THE VOLCKER ALLIANCE
Working for Effective Government

Truth and Integrity in State Budgeting

WHAT IS THE REALITY?

FIFTY STATE REPORT CARDS

NEW YORK • 2018

INTRODUCTION

To emphasize the need for clear and comprehensible budgets to inform citizens, promote responsible policymaking, and improve fiscal stability, the Volcker Alliance in 2016 began a study of budgetary and financial reporting practices of all fifty states. The Volcker Alliance's mission is to improve the effectiveness of the administration of government at all levels. Making state budgeting more transparent and accountable is an important part of that goal.

The report cards presented here are taken from the 2017 Volcker Alliance report, *Truth and Integrity in State Budgeting: What Is the Reality?* which proposes a set of best practices for policymakers. The report cards contain grades of the state's budgetary practices during the fiscal years of 2015 through 2017. Each state received marks in five critical categories, based on their adherence to best practices in several key budgeting indicators. The five categories covered methods used to achieve budgetary balance as well as how budgets and other financial information are disclosed to the public.

States received grades of A to D-minus (there are no "failed states") for their procedures in estimating revenues and expenditures; their use of one-time actions to balance budgets; how they oversee and use rainy day funds and other fiscal reserves; the adequacy of their funding of public worker retirement and other postemployment benefits; and the quality of transparency of budget and related financial information.

ALABAMA Budget Report Card

ALABAMA'S BUDGETARY PRACTICES are among the nation's weakest. In the five budget categories graded by the Volcker Alliance from fiscal 2015 through 2017, the state did slightly worse than nearby Arkansas and far less well than neighboring Mississippi, with which it is often compared.

In budget transparency, Alabama (along with only two other states—Arkansas and New Mexico) received D grades in all three years studied. Like Arkansas, New Mexico, and Oklahoma, Alabama failed to produce a consolidated budget website. Having such a site is a best practice that can give taxpayers, policymakers, and others an opportunity to learn critical facts about a state's budgetary status via a single online portal.

Alabama earned even worse grades in budget forecasting, getting straight D-minuses. It lacked consensus revenue forecasts that can give the executive and legislative branches a single number upon which to build a budget, didn't provide multiyear expenditure forecasts or revenue forecasts, and failed to provide a detailed rationale to support revenue growth projections. Such shortcomings hamper Alabama's ability to plan for the future.

One area in which the state performed better was the level and management of its fiscal reserves, where it earned a B in each of the years studied. Although Alabama did not adhere to the Volcker Alliance's recommendation that general fund or rainy day account balances should be tied to historical revenue volatility, it has maintained a positive reserve balance and, unlike some other states, has formal policies for disbursing and replenishing its reserve funds.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	D	B	D
Kentucky	B	C	D	C	B
Mississippi	C	A	B	B	B
Tennessee	C	A	B	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

ALABAMA Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	D-	D-	D-
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	X	X	X
	3-YEAR AVERAGE D-	3-YEAR TREND —	

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	B	B	C
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	X
Using Asset Sales and Up-Front Revenues	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND ↘	

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	67%		
	3-YEAR AVERAGE D	3-YEAR TREND —	

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
	3-YEAR AVERAGE B	3-YEAR TREND —	

TRANSPARENCY

|	2015	2016	2017
CATEGORY GRADE	D	D	D
Consolidated Budget Website	X	X	X
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	X	X
	3-YEAR AVERAGE D	3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

ALASKA Budget Report Card
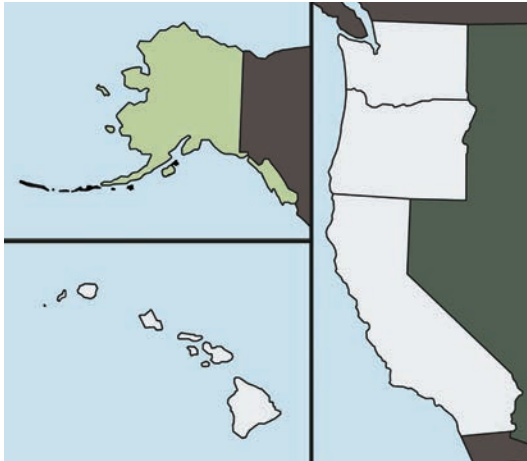
ALASKA HAS BEEN HARD-PRESSED to come up with sufficient revenues to cover government expenses after a drop in the price of oil—the state's economic engine—produced a steady procession of job losses. So, like other states with severe budget stresses, Alaska has resorted to using one-time measures to keep revenues in balance with expenditures. Partly as a result, Alaska's budget maneuvers grade from the Volcker Alliance for fiscal 2015 through 2017 fell to C in the last two years from B in 2015.

The 2016 budget adopted by the state legislature appropriated $700 million from the general fund for refundable oil exploration spending, but the governor vetoed $200 million of the total. Rather than being eliminated, these obligations to oil and gas companies will be shifted to future years.

In contrast to its falling grade in budget maneuvers, Alaska was one of only two states (along with California) to earn an average grade of A for transparency over the three years studied. The deciding factor was the two states' disclosure of deferred infrastructure replacement costs. Alaska's Legislative Finance Division, which provides budgetary analyses, summarizes deferred maintenance by department in its annual overview of the governor's budget request. The estimated backlog of projects was about $1.8 billion at the time of the fiscal 2016 request.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	B	B	A	A
California	B	A	C	A	A
Hawaii	A	A	D	A	B
Oregon	C	A	A	B	B
Washington	A	B	D	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

ALASKA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	C	B
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	X	X	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↗	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	B	C	C
Deferring Recurring Expenditures	✓	X	X
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↘	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	68%		
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

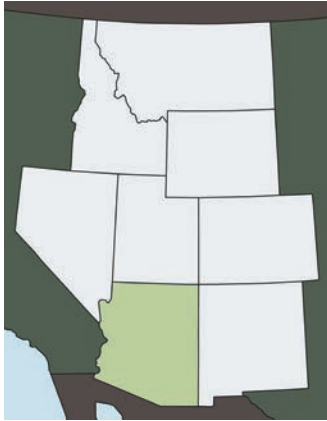| TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✓	✓	✓
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

ARIZONA Budget Report Card

ARIZONA RECEIVED OVERALL B GRADES in transparency, legacy costs, and budget forecasting—three of the five categories evaluated by the Volcker Alliance for fiscal 2015 through 2017. In reserve funds, the state earned straight A's, but its use of one-time actions to balance revenues against expenditures resulted in C marks in budget maneuvers for each year.

Arizona's grade in budget forecasting might have been higher if the state had adopted consensus revenue estimating. This technique may not make predictions more accurate but can provide the state with a single number on which to build a spending plan. In contrast to a single estimate built on inputs from multiple sources, the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee produce revenue estimates independently. Moreover, the governor and legislature are not bound by their forecasts and may use other estimates in the budget, according to the committee's *Arizona Budget Process* report.

The C grades for budget maneuvers from fiscal 2015 through 2017 relate to deferring recurring expenditures and shifting costs and revenues. For example, in 2015, Arizona moved to counties part of its commitment to pay for institutionalization costs for certain individuals. This was one of several adjustments of expenditures it made between levels of government that year.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	B	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	A	C	D	B
Nevada	C	B	C	B	B
New Mexico	C	B	C	D	D
Utah	C	A	A	A	C
Wyoming	B	A	D-	C	C
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

ARIZONA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Deferring Recurring Expenditures	X	X	X
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		63%	
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

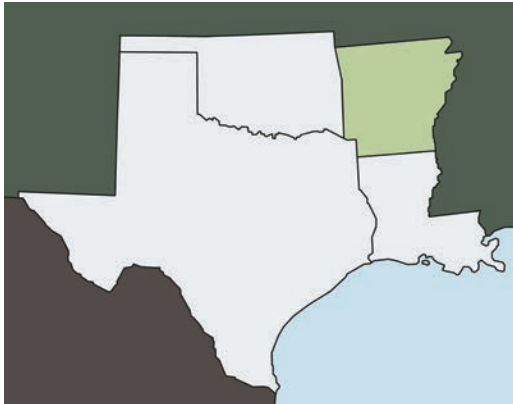| TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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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ARKANSAS Budget Report Card

ARKANSAS PLACED AMONG the states with the weakest grades in the Volcker Alliance's study of budgetary practices. It received an average mark of D for fiscal 2015 through 2017 in two categories—forecasting and transparency—while faring better in the budget maneuvers category. The state's D grades in budget forecasting reflected, among other things, its failure to use consensus revenue estimates. Consensus estimates—used by twenty-nine states in 2017—are intended to ensure that multiple contributors, usually including at least the governor and legislature, agree on a single number on which to build a budget. Instead, Arkansas's forecasts were created in the executive branch, with no input from legislators.

In budget maneuvers, Arkansas typically paid current obligations with revenues generated in the same period over the three years studied. One exception: The state transferred money from special funds into the general fund in all three years. That use of one-time revenues played a part in limiting Arkansas's overall average grade in the category to a B.

Arkansas was also one of three states to get straight D's for transparency. (The others were Alabama and New Mexico.) Arkansas offers minimal explanatory information in its budget documents. The state budget is presented as spreadsheets, and even its revenue forecasts lack useful detail.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

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

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ARKANSAS Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	82%		
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	X	X	X
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND —	

| TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Consolidated Budget Website	X	X	X
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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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CALIFORNIA Budget Report Card
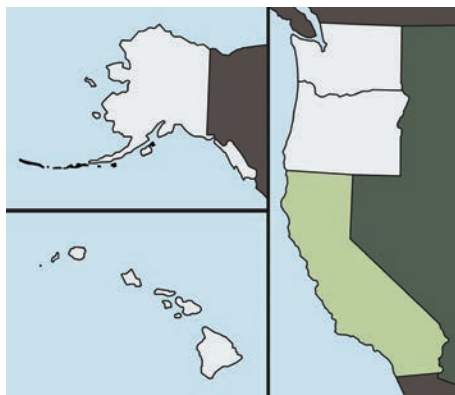
CALIFORNIA, THE WORLD'S eighth-biggest economy, collected mostly A and B grades in fiscal 2015 through 2017 in four of the five budgetary practices evaluated by the Volcker Alliance. The fifth category—legacy costs, covering provisions for public workers' retirement security—was a different story. The state's far lower marks in that area resulted partly from its struggle to cover $174 billion in unfunded pension liabilities—the highest amount of any state.

California's fiscal 2017 budget included $4.8 billion—almost half of that from the general fund—for state contributions to pension costs. Fund actuaries recommended a $5.4 billion contribution, an increase of about $602 million from the previous year. This increase resulted mainly from the adoption of new demographic actuarial assumptions by the board of the California Public Employees' Retirement System. The state had made its full required contribution in fiscal 2015 and 2016. The 2017 pension shortfall, along with a failure to make full actuarially determined contributions for other postemployment benefits, primarily retiree health care, gave California a D-minus—the lowest possible score—in legacy costs for the year. It received C's in the prior two years and a three-year average of C.

The state's increased use of one-time actions to balance the budget in 2017 lowered its grade in the budget maneuvers category from an A in 2015 and 2016 to a B in 2017. The governor's fiscal 2017 budget included a one-time expenditure from the Budget Stabilization Account—similar to a rainy day fund—of $171 million to help pay down the unfunded liability of the University of California's pension plan. While the transfer may have helped bridge the gap for the year, it left open the question of whether the reserve will have to be tapped again for the same purpose.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

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

NOTE States are grouped by US Census Bureau divisions.

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THE VOLCKER ALLIANCE

CALIFORNIA Budget Report Card

BUDGET FORECASTING	2015	2016	2017
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS	2015	2016	2017
CATEGORY GRADE	A	A	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↘	

LEGACY COSTS	2015	2016	2017
CATEGORY GRADE	C	C	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	X
Public Employee Pension Funded Ratio*		74%	
3-YEAR AVERAGE C		3-YEAR TREND ↘	

RESERVE FUNDS	2015	2016	2017
CATEGORY GRADE	B	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↗	

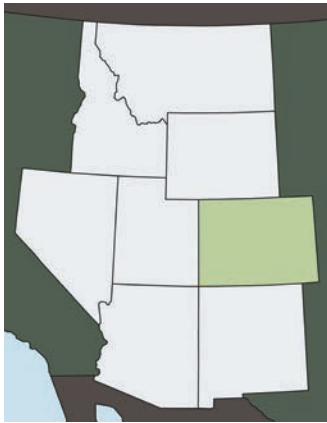| TRANSPARENCY	2015	2016	2017
CATEGORY GRADE	A	A	A
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✓	✓	✓
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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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COLORADO Budget Report Card

COLORADO'S INADEQUATE FUNDING of public worker pensions left the state with an average grade of D in the legacy costs category, one of five budgetary areas evaluated by the Volcker Alliance over fiscal 2015 through 2017. The grade compares with a nationwide average of C for legacy costs.

