THE VOLCKER ALLIANCE
Working for Effective Government

Truth and Integrity in State Budgeting

PREVENTING THE NEXT FISCAL CRISIS

FIFTY STATE REPORT CARDS

NEW YORK • 2019

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 2018 Volcker Alliance report, *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* 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 2016 through 2018. 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 WAS ONE OF A TRIO of states receiving an average of D-minus, the lowest possible grade, in budget forecasting for fiscal 2016 through 2018. Along with Missouri and North Dakota, Alabama failed to produce any of the building blocks of a robust forecasting system. These include binding revenue projections based at least on inputs from the governor and legislature; multiyear expenditure and revenue estimates; and a detailed rationale to support revenue growth estimates.

The state also fell short in the category of budget maneuvers. They include one-time solutions for balancing a single year's budget, such as shifting cash between funds and pushing recurring expenditures into the future. Although it received an overall grade of B in the category, Alabama was one of eight states to fund recurring expenses with debt in 2018.

Alabama's use of debt stemmed from a $20.8 billion federal court settlement with BP, Anadarko Petroleum, Transocean Ltd., and Halliburton that provided cleanup funds to five Gulf Coast states following the Deepwater Horizon oil spill in 2010. After securitizing its share of the settlement and collecting $624 million in bond proceeds, Alabama used $120 million for Medicaid expenses—$15 million in 2017 and $105 million in 2018.

Partially offsetting its use of debt in the budget maneuvers category, Alabama avoided deferring recurring expenditures into future years in 2018.

Alabama earned a B average in transparency. Its grade suffered only from the state's failure to disclose deferred infrastructure replacement costs, a weakness shared with forty-five other states.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

THE VOLCKER ALLIANCE

ALABAMA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	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

	2016	2017	2018
CATEGORY GRADE	B	C	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	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

	2016	2017	2018
CATEGORY GRADE	D	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	67%	71%	71%
3-YEAR AVERAGE C		3-YEAR TREND ↗	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↗	

KEY

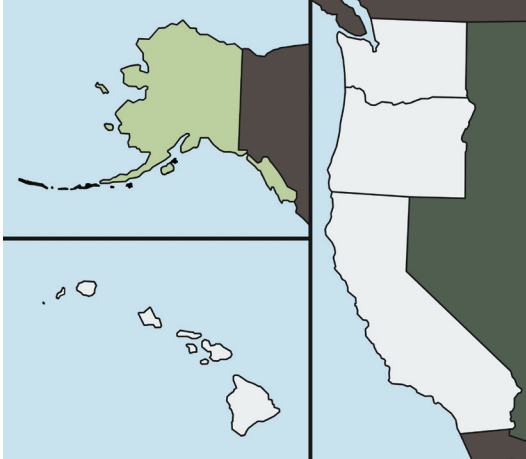|	
✓	Followed best practice
X	Did not follow best practice

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** Bloomberg; 2017 data also used for 2018.

ALASKA Budget Report Card

ALASKA WAS ONE OF ONLY four states—the other three are Hawaii, Tennessee, and California—to disclose the costs of deferred infrastructure replacement in 2018. That disclosure helped Alaska garner an average grade of A in the transparency category for fiscal 2016 through 2018, even as it grappled with a deferred infrastructure replacement backlog of $1.9 billion for 2,200 facilities as of January 2018, according to the state's Legislative Finance Division.

With an economy dependent on fluctuating revenues for oil and natural gas production, Alaska used a variety of one-time actions to balance budgets in the three years examined, leaving it with an average grade of C in budget maneuvers. In fiscal 2018, for example, the state deferred recurring expenditures and shifted a total of $2.5 billion into the general fund from the Statutory Budget Reserve and the Constitutional Budget Reserve funds.

In contrast to its mark for budget maneuvers, Alaska was one of seventeen states receiving an average grade of A in the reserve fund category for the three years studied. The Constitutional Budget Reserve Fund is governed by clear rules concerning disbursements and replenishments. Alaska was also among the nineteen states that tied goals for reserve funds to historical revenue volatility in 2018.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

ALASKA Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓑ	Ⓑ	Ⓑ
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE Ⓑ		**3-YEAR TREND —**	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓑ	Ⓑ	Ⓑ
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	63%	67%	67%
3-YEAR AVERAGE Ⓑ		**3-YEAR TREND —**	

RESERVE FUNDS			
	2016	**2017**	**2018**
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 —**	

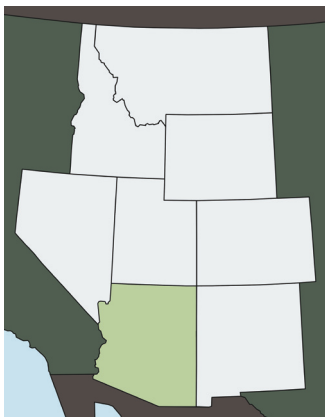| TRANSPARENCY			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓐ	Ⓐ	Ⓐ
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✓	✓	✓
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE Ⓐ		**3-YEAR TREND —**	

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 Bloomberg; 2017 data also used for 2018.

ARIZONA Budget Report Card

ALTHOUGH IT RECEIVED an average mark of D for its handling of legacy costs for fiscal 2016 through 2018, Arizona was not an outlier. Twenty-two states were graded D or worse for their funding of public employee pensions and other postemployment benefits (OPEB), principally health care. Like many others, Arizona did not make the full actuarially determined contributions for OPEB in 2016, 2017, or 2018. It also had a pension funding ratio of 63 percent as of 2017, over five percentage points below the total for all states.

The state posted a three-year average of B in budget forecasting. While Arizona got credit for making multiyear revenue and expenditure forecasts, as well as for providing a rationale for revenue projections, its estimates were not always on the nose. In 2017, the final year of a multiyear corporate tax reform plan, receipts were about a third less than what had been estimated and budgeted.

Arizona earned a B average in transparency. Its online disclosure of data was particularly strong, though it lacked data on deferred infrastructure replacement costs. The state makes it easy for online users to find past budgets, supplemental information, and budget briefs, which present summarized revenue and expenditure information, along with charts.

The consolidated website for budget information helps users track monthly spending, provides links to five-year strategic plans, and describes the impact of court cases on the state budget. It also contains revenue projection updates, such as a budget director's memo from April 2018 noting that fiscal 2018 revenues beat estimates by $262 million.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

ARIZONA Budget Report Card

BUDGET FORECASTING	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	X	X	X
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS	2016	2017	2018
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	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	68%	63%	63%
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS	2016	2017	2018
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	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

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ARKANSAS Budget Report Card
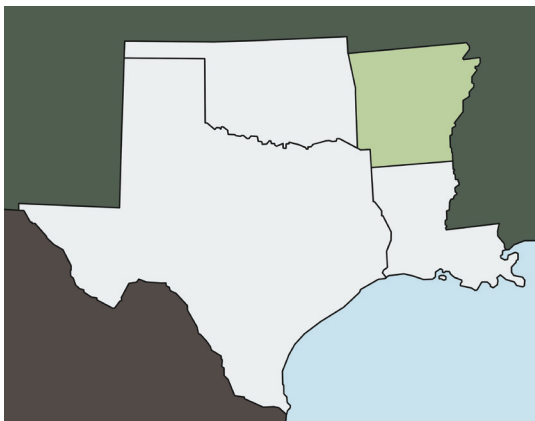
ARKANSAS WAS THE ONLY state to receive a D average, the second-lowest possible mark, in transparency for fiscal 2016 through 2018 (no state received a D-minus). Its shortcomings are numerous: The state lacks a consolidated website containing budget and other financial information essential in developing and analyzing its biennial spending plan. Arkansas also does not publish a capital budget, although some information about capital expenditures can be obtained from individual appropriations bills or the state's transparency website. And like most states, Arkansas fails to disseminate information on deferred infrastructure maintenance liabilities.

The state also fared poorly in budget forecasting, with an average grade of D—the same as eight other states. Arkansas lacks consensus revenue forecasts, as well as multiyear expenditure and revenue estimates. The only forecasting area in which the state does well is in providing justification for short-term revenue growth projections.

Despite its weaknesses in forecasting expenditures and revenues, Arkansas was among sixteen states to achieve a top A average in the budget maneuvers category by regularly matching annual recurring expenditures and revenues.

Arkansas had a three-year average of C in reserve funds. The state has policies for disbursements from the rainy day fund but no policy for replenishing it. Decisions about depositing into the fund are left to the legislature, with no rules or statutory guidance.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

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ARKANSAS Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
CATEGORY GRADE	A	B	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

	2016	2017	2018
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	77%	76%	76%
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

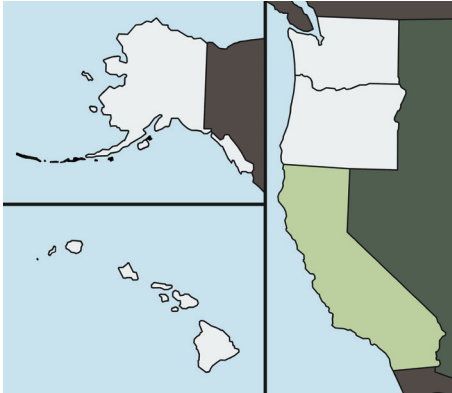|	2016	2017	2018
CATEGORY GRADE	D	D	D
Consolidated Budget Website	✗	✗	✗
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE D		3-YEAR TREND —	

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 Bloomberg; 2017 data also used for 2018.

CALIFORNIA Budget Report Card

CALIFORNIA HAD TO PAY BILLS with IOUs when it was unable to pass a budget after the end of the Great Recession in 2009. It eventually balanced the budget, repaid the IOUs, and went on to earn an average grade of A for fiscal 2016 through 2018 for policies and practices that have fortified its reserve funds and left the state with cash to weather the next economic downturn.

The A mark shows how America's most populous state has not only benefited from a near-record US recovery but also learned how to use its rainy day fund and other fiscal reserves to help offset its volatile revenue streams. These result from extremely progressive income tax rates, a concentration of high-income taxpayers, and strict educational spending mandates that limit overall spending flexibility.

Helping the Golden State manage the effects of revenue volatility was a 2014 ballot measure requiring that a portion of capital gains tax revenue be deposited into the rainy day fund when income from the levy exceeds 8 percent of general revenue. This helps California amass cash when financial markets are strong and keeps it from spending capital gains revenue that may be reduced if the economy weakens.

California is not without shortcomings. In 2018 the state got a D-minus in legacy costs, the lowest grade possible, down from a D in 2017 and a C in 2016. (California received a D average in the category for the three years studied.) The category covers funding of public employee pensions and other post-employment benefits, principally health care. The most recent grade drop followed the state's failure to set aside actuarially determined contributions for the teacher pension plan in 2018. A California law pertaining to that pension system does not allow contribution increases of more than 0.5 percent of payroll in any year and prevented the state from meeting recommended funding in 2018.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

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CALIFORNIA Budget Report Card

BUDGET FORECASTING			
	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	X	X	X
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS			
	2016	2017	2018
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			
	2016	2017	2018
CATEGORY GRADE	C	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	X
Public Employee Pension Funded Ratio*	70%	67%	67%
3-YEAR AVERAGE D		3-YEAR TREND ↘	

RESERVE FUNDS			
	2016	2017	2018
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			
	2016	2017	2018
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 Bloomberg; 2017 data also used for 2018.

COLORADO Budget Report Card

COLORADO RECEIVED a D average—the second-lowest mark possible—in legacy costs for fiscal 2016 through 2018. This was largely because it had set aside only 47.1 percent of the assets needed to meet public employee pension obligations while failing to make actuarially recommended contributions to the retirement system. The state's pension funded ratio was the fifth worst in the US and about 21 percentage points below the total for all states as of 2017. Colorado was saved from getting an even lower grade in legacy costs by making its actuarially recommended contributions for other postemployment benefit costs—principally health care—the other component in the category.

Colorado received an average of B in reserve funds, a notable achievement in that, unlike many other states, it lacks a designated rainy day fund. Even so, the state has policies for the use and replenishment of its general fund balance, which indicates that it possesses a budgeting tool strongly resembling a traditional rainy day fund for emergencies.

