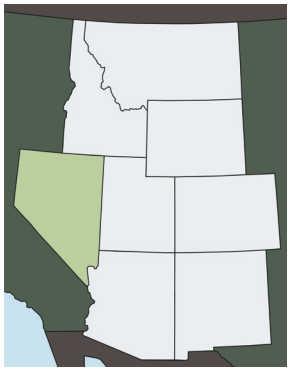
NEVADA Budget Report Card



TOURISM IS NEVADA'S LIFEBLOOD, with 18 percent of general fund revenues generated by gaming and 29 percent from sales taxes. With no guarantee that gamblers will flock to the state every year, Nevada would benefit from a policy that accounts for revenue volatility in the funding of its rainy day fund, the Account to Stabilize the Operation of the State Government. But it doesn't have such a policy, and the lack of attention to volatility in managing the rainy day fund limited the state's average reserve funds grade to B for fiscal 2015 through 2019. Even so, Nevada steadily increased funding of the reserve. It was empty in 2015–2016 but rebuilt to $304 million by 2019, equivalent to 6.9 percent of general fund expenditures.

The state averaged a B in budget maneuvers, generally shunning one-time actions to achieve balance save for transfers of money from special funds to the general fund.

Nevada averaged a C in budget forecasting because it provides a revenue and expenditure outlook that covers only the years of the biennial budget. In legacy costs, the state improved public worker pension funding practices during the study period, making actuarially determined contributions in 2016–19. That was not the case with other postemployment benefits (OPEB), primarily health care, which were not funded along actuarial lines for the entire study period. As a result, Nevada's average grade in the category was held to a C. The pension funding ratio was 76 percent in 2019, 5 percentage points above the total for all states.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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NEVADA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE C										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗	●	●	●	●	●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	C	C	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✗	✓	✓	✓	✓		●	●	●	●
Public Employee Pension Funded Ratio*	75%	72%	74%	75%	76%					
5-YEAR AVERAGE C						●				

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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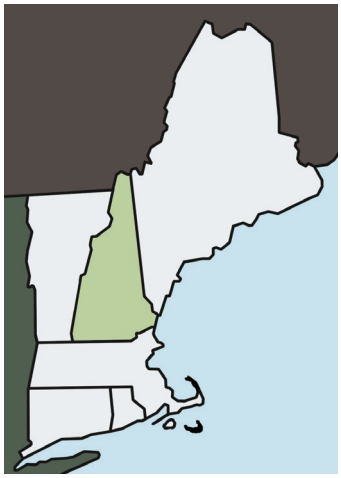
NEW HAMPSHIRE Budget Report Card



NEW HAMPSHIRE'S MIX of B and D average grades for fiscal 2015 through 2019 reflects a state that carries out some budgetary practices relatively well and others poorly. Its D average in budget forecasting, for example, was driven partly by revenue and expenditure projections that failed to extend farther than the biennial budget. In 2018–19, New Hampshire also lacked explanatory information for its short-term revenue growth projections in the governor's biennial executive budget summaries or the monthly revenue reports from the Department of Administrative Services.

The state's D average in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care, shows a disparity in retirement funding practices. While New Hampshire made annual pension contributions on an actuarial basis, it did not do so for OPEB, which had a net liability of $1.8 billion as of June 30, 2019. That year, New Hampshire's pension funding ratio was 66 percent, 5 percentage points below the total for all states.

In the remaining three categories, New Hampshire fared better. In budget maneuvers, it averaged B. While it avoided one-time actions to balance budgets in 2016–17, it used transfers from special funds in the following two years. In 2019, $146.3 million of New Hampshire Liquor Commission profits were used for general fund expenses.

New Hampshire's B in reserve funds reflected its lack of consideration of revenue volatility in policies governing the Revenue Stabilization Reserve Account, a shortcoming shared with twenty-nine other states. That fund held $115 million in fiscal 2019, equivalent to 7.7 percent of general fund expenditures, up from $22 million, or 1.7 percent, in fiscal 2015.

NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	B	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	B	D	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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NEW HAMPSHIRE Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D-	D-					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✓	✓	✓	✗	✗	●	●	●		
5-YEAR AVERAGE D									●	●

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	A	A	B	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓		●	●		
Revenue and Cost Shifting	✓	✓	✓	✗	✗	●			●	●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✗	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	65%	58%	63%	65%	66%	●	●	●	●	●
5-YEAR AVERAGE D										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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NEW JERSEY Budget Report Card

REFLECTING DECADES of underfunding public worker pension and other postemployment benefits (OPEB), principally health care, New Jersey was one of only seven states to receive a D-minus average, the lowest possible grade, in legacy costs for fiscal 2015 through 2019. In budget maneuvers, the state was one of just four receiving a D average, with neighboring Pennsylvania the sole state ranking lower.

Although New Jersey has increased its pension contributions in recent years, its 2019 appropriation was still only 61 percent of the actuarial recommendation. That year, New Jersey had the second-worst-funded state pension system in the US, with assets equal to 40 percent of promised benefits, up from 31 percent in 2016. It also failed to provide annual contributions for OPEB in line with actuarial recommendations and instead funded its $13.8 billion net liability on a pay-as-you-go basis.

New Jersey's budget maneuvers grade reflected numerous one-time actions to cover recurring expenditures and achieve balance. From 2015 to 2018, the state used the sale of assets and up-front revenues on financing transactions to shore up the budget, covered recurring expenditures with debt, deferred expenditures, and shifted revenues from special funds into the general fund to pay for recurring costs.

The state made fewer one-time moves in 2019. It continued to rely on transfers from special accounts to bolster the general fund, however, including shifting $82 million from the state's Clean Energy Fund to cover New Jersey Transit utility costs that are usually paid from general fund dollars. Another $47.5 million from the energy fund was used for utility costs in state facilities. The state also shifted $179.5 million to the general fund from the New Jersey Turnpike Authority—although that was $13.5 million less than in fiscal 2018.

New Jersey's shortcomings in the budget forecasting category, which resulted in a D average, have remained constant through the study period. It does not use the consensus method of revenue forecasting, and budget documents fail to provide multiyear projections for revenues or expenditures.

MID-ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
New Jersey	D	D	D-	B	B
New York	A	D	B	B	B
Pennsylvania	B	D-	D	C	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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NEW JERSEY Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE	D									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	B					
Deferring Recurring Expenditures	✓	✓	✗	✗	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					●
Funding Recurring Expenditures with Debt	✗	✗	✗	✓	✓					
Using Asset Sales and Up-Front Revenues	✗	✗	✓	✗	✓	●	●	●	●	
5-YEAR AVERAGE	D									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D-	D-					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	37%	31%	36%	38%	40%					
5-YEAR AVERAGE	D-									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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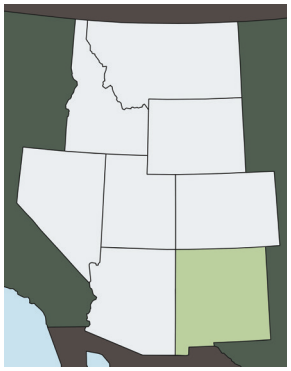
NEW MEXICO Budget Report Card



NEW MEXICO'S LAGGING PERFORMANCE in legacy costs from fiscal 2015 through 2019 left it with a category average of D-minus, putting the state with Hawaii, Illinois, Massachusetts, New Jersey, Texas, and Wyoming as those receiving the lowest possible score.

Contributing to New Mexico's grade was its failure to make annual public employee pension contributions recommended by actuaries in any of the fiscal years studied. At the end of the period, its pension funding ratio was 67 percent, 4 percentage points below the total for all states. New Mexico also chronically failed to provide annual actuarial funding for other postemployment benefits (OPEB), primarily health care, except for fiscal 2018, when its contribution came close.

New Mexico scored almost as badly in budget maneuvers, averaging a C even though it largely avoided one-time balancing measures in 2015–16. As oil prices dropped dramatically in the later part of the study period, however, the state relied more on maneuvers to cover shortfalls, including using proceeds from severance tax bonds.

While New Mexico averaged a B in budget forecasting, it was held back by a lack of long-term expenditure forecasts, a significant flaw in a state with volatile revenues. It also averaged a B in reserve funds, helped by a 2019 policy that links some deposits made to the Tax Stabilization Reserve to revenue volatility. In the transparency category, New Mexico received another B average, with its only weakness an absence of reporting on deferred infrastructure maintenance costs—a shortcoming shared by forty-four other states in 2019.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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NEW MEXICO Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	D	D	C					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗	●	●			
Funding Recurring Expenditures with Debt	✓	✓	✗	✗	✗					●
Using Asset Sales and Up-Front Revenues	✓	✓	✗	✗	✓			●	●	
5-YEAR AVERAGE	C									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D	D-					
Public Employee OPEB Funding	✗	✗	✗	✓	✗					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	71%	65%	63%	61%	67%				●	
5-YEAR AVERAGE	D-					●	●	●		●

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✓					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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NEW YORK Budget Report Card

NEW YORK IS ONE OF ONLY four states receiving average D grades in the budget maneuvers category for fiscal 2015 through 2019, along with Illinois, Kansas, and New Jersey. Despite an improving economy, New York's use of one-time actions to achieve balance accelerated over the study period.

For example, beginning in fiscal 2018, New York began deferring recurring expenditures, a move it had avoided in the previous three years. In 2018, the state deferred an annual loan repayment to the New York Power Authority, extending terms through 2023, which temporarily reduced spending by $193 million. In 2019, it shifted about $1.7 billion in scheduled Medicaid payments to the next fiscal year.