The state has amassed only 60 percent of the funding needed to fulfill obligations of its pension plans and had an unfunded liability of almost $28 billion. The state's comprehensive annual financial report in 2016 showed a contribution rate of about 18 percent of employee payroll costs, versus the 22 percent contribution that actuaries recommended to fund the plans adequately.

The state also dropped from a C in budget forecasting in 2015 to a D in the following two years. This reflects Colorado's growing reliance on midyear budget adjustments to compensate for miscalculations in the amount needed for a higher education, personnel, education, and corrections.

Colorado received B's from 2015 through 2017 in two categories: transparency of budgetary information and the use of reserve funds. In the former area, Colorado, like forty-seven other states, doesn't disclose deferred infrastructure replacement costs. In the latter, like about two-thirds of other states, Colorado failed to tie its rainy day reserves to revenue volatility.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	B	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	A	C	D	B
Nevada	C	B	C	B	B
New Mexico	C	B	C	D	D
Utah	C	A	A	A	C
Wyoming	B	A	D-	C	C
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

COLORADO Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	X	X
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND ↘	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Deferring Recurring Expenditures	X	X	X
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	60%		
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —	

| TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

CONNECTICUT Budget Report Card
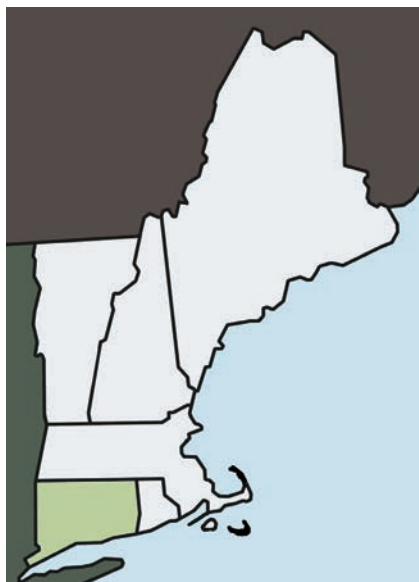
DESPITE DEEP-SEATED FISCAL WOES that delayed passage of its biennial budget by almost four months in 2017, Connecticut scored relatively well in three of the five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017.

The state garnered overall B marks for transparency and reserve funds, and its forecasting grade rose from B in 2015 and 2016 to A in 2017 because Connecticut avoided midyear budget adjustments in 2017. That made it one of just nine states to receive the highest possible grade in the category that year. Reflecting its use of a best practice in estimation, Connecticut's two-year budget, which started July 1, 2015, included projections for fiscal 2018, 2019, and 2020, with detail provided by fund and revenue source, along with the assumptions used to make the projections.

Connecticut did not fare well in managing costs for pensions and postretirement health care benefits over the long term and received straight D's for the three years covered. Even though the state made its actuarially determined contributions for the three years studied, past decisions to appropriate less than actuaries recommended left Connecticut facing unfunded liabilities of $27 billion in the pension system. Connecticut has just 49 percent of what is needed to pay promised benefits, versus an average of 72 percent for all US states as of 2015.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	C	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	A	D	B	B
Rhode Island	A	B	B	B	B
Vermont	C	A	D	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

THE VOLCKER ALLIANCE

CONNECTICUT Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	B	B	A
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✗	✗	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE A	3-YEAR TREND ↗	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✗	✗	✗
Using Asset Sales and Up-Front Revenues	✓	✓	✓
	3-YEAR AVERAGE C	3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	49%		
	3-YEAR AVERAGE D	3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
	3-YEAR AVERAGE B	3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

DELAWARE Budget Report Card

DELAWARE WAS AMONG the more than twenty states getting an average A grade from 2015 through 2017 in the category of budget maneuvers. The state didn't employ such relatively common techniques as using up-front cash flows at the time of bond refinancing and making transfers into the general fund from special funds to pay for recurring expenditures.

The state did not do as well in its handling of legacy costs, another of the five budgetary areas evaluated by the Alliance, and earned an overall grade of C for the period. While Delaware made the annual public worker pension contributions that fund actuaries recommended, that was not the case with its funding of other postemployment benefits, principally promises it has made to employees for health care in retirement.

According to the *Postretirement Health Plan Actuarial Valuation Report* as of July 1, 2015, the annual required contribution for fiscal 2016 was $421.4 million; the projected state contribution was $205 million, which was about 48 percent of the amount actuaries deemed necessary. The state's unfunded liability for these benefits is about $6 billion, equal to 13.8 percent of state personal income, according to the report.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	C	B	B
Maryland	A	C	D	C	B
North Carolina	C	B	B	C	B
South Carolina	A	A	D	B	C
Virginia	A	D	D-	A	C
West Virginia	C	B	C	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

THE VOLCKER ALLIANCE

DELAWARE Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		89%	
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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

WHEN IT COMES TO GAUGING the possible future course of its budget, Florida has few equals. It is one of only nine states to win a top average grade of A for fiscal 2015 through 2017 from the Volcker Alliance for its strengths in budget forecasting.

Florida has historically used consensus revenue estimates, a best practice, based on input from the governor's office, the state Office of Economic and Demographic Research, the Senate, and the House of Representatives. The process is intended to ensure that multiple contributors determine a single revenue number on which to build a budget, leaving more time to debate spending priorities. Florida provides reasonable, detailed rationales to support revenue growth projections at the time budgets are initiated. It has followed another best practice by disclosing at least three full years of revenue and expenditure projections in budget and planning documents. In the three years studied, Florida also was able to avoid midyear budget adjustments to compensate for any miscalculated estimates at the beginning of each fiscal year.

The state received lower grades in the four other budgetary categories the Alliance evaluated. In reserve funds, transparency, and budget maneuvers, Florida got straight B's for the three years. Its grade for reserves was affected by the lack of a link between revenue volatility and rainy day fund policies. The state got a C in legacy costs for the period. While it made the contributions to public worker pensions recommended by retirement fund actuaries, it failed to do so for its future obligations for other postretirement benefits, primarily retiree health care. Instead, Florida covers such costs on a pay-as-you-go basis.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	C	B	B
Maryland	A	C	D	C	B
North Carolina	C	B	B	C	B
South Carolina	A	A	D	B	C
Virginia	A	D	D-	A	C
West Virginia	C	B	C	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

FLORIDA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	Ⓐ	Ⓐ	Ⓐ
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE Ⓐ		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	Ⓑ	Ⓑ	Ⓑ
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE Ⓑ		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	Ⓒ	Ⓒ	Ⓒ
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		87%	
3-YEAR AVERAGE Ⓒ		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	Ⓑ	Ⓑ	Ⓑ
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE Ⓑ		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	Ⓑ	Ⓑ	Ⓑ
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE Ⓑ		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

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GEORGIA Budget Report Card

THE VOLCKER ALLIANCE awarded Georgia a top grade of A in the category of budget maneuvers for fiscal 2015 through 2017 for its willingness to shun one-time actions to achieve balance. In the four other budgetary areas evaluated, the state received no overall grade below C for the period.

Georgia was among fifteen states in 2017 that substantially avoided practices such as using borrowing proceeds, municipal bond coupon premiums, or other up-front cash flows at the time of refinancing to pay for recurring expenditures. It also avoided making transfers into the general fund from special funds to pay for current expenditures.

Budget forecasting was a weaker category, with an average grade of C. Georgia does not use a consensus method for estimating revenues. Consensus estimates are intended to ensure that multiple contributors—usually including at least the governor and legislature—arrive at a single number on which to build a budget. Georgia can generate opaque budgets; its budget revenue estimate for the three years covered by the study was accompanied by little explanation of the assumptions and methodology used to produce it.

Georgia's average B mark in transparency for the three years covered is highlighted by its extensive disclosure of the costs of tax expenditures and abatements. The disclosures are contained in the annual *Tax Expenditure Report*, prepared for the governor's office by the Fiscal Research Center of the Andrew Young School of Policy Studies at Georgia State University (one of the schools participating in the research network for this project).

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	C	B	B
Maryland	A	C	D	C	B
North Carolina	C	B	B	C	B
South Carolina	A	A	D	B	C
Virginia	A	D	D-	A	C
West Virginia	C	B	C	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

GEORGIA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		81%	
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —	

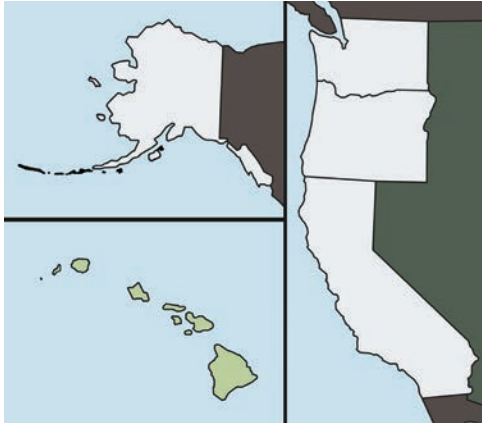| TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

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HAWAII Budget Report Card

HAWAII WAS A LEADER among the fifty states in three of the categories evaluated by the Volcker Alliance for fiscal 2015 through 2017, receiving straight A's in budget forecasting, budget maneuvers, and reserve funds. It followed best practices in every one of the broad criteria examined in all three of those budgetary fields.

In budget forecasting, Hawaii was one of just nine states to earn an average grade of A over the three years studied. Hawaii creates multiyear expenditure and revenue forecasts, which can allow it to predict the future impact of current actions and take steps to ameliorate future fiscal burdens they may create. In 2017, for example, Hawaii's biennial budget package included tables disclosing multiyear revenue and expenditure forecasts through fiscal 2021.

At the opposite end of the spectrum, Hawaii received the lowest possible grade, a D-minus, in all three years of the evaluation for its public employee pension and public employee postretirement health care funding practices.

With only 62 percent of assets needed to meet obligations, Hawaii's pension funding is 10 percentage points below the 2015 average for all states. The actuarially required contribution for Hawaii's pensions for fiscal 2017 was $772 million, but the state appropriated only $555.9 million. Its net annual required contribution for postemployment health care for fiscal 2017 was $776.9 million, versus $409.7 million appropriated. Under a law passed in 2013, the state is scheduled to begin making full actuarially determined contributions for OPEB by fiscal 2019.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	B	B	A	A
California	B	A	C	A	A
Hawaii	A	A	D-	A	B
Oregon	C	A	A	B	B
Washington	A	B	D	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

HAWAII Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*		62%	
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	C	C	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	X	✓
3-YEAR AVERAGE B		3-YEAR TREND ↗	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

IDAHO Budget Report Card

IDAHO HAS LONG MAINTAINED a national reputation for fiscal conservatism. It earned top grades from the Volcker Alliance in three of the five budgetary categories evaluated for fiscal 2015 through 2017.

For the three years covered, Idaho got straight A's for avoiding maneuvers to balance its budget by shifting revenues and expenditures in a way that often leaves states' future generations forced to pay bills accumulated in the current year. For example, at no point did the state defer recurring expenditures, shift revenues and costs, fund recurring expenditures with debt, or use asset sales and up-front revenues from financial transactions to pay current bills.

Idaho was one of just eight states to receive an overall A in the category of legacy costs, which include pensions and postemployment benefits for public workers. About 92 percent of the state's actuarially determined pension obligations are fully funded; that is 20 percentage points above the 2015 average for all states. Idaho has a relatively small pension plan, as does neighboring Montana—whose funded ratio is 75 percent.

Despite also earning an A in the reserve funds category, Idaho received a B in transparency and a D in forecasting. The latter reflects a lack of estimation tools in its budgeting process. Rather than use a consensus process for deriving a single revenue estimate, Idaho's executive branch and legislature go through independent processes. Consensus estimates are intended to ensure that multiple contributors—usually including at least the governor and legislature—arrive at a single number on which to build a budget. Idaho doesn't provide multiyear revenue forecasts; the legislative and executive branches disclose predictions only for the current and upcoming years.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	B	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	A	C	D	B
Nevada	C	B	C	B	B
New Mexico	C	B	C	D	D
Utah	C	A	A	A	C
Wyoming	B	A	D-	C	C
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

IDAHO Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		92%	
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

ILLINOIS Budget Report Card

THE VOLCKER ALLIANCE'S assessment of budgetary practices in Illinois placed the state alongside Alabama, Kansas, and New Jersey as those receiving the most D or D-minus grades across the five categories studied for fiscal 2015 through 2017.

Illinois was unique, however, in that it went for almost three years without enacting any budget at all as the legislature and governor fought over taxes and spending priorities limited by $119 billion in pension debt and more than $16 billion in past-due bills. Not until July 6, 2017, did legislators override a gubernatorial veto and pass a budget for fiscal 2018—the first full revenue and spending plan enacted since the one for fiscal 2015.

Reflecting the absence of a budget for fiscal 2016 through 2017, Illinois received average grades of D-minus in forecasting and legacy costs, a D in budget maneuvers, and a C for reserve funds. Its best average grade, B, was in the transparency category, primarily due to the state's consolidated budget website and debt tables.