In budget maneuvers, Colorado scored a three-year average of C but showed an improving trend: It registered a B for fiscal 2018 because it ceased deferring recurring expenditures. Specifically, it stopped shifting payroll costs for the state university system to the first day of the next fiscal year. Absorbing the full 2018 payroll in the same year created a budget that better reflected the state's actual financial condition.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

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COLORADO Budget Report Card

BUDGET FORECASTING			
	2016	2017	2018
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	X	X	X
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS			
	2016	2017	2018
CATEGORY GRADE	C	C	B
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 C		3-YEAR TREND ↗	

LEGACY COSTS			
	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	46%	47%	47%
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2016	2017	2018
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			
	2016	2017	2018
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 Bloomberg; 2017 data also used for 2018.

CONNECTICUT Budget Report Card

OVER DECADES, CONNECTICUT has dug itself into a pension hole that left it with a D average in legacy costs for fiscal 2016 through 2018, the second-lowest mark possible, even though the state contributed close to 100 percent of the actuarially recommended amount to the public employee retirement system.

Because of chronic underfunding in past years, Connecticut's pension funding level was only 43.8 percent as of 2017, almost 25 percentage points lower than the total for US states. Only Illinois, Kentucky, and New Jersey had lower levels. A lack of actuarially determined annual funding for other postemployment benefits, principally health care, also contributed to Connecticut's poor showing in legacy costs.

Digging out will be particularly difficult for Connecticut: Its total revenues dropped slightly in fiscal 2018 (while most other states' revenues were on the upswing). As a result, the state has relied on one-time budget maneuvers, which earned it a D in the category for 2018 and a C average for the three years examined. Connecticut also relied on one-time revenues from a tax amnesty program to balance its 2018 budget.

Connecticut's best performance was in budget forecasting, in which it received straight As. The state relies on consensus revenue forecasting—a best practice identified by the Volcker Alliance. It produces multiyear expenditure and revenue forecasts and also provides evidence to support revenue estimates.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

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CONNECTICUT Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓐ	Ⓐ	Ⓐ
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE Ⓐ		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓓ	Ⓓ	Ⓓ
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	44%	44%	44%
3-YEAR AVERAGE Ⓓ		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
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** Bloomberg; 2017 data also used for 2018.

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DELAWARE Budget Report Card

DELAWARE RECEIVED AN AVERAGE grade of B in budget forecasting for fiscal 2016 through 2018. It missed out on a top mark of A largely because it does not disclose multiyear expenditure forecasts. This lack of long-term visibility into spending trends can present a planning challenge if the legislature or governor intend to expand services in coming years.

Delaware earned an A average for its lack of budget maneuvers over the three years. The absence of two of the most common maneuvers—deferring recurring expenditures and temporarily shifting revenues to the general fund from special funds—helped Delaware enter this relatively elite club.

The state's lowest grade, a C average in legacy costs, is largely attributable to its failure to fund postemployment benefits for public workers, mainly health care, at the level recommended by the state's actuaries.

Delaware got three-year average grades of B in both reserve funds and transparency. The marks reflect common shortcomings of states: a failure to tie fiscal reserves to revenue volatility and a lack of disclosure of deferred infrastructure maintenance costs, respectively.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

DELAWARE Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	81%	83%	83%
	3-YEAR AVERAGE C	3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

FLORIDA Budget Report Card

FLORIDA, THE THIRD-MOST POPULOUS STATE, stands out for exemplary budget forecasting procedures. The Sunshine State was one of only ten states to win a top average grade of A in forecasting for fiscal 2016 through 2018. Florida has a consensus revenue estimating process that includes representatives of the governor, both legislative chambers, and the Legislative Office of Economic and Demographic Research. To produce estimates, economists consider a variety of taxes and other revenue sources, such as the corporate income levy; lottery, slot machine, and transportation revenues; and communications services taxes.

In addition, a 2006 constitutional amendment requires the Joint Legislative Budget Commission to produce long-range financial projections, including critical needs, risks to forecast accuracy, and key budget drivers. The 2018 estimate covered fiscal 2019 through 2022.

The state's average B grade in budget maneuvers reflects its shifting of money from special funds into the general fund. According to the nonpartisan research group Florida TaxWatch, about $320 million originally intended for other purposes was shifted to the general fund in fiscal 2018. Of that sum, the research group identified $224 million from affordable housing trust funds.

Florida received a C average in legacy costs, largely because of a shortfall in funding of other postemployment benefits for public employees, mostly health care.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

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FLORIDA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	79%	79%	79%
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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 Bloomberg; 2017 data also used for 2018.

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GEORGIA Budget Report Card

GEORGIA WAS ONE OF ONLY ten states to garner a top grade of A for the handling of legacy costs in both fiscal 2017 and 2018. The increase from its C in 2016 gave the state an average of B for the three years.

The state's overhaul of funding practices for other postemployment benefits (OPEB) for public workers, notably health care, drove the improvement. Georgia's 2015 evaluation showed minimal assets for school or other state OPEB funds, leaving it with an unfunded liability of nearly $14 billion. The state began to prefund OPEB in fiscal 2016, and its contributions matched actuarially determined amounts in fiscal 2017. While this indicates progress, Georgia has not instituted statutory policies committing it to continue contributing at levels that will lead to a fully funded OPEB trust in the long term.

In pensions, Georgia made its actuarially determined contribution and set aside 79.2 percent of the assets needed to meet promised benefits as of 2017, almost 11 percentage points above the US average. Georgia also stood out for its avoidance of budget maneuvers to balance its budget in 2016, 2017, and 2018, earning an A average in that category. The state did not defer recurring expenditures, shift revenues into the general fund from special funds, fund recurring expenditures with debt, or use asset sales in any of those three years.

By contrast, Georgia's three-year average of C in budget forecasting reflects its reluctance to use consensus revenue forecasting. Instead, the governor appoints a state economist to help prepare revenue estimates. Although consensus forecasting does not necessarily produce more accurate forecasts, it provides a more transparent and collaborative process.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

GEORGIA Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✗	✗	✗
3-YEAR AVERAGE C		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	C	A	A
Public Employee OPEB Funding	✗	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	76%	79%	79%
3-YEAR AVERAGE B		**3-YEAR TREND** ↗	

RESERVE FUNDS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
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 Bloomberg; 2017 data also used for 2018.

HAWAII Budget Report Card

HAWAII WAS AMONG SIX STATES receiving an average grade of D-minus, the lowest mark possible, in legacy costs for fiscal 2016 through 2018. Like Illinois, Massachusetts, New Jersey, Texas, Washington, and Wyoming, Hawaii failed to make contributions to public worker pension plans and other postemployment benefits, principally health care, in line with actuarial recommendations. Hawaii's chronic pension underfunding left it with only 54.8 percent of the assets needed to meet the its obligations as of 2017, almost 14 percentage points less than the total for US states.

The state's performance in legacy costs contrasts with its steady improvement in the transparency category. While its three-year average was a B, its annual grade rose to an A in 2018 from a C two years before. The catalyst for the jump was Hawaii's introduction of a revised system for reporting tax expenditures and initiation of reports on the cost of deferred infrastructure replacement. Those moves made Hawaii one of only four states to disclose this statistic in budget or related documents in 2018.

Hawaii also received A averages in budget forecasting and reserve funds. It uses consensus revenue forecasting based on calculations from its Council on Revenues, whose members are appointed by the governor, senate, and house.

The state's management of reserve funds includes policies for disbursing and replenishing rainy day fund assets. In 2017, Hawaii established a volatility-based withdrawal limit for its Emergency and Budget Reserve Fund. The state cannot make a withdrawal for the next fiscal year unless it has collected, or is projected to collect, less tax revenue in the current year than in the previous one.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

HAWAII Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
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 B		3-YEAR TREND ↘	

LEGACY COSTS

	2016	2017	2018
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	51%	55%	55%
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	B	A
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** Bloomberg; 2017 data also used for 2018.

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IDAHO Budget Report Card

IDAHO WAS ONE OF ONLY four states to earn an A average in three of the five budgetary categories evaluated for fiscal 2016 through 2018 (no state received more than three top marks). California, Tennessee, and Utah also achieved that honor.

Long known for conservative budgeting, Idaho was given As in budget maneuvers, legacy costs, and reserve funds. It missed an A in transparency—scoring a B—because it does not disclose the cost of deferred infrastructure replacement.

The state's biggest weakness was in budget forecasting, where it got a D, the second-lowest grade possible. Idaho does not use consensus revenue forecasts, the practice in twenty-seven other states as of 2018. Instead, the Division of Financial Management—part of the governor's office—submits budget data collected from state agencies to the chief executive and legislature. They each examine the data, and their separate analyses are used to form the governor's budget recommendations and the *Legislative Budget Book*.

Idaho also failed to provide long-term forecasts for expenditures and revenues; the legislative and executive branches forecast only for the current and following year. What rescued Idaho from a D-minus in the budget forecasting category was its publication of reasonable, detailed rationales to support revenue growth projections at the time of its initial budget in its yearly *General Fund Revenue Book*. Idaho also publishes a monthly report showing revenue estimates versus actual collections and summarizes why the latter may have exceeded or trailed estimates.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

IDAHO Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	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

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	88%	91%	91%
3-YEAR AVERAGE A		3-YEAR TREND ↗	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

ILLINOIS Budget Report Card

ILLINOIS HAS BECOME synonymous with "broken budget process" and failed even to pass a budget in 2016 and 2017. Though budgets were enacted for fiscal 2018 and 2019, the state has not weaned itself from one-time actions to achieve fiscal balance.

In budget maneuvers, the state received a D average for 2016 through 2018, with a D-minus, the lowest mark possible, for 2018. The drop reflected the assumption that $300 million would be contributed to revenues from the sale of the Thompson Center, a Chicago complex housing state offices, stores, and restaurants. The planned sale was shelved after budget enactment, leaving the state with a hole and showing the risk of counting on one-time revenues that may not be repeated or even realized. Illinois was also one of only eight states to fund recurring expenditures with debt in 2018.

Illinois received a three-year average of D-minus in legacy costs. It was one of only seven states that failed to make contributions in line with actuarial recommendations for public worker pensions and other postemployment benefits, principally health care, in all three years studied. As of 2017, Illinois had set aside only 38.4 percent of the assets needed to meet its pension obligations, the third-worst funding level, behind Kentucky and New Jersey.

Forty-five states reported a positive balance in rainy day or other reserve funds in fiscal 2018, while Illinois was one of five with barely any rainy day assets—a driver of its D average in that category. In fiscal 2017, its rainy day fund would have covered the state's needs for two hours, according to Comptroller Susana Mendoza.

Illinois also scored a D average in budget forecasting, despite some improvements that lifted its annual grade to a B in 2018. While the governor's Office of Management and Budget increased its forecast period to five years from three in fiscal 2017, the state failed to receive credit in our evaluation for producing long-term estimates in the years it failed to pass a budget (2016 and 2017).

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

ILLINOIS Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	B
Consensus Revenue Forecasts	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			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	36%	38%	38%
3-YEAR AVERAGE D-		3-YEAR TREND —	

RESERVE FUNDS			
	2016	**2017**	**2018**
CATEGORY GRADE	C	D	D
Positive Reserve or General Fund Balance	✓	X	X
Reserve Funds Disbursement Policy	X	X	X
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND ↘	

TRANSPARENCY			
	2016	**2017**	**2018**
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** Bloomberg; 2017 data also used for 2018.

INDIANA Budget Report Card

INDIANA NOTCHED A averages in budget maneuvers and reserve funds for fiscal 2016 through 2018.

The state's A in budget maneuvers resulted from its ceasing the use of debt in 2018 to fund recurring expenditures, a strategy it employed the year before. The A for reserve funds reflected Indiana's policies for withdrawals and replenishments of cash as well as consideration of revenue volatility. The state's transparency grade rose to a B in 2018 from C in 2017, thanks to significant improvements in the disclosure of tax expenditure information. Two 2015 laws require consistent and detailed reporting on tax expenditures from the state budget office and the Legislative Services Agency, which provides fiscal and management analysis for lawmakers. Although the initial set of required reports was published in late 2016, the first year the reports could be used in budget preparation was fiscal 2018.