The state has, however, been diligent in funding its pension plans in line with actuarially determined contributions. Its pension funding ratio in fiscal 2019 was 96 percent, 25 percentage points above the total for all states. New York does less well in funding other postemployment benefits (OPEB), primarily health care. It does not contribute to its estimated $91 billion OPEB liability in line with actuarial recommendations, instead covering current retiree costs on a pay-as-you-go basis. As a result, the state earned a B average in legacy costs.

In budget forecasting, New York was one of ten states with a top A average. The state is required to produce a three-year financial projection that includes receipts and disbursements. The logic behind its revenue projections is spelled out in the state's *Economic, Revenue and Spending Methodologies* reports, which provide a detailed description of how revenue estimates for the upcoming fiscal year are calculated.

MID-ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
New Jersey	D	D	D-	B	B
New York	A	D	B	B	B
Pennsylvania	B	D-	D	C	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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NEW YORK Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	D	D	D-	D-					
Deferring Recurring Expenditures	✓	✓	✓	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✗	✗	✗	✗	✗	●				
Using Asset Sales and Up-Front Revenues	✓	✗	✗	✗	✗		●	●		
5-YEAR AVERAGE D									●	●

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	98%	91%	95%	98%	96%					
5-YEAR AVERAGE B										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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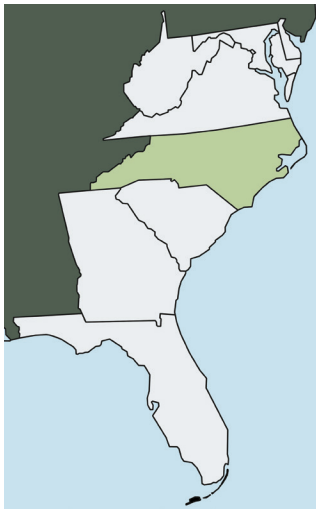
NORTH CAROLINA Budget Report Card



NORTH CAROLINA HAD A $31.6 billion liability for other postemployment benefits (OPEB), primarily health care, as of June 30, 2019. That was $7.9 billion more than the state's general fund expenditures for fiscal 2019. In that year, the state paid in about a third of the actuarially determined contribution for OPEB. The shortfall was responsible for a C average in legacy costs for fiscal 2015 through 2019 and offset a better performance with its public worker pension, which was funded consistently in line with actuarial determinations. The 2019 pension funding ratio was 88 percent, 17 percentage points above the total for all states.

The state's highest grade was a top A average in budget forecasting. North Carolina uses a consensus estimating process, a collaboration between the Office of State Budget and Management and the legislature's Fiscal Research Division. The state produces multiyear revenue and expenditure projections with the governor's recommended budget, including a fiscal analysis that considers the upcoming five years.

An improvement in reserve funds practices during the study period helped North Carolina earn a B average in the category. Policy changes in 2018 tied deposits into the Savings Reserve to historical revenue volatility and provided guidance for withdrawals. North Carolina generally avoided budget maneuvers—one-time actions to achieve balance—which resulted in a B average grade.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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NORTH CAROLINA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	A	B	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓			●		●
Revenue and Cost Shifting	✗	✗	✓	✗	✓	●	●		●	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	C	B	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●		●		
Public Employee Pension Funded Ratio*	95%	88%	91%	89%	88%		●		●	●
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓				●	●
Reserve Funds Disbursement Policy	✗	✗	✗	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	●	●	●		
Reserves Tied to Revenue Volatility	✗	✗	✗	✓	✓					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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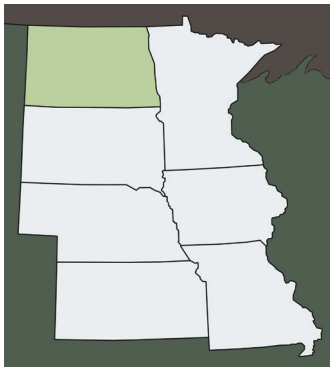
NORTH DAKOTA Budget Report Card



OF THE EIGHT STATES that rely most heavily on volatile severance tax collections, North Dakota was the only one to register a D-minus average in budget forecasting, the lowest possible grade, for fiscal 2015 through 2019. The state failed to use consensus revenue forecasts, with the executive branch's Office of Management and Budget holding primary authority for estimates. Revenue and expenditure projections cover only the upcoming biennial budget, and no information is provided to support short-term revenue growth projections.

North Dakota's performance parallels other resource-dependent states more closely in the reserve funds category, where it received a top A average. Like most such states, North Dakota incorporates revenue volatility in policies for Budget Stabilization Fund disbursements and replenishments. It does this by requiring a biennial deposit of up to $75 million from oil and gas production taxes until the stabilization fund reaches 15 percent of general fund expenditures. General fund balances that exceed $65 million are also shifted to the stabilization fund at the end of the biennium. The fund had grown to $659 million by 2019, equivalent to almost 30 percent of general fund expenditures.

The state posted a D average in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care. Its OPEB liability is small and has been funded at or above actuarially determined levels, but North Dakota did not make actuarially based annual pension contributions during the study period. Its pension funded ratio was 70 percent in 2019, 1 percentage point below the total for all states.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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NORTH DAKOTA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D-	D-					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✗	✗	✗	✗	✗					
5-YEAR AVERAGE D-						●	●	●	●	●

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	B	B	B	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●				
Revenue and Cost Shifting	✓	✗	✗	✗	✗		●	●	●	●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	D	D	D	C					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	70%	66%	64%	65%	70%	●	●	●	●	●
5-YEAR AVERAGE D										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●	●	●	●
Discloses Tax Expenditures	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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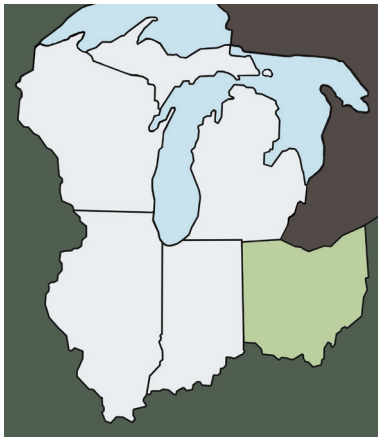
OHIO Budget Report Card



OHIO WAS ONE OF SIXTEEN states that failed to earn a top A average in any of the five budgetary categories studied in fiscal 2015 through 2019.

In budget maneuvers—the use of one-time actions to achieve balance—the state's B average resulted from tactics in 2018 that included transferring money from special funds into the general fund and using $14.3 million of collections from a tax amnesty program to cover recurring expenditures.

While Ohio was like thirty-seven other states in earning a B average in transparency, its production of regular reports on tax expenditures was especially noteworthy. While most states create such reports, Ohio's included an unusual amount of detail, including clear explanations, historical data, and comparative information on tax exemptions, deductions, credits, and exclusions.

The state averaged a C in legacy costs, including public worker pensions and other postemployment benefits (OPEB), primarily health care. While it consistently provided annual pension contributions on an actuarially recommended basis, it did not do the same for OPEB. Still, Ohio set aside $12.6 billion for future retiree health costs, leaving its OPEB plan 47.8 percent funded at the end of fiscal 2019. Its 2019 pension funding ratio was 78 percent, 7 percentage points above the total for all states.

Ohio's lowest grade, D, was in budget forecasting. The state failed to project revenues or expenditures beyond the budgetary biennium and was among twenty-one states that lacked a consensus revenue forecasting process.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	D	D-	D	B
Indiana	C	A	B	A	C
Michigan	B	B	C	A	B
Ohio	D	B	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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OHIO Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE D										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	D	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					●
Revenue and Cost Shifting	✗	✗	✗	✗	✓	●	●	●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✗	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✗	✓				●	
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	75%	71%	78%	74%	78%	●	●	●	●	●
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✗	✗	✗	✗	✗					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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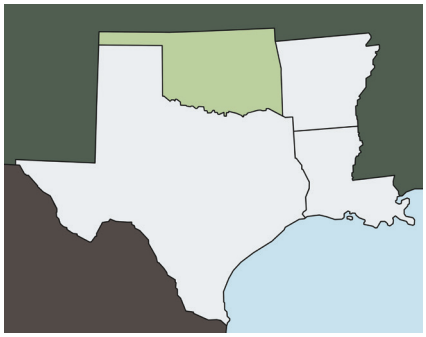
OKLAHOMA Budget Report Card



OKLAHOMA WAS ONE OF ONLY four states earning only A or B average budgetary grades for fiscal 2015 through 2019. The best marks were its top A averages in the legacy costs and reserve funds categories. The state's annual contributions for public employee pensions and other postemployment benefits (OPEB), primarily health care, were in line with actuarially determined amounts. Its pension funding ratio was 81 percent in 2019, 10 percentage points above the total for all states. Oklahoma was one of only seven states that received an A average in the category.

Similarly, Oklahoma was among seventeen states that posted an A average in reserve funds. Policies for Constitutional Reserve Fund disbursement and replenishment adhere closely to best practices cited in the 2019 Volcker Alliance working paper *Rainy Day Fund Strategies: A Call to Action*. Like nineteen other states, Oklahoma considers revenue volatility in its reserve policies.

The state's B average in budget maneuvers reflects efforts to shun most one-time measures to achieve balance and keep recurring revenues in line with recurring expenditures. Though Oklahoma had largely avoided maneuvers before 2019, it had moved special and reserve dollars to the general fund. After revenues were increased by higher severance taxes levied in the 2018 legislative session, however, the state had no need for such measures in fiscal 2019.

