Uncertainties with inflation and market volatility put state finances at risk

The majority of states do not have enough money to pay their bills

CHICAGO, IL, UNITED STATES, October 3, 2024 /EINPresswire.com/ -- Truth in Accounting (TIA), a think tank that analyzes government financial reports, found that 27 state governments did not have enough money to pay all their bills. These findings are released today in the fifteenth annual Financial State of the States report, which ranks all 50 states by financial health. For most states, the data in this report is sourced from the audited Annual Comprehensive Financial Reports for fiscal year 2023, representing the most recent information available.*

As voters head to the polls, this report equips them with essential financial information about their state, empowering them to make informed decisions. Every state, except Vermont, has a balanced budget requirement. Yet the states needed more than $811 billion in additional funds to pay their bills at the end of fiscal year 2023. This means that to balance the budget—as is required by law in 49 states—elected officials have pushed current costs onto future taxpayers–costs that will continue to increase as inflation rises.

The majority of state debt can be attributed to their unfunded retirement liabilities. Altogether, the debt among the 50 states totaled $2.9 trillion while assets total $2.1 trillion. This debt includes $840 billion in pension liabilities and $492 billion in other post-employment benefits, primarily for retiree health care costs.

Since most state retirement plans are invested in the stock market, Wall Street significantly influences government debt reporting. During strong market performance, the value of pension systems' investments can make state debt seem lower. However, it's essential to understand that these are only paper gains, not actual profits, meaning the reduction in debt may not reflect the true financial situation. A state's poor financial health affects not only citizens and taxpayers, but also workers, such as state employees, teachers, firefighters, and police officers, who are counting on these pension and health care benefits for their retirement.

"Most states' financial conditions improved in fiscal year 2023," says Sheila Weinberg, founder & CEO of Truth in Accounting. "But the states should focus on bolstering their retirement systems so they can weather market downturns and other economic uncertainties in the future."

Taxpayers are on the hook for their state's debt, including unfunded pension and retiree health care promises. To help taxpayers better understand their governments' financial situation, Truth in Accounting breaks down each state's debt into a per-taxpayer number. We call this a Taxpayer Surplus™ or Taxpayer Burden™. For example, Connecticut moved into last place because it needed more than $64.9 billion to pay its bills. If you were to divide that figure by the number of Connecticut taxpayers, the Taxpayer Burden is $44,300. Conversely, North Dakota had more than enough money to pay its bills with a Taxpayer Surplus of $55,600.

Founded in 2002, Truth in Accounting is dedicated to educating and empowering citizens with understandable, reliable, and transparent government financial information. Sheila Weinberg, founder and CEO, is a Certified Public Accountant with more than 40 years of experience in the field.

*As of August 31, 2024, six states (Arizona, California, Illinois, Mississippi, Nevada, and Oklahoma) had not released their fiscal year 2023 annual comprehensive financial reports. As a result, fiscal year 2022 reports were used for this report.

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