Indiana received a three-year average grade of B in legacy costs. Although it funded pensions at the level recommended by actuaries, the state set aside only 65 percent of the assets needed to meet obligations to retired workers as of 2017—versus 78.5 percent in neighboring Ohio. Indiana came close to meeting its actuarially recommended funding level for other postemployment benefits. With retiree health care benefits that are significantly more modest than those in many other states, Indiana does not face fiscally draining long-term costs in this area.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

INDIANA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
CATEGORY GRADE	A	B	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

	2016	2017	2018
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	63%	65%	65%
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

|	2016	2017	2018
CATEGORY GRADE	C	C	B
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** Bloomberg; 2017 data also used for 2018.

IOWA Budget Report Card
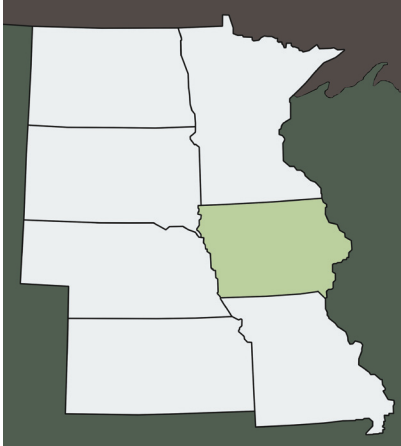
IOWA'S AVERAGE A GRADE for budget maneuvers in fiscal 2016 through 2018 reflected the state's general disdain for using one-time revenue measures to cover recurring expenditures and achieve balance. Iowa faltered in 2017, when a revenue shortfall led it to transfer $25.1 million into the general fund from other funds—resulting in a B in the category for the year. The state did not repeat the move in 2018, however, and again earned an annual mark of A.

In contrast, Iowa scored a C average in the transparency category. The state failed to disclose deferred infrastructure replacement costs—along with forty-five other states in 2017 and 2018—and fell short in tax expenditure disclosures. Although Iowa passed legislation in 2012 to increase the frequency of tax expenditure reports to every year from every five years, it has not produced one recently. It did provide information on the top twenty sales and use tax expenditures for fiscal 2017, however.

Iowa was one of only eight states to receive an A average in legacy costs, partly because it provides only minimal public worker postemployment benefits, such as health care.

The state, which has solid policies for maintaining and disbursing reserve funds, received a B average in that category. It missed getting an A because it does not tie the level of its rainy day fund to historical revenue volatility, a common shortcoming among states.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

IOWA Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✗	✗	✗
3-YEAR AVERAGE C		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
CATEGORY GRADE	A	B	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			
	2016	**2017**	**2018**
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	82%	82%	82%
3-YEAR AVERAGE A		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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** —	

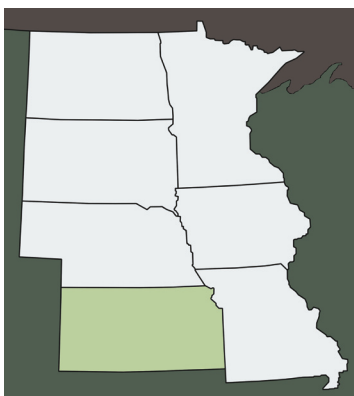| TRANSPARENCY			
	2016	**2017**	**2018**
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE C		**3-YEAR TREND** —	

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 Bloomberg; 2017 data also used for 2018.

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KANSAS Budget Report Card

KANSAS RECEIVED SOME of the lowest average grades of any state for fiscal 2016 through 2018, with four Ds and one B.

While it uses the consensus method of budget forecasting, the state nonetheless posted a D average in the category—the second-lowest mark possible. Kansas shuns multiyear expenditure and revenue forecasts and fails to provide clear justifications for shorter-term revenue estimates.

The state's policies also earned it a D in the reserve funds. A budget stabilization fund created by legislation in 2016 was initially scheduled to be implemented in July 2017, but a law enacted that year pushed the first scheduled deposit into the fund to fiscal 2020.

Kansas's use of budget maneuvers left it with a D average in that category as well, although it showed a small improvement in 2018 as it stopped deferring recurring expenditures. The move helped earn the state a C that year.

It also received a D average in legacy costs, largely because for many years it put less money into its pension funds than the state's actuaries have determined is necessary. In fiscal 2016, Kansas deferred $97.4 million in contributions to its primary retirement system. While the state had planned to make the delayed contribution, plus interest, in fiscal 2018, the amount was not paid until March 2019 after the governor signed an appropriation bill into law.

The state's average B for transparency reflected its failure to disclose deferred infrastructure replacement costs.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

KANSAS Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✗	✗	✗
3-YEAR AVERAGE D		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	65%	67%	67%
3-YEAR AVERAGE D		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✗	✗	✗
Reserve Funds Replenishment Policy	✗	✗	✗
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE D		**3-YEAR TREND** —	

TRANSPARENCY			
	2016	**2017**	**2018**
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 Bloomberg; 2017 data also used for 2018.

KENTUCKY Budget Report Card

DESPITE HAVING the worst-funded state public employee pension system, with only 33.9 percent of assets needed to fulfill promised benefits as of 2017, Kentucky managed to earn a C average in legacy costs for fiscal 2016 through 2018.

The grade reflects a 2013 law requiring Kentucky to pay—after years of shortfalls—the amount recommended by actuaries into the five plans that make up the Kentucky Retirement Systems. The Teachers' Retirement System of the State of Kentucky, a separate fund, was not covered by the law, however, and Kentucky continued to miss its full annual contribution for that plan in 2016. The state made a turnaround in 2017 and 2018, coming close to the full annual contribution for teachers while exceeding the recommended amount for its other major plans.

Still, future annual contributions will need to be even greater if Kentucky is to achieve full funding within the thirty-year amortization period of its pension gap. There is no guarantee that this goal will be reached. Just making the full contribution in the last biennium required special fund transfers and multiple cuts to state services and higher education.

Kentucky also received a C average in the reserve fund category because it lacks policies for the disbursement of cash it has set aside. The rainy day fund can be tapped via the legislative appropriations process, but the state lacks rules governing how or when lawmakers can access reserves.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

KENTUCKY Budget Report Card

BUDGET FORECASTING	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS	2016	2017	2018
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	2016	2017	2018
CATEGORY GRADE	D	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✓	✓
Public Employee Pension Funded Ratio*	31%	34%	34%
3-YEAR AVERAGE C		3-YEAR TREND ↗	

RESERVE FUNDS	2016	2017	2018
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 —	

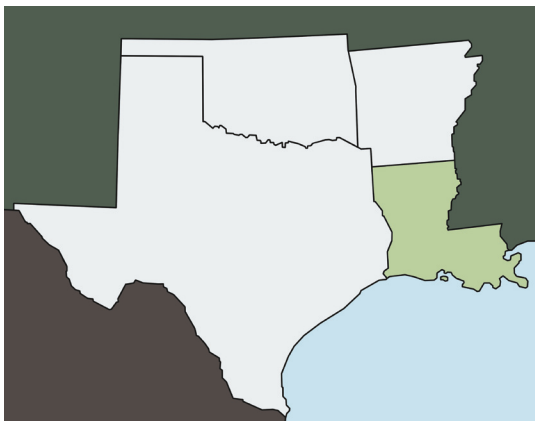| TRANSPARENCY	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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** Bloomberg; 2017 data also used for 2018.

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LOUISIANA Budget Report Card

ALTHOUGH IT FINISHED fiscal 2017 with a budget surplus, Louisiana dealt with a revenue shortfall during the year by moving money to its general fund from the rainy day fund and other special funds to pay for ongoing expenditures. The move was one of many budget maneuvers during fiscal 2016 through 2018 that left the state with a D average, the second-lowest grade possible, in the category.

Louisiana also used cash generated from a bond refinancing to cover operating costs in fiscal 2017, although less than it did in 2016. Further, $61 million in planned Medicaid spending deferred in 2016 was deferred again, to fiscal 2019.

The state did poorly in legacy costs, as well, posting a D average for the three years studied. It had a pension funded ratio of 65.6 percent as of 2017, about three percentage points below the US total. It also fell short in funding other postemployment benefits (OPEB), primarily health care. In 2017, for instance, it funded less than a third of the actuarially determined contribution for OPEB.

In contrast to budget maneuvers and legacy costs, Louisiana's reserve fund practices earned it an A average in that category. The state has clear policies governing the disbursement and replenishment of reserve fund dollars. For example, reserves cannot be tapped unless the official revenue forecast for the current year is less than the previous year's revenues or if a deficit is projected because of a decrease in the official forecast. In addition, a two-thirds vote of the legislature is required to use the fund.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

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LOUISIANA Budget Report Card

BUDGET FORECASTING	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS	2016	2017	2018
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	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	60%	66%	66%
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS	2016	2017	2018
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	2016	2017	2018
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 Bloomberg; 2017 data also used for 2018.

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MAINE Budget Report Card
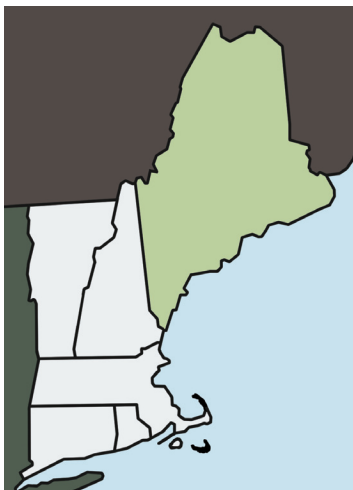
MAINE, THE POOREST OF the New England states based on median household income, was the only state to achieve a B average for fiscal 2016 through 2018 in all five budgetary categories: budget forecasting, budget maneuvers, legacy costs, reserve funds, and transparency.

In reserve funds and transparency, Maine has the same opportunities for improvement that most states have. Though the state has solid policies for disbursing and using money in its Budget Stabilization Fund, it has not linked reserve fund policies to revenue volatility—a practice employed by nineteen states in 2018. The transparency of the state's finances would benefit from disclosing the costs of deferred infrastructure replacement, a practice that only Alaska, California, Hawaii, and Tennessee followed in 2017 and 2018.

Maine would have scored better in budget maneuvers if it had fully funded its general purpose aid for local schools. But it shortchanged the schools and required local districts to cover some of the costs that ostensibly belonged to the state.

Maine could improve its budget forecasting by disclosing expenditure projections over three years or more. While the state has four-year revenue estimates, the governor's budget gives spending projections for just two years.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

MAINE Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	A	A
Public Employee OPEB Funding	✗	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	77%	82%	82%
3-YEAR AVERAGE B		3-YEAR TREND ↗	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

MARYLAND Budget Report Card

MARYLAND ENJOYS TRIPLE-A general obligation bond ratings from Moody's Investors Service, Standard & Poor's, and Fitch Ratings. While the scores reflect the state's perceived risk of default, they don't fully account for fiscal trouble spots if revenues should flag.

For instance, take Maryland's average grade of D, the second-lowest mark possible, for its handling of legacy costs for fiscal 2016 through 2018. The mark resulted largely from the underfunding of other pos-temployment benefits (OPEB) for public workers, mainly health care. Maryland has two OPEB plans, the State Employee and Retiree Health and Welfare Benefits Program and the Maryland Transit Administration Retiree Healthcare Benefit. In fiscal 2013 through 2017, the state contributed an average of 71 percent of the annual contribution recommended by actuaries to the former and an average of 21 percent to the latter. In addition, as of 2017, Maryland set aside only 68.6 percent of assets needed to meet public worker pension obligations, the same funding level as the total for US states.

The state's C average in reserve funds reflects a paucity of policies governing rainy day funds. As long as 5 percent of estimated general revenues remain in the fund, the governor can appropriate money from it, although the General Assembly can reduce any withdrawals by cutting the budget.