Oklahoma's grade in transparency—a B average—was held down by an absence of disclosures of deferred infrastructure maintenance costs. Its B average in budget forecasting was based on revenue and expenditure projections that span three years and its 2016 decision to begin using the consensus method of revenue forecasting. It missed getting an A because of a lack of budget document detail supporting revenue growth projections.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	A	C	C	D
Louisiana	B	C	D	A	B
Oklahoma	B	B	A	A	B
Texas	C	B	D-	A	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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OKLAHOMA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	B	B	B	B					
Consensus Revenue Forecasts	✗	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓		●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓	●				
Revenue Growth Projections	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					●
Revenue and Cost Shifting	✗	✗	✗	✗	✓	●	●	●	●	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	79%	72%	78%	81%	81%					
5-YEAR AVERAGE	A									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓			●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●			
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✓	✓	✓					
5-YEAR AVERAGE	A									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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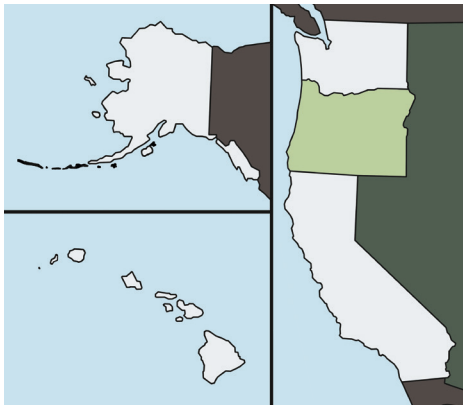
OREGON Budget Report Card



OREGON'S GENERAL AVOIDANCE of one-time measures to achieve fiscal balance won it a top A average in budget maneuvers, its best mark in five categories evaluated in fiscal 2015 through 2019. Over the period, the state did not defer recurring expenditures, use borrowed money, or sell assets to cover recurring expenditures. Only once, in the biennium that ended in fiscal 2017, did the legislature authorize a special fund transfer, moving some Racing Commission dollars to the general fund.

The state earned B averages in reserve funds, transparency, and legacy costs. Its two reserve accounts, the Oregon Rainy Day Fund and the Education Stability Fund, held almost $1.3 billion in 2019, equivalent to 12.7 percent of general fund expenditures. That compares with $391 million, or 4.8 percent, in 2015. The state has policies that guide the funds' disbursement and replenishment, but it is one of thirty that fail to take revenue volatility into account in those policies.

In transparency, Oregon provided substantial budgetary information online and published tax expenditure reports alongside each biennial budget. But it did not report on deferred infrastructure maintenance costs. In legacy costs, which includes public worker pensions and other postemployment benefits (OPEB), primarily health care, the state followed actuarial recommendations for pensions and OPEB, with the exception of 2015, when its annual pension funding fell short of actuaries' figures. The pension funded ratio in 2019 was 80 percent, 9 percentage points above the total for all states.

Oregon's C average in budget forecasting reflected a lack of consensus revenue forecasting and multiyear expenditure estimates. The state's quarterly forecasts are solely the product of the Office of Economic Analysis, which answers to the governor, and expenditure forecasts do not extend past the biennial budget.

PACIFIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	C	B	A	A
California	B	A	D	A	A
Hawaii	A	A	D-	A	B
Oregon	C	A	B	B	B
Washington	A	B	C	A	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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OREGON Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	C									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	●
Revenue and Cost Shifting	✓	✓	✗	✓	✓			●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓		●	●	●	●
Public Employee Pension Funding	✗	✓	✓	✓	✓	●				
Public Employee Pension Funded Ratio*	92%	81%	83%	82%	80%					
5-YEAR AVERAGE	B									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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PENNSYLVANIA Budget Report Card

PENNSYLVANIA'S RELIANCE on budget maneuvers, or one-time actions to achieve balance, made it the only state to receive the lowest possible average grade of D-minus in the category for fiscal 2015 through 2019.

Among maneuvers Pennsylvania relied on were deferring expenditures and shifting revenues. For example, it reduced the expenditures in the fiscal 2019 budget by moving $120 million in managed care payments to the following year. In 2018, it transferred $530.4 million from special funds to the general fund.

In 2017–19, Pennsylvania also funded recurring spending with debt, including $1.2 billion of general obligation bonds sold in fiscal 2018. Proceeds were used to pay interest on previously issued debt, fund infrastructure maintenance, and support environmental initiatives. In 2019, the state covered debt-service costs with $70 million in proceeds from bonds issued the previous year backed by the Tobacco Master Settlement Agreement. Such an expense typically is paid from current-year revenues.

Its chronic shortage of cash was an underlying cause of Pennsylvania's poor showing in two other categories. In legacy costs, the state averaged a D. Though it began to fund public worker pensions on an actuarially recommended basis in fiscal 2017, its failure to do so in previous years left the state with a pension funding ratio of 58 percent in 2019, 13 percentage points below the total for all states. For all five years studied, Pennsylvania failed to fund other postemployment benefits (OPEB), primarily health care, on an actuarially determined basis, and it began fiscal 2019 with an unfunded liability of $14.7 billion.

Pennsylvania's C average in reserve funds reflected minimal balances in the general fund and Budget Stabilization Reserve Fund in 2017–19. The shortcoming was partially offset by the state's disbursement and replenishment policies. Pennsylvania received B averages in transparency and budget forecasting. It lacks a consensus revenue forecast; while the executive branch prepares an estimate, the legislature does not have to adhere to it.

MID-ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
New Jersey	D	D	D-	B	B
New York	A	D	B	B	B
Pennsylvania	B	D-	D	C	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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PENNSYLVANIA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D-	D-	D-					
Deferring Recurring Expenditures	✗	✗	✗	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✓	✓	✗	✗	✗					
Using Asset Sales and Up-Front Revenues	✗	✗	✗	✗	✗	●	●			
5-YEAR AVERAGE	D-							●	●	●

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D	D	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✗	✗	✓	✓	✓					
Public Employee Pension Funded Ratio*	56%	53%	55%	55%	58%			●	●	●
5-YEAR AVERAGE	D					●	●			

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✗	✗	✗					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●			
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓			●	●	●
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	C									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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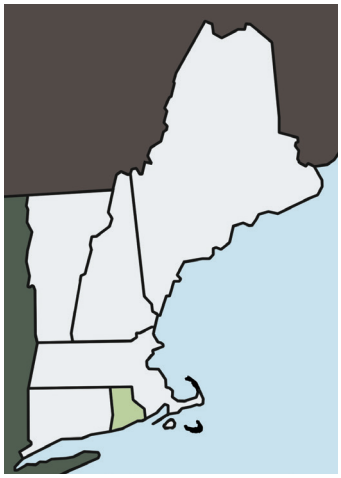
RHODE ISLAND Budget Report Card



RHODE ISLAND'S LOWEST AVERAGE GRADE for fiscal 2015 through 2019 was its C in budget maneuvers. In 2015–18, the state used one-time revenues to sustain budgetary balance, including transferring money to the general fund from agencies such as the Health and Educational Building Corporation, which issues tax-exempt school bonds, and Narragansett Bay Commission, a regional wastewater treatment agency. In 2018, Rhode Island also ran a 75-day tax amnesty program, which brought in $22 million to support operating expenditures. The state's use of one-time resources declined in 2019, with transfers to the general fund of less than $5 million, against $29 million in 2018.

Rhode Island's highest grade was its top A average in budget forecasting. Since 1990, revenue projections formulated by the state's Revenue Estimating Conference have guided the formulation of its budget. The conference, made up of the state budget officer and the house and senate fiscal advisers, meets every May and November. The state budget includes five-year forecasts of revenues and expenditures.

Rhode Island averaged a B in legacy costs. It provides annual funding for its public worker pensions and other postemployment benefits (OPEB), primarily health care, in line with actuarial recommendations. But its pension funding ratio was 56 percent in 2019, 15 percentage points below the total for all states.

The state also averaged a B in reserve funds and transparency. Rhode Island has solid policies for disbursing and replenishing its budget reserve and cash stabilization account, which held $204 million in 2019, or 5.2 percent of general fund expenditures. It is one of thirty states that do not link funding of reserves to historical revenue volatility.

NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	B	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	B	D	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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RHODE ISLAND Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					●
Funding Recurring Expenditures with Debt	✗	✗	✗	✓	✓	●	●	●	●	
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✗	✓					
5-YEAR AVERAGE C										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Public Employee OPEB Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	59%	55%	55%	55%	56%					
5-YEAR AVERAGE B										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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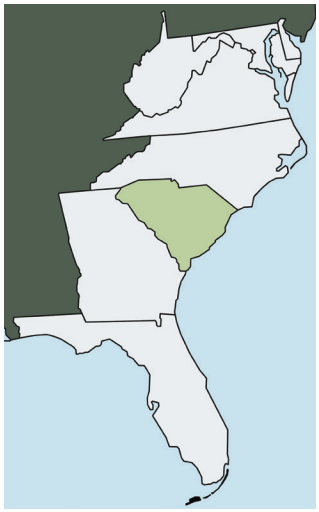
SOUTH CAROLINA Budget Report Card



SOUTH CAROLINA'S TOP A AVERAGES in budget forecasting and budget maneuvers for fiscal 2015 through 2019 were offset by its D, the second-lowest mark possible, in legacy costs. The poor showing resulted from unfunded liabilities weighing it down in the category, which includes public worker pensions and other postemployment benefits (OPEB), primarily health care.

Although the state provided annual funding in line with actuarial recommendations for public worker pensions for each year of the study period, South Carolina's 55 percent pension funding ratio was among the ten lowest in the US in 2019, at 16 percentage points below the total for all states. The state's unfunded net OPEB liability for the year was $17.1 billion. Like twenty-three other states, it did not follow actuarial recommendations for its annual contributions to OPEB in any of the years studied.