Most of the trends in annual grades were down for the three years studied, suggesting that Illinois may encounter renewed difficulties closing budget gaps in the years ahead. The state's fiscal stress is exacerbated by a pension funding ratio of 40 percent, the third lowest, after 38 percent for Kentucky and New Jersey.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	D-	D	D-	C	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	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

ILLINOIS Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	D-	D-
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	X	X	X
Multiyear Expenditure Forecasts	✓	X	X
Multiyear Revenue Forecasts	✓	X	X
Revenue Growth Projections	✓	X	X
3-YEAR AVERAGE D-		**3-YEAR TREND** ↘	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Deferring Recurring Expenditures	X	X	X
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	X	X
Using Asset Sales and Up-Front Revenues	✓	✓	X
3-YEAR AVERAGE D		**3-YEAR TREND** ↘	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*		40%	
3-YEAR AVERAGE D-		**3-YEAR TREND** —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	C	C	D
Positive Reserve or General Fund Balance	✓	✓	X
Reserve Funds Disbursement Policy	X	X	X
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE C		**3-YEAR TREND** ↘	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	X	X
3-YEAR AVERAGE B		**3-YEAR TREND** ↘	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

INDIANA Budget Report Card

INDIANA RECEIVED TOP GRADES from the Volcker Alliance in 2015 and 2016 in the categories of reserve funds and budget maneuvers. The state retained the A in reserves in 2017 but fell to a B in budget maneuvers by using a bond refinancing transaction that included no payments of principal until 2021.

The Indiana Finance Authority's official statement for fiscal 2017 for the issue of highway revenue refunding bonds maturing in 2029 showed that the agency put off near-term principal payments to 2021. Total debt service costs were reduced by the refinancing over the life of the issue even though the Authority gave up savings in the early years for greater savings later.

Indiana received average grades of C in budget forecasting and transparency over the three years studied. The state's weaknesses in budget forecasting include an absence of multiyear expenditure and multiyear revenue estimates.

The state's transparency grade suffered from a lack of disclosure of tax expenditures. In addition, like all but two states (Alaska and California), Indiana failed to disclose deferred infrastructure replacement costs.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	D-	D	D-	C	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	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

INDIANA Budget Report Card

BUDGET FORECASTING	2015	2016	2017
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS	2015	2016	2017
CATEGORY GRADE	A	A	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✗
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↘	

LEGACY COSTS	2015	2016	2017
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		65%	
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

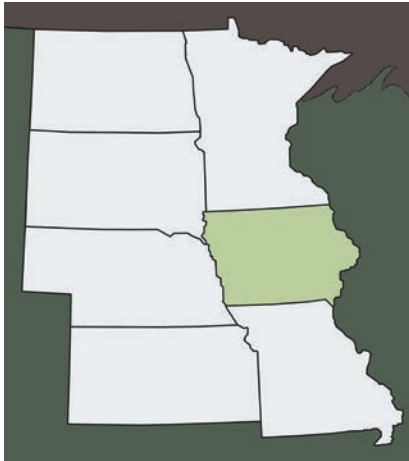| TRANSPARENCY	2015	2016	2017
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

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IOWA Budget Report Card

IOWA WON TOP A GRADES from the Volcker Alliance for its handling of legacy costs, primarily public worker pensions and postretirement health care, over fiscal 2015 through 2017. The state requires full actuarially based funding for its pensions each year and thus maintains reasonably high funding levels. Since fiscal 2015, Iowa has contributed more than its pension plan actuaries recommended—after a decade in which the state did not appropriate the full amount.

Iowa also received an A in 2015 and 2016 for avoiding one-time budget maneuvers, but that grade dropped to a B in 2017, when it transferred more than $25 million from nongeneral fund sources into the general fund. The sum included about $12 million from the Grow Iowa Values Fund, which provides cash for economic incentives, and smaller amounts from other funds, including the Cultural Trust fund and the strategic investment fund.

Iowa's budget forecasting garnered lower marks, with a C in 2015 and 2016 and a D in 2017 as the state resorted to midyear budget adjustments to keep its books in balance. For 2017, the Senate approved such an adjustment, making $117.8 million in expenditure cuts to prevent a projected state budget shortfall. Iowa's forecasting grade also suffered from the state's lack of multiyear revenue estimates.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	A	C	A	C
South Dakota	B	A	A	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

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IOWA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	C	D
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✗
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND ↘	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	A	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↘	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		85%	
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE B		3-YEAR TREND —	

| TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

KANSAS Budget Report Card
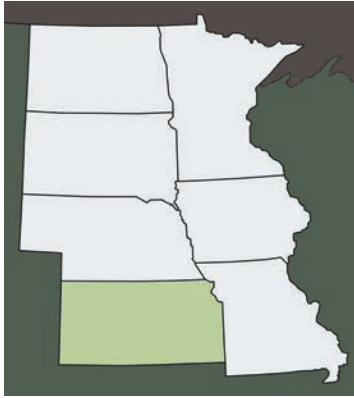
THE VOLCKER ALLIANCE'S ASSESSMENT of budgetary practices in Kansas placed the state alongside Alabama, Illinois, and New Jersey as those receiving the most D or D-minus grades, on average, in the five categories studied for fiscal 2015 through 2017.

Kansas's average of D for budget maneuvers reflected the use of several one-time actions to balance the budget over the period studied. In fiscal 2016, the state sold a $1 billion bond at an interest rate of slightly less than 5 percent. In the same year, Kansas also deferred $97 million in pension contributions. It has funded only 65 percent of its long-term pension liabilities. That figure is 7 percentage points below the 2015 average for all states and one of several contributors to the state's D-minus grade in the category of legacy costs.

Kansas uses consensus revenue forecasts, a best practice in which multiple contributors—usually including at least the governor and legislature—determine a single number on which to build a budget. Its overall grade of D-minus in the forecasting category, however, reflects its lack of multiyear revenue forecasts; multiyear expenditure forecasts; and disclosure of a reasonable, detailed rationale to support estimates of revenue growth.

Even though the state received straight D's in reserve funds for the three years covered, Kansas passed legislation in May 2016 establishing a rainy day fund as of July 1, 2017. That may help bolster its fiscal stability over time, provided that officials fill the fund as intended and replenish it after any drawdowns. Kansas's B grade for transparency reflected its general adherence to best practices in the category, save for its lack of disclosure of replacement costs for depreciated infrastructure.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	A	C	A	C
South Dakota	B	A	A	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

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KANSAS Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D-	D-	D-
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	X	X	X
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	X	X	X
3-YEAR AVERAGE D-		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Deferring Recurring Expenditures	X	X	X
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	X	✓
Using Asset Sales and Up-Front Revenues	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	✓	✓	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*		65%	
3-YEAR AVERAGE D-		3-YEAR TREND ↘	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	X	X	X
Reserve Funds Replenishment Policy	X	X	X
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

KENTUCKY Budget Report Card

KENTUCKY IS ONE OF FIFTEEN STATES that didn't get a single A in any of the five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017.

The state's worst grades came in legacy costs, where it got straight D's. At only 38 percent, Kentucky's pension funding ratio ties it with New Jersey for having the worst-funded state retirement system. Kentucky fared slightly better in the area of reserve funds, receiving a C in all three years studied. It lacks a disbursement policy for the legislature's use of fiscal reserve funds, although there are some constraints on the executive branch.

The state's best grades were B's in all three years in the budget forecasting and transparency categories. Kentucky missed an A in forecasting because it doesn't provide multiyear expenditure estimates, which can help stakeholders detect problems in balancing the budget that may not be felt for several years. The state's expenditure forecasts extend only two years.

The transparency grade suffered from Kentucky's lack of full disclosure of replacement costs for depreciated infrastructure, although state capital budgets do estimate some of these potential expenses. Only Alaska and California reveal overall infrastructure replacement costs.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	D	B	D
Kentucky	B	C	D	C	B
Mississippi	C	A	B	B	B
Tennessee	C	A	B	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

KENTUCKY Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*		38%	
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✗	✗	✗
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

LOUISIANA Budget Report Card
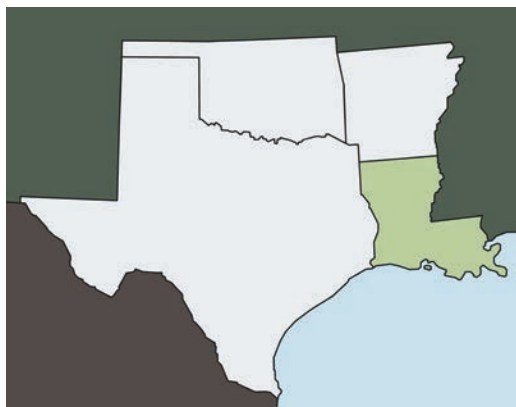
LOUISIANA IS AMONG fifteen states that failed to get a top A grade in fiscal 2015, 2016, or 2017 in any of the five budgetary categories assessed by the Volcker Alliance.

In the categories of reserve funds and transparency, the state received an average B grade for all three years. The transparency grade was restrained by an absence of disclosure of deferred infrastructure replacement costs in budget documents (only Alaska and California meet that standard). Louisiana's B for reserve funds reflects its not tying reserves to revenue volatility. Only fourteen states did so in all three years covered.

Louisiana received an average grade of C for budget maneuvers over the period, partly as a result of its dependence on one-time measures to achieve balance as its revenues slumped amid falling oil and natural gas prices and a near-doubling of corporate tax exemptions. The state had previously followed a best practice by putting one-time federal dollars received after Hurricane Katrina in 2005 toward one-time expenditures to repair storm damage.

Louisiana's straight D's in legacy costs was partly driven by its failure to make actuarially determined contributions for public workers' postemployment benefits, principally retiree health care. The state's pension funding level of 63 percent was 9 percentage points below the 2015 average for all states.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	B	C	C	D
Louisiana	C	C	D	B	B
Oklahoma	B	B	A	B	C
Texas	D	A	D-	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

LOUISIANA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✔	✔	✔
Midyear Budget Adjustments	✘	✘	✘
Multiyear Expenditure Forecasts	✘	✘	✘
Multiyear Revenue Forecasts	✔	✔	✔
Revenue Growth Projections	✔	✔	✔
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	D	D
Deferring Recurring Expenditures	✘	✘	✘
Revenue and Cost Shifting	✘	✘	✘
Funding Recurring Expenditures with Debt	✔	✘	✘
Using Asset Sales and Up-Front Revenues	✔	✔	✔
3-YEAR AVERAGE C		3-YEAR TREND ↘	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✘	✘	✘
Public Employee Pension Funding	✔	✔	✔
Public Employee Pension Funded Ratio*		63%	
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✔	✔	✔
Reserve Funds Disbursement Policy	✔	✔	✔
Reserve Funds Replenishment Policy	✔	✔	✔
Reserves Tied to Revenue Volatility	✘	✘	✘
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✔	✔	✔
Provides Debt Tables	✔	✔	✔
Discloses Deferred Infrastructure Replacement Costs	✘	✘	✘
Discloses Tax Expenditures	✔	✔	✔
3-YEAR AVERAGE B		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

MAINE Budget Report Card
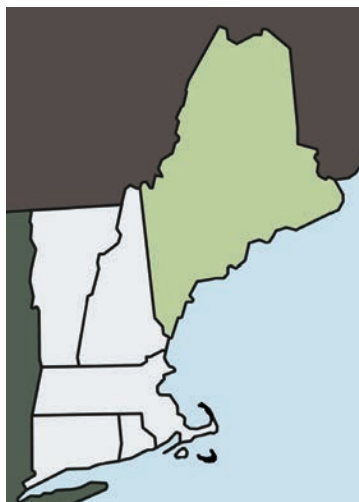
MAINE WAS ONE OF FIFTEEN states that didn't earn a single A in any of the five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017. The state's lowest average mark of C was in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), principally retiree health care.

The state was marked down in that category for its failure to make actuarially recommended contributions for OPEB, though it provided full actuarial funding for pensions. In 2016, for example, Maine contributed about 85 percent of actuarially required OPEB contributions for general employees, 68 percent for teachers, and 40 percent for first responders.

Maine got a three-year average of B in budget maneuvers by largely avoiding one-time actions to achieve balance in 2016 and 2017. The B grade in each of those years marked an improvement from the C in 2015, when the state deferred expenditures related to MaineCare, its Medicaid program, to yield one-time savings.

In budget forecasting, Maine's notable shortcoming was the absence of multiyear expenditure forecasts. Although the state has a requirement to compile four-year revenue and expenditure forecasts for the general and highway funds, the governor's budget document discloses only two years of expenditure forecasts.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	C	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	A	D	B	B
Rhode Island	A	B	B	B	B
Vermont	C	A	D	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

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MAINE Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	B	B
Deferring Recurring Expenditures	✗	✓	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↗	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	83%		
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

MARYLAND Budget Report Card

MARYLAND'S SKILL AT BUDGET FORECASTING, one of five budgetary categories evaluated by the Volcker Alliance over fiscal 2015 through 2017, won it the top average grade of A. Its handling of legacy costs landed the state near the bottom, however, with a D average for its funding of public employee pensions and other postemployment benefits (OPEB), principally health care.