Maryland's strongest performance was in budget forecasting, where it received an A average. The state uses consensus revenue forecasts and develops multiyear estimates for expenditures and revenues—potent tools for helping it prepare for events affecting money it collects or spends.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

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MARYLAND Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✔	✔	✔
Multiyear Expenditure Forecasts	✔	✔	✔
Multiyear Revenue Forecasts	✔	✔	✔
Revenue Growth Projections	✔	✔	✔
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
CATEGORY GRADE	C	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

	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✘	✘	✘
Public Employee Pension Funding	✔	✔	✔
Public Employee Pension Funded Ratio*	65%	69%	69%
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

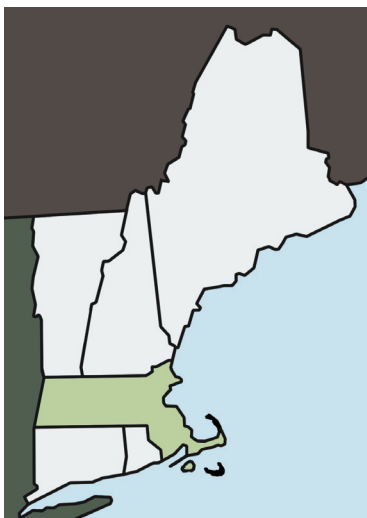|	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✔	✔	✔
Provides Debt Tables	✔	✔	✔
Discloses Deferred Infrastructure Replacement Costs	✘	✘	✘
Discloses Tax Expenditures	✔	✔	✔
3-YEAR AVERAGE B		3-YEAR TREND —	

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** Bloomberg; 2017 data also used for 2018.

MASSACHUSETTS Budget Report Card

MASSACHUSETTS EARNED an average grade of D in budget maneuvers for fiscal 2016 through 2018, the second-lowest mark possible. It has relied heavily on one-time actions to close a long-term gap between revenues and expenditures after passing tax cuts in 2000 without either sufficiently reducing spending or growing its economy to cover shortfalls. As a result, Massachusetts has chronically deferred recurring expenditures to future years.

The state relies by statute on consensus revenue estimates, yet it received only a C average in budget forecasting. Its budgetary revenue and expenditure projections do not extend beyond the current fiscal year, thus providing leaders with incomplete information about potential budget stresses.

Massachusetts was one of just six states to receive the lowest possible average of D-minus in legacy costs. It failed to make the full contribution recommended by actuaries for public employee pension funds and other postemployment benefits, principally health care, in all three years studied. Its pension funded ratio in 2017 was 59.9 percent, about nine percentage points below the US total.

The state's lone A average was in the reserve funds category: Massachusetts's rainy day fund contributions are tied to revenue volatility, and the state has clear policies for replenishing and disbursing money it has set aside.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

MASSACHUSETTS Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓

3-YEAR AVERAGE C **3-YEAR TREND** —

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	58%	60%	60%

3-YEAR AVERAGE D **3-YEAR TREND** —

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

MICHIGAN Budget Report Card

MICHIGAN'S B AVERAGE in budget maneuvers for 2016 through 2018 shows the progress the state has made over a number of years in reducing its reliance on one-time actions to cover fiscal imbalance during and immediately after the Great Recession. The state scored an A in 2018 after getting Bs the previous two years.

In 2018, Michigan did not defer expenditures, accelerate revenues, fund recurring expenditures with debt or use other mechanisms, such as asset sales, to bolster spending. However, it extended a debt maturity in 2016 through a bond refinancing and used $10 million of one-time money for ongoing costs in 2017.

The lowest average grade Michigan received was a C in legacy costs. In 2017 and 2018, the state came close to making its actuarially determined contributions for pensions and other postemployment benefits, largely health care. This raised its annual grade to a B in both of those years from a D in 2016, when annual contributions for pensions fell short. Because of previous underfunding, Michigan still had a low pension funded ratio of 65.1 percent as of 2017, more than three percentage points below the US total.

The state earned a B average in the budget forecast category. Its only shortcoming was the lack of multiyear expenditure forecasts in each of the three years studied.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

MICHIGAN Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	A
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			
	2016	**2017**	**2018**
CATEGORY GRADE	D	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✓	✓
Public Employee Pension Funded Ratio*	64%	65%	65%
3-YEAR AVERAGE C		**3-YEAR TREND** ↗	

RESERVE FUNDS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
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** Bloomberg; 2017 data also used for 2018.

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MINNESOTA Budget Report Card
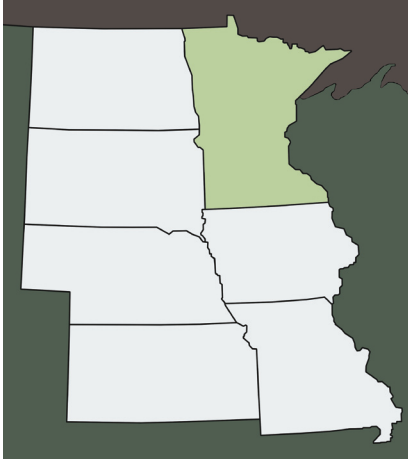
MINNESOTA RECEIVED AN A average in reserve funds for fiscal 2016 through 2018. The state not only ties its reserves to revenue volatility but also has well-established policies for disbursing and replenishing rainy day assets. In fact, its statute governing rainy day fund disbursements is more detailed and farsighted than that of many other states. Use of the reserve "should be governed by principles based on the full economic cycle rather than the budget cycle," according to Minnesota law. "The budget reserve may be used when a negative budgetary balance is projected and when objective measures, such as reduced growth in total wages, retail sales, or employment, reflect downturns in the state's economy."

Minnesota also earned an A average in budget maneuvers by avoiding one-time actions to achieve budgetary balance. The top marks contrast with its D average in legacy costs. The state did not fully fund public worker pensions in accordance with actuarial recommendations, and the governor vetoed a 2017 measure increasing pension contributions and lowering cost-of-living raises for retirees. (Similar legislation was signed into law in May 2018, after the research cutoff for this report card. The act should put the pension system on a more sustainable path.) In 2017, Minnesota's pension funded ratio was 63.3 percent, five percentage points below the US state total.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

MINNESOTA Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓑ	Ⓑ	Ⓑ
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE Ⓑ		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓓ	Ⓓ	Ⓓ
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	53%	63%	63%
3-YEAR AVERAGE Ⓓ		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
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** Bloomberg; 2017 data also used for 2018.

MISSISSIPPI Budget Report Card

THOUGH IT IS ONE of the poorest states in the US, Mississippi achieved fairly high marks for its budgetary practices for fiscal 2016 through 2018.

The state earned a B average in budget maneuvers, with an A score in the category for 2018. The improved mark came after Mississippi stopped relying on rainy day fund withdrawals to balance the budget. Mississippi also averaged a B in legacy costs. While it funded its public employee pension plans in line with actuaries' recommendations, the retirement system's funded ratio was just 61.1 percent in 2017—lower than all but ten other states and 7 percentage points lower than the national total.

Mississippi also scored a B average in transparency; its only shortcoming was a lack of disclosure of deferred infrastructure replacement costs. All but four states—Alaska, California, Hawaii, and Tennessee—failed to provide this figure.

Mississippi's lowest average mark was a C in budget forecasting, primarily because it did not disclose multiyear expenditure or revenue forecasts. It did use consensus revenue estimates, however, developed by a committee composed of the state's fiscal officer, economist, treasurer, and tax commission chair, and the director of the Legislative Budget Office.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

MISSISSIPPI Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	A
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			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	60%	61%	61%
3-YEAR AVERAGE B		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
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** Bloomberg; 2017 data also used for 2018.

MISSOURI Budget Report Card
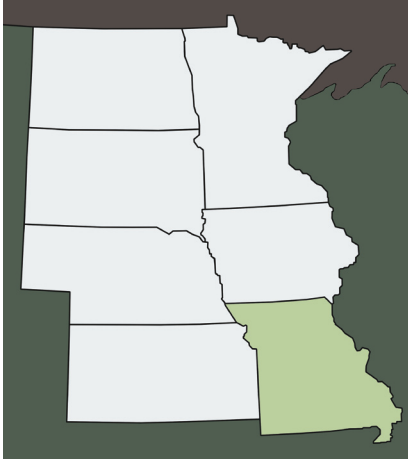
MISSOURI WAS ONE OF THREE states in fiscal 2016 through 2018 to receive a D-minus average in budget forecasting—the lowest grade possible (Alabama and North Dakota rounded out the list). Missouri's shortcomings in the category included failing to make multiyear projections for revenues or expenditures and not using consensus revenue estimates.

During the budget process for fiscal 2018, staff from the house, senate, University of Missouri, and the governor's Division of Budget and Planning developed a revenue growth estimate for the year of 3.8 percent. Neither the governor nor the legislature accepted the figure, however, and the governor's budget recommendation was based on estimates from executive branch staff.

Despite the absence of multiyear forecasting, Missouri consistently avoided using one-time actions to achieve balance and earned an A average in budget maneuvers as a result. But it averaged only a C in transparency, as it did not disclose tax expenditures or the cost of deferred infrastructure replacement. The last estimate of tax expenditures was in 2009, when a report on the topic was produced by the University of Missouri Economic and Policy Analysis Research Center.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

MISSOURI Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	✓	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

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	77%	78%	78%
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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

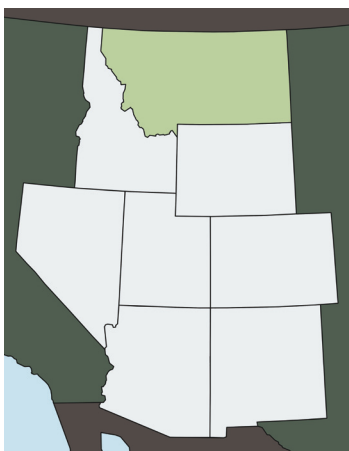|	
✓	Followed best practice
X	Did not follow best practice

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 Bloomberg; 2017 data also used for 2018.

MONTANA Budget Report Card

AN IMPROVEMENT IN MONTANA'S rainy day fund policies lifted its grade in reserve funds to an A in 2018 from D in both of the previous two years, although its past deficiencies left it with a three-year average of C for fiscal 2016 through 2018.

In 2017, the state enacted legislation establishing a budget stabilization reserve fund to be tapped in the event of a revenue shortfall. The first deposit of $45.7 million was planned for fiscal 2019. If general fund revenues exceed estimates by at least $15 million in a future fiscal year, half of the excess will be transferred into the rainy day fund on or before August 15 of the following fiscal period.

Before the law, Montana had attempted to maintain a financial cushion with its year-end budgetary balances. That failed to provide enough cash to smooth out the volatile income stream of a state heavily dependent on oil, natural gas, and mineral revenues.

The rainy day fund could be particularly helpful in future years, as Montana has limited budgetary forecasting functions— it lacks consensus estimates, as well as multiyear expenditure and revenue forecasts—and averaged a D in the category.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

MONTANA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	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

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	71%	73%	73%
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
CATEGORY GRADE	D	D	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	X	X	✓
Reserve Funds Replenishment Policy	X	X	✓
Reserves Tied to Revenue Volatility	X	X	✓
3-YEAR AVERAGE C		3-YEAR TREND ↗	

TRANSPARENCY

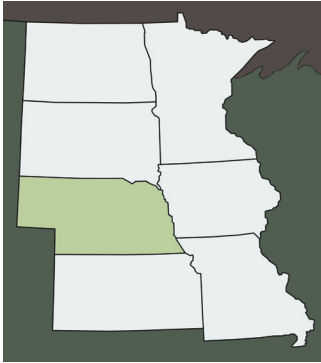|	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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** Bloomberg; 2017 data also used for 2018.

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NEBRASKA Budget Report Card

NEBRASKA WAS ONE OF ONLY eight states to average an A in legacy costs for fiscal 2016 through 2018. Its annual contributions to its public worker pension system were in line with actuarial determinations, and the plan had 90.2 percent of the assets needed to meet promised benefits as of 2017—almost 22 percentage points over the US total. Because Nebraska offers minimal health benefits to public worker retirees, it does not face the long-term unfunded liabilities—or the need for advance funding—for postemployment costs that most other states do.

The state's lowest mark was a C average in reserve funds. Nebraska failed to tie reserves to revenue volatility, and even though a cash reserve is mandated by statute, there are no clear guidelines for use of the funds.

