

# New non-partisan report finds diminishing federal funds put state finances at risk

*Half of the states do not have enough money to pay their bills*

CHICAGO, IL, UNITED STATES, September 25, 2025 /EINPresswire.com/ -- Truth in Accounting (TIA), a think tank that analyzes government financial reports, has found that 25 state governments did not have enough money to pay all of their bills. With COVID-related federal funding winding down, these states may face more difficulty managing budget pressures. These findings are released today in the sixteenth annual [Financial State of the States](#) (FSOS) report, which ranks all 50 states based on their financial health.

Every state, except Vermont, has a balanced budget requirement. Yet the states needed more than \$765 billion to cover their expenses at the end of fiscal year 2024. The majority of state debt can be attributed to unfunded retirement liabilities. Altogether, the debt among the 50 states totaled \$2.9 trillion, while assets totaled \$2.2 trillion. This debt includes \$832 billion in pension liabilities and \$514 billion in other post-employment benefits, primarily for retiree healthcare costs.

Federal grants to states rose sharply from \$745 billion in 2019 to \$1.5 trillion in 2021, driven mainly by COVID-19 relief efforts. Although aid has decreased since then, 2024 levels remain well above pre-pandemic averages. This temporary surge strengthened state finances but is likely unsustainable. If federal funding returns to 2019 levels (adjusted for inflation), states could face a collective shortfall of over \$300 billion—nearly 10 percent of projected expenses. Such a gap would pose major budget challenges, particularly for states that have become reliant on elevated federal support.

A growing concern is the significant tardiness of financial reports. While the FSOS primarily relies on data from states' 2024 Annual Comprehensive Financial Reports and retirement system reports, 2023 data had to be used for seven states. As of TIA's research cut-off date on August 25, 2025, these states—Arizona, Idaho, Illinois, Mississippi, California, Oklahoma, and Nevada—had not released their 2024 reports. Alarming, Nevada had also not yet released its 2023 report, so 2022 data was used for that state.

Timely financial information is crucial for informed government decision-making, particularly in budgeting. However, most states filed their 2024 annual financial reports after completing their budget process. Most corporate financial reports are issued within 45 days of the fiscal year's

end. Truth in Accounting believes states should be able to issue their financial reports within 100 days.

“More and more states are dragging their feet on financial reports—and taxpayers are paying the price,” says Sheila Weinberg, founder & CEO of Truth in Accounting. “Whether it’s due to a shortage of trained accountants or confusing government accounting rules, the public deserves better.”

Taxpayers are on the hook for their state’s debt as well as any further debt their governments accumulate. To help taxpayers better understand their government’s 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, New Jersey moved into last place because it needed more than \$156 billion to meet its financial obligations. If you divide that figure by the number of New Jersey taxpayers, the Taxpayer Burden is \$44,500. Conversely, North Dakota had more than enough money to pay its bills, resulting in a Taxpayer Surplus of \$63,300.

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