For all three years studied, the state failed to make the contribution to OPEB that its actuaries had recommended. While it also failed to do so for pensions in 2015, it did make its full contribution in the following two years. The retirement system's actuary projects that the system will reach a funding level of 80 percent by 2021, up from 68 percent in 2015.

Maryland's C average in the budget maneuvers category is largely attributable to shifting revenues and costs to achieve balance, as well as to funding recurring expenditures with debt. Its C in reserve funds is due primarily to the state's failure to establish sufficient controls over the disbursement of rainy day fund monies, while its B for transparency reflects basic adherence to best practices save for its lack of disclosure of costs to replace depreciated infrastructure. Maryland's A in budget forecasting reflects its adherence to best practices for the most part, including the use of long-term expenditure and revenue estimates.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	C	B	B
Maryland	A	C	D	C	B
North Carolina	C	B	B	C	B
South Carolina	A	A	D	B	C
Virginia	A	D	D-	A	C
West Virginia	C	B	C	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

MARYLAND Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	B	A	A
Consensus Revenue Forecasts	✔	✔	✔
Midyear Budget Adjustments	✘	✔	✔
Multiyear Expenditure Forecasts	✔	✔	✔
Multiyear Revenue Forecasts	✔	✔	✔
Revenue Growth Projections	✔	✔	✔
3-YEAR AVERAGE A		**3-YEAR TREND** ↗	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Deferring Recurring Expenditures	✔	✔	✔
Revenue and Cost Shifting	✘	✘	✘
Funding Recurring Expenditures with Debt	✘	✘	✘
Using Asset Sales and Up-Front Revenues	✔	✔	✔
3-YEAR AVERAGE C		**3-YEAR TREND** —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✘	✘	✘
Public Employee Pension Funding	✘	✔	✔
Public Employee Pension Funded Ratio*	68%		
3-YEAR AVERAGE D		**3-YEAR TREND** ↗	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Positive Reserve or General Fund Balance	✔	✔	✔
Reserve Funds Disbursement Policy	✘	✘	✘
Reserve Funds Replenishment Policy	✔	✔	✔
Reserves Tied to Revenue Volatility	✘	✘	✘
3-YEAR AVERAGE C		**3-YEAR TREND** —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✔	✔	✔
Provides Debt Tables	✔	✔	✔
Discloses Deferred Infrastructure Replacement Costs	✘	✘	✘
Discloses Tax Expenditures	✔	✔	✔
3-YEAR AVERAGE B		**3-YEAR TREND** —	

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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MASSACHUSETTS Budget Report Card
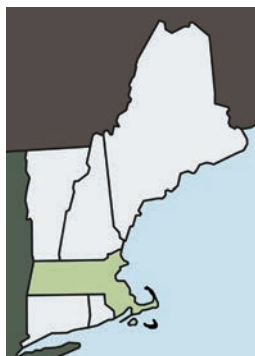
MASSACHUSETTS IS ONE OF FOURTEEN states receiving straight A's in fiscal 2015, 2016, and 2017 for reserve funds, one of five budgetary categories evaluated by the Volcker Alliance. That achievement contrasts with the state's across-the-board D-minus marks for legacy costs. Those lowest possible grades signal that the dual challenges of amassing cash reserves and fully funding retirement obligations may be increasingly hard to meet in coming years.

At the beginning of fiscal 2017, the Massachusetts rainy day fund balance was almost $1.3 billion, equivalent to about 3.5 percent of the state's 2016 general fund. While the percentage trailed the 5.5 percent US average calculated by the National Association of State Budget Officers, Massachusetts followed several best practices for reserves, including tying balances to revenue volatility and having policies for disbursing and replenishing funds.

The D-minus for handling of legacy costs, which include public worker pensions and other post-employment benefits, reflects three consecutive years that Massachusetts didn't make contributions actuaries had recommended for retirement and retiree health care plans. The state has only 62 percent of the assets needed to cover pension liabilities.

Massachusetts also did poorly in the budget maneuvers category, with a three-year C average. Its efforts to attain budgetary balance included a variety of techniques that put pressure on future years. For example, the state deferred $19.7 million in payments for its Medicaid program, MassHealth, to fiscal 2018 from the prior year.

The state fared better in budget transparency, with its B average reflecting best disclosure practices in maintaining a consolidated budget website and publishing information about tax expenditures and debt. The grade was depressed by Massachusetts's lack of disclosure of deferred infrastructure replacement costs, the same deficit found in forty-seven other states.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	C	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	A	D	B	B
Rhode Island	A	B	B	B	B
Vermont	C	A	D	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

MASSACHUSETTS Budget Report Card

BUDGET FORECASTING			
	2015	**2016**	**2017**
CATEGORY GRADE	D	C	C
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✗	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		**3-YEAR TREND** ↗	

BUDGET MANEUVERS			
	2015	**2016**	**2017**
CATEGORY GRADE	D	C	D
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✗	✓	✗
3-YEAR AVERAGE C		**3-YEAR TREND** —	

LEGACY COSTS			
	2015	**2016**	**2017**
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*		62%	
3-YEAR AVERAGE D-		**3-YEAR TREND** —	

RESERVE FUNDS			
	2015	**2016**	**2017**
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		**3-YEAR TREND** —	

TRANSPARENCY			
	2015	**2016**	**2017**
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

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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MICHIGAN Budget Report Card

AFTER YEARS IN WHICH the automobile industry's collapse left Michigan in economic distress, budgetary evaluations by the Volcker Alliance for fiscal 2015, 2016, and 2017 showed that the state rebounded as car and truck makers and the US recovered. For 2017, Michigan was one of just three states, along with Rhode Island and South Dakota, to receive no mark below a B in any of the five categories evaluated.

Michigan's highest grade was its A average in reserve funds. The state established policies for the Counter-Cyclical Budget and Economic Stabilization Fund as a portion of the general fund in 1977, long before most other states took similar steps. This fund had a balance of $612 million as of September 30, 2016, more than 5 percent of the state's revenues for fiscal 2016 and about average for the US, according to data from the National Association of State Budget Officers.

The state's B for 2016 and 2017 in the budget maneuvers category shows an improvement over 2015, when it received a C. The grade was hurt that year by Michigan's failure to avoid one-time actions in two of the four criteria used to assess balancing maneuvers.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	D-	D	D-	C	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	B	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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MICHIGAN Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	B	B
Consensus Revenue Forecasts	✔	✔	✔
Midyear Budget Adjustments	✘	✔	✔
Multiyear Expenditure Forecasts	✘	✘	✘
Multiyear Revenue Forecasts	✔	✔	✔
Revenue Growth Projections	✔	✔	✔
	3-YEAR AVERAGE B	3-YEAR TREND ↗	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	B	B
Deferring Recurring Expenditures	✔	✔	✔
Revenue and Cost Shifting	✘	✔	✘
Funding Recurring Expenditures with Debt	✘	✘	✔
Using Asset Sales and Up-Front Revenues	✔	✔	✔
	3-YEAR AVERAGE B	3-YEAR TREND ↗	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	B	D	B
Public Employee OPEB Funding	✔	✔	✔
Public Employee Pension Funding	✔	✘	✔
Public Employee Pension Funded Ratio*		64%	
	3-YEAR AVERAGE C	3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✔	✔	✔
Reserve Funds Disbursement Policy	✔	✔	✔
Reserve Funds Replenishment Policy	✔	✔	✔
Reserves Tied to Revenue Volatility	✔	✔	✔
	3-YEAR AVERAGE A	3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✔	✔	✔
Provides Debt Tables	✔	✔	✔
Discloses Deferred Infrastructure Replacement Costs	✘	✘	✘
Discloses Tax Expenditures	✔	✔	✔
	3-YEAR AVERAGE B	3-YEAR TREND —	

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
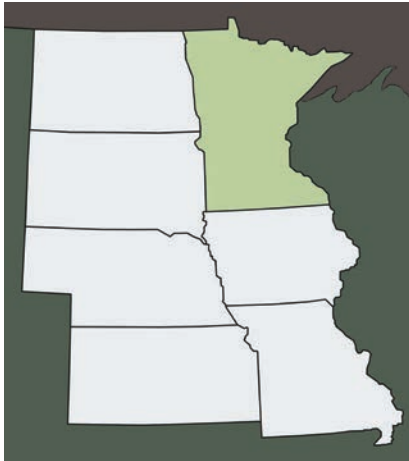
MINNESOTA WON STRAIGHT A'S from the Volcker Alliance for fiscal 2015 through 2017 in the budget maneuvers and reserve funds categories. Earning the top grade reflected the state's adherence to best practices in the use of rainy day funds and other fiscal reserves, as well as its consistent ability to avoid using budget maneuvers such as one-time revenues, borrowings, asset sales, or other measures to achieve short-term budgetary balance.

The state did less well in handling legacy costs, where it received a C average over the three years. Even though Minnesota's funding of its pension plan is 80 percent of liabilities, annual state contributions to pension funds are based on a statutory formula that generally is less than fund actuaries' recommendation. On average, state pensions in 2015 had 72 percent of the assets needed to meet obligations.

Although Minnesota received an average mark of B in transparency because it does not disclose deferred infrastructure replacement costs, its consolidated website was one of the best in the nation. The site, run by the Department of Management and Budget, contains documents covering budget processes; current and previous budgets; the governor's original budget recommendations; budget and economic forecasts; revenue and economic updates; debt; and other budget-related analyses.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	A	C	A	C
South Dakota	B	A	A	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

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MINNESOTA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	B	C	C
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	X	X
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↘	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*		80%	
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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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MISSISSIPPI Budget Report Card

WHILE MISSISSIPPI IS THE POOREST US state in terms of per capita personal income, it nonetheless received average grades of A or B for fiscal 2015 through 2017 in all but one of the five budgetary categories the Volcker Alliance assessed.

Mississippi's one A average was in budget maneuvers, where for the most part it adhered to best practices of matching current expenditures with current revenues. The state's B average in legacy costs, including pensions and post-retirement public employee health care, contrasts with lower scores for some neighboring states: Both Alabama and Louisiana got a D, and Arkansas and Georgia earned a C.

In budget forecasting, one of the key building blocks of sound long-term fiscal policy, Mississippi was awarded only a C. That grade reflects the state's lack of official, detailed multiyear revenue and expenditure forecasts. Its B in reserve funds was the result of Mississippi's not considering revenue volatility when determining how much to deposit or maintain in the Working Cash Stabilization Fund. Its transparency grade of B reflected a failure to disclose deferred infrastructure replacement costs.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	D	B	D
Kentucky	B	C	D	C	B
Mississippi	C	A	B	B	B
Tennessee	C	A	B	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

MISSISSIPPI Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	D	D
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✗	✗
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND ↘	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↘	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		62%	
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	C	C	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✓
3-YEAR AVERAGE B		3-YEAR TREND ↗	

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 for this figure is Pew Charitable Trusts, 2015.

MISSOURI Budget Report Card
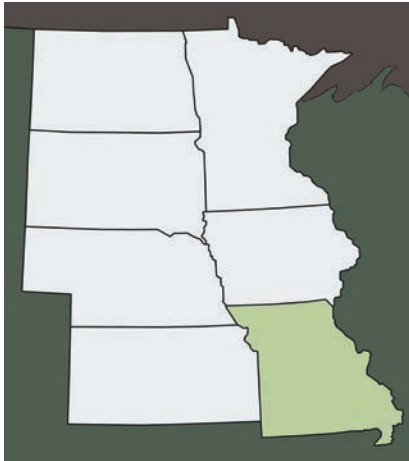
MISSOURI'S BUDGETARY GRADES from the Volcker Alliance span the highest to the lowest. In 2017, for example, the state earned an A in budget maneuvers by avoiding one-time revenues, borrowings, asset sales, and similar techniques, but it got a D-minus in budget forecasting.

The disparity was almost as wide over all three years studied, fiscal 2015 through 2017. Missouri's reserve fund practices received a B grade for largely hewing to best practices, save for its not linking reserves to historical revenue volatility. Even so, its ample fund balances may help Missouri cope with unexpected revenue challenges. According to the state's comprehensive annual financial report for the fiscal year ended March 31, 2016, Missouri had about $1.8 billion on hand in its rainy day funds.

The state's D-minus for budget forecasting in 2015 and 2017 and its three-year average of D reflect a failure to project expenditures or revenues for multiple years. Not doing so can make it difficult to discern possible fiscal imbalances in the future. For example, estimates of the impact of a 2014 tax cut on Missouri's 2018 revenues remained undisclosed in fiscal 2017 budget documents as of October 31, 2016, the cutoff date for research on that year.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	A	C	A	C
South Dakota	B	A	A	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

MISSOURI Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Consensus Revenue Forecasts	X	✓	✓
Midyear Budget Adjustments	✓	✓	X
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↗	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	81%		
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

MONTANA Budget Report Card
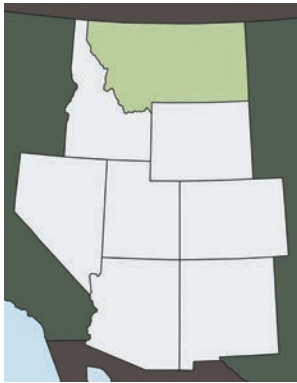
SOME OF MONTANA'S MOST SIGNIFICANT sources of revenue come from its underground assets, including coal, oil, and gas. The volatility of prices for such natural resources and their impact on state income would seem to make a rainy day fund necessary to support state spending in hard times. Yet Montana was one of a handful of states without a formally established rainy day fund in fiscal 2015 through 2017, the period chosen by the Volcker Alliance for evaluations of budget practices in fiscal reserves and four other categories. The state's lack of a rainy day fund left Montana with a D average, the second-lowest possible grade, for its handling of reserve funds over the three years.