In the budget maneuvers category, even the pressure of legacy costs did not prompt the state to employ one-time measures to achieve balance. It also followed best practices in budget forecasting, using a consensus method of revenue estimating driven by its Board of Economic Advisors. Publicly available information on assumptions underly revenue growth projections, and a three-year general fund financial outlook includes revenues and expenditures.

South Carolina's B average in reserve funds reflects overall solid policies for General Reserve Fund disbursements and replenishments.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

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Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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SOUTH CAROLINA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	58%	54%	54%	55%	55%	●	●	●	●	●
5-YEAR AVERAGE D										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●	●	●	●
Discloses Tax Expenditures	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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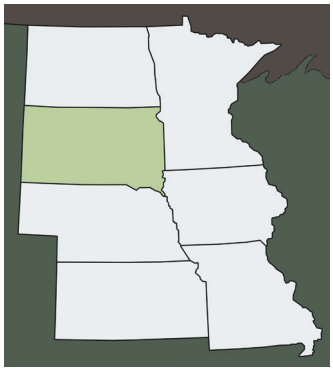
SOUTH DAKOTA Budget Report Card



SOUTH DAKOTA WAS ONE OF ONLY FOUR states with no average budgetary grade below B for fiscal 2015 through 2019. It earned As in two categories: legacy costs and budget maneuvers.

It was one of seven states receiving the top grade in legacy costs and, alongside Wisconsin, one of only two with a fully funded pension system in 2019. Unlike most states, South Dakota does not need to put aside money to fund other postemployment benefits (OPEB), primarily health care, as it stopped subsidizing them in 2015.

Its budget maneuvers grade reflected the state's avoidance of one-time actions to achieve balance. The accomplishment was aided by South Dakota's frugal spending habits and stable tax base, which relies heavily on a sales levy that covers more services than most states.

South Dakota's biggest improvement came in budget forecasting. In 2015, the legislature unanimously passed a bill designed to "strengthen the financial practices of the state." The measure requires annual publication of a long-term financial plan, including three years of revenue and expenditure projections. Despite the change in long-term estimation procedures, the state's continued lack of consensus revenue forecasts held its category average to a B.

Its B average in reserve funds reflects policies for disbursement and replenishment of the Budget Reserve and General Revenue Replacement funds. Combined, they had a 2019 balance of $170 million, equivalent to 10.4 percent of general fund expenditures.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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SOUTH DAKOTA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	B	B	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✓	✓	✓	✓		●	●	●	●
Multiyear Revenue Forecasts	✗	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓	●				
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓			●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✗	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	104%	97%	100%	100%	100%					
5-YEAR AVERAGE	A									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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TENNESSEE Budget Report Card

TENNESSEE WAS ONE OF ONLY five states winning top A average grades in three of five budgetary categories evaluated for fiscal 2015 through 2019. California, Hawaii, Idaho, and Utah also boasted three As apiece.

Tennessee won an A in transparency in part because of its reporting on deferred infrastructure maintenance. It is only one of five states to do such reporting. Though this information is not included in the budget, the Tennessee Advisory Commission on Intergovernmental Relations, a state agency created in 1978, is required by statute to assemble an inventory of needed public infrastructure. It issues reports that include the estimated cost of the deferred infrastructure liability over a five-year period. In 2020, the commission estimated that the state would need at least $58.6 billion of public infrastructure improvements in the five years ending in June 2023.

The state also earned As in budget maneuvers and reserve funds. It was one of eight states that eschewed moving revenues from future years to the current budget, deferring spending to achieve budgetary balance, or using borrowed money or the sale of assets to support operating expenditures. Tennessee won a top grade in reserve funds for having policies that govern withdrawals and replenishment for its revenue fluctuations account. The state also considers revenue volatility in setting reserve funding goals.

The state's C average in budget forecasting stems from its failure to provide multiyear expenditure or revenue forecasts. In both areas, Tennessee makes projections for only two years. Its B in legacy costs reflected actuarially recommended funding of public worker pensions but not of other postemployment benefits (OPEB), primarily health care. The state's pension was 94 percent funded in 2019, 23 percentage points above the total for all states.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	C	B	B
Kentucky	B	C	C	C	B
Mississippi	C	A	B	B	B
Tennessee	C	A	B	A	A
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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TENNESSEE Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	C									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	99%	96%	96%	94%	94%					
5-YEAR AVERAGE	B									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	A	A	A					
Consolidated Budget Website	✓	✓	✓	✓	✓			●	●	●
Provides Debt Tables	✓	✓	✓	✓	✓	●	●			
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✓	✓	✓					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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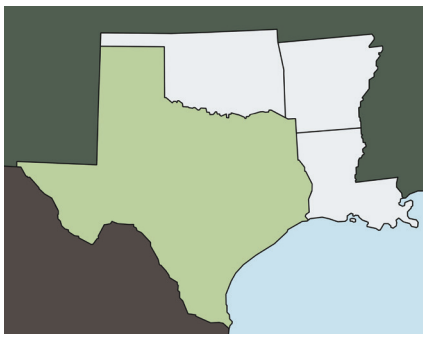
TEXAS Budget Report Card



WHILE MOST STATES CUT BACK on budget maneuvers as the economy expanded in fiscal 2015 through 2019, Texas stepped up its use of such one-time measures to cover recurring expenditures in the later years of the study period. The increase in maneuvers limited Texas's average grade in the category to a B. Actions included the legislature's authorizing a transfer of $668 million from special funds to the general fund to close a shortfall before the passage of the fiscal 2018–19 budget.

Texas had an even weaker performance in legacy costs, with an average of D-minus, the lowest possible grade. Just six other states fared that poorly. Its annual contributions for public worker pensions and other postemployment benefits (OPEB), primarily health care, consistently fell short of actuarially determined amounts. Its pension fund ratio dropped from 76 percent in 2017 to 69 percent in 2019, 2 percentage points below the total for all states.

As befits a state with vast oil and gas production, Texas scored an A average in reserve funds. It deposits a large portion of severance tax collections into the Economic Stabilization Fund in years when receipts exceed 1987 levels. This brought the fund to $10.1 billion in fiscal 2019, an amount equivalent to 19.3 percent of general fund expenditures.

Texas's average of C in budget forecasting was buoyed by measures requiring the Legislative Budget Board to prepare analyses of the impact of economic and demographic growth on the state's finances. The initial report, released in 2017, covered fiscal 2018–27, and a subsequent analysis covered fiscal 2020–29. Whether similar long-term projections continue will depend on the legislature's evaluation of the new process.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	A	C	C	D
Louisiana	B	C	D	A	B
Oklahoma	B	B	A	A	B
Texas	C	B	D-	A	B
US AVERAGE	C	B	C	B	B

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TEXAS Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✓	✓				●	●
Multiyear Revenue Forecasts	✗	✗	✗	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●		
5-YEAR AVERAGE C										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	B	B	D	C					
Deferring Recurring Expenditures	✓	✗	✓	✗	✓	●				
Revenue and Cost Shifting	✓	✓	✗	✗	✗		●	●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					●
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✗	✗				●	
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D-	D-					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	76%	73%	76%	71%	69%					
5-YEAR AVERAGE D-						●	●	●	●	●

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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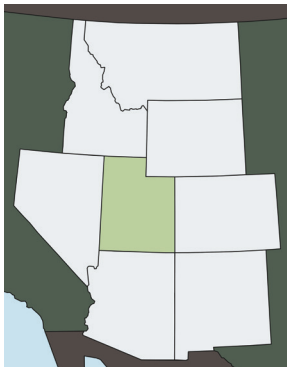
UTAH Budget Report Card



UTAH IS A MODEL of budgetary consistency and improvement. It was one of five states that received top A average grades in three of the five budget categories evaluated in fiscal 2015 through 2019. The others were California, Hawaii, Idaho, and Tennessee.

Utah's A in budget maneuvers reflected a lack of one-time measures to cover recurring expenditures. The state also received an A in reserve funds, where its policies align with the best practices cited in the Volcker Alliance 2019 working paper *Rainy Day Fund Strategies: A Call to Action*.

It was also one of only seven states averaging an A in legacy costs. In Utah's case, the mark reflects a 2010 reform that gave newly hired public workers a choice of a defined-contribution 401(k) retirement plan or a less generous traditional defined-benefit pension. After the move, Utah continued to make actuarially determined contributions to the pension and had a 92 percent funded ratio in 2019, 21 percentage points above the total for all states. It also funds other postemployment benefits (OPEB), mainly health care, along actuarial lines.

The state's B average in forecasting reflected a 2018 statute ordering the Legislative Fiscal Office to make long-term projections of expenditures and revenues from major tax sources under different economic scenarios.

Utah's weakest showing was its C in transparency. Although the state generally provided complete budget and debt information, it lacked comprehensive reports on tax expenditures. Like forty-four other states, it also failed to report information on deferred infrastructure maintenance costs in budgets or related documents.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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UTAH Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓				●	●
Multiyear Expenditure Forecasts	✗	✗	✗	✓	✓					
Multiyear Revenue Forecasts	✗	✗	✗	✓	✓	●	●	●		
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	86%	86%	90%	85%	92%					
5-YEAR AVERAGE A										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●	●	●	●
Discloses Tax Expenditures	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

KEY

✓	Followed best practice
✗	Did not follow best practice

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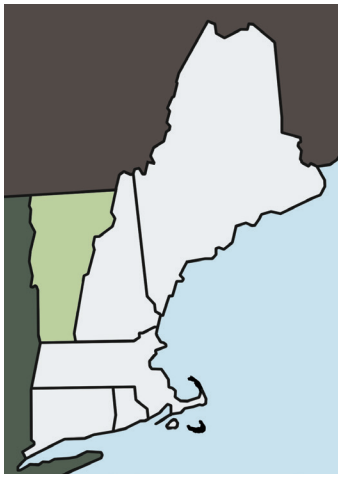
VERMONT Budget Report Card



VERMONT LANDED B AVERAGES from fiscal 2015 through 2019 in four out of five budgetary categories. Its major weakness was reflected in its D in legacy costs, which includes public worker pensions and other postemployment benefits (OPEB), primarily health care.