While Nebraska's mark in budget maneuvers fell to a B in 2018 from an A in 2016 and 2017, it averaged an A for the three years studied. The 2018 drop was caused by the use of $61.2 million in one-time transfers to the general fund from special funds. They included $15 million from the Roads Operations Fund, $20 million from the Medicaid Intergovernmental Transfer Trust Fund, and $9 million from the Game and Parks Capital Maintenance Fund. A few transfers were made in 2017, but they were not large enough to lower the state's grade in the category that year.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

NEBRASKA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	89%	90%	90%
	3-YEAR AVERAGE A	3-YEAR TREND ↗	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

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NEVADA Budget Report Card

IN THE FIVE BUDGETARY CATEGORIES evaluated for fiscal 2016 through 2018, Nevada received a combination of C and B average grades, never ending up at the top or bottom.

The state's C average in budget forecasting stemmed from its failure to provide multiyear forecasts of expenditures or revenues. Since its dependence on revenue from tourism, gambling, and minerals creates a volatile income stream, long-term projections might be particularly helpful for planning.

Nevada's pension funded ratio of only 74.4 percent as of 2017 contributed to its three-year C average in legacy costs, as did its lack of adequate annual funding for other postemployment benefits, primarily health care.

In the reserve funds category, Nevada earned a B average. It missed getting an A because it does not tie its rainy day fund policies to revenue volatility—a best practice followed by nineteen states in 2018.

The state received B averages in budget maneuvers and transparency. Its budget maneuvers mark resulted from its shift of governmental services tax dollars to the general fund. For example, in fiscal 2016, $66.7 million was transferred to the general fund from the highway fund. The practice continued in fiscal 2017 and was to end in fiscal 2018, but the governor's budget moved $19.2 million to the general fund that year.

The transparency mark reflected Nevada's lack of disclosure of deferred infrastructure replacement costs. The state received credit for having a consolidated budget website, but some financial information, including the debt capacity report, proved difficult to find.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

NEVADA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		**3-YEAR TREND** —	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	72%	74%	74%
3-YEAR AVERAGE C		**3-YEAR TREND** —	

RESERVE FUNDS

	2016	2017	2018
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

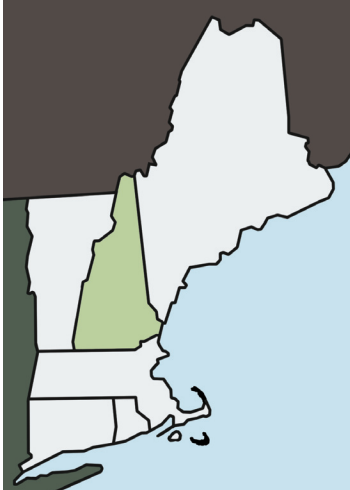|	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

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** Bloomberg; 2017 data also used for 2018.

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NEW HAMPSHIRE Budget Report Card

NEW HAMPSHIRE WAS one of sixteen states to earn an A average in budget maneuvers for fiscal 2016 through 2018. In doing so, it showed no evidence of deferring recurring expenditures or accelerating revenues, or using other one-time techniques to achieve budgetary balance.

That mark contrasts with the state's low averages in the budget forecasting and legacy cost categories. In budget forecasting for 2018, New Hampshire received the lowest grade possible, a D-minus, along with Alabama, Missouri, and North Dakota. New Hampshire's poor showing reflected a lack of information on how it derived its short-term projections of revenue growth. It also failed to employ other fundamental practices, including consensus revenue estimates and multiyear revenue and expenditure forecasts.

New Hampshire's insufficient funding of other postemployment benefit costs for public workers, principally health care, contributed to its D average in legacy costs. The accrued liability for these benefits is $2.1 billion, equivalent to almost half of the state's general fund budget in fiscal 2017. Although New Hampshire has fully funded its actuarially determined pension contributions in recent years, it often fell short in the past. Its pension funded ratio was only 62.6 percent as of 2017, almost six percentage points below the total for all states.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

NEW HAMPSHIRE Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓓ	Ⓓ	Ⓓ
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✗
3-YEAR AVERAGE Ⓓ		**3-YEAR TREND** ↘	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	Ⓓ	Ⓓ	Ⓓ
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	58%	63%	63%
3-YEAR AVERAGE Ⓓ		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
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** Bloomberg; 2017 data also used for 2018.

NEW JERSEY Budget Report Card

NEW JERSEY RECEIVED an average of D-minus in legacy costs for fiscal 2016 through 2018, the lowest mark possible. The grade shows how a precipitous drop in pension funding can compromise a state's ability to balance its budget and threaten its fiscal sustainability.

New Jersey's public worker pensions were over 100 percent funded in the first three years of the twenty-first century, partly because of the sale of $2.8 billion in pension obligation bonds in the 1990s. But the state slipped into underfunded territory in fiscal 2004, with a liability of $5.5 billion and a funded ratio of 93 percent. Pension funding slid relentlessly over the next thirteen years. Though New Jersey is one of the nation's wealthiest states, trailing only Connecticut and New York in personal income per capita, by June 30, 2017, its unfunded pension liability had reached $142.3 billion. That left it with only 35.8 percent of the assets needed to pay promised benefits.

The decline was exacerbated by the state's chronic underfunding of annual pension contributions and badly timed issuance of the pension bonds, which were sold at an annual interest rate of about 8 percent before the stock market plunge of 2000-02. The rout consumed part of the borrowed cash and left New Jersey to pay about $500 million annually in debt service costs through 2029.

In the face of its struggle to meet pension obligations, the state has resorted to one-time actions to keep budgets balanced. As a result, New Jersey scored a D average in budget maneuvers. While it did not defer recurring expenditures in 2018, it was one of only two states—alongside Illinois—to use planned asset sales to maintain budgetary balance that year. The 2018 budget included $321 million from the sale of excess broadband capacity, among other scheduled transactions. New Jersey also received a D average in budget forecasting for its lack of consensus revenue estimates and multiyear expenditure and revenue forecasts.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

NEW JERSEY Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	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			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	C
Deferring Recurring Expenditures	✓	X	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	X	✓
Using Asset Sales and Up-Front Revenues	X	✓	X
3-YEAR AVERAGE D		**3-YEAR TREND** ↗	

LEGACY COSTS			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	31%	36%	36%
3-YEAR AVERAGE D-		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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** —	

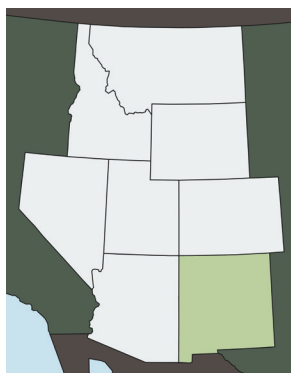| TRANSPARENCY			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

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 Bloomberg; 2017 data also used for 2018.

NEW MEXICO Budget Report Card

ALTHOUGH NEW MEXICO RECEIVED a C average in budget maneuvers for fiscal 2016 through 2018, the grade masks a decline to D, the second-lowest mark possible, in 2017 and 2018 from a B in 2016.

The budget maneuvers category tracks one-time actions a state may use to pay for recurring expenditures. In 2017 and 2018, New Mexico made many such moves to keep its budget in balance. These included using debt for operating costs and sweeping special fund money into the general fund. In 2017, for example, the state used about $82 million in nonrecurring revenues to bolster the budget, including transferring of cash balances from special funds and replacing cash allocated to capital spending with proceeds from severance tax bonds. New Mexico took similar actions involving severance tax bond proceeds and other transfers in fiscal 2018, increasing general fund assets by about $90 million in nonrecurring funds.

The state also averaged a D in legacy costs. Although it made its actuarially determined contributions for public worker pensions in all three years studied, New Mexico faces a large liability for other postemployment benefits (OPEB), chiefly health care. In recent years, the state has contributed about half of what actuaries determine is needed to achieve full OPEB funding.

New Mexico posted a B average in reserve funds. While policies are in place that govern the state's deposits into its general operating and tax stabilization reserves, reserve funds are not tied to revenue volatility—a critical flaw for a state that depends on revenue from oil and other natural resources.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

NEW MEXICO Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✔	✔	✔
Multiyear Expenditure Forecasts	✘	✘	✘
Multiyear Revenue Forecasts	✔	✔	✔
Revenue Growth Projections	✔	✔	✔
3-YEAR AVERAGE B		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
CATEGORY GRADE	B	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			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✘	✘	✘
Public Employee Pension Funding	✔	✔	✔
Public Employee Pension Funded Ratio*	65%	63%	63%
3-YEAR AVERAGE D		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
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** Bloomberg; 2017 data also used for 2018.

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NEW YORK Budget Report Card

WITH ITS 94.5 PERCENT pension funded ratio as of 2017, New York exceeded the overall level for states by about 26 percentage points. Only Wisconsin and South Dakota, with fully funded pensions, were in better shape. New York has been able to keep its ratio high by making its actuarially determined contribution for current and promised benefits each year.

Despite its record on pensions, New York garnered only a B average in legacy costs for fiscal 2016 through 2018 because it failed to fully fund its obligations for other postemployment benefits, chiefly health care. The unfunded actuarial accrued liability as of fiscal 2018 was $90.5 billion, including $72.8 billion for the state and $17.7 billion for the State University of New York.

The state scored even lower in budget maneuvers, receiving a D average, the second-lowest mark possible. Its deferral of recurring expenditures in 2018 contributed to the grade. The state borrowed $215 million from the New York Power Authority, a state-owned agency, in March 2009 and was supposed to repay the loan by September 30, 2017. But in fiscal 2017, it extended the payment plan to fiscal 2023. New York also borrowed $103 million from the authority in September 2009, with repayment scheduled by September 30, 2014. That was similarly extended, to installments stretching from fiscal 2015 to 2019.

In contrast, New York averaged a top mark of A in budget forecasting. It uses consensus revenue estimating, makes multiyear forecasts of revenues and expenditures, and produces clear explanations of the reasoning behind estimates of revenue growth. It received Bs in the reserve funds and transparency categories.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

NEW YORK Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	91%	95%	95%
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

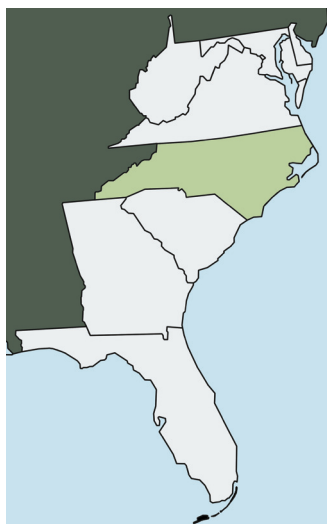|	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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** Bloomberg; 2017 data also used for 2018.

NORTH CAROLINA Budget Report Card

NORTH CAROLINA WAS ONE of only four states to achieve an A or B average in all five categories evaluated by the Volcker Alliance for fiscal 2016 through 2018. The other three were Maine, Oklahoma, and South Dakota.

The state averaged a top mark of A in budget forecasting, largely on its use of multiyear expenditure and revenue forecasts and of consensus revenue estimates. Although a consensus is not mandated by North Carolina's constitution or statutes, the process has been adopted informally and used consistently.

North Carolina got a B average in reserve funds; its C grades in 2016 and 2017 rose to an A in 2018 after the legislature more closely tied rainy day fund policies to revenue volatility. North Carolina's attention to its rainy day fund, which has grown tenfold since the Great Recession, paid off when Hurricane Florence hit the state in September 2018. After the storm, lawmakers authorized the drawdown of $756.5 million from the $2 billion Savings Reserve—the rainy day fund—to help finance recovery efforts.