While "rainy day fund" is often mentioned in Montana's budget documents, the state has used its general fund balance in lieu of a rainy day fund. That is about to change, however. A 2017 law created a separate budget stabilization reserve fund and established withdrawal and replenishment policies. The law became effective July 1, 2017—the beginning of fiscal 2018. Withdrawals can begin as early as August 15, 2018, about six weeks into fiscal 2019.

Montana received better grades for its avoidance of one-time budgetary solutions to achieve balance, winning an A average in the budget maneuvers categories. It earned a B average in transparency. As with all other states except Alaska and California, it lost points for failing to disclose deferred infrastructure replacement costs.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	B	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	A	C	D	B
Nevada	C	B	C	B	B
New Mexico	C	B	C	D	D
Utah	C	A	A	A	C
Wyoming	B	A	D-	C	C
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

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MONTANA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	X	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	X	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		75%	
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	X	X	X
Reserve Funds Replenishment Policy	X	X	X
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

NEBRASKA Budget Report Card

NEBRASKA WON AN A average, the top grade, for fiscal 2015 through 2017 for its avoidance of budget maneuvers and deft handling of legacy costs, two of the five budgetary categories evaluated by the Volcker Alliance.

The state's record on budget maneuvers showed that Nebraska successfully avoided deferring recurring expenditures, shifting costs and revenues from year to year, funding recurring expenditures with debt, and using asset sales and up-front proceeds of financial transactions to achieve budgetary balance.

Nebraska was also one of eight states earning an A average for legacy cost practices. The category includes public worker pensions and other postemployment benefits, principally retiree health care. The Nebraska Public Employees Retirement Board, which administers the state's pension plan, uses a conservative funding formula that led it to put $44 million into the plan's fund in fiscal 2016, even though state actuaries had determined that slightly less than $30 million would have been sufficient.

The state received a B in transparency in each of the three years studied. Along with all other states except Alaska and California, it lost points for failing to disclose deferred infrastructure replacement costs. While Nebraska averaged a B in budget forecasting, its grade was affected by a need for midyear budget adjustments in 2016 and 2017 and a lack of multiyear expenditure forecasts for all three years evaluated.

Nebraska fared least well in its use of reserve funds, where it earned only a C average. Although the state has statutory requirements for governing its rainy day funds, Volcker Alliance analysts found the rules weren't sufficiently clear for Nebraska to get a B.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	A	C	A	C
South Dakota	B	A	A	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

NEBRASKA Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	B	C	C
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✗	✗
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓

3-YEAR AVERAGE B   3-YEAR TREND ↘

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓

3-YEAR AVERAGE A   3-YEAR TREND —

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		91%	

3-YEAR AVERAGE A   3-YEAR TREND —

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	C	C	C
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✗	✗	✗
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗

3-YEAR AVERAGE C   3-YEAR TREND —

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓

3-YEAR AVERAGE B   3-YEAR TREND —

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 for this figure is Pew Charitable Trusts, 2015.

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NEVADA Budget Report Card

ALTHOUGH NEVADA DID NOT RECEIVE a single A in any of the five budget-ary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017, it recorded B averages for the period in three of the areas: budget maneuvers, reserve funds, and transparency.

The state's weaker categories, with overall C grades, were budget fore-casting and legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care.

In budget forecasting, while the state lacked multiyear revenue and expen-diture estimates, it has adopted a consensus revenue estimating process—a best practice—in which the State of Nevada Economic Forum, a panel of five private sector representatives, produces an official estimate that binds all parties involved in building a new budget. A seven-member technical advisory committee, made up of executive and legislative branch staff members and a local government representative, assists the forum.

In 2016 and 2017, Nevada made the full actuarially recommended contributions to its pension, which has 75 percent of assets needed to cover liabilities, 3 percentage points above the 2015 average for all states. Its C average for the three years studied reflects a lack of full actuarial contributions for OPEB.

Nevada received an overall B for transparency. Like every other state except Alaska and California, it lost points for failing to disclose deferred infrastructure replacement costs. Its B in reserve funds reflects best practices save for the absence of a formal link between Nevada's rainy day fund and rev-enue volatility.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	B	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	A	C	D	B
Nevada	C	B	C	B	B
New Mexico	C	B	C	D	D
Utah	C	A	A	A	C
Wyoming	B	A	D-	C	C
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

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NEVADA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	C	C
Consensus Revenue Forecasts	✔	✔	✔
Midyear Budget Adjustments	✗	✔	✔
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✔	✔	✔
	3-YEAR AVERAGE C	3-YEAR TREND ↗	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✔	✔	✔
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✔	✔	✔
Using Asset Sales and Up-Front Revenues	✔	✔	✔
	3-YEAR AVERAGE B	3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✔	✔
Public Employee Pension Funded Ratio*		75%	
	3-YEAR AVERAGE C	3-YEAR TREND ↗	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✔	✔	✔
Reserve Funds Disbursement Policy	✔	✔	✔
Reserve Funds Replenishment Policy	✔	✔	✔
Reserves Tied to Revenue Volatility	✗	✗	✗
	3-YEAR AVERAGE B	3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✔	✔	✔
Provides Debt Tables	✔	✔	✔
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✔	✔	✔
	3-YEAR AVERAGE B	3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

NEW MEXICO Budget Report Card
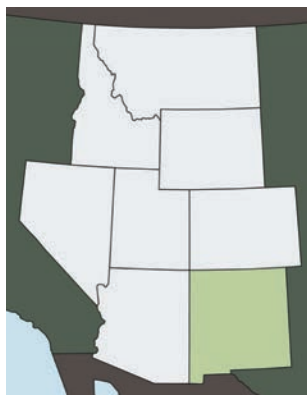
NEW MEXICO IS ONE OF ONLY two states to score no higher than a C in fiscal 2017 in any of the five budgetary categories evaluated by the Volcker Alliance. The other was Illinois, which enacted a budget for fiscal 2018 in July 2017 after going without one for the almost three years. New Mexico was also one of three states to receive straight D's in transparency for fiscal 2015 through 2017, the period covered by the Alliance's research. The other two were Alabama and Arkansas.

New Mexico's showing in transparency was hurt by its lack of a con-solidated budget website to help observers find in one place information about critical items like proposed and enacted budgets, debt service costs, capital spending, and tax expenditures. In fact, the state fails to disclose the cost of tax expenditures, which can include exemptions from sales and other levies, as well as corporate tax credits and abatements aimed at spurring economic development.

The state also received an average grade of D in reserve funds for the three years. Best practices for fiscal reserves include clear policies governing when money can be withdrawn from rainy day funds and guidelines for replenishing funds. In New Mexico, the rainy day fund can be used at the discretion of the governor or legislature.

New Mexico's C average in legacy costs—which include public worker pensions and other postem-ployment benefits (OPEB), primarily retiree health care—was driven by a failure to fund OPEB in line with actuaries' recommendations. In the budget maneuvers category, a C in 2017 reflected the state's increased use of one-time revenues to achieve balance, though New Mexico garnered an overall score of B.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	B	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	A	C	D	B
Nevada	C	B	C	B	B
New Mexico	C	B	C	D	D
Utah	C	A	A	A	C
Wyoming	B	A	D-	C	C
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

NEW MEXICO Budget Report Card

BUDGET FORECASTING	2015	2016	2017
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✔	✔	✔
Midyear Budget Adjustments	X	X	X
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	✔	✔	✔
Revenue Growth Projections	✔	✔	✔
3-YEAR AVERAGE C		**3-YEAR TREND** —	

BUDGET MANEUVERS	2015	2016	2017
CATEGORY GRADE	B	B	C
Deferring Recurring Expenditures	✔	✔	✔
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✔	✔	X
Using Asset Sales and Up-Front Revenues	✔	✔	✔
3-YEAR AVERAGE B		**3-YEAR TREND** ↘	

LEGACY COSTS	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✔	✔	✔
Public Employee Pension Funded Ratio*		71%	
3-YEAR AVERAGE C		**3-YEAR TREND** —	

RESERVE FUNDS	2015	2016	2017
CATEGORY GRADE	D	D	D
Positive Reserve or General Fund Balance	✔	✔	✔
Reserve Funds Disbursement Policy	X	X	X
Reserve Funds Replenishment Policy	X	X	X
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE D		**3-YEAR TREND** —	

TRANSPARENCY	2015	2016	2017
CATEGORY GRADE	D	D	D
Consolidated Budget Website	X	X	X
Provides Debt Tables	✔	✔	✔
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	X	X
3-YEAR AVERAGE D		**3-YEAR TREND** —	

KEY

✔	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

NEW YORK Budget Report Card

NEW YORK RECEIVED GRADES that place it in the top half of the fifty states in four of the five budget categories evaluated by the Volcker Alliance. In the fifth category, budget maneuvers, the state's score fell from a C in 2015 to a D in 2016 and to the lowest possible, D-minus, in 2017. The state received a D average in the category.

The use of up-front proceeds to fund recurring expenditures is partly to blame for New York's decline and overall low grade in the area for the three years examined. For example, the state used one-time licensing fees for casinos received in fiscal 2016 to pay for school aid in fiscal 2017. In addition, it has repeatedly shifted revenues and costs from year to year to keep budgets in balance and has regularly funded recurring expenditures with debt.

On the rest of its report card, New York earned one overall grade of A and three B's. Its use of detailed explanations for anticipated changes in revenues helped earn the state an A average in budget forecasting. For instance, the Economic and Revenue Outlook for fiscal 2017, prepared during the previous fiscal year, noted that 2016 state tax receipts were estimated to have expanded 5.7 percent for several reasons, including strong growth from a low prior-year base that was influenced by changes to federal tax law in 2013.

The B grades were in legacy costs, reserve funds, and transparency. New York's grade in the first of those three areas was helped by its pension funding level of 98 percent, 26 percentage points above the average for all states in 2015. In reserve funds, the grade was affected by policymakers' not tying contributions and balances to revenue volatility.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

NEW YORK Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	**A**	**A**	**B**
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✗
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		**3-YEAR TREND ↘**	

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	**C**	**D**	**D**
Deferring Recurring Expenditures	✓	✓	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✗	✗	✗
Using Asset Sales and Up-Front Revenues	✓	✗	✗
3-YEAR AVERAGE D		**3-YEAR TREND ↘**	

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	**B**	**B**	**B**
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		98%	
3-YEAR AVERAGE B		**3-YEAR TREND —**	

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	**B**	**B**	**B**
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE B		**3-YEAR TREND —**	

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	**B**	**B**	**B**
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND —**	

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 for this figure is Pew Charitable Trusts, 2015.

NEW HAMPSHIRE Budget Report Card
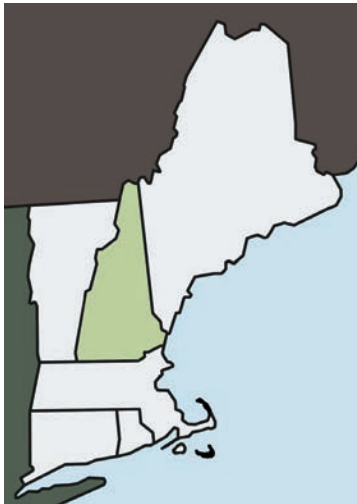
NEW HAMPSHIRE GIVES LESS ATTENTION than many other states to budget forecasting, one of five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017. The state recorded an average of D, the second-lowest grade possible, for the period in that area.

The grade was affected in part by the state's lack of consensus revenue forecasts. Although consensus estimating—a best practice—isn't necessarily more accurate than budget forecasts produced by the executive branch, the process goes far more smoothly when all parties involved in forming a budget agree on a single revenue figure. In addition, New Hampshire lacks mechanisms to create and disclose multiyear expenditure and revenue forecasts.

The state also earned a D average for its handling of legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care. Its weakness in this area largely stems from not funding OPEB in line with actuarial recommendations. Though New Hampshire made its actuarially recommended contributions for pension funds in the three years studied, it still has just 66 percent of the assets needed to meet obligations.