The mark, the second-lowest possible, stems from Vermont's lack of actuarially determined contributions for OPEB. The program had a net liability for state workers and teachers of $2.2 billion in 2019, a relatively high sum for a small state. While Vermont funded public worker pensions according to actuarial recommendations from 2015 through 2019, the pension funding ratio was 64 percent, 7 percentage points below the total for all states.

One element in each of the other four categories kept Vermont from attaining A averages. The state missed the top mark in reserve funds because it does not tie its budget stabilization fund to revenue volatility, a flaw shared by twenty-nine other states. Its weakness in transparency was an absence of reporting on deferred infrastructure maintenance, something forty-four other states also lack. In budget forecasting, Vermont had no multiyear expenditure forecasts.

The budget maneuvers grade reflected general avoidance of one-time measures to achieve balance, although the state did draw down general fund balances to support recurring expenditures in 2018.

NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	B	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	B	D	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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VERMONT Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	B	B	B	B					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗		●	●	●	●
Multiyear Revenue Forecasts	✗	✓	✓	✓	✓	●				
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	A	B	B	A					
Deferring Recurring Expenditures	✗	✓	✗	✓	✓		●			●
Revenue and Cost Shifting	✓	✓	✓	✗	✓	●		●	●	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	68%	64%	64%	64%	64%	●	●	●	●	●
5-YEAR AVERAGE	D									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

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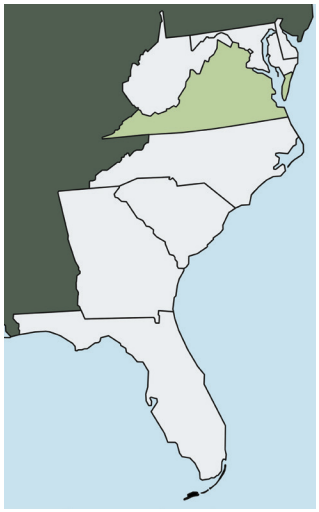
VIRGINIA Budget Report Card



VIRGINIA'S AVERAGE BUDGETARY GRADES for fiscal 2015 through 2019 in the budget maneuvers and legacy costs categories reflect past shortcomings more than recent reforms.

In budget maneuvers—the use of one-time measures to achieve balance—Virginia received a C average despite having weaned itself from practices that deferred recurring expenditures or funded them with debt. Its remaining maneuver in fiscal 2019 was requiring businesses to accelerate sales tax payments that would ordinarily be paid in the next fiscal year. The number of businesses affected declined, however, as the state sought to reduce its reliance on this tactic.

Virginia's D average in legacy costs, the second-lowest mark possible, stemmed partly from funding public worker pensions and other postemployment benefits (OPEB), primarily health care, at less than actuarially recommended levels in 2015–17. In 2018, however, the state began making full actuarial pension contributions; it did the same for OPEB the next year. Its funding ratio for pensions was 77 percent in 2019, 6 percentage points above the total for all states.

Virginia achieved a top A average for reserve funds based on policies that guide withdrawal and replenishment and establish a link between rainy day fund deposits and revenue volatility. The state has room to improve in the transparency category, where it scored a C average for its lack of comprehensive annual or biennial reporting on tax expenditures and because it does not disclose deferred infrastructure maintenance costs.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

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VIRGINIA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	A	A	A	B					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓		●	●	●	
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✗	●				●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✗	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D	C	C	B					
Deferring Recurring Expenditures	✗	✓	✓	✓	✓					
Revenue and Cost Shifting	✗	✗	✗	✗	✓					●
Funding Recurring Expenditures with Debt	✗	✗	✓	✓	✓			●	●	
Using Asset Sales and Up-Front Revenues	✗	✗	✗	✗	✗		●			
5-YEAR AVERAGE	C					●				

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	C	A					
Public Employee OPEB Funding	✗	✗	✗	✗	✓					●
Public Employee Pension Funding	✗	✗	✗	✓	✓				●	
Public Employee Pension Funded Ratio*	75%	72%	77%	79%	77%					
5-YEAR AVERAGE	D					●	●	●		

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	A									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●	●	●	●
Discloses Tax Expenditures	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	C									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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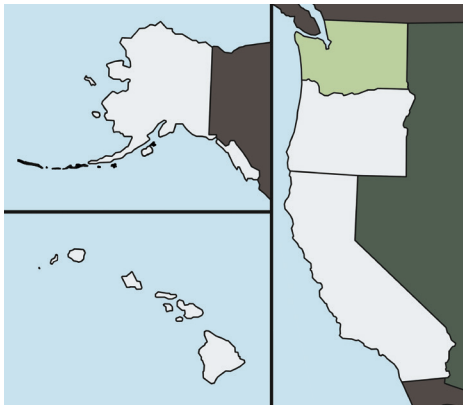
WASHINGTON Budget Report Card



STRONG CONSTITUTIONAL and statutory policies governing withdrawals and replenishments for Washington's Budget Stabilization Account earned the state a top A average for fiscal 2015 through 2019 in the reserve funds category. Washington is required to transfer 1 percent of general fund revenues to the rainy day fund at the beginning of each biennium. With five years of strong sales tax revenues, this account rose from 3.1 percent of general fund expenditures in 2015 to 7.3 percent in 2019.

The fund is also well protected from arbitrary use. Withdrawals can be made only if employment growth is weak or the governor declares an emergency that threatens public safety. Other uses require a three-fifths vote of each legislative chamber. Washington is one of twenty states that incorporate revenue volatility into rainy day fund policies.

The state also averaged A in budget forecasting for its robust policies. The seven-member Economic and Revenue Forecast Council, which includes the state treasurer and legislators, produces a quarterly budget forecast with revenue and expenditure projections that follow best practices, extending at least three years beyond the current budget.

While Washington avoided using budget maneuvers in 2018 and 2019, its B average in the category resulted from shifting revenues and costs in 2015–17 and deferring recurring expenditures in 2016. Its C in legacy costs reflected improvements made in 2019. The state underfunded annual pension contributions from 2016 through 2018, but in 2019 it successfully met the actuarially determined amount. Washington's pension funding ratio in fiscal 2019 was 96 percent, 25 percentage points above the total for all states. Its legacy costs grade suffered from a failure to fund other postemployment benefits (OPEB), primarily health care, on an actuarially recommended basis.

PACIFIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	C	B	A	A
California	B	A	D	A	A
Hawaii	A	A	D-	A	B
Oregon	C	A	B	B	B
Washington	A	B	C	A	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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WASHINGTON Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	C	B	A	A					
Deferring Recurring Expenditures	✓	✗	✓	✓	✓				●	●
Revenue and Cost Shifting	✗	✗	✗	✓	✓	●		●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓		●			
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	D	D	D	B					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✗	✗	✗	✓					●
Public Employee Pension Funded Ratio*	87%	84%	90%	94%	96%	●		●	●	
5-YEAR AVERAGE C							●			

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					●
Discloses Tax Expenditures	✓	✓	✓	✓	✗					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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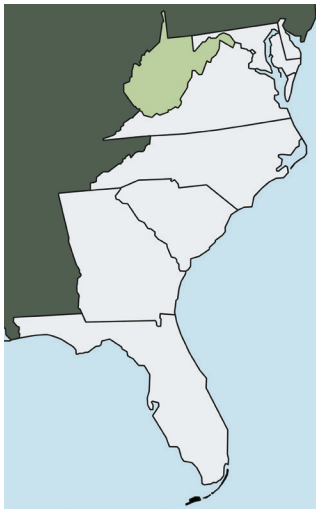
WEST VIRGINIA Budget Report Card



WEST VIRGINIA'S BUDGETARY GRADES demonstrate how states can remediate poor practices. By reducing its use of one-time measures to achieve balance during the recovery from the Great Recession, West Virginia registered a B average in budget maneuvers for fiscal 2015 through 2019. The improvement reflected its curtailment of using debt to fund recurring expenditures in 2017.

The state also enhanced its performance in legacy costs—it averaged a B in the category—by coming close to funding other postemployment benefits (OPEB) for public employees, primarily health care, on an actuarially recommended basis. The state has a history of pension underfunding, particularly in the Teachers' Retirement System. But it made actuarially determined contributions to its pension plans every year in the study period. This, in turn, led to an increase in its overall pension funding ratio, which rose from 72 percent in 2016 to 84 percent in 2019, 13 points above the total for all states.