The B average in legacy costs reflected the state's lack of actuarially recommended contributions for public workers' other postemployment benefits, mainly health care. In contrast, North Carolina funds its pensions according to actuarial guidelines, which has given it a funded ratio of 90.7 percent as of 2017—about 22 percentage points higher than the total for all states.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

THE VOLCKER ALLIANCE

NORTH CAROLINA Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
CATEGORY GRADE	B	A	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			
	2016	**2017**	**2018**
CATEGORY GRADE	C	B	B
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	88%	91%	91%
3-YEAR AVERAGE B		**3-YEAR TREND** ↗	

RESERVE FUNDS			
	2016	**2017**	**2018**
CATEGORY GRADE	C	C	A
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			
	2016	**2017**	**2018**
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

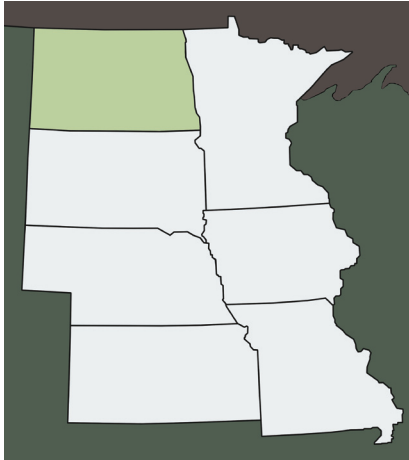| ✓	Followed best practice
✗	Did not follow best practice

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** Bloomberg; 2017 data also used for 2018.

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NORTH DAKOTA Budget Report Card

NORTH DAKOTA WAS ONE OF ONLY three states to get an average of D-minus, the lowest grade possible, in budget forecasting for fiscal 2016 through 2018 (Alabama and Missouri were the others). The state does not provide multiyear revenue or expenditure forecasts, lacks an explanation of its rationale for revenue growth projections, and fails to use consensus revenue estimates. Revenue estimates are left exclusively to the governor, although the legislature can develop and use its own forecasts when considering the budget.

Despite an oil drilling boom that has topped up North Dakota's coffers, the state received a D average in legacy costs. Its public employee pension had only 63.8 percent of the assets needed to meet promised obligations as of 2017, and the state fell short of making actuarially determined contributions for the program in all three years studied.

North Dakota earned a C average in transparency. Like most other states, it failed to disclose deferred infrastructure replacement costs. It also has limited disclosure of tax expenditures. A broader and more detailed view of tax exemptions and credits might let policymakers see the degree to which budgetary revenues are being forgone to attract or retain businesses.

In contrast, the state averaged an A in reserve funds. North Dakota ties its goals for reserves to revenue volatility, an important factor given its dependence on oil production.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

NORTH DAKOTA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	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

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	66%	64%	64%
3-YEAR AVERAGE D		**3-YEAR TREND** —	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

OHIO Budget Report Card

ALTHOUGH OHIO'S rainy day fund balance was the equivalent of a record high of 8.5 percent of general fund expenditures in fiscal 2018, the state received a C average in reserve funds for that year and the two previous years. The grade reflected the absence of a link between revenue volatility and reserve fund policies. The state also lacks rules governing withdrawals, although it does have policies for replenishment.

Ohio fared better in transparency, notching a B average for fiscal 2016 through 2018. A web-based interactive budget lets users click through a series of charts for information derived from the state's accounting system, including the breakdown of nontax and tax revenues and the portion of the budget spent on debt service, personnel, and equipment. Ohio missed receiving an A because it does not disclose deferred infrastructure replacement costs, a shortcoming shared by all but four states—Alaska, California, Hawaii, and Tennessee in 2017 and 2018.

Ohio also averaged a B in the budget maneuvers category. The state avoided one-time measures such as deferring recurring expenditures and funding spending with debt. Still, like thirty-two other states in fiscal 2017, Ohio used cash from special funds to help achieve general fund balance. For example, that year $255 million was transferred to the general fund from other government funds, according to the state's comprehensive annual financial report.

Ohio's worst grade was a D average in budget forecasting. The state does not provide multiyear revenue or expenditure forecasts beyond the second year of its biennial budget. It also lacks a formal consensus process for revenue estimating. The Legislative Service Commission and the governor's office prepare separate revenue estimates, often discussing the results informally. While legislators can choose between the forecasts, they have tended in recent years to accept the more conservative outlook or average the two.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

OHIO Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	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

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	71%	78%	78%

3-YEAR AVERAGE C   **3-YEAR TREND** —

RESERVE FUNDS

	2016	2017	2018
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

|	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

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OKLAHOMA Budget Report Card
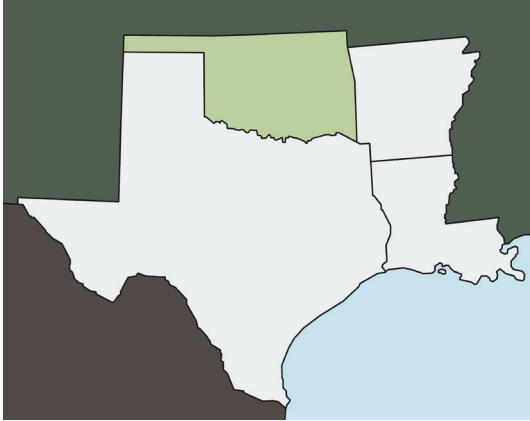
OKLAHOMA WAS ONE of only eight states receiving a top A average in legacy costs for fiscal 2016 through 2018. Unlike neighboring Texas, which posted a D-minus in the category, Oklahoma has made at least 100 percent of the actuarially determined contribution to its public worker pension plans since 2014.

It also earned an A average in reserve funds. Oklahoma has a constitutional mandate governing the replenishment of the rainy day fund. It requires that collections exceeding the Board of Equalization's itemized estimate of general revenues be deposited into the Constitutional Reserve Fund each year until the balance equals 15 percent of the prior fiscal year's general fund. It also spells out how the reserve fund can be used. The board—an independent body—is made up of the governor, lieutenant governor, treasurer, and attorney general, and several other officials.

The state's B average in budget maneuvers reflects repeated transfers of money into the general fund from special funds to create a balanced budget. For instance, the state moved $293 million into the general fund in 2018. Such one-time actions to cover recurring expenditures may not be sustainable.

Oklahoma also averaged a B in budget forecasting. While it used consensus revenue estimates and multiyear forecasts for revenues and expenditures, the state did not provide a rationale for its revenue growth projections. The legislature's Appropriations Report and the state's comprehensive annual financial report both say that revenue forecasts are adopted by the state Board of Equalization, but neither explains the forecasting process.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

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OKLAHOMA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✗	✗	✗
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	72%	78%	78%
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
CATEGORY GRADE	B	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

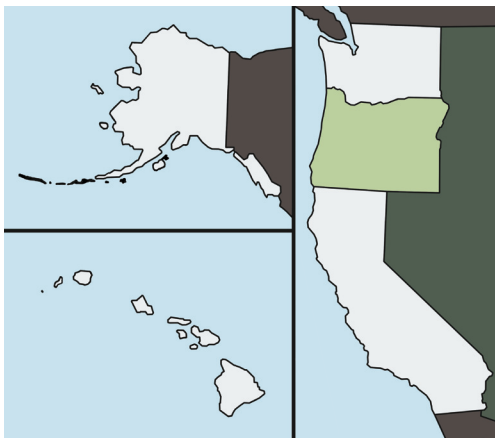|	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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** Bloomberg; 2017 data also used for 2018.

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OREGON Budget Report Card

IMPROVING ITS GRADE in budget maneuvers to A in 2018 from B the year before, Oregon became one of sixteen states to earn an A average in the category for fiscal 2016 through 2018. This category tracks one-time actions used to cover recurring expenditures and balance budgets. While Oregon's 2015-17 biennial budget contained many one-time allocations from special funds to meet obligations of the general fund, the state made no material transfers in 2018.

The state also achieved an A average in legacy costs, along with seven other states. For all three years studied, Oregon consistently made annual contributions recommended by actuaries for pensions and other postemployment benefits, primarily health care. Its pension funded ratio of 83.1 percent, as of 2017, was about 14 percentage points above the total for all states.

Oregon received a B average in the transparency category. Like most states, it did not disclose information about deferred infrastructure replacement costs, which are no less a long-term liability than pensions or debt.

The state's lowest grade was its C average in budget forecasting. Oregon did not use consensus revenue estimates or disclose multiyear expenditure forecasts. Longer-term forecasts could alert the state to possible budget stresses.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

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OREGON Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
CATEGORY GRADE	A	B	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

	2016	2017	2018
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	81%	83%	83%
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

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PENNSYLVANIA Budget Report Card

PENNSYLVANIA HAS STRUGGLED for years with a severe discrepancy between revenues and expenditures, which has bred a reliance on one-time actions to balance budgets. The use of such measures explains why Pennsylvania was the only state to average a D-minus, the lowest grade possible, in budget maneuvers for fiscal 2016 through 2018.

During that time, stalemates between the governor and legislature delayed budget passage and repeatedly threw the state into fiscal crisis. Pennsylvania, which also experienced budget impasses between 2007 and 2009, did badly in 2017 and 2018 in all four major criteria for that category: deferring recurring expenditures, shifting revenues and costs, funding recurring expenditures with debt, and using asset sales and upfront revenues to balance the budget.

In addition to using more common budget-balancing maneuvers, such as transferring $530 million to its general fund from special funds in fiscal 2018, the state, along with seven others, funded recurring expenses with debt in fiscal 2017 and 2018.

Pennsylvania also fared poorly in legacy costs, earning a D average—even though it made its full actuarially recommended pension contributions in 2017 and 2018. But the years that Pennsylvania skimped on contributions left it with a pension funded level of 55.3 percent as of 2017, versus 127 percent in 2000. It also failed to make the recommended contribution for other postemployment benefits, mainly health care.

In reserve funds, Pennsylvania earned a three-year average of C. Though its grade was bolstered by the use of policies to control the disbursement and replenishment of money in its rainy day fund, the state lost credit because the fund was almost empty in fiscal 2017 and 2018.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

PENNSYLVANIA Budget Report Card

BUDGET FORECASTING	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	X	X	X
Multiyear Expenditure Forecasts	✔	✔	✔
Multiyear Revenue Forecasts	✔	✔	✔
Revenue Growth Projections	✔	✔	✔
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS	2016	2017	2018
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	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	✔	✔
Public Employee Pension Funded Ratio*	53%	55%	55%
3-YEAR AVERAGE D		3-YEAR TREND ↗	

RESERVE FUNDS	2016	2017	2018
CATEGORY GRADE	B	C	C
Positive Reserve or General Fund Balance	✔	X	X
Reserve Funds Disbursement Policy	✔	✔	✔
Reserve Funds Replenishment Policy	✔	✔	✔
Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND ↘	

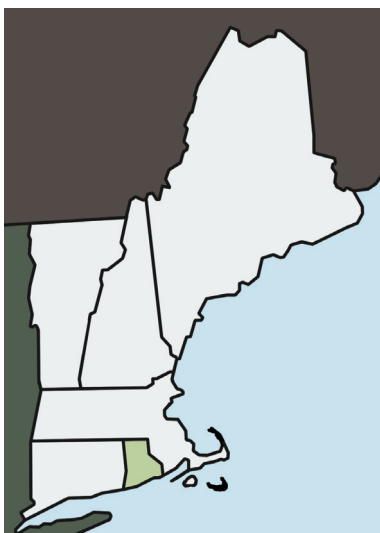| TRANSPARENCY	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✔	✔	✔
Provides Debt Tables	✔	✔	✔
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✔	✔	✔
3-YEAR AVERAGE B		3-YEAR TREND —	

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 Bloomberg; 2017 data also used for 2018.

RHODE ISLAND Budget Report Card

RHODE ISLAND'S BUDGET forecasting procedures, which are among the nation's most solid, earned the state a top A average in the category for fiscal 2016 through 2018. The state disclosed multiyear forecasts for expenditures and revenues, with further-looking estimates than those of most other states. Rhode Island's Revenue Estimating Conference, composed of the governor's budget officer and fiscal advisers to the house and senate, produces reports twice a year that contain forecasts for the current fiscal year and following four fiscal years, as well as the following five calendar years.

The state's poorest performance was in budget maneuvers, where it scored a C average. It did not use debt to pay for recurring expenditures in 2018—a maneuver it had used in the previous two years—but that positive move was offset by the infusion of $12.5 million in one-time revenue from a tax amnesty program that ended in February 2018. Such one-time cash might not be available to cover future recurring expenditures.