The state won an average A for its efforts to avoid using one-time budget maneuvers, such as deferring recurring expenditures or shifting revenues and costs. In 2015, it transferred assets from the New Hampshire Turnpike System to the Highway Fund. It didn't repeat that move in subsequent years, however, which resulted in A grades in the category in 2016 and 2017.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2015-17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	C	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	A	D	B	B
Rhode Island	A	B	B	B	B
Vermont	C	A	D	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

NEW HAMPSHIRE Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	X	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↗	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		66%	
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓ Followed best practice

X 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 for this figure is Pew Charitable Trusts, 2015.

NEW JERSEY Budget Report Card

NEW JERSEY WAS ONE OF NINE STATES given a D-minus average, the lowest possible grade, by the Volcker Alliance for its handling of pension and other postretirement obligations for fiscal 2015 through 2017. It was also one of nine states with an overall D for budget forecasting and six states with an overall D for using budgetary maneuvers to achieve balance.

The New Jersey grade for legacy costs, which includes public worker pensions and other postemployment benefits, primarily health care, reflects its longtime inability to fund either program in line with actuarial recommendations. The state had only 38 percent of the assets needed to meet obligations—it tied with Kentucky for the lowest funding level—and its $135.7 billion in unfunded pension liabilities was second only to California's $174.1 billion.

Burdened as it is with retirement funding obligations, it is of little surprise that New Jersey also scored poorly in budget maneuvers, the second of five budgetary categories the Alliance evaluated. Such one-time actions included transfers from the New Jersey Turnpike Authority and the Clean Energy Fund to the general fund and the use of expected revenue from pending legal settlements for budget-balancing purposes.

The state's D in budget forecasting reflects a failure to create multiyear expenditure and revenue forecasts to help it prepare for financial challenges. New Jersey fared better in the reserves and transparency categories, winning average B grades for the period. As with forty-seven other states, New Jersey's transparency grade speaks to the absence of disclosure of deferred infrastructure replacement costs. Only Alaska and California publish such estimates.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

NEW JERSEY Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	X	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND ↗	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	X	X
Using Asset Sales and Up-Front Revenues	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*		38%	
3-YEAR AVERAGE D-		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓ Followed best practice

X 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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NORTH CAROLINA Budget Report Card
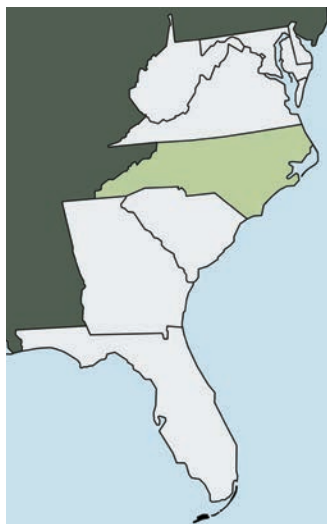
NORTH CAROLINA EARNED B AVERAGES for its handling of legacy costs, transparency, and general avoidance of one-time budget maneuvers, while getting overall C marks for its reserve funds and forecasting practices—the five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017.

The B in legacy costs was largely attributable to North Carolina's lack of funding of other postemployment benefits, principally retiree health care, relative to actuaries' recommended contributions. The reverse was true with pensions, which have 96 percent of the assets needed to meet obligations to workers. In fiscal 2016, the state funded 105 percent of its actuarially determined contribution to the Teachers' and State Employees' Retirement System.

North Carolina's B for transparency generally reflected best disclosure practices, including having a consolidated budget website and displaying debt tables and tax expenditure costs. Like forty-seven other states, however, North Carolina failed to disclose deferred infrastructure replacement costs; Alaska and California are the only exceptions.

The C for reserve funds is a result of North Carolina's lack of a link to revenue volatility and a detailed policy to control when rainy day reserves can be used.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	C	B	B
Maryland	A	C	D	C	B
North Carolina	C	B	B	C	B
South Carolina	A	A	D	B	C
Virginia	A	D	D-	A	C
West Virginia	C	B	C	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

NORTH CAROLINA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	96%		
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✗	✗	✗
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

NORTH DAKOTA Budget Report Card
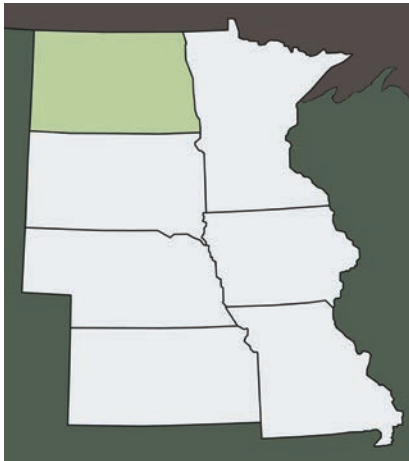
OIL-RICH NORTH DAKOTA collected the full range of scores across the five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017. While the state earned an A average—the highest possible—for its handling of reserve funds, it received a D-minus—the lowest possible grade—in budget forecasting.

North Dakota's top performance in reserve funds is particularly important because of its dependence on volatile oil and gas revenues. The state not only set aside a sizable budget stabilization fund when fracking dollars began rolling in but also established polices on the use of the reserve and how it is to be replenished, a best practice. The stabilization fund is stocked by transferring cash at the end of each biennium from any general fund accounts exceeding $65 million. If there is not enough in the general fund to meet the target, the stabilization fund must retain its earnings until the reserve reaches the equivalent of 9.5 percent of general fund appropriations.

Its poor showing in budget forecasting reflects North Dakota's failure to use consensus revenue forecasts and multiyear expenditure and revenue forecasts, as well as its lack of a reasonable, detailed rationale to support revenue growth projection at the time of the initial budget. The state, which for the most part avoided one-time measures to achieve budgetary balance, got an overall A in budget maneuvers. It received a C in transparency for not disclosing budgetary costs of tax expenditures or replacement costs of depreciated infrastructure.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	A	C	A	C
South Dakota	B	A	A	B	B
US AVERAGE	B	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

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NORTH DAKOTA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	X	X
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	X	X	X
3-YEAR AVERAGE D-		3-YEAR TREND ↘	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↘	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*		70%	
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

OHIO Budget Report Card

OHIO FAILED TO GET A SINGLE A in any of the five categories evaluated by the Volcker Alliance for fiscal 2015 through 2017. It did receive overall grades of B in two categories, however. One was transparency, because the state maintains a consolidated budget website, provides debt tables, and discloses tax expenditures. Its *Tax Expenditure Report* includes information about revenues forgone from exemptions, deductions, and credits, mostly to attract or retain corporations.

Ohio also earned a B average in budget maneuvers by largely avoiding moves to give the appearance of a balanced budget in a current year at the risk of adding pressure in future years. The state did not defer recurring expenditures in any of the three years covered, nor did it fund recurring expenditures with debt, or use asset sales or up-front revenues. Ohio's weakness in the category was the periodic shifting of monies into the general fund from purpose-specific funds. In fiscal 2016, the state made a total of $286,624,000 in transfers from such sources as the Workers' Compensation fund, the Lottery Commission, Unemployment Compensation fund, and Buckeye Tobacco Settlement Financing Authority revenue bonds.

The state's lowest grade was in budget forecasting, where it posted D's for all three years. Key liabilities included a lack of multiyear revenue and expenditure forecasts.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	D-	D	D-	C	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	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

OHIO Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE D	3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	76%		
	3-YEAR AVERAGE C	3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	X	X	X
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
	3-YEAR AVERAGE C	3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

OKLAHOMA Budget Report Card
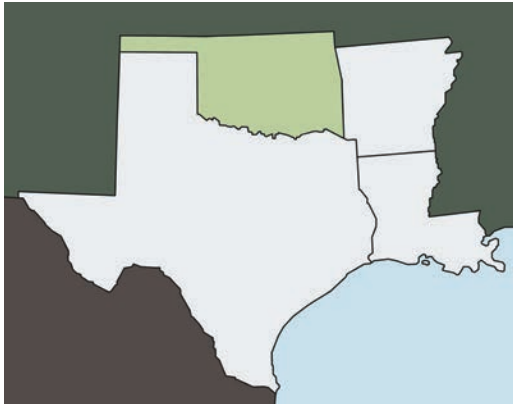
THE VOLCKER ALLIANCE'S assessment of Oklahoma's budget practices from fiscal 2015 through 2017 presents a mixed picture. The state won straight A's for its handling of legacy costs, a category including public worker pensions and postretirement health care. Yet its marks for transparency deteriorated over the three years studied, falling from a C in 2015 and 2016 to D, the second-lowest grade possible, by 2017.

In contrast, the state improved in budget forecasting, where its grade rose from C in 2015 to B in 2016 and A in 2017. A significant factor in the state's gain in that area was its decision to adopt a consensus forecasting method in 2016. The approach is intended to ensure that multiple contributors determine a single revenue number on which to build a budget, allowing legislators to focus more time on spending decisions. Oklahoma has begun including tax commission economists and outside research entities in the process—a significant step forward.

Oklahoma's C average in transparency for the period studied reflects the limited amount of information provided on the Office of Management and Enterprise Services website. The state does not disclose replacement costs for depreciated infrastructure in budget documents, and—departing from its practice in 2015 and 2016—it did not make a tax expenditure budget available in fiscal 2017.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	B	C	C	D
Louisiana	C	C	D	B	B
Oklahoma	B	B	A	B	C
Texas	D	A	D-	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

OKLAHOMA Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	C	B	A
Consensus Revenue Forecasts	X	✓	✓
Midyear Budget Adjustments	X	X	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↗	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	B	B	C
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	X
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↘	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		79%	
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	C	C	D
Consolidated Budget Website	X	X	X
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	X
3-YEAR AVERAGE C		3-YEAR TREND ↘	

KEY

✓ Followed best practice

X 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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OREGON Budget Report Card
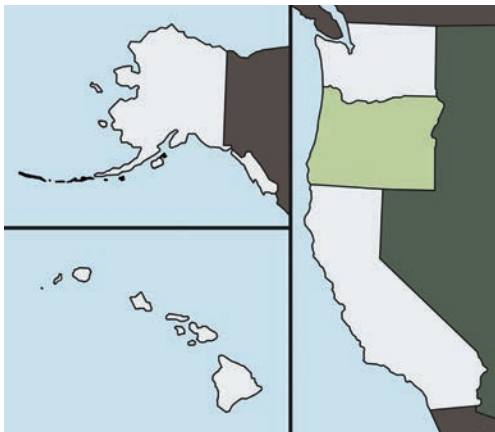
OREGON AVERAGED top A grades for its handling of legacy costs and lack of budget maneuvers, two of the five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017.

The legacy cost evaluation included Oregon's treatment of public worker pensions and other postemployment benefits (OPEB), principally retiree health care. Unlike many states, Oregon made the full contribution that actuaries recommended for its OPEB plan in all three years. It also made its full actuarial pension contribution in 2016 and 2017 after missing it in 2015. With 92 percent of the assets needed to meet obligations, Oregon's pension plan tied with Idaho for the sixth-highest funding ratio. Oregon's A for budget maneuvers reflects a general absence of one-time revenue solutions to balance budgets.

Oregon fell short in budgeting forecasting and received an overall grade of C, partly because it did not use consensus revenue forecasts in the period studied. A best practice, such estimating incorporates input from various stakeholders, usually including at least the executive and legislative branches and can help ensure that all involved in building a budget start with the same figure. While Oregon does provide multiyear revenue forecasts, it does not do the same for expenditures, disclosing only figures for the period covered by each biennial budget.

The state's B in transparency reflected the absence of disclosure of deferred infrastructure replacement costs—the case in every state but Alaska and California. Its B in reserve funds showed general adherence to best practices save for its not tying fiscal reserves to revenue volatility.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	B	B	A	A
California	B	A	C	A	A
Hawaii	A	A	D	A	B
Oregon	C	A	A	B	B
Washington	A	B	D	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

OREGON Budget Report Card

BUDGET FORECASTING			
	2015	**2016**	**2017**
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2015	**2016**	**2017**
CATEGORY GRADE	A	A	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		**3-YEAR TREND** ↘	

LEGACY COSTS			
	2015	**2016**	**2017**
CATEGORY GRADE	B	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	X	✓	✓
Public Employee Pension Funded Ratio*	92%		
3-YEAR AVERAGE A		**3-YEAR TREND**	

RESERVE FUNDS			
	2015	**2016**	**2017**
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		**3-YEAR TREND** —	

TRANSPARENCY			
	2015	**2016**	**2017**
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

KEY

✓	Followed best practice
X	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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PENNSYLVANIA Budget Report Card

PENNSYLVANIA PASSED THE REVENUE PART of its fiscal 2018 budget four months late as lawmakers and the governor struggled to find ways to pay for $32 billion in planned spending. The impasse reflected a continuation of the fiscal stress that helped produce low grades in two of the five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017.

The state got the lowest possible grade, D-minus, for its use of one-time maneuvers to balance the budget in 2017 and recorded a D average for all three years. Budgetary maneuvers include deferring recurring expenditures to future years, shifting expected future revenues into the current year, funding recurring expenditures with debt, and using asset sales or up-front revenues to help achieve balance. While the use of such devices can close current gaps, they may leave less cash available for future budgets.