West Virginia garnered B averages in the remaining three categories. In transparency, its grade suffered only from a failure to disclose deferred infrastructure maintenance costs in budget documents, an element also absent in forty-four other states. It missed an A in reserve funds because it lacks policies that connect funding of the Revenue Shortfall Reserve Fund with revenue volatility, a shortcoming it shares with twenty-nine other states. In budget forecasting, West Virginia fails to use consensus revenue forecasts, unlike twenty-nine states that have adopted the method.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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WEST VIRGINIA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	B	C	B	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					●
Revenue and Cost Shifting	✗	✗	✗	✗	✓		●		●	
Funding Recurring Expenditures with Debt	✗	✓	✗	✓	✓	●		●		
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	A	A					
Public Employee OPEB Funding	✗	✗	✗	✓	✓				●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	77%	72%	79%	83%	84%	●	●	●		
5-YEAR AVERAGE B										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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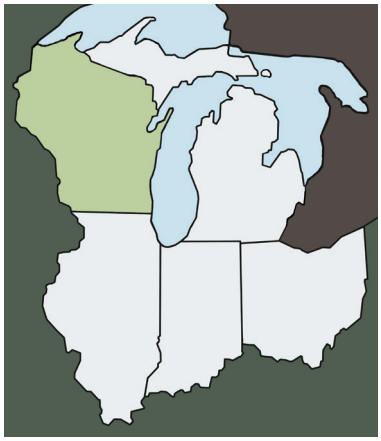
WISCONSIN Budget Report Card



WISCONSIN WAS ONE OF SEVEN states that received a top A average in legacy costs for fiscal 2015 through 2019. Alongside South Dakota, it was one of only two with a fully funded public worker pension system in 2019.

The state's 103 percent pension funding ratio in 2019 was the highest of any state. Over the five-year study period, Wisconsin's annual pension funding met the actuarially determined contribution. Funding also benefits from the pension's risk-sharing features, with investment performance influencing accrual rates, contributions, and retiree payments. Pensions are such a high priority that, since 1988, the state Legislative Council, which provides nonpartisan legal and policy advice, has taken the unusual step of examining pension liabilities of all states every other year. Wisconsin funds other postemployment benefits (OPEB), principally health care, on a pay-as-you-go basis. With a modest $431 million net OPEB liability as of December 31, 2018, compared with an $18 billion general fund budget, the policy did not hurt the state's legacy costs grade.

A dramatic contrast is Wisconsin's D average in budget forecasting. The state does not use a consensus revenue estimate, choosing instead to rely on the executive branch's Department of Revenue to produce the official figure for each biennium. The state does not present multiyear revenue or expenditure estimates in the budget or related documents.

Wisconsin posted B averages in budget maneuvers, reserve funds, and transparency. In budget maneuvers, the state avoided deferring expenditures and shifting revenues and costs from 2016 through 2019, but it has consistently pushed debt payments to future years in bond refundings. In reserve funds, the Budget Stabilization Fund features policies for replenishments and disbursements, but the state does not consider revenue volatility in setting aside money for the rainy day account.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	D	D-	D	B
Indiana	C	A	B	A	C
Michigan	B	B	C	A	B
Ohio	D	B	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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WISCONSIN Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	✗	✗	✗	✗	✗					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE	D									

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	B	B	B	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓					
Revenue and Cost Shifting	✗	✓	✓	✓	✓		●	●	●	●
Funding Recurring Expenditures with Debt	✗	✗	✗	✗	✗	●				
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funding	✓	✓	✓	✓	✓					
Public Employee Pension Funded Ratio*	98%	99%	103%	96%	103%					
5-YEAR AVERAGE	A									

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE	B									

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE	B									

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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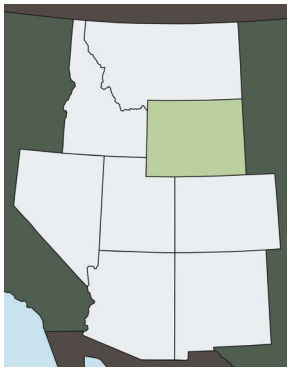
WYOMING Budget Report Card



WHILE WYOMING DEPENDS on severance taxes for much of its revenues, it fails to consider the levy's volatility in managing its rainy day fund. This shortcoming, and the state's lack of policies to guide disbursements from its Legislative Stabilization Reserve Account, accounted for its C average in reserve funds for fiscal 2015 through 2019. The mark would have been lower if a replenishment policy had not been established in 2017.

In contrast, Wyoming follows solid budget forecasting practices that earned it a B average in the category. The state uses five-year revenue estimates developed for each biennial budget. The forecasts are made by the Consensus Revenue Estimating Group, which was created in 1983 by the executive and legislative branches. It includes members from the Departments of Education and Revenue, Wyoming Oil and Gas Conservation Commission, Wyoming State Geological Survey, and the University of Wyoming. The state lacks multiyear expenditure estimates, however.

In legacy costs, which includes public worker pensions and other postemployment benefits (OPEB), primarily health care, the state received the lowest possible mark, D-minus. While its pension funding ratio was 77 percent in 2019, 6 percentage points above the total for all states, Wyoming did not fund pensions or OPEB on an actuarially recommended basis. It posted a B average in budget maneuvers. Among one-time actions taken during the study period, it tapped the rainy day fund to cover recurring expenditures as oil and natural gas prices fell in 2018.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D-	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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WYOMING Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	B	B	B	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●				●
Revenue and Cost Shifting	✓	✗	✗	✗	✓		●	●	●	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D-	D-					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funded Ratio*	73%	73%	76%	68%	77%					
5-YEAR AVERAGE D-						●	●	●	●	●

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✗	✗	✗	✗	✗					
Reserve Funds Replenishment Policy	✗	✗	✓	✓	✓			●	●	●
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗	●	●			
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	●	●	●	●	●
Discloses Tax Expenditures	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

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APPENDIX A: Glossary

THESE DEFINITIONS ARE BASED on Volcker Alliance research, as well as on glossaries and other explanatory documents published by Ballotpedia, California Department of Finance, Center for Budget and Policy Priorities, Congressional Budget Office, Congressional Research Service, Governmental Accounting Standards Board, Investopedia, InvestingBonds.com, Lincoln Institute of Land Policy, Michigan State Budget Office, Municipal Securities Rulemaking Board, National Association of State Budget Officers, National Association of State Retirement Administrators, National Conference of State Legislatures, New Jersey Office of Management and Budget, New York State Division of the Budget, and Urban Institute.

Accrual budgeting A method of measuring a state's performance and status by acknowledging the impact of revenues when they are earned and expenditures when they are incurred, regardless of when the funds actually enter or exit a state's account. This method, sometimes called modified accrual under generally accepted accounting principles (GAAP), is a more accurate means of measuring the economic status of a state than cash accounting, in which revenues are counted when they are anticipated and expenditures when they are paid. GAAP-based budgeting is not commonly deployed by state and local governments—New York City is one government that uses it—largely because it is more complicated and labor intensive than the traditional cash- or fund-accounting method.

Actuarially required contribution (ARC) Sometimes used interchangeably with actuarially determined contribution (ADC). Both refer to the amount that a retirement system's actuaries have determined will adequately fund promised pension or other postemployment benefits accruing to current employees in a given year, as well as the cost of amortizing unfunded liabilities from past years.

All-funds budget This overarching budget category includes the total of funds used by a state, including general, special revenue, and capital accounts.

Asset sales A way of generating revenue by transferring ownership of public assets, such as buildings or highways, to another party, generally a private entity. Governments regularly dispose of surplus items or land to bring in cash. But the sale of larger assets, generally in a one-

time action, to fund continuing expenditures can present a challenge to fiscal sustainability.

Balanced budget A budget in which receipts are equal to or greater than outlays in a fiscal period. While forty-nine states require balanced budgets by statute or constitutional provisions, there is no single definition of the term. Vermont, the only state without a formal balanced budget requirement, follows the example of its peers.

Biennial budget A budget covering two fiscal years, or biennium. It is used by twenty states, according to the Council of State Governments.

Block grants A form of federal aid providing specific sums to state and local governments for community development, social services, public health, and other purposes.

Bond premium The excess over par (or face) value that is paid to purchase a municipal bond when it is issued. Governments may use the proceeds of bond premiums to reduce public indebtedness or to help cover budget deficits.

Budget maneuvers One-time fiscal tactics used to create or maintain a balanced budget. They may include transferring special funds, reserves, or windfalls from legal settlements into the general fund; bringing a future year's revenue into the current period; or pushing the cost of current expenditures into the future.

Capital budget Generally distinct from an operating budget, this document may include spending on land, buildings, structures, and equipment that is often financed by issuing municipal bonds or other borrowings.

Capital spending Expenditures on land, buildings, roads, bridges, and other infrastructure, and on purchasing the equipment necessary for construction or maintenance.

Cash accounting A common practice for state and local government budgets, it allows expenditures to be recognized when payments have been made. Similarly, cash accounting allows revenues to be recognized when they are anticipated. Most state and local budgets use cash accounting. Under cash accounting, for example, a large contract to buy computer equip-

ment in one year might not be recorded until the following year's budget, when the bill for the acquisition is finally paid.

Comprehensive annual financial report A report meeting Governmental Accounting Standards Board recommendations that includes a state or local government's audited financial statements for the fiscal year, as well as other information.

Consensus revenue forecast A projection of revenues, expenditures, or both developed in agreement between the executive and legislative branches, sometimes with input from outside economists or business groups.

Consolidated budget website A website or a series of linked websites that includes not only a government's latest proposed or enacted budget but also information such as budget processes, current and previous budgets, debt tables, or budget and economic forecasts.

Debt service Also known as debt service requirement, this is the total amount necessary to pay interest and principal on outstanding bonds.

Deficit According to GAAP, this reflects expenses outstripping revenues at the end of the year. It is not to be confused with a shortfall, which represents revenue shortages that accumulate during the year and may be eliminated by spending cuts, tax or fee hikes, or one-time actions to avoid a year-end deficit.

Expenditures Funds that a government appropriates or budgets to provide public services.

Forecasts Estimates of future revenues and expenditures, used to help create and maintain a balanced budget.

Fund accounting A public sector accounting approach that separates cash in the state treasury into the general fund, used for most services, and any special funds, such as those for hurricane relief or debt service. The division of all government money into separate funds is primarily intended to improve transparency.