Rhode Island averaged Bs in the reserve funds and transparency categories. It missed an A in the former because it did not link rainy day fund policies to revenue volatility, a best practice followed by nineteen states in 2018; and in the latter by failing to disclose deferred infrastructure replacement costs, a shortcoming of all but four states in 2017 and 2018.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

RHODE ISLAND Budget Report Card

BUDGET FORECASTING			
	2016	2017	2018
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS			
	2016	2017	2018
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			
	2016	2017	2018
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	55%	55%	55%
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS			
	2016	2017	2018
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 —	

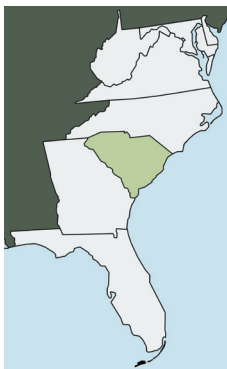| TRANSPARENCY			
	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

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 Bloomberg; 2017 data also used for 2018.

SOUTH CAROLINA Budget Report Card

SOUTH CAROLINA'S GRADES FOR fiscal 2016 through 2018 illustrate how chronic underfunding of public employee retirement costs can overshadow the achievements of an otherwise solid budgetary process.

The state earned an A average in budget forecasting. Its consensus revenue estimates are developed by the Board of Economic Advisors, which consists of voting members appointed by the governor and by each legislative house, as well as the director of the revenue department, who serves in a nonvoting capacity. The state also provides a clear rationale for forecasts. The board releases a *Three-Year General Fund Financial Outlook*, which describes the assumptions used in revenue forecasts.

The state also averaged an A in budget maneuvers by avoiding one-time measures such as deferring recurring expenditures, accelerating revenues, shifting revenues to the general fund from special accounts, and using debt to cover recurring expenditures.

In contrast, South Carolina received a D average, the second-lowest grade possible, in legacy costs, a category in which it has historically not made required contributions to other public workers' postemployment benefits (OPEB), such as health care. Since at least fiscal 2010, the state has not made more than 76 percent of the actuarially determined contribution (ADC) to its main OPEB vehicle, the South Carolina Retiree Health Insurance Trust Fund.

According to a 2015 report by the South Carolina Legislative Audit Council, public state pensions had been "significantly underfunded" for more than a decade and were likely to remain underfunded for at least the next thirty years. In fact, although South Carolina made its full ADC to pension plans in 2016 through 2018, its pension funded ratio was only 54.3 percent as of 2017, about 14 percentage points below the total for all states.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

SOUTH CAROLINA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE A	3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	54%	54%	54%
	3-YEAR AVERAGE D	3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

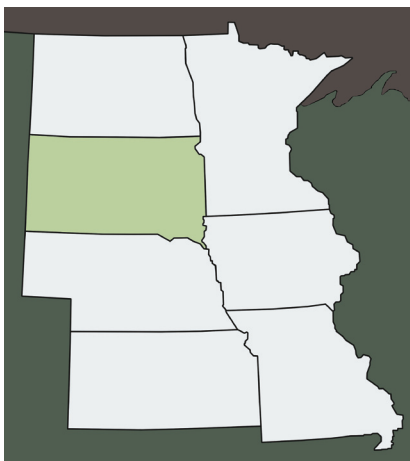|	2016	2017	2018
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
	3-YEAR AVERAGE C	3-YEAR TREND —	

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** Bloomberg; 2017 data also used for 2018.

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SOUTH DAKOTA Budget Report Card

SOUTH DAKOTA WAS ONE OF ONLY eight states to receive an A average for fiscal 2016 through 2018 in legacy costs, which include public employee pensions and other postemployment benefits (OPEB), chiefly health care. Wisconsin is the only other state whose pension system is 100 percent funded as of 2017. South Dakota also had no OPEB liability, as it stopped subsidizing these benefits in 2015.

Its B average in budget forecasting reflected an absence of consensus revenue estimates as South Dakota's one significant shortcoming. The state Bureau of Finance and Management, an executive branch agency, prepares revenue estimates with no input from the legislature.

In budget maneuvers, South Dakota averaged a B, with the annual mark slipping from A in 2016 to B in 2017 and 2018. In 2017, for example, the state paid for recurring expenditures with about $13 million in one-time cash from unclaimed property.

South Dakota also averaged a B in the transparency category. Like all but four states in 2017 and 2018, it failed to disclose deferred infrastructure replacement costs. The lack of such data may complicate a state's efforts to stir enthusiasm for repairing roads, bridges, and buildings before they fall into a dangerous state of disrepair.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

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SOUTH DAKOTA Budget Report Card

BUDGET FORECASTING	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS	2016	2017	2018
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 B		3-YEAR TREND ↘	

LEGACY COSTS	2016	2017	2018
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	97%	100%	100%
3-YEAR AVERAGE A		3-YEAR TREND —	

RESERVE FUNDS	2016	2017	2018
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	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

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TENNESSEE Budget Report Card

TENNESSEE STANDS WITH Alaska and California as the three states receiving an A average in transparency for fiscal 2016 through 2018. It scored a B average in Volcker's 2017 report, *Truth and Integrity in State Budgeting: What Is the Reality?*, in which we cited a lack of disclosure concerning deferred infrastructure replacement costs in budget documents. However, annual infrastructure reports prepared under statute by the Tennessee Advisory Commission on Intergovernmental Relations provide information equivalent to budgetary disclosures.

Tennessee's weakest grade was in budget forecasting, in which it averaged a C. Though the state produced consensus revenue estimates and explained the logic behind projections, it failed to disclose multiyear expenditure and revenue forecasts. Instead, Tennessee publicly projected revenues and expenditures for only two years.

The state has an almost fully funded public employee pension system, with 96.2 percent of the assets needed to meet promised obligations as of 2017, versus a US state total of 68.6 percent. Its B average in legacy costs stems from a failure to make actuarially recommended contributions to support other postemployment benefits, chiefly health care. The state has historically made about half of the annual contribution suggested by actuaries.

Tennessee scored an A average in reserve funds. It has policies for disbursing and replenishing reserves and ties goals for fund balances to revenue volatility.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

TENNESSEE Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✗	✗	✗
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		**3-YEAR TREND** —	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	96%	96%	96%
3-YEAR AVERAGE B		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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			
	2016	**2017**	**2018**
CATEGORY GRADE	B	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
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.
* **SOURCE** Bloomberg; 2017 data also used for 2018.

TEXAS Budget Report Card
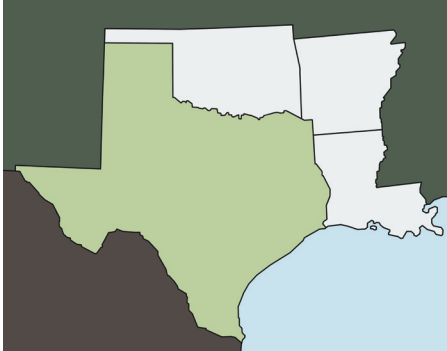
DESPITE TEXAS'S $12.5 billion rainy day reserve and triple-A credit ratings, most of its grades on budget practices for fiscal 2016 through 2018 show room for improvement.

The state's worst performance was in legacy costs—a D-minus, the lowest grade possible. Texas did not follow actuarial recommendations in making annual contributions for either its public employee pension plans or other postemployment benefits, mainly health care. Only five other states received an average grade of D-minus in legacy costs.

While Texas recorded a C average in forecasting, its annual mark in the category rose to B in 2018 from D in 2016 and 2017 after a legislative decision to experiment with long-term revenue and expenditure estimates. The General Appropriations Act for the 2018–19 biennial budget required the Legislative Budget Board to produce a report analyzing the impact of economic and demographic growth on state finances for ten fiscal years, September 2019 through August 2029. The legislature will then evaluate the process and determine whether to continue providing the long-term estimates.

Texas posted a B average in budget maneuvers, though its grade of B in 2017 fell to a C in 2018. The decline stemmed from the state's decision to expedite a sale of unclaimed securities, which added $500 million for spending in the 2018–19 biennial budget. If any of these securities are claimed in the future, they must be repaid.

Texas averaged an A in reserve funds, thanks to policies that specify when cash from the rainy day fund can be withdrawn and a timetable for its replacement. The state learned the hazards of operating with no cash cushion in 1988, when an oil bust crimped revenues and pushed it to establish the Economic Stabilization Fund. With a record balance in the fund as of November 2018, Texas is trying to ensure the ability to deliver basic services does not depend on unpredictable petroleum revenues and that reserve fund deposits are linked to the volatility of state revenues.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

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TEXAS Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	B
Consensus Revenue Forecasts	X	X	X
Multiyear Expenditure Forecasts	X	X	✓
Multiyear Revenue Forecasts	X	X	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE C		**3-YEAR TREND** ↗	

BUDGET MANEUVERS			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	C
Deferring Recurring Expenditures	X	✓	✓
Revenue and Cost Shifting	✓	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	X
3-YEAR AVERAGE B		**3-YEAR TREND** ↘	

LEGACY COSTS			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	73%	76%	76%
3-YEAR AVERAGE D-		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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** —	

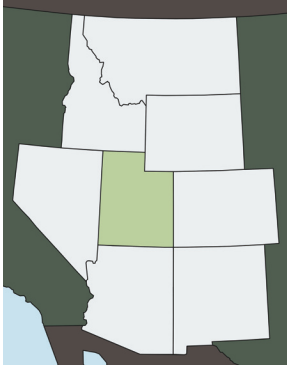| TRANSPARENCY			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

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 Bloomberg; 2017 data also used for 2018.

UTAH Budget Report Card

ALONG WITH CALIFORNIA, Idaho, and Tennessee, Utah earned an A average in three budgetary categories evaluated for fiscal 2016 through 2018. No state received more than three As.

Utah's top grade in reserve funds reflected its clear processes for disbursing and replenishing rainy day fund money. Among the policies, 25 percent of any revenue surplus is automatically transferred into reserves until they hit specified percentages of general fund and educational appropriations.

The state also received an A average in budget maneuvers by avoiding one-time revenue measures. It achieved the same grade in legacy costs by fully funding both its public worker pensions and other postemployment benefits, principally health care, in line with actuarial recommendations.

Utah's C average in transparency was attributable in part to its lack of regular tax expenditure reports, intended to help citizens and decision makers understand the state's forgone revenue.

Its C in budget forecasting stemmed from an absence of revenue or expenditure estimates beyond the current and upcoming fiscal year. However, after our fiscal 2018 research cutoff date of October 31, 2017, Utah improved its forecasting policies. A law enacted in March 2018 obligates the Office of the Legislative Fiscal Analyst to produce a long-term budget every three years for programs appropriated from major funds and taxes. It also requires periodic publication of revenue volatility analyses and of stress tests for estimated revenue under various economic scenarios.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

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UTAH Budget Report Card

BUDGET FORECASTING

		2016	2017	2018
	CATEGORY GRADE	C	C	C
	Consensus Revenue Forecasts	✓	✓	✓
	Multiyear Expenditure Forecasts	✗	✗	✗
	Multiyear Revenue Forecasts	✗	✗	✗
	Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE C		**3-YEAR TREND** —	

BUDGET MANEUVERS

		2016	2017	2018
	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

		2016	2017	2018
	CATEGORY GRADE	A	A	A
	Public Employee OPEB Funding	✓	✓	✓
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	86%	90%	90%
	3-YEAR AVERAGE A		**3-YEAR TREND** ↗	

RESERVE FUNDS

		2016	2017	2018
	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

|		2016	2017	2018
	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
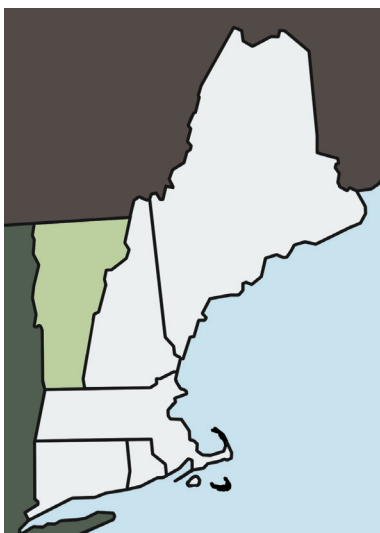
VERMONT IS THE ONLY STATE without a balanced budget law but follows the example of its peers. It achieved an A average in budget maneuvers for fiscal 2016 through 2018, largely by avoiding one-time measures to keep revenues in line with expenditures. The only exception came in 2017, with the state pushing $16.3 million of corporate income tax refunds to 2018, when they were paid. Delaying the payment until 2018 offset a shortfall in income tax receipts.