Pennsylvania received an overall D-minus for its funding of legacy costs, which include public worker pensions and other postemployment benefits, principally health care. Its pension funding ratio—the amount of assets on hand relative to the plan's obligations—was 56 percent, the fifth-lowest level among all states.

The state, which produces reasonably clear budgets and accompanying documents, earned straight B's in transparency. Pennsylvania averaged a B in budget forecasting by adhering to best practices, such as producing multiyear revenue and expenditure forecasts. The grade was reduced in part by the lack of consensus revenue forecasts. These estimates, which typically include input from at least the executive and legislative branches, can help focus budget debates on expenditures rather the amount available to spend.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

PENNSYLVANIA Budget Report Card

BUDGET FORECASTING			
	2015	**2016**	**2017**
CATEGORY GRADE	B	C	C
Consensus Revenue Forecasts	✗	✗	✗
Midyear Budget Adjustments	✓	✗	✗
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** ↘	

BUDGET MANEUVERS			
	2015	**2016**	**2017**
CATEGORY GRADE	D	D	D
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✗
Using Asset Sales and Up-Front Revenues	✗	✗	✗
3-YEAR AVERAGE D		**3-YEAR TREND** ↘	

LEGACY COSTS			
	2015	**2016**	**2017**
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✓
Public Employee Pension Funded Ratio*		56%	
3-YEAR AVERAGE D		**3-YEAR TREND** ↗	

RESERVE FUNDS			
	2015	**2016**	**2017**
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE B		**3-YEAR TREND** —	

TRANSPARENCY			
	2015	**2016**	**2017**
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

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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RHODE ISLAND Budget Report Card
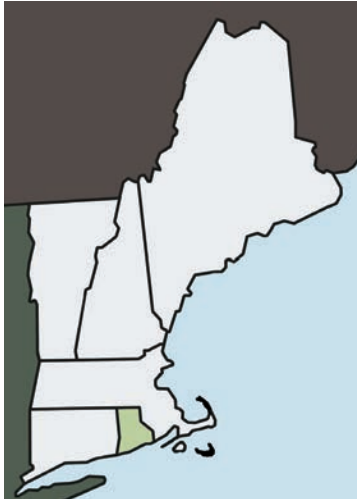
RHODE ISLAND, the nation's smallest state by land area, received at least B averages in all five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017. Its best grade was for budget forecasting, in which Rhode Island was one of just nine states to post an overall A.

The state's Revenue Estimating Conference, which includes representatives of the executive branch and of both legislative houses, typically issues consensus reports twice annually that present revenue estimates for the current fiscal year and the next four years. The reports are posted on the Office of Management and Budget website and used by the governor and when constructing budgets. Such consensus forecasts are a best practice that can allow governors and legislators to agree in advance on anticipated revenues and focus on expenditures during the budget debate. Rhode Island also follows best practices in its use of long-term revenue and expenditure forecasts.

The state's pension funding ratio—the retirement system's assets relative to its obligations—was just 57 percent in 2015, versus an average of 72 percent for all states. Still, Rhode Island earned consistent B's for legacy costs by making the contributions actuaries recommended for public worker pensions and other postemployment benefits, principally retiree health care. It also received straight B's in reserve funds, losing credit for not tying them to revenue volatility, and in transparency, because it doesn't disclose deferred infrastructure replacement costs. Only Alaska and California disclose that data.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	C	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	A	D	B	B
Rhode Island	A	B	B	B	B
Vermont	C	A	D	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

RHODE ISLAND Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE A	3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	C	C	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✓
Funding Recurring Expenditures with Debt	✗	✗	✗
Using Asset Sales and Up-Front Revenues	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND ↗	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	57%		
	3-YEAR AVERAGE B	3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
	3-YEAR AVERAGE B	3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND —	

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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SOUTH CAROLINA Budget Report Card

IN FISCAL 2015 THROUGH 2017, the three years covered by the Volcker Alliance's evaluation of state budgetary practices, South Carolina earned top grades of A in budget forecasting and budget maneuvers. It did less well in reserve funds, transparency, and legacy costs. In the final category, the state received a D, the second-lowest grade.

The A in budget maneuvers reflected South Carolina's avoidance of one-time measures to achieve budgetary balance, including deferring recurring expenditures, shifting revenues or costs, funding recurring expenditures with debt, and using asset sales and up-front revenues from financial transactions. Its forecasting methods comprised best practices such as multiyear revenue and expenditure projections and consensus revenue estimating, in which the executive and legislative branches agree on a single revenue figure that guides budget formation.

South Carolina's B in reserve funds was based on positive balances, as well as on its policies for using and replenishing funds intended for budget emergencies. The state lost credit for not linking reserve policies with revenue volatility—a shortcoming of about two-thirds of all states. Straight C's in transparency reflected the state's lack of disclosure of tax expenditures and replacement costs for depreciated infrastructure.

Despite making pension fund contributions in line with actuaries' recommendations, South Carolina received straight D's in legacy costs. The contributions were not enough to overcome more than a decade of underfunding that left the state's public worker retirement system with just 58 percent of assets needed to cover obligations, 14 percentage points below the 2015 average for all states. South Carolina also did poorly in financing other postemployment health care benefits, setting aside only $964.2 million against liabilities totaling $9.8 billion.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	C	B	B
Maryland	A	C	D	C	B
North Carolina	C	B	B	C	B
South Carolina	A	A	D	B	C
Virginia	A	D	D-	A	C
West Virginia	C	B	C	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

SOUTH CAROLINA Budget Report Card

BUDGET FORECASTING			
	2015	**2016**	**2017**
CATEGORY GRADE	Ⓐ	Ⓐ	Ⓐ
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE Ⓐ		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2015	**2016**	**2017**
CATEGORY GRADE	Ⓐ	Ⓐ	Ⓐ
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE Ⓐ		**3-YEAR TREND** —	

LEGACY COSTS			
	2015	**2016**	**2017**
CATEGORY GRADE	Ⓓ	Ⓓ	Ⓓ
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		**58%**	
3-YEAR AVERAGE Ⓓ		**3-YEAR TREND** —	

RESERVE FUNDS			
	2015	**2016**	**2017**
CATEGORY GRADE	Ⓑ	Ⓑ	Ⓑ
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE Ⓑ		**3-YEAR TREND** —	

TRANSPARENCY			
	2015	**2016**	**2017**
CATEGORY GRADE	Ⓒ	Ⓒ	Ⓒ
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE Ⓒ		**3-YEAR TREND** —	

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 for this figure is Pew Charitable Trusts, 2015.

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SOUTH DAKOTA Budget Report Card

SOUTH DAKOTA RANKED AMONG the best-performing states in the Volcker Alliance's examination of budget practices across the nation for fiscal 2015 through 2017. It earned straight A's in budget maneuvers and legacy costs, and averaged B's in the other three categories evaluated.

The state's only low grade—a D for budget forecasting in 2015—improved to a B the following two years thanks to an executive order signed by Governor Dennis Daugaard after the start of fiscal 2015. That order put in place requirements for forecasts for the current fiscal year and three succeeding fiscal years. It also required input from the governor's Council of Economic Advisors and the use of other relevant financial planning information.

South Dakota was one of only seven states to post A's on legacy cost practices in all three years. This is a slightly lower hurdle for South Dakota than for other states, as it has no liabilities for postretirement health benefits and thus no need to fund them in advance.

The state did similarly well in avoiding budget maneuvers, which include deferring recurring expenditures, shifting costs and revenues, funding recurring expenditures with debt, and using asset sales and up-front revenues.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	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-	A	C	A	C
South Dakota	B	A	A	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

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SOUTH DAKOTA Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	D	B	B
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	X	✓	✓
Multiyear Revenue Forecasts	X	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** ↗	

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		**3-YEAR TREND** —	

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		104%	
3-YEAR AVERAGE A		**3-YEAR TREND** —	

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		**3-YEAR TREND** —	

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

TENNESSEE Budget Report Card

TENNESSEE RECEIVED STRAIGHT A'S for its lack of budgetary maneuvers and its handling of fiscal reserves, two of the five budget categories evaluated by the Volcker Alliance for fiscal 2015 through 2017. The state's funding of legacy costs and its budget transparency practices earned B marks, while its lone C was in budgetary forecasting.

Its top grade in budget maneuvers—one-time actions to achieve balance—reflected Tennessee's refusal to defer recurring expenditures, shift costs and revenues from one year to another, fund recurring expenditures with debt, or use asset sales or up-front revenues to keep the budget balanced. The A in reserve funds was driven by Tennessee's legislative mandate that the state, to the extent practicable, offset revenue shortfalls with reductions in expenditures before tapping the rainy day fund.

Tennessee's lower grade in budget forecasting stemmed from the lack of multiyear expenditure or revenue forecasts, which can make it difficult to do meaningful long-term financial planning. The state estimates revenues and expenditures for only two years in budget documents, although it does disclose longer-term projections for the state lottery fund.

Budget transparency was generally in line with best practices, save for an absence of disclosures about deferred infrastructure costs, a shortcoming shared by all states except Alaska and California.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	D	B	D
Kentucky	B	C	D	C	B
Mississippi	C	A	B	B	B
Tennessee	C	A	B	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

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TENNESSEE Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		95%	
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

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TEXAS Budget Report Card

THE VOLCKER ALLIANCE'S budgetary grades for Texas—the second most-populous state, after California—showed leadership in some areas and deficiencies in others from fiscal 2015 through 2017. While deep fiscal reserves helped Texas win best-possible average grades of A in the budget maneuvers and reserve funds categories, the state received low assessments for its handling of legacy costs and budget forecasting.

In the category of legacy costs, which includes public worker pensions and postretirement health care, Texas received an overall D-minus—the lowest grade possible—for the three years studied. Though its pension fund had 76 percent of the assets needed to pay obligations—4 percentage points above the average for all states—its low marks reflect Texas's failure to make the full contribution to pensions and other postemployment benefits, principally retiree health care, as recommended by fund actuaries over the period studied.

Texas's D average in budget forecasting was influenced by an absence of long-term revenue and expenditure forecasts as part of the budgetary package. In contrast, its straight A's in for reserve funds were driven by the high balance in the Economic Stabilization Fund, the state's rainy day account. It totaled $9.7 billion as of June 30, 2016, the largest such reserve in any state, according to the Texas Comptroller of Public Accounts. Texas also ties its reserve balances to revenue volatility, a best practice. The state's savings policy may pay dividends in the wake of Hurricane Harvey, which caused billions of dollars in damage in East Texas in 2017.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	B	C	C	D
Louisiana	C	C	D	B	B
Oklahoma	B	B	A	B	C
Texas	D	A	D-	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

TEXAS Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	B	A
Deferring Recurring Expenditures	✓	X	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*		76%	
3-YEAR AVERAGE D-		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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 for this figure is Pew Charitable Trusts, 2015.

UTAH Budget Report Card

UTAH EARNED STRAIGHT A'S in three of the five categories of budget-ary practices evaluated by the Volcker Alliance for fiscal 2015 through 2017. Only three other states—California, Hawaii, and Idaho—collected as many top averages. Utah won the high mark in budget maneuvers, reserve funds, and legacy costs, while recording C's in budget forecasting and transparency.

In the budget maneuvers area, Utah avoided one-time measures such as deferring recurring expenditures, shifting revenues or costs, funding recur-ring expenditures with debt, or using asset sales and up-front revenues to achieve balance. The showing in reserve funds reflected the state's record of establishing policies for disbursing and replenishing rainy day monies and its tying those reserves to the volatility of state revenues—a mandate since 2014.

Utah's A for legacy costs covers its handling of public worker pensions and other postemployment benefits (OPEB), principally health care. After the pension fund suffered billions of dollars in losses during the financial crisis of 2007 through 2009, the state passed legislation in 2010 closing the system to new employees and instead offering them a choice of a defined contribution plan or a hybrid of that and defined benefits. In the three years studied, Utah made actuarially recommended contributions for pensions and OPEB.

The budget forecasting grade was diminished by Utah's failure to provide multiyear expenditure or revenue forecasts, while the transparency grade suffered from its skimpy disclosure of tax expen-ditures. The Utah State Tax Commission published estimates of statutory sales tax exemptions, but not a more comprehensive report.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	B	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	A	C	D	B
Nevada	C	B	C	B	B
New Mexico	C	B	C	D	D
Utah	C	A	A	A	C
Wyoming	B	A	D-	C	C
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

UTAH Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		86%	
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

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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VERMONT Budget Report Card

WHILE VERMONT IS THE ONLY US state without a law or constitutional provision requiring a balanced budget, it follows the example of its rule-bound peers. Its grades for budgetary practices were above average in three of the five categories evaluated by the Volcker Alliance for fiscal 2015 through 2017.

The state received an overall A—the top grade—for its near-absence of budget-balancing maneuvers, and it earned B's for the transparency of budgetary information and its use of fiscal reserve funds. Vermont did less well in budget forecasting and legacy costs, which include funding of public worker pensions and other postemployment benefits (OPEB), principally health care.