Generally accepted accounting principles (GAAP) Guidelines set forth by the Governmental Accounting Standards Board to guide preparation of year-end annual reports for governments. The guidelines reflect professional auditing standards established by the American Institute of Certified Public Accountants. Governmental entities are not required by law to follow GAAP accounting, but credit rating agencies may reflect any lack of GAAP methods in their assessments of credit quality.

General fund The main fund for financing a state or locality's day-to-day operations. It excludes capital expenditures in many states. General fund receipts typically exclude federal grants; tuition at state colleges; or special purpose levies, such as motor fuel taxes earmarked for highway maintenance.

Governmental Accounting Standards Board (GASB) The body that sets standards for financial accounting and reporting practices by states and localities.

Infrastructure maintenance liability The amount a state will need to provide to keep roads, bridges, and buildings in good working order. Although a number of states show the value of accumulated depreciation of assets in their annual reports, the scope and method of calculating the data can differ widely.

Legacy costs The present value of unfunded liabilities for future public employee pension and other postretirement employee benefits, including health care. Some experts include the estimated cost of deferred infrastructure maintenance liabilities. Not fully funding government services delivered in a particular year represents a shift of obligations from current residents, who have already received the public services, to future generations.

Medicaid A health care program for low-income families and individuals jointly financed by the federal and state governments. States pay about 40 percent of Medicaid costs, on average, although some pay as little as 30 percent.

Midyear budget adjustment Adjustments made during the fiscal year or biennium to the originally enacted budgetary expenditures. The changes usually result in reduced services, increased taxes or fees, or the use of one-time revenue actions, such as transfers from special

funds or asset sales, to cover any anticipated deficits.

Modified accrual basis of accounting A method of accounting that recognizes revenues in the accounting period in which they become available and measurable.

Multiyear revenue and expenditure forecasts Estimates of amounts expected to be brought in or spent that extend beyond the current fiscal year or biennium. The Volcker Alliance recommends at least three full years of such forecasts to qualify for designation as a multiyear forecast.

Municipal bonds Debt obligations used by states, cities, counties, and other government entities, primarily for capital expenses such as schools, highways, hospitals, and prisons. Interest on municipal bonds is generally exempt from federal taxes and often from state taxes, although governments may also issue taxable debt.

Municipal Securities Rulemaking Board (MSRB) A self-regulatory organization created under the Securities Acts Amendments of 1975, it promulgates rules that protect investors in municipal bonds largely through oversight of US broker-dealers and banks. The MSRB provides prices on municipal bond trades and issuers' financial disclosures on its Electronic Municipal Market Access website.

One-time expenditures Expenses that are nonrecurring and generally appear in only one budget.

One-time revenues Nonrecurring receipts. They should not be used to pay for ongoing expenditures, such as pay raises or new programs.

Other postemployment benefits (OPEB) Future liabilities incurred by governmental entities for benefits other than pensions, such as health care, provided to retired public employees.

Pension bond A debt instrument whose proceeds are used to fund a pension.

Public debt Money owed by a government or an agency, such as municipal bonds to pay for a new bridge, or short-term notes or loans to smooth cash flow until expected tax receipts are collected.

Rainy day fund A fiscal reserve that governments can tap to balance the budget or respond to emergencies. Also known as a budget stabilization fund or reserve fund.

Recurring expenditures Also known as continuous appropriations, these are expenses, such as legislative salaries, that are made annually under mandates set forth in a statute or state constitution. They continue without requiring further action, even if the amounts change.

Revenue volatility Fluctuations in revenues that recur in multiple years, often because of the nature of the tax system.

Revenues Funds that come mainly from tax collection, licensing fees, federal aid, fines, legal settlements, and returns on investment. In some cases, debt or up-front proceeds on financial transactions may be counted as revenue.

Scoop and toss The practice of gaining budgetary relief by using the proceeds of a new bond issue to pay off maturing bonds while shifting debt service expenses to future years.

Special revenue funds Funds constrained by statute or other restriction to a particular spending area, such as workers' compensation. These funds can be financed with tax dollars, grants from the federal government or other governmental entities, or gifts from individuals or private organizations.

Surplus Budgeted funds that remain at the end of the fiscal year or biennium. Surpluses typically occur when revenue collections are higher than anticipated or appropriations go unspent.

Tax expenditure reports Disclosures of budget revenues forgone by states through the use of tax exemptions, credits, and abatements. The contents of tax expenditure reports and value of forgone revenues may differ from reporting of tax credits, exemptions, and abatements mandated by the GASB in comprehensive annual financial reports.

Transfers The shifting of resources from one fund to another, usually the general fund, often driven by executive order or legislative action. Such transfers are considered one-time revenues when the resources are used to subsidize the general fund with special funds in a single fiscal period.

APPENDIX B: Research Methodology

WHEN THE VOLCKER ALLIANCE BEGAN examining state fiscal and financial reporting practices in 2014, we were driven by one fundamental question: What makes up a balanced budget? This report's analysis of the budget practices of the fifty US states is based on a revised questionnaire scrutinizing practices in five critical areas.

Determining how each state defines a balanced budget requires an appreciation of the US as a collection of fifty sovereign entities rather than one homogenous unit. Each state controls its budgetary accounting systems and reporting practices. This results in presentations of information that may not be directly comparable across borders, including which data are available, how states define what those data points mean, and states' underlying assumptions.

To pursue our research, the Volcker Alliance joined forces with professors and students in public finance and budgeting programs at eight universities. Their work was guided by a standardized set of research questions on budget procedures created by Volcker Alliance staff in coordination with data experts at Municipal Market Analytics (MMA), a municipal finance consulting firm based in Concord, Massachusetts; and Katherine Barrett and Richard Greene, special project consultants to the Alliance.

The considerable differences among states' budgetary procedures led us to examine behaviors and outcomes as much as numbers. University research network members were encouraged to seek out information from a variety of sources, conduct interviews with current and former state budget and financial officials, and examine not only primary budget documents but also financial disclosure filings containing relevant supplemental data. Researchers' responses were then reviewed by faculty advisers at the participating universities and by MMA consultants, and revised if necessary. MMA also performed a comprehensive review of responses across all states, normalizing the results to account for any discrepancies among researchers' findings. The focus on adherence to best practices, combined with the normalization process, resulted in a relatively high level of comparability among states' budgetary performance.

While we attempted to keep the scoring and grading systems as simple as possible, some variation among budget categories was necessary to most accurately reflect states' success in implementing budgetary best practices. Save for the legacy costs category, which was assessed on three factors, categories were scored on the adherence to best practices on four equally weighted budget indicators, each measured by a research question or set of related

questions. Here is how we determined the grades:

- The Budget Forecasting category was graded on a state's using a consensus revenue forecast; having a reasonable rationale for revenue growth projections based on historical revenue and economic growth trends; producing multiyear revenue forecasts; and generating multiyear expenditure forecasts.
- The Budget Maneuvers category was graded on a state's using one-time actions to create short-term budget fixes, often to the detriment of long-term budget sustainability. Research questions related to one-time actions were grouped into four types of budget maneuvers, and states received credit for each type they succeeded in avoiding. One-time actions included funding recurring expenses with debt; funding recurring expenses with the proceeds of asset sales or by tapping future revenues; deferring a current year's recurring expenditures; and covering general fund expenditures with transfers from other funds.
- The Legacy Costs category was graded on a state's willingness to meet obligations for public employee pensions and other postemployment benefits (OPEB). Thirty percent of a grade was determined by a state's actuarially required or determined contribution (ARC or ADC) for OPEB. Thirty-five percent of the category grade was based on whether the state made its public employee pension ARC or ADC, and thirty-five percent was based on the state's pension funded ratio, which represents the amount of assets available to cover promised benefits. While it is best for states to make the full payment that actuaries determine is necessary every year, missing such a contribution is of greatest concern to states with high unfunded liabilities.
- The Reserve Funds category was graded on a state's having a reserve fund disbursement policy; having a reserve fund replenishment policy; tying reserves to historic trends in revenue volatility; and having a positive reserve or general fund balance at the beginning of each fiscal year.
- The Transparency category was graded on the extensiveness and usefulness of a state's financial disclosure practices. States received credit for having a consolidated budget website; disclosing outstanding debt and debt service cost tables; providing information on deferred infrastructure maintenance costs; and providing cost estimates for tax expenditures.

All states received a letter grade ranging from A to D-minus, the lowest possible, for each budget category for fiscal 2015, 2016, 2017, 2018, and 2019. The annual numerical scores were

averaged to produce the five-year average letter grades for each budget category for each of the fifty US states.

Insights gained through several *Truth and Integrity in State Budgeting* studies allowed us to refine the research questions, method, and process. These changes improved the accuracy and cross-state comparability of the research results but in some cases resulted in discrepancies between this report and the previous three fifty-state *Truth and Integrity in State Budgeting* reports, released in October 2017, December 2018, and February 2020. A reexamination of fiscal 2019, which was only preliminarily studied in the report released in February 2020, allowed researchers to capture budgetary actions that had not yet been taken at the time of the earlier assessment and to use documents that were previously unavailable.

Scoring and grading methodology were revised to more accurately assess and compare states' adherence to best practices. More exact and up-to-date public employee pension funding data were used in making assessments in the Legacy Costs category, which also included a change in GASB rules for state financial reporting. Pension funding ratios were compiled by Bloomberg as of the end of the fiscal year in question. Results released in this report—including for fiscal years covered in previous reports—reflect the updated assessment standards and methods. That allows for year-over-year comparisons of all five fiscal years studied throughout the Volcker Alliance's four-year research initiative and examined in this report.