Vermont's lowest grade was its D average in legacy costs. Though the state made the actuarially required contributions to public employee pension plans, it was hurt by a pension funded ratio of only 64.3 percent as of 2017, compared with the US total of 68.6 percent.

Another reason for the low grade was the state's failure to follow actuarial recommendations for funding other postemployment benefits (OPEB), such as health care. According to the *Executive Budget Summary*, the actuary for the Vermont State Employees' Retirement System recommended a contribution of almost $75 million to the OPEB plan in fiscal 2018, over twice the budgeted contribution of $36 million.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

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VERMONT Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

BUDGET MANEUVERS

	2016	2017	2018
CATEGORY GRADE	A	B	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

	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	64%	64%	64%
3-YEAR AVERAGE D		**3-YEAR TREND** —	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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

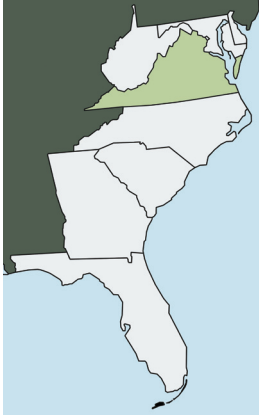| ✓	Followed best practice
✗	Did not follow best practice

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** Bloomberg; 2017 data also used for 2018.

VIRGINIA Budget Report Card

VIRGINIA SCORED STRAIGHT As in budget forecasting and reserve funds for fiscal 2016 through 2018. While the marks were fitting for a state with triple-A general obligation credit ratings, its performance in the three other categories showed how even a state with impeccable credit has room to improve its budgetary process.

Take legacy costs, in which Virginia averaged a D. It fell short of meeting actuarial recommendations for funding other postemployment benefits, chiefly health care, for all three years studied. The state also failed to match actuarial recommendations for funding pensions in fiscal 2016 and 2017. It succeeded in making the recommended contribution in 2018, however, which lifted its mark that year to a C.

Virginia averaged a C in transparency. Like forty-five other states, it failed to disclose deferred infrastructure replacement costs in 2018. It also neglected to produce regular tax expenditure reports. A measure requiring the Department of Taxation to report the fiscal, economic, and policy impact of sales and use tax exemptions was repealed in 2012. Although the legislature's Joint Subcommittee to Evaluate Tax Preferences publishes updates on the topic on its website, disclosures are neither consistent nor complete.

Virginia earned an A average in reserve funds by having policies in place that govern fund disbursement and replenishment and that link rainy day fund deposits to revenue volatility.

The state's top grade in forecasting stemmed from its consensus revenue estimates. They are prepared by the Joint Advisory Board of Economists and Governor's Advisory Council on Revenue Estimates, both of which are composed of gubernatorial and legislative members and outside experts. Economic outlooks from two consulting firms are adapted to reflect the state's economy using revenue data from the Virginia Department of Taxation, including the historical trend of general fund collections and applicable tax law changes. Meanwhile, the Department of Planning and Budget produces six-year revenue and expenditure forecasts.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

VIRGINIA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
CATEGORY GRADE	D	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

	2016	2017	2018
CATEGORY GRADE	D	D	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✓
Public Employee Pension Funded Ratio*	72%	77%	77%
3-YEAR AVERAGE D		3-YEAR TREND ↗	

RESERVE FUNDS

	2016	2017	2018
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

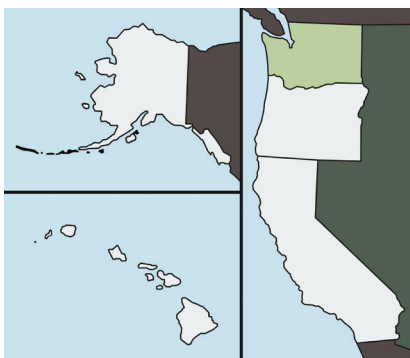|	2016	2017	2018
CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

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 Bloomberg; 2017 data also used for 2018.

WASHINGTON Budget Report Card

WASHINGTON EARNED A averages in budget forecasting and reserve funds for fiscal 2016 through 2018. At the same time, it received the second-lowest mark possible for its handling of legacy costs, including public worker pensions and other pos-temployment benefits (OPEB), such as health care.

Its top forecasting grade reflected Washington's disclosure of multiyear revenue and expenditure estimates. The state Economic and Revenue Forecast Council, which includes members of the legislative and executive branches, as well as the independently elected state treasurer, releases a quarterly budget forecast that currently includes expenditure projections through 2021.

Likewise, Washington's mark in reserve funds reflected its general fund balance of $3.3 billion at the beginning of fiscal 2018 in addition to a rainy day fund of $1.3 billion, according to the National Association of State Budget Officers. The state has policies for withdrawals and deposits, and it ties reserves to revenue volatility.

Although Washington's public worker pension funded ratio stood at 89.6 percent as of 2017, 20 percentage points above the total for states, it averaged only a D in legacy costs because it failed to make full actuarially determined contributions for either pensions or OPEB.

Washington earned B averages in the budget maneuvers and transparency categories. While the state avoided many one-time budgetary actions, including deferring recurring expenditures or using debt to cover operating costs, it shifted special fund revenues to the general fund. This practice may be unsustainable over time and may undermine past decisions about revenue allocation. Washington's only weakness in transparency was its failure to disclose deferred infrastructure replacement costs—a shortcoming it shares with forty-five other states.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

WASHINGTON Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	Ⓐ	Ⓐ	Ⓐ
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE Ⓐ		3-YEAR TREND ▬	

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	Ⓓ	Ⓓ	Ⓓ
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	84%	90%	90%
3-YEAR AVERAGE Ⓓ		3-YEAR TREND ↗	

RESERVE FUNDS

	2016	2017	2018
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

|	2016	2017	2018
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** Bloomberg; 2017 data also used for 2018.

WEST VIRGINIA Budget Report Card
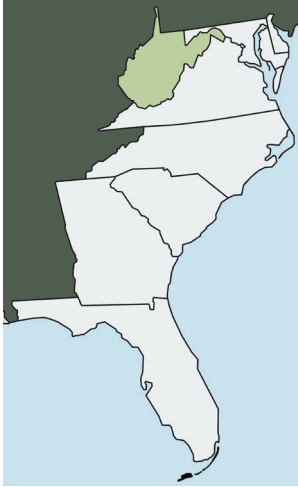
WEST VIRGINIA AVERAGED a B in budget maneuvers for fiscal 2016 through 2018. Such actions include using one-time revenue measures to pay for recurring expenditures. The state collected annual B marks in 2016 and 2018 but a C in 2017.

The 2017 grade resulted from the state's refinancing of $28 million in bonds. West Virginia received a premium over the face value of the bonds in the transaction, a fairly common feature of such sales nationwide. But rather than spread the upfront premium over the life of the bond, which matures in 2026, the state used the cash for near-term operating expenses.

West Virginia also scored a B average in budget forecasting. Its major weakness was a failure to use consensus revenue forecasts, a best practice ensuring that all parties involved in developing the budget agree to the same revenue figure. Instead, the governor's office develops the revenue forecast with minimal legislative input.

The state's poorest showing was in legacy costs, where it averaged a C. This was largely attributable to its failure to make the annual actuarially determined contribution for public workers' other postemployment benefits (OPEB), principally health care. As of June 30, 2017, West Virginia had an unfunded OPEB liability of $2.5 billion, slightly more than its general fund collections in 2018.

Because West Virginia has established policies for disbursement and replenishment of its reserve funds, it earned a B average in that category. It missed making an A by failing to tie reserves to revenue volatility.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

WEST VIRGINIA Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS

	2016	2017	2018
CATEGORY GRADE	B	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

	2016	2017	2018
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	72%	79%	79%
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS

	2016	2017	2018
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

	2016	2017	2018
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 Bloomberg; 2017 data also used for 2018.

WISCONSIN Budget Report Card

WISCONSIN WAS ONE OF ONLY two states—South Dakota was the other—to boast a 100 percent funded ratio for its public worker pension plan as of 2017. That, in addition to its full payment of actuarially determined contributions to pensions and other postemployment benefits, mainly health care, earned the state an A average in legacy costs for fiscal 2016 through 2018.

The state's lowest grade was in forecasting, where it averaged a D. Wisconsin did not use consensus revenue forecasting but relied on the executive branch's Department of Revenue to develop estimates used in the governor's biennial budget. It also failed to provide multiyear revenue or expenditure forecasts in the budget, presenting numbers only for the current biennium.

Wisconsin earned straight B averages in the other three budgetary categories. In budget maneuvers, bond refinancings in 2017 and 2018 pushed out principal payments to later years, a practice that helps support current expenditures at the expense of future budgets. The state's grade in reserve funds suffered from its failure to tie the level of fiscal reserves to revenue volatility, while its transparency mark reflected a lack of disclosure of deferred infrastructure replacement costs, a common weakness among states.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

WISCONSIN Budget Report Card

BUDGET FORECASTING			
	2016	**2017**	**2018**
CATEGORY GRADE	D	D	D
Consensus Revenue Forecasts	X	X	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			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	X	X	X
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

LEGACY COSTS			
	2016	**2017**	**2018**
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	**100%**	**100%**	**100%**
3-YEAR AVERAGE A		**3-YEAR TREND** —	

RESERVE FUNDS			
	2016	**2017**	**2018**
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** —	

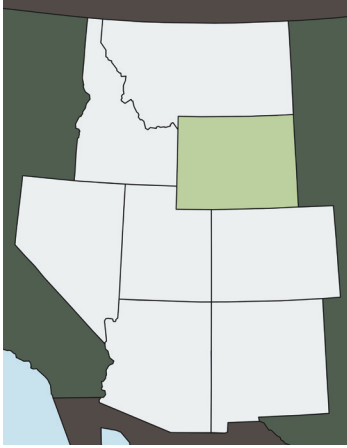| TRANSPARENCY			
	2016	**2017**	**2018**
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		**3-YEAR TREND** —	

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** Bloomberg; 2017 data also used for 2018.

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WYOMING Budget Report Card

WYOMING WAS ONE OF ONLY six states to receive an average grade of D-minus—the lowest grade possible—in legacy costs for fiscal 2016 through 2018. While its 75.9 percent funded ratio for public employee pensions, as of 2017, is about seven percentage points above the total for all states, Wyoming failed to make actuarially determined contributions for pensions and other postemployment benefits, mostly health care, in all three years. Skimping on annual payments builds up debt that has caused fiscal pain in many states.

The state averaged a C in transparency. Wyoming failed to disclose deferred infrastructure replacement costs and did not disseminate consistent or thorough information about tax expenditures. As required by statute, the state Department of Revenue estimates tax expenditure costs based on analyses of only four of the thirty-eight exemptions provided.

The state would have averaged better than a B in budget maneuvers had it not shifted funds to the general fund from the Permanent Wyoming Mineral Trust Fund to keep its budget in balance.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

WYOMING Budget Report Card

BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓

3-YEAR AVERAGE B   3-YEAR TREND —

BUDGET MANEUVERS

	2016	2017	2018
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

	2016	2017	2018
CATEGORY GRADE	D	D	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	73%	76%	76%

3-YEAR AVERAGE D   3-YEAR TREND —

RESERVE FUNDS

	2016	2017	2018
CATEGORY GRADE	D	C	C
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	X	X	X
Reserve Funds Replenishment Policy	X	✓	✓
Reserves Tied to Revenue Volatility	X	X	X

3-YEAR AVERAGE C   3-YEAR TREND ↗

TRANSPARENCY

	2016	2017	2018
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.
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