Vermont improved in budget maneuvers, a category measuring a state's reliance on one-time actions to achieve balance, earning a B in 2015 (because it deferred health expenditures) but A's in 2016 and 2017. Its B's in reserve funds reflect general adherence to best practices: The state has separate budget stabilization accounts for the general, transportation, and education funds but does not link them to revenue volatility. Healthy reserves are important in a state with a highly progressive tax structure and a small population, which leaves revenues at the mercy of changes in the earnings of relatively few high-income residents.

Vermont's transparency grade was restrained by an absence of disclosure of deferred infrastructure maintenance costs, something only Alaska and California provide. Its straight D's in legacy costs reflect a lack of actuarially recommended OPEB funding and a pension funding ratio of 68 percent, versus an average of 72 percent for all states in 2015.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	C	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	A	D	B	B
Rhode Island	A	B	B	B	B
Vermont	C	A	D	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

VERMONT Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	D	C	C
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✗	✗	✗
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND ↗	

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✗	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↗	

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		68%	
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

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VIRGINIA Budget Report Card

VIRGINIA WAS ONE OF ONLY SEVEN states to earn A's in 2016 and 2017 for budget forecasting, one of five budgetary categories evaluated by the Volcker Alliance for fiscal 2015 through 2017.

   The grade marked an improvement from 2015, when Virginia received a C, in part for starting the fiscal year without making adequate adjustment for anticipated shortfalls. The state follows the best practice of using consensus revenue forecasts from two groups whose members include representatives of the executive and legislative branches, as well as outside experts. While consensus forecasting is not necessarily more accurate than estimates prepared by a single agency, it helps create a budget based on an agreed revenue number. In addition, Virginia uses multiyear forecasts for revenues and expenditures.

   The state scored straight A's in the reserve funds area. It has policies for using and replenishing such savings: Virginia's constitution requires that the General Assembly authorize the withdrawal of rainy day fund assets, and no more than half of the fund balance can be tapped in any fiscal year.

   The state's lowest average grade, a D-minus, was in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), principally health care. While its pension system has 75 percent of the assets needed to meet obligations—3 percentage points more than the 2015 average of all states—Virginia failed to make its actuarially determined pension contributions in 2015, 2016, and 2017. To remedy the underfunding, the state has accelerated its payment schedule for four of its five funds; the fifth—the teachers' fund—is slated to receive 100 percent of its actuarially determined contribution in fiscal 2018. The state also failed to make its actuarially determined OPEB contributions in fiscal 2015 through 2017.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	C	B	B
Maryland	A	C	D	C	B
North Carolina	C	B	B	C	B
South Carolina	A	A	D	B	C
Virginia	A	D	D-	A	C
West Virginia	C	B	C	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

VIRGINIA Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	C	A	A
Consensus Revenue Forecasts	✔	✔	✔
Midyear Budget Adjustments	✗	✔	✔
Multiyear Expenditure Forecasts	✔	✔	✔
Multiyear Revenue Forecasts	✔	✔	✔
Revenue Growth Projections	✗	✔	✔
3-YEAR AVERAGE A		3-YEAR TREND ↗	

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	D	D	C
Deferring Recurring Expenditures	✗	✔	✔
Revenue and Cost Shifting	✗	✗	✔
Funding Recurring Expenditures with Debt	✗	✗	✗
Using Asset Sales and Up-Front Revenues	✗	✗	✗
3-YEAR AVERAGE D		3-YEAR TREND ↗	

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*		75%	
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✔	✔	✔
Reserve Funds Disbursement Policy	✔	✔	✔
Reserve Funds Replenishment Policy	✔	✔	✔
Reserves Tied to Revenue Volatility	✔	✔	✔
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✔	✔	✔
Provides Debt Tables	✔	✔	✔
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

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 for this figure is Pew Charitable Trusts, 2015.

WASHINGTON Budget Report Card
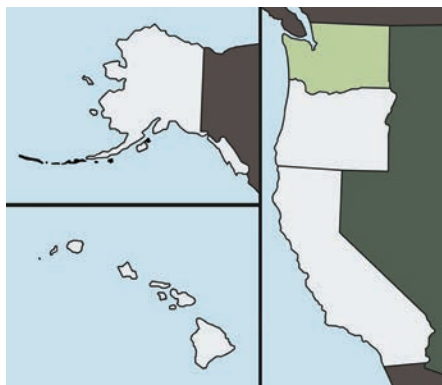
WASHINGTON'S BUDGETARY GRADES are largely at the upper end of the fifty states in the Volcker Alliance's evaluation covering fiscal 2015 through 2017. For example, the state recorded straight A's in both budget forecasting and reserve funds over the three years.

Budget forecasting techniques are a strong suit for Washington, which is one of only nine states to earn a top overall grade in that category. Estimates are built by the state Economic and Revenue Forecast Council, which includes representatives of the legislative and executive branches, as well as the treasurer. Four times a year, the council adopts a bipartisan revenue review, which is then used to construct Washington's operating budget.

The state was similarly strong in its use of reserve funds. It employed best practices in maintaining a positive reserve or general fund balance and in using reserve funds disbursement and replenishment policies.

In contrast, Washington's grade in legacy costs, including pension plans and postretirement public employee health care, dropped to a D-minus in 2016 and 2017 from a C in 2015. Although the state has funded 87 percent of its pension liabilities—15 percentage points above the 2015 average for all states—it fell short in making actuarially required contributions to keep the funding level healthy. The contribution rate used for state pension funds met actuarial recommendations in the 2013–15 fiscal biennium but failed to meet that standard for the following fiscal period, which includes 2016 and 2017. Washington also didn't follow actuarial funding recommendations for other postemployment benefits, principally retiree health care.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alaska	B	B	B	A	A
California	B	A	C	A	A
Hawaii	A	A	D	A	B
Oregon	C	A	A	B	B
Washington	A	B	D	A	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

WASHINGTON Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		**3-YEAR TREND** —	

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	B	C	C
Deferring Recurring Expenditures	✓	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** ↘	

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	C	D	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✗	✗
Public Employee Pension Funded Ratio*		87%	
3-YEAR AVERAGE D		**3-YEAR TREND** ↘	

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		**3-YEAR TREND** —	

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	B	B	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✗
3-YEAR AVERAGE B		**3-YEAR TREND** ↘	

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 for this figure is Pew Charitable Trusts, 2015.

WEST VIRGINIA Budget Report Card
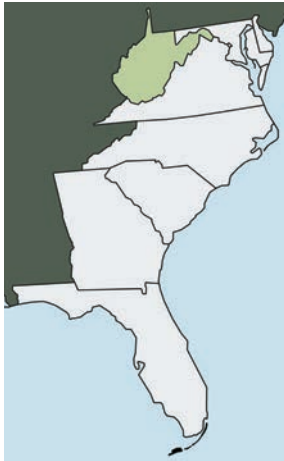
THE VOLCKER ALLIANCE'S BUDGETARY GRADES for West Virginia were relatively consistent across the five categories studied from fiscal 2015 through 2017. The state received three-year averages of B in budget maneuvers, reserve funds, and transparency, and of C in legacy costs and budget forecasting.

In the budget maneuvers category, the state's annual mark fell to C in 2017 from B the year before after West Virginia funded recurring expenditures with debt (as it did in 2015). It also used so-called scoop and toss measures in 2015.

"Scoop and toss" refers to the practice of repaying maturing bonds by selling new long-term debt, which generally extends the time for paying off the obligation. In 2015, West Virginia issued $134 million in refunding bonds to help repay debt maturing that year and to reduce future debt service. Thanks to lower interest rates, the state picked up $26 million in cash—just as individuals do in refinancing homes at lower rates. West Virginia veered from best practice in choosing to use that extra money over a few years rather than over the life of the new bonds.

West Virginia's B for transparency reflects a lack of disclosure of deferred infrastructure replacement costs. Only California and Alaska provide meaningful information in that area.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	C	B	B
Maryland	A	C	D	C	B
North Carolina	C	B	B	C	B
South Carolina	A	A	D	B	C
Virginia	A	D	D-	A	C
West Virginia	C	B	C	B	B
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

WEST VIRGINIA Budget Report Card

BUDGET FORECASTING

	2015	2016	2017
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	X	X	X
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE C		3-YEAR TREND —

BUDGET MANEUVERS

	2015	2016	2017
CATEGORY GRADE	C	B	C
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	✓	X
Using Asset Sales and Up-Front Revenues	✓	✓	✓
	3-YEAR AVERAGE B		3-YEAR TREND —

LEGACY COSTS

	2015	2016	2017
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		77%	
	3-YEAR AVERAGE C		3-YEAR TREND —

RESERVE FUNDS

	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
	3-YEAR AVERAGE B		3-YEAR TREND —

TRANSPARENCY

	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
	3-YEAR AVERAGE B		3-YEAR TREND —

KEY

✓	Followed best practice
X	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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WISCONSIN Budget Report Card

A ROBUST SET OF PRACTICES for estimating current and longer-term revenues and expenditures is essential for helping states plan for contingencies and determine whether current policies risk putting budgets out of balance in future years. That is why the Volcker Alliance included forecasting in the five budgetary categories it evaluated for fiscal 2015 through 2017. Despite receiving high marks in several areas, Wisconsin fell short in forecasting, joining eight other states with an overall grade of D. Only Alabama, Illinois, Kansas, and North Dakota scored lower than Wisconsin and its peers; the three-year average for all states was B.

Wisconsin's shortcomings included an absence of multiyear expenditure and revenue forecasts and of consensus revenue forecasts, a best practice designed to ensure that all major players build a budget based on the same revenue estimate. As happens in several other states, Wisconsin's executive and legislative branches prepare separate revenue estimates, with the governor's biennial budget proposal based solely on the executive branch's forecast, prepared by the Department of Revenue. The Legislative Fiscal Bureau's estimate is used by the Joint Committee on Finance when legislators debate and mark up the governor's budget.

In contrast to its performance in forecasting, Wisconsin received straight A's in legacy costs. The state's pension plan has 98 percent of the assets needed to offset its obligations, 26 percentage points above the average for all states and tied with New York for the second-best funding ratio, behind South Dakota. Wisconsin also made the full contributions recommended by actuaries over the three years for public worker pension and other postemployment benefits, principally health care.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2015–17

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	D-	D	D-	C	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	B	B	C	B	B

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WISCONSIN Budget Report Card

BUDGET FORECASTING	2015	2016	2017
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	X
Midyear Budget Adjustments	X	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND ↗	

BUDGET MANEUVERS	2015	2016	2017
CATEGORY GRADE	C	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	✓	✓
Funding Recurring Expenditures with Debt	X	X	X
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↗	

LEGACY COSTS	2015	2016	2017
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*		98%	
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS	2015	2016	2017
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY	2015	2016	2017
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
X	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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WYOMING Budget Report Card

WYOMING'S MOST MARKED improvement over fiscal 2015 through 2017, the three years covered by the Volcker Alliance evaluation of budgetary practices, was in its handling of reserve funds. Its grade in the area rose to a B in 2017 from D, the second-lowest mark, in 2015 and 2016.

The higher grade was based on a new policy for replenishing the state's rainy day fund. Since 1975, the Permanent Wyoming Mineral Trust Fund has been stocked with dollars from severance taxes on production of coal, natural gas, oil, and other natural resources. Distinct from the Legislative Stabilization Reserve Fund, the state's main rainy day fund, the trust fund could not be accessed for emergencies. Beginning in fiscal 2017, state law requires that a share of the trust's earnings be deposited into the rainy day fund.

Wyoming's worst performance by far was in legacy costs, where it posted straight D-minuses, the lowest possible grade. The marks were based on its failure to fund either its pension plans or postretirement employee health benefits at a level that matched actuaries' recommendations. Although the state did make statutory pension contributions, the amounts were less than those called for by plan actuaries.

Wyoming also missed top grades in transparency, where it garnered a C average. The state did not disclose the cost of tax expenditures, except for limited information on some sales tax exemptions. In addition, like forty-seven other states, Wyoming did not provide information on deferred infrastructure replacement costs.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2015–I7

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	B	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	A	C	D	B
Nevada	C	B	C	B	B
New Mexico	C	B	C	D	D
Utah	C	A	A	A	C
Wyoming	B	A	D-	C	C
US AVERAGE	B	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: What is the Reality?* at https://www.volckeralliance.org/publications/truth-and-integrity-state-budgeting-what-is-the-reality.

WYOMING Budget Report Card

BUDGET FORECASTING			
	2015	2016	2017
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Midyear Budget Adjustments	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS			
	2015	2016	2017
CATEGORY GRADE	A	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↘	

LEGACY COSTS			
	2015	2016	2017
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*		73%	
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2015	2016	2017
CATEGORY GRADE	D	D	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✗	✗	✗
Reserve Funds Replenishment Policy	✗	✗	✓
Reserves Tied to Revenue Volatility	✗	✗	✓
3-YEAR AVERAGE C		3-YEAR TREND ↗	

TRANSPARENCY			
	2015	2016	2017
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

KEY

✓	Followed best practice
✗	Did not follow best practice

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