ABOUT THE TRUTH AND INTEGRITY IN GOVERNMENT FINANCE TEAM

William Glasgall

SENIOR VICE PRESIDENT AND DIRECTOR, STATE AND LOCAL INITIATIVES

William Glasgall is senior vice president and director of state and local initiatives at the Volcker Alliance, where he has supervised the publication of numerous working papers and studies, including four *Truth and Integrity in State Budgeting* reports. He is also the creator of the *Special Briefing* webcast series, coproduced with the University of Pennsylvania Institute for Urban Research, where he is a fellow and co-lead of the Initiative for State and Local Fiscal Stability. Previously, Mr. Glasgall was managing editor for states and municipalities at Bloomberg News and senior editor at *BusinessWeek* magazine. He is also a member of the National Federation of Municipal Analysts and a governor of the Overseas Press Club Foundation. A Boston University graduate, he was a Knight-Bagehot Fellow in Economics and Business Journalism at Columbia University and a DAAD Fellow at the University of Bonn, Germany.

Noah A. Winn-Ritzenberg

ASSOCIATE DIRECTOR

Noah Winn-Ritzenberg joined the Volcker Alliance as it was being launched in 2013 and has played various roles in the organization's initial establishment and subsequent expansion. Responsible for establishing and managing the offices, systems, databases, and IT infrastructure of the Alliance, he also served in an advisory capacity on various strategic, operational, communications, and programmatic initiatives throughout its early years.

In his current position, Mr. Winn-Ritzenberg manages the Truth and Integrity in Government Finance initiative and provides leadership and guidance on key operational workstreams, such as website development and constituent relationship management.

He received a bachelor of science in economics, a certificate in environmental studies, and a master of public affairs from the University of Wisconsin–Madison.

Nina Kambili

PROGRAM ASSISTANT

Nina Kambili joined the Volcker Alliance in September 2020. As a program assistant, she supports a variety of the organization's key initiatives.

Ms. Kambili graduated magna cum laude from New York University in May 2020 with

her bachelor of arts in public policy and global studies and a concentration in politics. As an undergraduate, Ms. Kambili worked in New York City and State politics, including interning with a New York City Council member, in political fundraising, and with the government affairs team of the National Institute for Reproductive Health. She also worked with Operation Black Vote in London, acting as one of the primary researchers for the organization's 2019 report on ethnic minority representation in local government.

Katherine Barrett and Richard Greene

SPECIAL PROJECT CONSULTANTS

Katherine Barrett and Richard Greene, principals of Barrett and Greene Inc., are consultants for the Volcker Alliance and writers of the Alliance reports *Truth and Integrity in State Budgeting: Lessons from Three States*, *Truth and Integrity in State Budgeting: What is the Reality?*, *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis*, and *Truth and Integrity in State Budgeting: The Balancing Act*. They also authored the working papers *Beyond the Basics: Best Practices in State Budget Transparency* and *Rainy Day Fund Strategies: A Call to Action*, as well as the resource guide *State Budget Sources: An Annotated Reference Guide to State Budgets, Financial Reports, and Fiscal Analyses*.

Ms. Barrett and Mr. Greene are columnists, special advisers, and chairs of the advisory board at *Route Fifty*, senior advisers to the Government Finance Research Center at the University of Illinois at Chicago, visiting fellows at the IBM Center for the Business of Government, columnists and advisers at the Government Finance Officers Association, advisers to the National Association of State Personnel Executives, and fellows at the National Academy of Public Administration. In addition, Greene is chair of the Center for Accountability and Performance at the American Society for Public Administration.

They have been contributors to the Pew Charitable Trusts, *Governing* magazine, Governing Institute, Council of State Governments, Fels Institute at the University of Pennsylvania, National League of Cities, Urban Institute, Governmental Accounting Standards Board, and the Association of Government Accountants.

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Matt Fabian

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Matt Fabian is a partner at Municipal Market Analytics, where he heads market and credit

research, and is the lead contributor to its weekly *Outlook* and biweekly *Default Trends* reports. Mr. Fabian was previously the lead US municipal research analyst for UBS Financial Services. Earlier in his career, he was an underwriting analyst at Financial Security Assurance and a municipal rating analyst with Moody's Investors Service. He has served as chairman of the Municipal Analysts Group of New York and as a member of the board of governors of the National Federation of Municipal Analysts.

Mr. Fabian has an undergraduate degree from Penn State University and a master of public administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University.

Lisa Washburn

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Lisa Washburn is a managing director and the chief credit officer at Municipal Market Analytics, where she leads the firm's consulting practice and credit surveillance business. She is a contributor to MMA's *Outlook* and *Default Trends* publications and assists in maintaining its Credit Impairment Database. Before joining MMA, Ms. Washburn spent twenty years with Moody's Investors Service, where she was a managing director in the public finance group and led several ratings teams. She is a member of the National Federation of Municipal Analysts and is currently cochair of its Industry Practices Committee and the organization's representative on the Governmental Accounting Standards Advisory Council. A graduate of Lehigh University, Ms. Washburn is a certified management accountant and holds a credential in fundamentals of sustainability accounting.

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RELATED RESEARCH INITIATIVES

The Volcker Alliance's Truth and Integrity in Government Finance project has encouraged academic research initiatives by partner schools and others that are complementary to this report and its predecessors. Recent research papers include the following:

Department of Public Policy & Administration, Steven J. Green School of International & Public Affairs, Florida International University

RELATED RESEARCH *Rainy Day Funds and Revenue Volatility*, by Daniel Castro, Howard Frank, and Hai (David) Guo; *The Naked Truth About State Governments' Budget Maneuvers*, by Merlene-Patrice Bourdeau-Quispe and Hai (David) Guo; *Fiscal Transparency and Improved Fiscal Outcomes: Is There a Connection?*, by Merlene-Patrice Bourdeau-Quispe.

Center for State and Local Finance, Andrew Young School of Policy Studies, Georgia State University

RELATED RESEARCH *Fiscal Transparency and Legacy Costs*, by Alex Hathaway; *Budget Maneuvers in the Southern States*, by Alex Hathaway and Jesseca Lightbourne; *Reserve Fund Policies in the Southern States*, by Bethel Habte, Alex Hathaway, and Jesseca Lightbourne; *OPEB Funding Challenges: The U.S. Postal Service*, by Alex Hathaway; *OPEB Funding in the Southern States*, by Alex Hathaway; *Revenue Forecasting Practices in the Southern States*, by Emily Franklin and Alex Hathaway; *Fiscal Transparency and Accessibility in the Southern States*, by Alex Hathaway and Anna Sexton; *Fiscal Transparency across the States: A Volcker Alliance Paper*, by Jesseca Lightbourne, Alex Hathaway, Emily Franklin, Bethel Habte, and Bart Hildreth.

Rutgers Accounting Research Center and Continuous Auditing and Reporting Lab, Rutgers Business School, Rutgers University, and Department of Accounting and Finance, Feliciano School of Business, Montclair State University

RELATED RESEARCH *Volcker Alliance's Survey Data: A Case Study*, by Zamil S. Alzamil, Deniz Appelbaum, and Miklos A. Vasarhelyi; *Measuring with Exogenous Data (MED) and Government Economic Monitoring (GEM)*, by Helen Brown-Liburd, Arion Cheong, Miklos A. Vasarhelyi, and Xinxin Wang; *Big Data Based Government Economic Monitoring (GEM) and Targeted Action*, by Miklos A. Vasarhelyi, Arion Cheong, William Glasgall, Ricardo Lopes Cardoso, Xinxin Wang, and Deniz Appelbaum.

Goldman School of Public Policy, University of California, Berkeley

RELATED RESEARCH *Caught In the Red: Economic Recessions and California Unified School Districts at Risk of Financial Insolvency, 2004–05 to 2018–19*, by Erin Heys, Tom Lindman, Daniel Tan, James Hawkins, and Sarah Swanbeck.

Department of Public Administration, College of Urban Planning and Public Affairs, University of Illinois at Chicago

RELATED RESEARCH *Beyond Truth and Integrity in State Budgeting: Why State Governments Use Budget Balancing Maneuvers (or Gimmicks)?*, by Rebecca Hendrick and Xiaoyan Hu.

Center for State Policy and Leadership, University of Illinois Springfield

RELATED RESEARCH *Truth and Integrity in State Budgeting Project: A Closer Look at Illinois and Kansas*, by Beverly Bunch, Patricia Byrnes, and Ann Schneider; *The State of Illinois's Fiscal Challenges and Budget Practices*, by Beverly Bunch, Patricia Byrnes, and Ann Schneider.

Martin School of Public Policy and Administration, University of Kentucky

RELATED RESEARCH *State Debt & Legacy Policies: Do They Matter?*, by Merl Hackbart and Rhonda Riherd Trautman.

Institute for Urban and Regional Infrastructure Finance, Hubert H. Humphrey School of Public Affairs, University of Minnesota

RELATED RESEARCH *America's Trillion-Dollar Repair Bill: Capital Budgeting and the Disclosure of State Infrastructure Needs*, by Jerry Zhirong Zhao, Camila Fonseca-Sarmiento, and Jie Tan.

Kem C. Gardner Policy Institute, University of Utah

RELATED RESEARCH *State Budget Stress Testing: How Utah Budget-Makers Are Shifting the Focus from a Balanced Budget to Fiscal Sustainability*, by Juliette Tennert, Angela J. Oh, Jonathan Ball, and Thomas Young; *A Visual Guide to Tax Modernization in Utah, Part One: Sales and Use Taxes,* by Kem C. Gardner Policy Institute; *A Visual Guide to Tax Modernization, Part Two: User Fees,* by Kem C. Gardner Policy Institute.

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ENDNOTES

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